



Interim Report 1 January - 30 September
Volvofinans Bank AB

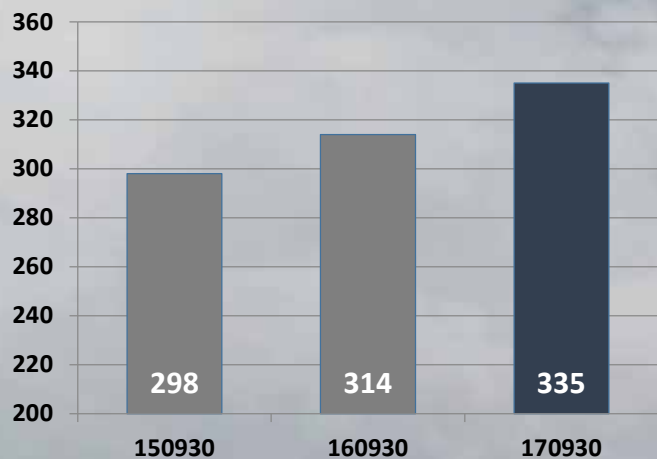
2017

VOLVOFINANS BANK

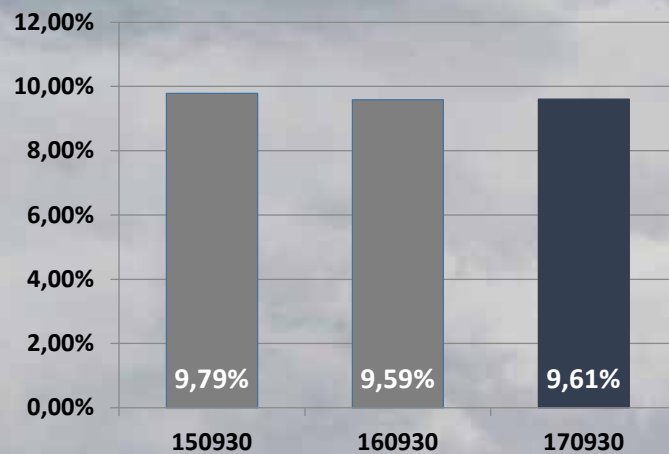
Summary

January - September 2017

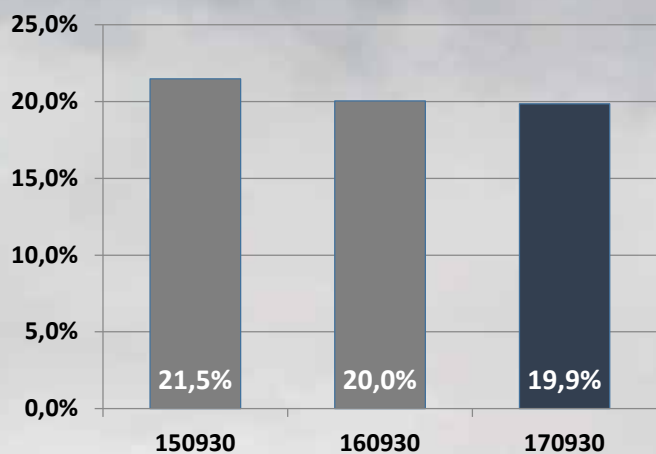
Operating profit, SEK million



Return on equity



Common equity tier 1 capital ratio



Credit losses/lending



Message from the President

January–September 2017 highlights

Profit before tax: SEK 335.0 million (313.9)

Return on equity: 9.6% (9.6)

Lending as at 30 September: SEK 33.9 billion (30.0)

Net credit losses: SEK 13.4 million (10.7)

Common equity tier 1 capital ratio: 19.9% (20.0)

An unremittingly strong car market, for both passenger cars as well as light and heavy trucks, continues to benefit Volvofinans Bank's lending growth, which in turn means that the good growth in profits is maintained. For the third quarter, earnings before tax amounted to SEK 335 million, which is just over SEK 20 million better than the previous year and is the bank's best earnings ever. Lending has increased by SEK 2.7 billion up to September this year, with the core equity capital ratio remaining at around 20%.

Swedish car sales continue their path towards yet another record year according to BILSweden, with 375,000 new car sales being forecasted for 2017. This fact, as well as an increased share of leasing and continued successful launches of Volvo's premium models, which imply a higher selling price, explains the bank's significantly higher lending and rising net interest margins in recent years.

