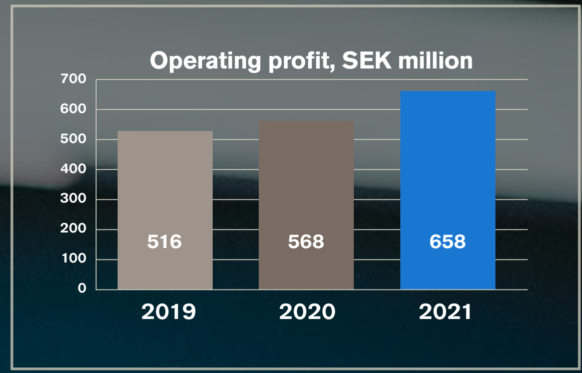
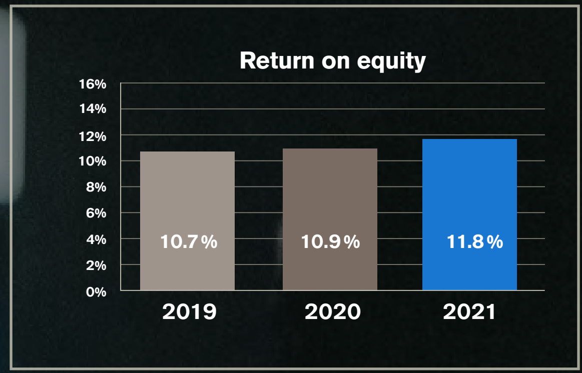
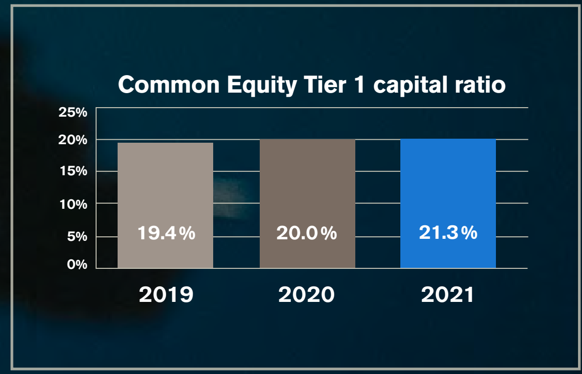

ANNUAL REPORT
2021
VOLVOFINANS BANK

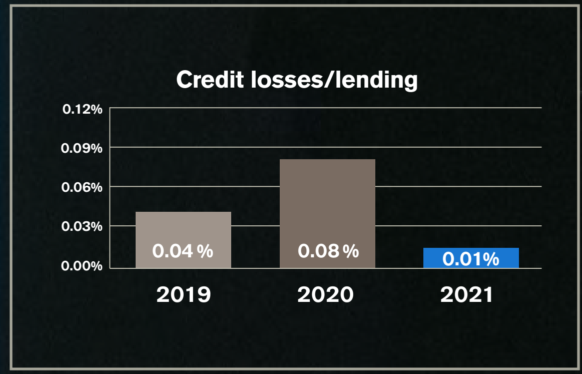
SUMMARY

JAN–DEC 2021









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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VOLVOFINANS BANK

ANNUAL REPORT 2021

Introduction and financial statements

Notes

INTRODUCTION AND FINANCIAL STATEMENTS

STATEMENT BY THE CEO

From several standpoints, 2021 was a fantastic year for the bank. Operating profit rose by no less than 16 percent to an all-time high of SEK 658 million (568). Lending rose by SEK 1 billion to reach a total of around SEK 39 billion. We continue to build the capital base and our capital ratio is far above prudential requirements.

Meanwhile, very exciting developments are taking place in the automotive industry. Bold, enterprising customers have taken demand for electrified vehicles and other sustainable alternatives to a whole new level. Naturally, this mainly concerns the development of passenger cars, where rechargeable vehicles accounted for 45% (32) of all new registrations, of which almost 20% (10) were purely electric.

With its market leadership through Carpay Fleet, the bank enjoys good insights into this market. Future electrification, along with other sustainable eco-alternatives, are very important issues for our customers. At year-end, 73% of the business area's order backlog consisted of fully or partially electrified passenger cars. The bank's strategic collaborations with Volvo Cars, Volvo Trucks, Polestar and Renault also provide valuable insights into tomorrow's changing transportation landscape.

The pace of development in electrified vehicles is expected to continue accelerating in 2022, even if the shortage of semiconductors at manufacturers will delay delivery times in general. This rapid development will take place mainly in major cities. Part of the challenge naturally involves creating the ability to charge vehicles and the entire infrastructure that must be added to the electrical grid. At the same time, many new players are emerging in the major cities offering simple, flexible alternative transport solutions. This phenomenon is known as Micro Mobility in the automotive industry and is an exciting, sought-after addition to traditional options. It often involves customers sharing the use of a vehicle in smart ways, and especially by combining traditional solutions (e-scooters, bikes, car sharing, trains etc.) with new ones.

It's against this background that the new transportation landscape is emerging. We have chosen to call this 'The Green City' where new digital capabilities will be needed to meet our customers' new demands. These new digital abilities – which the bank has invested heavily in for several years – revolve around flexibility and simplicity, and are summed up in the industry by the term Mobility. The market operators who are best able to bundle and package the new abilities for different customer demands will gain the upper hand. This is where the bank's extensive experience in the financing and administration of passenger cars, light trucks and heavy goods vehicles together with its nimble payment methods will make all the difference. Together with our partners, our Payments business has developed trailblazing solutions. With more than 700,000 app users and 30 million transactions every year, Carpay is a trailblazer in these developments, and will be the payment key that opens up the Green City. To pay for use by the kilometre, the hour, day or month will be a natural customer demand moving forward and the bank will continue to develop Carpay to meet new needs in the green city, where we aim to occupy the vacant position as the Mobility Bank.

Looking at our three business areas from a profit perspective, we see that all have performed better than plan. Trucks and Fleet delivered profits that exceeded the previous year's, and the latter did so by a very large margin. Vehicle disposals in Fleet are very profitable in the prevailing shortage of vehicles on the second-hand market, which is the principal reason for the business area's record profit of SEK 326.6 million (189.8). Cars, the bank's biggest business in terms of lending volumes, did not reach last year's strong profits, but came in at SEK 299 million (349.5).

"Bold, enterprising customers have taken demand for electrified vehicles and other sustainable alternatives to a whole new level."

Volvofinans Bank's year was characterised by multiple accelerator-and-brake intervals, caused directly or indirectly by the pandemic. The first quarter was very strong in terms of new registered vehicles, with high lending growth for the bank. High second-hand prices gained additional impetus from the semiconductor problem in new vehicle production, which resulted in new record month-by-month profits for the bank from May to September. However, the growth in lending ceased during the summer, largely because of delivery delays and in some cases, even cancelled orders. It was possible to recoup some of the lost deliveries during the autumn and the fourth quarter, and demand for new vehicles and sales out in the dealerships picked up again.

Our 50 per cent owner – Volvo Cars – was listed on the Stockholm stock exchange in October. Successful listings for owners and partners that are able to use capital markets for future investments also give the bank an indirect boost. Our other 50 per cent owner, Volvo Dealers via its owner Volverkinvest, bears witness to a very strong year for the trade with a total profit of around SEK 2 billion. Other partners such as Renault SA and AB Volvo with its HGVs delivered excellent profits, despite the pandemic. Stable owners and partners are of the utmost importance through the automotive industry's transformational move toward electrification.

As I wrote in my introduction, developments are rapidly moving forward. Today, the strategic journey we began in 2016 when we launched Carpay, feels more than ever like the right decision. By allowing our Fleet, Cars and Trucks business areas to share each other's developed abilities, we gain the opportunity to scale up the operation together with our partners. Because these exciting developments are taking place in parallel with society's sharp eco-focus on the green transition, it makes our employees determined to make a difference, and us more attractive as an employer. This also coincides well with the goals of supervisory authorities and bond investors of reducing the proportion of bank-financed objects with high carbon footprints in the balance sheet.

In conclusion, I would also like to thank our capable and hugely committed employees who do such a fantastic job and who also made it possible in 2021 for us to take first place in Brilliant Futures 'Best Customer Service' in banking award for the second year running.

Conny Bergström
CEO
Volvofinans Bank AB

JAN–DEC 2021 IN SUMMARY

Operating profit:
SEK 658 million (568)

Return on equity:
11.8 % (10.9)

Lending as of 31 December:
SEK 38.7 billion (37.7)

Credit losses
SEK 3.8 million (32.0)

Common Equity Tier 1 capital ratio:
21.3 % (20.0)

SWEDEN'S VOLVO DEALERSHIPS IN 2021

A COMPREHENSIVE SALES NETWORK

Sweden's Volvo dealers form a nationwide retail network that includes 52 privately owned dealerships and three listed dealerships with around 229 sales outlets and over 273 service workshops. Also, the general agent Volvo Car Sverige AB, has participating interests 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% of Volvo and Renault sales in Sweden's car and truck markets, respectively.

In all, 30 owners and groups of owners are represented in the Volvo dealer network. Volvo dealer operations are divided into passenger car and truck operations. The majority of the companies, 38, only sell passenger cars, while 17 only sell trucks (HGVs >16 tonnes).

VOLVO DEALERSHIPS, 2021 IN FIGURES

Volvo dealership sales for 2021 totalled around SEK 50 billion with a total profit of around SEK 2.2 billion.

A BROADER BUSINESS

Sweden's Volvo dealers have a broad product range on the vehicle market. This includes everything from the sale of passenger cars and delivery vehicles to HGVs and buses, and their associated aftermarkets. Thus the bank gains access to a large domestic market through the Volvo dealer network.

VOLVOFINANS BANK AND VOLVO DEALERS

One of the bank's assignments is to raise money for financing dealership loans and leases, i.e. support their business operations. Sweden's Volvo dealers work closely together with Volvofinans Bank, and are market leaders in terms of vehicle-related services such as financing and payment solutions.

VOLVO DEALERSHIP CREDIT RATINGS

Dealership credit ratings are among the indicators the bank follows when assessing payment ability from a long-term perspective. Volvo dealership creditworthiness is assessed for each individual legal entity. A significant majority of the 55 Volvo dealerships have the highest possible credit rating.

YEAR	AAA	AA	A	B	NEW	NUMBER
2021	78%	20%	2%	–	–	55
2020	71%	22%	5%	2 %	–	58
2019	71%	24%	5%	–	–	59
2018	73%	22%	5%	–	–	59
2017	84%	12%	4%	–	–	58

VOLVO DEALERSHIPS FIVE-YEAR SUMMARY

(AMOUNTS IN SEK MILLION)

SALES AND PROFITS	Forecast 2021	2020	2019	2018	2017
Sales, Cars	43,454	42,500	44,061	44,082	43,402
Sales, Trucks	6,285	5,748	6,178	6,569	6,110
Profit after net financial income/expense, Cars	1,825	1,743	1,636	1,300	1,427
Profit after net financial income/expense, Trucks	375	281	291	302	288
Total sales	**49,738**	**48,248**	**50,239**	**50,650**	**49,511**
Total profit after net financial income/expense	**2,200**	**2,024**	**1,926**	**1,602**	**1,715**
KEY RATIOS					
Equity/assets ratio (%), Cars	35	39	34	35	33
Equity/assets ratio (%), Trucks	32	37	42	43	41
Return on equity (%), Cars	27	23	36	40	44
Return on equity (%), Trucks	36	37	27	34	38

Note: The figures for 2021 are based on forecasts as the annual accounts were not available at the time of publication.

DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of Volvofinans Bank AB (publ) (hereinafter referred to as the bank) hereby present their report on operations for 2021.

GROUP STRUCTURE

The bank has its registered office in Gothenburg.

Volvofinans Leasing AB, Autofinans Nordic AB, CarPay Sverige AB and Volvofinans IT AB are wholly owned, dormant subsidiaries.

Under chapter 7, section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, the bank does not prepare consolidated accounts as activities in subsidiaries are negligible.

Together with Volvo PV Fordonspark AB, Volvohandlarföreningen Ek and Volvohandelns PV Försäljnings AB, which is also a general partner, the bank owns three limited partnerships, one of which sells on commission through the Swedish Volvo dealership network while the other two provide rental services to companies in Volvo Car Corporation.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

COVID-19

In 2020/2021, Covid-19 had a global impact in both human and economic terms. Volvofinans Bank's income statement and balance sheet were affected in regard to expected credit losses (ECL). Macro-economic forecast parameters such as unemployment were strong contributing factors to the increase in the Bank's impairment charges for expected credit losses in 2020. The forecast unemployment rate fell in 2021, which led to the bank's reversal of expected credit losses. Volvo Cars and other automotive manufacturers have faced major challenges due to supply disruptions and a shortage of semiconductors and other components that have led to reduced supply and fewer opportunities for financing new cars in the short term. The demand for used vehicles was high in 2021, partly due to changes in control instruments such as Bonus-Malus and its effects, and a shortage of new cars. The increased demand for used cars resulted in higher prices, leading to higher profit for the bank for the disposal of cars at the end of operational leases.

TAX REDUCTION FOR INVESTMENTS IN INVENTORY ACQUIRED DURING 2021

In October 2021, parliament resolved to introduce a tax reduction for investments in inventory acquired during 2021. A tax reduction of 3.9% may be used for tangible assets i.e. lease items, remaining at year-end 2022. As of 31 December 2021, Volvofinans Bank reported an accrued tax asset of SEK 292 million in accordance with IAS 12. There is a degree of uncertainty concerning the item, primarily due to the bank's not knowing how large a part of the lease stock will be redeemed early or disposed of in some other way in 2022. See also Note 17 Tax on profit for the year.

INFORMATION ON RISKS AND UNCERTAINTY FACTORS

Information on risks and uncertainty factors can be found in Note 2.

VOLUMES / LENDING

At year-end, there were 235,059 contracts (243,919) in the loan and lease portfolio, a reduction of 3.6% from the previous year. The size of vehicle inventories is affected by the new vehicle market for Cars and Trucks in Sweden and sales of second-hand vehicles in the Swedish Volvo dealer network.

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

Penetration, %	2021	2020	2019	2018	2017
New cars	52	51	51	52	53
Used cars	40	38	38	36	36
New trucks	53	52	54	54	57

The figures for new trucks do not include sales through Volvo Truck Center, which is owned by AB Volvo.

The bank's lending, including leases, stood at SEK 38.7 billion (37.7) at year-end, an increase of 2.7% on the previous year. Lending consists mainly of leases, loans, contract credits, dealer inventory credits and credit card credits.

The table below shows the percentage distribution of lending compared with the previous year.

	2021 SEK billion	%	2020 SEK billion	%	Change, SEK billion
Sales financing					
– Passenger cars	32.3	84	32.5	87	-0.2
– Trucks and Buses	4.4	11	3.4	8	1.0
Inventory credits	0.2	0	0.2	1	0.0
Credit card credits	1.8	5	1.6	4	0.2
Total	**38.7**	**100**	**37.7**	**100**	**1**

Volvo Car Leasing decreased by SEK 0.8 billion, or 7%, while Volvo Car Loans and Volvo Truck Loans decreased by SEK 0.3 billion, or 3%. Polestar financing increased by SEK 0.3 billion, or 114%. Collateral assignment, where Volvo dealers have a credit with underlying loan contracts or leases as collateral, decreased by SEK 63 million or 63%.

Lending volume totalled SEK 38.7 billion compared to 37.7 billion in the previous year. Trucks accounted for SEK 4.4 billion (3.4) of lending, equivalent to 11% (9) of the total. Fleet accounted for SEK 8.8 billion (8.4) of lending or 23% (22) and Volvo Card for 5% (4) or SEK 1.8 billion (1.6). The remainder – SEK 23.7 billion (24.3) – is attributable to passenger car financing in business area Cars, which corresponds to 61% (65) of lending.

Credit card credit was higher compared to the previous year. Sales via the Volvo card totalled SEK 15.4 billion (13.8), and during the year 29.6 million (28.0) card purchases were made.

The number of corporate customers for whom CarPay Fleet handles car administration increased during the year, with 48,408 cars (47,741) in the programme at year-end.

Net sales through the Volvo Truck Card were slightly lower than the previous year, and in 2021 goods and services for a total of SEK 262 million (270) were purchased through 12,095 cards (14,498).

PROFIT

The bank has delivered a record profit of SEK 658.0 million (568.2) in 2021, which is SEK 89.8 million or 16% higher year-over-year. Prices for second-hand cars continue to be at historically high levels, which is reflected in the bank's gains from the disposal of cars returned from operational leasing contracts. The accumulated surplus on sales of these cars is SEK 89.3 million higher than in the previous year.

CREDIT RISK AND CREDIT LOSSES

Of the bank's total lending for vehicle finance, 74% (75) relates to loans and leases that dealers have transferred or pledged, posting vehicles as collateral through right of repossession or ownership rights. The dealer bears the ultimate risk for these credit contracts if they are called in by the bank.

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

1. The customer ceases to pay.
2. The vehicle seller lacks the ability to pay.
3. The market value of the recovered vehicle is less than the outstanding contractual debt.

On 31 December 2021, the breakdown of loan and lease contracts was as follows. The unencumbered portion of outstanding contracts at year-end was SEK 3.2 billion (2.9).

	Loans	Leasing	Total
Number of contracts	116,594	118,465	**235,059**
Average contract, SEK thousand	132	207	**170**
Collateral value, SEK million	15,428	24,494	**39,923**
Credit utilised, SEK million	14,843	21,929	**36,772**
Loan-to-value ratio, %	96	90	**92**

Inventory financing requiring 100% collateral accounts for 0.4% (0.5) of total lending and is secured through floating charges, the unencumbered portion of contract portfolios and sureties received.

The remaining financing, for which no collateral is provided by dealers, accounts for 26% (25), of which 22% (21 refers to sales finance and 5% (4) to credit card credits.

Receivables that are more than 90 days past due totalled SEK 171.0 million (220.1) and consisted of loans and leases of SEK 165.5 million (214.7), of which SEK 163.5 million (211.5) referred to contracts under which the bank has a right of recourse against Volvo dealers, and credit card receivables of SEK 5.5 million (5.4), constituting 0.3% (0.3) of total credit card lending.

The value of credit card receivables, SEK 1.8 billion (1.6), is stated after impairment. The provision represents 1.0% (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 4,221 (3,880).

RAISING CAPITAL

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

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

The bank's financing facilities and borrowing arrangements and drawn portions on 31 December 2021 are shown in the table below.

Nominal amounts in SEK million	Limit	Drawn
Nordic commercial paper programme	8,000	375
MTN programme	20,000	12,740
Short-term financing facilities with banks	2,655	0
Long-term financing facilities with banks	2,819	1,069
	33,474	**14,184**
Public deposits	–	21,795
Risk capital	–	400
Total		**36,379**

Deposits in the bank's savings account decreased by SEK 780 million in 2021, reaching a total balance of SEK 20.1 billion (20.8) at year-end. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships stood at SEK 21.8 billion (22.3) and accounted for 60% (62) of the bank's financing.

The bank's MTN programme allows the issue of bonds in the currencies SEK, NOK and EUR; green bonds may also be issued. In the programme, shares with a value of SEK 3,5 billion were issued during the year, of which green bonds accounted for SEK 1.1 billion of the issued volume. Own bonds were repurchased for the nominal amount of SEK 0.7 billion. Certificates of deposit relating to short-term borrowing were issued in the amount of SEK 1.5 billion during the year. Volvofinans Bank AB's outstanding financing through its MTN market loan programmes and commercial papers totalled a nominal SEK 13.1 billion (12.1), of which green bonds accounted for SEK 3.3 billion at year-end.

In addition to market borrowing and deposits, the bank also finances its activities through bank credits, which total SEK 1.1 billion (1.2). The proportion of financing from market loans programmes and the banking sector with remaining maturity of more than one year was 65% (76). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.3 billion (4.8). The maturity structure for the bank's total financing on 31 December 2021 is shown in the table below.

	SEK million	%
Within 1 year	4,927	34
1–3 years	7,257	50
4–5 years	2,000	14
More than 5 years	400	3
	14,584	**100**
No terms:		
– Public deposits	21,795	
– Equity (incl. tax portion of untaxed reserves	5,494	
Total	**41,873**	

RATING

The bank's international credit ratings from Moody's Investors Service are as follows:

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

There were no changes in the credit rating during the period, but the rating outlook changed from Negative to Stable on 6 April. A detailed, up-to-date analysis from Moody's can be found on our website, under 'About us / Investor relations / Rating'.

EVENTS AFTER CLOSING DATE

After a period of geopolitical tension, Russia invaded Ukraine on 24 February 2022. Sweden has already experienced higher fuel and energy prices as a result of the war. Fuel prices are now at a record level, and this affects primarily transport companies and private individuals. Credit losses in the transport sector can be expected to increase if fuel prices remain high. The Board of Directors and management note significant uncertainty in the world at large, and this may lead to lower growth in Sweden affecting both the will to invest and consume and thus demand for the bank's services. The war may further exacerbate component and raw material flows in the world not least within the automotive sector, which may lead to further supply shortages in an already strained situation. In general, the bank sees a worsening security situation in Europe, especially in the form of cybersecurity threats. Since the outbreak of the war, the cost of borrowing on the bond market has increased. The geopolitical developments discussed above have not yet significantly affected Volvofinans Bank's earnings or position.

OUTLOOK

Despite uncertainty in the market in general, the bank has great expectations for the future, in what its digital capabilities can lead to and what the bank can contribute with in the area of mobility. The bank continues to work consistently to digitalise services for all of its customers, an opportunity provided by the bank's continued stable ownership and consistently strong capital base.

CORPORATE GOVERNANCE REPORT

The bank's primary task is to actively support sales of products marketed by Volvo dealers in the Swedish market by providing product and sales financing with good profitability. Good corporate governance is about making sure, on behalf of shareholders, that the company is managed sustainably, responsibly and as efficiently as possible. As of 2017, the bank has chosen to voluntarily adhere to the Swedish Code of Corporate Governance (the Code) and, based on the prevailing circumstances, has resolved to choose a different solution than that recommended by the Code for the following situations:

Area	Deviation	Reason
Nomination Committee	The Chairman of the Board is the Chairman of the nomination committee and the bank does not provide information on the website about how shareholders can submit proposals to the nomination committee.	There are no minority shareholders, but there are two owners with 50% ownership each, both of whom prefer this solution.
Deputy members of the Board	The Articles of Association allow up to four deputies on the Board.	In view of the bank's focus, complexity and ownership, it has concluded that it would be beneficial to increase the Board of Directors with two deputies to represent each owner.
General meeting of shareholders	The bank has not set a deadline on when a request to address an issue needs to be submitted. Directors or employees of the company can act as keeper or examiner of the minutes at shareholders' meetings.	There are no minority owners. However, there are two owners with a 50% holding each, both of whom have stated that they do not wish to have such a deadline and that the keeper and examiner of the minutes should be elected via a majority vote at the general meeting, without restrictions.

SHAREHOLDERS

The bank was established in 1959 with 50% owned by the Swedish Volvo dealers through their holding company AB Volverkinvest, and 50% by Volvo Personvagnar AB. Share capital totals SEK 400 million, divided into 1,000,000 shares with a quota value of SEK 400. The Board of Directors currently has no authorisation from the AGM to approve the issue of new shares or buy back the company's own shares.

NOMINATION COMMITTEE

The bank must have a nomination committee comprising at least three members. There must be a member representing each of the largest shareholders who wish to appoint one. Members of the nomination committee must be independent in relation to the company and its management. At least one of the members of the nomination committee must be independent in relation to the largest shareholder or group of shareholders in the company involved in the company's management. The nomination committee's term of office extends until a new nomination committee is appointed by the general meeting of shareholders. If a member wishes to terminate his or her assignment during the term of office, the shareholder represented by that person may appoint a new member to the nomination committee. The Chairman of the nomination committee is appointed by members of the nomination committee. Board members may serve on the nomination committee.

The composition of the nomination committee must be based on shareholder statistics as of the last banking day in November, along with other reliable shareholder information that the company has on that date.

If, during the nomination committee's term of office, one or more of the shareholders who appointed members of the nomination committee are no longer the largest shareholders in terms of voting rights, members appointed by those shareholders must make their seats available, and the shareholder(s) who have become the largest shareholders then have the right to appoint their representatives. Unless there are special reasons, no changes may be made to the composition of the nomination committee if only marginal changes in the number of votes have taken place or if the change occurs later than three months prior to the AGM. However, shareholders who are among the largest shareholders as a result of a more substantial change in the number of votes later than three months before the AGM are entitled to appoint a representative for co-option to the nomination committee. Shareholders who have appointed a representative to the nomination committee are entitled to dismiss such a member and appoint a new representative to the nomination committee. Changes in the composition of the nomination committee must be published as soon as they are made. The nomination committee must prepare proposals on the following items for presentation to the AGM for resolution:

- **a.** proposal of a Chairman for the AGM;
- **b.** proposal of Directors and Deputy Board members to serve on the Board;
- **c.** proposal of Chairman and Deputy Chairman of the Board;
- **d.** proposal on the fees and other remuneration for Board work performed by each Board member; also remuneration for committee work;
- **e.** where applicable, proposals for remuneration to the auditor and election of the auditor;
- **f.** forward information to the company so that it can fulfil its obligation to provide information;
- **g.** to the extent deemed necessary, proposals for amendments to this instruction for the nomination committee.

The nomination committee is responsible for testing the appropriateness of the proposed Board members so that they meet all regulations, both internal and external. When assessing the Board's evaluation and in its proposal of Board members, the nomination committee must pay particular attention to the requirement for versatility and breadth of the Board and strive for gender balance. At the AGM, when the Board and auditor are elected, the nomination committee must present and justify its proposals with consideration given to the composition of the Board.

The nomination must meet all of the obligations required of a nomination committee. If necessary, the bank will cover reasonable costs of external consultants to assist the nomination committee in performing its duties.

Prior to the 2022 Annual General Meeting, the nomination committee consisted of Sten Brandt, representing AB Volverkinvest, Maria Hemberg, representing Volvo Personvagnar AB, and the independent committee member Urmas Kruusval.

ANNUAL GENERAL MEETING

The general meeting of shareholders is the bank's highest decision-making body. The AGM must be held within six months of the end of the financial year and resolve on the adoption of the income statement and balance sheet, along with appropriation of the company's profit. The AGM also resolves on the composition of the Board of Directors, remuneration to the Board and auditors and the election of the external auditor.

Notice to attend the AGM, and also any Extraordinary General Meeting, at which questions relating to an amendment of the Articles of Association will be discussed, must be issued no earlier than six weeks and no later than four weeks before the meeting. Notice to attend other EGMs must be given no earlier than six weeks and no later than two weeks before the meeting.

The 2021 AGM was held on 10 June. The 2022 AGM will be held on 9 June at the bank's offices in Gothenburg.

AUDITOR

The AGM appoints the bank's auditor as an independent auditor of the bank's financial statements and the administration of the Board of Directors and the CEO. KPMG AB was re-elected as the company's auditor at the 2021 AGM with authorised public accountant Mikael Ekberg as head auditor.

The auditor has participated in a Board meeting without the presence of the CEO or other members of company management.

Reporting to the owners takes place at a Board meeting in March, where the auditor presents his audit report.

BOARD OF DIRECTORS

The Board has the overall responsibility of managing the bank's affairs in the interest of both the bank and its shareholders. The Board's responsibilities also include:

- Discussing and making decisions on issues of significant importance and of an overall nature.
- Establishing and monitoring strategies and overall goals having considered the bank's long-term financial interests, the risks to which the bank is exposed or could be exposed and the capital required to cover the bank's risks.
- Continuously evaluating the bank's operational management and, if necessary, appointing or dismissing the CEO and approving significant assignments that the CEO has outside the bank.
- Keeping informed of the bank's development in order to assess its financial situation and financial position.
- Promoting a sustainability perspective for the operation.
- Ensuring that ethical guidelines are established for the conduct of the bank and that the external information is characterised by transparency, objectivity and high relevance for the groups targeted by such information.
- Annually reviewing and approving policies and guidelines relating to the bank's liquidity risk management.

According to the Articles of Association, the Board of Directors must comprise a minimum of five and a maximum of seven elected members with no more than four deputies. Deputies may state an opinion on all matters and have the right to vote when the ordinary Board member is not present. Board members must have sufficient insight and experience to participate in the management of the bank and otherwise be suitable for the task. The current Board consists of seven ordinary members and four deputies.

If the Chairman steps down during the term of office, he or she will be replaced by the vice chairman, otherwise the Board must elect a Chairman from among the members for the period until the end of the next general meeting.

Diversity policy

The composition of the Board of Directors must be appropriate for the company's operations, its stage of development and other circumstances, and be characterised by diversity and breadth in terms of the AGM-elected members' 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 Board members.

INTRODUCTION

INTRODUCTION

The work of the Board

The work of the Board is led by the Chairman of the Board, and the work is governed by the rules of procedure under the provisions of the Swedish Companies Act. The rules of procedure and its annexes complement and support the application of the Companies Act and such other laws, regulations and recommendations as the bank is required to apply. The rules of procedure are reviewed annually and updated as 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 has appointed four committees to deal with issues in their respective fields. The work carried out in the committees is reported regularly to the Board, and must be seen as a way in which to streamline and intensify work in specific areas, without taking over the responsibilities of the Board per se. There is no specific allocation of responsibilities within the Board regarding other work, other than that allocated to the Chairman. Deputy Board members are expected to be present and participate in Board work.

Board work at Volvofinans Bank is carried out in accordance with a structure, where four scheduled meetings are held each year, all preceded by meetings of the committees. Otherwise, the Board meets as necessary when summoned by the Chairman. A strategy meeting takes place each year, when more in-depth discussions are held to further develop the bank. The Board held four meetings in 2021. The work included a strategy conference, adoption of the budget for 2022, sustainability strategies, ongoing monitoring of earnings and position, and the management of strategy and development issues.

Evaluation of the Board

An evaluation of the work of the Board is carried out annually aimed at developing the Board's working methods and efficiency. Board members respond to a questionnaire regarding such things as the composition of the Board, Board material contents and scope, presentations at meetings and the content and quality of the Board meetings. Particular attention is paid to the work done by the CEO and Chairman of the Board. The report is prepared and presented to the Board, and dealt with by the nomination committee. The conclusions from the 2021 evaluation are that the composition of the Board regarding skills and experience is well balanced in relation to the diversity policy, as well as the current and future needs of the business.

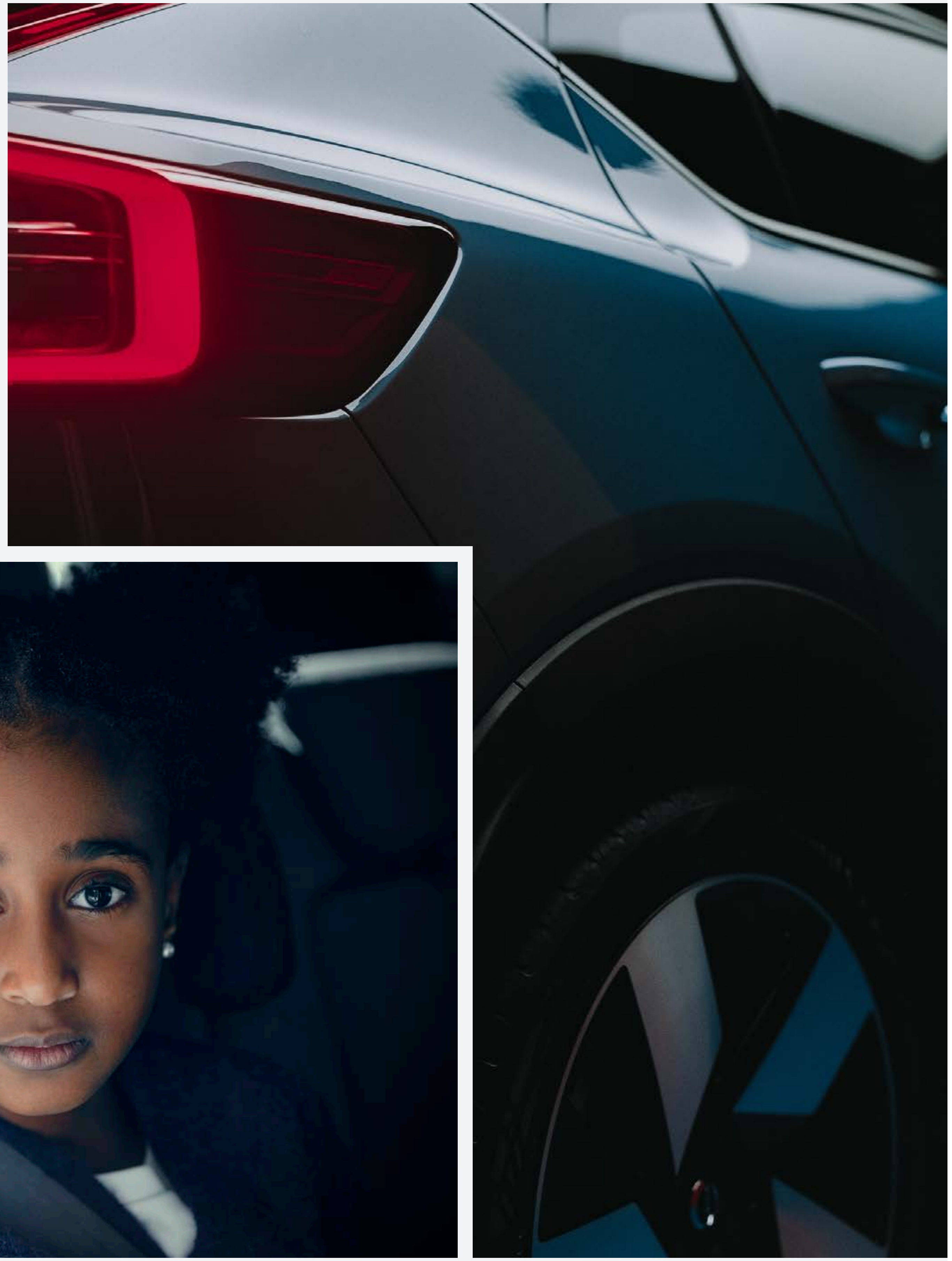
Board committees

The Board of Directors must appoint at least two members to serve on the Board's committees for credit, audit and risk, remuneration and IT. Prior to a scheduled Board meeting and ongoing as needed, the members of each committee meet to discuss and prepare current matters prior to a resolution by the Board. The committees report on issues discussed at the subsequent Board meeting. The members of the committees must hold open discussions, in which different opinions are discussed constructively. The tasks of the various committees are described below.

- *The Credit Committee* is a preparatory body which drafts matters for consideration and submits recommendations on credit decisions to the Board of Directors.
- *The Audit and Risk Committee* is a preparatory body that monitors financial reporting, internal control, auditing and the risk management system. The Audit and Risk Committee must stay informed of the audit, review and monitor the auditor's independence and impartiality and assist the nomination committee in preparing proposals for the election of the auditors. Also, the committee must recommend to the Board any other services the bank should engage the auditors for.
- *The Remuneration Committee* is responsible for preparing significant decisions on remuneration and for deciding on measures for monitoring the application of the bank's remuneration policy.
- *The IT Committee* is a preparatory body that monitors IT security in the light of security requirements in the IT area. It is responsible for making recommendations to the Board on security issues.

Remuneration of the Board of Directors

The remuneration of the Board and committees is proposed by the nomination committee and is adopted by the general meeting of shareholders. Information on fees for 2021 is provided in Note 12.



