

YEAR-END REPORT / VOLVOFINANS BANK AB

2016

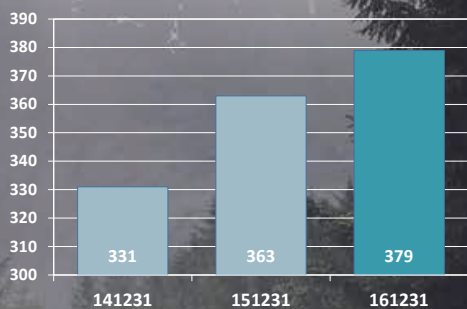


VOLVOFINANS

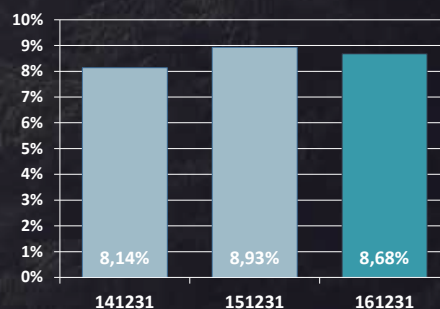
Summary

January - December 2016

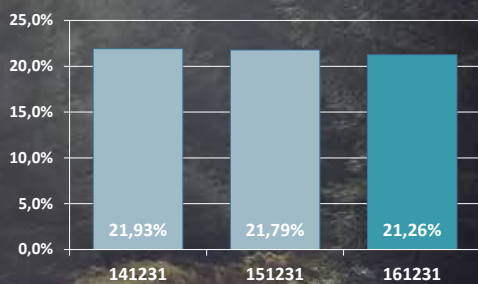
Operating profit, SEK million



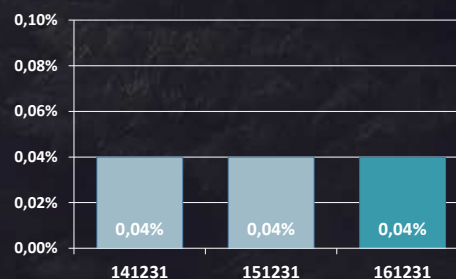
Return on equity



Common equity tier 1 capital ratio



Credit losses/lending



Message from the President

January - December 2016 highlights

Profit before appropriations and tax: SEK 379.0 million (363.0)

Return on equity: 8.7% (8.9)

Lending as at 31 December: SEK 31.2 billion (27.4)

Net credit losses: SEK 13.5 million (11.9)

Common tier 1 capital ratio: 21.3% (21.8)

2016 was, yet again, a record year for Swedish new car sales with more than 372,000 registrations, up by almost 8% from last year's previous record of 345,000. The new car market was driven by a strong economy, extremely low interest rates and an increased interest in private leasing. Moreover, there has been great interest shown in Volvo Cars' new models and the combination of ordering both new and existing models simultaneously has been very successful.

We can also state that Volvofinans Bank has delivered record profits for the third year in a row, amounting to 379 million (363) with lending growing by 3.8 billion. Credit losses, in percentual terms, remain in line with last year and the Common tier 1 capital ratio remained above 21%. In short, an increase in profits, secure and stable as per usual and in line with the bank's business model and risk appetite.

The business area Sales Finance Cars continues to benefit from a strong car market. This increase in sales of both passenger cars and light commercial vehicles has also strengthened the Swedish Volvo dealers by having larger stocks of both newer and used cars, which has also created new opportunities in the service market.

Through better packaged loan and lease products, the bank has also managed to increase its penetration in the number of financed cars. This, along with a growing market, created the strong growth in loans and contributed to the record profits. It is also positive that the order book of Volvo cars is higher than ever.

Also during the year, we successfully launched CarPay, which is the bank's major investment in Fintech. The reaction has greatly exceeded our expectations and since its launch in April 2016, around 200,000 customers have downloaded and logged into the app. CarPay's promise is to create a smarter car-ownership solution for the customer. Thus, via integrated solutions in the eco-system for car ownership - in all its forms - the bank wants to offer better car-ownership economics, as well as saving time for its customers. Moreover, a number of exciting launches incorporating new functionality is planned for the year.