The basis of lasting earnings, transferable leasing and repayment contracts, where the Volvo dealer carries the credit risk, lasts for several years with average credit periods of three to four years, even when amortization occurs on a regular basis. Such earnings, combined with a markedly "normal market" in the future will secure the investments Volvofinans Bank is currently making, primarily in the digital arena.

Being readily available in new, digital channels with the highest level of security whilst offering added value within our ecosystem, as well as creating simple subscription systems and opportunities for micro payments, creates additional market opportunities for the bank. All in all, our concept of providing customers with a "Smarter Car Economy", is developing rapidly with our partners.

Moreover, new technologies also create completely new opportunities for cost-effective solutions and services in the future. With this very much in mind, Volvofinans Bank intends to be at the forefront of this development and will continue to make the considerable investments necessary in order to consolidate and develop its position as The Mobile Bank.

Conny Bergström
President
Volvofinans Bank AB

The information herein is such that Volvofinans Bank AB (publ), Corporate ID no 556069-0967, shall publicly disclose in accordance with the laws pertaining to shares and securities (SFS 2007:528).

This report was made public on 13th November 2017 .



Financial statements

Ownership/Operations

Since it was established in 1959, Volvofinans Bank has been 50 percent 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 percent (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 subsidiary activities are of negligible value.

Trends in volumes/lending

Sales of new passenger vehicles in Sweden continue to increase during 2017. From January to September, registrations increased by 3 percent, amounting to 279,778 vehicles (271,396) in total. The number of Volvo, Renault, and Ford registrations amounted to 74,598 (72,658), and their combined market share was 27 percent (27).

45 percent (44) of all passenger vehicle transactions at Swedish Volvo dealerships, whether new or used, generate a financial contract with Volvofinans Bank. New and used vehicle penetration is 53 percent (52) and 36 percent (34) 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 56 percent (52).

The total contract portfolio (loan and leasing contracts) amounted to 243,601 contracts (225,981). The truck and bus part of the contract portfolio amounted to 6,318 contracts (5,763), amounting to 3 percent (3).

The Fleet Finance administers 40,420 (35,725) vehicle fleet contracts.

Goods and services purchased using the Volvo Card amounted to SEK 9.6 billion (8.6) 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 worth SEK 279 million via approx. 17,000 cards.

The lending volume was SEK 33.9 billion compared to SEK 30 billion in the previous year. The truck and bus part accounted for SEK 2.9 billion (2.2) of lending, equivalent to 9 percent (7) of total lending. The Fleet Finance share of lending was SEK 5.9 billion (5.8) or 17 percent and the Volvo Card share amounted to 5 percent 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, 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 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 3.

Trends in earnings performance and financial position Profit

Volvofinans Bank's profit before credit losses amounts to SEK 348.4 million (324.7), an increase of 7 percent. The increase in earnings is primarily due to increased lending. The profit for the period increased by 7 percent to SEK 335.0 million (313.9).

Credit risk, credit losses, and residual value risk

The credit risk for Volvofinans Bank is very low. Problem credits are defined as all defaulted receivables, i.e. those more than 90 days overdue or defaulted for other reasons. Volvofinans Bank's problem credits for credit card receivables amount to SEK 10.3 million (11.9) and to SEK 129.1 million (108.2) for loans and leasing.

With regard to commitments relating to loans and leasing, in addition to collateral in the financed items, there are recourse agreements in place, meaning that the dealers bear the credit risk of SEK 120.3 million (98.3) on the balance sheet date. Credit with interest remission or property received to provide security for receivables amounts to SEK 88.1 million (9.3). 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

Deposits in the bank's online savings account increased by SEK 399 million during the third quarter, with the total savings account balance amounting to SEK 14.4 billion (13.6) at the end of the quarter. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships amounted to SEK 15.7 billion (15.2) and accounted for 48 percent (55) of the bank's financing.

Bonds worth SEK 4.2 billion were issued during the first nine months. As at 30 September 2017, outstanding financing via the bank's debt programmes amounted to a nominal SEK 15.2 billion (11.0).

