



Interim Report 1 January-30 June
Volvofinans Bank AB

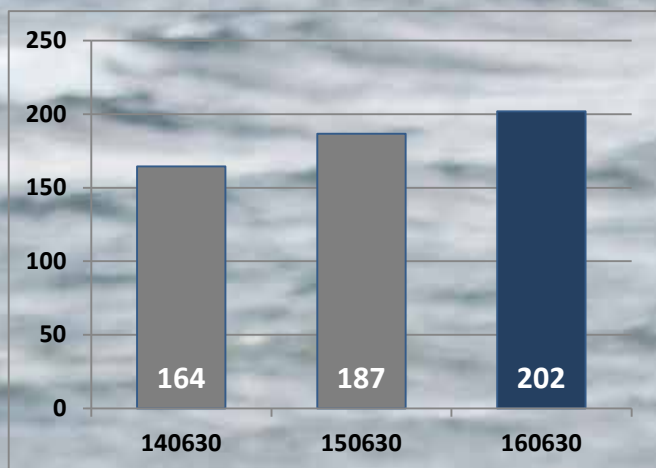
2016



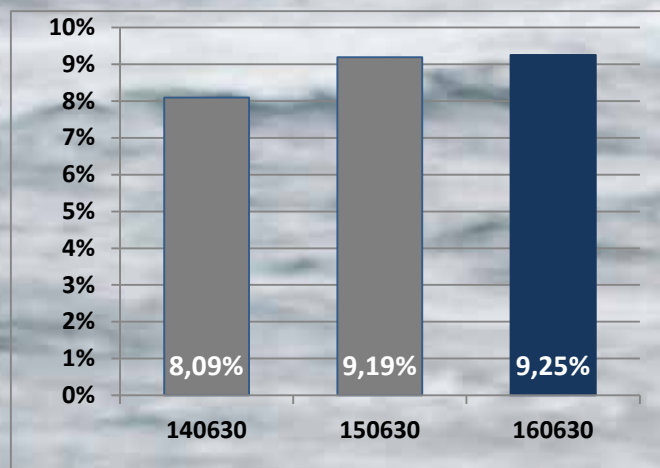
VOLVOFINANS

Summary January-June 2016

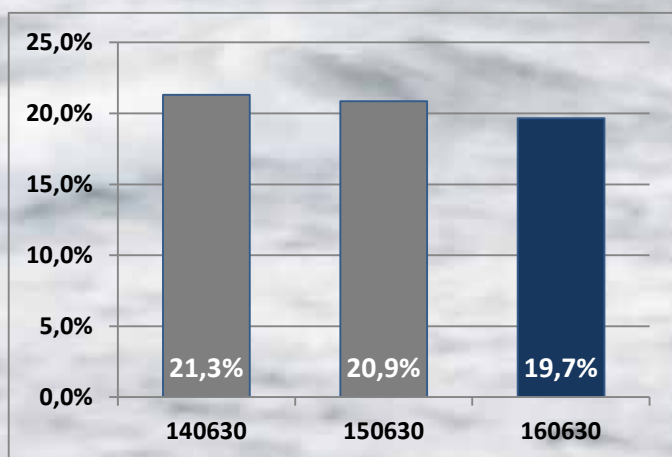
Operating profit, SEK million



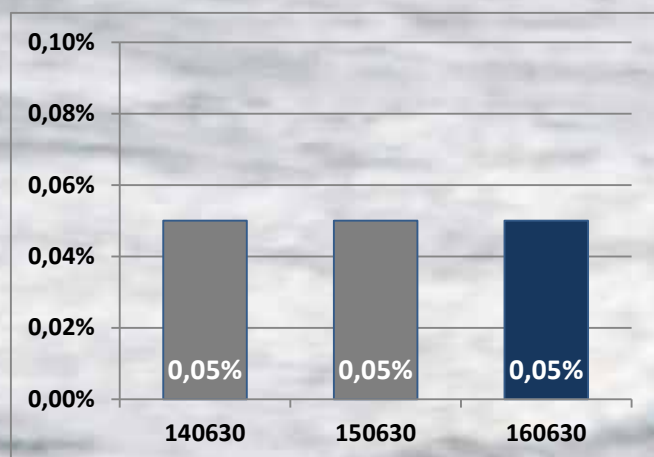
Return on equity



Common Equity tier 1 capital ratio



Credit losses/lending



Message from the President

January-June 2016 highlights

Profit before taxes: SEK 202.0 million (186.7)

Return on equity: 9.3 % (9.2)

Lending as at 30 June: SEK 30.0 billion (26.0)

Credit losses, net: SEK 7.5 million (6.7)

Common Equity Tier 1 capital ratio: 19.7 % (20.9)

A half-year profit of 202 million is Volvofinans Bank's best ever and an increase of 8% compared with the previous year. The result reflects a very strong car market, where the new-car registration record of 2015 (345,000) looks set to be broken by a forecasted 375,000 new registrations - according to industry organization BilSweden.

