

# **PERIOD IN BRIEF**

# **JANUARY-DECEMBER 2018**

COMPARED WITH JANUARY-DECEMBER 2017

- Total operating income increased by 22.7% to SEK 627.6 million
- The loan portfolio increased by 41.0% to SEK 4,449 million
- Operating profit increased by 29.6% to SEK 250.1 million
- Adjusted operating profit increased by 19.1% to SEK 229.8 million <sup>1</sup>
- Net profit increased by 29.8% to SEK 191.8 million
- Adjusted net profit increased by 19.0% to SEK 176.0 million <sup>1</sup>
- Cost/income ratio was 39.4% (37.0)
- · Total capital ratio was 17.4% (16.2)
- Earnings per share increased to SEK 8.75 (7.04)
- Adjusted earnings per share increased to SEK 8.01 (7.04) <sup>1</sup>
- The Board proposes to the Annual General Meeting a dividend of SEK 2.30 (2.25) per share for 2018

# **OCTOBER-DECEMBER 2018**

COMPARED WITH OCTOBER-DECEMBER 2017

- Total operating income increased by 28.6% to SEK 172.2 million
- Operating profit increased by 70.0% to SEK 85.2 million
- Adjusted operating profit increased by 29.5% to SEK 64.9 million <sup>1</sup>
- Net profit increased by 68.7% to SEK 65.0 million
- Adjusted net profit increased by 27.6% to SEK 49.2 million <sup>1</sup>
- · Cost/income ratio was 38.6% (36.9)
- Earnings per share increased to SEK 2.95 (1.82)
- Adjusted earnings per share increased to SEK 2.21 (1.82)<sup>1</sup>

# **SIGNIFICANT EVENTS**

JANUARY-DECEMBER 2018

- In January, Avarda launched a payment solution in Finland, together with several major partners
- In April, the Board appointed Mattias Carlsson as new CEO of TF Bank
- During the second quarter TF Bank issued Additional Tier 1 capital (AT1) of SEK 100 million
- In October the Board of TF Bank has updated the bank's financial targets and dividend policy. The new targets make it clearer that future growth opportunities should be prioritised

TF Bank ended 2018 with a strong last quarter for both segments.
The adjusted operating profit of SEK 65 million was 29% higher than in the corresponding quarter in 2017.

# **TOTAL OPERATING INCOME**

JAN-DEC 2018 COMPARED WITH JAN-DEC 2017

SEK 628 MILLION +23%

# TOTAL CAPITAL RATIO

31 DECEMBER 2018 COMPARED WITH 31 DECEMBER 2017

17.4% + 1.2 PERCENTAGE POINTS

# LOAN PORTFOLIO

31 DECEMBER 2018 COMPARED WITH 31 DECEMBER 2017

SEK 4.4 BILLION +41%

# ADJUSTED EARNINGS PER SHARE 1

JAN-DEC 2018 COMPARED WITH JAN-DEC 2017

SEK **8.01** + **14**%

See separate section with definitions, page 40.

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

# **THE GROUP**

TF Bank is an internet-based niche bank offering consumer banking services and Ecommerce 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 carries out deposit-taking and lending activities for consumers in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia, Lithuania and Latvia through subsidiaries, branches or cross-border banking. In the Ecommerce Solutions segment, the Group offers next-generation payment and checkout solutions for online retailers in the Nordic countries, Estonia and Poland.

TF Bank was founded in Sweden in 1987 and has from the start had a strong track record of profitable growth. From its Swedish base the Group has established a broad North European presence, and today serves about 1 million customers through various brands across its markets. TF Bank has been listed in the Mid Cap segment of Nasdaq Stockholm since 2016.



# **CEO'S COMMENTS**

TF Bank ended 2018 with a strong last quarter for both segments. The adjusted operating profit of SEK 65 million was 29% higher than in the corresponding quarter in 2017. Rising interest income from a growing loan portfolio was the main driving force behind the increased net profit. The loan portfolio increased by SEK 252 million in the fourth quarter and growth for the full year totalled 41%. Our ambition for 2019 is to achieve continued growth in carefully selected segments and markets.

# Continued diversified growth in the last quarter

The loan portfolio continued to increase and amounted to SEK 4.4 billion at the end of 2018. In the fourth quarter, growth amounted to 8% in local currencies and all major markets increased their loan volumes. Norway and Finland were the Nordic markets that showed the strongest growth, while we took a more cautious stance in the Swedish market. In Finland, TF Bank gained market share by offering slightly larger loans and slightly longer maturities. Growth in consumer loans in the Baltics and retail finance in Poland was also strong in the quarter. This year's strong growth means that we start 2019 with a loan portfolio that is worth SEK 1.3 billion more than at the beginning of 2018.

# Regulatory changes in Norway create opportunities

In Norway, the bank's operations performed well during 2018. We are looking forward to good opportunities for increasing our market share in our western neighbour. The conditions for conducting banking activities like ours have, and will continue, to change. I am thinking in particular about the national credit register that will be introduced in 2019 which will benefit both borrowers and lenders. Furthermore, it seems likely that the recommendation of the Norwegian Financial Supervisory Authority (FSA) regarding unsecured loans will become a regulation in 2019. This combined with the overestablishment of new entrants with capital requirements guarantees that the risk adjusted margins will be stable and we also see good opportunities to increase our market share.

# Avarda: The online retailer's best friend

In November 2017, Avarda became a wholly owned subsidiary of TF Bank and just over a year later we can conclude that the investment in the next generation of payment and checkout solutions for online retailers



took place at just the right time. During the year, Avarda rolled out its solution Checkout+, which is a complete checkout and payment "white label" service for online retailers who want exposure for their brand and increased opportunities for upselling throughout the sales cycle. The feedback from customers has been consistently very positive and we have rapidly achieved significant volumes. Avarda's growing customer portfolio consists of successful online retailers in Sweden and Finland, and we are preparing for roll-out in Norway.

# Outlook for 2019

Over the past year, TF Bank has delivered a return on equity above 30%. We have welcomed about 300,000 new customers and the strong growth in the loan portfolio creates good opportunities for increasing revenues in the coming years. The ambition is to continue to grow in 2019, but we are also humble and will continue to prioritise diversified organic growth in a controlled manner within our carefully selected segments and markets. The recent turbulence in the financial markets signals some uncertainty about the future, which we will take into consideration in our business decisions. In its 30 years in business, TF Bank has weathered both favourable and unfavourable market conditions and we are prepared to make the right decisions in 2019.

Mattias Carlsson President and CEO

# **KEY FIGURES, CONSOLIDATED**

# **KEY FIGURES, CONSOLIDATED**

SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Income statement				
Operating income	172,219	133,946	627,641	511,570
Operating profit	85,190	50,124	250,128	192,938
Net profit for the period	64,998	38,523	191,826	147,836
Earnings per share, SEK	2.95	1.82	8.75	7.04
Balance sheet				
Loans to the public	4,449,225	3,156,289	4,449,225	3,156,289
Deposits from the public	5,096,463	3,754,030	5,096,463	3,754,030
New lending	1,279,195	783,605	4,518,697	2,968,611
Key figures				
Operating income margin, %	16.3	17.9	16.3	17.9
Net loan loss ratio, %	3.9	4.5	3.9	4.5
Cost/Income ratio, %	38.6	36.9	39.4	37.0
Return on equity, %	34.5	29.7	34.5	29.7
Return on loans to the public, %	4.9	5.3	4.9	5.3
CET1 capital ratio, %	13.0	13.2	13.0	13.2
Tier 1 capital ratio, %	15.2	13.2	15.2	13.2
Total capital ratio, %	17.4	16.2	17.4	16.2
Employees (FTE)	150	116	140	110

# ADJUSTED KEY FIGURES, CONSOLIDATED 1

SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Income statement				
Operating profit	85,190	50,124	250,128	192,938
Items affecting comparability <sup>1</sup>	-20,295	-	-20,295	-
Adjusted operating profit	64,895	50,124	229,833	192,938
Adjusted income tax expense	-15,727	-11,601	-53,837	-45,102
Adjusted net profit for the period	49,168	38,523	175,996	147,836
Adjusted net profit attributable to the shareholders of the Parent Company Adjusted earnings per share, SEK	47,530 2.21	39,168 1.82	172,296 8.01	151,459 7.04
Key figures				
Adjusted return on equity, %	31.6	29.7	31.6	29.7
Adjusted return on loans to the public, %	4.5	5.3	4.5	5.3

# **CURRENCY RATES**

SEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
EUR Income statement (average)	10.32	9.79	10.25	9.63
EUR Balance sheet (end of reporting period)	10.28	9.85	10.28	9.85
NOK Income statement (average)	1.07	1.02	1.07	1.03
NOK Balance sheet (end of reporting period)	1.02	1.00	1.02	1.00
PLN Income statement (average)	2.40	2.31	2.41	2.26
PLN Balance sheet (end of reporting period)	2.39	2.36	2.39	2.36

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

See separate section with definitions, page 40.

# **RESULTS AND FINANCIAL POSITION**

# **JANUARY - DECEMBER 2018**

Operating profit increased by 29.6% to SEK 250.1 million (192.9). The increase was mainly attributable to higher interest income from the growing loan portfolio, as well as items affecting comparability of SEK 20.3 million due to reclassification of old customer balances. The adjusted operating profit increased by 19.1% to SEK 229.8 million (192.9). Adjusted earnings per share amounted to SEK 8.01 (7.04) and adjusted return on equity was 31.6% (29.7) <sup>1</sup>.