In addition to market borrowing and deposits, the bank also financed its activities through bank credit, which amounted to SEK 1.7 billion (1.4). Long-term financing accounted for 72 percent (78) 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 unutilized credit facilities.

The total liquidity reserve amounted to SEK 4.8 billion (3.3). The securities portfolio amounted to SEK 2.9 billion (60 percent) and freely available deposits at other banks amounted to SEK 1.9 billion (40 percent). The size of Volvofinans Bank's liquidity reserve must always be at least 10 percent in relation to lending volume; as at 30 September 2017 this figure was 14 percent (11). In addition to the liquidity reserve, unutilized and available loan facilities amounted to SEK 3.5 billion (4.2).

Volvofinans Bank's liquid coverage ratio (LCR), calculated in accordance with Article 415 of the EU Capital Requirements Regulation (CRR), amounted to 240 percent (131) at the end of June. The Net Stable Funding Ratio (NSFR), according to Volvofinans Bank's interpretation of the Basel Committee's new recommendation (BCBS295), was 142 percent (144).

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 standardized approach. The common equity tier 1 capital ratio was 19.9 percent (20.0). The gross solvency ratio was 8.9 percent (9.6).



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 the 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 utilized at short notice.

Interest rate risk is the current and future risk that net interest income will decline as a result of unfavourable changes in the interest rate. The vast majority of the bank's lending and all borrowing follows 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/Investor Relations".

Calendar

8 February 2018	Year-end report
Week 12, 2018	Annual report
7 May 2018	Interim report, January - March
26 June 2018	Annual General Meeting
7 August 2018	Interim report, January - June
7 November 2018	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.

Göteborg, 13 November 2017

Conny Bergström
President and CEO

The reports will be available on our website: volvofinans.se, under the heading "About Volvofinans Bank/Reports and new releases".

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 separate 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

	30/09/2017	30/09/2016	31/12/2016
Return on equity, %	9.61	9.59	8.68
Risk capital/Balance sheet total, %	11.00	12.81	12.22
Deposits/Lending, %	46.31	50.70	49.43
Operating profit/Risk-weighted assets, %	2.54	2.57	2.30
Total capital ratio, %	19.85	20.04	21.26
CET 1 capital ratio, %	19.85	20.04	21.26
Credit losses/Lending, %	0.05	0.05	0.04
E/I ratio	0.48	0.47	0.51
E/I ratio, excl. credit losses	0.46	0.45	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/en/about-us/definition-of-key-performance-indicators/>

Income statement

	Amounts in SEK thousand					
	2017 Q3	2017 Q2	2016 Q3	2017 Jan-Sept	2016 Jan-Sept	2016 Jan-Dec
Interest income	112,647	109,700	99,532	325,886	295,873	394,899
Lease income	1,181,049	1,136,041	1,026,473	3,407,263	2,976,197	4,018,985
Interest expenses	-51,100	-48,916	-46,932	-142,473	-136,422	-182,166
Net interest, Note 5	1,242,596	1,196,825	1,079,074	3,590,676	3,135,648	4,231,718
Commission income	97,860	98,663	89,802	288,761	268,536	353,193
Commission expenses	-9,627	-8,783	-6,153	-25,027	-17,392	-24,645
Net result of financial transactions*	-3,044	564	-1,099	-7,369	1,057	-1,325
Other operating income	3,034	2,085	727	5,930	3,674	3,958
Total operating income	1,330,819	1,289,354	1,162,351	3,852,971	3,391,523	4,562,899
General administration expenses	-74,635	-84,527	-69,611	-239,512	-223,037	-311,738
Depreciation, amortization, and impairment of property, plant, and equipment and intangible non-current assets, Note 5	-1,124,193	-1,083,402	-967,373	-3,235,745	-2,810,411	-3,816,622
Other operating expenses	-10,928	-10,081	-10,173	-29,312	-33,405	-42,121
Total operating expenses	-1,209,756	-1,178,010	-1,047,157	-3,504,569	-3,066,853	-4,170,481
Profit before credit losses	121,062	111,344	115,194	348,402	324,670	392,418
Credit losses, net, Note 6	-4,988	-4,363	-3,225	-13,358	-10,731	-13,450
Profit before appropriations and tax	116,075	106,981	111,969	335,044	313,939	378,968
Appropriations	-	-	-	-	-	-378,497
Tax	-25,537	-23,536	-24,633	-73,710	-69,067	-471
Profit	90,538	83,445	87,336	261,334	244,872	-

