2013

Annual Report Volvofinans Bank AB

VOLVOFINANS

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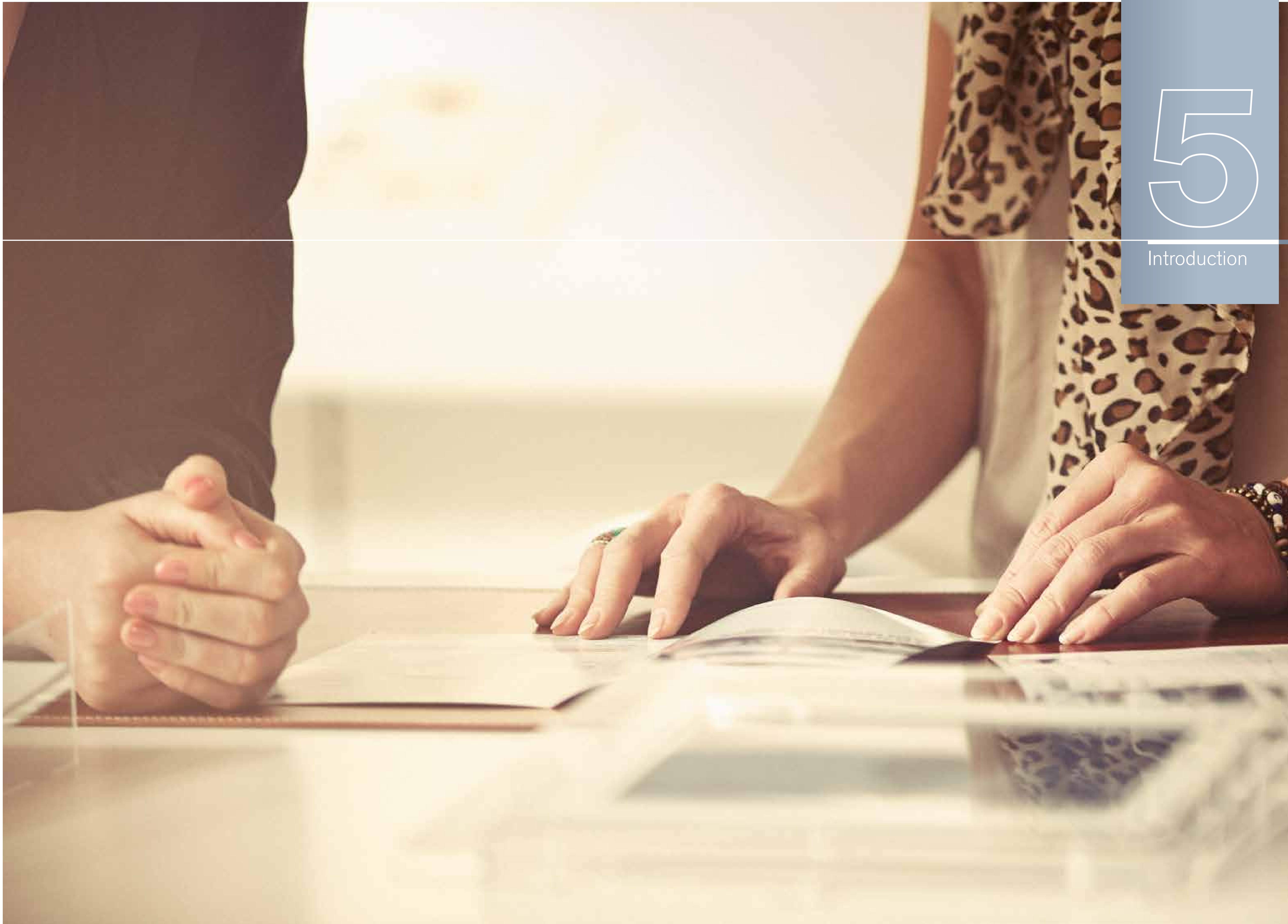

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Introduction

Message from the President

2013 as a whole was a very successful year for Volvofinans Bank. Profit amounted to SEK 276 million (SEK 234 million in 2012), with a return on equity of 6.8% (5.7), which is one of the best profit levels we have seen in the last 10 years.

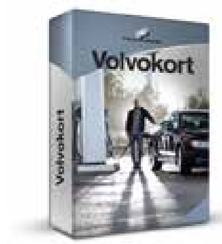
This result has been generated by a low interest rate market where STIBOR has been around 1%, a level at which banks generally find it difficult to earn interest on their own capital base. The year has also seen the adoption of a new strategy focusing on car ownership and where our niche position as the "Car Bank" is stronger than ever. Alongside this, we have further developed our four business areas: the Volvo Card, Sales Finance Cars, Sales Finance Trucks and Fleet Finance. Doing this means that in future we can make our product development more specific, as well as further enhancing the potential for managing and developing profitability within each business area.

Our strong capital base and good liquidity, in combination with our continued increase in deposits from private individuals – making the Bank less reliant on market borrowing – have influenced the credit rating agency Moody's opinion of Volvofinans Bank. In February, Volvofinans Bank was upgraded to "stable outlook", a level at which we remained for the rest of the year. In parallel with this, the company has also continued to work very actively on meeting the Swedish Financial Supervisory Authority's strict requirements for Swedish banks by a good margin. As a whole the hard work of the last few years has provided us with good stability and balance, meaning that we can continue to maintain aggressive and reliable product development.

The financial situation

Generally speaking, 2013 should be characterised as the year of recovery for the global finance market. This recovery has been fuelled by the ever-increasing economic activity in the USA over the course of the year, due to factors such as falling unemployment and an increasing willingness to invest in residential construction and stock markets. As usual, in Europe it is Germany that is the financial locomotive. It is pleasing to see some improvements in the crisis-hit countries of Portugal and, in particular, Ireland.

According to the barometer of the National Institute of Economic Research, the Swedish economy has developed positively, from weak economic growth to stronger growth than normal during the fourth quarter. The short-term market interest rate, expressed as STIBOR 3 months, remained unchanged for most of the year at around 1.20%, but the lack of inflationary pressure finally forced the Riksbank to act and end the year with a cut in the repo rate in December.



Our business areas

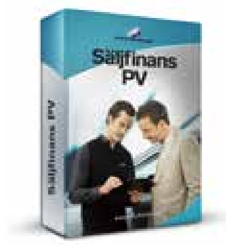
Volvo Card (Volvokort)

The Volvo Card is an important contributor to Volvofinans Bank's overall profitability and serves as a method of payment for private and corporate customers at all Volvo dealers. The card is used for repairs, servicing, spare parts/accessories and fuel at the Volvo dealers' "Tanka" chain of service stations. These cards are also offered with VISA for use as a general method of payment outside Volvo dealerships. >>>

In total, 900,000 purchases were made at Volvo dealerships using the Volvo Card every month during the year. This means that almost eight million account statements were sent out to car owners, providing the Bank, dealers and other business partners with a unique opportunity for selective communication with customers. The Volvo Card offers low fuel prices to the customers through Tanka, while also giving them access to an extensive network of service stations, with more than 1,000 sites in Sweden thanks to its partner OKQ8. Tanka service stations receive around 12 million customer visits annually, making this a fantastic market place for Volvo dealerships and Volvofinans Bank. The increasing popularity of the card over the year was also demonstrated by the number of new cardholders this year being 10% higher than in the previous year.

The target groups for the Volvo Card are specifically Volvo and Renault owners, but more generally all car owners in Sweden (four and a half million cars) when they need to fill up with fuel or have a car wash. Sweden has one of the oldest car populations in Europe, with 4 out of 10 cars being more than 10 years old. Consequently, the Volvo Card is not directly affected by the fact that sales of new cars sometimes fluctuate strongly as the card concept is aimed more at the aftersales market.

The Volvo Card also offers a card to truck owners for fuel and other vehicle owner services which, besides the credit facility, have the same function as the Volvo Card's corporate arrangements for car owners.

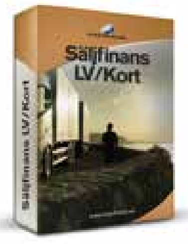


Sales Finance Cars

The total Swedish market for passenger cars fell by just under 4% during the year, from approx. 280,000 to approx. 270,000 cars. From a historical perspective, this is still a strong market for passenger cars, with the Swedish Volvo dealerships' strongest brands of Volvo and Renault among the winners on the market. Volvo had a market share of 20%, in spite of a more expensive and more profitable model mix, with four car models among the six most popular in terms of sales. Renault also launched its low-price brand, Dacia, on the market in earnest. Renault has had major sales success with Dacia in Europe in the last few years.

Volvofinans Bank's strong partnerships with its general agents, at Volvo and Renault, have presented a number of strong packages to the market, with tailored car ownership solutions being presented to the customers in a very attractive way. Individual financing solutions are becoming less common, something which is also strengthening the competitiveness of Volvofinans Bank. The trend, both internationally and in Sweden, is towards selling a total monthly cost to the customers, and the Volvo dealerships' sales of private leasing have been a major success at those dealerships that have actively marketed the solution. Added to this are the used car sales that take place through Volvo dealerships, which totalled just over 70,000 vehicles.

The bank has a very strong market position within the business area as well as a unique business model. The basic idea behind the business model is that Volvofinans dealers – after a credit check – sell and finance the vehicles to the customers and then transfer the contracts to Volvofinans with collateral in the financed items. The dealers bear the credit risk via recourse agreements, while Volvofinans borrows on the market and provides the dealers with access to the financial markets. The low risk weighting we have in our sales financing is thus even lower in practice because Volvofinans Bank is not making any credit losses on this lending. The Volvo dealerships, which almost exclusively comprise the strongest car dealership companies in the area in which they operate, have also continued to boost their balance sheets by achieving a better overall performance than the previous year, approx. SEK 800 million.

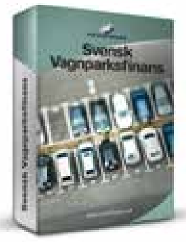


Sales Finance Trucks

The truck market in Sweden consists of two large segments: trucks over 16 tonnes, where Volvo and Scania dominate, and light commercial vehicles up to 3.5 tonnes, where the Swedish Volvo dealerships are represented by Ford and Renault, which together have around 20% of the market.

In the heavy goods vehicles market, which fell by approx. 6%, Volvo had a very successful year and ended the period as the market leader with a market share of approx. 44% (1,913 vehicles), compared with Scania which had just over 40% (1,747 vehicles). The launch of a brand new range of models, at the same time as maintaining sales of the old models, is thought to be the reason for the success.

The volumes for Volvo Trucks have gone down as far as Volvofinans Bank is concerned, based on the fact that the Bank chose not to prioritise trucks during 2011–2012, instead opting to prioritise car financing. New discussions are currently underway between the parties regarding the development of ownership concepts similar to those for passenger vehicles.



Fleet Finance

Volvofinans Bank is represented by Svensk Vagnparksfinans within the Fleet business area, where we lease and manage vehicle fleets for all brands. We have long-standing experience of this business, with a customer portfolio of just over 27,000 vehicles and a market share of slightly more than 20%. The concept is targeted at companies with fleets of more than five cars. During the year, intensified sales work has led to contracts with the company for approx. 2,000 new cars. This shows that the concept is very competitive and that the customers appreciate the company's services. The main increases are in so-called operational leases, where the customer is offered a fixed monthly cost, and these now account for approx. 70% of all new business. Profitability during the year has been good and this business area is an important contributor to Volvofinans Bank.

Our funding

Public deposits, primarily via our savings accounts, continue to increase sharply and totalled SEK 14.3 billion at the end of the year, which represents almost 60% of Volvofinans' financing requirements. The increase in deposits was achieved through initiatives offering attractive savings terms and promotion of the Bank as a niche bank. The remaining part of the market borrowing is mainly conducted through bonds, where the attractiveness of Volvofinans Bank is also reflected in the lower funding cost that the Bank has secured for its new borrowing.

> "There is a wonderful attitude of always wanting to improve at Volvofinans Bank."

Financial performance

Profit for the year was SEK 276.2 million, which is an 18% improvement on the previous year. The profit has primarily been positively affected by strong net interest income, although an increase in net commission and lower costs for credit losses have also had a positive impact. The expansion of the Bank's strong liquidity reserve has had a negative impact on the profit, but still strengthened the Bank's position. Lending to the public and property, plant and equipment, and lease items, totalled SEK 24.0 billion, compared with SEK 24.3 billion in 2012, a drop of SEK 0.3 billion or 1%. This reduction is attributable to the trucks operation. The risks in our borrowing portfolios are still at low levels. The credit losses identified are entirely attributable to the Bank's credit card operations, due to the previously described sales financing business model, and totalled SEK 18.3 million for the year. Problem credits for the credit card operations are at a very low level thanks to the sale of receivables for collection in 2012 and our outsourcing of debt collection activities. At the end of the year the liquidity reserve was SEK 5.1 billion, accounting for just over 60% of the Bank's total outstanding market borrowing.

Our capital situation

The capital base, which is wholly made up of core tier 1 capital, remains at SEK 3.1 billion and accounts for 10% of the balance sheet total. The core tier 1 capital ratio with transitional rules was 19%. The Board of Directors of Volvofinans Bank has stipulated that the core tier 1 capital ratio, in addition to official requirements, must at all times be sufficiently high to attract the necessary market borrowing and boost the Bank's rating.

In quantitative terms this means that the lowest the core tier 1 capital ratio can be is 15%, provided that the level meets the aforementioned criteria.

In light of the Bank's good capital situation, even when complying with future framework requirements, it is proposed that all of the profit for 2013 be distributed to the shareholders.

The future of Volvofinans Bank

With its new, clearer strategy as the "Car Bank", Volvofinans Bank has made further progress towards developing niche products together with our closest partners. When it comes to the tough competition associated with developing attractive car models, the software, i.e. the financing, insurance, administration and card products, is becoming increasingly important. Volvofinans Bank has a very close partnership in place not only with Volvo Car Corporation, Volvo Trucks and Renault but also with the Swedish Volvo dealerships. Thanks to our cooperation with the insurance company Volvia, we can create unique system solutions and packages for different customer groups, something which our general car financing rivals are unable to do.

In recent years Volvofinans Bank has built up a strong capital base and liquidity reserve. We are continuing to see good conditions for profit, making us well prepared for the future challenges ahead of us. The "Car Bank" now intends to look forward dutifully and foresees great opportunities to hone our product and service development within our niche without jeopardising our stability in any way. There is a wonderful attitude of always wanting to improve at Volvofinans Bank, and to sum up that means as President I'm looking forward to 2014 with great confidence.

Conny Bergström
President
Volvofinans Bank AB

The information contained in this report is that which Volvofinans Bank AB (publ), corporate ID no. 556069-0967, is obliged to publish in accordance with the Swedish Securities Market Act (SFS 2007:528). This report was submitted for publication at 4.15 pm on 21 February 2014.

NEW PRODUCTS, INNOVATIONS and LAUNCHES 2013

NEW!

BUSINESS AREA: FLEET FINANCE

SHARED FUEL

Cost-effective and simple solution for companies.

Find out more on page 18 or at volvofinans.se

BUSINESS AREA: FLEET FINANCE

Driver Calculator –

FIND CUSTOMISED SOLUTIONS

with our Internet-based tool.

Find out more on page 18 or at volvofinans.se

BUSINESS AREA: THE VOLVO CARD

Mobile Bank ID

– yet another step in our digital investment.

Find out more on page 17 or at volvofinans.se

BUSINESS AREA: SALE FINANCE CARS

Positive reception to Volvo Inclusive Private Leasing.

Simple to buy, simple to sell:

hassle-free car ownership.

Find out more on page 17 or at volvofinans.se

New positive rating from Moody's Investors Service.

STABLE OUTLOOK

for Volvofinans Bank.

Find out more in the Message from the President on page 7.

The “Car Bank”

To those of us at Volvofinans Bank, the objective is clear: We want to make car ownership simple and hassle-free. There are many general banks, but we want to take our position as the “Car Bank” for private and corporate customers alike, and irrespective of whether they have bought a new or a used vehicle.

Along with our strong general agents and Sweden’s finest dealership networks for passenger cars and trucks, we would like to offer our customers tailored services for financing, insurance, servicing agreements, tyre hotels and car rental solutions. We can make this possible using smart payment solutions and car ownership packages, increasing our business opportunities and with that the business of Volvo dealerships throughout Sweden. One example of this is the insurance company Volvia, which provides us with fabulous options for creating interesting offers. Another is the fuel offer that we provide in conjunction with Tanka and OKQ8, where we are able to offer very attractive prices on fuel while at the same time providing for Sweden’s largest network of fuel stations. Overall, this provides us with a unique breadth of knowledge about our customers, which we intend using to build up strong customer relationships and loyalty to our system.

In terms of saving and bank services, the “Car Bank” is about providing credit for all vehicle-related consumption at Swedish Volvo dealerships. We have very consciously chosen not to provide funds, housing loans and wage accounts. Instead, we will focus on being very competitive for saving and bank services within the areas where we, as a “Car Bank”, instil a high level of confidence. For example, in the future we will be able to offer bank solutions that are specifically aimed at people taking their driving test or buying their first car. We will make further market investments through our dedicated business area managers, using a clearer strategy within our four business areas – the Volvo Card, Sales Finance Cars, Sales Finance Trucks and Fleet Finance. Our expressed goals are: improved efficiency, increased customer satisfaction, greater business volumes and improved profit.

More than anything else, our skilled employees will ensure that the positive development continues in 2014. There is optimism in the house and we will act in a determined and focused way on the basis of our position as the “Car Bank”. The commitment shown by our employees, and their enthusiasm and expertise in the field of vehicle financing and ownership, are the best guarantee we can provide that those of us at Volvofinans Bank will continue to make a difference compared with other banks.

“Our job is to make car ownership easy for our customers. It’s as simple as that.”

Conny Bergström, President

Products and services for simple, hassle-free car ownership

PRODUCTS AND SERVICES 2013

Volvo Inclusive Private Leasing
Private leasing that includes financing, insurance and servicing

Volvo Business Lease
Company car offer where everything is included in the monthly price

Volvo Truck Card
Pay for garage services, spare parts, tyres, car washes, rental trucks and shop purchases

The Volvo Card
Sweden's largest car ownership card with over 1 million users. Available with Visa

Savings Account
Free withdrawals, no lock-in period and a government deposit guarantee

Apps
Volvofinans logbook

Volvia Insurance for Volvo

The Fuel Finder: find the nearest filling station

More products and services

Volvo Car Loan

Renault Car Loan

Volvofinans Car Loan

Volvo Inclusive

Renault Relax Loan

Renault Car Leasing

Renault Relax delivery vehicle loan and delivery vehicle leasing

Fleet Management for larger vehicle fleets

Volvo Truck Financing

All of our products and services are described at www.volvofinans.se

The Volvo Card – an effective CRM tool

Volvo dealers are able to send out unique and customised offers to their customers each month, along with invoices and account statements. Through our CRM system, the dealers receive ready-made offers for each target group, depending on the customers' car ownership, behaviour and where they live.

Every new car will be sold with a Volvo Card. This is what we are hoping and what we are working on in a targeted way. Every year, some 60,000 Volvo Cards are taken out, and the very best way to do this is through a Volvo dealer. The most cost-effective way to recruit new customers to the Volvo Card is when they are still in the marketplace – such as when they are buying a new car from the dealer, or changing tyres at the garage, for example. The year 2013 saw a 10% rise in the number of Volvo Cards taken out.

Saving in the "Car Bank"

There was a good inflow of new savings money in 2013. Here, the Volvo dealerships had a major role to play. They are our ambassadors for the savings account and provide us with an effective distribution channel throughout Sweden. Another key to Volvofinans Bank's positive deposit levels is our competitive rate of interest. We have also seen some dissatisfaction with the big banks and, with customers choosing niche banks to a greater degree than before, Volvofinans Bank has received some of the new savings. In future, the savings aspect will be developed further, with additional forms of saving depending on the needs of our customers. For example, we would like to launch various types of savings account, such as tied saving.

> "Along with the general agents and Volvo dealerships, we know a lot about the customers' behaviour."
>
> Per Lindahl, Marketing Director, Volvofinans Bank

> "We will be developing the savings aspect in the future in order to meet customer demand."
>
> Lars Norland, CFO Volvofinans Bank

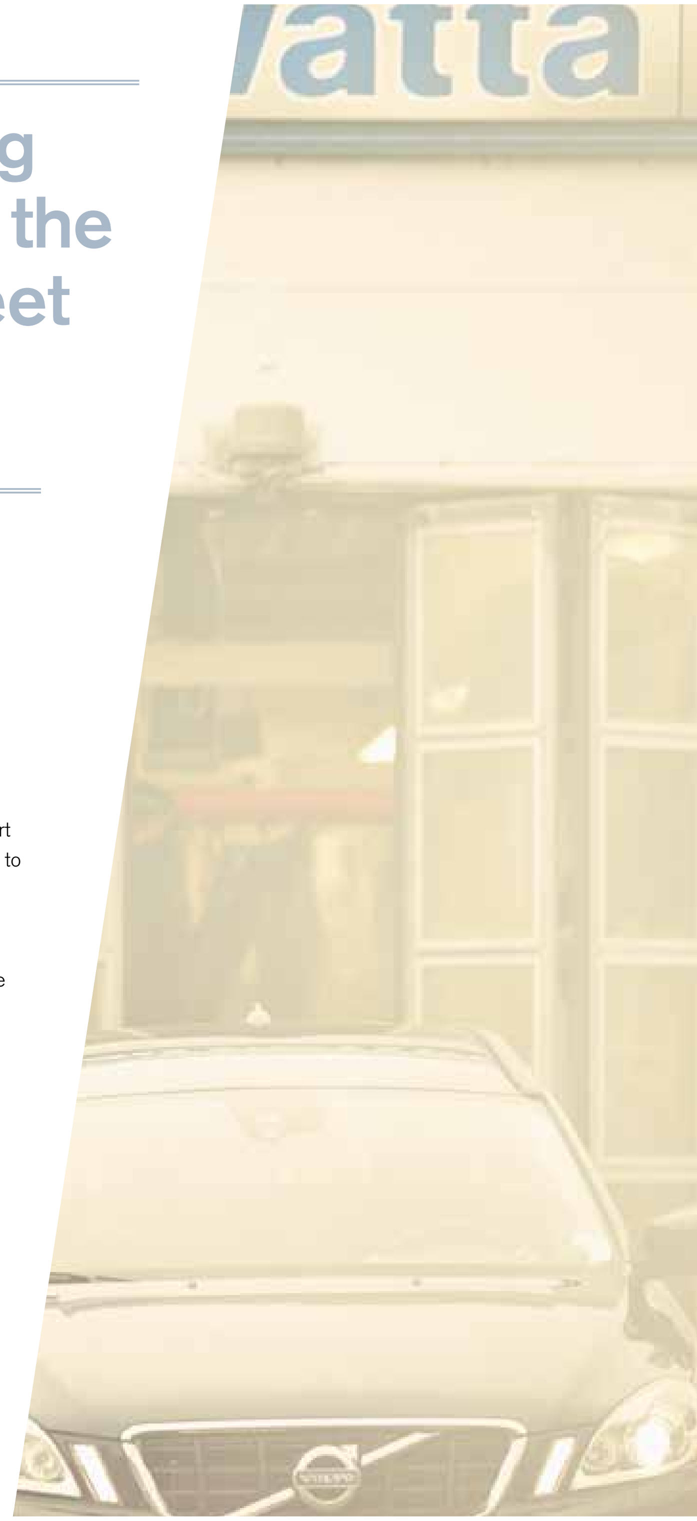
What supports our business?