# Operating income

The Group's operating income increased by 22.7% to SEK 627.6 million (511.6), mainly as a result of higher net interest income from the growing loan portfolio. The operating income margin amounted to 16.3% (17.9). The decrease was mainly due to above average growth in consumer loans in Norway, where interest rates are slightly lower. The income margin was also affected by the launch of consumer loans with slightly higher loan amounts in several countries.

# Interest income

Interest income rose by 23.3% to SEK 657.2 million (533.2). The main drivers of the increase were increased lending in Norway and the Baltics as well as increasing volumes within Ecommerce Solutions. In addition, positive currency effects contributed to higher interest income compared with 2017.

# Interest expense

The Group's interest expenses increased by 27.9% to SEK 82.6 million (64.6). The increase was mainly due to higher deposits from the public in Germany and Norway. However, the funding cost decreased slightly compared with 2017, mainly because of more cost-effective funding of foreign assets.

# Net fee and commission income

Net fee and commission income increased by 20.0% to SEK 51.4 million (42.8). The main reason for the increase was the growing lending volume. In 2018, 54% of fee and commission income derived from charges and 46% from insurance premiums and other income.

# **Operating expenses**

The Group's operating expenses increased by 30.8% to SEK 247.5 million (189.3). The increased focus on Avarda as well as preparations for future lending growth were the main drivers behind the increase. The average number of full-time employees increased by 27% to 140 (110) for the year. Currency effects also had an impact on the cost increase compared with 2017. The C/I ratio amounted to 39.4% (37.0).

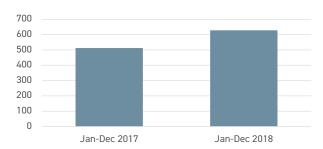
# Net loan losses

Net loan losses increased by 16.2% to SEK 150.3 million (129.3) in 2018, mainly due to growth in the Group's loan portfolio, new accounting rules for loan loss provisions and currency effects. The net loan loss ratio improved, falling to 3.9% (4.5). New agreements regarding the sale of past due loans and new loan products with lower credit risk contributed to the lower loss ratio.

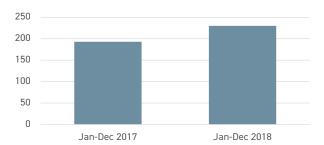
# Tax expense

The Group's tax expense amounted to SEK 58.3 million (45.1). The increase was primarily due to the improved operating profit compared with 2017. The average tax rate was 23.3% (23.4).

# **OPERATING INCOME (SEK million)**



# ADJUSTED OPERATING PROFIT (SEK million)1



<sup>&</sup>lt;sup>1</sup> Adjustments for items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

# **RESULTS AND FINANCIAL POSITION**

# **JANUARY - DECEMBER 2018**

# Lending

Loans to the public increased by 41.0% to SEK 4,449 million (3,156) during 2018. Currency effects had a positive impact on growth of 3.8%. The new accounting rules, IFRS 9, had an adverse effect on growth of 2.3% due to higher loan loss provisions on opening loan balances. The underlying loan portfolio increased by 40.1% in local currencies during the year. The Group's new lending amounted to SEK 4,519 million (2,969).

In 2018, consumer loans in Norway and the Baltics, as well as payment solutions in Finland through Avarda, were the main drivers behind organic growth in local currencies. Finnish consumer loans and the Ecommerce business in Poland also showed strong growth in the second half of the year. Consumer loans with slightly higher loan amounts were launched in Finland during the first six months of the year, which impacted loan portfolio growth.

# **Deposits**

Deposits from the public increased by 35.8% to SEK 5,096 million (3,754) in 2018. Currency effects had a positive impact on growth of 3.3%. TF Bank's variable rate deposit product in Germany showed stable net inflow throughout 2018, while the launch of German savings accounts with a fixed term of one and two years respectively generated significant volumes in the third quarter. The deposit portfolio in Norway also increased during the year, contributing to the geographic diversification of funding.

# **Investments**

The Group's investments amounted to SEK 19.9 million (48.4). Investments in the reporting period mainly comprised product development within the Ecommerce Solutions segment. The comparative figure for 2017 included SEK 31 million relating to the acquisition of Intrum Justitia's shares in Avarda. Depreciation and amortization on tangible and intangible fixed assets amounted to SEK 10.0 million (6.9) during 2018.

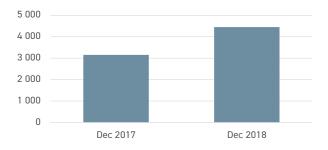
# Cash and cash equivalents

The liquidity reserve amounted to SEK 1,465 million (1,264) at the end of 2018 and it is placed in overnight accounts at different Nordic banks, in central bank accounts and in Swedish treasury bills. The Group's total available liquidity, including undrawn credit facility of SEK 31 million, has decreased to 29% (34) of deposits from the public at the end of 2018.

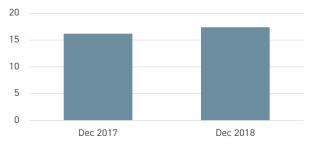
# Capital adequacy

At the end of the year, the Group's total capital ratio was 17.4% (16.2) and the Tier 1 capital ratio was 15.2% (13.2). The increase was related to the issuance of Additional Tier 1 capital of SEK 100 million during the second quarter of 2018. The CET1 capital ratio was 13.0% (13.2). The capital ratios as at 31 December 2018 take into account the Board's dividend proposal of SEK 2.30 (2.25) per share. All the capital ratios provide a satisfactory margin compared with the internal capital target.

# LOANS TO THE PUBLIC (SEK million)



# TOTAL CAPITAL RATIO (%)



# **RESULTS AND FINANCIAL POSITION**

# **OCTOBER - DECEMBER 2018**

Operating profit increased by 70.0% to SEK 85.2 million (50.1). Items affecting comparability of SEK 20.3 million relating to reclassification of old customer balances had a positive impact on the operating profit in the fourth quarter. The adjusted operating profit increased by 29.5% to SEK 64.9 million (50.1). Adjusted earnings per share amounted to SEK 2.21 (1.82) in the quarter <sup>1</sup>.

# Operating income

Operating income increased by 28.6% to SEK 172.2 million (133.9) compared with the fourth quarter of 2017, primarily due to growth in the loan portfolio and positive currency effects. In the last quarter of the year, income increased significantly in the Ecommerce Solutions segment, which to some extent is related to seasonality.

# **Operating expenses**

The Group's operating expenses increased by 34.2% to SEK 66.4 million (49.5). The increase is mainly related to more employees in the Group, expenses attributable to increased new lending volumes and currency effects. The C/I ratio increased to 38.6% (36.9). The outcome is among other things impacted by Ecommerce Solutions, which is growing faster than Consumer Lending at a higher C/I ratio.

# Net loan losses

Net loan losses increased by 19.2% to SEK 40.9 million (34.3). This was mainly due to the Group's loan portfolio growth, the new accounting rules for loan loss provisions and currency effects. In the last quarter of the year, credit losses increased in both segments, which is in line with previous years and partly due to seasonality that increase the proportion of past due loans at year-end.

# Tax expense

The Group's tax expense amounted to SEK 20.2 million (11.6). The average tax rate was 23.7% (23.1).

# OPERATING INCOME (SEK million)



# ADJUSTED OPERATING PROFIT (SEK million)1



<sup>&</sup>lt;sup>1</sup> Adjustments for items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

# **CONSUMER LENDING**

# **JANUARY - DECEMBER 2018**

# **Overview**

In the Consumer Lending segment (formerly Direct to Consumer), TF Bank offers unsecured consumer loans to credit-worthy individuals, including unsecured loans, refinancing and car loans. The bank offers consumer loans directly and through the Norwegian subsidiary BB Bank.

TF Bank offers its consumer credit products in six countries. Sweden and Finland are established core markets. The other countries are Estonia, Latvia, Lithuania and Poland. In 2018, continuing product development changed the product mix, resulting in slightly adjusted interest rates and loan amounts. As at 31 December 2018, the average loan amount per customer was approximately SEK 34,000 and the average maturity was approximately 18 months.

The loan portfolio of the subsidiary BB Bank, which operates in Norway, where consumer loans form one of two product lines, climbed above SEK 1 billion in the second quarter of 2018. As at 31 December 2018, the average loan amount per customer was approximately SEK 97,000 and the average maturity approximately 34 months.

# Loan portfolio

Loans to the public increased by 35.3% to SEK 3,466 million (2,561) in 2018. Currency effects had a positive impact on growth of 3.8%. The new accounting rules, IFRS 9, had an adverse effect on growth of 2.3% due to higher loan loss provisions on opening loan balances. The underlying performing loan portfolio increased by 34.2% in local currencies during the year. The segment's new lending amounted to SEK 2,661 million (1,810).

The Nordic consumer loan portfolio accounted for 71% of the segment. Norway was the main driver of growth and the underlying Norwegian loan portfolio increased by 55.6% to NOK 1,106 million (711) in 2018. The growth in Norway was achieved while maintaining margins and credit quality. In Finland, the loan portfolio increased by 5.7% to EUR 81.0 million (76.6). In 2018, the loan offering was adapted to meet customers' needs, resulting in good growth in the second half of the year. In Sweden,

the loan portfolio increased by 5.2% to SEK 468 million (445), which was related to a new product offering similar to the one in Finland.

The Baltic consumer loan portfolio accounts for 23% of the segment. The loan portfolio in Estonia gained market share and increased by 58.2% to EUR 51.3 million (32.4) in 2018. The operations in Latvia, which were launched at the end of 2016, continued to expand significantly and the loan portfolio increased from EUR 6.0 million to EUR 24.9 million during the year. Consumer loans were launched in Lithuania in 2018, but the volumes have so far been relatively low. Credit quality has remained stable in the Baltic portfolios. In Poland, consumer loans increased by 5.1% to PLN 87.1 million (82.9) in 2018.

