

INTERIM REPORT 2013

1 JANUARY

31 MARCH

VOLVOFINANS BANK AB



VOLVOFINANS

MESSAGE FROM THE PRESIDENT

I would like to start by saying how confident I, as the new President and CEO, feel about being involved in the continued development of the strong business system represented by Volvofinans. As we present our first interim report for 2013, it is once more evident that our business model is working and that we are delivering results on a par with last year, at a time of falling interest rates and a slightly reduced car market.

During the early part of 2013 there has been a marked recovery in the financial markets and increased appetite for risk among market players. The US economy has steadily improved and the increased financial instability in smaller European nations such as Cyprus has not spread to the Euro-area in general. In Sweden the stock market and credit market have been strong even if a major economic upturn has not materialised.

Volvofinans Bank is able to report a very strong balance sheet for the quarter, with a high proportion of deposits, a large capital base and a high liquidity reserve.

Our public deposits have for some time accounted for 50% of the bank's total financing requirements. The capital base of more than SEK 3 billion gives a core capital ratio of over 21%. The liquidity reserve exceeded SEK 4 billion at the end of the first quarter, and accounted for nearly 45% of the bank's outstanding market borrowing.

The passenger car market, measured in number of new registrations, declined from around 68,000 cars to 56,000, a fall of just over 17%. Swedish Volvo dealerships saw Volvo increase its market share, while Ford and Renault saw their market shares decline, primarily because the corporate market, which is dominated by Volvo, has seen stronger sales. The market for used cars as part of total car sales saw stronger growth than the previous year (+3.5%). Sales of used cars are also important for the Volvo dealerships from a service market perspective. The situation is reversed in the light truck market, with both Ford and Renault increasing their share of the market, which declined by 7% in the first quarter. In terms of heavy truck sales, registrations for the market as a whole were down by 25%, with Volvo increasing its market shares.

The service market, which is a very important part of Volvo Dealerships income, is defined as the aftermarket with sales of garage services, spare parts, tyres, accessories and fuels. It was stable during the period and generated an unchanged strong service result.

Profit for the first quarter was SEK 58.7 million (61.2), which is slightly lower than for the same quarter last year. The result has been affected by the continued increase in the liquidity reserve that has been built up since last year, and by falling interest rates, despite increased margins in the credit business. Volvofinans also took the opportunity to exercise

early redemption of certain MTN bonds in order to extend the maturity of the debt portfolio and improve future net interest.

Costs increased by just under SEK 5 million compared with the previous year, due to increased IT and production costs. Reduced credit losses in the first quarter were attributed to the company's divestment of the debt collection stock and were reported as provisions for credit risk for the first quarter of 2013.

Leasing increased while the volume of other financing activities decreased, causing total lending to decline by SEK 0.9 billion. Total credit losses remain very low at SEK 6.8 million (7.2) and the reduction in problem credits is explained by the fact that debt collection activities are no longer run by the company itself. As previously, sales financing operations show no losses, which proves that our business model with the Swedish Volvo dealerships (where the dealerships bear the credit risk) works regardless of the economic climate.

With a very strong capital base and a large liquidity reserve, we are prepared for controlled expansion. Sales of Volvofinans products and services are of large strategic importance to the Swedish Volvo dealership network and are very important for profitability, which guarantees continued strong focus on our business areas.

Conny Bergström
President
Volvofinans Bank AB

The information contained in this report is that which Volvofinans Bank AB (publ), corporate ID no. 556069-0967 is obliged to publish in accordance with the Swedish Securities Market Act (SFS 2007:528). This report was submitted for publication at 4.30 p.m. on 22 May 2013.

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

FACTS ABOUT VOLVOFINANS BANK

BUSINESS MISSION

The primary task of Volvofinans Bank is to actively support sales of products marketed by Volvo and Renault dealers on the Swedish market by providing product and sales financing, while reporting favourable earnings.

