

**Interim Report 1 January - 30 September**

Volvofinans Bank AB

**2018**

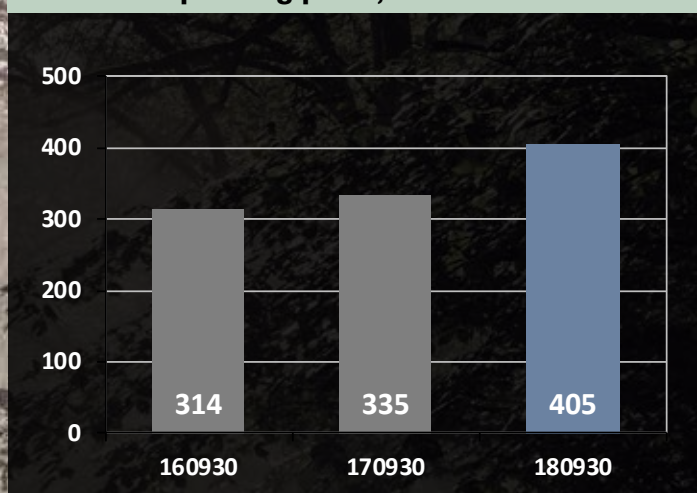


**VOLVOFINANS BANK**

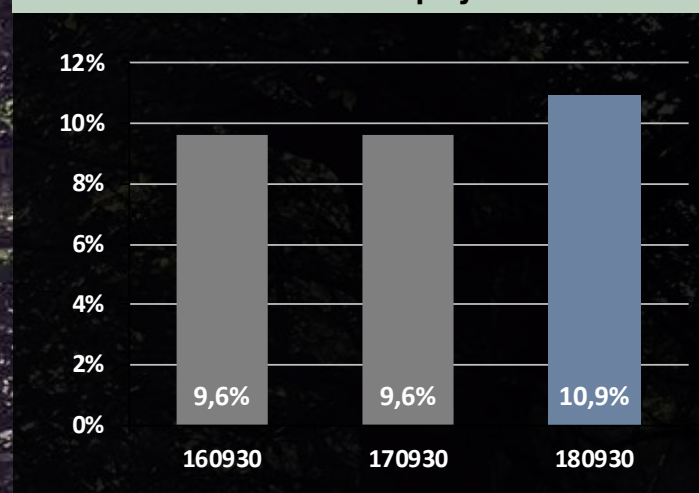
# Summary

## January - September 2018

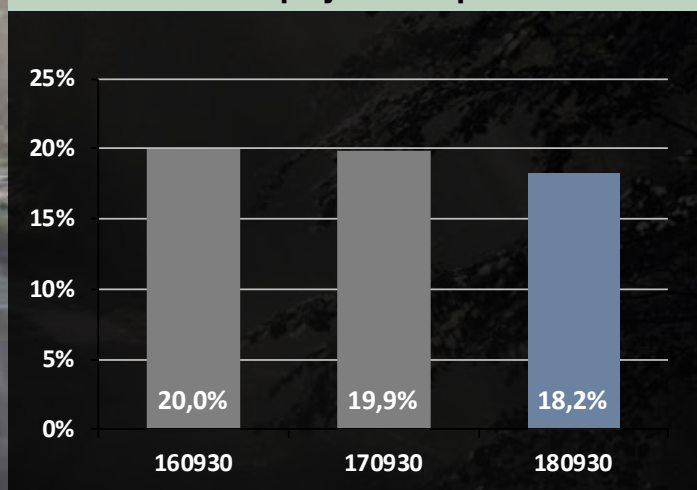
Operating profit, SEK million



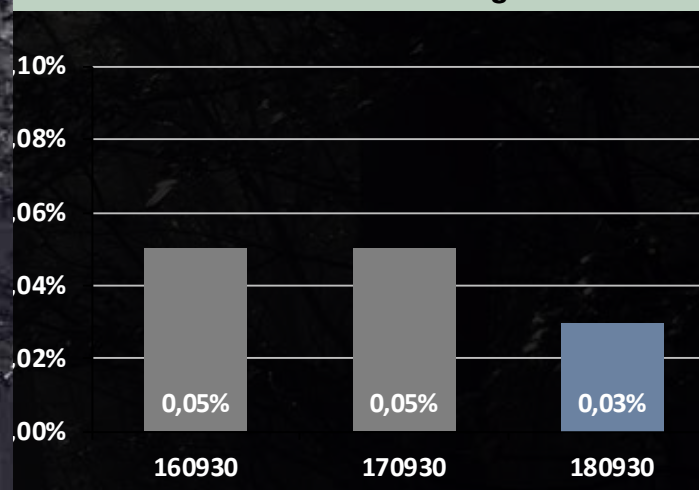
Return on equity



Common equity tier 1 capital ratio



Credit losses/lending



# Statement by the CEO

## January - September 2018 highlights

Operating profit: SEK 405 million (335)

Return on equity: 10.9 % (9.6)

Lending as at 30 September: SEK 37.3 billion (33.9)

Net credit losses: SEK 9.0 million (13.4)

Common equity tier 1 capital ratio: 18.2 % (19.9)

With an operating profit amounting to SEK 405 million, Volvofinans Bank reached an all-time high for the period January – September. Contributing to increased profits were lending volumes as well as a number of extraordinary one-off items with the net effect of these items amounting to SEK 21 million for the period January – September.

After a previously strong half-year for new car registrations, the third quarter was – as expected – not nearly as strong. Registrations decreased by nearly 40% during September 2018 compared to last year, in parity with June when registrations increased by 70%. The primary reason for this very volatile market emanates from the new car taxation system known as “Bonus Malus” which entered into force 1 July 2018. Another aspect also affecting the market negatively is the new method for testing fuel consumption and emissions i.e. the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), which came into effect 1 September. As such, several manufacturers have not been able to get all of their models approved in time. According to BIL Sweden, the full-year registration forecast for 2018 remains stable at 360,000 passenger cars. The forecast for light commercial vehicles has increased from 54,000 to 56,000. Heavy goods vehicles on the other hand, decreased by 2 % as at September, compared to the record-year 2017.

