ANNUAL REPORT 2018

TFBank

YEAR IN BRIEF

FINANCIAL PERFORMANCE 2018

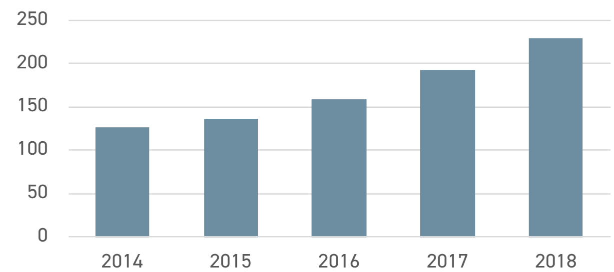
- The loan portfolio increased by 41.0% to SEK 4,449 million
- Operating profit increased by 29.6% to SEK 250.1 million
- Adjusted operating profit increased by 19.1% to SEK 229.8 million [1]
- Net profit increased by 29.8% to SEK 191.8 million
- Adjusted net profit increased by 19.0% to SEK 176.0 million [1]
- The Cost/Income ratio was 39.4% (37.0)
- The 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) [1]
- Return on equity amounted to 34.5% (29.7)
- Adjusted return on equity amounted to 31.6% (29.7)
- The Board proposes to the Annual General Meeting a dividend of SEK 2.30 (2.25) per share for 2018

SIGNIFICANT EVENTS

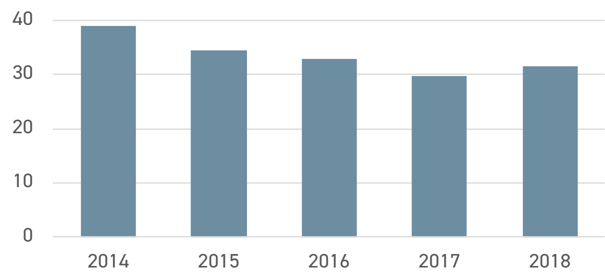
- In January, Avarda launched a payment solution in Finland, together with several major partners
- In April, the Board appointed Mattias Carlsson as new CEO of TF Bank
- In the second quarter, TF Bank issued Additional Tier 1 capital (AT1) of SEK 100 million
- In October, the Board of TF Bank decided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

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 has operations in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia, Latvia and Lithuania through subsidiaries, branches or cross-border banking.

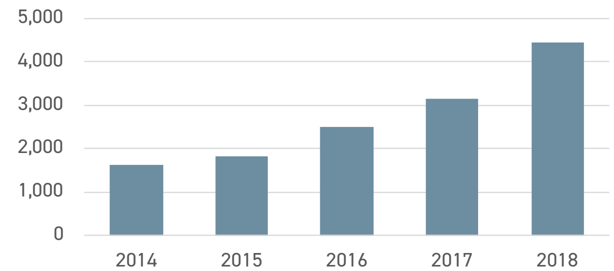
ADJUSTED OPERATING PROFIT (SEK million) [1]



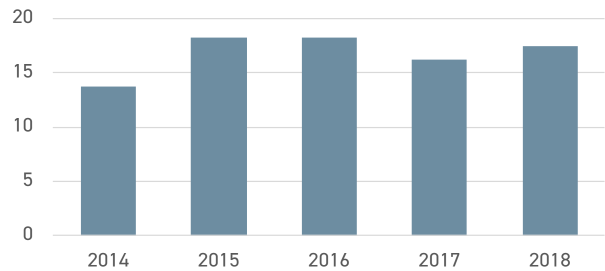
ADJUSTED RETURN ON EQUITY (%) [1]



LOANS TO THE PUBLIC (SEK million)



TOTAL CAPITAL RATIO (%)



[1] Items affecting comparability in 2015 and 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

See separate section with definitions, page 90.

FINANCIAL CALENDAR

Interim report January-March 2019	25 April 2019
Annual General Meeting 2019	7 May 2019
Interim report January-June 2019	16 July 2019
Interim report January-September 2019	24 October 2019
Year-end report 2019	6 February 2020

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

The Annual General Meeting in 2019 will be held on Tuesday 7 May 2019 at 15:00 at Roschier Advokatbyrå firm of solicitors, Brunkebergstorg 2, Stockholm.

KEY FIGURES, CONSOLIDATED

SEK million	2018	2017
Operating income	628	512
Operating income margin, %	16.3	17.9
Adjusted operating profit	230	193
Adjusted earnings per share, SEK	8.01	7.04
Loans to the public	4,449	3,156
New lending	4,519	2,969
Adjusted return on equity, %	31.6	29.7
Cost/Income ratio, %	39.4	37.0
Total capital ratio, %	17.4	16.2
Employees (FTE)	140	110

See separate section with definitions, page 90.

CEO'S COMMENTS

TF Bank continuing to expand in northern Europe
In last year's CEO's Comments, I described the continuing development of TF Bank. With Sweden as our base, we have gradually expanded to the other Nordic countries and the Baltic Sea region. In 2018, the Bank's loan portfolio increased by 41%. We saw particularly strong growth in consumer loans in Norway and the Baltic States and in retail finance in Finland. Growth in several different markets means that the loan portfolio remains well diversified geographically. At the end of 2018, our loan portfolio in Sweden accounted for just 15% of the Group's total assets.

I would like to highlight a few events that took place in 2018: Our subsidiary Avarda rolled out Checkout+, a payment service with CRM functionality for online retailers who want to build their brand throughout the sales cycle. TF Bank issued a so-called AT1 bond of SEK 100 million, thereby optimising the capital structure and creating room for future growth. We launched consumer loans in Lithuania and now have operations in all three Baltic countries. The Board of Directors established new financial goals for the three-year period until 2020 – more about this later in this section.

Norway delivering high growth and stable profitability
The Norwegian subsidiary BB Bank has already delivered accumulated profits after tax in excess of the price paid for the shares by TF Bank in July 2015. As the owner, TF Bank has been able to contribute liquidity and capital to generate growth in lending, and IT support in order to automate processes. Since the acquisition, the management of BB Bank has developed the company in an outstanding manner and secured an ever greater mandate for growth. TF Bank is today the proud owner of a Norwegian operation with a banking licence and deposit-taking activities, which adds significant value to the group.

The conditions for conducting banking activities in Norway have and will continue to change. I am thinking in particular about the national credit register that will be introduced in 2019, which is expected to benefit both borrowers and lenders. Furthermore, the general guidelines 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.

Return to normalised pricing of risk
Correct pricing of risk is a fundamental requirement for sound banking activities. In the last 10 years, the global central banks have been conducting a monetary policy which from a historical perspective is extreme, with negative interest rates and quantitative easing through purchases of government bonds, thereby creating unnaturally low risk premiums in the financial system. Starting in the USA, there has been a slow return to more normalised pricing of risk. In our markets, Norges Bank of Norway and Riksbanken of Sweden raised interest rates in 2018 and also signalled that interest rates may be raised further in 2019.

If this normalisation continue, savers will benefit while borrowers will see higher interest rates on loans. For TF Bank, which has been operating for 30 years, it is important that we continuously improve and hone our models for pricing of risk. In 2018, we allocated resources to these efforts by recruiting several new staff to strengthen our risk analysis department. We feel secure about our ability to conduct banking operations in different macroeconomic conditions than those we have seen in the last 10 years.

Sustainability and community engagement
TF Bank conducts its business with the aim of creating sustainable values for its stakeholders. In 2018, the bank implemented a new structure for sustainability governance, which included the adoption of a sustainability policy by the Board of Directors. TF Bank has identified four focus areas for its sustainability work: responsible credit granting, anti-corruption measures, employee wellbeing and environment and corporate social responsibility. With effect from the beginning of 2018, we also prepare a sustainability report, which among other things describes its work in the four focus areas.

TF Bank is the proud sponsor of Zelmerlöw & Björkman Foundation, a foundation that works to change the lives of socially vulnerable children and young people in various parts of Africa. Currently, the foundation funds four schools in Africa and a fifth is under way. This collaboration means that over a period of two years, TF Bank will be able to finance schooling, free school means and access to clean water for 40 students at Kenswed Academy in Nairobi.

Strong performance by Ecommerce Solutions
Our Ecommerce Solutions segment, which offers payment and checkout solutions for online retailers as well as credit cards, showed very strong growth for the full year 2018. At the end of the year, the loan portfolio amounted to nearly SEK 1 billion.

Avarda, whose services are used by several large online retailers in Sweden and Finland, showed particularly large growth. It is now just over a year since Avarda became a wholly owned subsidiary of TF Bank and we can confirm that our investment in a service which centres around online retailers' needs has been successful. Avarda's checkout solution is unique in that it uses the online retailer's own brand throughout the sales cycle, from purchase to payment and billing, which greatly increases exposure to the customer and therefore the opportunities for up-selling.

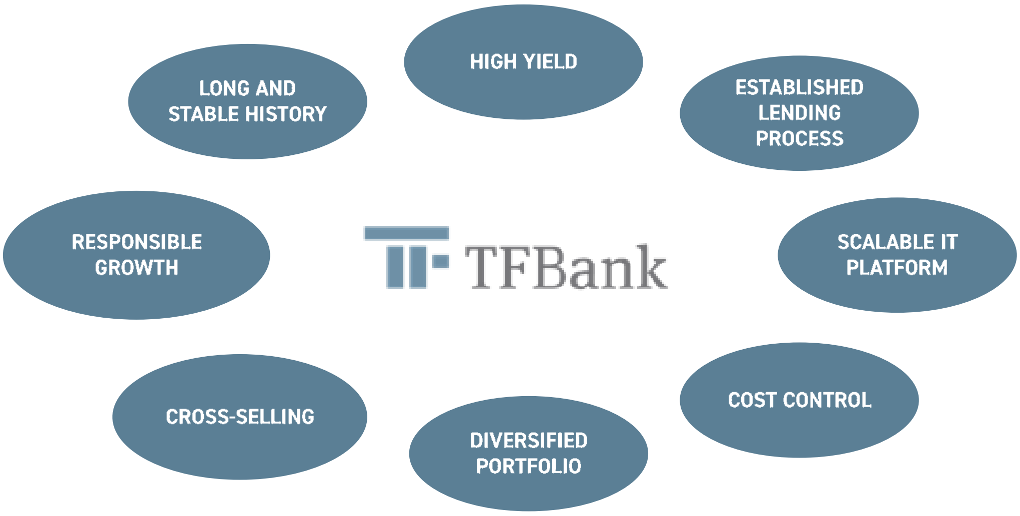
We see good opportunities for continued growth in Ecommerce Solutions. Since the end of 2018, we have concluded an agreement with a large online retailer in Estonia and we are preparing a launch in Norway. The scalability of our platform, where products can easily be adapted technologically and commercially to new markets, is a big advantage.

Continued growth a priority for 2019
Looking ahead, our priority is continued growth. The new financial targets established by the Board of Directors for 2020 are earnings per share of at least SEK 14.50 and a C/I ratio below 35%. This means the Bank's loan portfolio will have to continue to grow. In addition, we need to be very disciplined with regard to return on equity. Investments made in Ecommerce Solutions in 2018 are expected to result in improved profitability for this segment in line with growth in volumes. This parameter will help us achieve our financial goals in 2020.

The Board of Directors' proposal to the Annual General Meeting is to pay a dividend of SEK 2.30 per share for 2018. This proposal means that shareholders will receive an annual dividend yield, at the same time as the capital position allows for continued high growth in the loan portfolio. The new dividend policy allows for greater flexibility and means more capital can be allocated to the business in 2019 if we see business opportunities that will create shareholder value. We have an exciting year ahead of us. Finally, I would like to thank our staff for their input in the financial year.

Mattias Carlsson
President and CEO

THIS IS TF BANK



1. Stable business model with over 30 years of high yields
TF Bank started offering consumer loans and retail finance already in 1987 and during its 30 years of operations in the consumer credit sector it has always been profitable – including during major crises.

The business is today divided into two complementing business segments within consumer loans (Consumer Lending) and payments (Ecommerce Solutions). A flexible IT platform provides opportunities for expansion and economies of scale, as well as for cross-selling between segments.

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

2. Responsible organic growth with a diversified portfolio
TF Bank prioritises organic growth under controlled conditions. A combination of well-developed lending processes, small loan amounts and short repayment terms enable us to take calculated risks that can quickly be adjusted to changing conditions at macro level.

TF Bank's expansion is taking place within carefully selected segments and markets. Our lending activities have successfully expanded from the operations in Sweden to the other Nordic countries and new markets around the Baltic Sea. Around 75 per cent of the loan portfolio is attributable to Sweden, Finland and Norway, with the remaining 25 per cent attributable to the Baltic States and Poland.

Diversification is also the motto of TF Bank's deposit products. Deposit-taking in multiple markets offers alternative ways of financing growth in lending, facilitates geographic diversification to reduce risks and reduces financing costs. Fixed interest accounts in Germany also facilitate better matching of maturities between the Bank's assets and liabilities.

3. Controlled cost basis results in industry-leading efficiency
Efficiency and cost control have been TF Bank's mantra from the beginning. To be able to take the step from decision to action without high costs and long lead times is one the business's biggest strengths.

The high degree of automation in the company's IT platform is designed for scalability and adaptability to different products, countries, currencies and digital banking solutions.

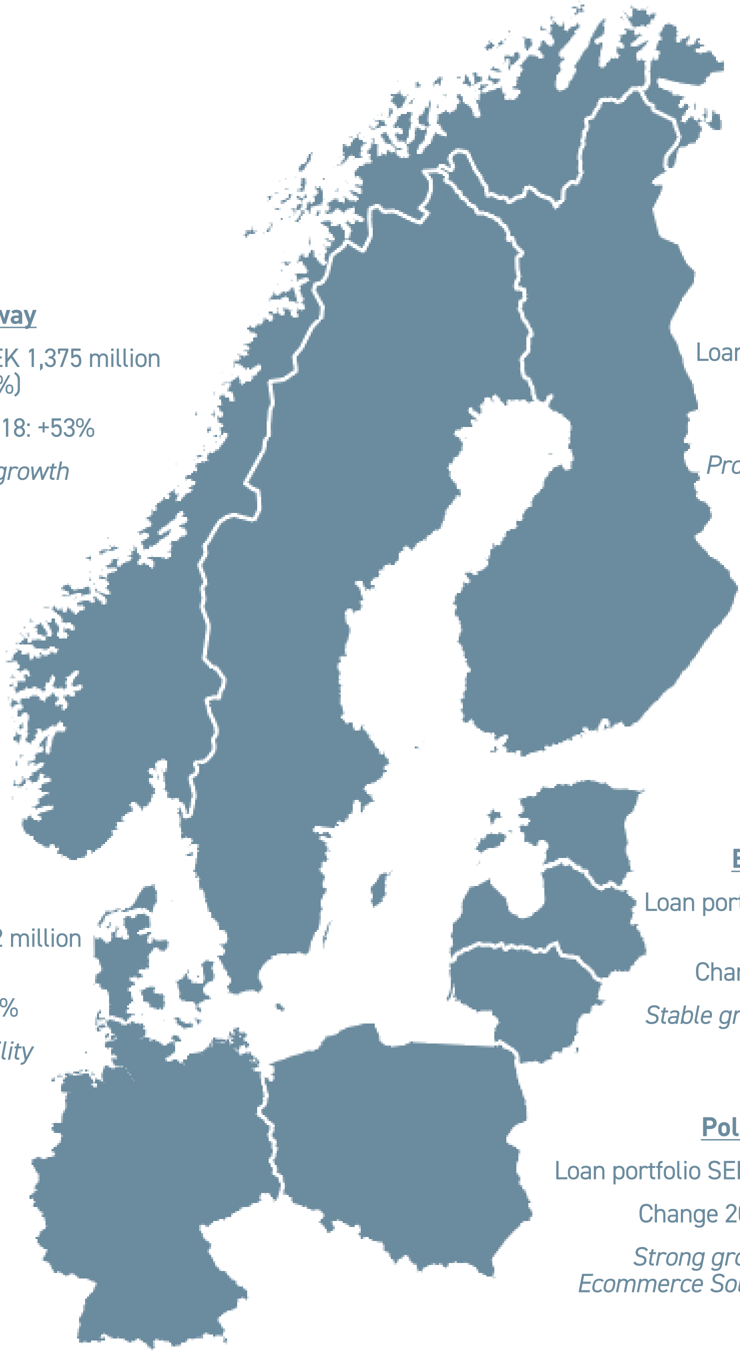
Thanks to our flat organisational structure, the scalable platform and cost control throughout the business, we are able to achieve a high level of efficiency. TF Bank's C/I ratio has for a long time been one of the lowest in the industry.

4. Ecommerce Solutions offers new opportunities for growth
Within the Ecommerce Solutions segment, TF Bank offers next-generation payment and checkout solutions for online retailers and credit cards via three brands: TF Bank, Avarda and BB Bank. The segment's operating income is growing while economies of scale on the cost side are gradually contributing to an improvement in the Group's results.

Avarda offers a complete checkout solution with CRM functionality. Avarda's operations are focused on the Nordic markets, where the company is aiming to grow and become the market leader. Avarda already has many customers in Sweden and Finland, some of which involve significant volumes.

In Norway, the company offers a credit card under the brand BB Bank. There are also plans to launch large-scale credit card operations in other markets.

GEOGRAPHICAL PRESENCE



Norway

Loan portfolio SEK 1,375 million (31%)

Change 2018: +53%

Strong growth

Finland

Loan portfolio SEK 1,196 million (27%)

Change 2018: +31%

Profitability and stable growth

Sweden

Loan portfolio SEK 662 million (15%)

Change 2018: +6%

Focus on profitability

Baltic States

Loan portfolio SEK 806 million (18%)

Change 2018: +101%

Stable growth and profitability

Poland

Loan portfolio SEK 371 million (8%)

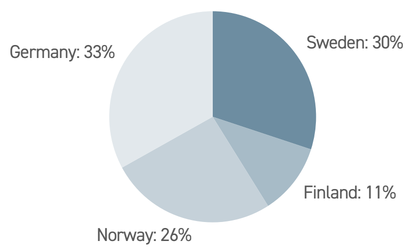
Change 2018: +32%

Strong growth in the Ecommerce Solutions segment

Geographical presence

TF Bank conducts deposit-taking and/or lending activities to consumers in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia, Latvia and Lithuania through subsidiaries, branches or cross-border banking. Within the Ecommerce Solutions segment, the Group also offers payment and checkout solutions for online retailers in the Nordic region, Estonia and Poland.