Within the framework of our credit card business, fuel volumes have increased in a market that has remained relatively unchanged - which is again very positive. Meanwhile, card commissions have decreased in light of the new EU regulatory framework at a time when the financial statements have been burdened by higher costs, primarily related to our new digital mobile IT infrastructure. This new venture is primarily cost-driven and at the same time planned.

In the Fleet Finance, the bank has been very successful in competing with other banks and financial institutions during 2016. In this particular business area, with larger companies being the target audience, the market has grown by 1%, while Volvofinans Bank has grown by 10%. With customers appreciating the bank's user-friendly management tools - which is an important competitive factor - efforts to digitize the bank's products and processes continue even in this business area.

In the business area Sales Finance Trucks, the market for heavy trucks (over 16 tonnes) grew by 22% with Volvo becoming the biggest on the market, beating Scania to the top-spot with a strong finish. Furthermore, in order to further boost our competitiveness in this business area we have increased our investments in personnel and IT.

The guiding principle of the bank's strategy going forward is innovation with a foundation built on security. By continuing to develop smart features that make car usage simpler, we will create new opportunities to finance the customer's auto-related consumption. In the future, we will also see a number of new features being developed by both Volvo Cars and Volvo Trucks, where payment flows are handled seamlessly. Thus, through its investment in digital technology, the bank is well-equipped to meet its owners' and partners' needs for new services such as internet sales, car-sharing and other subscription services.

After yet another record year, we now look forward to an exciting 2017, where Volvofinans Bank has all the prerequisites to deliver a good result. Volvo Cars is doing better than ever with the launch of exciting new models and Volvo Trucks continues to develop positively. Together with our solid and fiercely competitive Volvo dealers, we can offer difficult-to-beat finance deals on a - according to forecasts - slightly cooler, but still very strong car market.

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 8:30 on 23rd February 2017.



Financial Reports

Ownership/Operations

Since the establishment in 1959, Volvofinans Bank has been 50% owned by the Swedish Volvo dealerships via their holding company, AB Volverkinvest. In August 2016, Volvo Car Corporation acquired the Sixth AP Fund's shares and now owns 50% (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 dormant subsidiaries. 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 Bank does not prepare consolidated financial statements as activities in the subsidiaries are of negligible value.

Trends in volumes/lending

Volumes/lending

Sales of new passenger cars in Sweden rose by 8% compared with the same period in the previous year. A total of 372,318 passenger vehicles were registered (345,108). The number of Volvo, Renault and Ford registrations amounted to 103,375 (99,223), and their combined market share was 28% (29).

45% (43) of all passenger vehicle transactions at Swedish Volvo dealerships, whether new and used, generates a financial contract with Volvofinans Bank. New and used vehicle penetration is 54% (49) 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 54% (50).

The total contract portfolio (loan and leasing contracts) amounted to 229,473 contracts (212,470). The truck and bus part of the contract portfolio amounted to 5,879 contracts (5,855), amounting to 3% (3). The Fleet Finance administers 36,635 (31,410) vehicle fleet contracts.

Goods and services purchased using the Volvo Card amounted to SEK 12.1 billion (11.0) and the number of accounts actively being used for purchases is half a million per month. The Volvo Truck Card was used to buy products and services to the value of SEK 399 million via the 17,992 cards.

The lending volume was SEK 31.2 billion, compared with SEK 27.4 billion in the previous year. The truck and bus section accounted for SEK 2.1 billion (2.2) of lending, equivalent to 7% (8) of total lending. The Fleet Finance share of lending was SEK 5.0 billion (5.5), or 16% (20) and the Volvo Card share amounted to 5% (6), or SEK 1.6 billion (1.5).