MARKET ACTIVITIES

The aim of providing our customers with economical, convenient vehicle ownership is reflected in the products we offer:

- Loans for and leasing of new and used vehicles that are sold by Swedish Volvo dealerships.
- Loans and leasing for the truck market.
- Volvo Card – car ownership card for both companies and private individuals.
- Vehicle fleet administration and financing for large vehicle fleets.
- Volvo Truck Card – simplifying cost management for hauliers.
- Personnel car – a simple way of offering employees a company car solution.
- Savings account with attractive interest and free withdrawals.



FINANCIAL REPORTS

OWNERSHIP/OPERATIONS

Since its establishment in 1959, Volvofinans Bank has been 50% owned by Swedish Volvo dealerships via their holding company AB Volverkinvest. The Sixth Swedish National Pension Fund (AP-fonden) owns 40% and Volvo Car Corporation (Volvo Personvagnar AB) 10%.

The primary task of Volvofinans Bank is to actively support sales of products marketed by Volvo dealers on the Swedish market by providing product and sales financing, while reporting favourable earnings.

Volvofinans Bank AB is the parent company in a Group with a dormant subsidiary. Based on chapter 7, section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), as of 31 December 2010 Volvofinans does not prepare consolidated accounts as activities in the subsidiary are of negligible value.

VOLUMES/LENDING

Sales of new passenger cars in Sweden fell by 18 % compared with the same period in the previous year. In total, 56,074 (67,976) passenger vehicles were registered. The number of Volvo, Renault and Ford registrations was 16,184 (19,780), and their combined market share was 29% (29).

39% (44) of all passenger car business, both new and used, within the Swedish Volvo dealerships generates a financial contract with Volvofinans Bank. New and used vehicle penetration is 50% and 30% respectively. Volvofinans Bank finances the Swedish Volvo dealers' truck sales, apart from those that take place through the AB Volvo-owned Volvo Truck Centre. Penetration for new trucks was 43% (42).

The total contract portfolio (loan and leasing contracts) amounted to 193,788 contracts (197,022). The truck and bus element of the contract portfolio totalled 6,353 contracts (8,120), which is 3% of the total.

The number of corporate customers for whom Svensk Vagnparks-finans manages the car administration has increased. Administration with cost follow-up was being provided for 34,074 (32,534) cars at the end of the reporting period, an increase of 5%.

Goods and services purchased using the Volvo Card totalled SEK 2.5 billion and the number of accounts actively purchasing is half a million per month. Goods and services to a value of SEK 120 million were purchased using the 24,700 Volvo Truck Cards.

The lending volume was SEK 24.1 billion, compared with SEK 25.0 billion in the previous year. The truck and bus share of lending was SEK 2.5 billion (3.4), which corresponds to 10% of total lending.

Volvofinans Bank's operating segments are the passenger car market and the truck market. The passenger car market segment includes

financing for passenger cars through loans and leases, vehicle administration and the Volvo Card. The truck market segment includes financing for trucks and buses as well as the Volvo Truck Card. The operating income, operating profit, number of contracts and lending volume for Volvofinans Bank's lines of business are presented below. Operating income is defined as the net of interest income, interest expenses, leasing net, dividends received, net result of financial transactions, commission income and commission expenses. Expenses are defined as general administration expenses and other operating expenses. Volvofinans Bank is of the opinion that it is not relevant to divide up its liabilities among the various segments. Borrowing is determined by the total requirement and cannot be attributed to a specific segment.

Jan-March 2013	Cars	Trucks	Total
Number of contracts (average)	221,433	6,377	227,810
Lending volume, SEK million (average)	24,597	3,257	27,854
Operating revenue, SEK thousand	130,470	7,127	137,597
Expenses, SEK thousand	-68,500	-3,564	-72,064
Credit losses, net, SEK thousand	-7,211	348	-6,863
Operating profit, SEK thousand	54,759	3,911	58,670

Jan-March 2013	Loans	Leases	Total
Number of contracts	111,693	82,095	193,788
Average contract, SEK thousand	100	165	127
Collateral value, SEK million	11,115	13,534	24,649
Drawn credit, SEK million	10,442	11,744	22,186
Collateral value, %	94	87	90
Market value, SEK million	13,914	11,849	25,763
Surplus, SEK million	3,473	105	3,578
Surplus, %	33	1	16

RESULTS

Volvofinans Bank's profit before credit loss expenses is SEK 65.5 million (68.3). The item "Net result of financial transactions" includes early bond redemptions to the order of SEK 4.4 million (-). The operating profit was also affected by lower interest rates, the cost of the liquidity reserve and borrowing. Profit for the period fell by 4% to SEK 58.7 million (61.2).

