



ANNUAL REPORT 2022

 TFBank

ANNUAL REPORT FOR THE FINANCIAL YEAR 2022

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

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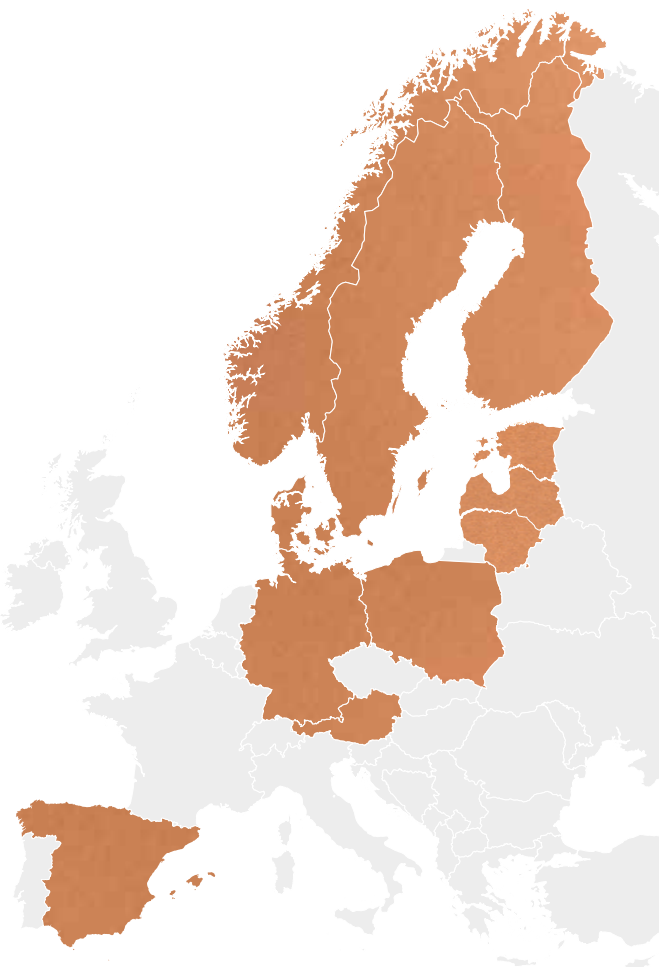
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Unless otherwise stated, all amounts are shown in thousands of Swedish kronor. The figures in brackets are for the previous year.

TF BANK 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 is taking place in carefully selected segments and markets. The business is conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany, Austria and Spain through branch or cross-border banking with the support of the Swedish banking license.

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



FINANCIAL CALENDAR

Interim report January-March 2023	17 April 2023
Annual General Meeting 2023	3 May 2023
Interim report January-June 2023	13 July 2023
Interim report January-September 2023	18 October 2023

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

The Annual General Meeting 2023 will be held on Wednesday 3 May 2023. Notice of the Annual General Meeting will be published no later than Wednesday 5 April 2023.

KEY FIGURES

SEK million	2022	2021
Operating income	1,413	1,055
Operating profit	434	353
Earnings per share, SEK	15.18	12.55
Loans to the public	14,654	10,872
New lending	16,318	11,187
Cost/Income ratio, %	43.3	41.9
Return on equity, %	23.6	24.4
Total capital ratio, %	15.6	16.2
Employees (FTE)	290	236

See separate section with definitions and reconciliation tables, page 72-73.

YEAR IN BRIEF

FINANCIAL PERFORMANCE 2022

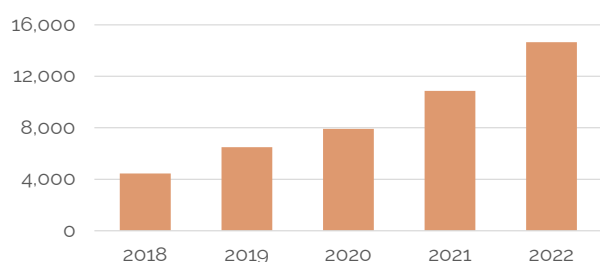
- The loan portfolio amounted to SEK 14,654 million, compared to December 2021 the increase in local currencies was 27 %
- Operating profit increased by 23 % to SEK 434.0 million
- Earnings per share increased by 21 % to SEK 15.18
- Cost/income ratio amounted to 43.3 % (41.9)
- Return on equity amounted to 23.6 % (24.4)
- Total capital ratio has decreased to 15.6 % (16.2)

SIGNIFICANT EVENTS 2022

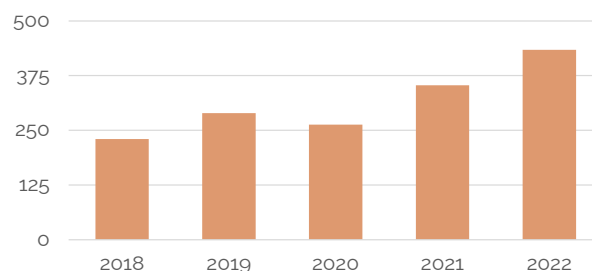
- During the year, the credit card business had a loan book growth of 93 % and economies of scale in the business model contributed to the operating profit improving by SEK 51 million.
- Within the Ecommerce Solutions segment, the Bank has launched cooperations with the major Nordic retailers Jollyroom and Haypp Group, which are collectively expected to generate an annual transaction volume of approximately SEK 3 billion.

Credit Cards is by far our fastest growing segment and the loan portfolio increased by 79 % in local currencies during 2022. We have seen a positive trend in the segments profitability during the year.

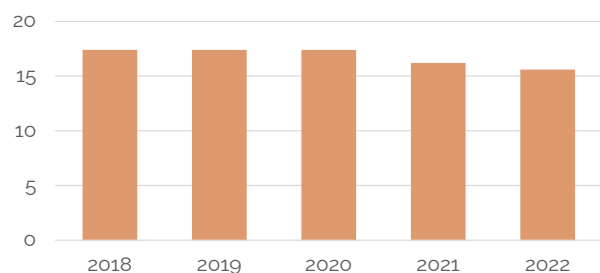
LOANS TO THE PUBLIC (SEK million)



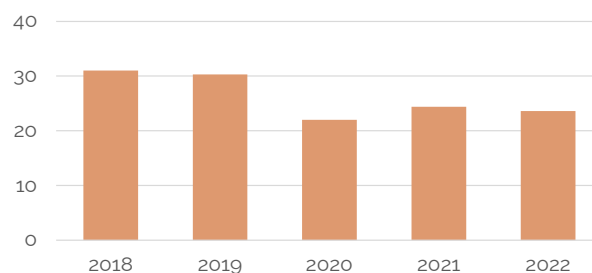
ADJUSTED OPERATING PROFIT (SEK million)¹



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 72-73.

CEO'S COMMENTS

Summary of the year 2022

The year 2022 has largely come to be marked by Russia's invasion of Ukraine, which was initiated in February. The war has primarily led to great human suffering for the population of Ukraine, but the rest of Europe has also been affected in different ways. During the summer there was great concern about the coming winter's energy scarcity and skyrocketing gas prices in Europe contributed to increasing an already high inflation rate. When summarising the year, we can determine that the scenario of a full-scale energy crisis in Europe has not yet been realised. With joint efforts, states and citizens have dealt with the challenges.

For TF Bank, 2022 has been characterised by continued growth with high profitability. The loan portfolio increased by 27 % in local currencies and the operating profit amounted to SEK 434 million – an increase of 23 % compared to 2021. During the second half of the year, profitability was slightly affected by higher financing costs that have not yet been fully passed on to lending customers, and in the fourth quarter we also had slightly higher credit losses. Overall, we still delivered a strong result with a return on equity that amounted to 24 %.

Changed macroeconomic environment

The macroeconomic environment has changed in 2022. At the beginning of the year, central banks in Europe stimulated the economy with extremely low interest rates and quantitative easing. In line with the increasing inflation, the monetary policy has been tightened with radical interest rate increases and quantitative easing tapering. However, the purchasing power of wage earners and the real value of deposits have already weakened due to the high rate of inflation.

The transition from a long period of extremely low interest rates is likely to be painful for many households and businesses. However, the economy changes in cycles and the current macroeconomic environment will eventually improve. A lower inflation rate is already in the cards as energy prices have decreased sharply from peak levels. As inflation dynamics change, optimism may return and negative media headlines may be replaced by more positive tones.



Diversified loan portfolio within Consumer Lending

Our largest segment, Consumer Lending, has been affected by the changing macroeconomic environment. This primarily applies to our Baltic business, which had higher credit losses during the fourth quarter. However, the credit quality of the Nordic loan portfolio, which makes up 73 % of the segment, has been favourable throughout the year. We also established business in Denmark and Spain during 2022, which means that the segment now is operational in ten countries.

During 2023, we plan for continued growth in a selected number of countries within the segment. Due to our flat organisational structure, the company management has the opportunity to influence where capital should be allocated. Nonetheless, the segment's credit loss level will most likely continue to increase in 2023 due to households' payment capacity being negatively affected by high inflation. At the same time, rising lending rates also mean that we expect an improved revenue margin going forward.

Growth and improved profitability for Credit Cards

Credit Cards is by far our fastest growing segment and the loan portfolio increased by 79 % in local currencies during 2022. We have seen a positive trend in the segments profitability during the year and the operating profit for the fourth quarter was SEK 22 million. Higher income from the growing loan portfolio in Germany and a lower C/I ratio have contributed to the improved profit in 2022.

We plan for continued profitable growth in the Credit Cards segment during 2023. In Germany, we had approx. 116,000 active credit cards at the end of the year and we continue to see great opportunities in the German market. At the same time, economies of scale in the business are expected to result in the segment's C/I ratio decreasing further going forward. The credit quality is developing according to our expectations and overall we assess that the segment has favourable conditions to deliver an attractive risk-adjusted return in the coming years.

Ecommerce Solutions takes market shares in the Nordics

TF Bank's digital payment solutions within the Ecommerce Solutions segment continue to gain market share. The loan portfolio increased by 24 % in local currencies while transaction volumes increased by 40 %. At the same time, statistics from Swedish Trade Federation show that turnover in e-commerce decreased by 9 % in Sweden during 2022. Our brand Avarda thus continues to strengthen its position in the Nordic e-commerce market.

In 2022, new cooperations were launched with, among others, Haypp Group and Jollyroom, which are expected to contribute to the segment's growth in 2023. The fourth quarter's record volumes are also expected to generate increasing income going forward. At the same time, there are challenges with passing on rapidly increasing financing costs to lending customers, especially in the Polish business.

Sustainability and social responsibility

Finally, a few words about sustainability and social responsibility. In a well-functioning social economy, access to a loan is a fundamental prerequisite for citizens to be able to balance cash flows over a life-time. However, for the economic system to be sustainable over time, the real value of deposits needs to be stable, which affects the cost of loans. The central banks' bitter medicine of sharply increased interest rates, which are expected to dampen the rate of inflation, is therefore necessary for long-term sustainable economic development.

TF Bank primarily contributes to the economy by transferring money from deposit customers to loans. Through responsible lending, we provide our customers with the opportunity to access products and services they are in need of. In 2022, we have also signed the UN's Global Compact and thus officially stand behind their ten principles for human rights, labour, the environment and anti-corruption. Among our other sustainability and social responsibility activities, it is worth mentioning that we finance the education of 47 school students in Kenya. Our sustainability report contains more information about this activity. It is my and the Bank's conviction that with a joint effort we can overcome future challenges in sustainability and social responsibility.



Mattias Carlsson
CEO

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, Credit Cards and Ecommerce Solutions, all of which benefit from the Bank's IT platform and models for credit scoring.

The yield is 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 new markets in Europe.

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 high efficiency

Efficiency and cost control have been TF Bank's mantra from start. To be able to take the step from decision to action without high costs and long lead times is one of the business' 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 IT platform and cost control throughout the business, we are able to achieve a high level of efficiency.

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, Norway and Austria. The number of issued cards has increased significantly over the past years and the utilisation rate has improved which is important for future growth.

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

TF Bank's credit card and ecommerce products collectively constitute new growth opportunities in line with the focus on organic growth. The Bank will continue to invest in the segments in the coming year.

TF BANK AS AN INVESTMENT

We have found a business model that works well for our type of business, and we are well on our way to achieving our financial targets.

John Brehmer has been a Board member of TF Bank since 2010 and Chairman of the Board since 2020. He has been involved in establishing what is now TF Bank. John came in contact with TF Bank when Consortio Invest, which he founded in collaboration with a number of other investors, acquired the Haléns Group in 2007. The intention was to transform a traditional mail-order business into a modern online retailer. The embryo of what is now TF Bank was Haléns Finans, which was part of the Haléns Group at the time. After the acquisition, a journey began to take the Bank to where it is today.

- There is often talk about the advantages of management owning shares in the company they run, and I personally think that is a very good principle.

All members of the Senior Management team and the majority of the Board members are shareholders in TF Bank. Hence, there is a strong incentive for both the Senior Management team and the Board to lead the company in a growth-oriented, but responsible manner.

- I see no difference in my own ownership in the Bank compared to any other shareholder. We are all in the same boat and it is the responsibility of the Board and Management to deliver the best risk-adjusted return possible for all shareholders. Therefore, I believe that TF Bank can be considered a good example of a company that benefits from its senior executives investing in the company.

- Making decisions based on our own business principles and not be governed by the actions of our competitors has been one of the cornerstones of TF Bank's business model since its establishment. Our focus has never been on achieving a certain market share, instead we have always directed our operations to where we can get the best return on the capital we allocate at any given point in time.



TF Bank is characterised, among other things, by a diversified geographical presence. It is a clear advantage to be able to quickly adapt our operations to changing conditions at macro level. In turbulent times, with both a pandemic and a war in the geographic vicinity, the Bank therefore has greater opportunity to reallocate resources to markets where the risk-adjusted return is deemed to be best.

- TF Bank's business is built on a combination of a well-functioning business model, a growing market demand for our services, as well as a strong and clear customer focus and thus I see an incredibly exciting future ahead for the Bank. These factors will enable us to make more and more deals and to gain renewed trust from existing customers.

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 2022, the closing price of the share was SEK 176.60. Since the listing TF Bank has paid out a total of SEK 8.75 per share in dividend to shareholders. The market capitalisation at the end of the year was SEK 3,797 million.

Turnover and volume

The share trades under the ticker name TFBANK and the ISIN code is SE0007331608. At the end of December 2022, the share closed at SEK 176.60, an decrease of 23 % during the year. In total, 3.3 million shares worth approximately SEK 587 million were traded on Nasdaq Stockholm during 2022.

Share capital and number of shares

TF Bank's share capital is SEK 107,500,000. The Company has 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 (AGM).

Dividend policy

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

Institutions following TF Bank

ABG Sundal Collier, Carnegie and Nordea are following the company. At the end of 2022, two institutions had issued a buy recommendation for the TF Bank share and one institution had issued a hold recommendation.

Ownership of TF Bank AB as at 31 December 2022

Shareholder	%
TFB Holding AB	30.31
Tiberon AB	15.07
Erik Selin Fastigheter AB	12.55
Proventus Aktiebolag	5.16
Nordnet Pensionsförsäkring AB	4.34
Jack Weil	4.25
Merizole Holding LTD	2.47
Carnegie fonder	1.80
Skandia fonder	1.31
Avanza pension	1.26
Other shareholders	21.48
Total	100.00

Source: Euroclear
(for more information see page 82 Corporate governance report)

3,727

Number of shareholders
31 December 2022

23.6 %

Return on
equity

SEK 243,00

Highest closing price
during 2022



GEOGRAPHICAL PRESENCE

The Nordics

The Nordic business accounts for 60 % of TF Bank's total loan portfolio. At the end of the year, the Bank's largest exposures in the Nordics were towards Norway at 29 % and Finland at 22 %.

During the year, lending operations have been established in Denmark within the Consumer Lending segment. The loan portfolio in Denmark amounted to 46 million DKK at the end of the year.

Within the Ecommerce Solutions segment, the Bank launched cooperations with the major Nordic retailers Jollyroom and Haypp Group, which are collectively expected to generate an annual transaction volume of approximately SEK 3 billion.



The Baltics and Poland

The Baltic and Polish businesses account for 21 % of TF Bank's total loan portfolio. The Baltic countries have fast-growing credit markets with several established Nordic companies operating locally.

Lending operations in Latvia and Lithuania have been established within the Ecommerce Solutions segment after an agreement was made with one of the countries' largest online retailers, Pigu Hobby Hall Group.

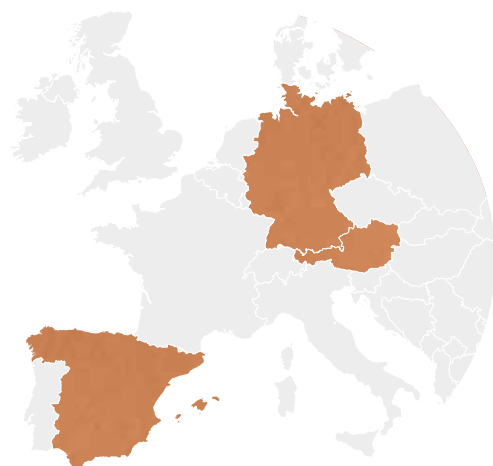
In Poland, the Bank's new lending within the Consumer Lending segment ceased during the fourth quarter of 2020.

West and central Europe

TF Bank has strengthened its position on the German market through deposit and credit card products. The German credit card business accounts for 18 % of the Bank's total loan portfolio, and the German deposit products account for 79 % of the Bank's total deposit from the public.

Lending operations have been established in Austria within the Credit Cards segment with a similar offer as in the German market.

Lending operations have also been established in Spain within the Consumer Lending segment. The loan portfolio in Spain amounted to 3.6 million EUR at the end of the year.



LOAN PORTFOLIO PERFORMANCE IN 2020-2022 (SEK MILLION)



DIRECTORS' REPORT

TF Bank AB (publ), 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, Austria and Spain through branch or cross-border banking with the support of the Swedish banking license. The operations are divided into three segments: Consumer Lending, Credit Cards and Ecommerce Solutions. 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 Credit Cards segment TF Bank offers credit cards to creditworthy individuals. 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.

Significant events during the year

New agreements for continuing the sale of past due receivables have been signed in several markets within all segments.

Lending operations in Austria have been established in the Credit Cards segment with a similar offer as the German market.