This strong car market has driven the bank's lending growth at a historically high rate, where lending grew by 2.6 billion or 10% over the past six months to 30 billion. The current new car boom has been driven by continued low interest rates, as well as the fact that private leasing allows more people to choose for the new car alternative. The increasingly upgraded models in the Volvo range has also driven increases in lending through higher financing arrangements. The bank's fleet business has further added additional volumes as it increased our market share in the market for large companies.

During the period January-June, lending in the business area the Fleet Finance increased by approximately 500 million SEK.

In the passenger car market, Volvo increased its market share to 20% for the first six months, where the total market increased by almost 12%. Moreover, Renault had a strong six months with several model launches as new registrations increased by 24%. Finally, both Ford and Dacia showed increased sales in this extremely strong market, although not at the same rate.

Even Volvo Trucks were able to enjoy a strong market situation (for heavy trucks >16 tonnes), where the total market increased by 22.3% for the six months. Here, Volvo Trucks increased sales by an impressive 25.5% which represents approximately 250 more vehicles than the previous year.

Fuel volumes at the Volvo dealers' fuel station chain *Tanka* continue to be higher than the previous year and the business area Volvo Card performed better than expected, especially given the considerable IT investments made during the period. Moreover, the card's credit utilization remains at a high level. Furthermore, the launch of the bank's new app for car ownership - CarPay - has exceeded our already high expectations. At time of writing, 115,000 customers have downloaded the app since its launch in mid-April.

After a record first six months behind us and with forecasts continuing to point towards a favourably strong car market, we can already anticipate a very good year for Volvofinans Bank. However, we are always prepared for changes that can come unexpectedly and happen quickly. The summer's Brexit and the coming autumn's US presidential election are just two events that can make the world around us - especially in the financial world - experience rapid change. Preparedness at "The Car Bank" is very good, with the financial capacity and good capital ratios to deal with potentially negative macro events.

Finally, I would also like to mention that the change ownership of the bank has now been finalised, following regulatory approval of Volvo Car Corporation's purchase of the Sixth AP Fund's shareholdings. In effect, this acquisition means that Volvofinans Bank is able to strengthen its ability to offer attractive financial solutions to both private and corporate customers alike, and that Volvofinans Bank's journey towards becoming an exciting digital Car Bank continues. Together with Volvo Car Corporation and the Swedish Volvo Dealers we are taking another stride towards developing smart services within all user forms that will exist in the future for our automotive customers.

Conny Bergström
President
Volvofinans Bank AB

The information herein is such that Volvofinans Bank AB (publ), org.nr 556069-0967, shall publically disclose in accordance with the laws pertaining to shares and securities (SFS 2007:528). This report was made public at 16:15 on 26 August 2016. .



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, as of 31 December 2010 Volvofinans Bank does not prepare consolidated financial statements as activities in the subsidiary are of negligible value.

Trends in volumes/lending

Volumes/lending

Sales of new passenger cars in Sweden rose by 12% compared with the same period in the previous year. A total of 187,591 passenger vehicles were registered (167,984). The number of Volvo, Renault and Ford registrations amounted to 53,518 (47,558), and their combined market share was 29% (28).

48% (44) of all passenger car business, new and used, within the Swedish Volvo dealerships generates a financial contract with Volvofinans Bank. New and used vehicle penetration is 56% (50) and 36% (35) 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 49% (47).

The total contract portfolio (loan and leasing contracts) amounted to 224,040 contracts (206,763). The truck and bus section of the contract portfolio amounts to 5,887 contracts (5,937), totalling 3% (3). The Fleet Finance administers 34,877 (29,683) vehicle fleet contracts.

Goods and services purchased using the Volvo Card totalled SEK 5.6 (5.4) billion and the number of accounts actively purchasing is half a million per month. The Volvo Truck Card was used to buy products and services to the value of SEK 196 million via the 18,200 cards.

The lending volume was SEK 30.0 billion, compared with SEK 26.0 billion in the previous year. The truck and bus share of lending was SEK 2.2 billion (2.0), which corresponds to 7% (8) of total lending. Vehicle Fleets share of the lending is SEK 5.8 billion (5.2), or 19%, and the Volvo Cards share amounts to 5%, or SEK 1.6 billion (1.6).

