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Interim Report 1 January – 30 September
Volvofinans Bank AB



Message from the President

January–September 2014 highlights

Pre-tax profit SEK 266.9 million (214.5)
Return on equity 8.8% (7.0)
Lending at 30 September of SEK 24.6 billion (24.1)
Credit losses, net SEK 8.9 million (17.0)
Core tier 1 capital ratio, 21.7% (19.6)

Volvofinans Bank's profit for the period January–September was SEK 266.9 million, an increase of 24% on the same period last year.

New vehicle sales continue to grow well and as at the end of September, over 220,000 passenger cars had been registered, which is an increase of 15% on the previous year. Also of note, the automotive industry body 'Bil Sweden' forecasts a new car market for passenger cars in 2014 of 305,000 vehicles, which would make it the sixth best new car market ever. Moreover, the positive business climate favours our business areas, with a good influx of new financing agreements. The bank's lending in this area increased by SEK 0.6 billion compared to the previous year, totalling SEK 24.6 billion.

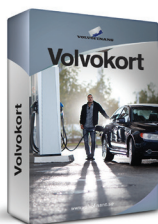
The after-market business, i.e. workshops and spare parts, within the Volvo dealer network was busy throughout the year, which was also reflected in the resellers' strong profits. Similarly, the bank's Volvo Card benefitted from high sales figures within the service market.

The direct and principal reason for the improved results was clearly the trend in the bank's net interest income. The increase in net interest is mainly due to lower borrowing costs. The historically low interest rates on the other hand, have the opposite effect. The strong net commission income also displays a positive trend.

I am happy to be able to deliver another set of strong quarterly results together with our expert staff at the bank and our committed colleagues in the Swedish Volvo dealer network – particularly as the bank's business model and the whole of our business are marked by minimal risk-taking. A strong result allows us to go on developing the bank and enhancing our already strong range of products.

Conny Bergström
President
Volvofinans Bank AB

The information contained in this report is that which Volvofinans Bank AB (publ), corporate ID no. 556069-0967, is obliged to publish in accordance with the Swedish Securities Market Act (SFS 2007:528). This report was submitted for publication at 4.15 p.m. on 17 November 2014.



Financial reports

Ownership/Operations

Since its establishment in 1959, Volvofinans Bank has been 50% owned by the 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 financial statements as activities in the subsidiary are of a negligible value.

Volumes/lending

Sales of new passenger cars in Sweden rose by 15% compared with the same period in the previous year. A total of 222,636 (193,065) passenger cars were registered with the number of Volvo, Renault and Ford registrations being 63,086 (53,214), resulting in a combined market share of 28% (28).

A further 44% (44) of all passenger car business, new and used, within the Swedish Volvo dealerships generated a financial contract with Volvofinans Bank. New and used vehicle penetration was 49% and 36% respectively. Also of note, 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 49% (43).

The total contract portfolio (loan and leasing contracts) amounted to 199,328 contracts (193,759) with the truck and bus element of the contract portfolio totalling 5,971 contracts (6,126), which is 3% of the total. Fleet Finance administers 28,197 (34,303) vehicle fleet contracts.

Goods and services purchased using the Volvo Card totalled SEK 8.4 billion and the number of accounts actively purchasing is half a million per month. Furthermore, goods and services to a value of SEK 316 million were purchased using the 21,529 Volvo Truck Cards.

The lending volume was SEK 24.6 billion, compared with SEK 24.1 billion in the previous year. The truck and bus share of lending was SEK 2.1 billion (2.2), which corresponded to 9% of total lending. The Fleet Finance accounts for SEK 5.1 billion (5.2), or 21% of lending, and the Volvo Card for 7%, or SEK 1.7 billion (1.7).