## Results

Operating profit for the segment increased by 14.6% to SEK 214.8 million (187.4). Strong loan portfolio growth and a lower loss ratio had a positive impact on earnings.

Operating income increased by 15.9% to SEK 483.5 million (417.2) in 2018, which was mainly related to consumer loans in Norway and the Baltics, as well as positive currency effects. The operating income margin decreased to 15.8% (18.0).

Operating expenses for the segment increased by 22.5% to SEK 155.3 million (126.8) in 2018. The expense level compared to 2017 was impacted by the expansion in Norway and the Baltics, increasing lending volumes, as well as allocated central costs. The C/I ratio for the segment was 32.1 % (30.4).

Net loan losses amounted to SEK 113.4 million, an increase of 10.0% compared with 2017 (103.0). The loan loss ratio decreased to 3.7% (4.5). New agreements for the continuous sale of past due loans in Finland and Estonia, as well as low credit losses in the segment's largest market, Norway, had a positive impact on credit losses for the year.

For further information about the loan portfolio and results of this segment, see Note 3 Operating segments.

# SEGMENT'S SHARE OF THE GROUP'S LOANS TO THE PUBLIC



# SEGMENT'S SHARE OF THE GROUP'S OPERATING INCOME



# **ECOMMERCE SOLUTIONS**

# **JANUARY - DECEMBER 2018**

# **Overview**

In the Ecommerce Solutions segment (formerly Sales Finance), TF Bank offers digital payment solutions to both online and brick and mortar retailers, as well as credit cards to private individuals. Payment solutions are operated through the subgroup Avarda and by TF Bank AB. The credit card business in Norway is conducted through the subsidiary BB Bank ASA, while the credit card business in Germany is conducted by TF Bank AB.

Avarda's operations are focused on the Nordic markets, where the company is showing strong growth. In 2018, the company implemented Checkout+ which is a complete solution for online retailers and includes all significant payment methods as well as CRM functionality. The development for existing customers is proceeding according to plan and Avarda's volumes increased significantly during 2018.

TF Bank has its own customer base in the Nordic region and develops services outside the Nordic region through branches in Estonia and Poland. The development in Poland, where TF Bank offers a finance solution for local retailers, indicates that the business is competitive even outside the Nordic countries. In Estonia, several agreements were signed with different retailers in 2017, but volumes have so far been relatively small.

BB Bank's credit card offering continued to gain market share in Norway in 2018. Growth in this part of the segment contributed to higher volumes, increased income and an improved operating profit. In the last quarter of 2018, a new credit card offering was introduced in Germany.

# Loan portfolio

Loans to the public increased by 65.1% to SEK 983 million (595) in 2018. Currency effects had a positive impact on growth of 4.0%. The new accounting rules, IFRS 9, had an adverse effect on growth of 1.9% due to higher provisions for opening loan balances. The underlying loan portfolio increased by 65.0% in local currencies during the year. The segment's new lending amounted to SEK 1,858 million (1,159).

SEGMENT'S SHARE OF THE GROUP'S LOANS TO THE PUBLIC



Avarda's underlying loan portfolio increased by 370% to SEK 291 million (62) during 2018. Growth is mainly related to the retailers implemented by Avarda in the first quarter. The latter part of the year was strong, with significant volumes reported in October and November.

TF Bank's own portfolio within the segment increased by 33.6% to SEK 543 million (406). The increase was mainly related to the operations in Poland, where the loan portfolio increased by 90.6% to PLN 76.2 million (40.0).

The credit card portfolio in Norway increased by 30.5% to NOK 156 million (120). Growth was stable for most of 2018.

## Results

Operating profit for the segment amounted to SEK 15.0 million (5.6). The operating profit has gradually improved during 2018 in line with higher income from increasing volumes.

Operating income increased by 52.8% to SEK 144.2 million (94.4) in 2018. The increase was mainly due to growth for the Finnish payment solutions in Avarda and sales finance in Poland. The operating income margin increased slightly and amounted to 18.0% (17.5).

Operating expenses in the segment increased by 47.6% to SEK 92.3 million (62.5). Most of the increase was attributable to higher personnel and IT costs in Avarda, which are expected to facilitate high rate of growth going forward. Increasing volumes in the segment in the fourth quarter resulted in higher costs, which were directly attributable to a growing number of customers.

Net loan losses increased by 40.3% to SEK 36.9 million (26.3) in 2018. New regulations for loan loss provisions, IFRS 9, combined with high loan portfolio growth, had a negative impact on credit losses for the year. The segment's underlying credit quality was largely unchanged compared with 2017.

For further information about the loan portfolio and results of this segment, see Note 3 Operating segments.

# SEGMENT'S SHARE OF THE GROUP'S OPERATING INCOME



# **ACCOUNTING POLICIES AND RISKS**

# **Accounting policies**

The interim report has been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In addition, amendments to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board, and the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25) have also been applied.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board, and the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25).

Changes have been made to the Group's and Parent Company's accounting policies regarding financial instruments in connection with the transition to the IFRS 9 financial reporting standard. TF Bank has not early adopted IFRS 9. For additional information regarding the transition to IFRS 9 and current accounting policies, see Note 2 and Note 36 in the 2017 annual report, as well as Note 10 in the interim report for the period January to March 2018.

The interim financial information on pages 4-38 forms an integral part of this financial report.

# IFRS 16 Leasing

As of 1 January 2019, TF Bank will apply the new leasing standard IFRS 16, which replaces the current IAS 17 Leases. IFRS 16 requires that leases be recognised as right-of-use assets and financial liabilities in the consolidated balance sheet. The value of the leases is measured

at the present value and depreciated monthly throughout the term of the lease. For TF Bank, the effect is that assets and liabilities on the balance sheet will be written up by approximately SEK 22 million, which is calculated for the whole group's leases for premises. In the income statement, general administrative expenses are replaced by depreciation of property, plant and equipment and interest expenses for lease liabilities. The effect on TF Bank's capital ratios is expected to be insignificant.

IFRS 16 will be applied at consolidated level and should not have any effect on individual legal entities. For the legal entities, the bank will apply exemption from IFRS 16 according to RFR2.

IFRS 16 is adopted by the EU Commission and is effective for financial years starting on or after 1 January 2019. TF Bank does not intend to restate comparative figures for 2018 in the annual report for 2019 as a result of IFRS 16.

# Risks and uncertainties

TF Bank is exposed to various types of risks, such as credit risk, market risk, liquidity risk and operational risk. In order to limit and control risk-taking in the business, the Board, which is ultimately responsible for internal controls, has established policies and instructions for lending and other activities. For a more detailed description of financial risks and the use of financial instruments, as well as capital adequacy, see Notes 2 and 7. Further information can be found in Notes 3 and 34 of the 2017 annual report.

# OTHER FINANCIAL INFORMATION

# **Annual General Meeting 2019**

The Annual General Meeting 2019 will be held on Tuesday 7 May 2019 at 15:00 (CET) in Stockholm. Shareholders who wish to submit a proposal for consideration at the Annual General Meeting must send a request to the Board of Directors not later than by Tuesday 19 March 2019. The request should be sent via email to ir@tfbank.se or by regular mail to TF Bank AB, Attn: Investor Relations, Box 947, SE-501 10 Borås. Notice of the Annual General Meeting will be published not later than Tuesday 9 April 2019.

# Proposed dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 2.30 per share be distributed for 2018. The total dividend payment to shareholders will be approximately SEK 49.5 million.

# The share (TFBANK)

TF Bank was listed on the Nasdaq Stockholm's Mid Cap list on 14 June 2016. The TF Bank share trades under the ticker name TFBANK and the ISIN code is SE0007331608. As at end-December 2018, the share closed at SEK 72.00, a decrease of around 6% since the stock exchange listing. In total, 9.7 million shares worth approximately SEK 837 million were traded on Nasdaq Stockholm in the period 14 June 2016 to 31 December 2018.

# Financial targets

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

# Growth

TF Bank aims to achieve earnings per share of at least 14.50 SEK in 2020.

# **Efficiency**

TF Bank aims to achieve a cost/income ratio of below 35% in 2020.

# Capital structure

TF Bank's aim is that all capital ratios should exceed the regulatory requirement (including pillar 2) by at least 2.5 percentage points.

# **Dividend policy**

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

# Significant events, January-December 2018

In January, Avarda launched a payment solution in Finland together with several major partners.

New agreements regarding continuing sale of consumer loans for debt collection have been signed in Finland, Estonia, Latvia and Lithuania.

During the year, TF Bank started a service subsidiary in Lithuania, TFB Service UAB. BB Bank's subsidiary Confide AS has been sold. TF Bank's service subsidiary in Estonia, TFB Service OÜ, was wound up because activities in Estonia have been managed through our branch since August 2017.

In April, TF Bank changed the name of its segments. Sales Finance was renamed Ecommerce Solutions and Direct to Consumer was renamed Consumer Lending.

In April, the Board appointed Mattias Carlsson as the new CEO of TF Bank. Mattias Carlsson who has worked at the bank for almost 10 years, both as CEO and Chairman of the Board, had been the acting CEO since November 2017.

The Annual General Meeting on 2 May 2018 resolved to pay a dividend of SEK 2.25 per share. Mari Thjømøe was elected Chairman of the Board and the other members of the Board were re-elected. The AGM also decided to adopt a share option plan for selected senior executives of 1,372,340 share options at a price of SEK 2.03 per share option.