Geographical distribution of deposits



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2018

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

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

The images in this Annual Report are taken from Bergen and our wholly owned subsidiary BB Bank, which TF Bank acquired in July 2015

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	2018	2017	2016	2015	2014
Income statement					
Operating income	627,641	511,570	440,799	388,013	347,360
Operating profit	250,128	192,938	139,824	118,315	127,322
Net profit for the period	191,826	147,836	109,268	89,409	99,543
Earnings per share, SEK	8.75	7.04	5.47	4.34	4.63
Balance sheet					
Loans to the public	4,449,225	3,156,289	2,489,283	1,837,578	1,633,820
Deposits and borrowings from the public	5,096,463	3,754,030	2,284,645	2,229,562	1,953,403
New lending	4,518,697	2,968,611	2,391,729	1,675,309	1,190,859
Key figures					
Operating income margin, %	16.3	17.9	20.2	22.4	24.2
Net loan loss ratio, %	3.9	4.5	5.1	6.2	7.9
Cost/Income ratio, %	39.4	37.0	38.6	37.0	30.7
Return on equity, %	34.5	29.7	29.1	29.9	39.0
Return on loans to the public, %	4.9	5.3	5.4	5.3	6.6
CET1 capital ratio, %	13.0	13.2	14.5	13.9	13.7
Tier 1 capital ratio, %	15.2	13.2	14.5	13.9	13.7
Total capital ratio, %	17.4	16.2	18.2	18.2	13.7
Employees (FTE)	140	110	98	78	51

ADJUSTED KEY FIGURES, CONSOLIDATED [1]

SEK thousand	2018	2017	2016	2015	2014
Income statement					
Operating profit	250,128	192,938	139,824	118,315	127,322
Items affecting comparability [1]	-20,295	-	19,275	18,232	-
Adjusted operating profit	229,833	192,938	159,099	136,547	127,322
Adjusted income tax expense	-53,837	-45,102	-34,797	-32,917	-27,779
Adjusted net profit for the period	175,996	147,836	124,302	103,630	99,543
Adjusted net profit attributable to the shareholders of the Parent Company	172,296	151,459	132,538	107,456	99,543
Adjusted earnings per share, SEK	8.01	7.04	6.16	5.00	4.63
Key figures					
Adjusted return on equity, %	31.6	29.7	32.8	34.5	39.0
Adjusted return on loans to the public, %	4.5	5.3	6.1	6.2	6.6

CURRENCY RATES

SEK	2018	2017	2016	2015	2014
EUR Income statement (average)	10.25	9.63	9.47	9.36	9.10
EUR Balance sheet (end of reporting period)	10.28	9.85	9.57	9.14	9.52
NOK Income statement (average)	1.07	1.03	1.02	1.05	1.09
NOK Balance sheet (end of reporting period)	1.02	1.00	1.05	0.96	1.05
PLN Income statement (average)	2.41	2.26	2.17	2.24	2.17
PLN Balance sheet (end of reporting period)	2.39	2.36	2.17	2.15	2.21

[1] Items affecting comparability in 2015 and 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

See separate section with definitions, page 90.

DIRECTORS' REPORT

ABOUT THE BUSINESS

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 conducts deposit-taking and lending activities to consumers in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia, Latvia and Lithuania through subsidiaries, branches or cross-border banking. Within the Ecommerce Solutions segment, TF Bank also offers next-generation payment and checkout solutions for online retailers in the Nordic region, Estonia and Poland.

TF Bank was set up 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.

TF Bank's head office is in Borås. The Parent Company TF Bank AB comprises the Swedish business, branches in Finland, Poland and Estonia, as well as cross-border operations in Norway, Denmark, Latvia, Lithuania and Germany. The Group has one sub-group, Avarda, which has activities in Sweden and Finland, and a subsidiary, BB Bank, which has operations in Norway. The Group also has service subsidiaries in Latvia and Lithuania. The Estonian service subsidiary was liquidated in 2018.

SIGNIFICANT EVENTS DURING THE YEAR

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.

In March, TF Bank started a service subsidiary in Lithuania, TFB Service UAB. BB Bank's subsidiary Confide AS was sold in June. TF Bank's service subsidiary in Estonia, TFB Service OÜ, was liquidated in November because the 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. The share option plan was fully subscribed by Mikael Meomuttel, Espen Johannesen and Mikael Johansson, each of whom acquired a third of the total number of 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. The instrument is perpetual, the first call date is not less than five years from the date of issue and the coupon is the 3-month STIBOR + 6.75%. The instrument is listed for trading on Nasdaq Stockholm.

At the end of 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 Consumer Lending segment and has launched credit card activities in Germany within the Ecommerce Solutions segment.

In October the Board of TF Bank 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.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In February, TF Bank concluded an agreement within the Ecommerce Solutions segment with Estonia's leading online retailer, Hansapost.

RESULTS AND FINANCIAL POSITION – GROUP

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) [1].

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).

Lending

Loans to the public increased by 41.0% to SEK 4,449 million (3,156) 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 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 amortisation of tangible and intangible fixed assets amounted to SEK 10.0 million (6.9) in 2018.

Cash and cash equivalents

The liquidity reserve amounted to SEK 1,450 million (1,248) 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 an undrawn credit facility of SEK 31 million, has decreased to 29% (34) of deposits from the public at the end of 2018.

[1] Adjustments for items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that arose before 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) at the end of the year. 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.

RESULTS AND FINANCIAL POSITION – PARENT COMPANY

Operating income

The Parent Company's operating income in 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 arose before year 2018. Net gains/losses on financial transactions impacted operating income by SEK 1.7 million (6.6), primarily due to the fact that foreign currency effects on shares in foreign subsidiaries are not translated at current exchange rates, while debt instruments used to finance the shares are translated.

Operating expenses

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) in the year ended 31 December 2018.

Loans to the public

Loans 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.

Loans to credit institutions

Lending to credit institutions increased during the period and amounted to SEK 1,174 million (1,047) at end-December 2018. This amount included loans to the subsidiary BB Bank of SEK 133 million (50).

Shares in group companies

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

Capital adequacy

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 internal requirement.

CONSUMER LENDING

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 our Norwegian subsidiary, BB Bank, 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.

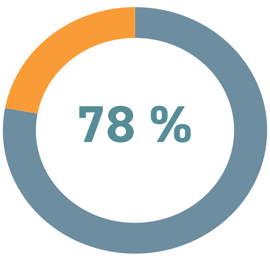
Operating income increased by 15.9% to SEK 483.5 million (417.2) in 2018. Operating income was mainly attributable to consumer loans in Norway and the Baltics, as well as positive currency effects. The operating income margin decreased to 15.8% (18.0).

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).

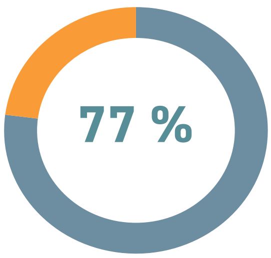
Net loan losses amounted to SEK 113.4 million, an increase of 10.0% compared with 2017 (103.0). The loan loss ratio decreased to 3.7% (4.5). New agreements for the continuous sale of past due loans in Finland and Estonia, as well as low credit losses in the segment's largest market, Norway, had a positive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

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

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



SEGMENT'S SHARE OF THE GROUP'S OPERATING INCOME



ECOMMERCE SOLUTIONS

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 on 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).

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.

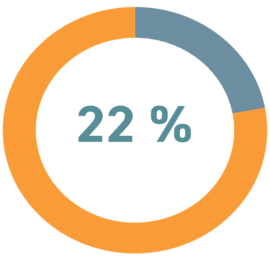
Operating income increased by 52.8% to SEK 144.2 million (94.4) in 2018. The increase was mainly due to growth for the Finnish payment solutions in Avarda and sales finance in Poland. The operating income margin increased slightly and amounted to 18.0% (17.5).

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.

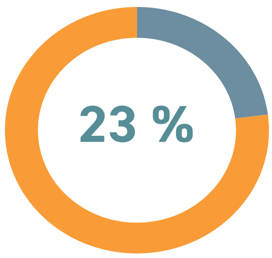
Net loan losses increased by 40.3% to SEK 36.9 million (26.3) in 2018. New regulations for loan loss provisions, IFRS 9, combined with high loan portfolio growth, had a negative impact on credit losses for the year. The segment's underlying credit quality was largely unchanged compared with 2017.

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

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



SEGMENT'S SHARE OF THE GROUP'S OPERATING INCOME



OTHER FINANCIAL INFORMATION

Annual General Meeting 2019
The Annual General Meeting in 2019 will be held on Tuesday 7 May 2019 at 15:00 in Stockholm. Notice of the Annual General Meeting will be published not later than Tuesday 9 April 2019.

Financial targets
On 24 October 2018, TF Bank's Board of Directors decided to adopt 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.

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

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

Sustainability report
TF Bank's sustainability report is prepared in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The scope is defined on pages 81 to 84.


ROST
ROST

THE TF BANK SHARE

TF Bank was listed on the Mid Cap list of Nasdaq Stockholm on 14 June 2016. The opening price was SEK 77.00. On the last trading day of 2018, the closing price of the share was SEK 72.00. Since the listing, TF Bank has paid out a total of SEK 4.45 per share in dividends to shareholders. The market capitalisation at the end of the year was SEK 1,548 million.

Turnover and volume

The TF Bank share trades under the ticker name TFBANK and the ISIN code is SE0007331608. In total, 2.8 million shares worth approximately SEK 218 million were traded on Nasdaq Stockholm in 2018. The share price fell by 19% in 2018.

Share capital and number of shares

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

Dividend to shareholders

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

Institutions and analysts following TF Bank

ABG Sundal Collier, Carnegie and SEB. At the end of 2018, all three institutions had issued a buy recommendation for the TF Bank share.

Ownership of TF Bank AB as at 31 December 2018 [1]

Shareholder	%
TFB Holding AB	39.66
Erik Selin Fastigheter AB	11.63
Tiberon AB	9.46
Merizole Holding Ltd	7.01
Danica Pension AB	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**

[1] according to the shareholders' register

21.5 million

Number of shares

SEK 71.40

Lowest closing price in the period 1 January 2018 to 31 December 2018

1,085

Number of shareholders 31 December 2018

SEK 95.80

Highest closing price in the period 1 January 2018 to 31 December 2018


LOAN PORTFOLIO PERFORMANCE IN 2016-2018 (SEK MILLION)
2,489
2,755
2,836
2,950
3,156
3,519
3,876
4,198
4,449
5,000
4,500
4,000
3,500
3,000
2,500
2,000
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018

INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	2018	2017
	4		
Operating income			
Interest income	5	657,241	533,198
Interest expense	6	-82,550	-64,557
Net interest income		**574,691**	**468,641**
Fee and commission income		61,130	51,237
Fee and commission expense		-9,720	-8,401
Net fee and commission income	7	**51,410**	**42,836**
Net results from financial transactions	8	1,540	93
Total operating income		**627,641**	**511,570**
Operating expenses			
General administrative expenses	9, 10, 11	-222,939	-169,048
Depreciation and amortisation of tangible and intangible assets	12, 13	-9,955	-6,890
Other operating expenses	14	-14,642	-13,351
Total operating expenses		**-247,536**	**-189,289**
Profit before loan losses		**380,105**	**322,281**
Net loan losses	15	-150,272	-129,343
Items affecting comparability		20,295	-
Operating profit		**250,128**	**192,938**
Tax on profit for the year	16	-58,302	-45,102
Profit for the year		**191,826**	**147,836**
Profit for the year attributable to:			
Shareholders of the Parent Company		188,126	*151,459*
Additional tier 1 capital holders		*3,700*	-
Non-controlling interests		-	*-3,623*
Basic earnings per share (SEK)		*8.75*	*7.04*
Diluted earnings per share (SEK)		*8.75*	*7.04*

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	2018	2017
Profit for the year	**191,826**	**147,836**
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Gross fair value gains/losses on available for sale financial assets / Fair value through other comprehensive income	-	22
Gross exchange differences	1,302	-1,281
Tax on exchange differences in the year	303	-1,325
Other comprehensive income, net of tax	**1,605**	**-2,584**
Total comprehensive income for the year	**193,431**	**145,252**
Comprehensive income for the period attributable to:		
Shareholders of the Parent Company	*189,731*	*148,829*
Additional tier 1 capital holders	*3,700*	*-*
Non-controlling interests	*-*	*-3,577*

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	31 Dec 2018	31 Dec 2017
	17, 18		
ASSETS			
Cash and balances with central banks		225,610	65,999
Treasury bills eligible for refinancing	19	70,118	60,096
Loans to credit institutions	20	1,148,863	1,062,294
Loans to the public	4, 21	4,449,225	3,156,289
Shares		21,128	75,654
Goodwill	22	12,350	12,068
Intangible assets	12	38,199	29,369
Tangible assets	13	2,471	1,657
Other assets	23	23,596	12,194
Current tax assets		22,696	870
Deferred tax assets	27	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			
Liabilities to credit institutions	24	-	-
Deposits and borrowings from the public	25	5,096,463	3,754,030
Other liabilities	26	29,897	33,557
Current tax liabilities		14,877	11,229
Deferred tax liabilities	27	5,852	7,579
Accrued expenses and prepaid income	28	71,781	49,569
Subordinated liabilities	29	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 earnings 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**
Profit for the year	-	-	-	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 year	-	-	-1,325	-	-	-	-1,325
Total comprehensive income for the year (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**
Profit for the year	-	-	-	191,826	-	-	191,826
Gross exchange differences	-	-	1,302	-	-	-	1,302
Tax on exchange differences in the year	-	-	303	-	-	-	303
Total comprehensive income for the year (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 remuneration	-	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	2018	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**
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	98,454	-
Interest Tier 1 capital	-3,700	-
Shareholder's contribution	-	6,860
Dividend paid to shareholders	-48,375	-47,300
Share-based remuneration	1,447	-2,208
Cash flow from financing activities	**47,826**	**-42,648**
Cash flow for the year	**243,155**	**804,716**
Cash and cash equivalents at the beginning of the year	1,188,389	380,873
Exchange difference in cash and cash equivalents	13,047	2,800
Cash and cash equivalents at the end of period	**1,444,591**	**1,188,389**
Cash flow from operating activities includes interest expenses paid and interest payments received		
Interest expenses paid	89,074	61,831
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**

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Note	2018	2017
	4		
Operating income			
Interest income	5	528,995	458,380
Interest expense	6	-61,398	-60,158
Net interest income		**467,597**	**398,222**
Fee and commission income		36,267	36,701
Fee and commission expense		-4,417	-3,960
Net fee and commission income	7	**31,850**	**32,741**
Net results from financial transactions	8	1,664	6,605
Total operating income		**501,111**	**437,568**
Operating expenses			
General administrative expenses	9, 10, 11	-150,088	-124,774
Depreciation and amortisation of tangible and intangible assets	12, 13	-5,671	-5,030
Other operating expenses	14	-12,449	-10,373
Total operating expenses		**-168,208**	**-140,177**
Profit before loan losses		**332,903**	**297,391**
Net loan losses	15	-124,940	-121,579
Operating profit		**207,963**	**175,812**
Appropriations		13,149	18,812
Tax on profit for the year	16	-38,118	-44,251
Profit for the year		**182,994**	**150,373**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	2018	2017
Profit for the year	**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 year	**182,994**	**150,373**

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	Note	31 Dec 2018	31 Dec 2017
	17, 18		
ASSETS			
Cash and balances with central banks		143,543	65,999
Treasury bills eligible for refinancing	19	70,118	60,096
Loans to credit institutions	20	1,174,142	1,046,773
Loans to the public	21	3,077,158	2,252,638
Shares		20,871	20,295
Shares in group companies	32	433,872	250,705
Intangible assets	12	18,725	19,371
Tangible assets	13	1,696	1,269
Other assets	23	9,585	6,099
Current tax assets		23,178	1,584
Deferred tax assets	27	3,921	-
Prepaid expenses and accrued income		20,526	4,334
TOTAL ASSETS		**4,997,335**	**3,729,163**
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	25	4,061,396	3,017,287
Other liabilities	26	66,294	25,346
Deferred tax liabilities	27	1,308	96
Accrued expenses and prepaid income	28	56,741	40,396
Subordinated liabilities	29	98,570	97,780
Total liabilities		**4,284,309**	**3,180,905**
Untaxed reserves	33	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		15,940	14,739
Other contributed capital		3,536	1,500
Total restricted equity		**127,976**	**124,739**
Non-restricted equity			
Tier 1 capital instrument		100,000	-
Retained earnings		281,397	239,337
Comprehensive income for the year		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**

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK thousand	Restricted equity				Non-restricted equity			
	Share capital	Statutory reserve	Development costs fund	Other contributed capital	Tier 1 capital instrument	Retained earnings	Profit for the year	Total equity
Equity as at 1 Jan 2017	**107,500**	**1,000**	**8,313**	**1,931**	**-**	**188,789**	**106,043**	**413,576**
Profit for the year	-	-	-	-	-	-	150,373	150,373
Gross exchange differences	-	-	-	-	-	-	-	-
Tax on exchange differences in the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**150,373**	**150,373**
Transfer of previous year's profit	-	-	-	-	-	106,043	-106,043	-
Dividend	-	-	-	-	-	-47,300	-	-47,300
Capitalisation of development costs	-	-	8,722	-	-	-8,722	-	-
Amortisation of capitalised development costs	-	-	-2,296	-	-	2,296	-	-
Option premium	-	-	-	-431	-	-1,769	-	-2,200
Equity as at 31 Dec 2017	**107,500**	**1,000**	**14,739**	**1,500**	**-**	**239,337**	**150,373**	**514,449**
Transition impact of implementation of IFRS 9	-	-	-	-	-	-52,927		-52,927
Equity as at 1 Jan 2018	**107,500**	**1,000**	**14,739**	**1,500**	**-**	**186,410**	**150,373**	**461,522**
Profit for the year	-	-	-	-	-	-	182,994	182,994
Gross exchange differences	-	-	-	-	-	-	-	-
Tax on exchange differences in the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year (net of tax)	**-**	**-**	**-**	-	**-**	**-**	**182,994**	**182,994**
Transfer of previous year's profit	-	-	-	-	-	150,373	-150,373	-
Dividend	-	-	-	-	-	-48,375	-	-48,375
Capitalisation of development costs	-	-	4,112	-	-	-4,112	-	-
Amortisation of capitalised development costs	-	-	-2,911	-	-	2,911	-	-
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 remuneration	-	-	-	2,036	-	-564	-	1,472
Equity as at 31 Dec 2018	**107,500**	**1,000**	**15,940**	**3,536**	**100,000**	**281,397**	**182,994**	**692,367**

CASH FLOW STATEMENT, PARENT COMPANY

SEK thousand	2018	2017
Operating activities		
Operating profit	207,963	175,812
Adjustment for items not included in cash flow		
Depreciation and amortisation of tangible and intangible assets	5,671	5,030
Accrued interest income and expense	-1,547	2,691
Other non-cash items	-10,826	8,056
Paid income tax	-59,712	-33,422
	141,549	**158,167**
Increase/decrease in loans to the public	-878,827	-272,080
Increase/decrease in other short-term receivables	-26,906	-14,273
Increase/decrease in deposits and borrowings from the public	1,044,109	732,642
Increase/decrease in other short-term liabilities	62,783	3,423
Cash flow from operating activities	**342,708**	**607,879**
Investing activities		
Investments in tangible assets	-1,069	-711
Investments in intangible assets	-4,383	-8,722
Investments in subsidiaries	-183,167	-149,843
Cash flow from investing activities	**-188,619**	**-159,276**
Financing activities		
Issue of Tier 1 capital	98,454	-
Interest Tier 1 capital	-3,700	-
Dividend paid to shareholders	-48,375	-47,300
Share-based remuneration	1,651	-2,200
Cash flow from financing activities	**48,030**	**-49,500**
Cash flow for the year	**202,119**	**399,103**
Cash and cash equivalents at the beginning of the year	1,172,868	781,081
Exchange difference in cash and cash equivalents	12,816	-7,316
Cash and cash equivalents at the end of period	**1,387,803**	**1,172,868**
Cash flow from operating activities includes interest expenses paid and interest payments received		
Interest expenses paid	57,120	62,884
Interest payments received	524,713	466,481
Components of cash and cash equivalents		
Cash and balances with central banks	143,543	65,999
Treasury bills eligible for refinancing	70,118	60,096
Loans to credit institutions [1]	1,174,142	1,046,773
Total cash and cash equivalents	**1,387,803**	**1,172,868**

[1] This amount included loans to the subsidiary BB Bank of SEK 133 million (50).