Volvofinans Bank's operating segments are the Volvo Card, which also includes our mobile app CarPay, Sales Finance Cars, Sales Finance Trucks and Fleet Finance. The Sales Finance Cars segment includes financing for passenger vehicles through loans and leases. Sales Finance Trucks includes the financing of loans and leases for trucks and buses, and the Volvo Truck Card. The Fleet Finance includes the financing of vehicle fleets through leases and administration. 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 392.4 million (374.9), an increase of 5%. The increase in earnings is primarily accounted for by

increased borrowing volumes. The profit for the year increased by 4% to SEK 379.0 million (363.0).

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 receivables that are defaulted, i.e. those more than 90 days overdue or put in default for other reasons. Volvofinans Bank's problem credits for credit card receivables amount to SEK 11.6 million (10.8), and for loan and lease lending SEK 84.9 million (91.3).

With regard to commitments constituting loan and leasing lending, in addition to collateral in the financed items, there are recourse agreements in place, meaning that the dealers bear the credit risk of SEK 76.3 million (82.9) on the balance sheet date. Credits with interest concessions or property received to provide security for receivables totals SEK 6.9 million (9.4). Confirmed customer losses refer to credit card transactions. Anticipated credit losses for the retail segment have been calculated using statistical risk models, while anticipated credit losses for the corporate segment have been calculated individually through a manual review.

Borrowing and liquidity

The deposit volume for savings accounts continues to grow, and in 2016 funds deposited by 1.2 billion to a balance of SEK 14.0 billion (12.8) as at 31 December. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships amounted to SEK 15.4 billion (14.3) and accounted for 53% (55) of the bank's financing.

Bonds worth SEK 4.5 billion were issued during the year, with maturities from two years up to just over five years. Commercial papers are issued at regular intervals in the market; utilisation was SEK 0.5 billion at year-end. Driven by Volvofinans Bank's continued lending growth, outstanding financing is increasing via the bank's market loan programs to a nominal SEK 12.4 billion (10.8).

In addition to deposits and market borrowing, operations were financed through bank loans amounting to SEK 1.4 billion (1.0). The proportion of long-term financing (≥ 12 months) from the market and banking sector, amounted to 75 % (70).

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. The total liquidity reserve amounted to SEK 3.6 billion (3.9). The securities portfolio amounted to SEK 2.8 billion (78%) and deposits at other banks amounted to SEK 0.8 billion (22%). The size of Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. At year-end, total lending amounted to SEK 31.2 billion, which means that the size of the liquidity reserve was equivalent to 11% (14). In addition to the liquidity reserve, unutilised and available loan facilities amounted to SEK 3.0 billion (3.7). Volvofinans Bank chose not to extend the unutilised ownership facility of SEK 1.2 billion in December.

Volvofinans Bank's liquid coverage ratio (LCR), calculated in accordance with Article 415 of the EU Capital Requirements Regulation (CRR), amounted to 119% (205) at the end of the fourth quarter, and averaged 177% during 2016. The Net Stable Funding Ratio (NSFR), according to Volvofinans Bank's interpretation of the Basel Committee's new recommendation (BCBS295), was 144% (143).

Capital adequacy

Volvofinans Bank calculates most of the credit risk on the basis of its internal ratings based approach (IRB), while the remainder is calculated according to the standardised approach. The common tier 1 capital ratio was 21.26% (21.79). The gross solvency ratio was 9.83% (10.10).

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

A detailed and current analysis from Moody's can be found on our website, under the heading "About Volvofinans Bank".

Calendar

Week 12 2017	Annual Report
23 May 2017	Interim Report, January–March
27 June 2017	Annual General Meeting
24 August 2017	Interim Report, January–June
13 November 2017	Interim Report, January–September

Certificate

The 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, 23 February 2017

Conny Bergström
President

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.

Review

This report has not been subject to special review by the bank's auditors.

