



Interim Report 1 January-31 March
Volvofinans Bank AB

2017

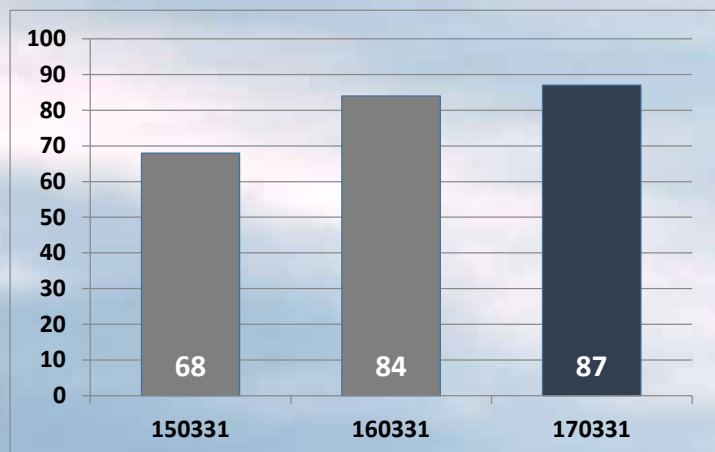


VOLVOFINANS

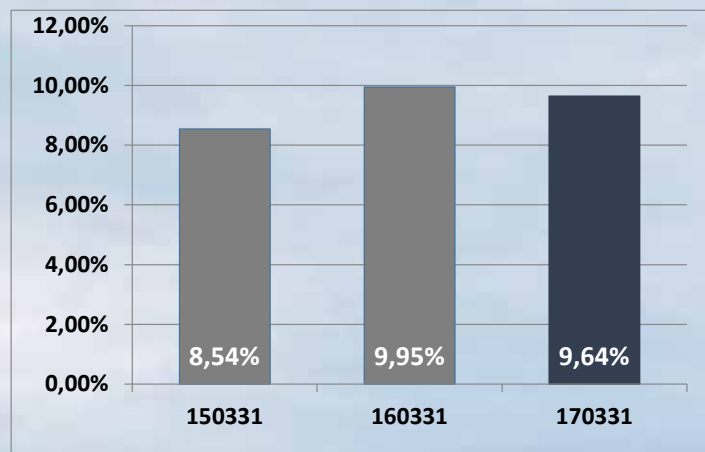
Summary

January-March 2017

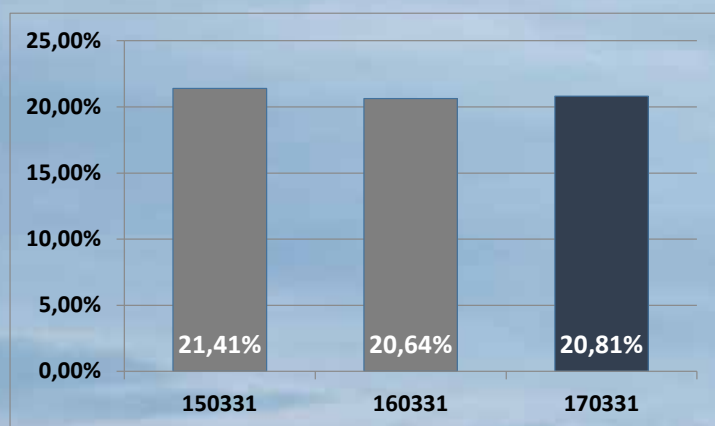
Operating profit, SEK million



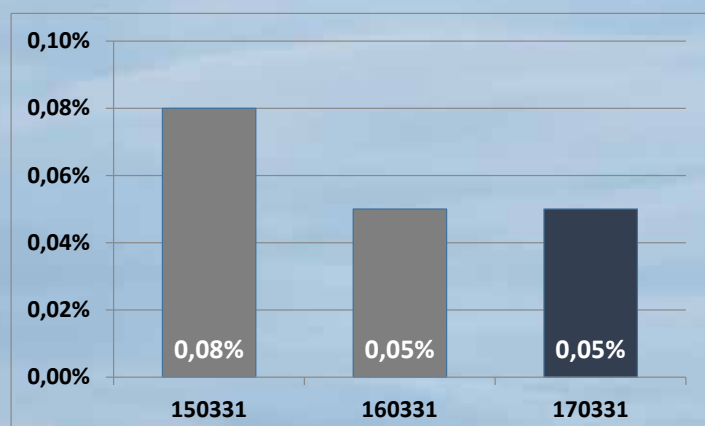
Return on equity



Common equity tier 1 capital ratio



Credit losses/lending



Message from the President

January-March 2017 highlights

Profit before taxes: SEK 112 million (108.6)

Return on equity: 9.6% (10.0)

Lending as at 31 March: SEK 32.0 billion (28.3)

Net credit losses: SEK 4.0 million (3.6)

Common equity tier 1 capital ratio: 20.8% (20.6)

Volvofinans Bank made a strong profit in the first quarter of 2017, increasing by 3% compared to the corresponding quarter last year.

