Annual report

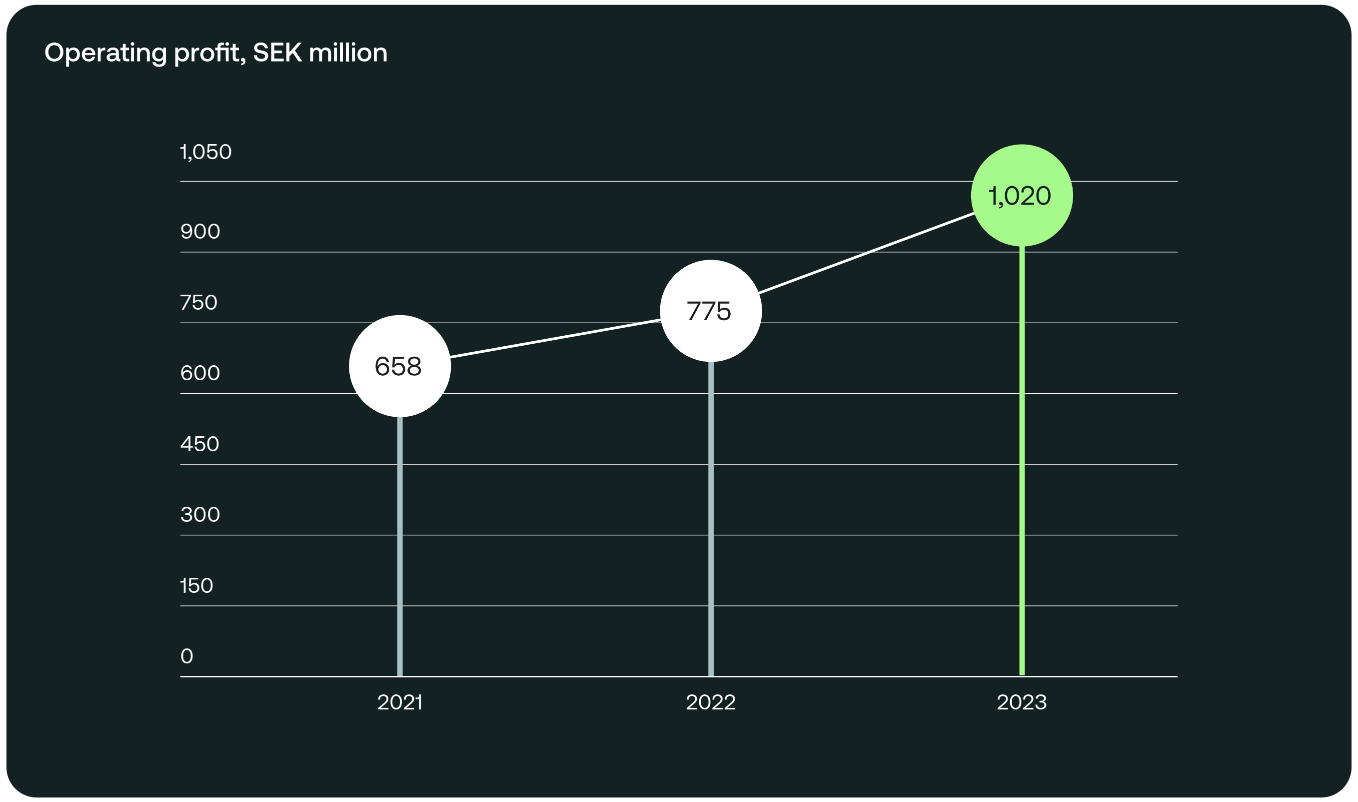
2023

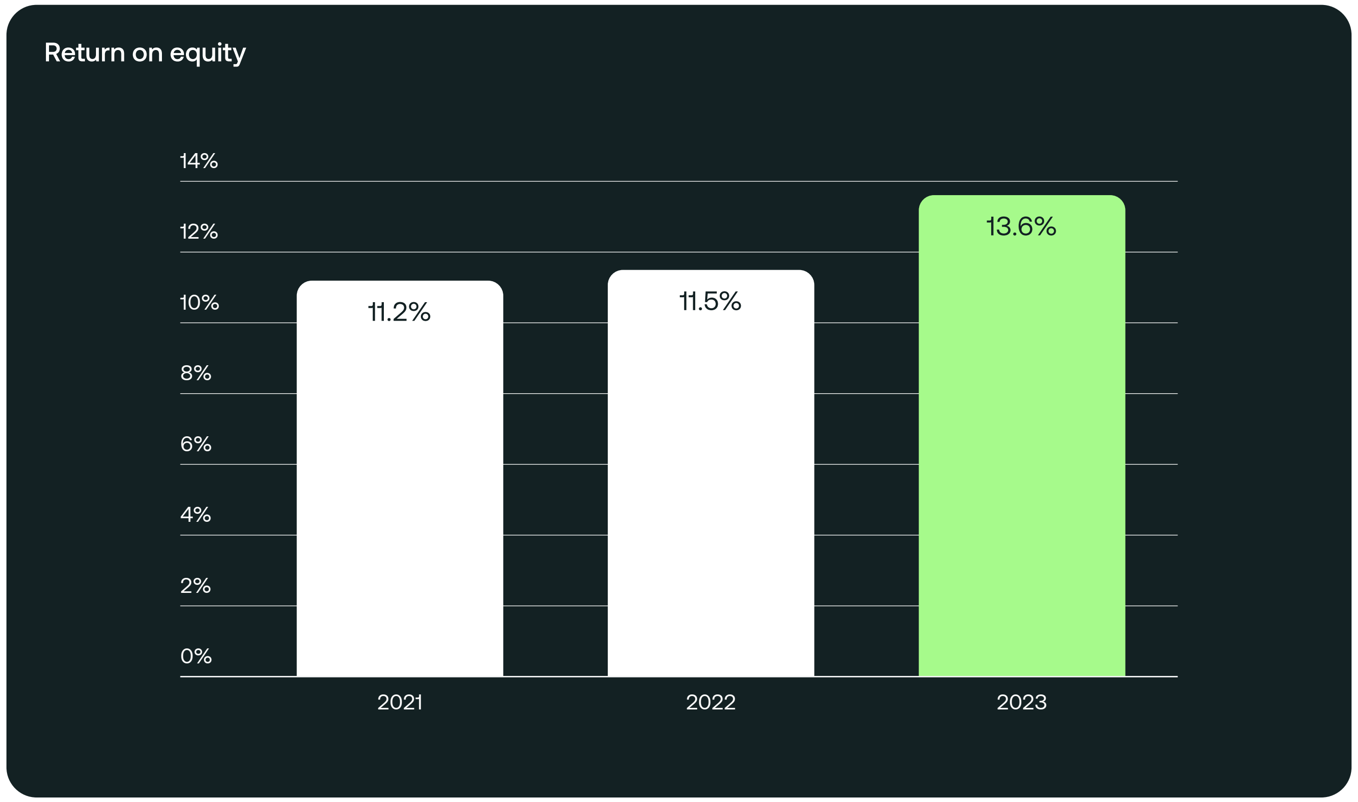
The Mobility Bank Ziklo

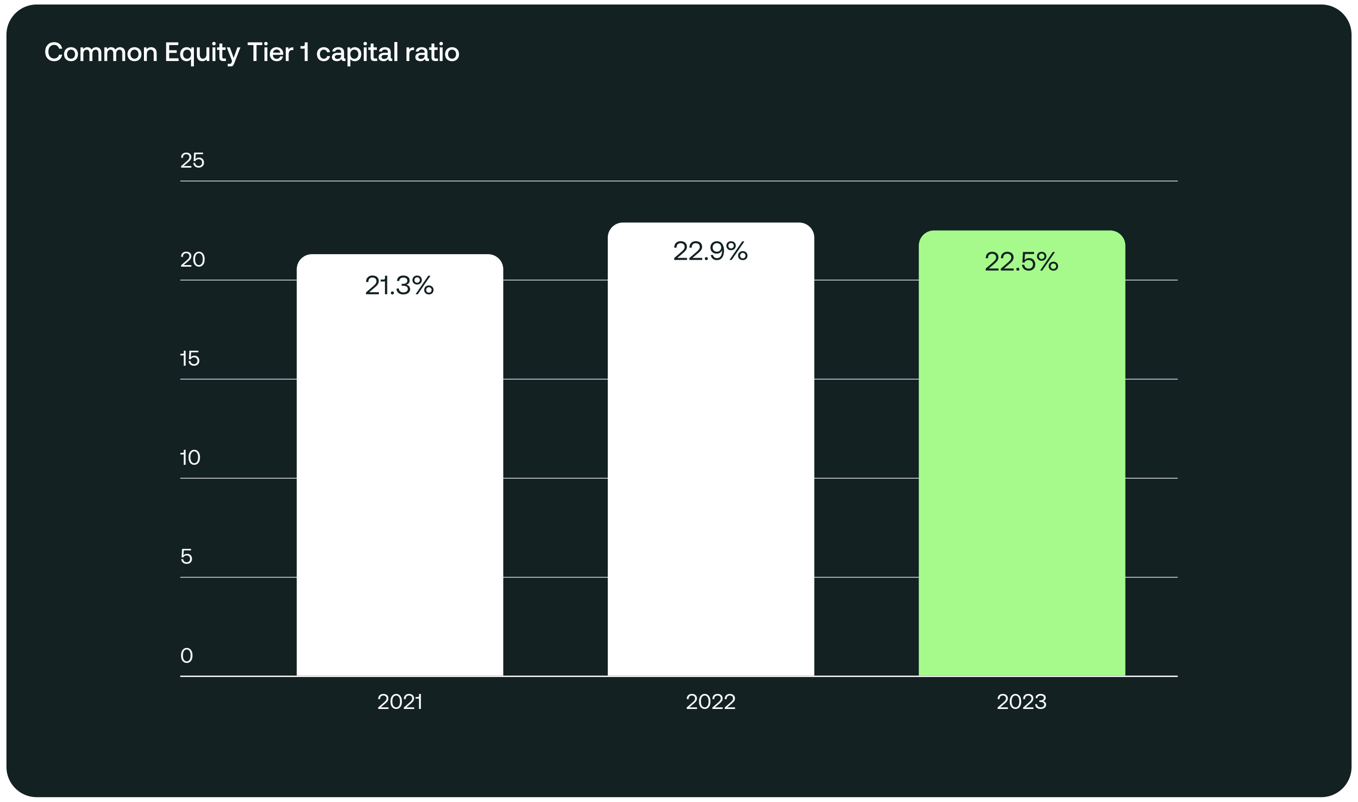
In the event of conflict in interpretation or differences between this annual report and the Swedish version, the latter will prevail.

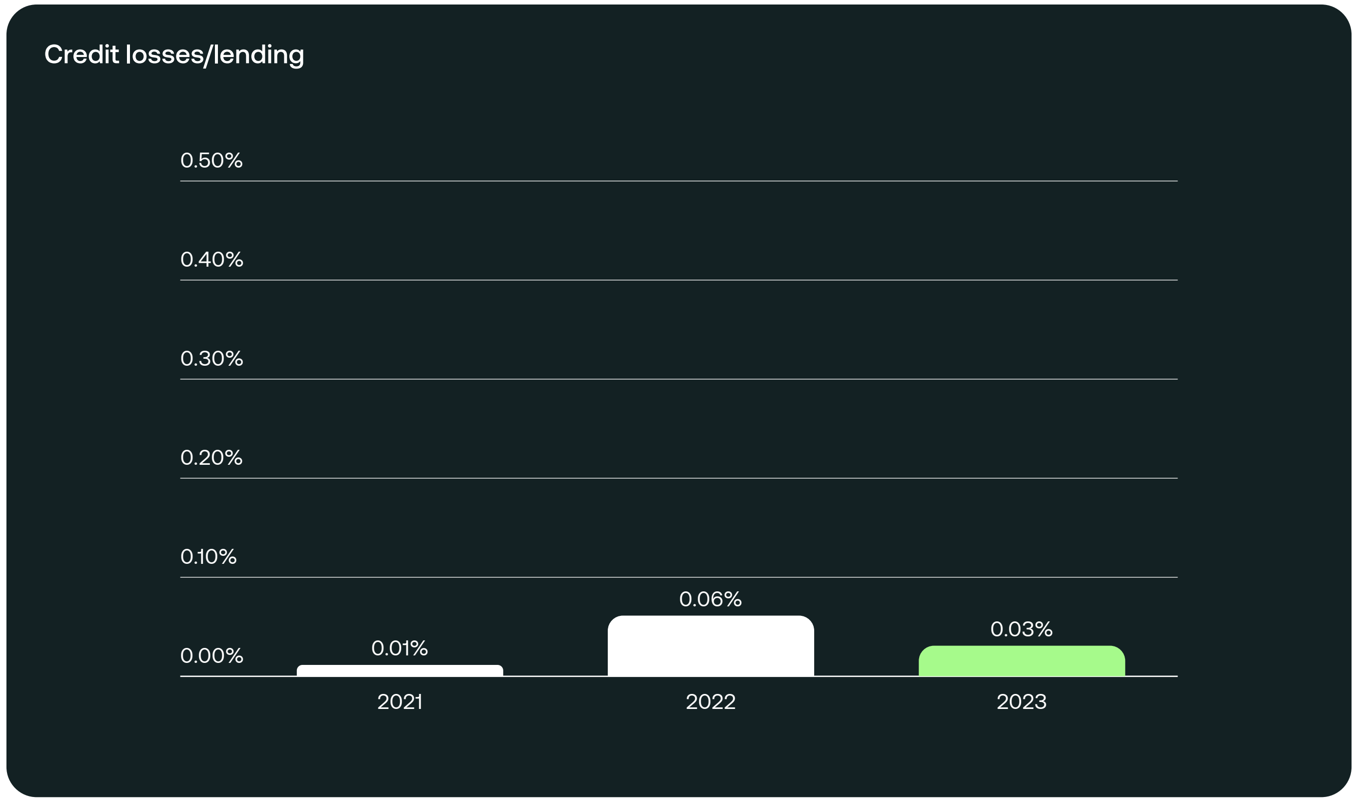
Summary

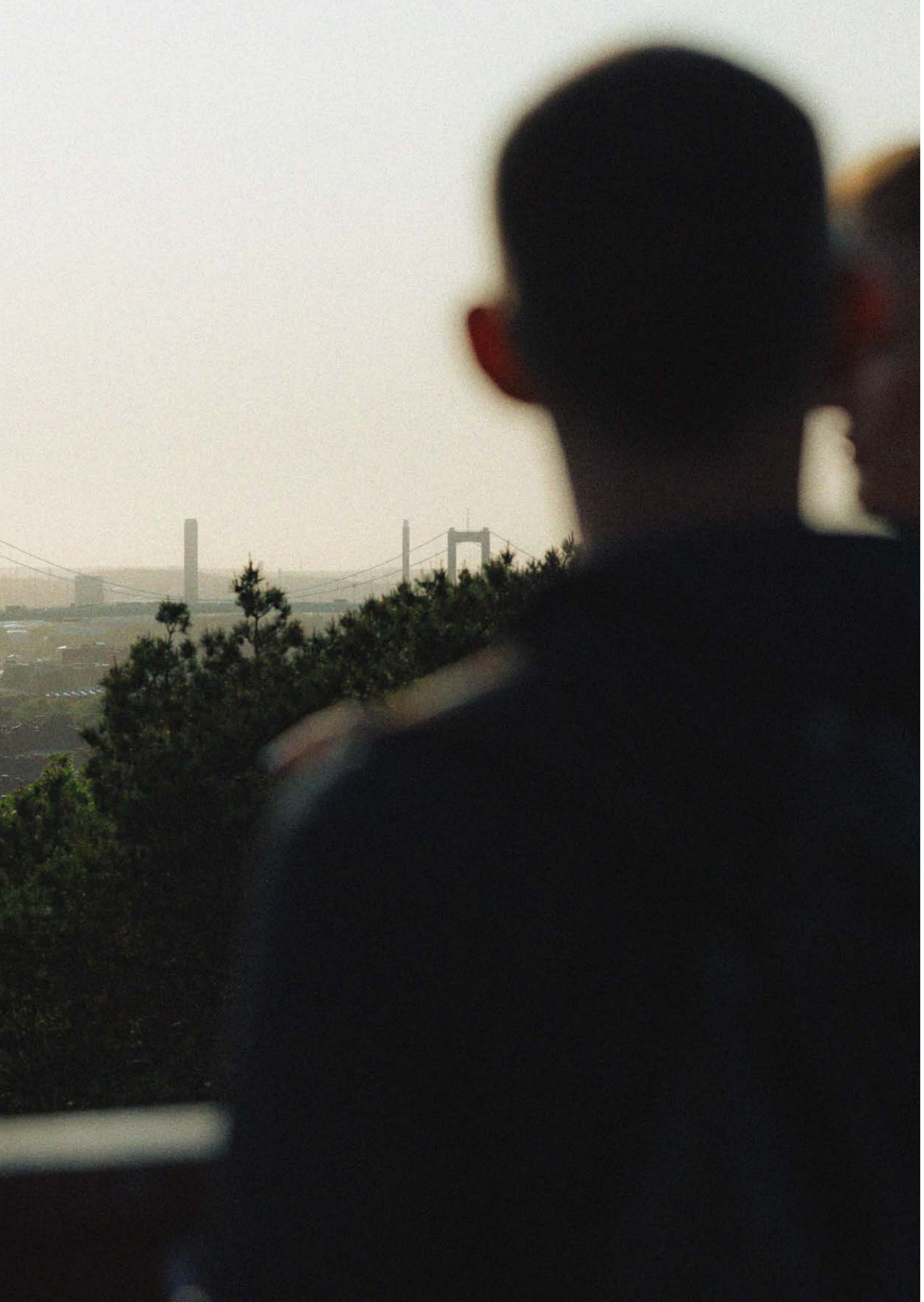
Jan–Dec 2023











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Operating profit
SEK 1,020 million (775)

Return on equity
13.6% (11.5)

Lending as of 31 December
SEK 42.5 billion (39.9)

Credit losses
SEK 13.5 million (24.2)

Common Equity Tier 1 capital ratio
22.5% (22.9)

Cost/Income ratio
0.44 (0.45)

Statement by the CEO

Following a 2023 whose conditions were very beneficial for Ziklo Bank, the bank is able for the very first time to report an operating profit above SEK 1 billion, namely SEK 1,020 million (775). Profit increased by 32% compared to the previous year due mainly to higher net interest income, which was in turn generated by rising interest rates and lending growth, and a continued strong market for used passenger cars, which led to higher disposal gains for vehicles in our leasing operation. Operating profit provided a rate of return of 13.6% (11.5).

Growth in lending ahead of low 2024 expectations

Total lending grew by SEK 2.6 billion to SEK 42.5 billion (39.9) driven by e.g. high deliveries of vehicles ordered during the pandemic that could now be delivered due to an easing of the component shortage during the year. The growth in lending was especially welcome prior to 2024 as we have reason to expect a lower vehicle financing requirement moving forward, in the wake of a muted willingness on the part of our own and our partners' corporate and private customers to invest and consume.

Increase in new vehicle and truck registrations

Slightly more passenger cars were registered in 2023 than in 2022. The number grew by around 1,600 cars to almost 290,000 registrations. Volvo Cars continues as market leader with a market share of 14.3%, beside Renault/Dacia with 3% and Polestar, which backed off a few tenths to 1.3% following a strong increase in 2022. The proportion of electric vehicles increased from 33% in 2022 to 39% of total registrations. The forecast for 2024 from industry journal Mobility Sweden is 240,000 new registrations where the proportion of EVs is predicted to fall to 35%. If the forecast is correct, it will be the lowest level since the 2008-2009 financial crisis. An annual average of 326,000 new cars have been registered over the past 10 years. In addition to passenger cars, the forecast for delivery vans is 45,000, which is a little over the strong 2023 outcome of 43,700 registrations (+27%).

The development for heavy goods vehicles during 2023 was very positive. Total registrations increased by just over 20% to 6,600 HGVs, which is the second highest figure ever. Volvo Trucks continues to be the market leader with around 3,000 registrations and a market share of 45%. The proportion of newly registered electric trucks remains low at around 4%, even though the growth rate is high.

Strong profits in all three segments

All three of Ziklo Bank's operating segments – Cars, Fleet and Trucks – performed better than expected. Cars, the bank's biggest segment in terms of business volume and which also includes the OEM and Payments businesses, delivered a profit that was just over SEK 118 million higher than the previous year. The growth in profit stems primarily from an increase in net interest income, and also through the dissolution of risk provisions. The profit increase of SEK 80 million in Fleet, our large corporate business, is mainly due to the positive effects from the disposal of vehicles in operating leases. And finally Trucks, which, by doubling its profit by SEK 47 million, had the biggest relative earnings growth, which is wholly attributable to increased net interest income.

Ziklo – A bank for new times

As we announced at the end of October 2023, Volvofinans Bank is changing its name to Ziklo Bank during the first quarter this year. The name Ziklo, which we want to see symbolise the sustainable mobility of the future, comes from the Latin word ciclo, meaning cycle (of events). The name change is also a way to consolidate the route chosen by the bank by working in a broader market together with more partners and vehicle marques. At the same time, the brand and product name Volvofinans will remain the same as today and we will continue to develop innovative services and products for Volvo owners. The strategy is not to stop doing things but to reach more people with our expertise within the mobility concept, and meet a growing demand from new and existing customers to quickly and simply transition to sustainable transportation. Our vision is to become the leading bank for the mobility of the future.

Conclusion

We are leaving an excellent financial year and historically strong profits behind us, and we look toward 2024 with great diffidence considering the geopolitical and macro economic uncertainties the future holds. At the same time, we look forward with commitment and excitement to launching Ziklo Bank and continuing our above-mentioned strategy.

In conclusion, we would like to extend a big thank you to our customers and partners. But most of all we would like to thank our fantastic employees for making our journey to becoming the leading Mobility Bank possible through their great commitment and expertise.

> "Our vision is to become the leading bank for the mobility of the future."

Conny Bergström
CEO
Ziklo Bank AB

Joel Graffman
Deputy CEO
Ziklo Bank AB

Ziklo

In recent years the bank has developed its offer with additional partners and vehicle brands in the vehicle and mobility industry, and now we're taking the next step to meet the growing demand from our customers to make the transition to sustainable transport as quick and simple as possible. On 18 October 2023, the bank announced a planned name change to Ziklo Bank AB, which is derived from the Latin word ciclo (which means cycle (of events)). The name change demonstrates the bank's brand neutrality, and positions it more clearly to meet the mobility of tomorrow. Thus the new name entails both a cosmetic change and a strategic repositioning that emphasises our commitment to the transition to more sustainable forms of transport.

The bank's vision is to accelerate our journey toward tomorrow's mobility; we aim to shoulder our responsibility and promote solutions that reduce CO2 emissions, foster energy efficiency and support a greener future. A broad offering will increase our independence in a changing market, which is essential for success in the mobility sector. The bank is adopting a name that is associated with sustainability and innovative mobility, and creates a stronger link to the values that are important for customers and partners alike.

In conjunction with the name change, Volvofinans will continue to exist as a brand and product name specialised for the Volvo business, which will strengthen our collaboration with Volvo and we will continue to develop innovative services and products for Volvo owners. The CarPay payment service will keep its name, but the company vehicle fleet business currently known as CarPay Fleet, will change its name to Ziklo.

Volvofinans

Since our founding more than 60 years ago, Volvofinans has grown to become one of the most reliable financial institutions in the Nordics. Over the years, we have helped hundreds of thousands of customers confidently finance their vehicles. The "new" Volvofinans will take along all the strengths and positive associations from our 64-year history with Volvo and begin a new chapter.

Moving forward, only products related to Volvo Cars and AB Volvo, including Volvofinans sparkonto, will be marketed under the Volvofinans brand in an updated visual identity that will be a guiding star for quality in all points of contact with Volvo customers. Encapsulating the Volvo business means it will enjoy full attention as we take our collaboration with Volvo to a new level.

Sweden's Volvo dealerships in 2023

A comprehensive sales network
Sweden's Volvo dealers form a nationwide retail network that includes 44 privately owned dealerships and three listed dealerships with around 217 sales outlets and over 252 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, 27 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, 29, only sell passenger cars, while 17 only sell trucks (HGVs >16 tonnes).

Volvo dealerships, 2023 in figures
Forecast Volvo dealership sales for 2023 totalled around SEK 58 billion with a total profit of around SEK 2.1 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.

Ziklo 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 Ziklo 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 46 Volvo dealerships have the highest possible credit rating.

Year	AAA	AA	A	B	New	Number
2023	76%	22%	2%	-	-	46
2022	90%	8%	2%	-	-	50
2021	78%	20%	2%	-	-	55
2020	71%	22%	5%	2%	-	58
2019	71%	24%	5%	-	-	59

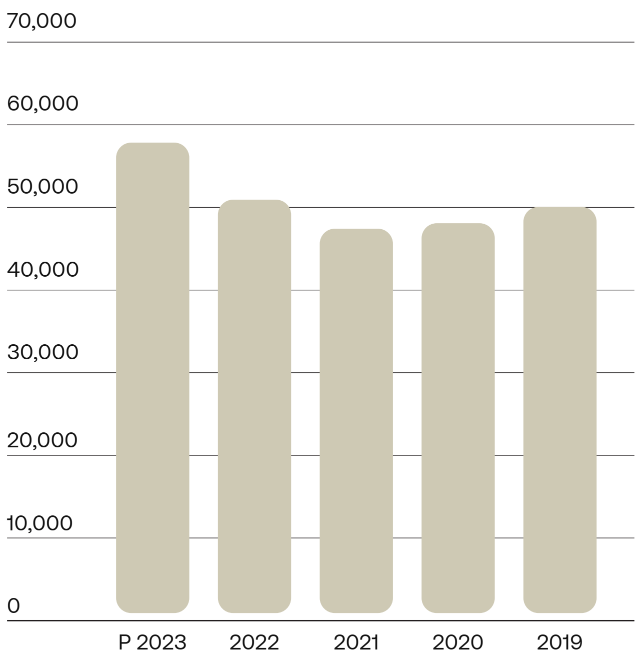
Volvo dealerships five-year summary

(amounts in SEK million)

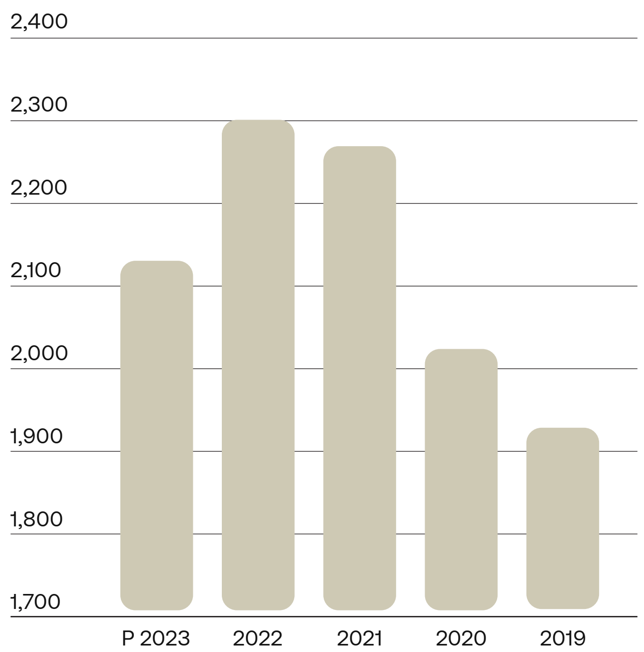
	Forecast				
Sales and profits	**2023**	**2022**	**2021**	**2020**	**2019**
Sales, Cars	48,576	44,006	41,024	42,500	44,061
Sales, Trucks	9,458	7,100	6,563	5,748	6,178
Profit after net financial income/expense, Cars	1,482	1,903	1,900	1,743	1,636
Profit after net financial income/expense, Trucks	648	398	370	281	291
Total sales	**58,034**	**51,106**	**49,738**	**48,248**	**50,239**
Total profit after net financial income/expense	**2,131**	**2,302**	**2,270**	**2,024**	**1,926**
Key ratios					
Equity/assets ratio (%), Cars	39	37	44	39	34
Equity/assets ratio (%), Trucks	42	41	46	37	42
Return on equity (%), Cars	33	33	41	23	36
Return on equity (%), Trucks	29	25	25	37	27

Note: The figures for 2023 are based on forecasts as the annual accounts were not available at the time of publication.

Volvo dealerships, Sales (SEK millions)



Volvo dealerships, profit (SEK millions)



Directors' Report

The Board of Directors and Chief Executive Officer of Ziklo Bank AB (publ) (hereinafter "the bank") hereby present their report on operations for 2023.

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 för 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

No significant events took place during the financial 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 198,682 contracts (217,173) in the loan and lease portfolio, a reduction of 8.5% 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, %	2023	2022	2021	2020	2019
New cars	44	52	52	51	51
Used cars	39	41	40	38	38
New trucks	53	56	53	52	54

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 42.5 billion (39.9) at year-end, an increase of 6.5% 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.

	2023		2022		Change,
	SEK billion	%	SEK billion	%	SEK billion
Sales financing					
– Passenger cars	34.2	81	32.5	82	1.7
– Trucks and Buses	5.9	14	4.9	12	1.0
Inventory credits	0.5	1	0.6	1	-0.1
Credit card credits	1.9	4	1.9	5	0.0
Total	42.5	100	39.9	100	2.6

Volvo Car Leasing increased by SEK 0.5 billion, or 4%, while Volvo Car Loans and Volvo Truck Loans increased by SEK 0.1 billion, or 1%. Polestar financing decreased by SEK 0.03 billion, or 4%. Collateral assignment, where Volvo dealers have a credit with underlying loan contracts or leases as collateral, decreased by SEK 87 million or 83%.

Trucks accounted for SEK 5.9 billion (4.9) of lending, equivalent to 14% (12) of the total. Fleet accounted for SEK 11.7 billion (9.3) of lending or 28% (23) and Volvo Card for 5% (5) or SEK 1.9 billion (1.9). The remainder – SEK 22.9 billion (23.8) – is attributable to passenger car financing in business area Cars, which corresponds to 54% (60) of lending.

Credit card credit was higher compared to the previous year. Sales via the Volvo Card totalled SEK 17.6 billion (17.6), and during the year 32.3 million (31.3) card purchases were made.

The number of corporate customers for whom CarPay Fleet handles car administration increased during the year. In all, 51,843 cars (49,971) were managed in the programme at year-end.

Net sales through the Volvo Truck Card were slightly lower than the previous year, and in 2023 goods and services for a total of SEK 231 million (260) were purchased through 8,440 cards (9,978).

Profit

The bank's profit after credit losses was SEK 1,020.1 million (775.2), which is SEK 244.9 million or 32% higher year-over-year. The Bank's net interest income and net leasing was SEK 335.6 million higher than the previous year, mainly due to higher lending and improved financing margins. Prices for second-hand cars continue to be high, which is reflected in the bank's gains from the disposal of vehicles returned from operating leases. The surplus on sales of these cars is SEK 114.0 million higher than in the previous year.

During the year, the bank carried out impairments totalling SEK 105.9 million (69.6), mainly due to the bank's increased residual value positions in operating leases and increased selling costs when calculating the recoverable value. During the second quarter, the bank updated its IRB models and also adapted the ECL method accordingly, and this is the primary reason why the expected credit losses were reduced by SEK 4.4 million (-9.2) during the year.

Credit risks and credit losses

Of the bank's total lending for vehicle finance, 68% (72) 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.

Inventory financing requiring 100% collateral accounts for 1.1% (1.5) 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 32% (28), of which 28% (24) refers to sales finance and 5% (5) to credit card credits.

Receivables that are more than 90 days past due totalled SEK 255.1 million (194.7) and consisted of loans and leases of SEK 247.3 million (188.8), of which SEK 244.7 million (185.3) referred to contracts under which the bank has a right of recourse against Volvo dealers, and credit card receivables of SEK 7.8 million (5.9), constituting 0.4% (0.3) of total credit card lending.