NOTES – TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 General information

TF Bank AB, corporate identity number 556158-1041, has a licence to carry on banking business.

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

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

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

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%

Discontinued during the year
- Confide AS (948063603) 100%, sold
- TFB Service OÜ (12676808) 100%, liquidated

On 21 March 2019, the Board of Directors approved this Annual Report for publication, for adoption by the AGM in 2019.

NOTE 2 Accounting Policies

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

The consolidated financial statements for the TF Bank AB Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the European Union (EU). In addition, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority (FFFS 2008:25) have also been applied.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the Swedish Financial Supervisory Authority's regulations FFFS 2008:25. So-called legally restricted IFRS means that IFRS, as adopted by the EU, are applied in the preparation of the financial statements, subject to the restrictions and additions that follow from RFR 2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, and FFFS 2008:25. This means that the Parent Company, with the exception of that stated below, has applied the same accounting policies as the Group.

Estimates and Judgements
Preparation of the consolidated financial statements in compliance with IFRS requires the use of some critical estimates for accounting purposes. Estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes by definition rarely correspond to the actual results. The areas that involve a high degree of judgement, are complex, or where assumptions and estimates have a material impact on the consolidated financial statements primarily comprise provisions for loan losses and goodwill impairment testing. Information on how the Group applies this is set out in Notes 2, 3 and 22.

GROUP

New and amended standards and interpretations applied by the Group
Changes have been made to the Group's and Parent Company's accounting policies regarding financial instruments in connection with the transition to the financial reporting standard IFRS 9 Financial Instruments. TF Bank has not early adopted IFRS 9. For additional information regarding the transition to IFRS 9, see Note 2 in the 2017 Annual Report, as well as Note 10 in the Interim Report for the period January – March 2018. TF Bank has chosen to apply the hedge accounting requirements according to IAS 39 even following the introduction of IFRS 9.

SEK million	Loan loss provisions
Closing provisions as at 31 December 2017, according to IAS 39	**60**
Increase attributable to provisions for Stage 1	64
Increase attributable to provisions for Stage 2	7
Increase in provisions for Stage 3 attributable to forward-looking information	-
Provisions attributable to financial assets recognised at fair value through other comprehensive income.	-
Opening provisions as at 1 January 2018, according to IFRS 9	**131**

The transition to the accounting standard IFRS 15 Revenue from Contracts with Customers has not had a material impact on the Group's results, financial position or financial statements.

New standards and amendments and interpretations of existing standards that are not yet effective and which have not been early adopted by the Group

IFRS 16 Leasing will primarily affect reporting for lessees and implementation of the standard will result in nearly all leases being recognised on the balance sheet. The standard removes the distinction between operating and finance leases in IAS 17 and requires lessees to recognise right-of-use assets as assets and the corresponding lease payments as financial liabilities on the balance sheet. A voluntary exception may be made for short-term leases and leases where the underlying asset is of low value. The income statement will also be affected because costs will be higher at the beginning of the lease period and lower at the end of the period. The operating profit will be affected because lease expenses will be replaced by interest costs and depreciation. Cash flow from operating activities will increase and cash flow from financing activities will decrease because repayment of the lease liability will be classified as cash flow from financing activities.

The standard must be applied to annual reporting periods beginning 1 January 2019 and it is adopted by the EU. Earlier adoption is permitted if IFRS 15 is also applied from the same reporting period.

TF Bank has chosen to apply the simplified approach, which means that calculation of the liability on transition to IFRS 16 will be based on the remaining lease payments for the leased asset. The lease liability is measured at the present value of remaining lease payments using the marginal borrowing rate on date of initial application. Leases with a lease term of 12 months or less are not included and neither are leases where the underlying asset has a low value. Comparative figures have not been restated. TF Bank has chosen to apply the standard only to the consolidated financial statements and not to the Parent Company's financial statements.

For impacts of the transition to IFRS 16, see Note 37.

Note 2 cont.

None of the other IFRS or IFRIC interpretations that are not yet effective is expected to have a material impact on the Group.

Consolidated financial statements

The consolidated financial statements include subsidiaries in which the Group has a controlling interest. The Group controls a company when it is exposed to or has the right to variable returns from its involvement in the company and has the ability to influence the return through its control over the company. Subsidiaries are included in the consolidated financial statements from the date control was acquired by the Group. They are excluded from consolidation from the date control ceases.

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

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

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

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

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

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

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

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

Tangible assets
Tangible assets are recognised at cost less depreciation. Expenditure to improve the performance of assets, compared with their original level, increases the carrying value of the asset. Expenditure on repair and maintenance are reported as expenses.

Tangible assets are systematically depreciated over the estimated useful life of the asset. The depreciable amount is determined taking into account the residual value of the asset, if applicable. The 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 Group are recognised as intangible assets when the following criteria are met:

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

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

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

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

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

Note 2 cont.

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

Financial instruments – classification, recognition and measurement
All financial instruments are classified as belonging to one of the following categories:

Financial assets

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

Financial liabilities

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

All financial assets and liabilities are measured at fair value on initial recognition. The classification of financial instruments into different categories determines how each financial instrument is measured in the balance sheet and how changes in its value are recognised. Note 3 Financial risks and financial risk management contains the table Classification of financial assets and liabilities, which shows the different categories to which the financial instruments in TF Bank's balance sheet belong.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities measured at fair value through profit or loss are measured a fair value less transaction costs. All value changes in these items are recognised immediately through profit or loss under Net gains/losses on financial transactions. The category consists of two subcategories: Mandatory and Upon initial recognition measured at fair value through profit or loss. The subcategory Mandatory consists of derivatives held for trading. As at 31 December 2018, TF Bank had no financial assets or liabilities in the subcategory Upon initial recognition measured at fair value through profit or loss.

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

Amortised cost
This category includes financial assets and liabilities measured at amortised cost. Financial assets and liabilities measured at amortised cost are initially recognised at fair value including transaction costs in the balance sheet. After initial recognition, the instrument in this category is measured at amortised cost using the effective interest rate method less credit loss provisions for financial assets.
Loans to the public are described in more detail in Note 21 Loans to the public.

Derivatives used for hedge accounting
Financial assets and liabilities classified to the category Derivatives held for hedge accounting comprise derivative instruments held as foreign exchange hedges of net investments in foreign subsidiaries. Changes in fair value are recognised through other comprehensive income in the consolidated financial statements.

For information about accounting policies for 2017, see Note 36.

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 stages based on the risk of default. The first stage includes assets where no significant increase in credit risk has occurred at the reporting date, in the second, a significant increase in credit risk has occurred, i.e. the loan is 30 days past due or more, and in the third, a default event has occurred, i.e. the loan is more than 90 days past due. For assets in the first stage, impairment is based on expected credit losses over the next 12 months, while for stage two and three, expected credit losses are reported over the entire lifetime of the asset. Expected loan losses are calculated based on historical data of default for each period.

The provisions 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) comprises the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate. The expected future cash flow is based on calculations that take into account historical repayment rates applied to each generation of non-performing loans.

Derivative instruments and hedging activities
Derivative instruments are recognised in the statement of financial position on the contract date and measured at fair value, both on initial recognition and at subsequent remeasurements. The method used to report gains or losses arising on remeasurement depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the hedged item. The Group designates certain derivatives as hedges of net investments in foreign operations (hedge of net investment).

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

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

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

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

Issued debt and equity instruments

Note 2 cont.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 Financial risks and financial risk management

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

The Board of Directors draws up written policies and governing documents. Compliance with the governing documents and 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.

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

Translation risk arises when the Group has holdings in foreign operations, the net assets of which are exposed to currency risk when translated into SEK in the Group's consolidated financial statements. TF Bank has a subsidiary in Latvia, TFB Service SIA (EUR), a subsidiary in Lithuania, TFB Service UAB (EUR), a subsidiary in Finland, Avarda Oy (EUR), and a subsidiary in Norway, BB Bank ASA (NOK). Currency exposure arising from the net assets of the Group's foreign operations must be hedged as far as possible, according to the financial policy adopted by the Board of Directors. As of July 2015, TF Bank applies hedge accounting for its holding in BB Bank ASA (NOK), using currency forwards and deposits and borrowings from the public as hedging instruments. As of January 2017, the subsidiary Avarda AB also applies hedge accounting for its holding in Avarda Oy, using currency forwards as hedging instruments. The Group has the following hedged net assets and hedging instruments:

Group SEK thousand	2018	2017
Hedged net assets		
Net investment in BB Bank ASA	297,521	191,777
Net investment in Avarda Oy	86,518	36,444
Total	**384,039**	**228,221**
Hedging instruments		
Currency forward contract as hedging instrument (nominal amount)	169,793	36,444
Deposits and borrowings from the public in NOK as hedging instrument	215,145	191,210
Total	**384,938**	**227,654**

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

Hedge reserve	Spot component of a currency forward contract and exchange rate differences relating to the hedged portion of deposits in NOK
Opening balance 1 January 2017	**-10,333**
Change in fair value of hedging instruments recognised through other comprehensive income	6,537
Deferred tax	-1,438
Closing balance 31 December 2017	**-5,234**
Opening balance 1 January 2018	**-5,234**
Change in fair value of hedging instruments recognised through other comprehensive income	-345
Deferred tax	76
Closing balance 31 December 2018	**-5,503**

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

Group SEK thousand	2018	2017
Derivative instrument NOK		-
Carrying amount	1,884	-
Nominal amount	83,504	-
Maturity date	2019-01-10	-
Hedge ratio	1:1	-
Forward rate	SEK 1.0438: NOK 1	-
Derivative instrument EUR		
Carrying amount	-27	143
Nominal amount	86,289	36,444
Maturity date	2019-01-10	2018-01-31
Hedge ratio	1:1	1:1
Forward rate	SEK 10.2725: EUR 1	SEK 9.8884: EUR 1
Hedging instrument deposits		
Carrying amount	215,145	191,210
Carrying amount NOK thousand	210,000	191,000
Hedge ratio	1:1	1:1

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

Note 3 cont.

TF Bank assesses its future capital requirements under Pillar 2 for currency risk through stress tests involving the impact on net positions of exchange rate movements of 10%. Other variables are kept constant. TF Bank has chosen the level 10% by analysing the biggest exchange rate movements between specific dates in the period 2006-2016 for the currencies in which the bank has the biggest exposure. For all the currencies in which TF has exposure, the biggest movements took place during the financial crisis in 2008-2009. TF Bank calculates worst case scenarios with 99.9% confidence based on the largest movement in each currency. The stress tests resulted in the following outcomes on positions as at 31 December 2018 (excluding tax effects):

CURRENCY

SEK thousand	2018	2017
EUR	+/- 726	+/- 399
NOK	+/- 552	+/- 4,067
DKK	+/- 84	+/- 10
PLN	+/- 458	+/- 14

Because of the regulatory capital requirement under Pillar 1 in place as at 31 December 2018, the level was replaced with capital adequacy of 8% according to the standardised approach.

(ii) Interest rate risk in respect of cash flow
Because floating interest rates apply to both liabilities and assets, the Group's interest rate risk is minimal.

Under the financial policy and liquidity policy, holdings of securities with a remaining term of up to 12 months are permitted. Not more than 30% of the Company's accessible liquidity must have a remaining term of more than six months. Because the Group's holding of treasury bills as at the reporting date stood at SEK 70.1 million (60.1), the impact of this interest rate risk on results was also negligible in the above scenario. Other assets in the liquidity portfolio comprised various bank balances at floating rates, which involve very limited interest rate risk.

Note 3 cont.

(iii) Classification of financial assets and liabilities

Group, 31 Dec 2018 **SEK thousand**	Financial instruments at fair value through profit or loss		Fair value through other comprehensive income	Amortised cost	Derivatives used for hedge accounting	Non-financial assets and liabilities	Total
	Compulsory	*Upon initial recognition measured at fair value through profit or 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
Goodwill	-	-	-	-	-	12,350	12,350
Intangible assets	-	-	-	-	-	38,199	38,199
Tangible assets	-	-	-	-	-	2,471	2,471
Other assets	-	-	-	-	-	17,652	17,652
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	-	-	-	1,547	-	5,944
Total assets	**25,525**	**-**	**70,118**	**5,823,698**	**1,547**	**123,200**	**6,044,088**
Liabilities							
Deposits and borrowings from the public	-	-	-	5,096,463	-	-	5,096,463
Other liabilities	-	-	-	-		29,870	29,870
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	-	-	-	-	27	-	27
Total liabilities	**-**	**-**	**-**	**5,195,033**	**27**	**122,380**	**5,317,440**

Note 3 cont.

Group, 31 Dec 2017 SEK thousand	Financial instruments at fair value through profit or loss		Available-for-sale financial assets	Loans and receivables	Derivatives used for hedge accounting	Other financial assets and liabilities	Total
	Held for trading	*Designated at initial recognition*					
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 and borrowings 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**

Parent Company, 31 Dec 2018 SEK thousand	Financial instruments at fair value through profit or loss		Fair value through other comprehensive income	Amortised cost	Non-financial assets and liabilities	Total
	Compulsory	*Initially measured at fair value through profit or loss*				
Assets						
Cash and balances with central banks	-	-	-	143,543	-	143,543
Treasury bills eligible for refinancing	-	-	70,118	-	-	70,118
Loans to credit institutions	-	-	-	1,174,142	-	1,174,142
Loans to the public	-	-	-	3,077,158	-	3,077,158
Shares	20,871	-	-	-	-	20,871
Shares in group companies	-	-	-	433,872	-	433,872
Intangible assets	-	-	-	-	18,725	18,725
Tangible assets	-	-	-	-	1,696	1,696
Other assets	-	-	-	-	3,641	3,641
Current tax assets	-	-	-	-	23,178	23,178
Deferred tax assets	-	-	-	-	3,921	3,921
Prepaid expenses and accrued income	-	-	-	-	20,526	20,526
Derivatives	4,397	-	-	-	1,547	5,944
Total assets	**25,268**	**-**	**70,118**	**4,828,715**	**73,234**	**4,997,335**
Liabilities						
Deposits and borrowings from the public	-	-	-	4,061,396	-	4,061,396
Other liabilities	-	-	-	-	66,294	66,294
Deferred tax liabilities	-	-	-	-	1,308	1,308
Accrued expenses and prepaid income	-	-	-	-	56,741	56,741
Subordinated liabilities	-	-	-	98,570	-	98,570
Derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**4,159,966**	**124,343**	**4,284,309**

Note 3 cont.

Parent Company, 31 Dec 2017 SEK thousand	Financial instruments at fair value through profit or loss *Held for trading*	 *Designated at initial recognition*	Available-for-sale financial assets	Loans and receivables	Other financial assets and 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	-	-	-	1,046,773	-	1,046,773
Loans to the public	-	-	-	2,252,638	-	2,252,638
Derivatives	2,290	-	-	-	-	2,290
Total assets	**2,290**	**-**	**60,096**	**3,365,410**	**-**	**3,427,796**
Liabilities						
Deposits and borrowings from the public	-	-	-	-	3,017,287	3,017,287
Subordinated liabilities	-	-	-	-	97,780	97,780
Derivatives	1,854	-	-	-	-	1,854
Total liabilities	**1,854**	**-**	**-**	**-**	**3,115,067**	**3,116,921**

(iv) Financial assets and liabilities at fair value
For financial instruments measured at fair value in the balance sheet, disclosures are required on fair value measurement by level according to the fair value hierarchy below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Other observable inputs for assets or liabilities are quoted market prices included in Level 1, either directly, i.e. in the form of quoted prices, or indirectly, i.e. derived from quoted prices (Level 2).
- Data for assets or liabilities which are not based on observable market data (non-observable inputs) (Level 3).

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

Group, 31 Dec 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**	**-**	**98,597**

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**

Note 3 cont.

Parent Company, 31 Dec 2018 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	70,118	-	-	70,118
Shares	20,871	-	-	20,871
Derivatives	-	5,944	-	5,944
Total assets	**90,989**	**5,944**	**-**	**96,933**
Liabilities				
Subordinated liabilities	98,570	-	-	98,570
Derivatives	-	-	-	-
Total liabilities	**98,570**	**-**	**-**	**98,570**

Parent Company, 31 Dec 2017 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,096	-	-	60,096
Shares	20,295	-	-	20,295
Derivatives	-	2,290	-	2,290
Total assets	**80,391**	**2,290**	**-**	**82,681**
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 forward rates at the balance sheet date.

For loans to the public the fair value is based on discounted cash flows using an interest rate based on the market rate at the balance sheet date, which was 18.18% as at 31 December 2018 and 20.21% as at 31 December 2017. For the corporate sector, fair value is based on discounted cash flows using an interest rate based on TF Bank's interest rate on deposits and profit margin.