This profit is a direct result of a continuously strong car market over several years, which in turn has resulted in a large vehicle population for passenger cars, as well as light and heavy trucks. This has greatly benefited the bank's products and services not only from a new sales perspective, but also from a service market perspective.

As for new car sales in March, registrations increased by over 10% compared to the same month last year, and amounted to approximately 38,400 cars. For Volvo Cars in particular, the year has started in style, with the S90 & V90 models leading the way. During the first quarter, Volvo's market share increased by 12.6% compared to an overall market increase of 7.4%. This increase can largely be attributed to a bigger share of sales to businesses. Renault / Dacia on the other hand, have lost some market share during the period. That said, even the market for light trucks remained strong and saw an increase of 13% compared to the previous year.

Our unique business model - where we work closely with our Volvo dealers - has also generated strong growth in our fleet operations, where volumes have grown more than the market compared to last year. The total market for trucks (> 16 tonnes) where both Volvo and Scania are very strong players, has increased by 14% compared to the previous year. However, Volvo Trucks, who were market winners last year, has started the year slightly worse than the previous year from a registration perspective, but nevertheless have a good order situation.

The increase in new car sales continues to drive the bank's credit volumes with lending increasing by a total of SEK 3.7 billion or 13% over 12 months. Throughout this period then, we have not only seen the greatest growth in private car purchases and the use of leasing in the Sales Finance Cars finance business area, but also an increase in lending within the Sales Finance Trucks area too.

Sales of transportation fuels have also not shown any signs of slowing down, especially given the fact that the current car stock has increased. It is also worth noting that the number of car-washes sold using the Volvo Card also hit an all-time high. These are important products for the Swedish Volvo Dealerships, as it creates an increase in purchasing frequency compared to rarely purchased products within e.g. car sales and workshops. Sales made via the Volvo card also maintained volumes whilst at the same time being burdened by high investment costs in our digital services. Nevertheless, profitability in this business area is good.

Furthermore, the bank has a major innovation and development focus and is at the forefront of digital transformation with the launch of the CarPay app a year ago showing we are on the right track. The goal for CarPay is to take an even stronger position within the Volvo Dealers' payment and loyalty concepts in the future, creating added value and increased customer benefits by utilizing digital channels.

There is very rapid development in our world and new players are constantly entering the market. At the same time, we see new opportunities for further strengthening and developing our own business in the niche area which we call 'car-related consumption' where we want to create smarter and simpler car ownership financing for our customers. All in all, this gives us great confidence when continuing to capture valuable market share whilst doing good business within our business areas.

Conny Bergström
President
Volvofinans Bank AB



Financial Statements

Ownership/Operations

Since it was established 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 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 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 increased by 7% compared with the same period in the previous year. A total of 89,404 passenger vehicles were registered (83,229). The number of Volvo, Renault and Ford registrations amounted to 25,474 (22,796), and their combined market share was 28% (27).

47% (50.0) 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% (60) and 38% (36) 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 51% (44).

The total contract portfolio (loan and leasing contracts) totalled 234,400 contracts (218,172). The truck and bus part of the contract portfolio amounted to 5,984 contracts (5,790), amounting to 3% (3). The Fleet Finance administers 38,800 (32,888) vehicle fleet contracts.

Goods and services purchased using the Volvo Card amounted to SEK 3.0 billion (2.6) 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 104 million via the 18,016 cards.

The lending volume was SEK 32.0 billion, compared with SEK 28.3 billion in the previous year. The truck and bus section accounted for SEK 2.6 billion (2.4) of lending, equivalent to 8% (8) of total lending. Vagnpark's share of lending was SEK 5.3 billion (4.8), or 17%, and the Volvo Card share amounted to 5%, or SEK 1.6 billion (1.5).

Volvofinans Bank's operating segments are Volvokort, 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 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 3.

Trends in earnings performance and financial position

Profit

Volvofinans Bank's profit before credit loss expenses is SEK 116.0 million (112.3), an increase of 3%. The increase in earnings is primarily accounted for by increased borrowing volumes. Profit for the period increased by 3% to SEK 87.4 million (84.7).

