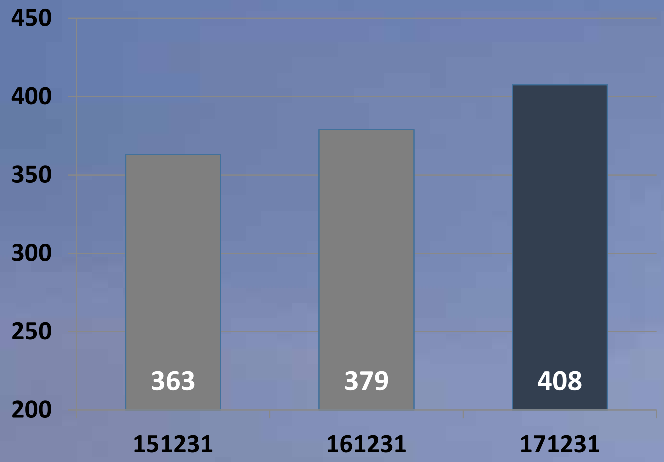
YEAR-END REPORT / VOLVOFINANS BANK AB

2017

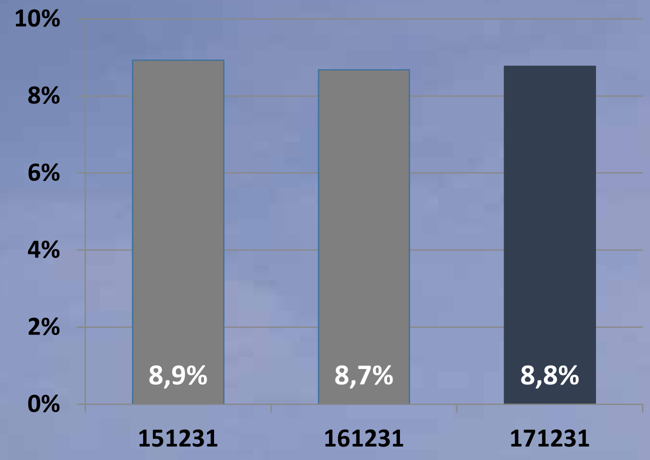
VOLVOFINANS BANK

Summary
January–December 2017

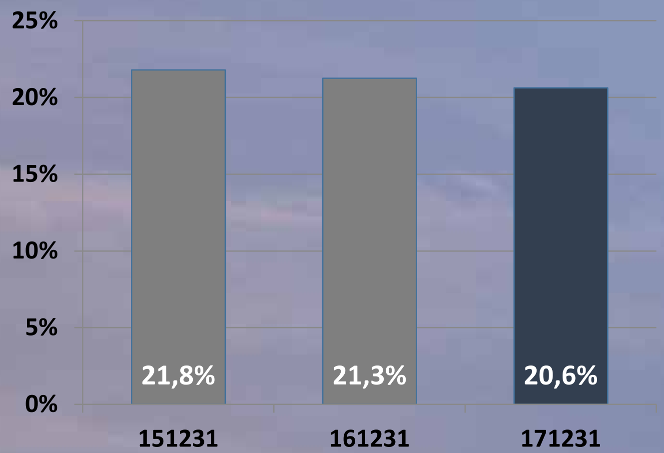
Operating profit, SEK million



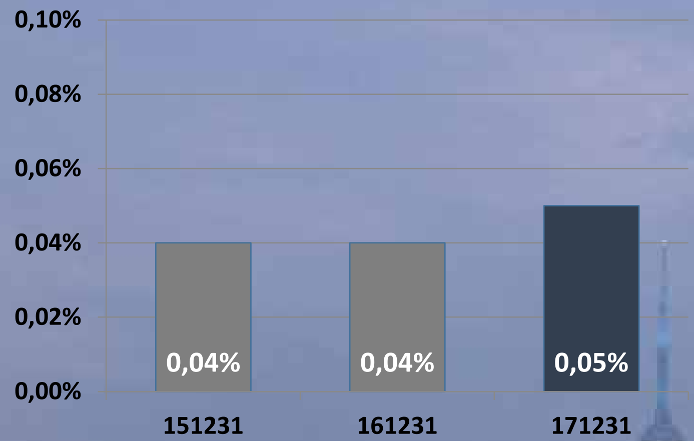
Return on equity



Common equity tier 1 capital ratio



Credit losses/lending



Message from the President

January–December 2017 highlights

Profit before tax: SEK 407.6 million (379.0)

Return on equity: 8.8% (8.7)

Lending as at 31 December: SEK 35.1 billion (31.2)

Net credit losses: SEK 18.0 million (13.5)

Common equity tier 1 capital ratio: 20.6% (21.3)

Volvofinans Bank's profit for the year 2017 amounted to more than SEK 407 million and exceeds 2016's previous record by approximately SEK 29 million. Lending increased by more than 10% during the year and now exceeds SEK 35 billion. The bank's ROE improved to 8.7% (8.6) and the bank's total capital ratio remains strong at 20 %, despite the expansion in lending.

A record-breaking car market obviously contributed to the bank's good earnings and lending growth, where new car registrations increased to 379,000 - an increase of 1.9%. In addition to this, record sales of light commercial vehicles were made where registrations for the year amounted to just over 55,000 - an increase of more than 7 % compared to 2016.