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



KPI

	31/12/2016	31/12/2015
Return on equity, %	8.68	8.93
Risk capital/Balance sheet total, %	12.22	12.60
Deposits/Lending, %	49.43	52.33
Operating profit/Risk-weighted assets, %	2.30	2.42
Total capital ratio, %	21.26	21.79
CET 1 capital ratio, %	21,26	21,79
Credit losses/Lending, %	0.04	0,04
E/I ratio	0.51	0.50
E/I ratio, excl. credit losses	0.49	0.48

Definitions for alternative key ratios and key ratios defined in accordance to the rules on capital adequacy can be found under:
<https://www.volvofinans.se/om-volvofinans/investerarrelationer/rapporter/definition-av-nyckeltal/>

Income statement

	Amounts in SEK thousand				
	2016 Q4	2016 Q3	2015 Q4	2016 Jan-Dec	2015 Jan-Dec
Interest income	99,025	99,532	92,310	394,899	402,487
Lease income	1,042,787	1,026,473	921,985	4,018,985	3,619,222
Interest expenses	-45,744	-46,932	-52,605	-182,166	-251,689
Net interest, Note 4	1,096,069	1,079,074	961,690	4,231,718	3,770,020
Dividends received	-122	366	601	2,213	2,062
Commission income	84,658	89,802	94,667	353,194	358,770
Commission expenses	-7,253	-6,153	-7,618	-24,645	-22,302
Net result of financial transactions*	-2,382	-1,099	-1,919	-1,325	-5,895
Other operating income	407	361	645	1,745	1,375
Total operating income	1,171,376	1,162,351	1,048,066	4,562,899	4,104,030
General administration expenses	-88,701	-69,611	-75,558	-311,738	-280,192
Depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets, Note 4	-1,006,211	-967,373	-884,782	-3,816,622	-3,403,677
Other operating expenses	-8,716	-10,173	-20,187	-42,121	-45,274
Total operating expenses	-1,103,628	-1,047,157	-980,527	-4,170,481	-3,729,143
Profit before credit losses	67,748	115,194	67,539	392,418	374,887
Credit losses, net, Note 5	-2,719	-3,225	-2,821	-13,450	-11,858
Profit before appropriations and tax	65,029	111,969	64,718	378,968	363,029
Appropriations	-378,497	-	-362,580	-378,497	-362,580
Tax	68,963	-24,633	65,179	-471	-449
Profit	-244,976	87,336	-232,683	-	-

* Net result of financial transactions consists of interest-bearing securities and related derivatives.

Interest-bearing securities and related derivatives	-2,382	-1,099	-1,919	-1,325	-5,895
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Balance sheet

Amounts in SEK thousand

	31/12/2016	31/12/2015
Chargeable treasury bills etc.	1,040,542	1,080,515
Lending to credit institutions	786,666	1,998,980
Lending to the public	15,205,317	13,690,417
Bonds and other interest-bearing securities	1,723,526	835,501
Shares and participations in associated and other companies	19,009	16,797
Shares and participations in Group companies	6,742	6,742
Intangible non-current assets	11,123	7,874
Property, plant and equipment, inventory	1,632	1,535
Property, plant and equipment, lease items	15,976,197	13,691,740
Other assets*	670,589	638,979
Prepayments and accrued income	32,811	32,177
Total assets, Note 12	35,474,153	32,001,257
Liabilities to credit institutions	1,350,000	1,000,000
Deposits and borrowing from the public	15,412,413	14,329,062
Securities issued	12,395,088	10,856,491
Other liabilities*	787,421	788,450
Accruals and deferred income	1,120,097	949,118
Total liabilities	31,065,019	27,923,120
Untaxed reserves	3,222,722	2,844,225
Equity	1,186,412	1,233,912
Total liabilities and equity, Note 12	35,474,153	32,001,257
* Of which derivative instruments with positive and negative market value		
Derivative instruments with positive market value	18,440	25,698
Derivative instruments with negative market value	-1,777	-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
Net income after taxes	-	-	-	-	-
Total change before transactions with shareholders	400,000	20,000	-	1,071,183	1,491,183
Dividends	-	-	-	-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
Net income after taxes	-	-	-	-	-
Transfer self-generated development costs	-	-	5,973	-5,973	-
Total change before transactions with shareholders	400,000	20,000	5,973	807,939	1,233,912
Dividends	-	-	-	-47,500	-47,500
Closing equity, 31 December 2016	400,000	20,000	5,973	760,439	1,186,412