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

Balance sheet

Amounts in SEK thousand

	30/09/2017	30/09/2016	31/12/2016
Chargeable treasury bills etc.	1,106,569	910,071	1,040,542
Lending to credit institutions	1,833,663	1,044,501	786,666
Lending to the public	15,968,361	14,457,570	15,205,317
Bonds and other interest-bearing securities	1,820,877	1,336,424	1,723,526
Shares and participations in associates 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	18,079	8,808	11,123
Property, plant, and equipment, inventory	2,006	1,621	1,632
Property, plant, and equipment, lease items	17,960,353	15,564,846	15,976,197
Other assets*	609,163	526,051	670,588
Prepayments and accrued income	62,748	54,519	32,811
Total assets, Note 13	39,407,570	33,927,950	35,474,153
Liabilities to credit institutions	1,650,000	1,350,000	1,350,000
Deposits and borrowing from the public	15,713,103	15,222,330	15,412,413
Securities issued	15,208,580	11,006,709	12,395,088
Other liabilities*	962,116	935,262	787,421
Accruals and deferred income	1,277,202	1,138,139	1,120,097
Total liabilities, Note 13	34,811,001	29,652,441	31,065,019
Untaxed reserves	3,222,722	2,844,225	3,222,722
Equity	1,373,847	1,431,284	1,186,412
Total liabilities and equity	39,407,570	33,927,950	35,474,153
*Of which derivative instruments with positive and negative market value			
Derivative instruments with positive market value	18,581	29,586	18,440
Derivative instruments with negative market value	-1,183	-481	-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	-	-	-	191,000	191,000
Transfer self-generated development costs	-	-	2,251	-2,251	-
Total before transactions with shareholders	400,000	20,000	2,251	1,002,661	1,424,912
Dividends	-	-	-	-47,500	-47,500
Closing equity, 30 September 2016	400,000	20,000	2,251	955,161	1,377,412
	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 year	-	-	-	-	-
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	-	-	-	261,334	261,334
Transfer self-generated development costs	-	-	9,421	-9,421	-
Total before transactions with shareholders	400,000	20,000	15,394	1,012,352	1,447,746
Dividends	-	-	-	-73,899	-73,899
Closing equity, 30 September 2017	400,000	20,000	15,394	938,453	1,373,847

Cash flow statement

Amounts in SEK thousand

	2017 Jan-Sept	2016 Jan-Sept	2016 Jan-Dec
Operating activities			
Operating profit	335,043	313,939	378,968
Adjustment of items not included in cash flow			
Unrealized portion of net profit from financial transactions	-3,745	1,974	1,062
Depreciation, amortization, and impairment	3,235,822	2,810,411	3,816,622
Credit losses	13,236	10,249	15,975
Paid/refunded (-/+) tax	86,568	121,097	47,722
Changes to the operating activities' assets and liabilities			
Eligible treasury bills etc.	-66,027	170,445	39,973
Lending to the public	-776,773	-777,557	-1,530,012
Bonds and other interest-bearing securities	-97,351	-500,924	-888,026
Other assets	-128,296	-30,356	-81,298
Liabilities to credit institutions	300,000	350,000	350,000
Deposits and borrowing from the public	300,690	893,268	1,083,351
Securities issued	2,813,492	150,219	1,538,598
Other liabilities	335,545	264,793	168,888
Cash flows from operating activities	6,348,205	3,777,558	4,941,822
Investing activities			
Capitalized development expenditure	-10,343	-2,909	-6,248
Investments in shares and participations	-	-	-2,212
Acquisition of property, plant, and equipment	-7,563,167	-7,489,096	-9,576,364
Sale of property, plant, and equipment	2,346,202	2,807,467	-3,478,188
Cash flows from investing activities	-5,227,309	-4,684,538	-6,106,635
Financing activities			
Dividend paid	-73,899	-47,500	-47,500
Cash flows from financing activities	-73,899	-47,500	-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	6,348,205	3,777,558	4,941,822
Cash flows from investing activities	-5,227,309	-4,684,538	-6,106,636
Cash flows from financing activities	-73,899	-47,500	-47,500
Cash and cash equivalents at the end of the period	1,833,663	1,044,501	786,666



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.