Note 3 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	5,917	5,917	-
Total assets	**5,920,861**	**5,920,861**	**-**
Liabilities			
Deposits and borrowings from the public	5,096,463	5,096,463	-
Subordinated liabilities	98,570	98,570	-
Derivatives	-	-	-
Total liabilities	**5,195,033**	**5,195,033**	**-**

Group, 31 Dec 2017 SEK thousand	Carrying amount	Fair value	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			
Borrowings from credit institutions	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**	**-**

Parent Company, 31 Dec 2018 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	143,543	143,543	-
Treasury bills eligible for refinancing	70,118	70,118	-
Loans to credit institutions	1,174,142	1,174,142	-
Loans to the public	3,077,158	3,077,158	-
Derivatives	5,941	5,941	-
Total assets	**4,470,902**	**4,470,902**	**-**
Liabilities			
Deposits and borrowings from the public	4,061,396	4,061,396	-
Subordinated liabilities	98,570	98,570	-
Derivatives	-	-	-
Total liabilities	**4,159,966**	**4,159,966**	**-**

Parent Company, 31 Dec 2017 **SEK thousand**	Carrying amount	Fair value	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	1,046,773	1,046,773	-
Loans to the public	2,252,638	2,252,638	-
Derivatives	2,290	2,290	-
Total assets	**3,427,796**	**3,427,796**	**-**
Liabilities			
Deposits and borrowings from the public	3,017,287	3,017,287	-
Subordinated liabilities	97,780	97,780	-
Derivatives	1,854	1,854	-
Total liabilities	**3,116,921**	**3,116,921**	**-**

Credit risk

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

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

The Group's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for loan losses is small in proportion to the outstanding loan volume (see Note 21). The reason for this is that the Group regularly sells past due loans to debt collection agencies in markets where the Board of Directors considers the price level to be favourable for the Group's performance and risk profile. This is currently the case for most markets. As a result, the Group continuously realises expected loan losses through the sale of past due loans. The remaining portfolio has a limited number of non-performing loans (stage 3) and consequently a relatively low level of provisions.

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

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

Note 3 cont.

CREDIT QUALITY OF LOANS THAT ARE NEITHER PAST DUE NOR IMPAIRED

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

	Group		Parent Company	
SEK thousand	**2018**	2017	**2018**	2017
Household sector				
Low risk	3,057,617	2,066,557	1,681,659	1,312,985
Moderate risk	827,741	638,761	619,554	534,640
High risk	563,867	395,505	520,448	377,236
Total	**4,449,225**	**3,100,823**	**2,821,661**	**2,224,861**

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:

	Group		Parent Company	
SEK thousand	**2018**	2017	**2018**	2017
Cash and balances with central banks				
AAA	82,067	-	-	-
AA+	135,021	60,873	135,021	60,873
A-	8,522	5,127	8,522	5,127
Treasury bills eligible for refinancing				
AAA	70,118	60,096	70,118	60,096
Loans to credit institutions				
A-1+	253,214	299,297	193,841	280,363
A-1	859,703	745,606	823,832	698,981
A-2	28,502	17,327	23,020	17,267
Unrated	7,444	64	133,449	50,162
Other assets				
A-1+	5,944	2,464	5,944	2,290
A-1	20,871	75,404	20,871	20,295
Unrated	17,568	9,463	2,726	3,809
Total	**1,488,974**	**1,275,721**	**1,417,344**	**1,199,263**

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

Liquidity risk

The Board of Directors establishes guidelines for managing liquidity risk. The main liquidity risk comprises the Group's ability to meet its obligations to repay customer deposits from Swedish, Finnish, Norwegian and German households; the ability to pay out new credits is regarded as a business risk. As at the balance sheet date, deposits from the public amounted to SEK 5,096.5 SEK million (3,754.0), which are recognised under Deposits and borrowings from the public. According to the instructions from the Board of Directors, TF Bank should generally maintain a low level of exposure to liquidity risk in its operations.

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

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

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

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

As at 31 December 2018, the Group's liquidity reserve amounted to SEK 1,450.3 million (1,247.8) and the sum of the liquidity reserve and other liquidity generating measures totalled SEK 1,481.0 million (1,277.8), which corresponds to 29% (34) of the Group's deposits from the public. The Group's LCR was 264% (192) and the ratio of deposits from the public/loans to the public was 1.15 (1.19). [2]

As at 31 December 2018, the Parent Company's liquidity reserve amounted to SEK 1,260.0 million (1,127.0) and the sum of the liquidity reserve and other liquidity generating measures totalled SEK 1,260.0 million (1,127.0), which corresponds to 31% (37) of the Group's deposits from the public. The Company's LCR was 248% (149) and the ratio of deposits from the public/loans to the public was 1.32 (1.34). [2]

For contractual maturity dates for liabilities, see Note 18.

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

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

NOTE 4 Segment reporting

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

CONSUMER LENDING (FORMERLY DIRECT TO CONSUMER)

	Group	
SEK thousand	**2018**	2017
INCOME STATEMENT		
Net interest income	456,493	395,027
Net fee and commission income	25,561	22,103
Net results from financial transactions	1,412	79
Total operating income	**483,466**	**417,209**
General administrative expenses	-138,395	-112,028
Depreciation and amortisation of intangible and tangible assets	-5,131	-4,442
Other operating expenses	-11,757	-10,314
Total operating expenses	**-155,283**	**-126,784**
Profit before loan losses	**328,183**	**290,425**
Net loan losses	-113,376	-103,048
Operating profit	**214,807**	**187,377**
Operating profit attributable to		
Shareholders of the Parent Company	*211,889*	*187,377*
Additional tier 1 capital holders	*2,918*	-
Non-controlling interests	-	-

	Group		
SEK thousand	**31 Dec 2018**	**1 Jan 2018**	**31 Dec 2017**
BALANCE SHEET			
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**	

ECOMMERCE SOLUTIONS (FORMERLY SALES FINANCE)

	Group	
SEK thousand	**2018**	**2017**
INCOME STATEMENT		
Net interest income	118,198	73,614
Net fee and commission income	25,849	20,733
Net gains/losses on financial transactions	128	14
Total operating income	**144,175**	**94,361**
General administrative expenses	-84,544	-57,020
Depreciation and amortisation of intangible and tangible assets	-4,824	-2,448
Other operating expenses	-2,885	-3,037
Total operating expenses	**-92,253**	**-62,505**
Profit before loan losses	**51,922**	**31,856**
Net loan losses	-36,896	-26,295
Operating profit	**15,026**	**5,561**
Operating profit attributable to		
Shareholders of the Parent Company	*14,244*	*10,242*
Additional tier 1 capital holders	*782*	-
Non-controlling interests	-	*-4,681*

	Group		
SEK thousand	**31 Dec 2018**	**1 Jan 2018**	**31 Dec 2017**
BALANCE SHEET			
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 INFORMATION

	Group	
SEK thousand	**2018**	2017
Operating income		
Operating income, Consumer Lending	483,466	417,209
Operating income, Ecommerce Solutions	144,175	94,361
Total operating income for the Group	**627,641**	**511,570**
Operating profit		
Operating profit, Consumer Lending	214,807	187,377
Operating profit, Ecommerce Solutions	15,026	5,561
Items affecting comparability	20,295	-
Total operating profit for the Group	**250,128**	**192,938**

GROUP INFORMATION

SEK thousand	Group	
	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**

For information about geographical breakdown of interest income and commission income, see Note 5 and Note 7.

NOTE 5 Interest income

SEK thousand	Group		Parent Company	
	2018	2017	2018	2017
Interest income from loans to the public	656,436	532,263	528,174	447,466
Other interest income	805	935	821	10,914
Total interest income	**657,241**	**533,198**	**528,995**	**458,380**
- of which interest income from loans and receivables	657,241	533,198	508,700	458,380
- of which interest income from non-performing loans	*6,539*	*7,981*	*5,023*	*6,350*
Geographical breakdown of interest income:				
Sweden	128,324	139,941	137,713	139,299
Finland	192,232	184,100	170,980	171,618
Norway	125,776	76,448	8,614	14,754
Denmark	7,147	6,712	7,927	6,712
Estonia	99,666	61,277	99,665	61,277
Latvia	29,233	4,893	29,233	4,893
Lithuania	494	-	494	-
Poland	74,293	59,827	74,293	59,827
Germany	76	-	76	-
Total interest income	**657,241**	**533,198**	**528,995**	**458,380**

NOTE 6 Interest expense

SEK thousand	Group		Parent Company	
	2018	2017	2018	2017
Interest expense, credit institutions	-4,317	-1,886	-4,316	-1,876
Interest expense, the public	-51,810	-38,132	-31,649	-33,987
Other financial expense	-26,423	-24,539	-25,433	-24,295
Total interest expense	**-82,550**	**-64,557**	**-61,398**	**-60,158**

NOTE 7 Net fee and commission income

SEK thousand	Group		Parent Company	
	2018	2017	2018	2017
Fee and commission income				
Insurance premiums	28,238	25,196	14,232	16,581
Claim fees	30,097	23,225	21,863	20,087
Other commission	2,795	2,816	172	33
Total commission income	**61,130**	**51,237**	**36,267**	**36,701**
Fee and commission expense				
Insurance expense	-8,044	-6,857	-4,417	-3,960
Other expenses	-1,676	-1,544	-	-
Total commission expense	**-9,720**	**-8,401**	**-4,417**	**-3,960**
Net fee and commission income	**51,410**	**42,836**	**31,850**	**32,741**
Geographical breakdown of commission income:				
Sweden	19,327	19,981	18,435	19,473
Finland	17,539	9,833	10,736	8,873
Norway	18,948	14,907	1,780	1,839
Denmark	2,607	2,550	2,607	2,550
Estonia	1,112	841	1,112	841
Latvia	449	134	449	134
Lithuania	1	-	1	-
Poland	1,147	2,991	1,147	2,991
Germany	0	-	0	-
Total commission income	**61,130**	**51,237**	**36,267**	**36,701**

NOTE 8 Net results from financial transactions

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Exchange rate fluctuations	1,368	-241	1,557	6,322
Gains/losses on investments in funds and other securities	172	334	107	283
Total net gains/losses on financial transactions	**1,540**	**93**	**1,664**	**6,605**

NOTE 9 General administrative expenses

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Staff costs				
Salaries and fees	-78,187	-55,075	-47,049	-36,937
Social security costs	-21,378	-15,354	-13,617	-10,529
Pension costs	-5,535	-4,548	-3,975	-3,522
Other staff costs	-2,032	-1,891	-892	-1,534
Total staff costs	**-107,132**	**-76,868**	**-65,533**	**-52,522**
Other general administrative expenses				
Postage and telephone	-12,755	-10,635	-8,061	-7,867
IT costs	-28,626	-21,965	-19,351	-15,372
External collection costs	-4,545	-4,319	-4,220	-3,884
Information services and customer communication	-24,449	-20,636	-19,043	-17,080
Rent and property costs	-7,716	-5,985	-5,110	-3,953
Other	-37,716	-28,640	-28,770	-24,096
Total other general administrative expenses	**-115,807**	**-92,180**	**-84,555**	**-72,252**
Total general administrative expenses	**-222,939**	**-169,048**	**-150,088**	**-124,774**

NOTE 10 Auditors' remuneration

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Pricewaterhouse-Coopers AB[1]				
Audit assignment	2,170	1,482	1,783	1,168
Audit services in addition to the audit assignment	787	1,065	450	842
Tax advice	303	76	244	76
Other services	41	372	41	360
Total auditors' remuneration	**3,301**	**2,995**	**2,518**	**2,446**

[1] The amounts include auditors' remuneration for PriceWaterhouseCoopers AB of SEK 2,766,000, divided between the audit assignment SEK 1,941,000, audit services other than the audit assignment SEK 550,000, tax advice SEK 234,000 and other services SEK 41,000.

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

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN MEN AND WOMEN, AMOUNTED TO:

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Women	82	57	57	42
Men	58	53	36	36
Total	**140**	**110**	**93**	**78**

Note 11 cont.

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Sweden				
Women	33	31	32	30
Men	20	18	15	14
Total	**53**	**49**	**47**	**44**
Finland				
Women	9	5	4	3
Men	8	7	3	6
Total	**17**	**12**	**7**	**9**
Poland				
Women	10	7	10	7
Men	16	15	16	15
Total	**26**	**22**	**26**	**22**
Estonia				
Women	11	6	11	2
Men	2	-	2	1
Total	**13**	**6**	**13**	**3**
Norway				
Women	11	8	-	-
Men	10	10	-	-
Total	**21**	**18**	**-**	**-**
Latvia				
Women	5	3	-	-
Men	1	-	-	-
Total	**6**	**3**	**-**	**-**
Lithuania				
Women	3	-	-	-
Men	-	-	-	-
Total	**3**	**-**	**-**	**-**

SALARIES AND REMUNERATION AMOUNTED TO:

	Group		Parent Company	
SEK thousand	**2018**	2017	**2018**	2017
Board of Directors and CEO	5,641	5,171	5,285	4,477
Other staff	72,546	49,905	41,764	32,460
Total salaries and remuneration	**78,187**	**55,076**	**47,049**	**36,937**
Social costs pursual to legislation and agreements	21,378	15,353	13,617	10,529
Pension costs	5,535	4,548	3,975	3,522
Total salaries, re-muneration, social security costs and pension costs	**105,100**	**74,977**	**64,641**	**50,988**

SALARIES AND REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES

	Group		Parent Company	
SEK thousand	**2018**	2017	**2018**	2017
Chairman of the Board				
Board fees	604	1,485	483	1,485
Other benefits	-	82	-	82
Pension costs	-	339	-	339
Total Chairman of the Board	**604**	**1,906**	**483**	**1,906**

	Group		Parent Company	
SEK thousand	**2018**	2017	**2018**	2017
Fees other Board members:				
Bertil Larsson	250	258	250	258
Charlotta Björn-berg-Paul	300	201	300	201
John Brehmer	333	300	333	300
Lars Wollung	-	58	-	58
Mari Thjømøe	117	233	117	233
Paul Källenius	-	100	-	100
Thomas Grahn	-	100	-	100
Tone Bjørnov	521	400	400	400
Board members in subsidiaries	276	319	-	-
Total	**1,797**	**1,969**	**1,400**	**1,650**

Note 11 cont.

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
CEO: Mattias Carlsson (Nov-Dec 2017, and 2018)				
Basic salary	3,132	371	3,132	371
Variable remuneration	-	-	-	-
Other benefits	108	16	108	16
Pension costs	702	68	702	68
Total	**3,942**	**455**	**3,942**	**455**
CEO: Declan Mac Guinness (Jan-Oct 2017)				
Basic salary	-	1,538	-	1,538
Variable remuneration	-	-	-	-
Other benefits	-	50	-	50
Pension costs	-	428	-	428
Total	**-**	**2,016**	**-**	**2,016**

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Deputy CEO:				
Basic salary	2,160	1,682	2,160	1,682
Variable remuneration	-	-	-	-
Other benefits	94	94	94	94
Pension costs	450	430	450	430
Total	**2,704**	**2,206**	**2,704**	**2,206**
Other senior executives [1]:				
Basic salary	4,644	1,199	-	1,199
Variable remuneration	374	-	-	-
Other benefits	240	14	-	14
Pension costs	497	179	-	179
Total	**5,755**	**1,392**	**-**	**1,392**

[1] Other senior executives are the heads of the segments Consumer Lending and Ecommerce Solutions. Since 22 December 2017, the Executive Management comprised the above executives and also the CEO and Deputy CEO.

Remuneration of senior executives
In accordance with the requirements regarding disclosure of information in FFFS 2014:12, information on e.g. remuneration framework is provided on the Group's website www.tfbankgroup.com. Salaries and other remuneration for the CEO and other senior executives comprise fixed salary, variable remuneration, commission-based compensation, other benefits and pension. External Board members receive fees determined by the Annual General Meeting.

Commission-based compensation
Additional commission-based compensation is paid on the basis of individual attainment of financial targets established for the year. In 2018, commission-based compensation of SEK 374,000 was charged as an expense and related to senior executives in the Group. None of the commission-based compensation payments are qualifying payments for pension purposes. In 2017, no commission-based compensation was paid out or charged as an expense.

Share-based remuneration
The AGM in 2018 adopted a subscription warrant programme comprising a total of 1,372,338 warrants. The subscription options were subscribed for by senior executives. Payment corresponding to the market value has been made and was recognised as other contributed capital under equity. In respect of the subscription warrant programme adopted at the 2016 AGM, the number of outstanding subscription warrants held by senior executives stands at 221,649.

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 in the respective countries. 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 in the respective countries.

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

GENDER DISTRIBUTION BOARD MEMBERS AND SENIOR EXECUTIVES

SEK thousand	2018 Number on reporting date	2018 Of which men	2017 Number on reporting date	2017 Of which men
Board members	6	50%	6	50%
CEO and other senior executives	4	100%	4	100%

NOTE 12 Intangible assets

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Cost at the beginning of the year	52,782	35,950	40,807	32,085
Change during the year				
- purchases	17,289	17,037	4,383	8,722
- translation differences	426	-205	-	-
Cost at the end of the year	**70,497**	**52,782**	**45,190**	**40,807**
Amortisation according to plan at the beginning of the year	-23,413	-17,536	-21,436	-16,948
Change during the year				
- amortisation according to plan	-8,821	-6,039	-5,029	-4,477
- translation differences	-64	162	-	-11
Amortisation according to plan at the end of the year	**-32,298**	**-23,413**	**-26,465**	**-21,436**
Residual value according to plan at the end of the year	**38,199**	**29,369**	**18,725**	**19,371**

All intangible assets refer to proprietary software.