Volvofinans Bank's operational segments are the 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. The Fleet Finance includes the financing through leases and administration of vehicle fleets. The operating income, operating profit, number of contracts and lending volume for Volvofinans Bank's lines of business are presented in note 2. 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.

Trends in earnings performance and financial position

Profit

Volvofinans Bank's profit before credit loss expenses is SEK 209.5 million (193.3), an increase of 8%. The increase in earnings is primarily accounted for by increased lending volumes. Profit for the period increased by 8% to SEK 202.0 million (186.7).

Credit risk, credit losses and residual value risk

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 put in default for other reasons. Volvofinans Bank's problem credits for credit card receivables total SEK 12.1 million (14.3) and for loan and lease lending SEK 104.9 million (108.8).

With regard to commitments relating to loan and leasing lending, as well as the collateral in the financed items, there are recourse agreements in place meaning that the dealers bear the credit risk of SEK 94.6 million (99.4) on the balance sheet date. Credits with interest concessions or property received to provide security for receivables totals SEK 11.6 million (28.7). 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.

Borrowing and liquidity

Savings via the bank's online savings account increased during the second quarter by SEK 228 million, and thus amounted to SEK 13.2 billion (11.9) at the end of the first half of the year. Total deposits including the credit balance on the Volvo Card and deposits from Volvo dealerships amounted to SEK 14.9 billion (13.8), and accounted for 53% (56) of the bank's financing.

Demand for the bank's securities has remained very good. Bonds worth SEK 2.7 billion were issued during the first half of the year, SEK 1.5 billion during the second quarter. At the end of the year, outstanding financing via the bank's market loans programme amounts to a nominal SEK 11.8 billion (9.9).

In addition to market borrowing, operations are financed through bank loans, which amount to SEK 1.4 billion (1.0). The share of long-term financing, outstanding bonds and bank loans, amounted to 78% (68).

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.

At 30 June, the liquidity reserve totalled SEK 3.4 billion (3.5), of which the securities portfolio constituted SEK 1.8 billion (52%) and independent deposits at other banks SEK 1.6 billion (48%). Volvofinans Bank's liquidity reserve must be no less than 10% of lending at all times. At the end of the first half this proportion was 11% (13). In addition to the liquidity reserve, unutilised available credit facilities totalled SEK 4.2 billion (3.7).

Volvofinans Bank's liquid coverage ratio (LCR), calculated in accordance with Article 415 of the EU Capital Requirements Regulation (CRR), totalled 188% at the end of June. NSFR (Net Stable Funding Ratio) according to Volvofinans Bank's interpretation of the Basel Committee's new recommendation (BCBS295) was 145%.

Capital adequacy

Volvofinans Bank calculates most of the credit risk using its internal risk classification method (IRB) following the approval by the Swedish Financial Supervisory Authority in 2014 of Volvofinans Bank's application to calculate the corporate portfolio using IRB. The core tier 1 capital ratio was 19.66% (20.86). Gross equity ratio amounted to 9.49% (9.88).

Other significant information

Significant risks and factors of uncertainty

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 not only a liquidity reserve, but also agreed credit facilities that can be utilised at short notice.

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 the 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:	A3
-	Outlook:	Stable

There have been no changes to the credit rating during the period. A detailed and current analysis from Moody's can be found on our website, under the heading "About Volvofinans Bank".

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, August 2016

Urmas Kruusval
Chairman of the Board of Directors

Synnöve Trygg
Vice Chairman of the Board of Directors

Tommy Andersson
Board Member

Anders Gustafsson
Board Member

Margareta Alestig Johnson
Board Member

Bob Persson
Board Member

Conny Bergström
President and CEO

Calendar

18 November 2016 Interim Report January–September

Certificate

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.

The reports will be available on our website, volvofinans.se.

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

Examination

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

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

KPI

	30/06/2016	30/06/2015	31/12/2015
Return on equity, %	9.25	9.19	8.93
Risk capital/Balance sheet total, %	12.39	12.94	12.60
Deposits/Lending, %	49.57	52.91	52.33
Operating profit/Risk-weighted assets, %	2.43	2.58	2.43
Total capital ratio, %	19.66	20.86	21.79
CET 1 capital ratio, %	19.66	20.86	21.79
Credit losses/Lending, %	0.05	0.05	0.04
E/I ratio	0.49	0.47	0.50
E/I ratio, excl. credit losses	0.47	0.45	0.48