CREDIT RISKS AND CREDIT LOSSES

Credit risk continues to be very low as most of the credit risk and residual value risk is borne by the Volvo dealers. Problem credits are all receivables that are overdue by more than 90 days. Volvofinans Bank's problem credits for credit card receivables total SEK 19.6 million (105.6) and for loan and lease lending SEK 169.8 million (106.8). The reduction in problem credits for credit card receivables is explained by the fact that Volvofinans Bank no longer runs the debt collection activities itself. With regard to loan and leasing lending, in addition to the collateral in the financed items, there are recourse agreements in place meaning that the dealers bear the credit risk for the majority, SEK 158.8 million. There are no loans for which interest concessions have been agreed and no property has been received to provide security for receivables. The credit losses incurred refer to credit card transactions. Anticipated credit loss impairment for the retail segment is determined using statistical risk models and for the corporate segment by means of a manual review.

	Amounts in SEK thousand	
	Jan-March 2013	Jan-March 2012
Credit losses, net	2013	2012
Individually valued receivables		
Write-off of confirmed credit losses for the period	-71	-7,402
Reversal/impairment for the period	-7,699	-
Received from previous years' confirmed credit losses	115	30
Reversal of previously recognised impairment loss	338	529
Net cost for individually valued receivables for the period	-7,317	-6,843
Group valued receivables		
Reversal/impairment for the period	454	-315
Credit losses, net	-6,863	-7,158

CAPITAL PROCUREMENT

Demand for the bank's market borrowing has been very good during the quarter. Bonds worth SEK 1.8 billion were issued, with maturities of up to five years. In the same period redemption of own bonds with a nominal value of SEK 0.8 billion took place.

At the end of the quarter, outstanding financing via Volvofinans Bank's market loans programme amounted to a nominal SEK 9.6 billion, compared to SEK 11.5 billion the previous year. In addition to market borrowing, operations were financed through bank loans, in the amount of SEK 2.1 billion (3.2). The proportion of long-term financing, with a remaining term of more than one year, was 71% (71).

Public deposits continued to increase, albeit not at the same rate as before. At the end of the quarter borrowing constituted 50% (38) of the bank's financing. At 31 March 2013, total deposits amounted to SEK 11.9 billion (9.1), which represents an increase of SEK 0.1 billion during the quarter.

FINANCIAL RISKS

The bank's operations are continually exposed to a number of financial risks.

Liquidity risk is the risk that Volvofinans Bank's payment obligations cannot be met on maturity without significant costs in terms of the means of payment or – in a worst-case scenario – cannot be met by any means. To deal with liquidity instability, Volvofinans Bank has a liquidity reserve, with high-quality liquid securities and unrestricted deposits in another bank, as well as agreed credit facilities that can be utilised at short notice.

Borrowing with a remaining period of less than one year together with a proportion of deposits must be covered at all times by the liquidity

reserve and undrawn credit facilities.

At 31 March, the liquidity reserve totalled SEK 4.2 billion (3.4), of which deposits in other banks constituted SEK 2.4 billion (57%) and the securities component SEK 1.8 billion (43%). Volvofinans Bank's liquidity reserve must be no less than 5% of lending at all times. At the end of the first quarter this proportion was 18% (13). In addition to the liquidity reserve, unutilised available credit facilities totalled SEK 4.7 billion (6.5).

Volvofinans Bank's liquidity coverage ratio, as stipulated by the Swedish Financial Supervisory Authority, was 234% at 31 March 2013.