NOTE 13 Tangible assets

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Cost at the beginning of the year	6,832	6,758	4,713	4,679
Change during the year				
- purchases	1,801	866	937	684
- retirement	-	-757	-	-701
- translation differences	181	-35	146	51
Cost at the end of the year	**8,814**	**6,832**	**5,796**	**4,713**
Amortisation according to plan at the beginning of the year	-5,175	-5,148	-3,444	-3,579
Change during the year				
- amortisation according to plan	-1,134	-851	-642	-553
- retirement	-	757	-	701
- translation differences	-34	67	-14	-13
Amortisation according to plan at the end of the year	**-6,343**	**-5,175**	**-4,100**	**-3,444**
Residual value according to plan at the end of the year	**2,471**	**1,657**	**1,696**	**1,269**

NOTE 14 Other operating expenses

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Marketing expenses	-14,642	-13,351	-12,449	-10,373
Total	**-14,642**	**-13,351**	**-12,449**	**-10,373**

NOTE 15 Net loan losses

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Change in provision for sold non-performing loans	-110,670	-103,967	-105,234	-102,777
Realised loan losses	-39,384	-32,894	-24,142	-20,704
Recovered from previous write-offs	8,540	7,741	7,070	6,704
Change in provision for other expected loan losses	-	-223	-	-4,802
Change in provision for expected loan losses, stage 1-3	-8,758	-	-2,634	-
Net loan losses	**-150,272**	**-129,343**	**-124,940**	**-121,579**

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

NOTE 16 Tax on profit for the year

SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Current tax on profit for the year	-60,079	-52,214	-36,837	-44,920
Tax due to changes in tax relating to prior years	3	-11	4	11
Other taxes	-73	-29	-73	-29
Deferred tax	1,847	7,152	-1,212	687
Tax on profit for the year [1]	**-58,302**	**-45,102**	**-38,118**	**-44,251**
Reconciliation of tax on profit for the year				
Profit before tax	250,128	192,938	221,112	194,624
Tax according to applicable tax rate	-56,802	-46,938	-48,644	-42,817
Tax effect of non-deductible expenses	-1,679	-2,427	-1,570	-2,350
Tax effect of deductible costs that are not included in the recognised profit or loss	-	1,397	-	-41
Tax effect of non-taxable income	1,461	316	1,277	288
Tax effect of group contributions paid	-	-	12,100	-
Tax due to changes in tax relating to prior years	3	-11	4	11
Other taxes	-73	-16	-73	-29
Deferred tax	-1,212	2,577	-1,212	687
Tax on profit for the year recognised in the income statement	**-58,302**	**-45,102**	**-38,118**	**-44,251**

[1] Weighted average tax rate for the Group was 23.3% (23.4) and the corresponding figure for the Parent Company was 18.3% (22.7).

NOTE 17 Foreign currency

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

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Assets in EUR:				
Cash and balances with central banks	135,021	60,872	135,021	60,872
Loans to credit institutions	236,304	97,915	175,015	90,961
Loans to the public	2,003,852	1,310,732	1,976,415	1,284,554
Other assets	38,231	13,855	23,116	4,087
Deductions for assets in Eurozone	-1,176,184	-983,959	-927,244	-871,143
Total assets	**1,237,224**	**499,415**	**1,382,323**	**569,331**
Liabilities in EUR:				
Deposits and borrowings from the public	-2,271,187	-1,091,695	-2,271,187	-1,091,695
Other liabilities	-36,144	-26,303	-22,443	-20,403
Deductions for liabilities in Eurozone	1,085,359	663,286	801,082	627,863
Total liabilities	**-1,221,972**	**-454,712**	**-1,492,548**	**-484,235**
Currency forward contracts	-98,643	-369,364	-	-325,040
Net exposure in EUR	-83,390	-324,659	-110,225	-239,944
Net assets in Eurozone	90,825	320,672	126,162	243,281
Total	**7,435**	**-3,987**	**15,937**	**3,337**

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Assets in NOK:				
Cash and balances with central banks	82,067	-	-	-
Loans to credit institutions	50,214	66,288	150,550	69,901
Loans to the public	1,374,946	899,980	32,555	27,391
Other assets	52,454	98,422	236,180	170,726
Deductions for assets in Norway	-1,232,777	-940,643	-	-
Total assets	**326,904**	**124,047**	**419,285**	**268,018**
Liabilities in NOK:				
Deposits and borrowings from the public	-1,306,407	-959,803	-271,341	-223,060
Other liabilities	-26,204	-20,165	-1,064	-1,729
Deductions for liabilities in Norway	1,149,941	758,800	-	-
Total liabilities	**-182,670**	**-221,168**	**-272,405**	**-224,789**
Currency forward contracts	-221,292	-44,048	-221,292	-44,048
Net exposure in NOK	-77,058	-141,169	-74,411	-820
Net assets in Norway	82,836	181,843	-	-
Total	**5,778**	**40,674**	**-74,411**	**-820**

Note 17 cont.

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Assets in PLN:				
Cash and balances with central banks	8,522	5,127	8,522	5,127
Loans to credit institutions	17,737	16,218	17,757	16,218
Loans to the public	370,453	280,738	370,453	280,738
Other assets	2,781	462	2,926	1,222
Deductions for assets in Poland	-13,234	-6,722	-4,039	-15,869
Total assets	**386,259**	**295,823**	**395,619**	**287,436**
Liabilities in PLN:				
Other liabilities	-5,278	-2,610	-5,278	-3,369
Deductions for liabilities in Poland	14,095	15,678	33,692	37,008
Total liabilities	**8,817**	**13,068**	**28,414**	**33,639**
Currency forward contracts	-389,635	-299,796	-389,635	-299,796
Net exposure in PLN	5,440	9,095	34,398	21,279
Net assets in Poland	-861	-8,955	-29,653	-21,140
Total	**4,579**	**140**	**4,745**	**139**

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Assets in DKK:				
Loans to credit institutions	7,271	6,944	7,271	6,944
Loans to the public	38,240	38,726	38,176	38,726
Other assets	-	2	-	2
Total assets	**45,511**	**45,672**	**45,447**	**45,672**
Liabilities in DKK:				
Other liabilities	-639	-589	-639	-589
Total liabilities	**-639**	**-589**	**-639**	**-589**
Currency forward contracts	-44,032	-44,979	-44,032	-44,979
Net exposure in DKK	840	104	776	104

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

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
EUR	9.6	37.5	-	33.0
NOK	216.0	44.0	216.0	44.0
PLN	163.0	127.0	163.0	127.0
DKK	32.0	34.0	32.0	34.0

NOTE 18 Maturity information

SEK thousand	Group 31 Dec 2018	Group 31 Dec 2017	Parent Company 31 Dec 2018	Parent Company 31 Dec 2017
Payable on demand	225,610	65,999	143,543	65,999
Cash and balances with central banks	**225,610**	**65,999**	**143,543**	**65,999**
Remaining term to maturity of up to 3 months	70,118	60,096	70,118	60,096
Remaining term to maturity of more than 3 months but less than 1 year	-	-	-	-
Treasury bills eligible for refinancing	**70,118**	**60,096**	**70,118**	**60,096**
Payable on demand	1,148,863	1,062,294	1,040,694	996,611
Remaining term to maturity of more than 1 year but less than 5 years	1,346	1,235	133,449	50,162
Loans to credit institutions	**1,150,209**	**1,063,529**	**1,174,143**	**1,046,773**
Remaining term to maturity of up to 3 months	557,218	304,002	261,340	204,749
Remaining term to maturity of more than 3 months but less than 1 year	908,277	669,048	638,832	504,780
Remaining term to maturity of more than 1 year but less than 5 years	4,147,877	3,128,517	3,150,622	2,304,239
Loans to the public	**5,613,372**	**4,101,567**	**4,050,794**	**3,013,768**
Payable on demand	20,871	75,404	20,871	20,295
Remaining term to maturity of up to 3 months	5,944	2,348	5,944	2,173
More than 1 year but less than 5 years	71,767	53,176	443,393	254,037
Other assets	**98,582**	**130,928**	**470,208**	**276,505**
Payable on demand	4,474,824	3,754,030	3,439,757	3,017,287
Remaining term to maturity of more than 3 months but less than 1 year	350,323	-	350,323	-
More than 1 year but less than 5 years	271,316	-	271,316	-
Deposits and borrowings from the public	**5,096,463**	**3,754,030**	**4,061,396**	**3,017,287**
Remaining term to maturity of more than 5 years	147,855	146,670	147,855	146,670
Subordinated liabilities	**147,855**	**146,670**	**147,855**	**146,670**
Remaining term to maturity of up to 3 months	126,519	71,427	32,067	37,184
Remaining term to maturity of more than 3 months but less than 1 year	38,639	25,305	38,639	25,305
Remaining term to maturity of more than 1 year but less than 5 years	3,355	5,203	7,900	12,641
Other liabilities	**168,513**	**101,935**	**78,606**	**75,130**

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

NOTE 19 Treasury bills eligible for refinancing

SEK thousand	Group 31 Dec 2018	Group 31 Dec 2017	Parent Company 31 Dec 2018	Parent Company 31 Dec 2017
Government securities eligible for refinancing	70,118	60,096	70,118	60,096
Total treasury bills eligible for refinancing, etc.	**70,118**	**60,096**	**70,118**	**60,096**

NOTE 20 Loans to credit institutions

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Accounts receivable Swedish currency	891,991	890,788	878,366	878,944
Accounts receivable foreign currency	256,872	171,506	295,776	167,829
Total loans to credit institutions	**1,148,863**	**1,062,294**	**1,174,142**	**1,046,773**

NOTE 21 Loans to the public

SEK thousand	Group			Parent Company		
	31 Dec 2018	**1 Jan 2018**	31 Dec 2017	**31 Dec 2018**	1 Jan 2018	31 Dec 2017
Loans to the household sector	4,449,225	3,085,191	3,156,289	2,821,661	2,152,280	2,220,134
Loans to the corporate sector	-	-	-	255,497	-	32,504
Total loans to the public	**4,449,225**	**3,085,191**	**3,156,289**	**3,077,158**	**2,152,280**	**2,252,638**
Loans to the household sector						
Stage 1, gross	4,257,021	2,933,375		2,722,724	2,068,965	
Stage 2, gross	219,972	167,448		137,061	123,392	
Stage 3, gross	115,241	115,912		90,987	83,214	
Total loans to the household sector, gross	**4,592,234**	**3,216,735**	**3,216,735**	**2,950,772**	**2,275,571**	**2,275,571**
Provisions for expected loan losses						
Stage 1	-69,357	-63,957		-61,098	-60,406	
Stage 2	-19,365	-17,877		-16,836	-16,762	
Stage 3[1]	-54,287	-49,710		-51,177	-46,123	
Provisions according to IAS 39	-	-	-60,446	-	-	-55,437
Total provisions for expected loan losses	**-143,009**	**-131,544**	**-60,446**	**-129,111**	**-123,291**	**-55,437**
Loans to the household sector						
Stage 1, net	4,187,664	2,869,418		2,661,625	2,008,559	
Stage 2, net	200,607	149,571		120,225	106,630	
Stage 3, net[1]	60,954	66,202		39,810	37,091	
Total loans to the household sector, net	**4,449,225**	**3,085,191**	**3,156,289**	**2,821,660**	**2,152,280**	**2,220,134**
Geographical distribution of net loans:						
Sweden	661,445		625,917	659,026		621,034
Finland	1,195,871		910,546	1,168,495		884,367
Norway	1,374,840		899,992	32,568		27,403
Denmark	38,427		38,714	38,427		38,714
Estonia	542,419		338,031	542,419		338,031
Latvia	257,082		62,351	257,082		62,351
Lithuania	6,417		-	6,417		-
Poland	370,854		280,738	370,854		280,738
Germany	1,870		-	1,870		-
Total loans, net book value	**4,449,225**		**3,156,289**	**3,077,158**		**2,252,638**

[1] The Group sells past due loans on an ongoing basis before they reach stage 3.

Note 21 cont.

CHANGE IN PROVISION FOR LOAN LOSSES

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Opening balance	-60,446	-57,607	-55,437	-47,812
Transition impact of implementation of IFRS 9	-71,098	-	-67,854	-
Opening balance according to IFRS 9	**-131,544**	**-57,607**	**-123,291**	**-47,812**
Change in provision for sold non-performing loans	-110,669	-106,500	-105,234	-102,778
Reversal of provision for sold non-performing loans	110,669	106,500	105,234	102,778
Change in provision for expected loan losses in stage 1	-3,323		1,117	
Change in provision for expected loan losses in stage 2	-1,220		404	
Change in provision for expected loan losses in stage 3	-4,009		-4,156	
Change in provision for other expected loan losses	-	-223	-	-4,802
Exchange rate fluctuations	-2,913	-2,616	-3,185	-2,823
Closing balance	**-143,009**	**-60,446**	**-129,111**	**-55,437**

LOANS TO THE CORPORATE SECTOR

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Loans, gross	-	-	255,497	32,504
Total loans, net book value	**-**	**-**	**255,497**	**32,504**

No provisions for loans to the corporate sector have been made since the circumstances do not warrant provisioning. Loans to the corporate sector exclusively comprise loans to the subsidiaries Avarda AB and Avarda Oy.

CHANGE IN CARRYING AMOUNT LENDING AND NET LOAN LOSSES, BY CATEGORY

	Stage 1	Stage 2	Stage 3	Total
SEK thousand	12 month expected loan losses	Lifetime expected loan losses	Lifetime expected loan losses	
Loans to the public, gross, opening balance 1 January 2018 [1]	**2,933,375**	**167,448**	**115,912**	**3,216,735**
Transfers from Stage 1 to Stage 2	-338,373	336,630	-	-1,743
Transfers from Stage 1 to Stage 3	-461	-	438	-24
Transfers from Stage 2 to Stage 1	29,238	-30,201	-	-963
Transfers from Stage 2 to Stage 3	-	-9,515	9,515	-
Financial assets added during the year	3,449,358	116,678	1,418	3,567,454
Financial assets sold during the year	-	-326,481	-361	-326,842
Repayments	-1,897,126	-37,951	-13,218	-1,948,295
Exchange differences	81,010	3,365	1,537	85,913
Loans to the public, gross, closing balance 31 December 2018	**4,257,021**	**219,972**	**115,241**	**4,592,234**
Provision for expected loan losses, opening balance 1 Jan 2018	**-63,957**	**-17,877**	**-49,710**	**-131,544**
Transfers from Stage 1 to Stage 2	7,456	-16,738	-	-9,281
Transfers from Stage 1 to Stage 3	1	-	-68	-66
Transfers from Stage 2 to Stage 1	-683	3,135	-	2,451
Transfers from Stage 2 to Stage 3	-	-4,343	-4,387	-8,730
Financial assets added during the year	-59,738	-11,943	-109	-71,790
Financial assets sold during the year	-	7,705	48	7,752
Repayments	49,345	20,899	354	70,598
Exchange differences	-1,782	-203	-415	-2,400
Provision for expected loan losses, closing balance 31 Dec 2018	**-69,357**	**-19,365**	**-54,287**	**-143,009**

1 Recognised changes during the year are recognised in the net amount by line, except for financial assets which were acquired, but also repaid, during the year and which were not recognised.

NOTE 22 Goodwill

SEK thousand	Group	
	31 Dec 2018	31 Dec 2017
Opening balance	**12,068**	**12,673**
Change during the year		
Capitalised expenditure for the year, purchases	-	-
Translation differences	282	-605
Cost at the end of the year	**12,350**	**12,068**

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

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

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

NOTE 23 Other assets

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Derivatives	5,944	2,464	5,944	2,290
Other assets	17,652	9,730	3,641	3,809
Total other assets	**23,596**	**12,194**	**9,585**	**6,099**

NOTE 24 Liabilities to credit institutions

The subsidiary BB Bank ASA has a credit facility of NOK 30 million (corresponding to SEK 30.7 million), which was unused as at 31 December 2018.

NOTE 25 Deposits and borrowings from the public

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Sweden	1,518,869	1,702,531	1,518,869	1,702,531
Finland	585,805	602,757	585,805	602,757
Norway	1,306,408	959,803	271,341	223,060
Germany	1,685,381	488,939	1,685,381	488,939
Total deposits and borrowings from the public	**5,096,463**	**3,754,030**	**4,061,396**	**3,017,287**

Deposits and borrowings from the public only occur in the household sector. All deposits in Sweden, Finland and Norway are payable on demand. Deposits in Germany are payable on demand and on maturity - maturities are shown in Note 18.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Opening balance	3,754,030	2,284,645	3,017,287	2,284,645
Change	1,218,522	1,473,734	943,840	722,463
Exchange rate fluctuations	123,911	-4,349	100,269	10,179
Closing balance	**5,096,463**	**3,754,030**	**4,061,396**	**3,017,287**

NOTE 26 Other liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Derivatives	27	1,854	-	1,854
Accounts payable - trade	15,308	18,931	9,277	16,751
Other liabilities	14,562	12,772	2,017	6,741
Group contributions paid	-	-	55,000	-
Total other liabilities	**29,897**	**33,557**	**66,294**	**25,346**

NOTE 27 Deferred tax

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Deferred tax assets				
Deferred tax attributable to loss carryforwards	3,334	9,864	-	-
Deferred tax attributable to tax paid abroad	3,920	-	3,920	-
Deferred tax assets	**7,254**	**9,864**	**3,920**	**-**
Deferred tax liabilities				
The difference between the income tax recognised in the income statement and income tax on operations comprises:				
Deferred tax on untaxed reserves	4,544	7,445	-	-
Deferred tax on unrealised currency derivatives	1,308	134	1,308	96
Deferred tax on temporary differences	**5,852**	**7,579**	**1,308**	**96**
The deferred tax liabilities are expected to be settled as follows:				
Within 12 months	5,852	-	1,308	96
Later than within 12 months	-	7,579	-	-
	5,852	**7,579**	**1,308**	**96**
The gross change in deferred tax is as follows:				
Opening balance	2,285	-7,767	96	-
Recognised in the income statement	-1,186	11,377	2,517	96
Recognised in other comprehensive income	303	-1,325	-	-
Closing balance	**1,402**	**2,285**	**2,613**	**96**

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

NOTE 28 Accrued expenses and prepaid income

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Accrued salaries and holiday pay liability	13,391	8,516	6,735	4,885
Accrued social security costs	4,723	4,723	3,002	3,224
Accrued interest on loans to the public	2,814	83	2,814	83
Accrued interest on deposits and borrowings from the public	20,476	24,754	20,476	24,754
Other accrued expenses and deferred income	30,377	11,493	23,714	7,450
Total accrued expenses	**71,781**	**49,569**	**56,741**	**40,396**

NOTE 29 Subordinated liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Dated subordinated loans	98,570	97,780	98,570	97,780
Total	**98,570**	**97,780**	**98,570**	**97,780**

Subordinated loans are subordinated to other liabilities. The nominal value is SEK 100,000,000. The coupon on the subordinated loan is STIBOR 3 months plus 6.25%. The loan matures on 14 December 2025.