At the Annual General Meeting 3 May, it was resolved to pay a dividend of SEK 1.00 per share. John Brehmer was re-elected as Chairman of the Board while Fredrik Oweson and Niklas Johansson were newly elected members of the Board. Bertil Larsson and Charlotta Björnberg-Paul had declined re-election. The other members of the Board were re-elected at the Meeting.

In June, TF Bank began a cooperation with Haypp Group in the Norwegian market through the brand Avarda, which is expected to generate close to NOK 1 billion in yearly transaction volumes.

Lending operations in Latvia and Lithuania have been established in the Ecommerce Solutions segment, this after an agreement was reached with one of the countries' largest online retailers Pigu Hobby Hall Group.

Lending operations in Denmark and Spain have been established in the Consumer Lending segment and a service subsidiary has been established in Spain.

TF Bank's Swedish subsidiary TFB Service AB has been granted a licence to operate as a deposit taking financial institution by the Swedish Financial Supervisory Authority. The intention is to transfer the Nordic operations of Ecommerce Solutions to a separate entity.

During the year, the credit card business had a loan book growth of 93 % and economies of scale in the business model contributed to the operating profit improving by SEK 51 million.

Within the Ecommerce Solutions segment, the Bank signed an agreement and, at the end of December, launched a cooperation with the major Nordic retailer Jollyroom, which is expected to generate an annual transaction volume of roughly SEK 2 billion.

Significant events after the end of the financial year

The Board has appointed Joakim Jansson as the new CEO, starting no later than August 2023. The current CEO Mattias Carlsson will remain with the company as a Senior Business Advisor.

The Swedish Financial Supervisory Authority has given TF Bank permission to use the Alternative Standardised Approach to calculate the capital requirement for operational risk. The change results in the capital requirement for operational risk being significantly closer to the business' own perception of its operational risks. The approval has strengthened TF Bank's capital situation as of 31 December 2022.

FIVE-YEAR OVERVIEW ¹

SEK thousand	Parent company			Group	
	2022	2021	2020	2019	2018
Income statement					
Operating income	1,412,801	1,055,287	876,070	768,864	627,641
Operating expenses	-611,229	-442,165	-340,755	-290,875	-247,536
Net loan losses	-367,569	-260,564	-272,676	-188,634	-150,272
Operating profit	434,003	352,558	262,639	289,355	250,128
Profit for the year	340,805	277,206	202,719	221,926	191,826
Earnings per share, SEK	15.18	12.55	9.11	10.01	8.75
Balance sheet					
Loans to the public	14,654,373	10,872,285	7,922,448	6,495,780	4,449,225
Deposits from the public	16,108,130	11,504,749	8,714,032	7,197,075	5,096,463
New lending	16,318,310	11,186,800	7,304,603	6,037,302	4,518,697
Key figures					
Operating income margin, %	11.1	11.2	12.2	14.0	16.5
Net loan loss ratio, %	2.9	2.8	3.8	3.4	4.0
Cost/Income ratio, %	43.3	41.9	38.9	37.8	39.4
Return on equity, %	23.6	24.4	22.0	30.3	33.8
Return on loans to the public, %	2.6	2.9	2.7	3.9	4.9
Return on assets, %	2.1	2.3	2.1	3.0	3.6
CET1 capital ratio, % ²	12.3	12.3	12.8	12.7	13.0
Tier 1 capital ratio, % ²	13.9	14.3	14.2	14.3	15.2
Total capital ratio, % ²	15.6	16.2	17.4	17.4	17.4
Employees (FTE)	290	236	187	174	140
Adjusted key figures ³					
Operating profit	434,003	352,558	262,639	289,355	250,128
Items affecting comparability ³	-	-	-	-	-20,295
Adjusted operating profit	434,003	352,558	262,639	289,355	229,833
Adjusted tax on profit for the year	-93,198	-75,352	-59,920	-67,429	-53,837
Adjusted profit for the year	340,805	277,206	202,719	221,926	175,996
Adjusted earnings per share, SEK	15.18	12.55	9.11	10.01	8.01
Adjusted return on equity, %	23.6	24.4	22.0	30.3	31.0
Adjusted return on loans to the public, %	2.6	2.9	2.7	3.9	4.5
Adjusted return on assets, %	2.1	2.3	2.1	3.0	3.3

EXCHANGE RATES

SEK	2022	2021	2020	2019	2018
EUR Income statement (average)	10.63	10.14	10.49	10.59	10.25
EUR Balance sheet (end of reporting period)	11.13	10.23	10.04	10.43	10.28
NOK Income statement (average)	1.05	1.00	0.98	1.07	1.07
NOK Balance sheet (end of reporting period)	1.06	1.03	0.95	1.06	1.02
PLN Income statement (average)	2.27	2.22	2.36	2.46	2.41
PLN Balance sheet (end of reporting period)	2.37	2.23	2.22	2.44	2.39

¹ In order for the five-year overview to reflect a true and fair view, comparative figures for 2018-2019 relates to the Group with TF Bank AB as Parent Company. Comparative figures 2018-2019 for the Parent Company is presented on page 71.

² The figures for operational risk as of December 2022 are calculated according to the Alternative Standardised Approach. The figures as of December 2018 to 2021 are calculated according to the Standardised Approach, for further information see Note 31.

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 72-73.

RESULTS AND FINANCIAL POSITION

Operating profit

Operating profit increased by 23 % to SEK 434.0 million (352.6). Higher operating income from the growing loan portfolio contributes to the increasing operating profit. Earnings per share increased by 21 % to SEK 15.18 (12.55). Return on equity amounted to 23.6 % (24.4).

Operating income

TF Bank's operating income has increased by 34 % to SEK 1,413 million (1,055). The operating income comprises 89 % net interest income and 11 % net fee and commission income in the interim period. The operating income margin has been stable compared to 2021 and amounted to 11.1 % (11.2).

Interest income

Interest income increased by 37 % to SEK 1,473 million (1,074). The increase is attributable to the growing loan portfolio and geographically it was primarily Germany that had higher interest income. The weakened SEK has also had a positive impact on the interest income compared to 2021.

Interest expense

TF Bank's interest expenses increased by 75 % to SEK 210.3 million (120.4). Growing deposit balances in Germany is the main reason behind this increase. Higher costs for the deposit guarantee and increasing financing costs from the third quarter has also contributed to the higher interest expenses.

Net fee and commission income

Net fee and commission income increased by 41 % to SEK 149.5 million (106.2). The increase is mainly attributable to higher fee and commission income within the Ecommerce Solutions segment as well as increasing insurance income within the Consumer Lending segment. During the year, 44 % of TF Bank's fee and commission income derived from charges and 56 % from insurance premiums and other income.

Operating expenses

TF Bank's operating expenses increased by 38 % to SEK 611.2 million (442.2). The increase is mainly explained by more employees and higher sales-related expenses as a result of an increase in new lending. TF Bank's C/I ratio amounted to 43.3 % (41.9) and is negatively affected by increasing direct marketing costs in the Credit Cards segment.

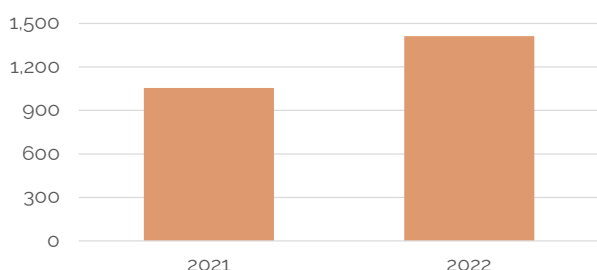
Net loan losses

The loan losses increased by 41 % to SEK 367.6 million (260.6). The growing loan portfolios in the Credit Cards and Ecommerce Solutions segments contribute to an increase in the net loan losses in absolute terms and the loan loss ratio amounted to 2.9 % (2.8).

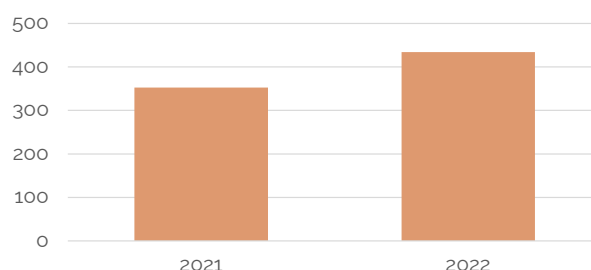
Tax expense

TF Bank's tax expenses increased to SEK 93.2 million (75.4). The increase in the tax expenses is related to a higher operating profit.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



RESULTS AND FINANCIAL POSITION

Loans to the public

The loan portfolio amounted to SEK 14,654 million (10,872), an increase in local currencies of 27 % compared to December 2021. Positive currency effects impacted the loan portfolio growth by another 8 %. New lending increased by 46 % to SEK 16,318 million (11,187) compared to 2021. The increase is affected by record volumes in all segments.

TF Bank's loan portfolio is well-diversified with relatively small exposures in several different geographic markets. At the end of the year, the exposure towards the three largest countries was Norway at 29 %, Finland at 22 % and Germany at 18 %. The main driver of the past year's loan book growth has been the German credit card business.

Deposits from the public

Deposits from the public amounted to SEK 16,108 million (11,505), an increase in local currencies of 30 % compared to December 2021. Positive currency effects have affected the deposit balance by another 10 %. At the end of the year, deposits were geographically distributed between Germany at 79 %, Norway at 17 %, Sweden at 2 % and Finland at 2 %.

Over the past year, the increased deposit balance is attributable to Germany and mainly relates to savings accounts with variable interest rate. During the second half of the year, deposit interest rates with both variable and fixed rates have been raised in Germany and Norway. At the end of the year, accounts with a fixed term comprises of 32 % of TF Bank's total deposits.

Cash and cash equivalents

Cash and cash equivalents increased to SEK 3,526 million (2,366) during the year. The increase is primarily attributable to the cash flow from operating activities, which amounted to SEK 1,048 million. Positive currency effects have had an impact on cash and cash equivalents by SEK 197 million (36).

At the end of 2022, the available liquidity reserve amounted to 20 % (19) ¹ of deposits from the public. To optimise the risk-adjusted return on the liquidity reserve, funds were moved from central banks and placed in treasury bills eligible for refinancing during the second half of the year.

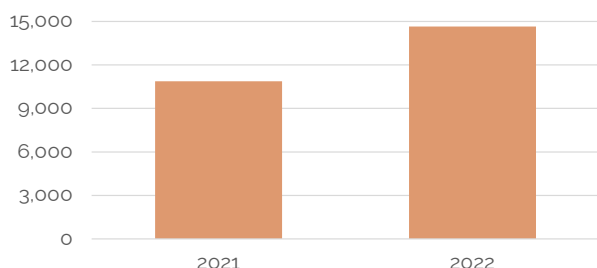
Capital adequacy

At the end of the year, the CET1 capital ratio amounted to 12.3 % (12.3) ², the tier 1 capital ratio was 13.9 % (14.3) ², and the total capital ratio was 15.6 % (16.2) ². All capital ratios have been negatively affected by the growth of the loan portfolio and by an increased phase-in of loan loss provisions according to the transitional rules for IFRS 9.

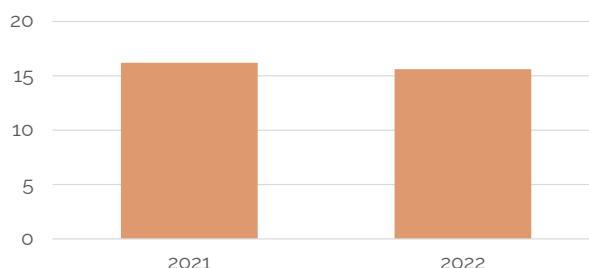
The Swedish Financial Supervisory Authority has given TF Bank permission to use the Alternative Standardised Approach to calculate the capital requirement for operational risk. The change results in the capital requirement for operational risk is significantly closer to the business' own perception of its operational risks. The approval has strengthened all TF Bank's capital ratios with approximately 1 percentage point as of 31 December 2022.

TF Bank's regulatory CET 1 capital requirement amounted to 8.5 % by the end of the year, the tier 1 capital requirement to 10.2 % and the total capital requirement to 12.6 %. Announced increases of counter-cyclical buffer requirements in several countries are expected to increase the regulatory capital requirement with 0.5 percentage points over the coming 12 months.

LOANS TO THE PUBLIC (SEK million)



TOTAL CAPITAL RATIO (%)



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

² The figures for operational risk as of December 2022 are calculated according to the Alternative Standardised Approach. The figures as of December 2021 are calculated according to the Standardised Approach, for further information see Note 31.

CONSUMER LENDING



In the Consumer Lending segment, TF Bank offers unsecured consumer loans to creditworthy individuals. The product offering differs between the various markets and is adjusted according to the specific conditions in each country. As of 31 December 2022, the average loan amount per customer was approximately SEK 69 thousand. During the year, operations were established in Denmark and Spain.

The Nordic loan portfolio comprises 73 % of the segment. The Nordic markets for consumer loans are characterised by credit information that is easy to access, a high share of credit intermediaries, and a well-functioning system for collection of unpaid debts.

The loan portfolio outside of the Nordics comprises 27 % of the segment, the majority of which is in the Baltics. The Baltic countries have fast-growing credit markets with several established Nordic companies operating locally. In Poland, new lending was discontinued during the fourth quarter of 2020.

TF Bank has been a safe and secure lender since 1987.

The cornerstone of our product is responsible lending. We ensure a thorough credit assessment in each individual case through our established credit granting process. We offer our customers personal service in their local language across all markets and always try to design our product according to the conditions in each respective market.

Despite cultural similarities between Denmark and Sweden, there are local solutions, regulations, and adaptations that we need to consider when introducing a new product on the market. A major difference between the Nordic markets is the availability of data used to build models for credit assessment and risk management. During the year, we have established lending operations in Denmark. In this market, we have launched our product on a small scale in order to be able to evaluate the market. When we have expanded our knowledge of the market and built a more reliable credit assessment process, we will make a decision about a possible escalation of our operations in the market.

*Johan Flodén,
Country Manager for Consumer Lending
Sweden and Denmark*

CONSUMER LENDING

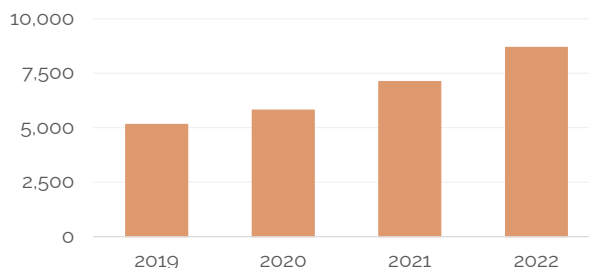
The loan portfolio

The loan portfolio amounted to SEK 8,681 million (7,114), an increase in local currencies of 15 % compared to December 2021. Positive currency effects have had an impact on the loan portfolio's growth of another 7 %. New lending has increased by 25 % to SEK 5,913 million (4,721) compared to 2021.

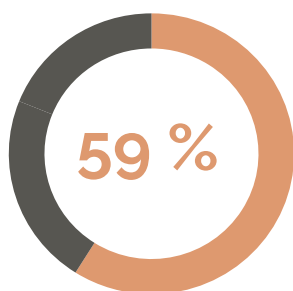
The Nordic loan portfolio amounted to SEK 6,301 million (5,411), compared to December 2021 this is an increase in local currencies of 11 %. The loan portfolio in Norway has increased by 8 % to NOK 3,243 million (2,998) over the past year. The growth in Norway is characterised by stable margins and favourable credit quality. The loan portfolio in Finland has increased by 13 % to EUR 202 million (179). The Swedish loan portfolio amounted to SEK 567 million (506) at the end of the year and the new loan portfolio in Denmark amounted to DKK 36 million (-).

The loan portfolio in the Baltics has increased by 31 % to EUR 202 million (154) over the past year. The growth has mainly been generated in Lithuania. The Polish loan portfolio decreased to PLN 37.3 million (54.2). At the end of the year, the new loan portfolio in Spain amounted to EUR 3.6 million (-).

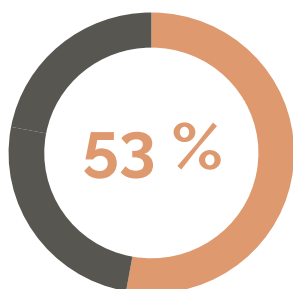
LOAN PORTFOLIO (SEK million)



SHARE OF THE BANK'S LOANS TO THE PUBLIC



SHARE OF THE BANK'S OPERATING INCOME



Results

The operating profit increased by 11 % to SEK 342.9 million (308.3). The loan portfolio has continued to grow with good credit quality which has had a positive effect on operating profit.

The operating income increased by 16 % to SEK 746.5 million (645.0). The operating income margin has, however, decreased to 9.5 % (10.0), which is partly due to a certain time lag before rising financing costs can be passed on to lending customers.

The operating expenses increased by 28 % to SEK 245.3 million (192.1). The increase is, among other things, attributable to volume-related costs and expenses for the Bank's central functions. The C/I ratio increased to 32.9 % (29.8) during the year.

The loan losses increased by 9 % to SEK 158.2 million (144.5). The loan portfolio has increased with good credit quality during the year and the loan loss ratio has decreased to 2.0 % (2.2).

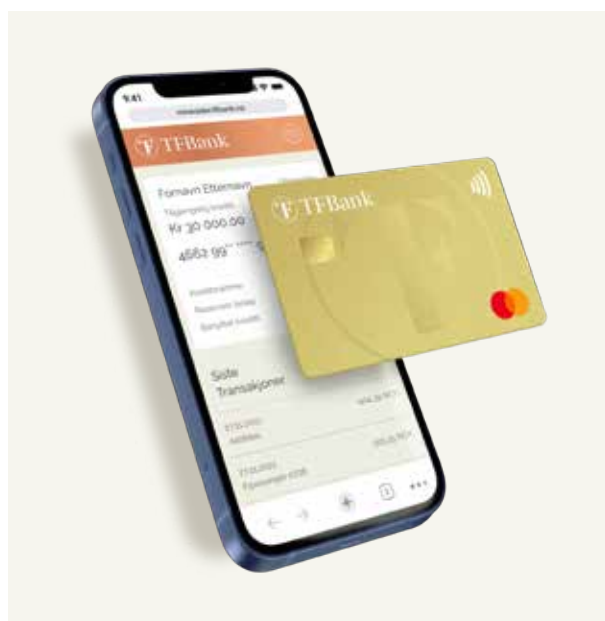
For further information about the loan portfolio and results of this segment, see Note 4 Segment reporting.