Profit from shares in associates 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 made a number of amendments relating to the recognition of financial instruments. The amendments 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 and earlier application is permitted. The bank has chosen not to apply IFRS 9 early. When 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.

A parallel run for evaluation was started on 31 March 2017, continued development of the models will take place and the bank will continue its parallel run in the remaining part of the year after the models have been revised. The bank has identified an increase in the provision requirement, but the final profit is still unclear.

IFRS 15 Revenue from Contracts with Customers 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 will become 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 Q1 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 seem reasonable in the prevailing circumstances. The results of these estimates and assumptions are then used to assess the reported values of assets and liabilities that do not otherwise appear clear 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 and the assessment of the residual value of lease items.

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 current 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. See definition under the heading Financial reports, Trends in volumes/lending.

Jan-Sept 2017	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	280,426	32,341	93,908	214,520	621,195
Operating expenses**, SEK thousand	-65,584	-14,966	-52,383	-139,861	-272,794
Credit losses, SEK thousand	-105	-660	-1,348	-11,245	-13,358
Operating profit, SEK thousand	214,737	16,715	40,177	63,414	335,043
Lending volume Ø, SEK million	22,407	2,884	5,590	1,624	32,505
Number of contracts, Ø	203,313	6,096	67,412	-	276,821
Number of active accounts, Ø	-	1,666	-	426,127	427,793

Jan-Sept 2016	Cars	Trucks	Fleet	Card	Total
Operating income*, SEK thousand	234,039	28,108	107,232	213,538	582,917
Operating expenses**, SEK thousand	-61,922	-14,565	-51,028	-130,732	-258,247
Credit losses, SEK thousand	-21	-218	-155	-10,337	-10,731
Operating profit, SEK thousand	172,096	13,325	56,049	72,469	313,939
Lending volume Ø, SEK million	19,189	2,412	5,850	1,545	28,996
Number of contracts, Ø	-187,036	5,809	66,167	-	259,012
Number of active accounts, Ø	-	1,772	-	427,263	429,035

* Operating income including depreciation and impairment of lease items.

** Including depreciation/amortization 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-Sept 2017	Loans	Leases	Total
Number of contracts	126,491	117,110	243,601
Average contract, SEK thousand	114	171	141
Collateral value, SEK million	14,395	19,993	34,388
Credit utilized, SEK million	13,908	17,493	31,400
Loan-to-value ratio	97	87	91
Market value, SEK million	19,940	18,374	38,314
Surplus value, SEK million	6,032	882	6,914
Surplus value, percent	43	5	22

Jan-Sept 2016	Loans	Leases	Total
Number of contracts	120,908	105,073	225,981
Average contract, SEK thousand	108	165	135
Collateral value, SEK million	13,019	17,387	30,407
Credit utilized, SEK million	12,342	15,097	27,439
Loan-to-value ratio	95	87	90
Market value, SEK million	18,195	16,556	34,750
Surplus value, SEK million	5,853	1,458	7,311
Surplus value, percent	47	10	27

Note 5 Lease income and accumulated net interest

	Amounts in SEK thousand					
	2017 Q3	2017 Q2	2016 Q3	2017 Jan-Sept	2016 Jan-Sept	2016 Jan-Dec
Income from operating and finance leases	1,181,049	1,136,041	1,026,473	3,407,263	2,976,197	4,018,984
Depreciation and impairment, lease items	-1,122,805	-1,082,045	-966,362	-3,231,775	-2,807,863	-3,812,809
Interest income	112,647	109,700	99,532	325,886	295,873	394,899
Interest expenses	-51,100	-48,916	-46,932	-142,473	-136,422	-182,166
Accumulated net interest	119,792	114,780	112,711	358,901	327,786	418,909

Note 6 Credit losses, net

Credit losses, net	Amounts in SEK thousand		
	2017 Jan-Sept	2016 Jan-Sept	2016 Jan-Dec
Specific provision for collectively valued receivables *			
Write-off of confirmed credit losses for the period	-14,381	-11,237	-16,049
Impairment for the period	-5,788	-6,013	-6,202
Received from previous years' confirmed credit losses	1,155	669	1,253
Reversed provisions no longer required for probable credit losses	6,728	6,161	6,775
Net cost for specific provisions for collectively valued receivables for the period	-12,286	-10,420	-14,223
Collective provision for losses incurred but not yet reported **			
Impairment for the period	-4,352	-3,597	-3,411
Reversed provisions no longer required for probable credit losses	3,280	3,286	4,184
Net cost for the period for collective provisions	-1,072	-311	773
Credit losses, net	-13,358	-10,731	-13,450