In the bank, it is primarily the increase in the business area of Sales Finance Cars which has driven results. Here, low interest rates combined with well-packaged offers provided the basis for strong sales of financial services. Volvo Cars sold over 75,000 cars in the Swedish market in 2017, with its passenger car sales increasing by 6% and the brand accounting for 20% of market share. During the year, several successful car launches have also been made, with the new Volvo XC60 being the most important.

Volvo's greater market share in a growing market has come at the same time as an increase in its prices - as higher prices of new attractive car models have been achieved. This in turn, has increased the bank's lending volumes.

As far as the bank's other contractual partnerships are concerned, Renault passenger cars have also performed strongly during the year, while Dacia has lost a little ground compared to last year. These brands ended the year with a market share of around 5%.

In the credit-card business area, the Volvo Card and CarPay app also contributed to the overall result, especially bearing in mind that this business area is burdened by considerable investments in digital IT - investments that are a part of creating unique digital tools in the niche area of automotive economics. These sizeable and necessary investments will also benefit the other business areas as the bank increasingly communicates total monthly costs with its customers. The CarPay app, launched around 18 months ago, already has over 300,000 users. New features such as 'Checkout' i.e. payment made after a service or repair visit - which customers can, for example, make from their sofas - have already been launched. New and exciting checkout opportunities will be launched in early 2018.

Even in the sales finance LV business area, lending increased considerably and contributed to a rise in the overall performance of the bank, albeit from a relatively low level. Volvo Trucks again took pole position in 2017 ahead of its main rival Scania, selling the largest number of heavy trucks (> 16 tonnes) which equates a market share of over 41%.

In the bank's business area the Fleet Finance Cars, (the financing and administration of a company's entire fleet) the market remained strong during the year. In this business area, the customer - in most cases larger companies - can choose vehicles from all brands of both passenger and light trucks. During the year, 150 new customers were contracted, both financial and operational, which in the long term is expected to generate approximately 4,400 new leases.

Strong customer inflows in recent years in the business area also mean increased provisions being made as new car contracts are taken out. In 2017, these provisions become evident when the overall result does not reach the previous year's level.

Overall though, we are very pleased with the bank's earnings and growth, where profits exceeded SEK 400 million for the first time ever and where the balance sheet total amounted to more than SEK 40 billion.

We strongly believe that the strategic venture the bank launched in 2014, focusing on clarifying its position as 'The Car Bank' (along with a highly-ambitious digital development plan) is absolutely right for the future. During the year, we have continued to ramp up our development initiatives whilst steering towards a "new car economy" – e.g. with subscriptions - where we want to further develop our niche position from 'The Car Bank' to "The Mobility Bank". In our well-developed strategy, we use the term "Zero Friction" internally as a guiding principle in our ongoing efforts to streamline our business and make it easier for our customers.

Through its customer promise: "Smarter Car Financing", the bank also strives to save time and money for its customers through innovative, sustainable and attractive digital solutions.

As for 2018, we still see a very good market for passenger cars, vans and lorries. In all probability, sales of passenger cars and vans will be particularly strong in the first half of the year before the new vehicle tax rules - following the Bonus Malus model - come into effect on 1st July 2018. The bank also sees a future car market with a continued focus on environmentally-friendly alternatives. The electric as well as chargeable hybrids offered by many manufacturers are becoming increasingly popular, yet any major breakthrough still requires clearer investments in nationwide infrastructure.

To sum up then, in recent years we have created a solid revenue base with good financing volumes and strong financial results. This has happened in conjunction with a Swedish car stock that has grown more than ever. Many players of course, want to be part of the opportunities offered in this attractive environment, yet we still see a great opportunity to take even bigger steps to do what we do best - developing a niche financial car service in all its forms.

Conny Bergström
President and CEO
Volvofinans Bank AB

The information contained in this report is that which Volvofinans Bank AB (publ), corporate ID no. 556069-0967, is obliged to publish in accordance with the Swedish Securities Market Act (SFS 2007:528). This report was submitted for publication on 8 February 2018.

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 Personvagnar AB acquired the Sixth AP Fund's shares and now owns 50 percent.

The primary task of Volvofinans Bank is to actively support sales of products marketed by Volvo dealers in the Swedish market by providing product and sales financing, with good profitability.

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), Volvofinans Bank does not prepare consolidated accounts as activities in subsidiaries are of negligible value.

Trends in volumes/lending

Sales of new passenger vehicles in Sweden continue to increase during 2017. From January to December, registrations increased by 2 percent, amounting to 379,393 vehicles (372,318) in total. The number of Volvo, Renault, and Ford registrations amounted to 108,013 (103,375), and their combined market share was 27 percent (28).

45 percent (45) 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 (54) and 36 percent (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 57 percent (54).

The total contract portfolio (loan and leasing contracts) amounted to 246,969 contracts (229,473). The truck and bus part of the contract portfolio amounted to 6,446 contracts (5,879), amounting to 3 percent (3). Fleet Finance administers 42,407 vehicle fleet contracts (36,635).

Goods and services purchased using the Volvo Card amounted to SEK 13.0 billion (12.1) and the number of accounts actively being used for purchases is around half a million per month. The Volvo Truck Card was used to buy products and services worth SEK 386 million via approximately 17,000 cards.

The lending volume was SEK 35.1 billion compared to SEK 31,2 billion in the previous year. The truck and bus part accounted for SEK 3.0 billion (2.1) of lending, equivalent to 9 percent (7) of total lending. The Fleet Finance share of lending was SEK 6.1 billion (5.0) or 18 percent (16) and the Volvo Card share amounted to 5 percent (5) or SEK 1.7 billion (1.6).