Interest rate risk is the current and future risk that net interest income declines as a result of unfavourable changes in the interest rate. The vast majority of Volvofinans Bank's lending and all borrowing follow the short-term market interest rate, which involves a limited interest rate risk.

Currency risk is the risk of unfavourable changes in exchange rates. All of Volvofinans Bank's lending is in Swedish kronor and any borrowing in foreign currency is hedged, which means the bank is not exposed to fluctuations in exchange rates.

RATING

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

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

Following a review that started in October 2012, Moody's announced on 5 February 2013 that all of the bank's ratings were confirmed. At the same time, the outlook was changed from negative to stable. You will find a detailed analysis from Moody's on our website, volvofinans.se.

CAPITAL ADEQUACY

Capital adequacy means that capital requirements are connected to the total risk profile of the institute, which in the case of Volvofinans Bank entails a lower minimum capital requirement. Volvofinans Bank calculates the capital requirement for credit risk using the standardised method, which means that all exposures are allocated to one of fifteen exposure categories with a different risk weighting for each category. Since June 2011, the retail portfolio's credit risk has been calculated in accordance with IRB. The capital requirement for operational risk is calculated using the base indicator method, which means that the capital requirement is 15% of the average operating income for the last three financial years.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

CALENDAR

13 June 2013	Annual General Meeting
23 August 2013	Interim Report January-June
15 November 2013	Interim Report January-September
21 February 2014	Year-end Report 2013

The reports will be available for viewing on our website: www.volvofinans.se

If you have any questions, please contact our President, Conny Bergström, on +46 (0)31 83 88 00.

This report has not been the subject of special examination by the company's auditors.

CAPITAL ADEQUACY

Amounts in SEK million

	31/03/2013	31/03/2012
Risk-weighted assets		
Credit Risk IRB (retail)	6,508	6,415
Credit risk according to standardised method	6,704	7,717
Operational risk according to the base indicator method	1,046	1,006
Total risk-weighted assets	14,258	15,139
Adjustment for floor rules during the introductory phase of Basel II	1,973	2,260
Total risk-weighted assets	16,231	17,399
Capital adequacy		
Core capital	3,056	2,870
Supplementary capital	-	-
Capital base	3,056	2,870
Capital adequacy without transitional rules		
Risk-weighted assets	14,258	15,139
Capital requirement, credit risk IRB (retail)	521	513
Capital requirement, credit risk in accordance with the standardised method	536	617
Capital requirement, operational risk	84	81
Total minimum capital requirement without transitional rules	1,141	1,211
Capital adequacy ratio	2.68	2.37
Capital adequacy level, %	21.44	18.96
Core capital ratio, %	21.44	18.96
Capital adequacy with transitional rules		
Risk-weighted assets	16,231	17,399
Capital requirement, credit risk IRB (retail)	521	513
Capital requirement, credit risk in accordance with the standardised method	536	617
Capital requirement, operational risk	84	81
Capital requirement, adjustment for floor rules	158	181
Total minimum capital requirement with transitional rules	1,298	1,392
Capital adequacy ratio	2.35	2.06
Capital adequacy level, %	18.83	16.50
Core capital ratio, %	18.83	16.50
Capital adequacy in accordance with the Basel II standard		
Risk-weighted assets	21,710	23,241
Capital requirement, credit risk in accordance with the standardised method	1,653	1,779
Capital requirement, operational risk	84	81
Total minimum capital requirement in accordance with the Basel II standard	1,737	1,859
Capital adequacy ratio	1.76	1.54
Capital adequacy level, %	14.08	12.35
Core capital ratio, %	14.08	12.35