* 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 7 Own funds

	Amounts in SEK thousand		
	30/09/2017	30/09/2016	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	-18,079	-8,808	-11,123
AVA	-2,272	-1,826	-2,184
IRB shortfall	-117,421	-133,263	-115,720
Common equity tier 1 capital	3,488,464	3,261,010	3,497,209
Total own funds	3,488,464	3,261,010	3,497,209
Own funds according to Basel I	3,605,885	3,394,273	3,612,929

Note 8 Capital adequacy

	Amounts in SEK thousand		
	30/09/2017	30/09/2016	31/12/2016
Without transitional rules			
Risk-weighted assets	17,572,379	16,269,981	16,449,878
CET 1 capital ratio, %	19.85	20.04	21.26
Total capital ratio, %	19.85	20.04	21.26
With transitional rules			
Risk-weighted assets	27,970,178	24,649,336	25,514,599
CET 1 capital ratio, %	12.89	13.77	14.16
Total capital ratio, %	12.89	13.77	14.16

Note 9 Internally assessed capital requirement

	Amounts in SEK thousand		
	30/09/2017	30/09/2016	31/12/2016
Credit risk	1,298,189	1,200,676	1,443,922
Operational risk	105,638	99,000	99,000
CVA risk	1,964	1,922	1,922
Pillar I capital requirement	1,405,790	1,301,598	1,315,990
Concentration risk	246,751	243,245	243,245
Strategic risk	70,290	65,080	77,242
Interest rate risk	50,000	50,000	50,000
Pillar II capital requirement	367,041	358,325	360,998
Capital conservation buffer	439,309	406,750	411,247
Countercyclical capital buffer	351,448	244,050	246,748
Combined buffer requirement	790,757	650,800	657,995
Capital requirement	2,563,588	2,310,723	2,334,983
Total own funds	3,488,464	3,261,010	3,497,209
Surplus of capital	924,875	950,287	1,162,225

Note 10 Capital requirement and risk-weighted exposure amount

	Amounts in SEK thousand					
	30/09/2017		30/09/2016		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 exposures	435,704	5,446,297	360,195	4,502,433	407,237	5,090,466
Retail exposures	538,132	6,726,656	499,112	6,238,902	513,033	6,412,918
Non-credit obligation asset exposures	223,277	2,790,963	210,049	2,625,615	184,848	2,310,597
Total according to IRB	1,197,113	14,963,916	1,069,356	13,366,951	1,105,118	13,813,981
Credit risk according to standardized method						
Exposures to public bodies	323	4,034	317	3,968	356	4,447
Institutional exposures	29,981	374,764	17,434	217,921	13,150	164,381
Corporate exposures	30,435	380,434	78,307	978,842	53,214	665,180
Retail exposures	25,416	317,697	22,182	277,279	23,557	294,460
Unsettled items	1,148	14,351	1,887	23,593	1,739	21,737
Covered bonds	9,156	114,455	7,084	88,547	8,978	112,230
Share exposures	2,060	25,751	1,883	23,539	2,060	25,751
Other items	2,556	31,955	2,225	27,818	961	12,009
Total according to the standardized method	101,075	1,263,441	131,321	1,641,507	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)	1,964	24,546	1,922	24,022	1,218	15,225
Total minimum capital requirement and risk-weighted exposure amount	1,405,790	17,572,379	1,301,598	16,269,981	1,315,990	16,449,878
Total capital requirement according to transitional rules	2,237,614	27,970,178	1,971,947	24,649,336	2,041,168	25,514,599