In view of the above, the pace of the bank’s lending slowed during the third quarter. The business areas Cars, Fleet and Trucks continue to develop well and for each of these areas the profit before one-off items is above or in line with our expectations.

Within the business area Cars, the bank also provides the service CarPay, supporting the bank’s credit accounts and the brand promise “A smarter car economy”. The service – provided via an app – is approaching 400,000 customers and is designed to form a smart and simple way for car ownership/car usage within Volvo Cars’ Swedish ecosystem. By integrating this service with the different standardised systems at Volvo dealers, unique payment solutions can be created leading to valuable customer satisfaction.

The market for Fleet has, during the quarter, been cautious, as a direct result of several clients still evaluating the implications of Bonus Malus. Certain car models, highly attractive on the new car market, have, due to an increase in demand, seen longer delivery times, affecting the demand for used cars. Thus, the prices for used cars are subsequently higher which has had a positive effect on the profit. Volvofinans Bank continues to gain market shares in a market where customers want smart and cost-efficient solutions for their car fleets.

The bank is consistently working on digitalising its services with the ultimate goal of exceeding the customer’s demands and expectations of a smarter and simpler car economy – which is in line with the bank’s niche strategy to become “The Car Bank”. In the car industry, different solutions within “mobility” are evolving

and is where Volvofinans wants to take its position as “The Mobility Bank”. In the first phase, the bank has focused on and invested a lot in building its digital infrastructure, which is necessary when managing mobility payment solutions. Such investments are costly yet necessary if the bank is to differentiate itself from the competition. However, the bank now sees a second phase where its customers, with great interest, are receiving developed applications. Newly launched services, together with services in the bank’s development portfolio, can be utilised for a car stock greater than ever, especially in view of the strong new-car market in recent years.

In conclusion, it is with great inspiration and energy that the bank will finish yet another, strong year.

Conny Bergström  
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 7 November 2018.



# Financial Statements

## Ownership/Operations

The company was established in 1959 and 50% of the bank is owned by each of the Swedish Volvo dealers, via their holding companies AB Volverkinvest and Volvo Personvagnar AB.

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 volume/lending

The lending volume amounted to SEK 37.3 billion compared with SEK 33.9 billion previous year. Truck's share accounts for SEK 3.2 billion (2.9) of lending, equivalent to 9 % (9) of total lending. Fleet's share of lending is SEK 6.8 billion (5.9) or 18 % (17) and Cars amounts for remaining share of SEK 27.3 billion (25.1) which corresponds to 73 % (74) of lending.

The operating income, operating profit, number of contracts and lending volume for Volvofinans Bank's business areas are presented in Note 3.

## Trends in earnings performance and financial position Profit

Volvofinans Bank's profit before credit losses amount to SEK 405.2 million (335.0), an increase of 21 % driven by higher lending volumes. The increase in profit can also be explained by a reversal of a previously made residual value impairment, see the section on residual value risk. The bank has also received cash and share dividend from Visa Sweden as a result of their sale of Visa Europe share to Visa Inc. The bank has during Q3 2018 charged SEK 41 million to the result due to a claim by the Swedish Tax Agency regarding non-deductible input VAT. This cost is reported under Other operating expenses.

## Credit risk 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 amounts to SEK 12.6 million (10.9) and for loans and leasing SEK 211.0 million (118.0).

With regard to commitments relating to loan and leasing, in addition to the collateral in the financed items, there are recourse agreements in place meaning that the dealers bear the credit risk. This amounted to a total of SEK 201.9 million (116.0) on the balance sheet day. Loans with deferral or renegotiated terms amount to SEK 19.1 million (8.4). Confirmed customer losses during the year refer to credit card transactions. Expected credit losses are calculated based on a forward-looking impairment model, where the calculation takes into account both the macroeconomic data and demographic variables and behavioural variables.

## 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 higher than the actual market value and the bank thereby sustains a loss. At 30 September 2018 the bank reported impairment losses of SEK 71.9 million (90.3), due to the residual value risk, which is recognised as depreciation, amortisation and impairment of property,

plant and equipment and intangible non-current assets. During the year, the bank has made a reversal of SEK 60.8 million of a previously made impairment due to residual value risk. The majority, SEK 45.8 million, of this reversal is due to signing a new agreement with a buyer for cars in the Fleet business.

## Funding and liquidity

Deposits in the bank's savings account increased by SEK 0.5 billion during the third quarter, with the total savings account balance amounting to SEK 16.1 billion (14.4) at quarter-end. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships amounted to SEK 17.7 billion (15.7) and accounted for 48 % (48) of the bank's financing.

Bonds worth SEK 3.7 billion and bank certificate worth SEK 0.6 billion were issued during the first nine months of the year. External funding through the bank's market loan programs amounted to a nominal SEK 16.1 billion (15.2) as at 30 September 2018. Within the bond programme it is possible to issue green bonds and in addition to funding in SEK, funding can also be made in NOK and EUR.

In addition to market borrowing and deposits, the bank also financed its activities through bank credit, which amounted to SEK 2.1 billion (1.7). The proportion of financing with a remaining term of more than one year from market loans programmes and the banking sector was 83 % (72).

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 5.0 billion (4.8). The securities portfolio amounted to SEK 3.8 billion, 76 %, and non-fixed deposits at other banks to SEK 1.2 billion, 24 %. The size of Volvofinans Bank's liquidity reserve must always be at least 10 % in relation to lending volume. As at 30 September 2018, total lending stood at SEK 37.3 billion, meaning that the size of the liquidity reserve was equivalent to 13 % (14). In addition to the liquidity reserve, available and unutilised loan facilities amounted to SEK 4.3 billion (3.5).

Volvofinans Bank's liquidity coverage ratio (LCR), according to article 415 in CRR (EU Capital Requirements Regulation), amounted at the end of Q3 to 307 % (240). The Net Stable Funding Ratio (NSFR), according to Volvofinans Bank's interpretation of the Basel Committee's recommendation (BCBS295) was 145 % (142).

## Capital adequacy

Volvofinans Bank calculates most of the credit risk on the basis of its internal ratings based approach (IRB), while the remainder is calculated according to the standardised approach. During the first half of the year, the bank has streamlined its capital base through the issuing of a SEK 400 million-subordinated loan and thereafter issued an additional dividend of the corresponding amount. As of Q3 2018 Common equity tier 1 capital ratio reached 18.2 % (19.9) and the leverage ratio amounted to 8.2 % (8.9).