Cash flow statement

Amounts in SEK thousand

	2,016 Jan-Dec	2015 Jan-Dec
Operating activities		
Operating profit	378,968	363,029
Adjustment of items not included in cash flow		
Unrealised portion of net result of financial transactions	1,062	-5,895
Depreciation, amortisation and impairment	3,816,622	3,420,208
Credit losses	15,975	19,135
Tax paid	47,722	-284,745
Changes to the operating assets and liabilities		
Chargeable treasury bills etc.	39,973	90,331
Lending to the public	-1,530,012	-1,058,273
Bonds and other interest-bearing securities	-888,026	1,797
Other assets	-81,298	245,231
Liabilities to credit institutions	350,000	-550,000
Deposits and borrowing from the public	1,083,351	555,511
Securities issued	1,538,598	2,577,731
Other liabilities	168,888	19,214
Cash flows from operating activities	4,941,822	5,393,274
Investing activities		
Capitalised development expenditure	-6,248	-4,412
Investments in shares and participations	-2,212	-2,064
Acquisition of property, plant and equipment	-9,576,364	-8,080,394
Sale of property, plant and equipment	3,478,188	3,165,066
Cash flows from investing activities	-6,106,636	-4,921,804
Financing activities		
Dividend paid	-47,500	-257,271
Cash flows from financing activities	-47,500	-257,271
Cash flow for the year		
Cash and cash equivalents at start of year	1,998,980	1,784,781
Cash flows from operating activities	4,941,822	5,393,274
Cash flows from investing activities	-6,106,636	-4,921,804
Cash flows from financing activities	-47,500	-257,271
Cash and cash equivalents at end of year	786,666	1,998,980



Notes

Note 1 Accounting policies

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). The same accounting policies and calculation bases have been applied as in the most recent annual report.

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. With regard to IFRS 9, which must be applied from 1 January 2018, earlier entry into force is permitted since the EU accepts the standard. The bank has chosen not to put IFRS 9 into force early. The project has started.

IFRS 16 Leases is a new standard for leases which will enter into force as of 1 January 2019. A feasibility study carried out by the bank indicates that the type of lease that the bank provides has a marginal effect on the bank's customers that report in accordance with IFRS.

Note 2 Segment reporting

Volvofinans Bank's operating segments are the Sales Finance Cars, Sales Finance Trucks, Fleet Finance and the Volvo Card.

Jan-Dec 2016	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	311,730	34,164	124,718	278,670	749,282
Operating expenses**, SEK thousand	-85,676	-19,551	-69,575	-182,062	-356,864
Credit losses, SEK thousand	35	-110	320	-13,695	-13,450
Operating profit, SEK thousand	226,089	14,503	55,463	82,913	378,968
Appropriations, SEK thousand	-225,808	-14,485	-55,394	-82,810	-378,497
Tax on profit for the year, SEK thousand	-281	-18	-69	-103	-471
Profit for the year, SEK thousand	-	-	-	-	-
Lending volume Ø, SEK million	19,619	2,446	5,737	1,559	29,361
Number of contracts, Ø	171,626	5,863	61,768	-	239,257
Number of active accounts, Ø	-	1,827	-	448,413	450,240

Jan-Dec 2015	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	256,035	27,704	122,241	295,822	701,802
Operating expenses**, SEK thousand	-80,548	-15,567	-59,305	-171,495	-326,915
Credit losses, SEK thousand	197	153	252	-12,460	-11,858
Operating profit, SEK thousand	175,684	12,290	63,188	111,867	363,029
Appropriations, SEK thousand	-175,467	-12,275	-63,110	-111,728	-362,579
Tax on profit for the year, SEK thousand	-218	-15	-78	-138	-449
Net profit for the year, SEK thousands	-	-	-	-	-
Lending volume Ø, SEK million	16,514	2,120	5,566	1,577	25,777
Number of contracts, Ø	171,626	5,884	62,141	-	239,652
Number of active accounts, Ø	-	1,850	-	457,942	459,792