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 425.6 million (392.4), an increase of 8 percent. The increase in earnings is primarily explained by increased borrowing volumes. The profit for the year increased by 8 percent to SEK 407.6 million (379.0).

Credit risks and credit losses

The credit risk for Volvofinans Bank is very low, as, under the agreements in place, the majority of the credit risk is borne by each Volvo dealer. 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 9.2 million (11.6) and to SEK 74.8 million (84.9) 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 69.3 million (76.3) on the balance sheet date. Loans with deferral or renegotiated terms amount to SEK 7.3 million (6.9). Confirmed customer losses refer primarily 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.

Residual value risk

The residual value risk is the risk that the residual value on a vehicle guaranteed by the bank on the final day of the lease is lower than the actual market value and the bank thereby sustains a loss. On 31 December 2017, the bank reported impairment losses of SEK 132.7 million (68.5), due to the residual value risk, which are recognized as depreciation, amortisation and impairment of property, plant and equipment and intangible non-current assets.

Borrowing and liquidity

The volume of deposits in savings accounts continues to grow. During 2017, funds deposited increased by SEK 0.9 billion to a balance of SEK 14.9 billion (14.0) as at 31 December. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships amounted to SEK 16.0 billion (15.4) and accounted for 47 percent (53) of the bank's financing.

Bonds with a value of SEK 5.5 billion were issued during the year, of which SEK 700 million represented the bank's first green bond, issued in May. The maturity of the issued bonds varies from just over two years to five and a half years. Commercial papers are issued at regular intervals in the market and utilisation was SEK 0.9 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 15.6 billion (12.4).

In addition to deposits and market borrowing, operations were financed through bank loans amounting to SEK 2.2 billion (1.4). The proportion of financing with a remaining term of more than one year from market loans programmes and the banking sector was 76 percent (75).

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 4.6 billion (3.6). The securities portfolio amounted to SEK 3.3 billion (72 percent) and freely available deposits at other banks amounted to SEK 1.3 billion (28 percent). The size of Volvofinans Bank's liquidity reserve must always be at least 10 percent in relation to lending volume. At year-end, total lending amounted to SEK 35.1 billion, which means that the size of the liquidity reserve was equivalent to 13 percent (11). In addition to the liquidity reserve, unutilized and available loan facilities amounted to SEK 4.3 billion (3.0).

Volvofinans Bank's liquid coverage ratio (LCR), calculated in accordance with Article 415 of the EU Capital Requirements Regulation (CRR), amounted to 280 percent (119) at the end of the fourth quarter, and averaged 253 percent during 2017. The NSFR (Net Stable Funding Ratio) according to Volvofinans Bank's interpretation of the Basel Committee's new recommendation (BCBS295) was 146 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 20.6 percent (21.3). The leverage ratio was 9.4 percent (9.8).

CARPAY

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

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

Conny Bergström
President and CEO

The reports will be available on our website: volvofinans.se, under the heading "About Volvofinans Bank/Investor Relations".

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 Year-End report the Swedish version, the latter will prevail.

KPI

	31/12/2017	31/12/2016
Return on equity, %	8.77	8.68
Risk capital/Balance sheet total, %	11.47	12.22
Deposits/Lending, %	45.60	49.43
Operating profit/Risk-weighted assets, %	2.22	2.30
Total capital ratio, %	20.63	21.26
CET 1 capital ratio, %	20.63	21.26
Credit losses/Lending, %	0.05	0.04
E/I, ratio	0.54	0.51
E/I ratio, excl. credit losses	0.52	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 Q4	2017 Q3	2016 Q4	2017 Jan-Dec	2016 Jan-Dec
Interest income	112,554	112,647	99,025	438,440	394,899
Lease income	1,228,319	1,181,049	1,042,787	4,635,582	4,018,985
Interest expenses	-53,755	-51,100	-45,744	-196,228	-182,166
Net interest, Note 5	**1,287,118**	**1,242,596**	**1,096,068**	**4,877,794**	**4,231,718**
Commission income	114,633	97,860	84,658	403,395	353,193
Commission expenses	-8,677	-9,627	-7,253	-33,704	-24,645
Net result of financial transactions*	-5,683	-3,044	-2,382	-13,053	-1,325
Other operating income	3,002	3,034	285	9,290	3,958
Total operating income	**1,390,392**	**1,330,819**	**1,171,376**	**5,243,722**	**4,562,899**
General administration expenses	-95,032	-74,635	-88,701	-334,544	-311,738
Depreciation, amortization, and impairment of property, plant, and equipment and intangible non-current assets, Note 5	-1,200,644	-1,124,193	-1,006,211	-4,436,389	-3,816,622
Other operating expenses	-17,878	-10,928	-8,716	-47,190	-42,121
Total operating expenses	**-1,313,554**	**-1,209,756**	**-1,103,628**	**-4,818,123**	**-4,170,481**
Profit before credit losses	**76,838**	**121,062**	**67,748**	**425,599**	**392,418**
Credit losses, net, Note 6	-4,632	-4,988	-2,719	-17,991	-13,450
Profit before appropriations and tax	**72,206**	**116,075**	**65,029**	**407,608**	**378,968**
Appropriations	-406,989	-	-378,497	-406,989	-378,497
Tax	73,090	-25,537	68,963	-619	-471
Profit	**-261,693**	**90,538**	**-244,505**	**-**	**-**