Income statement

Amounts in SEK thousand

	2016 Q2	2016 Q1	2015 Q2	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Interest income	98,640	97,702	101,367	196,341	211,878	402,487
Lease income	999,599	950,125	897,417	1,949,724	1,784,466	3,619,222
Interest expenses	-43,700	-45,790	-64,150	-89,490	-144,638	-251,689
Net interest, Note 4	1,054,539	1,002,037	934,634	2,056,575	1,851,706	3,770,020
Dividends received	1,380	588	421	1,969	1,108	2,062
Commission income	94,318	84,415	90,570	178,733	176,965	358,770
Commission expenses	-5,912	-5,327	-4,659	-11,239	-9,297	-22,302
Net result of financial transactions*	627	1,529	-1,353	2,157	-4,932	-5,895
Other operating income	604	374	228	977	228	1,375
Total operating income	1,145,556	1,083,616	1,019,841	2,229,172	2,015,778	4,104,030
General administration expenses	-79,401	-74,026	-71,536	-153,426	-143,443	-280,192
Depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets, Note 4	-955,566	-887,471	-837,861	-1,843,038	-1,661,102	-3,403,677
Other operating expenses	-13,399	-9,833	-8,776	-23,232	-17,910	-45,274
Total operating expenses	-1,048,366	-971,330	-918,173	-2,019,696	-1,822,455	-3,729,143
Profit before credit losses	97,190	112,286	101,668	209,476	193,323	374,887
Credit losses, net, Note 5	-3,860	-3,646	-1,731	-7,506	-6,660	-11,858
Profit before appropriations and tax	93,330	108,640	99,937	201,970	186,663	363,029
Appropriations	-	-	-	-	-	-362,580
Tax	-20,532	-23,901	-21,986	-44,433	-41,066	-449
Profit	72,798	84,739	77,951	157,536	145,597	-
* Net result of financial transactions consists of interest-bearing securities and related derivatives.						
Interest-bearing securities and related derivatives	627	1,529	-1,353	2,157	-4,932	-5,895
Profit	627	1,529	-1,353	2,157	-4,932	-5,895

Balance sheet

	Amounts in SEK thousand		
	30/06/2016	30/06/2015	31/12/2015
Chargeable treasury bills etc.	839,173	1,301,325	1,080,515
Lending to credit institutions	1,640,842	1,290,950	1,998,980
Lending to the public	14,515,234	12,920,259	13,690,417
Bonds and other interest-bearing securities	934,536	885,363	835,501
Shares and participations in associated and other companies	16,797	14,735	16,797
Shares and participations in Group companies	6,742	6,740	6,742
Intangible non-current assets	8,423	6,861	7,874
Property, plant and equipment, inventory	1,629	1,504	1,535
Property, plant and equipment, lease items	15,498,204	13,107,749	13,691,740
Other assets*	653,158	578,685	638,979
Prepayments and accrued income	57,449	47,464	32,177
Total assets, Note 12	34,172,187	30,161,635	32,001,257
Liabilities to credit institutions	1,350,000	1,000,000	1,000,000
Deposits and borrowing from the public	14,877,160	13,772,458	14,329,062
Securities issued	11,808,993	9,877,821	10,856,491
Other liabilities*	786,626	666,899	788,450
Accruals and deferred income	1,116,801	942,237	949,117
Total liabilities	29,939,580	26,259,415	27,923,120
Untaxed reserves	2,844,225	2,481,645	2,844,225
Equity	1,186,412	1,233,912	1,233,912
Operating profit	201,970	186,663	-
Total liabilities and equity, Note 12	34,172,187	30,161,635	32,001,257
* Of which derivative instruments with positive and negative market value			
Derivative instruments with positive market value	26,225	24,261	25,698
Derivative instruments with negative market value	-579	-3,242	-4,801

Change in equity

	Amounts in SEK thousand				
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Equity
Opening equity, 1 January 2015	400,000	20,000	-	1,071,183	1,491,183
Profit for the period after tax	-	-	-	145,598	145,598
Total change before transactions with shareholders	-	-	-	145,598	145,598
Dividend	-	-	-	-257,271	-257,271
Closing equity, 30 June 2015	400,000	20,000	-	959,510	1,379,510
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Equity
Opening equity, 1 January 2015	400,000	20,000	-	1,071,183	1,491,183
Net income after taxes	-	-	-	-	-
Total change before transactions with shareholders	-	-	-	-	-
Dividend	-	-	-	-257,271	-257,271
Closing equity, 31 December 2015	400,000	20,000	-	813,912	1,233,912
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Equity
Opening equity, 1 January 2016	400,000	20,000	-	813,912	1,233,912
Profit for the period after tax	-	-	-	157,536	157,536
Transfer self-generated development costs	-	-	1,727	-1,727	-
Total change before transactions with shareholders	-	-	1,727	155,809	157,536
Dividend	-	-	-	-47,500	-47,500
Closing equity, 30 June 2016	400,000	20,000	1,727	922,221	1,343,948