Volvofinans Bank's operating segments are Volvo Card, Sales Finance Cars, Sales Finance Trucks and Fleet Finance. The Sales Finance Cars segment includes financing for passenger cars through loans and leases and the Sales Finance Trucks segment includes financing for trucks and buses through loans and leases, as well as the Volvo Truck Card. Fleet Finance, includes financing through leases and administration of vehicle fleets. The operating income, operating profit, number of contracts and lending volumes 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. Thus, 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-Sep 2014 | Sales Finance Cars | Sales Finance Trucks | Fleet Finance | Volvo Card | Total |
|---------------------------------------|--------------------|----------------------|---------------|------------|----------|
| Number of contracts (average) | 161,583 | 6,040 | 57,873 | - | 225,496 |
| Number of active accounts (average) | - | 1,983 | - | 452,572 | 454,555 |
| Lending volume, SEK million (average) | 14,853 | 2,239 | 5,095 | 1,131 | 23,318 |
| Operating income, SEK thousand | 168,018 | 24,173 | 77,207 | 224,297 | 493,695 |
| Expenses, SEK thousand | - 52,774 | - 10,106 | - 26,955 | - 127,998 | -217,833 |
| Credit losses, net, SEK thousand | 41 | - 13 | 2,400 | - 11,362 | - 8,934 |
| Operating profit, SEK thousand | 115,285 | 14,054 | 52,652 | 84,937 | 266,928 |

| Jan-Sep 2014 | Loans | Leases | Total |
|--------------------------------|---------|--------|---------|
| Number of contracts | 112,416 | 86,912 | 199,328 |
| Average contract, SEK thousand | 100 | 165 | 128 |
| Collateral value, SEK million | 11,258 | 14,303 | 25,561 |
| Credit utilised, SEK million | 10,502 | 12,235 | 22,737 |
| Loan-to-value ratio | 93 | 86 | 89 |
| Market value, SEK million | 14,563 | 12,814 | 27,377 |
| Surplus value, SEK million | 4,061 | 579 | 4,640 |
| Surplus value,% | 39 | 5 | 20 |

Profit

Volvofinans Bank's profit before credit loss expenses was SEK 275.9 million (231.5), an increase of 19%. This increase in profit is primarily attributed to lower borrowing margins. Profit for the period increased by 24% to SEK 266.9 million (214.5).

Credit risks and credit losses

The credit risk for Volvofinans Bank is very low as, under the agreements in place, by far the greatest part of both the credit and residual value risk is borne by each Volvo dealer. Problem credits are defined as all defaulted receivables, i.e. those more than 90 days overdue or given default for other reasons. Volvofinans Bank's problem credits for credit card receivables total SEK 13.6 million (14.1) and for loan and lease lending SEK 168.3 million (160.6).

With regard to commitments relating to loan and leasing lending and in addition to the collateral in the financed items, there are recourse agreements in place which means that the dealers bear the credit risk of SEK 154.3 million on the balance sheet date. There are no credits with interest concessions, and no property has been received to provide security for receivables. Confirmed customer losses refer to credit card transactions. Anticipated credit loss impairment for the retail segment has been calculated using statistical risk models, while anticipated credit loss impairment for the corporate segment has been calculated individually by means of a manual review.

Amounts in SEK thousand

| | 2014 Jan-Sep | 2013 Jan-Sep | 2013 Jan-Dec |
|--|-----------------|-----------------|-----------------|
| Credit losses, net | | | |
| Specific provision for collectively valued receivables * | | | |
| Write-off of confirmed credit losses for the period | - 13,639 | - 13,067 | - 18,308 |
| Impairment for the period | - 7,837 | - 7,404 | - 7,658 |
| Received from previous years' confirmed credit losses | 748 | 947 | 1,096 |
| Reversed provisions no longer required for probable credit losses | 7,583 | 1,569 | 739 |
| Net cost for specific provisions for collectively valued receivables for the period | - 13,145 | - 17,955 | - 24,131 |
| Collective provision for losses incurred but not yet reported ** | | | |
| Impairment for the period | - 2,163 | - 347 | - 4,225 |
| Reversed provisions no longer required for probable credit losses | 6,374 | 1,314 | 47 |
| Net cost for the period for collective provisions | 4,211 | 967 | - 4,178 |
| Credit losses, net | - 8,934 | - 16,988 | - 28,309 |

From September 2014, the bank has changed the principle for provisions for and valuation of receivables. The comparative figures for 2013 have been recalculated.