The value of credit card receivables, SEK 1.9 billion (1.9), is stated after impairment. The provision represents 1.2% (1.3) of the value of the receivables. Risk exposure to private individuals is limited through a low average debt. At year-end, the average debt per active credit card was SEK 3,088 (3,021).

Capital procurement

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 2023 are shown in the table below.

Nominal amounts in SEK million	Limit	Drawn
Nordic commercial paper programme	8,000	375
MTN programme	20,000	13,137
Short-term financing facilities with banks	3,155	-
Long-term financing facilities with banks	2,045	1,295
	33,200	14,807
Public deposits	-	24,369
Risk capital	-	-
Total		39,176

Deposits in the bank's savings account increased by SEK 1.4 billion in 2023, reaching a total balance of SEK 23.2 billion (21.8) at year-end. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships stood at SEK 24.4 billion (23.0) and accounted for 62% (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 program, shares with a value of SEK 4.0 billion and NOK 700 million were issued during the year, of which green bonds accounted for SEK 2.3 billion of the issued volume. Commercial papers relating to short-term borrowing were issued in the amount of SEK 775 billion during the year. Ziklo Bank's outstanding financing through its MTN, its market loan programmes and commercial papers totalled a nominal SEK 13.5 billion (12.4), of which green bonds accounted for SEK 5.6 billion on 31 December 2023.

In addition to market borrowing and deposits, the bank also finances its activities through bank credits, which total SEK 1.3 billion (1.4). The proportion of financing from market loans programmes and the banking sector with remaining maturity of more than one year was 74% (68). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 3.8 billion (4.3). The maturity structure for the bank's total financing on 31 December 2023 is shown in the table below.

	SEK million	%
Within 1 year	3,868	26
1–3 years	6,710	45
4–5 years	4,157	28
More than 5 years	71	1
	14,807	100
No terms:		
– Public deposits	24,369	
– Equity (incl. tax portion of untaxed reserves	7,626	
Total	46,801	

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 was no change in the credit rating during the period. 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

No significant events have occurred since closing date.

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 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 for a Chairman for the AGM;
B. proposal for Directors and Deputy Board members to serve on the Board;
C. proposal for 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 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 2024 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 AGMs must be given no earlier than six weeks and no later than two weeks before the meeting.

The 2023 AGM was held on 8 June. The 2024 AGM will be held on 4 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 2023 AGM with authorised public accountant Anders Tagde 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

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 Ziklo 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 2023. The work included a strategy conference, adoption of the budget for 2024, 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 2023 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 necessary, 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 2023 is provided in Note 12.

Introduction

Board of Directors

Urmas Kruusval

Chair

Born: 1951
Elected: 2007

Committee: Credit, Audit and Risk, Remuneration and IT committees

Education: Studies at the Gothenburg School of Business, Economics and Law

Other significant assignments: -

Previous senior positions: CEO AB Volvofinans, 1990–1999.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: 5/5

Participation in Audit and Risk committee meetings: 9/9

Participation in Remuneration committee meetings: 5/5

Participation in IT committee meetings: 3/3

Synnöve Trygg

Vice chair

Born: 1959
Elected: 2014

Committee: Credit, Audit and Risk, and IT committees

Education: MBA, Stockholm University

Other significant assignments: Member of the boards of SBAB Bank AB and AB Svenska Säkerställda obligationer, SCAB AB.

Previous senior positions: Member of the boards of Landshypotek Bank AB, Intrum Justitia AB, Trygg Hansa AB, MasterCard Europé, Diners Club International, Nordax Bank AB, Wrapp AB and Precise Biometrics AB. CEO at SEB Bank AB, Eurocard AB and Diners Club Nordic AB.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: 5/5

Participation in Audit and Risk committee meetings: 9/9

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: 3/3

Per Avander

Member

Born: 1961
Elected: 2012

Committee: Credit, Audit and Risk and Remuneration committees

Education: High school economic studies

Other significant assignments: CEO, AB Bilia. Chairman of the boards of Bilia Personbilar AB, Bilia Personvogner AS, Bilia Personbil AS, Bilia Emond Holding in Luxembourg and Belgium, and Verstraeten Belgien. Also a member of the board of Svenskt Näringsliv.

Previous senior positions: 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.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: 5/5

Participation in Audit and Risk committee meetings: 9/9

Participation in Remuneration committee meetings: 5/5

Participation in IT committee meetings: –

Johan Ekdahl

Member

Born: 1975
Elected: 2020

Committee: Credit, Audit and Risk and Remuneration committees

Education: M.Sc. in Business and Economics, Gothenburg School of Business, Economics and Law

Other significant assignments: Chief Financial Officer Volvo Car Group.

Previous senior positions: Vice President and Head of Consolidated Accounts Volvo Car Group, Head of Accounting Governance, Volvo Cars, Authorised Public Accountant (EY).

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: 5/5

Participation in Audit and Risk committee meetings: 8/9

Participation in Remuneration committee meetings: 3/5

Participation in IT committee meetings: –

Board (cont.)

Ann Hellenius

Member

Born: 1974
Elected: 2017

Committee: IT committee

Education: M.Sc. in Business and Economics, Linköping University, University of Bath

Other significant assignments: Capgemini Invent Sweden, Denmark and Finland. Member of the boards of Synsam and HSB Affärsstöd.

Previous senior positions: 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

Relationship to the bank's owners: Independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: 3/3

Jessica Span

Member

Born: 1971
Elected: 2023

Committee: IT committee

Education: M.Sc. in Business and Economics, University West

Other significant assignments: CEO Volvo Car Sverige, Chairman of the Board of Swedish Hertz and member of the board of World Childhood Foundation.

Previous senior positions: CEO of Volvo Bil AB and Sales Director at Volvo Car Sverige.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: 1/3

Björn Rentzhog

Member

Born: 1969
Elected: 2016

Committee: –

Education: M.Sc. in Business and Economics, Mid Sweden University, Östersund

Other significant assignments: 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, Bilinorr, Persson & Co AB. JP Vind AB, Mullbergs Vindpark AB, Hocksjön Vind AB.

Previous senior positions: CEO and Controller at Wist Last & Buss AB, CFO at Samhall Midland AB and Auditor at Deloitte AB.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: –

Anna Wibring

Deputy

Born: 1980
Elected: 2022

Committee: –

Education: Master of Science in Engineering, Chalmers University of Technology.
M.Sc. in Business and Economics, Gothenburg School of Business, Economics and Law.

Other significant assignments: Head of Governance, Risk & Compliance at Volvo Cars.

Previous senior positions: VD Volvo Car Pension Management AB. CEO, VCG Investment Management AB.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: 4/4

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: –

Introduction

Board (cont.)

Jonas Estéen

Deputy

Born: 1971
Elected: 2019

Committee: –

Education: M.Sc. in Business and Economics, Mid Sweden University, Östersund PhD student, Research Training Programme, Jönköping International Business School

Other significant assignments: Owner of Finnbäcken Invest AB, CEO and member of the boards of Bilkompaniet Dalarna AB and Bilkompaniet Gävleborg AB. Chairman of Vasaloppet, the Mora branch of Svenska Handelsbanken and Nils Olsson Dalahästar AB. Member of the board of AB Volverkinvest.

Previous senior positions: Chairman of Siljans Chark AB, member of the boards of Mora Hotell, Igrene AB (publ) and other small and medium-sized companies in Dalarna.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: 2/4

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: –

Johan Ahlberg

Deputy

Born: 1965
Elected: 2021

Committee: IT committee

Education: Technical college graduate, 4-year telecoms course, Sven Erikson College Borås. Military service I16 Halmstad. Volvo Business School IHM Gothenburg

Other significant assignments: 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.

Previous senior positions: –

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

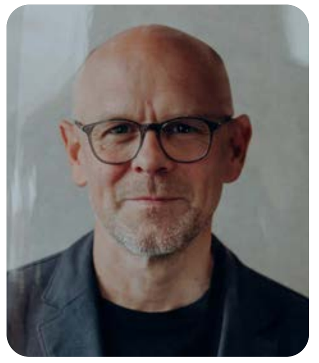
Participation in Board meetings: 4/4

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: 3/3



Oscar Bertilsson Olsborg

Deputy

Born: 1977
Elected: 2024

Committee: –

Education: Master's degree, Gothenburg School of Business, Economics and Law

Other significant assignments: Head of Commercial Operations Volvo Cars. Chairman of the board of Volco Car Retail. Member of the board of World of Volvo.

Previous senior positions: CFO Volvo Cars Americas Region, CFO Volvo Cars China, Head of Retail Operations Volvo Cars, Head of Strategy and Operations Care By Volvo, Head of Product Strategy and Car program Finance Volvo Cars.

Relationship to the company and its management: Independent

Relationship to the bank's owners: Not independent

Shareholding in the bank: –

Participation in Board meetings: –

Participation in Credit committee meetings: –

Participation in Audit and Risk committee meetings: –

Participation in Remuneration committee meetings: –

Participation in IT committee meetings: –

Conny Bergström

CEO of Ziklo Bank AB since 2013

Born: 1959

Education: M.Sc. in Business and Economics, Gothenburg School of Business, Economics and Law

Other significant assignments: Member of the board of Tanka Sverige AB

Previous senior positions: Regional Director at Bilia Personbilar AB, Bilia Region West and Bilia Region East. Previously CEO of Volvofinans Konto AB.

Shareholding in the bank: –

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 14 people, which in addition to the CEO includes the vice CEO, CSO, COO, CCO, Head of Legal, CFO, Risk Manager, CIO, HR Manager and the Managers of the respective 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.

Introduction

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 2023, 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

Sustainability report

The bank has been developing financial services and enabling transport for all customers for more than 60 years. Ziklo Bank intends to accelerate the transition toward tomorrow's mobility while focusing on sustainability. By creating smart solutions in close collaboration with partners, the bank can develop mobility that makes best use of resources. It's all about speeding up the switch to cleaner cars, finding alternative types of transport and making sure vehicles are used longer and by more people. Ziklo Bank's overarching goal is the reduction of average CO2 emissions from vehicles in the bank's portfolio by 30% by 2025, and by 70% by 2030, with 2020 as base year.

The bank has a social responsibility toward society, customers and employees. The bank's credit granting process must be sound, responsible and with a low level of risk, which is reflected in the bank's very low credit losses. All of our employees should enjoy good employment terms, a safe work environment and be treated equally. As a bank, the high standards demanded of us require operations to be conducted responsibly and transparently. The bank works pro actively with cybersecurity, compliance and countering crime in the form of money laundering, bribery and corruption. The bank must develop products with a focus on sustainability, where the latter is incorporated in all new products, as a requirement of the bank's approval process.

Business model

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 Ziklo Bank with collateral in the item. The dealers bear the credit risk, while Ziklo 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 vehicle choices and the design of vehicle policies. For further information on Ziklo Bank's business model and segments, refer to the Directors' Report and Note 4.

> "By creating smart solutions in close collaboration with partners, the bank can develop mobility that makes best use of resources."

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 personnel.

- Ecological sustainability – As far as technically feasible and financially reasonable, Ziklo must take long-term environmental responsibility aimed at reducing its ecological footprint.
- Social sustainability – Ziklo must strive to be a healthy operator in a healthy market and be perceived as a modern, attractive employer that takes both internal and external responsibility.
- Financial sustainability – safeguarding a sustainable business enterprise requires financial strength.
- Responsible corporate governance – the operation must be run responsibly in order to safeguard long-term profitability and maintain trust.

Organisation

The CEO has overall responsibility for the Bank's sustainability work. The Sustainability Manager is responsible for coordinating, supporting and regularly monitoring the Bank's sustainability work and reporting outcomes to company management. The sustainability manager is represented in the bank's management team. The bank has a sustainability forum. The forum seeks to enable representatives from the business areas to meet and exchange knowledge about trends in sustainability and tomorrow's marketplace, The aim of the forum is to agree on the bank's short and long-term goals and follow them up, and also to create a common understanding of how the bank as an organisation should work with sustainability moving forward. The sustainability forum includes employees from the first and second lines of defence, leading representatives from Marketing, the Treasury, HR, Strategy and Risk management, all of whom work with the bank's daily operations, control and compliance. All of the bank's employees undergo sustainability training every year.

Guidelines

Growing concern about climate change among the nations of the world led to the creation of the Paris Agreement, which came into force in 2016. The Paris Agreement is a worldwide climate agreement aimed at limiting global temperature rises and supporting those affected by climate change. The main objective of the agreement is to keep the global temperature increase well below 2 degrees Celsius, but while striving to limit it to 1.5 degrees compared to pre-industrial levels. This will be achieved primarily by reducing greenhouse gas emissions. Ziklo Bank intends to accelerate the transition to sustainable, accessible mobility in society and has set targets for the reduction of CO2 emissions from vehicles in the financed fleet in line with the Paris agreement's goals and Sweden's climate goals. 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. Ziklo Bank has chosen to prioritise four of the global sustainability goals (UN SDG) that are especially relevant and important for the bank's operations. The goals are Health and well-being (3), Gender equality (5), Sustainable cities and communities (11) and Climate action (13). The bank's business strategies must be designed to contribute to the priority sustainability targets.

The bank has voluntarily chosen to 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. The TCFD report is published on the bank's website.

The bank's ambition is to sign the UN Principles for Responsible Banking (PRB) initiative, which seeks to establish a framework for a sustainable banking system that drives the global economy toward sustainability. The framework comprises six principles, and at the time of signing the banks undertake to incorporate them into all business areas at the strategic, portfolio and transaction levels.

The first draft of a materiality analysis was made at the end of 2022 to identify the areas where the bank has a material sustainability impact. The work consisted of external analyses and interviews with various key individuals at the bank. The work will be intensified during 2024, and the bank has begun working with consultants to further concretise the materiality analysis and make sure that each focus area is linked to activities, goals and metrics. Sustainability issues identified thus far are sorted under the four focus areas:

Economic sustainability
- Limiting emissions
- Informing and influencing sustainable choices
- The responsible use of resources
- Digital sustainability

Social sustainability
- Safe and secure working environments and conditions
- Equality and perspective density
- Employee inclusion and skills development
- Facilitating financial sustainability for customers
- Local community engagement / social investment

Financial sustainability
- Financial stability

Responsible corporate governance
- Good operating practices
- Goals and reporting
- Customer privacy and security
- Supplier and purchasing standards

EU taxonomy regulation

The EU has created a uniform classification system, known as the EU taxonomy, for environmentally sustainable financial activities. The taxonomy regulation seeks to help investors identify environmentally sustainable investments. The regulation will come into force in stages. Ziklo Bank is currently not subject to the disclosure requirements under the EU's taxonomy regulation but has voluntarily chosen to report the extent to which the bank's operation is linked to environmentally sustainable financial activities. Reporting and the quality of data will be developed over time.

Assets	The proportion of total assets, %
Exposures to financial activities covered by the taxonomy	38
Exposures to financial activities not covered by the taxonomy	8
Exposures to states, central banks and supranational issuing bodies	4
Derivatives	0
Exposures to companies not covered by NFRD[1]	48
Trading portfolio	-
Interbank loan on demand	-

[1] NFRD = the EU directive on non-financial reporting that includes requirements for sustainability reporting for certain major companies with more than 500 employees.

EXPOSURES TO FINANCIAL ACTIVITIES COVERED BY THE TAXONOMY

Lending related to the bank's vehicle financing for passenger cars, light vans, trucks and buses is covered by the criteria defined in the taxonomy regulation. Exposure to certain pledged mortgage bonds are also included as there is a property pledged as security for the loan, and properties are covered by the taxonomy. The bank has chosen to report exposure to companies with more than 500 employees under this category as well as exposure to households; the information is based on internal data.

EXPOSURES TO FINANCIAL ACTIVITIES NOT COVERED BY THE TAXONOMY

This category includes remaining items for lending other than vehicle financing above and investments. The bank has chosen to report exposure to companies with more than 500 employees under this category as well as exposure to households; the information is based on internal data.

EXPOSURES TO COMPANIES NOT COVERED BY NFRD

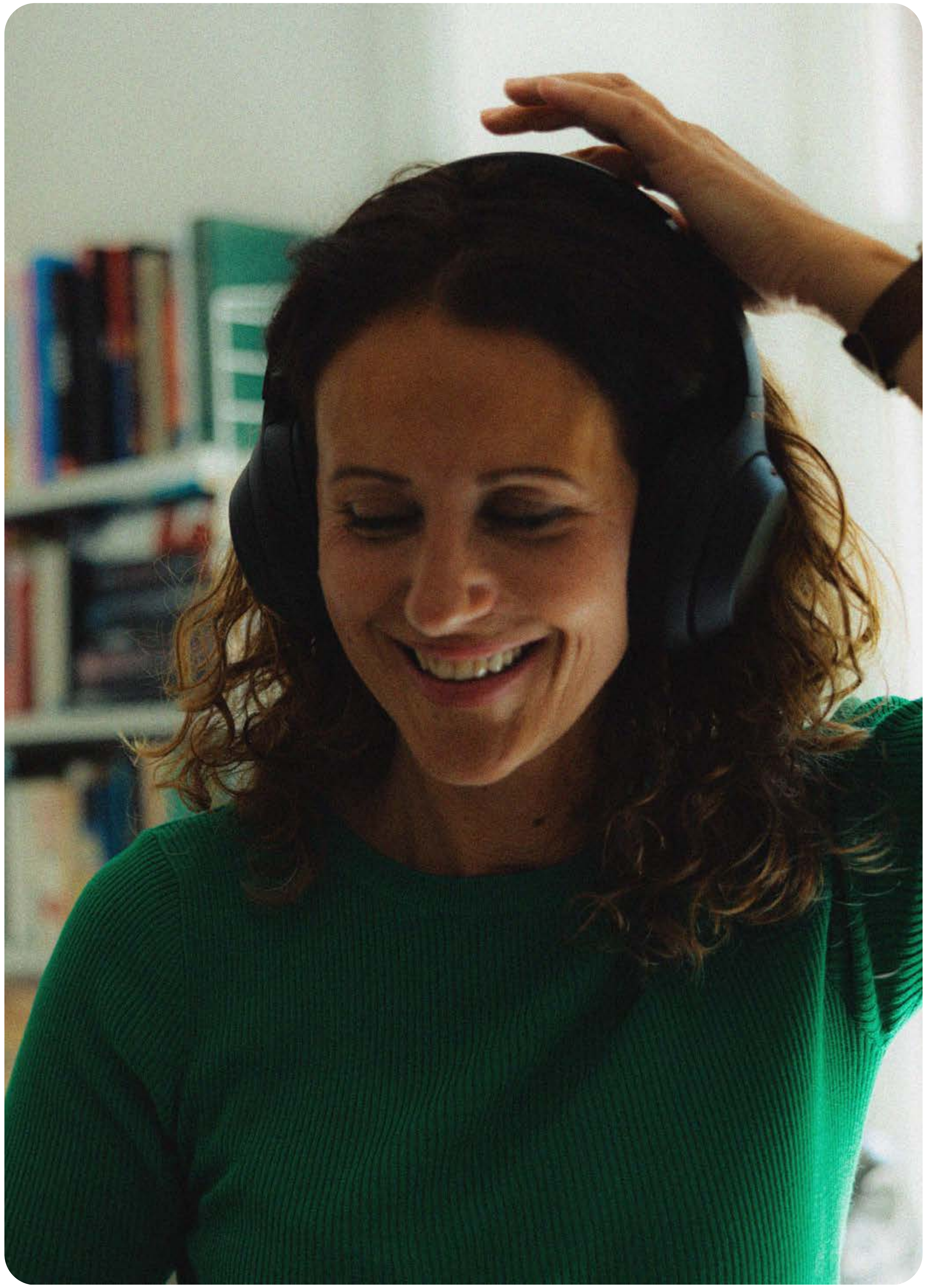
Exposures to non-NFRD companies must be reported; most of the bank's corporate customers are defined as non-NFRD companies. Under this category, the bank reports all lending and investment exposures to companies with fewer than 500 employees; the information is based on internal data.

THE BANK'S SUSTAINABILITY WORK AND TAXONOMY ALIGNED ACTIVITIES

The bank will continue to work for environmentally sustainable operations that are in line with the taxonomy regulation. Ziklo Bank's overarching goal is the reduction of average CO2 emissions from vehicles in the bank's portfolio by 30% by 2025, and by 70% by 2030, with 2020 as base year. Every fossil-fuelled vehicle that is replaced with a rechargeable one reduces the CO2 emissions of the bank's financed fleet. The bank must prioritise initiatives that accelerate the transition to sustainable mobility in society, and to make sure the bank's operation is environmentally sustainable in accordance with the taxonomy.

At the end of the year, the bank made a Christmas donation to Maskrosbarn, a children's rights organisation that makes sure children and young people who are struggling at home also have an enjoyable Christmas, something that Ziklo values highly.

MASKROSBARN



The UN's global sustainability goals

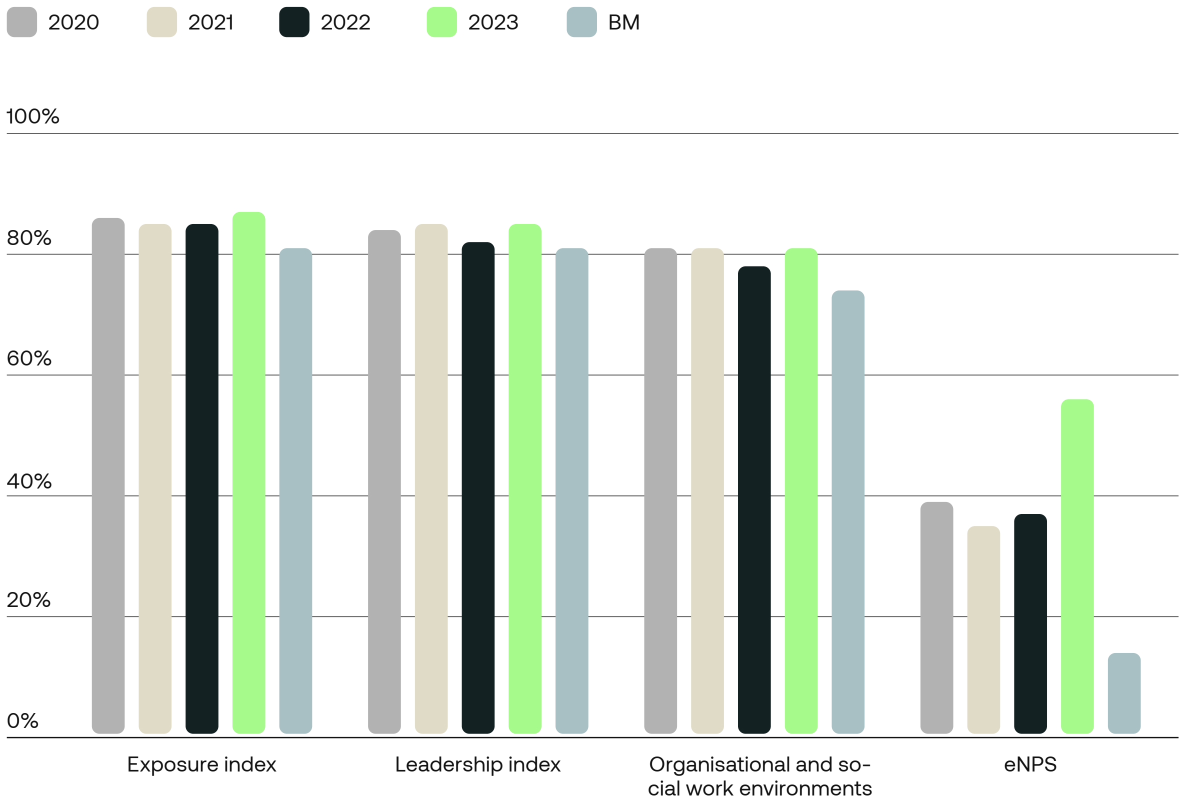
Good health and well-being are basic conditions for the ability of people to reach their full potential and contribute to society. To help achieve these goals, Ziklo Bank constantly strives to promote occupational health and safety. The bank ensures satisfactory work environments that do not expose employees to ill health. The aim of health and safety work is to create physically, mentally and socially sound workplaces where employees are happy in their work and are able to influence it and develop. Its personnel are the bank's most important resource, and a good working environment is essential for good performance and personal development, which in turn are crucial factors for the bank's continued success.

It is important that the bank's employees have a good balance between their private life and their working life. All employees are offered the opportunity for flexitime, remote working and reduced working hours, i.e. time off with pay.

Health is one of the bank's focus areas. Over the years, the bank has taken various measures to enable healthy activities that focus on breaking sedentary behaviour among its employees, and to provide them with a broad spectrum of health-promoting tools to improve wellness, no matter how their lives appear. Because there is no single solution to suit everyone, the health initiative included diet, rest, exercise, movement and mental training. There are numerous videos and tips about WFH ergonomics on the bank's intranet. Every year, employees compete in the Vasaloppet relay ski race, and three teams from the bank took part in 2023. The bank offers wellness grants, massages, occupational health care and computer monitor spectacles to all employees every year.

Because the employee experience is just as important for the bank as the customer experience, an annual survey is conducted to assess how employees see such things as the work climate, commitment, leadership and how attractive the bank is as an employer.

Ziklo Bank has a cooperation agreement with Ljung & Sjöberg AB, a private education and health care company specialising in drug abuse problems in the workplace. Alcohol, drug and gambling problems constitute one of the major public health challenges of our time. Therefore the bank seeks to raise awareness about abuse, contribute to an open dialogue about abuse problems in the workplace and make sure all of its employees are aware of the opportunities for help.

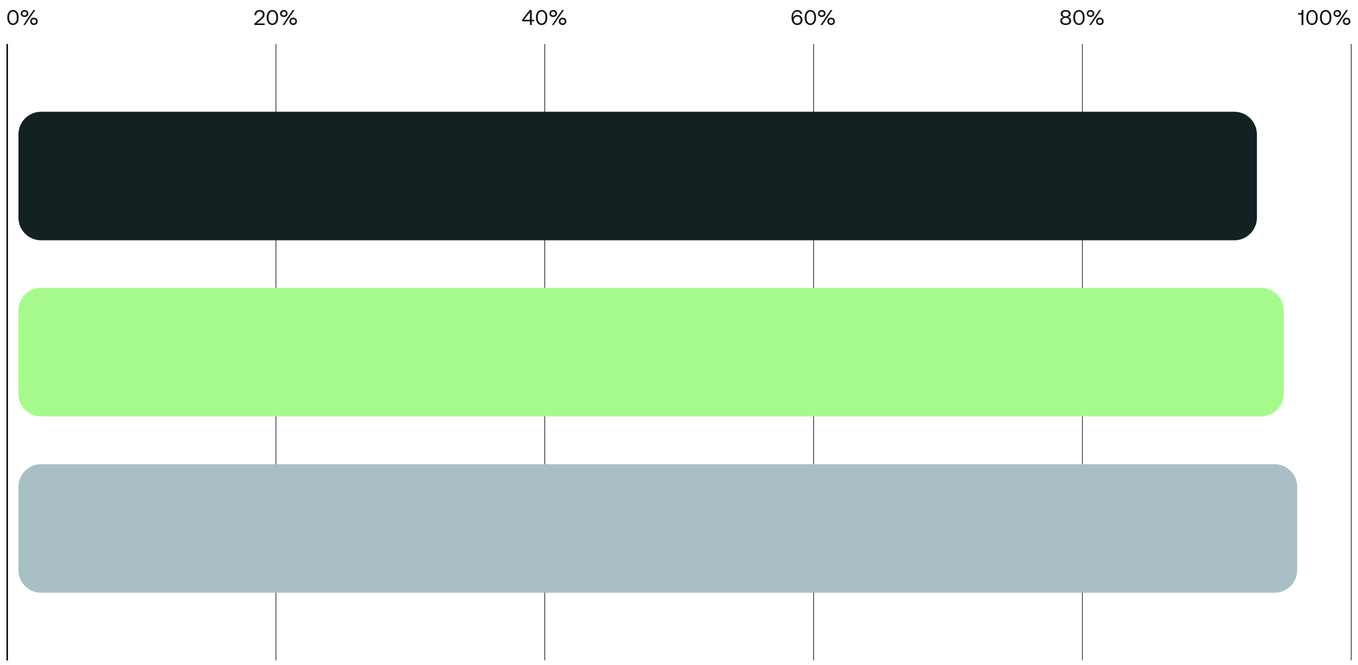


BM = Benchmark, which is based on the outcomes from just over 600,000 responses from more than 250 organisations (Nordic and international)

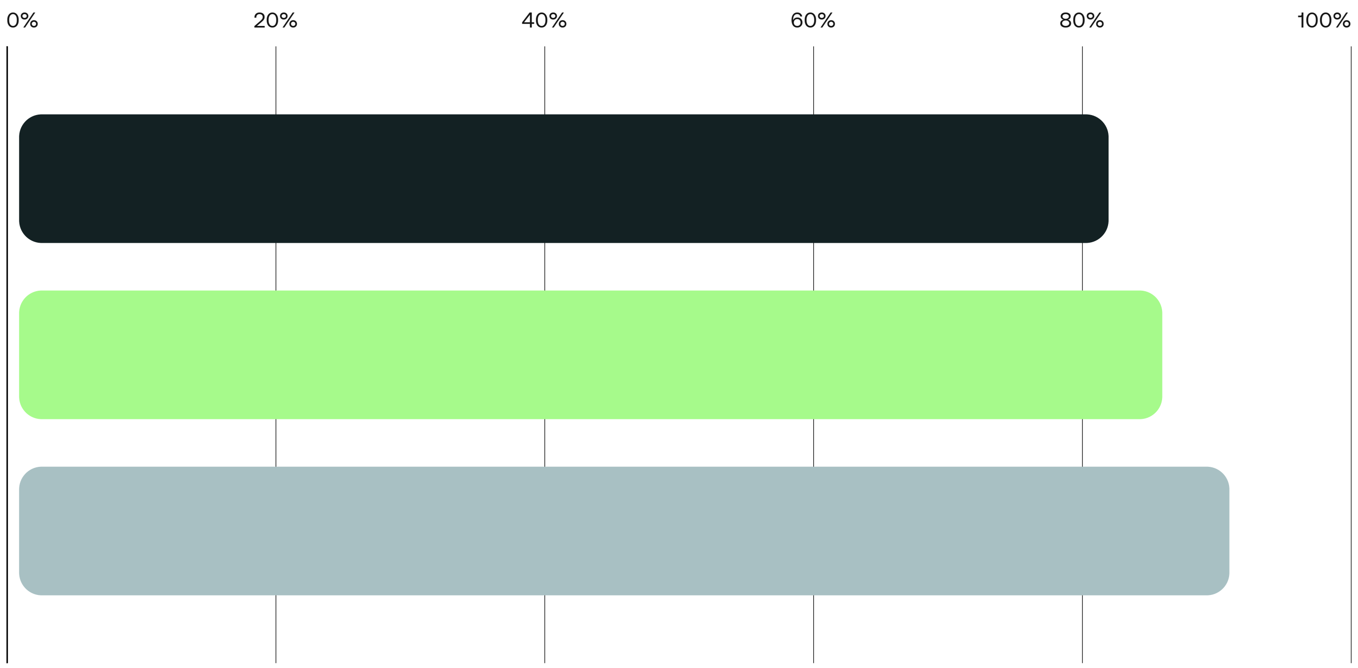
eNPS = Attractive employer (employee net promoter score), based on the employee survey

Sustainability report

Employees who responded that they have not been subjected to victimisation (harassment, discrimination or sexual harassment) at work in the past 12 months.



Employees who responded that they were free to express their opinion in their team.



2022 2023 BM, high performing top 25

"Our business should reflect the diversity of society as diversity creates a more stimulating workplace and helps the bank better understand its customers."

While gender equality is one of Ziklo Bank's goals, it is also essential for a sustainable, inclusive and attractive workplace. To help achieve this goal, the bank must work pro actively to make sure all employees are given the same opportunities and rights to develop their full potential, regardless of gender. As an employer, the bank's social responsibility means that e.g. all employees must enjoy good conditions of employment, a safe work environment and be treated equally regardless of gender, gender identity, ethnicity, religion, functional variation, sexual orientation or age. Work on equal conditions and a good, safe work environments is carried out systematically throughout the operation. Ziklo Bank feels that people with diverse backgrounds, experiences and qualities enrich our business culture and are thus an essential factor in creating a successful organisation. Our business should reflect the diversity of society as diversity creates a more stimulating workplace and helps the bank better understand its customers. Work on gender equality and inclusion must form a natural, integrated part of the bank's overall operation.