NOTE 30 Appropriations

SEK thousand	Parent Company	
	31 Dec 2018	31 Dec 2017
Dissolution of tax allocation reserve	13,149	18,812
Total	**13,149**	**18,812**

NOTE 31 Transactions with related parties

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

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
The following transactions took place between companies within the Group:				
Interest income	-	-	2,874	10,741
Other income	-	-	851	639
General administrative expenses	-977	-307	-3,733	-1,537
Total	**-977**	**-307**	**-8**	**9,843**

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
The following transactions have been made with other related parties:				
Interest income (transaction costs)	-64,743	-66,650	-64,743	-66,650
General administrative expenses	-4,599	-5,458	-4,554	-5,458
Total	**-69,342**	**-72,108**	**-69,297**	**-72,108**
Acquisition of assets and liabilities from other related parties:				
Sales Finance	639,685	660,628	639,685	660,628
Total	**639,685**	**660,628**	**639,685**	**660,628**

Note 31 cont.

SEK thousand	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Assets at the end of the year as a result of transactions between Group companies:				
Loans to credit institutions	-	-	133,449	50,162
Loans to the public	-	-	255,497	32,504
Total	**-**	**-**	**388,946**	**82,666**
Liabilities at the end of the year as a result of transactions between Group companies:				
Other liabilities	-	-	55,000	-
Total	**-**	**-**	**55,000**	**-**

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

NOTE 32 Shares and participations in Group companies

	TFB Service UAB	TFB Service SIA	Avarda AB - Group	BB Bank ASA
Country of registration and operation	Lithuania	Latvia	Sweden	Norway
Operation	Administration	Administration	Financial	Financial
Number of shares	100	1	2,000	176,000,000
Percentage of shares owned by TF Bank, %	100	100	100	100
Carrying amount as at 31 December 2018	25	26	218,625	215,196
Operating income 2018	946	1,532	35,350	111,129
Profit before tax 2018	74	-47	-19,016	62,289
Group contributions 2018	-	-	55,000	-
Tax on profit 2018	-	-	-7,936	-15,434
Average number of employees 2018	3	6	16	21

	TFB Service UAB	TFB Service SIA	Avarda AB - Group	BB Bank ASA
Carrying amount as at 1 January 2017	**-**	**26**	**25,400**	**75,411**
Shareholders' contribution	-	-	68,225	-
Shares issuance	-	-	-	81,620
Carrying amount as at 31 December 2017	**-**	**26**	**93,625**	**157,031**
Carrying amount as at 1 January 2018	**-**	**26**	**93,625**	**157,031**
Shareholders' contribution	-	-	125,000	-
Shares issuance	25	-	-	58,885
Carrying amount as at 31 December 2018	**25**	**26**	**218,625**	**215,916**

BB Bank ASA's subsidiary Confide AS was sold in 2018. The Estonian subsidiary TFB Service OÜ was liquidated in November 2018 and replaced with operations in TF Bank AB, Estonia branch.

NOTE 33 Untaxed reserves

SEK thousand	Parent Company	
	31 Dec 2018	31 Dec 2017
Tax allocation reserve		
Provision for tax assessment in 2013	-	13,150
Provision for tax assessment in 2014	20,659	20,659
Total tax allocation reserves	**20,659**	**33,809**
Total untaxed reserves	**20,659**	**33,809**
Deferred tax of 22% of untaxed reserves, which are not recognised, amounted to	4,544	7,438

NOTE 34 Capital adequacy analysis

Background

Information in this document about the Bank's capital adequacy refers to information that must be provided in accordance with Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (2008:25) regarding annual reporting by credit institutions and investment firms and which relates to information set out in Articles 92(3)(d, f), 437(b) and 438 of Regulation (EU) No 575/2013 and in Chapter 8, Section 7 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2014:12) regarding prudential requirements and capital buffers, as well as in Column A, Annex 6 of Commission Implementing Regulation (EU) No 1423/2013. Additional 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 consolidated capital requirement and the capital requirement of the Parent Company are governed by the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968), Regulation (EU) No 575/2013, the Act on Capital Buffers (2014:966) and the Swedish Financial Supervisory Authority's regulations and general guidelines on prudential requirements and capital buffers (FFFS 2014:12).

The purpose of the regulations is to ensure that 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.

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. TF Bank AB became the Parent Company in the consolidated group in connection with the listing on 14 June 2016.

Note 34 cont.

BELOW IS A SUMMARY OF THE CAPITAL POSITION OF THE GROUP AND THE PARENT COMPANY:

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Common Equity Tier 1 (CET1) capital after any regulatory adjustments	580,533	441,131	590,586	473,075
Additional Tier 1 (AT1) capital after any regulatory adjustments	100,000	-	100,000	-
Tier 2 capital after any regulatory adjustments	98,570	97,780	98,570	97,780
Own funds	**779,103**	**538,911**	**789,156**	**570,855**
Risk exposure amount	4,466,109	3,336,472	3,870,836	2,792,858
- *of which:* credit risk	3,655,211	2,623,365	3,102,680	2,184,158
- *of which:* credit valuation adjustment risk	2,692	1,999	2,496	1,876
- *of which:* market risk	18,201	40,917	100,545	-
- *of which:* operational risk	790,005	670,191	665,115	606,824
CET1 capital ratio, %	13.00	13.22	15.26	16.94
Tier 1 capital ratio, %	15.24	13.22	17.84	16.94
Total capital ratio, %	17.44	16.15	20.39	20.44
Total CET1 capital requirement incl. capital buffer requirements	355,503	268,586	306,184	220,356
- *of which:* capital conservation buffer	111,653	83,412	96,771	69,821
- *of which:* countercyclical capital buffer	42,875	35,033	35,225	24,856
CET1 capital available to use as buffer [1]	379,558	290,990	416,398	347,396

[1] CET1 capital less the statutory minimum requirement of 4.5% excluding buffer requirements. There is an additional total capital requirement of 3.5%.

OWN FUNDS

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
CET1 capital [1]				
Share capital	107,500	107,500	107,500	107,500
Other contributed capital	3,536	1,500	33,054	1,500
Reserves	461	-1,144	3,536	42,110
Retained earnings including the annual profit net of any foreseeable expenses and dividends	465,700	384,576	414,942	341,336
Adjustments to CET1 capital:				
- Transitional arrangements IFRS 9	56,072	-	50,279	-
- Intangible fixed assets	-50,549	-41,437	-18,725	-19,371
- Deferred tax assets that rely on future profitability	-2,187	-9,864	-	-
Total CET1 capital	*580,533*	*441,131*	*590,586*	*473,075*
Additional Tier 1 capital				
Perpetual subordinated loan	100,000	-	100,000	-
Tier 2 capital				
Fixed term subordinated loan	98,570	97,780	98,570	97,780
Total own funds	**779,103**	**538,911**	**789,156**	**570,855**

[1] Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting. The Group's and the Parent Capital's CET1 capital complies with the requirements of Regulation (EU) No 575/2013.

Note 34 cont.

SPECIFICATION RISK EXPOSURE AMOUNT

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Credit risk under the standardised approach				
Institute exposures	-	-	26,690	10,032
Corporate exposures	8	391	256,948	34,084
Household exposures	3,306,104	2,321,723	2,097,425	1,636,995
Secured by collateral	292	319	-	-
Exposures in default	64,296	62,183	42,827	37,474
Exposures to institutions with a short-term credit assessment	243,071	221,077	220,710	207,787
Equity exposures	256	251	433,872	250,705
Other items	41,184	17,421	24,208	7,081
Total risk-weighted exposure amount	**3,655,211**	**2,623,365**	**3,102,680**	**2,184,158**
Credit valuation adjustment				
Standardised approach	2,692	1,999	2,496	1,876
Total risk exposure amount	**2,692**	**1,999**	**2,496**	**1,876**
Market risk [1]				
Foreign exchange risk	18,201	40,917	100,545	-
Total risk exposure amount	**18,201**	**40,917**	**100,545**	**-**
Operational risk				
Standardised approach	790,005	670,191	665,115	606,824
Total risk exposure amount	**790,005**	**670,191**	**665,115**	**606,824**
Total risk exposure amount	**4,466,109**	**3,336,472**	**3,870,836**	**2,792,858**

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

Capital planning

The strategies and methods used by the Group 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 the Group'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. The Group 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.

The Group has its own internal capital and liquidity adequacy assessment process (ICAAP/ILAAP) to assess whether the internal capital is sufficiently 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 Group clearly and correctly identifies, measures and manages all the risks to which the Group is exposed and makes an assessment of its internal capital adequacy requirements on the basis of this. As part of the process, TF Bank must have appropriate governing and control functions and risk management systems in place. TF Bank's ICAAP/ILAAP is performed at least annually.

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

Internal capital adequacy assessment under Pillar 2

As at 31 December 2018, the internally assessed capital requirement under Pillar 2 was SEK 40.1 million (32.0) for the Group and SEK 37.3 million (27.2) for the Parent Company. The internal capital requirement under Pillar 2 is judged by the bank to comprise the following risk types: concentration risk, interest risk in the banking book and exchange rate risk.

NOTE 35 Pledged assets, contingent liabilities and commitments

ASSETS PLEDGED FOR OWN LIABILITIES

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

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.

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Guarantee relating to currency trading for Avarda AB and Avarda Oy				
Liability according to market valuation of derivative instruments	-27	-	-	-
Guarantee relating to debt collection operations in Confide AS	-	-	-	2,503
Total contingent liabilities	**-27**	**-**	**-**	**2,503**

OPERATING LEASE COMMITMENTS

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

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

	Group		Parent Company	
SEK thousand	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Within 1 year	5,879	5,093	4,473	3,295
Between 1 and 5 years	17,891	11,787	12,811	6,831
More than 5 years	2,098	4,905	138	1,188

NOTE 36 Significant changes in accounting policies applicable until end-December 2017

Financial instruments – recognition and measurement

Financial assets
Classification of financial assets depends on the purpose for which the asset was acquired. The Board of Directors determines the classification of assets on initial recognition and reviews the decision at each reporting date. In 2017, TF Bank classified its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. In accordance with IFRS 7, the Company discloses information on fair value measurement and liquidity risk which includes information on fair value measurement by fair value hierarchy level, see Note 3.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified into this category if it is acquired primarily for the purpose of selling in the short term. Assets in this category are classified as current assets and recognised under other assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. In the balance sheet, the Company's holdings in this category are classified into: Cash and balances with central banks, Loans to credit institutions, Loans to the public and Other assets. Loans and receivables are recgonised at amortised cost less any impairment.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative assets which have been identified as available for sale or not been classified into any of the other categories. The Bank's available for sale financial assets comprise Treasury bills eligible for refinancing.

Financial liabilities
TF Bank classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. In accordance with IFRS 7, the Company discloses information on fair value measurement which contains information on fair value measurement by fair value hierarchy level, see Note 3.

Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified into this category if it is acquired primarily for the purpose of selling in the short term. Change in fair value is recognised in the income statement under the item Net gains/losses on financial transactions. Liabilities in this category are recognised under Other liabilities.

Other financial liabilities
Other financial liabilities are recognised under Borrowings from credit institutions and Deposits and borrowings from the public and are measured at amortised cost.

Financial instruments – Other accounting policies
Purchases and sales of financial instruments are recognised at the trade date with the exception of loans and deposits, which are recognised at the settlement date. Financial instruments are initially recognised at fair value plus transaction costs, except for financial instruments at fair value through profit or loss, which are initially measured at fair value. Financial instruments are derecognised when the right to receive cash flows from the instrument has expired or been transferred and substantially all the risks and rewards of ownership have been transferred, or when the Group no longer has any obligations relating to the financial instrument. These are derecognised from the statement of financial position and the difference between the carrying amount and the sum of the consideration received is recognised in the income statement as a realised credit loss.

Impairment of financial assets

The Group assesses on a monthly basis whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired, and an impairment loss is recognised, only if there is objective evidence of impairment as a result of one or several events occurring after initial recognition of the asset (a "loss event") and the loss event, or events, impact expected future cash flows from the financial asset or group of financial assets and this impact can be determined with reasonable accuracy.

An impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to recover past due amounts in accordance with the original terms and conditions of the receivables. The Group uses collective impairment allowances because the credit portfolio consists of multiple loans of limited amounts where individual assessment of cash flow is not required. The Group therefore applies a statistical approach and provisions are made in two steps:

- Receivables where a loss event is deemed to have occurred for an individual receivable or a group of receivables.
- Receivables which are more than 69 days past due and where the credit has been cancelled (non-performing loans).

Where a loss event is deemed to have occurred, a provision is made by assessing the present value of future cash flows based on the probability that the receivable will cancelled using historical data. The expected future cash flow is based on calculations which take into account historical data and experience. In markets where the Group decides not to sell its receivables, expected cash flow is instead determined on the basis of historical data using projected future cash flows.

Note 36 cont.

The provision for non-performing loans comprises 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.

All loans and receivables that neither have a loss event nor are more than 69 days past due are reviewed and assessed for impairment on a collective basis. The main principle is that an event must have occurred for a provision to be made, e.g. an increase in the unemployment rate. Events preceding this might include large-scale redundancies and financial instability, which could have a negative impact on the Group's customers' ability and/or willingness to pay in the period after the event. Management conducts qualitative assessments on a quarterly basis to assess changes in the situation since the previous quarter in order to determine the need for an increase or dissolution of collective provisions. Management conducts an assessment of each market in which the Group has operations.

NOTE 37 Transition impact of implementation of IFRS 16

SEK thousand	Group		
	IAS 17		IFRS 16
	Closing balance 31 December 2018	Transition impact of implementation of IFRS 16	Opening balance 1 January 2019
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	23,646	26,117
Other assets	23,596	-	23,596
Current tax assets	22,696	-	22,696
Deferred tax assets	7,254	-	7,254
Prepaid expenses and accrued income	22,578	-438	22,140
TOTAL ASSETS	**6,044,088**	**23,208**	**6,067,296**
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	5,096,463	-	5,096,463
Other liabilities	29,897	23,208	53,105
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
Total Liabilities	**5,317,440**	**23,208**	**5,340,648**
Equity			
Share capital (21,500,000 shares of SEK 5 each)	107,500	-	107,500
Other contributed capital	3,536	-	3,536
Reserves	461	-	461
Retained earnings and net profit for the period	515,151	-	515,151
Total equity attributable to the shareholders of the Parent Company	**626,648**	**-**	**626,648**
Tier 1 capital instrument	100,000	-	100,000
Total equity attributable to the owners of the Parent Company	**726,648**	**-**	**726,648**
Total equity	**726,648**	**-**	**726,648**
TOTAL LIABILITIES AND EQUITY	**6,044,088**	**23,208**	**6,067,296**

Reconciliation of obligations

SEK thousand	Group
Operating lease commitments as at 31 December 2018	25,868
Discounted using the marginal borrowing rate	-1,498
Deductible: Short-term leases carried as an expense on a straight-line basis	-67
Deductible: Leases were the underlying asset is of low value	-147
Added/Deductible: Adjustments due to other management of warrants to extend or terminate contracts	2,253
Deductible: Leases that have not yet taken effect	-2,763
Deductible: Prepaid rent	-438
Lease liability recognised as at 1 January 2019	**23,208**

NOTE 38 Proposed appropriation of profit or loss

SEK thousand	
Tier 1 capital instrument	100,000
Retained earnings	281,397
Profit for the year	182,994
	564,391
The Board proposes:	
a dividend of SEK 2.30 per share (21,500,000 shares)	49,450
to be carried forward	514,941
Total	**564,391**

Board of Directors' assessment of the proposed dividend
The proposed dividend will reduce the leverage ratio to 13.2%. Against the background that the Company's operations remain profitable, the leverage ratio is at a satisfactory level. Liquidity risk is expected to remain significantly above the level set out in the Company's policy for management of liquidity risk. Consequently, the Board's view is that the proposed dividend will not prevent the Company from fulfilling its obligations in the short and long term, nor from completing any necessary investments. The proposed dividend is therefore justifiable pursuant to what is stated in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3.

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

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

Borås, 21 March 2019

Mari Thjømøe
Chairman

John Brehmer

Bertil Larsson

Charlotta Björnberg-Paul

Tone Bjørnov

Mattias Carlsson
President and CEO

We submitted our Auditor's Report on 21 March 2019.

PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Thorsell
Authorised Public Accountant


PHILIPS

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of TF Bank AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 8-68 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (573/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best knowledge and belief, no prohibited services referred to in the Audit Regulation (573/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

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

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

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

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in the aggregate on the financial statements as a whole.

Key audit matters

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

Key audit matter	How our audit responded to key audit matter
Provision for expected loan losses IFRS 9, the new accounting standard for financial instruments, came into effect on 1 January 2018 and has significant impact on processes and models for impairment of loans to the public. IFRS 9 categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected loan losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. TF Bank continuously sells past due loans in most of the markets where the bank is active. Expected loan losses are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. These calculations are a central part of the assessment of impairment of loans to customers. The calculations include critical judgements and estimates. Refer to the Annual Report Note 21 – Loans to the Public and Note 3 – Financial risks and financial risk management.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes. Our substantive testing has consisted of review and validation of models used and assumptions relating to the calculation of the provision for expected loan losses as well as an assessment of the results of the models. We have also tested a sample of impairment models to ensure that the model calculator is working as described in the model documentation. We also tested, compared and assessed previous estimations against actual incurred loan losses to assess the accuracy in TF Bank's models through reviewing potential gains or losses at the sale of the past due loans. In addition we have audited the financial effects and disclosures related to the transition from IAS 39 to IFRS 9. We have also audited overall governing documents and the overall governance in TF Bank to ensure adherence to IFRS 9.

Other Information than the annual accounts and consolidated accounts

This document include other information than the annual accounts and consolidated accounts which is found on pages 1-7 and 73-92. The Board of Directors and the Managing Director are responsible for the other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.
The Board Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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

More information and description of our responsibilities as auditor of annual accounts and consolidated account are to be found at Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of TF Bank AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

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 of Credit Institutions and Security 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.

More information and description of our responsibilities as auditor of the administration of the company's affairs are to be found at Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on 2 May 2018 and has been the company's auditor since 1989.

Stockholm 21 March 2019
PricewaterhouseCoopers AB

Martin By Authorized Public Accountant Auditor in Charge	Frida Thorsell Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

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

INTRODUCTION

Shares in TF Bank AB (publ) ("TF Bank") have been listed on Nasdaq Stockholm main market since 14 June 2016. The Company is the Parent Company in the TF Bank Group, which carries on banking business 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, Nasdaq Stockholm's regulations for issuers and International Financial Reporting Standards. TF Bank also adheres to a number of regulations and general guidelines issues by the Swedish Financial Supervisory and the European Banking Authority (EBA). TF Bank has prepared this Corporate Governance Report in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code").