* relates to credit losses on receivables individually identified as uncertain where the reserves are based on historical experience from similar loans.

** relates to credit losses on receivables that have not yet been identified as uncertain but where there is a need for impairment within a group of loans.

Capital procurement

The volume of deposits via the bank's e-saving account decreased by SEK 0.6 billion (-5%) in the third quarter, to SEK 11.5 billion. Despite the low interest rate, the general public remains interested in saving and Volvofinans Bank's interest rate offer is on a par with the competition. As at 30 September 2014, total deposits amounted to SEK 13.6 billion (13.4), accounting for 58% (57) of the bank's financing.

The climate in the credit market remained favourable during the quarter, resulting in shrinking credit margins. Bonds worth SEK 950 million, with three- to five-year terms, have been issued during the quarter. At the end of the quarter, outstanding financing via the bank's market loans programme amounted to a nominal SEK 7.6 billion (8.4).

In addition to deposits and market borrowing, operations were financed through bank loans, in the amount of SEK 1.6 billion (1.6). The proportion of long-term financing with a remaining term of more than one year was 61% (68).

Financial risks

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

Liquidity risk is the risk whereby 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 not only a liquidity reserve, with high-quality liquid securities and unrestricted deposits in another bank, but also agreed credit facilities that can be utilised at short notice.

Deposits with a remaining period of less than one year together with a proportion of borrowing must be covered at all times by the liquidity reserve and unutilised credit facilities.

As at 30 September, the liquidity reserve totalled SEK 3.2 billion (4.3), of which deposits in other banks constituted SEK 1.2 billion (37%) and a securities portfolio of SEK 2.0 billion (63%). 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 13% (18). In addition to the liquidity reserve, unutilised available loan facilities totalled SEK 4.2 billion (4.4).

Volvofinans Bank's liquid coverage ratio calculated in accordance with Article 415 of the EU Capital Requirements Regulation came to 217%.

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

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

You will find a detailed analysis from Moody's on our website, volvofinans.se.

Capital adequacy

Volvofinans Bank calculates most of the credit risk using its internal risk classification method (IRB) following approval by the Swedish Financial Supervisory Authority on 24 March 2014 of Volvofinans Bank's application to calculate the corporate portfolio using IRB. The remainder is calculated according to the standardised method. The core tier 1 capital ratio according to Basel III was 21.70%.

Events after the balance sheet date

No significant events have occurred since the balance sheet date.

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

Interim Report

The interim report provides a true and fair picture of the bank's operations, position and performance, and describes material risks and uncertainties relating to the bank.

Göteborg, November 2014

Conny Bergström
President and CEO

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

Calendar

| | |
|------------------|------------------------|
| 20 February 2015 | Year-end Report 2014 |
| 20 March 2015 | Annual Report |
| 11 June 2015 | Annual General Meeting |

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

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

KPI

| | 30/09/2014 | 30/09/2013 | 31/12/2013 |
|--|------------|------------|------------|
| Return on equity, % | 8.76 | 7.04 | 6.80 |
| Risk capital/Balance sheet total, % | 14.70 | 14.19 | 13.15 |
| Deposits/Lending, % | 55.20 | 55.50 | 59.52 |
| Operating profit/Risk-weighted assets, % | 2.58 | 1.80 | 1.73 |
| Capital adequacy ratio | 2.71 | 2.39 | 2.38 |
| Capital adequacy level, % | 21.70 | 19.61 | 19.70 |
| Core tier 1 capital ratio, % | 21.70 | 19.61 | 19.70 |
| Credit losses/Lending, % | 0.05 | 0.09 | 0.11 |
| E/I ratio | 0.46 | 0.51 | 0.54 |
| E/I ratio, excl. credit losses | 0.44 | 0.47 | 0.49 |