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

Balance sheet

Amounts in SEK thousand

	31/12/2017	31/12/2016
Chargeable treasury bills etc.	1,432,848	1,040,542
Lending to credit institutions	1,300,672	786,666
Lending to the public	16,483,785	15,205,317
Bonds and other interest-bearing securities	1,882,661	1,723,526
Shares and participations in associates and other companies	20,417	19,009
Shares and participations in Group companies	6,742	6,742
Intangible non-current assets	18,158	11,123
Property, plant, and equipment, inventory	2,300	1,632
Property, plant, and equipment, lease items	18,631,323	15,976,197
Other assets*	827,398	670,588
Prepayments and accrued income	43,157	32,811
Total assets, Note 13	**40,649,461**	**35,474,153**
Liabilities to credit institutions	2,150,000	1,350,000
Deposits and borrowing from the public	16,013,905	15,412,413
Securities issued	15,607,882	12,395,088
Other liabilities*	906,739	787,421
Accruals and deferred income	1,228,711	1,120,097
Total liabilities, Note 13	**35,907,237**	**31,065,019**
Untaxed reserves	3,629,711	3,222,722
Equity	**1,112,513**	**1,186,412**
Total liabilities and equity	**40,649,461**	**35,474,153**
*Of which derivative instruments with positive and negative market value		
Derivative instruments with positive market value	14,030	18,440
Derivative instruments with negative market value	-2,760	-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 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 year	-	-	-	-	-
Transfer self-generated development costs	-	-	10,116	-10,116	-
Total before transactions with shareholders	**400,000**	**20,000**	**16,089**	**750,323**	**1,186,412**
Dividends	-	-	-	-73,899	-73,899
Closing equity, 31 December 2017	**400,000**	**20,000**	**16,089**	**676,423**	**1,112,513**

Cash flow statement

Amounts in SEK thousand

	2017 Jan-Dec	2016 Jan-Dec
Operating activities		
Operating profit	407,608	378,968
Adjustment of items not included in cash flow		
Unrealized portion of net profit from financial transactions	-2,740	1,062
Depreciation, amortization, and impairment	4,438,140	3,816,622
Credit losses	17,264	15,975
Paid/refunded (-/+) tax	13,171	47,722
Changes to the operating activities' assets and liabilities		
Eligible treasury bills etc.	-392,306	39,973
Lending to the public	-1,296,828	-1,530,012
Bonds and other interest-bearing securities	-159,135	-888,026
Other assets	-179,848	-81,298
Liabilities to credit institutions	800,000	350,000
Deposits and borrowing from the public	601,492	1,083,351
Securities issued	3,212,794	1,538,598
Other liabilities	230,671	168,888
Cash flows from operating activities	**7,690,283**	**4,941,822**
Investing activities		
Capitalized development expenditure	-11,664	-6,248
Investments in shares and participations	-1,408	-2,212
Acquisition of property, plant, and equipment	-10,173,269	-9,576,364
Sale of property, plant, and equipment	3,083,963	3,478,188
Cash flows from investing activities	**-7,102,378**	**-6,106,636**
Financing activities		
Dividend paid	-73,899	-47,500
Cash flows from financing activities	**-73,899**	**-47,500**
Cash flow for the year		
Cash and cash equivalents at start of the year	786,666	1,998,980
Cash flows from operating activities	7,690,283	4,941,822
Cash flows from investing activities	-7,102,378	-6,106,636
Cash flows from financing activities	-73,899	-47,500
Cash and cash equivalents at end of the year	**1,300,672**	**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 under other operating income.

Future regulatory changes

IFRS 9

The bank has chosen not to apply IFRS 9 early. The expected effects on profit are given below. The bank has taken a position on a specific model. A parallel run of all months for evaluation has been carried out. The bank has identified an increase in the need for provisions.

Impairment of financial assets and contract assets

The introduction of IFRS 9 means that the bank is implementing an expected credit loss model. The new impairment model is applied to financial assets valued at amortized cost excepting investments in equity instruments (stocks and shares) and contract assets. The bank's method of impairment under the new rules differs from the previous methods in a number of ways, including the following:

- The exposures that form the subject of impairments include not only lending to the general public, but also other exposures that are valued at amortized cost, loan pledges issued and credit limits on credit cards that have been granted but not yet drawn upon.
- A loss provision is reported when an exposure is reported for the first time at an amount equivalent to the expected credit loss over the coming 12 months (low risk).
- A higher loss provision is reported for the exposure when there has been a significant increase in credit risk (increased risk or defaulted receivables), in which case a loss provision is calculated at an amount equivalent to the expected credit losses for the full remaining period of the exposure.
- When calculating expected credit losses, account is taken of the expected changes in those macro factors that have a significant effect on the loss provisions.

As a result of the new rules on accounting for expected credit losses, the bank will report an increase of SEK 2.4 million in provisions, bringing it to a total of SEK 26.6 million. The increase relates to lending of SEK 1.2 million to the general public and SEK 1.2 million of securities in the liquidity reserve. As a result, retained earnings decrease by SEK 2.4 million in the opening balance for the 2018 financial year.