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 given default for other reasons. Volvofinans Bank's problem credits for credit card receivables total SEK 12.3 million (12.7) and for loan and lease lending SEK 90.0 million (82.1).

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 81.3 million (74.0) on the balance sheet date. Credits with interest concessions or property received to provide security for receivables totals SEK 8.0 million (8.7). 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 by means of a manual review.

Borrowing and liquidity

Deposits in the bank's savings account decreased by SEK 278 million during the first quarter, with the total savings account balance amounting to SEK 13.7 billion (12.9) at the end of the quarter. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships amounted to SEK 15.2 billion (14.6) and accounted for 50% (55) of the bank's financing.

Bonds worth SEK 1.2 billion were issued during the first quarter. As at 31 March 2017, outstanding financing via the bank's debt programmes amounted to a nominal SEK 13.4 billion (11.0).

In addition to market borrowing and deposits, the bank also financed its activities through bank credits, which amounted to SEK 1.7 billion (1.0). Long-term financing accounted for 73% (75) of outstanding bonds and bank loans. 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 4.0 billion (3.6). The securities portfolio accounted for SEK 2.8 billion (71%) and freely available deposits at other banks amounted to SEK 1.2 billion (29%). The size of Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume; as at 31 March 2017 this figure was 12.5% (13). In addition to the liquidity reserve, unutilised and available loan facilities amounted to SEK 3.5 billion (4.0).

Volvofinans Bank's liquid coverage ratio (LCR), calculated in accordance with Article 415 of the EU Capital Requirements Regulation (CRR), stood at 184% (162) at the end of the third quarter. 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 20.81% (20.64). The leverage ratio was 9.55% (9.91).

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".

Calendar

27 June 2017	Annual General Meeting
24 August 2017	Interim Report, January–June
13 November 2017	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 interim report also meets the requirements for publication under the Swedish Securities Market Act (SFS 2007:528).

Göteborg, 23 May 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

	31/03/2017	31/03/2016	31/12/2016
Return on equity, %	9.64	9.95	8.68
Risk capital/Balance sheet total, %	12.13	12.71	12.22
Deposits/Lending, %	47.34	51.57	49.43
Operating profit/Risk-weighted assets, %	2.67	2.76	2.30
Total capital ratio, %	20.81	20.64	21.26
CET 1 capital ratio, %	20.81	20.64	21.26
Credit losses/Lending, %	0.05	0.05	0.04
E/I ratio	0.45	0.43	0.51
E/I ratio, excl. credit losses	0.43	0.41	0.49

Definitions for alternative key ratios and key ratios defined in accordance with the Swedish 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					
	2017 Q1	2016 Q4	2016 Q1	2017 Jan-Mar	2016 Jan-Mar	2016 Jan-Dec
Interest income	103,538	99,025	97,702	103,538	97,702	394,899
Lease income	1,090,173	1,042,787	950,125	1,090,173	950,125	4,018,985
Interest expenses	-42,457	-45,744	-45,790	-42,457	-45,790	-182,166
Net interest, Note 5	1,151,254	1,096,069	1,002,037	1,151,254	1,002,037	4,231,718
Commission income	92,238	84,658	84,415	92,238	84,415	353,193
Commission expenses	-6,617	-7,253	-5,327	-6,617	-5,327	-24,645
Net result of financial transactions*	-4,889	-2,382	1,529	-4,889	1,529	-1,325
Other operating income	811	285	962	811	962	3,958
Total operating income	1,232,797	1,171,376	1,083,616	1,232,797	1,083,616	4,562,899
General administration expenses	-80,349	-88,701	-74,026	-80,349	-74,026	-311,738
Depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets, Note 5	-1,028,151	-1,006,211	-887,471	-1,028,151	-887,471	-3,816,622
Other operating expenses	-8,303	-8,716	-9,833	-8,303	-9,833	-42,121
Total operating expenses	-1,116,803	-1,103,628	-971,330	-1,116,803	-971,330	-4,170,481
Profit before credit losses	115,994	67,748	112,286	115,994	112,286	392,418
Credit losses, net, Note 6	-4,007	-2,719	-3,646	-4,007	-3,646	-13,450
Profit before appropriations and tax	111,987	65,029	108,640	111,987	108,640	378,968
Appropriations	-	-378,497	-	-	-	-378,497
Tax	-24,637	68,963	-23,901	-24,637	-23,901	-471
Profit	87,350	-244,976	84,739	87,350	84,739	-

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

Interest-bearing securities and related derivatives	-4,889	-2,382	1,529	-4,889	1,529	-1,325
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Balance sheet