1 **The "Car Bank"** – Volvofinans Bank is a specialist in providing simpler, hassle-free car ownership. In 2014, we will focus even more on each of our business areas. One of our goals is to become even better at looking after the 40,000 customers who call us every month.

2 **IT systems** – tailor-made to what we do. Thanks to the Tactics sales support system, for example, and our knowledge of customer behaviour, we are able to create top-quality packaged offers.

3 **The General Agent** – becoming more and more important as a partner. To us, it is a case of continuing to create attractive solutions on the basis of the brands distributed and sold by the dealers.

All in all, we create products and services that are simple for the Volvo dealerships to sell and simple for the vehicle owner to buy.



Passenger car

NEWS 2013

Volvo Inclusive
Driver Calculator
Mobile Bank ID

Examples of packaged products and services

Volvo Business Lease
Volvo Inclusive
Volvo Inclusive Private Leasing
Renault Relax Loan
Renault Business Lease
Renault Relax delivery vehicle loan and delivery vehicle leasing

We will never be the customer's only bank. Even in the future, our customers will still need a traditional bank, and many will use bank services for their weekly food shop. However, it is a fact that one of the major housekeeping items is the car. This is where our obvious niche is.

When developing new products and services, we do so within the framework of the concept of the "Car Bank". Volvofinans Bank is strong when it comes to car financing. In other to strengthen our hold even further in the future, for example, we are looking at how we might play a clearer role on the used car market.

Digital services and connectivity
Trends in vehicle communication technology equipment are for greater "connectivity", something that is already having an impact on the entire car industry. The vehicles rolling off the factory production lines are becoming ever more connected to, and seamlessly integrated into, the customers' digital lives. We are monitoring this trend, and our Mobile Bank ID, launched in 2013, is a first step in the area.

How our dealers can grow their businesses using Volvofinans Bank
By being at the centre of the transaction flow through the Volvo dealerships, and an integrated part of the overall picture, we provide support to the dealerships in the sales process. The Tactics sales support system is a neat work tool that helps the dealer to present attractive offers. At Volvofinans Bank, we also ensure that we provide the dealers with the tools to strengthen their businesses by developing new products and services that will make the life of the car owner that bit easier.

Competition is getting tougher
We greatly respect the fact that dealers are currently facing numerous challenges. The amount of business is rising, for example, as the number of brands increases and the showrooms house both new and used cars. Being a leader in all these areas of business is a challenge. We at Volvofinans Bank want to support the dealers by focusing on the business, encouraging the sales effort and offering marketing material. Add to this marketing online, on television and through other channels.

Trucks

All banks have a knowledge of finance and financial solutions at their fingertips, but not all have specialised knowledge of the haulage industry.

Volvofinans Bank's strength lies in its knowledge of the industry and its customers. We know what it means to run a family haulage firm from the kitchen table, and we know about the challenges facing the bigger haulage firms. You need a close relationship if you are to live with one another over time. Our credibility lies in our packaged products and loans, tailored to the haulier's needs. We want to make owning a truck as simple as owning a car. This is why we are also working in Trucks to create successful concepts alongside our dealers and general agents.

How our dealers can grow their businesses using Volvofinans Bank

So far, we at Volvofinans Bank have not had such distinct concepts in Trucks as we have with passenger cars, but the foundation is the same: Tailored offers to meet the customers' requirements.

We make distinctions based on the type of company, and we are there for small companies, family companies and major hauliers with 200 vehicles or more. We also approach various sectors and are experts in their specific needs, examples including forestry, the construction industry, trade and long and short-distance transport. Our aim is to find solutions and specially tailored offers depending on the business of each of our truck customers.

As trucks are part of a haulage company's core business 24 hours a day, the need to devise structured concepts around vehicle ownership is different to that which applies in the case of passenger cars. We have started this work together with Volvo Trucks Nordic and the dealers.

Examples of packaged products and services

Volvo Financial Lease
Volvo Truck Lease
Volvo Truck Card
Volvo Truck Loan
Volvo Bus Loan
Insurance solutions

The Swedish Volvo Dealers 2013

Comprehensive sales network

The Volvo dealerships form a nationwide network of dealers, of which 55 are privately owned and two are listed companies. Together they have some 200 sales outlets and just over 250 workshops. In addition, Volvo Personbilar Sverige AB, the general agent for passenger cars, has ownership interests in three sales companies.

Bilia AB, a listed company, owns the largest passenger car company and AB Volvo owns the largest truck company. These listed companies represent about 40% of Volvo and Renault sales in Sweden in the car and truck markets respectively.

The Volvo dealerships comprise a total of 35 owners and ownership groups. Volvo dealership operations have a passenger car division and a truck division. Most of the companies (40) sell passenger cars only, while 18 specialise in truck sales ("heavy" trucks, i.e. > 7 tonnes) and the remaining two sell both cars and trucks.

2013 figures for the Volvo Dealership

Sales through Volvo dealerships totalled approximately SEK 39.0 billion in 2013, with an overall profit of around SEK 800 million, compared with the SEK 618 million reported for 2012.

Broader business

The product range offered by Volvo dealerships is the most comprehensive in the Swedish automotive business. It includes everything from passenger cars and delivery vehicles (Volvo, Renault and Ford) to heavy trucks and buses (Volvo). We are continuing to broaden our business with sales of additional brands via the Volvo dealerships. In recent years, Volvo, Renault, Ford, Dacia, Jaguar and Land Rover have been joined by Hyundai, Mazda, Toyota, Nissan, Peugeot and BMW. Consequently, our access to the market via the Volvo dealerships is wider than before.

Volvofinans Bank is the Volvo dealership bank

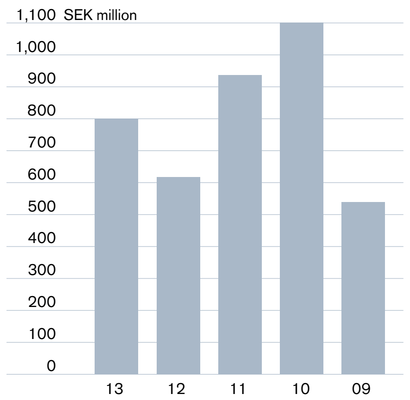
The Bank's remit is to acquire funds to finance the Volvo dealers' loans and lease contracts. In other words: to support the Volvo dealers' business. Working collaboratively with Volvofinans Bank, the Swedish Volvo dealership is the market leader in vehicle-related services such as financing and credit card operations.

BALANCE SUMMARY

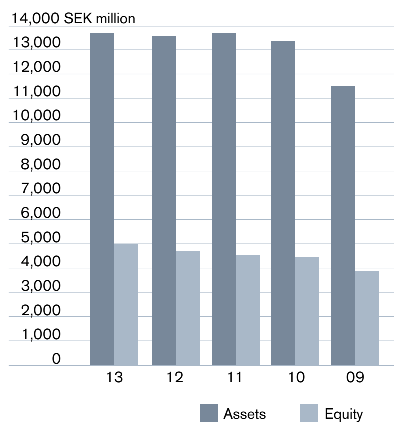
	Forecast 2013	2012	2011	2010	2009
Property and equipment	2,500	2,477	2,328	2,312	2,366
Lease vehicles	2,200	2,236	2,627	2,466	2,549
Contractual receivables	700	639	441	268	425
Inventories	4,700	4,479	4,602	4,380	3,121
Other	3,600	3,633	3,714	3,854	2,954
Total assets (SEK million)	13,700	13,464	13,712	13,280	11,415
Equity and untaxed reserves	5,000	4,787	4,581	4,452	3,908
Non-current liabilities	3,400	3,405	3,234	2,921	2,880
Current liabilities	5,300	5,272	5,897	5,907	4,627
Total liabilities and equity (SEK million)	13,700	13,464	13,712	13,280	11,415
Loans and leases on Volvofinans' balance sheet (SEK million)	18,300	15,714	15,477	14,499	13,804
Adjusted balance	32,000	29,178	29,189	27,779	25,219
Sales and income					
Sales (SEK million)	38,700	38,400	42,361	38,359	33,450
Profit (SEK million)	800	618	931	1,100	535
KPI					
Return on equity	16%	15%	20%	25%	14%
Return on total capital	7%	7%	8%	10%	5%
Equity/assets ratio	37%	36%	33%	34%	34%

Note: Since some dealership annual reports were not available at the time of publication, certain figures for 2013 are taken from forecasts.

Volvo dealers, income



Volvo dealers, assets and equity



900,000 purchases/month

The number of times the Volvo Card was used at Volvo dealerships.

8 million

Number of account statements and customer communications sent out to car owners.

Volvo dealers, income:

SEK 800 million

Increase in number of Volvo Cards taken out

10%

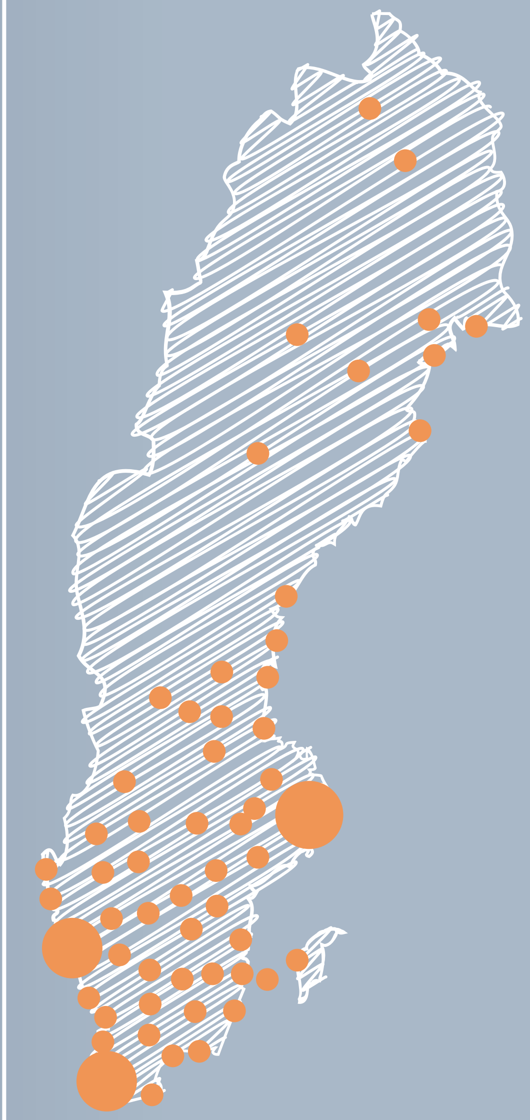
FUEL

Sweden's largest network of stations, with the Volvo Card linked to OKQ8.

12 million Number of visits to Tanka installations.

39 000 000 000

Sales in the Volvo dealerships: approx. SEK 39 billion.



- The Swedish Volvo Dealers are one-half owners of Sweden's tenth largest bank.
- One in every two passenger car purchases is financed through the Volvo Dealers.
- Together, we have the widest distribution in terms of servicing and sales.

Report of the Board of Directors

The Board of Directors and President of Volvofinans Bank AB (publ), hereinafter referred to as the Bank, hereby submit their report for 2013.

OWNERSHIP SITUATION

Since its establishment in 1959, the Bank has been 50% owned by Swedish Volvo dealerships via their holding company, AB Volverkinvest. The sixth Swedish National Pension Fund owns 40% and the remaining 10% is owned by Volvo Cars Group AB.

MISSION

The Bank shall actively support sales of the products marketed in the Volvo dealership development company, Volvohandeln, on the Swedish market by providing product and sales financing, while reporting favourable earnings.

GROUP STRUCTURE

The Bank has its registered office in Gothenburg, Sweden.

The Bank, Volvo Personvagnar Norden AB, Volvohandlarnas Service AB and Volvohandelns PV Försäljnings AB – also full partners – jointly own three limited partnership companies, one of which conducts commission sales among the Volvo dealerships in Sweden, the second of which runs a hiring operation for companies within Volvo Cars Group AB, and the third of which is dormant.

Volvofinans Leasing AB, Autofinans Nordic AB, Automanagement AR AB and Volvofinans IT AB are wholly-owned dormant subsidiaries.

Pursuant to Chapter 7, Section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), as of 31 December 2010 the Bank does not prepare consolidated accounts, since activities in subsidiaries are of negligible value.

VOLUMES/LENDING

At the end of the year, there were 192,689 (193,735) contracts in the loan and leasing portfolio, which is a 0.5% decline over the previous year. The size of the portfolio is affected by the market for new passenger vehicles (PV) and trucks (LV) in Sweden, and by used vehicle sales through the Swedish Volvo dealerships.

The table below shows the Bank's market shares in the form of the inflow of contracts in relation to sales of new Volvo/Renault/Ford vehicles and in relation to used vehicle sales through Swedish Volvo dealerships.

Penetration, %	2009	2010	2011	2012	2013
New cars	51	46	47	51	49
Used cars	38	38	37	35	37
New trucks	49	47	42	43	47

The above figures for trucks do not include sales through the Volvo Truck Centre, which is owned by Volvo Group.

The bank's lending at year-end (including leases) totalled SEK 24.0 billion (24.3), which is a 1% fall on the previous year. Lending consisted primarily of leases, loans, contract credits, dealer inventory credits and credit card credits.

The table below shows the percentage distribution of lending by segment compared with the preceding year.

Sales financing	2013 SEK billion	%	2012 SEK billion	%	Change SEK billion
Cars	19.8	82	19.5	80	0.3
Trucks and buses	2.2	10	2.6	11	- 0.4
Inventory credit	0.3	1	0.4	2	- 0.1
Credit card credit	1.7	7	1.8	7	- 0.1
Total	24.0	100	24.3	100	- 0.3

Volvo Car Leasing increased by SEK 0.1 billion (2%) and Volvo Car Loan and Volvo Truck Loan fell by SEK 0.3 billion (3%). Contract lending, where Volvo dealers have a credit with an underlying loan or leasing contract as security, has fallen by SEK 12.7 million or 5%.

The credit card credits remained unchanged from last year. Sales through the Volvo Card totalled SEK 10.8 billion (11.1) for the year, with a total of 7.7 million (7.8) invoices/statements of account delivered to customers. Card purchases using the Volvo Card in 2013 totalled 24.1 (24.4) million.

The number of corporate customers for whom Svensk Vagnparksfinans manages the car administration has decreased over the year. Overall, 27,078 (33,869) cars were administered at year-end.

Sales through the Truck Card are somewhat lower and, in 2013, goods and services amounting to some SEK 463 million (481) were purchased via the 25,000 (24,600) cards.

PROFIT

Profit before credit loss expenses was SEK 304.5 million (269.2), which is an increase of 13% over the previous year. The profit has been positively affected by higher lending margins and commissions, as well as by lower interest expenses.

Depreciation of property, plant and equipment relates primarily to lease items. This was affected by the leasing volumes and the rate of depreciation based on contractual residual values at the end of the lending period.

Net credit losses totalled SEK 28.3 million (35.1); see Note 13.

Despite this, the profit for the year before appropriations and tax totals SEK 276.2 million (234.2), an increase of 18%. The Group's return on equity amounted to 6.80 (5.68). The main remit of the Bank is to provide sales support to the Swedish Volvo dealership network, and it should combine this with a long-term return at an acceptable level for the owners. Unlike the majority of its competitors, Volvofinans' business mission does not require the Bank to maximise profits on every transaction.

CREDIT RISKS AND CREDIT LOSSES

Loan and lease credit accounts for 79% (78) of the Bank's total credit lending for vehicle financing. The dealers have transferred or pledged these with collateral in the form of the vehicle through right of repossession or ownership rights. The dealer bears the ultimate credit risk for these credit contracts where required by the Bank.

The Bank may incur a loss on these contracts in the following instances:

1. The end customer suspends payments and
2. The dealer lacks the means to pay and
3. The market value of the repossessed vehicle is less than the residual value shown in the contract.

At 31 December 2013, loan and leasing contracts were distributed as follows. The unutilised portion of current contracts amounted to SEK 2.6 (2.4) billion at year-end.

Inventory financing that requires 100% collateral represents 1% (2) of total lending and is secured through chattel mortgages, the unutilised portion of the contract portfolio or sureties received.

The remaining financing, which is not guaranteed by dealers, amounts to 21% (20), of which 14% (13) comprises own sales financing and 7% (7) credit card credit.

Total problem credits (i.e. receivables overdue by more than 90 days) are SEK 164.7 million (148.3), comprising SEK 151.5 million (147.9) within Loans and Leases, of which SEK 140.0 million (140.0) relates to agreements whereby the Bank has a right of recourse against the Volvo dealer, and credit card receivables of SEK 13.2 million (0.4), which is equivalent to 0.0% (0.0) of credit card lending.

The value of credit card receivables, which amounts to SEK 1.7 billion (1.8), is reported after impairment of problem credits. The provision is 2.9% (3.0) of the value of the receivables. Risk exposure to private individuals is minimised through low average debt levels. At the end of the year, the average debt per active credit card was SEK 4,125 (4,184).

	Number of contracts	Average contract, SEK thousand	Collateral value, SEK million	Credit utilised, SEK million	Borrowing (loan ratio)	Market value, SEK million	Surplus value, SEK million	Surplus, %
Loans	110,242	100	10,993	10,241	93	13,817	3,575	35
Leases	82,447	166	13,663	11,766	86	12,040	274	2
Total	192,689	128	24,656	22,007	89	25,857	3,849	17

CAPITAL PROCUREMENT

The Bank's principal objectives for capital procurement activities in accordance with the Financial Policy are:

- To secure the requisite financing for loans.
- To ensure that borrowing is arranged on the best possible terms.
- To ensure that fixed-interest periods for borrowing largely match those for lending.
- To ensure that liquidity risks are minimised as far as possible.

The table below shows the Bank's financing framework and borrowing potential and the extent to which these facilities had been drawn as at 31 December 2013.

Nominal amounts in SEK million	Limit	Drawn
Nordic Commercial Paper Programme	8,000	325
Euro Commercial Paper Programme	4,424	–
MTN programme	15,000	7,944
Short-term financing framework via banks	3,900	–
Long-term financing framework via banks	1,550	1,550
Deposits, public	–	14,266
Total	32,874	24,085

Deposits from private individuals accounted for most of the Bank's capital procurement in 2013. Savings with the Bank's e-savings account increased by SEK 2.5 billion (+25%) to SEK 12.7 billion by the end of the year. Total deposits accounted for 59% (51) of the Bank's financing. At 31 December 2013, total deposits amounted to SEK 14.3 billion (11.8).

There was good demand for both short-term and long-term market borrowing. At the end of the year, outstanding financing via the Bank's market loans programme amounted to a nominal SEK 8.3 billion (8.9). Bonds worth SEK 2.8 billion with maturities of up to five years were issued. The repurchase of own bonds worth SEK 1.9 billion with a short remaining term took place during the year.

In addition to market borrowing, operations were financed through bank loans, in the amount of SEK 1.6 billion (2.3). The proportion of long-term financing with a remaining term of more than one year was 68% (72).

The table below shows the maturity structure for the Bank's total financing at 31 December 2013.

	SEK million	%
Within 1 year	3,124	32
1-3 years	5,325	54
3-5 years	1,370	14
More than 5 years	–	–
	9,819	100
No term:		
– Deposits, public	14,166	
– Equity (including tax portion of untaxed reserves)	4,142	
Total	28,127	

RATING

Volvofinans Bank has international credit ratings from Moody's Investors Service as follows:

- Short-term financing: P-2
- Long-term financing: Baa2

Following a review completed on 5 February 2013, the Bank's ratings were confirmed; at the same time, the outlook was changed from negative to stable. You will find a detailed analysis from Moody's on our website, volvofinans.se.

CORPORATE GOVERNANCE

Bank's Board of Directors

Members and deputies are elected annually at the Annual General Meeting for the period until the end of the first Annual General Meeting held in the year following the appointment of the directors.

Notice to attend the Annual General Meeting, as well as notices of extraordinary general meetings in which the issue of changes to the articles of association will be taken up, shall be issued at most six weeks and at least four weeks before the Annual General Meeting. Notice of extraordinary meetings shall be issued at most six weeks and at least two weeks before the General Meeting.

The Annual General Meeting does not confer any authority on the Board to decide whether the Bank shall issue new shares or acquire own shares.

The rules of procedure of the Board of Directors have been drawn up in compliance with the requirements of the Swedish Companies Act. The rules of procedure and annexes complement and support the application of the Swedish Companies Act and the other legislation, rules and recommendations that are to be applied within the Bank. The rules of procedure are reviewed annually and updated as required. Updates to the rules of procedure are adopted at the first Board meeting after the Annual General Meeting, or at another Board meeting if required.

The Board convenes at least four times annually (March, June, September and December). Additional Board meetings are convened whenever required. Apart from the Chairman of the Board, Board members have no defined area of responsibility within the Board except for a credit committee, an audit committee and a remuneration committee. The latter deals with senior executive remuneration issues.

Board meeting documentation is distributed one week before the meeting and includes written material with comments on matters to be addressed at the meeting. The agenda enclosed with the notice of the meeting must clearly state the nature and scope of each matter. Minutes of each meeting are kept and include discussions (brief description), measures and decisions.

Direct and indirect shareholdings in the Bank

Autofinans Nordic AB, Automanagement AR AB, Volvofinans Leasing AB and Volvofinans IT AB are wholly owned dormant subsidiaries. See Note 20.

The Bank owns 33% of Volvohandelns PV Försäljnings AB, 25% of Volvohandelns PV Försäljnings KB, 25% of VCC Tjänstebilar KB and 25% of VCC Försäljnings KB. See Note 21.

At the Annual General Meeting, each shareholder is entitled to one vote for each of the shares they own and represent.

Internal monitoring

The Bank has a special responsibility through the handling of the clients', suppliers' and partners' money. The large number of transactions means that even small errors may have large financial consequences. Good internal monitoring and quality and security issues shall therefore be the focus in all the Bank's activities, and staff from all departments shall regularly engage in this work. Internal monitoring refers to the Bank's organisation and all procedures that aim to safeguard accurate and complete accounting and ensure that the Bank's resources are allocated in accordance with the intentions of the Board of Directors and the President.

Internal monitoring can be divided into:

- Administrative checks – promote efficiency and ensure that the Bank's resources are allocated in accordance with the intentions of the Board of Directors and the President.
- Accounting checks – ensure accurate and complete accounting.
- Internal IT checks – ensure that functions and procedures, manual and automatic, function in accordance with the prevailing set of rules.

The Bank has three functions that work towards providing support for management so that they can continually provide good and improved internal monitoring in relation to financial reporting.

Internal auditing

There is an independent audit function within the Bank that shall work according to the Swedish Financial Supervisory Authority's general guidelines regarding governance and control of financial undertakings (FFFS 2005:1). The assignment also includes IT auditing. An important assignment for the internal audit is to independently verify that employees are following the policies and rules found in the Bank's directives, guidelines and instructions for financial reporting. The function reports directly to the Bank's Board of Directors.

Risk control and compliance

Risk control is responsible for continually following up and controlling risks and risk management, as well as regularly proposing improvements with regard to risk management, risk policies, instructions and reports according to FFFS 2005:1 of the Swedish Financial Supervisory Authority.

Compliance constitutes a support so that the Bank operates according to applicable legislation and regulations and good internal rules as well as good practice and standards.

The work of Risk control and Compliance is audited annually by the Bank's Internal Audit function.

Control environment

The basic shell of the internal monitoring of financial reporting is constructed around the Bank's directives, guidelines and instructions, as well as the structure of responsibility and authority that has been customised to the Bank's organisation to create and maintain a satisfactory control environment. Policies for internal monitoring are collected in the Bank's IQ handbook, and the directives and guidelines for financial reporting are collected in the Bank's various handbooks.

