

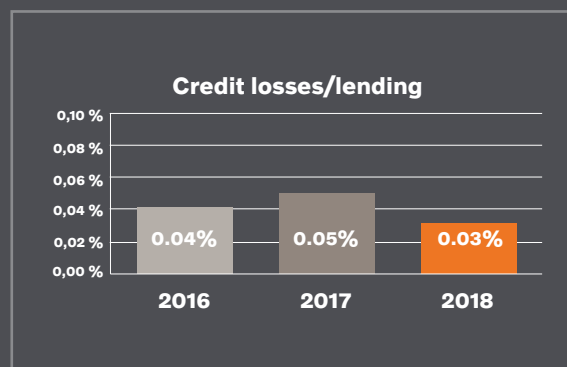
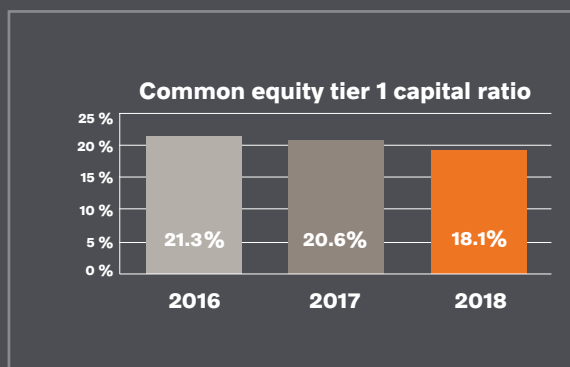
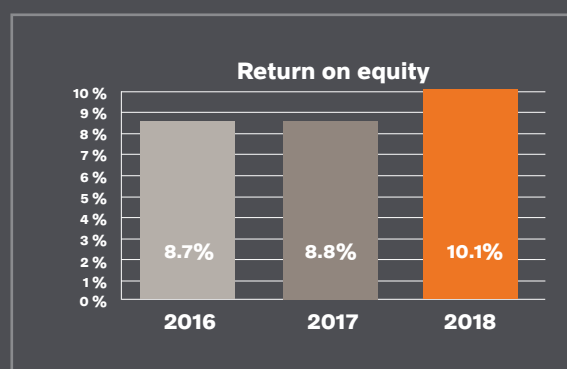
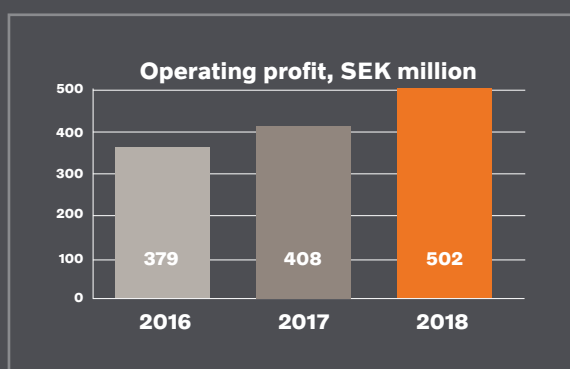


YEAR-END REPORT  
**2018**

**VOLVOFINANS BANK**

# SUMMARY

## 2018



# INTRODUCTION AND FINANCIAL STATEMENTS



**JAN–DEC 2018**

Operating profit:  
**SEK 502 million (408)**

Return on equity:  
**10.1 % (8.8)**

Lending as at 31 December:  
**SEK 37.3 billion (35.1)**

Net credit losses:  
**SEK 13.2 million (18.0)**

Common equity tier 1 capital ratio:  
**18.1 % (20.6)**

Operating profit for Volvofinans Bank reaches, for the first time ever, half a billion SEK. The profit, SEK 502 million, exceeds previous year with SEK 94 million, which is an increase with 23 %. Even though the profit is strengthened by extra ordinary revenue, the record level is reached as a result from several years of strong growth, increased net interest and continued low credit losses.

During the years 2015-2018, the bank's lending has grown with approximately SEK 10 billion or 36 %, whereof SEK 2.2 billion just last year. The growth is the result from several years in a heavily strong car market, and through market leading Volvo Cars who renewed its entire model program and established itself as a premium brand, leading to higher amount to finance for the bank. Besides, private leasing, with its structural simplicity has been established as a well-known financing option with the consumers, where this type of financing contribute to a higher LTV percent. The market borrowing has also expanded since our first bond in Norwegian crowns were issued in June and in total this year we have issued bonds worth of SEK 3.7 billion.