Note 11 Capital and buffer requirements

	30/09/2017			30/09/2016			31/12/2016		
	Core tier 1 capital ratio	Tier 1 capital	Total capital base	Core tier 1 capital ratio	Tier 1 capital	Total capital base	Core tier 1 capital ratio	Tier 1 capital	Total capital base
Percent									
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 capital buffer	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
Total	9.0	10.5	12.5	8.5	10.0	12.0	8.5	10.0	12.0
Amounts in SEK thousand									
Minimum capital requirement	790,757	1,054,343	1,405,790	732,149	976,199	1,301,598	740,245	986,993	1,315,990
Capital conservation buffer	439,309	439,309	439,309	406,750	406,750	406,750	411,247	411,247	411,247
Countercyclical capital buffer	351,448	351,448	351,448	244,050	244,050	244,050	246,748	246,748	246,748
Total capital requirement	1,581,514	1,845,100	2,196,547	1,382,948	1,626,998	1,952,398	1,398,240	1,644,988	1,973,985
Total Pillar 1 capital requirement			2,196,547			1,952,398			1,973,985

Note 12 Leverage ratio

	Amounts in SEK thousand		
	30/09/2017	30/09/2016	31/12/2016
Core capital	3,488,464	3,261,010	3,497,209
Exposure measure	39,290,956	34,146,278	35,576,384
Leverage ratio, %	8.88	9.55	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 eligible treasury bills, other eligible 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). Eligible treasury bills, other eligible 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 amortized cost. Investments held to maturity have been market-valued in accordance with quoted prices on an active market; no eligible 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-Sept 2017					
Eligible treasury bills etc.	1,106,569	-	-	1,106,569	1,106,569
Lending to credit institutions	-	1,833,663	-	1,833,663	1,833,663
Lending to the public	-	15,950,006	-	15,950,006	15,968,361
Bonds and other interest-bearing securities	1,145,697	675,180	-	1,820,877	1,820,877
Other assets	-	-	609,163	609,163	609,163
Prepayments and accrued income	-	-	62,748	62,748	62,748
Total	2,252,266	18,458,849	671,911	21,383,026	21,401,381
Liabilities, Jan-Sept 2017					
Liabilities to credit institutions	-	1,652,138	-	1,652,138	1,650,000
Deposits and borrowing from the public	-	15,713,023	-	15,713,023	15,713,103
Securities issued	15,335,452	-	-	15,335,452	15,208,580
Other liabilities	-	962,116	-	962,116	962,116
Accruals and deferred income	-	-	1,277,202	1,277,202	1,277,202
Total	15,335,452	18,327,277	1,277,202	34,939,931	34,811,001
Assets, Jan-Sept 2016					
Eligible treasury bills etc.	910,071	-	-	910,071	910,071
Lending to credit institutions	-	1,044,501	-	1,044,501	1,044,501
Lending to the public	-	14,428,430	-	14,428,430	14,457,570
Bonds and other interest-bearing securities	886,358	450,066	-	1,336,424	1,336,424
Other assets	-	-	526,051	526,051	526,051
Prepayments and accrued income	-	-	54,519	54,519	54,519
Total	1,796,429	15,922,997	580,570	18,299,996	18,329,136
Liabilities, Jan-Sept 2016					
Liabilities to credit institutions	-	1,341,883	-	1,341,883	1,350,000
Deposits and borrowing from the public	-	15,222,319	-	15,222,319	15,222,330
Securities issued	11,032,811	-	-	11,032,811	11,006,709
Other liabilities	-	866,195	-	866,195	866,195
Accruals and deferred income	-	-	1,138,139	1,138,139	1,138,139
Total	11,032,811	17,430,397	1,138,139	29,601,347	29,583,373

Fair value assets and liabilities by category

Assets

							Amounts in SEK thousand	
30/09/2017	Loan and trade receivables	FVO*	Investments held to maturity	Derivatives in hedge accounting	Other assets	Total	Fair value	
Eligible treasury bills etc.	-	1,106,569	-	-	-	1,106,569	1,106,569	
Lending to credit institutions	1,833,663	-	-	-	-	1,833,663	1,833,663	
Lending to the public	15,968,361	-	-	-	-	15,968,361	15,950,006	
Bonds and other interest-bearing securities	-	1,145,697	675,180	-	-	1,820,877	1,820,877	
Shares and participations in associates and other companies	-	-	-	-	19,009	19,009	-	
Shares and participations in Group companies	-	-	-	-	6,742	6,742	-	
Intangible non-current assets	-	-	-	-	18,079	18,079	-	
Property, plant, and equipment, inventory	-	-	-	-	2,006	2,006	-	
Property, plant, and equipment, lease items	-	-	-	-	17,960,353	17,960,353	-	
Other assets	471,192	68	-	18,513	119,390	609,163	609,163	
Prepayments and accrued income	62,748	-	-	-	-	62,748	62,748	
Total assets	18,335,964	2,252,334	675,180	18,513	18,125,579	39,407,570		