CREDIT CARDS



In the Credit Cards segment, TF Bank offers credit cards to creditworthy individuals in Germany, Norway and Austria. The business in Germany started in the end of 2018. At the offices in Berlin and Szczecin, 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 since the first quarter of 2022, the credit card is compatible with both Google and Apple Pay. By the end of the year, the number of active German credit cards amounted to approximately 116,000.

The offering in Norway has been part of the Bank since 2015. By the end of the year, the number of active Norwegian credit cards amounted to approximately 19,000. During 2022, the Norwegian credit cards have been transferred from VISA to Mastercard, which has contributed to a streamlining of TF Bank's credit card business. During the first quarter of 2022 credit cards in Austria was launched with a similar offer as in Germany. By the end of the year, the number of active credit cards in Austria amounted to approximately 6,000.



Maximum
SEK 150,000
in credit limit



Up to 30 %
discount via
loyalty program



No fees

CREDIT CARDS

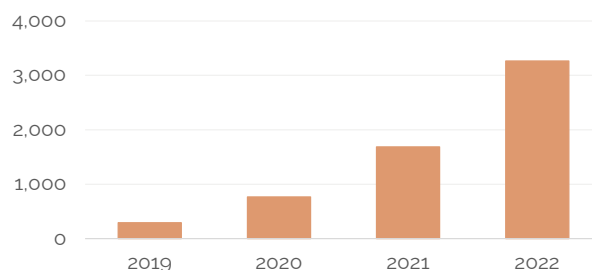
The loan portfolio

The loan portfolio amounted to SEK 3,264 million (1,688), an increase in local currencies of 79 % compared to December 2021. Positive currency effects impacted the loan portfolio growth by another 14 %. The new lending has increased by 117 % to SEK 5,306 million (2,447). The increase is mainly related to the operations in Germany.

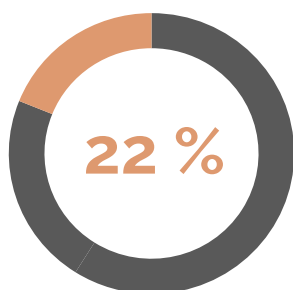
The loan portfolio in Germany has increased by 72 % to EUR 240 million (139) over the past year. The growth is primarily attributable to an increased number of issued credit cards. Increased direct marketing in digital channels and a modified credit strategy have had a positive effect on growth during the year.

The loan portfolio in Norway has increased by 81 % to NOK 470 million (259) over the past year. The volumes have increased significantly due to a changed credit strategy which has resulted in a significant increase in the utilisation rate on the credit cards. The loan portfolio in Austria amounted to EUR 9.1 million (-) at the end of the year.

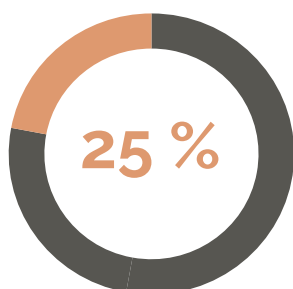
LOAN PORTFOLIO (SEK million)



SHARE OF THE BANK'S LOANS TO THE PUBLIC



SHARE OF THE BANK'S OPERATING INCOME



Results

The operating profit amounted to SEK 38.9 million (-12.0). Higher income from the growing loan portfolio in Germany and a lower C/I ratio contributed to the improvement.

The operating income increased by 127 % to SEK 355.1 million (156.6). The increase is mainly related to the high growth in Germany. The operating income margin increased to 14.3 % (12.8) since a lower proportion of new credit card customers were generated via loan intermediaries.

The operating expenses increased by 90 % to SEK 173.2 million (91.1). During the year, the expenses were affected by an increased direct marketing effort. However, the C/I ratio still decreased to 48.8 % (58.2) due to economies of scale in the business model.

The loan losses increased by 84 % to SEK 142.9 million (77.5). The increase was affected by the growing loan portfolio in Germany. The loan loss ratio has decreased to 5.8 % (6.3).

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

ECOMMERCE 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. The Nordic loan portfolio comprises 74 % of the segment. The Bank had 341 active commercial partners by the end of the year.

The Avarda brand continues to grow strongly in the Nordic markets. In 2022, the position has been strengthened considerably owing to new cooperations with Haypp Group and Jollyroom that have been launched, which are collectively expected to generate an increase of approximately SEK 3 billion in yearly transaction volumes. 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.

BUBBLEROOM

Boozt.COM



folkhemmet



CELLBES

WAKAKUU

VIANOR



Handla Tryggt!



HobbyHall.fi

ECOMMERCE SOLUTIONS

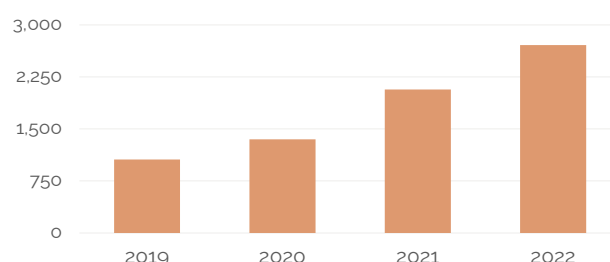
The loan portfolio

The loan portfolio amounted to SEK 2,710 million (2,070) an increase in local currencies of 24 % compared to December 2021. Positive currency effects impacted the loan portfolio growth by another 7 %. New lending increased by 27 % to SEK 5,099 million (4,018). The increase is mainly related to an increased number of partners and expanded cooperation with existing retailers.

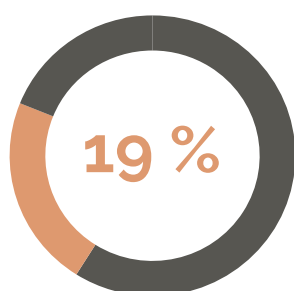
The loan portfolio in the Nordics increased by 28 % in local currencies compared to December 2021 and amounts to SEK 1,995 million (1,486). In Finland, the portfolio increased by 17 % to EUR 89.5 million (76.4) over the past year. The increase is explained by a continued growth for e-commerce and an inflow of several new partners. The Swedish loan portfolio increased by 39 % to SEK 724 million (522) following strong sales development during the year. In Norway the loan portfolio increased by 61 % to NOK 246 million (153). In Denmark, the loan portfolio decreased to DKK 10.2 million (19.1).

The loan portfolio in the Baltics increased by 34 % to EUR 33.3 million (24.9) over the year. The increase is mainly explained by operations being established in Latvia and Lithuania, but also from a continued strong inflow of new partners in Estonia. In Poland, the loan portfolio decreased by 2 % to PLN 145 million (148).

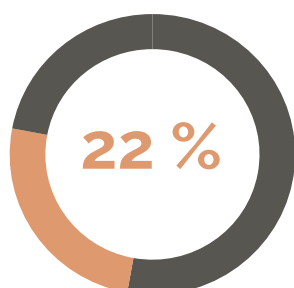
LOAN PORTFOLIO (SEK million)



SHARE OF THE BANK'S LOANS TO THE PUBLIC



SHARE OF THE BANK'S OPERATING INCOME



Results

The operating profit decreased by 7 % to SEK 52.1 million (56.2). The decrease is mainly related to increasing financing costs and investments in new collaborations.

The operating income increased by 23 % to SEK 311.3 million (253.7). High growth of the loan portfolio and a significant increase in transaction volumes in several geographic markets have resulted in both higher interest income and increasing fee and commission income. The operating income margin decreased to 13.0 % (14.8) as a result of increased financing costs that have not yet been fully passed on to the customer.

The operating expenses increased by 21 % to SEK 192.7 million (159.0). This is explained by increased sales-related costs, more employees and an increased investment pace in product development. The C/I ratio decreased to 61.9 % (62.7) during the year.

The loan losses increased by 72 % to SEK 66.4 million (38.5), partly explained by the growth of the segment over the year. The loan loss ratio increased to 2.8 % (2.3), which, among other things, is due to slightly higher loan loss provisions for expected credit losses.

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

OTHER FINANCIAL INFORMATION

Annual General Meeting 2023

The Annual General Meeting 2023 will be held on Wednesday 3 May 2023. Notice of the Annual General Meeting will be published no later than Wednesday 5 April 2023.

Proposed dividend

The board proposes the Annual General Meeting that no dividend will be paid for 2022.

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. The guidelines for remuneration of senior executives comprises the CEO, CFO and other members of the executive management. The guidelines shall be applied on remunerations which have been agreed upon, and changes made to already agreed remunerations, after the guidelines have been adopted by the AGM. At the 2021 AGM, the following guidelines were adopted regarding remuneration of TF Bank's senior executives:

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

TF Bank was founded 1987 and is an internet-based niche bank offering consumer banking services and e-commerce solutions through a proprietary IT platform with a high degree of automation. Deposit and lending activities are conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany, Austria and Spain through branch or cross-border banking with the support of the Swedish banking license. The operations are divided into three segments: Consumer Lending, Credit Cards and Ecommerce Solutions.

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

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

The forms of remuneration etc.

The remuneration shall be competitive and may comprise the following components: fixed salary, variable cash remuneration, pensions and other economic benefits. In addition, the AGM 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 conditional on the fulfilment of the criteria on which the remuneration is based being sustainable in the long-term and on the Bank's position not declining substantially. If the conditions for payment are not met, the remuneration shall be cancelled in its entirety 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 that are not Swedish, insofar 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.

OTHER FINANCIAL INFORMATION

Termination of employment

In the event of termination of employment by the Bank, the notice period may not exceed twelve months. Fixed salary during the notice period and severance pay may not, in total, exceed an amount corresponding to the fixed salary for six to twelve 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 six to twelve month 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 comprised of 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 cash 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 Bank.

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 four 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 of 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 meetings 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 in 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

The size of the commission-based compensation is paid on the basis of the 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. The commission-based compensation is paid to senior executives within the Bank and is not pensionable.

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 according to the salary that the CEO receives from a new employer.

OTHER FINANCIAL INFORMATION

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, IT and systemic risks and external risks)
- Other business risks (including business risks, cyclical risks and reputational risks)

The Bank estimates credit risks, liquidity risks and operational risks as the most significant risks. 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 31.

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. The Bank must fulfil the specified capital and liquidity requirements and have capital and access to liquidity at all times. TF Bank monitors changes related to capital and liquidity requirements and takes these into consideration regarding the financial targets.

The war in Ukraine

The Russian invasion of Ukraine has led to a sharp increase in geopolitical unrest and uncertainty in both the European and the global economy. The financial market has shown great volatility with higher interest rates, a weakened Swedish krona and increased inflation during 2022. TF Bank has no exposures to neither Ukraine, Russia nor Belarus. It cannot be ruled out that TF Bank's operations, new lending or credit losses may be negatively affected by the consequences of the war in the future.

Environment

TF Bank works actively to conduct a responsible business where the intention is to have as limited negative impact on the environment and people as possible. Environmental resources are used responsibly and carefully throughout the Bank's operations. TF Bank conducts operations in an environmentally sustainable manner by, for example, improving efficiency and investing in sustainable products and services. The business model is as digital and automated as possible, making us accessible while limiting our environmental impact.

Sustainability report

TF Bank's sustainability reporting is prepared in accordance with the Annual Accounts Act's requirements (6th chapter 12§) on sustainability reporting. TF Bank has chosen to prepare the statutory sustainability report as a separate report from the annual report's management report. This has been submitted to the auditor at the same time as the annual report. The sustainability report appears on pages 93-105.

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.



FINANCIAL INFORMATION

INCOME STATEMENT

SEK thousand	Note	2022	2021
Operating income	2,3,4		
Interest income	5	1,472,979	1,074,113
Interest expense	6	-210,318	-120,439
Net interest income		1,262,661	953,674
Fee and commission income		204,316	140,478
Fee and commission expense		-54,859	-34,265
Net fee and commission income	7	149,457	106,213
Net results from financial transactions	8	683	-4,600
Total operating income		1,412,801	1,055,287
Operating expenses			
General administrative expenses	9,10,11,30	-513,377	-380,224
Depreciation and amortisation of tangible and intangible assets	12,13,14	-30,256	-28,638
Other operating expenses	15	-67,596	-33,303
Total operating expenses		-611,229	-442,165
Profit before loan losses		801,572	613,122
Net loan losses	16	-367,569	-260,564
Operating profit		434,003	352,558
Tax on profit for the year	17	-93,198	-75,352
Profit for the year		340,805	277,206
<i>Profit for the year attributable to:</i>			
<i>Shareholders of the Parent Company</i>		326,445	269,875
<i>Additional tier 1 capital holders</i>		14,360	7,331
<i>Basic earnings per share (SEK)</i>		15.18	12.55
<i>Diluted earnings per share (SEK)</i>		15.18	12.55

STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK thousand	2022	2021
Profit for the year	340,805	277,206
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Gross exchange rate differences	-464	-
Tax on exchange rate differences in the period	100	-
Other comprehensive income for the year	-364	-
Total comprehensive income for the year	340,441	277,206
<i>Comprehensive income for the year attributable to:</i>		
<i>Shareholders of the Parent Company</i>	326,081	269,875
<i>Additional tier 1 capital holders</i>	14,360	7,331

BALANCE SHEET

SEK thousand	Note	31 Dec 2022	31 Dec 2021
	2,3,18,19		
ASSETS			
Cash and balances with central banks		57,686	1,270,092
Treasury bills eligible for refinancing, etc.	20	1,837,025	316,411
Loans to credit institutions	21	1,631,653	779,636
Loans to the public	4,22	14,654,373	10,872,285
Shares		154	257
Shares in subsidiaries	23	371	341
Goodwill	14	8,927	10,202
Intangible assets	12	86,780	71,365
Tangible assets	13	3,955	2,699
Other assets	24,30	27,707	21,842
Deferred tax assets	25	2,943	4,781
Prepaid expenses and accrued income		35,716	40,905
TOTAL ASSETS		18,347,290	13,390,816
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	26	16,108,130	11,504,749
Other liabilities	27,30	125,131	94,020
Current tax liabilities		35,955	36,089
Deferred tax liabilities	25	15	5,641
Accrued expenses and prepaid income	28	144,621	121,584
Subordinated liabilities	29	198,660	198,042
Total liabilities		16,612,512	11,960,125
Equity			
Restricted equity			
Share capital		107,500	107,500
Statutory reserve		1,000	1,000
Development costs fund		86,780	71,365
Total restricted equity		195,280	179,865
Non-restricted equity			
Tier 1 capital instrument		200,000	200,000
Fair value fund		-364	-
Retained earnings		999,057	773,620
Profit for the year		340,805	277,206
Total non-restricted equity		1,539,498	1,250,826
Total equity		1,734,778	1,430,691
TOTAL LIABILITIES AND EQUITY		18,347,290	13,390,816

STATEMENT OF CHANGES IN EQUITY

SEK thousand	Restricted equity			Non-restricted equity				Total equity
	Share capital ¹	Statutory reserve	Development costs fund	Tier 1 capital instrument ²	Fair value fund	Retained earnings	Profit for the year	
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 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
Equity as at 1 Jan 2022	107,500	1,000	71,365	200,000	-	773,620	277,206	1,430,691
Profit for the year	-	-	-	-	-	-	340,805	340,805
Other comprehensive income for the year	-	-	-	-	-364	-	-	-364
Transfer of previous year's profit	-	-	-	-	-	277,206	-277,206	-
Dividend to shareholders	-	-	-	-	-	-21,500	-	-21,500
Capitalisation of development costs	-	-	45,004	-	-	-45,004	-	-
Amortisation of capitalised development costs	-	-	-29,589	-	-	29,589	-	-
Interest Tier 1 capital	-	-	-	-	-	-14,360	-	-14,360
Transaction costs, issue of Tier 1 capital	-	-	-	-	-	-622	-	-622
Tax effect, transaction costs issue of Tier 1 capital	-	-	-	-	-	128	-	128
Equity as at 31 Dec 2022	107,500	1,000	86,780	200,000	-364	999,057	340,805	1,734,778

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	2022	2021
Operating activities		
Operating profit	434,003	352,558
<i>Adjustment for items not included in cash flow</i>		
Depreciation and amortisation of tangible and intangible assets	30,256	28,638
Accrued interest income and expense	5,083	6,681
Other non-cash items	254	-12
Paid income tax	-93,332	-41,095
	376,264	346,770
Increase/decrease in loans to the public	-3,782,088	-2,949,837
Increase/decrease in other short-term receivables	-196,757	-29,573
Increase/decrease in deposits and borrowings from the public	4,603,381	2,790,717
Increase/decrease in other short-term liabilities	46,871	67,152
Cash flow from operating activities	1,047,671	225,229
Investing activities		
Investments in tangible assets	-2,818	-1,452
Investments in intangible assets	-45,004	-35,554
Investments in subsidiaries	-30	-25
Cash flow from investing activities	-47,852	-37,031
Financing activities		
Issue of Tier 1 capital	-494	98,611
Redemption of Tier 2 capital	-	-47,000
Interest on Tier 1 capital	-14,360	-7,331
Dividend to shareholders	-21,500	-21,500
Cash flow from financing activities	-36,354	22,780
Cash flow for the year	963,465	210,978
Cash and cash equivalents at the beginning of the year	2,366,139	2,119,002
Exchange rate difference in cash and cash equivalents	196,760	36,159
Cash and cash equivalents at the end of the year	3,526,364	2,366,139
<i>Cash flow from operating activities includes interest expenses paid and interest payments received</i>		
Interest expenses paid	208,667	125,170
Interest payments received	1,281,280	923,990
Components of cash and cash equivalents		
Cash and balances with central banks	57,686	1,270,092
Treasury bills eligible for refinancing	1,837,025	316,411
Loans to credit institutions	1,631,653	779,636
Total cash and cash equivalents	3,526,364	2,366,139

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, Austria and Spain via a branch or cross-border with the support of the Swedish 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 %
- TFBN Services S.L. (B10781789) 100 %

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

On 17 March 2023, the Board of Directors approved this Annual Report for publication, for adoption by the AGM in 2023.