* 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-Dec 2016	Loans	Leases	Total
Number of contracts	122,685	106,788	229,473
Average contract, SEK thousand	110	167	136
Collateral value, SEK million	13,471	17,804	31,275
Credit utilised, SEK million	12,859	15,378	28,237
Loan-to-value ratio	95	86	90
Market value, SEK million	18,711	16,729	35,440
Surplus value, SEK million	5,852	1,351	7,203
Surplus value, %	45	8	25

Jan-Dec 2015	Loans	Leases	Total
Number of contracts	117,457	95,013	212,470
Average contract, SEK thousand	105	170	134
Collateral value, SEK million	12,365	16,195	28,560
Credit utilised, SEK million	11,635	13,921	25,556
Loan-to-value ratio	94	86	89
Market value, SEK million	17,000	14,669	31,669
Surplus value, SEK million	5,365	748	6,113
Surplus value, %	46	5	24

Note 4 Lease income and accumulated net interest

	Amounts in SEK thousand				
	2016 Q4	2016 Q3	2015 Q4	2016 Jan-Dec	2015 Jan-Dec
Income from operating and finance leases	1,042,787	1,026,473	921,986	4,018,985	3,619,222
Depreciation and impairment	-1,004,946	-966,362	-883,959	-3,812,809	-3,400,899
Interest income	99,025	99,532	92,310	394,899	402,487
Interest expenses	-45,744	-46,932	-52,605	-182,166	-251,689
Accumulated net interest	91,123	112,711	77,731	418,908	369,121

Note 5 Credit losses, net

Credit losses, net	Amounts in SEK thousand	
	2016 Jan-Dec	2015 Jan-Dec
Specific provision for collectively valued receivables *		
Write-off of confirmed credit losses for the year	-16,049	-16,501
Impairment for the year	-6,202	-5,882
Received from previous years' confirmed credit losses	1,253	1,201
Reversed provisions no longer required for probable credit losses	6,775	6,937
Net cost for specific provisions for collectively valued receivables for the year	-14,223	-14,245
Collective provision for losses incurred but not yet reported **		
Impairment for the year	-3,411	-2,878
Reversed provisions no longer required for probable credit losses	4,184	5,265
Net cost for the year for collective provisions	773	2,387
Credit losses, net	-13,450	-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	
	31/12/2016	31/12/2015
Common equity tier 1 capital		
Equity	1,112,513	1,186,412
Share of equity of untaxed reserves	2,513,723	2,218,495
Intangible non-current assets	-11,123	-7,874
AVA	-2,184	-1,946
IRB shortfall	-115,720	-130,973
Common equity tier 1 capital	3,497,209	3,264,114
Total capital base	3,497,209	3,264,114
Capital base according to Basel I	3,612,929	3,395,087

Note 7 Capital adequacy

	Amounts in SEK thousand	
	31/12/2016	31/12/2015
Without transitional rules		
Risk-weighted assets	16,449,878	14,978,041
Core capital ratio, %	21,26	21,79
Total capital ratio, %	21,26	21,79
With transitional rules		
Risk-weighted assets	25,514,599	22,414,395
Core capital ratio, %	14.16	15.15
Total capital ratio, %	14.16	15.15

Note 8 Internally assessed capital requirement

	Amounts in SEK thousand	
	31/12/2016	31/12/2015
Pillar I capital requirements	1,315,990	1,198,243
Pillar II capital requirement	360,998	336,541
Combined buffer requirements	657,995	524,231
Capital requirement	2,334,983	2,059,015
Capital base	3,497,209	3,264,114
Capital surplus	1,162,226	1,205,099