Cash flow statement

Amounts in SEK thousand

	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Operating activities			
Operating profit	201,970	186,663	363,029
Adjustment of items not included in cash flow			
Unrealised portion of net result of financial transactions	-5,895	-4,932	-5,895
Depreciation, amortisation and impairment	1,849,783	1,658,813	3,420,208
Credit losses	6,182	7,245	19,135
Tax paid	56,339	-249,852	-284,745
Changes in operating assets and liabilities			
Chargeable treasury bills etc.	241,343	-130,479	90,331
Lending to the public	-831,257	-276,643	-1,058,273
Bonds and other interest-bearing securities	-99,036	-48,066	1,797
Other assets	-95,532	256,212	245,231
Liabilities to credit institutions	350,000	-550,000	-550,000
Deposits and borrowing from the public	548,098	-1,093	555,511
Securities issued	952,502	1,599,062	2,577,731
Other liabilities	171,755	-110,182	19,214
Cash flows from operating activities	3,346,252	2,336,749	5,393,274
Investing activities			
Capitalised development expenditure	-1,727	-2,405	-4,412
Investments in shares and participations	-	-	-2,064
Acquisition of property, plant and equipment	-5,759,665	-4,408,539	-8,080,394
Sale of property, plant and equipment	2,104,502	1,837,636	3,165,066
Cash flows from investing activities	-3,656,890	-2,573,308	-4,921,804
Financing activities			
Dividend paid	-47,500	-257,271	-257,271
Cash flows from financing activities	-47,500	-257,271	-257,271
Cash flow for the period			
Cash and cash equivalents at the beginning of the period	1,998,980	1,784,781	1,784,781
Cash flows from operating activities	3,346,252	2,336,749	5,393,274
Cash flows from investing activities	-3,656,890	-2,573,308	-4,921,804
Cash flows from financing activities	-47,500	-257,271	-257,271
Cash and cash equivalents at the end of the period	1,640,842	1,290,950	1,998,980



Notes

Note 1 Accounting principles

Volvofinans Bank applies legally limited IFRS, which means that the interim report has been prepared in accordance with IFRS with the additions and exceptions set out 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) in accordance with the amendment provisions in FFFS 2009:11 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL).

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. A preliminary study has been initiated concerning IFRS 9, which becomes mandatory from 1 January 2018.

Note 2 Segment reporting

Amounts in SEK thousand

Jan-June 2016	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	155,621	19,407	68,540	143,389	386,957
Operating expenses**, SEK thousand	-40,877	-10,008	-36,102	-90,494	-177,481
Credit losses, SEK thousand	32	-380	-260	-6,898	-7,506
Operating profit, SEK thousand	114,776	9,019	32,178	45,997	201,970
Interest-bearing lending volume Ø, SEK million	18,649	2,373	5,823	986	27,831
Number of contracts, Ø	185,294	5,824	66,810	-	257,928
Number of active accounts, Ø	-	1,847	-	427,707	429,554

Jan-June 2015	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	124,210	15,966	66,140	146,806	353,122
Operating expenses**, SEK thousand	-40,778	-7,659	-27,964	-83,398	-159,799
Credit losses, SEK thousand	136	-132	157	-6,821	-6,660
Operating profit, SEK thousand	83,568	8,175	38,333	56,587	186,663
Interest-bearing lending volume Ø, SEK million	16,143	2,099	5,353	1,084	24,679
Number of contracts Ø	169,118	5,888	60,886	-	235,892
Number of active accounts, Ø	-	1,881	-	454,122	456,003

* Operating income including depreciation and impairment of lease items.

** Including depreciation/amortisation of property, plant and equipment and intangible non-current assets excluding depreciation and impairment of lease items.



Note 3 Information on loan and leasing contracts

Jan-June 2016	Loans	Leases	Total
Number of contracts	120,157	103,883	224,040
Average contract, SEK thousand	107	167	135
Collateral value, SEK million	12,864	17,315	30,179
Credit utilised, SEK million	12,207	15,096	27,303
Loan-to-value ratio	95	87	90
Market value, SEK million	18,033	16,531	34,565
Surplus value, SEK million	5,826	1,435	7,261
Surplus value, %	47	9	26

Jan-June 2015	Loans	Leases	Total
Number of contracts	114,714	92,049	206,763
Average contract, SEK thousand	102	169	132
Collateral value, SEK million	11,739	15,570	27,309
Credit utilised, SEK million	10,921	13,357	24,278
Loan-to-value ratio	93	86	89
Market value, SEK million	15,757	13,995	29,752
Surplus value, SEK million	4,837	637	5,474
Surplus value, %	44	5	23