As per June 2018 the bank is, after approval by the Swedish Financial Supervisory Authority (SFS), eligible to account for interim results when calculating for common equity tier 1 capital. Reporting starting in June 2018 will be accordingly performed.

The Swedish parliament decided on the 14 June to lower the corporate tax from 22.0 % to 21.4 % starting from 1 January 2019. Following this, the new corporate tax is applied in calculations of equity in untaxed reserves, starting from reporting in June 2018.

## 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
- Prospects: 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

6 February 2019	Year-end report
Week 13, 2019	Annual report
7 May 2019	Interim Report, January-March
12 June 2019	Annual General Meeting
23 August 2019	Interim Report, January-June
7 November 2019	Interim Report, January-September

### Certificate Interim report

The interim report provides a true and fair view of the bank's operations, position and performance, and describes material risks and uncertainties relating to the bank.

Göteborg 7 November 2018

Conny Bergström  
CEO

The report will be available on our website: [volvofinans.se](http://volvofinans.se), under the heading "About Volvofinans Bank/Investor Relations".

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

### Review

The report has not been subject to a separate review by the bank's auditor.

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



## KPI

	30/09/2018	30/09/2017	31/12/2017
Return on equity, %	10.93	9.61	8.77
Risk capital / Balance sheet total, %	11.31	11.00	11.47
Deposits / Lending, %	47.42	46.31	45.60
Operating profit / Risk-weighted assets, %	2.79	2.54	2.22
Total capital ratio, %	20.23	19.85	20.63
Common equity tier 1 capital ratio, %	18.16	19.85	20.63
Cost/income ratio	0.42	0.48	0.52
Cost/income ratio excl. residual value provision	0.51	0.43	0.44
Credit losses / Lending, %	0.03	0.05	0.05
Liquidity coverage ratio (LCR), %	307	240	280
NSFR (Net Stable Funding Ratio), %	145	142	146
Leverage ratio, %	8.2	8.9	9.4

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

## Income statement, overview

	Amounts in SEK thousand					
	2018 Q3	2018 Q2	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Interest income	124,503	120,855	112,647	360,585	325,886	438,440
Lease income	1,359,959	1,316,845	1,181,049	3,943,773	3,407,263	4,635,582
Interest expense	-66,607	-67,552	-51,100	-191,099	-142,473	-196,228
<b>Net interest, Note 5</b>	<b>1,417,855</b>	<b>1,370,148</b>	<b>1,242,596</b>	<b>4,113,259</b>	<b>3,590,676</b>	<b>4,877,794</b>
Dividend received, Note 6	0	16,308	-	16,308	-	-
Commission income	97,836	96,765	91,512	285,951	273,341	366,370
Commission expense	-11,084	-15,219	-9,627	-33,708	-25,027	-33,704
Net result of financial transactions	-788	-263	-3,044	-1,128	-7,369	-13,053
Other operating income, Note 7	15,423	12,622	9,382	38,264	21,350	46,315
<b>Total operating income</b>	<b>1,519,242</b>	<b>1,480,361</b>	<b>1,330,819</b>	<b>4,418,946</b>	<b>3,852,971</b>	<b>5,243,722</b>
General administration expenses	-88,547	-99,323	-74,635	-282,705	-239,512	-334,544
Depreciation, amortisation, and impairment of property, plant, and equipment and intangible non-current assets, Note 5	-1,264,347	-1,233,986	-1,124,193	-3,643,081	-3,235,745	-4,436,389
Other operating expenses, Note 17	-51,318	-16,363	-10,928	-78,927	-29,312	-47,190
<b>Total operating expenses</b>	<b>-1,404,212</b>	<b>-1,349,672</b>	<b>-1,209,756</b>	<b>-4,004,713</b>	<b>-3,504,569</b>	<b>-4,818,123</b>
<b>Profit before credit losses</b>	<b>115,030</b>	<b>130,689</b>	<b>121,063</b>	<b>414,233</b>	<b>348,402</b>	<b>425,599</b>
Credit losses, net, Note 8	-2,998	-845	-4,988	-9,176	-13,358	-17,991
Impairment of financial intangible assets, net	88	-45	-	162	-	-
<b>Operating profit</b>	<b>112,120</b>	<b>129,799</b>	<b>116,075</b>	<b>405,219</b>	<b>335,044</b>	<b>407,608</b>
Appropriations	-	-	-	-	-	-406,989
Tax	-23,994	-27,777	-25,537	-86,717	-73,710	-619
<b>Profit</b>	<b>88,126</b>	<b>102,022</b>	<b>90,538</b>	<b>318,502</b>	<b>261,334</b>	<b>-</b>

## Balance sheet highlights

	Amounts in SEK thousand		
	30/09/2018	30/09/2017	31/12/2017
Eligible treasury bills etc.	1,347,194	1,106,569	1,432,848
Lending to credit institutions	1,184,677	1,833,663	1,300,672
Lending to the public	17,056,099	15,968,361	16,483,785
Bonds and other interest-bearing securities	2,429,828	1,820,877	1,882,661
Shares and participations in associates and other companies *	22,700	19,009	20,417
Shares and participations in Group companies	6,742	6,742	6,742
Intangible non-current assets	20,957	18,079	18,158
Property, plant, and equipment, inventory	4,870	2,006	2,300
Property, plant, and equipment, lease items	20,282,212	17,960,353	18,631,323
Other assets **	887,359	609,163	827,398
Prepayments and accrued income	69,528	62,748	43,157
<b>Total assets, Note 15</b>	<b>43,312,166</b>	<b>39,407,570</b>	<b>40,649,461</b>
Liabilities to credit institutions	2,100,000	1,650,000	2,150,000
Deposits and borrowing from the public	17,705,425	15,713,103	16,013,905
Securities issued	16,073,626	15,208,580	15,607,882
Other liabilities **	1,038,168	962,116	906,739
Accruals and deferred income	1,414,819	1,277,202	1,228,711
Subordinated liabilities	400,000	-	-
<b>Total liabilities, Note 15</b>	<b>38,732,038</b>	<b>34,811,001</b>	<b>35,907,237</b>
Untaxed reserves	3,629,711	3,222,722	3,629,711
<b>Equity</b>	<b>950,418</b>	<b>1,373,847</b>	<b>1,112,513</b>
<b>Total liabilities and equity</b>	<b>43,312,166</b>	<b>39,407,570</b>	<b>40,649,461</b>
* An increase with SEK 2.3 million due to dividend paid by Visa Sweden Förening ek. för.			
** Of which derivative instruments with positive and negative market value			
Derivative instruments with positive market value	23,885	18,581	14,030
Derivative instruments with negative market value	-403	-1,183	-2,760