Note 9 Capital requirements and risk-weighted exposure amount

		Amounts in SEK thousand			
		31/12/2016		31/12/2015	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	
Credit risk according to IRB					
Corporate exposure	407,237	5,090,466	334,655	4,183,184	
Retail exposures	513,033	6,412,918	475,435	5,942,936	
Non-credit-obligation asset exposures	184,848	2,310,597	199,096	2,488,700	
Total according to IRB	1,105,118	13,813,981	1,009,186	12,614,820	
Credit risk according to standardised method					
Exposures to public bodies	356	4,447	380	4,746	
Institutional exposures	13,150	164,381	32,637	407,965	
Corporate exposure	53,214	665,180	20,746	259,321	
Retail exposures	23,557	294,460	25,690	321,121	
Unsettled items	1,739	21,737	193	2,409	
Covered bonds	8,978	112,230	6,677	83,467	
Share exposures	2,060	25,751	1,883	23,539	
Other items	961	12,009	933	11,659	
Total according to the standardised method	104,016	1,300,195	89,139	1,114,227	
Operational risk	105,638	1,320,477	99,000	1,237,501	
Credit valuation adjustment (CVA)	1,218	15,225	919	11,493	
Total minimum capital requirement and risk-weighted exposure amount	1,315,990	16,449,878	1,198,243	14,978,041	
Total capital requirement according to transitional rules	2,041,168	25,514,599	1,793,152	22,414,395	

Note 10 Capital and buffer requirements

		Amounts in SEK thousand					
		31/12/2016			31/12/2015		
	Common tier 1 capital ratio	Tier 1 capital	Total capital base	Common tier 1 capital ratio	Tier 1 capital	Total capital base	
Per cent							
Minimum capital requirement	4.5	6.0	8.0	4.5	6.0	8.0	
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5	2.5	
Countercyclical buffer	1.5	1.5	1.5	1.0	1.0	1.0	
Total	8.5	10.0	12.0	8.0	9.5	11.5	
Amount							
Minimum capital requirement	740,245	986,993	1,315,990	674,012	898,682	1,198,243	
Capital conservation buffer	411,247	411,247	411,247	374,451	374,451	374,451	
Countercyclical buffer	246,748	246,748	246,748	149,780	149,780	149,780	
Total capital requirement	1,398,240	1,644,988	1,973,985	1,198,243	1,422,913	1,722,475	
Total Pillar I capital requirement			1,973,985			1,722,475	

Note 11 Leverage ratio

		Amounts in SEK thousand	
		31/12/2016	31/12/2015
Core capital		3,497,209	3,264,114
Exposure measure		35,576,384	32,323,450
Gross solvency ratio, %		9.83	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 the balance sheet are derivative instruments and chargeable treasury bills, other chargeable securities, and bonds and other interest-bearing securities that are classified according to IFRS 13 Fair Value Measurement. 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 - Dec 2016					
Chargeable treasury bills etc.	1,040,542	-	-	1,040,542	1,040,542
Lending to credit institutions	-	786,666	-	786,666	786,666
Lending to the public	-	15,170,698	-	15,170,698	15,205,317
Bonds and other interest-bearing securities	1,123,419	600,107	-	1,723,526	1,723,526
Other assets	-	-	670,588	670,588	670,588
Prepayments and accrued income	-	-	32,811	32,811	32,811
Total	2,163,961	16,557,471	703,399	19,424,831	19,459,450
Liabilities, Jan - Dec 2016					
Liabilities to credit institutions	-	1,347,075	-	1,347,075	1,350,000
Deposits and borrowing from the public	-	15,412,385	-	15,412,385	15,412,413
Securities issued	12,432,897	-	-	12,432,897	12,395,088
Other liabilities	-	787,421	-	787,421	787,421
Accruals and deferred income	-	-	1,120,097	1,120,097	1,120,097
Total	12,432,897	17,546,881	1,120,097	31,099,875	31,065,019
Assets, Jan - Dec 2015					
Chargeable treasury bills etc.	1,080,515	-	-	1,080,515	1,080,515
Lending to credit institutions	-	1,998,980	-	1,998,980	1,998,980
Lending to the public	-	13,654,961	-	13,654,961	13,690,417
Bonds and other interest-bearing securities	835,501	-	-	835,501	835,501
Other assets	-	-	638,979	638,979	638,979
Prepayments and accrued income	-	-	32,177	32,177	32,177
Total	1,916,016	15,653,941	671,156	18,241,113	18,276,569
Liabilities, Jan - Dec 2015					
Liabilities to credit institutions	995,147	-	-	995,147	1,000,000
Deposits and borrowing from the public	-	14,329,091	-	14,329,091	14,329,062
Securities issued	10,841,637	-	-	10,841,637	10,856,491
Other liabilities	-	788,450	-	788,450	788,450
Accruals and deferred income	-	-	949,117	949,117	949,117
Total	11,836,784	15,117,541	949,117	27,903,442	27,923,120