Classification and valuation of financial assets and financial liabilities

According to the classification and valuation requirements in IFRS 9, financial assets are to be classified as and valued at amortized cost, fair value through the statement of comprehensive income or fair value through other total comprehensive income. The classification of a financial instrument is determined on the basis of the business model of the portfolio in which the instrument is included and of whether cash flows constitute payments of principal and interest only. The bank's assessment is that the securities in the liquidity portfolio are held in the framework of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that these cash flows are only payments of principal and interest on the outstanding principal. On the basis of the provisions in IFRS 9, these investments, previously valued at fair value through the statement of comprehensive income, must be reported at amortized cost. In the opening balance for the 2018 financial year, the new valuation principle will increase the carrying amount for eligible treasury bills etc. and for bonds and other interest-bearing securities by SEK 1.5 million, as well as increasing retained earnings by SEK 1.5 million. In addition, the new classification and valuation requirements in IFRS 9 for financial assets and liabilities do not affect the bank's accounting principles.

Effect on capital adequacy

The introduction of IFRS 9 only entails a marginal effect on the bank's capital adequacy. The IRB shortfall is affected by an amount equivalent to the bank's increased credit risk provision as above.

IFRS 15 Revenue from Contracts with Customers

This regulation will enter 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

IFRS 16 is a new standard for leases which will enter into force on 1 January 2019. The introduction is not expected to have any significant impact on the bank's financial position, profit or cash flow.

Other

Further reporting within the liquidity area of AMM (Additional Monitoring Metrics) will be carried out in Q1 2018, as will a new version of the Standard Report which will also apply from Q1 2018.

Note 2 Assessments and estimates in financial reports 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

Sales Finance Cars

Within the Sales Finance Cars segment, the bank works primarily on financing new and second-hand cars. The bank also administers leases that are transferred by Volvo dealers, which includes both operating and financial leases. Operational leases include private leases.

2017 was another record year for new passenger cars. Registrations increased by 1.9 percent to 379,393, beating the previous year's record of 372,318 car registrations. Even registrations of light commercial vehicles set a record in 2017, at 55,390 vehicles. In a Swedish passenger car market of record strength, Volvo remains in first place with an annual volume of 75,506 new passenger cars. The market share reached 20 percent. Volvo XC60 and Volvo S/V90 are the favourite choices for Swedes. Renault Sweden achieved a market share of 5 percent, with the Clio and Captur models on top. Volvofinans Bank, with help from the Volvo and Renault dealerships, has increased lending by SEK 2.3 billion. Sales ended up at 74,527 new agreements, due to a strong market for new cars combined with competitive financing products. Together with Volvia and Renault Insurance, Renault Sweden and Volvo Car Sweden, the bank has remained highly successful over the year in packaging offers under the private lease product. There has also been an increased level of financing for second-hand cars in 2017, and here too, packaged car ownership is the key to success. The bank will continue to develop financing products during 2018.

Amounts in SEK thousand

	2017	2016	Change
Net interest *	314,565	257,111	57,454
Commission income	76,633	60,766	15,867
Commission expenses	-8,398	-7,684	-714
Net result of financial transactions	-8,893	-878	-8,015
Other income	2,860	2,416	444
Operating income	**376,767**	**311,730**	**65,037**
Expenses **	-93,484	-85,676	-7,808
Credit losses	-91	35	-126
Operating profit	**283,192**	**226,089**	**57,103**

* 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.

Product information	2017	2016	Change
Number of contracts	209,891	197,234	12,657
Total volume, SEK million	24,758	22,442	2,316
of which transferred, %	92.1	91.6	0.5
of which pledged, %	7.9	8.4	-0.5
of which loans, %	47.0	48.5	-1.5
of which leasing, %	53.0	51.5	1.5
Private leases as a proportion of total leases, %	28.8	26.5	2.3

Sales Finance Trucks

Within the Sale Finance Trucks segment, the bank is working on the financing and leasing of trucks over 16 tonnes, and trailers. The Sales Finance Trucks business also includes the Volvo Truck Card.

Sales of new trucks over 16 tonnes were very strong in 2017, with a total volume of 6,198. Volvo is once again the market leader with a market share of 41 percent, corresponding to 2,556 units. Demand remains good and economic activity is also expected to be strong during 2018. Together with the Swedish Volvo dealerships, the bank has financed 57 percent of new sales, which is about 3 percent higher than the previous year. Despite fierce competition in the market, the interest of customers in financing through both loans and leases has increased. It is the perfect time for the concept of turnkey and operating leases, as the demands on the haulage industry change, which in turn requires more predictable and flexible financial solutions. The product development and marketing of financial offers, in collaboration with Volvo Trucks and Volvo dealerships, is partly behind the increase in credit volumes and financing levels. The development of future services and financial solutions also takes place regularly, for example in areas such as Fleet Management and more convenient payment solutions via Volvo Truck Cards. The Volvo Truck Card, which are connected to service-market services and other software, such as DynaFleet and FuelAdvice, also facilitate customer truck ownership. Insurance solutions via Volvia Truck Insurance and diesel via the collaboration of Volvo dealerships with Shell TruckDiesel are connected to the Volvo Truck Card. All this is within the context of the bank's aim to offer its customers a "Smarter Truck Economy".

Amounts in SEK thousand

	2017	2016	Change
Net interest *	35,105	24,679	10,426
Commission income	9,812	9,835	-23
Commission expenses	-331	-273	-58
Net result of financial transactions	-1,185	-111	-1,074
Other income	393	34	359
Operating income	**43,793**	**34,164**	**9,629**
Expenses **	-21,895	-19,551	-2,344
Credit losses	-796	-110	-686
Operating profit	**21,102**	**14,503**	**6,599**

* 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.