Note 4 Lease income and accumulated net interest

	Amounts in SEK thousand					
	2016 Q2	2016 Q1	2015 Q2	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Income from operating and finance leases	999,599	950,125	897,417	1,949,724	1,784,466	3,619,222
Depreciation and impairment	-954,777	-886,723	-837,223	-1,841,500	-1,659,705	-3,400,899
Interest income	98,640	97,702	101,367	196,341	211,878	402,487
Interest expenses	-43,700	-45,790	-64,150	-89,490	-144,638	-251,689
Accumulated net interest	99,761	115,314	97,411	215,075	192,001	369,121

Note 5 Credit losses, net

Credit losses, net	Amounts in SEK thousand		
	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Specific provision for collectively valued receivables *			
Write-off of confirmed credit losses for the period	-7,326	-7,287	-16,501
Impairment for the period	-6,165	-7,662	-5,882
Received from previous years' confirmed credit losses	432	464	1,201
Reversed provisions no longer required for probable credit losses	5,583	6,511	6,937
Net cost for specific provisions for collectively valued receivables for the period	-7,476	-7,974	-14,245
Collective provision for losses incurred but not yet reported **			
Impairment for the period	-2,407	-2,048	-2,878
Reversed provisions no longer required for probable credit losses	2,377	3,362	5,265
Net cost for the period for collective provisions	-30	1,314	2,387
Credit losses, net	-7,506	-6,660	-11,858

* Relates to credit losses on receivables individually identified as uncertain and 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.

Note 6 Capital base

	Amounts in SEK thousand		
	30/06/2016	30/06/2015	31/12/2015
Common Equity Tier 1 capital			
Equity	1,186,412	1,233,912	1,186,412
Share of equity of untaxed reserves	2,218,495	1,935,683	2,218,495
Intangible non-current assets	-8,423	-6,861	-7,874
AVA	-1,550	-2,214	-1,946
IRB shortfall	-132,246	-143,892	-130,973
Common Equity Tier 1 capital	3,262,688	3,016,628	3,264,114
Total capital base	3,262,688	3,016,628	3,264,114
Capital base according to Basel I	3,394,934	3,160,520	3,395,087

Note 7 Capital adequacy

	Amounts in SEK thousand		
	30/06/2016	30/06/2015	31/12/2015
Without transitional rules			
Risk-weighted assets	16,596,167	14,460,867	14,978,041
Tier 1 capital ratio, %	19.66	20.86	21.79
Total capital ratio, %	19.66	20.86	21.79
With transitional rules			
Risk-weighted assets	24,618,283	21,359,121	22,414,395
Tier 1 capital ratio, %	13.79	14.80	15.15
Total capital ratio, %	13.79	14.80	15.15

Note 8 Internally assessed capital requirement

	Amounts in SEK thousand		
	30/06/2016	30/06/2015	31/12/2015
Pillar I capital requirements	1,327,693	1,156,869	1,198,243
Pillar II capital requirement	365,356	295,719	336,541
Combined buffer requirements	663,847	361,522	524,231
Capital requirement	2,356,896	1,814,111	2,059,015
Capital base	3,262,688	3,016,628	3,264,114
Capital surplus	905,791	1,202,518	1,205,099

Note 9 Capital requirements and risk-weighted exposure amount

	Amounts in SEK thousand					
	30/06/2016		30/06/2015		31/12/2015	
	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	361,747	4,521,834	312,671	3,908,390	334,655	4,183,184
Household exposure	501,387	6,267,338	457,667	5,720,832	475,435	5,942,936
Non-credit-obligation asset exposures	231,130	2,889,124	212,039	2,650,489	199,096	2,488,700
Total according to IRB	1,094,264	13,678,296	982,377	12,279,711	1,009,186	12,614,820
Credit risk according to standardised method						
Exposures to public bodies	347	4,334	294	3,675	380	4,746
Institutional exposure	26,951	336,882	21,307	266,343	32,637	407,965
Corporate exposure	71,516	893,953	25,605	320,058	20,746	259,321
Household exposure	23,345	291,807	23,013	287,661	25,690	321,121
Unsettled items	432	5,405	189	2,367	193	2,409
Covered bonds	5,471	68,383	7,076	88,448	6,677	83,467
Share exposures	1,883	23,539	1,718	21,475	1,883	23,539
Other items	2,636	32,947	1,788	22,354	933	11,659
Total according to the standardised method	132,580	1,657,251	80,990	1,012,380	89,139	1,114,227
Operational risk	99,000	1,237,501	92,768	1,159,598	99,000	1,237,501
Credit valuation adjustment (CVA)	1,849	23,119	734	9,179	919	11,493
Total minimum capital requirement and risk-weighted exposure amount	1,327,693	16,596,167	1,156,869	14,460,867	1,198,243	14,978,041
Total capital requirement according to transitional rules	1,969,463	24,618,283	1,708,730	21,359,121	1,793,152	22,414,395