Fair value assets and liabilities by category

Assets

Amounts in SEK thousand

	Loan and trade receivables	Financial assets at fair value through the income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
31/12/2016							
Chargeable treasury bills etc.	-	1,040,542	-	-	-	1,040,542	1,040,542
Lending to credit institutions	786,666	-	-	-	-	786,666	786,666
Lending to the public	15,205,317	-	-	-	-	15,205,317	15,170,698
Bonds and other interest-bearing securities	-	1,123,419	600,107	-	-	1,723,526	1,723,526
Shares and participations in associated and other companies	-	-	-	-	19,009	19,009	-
Shares and participations in Group companies	-	-	-	-	6,742	6,742	-
Intangible non-current assets	-	-	-	-	11,123	11,123	-
Property, plant and equipment, inventory	-	-	-	-	1,632	1,632	-
Property, plant and equipment, lease items	-	-	-	-	15,976,197	15,976,197	-
Other assets	458,824	31	-	18,409	193,324	670,588	670,588
Prepayments and accrued income	32,811	-	-	-	-	32,811	32,811
Total assets	16,483,618	2,163,992	600,107	18,409	16,208,027	35,474,153	

Liabilities

	Financial liabilities at fair value through the income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
31/12/2016						
Liabilities to credit institutions	-	-	-	1,350,000	1,350,000	1,347,075
Deposits and borrowing from the public	-	-	-	15,412,413	15,412,413	15,412,385
Securities issued	-	-	-	12,395,088	12,395,088	12,432,897
Other liabilities	303	270,518	1,474	515,126	787,421	787,421
Accruals and deferred income	-	1,110,060	-	10,037	1,120,097	1,120,097
Total liabilities	303	1,380,578	1,474	29,682,664	31,065,019	



Assets

Amounts in SEK thousand

	Loan and trade receivables	Financial assets at fair value through the income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
31/12/2015							
Chargeable treasury bills etc.	-	1,080,515	-	-	-	1,080,515	1,080,515
Lending to credit institutions	1,998,980	-	-	-	-	1,998,980	1,998,980
Lending to the public	13,690,417	-	-	-	-	13,690,417	13,654,961
Bonds and other interest-bearing securities	-	835,501	-	-	-	835,501	835,501
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	-	-	-	-	7,874	7,874	-
Property, plant and equipment, inventory	-	-	-	-	1,535	1,535	-
Property, plant and equipment, lease items	-	-	-	-	13,691,740	13,691,740	-
Other assets	322,210	-	-	25,698	291,071	638,979	638,979
Prepayments and accrued income	32,177	-	-	-	-	32,177	32,177
Total assets	16,043,784	1,916,016	-	25,698	14,015,759	32,001,257	

Liabilities

	Financial liabilities at fair value through the income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
31/12/2015						
Liabilities to credit institutions	-	-	-	1,000,000	1,000,000	995,147
Deposits and borrowing from the public	-	-	-	14,329,062	14,329,062	14,329,091
Securities issued	-	-	-	10,856,491	10,856,491	10,841,637
Other liabilities	583	263,291	4,218	520,358	788,450	788,450
Accruals and deferred income	-	921,815	-	27,302	949,117	949,117
Total liabilities	583	1,185,106	4,218	26,733,213	27,923,120	

Note 13 Events after the end of the period

No significant events have occurred since the end of the period.



VOLVOFINANS

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