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 loan losses on financial assets are calculated at initial recognition. A loan loss reserve is recognised for all financial assets that are valued at amortised cost. The calculation of the expected loan losses is done through methods and models developed by the Bank, all of which are characterised by assumptions about the future, such as how historical experiences will develop in the future given assumptions about the development of various macro scenarios. Making provisions for expected loan losses requires careful analysis of available data to make reliable assessments about the future.

The most important inputs used to assess expected loan losses are:

- Probability of default (PD)
- Loss given default (LGD)
- Exposures at default (EAD)
- Expected maturity

Calculations are derived from developed statistical models.

PD for 12 months and PD for the remaining maturity are based on the conditions on the balance sheet date. PD models are based on homogeneous groups of the total loan portfolio, i.e. geographic market and segment. Future economic conditions are considered through expert assessments for each homogeneous group. The Bank's method for estimating the probability of default also takes into account unused limits for revolving credits. LGD corresponds to the expected loss in the event of default and takes into account assumptions about future discounted cash flows or the contractual terms that apply in the event of sale to debt collection agencies. The Company's issued credits that have matured without being settled by the debtor are continuously sold to debt collection agencies in markets where the Board considers the price level to be favourable for the Bank's performance and risk profile. EAD represents an estimated credit exposure at a future point in time in the event of default, taking into account expected changes in credit exposure on the balance sheet date. The Bank's method for calculating EAD corresponds to current contractual terms for repayment of capital, interest, and maturity date. For the calculation of future maturity, the Bank starts from the original contract period and then takes into account behaviour patterns for the Bank's various segments and markets to determine the expected maturity.

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 22.

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 important 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 14.

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

From January 1, 2022, a number of amendments and improvements to IFRS standards have come into effect, and new IFRS IS Agenda Decisions have been published. None of these or other changes to Swedish regulations have had any significant impact on TF Bank's financial reports.

Note 2 cont.

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 2023 or later. The IASB allows early adoption of these. TF Bank has not applied the following changes in the 2022 annual report.

Insurance contracts (IFRS 17)

IFRS 17 was issued in May 2017 and is to be applied from January 1, 2023. 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 according to RFR 2, such intangible assets should be depreciated according to Chapter 4, Section 4 of the Swedish Annual Accounts Act in legal entities. If the useful life cannot be determined with a reasonable degree of certainty, it should be considered as five years. It is the Bank's assessment that, based on the impairment test carried out in connection with the merger, a significantly longer useful life than five years can be demonstrated. Based on this, TF Bank applies a depreciation period of ten years.

Financial instruments – classification, recognition and measurement

The classification and valuation of financial assets is based on an

Note 2 cont.

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. 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 other comprehensive income
3. 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 18 "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. Finan-

cial 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 balance 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. If a loan has been modified and moved from Stage 1 to either Stage 2 or 3, it will not be moved back during the term of the loan. Financial liabilities are removed from the balance sheet when the debt is extinguished by the agreement being fulfilled, cancelled or terminated. Loan receivables classified as impaired are written off from the balance sheet when the Bank has no reasonable expectation of recovering a claim in its entirety or in part. The Bank has no reasonable expectation of recovering the claim and considers the loss to be determined when a customer has passed, completed a debt restructuring program, or when it has been sold to a third party.

After write-off, loan receivables are no longer reported on the balance sheet. Recovery of previously written-off amounts is reported as a reduction of loan losses in the net loan losses line of the income statement.

Impairment of financial assets

TF Bank has a portfolio-based model for calculating loan loss provisions based on the valuation of 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. Risk parameters are updated at each individual reporting date to take into account forward-looking information. The Bank segments the issued loans each month to analyse current behaviours relative to historical behaviours and calibrate models to calculate expected loan losses. In cases where the effect of relevant factors is not captured by risk models, the Bank uses expert adjustments. The Bank conducts regular quantitative analysis of macroeconomic parameters to identify correlations with the Bank's loan losses. Currently, no significant correlations have been identified to incorporate into the loan loss

Note 2 cont.

reserve model. Therefore, the Bank manages the potential impact of macroeconomic parameters outside the model by making assumptions based on the macroeconomic conditions for each segment and market, and the expected effects on the Bank's future loan losses at any given point in time as determined by the Bank's management.

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. The Bank primarily uses quantitative data to determine whether a significant increase in credit risk has occurred, but also qualitative data in cases where the Bank receives external or internal information that a customer is experiencing payment difficulties. 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 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 over the remaining term will incorporate the effects of past and current forecasted economic conditions. Quantitative indicators are the most important part in determining an increase in credit risk since initial recognition, and an increase in credit risk occurs when the loan has been overdue for 30 days or more, which results in the asset being moved from stage 1 to stage 2. If the loan is overdue for 90 days or more, the asset is moved to stage 3. This process is done at the portfolio level. Qualitative indicators at the contract level are also taken into account when placing in the different stages, such as if the borrower is monitored on a watchlist or has been granted relief in loan terms, or if the Bank receives external information that the customer is experiencing payment difficulties, such as debt restructuring cases and payment arrangements.

The Bank assesses that financial assets with low credit risk on the reporting date are not considered to have been significantly exposed to an increased credit risk, which refers to financial assets classified as cash and balances with central banks, securities issued or guaranteed by the government that are eligible for repurchase agreements, and lending to other financial institutions. 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 reported on the balance sheet on the contract date and measured at fair value through the income statement, both on initial recognition and at subsequent remeasurements. The method of accounting for the gain or loss arising from the remeasurements depends on whether the derivative has been designated as a hedging instrument and, if so, the nature of the item being hedged.

At the time of entering into the transaction, the Bank documents the relationship between the hedging instrument and the hedged item, as well as the Bank's risk management objective and risk management strategy with respect to the hedge. TF Bank also documents its assessment, both at the time of entering into the hedge and ongoing, of whether the derivative instruments used in hedging transactions are effective in offsetting changes in fair value or cash flows attributable to the hedged items.

The entire fair value of a derivative that serves as a hedging instrument is classified as a current asset or liability when the remaining term of the hedged item is less than 12 months. Derivative instruments held for trading are always classified as current assets or liabilities.

The effective portion of changes in the fair value of a derivative instrument that is identified as the hedge of the net investment in foreign operations and that meets the conditions for hedge accounting is otherwise reported in other comprehensive income. The portion of gain or loss on a hedging instrument that is determined to be an effective hedge is reported in other comprehensive income. The gain or loss related to the ineffective portion is reported in income statement. Accumulated gains and losses in equity are reported in the income statement when the foreign operation is fully or partially disposed of. Gains and losses arising from changes in the fair value of derivatives not used for hedge accounting are reported in the income statement 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 28 and note 29.

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.

Note 2 cont.

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.

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.

NOTE 3 Financial risks and financial risk management

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 on the Bank's financial results. The Board establishes written policies with regards to 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. The area includes credit risks attributable to the loan portfolio, credit-related concentration risks and counterparty risks.

Credit risk arises primarily through lending to the public and is the most significant risk in the Bank. Credit risks may even arise through placement of liquidity and derivative instruments. 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. The credit risk exposure also includes concentration risks related to the loan portfolio. Concentration risks are measured based on the size of exposures to individual counterparties, industries or regions. Concentration risks are also captured in the Bank's calculation of capital requirements for credit risks and in the stress tests carried out in the internal capital evaluation and as part of the monitoring of the Bank's risk tolerance.

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 22). This is due to that the Bank regularly sells past due receivables 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. Sales of overdue receivables take place monthly to various counterparties in the respective geographic markets where the Bank is operational. As a result, TF Bank continuously realises expected loan losses through the sale of past due receivables. The current portfolio has a limited number of non-performing loans in stage 3 and consequently a relatively low level of provisions. The Bank's average loan amount per customer is relatively low and the loan portfolio is well diversified with a number of different products in several different geographic markets, resulting in the concentration risk for the Bank being relatively low.

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 receivables 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 receivables 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. The Bank strives for a well-diversified loan portfolio with pricing based on risk exposure through a broad base of customers with relatively low exposure amounts per customer. In order to maintain a well-diversified loan portfolio with a balanced risk profile and to have a favourable balance between risk and return, the Bank works actively to understand the borrowers' circumstances and macroeconomic changes that may affect the risk profile.

Credit quality of gross receivables in stage 1 and stage 2 (see note 22) that are neither past due nor impaired have 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 historical information retrieved from the Bank's own database.

SEK thousand	31 Dec 2022	31 Dec 2021
Household sector		
Low risk	10,059,302	7,323,382
Moderate risk	2,617,032	2,212,003
High risk	1,680,908	1,125,238
Total	14,357,242	10,660,623

Note 3 cont.

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.

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	31 Dec 2022	31 Dec 2021
Cash and balances with central banks		
AA+	28,186	1,190,663
AA-	7,182	36,299
A+	7,354	37,850
A-	14,965	5,280
Total	57,687	1,270,092
Treasury bills eligible for refinancing		
AAA	786,738	316,411
AA+	1,050,287	-
Total	1,837,025	316,411
Loans to credit institutions		
A-1+	1,109,583	408,396
A-1	239,270	210,747
A-2	42,270	60,195
Unrated	240,531	100,298
Total	1,631,653	779,636

Credit risk exposures in financial instruments are referred to as counterparty risks and refer to the risk that a counterparty cannot fulfil its obligations according to an agreement, or that it chooses not to fulfil its obligations in the future on the same or similar terms. TF Bank includes currency derivatives in the form of swaps and futures as a result of lending in currencies other than SEK. Counterparty risks constitute the credit risk towards other banks that arises as a result of transactions. This counterparty risk is reduced by the exchange of collateral between the parties.

Market risk

Market risk refers to the risk that earnings, equity or the value of assets decrease due to changes in risk factors on the financial market. TF Bank's market risks are primarily currency risk and interest rate risk

(i) Currency risk

TF Bank is exposed to currency risk partly through the monetary assets and liabilities in foreign currencies held in the Swedish operations and partly in the form of the conversion effect that occurs when the net investments in the foreign branches are converted to Swedish kronor. Currency risk involves the following currencies: EUR, NOK, DKK, PLN and USD and TF Bank's overall objective with the management of currency risk is to keep the currency exposure as low as possible with the objective of holding as much assets as liabilities in each currency. The Board has decided that the Bank should strive to ensure that the total liabilities, including any derivatives, in each currency should not deviate by more than +/- 2% of the total assets in the currency. The Bank exchanges the earnings in other currencies than the accounting currency to SEK on an ongoing basis and uses forward contracts for EUR, NOK, DKK, PLN and USD to balance the assets and liabilities in each currency. Forward contracts generally 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 in foreign currencies on the closing date. As of 31 December 2022, TF Bank has chosen an exchange rate movement of 10 %. The results of the stress tests as of 31 December 2022 means an additional capital requirement for currency risk in Pillar 2 of SEK 1 million excl. tax effect:

Note 3 cont.

CURRENCY EXPOSURES AGAINST THE BANK'S TRANSACTION CURRENCIES

SEK thousand	31 Dec 2022	31 Dec 2021
Assets in EUR:		
Cash and balances with central banks	42,721	1,264,811
Treasury bills eligible for refinancing, etc.	1,547,791	-
Loans to credit institutions	1,102,224	404,550
Loans to the public	8,462,050	5,743,390
Other assets	39,318	28,702
Total assets	11,194,104	7,441,453
Liabilities in EUR:		
Deposits and borrowings from the public	-13,027,353	-7,667,158
Other liabilities	-108,013	-87,825
Total liabilities	-13,135,366	-7,754,983
Currency forward contracts	1,936,053	305,775
Total	-5,209	-7,755
Exchange-rate fluctuation, 10 % on operating profit	-521	-776

SEK thousand	31 Dec 2022	31 Dec 2021
Assets in NOK:		
Treasury bills eligible for refinancing, etc.	264,326	256,376
Loans to credit institutions	262,529	150,632
Loans to the public	4,181,079	3,495,110
Other assets	8,899	8,307
Total assets	4,716,833	3,910,425
Liabilities in NOK:		
Deposits and borrowings from the public	-2,736,078	-3,174,844
Other liabilities	-76,735	-64,144
Total liabilities	-2,812,813	-3,238,988
Currency forward contracts	-1,897,674	-666,510
Total	6,346	4,928
Exchange-rate fluctuation, 10 % on operating profit	635	493

Note 3 cont.

SEK thousand	31 Dec 2022	31 Dec 2021
Assets in PLN:		
Cash and balances with central banks	14,965	5,280
Loans to credit institutions	20,528	13,518
Loans to the public	432,077	449,484
Other assets	2,383	2,431
Total assets	469,953	470,713
Liabilities in PLN:		
Other liabilities	-4,800	-5,366
Total liabilities	-4,800	-5,366
Currency forward contracts	-465,324	-467,859
Total	-171	-2,511
Exchange-rate fluctuation, 10 % on operating profit	-17	-251

SEK thousand	31 Dec 2022	31 Dec 2021
Assets in DKK:		
Loans to credit institutions	31,847	3,652
Loans to the public	67,822	26,166
Other assets	65	445
Total assets	99,734	30,263
Liabilities in DKK:		
Other liabilities	-4,004	-1,274
Total liabilities	-4,004	-1,274
Currency forward contracts	-95,776	-28,881
Total	-46	108
Exchange-rate fluctuation, 10 % on operating profit	-5	11

SEK thousand	31 Dec 2022	31 Dec 2021
Assets in USD:		
Other assets	20,368	12,186
Total assets	20,368	12,186
Currency forward contracts	-20,321	-12,182
Total	47	4
Exchange-rate fluctuation, 10 % on operating profit	5	0

Note 3 cont.

With regards to the currency risks arising from the conversion of net investments in foreign branches, it is TF Bank's strategy that the entire existing equity when the hedging relationship is established, and that is expected to remain at the end of the hedging period, is to be hedged in its entirety. This means that when a loss is expected for the upcoming hedging period, a deduction is made from the equity for the expected loss at this time so that the hedged item becomes a slightly smaller part of the equity at the start of the period. Conversely, in cases where the foreign operation is expected to have a positive result during the hedging period, this result is not included in the equity until the beginning of the next hedging period. As of May 2022, TF Bank applies hedge accounting and has the following hedged net investments in foreign operations and hedging instruments as of the closing date:

SEK thousand	31 Dec 2022	31 Dec 2021
Hedge net assets		
Net investments in branches in EUR	908,971	-
Net investments in branch in NOK	291,872	-
Net investments in branch in PLN	-85,780	-
Total	1,115,063	-
Hedging instruments		
Deposit from the public in EUR as hedge investments	-886,958	-
Currency forward contract as hedging instrument (nominal amount)	-281,015	-
Other asset in PLN as hedge investments	95,841	-
Total	-1,072,132	-

FAIR VALUE FUND

SEK thousand	
1 January 2021	-
Closing balance 31 December 2021	-
Opening balance 1 January 2022	-
Foreign currency reserve	57,552
Change in fair value on hedging instruments reported in other comprehensive income	-58,016
Current tax	100
Closing balance 31 December 2022	-364

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

SEK thousand	31 Dec 2022	31 Dec 2021
Hedging instrument deposit EUR		
Carrying amount	-886,958	-
Nominal amount	-79,703	-
Hedge ratio	1:1	-
Derivative instrument NOK		
Carrying amount	-3,684	-
Nominal amount	265,811	-
Maturity date	19/01/2023	-
Hedge ratio	SEK 1,0474 : 1 NOK	-
Forward rate	1:1	-
Hedging instrument other asset PLN		
Carrying amount	95,841	-
Carrying amount PLN thousand	40,369	-
Hedge ratio	1:1	-

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. According to the Bank's financial policy, the interest rate risk should be low, and the majority of TF Bank's assets and liabilities therefore have a short fixed interest term. A smaller portion of the Bank's lending has a longer fixed interest term, which is partly matched by TF Bank offering longer fixed interest term deposits. A change in the market interest rate by 1 percentage point increases/decreases the Bank's interest expenses for the coming 12 months by SEK 38 million (30), calculated based on interest-bearing liabilities on the balance sheet date.

TF Bank assesses additional capital requirements in Pillar 2 for interest rate risk by calculating the economic value at a parallel shift of the yield curve by 200 basis points (2 %). As of 31 December 2022, the additional capital requirement for interest rate risk in Pillar 2 amounted to SEK 34 million (0) excl. tax effect.

SEK thousand	2022-12-31	2021-12-31
Fixed interest less than 1 month	57,686	1,270,092
Cash and balances with central banks	57,686	1,270,092
Remaining term to maturity of up to 3 months	522,412	60,035
Remaining term to maturity of more than 3 months but less than 1 year	1,050,287	-
More than 1 year but less than 5 years	264,326	256,376
Treasury bills eligible for refinancing	1,837,025	316,411
Fixed interest less than 1 month	1,631,653	779,636
Loans to credit institutions	1,631,653	779,636
Fixed interest less than 1 month	6,863,756	4,521,620
Remaining term to maturity of up to 3 months	3,406,068	3,019,474
Remaining term to maturity of more than 3 months but less than 1 year	2,812,142	2,211,929
Remaining term to maturity of more than 1 year but less than 5 years	1,465,404	1,035,923
Remaining term to maturity of more than 5 years	107,003	83,339
Loans to the public	14,654,373	10,872,285
Fixed interest less than 1 month	2,574	241
Remaining term to maturity of up to 3 months	6,114	-
Remaining term to maturity of more than 3 months but less than 1 year	2,699	-
Other assets	11,387	241
Fixed interest less than 1 month	11,779,312	8,038,772
Remaining term to maturity of up to 3 months	315,517	109,003
Remaining term to maturity of more than 3 months but less than 1 year	2,528,335	2,195,684
Remaining term to maturity of more than 1 year but less than 5 years	1,484,965	1,161,290
Deposits and borrowings from the public	16,108,130	11,504,749
Remaining term to maturity of up to 3 months	198,660	198,042
Subordinated liabilities	198,660	198,042
Fixed interest less than 1 month	9,593	17,005
Remaining term to maturity of up to 3 months	11,214	3,269
Remaining term to maturity of more than 3 months but less than 1 year	4,868	3,178
Other liabilities	25,675	23,452

Note 3 cont.

Liquidity risk

The main liquidity risk comprises the Bank's ability to meet its obligations to repay customer deposits from 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. According to the Bank's financial policy, the liquidity and funding risks should be low. All funding other than deposits from the public comprises securities issues and equity.