BOARD OF DIRECTORS

	Urmas Kruusval	Synnöve Trygg	Per Avander	Johan Ekdahl	Ann Hellenius
	Chair	Vice chairman	Member	Member	Member
Born	1951	1959	1961	1975	1974
Elected	2007	2014	2012	2020	2017
Committee	Credit, Audit and risk, Remuneration and IT committees	Credit, Audit and risk, and IT committees	Credit, Audit and risk, and Remuneration and committees	Credit and Audit and risk committees	IT committee
Education	Studies at the Gothenburg School of Business, Economics and Law	MBA, Stockholm University	High school economic studies	M.Sc. in Business and Economics, Gothenburg School of Business, Economics and Law	M.Sc. in Business and Economics, Linköping University, University of Bath
Other significant assignments	Member of the boards of Borås Bil LV AB, Borås Bil PV AB and Borås Bil Förvaltning AB.	Member of the boards of SBAB Bank AB, Synnöve Trygg Consulting AB, Valitor HF and Precise Biometrics AB.	CEO, AB Bilia. Chairman of the boards of Bilia Personbilar AB, Bilia Personvogner AS, Bilia Personbil AS, Autohaus Bilia Germany, Bilia Emond Holding in Luxembourg and Belgium. Also Chairman of the boards of AB Volverkinvest, and Verstraeten, Belgium.	Vice President and Head of Consolidated Accounts, Volvo Car Group.	Managing Director SweFi Capgemini Invent. Member of the boards of MSAB, Synsam and HSB Affärstöd.
Other previous senior positions	CEO and Head of Accounting and Group Reporting, Volvo Car Group.	Member of the boards of Landshypotek Bank AB, Intrum Justitia AB, Trygg Hansa AB, MasterCard Europé, Diners Club International, Nordax Bank AB and Wrapp AB. CEO at SEB Bank AB, Eurocard AB and Diners Club Nordic AB.	Banker at Svenska Handelsbanken, Head of Sales at Scaniabilar and Head of Sales and Marketing Bilforum, Gothenburg and Värmlands Bil. CEO of Din Bil, Gothenburg and Stockholm. Regional Director Bilia Personbilar Stockholm, Deputy CEO Bilia Personbilar AB, Sweden, CEO Bilia Personbilar AB Sweden.	Head of Accounting Governance, Volvo Cars, Authorised Public Accountant (EY).	CIO Scandic Hotels, CIO Bankgirot, CIO City of Stockholm, CEO and founder of Solvitur AB, Manager Ernst & Young Management Consulting, Strategy Consultant at Cambridge Strategic Management Group.
Relationship to the company and its management	Independent	Independent	Independent	Independent	Independent
Relationship to the bank's owners	Independent	Independent	Not independent	Not independent	Independent
Shareholding in the bank	–	–	–	–	–
Participation in Board meetings	4/4	4/4	2/4	4/4	4/4
Participation in credit committee meetings	5/5	5/5	4/5	4/5	–
Participation in audit and risk committee meetings	7/8	8/8	6/8	8/8	–
Participation in remuneration committee meetings	2/2	–	2/2	–	–
Participation in IT committee meetings	3/3	3/3	–	–	3/3

	Lex Kerssemakers	Björn Rentzhog	Pascal Bellemans	Jonas Estéen	Johan Ahlberg	Anders Gustafsson
	Member	Member	Deputy	Deputy	Deputy	Deputy
Born	1960	1969	1959	1971	1965	1968
Elected	2020	2016	2016	2019	2021	2011
Committee	Remuneration and IT committee	–	–	–	IT committee	–
Education	Automotive Business Management, IVA Driebergen Marketing Management, University of Eindhoven	M.Sc. in Business and Economics, Mid Sweden University, Östersund	Master's degree in economics (Msc)	M.Sc. in Business and Economics, Mid Sweden University, Östersund. PhD student, Research Training Programme, Jönköping International Business School	Technical college graduate, 4-year telecoms course, Sven Erikson College Borås Military service I16 Halmstad Volvo Business School IHM Gothenburg	Executive Business Management US, EU & CN
Other significant assignments	Senior Vice President, Commercial Operations Volvo Car Group. Chairman of the Board M.	CEO/President AB Persson Invest. Chairman of the boards of Bilbolaget Nord AB, Valbo Trä AB, Wist Last & Buss AB, Wist Last & Buss AS, Östersunds Lastbilsservice AB, NHP Sverige AB, Intakt AB and a number of property companies. Member of the boards of AB Persson Invest, Persson Invest Skog AB, Gällö Timber AB, JP Vind AB, Mullbergs Vindpark AB, and Hocksjön Vind AB.	Deputy CEO and Head of Volvo Car Financial Services (VCFS), Volvo Car Corporation. Member of the boards of VCFS US llc., VCFS Germany GmbH and VCIS Germany GmbH.	Owner of Finnbäcken Invest AB, CEO and Board member Bilkompaniet Dalarna AB and member of Bilkompaniet Gävleborg AB. Chairman of Vasaloppet, the Mora-Älvdalen branch of Svenska Handelsbanken and Nils Olsson Dalahästar AB.	CEO Johan Ahlberg Bil AB. Owner Johan Ahlberg Holding. Chairman of the boards of Volvohandlarnas Service AB, Volvohandlarföreningen ek. för., Volvohandlarnas Fordonsförening ek. för. and AB Volverkinvest. Member of the boards of Johan Ahlberg Holding, Johan Ahlberg Bil AB.	CEO Volvo Car, Region America
Other previous senior positions	Senior Vice President, EMEA & Commercial Operations, Senior Vice President Americas & CEO & President Volvo Cars North America.	CEO and Controller at Wist Last & Buss AB, CFO at Samhall Midland AB and Auditor at Deloitte AB.	CEO Volvo Car France, Deputy CEO at Global Sales Operations in Gothenburg, CEO at Volvo Auto Italia / Southern Region, CEO Premier Automotive Group Asia in Kuala Lumpur, CEO Volvo Car East Asia in Kuala Lumpur, CFO Volvo AB in East Asia and Kuala Lumpur, CEO Volvo Car Thailand in Bangkok, CFO Volvo Cars Europe Marketing in Brussels, CFO Volvo Cars Belgium in Brussels.	Chairman of Siljans Chark AB, member of the boards of AB Volverkinvest, Igrene AB (publ) and other small and medium-sized companies in Dalarna.		CEO Volvo Personbilar Sweden, CEO Volvo Personbilar, EMEA region, CEO Hertz Sweden and COO Hertz Nordic. Chairman Hertz Rent a Car AB and Hertz First Rent a Car.
Relationship to the company and its management	Independent	Independent	Independent	Independent	Independent	Independent
Relationship to the bank's owners	Not independent	Not independent	Not independent	Not independent	Not independent	Not independent
Shareholding in the bank	–	–	–	–	–	–
Participation in Board meetings	4/4	4/4	4/4	4/4	2/4	3/4
Participation in credit committee meetings	–	–	–	–	–	–
Participation in audit and risk committee meetings	–	–	–	–	–	–
Participation in remuneration committee meetings	2/2	–	–	–	–	–
Participation in IT committee meetings	2/3	–	–	–	1/3	–

CEO AND MANAGEMENT TEAM

The CEO is responsible for the bank's ongoing management and performs this task in compliance with the applicable laws and regulations, the Articles of Association, the Board's rules of procedure, the Board's instructions for the CEO and other important instructions issued by the Board. At least once a year, the Board must carry out a special evaluation of the work performed by the CEO; no members of company management may participate in this evaluation.

The CEO is responsible for issuing notices to attend Board meetings. An agenda describing the nature and scope of each item is enclosed with the notice to attend the meeting. Board meeting materials are distributed about one week before the meeting and contain written documentation and comments on the matters to be addressed. In this way, Board members are apprised of the items to be covered and their scope, and are given the opportunity to prepare and set aside time for reading the background information. Minutes containing a brief description of discussions, measures and resolutions are taken at each meeting. Also, the CEO has to provide the Board with current and illustrative information about the bank's operations and development to allow the Board to make informed decisions.

The bank's management team comprises 10 people, which in addition to the CEO, includes the CSO, COO, Head of Legal, CFO, Risk Manager, CIO, HR Manager and the Sales and Marketing Managers of the business areas. The group meets regularly to discuss strategy issues having to do with marketing, finance, business development and resource allocation. The management team is responsible for overall planning of the bank's operations.

Information on the bank's remuneration policy is provided in the Remuneration section.

	Conny Bergström
	CEO in Volvofinans Bank AB since 2013
Born	1959
Education	M.Sc. in Business and Economics, Gothenburg School of Business, Economics and Law
Other significant assignments	Board member of Tanka i Sverige AB
Other previous important positions	Regional Director at Bilia Personbilar AB, Bilia Region West and Bilia Region East. Previously CEO of Volvofinans Konto AB.
Shareholding in the bank	–

INTERNAL CONTROL OVER FINANCIAL REPORTING

In managing money belonging to its customers, suppliers and business partners, the bank has specific responsibilities. Due to the large number of transactions, even minor errors can have significant financial consequences. The bank therefore focuses keenly on good internal control and on quality and security issues in all functions, routinely engaging personnel from all departments in this work. Internal control can be divided into:

- Administrative controls – to promote efficiency and make sure the bank's resources are managed in accordance with the intentions of the Board and CEO.
- Accounting controls – to ensure correct and complete accounting.

To make sure the bank has effective risk management and good internal governance and controls, it works using a model with three lines of defence. The first line of defence comprises the operations within each area which, in addition to being responsible for their own operation, are responsible for carrying out risk workshops, reporting and managing risks and violations of regulations, and writing and implementing policies, instructions and guidelines adapted to the bank's operations. The first line of defence is also responsible for developing and following up control measures designed to ensure that operations are managed in compliance with applicable guidelines.

The second line of defence consists of the Risk Control and Compliance functions, which are tasked with carrying out independent risk and compliance reviews and supervising the first line of defence. 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. The function is also responsible for the design, implementation, reliability and follow-up of the bank's internal risk classification system. Compliance is a support function that makes sure the bank operates in accordance with applicable laws, regulations and internal rules, as well as best practices and standards. The second line of defence also includes supporting tasks such as training, workshops and information, and providing advice to other departments.

The third line of defence is the Internal audit, which carries out an annual independent review and supervision of the work of both the first and second lines of defence. The internal audit function, which operates independently of the operations and on behalf of the Board, is tasked with assisting the Board and management in objectively evaluating the bank's control systems, compliance with internal and external rules, and the efficacy of internal control. When errors and shortcomings have been identified, the Internal audit must propose improvements and evaluate the efficiency and security of the business processes and help the organisation meet its goals. The function reports directly to the bank's Board of Directors. In 2021, the internal audit was carried out by PwC and covered AML, ICAAP and ILAAP processes as well as the deposit and remuneration system.

Control environment

The internal control framework for financial reporting consists of the bank's directives, guidelines and instructions, together with a structure of responsibilities and authorities designed to suit 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 bank's various manuals.

The company culture that has been established and in which managers and employees work is fundamental to the control environment. The bank actively communicates with employees and informs them about its core values, as set forth in the bank's ethical guidelines policy. The entire organisation must be characterised by good 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. For example, complex accounting policies may create a risk of incorrect financial reporting in respect of such items as 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. Multiple control activities are applied in the bank's day-to-day business process to make sure any errors or deviations in financial reporting are prevented, detected and corrected. Control activities cover everything from the review of outcomes at management meetings to the reconciliation of specific accounts and analyses in ongoing financial reporting processes. The management team is tasked with making sure the bank's control activities for financial processes are appropriate and in line with the bank's guidelines and instructions. Management must also make sure authority structures are designed so as to prevent the same individual from performing an activity and then verifying the selfsame activity. Control activities in IT security and maintenance are another essential part of the bank's internal control over financial reporting.

Information & 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. Furthermore, the Internal Audit, Risk Control and Compliance functions also follow up and monitor operations. The outcomes of evaluation activities are reported to management and the Board.

SUSTAINABILITY REPORT

The bank has a unique business model for the industry, whereby vehicle dealers – following creditworthiness assessment – sell and finance vehicles to the customer and then transfer the contract to the bank with collateral in the item. The dealers bear the credit risk, while the bank borrows on the market, thus providing the dealers with access to the financial markets. The bank finances the dealers' loans and leases.

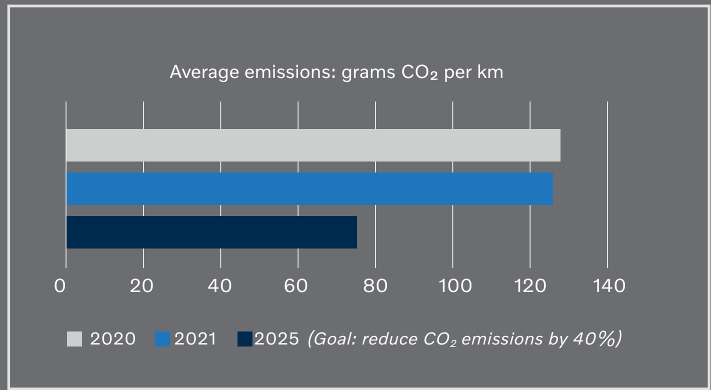
The bank's business model also includes card operations aimed at both private and corporate customers in addition to vehicle financing. In business area Fleet, the bank acts as an advisor to the customer regarding choices, vehicles and design of the vehicle policy. The bank strives to establish sustainability as a natural part of its business activities. The goal is to develop products with a focus on sustainability and to shoulder responsibility in the transition to a fossil free Sweden. Sustainability is incorporated in all new products as it is a requirement of the bank's approval process. For further information on the bank's business model and segments, refer to the Directors' Report and Note 4.

POLICY

The bank's sustainability policy seeks to create a common approach within the organisation in respect of sustainability issues, and to guide sustainability efforts. For the bank, sustainability constitutes a responsibility toward its customers, partners, employees, society and the environment. Our basic strategy involves combining business benefit with being a healthy operator in a healthy market. The policy is divided into four areas: economy, ecology, social sustainability and responsible corporate governance. It is supplemented with the company's other policies covering anti-money laundering, credit, bribery and anti-corruption, and diversity.

GUIDELINES

In accordance with the Paris Agreement, the bank will promote the transition to sustainable and accessible mobility in society. The bank will take a number of steps to follow the UN's principles for responsible banking operations (UNEP FI PRB). In 2015, UN member states adopted Agenda 2030, which includes 17 goals aimed at abolishing extreme poverty, reducing inequality and injustice and solving the climate emergency. In our efforts to have a positive effect on the world around us, the bank has selected five sustainability goals (UN SDG), namely Health and well-being (3), Equality (5), Sustainable cities and settlements (11), Sustainable consumption and production (12) and Combating climate change (13).



THIS MEANS THE BANK HAS TO:

- assume its share of responsibility for making sustainable mobility available in society
- have a long-term sustainable business strategy that optimises risks and ensures good finances
- reduce its direct and indirect environmental impact by actively conducting environmental efforts focused on sustainable development
- assume social responsibility by showing consideration for employees, diversity and gender equality
- act transparently with regard to the above.

Together, the above form the basis for prioritising sustainability work.

How the bank helps achieve the selected sustainability goals:

- Common to goals 3, 11, and 13 is the fact that a reduction in the bank's carbon dioxide emissions will have a positive effect on the sustainability goals. By measuring carbon emissions, the bank is able to monitor its own goals of reducing carbon emissions by 40% by 2025 and contributing to the goals in the Paris Agreement. The chart above shows the average carbon emissions for agreements managed by the bank in 2020 and 2021, and the vision for 2025.
- To contribute to goal 5, the bank has set its sights on providing all employees with the same opportunities regardless of gender.
- The bank contributes to goal 12 by reducing the number of fossil-fuelled vehicles and replacing them with EVs and hybrid vehicles. For example, the proportion of rechargeable vehicles in business area Fleet must reach at least 70%.

RISKS

Each section below describes the most significant risks that the bank has identified, linked to sustainability in the operations. The risks are of a strategic and operational nature; as a bank, we provide capital adequacy for all risks, including strategic and operational. During the year, the bank began work on assessing sustainability in the credit granting process, and thus also monitors credit risk as a risk related to sustainability. The bank has chosen to voluntarily abide by the Financial Stability Board's framework Task Force on Climate-related Financial Disclosures (TCFD) in order to determine the risks considered most apt from a climate-related risk perspective. Work concerning TCFD will be developed in the years ahead.

The environment

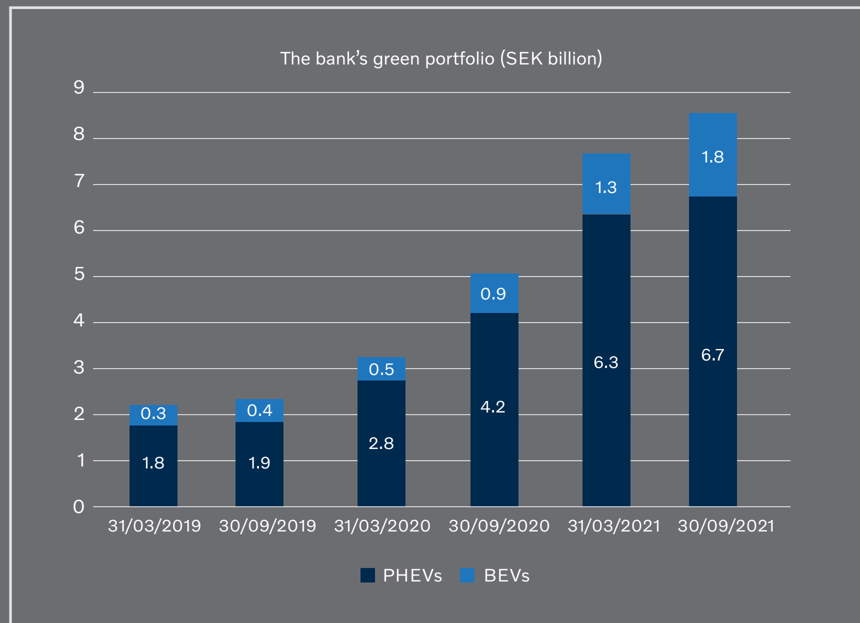
As far as technically feasible and financially reasonable, the bank must take long-term environmental responsibility aimed at reducing its ecological footprint. This work must characterise the entire organisation. The automotive industry is a sector undergoing change, and even though it affects our climate, there is a belief in a future where we are able to switch to a fossil-free vehicle fleet. Volvofinans Bank seeks to be a driving force behind this transition by helping its partners, customers and employees make better, smarter choices for the future with regard to mobility and life on the move. Developing digital solutions such as CarPay is one part of this, e-billing and e-signing another. Technological solutions also drive change in the automotive industry and are an important factor for reducing dependence on fossil fuels. The risk in the area of the environment thus arises mainly from the fact that the bank's business is to finance vehicles, which largely run on less eco-friendly fuels, such as petrol and diesel. In connection with this, the bank sees a long-term risk for a downgraded rating and borrowing ability if lending is insufficiently sustainable.

The bank also sees a risk of reduced lending volumes and the risk of major changes in residual values due to the transition to electrified vehicles. Regulation in the automotive industry such as changed Bonus Malus thresholds in recent years is aimed at reducing environmental impact, thus further driving transition. Electric vehicles are rapidly gaining in popularity – both fully electric vehicles with no internal combustion engine and hybrids, which have an internal combustion engine but which are able to run on electricity alone. Such vehicles are charged from a grid which in Sweden transmits electricity from sources that generate relatively few CO2 emissions. Thus Sweden's emissions are reduced every time a vehicle is replaced by a rechargeable alternative. The bank is working closely with Volvo Cars, Polestar, Renault and AB Volvo to drive sales and financing of electric cars and electric and hybrid buses. Moving forward, the bank expects to see an increase in the financing of hybrids and especially purely electric cars. Volvo Cars enjoys a leading position on the Swedish market with regard to hybrid vehicles. Volvo Cars has launched the XC40 and C40 models as purely electric cars. The bank also finances Polestar on the Swedish market. The bank's CarPay Fleet business area is developing new solutions with a sustainability focus and helping its customers make smart, long-term choices for their businesses. In the case of business sales, more than 68% of the vehicles sold in 2021 were rechargeable. Also, the bank has collaborations regarding eco-friendly fuels such as gas and HVO biodiesel.

In 2021, the bank issued two green bonds with a total value of SEK 1.1 billion, thereby increasing the volume of green bonds to SEK 3.3 billion by year-end. Both issues attracted great interest from investors and demand far exceeded issue volume. In June 2021, the bank published an investor report concerning the green bonds so far issued; according to the report, the loan portfolio contributes to an annual CO2 reduction of 5,400 tonnes. This type of bond is something in increasing demand on capital markets, especially among investors with green credentials. Because the bank's green portfolio continues to grow rapidly, the bank has good opportunities for issuing further green bonds in the future.

Part of the bank's sustainability goal is the continued reduction of direct environmental impact through e.g. electricity usage and paper consumption. In comparison to 2020, there was a reduction in paper invoices to customers by 4 percentage points in 2021, and the bank only uses renewable electricity with the 'Good Environmental Choice' label. Because electricity consumption in 2020 is not indicative given the extraordinary circumstances concerning Covid-19 and our office upgrades, it is not reported.

Consumable category	2021	2020	Change
Paper invoice to customers (%)	52	56	-4
Electricity consumption (kWh)	142,571	N/A	N/A



Personnel and social conditions

In 2021 Volvofinans Bank implemented a number of measures as part of our sustainability strategy to facilitate a healthy year.

During the spring, and in collaboration with external fitness coaches, the bank introduced live-streamed fitness sessions during lunch breaks twice a week. The sessions focused on mobility, strength and YinYoga. We also introduced presentations such as 'Ergonomics and housework' to make sure personnel enjoy wellness even during household chores.

During the autumn, the bank also launched a major activity challenge, **VFB around the World**. We created this challenge as a playful way to encourage personnel to prioritise their health. VFB around the World was not about training or keeping active, but rather about encouraging our personnel to establish good, healthy habits in a fun way and on their own terms. For a 6-week period there were a variety of challenges on a range of themes such as sleep, recovery, food or activities that together boost a sense of well-being. The competition was conducted in teams, and everyone took part on their own terms.

At the end of the year, we announced the opportunity to participate in Vasaloppet 2022, which is celebrating its 100th anniversary. The bank's employees were given the opportunity to compete in the Vasaloppet relay race, and 3 teams from the bank took part.

At the end of the year, all employees were offered specially designed jackets to encourage movement during the Christmas holidays and to create pride and team spirit in the bank. The jackets were designed in collaboration with Haglöfs, which became climate neutral in 2021.

Its personnel play an important part in the bank's profitability, and a good work environment is essential as it provides stimulation for good performance and personal development. The bank has identified two risks that stand out distinctly in this area:

- Risk of becoming dependent on key employees
- Risk of recruitment errors

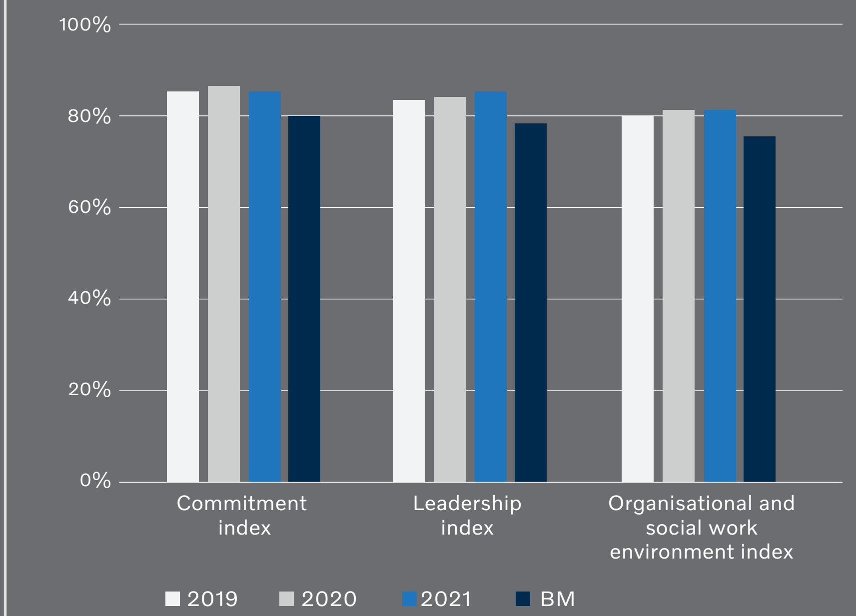
To retain the right skills, the bank makes sure it continues to provide a good physical and psychosocial work environment. A good work/life balance is an essential condition for a strong performance at work. The bank takes a proactive approach to employee health and implemented a number of wellness programmes during the year. It also subsidises massage and fitness fees for all employees.

Working conditions, including the physical and psychosocial work environments, must be suitable for both women and men. In line with personal policy, the bank helps all employees combine work and parenthood. The bank is continuing its work on promoting a gender balance in various positions and working groups through training, skills development and other proactive measures. It is also important for the bank to apply the same principles for setting rates of pay for women and men, regardless of age and ethnic origin.

The bank conducts an annual employee survey where employees rate such things as the bank's work environment and how attractive the bank is as an employer etc.

Respect for human rights and combating corruption

The bank has not identified any significant risks in this area. The bank operates solely in Sweden, where it complies with laws and its own diversity policy.



BM = Benchmark, based on the outcomes from more than 600,000 responses from over 250 organisations (Nordic and international)

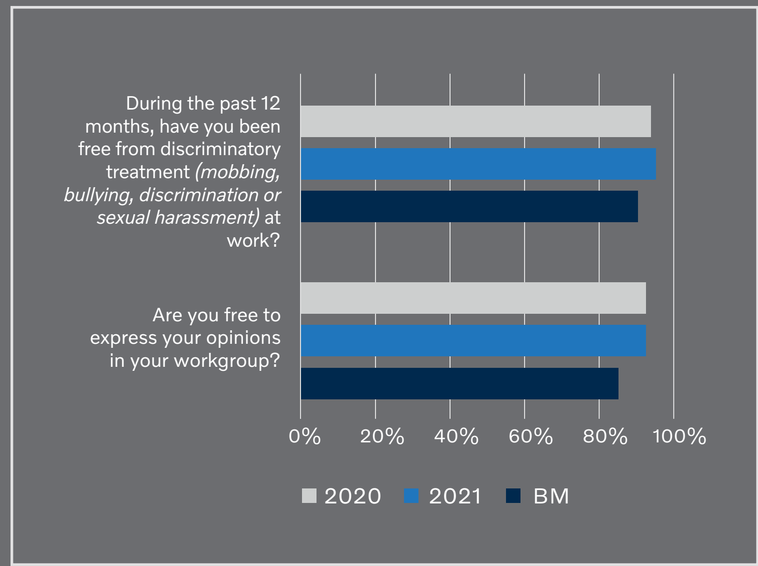
Anti-corruption

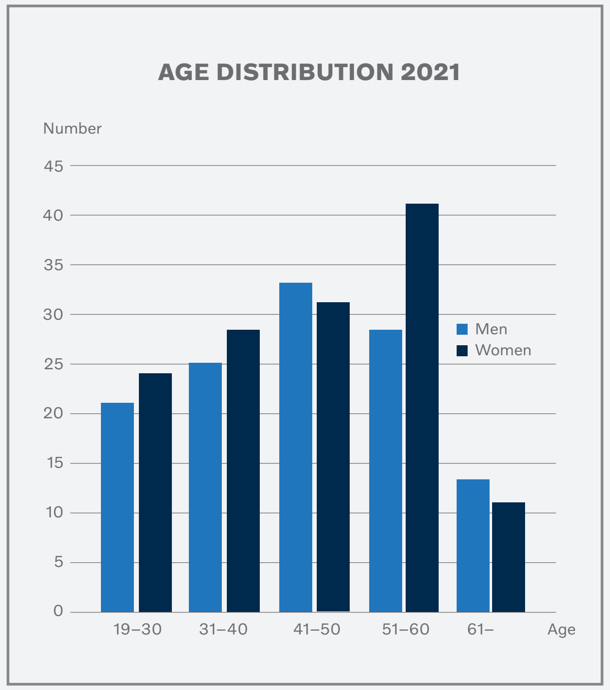
The bank has a well-functioning whistleblower procedure and conducts ongoing training in issues relating to security, ethics and money laundering. No whistleblower incidents were reported in 2021.

Significant risks related to anti-corruption:

- Risk of the bank failing to comply with the banking rules and regulations governing the bank's operations
- Risk of the bank failing to fully comply with money laundering regulations
- Risk of internal irregularities

The bank's compliance officer carries out regular monitoring to minimise the risk of non-compliance with the bank's rules and regulations. The bank also has to assess and minimise the risk of its operations being exploited for money laundering or terrorist financing. By always checking the purpose of the transaction, the identity and the true principal of corporate customers, we prevent the risk of the bank being exploited for terrorist financing and money laundering. Because the bank operates in Sweden and only offers products in this market, it considers the risk of money laundering and terrorist financing to be low.





PERSONNEL

At year-end 2021, the bank had 255 (244) employees, of whom 205 (196) were based in Gothenburg. The remainder were employed by our office in Stockholm. The average number of employees was 249 (234), with women outnumbering men in the workforce. There are ten senior executives, of whom two are women.

The bank's annual employee survey shows that the indices for commitment, leadership, team efficiency and the organisation and social work environment remain at very high levels. The level of response was high, with no fewer than 96% choosing to take part in the survey.

The right skills are an important competition factor when things are developing fast. Employee training and development are strategically important and remain an essential investment for the bank. Personal development talks and performance reviews are important tools in discussions about objectives and development efforts in which individual development contracts are drawn up. The bank's employees also undergo a number of digital training courses to ensure a high level of skills in risk and security issues and the bank's operations.

Another priority area is leadership, in which a number of different training initiatives were implemented. Leadership forums are important meeting places where all managers with personnel responsibilities meet up monthly. With the right conditions in place such as technical aids, new working methods and good remote leadership, the rapid transition to remote working during the Covid-19 pandemic continued to work exceptionally well.

Because it stimulates commitment and a strong performance at work, a good work environment is essential for the bank's profitability. Therefore the bank provides a healthy, safe workplace that promotes employee well-being and enables a good work/life balance. The bank has a preventive healthcare group that carries out various wellness initiatives. A digital preventive healthcare challenge was held during the year, in which various teams competed against each other in individual wellness activities. Everyone was able to participate regardless of their workplace.

Because diversity leads to a richer culture, we are actively engaged in raising awareness and promoting greater equality. The bank has a women's network that participates in these efforts. We reject all forms of discrimination and harassment.

Information on pay and remunerations is provided in Note 12.

REMUNERATIONS

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

PREPARATION AND ADOPTION

The bank's Board has appointed a remuneration committee from among its members that is tasked with preparing important remuneration decisions and proposing measures for monitoring the application of the current remuneration policy. The Board has appointed Chairman of the Board Urmas Kruusval, Per Avander and Lex Kerssemakers 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 review to the Board.

Risk analysis

A risk analysis must be conducted before any resolution can be passed on the adoption of a remuneration policy or on other material changes to the bank's remuneration system. The risk analysis must identify and consider any risks associated with the bank's remuneration policy and remuneration system that could have an adverse effect on the bank's future earnings and financial position. Based on the risk analysis, the bank must identify those employees whose duties have a material effect on the company's risk profile.

Remuneration model

Remuneration and other terms of employment must be competitive to make sure the bank is able to attract and retain skilled employees able to help with the company's long-term value growth. Remunerations paid by the bank must promote effective risk management and discourage excessive risk-taking. Basic remuneration must consist of fixed pay. In some cases, additional variable remuneration may be paid. Variable remuneration is based on individual targets as approved by the Board.

The bank may 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 may also opt not to pay variable remuneration if the bank's financial position deteriorates significantly.

Variable remuneration

The purpose of variable remuneration is to stimulate employees to achieve particularly important targets as 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 function. Variable remuneration is capped at two months' salary. 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 where they exercise a significant influence on the bank's risk level and who may receive variable remuneration, 50% of the variable remuneration must be withheld until three years after the performance period if the remuneration exceeds SEK 100,000.

Other remunerations

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

Expensed amounts

The total amounts of remuneration expensed during the financial year are presented by employee category in the table below.

Employee category*	Fixed remuneration, SEK million	Variable remuneration, SEK million	No. of people w/ fixed remuneration	No. of people w/ variable remuneration
Executive management	18.2	–	10	0
Other employees, incl. miscellaneous employees who can influence the bank's risk level**	124.4	0.7	239	7
Total	**142.6**	**0.7**	**249**	**7**

* The 'Executive management' category consists of the CEO and other members of company management who report directly to the Board or CEO. The category 'Miscellaneous employees who can influence the bank's risk level' comprises people that have been defined as employees whose duties have a material effect on the company's risk profile.

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

Expensed remunerations for the financial year totalled SEK 14.3 million. Variable remunerations consist 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 or of guaranteed variable remuneration in connection with recruitment have been made.

APPROPRIATION OF PROFITS

The bank's Annual General Meeting has at its disposal available profits as per the balance sheet amounting to a total of SEK 439 million. The Board proposes a dividend of SEK 131 million to the AGM, corresponding to 25% of the operating profit for 2021.

Amounts in SEK thousand

	2021
Retained earnings	16,013
Profit for the year	422,611
At the disposal of the AGM	**438,624**
The Board proposes that the amount be allocated as follows: A dividend of SEK 130.61 per share will be paid to shareholders	130,611
Carried forward	308,013
Total	**438,624**

CAPITAL BASE

Under the regulations governing capital adequacy and large exposures, institutions are 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 additional risks identified in the operations in accordance with the bank's internal capital adequacy assessment process. Following the proposed appropriation of profits, the bank will have a capital base of SEK 5,123 million (4,682) and a minimum capital requirement of SEK 1,775 million (1,709). 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 further information about the bank's earnings and position, see the following income statement, balance sheet and cash flow statement.

FIVE-YEAR SUMMARY

Amounts in SEK million

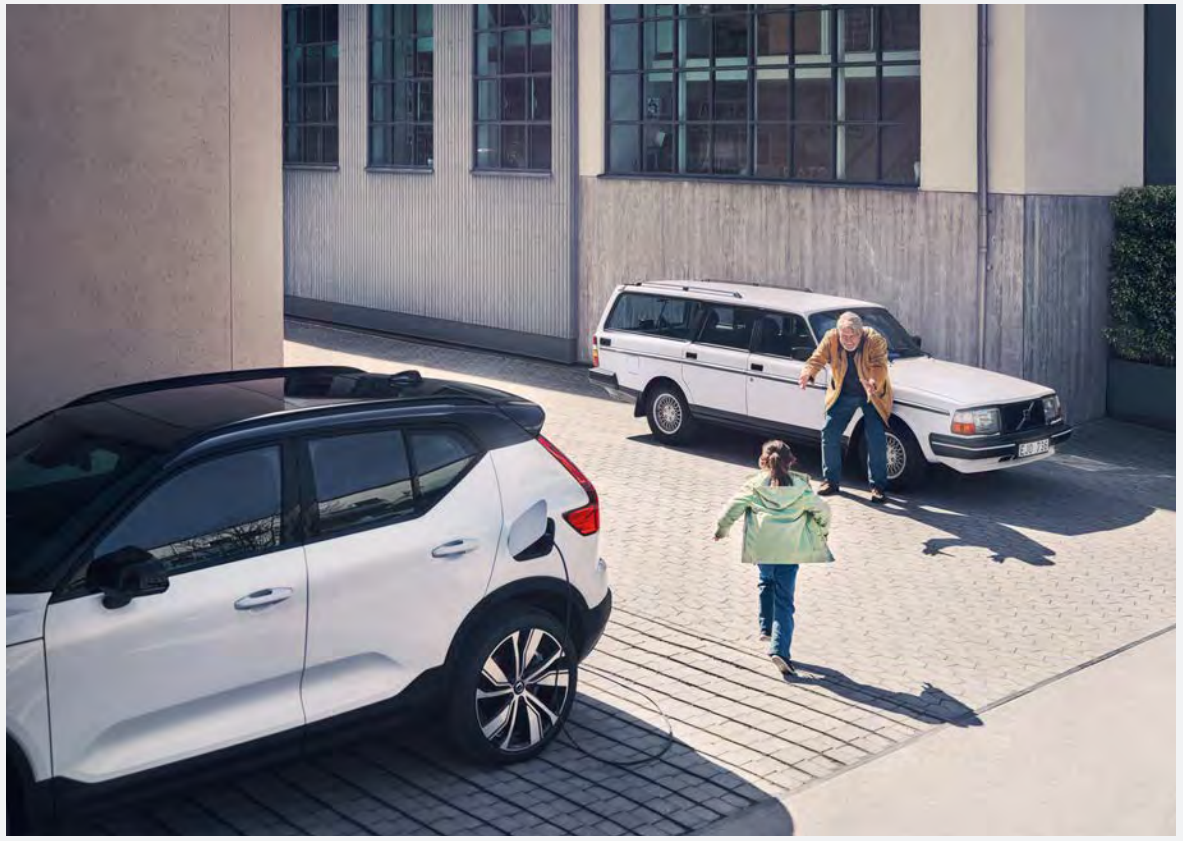
Condensed income statement	2021	2020	2019	2018	2017*
Interest income	522	557	545	483	438
Lease income	6,159	5,836	5,660	5,318	4,636
Interest expenses	-281	-327	-335	-257	-196
Dividends received	0	0	0	16	–
Commission income	518	457	439	391	403
Commission expenses	-53	-77	-42	-44	-34
Net result from financial transactions	10	-3	1	-1	-13
Other operating income	67	65	68	52	9
Total income	**6,942**	**6,508**	**6,336**	**5,958**	**5,244**
General administrative expenses	-489	-448	-480	-389	-335
Other operating expenses**	-5,784	-5,470	-5,324	-5,055	-4,483
Credit losses, net	-11	-22	-16	-13	-18
Total expenses	**-6,284**	**-5,940**	**-5,820**	**-5,457**	**-4,836**
Profit before income tax	**658**	**568**	**516**	**502**	**408**
Profit for the year	**423**	**122**	**13**	**–**	**–**
Condensed balance sheet					
Treasury bills eligible as collateral etc.	1,586	1,331	1,430	1,246	1,433
Lending to credit institutions	2,234	2,484	1,281	1,622	1,300
Loans and advances to the public	16,872	16,279	17,278	16,923	16,484
Bonds and other interest-bearing securities	1,453	1,826	2,350	2,232	1,883
Shares and participations in associates and other companies	18	17	18	31	27
Intangible non-current assets	19	20	15	21	18
Tangible assets	21,803	21,415	20,661	20,364	18,634
Other assets	1,127	770	1,003	938	870
Total assets	**45,112**	**44,142**	**44,036**	**43,377**	**40,649**
Borrowing	35,956	35,649	35,902	35,834	33,772
Other liabilities	2,345	2,386	2,562	2,383	2,135
Subordinated liabilities	400	400	400	400	–
Untaxed reserves	5,533	5,039	4,626	4,128	3,630
Equity	878	668	546	632	1,112
Total liabilities and equity	**45,112**	**44,142**	**44,036**	**43,377**	**40,649**

* The comparative figures for2017 have not been restated retrospectively as a result of the introduction of IFRS 9 in 2018.
** Including depreciation of tangible non-current assets and amortisation of intangible non-current assets.