Income statement

Amounts in SEK thousand

| | 2014 Q3 | 2014 Q2 | 2013 Q3 | 2014 Jan-Sep | 2013 Jan-Sep | 2013 Jan-Dec |
|--|------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Interest income | 121,707 | 135,164 | 147,943 | 394,093 | 444,298 | 593,590 |
| Lease income | 893,953 | 874,172 | 883,093 | 2,628,265 | 2,597,698 | 3,477,151 |
| Interest expenses | - 109,222 | - 129,025 | - 158,481 | - 375,651 | - 488,750 | - 645,923 |
| Dividends received | 1,076 | 697 | 713 | 2,306 | 1,894 | 2,487 |
| Commission income | 84,927 | 86,759 | 83,483 | 253,169 | 245,657 | 333,086 |
| Commission expenses | - 4,799 | - 5,395 | - 6,699 | - 15,004 | - 15,607 | - 21,291 |
| Net result of financial transactions* | - 1,246 | - 901 | - 3,942 | - 2,814 | - 9,612 | - 14,618 |
| Total operating income | 986,396 | 961,470 | 946,110 | 2,884,364 | 2,775,578 | 3,724,482 |
| General administration expenses | - 61,389 | - 67,886 | - 60,496 | - 196,207 | - 193,211 | - 267,903 |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets | - 812,988 | - 791,787 | - 791,335 | - 2,382,378 | - 2,326,711 | - 3,117,831 |
| Other operating expenses | - 6,730 | - 12,068 | - 7,340 | - 29,917 | - 24,147 | - 34,212 |
| Total operating expenses | - 881,107 | - 871,742 | - 859,172 | - 2,608,502 | - 2,544,069 | - 3,419,947 |
| Profit before credit losses | 105,289 | 89,729 | 86,938 | 275,862 | 231,509 | 304,536 |
| Credit losses, net | - 2,808 | - 1,026 | - 4,297 | - 8,934 | - 16,988 | - 28,309 |
| Profit before appropriations and tax | 102,481 | 88,703 | 82,641 | 266,928 | 214,521 | 276,227 |
| Tax | - 22,546 | - 19,515 | - 18,181 | - 58,725 | - 47,195 | - 61,134 |
| Profit | 79,935 | 69,189 | 64,460 | 208,203 | 167,326 | 215,093 |
| * Net result of financial transactions | | | | | | |
| Interest-bearing securities and related derivatives | - 1,246 | - 901 | - 3,942 | - 2,814 | - 9,612 | - 14,618 |
| Total | - 1,246 | - 901 | - 3,942 | - 2,814 | - 9,612 | - 14,618 |

Balance sheet

Amounts in SEK thousand

| | 30/09/2014 | 30/09/2013 | 31/12/2013 |
|--|-------------------|-------------------|-------------------|
| Chargeable treasury bills etc. | 1,171,833 | 1,051,375 | 1,291,747 |
| Lending to credit institutions | 1,202,591 | 2,358,722 | 2,585,494 |
| Lending to the public | 12,521,978 | 12,257,427 | 12,478,791 |
| Bonds and other interest-bearing securities | 838,211 | 906,517 | 1,272,558 |
| Shares and participations in other companies | 48 | 48 | 48 |
| Shares and participations in associated companies | 11,865 | 9,379 | 11,865 |
| Shares and participations in Group companies | 6,740 | 6,740 | 6,740 |
| Intangible non-current assets | 6,226 | 16,275 | 8,756 |
| Property, plant and equipment, inventory | 1,194 | 1,428 | 1,411 |
| Property, plant and equipment, lease items | 12,059,960 | 11,824,182 | 11,486,812 |
| Other assets* | 668,560 | 710,058 | 676,366 |
| Prepayments and accrued income | 40,997 | 52,247 | 42,641 |
| Total assets | 28,530,203 | 29,194,397 | 29,863,229 |
| Liabilities to credit institutions | 1,550,000 | 1,550,000 | 1,550,000 |
| Deposits and borrowing from the public | 13,568,013 | 13,364,808 | 14,265,506 |
| Securities issued | 7,593,030 | 8,474,364 | 8,314,508 |
| Other liabilities* | 633,500 | 661,881 | 756,300 |
| Accruals and deferred income | 991,636 | 1,001,727 | 834,726 |
| Total liabilities | 24,336,179 | 25,052,780 | 25,721,040 |
| Untaxed reserves | 3,443,184 | 3,443,184 | 3,443,184 |
| Equity | 483,912 | 483,912 | 699,005 |
| Operating profit | 266,928 | 214,521 | - |
| Total liabilities and equity | 28,530,203 | 29,194,397 | 29,863,229 |
| * Of which: derivative instruments with positive and negative market value | | | |
| Derivative instruments with positive market value | 63,389 | 93,413 | 115,407 |
| Derivative instruments with negative market value | - 833 | - 404 | - 281 |