TF Bank's loan portfolio mainly consists of loans with relatively short maturities, while the Bank's public deposits are, in practice, a long-term and relatively stable source of financing. TF Bank also has a significant liquidity reserve to manage uneven liquidity flows. As of the closing date, the Bank's liquidity reserve amounted to SEK 3,210 million (2,217), which corresponds to 20 % (19) of the Bank's deposits from the public. The Bank's liquidity coverage ratio was 290 % (353) and the stable net financing ratio amounted to 138 % (128).

SEK thousand	31 Dec 2022	31 Dec 2021
Payable on demand	57,686	1,270,092
Cash and balances with central banks	57,686	1,270,092
Remaining term to maturity of up to 3 months	525,774	60,000
Remaining term to maturity of more than 3 months but less than 1 year	1,057,189	-
More than 1 year but less than 5 years	276,948	272,647
Treasury bills eligible for refinancing	1,859,911	332,647
Payable on demand	1,405,542	679,338
Remaining term to maturity of more than 3 months but less than 1 year	75,370	-
Remaining term to maturity of more than 1 year but less than 5 years	150,741	100,298
Loans to credit institutions	1,631,653	779,636
Remaining term to maturity of up to 3 months	3,922,991	1,172,014
Remaining term to maturity of more than 3 months but less than 1 year	568,901	2,749,971
Remaining term to maturity of more than 1 year but less than 5 years	8,377,064	8,855,718
Remaining term to maturity of more than 5 years	5,315,117	-
Loans to the public	18,184,073	12,777,703
Remaining term to maturity of up to 3 months ¹	8,688	241
Remaining term to maturity of more than 3 months but less than 1 year ¹	2,699	-
Other assets	11,387	241
Payable on demand	11,598,680	8,038,772
Remaining term to maturity of up to 3 months	496,336	-
Remaining term to maturity of more than 3 months but less than 1 year	2,551,090	2,304,686
More than 1 year but less than 5 years	1,577,775	1,161,290
Deposits and borrowings from the public	16,223,882	11,504,750
Remaining term to maturity of more than 5 years	320,921	292,528
Subordinated liabilities	320,921	292,528
Remaining term to maturity of up to 3 months ¹	20,808	20,274
Remaining term to maturity of more than 3 months but less than 1 year ¹	4,868	3,178
Other liabilities	25,676	23,452
Payable on demand	3,265,256	1,974,365
Commitments	3,265,256	1,974,365

The amounts stated in the table are contractual, undiscounted cash flows and include both interest and amortisations and therefore the amounts cannot be directly linked to the balance sheet.

¹ Relates to market value on derivatives. The Bank's derivatives are covered by framework agreements on netting, which would have an effect of SEK -14 millions (-23).

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, procedures and systems, human error, or external events. Operational risk includes information, communication, and security risks, legal risks, as well as compliance risks, and may result in a negative impact on the Bank's assets and reputation and/or result in sanctions.

Operational risks are found in all activities, and it is neither possible nor cost-effective to try to eliminate all operational risks. TF Bank works to minimise operational risks by creating effective processes, systems, and routines, as well as maintaining good internal control. The Bank regularly evaluates its operational risks and quantifies them based on a model of probability and consequences. To reduce the consequences of operational risks, TF Bank uses control points in business and support processes, incident reporting, as well as a process for approving new products, services, markets, IT systems, etc. TF Bank also has contingency, continuity, and recovery plans.

Other operating risks

Other operating risks identified by TF Bank are business risks, economic risks, and reputational risks. Business risk can arise from factors in the external business environment, such as changes in competitive situations or customer behavior. Economic risk can arise when there are changes in the economic conditions in the market that affect customer demand for the Bank's products. TF Bank continuously makes economic forecasts and follows up on any deviations to reduce the risks that may arise, and the Bank's operations are well-diversified.

Reputation risk is defined as losses that may be caused by customers, counterparties, shareholders, and authorities' negative perception of TF Bank, and negative rumors can significantly damage a company's brand and operations. All of the Bank's lending takes place under controlled conditions where customers' interests are taken into account. TF Bank also has high internal capital targets, in addition to legal ones, to ensure a strong capital situation and stable financing.

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	2022	2021
Net interest income	682,329	604,695
Net fee and commission income	63,684	43,471
Net results from financial transactions	437	-3,128
Total operating income	746,450	645,038
General administrative expenses	-221,623	-170,908
Depreciation and amortisation of tangible and intangible assets	-5,040	-5,639
Other operating expenses	-18,649	-15,596
Total operating expenses	-245,312	-192,143
Profit before loan losses	501,138	452,895
Net loan losses	-158,211	-144,546
Operating profit	342,927	308,349

Balance sheet, SEK thousand	31 Dec 2022	31 Dec 2021
Loans to the public		
Household sector	8,600,475	7,076,557
Corporate sector ¹	80,073	37,597
Total loans to the public	8,680,548	7,114,154
Household sector		
Stage 1, net	8,042,970	6,620,083
Stage 2, net	225,175	164,451
Stage 3, net ²	332,330	292,023
Total household sector	8,600,475	7,076,557

Key figures ³	2022	2021
Operating income margin, %	9.5	10.0
Net loan loss ratio, %	2.0	2.2
Cost/Income ratio, %	32.9	29.8
Return on loans to the public, %	3.3	3.6
New lending, SEK thousand	5,913,007	4,720,963

¹ Lending to the corporate sector consists of loans in category 1 to counterparties in the sale of overdue receivables.

² The Bank continuously sells overdue receivables in markets where the price level is such that the Board deems it favorable for the Bank's development and risk profile.

³ See separate section with definitions and reconciliation tables, page 72-73.

Note 4 cont.

CREDIT CARDS

Income statement, SEK thousand	2022	2021
Net interest income	354,617	164,111
Net fee and commission income	358	-6,907
Net results from financial transactions	123	-644
Total operating income	355,098	156,560
General administrative expenses	-120,031	-70,069
Depreciation and amortisation of tangible and intangible assets	-5,942	-4,809
Other operating expenses	-47,270	-16,189
Total operating expenses	-173,243	-91,067
Profit before loan losses	181,855	65,493
Net loan losses	-142,910	-77,485
Operating profit	38,945	-11,992

Balance sheet, SEK thousand	31 Dec 2022	31 Dec 2021
Loans to the public		
Household sector	3,236,360	1,652,293
Corporate sector ¹	27,643	36,158
Total loans to the public	3,264,003	1,688,451
Household sector		
Stage 1, net	3,114,211	1,584,192
Stage 2, net	87,819	40,222
Stage 3, net ²	34,330	27,879
Total household sector	3,236,360	1,652,293

Key figures ³	2022	2021
Operating income margin, %	14.3	12.8
Net loan loss ratio, %	5.8	6.3
Cost/Income ratio, %	48.8	58.2
Return on loans to the public, %	1.1	neg
New lending, SEK thousand	5,306,304	2,447,372
Number of active credit cards	140,687	79,952

¹ Lending to the corporate sector consists of loans in category 1 to counterparties in the sale of overdue receivables.

² The Bank continuously sells overdue receivables in markets where the price level is such that the Board deems it favorable for the Bank's development and risk profile.

³ See separate section with definitions and reconciliation tables, page 72-73.

Note 4 cont.

ECOMMERCE SOLUTIONS

Income statement, SEK thousand	2022	2021
Net interest income	225,715	184,868
Net fee and commission income	85,415	69,649
Net results from financial transactions	123	-828
Total operating income	311,253	253,689
General administrative expenses	-171,723	-139,247
Depreciation and amortisation of tangible and intangible assets	-19,274	-18,190
Other operating expenses	-1,677	-1,518
Total operating expenses	-192,674	-158,955
Profit before loan losses	118,579	94,734
Net loan losses	-66,448	-38,533
Operating profit	52,131	56,201

Balance sheet, SEK thousand	31 Dec 2022	31 Dec 2021
Loans to the public		
Household sector	2,676,437	2,069,680
Corporate sector ¹	33,385	-
Total loans to the public	2,709,822	2,069,680
Household sector		
Stage 1, net	2,510,298	1,972,671
Stage 2, net	104,789	83,557
Stage 3, net ²	61,350	13,452
Total household sector	2,676,437	2,069,680

Key figures ³	2022	2021
Operating income margin, %	13.0	14.8
Net loan loss ratio, %	2.8	2.3
Cost/Income ratio, %	61.9	62.7
Return on loans to the public, %	1.6	2.5
New lending, SEK thousand	5,098,999	4,018,465
Transaction volume, SEK thousand	9,279,475	6,612,133

¹ Lending to the corporate sector consists of loans in category 1 to a foreign partner within the segment.

² The Bank continuously sells overdue receivables in markets where the price level is such that the Board deems it favorable for the Bank's development and risk profile.

³ See separate section with definitions and reconciliation tables, page 72-73.

Note 4 cont.

RECONCILIATION AGAINST FINANCIAL INFORMATION

Income statement, SEK thousand	2022	2021
Operating income		
Consumer Lending	746,450	645,038
Credit Cards	355,098	156,560
Ecommerce Solutions	311,253	253,689
Total operating income	1,412,801	1,055,287
Operating profit		
Consumer Lending	342,927	308,349
Credit Cards	38,945	-11,992
Ecommerce Solutions	52,131	56,201
Total operating profit	434,003	352,558

Balance sheet, SEK thousand	31 Dec 2022	31 Dec 2021
Loans to the public		
Consumer Lending	8,680,548	7,114,154
Credit Cards	3,264,003	1,688,451
Ecommerce Solutions	2,709,822	2,069,680
Total loans to the public	14,654,373	10,872,285

NOTE 5 Interest income

SEK thousand	2022	2021
Interest income from loans to the public	1,460,982	1,073,215
Interest income, treasury bills eligible for refinancing	8,333	507
Other interest income	3,664	391
Total interest income	1,472,979	1,074,113
- of which interest income according to effective interest rate method	1,425,122	1,042,406
- of which interest income from non-performing loans	25,409	23,402
Geographical breakdown of interest income:		
Norway	354,843	277,693
Germany	320,546	139,513
Finland	294,263	251,265
Sweden	142,680	116,479
Estonia	127,168	119,954
Latvia	122,015	96,451
Lithuania	62,516	27,288
Poland	37,048	38,343
Denmark	6,128	6,531
Austria	4,997	596
Spain	775	-
Total interest income	1,472,979	1,074,113

NOTE 6 Interest expense

SEK thousand	2022	2021
Interest expense, deposits from the public	-117,003	-75,927
Interest expense, subordinated liabilities	-11,595	-11,248
Deposit fees to credit institutions	-8,399	-7,404
Interest expense, treasury bills eligible for refinancing	-	-154
Other financial expenses	-73,321	-25,706
Total interest expense	-210,318	-120,439
- of which interest expenses according to effective interest rate method	-185,495	-102,634
- of which costs for deposit guarantee and resolution fee	-24,823	-17,805

NOTE 7 Net fee and commission income

SEK thousand	2022	2021
Fee and commission income		
Reminder fees	90,087	72,896
Insurance premiums	81,023	50,865
Other fee and commission income	33,206	16,717
Total fee and commission income	204,316	140,478
Fee and commission expense		
Insurance expense	-22,884	-17,009
Other fee and commission expense	-31,975	-17,256
Total fee and commission expense	-54,859	-34,265
Net fee and commission income	149,457	106,213
Geographical breakdown of fee and commission income:		
Norway	94,907	56,231
Sweden	46,318	38,840
Finland	35,730	29,908
Germany	14,382	5,665
Estonia	5,441	4,348
Denmark	3,604	3,509
Latvia	2,362	1,340
Poland	1,194	528
Lithuania	209	90
Austria	149	19
Spain	20	-
Total fee and commission income	204,316	140,478

NOTE 8 Net results from financial transactions

SEK thousand	2022	2021
Exchange rate fluctuations	639	-4,601
Gains/losses on investments in funds and other securities	44	1
Total net results from financial transactions	683	-4,600

NOTE 9 General administrative expenses

SEK thousand	2022	2021
Staff costs		
Salaries and fees	-157,673	-120,459
Social security costs	-41,150	-32,638
Pension costs	-9,968	-8,468
Other staff costs	-6,418	-4,567
Total staff costs	-215,209	-166,132
Other general administrative expenses		
Information services and customer communication expenses	-96,146	-61,461
IT expenses	-60,929	-45,413
Postage and telephone expenses	-22,939	-17,791
Bank fees	-22,041	-14,729
Rent and property expenses	-14,200	-10,901
Debt collection expenses	-13,349	-12,687
Recruitment expenses	-4,410	-1,803
Auditors' remuneration	-3,612	-3,980
Lawyer fees	-3,043	-1,946
Other expenses	-57,499	-43,381
Total other general administrative expenses	-298,168	-214,092
Total general administrative expenses	-513,377	-380,224

NOTE 10 Auditors' remuneration

SEK thousand	2022	2021
KPMG		
Audit assignment	2,978	3,702
Audit services in addition to the audit assignment	380	278
Tax advices	75	-
Other services	179	-
Total auditors' remuneration	3,612	3,980

The amounts include auditors' remuneration for KPMG AB of SEK 3,134 thousand, divided between the audit assignment SEK 2,500 thousand and other audit services besides the audit assignment SEK 380 thousand, tax advisory services SEK 75 thousand and other services SEK 179 thousand.

NOTE 11 Average number of employees, salaries, other remuneration and social security costs

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN WOMEN AND MEN:

	2022	2021
Women	154	123
Men	136	113
Total	290	236

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

	2022	2021
Sweden		
Women	45	38
Men	51	41
Total	96	79
Finland		
Women	16	14
Men	15	13
Total	31	27
Poland		
Women	36	25
Men	38	34
Total	74	59
Estonia		
Women	23	22
Men	7	3
Total	30	25
Norway		
Women	25	22
Men	19	20
Total	44	42
Latvia		
Women	9	2
Men	6	2
Total	15	4

SALARIES AND REMUNERATION:

SEK thousand	2022	2021
Board of Directors and CEO	9,301	7,935
Other staff	148,372	112,524
Total salaries and remuneration	157,673	120,459
Social costs pursuant to legislation and agreements	41,150	32,638
Pension costs	9,968	8,468
Total salaries, remuneration, social security costs and pension costs	208,791	161,565

Note 11 cont.

SALARIES AND REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES:

SEK thousand	2022	2021
Chairman of the Board: John Brehmer		
Board fees ¹	1,395	830
Total Chairman of the Board	1,395	830

SEK thousand	2022	2021
Fees ¹ other Board members:		
Bertil Larsson	-	400
Charlotta Björnberg-Paul	-	380
Fredrik Oweson	575	-
Mari Thjømøe	475	400
Michael Lindengren	625	450
Niklas Johansson	620	-
Sara Mindus	475	450
Total	2,770	2,080

SEK thousand	2022	2021
CEO: Mattias Carlsson		
Basic salary ²	4,608	4,501
Variable remuneration	-	-
Other benefits	150	146
Pension costs	1,091	1,100
Total	5,849	5,747

SEK thousand	2022	2021
Deputy CEO: Mikael Meomuttel		
Basic salary ²	2,982	3,001
Variable remuneration	300	-
Other benefits	172	185
Pension costs	733	699
Total	4,187	3,885
Other senior executives ³		
Basic salary	3,246	3,340
Variable remuneration	-	1,136
Other benefits	206	529
Pension costs	114	363
Total	3,566	5,368

¹ Remuneration in accordance with the resolution at the AGM's in 2022 and 2021, and include remuneration that will be paid until the AGM during the subsequent year.

² In addition to the basic salary in 2021, the CEO and Deputy CEO have received retroactive salary adjustments from 2020 amounting to SEK 378 thousand and SEK 302 thousand respectively. In addition to the basic salary for 2022, the COO received retroactive salary adjustments from 2021 amounting to SEK 350 thousand.

³ During 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 consists of CEO, Deputy CEO and former Head of Consumer Lending who was appointed a new role as COO.

Note 11 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 300 thousand (1,136). The size of the commission-based compensation is paid on the basis of the 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. The commission-based compensation is paid to senior executives within the Bank and is not pensionable.

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 according to the 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 Board of Directors have established three committees: 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	2022		2021	
	Number on reporting date	Of which women (%)	Number on reporting date	Of which women (%)
Board members	6	33	6	50
CEO and other senior executives	3	0	3	0

NOTE 12 Intangible assets

SEK thousand	Internally developed software	Ongoing development	Total
2022			
Cost, opening balance	128,066	22,807	150,873
Additions	-	45,004	45,004
Reclassification	27,505	-27,505	-
Sales and disposals	-	-	-
Exchange rate differences	4,780	-2,392	2,388
Cost, closing balance	160,351	37,914	198,265
Amortisations, opening balance	-79,508	-	-79,508
Amortisations for the year	-28,827	-	-28,827
Sales and disposals	-	-	-
Exchange rate differences	-3,150	-	-3,150
Amortisations, closing balance	-111,485	-	-111,485
Carrying amount	48,866	37,914	86,780
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 13 Tangible assets

SEK thousand	Equipment	Total
2022		
Cost, opening balance	12,771	12,771
Additions	2,818	2,818
Sales and disposals	-2,321	-2,321
Exchange rate differences	335	335
Cost, closing balance	13,603	13,603
Amortisations, opening balance	-10,072	-10,072
Amortisations for the year	-1,626	-1,626
Sales and disposals	2,321	2,321
Exchange rate differences	-271	-271
Amortisations, closing balance	-9,648	-9,648
Carrying amount	3,955	3,955
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 14 Goodwill

SEK thousand	31 Dec 2022	31 Dec 2021
Cost, opening balance	12,753	12,753
<i>Change during the year</i>		
Cost, closing balance	12,753	12,753
Amortisations, opening balance	-2,551	-1,276
<i>Change during the year</i>		
Amortisations according to plan	-1,275	-1,275
Amortisations, closing balance	-3,826	-2,551
Carrying amount	8,927	10,202

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 15 Other operating expenses

SEK thousand	2022	2021
Marketing expenses	-67,596	-33,303
Total	-67,596	-33,303

NOTE 16 Net loan losses

SEK thousand	2022	2021
Change in provision for sold non-performing loans	-250,930	-146,696
Realised loan losses	-37,477	-37,960
Recovered from previous write-offs	239	565
Change in provision for expected loan losses, stage 1-3	-79,401	-76,473
Net loan losses	-367,569	-260,564

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

NOTE 17 Tax on profit for the year

SEK thousand	2022	2021
Current tax on profit for the year	-91,022	-85,277
Tax due to changes in tax relating to prior years	-5	-191
Other taxes	-280	-199
Deferred tax	-1,891	10,315
Tax on profit for the year¹	-93,198	-75,352
Reconciliation of tax on profit for the year		
Profit before tax	434,003	352,558
Tax according to applicable tax rate	-89,405	-72,627
Tax effect of non-deductible expenses	-5,359	-13,408
Tax effect of non-taxable income	1,851	11,073
Tax due to changes in tax relating to prior years	-5	-191
Other taxes	-280	-199
Tax on profit for the year recognised in the income statement	-93,198	-75,352

NOTE 18 Classification of financial assets and liabilities

31 Dec 2022 SEK thousand	Financial instru- ments at fair value through profit or loss	Fair value through other com- prehensive income	Amortised cost	Derivatives used for hedge accounting	Non- financial assets and liabilities	Total
	Compulsory					
Assets						
Cash and balances with central banks	-	-	57,686	-	-	57,686
Treasury bills eligible for refinancing, etc.	-	-	1,837,025	-	-	1,837,025
Loans to credit institutions	-	-	1,631,653	-	-	1,631,653
Loans to the public	-	-	14,654,373	-	-	14,654,373
Shares	154	-	-	-	-	154
Derivatives	11,387	-	-	-	-	11,387
Other assets	-	-	-	-	155,012	155,012
Total assets	11,541	-	18,180,737	-	155,012	18,347,290
Liabilities						
Deposits and borrowings from the public	-	-	16,108,130	-	-	16,108,130
Subordinated liabilities	-	-	198,660	-	-	198,660
Derivatives	21,991	-	-	3,684	-	25,675
Other liabilities	-	-	-	-	280,047	280,047
Total liabilities	21,991	-	16,306,790	3,684	280,047	16,612,512

¹ Weighted average tax rate for the Bank was 21.5 % (21.4).