The established company culture in which managers and employees work is fundamental for the control environment. The Bank works actively on communication and training in relation to basic values, which are described in the Bank's Policy for Ethical Guidelines. Good morale, ethics and integrity shall permeate the organisation.

Risk assessment

Risks in relation to financial reporting are assessed and monitored by the Board. Assessing the degree of risk that errors will arise in financial reporting is done according to a number or criteria. Complex accounting policies can, for example, result in a risk that the financial reporting may be incorrect for the items covered by such policies. Assessment of a certain asset or liability from different assessment criteria may also involve a risk. The same applies for complex and/or changed business conditions.

Control activities

The Board of Directors and Management Group constitute the overall control organ for the Bank. More control activities are applied in the ongoing business processes to ensure that any errors or deviations in financial reporting are prevented, discovered and corrected. Control activities range from everything from auditing profit yield at Board meetings to specific account reconciliations and analyses in the ongoing processes for financial reporting. The bank's management shall ensure that control activities in financial processes are appropriate and in accordance with the Bank's guidelines and instructions. Management shall also ensure that the authorisation structure is designed such that the same person cannot carry out an activity and subsequently check the same activity. Control activities within IT security and maintenance are also an important part of the Bank's internal controls for financial reporting.

Information and communication

Guidelines and instructions in relation to financial reporting are updated and communicated regularly by management to all affected employees.

Follow up and monitoring

Ongoing responsibility for following up lies with the management group and accounts department. In addition, the Internal Audit, Risk control and Compliance functions carry out follow up and monitoring of activities. The results of assessment activities are reported to the management and the Board.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

OUTLOOK FOR FUTURE DEVELOPMENT

Despite all the uncertainty in relation to the economy, the Bank can look forward to a bright future, thanks to the stable ownership of the Bank, a very strong capital base, and well-established, well-functioning business models. Combined with the broadening of our financial services to our many customers, both private individuals and companies, this means there is significant development potential.

ENVIRONMENT

The Bank shall pursue long-term environmental programmes aimed at minimising its impact on the environment as far as this is technically possible and financially feasible. This will be achieved by:

- conducting operations in compliance with current environmental legislation and other relevant environmental requirements
- working in a preventive manner and striving to attain continual improvements among employees and suppliers
- pursuing an open dialogue with personnel, customers, suppliers and other stakeholders
- capitalising on the commitment and environmental awareness of the workforce
- taking into account the environmental implications in service development programmes and changes in operations

PERSONNEL

At the end of 2013, Volvofinans had 186 (184) employees, of which 165 (162) were based in Gothenburg. The remainder of the workforce was stationed at our office in Stockholm. The average number of employees was 182 (177).

Appropriate skills represent a key competitive advantage. The development of the workforce is of major strategic significance. It is essential that the Bank invests in skills development to keep pace with rapid changes and cope with advanced technical tasks. Management development remains an important and prioritised aspect.

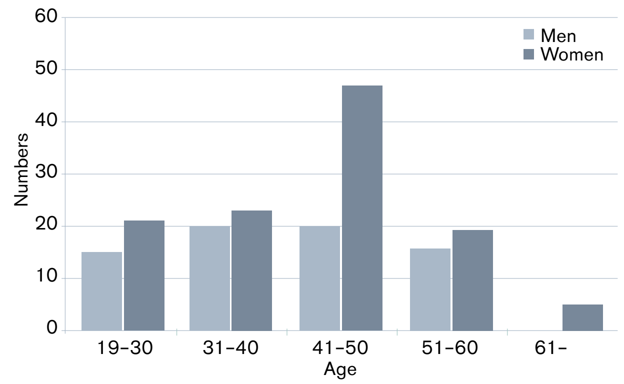
The Bank has been actively working on its company culture during the year. A strong culture and a happy workforce are a factor for success.

A favourable workplace environment is critical for the Bank's profitability as it stimulates performance and personal development. The Bank is aware of the importance of good physical and psychosocial conditions and actively promotes a positive climate.

The Bank focuses on several activities in the area of health care, such as opportunities for exercise and massage during working hours, subsidies for exercise activities and opportunities for health checks. A sound balance between work and leisure time is conducive to good work performance.

Information on salaries and remuneration, etc., is provided in Note 10.

Age distribution 2013



REMUNERATION

In accordance with FFFS 2007:5 of the Swedish Financial Supervisory Authority, information relating to the Bank's remuneration policy and its application must be published at least once a year and no later than with the publication of the annual report.

Preparation and decision
The bank's Board of Directors has appointed a remuneration committee from among its members, which is tasked with preparing key remuneration decisions and proposing measures consistent with the application of the relevant remuneration policy. The Board has appointed Chairman Urmas Kruusval and Tommy Andersson as members of the remuneration committee.

An independent control function is involved in the assessment and evaluation process of the Bank's remuneration system. The control function reports the results of its audit to the Board prior to the production of the annual report.

Risk analysis
A risk analysis must be performed before a decision can be made on the adoption of a remuneration policy, or on other significant changes to the Bank's remuneration system. The risk analysis must identify and take into account risks associated with the Bank's remuneration policy and remuneration system which may result in a worsening of the Bank's profits or financial position in the future. On the basis of the risk analysis, the Bank must identify employees who could influence the Bank's risk level, who are referred to as separately regulated staff.

Remuneration model
Remuneration and other employment conditions must be competitive in order to ensure that the Bank is able to attract and retain skilled staff who contribute to the long-term growth of the Bank's value. The bank's remuneration must promote effective risk management and not encourage excessive risk-taking. The basis of remuneration must be fixed remuneration. In some cases remuneration may be supplemented with a variable portion. Variable remuneration is based on individual goals that have been approved by the Board. Goals based on a profit assessment must use risk-adjusted profit measures.

The Bank may decide that variable remuneration should be forfeit, in whole or in part, where it is subsequently evident that the employee, the profit centre or the Bank has failed to meet the profit criteria. The Bank must also be able to refrain from paying out variable remuneration where its position has deteriorated considerably.

Variable remuneration
The bank's intention in the use of variable remuneration is to stimulate employees to achieve set goals that are of particular importance to the Bank. Variable remuneration is paid as a supplement to fixed remuneration for a few positions within the Bank's marketing, trading and customer service functions. Variable remuneration may amount to no more than 20% of the fixed salary. No variable remuneration is paid to members of the Bank's executive management. Nor is such remuneration paid to employees who make decisions about credit/limits or who work within the control functions that deal with compliance, risk control and internal audit.

Deferred remuneration
For positions that exert a not insignificant influence on the Bank's risk level and that may possibly attract a bonus, 50% of the variable remuneration shall not be paid until three years after the income period.

Other remuneration
The Bank may, in addition to remuneration in cash, offer employees benefits, such as in the form of a company car or healthcare and fitness benefits. Pension solutions are in line with collective agreements. The Bank may agree special pension and severance conditions.

Expensed amounts
The total amounts expensed during the financial year for remuneration by staff category and business area are shown in the tables below.

Staff category*	Fixed remuneration (SEK million)	Variable remuneration (SEK million)	Number of staff with fixed remuneration	Number of staff with variable remuneration
Executive management	15.1	–	9	–
Other employees, including other employees who could influence the Bank's risk level**	70.8	0.9	173	13
Total	85.9	0.9	182	13

* The "Executive management" category comprises the President and other members of the company management who are directly answerable to the Board of Directors or the President. The "Other employees who could influence the Bank's risk level" category comprises others who have been defined as separately regulated staff. Those responsible for the Bank's control function are members of the executive management.

** In accordance with the stipulations and general recommendations of the Swedish Financial Supervisory Authority, no quantitative information is provided for staff categories in which there are only a few individuals, for reasons of confidentiality. Quantitative information for the "Miscellaneous Employees" category is therefore reported together with the "Other Employees" category.

	Total (SEK million)
Passenger vehicle market	82.8
Truck market	3.9
Total	86.8

Expensed remuneration for the financial year amounted to SEK 86.8 million. Variable remuneration was paid entirely in cash. No remuneration was deferred and no variable remuneration has been promised.

There are no expensed amounts in relation to severance pay for the year. There is no additional promised severance pay and no guaranteed variable remuneration in relation to newly appointed staff.

PROFIT DISTRIBUTION
Proposed distribution of profits

Amounts in SEK thousand

	2013
Retained earnings	63,912
Net profit for the year	215,093
At the disposal of the Annual General Meeting	279,005
The Board proposes that the amount be distributed as follows: SEK 215.09 per share to be distributed to shareholders	215,093
Retained earnings to be carried forward	63,912

CAPITAL BASE
The framework for capital adequacy and major risk exposures requires institutes to have a capital base corresponding to at least the total capital requirement for credit risk, market risk and operating risk at all times as well as the calculated capital requirement for additional identified risks in operations in line with the Bank's internal capital assessment process. Following the proposed profit distribution, the capital base totals SEK 3,052 million (3,022) and the final minimum capital requirement totals SEK 1,281 million (1,307). A specification of the items is presented in "Risk and capital management".

The Board believes that the Bank's equity as reported in the annual report is sufficiently large in relation to the scope and risk of operations.

The earnings and financial position of the Bank are otherwise disclosed in the following statement of comprehensive income, balance sheet and statement of cash flows.

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Financial reports

RISK AND CAPITAL MANAGEMENT AND CAPITAL ADEQUACY ANALYSIS

Amounts in SEK thousand unless otherwise stated.

BACKGROUND

Volvofinans Bank AB (publ), corporate registration number 556069-0967, is expected to comply with the capital adequacy requirements of the Swedish Capital Adequacy and Large Exposures Act (2006:1371) (Swedish Capital Adequacy Act), and the Swedish Financial Supervisory Authority's stipulations and general recommendations on capital adequacy and exposures (FFFS 2007:1, including amendment provisions) (capital adequacy stipulations) and requirements for disclosure of information on capital adequacy and risk management (FFFS 2007:5). This annual report provides the information required by the above legislation and stipulations.

On 14 April 2011, the Swedish Financial Supervisory Authority (Finansinspektionen, FI) approved the Bank's IRB application to allow the calculation of capital requirements for credit risk using internal models (IRB) for household exposures and non credit-obligation asset exposures. This represents around 72% of the Bank's total exposures (including limits). At the same time, the Bank was given permission to use the standardised method for exposures to the Swedish government, Sweden's Riksbank and Swedish municipalities, as well as for the exposure categories of state and institutional exposures. The Bank was also given temporary permission to use the standardised method for portfolios that are insignificant in size until 31 December 2016. The Bank has until 14 April 2014 to apply and be given approval for the use of internal models for corporate exposures, too. In June 2013, the Bank therefore submitted an application for permission to apply internal models to the Bank's corporate exposures. This is still being processed by the Swedish Financial Supervisory Authority.

The new EMIR regulations will be applied by the Bank from 12 February 2014, while the new COREP regulations issued by the EBA will be used by the Bank during 2014.

RISK MANAGEMENT

An organisation's operations involve various risks, including credit risk, market risk, operational risk, liquidity risk, strategic risk and reputational risk. In an effort to limit and control risk-taking in operations, the Bank's Board, which has the ultimate responsibility for internal monitoring within the Bank, has issued policies and instructions for providing credit and for other financial operations.

The bank's Board has the overall responsibility for the Bank's risk management. The Board has delegated the responsibility to various other functions through special instructions within certain constraints. These functions report regularly to the Board.

The bank's risk management process aims to identify and analyse the risks faced by the Bank in its activities and determine appropriate limits and put effective internal monitoring systems in place. Risks are monitored and inspections are conducted regularly to ensure that limits are not exceeded. Risk policies and risk management systems are reviewed regularly to ensure they are appropriate and reflect current market conditions and the products and services offered. By means of training and clear processes, the Bank creates the conditions for reliable risk control, in which each employee understands his/her role and responsibility.

The Bank has an integrated function for independent risk control that reports directly to the President. The task of the Risk control function is to analyse the development of the risks and, if necessary, propose changes to control documents and processes. The function is also responsible for the design, implementation, reliability and monitoring of the Bank's risk classification system. A number of RCS coordinators were appointed by the function and these are responsible for the company's management of issues relating to risk, compliance and security within their respective areas. These people therefore represent the contacts for the function at the company.

The Bank's operations have a low-risk profile and risk management is conducted using preventive measures aimed at reducing and preventing risks and damage. Since financial products are offered to the customers, risks are evaluated against the expected return within the framework of the Bank's return requirements. Risk-taking is monitored. No speculative activities are permitted in operations.

To ensure that the Bank is sufficiently solid in the view of the market, the company's aim is to maintain, at all times, a capital base of at least 125% of the internal capital requirement.

CREDIT RISK

Credit risk refers to the risk that the Bank's counterparties may, for some reason, fail to fulfil their contractual obligations in respect of payment. These contracts may include various forms of loans, leases, guarantees, investments or derivative agreements.

The Board has the overall responsibility for the Bank's credit risk exposure. Using special instructions within certain frameworks, the Board has delegated responsibility to various executives.

The Bank's credit provision is characterised by stringent targets in terms of ethics, quality and control. Although credit risk constitutes a major risk exposure, the Bank's credit losses in relation to outstanding credit volumes are minimal.

Credit granted by the Volvo dealers, and later transferred to the Bank, takes place following a credit risk assessment using the Bank's credit rating tool, VF Score. VF Score produces a risk classification of a customer by processing the financial and internal credit information it has about the customer through a proprietary scorecard and rules. The tool produces a credit recommendation for approval, review or rejection based on the rules and points scored. Based on the recommendation and other known information about the customer, a credit decision is made to the effect that credit is either granted or refused by the instance that is entitled to make the decision in accordance with each unit's credit granting instructions.

Credit provision for loans and leases shall be selective insofar as credit customers must be of such high quality that credit losses can be kept at a consistently low level. Quality requirements must never be disregarded in an effort to attain a high credit volume. In respect of 79% of lending, the Bank has recourse rights on the dealer in question. In other words, the ultimate credit risk is borne by the dealer. Credit provision, for which the Bank assumes a direct risk vis-à-vis the counterparty, consists – in addition to credit card lending – primarily of car fleet financing through finance or operating leases for medium-sized and large companies. As the focus is on credit quality, business is only concluded with financially stable companies following detailed credit checks. The Bank's credit rating system, VF Score, has a special scorecard and rules for the expert assessment of companies.

The Bank's routines for monitoring payments that are due and unsettled receivables are aimed at minimising credit losses by identifying payment problems among borrowers early on and promptly managing dunning matters. A special dunning system automatically monitors payments and notifies when dunning action is required.

Quantifying credit risk

The Bank uses an internal risk classification system to measure credit risk. The system is based on models that measure credit risk on the basis of three factors:

(PD) – Probability of Default
(LGD) – Loss Given Default
(EAD) – Exposure at Default

According to FFFS 2007:1, a default is defined as being where a counterparty is more than 90 days late with a payment or where the institute has made an earlier assessment that the counterparty will not be able to fulfil its commitments. Moreover, a Conversion Factor (CF) is computed for calculating the amounts for off-balance sheet exposures.

Statistical scoring models have been used since January 2007 for household exposures (private individuals and small and medium-sized limited companies), while an expert-based model was introduced at the end of 2007 for company exposures (companies with revenues in excess of SEK 400 million or exposure at Volvofinans of over SEK 5 million).

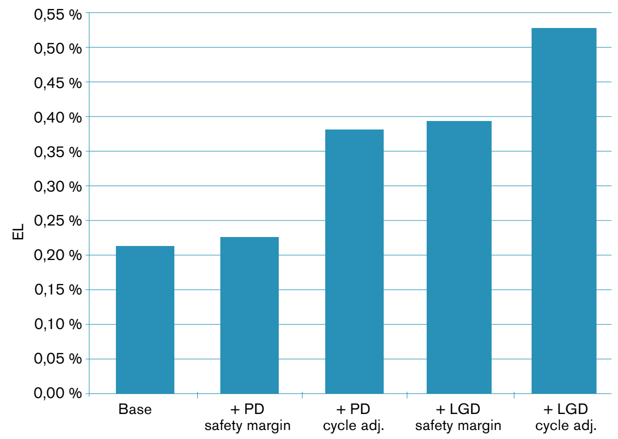
For household exposures, the risk of default is calculated for each individual exposure using statistical risk models, which are a component of risk modelling. Each exposure is allocated a risk category in PD on the basis of the individual risk estimate. A risk category therefore consists of a number of exposures with similar risk profiles and risk levels, which have also undergone a standardised risk process. The Bank refers to this process as risk classification. The Bank's statistical models are based on data from the period 2004–2011.

Product categories are used in the LGD and EAD risk aspects. For LGD, there is an underlying risk category structure for certain products, based on the level of borrowing for example. The level of loss in the financing portfolio is estimated for the end customer. This is in spite of the fact that the Bank has so-called recourse agreements with each dealer. This recourse means that the dealer takes over the debt when a payment becomes 180 days overdue. The Bank has suffered only negligible credit losses in these portfolios, primarily because of the aforementioned business model.

During 2013, responsibility for the handling of the Bank's claims and debt collection was outsourced to an external partner. In addition to this, a new procedure has been introduced for debt collection activities, whereby unsettled receivables are sold after 180 days. As a result of these changes, the institute has raised its LGD estimates for those portfolios affected.

A risk estimate is calculated for each risk category or product category, which describes the average risk for the risk category. The risk estimate for the risk category includes a safety margin designed to take into account uncertainty in the data, data quality and data access. The risk estimate for the risk category is adjusted in line with the prevailing economic conditions. PD should reflect the average of a business cycle and LGD/CF should mirror a recession. The Bank defines the period from the early 1990s onwards as a complete business cycle. The method used by the Bank to adjust for economic conditions with regard to PD is intended to keep the PD of the portfolios in the respective IRB sub-portfolio at a constant level. This means that the adjustment factor changes over time, with the proviso that it can never fall below 1. The measure used for unfavourable economic conditions is the years of crisis in the early 1990s. The Bank refers to the above process as risk category estimation. All the Bank's models fulfil the requirements of the regulations for five years of outcome data. In its risk category estimation, the Bank has made very conservative projections and applied large safety margins for both basic estimates and estimates adjusted for economic conditions. This is in order to ensure that the estimates used for capital adequacy do not result in the credit risk being underestimated.

The chart below provides an overview of how expected loss (EL) is affected by the different adjustments applied to PD and LGD. The diagram shows that the final estimate is more than 100% larger than the basic estimate.



Comparison with external rating agencies

The relationship between an external credit rating agency's rating (Standard & Poor's) and the Bank's own risk categories for PD is shown in the table below. The comparison is only indicative and is not intended to represent any binding relationship between the internal risk categories and Standard & Poor's rating.

Internal risk category	Indicative rating according to Standard & Poor's
1	AAA to A-
2	BBB+ to BBB-
3–4	BB+ to B+
5–6	B to B-
7	CCC/C
Default	D

Average risk weight per exposure category for household exposures

The table below shows the average risk weight per risk category for household exposures ("Other" subgroup). The table shows the reported exposure of the risk category as well as the exposure amount, taking into account the conversion factor (CF).

Risk category	Reported exposure	Amount of exposure	Risk-weighted amount	Risk weight as a %
1	7,509,736	12,905,292	1,786,455	13.84%
2	4,234,975	6,352,949	1,635,228	25.74%
3–4	2,806,583	3,296,330	1,406,348	42.66%
5-6	869,990	936,105	536,464	57.31%
7	182,776	186,954	120,271	64.33%
Defaulted	90,980	98,265	88,965	90.54%
Total	15,695,040	23,775,895	5,573,731	23.44%

* According to the "Total sum of all exposures without taking credit risk protection into account" table, the total amount of household exposures is SEK 25.2 billion compared with SEK 23.8 billion shown above. For the higher amount, the CF is calculated at 100% and, for the lower amount, the CF is calculated at 87% for Private individuals and 84% for Companies.

Validation

One of the most important elements of an internal risk classification system is the validation of the system. Validation is performed at least once a year and Risk control is responsible for the validation process and for performing this function.

The validation process must include a documented qualitative analysis and assessment of the design and application of the risk classification systems. A quantitative validation is performed on the accuracy of the model and it must be ensured that there are no systematic deviations. The results and conclusions from the validation are reported to the Board of Directors.

The table below shows predictions and outcomes. EL and LGD are average exposure-weighted, while PD is quantity-weighted. The large difference between prediction and outcome is the result of the various conservative projections that the Bank used while developing the model.

Prediction and outcome for IRB approved exposures	EL	PD	PD	LGD	LGD
Exposure category	Prediction	Prediction	Outcome	Prediction	Outcome
Households – other	0.53%	1.11%	0.63%	32.97%	22.27%

Other areas of application for the risk classification system

The risk classification system forms an integrated part of governance, the credit process, risk management and internal capital allocation. The Bank system also uses impairment, risk-adjusted pricing and market measures.

FUTURE FRAMEWORK

The finance and debt crisis has led to additional calls for more stringent regulation of the banks. The result has been a new proposed regulatory standard – Basel III. Basel III includes proposals for:

- higher capital requirements;
- greater requirements for the quality of the capital;
- the introduction of a non risk-based risk measurement (gross solvency); and
- quantitative liquidity requirements.

The new regulations will be introduced gradually, starting in 2014. The aim is that all changes shall be implemented by 2019. The implementation of Basel III has been decided at EU level under CRR/CRD IV. The regulations, CRR, will apply in Sweden from 1 January 2014, while the Directive, CRD IV, will be phased in over the year. The requirements in respect of capital are greater for banks that are critical to the system than for other banks. This includes the four major Swedish banks, but at a later stage the requirement for additional capital may apply to more banks.

CREDIT EXPOSURE

The Bank's maximum exposure to credit risk is presented below by class of financial instrument. The term "maximum credit exposure" includes undrawn credit card limits and 20% of undrawn dealer limits. There are no other loan pledges. For derivative instruments, an additional amount is calculated based on the term, the nature of the risk and the nominal amount. This is done for all derivative contracts, both those with positive and those with negative market values.

Total amount of all exposures irrespective of credit risk protection

All exposures are within Sweden.

Credit risk according to standardised method	2013	2012
Exposures to governments and central banks	162,326	193,705
Exposures to municipalities and comparable public bodies and authorities	1,341,239	1,089,588
Exposures to administrative bodies, non-commercial undertakings and religious societies	5,668	5,212
Institutional exposure*	2,721,613	1,975,081
Corporate exposures	5,926,220	6,635,876
Household exposures	423,604	454,727
Unsettled items	73,754	41,299
Covered bonds	1,272,558	635,347
Other items	10,833	8,733
Total according to the standardised method	11,937,815	11,039,568
Credit risk according to IRB		
Household exposure	25,216,384	25,532,880
Non-credit-obligation asset exposures	2,201,356	1,990,207
Total according to IRB	27,417,740	27,523,087
Total credit risk	39,355,555	38,562,655

*SEK 7.3 million (12.0) of which is add-on.

Total amount of all exposures with credit risk protection taken into account

As presented in the table above, the Bank's total credit risk exposure amounts to SEK 39,356 million (38,563) irrespective of credit risk protection. The recourse agreements with the dealers reduce the credit risk considerably. The right of recourse is to the amount of SEK 18,356 million (18,620). The Bank also has securities for trade and loan receivables in the form of guarantees to the amount of SEK 629 million (629), chattel mortgages of SEK 284 million (280), property mortgage certificates for SEK 5 million (5) and pledged loans and leases for SEK 2,112 million (1,869). The Bank's total exposure to credit risk, with credit risk protection taken into account, is thus SEK 17,970 million (17,160).

The Bank does not use credit risk protection to reduce the capital requirement.

Reconciliation of carrying amounts on the balance sheet

The table below presents a reconciliation of the carrying amounts of assets on the balance sheet and the amounts disclosed in the previous table as exposures irrespective of credit risk protection.

	2013	2012
Total assets as per the balance sheet	29,863,229	28,643,632
Additional items		
Total impairment	52,265	63,906
Undrawn limits accounts receivables	9,797,312	9,917,813
Undrawn limits lending to Volvo dealers	172,375	458,653
Price increase for counterparty risk in a derivative	7,286	12,038
Outgoing items		
Non-credit-obligation asset exposures*	- 528,156	- 510,801
Intangible non-current assets	- 8,756	- 22,586
Other items	–	–
Total	39,355,555	38,562,655

* Adjustment of the carrying amount of lease items that do not give rise to any exposure in capital adequacy reporting.

Average exposure for the period

Credit risk according to standardised method	2013	2012
Exposure to governments and central banks	188,993	158,806
Exposure to municipalities and comparable public bodies and authorities	1,155,543	881,859
Exposures to administrative bodies, non-commercial undertakings and religious societies	5,397	5,087
Institutional exposures	2,456,897	2,270,151
Corporate exposure	6,066,528	6,892,946
Household exposure	431,223	446,877
Unsettled items	74,027	77,907
Covered bonds	942,572	573,885
Other items	10,802	7,181
Total according to the standardised method	11,331,982	11,314,699
Credit risk according to IRB		
Household exposures *	25,102,477	25,971,404
Non-credit-obligation asset exposures	2,308,663	1,967,677
Total according to IRB	27,411,140	27,939,081
Total	38,743,122	39,253,780

* In terms of household exposures, the Bank has exposures only in the "Other household exposures" subgroup.

Distribution of exposures by branch and exposure category

2013	Trade: repair of motor vehicles	Transport and warehousing	Operations within legal, finance, etc.	Other	Total
Exposure to governments and central banks	–	30	1043	161,253	162,326
Exposure to municipalities and comparable public bodies and authorities	–	–	–	1,341,239	1,341,239
Exposures to administrative bodies, non-commercial entities and religious societies	–	–	–	5,668	5,668
Institutional exposure	–	–	–	2,721,613	2,721,613
Corporate exposure	1,258,330	1,404,463	1,367,455	1,895,972	5,926,220
Household exposures, standardised and IRB	991,234	1,438,348	824,689	22,385,717	25,639,988
Unsettled items	6,485	62,600	2,433	2,236	73,754
Covered bonds	–	–	–	1,272,558	1,272,558
Other items	–	–	–	10,833	10,833
Non-credit-obligation asset exposures IRB	–	–	–	2,201,356	2,201,356
Total	2,256,049	2,905,441	2,195,620	31,998,445	39,355,555

2012	Trade: repair of motor vehicles	Transport and warehousing	Operations within legal, finance, etc.	Other	Total
Exposure to governments and central banks	–	30	771	192,904	193,705
Exposure to municipalities and comparable public bodies and authorities	–	–	–	1,089,588	1,089,588
Exposure to administrative bodies, non-commercial entities and religious societies	–	–	–	5,212	5,212
Institutional exposure	–	–	–	1,975,081	1,975,081
Corporate exposure	1,436,789	1,662,059	1,363,334	2,173,694	6,635,876
Household exposure, standardised and IRB	1,010,646	1,565,166	783,190	22,628,605	25,987,607
Unsettled items	12,152	20,944	3,582	4,621	41,299
Covered bonds	–	–	–	635,347	635,347
Other items	–	–	–	8,733	8,733
Non-credit-obligation asset exposures IRB	–	–	–	1,990,207	1,990,207
Total	2,459,587	3,248,199	2,150,877	30,703,992	38,562,655

Remaining term of exposures, by exposure category

Contractually remaining term (carrying amount) and expected date of recovery.

2013	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total cash flow	No term
Exposure to governments and central banks	144,853	11,573	5,900	–	162,326	–
Exposure to municipalities and comparable public bodies and authorities	249,012	392,735	698,170	1,322	1,341,239	–
Exposure to administrative bodies, non-commercial entities and religious societies	1,198	1,268	3,202	–	5,668	–
Institutional exposure	2,594,252	7,066	120,295	–	2,721,613	–
Corporate exposure	1,673,967	2,158,147	2,080,024	14,082	5,926,220	–
Household exposure, standardised and IRB	12,410,259	3,477,328	9,662,180	90,221	25,639,988	–
Unsettled items	73,754	–	–	–	73,754	–
Covered bonds	50,000	431,000	791,558	–	1,272,558	–
Other items	–	–	–	–	–	10,833
Non-credit-obligation asset exposures IRB	217,585	896,856	1,073,983	1,066	2,189,490	11,866
Total	17,414,880	7,375,973	14,435,312	106,691	39,332,856	22,699

2012	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total cash flow	No term
Exposure to governments and central banks	169,449	7,860	16,396	–	193,705	–
Exposure to municipalities and comparable public bodies and authorities	67,026	210,009	810,363	2,190	1,089,588	–
Exposure to administrative bodies, non-commercial entities and religious societies	1,624	1,096	2,492	–	5,212	–
Institutional exposure	1,786,344	7,133	181,603	–	1,975,081	–
Corporate exposure	1,752,431	2,024,887	2,827,014	31,544	6,635,876	–
Household exposure, standardised and IRB	12,640,726	3,312,576	9,939,789	94,516	25,987,607	–
Unsettled items	41,299	–	–	–	41,299	–
Covered bonds	153,109	155,000	327,238	–	635,347	–
Other items	–	–	–	–	–	8,733
Non-credit-obligation asset exposures IRB	208,344	768,360	1,000,329	2,021	1,979,054	11,154
Total	16,820,352	6,486,921	15,105,224	130,271	38,542,768	19,887

Impairments

Problem credits (receivables more than 90 days overdue) amount to SEK 164,733 (148,325). The bank's impairment for loans that are more than 90 days overdue and are therefore considered as uncertain (individual impairments), and impairments for losses in groups of loans that it has still not been possible to attribute to individual receivables, are divided as shown in the table below.

	Individual impairments	Impairment for losses by groups of loans that it is still not possible to attribute to individual receivables	Total
Opening balance, 01/01/2012	- 95,355	- 13,538	- 108,893
OB includes reserve for receivables reported in 2012 as confirmed credit losses	62,649	–	62,649
Reversal of credit losses on capital receivables for the year	33,455	4,047	37,502
Impairment of credit losses on capital receivables for the year	- 2,133	- 3,012	- 5,145
Reversal of credit losses on interest receivables for the year	12,724	–	12,724
Impairment of credit losses on interest receivables for the year	- 94	–	- 94
Write-off of confirmed credit losses for the year	- 62,729	–	- 62,729
Received from previous years' confirmed losses	80	–	80
Closing balance, 31/12/2012	- 51,403	- 12,503	- 63,906
Of which write-down of interest receivables			- 272
Opening balance, 01/01/2013	- 51,403	- 12,503	- 63,906
OB includes reserve for receivables reported in 2013 as confirmed credit losses	17,212	–	17,212
Reversal of credit losses on capital receivables for the year	25,157	47	25,204
Impairment of credit losses on capital receivables for the year	- 9,186	- 3,844	- 13,031
Reversal of credit losses on interest receivables for the year	17	–	17
Impairment of credit losses on interest receivables for the year	- 549	–	- 549
Write-off of confirmed credit losses for the year	- 18,308	–	- 18,308
Received from previous years' confirmed losses	1,096	–	1,096
Closing balance, 31/12/2013	- 35,964	- 16,301	- 52,265
Of which write-down of interest receivables	–	–	804

Impairment by asset item

	2013	2012
Impairment		
Lending to the public, individual impairment	9,170	2,173
Lending to the public, impairment by group	16,765	12,967
Lending to the public, total	25,935	15,140
Property, plant and equipment, individual impairment	21,320	44,646
Property, plant and equipment, grouped impairment	402	347
Property, plant and equipment, total	21,722	44,993
Other assets, individual impairment	4,596	3,756
Other assets, reserve leasing income PV	12	17
Other assets, total	4,608	3,773
Total impairment	52,265	63,906
Effect on income		
Property, plant and equipment, reversal	24,418	4,036
Property, plant and equipment, impairment	- 1,147	- 513
Impairment of property, plant and equipment, Note 11	23,271	3,523
Plus adjustments for effective interest income on doubtful interest receivables	–	- 1,270
Changes to write downs of capital receivables according to the above	- 11,884	- 4,632
Changes to reversal of capital receivables according to the above	787	33,466
Confirmed credit losses for the year, net	- 18,308	- 62,729
Received from previous years' confirmed credit losses	1,096	80
Credit losses, net, according to Note 13	28,309	- 35,085

Exposures that are individually evaluated for impairment*, by key sector

2013	Receivables before impairment	Individual impairment	Carrying amount	Fair value collateral
Private individuals	32,026	- 7,414	24,612	19,922
Trade in and servicing of motor vehicles	5,595	- 531	5,064	5,160
Transport	91,887	- 1,014	90,873	87,087
Operations within legal, finance, science and technology	2,355	- 70	2,285	2,310
Other sectors	8,269,841	- 26,069	8,243,772	7,315,846
Total	8,401,704	- 35,098	8,366,606	7,430,325

2012	Receivables before impairment	Individual impairment	Carrying amount	Fair value collateral
Private individuals	30,641	- 703	29,938	30,861
Trade in and servicing of motor vehicles	1,241,171	- 43,218	1,197,953	700,301
Transport	1,454,577	- 966	1,453,611	1,270,168
Operations within legal, finance, science and technology	1,362,494	- 184	1,362,310	1,234,212
Other sectors	4,504,362	- 5,521	4,498,841	4,347,925
Total	8,593,245	- 50,592	8,542,653	7,583,467

* A receivable subject to impairment testing is an uncertain receivable, i.e. a receivable where the payments will probably not be fulfilled under the terms of the contract.

For more information, see Note 2 Financial assets measured at amortised cost.

Exposures that are individually evaluated for impairment, by segment

2013	Receivables before impairment	Individual impairment	Carrying amount	Fair value collateral
Household*	92,074	- 9,598	82,476	73,760
Company	8,309,630	- 25,500	8,284,130	7,356,565
Total	8,401,704	- 35,098	8,366,606	7,430,325

2012	Receivables before impairment	Individual impairment	Carrying amount	Fair value collateral
Household*	101,326	- 2,581	98,745	107,163
Company	8,491,919	- 48,011	8,443,908	7,476,304
Total	8,593,245	- 50,592	8,542,653	7,583,467

* Household is defined as private individuals and companies with sales of less than SEK 400 million or exposure with the Bank of less than SEK 5 million.

Exposures past due that are not individually evaluated for impairment, by key sector

2013	Carrying amount excl. provision by group	Fair value collateral
Private individuals	86,133	71,542
Trade in and servicing of motor vehicles	25,244	23,143
Transport	61,325	58,880
Operations within legal, finance, science and technology	137,971	9,099
Other sectors	76,510	56,234
Total	387,184	218,897

2012	Carrying amount excl. provision by group	Fair value collateral
Private individuals	111,949	91,132
Trade in and servicing of motor vehicles	22,734	18,131
Transport	122,174	118,320
Operations within legal, finance, science and technology	9,106	7,772
Other sectors	121,990	107,887
Total	387,953	343,242

Exposures past due that are not individually evaluated for impairment, by segment

2013	Carrying amount excl. provision by group	Fair value collateral
Household*	187,420	167,867
State, local government and county council	656	530
Company	199,108	50,501
Total	387,184	218,897

2012	Carrying amount excl. provision by group	Fair value collateral
Household*	223,508	198,705
State, local government and county council	2,218	2,118
Company	162,227	142,419
Total	387,953	343,242

* Household is defined as private individuals and companies with sales of less than SEK 400 million or exposure with the Bank of less than SEK 5 million.

Age analysis of exposures past due that are not individually evaluated for impairment

Carrying amount excl. provision by group	31/12/2013	31/12/2012
Overdue by 61–89 days	63,082	56,884
Overdue by 31–60 days	225,311	174,331
Overdue by 01–30 days	98,791	156,738
Total	387,184	387,953

Receivables with renegotiated terms that are not evaluated for impairment

In those cases where a contract is renegotiated with a customer, the due date may be moved forward. An assessment of the financed item is carried out when a contract is renegotiated. All renegotiated contracts are secured with adequate collateral. As at 31/12/2013, the total capital liabilities in relation to renegotiated agreements amounted to SEK 37 million (42).

There are no contracts for which capital liabilities have been written down or for which interest concessions have been agreed with the borrower.

Disclosures about the credit quality of receivables that are not impaired

The credit quality of receivables that are not impaired is very high. In the case of 87% (86) of household receivables, there is a very low risk, with the corresponding figure for corporate receivables at 91% (91). For further information about risk classes and risk class estimates, see the section on Credit Risk on page 23.

Lending to credit institutions

The credit quality of lending to credit institutions is very high. This item consists primarily of balances with the major Swedish banks that have ratings in the Aa3–Baa1 range on Moody's Scale on the balance sheet date.

COUNTERPARTY RISK

The Bank enters into derivative contracts with the sole purpose of eliminating interest rate risks and foreign exchange risks in interest-bearing loans and borrowings. The derivatives contracts consist of interest rate swaps and interest rate options. Counterparty risk arise when the Bank has entered into a derivative contract with a counterparty and that counterparty is unable to fulfil its contractual obligations. If the contract has a positive market value, default on the part of the counterparty entails a loss for the Bank. Netting agreements have been entered into with all derivative counterparties to limit the Bank's risk. Under a netting agreement, the positive and negative values of all derivative contracts with the counterparty are offset in the event of default. The counterparties may only consist of banks with which the Bank has a financing agreement and which have a high rating. The Bank's financial policy prescribes limits for counterparty risk and these limits are continuously monitored. In the event that counterparty risk exceeds the limit, as a result of market movements, no new business may be entered into unless the counterparty provides adequate collateral for the counterparty risk in excess of the limit.

The size of counterparty risk is influenced by the market value and varies with changes in market rates. The market value of swaps is determined using an analysis of discounted cash flows. The discount interest rates are based on official market rates. The Black-Scholes model is used to price interest rate options and the implied volatilities are based on official market rates.

As part of risk cover in the event that the settlement amount differs from the Bank's estimated market value in connection with default, a supplement is added. Standardised methods based on the nature of the underlying asset and the life of the underlying contract determine the calculation of the supplement. The supplementary amount is calculated using nominal amounts, both for contracts with a positive value and those with a negative value. At year-end, the Bank's compensation for counterparty risk in derivative contracts totalled SEK T 115,407 (169,073). The supplementary amount was calculated as SEK T 7,286 (12,038). The nominal amount for the Bank's outstanding derivative contracts at year-end was SEK 2,535 million (2,978).

The table below shows the Bank's counterparty exposure, i.e. the compensation (market value) and supplementary amount for potential changes in risk, by credit rating class according to Moody's Scale. See also Note 33.

SEK million		2013		2012	
Rating (short)	Rating (long)	Compensation amount	Supplementary amount	Compensation amount	Supplementary amount
P-1	Aa1	–	–	–	–
P-1	Aa2	–	–	–	–
P-1	Aa3	6.0	0.9	16.2	0.8
P-1	A1	97.7	5.8	77.1	5.8
P-1	A2	–	–	51.7	3.5
P-2	Baa1	11.7	0.6	24.0	2.0
Total	115.4	7.3	169.0	12.1	

CONCENTRATION RISK

The Bank's definition of credit concentration risk:

- Significant exposures to customers or groups of customers that are interrelated through their corporation.
- Significant exposures to groups of counterparties in which the probability of default relates to factors such as type of industry, geographical area, etc.
- Concentration in a certain form of collateral, such as a particular car brand.

The Bank's portfolio is not very diversified, as it largely consists of various forms of car financing, which results in a concentration that centres on cars as collateral. In addition, the Bank's activities are concentrated in the Swedish market.

The 30 largest customers account for 9% (10) of total lending. The bank's single largest lending market is Transport, which accounts for 8% (10) of total lending. The Bank uses a system that provides it with a picture of the overall counterparty commitment.

MARKET RISK

Interest rate risk in other operations

The Bank defines interest risk as the current and future risk that net interest income declines as a result of unfavourable changes in the interest rate.

Generally, interest rate risk arises when fixed interest terms for assets and liabilities do not match. The Bank endeavours to minimise this interest rate risk by aligning the fixed interest term for borrowing to that of lending. In the event the company judges that lending with long fixed interest rate periods is beneficial, interest rate swap agreements will be used to arrange this. Swap agreements are used when loans are made at a fixed interest rate. The Bank also offers customers financing at floating interest rates with an interest rate cap, and in this case, the company manages the interest rate risk by buying equivalent interest rate ceiling agreements at a portfolio level.

The financial policy states the extent to which the Bank may be exposed to interest rate risk. The policy is updated as required and is approved by the Board. The Board of Directors is informed regularly of the interest rate risk. The Bank performs a monthly stress test on the interest rate risk using a gap analysis to determine the impact on net interest income over a period of 12 months in the event of a parallel shift in the interest rate curve of one percentage point. The finance policy states limits that determine the size of the impact on earnings and how large the gaps may be for each period. As at 31 December 2013, interest rate risk amounted to SEK 52.7 million (52.8), which is equivalent to 1.7% (1.7%) of the capital base. In this calculation, equity, including untaxed reserves, is placed without a term. If the interest rate risk is instead measured as the economic impact in accordance with the Swedish Financial Supervisory Authority's regulations, but with the same assumption about interest rate shocks as above, the total on 31/12/2013 is SEK 6.4 million (6.5). Assuming a reasonable change in interest rate and a parallel shift in the interest rate curve of 0.25%, the estimated impact on the net interest income over a period of 12 months on 31 December 2013 is SEK 13.2 million (13.2).

Lending at fixed interest rates amounted to just over 0.3% of total lending on 31/12/2013. Interest rate risk exists in those cases where customers want early redemption of fixed rate loans, and where legislation and regulations prevent the Bank from extracting compensation for differences in interest rates. Developments are monitored on a monthly basis and provisions are made regularly to hedge the risk. The assumption made is that 20% of the average credit volume during the year is redeemed when 12 months of the portfolio's average original term has expired, at a decrease in interest rate of 1.5%.

Fixed interest terms for interest-bearing assets and liabilities

Nominal amounts in SEK million	Up to 1 month	> 1 month, up to 3 months	> 3 months, up to 6 months	> 6 months, up to 1 year	> 1 year, up to 3 years	> 3 years, up to 5 years	> 5 years	Equity	Total
2013									
Interest-bearing assets	26,818	1,529	2	14	34	22	1	–	28,420
Interest-bearing liabilities	- 15,486	- 6,370	- 250	- 250	- 1,375	–	–	–	- 23,731
Equity	–	–	–	–	–	–	–	- 3,385	- 3,385
Derivative instruments (nominal amount)	- 373	-1,435	247	235	1,353	- 27	–	–	–
Total	10,959	- 6,276	- 1	- 1	12	- 5	1	- 3,385	1,304
Cumulative exposure	10,959	4,683	4,682	4,681	4,693	4,688	4,689	1,304	
2012									
Interest-bearing assets	25,843	1,418	6	13	41	15	7	–	27,343
Interest-bearing liabilities	- 13,246	- 6,721	- 150	- 450	- 1,865	- 400	–	–	- 22,832
Equity	–	–	–	–	–	–	–	- 3,213	- 3,213
Derivative instruments (nominal amount)	- 582	- 2,065	- 11	446	1,824	387	–	–	- 1
Total	12,015	- 7,368	- 155	9	0	2	7	- 3,213	1,297
Cumulative exposure	12,015	4,647	4,492	4,501	4,501	4,503	4,510	1,297	

FOREIGN CURRENCY RISK

Volvofinans does not engage in foreign currency lending and its borrowing is normally in SEK, which means the company is not exposed to exchange rate fluctuations. Exchange rate risk arises when the Bank chooses to borrow funds in foreign currencies. The financial policy is to eliminate any risk of foreign exchange rate fluctuation. Interest rate and currency swap agreements are therefore entered into to eliminate any risk of foreign exchange rate fluctuation. The agreements that the Bank enters into have matching terms and conditions with the financing in foreign currencies, such as nominal amounts and interest rate payment dates, to ensure that any risk of foreign exchange rate fluctuation is effectively eliminated. However, minor effects may arise during the maturity period since there may be differences in the evaluation method for the hedged item and the hedge derivative. Currency exposure at year-end was zero (0).

For the carrying amounts of assets and liabilities in foreign currencies where such exist, see Notes 25 (Derivatives – assets and liabilities) and 27 (Liabilities to credit institutions and securities issued). There are no assets or liabilities in foreign currencies other than any which may be indicated here.

RESIDUAL VALUE RISK

The residual value risk is the risk that the residual value on a vehicle guaranteed by the Bank on the final day of the lease is lower than the actual market value and the Bank thereby sustains a loss. On 31 December 2013, the Bank reported impairment losses of SEK 13.6 million (38.1), due to the latent residual value risk, which are recognised as depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets. For some leases, the dealers guarantee the residual value of the leasing object upon expiry of the contract period. The guaranteed residual value is to the amount of SEK 2,718 million (2,490).

SHAREHOLDING RISK IN OTHER OPERATIONS

Shareholdings consist of unlisted shares valued at cost of acquisition in line with the cost method.

	2013	2012
Balance sheet value		
Group companies	6,740	6,740
Associated and other companies	11,913	9,426
Total	18,653	16,166
Fair value		
Group companies	6,787	6,787
Associated and other companies	11,913	9,426
Total	18,700	16,213
Unrealised gains or losses		
Group companies	–	–
Associated and other companies	7,865	5,379
Total	7,865	5,379

OPERATIONAL RISKS

Operational risk pertains to the risk of loss as a result of:

- Inappropriate or ineffective internal processes
- Human error
- Defective systems
- External events

The definition also includes legal risk.

Operational risk is divided into the following areas: internal irregularities, external crime, employment conditions and working environment, business conditions, disruptions and interruptions to operations and systems, transaction management and process control, technology and employees/organisation.

Operational risk exists in all operations in the Bank and in interaction with external parties. To identify operational risk, risk identification and internal assessment workshops are conducted on a regular basis with key personnel in the organisation. All identified operational risks are categorised according to handling and possible impact and are classified as "low risk", "medium risk" and "high risk". Managing operational risk is regulated in the Policy for operational risks.

The aim is that risk of loss is eliminated or prevented, limited and/or compensated in a targeted and organised manner using control documentation, policies and processes. These are collated in the Bank's four handbooks.

Management of operational risk is an ongoing process that is conducted using tools such as self-assessment and incident reporting to capture past incidents. These tools are also used to identify, monitor and correct operational risks. The Board and Company Management have overall responsibility for operational risks and are responsible for creating good risk awareness at the Bank.

The business areas/departments are responsible for the management of operational risk in their own businesses. All employees are responsible for protecting the Bank's assets against damage, abuse or loss. Incidents are reported to the manager or directly to an incident management system. The Bank's risk control unit is responsible for reviewing and monitoring operational risks. The risk control unit is responsible for compiling and reporting risk to the President and for following up risk-limiting actions from self-assessments as well as for monitoring changes in operations that may involve a change in exposure to operational risk.

LIQUIDITY RISK

Liquidity risk is the risk that payment obligations cannot be met on maturity without significant costs in terms of the means of payment or – in a worst-case scenario – cannot be met by any means.

Liquidity risk arises when lending and borrowing have mismatched maturity periods. When lending has a longer term than borrowing, refinancing will be required on several occasions. If the refinancing requirement on any one day is substantial, or if the capital market becomes illiquid, this may result in a liquidity shortfall.

Liquidity risk is managed in accordance with the Bank's financial policy. The Policy describes financial risks, including the liquidity risk, and states the extent to which the liquidity risk may occur. The President is responsible for ensuring that the policy is updated whenever required and is presented to the Board of the Bank for approval. In addition to the financial policy, there is the Bank's framework for managing liquidity risk, which is a control document containing guidelines, instructions and strategies for managing liquidity risk. The Bank's liquidity and financing strategy, as well as the preparedness plan, form central elements of this document. The framework is revised on a continuous basis and is approved once a year by the Board of Directors. The CFO is responsible for updating the document. The financial policy and the control document are basic documents governing the operations of the finance department, but they are also available to all personnel.

The operational work for managing liquidity risk is carried out at the Bank's finance department, where the current liquidity position is monitored daily. Analysis and internal reporting of due date structure and financing requirements are carried out on an ongoing basis. All this is with the aim of ensuring good payment preparedness and minimising the impact of any potential liquidity problems. The Bank also reports net cash outflows in order to ensure that the Bank's risk tolerance is not exceeded and the accumulated flows remain within defined limits. Monthly liquidity risk reporting to the Swedish Financial Supervisory Authority is compiled by the Bank's accounts department, in close cooperation with the finance department.

The Bank's liquidity coverage ratio at the year-end was 310%, with an average for 2013 of 244%. The Liquidity Coverage Ratio (LCR) is a short-term measure of liquidity and constitutes an element of reporting to the Swedish Financial Supervisory Authority in respect of liquidity risk.

In order to ensure flexible borrowing and to manage periods of disruptions to refinancing, there is a liquidity reserve. At year-end, this amounted to SEK 5.1 billion (3.4). The composition of the reserve, as regulated by an investment policy decided by the Board, should consist of immediately available bank funds and high-quality liquid interest-bearing securities in SEK. Balances held with other banks amounted to SEK 2.6 billion (50%) and the securities component to a nominal SEK 2.6 billion (50%). The size of the liquidity reserve must be such that operations can continue unrestricted in the event of a serious strain on liquidity, without the addition of new external financing, for a period of at least two months by using only the funds of the reserve. The Bank's liquidity reserve must not fall below 5% of lending, i.e. the items "lending to the public" and "lease items" on the balance sheet. At 31/12/2013, this ratio was 21% (14).

Liquidity reserve

Amounts in SEK million, securities according to market value	31/12/2013	31/12/2012
Balances held at other banks	2,585	1,776
Securities issued by the Swedish government	100	100
Securities issued by municipal authorities and other public bodies	1,192	925
Other covered bonds	1,273	635
Total	5,150	3,436

The Bank's credit facilities represent an important supplement to the liquidity reserve. These back up lines are mostly agreed with the company's core banks. The back-up lines of credit are normally not drawn upon and at year-end they totalled SEK 2.5 billion (3.9). They may be drawn upon on the same day for amounts up to SEK 1.5 billion over a 1–7 day term or otherwise 2–3 banking days after being requested. The agreements do not include "Material Adverse Change" (MAC) clauses or any financial covenants that may prevent utilisation. In addition to the above credit facilities with banks, an agreement has been signed with the company's shareholders, AB Volverkinvest and the Sixth Swedish National Pension Fund, for a liquidity injection of up to SEK 1.2 billion in the event of any liquidity problems.

Other liquidity-generating facilities

Undrawn limits, SEK million	31/12/2013	31/12/2012
Overdraft facilities at credit institutions	200	275
Credit facilities at credit institutions and owners	3,700	5,125
Total	3,900	5,400

According to the Bank's financial policy, all short-term borrowing (< 1 year) and 20% of deposits must be covered by credit facilities and liquidity reserve. Furthermore, the Bank is endeavouring to diversify its borrowing sources in respect of the forms of borrowing and geographical markets. In order to retain the loan maturity spread, amounts due in a single calendar week are limited. The proportion of long-term borrowing must be at least 60%; at 31 December 2013, this proportion was 68% (72).

Liquidity exposure – Contractually remaining term (nominal amount)

The interest rate flows in the table below are based on the interest rate on the balance sheet date, in those cases where loans and borrowing agreements have floating rates.

2013 SEK million	Paid on demand	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years	Total
Financial assets							
Chargeable treasury bills	–	312	337	640	–	–	1,289
Lending to credit institutions	2,585	–	–	–	–	–	2,585
Lending to the public	–	3,926	5,065	8,887	2,650	502	21,029
Bonds and other interest-bearing securities	–	50	431	785	–	–	1,266
Property, plant and equipment – lease items	–	494	2,097	1,407	29	–	4,027
Other assets, derivatives	–	26	30	59	–	–	116
Total	2,585	4,808	7,960	11,778	2,679	502	30,312
Financial liabilities							
Liabilities to credit institutions	–	10	31	1572	–	–	1,613
Deposits and borrowing from the public	14,166	1	2	101	–	–	14,269
Securities issued	–	1,207	2,161	4,008	1,409	–	8,786
Other liabilities, derivatives	–	–	–	–	–	–	–
Subordinated liabilities	–	–	–	–	–	–	–
Total	14,166	1,218	2,194	5,682	1,409	0	24,668
Net cash flow	- 11,580	3,589	5,766	6,097	1,200	502	
Undrawn credit facilities	1,700	3,700	2,950	–	–	–	
Liquidity gap	- 9,880	7,289	8,716	6,097	1,200	502	

2012 SEK million	Paid on demand	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years	Total
Financial assets							
Chargeable treasury bills	–	122	150	549	200	–	1,021
Lending to credit institutions	1,776	–	–	–	–	–	1,776
Lending to the public	–	4,160	4,717	8,763	2,681	523	20,844
Bonds and other interest-bearing securities	–	150	155	327	–	–	632
Property, plant and equipment – lease items	–	551	1,673	1,176	8	–	3,408
Other assets, derivatives	–	34	19	87	15	–	155
Total	1,776	5,017	6,714	10,902	2,905	523	27,836
Financial liabilities							
Liabilities to credit institutions	–	317	292	1,812	–	–	2,421
Deposits and borrowing from the public	11,688	1	2	104	–	–	11,795
Securities issued	–	842	2,121	5,328	1,232	–	9,523
Other liabilities, derivatives	–	0	0	0	0	–	0
Subordinated liabilities	–	–	–	–	–	–	–
Total	11,688	1,160	2,415	7,244	1,232	–	23,739
Net cash flow	- 9,912	3,857	4,299	3,658	1,673	523	
Undrawn credit facilities	2,025	5,125	3,625	500	–	–	
Liquidity gap	- 7,887	8,982	7,924	4,158	1,673	523	

Maturity analysis for liabilities including derivatives (nominal amounts)

In addition to the nominal amounts shown, the table below also includes the interest rate flows in those cases where borrowing agreements have floating rates, at the interest rates that the market forecasts on the balance sheet date for the various future interest rate payment dates.

2013 SEK million	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 3 years	More than 3 year and up to 5 years	More than 5 years	Total
Liabilities to credit institutions	- 10	- 30	- 1,575	–	–	- 1,615
Securities issued	- 1,151	- 2,030	- 3,864	- 1,386	–	- 8,431
Other liabilities, derivatives	- 1	- 2	- 101	–	–	- 104
Other assets, derivatives	26	32	58	–	–	116
Total	- 1,136	- 2,030	- 5,482	- 1,386	–	- 10,034

2012 SEK million	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 3 years	More than 3 year and up to 5 years	More than 5 years	Total
Liabilities to credit institutions	- 317	- 290	- 1,807	–	–	- 2,414
Securities issued	- 747	- 2,698	- 5,141	- 1,229	–	- 9,815
Other liabilities, derivatives	- 1	- 3	- 104	0	–	- 108
Other assets, derivatives	33	23	101	15	–	172
Total	- 1,032	- 2,968	- 6,952	- 1,214	–	- 12,166

STRATEGIC RISKS

Strategic risks refer to the risk of loss as a result of changes in market conditions and unfavourable business decisions, erroneous implementation of decisions or a lack of awareness of changes in market conditions. The Bank's definition of strategic risks includes earnings risk, customer behaviour, competitor behaviour, changes in regulations and general economic conditions.

The primary goal of risk management is to ensure that the Bank is aware of its strategic position and to enable it to prepare in good time for a declining market and stiffer or new competition. The Bank works proactively to chart its strategic position and prepares itself at an early stage to handle changes in market and competition conditions. Risk identification and self-assessment workshops with senior executives are conducted regularly in an effort to identify strategic risks. In addition, there are well-developed strategies for how the organisation should work with customers and cope with competition.

REPUTATIONAL RISKS

Reputational risk means the risk of loss as a result of a negative perception of the Bank on the part of customers, counterparties, shareholders, investors, and official authorities. The objective of risk management is to ensure that the Bank is perceived as highly transparent by all stakeholders and that stakeholders have a positive impression of the Bank.

Reputational risk is the most difficult risk to cover. The Bank has taken steps to deal with this risk as far as this is possible. There are regular risk identification and self-assessment workshops for senior executives. During the course of the year (and at least quarterly), the Bank meets with its banks and investors in order to detect any negative signals. Press releases and information on the website are natural features of the Bank's information programmes.

There is also a policy for complaint management. This describes the procedures for managing complaints, including the appointment of complaints managers and clear reporting channels.

CAPITAL ADEQUACY ANALYSIS

The Bank's capital requirements are set by the Swedish Capital Adequacy and Large Exposures Act (2006:1371) and the stipulations and general recommendations (FFFS 2007:1) on capital adequacy and large exposures of the Swedish Financial Supervisory Authority.

For the Bank's part, the rules help to strengthen the Bank's resistance to financial losses and thus protect the Bank's customers. The rules require the Bank's capital base (equity and any debenture loans, etc.) to cover the prescribed minimum capital requirements with a margin, which includes the capital requirements for credit risk, market risk and operational risk, and also to cover calculated capital requirements for other identified risks in its activities in accordance with the Bank's internal capital assessment process.

The Bank has a specific plan regarding the size of the capital base for a number of years ahead (capital plan), which is based on the risk profile, identified risks in respect of probability and financial impact, stress tests and scenario analyses, expected lending expansion and financing potential, as well as new legislation, competitors' behaviour and other factors in the business world.

The review of the capital plan is an integral part of work involved in the Bank's annual operations plan. Whenever required, the plan is followed up and an annual review is conducted to ensure that risk is correctly monitored and reflects the real risk profile and capital requirements. Like significant credit decisions and investments, each amendment/supplement to policies/strategy documents established by the Board is always related to the current and future capital requirements.

The statutory capital requirement, in accordance with Pillar I, is summarised as follows with specifications in accordance with the following section.

	2013	2012
Capital base		
Core tier 1 capital	3,051,695	3,022,212
Supplementary capital	–	–
Total capital base	3,051,695	3,022,212
Risk-weighted assets*		
Credit risk IRB	7,774,213	6,513,100
Credit risk according to standardised method	6,627,813	6,853,125
Operational risk according to base indicator method	1,088,613	1,045,950
Total risk-weighted assets	15,490,638	14,412,175
Adjustment for floor rules during the introductory phase of Basel II	519,188	1,920,063
Total risk-weighted assets	16,009,825	16,332,238
Capital adequacy without transitional rules		
Risk-weighted assets	15,490,638	14,412,175
Capital requirement, credit risk IRB (household)	621,937	521,048
Capital requirement, credit risk according to standardised method	530,225	548,250
Capital requirement, operational risk	87,089	83,676
Total minimum capital requirement without transitional rules	1,239,251	1,152,974
Capital adequacy ratio **	2.46	2.62
Capital adequacy level, % ***	19.70	20.97
Core tier 1 capital ratio, % ****	19.70	20.97

	2013	2012
Capital adequacy with transitional rules		
Risk-weighted assets	16,009,825	16,332,238
Capital requirement, credit risk IRB (retail)	621,937	521,048
Capital requirement, credit risk according to standardised method	530,225	548,250
Capital requirement, operational risk	87,089	83,676
Capital requirement, adjustment for floor rules	41,535	153,605
Total minimum capital requirement with transitional rules	1,280,786	1,306,579
Capital adequacy ratio **	2.38	2.31
Capital adequacy level, % ***	19.06	18.50
Core tier 1 capital ratio, % ****	19.06	18.50
Capital adequacy according to the Basel II standard		
Risk-weighted assets	21,717,663	22,365,250
Capital requirement, credit risk according to standardised method	1,650,324	1,705,544
Capital requirement, operational risk	87,089	83,676
Total minimum capital requirement according to the Basel II standard	1,737,413	1,789,220
Capital adequacy ratio **	1.76	1.69
Capital adequacy level, % ***	14.05	13.51
Core tier 1 capital ratio, % ****	14.05	13.51

* Risk-weighted assets means all assets in accordance with the balance sheet, excluding intangible assets and including undrawn limits and add-on derivatives (risk-weighted in accordance with the Basel II Capital Adequacy Regulations).
** Total capital base in relation to total capital requirement.
*** Capital base in relation to risk-weighted assets.
**** Core tier 1 capital in relation to risk-weighted assets.

Capital base

(Including the Board's profit distribution proposal)

	2013	2012
Core tier 1 capital		
Equity	483,912	483,912
Untaxed reserves 78.0% (78.0%)	2,685,683	2,685,683
Less: Intangible non-current assets	- 8,756	- 22,586
Less: Shortfall in IRB provisions	-109,144	- 124,797
Total core tier 1 capital	3,051,695	3,022,212
Total capital base	3,051,695	3,022,212

Capital requirement

	2013	2012
Credit risk according to standardised method		
Exposure to governments and central banks	–	–
Exposures to local government and comparable public bodies and authorities	–	–
Exposures to administrative bodies, non-commercial entities and religious societies	386	352
Institutional exposure	43,541	31,596
Corporate exposure	443,472	480,671
Household exposure	22,929	24,894
Unsettled items	8,850	4,956
Covered bonds	10,180	5,083
Other items	867	698
Total capital requirement for credit risk using the standardised method	530,225	548,250
Credit risk according to IRB		
Household exposure	445,901	361,892
Non-credit-obligation asset exposures	176,036	159,156
Total capital requirement for credit risk according to IRB	621,937	521,048
Operational risks		
Basic indicator method	87,089	83,676
Total capital requirement for operational risk	87,089	83,676
Total minimum capital requirement pursuant to Basel II	1,239,251	1,152,974
Adjustment for floor rules during the introductory phase of Basel II	41,535	153,605
Total minimum capital requirement pursuant to Basel II with transitional rules	1,280,786	1,306,579
Total minimum capital requirement pursuant to Basel I	2,104,636	2,075,744

The bank fulfils the minimum level for its capital base, which corresponds to a capital base that at least amounts to the total minimum capital requirement, and has a capital base that exceeds starting capital (the capital that was required when the company received permission to conduct financing operations).

Capital management

The Bank's strategies and methods for valuing and maintaining the capital base requirement pursuant to sections 1–2 of Chapter 2 of the Swedish Capital Management Adequacy Act derive from the Bank's risk management. Risk management is aimed at identifying and analysing the risks that the Bank encounters in its operations and setting appropriate limits for them and ensuring that a monitoring system is in place. Risks are monitored and inspections are conducted regularly to ensure that limits are not exceeded. The Bank has an integrated function for independent risk control – directly subordinate to the President – which is tasked with analysing the development of risks and proposing changes to control documentation and processes as required.

To ascertain whether the internal capital is sufficient for current and future operations, and to ensure that the capital is of the appropriate magnitude and composition, the Bank has a proprietary process for internal capital assessment. This process is a tool that ensures that the Bank can clearly and correctly identify, evaluate and manage all the risks to which the Bank is exposed and make an assessment of its internal capital requirement in relation to this. This process includes appropriate governance and control functions and risk management systems. Internal capital assessment is carried out at least once each year.

The starting point for internal capital assessment is risk identification and self-assessment workshops involving key personnel in the organisation. Risks have been quantified on the basis of the method considered most relevant by the bank for each risk category. An assessment of each risk category has subsequently been made with regard to whether additional capital is required to cover the specific risk category. The assessment is based on the Pillar 1 capital requirement and further capital is added where this is considered necessary for other risks. The internal capital assessment is then stress-tested to ensure that the capital level can be maintained even in pressure situations. The pressure situations are forward-looking and are based on a three-year business plan.

LONG-TERM OUTLOOK

	2009	2010	2011	2012	Amounts in SEK million 2013
Condensed balance sheet					
Chargeable treasury bills etc.	–	–	100	1,025	1,292
Lending to credit institutions	1,464	1,520	2,506	1,776	2,585
Lending to the public	13,625	13,914	14,638	13,087	12,479
Bonds and other interest-bearing securities	–	–	1,005	635	1,272
Intangible non-current assets	48	40	29	23	9
Property, plant and equipment	8,070	9,238	10,391	11,192	11,488
Shares and participations in the group and in associates and other companies	162	59	16	16	19
Other assets	845	659	791	890	719
Total assets	24,214	25,430	29,476	28,644	29,863
Borrowing	18,982	19,692	24,019	23,064	24,130
Other liabilities	1,246	1,595	1,577	1,610	1,591
Subordinated liabilities	209	203	–	–	–
Guarantee fund loan	200	200	–	–	–
Untaxed reserves	3,088	3,255	3,210	3,443	3,443
Equity	489	485	670	527	699
Total liabilities and equity	24,214	25,430	29,476	28,644	29,863
Condensed statement of comprehensive income					
Interest income	476	445	746	755	594
Lease income	2,328	2,531	2,968	3,269	3,477
Interest expenses	- 429	- 364	- 843	- 854	- 646
Dividends received	1	15	4	3	2
Commission income	302	304	305	321	333
Commission expenses	- 13	- 19	- 19	- 19	- 21
Net result of financial transactions	4	1	3	- 20	- 15
Total income	2,669	2,913	3,164	3,455	3,724
General administration expenses	- 232	- 223	- 224	- 260	- 268
Other operating expenses*	- 2,214	- 2,406	- 2,661	- 2,926	- 3,152
Credit losses, net	- 5	- 17	- 17	- 35	- 28
Total expenses	- 2,451	- 2,646	- 2,902	- 3,221	- 3,448
Income before tax	218	267	262	234	276
Net profit**	161	197	193	173	215

* Including depreciation/amortisation of property, plant and equipment and intangible non-current assets
** Net profit refers to profit after standard tax. In 2013, the tax rate was changed from 26.3% to 22%.

	2009	2010	2011	2012	2013
KPI					
Return on equity, %	6.16	7.34	6.79	5.68	6.80
Risk capital/balance sheet total, %	16.46	16.29	13.02	13.71	13.15
Deposits/Lending, %	8.78	10.86	28.40	48.55	59.52
Income/risk-weighted assets, %	1.08*	1.29*	1.46	1.43	1.73
Capital adequacy ratio with transitional rules	1.88*	1.93*	2.07	2.31	2.38
Capital adequacy level with transitional rules, %	15.07*	15.43*	16.58	18.50	19.06
Core tier 1 capital ratio with transitional rules, %	14.04*	14.45*	16.58	18.50	19.06
Capital adequacy ratio without transitional rules	–	–	2.37	2.62	2.46
Capital adequacy ratio without transitional rules, %	–	–	18.99	20.97	19.70
Core tier 1 capital ratio without transitional rules, %	–	–	18.99	20.97	19.70
Net interest/ø lending, %	0.93	1.09	1.01	1.08	1.12
Credit losses/ø lending, %	0.02	0.07	0.06	0.12	0.11
Operating expense/ø lending, %	1.22	1.16	1.07	1.15	1.10
E/I ratio	0.58	0.52	0.53	0.59	0.54
E/I ratio, excl. credit losses	0.57	0.49	0.50	0.53	0.49
E/I ratio, excl. net interest and credit losses	0.99	0.92	0.95	1.08	0.97
Average number of employees	198	186	174	177	182

* According to the Basel II standard.

DEFINITIONS OF THE KPI IN THE LONG-TERM OUTLOOK

Return on equity
Income after standard tax divided by the opening adjusted equity.
In the case of the Bank, equity is calculated after a standard tax of untaxed reserves.

Risk capital
The total of equity, guarantee fund loans, debenture loans and tax liabilities in untaxed reserves.

Risk-weighted assets
Definition, see page 46.

Core tier 1 capital ratio, capital adequacy level and capital adequacy ratio
Definition, see page 46.

Ø lending
The average of the preceding year's lending and leasing items.

E/I ratio
Operating expense in relation to operating income less depreciation on lease items.

INCOME STATEMENT

1 January – 31 December	2013	Amounts in SEK thousand 2012
Operating income		
Interest income, Note 4	593,590	755,122
Lease income, Note 5	3,477,151	3,269,077
Interest expenses, Note 4	- 645,923	- 854,131
Net interest	3,424,818	3,170,068
Dividends received, Note 6	2,487	2,755
Commission income, Note 7	333,086	321,415
Commission expenses, Note 8	- 21,291	- 18,932
Net result of financial transactions, Note 9	- 14,618	- 20,499
Total operating income	3,724,482	3,454,807
Operating expenses		
General administration expenses, Note 10	- 267,903	- 259,969
Depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets, Note 11	- 3,117,831	- 2,892,077
Other operating expenses, Note 12	- 34,212	- 33,519
Total operating expenses	-3,419,946	- 3,185,565
Profit before credit losses	304,536	269,242
Credit losses, net, Note 13	- 28,309	- 35,085
Operating profit	276,227	234,157
Appropriations, Note 14	–	- 233,370
Tax on income for the year, Note 15	- 61,134	- 787
Net profit for the year*	215,093	–

* Net profit for the year coincides with total comprehensive income for the year.

BALANCE SHEET

	31/12/2013	Amounts in SEK thousand 31/12/2012
Assets		
Chargeable treasury bills, etc., Note 16	1,291,747	1,024,689
Lending to credit institutions, Note 17	2,585,494	1,775,581
Lending to the public, Note 18	12,478,791	13,087,254
Bonds and other interest-bearing securities, Note 19	1,272,558	635,347
Shares and participations in Group companies, Note 20	6,740	6,740
Shares and participations in associated and other companies, Note 21	11,913	9,426
Intangible non-current assets, Note 22	8,756	22,586
Property, plant and equipment, inventory, Note 23	1,411	1,163
Property, plant and equipment, lease items, Note 23	11,486,812	11,190,510
Other assets, Notes 24, 25	676,366	795,132
Prepaid expenses and accrued income, Note 26	42,641	95,204
Total assets	29,863,229	28,643,632
Liabilities and equity		
Liabilities to credit institutions, Note 27	1,550,000	2,300,000
Deposits and borrowing from the public, Note 28	14,265,506	11,787,581
Securities issued, Note 27	8,314,508	8,975,675
Other liabilities, Notes 25, 29	756,300	751,676
Accrued expenses and prepaid income, Note 30	834,726	858,204
Total liabilities	25,721,040	24,673,136
Untaxed reserves, Note 31	3,443,184	3,443,184
Equity, Note 32		
Restricted equity:		
Share capital, (1,000,000 shares, par value SEK 400)	400,000	400,000
Statutory reserve fund	20,000	20,000
Unrestricted equity:		
Retained earnings	63,912	107,312
Net profit for the year	215,093	–
Total equity	699,005	527,312
Total liabilities and equity	29,863,229	28,643,632
Memorandum items		
Pledged assets	–	–
Contingent liabilities	–	–

CHANGES IN EQUITY

	Restricted equity		Unrestricted equity	Amounts in SEK thousand
	Share capital	Statutory reserve fund	Retained earnings, incl. net profit for the year	Total equity
Opening equity, 1 January 2012	400,000	20,000	250,012	670,012
Net profit for the year			–	–
Total change before transactions with shareholders	–	–	–	–
Dividend	–	–	- 142,700	- 142,700
Closing equity, 31 December 2012	400,000	20,000	107,312	527,312
Opening equity, 1 January 2013	400,000	20,000	107,312	527,312
Net profit for the year			215,093	215,093
Total change before transactions with shareholders	–	–	215,093	215,093
Dividends	–	–	- 43,400	- 43,400
Closing equity, 31 December 2013	400,000	20,000	279,005	699,005

STATEMENT OF CASH FLOWS

	2013	Amounts in SEK thousand 2012
Operating activities		
Operating profit	276,227	234,157
Adjustment for items not included in cash flow		
Unrealised portion of net result of financial transactions	- 14,371	- 20,499
Depreciation, amortisation and impairment	3,094,561	2,888,964
Credit losses	5,582	104,114
Disposal of intangible non-current assets	3,441	–
Tax paid	- 61,134	- 787
Changes in operating assets and liabilities		
Chargeable treasury bills and other bills	- 267,058	- 925,003
Lending to credit institutions	- 809,913	730,357
Lending to the public	602,045	1,459,658
Bonds and other interest-bearing securities	- 637,211	369,700
Other assets	172,164	- 98,963
Liabilities to credit institutions	- 750,000	- 1,033,800
Borrowing from the public	2,477,925	4,676,939
Securities issued	- 661,168	- 4,612,259
Other liabilities	- 4,483	53,195
Cash flows from operating activities	3,426,607	3,825,773
Investing activities		
Acquisition of intangible non-current assets	–	- 8,251
Investments in shares and participations	- 2,487	–
Sale/redemption of shares and participations	–	67
Acquisition of property, plant and equipment	- 6,463,201	- 6,339,437
Sale of property, plant and equipment	3,082,481	2,664,547
Cash flows from investing activities	- 3,383,207	- 3,683,073
Financing activities		
Dividend paid	- 43,400	- 142,700
Cash flows from financing activities	- 43,400	- 142,700
Cash flow for the year		
Cash and cash equivalents at start of year	–	–
Cash flows from operating activities	3,426,607	3,825,773
Cash flows from investing activities	- 3,383,207	- 3,683,073
Cash flows from financing activities	- 43,400	- 142,700
Cash and cash equivalents at end of year	–	–
Interest payments in the statement of cash flows		
Interest received	583,699	741,532
Interest paid	- 538,873	- 724,166

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Notes

Notes

Notes to the statement of comprehensive income and the balance sheet.

Amounts in SEK thousand unless otherwise stated.

Volvofinans Bank AB, hereinafter the Bank, operates exclusively in the Swedish market.

1. INFORMATION ABOUT THE BANK

The Bank is 50% owned by the Swedish Volvo dealerships through the holding company AB Volverkinvest, 40% owned by the Sixth Swedish National Pension Fund and 10% owned by Volvo Cars Group. The Bank conducts sales financing activities and credit card operations and has its registered office in Gothenburg, Sweden. Its address is Bohusgatan 15, Box 198, SE-401 23 Gothenburg, Sweden.

Based on chapter 7, section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), as of 31 December 2010 the Bank does not prepare consolidated financial statements as activities in the subsidiaries are of negligible value.

2. ACCOUNTING POLICIES

Contents

The Bank's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559) and the stipulations and general recommendations of the Swedish Financial Supervisory Authority in respect of credit institutions and securities companies (FFFS 2008:25), in accordance with the amendment provisions in FFFS 2009:11, as well as the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Bank applies so-called legally limited IFRS, referring to standards that have been adopted for application with the limitations that arise from Recommendation RFR 2 and FFFS 2008:25. This means that all IFRS and interpretation statements approved by the EU are applied as far as possible within the framework of the Swedish Annual Accounts Act and with due consideration of the relationship between accounting and taxation.

The annual accounts were approved for publication by the Board on 20 March 2014. The income statement and balance sheet will be put forward for adoption at the Annual General Meeting on 12 June 2014.

The accounting principles outlined below have been applied consistently to all periods shown in the financial reports unless otherwise indicated.

2.1 Basis of preparation of the Bank's financial statements

Assets and liabilities are reported at their historical acquisition cost. Financial assets and liabilities are measured at their amortised cost, apart from certain financial assets and liabilities, which are measured at fair value (see Note 34) or when hedge accounting at fair value is applied.

2.2 Functional currency and reporting currency

The Bank's functional currency is the Swedish Krona (SEK) and the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand.

2.3 Assessments and estimates in the financial statements

Preparation of the financial statements in compliance with IFRS requires the Bank's management to make critical judgements, accounting estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of factors that appear reasonable in the prevailing circumstances. The results of these estimates and assumptions are then used to assess the reported values for assets and liabilities that do not otherwise appear clearly from other sources. Actual outcomes may deviate from these estimates and assessments. The Bank has also primarily made the following critical judgements when applying significant accounting policies.

- Whether or not the hedge relationship is effective
- Whether the Bank assumes significant risks and benefits from the seller on acquisition of receivables and agreements

Areas in which uncertainty about estimates may exist are assumptions about credit loss impairment, impairment of leased assets and the assessment of residual value.

Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period during which the estimates were made if the change affects only that particular period, or in that period in which the amendment is made and future periods if the change affects the particular period and future periods.

2.4 Changes in accounting policies

Changes to IFRS with application from and for 2013 that have had a significant effect on the Bank's financial reporting.

IFRS 13 Fair Value Measurement represents a new uniform standard for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new standard has not meant any change to the way in which the Bank calculates fair value, nor does it mean that there are any new items which must be measured at fair value.

IFRS 7 Financial Instruments: Disclosures has meant additional disclosure requirements for the offsetting of financial assets and financial liabilities. These disclosure requirements apply to all reported financial instruments that are offset in accordance with section 42 of IAS 32, as well as reported instruments that are covered by a legally binding framework agreement to offset, or by a similar agreement, whether or not they are offset in accordance with section 42 of IAS 32. Has led to a new note in the Annual Report (see Note 33).

2.4.1 New IFRS and interpretations awaiting application

A number of new or amended IFRS come into force at the beginning of the new financial year and have not been applied early in the preparation of these financial statements. There are no plans for the early adoption of new/revised IFRS that will apply from the beginning of the next financial year onwards. The expected effects on the Bank's financial statements as a result of applying the new or revised IFRS are described below. In addition to this, the other new IFRS are not expected to affect the Bank's financial statements.

The IASB is working to produce a new standard, IFRS 9 Financial Instruments, which is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is not yet complete and has therefore not been adopted by the EU. Any impact of the future standard has not yet been evaluated.

2.5 Information concerning financial risk

Disclosures about financial risk are reported in the section on Risk and Capital Management and capital adequacy analysis, page 22.

2.6 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses and about which separate financial information is available. The performance of an operating segment is assessed regularly by the Bank's management to evaluate segment performance and to decide how to allocate resources to the operating segment. See Note 3 for further information on segments. Since the consolidated accounts are not prepared, the segment information for the parent bank is presented.

2.7 Subsidiaries and associated companies

Participations in subsidiaries and associated companies are reported at the Bank according to the cost method. All received dividends are recognised as income.

2.8 Foreign currency

Transactions in foreign currencies

The Bank's functional currency is the Swedish Krona (SEK). Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the rate prevailing on the balance sheet date. Exchange rate differences arising in relation to translation are reported in the statement of comprehensive income. Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the exchange rate at the date when fair value was determined.

2.9 Interest income and interest expense

Interest income on receivables and interest expense on liabilities are calculated and reported using the effective interest rate method. The effective interest rate is the rate that makes the present value of all estimated future incoming and outgoing payments during the anticipated fixed interest period equal to the reported value of the receivable or payable. Where relevant, interest income and interest expense include accrual amounts of fees received that are included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the original value of the receivable/payable and the amount settled on maturity.

Interest income and interest expense presented in the statement of income consist of:

- Interest on financial assets and liabilities measured at amortised cost using the effective interest rate method, including interest on problem credits
- Interest from derivatives for which hedge accounting is not applied is measured at fair value through the statement of comprehensive income
- Paid and accrued interest on derivatives that are hedging instruments and for which hedge accounting is applied
- Interest on financial assets and liabilities reported at fair value

In the case of interest derivatives used to hedge financial assets, the paid and accrued interest is reported as interest income, while in the case of interest derivatives that hedge financial liabilities, these are reported as part of interest expenses. Unrealised changes in the value of derivatives are reported in the item "Net result of financial transactions" (see below).

2.10 Commission and fees income

Income from fees and commissions is recognised when the amount of income can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Bank, the stage of completion of the transaction at the balance sheet date can be measured reliably, and the costs incurred and the costs to complete the services can be measured reliably. Income is valued at the fair value of what has been received or will be received.

2.11 Commission and fees earned when a specific service is performed

Such commission and fees are generally related to a specifically completed transaction and are immediately reported as income. These fees and commission include various types of notification fees and charge card and credit card fees.

2.12 Commission expenses

Expenses for services received insofar as they are not to be viewed as interest, such as expenses for clearing and bank giro, depot charges and expenses paid to Upplysningscentralen (Sweden's credit information agency), are reported here. Transaction costs recognised in the measurement of the effective rate of interest are not reported here.

2.13 Commission and fees included in the effective interest rate

Commission and fees that form an integral part of the effective interest rate are reported for financial instruments valued at amortised cost as part of the acquisition cost of the related liability accrued using the effective interest rate method and are therefore reported as interest expenses and not as commission expenses. Such commission and fees consist primarily of arrangement fees for loans and fees for the provision of credit facilities or other types of loan pledge where it is likely that the credit facility will be drawn.

2.14 Classification of leases and recognition of lease income

Financial leasing agreements are reported in accordance with RFR 2 according to the applicable rules for operational leasing agreements, including the disclosure requirement. All leases are thus recognised in accordance with the rules for operating leases, which stipulate that assets for which leasing agreements are concluded (irrespective of whether the agreements are financial or operational) must be reported on the same line in the balance sheet as the corresponding assets owned by the Bank. The "Lease income" item in the statement of comprehensive income includes gross lease income, i.e. before scheduled depreciation.

Lease income (see Note 5 for further information) – net from financial leases that are reported as operating leases – includes scheduled depreciation that is accrued and reported according to the annuity method over the term of the lease (see also Basis of depreciation). This means that these agreements give rise to a higher net income at the beginning of the term of the agreement and a lower net income at the end of the contractual term.

Lease income (see Note 5 for further information) – net from lease agreements where the financial implications are that operating leases include scheduled depreciation that is accrued and reported according to the annuity method over the term of the lease (see also Basis of depreciation). This means that net income remains constant over the term of the agreement.

2.15 General administration expenses

General administration expenses encompass personnel costs, including wages/salaries and fees, bonuses and commission, pension costs, payroll fees and other social security expenses. Rental, auditing, training, IT, telecommunications, travel and entertainment expenses are also reported here.

2.16 Taxes

Income taxes consist of current tax and deferred tax. Income taxes are reported in the statement of comprehensive income, except where the underlying transaction is reported directly against equity, in which case the associated tax effect is reported in equity.

Current tax is tax that is to be paid or received during the current tax year, based on the tax rates enacted or substantively enacted at the balance sheet date; this also includes any adjustments of current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the reported values and the values for tax purposes of assets and liabilities. Temporary differences are not recognised for differences arising in connection with the initial reporting of goodwill or for the initial reporting of assets and liabilities that are not acquisitions of operations, which on the date of the transaction do not affect either reported or taxable earnings. In addition, temporary differences attributable to shares in associated companies that are not expected to be reversed in the foreseeable future are not recognised.

The valuation of deferred tax is based on how the underlying assets or liabilities are realised or settled. Deferred tax is calculated using the tax rates and the tax law that is enacted or substantively enacted at the balance sheet date.

Deferred tax receivables in respect of deductible temporary differences and loss carry-forwards are reported only insofar as these are likely to be utilised. The value of deferred tax receivables is reduced when it is deemed unlikely that these will be utilised. The "Tax on income for the year" item includes current tax, deferred tax and tax for previous years.

2.17 Net result of financial transactions

The "Net result of financial transactions" item includes the realised and unrealised changes in value resulting from financial transactions. The net result of financial transactions consists of:

- Capital gains/losses from the sale of financial liabilities valued at amortised cost
- Realised and unrealised changes in the value of derivative instruments that are financial hedging instruments, but for which hedge accounting is not applied
- Capital gains/losses from the sale of financial assets at fair value through the statement of comprehensive income
- Realised changes in the fair value of hedged items in respect of hedged risk in the hedging of fair value
- Unrealised changes in the fair value of derivatives for which hedge accounting at fair value is applied
- Unrealised changes in the fair value of hedged items in respect of hedged risk in the hedging of fair value
- Unrealised changes in the fair value of assets at fair value through the statement of comprehensive income
- Exchange rate fluctuations

2.18 Financial instruments

Financial instruments reported on the balance sheet include, on the assets side, chargeable treasury bills, lending to credit institutions, lending to the public, bonds and other interest-bearing securities and other assets and accrued income. Chargeable treasury bills, bonds and other interest-bearing securities are currently classified partly as financial assets at fair value through the statement of comprehensive income and partly as investments held to maturity. Financial assets in the category of financial assets at fair value through the statement of comprehensive income are valued on an ongoing basis at fair value, with value changes reported in the statement of comprehensive income. Other assets include trade receivables as well as positive market values for derivatives. Accrued income consists of accrued interest income. Financial instruments on the liabilities side include liabilities to credit institutions, borrowing from the public, securities issued, subordinated liabilities and other liabilities and accrued expenses. Other liabilities include accounts payable and negative values for derivatives. Accrued expenses are accrued interest expenses.

2.18.1 Reporting in and removal from the balance sheet

A financial asset or financial liability is reported in the balance sheet when the Bank becomes a party to the instrument pursuant to the instrument's contractual terms and conditions.

A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the Bank loses control over them. This also applies to some financial assets. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise expires. This also applies to some financial liabilities.

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when there is a legal right to offset amounts and there is the intention to settle the items as a net amount or simultaneously realise the asset and settle the liability.

The acquisition and sale of financial assets are reported on the transaction date, which is the date on which the bank pledges to acquire or sell the asset. Loan pledges are not reported in the balance sheet. Loan receivables are reported in the balance sheet in connection with the loan amount being paid out to the borrower. An impairment for loan pledges granted is made if the pledge is irrevocable and is granted to the borrower whereby a need for impairment testing is identified before the loan is paid out or where the lending rate does not cover the Bank's borrowing costs required to finance the loan.

2.18.2 Classification and valuation

Financial instruments are initially reported at the instrument's fair value plus a supplement for transaction costs, except for derivatives and those instruments that fall in the category of financial asset reported at fair value in the statement of comprehensive income, which are reported at fair value excluding transaction costs. A financial instrument is classified on initial reporting partly on the basis of the purpose for which the instrument was acquired, but also on the basis of the options available in IAS 39. Classification determines how the financial instrument is to be valued after initial reporting as described below.

The bank classifies financial instruments into six categories in accordance with IAS 39:

Loan receivables and trade receivables
Include the Bank's lending, trade receivables and certain other assets.

Financial assets at fair value through the statement of comprehensive income
Financial assets at fair value through the statement of comprehensive income consist of derivatives with a positive closing value that are not included in hedge accounting, including other chargeable securities as well as bonds and other interest-bearing securities where these at the time of acquisition have been classified as financial assets at fair value.

Financial liabilities at fair value through the income statement
Consist of derivatives with a negative closing value.

Investments held to maturity
Consist of derivatives with a positive closing value that are not included in hedge accounting, other chargeable securities as well as bonds and other interest-bearing securities where these at the time of acquisition have been classified as financial assets at fair value.

Non-financial liabilities
Consist of discounts, negotiated commission and other liabilities.

Other financial liabilities
Consist of the Bank's borrowing, partly from credit institutions and partly through securities issued, as well as other liabilities such as accounts payable.

Note 34, Fair value assets and liabilities by category, shows the category to which the Bank's financial assets and liabilities belong.

When financial assets and liabilities are reported initially, they are valued at fair value. Loan receivables and trade receivables and other financial liabilities are then valued continually at their amortised cost. Amortised cost is calculated using the effective interest rate method. The instruments are valued continually using the effective rate of interest.

The Bank uses derivative instruments to protect itself against the interest rate risk of fixed-interest borrowing and the exchange rate risk of borrowing in foreign currency. The derivative instruments not used in hedge accounting fall into the category of financial assets at fair value through the statement of comprehensive income. These derivatives represent financial hedges and are used in risk management for floating rate borrowing in foreign currency, but the Bank has concluded that there is no reason to apply hedge accounting for them. These instruments are measured at fair value with changes in value reported through the statement of comprehensive income.

2.18.3 Measurement of financial instruments at fair value

The methods used to measure financial instruments at fair value are described in Note 34.

2.19 Hedge accounting

The Bank uses derivatives to hedge against interest rate risks and foreign exchange risks. It uses hedge accounting for the interest rate risk of fixed-interest borrowing and for the derivatives used to reduce the inherent risk. The Bank applies hedge accounting to financial hedging relations only where the effect on earnings, in the opinion of the Bank, would be far too misleading if hedge accounting were not applied. The Bank applies hedge accounting, fair value hedging.

For other financial hedging, where the effect on earnings of not applying hedge accounting is deemed to be more limited, hedge accounting is not applied in view of the additional administrative work involved in hedge accounting.

Hedge accounting means that the hedge instrument (derivative) is measured at fair value. The value of the hedged item is adjusted according to market rate changes. The change in value is not affected by any change in the Bank's credit spread. The effect of the changes in value is recognised through the statement of comprehensive income.

Meeting the requirements of hedge accounting in line with IAS 39 requires that there is a definite link to the hedged item. Further requirements are that the hedge is effective in offsetting the designated risk in the hedged item, that hedging documentation is drawn up, and that the effectiveness can be measured reliably. Hedge accounting may be applied only if the hedging relationship is expected to be highly effective and in retrospect has a level of effectiveness in the range of 80–125%. In cases where the conditions for hedge accounting are no longer fulfilled, the derivative instrument is recognised at fair value with the change in value through the statement of comprehensive income. Hedge accounting ceases in the event that the hedge instrument is sold, in the event that the hedge relationship no longer meets the terms and conditions, or where the hedging relationship is discontinued. When the hedging relationship ceases, the accumulated gains and losses that adjusted the hedged item are accrued in the statement of comprehensive income. The value adjustment is immediately recognised in the income statement in those cases where the hedged item is sold and the gains or losses are realised.

2.20 Embedded derivatives

The primary rule is that embedded derivatives are separated from the host contract. Embedded derivatives are not separated if their financial characteristics and risks are closely associated with the host contract's financial characteristics and risks. The Bank has embedded derivatives in the form of interest rate cap agreements for some of its lending. However, the derivatives are not separated as the risks are closely associated with the host contract.

2.21 Testing for impairment of loan receivables

On each reporting date, the Bank assesses whether there is any objective evidence to indicate that a loan receivable or group of loan receivables require impairment as a result of one or more events (loss events) after the receivable was initially recognised and that these loss events have an impact on the estimated future cash flows from the receivable or group of receivables.

The Bank assesses whether problem credits should be reviewed for impairment and whether a credit loss should be reported on an individual basis. Impairment is reported on the balance sheet in a special impairment account that reduces the carrying amount of the receivable and is reported as a credit loss in the statement of comprehensive income. See Note 13.

Objective evidence that loan receivables should be reviewed individually for impairment may be that the borrower is more than 90 days behind with contractual payments. Other objective evidence may be information regarding substantial financial difficulties that has come to the notice of the Bank through an analysis of financial statements, or in some other way, as part of the ongoing evaluation of a customer's creditworthiness, which is an integral component of the Bank's system and procedures for managing credit risk.

The Bank also determines the need for individual impairment testing based on the following loss events:

a) significant financial difficulties of the debtor;
b) a breach of contract, such as failure to pay or delayed payment of interest or capital amount;
c) granting by the lender, for financial or legal reasons that relate to the borrower's financial difficulties, of a concession that the lender would not otherwise have considered;
d) it is likely that the borrower will declare bankruptcy or undergo some other form of financial restructuring; or
e) observable data indicates that there is a measurable reduction in the future cash flows from a group of financial assets after these assets were reported initially, although the reduction cannot be identified as pertaining to any of the individual financial assets in the group.

Concessions granted to the Bank's borrowers as a result of the financial difficulties of the borrower may also constitute objective evidence that the loan must be evaluated individually for impairment.

Household loans that are evaluated individually for impairment and where no impairment has been identified are included in an additional evaluation with other loans with similar credit risk characteristics in order to determine whether impairment exists on a group level. There is no equivalent group impairment evaluation for corporate credits. One reason for evaluating for impairment at group level is that, despite the loan not being considered doubtful on an individual level, the Bank does not have full knowledge of all the factors that are relevant for an individual evaluation on the balance sheet date. An additional group impairment has therefore been made to deal with this information lag and to make provision for losses that have arisen but have not yet come to the Bank's attention.

2.22 Credit losses and impairment of financial instruments

Vehicle financing

The Bank's stock of credit consists primarily of vehicle financing. Loan and lease credit accounts for the majority of the total lending for financing of vehicles. This is transferred or pledged to the Bank by the dealer, with collateral in the form of the vehicles through right of repossession or ownership rights. Under these agreements, the dealer bears the ultimate credit risk for these credit contracts where required by the Bank.

In order for impairment to be recognised and a loss to arise for the Bank due to these contracts, the following circumstances would have to occur:

1. The end customer suspends payments and
2. The dealer lacks the means to pay and
3. the market value of the repossessed vehicle is less than the residual value shown in the contract.

2.23 Impairment for credit losses

2.23.1 Household segment

In the case of household exposures, individual credit losses that have occurred and losses that have occurred in the group of loans, but which can still not be attributed to individual loans using statistical risk models, are evaluated to ascertain any need for impairment.

Lending to the household segment is divided into risk categories. A risk category consists of a number of exposures with similar risk profiles and risk levels, which have undergone a standardised risk process (risk classification) and which have similar credit risk characteristics. A risk estimate is calculated for each risk category, which describes the probability that payments on the loan will be more than 90 days late over the next 12 months. The risk estimate for defaulted receivables (receivables overdue by more than 90 days) is 100%.

The Bank considers that when payments on loans are more than 90 days overdue (defaulted receivables), there is objective evidence that the loans should be individually evaluated for impairment. In addition to this evidence, the Bank takes into account other information that indicates the inability of the customer to fulfil contractual obligations. In the case of the additional impairment by group where it has not yet been possible to attribute the need for impairment to individual credits, the Bank regards customers that migrate to a less favourable risk category as observable evidence that the group of loans should be evaluated for impairment.

The Bank derives the expected cash flows for the loans and groups of loans for which impairment has been recognised from the data and information that has been collected within the framework of the Bank's method of determining capital requirement. The future cash flows are determined using the same fundamental principles that are used in capital adequacy, i.e. loss given default (LGD) and probability of default (PD). Since there are a number of differences between the rules for capital adequacy and a neutral estimate of expected future cash flows, this data is revised in a number of respects so that it provides an adequate base for impairment evaluation.

2.23.2 Corporate segment

Impairment of corporate credit risk is based on a manual review of all receivables. The Bank considers that when payments are more than 90 days overdue there is observable evidence that loans in the corporate segment should be evaluated for impairment. In addition to this evidence, the Bank takes into account other information that indicates the inability of the customer to fulfil contractual obligations.

The carrying amount after impairment of assets in the categories of loan receivables and trade receivables, which are reported at amortised cost, is calculated as the present value of future cash flows, discounted at the effective rate of interest that applied when the asset was initially recognised. Short-term assets are not discounted. Any impairment is reported in the statement of comprehensive income.

In the case of doubtful receivables, for which the reported value after impairment is calculated as the total discounted value of future cash flows, the change in the impaired amount is reported as interest insofar as the increase does not depend on the reassessment of the expected cash flows. In the event of a change in the assessment of expected future cash flows from a doubtful loan between two assessment dates, this change is reported as a credit loss or recovery of a credit loss.

2.23.3 Reversal of impairment

Impairment is reversed if there is evidence that the need to review for impairment no longer exists and there has been a change in the underlying assumption for the measurement of the impaired amount. An impairment of a loan receivable is reversed if the borrower is expected to fulfil all contractual payments in accordance with the original or restructured loan conditions. Reversal of the impairment of loans (credit losses) is reported as a decrease in credit losses.

Any impairment of loan receivables and trade receivables that is reported at amortised cost is reversed if a subsequent increase in the recoverable value can objectively be attributed to an event that occurred after the impairment was made.

2.23.4 Write-off of loan receivables

Loan receivables classified as doubtful are written off from the balance sheet when the credit loss is deemed confirmed, which is when the receiver in bankruptcy has submitted an estimate of the payment in the bankruptcy, the composition proposal is accepted, or the receivable is conceded in some other manner when the loan receivable is sold to a third party.

Following write-off, loan receivables are no longer reported in the balance sheet. The recovery of previous write-offs is reported as a decrease in credit losses on the "Credit losses, net" line.

2.24 Property, plant and equipment

2.24.1 Assets owned

Property, plant and equipment are reported as assets on the balance sheet if it is likely that future economic benefits will flow to the bank and the acquisition cost of the assets can be measured reliably.

Property, plant and equipment are reported at acquisition cost after deductions for accumulated depreciation and any impairment, as well as additions for any write-ups.

The reported value for any property, plant and equipment is removed from the balance sheet on scrapping or sale, or when no future economic benefit is expected from the use or scrapping/sale of the asset. Gains or losses arising from the sale or scrapping of an asset consist of the difference between the sale price and the asset's reported value, less the direct selling expenses. Gains and losses are reported as other operating income/expenses.

2.24.2 Leased assets for which the Bank is the lessor

All leases are recognised in accordance with the rules for operating leases, which stipulate that assets for which leasing agreements are concluded (irrespective of whether the agreements are financial or operational) must be reported on the same line in the balance sheet as the corresponding assets owned by the bank.

2.24.3 Additional expenses

Additional expenses are added to the acquisition cost only in the event that it is likely that future economic benefits associated with the asset will flow to the Bank and the acquisition cost can be measured reliably. All other additional expenses are reported as a cost in the period in which they arise.

A key factor in determining when an additional expense is added to the acquisition cost is whether the expense pertains to the replacement of identified components, or parts thereof, in which case such expenses are capitalised. Expenses are also added to the acquisition cost when new components are created. Any non-depreciated reported values for replaced components, or parts of components, are discarded and expensed in connection with the replacement. Repairs are expensed continually.

2.24.4 Basis of amortisation

Depreciation is applied on a linear basis over the estimated useful life of equipment. Finance leases that are reported as operating leases are depreciated according to the annuity method and operating leases are depreciated on a linear basis. The estimated useful life of inventories is 5 years and of lease items is according to the contractual term. The depreciation methods applied and the residual value and useful life of assets are reviewed at the end of each year.

2.25 Property, plant and equipment

2.25.1 Development

Development expenses, where the results or other knowledge are applied in order to achieve new or enhanced products or processes, are reported as an asset on the balance sheet if the product or process is technically and commercially viable and the Bank has sufficient resources to complete the development and can subsequently use or sell the intangible non-current asset. The carrying amount includes directly attributable expenses, such as materials and services, employee benefits, registration of legal rights, amortisation of patents and licences and borrowing costs in accordance with IAS 23. Other development expenditure is expensed in the statement of comprehensive income as it arises. The development costs recognised in the balance sheet are reported at acquisition cost less accumulated depreciation and any impairment.

2.25.2 Licences
Acquired licences are reported at acquisition cost less accumulated amortisation and impairment.

2.25.3 Additional expenses
Additional expenses for capitalised intangible non-current assets are only reported as an asset in the balance sheet if they increase the future economic benefits arising from the specific asset to which they are attributable. All other expenditure is expensed as it arises.

2.25.4 Basis of amortisation
Amortisation is reported in the statement of comprehensive income on a linear basis over the estimated useful life of the intangible non-current asset. The useful life periods are reviewed at least annually. Amortisable intangible non-current assets are amortised as of the date that they become available for use. The estimated useful life of the assets is:

- Software 3–5 years
- Licences 3 years

2.26 Impairment of property, plant and equipment and intangible non-current assets, and shares in subsidiaries and associates

2.26.1 Impairment testing
The reported values for the Bank's assets are tested at each balance sheet date to determine whether there are any indications that impairment is required. Any indication of an impairment requirement is calculated in accordance with IAS 36, Impairment of Assets.

If it is not possible to determine significant independent cash flows for a particular asset when evaluating impairment, the assets should be grouped at the lowest level at which it is possible to identify significant independent cash flows. This is referred to as a cash-generating unit.

Impairment is reported when the reported value of an asset or cash-generating unit (group of units) exceeds the recoverable amount. Any impairment is reported in the statement of comprehensive income. The impairment of assets attributable to a cash-generating unit (group of units) is allocated initially to goodwill. Subsequently, a proportional impairment is made of other assets included in the unit (group of units).

The recoverable amount is the higher of the fair value, less selling expenses, and the value in use. In calculating the value in use, future cash flow is discounted using a discount factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

2.26.2 Reversal of impairment
Impairment is reversed if there is an indication that the need to review for impairment no longer exists and there has been a change in the underlying assumption for the measurement of the recoverable amount. A reversal is made only insofar as the asset's carrying amount after reversal does not exceed the carrying amount that should have been reported, less depreciation, if no impairment had been made.

2.27 Liabilities and equity

When the Bank issues a financial instrument it shall classify the instrument, or its component parts on initial recognition, as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. Instruments that can be classified as equity in accordance with legislation or other stipulations are nevertheless reported as equity even where the substance of the contractual arrangement indicates that the instrument is a debt instrument.

2.27.1 Share capital
Dividends
Dividends are reported as a liability following the approval of the Annual General Meeting.

2.27.2 Severance pay
2.27.2.1 Retirement pension through insurance
The Bank's pension plans for salaried personnel covered by collective agreement are secured by means of insurance agreements with Alecta. Under IAS 19, a defined-contribution plan is a plan for remuneration following the termination of employment, according to which the bank pays fixed fees to a separate legal entity and has no legal or informal obligation to pay further fees if the legal entity does not have sufficient assets to pay all benefits to employees that are attributable to the period of service during the current period and earlier. A defined-benefit pension plan is defined as any plan for benefits following the termination of employment other than a defined contribution plan.

The pension plan for the Bank's employees is deemed to be a multi-employer defined benefit plan. However, the Bank has concluded that "UFR 6 Multi-employer pension plans" is also applicable to the Bank's pension plan. The Bank does not have sufficient information to allow for recognition under IAS 19, and pension plans are therefore recognised as defined-contribution plans under UFR 6. The Bank's obligations relating to fees for defined-contribution plans are recognised as expense in the statement of comprehensive income at the rate they are earned by employees providing service to the Bank during a period.

2.27.2.2 Termination benefits
The cost of remuneration relating to the termination of employment of personnel is only recognised if the Bank is demonstrably obliged, without any realistic possibility of recourse, by a formal detailed plan to terminate employment before the normal date. Where benefits are offered to encourage voluntary redundancy, a cost is reported if it is likely that the offer will be accepted and the number of employees accepting the offer can be measured reliably.

2.27.2.3 Short-term remuneration
Short-term employee benefits are calculated without discounting and reported as a cost when the related services are performed. A provision is reported for the expected cost involved in bonus payments where the Bank has a legally binding or informal obligation to make such payments as a result of the performance of services by employees and the obligation can be measured reliably.

2.28 Appropriations

Appropriations include allocations to, and utilisation of, untaxed reserves. Untaxed reserves are reported including the deferred tax liability.

2.29 Group contribution

Group contributions received from subsidiaries are reported in the statement of comprehensive income according to the same principles as dividends from subsidiaries. Group contributions paid to subsidiaries are reported in the statement of comprehensive income.

3. SEGMENT REPORTING

The Bank's operations are divided into operating segments based on the business areas that the Bank's chief operating decision maker is monitoring. Operations are organised so that the management monitors the profit, returns and cash flows generated by the various services. The internal reporting procedures are therefore structured so that the management can monitor the performance of all services. The passenger vehicle market (PV) and truck market (LV) have been identified by the Bank on the basis of these reporting procedures.

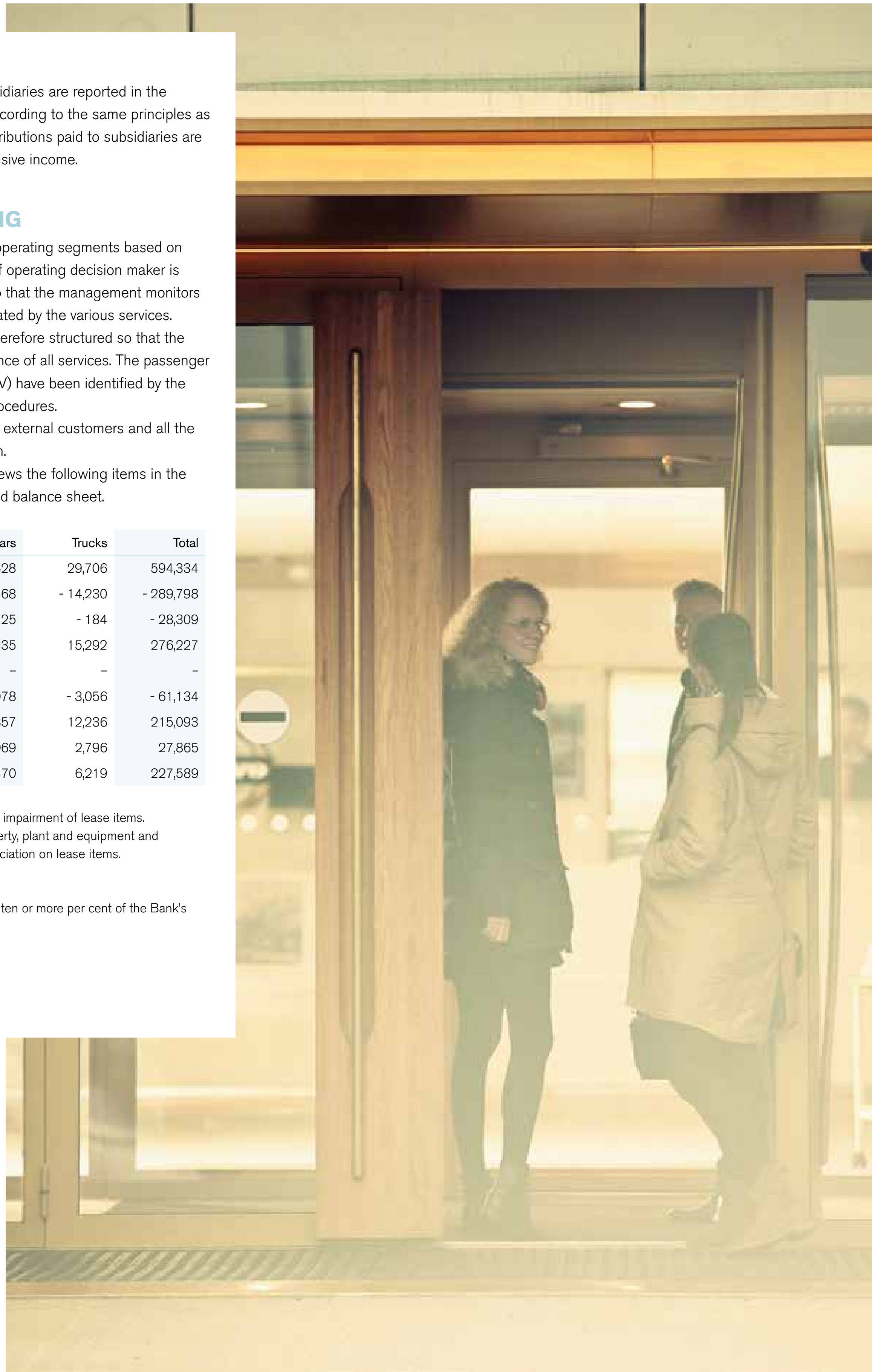
All operating income proceeds from external customers and all the Bank's operations take place in Sweden.

The management monitors and reviews the following items in the statement of comprehensive income and balance sheet.

Jan – Dec 2013	Cars	Trucks	Total
Operating income*	564,628	29,706	594,334
Expenses**	- 275,568	- 14,230	- 289,798
Credit losses***	- 28,125	- 184	- 28,309
Operating profit	260,935	15,292	276,227
Provisions for appropriations	–	–	–
Tax on profit for the year	- 58,078	- 3,056	- 61,134
Net profit for the year	202,857	12,236	215,093
Lending volume Ø, SEK million	25,069	2,796	27,865
Number of contracts Ø	221,370	6,219	227,589

* Operating income including depreciation and impairment of lease items.
** Including depreciation/amortisation of property, plant and equipment and intangible non-current assets excluding depreciation on lease items.
***Including impairment.

There are no large customers that account for ten or more per cent of the Bank's revenue.



Income statement

4. INTEREST INCOME AND INTEREST EXPENSE

	2013	2012
Interest income		
Lending to credit institutions	22,445	38,543
Lending to the public	542,795	691,204
Interest-bearing securities	28,051	25,375
Other interest income	299	–
Total	593,590	755,122
Of which interest income from financial items not measured at fair value	593,048	754,222
Interest expenses		
Liabilities to credit institutions	- 51,495	- 102,511
Deposits and borrowing from the public	-291,334	- 306,578
Cost of deposit guarantee	- 9,820	- 6,540
Interest-bearing securities	- 262,040	- 401,281
Subordinated liabilities (incl. guarantee fund loan)	–	–
Other interest expenses	- 31,234	- 37,221
Total	- 645,923	- 854,131
Of which interest expenses from financial items not measured at fair value	566,479	731,387
Total net interest	- 52,333	- 99,009

Interest income from items measured at fair value is negative. The income relates to the swaps used to eliminate the risk of interest rate changes in fixed rate lending. No interest has been reported as income in relation to problem credits.

5. LEASE INCOME AND ACCUMULATED NET INTEREST

All leases are recognised on the balance sheet as operating leases (even if the content of the contract constitutes financial leasing) and the income from these leases is recognised as lease income (gross).

Lease income, net

	2013	2012
Lease income from contracts recognised as operating leases	3,477,151	3,269,077
Scheduled depreciation on leases recognised as operating leases	- 3,130,150	- 2,880,665
Lease income from contracts recognised as operating leases, net	347,001	388,412

Accumulated net interest

	2013	2012
Lease income from financial leases (recognised as operating leases on the balance sheet)	2,312,249	2,133,153
Scheduled depreciation on financial leases (recognised as operating leases on the balance sheet)	- 2,081,721	- 1,879,711
Lease income net from financial leases*	230,528	253,442
Interest income	593,590	755,122
Interest expenses	- 645,923	- 854,131
Accumulated net interest***	178,195	154,433
Total net lease and interest income		
Lease income from contracts recognised as operating leases, net	347,001	388,412
Net interest according to Note 4	- 52,333	- 99,009
Total net lease and interest income	294,668	289,403
Interest margin**	0.69%	0.51%
Average rate of interest, lending	3.37%	4.14%
Average rate of interest on deposits (incl. cost of deposit guarantee)	2.35%	2.96%

* Financial leases are reported as operating leases, net.
** Total interest income as a percentage of the average balance sheet total minus total interest expenses as a percentage of the average balance sheet total excluding average equity and untaxed reserves.
*** Accumulated net interest is influenced partly by the interest expenses of financing operating leases and partly by the Bank building up a liquidity reserve.

6. DIVIDENDS RECEIVED

	2013	2012
Shares and participations in associated companies	2,487	2,755
Percentage of profit in Group companies*	–	–
Total	2,487	2,755

* See also Note 20.

7. COMMISSION INCOME

	2013	2012
Commission income Credit card	189,794	183,303
Commission income Loans and Leases	143,292	138,033
Total	333,086	321,336

8. COMMISSION EXPENSES

	2013	2012
Commission money transmission services	- 3,543	- 4,119
Other commission	- 17,748	- 14,674
Total	- 21,291	- 18,793

9. NET RESULT OF FINANCIAL TRANSACTIONS

	2013	2012
Interest-bearing securities	- 14,618	- 20,499
Exchange rate fluctuations	–	–
Total	- 14,618	- 20,499

Gains/losses by valuation category, including exchange rate changes

	2013	2012
Derivative assets* designed for risk management, hedge accounting not applied	- 2	- 249
Financial assets at fair value through the statement of comprehensive income	- 2,040	- 1,661
Derivative liabilities* designed for risk management, hedge accounting not applied	358	619
Financial liabilities at amortised cost**	- 10,499	- 19,998
Change in fair value of derivatives that are hedge instruments in fair value hedges	- 36,695	3,453
Change in fair value of hedged items in respect of hedged risk in fair value hedges	34,260	- 2,663
Total	- 14,618	- 20,499

* Derivative assets/liabilities are financial assets/liabilities held for trading.
** Also includes realised gains and losses in the repurchase of own borrowings.

10. GENERAL ADMINISTRATION EXPENSES

	2013	2012
Salaries and remuneration	- 87,959	- 81,394
Social security expenses	- 26,971	- 25,684
Cost of pension premiums*	- 10,171	- 10,501
Payroll tax	- 2,428	- 2,477
Other personnel costs	- 3,284	- 3,676
Total personnel costs	- 130,813	- 123,732
Postage and telephone	- 3,699	- 6,002
IT costs	- 108,196	- 102,668
Consulting services	- 2,275	- 2,324
Rent and other premises costs	- 10,592	- 12,319
Other	- 12,328	- 12,858
Total other general administrative costs	- 137,090	- 136,171
Total general administration costs	- 267,903	- 259,903

* Pension premiums to Alecta included at SEK 4,353 (4,704).

Salaries and other remuneration distributed among the senior executives and other employees, as well as social security expenses

	2013			2012		
	Senior executives (12 people)	Other employees	Total	Senior executives (18 people)	Other employees	Total
Salaries and other remuneration	- 16,321	- 71,638	- 87,959	- 12,468	- 68,926	- 81,394
of which variable remuneration	–	- 867	- 867	–	- 300	- 300
Total	- 16,321	- 71,638	- 87,959	- 12,468	- 68,926	- 81,394
Social security expenses *			- 39,570			- 38,662
* of which pension costs			- 12,599			- 12,978

Salaries and remuneration to senior executives

	Basic salary/fee	Variable remunera-tion	Other benefits	Pension costs	Total
2013					
Chairman of the Board	- 335	–	–	–	- 335
Board Members (5 people)	- 855	–	–	–	- 855
President	- 5,259	–	- 134	- 757	- 6,150
Other senior executives (7 people)*	- 9,872	–	- 628	- 2,469	- 12,969
Total	- 16,321	–	- 762	- 3,226	- 20,309
2012					
Chairman of the Board	- 245	–	–	–	- 245
Board Members (7 people)	- 645	–	–	–	- 645
President	- 2,615	–	- 90	- 645	- 3,350
Other senior executives (9 people)	- 8,963	–	- 602	- 2,313	- 11,878
Total	- 12,468	–	- 692	- 2,958	- 16,118

Fees are paid to the Board members in accordance with the decision of the Annual General Meeting. Remuneration to the President is determined by the Board after a proposal from the remuneration committee. The retirement age, according to contract, is 65. In the event of the termination of the employment of the President by the Bank, severance pay shall consist of 6 months' salary and a maximum of an additional 12 months if new employment is not secured. The remuneration committee consists of the Chairman of the Board and one other Board member. Variable remuneration does not apply to the Bank's management, to employees who make decisions about credit/limits or who work within the Compliance, Risk control and Internal Audit control functions.

* The number of people in the management group has fallen due to the reorganisation in autumn 2013.

Remuneration of the Board of Directors

Name	Position	2013	2012
Urmas Kruusval	Chairman	- 335	- 245
Anders Gustafsson	Member	- 130	- 100
Bob Persson	Member	- 130	- 100
Christina Brinck	Member	- 130	- 50
Per Avander	Member	- 130	- 50
Tommy Andersson	Member	- 204	- 145
Alexandra Nilsson	Former member	–	- 50
Jan Pettersson	Former member	–	- 50
Janola Gustafson	Deputy	- 33	–
Jonas Eriksson	Deputy	- 65	–
Hans Oscarsson	Former member	–	- 50
Owe Orrbeck	Deputy	- 33	- 50
Total		- 1,190	- 890

Personnel information

	2013 Men	2013 Women	2013 Total	2012 Men	2012 Women	2012 Total
Average number of employees	72	110	182	73	104	177
Executive management, by gender distribution						
President	1	–	1	1	–	1
Board of Directors	5	1	6	6	1	7
Other senior executives	4	4	8	4	5	9
Total	10	5	15	11	6	17

Fees and cost compensation for auditors

KPMG	2013	2012
Auditing assignments	- 1,300	- 1,281
Auditing activities in addition to the audit	- 134	- 92
Tax advice	- 33	- 27
Other services	- 970	- 1,194
Total	- 2,437	- 2,594

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE NON-CURRENT ASSETS

	2013	2012
Scheduled amortisation	- 3,141,102	- 2,895,600
Reversed impairment for the year	24,418	4,036
Impairment	- 1,147	- 513
Total	- 3,117,831	- 2,892,077
Scheduled amortisation		
Equipment	- 563	- 526
Lease items	- 3,130,150	- 2,880,665
Intangible non-current assets	- 10,389	- 14,409
Total	- 3,141,102	- 2,895,600
Impairment, net		
Lease items	23,271	3,523
Total	23,271	3,523

* Impairment relating to property, plant and equipment (lease items) is reported for the previous year in Note 13.

12. OTHER OPERATING EXPENSES

	2013	2012
Fees to central organisations	- 1,872	- 1,619
Insurance costs	- 371	- 299
Marketing costs	- 31,936	- 31,584
Other operating expenses	- 33	- 17
Total	- 34,212	- 33,519

13. CREDIT LOSSES, NET

	2013	2012
Individually valued receivables		
Write-off of confirmed credit losses for the year	- 18,308	- 62,729
Impairment for the year	- 8,039	- 2,890
Received from previous years' confirmed credit losses	1,096	80
Reversed provisions no longer required for probable credit losses	739	29,419
Net cost for individually valued receivables for the year	- 24,512	- 36,120
Group valued receivables		
Impairment for the year	- 3,844	- 3,012
Reversed provisions no longer required for probable credit losses	47	4,047
Net cost for grouped valued receivables for the year	- 3,797	1,035
Total net costs	- 28,309	- 35,085

14. APPROPRIATIONS

	2013	2012
Change in tax allocation reserve	–	–
Unscheduled depreciation	–	- 233,370
Total	–	- 233,370

15. TAX ON PROFIT FOR THE YEAR

	2013	2012
Tax expense for the year	- 61,134	- 787
Total reported tax expense	- 61,134	- 787

	2013	2013	2012	2012
Reconciliation of effective tax				
Income before tax		276,227		787
Tax at applicable tax rate	- 22,0%	- 60,770	- 26.3%	- 207
Non-deductible expenses	- 0.2%	- 432	- 73.9%	- 582
Untaxable income	0.0%	68	0.2%	2
Reported effective tax	- 22.2%	- 61,134	- 100.0%	- 787

Balance sheet

16. CHARGEABLE TREASURY BILLS ETC.

	Nominal value	Carrying amount	Nominal value	Carrying amount
	31/12/2013	31/12/2013	31/12/2012	31/12/2012
Securities issued by governments	100,000	99,827	100,000	99,825
Securities issued by municipal authorities and other public bodies	1,189,000	1,191,920	920,800	924,864
Total	1,289,000	1,291,747	1,020,800	1,024,689

17. LENDING TO CREDIT INSTITUTIONS

	31/12/2013	31/12/2012
Outstanding receivables in Swedish currency, gross	2,585,494	1,775,581
of which to Swedish business banks	2,585,490	1,775,578
of which payable on demand	2,585,494	1,775,581

18. LENDING TO THE PUBLIC

The Bank's total lending, including lease items, amounts to SEK 23,965,603 (24,277,764). The stated values are reduced after credit risk impairment for each credit. The values are SEK 25,935 (15,140) lower than the gross value of the receivables. (See also Note 23 and the table Impairment by asset item.)

	31/12/2013	31/12/2012
Outstanding receivables in Swedish currency, gross	12,504,726	13,102,394
Impairment for credit losses	- 25,935	- 15,140
Carrying amount, net	12,478,791	13,087,254
Impairment		
Opening balance, 1 January	- 15,140	- 56,763
Impairment for the year	- 16,592	- 4,568
Reversed provisions no longer required for probable credit losses	5,797	46,191
Closing balance, 31 December	- 25,935	- 15,140

19. BONDS AND OTHER INTEREST-BEARING SECURITIES

	Nominal value	Carrying amount	Nominal value	Carrying amount
	31/12/2013	31/12/2013	31/12/2012	31/12/2012
Securities issued by non-financial companies	1,266,238	1,272,558	632,238	635,347
Total	1,266,238	1,272,558	632,238	635,347

20. SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	Corp. ID no.	Registered office	Result 2013
Unlisted securities			
Automanagement AR AB	556268-7052	Gothenburg	–
Volvofinans IT AB	556004-3621	Gothenburg	–
Volvofinans Leasing AB	556037-5734	Gothenburg	–
Autofinans Nordic AB	556094-7284	Gothenburg	–

	Number of shares	Nom. value	Carrying amount 2013	Carrying amount 2012
Shares in wholly-owned Group companies				
Automanagement AR AB	2,000	200	240	240
Volvofinans IT AB	400	200	240	240
Volvofinans Leasing AB	10,000	1,000	1,200	1,200
Autofinans Nordic AB	50,000	5,000	5,060	5,060
Total carrying amount of shareholdings			6,740	6,740

21. SHARES AND PARTICIPATIONS IN ASSOCIATED AND OTHER COMPANIES

	31/12/2013	31/12/2012
Unlisted securities		
Reported value, 1 January	9,426	9,494
Payment of the results of limited partnerships for previous year	–	- 2,823
Participation in the results of limited partnerships for the year	2,487	2,755
Reported value 31 December	11,913	9,426

	Profit	Equity	Share of equity	Carrying amount
2013				
Visa Inc C	–	48	–	48
Volvohandelns PV Försäljnings AB, corp. ID no. 556430-4748, Gothenburg, Sweden	2,018	31,563	10,416	1,000
Volvohandelns PV Försäljnings KB, corp. ID no. 916839-7009, Gothenburg, Sweden	10,258	47,092	8,351	8,351
VCC Tjänstebilar KB, corp. ID no. 969673-1950, Gothenburg, Sweden	- 311	10,088	1,562	1,562
VCC Försäljnings KB, corp. ID no. 969712-0153, Gothenburg, Sweden	–	3,524	952	952
Total	11,965	92,315	21,281	11,913
2012				
Visa Inc C	–	48	–	48
Volvohandelns PV Försäljnings AB, corp. ID no. 556430-4748, Gothenburg, Sweden	2,156	29,545	9,750	1,000
Volvohandelns PV Försäljnings KB, corp. ID no. 916839-7009, Gothenburg, Sweden	11,020	36,834	5,786	5,786
VCC Tjänstebilar KB, corp. ID no. 969673-1950, Gothenburg, Sweden	–	10,399	1,640	1,640
VCC Försäljnings KB, corp. ID no. 969712-0153, Gothenburg, Sweden	–	3,524	952	952
Total	13,176	80,350	18,128	9,426

Volvohandelns PV Försäljnings AB is the general partner in all limited partnership companies.

22. INTANGIBLE NON-CURRENT ASSETS

	Research expenditure	Licences	Total
Accumulated acquisition cost			
Opening balance, 01/01/2012	107,164	5,759	112,923
Internally developed assets	8,250	–	8,250
Closing balance, 31/12/2012	115,414	5,759	121,173
Opening balance, 01/01/2013	115,414	5,759	121,173
Internally developed assets	–	–	–
Scrapping	- 3,441	–	- 3,441
Closing balance, 31/12/2013	111,973	5,759	117,732
Accumulated amortisation			
Opening balance, 01/01/2012	- 78,420	- 5,759	- 84,179
Amortisation for the year	- 14,408	–	- 14,408
Closing balance, 31/12/2012	- 92,828	- 5,759	- 98,587
Opening balance, 01/01/2013	- 92,828	- 5,759	- 98,587
Amortisation for the year	- 10,389	–	- 10,389
Closing balance, 31/12/2013	- 103,217	- 5,759	- 108,976
Carrying amounts			
31/12/2012	22,586	–	22,586
31/12/2013	8,756	–	8,756

Revised values are mainly attributable to the Basel II project and related licences, as well as the development of the Bank's account system, online banking and CRM system. During 2013, the Bank expensed actual costs of 3,441 as a decision was made in 2013 that the project would not be completed.

23. PROPERTY, PLANT AND EQUIPMENT, INVENTORY AND LEASE ITEMS

	Equipment	Lease items	Total
Acquisition cost			
Opening balance, 01/01/2012	34,569	14,860,631	14,895,200
Acquisitions	914	6,338,523	6,339,437
Divestments	- 1,013	- 5,447,866	- 5,448,879
Scrapping	- 9,194	–	- 9,194
Closing balance, 31/12/2012	25,276	15,751,288	15,776,564
Opening balance, 01/01/2013	25,276	15,751,288	15,776,564
Acquisitions	811	6,462,390	6,463,201
Divestments	–	- 5,882,793	- 5,882,793
Scrapping	- 40	–	- 40
Closing balance, 31/12/2013	26,047	16,330,885	16,356,932
Amortisation			
Opening balance, 01/01/2012	- 33,184	- 4,422,162	- 4,455,346
Amortisation for the year	- 526	- 2,880,665	- 2,881,191
Divestments	608	2,787,042	2,787,650
Scrapping	8,989	–	8,989
Closing balance, 31/12/2012	- 24,113	- 4,515,785	- 4,539,898
Opening balance, 01/01/2013	- 24,113	- 4,515,785	- 4,539,898
Amortisation for the year	- 563	- 3,130,150	- 3,130,713
Divestments	–	2,823,584	2,823,584
Scrapping	40	–	40
Closing balance, 31/12/2013	- 24,636	- 4,822,351	- 4,846,987
Impairment			
Opening balance, 01/01/2012	–	- 48,516	- 48,516
Reversed impairment for the year	–	4,036	4,036
Impairment for the year	–	- 513	- 513
Closing balance, 31/12/2012	–	- 44,993	- 44,993
Opening balance, 01/01/2013	–	- 44,993	- 44,993
Reversed impairment for the year	–	24,418	24,418
Impairment for the year	–	- 1,147	- 1,147
Closing balance, 31/12/2013	–	- 21,722	- 21,722
Carrying amounts			
01/01/2012	1,385	10,389,953	10,391,338
31/12/2012	1,163	11,190,510	11,191,673
01/01/2013	1,163	11,190,510	11,191,673
31/12/2013	1,411	11,486,812	11,488,223

24. OTHER ASSETS

	31/12/2013	31/12/2012
Positive values for derivative instruments	115,407	169,073
Tax assets	40,785	66,615
Trade receivables	450,255	480,656
Other assets	69,919	78,788
Total	676,366	795,132

Trade receivables are netted with a risk provision of SEK 4,596 (3,756) for Fleet Finance's vehicle administration as well as an interest provision of SEK 12 (17) for PV lease income.

25. DERIVATIVES – ASSETS AND LIABILITIES

Volvofinans' derivative contracts are entered into directly with the counterparty. They are not cleared via the standardised marketplace. The derivatives' accrued interest is recognised in prepaid expenses and accrued income and in accrued expenses and prepaid income. This note discloses the portion of the market value arising from future changes in market interest rates.

The total value of derivative assets, including accrued interest, totalled SEK 115.4 million (169.1) and the value of derivative liabilities, including accrued interest, totalled SEK 0.3 million (0.6).

2013	Up to 1 year	1-5 years	> 5 years	Total	Assets (positive market values)	Liabilities (negative market values)
Derivatives for which hedge accounting is not applied						
Interest-related contracts						
Options	16,500	32,813	–	49,313	–	–
Swaps	21,000	49,375	–	70,375	–	281
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	37,500	82,188	–	119,688	–	281
Derivatives for which hedge accounting is applied (fair value hedging)						
Interest-related contracts						
Swaps	1,040,000	1,375,000	–	2,415,000	115,407	–
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	1,040,000	1,375,000	–	2,415,000	115,407	–
Total	1,077,500	1,457,188	–	2,534,688	115,407	281
Currency distribution of market value						
SEK	1,077,500	1,457,188	–	2,534,688	115,407	281
EUR	–	–	–	–	–	–
Total	1,077,500	1,457,188	–	2,534,688	115,407	281

2012	Up to 1 year	1–5 years	> 5 years	Total	Assets (positive market values)	Liabilities (negative market values)
Derivatives for which hedge accounting is not applied						
Interest-related contracts						
Options	2,500	89,563	–	92,063	2	–
Swaps	16,250	53,125	–	69,375	–	621
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	18,750	142,688	–	161,438	2	621
Derivatives for which hedge accounting is applied (fair value hedging)						
Interest-related contracts						
Swaps	555,000	2,265,000	–	2,820,000	169,071	–
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	555,000	2,265,000	–	2,820,000	169,071	–
Total	573,750	2,407,688	–	2,981,438	169,073	621
Currency distribution of market value						
SEK	573,750	2,407,688	–	2,981,438	169,073	621
EUR	–	–	–	–	–	–
Total	573,750	2,407,688	–	2,981,438	169,073	621

26. PREPAYMENTS AND ACCRUED INCOME

	31/12/2013	31/12/2012
Prepaid expenses and deferred income	19,385	24,069
Accrued interest income	9,891	13,669
Other accrued income	13,365	57,466
Total	42,641	95,204

27. LIABILITIES TO CREDIT INSTITUTIONS AND SECURITIES ISSUED

Currency distribution

2013	SEK	EUR	Total
Liabilities to credit institutions	1,550,000	–	1,550,000
Securities issued	8,314,508	–	8,314,508
Total	9,864,508	–	9,864,508

2012	SEK	EUR	Total
Liabilities to credit institutions	2,300,000	–	2,300,000
Securities issued	8,975,675	–	8,975,675
Total	11,275,675	–	11,275,675

For contract term distribution, see the section on Risk and capital management.

28. DEPOSITS AND BORROWING FROM THE PUBLIC

	31/12/2013	31/12/2012
Deposits, household sector	13,735,973	11,259,608
Borrowing, corporate sector	529,533	527,973
Total	14,265,506	11,787,581

Liabilities to Group companies are included at SEK 6,787 (6,787).

29. OTHER LIABILITIES

	31/12/2013	31/12/2012
Negative values for derivative instruments	281	621
Accounts payable	332,830	297,424
Payable to customers	66,546	39,686
Other liabilities	356,643	413,945
Total	756,300	751,676

30. ACCRUALS AND DEFERRED INCOME

	31/12/2013	31/12/2012
Accrued interest expenses	107,049	129,965
Other accrued liabilities	44,127	43,243
Prepaid income	683,550	684,996
Total	834,726	858,204

31. UNTAXED RESERVES

	31/12/2013	31/12/2012
Accumulated unscheduled depreciation		
Opening balance, 1 January	3,341,440	3,108,069
Unscheduled depreciation for year	–	233,370
Closing balance, 31 December	3,341,440	3,341,440
Tax allocation reserve		
Opening balance, 1 January	101,744	101,744
Change for the year	–	–
Closing balance, 31 December	101,744	101,744
Closing balance, 31 December	3,443,184	3,443,184

32. EQUITY

Dividends

Dividends reported during the year amounted to 43,400, which is equivalent to SEK 43.40 per share. The proposed dividend is 215,093, which is equivalent to SEK 215.09 per share.

Statutory reserve fund

The purpose of the reserve fund has been to save a portion of the net earnings not used to cover losses carried forward.

Retained profit or loss

Balance sheet gain or loss is determined in the Bank by the previous year's unrestricted equity after any profit distribution. Together with profit for the year, the balance sheet gain or loss comprises unrestricted equity, i.e. the amount available for distribution to shareholders.

33. INFORMATION ABOUT DERIVATIVES THAT CAN BE OFFSET

Financial assets and liabilities that are subject to offsetting, which are covered by a legally binding framework agreement to offset, or by a similar agreement. See also the chapter on counterparty risk.

Amounts which are not to be offset in the balance sheet	Net amount of reported financial assets [1]	Net amount of reported financial liabilities [1]	Net amount/ asset (+), liability (-)
Derivatives	115,407	- 281	115,126

1. No amounts have been reported as net in the balance sheet. There are no securities in the form of cash or financial instruments.

34. FAIR VALUE ASSETS AND LIABILITIES BY CATEGORY

Methods for determining fair value.

The financial instruments measured at fair value by the Bank in its balance sheet are the derivative instruments and the chargeable treasury bills, other chargeable securities, and the bonds & other interest bearing securities classified at fair value in accordance with IFRS 13 Measurement of fair value. Since the derivative instruments have no quoted price on an active market (Level 1), the Bank uses a discounted cash flow analysis to determine the fair value of the instruments. Only observable market data is used for discounting (Level 2). Chargeable treasury bills, other chargeable securities and bonds & other interest-bearing securities are considered to have prices on an active market (Level 1). "Active market" indicates that listed prices for financial instruments are easily and regularly available on a stock exchange, with a dealer or broker, or via other companies that provide price information. The price must represent actual and regularly occurring transactions based on the buying rate on the balance sheet date, without any adjustment or supplement for transaction costs at the time of acquisition. There have been no transfers between levels during the year.

Disclosures about fair value of lending to the public have been calculated by discounting contractual cash flows using discount rates based on a current spread of loans. Disclosures about fair value of liabilities to credit institutions, securities issued and subordinated liabilities have been calculated using estimated, current spreads of borrowings.

The financial assets classified as investments held to maturity are valued on the balance sheet at their amortised cost. Investments held to maturity have been market valued in accordance with quoted prices on an active market; no chargeable treasury bills are included here.

For other financial assets and liabilities, the carrying amount is a good approximation of fair value due to a short remaining term.

Assets, 31/12/2013	Loan and trade receivables	Financial assets at fair value through the income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
Chargeable treasury bills and other bills	–	–	99,827	–	–	99,827	99,835
Other chargeable securities	–	1,191,920	–	–	–	1,191,920	1,191,920
Lending to credit institutions	2,585,494	–	–	–	–	2,585,494	2,585,494
Lending to the public	12,478,791	–	–	–	–	12,478,791	12,441,475
Bonds and other interest-bearing securities	–	1,272,558	–	–	–	1,272,558	1,272,558
Shares and participations in associated companies	–	–	–	–	11,913	11,913	–
Shares and participations in Group companies	–	–	–	–	6,740	6,740	–
Intangible non-current assets	–	–	–	–	8,756	8,756	–
Property, plant and equipment, inventory	–	–	–	–	1,411	1,411	–
Property, plant and equipment, lease items	–	–	–	–	11,486,812	11,486,812	–
Other assets	450,255	31	–	115,376	110,704	676,366	676,366
Prepayments and accrued income	9,891	–	–	–	32,750	42,641	42,641
Total assets	15,524,431	2,464,509	99,827	115,376	11,659,086	29,863,229	

Liabilities, 31/12/2013	Financial liabilities at fair value through the income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	–	–	–	1,550,000	1,550,000	1,573,104
Deposits and borrowing from the public	–	–	–	14,165,506	14,165,506	14,165,506
Borrowing from the corporate sector	–	–	–	100,000	100,000	101,707
Securities issued	–	–	–	8,314,508	8,314,508	8,438,962
Other liabilities	281	356,643	–	399,376	756,300	756,300
Accrued expenses and prepaid income	–	727,677	–	107,049	834,726	834,726
Total liabilities	281	1,084,320	–	24,636,439	25,721,040	

Assets, 31/12/2012	Loan and trade receivables	Financial assets at fair value through the income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
Chargeable treasury bills and other bills	–	–	99,825	–	–	99,825	99,799
Other chargeable securities	–	924,864	–	–	–	924,864	924,864
Lending to credit institutions	1,775,581	–	–	–	–	1,775,581	1,775,595
Lending to the public	13,087,254	–	–	–	–	13,087,254	13,004,333
Bonds and other interest-bearing securities	–	534,844	100,503	–	–	635,347	635,178
Shares and participations in associated companies	–	–	–	–	9,426	9,426	–
Shares and participations in Group companies	–	–	–	–	6,740	6,740	–
Intangible non-current assets	–	–	–	–	22,586	22,586	–
Equipment	–	–	–	–	1,163	1,163	–
Property, plant and equipment, lease items	–	–	–	–	11,190,510	11,190,510	–
Other assets	559,443	2	–	169,071	66,615	795,132	795,132
Prepayments and accrued income	13,669	–	–	–	81,535	95,204	95,204
Total assets	15,435,947	1,459,710	200,328	169,071	11,378,576	28,643,632	

Liabilities, 31/12/2012	Financial liabilities at fair value through the income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	–	–	–	2,300,000	2,300,000	2,313,655
Deposits and borrowing from the public	–	–	–	11,687,581	11,687,581	11,687,581
Borrowing from the corporate sector	–	–	–	100,000	100,000	101,374
Securities issued	–	–	–	8,975,675	8,975,675	9,053,094
Other liabilities	621	413,946	0	337,110	751,676	751,676
Accrued expenses and prepaid income	–	728,238	–	129,965	858,204	858,204
Total liabilities	621	1,142,184	0	23,530,331	24,673,136	

35. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

36. RELATED PARTIES

There have been no transactions with subsidiaries during the year, as these are dormant.

The Bank has liabilities to: Volvofinans IT AB 238 (238), Volvofinans Leasing AB 1,243 (1,243), Autofinans Nordic AB 5,066 (5,066) and Automanagement AR AB 240 (240).

There are no loans to senior executives. See also Note 10 for transactions with senior executives.

The Board of Directors' signatures

The Board of Directors and the President confirm that in preparing the annual accounts they have complied with generally accepted accounting practices in Sweden. The annual accounts and the consolidated financial statements provide a true and fair picture of the Bank's position and performance. The report of the Board of Directors provides a true and fair picture of the development of the operations, position and performance as well as describing material risks and uncertainties relating to the Bank.

Göteborg 2014

Urmas Kruusval
Chairman of the Board

Tommy Andersson
Board Member

Anders Gustafsson
Board Member

Per Avander
Board Member

Bob Persson
Board Member

Christina Brinck
Board Member

Conny Bergström
President

Göteborg 2014
KPMG AB

Roger Mattsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of
Volvofinans Bank AB (publ), corp. ID no. 556069-0967

Report on the annual accounts

We have performed an audit on the annual accounts of Volvofinans Bank AB (publ) for the year 2013.

Responsibility of the Board of Directors and the President for the annual accounts

The Board of Directors and the President are responsible for the preparation of annual accounts that provide a true and fair view in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and for the internal controls the Board of Directors and the President deem necessary in order to prepare annual accounts that are free from material misstatement, whether intentional or accidental.

Responsibility of the auditor

Our responsibility is to express an opinion on the annual accounts based on our audit. We have conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with the requirements of professional ethics and plan and carry out our audit in order to obtain reasonable assurance that the annual accounts are free from material misstatement.

An audit includes using various methods to obtain audit evidence supporting the amounts and disclosures in the annual accounts. The auditor determines which measures are to be carried out, among other things by assessing the risks of material misstatement in the annual accounts, whether intentional or accidental. When making this risk assessment, the auditor considers those elements of internal control that are relevant to how the company prepares its annual accounts in order to give a true and fair view with the intention of designing audit procedures that are adapted to the circumstances, but not with the intention of providing a statement on the effectiveness of the company's internal control. An audit also includes an assessment of the appropriateness of the accounting principles applied and of the reasonableness of the assumptions made by the Board and the President in the report, as well as an assessment of the overall presentation of the annual accounts.

We consider the audit evidence we have obtained to be adequate and appropriate to form the basis for our opinion.

Opinion

It is our opinion that the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and provide in all material respects a true and fair view of the financial position of Volvofinans Bank AB (publ) at 31 December 2013 and of its financial result and cash flows for the year in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. The report of the Board of Directors is consistent with the other parts of the annual accounts.

We therefore recommend that the Annual General Meeting adopt the statement of comprehensive income and the balance sheet.

Report on other requirements under law and other statutes

In addition to our audit of the annual accounts, we have also performed a review of the proposed allocation of the company's profit or loss, as well as the administration of the Board of Directors and the President of Volvofinans Bank AB (publ) for the 2013 financial year.

Responsibility of the Board of Directors and the President

The Board of Directors is responsible for the proposed allocation of the company's profit or loss, and the Board of Directors and the President are responsible for administration in accordance with the Swedish Companies Act.

Responsibility of the auditor

Our responsibility is to express an opinion, with reasonable certainty, on the proposed allocation of the company's profit or loss and on the administration on the basis of our audit. We have conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the Board's proposed allocation of the company's profit or loss, we have examined the Board's stated motivation and a selection of documents for this in order to be able to assess whether the proposal complies with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, we have, in addition to our audit of the annual accounts, examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We consider the audit evidence we have obtained to be adequate and appropriate to form the basis for our opinion.

Opinion

We recommend that the Annual General Meeting appropriate the profit in accordance with the proposal in the report of the Board of Directors and discharge the Board members and the Managing Director from liability for the financial year.

Göteborg 2014
KPMG AB

Roger Mattsson
Authorised Public Accountant

Board of Directors, Auditors and Senior Executives

Board of Directors

Urmas Kruusval
Chairman of the Board
Sixth Swedish National Pension Fund, Gothenburg

Tommy Andersson
Chairman of the Volvo Dealer Association, Gothenburg
Chairman of the Association, MRF

Anders Gustafsson
President, Volvo Personbilar Sverige AB, Gothenburg

Bob Persson
Chairman of the Board of Directors, AB Persson Invest, Östersund

Per Avander
President of Bilia AB and Chairman of Bilia Personbilar AB

Christina Brinck
Investment manager, Sixth Swedish National Pension Fund, Gothenburg

Janola Gustafson
Deputy
President, The Volvo Dealer Association, Gothenburg

Jonas Eriksson
Deputy
VP Global Financial Services, Volvo Car Group

Hans Oscarsson
Deputy
Volvo Car Group
Operations Controller & Deputy CFO, Gothenburg

Auditors

Roger Mattsson
Authorised Public Accountant, Gothenburg

Mikael Ekberg
Deputy
Authorised Public Accountant, Gothenburg

Senior Executives

Conny Bergström
President and CEO

Per Lindahl
Marketing Director

Lars Norland
CFO

Maria Allgulander
Head of Administration

Margareta Johansson
Human Resource Manager

Pär Bäck
IT Manager

Christian Torgersson
Head of Risk Control and Compliance

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