## Change in equity

	Amounts in SEK thousand				
	Restricted equity			Unrestricted equity	
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Total equity
<b>Opening equity, 1 January 2017</b>	<b>400,000</b>	<b>20,000</b>	<b>5,973</b>	<b>760,439</b>	<b>1,186,412</b>
Profit for the period after tax	-	-	-	261,334	261,334
Transfer self-generated development costs	-	-	9,421	-9,421	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>15,394</b>	<b>1,012,352</b>	<b>1,447,746</b>
Dividends	-	-	-	-73,899	-73,899
<b>Closing equity, 30 September 2017</b>	<b>400,000</b>	<b>20,000</b>	<b>15,394</b>	<b>938,453</b>	<b>1,373,847</b>
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Equity
<b>Opening equity 1 January 2017</b>	<b>400,000</b>	<b>20,000</b>	<b>5,973</b>	<b>760,439</b>	<b>1,186,412</b>
Net income after taxes	-	-	-	-	-
Transfer self-generated development costs	-	-	10,116	-10,116	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>16,089</b>	<b>750,323</b>	<b>1,186,412</b>
Dividends	-	-	-	-73,899	-73,899
<b>Closing equity, 31 December 2017</b>	<b>400,000</b>	<b>20,000</b>	<b>16,089</b>	<b>676,423</b>	<b>1,112,513</b>
	Share capital	Statutory reserve fund	Development fund	Retained earnings	Equity
<b>Opening equity, 1 January 2018</b>	<b>400,000</b>	<b>20,000</b>	<b>16,089</b>	<b>676,424</b>	<b>1,112,513</b>
IFRS 9, reclassification securities	-	-	-	1,500	1,500
IFRS 9, credit risk reserve	-	-	-	-2,613	-2,613
<b>Adjusted opening balance, 1 January 2018</b>	<b>400,000</b>	<b>20,000</b>	<b>16,089</b>	<b>675,311</b>	<b>1,111,400</b>
Profit for the period after tax	-	-	-	318,502	318,502
Transfer self-generated development costs	-	-	6,815	-6,815	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>22,904</b>	<b>986,998</b>	<b>1,429,902</b>
Dividends	-	-	-	-479,484	-479,484
<b>Closing equity, 30 September 2018</b>	<b>400,000</b>	<b>20,000</b>	<b>22,904</b>	<b>507,514</b>	<b>950,418</b>

## Cash flow statement

	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<b>Operating activities</b>			
Operating profit	405,219	335,043	407,608
<b>Adjustment of items not included in cash flow</b>			
Unrealised portion of net profit from financial transactions	-1,128	-3,745	-2,740
Depreciation, amortisation, and impairment	3,641,968	3,235,822	4,438,140
Credit losses	7,890	13,236	17,264
Paid/refunded (-/+ ) tax	76,932	86,568	13,171
<b>Changes to the operating activities' assets and liabilities</b>			
Eligible treasury bills etc.	85,654	-66,027	-392,306
Lending to the public	-578,716	-776,773	-1,296,828
Bonds and other interest-bearing securities	-547,167	-97,351	-159,135
Other assets	-251,470	-128,296	-179,848
Liabilities to credit institutions	-50,000	300,000	800,000
Deposits and borrowing from the public	1,691,520	300,690	601,492
Securities issued	465,744	2,813,492	3,212,794
Other liabilities	318,665	335,545	230,671
<b>Cash flows from operating activities</b>	<b>5,265,111</b>	<b>6,348,204</b>	<b>7,690,283</b>
<b>Investing activities</b>			
Capitalised development expenditure	-6,163	-10,343	-11,664
Investments in shares and participations	-2,284	-	-1,408
Acquisition of property, plant, and equipment	-8,249,099	-7,563,167	-10,173,269
Sale of property, plant, and equipment	2,955,924	2,346,202	3,083,963
<b>Cash flows from investing activities</b>	<b>-5,301,622</b>	<b>-5,227,308</b>	<b>-7,102,378</b>
<b>Financing activities</b>			
Subordinated liabilities	400,000	-	-
Dividend paid	-479,484	-73,899	-73,899
<b>Cash flows from financing activities</b>	<b>-79,484</b>	<b>-73,899</b>	<b>-73,899</b>
<b>Cash flow for the period</b>			
Cash and cash equivalents at the beginning of the period	1,300,672	786,666	786,666
Cash flows from operating activities	5,265,111	6,348,204	7,690,283
Cash flows from investing activities	-5,301,622	-5,227,308	-7,102,378
Cash flows from financing activities	-79,484	-73,899	-73,899
<b>Cash and cash equivalents at the end of the period</b>	<b>1,184,677</b>	<b>1,833,663</b>	<b>1,300,672</b>





# 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).

Some of the changes in the bank's accounting policies that are described in the 2017 annual report have not taken place, except that the bank also applies IAS 34 for the preparation of the interim report (see Chapter 8 Section 1 FFFS 2008:25).

### IFRS 9

#### Impairment of financial assets and contract assets

The introduction of IFRS 9 from and including 1 January 2018 has meant that the bank has implemented a model based on expected credit losses. ("expected credit loss model"). 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 amortised cost, loan pledges issued and credit limits on credit cards that have been granted but not yet drawn upon.
- A loss reserve 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 (stage 1 = low risk).
- A higher loss reserve is reported for the exposure when there has been a significant increase in credit risk (stage 2 = increased risk or stage 3 = defaulted receivables), in which case a loss reserve 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 reserve.