During 2018, Swedish car market has been characterised by bipartite new car sales, foremost caused by a change in vehicle taxation for passenger cars called "bonus malus". The first half of 2018 stood for 64 % of the total of new registrations where Volvo Cars corresponding share is 70 %. Business volumes during the second half of 2018 was strengthened by an increase in used car sales.

The three segments of the bank; Cars, Fleet and Trucks all delivers a bit differently this year, but overall good results. Fleet stands out this year and are from year-end market leader in its segment. Trucks delivers 16 % higher revenue in a strong market, but the profit is weighed down by development costs. In total there were 6,205 heavy trucks over 16 tons registered in Sweden, Volvo Lastvagnar took a market share of 42.4 %. The bank's number of loan and lease contracts increase by almost 9,000 reaching 255,714 contracts.

As previously mentioned in my CEO statements, Volvofinans Bank is on an interesting journey of development. The bank, of course, affects by change in regulations and digitalization within the financing sector, but also by the fast technology improvements in the car industry. As a bank we act according to new regulations for payments, a regulation called PSD2. This invites for increased competition and we may see some new players on the field of payments. Not to forget, it also opens

up the possibility for Volvofinans Bank to increase customer value and strengthen the loyalty from both new and existing customers. PSD2 comes with both threats and opportunities and we prepare for whatever it may mean. Further, we are facing a fast technical development within the payments area, centered around the use of smart phones as tools for card-less payments. Since 2016 the car economy-app CarPay has been developed which is continuously developed and provided with new functionalities.

Rescheduled technology within the car market, with more elements of electrification and autonomous driving, continues at a relatively fast pace. Preparation is hence important, and to follow the progress even if implementation will occur at different paces.

Timing will therefore be of great importance to fill the need of the customers. In the above mentioned world, Volvofinans Bank must navigate whilst an intensive work is ongoing to prepare the bank for change. Investments within business and IT were during 2018 increasing according to plan, with approximately SEK 40 million. This year is planned to be even more intensive when we accelerate our digital investments. In 2019, we believe in a continued good development for the bank, but with a slightly lower profit than this past record-year. The goal for Volvofinans Bank is with high profitability, support our owners sales by delivering a smart car economy that simplifies for our private and business customers. Within automotive, the word mobility is often applied and for our niche position we strive along to become "The Mobility Bank".



**"Highest profit after several years of strong lending growth"**

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 6 February 2019.

**Conny Bergström**  
CEO  
Volvofinans Bank AB

# 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 to SEK 35.1 billion previous year. Trucks and bus share of lending amounted to SEK 3.3 billion (3.0), equivalent to 9 % (9) of total lending. Fleet's share of lending is SEK 7.0 billion (6.1) or 19 % (18) and Volvo card's is 5 % (5) or SEK 1.8 billion (1.7). Remaining share, SEK 25.2 billion (24.3) belonging to Cars, corresponds to 67 % (69) 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 501.8 million (407.6), an increase with 23 % driven by higher lending volumes. The increase in profit can also be explained by a reversal of a previously made residual value impairment, see further information in 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 2018 charged SEK 45.4 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, see note 17.

### 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 11.7 million (9.6) and for loans and leasing 205.6 mnkr (69.8).

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 198.3 million (65.6) as per balance sheet day. Loans with deferral or renegotiated terms amount to SEK 18.9 million (7.3). 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. As at 31 December 2018 the bank reported impairment losses of SEK 73.9 mnkr (132.7), 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 58.8 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 with SEK 1.8 billion during 2018 with the total savings account balance amounting to SEK 16.7 billion (14.9) at year-end. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships amounted to SEK 18.2 billion (16.0) and accounted for 50 % (47) of the bank's financing.