Note 10 Capital and buffer requirements

	Amounts in SEK thousand								
	30/06/2016			30/06/2015			31/12/2015		
	Core tier 1 capital	Tier 1 capital	Total capital base	Core tier 1 capital	Tier 1 capital	Total capital base	Core tier 1 capital	Tier 1 capital	Total capital base
Per cent									
Minimum capital requirement	4.5	6.0	8.0	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	2.5	2.5	2.5
Countercyclical buffer	1.5	1.5	1.5	0.0	0.0	0.0	1.0	1.0	1.0
Total	8.5	10.0	12.0	7.0	8.5	10.5	8.0	9.5	11.5
Amount									
Minimum capital requirement	746,828	995,770	1,327,693	650,739	867,652	1,156,869	674,012	898,682	1,198,243
Capital conservation buffer	414,904	414,904	414,904	361,522	361,522	361,522	374,451	374,451	374,451
Countercyclical buffer	248,943	248,943	248,943	-	-	-	149,780	149,780	149,780
Total capital requirement	1,410,674	1,659,617	1,991,540	1,012,261	1,229,174	1,518,391	1,198,243	1,422,914	1,722,475
Total Pillar I capital requirement			1,991,540			1,518,391			1,722,475

Note 11 Gross solvency

	Amounts in SEK thousand		
	30/06/2016	30/06/2015	31/12/2015
Core capital	3,262,688	3,016,628	3,264,114
Exposure measure	34,381,115	30,519,847	32,323,450
Gross solvency ratio, %	9.49	9.88	10.10

Note 12 Carrying amount by category of financial instrument and information about fair value

Methods for determining fair value.

The financial instruments measured at fair value by the Bank in its balance sheet are the derivative instruments and the chargeable treasury bills, other chargeable securities, and the bonds & other interest bearing securities classified at fair value in accordance with IFRS 13 Measurement of fair value. Since 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. Only observable market data is used for discounting (Level 2). Chargeable treasury bills, other chargeable securities and bonds and other interest-bearing securities are considered to have prices on an active market (Level 1). "Active market" indicates that listed prices for financial instruments are easily and regularly available on a stock exchange, with a dealer or broker, or via other companies that provide price information. The price must represent actual and regularly occurring transactions based on the buying rate on the balance sheet date, without any adjustment or supplement for transaction costs at the time of acquisition. There have been no transfers between levels during the year. Other categories of financial instruments belong to Level 3.

Disclosures about fair value of lending to the public have been calculated by discounting contractual cash flows using discount rates based on a current spread of loans. Disclosures about fair value of liabilities to credit institutions, securities issued and subordinated liabilities have been calculated using estimated, current spreads of borrowings.

The financial assets classified as investments held to maturity are valued on the balance sheet at their amortised cost. Investments held to maturity have been market valued in accordance with quoted prices on an active market; no chargeable treasury bills are included here.

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

Amounts in SEK thousand					
	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Assets, Jan-June 2016					
Chargeable treasury bills etc.	839,173	-	-	839,173	839,173
Lending to credit institutions	-	1,640,842	-	1,640,842	1,640,842
Lending to the public	-	14,472,017	-	14,472,017	14,515,234
Bonds and other interest-bearing securities	684,513	250,023	-	934,536	934,536
Other assets	-	-	653,158	653,158	653,158
Prepayments and accrued income	-	-	57,449	57,449	57,449
Total	1,523,686	16,362,882	710,607	18,597,175	18,640,392
Liabilities, Jan-June 2016					
Liabilities to credit institutions	-	1,332,528	-	1,332,528	1,350,000
Deposits and borrowing from the public	-	14,877,179	-	14,877,179	14,877,160
Securities issued	11,810,575	-	-	11,810,575	11,808,993
Other liabilities	-	786,626	-	786,626	786,626
Accruals and deferred income	-	-	1,116,801	1,116,801	1,116,801
Total	11,810,575	16,996,333	1,116,801	29,923,709	29,939,580
Assets, Jan-June 2015					
Chargeable treasury bills etc.	1,301,325	-	-	1,301,325	1,301,325
Lending to credit institutions	-	1,290,950	-	1,290,950	1,290,950
Lending to the public	-	12,904,580	-	12,904,580	12,920,259
Bonds and other interest-bearing securities	885,363	-	-	885,363	885,363
Other assets	-	-	578,685	578,685	578,685
Prepayments and accrued income	-	-	47,464	47,464	47,464
Total	2,186,688	14,195,530	626,149	17,008,367	17,024,046
Liabilities, Jan-June 2015					
Liabilities to credit institutions	-	999,107	-	999,107	1,000,000
Deposits and borrowing from the public	-	13,771,869	-	13,771,869	13,772,458
Securities issued	9,930,882	-	-	9,930,882	9,877,821
Other liabilities	-	666,899	-	666,899	666,899
Accruals and deferred income	-	-	942,237	942,237	942,237
Total	9,930,882	15,437,875	942,237	26,310,994	26,259,415