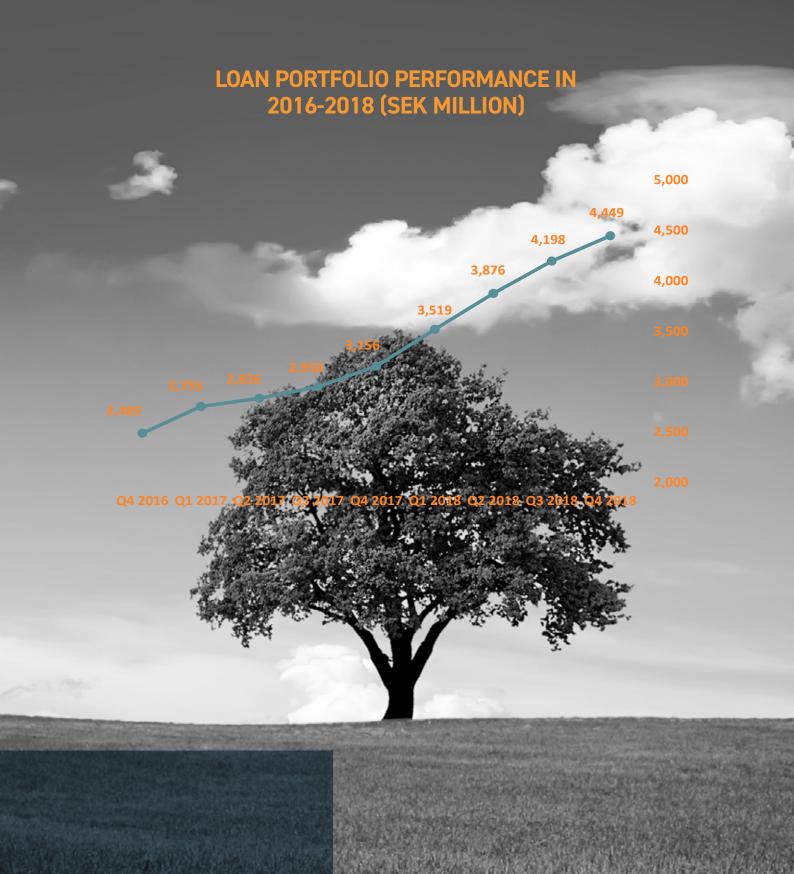
During the second quarter TF Bank issued Additional Tier 1 capital (AT1) of SEK 100 million.

In June, TF Bank launched two deposit products in Germany with a fixed term of one and two years respectively.

TF Bank has established lending operations in Lithuania within the segment Consumer Lending and has launched credit card activities in Germany within the segment Ecommerce Solutions

In October the Board of TF Bank has updated the bank's financial targets and dividend policy. The new targets make it clearer that future growth opportunities should be prioritised.

TF Bank's largest shareholder TFB Holding AB informed the company that part of its holding in TF Bank has been transferred to Tiberon AB.



# INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
	1, 2, 3, 9				
Operating income					
Interest income		180,487	140,018	657,241	533,198
Interest expense		-22,045	-17,114	-82,550	-64,557
Net interest income		158,442	122,904	574,691	468,641
Fee and commission income		17,018	13,314	61,130	51,237
Fee and commission expense		-2,812	-2,130	-9,720	-8,401
Net fee and commission income		14,206	11,184	51,410	42,836
Net results from financial transactions		-429	-142	1,540	93
Total operating income		172,219	133,946	627,641	511,570
Operating expenses					
General administrative expenses		-59,894	-44,401	-222,939	-169,048
Depreciation and amortisation of tangible and intangible assets		-2,563	-1,915	-9,955	-6,890
Other operating expenses		-3,945	-3,169	-14,642	-13,351
Total operating expenses		-66,402	-49,485	-247,536	-189,289
Profit before loan losses		105,817	84,461	380,105	322,281
Net loan losses		-40,922	-34,337	-150,272	-129,343
Items affecting comparability		20,295	-	20,295	-
Operating profit		85,190	50,124	250,128	192,938
Income tax expense		-20,192	-11,601	-58,302	-45,102
Net profit for the period		64,998	38,523	191,826	147,836
Attributable to:					
Shareholders of the Parent Company		63,360	39,168	188,126	151,459
Additional tier 1 capital holders		1,638	-	3,700	-
Non-controlling interests		-	-645	-	-3,623
Basic earnings per share (SEK)		2.95	1.82	8.75	7.04
Diluted earnings per share (SEK)		2.95	1.82	8.75	7.04

# STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net profit for the period	64,998	38,523	191,826	147,836
Other comprehensive income				
Items that may subsequently be reclassified to the income statement				
Gross fair value change relating to available-for-sale financial assets / fair value through other comprehensive income	_	-5	-	22
Gross exchange differences	108	-370	1,302	-1,281
Tax on exchange differences in the period	-3,828	-662	303	-1,325
Other comprehensive income, net of tax	-3,720	-1,037	1,605	-2,584
Total comprehensive income for the period	61,278	37,486	193,431	145,252
Attributable to:				
Shareholders of the Parent Company	59,640	38,102	189,731	148,829
Additional tier 1 capital holders	1,638	-	3,700	-
Non-controlling interests	-	-616	-	-3,577

# STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	31 Dec 2018	31 Dec 2017
	1, 2, 3, 4, 5, 7, 9		
ASSETS			
Cash and balances with central banks		225,610	65,999
Treasury bills eligible for refinancing		70,118	60,096
Loans to credit institutions		1,148,863	1,062,294
Loans to the public	6	4,449,225	3,156,289
Shares		21,128	75,654
Goodwill		12,350	12,068
Intangible assets		38,199	29,369
Tangible assets		2,471	1,657
Other assets		23,596	12,194
Current tax assets		22,696	870
Deferred tax assets		7,254	9,864
Prepaid expenses and accrued income		22,578	8,196
TOTAL ASSETS		6,044,088	4,494,550
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public		5,096,463	3,754,030
Other liabilities		29,897	33,557
Current tax liabilities		14,877	11,229
Deferred tax liabilities		5,852	7,579
Accrued expenses and prepaid income		71,781	49,569
Subordinated liabilities		98,570	97,780
Total liabilities		5,317,440	3,953,744
Equity			
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Other contributed capital		3,536	1,500
Reserves		461	-1,144
Retained earnings and net profit for the period		515,151	432,950
Total equity attributable to the shareholders of the Parent Company		626,648	540,806
Tier 1 capital instrument		100,000	-
Total equity attributable to the owners of the Parent Company		726,648	540,806
Non-controlling interests		-	-
Total equity		726,648	540,806
TOTAL LIABILITIES AND EQUITY		6,044,088	4,494,550

# STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earn- ings and net profit for the period	Tier 1 capital instrument	Non- controlling interests	Total equity
Equity as at 1 Jan 2017	107,500	1,934	1,486	345,932	-	12,435	469,287
Net profit for the period	-	-	-	151,459	-	-3,623	147,836
Gross fair value gains/losses on available for sale financial assets	-	-	22	-	-	-	22
Gross exchange differences	-	-	-1,327	-	-	46	-1,281
Tax on exchange differences in the period	-	-	-1,325	-	-	-	-1,325
Total comprehensive income for the period, net of tax	-	-	-2,630	151,459	-	-3,577	145,252
Shareholders' contribution	-	-	-	-	-	6,860	6,860
Dividend	-	-	-	-47,300	-	-	-47,300
Acquisition of minority interest	-	-	-	-14,282	-	-15,718	-30,000
Transaction costs relating to the acquisition of minority interest	-	-	-	-1,085	-	-	-1,085
Share-based compensation	-	-434	-	-1,774	-	-	-2,208
Equity as at 31 Dec 2017	107,500	1,500	-1,144	432,950	-	-	540,806
Transition impact of implementation of IFRS 9	-	-	-	-55,415	-	-	-55,415
Equity as at 1 Jan 2018	107,500	1,500	-1,144	377,535	-	-	485,391
Net profit for the period	-	-	-	191,826	-	-	191,826
Gross exchange differences	-	-	1,302	-	-	-	1,302
Tax on exchange differences in the period	-	-	303	-	-	-	303
Total comprehensive income for the period, net of tax	-	-	1,605	191,826	-	-	193,431
Dividend	-	-	-	-48,375	-	-	-48,375
Issue of Tier 1 capital	-	-	-	-	100,000	-	100,000
Transaction costs, issue of Tier 1 capital	-	-	-	-1,982	-	-	-1,982
Tax effect, transaction costs issue of Tier 1 capital	-	-	-	436	-	-	436
Interest Tier 1 capital	-	-	-	-3,700	-	-	-3,700
Share-based compensation	-	2,036		-589	-	-	1,447
Equity as at 31 Dec 2018	107,500	3,536	461	515,151	100,000	-	726,648