STATEMENT OF COMPREHENSIVE INCOME

	Amounts in SEK thousand	
	Jan-March 2013	Jan-March 2012
Interest income	149,605	205,248
Lease income	848,734	793,831
Interest expense	-167,534	-236,435
Net interest	830,805	762,644
Dividends received	570	719
Commission income	79,186	77,526
Commission expenses	-3,895	-4,317
Net result of financial transactions*	-5,936	-1,519
Total operating income	900,730	835,053
General administration expenses	-66,304	-61,351
Depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets	-760,000	-695,951
Other operating expenses	-8,893	-9,423
Total operating expenses	-835,197	-766,725
Income before credit losses	65,533	68,329
Credit losses, net	-6,863	-7,158
Operating profit	58,670	61,171
Appropriations	-	-
Taxes	-12,907	-16,088
Profit for the period	45,763	45,083
* Net income from financial transactions		
Currency related	-	-
Interest-bearing securities and related derivatives	-5,936	-1,519
Total	-5,936	-1,519

KPI

	31/03/2013	31/03/2012
Return on equity, %	5.46	5.94
Risk capital/Balance sheet total, %	13.68	13.36
Deposits/Lending, %	49.35	36.53
Operating profit/Risk-weighted assets, %	1.44	1.36
Capital adequacy ratio – with transitional rules	2.35	2.06
Capital adequacy level, % – with transitional rules	18.83	16.50
Core capital ratio, % – with transitional rules	18.83	16.50
Credit losses/lending, %	0.10	0.11
E/I ratio	0.57	0.57
E/I ratio, excl. credit losses	0.52	0.52

BALANCE SHEET

	31/03/2013	31/03/2012
Amounts in SEK thousand		
Chargeable treasury bills, etc.	1,101,495	222,027
Lending to credit institutions	2,452,787	2,213,847
Lending to the public	12,628,029	14,475,791
Bonds and other interest-bearing securities	685,197	921,205
Shares and participations in other companies	48	48
Shares and participations in associated companies	9,379	6,624
Shares and participations in Group companies	6,740	6,740
Intangible non-current assets	22,148	27,387
Property, plant and equipment, inventory	1,312	854
Property, plant and equipment, lease items	11,448,432	10,563,500
Other assets*	730,331	674,242
Prepaid expenses and deferred income	49,712	70,444
Total assets	29,135,610	29,182,708
Liabilities to credit institutions	2,100,000	3,200,000
Deposits and borrowing from the public	11,881,240	9,146,750
Securities issued	9,668,587	11,509,559
Other liabilities*	559,898	488,147
Accrued expenses and prepaid income	896,719	897,256
Total liabilities	25,106,444	25,241,712
Untaxed reserves	3,443,184	3,209,813
Equity	527,312	670,012
Operating profit	58,670	61,171
Total liabilities and equity	29,135,610	29,182,708
* Of which derivative instruments with positive and negative market value		
Derivative instruments with positive market value	126,129	121,079
Derivative instruments with negative market value	-424	-1,700

CASH FLOW STATEMENT

	Amounts in SEK thousand	
	Jan-March 2013	Jan-March 2012
Operating activities		
Operating profit	58,670	61,171
Adjustment of items not included in cash flow		
Unrealised portion of net result of financial transactions	-5,689	-1,519
Depreciation, amortisation and impairment	754,014	695,950
Credit losses	-7,354	8,580
Taxes paid	-	-
Changes in operating assets and liabilities		
Chargeable treasury bills, etc.	-76,806	-122,341
Lending to credit institutions	-677,206	292,091
Lending to the public	466,596	166,814
Bonds and other interest-bearing securities	-49,850	83,842
Other assets	110,274	46,527
Liabilities to credit institutions	-200,000	-133,800
Borrowing from the public	93,659	2,036,108
Securities issued	692,913	-2,078,375
Other liabilities	-147,574	-190,262
Cash flows from operating activities	1,011,646	864,786
Investing activities		
Acquisition of intangible non-current assets	-2,301	-3,210
Sale/redemption of shares and participations	-	2,822
Acquisition of property, plant and equipment	-1,803,917	-1,697,157
Sale of property, plant and equipment	794,571	832,758
Cash flows from investing activities	-1,011,646	-864,786
Financing activities		
Dividend paid	-	-
Cash flows from financing activities	-	-
Cash flow for the period		
Cash and cash equivalents at start of year	-	-
Cash flows from operating activities	1,011,646	864,786
Cash flows from investing activities	-1,011,646	-864,786
Cash flows from financing activities	-	-
Cash and cash equivalents at the end of the period	-	-