Working conditions in both the physical and psychosocial work environments must be suitable for all employees. In line with personal policy, the bank helps all employees combine work and parenthood. The bank works to promote gender balance in its various positions and teams through education, skills development and other proactive measures. In the case of new employees, the bank must make extra efforts to increase equality and diversity. The bank must make sure there are established guidelines for improvement, and that the process is equitable with total transparency regarding vacant positions; final candidates should be of different sexes and representatives from different sexes should participate in or lead the recruitment process. Internal recruitment is followed up to make sure there is no gender bias. It is important that the same principles be applied for setting rates of pay for women and men; unreasonable pay differentials may not occur. Annual pay surveys are carried out to identify possible differences, and these are addressed at the annual salary review.

Ziklo Bank has zero tolerance for any form of victimisation, discrimination and harassment. In this year's employee survey, 95% (93) responded that they were not subject to victimisation (harassment, discrimination or sexual harassment) at work during the year, while 86% (82) affirmed that they can freely express their opinion in the team.

Work on equal, inclusive workplaces is a focus area for the bank. Among other things, the bank has introduced free feminine care at both offices, drawn up guidelines for an inclusive meeting culture, and every year personnel from HR meet various groups, managers and employees alike, to discuss equality, inclusion and prejudice. Last year, all of the bank's employees attended a lecture on equity and inclusion by Caroline Farberger. The opportunity for employees to take up and discuss important issue linked to equity and inclusion was further emphasised in the annual performance reviews. The bank's board and management team has improved its gender balance. The bank has a forum that works specifically with equal opportunities issues and follows up targets. Of the responses to the question "Does the bank provide the same opportunities for all employees regardless of gender" in this year's employee survey, 86% were better than the benchmark 84% in the top 25 best companies, and far better than the 75% benchmark in the financial industry.

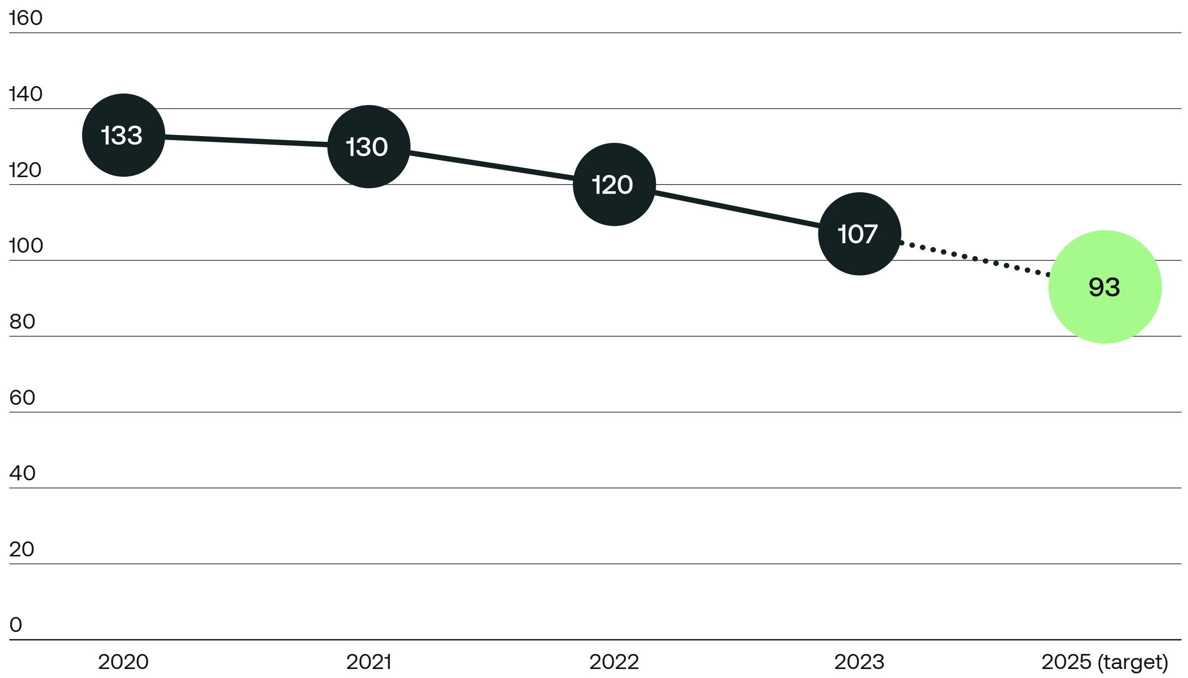
The bank intends to accelerate the transition to sustainable mobility in society and in doing so assume its responsibility in the transition to a fossil-free Sweden. Sustainable mobility is a broad term and includes much more than just resource-efficient, climate-smart transportation and reduced emissions. By sustainable, the bank also means mobility that is accessible, convenient and adapted to suit the needs of people and their expectations, and a smart, safe customer experience. The ambition is to focus all development activities to services that can encourage and help customers make sustainable choices. By enabling the financing of fossil-free alternatives, the bank can speed up the switch to cleaner vehicles. The bank also opens the door to more types of vehicle and transport alternatives, while reviewing the possibility of making vehicles available to more people over longer life cycles. Because the bank sees a clear link between the energy and mobility industries in the electrification of vehicles, it has also begun to research opportunities in the energy sector. The bank will continue to support customers when propellants, in the form of battery charging, move to an increasing extent to the homes and workplaces of drivers. Next year, Ziklo Bank will continue to prioritise initiatives that accelerate the transition to efficient, fossil-free mobility in society.

All customers who charge their vehicles with the CarPay card now earn double points on charging, and customers can also redeem these points for charging. As a service to all EV drivers during the winter sports holidays, the bank established a mobile CarPay Popup charging station with two charging points at Sälfjällstorget. The charger was open to all car owners and was free for CarPay customers. During the year, customers who paid for their public transport or rail tickets with their CarPay cards received a double bonus.

Climate change is one of the greatest challenges of our time. As far as technically feasible and financially reasonable, the bank must take long-term environmental responsibility and reduce its ecological footprint. Because the bank's business is the financing of vehicles which are largely driven by fossil fuels, it intends to help accelerate the switch to cleaner alternatives. Earlier regulatory instruments in the vehicle industry such as Bonus Malus were aimed at driving the transition to rechargeable vehicles. According to Mobility Sweden, the pace of electrification slowed during the year and is forecast to dip next year. This may be because Sweden is in the middle of a recession that has hit both households and companies hard, while the government abolished the climate bonus in November 2022, and will lower the emission reduction obligation for diesel and petrol as of 1 January 2024. Despite gloomier outlooks for electrification next year, the industry has faith in the future and its ability to transition to a fossil-free vehicle fleet over time. Technological solutions drive change and are an important factor for reducing dependence on fossil fuels. Rechargeable EVs are rapidly gaining in popularity – both fully electric vehicles with no internal combustion engine and plug-in hybrids, which have an internal combustion engine but which are able to run on battery power alone. Such vehicles are charged from a grid which in Sweden transmits electricity from sources that generate relatively few CO_2 emissions. Thus Sweden's emissions are reduced every time a fossil-fuelled vehicle is replaced by a rechargeable alternative. The bank is working closely with Volvo Cars, Polestar and AB Volvo to boost sales and financing of EVs and electric and hybrid buses. The bank will continue to increase the financing of hybrids and especially BEVs. Volvo Cars enjoys a leading position on the Swedish market with regard to hybrid vehicles and has launched the C40, EX30, EX90 and XC40, which are all fully electric vehicles. Polestar only has fully electric vehicles on the Swedish market. The bank's Fleet business finances all marques, and thus most EVs and hybrids. Also, the bank has collaborations regarding eco-friendly fuels such as gas and HVO biodiesel.

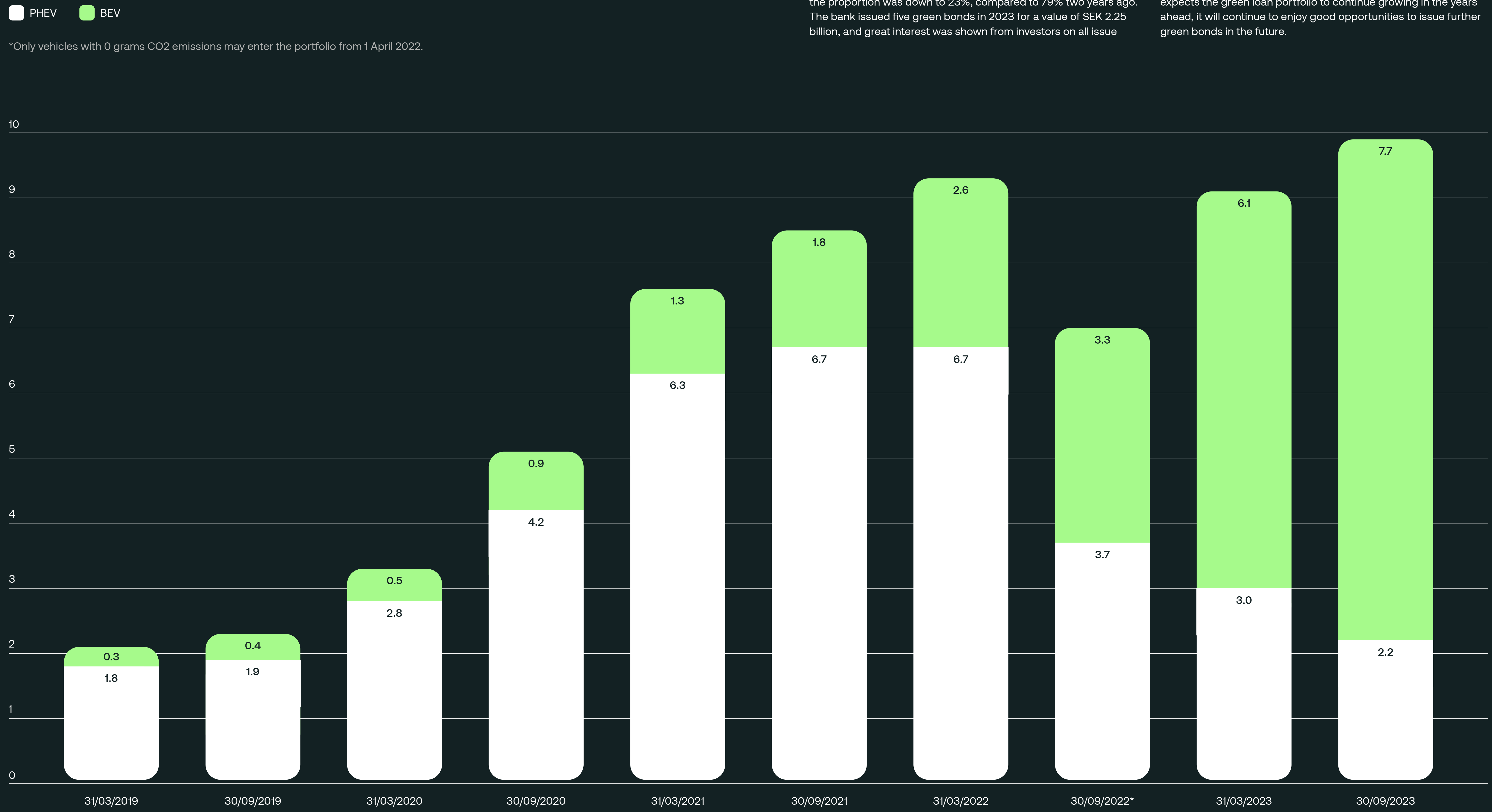
Our goal is to be a bank with a net zero carbon footprint. To this end, the bank has an overarching goal of reducing average CO_2 emissions from vehicles in the financed fleet by 30% by 2025, which is also in line with the Paris agreement's goals, and by 70% by 2030, which is in line with Sweden's climate goals. We will reach this goal by replacing the fossil-fuel vehicles in the bank's portfolio with rechargeable BEV or plug-in hybrid vehicles. Each of the bank's business areas have drawn up sustainability goals to support the overarching goal. Ziklo Bank continues to increase its proportion of EVs and hybrid vehicles in general and BEVs in particular. In 2023, 69% of all new vehicles in stock were rechargeable, compared to a total Swedish market of 60%, where 38% were BEVs and 31% plug-in hybrids. As of 31 December 2023, the proportion of rechargeable vehicles in the overall stock was 33% compared to 24% the previous year.

Average emissions in grams CO2 per km



Sustainability report

Ziklo Bank assets in accordance with the green bond framework (SEK billion)



*Only vehicles with 0 grams CO2 emissions may enter the portfolio from 1 April 2022.

The bank's green financing constitutes an important step in the bank's vision and the transition to a fossil-free vehicle fleet. During the year, Ziklo Bank further increased its proportion of green bonds in the overall outstanding bonds volume to 43% (33) or SEK 5.6 billion (4.1) as of 31 December 2023. The phaseout of hybrid vehicle contracts continues towards a green portfolio comprising solely financed electric vehicles (BEVs), and as of 30 September the proportion was down to 23%, compared to 79% two years ago. The bank issued five green bonds in 2023 for a value of SEK 2.25 billion, and great interest was shown from investors on all issue dates, and the total offer greatly exceeded the desired issue volume. In the beginning of July 2023, the bank published an investor report concerning the green bonds that were outstanding as of 31 March; the loan portfolio financed by green bonds contributes to an annual CO2 reduction of 8,226 tonnes. This type of bond is something in increasing demand on capital markets, especially among investors with green credentials. Because Ziklo Bank expects the green loan portfolio to continue growing in the years ahead, it will continue to enjoy good opportunities to issue further green bonds in the future.

In 2023, the bank signed its first bank financing linked to sustainability. The credit facility was linked to two of the bank's sustainability goals, namely reducing CO2 emissions in the financed fleet, and equal opportunities for all employees. The facility has a term of up to four years, and if the environmental and equal opportunities goals are met, there will be a positive impact on the cost of the facility for the bank.

Ziklo Bank calculates both direct and indirect emissions and reports them under Scopes 1, 2 and 3. Scope 3 includes the majority of the bank's climate impact such as emissions from the use of the bank's products. While the bank's goal is to reduce its own climate impact, it exerts the greatest influence by supporting customers in their climate transition. Thus an important part of the bank's work is advising partners and customers, e.g. by using Ziklo Fleet Services to draw up mobility policies that are as sustainable as possible based on prevailing conditions, and by supporting customers in sustainability issues and helping them measure and monitor the climate impact of their vehicles.

Since Ziklo Bank is digital and lacks bank offices and manufacturing, its own environmental impact is relatively small. The bank intends to continue reducing its current impact such as the consumption of paper and electricity as part of its sustainability goals. Developing digital solutions such as CarPay is one part of this, e-billing and e-signing another. The bank only uses renewable electricity labelled 'Good Environmental Choice', and energy-efficient lighting devices such as motion detectors and dimmers are installed in both offices. The purpose of the bank's internal company vehicle policy is to make sure such vehicles have zero emissions, or emissions so low that they fall within the bank's overall sustainability targets. Company vehicles will consist primarily of EVs or hybrids chosen from our partners' product ranges. The bank advocates travel-free meetings as far as possible and, when travelling on business, climate-smart options should be chosen whenever possible. The bank has internal guidelines that must be followed when selecting partners, and an updated purchasing policy for use during procurements to determine the manner and extent to which future suppliers are sustainable. There are requirements for working conditions, the environment, safety and quality.

The bank's total carbon dioxide emissions for 2023 are calculated on the latest available data for direct Scope 1 emissions and indirect Scope 2 emissions. The bank also measures indirect Scope 3 emissions, and as its main source of greenhouse gas emissions are in Scope 3, it is relevant to report them. The bank will continue its work with identifying and calculating Scope 3 emissions. The bank has measured emissions from vehicles disposed of by its employees in Scope 1; the figures are calculated from internal data compiled continuously on the basis of the distance travelled by the vehicles and their CO2 emissions. In Scope 2, the bank measured how much CO2e was emitted from the consumption of electricity in the bank's offices in Gothenburg and Stockholm. In Scope 3, the bank estimated the amount of emissions generated by vehicles administered by the bank; the figures are based on an approximation of the average distance driven by a passenger car in 2023 and internal data on grams of CO2 per km for cars covered by the bank's lending. Emissions from business trips and from commuting by employees and consultants to the bank's offices are also reported under Scope 3. Emissions from business trips are based on internal data and the application of emission factors for travel by air and rail. Emissions from commuting are calculated based on a personnel survey and the application of emissions factors per means of transport.

(tonnes CO2e)	2023	2022
Scope 1		
Company vehicles	101	154
Scope 2		
Electricity consumption	1	1
Scope 3		
Vehicles	234,609	278,840
Business trips	1	1
Personnel commuting*	122	-

*The bank began measuring emissions in 2023; no comparison figures are available for 2022.

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. The bank assesses sustainability in the credit granting process, and thus also monitors credit risk as a risk related to sustainability. The bank's website contains the bank's TCFD report, which describes how it works strategically with climate-related risks and opportunities.

PERSONNEL AND SOCIAL CONDITIONS

Motivated, committed employees are essential for the bank's continued success. Occupational health and safety and corporate culture affect the employment conditions of our staff. 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 good physical and psychosocial work environments. A good work environment, the opportunity for personal development and zero tolerance of any type of victimisation, discrimination and harassment are crucial for good employee conditions and high employee commitment.

THE ENVIRONMENT

The risk in the environmental area arises mainly from the fact that the bank's business is in financing vehicles, which largely run on non-eco-friendly fuels, such as petrol and diesel. It's easy to see that a rapid transition to climate neutrality would promote a reduction in greenhouse gas emissions, but increase transition-related risks. In connection with this, the bank sees a 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.

HUMAN RIGHTS

Business must be conducted with high standards of ethics and integrity. The bank must apply its Code of Conduct and promote human rights. Ziklo Bank does not accept any form of child labour, forced labour or other type of involuntary labour. At a minimum, employment conditions must meet the minimum requirements laid down by national legislation. Employees have the right to organise themselves in trade unions, to join associations and to negotiate with Ziklo Bank as an employer. The bank only purchases goods and services that align with the bank's code of conduct and only does business with suppliers and customers with whom it has trusting relationships. 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 internal policies.

ANTI-CORRUPTION

Ziklo Bank seeks to actively contribute to sustainable society by being a credible, responsible employer, business partner and stakeholder. Applying the bank's ethical guidelines and good business practice is equally as important as complying with current legislation. The bank does not permit any form of price collaboration, cartel formation or abuse of market dominance, and it supports free and fair competition in tenders, offers, contracts and purchases in all aspects of its operations. The bank has a well-functioning whistleblower procedure and conducts ongoing staff training in issues relating to security, ethics and money laundering. No whistleblower incidents were reported in 2023.

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

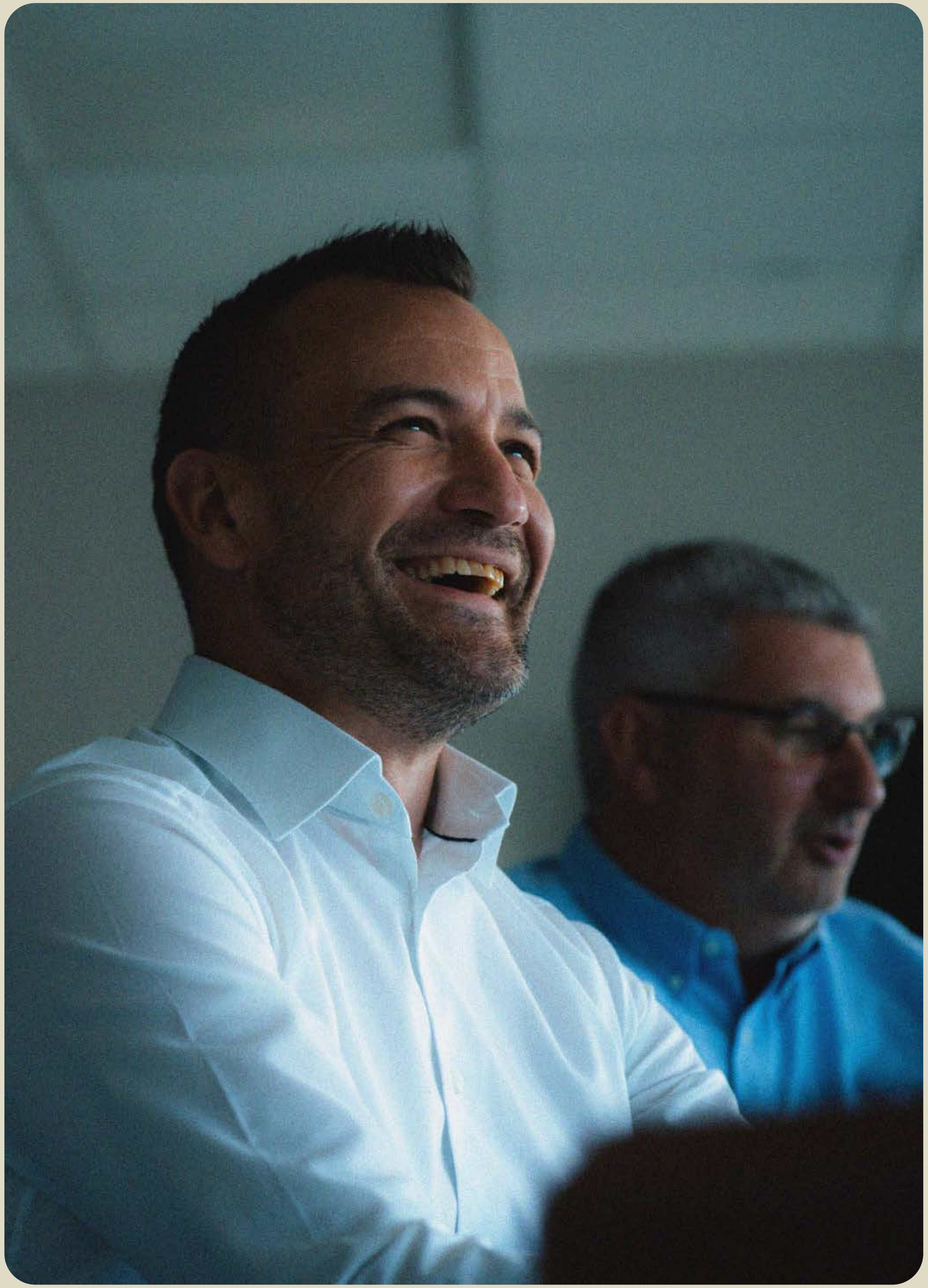
The Bank's compliance team carries out regular monitoring to minimise the risk of non-compliance with the bank's rules and regulations. The bank also has to assess and minimise the risk of its operations being exploited for money laundering or terrorist financing. By always checking the purpose of the 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.

The bank was awarded a gold sustainability rating in the 2023 EcoVadis assessment.

EcoVadis is the world leader in corporate sustainability ratings; it evaluates aspects such as the environment, working conditions, human rights, ethics and purchasing. Only 6% of companies evaluated achieve the high gold or platinum levels.

"Our reaching the gold level is proof we're on the right track and that our sharper focus on sustainability makes a difference. Our customers can rest assured that we take these important issues very seriously indeed."

Isabelle Eriksson, Sustainability Officer, Ziklo



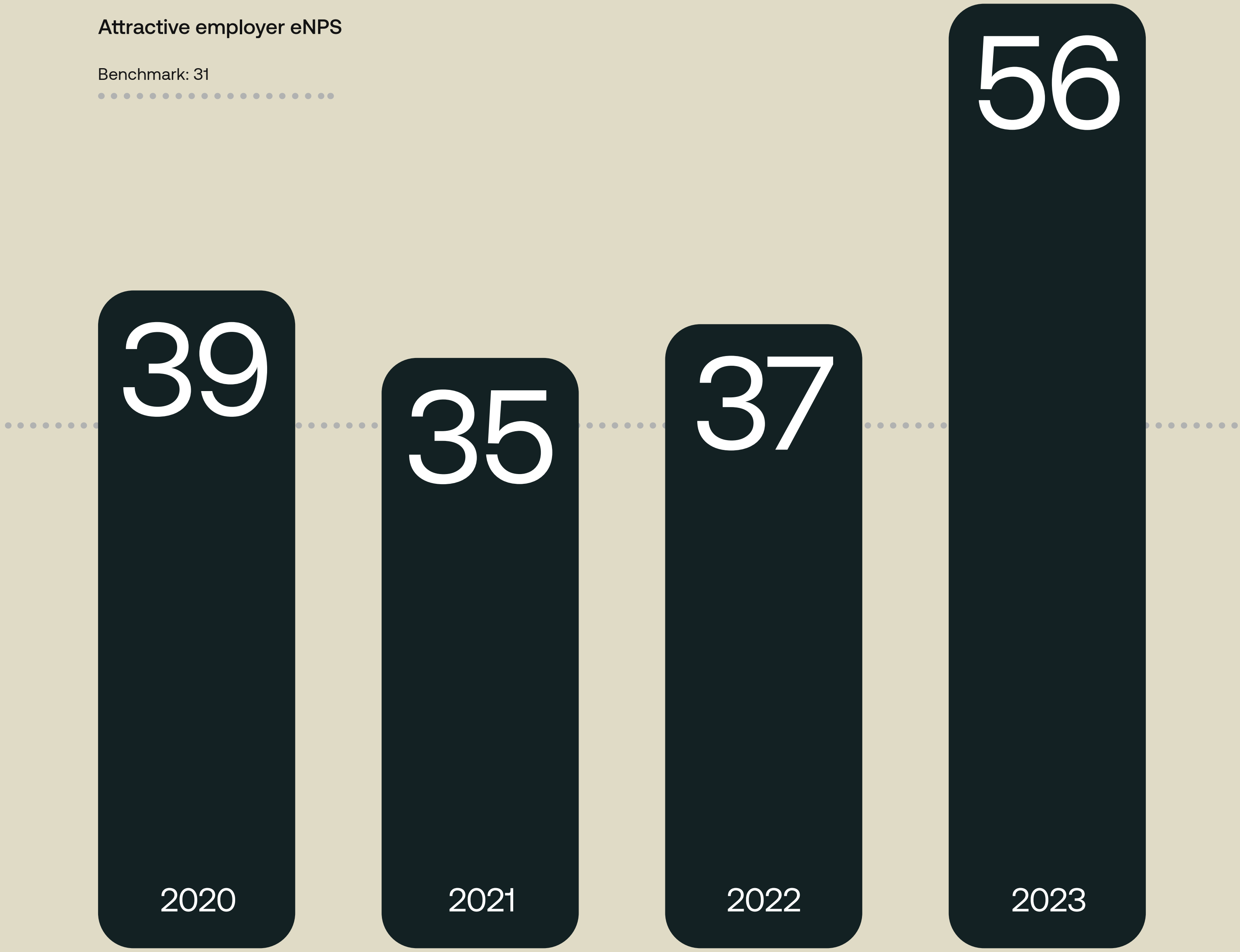
Personnel

At year-end 2023, the bank had 298 (276) employees, of whom 243 (223) were based in Gothenburg. The remainder were employed by our office in Stockholm. The average number of employees was 281 (257), with women outnumbering men in the workforce. There are 14 senior executives, of whom 4 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 high. The level of response remained good, with no less than 97% choosing to participate in the survey, which is better than benchmark. The annual employee survey also shows that the eNPS, which measures how attractive the employer is among employees, increased compared to previous years. The bank's score of 56 is far above benchmark (the value varies between -100 and +100).

Attractive employer eNPS

Benchmark: 31



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. There were also opportunities during the year for all employees to participate in CPR, a basic course in cardiopulmonary resuscitation. The course was conducted at both of the bank's offices by instructors from the Swedish Life Saving Society, Gothenburg.

Leadership is a priority area, where a number of different training initiatives were implemented. The Leadership Conference and monthly Managers' Forum are important meeting places where all managers with staff responsibilities convene.

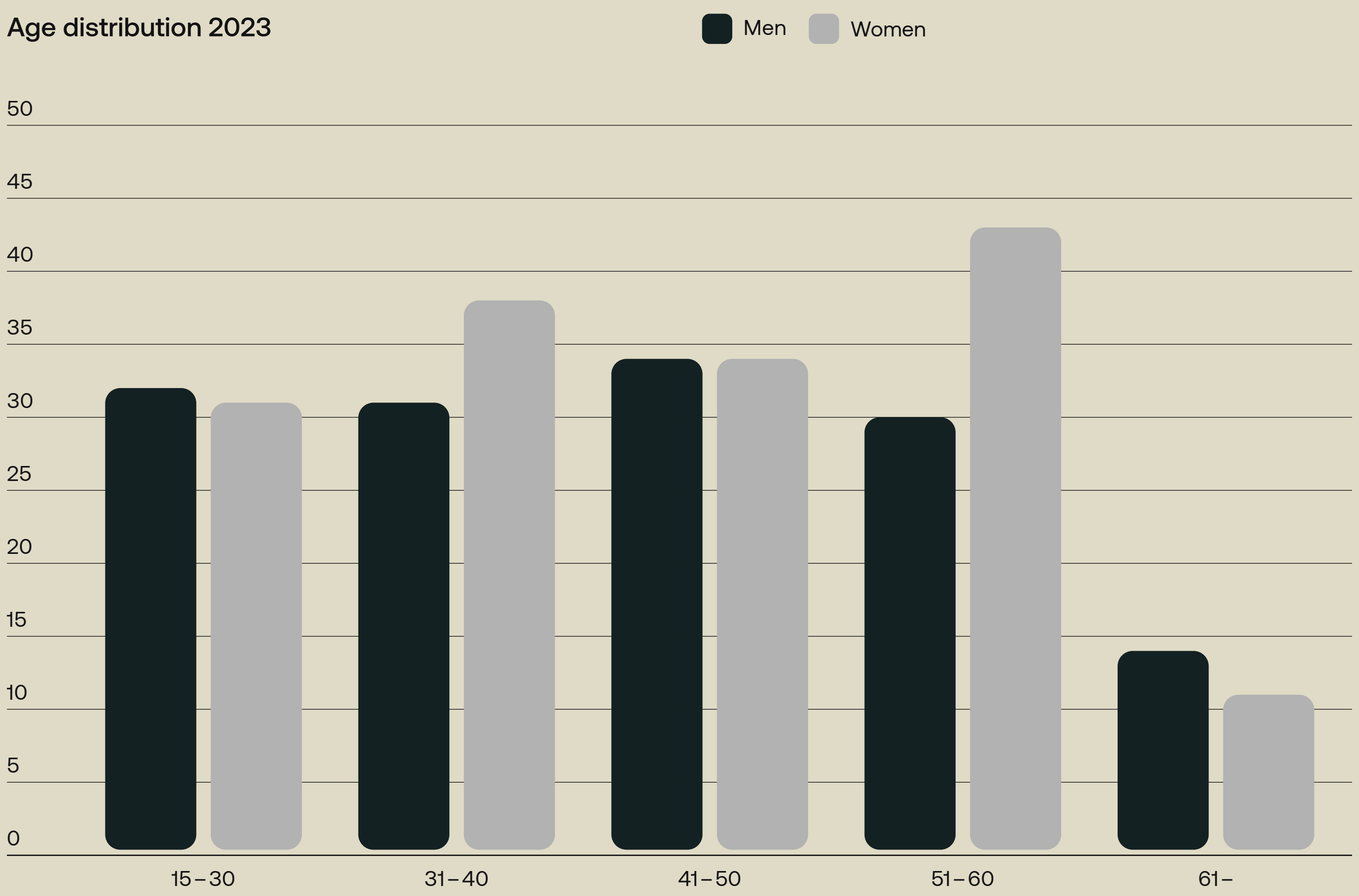
Because it stimulates commitment and a strong performance at work, a good work environment is essential for the bank's profitability. Therefore the bank provides a healthy, safe workplace that promotes employee well-being and enables a good work/life balance. Hybrid working continues to function very well as the right conditions such as technical aids, new working methods and clear guidelines are in place to bring about a creative, stimulating and sustainable work environment in which to enjoy work and develop.