Note 18 cont.

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

NOTE 19 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 2022 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	-	-	57,686	57,686
Treasury bills eligible for refinancing	1,837,025	-	-	1,837,025
Loans to credit institutions	-	-	1,631,653	1,631,653
Loans to the public	-	-	14,654,373	14,654,373
Shares	-	154	-	154
Derivatives	-	11,387	-	11,387
Total assets	1,837,025	11,541	16,286,026	18,134,592
Liabilities				
Deposits and borrowings from the public	-	-	16,108,130	16,108,130
Subordinated liabilities	-	-	198,660	198,660
Derivatives	-	25,675	-	25,675
Total liabilities	-	25,675	16,306,790	16,332,465

Note 19 cont.

31 Dec 2021 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	-	-	1,270,092	1,270,092
Treasury bills eligible for refinancing	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	316,411	498	12,922,013	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	-	23,452	11,702,791	11,726,243

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.

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

The maturities for lending to the public are relatively short, and therefore the book value is considered a reasonable estimate of the fair value. The differences are marginal for the Credit Cards segment where the maturities are slightly longer.

31 Dec 2022 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	57,686	57,686	-
Treasury bills eligible for refinancing, etc.	1,837,025	1,826,973	-10,052
Loans to credit institutions	1,631,653	1,631,653	-
Loans to the public	14,654,373	14,654,373	-
Shares	154	154	-
Derivatives	11,387	11,387	-
Total assets	18,192,278	18,182,226	-10,052
Liabilities			
Deposits and borrowings from the public	16,108,130	16,108,130	-
Subordinated liabilities	198,660	198,660	-
Derivatives	25,675	25,675	-
Total liabilities	16,332,465	16,332,465	-

Note 19 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	-

NOTE 20 Treasury bills eligible for refinancing

SEK thousand	31 Dec 2022	31 Dec 2021
Treasury bills eligible for refinancing (EU)	551,188	-
Treasury bills eligible for refinancing (Netherlands)	499,306	-
Treasury bills eligible for refinancing (Finland)	497,297	-
Government securities eligible for refinancing (Norway)	264,326	256,376
Treasury bills eligible for refinancing (Sweden)	24,908	60,035
Total treasury bills eligible for refinancing, etc.	1,837,025	316,411

NOTE 21 Loans to credit institutions

SEK thousand	31 Dec 2022	31 Dec 2021
Accounts receivable Swedish currency	1,093,110	289,444
Accounts receivable foreign currency	538,543	490,192
Total loans to credit institutions	1,631,653	779,636

NOTE 22 Loans to the public

SEK thousand	31 Dec 2022	31 Dec 2021
Loans to the household sector	14,513,272	10,798,530
Loans to the corporate sector ¹	141,101	73,755
Total loans to the public	14,654,373	10,872,285
Loans to the household sector		
Stage 1, gross	13,861,985	10,330,411
Stage 2, gross	495,257	330,212
Stage 3, gross ²	763,649	623,294
Total loans to the household sector, gross	15,120,891	11,283,917
Provisions for expected loan losses, household sector		
Stage 1	-194,506	-153,465
Stage 2	-77,474	-41,982
Stage 3 ²	-335,639	-289,940
Total provisions for expected loan losses, household sector	-607,619	-485,387
Loans to the household sector		
Stage 1, net	13,667,479	10,176,946
Stage 2, net	417,783	288,230
Stage 3, net ²	428,010	333,354
Total loans to the household sector, net	14,513,272	10,798,530
Geographical distribution of net loans:		
Norway	4,182,683	3,497,344
Finland	3,246,939	2,612,182
Germany	2,665,839	1,422,692
Sweden	1,291,765	1,027,610
Estonia	1,035,596	821,748
Latvia	894,692	675,810
Lithuania	688,702	331,482
Poland	432,097	449,519
Austria	106,752	7,658
Denmark	69,090	26,240
Spain	40,218	-
Total loans, net book value	14,654,373	10,872,285

¹ Lending to the corporate sector consists of loans in stage 1 to counterparties regarding sale of overdue receivables and loans in stage 1 to a foreign partner within Ecommerce Solutions.

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

Note 22 cont.

LOANS TO THE CORPORATE SECTOR

SEK thousand	31 Dec 2022	31 Dec 2021
Loans, gross	141,101	73,755
Total loans, net book value	141,101	73,755

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 2022	10,404,166	330,212	623,294	11,357,672
Financial assets added during the year	16,318,310	-	-	16,318,310
Repayments	-11,689,672	-394,014	-356,750	-12,440,436
Financial assets sold during the year	-	-854,228	-10,812	-865,040
Stage transfers	-1,846,029	1,384,614	461,415	-
- from 1 to 2	-1,588,951	1,588,951	-	-
- from 1 to 3	-385,317	-	385,317	-
- from 2 to 1	128,239	-128,239	-	-
- from 2 to 3	-	-76,098	76,098	-
- from 3 to 2	-	-	-	-
Exchange rate differences	816,311	28,673	46,502	891,486
Loans to the public, gross, closing balance 31 December 2022	14,003,086	495,257	763,649	15,261,992
Provision for expected loan losses, opening balance 1 January 2022	-153,465	-41,982	-289,940	-485,387
Changes reported as net loan losses				
Financial assets added during the year	-134,263	-	-	-134,263
Repayments	91,724	38,818	105,148	235,690
Financial assets sold during the year	-	24,058	8,570	32,628
Stage transfers	14,076	-87,774	-138,035	-211,733
- from 1 to 2	11,252	-113,511	-	-102,259
- from 1 to 3	4,567	-	-111,401	-106,834
- from 2 to 1	-1,743	14,237	-	12,494
- from 2 to 3	-	11,500	-26,634	-15,134
- from 3 to 2	-	-	-	-
Exchange rate differences	-12,578	-10,594	-21,382	-44,554
Provision for expected loan losses, closing balance 31 December 2022	-194,506	-77,474	-335,639	-607,619

Note 22 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 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 Shares and participations in Group companies

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	TFB Service AB	TFBN Services S.L.
Country of registration and operation	Lithuania	Latvia	Germany	Sweden	Spain
Operation	Administration	Administration	Administration	Administration	Administration
Number of shares	1	1	25,000	25,000	3,000
Percentage of shares owned by TF Bank, %	100	100	100	100	100
Carrying amount as at 31 December 2022	25	26	264	25	31
Operating income 2022	7,591	-	9,798	-	1,887
Profit before tax 2022	429	-20	165	0	50
Tax on profit 2022	-	-	-59	-	-13
Average number of employees 2022	16	0	10	-	2

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	TFB Service AB	TFBN Services S.L.
Carrying amount as at 1 January 2021	25	26	264	-	-
Shares issuance	-	-	-	25	-
Carrying amount as at 31 December 2021	25	26	264	25	-
Carrying amount as at 1 January 2022	25	26	264	25	-
Shares issuance	-	-	-	-	31
Carrying amount as at 31 December 2022	25	26	264	25	31

NOTE 24 Other assets

SEK thousand	31 Dec 2022	31 Dec 2021
Derivatives	11,387	241
Accounts receivable	3,989	12,186
Other assets	12,331	9,415
Total other assets	27,707	21,842

NOTE 25 Deferred tax

SEK thousand	31 Dec 2022	31 Dec 2021
Deferred tax assets		
Accrued taxes attributable to unrealised derivatives	2,943	4,781
Deferred tax assets	2,943	4,781
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	15	5,641
Deferred tax on temporary differences	15	5,641
The deferred tax liabilities are expected to be settled as follows:		
Within 12 months	15	5,641
Later than within 12 months	-	-
	15	5,641
The gross change in deferred tax is as follows:		
Opening balance	-860	-5,595
Effect of changed branch taxation	5,679	-5,581
Recognised in the income statement	-1,891	10,316
Closing balance	2,928	-860

NOTE 26 Deposits and borrowings from the public

SEK thousand	31 Dec 2022	31 Dec 2021
Germany	12,742,158	7,332,430
Norway	2,736,078	3,174,844
Sweden	344,698	662,747
Finland	285,196	334,728
Total deposits and borrowings from the public	16,108,130	11,504,749

Deposits and borrowings from the public only occur in the household sector and 98 % (99) is covered by a deposit guarantee scheme. Deposits in Sweden, Norway and Germany are payable on demand and on maturity. Deposits in Finland are payable on demand. Deposits with maturity amounts to 32 % (36) of total deposits from the public. Maturities are shown in Note 3.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK thousand	31 Dec 2022	31 Dec 2021
Opening balance	11,504,749	8,714,032
Change for the year	3,465,856	2,429,388
Exchange rate differences	1,137,525	361,329
Closing balance	16,108,130	11,504,749

NOTE 27 Other liabilities

SEK thousand	31 Dec 2022	31 Dec 2021
Debts to ecommerce partners	74,804	53,573
Accounts payable	8,357	6,783
Derivatives	25,675	23,452
Other liabilities	16,295	10,212
Total other liabilities	125,131	94,020

NOTE 28 Accrued expenses and prepaid income

SEK thousand	31 Dec 2022	31 Dec 2021
Accrued broker fees	48,255	43,112
Accrued salaries and holiday pay liability	25,554	20,790
Accrued interest on deposits from the public	22,507	21,323
Accrued social security costs	16,145	11,216
Accrued interest on loans to the public	4,542	3,456
Other accrued expenses and prepaid income	27,618	21,687
Total accrued expenses and prepaid income	144,621	121,584

NOTE 29 Subordinated liabilities

SEK thousand	31 Dec 2022	31 Dec 2021
Time-bound subordinated liabilities	198,660	198,042
Total	198,660	198,042

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 30 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 2022	31 Dec 2021
The following transactions took place between companies within the Group:		
General administrative expenses	-23,973	-18,341
Total	-23,973	-18,341

SEK thousand	31 Dec 2022	31 Dec 2021
The following transactions have been made with other related parties:		
Interest income (transaction costs)	-46,869	-47,957
	3,294	890
General administrative expenses	-2,049	-3,109
Total	-45,624	-50,176
Acquisition of assets and liabilities from other related parties:		
Ecommerce Solutions	550,025	596,687
Total	550,025	596,687

SEK thousand	31 Dec 2022	31 Dec 2021
<i>Assets and liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other assets	917	1461
Other liabilities	282	14

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 2 February 2022 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 predictable 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.

Operational risk – Alternative Standardised Approach

The Swedish Financial Supervisory Authority has given TF Bank permission to use the Alternative Standardised Approach to calculate the capital requirement for operational risk. TF Bank is therefore changing its method for calculating operational risk from the Standardised Approach to the Alternative Standardised Approach as of 31 December 2022. The change results in the capital requirement for operational risk is significantly closer to the business' own perception of its operational risks. The approval has strengthened all TF Bank's capital ratios with approximately 1 percentage point as of 31 December 2022.

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 the Bank's 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 once a year.

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.

Note 31 cont.

CAPITAL SITUATION ¹

SEK thousand	31 Dec 2022	31 Dec 2021
Common Equity Tier 1 capital (CET1)	1,522,686	1,237,589
Additional Tier 1 capital (AT1)	200,000	200,000
Tier 2 capital	198,660	198,042
Own funds	1,921,346	1,635,631
Risk exposure amount	12,349,623	10,079,383
- of which: credit risk	11,692,361	8,726,933
- of which: credit valuation adjustment	7,166	2,339
- of which: market risk	-	-
- of which: operational risk	650,096	1,350,111
Capital ratios		
CET1 capital ratio, %	12.3	12.3
Tier 1 capital ratio, %	13.9	14.3
Total capital ratio, %	15.6	16.2

REGULATORY CAPITAL REQUIREMENTS ¹

SEK thousand	31 Dec 2022		31 Dec 2021	
	Amount	Percent ²	Amount	Percent ²
Capital requirement under pillar 1				
CET1 capital requirement	555,733	4.5	453,572	4.5
Tier 1 capital requirement	740,977	6.0	604,763	6.0
Total capital requirement	987,970	8.0	806,351	8.0
Capital requirement under pillar 2				
CET1 capital requirement	90,516	0.7	46,834	0.5
Tier 1 capital requirement	120,689	1.0	62,445	0.6
Total capital requirement	160,918	1.3	83,260	0.8
- of which, concentration risk	126,072	1.0	81,944	0.8
- of which, currency risk	1,016	0.0	1,316	0.0
- of which, interest rate risk	33,830	0.3	-	-
Total capital requirement under pillar 1 and pillar 2				
CET1 capital requirement	646,249	5.2	500,406	5.0
Tier 1 capital requirement	861,666	7.0	667,208	6.6
Total capital requirement	1,148,888	9.3	889,611	8.8
Institution-specific buffer requirement				
Total buffer requirement	401,364	3.3	282,444	2.8
- of which, capital conservation buffer requirement	308,741	2.5	251,985	2.5
- of which, countercyclical buffer requirement	92,623	0.8	30,460	0.3
Total capital requirement including buffer requirement				
CET1 capital	1,047,613	8.5	782,850	7.8
Tier 1 capital	1,263,029	10.2	949,652	9.4
Total capital	1,550,251	12.6	1,172,055	11.6

¹ In accordance with (EU) 2021/637 TF Bank AB discloses the information about capital adequacy and other information as per the template "EU KM1" on page 74.

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

Note 31 cont.

OWN FUNDS

SEK thousand	31 Dec 2022	31 Dec 2021
CET1 capital		
Share capital	107,500	107,500
Other reserves	87,416	72,365
Retained earnings including net profit for the period reviewed by the auditor	1,339,862	1,050,826
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ¹	-	-21,500
- IFRS 9 transitional arrangements	47,391	71,257
- Intangible assets ²	-50,556	-32,657
- Goodwill	-8,927	-10,202
Total CET1 capital	1,522,686	1,237,589
Additional Tier 1 capital		
Perpetual subordinated loan	200,000	200,000
Tier 2 capital		
Fixed term subordinated loan	198,660	198,042
Own funds	1,921,346	1,635,631

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

SEK thousand	31 Dec 2022		31 Dec 2021	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Corporate exposures	89,182	7,135	38,346	3,068
Household exposures	10,727,797	858,224	8,012,089	640,967
Secured by collateral	19,817	1,585	14,945	1,196
Exposures in default	428,269	34,262	390,444	31,236
Exposures to institutions with a short-term credit assessment	349,714	27,977	176,588	14,127
Equity exposures	525	42	597	48
Other items	77,057	6,165	93,924	7,514
Total	11,692,361	935,390	8,726,933	698,156
Credit valuation adjustment				
Standardised method	7,166	573	2,339	187
Total	7,166	573	2,339	187
Market risk ¹				
Foreign exchange risk	-	-	-	-
Total	-	-	-	-
Operational risk				
Alternative Standardised Approach ⁴	650,096	52,008	1,350,111	108,009
Total	650,096	52,008	1,350,111	108,009
Total risk exposure amount and total capital requirement	12,349,623	987,971	10,079,383	806,352

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.

⁴ The figures as of December 2022 are calculated according to the Alternative Standardised Approach. The figures as of December 2021 are calculated according to the Standardised Approach.

NOTE 32 Pledged assets, contingent liabilities and commitments

SEK thousand	31 Dec 2022	31 Dec 2021
Pledged assets		
Restricted bank deposits ¹	54,786	48,536
Total	54,786	48,536

SEK thousand	31 Dec 2022	31 Dec 2021
Commitments		
Unutilised credit limits	3,265,256	1,974,365
Future total minimum lease payments for non-cancellable operating leases	22,299	18,391
Total	3,287,555	1,992,756

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

NOTE 33 Events after 31 December 2022

The Board has appointed Joakim Jansson as the new CEO, starting no later than August 2023. The current CEO Mattias Carlsson will remain with the Company as a Senior Business Advisor.

The Swedish Financial Supervisory Authority has given TF Bank permission to use the Alternative Standardised Approach to calculate the capital requirement for operational risk. The change results in the capital requirement for operational risk being significantly closer to the business' own perception of its operational risks. The approval has strengthened TF Bank's capital situation as of 31 December 2022.

NOTE 34 Proposed appropriation of profit or loss

SEK	
Tier 1 capital instrument	200,000,000
Retained earnings	999,057,178
Profit for the year	340,440,671
	1,539,497,849
The Board proposes:	
to be carried forward	1,539,497,849
Total	1,539,497,849

¹ Restricted bank deposits refers to minimum reserve requirements at central banks in Estonia, Finland, Latvia and Poland.