As a result of the new regulations on accounting of expected credit losses, the bank has reported an increased credit risk reserve of SEK 2.6 million as at 1 January 2018. The increase relates to lending of SEK 1.4 million to the general public and SEK 1.2 million of securities in the liquidity reserve. As a result, retained earnings decreased by SEK 2.6 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 amortised 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 amortised cost. In the opening balance for the 2018 financial year, the new valuation principle has increased 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.

#### IFRS 15 Revenue from Contracts with Customers

The regulation that applies entered into force from and including 1 January 2018 and has not had any significant impact on the bank's financial position, profit or cash flow.

#### Future regulatory changes

#### 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.

## Note 2 Assessments and estimates in 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 the bank assumes significant risks and benefits from the seller on acquisition of receivables and agreements
- Impairment testing of lease items at risk of falling residual value
- Choice of method for calculating expected credit losses
- Assessment of the bank's business model for the holding of securities in the liquidity portfolio

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

The bank's operations are divided into operating segments based on the business areas that the bank's chief operating decision maker is monitoring. Operations are organised so that the management monitors the profit and returns generated by the various services. The internal reporting procedures are therefore structured so that the management can monitor the performance of all services. It is based on this report that the bank has identified the Cars, Trucks and Fleet segments.

All operating income proceeds from external customers and all the bank's operations take place in Sweden.



## Cars

The business area Cars is formed by two businesses; Financial sales and Cards/Payments, both addressed to consumers and smaller companies. Within Financial sales, cars displayed at the Swedish Volvo dealers are financed via loan or leasing, often through package solutions containing insurance, credit card and service agreements. Within Cards/Payments the offering consists of card payment and digital payment solutions in CarPay. The bank provides smooth payments to cover all needs related to the use of cars, but also everywhere VISA is accepted where the transactions generates bonus checks in the bank's loyalty program.

Generally, the market for new cars has been decreasing in Q3 compared to Q1 and Q2 and the bank can see the effects from the new environmental regulation Bonus Malus that entered into force 1 July. Accumulated this year, new Volvo-, Renault- and Dacia registers reach approximately 69.500 cars, equal to 25 % of the market. The share of vehicle financing is continued stable with a margin over 50 % of total cars sold and accumulated over the year there is an increased growth in number of loan and leasing agreements. Within Cards/Payments, the provision income increases as more and more customers use the digital payment CarPay. During Q3 several Volvo dealers received more than half of their service payments by CarPay Checkout, also the VISA-transactions has shown higher volumes. The profit for Cars increases with nearly SEK 50 million and the result at the end of Q3 is positive, if though not as high as 2017 due to increased digital efforts. Onwards the bank plan for the launch of several digital payment solutions where the bank's customers smoothly can transform their digital bonus checks and to further develop digital support in car sales where subscription and monthly payments are in focus.

	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	Change
Net interest *	359,995	331,058	28,936
Dividend	16,308	1	16,306
Commission income	196,045	188,241	7,803
Commission expenses	-33,096	-24,346	-8,750
Net result of financial transactions	-834	-5,454	4,619
Other income	6,191	5,447	745
<b>Operating income</b>	<b>544,607</b>	<b>494,946</b>	<b>49,661</b>
Expenses **	-279,875	-205,445	-74,431
Credit losses	-11,138	-12,163	1,025
Credit provision	2,109	813	1,296
<b>Operating profit</b>	<b>255,703</b>	<b>278,150</b>	<b>-22,448</b>

\* Including depreciation and impairment of lease items.

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

Product information loans and leases	30/09/2018	30/09/2017	Change
Number of contracts	209,018	201,537	7,481
Total volume, SEK million	26,839	25,155	1,683
of which transferred, %	92.9	91.7	1.2
of which pledged, %	7.1	8.3	-1.2
of which loans, %	45.2	45.8	-0.5
of which leasing, %	54.8	54.2	0.5
Private leases as a proportion of total leases, %	26.9	27.3	-0.4

Product information cards	30/09/2018	30/09/2017	Change
Average number of active accounts	420,509	422,017	-1,508
Total volume, SEK million	1,807	1,644	163
Average number of credit customers	88,671	89,526	-855
Total Volvo Card sales, SEK million	10,611	9,576	1,035
of which fuel, %	42.3	43.0	-0.7
of which workshop, %	15.3	15.6	-0.4
of which shop, %	1.6	1.9	-0.3
of which car wash, %	1.3	1.3	0.0
of which sales outside Volvo business, %	29.2	26.4	2.8
of which other (including car loans and insurance), %	10.3	11.7	-1.4

## Trucks

Within the Trucks business area, the bank offer financing via loan and leasing of new and used trucks incl. trailers, constructions and other equipment. Volvo Truck Card is also included in Trucks.

The demand for trucks remains high and the share of Volvo Trucks is at a solid level. The bank's financing share of new trucks keep increasing and more than every other truck is financed via loan, financial leasing or operational leasing. The financed volume of used vehicles and trailers are also at a high level.

Work is ongoing within product development and marketing of financial offers together with Volvo Trucks and the Volvo Dealers. The development of future service and financial solutions within Fleet Management and more convenient payment solutions are examples of areas where the bank, together with Volvo Trucks, create future conditions for increased customer value. In this area, the unique service eControl, an invoice and cost control service, has been launched. eControl mainly addresses small and mid-sized haulers.

eControl along with a financing solution based on driven kilometers are examples of ongoing developments – all in line to offer Volvo customers a smarter truck economy contributing to the profitability of the haulers.

	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	Change
Net interest *	29,293	25,758	3,534
Commission income	7,650	7,117	533
Commission expenses	-138	-168	30
Net result of financial transactions	-100	-658	558
Other income	881	292	589
<b>Operating income</b>	<b>37,585</b>	<b>32,341</b>	<b>5,244</b>
Expenses **	-21,528	-14,966	-6,562
Credit losses	-346	-218	-128
Credit provisions	232	-441	673
<b>Operating profit</b>	<b>15,943</b>	<b>16,715</b>	<b>-772</b>

\* Including depreciation and impairment of lease items.