Amounts in SEK thousand

	31/03/2017	31/03/2016	31/12/2016
Chargeable treasury bills etc.	1,079,285	841,701	1,040,542
Lending to credit institutions	1,165,437	1,346,034	786,666
Lending to the public	15,337,765	13,698,223	15,205,317
Bonds and other interest-bearing securities	1,746,848	1,387,165	1,723,526
Shares and participations in associated and other companies	19,009	16,797	19,009
Shares and participations in Group companies	6,742	6,742	6,742
Intangible non-current assets	14,645	7,497	11,123
Property, plant and equipment, inventory	2,171	1,408	1,632
Property, plant and equipment, lease items	16,681,301	14,619,250	15,976,197
Other assets*	482,123	568,330	670,588
Prepayments and accrued income	94,489	58,482	32,811
Total assets, Note 13	36,629,815	32,551,629	35,474,153
Liabilities to credit institutions	1,650,000	1,000,000	1,350,000
Deposits and borrowing from the public	15,156,783	14,604,636	15,412,413
Securities issued	13,379,202	11,003,991	12,395,088
Other liabilities*	731,994	733,861	787,421
Accruals and deferred income	1,215,352	1,046,265	1,120,097
Total liabilities, Note 13	32,133,331	28,388,753	31,065,019
Untaxed reserves	3,222,722	2,844,225	3,222,722
Equity	1,273,762	1,318,651	1,186,412
Total liabilities and equity	36,629,815	32,551,629	35,474,153
* Of which derivative instruments with positive and negative market value			
Derivative instruments with positive market value	14,614	37,080	18,440
Derivative instruments with negative market value	-1,861	-580	-1,777

Change in equity

Amounts in SEK thousand

	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	-	-	-	84,739	84,739
Transfer self-generated development costs	-	-	212	-212	-
Total before transactions with shareholders	400,000	20,000	212	898,439	1,318,651
Dividends	-	-	-	-	-
Closing equity, 31 March 2016	400,000	20,000	212	898,439	1,318,651
	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 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
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Equity
Opening equity, 1 January 2017	400,000	20,000	5,973	760,439	1,186,412
Profit for the period after tax	-	-	-	87,350	87,350
Transfer self-generated development costs	-	-	10,266	-10,266	-
Total before transactions with shareholders	400,000	20,000	16,239	837,523	1,273,762
Dividends	-	-	-	-	-
Closing equity, 31 March 2017	400,000	20,000	16,239	837,523	1,273,762

Cash flow statement

Amounts in SEK thousand

	2017 Jan-Mar	2016 Jan-Mar	2016 Jan-Dec
Operating activities			
Operating profit	111,987	108,640	378,968
Adjustment of items not included in cash flow			
Unrealised portion of net result of financial transactions	-2,411	1,860	1,062
Depreciation, amortisation and impairment	1,028,151	887,471	3,816,622
Credit losses	3,371	2,543	15,975
Tax paid	11,571	57,734	47,722
Changes to the operating activities' assets and liabilities			
Chargeable treasury bills etc.	-38,743	238,814	39,973
Lending to the public	-135,779	-10,497	-1,530,012
Bonds and other interest-bearing securities	-23,322	-551,665	-888,026
Other assets	90,540	-37,143	-81,298
Liabilities to credit institutions	300,000	-	350,000
Deposits and borrowing from the public	-255,630	275,575	1,083,351
Securities issued	984,114	147,500	1,538,598
Other liabilities	42,240	40,700	168,888
Cash flows from operating activities	2,116,087	1,161,532	4,941,822
Investing activities			
Capitalised development expenditure	-4,552	-212	-6,248
Investments in shares and participations	-	-	-2,212
Acquisition of property, plant and equipment	-2,521,258	-2,700,555	-9,576,364
Sale of property, plant and equipment	788,495	886,289	3,478,188
Cash flows from investing activities	-1,737,316	-1,814,478	-6,106,635
Financing activities			
Dividend paid	-	-	-47,500
Cash flows from financing activities	-	-	-47,500
Cash flow for the period			
Cash and cash equivalents at the beginning of the period	786,666	1,998,980	1,998,980
Cash flows from operating activities	2,116,087	1,161,532	4,941,822
Cash flows from investing activities	-1,737,316	-1,814,478	-6,106,636
Cash flows from financing activities	-	-	-47,500
Cash and cash equivalents at the end of the period	1,165,437	1,346,034	786,666



Notes

Note 1 Accounting policies

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. Profit from participations in associated companies is reported on an ongoing basis during the year under other operating income.