Fair value assets and liabilities by category

Assets

Amounts in SEK thousand

	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
30/06/2016							
Chargeable treasury bills etc.	-	839,173	-	-	-	839,173	839,173
Lending to credit institutions	1,640,842	-	-	-	-	1,640,842	1,640,842
Lending to the public	14,515,234	-	-	-	-	14,515,234	14,472,017
Bonds and other interest-bearing securities	-	684,513	250,023	-	-	934,536	934,536
Shares and participations in associated and other companies	-	-	-	-	16,797	16,797	-
Shares and participations in Group companies	-	-	-	-	6,742	6,742	-
Intangible non-current assets	-	-	-	-	8,423	8,423	-
Property, plant and equipment, inventory	-	-	-	-	1,629	1,629	-
Property, plant and equipment, lease items	-	-	-	-	15,498,204	15,498,204	-
Other assets	438,511	-	-	26,225	188,422	653,158	653,158
Prepayments and accrued income	57,449	-	-	-	-	57,449	57,449
Total assets	16,652,036	1,523,686	250,023	26,225	15,720,217	34,172,187	

Liabilities

	Financial liabilities recognised at fair value in the income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
30/06/2016						
Liabilities to credit institutions	-	-	-	1,350,000	1,350,000	1,332,528
Deposits and borrowing from the public	-	-	-	14,877,160	14,877,160	14,877,179
Securities issued	-	-	-	11,808,993	11,808,993	11,810,575
Other liabilities	579	277,013	-	509,034	786,626	786,626
Accruals and deferred income	-	1,063,580	-	53,221	1,116,801	1,116,801
Total liabilities	579	1,340,593	-	28,598,408	29,939,580	

Assets

Amounts in SEK thousand

	Loan and trade receivables	Financial assets recognised at fair value in the income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
30/06/2015							
Chargeable treasury bills etc.	-	1,301,325	-	-	-	1,301,325	1,301,325
Lending to credit institutions	1,290,950	-	-	-	-	1,290,950	1,290,950
Lending to the public	12,920,259	-	-	-	-	12,920,259	12,904,580
Bonds and other interest-bearing securities	-	885,363	-	-	-	885,363	885,363
Shares and participations in associated and other companies	-	-	-	-	14,735	14,735	-
Shares and participations in Group companies	-	-	-	-	6,740	6,740	-
Intangible non-current assets	-	-	-	-	6,861	6,861	-
Property, plant and equipment, inventory	-	-	-	-	1,504	1,504	-
Property, plant and equipment, lease items	-	-	-	-	13,107,749	13,107,749	-
Other assets	378,717	-	-	24,261	175,707	578,685	578,685
Prepayments and accrued income	40,997	-	-	-	6,467	47,464	47,464
Total assets	14,630,923	2,186,688	-	24,261	13,319,763	30,161,635	

Liabilities

	Financial liabilities recognised at fair value in the income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
30/06/2015						
Liabilities to credit institutions	-	-	-	1,000,000	1,000,000	999,107
Deposits and borrowing from the public	-	-	-	13,772,458	13,772,458	13,771,869
Securities issued	-	-	-	9,877,821	9,877,821	9,930,882
Other liabilities	766	319,410	2,476	344,247	666,899	666,899
Accruals and deferred income	-	780,404	-	161,833	942,237	942,237
Total liabilities	766	1,099,814	2,476	25,156,359	26,259,415	

Note 13 Events after the end of the quarter

Pursuant to the Swedish Financial Supervisory Authority and the EU Competition Network's approval, the Volvo Car Corporation on 16 August 2016 acquired the Sixth AP Fund's shares in Volvofinans Bank AB. Volvofinans Bank AB is now 50% owned by Volvo Cars and 50% owned by Swedish Volvo dealerships through the company AB Volverkinvest.



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