INTRODUCTION

KEY RATIOS	2021	2020	2019	2018	2017
Return on equity, %	11.75	10.94	10.74	10.15	8.77
Deposits / Lending, %	56.36	59.20	55.94	48.87	45.60
Profit / Risk-weighted assets, %	2.96	2.66	2.50	2.53	2.22
Return on total assets, %	1.17	1.01	0.93	0.94	0.84
Total capital ratio, %	23.08	21.91	21.29	20.08	20.63
Common Equity Tier 1 capital ratio, %	21.28	20.04	19.35	18.06	20.63
Interest income / av. lending, %	1.72	1.73	1.59	1.48	1.50
Credit losses / av. lending, %	0.01	0.08	0.04	0.03	0.05
Operating expenses / av. lending, %	1.40	1.36	1.42	1.21	1.32
Cost/Income ratio	0.46	0.48	0.51	0.47	0.52
Cost/Income ratio excluding residual value provision	0.43	0.45	0.53	0.53	0.44
Liquidity coverage ratio	225	237	257	333	280
NSFR (Net Stable Funding Ratio)	116				
Leverage ratio	10.8	9.8	9.1	8.3	9.4
Average number of employees	249	234	220	207	196

Definitions for alternative key ratios and key ratios according to Swedish rules on capital adequacy can be found at: https://www.volvofinans.se/om-oss/investerarrelationer/finansiella-rapporter/



INCOME STATEMENT

Amounts in SEK thousand
1 January – 31 December

Operating income	**Note**	**2021**	**2020**
Interest income	5	522,265	556,789
of which income calculated using the effective interest method		(522,265)	(556,720)
Lease income	6	6,158,786	5,835,615
Interest expenses	5	-281,025	-327,147
Net interest income		**6,400,026**	**6,065,257**
Dividends received	7	46	241
Commission income	8	517,346	456,933
Commission expenses	9	-53,035	-76,853
Net result from financial transactions	10	10,379	-2,972
Other operating income	11	66,997	65,030
Total operating income		**6,941,759**	**6,507,636**
Operating expenses			
General administrative expenses	12	-488,679	-448,303
Depreciation and impairment of tangible and intangible non-current assets	13	-5,753,371	-5,423,123
Other operating expenses	14	-30,892	-46,253
Total operating expenses		**-6,272,942**	**-5,917,679**
Profit before credit losses		**668,817**	**589,957**
Credit losses, net	15	-10,848	-21,651
Impairments/Reversals of financial fixed assets, net	15	20	-73
Operating profit		**657,989**	**568,233**
Appropriations	16	-494,047	-412,589
Tax on profit for the year	17	258,669	-33,986
Profit for the year*		**422,611**	**121,658**

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

BALANCE SHEET

Amounts in SEK thousand

Assets	**Note**	**31/12/2021**	**31/12/2020**
Treasury bills eligible as collateral etc.	18	1,586,148	1,331,203
Lending to credit institutions	19	2,233,864	2,483,630
Loans and advances to the public.	20	16,872,156	16,279,476
Bonds and other interest-bearing securities	21	1,452,687	1,825,984
Shares and participations in associates and other companies	22	10,899	9,761
Shares and participations in Group companies	23	6,742	6,742
Intangible non-current assets	24	19,047	20,182
Tangible assets: inventory	25	5,877	9,547
Tangible assets: lease items	25	21,797,175	21,405,350
Other assets	26, 27	770,076	708,016
Deferred tax asset	17	292,000	–
Prepaid expenses and accrued income	28	65,434	62,540
Total assets		**45,112,105**	**44,142,431**
Liabilities and equity			
Liabilities to credit institutions	29	1,069,048	1,230,952
Deposits and borrowing from the public	30	21,794,994	22,308,794
Securities issued	29	13,092,362	12,108,909
Other liabilities	27.31	1,032,997	1,056,746
Accrued expenses and deferred income	32	1,311,938	1,329,853
Subordinated liabilities	33	400,000	400,000
Total liabilities		**38,701,339**	**38,435,254**
Untaxed reserves	34	5,533,095	5,039,048
Equity	35		
Restricted equity:			
Share capital, (1,000,000 shares, quota value of SEK 400)		400,000	400,000
Statutory reserve		20,000	20,000
Development fund		19,047	20,182
Non-restricted equity:			
Retained earnings		16,013	106,289
Profit for the year		422,611	121,658
Total equity		**877,671**	**668,129**
Total liabilities and equity		**45,112,105**	**44,142,431**

CHANGE IN EQUITY

Amounts in SEK thousand	Restricted equity			Non-restricted equity	
	Share capital	Statutory reserve	Development fund	Retained earnings incl. profit for the year	Total equity
Opening equity, 1 January 2020	**400,000**	**20,000**	**15,060**	**111,411**	**546,471**
Profit for the year	–	–	–	121,658	121,658
Transfer, internally generated development costs	–	–	5,122	-5,122	–
Total change before transactions with shareholders	**400,000**	**20,000**	**20,182**	**227,947**	**668,129**
Dividend	–	–	–	–	–
Closing equity, 31 December 2020	**400,000**	**20,000**	**20,182**	**227,947**	**668,129**
Opening equity, 1 January 2021	**400,000**	**20,000**	**20,182**	**227,947**	**668,129**
Profit for the year	–	–	–	422,611	422,611
Transfer, internally generated development costs	–	–	-1,135	1,135	–
Total change before transactions with shareholders	**400,000**	**20,000**	**19,047**	**651,693**	**1,090,740**
Dividend	–	–	–	-213,069	-213,069
Closing equity, 31 December 2021	**400,000**	**20,000**	**19,047**	**438,624**	**877,671**

CASH FLOW STATEMENT

Amounts in SEK thousand

Operating activities	**2021**	**2020**
Operating profit	657,989	568,233
Adjustment for items not included in cash flow		
Unrealised portion of net result from financial transactions	6,178	-1,698
Depreciations, amortisation, impairments	5,753,371	5,423,123
Credit losses	10,848	20,806
Paid/refunded (-/+) tax	-37,132	-8,479
Changes to assets and liabilities in operating activities		
Treasury bills eligible as collateral	-254,945	98,746
Loans and advances to the public	-605,388	979,879
Bonds and other interest-bearing securities	373,297	523,569
Deposits and borrowing from the public	-513,800	1,092,059
Liabilities to credit institutions	-161,905	-361,905
Other assets	-59,294	205,145
Securities issued	983,453	-982,828
Other liabilities	-47,841	-173,437
Cash flow from operating activities	**6,104,831**	**7,383,213**
Investing activities		
Capitalised development expenditures	-7,162	-11,816
Investments in shares and participations	-2,264	–
Disposal/redemption of shares and participations	1,126	1,496
Disposal of tangible assets	3,990,081	4,570,000
Acquisition of tangible assets	-10,123,309	-10,740,553
Cash flow from investing activities	**-6,141,528**	**-6,180,873**
Financing activities		
Dividends paid	-213,069	–
Cash flow from financing activities	**-213,069**	**–**
Cash flow for the year		
Cash and cash equivalents at beginning of year	2,483,630	1,281,290
Cash flow from operating activities	6,104,831	7,383,213
Cash flow from investing activities	-6,141,528	-6,180,873
Cash flow from financing activities	-213,069	–
Cash and cash equivalents at year-end; see Note 40	**2,233,864**	**2,483,630**


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.

NOTE 1. INFORMATION ABOUT THE BANK

The annual report was submitted on 31 December 2021 and refers to Volvofinans Bank AB ('the bank'), a Swedish-registered credit institution based in Gothenburg. The address of the head office is Bohusgatan 15, Box 198, SE-401 23 Gothenburg, Sweden.

The bank is 50% owned by the Swedish Volvo dealerships through the holding company AB Volverkinvest and 50% owned by Volvo Personvagnar AB. The bank conducts sales finance and credit card operations.

Under Chapter 7, section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, the bank does not prepare consolidated accounts as activities in subsidiaries are negligible.

NOTE 2. RISK AND CAPITAL MANAGEMENT

BACKGROUND

Volvofinans Bank AB (publ), Company registration number 556069-0967, is subject to EU 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, with the addition of a large number of regulations and general recommendations issued by the Swedish Financial Supervisory Authority (FSA).

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

In the spring of 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 the retail portfolio and non-credit obligation assets exposures. Three years later, in the spring of 2014, the FSA approved the bank's application for permission to also apply internal models 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 municipalities as well as for the exposure categories sovereign and institutional exposures and portfolios that are insignificant in size, including equity exposures.

RISK MANAGEMENT

Various types of risk arise from the bank's operations, such as credit risks, interest risks, liquidity risks and operational risks. For the purpose of limiting and controlling risk-taking in the business, the company's Board, which is ultimately responsible for internal controls in the company, has adopted policies and instructions for the granting of credit and other operations. Overall responsibility for the company's risk management resides with the bank's Board. In a specific instruction that applies under certain frameworks, the board has delegated responsibility to various other functions, which in turn report regularly to the Board. The bank's risk management seeks to identify and analyse the risks that arise in the course of its operations, and to define appropriate limits for such risks and make sure the required internal controls are in place. Risks are monitored and regular controls make sure limits are not exceeded. Risk policies and risk management systems are reviewed regularly to make sure they are correct and reflect current market conditions as well as the products and services offered. The bank creates the basis for good risk control through training and clear processes, making sure each employee understands his or her role and responsibility.

The bank has a central function for independent risk control that reports directly to the CEO. The risk control function is tasked with analysing changes in the risks and, where necessary, proposing changes to policies and processes. The function is responsible for the design, implementation, reliability and monitoring of the bank's risk classification system.

RISK STRATEGY

The bank's risk strategy and risk appetite have to:

- serve as policy instruments for achieving the company'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 perceived as the 'Mobility Bank'
- be appropriate for the bank's various business areas, i.e. Cars, Fleet and Trucks
- be systematic, structured and characterise the entire organisation

The bank has identified the following risk categories as the most significant for meeting the bank's strategic objectives:

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

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

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

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 for the achievement of its strategic objectives.

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

The bank's risk strategy is an important part of its business strategy. The bank's position as a mobility bank split into the different business areas in the Swedish Volvo system goes hand-in-hand with the optimum management of credit risk and residual value risk, as these benefit owners, customers and partners while defending the bank's position and its role in the system. Similarly, the low appetite for other risks is only natural, as they do not contribute to higher goal achievement but rather risk lower goal achievement, bearing in mind the role the bank plays in the Swedish Volvo system. Thus the bank follows its strategic target for return on equity as a measure of risk appetite.

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

The bank's risk management must be characterised by preventive measures designed to prevent or limit risks and any harm. In the products and services offered by the bank, the associated risks must be weighed against the expected return, as far as financially justifiable. The bank must use and integrate the results of its internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) to achieve good profitability while maintaining an acceptable level of risk. Important business decisions must consider the potential consequences from a risk and capital perspective.

RISK APPETITE

The bank's overall measures of risk appetite are made up of capital ratios and return on equity. The bank's Common Equity Tier 1 capital ratio must total at least 14.0%, and the target for the total capital ratio is 18.5%.

CREDIT RISK

Credit risk refers to the risk deemed to exist at any given time through the failure by the bank's counterparties, for whatever reason, 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. In a specific instruction that applies under certain frameworks, the board has delegated responsibility to various executives.

The bank's lending is characterised by the highest standards of ethics, quality and control. Although credit risk is a major risk exposure, the bank's credit losses have been very small in relation to the outstanding loan volume.

Credit risk is assessed using the credit assessment tool VF Score. VF Score is a proprietary internal risk classification tool where externally provided financial information, along with internal credit information about the customer, is processed through scorecards and regulations developed in-house to generate a risk classification of the customer. Based on the scorecard and regulations, the tool produces a credit recommendation that is either: approve, review or reject. A credit decision is then made based on the recommendation and other information known about the customer, i.e. credit is either approved or rejected by a loan officer with the right to grant credit under the instructions of the unit concerned. The granting of credit where the bank assumes a direct counterparty risk mainly comprises fleet finance, through finance or operating leases, for Swedish enterprises. Because the focus is on credit quality, the bank only concludes contracts with financially stable companies, following a thorough credit assessment. Credit customers must be of such high quality that credit losses can be kept at a low level. Credit volume may never be achieved at the cost of credit quality. The bank also has its own proprietary scorecard and regulations in VF Score for the assessment of major companies. All fleet customers are assessed according to an expert-based model.

The bank's procedures for monitoring past-due payments and unsettled receivables seek to minimise credit losses by the early detection of payment problems among borrowers with the subsequent rapid management of demand cases. 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.

CREDITS WITH DEFERMENTS OR RENEGOTIATED CONDITIONS

Contracts are sometimes renegotiated with customers, which may e.g. involve amortisation-free payments for a limited period. In conjunction with the renegotiation of an agreement, an assessment is made of the customer's long-term ability to pay. The assessment includes both the customer's financial situation and a valuation of the financed asset. As of 31 December 2021, the total amount of principal under renegotiated contracts was SEK 92.0 million (116.8).

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

QUANTIFYING CREDIT RISKS

The bank's own estimates of risk parameters are quantified under the bank's internal ratings-based (IRB) system. These risk estimates are used for granting credit, capital adequacy and risk management. The IRB method is based on three different risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). A conversion factor (CF) is also estimated for calculating EAD for off-balance sheet exposures.

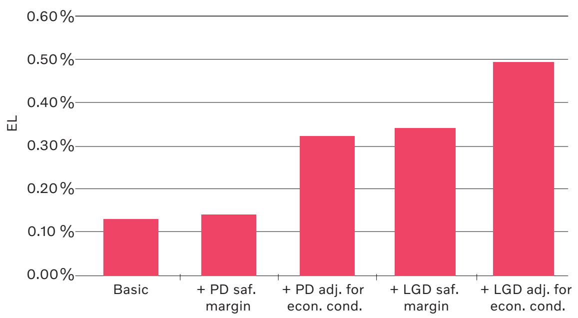
Statistical scoring models have been used for retail exposures (private individuals and SMEs) since January 2007, and an expert-based model was introduced in late 2007 for corporate exposures (companies with sales of more than SEK 400 million or exposures with the bank of more than SEK 5 million).

Default risk for retail exposures 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, that 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 overdue. Largely due 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 to reflect economic conditions. PD must reflect the business cycle average while LGD/CF must 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 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 this 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. This is to make sure estimates used in determining capital requirements do not result in the underestimation of the credit risk.

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% larger than the basic estimate.



COMPARISON WITH EXTERNAL RATING INSTITUTIONS

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

AVERAGE RISK WEIGHTING PER EXPOSURE CATEGORY

Retail exposures

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

Risk category	Exposure memorandum item	Exposure amount	Risk-weighted amount	Risk weighting in %
1	10,443,298	16,411,046	2,674,318	16.30
2	6,848,610	8,803,749	2,320,999	26.36
3–4	4,329,901	4,736,313	1,761,982	37.20
5–6	1,012,846	1,054,940	547,516	51.90
7	104,843	108,333	76,855	70.94
Defaulted	113,575	114,929	106,940	93.05
Total	**22,853,073**	**31,229,311**	**7,488,610**	**23.98**

Excluding the effect of credit risk protection, the total for all retail exposure amounts is SEK 32.7 billion rather than SEK 31.2 billion, as shown in the table. In the higher amount, CF was calculated at 100% while the lower amount is based on a CF of 87.0% for private customers and 84.5% for corporate customers.

Corporate exposures

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

Risk category	Exposure memorandum item	Exposure amount	Risk-weighted amount	Risk weighting in %
1	5,212,115	5,296,481	2,415,384	45.60
2	2,659,374	2,682,505	2,430,123	90.59
3–4	1,348,136	1,348,136	1,500,837	111.33
5–6	177,041	177,041	275,316	155.51
7	21,976	21,976	34,905	158.84
Defaulted	55,503	55,503	0	0.00
Total	**9,474,145**	**9,581,642**	**6,656,565**	**69.47%**

Excluding the effect of credit risk protection, the total for all corporate exposure amounts is SEK 10.2 billion rather than SEK 9.6 billion, as shown above. The higher amount includes certain off-balance sheet commitments.

VALIDATION

One of the most important elements of internal risk classification is validation of the system. Validation is carried out at least once a year, and responsibility for the validation process and implementation resides with 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 conducted into the accuracy of the models and measures are taken to make sure no systematic deviations occur. Validation results and conclusions are reported to the Board.

The table below shows predictions and outcomes (EL and LGD are exposure-weighted averages while PD is quantity-weighted for retail exposures and counterparty-weighted for corporate

exposures). 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 approved exposures	EL	PD		LGD	
Exposure category	Prediction	Prediction	Actual	Prediction	Actual
Retail Other, %	0.48	1.12	0.37	30	16
Corporate, %	0.84	2.38	0.97	45	N/A*

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

FUTURE REGULATIONS

Basel IV: The regulations will be implemented at different times; with regard to models etc., the new IRB rules will come into force on 1 January 2022. A capital floor of 72.5% will be phased in over a five-year period (2025–2030). Basel IV includes credit risk (new standardised approach, revised IRB regulations; capital floor, market risk (new rules for capital requirement), operational risk (new method for capital requirement) and other (counterparty risk, securitisation, CVA risk). Also, the first steps will be taken toward including ESG risks in reporting. The new proposals for changed IRB rules are aimed, among other things, at reducing complexity, improving comparability and managing differences in capital requirements. The Basel Committee limits, inter alia, the IRB approach for bank exposures, large companies and equity exposures. It also wants to limit the use of IRB for special exposures and certain counterparty risk and introduce flooring for PD, LGD and EAD.

The bank sees an increased capital requirement due to the new LGD floors specifically for financing. The floors in the standardised approach will provide the bank with an additional increased capital requirement when they are phased in from 2025. This is based on preliminary calculations using the new standardised approach as well as further calculations based on new PD and LGD models developed by the bank and with an application now made to the Swedish FSA for use in 2022. For operational risk, the bank also expects to see relatively minor increases in capital requirements.

The new standardised approach and capital floor is estimated to have an initial effect in 2029. Given the current level of equity, the effect will be preliminary when the capital floor is fully phased in, in 2030.

Total capital ratio of 18.6%

Common Equity Tier 1 capital ratio 17.0 %

All in all, it is difficult to predict precisely where the new capital ratio will end up after 2021, and this will of course be investigated in the years ahead. While the current long-term forecast has a degree of uncertainty, there is a very good margin regarding capital requirements and the effect is judged to be relatively slight. The significant effect will come later on (2030) with the gradual phase-in of the capital floor.

In respect of the risks for which the bank holds capital in Pillar 2, there will be certain changes, both in terms of calculation and the type of capital requirement. The bank's leverage ratio requirement may increase after the decision of the FSA. The FSA will take formal decisions on Pillar 2 requirements for each individual bank; the same will apply for the leverage ratio requirement.

The FSA will not begin to implement the above changes until after the first supervisory review and evaluation process (SREP) covering the bank, or after the amended regulation, have come into force.

Short, medium and long term ESG risks will be included in the banks' processes for the internally assessed capital requirement. The supervisory authority may require banks to reduce risks related to the EU's overall sustainability goals. Also, it introduces the ability for the supervisory authority to review a bank's alignment with the EU's overall sustainability goals.

The package of risk reduction measures changes capital adequacy regulations and the management of banks in crisis. The purpose is to strengthen bank resistance to crises and make sure essential operations can be maintained in a crisis.

The capital adequacy rules are determined by a supervisory regulation that is directly applicable in Sweden, and the capital adequacy directive, which is implemented in Swedish law via legislation and FSA regulations. The amendments in Swedish law have not yet been adopted, but are made clear in the proposal entitled Amendments to the rules on capital adequacy (prop. 2020/21:36). The memorandum describes inter alia how the FSA intends to apply the capital requirements. It also describes some of the major changes directly reflected in the supervisory regulation and the proposal for Swedish legislation.

The timing of the FSA's introduction of the changes described in the memorandum depends largely on when the relevant legislative changes come into force. However, certain changes will not have an effect on a bank's capital requirement until after the first SREP covering the bank, or until after the amended regulation, have come into force. The FSA intends to provide more information on the practical implementation during this transitional period.

Climate-related risks

With the exception of liquidity-related investments, the bank has no exposure in anything other than vehicles. The automotive market is undergoing major transformation and the bank notes accelerated growth in 'green cars'. However, existing and future exposures are quickly affected and revolutionised by global legal requirements. In addition to the above comments on capital adequacy related to ESG, the bank is closely monitoring developments in Bonus Malus, the EU taxonomy with its associated Disclosure Regulation, and FSA requirements. The bank reduces borrowing and rating risks by issuing green bonds when the proportion of green cars grows rapidly. Volvo, Renault and Polestar are well positioned in the growth of rechargeable cars, not to say market leaders. In this report, the bank addresses climate-related risks under sustainability-related risks, and under strategic risks. Among other things, strategic risk assesses the effect of regulatory requirements, reduced residual values, a smaller vehicle market, increased oil prices and reduced vehicle use.

CREDIT EXPOSURE

The bank's maximum credit exposure by financial instrument category is presented below. The term maximum credit exposure includes undrawn credit card limits and 20% 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.

DISTRIBUTION OF EXPOSURES BY TYPE OF COUNTERPARTY

All exposures are to Sweden.

2021	Exposure amount	Doubtful or defaulted receivables < 90 days past due	Doubtful or defaulted receivables > 90 days past due	Credit value adjustments Specific	Credit value adjustments General	Costs for credit value adjustments Specific	Costs for credit value adjustments General
Exposures to central banks and institutions							
Exposures to central governments or central banks	18,138	2090	–	-111	–	–	–
Exposures to provincial or regional government bodies or local authorities	1,659,536	–	120	-762	–	–	–
Exposures to public sector	9,428	49	1	-9	–	–	–
Exposures to institutions	2,336,413	–	–	–	–	–	–
Total exposures to central banks and institutions	**4,023,515**	**2,139**	**121**	**-882**	**–**	**–**	**–**
Exposures to the general public							
Exposures to companies	267,059	–	–	–	–	–	–
of which exposures to small and medium-sized enterprises	144,546	–	–	–	–	–	–
Exposures to retail	490,133	–	–	–	–	–	–
of which exposures to small and medium-sized enterprises	360,245	–	–	–	–	–	–
Exposures falling due	1,914	–	–	–	–	–	–
Exposures in the form of covered bonds	852,869	–	–	-194	–	–	–
Equity exposures	17,641	–	–	–	–	–	–
Other items	26,873	–	–	–	–	–	–
Total exposure to the general public	**1,656,489**	**–**	**–**	**-194**	**–**	**–**	**–**
Total standardized approach	**5,680,004**	**2,139**	**121**	**-1,076**	–	–	–
Exposure category according to IRB							
Exposures to companies	10,220,888	151,356	2,999	-3,279	–	–	–
Exposures to retail	32,716,594	189,838	11,959	-22,933	–	-15,291	–
Non credit-obligation assets exposure	4,775,621	–	–	–	–	–	–
Total according to IRB	**47,713,103**	**341,194**	**14,958**	**-26,212**	**–**	**-15,291**	**–**
Total	**53,393,107**	**343,334**	**15,079**	**-27,288**	**–**	**-15,291**	**–**

2020	Exposure amount	Doubtful or defaulted receivables < 90 days past due	Doubtful or defaulted receivables > 90 days past due	Credit value adjustments Specific	Credit value adjustments General	Costs for credit value adjustments Specific	Costs for credit value adjustments General
Exposures to central banks and institutions							
Exposures to central governments or central banks	46,329	–	2	-12	–	–	–
Exposures to provincial or regional government bodies or local authorities	1,420,319	20	5	-863	–	–	–
Exposures to public sector	10,321	–	–	-12	–	–	–
Exposures to institutions	2,623,255	–	–	–	–	–	–
Total exposures to central banks and institutions	**4,100,224**	**20**	**7**	**-886**	**–**	**–**	**–**
Exposures to the general public							
Exposures to companies	182,480	–	–	–	–	–	–
of which exposures to small and medium-sized enterprises	104,619	–	–	–	–	–	–
Exposures to retail	488,865	–	–	–	–	–	–
of which exposures to small and medium-sized enterprises	370,389	–	–	–	–	–	–
Exposures falling due	2,057	–	–	–	–	–	–
Exposures in the form of covered bonds	1,126,249	–	–	-229	–	–	–
Equity exposures	16,503	–	–	–	–	–	–
Other items	25,427	–	–	–	–	–	–
Total exposure to the general public	**1,841,581**	**–**	**–**	**-229**	**–**	**–**	**–**
Total STD	**5,941,805**	**20**	**7**	**-1,116**	–	–	–
Exposure category according to IRB							
Exposures to companies	9,703,734	38,480	25,124	-12,526	–	–	–
Exposures to retail	33,143,065	235,647	10,736	-25,085	–	-18,648	–
Non credit-obligation assets exposure	4,442,526	-	-	–	–	–	–
Total according to IRB	**47,289,325**	**274,127**	**35,860**	**-37,611**	**–**	**-18,648**	**–**
Total	**53,231,130**	**274,147**	**35,867**	**-38,727**	**–**	**-18,648**	**–**

TOTAL AMOUNT OF ALL EXPOSURES INCLUDING WITH REGARD TO CREDIT RISK PROTECTION

As shown in the table above, the bank has a total credit risk exposure of SEK 53,393 million (53,231), excluding the effect of credit risk protection. The bank's recourse agreements with the dealerships significantly reduce credit risk. The right of recourse is in the amount of SEK 27,608 million (28,062). The bank also has collateral for loans and receivables in the form of guarantees of SEK 129 million (129), floating charges of SEK 405 million (405), property mortgages of SEK 3 million (3) and pledged loans and leases of SEK 1,637 million (1,790). The bank's total credit risk exposure, including the effect of credit risk protection, is thus SEK 23,611 million (22,842).

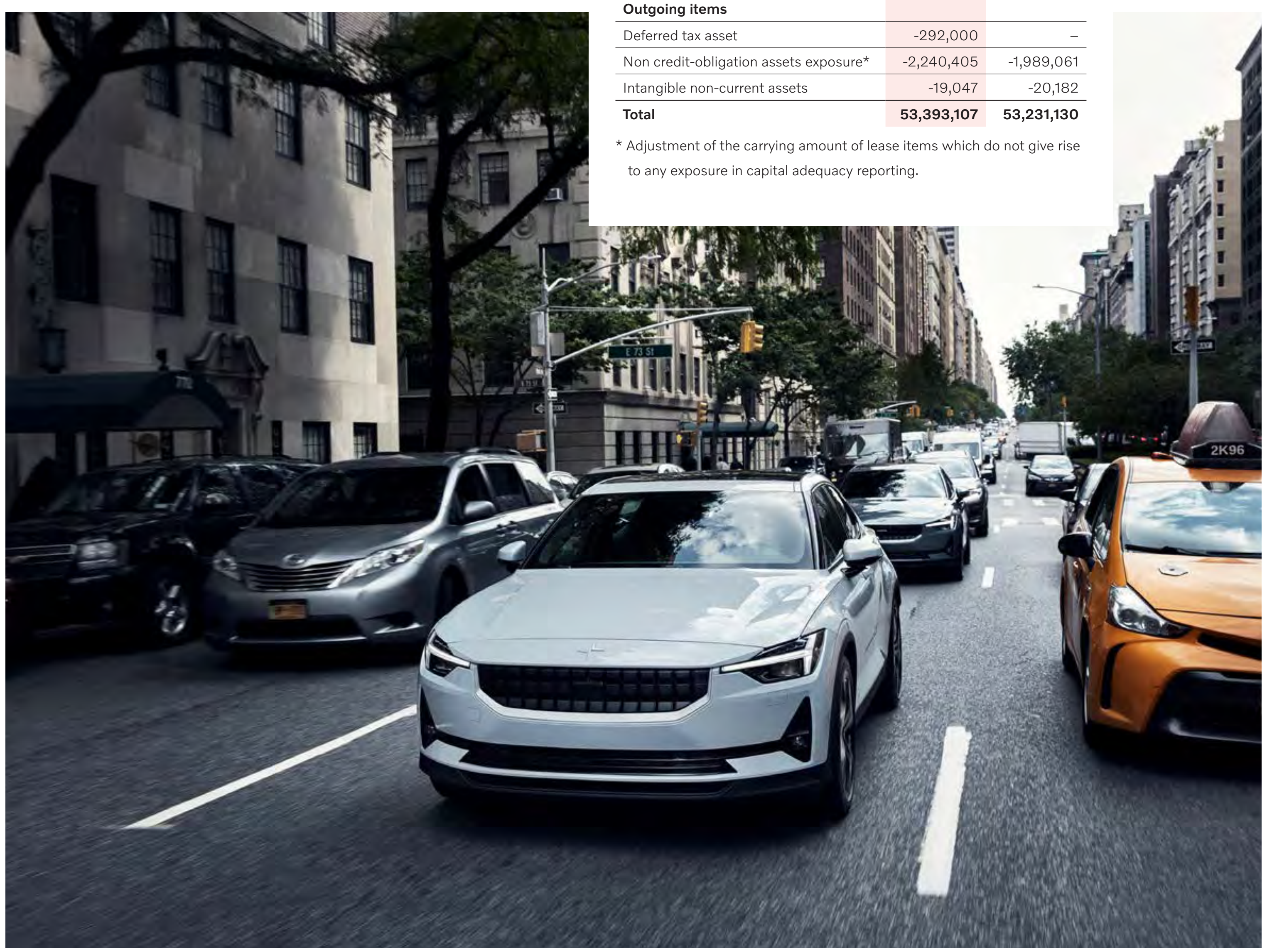
The bank does not use credit risk protection to reduce its capital requirement.

RECONCILIATION TO CARRYING AMOUNTS IN THE BALANCE SHEET

The table below 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.

	2021	2020
Total assets according to the balance sheet	45,112,105	44,142,431
Additional items		
Total impairments	152,217	119,058
Undrawn limits, accounts receivable	10,096,743	10,354,876
Undrawn limits, lending to Volvo dealerships	538,263	584,782
Margin for counterparty risks in derivatives	45,231	39,226
Outgoing items		
Deferred tax asset	-292,000	–
Non credit-obligation assets exposure*	-2,240,405	-1,989,061
Intangible non-current assets	-19,047	-20,182
Total	**53,393,107**	**53,231,130**

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



TOTAL EXPOSURE BY EXPOSURE CATEGORY FOR CREDIT RISK

2021	Gross exposure amount	Average for the period	Q1	Q2	Q3	Q4
Exposure category according to standard method						
Exposures to central governments or central banks and institutions	18,138	68,842	176,164	54,044	27,021	18,138
Exposures to provincial or regional government bodies or local authorities	1,659,536	1,587,156	1,412,043	1,530,481	1,746,561	1,659,536
Exposures to public sector	9,428	9,192	9,478	9,199	8,663	9,428
Exposures to institutions	2,336,413	2,084,392	1,359,752	2,273,660	2,367,745	2,336,413
Exposures to companies	267,059	484,364	1,035,425	356,854	278,117	267,059
Exposures to retail	490,133	517,312	527,292	531,492	520,333	490,133
Exposures falling due	1,914	1,742	1,558	1,266	2,231	1,914
Exposures in the form of covered bonds	852,869	987,042	1,124,025	1,114,870	856,404	852,869
Equity exposures	17,641	15,954	14,657	15,806	15,713	17,641
Other items	26,873	62,262	93,606	73,239	55,328	26,873
Total	**5,680,004**	**5,818,258**	**5,754,001**	**5,960,911**	**5,878,115**	**5,680,004**
Exposure category according to IRB						
Exposures to companies	10,220,888	10,020,194	9,809,106	10,120,289	9,930,495	10,220,888
Exposures to retail*	32,716,594	33,276,861	33,388,271	33,749,859	33,252,719	32,716,594
Non credit-obligation assets exposure	4,775,621	4,717,618	4,653,380	4,767,062	4,674,408	4,775,621
Total according to IRB	**47,713,103**	**48,014,673**	**47,850,757**	**48,637,209**	**47,857,622**	**47,713,103**
Total exposure	**53,393,107**	**53,832,931**	**53,604,758**	**54,598,120**	**53,735,737**	**53,393,107**

* The bank has retail exposures in the subgroups Small and medium-sized enterprises and Other retail exposures

2020	Gross exposure amount	Average for the period	Q1	Q2	Q3	Q4
Exposure category according to standard method						
Exposures to central governments or central banks and institutions	46,329	53,178	57,806	45,056	63,520	46,329
Exposures to provincial or regional government bodies or local authorities	1,420,319	1,423,273	1,329,063	1,523,560	1,420,150	1,420,319
Exposures to public sector	10,321	8,706	7,979	7,847	8,676	10,321
Exposures to institutions	2,623,255	2,213,963	1,135,466	2,600,128	2,497,002	2,623,255
Exposures to companies	182,480	266,248	236,501	429,295	216,716	182,480
Exposures to retail	488,865	511,627	527,816	515,385	514,442	488,865
Exposures falling due	2,057	6,100	2,844	10,347	9,153	2,057
Exposures in the form of covered bonds	1,126,249	1,334,479	1,413,119	1,415,669	1,382,880	1,126,249
Equity exposures	16,503	15,959	18,000	14,667	14,667	16,503
Other items	25,427	58,167	92,395	69,811	45,033	25,427
Total	**5,941,805**	**5,891,700**	**4,820,990**	**6,631,765**	**6,172,239**	**5,941,805**
Exposure category according to IRB						
Exposures to companies	9,703,734	9,512,778	9,663,129	9,289,747	9,394,505	9,703,734
Exposures to retail*	33,143,065	33,433,125	33,755,984	33,423,857	33,409,593	33,143,065
Non credit-obligation assets exposure	4,442,526	4,207,974	4,072,512	4,109,780	4,207,079	4,442,526
Total according to IRB	**47,289,325**	**47,153,878**	**47,491,624**	**46,823,384**	**47,011,177**	**47,289,325**
Total exposure	**53,231,130**	**53,045,578**	**52,312,614**	**53,455,149**	**53,183,416**	**53,231,130**

* The bank has retail exposures in the subgroups Small and medium-sized enterprises and Other retail exposures

THE SPREAD OF EXPOSURES BY INDUSTRY AND EXPOSURE CATEGORY

2021	Trade, motor vehicle repair	Transport and warehousing	Legal and financial activities etc.	Other	Total
Exposures to states and central banks	–	–	179	17,959	18,138
Exposures to municipalities, comparable home-owners associations and authorities	–	–	–	1,659,536	1,659,536
Exposures to admin bodies, non-commercial companies and religious communities	–	–	–	9,428	9,428
Exposures to institutions	–	–	–	2,336,413	2,336,413
Corporate exposures, standard and IRB	3,563,658	2,056,338	2,718,376	2,149,576	10,487,947
Retail exposures, standard and IRB	1,248,473	2,165,645	1,494,525	28,298,084	33,206,727
Exposures in default	211	185	185	1,334	1,914
Covered bonds	–	–	–	852,869	852,869
Equity exposures	–	–	–	17,641	17,641
Other items	–	–	–	26,873	26,873
Non credit-obligation assets exposure IRB	–	–	–	4,775,621	4,775,621
Total	**4,812,341**	**4,222,168**	**4,213,265**	**40,145,333**	**53,393,107**

2020	Trade, motor vehicle repair	Transport and warehousing	Legal and financial activities etc.	Other	Total
Exposures to states and central banks	–	–	398	45,931	46,329
Exposures to municipalities, comparable home-owners associations and authorities	–	–	–	1,420,319	1,420,319
Exposures to admin bodies, non-commercial companies and religious communities	–	–	–	10,321	10,321
Exposures to institutions	–	–	–	2,623,255	2,623,255
Corporate exposures, standard and IRB	3,523,306	1,392,015	2,504,526	2,466,367	9,886,214
Retail exposures, standard and IRB	1,311,240	1,948,746	1,522,344	28,849,600	33,631,930
Exposures in default	229	158	190	1,480	2,057
Covered bonds	–	–	–	1,126,249	1,126,249
Equity exposures	–	–	–	16,503	16,503
Other items	–	–	–	25,427	25,427
Non credit-obligation assets exposure IRB	–	–	–	4,442,526	4,442,526
Total	**4,834,775**	**3,340,919**	**4,027,458**	**41,027,978**	**53,231,130**

NOTES

EXPOSURES, REMAINING TERM TO MATURITY BY EXPOSURE CLASS

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

2021	0–3	3–6	6–9	9–12	12+	Total cash flow	No maturity
Exposures to central governments or central banks and institutions	9,671	2,286	1,241	2,551	2,389	18,138	–
Exposures to provincial or regional government bodies or local authorities	495,118	11,682	262,255	5,661	884,820	1,659,536	–
Exposures to public sector	765	1,202	736	779	5,946	9,428	–
Exposures to institutions	6,077	3,053	3,236	9,978	2,314,070	2,336,414	–
Exposures to companies	1,856,545	1,140,794	1,036,532	1,250,875	5,203,201	10,487,947	–
Exposures to retail	13,455,899	1,831,754	1,634,113	1,816,000	14,468,961	33,206,727	–
Exposures falling due	1,914	–	–	–	–	1,914	–
Exposures in the form of covered bonds	50,133	–	150,741	–	651,995	852,869	–
Equity exposures	–	–	–	–	–	–	17,641
Other items	–	–	–	–	–	–	26,873
Non credit-obligation assets exposure IRB	413,877	546,202	488,537	607,875	2,689,140	4,745,631	29,989
Total	**16,289,999**	**3,536,973**	**3,577,391**	**3,693,719**	**26,220,522**	**53,318,604**	**74,503**

2020	0–3	3–6	6–9	9–12	12+	Total cash flow	No maturity
Exposures to central governments or central banks and institutions	18,282	3,382	2,662	2,543	19,460	46,329	–
Exposures to provincial or regional government bodies or local authorities	14,054	17,179	252,168	90,115	1,046,803	1,420,319	–
Exposures to public sector	660	560	1,851	682	6,568	10,321	–
Exposures to institutions	7,290	5,037	3,258	3,783	2,603,887	2,623,255	–
Exposures to companies	1,886,561	943,504	206,757	1,028,961	5,820,431	9,886,214	–
Exposures to retail	13,644,012	2,153,317	445,988	1,908,775	15,479,838	33,631,930	–
Exposures falling due	2,057	–	–	–	–	2,057	–
Exposures in the form of covered bonds	2,249	192,000	321,000	156,000	455,000	1,126,249	–
Equity exposures	–	–	–	–	–	–	16,503
Other items	–	–	–	–	–	–	25,427
Non credit-obligation assets exposure IRB	374,088	549,189	485,284	544,159	2,462,046	4,414,767	27,760
Total	**15,949,253**	**3,864,168**	**1,718,968**	**3,735,018**	**27,894,033**	**53,161,440**	**69,690**

CREDIT LENDING BROKEN DOWN BY CREDIT RATING AND VALUE OF COLLATERAL

The table below shows the bank's gross and net credit lending by credit rating in order to create an understanding of the bank's credit risk concentrations. This information is then followed by a further table also showing the bank's collateral per financial instrument.