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

Product information loans and leases	30/09/2018	30/09/2017	Change
Number of contracts	6,736	6,318	418
Total volume, SEK million	4,090	3,664	426
of which transferred, %	77.9	79.2	-1.3
of which pledged, %	22.0	20.8	1.2
of which loans, %	77.1	78.5	-1.3
of which leasing, %	22.9	21.6	1.3
Operating leases as a proportion of total leases, %	26.0	20.1	5.9

Product information cards	30/09/2018	30/09/2017	Change
Average proportion of active Volvo Truck Card accounts	1,387	1,510	-123
Total Volvo Truck Card sales, SEK million	270	280	-10
of which workshop, %	56.5	55.5	0.9
of which shop, %	12.1	13.5	-1.4
of which car wash, %	5.2	5.5	-0.3
of which other (including loans and insurance), %	7.0	7.3	-0.3
of which fuel, %	19.2	18.1	1.1

## Fleet

Within the Fleet segment, with sales and marketing under the name Svensk Vagnparksfinans, the bank provide administration and financing via framework agreements regardless of the car brands customers choose to use. Service and repair agreements and the tyre warranty product are also administered here. The business idea is to simplify for the bank's customers, through a smarter car economy with a challenged car expense for both drivers and companies.

In recent years, the ambition of Fleet has been to achieve a leading position in the market to be able to reach economies of scale within administration and purchase. Increase in stock is continued well-paced and is up by 11 % compared to the same period last year. Primarily, the new agreements were signed within operational leasing.

During the year the bank made a reversal of SEK 60.8 million of a previously made impairment due to a residual value risk. The majority, SEK 45.8 million, of this reversal is due to signing a new agreement with a buyer for cars where the bank no longer stands the risk for residual value.

	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	Change
Net leasing *	24,569	23,838	731
Change in residual value impairment	60,805	-21,754	82,559
Commission income **	82,257	77,983	4,274
Commission expenses	-473	-512	39
Net result of financial transactions	-193	-1,257	1,064
Service and repair agreements **	30,952	15,421	15,531
Other income **	241	190	50
<b>Operating income</b>	<b>198,157</b>	<b>93,908</b>	<b>104,248</b>
Expenses ***	-64,713	-52,383	-12,330
Credit losses	90	-855	945
Credit provisions	39	-493	532
<b>Operating profit</b>	<b>133,573</b>	<b>40,177</b>	<b>93,395</b>

\* Including depreciation and impairment of lease items.

\*\* See Note 7 Other income. Income and expenses from service and repair agreements were reported in 2017 among commission income.

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

Product information	30/09/2018	30/09/2017	Change
Number of financing agreements	32,917	29,527	3,390
Number of administered contracts	44,830	40,420	4,410
Total volume, SEK million	6,851	5,856	996
of which operating leases, %	68.5	65.8	2.7
of which financial leases, %	31.5	34.2	-2.7

## Note 4 Information on loan and leasing contracts

30/09/2018	Loans	Leasing	Total
Number of contracts	129,870	125,926	255,796
Average contracts, SEK thousand	118	176	147
Collateral value, SEK million	15,302	22,213	37,515
Credit utilized, SEK million	14,790	19,821	34,611
Loan-to-value ratio	97	89	92

30/09/2017	Loans	Leasing	Total
Number of contracts	126,491	117,110	243,601
Average contracts, 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

## Note 5 Lease income and accumulated net interest

	Amounts in SEK thousand					
	2018 Q3	2018 Q2	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Income from operating and finance leases	1,359,959	1,316,845	1,181,049	3,943,773	3,407,263	4,635,582
Depreciation, lease items	-1,271,152	-1,234,861	-1,111,511	-3,699,324	-3,211,178	-4,365,962
Impairment, lease items	32	1	1,393	-78	1,157	-694
Change in residual value provision, lease items	8,509	2,131	-12,687	60,805	-21,754	-64,204
<b>Net leasing</b>	<b>97,348</b>	<b>84,116</b>	<b>58,244</b>	<b>305,176</b>	<b>175,488</b>	<b>204,722</b>
Interest income	124,503	120,855	112,647	360,585	325,886	438,440
Interest expenses	-66,607	-67,552	-51,100	-191,099	-142,473	-196,228
<b>Net interest</b>	<b>57,896</b>	<b>53,302</b>	<b>61,547</b>	<b>169,486</b>	<b>183,413</b>	<b>242,212</b>
<b>Accumulated net interest</b>	<b>155,244</b>	<b>137,418</b>	<b>119,791</b>	<b>474,662</b>	<b>358,901</b>	<b>446,934</b>

## Note 6 Dividend received

	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Cash dividend from Visa Sweden förening ek. för.	14,024	-	-
Convertible preference shares Visa Inc	2,284	-	-
<b>Total</b>	<b>16,308</b>	<b>-</b>	<b>-</b>

Volvofinans bank has during Q2 received a total dividend at SEK 16,308 thousand from Visa Sweden förening ek.för (Visa Sweden), in which association the bank is a member. The dividend originate in Visa Sweden's sale of their share in Visa Europe to Visa Inc. where the total compensation was a combination of cash and shares that is distributed among the different members of Visa Sweden.

The bank's share of the dividend consists of cash SEK 14 million, whereof SEK 1 million is guaranteed future dividend year 2019. Furthermore the dividend consists of shares in Visa Inc "Series C Convertible participating Preferred Stock". Since no liquid notes are available for this instrument, its market value has been identified with elements of internal assumptions.

## Note 7 Other operating income

	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Capital gain on sale of property, plant and equipment	464	455	567
Service and repair agreements *	30,952	15,421	37,025
Income from associated companies	832	1,038	1,408
Other operating income	6,016	4,436	7,315
<b>Total</b>	<b>38,264</b>	<b>21,350</b>	<b>46,315</b>

\* Service and repair agreements were reported in 2017 among commission income.