LEASE INCOME AND ACCUMULATED NET INTEREST

	Amounts in SEK thousand	
	Jan-March 2013	Jan-March 2012
Income from operating and finance leases	848,734	793,831
Scheduled amortisation	-757,148	-691,247
Interest income	149,605	205,248
Interest expense	-167,534	-236,435
Accumulated net interest	73,657	71,397

CHANGE IN EQUITY

	Amounts in SEK thousand			
	Share capital	Statutory reserve fund	Retained earnings	Equity
Opening equity, 1 January 2012	400,000	20,000	250,012	670,012
Net profit for the year	-	-	-	-
Total change before transactions with shareholders	-	-	-	-
Dividends	-	-	-142,700	-142,700
Closing equity, 31 December 2012	400,000	20,000	107,312	527,312
Opening equity, 1 January 2013	400,000	20,000	107,312	527,312
Profit for the period after tax	-	-	45,763	45,763
Total change before transactions with shareholders	-	-	45,763	45,763
Closing equity, 31 March 2013	400,000	20,000	153,075	573,075

INFORMATION ABOUT DERIVATIVES THAT CAN BE OFFSET

Financial assets and liabilities that are subject to offsetting, and which are covered by a legally binding framework agreement on netting or similar agreement.

Amounts which are not to be offset in the balance sheet	Amounts in SEK thousand		
	Net amount of reported financial assets ¹⁾	Net amount of reported financial liabilities ¹⁾	Net amount / Asset (+), Liability (-)
Counterparty A	907	-120	787
Counterparty B	82,750	-	82,750
Counterparty C	22,814	-304	22,510
Counterparty D	19,658	-	19,658
Total	126,129	-424	125,705

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

FAIR VALUE ASSETS AND LIABILITIES BY CATEGORY

Assets

Amounts in SEK thousand

31/03/2013	Loan and trade receivables	Financial assets at fair value through the statement of comprehensive income	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
Chargeable treasury bills and other bills	-	-	99,805	-	-	99,805	99,787
Other chargeable securities	-	1,001,691	-	-	-	1,001,691	1,001,691
Bonds and other interest-bearing securities	-	685,197	-	-	-	685,197	685,197
Lending to credit institutions	2,452,787	-	-	-	-	2,452,787	2,452,771
Lending to the public	12,628,029	-	-	-	-	12,628,029	12,575,945
Shares and participations in associated companies	-	-	-	-	9,427	9,427	-
Shares and participations in Group companies	-	-	-	-	6,740	6,740	-
Intangible non-current assets	-	-	-	-	22,148	22,148	-
Equipment	-	-	-	-	1,312	1,312	-
Property, plant and equipment, lease items	-	-	-	-	11,448,432	11,448,432	-
Other assets	517,537	-	-	126,064	86,731	730,332	730,332
Prepaid expenses and deferred income	15,298	-	-	-	34,414	49,712	49,712
Total assets	15,613,651	1,686,888	99,805	126,064	11,609,203	29,135,610	

Liabilities

31/03/2013	Financial liabilities at fair value through the statement of comprehensive income	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	-	-	-	2,100,000	2,100,000	2,121,544
Deposits and borrowing from the public	-	-	-	11,781,240	11,781,240	11,781,240
Borrowing from the corporate sector	-	-	-	100,000	100,000	101,722
Securities issued	-	-	-	9,668,588	9,668,588	9,794,280
Other liabilities	285	263,000	74	296,539	559,898	559,898
Accrued expenses and prepaid income	-	733,834	-	162,884	896,719	896,719
Total liabilities	285	996,835	74	24,109,251	25,106,445	

ACCOUNTING POLICIES

Volvofinans Bank prepares interim reports in accordance with legally limited IFRS. The Company applies the same valuation and accounting policies as in the latest annual report.



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