TF Bank is based in Borås and has five subsidiaries: Avarda AB, Avarda Oy, TFB Service UAB, TFB Service SIA and BB Bank ASA. TF Bank is authorised by the Swedish Financial Supervisory Authority to conduct banking operations. TF Bank carries on banking business in Sweden with the permission of the Swedish Financial Supervisory Authority and also in Finland, Estonia and Poland via bank branches. In addition, TF Bank conducts cross-border activities in Denmark, Latvia, Lithuania, Norway and Germany in accordance with the Swedish Banking and Financing Business Act. TF Bank also conducts operations via a subsidiary in Norway (BB Bank ASA), which has been granted a banking licence from the Norwegian Supervisory Authority Finanstilsynet. Avarda has been granted permission to conduct consumer credit operations pursuant to the Certain Consumer Credit-related Operations Act (2014:275).

THE CODE

TF Bank adheres to the Code, which is a higher standard for good corporate governance than the minimum requirement pursuant to the Companies Act. No deviations from the Code occurred in 2018. Additionally, 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 2019 was carried out by an external party and the results of the evaluation have been presented to the Board of Directors and Nomination Committee.

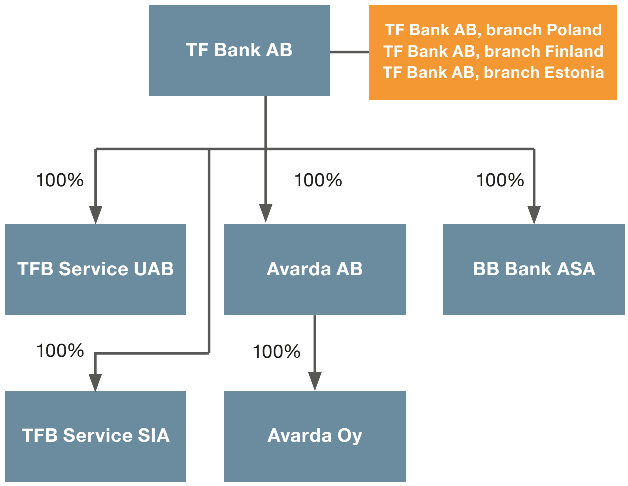
OWNERSHIP

Ownership structure as at 31 December 2018 was as follows:

	Owner	Number of shares	Share of equity, %
1	TFB Holding AB	8,526,532	39.66
2	Erik Selin Fastigheter AB	2,500,000	11.63
3	Tiberon AB	2,033,474	9.46
4	Merizole Holding LTD	1,507,495	7.01
5	Danica Pension AB	1,479,541	6.88
6	Proventus Aktiebolag	645,000	3.00
7	Skandia Fonder	282,976	1.32
8	Brown Brothers Harriman & Co	269,852	1.26
9	Prior & Nilsson Fond- och Kapitalförvaltning	267,000	1.24
10	Pareto Nordic return	264,343	1.23
11	Claerstream Banking SA	263,217	1.22
12	Avanza Pension	215,171	1.00
13	UBS Switzerland AG	205,700	0.96
14	Acervo AB	200,000	0.93
15	Carnegie Micro Cap	160,000	0.74
16	AB Monarda	154,842	0.72
17	Mattias Carlsson	154,432	0.72
18	Nordnet Pensionsförsäkring AB	137,593	0.64
19	Six Sis AG	126,534	0.59
20	Sijoitusrahasto Evli Ruotsi Pienyhti	125,639	0.58

The largest owner, TFB Holding AB, with a total holding of 39.66% as at 31 December 2018, is represented on the Company's Board of Directors through John Brehmer and on the Nomination Committee through Paul Källenius.

GROUP STRUCTURE



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

Parent Company	Subsidiaries	Corporate identity number	Interest	Consolidation (superv./acc.)
TF Bank AB (publ)		556158-1041		
	Avarda AB	556986-5560	100%	Full/ Full
	Avarda OY	2619111-6	100%	Full/ Full
	BB Bank ASA	935590221	100%	Full/ Full
	TFB Service UAB	304785170	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/ANNUAL GENERAL MEETING

TF Bank's shareholders can exercise their decision-making rights at the General Meeting of Shareholders/Annual General Meeting. According to the Companies' Act, the Annual 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 AGM and what this should include.

The 2018 Annual General Meeting was held in Stockholm on 2 May 2018. In accordance with the Board's proposal, the AGM decided that, of the total funds of SEK 389,710,000 at the AGM's disposal, SEK 48,375,000 would be distributed to shareholders and SEK 341,335,000 would be carried forward into the next period. The dividend corresponded to SEK 2.25 per share. The AGM also decided that the Board members and CEO be discharged from liability for the financial year 2017.

The AGM passed a proposal for the Board of Directors to consist of six members. The Board members Mattias Carlsson, John Brehmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul and Mari Thjømøe were re-elected. Mari Thjømøe was elected new Chairman of the Board. The AGM also resolved to pay a fee of SEK 600,000 to the Chairman of the Board, a fee of SEK 300,000 to Board members not employed by TF Bank, SEK 100,000 to the Chairman of the Board's Audit Committee, SEK 50,000 to other members of the Board's Audit Committee, and further resolved that the Auditor's fee be paid on an account basis. Additionally, the AGM observed that changes in tax regulations meant that Board members were no longer able to invoice the Company for the Board fee in a cost neutral manner through a company wholly owned by the Board member. To the extent that the opportunity to invoice for the Board fee in a cost neutral manner is still available to foreign Board members, the latter should be able to do so.

PricewaterhouseCoopers AB was elected as auditor for the period until the end of the Annual General Meeting in 2019, with Authorised Public Accountant Martin By as Auditor in charge.

The AGM resolved to authorise the Board of Directors to decide, on one or more occasions in the period up until the next AGM, on a new issue, with or without deviation from shareholders' preferential rights. The number of shares issued pursuant to the authorisation may correspond to an increase in share capital of not more than twenty (20) per cent based on the Company's share capital at the time of the AGM in 2018. The AGM also authorised the Board of Directors to decide, in the period up until the next AGM, on acquisitions and transfers of shares in TF Bank. The Company must not acquire more shares than that its holding, including shares otherwise acquired and held, does not at any given time exceed five (5) per cent of the total number of shares in the Company.

A decision was also taken to adopt subscription warrant programme 2018:1 and thus a) issue subscription warrants and b) approve the subsidiary's transfer of subscription warrants to participants on market terms.

The full minutes and information about the AGM in 2018 are available at www.tfbankgroup.com.

NOMINATION COMMITTEE

According to a decision by the AGM in 2018 on 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 are appointed on the basis of the ownership structure as at 31 August 2018.

The Nomination Committee should prepare proposals in the following matters to be submitted to the AGM for decision-making:

- proposal for a Chairman for the shareholders' meeting;
- proposal for the Board of Directors;
- proposal for Chairman of the Board;
- proposals for Board fees, including distribution between Chairman and other Board members, and fees for Committee work;
- proposals for auditors; and
- proposal for remuneration of 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 for the AGM in 2019 comprises:

- Paul Källenius, representing TFB Holding AB
- Erik Selin, representing Erik Selin Fastigheter AB
- Jonas Weil, representing Merizole Holding AB
- Mari Thjømøe, Chairman of the Board of TF Bank AB
- Paul Källenius has been appointed Chairman of the Nomination Committee.

The composition of the Nomination Committee was disclosed through press releases and on the Company's website on 4 October 2018.

BOARD OF DIRECTORS

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

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 assumptions 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 fewer than three (3) and not more than ten (10) ordinary members. The AGM in 2018 resolved that the Board of Directors should comprise six ordinary Board members without alternate members. Mattias Carlsson, John Brehmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul were elected members of the Board. Mari Thjømøe was elected Chairman of the Board. Further information about the Board representatives is available at www.tfbankgroup.com and on page 86.

Significant issues

In 2018, the Board held twelve (12) meetings, of which four (4) were ordinary meetings, six (6) were additional/telephone meetings and two (2) meetings were held by correspondence.

Date	Significant issues raised at the meeting
2018-02-07	Year-end report 2017 and press release concerning IFRS 9
2018-03-22	Adoption of Annual Report 2017, decision on shareholder's contributions to BB Bank ASA and Avarda AB, adoption of capital policy and policies for code of governance and code of conduct, adoption of Pillar 3 report
2018-04-19	The Board of Directors decided to appoint Mattias Carlsson as CEO
2018-04-25	Interim report Q1 2018 and decision on Data Protection policy
2018-05-02	Board meeting following election, appointment of authorised signatories, election of Audit Committee and election of Remuneration Committee
2018-05-28	The Board of Directors decided to issue Additional Tier 1 capital (AT1 bond) of SEK 100 million
2018-06-04	Shareholders' contribution to Avarda AB, adoption of ICAAP, credit policy
2018-07-12	Interim report Q2 2018
2018-09-18	Shareholders' contribution to BB Bank ASA, adoption of financial policy and liquidity management guidelines, recovery plan
2018-10-17	Discussion on financial targets
2018-10-24	The Board of Directors decided on new financial targets, Interim report Q3 2018
2018-11-19	Capital policy, sustainability policy, Board evaluation

Board attendance was a follows:

Board member	Independent of the largest shareholder	Attendance
Mattias Carlsson	No	11 of 12
John Brehmer	No	11 of 12
Tone Bjørnov	Yes	12 of 12
Bertil Larsson	Yes	12 of 12
Mari Thjømøe (Chairman)	Yes	12 of 12
Charlotta Björnberg-Paul	Yes	12 of 12

CEO Mattias Carlsson and CFO Mikael Meomuttel attended 11 meetings.

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 operation of the Company's business is 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.

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 risk control, compliance and credit risk functions report directly to the Board of Directors at each scheduled Board meeting.

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

Remuneration Committee

The duties of the Remuneration Committee are discharged by the entire Board of Directors. The Remuneration Committee shall meet twice (2) a year and its main role is to support the Board in its work to ensure that risks associated with TF Bank's remuneration system are measured, managed and reported. The Remuneration Committee is also responsible for assisting the Board in setting 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. The Board of Directors must adopt at least once (1) a year 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 2018 can be found on TF Bank's website:
www.tfbankgroup.com.

The Remuneration Committee held two minuted meetings in 2018, which were attended by all Board members.

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 must 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 must 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 must 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 (4) times per financial year and otherwise as required. Minutes must be taken at each meeting and distributed to all Board members.

In connection with the AGM, the Board of Directors appointed the Audit Committee by re-electing Tone Bjørnov and Mari Thjømøe and by electing John Brehmer as new member.

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

Board member Tone Bjørnov is Chairman of the Audit Committee.

In 2018, the Audit Committee held seven (7) minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Tone Bjørnov (Chairman)	7 of 7
John Brehmer	3 of 7
Mari Thjømøe	7 of 7

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

Remuneration of Board members

In accordance with the decision taken at the AGM in 2018, the following remuneration was paid to Board members:

- Chairman of the Board SEK 600,000,
- Board members not employed by the bank SEK 300,000
- Chairman of the Audit Committee SEK 100,000, and
- other members of the Audit Committee SEK 50,000.

CEO AND EXECUTIVE MANAGEMENT

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

As at 31 December 2018, TF Bank's Executive Management comprised: Mattias Carlsson (CEO) and Mikael Meomuttel (CFO), Espen Johannesen (Head of Consumer Lending), Mikael Johansson (Head of Ecommerce Solutions).

Further information about the Executive Management representatives is available at www.tfbankgroup.com and on page 86.

Remuneration of senior executives

The AGM in 2018 adopted the following guidelines for remuneration of TF Bank's senior executives:

Remuneration and other terms and conditions of employment shall be designed to (i) be compatible with and promote effective risk management and discourage excessive risk-taking and (ii) safeguard access to the senior executives the Bank needs. The guidelines, which apply until the next AGM, must be applied to every remuneration commitment and change in remuneration. The Board of Directors shall make decisions on the terms and conditions of remuneration and may deviate from the guidelines in individual cases if there are special reasons to do so.

Remuneration may consist of these components: fixed remuneration in the form of basic salary, benefits and pension, and variable remuneration. There should be an appropriate balance between fixed and variable remuneration. Every senior executive will receive a basic salary and may be entitled to both the general benefits offered to all employees and special benefits. Pension benefits will generally be paid in accordance with the rules, collective agreements and practice in the country where the senior executive is permanently resident. Pension benefits may be defined benefit pensions according to collective agreements and/or defined contribution pensions and vested once earned. The Board of Directors must set a ceiling for pensionable salary. If the case of termination of employment is by the Bank, salary may be paid for a notice period of 6–12 months. In addition, severance pay may be paid for 6–12 months. The combined amount of fixed salary during notice period and severance payment must not exceed an amount corresponding to fixed salary over two years. Variable remuneration can be paid in the form of shares and there must be limits for the maximum outcome. Payment of variable remuneration must be deferred and be conditional on the critieria on which the remuneration is based being shown to have been sustainable in the long term and the position of the Group not having deteriorated significantly. If the conditions for payment are not met, remuneration will expire in whole or in part. The essential terms of incentive schemes shall be decided by the Annual General Meeting.

Commission-based compensation for senior executives

Additional commission-based compensation is paid on the basis of individual attainment of financial targets established for the year. In 2018, commission-based compensation of SEK 374,000 was charged as an expense and related to senior executives in the Group. 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 Annual General Meeting. It is the responsibility of the external auditors to review the Annual Report and the financial statements, the Board of Directors and the CEO. In 2018, PwC was appointed auditor of the Company with Authorised Public Accountant Martin By as auditor-in-charge.

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

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

TF Bank's activities primarily comprise three business units (deposits, loans and sales finance) and three support functions (IT, finance and back-office). 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, the Risk Control function or the CEO.

Second line of defence - Compliance and Risk Control

The independent control functions Compliance and Risk Control examine, evaluate and report to the Executive Management and the Board of Directors regarding risks and compliance. The work of both 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 the Swedish Financial Supervisory Authority's regulations and general guidelines on governance, risk management and control in credit institutions and applicable guidelines and recommendations issued by the EBA. The Compliance function is subordinate to the CEO and reports directly to the Board of Directors and is regularly reviewed by the internal audit function. TF Bank's 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 the Swedish Financial Supervisory Authority's regulations and general guidelines on governance, risk management and control in credit institutions. The Risk Control function too is subordinate to the CEO and reports directly to the Board of Directors and is regularly reviewed by the internal audit function. Reporting to the Board of Directors covers the Company's capital position, liquidity risk, credit risk, market risk and operational risk, including any incidents.
TF Bank's Chief Risk Officer is Magnus Löfgren. The Risk Control function seeks to ensure that all risks in the business are identified and highlighted. The function's responsibilities include independent monitoring and analysis of how risks at an aggregate level develop over time, and to report on these to the Board of Directors and management. The function's responsibilities also include contributing to the further 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.

Third line of defence - Internal audit

TF Bank's internal audit is an independent audit function, reporting directly to the Board of Directors. The internal audit is primarily responsible for providing the Board of Directors with reliable and objective evaluation of risk management, financial reporting, and control and governance processes in order to reduce the occurrence of risks and improve the control structure. TF Bank's internal audit carried out by KPMG AB and the person principally responsible for the task is Henrik Auoja. 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 2018, the audit performed by the internal audit function included procedures for detecting money laundering, liquidity management, internal capital evaluation, remuneration systems, the function of compliance and risk control.

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

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

TFB Service UAB, TFB Service SIA and BB Bank ASA are 100% owned by TF Bank. Avarda AB is 100% owned by TF Bank. Avarda Oy is 100% owned by Avarda AB. All companies are wholly-owned or majority-owned subsidiaries and as the sole or majority shareholder, TF Bank is able to control the companies by exercising its voting rights at general meetings of shareholders. Through its shareholding, TF Bank is also able to determine the board that is elected at each company's general meeting.

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

The Board of Directors is responsible for the internal control of both the TF Bank Group and TF Bank AB (publ), according to the Swedish Companies Act and the Swedish Annual Accounts Act.

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

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

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

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

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

FURTHER INFORMATION

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 73-79 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Stockholm 21 March 2019
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Thorsell
Authorised Public Accountant

SUSTAINABILITY REPORT

For TF Bank, sustainability involves managing a responsible business that creates sustainable values for our stakeholders. As a bank, employer and listed company we have a responsibility and an opportunity to have a positive influence on society by promoting the sustainability issues that are most important to us.

This is TF Bank's statutory Sustainability Report for the financial year 2018. The report comprises the Parent Company TF Bank AB and its subsidiaries.

Business model
TF Bank offers consumer credit without collateral to individuals with a good credit score, digital payment solutions for both brick and mortar retailers and online retailers, credit cards for private individuals and savings accounts with competitive interest rates. TF Bank's activities are concentrated in the Nordic region and other countries around the Baltic Sea. Our marketing strategy consists of providing easily available, simple savings and credit products without complicated terms and conditions. The process is as digital and automated as possible, making us very accessible. When it comes to customer service, the Bank considers it important that we have the capacity to offer a personal service where this is required.

Bank employees who are in direct contact with customers are largely based on site in the nine countries where TF Bank has operations, while central functions are based at the head office in Borås in Sweden. The average number of employees in the Group stands at 140 (110).

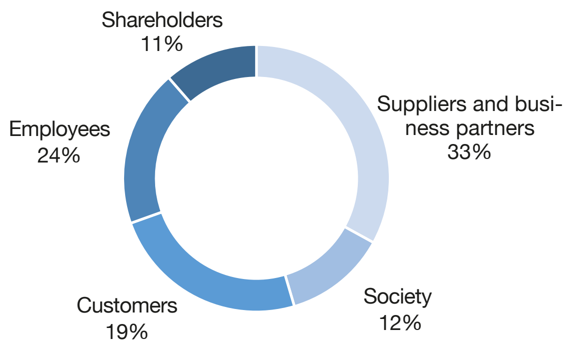
Sustainability governance
During the year, TF Bank introduced a new sustainability governance structure. The Board of Directors determines the sustainability policy and approves the Sustainability Report. The CEO decides the sustainability strategy, including plans, goals and performance indicators.

Our sustainability policy was adopted in 2018 and it includes all sustainability aspects according to the Swedish Annual Accounts Act: environment, social sustainability, personnel, 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 operations.

Risks relating to sustainability
All our risk categories can include a sustainability perspective. The Board of Directors has ultimate responsibility for limiting and following up our risks. Our risk management principally involves the three lines of defence, the first being the business units, the second comprising Group Compliance and Group Risk Management and the third comprising the Group Internal Audit. The risk that we will be unable to meet our stakeholders' expectations with regard to our actions as a sustainable company in the financial markets is a risk that could impact our reputation and have financial consequences. This includes the risk of collaborating with suppliers or doing business with customers who have a significant negative impact on the environment or society, or in breach of human rights.