Future regulatory changes

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. Through IFRS 9, the IASB has completed a number of amendments relating to the recognition of financial instruments. The changes include new bases for the classification and measurement of financial instruments, a forward-looking impairment model and simplified criteria for hedge accounting. IFRS 9 becomes effective on 1 January 2018. Earlier application is permitted provided that the EU adopts the standard. The bank has chosen not to put IFRS 9 into force early. If the bank changes its measurement approach on the basis of the new models in the Classification and measurement section, this could have a significant effect on loss provisions for credit risk, balance sheet and income statement. The bank has taken a position on a specific model, which is to be reviewed and discussed with an external party. In the section on Impairment, the bank has sketched out a basic model within its IFRS 9 project for management of expected loss provisions for credit risk on the basis of the new regulation. The bank has started to evaluate different hedge accounting options according to IFRS 9, but has not yet taken a definitive decision on how to proceed within the framework of IFRS 9. A parallel run for evaluation is planned from 31 March 2017 and will continue during the year. The bank does not yet have any estimates of the effects of IFRS 9 on the income statement and balance sheet.

IFRS 15 Revenue recognition will come into force on 1 January 2018. The introduction is not expected to have any significant impact on the bank's financial position, profit or cash flow.

IFRS 16 Leases is a new standard for financial reporting of leases and becomes effective on 1 January 2019. The introduction is not expected to have any significant impact on the bank's financial position, profit or cash flow.

Further liquidity reporting, Additional Monitoring Metrics (AMM), will be introduced in 2018.

Note 2 Assessments and estimates in the financial statements

Preparation of the financial statements in compliance with IFRS requires the Bank's management to make critical judgements, accounting estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of factors that appear reasonable in the prevailing circumstances. The results of these estimates and assumptions are then used to assess the reported values for assets and liabilities that do not otherwise appear clearly from other sources. Actual outcomes may deviate from these estimates and assessments. The Bank has also primarily made the following critical judgements when applying significant accounting policies.

- Whether or not the hedge relationship is effective
- Whether the bank assumes significant risks and benefits from the seller on acquisition of receivables and agreements
- Impairment testing of lease items in the event of a risk of falling residual value
- Investments held to maturity

Areas in which uncertainty about estimates may exist are assumptions about credit loss impairment, impairment of leased assets and the assessment of residual value.

Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period during which the estimates were made if the change affects only that particular period, or in that period in which the amendment is made and future periods if the change affects the particular period and future periods.

Note 3 Operating Segments

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

Jan-March 2017	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	86,297	10,078	39,164	70,332	205,871
Operating expenses**, SEK thousand	-21,674	-4,529	-17,229	-46,445	-89,877
Credit losses, SEK thousand	17	-4	40	-4,060	-4,007
Operating profit, SEK thousand	64,640	5,545	21,975	19,827	111,987
Appropriations, SEK thousand	-	-	-	-	-
Tax, SEK thousand	-14,221	-1,220	-4,835	-4,361	-24,637
Profit for the period, SEK thousand	50,419	4,325	17,140	15,466	87,350
Lending volume Ø, SEK million	21,880	2,648	5,301	1,564	31,393
Number of contracts, Ø	199,665	5,965	65,318	-	270,948
Number of active accounts, Ø	-	1,805	-	419,701	421,506

Jan-March 2016	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	74,533	9,425	42,868	69,859	196,685
Operating expenses**, SEK thousand	-19,273	-4,570	-15,466	-45,090	-84,399
Credit losses, SEK thousand	46	49	-147	-3,594	-3,646
Operating profit, SEK thousand	55,306	4,904	27,255	21,175	108,640
Appropriations, SEK thousand	-	-	-	-	-
Tax, SEK thousand	-12,167	-1,079	-5,996	-4,659	-23,901
Profit for the period, SEK thousand	43,139	3,825	21,259	16,516	84,739
Lending volume Ø, SEK million	18,226	2,300	5,464	1,470	27,460
Number of contracts, Ø	184,651	5,805	62,506	-	252,962
Number of active accounts, Ø	-	1,884	-	416,164	418,048

* 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 4 Information on loan and leasing contracts

Jan-March 2017	Loans	Leases	Total
Number of contracts	123,883	110,557	234,440
Average contract, SEK thousand	110	168	138
Collateral value, SEK million	13,688	18,591	32,279
Credit utilised, SEK million	13,085	16,266	29,351
Loan-to-value ratio	96	87	91
Market value, SEK million	19,056	17,289	36,345
Surplus value, SEK million	5,971	1,023	6,994
Surplus value, %	45	6	23