Liabilities

30/09/2017		FVO**	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	-	-	-	-	1,650,000	1,650,000	1,652,138
Deposits and borrowing from the public	-	-	-	-	15,713,103	15,713,103	15,713,023
Securities issued	-	-	-	-	15,208,580	15,208,580	15,335,452
Other liabilities	-	84	373,162	1,099	587,771	962,116	962,116
Accruals and deferred income	-	-	1,197,575	-	79,627	1,277,202	1,277,202
Total liabilities		84	1,570,737	1,099	33,239,081	34,811,001	

Assets

							Amounts in SEK thousand	
30/09/2016	Loan and trade receivables	FVO*	Investments held to maturity	Derivatives in hedge accounting	Other assets	Total	Fair value	
Eligible treasury bills etc.	-	910,071	-	-	-	910,071	910,071	
Lending to credit institutions	1,044,501	-	-	-	-	1,044,501	1,044,501	
Lending to the public	14,457,570	-	-	-	-	14,457,570	14,428,430	
Bonds and other interest-bearing securities	-	886,358	450,066	-	-	1,336,424	1,336,424	
Shares and participations in associates and other companies	-	-	-	-	16,797	16,797	-	
Shares and participations in Group companies	-	-	-	-	6,742	6,742	-	
Intangible non-current assets	-	-	-	-	8,808	8,808	-	
Property, plant, and equipment, inventory	-	-	-	-	1,621	1,621	-	
Property, plant, and equipment, lease items	-	-	-	-	15,564,846	15,564,846	-	
Other assets	422,231	-	-	29,586	74,234	526,051	526,051	
Prepayments and accrued income	54,519	-	-	-	-	54,519	54,519	
Total assets	15,978,821	1,796,429	450,066	29,586	15,673,048	33,927,950		

Liabilities

30/09/2016		FVO**	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	-	-	-	-	1,350,000	1,350,000	1,341,883
Deposits and borrowing from the public	-	-	-	-	15,222,330	15,222,330	15,222,319
Securities issued	-	-	-	-	11,006,709	11,006,709	11,032,811
Other liabilities	-	481	255,767	-	609,947	866,195	866,195
Accruals and deferred income	-	-	1,060,339	-	77,800	1,138,139	1,138,139
Total liabilities		481	1,316,106	-	28,266,786	29,583,373	

* Financial assets recognized at fair value through the income statement.

** Financial liabilities at fair value through the income statement.

Note 14 Related parties

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

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

	Group companies		Associates		Other related companies	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Balance sheet						
Assets	6,742	6,742	45,544	280,198	792,313	835,098
Liabilities	6,789	6,789	152,576	116,103	41,959	18,306
Income statement						
Interest income	-	-	2,329	1,180	53	92
Lease income	-	-	-	-	161,679	170,868
Interest expenses	-	-	-	-	-10	-43
Commission income	-	-	1,038	2,334	1,153	1,532
Other operating income	-	-	-	-	-	-
Total	-	-	3,367	3,514	162,875	172,449

Note 15 Memorandum items

	Amounts in SEK thousand		
	30/09/2017	30/09/2016	31/12/2016
Pledged assets	-	-	-
Contingent liabilities	46,957	-	-

Following a VAT adjustment for the financial year 2015, the Swedish Tax Agency has submitted a proposal to reduce the bank's deductions for input VAT by SEK 14.8 million and to charge a tax surcharge of SEK 2.2 million. In the event that this proposal is accepted, the bank will appeal it. If the bank does not win its appeal, the Swedish Tax Agency's proposal will result in a corresponding annual reduction of the input VAT from 2016 onwards. The estimated effect from and including 2015 up to and including the balance sheet date is included in the amount above under the item contingent liabilities.

Note 16 Events after the end of the period

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

VOLVOFINANS BANK

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 • volvofinans.se