CREDIT LENDING BY CREDIT RATING OF FINANCIAL ASSETS AND LOAN COMMITMENTS

31/12/2021	Stage 1	Stage 2	Stage 3 (not purchased or issued credit impaired)	Total
Treasury bills eligible as collateral etc.				
AAA to AA	1,586,852	–	–	1,586,852
Loss provisions	-704	–	–	-704
Total carrying amount	**1,586,148**	**–**	**–**	**1,586,148**
Loans and advances to the public.				
Low risk	12,962,293	20,713	–	12,983,006
Normal risk	2,964,409	94,751	–	3,059,160
Heightened risk	193,665	287,623	–	481,288
High risk	51,020	226,341	–	277,361
Defaulted	–	–	93,858	93,858
Loss provisions	-10,875	-8,692	-2,949	-22,516
Total carrying amount	**16,160,512**	**620,736**	**90,909**	**16,872,157**
Bonds and other interest-bearing securities				
AAA to AA	852,870	–	–	852,870
A+ to A-	600,011	–	–	600,011
Loss provisions	-194	–	–	-194
Total carrying amount	**1,452,687**	**–**	**–**	**1,452,687**
Tangible assets: lease items				
Low risk	16,947,715	71,083	–	17,018,798
Normal risk	3,549,315	299,234	–	3,848,549
Heightened risk	244,391	371,175	–	615,566
High risk	85,910	181,276	–	267,186
Defaulted	–	–	120,613	120,613
Loss provisions	-2,317	-194	-1,110	-3,621
Total carrying amount	**20,825,014**	**922,574**	**119,503**	**21,867,091**
Other financial assets				
Low risk	342,910	1675	–	344,585
Normal risk	35,675	56	–	35,731
Heightened risk	2,219	190	–	2,409
High risk	925	150	–	1,075
Defaulted	–	–	1,998	1,998
Loss provisions	-129	-4	-120	-253
Total carrying amount	**381,600**	**2,067**	**1,878**	**385,545**
Total gross carrying amount for financial assets appraised at amortised cost	**40,420,180**	**1,554,267**	**216,469**	**42,190,916**
Total loss provisions	**-14,219**	**-8,890**	**-4,179**	**-27,288**
Total carrying amount	**40,405,961**	**1,545,377**	**212,290**	**42,163,628**

31/12/2020	Stage 1	Stage 2	Stage 3 (not purchased or issued credit impaired)	Total
Treasury bills eligible as collateral etc.				
AAA to AA	1,331,891	–	–	1,331,891
Loss provisions	-688	–	–	-688
Total carrying amount	**1,331,203**	**–**	**–**	**1,331,203**
Loans and advances to the public.				
Low risk	12,620,833	14,757	3,227	12,638,817
Normal risk	2,723,998	99,869	3,695	2,827,562
Heightened risk	170,577	277,597	448	448,622
High risk	74,613	201,754	20,752	297,119
Defaulted	–	–	92,424	92,424
Loss provisions	-12,183	-10,107	-2,778	-25,068
Total carrying amount	**15,577,838**	**583,870**	**117,768**	**16,279,476**
Bonds and other interest-bearing securities				
AAA to AA	1,126,250	–	–	1,126,250
A+ to A-	699,963	–	–	699,963
Loss provisions	-229	–	–	-229
Total carrying amount	**1,825,984**	**–**	**–**	**1,825,984**
Tangible assets: lease items				
Low risk	15,854,002	62,955	164,462	16,081,419
Normal risk	3,826,668	237,628	16,189	4,080,485
Heightened risk	396,778	378,761	2,796	778,335
High risk	125,814	194,152	9,729	329,695
Defaulted	–	–	193,042	193,042
Loss provisions	-3,426	-198	-7,005	-10,629
Total carrying amount	**20,199,836**	**873,298**	**379,213**	**21,452,347**
Other financial assets				
Low risk	198,887	–	28,243	227,130
Normal risk	41,167	2,384	421	43,972
Heightened risk	4,350	70	–	4,420
High risk	1,254	345	–	1,599
Defaulted	–	–	3,230	3,230
Loss provisions	-189	-11	-1,913	-2,113
Total carrying amount	**245,469**	**2,799**	**29,560**	**278,238**
Total gross carrying amount for financial assets appraised at amortised cost	**37,370,832**	**1,470,272**	**345,616**	**39,186,720**
Total loss provisions	**-16,715**	**-10,316**	**-11,696**	**-38,727**
Total carrying amount	**37,354,117**	**1,459,956**	**333,920**	**39,147,993**

MAXIMUM EXPOSURE TO CREDIT RISK AND VALUE OF COLLATERAL FOR ASSETS THAT ARE SUBJECT TO LOSS PROVISIONS IN ACCORDANCE WITH IFRS 9

Credit exposure, gross and net, 31/12/2021	Credit risk exposure (before impairment loss)	Loss reserve	Carrying amount	Value of securities
Treasury bills eligible as collateral etc.				
AAA to AA	1,586,852	-704	1,586,148	–
Total	**1,586,852**	**-704**	**1,586,148**	**–**
Loans and advances to the public.				
Lending against collateral of:				
Other	16,894,672	-22,516	16,872,156	14,834,427
Total	**16,894,672**	**-22,516**	**16,872,156**	**14,834,427**
Bonds and other interest-bearing securities				
AAA till A-	1,452,881	-194	1,452,687	–
Total	**1,452,881**	**-194**	**1,452,687**	**–**
Tangible assets: lease items				
Lending	21,870,712	-3,621	21,867,091	14,904,473
Total	**21,870,712**	**-3,621**	**21,867,091**	**14,904,473**
Other assets				
Accounts receivable	385,798	-253	385,545	–
Total	**385,798**	**-253**	**385,545**	**–**
Issued loan commitments	10,635	–	–	–
Total credit risk exposure	**42,201,550**	**-27,288**	**42,163,627**	**29,738,900**

Credit exposure, gross and net, 31/12/2020	Credit risk exposure (before impairment loss)	Loss reserve	Carrying amount	Value of securities
Treasury bills eligible as collateral etc.				
AAA to AA	1,331,891	-688	1,331,203	–
Total	**1,331,891**	**-688**	**1,331,203**	**–**
Loans and advances to the public.				
Lending against collateral of:				
Other	16,304,544	-25,068	16,279,476	14,372,129
Total	**16,304,544**	**-25,068**	**16,279,476**	**14,372,129**
Bonds and other interest-bearing securities				
AAA till A-	1,826,212	-229	1,825,984	–
Total	**1,826,212**	**-229**	**1,825,984**	**–**
Tangible assets: lease items				
Lending	21,462,976	-10,629	21,452,347	15,070,521
Total	**21,462,976**	**-10,629**	**21,452,347**	**15,070,521**
Other assets				
Accounts receivable	280,351	-2,113	278,238	–
Total	**280,351**	**-2,113**	**278,238**	**–**
Issued loan commitments	10,939,658	–	–	–
Total credit risk exposure	**52,145,632**	**-38,727**	**41,167,248**	**29,442,650**

The bank's collateral for loans and advances to the public consists of transferred car and truck loans, and when lending for lease items it consists of transferred car and truck leases, where there are recourse agreements with dealers. On 31 December 2021, the bank had no financial instruments for which the loss provision had been reported as zero due to collateral received.

For maximum exposure to credit risk for financial assets that are not subject to loss provision, including derivatives and related collateral, see Note 36.

PORTFOLIO CHANGES IN RESPECT OF SPECIFIC CREDIT ADJUSTMENTS

The table below presents the bank's changes in respect of credit risk adjustments from the beginning of the year until year-end.

Amounts in SEK million	31/12/2021 Accumulated specific credit adjustments	31/12/2020 Accumulated specific credit adjustments
Opening balance	**38,727**	**26,207**
Increase in expected credit losses for new agreements	5,615	7,027
Decrease in expected credit losses for closed agreements	-9,527	-6,886
Decrease in expected credit losses during the period	-8,138	-1,237
Increase in expected credit losses during the period	3,023	9,366
Migrations between stages 1, 2 and 3	-2,412	4,249
Closing balance	**27,288**	**38,727**
Repayment of previous actual credit losses in the income statement	2,563	2,119
Actual credit losses in the income statement	17,854	20,766

FORBEARANCE AND NON-PERFORMING EXPOSURES

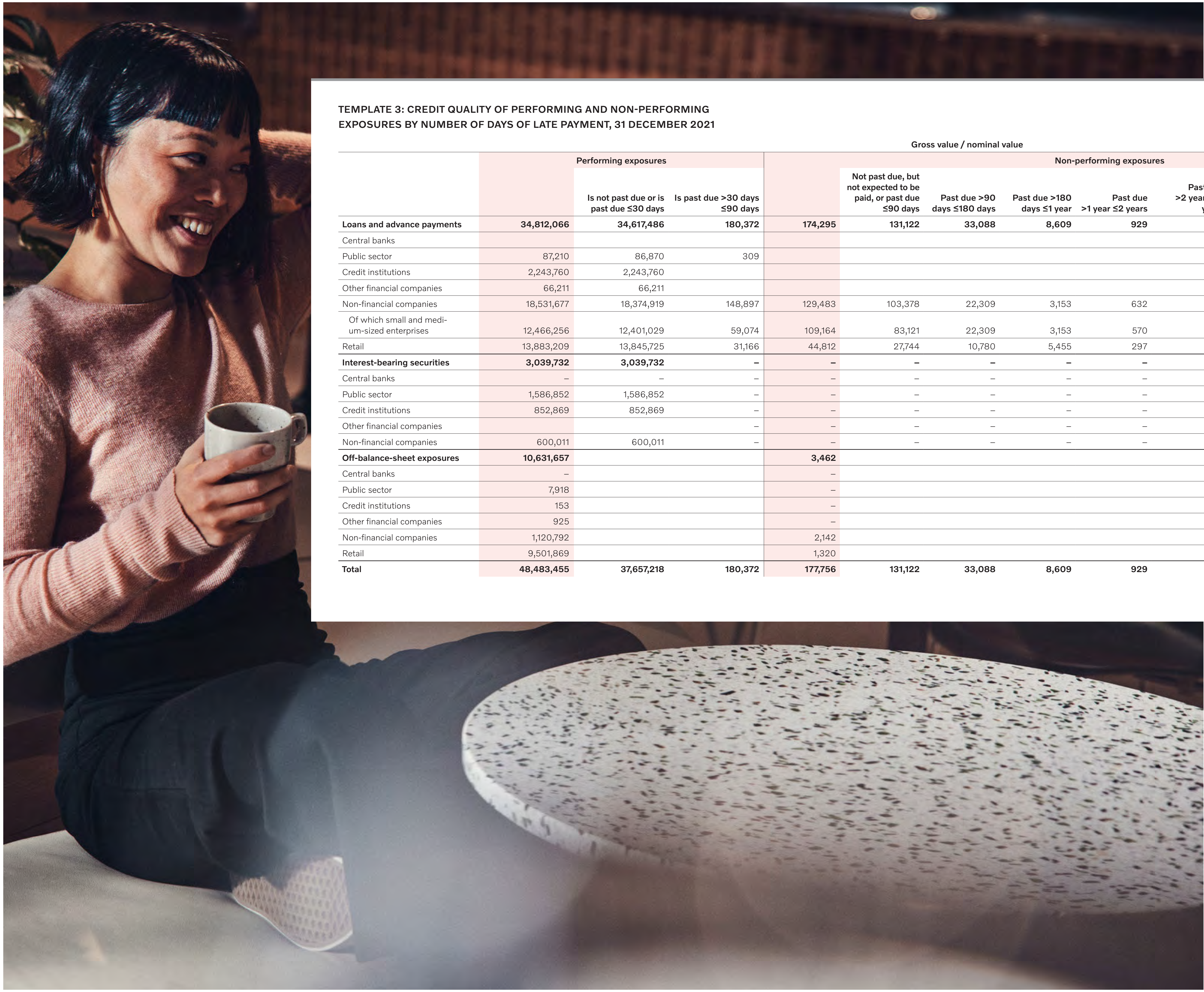
Information about forbearance and non-performing exposures as of 31 December 2021 is published in accordance with EBA's guidelines EBA/GL/2020/10.

Forbearance exposures totalled SEK 92 million (116.8) and non-performing exposures SEK 174.3 million (230.1).

TEMPLATE 1: CREDIT QUALITY OF FORBEARANCE EXPOSURES, 31 DECEMBER 2021

	Gross value/nominal value of forbearance exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received for forbearance exposures	
		Non-performing deferral						
	Performance deferral		Of which failed	Of which uncertain	For performing forbearance exposures	For non-performing forbearance exposures	Total	Of which collateral and financial guarantees received for non-performing exposures with forbearance measures
Loans and advance payments	**75,093**	**16,910**	**14,112**	**14,112**	**430**	**376**	**3,308**	**824**
Central banks								
Public sector								
Credit institutions								
Other financial companies	233				0			
Non-financial companies	63,484	12,841	10,558	10,558	11	8	2,954	665
Retail	11,376	4,068	3,553	3,553	419	368	354	159
Interest-bearing securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loan commitments made	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	75,093	16,910	14,112	14,112	430	376	3,308	824

NOTES

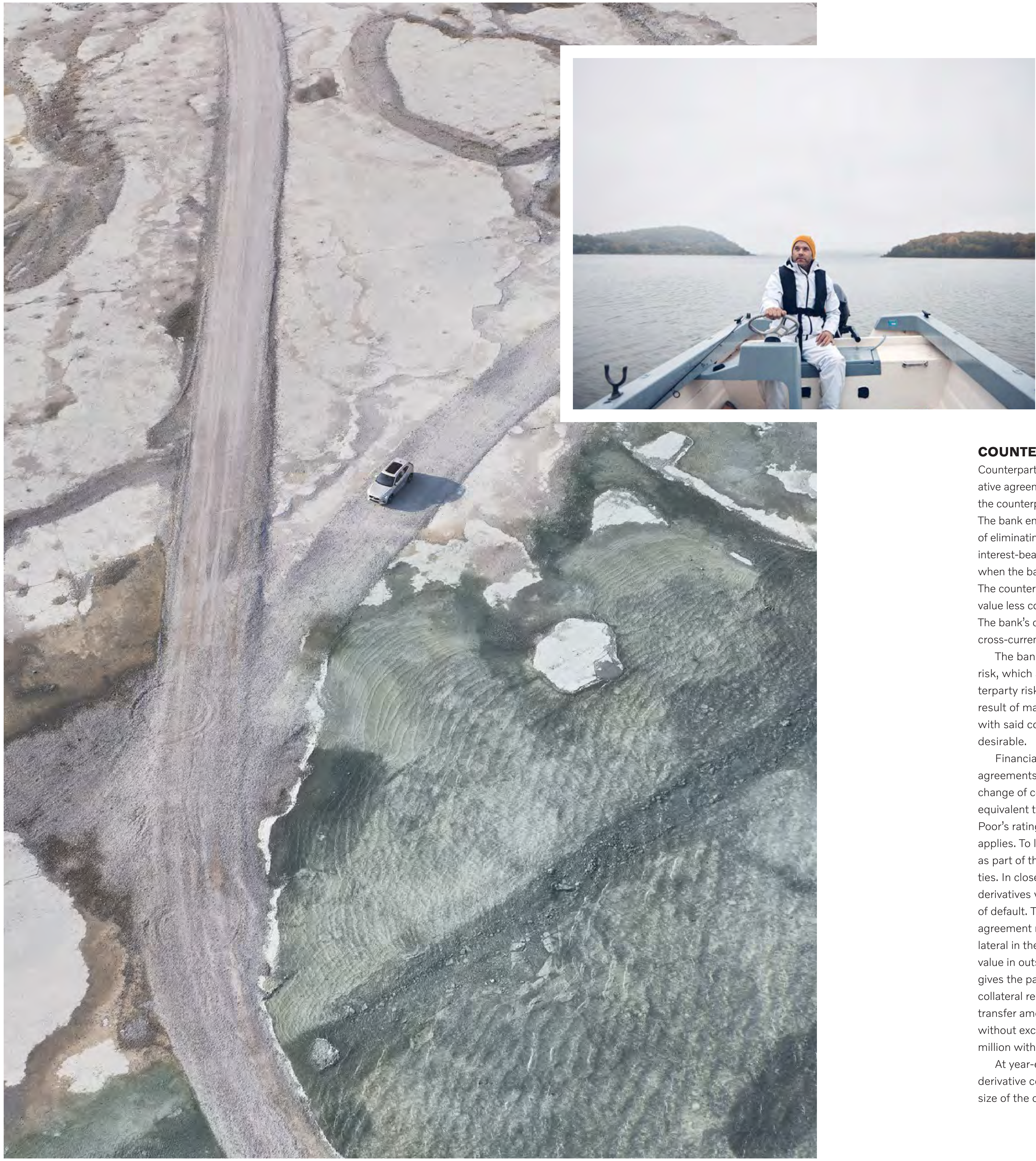


TEMPLATE 3: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY NUMBER OF DAYS OF LATE PAYMENT, 31 DECEMBER 2021

	Gross value / nominal value											
	Performing exposures			Non-performing exposures								
		Is not past due or is past due ≤30 days	Is past due >30 days ≤90 days		Not past due, but not expected to be paid, or past due ≤90 days	Past due >90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which failed
Loans and advance payments	**34,812,066**	**34,617,486**	**180,372**	**174,295**	**131,122**	**33,088**	**8,609**	**929**	**445**	**69**	**33**	**170,991**
Central banks												
Public sector	87,210	86,870	309									
Credit institutions	2,243,760	2,243,760										
Other financial companies	66,211	66,211										
Non-financial companies	18,531,677	18,374,919	148,897	129,483	103,378	22,309	3,153	632	11			126,883
Of which small and medium-sized enterprises	12,466,256	12,401,029	59,074	109,164	83,121	22,309	3,153	570	11			106,564
Retail	13,883,209	13,845,725	31,166	44,812	27,744	10,780	5,455	297	435	69	33	44,108
Interest-bearing securities	**3,039,732**	**3,039,732**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Central banks	–	–	–	–	–	–	–	–	–	–	–	–
Public sector	1,586,852	1,586,852	–	–	–	–	–	–	–	–	–	–
Credit institutions	852,869	852,869	–	–	–	–	–	–	–	–	–	–
Other financial companies			–	–	–	–	–	–	–	–	–	–
Non-financial companies	600,011	600,011	–	–	–	–	–	–	–	–	–	–
Off-balance-sheet exposures	**10,631,657**			**3,462**								**3,306**
Central banks	–			–								–
Public sector	7,918			–								–
Credit institutions	153			–								–
Other financial companies	925			–								–
Non-financial companies	1,120,792			2,142								2,088
Retail	9,501,869			1,320								1,218
Total	**48,483,455**	**37,657,218**	**180,372**	**177,756**	**131,122**	**33,088**	**8,609**	**929**	**445**	**69**	**33**	**174,297**

TEMPLATE 4: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS, 31 DECEMBER 2021

	Gross value / nominal value						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairments and provisions			Non-performing exposure – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				For performing exposures	For non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advance payments	**34,812,066**	**33,611,317**	**1,200,749**	**174,295**	**2,931**	**170,991**	**16,694**	**8,623**	**8,071**	**3,536**	**19**	**3,516**	**–**	**962,863**	**8,478**
Central banks													–	–	–
Public sector	87,210	81,069	6,141				156	152	4				–	–	–
Credit institutions	2,243,760	2,243,760					3	3					–		
Other financial companies	66,211	62,317	3,894				22	20	2				–	134	–
Non-financial companies	18,531,677	18,016,457	515,219	129,483	2,332	126,883	3,435	2,958	476	1,259	2	1,256	–	918,878	7,833
Of which small and medium-sized enterprises	12,466,256	11,971,303	494,953	109,164	2,332	106,564	2,074	1,646	428	355	2	352	–	565,554	7,833
Retail	13,883,209	13,207,714	675,494	44,812	599	44,108	13,079	5,490	7,589	2,277	17	2,260	–	43,851	645
Interest-bearing securities	**3,039,732**	**3,039,732**	**–**	**–**	**–**	**–**	**897**	**897**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Central banks															
Public sector	1,586,852	1,586,852					704	704							
Credit institutions	852,869	852,869					192	192							
Other financial companies															
Non-financial companies	600,011	600,011					1	1							
Off-balance-sheet exposures	**10,631,657**	**10,534,859**	**96,798**	**3,462**	**50**	**3,306**	**5,498**	**4,699**	**799**	**317**	**1**	**316**	**–**	**–**	**–**
Central banks															
Public sector	7,918	7,843	75				14	14	0						
Credit institutions	153	153					0	0							
Other financial companies	925	924	1				1	1	0						
Non-financial companies	1,120,792	1,110,793	9,999	2,142	4	2,088	801	697	104	85	0	85			
Retail	9,501,869	9,415,146	86,723	1,320	46	1,218	4,682	3,987	695	232	0	231			
Total	**48,483,455**	**47,185,909**	**1,297,547**	**177,756**	**2,981**	**174,297**	**23,089**	**14,219**	**8,870**	**3,853**	**20**	**3,831**	**–**	**962,863**	**8,478**



TEMPLATE 9: COLLATERAL OBTAINED THROUGH ENFORCEMENT AND EXECUTION PROCESSES, 31 DECEMBER 2021

	Collateral obtained through enforcement	
	Value at initial recognition	Accumulated negative changes
Tangible assets	–	–
Other than tangible assets	–	–
Residential property	–	–
Commercial property	–	–
Chattels (cars, transport, etc.)	–	–
Equity and debt instruments	–	–
Other	–	–
Total	**–**	**–**

COUNTERPARTY RISK

Counterparty risk arises when the bank has entered into a derivative agreement with a counterparty and refers to the risk that the counterparty will be unable to fulfil its contractual obligations. The bank enters into derivative agreements solely for the purpose of eliminating interest rate risk and foreign exchange risk in interest-bearing loans and borrowings. Counterparty risk arises when the bank's interest rate risk is hedged using derivatives. The counterparty risk that arises is the residual risk of the market value less collateral received for derivative agreements in force. The bank's derivatives currently consist of interest rate swaps and cross-currency interest rate swaps.

The bank's financial policy specifies limits for counterparty risk, which are monitored continuously. In cases where counterparty risk exceeds the limit for a specified counterparty as a result of market movements, no new deals may be concluded with said counterparty. A spread of different counterparties is desirable.

Financial derivatives are only entered into under ISDA agreements with associated VM-CSA (agreements on the exchange of collateral in cash form) with banks that have a rating equivalent to at least A3/A- according to Moody's / Standard & Poor's rating scales. In the event of a split rating, the lower rating applies. To limit counterparty risk, close-out netting is applied as part of the ISDA agreements with all derivative counterparties. In close-out netting, the positive and negative values of all derivatives with the same counterparty are offset in the event of default. The supplementary agreement VM-CSA to the ISDA agreement means the parties mutually pledge to provide collateral in the form of liquid assets for the counterparty's surplus value in outstanding derivative instruments. The agreement also gives the party receiving collateral the right in turn to dispose of collateral received. Under the VM-CSA agreement, a minimum transfer amount (MTA) is negotiated, i.e. the exposure allowed without exchanging collateral. The bank has an MTA of SEK 4 million with all counterparties.

At year-end, the nominal amount for the bank's outstanding derivative contracts totalled SEK 2,528 million (2,024). The size of the counterparty risk is affected by the market value and fluctuates 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. On 31 December 2021, the bank's compensation (positive market values) for counterparty risk in interest rate and exchange rate swaps was SEK 8.8 million (9.9). Net counterparty exposure after the exchange of collateral totalled SEK 1.8 million (6.1); the bank had also pledged assets in the amount of SEK 35.9 million (76.1) and received collateral totalling SEK 3.5 million (3.5). For further information about financial assets and liabilities offset or subject to netting agreements, refer to Note 36.

For the purposes of capital adequacy, the bank uses the original exposure method (OEM) when calculating counterparty risk. The bank has a permit from the Swedish Financial Supervisory Authority to apply netting for derivative exposures against one and the same counterparty.

ENCUMBERED ASSETS

The tables below present the required disclosures on encumbered and unencumbered assets in accordance with the EBA guidelines. In addition to interest-bearing debt securities, the bank's unencumbered assets mainly comprise hire purchase agreements and contract credits, credit card credits, card credits, tangible assets such as lease items, intangible non-current assets (projects in progress), shares, equipment and trade receivables. The bank estimates the proportion of these items considered ineligible for encumbrance in the ordinary course of business to be around 90%. The bank's encumbered assets comprise pledged assets in the form of bank deposits in accordance with Credit Support Annex for Variation Margin under the ISDA agreements. The liabilities corresponding to pledged assets comprise exposures to counterparties in derivative transactions under standard ISDA terms. Volvofinans Bank has not pledged any collateral received.

EU AE1 Template – Encumbered and unencumbered assets

2021	Carrying amount of encumbered assets	of which standard eligible high-quality liquid assets (EHQLA) and high-quality liquid assets (HQLA)	Fair value of encumbered assets	of which standard eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
The disclosing institution's assets	**35,860**	**–**			**45,076,245**	**4,652,436**		
Equity instruments	–	–	–	–	–	-	–	
Interest-bearing securities	–	–	–	–	3,038,835	2,418,572	3,040,522	2,420,260
Of which: covered bonds	–	–	–	–	852,676	832,424	853,432	833,181
Of which: securitisations	–	–	–	–	–	-	-	-
Of which: issued by national governments	–	–	–	–	1,586,148	1,586,148	1,587,079	1,587,079
Of which: issued by financial companies	–	–	–	–	–	-	-	-
Of which: issued by non-financial companies	–	–	–	–	600,011	-	600,011	-
Other assets	35,860	–			42,037,410	2,233,864		

2020								
The disclosing institution's assets	**76,050**	**–**			**44,066,381**	**4,920,503**		
Equity instruments	–	–	–	–	-	-	–	
Interest-bearing securities	–	–	–	–	3,157,187	2,436,873	3,158,126	2,437,788
Of which: covered bonds	–	–	–	–	1,126,021	1,105,670	1,126,857	1,106,482
Of which: securitisations	–	–	–	–	-	-	-	-
Of which: issued by national governments	–	–	–	–	1,331,203	1,331,203	1,331,306	1,331,306
Of which: issued by financial companies	–	–	–	–	-	-	-	-
Of which: issued by non-financial companies	–	–	–	–	699,963	-	699,963	-
Other assets	76,050	–			40,909,193	2,483,630		

EU AE3 TEMPLATE – SOURCE OF ENCUMBRANCE

2021	Matching liabilities, contingent liabilities or securities on loan	Encumbered assets, collateral received and own interest-bearing securities issued with the exception of covered bonds and asset-backed securities
Certain financial liabilities, carrying amount	36,728	35,860

2020	Matching liabilities, contingent liabilities or securities on loan	Encumbered assets, collateral received and own interest-bearing securities issued with the exception of covered bonds and asset-backed securities
Certain financial liabilities, carrying amount	78,219	76,050

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 where the probability of default is connected to factors such as industries, geographic areas, etc.
- Concentration in a certain type of collateral, e.g. a certain marque.

The bank's portfolio is not very diversified, as it consists largely of different forms of vehicle finance, creating a concentration risk with vehicles as collateral; moreover the bank's activities are concentrated to the Swedish market.

The 30 biggest customers account for 9.0% (9.2) of total lending. The sector in which the bank has the single largest amount of lending is motor vehicle trade/repair, which makes up 9.3% of total lending. The bank uses a system which enables it to easily obtain an overview of its overall counterparty exposure.

MARKET RISK

INTEREST RATE RISK IN THE BANKING BOOK

The bank defines interest rate risk as the current and future risk that net interest income and/or the economic value of the bank's assets and liabilities will deteriorate due to an unfavourable development of market interest rates. The bank is only exposed to interest rate risk within the bank's interest-bearing assets and liabilities in the banking book (i.e. the lending portfolio, the liquidity reserve and the bank's borrowings), since it does not have a trading book.

Interest rate risk in the banking book consists of three risk components; gap risk, option risk and basis risk.

The bank endeavours to minimise interest rate risk by matching fixed-rate terms of borrowings with those of loans. In cases where the bank borrows at long fixed-rate terms, interest rate swaps are used to hedge the resulting interest rate risk. Fixed-rate loans accounted for SEK 1.1 billion, or 3%, of total lending on 31 December 2021. Swaps are also used in cases where loans are issued at fixed rates, which occurs to a very limited extent, with such loans accounting for just 2.1% (1.3) of total lending at year-end. The absolute majority of the bank's lending and borrowing have short fixed-rate terms, usually up to 3 months. The bank's financial policy stipulates the allowable level of interest rate risk; the policy is updated as necessary and decided by the Board. Interest rate risk is reported to the Board on an ongoing basis.

The bank's interest rate risk management follows the EBA guidelines on management of interest rate risk outside the trading book. The bank stress-tests the interest rate risk of its assets, liabilities and cash flows from derivative instruments on a monthly basis. A gap analysis shows the effect on net interest income over a 12-month period from an interest rate shock resulting in an immediate parallel shift of the yield curve of 1 percentage point. The financial policy prescribes limits for the size of this effect in relation to earnings and the size of the gaps for each time period. The time periods are divided into 19 time pockets with intervals ranging from 1 day up to 5 years.

On 31 December 2021, interest rate risk was SEK 72.8 million (67.9), representing 1.6% (1.6) of the capital base. In this calculation no term has been used for equity including untaxed reserves. Furthermore, an assumption is made regarding a reasonable change in interest rates and a parallel shift of the yield curve of 0.25%, where interest rate risk totals SEK 18.2 million (17.0). Interest rate risk is also measured as the impact on the economic value of equity. Six interest rate shock scenarios are used to identify the parallel and non-parallel gap risk for the economic value. The interest rate shock scenarios applied are parallel shock up and down, steepener shock (short rates down and long rates up), flattener shock (short rates up and long rates down) and short rates shock up and down. Assuming a 2 percentage point parallel shock, the effect on the economic value on 31 December 2021 is SEK 10.1 million (3.5).

Cases where customers wish to redeem fixed-rate loans prematurely, and where the bank is unable to charge early redemption fees, create an interest rate risk exposure, or option risk. The bank monitors such lending exposure on a monthly basis and makes ongoing provisions to hedge the risk. It is assumed that 20% of the average credit volume for the year will be redeemed when 12 months of the original average maturity of the portfolio has passed, with a 1.5 percentage point decline in interest. Reservable funds are provided by risk coverage in the interests margin. The bank has low option risk; on 31 December 2021, lending without interest rate differential compensation totalled SEK 125.5 million (28.7), and the interest rate differential reserve was SEK 1.2 million (0.5).

Basis risk in the banking book arises from an interest rate risk perspective when positions with similar interest rate fixing dates are reset against different interest rate indices on the asset and liability sides. Interest rate indices include IBOR rates (STIBOR, NIBOR, etc.) with different maturities. Since the bank's variable rate lending and borrowing mainly have 3-month STIBOR as the reference rate, the exposure to basis risk is limited. The liability, which has a nominal amount of SEK 13.1 billion, consists of market borrowings and liabilities to credit institutions. The asset side consists of loans to the public and derivatives totalling SEK 30.5 billion and securities of SEK 1.9 billion. The bank also has loan assets of SEK 570 million linked to the 1-month STIBOR reference rate. The bank's basis spread risk is low; on 31 December 2021 the risk totalled SEK 2.1 million (0.3).

CREDIT SPREAD RISK IN THE BANKING BOOK

Volvofinans Bank defines credit spread risk as the risk of a reduction in the market value of its holdings of transferable instruments in the liquidity portfolio as a result of a change in the credit spread of the securities. Since the bank has no trading book, exposure to credit spread risk only exists within the bank's liquidity portfolio, which consists of commercial papers, covered bonds and municipal bonds. However, credit spread risk in the liquidity portfolio is very limited as the bank follows conservative rules of conduct regarding the creditworthiness of issuers, the maturity of securities and the ownership structure.

The bank complies with EBA guidelines (EBA/GL/2018/02) regarding credit spread risk, where securities that could be affected by credit spread risk are monitored on an ongoing basis through quarterly measurement and reporting. The bank has used the standard method proposed by the Swedish FSA (FSA ref. no. 19-4434) for the calculation of capital surcharges for credit spread risk. The method applies a stress test based on a table with a predefined standard premium for credit spreads based on the security's issuer category and the issuer's creditworthiness. The bank's credit spread risk is low; on 31 December 2021, the volume in the liquidity portfolio totalled SEK 3.0 billion (3.1) and a credit spread risk was SEK 4.5 million (4.6).

FIXED INTEREST TERMS FOR THE BANK'S INTEREST-BEARING ASSETS AND LIABILITIES

31/12/2021

SEK million **Assets**	O/N	O/N ≤ 1M	1M ≤ 3M	3M ≤ 6M	6M ≤ 9M	9 ≤ 1Y	1Y ≤ 1.5Y	1.5Y ≤ 2Y	2Y ≤ 3Y	3Y ≤ 4Y	4Y ≤ 5Y	5Y ≤ 6Y	> 6Y	Non interest-bearing	Total
Treasury bills eligible as collateral		226	1,360												**1,586**
Lending to credit institutions		2,234													**2,234**
Lending*	17	37,906	38	16	18	30		231	353	46	13	3	1		**38,669**
Bonds and other interest-bearing securities			1,453												**1,453**
Shares and partici-pations in associates and other companies														11	**11**
Shares and partic-ipations in Group companies														7	**7**
Intangible non-current assets														19	**19**
Tangible assets: inventory														6	**6**
Other assets														770	**770**
Prepaid expenses and accrued income														65	**65**
Total assets	**17**	**40,366**	**2,851**	**16**	**18**	**30**		**231**	**353**	**46**	**13**	**3**	**1**	**878**	**44,820**

SEK million **Liabilities and equity**	O/N	O/N ≤ 1M	1M ≤ 3M	3M ≤ 6M	6M ≤ 9M	9 ≤ 1Y	1Y ≤ 1.5Y	1.5Y ≤ 2Y	2Y ≤ 3Y	3Y ≤ 4Y	4Y ≤ 5Y	5Y ≤ 6Y	> 6Y	Non interest-bearing	Total
Liabilities to credit institutions			-1,069												**-1,069**
Deposits and borrowing from the public	-21,795														**-21,795**
Securities issued		-3,740	-8,091	-150		-403	-303			-253	-153				**-13,092**
Other liabilities														-1,033	**-1,033**
Accrued expenses and deferred income														-1,312	**-1,312**
Subordinated liabilities		-400													**-400**
Untaxed reserves														-5,533	**-5,533**
Equity														-586	**-586**
Total liabilities and equity	**-21,795**	**-4,140**	**-9,160**	**-150**		**-403**	**-303**			**-253**	**-153**			**-8,464**	**-44,820**
Derivative instruments		**213**	**-268**		**-5**	**330**	**300**	**-122**	**-193**	**29**	**-17**				**267**
Net assets and liabilities	**-21,778**	**36,439**	**-6,578**	**-134**	**12**	**-43**	**-3**	**109**	**160**	**-178**	**-157**	**3**	**1**	**-7,586**	
Cumulative exposure	**-21,778**	**14,661**	**8,083**	**7,949**	**7,962**	**7,918**	**7,916**	**8,025**	**8,184**	**8,006**	**7,850**	**7,852**	**7,853**	**267**	

* Consists of Loans and advances to the public and Tangible assets: lease items

31/12/2020

SEK million **Assets**	O/N	O/N ≤ 1M	1M ≤ 3M	3M ≤ 6M	6M ≤ 9M	9 ≤ 1Y	1Y ≤ 1.5Y	1.5Y ≤ 2Y	2Y ≤ 3Y	3Y ≤ 4Y	4Y ≤ 5Y	5Y ≤ 6Y	> 6Y	Non interest-bearing	Total
Treasury bills eligible as collateral			1,331												**1,331**
Lending to credit institutions		2,484													**2,484**
Lending*	46	37,148	47	14	7	12		108	269	28	4	2			**37,685**
Bonds and other interest-bearing securities		306	1,520												**1,826**
Shares and partici-pations in associates and other companies														10	**10**
Shares and partic-ipations in Group companies														7	**7**
Intangible non-current assets														20	**20**
Tangible assets: inventory														9	**9**
Other assets														708	**708**
Prepaid expenses and accrued income														62	**62**
Total assets	**46**	**39,938**	**2,898**	**14**	**7**	**12**		**108**	**269**	**28**	**4**	**2**		**816**	**44,142**

SEK million **Liabilities and equity**	O/N	O/N ≤ 1M	1M ≤ 3M	3M ≤ 6M	6M ≤ 9M	9 ≤ 1Y	1Y ≤ 1.5Y	1.5Y ≤ 2Y	2Y ≤ 3Y	3Y ≤ 4Y	4Y ≤ 5Y	5Y ≤ 6Y	> 6Y	Non interest-bearing	Total
Liabilities to credit institutions			-1,231												**-1,231**
Deposits and borrowing from the public	-22,309														**-22,309**
Securities issued		-4,125	-7,028					-402	-302		-252				**-12,109**
Other liabilities														-1,057	**-1,057**
Accrued expenses and deferred income														-1,329	**-1,329**
Subordinated liabilities		-400													**-400**
Untaxed reserves														-5,039	**-5,039**
Equity														-668	**-668**
Total liabilities and equity	**-22,309**	**-4,525**	**-8,529**					**-402**	**-302**		**-252**			**-8,093**	**-44,142**
Derivative instruments		**80**	**-680**		**-15**	**-9**		**308**	**167**	**-66**	**141**				**-75**
Net assets and liabilities	**-22,263**	**35,493**	**-6,041**	**14**	**-8**	**3**		**14**	**134**	**-38**	**-107**	**2**		**-7,277**	
Cumulative exposure	**-22,263**	**13,230**	**7,188**	**7,202**	**7,194**	**7,198**	**7,198**	**7,211**	**7,345**	**7,307**	**7,200**	**7,202**	**7,202**	**-75**	

* Consists of Loans and advances to the public and Tangible assets: lease items

CURRENCY RISK

Foreign exchange risk arises in cases where the bank chooses to borrow or lend money in foreign currency. Under the financial policy, no foreign exchange risk may exist. When borrowing in foreign currency, the bank enters into cross-currency interest rate swaps to eliminate the foreign exchange risk. Effective elimination of the foreign exchange risk is achieved by making sure the terms, nominal amounts and interest payment dates of the agreements match the terms of the bank's foreign currency financing. However, there may be an effect on earnings during the term due to differences in the valuation methods used for the hedged item and hedging derivative. The bank has entered into cross-currency interest rate swaps with a nominal value of SEK 650 million (650) as of 31 December 2021. There is no lending in foreign currency. The bank's currency exposure amount at year-end was SEK 0 (0). For carrying amounts of assets and liabilities in foreign currency, see Notes 27 (Derivatives – Assets and Liabilities) and 29 (Liabilities to credit institutions and securities issued).

RESIDUAL VALUE RISK

This refers to the risk that the residual value on a vehicle guaranteed by the bank on the final day of the lease is higher than the actual market value, and the bank thereby sustains a loss. As of 31/12/2021, the bank reported an impairment loss of SEK 124.9 million (80.3) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. Guaranteed residual values amounted to SEK 7,050 million (6,313), which includes both own and transferred contracts. The carrying amount of operating leases directly guaranteed by the bank was SEK 6,781 million (5,620) as of 31 December 2021. The guaranteed residual value of these contracts amounted to SEK 4,886 million (3,902).