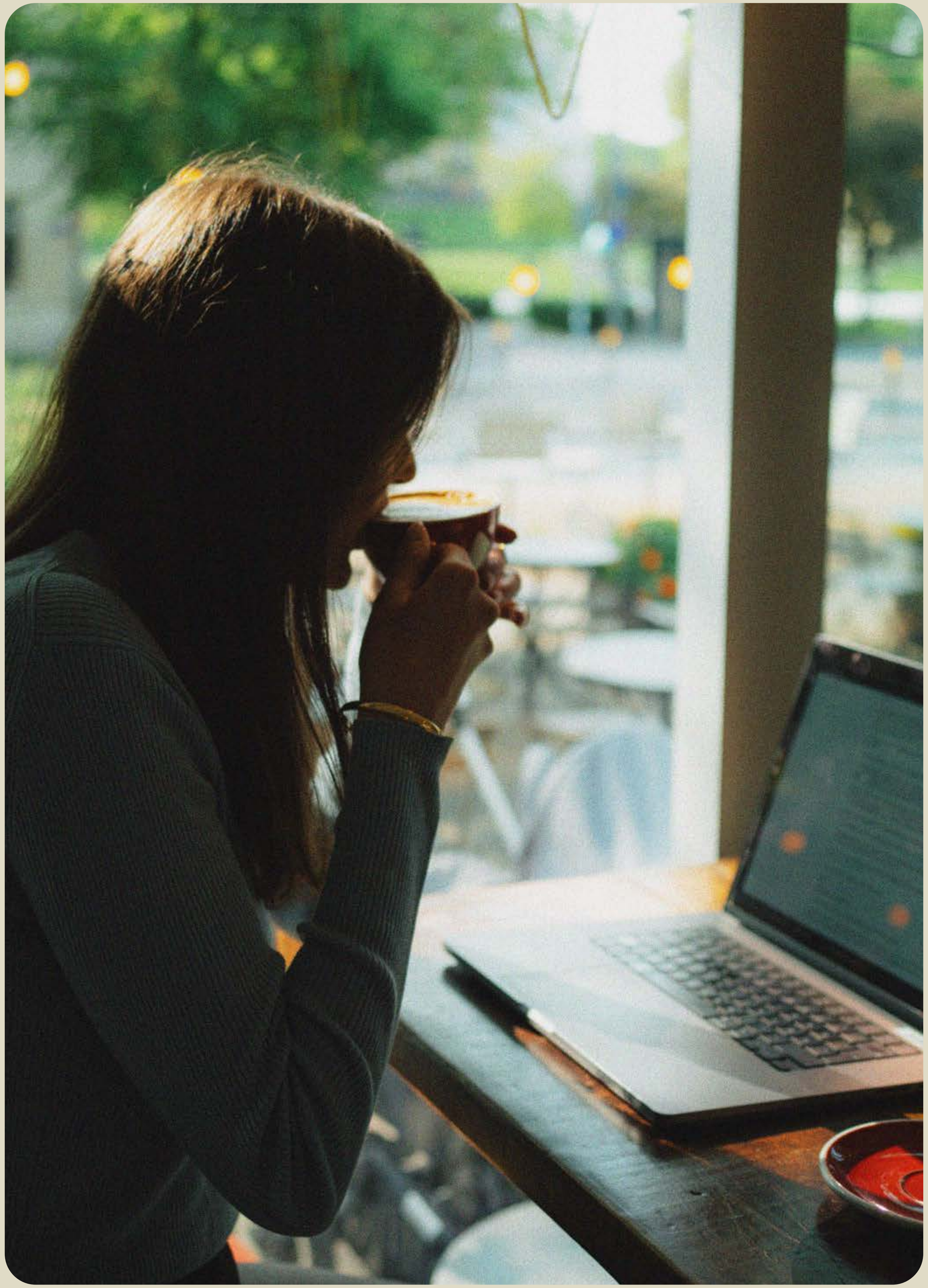
As part of its ongoing occupational health and safety efforts to ensure a safe, secure work environment, Ziklo Bank also focused on initiatives related to drugs and abuse in the workplace. The bank works proactively and systematically over the long term with alcohol and drug issues in order to achieve positive effects in the fullness of time. This is of equal benefit to the business and all employees, and as a result Ziklo Bank has met the requirements for certification as a Proactive Workplace for 2023.

Ziklo Bank rejects all forms of discrimination and harassment.

Information on pay and remunerations is provided in Note 12.

Age distribution 2023





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 Johan Ekdahl 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.

SCOPE

The remuneration policy covers all employees of Ziklo bank AB and is gender neutral.

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. 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.

FIXED REMUNERATION

Employees must be offered fixed remuneration that is competitive and has a clear link to responsibility, performance, initiative and collaboration skills. Remuneration must be individual and differentiated. Fixed remunerations are reviewed annually. Pension schemes are payable according to legislation, collective bargaining and by agreement with the bank. The employee may receive the customary benefits as described in the Ziklo Bank personnel manual. In individual cases the company may also, via the fixed remuneration, pay out a gratuity of a limited amount (may not exceed 2 months' salary from a predetermined maximum) and time (maximum 3 years). The gratuity may not include any incentive in respect of risk-taking, and nor may it be related to performance, but may only be used:

- to ensure succession
- to retain critical skills
- when recruiting critical skills
- upon completion of extraordinary initiatives

A gratuity may be granted given the prior approval of the remuneration committee upon a proposal by the CEO. The Board is the decision-making body for the allocation of gratuities.

VARIABLE REMUNERATION

In exceptional cases, employees may receive variable remuneration in addition to fixed remuneration. The purpose of variable remuneration is to stimulate employees to achieve particularly important targets as defined by the bank. Variable remuneration is based on individual targets as approved by the Board following a proposal from the remuneration committee, and may not exceed 2 months' salary. The composition of the remuneration must strive to encourage long-term value creation and a well-considered risk horizon. Variable remuneration is contingent upon the employee understanding and behaving in compliance with the banks ethics policy. Employees with variable remuneration must undergo annual ethics training. The following positions / categories may receive variable remunerations:

- KAM Fleet

As a general rule, no variable remuneration is payable to members of the bank's management team. Nor is it payable to employees who make decisions on credits/limits or who work in control functions such as Compliance or Risk control. The Board resolves on the issue upon a proposal from the remuneration committee concerning payment of variable remuneration following a review of the case by the CEO and People Officer. The receipt of variable remuneration is contingent upon the bank having made a profit.

DEFERRED REMUNERATION

In the case of employees in positions that have a significant influence on the company's risk profile 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. The bank may pay out deferred remuneration once per year evenly distributed across the period over which the remuneration was deferred. The first payment may not be made until one year after the variable remuneration was resolved upon. Variable remuneration is only paid out to the employee insofar as it is warranted with regard to the company's financial situation and justifiable according to the performance of the company, the business unit concerned and the employee. It must also be possible to cancel the variable remuneration in its entirety for the same reasons.

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	23.7	–	14	–
Other employees, incl. miscellaneous employees who can influence the bank's risk level**	146.2	0.5	267	7
Total	**169.9**	**0.5**	**281**	**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 170 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 1,493 million. The Board proposes a dividend of SEK 202 million to the AGM, corresponding to 25% of the operating profit after standard rate tax for 2023.

Amounts in SEK thousand	2023
Retained earnings	1,492,879
Profit for the year	-
At the disposal of the AGM	**1,492 879**
The Board proposes that the amount be allocated as follows:	
A dividend of SEK 202.49 per share will be paid to shareholders	202,490
Carried forward	1,290 389
Total	**1,492 879**

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, credit value adjustment risk, 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 6,183 million (5,973) and a minimum capital requirement of SEK 2,194 million (1,943). 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

	2023	2022	2021	2020	2019
Condensed income statement					
Interest income	1,295	709	544	579	569
Lease income	7,262	6,365	6,159	5,836	5,660
Interest expenses	-1,392	-455	-281	-327	-335
Dividends received	0	0	0	0	0
Commission income	421	389	350	360	366
Commission expenses	-190	-156	-140	-153	-112
Net result from financial transactions	-28	32	10	-3	1
Other operating income	436	312	259	168	144
Total income	**7,804**	**7,196**	**6,901**	**6,460**	**6,293**
General administrative expenses	-608	-496	-448	-401	-437
Other operating expenses*	-6,163	-5,902	-5,784	-5,469	-5,324
Credit losses, net	-13	-23	-11	-22	-16
Total expenses	**-6,784**	**-6,421**	**-6,243**	**-5,892**	**-5,777**
Operating profit	**1,020**	**775**	**658**	**568**	**516**
Profit for the year	**-**	**1,335**	**423**	**122**	**13**

Condensed balance sheet					
Treasury bills eligible as collateral etc.	1,831	1,239	1,586	1,331	1,430
Lending to credit institutions	1,854	1,988	2,234	2,484	1,281
Loans and advances to the public	16,375	16,437	16,872	16,279	17,278
Bonds and other interest-bearing securities	2,211	2,495	1,453	1,826	2,350
Shares and participations in associates and other companies	22	21	18	17	18
Intangible non-current assets	64	19	19	20	15
Tangible assets	26,120	23,431	21,803	21,415	20,661
Other assets	1,315	1,290	1,127	770	1,003
Total assets	**49,792**	**46,920**	**45,112**	**44,142**	**44,036**
Borrowing	39,139	36,835	35,956	35,649	35,902
Other liabilities	3,027	2,923	2,345	2,386	2,562
Subordinated liabilities	-	400	400	400	400
Untaxed reserves	5,698	4,680	5,533	5,039	4,626
Equity	1,928	2,082	878	668	546
Total liabilities and equity	**47,792**	**46,920**	**45,112**	**44,142**	**44,036**

***Including depreciation of tangible non-current assets and amortisation of intangible non-current assets.**

	2023	2022	2021	2020	2019
Key ratios					
Return on equity, %	13.60	12.69	11.75	10.94	10.74
Deposits / Lending, %	57.39	57.81	56.36	59.20	55.94
Profit / Risk-weighted assets, %	3.72	3.19	2.96	2.66	2.50
Return on total assets, %	1.84	1.34	1.17	1.01	0.93
Total capital ratio, %	22.55	24.59	23.08	21.91	21.29
Common Equity Tier 1 capital ratio, %	22.55	22.94	21.28	20.04	19.35
Interest income / av. lending, %	2.79	2.09	1.72	1.73	1.59
Credit losses / av. lending, %	0.03	0.06	0.01	0.08	0.04
Cost/Income ratio	0.44	0.45	0.44	0.48	0.51
Cost/Income ratio excluding residual value provision	0.38	0.40	0.41	0.45	0.53
Liquidity coverage ratio	252	210	225	237	257
NSFR (Net Stable Funding Ratio)	119	118	116		
Leverage ratio	12.8	12.2	10.8	9.8	9.1
Average number of employees	281	257	249	234	220

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

Income statement

Amounts in SEK thousand

1 January – 31 December	Note	2023	2022
Operating income			
Interest income	5	1,295,344	709,272
of which income calculated using the effective interest method		(1,272,487)	(706,122)
Lease income	6	7,261,825	6,364,920
Interest expenses	5	-1,392,004	-455,369
Net interest income		**7,165,164**	**6,618,822**
Dividends received	7	35	75
Commission income	8	421,042	389,271
Commission expenses	9	-190,127	-156,594
Net result from financial transactions	10	-27,715	32,384
Other operating income	11	435,555	312,009
Total operating income		**7,803,954**	**7,195,967**
Operating expenses			
General administrative expenses	12	-607,740	-495,761
Depreciation and impairment of tangible and intangible non-current assets	13	-6,085,497	-5,847,030
Other operating expenses	14	-77,783	-54,859
Total operating expenses		**-6,771,020**	**-6,397,650**
Profit before credit losses		**1,032,934**	**798,318**
Credit losses, net	15	-12,621	-23,118
Impairments/Reversals of financial fixed assets, net	15	-214	-17
Operating profit		**1,020,099**	**775,183**
Appropriations	16	- 1,017 742	853,176
Tax on profit for the year	17	-2,357	-293,370
Profit for the year*		–	**1,334,989**

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

Introduction

Balance sheet

Amounts in SEK thousand

Assets	Note	31/12/2023	31/12/2022
Treasury bills eligible as collateral etc.	18	1,830,992	1,238,893
Lending to credit institutions	19	1,854,022	1,987,473
Loans and advances to the public	20	16,375,052	16,437,193
Bonds and other interest-bearing securities	21	2,210,625	2,495,493
Shares and participations in associates and other companies	22	14,876	14,233
Shares and participations in Group companies	23	6,742	6,742
Intangible non-current assets	24	64,018	19,224
Tangible assets: inventory	25	2,181	3,485
Tangible assets: lease items	25	26,086,832	23,426,952
Tangible current assets	25	30,853	485
Other assets	26,27	1,220,211	1,212,934
Prepaid expenses and accrued income	28	95,373	76,965
Total assets		**49,791,778**	**46,920,073**
Liabilities and equity			
Liabilities to credit institutions	29	1,295,238	1,407,143
Deposits and borrowing from the public	30	24,368,947	23,044,465
Securities issued	29	13,475,047	12,383,444
Other liabilities	27,31	1,437,125	1,494,354
Accrued expenses and deferred income	32	1,589,314	1,428,700
Subordinated liabilities	33	–	400,000
Total liabilities		**42,165,670**	**40,158,106**
Untaxed reserves	34	5,697,661	4,679,919
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		15,568	19,224
Non-restricted equity:			
Retained earnings		1,492,879	307,836
Profit for the year		–	1,334,989
Total equity		**1,928,447**	**2,082,049**
Total liabilities and equity		**49,791,778**	**46,920,073**

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 2022	400,000	20,000	19,047	438,624	877,671
Profit for the year	–	–	–	1,334,989	1,334,989
Capitalisation of development expenditures	–	–	18,849	-18,849	–
Dissolution resulting from development expenditure depreciations for the year	–	–	-18,672	18,672	–
Total change before transactions with shareholders	400,000	20,000	19,224	1,773,436	2,212,660
Dividend	–	–	–	-130,611	-130,611
Closing equity, 31 December 2022	400,000	20,000	19,224	1,642,825	2,082,049
Opening equity, 1 January 2023	400,000	20,000	19,224	1,642,825	2,082,049
Profit for the year	–	–	–	–	–
Capitalisation of development expenditures	–	–	7,872	-7,872	–
Dissolution resulting from development expenditure depreciations for the year	–	–	-11,528	11,528	–
Total change before transactions with shareholders	400,000	20,000	15,568	1,646,481	2,082,049
Dividend	–	–	–	-153,602	-153,602
Closing equity, 31 December 2023	400,000	20,000	15,568	1,492,879	1,928,447

Cash flow statement

Amounts in SEK thousand

	2023	2022
Operating profit	1,020,099	775,183
Adjustment for items not included in cash flow		
Unrealised portion of net result from financial transactions	-27,715	33,626
Depreciations, amortisation, impairments	6,093,918	5,847,030
Credit losses	12,621	23,117
Paid/refunded (-/+) tax	-250	-63,814
Changes to assets and liabilities in operating activities		
Treasury bills eligible as collateral	-592,099	347,255
Loans and advances to the public	49,683	411,910
Disposal of tangible assets	5,411,533	3,995,200
Acquisition of tangible assets	-14,182,866	-11,450,944
Bonds and other interest-bearing securities	284,868	-1,042,806
Deposits and borrowing from the public	1,324,482	1,249,471
Liabilities to credit institutions	-111,905	338,095
Other assets	-27,955	-392,575
Securities issued	1,091,602	-708,918
Other liabilities	131,101	544,573
Cash flow from operating activities	**477,117**	**-93,597**
Investing activities		
Capitalised development expenditures	-56,322	-18,849
Investments in shares and participations	-4,270	-2,061
Disposal/redemption of shares and participations	3,626	-1,273
Cash flow from investing activities	**-56,966**	**-22,184**
Financing activities		
Subordinated liabilities	-400,000	–
Dividends paid	-153,602	-130,611
Cash flow from financing activities	**-553,602**	**-130,611**
Cash flow for the year		
Cash and cash equivalents at beginning of year	1,987,473	2,233,864
Cash flow from operating activities*	477,117	-93,597
Cash flow from investing activities*	-56,966	-22,184
Cash flow from financing activities	-553,602	-130,611
Cash and cash equivalents at year-end; see Note 40	**1,854,022**	**1,987,473**

*As of 2023, cash flow from the acquisition and disposal of tangible assets is reported in operating activities instead of investment activities. The comparative figures were also reclassified.

Notes

Notes

Notes to the income statement and balance sheet. Unless otherwise specified, amounts are stated in SEK thousand. Ziklo Bank AB, hereinafter 'the bank', operates in the Swedish market.

NOTE 1. Information about the bank

The annual report was submitted on 31 December 2023 and refers to Ziklo 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

Ziklo Bank AB, 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. The risks are monitored and regular checks made to ensure 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 risks
- 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, strategic risk and sustainability-related risk, belong to the second category, for which the bank has little 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.

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 e.g. 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 2023, the total amount of principal under renegotiated contracts was SEK 85.7 million (59.9).

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.

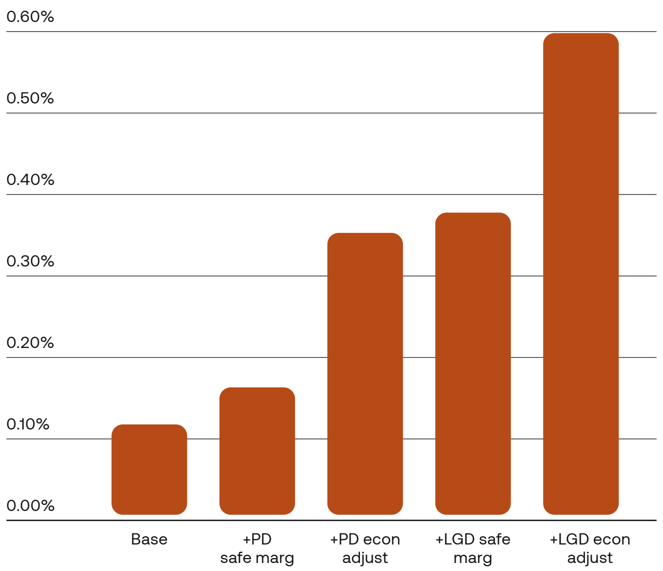
Statistical scoring models have been used for retail exposures (private individuals and SMEs) since January 2007, while the expert-based model introduced in late 2007 for corporate exposures (companies with sales of more than SEK 500 million or exposures with the bank of more than SEK 8 million) was replaced by a statistical model on 1 May 2023.

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. Due largely to this business model, the bank has incurred negligible credit losses in these portfolios.

For each risk category or product category a risk estimate is calculated that describes the average risk for the category. The risk estimates for the risk category include a safety margin that is designed to take account of uncertainty in the data, data quality and data access. The risk estimates for the risk category are adjusted 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.



The table below shows the LGD intervals and PD funds if the credits are in stage 1.

Product	LGD (%)	Mean PD (%)
Open credits	54–71	0.39
Interest-bearing securities	27–49	0.09
Own financing agreements	11–14	0.60
Financial agreements transferred	<1*	1.46

*Transferred financing agreements are those where dealers and not Ziklo Bank bear the credit risk. LGD values when calculating expected credit losses for such agreements are therefore low.

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 to A
2	BBB
3	BB
4–5	B
6-7	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	5,151,929	8,742,591	718,697	8.22
2	5,311,563	8,104,547	966,017	11.92
3–4	6,646,252	8,260,394	1,563,737	18.93
5–6	3,286,636	3,441,426	1,259,797	36.61
7	822,392	865,460	532,704	61.55
Defaulted	155,182	155,182	145,230	93.59
Total	**21,373,955**	**29,569,600**	**5,186,183**	**17.54**

Excluding the effect of credit risk protection, the total for all retail exposure amounts is SEK 31.04 billion rather than SEK 29.6 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	4,701,969	4,711,267	2,229,607	47.33
2	4,453,456	4,517,307	3,194,080	70.71
3–4	3,293,198	3,294,389	3,133,124	95.10
5–6	733,630	733,630	1,128,171	153.78
7	68,816	68,816	115,460	167.78
Defaulted	88,901	88,901	0	0.00
Total	**13,339,970**	**13,414,309**	**9,800,443**	**73.06%**

Excluding the effect of credit risk protection, the total for all corporate exposure amounts is SEK 13.90 billion rather than SEK 13.41 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, %	0.52	1.09	0.40	33	17
Corporate, %	0.68	2.18	1.54	45	N/A*

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

Additional uses of the risk classification system

The risk classification system forms an integral part of governance, the credit process, risk management and internal capital allocation. The bank also uses the system for impairments and risk-adjusted pricing.

EXPECTED CREDIT LOSSES (ECL)

Similarities and differences between IRB and ECL

In general, the estimates of PD, LGD and CF used for ECL are adjusted to the forward-looking macro economy while estimates used for capital requirement calculation / IRB are adjusted to reflect economic decline and are subject to safety margins.

The common denominator for PD is that the same models are used for ECL and IRB to allocate a risk category and a PIT PD. The PD that will be used for ECL is adjusted to the current macro economy, while the PDs used for IRB are first adjusted to a long-term average value that includes years of economic decline and is then subject to safety margins for various data gaps.

In the case of LGDs, the LGDs used for ECL reflect reported losses while the LGDs used for IRB must regard the economic loss, which means that indirect costs must be included in LGDs used for IRB but not in LGDs used for ECL. In the case of financing products, the bank has a right of recourse for transferred contracts, which means the dealer bears the credit risk, and for such contracts a very small standard LGD is used in the ECL calculation. In the context of IRB, the bank cannot refer to the right of recourse in LGD modelling, but must calculate the loss that arises as regards the cash flow from the end customer, i.e. the borrower or lessee, or with the recovery and sale of vehicles belonging to a failed contract.

Model change

In 2023, work was undertaken to align the IRB models as far as possible with the ECL models instead of having separate PD models for IRB and ECL, as was the case earlier. The PD values used for ECL are obtained from a model into which the values of different risk drivers are entered and a PIT PD is the output. This PIT PD is then adjusted to the forward-looking macro economy by multiplying it with a factor whose value depends on the current unemployment forecast.

The model change does not only apply to PD, but also LGD and CF and will take place in two stages where the first stage mainly concerns PD. The reason for splitting the change into two stages is that the IRB remodelling takes place in two stages where the PD models are approved by FI, while the models for LGD and CF are still being developed. When the updated IRB models for LGD and CF are approved, they will also be used for ECL.

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, replaced by the Bank Package, see below) and changes in counterparty risk, securitisation, CVA risk. 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 models approved by FSA and which the bank began using in May 2022. Regarding LGD and CF, the bank will submit a new application in March 2024.

The new standardised approach and capital floor is estimated to have an initial effect in 2029 at the earliest. This is calculated based on current levels of exposure and capital base.

In respect of the risks for which Ziklo holds capital in Pillar 2, there will be certain changes, both in terms of calculation and the type of capital requirement. A change in the bank's leverage ratio requirement may also increase according to the requirements of the Swedish Financial Supervisory Authority (FSA). The FSA will take formal decisions on Pillar 2 requirements for each individual bank and 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 once the amended regulation has come into force. The FSA has not yet implemented an SREP for the bank under the new regulatory framework.

Short, medium and long term ESG risks must 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; see below for further information about climate-related risks.

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 bank package was approved in spring 2019. The changes in the regulation implement reforms that governments, central banks and supervisory authorities agreed upon at the international level in the Basel Committee on Banking Supervision and the Swedish Financial Reporting Board (FSB) following the last financial crisis.

In addition, the EU Commission, based on the action plan for creating a Capital Market Union, has taken the initiative to further changes including reducing the unnecessary administrative burden and to manage the fact that member states apply the regulations in different ways. This will mean more uniform EU regulations for applying the tools the supervisory authorities use for determining the capital requirement of the banks.

OPERATIONAL RISK

The standard method calculation will be amended in 2025 under the banking package. The bank has carried out preliminary calculations and they show a lower capital requirement.

CLIMATE-RELATED RISKS

With the exception of liquidity-related investments, Ziklo has no exposure in anything other than vehicles. The vehicle market is undergoing major transformation and the bank notes accelerated growth in 'green cars'. However, existing and future exposures are quickly effected and revolutionised by global legal requirements. In addition to the above comments on capital adequacy related to ESG, Ziklo is closely monitoring developments in e.g. Bonus Malus (where the bonus component was abolished on 8 November 2022), the EU taxonomy with its associated Disclosure Regulation, and FSA requirements. The bank is reducing the risk linked to borrowing and rating by issuing green bonds, which is made possible through the rapid growth in the proportion of green vehicles in its stock. Volvo and Polestar are well positioned in the growth of rechargeable cars, not to say market leaders. 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 fuel prices and reduced vehicle use.

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 57,628 million (55,176), 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 27,735 million (27,196). The bank also has collateral for loans and receivables in the form of guarantees of SEK 129 million (129), floating charges of SEK 363 million (370), property mortgages of SEK 3 million (3) and pledged loans and leases of SEK 663 million (1,517).

The bank's total credit risk exposure, including the effect of credit risk protection, is thus SEK 28,736 million (25,961). 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.

	2023	2022
Total assets according to the balance sheet	49,791,778	46,920,073
Additional items		
Total impairments	332,659	231,035
Undrawn limits, accounts receivable	9,877,150	9,994,258
Undrawn limits, lending to Volvo dealerships	372,225	565,540
Margin for counterparty risks in derivatives	10,598	19,931
Outgoing items		
Non credit-obligation assets exposure*	-2,692,248	-2,536,089
Intangible non-current assets	-64,018	-19,224
Total	**57,628,144**	**55,175,524**

*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

2023	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	144,613	92,231	61,701	76,409	86,201	144,613
Exposures to provincial or regional government bodies or local authorities	1,888,490	1,615,471	1,579,312	1,500,702	1,493,379	1,888,490
Exposures to public sector	14,656	11,937	9,929	11,419	11,744	14,656
Exposures to institutions	1,966,129	2,790,885	3,145,390	2,619,506	3,432,516	1,966,129
Exposures to companies	948,062	827,837	820,610	713,286	829,390	948,062
Exposures to retail	573,769	521,483	485,603	502,220	524,338	573,769
Exposures falling due	11,088	4,192	1,528	2,172	1,979	11,088
Exposures in the form of covered bonds	1,355,627	1,530,045	1,564,274	1,703,835	1,496,443	1,355,627
Equity exposures	21,618	19,029	17,789	18,347	18,363	21,618
Other items	26,593	68,305	106,391	83,143	57,092	26,593
Total	6,950,645	7,481,415	7,792,527	7,231,037	7,951,444	6,950,645
Exposure category according to IRB						
Exposures to companies	13,898,864	12,532,331	12,033,138	12,018,452	12,178,871	13,898,864
Exposures to retail*	31,041,054	31,396,206	31,392,824	31,910,628	31,240,320	31,041,054
Non credit-obligation assets exposure	5,737,581	5,443,988	5,269,171	5,425,580	5,343,621	5,737,581
Total according to IRB	50,677,498	49,372,526	48,695,133	49,354,660	48,762,812	50,677,498
Total exposure	57,628,144	56,853,939	56,487,659	56,585,697	56,714,256	57,628,144

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

2022	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	292,101	212,257	116,368	178,787	261,772	292,101
Exposures to provincial or regional government bodies or local authorities	1,299,302	1,193,063	1,167,491	1,260,253	1,045,207	1,299,302
Exposures to public sector	9,557	8,764	9,460	8,241	7,799	9,557
Exposures to institutions	2,116,432	2,930,362	2,681,584	3,267,975	3,655,456	2,116,432
Exposures to companies	1,066,774	1,051,999	1,480,571	786,566	874,086	1,066,774
Exposures to retail	489,691	502,511	505,163	547,153	468,036	489,691
Exposures falling due	2,397	1,746	1,684	1,315	1,586	2,397
Exposures in the form of covered bonds	1,798,351	1,506,251	1,042,089	1,436,455	1,748,106	1,798,351
Equity exposures	20,975	17,384	15,757	15,661	17,142	20,975
Other items	26,239	64,615	91,713	83,981	56,526	26,239
Total	7,121,819	7,488,952	7,111,882	7,586,388	8,135,716	7,121,819
Exposure category according to IRB						
Exposures to companies	11,289,279	10,054,575	9,625,838	9,602,964	9,700,218	11,289,279
Exposures to retail*	31,589,720	31,998,677	32,510,845	32,295,121	31,599,022	31,589,720
Non credit-obligation assets exposure	5,174,706	5,079,431	4,976,165	5,112,837	5,054,016	5,174,706
Total according to IRB	48,053,705	47,132,683	47,112,848	47,010,922	46,353,256	48,053,705
Total exposure	55,175,524	54,621,635	54,224,729	54,597,310	54,488,972	55,175,524

*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

2023	Trade, motor vehicle repair	Transport and warehousing	Legal and financial activities etc.	Other	Total
Exposures to states and central banks	–	–	–	144,613	144,613
Exposures to municipalities, comparable home-owners associations and authorities	–	–	–	1,888,490	1,888,490
Exposures to admin bodies, non-commercial companies and religious communities	–	–	–	14,656	14,656
Exposures to institutions	–	–	–	1,966,129	1,966,129
Corporate exposures, standard and IRB	4,892,255	3,159,137	3,626,325	3,169,209	14,846,926
Retail exposures, standard and IRB	1,203,780	2,323,502	1,510,545	26,576,996	31,614,823
Exposures in default	1,455	1,308	1,226	7,099	11,088
Covered bonds	–	–	–	1,355,627	1,355,627
Equity exposures	–	–	–	21,618	21,618
Other items	–	–	–	26,593	26,593
Non credit-obligation assets exposure IRB	–	–	–	5,737,581	5,737,581
Total	6,097,490	5,483,947	5,138,096	40,908,611	57,628,144

2022	Trade, motor vehicle repair	Transport and warehousing	Legal and financial activities etc.	Other	Total
Exposures to states and central banks	–	–	15	292,086	292,101
Exposures to municipalities, comparable home-owners associations and authorities	–	–	–	1,299,302	1,299,302
Exposures to admin bodies, non-commercial companies and religious communities	–	–	–	9,557	9,557
Exposures to institutions	–	–	–	2,116,432	2,116,432
Corporate exposures, standard and IRB	4,312,459	2,305,109	3,011,941	2,726,545	12,356,054
Retail exposures, standard and IRB	1,177,985	2,129,654	1,446,733	27,325,039	32,079,411
Exposures in default	296	239	241	1,621	2,397
Covered bonds	–	–	–	1,798,351	1,798,351
Equity exposures	–	–	–	20,975	20,975
Other items	–	–	–	26,239	26,239
Non credit-obligation assets exposure IRB	–	–	–	5,174,706	5,174,706
Total	5,490,740	4,435,002	4,458,929	40,790,853	55,175,524

EXPOSURES, REMAINING TERM TO MATURITY BY EXPOSURE CLASS

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

2023	0–3	3–6	6–9	9–12	12+	Total cash flow	No maturity
Exposures to central governments or central banks and institutions	124,918	1,866	793	1,458	15,578	144,613	–
Exposures to provincial or regional government bodies or local authorities	86,488	725,661	303,960	4,345	768,036	1,888,490	–
Exposures to public sector	839	672	1,453	917	10,775	14,656	–
Exposures to institutions	10,197	5,009	5,978	11,902	1,933,043	1,966,129	–
Exposures to companies	2,279,573	1,002,900	699,559	820,548	10,044,346	14,846,926	–
Exposures to retail	13,409,256	1,615,067	1,454,554	1,646,069	13,489,876	31,614,823	–
Exposures falling due	11,088	–	–	–	–	11,088	–
Exposures in the form of covered bonds	351,186	46,535	447,224	–	510,682	1,355,627	–
Equity exposures	–	–	–	–	–	–	21,618
Other items	–	–	–	–	–	–	26,593
Non credit-obligation assets exposure IRB	493,164	672,899	513,589	635,347	3,388,625	5,703,624	33,957
Total	**16,766,709**	**4,070,609**	**3,427,110**	**3,120,586**	**30,160,961**	**57,545,976**	**82,168**