Change in equity

Amounts in SEK thousand

| | Share capital | Statutory reserve fund | Retained earnings | Equity |
|---|----------------|------------------------|-------------------|----------------|
| Opening equity, 1 January 2013 | 400,000 | 20,000 | 107,312 | 527,312 |
| Profit for the period after tax | - | - | 167,326 | 167,326 |
| Total change before transactions with shareholders | - | - | 167,326 | 167,326 |
| Dividends | - | - | - 43,400 | - 43,400 |
| Closing equity, 30 September 2013 | 400,000 | 20,000 | 231,238 | 651,238 |
| Opening equity, 1 January 2013 | 400,000 | 20,000 | 107,312 | 527,312 |
| Net profit for the year | - | - | 215,093 | 215,093 |
| Total change before transactions with shareholders | - | - | 215,093 | 215,093 |
| Dividends | - | - | - 43,400 | - 43,400 |
| Closing equity, 31 December 2013 | 400,000 | 20,000 | 279,005 | 699,005 |
| Opening equity, 1 January 2014 | 400,000 | 20,000 | 279,005 | 699,005 |
| Profit for the period after tax | - | - | 208,203 | 208,203 |
| Total change before transactions with shareholders | - | - | 208,203 | 208,203 |
| Dividends | - | - | - 215,093 | - 215,093 |
| Closing equity, 30 September 2014 | 400,000 | 20,000 | 272,116 | 692,116 |

Cash flow statement

Amounts in SEK thousand

| | 2014 Jan-Sep | 2013 Jan-Sep | 2013 Jan-Dec |
|--|--------------------|--------------------|--------------------|
| Operating activities | | | |
| Operating profit | 266,928 | 214,521 | 276,227 |
| Adjustment of items not included in cash flow | | | |
| Unrealised portion of net result of financial transactions | - 2,814 | - 9,365 | - 14,371 |
| Depreciation, amortisation and impairment | 2,371,180 | 2,306,343 | 3,094,561 |
| Credit losses | 16,928 | 6,502 | 5,582 |
| Disposal of intangible non-current assets | - | - | 3,441 |
| Tax paid | - | - | - 61,134 |
| Changes in operating assets and liabilities | | | |
| Chargeable treasury bills etc. | 119,914 | - 26,686 | - 267,058 |
| Lending to credit institutions | 1,382,903 | - 583,141 | - 809,913 |
| Lending to the public | - 57,703 | 822,691 | 602,045 |
| Bonds and other interest-bearing securities | 434,347 | - 271,169 | - 637,211 |
| Other assets | 7,646 | 129,162 | 172,164 |
| Liabilities to credit institutions | - | - 750,000 | - 750,000 |
| Borrowing from the public | - 697,493 | 1,577,227 | 2,477,925 |
| Securities issued | - 721,478 | - 501,311 | - 661,168 |
| Other liabilities | 36,316 | 62,595 | - 4,483 |
| Cash flows from operating activities | 3,156,674 | 2,977,368 | 3,426,607 |
| Investing activities | | | |
| Acquisition of intangible non-current assets | - | - 2,189 | - |
| Investments in shares and participations | - | - | - 2,487 |
| Acquisition of property, plant and equipment | - 5,464,018 | - 5,232,608 | - 6,463,201 |
| Sale of property, plant and equipment | 2,522,436 | 2,300,829 | 3,082,481 |
| Cash flows from investing activities | - 2,941,582 | - 2,933,968 | - 3,383,207 |
| Financing activities | | | |
| Dividend paid | - 215,093 | - 43,400 | - 43,400 |
| Cash flows from financing activities | - 215,093 | -43,400 | -43,400 |
| Cash flow for the period | | | |
| Cash and cash equivalents at start of year | - | - | - |
| Cash flows from operating activities | 3,156,674 | 2,977,368 | 3,426,607 |
| Cash flows from investing activities | - 2,941,582 | - 2,933,968 | - 3,383,207 |
| Cash flows from financing activities | - 215,093 | - 43,400 | - 43,400 |
| Cash and cash equivalents at the end of the period | - | - | - |