EQUITY RISK IN OTHER OPERATIONS

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

	2021	2020
Balance sheet value		
Associates and other companies	10,899	9,761
Group companies	6,742	6,742
Total	**17,641**	**16,503**
Fair value		
Associates and other companies	10,899	9,761
Group companies	6,789	6,789
Total	**17,688**	**16,550**
Unrealised gains or losses		
Associates and other companies	8,757	6,430
Group companies	–	–
Total	**8,757**	**6,430**

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 risks, disruptions within the payment area, project risks, IT risks, cyber risks and compliance risks e.g. money laundering, financing of terrorism and other financial crime.

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 of the bank's activities and in its interaction with external parties. The bank arranges regular risk identification and self-assessment workshops with key individuals in the company to identify operational risks. All operational risks identified are categorised based on their management and effect 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, organised approach involving the use of policies and processes for managing operational risks. The management of operational risk is an ongoing process involving the use of tools such as self-assessments and incident reporting to capture incidents that have occurred, and to identify, monitor and address ongoing operational risks in accordance with the process below.

The bank's Board of Directors and management have overall responsibility for operational risk and for creating a high level of risk awareness at the bank. The departments are primarily responsible for managing operational risks in their own areas of activity. All employees also have a duty to protect the assets managed by the bank from harm, abuse or loss.

Incidents are reported in a case management system. The Risk Control unit is responsible for collating all reported incidents and for monitoring and controlling operational risks. It is also responsible for compiling information on operational risks and reporting to the CEO and Board of Directors (using incident reports, KRIs and risk reports) and for following up risk limitation measures from self-assessments, and for monitoring changes in the operations that may lead to a change in exposure to operational risk.

PENSION RISKS

The bank's pension plans are secured through an insurance policy with Alecta. In view of the provisions on retirement 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. However, under UFR 10 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 must 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 expensed in the income statement. Pension premiums for 2021 amounted to SEK 21,941 (18,045), of which KSEK 11,867 (10,032) refers to Alecta ITP 2 pensions.

In the traffic light method used by the 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 RISKS

Liquidity risk is the risk that the bank will be unable to fulfil its payment obligations at maturity without a significant increase in the cost of the means of payment or, in the worst case is unable to fulfil its obligations at all.

Liquidity risk arises when maturities on lending and borrowing differ. 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, it could result in a lack of liquidity.

Liquidity risk is managed in accordance with the bank's financial policy. The policy describes financial risks, including liquidity risk, and specifies permissible liquidity risk. In addition to the financial policy, the bank has established a framework for management of liquidity risk, which is a policy document containing guidelines, instructions and strategies for the management of liquidity risk. The bank's liquidity and financing strategy and its 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 treasurer is responsible for keeping the document up to date. The financial policy documents are fundamental to the activities of the treasury, but are available to all employees. Liquidity risk stress tests are performed in conjunction with 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 treasury, 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, with the aim of ensuring a strong liquidity position and minimising impact in the event of liquidity problems. The bank's net cash outflows are also reported to make sure 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 finance department in close collaboration with the treasury and reported to the FSA on a monthly and quarterly basis.

The bank's liquidity coverage ratio (LCR), as calculated in accordance with Article 415 of the EU's Capital Requirements Regulation (CRR), was 225% at year-end. 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 116%.

To create flexibility in its borrowing and ensure its ability to manage periods of difficult refinancing conditions, the bank maintains a liquidity reserve. At year-end this reserve stood at SEK 5.3 billion (5.6). The reserve, whose composition is regulated by the financial policy, must consist of high-quality liquid debt securities and demand deposits with banks in Swedish kronor. The securities portion had a nominal amount of SEK 3.0 billion (58%) while deposits with other banks totalled SEK 2.2 billion (42%). The size of the liquidity reserve must be sufficient to ensure the ability to continue operations unhindered in the event of serious liquidity strains, with no injection of new external funding, for a period of at least three months using only the funds available in the reserve. Furthermore, the bank's liquidity reserve must always be 10% at a minimum in relation to lending; as of 31 December 2021, this ratio was 14% (15).

LIQUIDITY RESERVE

Amounts in SEK million, securities at market value	31/12/2021	31/12/2020
Balances with other banks	2,234	2,484
Securities issued by the state		
Securities issued by municipalities and other public bodies	1,586	1,331
Other covered bonds	853	1,126
Securities issued by non-financial companies	600	700
Total	**5,273**	**5,641**

Of the bank's total liquidity reserve of SEK 5,273 million, SEK 4,673 million was accounted for by securities and deposits with other banks. They qualify as liquidity reserve under the Swedish Financial Supervisory Authority's regulations (FFFS 2010:7) on management of liquidity risk.

The bank's credit facilities constitute a significant complement to the liquidity reserve. These back-up facilities have mostly been agreed with the bank's core banks. The back-up facilities are not normally used and stood at SEK 4.3 billion (4.8) at year-end. Facilities with an option to demand same-day payment total SEK 1.8 billion; otherwise payment is made 2–3 business days after the demand. The agreements do not contain any material adverse change (MAC) clauses or financial covenants that could prevent the bank from drawing on the facilities.

OTHER LIQUIDITY-CREATING FACILITIES

Undrawn limits, SEK million	31/12/2021	31/12/2020
Overdraft facilities with credit institutions	155	155
Credit facilities with credit institutions and owners	4,250	4,750
Total	**4,405**	**4,905**

Under the bank's financial policy, all short-term borrowings (< 1 year) and 20% 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 geographical markets. To achieve an appropriate distribution of loan maturities, the amount falling due in any individual calendar week is limited. The proportion of long-term borrowing in the form of market borrowing and bank credits must be at least 60%. On 31 December 2021 it was 65% (76).

In order to reduce the proportion of market borrowing, and thus also the refinancing risk, Volvofinans Bank offers savings accounts aimed at private individuals. The majority of the bank's savings account customers are customers with whom the bank has an existing relationship, i.e. customers that have previously used Volvofinans Bank's other services or have held a savings account for 12 months or more. These customers accounted for 90% (91) of the savings account volume at year-end. Although the savings account has no fixed term, its 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.

2021 SEK million	To be paid on demand	Within 3 months	Longer than 3 months but no more than 1 year	Longer than 1 year but no more than 3 years	Longer than 3 years but no more than 5 years	Longer than 5 years	Total
Financial assets							
Treasury bills eligible as collateral	–	488	256	840	–	–	1,584
Lending to credit institutions	2,234	–	–	–	–	–	2,234
Loans and advances to the public	–	4,462	7,568	12,884	3,739	693	29,346
Bonds and other interest-bearing securities	–	652	254	546	–	–	1,452
Tangible assets: lease items	–	1,015	3,630	5,970	109	3	10,727
Other assets, derivatives	–	3	0	2	0	–	5
Total	**2,234**	**6,620**	**11,708**	**20,242**	**3,848**	**696**	**45,348**
Financial liabilities							
Liabilities to credit institutions	–	43	227	813	–	–	1,083
Deposits and borrowing from the public	21,695	100	–	–	–	–	21,795
Securities issued	–	1,193	3,314	6,465	2,013	–	12,985
Other liabilities, derivatives	–	-2	-4	45	-2	–	37
Subordinated liabilities	–	1	4	12	12	409	438
Total	**21,695**	**1,335**	**3,541**	**7,335**	**2,023**	**409**	**36,338**
Cash flow, net	**-19,461**	**5,285**	**8,167**	**12,907**	**1,825**	**287**	
Unutilised credit facilities	1,405	4,250	2,750	750	–	–	
Liquidity gap	**-18,056**	**9,535**	**10,917**	**13,657**	**1,825**	**287**	

2020 SEK million	To be paid on demand	Within 3 months	Longer than 3 months but no more than 1 year	Longer than 1 year but no more than 3 years	Longer than 3 years but no more than 5 years	Longer than 5 years	Total
Financial assets							
Treasury bills eligible as collateral	–	3	337	990	–	–	1,330
Lending to credit institutions	2,484	–	–	–	–	–	2,484
Loans and advances to the public.	–	4,253	7,516	12,878	3,612	680	28,939
Bonds and other interest-bearing securities	–	702	669	455	–	–	1,826
Tangible assets: lease items	–	909	3,690	5,386	87	3	10,075
Other assets, derivatives	–	3	1	7	–	–	11
Total	**2,484**	**5,870**	**12,213**	**19,716**	**3,699**	**683**	**44,665**
Financial liabilities							
Liabilities to credit institutions	–	43	428	681	96	–	1,248
Deposits and borrowing from the public	22,309	–	–	–	–	–	22,309
Securities issued	–	1,100	1,820	7,801	1,615	–	12,336
Other liabilities, derivatives	–	–	-3	45	-1	–	41
Subordinated liabilities	–	1	4	12	12	414	443
Total	**22,309**	**1,144**	**2,249**	**8,539**	**1,722**	**414**	**36,377**
Cash flow, net	**-19,825**	**4,726**	**9,964**	**11,177**	**1,977**	**269**	
Unutilised credit facilities	1,045	4,750	3,250	1,750	–	–	
Liquidity gap	**-18,420**	**9,476**	**13,214**	**12,927**	**1,977**	**269**	

MATURITY ANALYSIS OF LIABILITIES INCLUDING DERIVATIVES (NOMINAL AMOUNTS)

The interest flows in the table below are based, in the 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.

SEK million 2021	Within 3 months	Longer than 3 months but no more than 1 year	Longer than 1 year but no more than 3 years	Longer than 3 years but no more than 5 years	Longer than 5 years	Total
Liabilities to credit institutions	-43	-228	-818	–	–	-1,809
Securities issued	-1,193	-3,327	-6,527	-2,027	–	-13,074
Other liabilities, derivatives	2	-95	-50	-3	–	-146
Other assets, derivatives	3	-1	6	1	–	9
Subordinated liabilities	-1	-5	-17	-20	-416	-459
Total	**-1,232**	**-3,656**	**-7,406**	**-2,049**	**-416**	**-14,759**

SEK million 2020	Within 3 months	Longer than 3 months but no more than 1 year	Longer than 1 year but no more than 3 years	Longer than 3 years but no more than 5 years	Longer than 5 years	Total
Liabilities to credit institutions	-43	-428	-682	-96	–	-1,249
Securities issued	-1,100	-1,824	-7,814	-1,621	–	-12,359
Other liabilities, derivatives	–	2	-43	-1	–	-42
Other assets, derivatives	3	–	7	–	–	10
Subordinated liabilities	-1	-4	-12	-14	-420	-451
Total	**-1,141**	**-2,254**	**-8,544**	**-1,732**	**-420**	**-14,091**

STRATEGIC RISKS

The bank's definition of strategic risk is 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 definition of strategic risk includes earnings, customer and competitor behaviour, changes to laws and regulations and economic conditions.

The primary objective of risk management is to make sure 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 pro-actively 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 frequently with the aim of identifying strategic risks. The bank also has well developed strategies for how the organisation should work with customers and address competition.

SUSTAINABILITY RISKS

Because the bank's operations are affected by a number of different fields and stakeholders, sustainability-related risks can affect every area of the bank. Sustainability-related risks themselves comprise other risks, mainly strategic risk and credit risk.

The bank manages ESG risks when granting credit to companies, works internally with well-being for personnel, and takes action against financial crime etc. In addition to this, the bank has a number of strategic risks that are managed on an ongoing basis and for which there is capital adequacy. The strategic risks include legal risks, risks associated with customer behaviour, transformational risks and revenue risks. For strategic risks, the bank has chosen to maintain a capital buffer (5% of minimum capital requirement under Pillar 1) in capital adequacy. For further information concerning the bank's sustainability work, refer to the sustainability report.

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 make sure the bank is perceived as highly transparent by all stakeholders and that these stakeholders have a favourable perception of the bank.

Reputational risks are the most difficult to protect against. The bank has taken measures to make sure this risk is managed to the greatest possible extent. Risk identification and self-assessment workshops with senior executives are held on an ongoing basis. 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 disclosure of information, and it strives to be seen as highly transparent by all stakeholders. The bank has a department responsible for its PR and communication. The department is tasked with ensuring communication plans are in place for identified reputation scenarios. Only the CEO may speak to the press.

Volvofinans Bank must maintain a high level of IT, system and card security.

The bank has internal procedures for handling complaints such as clear reporting paths and a complaints officer.

CAPITAL ADEQUACY ANALYSIS

The determination of the bank's statutory capital requirement is made under 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.

All Pillar 3 requirements are met in this annual report together with a separate Pillar 3 appendix, which is published on the bank's website.

The introduction of IFRS 9 has only had a marginal effect on the bank's capital adequacy. The IRB deficit is affected by the same amount as the bank's higher credit risk provision. The bank has decided that it will not opt for Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9. The reason for this is that the effect on the bank's capital adequacy is marginal.

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 ILAAP), 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, the 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 conducted to make sure the risks have been duly taken into account and reflect the bank's actual risk profile and capital needs. Any changes or additions to policy or strategy documents adopted by the Board are always reported in a similar way to important credit decisions and investments, and current and future capital requirements.

There are no ongoing or anticipated material or legal impediments to the rapid transfer of funds from the capital base or repayment of liabilities between the parent company and subsidiaries.

The countercyclical buffer was reduced to 0.0% as of 16/03/2020 for preventive purposes due to Covid-19.

Under its review and evaluation process, the Financial Supervisory Authority may decide on a specific capital base requirement and a gross leverage ratio requirement. The bank has not yet received an assessment from the FSA regarding specific Pillar 2 guidance.

NOTES

TEMPLATE EU KM1 – KEY METRICS TEMPLATE

	31/12/2021	30/09/2021	30/06/2021
Available capital base (amount)			
Common Equity Tier 1 (CET1) capital	4,722,671	4,608,800	4,486,705
Tier 1 capital	4,722,671	4,608,800	4,486,705
Total capital	5,122,671	5,008,800	4,886,705
Risk-weighted exposure amounts			
Total risk-weighted exposure amount	22,193,673	21,926,932	22,418,423
Capital ratio (as a percentage of the risk-weighted exposure amount)			
Common Equity Tier 1 capital ratio (%)	21.3	21.0	20.0
Tier 1 capital ratio (%)	21.3	21.0	20.0
Total capital ratio (%)	23.1	22.8	21.8
Additional capital base requirements to address risks other than the risk of excessive leverage (%)			
of which: to be made up of CET1 capital (percentage points)			
of which: to be made up of Tier 1 capital (percentage points)			
Total SREP capital base requirements (%)	8.0	8.0	8.0
Combined buffer requirement and overall capital requirement (as a percentage of the risk-weighted amount of exposure)			
Capital conservation buffer (%)	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risks identified at the level of a Member State (%)			
Institution-specific countercyclical capital buffer (%)			
Systemic risk buffer (%)			
Buffer for global systemically important institutions (%)			
Buffer for other systemically important institutions (%)			
Combined buffer requirement (%)	2.5	2.5	2.5
Overall capital requirements (%)	10.5	10.5	10.5
Available Common Equity Tier 1 capital after meeting the total capital base requirement for SREP (%)	16.8	16.5	15.5
Leverage ratio			
Total exposure measure	43,742,447	43,900,020	44,781,889
Leverage ratio (%)	10.8	10.5	10.0
Additional capital base requirements to address the risk of excessive leverage (%)			
of which: to be made up of CET1 capital (percentage points)			
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0
Leverage buffer and overall leverage ratio requirement (as a percentage of total exposure measurement)			
Leverage ratio buffer requirement (%)			
Overall leverage ratio requirement (%)	3.0	3.0	3.0
Liquidity coverage ratio			
Total high-quality liquid assets (weighted value – average)*	2,349,990	2,356,091	2,395,990
Cash outflows – Total weighted value*	4,116,682	4,067,382	4,014,465
Cash inflows – Total weighted value*	3,432,408	3,361,002	3,450,256
Total net cash outflows (adjusted value)	1,082,239	1,069,914	1,056,684
Liquidity coverage ratio (%)	219	223	230
Net stable funding ratio			
Total available stable funding	37,317,968	37,863,750	38,669,416
Total required stable funding	32,257,689	32,374,247	33,048,094
Net stable funding ratio (%)	116	117	117

* Calculated as the simple average of end-of-the-month observations over the past 12 months.

CAPITAL BASE

(Including the Board's proposed allocation of profits)

	31/12/2021	31/12/2020
Common Equity Tier 1 capital Instruments and reserves		
Capital instruments and the related share premium accounts	400,000	400,000
Retained earnings	16,013	14,878
Accumulated other comprehensive income (and other reserves)	4,432,324	4,041,185
Net interim profit after deductions for predictable expenses and dividends verified by persons in an independent position	292,000	–
Common Equity Tier 1 capital before regulatory adjustments	**5,140,337**	**4,456,063**
Common Equity Tier 1 capital: regulatory adjustments		
Further value adjustments (negative amount)	-48	-86
Intangible assets	-19,047	-20,182
Deferred tax assets dependent on future profitability, except those that arise as a result of temporary differences*	-292,000	–
Negative amounts resulting from the calculation of expected loss amount	-106,571	-153,511
Total regulatory adjustments to Common Equity Tier 1	**-417,666**	**-173,779**
Common Equity Tier 1 (CET1) capital	**4,722,671**	**4,282,284**
Tier 1 capital contribution: Instrument		
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Tier 1 capital contribution	**4,722,671**	**4,282,284**
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	400,000	400,000
Tier 2 capital before regulatory adjustments	**400,000**	**400,000**
Tier 2 capital: regulatory adjustments		
Tier 2 capital	**400,000**	**400,000**
Total capital (Common Equity Tier 1 capital + Tier 2 capital)	**5,122,671**	**4,682,284**
Total risk-weighted assets	**22,193,673**	**21,368,095**

* Net after a reduction for an associated tax liability when the conditions in article 38.3 are met. Negative amount.

CAPITAL REQUIREMENT AND RISK-WEIGHTED EXPOSURE AMOUNT

	31/12/2021			31/12/2020		
Credit risk STD	**Capital requirement**	**Risk-weighted exposure amount**	**Average risk weighting**	**Capital requirement**	**Risk-weighted exposure amount**	**Average risk weighting**
Exposures to states and central banks	–	–	–	–	–	–
Exposures to municipalities, and comparable home-owners associations and authorities	–	–	–	–	–	–
Exposures to administrative bodies, non-commercial companies and religious communities	140	1,746	20.0%	762	9,528	100.0%
Exposures to institutions	37,380	467,254	20.0%	41,969	524,608	20.0%
of which counterparty risk	(865)	(10,814)	(–)	(785)	(9,815)	(–)
Corporate exposures	18,841	235,516	89.3%	13,477	168,464	93.1%
Retail exposures	23,700	296,249	62.1%	25,114	313,921	66.3%
Exposures in default	229	2,867	150.0%	245	3,069	150.0%
Covered bonds	6,821	85,268	10.0%	9,008	112,602	10.0%
Equity exposures	1,411	17,641	100.0%	1,320	16,503	100.0%
Other items	2,150	26,873	100.0%	2,034	25,428	100.0%
Total capital requirements for credit risks according to the standardized method	**90,673**	**1,133,414**	**20.0%**	**93,929**	**1,174,123**	**19.9%**
Credit risk according to IRB						
Corporate exposures	532,525	6,656,565	69.5%	533,128	6,664,099	73.9%
Retail exposures	599,089	7,488,610	24.0%	564,542	7,056,770	22.3%
Non credit-obligation assets exposure	382,050	4,775,621	100.0%	355,402	4,442,526	100.0%
Total capital requirements for credit risks according to the IRB	**1,513,664**	**18,920,795**	**41.0%**	**1,453,072**	**18,163,395**	**40.3%**
Total	**1,604,337**	**20,054,209**	**39.1%**	**1,547,001**	**19,337,518**	**37.9%**
Operational risk according to the basic indicator approach	170,024	2,125,302	–	160,693	2,008,657	–
Credit value adjustment (CVA)	1,133	14,161	–	1,754	21,920	–
Total minimum capital requirement and risk-weighted exposure amount	**1,775,494**	**22,193,673**	**–**	**1,709,448**	**21,368,095**	**–**

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 initial capital (the capital that was required when the company received a licence to provide financing services).

CAPITAL ADEQUACY

	31/12/2021	31/12/2020
Risk-weighted assets (RWA)	22,193,673	21,368,095
Available capital in relation to RWA		
Common Equity Tier 1 capital ratio, %*	21.28	20.04
Tier 1 capital ratio, %	21.28	20.04
Total capital ratio, %**	23.08	21.91
Common Equity Tier 1 capital ratio available for use as a buffer	3,723,956	3,320,720

* 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

	31/12/2021			31/12/2020		
Per cent	Common Equity Tier 1 Capital requirement	Tier 1 Capital requirement	Total capital base requirement	Common Equity Tier 1 Capital requirement	Tier 1 Capital requirement	Total capital base requirement
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	–	–	–	–	–	–
Total	**7.0**	**8.5**	**10.5**	**7.0**	**8.5**	**10.5**
Amount						
Minimum capital requirement	998,715	1,331,620	1,775,494	961,565	1,282,086	1,709,448
Capital conservation buffer	554,842	554,842	554,842	534,202	534,202	534,202
Countercyclical buffer	–	–	–	–	–	–
Total capital requirement	**1,553,557**	**1,886,462**	**2,330,336**	**1,495,767**	**1,816,288**	**2,243,650**

CAPITAL REQUIREMENT, CAPITAL BUFFERS AND INTERNALLY ASSESSED CAPITAL REQUIREMENT

31/12/2021	Capital requirement	Capital requirement / Total REA	Of which CET1 requirement / REA
Credit risk	1,604,337	7.2%	4.1%
Operational risk	170,024	0.8%	0.4%
CVA risk	1,133	0.0%	0.0%
Capital base requirement in Pillar 1 excluding buffer requirement	**1,775,494**	**8.0%**	**4.5%**
Concentration risk	257,363	1.2%	0.8%
Strategic risk	88,775	0.4%	0.3%
Market risk	75,744	0.3%	0.2%
Addition for internally assessed capital requirement in Pillar 2	**421,882**	**1.9%**	**1.3%**
Capital conservation buffer	554,842	2.5%	2.5%
Countercyclical capital buffer	–	–	–
Buffer requirement	**554,842**	**2.5%**	**2.5%**
Capital requirements	**2,752,217**	**12.4%**	**8.3%**
Capital base	**5,122,671**	**23.1%**	**21.3%**
Capital surplus	**2,370,454**	**10.7%**	**10.4%**

31/12/2020	Capital requirement	Capital requirement / Total REA	Of which CET1 requirement / REA
Credit risk	1,547,001	7.2%	4.1%
Operational risk	160,693	0.8%	0.4%
CVA risk	1,754	0.0%	0.0%
Capital base requirement in Pillar 1 excluding buffer requirement	**1,709,448**	**8.0%**	**4.5%**
Concentration risk	305,968	1.4%	0.9%
Strategic risk	85,472	0.4%	0.3%
Market risk	65,000	0.3%	0.2%
Addition for internally assessed capital requirement in Pillar 2	**456,440**	**2.1%**	**1.4%**
Capital conservation buffer	534,202	2.5%	2.5%
Countercyclical capital buffer	–	–	–
Buffer requirement	**534,202**	**2.5%**	**2.5%**
Capital requirements	**2,700,090**	**12.6%**	**8.4%**
Capital base	**4,682,284**	**21.9%**	**20.0%**
Capital surplus	**1,982,194**	**9.3%**	**9.1%**

The internal capital evaluation on 31 December 2021 resulted in an internal capital requirement of SEK 2,197 (2,166).
If the combined buffer requirement is included, the bank's capital requirement totals SEK 2,752 million (2,700).
Therefore the capital surplus, calculated on the internal capital requirement including the buffer requirement, totals SEK 2,370 million (1,982).

LEVERAGE RATIO

	31/12/2021	31/12/2020
Tier 1 capital	**4,722,671**	**4,282,284**
Total assets according to public financial statements	45,112,105	44,142,431
Adjustments for financial derivative instruments	54,071	49,159
Adjustments for off-balance sheet items (i.e. conversion to credit equivalents for off-balance sheet exposures)	1,111,514	1,620,270
Other adjustments	-2,535,243	-2,075,416
Exposure measurement	**43,742,447**	**43,736,444**
Leverage ratio, %	**10.80**	**9.79**

KEY COMPONENTS OF CAPITAL INSTRUMENTS

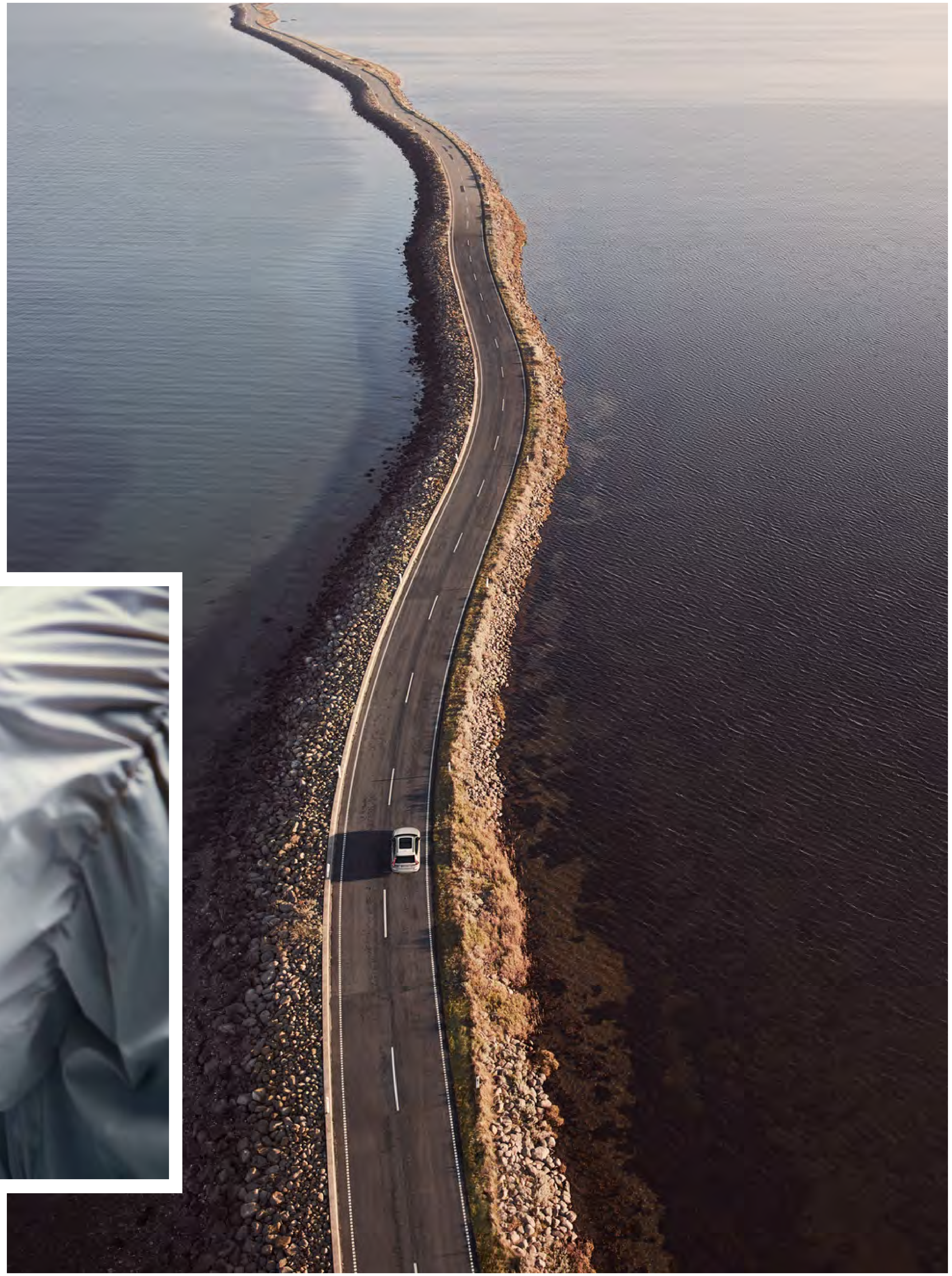
Issuer	Volvofinans Bank AB	Volvofinans Bank AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	SE0011062744
Governing law(s) of the instruments	Swedish law	Swedish law
Legal treatment		
Transitional rules of the Capital Requirements Regulation	Common Equity Tier 1 (CET1) capital	Tier 2 capital
Post-transitional rules of the Capital Requirements Regulation	Common Equity Tier 1 (CET1) capital	Tier 2 capital
Eligible at solo/consolidated (sub-consolidated level)/solo and consolidated (sub-consolidated) level	Individual	Individual
Instrument type (types to be specified by each jurisdiction)	Share capital	Subordinated loan
Amount recognised in regulatory capital as of most recent reporting date	400,000	400,000
Nominal amount of instrument	400,000	400,000
Issue price	N/A	100 %
Redemption price	N/A	100 %
Accounting classification	Equity	Liability at amortised cost
Original issue date	1959	28/03/2018
Perpetual order dated	Perpetual	Dated
Original maturity date	N/A	11/04/2028
Issuer call subject to prior approval by supervisory authority	**N/A**	**Yes**
Optional call date, contingent call dates and redemption amount	N/A	Contingent redemption date 11 April 2023. The full amount
Subsequent call dates, if applicable	N/A	Then on each subsequent interest maturity date
Coupons/dividends		
Fixed or floating dividend/coupon	N/A	Floating coupon
Coupon rate or any related index	N/A	3-month STIBOR + 1.45
Existence of dividend stopper	N/A	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory
Existence of step up or other incentive to redeem	N/A	No
Non-cumulative or cumulative	**Non-cumulative**	**Non-cumulative**
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	No	No
Instrument ranking in normal insolvency proceedings	Common Equity Tier 1 (CET1) capital	Subordinated
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Senior non-preferred
Non-compliant transitioned features	No	No

CAPITAL MANAGEMENT

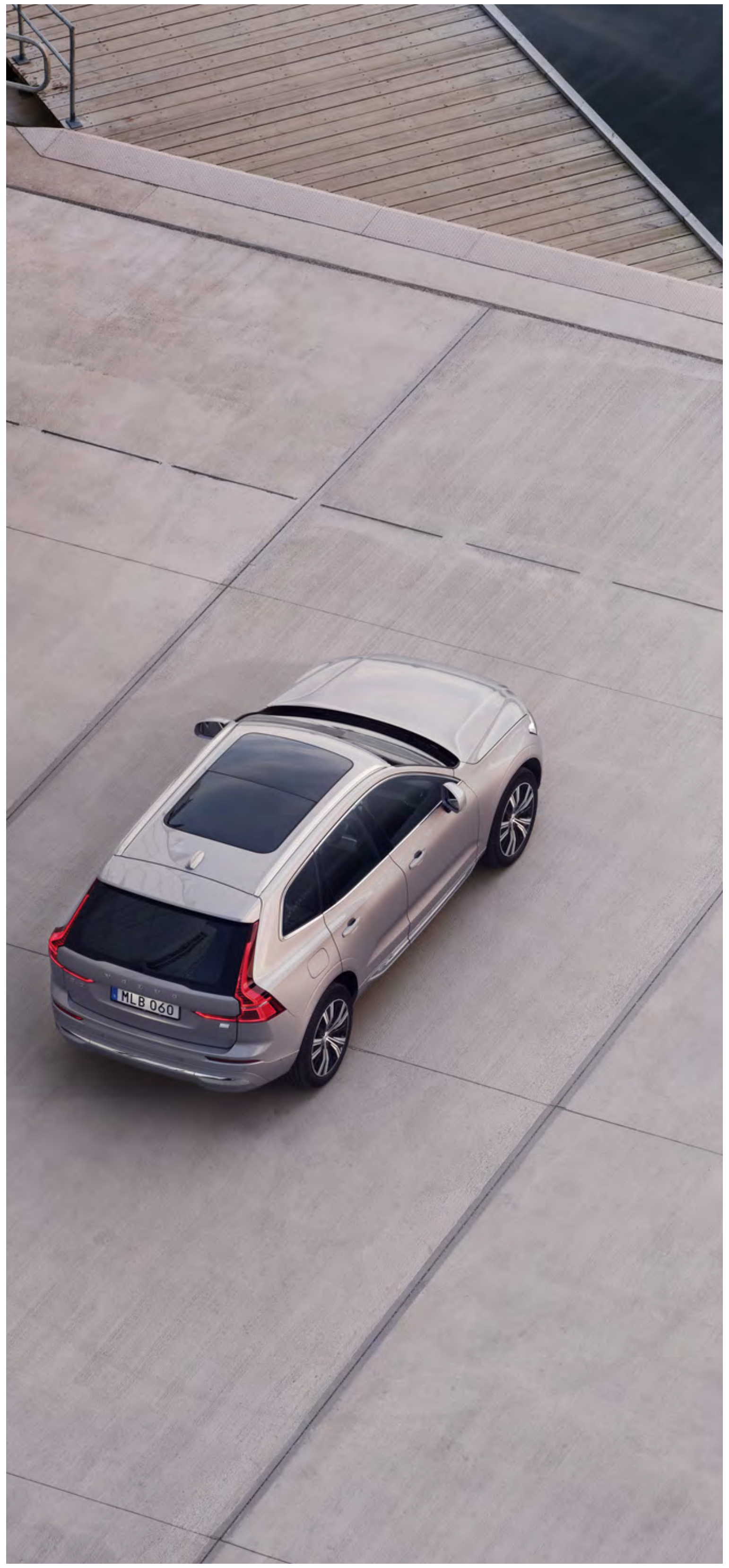
The bank's strategies and methods for assessing and maintaining its capital base requirement are determined by its risk management. The bank's risk management seeks to identify and analyse the risks that arise in the course of its operations, and to define appropriate limits for such risks and make sure the required controls are in place. The risks are monitored and regular checks made to ensure limits are not exceeded. The bank has an integrated function for independent risk control that reports directly to the CEO and is tasked with analysing changes in risks and proposing amendments to policies 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 that makes sure the bank clearly and correctly identifies, measures and manages all risks to which it is exposed, and makes an assessment of its internal capital requirement in relation to this. This also includes making sure the bank has risk management systems and appropriate governing and control functions 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 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. The Board of Directors and management consider the Bank's risk management to be satisfactory and that its risk management system is appropriate and consistent with its existing strategies.



NOTE 3. ACCOUNTING POLICIES



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, i.e. the standards 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 24 March 2022. The income statement and balance sheet will be submitted for adoption at the Annual General Meeting on 9 June 2022.

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 36) 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 the bank's management to make judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience deemed reasonable under current circumstances. The outcomes of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities not otherwise clearly provided by other sources. Actual outcomes may deviate from these estimations and assumptions. Primarily, the bank made the following critical assessments when applying significant accounting policies:

- Choice of method for calculating expected credit losses.
- Whether the bank has assumed significant risks and benefits from the seller on acquisition of receivables and agreements.
- Impairment testing of lease items at risk of expected lower residual values.
- Choice of method for a deferred tax asset applicable to a tax reduction for investments in inventory acquired in 2021.

The areas where there may be uncertainty concerning the estimation, are the assumptions on credit loss impairments, estimations of expected residual values for lease items and uncertainty as to how large a part of the lease stock will be redeemed early or disposed of in some other way in 2022; see also Note 17.

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

3.4 CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS during 2021 had no material effect on the bank's financial statements.

3.4.1 Application of new IFRS and future regulations

THE IBOR REFORM

In August 2020, IASB published phase two in respect of amendments to IAS 39, IFRS 9 and IFRS 7 in response to the ongoing reference rate (IBOR) reforms. The amendments are mandatory and applicable as of 1 January 2021. The amendments relate mainly to hedge accounting requirements and provide relief for maintaining hedging relationships despite potential uncertainties resulting from the IBOR reform. The reform also introduces further disclosure requirements for hedging relationships affected by the uncertainty of the ongoing reference rate reforms:

- Significant exposure to reference interest rates and their scope.
- How the bank handles the transition to the new alternative reference interest rates.
- Significant assumptions and judgements used by the bank when applying the amendments.
- The nominal amount on hedge relationships to which relief is applied.

The bank has exposure to Stibor and Nibor for derivatives where hedge accounting is not applied. For derivatives where hedge accounting is applied and for other financial instruments, there is only exposure to Stibor; see additional information concerning derivatives in Note 27 and the section on market risk in Note 2. Because the bank does not apply cash flow hedges, no effects should arise in the accounts except possibly when IBOR reforms are fully implemented and have an impact on the bank's derivative agreements and other financial instruments linked to reference interest rates.

3.5 OPERATING SEGMENT

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. An operating segment's earnings are regularly reviewed by the bank's management for the purpose of evaluating financial performance and allocating resources to the operating segment. See Note 4 for further segment information.

3.6 SUBSIDIARIES AND ASSOCIATES

The bank accounts for participations in subsidiaries and associates using the cost method. Profit from associated companies is reported under Other operating income.

3.7 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 on 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 on the transaction date. Non-monetary assets and liabilities measured at fair value are translated to the functional currency at the rate applying at the time of measurement at fair value.

3.8 INTEREST INCOME AND EXPENSES AND DIVIDEND

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 carrying amount 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 receivable or liability and the amount settled at maturity.

Interest income from financial assets valued at amortised cost are recognised on an 'of which' line.

Interest income is recognised on the basis of the net value of the assets in stage 3 and the gross carrying amount (i.e. excluding loss provisions) for assets in stages 1–2.

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.
- Interest on derivatives for which hedge accounting is not applied and which is measured at fair value through profit or loss.
- Interest paid and accrued on derivatives that are hedging instruments and for which hedge accounting is applied.
- Interest on financial assets measured at fair value.

Negative interest income is reported as interest expense and positive interest expense is reported as interest income.

Dividends from shares and participations are reported in the item Dividends received when the right to receive payment is determined.

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

3.9 COMMISSION AND FEE INCOME

The bank does not provide any combined services in which the period for meeting performance commitments differs. The most common payment terms are 30 days.

• 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 asset, which is allocated to accounting periods using the effective interest method and is thus accounted for as interest income and not as commission income. These commissions and fees comprise mainly 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.