FIVE-YEAR OVERVIEW

KEY FIGURES ¹

SEK thousand	Parent company				
	2022	2021	2020	2019	2018
Income statement					
Operating income	1,412,801	1,055,287	876,070	530,399	501,111
Operating expenses	-611,229	-442,165	-340,755	-201,268	-168,208
Net loan losses	-367,569	-260,564	-272,676	-145,770	-124,940
Operating profit	434,003	352,558	262,639	183,361	207,963
Profit for the year	340,805	277,206	202,719	161,748	182,994
Balance sheet					
Loans to the public	14,654,373	10,872,285	7,922,448	4,305,139	3,077,158
Deposit from the public	16,108,130	11,504,749	8,714,032	5,136,820	4,061,396
Key figures					
CET1 capital ratio, %	12.3	12.3	12.8	14.5	15.3
Tier 1 capital ratio, %	13.9	14.3	14.2	16.5	17.8
Total capital ratio, %	15.6	16.2	17.4	20.4	20.4
Employees (FTE)	290	236	187	114	93

¹ Comparative figures for 2018-2019 relates to data for the Parent Company TF Bank AB which has been disclosed in previous annual reports.

See separate section with definitions and reconciliation tables, page 72-73.

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.

ITEMS AFFECTING COMPARABILITY

Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

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, the amount is reduced by product returns.

NUMBER OF ACTIVE CREDIT CARDS

All issued cards at the last day of the period with balance above 0 or transaction in last 12 months prior to reporting date

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.

TRANSACTION VOLUME

The total sum of all purchases processed through TF Bank's payment solutions

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	
	2022	2021	2020	2019	2018
Income statement					
Earnings per share, SEK	15.18	12.55	9.11	10.01	8.75
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	188,126
Average number of outstanding shares, thousands	21,500	21,500	21,500	21,500	21,500
Key figures ²					
Operating income margin, %	11.1	11.2	12.2	14.0	16.5
Total operating income	1,412,801	1,055,287	876,070	768,864	627,641
Average loans to the public ³	12,763,329	9,397,367	7,209,114	5,472,503	3,802,757
Net loan loss ratio, %	2.9	2.8	3.8	3.4	4.0
Net loan losses	367,569	260,564	272,676	188,634	150,272
Average loans to the public ³	12,763,329	9,397,367	7,209,114	5,472,503	3,802,757
Cost/Income ratio, %	43.3	41.9	38.9	37.8	39.4
Total operating expenses	611,229	442,165	340,755	290,875	247,536
Total operating income	1,412,801	1,055,287	876,070	768,864	627,641
Return on equity, %	23.6	24.4	22.0	30.3	33.8
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	188,126
Average equity attributable to the shareholder's of the Parent Company ³	1,382,735	1,107,198	889,387	710,858	556,020
Return on loans to the public, %	2.6	2.9	2.7	3.9	4.9
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	188,126
Average loans to the public ³	12,763,329	9,397,367	7,209,114	5,472,503	3,802,757
Return on assets, %	2.1	2.3	2.1	3.0	3.6
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	188,126
Average total assets ³	15,869,053	11,797,131	9,335,847	7,256,168	5,269,319
Adjusted key figures ⁴					
Adjusted earnings per share, SEK	15.18	12.55	9.11	10.01	8.01
Adjusted net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	172,296
Average number of outstanding shares, thousands	21,500	21,500	21,500	21,500	21,500
Adjusted return on equity, %	23.6	24.4	22.0	30.3	31.0
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	172,296
Average equity attributable to the shareholder's of the Parent Company ³	1,382,735	1,107,198	889,387	710,858	556,020
Adjusted return on loans to the public, %	2.6	2.9	2.7	3.9	4.5
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	172,296
Average loans to the public ³	12,763,329	9,397,367	7,209,114	5,472,503	3,802,757
Adjusted return on assets, %	2.1	2.3	2.1	3.0	3.3
Net profit for the year attributable to the shareholder's of the Parent Company	326,445	269,875	195,769	215,160	172,296
Average total assets ³	15,869,053	11,797,131	9,335,847	7,256,168	5,269,319

¹ In order for the five-year overview to reflect a true and fair view, comparative figures for 2018-2019 relates to the Group with TF Bank AB as Parent Company.

² Calculation of capital ratios is shown in Note 31.

³ The average has been calculated as opening balance plus closing balance, divided by two.

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 2022	31 Dec 2021
Available own funds			
1	Common Equity Tier 1 capital (CET1)	1,522,686	1,237,589
2	Tier 1 capital	1,722,686	200,000
3	Total capital	1,921,346	198,042
Risk-weighted exposure amount			
4	Total risk exposure amount	12,349,623	10,079,383
Capital ratios (% of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio, %	12.3	12.3
6	Tier 1 ratio, %	13.9	14.3
7	Total capital ratio, %	15.6	16.2
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, %	1.3	0.8
EU 7b	- of which, to be made up of CET1 capital, %	0.7	0.5
EU 7c	- of which, to be made up of Tier 1 capital, %	1.0	0.6
EU 7d	Total SREP own funds requirements, %	9.3	8.8
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, %	0.8	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, %	3.3	2.8
EU 11a	Overall capital requirements, %	12.6	11.6
12	CET1 available after meeting the total SREP own funds requirements, %	7.1	7.3
Leverage ratio			
13	Total exposure measure	19,013,626	13,751,040
14	Leverage ratio, %	9.1	10.5
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)	1,842,575	1,537,966
EU 16a	Cash outflows – Total weighted value	1,272,157	812,403
EU 16b	Cash inflows – Total weighted value	637,160	376,288
16	Total net cash outflows (adjusted value)	634,997	436,115
17	Liquidity coverage ratio, %	290	353
Net Stable Funding Ratio			
18	Total available stable funding	16,567,159	12,111,551
19	Total required stable funding	11,984,167	9,460,775
20	NSFR ratio, %	138	128

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 2023

John Brehmer
Chairman

Niklas Johansson

Michael Lindengren

Sara Mindus

Fredrik Oweson

Mari Thjømøe

Mattias Carlsson
CEO

We submitted our Auditor's Report on 17 March 2023.

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 2022, except for the corporate governance statement on pages 81-92 and the sustainability report on pages 93-106. The annual accounts of the company are included on pages 12-75 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 2022 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 81-92 and sustainability report on pages 93-106. 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.

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 disclosure 16, 22 and accounting principles on pages 31-33 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.	We have tested the entity's key controls in the lending process, including credit decisions, credit examinations, rating classifications and loan loss provisions.
The entity's loans to the public amounted to SEK 14,654 (10,872) million on 31 December 2022, corresponding to 80 (81) % of the entity's total assets. The entity's reserves for loan losses in the loan portfolio amounted to SEK 608 (485) million.	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 indata 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 1-11, 81-92, 93-106 and 107-108. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. 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 2022 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 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 2022.

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

In our opinion, the Esef report 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.

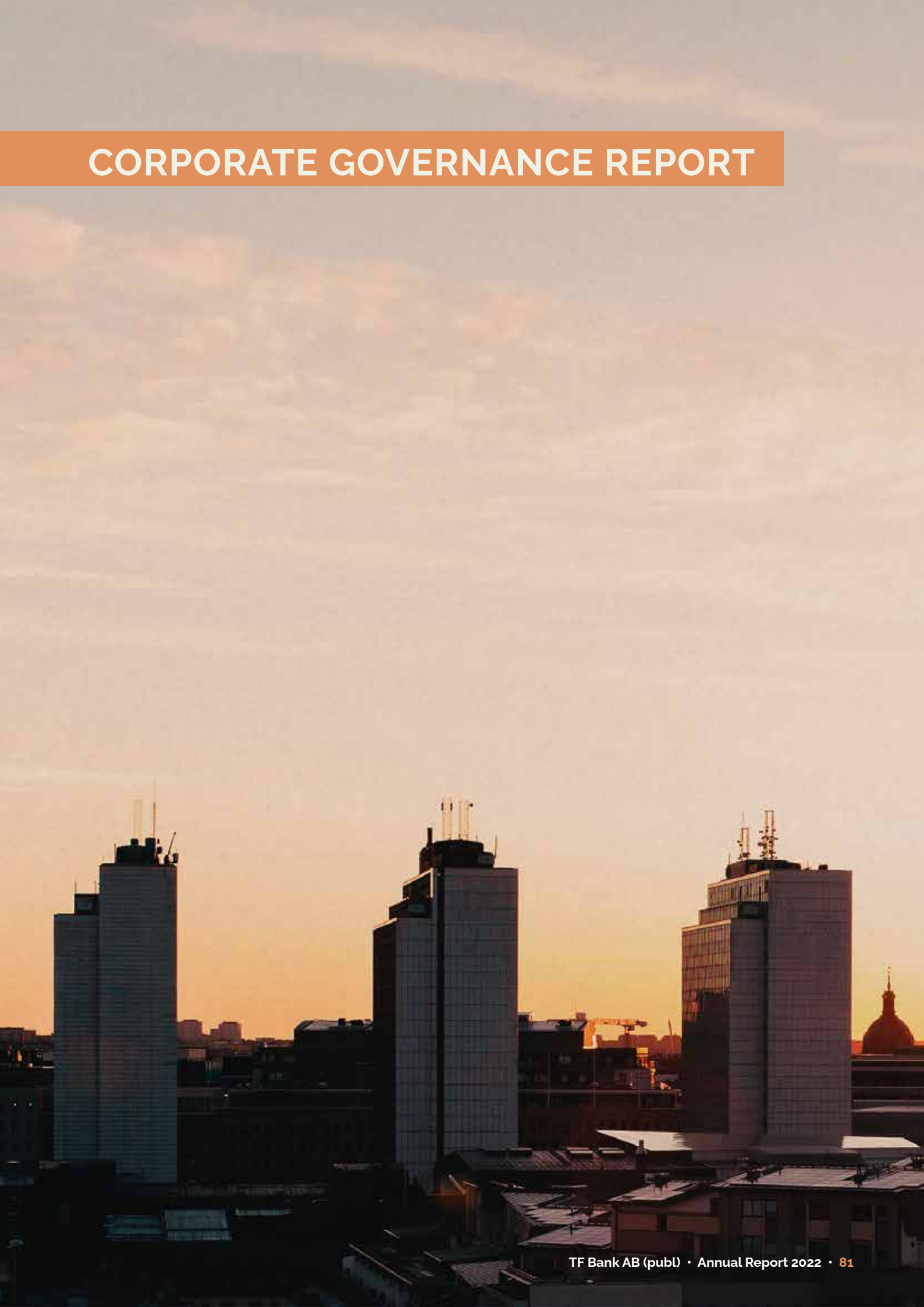
The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on May 3, 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Stockholm 17 March 2023
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, Austria and Spain in accordance with the Swedish Banking and Financing Business Act. The Bank also has five small service subsidiaries: TFB Service UAB, TFB Service SIA, TFB Service GmbH, TFB Service AB and TFBN Services S.L.. The shares in TF Bank AB have been listed on Nasdaq Stockholm's main market since 14 June 2016.

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

OWNERSHIP

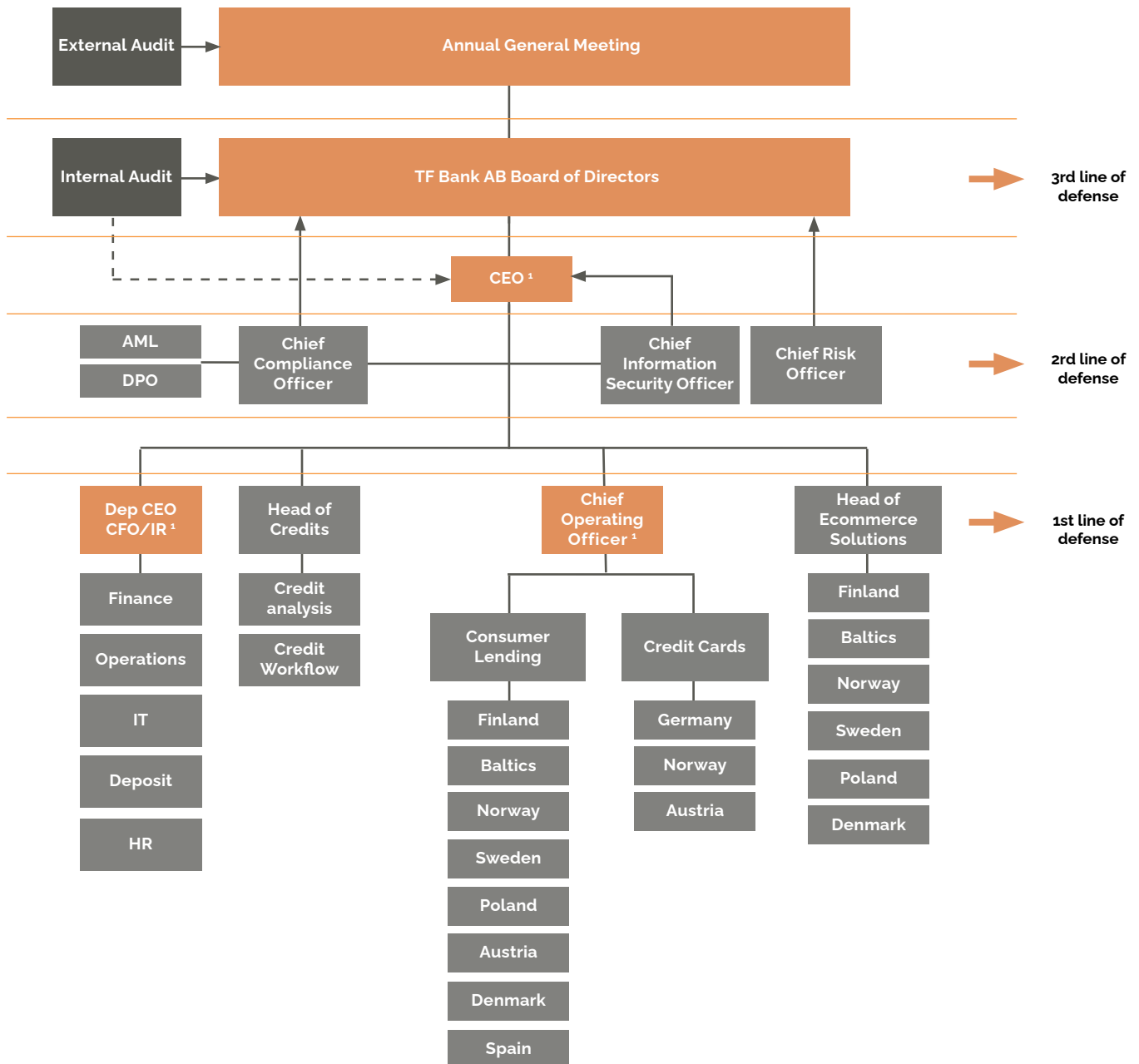
Ownership structure 31 December 2022:

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

Source: Euroclear

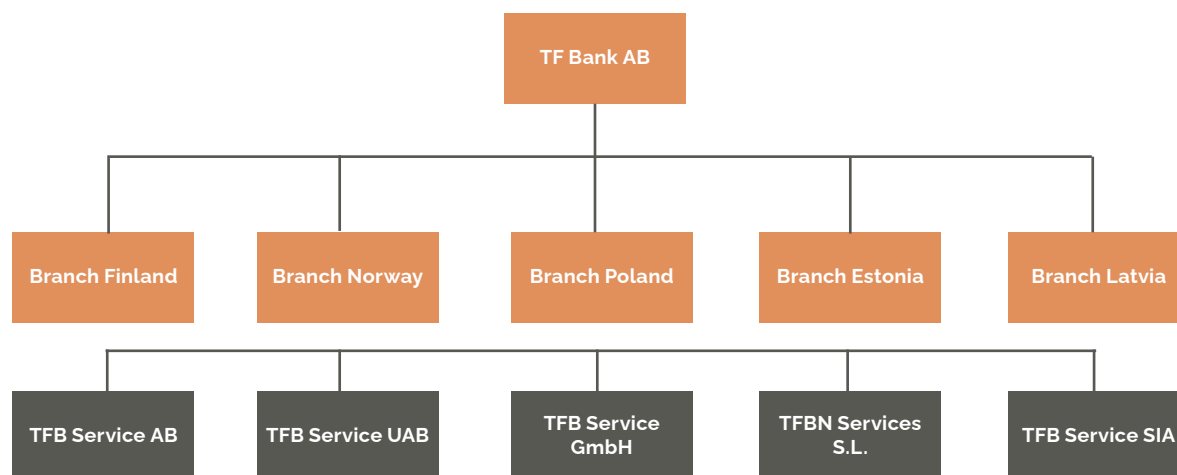
The largest owner, TFB Holding AB, with a total holding of 30.31 % as at 31 December 2021, is represented on the Nomination Committee through Paul Källenius.

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 AB	55930-467	100%	Full/full
	TFB Service UAB	304785170	100%	Full/full
	TFB Service GmbH	HRB 208869 B	100%	Full/full
	TFBN Service S.L.	B10781789	100%	Full/full
	TFB Service SIA	40203015782	100%	Full/full

ARTICLES OF ASSOCIATION

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

GENERAL MEETING OF SHAREHOLDERS

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

Annual General Meeting 2022

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

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

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

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

The full Articles of Association as well as minutes and information regarding the 2022 AGM are available at www.tfbankgroup.com.

NOMINATION COMMITTEE

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

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

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

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

The Nomination Committee ahead of the AGM in 2023 comprises:

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

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

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

BOARD OF DIRECTORS

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

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

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

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

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

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

Significant matters

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

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

Board attendance was as follows:

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

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

Reporting to the Board of Directors and Board committees

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

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

Remuneration Committee

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

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

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

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

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

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

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

Risk and Compliance Committee

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

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

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

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

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

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

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

Remuneration of Board members

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

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

Evaluation of the Board's work

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

CEO AND EXECUTIVE MANAGEMENT

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

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

Further information about Executive Management representatives is available at www.tfbankgroup.com and on page 108.

Remuneration of senior executives

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

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

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

TF Bank was founded 1987 and is an internet-based niche bank offering consumer banking services and e-commerce solutions through a proprietary IT platform with a high degree of automation. Deposit and lending activities are conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany, Austria and Spain through branch or cross-border banking with the support of the Swedish banking license. From 2020 the operations are divided into three segments: Consumer Lending, Credit Cards and Ecommerce Solutions.