Jan-March 2016	Loans	Leases	Total
Number of contracts	118,634	99,538	218,172
Average contract, SEK thousand	105	172	136
Collateral value, SEK million	12,500	17,149	29,649
Credit utilised, SEK million	11,900	14,821	26,721
Loan-to-value ratio	95	86	90
Market value, SEK million	17,403	15,607	33,010
Surplus value, SEK million	5,503	786	6,289
Surplus value, %	46	5	23

Note 5 Lease income and accumulated net interest

	Amounts in SEK thousand					
	2017 Q1	2016 Q4	2016 Q1	2017 Jan-Mar	2016 Jan-Mar	2016 Jan-Dec
Income from operating and finance leases	1,090,173	1,042,787	950,125	1,090,173	950,125	4,018,985
Depreciation and impairment	-1,026,926	-1,004,946	-886,723	-1,026,926	-886,723	-3,812,809
Interest income	103,538	99,025	97,702	103,538	97,702	394,899
Interest expenses	-42,457	-45,744	-45,790	-42,457	-45,790	-182,166
Accumulated net interest	124,328	91,123	115,314	124,328	115,314	418,909

Note 6 Credit losses, net

Credit losses, net	Amounts in SEK thousand		
	2017 Jan-Mar	2016 Jan-Mar	2016 Jan-Dec
Specific provision for collectively valued receivables *			
Write-off of confirmed credit losses for the period	-3,974	-3,367	-16,049
Impairment for the period	-4,630	-4,837	-6,202
Received from previous years' confirmed credit losses	242	247	1,253
Reversed provisions no longer required for probable credit losses	4,380	3,994	6,775
Net cost for specific provisions for collectively valued receivables for the period	-3,982	-3,963	-14,223
Collective provision for losses incurred but not yet reported **			
Impairment for the period	-1,047	-770	-3,411
Reversed provisions no longer required for probable credit losses	1,022	1,087	4,184
Net cost for the period for collective provisions	-25	317	773
Credit losses, net	-4,007	-3,646	-13,450

* 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.

Note 7 Own funds

	Amounts in SEK thousand		
	31/03/2017	31/03/2016	31/12/2016
Common equity tier 1 capital			
Equity	1,112,513	1,186,412	1,112,513
Share of equity of untaxed reserves	2,513,723	2,218,495	2,513,723
Intangible non-current assets	-14,645	-7,497	-11,123
AVA	-2,242	-1,767	-2,184
IRB shortfall	-122,952	-139,833	-115,720
Common equity tier 1 capital	3,486,397	3,255,811	3,497,209
Total own funds	3,486,397	3,255,811	3,497,209
Own funds according to Basel I	3,609,349	3,395,644	3,612,929

Note 8 Capital adequacy

	Amounts in SEK thousand		
	31/03/2017	31/03/2016	31/12/2016
Without transitional rules			
Risk-weighted assets	16,752,024	15,773,374	16,449,878
CET 1 capital ratio, %	20.81	20.64	21.26
Total capital ratio, %	20.81	20.64	21.26
With transitional rules			
Risk-weighted assets	26,274,904	23,233,569	25,514,599
CET 1 capital ratio, %	13.74	14.62	14.16
Total capital ratio, %	13.74	14.62	14.16

Note 9 Internally assessed capital requirement

	Amounts in SEK thousand		
	31/03/2017	31/03/2016	31/12/2016
Pillar I capital requirements	1,340,162	1,261,870	1,315,990
Pillar II capital requirement	357,429	347,652	360,998
Combined buffer requirements	753,841	552,068	657,995
Capital requirement	2,451,432	2,161,590	2,334,983
Total own funds	3,486,397	3,255,811	3,497,209
Surplus of capital	1,045,777	1,094,221	1,162,226