2022	0–3	3–6	6–9	9–12	12+	Total cash flow	No maturity
Exposures to central governments or central banks and institutions	281,319	4,640	1,407	1,583	3,152	292,101	–
Exposures to provincial or regional government bodies or local authorities	57,063	212,108	288,082	95,256	646,794	1,299,302	–
Exposures to public sector	744	1,003	1,788	860	5,162	9,557	–
Exposures to institutions	9,461	7,522	5,814	9,338	2,084,297	2,116,432	–
Exposures to companies	2,475,672	1,342,117	1,108,769	1,316,052	6,113,442	12,356,053	–
Exposures to retail	13,293,530	1,653,898	1,632,400	1,771,867	13,727,717	32,079,412	–
Exposures falling due	2,397	–	–	–	–	2,397	–
Exposures in the form of covered bonds	182,025	69,849	462,837	399,829	683,811	1,798,351	–
Equity exposures	–	–	–	–	–	–	20,975
Other items	–	–	–	–	–	–	26,239
Non credit-obligation assets exposure IRB	451,442	586,609	535,527	640,919	2,924,774	5,139,271	35,434
Total	**16,753,653**	**3,877,746**	**4,036,624**	**4,235,704**	**26,189,149**	**55,092,876**	**82,648**

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

31/12/2023	Stage 1	Stage 2	Stage 3 (not purchased or issued credit impaired)	Total
Treasury bills eligible as collateral etc.				
AAA to AA	1,831,810	-	-	1,831,810
Loss provisions	-818	-	-	-818
Total carrying amount	**1,830,992**	**–**	**–**	**1,830,992**
Loans and advances to the public				
Low risk	7,863,147	8,184	-	7,871,331
Normal risk	5,420,253	29,470	-	5,449,723
Heightened risk	1,762,840	42,496	-	1,805,336
High risk	386,696	782,920	-	1,169,616
Defaulted	-	-	104,257	104,257
Loss provisions	-5,241	-15,675	-4,295	-25,211
Total carrying amount	**15,427,695**	**847,395**	**99,962**	**16,375,052**
Bonds and other interest-bearing securities				
AAA to AA	1,355,627	-	-	1,355,627
A+ to A-	855,309	-	-	855,309
Loss provisions	-311	-	-	-311
Total carrying amount	**2,210,625**	**-**	**-**	**2,210,625**
Tangible assets: lease items				
Low risk	15,974,638	59,378	-	16,034,016
Normal risk	6,805,140	66,899	-	6,872,039
Heightened risk	1,797,932	36,159	-	1,834,091
High risk	605,582	787,100	-	1,392,682
Defaulted	-	-	220,325	220,325
Loss provisions	-3,291	-664	-1,378	-5,333
Total carrying amount	**25,180,001**	**948,872**	**218,947**	**26,347,820**
Other financial assets				
Low risk	340,247	131,331	-	471,578
Normal risk	77,963	9,246	-	87,209
Heightened risk	10,228	215	-	10,443
High risk	705	1,764	-	2,469
Defaulted	-	-	2,524	2,524
Loss provisions	-174	-55	-312	-541
Total carrying amount	**428,969**	**142,501**	**2,212**	**573,682**
Total gross carrying amount for financial assets appraised at amortised cost	**45,088,117**	**1,955,162**	**327,106**	**47,370,385**
Total loss provisions	**-9,835**	**-16,394**	**-5,985**	**-32,214**
Total, carrying amount	**45,078,282**	**1,938,768**	**321,121**	**47,338,171**

31/12/2022	Stage 1	Stage 2	Stage 3 (not purchased or issued credit impaired)	Total
Treasury bills eligible as collateral etc.				
AAA to AA	1,239,454	-	-	1,239,454
Loss provisions	-561	-	-	-561
Total carrying amount	**1,238,893**	**–**	**–**	**1,238,893**
Loans and advances to the public				
Low risk	12,570,508	21,159	-	12,591,667
Normal risk	2,918,396	104,595	-	3,022,991
Heightened risk	168,425	314,668	-	483,093
High risk	46,250	239,058	-	285,308
Defaulted	-	-	84,690	84,690
Loss provisions	-16,604	-10,884	-3,068	-30,556
Total carrying amount	**15,686,975**	**668,596**	**81,622**	**16,437,193**
Bonds and other interest-bearing securities				
AAA to AA	1,798,349	-	-	1,798,349
A+ to A-	697,496	-	-	697,496
Loss provisions	-353	-	-	-353
Total carrying amount	**2,495,492**	**-**	**-**	**2,495,492**
Tangible assets: lease items				
Low risk	17,471,483	87,698	-	17,559,181
Normal risk	4,486,246	341,139	-	4,827,385
Heightened risk	282,062	386,653	-	668,715
High risk	95,773	290,637	-	386,410
Defaulted	-	-	145,024	145,024
Loss provisions	-3,056	-429	-1,184	-4,669
Total carrying amount	**22,332,508**	**1,105,698**	**143,840**	**23,582,046**
Other financial assets				
Low risk	403,430	4,704	-	408,134
Normal risk	40,221	1,171	-	41,392
Heightened risk	2,312	254	-	2,566
High risk	529	604	-	1,133
Defaulted	-	-	3,534	3,534
Loss provisions	-187	-10	-204	-401
Total carrying amount	**446,305**	**6,723**	**3,330**	**456,358**
Total gross carrying amount for financial assets appraised at amortised cost	**42,220,934**	**1,792,340**	**233,248**	**44,246,522**
Total loss provisions	**-20,761**	**-11,323**	**-4,456**	**-36,540**
Total, carrying amount	**42,200,173**	**1,781,017**	**228,792**	**44,209,982**

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, 31/12/2023 SEK thousand	Credit risk exposure (before impairment loss)	Loss provisions	Carrying amount	Value of securities
Treasury bills eligible as collateral etc.				
AAA to AA	1,831,810	-818	1,830,992	-
Total	1,831,810	-818	1,830,992	-
Loans and advances to the public				
Lending against collateral of:				
Other	16,400,263	-25,211	16,375,052	13,959,916
Total	16,400,263	-25,211	16,375,052	13,959,916
Bonds and other interest-bearing securities				
AAA till A-	2,210,936	-311	2,210,625	-
Total	2,210,936	-311	2,210,625	–
Tangible assets: lease items				
Lending	26,353,153	-5,333	26,347,820	17,958,638
Total	26,353,153	-5,333	26,347,820	17,958,638
Other assets				
Accounts receivable	574,223	-541	573,682	-
Total	574,223	-541	573,682	-
Issued loan commitments	10,249	-	-	-
Total credit risk exposure	47,380,634	-32,214	47,338,171	31,918,554

Credit exposure, gross and net, 31/12/2022	Credit risk exposure (before impairment loss)	Loss provisions	Carrying amount	Value of securities
Treasury bills eligible as collateral etc.				
AAA to AA	1,239,454	-561	1,238,893	-
Total	1,239,454	-561	1,238,893	-
Loans and advances to the public				
Lending against collateral of:				
Other	16,467,749	-30,556	16,437,193	13,772,615
Total	16,467,749	-30,556	16,437,193	13,772,615
Bonds and other interest-bearing securities				
AAA till A-	2,495,845	-353	2,495,492	-
Total	2,495,845	-353	2,495,492	–
Tangible assets: lease items				
Lending	23,586,715	-4,669	23,582,046	15,926,723
Total	23,586,715	-4,669	23,582,046	15,926,723
Other assets				
Accounts receivable	456,759	-401	456,358	-
Total	456,759	-401	456,358	-
Issued loan commitments	10,560	-	-	-
Total credit risk exposure	44,257,082	-36,540	44,209,982	29,699,338

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 2023, 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.

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 swap and currency swap agreements.

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 3,603 million (3,084). 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 2023, the bank's compensation (positive market values) for counterparty risk in interest rate and exchange rate swaps was SEK 14.8 million (20.0). Net counterparty exposure after the exchange of collateral totalled SEK 4.8 million (4.8); the bank had also pledged assets in the amount of SEK 21.6 million (45.7) and received collateral totalling SEK 12.4 million (18.2). 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.

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, geographical 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 10.9% (10.5) of total lending.

The sector in which the bank has the single largest amount of lending is Haulage and warehousing, which makes up 10.9% 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.

The bank's interest rate risk is calculated in accordance with the Swedish Financial Supervisory Authority's Memorandum concerning the assessment of pillar 2 capital (FI ref. 19-4434), which in turn refers to the earlier EBA guidelines (EBA/GL/2018/02). 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 1.9 billion, or 5.0%, of total lending on 31 December 2023. 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 2.3% (2.6) of total lending at year-end. The absolute majority of the bank's lending and borrowing have short fixed-rate contractual 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.

Interest rate risk expressed as gap risk shows the effect of non-dynamic net interest income during a 12-month period from an interest rate shock resulting in a parallel downward shift in the yield curve of 100 basis points. All non-fixed deposits including savings accounts are given a maturity of one day in this calculation. The interest rate risk in this calculation on 31 December 2023 was SEK 88.2 million (78.7), representing 1.4 % (1.5) of the capital base. In addition to the effect on net interest income, the effect on economic value (equity) is also calculated for various yield curve movements where an interest rate shock of minus 200 basis points has the greatest impact of SEK 11.1 million (8.2).

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 2023, lending without interest rate differential compensation totalled SEK 135.5 million (153.7), and the interest rate differential reserve was SEK 1.6 million (1.5).

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 14.8 billion, consists of market borrowings and liabilities to credit institutions. The asset side consists of loans and advances to the public and derivatives totalling SEK 33.0 billion and securities of SEK 4.0 billion. The bank also has loan assets of SEK 161 million linked to the 1-month STIBOR reference rate. The bank's basis spread risk is low; on 31 December 2023 the risk totalled SEK 0.4 million (1.0).

The bank's interest rate risk is also calculated according to the EBA's revised guidelines on management of interest rate risk arising from operations outside the trading book (EBA/GL/2022/14), which came into force on 30 June 2023. The revised guidelines require the bank to allocate a major portion of the non-fixed savings accounts from the shortest fixed interest term (one day) to longer maturities (up to six years), where the allocation is indicated by the bank's own modelling with regard to instructions and guidelines.

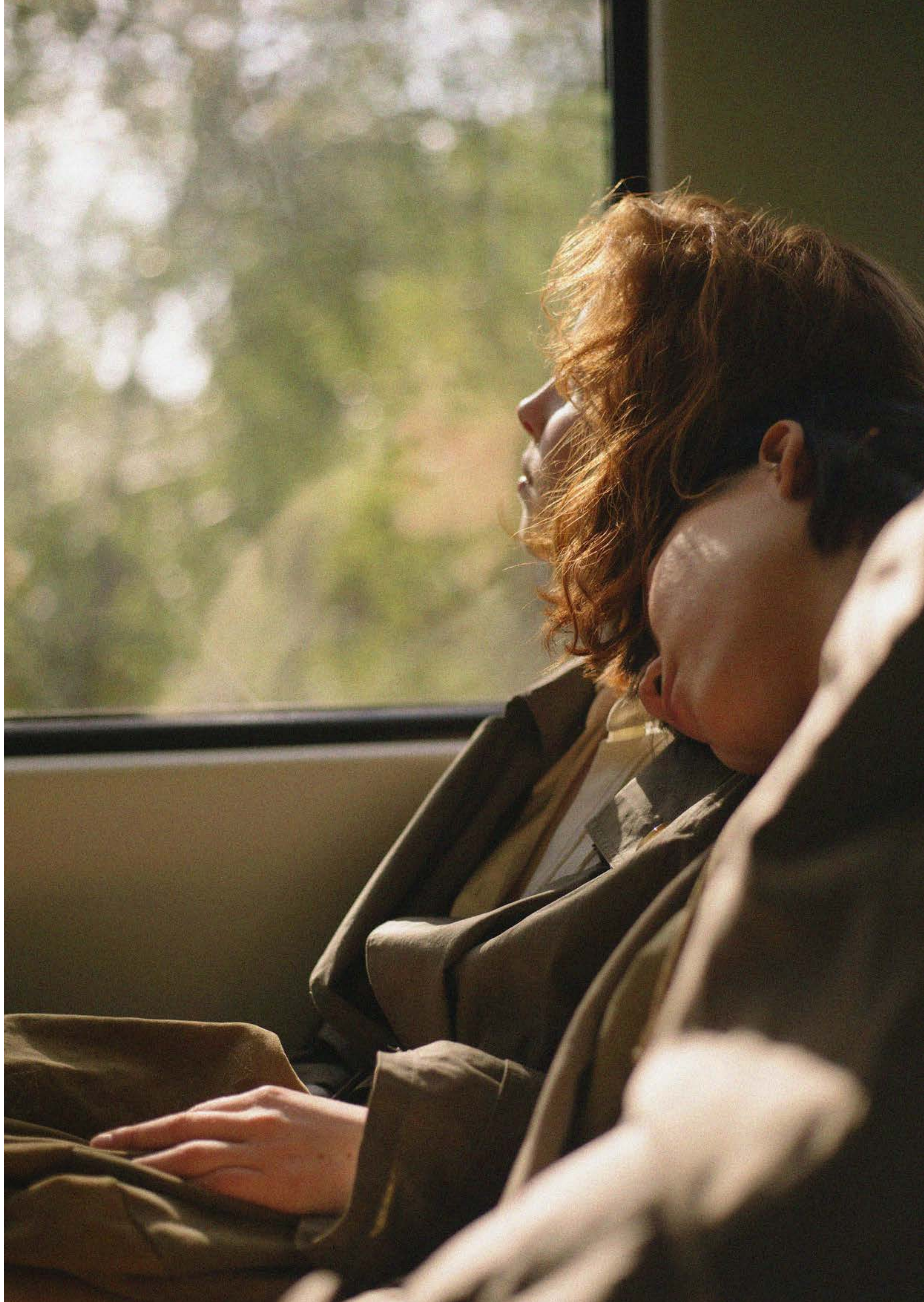
After a full fixed-interest term allocation of the bank's interest-sensitive assets and liabilities, the change in economic value is calculated by stressing each time pocket's net position by various yield curve movements. With a parallel displacement of the entire yield curve of minus 200 basis points, the interest risk as an effect of economic value totals SEK 107.6 million on 31 December 2023, equivalent to 1.7% of Common Equity Tier 1 capital.

When calculating interest rate risk expressed as the effect on the bank's net interest income, said net interest income is compared in a base scenario in which there is a parallel displacement of the yield curve by 200 basis points up and down. The volumes of assets and liabilities in the two scenarios are static, i.e. a maturing loan is rolled forward with the same maturity and interest margin but with a new basic market interest rate within a time horizon of one year. In the stressed net interest income, all positions are rolled forward with the new stressed interest rate level. The difference in net interest income between the base scenario and a stressed scenario constitutes the interest rate risk. The interest rate calculated as an effect on net interest income totalled SEK 204.0 million on 31 December 2023, equivalent to 3.3% of Common Equity Tier 1 capital.

CREDIT SPREAD RISK IN THE BANKING BOOK

Ziklo 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/2022/14) 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. 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 2023, the volume in the liquidity portfolio totalled SEK 4.0 billion (3.7) and a credit spread risk was SEK 23.4 million (24.5).



Notes

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

31/12/2023 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	Not interest-bearing	Total
Treasury bills eligible as payment		576	1,002												1,578
Lending to credit institutions		1,854													1,854
Lending*	77	41,549	33	54	40	82	-	395	209	18	3	0	2		42,462
Bonds and other interest-bearing securities		411	2,053												2,463
Shares and participations in associates and other companies														15	15
Shares and participations in Group companies														7	7
Intangible non-current assets														64	64
Tangible assets: inventory														2	2
Other assets														1,251	1,251
Prepaid expenses and accrued income														95	95
Total assets	77	44,390	3,087	54	40	82	-	395	209	18	3	-	2	1,434	49,792
Liabilities and equity															
Liabilities to credit institutions			-1,295												-1,295
Deposits and borrowing from the public	-24,369														-24,369
Securities issued	-	-3,275	-8,362	-	-	-	-398	-248	-448	-598	-148	-	-	-	-13,475
Other liabilities														-1,437	-1,437
Accrued expenses and deferred income														-1,589	-1,589
Subordinated liabilities		-													-
Untaxed reserves														-5,698	-5,698
Equity														-1,928	-1,928
Total liabilities and equity	-24,369	-3,275	-9,657	-	-	-	-398	-248	-448	-598	-148	-	-	-10,653	-49,792
Derivative instruments	-	-201	-714	-35	-13	-75	300	103	165	377	72	-	-		-22
Net assets and liabilities	-24,292	40,914	-7,284	19	26	7	-98	250	-74	-202	-73	-	2	-9,219	-23
Cumulative exposure	-24,292	16,623	9,339	9,357	9,384	9,390	9,293	9,542	9,469	9,266	9,193	9,194	9,196	-23	

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

31/12/2022 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	Not interest-bearing	Total
Treasury bills eligible as payment		224	437												661
Lending to credit institutions		1,987													1,987
Lending*	49	38,810	59	10	75	83		298	445	28	5	2			39,864
Bonds and other interest-bearing securities		47	3,026												3,073
Shares and participations in associates and other companies														14	14
Shares and participations in Group companies														7	7
Intangible non-current assets														19	19
Tangible assets: inventory														3	3
Other assets														1,213	1,213
Prepaid expenses and accrued income														77	77
Total assets	49	41,068	3,522	10	75	83		298	445	28	5	2		1,334	46,920
Liabilities and equity															
Liabilities to credit institutions			-1,407												-1,407
Deposits and borrowing from the public	-23,044														-23,044
Securities issued		-3,450	-7,864						-634	-434					-12,383
Other liabilities														-1,494	-1,494
Accrued expenses and deferred income														-1,429	-1,429
Subordinated liabilities		-400													-400
Untaxed reserves														-4,680	-4,680
Equity														-2,082	-2,082
Total liabilities and equity	-23,044	-3,850	-9,271						-634	-434				-9,685	-46,920
Derivative instruments		-222	142			-111	-115	-106	341	268	-212				-15
Net assets and liabilities	-22,996	36,996	-5,607	10	75	-28	-115	193	151	-138	-207	2		-8,351	
Cumulative exposure	-22,996	14,000	8,393	8,404	8,478	8,450	8,335	8,528	8,679	8,541	8,334	8,336	8,336	-14	

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

Foreign exchange 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 entered into cross-currency interest rate swaps with a nominal value of SEK 700 million (700) as of 31 December 2023. 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. Guaranteed residual values amounted to SEK 9,165 million (8,456), which includes both own and transferred contracts. As of 31 December 2023, operating leases in the Fleet and Cars segments directly guaranteed by the bank had a carrying amount of SEK 8,466 million (7,274) before impairment. The guaranteed residual value of these contracts amounted to SEK 6,460 million (5,741).

As of 31 December 2023, the bank reported an impairment loss of SEK 300.4 million (194.5) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. The recoverable value for those vehicles where the impairment has been made during the year or a reversal has taken place during the year consists of its value in use and as of 31 December 2023 totalled SEK 4.4 billion (3.2).

During 2023, the bank carried out impairments totalling SEK 105.9 million related to residual value risk, mainly due to the bank's increased residual value positions in operational leases. See also Notes 4, 13 and 25 for information on the bank's residual risk.

EQUITY RISK IN OTHER OPERATIONS

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

Balance sheet value	2023	2022
Associates and other companies	14,876	14,233
Group companies	6,742	6,742
Total	**21,618**	**20,975**
Fair value		
Associates and other companies	14,876	14,233
Group companies	6,789	6,789
Total	**21,666**	**21,022**
Unrealised gains or losses		
Associates and other companies	8,410	9,828
Group companies	–	–
Total	**8,410**	**9,828**

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, model 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, including outsourced operations. The bank arranges regular risk identification and self-assessment workshops with key individuals in the company to identify operational risks. All identified operational risks are categorised according to probability and effect. 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 2023 amounted to SEK 21,539 (20,982), of which KSEK 10,681 (9,856) 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 252% (210) 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 119% (118).

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 5.9 billion (5.7). 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 4.0 billion (69%) while deposits with other banks totalled SEK 1.9 billion (31%). 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 2023, this ratio was 14% (14).

Liquidity reserve	31/12/2023	31/12/2022
Amounts in SEK million, securities at market value		
Balances with other banks	1,854	1987
Securities issued by the state		
Securities issued to municipalities and other public bodies	1,830	1239
Other covered bonds	1,354	1798
Securities issued by non-financial companies	855	697
Total	**5,893**	**5,271**

Of the bank's total liquidity reserve of SEK 5,893 million, SEK 5,038 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 3.8 billion (4.3) at year-end. Facilities with an option to demand same-day payment total SEK 1.9 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	31/12/2023	31/12/2022
Undrawn limits, SEK million		
Overdraft facilities with credit institutions	155	155
Credit facilities with credit institutions	3,750	4,250
Total	**3,905**	**4,405**

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 2023 it was 74% (68).

In order to reduce the proportion of market borrowing, and thus also the refinancing risk, Ziklo 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 Ziklo Bank's other services or have held a savings account for 12 months or more. These customers accounted for 93% (92) 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.

SEK million 2023	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	-	102	1,039	768	-	-	1,909
Lending to credit institutions	1,854	-	-	-	-	-	1,854
Loans and advances to the public	-	5,212	8,270	14,314	4,014	1,028	32,838
Bonds and other interest-bearing securities	-	1,125	521	520	-	-	2,166
Tangible assets: lease items	-	1,285	4,409	8,011	237	17	13,959
Other assets, derivatives	-	-	-1	5	-9	-	-5
Total	1,854	7,724	14,238	23,618	4,242	1,045	52,721
Financial liabilities							
Liabilities to credit institutions	-	40	560	533	-	-	1,133
Deposits and borrowing from the public	24,209	-	-	-	-	-	24,209
Securities issued	-	1,247	2,081	6,935	4,150	-	14,413
Other liabilities, derivatives	-	8	11	7	18	-	44
Subordinated liabilities	-	-	-	-	-	-	-
Total	24,209	1,295	2,652	7,475	4,168	0	39,799
Cash flow, net	-22,355	6,429	11,586	16,143	74	1,045	
Unutilised credit facilities	1,905	3,250	2,750	-	-	-	
Liquidity gap	-20,450	9,679	14,336	16,143	74	1,045	

SEK million 2022	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	-	60	587	623	-	-	1,270
Lending to credit institutions	1,987	-	-	-	-	-	1,987
Loans and advances to the public	-	5,220	8,013	12,956	3,642	732	30,563
Bonds and other interest-bearing securities	-	944	904	531	-	-	2,379
Tangible assets: lease items	-	1,133	4,015	7,139	106	2	10,075
Other assets, derivatives	-	8	14	16	2	-	40
Total	1,987	7,365	13,533	21,265	3,750	734	46,314
Financial liabilities							
Liabilities to credit institutions	-	353	100	684	-	-	1,137
Deposits and borrowing from the public	23,044	-	-	-	-	-	23,044
Securities issued	-	966	3,359	6,034	2,777	-	13,136
Other liabilities, derivatives	-	3	25	15	-8	-	35
Subordinated liabilities	-	3	13	35	35	409	495
Total	23,044	1,325	3,497	6,768	2,804	409	37,847
Cash flow, net	-21,057	6,040	10,036	14,497	946	325	
Unutilised credit facilities	1,905	3,250	2,750	-	-	-	
Liquidity gap	-19,152	9,290	12,786	14,497	946	325	

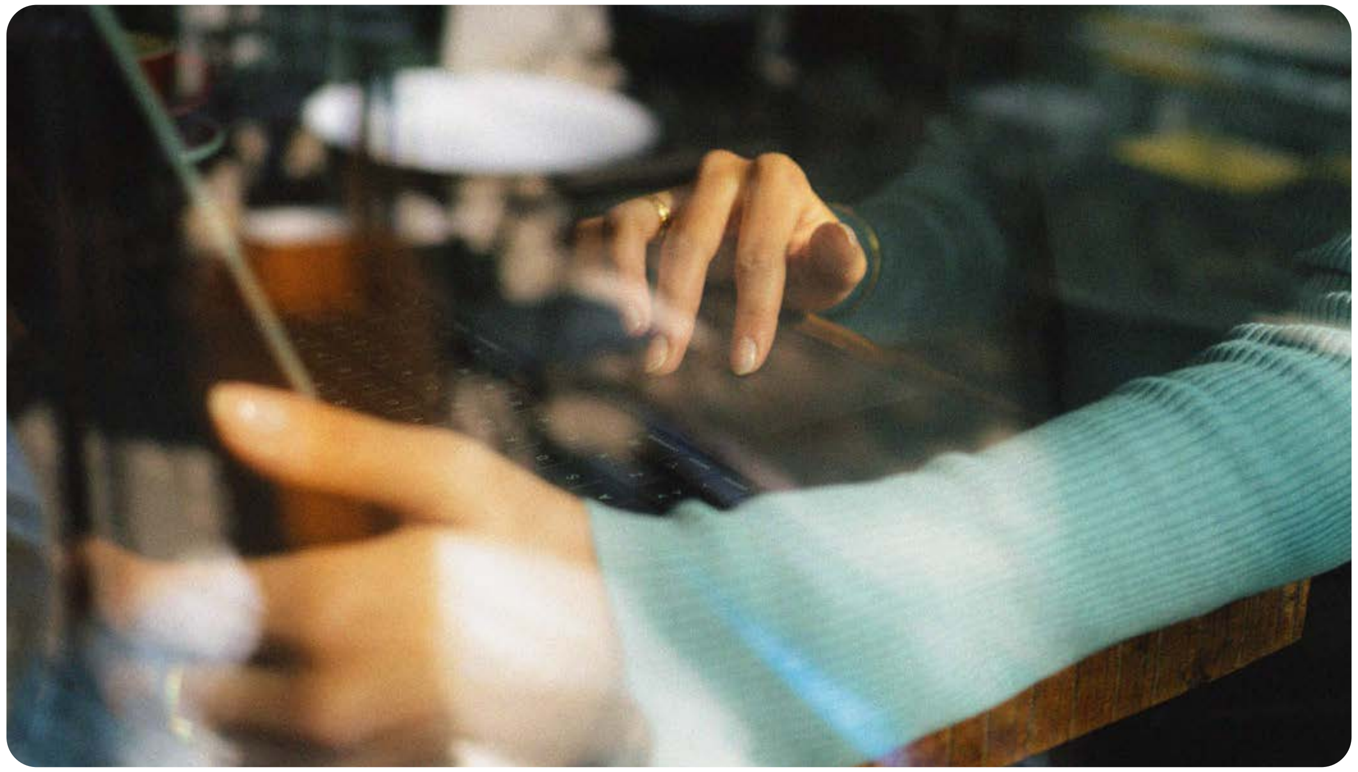
Notes

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 2023	Within 3 months	Longer than 3 months but no more than 1 year	Longer than 1 years 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	-40	-555	-517	-202	-73	-1,387
Securities issued	-1,247	-2,042	-6,719	-4,090	-	-14,098
Other liabilities, derivatives	-94	-86	3	-16	-	-193
Other assets, derivatives	-1	8	27	20	-	54
Subordinated liabilities	-	-	-	-	-	-
Total	-1,382	-2,675	-7,206	-4,288	-73	-15,624

SEK million 2022	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	-353	-107	-693	-213	-173	-1,539
Securities issued	-996	-3,434	-6,139	-2,788	-	-13,327
Other liabilities, derivatives	-3	-33	-34	6	-	-64
Other assets, derivatives	8	20	24	2	-	54
Subordinated liabilities	-3	-13	-35	-35	-409	-495
Total	-1,317	-3,567	-6,877	-3,028	-582	-15,371



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. The bank has also chosen to maintain a capital buffer (5% 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.

The 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 bank 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 as of 16 March 2020 for preventive purposes due to Covid-19 but was raised to 1% on 29 September 2022. It was raised to 2.0 percent from June 2023.

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.

Statutory capital requirements are summarised as follows, with specifications in the following sections.