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

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

The forms of remuneration, etc.

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

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

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

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

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

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

Termination of employment

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

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

Criteria for distributing variable remuneration

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

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

Salary and terms of employment for the employees

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

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

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

Deviations from the guidelines

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

Commission-based compensation for senior executives

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

INTERNAL GOVERNING DOCUMENTS

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

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

EXTERNAL AUDITORS

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

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

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

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

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

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

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

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

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

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

Third line of defence - Internal audit

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

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

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

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

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

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

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

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

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

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

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

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

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

FURTHER INFORMATION

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

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

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

Assignment and responsibility allocation

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

Focus and scope of the audit

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

Statement

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

Stockholm 17 March 2023
KPMG AB

Dan Beitner
*Authorised Public Accountant
Auditor in Charge*

SUSTAINABILITY REPORT



SUSTAINABILITY REPORT

At TF Bank, our goal is to contribute to financial inclusion by offering responsible lending. In a functioning economy, responsible lending is a necessary and important product category. We want to give our customers the opportunity to access the products and services they are in need of in a sustainable and responsible way. In December 2020, TF Bank's Board of Directors adopted a 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 2022. 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. Our marketing strategy consists of providing easily available, straight-forward savings and credit products without complex terms and conditions and with high availability. Our offering and our processes are to the greatest extent digital and automated. We continuously develop, adapt, and improve our digital processes to achieve our goal of organic growth and to be accessible to creditworthy individuals.

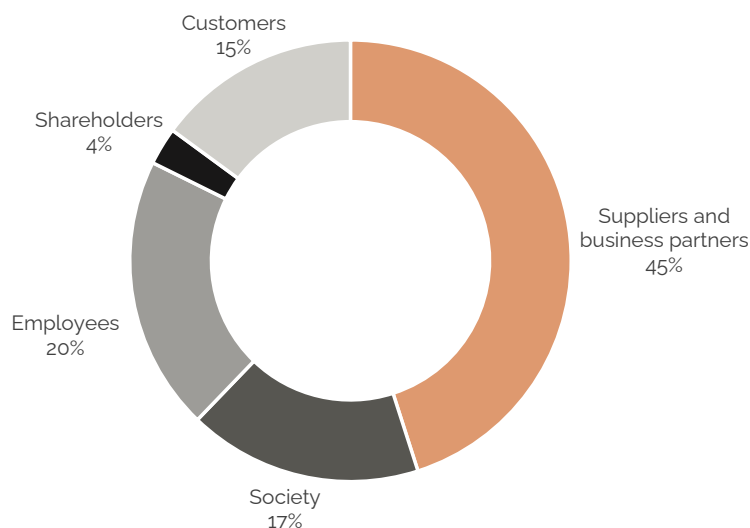
TF Bank operates in the Nordics, the Baltics, Poland, Germany, Austria, and Spain. It is important for the Bank to have the capacity to provide personal service when requested. TF Bank has local presence in nine of the eleven countries where TF Bank operates, while support functions are located at the headquarters in Borås and at the Bank's office in Gdansk.

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.

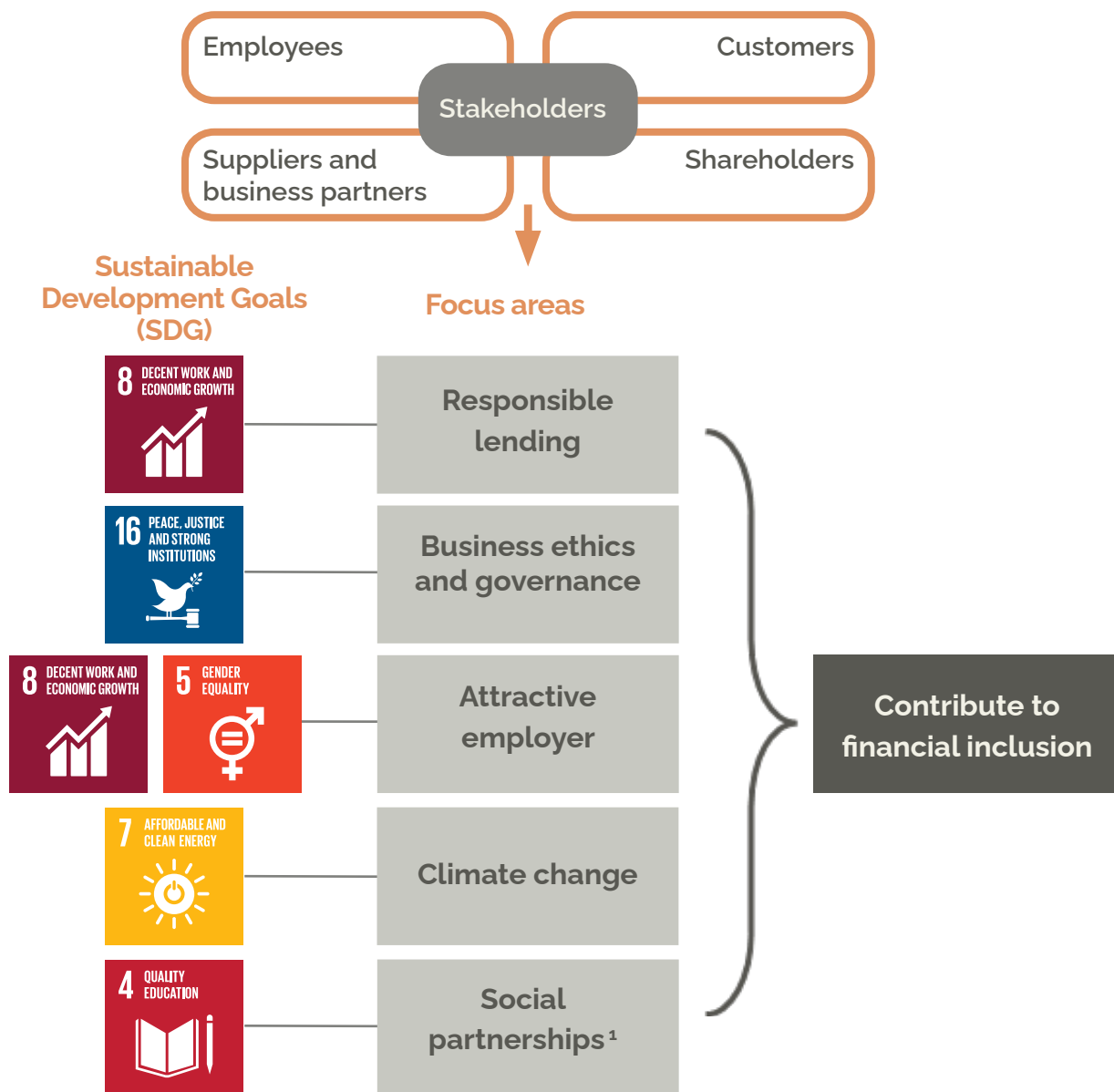
Significant events during 2022:

- During the year, TF Bank has signed the UN's Global Compact which is an important factor in TF Bank's active work with human rights.
- By hiring a Group HR Manager, a common HR function has been established in the Bank.
- During the year, TF Bank has established a climate report for the years 2021 and 2022. By calculating the CO₂ emissions, the Bank can take measures that lead to a reduced negative impact on the environment.



TF BANKS SUSTAINABILITY PROGRAM

TF Banks sustainability program aims to integrate sustainability throughout the entire organisation. The sustainability program includes four sustainability areas: responsible lending, business ethics and governance, attractive employer and climate change. These areas have been assessed as the most material in regards to TF Bank's impact on the environment. The diagram below illustrates how TF Bank integrates sustainability and how sustainability efforts are linked to the UN's Sustainable Development Goals. Read more about TF Bank's materiality analysis on page 97.



Economic values

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.

¹ Initiative prior to the adoption of the sustainability program in 2020.

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 2022
Customers (existing and new)	<ul style="list-style-type: none"> - Credit granting process - Customer service contacts - Marketing 	<ul style="list-style-type: none"> - Robust credit assessment - Focus on new markets
Capital markets (shareholders, investors, analysts)	<ul style="list-style-type: none"> - 1-1 meetings - AGM - Press releases - Interim reports - Website 	<ul style="list-style-type: none"> - Development of credit cards and e-commerce solutions - Impact from increasing inflation/increased rates - The war in Ukraine
Employees	<ul style="list-style-type: none"> - Intranet - Employee survey - Development talks 	<ul style="list-style-type: none"> - Code of conduct - Hybrid work

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 evaluates suppliers based on various criteria. The Bank has a code of conduct for suppliers, and an annual follow-up is conducted.
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 works preventively with systematic information security.
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.

Materiality analysis

TF Bank's materiality analysis comprises an identification of the most material sustainability areas for the operations. The selection has been made with the assistance of chosen stakeholders and is summarised as follows.

Prioritised

- Tax (2)
- Emissions (4)
- Waste (4)
- Community engagement ⁽¹⁾
- 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 ¹

Sustainability program

In December 2020, TF Bank's Board of Directors adopted a long-term 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.



¹ Initiative prior to the adoption of the sustainability program in 2020..

TF Bank's focus areas in sustainability

TF Bank works systematically with four focus areas. The areas are chosen by the Board based on what is most relevant given our business operations and the risks and opportunities it entails.

Area	Purpose and Relevance	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	2022	2021
Loan loss ratio (%)	2.9	2.8
Income from late payments (%)	6.4	6.9
Number of loan applications	8,347,038	7,043,040
- Of which denied	4,364,206	3,485,867
Average loan amount (SEK)	46,628	44,635
Share of markets with local customer service (%)	82	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. However, our goal is to reduce the loan loss ratio annually. During 2022 the loan loss ratio increased slightly to 2.9 percent (2.8).

Sub-area 2: Customer protection

To become a customer of TF Bank, one must not have payment defaults and must have financial margins, which are ensured through a calculation of residual income. In the credit assessment process, we also investigate whether a loan with us would lead to the customer having too high a 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 in the Nordics the facility to take out insurance against suspension of payments due to unemployment or illness, as well as a life insurance.

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 automated processes with manual processing. Our automated credit assessment process allows us to provide customers with efficient credit management while also ensuring an accurate credit assessment. 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 2022, we processed around 8.3 million loan applications (7.0), of which above 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 different economic conditions, have 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	2022	2021
Number of customer complaints	46	21
Number of reported GDPR breaches	0	0
Number of reports to whistle-blower function	0	0
Tax payments (SEK thousand)	134,349	107,990

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

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 all employees. The code of conduct is reviewed and updated every year, and the updated code is shared with the Bank's employees. In 2022, a special educational effort on the code of conduct was carried out. Furthermore, anti-corruption training is carried out regularly 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 or terrorist financing 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 or terrorist financing 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 Chief 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. The document is distributed to suppliers who then will approve our code of conduct for suppliers or demonstrate that they have an internal equivalent code of conduct. The Bank's compliance function ensures that annual follow-ups of suppliers in relation to the code of conduct are conducted.

Sub-area 2: Information security and GDPR

TF Bank works preventively with systematic information security. We continuously adapt the security measures based on the Organisation's needs and risks in accordance with regulatory requirements, good practice and ethical standards.

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 81-91.

Human rights

TF Bank respects universal human rights in all countries where the Bank operates. The Bank supports the UN's Universal Declaration of Human Rights and associated conventions. In 2022, TF Bank joined the UN's Global Compact initiative. This collaboration serves as an important factor in TF Bank's active work with human rights. By joining the UN's Global Compact, the Bank commits to communicating its progress (CoP) on their ten principles for human rights, labour rights, environment, and anti-corruption, as well as the SDGs.

Attractive employer

KPIs	2022	2021
Number of employees	290	236
- Of which women	154	126
- Share of women (%)	53	52
Share of female members of Board of Directors and executive management (%)	22	33
- In Board of Directors (%)	33	50
- In executive management (%)	0	0
- In extended management team (%)	21	16
Number of nationalities in Board of Directors	2	3
Average age of employees	35	35
Sick absence (%)	4.7	3.5
Staff turnover rate (%)	18.7	16.6
Number of part-time employed students	24	20

Sub-area 1: Diversity and equality

At TF Bank, all shall be treated with respect and dignity in accordance with our business principles. TF Bank strives for long-term business success and believes that employees with diverse experiences and perspectives are a crucial factor in creating the innovative climate required to achieve this. As a smaller company, we understand that our success depends on the diversity and competence of our employees, who are our most important asset. The area of diversity and equality is addressed in our code of conduct.

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.

TF BANK AS EMPLOYER

TF Bank is an exciting employer with a stable foundation that offers a very developing work environment.

Josefine Viklund started working at TF Bank in the fall of 2022. One thing that appealed to Josefine from the start was that she, at TF Bank, would have the opportunity to help build a centralised HR department from scratch. The Bank's HR work had previously consisted of each individual country manager being responsible for the HR issues relevant to their specific unit.

- My ambition is to establish an annual schedule and a common process for HR-related activities in all units within TF Bank. A common approach for our managers that is recognised regardless of which office or country they work in. It's something I'm working on right now, and as part of that work, I've had meetings with our segment and country managers during this winter.

TF Bank sees a great advantage in being locally present in the countries where they operate to offer customers service in the local language. Additionally, the Bank believes that people with different experiences and perspectives are a crucial factor in creating the innovative climate required for long-term business success. TF Bank is growing rapidly, and the number of employees is also increasing rapidly.

- To attract, recruit, and retain talents, it's important that we have a strong employer brand. This will be among my focus areas in the future. It's important that we do small things all the time to constantly become a better employer.



A cornerstone for TF Bank is to grow organically. This is also implemented into the HR function. The goal is to safeguard existing human assets while actively working to attract new competencies.

- Engagement is one of the most important parts of ensuring that employees thrive, feel a greater commitment, and perform better. This is an area that is the starting point in my approach. The goal is for all employees to know what TF Bank stands for and where we are headed. Everyone should have a clear understanding of their own role and how the work they do contributes to the whole. Each employee should be able to influence their work situation, feel responsible for their tasks, and be given the opportunity to develop their skills.

Climate change

Sub-area 1: Reduce own climate impact

The climate transition is the most important societal issue of our time, and despite limited direct environmental impact, TF Bank aims to contribute to the SDGs and reduce its environmental footprint. The Bank has a sustainability policy that is regularly updated. This policy has been adopted by the Board of Directors and is accessible for all employees of the Bank. During the year, the Bank has taken steps to reduce its environmental footprint, including calculating its carbon footprint in collaboration with external consultants.

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.

The calculation is based on the Greenhouse Gas protocol (GHG-protocol) and is estimated using the consolidation method with an operational control approach. The Bank's climate impact has been calculated using the market-based method. Measurements have been made within scope 1 (refrigerants and service vehicles), scope 2 (electricity, district heating, and district cooling), and part of scope 3 (business travel and indirect life cycle emissions related to each emission source).

KPIs	2022	2021
Climate impact (t CO ₂ e)	463.4	294.6
Climate impact per employee (t CO ₂ e / FTE)	1.6	0.72
Climate impact per net sales (t CO ₂ e / MSEK)	0.33	0.16
Climate impact per office space (t CO ₂ e / m ²)	0.03	0.02
Energy consumption per office space (kWh / m ²)	148.43	141.86

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.

We consider it of utmost importance that our suppliers follow high ethical standards and act responsibly which is why we have adopted our code of conduct for suppliers. The document is distributed to suppliers who then will approve our code of conduct for suppliers or demonstrate that they have an internal equivalent code of conduct.

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. The majority of new lending takes place digitally through loan intermediaries on all channels.

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 an improvement regarding the use of e-invoices and invoices via e-mail to handle notices to our customers. The percentage of invoices sent digitally amounted to 91 % during 2022.

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, Avarda 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.

Corporate Sustainability Reporting Directive (CSRD)

TF Bank will be subject to the new EU directive for sustainability reporting, Corporate Sustainability Reporting Directive (CSRD), during the fiscal year 2025 with reporting in 2026. This means that the Bank will report according to European Sustainability Reporting Standards (ESRS). The directive entails increased requirements for more comprehensive disclosures and information related to sustainability than what is currently required.

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



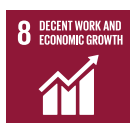
16.4 Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime
16.5 Substantially reduce corruption and bribery in all their forms



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 47 students, 28 girls and 19 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 is experiencing 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

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

Assignment and responsibility allocation

The Board of Directors is responsible for the sustainability report on pages 93-105, and that it is prepared in accordance with the Annual Accounts Act.

Focus and scope of the audit

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

Statement

A statutory sustainability report has been prepared.

Stockholm 17 March 2023
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 shares¹

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



MICHAEL LINDENGREN
Board member since 2021.

Born: 1956

Education: MSc in Business and Economics, Gothenburg University.

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

Holdings in Company: 5 000 shares¹

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: Seilsport Maritimt Forlag AS, ThjømøeKranen AS.
Board member: Tryg A/S, Deezer S.A., Hafslund AS, FCG Fonder AB, Norconsult AS, Sintef Eiendom Holding AS.

Holdings in Company: 12 154 shares¹

Independent of the Company, its management and major shareholders.



NIKLAS JOHANSSON
Board member since 2022.

Born: 1961

Education: B.A., Linköping university, MBA, Uppsala university and CEFA, Stockholm School of Economics.

Current directorships:
Chairman: Apoteket AB:s Pensionsstiftelse, AREIM AB.
Board member: Livförsäkringsbolaget Skandia, Euroclear Sweden AB.

Holdings in Company: 300 shares¹

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, Duco Förvaltning AB.

Holdings in Company: 25 000 shares¹

Independent of the Company, its management and major shareholders.



FREDRIK OWESON
Board member since 2022.

Born: 1968

Education: M.Sc. Business and Administration, Stockholm School of Economics.

Current directorships:
Chairman: Scope Capital SA, Woffel SA.
Board member: Swedish Bra Holding AB, Artificial Solutions International AB.

Holdings in Company: 0 shares¹

Independent of the Company, its management and major shareholders.

¹ Refers to directly or indirectly holdings as of December 31, 2022.

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:

Chairman: Tobisflöte Holding AB.

Board member: Tronstad Consulting AB, TFB Service AB.

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:

Chairman: Torhamnsskär Holding AB.

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.

At TF 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, 2022.

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.



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