• Commissions and fees that accrue as performance commitments are fulfilled

Commissions and fees relating to financial services performed on an ongoing basis, and where the services (performance commitments) are achieved gradually, are reported and allocated as income over the period during which the service is provided and the performance commitment is fulfilled. These services and fees relate primarily to fees for credit facilities or other types of loan promise where it is not likely that the facility will be used, as well as to fees and commissions for the provision of financial guarantees.

3.10 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 notification fees, and debit and credit card fees.

3.11 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, consist mainly of 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.

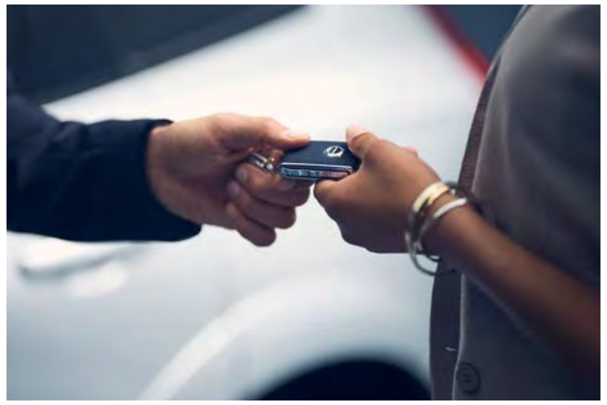
3.12 CLASSIFICATION OF LEASES AND RECOGNITION OF LEASE INCOME

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 under the rules for operating leases, which means that assets for which a lease has been concluded (regardless of whether it is a finance or operating lease) are recognised in the same line of the balance sheet as 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 depreciation according to plan.

'Net lease income from finance leases that are accounted for as operating leases' (see also Note 6) includes depreciation according to plan over the term of the lease and is recognised using the annuity method (see also basis of depreciation). Accordingly, 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 that constitute operating leases based on their economic substance includes depreciation according to plan allocated over the term of the lease and is recognised on a straight-line basis (see also basis of depreciation). This means net income is held constant over the term of the contract.

In all of the bank's leases with customers, the customer has a contractual right to early termination. If the contractual interest rate is higher than the current interest rate, the customer must pay an amount to cover the difference. Because of this, the agreements are cancellable. However, monthly or quarterly interest already charged is not cancellable. See Note 32.



3.13 COMMISSION EXPENSES

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.

3.14 NET RESULT FROM FINANCIAL TRANSACTIONS

Net result from financial transactions includes realised and unrealised changes in value arising from financial transactions.

Net result from financial transactions comprises:

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

3.15 GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise personnel 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, nor 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. Neither are temporary differences attributable to participations 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 loss carryforwards are recognised only to the extent that it is likely that it will be possible to use them. The value of deferred tax assets is reduced when it is no longer considered likely that the assets can be used. Tax on profit for the year includes current tax, deferred tax and tax in respect of prior years.

3.17 FINANCIAL INSTRUMENTS

Financial instruments recognised on the asset side of the balance sheet include treasury bills eligible as collateral, loans and advances to credit institutions, loans and advances to the public, bonds and other interest-bearing securities, other assets and accrued income. 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, borrowings from the public, 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.

3.17.1 Recognition and derecognition in the balance sheet

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 offset 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 on 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 a need for 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.

3.17.2 Classification and measurement

Financial instruments are recognised initially at the fair value of the instrument plus transaction costs, except for derivatives classified as financial assets or liabilities at fair value, which are recognised at fair value less transaction costs.

All derivatives are measured initially and on a continual basis at fair value in the balance sheet. If hedge accounting is not applied, the changes in value are recognised in the income statement and derivatives are categorised as measured at fair value, even in cases where they hedge risk financially but where hedge accounting is not applied. If hedge accounting is applied, the changes in value of the derivative and the hedged item are reported in the manner described in the Derivatives and hedge accounting section.

Measurement of financial instruments at amortised cost

The bank's principles for the classification and measurement of financial assets are based on an assessment of the bank's business model for the management of financial assets and the characteristics of the contractual cash flows from the financial asset.

Apart from derivatives, all financial assets are measured at amortised cost. The assets are considered to be held in the context of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and that the contractual provisions for those assets give rise, at certain times, to cash flows that are only payments of principal and interest on the amount of the outstanding principal. Amortised cost is determined on the basis of the effective interest calculated at the time of acquisition. Provisions for expected credit losses are made for assets in this measurement category.

Apart from derivatives, all financial liabilities are measured at amortised cost. The company's financial assets and liabilities are categorised as described in Note 36.

Measurement of financial instruments at fair value

Fair values for financial assets and liabilities traded on an active market are based on quoted prices. The company uses other measurement techniques for other financial instruments. The bank uses observable data as far as possible. Financial instruments where trade is not frequent and fair value is therefore less objective, require the bank to make assessments to a varying extent depending on liquidity, concentrations, uncertainties regarding market factors, price assumptions and other risks affecting a specific instrument. For a description of the methods applied in fair value measurement of financial instruments, see Note 36.

3.18 DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are used to hedge the risks of financial interest and foreign exchange risks to which the bank is exposed. The derivatives used by the bank are interest rate swaps to manage interest rates and interest exchange rate swaps to hedge the bank's exposure to currency fluctuations; see the sections Currency risk and Market risk.

The bank has chosen to continue applying the hedge accounting rules in IAS 39. Hedging instruments consist of interest rate swaps for hedging interest rate risk. The hedged items consist of fixed-rate borrowing, and the hedged risk is the risk of change in the fair value as a result of interest rate fluctuations. 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.

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.

The bank has a non-dynamic hedging strategy.

When a hedging instrument is used to hedge a fair value, the derivative is recognised at fair value in the balance sheet and the hedged asset/liability is also recognised at fair value in respect of the hedged risk. The change in value of the derivative is recognised in the income statement together with the change in value of the hedged item in the income statement under the item Net result from financial items at fair value. Unrealised changes in value of the hedging instruments are recorded in the Net result from financial transactions and interest coupons (both accrued and paid) among interest income. The source of inefficiencies is any difference in the discount curves between the hedging instrument and the hedged item; see Note 27.

To meet the requirements for hedge accounting set forth 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 be in place 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%. 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 the income statement and allocated over a period of time until the expected maturity of the hedged item. If the hedged item is sold and realised, the change in value is recognised in the income statement immediately.

3.19 CREDIT LOSSES AND IMPAIRMENT RELATED TO CREDIT RISK

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 vehicle seller, with collateral in the form of vehicles through right of repossession or ownership rights. Under a recourse agreement with the dealer, the dealer bears the ultimate credit risk for these credit contracts if required by the bank.

A loss is incurred by the bank as a result of these contracts in the following circumstances:

1. The customer ceases to pay.
2. The vehicle seller lacks the ability to pay.
3. The market value of the recovered vehicle is less than the outstanding contractual debt.

In addition to vehicle finance, the bank's lending consists of loans and advances to the public in the form of card credits and other loans; loans and advances to credit institutions with bank deposits and investments in debt securities in the form of housing and municipal bonds and commercial papers. On each reporting occasion, the bank considers whether there is objective evidence indicating a need to impair a receivable.

3.19.1 Impairment of financial assets

The accounting policies mean that expected credit losses are reported for loans and advances to the public and other items on the balance sheet that are recorded at amortised cost. In addition, loss provisions on off-balance sheet exposures to submitted loan commitments are also recognised, e.g. unused card credits. In the initial accounts, a loss provision is reported based on what can be statistically expected for the next 12 months (stage 1). Where a significant increase in credit risk has occurred, the loss provision is instead calculated for the entire remaining expected term (stage 2 or, if the exposure is regarded as a credit impairment, stage 3).

The provision for credit losses is measured according to a model of expected credit losses and reflects a probability-weighted amount determined by evaluating a range of possible outcomes, while taking into account reasonable and verifiable information accessible on the reporting date. Credit loss provisions are measured on the basis of whether or not a significant increase has occurred in credit risk compared with the initial recognition of an instrument.

- Stage 1 covers financial instruments where no significant increase in credit risk has occurred since the initial recognition and the counterparty is covered by the bank's policy for low credit risk at the time of reporting.
- Stage 2 covers financial instruments where a significant increase in credit risk has occurred since the initial recognition but where, at the time of reporting, there is no objective evidence that the receivable is doubtful.
- Stage 3 covers financial instruments where objective evidence has been identified that the receivable is doubtful.

For financial instruments under stage 1, the provision corresponds to the credit loss expected to occur within 12 months, while for the financial instruments in stage 2, where a significant increase in credit risk has been identified, as well as doubtful receivables in stage 3, the provision corresponds to the expected credit losses for the remaining term of the financial instrument. The expected credit losses for the remaining term of the financial instrument represent losses from all default incidents possible during the remaining term of the financial instrument. The credit losses expected to occur within 12 months represent the part of the expected credit losses for the remaining term of the financial instruments that are due to default incidents within 12 months of the reporting date.

3.19.1.1 Recognition of expected credit losses – loans and advances to the public and loan commitments issued

The bank's loans and advances to the public consist mainly of card credits and vehicle loans reported at amortised cost.

Determination of a significant increase in credit risk

A credit that has been the subject of a significant increase in credit risk is no longer included in stage 1 but rather in stage 2 (provided that it is not credit-impaired). The bank considers whether a significant increase in credit risk has occurred by using a combination of individual and collective information, and reflects the increase in credit risk at the individual instrument level. The quantitative method used to assess increased credit risk consists of a forward-looking estimate of each individual risk of exposure to default. The method is based on the bank's system for classifying credit risk. The scale of rating classes goes from 1 (indicating the best risk class) to 8 (indicating the worst risk class). Depending on the initial rating of the loan, movement along a certain number of stages on this rating scale is required in the direction of a poorer rating in order for the credit risk to be considered to have increased significantly. The worse the initial rating, the fewer stages the rating needs to deteriorate before a significant increase in credit risk is considered to have arisen. When the borrower has overdue unpaid amounts older than 30 days, these exposures are always considered to be exposures with a significant increase in credit risk. If, at a later stage, the internal rating has improved to a sufficient extent, such that a significant increase in credit risk is no longer considered to apply when compared with the initial recognition, the credit will be reverted from stage 2 to stage 1.

The table below shows the risk category migrations that lead to the relegation of contracts from stage 1 to stage 2.

PD model (retail and SMEs)

Initial risk category	New risk category
1	5
2	5
3	5
4	5
5	6
6	7

In the case of Large Companies, a significant increase in credit risk is determined by manual assessment. When a new customer joins, an initial risk classification is performed; there follows an annual risk classification during which expert monitoring is carried out on the basis of three main sources. At 30 days late, the credit department assesses payment history, Upplysningscentralen's information and business intelligence. Based on these sources, the customer is re-scored and the credit department determines which of the existing exposures have gained a significant increase in credit risk. Re-scoring can also be performed at any time during the year if the bank sees signs of a significant increase in credit risk on the part of the customer.

Credit-impaired loans

As in accordance with previous principles, loss provisions are recognised for the remaining term of credit-impaired exposures (previously termed doubtful loans) once one or more events that have a negative effect on estimated future cash flow for the financial asset have occurred (stage 3). A loan is considered to be credit-impaired based on the same criteria as those used under previous principles for the definition of a doubtful loan, i.e. where payments are more than 90 days late or there is other evidence in the form of observable information of the following 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 impaired.

If a loan previously deemed credit-impaired is no longer so deemed, a transfer will be made either to stage 2 (if there is a significant increase in credit risk compared with when the loan was granted) or to stage 1.

Measurement of expected credit losses

Expected credit losses are calculated for each individual credit exposure as the discounted product of the probability of default (PD), credit exposure in the event of default (EAD) and loss in the event of default (LGD).

The bank's definition of default is close to the regulatory definition of default as it is used in managing credit risk. This means that an exposure to a specified counterparty must be regarded as defaulted if any of the following criteria are met:

1. The bank considers it likely that the counterparty will not be able to meet its obligations to the institution unless the institution realises possible collateral or takes similar measures.
2. The counterparty is more than 90 days late with a payment in respect of anything other than a trivial amount.

PD corresponds to the probability of a borrower defaulting at a given point during the remaining term of the financial asset. To help with assessing the probability of default, the bank has created a number of different PD models based on the inclusion of a number of different business areas, different types of counterparties and different products, etc. in the bank's portfolio. For commitments within the balance sheet, the EAD is, in principle, the gross value of the exposure without regard to provisions. For off-balance sheet commitments, the EAD is calculated by using a conversion factor (CF) to multiply the unused amount that the counterparty is able to use under the terms of the contract. The CF is the measure of the proportion of the unused limit expected to be used in the event of default. The EAD thus becomes the sum of the current commitment and expected utilisation of the remaining limit. The LGD corresponds to the expected credit loss on a defaulted credit exposure, taking into account the characteristics of the counterparty and the product type. Expected credit losses are determined by calculating the PD, LGD and EAD for each future month up to the end of the expected term of a credit exposure. These three parameters are multiplied and adjusted by the probability of survival or the likelihood that the credit exposure has not been prepaid or defaulted for a previous month. In this way, the monthly expected credit losses are calculated, which are then discounted back to the reporting date with the original effective interest rate and totalled. Totalling the monthly expected credit losses up to the end of the expected term gives the expected credit losses for the remaining term of the asset, and the sum of the credit losses expected to occur within 12 months gives the expected credit losses for the next 12 months.

When calculating the expected credit losses, the bank takes into account three scenarios (a base scenario, a positive scenario and a negative scenario) with relevant macroeconomic variables such as the repo rate. The risk parameters used to calculate expected credit losses incorporate the effects of macroeconomic forecasts. Each macroeconomic scenario is assigned a probability and the expected credit losses are obtained as a probability-weighted average of the expected credit losses for each scenario. Where the effect of relevant factors is not captured by risk models, the bank uses expert adjustments.

The term of an instrument is relevant both to the assessment of a significantly increased credit risk, which takes into account changes in the probability of default for the remaining term, and the measurement of expected credit losses for the remaining term of the asset. Generally, the expected term is limited to the maximum contractual period during which the bank is exposed to a credit risk. All contractual terms are taken into account when determining the expected term, including repayment, extension and transfer options that are binding on the bank. The only exception to this general principle applies to certain revolving credits, such as credit cards, where the expected term is estimated based on the period in which the bank is exposed to credit risk and where credit losses cannot be mitigated by risk management measures. The length of this 'behavioural' term is determined using product-specific historical data and extends up to 2 years.

The bank assesses and calculates loss provisions for significant doubtful credit exposures individually, without using input data from models. Provisions for credit losses for these credit exposures are determined by discounting expected cash flows and taking into account at least two possible outcomes that consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios.

For a sensitivity analysis for expected credit losses, see Note 15.

Modifications

When a loan is modified but not removed from the balance sheet, an assessment of significant changes in credit risk must be made in relation to the initial credit risk for impairment purposes. Modifications do not automatically result in a reduction in credit risk and all qualitative and quantitative indicators will continue to be assessed. Furthermore, a modification gain or loss is recognised in the income statement on the credit loss line and refers to the difference in the present value of the contractual cash flows discounted by the original effective interest rate. When a loan is modified and removed from the balance sheet, the date on which the modification was made is deemed to be the initial recognition of the new loan in order to assess the impairment requirement, including the assessment of significant changes in credit risk.

As of 31 December 2021, the bank had no loans with a significant modification. Hence, the bank reports no impairments due to modifications in the note Loans and advances to the public.

3.19.1.2 Recognition of expected credit losses – debt securities

The bank also recognises loss provisions on debt securities that are recognised at amortised cost. The bank's basic methodology for calculating loss provisions for debt securities is the same as for loans and advances to the public. However, the sources of information on the parameters used (PD, LGD and EAD) differ. In the case of PD, it is derived from the external rating of the securities and the externally available information from the rating agencies Moody's and Standard and Poor's about the risk of default that this rating is associated with. The bank has chosen to determine the LGD factor based on statistics from Moody's, where the factor is the average of the last five years' reported loss rates. In the initial accounts, the statistically expected loss is reported over the next 12 months (stage 1). A significant increase in credit risk is subsequently considered to have taken place when there has been a deterioration in the external rating, and credit losses are then recognised for the remaining term (stage 2). A deterioration in the external rating is considered to take place when the initial rating is changed from investment grade to non-investment grade. If, at a later stage, the external rating has improved to a sufficient extent, such that a significant increase in credit risk is no longer considered to apply when compared with the initial recognition, the security will be reverted to stage 1. The bank considers that financial assets on instruments with counterparties that are States and financial institutions and which have a low credit risk on the reporting date (with investment grade rating or better) are not considered to have been subject to a significantly increased credit risk. The bank uses the same criteria to assess whether a debt security is credit-impaired as for loans and advances to the public.

3.19.1.3 Recognition of expected credit losses – loans and advances to credit institutions

The bank's loans and advances to credit institutions are also within the scope of accounting for expected credit losses. Since all lending to credit institutions is refundable on demand, the bank has assessed that the assets have a very low risk of default; there is therefore no impairment for expected credit losses for loans and advances to credit institutions.

3.19.1.4 Recognition of expected credit losses – lease items

The bank also recognises impairments for lease items, which in the balance sheet are recognised as tangible assets. Lease items in the balance sheet include both the residual value of the lease (non credit-obligation assets exposure) and future rents (customer exposure). The calculation of credit losses is based on customer exposure value. An impairment test according to IAS 36 (see also section 3.22) is carried out for contracts where the bank guarantees the residual value, and for contracts where the dealer guarantees residual value, the dealer bears the risk under a recourse agreements. The bank's basic methodology for calculating loss provisions for the lease items is the same as for loans and advances to the public. For the PD parameter, the internal source systems are the data source, where the variables included in the calculation differ between card credits and vehicle financing. As with card credits, the LGD factor is based on the bank's internal historical data.

3.19.1.5 Presentation and recognition of credit losses in the balance sheet and income statement

For financial assets valued at amortised cost, provisions for credit losses are presented in the balance sheet as a decrease in the gross carrying amount of the asset. Loan commitments are an off-balance sheet component. In cases where a financial instrument consists of two components, one loan and one loan commitment, such as a revolving overdraft facility, the bank reports the credit loss provision for the loan and loan commitment combined.

Changes in loss provisions are recognised in the income statement on the Net credit losses line, except the lease items that are recognised under operating expenses and impairments on lease assets.

A write-off reduces the gross carrying amount of the financial asset. Credit losses and write-offs are presented in the income statement as credit losses. Write-offs are made when the amount of the loss is considered finally established; they are reported under credit losses and represent the amount prior to the utilisation of the previously made provision. Repayments of write-offs and recoveries of provisions are recognised in credit losses.

3.19.1.6 Recognition of actual credit losses

Receivables classified as credit-impaired are written off from the balance sheet when the credit loss is considered realised, 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.

Once written off, the receivables 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.

The bank wrote off no financial assets during the reporting period that were subject to compliance measures.

3.20 TANGIBLE ASSETS

3.20.1 Owned assets

Tangible assets 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.

Tangible assets are stated at cost less accumulated depreciation and any impairment, plus any revaluation.

The carrying amount of a tangible asset is derecognised on disposal or sale, or when no future economic benefits are expected from the use, disposal or sale of the asset. Gains or losses arising from 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.

3.20.2 Leased assets for which the bank is a lessor

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

3.20.3 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 arise.

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 parts thereof, are retired and expensed at the time of replacement. Repairs are expensed on an ongoing basis.

3.20.4 Depreciation principles

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. Assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives of fixtures and fittings are 3–5 years, and for lease items in accordance with the contracts' terms of 1–6 years, and are written down to the estimated residual value. The applied depreciation methods and useful lives of assets are reviewed at each year-end; the residual value of assets is reviewed each month.

3.21 INTANGIBLE NON-CURRENT ASSETS

3.21.1 Development

Development expenditure, where outcomes or other knowledge are applied to achieve new or improved products or processes, is reported as an asset in the balance sheet if the product or process is technically and commercially useful and the bank has sufficient resources to complete its development and then use or sell the intangible non-current 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 licences. Other development expenditures are expensed in the income statement as they arise. Development expenditure that has been capitalised in the balance sheet is recognised at cost less accumulated amortisation and any impairment. See also section 3.23.1.2 Fund for development expenditures.

3.21.2 Licences

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

3.21.3 Subsequent expenditures

Subsequent expenditures for capitalised intangible non-current 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 expenditures are expensed as they arise.

3.21.4 Amortisation principles

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 non-current assets are amortised from the date when they become available for use. The estimated useful lives are:

- Software 3–5 years
- Licences 3 years

3.22 IMPAIRMENT OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS AND PARTICIPATIONS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

3.22.1 Impairment testing

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

If, when 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, in what is termed 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.

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

The bank makes ongoing assessments as to whether there is a need to recognise impairment of the assets used in operating leases. Impairment occurs if the book value is higher than the recoverable amount, which is the higher of fair value less selling expenses or value-in-use. Value-in-use is determined as the present value of the remaining rents and the present value of the anticipated residual value. The basic data for the expected residual value is obtained from an external supplier, which, in combination with the bank's own assessment, forms the basis for impairment testing.

An impairment loss is reversed if the recoverable amount is less than the book value.

Impairment losses are recognised as depreciation and impairment of tangible assets in the income statement.

3.22.2 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 made.

Reversals of impairment losses are recognised as depreciation and impairment of tangible assets in the income statement.

3.23 LIABILITIES AND EQUITY

When the bank issues a financial instrument, the instrument or its components are reported on initial recognition as a financial liability, a financial asset or as an equity instrument on the basis of the economic reality of the terms that apply for the instrument and in accordance with the definitions of financial liability, financial assets and equity instruments.

3.23.1 Share capital

3.23.1.1 Dividends

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

3.23.1.2 Fund for development expenditures

The capitalised amount of self-generated development costs is transferred from unrestricted equity to the fund for development expenditures (development fund) under restricted equity. The fund will decrease in line with depreciation/amortisation or impairment of expenditure.

3.23.2 Post-employment benefits

3.23.2.1 Retirement benefits through insurance

The bank's pension plans for collectively negotiated 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 entity and has no legal or constructive obligation to pay further contributions in the event that said legal entity lacks 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 to be a multi-employer defined benefit pension plan. However, the bank has made the assessment that UFR 10 Financial reporting of the ITP 2 pension plan funded through Insurance with Alecta, also applies to the bank's pension plan. Because the bank lacks sufficient information to recognise these pension plans under IAS 19, it 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 expensed in the balance sheet as they are earned through the employees' performance of services for the bank over a period.

3.23.2.2 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.

3.23.2.3 Short-term employee benefits

Short-term employee benefits are not discounted and are expensed 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 as a consequence of receiving services from employees and the obligation can be reliably measured.

3.24 GROUP CONTRIBUTIONS AND APPROPRIATIONS

Group contributions are recognised in accordance with the alternative rule in RFR 2, and both paid and received Group contributions are recognised as appropriations.

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

NOTE 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. Operations are organised such that management monitors profit, returns and cash flows generated by the various services. Internal reporting is structured to allow management to monitor the performance of all services. It is on the basis of this reporting that the bank has identified the segments Cars, Trucks and Fleet.

All operating income derives from external customers and all of the bank's operations take place in Sweden.

NOTES

CARS

The Cars segment comprises two businesses; Sales Finance and Cards/Payments, both aimed at consumers and small companies.

Sales Finance finances vehicles mainly sold by Swedish Volvo and Renault dealers through loans or leasing, often in package solutions that include insurance, a credit card and a service agreement. There is also a collaboration with Polestar Automotive Sweden AB, which only makes fully electric cars. The Card/Payments business offers card payments and digital payment solutions via CarPay aimed at creating ease of payment for all vehicle usage requirements anywhere VISA is accepted. Using their mobile phones, the bank's customers can pay for their workshop visits, fuel stops at Tanka and other purchases using Samsung Pay, Google Pay and Apple Pay.

Passenger car registrations increased by 3%, and the year was characterised mainly by the changes in control instruments such as Bonus Malus, preferential regulations and the Corona pandemic, while the global shortage of silicon semiconductors used in microchips has had a negative effect and reduced the supply of new cars. Together, these factors led to a relatively erratic vehicle market in 2021. New Volvo, Renault, Dacia and Polestar registrations reached 61,213 cars, equivalent to a market share of 20.3%, where the bank provides a high proportion of the financing. The trend during the year continued to show a sharp rise for rechargeable cars, especially in the case of purely electrical cars following the new tax regulations. Electric cars benefited from registration after 1 April for the enhanced bonus effect. The Payments business is recovering, although to some extent it remains affected by Covid-19. Nevertheless, our digital CarPay service continues to provide high inflows and the app has been downloaded by more than 750,000 unique customers.

Product development work is constantly in progress, as are launches of new digital services together with Volvo and Renault dealers, our vehicle manufacturers and other interested parties in the business ecosystem. The digital customer journey for vehicle financing during which the financial services are consumed is under constant development, and as with our digital payment solutions, we focus intensely on living up to our customer promise of flexible, simple and smarter payments.

	2021	2020	Change
Net interest income and net leasing*	562,278	569,820	-7,542
Change in impairment of operational leases	-48,176	-10,885	-37,292
Dividends received	46	241	-195
Commission income	221,137	247,051	-25,914
Commission expenses	-55,325	-76,053	20,728
Net result from financial transactions	9,632	-2,043	11,675
Other income	5,244	5,341	-97
Operating income	**694,836**	**733,473**	**-38,637**
Overhead expenses**	-382,563	-365,048	-17,515
Credit losses	-15,008	-17,699	2,691
Credit risk provision	2,121	-1,279	3,400
Operating profit	**299,386**	**349,447**	**-50,061**

* Including depreciation of lease items.

** Including depreciations of tangible and intangible non-current assets excluding depreciation and impairment of lease items.

Product information, loans and leasing	**2021**	**2020**	**Change**
Number of contracts	182,001	192,489	-10,488
Total volume, SEK million	25,042	25,649	-607
of which transferred, %	94.0	93.8	0.2
of which pledged, %	6.0	6.2	-0.2
of which loans, %	44.9	45.7	-0.8
of which leases, %	55.1	54.3	0.8
Private leasing as a proportion of total leases, %	27.3	25.1	2.2

Product information, cards	**2021**	**2020**	**Change**
Average number of active accounts	392,230	396,745	-4,515
Total volume, SEK million	1,810	1,590	220
Average number of credit customers	74,897	81,180	-6,283
Total sales Volvo Card, SEK million	15,413	13,802	1,611
of which fuel, %	34.8	34.0	0.8
of which workshop, %	17.3	18.3	-1.0
of which retail store, %	1.0	1.3	-0.3
of which car wash, %	1.2	1.4	-0.1
of which sales outside Volvo dealers, %	39.3	36.8	2.6
of which other (incl. vehicle loans and insurance), %	6.3	8.2	-2.0

CarPay™

TRUCKS

In business area Trucks, the bank offers loans and lease financing for new and used trucks including trailers, superstructures and other equipment. Volvo Truck Card is also included in Trucks.

The demand for HGVs is very high, but production and customer delivery are affected negatively by a shortage of semiconductors and other components as a result of the prevailing pandemic. The bank's financing share of new trucks is stable and more than every other truck is financed via truck loans, financial leases or operating leases. Financing volumes for used vehicles and trailers are at a high level.

Work is constantly in progress with product development and the marketing of financial offers together with Volvo Trucks and Volvo Dealers. The development of future services and financial solutions in Fleet Management and flexible payment methods in general are examples of areas where the bank, together with Volvo Trucks, is creating future conditions for enhanced customer value. eControl is an invoice management service and cost monitoring system for the Swedish marketplace and mainly marketed to small and medium-size hauliers. eControl and a financing solution based on driven kilometres are examples of the development in progress at the bank aimed at offering Volvo customers smarter trucking economy to boost haulier profitability.

	2021	2020	Change
Net interest income*	55,498	48,846	6,652
Commission income	8,376	9,390	-1,014
Commission expenses	-513	-162	-351
Net result from financial transactions	219	-303	522
Other income	258	49	209
Operating income	**63,838**	**57,820**	**6,018**
Overhead expenses**	-31,994	-28,452	-3,542
Credit losses	-5	-299	294
Credit risk provision	138	-33	171
Operating profit	**31,977**	**29,036**	**2,941**

* Including depreciation and impairment of lease items.

** Including depreciations of tangible and intangible non-current assets excluding depreciation and impairment of lease items.

Product information, loans and leasing	**2021**	**2020**	**Change**
Number of contracts	7,832	6,419	1,413
Total volume, SEK million	5,246	4,148	1,098
of which transferred, %	84.8	81.1	3.7
of which pledged, %	15.2	18.9	-3.7
of which loans, %	80.0	76.8	3.2
of which leases, %	20.0	23.2	-3.2
Operating leases as a proportion of total leases, %	20.1	22.9	-2.8

FLEET

In the Fleet segment, the bank provides vehicle-fleet administration and financing mainly to mid-size and large companies, regardless of the car brands customers choose to use. Here we offer both operational and financial leasing.

Business area Fleet has been market leader for several years with 22.4% of the market as of December 2021. The number of agreements has risen by around 1% compared to the same period last year.

The majority of the new contracts were in the operating lease category. The market for second-hand cars continues to be strong, which is also reflected in the disposal gains for the sale of returned operational leasing cars. The accumulated surplus on sales of these cars is SEK 89 million higher than in the previous year.

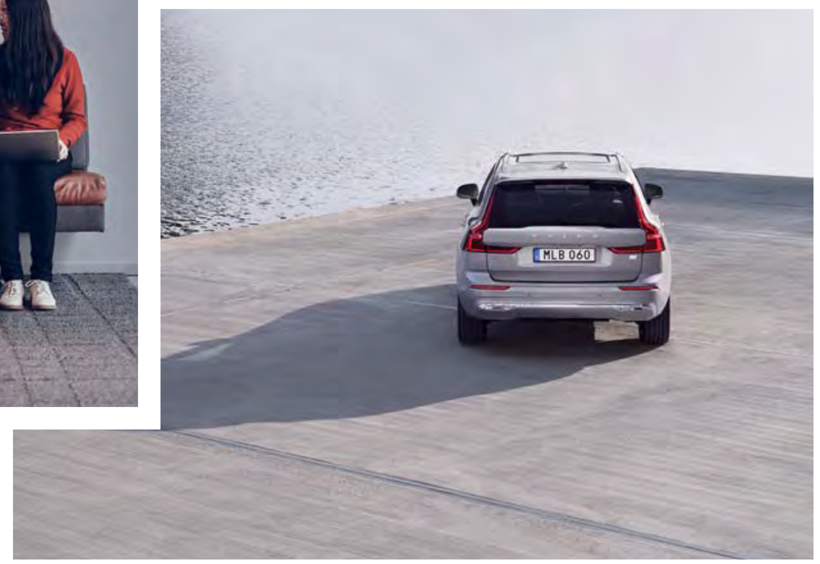
Product development is constantly in progress, and we are launching new services to make life simpler for the bank's customers by creating a smarter vehicle economy in the form of competitive company car expenditures for both drivers and companies.

	2021	2020	Change
Leasing, net*	78,498	68,320	10,178
Change in impairment of operational leases	3,580	-13,074	16,654
Commission income	287,833	200,491	87,342
Commission expenses	2,802	-638	3,440
Net result from financial transactions	528	-626	1,154
Service and repair contracts	60,176	58,895	1,281
Other income	1,320	745	575
Operating income	**434,738**	**314,114**	**120,624**
Overhead expenses**	-117,046	-111,640	-5,406
Credit losses	-278	-650	372
Credit risk provision	9,212	-12,049	21,261
Operating profit	**326,626**	**189,775**	**136,851**

* Including depreciation of lease items.

** Including depreciations of tangible and intangible non-current assets excluding depreciation and impairment of lease items.

Product Information	**2021**	**2020**	**Change**
Number of financing contracts	36,905	36,392	513
Number of administered contracts	48,408	47,741	667
Total volume, SEK million	8,756	8,408	348
of which operational leases, %	72.7	71.7	1.0
of which financial leases, %	27.3	28.3	-1.0



INCOME STATEMENT

NOTE 5. NET INTEREST INCOME

Interest income	2021	2020
Lending to credit institutions	14	301
Loans and advances to the public	521,914	551,289
Interest-bearing securities	337	5,199
Total	**522,265**	**556,789**
of which interest income assets measured at amortised cost	522,265	556,720
Interest expenses		
Liabilities to credit institutions	-11,931	-15,628
Deposits and borrowing from the public	-111,637	-132,892
Expense for deposit guarantee	-21,254	-14,995
Investments in interest-bearing securities	-873	-145
Issued interest-bearing securities	-84,393	-105,549
Derivatives	-12,322	-17,513
Subordinated liabilities	-5,738	-6,404
Other interest expenses	-32,877	-34,021
Total	**-281,025**	**-327,147**
Of which interest income from financial assets measured at amortised cost	-873	-145
Total net interest income	**241,240**	**229,642**

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.

NOTE 6. LEASE INCOME AND ACCUMULATED NET INTEREST INCOME

All leases are reported 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	2021	2020
Income from contracts recognised as operating leases	6,158,786	5,835,615
Depreciation according to plan for contracts recognised as operating leases	-5,703,751	-5,378,296
Net lease income from contracts recognised as operating leases	**455,035**	**457,319**

Accumulated net interest income		
Lease income from finance leases (recognised as operating leases in the balance sheet)	3,226,310	3,175,842
Depreciation according to plan for financial leases (recognised as operating leases in the balance sheet)	-2,987,938	-2,926,961
Net lease income from finance leases*	**238,372**	**248,881**
Interest income	522,265	556,789
Interest expenses	-281,025	-327,147
Combined net interest income**	**479,612**	**478,523**
Total leasing and net interest income		
Net lease income from contracts recognised as operating leases	455,035	457,319
Net interest income in accordance with Note 5	241,240	229,642
Total leasing and net interest income	**696,275**	**686,961**
Interest margin***, %	1.27	1.29
Average lending rate, %	2.23	2.40
Average deposit rate (incl. cost for deposit guarantee scheme), %	0.66	0.72

* 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.

NOTE 7. DIVIDENDS RECEIVED

	2021	2020
Shares and participations*	46	241
Total	**46**	**241**

* Cash dividend Visa Sweden förening ek. för.

NOTE 8. COMMISSION INCOMES

	2021	2020
Commission income Credit card	172,732	180,187
Commission income, loans and leases	344,614	276,746
Total	**517,346**	**456,933**

NOTE 9. COMMISSION EXPENSES

	2021	2020
Payment processing commissions	-4,116	-4,019
Other commissions	-48,919	-72,834
Total	**-53,035**	**-76,853**

NOTE 10. NET RESULT FROM FINANCIAL TRANSACTIONS

GAIN/LOSS BY MEASUREMENT CATEGORY INCLUDING EXCHANGE RATE CHANGES

	2021	2020
Derivative assets intended for risk management, no hedge accounting	7,996	4,656
Derivative liabilities intended for risk management, no hedge accounting	-3,945	-6,409
Financial liabilities at amortised cost**	-2,100	-1,274
Realised and unrealised changes in fair value in respect of shares and participations***	8,565	-
Change in fair value of derivatives that are hedging instruments in a fair value hedge	-10,524	2,677
Change in fair value of hedged item attributable to the hedged risk in a fair value hedge	10,387	-2,622
Total	**10,379**	**-2,972**

* Financial assets valued at amortised cost amounted to 0.

** Also includes realised premium or discount on repurchase of debt.

*** During the year, the bank divested shares in VISA Inc with a realised profit of KSEK 6,301 The remaining shares have an unrealised profit of KSEK 2,264.

NOTE 11. OTHER OPERATING INCOME

	2021	2020
Capital gain on disposal of intangible assets	2,266	1,407
Revenues, service and repair contracts	60,176	58,885
Income from associated companies	1,910	1,836
Other operating income	2,646	2,902
Total	**66,998**	**65,030**

NOTE 12. GENERAL ADMINISTRATIVE EXPENSES

	2021	2020
Salaries and fees	-143,270	-128,989
Social security contributions	-45,483	-40,790
Cost of pension premiums*	-21,902	-17,965
Payroll tax	-5,247	-4,454
Other personnel costs	-4,429	-2,877
Total personnel costs	**-220,331**	**-195,075**
Rents and other costs for premises	-16,302	-15,632
IT costs	-213,600	-201,399
Consulting services	-13,663	-12,621
Contract personnel	-3,828	-5,816
Audit	-2,070	-1,970
Postage and phones	-4,011	-4,017
Other	-14,874	-11,773
Total other general administrative expenses	**-268,348**	**-253,228**
Total general administrative expenses	**-488,679**	**-448,303**

* Total pension premiums were SEK 21,941 (18,045), of which SEK 11,867 (10,032) refers to Alecta ITP 2 pensions. Of the bank's pension costs, SEK 4,913 (4,973) refer to the bank's senior executives (10 (11) people). The bank has no outstanding pension obligations.

Expected fees in the next reporting period for ITP 2 insurance policies with Alecta are KSEK 8,957 (10,422). 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 are 0.03% and 0.03% 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. Normally, the collective funding ratio is permitted to vary within a range of 125–175%. If Alecta's collective funding ratio falls below 125% or exceeds 175%, measures must be taken to enable the ratio to return to the normal range. Measures that can be taken in the event of a low collective funding ratio include raising the agreed price for new subscriptions and expanding the existing benefits. A high collective funding ratio can be addressed by reducing premiums. At year-end 2021, Alecta's surplus in the form of the collective funding ratio was 169% (148).

BREAKDOWN OF SALARIES AND OTHER REMUNERATION BY SENIOR EXECUTIVES AND OTHER EMPLOYEES, AND SOCIAL SECURITY CONTRIBUTIONS

	2021			2020		
	Senior executives (21 people)	Other employees	Total	Senior executives (22 people)	Other employees	Total
Salaries and other remunerations	-18,180	-125,090	-143,270	-17,753	-111,236	-128,989
of which variable remuneration	(–)	(-737)	(-737)	(–)	(-515)	(-515)
Total	**-18,180**	**-125,827**	**-143,270**	**-17,753**	**-111,236**	**-128,989**
Social security contributions	-10,757	-61,874	-72,631	-10,670	-52,539	-63,209
of which pension costs	(-4,913)	(-22,235)	(-27,148)	(-4,917)	(-17,502)	(-22,419)

SALARIES AND FEES

Members of the Board receive fixed fees as resolved by the AGM. The remuneration payable to the CEO is decided by the Board based on a proposal from the remuneration committee. The remuneration payable to other senior executives is decided by the CEO. The remuneration to the CEO and other senior executives consists of basic salary, other benefits and pension. The term ‘other senior executives’ refers to the 9 people who, together with the CEO, make up company management.