Human rights
TF Bank supports the UN's International Declaration of Human Rights and associated conventions. We take human rights very seriously and believe all humans are equal. We respect the personal dignity, integrity and rights of every human being. Nobody at our Company must be party to activities that breach or circumvent human rights.

Financial value
TF Bank generates financial value 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.



FOCUS AREAS

TF Bank takes a structural approach to sustainability work through four focus areas. The areas have been selected by the Board of Directors according to order of priority, in view of our business activities and the risks they involve. The main material risks we have identified in each focus area are shown below.

Focus area	Identified risk	Management of risk
Responsible granting of credit	TF Bank contributed to excessive indebtedness in society	Analysis of customer's future ability to pay and current loan situation. Credit will only be granted if there is good reason to believe that the customer will be able to meet their obligations.
Anti-corruption measures	Conflict of interest between the employee's own interests and the Company's interests	Training of staff in the Code of Conduct and ethical conduct.
Employee wellbeing	Diversity and equality failures	Guidelines for diversity and equal treatment.
Environment and social responsibility	No material risk identified for TF Bank.	Continuous improvements are carried out to reduce the Company's environmental impact.

Responsible granting of credit

Responsible lending is the cornerstone of our business. For us, it is the basis for long-term value creation. We believe that credit fulfils an important role in a functioning society and that by taking out a loan, consumers are able to spread costs over time. Our credit assessment is sound, sophisticated and established. Because we have operations in several countries, the conditions for how the operations are managed vary. We only offer loans to persons who according to our assessment are likely to be able to repay the credit. However, there is always the risk that our customers, for various reasons, will find it difficult to repay the credit, which is not desirable for either the customer, society or us as the lender. Responsible granting of credit is therefore the most obvious focus area within our sustainability work.

Credit assessment

In 2018, we processed around 4,000,000 loan applications (2017: 3,150,000 loan applications), where the majority of customers were denied credit as a result of our robust credit assessment to reduce the risk of our customers encountering future problems. 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 this industry, in our various geographical markets and in difference economic conditions, has given us the knowledge and data to be able to develop our models. A large proportion of our process is automated, but where necessary, because we have operations in multiple countries, the process can be reinforced through manual input by our experienced credit officers.

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. Customers must not have a prior record of late payments and must have flexibility in their finances, which we ensure through our left-to-live-on calculator. Our customers must also not have a too high level of indebtedness. Additionally, TF Bank's credits are characterised by relatively low loan amounts and short repayment periods, which increases the probability that our customers will be able to repay their loans, even if their financial circumstances change. In order to protect customers against changes in their financial circumstances, we also offer customers the facility to take out insurance against suspension of payments due to unemployment or illness.

Level of loan losses

Our aim is to continue to expand our loan portfolio, but growth should not take place at the expense of credit assessment. Our ambition is to continuously reduce the level of loan losses, and we were able achieve this aim in 2018.

If our customers find it difficult to repay their loan, we are committed to helping them. We have specially trained staff who contact customers early in the case of late payments in order to be able to jointly reach a solution and if possible provide advice and support.

Anti-corruption measures

TF Bank completely distances itself from and actively combats corruption. At TF Bank, corruption primarily refers to the giving or accepting of a bribe or undue benefit, and inappropriate conduct in conflicts of interest.

Conducting operations in a way that ensures corruptive practices cannot gain a foothold is a fundamental prerequisite for the continued trust of our customers, staff and the market. The Bank's anti-corruption work is based on the Group's policy document Code of Conduct, which encompasses the entire Group and employees at every level.
TF Bank's Compliance function ensures that Code of Conduct is reviewed and update every year, and that the updated Code is shared with the Group's employees. This contributes to awareness among all staff that anti-corruption work is a continuous process.

Because corruption is fundamentally an ethical issue, it is paramount that all staff in the Group fully understand that legal or unfair business practices have no place in TF Bank's operations. In the past year, TF Bank has increased its focus on staff training in areas regarded as particularly important. In connection with this, the Group has conducted anti-corruption training for all the employees in the Group. The training provides guidance on the best course of action in the event of doubts regarding a commitment or business situation.

Employee wellbeing

A healthy culture and a sound and safe work environment are important strategic issues for TF Bank. The objective of the Company's work environment activities is to create a physically, mentally and socially healthy and stimulating workplace for all staff.

Diversity

TF Bank's diversity policy has been adopted by the Board of Directors: By diversity, TF Bank means the differences that make all of us unique. This includes visible differences such as age, gender, ethnicity and physical abilities and invisible differences such as religion, beliefs, ways of thinking and acting. At TF Bank we treat all people with respect and dignity in accordance with our business principles.

TF Bank believes that people with different experiences and perspectives play a deciding role in creating the innovative climate required for long-term business success. As a small company we know that our success depends on the diversity and skills of our employees.

Equality

By equality, TF Bank means that men and women should have the same rights, obligations and opportunities in all significant aspects of life. TF Bank's fundamental ethical principles are to:

- actively seek to ensure that both the physical and psychosocial work environment is suitable for all employees
- make it easier for all employees to combine work and parenthood
- prevent harassment
- investigate all cases of discrimination and harassment in the workplace and take appropriate action
- provide all employees with the opportunity for development and training
- actively promote a more even gender distribution in our activities
- provide all employees with equal pay and terms and conditions for equal performance, when the work performed is the same or of similar nature and is of comparable level of difficulty

Distribution men/women as at 31 December 2018	Women	Men
Board of Directors	3	3
Group employees	82	58

Distribution men/women as at 31 December 2017	Women	Men
Board of Directors	3	3
Group employees	57	53

Work environment

All employees within the Group should have an inspiring work environment, whether physical or psychosocial. The physical work environment should be designed to promote health and wellbeing and all staff should have an ergonomically designed workstation. Great importance is placed on preventive work environment work, which is performed through 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 its daily work environment work.

The work climate should be characterised by respect for and trust in the individual, and TF Bank's management strives to facilitate open communication with associated rights and obligations regarding information. Being motivated to perform the work is fundamental for good health. Every employee at TF Bank should therefore be offered the opportunity to:

- be aware of the objectives and vision of the business
- understand their role and the importance of their own work
- influence their own work situation
- take responsibility for their job and have the required authority
- develop their skills
- take responsibility for their health

Environment and social responsibility

Climate issues are one of the most important social issues of our time. TF Bank has limited direct impact on the environment and sees no material risk in the area of the environment, but still challenges us to reduce our impact. Contributing to the social good is something we regard as a given.

Our offices

Because TF Bank has operations in several countries, video conferencing facilities have been a priority at all offices in order to facilitate meetings between the Group's various units and to reduce the Company's environmental impact in the form of travel.

At our offices we seek to ensure efficient waste sorting at source. Paper, board, printer ink and electronic equipment is sorted and recycled. Our office stationery is purchased from environmentally certified suppliers and we aim as far as possible to choose environmentally friendly products.

Digital customer communication

We are on a digital journey where we are developing internal processes and smart solutions for our customers, but different conditions apply in different markets depending on how ready the country is to accept digital solutions. In the Baltic countries and Norway, all customer communication is digital. In Sweden and Finland, the majority of new lending is performed digitally via loan intermediation, but this is supplemented with direct campaigns via mail.

In 2019, TF Bank plans to launch the My account function for savings account customers, to give them an easily accessible overview of their saving and to enable them to manage their withdrawals digitally.

Reduced paper consumption

We are striving to reduce our use of paper through several different initiatives. Previously, communication with customers about new loans was conducted solely by mail. Today, we encourage our customers to sign agreements digitally and this work is at an advance stage in several markets.

We see scope for improvement regarding the use of e-invoices and invoices via email to manage notices to our customers. In Norway and the Baltic region, virtually all invoices are e-invoices and email invoices. while the majority of notices in Sweden and Finland are sent by mail. In 2019, TF Bank plans to launch an e-invoice function in Sweden and customers will therefore be encouraged to start using this function instead.

In both our marketing and our administration we use products with the Svanen or FSC label, both with regard to paper, envelopes and cardboard boxes.

Responsible tax payer

TF Bank has since inception paid income tax on the surplus generated by the business, which is a natural part of being a responsible member of society. In the last five years, TF Bank has paid a total of SEK 190.6 million in income tax and of course we also pay social security contributions in all the countries where we have operations.

Charity

TF Bank has an agreement with Zelmerlöw & Björkman Foundation, which fundraises to create a better future for vulnerable children and young adults. Today, the foundation is funding four schools in Africa and a fifth is in the pipeline. We fund teachers, school dinners and school uniforms, and build wells to provide students with clean water. There are also advanced plans to start up a boarding school for homeless girls in the near future.
TF Bank's contribution to the foundation is earmarked for funding of two years of schooling for a whole class of 40 students at Kenswed Academy in Kenya.

The Group also supports the PlayOnside organisation, which is based in the Thai city of Mae Sot, on the eastern border with Burma. PlayOnside uses the powers of football to educate and empower Burmese refugees and immigrants who have been banished in Thailand. Burma has experienced one of the most serious humanitarian crises in the world, with internal conflict resulting in thousands of civilian casualties, evictions and resettlement in other countries. PlayOnside was established in 2013 and has steadily increased and expanded its reach. Currently, 700 children from 22 different migrant schools gather every weekend to play, learn and compete, at the same time as making new friends and expanding their network as part of the process.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 81–84 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 21 March 2019
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Thorsell
Authorised Public Accountant

BOARD OF DIRECTORS

MARI THJØMØE
Chairman of the Board since 2018. 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: Hafslund E-CO AS (Board member), Nordic Mining ASA (Board member), Scatec Solar ASA (Board member), SINTEF Resarch Institute (Board member), Seilsport Maritimt Forlag AS (Chairman), Norconsult AS (Deputy Chairman), Ice ASA (Board member) and Tryg A/S (Board member).

Independent of the Company, its management and major shareholders.

TONE BJØRNOV
Board member since 2015.

Born: 1961

Education: Business degree from BI Norwegian Business School.

Current directorships: Filmparken AS (Chairman), BB Bank ASA (Board member), Storyline Studios AS (Board member), Norsk Film Kostyme AS (Chairman), Aqua Bio Technology ASA (Board member), Sparebankstiftelsen Bien (Board member), Guard Automation AS (Board member), Guard Electro AS (Board member), Omsorgsbygg Oslo KF (Board member).

Independent of the Company, its management and major shareholders.

JOHN BREHMER
Board member since 2010.

Born: 1965

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

Current directorships: Consortio Fashion Holding AB (Board member), Mederion AB (Chairman), TFB Holding AB (Board member), Tiberon AB (Chairman) and Zebware AB (Chairman), Halens Real Estate AB (Board member).

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

CHARLOTTA BJÖRNBERG-PAUL
Board member since 2017.

Born: 1974

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

Current directorships: Saxo Oy (Deputy Chairman), Paptic Ltd (Board member), GuardianX Technologies Inc (Board member), Superskills (co-founder), Anki Rugs (Entrepreneur).

Independent of the Company, its management and major shareholders.

BERTIL LARSSON
Board member since 2007.

Born: 1946

Current directorships: AB Effektiv (Chairman), Aktiebolaget Borås Tidning (Chairman), Conpera AB (Board member), Gota Media AB (Board member), LåsTeam Sverige AB (Chairman), Minso Holding AB (Chairman), Minso Solutions AB (Chairman) och Tore G Wärenstams Stiftelse (Board member).

Independent of the Company, its management and major shareholders.

MATTIAS CARLSSON
Board member since 2008.

Born: 1972

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

Current directorships: BB Bank ASA (Chairman), Avarda AB (Chairman), Avarda Oy (Chairman), Smedslättens Tennisbanor Aktiebolag (Chairman), Qred AB (Chairman) and Tronstad Consulting AB (Board member).

Affiliation with the Company.

AUDITORS

AUDITOR

MARTIN BY
Authorised Public Accountant
Auditor in charge
PricewaterhouseCoopers AB

AUDITOR

FRIDA THORSELL
Authorised Public Accountant
PricewaterhouseCoopers AB

EXECUTIVE MANAGEMENT

MATTIAS CARLSSON
CEO

Born: 1972

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

Current directorships: BB Bank ASA (Chairman), Avarda AB (Chairman), Avarda Oy (Chairman), Smedslättens Tennisbanor Aktiebolag (Chairman), Qred AB (Chairman) and Tronstad Consulting AB (Board member).

MIKAEL MEOMUTTEL
CFO and Deputy CEO

Born: 1976

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

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

Current directorships: Avarda AB (Board member)

ESPEN JOHANNESEN
Head of Consumer Lending and CEO of BB Bank ASA

Born: 1981

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

At BB Bank since 2010.

MIKAEL JOHANSSON
Head of Ecommerce Solutions and CEO of Avarda AB

Born: 1974

Education: MSc Business Administration and Matemathics, Stockholm University

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

Current directorships: Svenska Bilhandlare AB (Chairman) and Sticklinge Management AB (alternate board member)

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.

RETURN ON EQUITY
Profit for the period attributable to the shareholders of the Parent Company divided by average equity attributable to the shareholders of the Parent Company. Rolling 12 months.

RETURN ON LOANS TO THE PUBLIC
Profit for the period attributable to the shareholders of the Parent Company divided by average loans to the public. Rolling 12 months.

ADJUSTED RETURN ON EQUITY
Adjusted profit for the period attributable to the shareholders of the Parent Company divided by average equity attributable to the shareholders of the Parent Company. Rolling 12 months.

ADJUSTED RETURN ON LOANS TO THE PUBLIC
Adjusted profit for the period attributable to the shareholders of the Parent Company divided by average loans to the public. Rolling 12 months.

ADJUSTED EARNINGS PER SHARE
Adjusted profit for the period attributable to the shareholders of the Parent Company divided by average number of outstanding shares.

ADJUSTED OPERATING PROFIT
Operating profit for the period excluding items affecting comparability.

ITEMS AFFECTING COMPARABILITY
Items affecting comparability in 2015 and 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

COST/INCOME RATIO
Operating expenses divided by operating income.

NET LOAN LOSSES
Loan losses divided by average loans to the public. Rolling 12 months.

CET1 CAPITAL RATIO
CET1 capital divided by risk exposure amount.

EMPLOYEES (FTE)
Average number of full-time employees, including employees on parental leave.

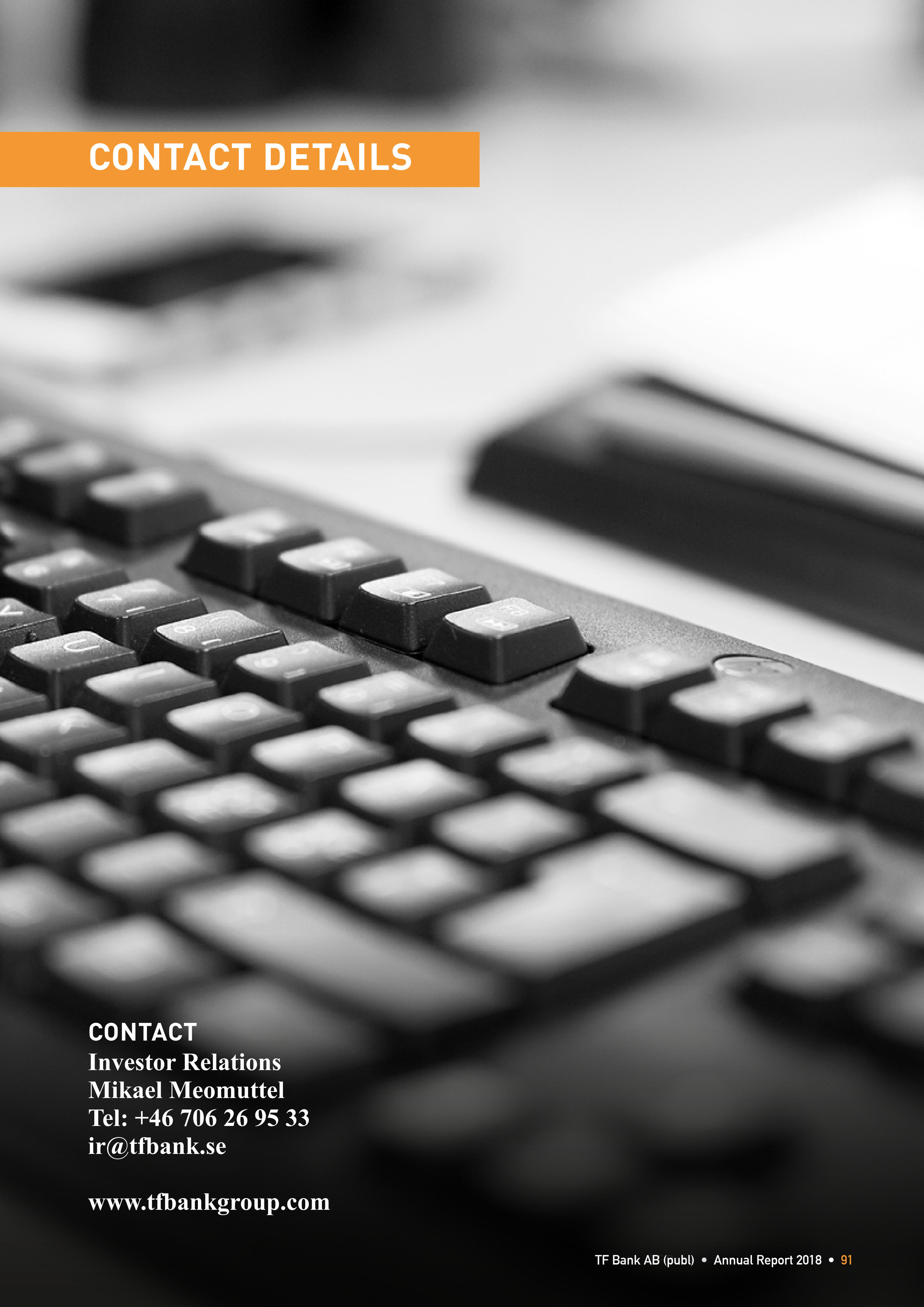
NEW LENDING
New loans issued in the period (cash flow). For Ecommerce Solutions the volume is reduced by product returns.

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

EARNINGS PER SHARE
Profit for the period attributable to the shareholders of the Parent Company divided by the average number of outstanding shares.

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

TOTAL CAPITAL RATIO
Own funds as a percentage of the risk exposure amount.



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