Note 10 Capital requirements and risk-weighted exposure amount

	Amounts in SEK thousand					
	31/03/2017		31/03/2016		31/12/2016	
	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	410,192	5,127,404	341,688	4,271,105	407,237	5,090,466
Retail exposures	522,270	6,528,371	488,402	6,105,020	513,033	6,412,918
Non-credit-obligation asset exposures	198,182	2,477,281	213,617	2,670,212	184,848	2,310,597
Total according to IRB	1,130,644	14,133,055	1,043,707	13,046,336	1,105,118	13,813,981
Credit risk according to standardised method						
Exposures to public bodies	335	4,188	398	4,978	356	4,447
Institutional exposures	19,164	239,552	22,377	279,715	13,150	164,381
Corporate exposure	41,829	522,868	61,373	767,165	53,214	665,180
Retail exposures	22,707	283,833	21,452	268,145	23,557	294,460
Unsettled items	2,317	28,957	177	2,218	1,739	21,737
Covered bonds	9,165	114,559	7,090	88,627	8,978	112,230
Share exposures	2,060	25,751	1,883	23,539	2,060	25,751
Other items	5,362	67,027	2,926	36,580	961	12,009
Total according to the standardised method	102,939	1,286,735	117,677	1,470,967	104,016	1,300,195
Operational risk	105,638	1,320,477	99,000	1,237,501	105,638	1,320,477
Credit valuation adjustment (CVA)	941	11,758	1,486	18,569	1,218	15,225
Total minimum capital requirement and risk-weighted exposure amount	1,340,162	16,752,024	1,261,870	15,773,374	1,315,990	16,449,878
Total capital requirement according to transitional rules	2,101,992	26,274,904	1,858,686	23,233,569	2,041,168	25,514,599

Note 11 Capital and buffer requirements

	Amounts in SEK thousand								
	31/03/2017			31/03/2016			31/12/2016		
	Core tier 1 capital	Tier 1 capital	Total capital requirement	Core tier 1 capital	Tier 1 capital	Total capital requirement	Core tier 1 capital	Tier 1 capital	Total capital requirement
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	2.0	2.0	2.0	1.0	1.0	1.0	1.5	1.5	1.5
Total	9.0	10.5	12.5	8.0	9.5	11.5	8.5	10.0	12.0
Amount									
Minimum capital requirement	753,841	1,005,121	1,340,162	709,802	946,402	1,261,870	740,245	986,993	1,315,990
Capital conservation buffer	418,801	418,801	418,801	394,334	394,334	394,334	411,247	411,247	411,247
Countercyclical buffer	335,040	335,040	335,040	157,734	157,734	157,734	246,748	246,748	246,748
Total capital requirement	1,507,682	1,758,963	2,094,003	1,261,870	1,498,471	1,813,938	1,398,240	1,644,988	1,973,985
Total Pillar I capital requirement			2,094,003			1,813,938			1,973,985

Note 12 Leverage ratio

	Amounts in SEK thousand		
	31/03/2017	31/03/2016	31/12/2016
Core capital	3,486,397	3,255,811	3,497,209
Leverage ratio exposure	36,517,764	32,848,209	35,576,384
Leverage ratio, %	9.55	9.91	9.83

Note 13 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

Assets Jan-Mar 2017	Level 1	Level 2	Level 3	Total fair value	Closing carrying amount
Chargeable treasury bills etc.	1,079,285	-	-	1,079,285	1,079,285
Lending to credit institutions	-	1,165,437	-	1,165,437	1,165,437
Lending to the public	-	15,321,968	-	15,321,968	15,337,765
Bonds and other interest-bearing securities	1,146,734	600,114	-	1,746,848	1,746,848
Other assets	-	-	482,123	482,123	482,123
Prepayments and accrued income	-	-	94,489	94,489	94,489
Total	2,226,019	17,087,519	576,612	19,890,150	19,905,947

Liabilities, Jan-March 2017	Level 1	Level 2	Level 3	Total fair value	Closing carrying amount
Liabilities to credit institutions	-	1,648,682	-	1,648,682	1,650,000
Deposits and borrowing from the public	-	15,156,777	-	15,156,777	15,156,783
Securities issued	13,450,745	-	-	13,450,745	13,379,202
Other liabilities	-	731,994	-	731,994	731,994
Accruals and deferred income	-	-	1,215,352	1,215,352	1,215,352
Total	13,450,745	17,537,453	1,215,352	32,203,550	32,133,331

Assets, Jan-March 2016	Level 1	Level 2	Level 3	Total fair value	Closing carrying amount
Chargeable treasury bills etc.	841,701	-	-	841,701	841,701
Lending to credit institutions	-	1,346,034	-	1,346,034	1,346,034
Lending to the public	-	13,665,390	-	13,665,390	13,698,223
Bonds and other interest-bearing securities	887,157	500,008	-	1,387,165	1,387,165
Other assets	-	-	568,330	568,330	568,330
Prepayments and accrued income	-	-	58,482	58,482	58,482
Total	1,728,858	15,511,432	626,812	17,867,102	17,899,935