Product information	2017	2016	Change
Number of contracts	6,446	5,879	567
Total volume, SEK million	3,794	3,280	514
of which transferred, %	79.5	78.4	1.1
of which pledged, %	20.5	21.6	-1.1
of which loans, %	77.8	78.8	-1.0
of which leasing, %	22.2	21.2	1.0
Operating leases as a proportion of total leases, %	24.6	17.1	7.5
Average proportion of active Volvo Truck Card accounts	1,678	1,803	-125
Total Volvo Truck Card sales, SEK million	386	401	-15
of which workshop, %	56.3	58.2	-1.9
of which shop, %	13.8	13.7	0.1
of which car wash, %	5.4	5.6	-0.2
of which other (including loans and insurance), %	6.8	6.9	-0.1
of which fuel, %	17.7	15.7	2.0
Volume of diesel via Volvo Truck Card (millions of litres)	5.3	5.3	0.0

Fleet Finance

Within the Fleet Finance segment, with sales and marketing under the name Svensk Vagnparksfinans, operating and financial leases are administered and financed via framework agreements on fleets of five cars or more, regardless of the brands of car customers choose to use. Service and repair agreements and the tire warranty product are also administered here. The business idea is to make things easy for customers, and the ambition is to be at the forefront of web-based functions that simplify car ownership for both drivers and companies.

In recent years, the ambition of Fleet Finance, has been to achieve a leading position in the market. In 2017, 150 new agreements were signed with customers with a total fleet of 4,400 vehicles, which is the largest ever number of agreements signed. Most of these were signed within the operating leasing category. The combination of increases in volume, the bank's model of holding provisions for residual value risk in operating leases and a slight drop in market prices for second-hand cars has meant increased impairment and therefore a lower operating profit during the year.

Amounts in SEK thousand

	2017	2016	Change
Net leasing *	29,998	34,812	-4,814
Residual value impairment	-64,204	-25,100	-39,104
Commission income	140,543	115,429	25,114
Commission expenses	-665	-553	-112
Net result of financial transactions	-2,252	-257	-1,995
Other income	266	387	-121
Operating income	**103,686**	**124,718**	**-21,032**
Expenses **	-74,129	-69,575	-4,554
Credit losses	-2,651	320	-2,971
Operating profit	**26,906**	**55,463**	**-28,557**

* 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.

Product information	2017	2016	Change
Number of financing agreements	30,632	26,360	4,272
Number of administered contracts	42,407	36,635	5,772
Total volume, SEK million	6,150	5,044	1,106
of which operating leases, %	67.3	63.9	3.4
of which financial leases, %	32.7	36.1	-3.4

Volvo Card

The Volvo Card segment is made up of two parts: a charge card solution and a credit card solution offered to both private and business customers, excluding Volvo Truck Card, which is handled within the Sales Finance Trucks segment.

Overall in 2017, over 300,000 customers have discovered and downloaded the CarPay app. The pace of development has been fast over the year, and many new features have been presented to customers. One of the most important features of CarPay is to offer convenient payments, and in 2017 the bank launched a digital payment solution in which customers can check out and pay for their workshop purchases directly on their mobile phones. This was an important first step, and in 2018 the bank will continue its journey towards even more digital payment options, simpler onboarding and additional features and services for a smarter car economy. During 2017, the bank has implemented a series of new functions to make CarPay even better as a communication channel, paving the way for the next step of relevant offers with the right timing for greater customer satisfaction and improved sales performance. Even now, the bank can already see positive sales effects in CarPay users, with particularly high increases in consumption within the Tanka and Tvätta business, but also in the VISA network outside the Volvo and Renault businesses. The bank's total Volvo Card volume on fuel in 2017 is 1 percent lower than in 2016, which should be seen as a good performance against a decline in the overall market of 2 percent. The bank has, together with Tanka, regularly worked on successful fuel and car wash concepts. As it enters 2018, the bank is focusing on campaigns, new functions and services for customers.

Amounts in SEK thousand

	2017	2016	Change
Net interest	131,469	127,407	4,062
Commission income	176,407	167,163	9,244
Commission expenses	24,310	16,135	8,175
Net result of financial transactions	-723	-79	-644
Other income	5,771	313	5,458
Operating income	**288,615**	**278,670**	**9,945**
Expenses	-197,754	-182,062	-15,692
Credit losses	-14,453	-13,695	-758
Operating profit	**76,408**	**82,913**	**6,505**

Product information	2017	2016	Change
Average number of active accounts	427,059	427,900	-841
Average total volume, SEK million	1,631	1,559	72
Average number of credit customers	87,520	89,206	-1,686
Cards' share of consumers, %	90.5	90.4	0.1
Total Volvo Card sales, SEK million	12,968	11,910	1,058
of which fuel, %	42.3	43.4	-1.1
of which workshop, %	13.5	14.6	-1.1
of which shop, %	2.1	2.3	-0.2
of which car wash, %	1.3	1.3	0.0
of which sales outside Volvo business, %	26.9	23.0	3.9
of which other (including car loans and insurance), %	14.0	15.4	-1.4
Volume of fuel via Volvo Card (millions of litres)	401	407	-6

Note 4 Information on loan and leasing contracts

Jan-Dec 2017	Loans	Leases	Total
Number of contracts	127,013	119,956	246,969
Average contracts, SEK thousand	115	173	143
Collateral value, SEK million	14,606	20,719	35,325
Credit utilized, SEK million	14,174	18,271	32,445
Loan-to-value ratio	97	88	92
Market value, SEK million	19,799	18,815	38,614
Surplus value, SEK million	5,625	544	6,169
Surplus value, %	40	3	19