## Note 8 Credit losses, net

Credit losses, net	Amounts in SEK thousand		
	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<b>Loans at amortised cost (incl. unutilised part of limit)</b>			
Change in provisions – stage 1	2,143		-
Change in provisions – stage 2	-39		-
Change in provisions – stage 3	114		-
Impairment for the period		-10,140	-11,477
Reversed provisions		10,008	11,013
<b>Total change in reserve</b>	<b>2,218</b>	<b>-132</b>	<b>-464</b>
Net costs for the period for confirmed losses	-12,935	-14,381	-19,241
Received from previous confirmed customer losses	1,541	1,155	1,714
<b>Total</b>	<b>-11,394</b>	<b>-13,226</b>	<b>-17,527</b>
<b>Credit losses, net *</b>	<b>-9,176</b>	<b>-13,358</b>	<b>-17,991</b>

\* The reported net result of credit losses for 2018 refer to credit losses on loan receivables that were identified as doubtful and where the reserves are calculated based on expected credit losses, according to IFRS 9. The reported net result of credit losses for 2017 refer to credit losses on loan receivables where the reserves were calculated based on a previous model, according to IAS 39. The comparative figures have not been calculated and are thus not directly comparable.



## Note 9 Own funds

	Amounts in SEK thousand		
	30/09/2018	30/09/2017	31/12/2017
<b>Common equity tier 1 capital</b>			
Equity	870,793	1,112,513	1,033,030
Share of equity of untaxed reserves	2,852,952	2,513,723	2,831,174
Intangible non-current assets	-20,957	-18,079	-18,158
AVA	-3,001	-2,272	-2,657
IRB shortfall	-178,214	-117,421	-62,163
<b>Common equity tier 1 capital</b>	<b>3,521,573</b>	<b>3,488,464</b>	<b>3,781,226</b>
<b>Tier 2 capital</b>			
Fixed-term subordinated loan	400,000	-	-
<b>Tier 2 capital</b>	<b>400,000</b>	<b>-</b>	<b>-</b>
<b>Total own funds</b>	<b>3,921,573</b>	<b>3,488,464</b>	<b>3,781,226</b>

## Note 10 Capital adequacy

	Amounts in SEK thousand		
	30/09/2018	30/09/2017	31/12/2017
Risk-weighted assets, SEK thousand	19,387,188	17,572,379	18,325,156
CET 1 capital ratio, %	18.16	19.85	20.63
Total capital ratio, %	20.23	19.85	20.63

In June 2018 the bank has received an approval from the SFSA to account for the interim result when calculating common equity tier 1 capital. The bank is reporting accordingly as from June 2018.

## Note 11 Internally assessed capital requirement

	Amounts in SEK thousand		
	30/09/2018	30/09/2017	31/12/2017
Credit risk	1,435,406	1,298,188	1,351,554
Operational risk	112,951	105,638	112,951
CVA risk	2,617	1,964	1,507
<b>Pillar 1 capital requirement</b>	<b>1,550,974</b>	<b>1,405,790</b>	<b>1,466,012</b>
Concentration risk	275,935	246,751	274,247
Strategic risk	77,549	70,290	73,301
Interest rate risk	65,000	50,000	65,000
<b>Pillar 2 capital requirement</b>	<b>418,484</b>	<b>367,041</b>	<b>412,547</b>
Capital conservation buffer	484,680	439,309	458,129
Countercyclical capital buffer	387,744	351,448	366,503
<b>Combined buffer requirement</b>	<b>872,424</b>	<b>790,757</b>	<b>824,632</b>
<b>Capital requirement</b>	<b>2,841,882</b>	<b>2,563,588</b>	<b>2,703,192</b>
<b>Total own funds</b>	<b>3,921,573</b>	<b>3,488,464</b>	<b>3,781,226</b>
<b>Surplus of capital</b>	<b>1,079,691</b>	<b>924,876</b>	<b>1,078,035</b>



## Note 12 Capital requirement and risk-weighted exposure amount

	Amounts in SEK thousand					
	30/09/2018		30/09/2017		31/12/2017	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Credit risk according to IRB</b>						
Corporate exposures	489,374	6,117,177	435,704	5,446,297	485,402	6,067,521
Retail exposures	559,093	6,988,663	538,132	6,726,656	542,089	6,776,119
Non-credit obligation asset exposures	298,961	3,737,009	223,277	2,790,963	247,497	3,093,710
<b>Total according to IRB</b>	<b>1,347,428</b>	<b>16,842,848</b>	<b>1,197,113</b>	<b>14,963,916</b>	<b>1,274,988</b>	<b>15,937,349</b>
<b>Credit risk according to standardized method</b>						
Exposures to public bodies	371	4,633	323	4,034	427	5,343
Institutional exposures	20,308	253,848	29,981	374,764	21,436	267,956
Corporate exposures	17,622	220,277	30,435	380,434	15,615	195,188
Retail exposures	30,402	380,025	25,416	317,697	25,747	321,832
Past due items	1,265	15,816	1,148	14,351	202	2,528
Covered bonds	13,026	162,822	9,156	114,455	9,650	120,620
Share exposures	2,355	29,442	2,060	25,751	2,173	27,159
Other items	2,629	32,867	2,556	31,955	1,316	16,450
<b>Total according to the standardized method</b>	<b>87,978</b>	<b>1,099,732</b>	<b>101,075</b>	<b>1,263,441</b>	<b>76,566</b>	<b>957,076</b>
Operational risk	112,951	1,411,890	105,638	1,320,477	112,951	1,411,890
Credit valuation adjustment (CVA)	2,617	32,717	1,964	24,546	1,507	18,840
<b>Total minimum capital requirement and risk-weighted exposure amount</b>	<b>1,550,974</b>	<b>19,387,188</b>	<b>1,405,790</b>	<b>17,572,380</b>	<b>1,466,012</b>	<b>18,325,156</b>

## Note 13 Capital and buffer requirements

	30/09/2018			30/09/2017			31/12/2017		
	Common equity tier 1 capital requirement	Tier 1 capital requirement	Total capital base requirement	Common equity tier 1 capital requirement	Tier 1 capital requirement	Total capital base requirement	Common equity tier 1 capital requirement	Tier 1 capital requirement	Total capital base requirement
	<b>Percent</b>								
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	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>9.0</b>	<b>10.5</b>	<b>12.5</b>	<b>9.0</b>	<b>10.5</b>	<b>12.5</b>	<b>9.0</b>	<b>10.5</b>	<b>12.5</b>
<b>Amounts in SEK thousand</b>									
Minimum capital requirement	872,423	1,163,231	1,550,975	790,757	1,054,343	1,405,790	824,632	1,099,509	1,466,012
Capital conservation buffer	484,680	484,680	484,680	439,309	439,309	439,309	458,129	458,129	458,129
Countercyclical capital buffer	387,744	387,744	387,744	351,448	351,448	351,448	366,503	366,503	366,503
<b>Total capital requirement</b>	<b>1,744,847</b>	<b>2,035,655</b>	<b>2,423,398</b>	<b>1,581,513</b>	<b>1,845,099</b>	<b>2,196,547</b>	<b>1,649,264</b>	<b>1,924,141</b>	<b>2,290,644</b>

## Note 14 Leverage ratio

	Amounts in SEK thousand		
	30/09/2018	30/09/2017	31/12/2017
Core capital	3,521,573	3,488,464	3,781,226
Exposure measurement	43,218,494	39,290,956	40,412,184
<b>Leverage ratio, %</b>	<b>8.15</b>	<b>8.88</b>	<b>9.36</b>

## Note 15 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, bonds and other interest-bearing securities 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.