# CASH FLOW STATEMENT, CONSOLIDATED

SEK thousand	Jan-Dec 2018	Jan-Dec 2017
Operating activities		
Operating profit	250,128	192,938
		,,,,,
Adjustment for items not included in cash flow		
Depreciation and amortisation of tangible and intangible assets	9,955	6,890
Accrued interest income and expense	-5,250	1,256
Other non-cash items	-14,772	-3,319
Paid income tax	-62,760	-29,584
	177,301	168,181
Increase/decrease in loans to the public	-1,364,034	-667,006
Increase/decrease in other short-term receivables	36,172	-76,863
Increase/decrease in deposits and borrowings from the public	1,342,433	1,469,385
Increase/decrease in other short-term liabilities	23,350	2,039
Cash flow from operating activities	215,222	895,736
	2.0,222	333,133
Investing activities		
Investments in tangible assets	-2,010	-942
Investments in intangible assets	-17,882	-16,345
Investments in subsidiaries	-	-31,085
Cash flow from investing activities	-19,893	-48,372
Financing activities		
Issue of Tier 1 capital	98,427	-
Interest Tier 1 capital	-3,700	-
Shareholder's contribution	-	6,860
Dividends paid	-48,375	-47,300
Share-based remuneration	47	-2,208
Cash flow from financing activities	46,399	-42,648
Cash flow for the period	241,728	804,716
Cash and cash equivalents at the beginning of period	1,188,389	380,873
Exchange difference in cash and cash equivalents	14,474	2,800
Cash and cash equivalents at the end of period	1,444,591	1,188,389
Cook flow from apprehing activities includes interest expanses paid and interest payments received		
Cash flow from operating activities includes interest expenses paid and interest payments received	89,074	61,831
Interest expenses paid	636,754	
Interest payments received	636,754	530,441
Components of cash and cash equivalents		
Cash and balances with central banks	225,610	65,999
Treasury bills eligible for refinancing	70,118	60,096
Loans to credit institutions	1,148,863	1,062,294
Total cash and cash equivalents	1,444,591	1,188,389

# NOTES

NOTE 1 General information

# OWNERSHIP OF TF BANK AB AS AT 31 DECEMBER 2018 (ACCORDING TO THE SHAREHOLDERS' REGISTER)

Shareholder	%
TFB Holding AB	39.66
Erik Selin Fastigheter AB	11.63
Tiberon AB	9.46
Merizole Holding Ltd	7.01
Danica Pension Försäkringsaktiebolag	6.88
Proventus Aktiebolag	3.00
Skandia fonder	1.32
Brown Brothers Harriman & Co	1.26
Prior & Nilsson Fond- och Kapitalförvaltning AB	1.24
Pareto Nordic Return	1.23
Other shareholders	17.31
Total	100.00

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

- TF Bank AB, branch Finland (2594352-3)
- TF Bank AB, branch Poland (PL9571076774)
- TF Bank AB, branch Estonia (14304235)

# **Subsidiaries**

- TFB Service SIA (40203015782) 100%
- TFB Service UAB (304785170) 100%
- Avarda AB (556986-5560) 100%
- Avarda Oy (2619111-6) 100%
- BB Bank ASA (935590221) 100%

NOTE 2 Credit risk

# Financial risks

The Group's activities are exposed to a variety of financial risks: market risk (considerable currency and interest rate risk in the cash flow), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial results. TF Bank uses derivative instruments to hedge foreign currency exposure and applies hedge accounting for some net investments in its foreign operations.

The Board of Directors establishes written policies and guidelines. Compliance with the governing documents as well as the level of credit risk in the Group are measured and reported to the Group's management and Board of Directors on an ongoing basis.

Credit risk is the risk that a counterparty causes the Group a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through lending to the public but also through cash and cash equivalents and derivatives with a positive value. Credit risk is the most significant risk in the Group and is monitored closely by the relevant functions and by the Board of Directors, which has the ultimate responsibility for managing credit risk. The Board of Directors has issued a credit policy which establishes the framework for the Group's lending activities. A credit committee monitors the development of the level of credit risk in the loan portfolios on a continuous basis. It makes decisions on, and implements, changes to the Group's lending within the framework of the established credit policy and also proposes amendments to the policy to the Board of Directors. A report on performance is provided at every Board meeting.

Before a loan is issued, a risk assessment is done of the customer's creditworthiness, taking into account the customer's financial position, past history and other factors. Individual risk limits are defined based on internal and/or external credit assessments in accordance with the limits set by the Board of Directors. The Group's use of credit limits for loans to the public is strictly limited and is regularly monitored. The Group cannot enter into credit agreements with legal entities without the approval of the Board of Directors. By only approving counterparties with an external credit rating and by setting limits for the maximum exposure to each counterparty, the Board of Directors also limits the credit risk relating to cash and cash equivalents.

The Group's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for credit losses is small in proportion to the outstanding loan volume (see Note 6). The reason for this is that the Group regularly sells past due loans to debt collection agencies in markets where the Board of Directors considers the price level to be favourable for the Group's performance and risk profile. This is currently the case for most markets. As a result, the Group continuously realises expected credit losses through the sale of past due loans. The remaining portfolio has a limited number of nonperforming loans (stage 3) and consequently a relatively low level of provisions.

## Note 2 cont.

The objective of the Group's process for monitoring past due payments and unsettled receivables is to minimise credit losses by detecting payment issues early and implementing rapid intervention where needed. The monitoring is supported by a separate "pre-collection" system for past due payments involving automatic monitoring and reminders when payments are past due.

The Group's loans to the public consist primarily of unsecured consumer loans. As a result, the Group does not list credit risk exposures in a separate table, as there are limited assets pledged as security, while at the same time the size of provisions in relation to credit volume is low.

The handling of applications from new customers is based primarily on information provided by the customer, information about customers in similar sociodemographic groups and other variables about the individual customer retrieved from external sources. How the specified information is used and weighted in the model is determined from a risk perspective through in-depth analysis of the individual customer and the Group's existing customer base. In order to make a risk assessment that is as precise, cost-effective and accurate as possible, the Group can use both internal ratings and ratings from external suppliers. Both models are performed independently, but both can be used in the Group's credit policy. The complete model is only used for new customers; existing customers have payment history and similar updated variables that have been proven to be a good source of credit assessment.

The credit quality of other fully performing financial assets in accordance with Standard & Poor's local short-term rating is shown below:

Group		
SEK thousand	31 Dec 2018	31 Dec 2017
Cash and balances with central banks		
AAA	82,067	-
AA+	135,021	60,873
A-	8,522	5,127
Treasury bills eligible for refinancing		
AAA	70,118	60,096
Loans to credit institutions		
A-1+	253,214	299,297
A-1	859,703	745,606
A-2	28,502	17,327
Unrated	7,444	64
Other assets		
A-1+	5,944	2,464
A-1	20,871	75,404
Unrated	17,568	9,463
Total	1,488,974	1,275,721

Other assets include derivatives with a positive value and level 1 liquid asset consisting of investment in the DNB Global Treasury Fund.

## Note 2 cont.

## Impairment of financial assets

As a result of the transition to IFRS 9, the Group introduced a new model for calculating loan loss provisions based on expected loan losses. Financial assets that are subject to impairment losses are 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 reporting date, in the other, a significant increase in credit risk has occurred, i.e. the loan is 30 days past due or more, and in the third category there is objective evidence of impairment, i.e. the loan is more than 90 days past due. For assets in the first category, write-downs are based on expected losses over the next 12 months, while for category two and three, expected losses are reported over the entire lifetime of the asset. Expected loan losses are calculated based on historical data of default for each period.

The provisions under IFRS 9 are calculated by multiplying the exposure at default with the probability of default and the loss given default. TF Bank's model for calculating provisions according to IFRS 9 is based on historical probability of default in each market. The model is supplemented by the company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario. The value of the estimated provisions is discounted at the original borrowing rate.

The provision for non-performing loans (stage 3) is made with the difference between the asset's carrying amount and the present value of future cash flows, discounted by the original borrowing rate. The expected future cash flow is based on calculations that take into account historical repayment rates applied to each generation of non-performing loans.

Loans sold are written off against the reserve for losses and the difference between the value of the asset and the present value is recognised as a realised loan loss. Non-performing loans (stage 3) are recognised as realised loan losses when they have been transferred for long-term monitoring by the debt collection agency, the customer is confirmed deceased or another loss event has been identified. Amounts received from previously realised loan losses are recognised in the income statement.

# **NET LOAN LOSSES**

Group SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Change in provision for sold non-performing loans	-29,121	-27,255	-110,670	-103,967
Realised loan losses	-11,168	-7,709	-39,384	-32,894
Recovered from previous write-offs	1,945	1,856	8,540	7,741
Change in provision for other expected loan losses	-	-1,229	-	-223
Change in provision for expected loan losses, stage 1-3	-2,578	-	-8,758	-
Net loan losses	-40,922	-34,337	-150,272	-129,343

Net loan losses are attributable to Loans to the public and categorised as loan receivables and accounts receivable.

# NOTE 3 Operating segments

The CEO has ultimate responsibility for the decisions taken by the Group. Management has defined the operating segments based on the information determined by the CEO and used as a basis for decisions on the allocation of resources and evaluation of results. The Board of Directors evaluates the operating segments' performance based on operating profit.

# CONSUMER LENDING (formerly Direct to Consumer)

Income statement, SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net interest income	121,481	102,044	456,493	395,027
Net fee and commission income	7,118	5,875	25,561	22,103
Net results from financial transactions	-343	-188	1,412	79
Total operating income	128,256	107,731	483,466	417,209
General administrative expenses	-36,916	-27,568	-138,395	-112,028
Depreciation and amortisation of tangible and intangible assets	-1,306	-1,150	-5,131	-4,442
Other operating expenses	-3,020	-2,655	-11,757	-10,314
Total operating expenses	-41,242	-31,373	-155,283	-126,784
Profit before loan losses	87,014	76,358	328,183	290,425
Net loan losses	-31,430	-26,755	-113,376	-103,048
Operating profit	55,584	49,603	214,807	187,377
Attributable to:				
The shareholders of the Parent company	54,300	49,603	211,889	187,377
Additional tier 1 capital holders	1,284	-	2,918	-
Non-controlling interests	-	-	-	-

Balance sheet, SEK thousand <sup>1</sup>	31 Dec 2018	1 Jan 2018	31 Dec 2017
Loans to the public			
Household sector	3,466,309	2,501,218	2,560,945
Total loans to the public	3,466,309	2,501,218	2,560,945
Household sector			
Stage 1, net	3,287,807	2,338,288	
Stage 2, net	130,138	110,517	
Stage 3, net	48,364	52,413	
Total household sector	3,466,309	2,501,218	

<sup>&</sup>lt;sup>1</sup>The figures as at 1 January 2018 are prepared in accordance with the transition to the financial reporting standard IFRS 9.