Capital base

| | Amounts in SEK thousand | | |
|-------------------------------------|-------------------------|------------------|------------------|
| | 30/09/2014 | 30/09/2013 * | 31/12/2013 * |
| Core tier 1 capital | | | |
| Equity | 483,912 | 483,912 | 483,912 |
| Share of equity of untaxed reserves | 2,685,683 | 2,685,683 | 2,685,683 |
| Intangible non-current assets | - 6,226 | - 16,275 | - 8,756 |
| AVA | - 1,974 | - | - |
| IRB shortfall | - 171,031 | - 117,228 | - 109,144 |
| Core tier 1 capital | 2,990,364 | 3,036,092 | 3,051,695 |
| Total capital base | 2,990,364 | 3,036,092 | 3,051,695 |
| Capital base according to Basel II | 2,992,338 | 3,036,092 | 3,051,695 |

Capital adequacy

| | 30/09/2014 | 30/09/2013* | 31/12/2013* |
|-----------------------------------|------------|-------------|-------------|
| Without transitional rules | | | |
| Risk-weighted assets | 13,783,561 | 15,481,088 | 15,490,638 |
| Capital adequacy ratio | 2.71 | 2.45 | 2.46 |
| Core tier 1 capital ratio, % | 21.70 | 19.61 | 19.70 |
| Capital adequacy level, % | 21.70 | 19.61 | 19.70 |
| With transitional rules | | | |
| Risk-weighted assets | 15,377,023 | 15,850,375 | 16,009,825 |
| Capital adequacy ratio | 2.43 | 2.39 | 2.38 |
| Core tier 1 capital ratio, % | 19.46 | 19.15 | 19.06 |
| Capital adequacy level, % | 19.46 | 19.15 | 19.06 |