The contractual retirement age is 65 years. In case of termination of the CEO’s employment contract by the bank, the CEO is entitled to pay for 12 months and up to an additional 12 months if new employment is not found. The remuneration committee consists of the Chairman of the Board and two additional Board members. 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.

SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Total
2021					
Chairman of the Board	-853	–	–	–	-853
Vice chairman of the Board	-610	–	–	–	-610
Members of the Board (10 people)	-1,975	–	–	–	-1,975
CEO	-3,212	–	-185	-1,058	-4,455
Other senior executives (9 people)	-11,530	–	-851	-3,855	-16,236
Total	**-18,180**	**–**	**-1,036**	**-4,913**	**-24,129**
2020					
Chairman of the Board	-775	–	–	–	-775
Vice chairman of the Board	-550	–	–	–	-550
Members of the Board (9 people)	-1,100	–	–	–	-1,100
CEO	-2,763	–	-179	-1,004	-3,946
Other senior executives (10 people)	-12,565	–	-944	-3,913	-17,422
Total	**-17,753**	**–**	**-1,123**	**-4,917**	**-23,793**

REMUNERATIONS TO THE BOARD OF DIRECTORS

Name	Position (2021/2020)	2021	2020
Urmas Kruusval	Chair	-853	-775
Synnöve Trygg	Vice chairman	-610	-550
Ann Hellenius	Member	-275	-250
Anders Gustafsson	Deputy	-100	–
Per Avander	Member	-400	-400
Janola Gustafson	Deputy	-75	-150
Björn Rentzhog	Member	-200	-200
Pascal Bellemans	Deputy	-100	–
Jonas Estéen	Deputy	-100	-100
Johan Ekdahl	Member	-350	–
Lex Kerssemakers	Member	-300	–
Johan Ahlberg	Deputy	-75	–
Total		**-3,438**	**-2,425**

Loans to senior executives	2021	2020
Senior executives’ loans in the company	93	113
CEO and Deputy CEO	–	–
Board members and Deputy Board members	–	–
Total	**93**	**113**

Loans to senior executives total KSEK 93 (113). Interest for these executives totals KSEK 1 (3).
The terms and conditions of loans to senior executives are the same as for the bank’s other employees.

PERSONNEL INFORMATION

	2021			2020		
	Men	Women	Total	Men	Women	Total
Average number of employees	119	130	249	108	126	234
Gender distribution in management						
CEO	1	-	1	1	–	1
Board of Directors	9	2	11	9	2	11
Other senior executives	7	2	9	8	2	10
Number	**17**	**4**	**21**	**18**	**4**	**22**

AUDITORS’ FEES AND EXPENSES

KPMG	2021	2020
Audit assignment	-1,800	-1,750
Audit services in addition to audit assignment	-270	-270
Tax advice	-34	–
Other services	-90	-88
Total	**-2,194**	**-2,108**

NOTE 13. DEPRECIATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	2021	2020
Depreciations according to plan	-5,715,782	-5,388,879
Reversed impairment charges during the year	64,724	32,912
Impairment charges	-102,313	-67,156
Total	**-5,753,371**	**-5,423,123**
Depreciations according to plan		
Inventory	-3,734	-3,889
Lease items	-5,703,751	-5,378,296
Intangible non-current assets	-8,297	-6,694
Total	**-5,715,782**	**-5,388,879**
Impairment charges, net		
Impairment charges / Reversals; lease item credit risk	7,008	-10,285
Impairment charges / Reversals; lease item residual value risk	-44,597	-23,959
Intangible non-current assets	–	–
Total	**-37,589**	**-34,244**

NOTE 14. OTHER OPERATING EXPENSES

	2021	2020
Fees to central organisations	-4,742	-3,367
Insurance costs	-2,005	-1,714
Marketing costs	-31,951	-27,095
Other operating expenses*	7,806	-14,077
Total	**-30,892**	**-46,253**

* The amount for 2021 includes a reversal of a non-deductible expense of KSEK 8,522

NOTE 15. CREDIT LOSSES, NET

Credit losses	31/12/2021	31/12/2020
Loans at amortised cost (incl. unused part of limit)		
Provisions – stage 1	11,004	12,372
Provisions – stage 2	8,696	10,118
Provisions – stage 3	2,722	4,375
Total reserve	**22,422**	**26,865**
	2021 Jan–Dec	**2020 Jan–Dec**
Loans at amortised cost (incl. unused part of limit)		
Change in provisions – stage 1	1,367	-2,874
Change in provisions – stage 2	1,422	-1,954
Change in provisions – stage 3	1,655	1,825
Total change in provisions	**4,443**	**-3,003**
Write-off, confirmed credit losses	-17,490	-20,023
Recoveries of previously confirmed credit losses	2,477	2,026
Total	**-15,013**	**-17,997**
Credit losses, net*	**-10,570**	**-21,000**

*Should be read together with the line 'Total actual customer losses for lease items' further down the Note, and compared with the income statement and the Credit losses line.

Credit losses	31/12/2021	31/12/2020
Lease assets		
Provisions – stage 1	2,318	3,426
Provisions – stage 2	194	198
Provisions – stage 3	1,110	7,005
Total reserve	**3,621**	**10,629**
	2021 Jan–Dec	**2020 Jan–Dec**
Lease assets		
Change in provisions – stage 1	1,109	-3,292
Change in provisions – stage 2	4	-160
Change in provisions – stage 3	5,895	-6,833
Total change in provisions**	**7,008**	**-10,285**
Write-off, confirmed credit losses	-364	-743
Recoveries of previously confirmed credit losses	86	92
Total***	**-278**	**-651**
Credit losses, net	**6,730**	**-10,936**

** Refer to the Income statement and the line item 'Depreciation and impairment of tangible and intangible non-current assets'. Note 13 refers to the line 'Impairment charges / Reversals; lease item credit risk'.

*** Should be read together with the line 'Credit losses, net loans at amortised cost' in the note's first table for comparison with the income statement and the line 'Credit losses'.

Credit losses	31/12/2021	31/12/2020
Financial fixed assets		
Provisions – stage 1	897	917
Provisions – stage 2	–	–
Provisions – stage 3	–	–
Total reserve	**897**	**917**
	2021 Jan–Dec	**2020 Jan–Dec**
Financial fixed assets		
Change in provisions – stage 1	20	-73
Change in provisions – stage 2	–	–
Change in provisions – stage 3	–	–
Total change in provisions	**20**	**-73**
Credit losses, net*****	**20**	**-73**

**** See Income statement and the line item 'Impairments/Reversals of financial fixed assets, net'.

Credit losses	31/12/2021	31/12/2020
Total assets		
Provisions – stage 1	14,219	16,715
Provisions – stage 2	8,890	10,316
Provisions – stage 3	3,831	11,380
Total reserve	**26,940**	**38,411**
	2021 Jan–Dec	**2020 Jan–Dec**
Total assets		
Change in provisions – stage 1	2,495	-6,239
Change in provisions – stage 2	1,426	-2,114
Change in provisions – stage 3	7,550	-5,008
Total change in provisions	**11,471**	**-13,361**
Write-off, confirmed credit losses	-17,854	-20,766
Recoveries of previously confirmed credit losses	2,563	2,119
Total	**-15,294**	**-18,648**
Credit losses, net	**-3,820**	**-32,009**

In 2021, the bank's reserve for expected credit losses fell, primarily due to a change in the unemployment forecast parameters in the bank's ECL model.

SENSITIVITY ANALYSIS OF THE BANK'S ECL MODEL

The table below shows how the provision would be affected on 31 December 2021 in the case of two different events.

	Expected credit loss (percentage difference)
Current provision, SEK million	26.9
Percentage difference in expected credit loss were PD to increase by 20%	13%
Percentage difference in expected credit loss were unemployment to increase by 1 percentage point.	8%

NOTE 16. APPROPRIATIONS

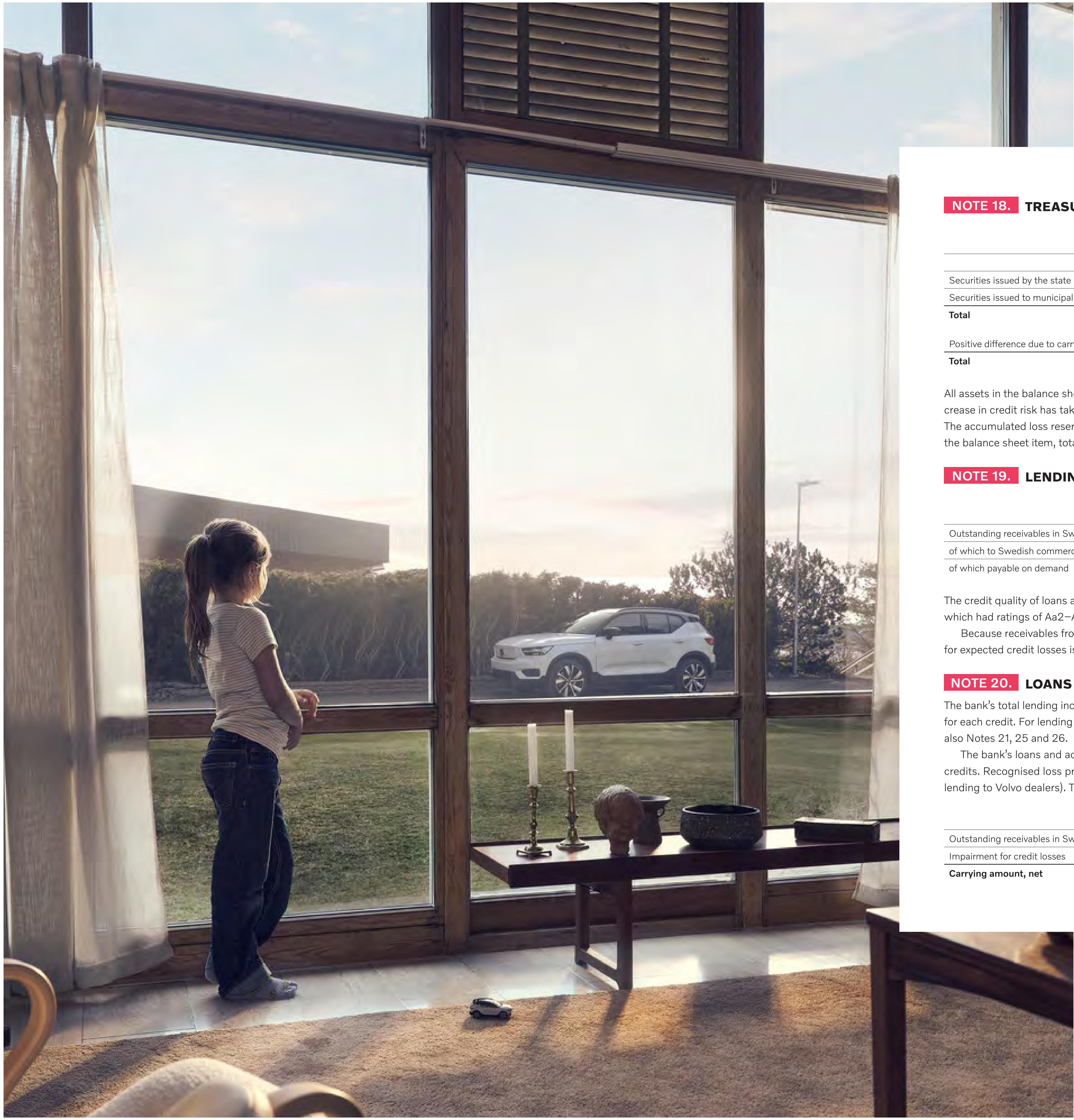
	2021	2020
Accelerated depreciations	-494,047	-412,589
Total	**-494,047**	**-412,589**

NOTE 17. TAX ON PROFIT FOR THE YEAR

	2021	2020
Tax expense for the year	-33,331	-33,986
Deferred tax income with regard to other unutilised tax deductions	292,000	–
Total reported tax expense	**258,669**	**-33,986**

Reconciliation of effective tax	**2021**		**2020**	
Profit before income tax		163,941		155,644
Tax at applicable tax rate	-20.6%	-33,771	-21.4%	-33,308
Non-deductible expenses	0.1%	217	-0.4%	-678
Non-taxable income	0.1%	224	–	–
Deferred tax income with regard to other unutilised tax deductions	178.1%	292,000	–	–
Reported effective tax	**157.8%**	**258,669**	**-21.8%**	**-33,986**

In October 2021, parliament resolved to introduce a tax reduction for investments in inventory acquired during 2021. A tax reduction of 3.9% may be used for tangible assets i.e. lease items remaining at year-end 2022. As of 31 December 2021, Volvofinans Bank reported an accrued tax asset of SEK 292 million in accordance with IAS 12. There is a degree of uncertainty concerning the item, primarily due to the bank's not knowing how large a part of the lease stock will be redeemed early or disposed of in some other way in 2022.



BALANCE SHEET

NOTE 18. TREASURY BILLS ELIGIBLE AS COLLATERAL ETC.

	Carrying amount 31/12/2021	Carrying amount 31/12/2020
Securities issued by the state	–	–
Securities issued to municipalities and other public bodies	1,586,148	1,331,203
Total	**1,586,148**	**1,331,203**
Positive difference due to carrying amounts exceeding nominal values	17,148	16,203
Total	**17,148**	**16,203**

All assets in the balance sheet item are included in stage 1 when calculating expected credit losses, which means no significant increase in credit risk has taken place and that the loss reserve is calculated based on the anticipated losses for the coming 12 months. The accumulated loss reserve for expected credit losses reported in the income statement, and which reduces the carrying amount of the balance sheet item, totals 704.

NOTE 19. LENDING TO CREDIT INSTITUTIONS

	31/12/2021	31/12/2020
Outstanding receivables in Swedish currency, gross	2,233,864	2,483,630
of which to Swedish commercial banks	2,233,863	2,483,623
of which payable on demand	2,233,864	2,483,630

The credit quality of loans and advances to credit institutions is very high. The item consists of deposits with major Nordic banks, which had ratings of Aa2–A3 on Moody's scale on the balance sheet date.

Because receivables from credit institutions are payable on demand, expected credit losses are negligible, and no loss provision for expected credit losses is reported.

NOTE 20. LOANS AND ADVANCES TO THE PUBLIC

The bank's total lending including lease items is SEK 38.7 billion (37.7). The stated values are reduced by impairment for credit risk for each credit. For lending to the public, the values are KSEK 22,516 (25,068) lower than the gross values of the receivables. See also Notes 21, 25 and 26.

The bank's loans and advances to the public consist of card credits, vehicle loans, hire purchase credits and dealer inventory credits. Recognised loss provisions include loss provisions for loan commitments (undrawn card limits and undrawn limits when lending to Volvo dealers). Total loan commitments stood at SEK 10.6 billion (10.9 billion).

	31/12/2021	31/12/2020
Outstanding receivables in Swedish currency, gross	16,894,672	16,304,544
Impairment for credit losses	-22,516	-25,068
Carrying amount, net	**16,872,156**	**16,279,476**

CHANGES IN GROSS CARRYING AMOUNT AND LOSS RESERVES

	Not credit impaired		Credit impaired	
31/12/2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2021	**15,590,021**	**593,977**	**120,546**	**16,304,544**
Financial assets for new agreements in force at year-end*	6,698,051	178,208	31,810	6,908,069
Financial assets for closed agreements in force at beginning of year**	-3,189,483	-130,822	-60,807	-3,381,112
*Net changes within the stage****				
In stage 1	-2,788,641			-2,788,641
In stage 2		-41,640		-41,640
In stage 3			-6,639	-6,639
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-138,562			-138,562
From and to stage 2 (to and from stages 1 and 3)		29,705		29,705
From and to stage 3 (to and from stages 1 and 2)			8,948	8,948
Gross carrying amount as of 31 December 2021	**16,171,386**	**629,428**	**93,858**	**16,894,672**
Loss provisions				
Loss provisions as of 1 January 2021	**-12,183**	**-10,107**	**-2,778**	**-25,068**
Financial assets for new agreements in force at year-end	-2,122	-834	-198	-3,154
Financial assets for closed agreements in force at beginning of year	735	3,126	1,987	5,847
*Net changes within the stage****				
In stage 1	2,426			2,426
In stage 2		165		165
In stage 3			15	15
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	269			269
From and to stage 2 (to and from stages 1 and 3)		-1,041		-1,041
From and to stage 3 (to and from stages 1 and 2)			-1,941	-1,941
Change in interest reserves			-33	-33
Loss provisions as of 31 December 2021	**-10,875**	**-8,692**	**-2,949**	**-22,516**
Opening balance as of 1 January 2021	**15,577,838**	**538,870**	**117,768**	**16,279,476**
Closing balance as of 31 December 2021	**16,160,511**	**620,736**	**90,909**	**16,872,156**
Unutilised limits (off-balance)				
Unutilised limits as of 1 January 2021	**10,832,587**	**102,622**	**4,449**	**10,939,658**
Financial assets for new agreements in force at year-end*	660,172	9,299	79	669,550
Financial assets for closed agreements in force at beginning of year	-664,329	-9,153	-1,162	-674,644
*Net changes within the stage****				
In stage 1	-298,209			-298,209
In stage 2		1,144		1,144
In stage 3			-84	-84
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	5,374			5,374
From and to stage 2 (to and from stages 1 and 3)		-7,780		-7,780
From and to stage 3 (to and from stages 1 and 2)			-3	-3
Unutilised limits as of 31 December 2021	**10,535,595**	**96,132**	**3,279**	**10,635,006**

In 2021, gross lending to the public increased by approx SEK 590 million (-999). It consists of newly concluded contracts with a value of SEK 6.9 billion (6.0). Paid-up contracts or those removed for some other reason (e.g. confirmed credit losses) have caused the value to fall by SEK 3.4 billion (3.3). The gross value of contracts in force at the beginning of the year and at year-end fell by SEK 2.9 billion (3.7). The greatest increase in the gross amount occurred in Stage 1. During the year, loss provisions for credit risk fell by SEK 2.6 million (-0.1), primarily due to a change in the unemployment forecast parameters in the bank's ECL model. The bank's interest reserve increased by SEK 0.03 million (-0.9) during the year.

	Not credit impaired		Credit impaired	
31/12/2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2020	**16,457,864**	**769,804**	**75,401**	**17,303,069**
Financial assets for new agreements in force at year-end*	5,865,173	132,979	11,823	6,009,975
Financial assets for closed agreements in force at beginning of year**	-3,120,655	-141,660	-51,519	-3,313,834
*Net changes within the stage****				
In stage 1	-3,506,663			-3,506,663
In stage 2		-48,913		-48,913
In stage 3			-2,747	-2,747
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-105,698			-105,698
From and to stage 2 (to and from stages 1 and 3)		-118,233		-118,233
From and to stage 3 (to and from stages 1 and 2)			87,588	87,588
Gross carrying amount as of 31 December 2020	**15,590,021**	**593,977**	**120,546**	**16,304,544**
Loss provisions				
Loss provisions as of 1 January 2020	**-9,497**	**-8,164**	**-7,326**	**-24,987**
Financial assets for new agreements in force at year-end	-2,156	-894	-110	-3,160
Financial assets for closed agreements in force at beginning of year	365	1,301	4,828	6,494
*Net changes within the stage****				
In stage 1	-655			-655
In stage 2		-1,127		-1,127
In stage 3			-46	-46
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-240			-240
From and to stage 2 (to and from stages 1 and 3)		-1,223		-1,223
From and to stage 3 (to and from stages 1 and 2)			-987	-987
Change in interest reserves			863	863
Loss provisions as of 31 December 2020	**-12,183**	**-10,107**	**2,778**	**-25,068**
Opening balance as of 1 January 2020	**16,448,367**	**761,640**	**68,075**	**17,278,082**
Closing balance as of 31 December 2020	**15,577,838**	**583,870**	**117,768**	**16,279,476**
Unutilised limits (off-balance)				
Unutilised limits as of 1 January 2020	**10,428,134**	**117,242**	**8,869**	**10,554,245**
Financial assets for new agreements in force at year-end*	764,479	10,292	71	774,842
Financial assets for closed agreements in force at beginning of year	-643,087	-8,091	-4,632	-665,810
*Net changes within the stage****				
In stage 1	252,886			252,886
In stage 2		2,050		2,050
In stage 3			13	13
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	30,176			30,176
From and to stage 2 (to and from stages 1 and 3)		-18,872		-18,872
From and to stage 3 (to and from stages 1 and 2)			128	128
Unutilised limits as of 31 December 2020	**10,832,588**	**102,621**	**4,449**	**10,939,658**

* Vehicle loans, card credits, hire purchase credits and dealer inventory credits signed during the year. The gross value shown in the table is the gross carrying amount at the end of the first contract month.

** Vehicle loans, card credits, hire purchase credits and dealer inventory credits signed before the beginning of the year and ended during the year. The gross carrying amount shown in the table during the month in which the contract ends. The amounts refer to the paid-up contract or contract ended due to confirmed credit losses.

*** Net changes in the stage include the following types of changes: for vehicle loans, this heading will cover changes in the loss provision due to a change in credit risk during the year but which have not led to a change in the stage covered in the section 'Transfers between stages' below. For card credits, the same type of change as for vehicle loans is covered in this section. Also, changes in ECL due to an increase or decrease in utilised credit limits are also covered for card credits (contracts) already signed at the beginning of the year. The amounts also include changes in the gross carrying amount arising during the period before a contract is ended. As with card credits, changes due to a change in credit risk and change in the undrawn limit are covered.

**** Transfers between stages include vehicle loans, card credits, hire purchase agreements and inventory credits that were part of a different stage in the CB than in the OB. Changes in the loss provision also includes changes in the loss provision for undrawn limits.

GROSS CARRYING AMOUNT AND LOSS PROVISIONS – BY INDUSTRY

	31/12/2021			31/12/2020		
	Gross carrying amount	Loss provisions	Net carrying amount	Gross carrying amount	Loss provisions	Net carrying amount
Loans and advances to the public						
Private customers	12,330,128	-20,321	12,309,807	12,491,342	-22,541	12,468,801
Business customers						
Transport	3,100,730	-590	3,100,140	2,381,198	-900	2,380,298
Trade in motor vehicle servicing	663,521	-355	663,166	726,272	-311	725,961
Construction	363,481	-524	362,957	296,713	-397	296,316
Other lending to businesses	436,812	-726	436,086	409,019	-919	408,100
Total loans and advances to the public	**16,894,672**	**-22,516**	**16,872,156**	**16,304,544**	**-25,068**	**16,279,476**

NOTE 21. BONDS AND OTHER INTEREST-BEARING SECURITIES

	Carrying amount	Carrying amount
Issued by Swedish borrowers	**31/12/2021**	**31/12/2020**
House mortgage institution	852,576	1,126,021
Non-financial companies	600,011	699,963
Total	**1,452,687**	**1,825,984**
Positive difference due to carrying amounts exceeding nominal values	10,687	10,984
Total	10,687	**10,984**

All assets in the balance sheet item are included in stage 1 when calculating expected credit losses, which means no significant increase in credit risk has taken place and that the loss provisions is calculated based on the anticipated losses for the coming 12 months. The accumulated loss provisions for expected credit losses reported in the income statement, and which reduces the carrying amount of the balance sheet item, totals 194.

NOTE 22. SHARES AND PARTICIPATIONS IN ASSOCIATES AND OTHER COMPANIES

	31/12/2021	31/12/2020
Unlisted securities		
Carrying amount 1 January	9,761	11,258
Settlement of shares in limited partnerships in previous years	-1,846	-3,333
Unrealised change in value, shares in VISA Inc	2,264	–
Disposal of shares in VISA Inc	-1,190	–
Share in limited partnership earnings for the year	1,910	1,836
Carrying amount, 31 December	**10,899**	**9,761**

	Profit	Equity	Proportion of equity	Carrying amount
2021				
Visa Inc C	–	–	–	3,405
Volvohandelns PV Försäljnings AB*, Co. Reg. No 556430-4748, Gothenburg	1,634	41,622	13,735	1,000
Volvohandelns PV Försäljnings KB, Co. Reg. No 916839-7009, Gothenburg	-668	33,077	2,417	2,417
VCC Tjänstebilar KB, Co. Reg. No 969673-1950, Gothenburg	7,549	22,574	2,887	2,887
VCC Försäljnings KB, Co. Reg. No 969712-0153, Gothenburg	757	101	1,189	1,189
Total	**9,272**	**97,374**	**20,228**	**10,899**
2020				
Visa Inc C	–	–	–	2,331
Volvohandelns PV Försäljnings AB*, Co. Reg. No 556430-4748, Gothenburg	1,037	39,988	13,196	1,000
Volvohandelns PV Försäljnings KB, Co. Reg. No 916839-7009, Gothenburg	-39	33,745	2,584	2,584
VCC Tjänstebilar KB, Co. Reg. No 969673-1950, Gothenburg	6,310	19,757	2,577	2,577
VCC Försäljnings KB, Co. Reg. No 969712-0153, Gothenburg	1,075	149	1,269	1,269
Total	**8,383**	**93,639**	**19,626**	**9,761**

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

The bank owns 33% of Volvohandelns PV Försäljnings AB, 25% of Volvohandelns PV Försäljnings KB, 25% of VCC Tjänstebilar KB and 25% of VCC Försäljnings KB. At the AGM, each person entitled to vote has the right to vote the full number of shares he or she represents.

In 2021, profits of the limited partnerships were settled with the partners.

NOTE 23. SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Autofinans Nordic AB, CarPay Sverige AB, Volvofinans Leasing AB and Volvofinans IT AB are wholly owned dormant subsidiaries.

	Co. Reg. No.	Registered office	Earnings in 2021
Unlisted securities			
CarPay Sverige AB	556268-7052	Gothenburg	–
Volvofinans IT AB	556004-3621	Gothenburg	–
Volvofinans Leasing AB	556037-5734	Gothenburg	–
Autofinans Nordic AB	556094-7284	Gothenburg	–

Shares in wholly owned Group companies	Number of shares	Nom value	2021	2020
CarPay Sverige AB	2,000	200	240	240
Volvofinans IT AB	400	200	242	242
Volvofinans Leasing AB	10,000	1,000	1,200	1,200
Autofinans Nordic AB	50,000	5,000	5,060	5,060
Total book value of shareholdings			**6,742**	**6,742**

NOTE 24. INTANGIBLE NON-CURRENT ASSETS

	Development expenditure	Licenses	Total
Accumulated costs			
Opening balance 01/01/2020	86,605	–	86,605
Purchases for the year	11,817	–	11,817
Closing balance 31/12/2020	**98,422**	**–**	**98,422**
Opening balance 01/01/2021	98,422	–	98,422
Purchases for the year	7,163	–	7,163
Closing balance 31/12/2021	**105,585**	**–**	**105,585**
Accumulated depreciations			
Opening balance 01/01/2020	-71,545	–	-71,545
Depreciations for the year	-6,695	–	-6,695
Closing balance 31/12/2020	**-78,240**	**–**	**-78,240**
Opening balance 01/01/2021	-78,240	–	-78,240
Depreciations for the year	-8,298	–	-8,298
Closing balance 31/12/2021	**-86,538**	**–**	**-86,538**
Carrying amounts			
31/12/2020	**20,182**	**–**	**20,182**
31/12/2021	**19,047**	**–**	**19,048**

All intangible non-current assets are developed internally and have a useful life of three or five years. Amortisation is carried out on a straight-line basis based on useful life.

NOTE 25. TANGIBLE ASSETS, INVENTORY AND LEASE ITEMS

	Inventory	Lease items	Total
Cost			
Opening balance 01/01/2020	26,848	29,389,940	29,416,788
Acquisitions	1,303	11,133,529	11,134,832
Disposals	–	-10,015,615	-10,015,615
Retirements	–	–	–
Closing balance 31/12/2020	**28,151**	**30,507,854**	**30,536,005**
Opening balance 01/01/2021	28,151	30,507,854	30,536,005
Acquisitions	64	11,081,304	11,081,368
Disposals	–	-9,828,797	-9,828,797
Retirements	–	–	–
Closing balance 31/12/2021	**28,215**	**31,760,361**	**31,788,576**
Depreciations			
Opening balance 01/01/2020	-14,715	-8,684,582	-8,699,297
Depreciations for the year	-3,889	-5,378,296	-5,382,185
Disposals	–	5,051,335	5,051,335
Retirements	–	–	–
Closing balance 31/12/2020	**-18,604**	**-9,011,543**	**-9,030,147**
Opening balance 01/01/2021	-18,604	-9,011,543	-9,030,147
Depreciations for the year	-3,734	-5,703,751	-5,707,485
Disposals	–	4,880,658	4,880,658
Retirements	–	–	–
Closing balance 31/12/2021	**-22,338**	**-9,834,636**	**-9,856,974**
Impairment charges			
Opening balance 01/01/2020	–	-56,717	-56,717
Reversed impairment charges during the year	–	32,912	32,912
Impairment for the year	–	-67,156	-67,156
Closing balance 31/12/2020	**–**	**-90,961**	**-90,961**
Opening balance 01/01/2021	–	-90,961	-90,961
Reversed impairment charges during the year	–	64,724	64,724
Impairment for the year	–	-102,313	-102,313
Closing balance 31/12/2021	**–**	**-128,550**	**-128,550**
of which impairment for residual value risk	(–)	(-124,928)	(-124,928)
Carrying amounts			
01/01/2020	12,133	20,648,640	20,660,773
31/12/2020	**9,547**	**21,405,350**	**21,414,897**
01/01/2021	9,547	21,405,350	21,414,897
31/12/2021	**5,877**	**21,797,175**	**21,803,052**

CHANGES IN GROSS CARRYING AMOUNT AND LOSS PROVISIONS

	Not credit impaired		Credit impaired	
31/12/2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2021	**20,203,262**	**873,495**	**386,219**	**21,462,976**
Financial assets for new agreements in force at year-end*	8,337,550	540,821	36,474	8,914,845
Financial assets for closed agreements in force at beginning of year**	-4,592,112	-198,681	-173,743	-4,964,536
*Net changes within the stage****				
In stage 1	-3,296,206			-3,296,206
In stage 2		-42,598		-42,598
In stage 3			-12,017	-12,017
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	174,837			174,837
From and to stage 2 (to and from stages 1 and 3)		-250,269		-250,269
From and to stage 3 (to and from stages 1 and 2)			-116,320	-116,320
Gross carrying amount as of 31 December 2021	**20,827,331**	**922,768**	**120,613**	**21,870,712**
Loss provisions				
Loss provisions as of 1 January 2021	**-3,426**	**-198**	**-7,005**	**-10,629**
Financial assets for new agreements in force at year-end	-1,361	-134	-430	-1,925
Financial assets for closed agreements in force at beginning of year	928	31	2,427	3,386
*Net changes within the stage****				
In stage 1	1,548			1,548
In stage 2		54		54
In stage 3			558	558
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-6			-6
From and to stage 2 (to and from stages 1 and 3)		53		53
From and to stage 3 (to and from stages 1 and 2)			3,340	3,340
Loss provisions as of 31 December 2021	**-2,317**	**-194**	**-1,110**	**-3,621**
Opening balance as of 1 January 2021	**20,196,836**	**873,297**	**379,214**	**21,452,347**
Closing balance as of 31 December 2021	**20,825,014**	**922,574**	**119,503**	**21,867,091**

During the year, leasing credit to the public increased by approx SEK 418 million (765). It consists of newly concluded contracts with a value of SEK 8.9 billion (10.4). Paid-up contracts or those removed for some other reason (e.g. confirmed credit losses) have caused the value to fall by SEK 5.0 billion (6.3). The gross value of contracts in force at the beginning of the year and at year-end fell by SEK 3.5 billion (3.3). The greatest reduction in the gross amount occurred in Stage 1 During the year, loss provisions fell by KSEK 7,008 (-10,285), primarily due to a change in the unemployment forecast parameters in the bank's ECL model.

The gross carrying amount in the balance sheet includes both the residual value of the lease (non credit-obligation assets exposure) and future rents (customer exposure). For accounting policies, refer to section 3.19.1.4 for credit risk provision and section 3.22 for impairment testing of tangible assets. For information on the bank's guaranteed residual value, see Note 2 Risk and capital management, in the section on residual value risk.

	Not credit impaired		Credit impaired	
31/12/2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2020	**19,354,404**	**975,356**	**368,202**	**20,697,962**
Financial assets for new agreements in force at year-end*	9,838,543	455,795	97,187	10,391,525
Financial assets for closed agreements in force at beginning of year**	-5,949,272	-220,616	-154,957	-6,324,845
*Net changes within the stage****				
In stage 1	-3,003,790			-3,003,790
In stage 2		-49,303		-49,303
In stage 3			-42,378	-42,378
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-36,623			-36,623
From and to stage 2 (to and from stages 1 and 3)		-287,736		-287,736
From and to stage 3 (to and from stages 1 and 2)			118,164	118,164
Gross carrying amount as of 31 December 2020	**20,203,262**	**873,496**	**386,218**	**21,462,976**
Loss provisions				
Loss provisions as of 1 January 2020	**-135**	**-38**	**-171**	**-344**
Financial assets for new agreements in force at year-end	-1,750	-99	-1,518	-3,367
Financial assets for closed agreements in force at beginning of year	30	6	62	98
*Net changes within the stage****				
In stage 1	-1,571			-1,571
In stage 2		-26		-26
In stage 3			-3,904	-3,904
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	0			0
From and to stage 2 (to and from stages 1 and 3)		-41		-41
From and to stage 3 (to and from stages 1 and 2)			-1,474	-1,474
Loss provisions as of 31 December 2020	**-3,426**	**-198**	**-7,005**	**-10,629**
Opening balance as of 1 January 2020	**19,354,269**	**975,318**	**368,031**	**20,697,618**
Closing balance as of 31 December 2020	**20,199,836**	**873,298**	**379,213**	**21,452,347**

* Leasing credits signed during the year. The gross value shown in the table is the gross carrying amount at the end of the first contract month.

** Leases taken out before the start of the year and terminated during the year. The gross carrying amount shown in the table during the month in which the contract ends. The amounts refer to the paid-up contract or contract ended due to confirmed credit losses.

*** Net changes in the stage include the following types of changes: for leasing credits, this heading will cover changes in the loss provision due to a change in credit risk during the year but which have not led to a change in the stage covered in the section 'Transfers between stages' below.
The amounts also include changes in the gross carrying amount arising during the period before a contract is ended.

**** Transfers between stages include leases that were part of a different stage in the CB than in the OB.

NOTES

GROSS CARRYING AMOUNT AND LOSS PROVISIONS – BY INDUSTRY

	31/12/2021			31/12/2020		
	Gross carrying amount	Loss provisions	Net carrying amount	Gross carrying amount	Loss provisions	Net carrying amount
Leasing loans						
Private customers	3,822,540	-195	3,822,345	3,604,624	-40	3,604,584
Business customers						
Legal, financial, scientific and technological activities	4,036,455	-545	4,035,910	3,848,453	-3,370	3,845,083
Trade: motor vehicle repair	3,373,496	-815	3,372,681	3,326,424	-1,900	3,324,524
Manufacturing	3,053,033	-348	3,052,685	3,177,587	-2,110	3,175,477
Other lending to businesses	7,585,188	-1,718	-7,583,470	7,505,888	-3,209	7,502,679
Total lending leasing assets	**21,870,712**	**-3,621**	**21,867,091**	**21,462,976**	**-10,629**	**21,452,347**

NOTE 26. OTHER ASSETS

	31/12/2021	31/12/2020
Positive value of derivative instruments	8,840	9,933
Current tax assets	–	24,762
Accounts receivable	613,772	500,052
of which non-cancellable lease income	(473,523)	(466,240)
Other assets	147,464	173,269
Total	**770,076**	**708,016**

Trade receivables are offset for customer fleet agreements with a credit risk provision of KSEK 232 (2,090) and an interest provision of KSEK 22 (23).

CHANGES IN GROSS CARRYING AMOUNT AND LOSS PROVISIONS – ACCOUNTS RECEIVABLE IN FLEET ADMINISTRATION

	Not credit impaired		Credit impaired	
31/12/2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2021	**245,658**	**2,799**	**31,894**	**280,351**
Financial assets for new agreements in force at year-end*	34,561	8	23	34,592
Financial assets for closed agreements in force at beginning of year**	-11,876	-208	-558	-12,642
*Net changes within the stage****				
In stage 1	80,832			80,832
In stage 2		-14		-14
In stage 3			-47	-47
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	32,554			32,554
From and to stage 2 (to and from stages 1 and 3)		-514		-514
From and to stage 3 (to and from stages 1 and 2)			-29,314	-29,314
Gross carrying amount as of 31 December 2021	**381,729**	**2,071**	**1,998**	**385,798**
Loss provisions				
Loss provisions as of 1 January 2021	**-189**	**-11**	**-1,913**	**-2,113**
Financial assets for new agreements in force at year-end	-17	0	-1	-18
Financial assets for closed agreements in force at beginning of year	11	0	33	45
*Net changes within the stage****				
In stage 1	69			69
In stage 2		4		4
In stage 3			23	23
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-3			-3
From and to stage 2 (to and from stages 1 and 3)		3		3
From and to stage 3 (to and from stages 1 and 2)			1,737	1,737
Change in interest reserves	–	–	1	1
Loss provisions as of 31 December 2021	**-129**	**-4**	**-120**	**-253**
Opening balance as of 1 January 2021	**245,469**	**2,788**	**29,981**	**278,238**
Closing balance as of 31 December 2021	**381,600**	**2,067**	**1,878**	**385,545**

During the year, gross lending to trade receivables in Fleet administration increased by approx SEK 105 million (-149). It consists of newly concluded contracts with a value of SEK 34.6 million (15.1). Paid-up contracts or those removed for some other reason (e.g. confirmed credit losses) have caused the value to fall by SEK 12.6 million (32.5). The gross value of contracts in force at the beginning of the year and at year-end increased by SEK 83.5 million (-131.1). The greatest reduction in the gross amount occurred in Stage 1 During the year, loss provisions fell by KSEK 1,860 (2,080), primarily due to a change in the unemployment forecast parameters in the bank's ECL model.