# Note 3 cont.

# ECOMMERCE SOLUTIONS (formerly Sales Finance)

Income statement, SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net interest income	36,961	20,860	118,198	73,614
Net fee and commission income	7,088	5,309	25,849	20,733
Net results from financial transactions	-86	46	128	14
Total operating income	43,963	26,215	144,175	94,361
General administrative expenses	-22,978	-16,833	-84,544	-57,020
Depreciation and amortisation of tangible and intangible assets	-1,257	-765	-4,824	-2,448
Other operating expenses	-925	-514	-2,885	-3,037
Total operating expenses	-25,160	-18,112	-92,253	-62,505
Profit before loan losses	18,803	8,103	51,922	31,856
Net loan losses	-9,492	-7,582	-36,896	-26,295
Operating profit	9,311	521	15,026	5,561
Attributable to:				
The shareholders of the Parent company	8,957	1,384	14,244	10,242
Additional tier 1 capital holders	354	-	782	-
Non-controlling interests	-	-863	-	-4,681

Balance sheet, SEK thousand <sup>1</sup>	31 Dec 2	2018	1 Jan 2018	31 Dec 2017
Loans to the public				
Household sector	982	,916	583,973	595,344
Total loans to the public	982	,916	583,973	595,344
Household sector				
Stage 1, net	899	,857	531,130	
Stage 2, net	70	,469	39,054	
Stage 3, net	12	,590	13,789	
Total household sector	982	.916	583,973	

# GROUP

Income statement, SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating income				
Operating income, Consumer Lending	128,256	107,731	483,466	417,209
Operating income, Ecommerce Solutions	43,963	26,215	144,175	94,361
Total operating income for the Group	172,219	133,946	627,641	511,570
Operating profit				
Operating profit, Consumer Lending	55,584	49,603	214,807	187,377
Operating profit, Ecommerce Solutions	9,311	521	15,026	5,561
Items affecting comparability	20,295	-	20,295	
Total operating profit for the Group	85,190	50,124	250,128	192,938

Balance sheet, SEK thousand	31 Dec 2018	31 Dec 2017
Loans to the public		
Loans to the public, Consumer Lending	3,466,309	2,560,945
Loans to the public, Ecommerce Solutions	982,916	595,344
Total loans to the public for the Group	4,449,225	3,156,289

<sup>&</sup>lt;sup>1</sup>The figures as at 1 January 2018 are prepared in accordance with the transition to the financial reporting standard IFRS 9.

# NOTE 4 Classification of financial assets and liabilities

		al instruments at fair rough profit or loss	Fair value through		Derivatives	Non- financial	
Group 31 Dec 2018	Com-	Initially measured at fair value through	other com- prehensive	Amortised	used for hedge	assets and	
SEK thousand	pulsory	profit or loss	income	cost	accounting	liabilities	Total
Assets							
Cash and balances with central banks	-	-	-	225,610	-	-	225,610
Treasury bills eligible for refinancing	-	-	70,118	-	-	-	70,118
Loans to credit institutions	-	-	-	1,148,863	-	-	1,148,863
Loans to the public	-	-	-	4,449,225	-	-	4,449,225
Shares	21,128	-	-	-	-	-	21,128
Goodwill	-	-	-	-	-	12,350	12,350
Intangible assets	-	-	-	-	-	38,199	38,199
Tangible assets	-	-	-	-	-	2,471	2,471
Current tax assets	-	-	-	-	-	22,696	22,696
Deferred tax assets	-	-	-	-	-	7,254	7,254
Prepaid expenses and accrued income	_	-	_	_	_	22,578	22,578
Derivatives	4,397	-	-	-	1,520	-	5,917
Other assets	_	-	_	_	_	17,679	17,679
Total assets	25,525	-	70,118	5,823,698	1,520	123,227	6,044,088
Liabilities							
Deposits from the public	-	-	-	5,096,463	-	-	5,096,463
Current tax liabilities	-	-	-	-	-	14,877	14,877
Deferred tax liabilities	-	-	-	-	-	5,852	5,852
Accrued expenses and prepaid income	_	-	_	-	-	71,781	71,781
Subordinated liabilities	_	-	_	98,570	_	-	98,570
Derivatives	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	29,897	29,897
Total liabilities	-	-	-	5,195,033	-	122,407	5,317,440

# Note 4 cont.

Group		l instruments at fair rough profit or loss	Available- for-sale		Derivatives used for	Other financial	
31 Dec 2017 SEK thousand	Held for trading	Designated at initial recognition	financial assets	Loans and receivables	hedge accounting	assets/ liabilities	Total
Assets							
Cash and balances with central banks	-	-	-	65,999	-	-	65,999
Treasury bills eligible for refinancing	-	-	60,096	-	-	-	60,096
Loans to credit institutions	-	-	-	1,062,294	-	-	1,062,294
Loans to the public	-	-	-	3,156,289	-	-	3,156,289
Shares	-	-	75,654	-	-	-	75,654
Derivatives	2,321	-	-	-	143	-	2,464
Total assets	2,321	-	135,750	4,284,582	143	-	4,422,796
Liabilities							
Deposits from the public	-	-	-	-	-	3,754,030	3,754,030
Subordinated liabilities	-	-	-	-	-	97,780	97,780
Derivatives	1,854	-	-	-	-	-	1,854
Total liabilities	1,854	-	-	-	-	3,851,810	3,853,664

Financial assets and liabilities measured at fair value

# Fair value

For financial instruments measured at fair value in the balance sheet, disclosures are required on fair value measurement by level according to the fair value hierarchy below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Other observable inputs for assets or liabilities are quoted market prices included in Level 1, either directly, i.e. in the form of quoted prices, or indirectly, i.e. derived from quoted prices (Level 2).

  Data for assets or liabilities which are not based on observable market data (non-observable inputs) (Level 3).

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

# Note 5 cont.

Group, 31 Dec 2018 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	70,118	-	-	70,118
Shares	20,872	256	-	21,128
Derivatives	-	5,944	-	5,944
Total assets	90,990	6,200	-	97,190
Liabilities				
Subordinated liabilities	98,570	-	-	98,570
Derivatives	-	-27	-	-27
Total liabilities	98,570	-27	-	98,543

Group, 31 Dec 2017 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,096	-	-	60,096
Shares	75,403	251	-	75,654
Derivatives	-	2,464	-	2,464
Total assets	135,499	2,715	-	138,214
Liabilities				
Subordinated liabilities	97,780	-	-	97,780
Derivatives	-	1,854	-	1,854
Total liabilities	97,780	1,854	-	99,634

# Financial instruments in Level 2

The fair value of financial instruments not traded in an active market (e.g. OTC derivatives) is determined using various valuation techniques. These valuation techniques use observable market data where available and rely as little as possible on entity-specific information. An instrument is classified as Level 2 if all significant inputs required for fair value measurement of an instrument are observable.

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

Specific valuation techniques used to measure financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- · Fair value of currency swap contracts is determined using exchange rates at the balance sheet date.

For loans to the public the fair value is based on discounted cash flows using an interest rate based on the market rate at the balance sheet date, which was 18.18% as at 31 December 2018 and 20.21% as at 31 December 2017.

# Note 5 cont.

Group, 31 Dec 2018 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	225,610	225,610	-
Treasury bills eligible for refinancing	70,118	70,118	-
Loans to credit institutions	1,148,863	1,148,863	-
Loans to the public	4,449,225	4,449,225	-
Shares	21,128	21,128	-
Derivatives	5,944	5,944	-
Total assets	5,920,888	5,920,888	-
Liabilities			
Deposits from the public	5,096,463	5,096,463	-
Subordinated liabilities	98,570	98,570	-
Derivatives	-27	-27	-
Total liabilities	5,195,006	5,195,006	-

Group, 31 Dec 2017 SEK thousand	Carrying amount		Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	65,999	65,999	-
Treasury bills eligible for refinancing	60,096	60,096	-
Loans to credit institutions	1,062,294	1,062,294	-
Loans to the public	3,156,289	3,156,289	-
Shares	75,654	75,654	-
Derivatives	2,464	2,464	-
Total assets	4,422,796	4,422,796	-
Liabilities			
Deposits from the public	3,754,030	3,754,030	-
Subordinated liabilities	97,780	97,780	-
Derivatives	1,854	1,854	-
Total liabilities	3,853,664	3,853,664	-

# NOTE 6 Loans to the public

Group SEK thousand <sup>1</sup>	31 Dec 2018	1 Jan 2018	31 Dec 2017
Loans to the household sector	4,449,225	3,085,191	3,156,289
Total loans to the public	4,449,225	3,085,191	3,156,289
Loans to the household sector, gross			
Stage 1, gross	4,257,021	2,933,375	
Stage 2, gross	219,972	167,448	
Stage 3, gross <sup>2</sup>	115,241	115,912	
Total loans to the household sector, gross	4,592,234	3,216,735	3,216,735
Provisions for expected loan losses			
Stage 1	-69,357	-63,957	
Stage 2	-19,365	-17,877	
Stage 3 <sup>2</sup>	-54,287	-49,710	
Provisions according to IAS 39	-	-	-60,446
Total provisions for expected loan losses	-143,009	-131,544	-60,446
Loans to the household sector, net			
Stage 1, net	4,187,664	2,869,418	
Stage 2, net	200,607	149,571	
Stage 3, net <sup>2</sup>	60,954	66,202	
Total loans to the household sector, net	4,449,225	3,085,191	3,156,289
Geographic distribution of net loans			
Norway	1,374,840		899,992
Finland	1,195,871		910,546
Sweden	661,445		625,917
Estonia	542,419		338,031
Poland	370,854		280,738
Latvia	257,082		62,351
Denmark	38,427		38,714
Lithuania	6,417		-
Germany	1,870		-
Total loans, net book value	4,449,225		3,156,289

 $<sup>^{1}</sup>$  The figures as at 1 January 2018 are prepared in accordance with the transition to financial reporting standard IFRS 9.  $^{2}$  The group continuously sells past due loans before they reach category 3.