Capital requirement and risk-weighted exposure amount

| | 30/09/2014 | | 30/09/2013 * | | 31/12/2013 * | |
|--|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|
| | Capital requirement | Risk-weighted exposure amount | Capital requirement | Risk-weighted exposure amount | Capital requirement | Risk-weighted exposure amount |
| Credit risk according to IRB ** | | | | | | |
| Corporate exposure | 302,588 | 3,782,344 | - | - | - | - |
| Household exposure | 442,858 | 5,535,727 | 440,837 | 5,510,463 | 445,901 | 5,573,763 |
| Non-credit-obligation asset exposures | 188,026 | 2,350,330 | 186,875 | 2,335,938 | 176,036 | 2,200,450 |
| Total according to IRB | 933,472 | 11,668,401 | 627,712 | 7,846,400 | 621,937 | 7,774,213 |
| Credit risk according to standardised method | | | | | | |
| Exposures to national governments or central banks | - | - | - | - | - | - |
| Exposures to federal or local autonomous bodies and authorities | - | - | - | - | - | - |
| Exposures to public bodies | 327 | 4,088 | 339 | 4,238 | 386 | 4,825 |
| Institutional exposure | 20,540 | 256,748 | 39,689 | 496,113 | 43,541 | 544,263 |
| Corporate exposure | 28,559 | 356,987 | 446,472 | 5,580,900 | 443,472 | 5,543,400 |
| Household exposure | 21,459 | 268,244 | 24,107 | 301,338 | 22,929 | 286,613 |
| Unsettled items | 890 | 11,122 | 8,469 | 105,863 | 8,850 | 110,625 |
| Covered bonds | 6,699 | 83,737 | 7,252 | 90,650 | 10,180 | 127,250 |
| Share exposures | 1,492 | 18,653 | - | - | - | - |
| Other items | 1,105 | 13,811 | 771 | 9,638 | 867 | 10,838 |
| Total according to the standardised method | 81,071 | 1,013,390 | 527,099 | 6,588,738 | 530,225 | 6,627,813 |
| Operational risk | 87,089 | 1,088,613 | 83,676 | 1,045,950 | 87,089 | 1,088,613 |
| Credit valuation adjustment (CVA) | 1,053 | 13,157 | - | - | - | - |
| Total minimum capital requirement and risk-weighted exposure amount | 1,102,685 | 13,783,561 | 1,238,487 | 15,481,088 | 1,239,251 | 15,490,638 |
| Total capital requirement according to transitional rules | 1,230,162 | 15,377,023 | 1,268,030 | 15,850,375 | 1,280,786 | 16,009,825 |

* according to the previous framework (Basel II)

** figures for 2013 are for households only and figures from 2014 onwards include both households and corporate exposures

Capital and buffer requirements

Amounts in SEK thousand

| | 30/09/2014 | | | 30/09/2013 | | | 31/12/2013 | | |
|---|-----------------------------|-----------------------------|------------------|-----------------------------|-----------------------------|------------------|-----------------------------|-----------------------------|------------------|
| | Minimum capital requirement | Capital conservation buffer | Total | Minimum capital requirement | Capital conservation buffer | Total | Minimum capital requirement | Capital conservation buffer | Total |
| Per cent | | | | | | | | | |
| Core tier 1 capital | 4.5 | 2.5 | 7.0 | 4.5 | 0.0 | 4.5 | 4.5 | 0.0 | 4.5 |
| Tier 1 capital | 6.0 | 2.5 | 8.5 | 6.0 | 0.0 | 6.0 | 6.0 | 0.0 | 6.0 |
| Total capital base | 8.0 | 2.5 | 10.5 | 8.0 | 0.0 | 8.0 | 8.0 | 0.0 | 8.0 |
| Amount | | | | | | | | | |
| Core tier 1 capital | 620,260 | 344,589 | 964,849 | 696,649 | - | 696,649 | 697,079 | - | 697,079 |
| Tier 1 capital | 827,014 | 344,589 | 1,171,603 | 928,865 | - | 928,865 | 929,438 | - | 929,438 |
| Total capital base | 1,102,685 | 344,589 | 1,447,274 | 1,238,487 | - | 1,238,487 | 1,239,251 | - | 1,239,251 |
| Total Pillar I capital requirement | | | 1,447,274 | | | 1,238,487 | | | 1,239,251 |

Lease income and accumulated net interest

Amounts in SEK thousand

| | 2014 Q3 | 2014 Q2 | 2013 Q3 | 2014 Jan-Sep | 2013 Jan-Sep | 2013 Jan-Dec |
|--|---------------|---------------|---------------|----------------|----------------|----------------|
| Income from operating and finance leases | 893,953 | 874,172 | 883,093 | 2,628,265 | 2,597,698 | 3,477,151 |
| Scheduled amortisation | - 816,387 | - 793,711 | - 795,331 | - 2,390,669 | - 2,338,190 | - 3,130,150 |
| Interest income | 121,707 | 135,164 | 147,943 | 394,093 | 444,298 | 593,590 |
| Interest expenses | - 109,222 | - 129,025 | - 158,481 | - 375,651 | - 488,750 | - 645,923 |
| Accumulated net interest | 90,051 | 86,600 | 77,223 | 256,038 | 215,056 | 294,668 |