Jan-Dec 2016	Loans	Leases	Total
Number of contracts	122,685	106,788	229,473
Average contracts, SEK thousand	110	167	136
Collateral value, SEK million	13,471	17,804	31,275
Credit utilized, 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

Note 5 Lease income and accumulated net interest

Amounts in SEK thousand

	2017 Q4	2017 Q3	2016 Q4	2017 Jan-Dec	2016 Jan-Dec
Income from operating and finance leases	1,228,319	1,181,049	1,042,787	4,635,582	4,018,984
Depreciation and impairment	-1,199,085	-1,122,805	-1,004,946	-4,430,860	-3,812,809
Interest income	112,554	112,647	99,025	438,440	394,899
Interest expenses	-53,755	-51,100	-45,744	-196,228	-182,166
Accumulated net interest	**88,033**	**119,792**	**91,123**	**446,933**	**418,908**

Note 6 Credit losses, net

Amounts in SEK thousand

Credit losses, net	2017 Jan-Dec	2016 Jan-Dec
Specific provision for collectively valued receivables *		
Write-off of confirmed credit losses for the year	-19,241	-16,049
Impairment for the year	-5,212	-6,202
Received from previous years' confirmed credit losses	1,714	1,253
Reversed provisions no longer required for probable credit losses	6,852	6,775
Net cost for specific provisions for collectively valued receivables for the year	**-15,887**	**-14,223**
Collective provision for losses incurred but not yet reported **		
Impairment for the year	-6,265	-3,411
Reversed provisions no longer required for probable credit losses	4,162	4,184
Net cost for the year for collective provisions	**-2,104**	**773**
Credit losses, net	**-17,991**	**-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

	31/12/2017	31/12/2016
		Amounts in SEK thousand
Common equity tier 1 capital		
Equity	1,033,030	1,112,513
Share of equity of untaxed reserves	2,831,174	2,513,723
Intangible non-current assets	-18,158	-11,123
AVA	-2,657	-2,184
IRB shortfall	-62,163	-115,720
Common equity tier 1 capital	**3,781,226**	**3,497,209**
Total own funds	**3,781,226**	**3,497,209**
Own funds according to Basel I	3,843,389	3,612,929

Note 8 Capital adequacy

Amounts in SEK thousand

	31/12/2017	31/12/2016
Without transitional rules		
Risk-weighted assets	18,325,156	16,449,878
CET 1 capital ratio, %	20.63	21.26
Total capital ratio, %	20.63	21.26
With transitional rules		
Risk-weighted assets	28,942,382	25,514,599
CET 1 capital ratio, %	13.28	14.16
Total capital ratio, %	13.28	14.16

Note 9 Internally assessed capital requirement

Amounts in SEK thousand

	31/12/2017	31/12/2016
Credit risk	1,351,554	1,209,134
Operational risk	112,951	105,638
CVA risk	1,507	1,218
Pillar I capital requirement	**1,466,012**	**1,315,990**
Concentration risk	274,247	245,198
Strategic risk	73,301	65,800
Interest rate risk	65,000	50,000
Pillar II capital requirement	**412,547**	**360,998**
Capital conservation buffer	458,129	411,247
Countercyclical capital buffer	366,503	246,748
Combined buffer requirement	**824,632**	**657,995**
Capital requirement	**2,703,192**	**2,334,983**
Total own funds	**3,781,226**	**3,497,209**
Surplus of capital	**1,078,035**	**1,162,225**

Note 10 Capital requirement and risk-weighted exposure amount

Amounts in SEK thousand

	31/12/2017		31/12/2016	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk according to IRB				
Corporate exposures	485,402	6,067,521	407,237	5,090,466
Retail exposures	542,089	6,776,119	513,033	6,412,918
Non-credit obligation asset exposures	247,497	3,093,710	184,848	2,310,597
Total according to IRB	**1,274,988**	**15,937,349**	**1,105,118**	**13,813,981**
Credit risk according to standardized method				
Exposures to public bodies	427	5,343	356	4,447
Institutional exposures	21,436	267,956	13,150	164,381
Corporate exposures	15,615	195,188	53,214	665,180
Retail exposures	25,747	321,832	23,557	294,460
Unsettled items	202	2,528	1,739	21,737
Covered bonds	9,650	120,620	8,978	112,230
Share exposures	2,173	27,159	2,060	25,751
Other items	1,316	16,450	961	12,009
Total according to the standardized method	**76,566**	**957,076**	**104,016**	**1,300,195**
Operational risk	112,951	1,411,890	105,638	1,320,477
Credit valuation adjustment (CVA)	1,507	18,840	1,218	15,225
Total minimum capital requirement and risk-weighted exposure amount	**1,466,012**	**18,325,156**	**1,315,990**	**16,449,878**
Total capital requirement according to transitional rules	2,315,391	28,942,382	2,041,168	25,514,599

Note 11 Capital and buffer requirements

	31/12/2017			31/12/2016		
	Core tier 1 capital requirement	Tier 1 capital requirement	Total capital base requirement	Core tier 1 capital requirement	Tier 1 capital requirement	Total capital base requirement
Percent						
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 capital buffer	2.0	2.0	2.0	1.5	1.5	1.5
Total	**9.0**	**10.5**	**12.5**	**8.5**	**10.0**	**12.0**
Amounts in SEK thousand						
Minimum capital requirement	824,632	1,099,509	1,466,012	740,245	986,993	1,315,990
Capital conservation buffer	458,129	458,129	458,129	411,247	411,247	411,247
Countercyclical capital buffer	366,503	366,503	366,503	246,748	246,748	246,748
Total capital requirement	**1,649,264**	**1,924,141**	**2,290,644**	**1,398,240**	**1,644,988**	**1,973,985**
Total Pillar 1 capital requirement			**2,290,644**			**1,973,985**