# CHANGE IN PROVISION FOR NET LOAN LOSSES

Group SEK thousand	31 Dec 2018	31 Dec 2017
Opening balance according to IAS 39	-60,446	-57,607
Transition effect, implementation of IFRS 9	-71,098	-
Opening balance according to IFRS 9	-131,544	-57,607
Change in provision for sold non-performing loans	-110,669	-106,500
Reversal of provision for sold non-performing loans	110,669	106,500
Change in provision for expected loan losses in stage 1	-3,323	-
Change in provision for expected loan losses in stage 2	-1,220	-
Change in provision for expected loan losses in stage 3	-4,009	-
Change in provision for other expected credit losses	-	-223
Exchange rate fluctuations	-2,913	-2,616
Closing balance	-143,009	-60,446

# NOTE 7 Capital adequacy analysis

## **Background**

Information about the Group's capital adequacy includes information in accordance with Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on annual accounts of credit institutions and securities companies and related information contained in articles 92(3)(d, f) 436(b) and 438 of Regulation (EU) No 575/2013 and Chapter 8, Section 7 of the Swedish Financial Supervisory Authority's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12) and column A, Annex 6 of the Commission Implementing Regulation (EU) No 1423/2013. Other information required pursuant to FFFS 2014:12 and Regulation (EU) No 575/2013 is provided on the bank's website www.tfbankgroup.com.

TF Bank is the responsible institution and is under the supervision of the Swedish Financial Supervisory Authority. As a result, the company is subject to the rules governing credit institutions in Sweden. TF Bank AB was listed on the stock exchange in 2016, which means that the stock exchange rules are also applicable.

## Own funds and capital requirements

The Group and Parent Company's statutory capital requirements are governed by the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968), Regulation (EU) No 575/2013, the Act on Capital Buffers (2014:966) and the Swedish Financial Supervisory Authority's regulations and general recommendations on regulatory requirements and capital buffers (FFFS 2014:12).

The purpose of the regulations is to ensure that the Group and Parent Company are able to manage risks and protect customers. The regulations state that own funds must cover the capital requirements including the minimum capital requirements according to Pillar 1 and applicable buffer requirements.

The bank reports to the Swedish Financial Supervisory Authority both on an individual basis for TF Bank AB and on a consolidated basis with TF Bank AB as the Parent Company.

# THE GROUP'S CAPITAL SITUATION

SEK thousand	31 Dec 2018	31 Dec 2017
Common Equity Tier 1 (CET1) capital after any regulatory adjustments	580,533	441,131
Additional Tier 1 (AT1) capital after any regulatory adjustments	100,000	-
Tier 2 capital after any regulatory adjustments	98,570	97,780
Own funds	779,103	538,911
Risk exposure amount	4,466,109	3,336,472
- of which: credit risk	3,655,211	2,623,365
- of which: credit valuation adjustment	2,692	1,999
- of which: market risk	18,201	40,917
- of which: operational risk	790,005	670,191
CET1 capital ratio, %	13.00	13.22
Tier 1 capital ratio, %	15.24	13.22
Total capital ratio, %	17.44	16.15
Total CET1 capital requirement incl. capital buffer requirements	355,503	268,586
- of which: capital conservation buffer	111,653	83,412
- of which: countercyclical capital buffer	42,875	35,033
CET1 capital available to use as buffer <sup>1</sup>	379,558	290,990

<sup>&</sup>lt;sup>1</sup> CET1 capital less the statutory minimum requirement of 4.5% excluding buffer requirements. There is an additional total capital requirement of 3.5%.

# Note 7 cont.

# **OWN FUNDS**

SEK thousand	31 Dec 2018	31 Dec 2017
CET1 capital		
Share capital	107,500	107,500
Other contributed capital	3,536	1,500
Reserves	461	-1,144
Retained earnings and net profit for the period	515,150	432,950
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends <sup>1</sup>	-49,450	-48,374
- Transitional arrangements IFRS 9	56,072	-
- Intangible assets	-50,549	-41,437
- Deferred tax assets that rely on future profitability	-2,187	-9,864
Total CET1 capital	580,533	441,131
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	-
Tier 2 capital		
Fixed term subordinated loan	98,570	97,780
Own funds	779,103	538,911

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

On 6 February 2018 the Swedish Financial Supervisory Authority approved TF Bank's application to include the interim profit in own funds on condition that the surplus is reviewed by the company's auditor, that the surplus has been calculated in accordance with applicable accounting regulations, that foreseeable costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU) No 241/2014. The Group's CET1 capital complies with the requirements of Regulation (EU) No 575/2013

# Note 7 cont.

# SPECIFICATION OF RISK EXPOSURE AMOUNTS

SEK thousand	31 Dec 2018	31 Dec 2017
Credit risk under the standardised approach		
Exposures to corporates	8	391
Retail exposures	3,306,104	2,321,723
Exposures secured by mortgage	292	319
Exposures in default	64,296	62,183
Exposures to institutions with a short-term credit assessment	243,071	221,077
Equity exposures	256	251
Other items	41,184	17,421
Total risk-weighted exposure amount	3,655,211	2,623,365
Credit valuation adjustment		
Standardised method	2,692	1,999
Total risk exposure amount	2,692	1,999
Market risk ¹		
Foreign exchange risk	18,201	40,917
Total risk exposure amount	18,201	40,917
Operational risk		
Standardised approach	790,005	670,191
Total risk exposure amount	790,005	670,191
Total risk exposure amount	4,466,109	3,336,472

<sup>&</sup>lt;sup>1</sup> The capital requirement for foreign exchange risk, which is calculated in accordance with Article 351 of Regulation (EU) 575/2013, has arisen as a result of profits and losses in the bank's subsidiaries.

# IFRS 9 Transitional arrangements

The Bank has notified the Swedish Financial Supervisory Authority that the Bank, at Group and Parent Company level, will apply 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, 12/01/2018, 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.

# NOTE 8 Pledged assets

Group SEK thousand	31 Dec 2018	31 Dec 2017
Group liabilities		
Relating to borrowing from credit institutions		
Loans	30,735	30,033
Liquid assets used as collateral for derivatives with negative market value	-	30,850
Other assets	445	299
Total	31,180	61,182

The subsidiary BB Bank continuously pledges some of its loans as collateral. The pledge relates to collateral for BB Bank's credit facility of NOK 30 million. As at 31 December 2018 the facility had not been used.

# NOTE 9 Transactions with related parties

Consortio Fashion Holding AB (CFH), corporate identity number 556925-2819, has largely the same owners as TF Bank's largest owner TFB Holding AB, corporate identity number 556705-2997. Transactions with other related parties, as shown in the table below, refer to transactions between TF Bank and the companies that are part of the CFH Group. All transactions took place at the prevailing market rate.

Group SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
The following transactions took place between companies within the Group:				
General administrative expenses	-481	-36	-977	-307
Total	-481	-36	-977	-307
The following transactions have been made with other related parties:				
Interest income (transaction costs)	-16,984	-15,608	-64,743	-66,650
General administrative expenses	-1,137	-1,254	-4,599	-5,458
Total	-18,121	-16,862	-69,342	-72,108
Acquisition of assets and liabilities from other related parties:				
Ecommerce Solutions	180,129	156,418	693,685	660,628
Total	180,129	156,418	693,685	660,628

Group SEK thousand	31 Dec 2018	31 Dec 2017
Assets at the end of the period as a result of transactions with other related parties:		
Other assets	1	392
Total	1	392
Liabilities at the end of the period as a result of transactions with other related parties:		
Other liabilities	2,596	2,115
Total	2,596	2,115

# PARENT COMPANY

TF Bank AB, corporate identity number 556158-1041, is a bank registered in Sweden. The company has a license to provide banking services. The bank carries out deposit and lending activities in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia, Latvia and Lithuania via branch or cross-border banking.

The parent company's operating income for the year ended 31 December 2018 amounted to SEK 501.1 million (437.6). Operating income for the period included SEK 20.3 million attributable to reclassification of customer balances with inactive status that have arisen before year 2018. Net results from financial transactions affected operating income by SEK 1.7 million (6.6), which was due to the fact that exchange differences on shares in foreign subsidiaries are not translated at current exchange rates, while debt instruments used to finance the shares are translated.

The company's total operating expenses amounted to SEK 168.2 million (140.2) for the period and credit losses amounted to SEK 124.9 million (121.6). Operating profit amounted to SEK 208.0 million (175.8) for the year ended 31 December 2018.

Lending to the public increased by 36.6% to SEK 3,077 million (2,253) in the year ended 31 December 2018. The amount includes lending to Avarda of SEK 255 million (33). Deposits from the public amounted to SEK 4,061 million (3,017) at the end of the period.

Lending to credit institutions increased during the period and amounted to SEK 1,174 million (1,047) at the end of the period. This amount included loans to the subsidiary BB Bank of SEK 133 million (50).

Shares in Group companies increased by SEK 183 million in the period and amounted to SEK 434 million at the end of December 2018. The increase is explained by shareholders' contribution to Avarda of SEK 125 million and new share issues in BB Bank of SEK 58 million.