Assets, Jan-Sep 2018	Amounts in SEK thousand				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Eligible treasury bills etc.	1,347,258	-	-	1,347,258	1,347,194
Lending to credit institutions	-	1,184,677	-	1,184,677	1,184,677
Lending to the public	-	17,024,350	-	17,024,350	17,056,099
Bonds and other interest-bearing securities	1,629,489	800,325	-	2,429,814	2,429,828
Other assets	-	-	887,359	887,359	887,359
Prepayments and accrued income	-	-	69,528	69,528	69,528
<b>Total</b>	<b>2,976,747</b>	<b>19,009,352</b>	<b>956,887</b>	<b>22,942,986</b>	<b>22,974,685</b>
Liabilities, Jan-Sep 2018	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Liabilities to credit institutions	-	2,098,298	-	2,098,298	2,100,000
Deposits and borrowing from the public	-	17,705,138	-	17,705,138	17,705,425
Securities issued	16,210,860	-	-	16,210,860	16,073,626
Other liabilities	-	1,038,168	-	1,038,168	1,038,168
Accruals and deferred income	-	-	1,414,819	1,414,819	1,414,819
Subordinated liabilities	399,692	-	-	399,692	400,000
<b>Total</b>	<b>16,610,552</b>	<b>20,841,604</b>	<b>1,414,819</b>	<b>38,866,975</b>	<b>38,732,038</b>
Assets, Jan-Sep 2017	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
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
<b>Total</b>	<b>2,252,266</b>	<b>18,458,849</b>	<b>671,911</b>	<b>21,383,026</b>	<b>21,401,381</b>
Liabilities, Jan-Sep 2017	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
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
<b>Total</b>	<b>15,335,452</b>	<b>18,327,277</b>	<b>1,277,202</b>	<b>34,939,931</b>	<b>34,811,001</b>

## Fair value assets and liabilities by category

### Assets

30/09/2018	Amounts in SEK thousand				
	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Total	Fair value
Eligible treasury bills etc.	1,347,194	-	-	1,347,194	1,347,258
Lending to credit institutions	1,184,677	-	-	1,184,677	1,184,677
Lending to the public	17,056,099	-	-	17,056,099	17,024,350
Bonds and other interest-bearing securities	2,429,828	-	-	2,429,828	2,429,814
Shares and participations in associates and other companies	-	-	22,700	22,700	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	20,957	20,957	-
Property, plant, and equipment, inventory	-	-	4,870	4,870	-
Property, plant, and equipment, lease items	-	-	20,282,212	20,282,212	-
Other assets	750,996	23,829	112,534	887,359	887,359
Prepayments and accrued income	69,528	-	-	69,528	69,528
<b>Total assets</b>	<b>22,838,322</b>	<b>23,829</b>	<b>20,450,015</b>	<b>43,312,166</b>	

### Liabilities

30/09/2018	Amounts in SEK thousand				
	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	-	-	2,100,000	2,100,000	2,098,298
Deposits and borrowing from the public	-	-	17,705,425	17,705,425	17,705,138
Securities issued	-	-	16,073,626	16,073,626	16,210,860
Other liabilities	449,538	359	588,271	1,038,168	1,038,168
Accruals and deferred income	1,313,665	-	101,154	1,414,819	1,414,819
Subordinated liabilities	-	-	400,000	400,000	399,692
<b>Total liabilities</b>	<b>1,763,203</b>	<b>359</b>	<b>36,968,476</b>	<b>38,732,038</b>	

### Assets

30/09/2017	Amounts in SEK thousand						
	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
<b>Total assets</b>	<b>18,335,964</b>	<b>2,252,334</b>	<b>675,180</b>	<b>18,513</b>	<b>18,125,579</b>	<b>39,407,570</b>	

### Liabilities

30/09/2017	Amounts in SEK thousand						
	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	
<b>Total liabilities</b>	<b>84</b>	<b>1,570,737</b>	<b>1,099</b>	<b>33,239,081</b>	<b>34,811,001</b>		

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

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

## Note 16 Related parties

50% 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	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017	30/09/2018	30/09/2017
<b>Balance sheet</b>						
Assets	6,742	6,742	30,410	45,544	1,127,386	792,313
Liabilities	6,789	6,789	109,884	147,510	322,417	65,478
<b>Income statement</b>						
Interest income	-	-	454	2,329	18	53
Lease income	-	-	-	-	245,580	192,582
Interest expenses	-	-	-23	-20	-23	-10
Commission income	-	-	-	-	1,423	1,373
Other operating income	-	-	832	1,038	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>787</b>	<b>2,264</b>	<b>157,525</b>	<b>130,141</b>

## Note 17 Pledged assets and contingent liabilities

	Amounts in SEK thousand		
	30/09/2018	30/09/2017	31/12/2017
Pledged assets	-	-	-
Contingent liabilities	-	46,957	37,164

Previously reported contingent liabilities refers to a disputed claim from the Swedish Tax Agency concerning non-deductible input VAT from 2015 and forward. Swedish Tax Agency announced on the 24 August 2018 that the claim will partly be deducted. Remaining part, SEK 41 million, has been charged to the result as per 30 September 2018 and is reported under Other operating expenses. The contingent liability is hence set to zero. Volvofinans Bank AB oppose the decision to deny deduction for input VAT and will appeal against the Swedish Tax Agency.

## Note 18 Events after the end of the period

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

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