TEMPLATE EU KM1 – KEY METRICS TEMPLATE

Available capital base (amount)	**31/12/2023**	**30/09/2023**	**30/06/2023**	**31/03/2023**	**31/12/2022**
Common Equity Tier 1 (CET1) capital	6,183,220	6,096,356	5,894,984	5,771,026	5,572,602
Tier 1 capital	6,183,220	6,096,356	5,894,984	5,771,026	5,572,602
Total capital	6,183,220	6,096,356	5,894,984	5,771,026	5,972,602
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	27,422,136	25,602,745	25,527,585	24,895,259	24,293,417
Capital ratio (as a percentage of the risk-weighted exposure amount)					
Common Equity Tier 1 capital ratio (%)	22.5	23.8	23.1	23.2	22.9
Tier 1 capital ratio (%)	22.5	23.8	23.1	23.2	22.9
Total capital ratio (%)	22.5	23.8	23.1	23.2	24.6
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of the risk-weighted amount of exposure)					
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	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	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 (%)	2.0	2.0	2.0	1.0	1.0
Systemic risk buffer (%)					
Buffer for global systemically important institutions (%)					
Buffer for other systemically important institutions (%)					
Combined buffer requirement (%)	4.5	4.5	4.5	3.5	3.5
Overall capital requirements (%)	12.5	12.5	12.5	11.5	11.5
Available Common Equity Tier 1 capital after meeting the total capital base requirement for SREP (%)	14.5	15.8	15.1	15.2	16.6
Leverage ratio					
Total exposure measure	48,354,425	47,423,488	47,202,936	46,990,777	45,639,695
Leverage ratio (%)	12.8	12.9	12.5	12.3	12.2
Additional own funds requirements to address the risk of excessive leverage (as a percentage of the total exposure measure)					
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	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	3.0	3.0
Liquidity coverage ratio					
Total high-quality liquid assets (weighted value – average)*	2,863,987	2,826,327	2,785,135	2,596,326	2,420,982
Cash outflows – Total weighted value*	4,701,467	4,596,928	4,648,010	4,512,124	4,345,288
Cash inflows – Total weighted value*	4,530,718	4,547,006	4,668,896	4,818,277	4,676,561
Total net cash outflows (adjusted value)	1,177,272	1,167,855	1,180,625	1,146,654	1,104,945
Liquidity coverage ratio (%)	246	245	238	230	220
Net stable funding ratio					
Total available stable funding	41,669,854	40,694,382	40,923,669	39,833,629	38,540,914
Total required stable funding	35,026,800	34,104,499	33,668,478	33,304,257	32,662,417
Net stable funding ratio (%)	119	119	122	120	118

*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)

Common Equity Tier 1 capital Instruments and reserves	31/12/2023	31/12/2022
Capital instruments and the related share premium accounts	400,000	400,000
Retained earnings	1,290,389	307,835
Accumulated other comprehensive income (and other reserves)	4,559,511	3,755,080
Net full-year profit after deductions for predictable expenses and dividends verified by persons in an independent position	-	1,181,387
Common Equity Tier 1 capital before regulatory adjustments	**6,249,900**	**5,644,302**
Common Equity Tier 1 capital: regulatory adjustments		
Further value adjustments (negative amount)	-115	-101
Intangible assets	-64,018	-19,224
Deferred tax assets that are dependent on future profitability, except those that arise as a result of temporary differences.*	-	-
Negative amounts resulting from the calculation of expected loss amount	-	-52,375
Other regulatory adjustments	-2,548	-
Total regulatory adjustments to Common Equity Tier 1	**-66,680**	**-71,700**
Common Equity Tier 1 (CET1) capital	**6,183,220**	**5,572,602**
Tier 1 capital contribution: Instrument		
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Tier 1 capital contribution	**6,183,220**	**5,572,602**
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	-	400,000
Tier 2 capital before regulatory adjustments	**-**	**400,000**
Tier 2 capital: regulatory adjustments		
Tier 2 capital	**-**	**400,000**
Total capital (Common Equity Tier 1 capital + Tier 2 capital)	**6,183,220**	**5,972,602**
Total risk-weighted assets	**27,422,136**	**24,293,417**

*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

	31/12/2023			31/12/2022		
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	229	2,864	20.0%	142	1,778	20.0%
Exposures to institutions	31,452	393,147	20.00%	33,858	423,225	20.0%
of which counterparty risk	(997)	(12,461)	(–)	(922)	(11,522)	(–)
Corporate exposures	69,347	866,838	92.92%	76,978	962,227	91.3%
Retail exposures	28,531	356,637	63.60%	23,817	297,707	62.4%
Exposures in default	1,282	16,022	149.52%	269	3,365	146.6%
Covered bonds	10,843	135,532	10.00%	14,384	179,800	10.0%
Equity exposures	1,729	21,618	100.00%	1,678	20,975	100.0%
Other items	2,127	26,593	100.00%	2,099	26,239	100.0%
Total capital requirements for credit risks according to the standardised method	**145,540**	**1,819,250**	**26.32**	**153,225**	**1,915,316**	**27.0%**
Credit risk according to IRB						
Corporate exposures	784,035	9,800,443	73.06%	607,826	7,597,823	71.6%
Retail exposures	414,895	5,186,183	17.54%	583,802	7,297,521	24.2%
Non credit-obligation assets exposure	459,006	5,737,581	100.00%	413,976	5,174,706	100.0%
Total capital requirements for credit risks according to the IRB	**1,657,936**	**20,724,206**	**42.5%**	**1,605,604**	**20,070,050**	**43.7%**
Total	**1,803,476**	**22,543,456**	**40.5%**	**1,758,829**	**21,985,366**	**41.5%**
Operational risk according to the basic indicator approach	215,203	2,690,038	-	183,321	2,291,514	-
Credit value adjustment (CVA)	3,972	49,645	--	1,323	16,537	--
Additional risk exposure amounts according to Article 3 CRR	171,120	2,138,997	-	-	-	-
Total minimum capital requirement and risk-weighted exposure amount	**2,193,771**	**27,422,136**	**--**	**1,943,473**	**24,293,417**	**--**

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

	31/12/2023	31/12/2022
Risk-weighted assets (RWA)	27,422,136	24,293,417
Available capital in relation to RWA		
Common Equity Tier 1 capital ratio, %*	22.55	22.94
Tier 1 capital ratio, %	22.55	22.94
Total capital ratio, %**	22.55	24.59
Common Equity Tier 1 capital ratio available for use as a buffer	3,989,449	4,479,398

*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

	31/12/2023			31/12/2022		
	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
Per cent						
Minimum capital requirement	4.5	6.0	8.0	4.5	6.0	8.0
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5	2.5
Countercyclical buffer	2.0	2.0	2.0	1.0	1.0	1.0
Total	9.0	10.5	12.5	8.0	9.5	11.5
Amount						
Minimum capital requirement	1,233,996	1,645,328	2,193,771	1,093,204	1,457,605	1,943,473
Capital conservation buffer	685,553	685,553	685,553	607,335	607,335	607,335
Countercyclical buffer	548,443	548,443	548,443	242,934	242,934	242,934
Total capital requirement	**2,467,992**	**2,879,324**	**3,427,767**	**1,943,473**	**2,307,874**	**2,793,742**

CAPITAL REQUIREMENT, CAPITAL BUFFERS AND INTERNALLY ASSESSED CAPITAL REQUIREMENT

31/12/2023	Capital requirement	Capital requirement / Total REA	Of which CET1 requirements / REA
Credit risk	1,803,476	6.58%	3.70%
Operational risk	215,203	0.78%	0.44%
CVA risk	3,972	0.01%	0.01%
Additional risk exposure amounts according to Article 3 CRR	171,120	0.62%	0.35%
Capital base requirement in Pillar 1 excluding buffer requirement	**2,193,771**	**8.00%**	**4.50%**
Concentration risk	281,819	1.03%	0.58%
Strategic risk	109,689	0.40%	0.23%
Market risk	111,543	0.41%	0.23%
Addition for internally assessed capital requirement in Pillar 2	**503,050**	**1.83%**	**1.03%**
Capital conservation buffer	685,553	2.50%	2.50%
Countercyclical capital buffer	548,443	2.00%	2.00%
Buffer requirement	**1,233,996**	**4.50%**	**4.50%**
Capital requirements	**3,930,817**	**14.33%**	**10.03%**
Capital base	**6,183,220**	**22.55%**	**22.55%**
Capital surplus	**2,252,402**	**8.21%**	**12.52%**

31/12/2022	Capital requirement	Capital requirement / Total REA	Of which CET1 requirements / REA
Credit risk	1,758,829	7.2%	4.1%
Operational risk	183,321	0.8%	0.4%
CVA risk	1,323	0.0%	0.0%
Capital base requirement in Pillar 1 excluding buffer requirement	**1,943,473**	**8.0%**	**4.5%**
Concentration risk	267,172	1.1%	0.6%
Strategic risk	97,174	0.4%	0.2%
Market risk	103,185	0.4%	0.2%
Addition for internally assessed capital requirement in Pillar 2	**467,531**	**1.9%**	**1.1%**
Capital conservation buffer	607,335	2.5%	2.5%
Countercyclical capital buffer	242,934	1.0%	1.0%
Buffer requirement	**850,270**	**3.5%**	**3.5%**
Capital requirements	**3,261,274**	**13.4%**	**9.1%**
Capital base	**5,972,602**	**24.6%**	**22.9%**
Capital surplus	**2,711,328**	**11.2%**	**13.8%**

The internal capital evaluation on 31 December 2023 resulted in an internal capital requirement of SEK 2,697 (2,411). If the combined buffer requirement is included, the bank's capital requirement totals SEK 3,931 million (3,261). Therefore the capital surplus, calculated on the internal capital requirement including the buffer requirement, totals SEK 2,252 million (2,711).

LEVERAGE RATIO

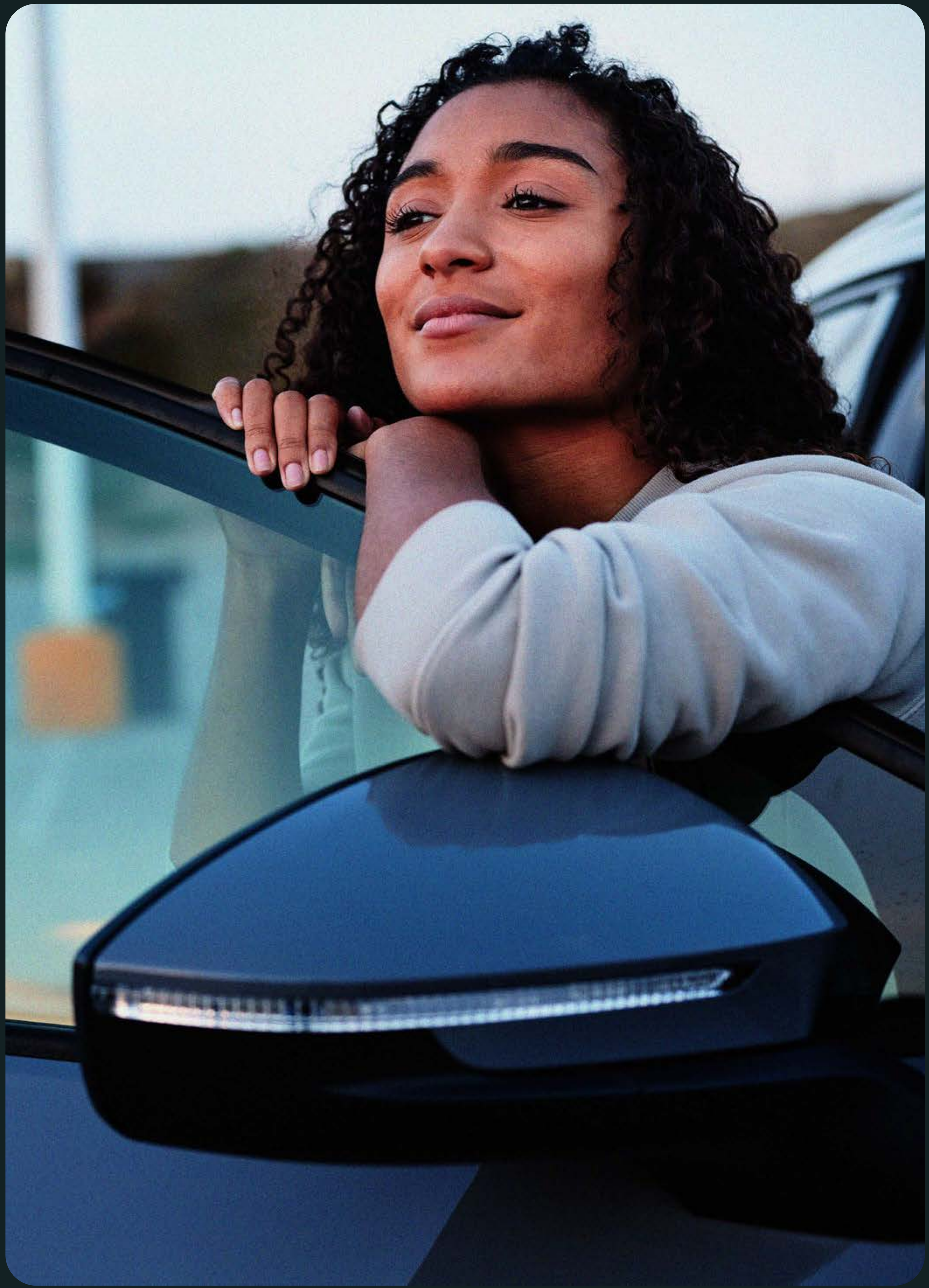
	31/12/2023	31/12/2022
Tier 1 capital	**6,183,220**	**5,572,602**
Total assets according to public financial statements	49,791,778	46,920,073
Adjustments for financial derivative instruments	62,306	57,612
Adjustments for off-balance sheet items (i.e. conversion to credit equivalents for off-balance sheet exposures)	1,057,677	1,103,363
Other adjustments	-2,557,336	-2,441,353
Exposure measurement	**48,354,425**	**45,639,695**
Leverage ratio, %	**12.79**	**12.21**

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 20 March 2024. The income statement and balance sheet will be submitted for adoption at the Annual General Meeting on 4 June 2024.

Unless otherwise indicated, the accounting policies described below have been applied consistently for all periods presented in the financial statements. The financial statements are presented in Swedish kronor, and unless otherwise indicated, all figures are rounded to the nearest thousand.

3.1 Judgements and estimates in the financial statements

Preparation of the financial statements in compliance with IFRS requires the bank's management to make assessments, estimations, and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenues, and expenses. These estimations and assumptions are based on historical experience and a number of other factors deemed reasonable under current circumstances. The outcomes of these estimates and assumptions are then used as the basis of the carrying amounts of assets and liabilities not otherwise clearly provided by other sources.

Primarily, the bank made the following critical assessments when applying significant accounting policies:

- Choice of method for calculating expected credit losses; see also section 3.14
- Whether the bank has assumed significant risks and benefits from the seller on acquisition of receivables and agreements.

Actual outcomes may deviate from the estimations made in this report. Areas in which uncertainty about estimates may exist are:

- Estimations of expected residual values for lease objects; see also sections 3.15 and 3.18
- The actual outcome of credit losses may deviate from the anticipated outcome.

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.

3.2 Changes in accounting policies

Amendments to IFRS during 2023 had no material effect on the bank's financial statements.

3.2.1 APPLICATION OF NEW IFRS AND FUTURE REGULATIONS

Amendments to IAS 1 Presentation of financial reports

The Bank has adapted the information concerning accounting policies in the annual report based on the requirements of IAS 1 concerning disclosures on significant accounting policies instead of earlier disclosure requirements on important accounting policies.

3.3 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.

3.4 Foreign currency

The bank's reporting currency, which is also its functional currency, is the Swedish krona. Transactions in foreign currency are translated to Swedish kronor using the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated to Swedish kronor at the closing rate. Foreign exchange differences arising on translation are recognised under Net result from financial transactions in the income statement.

3.5 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.

3.6 Classification of leases and recognition of lease income

The bank reports its financial leases according to the regulations that apply for operating leases. All leases in which the bank is the lessor are thus accounted for under the rules for operating leases, which means that assets for which a lease has been concluded 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 settlement. 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.

When the bank makes disclosures about credit risk in Note 2, these disclosures about financial leasing receivables are however made based on the leases' financial content. Furthermore, the bank reports expected credit losses for finance leases in the same way as for lending (see also 3.10).

3.7 Commission and fee income

The bank's commissions and revenues consist primarily of remunerations for services rendered in credit cards, lending and leasing operations. The most common payment terms are 30 days. The bank's various fees and commission income are reported as follows:

3.7.1 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.

3.7.2 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.

3.7.3 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.

3.8 Commission expenses

Commission expenses are transaction-dependent and directly related to transactions whose revenues are recognised as commission income. 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.

3.8.1 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.

3.9 Financial instruments

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.

3.9.1 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.

The company's financial assets and liabilities are categorised as described in Note 36.

Financial assets and liabilities are measured at amortised cost

Apart from derivatives and the bank's shareholding in VISA, all financial assets are valued 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.

Financial assets and liabilities are recognised at fair value via the income statement

All derivatives and the bank's shareholding in VISA are classified as equity instruments and 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 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.

3.10 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:

- The customer ceases to pay.
- The vehicle seller lacks the ability to pay.
- 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.

3.10.1 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 bank makes no assumptions concerning early redemption, as maturity is presumed to be the contractual term.

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.

3.10.1.1 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 poorer 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	6
2	6
3	6
4	6
5	6
6	7

In addition to risk category jumps, there are also a number of qualitative criteria for increasing credit risk. These were:

- Debtor deceased
- Debtor emigrated
- Bankruptcy or liquidation
- Receivables sold to an external partner
- Overdraft
- Reminders
- Invoices or agreements moved to debt recovery
- Forbearance measures
- Non-performing exposures

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:

Significant financial difficulty of the debtor.

A default or delinquency in interest or principal payments, or other breach of contract.

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.

A growing likelihood that the borrower will enter bankruptcy or other financial reorganisation.

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) based on the unemployment rate. In the base scenario, the unemployment rate follows the National Institute of Economic Research (NIER) forecast; in the negative scenario, the unemployment rate is higher, while in the positive scenario, the unemployment rate is lower than the rate forecast by NIER. The extent to which the unemployment rate is higher or lower in the positive and negative scenarios is determined by the standard deviation of historical deviations between realised values of the unemployment rate and NIER forecasts. The three scenarios are weighted 70%, 15% and 15% for the base, negative and the positive scenarios respectively.

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.

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

Modifications

As of 31 December 2023, 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.

3.10.1.2 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.

3.10.1.3 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.

3.10.1.4 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 3.14) 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 agreement. 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.

3.10.1.5 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.

3.10.1.6 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 loans previously written off 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.

3.11 Tangible assets

The bank's financial assets consist mainly of owned lease objects.

All leases for assets where the bank is the lessor 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. See also section 3.6.

Finance leases that are accounted for as operating leases are depreciated using the annuity method while all operating leases are depreciated on a straight-line basis. The estimated useful lives of lease items are in accordance with the lease 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.

3.12. Tangible current assets

The bank's tangible current assets consist of vehicles the bank has previously leased under operational leases and which have been returned by the lessee at the end of the lease term. These vehicles are in turn intended for divestment.

The vehicles are valued at the lower of costs and net realisable value. Cost is the amount that corresponds to the carrying amount at the end of the lease with a direct downward adjustment of said carrying value in the case of e.g. verified damage. Net realisable value is determined based on the assessed sales value. The assessed sales value is obtained from an external supplier.

3.13 Intangible non-current assets

The bank's intangible assets consist of development expenditures in respect of software. Development expenditure that has been capitalised in the balance sheet is recognised at cost less accumulated amortisation and any impairment. See also section 3.15 Fund for development expenditures.

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.

3.14 Impairment of tangible and intangible non-current assets and participations in subsidiaries and associated companies

3.14.1 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.

The bank conducts assessment of the assets used in operating leases concerning the need to recognise impairment on an ongoing basis. The bank conducts impairment tests for each individual lease object. 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. 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.

3.14.2 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. As an additional limit, the reversal may never exceed the value of the carrying amount should no impairment ever have taken place.

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

3.15 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.

3.16 Retirement benefits through insurance

The bank's pension plans for collectively negotiated occupational pensions are secured through an insurance policy with Alecta. 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.

3.17 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.

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. 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 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.

NOTE 4. SEGMENT REPORTING

The bank's operations are divided into operating segments based on the business areas that the bank's chief operating decision maker monitors.

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.

The tables below show segment reports at the aggregate level.

Income statement	2023	2022	Change
Net interest income and net leasing*	1,200,352	864,737	335,616
Dividends received	35	75	-39
Commission income	421,042	389,271	31,771
Commission expenses	-190,127	-156,594	-33,533
Net result from financial transactions	-27,715	32,384	-60,099
Service, repair and tyre agreements	65,336	56,625	8,711
Disposals, operating leases	363,384	249,391	113,993
Other income	6,835	5,993	842
Operating income	**1,839,143**	**1,441,882**	**397,261**
Overhead expenses**	-699,594	-572,950	-126,645
Credit losses	-17,934	-14,972	-2,962
Credit risk provision, change	4,435	-9,210	13,645
Residual value reserve, change	-105,950	-69,567	-36,383
Operating profit	**1,020,099**	**775,183**	**244,916**

*Including depreciation of lease items.

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

Lending	2023	2022	Change
Car loans, Truck loans etc.	13,947,027	13,752,068	194,959
Contract credits	18,273	105,110	-86,837
Credit card credits	1,927,996	1,854,293	73,704
Inventory credits	470,734	617,735	-147,001
Promissory note loans	11,023	107,987	-96,964
Lease items	26,086,832	23,426,952	2,659,880
Lending	**42,461,884**	**39,864,145**	**2,597,740**

Product Information	2023	2022	Change
Number of transferred loans and leases	191,485	204,142	-12,657
of which loans	88,864	100,649	-11,785
of which leases	102,621	103,493	-872

	2023	2022	Change
Average contract loan and lease	209	182	27
of which loans	157	137	20
of which leases	254	226	28

Cars

The Cars segment consists of three businesses: Retail Cars, OEM and Payments, all aimed at consumers and small companies.

Retail Cars 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. OEM, original equipment manufacturer, includes financing of cars from Polestar. The 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. The bank's customers can use their mobile phones to pay for their workshop visits, fuel stops at Tanka and other purchases using Samsung Pay, Google Pay or Apple Pay.

The number of new passenger car registrations in Sweden totalled 290,000 in 2023, and 43,700 for light trucks. Passenger car registrations increased by just under 1% compared to 2022. The increase in new registrations, despite the tough economic climate, is driven by shorter delivery times and large order entries. While companies continue to drive order intake, the private market has cooled, which can be attributed to the economic climate. Mobility Sweden's forecast for new registrations in 2024 is currently 240,000 passenger cars. In previous years, the private market was a major driver behind the increased electrification in the vehicle market. This leadership has now transferred to the commercial market as a result of the tougher economic times and the discontinued climate bonus.

New Volvo, Renault, Dacia and Polestar registrations during 2023 reached 53,744 cars, equivalent to a market share of 19%, where Ziklo provides a high proportion of the financing. Our digital CarPay service continues to provide high inflows and the app has been downloaded by 865,000 unique customers.

Product development work is constantly in progress, as are launches of new digital services together with our partners 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.

	2023	2022	Change
Net interest income and net leasing*	856,622	671,218	185,404
Dividends received	35	75	-39
Commission income	276,415	276,649	-234
Commission expenses	-181,426	-151,880	-29,546
Net result from financial transactions	-25,143	30,438	-55,582
Disposals, operating leases	40,100	5,176	34,924
Other income	5,117	4,787	330
Operating income	**971,720**	**836,463**	**135,257**
Overhead expenses**	-479,392	-405,014	-74,379
Credit losses	-17,718	-14,972	-2,745
Credit risk provision, change	5,650	-8,252	13,902
Residual value reserve, change	3,122	-42,565	45,686
Operating profit	**483,382**	**365,660**	**117,721**

*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	2023	2022	Change
Number of contracts	143,890	165,389	-21,499
Total volume, SEK million	23,006	24,517	-1,511
of which transferred, %	98.6	94.8	3.8
of which pledged, %	1.4	5.2	-3.8
of which loans, %	40.8	41.0	-0.2
of which leases, %	59.2	59.0	0.2
Private leasing as a proportion of total leases, %	28.9	31.7	-2.8

Product information, cards	2023	2022	Change
Number of unique active accounts	555,746	562,314	-6,568
Average number of active accounts	373,727	384,978	-11,251
Total volume, SEK million	1,922	1,854	68
Average number of credit customers	75,344	75,900	-556
Total sales Volvo Card, SEK million	17,581	17,608	-27
of which fuel, %	31.9	36.6	-4.7
of which workshop, %	15.3	16.0	-0.7
of which retail store, %	0.8	0.9	-0.1
of which car wash, %	0.9	1.1	-0.2
of which sales outside Volvo dealers, %	47.1	40.9	6.2
of which other (incl. vehicle loans and insurance), %	4.0	4.5	-0.5

Trucks

The Trucks segment offers loans and lease financing for new and used trucks including trailers, superstructures and other equipment.

The bank's financing share of new trucks is stable and more than one in two trucks is financed via truck loans, financial leases or operating leases. Financing volumes for used vehicles and trailers are at a continued 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 market-place and is mainly marketed to small and medium-sized hauliers. It's an example of the development work in progress at the bank, aimed at offering Volvo customers smarter trucking economy to boost haulier profitability.

	2023	2022	Change
Net interest income and net leasing*	125,172	76,789	48,384
Commission income	4,217	4,038	179
Commission expenses	-1,112	-970	-142
Net result from financial transactions	-1,806	1,216	-3,022
Other income	289	307	-18
Operating income	**126,760**	**81,379**	**45,380**
Overhead expenses**	-36,933	-39,105	2,172
Credit risk provision	-149	-8	-141
Operating profit	**89,678**	**42,267**	**47,411**

*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	2023	2022	Change
Number of contracts	7,984	8,093	-109
Total volume, SEK million	6,390	5,706	684
of which transferred, %	93.0	84.2	8.8
of which pledged, %	7.0	15.8	-8.8
of which loans, %	78.0	78.1	-0.1
of which leases, %	22.0	21.9	0.1
Operating leases as a proportion of total leases, %	25.1	29.5	-4.4

Fleet

The Fleet segment provides vehicle-fleet administration and financing mainly to mid-size and large companies, regardless of the vehicle brands customers choose to use.

Here we offer both operational and financial leasing. For several years, the bank has been market leader with 22.2% of the market as of December 2023. The number of agreements has risen by around 4% compared to last year. We have retained our position as market leader thanks to our long-term customer relations in which we act as an advisor concerning company vehicle fleets. Our main focus in recent years has been on helping companies with their green transition and adapting their fleets to new regulations. The majority of the new contracts were in the operating leases category. The market for second-hand cars continued to be strong during the year, 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 79 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.

	2023	2022	Change
Net interest income and net leasing*	218,558	116,730	101,828
Commission income	140,411	108,584	31,826
Commission expenses	-7,589	-3,744	-3,845
Net result from financial transactions	-765	730	-1,496
Service, repair and tyre agreements	65,342	56,625	8,717
Disposals, operating leases	323,284	244,215	79,069
Other income	1,423	898	525
Operating income	**740,664**	**524,039**	**216,624**
Overhead expenses**	-183,270	-128,831	-54,438
Credit losses	-217	-	-217
Credit risk provision, change	-1,066	-950	-116
Residual value reserve, change	-109,072	-27,002	-82,070
Operating profit	**447,039**	**367,256**	**79,783**

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

Product Information	2023	2022	Change
Number of financing contracts	42,394	39,445	2,949
Number of administered contracts	51,843	49,971	1,872
Total volume, SEK million	11,716	9,350	2,367
of which operating leases, %	69.4	69.9	-0.4
of which financial leases, %	30.6	30.1	0.4

Income statement

NOTE 5. Net interest income

Interest income	2023	2022
Lending to credit institutions	100,065	20,817
Loans and advances to the public	1,053,485	662,474
Interest-bearing securities	140,889	25,907
Other interest income	905	74
Total	**1,295,344**	**709,272**
of which interest income assets measured at amortised cost	1,272,487	706,122
Interest expenses		
Liabilities to credit institutions	-61,907	-20,009
Deposits and borrowing from the public	-694,833	-198,735
Expense for deposit guarantee	-24,223	-22,731
Investments in interest-bearing securities	–	-525
Issued interest-bearing securities	-462,108	-146,061
Derivatives	-114,055	-29,342
Subordinated liabilities	-4,656	-8,384
Other interest expenses	-30,222	-29,582
Total	**-1,392,004**	**-455,369**
Of which interest expenses from financial assets measured at amortised cost	–	-525
Total net interest income	**-96,660**	**253,902**

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	2023	2022
Income from contracts recognised as operating leases	7,261,825	6,364,921
Depreciation according to plan for contracts recognised as operating leases	-5,964,812	-5,754,086
Net lease income from contracts recognised as operating leases	1,297,013	610,835
Accumulated net interest income		
Lease income from finance leases (recognised as operating leases in the balance sheet)	3,724,401	3,230,036
Depreciations according to plan for finance leases (recognised as operating leases in the balance sheet)	-3,059,197	-2,920,053
Net lease income from finance leases*	**665,204**	**309,983**
Interest income	1,295,344	709,272
Interest expenses	-1,392,004	-455,369
Combined net interest income**	**568,544**	**563,886**
Total leasing and net interest income		
Net lease income from contracts recognised as operating leases	1,297,013	610,835
Net interest income in accordance with Note 5	-96,660	253,902
Total leasing and net interest income	**1,200,353**	**864,737**
Interest margin***, %	0.82	1.33
Average lending rate, %	5.58	3.03
Average deposit rate (incl. cost for deposit guarantee scheme), %	3.10	1.06

*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

	2023	2022
Shares and participations*	35	75
Total	35	75

NOTE 8. Commission income

	2023	2022
Commission income Credit card	183,301	178,318
Commission income, loans and leases	237,742	210,953
Total	421,042	389,271

NOTE 9. Commission expenses

	2023	2022
Payment processing commissions	-4,847	-4,562
Other commissions	-185,280	-152,032
Total	-190,127	-156,594

NOTE 10. Net result from financial transactions*

GAIN/LOSS BY MEASUREMENT CATEGORY INCLUDING EXCHANGE RATE CHANGES

	2023	2022
Derivative assets intended for risk management, no hedge accounting	41,440	36,681
Derivative liabilities intended for risk management, no hedge accounting	-70,646	-4,415
Financial liabilities at amortised cost**	-	-1,241
Realised and unrealised changes in fair value in respect of shares and participations	1,152	2,061
Change in fair value of derivatives that are hedging instruments in a fair value hedge	43,714	-51,291
Change in fair value of hedged item attributable to the hedged risk in a fair value hedge	-43,374	50,590
Total	-27,715	32,384

*Financial assets valued at amortised cost totalled 0.
**Also includes realised premium or discount on repurchase of debt

NOTE 11. Other operating income

	2023	2022
Capital gains on the sale of tangible assets	3,241	1,761
Revenues, service and repair contracts	65,336	56,625
Disposals, operating leases	363,384	249,391
Of which sales revenue	(1,514,606)	(855,215)
Of which cost of goods sold	(-1,151,222)	(-605,824)
Income from associated companies	3,118	3,350
Other operating income	476	882
Total	435,555	312,009

NOTE 12. General administrative expenses

	2023	2022
Salaries and fees	-170,357	-150,934
Social security contributions	-55,523	-48,448
Cost of pension premiums*	-21,490	-20,898
Payroll tax	-5,225	-5,090
Other personnel costs	-6,923	-4,281
Total personnel costs	**-259,518**	**-229,651**
Rents and other costs for premises	-21,245	-19,072
IT costs	-275,435	-204,932
Consulting services	-19,801	-15,407
Contract personnel	-4,555	-4,327
Audit	-2,340	-2,250
Postage and phones	-6,345	-4,279
Other	-18,501	-15,843
Total other general administrative expenses	**-348,222**	**-266,110**
Total general administrative expenses	**-607,740**	**-495,761**

*Total pension premiums were KSEK 21,539 (20,982), of which KSEK 10,681 (9,856) refers to Alecta ITP 2 pensions. Of the bank's pension costs, KSEK 6,088 (5,673) refer to the bank's senior executives (14 (13) people). The bank has no outstanding pension obligations. Costs for the financial year related to pension-based compensation for defined-contribution pensions totalled 30% (32).

Expected fees in the next reporting period for ITP 2 insurance policies with Alecta are KSEK 8,929 (6,734). 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 0.04% and 0.04% 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 2023, Alecta's surplus in the form of the collective funding ratio was 178% (172).

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

	2023			2022		
	Senior executives (26 people)	Other employees	Total	Senior executives (25 people)	Other employees	Total
Salaries and other remunerations	-23,672	-146,685	-170,357	-21,547	-129,387	-150,934
of which variable remuneration	(-)	(-458)	(-458)	(-)	(-376)	(-376)
Total	**-23,672**	**-146,685**	**-170,357**	**-21,547**	**-129,387**	**-150,934**
Social security contributions	-13,744	-68,494	-82,238	-12,679	-61,758	-74,437
of which pension costs	(-6,088)	(-20,627)	(-26,715)	(-5,674)	(-20,314)	(-25,988)

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 13 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
2023					
Chairman of the Board	-945	–	–	–	-945
Vice chairman of the Board	-680	–	–	–	-680
Members of the Board (10 people)	-1,952	–	–	–	-1,952
CEO	-3,192	–	-177	-1,142	-4,511
Other senior executives (13 people)	-16,904	–	-1,197	-4,946	-23,047
Total	**-23,673**	**–**	**-1,374**	**-6,088**	**-31,135**
2022					
Chairman of the Board	-930	–	–	–	-930
Vice chairman of the Board	-670	–	–	–	-670
Members of the Board (10 people)	-2,000	–	–	–	-2,000
CEO	-3,065	–	-189	-1,079	-4,333
Other senior executives (12 people)	-14,882	–	-1,255	-4,594	-20,731
Total	**-21,547**	**–**	**-1,444**	**-5,673**	**-28,664**

REMUNERATIONS TO THE BOARD OF DIRECTORS

Name	Position (2023/2022)	2023	2022
Urmas Kruusval	Chair	-945	-930
Synnöve Trygg	Vice chairman	-680	-670
Ann Hellenius	Member	-302	-300
Anders Gustafsson	Deputy	-50	-100
Per Avander	Member	-400	-400
Björn Rentzhog	Member	-200	-200
Pascal Bellemans	/- Deputy	-	-50
Jonas Estéen	Deputy	-100	-100
Johan Ekdahl	Member	-375	-350
Lex Kerssemakers	Member	-150	-300
Johan Ahlberg	Deputy	-150	-150
Anna Wibring	Deputy	-100	-50
Jessica Span	Member/-	-125	-
Total		**-3,577**	**-3,600**

Loans to senior executives	2023	2022
Senior executives' loans in the company	122	162
CEO and Deputy CEO	–	–
Board members and Deputy Board members	–	–
Total	**122**	**162**

Loans to senior executives total KSEK 122 (162). Interest for these executives totals KSEK 5 (5). The terms and conditions of loans to senior executives are the same as for the bank's other employees.

