

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 2019. 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. In 2019, a small-scale offer was also rolled out in Austria. 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 ten countries where TF Bank has operations, while central functions are based at the head office in Borås in Sweden. The average number of employees in the Group stands at 174 (140).

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 is adopted on a yearly basis 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

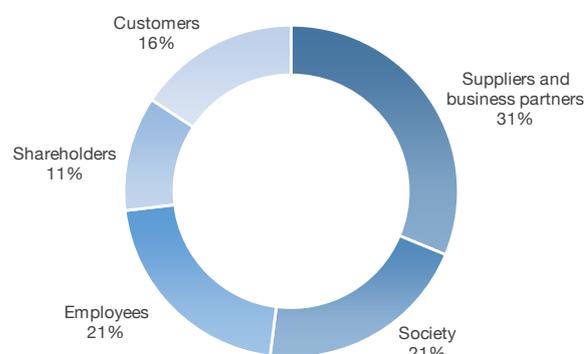
we will be unable to meet our stakeholders' expectations with regard to our actions as a sustainable company in the financial markets is a risk that could impact our reputation and have financial consequences. This includes the risk of collaborating with suppliers or doing business with customers who 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.

In 2019 we have decided on quantified KPI's linked to our focus areas responsible granting of credit, anti-corruption measures, employee wellbeing and environment and social responsibility. These enable improved monitoring over time.

Responsible granting of credit	2019	2018
Net loan loss ratio (%)	3.4	3.9

Anti-currupcion measures	2019	2018
Number of reported violations of Code of conduct	0	0

Employee wellbeing	2019	2018
Employee turnover rate (%)	25.1	17.4
Sick leave (%)	3.3	3.0

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 2019, we processed around 5,300,000 loan applications (4,000,000), 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 as-

assessment. Our ambition is to continuously reduce the level of loan losses, and we were able to achieve this aim in 2019.

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 updated 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 in-

novative 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 2019	Women	Men
Board of Directors	3	3
Group employees	100	74

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

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 moti-

vated 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 societal issues of our time. TF Bank therefore works to contribute to the social good, although our business has no direct impact on the environment, by limiting our transportations. The indirect environmental impact is mainly due to our suppliers' energy use, especially regarding server capacity. During the year, we started the conversion to a cloud-based server solution that is both safer and more energy efficient than having our own servers. The server hall used has a powerusage effectiveness of 1.14 compared to the average level of 1.80 in the industry.

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.

During 2019 we launched the My account function for savings, 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 2020 the functions for e-invoice and digital mailbox was launched in Sweden. The customers will therefore be encouraged to start using these functions.

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 230 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 Zelmerlöv & 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 2019 on pages 92–95 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 27 March 2020
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant