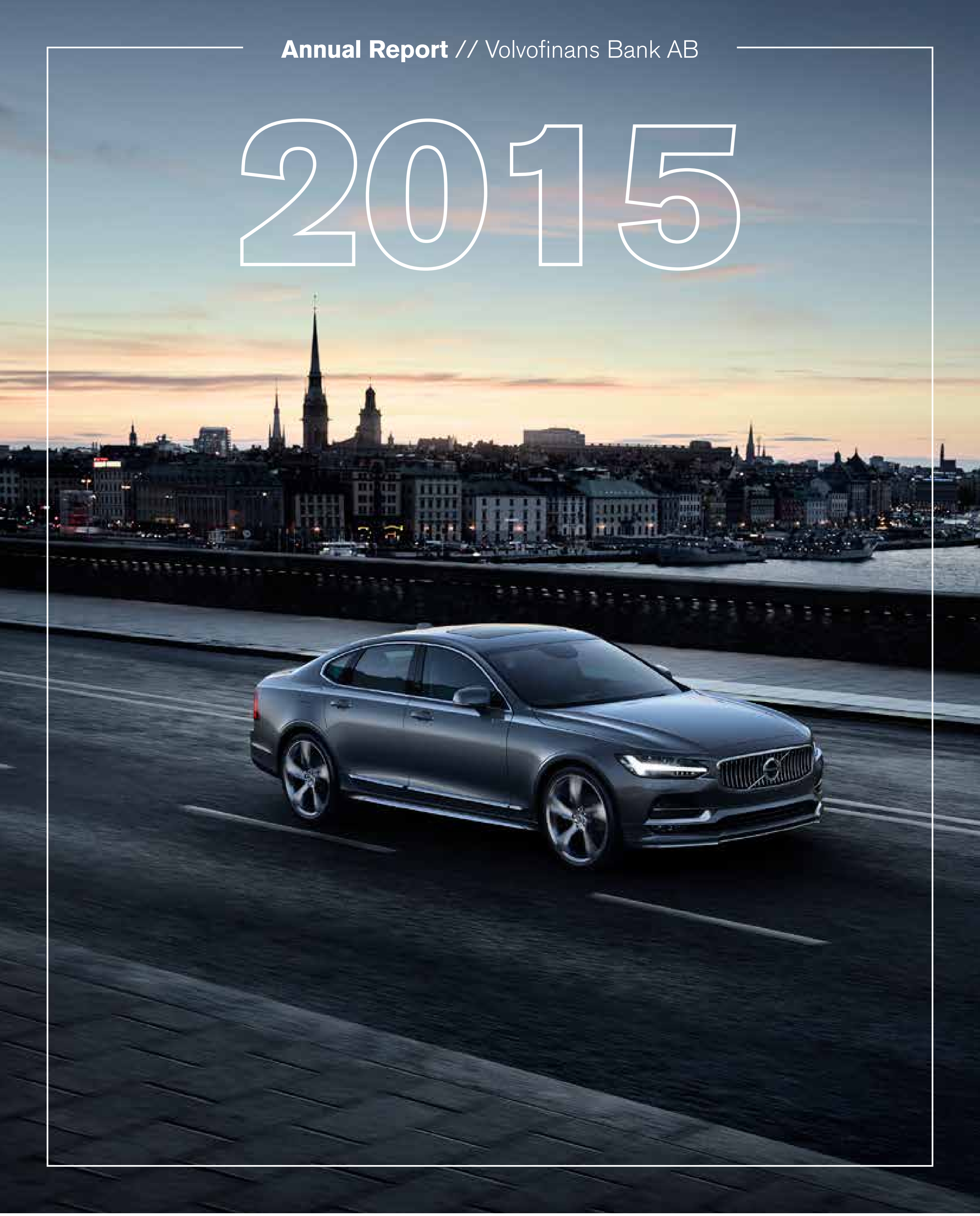
Annual Report // Volvofinans Bank AB

2015



VOLVOFINANS

SHAREHOLDERS

Established in 1959, the bank is 50 per cent owned by the Swedish Volvo dealerships through their holding company, AB Volverkinvest. The Sixth Swedish National Pension Fund (AP6) owns 40 per cent of the company and the remaining 10 per cent is held by Volvo Personvagnar AB.

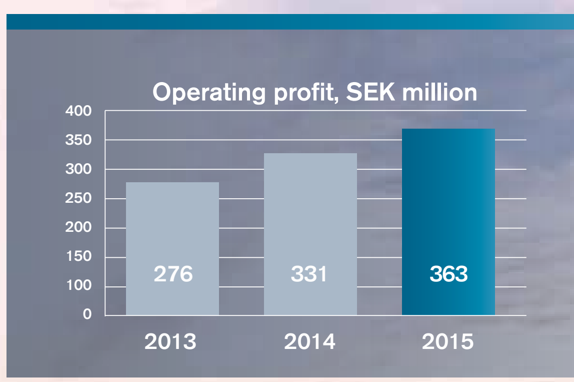
SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

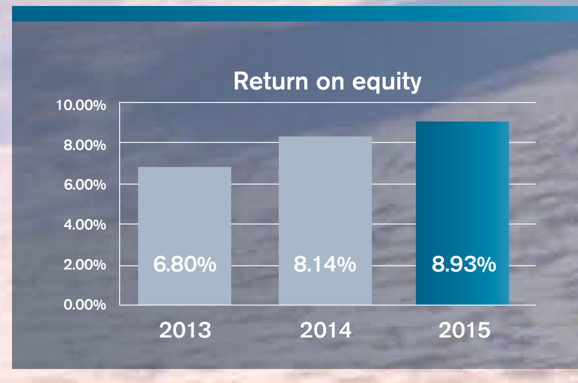
Volvo Personvagnar AB will be increasing its shareholding in Volvofinans Bank AB to 50 per cent by acquiring AP6's 40 per cent stake in the company. This was announced on 29 December and the deal is expected to be completed in the first half of 2016. The deal is subject to approval by the relevant authorities.

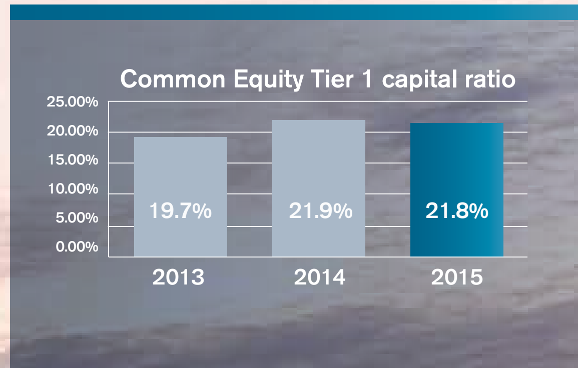
MISSION

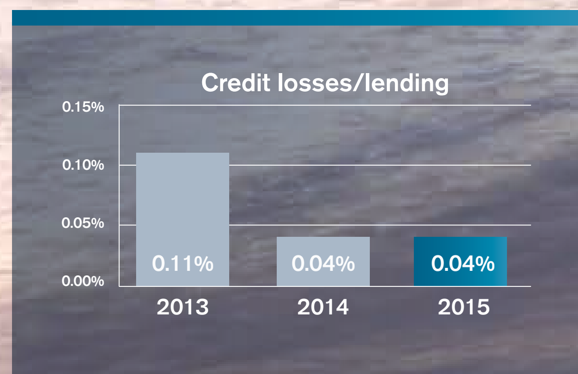
The bank's mission is actively to support sales of the products that are marketed through Volvo dealerships in the Swedish market by providing product and sales finance while ensuring good profitability.

Record profits and increased return on equity sum up 2015









Introduction and financial statements

Notes

In the event of conflict in interpretation or differences between this annual report and the Swedish version, the latter will prevail.

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Introduction and financial statements

Message from the President

▶ 2015 was a record year for the Swedish car industry. Over 345,000 new passenger cars, nearly 45,000 new light commercial vehicles and 4,800 new heavy vehicles as well as 394,000 used vehicles received new owners. In this thriving market Volvofinans Bank delivers a full-year profit of SEK 363.0 million (330.6), the bank's best result to date.

Volvo Car Group has also continued to achieve good sales volumes, both globally and in the Swedish market, where over 70,000 cars were sold, strengthening the marque's market share, which reached 20.6 per cent. The Volvo brand has been further strengthened by the highly successful launch of the Volvo XC90, and Volvo is now continuing to establish itself as a premium car maker with a number of entirely new models. Among the Volvo dealerships' other three brands, Renault, Ford and Dacia, Renault stood out with sales growth of over 14 per cent.

The strong performance of the car market also enabled the Sales Finance Cars and Fleet Finance business areas to report continued strong results. In 2015, leased private cars accounted for 17 per cent of all new registrations of private passenger cars in Sweden, which is the highest figure yet. For Volvo, private leases account for 18 per cent of total sales to private individuals. In the corporate market the largest companies have shown a continued interest in obtaining integrated solutions for their fleets, and the bank's intensified presence in the fleet business has produced a good return in the market.

In the truck segment (>16 tonnes), which is dominated by the two big players Volvo and Scania, Volvo Trucks achieved a market share of 39.5 per cent. In a highly competitive industry hauliers are demanding integrated solutions with predictable costs, which will benefit those manufacturers that are able to offer their customers broad software solutions.

Record low interest rates have of course also contributed to the current strength of the car market. Sweden's Riksbank kept the repo rate in negative territory for most of the year, despite strong growth and employment in the Swedish economy, and falling unemployment. Supported by these favourable macroeconomic conditions and by improved operational efficiency, net sales and earnings at Swedish Volvo dealerships are among the best ever. Sales at Volvo dealerships generated new loan and lease contracts in around 50 per cent of transactions. These contracts resulted in an increase in lending in Volvofinans Bank of SEK 2.6 billion in 2015.

Net sales through Volvo Card remain at a high level, SEK 11 billion for the full year. The business area has increased its profit somewhat, despite reduced credit use. The Volvo Card business area is making significant investments in tomorrow's digital mobile systems, where the bank naturally wants to capture a larger share of the ECO system in terms of customers' total car transactions. We are therefore looking forward with confidence and excitement to the launch of the bank's new payment and mobility services later in the year.

It is also clear that Volvofinans Bank enjoys strong trust among private individuals in respect of savings. Deposits in our savings accounts increased by over one billion kronor in 2015 and the number of savings account customers increased by 4,600. The bank has also raised SEK 4 billion through bond sales in the Swedish capital market. Our investors have long been familiar with our business model and unique risk sharing arrangement with Swedish Volvo dealerships, which enables us to raise funds in the market at competitive rates.

On 29 December Volvo Cars announced that it had acquired the Volvofinans Bank shares held by the Sixth Swedish National Pension Fund. Increased ownership by an already driven and important partner to the bank will further expand our opportunities to create attractive financing products and payment solutions. Packaged solutions developed jointly with Volvo, the Volvo dealerships and the Volvia insurance company enable us to create highly competitive customer offers.

Finally, it is with pride that those of us who work at the "Car Bank" present our results for 2015. There is a multitude of new mobile initiatives in the banking sector that are set to create an even more competitive environment, especially for our Volvo Card business. While mindful of the new competition, we also see great opportunities in these new technologies. For a car bank like Volvofinans Bank this will enable us to create further target group-adapted solutions for our customers, which is a key consideration in a market where car ownership is being fundamentally transformed amid the emergence of new forms of car use such as private leasing and carsharing. Our absolute ambition is to continue to develop the Car Bank with the aim of being able to offer attractive, safe and secure services to our customers, and we look forward to an exciting 2016.

Conny Bergström
President
Volvofinans Bank AB

"Our absolute ambition is to continue to develop the Car Bank with the aim of being able to offer attractive, safe and secure services to our customers."

January–December 2015 in summary

- ▶ Profit before appropriations and tax: SEK 363.0 million (330.6)
- ▶ Return on equity: 8.9% (8.1)
- ▶ Lending at 31 December: SEK 27.4 billion (24.8)
- ▶ Net credit losses: SEK 11.9 million (11.9)
- ▶ Common Equity Tier 1 capital ratio: 21.8% (21.9)

Volvo Card

From vision to reality

► A tough year in the fuel business ended in the best way possible thanks to a high level of activity in our existing customer portfolio and an increased focus on recruitment of new customers. 2015 was also the year in which we realised our vision by developing the CarPay app.

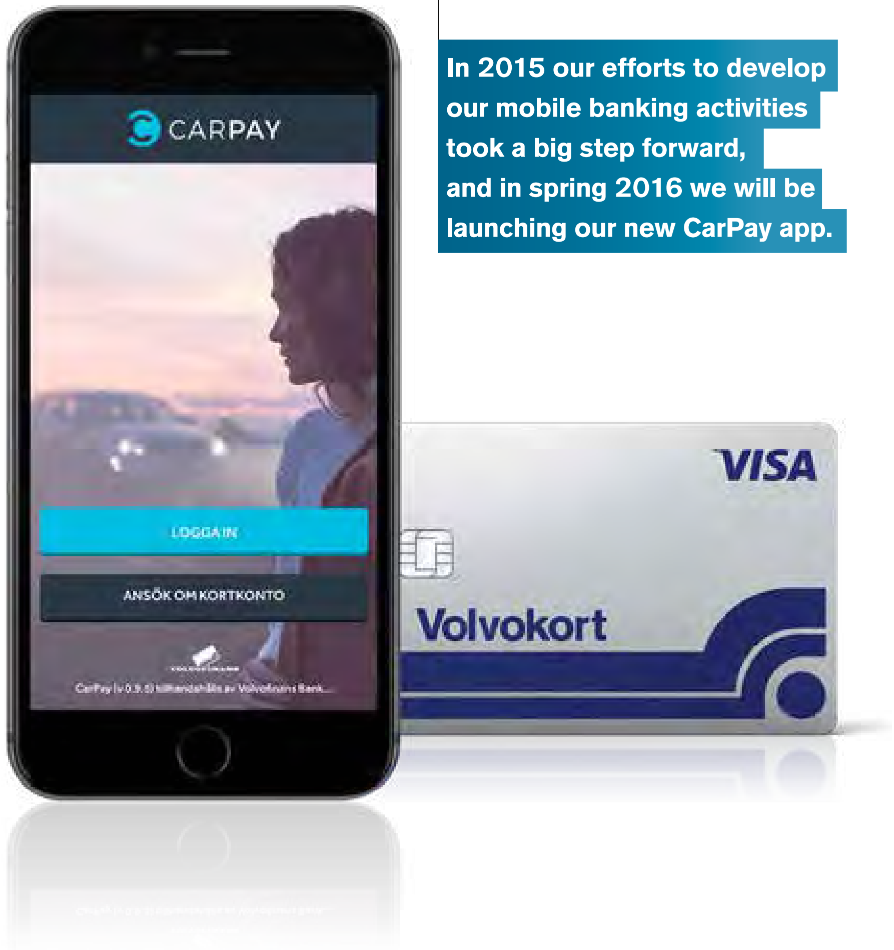
Volvo Card is a payment method for private and corporate customers that can be used at all Volvo dealerships, and makes a significant contribution to Volvofinans Bank's overall profitability. The card is used as a car owner account for repairs, service, spare parts/accessories and for fuel purchases at the Volvo dealers' own fuel chain, Tanka. The card is also available as a Visa card for use as a general payment method, also outside Volvo dealerships.

Around 1.2 million purchases are made using Volvo Card each month. The card gives users discounted prices at Tanka and at service stations of partner firm OKQ8, providing access to a network of around 800 stations.

In 2015 the company's mobile banking activities took a big step forward, and in spring 2016 we will be launching our new CarPay app. CarPay is linked to our business areas, especially Volvo Card. The app enables a range of customer loyalty aspects and strengthens our bonus system by establishing a clearer link to our fuel business. Transactions made using Volvo Card are shown directly in the app. CarPay continues to be developed.

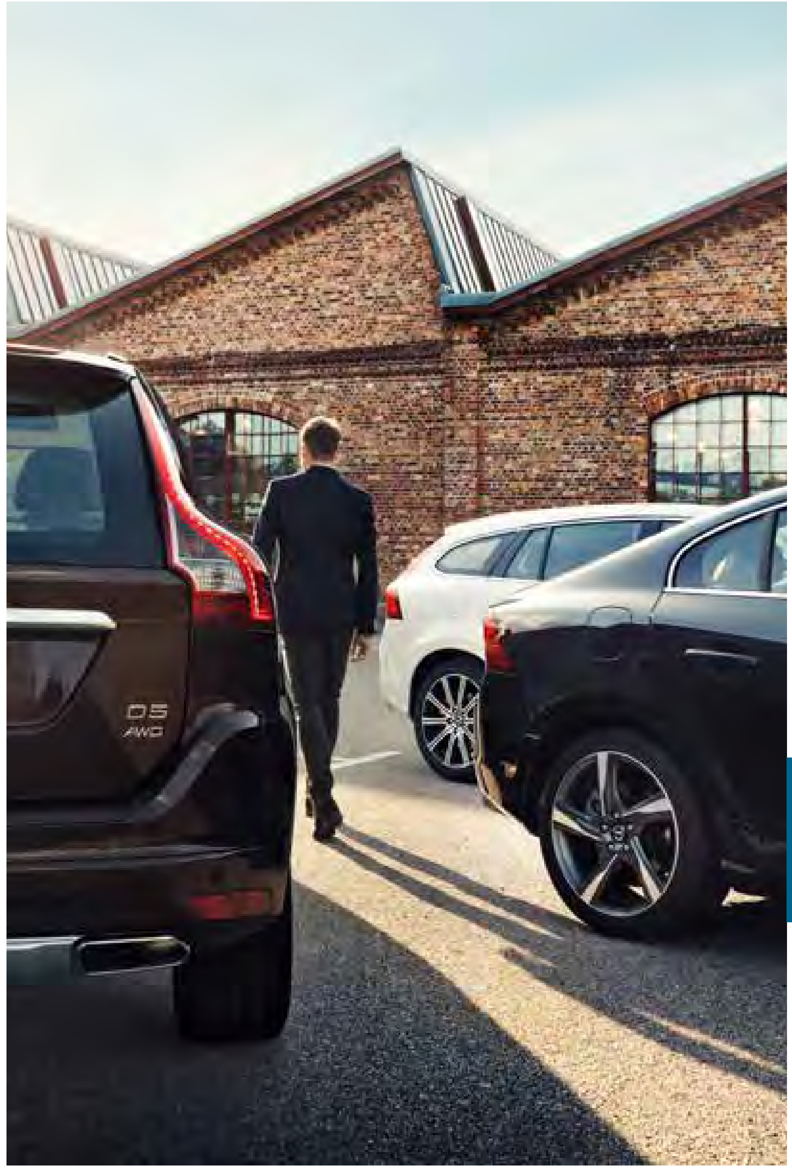
In 2015 we also launched a Renault card with specially targeted offers in order to further strengthen our relationship with Renault owners. The target group for our cards is Volvo and Renault drivers but also other car owners in Sweden, whatever the make of the car they drive, who need fuel, a car wash, tyres, etc.

In 2015 our efforts to develop our mobile banking activities took a big step forward, and in spring 2016 we will be launching our new CarPay app.



Fleet Finance

Historic year for number of signed contracts

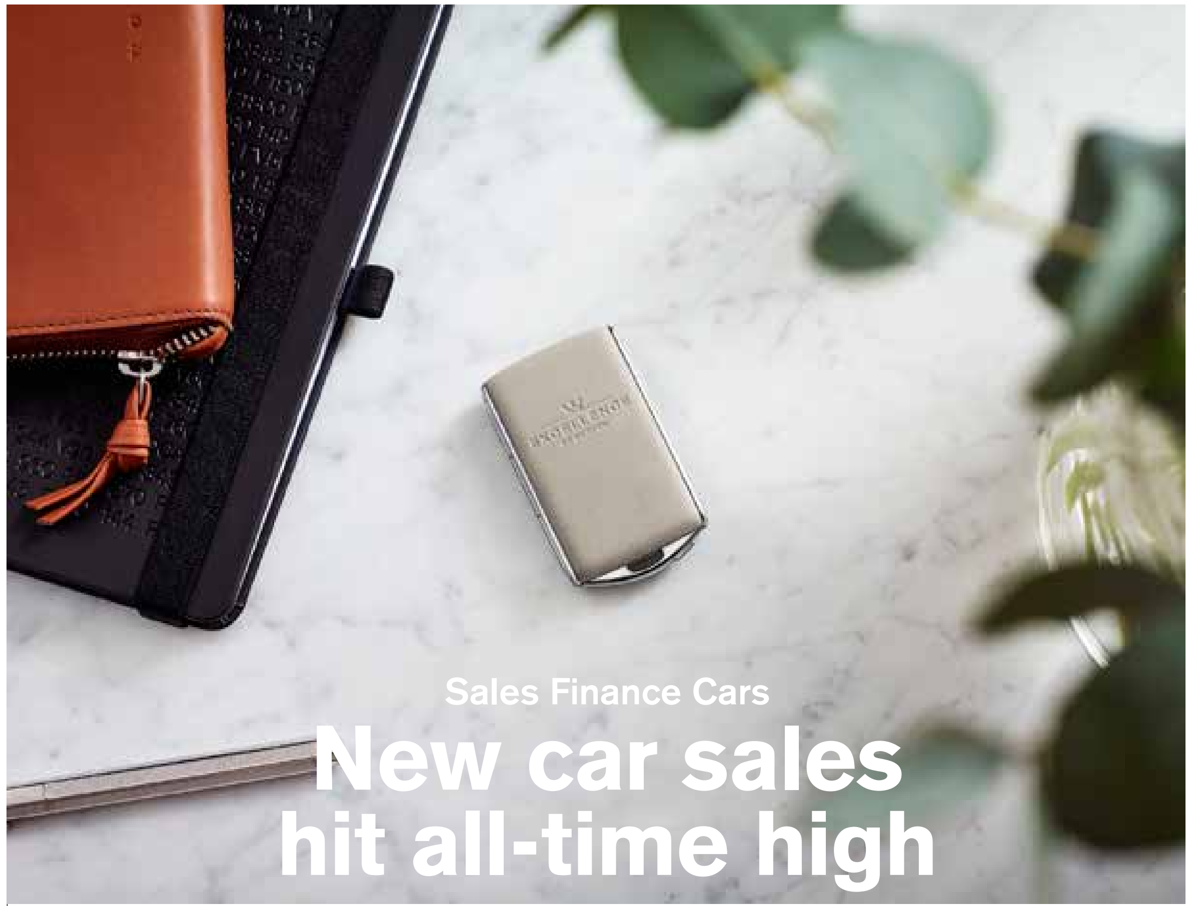


► In 2015, 112 new framework agreements were signed with customers with a combined fleet of 4,300 vehicles, which is the highest number of agreements concluded in any single year to date. 70 per cent of these were in the operating lease category.

In our Fleet Finance business Volvofinans Bank is represented by Svensk Vagnparksfinans, which offers finance and administration of fleets of five or more cars regardless of what car makes the customers choose to use. Svensk Vagnparksfinans offers finance and operating leases with administration, with operating leases accounting for the majority of new sales.

Svensk Vagnparksfinans has maintained its market-leading position. One of the reasons behind our success in 2015 is that we have continued to develop our web-based tools. One tool that has had a particularly big impact is our driver cost estimate tool, which simplifies the administration for drivers and fleet management officers. Our ambition is to be at the forefront of developing web-based functions that make car ownership easier for drivers as well as businesses, and we will continue to develop these in 2016.

One of the reasons behind our success in 2015 is that we have continued to develop our web-based tools.



Sales Finance Cars

New car sales hit all-time high

► 2015 was a record year for sales of new passenger cars. New car registrations increased by 13.5 per cent to 345,108 cars, beating the previous record from 1988, when 343,963 new cars were registered. Sales of light commercial vehicles were also very strong, increasing by 6.8 per cent to 44,798 vehicles.

In this exceptional Swedish car market Volvo Car Sverige has consolidated its no. 1 position with an annual volume of 71,221 cars, representing a market share of 20.6 per cent. Volvo V70 and XC70 are Swedes' favourite models, followed by XC60 and S/V 60.

In an exceptional Swedish car market Volvo Car Sverige has further consolidated its no. 1 position.

Renault Sweden achieved a market share of 3.3 per cent with the Clio and Captur models as top sellers. Ford Sweden captured 3.6 per cent of the market with its Focus and Mondeo models.

With the help of Swedish Volvo, Ford and Renault dealers, Volvofinans Bank increased its lending by SEK 2.2 billion. A total of 62,717 new contracts were signed on the back of the strong new car market coupled with competitive finance products.

Together with Volvia and Renault Försäkring, Renault Sweden and Volvo Car Sverige, the bank achieved great success with its packaged private leasing offer in 2015 and will continue to develop its packaged finance products in 2016.

VOLVO INCLUSIVE PRIVATLEASING

RENAULT relax

Sales Finance Trucks and Volvo Truck Card

Smart solutions for more efficient driving

► In the 16 tonne plus segment over 4,800 units were delivered and Volvo achieved a market share of nearly 40 per cent. Around 50 per cent of all deliveries are financed through Volvofinans Bank. In 2015 the bank has also continued to develop simple and flexible lease products and other concepts for our customers.

The Swedish economy remains robust and demand for trucks is expected to be strong also in 2016. There is a growing demand for leasing in the haulage industry – finance as well as operating leases.

Leasing gives hauliers greater flexibility in the way they run their businesses as intensifying competition places an ever greater premium on predictability. Together with Volvo Trucks and Swedish Volvo dealerships, we have for example developed the Turnkey concept, which was launched in early 2016, and further simple and flexible solutions are in the pipeline.

To truck customers the bank offers the Volvo Truck Card – a service market card for servicing, repairs, washing, etc. that makes life easier for truck owners. Volvo Trucks also offers several add-on services and software as well as service and repair agreements that can be included in the financial solutions. Through a partnership with the Swedish Volvo dealer network and Shell Diesel, diesel can also be linked to the card.

The Swedish economy remains robust and demand for trucks is expected to be strong also in 2016.

The Swedish Volvo dealers in 2015

A COMPREHENSIVE SALES NETWORK

Swedish Volvo dealers form a nationwide network that includes 54 privately owned dealerships and two listed companies with around 200 sales outlets and over 250 workshops. In addition, the general agent, Volvo Car Sverige AB, also has stakes in three sales companies. Stock exchange-listed Bilia AB owns the largest passenger car company while AB Volvo owns the largest truck company. These listed companies account for nearly 40 per cent of Volvo and Renault sales in Sweden's car and truck markets.

The dealer network comprises 35 different owners and groups of owners. The operations of the network are divided into passenger car and truck operations. The majority of the companies, 40, sell only cars while 17 sell only trucks ("heavy" trucks >7 tonnes) and the last two sell both cars and trucks.

THE DEALERS – 2015 IN FIGURES

Net sales in the dealer network in 2015 were approximately SEK 49.0 billion, with earnings coming in at around SEK 1,500 million, up from SEK 1,111 million in 2014.

A BROADER BUSINESS

The Volvo dealers' product range is by far the broadest among Swedish auto dealers, covering everything from passenger cars and delivery vehicles (Volvo, Renault and Ford) to heavy trucks and buses (Volvo). Our business has continued to broaden as Volvo dealers have started to sell additional brands. In addition to Volvo, Renault, Ford, Dacia and Land Rover, brands such as Hyundai, Mazda, Toyota, Nissan and BMW have been added in recent years. Through the Volvo dealer network we thus gain access to a larger market than previously.

VOLVOFINANS BANK IS THE VOLVO DEALERS' BANK

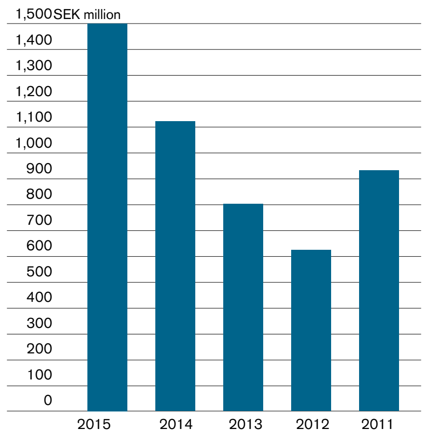
The bank's mission is to raise money for financing the dealers' loan and lease contracts; in other words, to support their business operations. Working in close collaboration with Volvofinans Bank, Swedish Volvo dealers are market leaders in terms of finance, credit card and other vehicle-related services.

Volvo dealerships 2011–2015

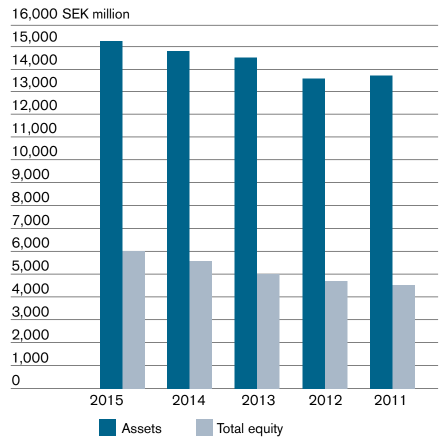
Condensed balance sheet	Forecast 2015	2014	2013	2012	2011
Property, fixtures and fittings	2,700	2,684	2,670	2,477	2,328
Lease vehicles	1,700	1,616	2,359	2,236	2,627
Contract receivables	1,200	1,189	793	639	441
Inventories	5,100	4,785	4,920	4,479	4,602
Other	4,500	4,506	3,748	3,633	3,714
TOTAL ASSETS (SEK million)	**15,200**	**14,780**	**14,490**	**13,464**	**13,712**
Equity and untaxed reserves	6,000	5,406	5,032	4,787	4,581
Non-current liabilities	1,700	1,795	3,021	3,405	3,234
Current liabilities	7,500	7,579	6,437	5,272	5,897
TOTAL EQUITY AND LIABILITIES (SEK million)	**15,200**	**14,780**	**14,490**	**13,464**	**13,712**
Loans and leases in Volvofinans Bank's balance sheet (SEK million)	20,300	18,734	17,782	15,714	15,477
Adjusted balance	35,500	33,514	32,272	29,178	29,189
Net sales and earnings					
Net sales	49,000	42,474	38,965	38,400	42,361
Profit (SEK million)[1]	**1,500**	**1,111**	**800**	**618**	**931**
Key performance indicators					
Return on equity, %	25%	22%	17%	15%	20%
Return on total capital, %	11%	9%	8%	7%	8%
Equity/assets ratio	40%	37%	35%	36%	33%

Note: The figures for 2015 are based partly on forecasts, as final annual reports for all dealerships were not available at the time of publication.

Volvo dealerships, earnings



Volvo dealerships, assets and equity



Report of the Board of Directors

► The Board of Directors and the President of Volvofinans Bank AB (publ) hereby present their report on operations in 2015. Hereinafter referred to as the bank.

OWNERSHIP SITUATION

Established in 1959, the bank is 50 per cent owned by the Swedish Volvo dealerships through their holding company, AB Volverkinvest. The Sixth Swedish National Pension Fund (AP6) owns 40 per cent of the company and the remaining 10 per cent is held by Volvo Personvagnar AB.

MISSION

The bank's mission is actively to support sales of the products that are marketed through Volvo dealerships in the Swedish market by providing product and sales finance while ensuring good profitability.

GROUP STRUCTURE

The bank has its registered office in Göteborg. Together with Volvo PV Fordonspark AB, Volvohandlarföreningen Ek för and Volvohandelns PV Försäljnings AB, which is also a general partner, the bank owns three limited partnerships. One of these sells on commission through the Swedish Volvo dealer network, another provides rental services to companies in the Volvo Personvagnar AB group and the third, previously dormant, was re-started in December 2015 with the aim of providing rental services.

Volvofinans Leasing AB, Autofinans Nordic AB, CarPay Sverige AB (formerly Automanagement AR AB) and Volvofinans IT AB are wholly owned dormant subsidiaries.

As permitted under Ch. 7 § 6a of the Swedish Annual Accounts for Credit Institutions and Investment Firms Act (1995:1559), the bank does not prepare consolidated financial statements as of 31 December 2010, as the activities of the subsidiaries are of minor importance.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Volvo Personvagnar AB will be increasing its shareholding in Volvofinans Bank AB to 50 per cent by acquiring AP6's 40 per cent stake in the company. This was announced on 29 December and the deal is expected to be completed in the first half of 2016. The deal is subject to approval by the relevant authorities.

VOLUMES/LENDING

At year-end 2015 there were 212,470 contracts (200,358) in the bank's loan and lease portfolios, which is an increase of 6.0 per cent on the previous year. The size of the portfolios is influenced by new auto sales for Volvo Cars and Volvo Trucks in Sweden and sales of used vehicles through Swedish Volvo dealerships.

The table below shows the bank's market shares in the form of the inflow of contracts relative to new car sales (Volvo/Renault/Ford) and sales of used vehicles through the Volvo dealerships.

Penetration, %	2011	2012	2013	2014	2015
New cars	47	51	49	49	49
Used cars	37	35	37	36	35
New trucks	42	43	47	49	50

For Volvo Trucks the figures do not include sales made through Volvo Truck Center, which is owned by AB Volvo.

The bank's lending, including leases, stood at SEK 27.4 billion (24.8) at year-end, an increase of 10.5 per cent on year-end 2014. Lending consists mainly of leases, loans, contract credits, dealer inventory credits and credit card credits.

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

Sales finance	2015 SEKbn	%	2014 SEKbn	%	Change SEKbn
Cars	23.5	85	20.9	84	2.6
Trucks and Buses	2.2	8	2.1	9	0.1
Inventory credits	0.2	1	0.2	1	0.0
Credit card credits	1.5	6	1.6	6	- 0.1
Total	**27.4**	**100**	**24.8**	**100**	**2.6**

Volvo Car Leasing increased by SEK 1.2 billion, or 18 per cent, and Volvo Car Loans and Volvo Truck Loans grew by 0.9 billion, or 9 per cent. Contract lending, where Volvo dealers have a credit secured by underlying loan or lease contracts, increased by SEK 47.1 million, or 22 per cent.

The volume of credit card credits was largely flat year-on-year. Net sales through Volvo Card totalled SEK 11.0 billion (11.1) and 7.7 million (7.7) invoices/account statements were delivered to customers. 25.0 (24.7) million card purchases were made using Volvo Card in 2015.

The number of corporate customers for whom Svensk Vagnparksfinans handles car administration increased during the year, with 31,410 cars (29,364) being administered at year-end.

Net sales through Volvo Truck Card were down year on year, with goods and services purchased using the 21,109 cards (22,387) totalling SEK 414 million (428).

PROFIT

The profit before credit losses was SEK 374.9 million (342.6), which is an increase of 9.4 per cent on 2014. Depreciation of property, plant and equipment refers mainly to lease assets. The depreciation charge was affected by lease volumes and the rate of depreciation, based on contractual residual values at the end of the lease term.

Net credit losses totalled SEK 11.9 billion (11.9), see Note 14.

The profit for the year before appropriations and tax was SEK 363.0 million (330.6), which is an increase of 9.8 per cent. The improvement in earnings was driven mainly by improved borrowing margins and an increased lending volume. The return on equity was 8.93 per cent (8.14).

CREDIT RISKS AND CREDIT LOSSES

Out of the bank's total lending for auto finance, 80 per cent (79) refers to loans and leases which dealers have transferred or pledged, posting vehicles as collateral through right of repossession or ownership rights. The dealer bears the ultimate credit risk for these credit contracts if required by the bank.

The bank can incur a loss on these contracts if all of the following events occur:

1. The customer suspends payments.
2. The dealer lacks the ability to pay.
3. The market value of the repossessed vehicle is less than the remaining debt under the contract.

At 31 December 2015 the breakdown of loan and lease contracts was as follows. The unencumbered portion of outstanding contracts at year-end was SEK 3.0 billion (2.8).

Inventory financing requiring 100 per cent collateral accounts for 1 per cent (1) of total lending and is secured through floating charges, the unencumbered portion of contract portfolios and guarantees received.

The remaining financing, for which no collateral is provided by dealers, accounts for 20 per cent (21), of which 15 per cent (14) refers to sales finance and 5 per cent (7) to credit card credits.

Total problem loans (receivables which are more than 90 days past due) were SEK 102.1 million (155.5) and consisted of loans and leases of SEK 91.3 million (142.8), of which SEK 82.9 million (132.5) refers to contracts under which the bank has a right of recourse against Volvo dealers, and credit card credits of SEK 10.8 million (12.7), accounting for 0.7 per cent (0.8) of total credit card lending.

The value of credit card receivables, SEK 1.5 billion (1.6), is stated after impairment for problem loans. The provision represents 1.2 per cent (1.3) of the value of the receivables. Risk exposure to private individuals is limited through a low average debt. At year-end the average debt per active credit card was SEK 3,737 (3,904).

CAPITAL PROCUREMENT

The bank's principal objectives for capital raising, as defined in its financial policy, is to:

- Secure the necessary loan funding.
- Ensure that the bank is able to borrow on the best possible terms.
- Ensure that fixed-rate terms on the bank's borrowings match those for lending as closely as possible.
- Ensure that liquidity risk is minimised.

The bank's financing facilities and borrowing arrangements and drawn portions at 31 December 2015 are shown in the table below.

Nominal amounts in SEK million	Limit	Drawn
Nordic commercial paper programme	8,000	1,100
European commercial paper programme	4,584	–
MTN programme	15,000	9,738
Short-term financing facilities with banks/owners	2,900	–
Long-term financing facilities with banks	2,000	1,000
Retail deposits	-	14,329
Total	**32,484**	**26,167**

The volume of deposits in savings accounts grew rapidly in 2015, except in the first quarter. Deposits increased by SEK 1.1 billion to a balance of SEK 12.8 billion (11.7) on 31 December. Total deposits, including balances on Volvo Card accounts and deposits from Volvo dealers, was SEK 14.3 billion (13.8) and accounted for 55 per cent (58) of the bank's financing.

Bonds with maturities of 1–5 years in a total amount of SEK 4.0 billion were issued during the year amid strong demand. Bank commercial paper was issued on an ongoing basis in the money market, and SEK 1.1 billion had been drawn at year-end. Driven by the growth in lending, the bank's outstanding market borrowings increased to SEK 10.8 billion (8.2) in nominal terms.

	Number of contracts	Average contract, SEK thousand	Collateral value, SEK million	Credit used, SEK million	Loan-to-value ratio, %	Market value, SEK million	Surplus value, SEK million	Surplus, %
Loans	117,457	105	12,365	11,635	94	17,000	5,365	46
Leases	95,013	170	16,195	13,921	86	14,669	748	5
Total	**212,470**	**134**	**28,560**	**25,556**	**89**	**31,669**	**6,113**	**24**

In addition to deposits and market borrowings, the bank funded its operations through bank credits, which totalled SEK 1.0 billion (1.6). The share of long-term financing (≥12 months) from the market and banking sector was 70 per cent (67).

In addition to drawn credit lines with banks, the bank has agreed overdraft and credit facilities with banks of SEK 2.7 billion (2.7) as well as a SEK 1.2 billion (1.2) facility provided by the bank's owners.

The maturity structure for the bank's total financing at 31 December 2015 is shown in the table below.

	SEK million	%
Within 1 year	3,739	31
1-3 years	5,178	43
3–5 years	3,050	26
Over 5 years	–	–
	11,967	**100**
No term:		
- Retail deposits	14,200	
- Equity (incl. tax portion of untaxed reserves)	4,079	
Total	**30,246**	

RATING

The bank has the following international credit ratings from Moody's Investors Service:

- Short-term financing: P-2
- Long-term financing: A3
- Outlook Stable

In March 2015 Moody's initiated a review of the bank's credit rating as part of the roll-out of a new rating methodology, which in turn was prompted by the EU's Bank Recovery and Resolution Directive. Announcing the outcome of the review on 28 May, Moody's raised the bank's rating for long-term financing two notches from Baa2 to A3 and upgraded its outlook to "Stable".

A detailed up-to-date analysis from Moody's is available at volvofinans.se.

CORPORATE GOVERNANCE

The bank's Board of Directors

Directors and Deputy Directors are elected annually at the Annual General Meeting for the period until the end of the first Annual General Meeting that is held after the year in which the Director was appointed. The election of the Board of Directors is based on the bank's recruitment and diversity policy.

Notice of the Annual General Meeting and notice of an extraordinary general meeting at which questions relating to an amendment of the Articles of Association will be discussed must be given no earlier than six weeks and no later than four weeks before the AGM. Notice of other EGMs must be given no earlier than six weeks and no later than two weeks before the meeting.

The Board of Directors currently has no authorisation from the AGM to approve the issue of new shares or buy back shares of the company.

The rules of procedure for the Board of Directors have been drawn up in compliance with the requirements of the Swedish Companies Act. The rules of procedure and the annexes thereto complement and support the application of the Companies Act and those other laws, regulations and recommendations which the bank is required to apply. The rules of procedure are reviewed annually and updated when required. The updated rules of procedure are submitted for adoption at the first meeting of the Board following the AGM or at another Board meeting if required.

The Board convenes at least four times a year. Additional Board meetings are called when required. Apart from the Chairman and work on the bank's Credit, Audit and Remuneration Committees, there is no internal division of responsibilities among the members of the Board. The Remuneration Committee handles matters relating to remuneration of senior executives.

Board meeting materials are distributed about one week before the day of the meeting and contain written documentation and comments on the matters to be addressed. An agenda describing the nature and scope of each item is enclosed with the notice of the meeting. At each meeting minutes are taken, which contain a brief description of discussions, measures and resolutions.

Direct and indirect shareholdings in the bank

Autofinans Nordic AB, CarPay Sverige AB (formerly Automanagement AR AB), Volvofinans Leasing AB and Volvofinans IT AB are 100 per cent owned dormant subsidiaries. See Note 22.

The bank owns 33 per cent of Volvohandelns PV Försäljnings AB, 25 per cent of Volvohandelns PV Försäljnings KB, 25 per cent of VCC Tjänstebilar KB and 25 per cent of VCC Försäljnings KB. See Note 21.

At the AGM each person entitled to vote has the right to vote the full number of shares represented by him or her.

Internal control

In managing its customers', suppliers' and business partners' money, the bank has a special responsibility. Due to the large number of transactions, even minor errors can have significant economic consequences. The bank therefore places a strong emphasis on good internal control, and on quality and security issues in all functions, routinely engaging staff from all departments in this work. Internal control refers to the bank's organisation and all those procedures which are aimed at ensuring that the bank's accounting is correct and complete, and that its resources are allocated in accordance with the intentions of the Board and the President.

Internal control can be divided into:

- Administrative controls – to promote efficiency and ensure that the bank's resources are managed in accordance with the intentions of the Board and the President.
- Accounting controls – to assure correct and complete accounting.
- Internal IT controls – to ensure that functions and procedures, both manual and automated, comply with the applicable regulations.

The bank has three functions which support management in ensuring good and improved internal control in respect of financial reporting.

Internal auditing

The bank has an independent internal audit function whose activities are governed by the regulations and requirements of the Swedish Financial Supervisory Authority. Its remit also includes IT auditing. An important duty of the internal audit function is to verify independently that the employees adhere to the principles and rules that are defined in the bank's directives, guidelines and instructions for financial reporting. The function reports directly to the Board of Directors.

Risk control and compliance

The bank's risk control function is responsible for ongoing monitoring of risks and risk management and is tasked with making proposals for improvements to risk management procedures, risk policies, instructions and reports.

Compliance is a support function which ensures that the bank operates in accordance with applicable laws, regulations, internal rules, and good practices and standards.

The activities of the risk control and compliance functions are audited each year by the bank's internal audit function.

Control environment

The backbone of internal control over financial reporting consists of the bank's directives, guidelines and instructions as well as the structure of responsibilities and authority that has been adapted to the bank's organisation with the aim of creating and maintaining a satisfactory control environment. Principles for internal control are contained in the bank's IQ manual, and directives and guidelines for financial reporting are contained in the various manuals used in the bank.

Fundamental to the control environment is the company culture that has been established and in which managers and employees work. The bank actively communicates and instructs its employees in its core values, which are set forth in the bank's ethical guidelines policy. The bank seeks to ensure that all employees maintain a high standard of morals, ethics and integrity.

Risk assessment

Risks related to financial reporting are assessed and monitored by the Board. The assessment of the risk that errors will occur in financial reporting is based on a number of criteria. Complex accounting policies, for example, can create a risk of incorrect financial reporting in respect of those items which are covered by the policies. The measurement of a certain asset or liability on the basis of different assessment criteria can also constitute a risk. The same applies to complex and/or changed business conditions.

Control activities

The Board and management team constitute the bank's top-level control bodies. Several control activities are applied in the bank's day-to-day business process to ensure that any errors or deviations in financial reporting are prevented, detected and corrected. Control activities cover everything from the review of results at management meetings to the reconciliation of specific accounts and analyses in ongoing financial reporting processes. The management team is tasked with ensuring that the bank's control activities for financial processes are appropriate and in line with the bank's guidelines and instructions. Management should also ensure that authority structures are not designed so as to permit the same individual to perform an activity and then verify the same activity. Control activities in IT security and maintenance are an essential part of the bank's internal control over financial reporting.

Information and communication

Guidelines and instructions for financial reporting are updated and communicated by management on an ongoing basis.

Follow-up and monitoring

Responsibility for ongoing follow-up rests with the management team and accounts department. In addition, the internal audit and risk control functions also follow up and monitor the operations. Results of evaluation activities are reported to management and the Board. The bank normally also holds four meetings a year with the Credit Committee, Audit Committee and Remuneration Committee.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

OUTLOOK FOR FUTURE DEVELOPMENT

Despite the many uncertainties concerning the economic outlook, Volvofinans Bank is optimistic about the future in view of the bank's stable ownership, very strong capital base, and proven and well-functioning business models. Coupled with the broadening of our financial services to our many customers, both private and corporate, this creates a significant potential for development.

SUSTAINABILITY REPORTING

In 2015 a new sustainability policy was adopted. The policy provides guidance for the bank's sustainability work. In 2016 the bank will be working actively to prepare itself for the coming mandatory GRI reporting, for example by verifying itself under ISO 26000. ISO 26000 focuses on social sustainability and will give the bank a good basis for concluding new deals as sustainability becomes an ever more important part of procurements. The bank will also strive to establish sustainability as a natural part of its business activities. The goal is to develop at least one product that focuses on sustainability. Sustainability aspects will be factored into the approval process for all new projects (NPAP) and the bank will also be reviewing its direct environmental impact, workplace and work methods.

Economic sustainability

The bank's economic sustainability is strong, as is clear from the bank's strong KPIs and growing ROE. The bank's core Tier 1 capital ratio is well above the standards prescribed by the Swedish Financial Supervisory Authority (FSA). The bank's financial stability is also shown in its continuously stable annual profits. The bank's liquidity coverage ratio stood at 205 per cent at year-end and averaged 237 per cent in 2015. The liquidity coverage ratio (LCR) is a short-term liquidity ratio and is included in the bank's liquidity risk reporting to the FSA. At 143 per cent in December 2015, the bank's net stable funding ratio (NSFR) is also stable and secure. The bank complies with Swedish anti-money laundering legislation. The bank has a responsibility to and aims to provide sound, long-term lending services. The bank's lending activities are based on a thorough credit assessment process that is designed to determine whether the customer will be able to fulfil its obligations. The bank thereby helps to ensure a functioning credit market. Liquidity risk is described on page 44 and key performance indicators on page 25.

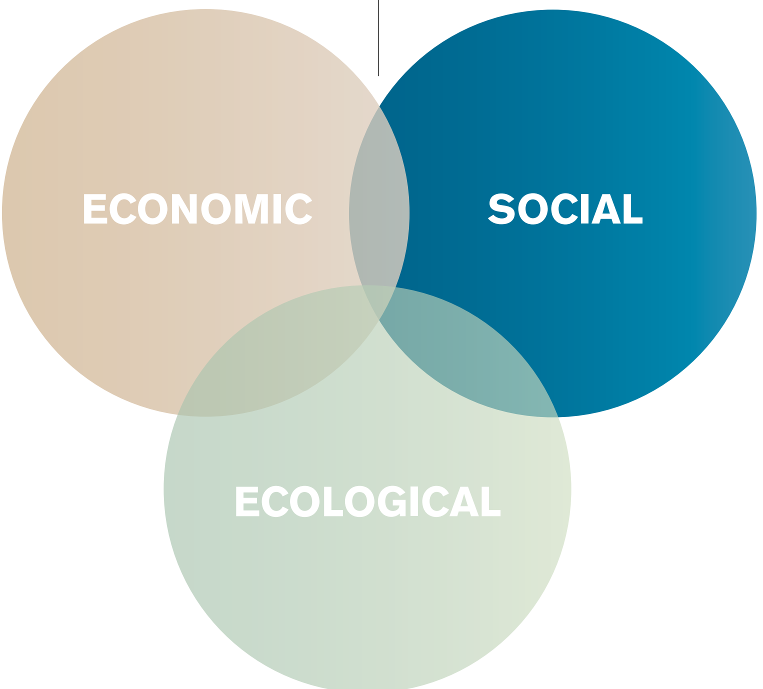
Social sustainability

In 2015 the bank and its employees helped to raise money for UNHCR. The bank's joint work with Childhood continues and gives our customers an opportunity to support vulnerable children together with the bank. Initiatives to encourage job applicants and contacts with academia are important for the bank. In 2015 the bank engaged 13 summer temps and one trainee. The bank has a well functioning whistleblower function and employees receive continuous training on security and ethics. More information on employee issues is found in the Employees sections.

Ecological sustainability

The bank continuously reviews its direct environmental impact. In 2015 the bank reduced its electricity use while the share of electronic dispatches (e-billing) increased. Starting in 2016, the bank has signed a new electricity contract that is classified as a good environmental choice by the Swedish Society for Nature Conservation. The bank promotes ecological sustainability by funding hybrid and other cars classified as green. It provides finance for the purchase of Renault's electric cars and battery rental and for AB Volvo's initiatives in the area of environmentally friendly hybrid buses and electric buses, and it also takes responsibility by renting space for its Gothenburg office in an environmentally certified building.

Consumption category	2015	2014	Change
Electricity consumption (kWh)	312,742	349,625	- 36,883
Paper bills to customers, %	71%	73%	- 2%



ENVIRONMENT

The bank strives to improve its long-term environmental performance and minimise its impact on the environment insofar as this is technically and economically reasonable by:

- operating in accordance with applicable environmental legislation and other relevant environmental requirements
- working preventively and striving for constant improvements among employees as well as suppliers
- engaging in an open dialogue with employees, customers, suppliers and other stakeholders
- harnessing the commitment and environmental awareness of its employees
- taking account of environmental consequences when developing services and making changes to its operations

EMPLOYEES

At year-end 2015 the bank had 192 (193) employees, of whom 165 (169) were based in Göteborg and the remaining work force at our office in Stockholm. The average number of employees was 184 (183). Overall, women outnumber men in the workforce and account for four out of nine senior executives.

The right skills are an important competitive factor. Employee development and training are strategically important and an important investment for the bank. The bank has an internal development programme that is aimed at helping talented employees to develop their skills. Leadership training remains a priority area. Performance appraisals are conducted each year.

A good work environment is of great importance for the bank's profitability, as it stimulates strong performances and personal development. The bank is therefore keen to ensure that it continues to provide a good physical and psychosocial work environment. A good balance between work and free time is essential to strong performance at work. The bank promotes health and fitness activities by subsidising training fees as well as massage. In 2015 a talk on health challenges was arranged and Volvofinans Klassikern was initiated.

A strong culture is a success factor. During the year the bank continued to work actively on strengthening the company culture. Each year an employee survey is conducted in which the bank follows up its employees' views on the work climate, commitment and leadership. Participation in the survey is high and this year's results exceeded those for the previous year as well as the benchmark.

Information on salary payments and remuneration is provided in Note 11.

DIVERSITY POLICY

The bank aims to ensure that the Board of Directors has a composition that is appropriate with regard to the company's operations, stage of development and other circumstances, and that is marked by diversity and breadth in terms of the AGM-elected Directors' skills, experience and background.

To meet these objectives, the bank strives to ensure a broad pool of characteristics and skills, and emphasises that diversity in terms of age, gender, geographic origin, education and professional background are important factors to consider when electing new Directors.

REMUNERATION

Under the regulations of the Swedish Financial Supervisory Authority, the bank is required to publish information on its remuneration policy and its application at least annually and no later than in connection with the publication of the annual report.

Preparation and decision-making process

The Board of Directors of the bank has appointed a Remuneration Committee from among its members that is tasked with preparing decisions on important remuneration matters and proposing measures for following up the application of the adopted remuneration policy. The Board has appointed Chairman Urmas Kruusval, Tommy Andersson and Synnöve Trygg as members of the Remuneration Committee.

An independent control function participates in the process of assessing and evaluating the bank's remuneration system. The control function reports the results of its assessment to the Board.

Risk analysis

Before a resolution can be taken on the adoption of a remuneration policy or on other material changes to the bank's remuneration system a risk analysis must be made. The risk analysis should aim to identify and take account of risks associated with the bank's remuneration policy and remuneration system that could have an adverse impact on the bank's future results and financial position. Based on the risk analysis, the bank then seeks to identify those employees whose duties have a material impact on the company's risk profile.

Remuneration model

Remuneration and other terms of employment should be competitive to ensure that the bank is able to attract and retain skilled employees with the ability to help increase the long-term value of the company. The remuneration paid by the bank should promote effective risk management and discourage excessive risk-taking. The bulk of the remuneration paid should consist of fixed remuneration. In some cases additional variable remuneration may be paid. Variable remuneration is based on individual targets that have been approved by the Board.

The bank can also decide to reclaim all or part of the variable remuneration paid if it is subsequently shown that the employee, profit centre or bank failed to meet the performance criteria. The bank can also opt not to pay variable remuneration if its financial position deteriorates materially.

Variable remuneration

The purpose of variable remuneration is to stimulate the employees to achieve especially important targets defined by the bank. Variable remuneration is offered as a supplement to fixed remuneration for a small number of positions in the bank's marketing, car trading and customer service functions. Variable remuneration is capped at 20 per cent of the fixed remuneration. No variable remuneration is paid to members of the bank's management team. Nor is it paid to employees who make decisions on credits/limits or in internal control functions that deal with compliance, risk control and internal auditing.

Deferred remuneration

For employees working in positions in which they exercise a not insignificant influence on the bank's risk level and who are eligible for bonuses, 50 per cent of the variable remuneration should be withheld until three years after the performance period if the remuneration exceeds SEK 100,000.

Other remuneration

The bank may, in addition to cash remuneration, offer its employees benefits in the form of a company car, health and fitness allowance or other benefits. The bank's pension solutions are based on the applicable collective agreements. The bank may conclude agreements on individual pension terms and termination conditions.

Expensed amounts

The total amounts of remuneration charged to expense in the financial year by employee category and business area are presented in the following tables.

Employee category*	Fixed remuneration, SEK million	Variable remuneration, SEK million	No. of people receiving fixed remuneration	No. of people receiving variable remuneration
Executive management	11.1	–	9	–
Other employees, incl. other employees who can influence the bank's risk level**	78.4	1.1	175	16
Total	**89.5**	**1.1**	**184**	**16**

* The "Executive management" category consists of the President and other members of the management team who report directly to the Board or the President. The category "Other employees who can influence the bank's risk level" comprises other persons that have been defined as employees whose duties have a material impact on the company's risk profile. The person responsible for the bank's control function is a co-opted member of executive management.

** In accordance with the regulations and general recommendations of the Swedish Financial Supervisory Authority, quantitative information is not provided for employee categories with a small number of individuals. Quantitative information for the "Other employees" category is therefore provided together with the "Other employees" category.

	Total, SEK million
Passenger car market	86.2
Truck market	4.4
Total	**90.6**

Remuneration of SEK 90.6 million was charged to expense for the financial year. Variable remuneration consists entirely of cash. No remuneration is deferred and no variable remuneration has been promised.

No amounts related to severance pay were expensed during the year. No further promises of severance pay and or of guaranteed variable remuneration in connection with recruitment have been made.

APPROPRIATION OF RETAINED EARNINGS

Proposed appropriation of retained earnings

	Amounts in SEK thousand 2015
Opening balance of retained earnings	813,912
Profit for the year	–
At the disposal of the AGM	**813,912**
The Board of Directors proposes that the above amount be appropriated as follows: Dividend of SEK 47.50 per share to the shareholders	47,500
Carried forward	**766,412**

CAPITAL BASE

Under the regulations governing capital adequacy and large exposures, each institution is required at all times to maintain a minimum capital base equal to the sum of the capital requirements for credit risks, market risks and operational risks, in addition to the calculated capital requirement for further identified risks in the operations in accordance with the bank's internal capital adequacy assessment process. Following the proposed distribution of profits, the bank will have a capital base of SEK 3,264 million (3,026) and a minimum capital requirement of SEK 1,198 million (1,104). A specification of the items is presented in the section Risk and capital management.

The Board's assessment is that the bank's equity, as reported in the annual accounts, is adequate in relation to the scope and risk of the operations.

For more information about the bank's results and financial position, see the following income statement, balance sheet and cash flow statement.

FIVE-YEAR SUMMARY

	2011	2012	2013	2014	Amounts in SEK million 2015
Condensed balance sheet					
Chargeable treasury bills, etc.	100	1,025	1,292	1,171	1,081
Loans and advances to credit institutions	2,506	1,776	2,585	1,785	1,999
Loans and advances to customers	14,638	13,087	12,479	12,651	13,690
Bonds and other debt securities	1,005	635	1,272	837	836
Shares and interests in associates and other companies	16	16	19	21	24
Intangible assets	29	23	9	6	7
Property, plant and equipment	10,391	11,192	11,488	12,196	13,693
Other assets	791	890	719	632	671
Total assets	**29,476**	**28,644**	**29,863**	**29,299**	**32,001**
Borrowings	24,019	23,064	24,130	23,602	26,185
Other liabilities	1,577	1,610	1,591	1,724	1,738
Untaxed reserves	3,210	3,443	3,443	2,482	2,844
Equity	670	527	699	1,491	1,234
Total liabilities and equity	**29,476**	**28,644**	**29,863**	**29,299**	**32,001**
Condensed income statement					
Interest income	746	755	594	516	402
Lease income	2,968	3,269	3,477	3,517	3,619
Interest expense	- 843	- 854	- 646	- 470	- 252
Dividends received	4	3	2	3	2
Commission income	305	321	333	345	359
Commission expense	- 19	- 19	- 21	- 24	- 22
Net income/expense from financial transactions	3	- 20	- 15	- 4	- 6
Other operating income	–	–	–	–	2
Total income	**3,164**	**3,455**	**3,724**	**3,883**	**4,104**
General administrative expenses	- 224	- 260	- 268	- 265	- 280
Other operating expenses*	- 2,661	- 2,926	- 3,152	- 3,275	- 3,449
Net credit losses	- 17	- 35	- 28	- 12	- 12
Total expenses	**- 2,902**	**- 3,221**	**- 3,448**	**- 3,552**	**- 3,741**
Profit before tax	**262**	**234**	**276**	**331**	**363**
Profit for the year	**225**	**-**	**215**	**1,007**	**-**
Net profit**	**193**	**173**	**215**	**1,007**	**283**

* Including depreciation of property, plant and equipment and amortisation of intangible assets.
** Net profit refers to the profit before flat tax. The tax rate was changed in 2013 from 26.3 per cent to 22 per cent.

	2011	2012	2013	2014	2015
Key performance indicators					
Return on equity, %	6.79	5.68	6.80	8.14	8.93
Risk capital/total assets, %	13.02	13.71	13.15	12.68	12.60
Deposits/lending, %	28.40	48.55	59.52	55.44	52.33
Earnings/risk-weighted assets, %	1.46	1.43	1.73	2.40	2.42
Return on total assets, %	0.70	0.60	0.73	3.40	0.92
Capital adequacy ratio with transitional rules*	2.07	2.31	2.38	1.92	1.89
Total capital ratio with transitional rules, %*	16.58	18.50	19.06	15.39	15.15
CET 1 capital ratio with transitional rules, %*	16.58	18.50	19.06	15.39	15.15
Capital adequacy ratio without transitional rules	2.37	2.62	2.46	2.74	2.72
Total capital ratio without transitional rules, %	18.99	20.97	19.70	21.93	21.79
CET 1 capital ratio without transitional rules, %	18.99	20.97	19.70	21.93	21.79
Net interest income/ø lending, %	1.01	1.08	1.12	1.33	1.38
Credit losses/lending, %	0.06	0.12	0.11	0.04	0.04
Operating expenses/lending, %	1.07	1.15	1.10	1.26	1.23
Cost/income ratio, %	0.53	0.59	0.54	0.51	0.50
Cost/income ratio excl. credit losses, %	0.50	0.53	0.49	0.49	0.48
Cost/income ratio excl. net interest income and credit losses, %	0.95	1.08	0.97	1.04	1.03
Average number of employees	174	177	182	183	184

* In accordance with the Basel II floor rules, standardised approach for 2011–2013 and the Basel I floor rules from 2014.

DEFINITIONS OF KEY PERFORMANCE INDICATORS IN THE FIVE-YEAR SUMMARY

Return on equity
Earnings after flat tax divided by opening adjusted equity. For the bank equity is calculated after flat tax on untaxed reserves.

Risk capital
The sum of equity, guarantee fund loans, debentures and untaxed reserves.

Risk-weighted assets
See the definition on page 48.

Common Equity Tier 1 capital ratio, risk asset ratio and capital adequacy ratio
See the definitions on page 50.

Ø lending
The average of lending in the preceding year and lease assets.

Cost/income ratio, %
Operating expenses in relation to operating income less depreciation of lease assets.

INCOME STATEMENT

1 January–31 December	2015	Amounts in SEK thousand 2014
Operating income		
Interest income, Note 5	402,487	515,616
Lease income, Note 6	3,619,222	3,517,264
Interest expense, Note 5	- 251,689	- 470,094
Net interest income	**3,770,020**	**3,562,786**
Dividends received, Note 7	2,062	2,822
Commission income, Note 8	358,770	345,550
Commission expense, Note 9	- 22,302	- 23,798
Net income/expense from financial transactions, Note 10	- 5,895	- 4,281
Other operating income	1,375	–
Total operating income	**4,104,030**	**3,883,079**
Operating expenses		
General administrative expenses, Note 11	- 280,192	- 265,477
Depreciation of property, plant and equipment and amortisation of intangible assets, Note 12	- 3,403,677	- 3,222,350
Other operating expenses, Note 13	- 45,274	- 52,661
Total operating expenses	**- 3,729,143**	**- 3,540,488**
Profit before credit losses	**374,887**	**342,591**
Net credit losses, Note 14	- 11,858	- 11,944
Operating profit	**363,029**	**330,647**
Appropriations, Note 15	- 362,580	961,539
Tax on profit for the year, Note 16	- 449	- 284,915
Profit for the year*	**–**	**1,007,271**

* Profit for the year is the same as comprehensive income for the year.

BALANCE SHEET

	31 Dec 2015	Amounts in SEK thousand 31 Dec 2014
Assets		
Chargeable treasury bills, etc., Note 17	1,080,515	1,170,846
Loans and advances to credit institutions, Note 18	1,998,980	1,784,781
Loans and advances to customers, Note 19	13,690,417	12,650,593
Bonds and other debt securities, Note 20	835,501	837,297
Shares and interests in associates and other companies, Note 21	16,797	14,735
Shares and interests in Group companies, Note 22	6,742	6,740
Intangible assets, Note 23	7,874	5,561
Property, plant and equipment, fixtures and fittings, Note 24	1,535	1,313
Property, plant and equipment, lease assets, Note 24	13,691,740	12,194,744
Other assets, Notes 25, 26	638,979	596,242
Prepaid expenses and accrued income, Note 27	32,177	36,535
Total assets	**32,001,257**	**29,299,387**
Liabilities and equity		
Liabilities to credit institutions, Note 28	1,000,000	1,550,000
Retail deposits and borrowings, Note 29	14,329,062	13,773,551
Securities issued, Note 28	10,856,491	8,278,759
Other liabilities, Notes 26, 30	788,450	876,180
Accrued expenses and deferred income, Note 31	949,117	848,069
Total liabilities	**27,923,120**	**25,326,559**
Untaxed reserves, Note 32	2,844,225	2,481,645
Equity, Note 33		
Restricted equity:		
Share capital (1,000,000 shares with a quotient value of SEK 400)	400,000	400,000
Statutory reserve	20,000	20,000
Non-restricted equity:		
Retained earnings	813,912	63,912
Profit for the year	–	1,007,271
Total equity	**1,233,912**	**1,491,183**
Total liabilities and equity	**32,001,257**	**29,299,387**
Memorandum items		
Pledged assets	–	–
Contingent liabilities	–	–

STATEMENT OF CHANGES IN EQUITY

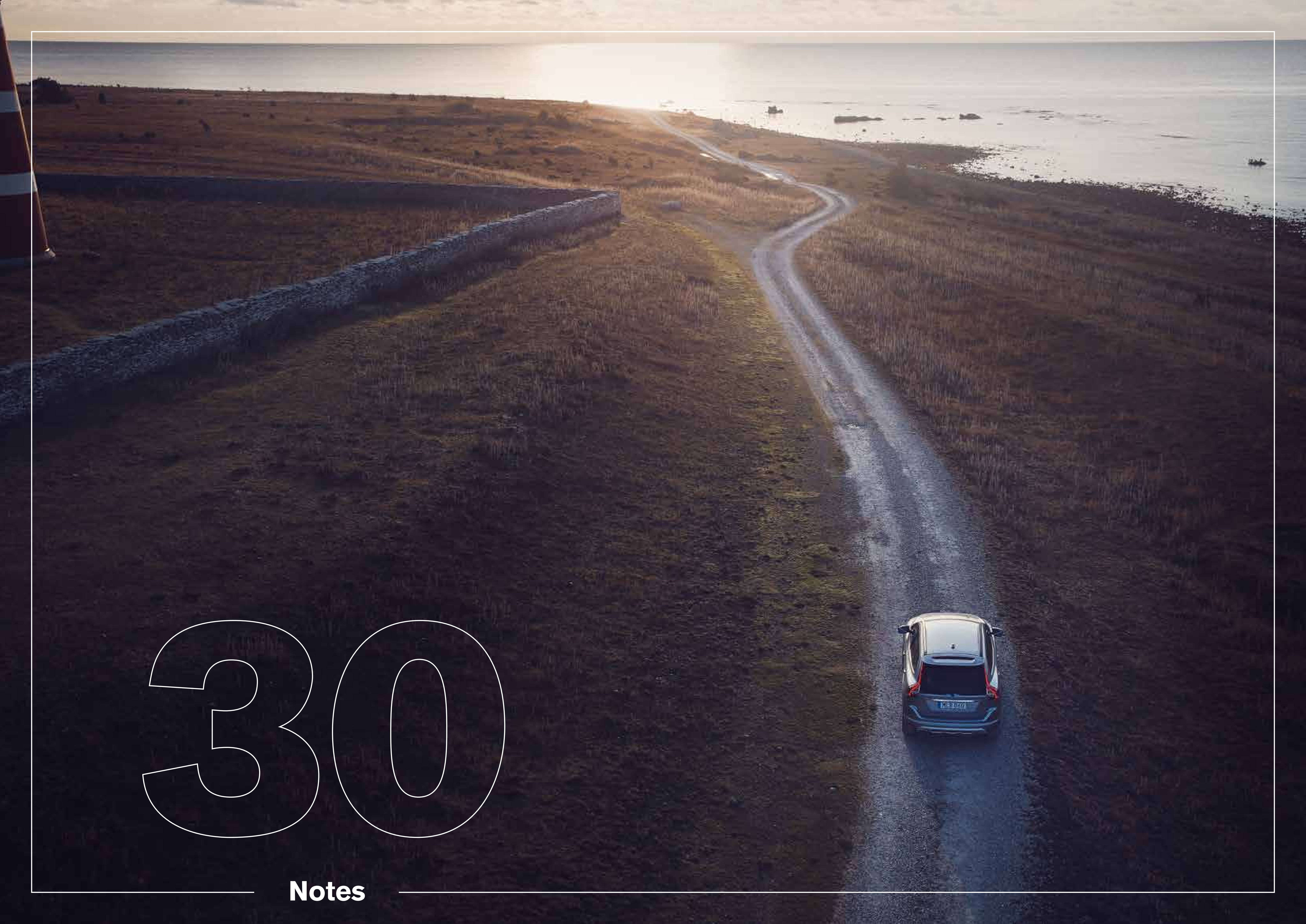
Amounts in SEK thousand

	Restricted equity		Non-restricted equity	
	Share capital	Statutory reserve	Retained earnings incl. profit for the year	Total equity
Opening equity,				
1 January 2014	400,000	20,000	279,005	699,005
Profit for the year	–	–	1,007,271	1,007,271
Total change before transactions with shareholders	**–**	**–**	**1,007,271**	**1,007,271**
Dividend	–	–	- 215,093	- 215,093
Closing equity, 31 December 2014	**400,000**	**20,000**	**1,071,183**	**1,491,183**
Opening equity,				
1 January 2015	400,000	20,000	1,071,183	1,491,183
Profit for the year	–	–	–	–
Total change before transactions with shareholders	**–**	**–**	**1,071,183**	**1,491,183**
Dividend	–	–	- 257,271	- 257,271
Closing equity, 31 December 2015	**400,000**	**20,000**	**813,912**	**1,233,912**

CASH FLOW STATEMENT

	2015	Amounts in SEK thousand 2014
Operating activities		
Operating profit	363,029	330,647
Adjustment for non-cash items		
Unrealised portion of net income/expense from financial transactions	- 5,895	- 4,281
Depreciation, amortisation and impairment	3,420,208	3,232,163
Credit losses	19,135	22,123
Tax paid*	- 284,745	- 40,792
Changes in operating assets and liabilities		
Chargeable treasury bills	90,331	120,901
Loans and advances to customers	- 1,058,273	- 191,311
Bonds and other debt securities	1,797	435,261
Other assets	245,231	83,616
Liabilities to credit institutions	- 550,000	–
Retail borrowings	555,511	- 491,955
Securities issued	2,577,731	- 35,748
Other liabilities	19,214	- 106,619
Cash flow from operating activities	**5,393,274**	**3,354,004**
Investing activities		
Capitalised development expenditure	- 4,412	–
Investments in shares and interests	- 2,064	- 2,822
Acquisition of property, plant and equipment	- 8,080,394	- 7,134,710
Sale of property, plant and equipment	3,165,066	3,197,908
Cash flow from investing activities	**- 4,921,804**	**- 3,939,624**
Financing activities		
Dividend paid	- 257,271	- 215,093
Cash flow from financing activities	**- 257,271**	**- 215,093**
Cash flow for the year		
Cash and cash equivalents at beginning of year*	1,784,781	2,585,494
Cash flow from operating activities	5,393,274	3,354,004
Cash flow from investing activities	- 4,921,804	- 3,939,624
Cash flow from financing activities	- 257,271	- 215,093
Cash and cash equivalents at end of year*	**1,998,980**	**1,784,781**
Cash interest paid		
Interest received	399,041	508,881
Interest paid	- 224,337	- 402,428

* The classification of tax paid and cash and cash equivalents has been changed compared with the year-end report.



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Notes

Notes

Notes to the income statement and balance sheet.

Unless otherwise specified, amounts are stated in SEK thousand.

Volvofinans Bank AB, hereinafter "the bank", operates in the Swedish market.

1. INFORMATION ABOUT THE BANK

The bank is 50 per cent owned by the Swedish Volvo dealerships through the holding company AB Volverkinvest, 40 per cent owned by the Sixth Swedish National Pension Fund and 10 per cent owned by Volvo Personvagnar AB. The bank conducts sales finance and credit card operations and has its registered office in Göteborg. The address is Bohusgatan 15, Box 198, SE-401 23 Göteborg, Sweden.

As permitted under Ch. 7 § 6a of the Swedish Annual Accounts for Credit Institutions and Investment Firms Act (1995:1559), the bank does not prepare consolidated financial statements as of 31 December 2010, as the activities of the subsidiaries are of minor importance.

2. RISK AND CAPITAL MANAGEMENT

Background

Volvofinans Bank AB (publ), corporate ID number 556069-0967, is subject to the EU regulations Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

The regulations have been incorporated into Swedish law. In addition, a large number of regulations and general recommendations have been issued by the Swedish Financial Supervisory Authority (FSA).

This annual report provides the information required under the aforementioned laws and regulations.

In spring 2011 the FSA approved the bank's IRB application for permission to use the internal ratings-based (IRB) approach for calculating capital requirements for credit risk for retail exposures and non-credit obligation asset exposures. Three years later, in spring 2014, the FSA approved the bank's application for permission to apply internal models also for the bank's corporate exposures. The bank has been granted a permanent exemption to use the standardised approach for exposures to the Swedish State, the Swedish National Bank and Swedish local authorities as well as for the exposure classes sovereign and institutional exposures. The bank has also been given temporary permission to use the standardised approach for portfolios of insignificant size until 31 December 2016.

Risk management

The bank's risk management, for which ultimate responsibility rests with the Board of Directors, is aimed at identifying and assessing risks in the activities of the bank, and to determine an appropriate risk appetite (limits) for these and ensure that effective internal control systems have been put in place. Risks are monitored and controls are performed on a regular basis to ensure that limits are not exceeded. Risk policies and risk management systems are reviewed regularly to ensure that they are correct and reflect current market conditions as well as the products and services offered. Through training and clear processes, the bank creates a basis for good risk control, ensuring that each employee understands his or her role and responsibility.

The bank has a central function for independent risk control that reports directly to the President. The risk control function is tasked with analysing changes in the risks and, where necessary, proposing changes to governing documents and processes. The function is responsible for the design, implementation, reliability and monitoring of the bank's risk classification system. The function has also appointed a number of RCS coordinators to manage risk, compliance and security issues in their respective areas. These individuals thus serve as the risk control function's contact persons in the bank.

Risk strategy

The bank's risk strategy and risk appetite should:

- serve as policy instruments for achieving the bank's strategic objectives
- take account of the bank's unique business model in the Swedish Volvo system
- take account of the bank's desire to be viewed as the "Car Bank"
- be adapted to the various business areas in the bank
- be systematic, structured and permeate the entire organisation

The bank has identified the following risk categories as being the most crucial for the achievement of its strategic objectives:

- Credit risk
- Operational risk
- Concentration risk (credit risk)
- Interest rate risk
- Counterparty risk
- Liquidity risk
- Reputational risk
- Strategic risk
- Residual value risk

The bank's overall risk strategy is based on continuous analysis of those risk factors to which the bank is exposed through its activities. These risk factors can broadly be divided into:

- risks that the bank is willing to accept, as they can contribute to higher returns or the achievement of objectives
- risks that the bank seeks to minimise, as they cannot be expected to contribute to higher returns or the achievement of objectives

The first category includes credit risk, concentration risk (credit risk) and residual value risk, which the bank seeks to optimise within the risk appetite defined by the Board in order to achieve its strategic objectives.

The second category includes operational risk, interest rate risk, counterparty risk, reputational risk, liquidity risk and strategic risk, for which the bank has a low risk appetite. The costs of managing these risks should be proportionate to the direct or indirect loss that could be incurred if the risk were to materialise.

All risks should be managed both preventively and reactively through good risk management in the first line of defence as well as good risk control in the second line of defence. The risk control function monitors all risks on a regular basis and ensures that they remain within the defined risk appetite.

The bank's risk management should be marked by preventive measures that are designed to prevent or limit risks and any damage. In the products and services offered by the bank the risk should be weighed against the expected return subject to what is economically justifiable. To achieve good profitability while maintaining an acceptable level of risk, the bank should use and integrate the results of its internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP). Important business decisions must take account of potential consequences from a risk and capital perspective.

Risk appetite

Overall risk appetite

The bank's measure of overall risk appetite is the total capital ratio, which must not fall below 18.5 per cent. The bank also seeks to maintain a core Tier 1 capital ratio of at least 13.8 per cent.

Credit risk

Credit risk refers to the risk deemed to exist at any given time that the bank's counterparties, for whatever reason, will fail to fulfil their contractual obligations in respect of payment. Such contracts may refer to various forms of monetary loans, leases, guarantees, investments or derivatives contracts.

The Board has overall responsibility for the bank's credit risk exposure. Through a set of instructions, the Board has delegated this responsibility to various executives, subject to certain limits.

The bank has defined high ethical, quality and control standards for its lending activities. Although the credit risk is a large risk exposure, the bank's credit losses have been very small in relation to the outstanding loan volume.

Loans are issued subject to a credit assessment using the bank's credit rating tool, VF Score. VF Score contains financial information and internal credit information about the customer, which is processed using proprietary score cards and rules to produce a risk classification of the customer. Based on the score and rules, the tool generates a credit recommendation – approve, review or reject. Using the recommendation and other known information about the customer as a basis, a credit decision is then made. In practice, this means that the role that is authorised to make a decision under the credit approval instructions for each unit either approves or rejects the loan. For private individuals who apply for card credit an automated decision-making process was implemented in 2015.

The granting of credit in the form of loans and leases should be selective in the sense that the bank's credit customers must be of such quality that credit losses can be kept at a consistently low level. The quality requirement must never be set aside in an effort to achieve a high credit volume. Credit issuance in which the bank assumes a direct counterparty risk mainly comprises fleet finance, through finance or operating leases, for medium-sized and large enterprises. With a strong focus on credit quality, the bank concludes contracts only with financially stable companies, subject to a thorough credit assessment. The bank has also defined a scorecard and rules in VF Score for expert-based assessment of large companies.

The bank's procedures for monitoring overdue payments and unsettled receivables are aimed at minimising credit losses through early detection of payment problems among borrowers and prompt handling of the demand process. Overdue debts are monitored with the help of specific demand processes which automatically monitor outstanding debts and issue reminders when a demand measure needs to be taken.

Quantification of credit risks

The bank uses an internal risk classification system to measure credit risk. The system is based on models which measure credit risks from three dimensions: probability of default (PD), loss given default (LGD) and exposure at default (EAD). Default is defined as a situation in which a payment is over 90 days past due or where the bank has previously determined that the counterparty will be unable to fulfil its obligations. A conversion factor (CF) is also estimated for calculating EAD for off-balance sheet exposures.

Statistical scoring models have been used for retail exposures (private individuals and small and medium-sized limited companies) since January 2007 and for corporate exposures (companies with sales of over SEK 400 million or exposures with the bank of more than SEK 5 million) an expert-based model was introduced in late 2007.

For retail exposures the default risk is estimated individually for each exposure using statistical risk models, which form part of the bank's risk modelling techniques. Based on the individual risk estimate, each exposure is assigned to a risk category in the PD dimension. A risk category consists of a number of exposures with similar risk profiles and risk levels, which have undergone a standardised risk process. The bank refers to this process as risk classification.

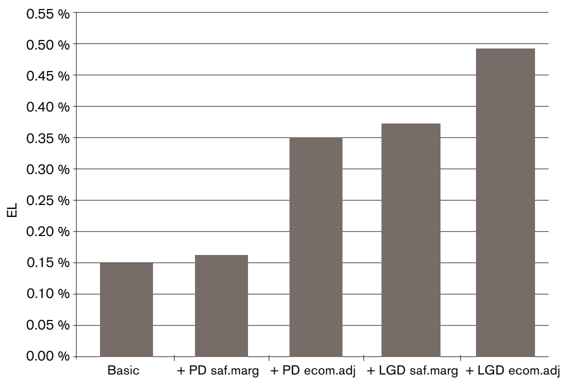
Product categories are used in the LGD and EAD risk dimensions. As regards the LGD dimension, there is an underlying risk category structure for certain products based, for example, on the loan-to-value ratio. An estimate is made of the potential loss in the financing portfolio for each end customer, even though the bank has concluded a recourse agreement with each dealer. Under the recourse agreement, the dealer takes over receivables for which payment is more than 180 days past due. Thanks largely to this business model, the bank has incurred negligible credit losses in these portfolios.

For each risk category or product category a risk estimate is calculated that describes the average risk for the category. The risk estimates for the risk category include a safety margin that is designed to take account of uncertainty in the data, data quality and data access. The risk estimates for the risk category are adjusted in response to changes in economic conditions. PD should reflect the business cycle average while LGD/CF should reflect a period of low economic activity. The bank defines the period from the early 1990s onwards as a full business cycle. The method used by the bank to adjust risk estimates in the PD dimension to changes in economic conditions is designed to keep PD in each IRB sub-portfolio at a constant level. This means that the adjustment factor changes over time, with the limitation that it is never permitted to fall below 1. The crisis years in the early 1990s are used as a benchmark for an adverse economic environment. The bank refers to the above process as risk category estimation. All of the bank's models meet the regulatory requirement of at least five years of outcome data. In its risk category estimation the bank has made very conservative assumptions and applied wide safety margins for its basic estimates as well as estimates that have been adjusted for economic conditions. The aim is to ensure that the estimates used in determining capital requirements do not result in the credit risk being underestimated.

The following chart provides an overview of how expected loss (EL) for the bank's retail exposures is affected by the adjustments that are made in the PD and LGD dimensions. The chart shows that the final estimate is more than 100 per cent larger than the basic estimate.

Comparison with external rating agencies

The relationship between the rating made by an external credit rating agency (Standard & Poor's) and the bank's own risk categories in the PD dimension are presented in the following table. The comparison is indicative only and is not intended to represent any fixed relationship between the bank's internal risk categories and Standard & Poor's rating.



Internal risk category	Standard & Poor's indicative rating
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 by exposure class

Retail exposures

The following table shows the average risk weight by risk category for retail exposures ("Other" sub-group). The table shows reported exposures for each risk category as well as exposure amount, taking account of the conversion factor (CF).

Risk category	Reported exposure	Exposure amount	Risk-weighted amount	Risk weight, %
1	8,882,707	14,448,319	2,002,265	13.86
2	5,010,458	7,209,354	1,862,714	25.84
3 – 4	3,262,837	3,738,004	1,433,259	38.34
5 – 6	881,346	939,004	502,122	53.47
7	133,562	136,973	75,378	55.03
In default	67,455	73,039	67,199	92.00
Total	**18,238,365**	**26,544,693**	**5,942,937**	**22.39**

Excluding the effect of credit risk protection, the total for all retail exposure amounts is SEK 28.0 billion rather than SEK 26.5 billion, as shown in the table. In calculating the higher amount, CF has been set at 100 per cent while the lower amount is based on a CF of 87 per cent for private customers and 84 per cent for corporate customers.

Corporate exposures

The following table shows the average risk weight by risk category for corporate exposures, using the basic internal method.

Risk category	Reported exposure	Exposure amount	Risk-weighted amount	Risk weight, %
1	2,572,573	2,593,108	1,122,106	43.27
2	1,295,685	1,326,358	1,140,963	86.02
3 – 4	1,140,940	1,140,940	1,314,883	115.25
5 – 6	293,204	293,204	534,527	182.31
7	42,339	42,339	70,704	166.99
In default	18,064	18,064	–	0.00
Total	**5,362,805**	**5,414,013**	**4,183,183**	**77.27**

Excluding the effect of credit risk protection, the total for all corporate exposure amounts is SEK 5.8 billion rather than SEK 5.4 billion, as shown in the table. The higher amount includes certain off-balance sheet commitments.

Validation

One of the most important elements of an internal risk classification system is the validation of the system. The system is validated at least once a year, and responsibility for the validation process and implementation is held by the risk control function.

The validation process must include a documented qualitative analysis and assessment of the design and use of the risk classification system. A quantitative validation is made of the accuracy of the models and measures are taken to ensure that no systematic deviations occur. The results and conclusions of the validation are reported to the Board.

The table below shows predictions and outcomes (EL and LGD are exposure-weighted averages while PD is quantity-weighted). The significant difference between predictions and outcomes is due to the conservative assumptions used by the bank in developing the model.

Predictions and outcomes for IRB exposures	EL	PD	PD	LGD	LGD
Exposure class	Prediction	Prediction	Outcome	Prediction	Outcome
Retail, other	0.49%	1.13%	0.44%	32%	14%
Corporate	0.76%	1.25%	0.35%	45%	N/A*

* Prescribed values for PGD are used for corporate exposures (basic internal method).

Other areas of application for the risk classification system

The risk classification system is an integral part of the bank's governance, credit, risk management and internal capital allocation processes. The bank also uses the system for impairment and risk-adjusted pricing.

FUTURE REGULATIONS

The Swedish Financial Supervisory Authority has announced that it will continue to review Swedish banks' internal credit risk models, particularly with regard to corporate exposures. The FSA expects to have completed its work by 2016 and that it will lead to increased capital requirements for corporate exposures.

An international initiative is also underway relating to future capital requirements in the form of a major review conducted by the Basel Committee with the aim of improving the comparability of banks' capital measures. As part of this initiative, there is a discussion about future standardised approaches for calculating capital requirements for credit, market and operational risks. The Basel Committee has submitted a proposal that could lead to the introduction of a capital floor based on the standardised approach for those banks which use internal models. However, there is still considerable uncertainty about the formulation of the new regulations and the timing of their implementation, and it is therefore still too early to draw any conclusions about what the potential impact may be for the bank.

A further report in the area of liquidity, Additional Monitoring Metrics (AMM), will be published in 2016.

An evaluation in respect of leverage ratios is underway. A potential minimum requirement is expected to be introduced in 2018. The bank's leverage ratio at 31 December 2015 was 10.1 per cent (10.2).

CREDIT EXPOSURE

The bank's maximum credit exposure by category of financial instrument is presented below. Maximum credit exposure includes undrawn credit card limits and 20 per cent of undrawn dealer limits. There are no other loan commitments. For derivative instruments, an additional amount is calculated based on the maturity, the nature of the risk and the nominal amount. This is done for all derivatives, including derivatives with positive and negative market values.

Total amount of all exposures excluding the effect of credit risk protection

All exposures refer to Sweden.

Credit risk, standardised approach	2015	2014
Exposures to central governments and central banks	218,567	150,981
Exposures to local authorities and comparable associations as well as agencies	1,199,467	1,204,808
Exposures to administrative bodies, non-commercial undertakings and religious associations	5,555	4,830
Institutional exposures*	2,040,154	1,876,344
Corporate exposures	288,772	341,528
Retail exposures	543,855	425,706
Unsettled items	2,774	25,399
Covered bonds	835,501	837,297
Equity exposures	23,539	21,475
Other items	11,659	9,821
Total, standardised approach	**5,169,843**	**4,898,189**
Credit risk using the IRB approach		
Corporate exposures	5,838,948	5,395,145
Retail exposures	28,033,995	26,321,290
Non-credit obligation asset exposures	2,488,700	2,217,925
Total, IRB approach	**36,361,643**	**33,934,360**
Total credit risk	**41,531,486**	**38,832,549**

* Of which, add-on of SEK 4.5 million (3.4).

Total amount of all exposures including the effect of credit risk protection

As shown in the table above, the bank has a total credit risk exposure of SEK 41,531 million (38,833) excluding the effect of credit risk protection. The bank's recourse agreements with the dealerships significantly reduce the credit risk. The right of recourse is in the amount of SEK 21,400 million (19,272). The bank also has collateral for loans and receivables in the form of guarantees of SEK 629 million (629), floating charges of SEK 263 million (263), property mortgages of SEK 2 million (2) and pledged loans and leases of SEK 2,129 million (2,107). The bank's total credit risk exposure, including the effect of credit risk protection, is thus SEK 17,108 million (16,559).

The bank does not use credit risk protection to reduce its capital requirement.

Reconciliation to carrying amounts in the balance sheet

The following table shows a reconciliation of carrying amounts of assets in the balance sheet to the amounts of exposures for credit risk excluding the effect of credit risk protection shown in the preceding table.

	2015	2014
Total assets as stated in the balance sheet	32,001,257	29,299,387
Additional items		
Total impairment	69,712	57,016
Undrawn limits, accounts receivable	10,070,230	9,918,998
Undrawn limits, lending to Volvo dealers	256,039	246,935
Margin for counterparty risk in derivatives	4,493	3,378
Outgoing items		
Non-credit obligation asset exposures*	- 862,371	- 687,604
Intangible assets	- 7,874	- 5,561
Total	**41,531,486**	**38,832,549**

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

Average exposure for the period

Credit risk, standardised approach	2015	2014
Exposures to central governments and central banks	121,697	152,234
Exposures to local authorities and comparable associations as well as agencies	1,343,245	1,243,427
Exposures to administrative bodies, non-commercial undertakings and religious associations	4,690	5,124
Institutional exposures	1,564,855	1,417,100
Corporate exposures	304,505	355,326
Retail exposures	493,239	436,446
Unsettled items	3,497	16,064
Covered bonds	879,752	985,145
Equity exposures	21,991	19,359
Other items	21,060	10,284
Total, standardised approach	**4,758,531**	**4,640,509**
Credit risk using the IRB approach		
Corporate exposures	5,642,217	5,516,968
Retail exposures*	27,083,154	25,831,686
Non-credit obligation asset exposures	2,465,403	2,347,079
Total, IRB approach	**35,190,774**	**33,695,733**
Total	**39,949,305**	**38,336,242**

* "Retail exposures" includes exposures in the sub-groups "Small and medium-sized enterprises" and "Other retail exposures".

Distribution of exposures by sector and exposure class

2015	Retail: repair of motor vehicles	Transport and storage	Legal, financial, etc. activities	Other	Total
Exposures to central governments and central banks	–	–	724	217,843	218,567
Exposures to local authorities and comparable associations as well as agencies	–	–	–	1,199,467	1,199,467
Exposures to administrative bodies, non-commercial undertakings and religious associations	–	–	–	5,555	5,555
Institutional exposures	–	–	–	2,040,154	2,040,154
Corporate exposures, standardised and IRB	1,487,559	1,439,520	980,639	2,220,002	6,127,720
Corporate exposures, standardised and IRB	1,079,592	1,482,658	1,008,319	25,007,281	28,577,850
Unsettled items	1,204	462	998	110	2,774
Covered bonds	–	–	–	835,501	835,501
Equity exposures	–	–	–	23,539	23,539
Other items	–	–	–	11,659	11,659
Non-credit obligation asset exposures, IRB	–	–	–	2,488,700	2,488,700
Total	**2,568,355**	**2,922,640**	**1,990,680**	**34,049,811**	**41,531,486**

2014	Retail: repair of motor vehicles	Transport and storage	Legal, financial, etc. activities	Other	Total
Exposures to central governments and central banks	–	30	829	150,122	150,981
Exposures to local authorities and comparable associations as well as agencies	–	–	–	1,204,808	1,204,808
Exposures to administrative bodies, non-commercial undertakings and religious associations	–	–	–	4,830	4,830
Institutional exposures	–	–	–	1,876,344	1,876,344
Corporate exposures, standardised and IRB	1,204,538	1,318,040	1,307,875	1,906,220	5,736,673
Corporate exposures, standardised and IRB	986,354	1,384,221	869,631	23,506,790	26,746,996
Unsettled items	13,272	4,388	2,665	5,074	25,399
Covered bonds	–	–	–	837,297	837,297
Equity exposures	–	–	–	21,475	21,475
Other items	–	–	–	9,821	9,821
Non-credit obligation asset exposures, IRB	–	–	–	2,217,925	2,217,925
Total	**2,204,164**	**2,706,679**	**2,181,000**	**31,740,706**	**38,832,549**

Exposures, remaining term to maturity by exposure class

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

2015	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
Exposures to central governments and central banks	201,855	4,705	12,007	–	218,567	–
Exposures to local authorities and comparable associations as well as agencies	57,112	278,617	863,621	118	1,199,467	–
Exposures to administrative bodies, non-commercial undertakings and religious associations	1,187	1,668	2,700	–	5,555	–
Institutional exposures	2,005,632	9,099	25,423	–	2,040,154	–
Corporate exposures,						
standardised and IRB	1,688,157	2,274,610	2,137,064	27,889	6,127,720	–
Corporate exposures, standardised and IRB	12,720,547	3,986,963	11,745,322	125,018	28,577,850	–
Unsettled items	2,774	–	–	–	2,774	–
Covered bonds	200,000	435,000	200,501	–	835,501	–
Equity exposures	–	–	–	–	–	23,539
Other items	–	–	–	–	–	11,659
Non-credit obligation asset exposures, IRB	220,056	903,281	1,349,887	1,420	2,474,644	14,056
Total	**17,097,320**	**7,893,943**	**16,336,525**	**154,445**	**41,482,232**	**49,254**

2014	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
Exposures to central governments and central banks	132,656	5,102	13,223	–	150,981	–
Exposures to local authorities and comparable associations as well as agencies	142,298	276,039	784,618	1,853	1,204,808	–
Exposures to administrative bodies, non-commercial undertakings and religious associations	1,085	972	2,773	–	4,830	–
Institutional exposures	1,794,988	7,745	73,611	–	1,876,344	–
Corporate exposures	1,642,557	1,925,371	2,159,858	8,887	5,736,673	–
Corporate exposures, standardised and IRB	12,435,080	3,279,849	10,944,486	87,582	26,746,997	–
Unsettled items	25,399	–	–	–	25,399	–
Covered bonds	166,000	127,000	544,297	–	837,297	–
Equity exposures	–	–	–	–	–	21,475
Other items	–	–	–	–	–	9,820
Non-credit obligation asset exposures, IRB	233,436	871,400	1,096,321	2,920	2,204,077	13,848
Total	**16,573,499**	**6,493,478**	**15,619,187**	**101,242**	**38,787,406**	**45,143**

Impairment

Problem loans (receivables which are more than 90 days past due) were SEK 102,136 (155,532). The bank has recognised impairment losses on loans which are more than 90 days past due and which are therefore classified as doubtful debts (individual impairment).
A breakdown of impairment losses on groups of loans that it has not yet been possible to attribute to individual receivables is shown in the table below.

	Individual impairment	Collective impairment losses which it has not yet been possible to attribute to individual receivables	Total
Opening balance, 1 Jan 2014	- 35,964	- 16,301	- 52,265
OB includes provisions for receivables which were recognised as actual credit losses in 2014	17,060	–	17,060
Reversal of credit losses on principal receivables for the year	21,586	7,713	29,299
Impairment for credit losses on principal receivables for the year	- 31,182	- 2,814	- 33,996
Reversal of credit losses on interest receivables for the year	246	–	246
Impairment for credit losses on interest receivables for the year	- 300	–	- 300
Write-off of actual credit losses for the year	- 18,105	–	- 18,105
Recovery of actual credit losses from previous years	1,045	–	1,045
Closing balance, 31 Dec 2014	**- 45,614**	**- 11,402**	**- 57,016**
Of which, impairment of interest receivables	–	–	858
Opening balance, 1 Jan 2015	- 45,614	- 11,402	- 57,016
OB includes provisions for receivables which were recognised as actual credit losses in 2015	15,300	–	15,300
Adjustment between loans and leases	434		434
Reversal of credit losses on principal receivables for the year	21,321	5,265	26,586
Impairment for credit losses on principal receivables for the year	- 36,798	- 2,878	- 39,676
Reversal of credit losses on interest receivables for the year	51	–	51
Impairment for credit losses on interest receivables for the year	- 91	–	- 91
Write-off of actual credit losses for the year	- 16,501	–	- 16,501
Recovery of actual credit losses from previous years	1,201	–	1,201
Closing balance, 31 Dec 2015	**- 60,697**	**- 9,015**	**- 69,712**
Of which, impairment of interest receivables	–	–	898

Impairment by asset item

	2015	2014
Impairment		
Loans and advances to customers, specific impairment	7,974	8,203
Loans and advances to customers, collective impairment	12,361	15,282
Loans and advances to customers, total	**20,335**	**23,485**
Property, plant and equipment, total impairment	48,067	31,535
Property, plant and equipment, total	**48,067**	**31,535**
Other assets, individual impairment	1,310	1,996
Other assets, total	**1,310**	**1,996**
Total impairment	**69,712**	**57,016**
Effect on earnings		
Property, plant and equipment, reversal	14,383	13,647
Property, plant and equipment, impairment	- 30,916	- 23,460
Adjustment between trade receivables and leases	434	-
Impairment of property, plant and equipment, Note 12	**- 16,099**	**- 9,813**
Changes in impairment of principal receivables in accordance with the above	- 8,760	- 10,536
Change in reversal of principal receivables in accordance with the above	12,202	15,652
Net actual credit losses for the year	- 16,501	- 18,105
Recovery of actual credit losses from previous years	1,201	1,045
Net credit losses, in accordance with Note 14	**- 11,858**	**- 11,944**

Individually impaired exposures* by key sector

2015	Receivable before impairment	Individual impairment	Carrying amount	Fair value of collateral
Private individuals	24,134	- 12,509	11,625	14,233
Sale and service of motor vehicles	3,455	- 145	3,310	2,827
Transport	23,194	- 738	22,456	20,975
Legal, financial, scientific and technological activities	2,220	- 64	2,156	1,896
Other sectors	8,483,279	4,677	8,487,956	7,982,932
Total	**8,536,282**	**- 8,779**	**8,527,503**	**8,022,863**

2014	Receivable before impairment	Individual impairment	Carrying amount	Fair value of collateral
Private individuals	30,029	- 13,386	16,643	17,957
Sale and service of motor vehicles	13,424	- 429	12,996	12,940
Transport	68,970	- 1,403	67,566	63,731
Legal, financial, scientific and technological activities	2,882	- 57	2,826	2,662
Other sectors	7,946,772	- 27,110	7,919,662	7,234,421
Total	**8,062,077**	**- 42,385**	**8,019,693**	**7,331,711**

* An impaired receivable is a doubtful debt, i.e. a receivable for which payments are unlikely to be made in accordance with the terms of the contract.

Individually impaired exposures by segment

2015	Receivable before impairment	Individual impairment	Carrying amount	Fair value of collateral
Retail*	70,009	- 7,599	62,410	52,133
Corporate	8,466,273	- 1,180	8,465,093	7,970,730
Total	**8,536,282**	**- 8,779**	**8,527,503**	**8,022,863**

2014	Receivable before impairment	Individual impairment	Carrying amount	Fair value of collateral
Retail*	105,350	- 9,751	95,599	84,117
Corporate	7,956,727	- 32,634	7,924,094	7,247,594
Total	**8,062,077**	**- 42,385**	**8,019,693**	**7,331,711**

* Retail is defined as private individuals and companies with sales of less than SEK 400 million or exposures with the bank of less than SEK 5 million.

Past-due exposures not individually evaluated for impairment by key sector

2015	Carrying amount excl. collective provision	Fair value of collateral
Private individuals	62,139	50,003
Sale and service of motor vehicles	26,570	19,917
Transport	51,365	49,275
Legal, financial, scientific and technological activities	91,668	5,394
Other sectors	124,398	92,347
Total	**356,140**	**216,936**

2014	Carrying amount excl. collective provision	Fair value of collateral
Private individuals	71,448	56,883
Sale and service of motor vehicles	19,538	17,740
Transport	44,307	42,324
Legal, financial, scientific and technological activities	18,837	11,980
Other sectors	69,039	63,037
Total	**223,169**	**191,964**

Past-due exposures not individually evaluated for impairment by segment

2015	Carrying amount excl. collective provision	Fair value of collateral
Retail*	142,852	126,247
Central, regional and local government	1,318	1,157
Religious associations	7	–
Corporate	211,963	89,532
Total	**356,140**	**216,936**

2014	Carrying amount excl. collective provision	Fair value of collateral
Retail*	154,619	147,700
Central, regional and local government	1,011	882
Religious associations	–	–
Corporate	67,539	43,382
Total	**223,169**	**191,964**

Past-due exposures not individually evaluated for impairment by time past due

Carrying amount excl. collective provision	31 Dec 2015	31 Dec 2014
61-89 days past due	74,165	23,506
31–60 days past due	143,368	89,380
1-30 days past due	138,607	110,283
Total	**356,140**	**223,169**

Renegotiated unimpaired receivables

In some cases the contract is renegotiated with the customer, which may result in the due date being moved forward. A valuation of the financed asset is made when a contract is renegotiated. All renegotiated contracts are secured by adequate collateral. At 31 December 2015 the total amount of principal under renegotiated contracts was SEK 9.4 million (30.0).

There are no contracts for which the principal has been written down or remission of interest has been agreed with the borrower.

Disclosures on credit quality of unimpaired receivables

The credit quality of unimpaired receivables is very good. For 89 per cent (88) of retail receivables the risk is very low and the corresponding figure for corporate receivables is 90 per cent (90). For more information on risk category and risk category estimates, see the Credit risk section on page 33.

Loans and advances to credit institutions

The credit quality of loans and advances to credit institutions is very high. The item consists mainly of deposits with the big Swedish banks, which at the balance sheet date had ratings of Aa3–A2 on Moody's scale.

COUNTERPARTY RISK

The bank enters into derivative contracts solely for the purpose of eliminating interest rate risk and foreign exchange risk in interest-bearing loans and borrowings. The bank's derivative contracts currently consist of interest rate swaps and interest rate options. Counterparty risk arises when the bank has entered into a derivative contract with a counterparty and refers to the risk that the counterparty will be unable to fulfil its contractual obligations. If the contract has a positive market value a default by the counterparty would result in a loss for the bank. To limit the risk, the bank has concluded netting agreements with all derivatives counterparties. Under a netting agreement, the positive and negative values of all derivatives with the same counterparty are netted in the event of default. The bank only uses counterparties with which it has a financing agreement and which have a high rating. The bank's financial policy specifies limits for counterparty risk, which are monitored continuously. In the event that counterparty risk exceeds the limit as a result of market movements, no new deals may be concluded until the counterparty has posted adequate collateral for counterparty risk in excess of the limit.

The size of the counterparty risk is affected by the market value and varies with changes in market interest rates. The market value of swaps is determined using discounted cash flows. The discount rates are based on official market rates. Black-Scholes is used to price interest rate options and implied volatilities are based on official market rates. To account for the risk that the settlement amount will differ from the bank's estimated market value in case of default, a margin is added. The margin is determined using various standardised approaches depending on the nature of the underlying asset and the term of the contract. The nominal amounts of contracts with positive as well as negative values are used to calculate the margin. At year-end the compensation for counterparty risk in derivatives was SEK 25,698 (72,376).

The margin was calculated at SEK 4,493 (3,378). The nominal amount of the bank's outstanding derivatives at year-end was SEK 1,306 million (1,653). The following table shows the bank's counterparty exposure, i.e. the compensation (market value) and the margin for potential changes in the risk by credit rating category on Moody's scale. See also Note 35.

SEK million		2015		2014	
Rating (short-term)	Rating (long-term)	Compen-sation	Margin	Compen-sation	Margin
P-1	Aa2	–	–	2.3	0.1
P-1	Aa3	18.7	0.1	–	–
P-1	A1	–	–	44.8	2.0
P-1	A2	7.0	4.4	18.3	0.1
P-2	A3	–	–	7.0	1.2
P-2	Baa1	–	–	–	–
Total		**25.7**	**4.5**	**72.4**	**3.4**

The bank is in the process of adapting to EMIR, the EU's regulation on OTC derivatives, central counterparties and trade repositories. The provisions on reporting of derivatives to trade repositories and risk mitigation techniques in EMIR that have already come into force are being handled adequately by the bank.

CONCENTRATION RISK

The bank's definition of concentration risk refers to:

- Large exposures to customers or groups of connected customers.
- Large exposures to groups of counterparties for which the probability of default is connected with factors such as sector, geographic area, etc.
- Concentration in a certain type of collateral, e.g. a certain car make.

The bank's portfolio is not very diversified, as it largely consists of different forms of car finance, creating a concentration risk to cars as collateral. The bank's activities are also concentrated to the Swedish market.

The 30 largest customers account for 7.9 per cent (8) of total lending. The sector accounting for the single largest share of the bank's lending is transport, with 7 per cent (7) of total lending (see the table on page 36). The bank uses a system which enables it to obtain an easy overview of its overall counterparty exposure.

MARKET RISK

Interest rate risk in other operations

Interest rate risk is the present and future risk of a decline in net interest income due to unfavourable changes in interest rates owing to the differing fixed-rate terms of loans and deposits (interest rate risk in the banking book).

The bank endeavours to minimise interest rate risk by matching fixed-rate terms of borrowings with those of loans. If the bank deems that borrowings with long fixed-rate terms are advantageous, interest rate swaps are used to achieve this adjustment. Swap contracts are used when the bank makes fixed-rate loans The bank also offers customers variable-rate financing with capped interest rates. In this case the bank manages the interest rate risk by purchasing an equivalent interest rate cap agreement at portfolio level.

The financial policy specifies the permissible interest rate risk. The policy is updated when required and submitted for adoption by the Board. Interest rate risk is reported to the Board on an ongoing basis. Each month the bank stress-tests the interest rate risk through a gap analysis which shows the impact on net interest income over a 12-month period from an interest rate shock resulting in an immediate parallel shift in the yield curve of 100 basis points. The financial policy prescribes limits for the size of this impact in relation to earnings and the size of the gaps for each time period. At 31 December 2015 the interest rate risk was SEK 62.7 million (66.1), representing 1.9 per cent (2.2) of the capital base. In this calculation no term has been used for equity including untaxed reserves. If the interest rate risk were instead to be measured as the impact on the economic value in accordance with the regulations of the Swedish Financial Supervisory Authority, based on an assumption of a 200 basis point interest rate shock, this impact would be SEK 12.9 million (6.2) as at 31 December 2015. Assuming a reasonable change in interest rates and a parallel shift in the yield curve of 25 basis points, the estimated impact on net interest income over a 12-month period would be SEK 15.7 million (16.5) as at 31 December 2015.

Fixed-rate loans accounted for only just over 0.1 per cent of total lending at 31 December 2015. In cases where customers wish to redeem fixed-rate loans early, and where the bank due to applicable laws and regulations is unable to charge early redemption fees, this creates an interest rate risk exposure. The bank monitors the exposure on a monthly basis and makes ongoing provisions to hedge the risk. It is assumed that 20 per cent of the average credit volume for the year will be redeemed, when 12 months of the original average maturity of the portfolio has passed, in case of a 150 basis point decline in interest rates.

Fixed-rate terms for the Group's interest-bearing assets and liabilities

Nominal amounts in SEK million	Up to 1 month	> 1 month, up to 3 months	> 3 month, 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
2015									
Interest-bearing assets	29,728	1,313	70	5	66	9	2	–	31,193
Interest-bearing liabilities	- 17,367	- 6,428	- 879	- 400	- 200	- 650	–	–	- 25,924
Equity	–	–	–	–	–	–	–	- 3,453	- 3,453
Derivatives (nominal amount)	14	- 1,013	200	- 3	165	637	–	–	–
Total	**12,375**	**- 6,128**	**- 609**	**- 398**	**31**	**- 4**	**2**	**- 3,453**	**1,816**
Cumulative exposure	**12,375**	**6,247**	**5,638**	**5,240**	**5,271**	**5,267**	**5,269**	**1,816**	
2014									
Interest-bearing assets	27,857	1,450	1	9	35	15	–	–	29,367
Interest-bearing liabilities	- 15,455	- 6,643	- 425	- 150	- 400	- 200	–	–	- 23,273
Equity	–	–	–	–	–	–	–	- 3,427	- 3,427
Derivatives (nominal amount)	- 179	- 931	425	150	359	176	–	–	–
Total	**12,223**	**- 6124**	**1**	**9**	**- 6**	**- 9**	**-**	**- 3,427**	**2,667**
Cumulative exposure	**12,223**	**6,099**	**6,100**	**6,109**	**6,103**	**6,094**	**6,094**	**2,667**	

CURRENCY RISK

The bank does not engage in foreign currency lending and normally borrows in Swedish kronor, and is therefore not exposed to changes in exchange rates. Foreign exchange risk arises in cases where the bank chooses to borrow money in foreign currency. The financial policy states that no foreign exchange risk may exist. When borrowing in foreign currency, the bank enters into interest rate and currency swap agreements to eliminate the foreign exchange risk. Effective elimination of the foreign exchange risk is achieved by ensuring that the terms, nominal amounts and interest payment dates of the concluded agreements match the terms of the bank's foreign currency financing. However, there may be a minor impact on earnings during the term due to differences in the valuation methods used for the hedged item and hedging derivative. The bank's currency exposure amount at year-end was 0.

For carrying amounts of assets and liabilities in foreign currency, where these exist, see Notes 26 (Derivatives – assets liabilities) and 28 (Liabilities to credit institutions and securities issued). Other than what is stated here, there are no assets or liabilities in foreign currency.

RESIDUAL VALUE RISK

Residual value risk is the risk that the residual value of a vehicle guaranteed by the bank on the last day of the lease will be lower than the actual market value, and that the bank will thus incur a loss. At 31 December 2015 the bank had recognised an impairment loss of SEK 43.4 million (21.3) related to residual value risk, which is included in depreciation and impairment of property, plant and equipment. Under most leases, the dealers guarantee the residual value of the lease asset on the expiry of the contract. Guaranteed residual values total SEK 3,336 million (2,906).

EQUITY RISK IN OTHER OPERATIONS

The shareholding consists of unlisted shares valued at cost using the cost method.

	2015	2014
Balance sheet value		
Associates and other companies	16,797	14,735
Group companies	6,742	6,740
Total	**23,539**	**21,475**
Fair value		
Associates and other companies	16,797	14,735
Group companies	6,789	6,787
Total	**23,586**	**21,522**
Unrealised gain or loss		
Associates and other companies	12,749	10,687
Group companies	–	–
Total	**12,749**	**10,687**

OPERATIONAL RISKS

Operational risk refers to the risk of loss due to:

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

The definition also includes legal risk.

Operational risks have been divided into the following areas: internal irregularities, external crime, employment conditions and work environment, business conditions, disruptions and interruptions in operations and systems, transaction management and process control, technology and employees/organisation.

Operational risks exist in all activities of the bank and in its interaction with external parties. To identify operational risks, the bank arranges risk identification and self-assessment workshops with key individuals in the company on a regular basis. All identified operational risks are categorised based on their management and impact as "low", "medium" or "high" risk. The management of operational risks is governed by the operational risk policy.

The objective is to eliminate or prevent, limit and/or compensate for the risk of damage through a deliberate and organised approach involving the use of governing documents, policies and processes. These are contained in the bank's four manuals.

The management of operational risk is an ongoing process involving the use of tools such as self-assessments and incident reporting to capture risks that have occurred, and to identify, monitor and address ongoing operational risks. The Board of Directors and management have overall responsibility for operational risk and for creating a high level of risk awareness at the bank.

The business areas/departments are responsible for managing operational risks in their own areas of activity. All employees have a duty to protect the assets managed by the bank from damage, abuse or loss. Incidents are reported to the employee's manager or directly in an incident management system. The bank's risk control unit is responsible for follow-up and control of operational risks. The unit is also responsible for compiling information on operational risks and reporting to the President, and for following up risk limitation measures from the self-assessments and monitoring changes in the operations that could affect the bank's exposure to operational risk.

PENSION RISK

The bank's pension plans are secured through an insurance policy with Alecta. In view of the provisions on old-age pensions and family pensions in the ITP 2 supplementary pension plan, the bank's pension plan is considered a multi-employer defined benefit pension plan. Under Recommendation UFR 10 of the Swedish Financial Reporting Board, however, there is no basis for recognising an ITP 2 plan that is funded through an insurance policy with Alecta as a defined benefit plan, and it should therefore be accounted for as a defined contribution plan in accordance with IAS 19. The bank's obligations in respect of defined contribution plans are recognised as an expense in the income statement. Pension premiums for 2015 were SEK 12,598 (10,801), of which SEK 6,580 (5,514) refers to Alecta ITP 2 pensions.

In the traffic light method used by the Swedish FSA for pension risk in Pillar 2 baseline requirements assets and liabilities are measured at fair value. Fair value is determined using market valuations of assets while liabilities are measured using best estimates of retirement benefit obligations. The company is then exposed to a number of stress scenarios defined by the FSA.

LIQUIDITY RISK

Liquidity risk is the risk that the bank will be unable to fulfil its payment obligations at maturity without incurring a significantly higher payment method cost or, in the worst case, that it will be unable to fulfil its payment obligations at all.

Liquidity risk arises when maturities on loans and borrowings are not matched. When loans have longer maturities than borrowings multiple rounds of refinancing are required. If the need for refinancing on any individual day becomes significant, or if the capital market becomes illiquid, this could result in a shortfall of liquidity.

Liquidity risk is managed in accordance with the bank's financial policy. The policy describes financial risks, including liquidity risk, and specifies the permissible liquidity risk. The President is responsible for ensuring that the policy is updated as required and presented for approval by the bank's Board of Directors. In addition to the financial policy, the bank has established a framework for management of liquidity risk, which is a governing document containing guidelines, instructions and strategies for the management of liquidity risk. The bank's liquidity and financing strategy and contingency plan constitute central parts of the aforementioned document. The framework is revised on an ongoing basis and submitted for approval by the Board annually. The bank's CFO is responsible for ensuring that the document is updated. The financial policy and governing document are fundamental to the activities of the finance department, but are available to all employees. Stress tests of the liquidity risk are performed as part of the bank's ICAAP and ILAAP processes and on several occasions during the course of the year.

Operational activities for managing liquidity risk are performed in the bank's finance department, where the bank's liquidity position is monitored on a day-to-day basis. Analysis and internal reporting of maturity structure and funding requirements are performed on an ongoing basis, all with the aim of ensuring a strong liquidity position and minimising the impact in the event of liquidity problems. The bank's net cash outflows are also reported to ensure that the bank's risk tolerance is not exceeded and that accumulated cash flows remain within defined limits. Reports on liquidity risk are compiled by the bank's accounts department in close collaboration with the finance department and reported to the FSA on a monthly and quarterly basis.

The bank's liquidity coverage ratio (LCR) at year-end, as calculated in accordance with Article 415 of the EU's Capital Requirements Regulation (CRR), was 205 percent and averaged 237 per cent in 2015. LCR is a short-term liquidity ratio and forms part of the bank's liquidity risk reporting to the regulators. The bank's net stable funding ratio (NSFR) at year-end was 143 per cent and averaged 143 per cent in 2015.

To create flexibility in its borrowing and ensure that it is able to ride out periods of strained refinancing conditions, the bank maintains a liquidity reserve. At year-end this reserve stood at SEK 3.9 billion (3.8). The reserve, whose composition is regulated in the financial policy, should consist of demand deposits with banks and high-quality liquid debt securities in Swedish kronor. Deposits with other banks were SEK 2.0 billion (51%) while the securities portion had a nominal value of SEK 1.9 billion (49%). The size of the liquidity reserve should be such as to ensure that the company is able to continue operating without hindrance in case of serious liquidity strains, with no injection of new external funding, for a period of at least three months by using only the funds available in the reserve. Furthermore, the bank's liquidity reserve must always be at least 10 per cent of total lending, i.e. the items "loans and advances to customers" and "lease assets" in the balance sheet. At 31 December 2015 this ratio was 14 per cent (15).

Liquidity reserve

Amounts in SEK million Securities at market value	31 Dec 2015	31 Dec 2014
Deposits with other banks	1,999	1,785
Securities issued by the Swedish State	–	100
Securities issued by local authorities and other public sector entities	1,081	1,071
Other covered bonds	836	837
Total	**3,916**	**3,793**

The bank's credit facilities constitute a significant complement to the liquidity reserve. These back-up lines have mostly been agreed with the bank's core banks. The back-up lines are not normally used and stood at SEK 2.5 billion (2.5) at year-end. Up to SEK 1.0 billion can be drawn on the same day for a period of 1–7 days; in other cases, two to three business days after the request. The agreements do not contain any material adverse change (MAC) clauses or financial covenants that could prevent the bank from drawing on the facilities. In addition to the bank facilities, the bank has also signed an agreement with the company's owners, AB Volverkinvest and the Sixth Swedish National Pension Fund, providing for additional liquidity of up to SEK 1.2 billion in the event of liquidity problems.

Other liquidity-providing facilities

Undrawn limits, SEK million	31 Dec 2015	31 Dec 2014
Overdraft facilities with credit institutions	200	200
Credit facilities with credit institutions and shareholders	3,700	3,700
Total	**3,900**	**3,900**

Under the bank's financial policy, all short-term borrowings (<1 year) and 20 per cent of deposits must be covered by credit facilities and the liquidity reserve. The bank also strives to diversify its sources of borrowing, with regard to both the forms of borrowing and geographic markets. To obtain an appropriate distribution of loan maturities, the amount falling due in any individual calendar week is limited. The share of long-term borrowing must be at least 60 per cent. At 31 December 2015 this share stood at 70 per cent (67).

In order to reduce the share of market borrowing, and thus also the refinancing risk, the bank launched an online savings account in 2010. The deposits come from private individuals and account for more than half of the bank's financing. The majority of the bank's savings account customers are customers with which the bank has an existing relationship, i.e. customers that have previously used the bank's other services. Although the savings account has no term, this deposit volume has been very stable over time, as it is spread across a large number of depositors. The bank's savings account is covered by the government's deposit guarantee scheme.

Liquidity exposure – contractual remaining term (nominal amounts)

The interest flows in the table below are based, in case of variable-rate loans and borrowings, on the interest rate at the balance sheet date.

2015 SEK million	Payable 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 year and up to 5 years	More than 5 years	Total
Financial assets							
Chargeable treasury bills	–	240	235	814	–	–	1,289
Loans and advances to credit institutions	1,999	–	–	–	–	–	1,999
Loans and advances to customers	–	3,795	5,553	10,257	2,929	644	23,178
Bonds and other debt securities	–	200	435	200	–	–	835
Property, plant and equipment, lease assets	–	565	2,172	2,301	49	4	5,091
Other assets, derivatives	–	2	22	4	- 1	–	27
Total	**1,999**	**4,802**	**8,417**	**13,576**	**2,977**	**648**	**32,419**
Financial liabilities							
Liabilities to credit institutions	–	102	104	611	202	–	1,019
Retail deposits and borrowings	14,200	129	–	–	–	–	14,329
Securities issued	–	1,377	2,116	4,690	2,904	–	11,087
Other liabilities, derivatives	–	- 1	2	–	- 7	–	- 6
Subordinated debts	–	–	–	–	–	–	–
Total	**14,200**	**1,607**	**2,222**	**5,301**	**3,099**	**-**	**26,429**
Net cash flow	**- 12,201**	**3,196**	**6,194**	**8,273**	**- 122**	**648**	
Undrawn credit facilities	1,000	3,700	1,000	1,000	–	–	
Liquidity gap	**- 11,201**	**6,896**	**7,194**	**9,273**	**- 122**	**648**	

2014 SEK million	Payable 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 year and up to 5 years	More than 5 years	Total
Financial assets							
Chargeable treasury bills	–	221	223	732	–	–	1,176
Loans and advances to credit institutions	1,785	–	–	–	–	–	1,785
Loans and advances to customers	–	3,713	5,172	9,283	2,703	545	21,416
Bonds and other debt securities	–	166	127	546	–	–	839
Property, plant and equipment, lease assets	–	570	1,910	1,871	33	–	4,384
Other assets, derivatives	–	13	37	20	1	–	71
Total	**1,785**	**4,683**	**7,469**	**12,452**	**2,737**	**545**	**29,671**
Financial liabilities							
Liabilities to credit institutions	–	206	561	415	405	–	1,587
Retail deposits and borrowings	13,566	209	–	–	–	–	13,775
Securities issued	–	1,094	1,581	3,708	2,180	–	8,563
Other liabilities, derivatives	–	–	–	–	–	–	–
Subordinated debts	–	–	–	–	–	–	–
Total	**13,566**	**1,509**	**2,142**	**4,123**	**2,585**	**0**	**23,925**
Net cash flow	**- 11,781**	**3,174**	**5,327**	**8,329**	**152**	**545**	
Undrawn credit facilities	1,700	3,700	2,950	1,000	–	–	
Liquidity gap	**- 10,081**	**6,874**	**8,277**	**9,329**	**152**	**545**	

Maturity analysis of liabilities including derivatives (nominal amounts)

The interest flows in the table below are based, in case of variable-rate loans and borrowings, on the interest rates which the market is forecasting on the balance sheet date for the various future interest payment dates.

2015 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	- 102	- 104	- 611	- 202	–	- 1,019
Securities issued	- 1,377	- 2,116	- 4,690	- 2,904	–	- 11,087
Other liabilities, derivatives	- 1	3	0	-7	–	-5
Other assets, derivatives	2	22	4	- 1	–	27
Total	**- 1,478**	**- 2,195**	**- 5,297**	**- 3,114**	**-**	**-12,084**

2014 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	- 206	- 561	- 416	- 408	–	- 1,591
Securities issued	- 1,094	- 1,580	- 3,713	- 2,196	–	- 8,583
Other liabilities, derivatives	- 209	–	–	–	–	- 209
Other assets, derivatives	13	37	19	–	–	69
Total	**- 1,496**	**- 2,104**	**- 4,110**	**- 2,604**	**-**	**- 10,314**

STRATEGIC RISKS

Strategic risk refer to the risk of loss due to changes in market conditions and unfavourable business decisions, inappropriate adaptation of decisions or a failure to respond to changes in the market. The bank's definition of strategic risk includes earnings risks, customer and competitor behaviour, changes to statutes and economic conditions.

The primary objective of risk management is to ensure that the bank is aware of its strategic position and enable it to prepare itself at an early stage for a slowing market and increased or new competition. The bank works proactively to assess its strategic position and takes early action to prepare itself for changes in the market and competitive environment. Risk identification and self-assessment workshops with senior executives are held continuously with the aim of identifying strategic risks. The bank also has well developed strategies for how the organisation should work with customers and handle the competition.

REPUTATIONAL RISKS

Reputational risk refers to the risk of loss due to a negative perception of the bank by customers, counterparties, shareholders, investors and regulators. The objective of risk management is to ensure that the bank is perceived as highly transparent by all stakeholders and that these stakeholders have a good image of the bank.

Reputational risks are the most difficult to protect yourself against. The bank has taken measures to ensure that this risk is managed to the extent that it is possible. Risk identification and self-assessment workshops with senior executives are held continuously. Over the course of the year (at least quarterly), the bank meets with other banks and with investors to identify any negative signals. Press releases and information on the website are natural elements of the bank's communication activities.

The bank also has a policy for handling complaints. The policy describes procedures for complaints handling by complaints officers as well as clear reporting paths.

CAPITAL ADEQUACY ANALYSIS

The determination of the bank's statutory capital requirement is made in accordance with the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968) and the EU's Capital Requirements Regulation and Directive (CRD IV/CRR), which has been incorporated into Swedish law, with further definitions and detailed guidelines issued by the Swedish Financial Supervisory Authority.

As far as the bank is concerned, the rules help to strengthen the bank's resilience to financial losses and thus protect the bank's customers. Under the rules, the bank's capital base (equity and any debentures raised, etc.) must comfortably cover the prescribed minimum capital requirement, which consists of the capital requirements for credit risks, market risks and operational risks, as well as the calculated capital requirement for further identified risks in the operations in accordance with the bank's internal capital adequacy assessment process.

The bank has an adopted plan for the size of its capital base over the next few years (in accordance with ICAAP), which is based on risk profile, identified risks with regard to probability and economic impact, stress tests and scenario analysis, expected expansion of lending and financing opportunities, as well as new legislation, actions of competitors and other changes in external factors.

The review of the long-term plan is an integral part of the bank's internal capital adequacy assessment process. The plan is followed up continuously and an annual documented review is made to ensure that the risks have been duly taken into account and reflect the bank's actual risk profile and capital needs. Any changes or additions to the policy/strategy document adopted by the Board are assessed against current and future capital requirements, as with important credit decisions and investments.

Statutory Pillar 1 capital requirements are summarised as follows, with specifications in the subsequent sections.

Capital base

(Including the Board's proposed appropriation of retained earnings)

	2015	2014
Common Equity Tier 1 capital		
Equity	1,186,412	1,233,912
Untaxed reserves 78.0% (78.0)	2,218,495	1,935,683
Less: Intangible assets	- 7,874	- 5,561
Less: Additional value adjustments	- 1,946	- 1,981
Less: Deficit, IRB provisions	- 130,973	- 135,637
Total Common Equity Tier 1 capital	**3,264,114**	**3,026,416**
Total capital base	**3,264,114**	**3,026,416**
Capital base in accordance with Basel I	**3,395,087**	**3,162,053**

Capital requirement and risk-weighted exposure amount

	2015		2014	
	Capital requirement	**Risk-weighted exposure amount**	**Capital requirement**	**Risk-weighted exposure amount**
Credit risk, standardised approach				
Exposures to central governments and central banks	–	–	–	–
Exposures to local authorities and comparable associations as well as agencies	–	–	–	–
Exposures to administrative bodies, non-commercial undertakings and religious associations	380	4,746	324	4,048
Institutional exposures	32,637	407,965	30,017	375,207
Corporate exposures	20,746	259,321	25,335	316,682
Retail exposures	25,690	321,121	20,419	255,238
Unsettled items	193	2,409	2,917	36,463
Covered bonds	6,677	83,467	6,692	83,646
Equity exposures	1,883	23,539	1,718	21,475
Other items	933	11,659	786	9,821
Total capital requirements for credit risks using the standardised approach	**89,139**	**1,114,227**	**88,206**	**1,102,578**
Credit risk using the IRB approach				
Corporate exposures	334,655	4,183,184	296,423	3,705,283
Retail exposures	475,435	5,942,936	448,115	5,601,441
Non-credit obligation asset exposures	199,096	2,488,700	177,434	2,217,925
Total capital requirements for credit risks using the IRB approach	**1,009,186**	**12,614,820**	**921,972**	**11,524,648**
Operational risk using the Basic Indicator Approach	99,000	1,237,501	92,768	1,159,598
Credit valuation adjustment (CVA)	919	11,493	1,175	14,692
Total minimum capital requirement and risk-weighted exposure amount	**1,198,243**	**14,978,041**	**1,104,121**	**13,801,517**
Total requirement using transitional rules	1,793,152	22,414,395	1,643,791	20,547,387

The bank meets the minimum capital base requirement, which is a capital base of at least the total minimum capital requirement, and has a capital base which exceeds the initial capital (the capital that was required when the company received a license to provide financing services).

Capital adequacy

	2015	2014
Without transitional rules		
Risk-weighted assets*	14,978,041	13,801,517
Capital adequacy ratio**	2.72	2.74
Common Equity Tier 1 capital ratio, %***	21.79	21.93
Risk asset ratio, %****	21.79	21.93
With transitional rules		
Risk-weighted assets*	22,414,395	20,547,387
Capital adequacy ratio**	1.89	1.92
Common Equity Tier 1 capital ratio, %***	15.15	15.39
Risk asset ratio, %****	15.15	15.39

* Risk-weighted assets refer to all assets as stated in the balance sheet excluding intangible assets and including undrawn limits and add-on derivatives (risk-weighted in accordance with the Basel II capital adequacy rules).
** Total capital base in relation to total capital requirement.
*** Common Equity Tier 1 capital in relation to risk-weighted exposure amount.
**** Capital base in relation to risk-weighted exposure amount.

Capital and buffer requirements

	2015			2014		
	Core Tier 1 capital requirement	**Tier 1 capital requirement**	**Total capital base requirement**	**Core Tier 1 capital requirement**	**Tier 1 capital requirement**	**Total capital base requirement**
Per cent						
Minimum capital requirement	4.5	6.0	8.0	4.5	6.0	8.0
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5	2.5
Countercyclical buffer	1.0	1.0	1.0	–	–	–
Total	**8.0**	**9.5**	**11.5**	**7.0**	**8.5**	**10.5**
Amount						
Minimum capital requirement	674,012	898,682	1,198,243	621,068	828,091	1,104,121
Capital conservation buffer	374,451	374,451	374,451	345,038	345,038	345,038
Countercyclical buffer	149,780	149,780	149,780	–	–	–
Total capital requirement, Pillar 1			**1,722,474**			**1,449,159**

The internal capital adequacy assessment process has resulted in an internal capital requirement of SEK 1,535 million (1,389) as at 31 December 2015. If the combined buffer requirement is included, the bank's total requirement is SEK 2,059 million (1,733). The capital surplus, calculated on the basis of the internal capital requirement including buffer requirements, is thus SEK 1,205 million (1,293).

Capital management

The bank's strategies and methods for assessing and maintaining the capital base requirement are determined by its risk management. The bank's risk management is designed to identify and analyse the risks which arise in the course of its operations, define appropriate limits for such risks and ensure that the required controls have been introduced. Risks are monitored and controls are performed on a regular basis to ensure that limits are not exceeded. The bank has an integrated function for independent risk control that reports directly to the President and whose duty it is to analyse changes in risks and propose amendments to governance documents and processes where required.

To assess whether the internal capital is adequate to serve as a basis for current and future activities and to ensure that the capital is of the right size and composition, the bank has its own internal capital adequacy assessment process. The process is a tool which ensures that the bank in a clear and correct manner identifies, measures and manages all risks to which it is exposed and makes an assessment of its internal capital adequacy requirement in relation thereto. This includes ensuring that the bank has appropriate governing and control functions and risk management systems in place. The internal capital adequacy assessment process is performed at least once a year.

The ICAAP process is based on the risk identification and self-assessment workshops that are held with key individuals in the company. The risks are quantified using the method which the bank deems to be appropriate for each type of risk. An assessment is made for each type of risk with regard to whether additional capital is required to cover the specific risk type. The assessment is based on Pillar 1 capital requirements and additional capital is added where necessary for other risks. The internal capital adequacy assessment is then stress-tested to ensure that the bank's capital level can be maintained also in stressed scenarios. The stressed scenarios are forward-looking and based on a three-year business plan.

3. ACCOUNTING POLICIES

Contents

The bank's annual report has been prepared in accordance with the Annual Accounts for Credit Institutions and Investment Firms Act (1995:1559), the Regulations and General Recommendations of the Swedish Financial Supervisory Authority on Annual Accounts of Credit Institutions and Investment Firms (FFFS 2008:25) in accordance with the amending regulation in FFFS 2009:11 and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. The bank applies IFRS with certain limitations contained in Swedish statutes, which refers to the standards that have been adopted for application subject to the limitations contained in RFR 2 and FFFS 2008:25. This means that all IFRS and interpretations adopted by the EU have been applied insofar as this is possible subject to the Swedish Annual Accounts Act and with regard to the relationship between accounting and taxation..

The annual report was approved for publication by the Board of Directors on 22 March 2016. The income statement and balance sheet will be submitted for adoption at the Annual General Meeting on 15 June 2016.

Unless otherwise indicated, the accounting policies described below have been applied consistently for all periods presented in the financial statements.

3.1 Measurement bases for the preparation of the bank's financial statements

Assets and liabilities are stated at historical cost. Financial assets and liabilities are recognised at amortised cost, with the exception of certain financial assets and liabilities that are measured at fair value (see Note 35) or when fair value hedge accounting is applied.

3.2 Functional currency and reporting currency

The bank's functional currency is the Swedish krona and the financial statements are presented in Swedish kronor. Unless otherwise indicated, all figures are rounded to the nearest thousand.

3.3 Judgements and estimates in the financial statements

Preparing financial statements in accordance with IFRS requires that the bank's management make assessments and estimates as well as assumptions which affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. The estimates and assumptions applied are based on historical experience and other factors which are deemed reasonable under current circumstances. The results of these estimates and assumptions are then used to determine carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgements. The bank has mainly made the following critical judgements in applying significant accounting policies:

- Whether hedge relationships are effective or not
- Whether the bank has assumed significant risks and benefits from the seller on acquisition of receivables and agreements
- Impairment testing of lease assets where there is a risk that residual values will decline
- Held-to-maturity investments

Areas where uncertainty about estimates may exist are assumptions about impairment for credit losses, impairment of lease assets and assessment of residual values.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

3.4 Changes in accounting policies

No amendments to IFRS had a material impact on the bank's financial statements in 2015.

3.4.1 New IFRS and interpretations that have not yet been applied

A number of new or amended IFRS will take effect only in coming financial years and have not been applied in advance in preparing these financial statements. The bank is not planning to apply in advance new or amended standards that will become applicable as of the next financial year or thereafter. The following is a description of the expected impact on the bank's financial statements of the application of the following new or amended IFRS. Other new or amended standards are not expected to affect the bank's financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. Through IFRS 9 the IASB has completed a whole "package" of amendments relating to the recognition of financial instruments. The package includes new bases for the classification and measurement of financial instruments, a forward-looking "expected loss" impairment model and simplified criteria for hedge accounting. IFRS 9 becomes effective on 1 January 2018. Earlier application is permitted provided that the EU adopts the standard. The EU is planning to approve the standard in the first half of 2016.

IFRS 15 Revenue Recognition is an integrated model for all revenue recognition and becomes effective on 1 January 2018. Any effects of the coming standard have not yet been evaluated.

IFRS 16 Leases is a new standard for financial reporting of leases and becomes effective on 1 January 2019. Any effects of the coming standard have not yet been evaluated.

3.5 Disclosures on financial risk

Disclosures on financial risk are provided in the section Risk and capital management and in the capital adequacy analysis on page 48.

3.6 Segment reporting

An operating segment is a component of the bank that engages in business from which it may earn revenues and incur expenses, for which separate financial information is available and whose results are regularly reviewed by the bank's management for the purpose of evaluating the results and allocating resources to the operating segment. See Note 4 for further segment information. As consolidated financial statements are not prepared, no segment information is provided for the bank.

3.7 Subsidiaries and associates

The bank accounts for interests in subsidiaries and associates using the cost method. All dividends received are recognised as income.

3.8 Foreign currency

The bank's functional currency is the Swedish krona. Transactions in foreign currency are translated to the functional currency using the exchange rate at the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing rate. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities stated at historical cost are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities at fair value are translated to the functional currency at the rate applying at the time of measurement at fair value.

3.9 Interest income and interest expense

Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective interest rate is the interest rate at which the present value of all estimated future incoming and outgoing payments during the expected fixed-rate term is equal to the recognised value of the receivable or liability. Interest income and interest expense includes, where applicable, accrued 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 claim or liability and the amount settled at maturity.

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

- Interest on financial assets and liabilities measured at amortised cost using the effective interest method, including interest on problem loans
- Interest on derivatives for which hedge accounting is not applied is measured at fair value through profit or loss
- Interest paid and accrued on derivatives that are hedging instrument and for which hedge accounting is applied
- Interest on financial assets measured at fair value

Interest paid and accrued is recognised as interest income for interest rate derivatives which hedge financial assets and as a part of interest expense for interest rate derivatives which hedge financial liabilities. Unrealised changes in value of derivatives are recognised in the item "Net income/expense from financial transactions", see Note 10.

3.10 Commission and fee income

Commission and fee income is recognised when the income can be measured reliably, it is probable that the economic benefits associated with the transaction will accrue to the bank, the degree of completion at the balance sheet date can be measured reliably, and the expenditures and remaining expenses to complete the service contract can be measured reliably. Income is measured at the fair value of the consideration received or receivable.

3.11 Commissions and fees earned when a specific service is performed

These commissions and fees are generally related to a specific transaction and are recognised as income immediately. These fees and commissions include various types of notice fees, and debit and credit card fees.

3.12 Commission expense

This item comprises fees for services received to the extent that they are not classified as interest, e.g. clearing and bank giro expenses, custodial fees and fees paid to Upplysningscentralen, a business and credit reference agency. Transaction costs that are taken into account in calculating the effective interest rate are not recognised here.

3.13 Commissions and fees that are included in the effective interest rate

Commissions and fees that are an integral part of the effective interest rate are recognised for all financial instruments measured at amortised cost as part of the cost of the related liability, which is allocated to accounting periods using the effective interest method and is thus accounted for as interest expense and not as commission expense. These commissions and fees, which mainly comprise loan arrangement fees and fees for the provision of credit facilities or other types of loan commitments in cases where it is likely that the credit facility will be drawn.

3.14 Classification of leases and recognition of lease income

In accordance with RFR 2, finance leases are accounted for according to the rules which apply for operating leases, including the disclosure requirements. All leases are thus accounted for in accordance with the rules for operating leases, which means that assets for which a lease has been concluded (irrespective of whether the contracts are finance or operating leases) are recognised in the same line of the balance sheet as for the corresponding assets owned by the bank. In the "Lease income" item in the balance sheet lease income is recognised on a gross basis, i.e. before scheduled depreciation.

Net lease income (see also Note 6) from finance leases that are accounted for as operating leases includes scheduled depreciation that is allocated over the term of the lease and recognised using the annuity method (see also basis of depreciation). This means that these contracts give rise to a higher net income at the beginning of the contract term and a lower net income at the end of the contract term. Net lease income from leases which constitute operating leases based on their economic substance includes scheduled depreciation that is allocated over the term of the lease and recognised on a straight-line basis (see also basis of depreciation). This means that net income remains constant over the term of the contract.

3.15 General administrative expenses

General administrative expenses comprise of staff costs, including salaries and fees, bonuses and commissions, retirement benefit costs, payroll tax and other social security contributions. The item also includes rental, audit, training, IT, telecom, travel and entertainment expenses.

3.16 Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in the income statement, except when the underlying transaction is recognised directly in equity, in which case the associated tax effect is also recognised in equity.

Current tax is tax that is payable or receivable in respect of the current year at tax rates that have been enacted or substantively enacted at the balance sheet date. This also includes adjustments of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet liability method for all temporary differences between the carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for differences arising on initial recognition of goodwill or on initial recognition of assets and liabilities that are not business combinations, which at the time of the transaction do not affect either the accounting or tax profit. Nor are temporary differences attributable to interests in associates that are not expected to be reversed in the foreseeable future taken into account.

The measurement of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated based on the tax rates and tax rules that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets relating to temporary differences and tax losses are recognised only to the extent that it is likely that it will be possible to use them. The measurement of deferred tax assets is reduced when it is no longer expected that it will be possible to use the assets. Tax on profit for the year includes current tax, deferred tax and tax in respect of prior years.

3.17 Net income/expense from financial transactions

The item "Net income/expense from financial transactions" includes realised and unrealised changes in value arising from financial transactions. Net income/expense from financial transactions comprises:

- Capital gains and losses from sales financial liabilities measured at amortised cost
- Realised and unrealised changes in value of derivatives that are financial hedging instruments, but where hedge accounting is not applied.
- Capital gains and losses from sales of financial assets at fair value through profit or loss
- Realised changes in fair value of hedged item attributable to the hedged risk in a fair value hedge
- Unrealised changes in fair value of derivatives for which fair value hedge accounting is applied
- Unrealised changes in fair value of hedged item attributable to the hedged risk in a fair value hedge
- Unrealised changes in fair value of assets at fair value through profit or loss
- Exchange rate changes

3.18 Financial instruments

Financial instruments recognised in the balance sheet include, on the asset side, chargeable treasury bills, loans and advances to credit institutions, loans and advances to customers, bonds and other debt securities, and other assets and accrued income. Chargeable treasury bills, and bonds and other debt securities are today classified partly as financial assets at fair value through profit or loss and partly as held-to-maturity investments. Financial instruments in the category financial assets at fair value through profit or loss are measured at fair value on an ongoing basis and changes in value are recognised in the income statement. Other assets include trade receivables and derivatives with positive market values. Accrued income consists of accrued interest income. Financial instruments on the debt side include liabilities to credit institutions, retail borrowings, securities issued, subordinated debts and other liabilities and accrued expenses. Other liabilities include trade payables and derivatives with negative market values. Accrued expenses refer to accrued interest expenses.

3.18.1 Recognition and derecognition

A financial asset or financial liability is recognised in the balance sheet when the bank becomes a party to the contractual terms of the instrument. A financial asset is derecognised when the rights under the contract are realised, expire or when the bank loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognised when the obligation under the contract is discharged or otherwise extinguished. The same applies to a portion of a financial liability.

A financial asset and financial liability are netted in the balance sheet only when there exists a legal right to offset the amounts and there is an intention to settle the items on a net basis or to simultaneously realise the asset and settle the liability.

Acquisitions and sales of financial assets are recognised at the transaction date, which is the date on which the bank undertakes to acquire or sell the asset. Loan commitments are not recognised in the balance sheet. Loans are recognised in the balance sheet upon payment of the loan amount to the borrower. An impairment loss on a loan commitment is recognised if the commitment is irrevocable and is made to a borrower for which impairment has been identified even before the loan is paid out or when the lending rate does not cover the bank's borrowing costs for funding the loan.

3.18.2 Classification and measurement

Financial instruments are recognised initially at the fair value of the instrument plus transaction costs, except for derivatives and those instruments which are classified as financial assets at fair value through profit or loss, which are recognised at fair value excluding transaction costs. Upon initial recognition, a financial instrument is classified 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. The classification determines how the financial instrument will be valued after initial recognition, as described below.

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

Loans and receivables

This category comprises loans, trade receivables and certain other assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of derivatives with positive closing prices that are not included in hedge accounting, as well as other chargeable securities and bonds and other debt securities if these were classified on acquisition as financial assets at fair value. The bank measures bonds in the liquidity portfolio at fair value through profit or loss to ensure that the portfolio reflects changes in prices in an active market.

Financial liabilities at fair value through profit or loss

Consists of derivatives with negative closing prices.

Held-to-maturity investments

Consists of other chargeable securities, and bonds and other debt securities if these were classified on acquisition as held-to-maturity investments.

Non-financial liabilities

Consists of discounts, negotiated commissions and other liabilities.

Other financial liabilities

Consists of the bank's borrowings, partly through credit institutions and partly through issued securities, as well as certain other liabilities, such as trade payables.

The categories to which the bank's assets and liabilities have been classified are described in Note 35.

Financial assets and liabilities are measured at fair value on initial recognition. Loans and receivables and other financial liabilities are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest method. The instruments are measured using the effective interest rate on an ongoing basis.

The bank uses derivatives to hedge the interest rate risk in its fixed-rate borrowings and the currency risk in its foreign-currency borrowings. Those derivatives which are not used in hedge accounting fall into the category financial assets at fair value through profit or loss. These derivatives constitute economic hedges and are used to manage the risk in variable-rate borrowings in foreign currency, but the bank has made the assessment that there are no grounds to apply hedge accounting for these. These instruments are measured at fair value and changes in value are recognised through profit or loss.

3.18.3 Measurement of financial instruments at fair value

For a description of the methods applied in fair value measurement of financial instruments, see Note 35.

3.19 Hedge accounting

The bank hedges financial interest rate and foreign exchange risk through derivatives. Hedge accounting is used for the interest rate risk in fixed-rate borrowings and for those derivatives which are used to reduce the risk in this borrowing. The bank only applies hedge accounting for those economic hedge relationships in which the impact on earnings would, in the view of the bank, become too misleading unless hedge accounting is applied. The bank applies hedge accounting, fair value hedge.

For other economic hedges in which the impact on earnings of not applying hedge accounting is deemed to be limited, hedge accounting is not applied in view of the additional administrative work involved in using hedge accounting.

Under hedge accounting, the hedging instrument (the derivative) is measured at fair value. The value of the hedged item is adjusted to changes in market interest rates. The change in value is not affected by any changes in the bank's credit spread. The effect of the change in value is recognised through profit or loss.

To meet the requirements for hedge accounting contained in IAS 39, there must be an explicit link to the hedged item. The hedge must also effectively protect against the intended risk in the hedged item, hedging documentation must have been prepared and the effectiveness of the hedge must be reliably measurable. Hedge accounting may only be applied if the hedge relationship is expected to be highly effective and can subsequently be shown to have had an effectiveness of 80–125 per cent. If the criteria for hedge accounting are no longer met, derivatives are stated at fair value and the change in value is recognised through profit or loss. Hedge accounting ceases if the hedging instrument is sold, or if the hedge relationship no longer meets the criteria or ceases. When the hedge relationship ceases accumulated gains and losses that have adjusted the hedged item are recognised through profit or loss. If the hedged item is sold and realised the change in value is recognised in the income statement immediately.

3.20 Embedded derivatives

The general rule is that embedded derivatives must be separated from the host contract. An embedded derivative is not separated if its economics and risks are closely related to those of the host contract. The bank has embedded derivatives in the form of interest rate cap agreements for a part of its lending. The derivatives are not separated, however, as the risks are closely associated with the host contract.

3.21 Impairment testing of loans

At each reporting date the bank assesses whether there exists objective evidence of impairment of a loan or group of loans as a consequence of one or several events (loss events) occurring after the initial recognition of the receivable, and whether these loss events affect the estimated future cash flows from the receivable or group of receivables.

The bank assesses problem loans for impairment and whether a credit loss should be recognised on an individual basis. Impairment losses are recognised in the balance sheet in a separate impairment account, which reduces the carrying amount of the receivable, and are accounted for as a credit loss in the income statement, see Note 14.

Objective evidence of impairment of loans under the individual assessment exists, for example, if the borrower's contractual payments are more than 90 days past due. Another example of objective evidence is information on significant financial difficulties that the bank has become aware of, for example, by analysing financial statements or in the course of monitoring the customer's creditworthiness, as part of the bank's systems and procedures for management of credit risk.

The bank also identifies individually impaired loans based on the following loss events:

1. Significant financial difficulty of the debtor.
2. A default or delinquency in interest or principal payments, or other breach of contract.
3. The granting by the lender, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider.
4. A growing likelihood that the borrower will enter bankruptcy or other financial reorganisation.
5. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Concessions granted by the bank due to a borrower's financial difficulty can also constitute objective evidence that the loan is individually impaired.

Retail loans that are assessed for impairment on an individual basis and for which no impairment has been identified are included in an additional assessment together with other loans with similar credit risk characteristics to test for impairment at group level. An equivalent collective impairment test is not performed for corporate credits. One reason why impairment may exist at group level even though the loans have not been considered doubtful at the individual level is that the bank does not have full knowledge of all those factors which at the balance sheet date are relevant for an individual assessment. To manage this lag in obtaining information and to make provisions for losses that have been incurred but have not yet come to the knowledge of the bank, an additional, collective impairment loss has been recognised.

3.22 Credit losses and impairment of financial instruments

Vehicle finance

The bank's credit portfolio consists mainly of vehicle finance. Total lending in respect of vehicle finance mainly comprises loans and leases that have been transferred or pledged to the bank by the dealer, with collateral in the form of vehicles through right of repossession or ownership rights. Under the agreement with the dealer, the dealer bears the ultimate credit risk for these credit contracts if required by the bank.

An impairment loss is recognised and a loss incurred by the bank as a result of these contracts in the following circumstances:

1. The customer suspends payments.
2. The dealer lacks the ability to pay.
3. The market value of the repossessed vehicle is less than the remaining debt under the contract.

3.23 Impairment for credit losses

3.23.1 Retail segment

For retail exposures, impairment is calculated for individually incurred credit losses as well as for losses in the group of loans that it is not yet possible to attribute to individual loans using statistical risk models.

Loans to the retail segment are 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). For each risk category, a risk estimate which describes the probability that payments on the loans will become more than 90 days past due over a 12-month period is calculated. For receivables in default (more than 90 days past due) the risk estimate is 100 per cent.

The bank regards payments which are overdue by more than 90 days (receivables in default) as observable evidence of individual impairment. In addition to this evidence, the bank also considers other information indicating that the customer is unable to meet his payment obligations. For the additional collective impairment, for which it has not yet been possible to attribute the impairment to individual credits, the bank regards the migration of a customer to lower risk category as observable evidence of impairment of the group of loans.

The bank derives expected cash flows for impaired loans and groups of loans based on the data and information that has been gathered through the bank's method for defining capital requirements. As a basis for assessing future cash flows, the bank uses the same basic concepts that are used in the capital adequacy assessment process, i.e. loss given default (LGD) and probability of default (PD). Due to the existence of a number of differences between the capital adequacy regulations and a neutral estimate of expected future cash flows, a number of corrections are made to the data to make it adequate for calculating impairment.

3.23.2 Corporate segment

Impairment for credit risks for corporate customers is based on a manual review of all receivables. The bank regards payments which are overdue by more than 90 days as observable evidence of impairment in the corporate segment. In addition to this evidence, the bank also considers other information indicating that the customer is unable to meet his payment obligations.

The carrying amount after impairment of assets in the loans and receivables category, which are recognised at amortised cost, is determined by discounting the present value of future cash flows at the effective interest rate applying at the time of the initial recognition of the asset. Assets with short maturities are not discounted. Impairment losses are recognised in the income statement.

For doubtful debts, for which the carrying amount after impairment is calculated as the total discounted value of future cash flows, the change in the impairment is recognised as interest to the extent that the increase is not due to a new assessment of the expected cash flows. In case of a change in the assessment of expected future cash flows from a doubtful debt between two assessments, this change is recognised as a credit loss or recovery of credit losses.

3.23.3 Reversal of impairment losses

An impairment loss is reversed if there is evidence that the impairment no longer exists and there has been a change in the assumptions used as a basis for calculating the amount of impairment. An impairment loss on a loan is reversed if the borrower is expected to meet all its contractual payments under the original or restructured loan terms. Reversals of impairment losses on loans (credit losses) are accounted for as a reduction of credit losses.

Impairment losses on loans and receivables at amortised cost are reversed if a later increase in the recoverable amount can objectively be attributed to an event occurring after the recognition of the impairment loss.

3.23.4 Write-off of loans

Loans which have been classified as doubtful are written off from the balance sheet when the credit loss is considered an actual credit loss, which occurs when the administrator has submitted an estimate of the distribution of assets in a bankruptcy, a composition with creditors has been agreed or the debt has otherwise been remitted, or if the loan is sold to an external party.

After being written off, loans are no longer recognised in the balance sheet. Recovery of previously written off loans is recognised as a reduction of credit losses in the net credit losses line in the income statement.

3.24 Property, plant and equipment

3.24.1 Owned assets

Property, plant and equipment are recognised as an asset in the balance sheet if it is probable that the future economic benefits will accrue to the bank and the cost of the asset can be reliably measured.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment, plus any revaluation. The carrying amount of an item of property, plant and equipment is derecognised on disposal or sale or when no future economic benefits are expected from the use or disposal/sale of the asset. Gains or losses arising on the sale or disposal of an asset consist of the difference between the consideration paid and the carrying amount of the asset less any direct selling expenses. Gains and losses are accounted for as other operating income/expenses.

3.24.2 Lease assets for which the bank is a lessor

All leases are accounted for in accordance with the rules for operating leases, which means that assets for which a lease has been concluded (irrespective of whether the contracts are finance or operating leases) are recognised in the same line of the balance sheet as for the corresponding assets owned by the bank.

3.24.3 Subsequent expenditures

Subsequent expenditures are added to the cost only if it is likely that the future economic benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other subsequent expenditures are recognised in the income statement in the periods in which they are incurred.

The decisive factor in determining when a subsequent expenditure is added to cost is whether the expenditure is related to replacement of identified components, or their parts, at which such expenditures are capitalised. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or their parts, are disposed of and recognised as an expense at the time of replacement. Repairs are recognised as expenses on an ongoing basis.

3.24.4 Basis of depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives. Finance leases that are accounted for as operating leases are depreciated using the annuity method while all operating leases are depreciated on a straight-line basis. The estimated useful lives of fixtures and fittings are 3–5 years, and for lease assets in accordance with the contracts' terms of 1–6 years, and are written down to the estimated residual value. The applied depreciation methods and residual values and useful lives of assets are reviewed at each closing date.

3.24.5 Impairment, description of residual value provision

The bank continuously assesses assets used under operating leases for impairment. An impairment exists if the carrying amount exceeds value in use. If the carrying amount exceeds value in use the value of the asset is written down to this amount. Value in use is determined as the present value of remaining rents and the present value of the expected realisable value. The expected realisable value is obtained from external parties.

An impairment loss is reversed if value in use is less than the carrying amount.

Impairment losses and reversals of impairment losses are recognised as depreciation and impairment of property, plant and equipment in the income statement.

3.25 Intangible assets

3.25.1 Development

Development expenditure, where results or other knowledge are applied to achieve new or improved products or processes, is capitalised in the balance sheet if the product or process is technically and commercially feasible and the bank has sufficient resources to complete development and to use or sell the intangible asset. The carrying amount includes all directly attributable expenditure, e.g. the cost of materials and services, remuneration of employees, registration of a legal right, amortisation of patents and licenses, and borrowing costs in accordance with IAS 23. Other development expenditure is recognised as an expense in the income statement as incurred. Development expenditure that has been capitalised in the balance sheet is recognised at cost less accumulated amortisation and any impairment.

3.25.2 Licenses

Acquired licenses are stated at cost less accumulated amortisation and impairment.

3.25.3 Subsequent expenditures

Subsequent expenditures for capitalised intangible assets are recognised as an asset in the balance sheet only when they increase the future economic benefits for the specific asset to which they relate. All other expenditure is recognised as incurred.

3.25.4 Basis of amortisation

Amortisation is recognised in the income statement on a straight-line basis over the expected useful life of the intangible asset. Expected useful lives are reviewed at least annually. Amortisable intangible assets are amortised from the date when they become available for use. The estimated useful lives are:

- Software 3–5 years
- Licenses 3 years

3.26 Impairment of property, plant and equipment and intangible assets and investments in subsidiaries and associates

3.26.1 Impairment testing

The carrying amounts of the bank's assets are tested for impairment at the balance sheet date. If there is an indication of impairment, the recoverable amount of the asset is calculated in accordance with IAS 36.

If, in testing for impairment, it is not possible to assign essentially independent cash flows to a particular asset, the assets are grouped to the lowest level where it is possible to identify essentially independent cash flows – a "cash-generating unit".

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit (group of units) exceeds the recoverable amount. Impairment losses are recognised in the income statement. Impairment of assets attributable to a cash-generating unit (group of units) is allocated to goodwill in the first hand. Proportionate impairment losses are then recognised for assets included in the unit (group of units).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted using a discount rate which reflects the risk-free rate and the risk associated with the asset.

3.26.2 Reversal of impairment losses

An impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the assumptions on which the calculation of the recoverable amount was based. A reversal is only made to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that would have been recognised, less any depreciation, if no impairment loss had been recognised.

3.27 Liabilities and equity

When the bank issues a financial instrument, this instrument, or its components, are recognised on initial recognition as a financial liability, as a financial asset or as an equity instrument on the basis of the economic substance of the terms which apply for the instrument and in accordance with the definitions of financial liability, financial asset and equity instrument. However, instruments which must for legal or statutory reasons be classified as equity are recognised as equity even if the economic substance of the terms of the instrument is that the instrument is a debt instrument.

3.27.1 Share capital

Dividends

Dividends are recognised as a liability on approval of the dividend by the Annual General Meeting.

3.27.1 Post-employment benefits

3.27.2.1 Retirement benefits through insurance

The bank's pension plans for collectively agreed occupational pensions are secured through an insurance policy with Alecta. Under IAS 19, a defined contribution plan is a plan for post-employment benefits under which the bank pays fixed contributions to a separate legal unit and has no legal or constructive obligation to pay further contributions in the event that this legal entity does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit pension plan is defined as a plan for post-employment benefits that is not a defined contribution plan.

The pension plan for the bank's employees is considered a multi-employer defined benefit pension plan. However, the bank has made the assessment that Recommendation UFR 10 Financial Reporting of the ITP2 Pension Plan that is Funded through Insurance with Alecta of the Swedish Financial Reporting Board is applicable also for the bank's pension plan. The bank does not have sufficient information to recognise these pension plans in accordance with IAS 19 and therefore recognises the plans as defined contribution plans in accordance with UFR 10. The bank's obligations in respect of contributions to defined contribution plans are recognised as an expense in the balance sheet as they are earned through the employees' performance of services for the bank over a period.

3.27.2.2 Termination benefits

An expense for remuneration in connection with the termination of employees is only recognised if the bank is demonstrably obliged, without a realistic possibility of withdrawal, by a formal detailed plan to terminate an employment before the normal time. When remuneration is paid as an offer to encourage voluntary termination, an expense is recognised if it is likely that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

3.27.2.3 Short-term employee benefits

Short-term employee benefits are not discounted and are recognised as an expense when the related services are rendered. A provision is recognised for the expected expense for bonus payments when the bank has a valid legal or constructive obligation to make such payments in consequence of receiving services from employees and the obligation can be reliably measured.

3.28 Appropriations

Appropriations comprise transfers to and withdrawals from untaxed reserves. Untaxed reserves are recognised inclusive of deferred tax liability.

3.29 Group contributions

Group contributions are accounted for in accordance with the alternative rule. Group contributions from subsidiaries are recognised in the income statement as appropriations. Group contributions paid to subsidiaries are also recognised in the income statement as appropriations.

4. SEGMENT REPORTING

The bank's operations are divided into operating segments based on which areas of operation are monitored by the bank's chief operating decision maker. The operations are organised so as to enable management to monitor the results, returns and cash flows generated by the various services. The internal reporting is arranged so that management is able to monitor the results of all services. It is on the basis of this reporting that the bank identified in 2015 the segments Sales Finance Cars, Sales Finance Trucks and Truck Card, Fleet Finance and Volvo Card.

All operating income comes from external customers and all of the bank's operations are conducted in Sweden. The following items in the income statement and balance sheet are monitored by management.

Jan-Dec 2015	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	256,813	27,637	137,629	295,822	717,901
Expenses**, SEK thousand	- 80,548	- 15,567	- 59,305	- 171,495	- 326,915
Credit losses***, SEK thousand	- 581	221	- 15,137	- 12,460	- 27,957
Operating profit, SEK thousand	175,684	12,290	63,188	111,867	363,029
Appropriations, SEK thousand	- 175,467	- 12,275	- 63,110	- 111,728	- 362,580
Tax on profit for the year, SEK thousand	- 218	- 15	- 78	- 138	- 449
Profit for the year, SEK thousand	–	–	–	–	–
Interest-bearing loan volume Ø, SEK million	18,502	2,381	6,236	1,280	28,399
Number of contracts Ø	171,626	5,884	62,141	–	239,652
Number of active accounts Ø	–	1,850	–	457,942	459,792
Jan-Dec 2014	**Cars**	**Trucks**	**Fleet**	**Card**	**Total**
Operating income*, SEK thousand	234,736	32,981	108,421	301,688	677,826
Expenses**, SEK thousand	- 73,333	- 14,313	- 53,614	- 184,162	- 325,422
Credit losses***, SEK thousand	442	- 178	- 7,432	- 14,589	- 21,756
Operating profit, SEK thousand	161,844	18,490	47,376	102,937	330,647
Appropriations, SEK thousand	470,651	53,770	137,772	299,346	961,539
Tax on profit for the year, SEK thousand	- 139,459	- 15,933	- 40,823	- 88,700	-284,915
Profit for the year, SEK thousand	493,036	56,327	144,325	313,583	1,007,271
Interest-bearing loan volume Ø, SEK million	17,244	2,520	5,743	1,375	26,882
Number of contracts Ø	163,586	6,004	58,098	–	227,688
Number of active accounts Ø	–	2,002	–	453,173	455,175

* Operating income includes depreciation of lease assets.
** Including depreciation of property, plant and equipment and amortisation of intangible assets, excluding depreciation of
*** Including impairment.

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

Income statement

5. INTEREST INCOME AND INTEREST EXPENSE

	2015	2014
Interest income		
Loans and advances to credit institutions	–	5,998
Loans and advances to customers	398,387	487,166
Debt securities	4,027	22,452
Other interest income	73	–
Total	**402,487**	**515,616**
Of which, interest income from financial items not measured at fair value	398,460	493,164
Interest expense		
Liabilities to credit institutions	- 13,819	- 34,181
Retail deposits and borrowings	- 114,071	- 222,626
Cost for deposit guarantee scheme	- 12,263	- 12,082
Debt securities	- 83,165	- 169,976
Other interest expenses	- 28,371	- 31,229
Total	**- 251,689**	**- 470,094**
Of which, interest expense from financial items not measured at fair value	236,321	423,769
Net interest income	**150,798**	**45,522**

Interest income from items measured at fair value is negative. The income refers to the swaps that are used to eliminate the interest rate risk in the bank's fixed-rate lending. No interest has been recognised as income in respect of problem loans.

6. LEASE INCOME AND COMBINED NET INTEREST INCOME

All leases are accounted for as operating leases in the balance sheet (even if the lease is a finance lease based on the substance of the contract) and the (gross) income from these contracts is recognised as lease income.

Net lease income

	2015	2014
Lease income from contracts recognised as operating leases	3,619,222	3,517,264
Scheduled depreciation for contracts recognised as operating leases	- 3,384,800	- 3,208,778
Net lease income from contracts recognised as operating leases	**234,422**	**308,486**

Combined net interest income

	2015	2014
Lease income from finance leases (recognised as operating leases in the balance sheet)	2,207,798	2,256,002
Scheduled depreciation for finance leases (recognised as operating leases in the balance sheet)	- 2,064,800	- 2,058,138
Net lease income from finance leases*	**142,998**	**197,864**
Interest income	402,487	515,616
Interest expense	- 251,689	- 470,094
Combined net interest income**	**293,796**	**243,386**
Total lease and net interest income		
Net lease income from contracts recognised as operating leases	234,422	308,486
Net interest income in accordance with Note 5	150,798	45,522
Total lease and net interest income	**385,220**	**354,008**
Interest margin***	1.11%	1.01%
Average lending rate	2.25%	3.06%
Average deposit rate (incl. cost for deposit guarantee scheme)	0.95%	1.72%

* Finance leases recognised as operating leases, net.
** Combined net interest income is affected partly by interest expenses for financing operating leases and partly by the building-up of a liquidity reserve by the bank.
*** Total interest income as a percentage of average total assets less total interest expense as a percentage of average total assets excluding average equity and untaxed reserves.

7. DIVIDENDS RECEIVED

	2015	2014
Shares and interests in associates	2,062	2,822
Total	**2,062**	**2,822**

8. COMMISSION INCOME

	2015	2014
Commission income, credit cards	190,877	195,947
Commission income, loans and leases	167,893	149,603
Total	**358,770**	**345,550**

9. COMMISSION EXPENSE

	2015	2014
Commissions, payment processing	- 3,696	- 3,645
Other commissions	- 18,606	- 20,153
Total	**- 22,302**	**- 23,798**

10. NET RESULT OF FINANCIAL TRANSACTIONS

	2015	2014
Debt securities	- 5,895	- 4,281
Total	**- 5,895**	**- 4,281**

Gain/loss by measurement category including exchange rate changes

	2015	2014
Derivative assets* intended for risk management, no hedge accounting	264	–
Financial assets at fair value through profit or loss	- 4,973	- 2,932
Derivative liabilities* intended for risk management, no hedge accounting	- 111	- 444
Financial liabilities at amortised cost**	–	- 1,487
Change in fair value of derivatives that are hedging instruments in a fair value hedge	- 22,276	- 36,695
Change in fair value of hedged item attributable to the hedged risk in a fair value hedge	21,201	37,277
Total	**- 5,895**	**- 4,281**

* Derivative assets/liabilities are financial assets/liabilities that are held for trading.
** Also include realised premium or discount on repurchase of debt.

11. GENERAL ADMINISTRATIVE EXPENSES

	2015	2014
Salaries and fees	- 93,073	- 86,753
Social security contributions	- 29,039	- 27,955
Cost for pension premiums*	- 12,379	- 10,801
Payroll tax	- 2,912	- 2,580
Other staff costs	- 3,462	- 2,872
Total staff costs	**- 140,865**	**- 130,961**
Postage and telephone	- 4,984	- 4,797
IT costs	- 105,820	- 102,001
Consulting services	- 4,197	- 2,995
Contract staff	- 1,018	- 2,758
Rents and other premises costs	- 10,520	- 10,533
Other	- 12,788	- 11,432
Total other general administrative expenses	**- 139,327**	**- 134,516**
Total general administrative expenses	**- 280,192**	**- 265,477**

* Total pension premiums were SEK 12,598 (10,801), of which SEK 6,580 (5,514) refers to Alecta ITP 2 pensions.

Expected fees in the next reporting period for ITP2 insurance policies with Alecta are SEK 6,058 (5,622). The bank's share of the total contributions to the plan and the bank's share of the total number of active members of the plan is 0.03 and 0.03 per cent, respectively, The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio should normally be permitted to vary within a range of 125 and 155 per cent. If Alecta's collective funding ratio were to fall below 125 per cent or exceed 155 per cent it would be necessary to take measures that will enable the ratio return to the normal range. In case of a low collective funding ratio one measure that can be taken is to raise the agreed price for new subscriptions and expansion of the existing benefits. A high collective funding ratio can be addressed by reducing premiums. At year-end 2015 Alecta's surplus in the form of the collective funding ratio was 153 per cent (143).

Breakdown of salaries and other remuneration by senior executives and other employees, and social security contributions

	2015			2014		
	Senior executives (19 people)	Other employees	Total	Senior executives (14 people)	Other employees	Total
Salaries and other remuneration	-13,517	- 79,556	- 93,073	- 9,731	- 77,022	- 86,753
of which, variable remuneration	–	(- 1,138)	(- 1,138)	–	(- 841)	(- 841)
Total	**- 13,517**	**- 79,556**	**- 93,073**	**- 9,731**	**- 77,022**	**- 86,753**
Social security contributions*	- 7,823	- 36,508	- 44,331	- 6,608	- 34,728	- 41,336
of which, retirement benefit costs	(- 3,933)	(- 11,358)	(- 15,291)	(- 2,795)	(- 10,586)	(- 13,381)

Salaries and remuneration of senior executives

	Basic salary/fee	Variable remuneration	Other benefits	Retirement benefit cost	Total
2015					
Chairman of the Board	- 588	–	–	–	- 588
Vice Chairman of the Board	- 561	–	–	–	- 561
Directors (6 people)	- 1,297	–	–	–	- 1,297
President	- 2,371	–	- 131	- 724	- 3,226
Other senior executives (7 people)	- 8,700	–	- 615	- 2,521	- 11,836
Total	**- 13,517**	**–**	**- 746**	**- 3,245**	**- 17,508**
2014					
Chairman of the Board	- 392	–	–	–	- 392
Directors (5 people)	- 1,193	–	–	–	- 1,193
President	- 2,323	–	- 152	- 767	- 3,242
Other senior executives (7 people)	- 5,823	–	- 480	- 1,483	- 7,785
Total	**- 9,731**	**–**	**- 632**	**- 2,250**	**- 12,612**

The members of the Board receive Directors' fees in accordance with the resolution of the AGM. The remuneration payable to the President is decided by the Board based on a proposal from the Remuneration Committee. The contractual retirement age is 65 years. In case of termination of the President's employment contract by the bank, the President is entitled to remuneration for six months plus a period of up to 12 months if new employment is not found. The Remuneration Committee consists of the Chairman of the Board and two further Directors. Variable remuneration is not paid to members of the bank's management team, employees who make decisions on credits/limits or in the compliance, risk control and internal audit control functions.

Remuneration of the Board of Directors

Name	Position (2015/2014)	2015	2014
Urmas Kruusval	Chairman	- 588	- 392
Anders Gustafsson	Director	- 197	- 155
Tommy Andersson	Director	- 350	- 253
Bob Persson	Director	- 267	- 155
Synnöve Trygg	Vice Chairman/Director	- 561	- 210
Margareta Alestig Johnson	Director	- 100	–
Per Avander	Deputy/Director	- 190	- 155
Christina Brinck	Deputy/Director	- 45	- 110
Janola Gustafson	Co-opted/Deputy	–	- 77
Patrik Tolf	Deputy	- 98	- 45
Vidar Andersch	Deputy	- 50	–
Jonas Eriksson	Deputy	–	- 33
Total		**- 2,446**	**- 1,585**

Employee information

	2015			2014		
	Men	Women	Total	Men	Women	Total
Average number of employees	79	105	184	74	109	183
Female representation in management						
President	1	–	1	1	–	1
Board	7	3	10	5	1	6
Other senior executives	4	4	8	4	3	7
Total	**12**	**7**	**19**	**10**	**4**	**14**

Auditors' fees and expenses

	2015	2014
Audit engagement	- 1,300	- 1,300
Audit services in addition to audit engagement	- 289	- 143
Tax advisory services	- 125	- 6
Other services	- 180	- 468
Total	**-1,894**	**- 1,917**

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

	2015	2014
Scheduled depreciation and amortisation	- 3,387,577	- 3,212,537
Reversal of impairment losses for the year	14,383	13,647
Impairment	- 30,916	- 23,460
Adjustment between loans and leases	434	–
Total	**- 3,403,677**	**- 3,222,350**
Scheduled depreciation and amortisation		
Fixtures and fittings	- 678	- 564
Lease assets	- 3,384,800	- 3,208,778
Intangible assets	- 2,099	- 3,195
Total	**- 3,387,577**	**- 3,212,537**
Net impairment		
Lease assets	- 16,099	- 9,813
Total	**- 16,099**	**- 9,813**

13. OTHER OPERATING EXPENSES

	2015	2014
Fees to central organisations	- 1,966	- 2,083
Insurance costs	- 383	- 351
Marketing costs	- 42,156	- 49,210
Other operating expenses	- 769	- 1,017
Total	**- 45,274**	**- 52,661**

14. NET CREDIT LOSSES

	2015	2014
Specific provision for collectively valued loans*		
Write-off of actual credit losses for the year	- 16,501	- 18,105
Impairment for the year	- 5,882	- 7,722
Recovery of actual credit losses from previous years	1,201	1,045
Reversal of no-longer-required provisions for expected credit losses	6,937	7,939
Net expense for the year for specific provisions for collectively valued loans	**- 14,245**	**- 16,843**
Collective provision for losses incurred but not yet reported**		
Impairment for the year	- 2,878	- 2,814
Reversal of no-longer-required provisions for expected credit losses	5,265	7,713
Net expense for the year for collective provisions	**2,387**	**4,899**
Total net expense	**- 11,858**	**- 11,944**

* Refers to credit losses on loans which have been individually identified as doubtful and where the provisions have been determined on the basis of experience of similar loans.

** Refers to credit losses on loans which have not yet been identified as doubtful, but where impairment exists in a group of loans.

15. APPROPRIATIONS

	2015	2014
Change in tax allocation reserve	–	101,744
Accelerated depreciation	362,580	859,795
Total	**362,580**	**961,539**

16. TAX ON PROFIT FOR THE YEAR

	2015	2014
Tax expense for the year	- 449	- 284,915
Total reported tax expense	**- 449**	**- 284,915**

	2015	2015	2014	2014
Reconciliation of effective tax				
Profit before tax		449		1,292,185
Tax at applicable tax rate	- 22.0%	- 99	- 22.0%	- 284,281
Non-deductible expenses	- 82.4%	- 370	- 0.1%	- 636
Non-taxable income	4.4%	20	0.0%	2
Reported effective tax	**- 100.0%**	**- 449**	**- 22.1%**	**- 284,915**

Balance sheet

17. CHARGEABLE TREASURY BILLS, ETC.

	Nominal value	Carrying amount	Nominal value	Carrying amount
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Securities issued by the State	–	–	100,000	99,974
Securities issued by local authorities and other public sector entities	1,080,000	1,080,515	1,070,000	1,070,872
Total	**1,080,000**	**1,080,515**	**1,170,000**	**1,170,846**

18. LENDING TO CREDIT INSTITUTIONS

	31 Dec 2015	31 Dec 2014
Gross outstanding receivables in Swedish currency	1,998,980	1,784,781
of which, to Swedish commercial banks	1,998,978	1,784,780
of which, payable on demand	1,998,980	1,784,781

19. LENDING TO THE PUBLIC

The bank's total lending including lease assets is SEK 27.38 billion (24.85). The stated values are reduced by impairment for credit risk for each credit. The values are SEK 20,335 (23,486) lower than the gross values of the receivables. (See also Note 24 and the table Impairment by asset item.)

	31 Dec 2015	31 Dec 2014
Gross outstanding receivables in Swedish currency	13,710,752	12,674,079
Impairment for credit losses	- 20,335	- 23,486
Net carrying amount	**13,690,417**	**12,650,593**
Impairment		
Opening balance, 1 January	- 23,486	- 25,935
Impairment for the year	- 8,590	- 10,112
Reversal of no-longer-required provisions for expected credit losses	11,741	12,561
Closing balance, 31 December	**- 20,335**	**- 23,486**

20. BONDS AND OTHER INTEREST BEARING SECURITIES

	Nominal value	Carrying amount	Nominal value	Carrying amount
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Securities issued by non-financial corporations	835,000	835,501	835,000	837,297
Total	**835,000**	**835,501**	**835,000**	**837,297**

21. SHARES AND INTERESTS IN ASSOCIATES AND OTHER COMPANIES

	31 Dec 2015	31 Dec 2014
Unlisted securities		
Carrying amount, 1 January	14,735	11,913
Share of profit for the year of limited partnerships	2,062	2,822
Carrying amount, 31 December	**16,797**	**14,735**

	Profit	Equity	Share of equity	Carrying amount
2015				
Visa Inc C	–	48	–	48
Volvohandelns PV Försäljnings AB*, corp. ID no. 556430-4748, Göteborg	1,672	35,153	11,600	1,000
Volvohandelns PV Försäljnings KB, corp. ID no. 916839-7009, Göteborg	8,292	65,448	13,315	13,315
VCC Tjänstebilar KB, corp. ID no. 969673-1950, Göteborg	141	9,532	1,506	1,506
VCC Försäljnings KB, corp. ID no. 969712-0153, Göteborg	- 99	3,425	928	928
Total	**10,006**	**113606**	**27,349**	**16,797**
2014				
Visa Inc C	–	48	–	48
Volvohandelns PV Försäljnings AB*, corp. ID no. 556430-4748, Göteborg	1,918	33,481	11,049	1,000
Volvohandelns PV Försäljnings KB, corp. ID no. 916839-7009, Göteborg	11,565	57,157	11,242	11,242
VCC Tjänstebilar KB, corp. ID no. 969673-1950, Göteborg	- 697	9,391	1,493	1,493
VCC Försäljnings KB, corp. ID no. 969712-0153, Göteborg	–	3,524	952	952
Total	**12,786**	**103601**	**24,736**	**14,735**

* Volvohandelns PV Försäljnings AB is general partner in all limited partnerships.

22. SHARES AND INTERESTS IN GROUP COMPANIES

	Corp. ID no.	Regd office	Profit 2015
Unlisted securities			
CarPay Sverige AB, formerly Automanagement AR AB	556268-7052	Göteborg	–
Volvofinans IT AB	556004-3621	Göteborg	–
Volvofinans Leasing AB	556037-5734	Göteborg	–
Autofinans Nordic AB	556094-7284	Göteborg	–

	Number of shares	Nom. value	Carrying amount	
Shares in wholly owned Group companies			2015	2014
CarPay Sverige AB, formerly Automanagement AR AB	2,000	200	240	240
Volvofinans IT AB	400	200	242	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			**6,742**	**6,740**

23. INTANGIBLE NON-CURRENT ASSETS

	Development expenditure	Licenses	Total
Accumulated cost			
Opening balance, 1 Jan 2014	111,973	5,759	117,732
Disposals	–	–	–
Closing balance, 31 Dec 2014	**111,973**	**5,759**	**117,732**
Opening balance, 1 Jan 2015	111,973	5,759	117,732
Purchases for the year	4,412	–	4,412
Disposals	–	–	–
Closing balance, 31 Dec 2015	**116,385**	**5,759**	**122,144**
Accumulated amortisation			
Opening balance, 1 Jan 2014	- 103,217	- 5,759	- 108,976
Amortisation for the year	- 3,195	–	- 3,195
Closing balance, 31 Dec 2014	**- 106,412**	**- 5,759**	**- 112,171**
Opening balance, 1 Jan 2015	- 106,412	- 5,759	- 112,171
Amortisation for the year	- 2,099	–	- 2,099
Closing balance, 31 Dec 2015	**- 108,511**	**- 5,759**	**- 114,270**
Carrying amounts			
31 Dec 2014	5,561	–	5,561
31 Dec 2015	**7,874**	**–**	**7,874**

The carrying amounts are primarily attributable to the Basel II project and licenses thereto, and to the development of the bank's account system, online banking services, DWH and CRM systems.

24. PROPERTY, PLANT AND EQUIPMENT, FIXTURES AND FITTINGS, AND LEASE ASSETS

	Fixtures and fittings	Lease assets	Total
Cost			
Opening balance, 1 Jan 2014	26,047	16,330,885	16,356,932
Purchases	466	7,134,243	7,134,709
Sales	–	- 6,107,110	- 6,107,110
Disposals	–	–	–
Closing balance, 31 Dec 2014	**26,513**	**17,358,018**	**17,384,531**
Opening balance, 1 Jan 2015	26,513	17,358,018	17,384,531
Purchases	900	8,079,493	8,080,393
Sales	–	- 6,422,029	- 6,422,029
Disposals	- 128	–	- 128
Closing balance, 31 Dec 2015	**27,285**	**19,015,482**	**19,042,767**
Depreciation			
Opening balance, 1 Jan 2014	- 24,636	- 4,822,351	- 4,846,987
Depreciation for the year	- 564	- 3,208,778	- 3,209,342
Sales	–	2,899,390	2,899,390
Disposals	–	–	–
Closing balance, 31 Dec 2014	**- 25,200**	**- 5,131,739**	**- 5,156,939**
Opening balance, 1 Jan 2015	- 25,200	- 5,131,739	- 5,156,939
Depreciation for the year	- 678	- 3,384,800	- 3,385,478
Sales	–	3,240,864	3,240,864
Disposals	128	–	128
Closing balance, 31 Dec 2015	**- 25,750**	**- 5,275,675**	**- 5,301,425**
Impairment			
Opening balance, 1 Jan 2014	–	- 21,722	- 21,722
Reversal of impairment losses for the year	–	13,647	13,647
Impairment for the year	–	- 23,460	- 23,460
Closing balance, 31 Dec 2014	**–**	**- 31,535**	**- 31,535**
Opening balance, 1 Jan 2015	–	- 31,535	- 31,535
Reversal of impairment losses for the year	–	14,383	14,383
Impairment for the year	–	- 30,916	- 30,916
Closing balance, 31 Dec 2015	**–**	**- 48,067**	**- 48,067**
Carrying amounts			
1 Jan 2014	1,411	11,486,812	11,488,223
31 Dec 2014	**1,313**	**12,194,744**	**12,196,057**
1 Jan 2015	1,313	12,194,744	12,196,057
31 Dec 2015	**1,535**	**13,691,740**	**13,693,275**

25. OTHER ASSETS

	31 Dec 2015	31 Dec 2014
Positive value of derivatives	25,698	72,376
Tax asset	202,943	29,985
Trade receivables	322,210	410,046
Other assets	88,128	83,835
Total	**638,979**	**596,242**

Trade receivables are offset against a risk provision of SEK 1,310 (1,995) and recognised on a net basis in respect of Svensk Vagnparksfinans's car administration.

26. DERIVATIVES – ASSETS AND LIABILITIES

The bank's derivatives are entered into directly with the counterparty. They are not cleared through a standardised marketplace. Accrued interest on the derivatives is recognised in prepaid expenses and accrued income and accrued expenses and deferred income. This note presents that portion of the market value which arises from future changes in market interest rates. The total value of derivative assets including accrued interest is SEK 25.7 million (72.4) and the value of derivative liabilities including accrued interest is SEK 4.8 million (0.7).

2015	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 rate-related contracts						
Options	3,500	–	–	3,500	–	–
Swaps	4,042	48,583	–	52,625	–	583
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	**7,542**	**48,583**	**-**	**56,125**	**-**	**583**
Derivatives for which hedge accounting is applied (fair value hedge)						
Interest rate-related contracts						
Swaps	400,000	850,000	–	1,250,000	25,698	4,218
Currency-related contracts						
Swaps						
Total	**400,000**	**850,000**	**-**	**1,250,000**	**25,698**	**4,218**
Total	**407,542**	**898,583**	**-**	**1,306,125**	**25,698**	**4,801**
Breakdown of market value by currency						
SEK	407,542	898,583	–	1,306,125	25,698	4,801
EUR	–	–	–	–	–	–
Total	**407,542**	**898,583**	**-**	**1,306,125**	**25,698**	**4,801**

2014	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 rate-related contracts						
Options	2,500	10,500	–	13,000	–	–
Swaps	–	65,083	–	65,083	–	720
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	**2,500**	**75,583**	**-**	**78,083**	**-**	**720**
Derivatives for which hedge accounting is applied (fair value hedge)						
Interest rate-related contracts						
Swaps	975,000	600,000	–	1,575,000	72,376	–
Currency-related contracts						
Swaps	–	–	–	–	–	–
Total	**975,000**	**600,000**	**-**	**1,575,000**	**72,376**	**-**
Total	**977,500**	**675,583**	**-**	**1,653,083**	**72,376**	**720**
Breakdown of market value by currency						
SEK	977,500	675,583	–	1,653,083	72,376	720
EUR	–	–	–	–	–	–
Total	**977,500**	**675,583**	**-**	**1,653,083**	**72,376**	**720**

27. PREPAYMENTS AND ACCRUED INCOME

	31 Dec 2015	31 Dec 2014
Prepaid expenses	16,708	19,552
Accrued interest income	3,396	6,735
Other accrued income	12,073	10,248
Total	**32,177**	**36,535**

28. LIABILITIES TO CREDIT INSTITUTIONS AND SECURITIES ISSUED

Breakdown by currency

2015	SEK	EUR	Total
Liabilities to credit institutions	1,000,000	–	1,000,000
Securities issued	10,856,491	–	10,856,491
Total	**11,856,491**	**-**	**11,856,491**

2014	SEK	EUR	Total
Liabilities to credit institutions	1,550,000	–	1,550,000
Securities issued	8,278,759	–	8,278,759
Total	**9,828,759**	**-**	**9,828,759**

For a breakdown by maturity, see the section Risk and capital management.

29. DEPOSITS AND BORROWINGS FROM THE PUBLIC

All deposits and borrowings are in SEK.

Retail deposits

	31 Dec 2015	31 Dec 2014
Deposits by customer category		
Public sector	49	37
Corporate sector	14,448	12,769
Retail sector	13,696,329	12,688,179
Of which, individual business owners	(2,600,871)	(2,456,725)
Other	166	3,012
Total deposits	**13,710,992**	**12,703,997**

Retail borrowings

	31 Dec 2015	31 Dec 2014
Borrowings by customer category		
Corporate sector	616,446	1,068,438
Other	1,624	1,116
Total borrowing	**618,070**	**1,069,554**
Of which, Group companies	6,789	6,787
Of which, associates	117,266	122,621
Total retail deposits and borrowings	**14,329,062**	**13,773,551**

30. OTHER LIABILITIES

	31 Dec 2015	31 Dec 2014
Negative value of derivatives	4,801	720
Trade payables	449,569	272,470
Tax liability	–	220,775
Liability to customer	70,789	62,805
Other liabilities	263,291	319,410
Total	**788,450**	**876,180**

31. ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2015	31 Dec 2014
Accrued interest expense	27,302	67,665
Other accrued expenses	852,979	55,489
Deferred income	68,836	724,915
Total	**949,117**	**848,069**

32. UNTAXED RESERVES

	31 Dec 2015	31 Dec 2014
Accumulated accelerated depreciation		
Opening balance, 1 January	2,481,645	3,341,440
Change for the year	362,580	- 859,795
Closing balance, 31 December	**2,844,225**	**2,481,645**
Tax allocation reserves		
Opening balance, 1 January	–	101,744
Change for the year	–	- 101,744
Closing balance, 31 December	**-**	**-**
Closing balance, 31 December	**2,844,225**	**2,481,645**

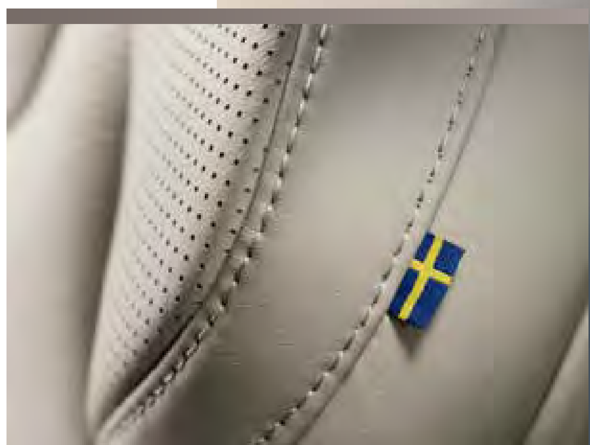
33. EQUITY

Dividend

The dividend recognised during the year was SEK 257,271, which equates to SEK 257.27 per share. The proposed dividend is SEK 47,500 and equates to SEK 47.50 per share.

Retained earnings

Retained earnings in the bank comprise non-restricted equity for the year after payment of any dividend. Retained earnings and profit for the year make up non-restricted equity, which is the amount that is available for distribution to the shareholders.



34. DISCLOSURE ON NETTING OF DERIVATIVES

The bank has concluded ISDA or framework agreements for all derivatives. These agreements give the parties the right to offset the market value of liabilities against the market value of receivables from the counterparty in case of a serious default. Under set-off rights and obligations provided for in the ISDA and framework agreements, the parties have the right to offset derivative receivables against derivative liabilities in the event that the counterparty defaults on its contractual obligations.

Amounts that are not netted in balance sheet	Net amount of recognised financial assets [1]	Net amount of recognised financial liabilities [1]	Net amount/ asset (+), liability (-)
Derivatives	25,698	- 4,801	20,897

1) No amounts have been netted in the balance sheet. There is no collateral in the form of cash or financial instruments.

35. CARRYING AMOUNT BY CATEGORY OF FINANCIAL INSTRUMENT AND FAIR VALUE DISCLOSURES

Methods for determining fair value

The financial instruments which the bank measures at fair value in the balance sheet are derivatives and chargeable treasury bills, other chargeable securities and bonds and other debt securities classified at fair value in accordance with IFRS 13. As the bank's derivatives are not quoted on an active market (Level 1), the bank uses an analysis of discounted cash flows 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 and other debt securities are deemed to be quoted on an active market (Level 1). Active market means that quoted prices for financial instruments are readily and regularly available from an exchange, dealer, broker or other companies which provide price information. The price must represent actual and regularly occurring transactions based on the bid price on the balance sheet date without adjustment for transaction costs on acquisition. No transfers between the levels were made during the year. Other categories of financial instrument belong to Level 3.

Fair value disclosures for loans and advances to customers have been calculated by discounting contractual cash flows at a discount rate that is based on a current lending spread. Fair value disclosures for liabilities to credit institutions, securities issued and subordinated debts have been calculated based on estimated current lending spreads.

Those financial assets which have been classified as held-to-maturity investments are measured at amortised cost in the balance sheet. Held-to-maturity investments, which include chargeable treasury bills, have been marked to market based on quoted prices on an active market.

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

2015 Assets	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Chargeable treasury bills, etc.	1,080,515			1,080,515	1,080,515
Loans and advances to credit institutions		1,998,980		1,998,980	1,998,980
Loans and advances to customers		13,654,961		13,654,961	13,690,417
Bonds and other debt securities	835,501			835,501	835,501
Other assets			638,979	638,979	638,979
Prepaid expenses and accrued income			32,177	32,177	32,177
Total	**1,916,016**	**15,653,941**	**671,156**	**18,241,113**	**18,276,569**

2015 Liabilities	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Liabilities to credit institutions	995,147			995,147	1,000,000
Retail deposits and borrowings		14,329,091		14,329,091	14,329,062
Securities issued	10,841,637			10,841,637	10,856,491
Other liabilities		788,450		788,450	788,450
Accrued expenses and deferred income			949,117	949,117	949,117
Total	**11,836,784**	**15,117,541**	**949,117**	**27,903,442**	**27,923,120**

2014 Assets	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Chargeable treasury bills, etc.	1,170,856			1,170,856	1,170,846
Loans and advances to credit institutions		1,784,781		1,784,781	1,784,781
Loans and advances to customers		12,626,958		12,626,958	12,650,593
Bonds and other debt securities		837,297		837,297	837,297
Other assets			596,242	596,242	596,242
Prepaid expenses and accrued income			36,535	36,535	36,535
Total	**1,170,856**	**15,249,036**	**632,777**	**17,052,668**	**17,076,294**

2014 Liabilities	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Liabilities to credit institutions	1,562,335			1,562,335	1,550,000
Retail deposits and borrowings		13,774,055		13,774,055	13,773,551
Securities issued	8,376,379			8,376,379	8,278,759
Other liabilities		876,180		876,180	876,180
Accrued expenses and deferred income			848,069	848,069	848,069
Total	**9,938,714**	**14,650,235**	**848,069**	**25,437,018**	**25,326,559**

Assets, 31 Dec 2015	Loans and receivables	Financial assets at fair value through profit or loss FVO	Held-to-maturity investments	Derivatives used for hedging	Other assets	Total	Fair value
Chargeable treasury bills, etc.	–	1,080,515	–	–	–	1,080,515	1,080,515
Loans and advances to credit institutions	1,998,980	–	–	–	–	1,998,980	1,998,980
Loans and advances to customers	13,690,417	–	–	–	–	13,690,417	13,654,961
Bonds and other debt securities	–	835,501	–	–	–	835,501	835,501
Shares and interests in associates and other companies	–	–	–	–	16,797	16,797	–
Shares and interests in Group companies	–	–	–	–	6,742	6,742	–
Intangible assets	–	–	–	–	7,874	7,874	–
Property, plant and equipment, fixtures and fittings	–	–	–	–	1,535	1,535	–
Property, plant and equipment, lease assets	–	–	–	–	13,691,740	13,691,740	–
Other assets	322,210	–	–	25,698	291,071	638,979	638,979
Prepaid expenses and accrued income	32,177	–	–	–	–	32,177	32,177
Total assets	**16,043,784**	**1,916,016**	**-**	**25,698**	**14,015,759**	**32,001,257**	

Liabilities, 31 Dec 2015	Financial liabilities at fair value through profit or loss FVO	Non-financial liabilities	Derivatives used for hedging	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	–	–	–	1,000,000	1,000,000	995,147
Retail deposits and borrowings	–	–	–	14,329,062	14,329,062	14,329,091
Securities issued	–	–	–	10,856,491	10,856,491	10,841,637
Other liabilities	583	263,291	4,218	520,358	788,450	788,450
Accrued expenses and deferred income	–	921,815	–	27,302	949,117	949,117
Total liabilities	**583**	**1,185,106**	**4,218**	**26,733,213**	**27,923,120**	

Assets, 31 Dec 2014	Loans and receivables	Financial assets at fair value through profit or loss FVO	Held-to-maturity investments	Derivatives used for hedging	Other assets	Total	Fair value
Chargeable treasury bills, etc.	–	1,070,872	99,974	–	–	1,170,846	1,170,856
Loans and advances to credit institutions	1,784,781	–	–	–	–	1,784,781	1,784,781
Loans and advances to customers	12,650,593	–	–	–	–	12,650,593	12,626,958
Bonds and other debt securities	–	837,297	–	–	–	837,297	837,297
Shares and interests in associates and other companies	–	–	–	–	14,735	14,735	–
Shares and interests in Group companies	–	–	–	–	6,740	6,740	–
Intangible assets	–	–	–	–	5,561	5,561	–
Property, plant and equipment, fixtures and fittings	–	–	–	–	1,313	1,313	–
Property, plant and equipment, lease assets	–	–	–	–	12,194,744	12,194,744	–
Other assets	6	–	–	72,376	523,860	596,242	596,242
Prepaid expenses and accrued income	6,736	–	–	–	29,799	36,535	36,535
Total assets	**14,442,116**	**1,908,169**	**99,974**	**72,376**	**12,776,752**	**29,299,387**	

Liabilities, 31 Dec 2014	Financial liabilities at fair value through profit or loss FVO	Non-financial liabilities	Derivatives used for hedging	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	–	–	–	1,550,000	1,550,000	1,562,335
Retail deposits and borrowings	–	–	–	13,773,551	13,773,551	13,774,055
Securities issued	–	–	–	8,278,759	8,278,759	8,376,379
Other liabilities	720	319,410	–	556,050	876,180	876,180
Accrued expenses and deferred income	–	780,404	–	67,665	848,069	848,069
Total liabilities	**720**	**1,099,814**	**-**	**24,226,025**	**25,326,559**	

36. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

37. RELATED PARTIES

Due to the operations conducted by the bank, which has a unique ownership structure and a Board composition which reflects this, some transactions are concluded with related parties. All such transactions are priced on commercial terms. The bank has not had any transactions with the subsidiaries, as these are dormant.

The bank has liabilities to: Volvofinans IT AB, SEK 240 (238); Volvofinans Leasing AB, SEK 1,243 (1,243); Autofinans Nordic AB, SEK 5,066 (5,066); and CarPay Sverige AB, SEK 240 (240).

No loans have been made to senior executives, see also Note 11.

Signatures of the Board of Directors

The Board of Directors and the President warrant that the annual report has been prepared in accordance with generally accepted accounting policies in Sweden. The annual report gives a true and fair view of the bank's financial position and results.
The Directors' report gives a true and fair overview of the development of the bank's business, position and results, and describes significant risks and uncertainties faced by the bank.

Göteborg, 22 March 2016

Urmas Kruusval
Chairman of the Board

Synnöve Trygg Vice Chairman of the Board	Anders Gustafsson Director	Tommy Andersson Director
Bob Persson Director	Margareta Alestig Johnson Director	Conny Bergström President

We submitted our audit report on 22 March 2016

KPMG AB

Roger Mattsson
Authorised Public Accountant

Audit report

To the Annual General Meeting of Volvofinans Bank AB, corp. ID no. 556069-0967.

Report on the annual accounts

We have audited the annual accounts of Volvofinans Bank AB for 2015.

The Board of Directors' and the President's responsibility for the annual accounts

Responsibility for preparing annual accounts which give a true and fair view pursuant to the Swedish Annual Accounts for Credit Institutions and Investment Firms Act and for such internal control as the Board of Directors and The President deem necessary for the purpose of preparing annual accounts that are free from material misstatement, whether due to irregularities or error, rests with the Board of Directors and the President.

The auditor's responsibility

Our responsibility is to express an opinion on the annual accounts on the basis of our audit. We have conducted our audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we observe professional ethical standards and conduct our audit with the aim of obtaining a reasonable degree of certainty that the annual accounts are free from material misstatement.

An audit involves obtaining, through various actions, audit evidence of the accuracy of amounts and other information contained in the annual accounts. The auditor decides which actions to take, partly by assessing the risks of material misstatements in the annual accounts, whether due to irregularities or mistakes. In this risk assessment the auditor considers those aspects of the internal control that are relevant for how the company prepares its annual accounts with the aim of giving a true and fair view for the purpose of devising auditing actions that are appropriate in view of the circumstances, but not for the purpose of expressing an opinion on the efficacy of the company's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies employed and the reasonableness of the estimates used by the Board of Directors and the President in preparing the accounts as well as an evaluation of the general presentation in the annual accounts.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts for Credit Institutions and Investment Firms Act and give an essentially true and fair view of Volvofinans Bank AB's financial position at 31 December 2015 and of its financial results and cash flows for the year in accordance with the Annual Accounts for Credit Institutions and Investment Firms Act. A corporate governance report has been prepared. The Directors' report and corporate governance report are consistent with the other parts of the annual report.

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

Report on other statutory and regulatory requirements

In addition to our audit of the annual accounts, we have audited the proposed appropriation of the company's profit or loss and the Board of Directors' and the President's administration of Volvofinans Bank AB for 2015.

The Board of Directors' and the President's responsibility

Under the Annual Accounts Act, responsibility for the proposal for appropriation of the company's profit or loss rests with the Board of Directors, and responsibility for administration rests with the Board of Directors and the President.

The auditor's responsibility

Our responsibility is to express an opinion, with a reasonable degree of certainty, on the proposal for appropriation 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 on the Board of Directors' proposal for appropriation of the company's profit or loss, we have examined the Board of Directors' reasoned opinion and a selection of evidence for this in order to determine whether the proposal is consistent with the Swedish Companies Act.

As a basis for our statement on release from liability, we have, in addition to our audit of the annual accounts, examined significant decisions, actions and circumstances of the company in order to be able to determine the liability, if any, to the company of any Director or of the President. We have also examined whether any Director or the President has in any other way acted in violation of the Swedish Companies Act, the Annual Accounts for Credit Institutions and Investment Firms Act or the company's Articles of Association.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinions.

Opinions

We recommend that the shareholders allocate the profit as proposed in the Directors' report and grant release from liability to the Directors and the President in respect of the financial year.

Göteborg, 22 March 2016
KPMG AB

Roger Mattsson
Authorised Public Accountant

Board of Directors, auditors and senior executives

Board of Directors

Urmas Kruusval
Chairman of the Board

Synnöve Trygg
Vice Chairman of the Board

Tommy Andersson
Chairman of the Volvo Dealers Association, Göteborg
President of MRF, the Swedish retail motor industry federation

Anders Gustafsson
Senior Vice President EMEA
Volvo Car Corporation

Bob Persson
Chairman, AB Persson Invest, Östersund

Margareta Alestig Johnson
Deputy Managing Director,
Sixth Swedish National Pension Fund, Göteborg

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

Patrik Tolf
Deputy
Deputy CFO & Head of Group Finance
Volvo Car Corporation

Vidar Andersch
Deputy
Investment Director
Sixth Swedish National Pension Fund, Göteborg

Auditors

Roger Mattsson
Authorised Public Accountant, Göteborg

Mikael Ekberg
Deputy
Authorised Public Accountant, Göteborg

Senior executives

Conny Bergström
President

Per Lindahl
Marketing Director

Hans Jörgen Möller
CFO

Lars Norland
Treasurer

Maria Allgulander
Director of Administration

Margareta Johansson
Director of Human Resources

Marianne Moberg
CIO

Ulrika Wennberg
Director of Customer Service

Christian Torgersson
CRO

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