The company's capital adequacy ratio remained stable, with a CET1 of 15.3% (16.9) and a Tier 1 capital ratio of 17.8% (16.9) as at 31 December 2018. The total capital ratio at the end of the period was 20.4% (20.4), which is significantly higher than the statutory requirement.



# INCOME STATEMENT, PARENT COMPANY

SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating income				
Interest income	156,942	115.524	528.995	458,380
Interest expense	-16,514	-13,376	-61,398	-60,158
Net interest income	140,428	102,148	467,597	398,222
Net interest income	140,426	102,146	407,597	390,222
Fee and commission income	9,209	8,859	36,267	36,701
Fee and commission expense	-1,388	-949	-4,417	-3,960
Net fee and commission income	7,821	7,910	31,850	32,741
Net results from financial transactions	16,782	3,328	1,664	6,605
Total operating income	165,031	113,386	501,111	437,568
Operating expenses				
General administrative expenses	-39,093	-30,746	-150,088	-124,774
Depreciation and amortisation of tangible and intangible assets	-1,420	-1,315	-5,671	-5,030
Other operating expenses	-3,156	-2,730	-12,449	-10,373
Total operating expenses	-43,669	-34,791	-168,208	-140,177
Profit before loan losses	121,362	78,595	332,903	297,391
Net loan losses	-35,017	-30,612	-124,940	-121,579
Operating profit	86,345	47,983	207,963	175,812
Appropriations	13,149	18,812	13,149	18,812
Income tax expense	-10,351	-14,889	-38,118	-44,251
Net profit for the period	89,143	51,906	182,994	150,373

# STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net profit for the period	89,143	51,906	182,994	150,373
Other comprehensive income				
Items that may subsequently be reclassified to the income statement				
Exchange differences during the period, net of tax	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	89,143	51,906	182,994	150,373

# STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	31 Dec 2018	31 Dec 2017
ASSETS		
Cash and balances with central banks	143,543	65,999
Treasury bills eligible for refinancing	70,118	60,096
Loans to credit institutions	1,174,142	1,046,773
Loans to the public	3,077,158	2,252,638
Shares	20,871	20,295
Shares in group companies	433,872	250,705
Intangible assets	18,725	19,371
Tangible assets	1,696	1,269
Other assets	9,585	6,099
Current tax assets	23,178	1,584
Deferred tax assets	3,921	-
Prepaid expenses and accrued income	20,526	4,334
TOTAL ASSETS	4,997,335	3,729,163
LIABILITIES AND EQUITY		
Liabilities		
Deposits from the public	4,061,396	3,017,287
Other liabilities	66,294	25,346
Deferred tax liabilities	1,308	96
Accrued expenses and prepaid income	56,741	40,396
Subordinated liabilities	98,570	97,780
Total liabilities	4,284,309	3,180,905
Untaxed reserves	20,659	33,809
Equity		
Restricted equity		
Share capital (21,500,000 shares of SEK 5 each)	107,500	107,500
Statutory reserve	1,000	1,000
Development costs fund	16,940	14,739
Other contributed capital	2,536	1,500
Total restricted equity	127,976	124,739
Non-restricted equity		
Tier 1 capital instrument	100,000	-
Retained earnings	281,397	239,337
Total comprehensive income for the period	182,994	150,373
Total non-restricted equity	564,391	389,710
Total equity	692,367	514,449
TOTAL LIABILITIES AND EQUITY	4,997,335	3,729,163

# CAPITAL ADEQUACY ANALYSIS, PARENT COMPANY

SEK thousand	31 Dec 2018	31 Dec 2017
Common Equity Tier 1 (CET1) capital after any regulatory adjustments	590,586	473,075
Additional Tier 1 (AT1) capital after any regulatory adjustments	100,000	-
Tier 2 capital after any regulatory adjustments	98,570	97,780
Own funds	789,156	570,855
Risk exposure amount	3,870,836	2,792,858
- of which: credit risk	3,102,680	2,184,158
- of which: credit valuation adjustment	2,496	1,876
- of which: market risk	100,545	-
- of which: operational risk	665,115	606,824
CET1 capital ratio, %	15.26	16.94
Tier 1 capital ratio, %	17.84	16.94
Total capital ratio, %	20.39	20.44
Total CET1 capital requirement inclusive of capital buffer requirements	306,184	220,356
- of which: capital conservation buffer	96,771	69,821
- of which: countercyclical capital buffer	35,225	24,856
CET1 capital available to use as buffer <sup>1</sup>	416,398	347,396

<sup>1</sup> CET1 capital less the statutory minimum requirement of 4.5% excluding buffer requirements. There is an additional total capital requirement of 3.4%.

# **OWN FUNDS**

SEK thousand	31 Dec 2018	31 Dec 2017
CET1 capital		
Share capital	107,500	107,500
Other reserves	33,054	42,110
Other contributed capital	3,536	1,500
Retained earnings including net profit for the period	464,391	389,710
Adjustment to CET1 capital:		
- Deduction of foreseeable costs and dividends <sup>1</sup>	-49,449	-48,374
- Transitional arrangements IFRS 9	50,279	-
- Intangible assets	-18,725	-19,371
Total CET1 capital	590,586	473,075
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	-
Tier 2 capital		
Fixed term subordinated loan	98,570	97,780
Own funds	789,156	570,855

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

On 6 February 2018 the Swedish Financial Supervisory Authority approved TF Bank's application to include the interim profit in own funds on condition that the surplus is reviewed by the company's auditor, that the surplus has been calculated in accordance with applicable accounting regulations, that foreseeable costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU) No 241/2014. The Parent Company's CET1 capital complies with the requirements of Regulation (EU) No 575/2013.

# SPECIFICATION OF RISK EXPOSURE AMOUNTS

SEK thousand	31 Dec 2018	31 Dec 2017
Credit risk under the standardised approach		
Exposures to institutions	26,690	10,032
Exposures to corporates	256,948	34,084
Retail exposures	2,097,425	1,636,995
Exposures in default	42,827	37,474
Exposures to institutions with a short-term credit assessment	220,710	207,787
Equity exposures	433,872	250,705
Other items	24,208	7,081
Total risk-weighted exposure amount	3,102,680	2,184,158
Credit valuation adjustment		
Standardised method	2,496	1,876
Total risk exposure amount	2,496	1,876
Market risk <sup>1</sup>		
Foreign exchange risk	100,545	-
Total risk exposure amount	100,545	-
Operational risk		
Standardised approach	665,115	606,824
Total risk exposure amount	665,115	606,824
Total risk exposure amount	3,870,836	2,792,858

<sup>&</sup>lt;sup>1</sup> The capital requirement for foreign exchange risk, which is calculated in accordance with Article 351 of Regulation (EU) 575/2013, has arisen as a result of profits and losses in the bank's subsidiaries.

# ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

The interim report has not been reviewed by the company's auditor.

The Board of Directors and the CEO certify that the interim report gives a true and fair view of the operations, financial position and results of the Parent Company and the Group and describes the material risks and uncertainties that the Parent Company and the Group are exposed to.

Borås, 6 February 2019

Mari Thjømøe Chairman

John Brehmer Bertil Larsson

Charlotta Björnberg-Paul Tone Bjørnov

Mattias Carlsson President and CEO

# **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 the Alternative Performance Measures are shown below.

# **ADJUSTED EARNINGS PER SHARE**

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

# **ADJUSTED OPERATING PROFIT**

Operating profit for the period excluding items affecting comparability.

# **ADJUSTED RETURN ON EQUITY**

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

# ADJUSTED RETURN ON LOANS TO THE PUBLIC

Adjusted net profit for the year attributable to the share-holders 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.

# **NEW LENDING**

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

# **EARNINGS PER SHARE**

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

# **EMPLOYEES (FTE)**

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

# 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**

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

# **OPERATING INCOME MARGIN**

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

# **RETURN ON EQUITY**

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

# **RETURN ON LOANS TO THE PUBLIC**

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

# **TIER 1 CAPITAL RATIO**

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

# **TOTAL CAPITAL RATIO**

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

# FINANCIAL CALENDAR AND CONTACTS

# **FINANCIAL CALENDAR**

22 March 2019 Annual Report 2018 is published

25 April 2019 Interim Report January - March 2019

7 May 2019 Annual General Meeting 2019

16 July 2019 Interim Report January - June 2019

24 October 2019 Interim Report January - September 2019

This is information which TF Bank is required to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 7 February 2019 at 07:00 CET.

# PRESENTATION FOR INVESTORS, ANALYSTS AND MEDIA

A live conference call will be held on 7 February at 08:15 CET, where CEO Mattias Carlsson and CFO Mikael Meomuttel will present the report and answer questions. The presentation material is written in English while the conference call will be held in Swedish. To participate, call +46 (0)8 5664 2707 or +44 (0)33 3300 9035. International investors will have an opportunity to ask questions in English during the Q&A session. A recording of the conference call, including the presentation material, will be available on the bank's website, www.tfbankgroup.com/en/section/investor-relations.

# CONTACT

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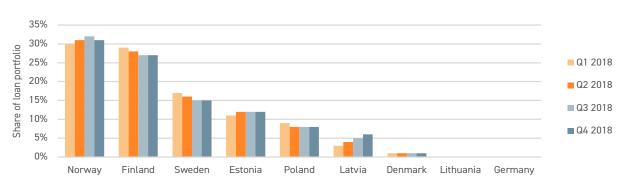
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# TF BANK'S GEOGRAPHICAL PRESENCE



# SHARE OF LOAN PORTFOLIO BY COUNTRY AND QUARTER





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