	Not credit impaired		Credit impaired	
31/12/2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2020	**391,563**	**2,908**	**34,442**	**428,913**
Financial assets for new agreements in force at year-end*	15,055	32	–	15,087
Financial assets for closed agreements in force at beginning of year**	-31,476	-136	-924	-32,536
*Net changes within the stage****				
In stage 1	-119,584			-119,584
In stage 2		-88		-88
In stage 3			-1,217	-1,217
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-9,900			-9,900
From and to stage 2 (to and from stages 1 and 3)		83		83
From and to stage 3 (to and from stages 1 and 2)			-407	-407
Gross carrying amount as of 31 December 2020	**245,658**	**2,799**	**31,894**	**280,351**
Loss provisions				
Loss provisions as of 1 January 2020	**-2**	**0**	**-29**	**-31**
Financial assets for new agreements in force at year-end	-17	0	0	-17
Financial assets for closed agreements in force at beginning of year	0	0	1	1
*Net changes within the stage****				
In stage 1	-168			-168
In stage 2		-5		-5
In stage 3			-1,614	-1,614
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-2			-2
From and to stage 2 (to and from stages 1 and 3)		-6		-6
From and to stage 3 (to and from stages 1 and 2)			-249	-249
Change in interest reserves			-22	-22
Loss provisions as of 31 December 2020	**-189**	**-11**	**-1,913**	**-2,113**
Opening balance as of 1 January 2020	**391,561**	**2,908**	**34,413**	**428,882**
Closing balance as of 31 December 2020	**245,469**	**2,788**	**29,981**	**278,238**

* Trade receivables within Fleet administration taken out during the year. The gross value shown in the table is the gross carrying amount at the end of the first contract month.

** Trade receivables within Fleet administration taken out before the start of the year and terminated during the year. The gross carrying amount shown in the table during the month in which the contract ends. The amounts refer to the paid-up contract or contract ended due to confirmed credit losses.

*** Net changes in the stage include the following types of changes: for trade receivables in Fleet administration, this heading will cover changes in the loss provision due to a change in credit risk during the year but which have not led to a change in the stage covered in the section 'Transfers between stages' below. The amounts also include changes in the gross carrying amount arising during the period before a contract is ended. As with card credits, changes due to a change in credit risk are reported.

**** Transfers between stages include trade receivables in Fleet administration that were part of another stage in the CB than in the OB.

GROSS CARRYING AMOUNT AND LOSS PROVISIONS – BY INDUSTRY

	31/12/2021			31/12/2020		
	Gross carrying amount	Loss provisions	Net carrying amount	Gross carrying amount	Loss provisions	Net carrying amount
Other assets						
Private customers	–	–	–	–	–	–
Business customers						
Manufacturing	121,338	-32	121,306	52,284	-983	51,301
Legal, financial, scientific and technological activities	107,590	-41	107,549	101,796	-97	101,699
Trade in motor vehicle servicing	40,642	-39	40,603	36,811	-140	36,671
Other lending to businesses	116,228	-142	-116,086	89,460	-893	88,567
Total lending, other assets	**385,798**	**-253**	**385,545**	**280,351**	**-2,113**	**278,238**

NOTE 27. 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 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 8.8 million (9.9) and the value of derivative liabilities including accrued interest is SEK 39.5 million (76.4).

2021 **Derivatives where hedge accounting is not applied**	Up to 1 year	1–5 years	> 5 years	Total	Assets (positive market values)	Liabilities (negative market values)
Interest-rate related contracts						
Swaps	75,357	702,903	–	778,260	2,903	-113
Currency-related contract						
Swaps (NOK)	–	649,500	–	649,500	–	-33,136
Total	**75,357**	**1,352,403**	**–**	**1,427,760**	**2,903**	**-33,249**
Derivatives where hedge accounting is applied (fair value hedging)						
Interest-rate related contracts						
Swaps	400,000	700,000	–	1,100,000	5,937	-6,235
Currency-related contract						
Swaps (NOK)	–	–	–	–	–	–
Total	**400,000**	**700,000**	**–**	**1,100,000**	**5,937**	**-6,235**
Total	**475,357**	**2,052,403**	**–**	**2,527,760**	**8,840**	**-39,484**
Breakdown of market value by currency						
SEK	475,357	1,402,903	–	1,878,260	8,840	-6,349
NOK	–	649,500	–	649,500	–	-33,136
Total	**475,357**	**2,052,403**	**–**	**2,527,760**	**8,840**	**-39,484**

2020 **Derivatives where hedge accounting is not applied**	Up to 1 year	1–5 years	> 5 years	Total	Assets (positive market values)	Liabilities (negative market values)
Interest-rate related contracts						
Swaps	24,839	400,125	–	424,964	99	-530
Currency-related contract						
Swaps (NOK)	–	649,500	–	649,500	–	-75,249
Total	**24,839**	**1,049,625**	**–**	**1,074,464**	**99**	**-75,779**
Derivatives where hedge accounting is applied (fair value hedging)						
Interest-rate related contracts						
Swaps	–	950,000	–	950,000	9,834	-625
Currency-related contract						
Swaps (NOK)	–	–	–	–	–	–
Total	**–**	**950,000**	**–**	**950,000**	**9,834**	**-625**
Total	**24,839**	**1,999,625**	**–**	**2,024,464**	**9,933**	**-76,404**
Breakdown of market value by currency						
SEK	24,839	1,350,125	–	1,374,964	9,933	-1,155
NOK	–	649,500	–	649,500	–	-75,249
Total	**24,839**	**1,999,625**	**–**	**2,024,464**	**9,933**	**-76,404**

HEDGING INSTRUMENTS IN HEDGE ACCOUNTING, NOMINAL AMOUNTS AND CARRYING AMOUNTS

Hedging instruments and the effectiveness of hedging	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Line in the balance sheet where the hedging instrument is included	Changes in fair value used to measure hedge inefficiencies for the period
Interest-rate related contracts					
Derivatives, positive values	700,000	9,834		Other assets	-3,906
Derivatives, negative values	400,000		6,235	Other liabilities	-6,618
Total	**1,100,000**	**5,937**	**6,235**		**-10,524**

Inefficiencies total -137 in the income statement in the item Net result from financial transactions.

UNDERLYING RISK EXPOSURES HEDGED, CARRYING AMOUNT AND FAIR VALUE ADJUSTMENT AMOUNTS

Hedged items	Carrying amount Liabilities	Accumulated adjustment amount of fair value hedging for the hedged item Liabilities	Change in value used to measure the ineffectiveness of hedging instruments for the period	Accumulated adjustment amount of fair value hedging where hedge accounting is no longer applied
Securities issued	1,095,544	-4,456	10,387	–

The bank has no discontinued hedging relationships where the hedged item is still recognised in the balance sheet.

HEDGE INEFFECTIVENESS RECOGNISED IN 2020 INCOME STATEMENT, FAIR VALUE HEDGING OF INTEREST RATE RISK

Fair value hedging	Hedge ineffectiveness recognised in income statement	Line in income statement containing recognised hedge ineffectiveness
Interest rate risk		
Securities issued	10,387	Net result from financial transactions
Hedging instruments		
Interest rate swaps	-10,524	Net result from financial transactions

Hedge instruments consist of interest rate swaps when hedging interest rate risks The hedged items consist of fixed-rate borrowing, and the hedged risk is the risk of change in the fair value as a result of swap rate fluctuations. The hedging ratio is 1:1 as the hedged risk and the characteristics of the hedging instrument are identical. Hedging effectively protects the intended risk in the hedged items at transaction level, with an effectiveness range of 80–125%. The bank evaluates effectiveness using the dollar offset method based on accumulated changes in fair value. There is only exposure to Stibor in the case of derivatives where hedge accounting is used. See also Note 3, Derivatives and hedge accounting, as well as the Market risk section in Note 2.

NOTE 28. PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2021	31/12/2020
Prepaid expenses	42,180	40,253
Accrued interest income	4,089	3,938
Other accrued income	19,165	18,349
Total	**65,434**	**62,540**

NOTE 29. LIABILITIES TO CREDIT INSTITUTIONS AND ISSUED SECURITIES

CURRENCY BREAK DOWN

2021	SEK	NOK	Total
Liabilities to credit institutions	1,069,048	–	1,069,048
Securities issued	12,476,257	616,105	13,092,362
Total	**13,545,305**	**616,105**	**14,161,410**

2020	SEK	NOK	Total
Liabilities to credit institutions	1,230,952	–	1,230,952
Securities issued	11,534,029	574,880	12,108,909
Total	**12,764,981**	**574,880**	**13,339,861**

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

NOTE 30. DEPOSITS AND BORROWING FROM THE PUBLIC

All deposits and borrowings are in SEK.

DEPOSITS FROM THE PUBLIC

Deposits by customer category	31/12/2021	31/12/2020
Public sector	38	76
Private sector	2,823	4,142
Retail sector	20,494,633	21,288,720
of which self-employed	(4,031,443)	(4,174,376)
Other	38	70
Total deposits	**20,497,532**	**21,293,008**

BORROWING FROM THE PUBLIC

Borrowing by customer category	31/12/2021	31/12/2020
Private sector	1,297,462	1,015,786
Other	–	–
Total borrowing	**1,297,462**	**1,015,786**
of which Group companies	(6,789)	(6,789)
of which associated companies	(90,642)	(86,902)
Total deposits and borrowing from the public	**21,794,994**	**22,308,794**

NOTE 31. OTHER LIABILITIES

	31/12/2021	31/12/2020
Negative value of derivative instruments	39,484	76,404
Trade accounts payable	520,690	546,173
Liability to customer	82,447	92,494
Other liabilities	390,376	341,675
Total	**1,032,997**	**1,056,746**

NOTE 32. ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2021	31/12/2020
Accrued interest expenses	16,110	16,732
Other accrued expenses	129,213	136,239
Deferred income	1,166,615	1,176,882
Total	**1,311,938**	**1,329,853**

NOTE 33. SUBORDINATED LIABILITIES

	Currency	Nom	Interest rate	Maturity date	Carrying amount 2021	Carrying amount 2020
Subordinated loan	SEK	400,000	STIBOR 90 +1.45%	11/04/2028	400,000	400,000
Total	**–**	**–**	**–**	**–**	**400,000**	**400,000**
of which associated companies	–	–	–	–	–	–
of which Group companies	–	–	–	–	–	–

Debentures are subordinate to the bank's other liabilities, which means they confer entitlement to payment only after the other creditors have been repaid.

NOTE 34. UNTAXED RESERVES

	31/12/2021	31/12/2020
Accelerated depreciations		
Opening balance, 1 January	5,039,048	4,626,458
Change for the year	494,047	412,590
Closing balance, 31 December	**5,533,095**	**5,039,048**

NOTE 35. EQUITY

For a specification of changes in equity, refer to the statement of changes in equity.

DIVIDEND

The dividend reported during the year totals KSEK 213,069, equivalent to SEK 213.07 per share. The proposed dividend is for a total of KSEK 130,611, equivalent to SEK 130.61 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, i.e. the amount available for distribution to the shareholders

NOTE 36. CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY CATEGORY AND DISCLOSURES ABOUT FAIR VALUE

METHODS FOR DETERMINING FAIR VALUE

Derivatives are reported under other assets or other liabilities. Because the derivative instruments have no quoted price on an active market (Level 1), the Bank uses a discounted cash flow analysis to determine the fair value of the instruments in accordance with IFRS 13. When discounting, only observable market data is used (Level 2).

Under IFRS 13 Fair value measurement, treasury bills eligible as collateral, other eligible securities, bonds and other interest-bearing securities are measured at fair value with prices quoted on an active market (Level 1) and also at market value using observable market data (Level 2).

Lending to the public has been calculated by discounting the contractual cash flows using a discount rate based on a current lending spread (Level 3) to determine fair value according to IFRS 13.

Issued securities and subordinated liabilities have been calculated based on current borrowings spreads (Level 2) to determine fair value according to IFRS 13.

Deposits and borrowings from the general public are calculated by estimating borrowing spreads (Level 3); the carrying amount is considered to be a good approximation of fair value due to the short remaining term.

Liabilities to credit institutions have been calculated on the basis of estimated borrowing spreads (Level 3).

Other categories belong to Level 3. The carrying amounts of these assets and liabilities provide a good approximation of fair value due to their short remaining maturity.

Fair values are categorised into levels in a fair value hierarchy based on the use of input data in the following measurement techniques:

Level 1 – according to quoted prices on an active market for identical instruments.

Level 2 – from directly or indirectly observable market data not included in level 1. This category includes instruments whose value is based on quoted prices on active markets for similar instruments; quoted prices for identical or similar instruments traded on non-active markets, or other valuation techniques where all material input data is directly and indirectly observable on the market.

Level 3 – from input data not observable on the market. This category includes all instruments where the valuation technique comprises inputs that are not based on observable data and where such data has a material impact on valuation.

Assets 2021	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**	**Total Carrying amount**
Treasury bills eligible as collateral etc.	1,587,079	–	–	**1,587,079**	**1,586,148**
Lending to credit institutions	–	–	2,233,864	**2,233,864**	**2,233,864**
Loans and advances to the public	–	–	17,402,509	**17,402,509**	**16,872,156**
Bonds and other interest-bearing securities	853,433	600,011	–	**1,453,444**	**1,452,687**
Other assets*	–	8,840	761,236	**770,076**	**770,076**
Prepaid expenses and accrued income	–	–	65,434	**65,434**	**65,434**
Total	**2,440,512**	**608,851**	**20,463,043**	**23,512,406**	**22,980,365**

Liabilities 2021	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**	**Total Carrying amount**
Liabilities to credit institutions	–	–	1,075,111	**1,075,111**	**1,069,048**
Deposits and borrowing from the public	–	–	21,794,998	**21,794,998**	**21,794,994**
Securities issued	–	13,171,022	–	**13,171,022**	**13,092,362**
Other liabilities*	–	39,484	993,513	**1,032,997**	**1,032,997**
Accrued expenses and deferred income	–	–	1,311,938	**1,311,938**	**1,311,938**
Subordinated liabilities	–	425,215	–	**425,215**	**400,000**
Total	**–**	**13,635,721**	**25,175,560**	**38,811,281**	**38,701,339**

Assets 2020	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**	**Total Carrying amount**
Treasury bills eligible as collateral etc.	1,331,306	–	–	**1,331,306**	**1,331,203**
Lending to credit institutions	–	–	2,483,630	**2,483,630**	**2,483,630**
Loans and advances to the public	–	–	16,804,095	**16,804,095**	**16,279,476**
Bonds and other interest-bearing securities	1,126,856	699,963	–	**1,826,819**	**1,825,984**
Other assets*	–	9,933	698,083	**708,016**	**708,016**
Prepaid expenses and accrued income	–	–	62,540	**62,540**	**62,540**
Total	**2,458,162**	**709,896**	**20,048,348**	**23,216,406**	**22,690,849**

Liabilities 2020	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**	**Total Carrying amount**
Liabilities to credit institutions	–	–	1,238,703	**1,238,703**	**1,230,952**
Deposits and borrowing from the public	–	–	22,308,794	**22,308,794**	**22,308,794**
Securities issued	–	12,206,083	–	**12,206,083**	**12,108,909**
Other liabilities*	–	76,404	980,342	**1,056,746**	**1,056,746**
Accrued expenses and deferred income	–	–	1,329,853	**1,329,853**	**1,329,853**
Subordinated liabilities	–	406,395	–	**406,395**	**400,000**
Total	**–**	**12,688,882**	**25,857,692**	**38,546,574**	**38,435,254**

* The financial instruments measured at fair value in the balance sheet by the bank are derivative instruments.

FINANCIAL INSTRUMENTS THAT ARE OFFSET IN THE BALANCE SHEET OR COVERED BY NETTING AGREEMENTS

Volvofinans Bank concludes derivative contracts under the International Swaps and Derivatives Association (ISDA) master agreement. No amounts have been offset. In the case of derivative agreements concluded after 1 March 2017, Volvofinans Bank receives and provides collateral in the form of deposits in accordance with the standard conditions of the ISDA Credit Support Annex. Assets for derivative agreements amount to SEK 8.8 million and liabilities to SEK 39.5 million. Securities in the amount of SEK 3.5 million were received and assets of SEK 35.9 million were pledged as of 31 December 2021.

FINANCIAL ASSETS AND LIABILITIES OFFSET OR SUBJECT TO NETTING AGREEMENTS

	2021				2020			
	Gross amount	Framework netting agreement	Collateral received (-) / provided (+)	Net amount	Gross amount	Framework netting agreement	Collateral received (-) / provided (+)	Net amount
Assets								
Derivatives	8,840	-2,092	-3,450	3,298	9,933	-3,010	-3,450	3,473
Liabilities								
Derivatives	-39,484	2,092	35,860	-1,532	-76,404	3,010	76,050	2,656
Total	**-30,644**		**32,410**	**1,766**	**-66,471**	**–**	**72,600**	**6,129**

CARRYING AMOUNTS PER CATEGORY

Assets 31/12/2021	**Financial assets measured at amortised cost**	**Derivatives in hedge accounting**	**Other assets***	**Total**	**Fair value**
Treasury bills eligible as collateral etc.	1,586,148	–	–	1,586,148	1,587,079
Lending to credit institutions	2,233,864	–	–	2,233,864	2,233,864
Loans and advances to the public	16,872,156	–	–	16,872,156	17,402,509
Bonds and other interest-bearing securities	1,452,687	–	–	1,452,687	1,453,444
Shares and participations in associates and other companies	–	–	10,899	10,899	–
Shares and participations in Group companies	–	–	6,742	6,742	–
Intangible non-current assets	–	–	19,047	19,047	–
Tangible assets: inventory	–	–	5,877	5,877	–
Tangible assets: lease items	–	–	21,797,175	21,797,175	–
Other assets*	613,772	5,937	150,367	770,076	770,076
Deferred tax asset	–	–	292,000	292,000	–
Prepaid expenses and accrued income	65,434	–	–	65,434	65,434
Total assets	**22,824,061**	**5,937**	**22,282,107**	**45,112,105**	

Liabilities 31/12/2021	**Non-financial liabilities**	**Derivatives in hedge accounting**	**Other financial liabilities****	**Total**	**Fair value**
Liabilities to credit institutions	–	–	1,069,048	1,069,048	1,075,111
Deposits and borrowing from the public	–	–	21,794,994	21,794,994	21,794,998
Securities issued	–	–	13,092,362	13,092,362	13,171,022
Other liabilities**	377,785	6,235	648,977	1,032,977	1,032,997
Accrued expenses and deferred income	1,295,828	–	16,110	1,311,938	1,311,938
Subordinated liabilities	–	–	400,000	400,000	425,215
Total liabilities	**1,673,613**	**6,235**	**37,021,491**	**38,701,339**	

* Non-hedged derivatives totalling KSEK 2,903 are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

** Non-hedged derivatives totalling KSEK 33,249 are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

Assets 31/12/2020	**Financial assets measured at amortised cost**	**Derivatives in hedge accounting**	**Other assets***	**Total**	**Fair value**
Treasury bills eligible as collateral etc.	1,331,203	–	–	1,331,203	1,331,306
Lending to credit institutions	2,483,630	–	–	2,483,630	2,483,630
Loans and advances to the public	16,279,476	–	–	16,279,476	16,804,095
Bonds and other interest-bearing securities	1,825,984	–	–	1,825,984	1,826,820
Shares and participations in associates and other companies	–	–	9,761	9,761	–
Shares and participations in Group companies	–	–	6,742	6,742	–
Intangible non-current assets	–	–	20,182	20,182	–
Tangible assets: inventory	–	–	9,547	9,547	–
Tangible assets: lease items	–	–	21,405,350	21,405,350	–
Other assets*	500,052	9,834	198,130	708,016	708,016
Deferred tax asset	–	–	–	–	–
Prepaid expenses and accrued income	62,540	–	–	62,540	62,540
Total assets	**22,482,885**	**9,834**	**21,649,712**	**44,142,431**	

Liabilities 31/12/2020	**Non-financial liabilities**	**Derivatives in hedge accounting**	**Other financial liabilities****	**Total**	**Fair value**
Liabilities to credit institutions	–	–	1,230,952	1,230,952	1,238,703
Deposits and borrowing from the public	–	–	22,308,794	22,308,794	22,308,794
Securities issued	–	–	12,108,909	12,108,909	12,206,083
Other liabilities**	341,675	625	714,446	1,056,746	1,056,746
Accrued expenses and deferred income	1,313,121	–	16,732	1,329,853	1,329,853
Subordinated liabilities	–	–	400,000	400,000	406,395
Total liabilities	**1,654,796**	**625**	**36,779,833**	**38,435,254**	

* Non-hedged derivatives totalling KSEK 99 are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

** Non-hedged derivatives totalling KSEK 75,779 are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

NOTE 37. OPERATING LEASES

OPERATING LEASES WHERE THE BANK IS THE LESSEE

Expensed charges for operating leases total:

	2021	2020
Leasing costs for the year	**16,989**	**16,131**
– Of which minimum lease charges	16,256	15,412
– Of which variable charges	733	719

Future non-cancellable lease payments are as follows:

	2021	2020
Within 1 year	19,290	19,018
Between 1–3 years	38,869	39,185

Operating leases are mainly attributable to normal agreements for business with respect to office premises and office equipment costs.

NOTE 38. EVENTS AFTER THE END OF THE YEAR

After a period of geopolitical tension, Russia invaded Ukraine on 24 February 2022. As of 24 March 2022, Volvofinans Bank AB's earnings and position has not been materially affected by the financial market developments. While there is great uncertainty, the bank is following developments closely. At present, the bank notes subdued growth in Sweden and an increase in inflation e.g. from rising energy and fuel prices.

NOTE 39. RELATED PARTIES

The Swedish Volvo dealerships own 50% of the bank via their holding company AB Volverkinvest, while Volvo Personvagnar AB owns 50% with both owners classified as other related companies.

The bank has participations in four companies classified as associates, see Note 22. The Group also includes wholly-owned and dormant subsidiaries: Volvofinans Leasing AB, Autofinans Nordic AB, CarPay Sverige AB and Volvofinans IT AB; see Note 23.

	Group companies		Associates		Other related companies	
Balance sheet	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Assets	6,742	6,742	25,530	44,410	1,340,529	1,414,308
Liabilities	6,789	6,789	94,637	91,227	348,742	274,072
Income statement	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Interest income	–	–	1,135	1,047	10	–
Lease income	–	–	–	–	147,118	139,049
Interest expenses	–	–	-83	-112	–	-126
Commission income	–	–	–	–	617	668
Other operating income	–	–	1,910	1,836	–	–
Total	**–**	**–**	**2,962**	**2,771**	**147,745**	**139,591**

NOTE 40. SPECIFICATION TO CASH FLOW STATEMENT

	2021	**2020**
The following components are included in cash equivalents:		
Lending to credit institutions	2,233,864	2,483,630
Total	**2,233,864**	**2,483,630**

	31/12/2021	**31/12/2020**
Interest paid and dividends received included in cash flow from operating activities:		
Dividends received	46	241
Interest received	518,176	552,851
Interest paid	264,915	310,415

Cash and cash equivalents included in the cash flow statement are defined in accordance with IAS 7 and they do not correspond to what the bank regards as liquidity.

SIGNATURES OF THE BOARD OF DIRECTORS

The Board of Directors and CEO hereby assure 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. The bank's risk management is appropriate and satisfactory.

The annual report has, as presented above, been approved for publication by the Board of Directors.

Gothenburg 24 March 2022

Urmas Kruusval
Chairman of the Board

Synnöve Trygg
Vice chairman of the Board

Per Avander
Board member

Johan Ekdahl
Board member

Ann Hellenius
Board member

Lex Kerssemakers
Board member

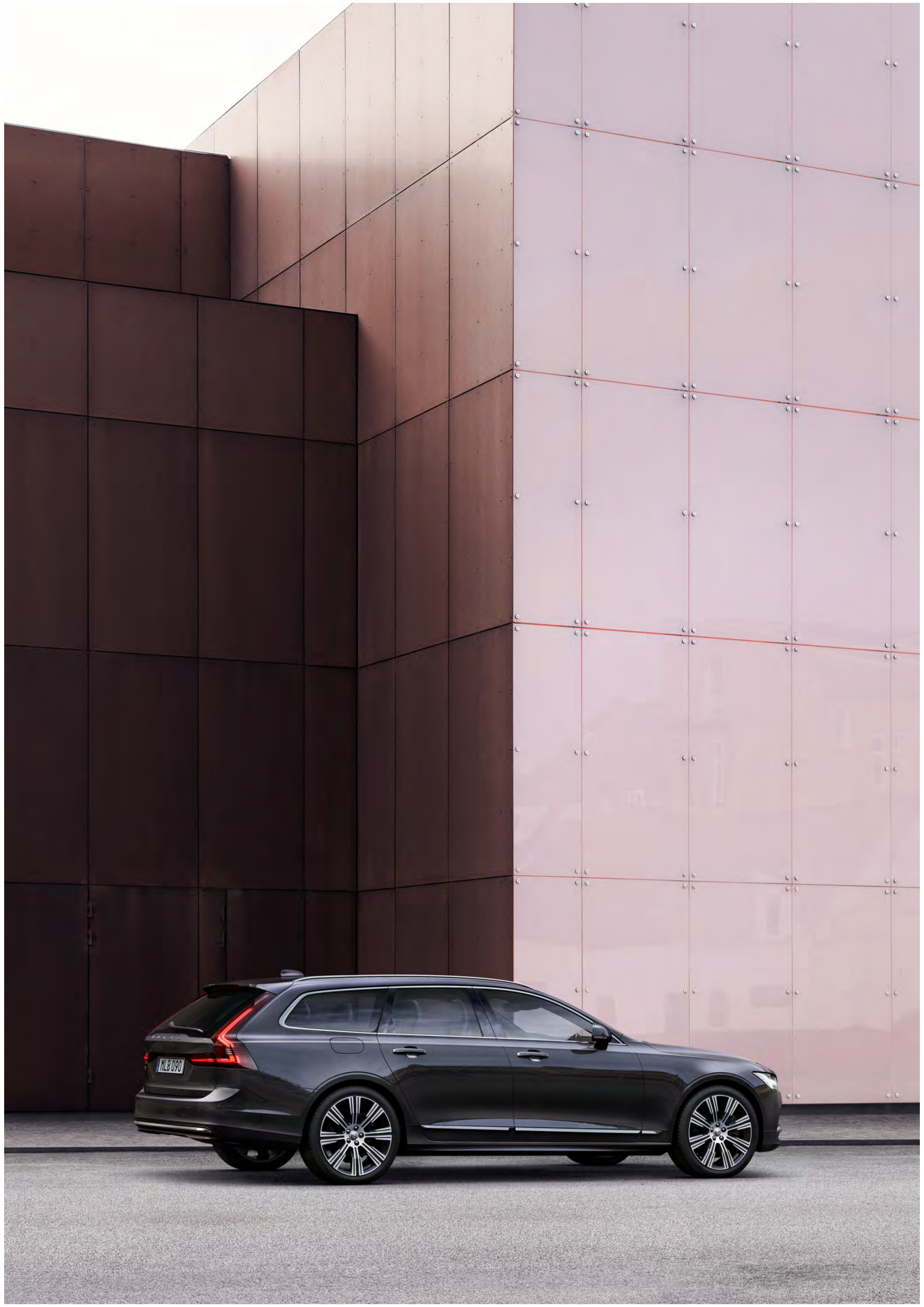
Björn Rentzhog
Board member

Conny Bergström
CEO

Our auditor's report was submitted on 24 March 2022

KPMG AB

Mikael Ekberg
Authorised Public Accountant



Auditor's report

To the Annual General Meeting of Volvofinans Bank AB (publ), Co. Reg no. 556069-0967

Report on the financial statements

Opinion

We have audited the financial statements of Volvofinans Bank AB (publ) for 2021 with the exception of the corporate governance report on pages 14–21 and the sustainability report on pages 22–25. The company's financial statements are included on pages 12–118 of this document.

In our opinion, the financial statements have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and fairly present, in all material respects, the financial position of Volvofinans Bank AB (publ) as of 31 December 2021, and its financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our opinion does not cover the corporate governance report on pages 14–21 or the sustainability report on pages 22–25. The Directors' Report is consistent with the other parts of the annual report.

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

Our opinion on these financial statements is consistent with the content in the supplementary report as submitted to the Audit Committee in accordance with Article 11 of Regulation (EU) No 537/2014.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the section Auditor's responsibilities. We are independent in relation to Volvofinans Bank AB (publ) in accordance with good auditing practice in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, based on our best knowledge and beliefs, no prohibited services as defined in Article 5(1) of Regulation (EU) No 537/2014 have been provided to the audited company, its parent or its controlling companies within the EU.

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

Key audit matters

Key audit matters are those matters which, in our professional judgement, were of most significance in the audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereof, and we do not provide a separate opinion on these matters.

Provision for expected credit losses
See accounting policies in Note 3.19 and Note 20 for detailed disclosures and a description of this key audit matter.

Description of the matter

The bank's loans and advances to the public mainly consist of card credits and vehicle loans, with the item amounting to SEK 16,873 million as of 31 December 2021, which corresponds to approx 37% of the bank's total assets. The bank's provision for expected credit losses amounts to SEK 22.5 million (previous year SEK 25,1 million).

The model for provision for expected credit losses is based on the financial reporting standard IFRS 9. The model is based on a collective assessment basis in which the credits are divided into three stages based on assessed credit risk.

This is regarded as a key audit matter because it involves complex calculations and significant judgements in order to establish the size of the provision for expected credit losses.

Complex calculations and significant judgements include the interpretation of the requirements reflected in the bank's model for calculating expected credit losses, the establishment of a significant increase in credit risk, the establishment of credit-impaired loans, and the valuation of expected credit losses, which occurs through a complex calculation for each individual credit exposure where the bank also takes into account macroeconomic variables.

How our audit addressed the matter

Our evaluation looked at the suitability and effectiveness of the bank's key controls in the process for monitoring inputs, calculations and following up the outcome from credit provisions.

Supported by our specialists in credit risk modelling, we evaluated the validation model implemented by the bank for expected credit losses relating to account credits in the retail segment.

We also performed random sampling to check inputs to credit provision models and the accuracy of calculations.

We also checked the completeness and accuracy of the underlying facts disclosed in the information attributable to the provision for expected credit losses in the annual statements in order to judge compliance with the IFRS disclosure requirements.

Impairments of lease assets
See Accounting policies in Note 3.22 and other related disclosures on impairment in Note 25 for detailed disclosures and a description of the matter.

Description of the matter

The book value of the company's operating leases, which are directly guaranteed by Volvofinans Bank AB (publ), stood at SEK 6,781 million as of 31 December 2021, which corresponds to approx 15% of the company's total assets. The company recognised impairment losses of SEK 124.9 million (previous year SEK 80.3 million).

The bank makes ongoing assessments as to whether there is a need to recognise impairment of the assets used in operating leases. Impairment occurs if the carrying amount is higher than the recoverable amount, which is the higher of fair value less selling expenses or value-in-use. Value-in-use is determined as the present value of the remaining rents and the present value of the anticipated residual value. An assessment of the expected residual value is also obtained from an external supplier, which is then analysed against the bank's own assessment of the expected residual value.

This is regarded as a key audit matter because the calculation of the recoverable amount includes significant judgements of the expected residual value for each operating lease.

How our audit addressed the matter

We assessed the appropriateness of the company's procedures for impairment of assets used under operating leases.

We checked the completeness and accuracy of inputs to the model and tested the accuracy of calculations of the residual value.

Furthermore, we assessed the reasonableness of the data on residual values obtained from an external supplier and verified that the risk level in the residual value risk has been approved and reported to the Board in accordance with the bank's internal instructions.

We also checked the completeness and accuracy of the underlying facts and circumstances disclosed in the information in the financial statements and made a judgement on whether the scope of the information is sufficient to judge compliance with the IFRS disclosure requirements.

Information other than the financial statements

This document also contains information other than that in the financial statements and which can be found on pages 1–11 and 14–25. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the financial statements does not cover this information and we do not express an opinion verifying this other information.

In connection with our audit of the financial statements, it is our responsibility to read the information described above and identify whether the information is materially inconsistent with the financial statements. In this review we also take into account the knowledge we have obtained in the audit and assess whether the information otherwise appears to contain material misstatements.

If, based on the work carried out with respect to this information, we conclude that there is a material misstatement in the other information, we are required to report this. We have nothing to report in this respect.

The Board of Directors' and Chief Executive Officer's responsibility

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and CEO are also responsible for such internal control as they determine to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Board of Directors and CEO are responsible for assessment of the company's ability to continue as a going concern. They disclose, where appropriate, information on conditions that may affect the ability to continue as a going concern and to use the going concern basis of accounting. However, the going concern basis of accounting is not used if the Board of Directors and CEO intend to liquidate the company, discontinue operations or do not have a realistic alternative to either of these actions.

Among other things, the Board's Audit Committee must monitor the company's financial reporting without prejudice to the Board's responsibilities and tasks in other respects.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) and generally accepted auditing standards in Sweden will always detect a material misstatement if such exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform review procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error , as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– obtain an understanding of the part of the company's internal control relevant to our audit in order to design review procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the internal control.

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.

–– conclude on the appropriateness of the Board of Directors' and CEO's use of the going concern basis of accounting when preparing the financial statements. We also draw a conclusion based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to it in the auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

–– evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Among other matters, we must inform the Board of the planned scope, nature and timing of the audit. We must also inform the Board of significant audit findings, including any significant deficiencies in internal control that we have identified.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, measures taken to eliminate threats, or any countermeasures taken.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements, including the most significant assessed risks of material misstatement and which therefore constitute the key audit matters. We describe these matters in the audit report unless laws or regulations prevent disclosure of the issue.

Report on other statutory and regulatory requirements

Opinion

In addition to our audit of the financial statements, we audited the Board of Directors' and Chief Executive Officer's administration of Volvofinans Bank AB (publ) for 2021 and the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the Directors' Report and that the members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

Basis for our opinion

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in this regard is described in greater detail in the section Auditor's responsibilities. We are independent in relation to Volvofinans Bank AB (publ) in accordance with good auditing practice in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

The Board of Directors' and Chief Executive Officer's responsibility

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable considering the demands that the nature, scope and risks of the company's operations place on the amount of equity and the company's consolidation requirements, liquidity and financial position in general.

The Board is responsible for the organisation of the company and the management of its affairs. Among other things, this includes continuously assessing the company's financial position and making sure the company's organisation is designed such that controls of accounting records, asset management and the company's financial circumstances in general are performed satisfactorily. The CEO must take charge of the day-to-day management in accordance with the Board's guidelines and directives, including taking the necessary measures to make sure the company's accounting records are complete according to law and that asset management is conducted satisfactorily.

Auditor's responsibilities

Our objective for the management audit, and thereby our statement on discharge from liability, is to obtain audit evidence to enable us to determine with reasonable assurance whether any member of the Board or the CEO has, in any material respect:

–– taken any action or been guilty of any negligence that may result in a claim for compensation being brought against the company, or

–– in any other way acted in contravention of the Swedish Companies Act, the Swedish Banking and Financing Business Act, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to determine with reasonable assurance whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions which may result in a claim for compensation being brought against the company, or that a proposal for appropriation of the company's profit or loss is inconsistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The review of the management and the proposed appropriation of the company's profit or loss is largely based on the audit of the accounts. Any additional review procedures performed are based on our professional assessment, with risk and materiality as the starting points. This means our review focuses on such procedures, matters and conditions as are material to the business and where deviation and infringement would have special significance for the company's situation. We review and examine decisions taken, documentation supporting decisions, actions taken and other conditions that are relevant to our statement on discharge from liability. 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.

Auditor's review of the corporate governance report

The Board of Directors is responsible for the corporate governance report on pages 14–21 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review has been carried out in accordance with FAR's statement RevR 16 Auditors' review of the corporate governance report. This means our review of the corporate governance report has a different aim and is significantly narrower in scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinion.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6(2), items 2–6 of the Swedish Annual Accounts Act and Chapter 7, Section 31(2) of the same Act are consistent with the other parts of the annual report and are in compliance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Auditor's opinion on the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 22–25 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

We conducted our review in accordance with FAR's auditing standard RevR. 12 The auditor's opinion regarding the statutory sustainability report. This means that our review of the sustainability report has a different aim and is significantly narrower in scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinion.

A sustainability report has been prepared.

KPMG AB, PO Box 11908, SE-404 39, Gothenburg, was appointed as the auditor for Volvofinans Bank AB (publ) at the Annual General Meeting on 10 June 2021. KPMG AB or auditors working at KPMG AB have been the company's auditor since 1983.

Gothenburg 24 March 2022
KPMG AB

Mikael Ekberg
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

Per Avander
CEO AB Bilia

Johan Ekdahl
Vice President and Head of Consolidated Accounts,
Volvo Car Group

Ann Hellenius
Managing Director SweFi Capgemini Invent

Lex Kerssemakers
Senior Vice President,
Commercial Operations Volvo Car Group

Björn Rentzhog
CEO/President AB Persson Invest

BOARD DEPUTIES

Pascal Bellemans
Vice President, Head of Volvo Car Financial Services

Jonas Estéen
Owner Finnbäcken Invest AB,
CEO Bilkompaniet Dalarna AB

Johan Ahlberg
CEO Johan Ahlberg Bil AB

Anders Gustafsson
CEO Volvo Car, Region America

AUDITOR

Mikael Ekberg
Authorised Public Accountant

SENIOR EXECUTIVES

Conny Bergström
CEO

Joel Graffman
CSO, Chief Strategy Officer

Christian Torgersson
CFO, Chief Financial Officer

Marianne Moberg
CIO, Chief Information Officer

Gunnar Ekeroth
Chief Risk Officer

Andreas Bondesson
COO, Chief Operation Officer

Björn Stenport
Head of Legal

Johan Linder
Marketing & Sales Director, Fleet

Per Lindahl
Marketing & Sales Director, Trucks

Margareta Johansson
Director of Human Resources

VOLVOFINANS BANK

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