Liabilities, Jan-March 2016	Level 1	Level 2	Level 3	Total fair value	Closing carrying amount
Liabilities to credit institutions	-	993,839	-	993,839	1,000,000
Deposits and borrowing from the public	-	14,604,623	-	14,604,623	14,604,636
Securities issued	10,977,644	-	-	10,977,644	11,003,991
Other liabilities	-	733,861	-	733,861	733,861
Accruals and deferred income	-	-	1,046,265	1,046,265	1,046,265
Total	10,977,644	16,332,323	1,046,265	28,356,232	28,388,753

Fair value assets and liabilities by category

Assets

Amounts in SEK thousand

	Loan and trade receivables	Financial assets valued at fair value through FVO income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
31/03/2017							
Chargeable treasury bills etc.	-	1,079,285	-	-	-	1,079,285	1,079,285
Lending to credit institutions	1,165,437	-	-	-	-	1,165,437	1,165,437
Lending to the public	15,337,765	-	-	-	-	15,337,765	15,321,968
Bonds and other interest-bearing securities	-	1,146,734	600,114	-	-	1,746,848	1,746,848
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	-	-	-	-	14,645	14,645	-
Property, plant and equipment, inventory	-	-	-	-	2,171	2,171	-
Property, plant and equipment, lease items	-	-	-	-	16,681,301	16,681,301	-
Other assets	363,749	92	-	14,522	103,760	482,123	482,123
Prepayments and accrued income	94,489	-	-	-	-	94,489	94,489
Total assets	16,961,440	2,226,111	600,114	14,522	16,827,628	36,629,815	

Liabilities

	Financial liabilities valued at fair value through FVO income statement	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
31/03/2017						
Liabilities to credit institutions	-	-	-	1,650,000	1,650,000	1,648,682
Deposits and borrowing from the public	-	-	-	15,156,783	15,156,783	15,156,777
Securities issued	-	-	-	13,379,202	13,379,202	13,450,745
Other liabilities	202	217,202	1,659	512,931	731,994	731,994
Accruals and deferred income	-	1,188,102	-	27,250	1,215,352	1,215,352
Total liabilities	202	1,405,304	1,659	30,726,166	32,133,331	

Assets

Amounts in SEK thousand

	Loan and trade receivables	Financial assets valued at fair value through FVO income statement	Investments held to maturity	Derivatives used in hedge accounting	Other assets	Total	Fair value
31/03/2016							
Chargeable treasury bills etc.	-	841,701	-	-	-	841,701	841,701
Lending to credit institutions	1,346,034	-	-	-	-	1,346,034	1,346,034
Lending to the public	13,698,223	-	-	-	-	13,698,223	13,665,390
Bonds and other interest-bearing securities	-	887,157	500,008	-	-	1,387,165	1,387,165
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	-	-	-	-	7,497	7,497	-
Property, plant and equipment, inventory	-	-	-	-	1,408	1,408	-
Property, plant and equipment, lease items	-	-	-	-	14,619,250	14,619,250	-
Other assets	387,323	1	-	37,079	143,927	568,330	568,330
Prepayments and accrued income	58,482	-	-	-	-	58,482	58,482
Total assets	15,490,062	1,728,859	500,008	37,079	14,795,621	32,551,629	

Liabilities

	Financial liabilities at fair value through the income statement FVO	Non-financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Total	Fair value
31/03/2016						
Liabilities to credit institutions	-	-	-	1,000,000	1,000,000	993,839
Deposits and borrowing from the public	-	-	-	14,604,636	14,604,636	14,604,623
Securities issued	-	-	-	11,003,991	11,003,991	10,977,644
Other liabilities	580	234,663	-	498,618	733,861	733,861
Accruals and deferred income	-	995,886	-	50,379	1,046,265	1,046,265
Total liabilities	580	1,230,549	-	27,157,624	28,388,753	

Note 14 Related parties

The bank is owned 50% each by the Swedish Volvo dealers, via their holding company AB Volverkinvest, and Volvo Car Corporation. Both companies are classified as other related companies.

The bank has interests in four companies that are classified as associated companies. The Group also includes wholly-owned and dormant subsidiaries: Volvofinans Leasing AB, Autofinans Nordic AB, CarPay Sverige AB and Volvofinans IT AB.

	Group companies		Associated companies		Other related companies	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Balance sheet						
Assets	6,742	6,742	19,009	16,797	766,224	1,060,701
Liabilities	6,789	6,789	135,941	134,714	159,020	211,579
Income statement						
Interest income	-	-	987	59	7	4
Lease income	-	-	-	-	54,587	52,844
Interest expenses	-	-	-	-	-6	-32
Commission income	-	-	-	-	342	464
Other operating income	-	-	47	588	-	-
Total	-	-	1,033	647	54,929	53,279

Note 15 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