PERSONNEL INFORMATION

	2023			2022		
	Men	Women	Total	Men	Women	Total
Average number of employees	132	149	281	124	133	257
Gender distribution in management						
CEO	1	-	1	1	-	1
Board of Directors	8	4	12	9	3	12
Other senior executives	9	4	13	9	3	12
Number	**18**	**8**	**26**	**19**	**6**	**25**

AUDITORS' FEES AND EXPENSES

KPMG	2023	2022
Audit assignment	-2,095	-1,980
Audit services in addition to audit assignment	-245	-270
Tax advice	-45	-27
Other services	-13	-880
Total	**-2,398**	**-3,157**

NOTE 13. Depreciation and impairment of tangible and intangible non-current assets

	2023	2022
Depreciations according to plan	-5,978,882	-5,767,359
Reversed impairment charges during the year	85,852	43,961
Impairment charges	-192,467	-123,632
Total	-6,085,497	-5,847,030
Depreciations according to plan		
Inventory	-2,542	-3,658
Lease items	-5,964,812	-5,754,086
Intangible non-current assets	-11,528	-9,615
Total	-5,978,882	-5,767,359
Impairment charges, net		
Impairment charges / Reversals; lease item credit risk	-665	-1,048
Impairment charges / Reversals; lease item residual value risk	-105,950	-69,567
Intangible non-current assets	-	-9,056
Total	**-106,615**	**-79,671**

The increased impairment charges during the year in respect of residual value risk are explained by the bank's increased residual value positions in operational leasing. The discount rate consists of the consumer interest on the individual asset. For 2023, this means an interest spread between 1.3%–9.2% (1.2%–7.8%). For further information on the bank's residual risk, see Note 2, residual risk section, and Note 4.

NOTE 14. Other operating expenses

	2023	2022
Fees to central organisations	-3,659	-3,882
Insurance costs	-2,929	-2,476
Marketing costs	-63,898	-47,774
Other operating expenses	-7,297	-727
Total	**-77,783**	**-54,859**

NOTE 15. Credit losses, net

Credit losses	31/12/2023	31/12/2022
Loans at amortised cost (incl. unused part of limit)		
Provisions – stage 1	5,397	16,789
Provisions – stage 2	15,734	10,895
Provisions – stage 3	4,122	2,883
Total reserve	**25,253**	**30,567**
	2023 Jan-Dec	2022 Jan-Dec
Loans at amortised cost (incl. unused part of limit)		
Change in provisions – stage 1	11,391	-5,785
Change in provisions – stage 2	-4,839	-2,199
Change in provisions – stage 3	-1,239	-161
Total change in provisions	**5,313**	**-8,145**
Write-off, confirmed credit losses	-19,934	-17,353
Recoveries of previously confirmed credit losses	2,233	2,377
Total	-17,701	-14,976
Credit losses, net*	**-12,388**	**-23,121**

*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	31/12/2023	31/12/2022
Lease assets		
Provisions – stage 1	3,313	3,078
Provisions – stage 2	642	407
Provisions – stage 3	1,378	1,184
Total reserve	**5,333**	**4,669**
	2023 Jan-Dec	2022 Jan-Dec
Lease assets		
Change in provisions – stage 1	-235	-761
Change in provisions – stage 2	-235	-213
Change in provisions – stage 3	-194	-74
Total change in provisions**	**-664**	**-1,048**
Write-off, confirmed credit losses	-235	-
Recoveries of previously confirmed credit losses	2	4
Total***	-233	4
Credit losses, net	**-897**	**-1044**

**Refer to the Income statement and the line '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	31/12/2023	31/12/2023
Financial fixed assets		
Provisions – stage 1	1,129	914
Provisions – stage 2	-	-
Provisions – stage 3	-	-
Total reserve	**1,129**	**914**
	2023 Jan-Dec	2022 Jan-Dec
Financial fixed assets		
Change in provisions – stage 1	-214	-17
Change in provisions – stage 2	-	-
Change in provisions – stage 3	-	-
Total change in provisions	-214	-17
Credit losses, net****	-214	-17

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

Credit losses	31/12/2023	31/12/2022
Total assets		
Provisions – stage 1	9,839	20,781
Provisions – stage 2	16,376	11,302
Provisions – stage 3	5,500	4,066
Total reserve	**31,715**	**36,150**
	2023	2022
	Jan-Dec	Jan-Dec
Total assets		
Change in provisions – stage 1	10,942	-6,563
Change in provisions – stage 2	-5,074	-2,412
Change in provisions – stage 3	-1,433	-235
Total change in provisions	4,435	-9,210
Write-off, confirmed credit losses	-20,169	-17,353
Recoveries of previously confirmed credit losses	2,235	2,381
Total	**-17,934**	**-14,972**
Credit losses, net	**-13,499**	**-24,182**

Due to the adaptation of the ECL model after new IRB models, provisions for credit losses decreased in 2023. See also the Expected credit losses (ECL) section in Note 2.

SENSITIVITY ANALYSIS OF THE BANK'S ECL MODEL

The table below shows how the provision would be affected on 31 December 2023 in the case of two different events.

	Expected credit loss (percentage difference)
Current provision, SEK million	31.7
Percentage difference in expected credit loss were PD to increase by 20%	12%

NOTE 16. Appropriations

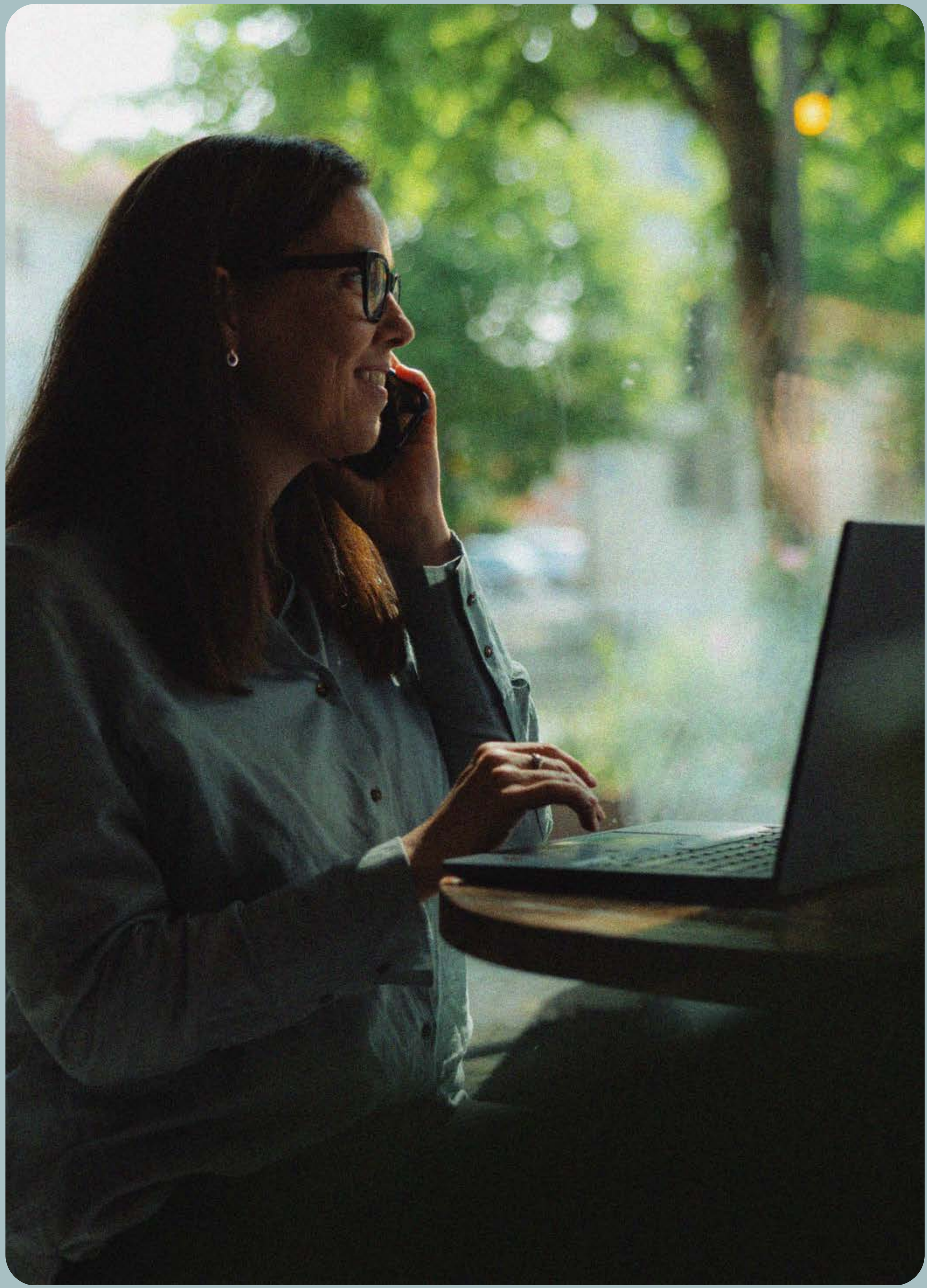
	2023	2022
Accelerated depreciations/reversals	-1,017 742	853,176
Total	**-1,017 742**	**853,176**

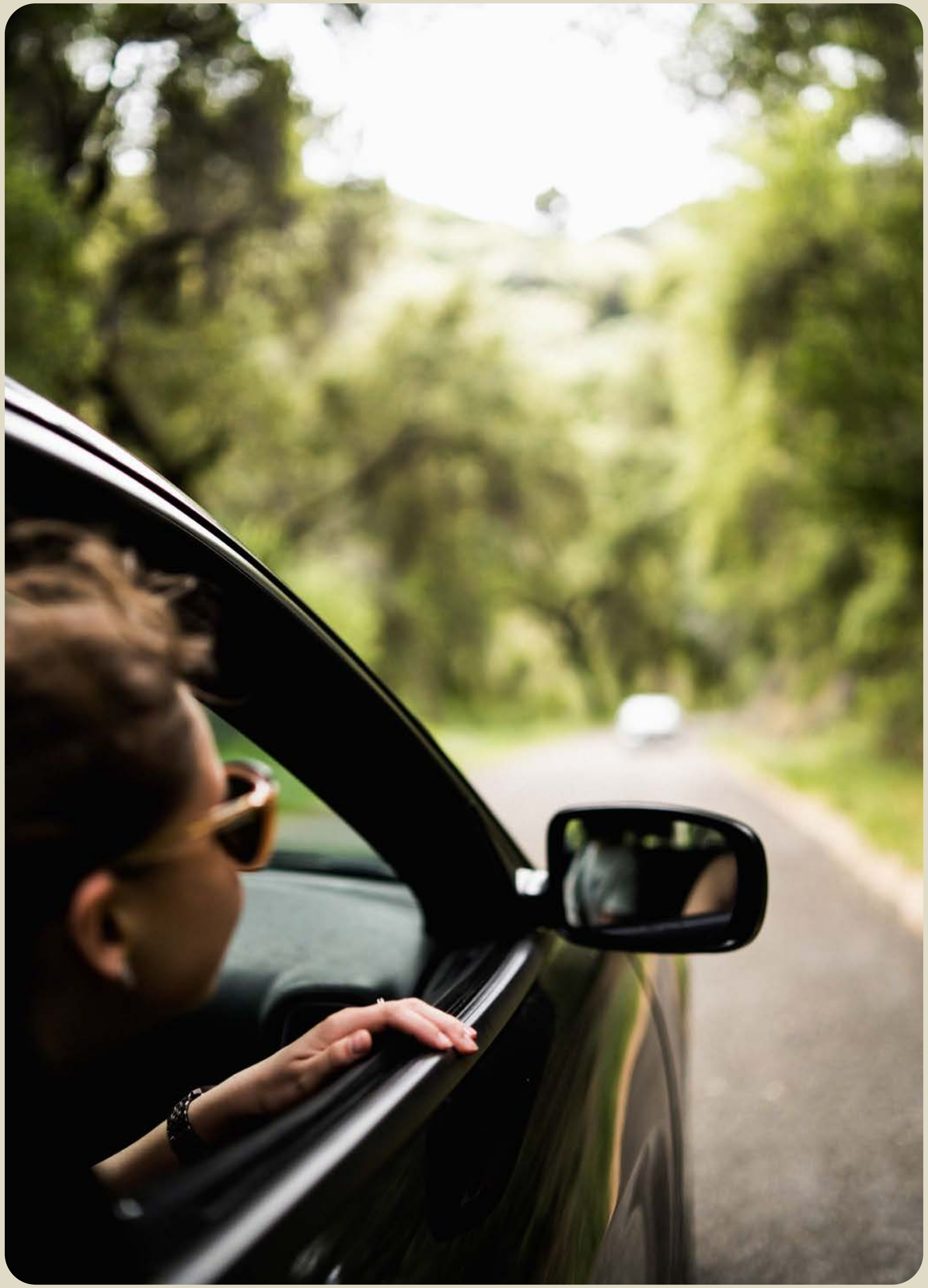
NOTE 17. Tax on profit for the year

	2023	2022
Current tax expense		
Tax expense for the year	-2,075	–
Adjustment of tax attributable to previous years	-282	-1,370
Deferred tax expense/income		
Tax reduction for investments in machinery and equipment	-	-292,000
Total reported tax expense	**-2,357**	**-293,370**

Reconciliation of effective tax	2023		2022	
Profit before income tax		2,357		1,628,359
Tax at applicable tax rate	-20.6%	-486	-20.6%	-335,160
Tax reduction for investments in machinery and equipment	0.0%	–	20.7%	337,495
Adjustment of tax attributable to previous years	-9.5%	-224	-0.1%	-1,370
Non-deductible expenses	-68.1%	-1,606	-0.1%	-2,167
Non-taxable income	-1.8%	-41	0.0%	-168
Deferred tax expense/income with regard to other unutilised tax deductions	0.0%	–	-17.9%	-292,000
Reported effective tax	**-100%**	**-2,357**	**-18.0%**	**-293,370**

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, that remained at year-end 2022. On 31 December 2021, Ziklo Bank reported a deferred tax asset of SEK 292 million in accordance with IAS 12.





Balance sheet

NOTE 18. Treasury bills eligible as collateral etc.

	Carrying amount	Carrying amount
	31/12/2023	31/12/2022
Securities issued by the state	–	–
Securities issued to municipalities and other public bodies	1,830,992	1,238,893
Total	1,830,992	1,238,893
Positive difference due to carrying amounts exceeding nominal values	18,992	14,893
Total	18,992	14,893

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 818.

NOTE 19. Lending to credit institutions

	31/12/2023	31/12/2022
Outstanding receivables in Swedish currency, gross	1,854,022	1,987,473
of which to Swedish commercial banks	1,854,022	1,987,465
of which payable on demand	1,854,022	1,987,473

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 42.5 billion (39.9). The stated values are reduced by impairment for credit risk for each credit. For lending to the public, the values are KSEK 25,211 (30,556) 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 10.3 billion (10.6 billion).

	31/12/2023	31/12/2022
Outstanding receivables in Swedish currency, gross	16,400,263	16,467,748
Impairment for credit losses	-25,211	-30,556
Carrying amount, net	**16,375,052**	**16,437,193**

CHANGES IN GROSS CARRYING AMOUNT AND LOSS PROVISIONS

	Not credit impaired		Credit impaired	
31/12/2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2023	15,703,579	679,480	84,690	16,467,749
Financial assets for new agreements in force at year-end*	6,383,186	193,251	25,204	6,601,641
Financial assets for closed agreements in force at beginning of year**	-3,694,803	-174,416	-42,312	-3,911,531
*Net changes within the stage****				
In stage 1	-2,582,045			-2,582,045
In stage 2		-36,038		-36,038
In stage 3			-1,498	-1,498
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-376,979			-376,979
From and to stage 2 (to and from stages 1 and 3)		200,793		200,793
From and to stage 3 (to and from stages 1 and 2)			38,173	38,173
Gross carrying amount as of 31 December 2023	**15,432,938**	**863,070**	**104,257**	**16,400,265**
Loss provisions				
Loss provisions as of 1 January 2023	**-16,604**	**-10,884**	**-3,068**	**-30,556**
Financial assets for new agreements in force at year-end	-591	-640	-441	-1,672
Financial assets for closed agreements in force at beginning of year	1196	3895	2354	7445
Model change new agreements*****	94	-3		91
*Net changes within the stage****				
In stage 1	-1,678			-1,678
In stage 2		-1,735		-1,735
In stage 3			188	188
*Model change within stage******	11,015	-563	-210	10,242
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-189			-189
From and to stage 2 (to and from stages 1 and 3)		-3,070		-3,070
From and to stage 3 (to and from stages 1 and 2)			-2,984	2,984
*Model change between stages******	1,516	-2,675	-1	-1,160
Change in interest reserves			-133	-133
Loss provisions as of 31 December 2023	**-5,241**	**-15,675**	**-4295**	**-25,211**
Opening balance as of 1 January 2023	**15,686,975**	**668,596**	**81,622**	**16,437,193**
Closing balance as of 31 December 2023	15,427,697	847,395	99,962	16,375,054
Unutilised limits (off-balance)				
Unutilised limits as of 1 January 2023	10,459,166	97,186	3,446	10,559,798
Financial assets for new agreements in force at year-end*	505,572	17,166	259	522,997
Financial assets for closed agreements in force at beginning of year	-629,727	-12,729	-1,101	-643,557
*Net changes within the stage****				
In stage 1	-169,548			-169,548
In stage 2		-2,732		-2,732
In stage 3			-132	-132
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-125,271			-125,271
From and to stage 2 (to and from stages 1 and 3)		108,105		108,105
From and to stage 3 (to and from stages 1 and 2)			-285	-285
Undrawn limits as of 31 December 2023	10,040,192	206,996	2,187	10,249,375

In 2023, gross lending to the public decreased by approx SEK 67 million (-427). It consists of newly concluded contracts with a value of SEK 6.6 billion (6.1). Paid-up contracts or those removed for some other reason (e.g. confirmed credit losses) have caused the value to fall by SEK 3.9 billion (4.0). The gross value of contracts in force at the beginning of the year and at year-end fell by SEK 2.8 billion (2.5). The greatest change in the gross amount occurred in stage 1. Loss provisions for credit risk fell by SEK 5.4 million (-8.0), primarily due mainly to the model change made during the year. The bank's interest reserve increased by SEK 0.13 million (0.04) during the year.

	Not credit impaired		Credit impaired	
31/12/2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2022	16,171,305	629,428	93,858	16,894,591
Financial assets for new agreements in force at year-end*	5,923,870	171,611	23,856	6,119,337
Financial assets for closed agreements in force at beginning of year**	-3,826,028	-159,407	-47,698	-4,033,133
*Net changes within the stage****				
In stage 1	-2,352,918			-2,352,918
In stage 2		-40,978		-40,978
In stage 3			-8,329	-8,329
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-212,651			-212,651
From and to stage 2 (to and from stages 1 and 3)		78,827		78,827
From and to stage 3 (to and from stages 1 and 2)			23,003	23,003
Gross carrying amount as of 31 December 2022	**15,703,578**	**679,481**	**84,690**	**16,467,749**
Loss provisions				
Loss provisions as of 1 January 2022	-10,875	-8,692	-2,949	-22,516
Financial assets for new agreements in force at year-end	-1,995	-1,250	-174	-3,419
Financial assets for closed agreements in force at beginning of year	617	3,075	2,237	5,929
*Net changes within the stage****				
In stage 1	-4,319			-4,319
In stage 2		-1,024		-1,024
In stage 3			87	87
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-32			-32
From and to stage 2 (to and from stages 1 and 3)		-2,993		-2,993
From and to stage 3 (to and from stages 1 and 2)			-2,229	-2,229
Change in interest reserves			-40	-40
Loss provisions as of 31 December 2022	**-16,604**	**-10,884**	**-3,068**	**-30,556**
Opening balance as of 1 January 2022	**16,160,430**	**620,736**	**90,909**	**16,872,075**
Closing balance as of 31 December 2022	**15,686,974**	**668,597**	**81,622**	**16,437,193**
Unutilised limits (off-balance)				
Unutilised limits as of 1 January 2022	10,535,595	96,131	3,280	10,635,006
Financial assets for new agreements in force at year-end*	599,634	7,349	64	607,047
Financial assets for closed agreements in force at beginning of year	-487,934	-11,481	-896	-500,311
*Net changes within the stage****				
In stage 1	-179,879			-179,879
In stage 2		1,052		1,052
In stage 3			-291	-291
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-8,249			-8,249
From and to stage 2 (to and from stages 1 and 3)		4,135		4,135
From and to stage 3 (to and from stages 1 and 2)			1,288	1,288
Unutilised limits as of 31 December 2022	10,459,167	97,186	3,445	10,559,798

*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.

*****Model changes refer in their entirety to the adaptation of the ECL model following the new IRB models. See Note 2 in the Credit risk section and also Expected credit losses (ECL).

GROSS CARRYING AMOUNT AND LOSS PROVISIONS – BY INDUSTRY

	31/12/2023			31/12/2022		
	Gross carrying amount	Loss provisions	Net carrying amount	Gross carrying amount	Loss provisions	Net carrying amount
Loans and advances to the public						
Private customers	10,592,917	-23,439	10,569,478	11,248,707	-21,136	11,227,571
Business customers						
Transport	3,981,934	-509	3,981,425	3,220,062	-2,591	3,217,471
Trade in motor vehicle servicing	871,013	-256	870,757	1,170,401	-1,373	1,169,028
Construction	386,649	-291	386,358	378,313	-1,886	376,427
Other lending to businesses	567,750	-716	567,034	450,264	-3,570	446,694
Total loans and advances to the public	**16,400,263**	**-25,211**	**16,375,052**	**16,467,749**	**-30,556**	**16,437,193**

NOTE 21. Bonds and other interest-bearing securities

	Carrying amount	Carrying amount
Issued by Swedish borrowers	**31/12/2023**	**31/12/2022**
House mortgage institution	1,355,316	1,796,998
Non-financial companies	855,309	697,496
Total	**2,210,625**	**2,494,493**
Positive difference due to carrying amounts exceeding nominal values	12,625	17,493
Total	**12,625**	**17,493**

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 KSEK 311.

Notes

NOTE 22. Shares and participations in associates and other companies

	31/12/2023	31/12/2022
Unlisted securities		
Carrying amount 1 January	14,233	10,899
Settlement of shares in limited partnerships in previous years	-3,626	-2,077
Unrealised change in value, shares in VISA Inc	1,151	2,061
Disposal of shares in VISA Inc	–	–
Share in limited partnership earnings for the year	3,118	3,350
Carrying amount, 31 December	**14,876**	**14,233**

	Profit	Equity	Proportion of equity	Carrying amount
2023				
Visa Inc C	–	–	–	6,618
Volvohandelns PV Försäljnings AB*, Co. Reg. No 556430-4748, Gothenburg	2,125	46,110	15,216	1,000
Volvohandelns PV Försäljnings KB, Co. Reg. No 916839-7009, Gothenburg	5,555	41,577	3,542	3,542
VCC Tjänstebilar KB, Co. Reg. No 969673-1950, Göteborg	6,888	16,402	2,722	2,722
VCC Försäljnings KB, Co. Reg. No 969712-0153, Gothenburg	29	4,167	994	994
Total	**14,597**	**108,256**	**22,474**	**14,876**
2022				
Visa Inc C	–	–	–	5,467
Volvohandelns PV Försäljnings AB*, Co. Reg. No 556430-4748, Gothenburg	2,362	43,984	14,515	1,000
Volvohandelns PV Försäljnings KB, Co. Reg. No 916839-7009, Gothenburg	-1,055	32,022	2,153	2,153
VCC Tjänstebilar KB, Co. Reg. No 969673-1950, Göteborg	14,505	20,393	4,626	4,626
VCC Försäljnings KB, Co. Reg. No 969712-0153, Gothenburg	-51	4,138	987	987
Total	**15,761**	**100,537**	**22,281**	**14,233**

*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 2023, 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 2023
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	2023	2022
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

Accumulated costs	Development expenditure	Acquired technology assets	Total
Opening balance 01/01/2022	105,585	–	105,585
Purchases for the year	11,849	–	18,849
Closing balance 31/12/2022	124,434	–	124,434
Opening balance 01/01/2023	124,434	–	124,434
Purchases for the year	5,022	51,300	56,322
Closing balance 31/12/2023	**129,456**	**51,300**	**180,756**
Accumulated depreciations and impairments			
Opening balance 01/01/2022	-86,538	–	-86,538
Depreciations for the year	-9,615	–	-9,615
Impairment charges	-9,056	–	-9,056
Closing balance 31/12/2022	**-105,209**	**–**	**-105,209**
Opening balance 01/01/2023	**-105,209**	**–**	**-105,209**
Depreciations for the year	-8,678	-2,850	-11,528
Impairment charges	-	–	-
Closing balance 31/12/2023	**-113,887**	**-2,850**	**-116,737**
Carrying amounts			
31/12/2022	**19,244**	**–**	**19,224**
31/12/2023	**15,568**	**48,450**	**64,018**

NOTE 25. Tangible assets, inventory and lease items

	Inventory	Lease items	Total
Cost			
Opening balance 01/01/2022	28,215	31,760,361	31,788,576
Acquisitions	1,266	11,449,726	11,450,992
Disposals	–	-8,338,403	-8,338,403
Retirements	–	–	–
Closing balance 31/12/2022	**29,481**	**34,871,684**	**34,901,165**
Opening balance 01/01/2023	29,481	34,871,684	34,901,165
Acquisitions	1,238	14,181,628	14,182,866
Disposals	–	-11,568,475	-11,568,475
Retirements	-8,422	–	-8,422
Closing balance 31/12/2023	**22,297**	**37,484,837**	**37,507,134**
Depreciations			
Opening balance 01/01/2022	-22,338	-9,834,636	-9,856,974
Depreciations for the year	-3,658	-5,754,086	-5,757,744
Disposals	–	4,343,154	4,343,154
Retirements	–	–	–
Closing balance 31/12/2022	**-25,996**	**-11,245,568**	**-11,271,564**
Opening balance 01/01/2023	-25,996	-11,245,568	-11,271,564
Depreciations for the year	-2,542	-5,964,812	-5,967,354
Disposals	–	6,118,154	6,118,154
Retirements	8,422	–	8,422
Closing balance 31/12/2023	**-20,116**	**-11,092,226**	**-11,112,342**
Impairment charges			
Opening balance 01/01/2022	–	-128,550	-128,550
Reversed impairment charges during the year	–	43,961	43,961
Impairment for the year	–	-114,575	-114,575
Closing balance 31/12/2022	–	-199,164	-199,164
Opening balance 01/01/2023	–	-199,164	-199,164
Reversed impairment charges during the year	–	85,852	85,852
Impairment for the year	–	-192,467	-192,467
Closing balance 31/12/2023	**–**	**-305,779**	**-305,779**
of which impairment for residual value risk	–	-300,445	-300,445
Carrying amounts			
01/01/2022	5,877	21,797,175	21,803,052
31/12/2022	**3,485**	**23,426,952**	**23,430,437**
01/01/2023	3,485	23,426,952	23,430,437
31/12/2023	**2,181**	**26,086,832**	**26,089,013**

See also Notes 2, 4 and 13 for reserves for further disclosures regarding impairment for residual risk

The table below presents changes in the carrying amount and provisions for losses in respect of lease assets subject to impairment testing according to IFRS 9 (own company cars excluded).

GROSS CARRYING AMOUNT AND LOSS PROVISIONS

	Not credit impaired		Credit impaired	
31/12/2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2023	**22,335,564**	**1,106,127**	**145,024**	**23,586,715**
Financial assets for new agreements in force at year-end*	12,914,353	415,308	44,519	13,374,180
Financial assets for closed agreements in force at beginning of year**	-6,589,270	-300,132	-63,689	-6,953,091
*Net changes within the stage****				
In stage 1	-3,377,522			-3,377,522
In stage 2		-30,436		-30,436
In stage 3			-10,603	-10,603
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-99,833			-99,833
From and to stage 2 (to and from stages 1 and 3)		-241,331		-241,331
From and to stage 3 (to and from stages 1 and 2)			105,074	105,074
Gross carrying amount as of 31 December 2023	**25,183,292**	**949,536**	**220,325**	**26,353,153**
Loss provisions				
Loss provisions as of 1 January 2023	**-3,056**	**-429**	**-1,184**	**-4,669**
Financial assets for new agreements in force at year-end	-2,036	-359	-180	-2,575
Financial assets for closed agreements in force at beginning of year	730	92	299	1,121
*Model change new agreements******	-33	-9	-123	-165
*Net changes within the stage****				
In stage 1	1,113			1,113
In stage 2		-50		-50
In stage 3			1,013	1,013
*Model change within stage******	-65	-2	-1,401	-1,468
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-21			-21
From and to stage 2 (to and from stages 1 and 3)		1,162		1,162
From and to stage 3 (to and from stages 1 and 2)			228	228
*Model change between stages******	76	-1,069	-29	-1,022
Loss provisions as of 31 December 2023	**-3,292**	**-664**	**-1,377**	**-5,333**
Opening balance as of 1 January 2023	**22,332,508**	**1,105,698**	**143,840**	**23,582,046**
Closing balance as of 31 December 2023	**25,180,000**	**948,872**	**218,948**	**26,347,820**

Notes

	Not credit impaired		Credit impaired	
31/12/2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2022	**20,827,331**	**922,768**	**120,613**	**21,870,712**
Financial assets for new agreements in force at year-end*	10,281,934	616,274	41,666	10,939,874
Financial assets for closed agreements in force at beginning of year**	-5,089,752	-216,539	-45,718	-5,352,009
*Net changes within the stage****				
In stage 1	-3,613,309			-3,613,309
In stage 2		-44,059		-44,059
In stage 3			-14,684	-14,684
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-70,640			-70,640
From and to stage 2 (to and from stages 1 and 3)		-172,317		-172,317
From and to stage 3 (to and from stages 1 and 2)			43,147	43,147
Gross carrying amount as of 31 December 2022	**22,335,564**	**1,106,127**	**145,024**	**23,586,715**
Loss provisions				
Loss provisions as of 1 January 2022	**-2,317**	**-194**	**-1,110**	**-3,621**
Financial assets for new agreements in force at year-end	-1,716	-264	-558	-2,538
Financial assets for closed agreements in force at beginning of year	375	11	244	630
*Net changes within the stage****				
In stage 1	518			518
In stage 2		74		74
In stage 3			330	330
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	84			84
From and to stage 2 (to and from stages 1 and 3)		-56		-56
From and to stage 3 (to and from stages 1 and 2)			-90	-90
Loss provisions as of 31 December 2022	**-3,056**	**-429**	**-1,184**	**-4,669**
Opening balance as of 1 January 2022	**20,825,014**	**922,574**	**119,503**	**21,867,091**
Closing balance as of 31 December 2022	**22,332,508**	**1,105,698**	**143,840**	**23,582,046**

*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 lease 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.

*****Model change refers in its entirety to adaptation of the ECL model following the new IRB models. See Note 2 in the Credit risk section and also Expected credit losses.

During the year, leasing credit to the public increased by approx SEK 2,766 million (1,716). It consists of newly concluded contracts with a value of SEK 13.4 billion (10.9). Paid-up contracts or those removed for some other reason (e.g. confirmed credit losses) have caused the value to fall by SEK 7.0 billion (5.4). The gross value of contracts in force at the beginning of the year and at year-end fell by SEK 3.7 billion (3.9). The loss provisions during the year increased by SEK 0.7 million (1.0), due primarily to increased lending.

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 3.10.1.4 for credit risk provision and section 3.14 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.

GROSS CARRYING AMOUNT AND LOSS PROVISIONS – BY INDUSTRY

	31/12/2023			31/12/2022		
	Gross carrying amount	Loss provisions	Net carrying amount	Gross carrying amount	Loss provisions	Net carrying amount
Leasing loans						
Private customers	4,677,990	-114	4,677,876	4,629,731	-442	4,629,289
Business customers						
Legal, financial, scientific and technological activities	4,925,721	-900	4,924,821	4,257,642	-634	4,257,008
Trade: motor vehicle repair	4,303,818	-1,828	4,301,990	3,500,611	-1,127	3,499,484
Manufacturing	3,200,103	-459	3,199,644	2,762,045	-489	2,761,556
Other lending to businesses	9,245,521	-2,032	9,243,489	8,436,686	-1,977	8,434,709
Total lending leasing assets	**26,353,153**	**-5,333**	**26,347,820**	**23,586,715**	**-4,669**	**23,582,046**

TANGIBLE CURRENT ASSETS

	Current assets
Cost	
Opening balance 01/01/2022	-
Acquisitions	828
Disposals	-343
Retirements	-
Closing balance 31/12/2022	**485**
Opening balance 01/01/2023	485
Acquisitions	232,131
Disposals	-201,521
Retirements	-
Closing balance 31/12/2023	**31,095**
Impairment charges	
Opening balance 01/01/2022	-
Reversed impairment charges during the year	-
Impairment for the year	-
Closing balance 31/12/2022	**-**
Opening balance 01/01/2023	-
Reversed impairment charges during the year	769
Impairment for the year	-1,011
Closing balance 31/12/2023	**-242**
Carrying amount	
01/01/2022	-
31/12/2022	**485**
01/01/2023	485
31/12/2023	**30,853**

NOTE 26. Other assets

	31/12/2023	31/12/2022
Positive value of derivative instruments	51,708	37,681
Current tax assets	125,964	280,268
Accounts receivable	889,400	767,908
of which non-cancellable lease income	(627,335)	(562,937)
Other assets	153,139	127,077
Total	**1,220,211**	**1,212,934**

Trade receivables are offset for customer fleet agreements with a credit risk provision of KSEK 540 (377) and an interest provision of KSEK 1 (24).