Information about derivatives that can be offset

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

Amounts in SEK thousand

| Amounts which are not to be offset in the balance sheet | Net amount of reported financial assets ¹⁾ | Net amount of reported financial liabilities ¹⁾ | Net amount / Asset (+), Liability (-) |
|---|---|--|---------------------------------------|
| Derivatives | 93,412 | - 404 | 93,008 |

¹⁾ No 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

| 30/09/2014 | 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 etc. | - | 1,071,889 | 99,944 | - | - | 1,171,833 | 1,171,805 |
| Lending to credit institutions | 1,202,591 | - | - | - | - | 1,202,591 | 1,202,591 |
| Lending to the public | 12,521,978 | - | - | - | - | 12,521,978 | 12,497,193 |
| Bonds and other interest-bearing securities | - | 838,211 | - | - | - | 838,211 | 838,211 |
| Shares and participations in associated and other companies | - | - | - | - | 11,913 | 11,913 | - |
| Shares and participations in Group companies | - | - | - | - | 6,740 | 6,740 | - |
| Intangible non-current assets | - | - | - | - | 6,226 | 6,226 | - |
| Property, plant and equipment, inventory | - | - | - | - | 1,194 | 1,194 | - |
| Property, plant and equipment, lease items | - | - | - | - | 12,059,960 | 12,059,960 | - |
| Other assets | 474,547 | - | - | 63,389 | 130,624 | 668,560 | 668,560 |
| Prepayments and accrued income | 40,997 | - | - | - | - | 40,997 | 40,997 |
| Total assets | 14,240,113 | 1,910,100 | 99,944 | 63,389 | 12,216,657 | 28,530,203 | |

Liabilities

| 30/09/2014 | | Financial liabilities at fair value through the income statement | Non-financial liabilities | Derivatives used in hedge accounting | Other financial liabilities | Total | Fair value |
|--|--|--|---------------------------|--------------------------------------|-----------------------------|-------------------|------------|
| Liabilities to credit institutions | | - | - | - | 1,550,000 | 1,550,000 | 1,560,694 |
| Deposits and borrowing from the public | | - | - | - | 13,568,013 | 13,568,013 | 13,569,083 |
| Securities issued | | - | - | - | 7,593,030 | 7,593,030 | 7,896,874 |
| Other liabilities | | 681 | 290,531 | 152 | 342,135 | 633,500 | 633,500 |
| Accruals and deferred income | | - | 774,231 | - | 217,406 | 991,636 | 991,636 |
| Total liabilities | | 681 | 1,064,762 | 152 | 23,270,584 | 24,336,179 | |

Accounting policies

Volvofinans Bank applies legally limited IFRS, which means that the interim report is prepared in accordance with IFRS with the additions and exceptions laid down in the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the stipulations and general recommendations of the Swedish Financial Supervisory Authority on annual reporting by credit institutions and securities companies (FFFS 2008:25) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). The bank applies the same valuation and accounting policies as in the last annual report. See note 33 of the 2013 annual report for a description of the methods used to calculate fair value.

New or amended International Financial Reporting Standards that have been published but not yet applied will, in the bank's assessment, have a limited impact on the financial reports. No assessment has yet been made of IFRS 9, which becomes mandatory from 1 January 2018.



VOLVOFINANS



Volvofinans Bank AB (publ) • Corporate ID no. 556069-0967
Bohusgatan 15 • Box 198 • SE-401 23 Gothenburg, Sweden
Tel.: +46 (0)31 83 88 00 • Fax: +46 (0)31 16 26 32 • www.volvofinans.se