Note 12 Leverage ratio

Amounts in SEK thousand

	31/12/2017	31/12/2016
Core capital	3,781,226	3,497,209
Exposure measurement	40,412,184	35,576,384
Leverage ratio, %	**9.36**	**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, 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, 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

Assets, Jan-Dec 2017	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Eligible treasury bills etc.	1,432,848	-	-	1,432,848	1,432,848
Lending to credit institutions	-	1,300,672	-	1,300,672	1,300,672
Lending to the public	-	16,458,107	-	16,458,107	16,483,785
Bonds and other interest-bearing securities	1,207,411	675,250	-	1,882,661	1,882,661
Other assets	-	-	827,398	827,398	827,398
Prepayments and accrued income	-	-	43,157	43,157	43,157
Total	**2,640,259**	**18,434,029**	**870,555**	**21,944,843**	**21,970,521**

Liabilities, Jan-Dec 2017	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Liabilities to credit institutions	-	2,132,876	-	2,132,876	2,150,000
Deposits and borrowing from the public	-	16,013,870	-	16,013,870	16,013,905
Securities issued	15,730,114	-	-	15,730,114	15,607,882
Other liabilities	-	906,739	-	906,739	906,739
Accruals and deferred income	-	-	1,228,711	1,228,711	1,228,711
Total	**15,730,114**	**19,053,485**	**1,228,711**	**36,012,310**	**35,907,237**

Assets, Jan-Dec 2016	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Eligible 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	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
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**

Fair value assets and liabilities by category

Assets

Amounts in SEK thousand

31/12/2017	Loan and trade receivables	FVO *	Investments held to maturity	Derivatives in hedge accounting	Other assets	Total	Fair value
Eligible treasury bills etc.	-	1,432,848	-	-	-	1,432,848	1,432,848
Lending to credit institutions	1,300,672	-	-	-	-	1,300,672	1,300,672
Lending to the public	16,483,785	-	-	-	-	16,483,785	16,458,107
Bonds and other interest-bearing securities	-	1,207,411	675,250	-	-	1,882,661	1,882,661
Shares and participations in associates and other companies	-	-	-	-	20,417	20,417	-
Shares and participations in Group companies	-	-	-	-	6,742	6,742	-
Intangible non-current assets	-	-	-	-	18,158	18,158	-
Property, plant, and equipment, inventory	-	-	-	-	2,300	2,300	-
Property, plant, and equipment, lease items	-	-	-	-	18,631,323	18,631,323	-
Other assets	623,655	19	-	14,011	189,713	827,398	827,398
Prepayments and accrued income	43,157	-	-	-	-	43,157	43,157
Total assets	**18,451,269**	**2,640,278**	**675,250**	**14,011**	**18,868,653**	**40,649,461**	

Liabilities

31/12/2017		FVO **	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions		-	-	-	2,150,000	2,150,000	2,132,876
Deposits and borrowing from the public		-	-	-	16,013,905	16,013,905	16,013,870
Securities issued		-	-	-	15,607,882	15,607,882	15,730,114
Other liabilities		61	320,359	2,699	583,620	906,739	906,739
Accruals and deferred income		-	1,217,432	-	11,279	1,228,711	1,228,711
Total liabilities		**61**	**1,537,791**	**2,699**	**34,366,686**	**35,907,237**	

Assets

31/12/2016	Loan and trade receivables	FVO *	Investments held to maturity	Derivatives in hedge accounting	Other assets	Total	Fair value
Eligible 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 associates 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

31/12/2016		FVO **	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions		-	-	-	1,350,000	1,350,000	1,347,075
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**	

* Financial assets 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 Personvagnar AB. Both companies are classified as other related companies.

The bank has shares in four companies that are classified as associates: Volvohandelns PV Försäljnings AB, Volvohandelns PV Försäljnings KB, VCC Tjänstebilar KB and VCC Försäljnings KB.

The Group also includes wholly-owned and dormant subsidiaries: Volvofinans Leasing AB, Autofinans Nordic AB, CarPay Sverige AB and Volvofinans IT AB.

Amounts in SEK thousand

	Group companies		Associates		Other related companies	
Balance sheet	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Assets	6,742	6,742	65,187	274,591	932,512	777,582
Liabilities	6,789	6,789	162,739	169,818	125,374	157,195
Income statement						
Interest income	-	-	2,492	2,357	73	118
Lease income	-	-	-	-	268,098	280,382
Interest expenses	-	-	-27	-494	-14	-49
Commission income	-	-	1,408	2,212	-	-
Other operating income	-	-	-	-	1,925	3,575
Total	**-**	**-**	**3,872**	**4,075**	**270,082**	**284,027**

Note 15 Assets pledge and contingent liabilities

Amounts in SEK thousand

	31/12/2017	31/12/2016
Assets pledge	-	-
Contingent liabilities	37,164	-

Following a VAT adjustment for the 2015 financial year, the Swedish Tax Agency has submitted a revised proposal to the decision of 21 December 2017 to reduce the bank's deductions for input VAT by SEK 14.2 million and to charge a tax surcharge of SEK 2.1 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 an 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 year

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

VOLVOFINANS BANK

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