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

	Not credit impaired		Credit impaired	
31/12/2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2023	**446,492**	**6,733**	**3,534**	**456,759**
Financial assets for new agreements in force at year-end*	35,062	2,008		37,070
Financial assets for closed agreements in force at beginning of year**	-11,578	-108		-11,686
*Net changes within the stage****				
In stage 1	34,451			34,451
In stage 2		97		97
In stage 3			-215	-215
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-75,284			-75,284
From and to stage 2 (to and from stages 1 and 3)		133,826		133,826
From and to stage 3 (to and from stages 1 and 2)			-795	-795
Gross carrying amount as of 31 December 2023	**429,143**	**142,556**	**2,524**	**574,223**
Loss provisions				
Loss provisions as of 1 January 2023	**-187**	**-10**	**-206**	**-403**
Financial assets for new agreements in force at year-end	88	8		96
Financial assets for closed agreements in force at beginning of year	7	0		7
*Model change new agreements******	-112	-9		-121
*Net changes within the stage****				
In stage 1	-22			-22
In stage 2		5		5
In stage 3			104	104
*Model change within stages******	26	-4	-132	-110
*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)		5		5
From and to stage 3 (to and from stages 1 and 2)			-97	-97
*Model change between stages******	29	-50	-4	-25
Change in interest reserves	-	-	23	23
Loss provisions as of 31 December 2023	**-174**	**-55**	**-312**	**-541**
Opening balance as of 1 January 2023	**446,305**	**6,723**	**3,328**	**456,356**
Closing balance as of 31 December 2023	**428,969**	**142,501**	**2,212**	**573,682**

	Not credit impaired		Credit impaired	
31/12/2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2022	**381,729**	**2,071**	**1,998**	**385,798**
Financial assets for new agreements in force at year-end*	28,694	2,532	104	31,330
Financial assets for closed agreements in force at beginning of year**	-16,971	-10	-23	-17,004
*Net changes within the stage****				
In stage 1	53,768			53,768
In stage 2		1,304		1,304
In stage 3			1,214	1,214
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	-728			-728
From and to stage 2 (to and from stages 1 and 3)		836		836
From and to stage 3 (to and from stages 1 and 2)			241	241
Gross carrying amount as of 31 December 2022	**446,492**	**6,733**	**3,534**	**456,759**
Loss provisions				
Loss provisions as of 1 January 2022	**-129**	**-4**	**-120**	**-254**
Financial assets for new agreements in force at year-end	-17	-3	-5	-25
Financial assets for closed agreements in force at beginning of year	11	0	1	12
*Net changes within the stage****				
In stage 1	-53			-53
In stage 2		0		0
In stage 3			-66	-66
*Transfers between stages*****				
From and to stage 1 (to and from stages 2 and 3)	1			1
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)			-12	-12
Change in interest reserves	-	-	-2	-2
Loss provisions as of 31 December 2022	**-187**	**-10**	**-204**	**-401**
Opening balance as of 1 January 2022	**381,600**	**2,067**	**1,878**	**385,545**
Closing balance as of 31 December 2022	**446,305**	**6,723**	**3,330**	**456,358**

*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.

*****Model change refers in its entirety to adaptation of the ECL model following the new IRB models. See Note 2 in the Credit risk section and also Expected credit losses.

During the year, gross lending to trade receivables in Fleet administration increased by approx SEK 117.5 million (71). It consists of newly concluded contracts with a value of SEK 37 million (31.3). Paid-up contracts or those removed for some other reason (e.g. confirmed credit losses) have caused the value to fall by SEK 11.7 million (17.0). The gross value of contracts in force at the beginning of the year and at year-end increased by SEK 92.1 million (56.6). The loss provisions during the year increased by SEK 138 million (147), due primarily to increased receivables.

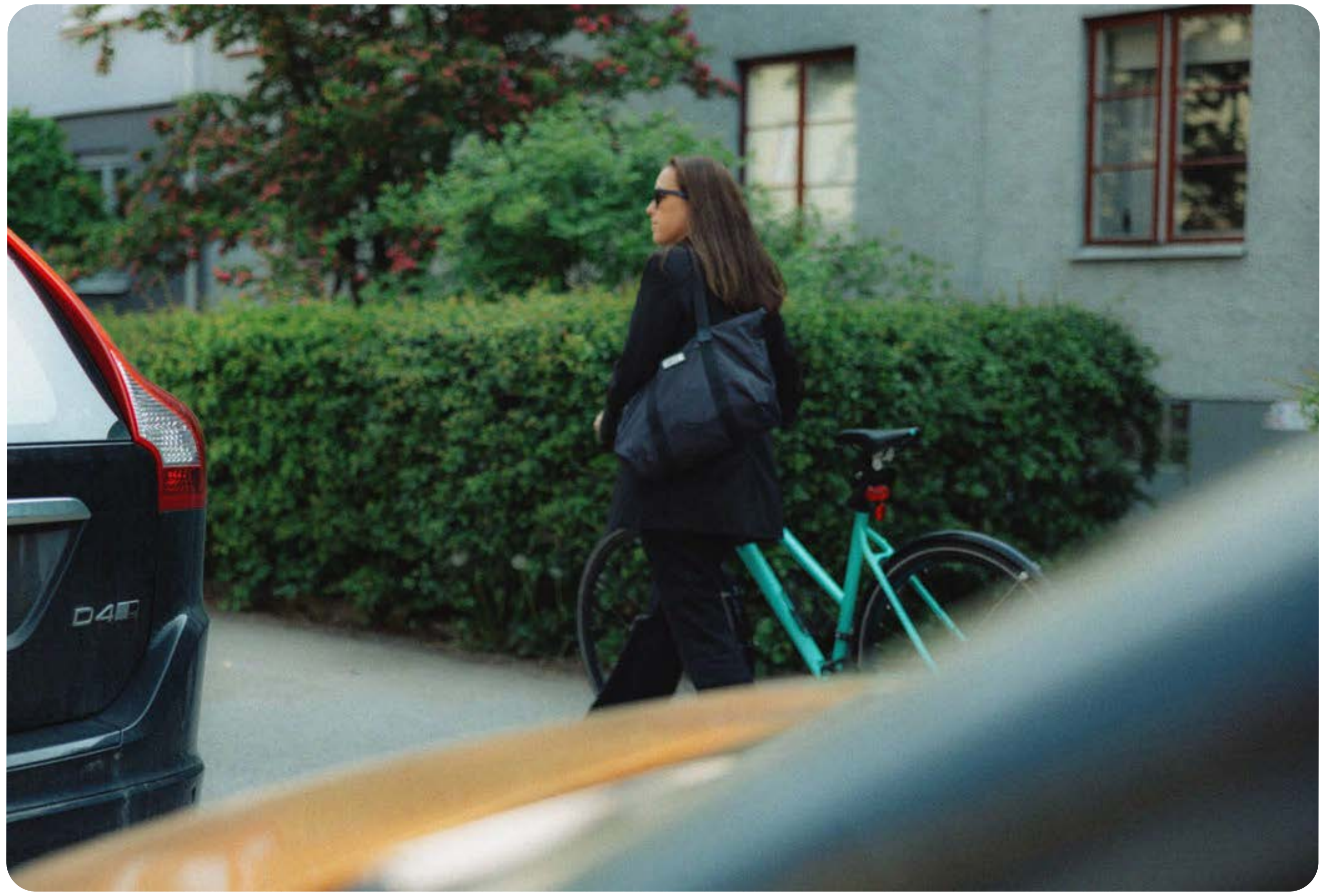
GROSS CARRYING AMOUNT AND LOSS PROVISIONS – BY INDUSTRY

	31/12/2023			31/12/2022		
	Gross carrying amount	Loss provisions	Net carrying amount	Gross carrying amount	Loss provisions	Net carrying amount
Other assets						
Private customers	-	-	-	-	-	-
Business customers						
Manufacturing	201,296	-110	201,186	145,198	-56	145,142
Legal, financial, scientific and technological activities	132,123	-120	132,003	127,056	-50	127,006
Trade in motor vehicle servicing	59,455	-104	59,351	47,795	-63	47,732
Other lending to businesses	181,349	-207	181,142	136,710	-232	136,478
Total lending, other assets	**574,223**	**-541**	**573,682**	**456,759**	**-401**	**456,358**

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 51.7 million (37.7) and the value of derivative liabilities including accrued interest is SEK 56.2 million (63.1).

2023 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	168,125	868,833	-	1,036,958	16,127	-3,426
Currency-related contracts						
Swaps (NOK)	-	716,479	-	716,479	-	-25,224
Total	**168,125**	**1,585,312**	**-**	**1,753,437**	**16,127**	**-28,650**
Derivatives where hedge accounting is applied (fair value hedging)						
Interest-rate related contracts						
Swaps	-	1,850,000	-	1,850,000	35,582	-27,650
Currency-related contracts						
Swaps (NOK)	-	-	-	-	-	-
Total	**-**	**1,850,000**	**-**	**1,850,000**	**35,582**	**-27,650**
Total	**168,125**	**3,435,312**	**-**	**3,603,437**	**51,708**	**-56,299**
Currency breakdown of market value						
SEK	168,125	2,718,833	-	2,886,958	51,708	-31,075
NOK	-	716,479	-	716,479	-	-25,224
Total	**168,125**	**3,435,312**	**-**	**3,603,437**	**51,708**	**-56,299**



2022 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	111,000	923,931	-	1,034,931	36,168	-
Currency-related contracts						
Swaps (NOK)	649,500	-	-	649,500	-	-13,944
Total	**760,500**	**923,931**	**-**	**1,684,431**	**36,168**	**-13,944**
Derivatives where hedge accounting is applied (fair value hedging)						
Interest-rate related contracts						
Swaps	300,000	1,100,000	-	1,400,000	1,513	-49,190
Currency-related contracts						
Swaps (NOK)	-	-	-	-	-	-
Total	**300,000**	**1,100,000**	**-**	**1,400,000**	**1,513**	**-49,190**
Total	**1,060,500**	**2,023,931**	**-**	**3,084,431**	**37,681**	**-63,134**
Currency breakdown of market value						
SEK	411,000	2,023,931	-	2,434,931	37,681	-49,190
NOK	649,500	-	-	649,500	-	-13,944
Total	**1,060,500**	**2,023,931**	**-**	**3,084,431**	**37,681**	**-63,134**

HEDGING INSTRUMENTS IN HEDGE ACCOUNTING, NOMINAL AMOUNTS AND CARRYING AMOUNTS

Hedge instruments and effectiveness of hedging	Nominal amount	Carrying amount			
		Assets	Liabilities	Line in the balance sheet where the hedge instrument is included	Changes in fair value used to measure hedge inefficiencies for the period
Interest-rate related contracts					
Derivatives, positive values	1,050,000	35,582	-	Other assets	19,743
Derivatives, negative values	800,000	-	-27,650	Other liabilities	22,416
Total	**1,850,000**	**35,582**	**-27,650**		**42,159**

Inefficiencies total KSEK 381 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 on 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	1,838,328	-11,672	-41,778	-

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

HEDGE INEFFECTIVENESS RECOGNISED IN 2023 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	-41,778	Net result from financial transactions
Hedging instruments		
Interest rate swaps	42,159	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.

Notes

NOTE 28. Prepaid expenses and accrued income

	31/12/2023	31/12/2022
Prepaid expenses	46,686	42,713
Accrued interest income	11,128	8,358
Other accrued income	37,559	25,894
Total	**95,373**	**76,965**

NOTE 29. Liabilities to credit institutions and issued securities

CURRENCY BREAK DOWN

2023	SEK	NOK	Total
Liabilities to credit institutions	1,295,238	-	1,295,238
Securities issued	12,780,845	694,201	13,475,047
Total	**14,076,083**	**694,201**	**14,770,285**

2022	SEK	NOK	Total
Liabilities to credit institutions	1,407,143	-	1,407,143
Securities issued	11,748,615	634,829	12,383,444
Total	**13,155,758**	**634,829**	**13,790,587**

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	31/12/2023	31/12/2022
Public sector	44	38
Private sector	1,811	2,398
Retail sector	23,609,370	22,247,619
of which self-employed	(4,534,652)	(4,324,770)
Other	39	36
Total deposits	**23,611,264**	**22,250,090**

BORROWING FROM THE PUBLIC

Borrowing by customer category	31/12/2023	31/12/2022
Private sector	757,682	794,375
Other	1	–
Total borrowing	**757,683**	**794,375**
of which Group companies	(6,789)	(6,789)
of which associated companies	(98,349)	(282,244)
Total deposits and borrowing from the public	**24,368,947**	**23,044,465**

NOTE 31. Other liabilities

	31/12/2023	31/12/2022
Negative value of derivative instruments	56,299	63,134
Trade accounts payable	828,753	944,215
Liability to customer	78,077	105,913
Other liabilities	473,996	381,092
Total	**1,437,125**	**1,494,354**

NOTE 32. Accrued expenses and deferred income

	31/12/2023	31/12/2022
Accrued interest expenses	100,488	49,094
Other accrued expenses	144,035	133,308
Deferred income	1,344,791	1,246,298
Total	**1,589,314**	**1,428,700**

NOTE 33. Subordinated liabilities

	Currency	Nom	Interest rate	Maturity date	2023	Carrying amount 2022
Subordinated loan	–	–	–	–	–	400,000
Total	–	–	–	–	–	**400,000**
of which associated companies	–	–	–	–	–	–
of which Group companies	–	–	–	–	–	–

On 11 April 2023, the bank made an early SEK 400 million repayment of a subordinated loan. The subordinated loan was excluded from the capital base calculation of 31 March 2023.

NOTE 34. Untaxed reserves

	31/12/2023	31/12/2022
Accelerated depreciations		
Opening balance, 1 January	4,679,919	5,533,095
Change for the year	1,017,742	-853,176
Closing balance, 31 December	**5,697,661**	**4,679,919**

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 153,602, equivalent to SEK 153.60 per share. The proposed dividend is for a total of KSEK 202,490, equivalent to SEK 202.49 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. Commitments

Commitments arising from repurchasing transactions	31/12/2023	31/12/2022
Delivery bonds	-	-
Liquidity management assignments	-	-
Letters of credit	10,559,798	10,635,006
Unutilised part of approved overdrafts	-	-
Onward lending of borrowed securities	-	-
Total	10,559,798	10,635,006

NOTE 37. 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).

Shares and participations in other companies have been marked to market 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 lending spreads (Level 2) to determine fair value according to IFRS 13. Liabilities to credit institutions have been calculated on the basis of estimated borrowing spreads (Level 3). 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. 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 price 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 2023	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Treasury bills eligible as collateral etc.	1,830,016	-	-	1,830,016	1,830,992
Lending to credit institutions	-	-	1,854,022	1,854,022	1,854,022
Loans and advances to the public	-	-	16,763,511	16,763,511	16,375,052
Bonds and other interest-bearing securities	1,355,933	855,309	-	2,211,241	2,210,625
Shares and participations in other companies*		6,618	-	6,618	6,618
Other assets*	-	51,708	1,168,503	1,220,211	1,220,211
Prepaid expenses and accrued income	-	-	95,373	95,373	95,373
Total	3,185,948	913,635	19,881,409	23,980,993	23,592,894

Liabilities 2023	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Liabilities to credit institutions	-	-	1,315,613	1,315,613	1,295,238
Deposits and borrowing from the public	-	-	24,369,009	24,369,009	24,368,947
Securities issued	-	13,544,047	-	13,544,047	13,475,047
Other liabilities*	-	56,299	1,380,826	1,437,125	1,437,125
Accrued expenses and deferred income	-	-	1,589,314	1,589,314	1,589,314
Subordinated liabilities	-	-	-	-	-
Total	-	13,600,346	28,654,761	42,255,108	42,165,670

Assets 2022	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Treasury bills eligible as collateral etc.	1,238,357	-	-	1,238,357	1,238,893
Lending to credit institutions	-	-	1,987,473	1,987,473	1,987,473
Loans and advances to the public	-	-	16,862,753	16,862,753	16,437,193
Bonds and other interest-bearing securities	1,796,235	697,496	-	2,493,731	2,495,493
Shares and participations in other companies*		5,467	-	5,467	5,467
Other assets*	-	37,681	1,175,738	1,213,419	1,213,419
Prepaid expenses and accrued income	-	-	76,965	76,965	76,965
Total	3,034,592	740,644	20,102,929	23,878,165	23,454,903

Liabilities 2022	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Liabilities to credit institutions	-	-	1,431,896	1,431,896	1,407,143
Deposits and borrowing from the public	-	-	23,044,465	23,044,465	23,044,465
Securities issued	-	12,314,244	-	12,314,244	12,383,444
Other liabilities*	-	63,134	1,431,220	1,494,354	1,494,354
Accrued expenses and deferred income	-	-	1,428,700	1,428,700	1,428,700
Subordinated liabilities	-	403,069	-	403,069	400,000
Total	-	12,780,447	27,336,281	40,116,728	40,158,106

*The financial instruments measured at fair value in the balance sheet by the bank are derivative instruments, and shares and participations in other companies.

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

Ziklo Bank concludes derivative contracts under the International Swaps and Derivatives Association (ISDA) master agreement. No amounts have been offset in the balance sheet. In the case of derivative agreements concluded, Ziklo Bank receives and provides collateral in the form of bank balances in accordance with the standard conditions of the ISDA Credit Support Annex. Assets for derivative agreements amount to SEK 51.7 million and liabilities to SEK 56.3 million. Securities in the amount of SEK 12.4 million were received and assets of SEK 21.6 million were pledged as of 31 December 2023.

FINANCIAL ASSETS AND LIABILITIES OFFSET OR SUBJECT TO NETTING AGREEMENTS

	2023				2022			
31/12/2023	Gross amount	Framework netting agreement	Collateral received (-) / provided (+)	Net amount	Gross amount	Framework netting agreement	Collateral received (-) / provided (+)	Net amount
Assets								
Derivatives	51,708	-5,310	-12,420	33,979	37,681	-22,630	-18,170	-3,119
Liabilities								
Derivatives	-56,299	5,310	21,590	-29,400	-63,134	22,630	45,650	5,146
Total	**-4,591**		**9,170**	**4,579**	**-25,453**		**27,480**	**2,027**

CARRYING AMOUNTS PER CATEGORY

Assets 31/12/2023	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Fair value via the income statement (mandatory)	Total	Fair value
Treasury bills eligible as collateral etc.	1,830,992	-	-	-	1,830,992	1,830,016
Lending to credit institutions	1,854,022	-	-	-	1,854,022	1,854,022
Loans and advances to the public	16,375,052	-	-	-	16,375,052	16,763,511
Bonds and other interest-bearing securities	2,210,625	-	-	-	2,210,625	2,211,241
Shares and participations in other companies	-	-	-	6,618	6,618	6,618
Shares and participations in associated companies	-	-	8,258	-	8,258	-
Shares and participations in Group companies	-	-	6,742	-	6,742	-
Intangible non-current assets	-	-	64,018	-	64,018	-
Tangible assets: inventory	-	-	2,181	-	2,181	-
Tangible assets: lease items	-	-	26,086,832	-	26,086,832	-
Tangible current assets	-	-	30,853	-	30,853	
Other assets	889,400	35,582	279,103	16,127	1,220,211	1,220,211
Prepaid expenses and accrued income	95,373	-	-	-	95,373	95,373
Total assets	**23,255,464**	**35,582**	**26,477,988**	**22,745**	**49,791,778**	

Liabilities 31/12/2023	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Fair value via the income statement (mandatory)	Total	Fair value
Liabilities to credit institutions	-	-	1,295,238	-	1,295,238	1,315,613
Deposits and borrowing from the public	-	-	24,368,947	-	24,368,947	24,369,009
Securities issued	-	-	13,475,047	-	13,475,047	13,544,047
Other liabilities	473,995	27,650	906,830	28,650	1,437,125	1,437,125
Accrued expenses and deferred income	1,488,826	-	100,488	-	1,589,314	1,589,314
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	**1,962,821**	**27,650**	**40,146,550**	**28,650**	**42,165,670**	

Assets 31/12/2022	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Fair value via the income statement (mandatory)	Total	Fair value
Treasury bills eligible as collateral etc.	1,238,893	-	-	-	1,238,893	1,238,357
Lending to credit institutions	1,987,473	-	-	-	1,987,473	1,987,473
Loans and advances to the public	16,437,193	-	-	-	16,437,193	16,862,753
Bonds and other interest-bearing securities	2,495,493	-	-	-	2,495,493	2,493,731
Shares and participations in other companies	-	-	-	5,467	5,467	5,467
Shares and participations in associated companies	-	-	8,766	-	8,766	-
Shares and participations in Group companies	-	-	6,742	-	6,742	-
Intangible non-current assets	-	-	19,224	-	19,224	-
Tangible assets: inventory	-	-	3,485	-	3,485	-
Tangible assets: lease items	-	-	23,426,952	-	23,426,952	-
Other assets	-	-	485	-	485	-
Tangible current assets	768,394	1,513	406,860	36,168	1,212,934	1,212,934
Prepaid expenses and accrued income	76,965	-	-	-	76,965	76,965
Total assets	**23,004,411**	**1,513**	**23,872,515**	**41,635**	**46,920,073**	

Liabilities 31/12/2022	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities*	Fair value via the income statement (mandatory)	Total	Fair value
Liabilities to credit institutions	-	-	1,407,143	-	1,407,143	1,431,896
Deposits and borrowing from the public	-	-	23,044,465	-	23,044,465	23,044,465
Securities issued	-	-	12,383,444	-	12,383,444	12,314,244
Other liabilities	381,091	49,190	1,050,129	13,944	1,494,354	1,494,354
Accrued expenses and deferred income	1,379,606	-	49,094	-	1,428,700	1,428,700
Subordinated liabilities	-	-	400,000	-	400,000	403,069
Total liabilities	**1,760,697**	**49,190**	**38,334,275**	**13,944**	**40,158,106**	

NOTE 38. Operating leases

OPERATING LEASES WHERE THE BANK IS THE LESSEE
Expensed charges for operating leases total:

	2023	2022
Leasing costs for the year	**21,024**	**18,605**
Of which minimum lease charges	19,897	17,807
Of which variable charges	1,127	798

Future non-cancellable lease payments are as follows:

	2023	2022
Within 1 year	22,593	20,738
Between 1–3 years	44,976	42,099

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

NOTE 39. Events after the end of the year

No significant events have occurred since year-end.

NOTE 40. Related parties

The bank is 50% owned by the Swedish Volvo dealers through their holding company AB Volverkinvest, and 50% by Volvo Personvagnar AB. Both companies are 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.

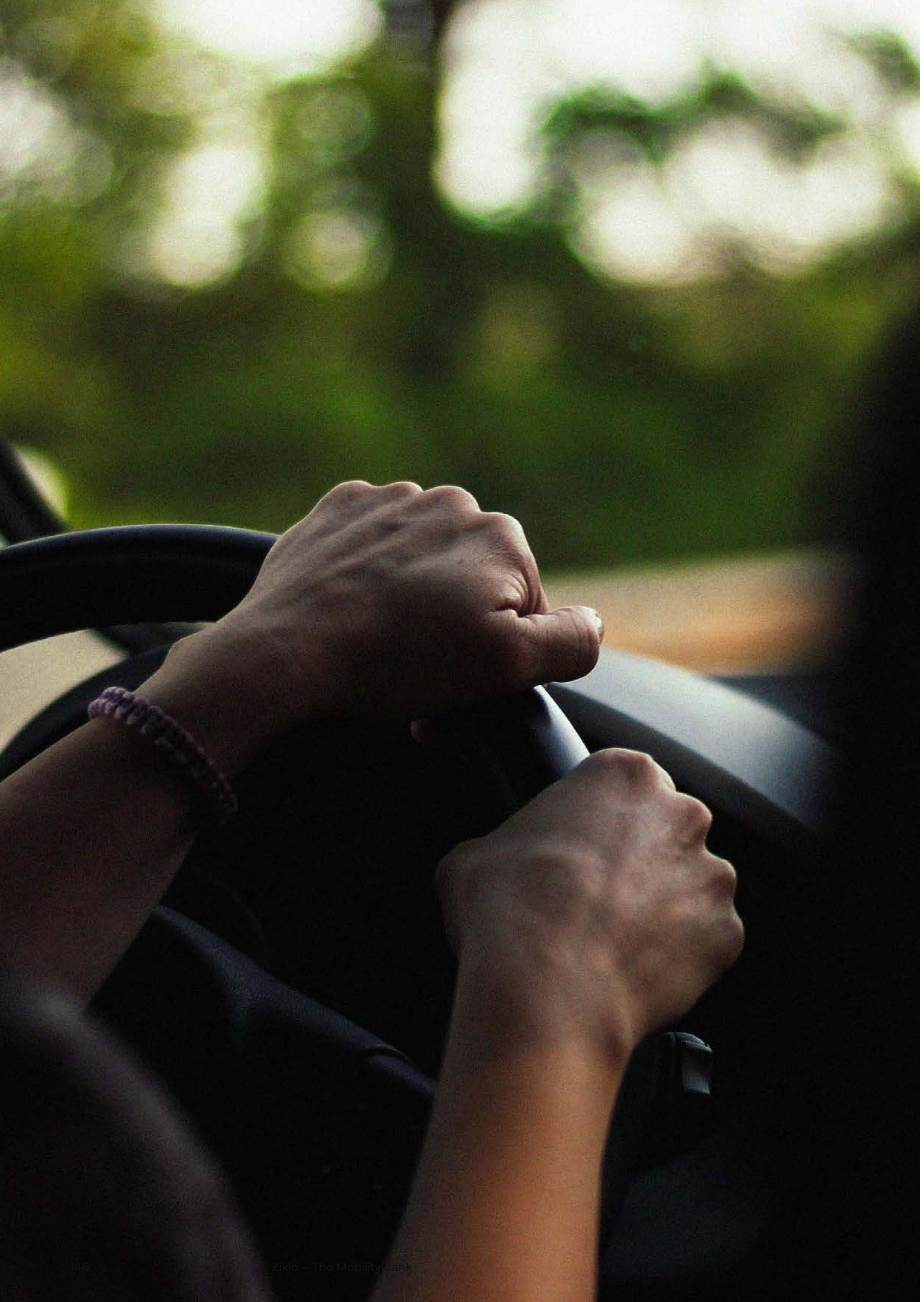
	Group companies		Associates		Other related companies	
Balance sheet	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Assets	6,742	6,742	8,258	97,663	1,005,548	1,050,273
Liabilities	6,789	6,789	102,255	286,267	362,598	128,269
Income statement	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Interest income	-	-	5,056	3,072	191	22
Lease income	-	-	-	-	335,792	356,606
Interest expenses	-	-	-1,147	-288	-4,323	-565
Commission income	-	-	3,095	3,107	12,644	13,216
Other operating income	-	-	3,118	3,350	-	-
Total	**0**	**0**	**10,122**	**9,240**	**344,305**	**369,279**

NOTE 41. Specification to cash flow statement

	2023	2022
The following components are included in cash equivalents:		
Lending to credit institutions	1,854,022	1,987,473
Total	**1,854,022**	**1,987,473**

	31/12/2023	31/12/2022
Interest paid and dividends received included in cash flow from operating activities:		
Dividends received	35	75
Interest received	1,284,217	700,913
Interest paid	1,291,516	406,275

Cash and cash equivalents included in the cash flow statement are defined in accordance with IAS 7 and they do not correspond to that which 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 as presented above, has been approved for publication by the Board of Directors.

Gothenburg 20 March 2024

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

Jessica Span
Board member

Björn Rentzhog
Board member

Conny Bergström
CEO

Our auditor's report was submitted on 20 March 2024

KPMG AB

Anders Tagde
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Ziklo Bank AB, Co. Reg no. 556069-0967

Report on the financial statements

Opinion

We have audited the financial statements of Ziklo Bank AB for 2023 with the exception of the corporate governance report on pages 16–27 and the sustainability report on pages 28–45. The company's financial statements are included on pages 14–147 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 Ziklo Bank AB as of 31 December 2023, 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 16–27 or the sustainability report on pages 28–45. 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 Ziklo Bank AB 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 before credit losses
See accounting policies in Notes 3.10, 20 and 25 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 16,375 million (16 437 MSEK) as of 31 December 2023, which corresponds to approx 33% of the bank's total assets. The bank's provision for expected credit losses amounts to SEK 25.3 million (SEK 30.6 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 bank's models for the calculation of expected credit losses and its validation of said credit losses.

We also performed random checks of the credit provision models and assessed the reasonableness of central assumptions in the model.

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 3.14 and other related disclosures on impairment in Note 2 for detailed disclosures and description of the matter.

Description of the matter

The book value of the company's operating leases, which are guaranteed by Ziklo Bank AB, stood at SEK 8,466 million (SEK 7,274 million) as of 31 December 2023, which corresponds to approx 17% of the company's total assets. The company recognised impairment losses of SEK 300.4 million (SEK 194.5 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 recoverable amount.

We also studied the bank's analysis of the need to recognise impairment and challenged it. Furthermore, we checked that the analysis and the impairment amount in respect of residual value risk have 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 1–13, 28–45 and 153. 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.

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 Ziklo Bank AB for 2023 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 Ziklo Bank AB 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 the basis for our opinion on the Board of Directors' proposal for the appropriation of the company's profit or loss, we have reviewed 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 16–27 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 28–45 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 382, SE-101 27, Stockholm, was appointed as the auditor for Ziklo Bank AB at the Annual General Meeting on 08 June 2023. KPMG AB or auditors working at KPMG AB have been the company's auditor since 1983.

Stockholm 20 March 2024

KPMG AB

Anders Tagde
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
Chief Financial Officer, Volvo Car Group

Ann Hellenius
Managing Director,
SweDFi Capgemini Invent

Björn Rentzhog
CEO/President, AB Persson Invest

Jessica Span
CEO, Volvo Car Sweden

BOARD DEPUTIES

Anna Wibring
Head of Governance, Risk & Compliance, Volvo Cars

Oscar Bertilsson Olsborg
Head of Commercial Operations, Volvo Cars

Jonas Estéen
Owner Finnbäcken Invest AB,
CEO Bilkompaniet Dalarna AB

Johan Ahlberg
CEO Johan Ahlberg Bil AB

SENIOR EXECUTIVES

Conny Bergström
CEO

Joel Graffman
Deputy CEO

Christian Torgersson
CFO, Chief Financial Officer

Marianne Moberg
CIO, Chief Information Officer

Gunnar Ekeroth
CRO, Chief Risk Officer

Andreas Bondesson
COO, Chief Operation Officer

Björn Stenport
Head of Legal

Håkan Isaksson
CSO, Chief Strategy Officer

Linda Pedersen
Director of Human Resources

Madeleine Bloom
CCO, Chief Compliance

Johan Linder
Business Area Manager Fleet

Christian Düfke
Business Area Manager Cars

Richard Teberio
Business Area Manager Trucks

Catharina Höweler
Business Area Manager Payments

AUDITOR

Anders Tagde
Authorised Public Accountant

Sweden's Mobility Bank

For more than 60 years we have financed vehicles in Sweden under the name Volvofinans, making it easier for millions of people to freely travel. We have now assumed the name Ziklo, and we aim to accelerate the transition toward tomorrow's mobility and help more people and companies make smarter choices. Because mobility must be easy, flexible and sustainable.

Ziklo Bank AB (publ), Gothenburg
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The Mobility Bank Ziklo