The bank's bond programme makes it possible to issue green bonds and in addition to funding in SEK, funding can also be made in NOK and EUR. Within the bond programme, bonds worth SEK 3.7 billion has been issued during the year, whereof SEK 650 million relates to the bank's first green bond in Norwegian crowns (NOK 600 million). Bank certificate worth SEK 800 million has been issued during the year. External funding through the bank's market loan programs amounted to a nominal SEK 15.6 billion (15.6) per 31 December 2018.

During 2018 the bank also issued capital instrument such as a ten year subordinated loan of SEK 400 million. In addition to market borrowing and deposits, the bank also financed its activities through bank credit, which amounted to SEK 2.1 billion (2.2). The proportion of financing with a remaining term of more than one year from market loans programmes and the banking sector was 81 % (76).

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 5.1 billion (4.6). The securities portfolio amounted to SEK 3.5 billion (68 %) and non-fixed deposits at other banks to SEK 1.6 billion (32 %). The size of Volvofinans Bank's liquidity reserve must always be at least 10 % in relation to lending volume. At year-end, total lending amounted to 37.3 billion, meaning that the size of the liquidity reserve was equivalent to 14 % (13). In addition to the liquidity reserve, available and unutilised loan facilities amounted to SEK 4.3 billion (4.3).

Volvofinans Bank's liquidity coverage ratio (LCR), according to article 415 in CRR (EU Capital Requirements Regulation), amounted at the end of Q4 to 333 % (280). The Net Stable Funding Ratio (NSFR), according to Volvofinans Bank's interpretation of the Basel Committee's recommendation (BCBS295) was 145 % (146).

## 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 enhanced the efficiency of 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 Q4 the common equity tier 1 capital ratio reached 18.1 % (20.6) and the leverage ratio amounted to 8.3 % (9.4).

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 started in June 2018 as been 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.

Disclosures are presented in accordance with the Swedish Financial

Supervisory Authorities' (SFSA) FFFS 2014:12, FFFS 2010:7 and FFFS 2014:21 for disclosure requirements.

### 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

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

The year-end 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 6 February 2019

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

	31/12/2018	31/12/2017
Return on equity, %	10.15	8.77
Risk capital / Balance sheet total, %	11.67	11.47
Deposits / Lending, %	48.87	45.60
Operating profit / Risk-weighted assets, %	2.53	2.22
Total capital ratio, %	20.08	20.63
Common equity tier 1 capital ratio, %	18.06	20.63
Cost/income ratio	0.47	0.52
Cost/income ratio excl. residual value provision	0.53	0.44
Credit losses / Lending, %	0.03	0.05
Liquidity coverage ratio (LCR), %	333	280
NSFR (Net Stable Funding Ratio), %	145	146
Leverage ratio, %	8.3	9.4

Definitions for alternative 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, overview

	Amounts in SEK thousand				
	2018 Q4	2018 Q3	2017 Q4	2018 Jan-Dec	2017 Jan-Dec
Interest income	121,909	124,503	112,554	482,494	438,440
Lease income	1,374,397	1,359,959	1,228,319	5,318,171	4,635,582
Interest expense	-65,599	-66,607	-53,755	-256,698	-196,228
<b>Net interest, Note 5</b>	<b>1,430,707</b>	<b>1,417,855</b>	<b>1,287,118</b>	<b>5,543,967</b>	<b>4,877,794</b>
Dividend received, Note 6	44	0	-	16,352	-
Commission income	104,888	97,836	93,029	390,839	366,370
Commission expense	-10,207	-11,084	-8,677	-43,915	-33,704
Net result of financial transactions	565	-788	-5,683	-563	-13,053
Other operating income, Note 7	13,460	15,423	24,965	51,724	46,315
<b>Total operating income</b>	<b>1,539,457</b>	<b>1,519,242</b>	<b>1,390,752</b>	<b>5,958,404</b>	<b>5,243,722</b>
General administration expenses	-106,442	-88,547	-95,032	-389,147	-334,544
Depreciation, amortisation, and impairment of property, plant, and equipment and intangible non-current assets, Note 5	-1,298,741	-1,264,347	-1,200,644	-4,941,822	-4,436,389
Other operating expenses, Note 17	-33,800	-51,318	-17,878	-112,727	-47,190
<b>Total operating expenses</b>	<b>-1,438,983</b>	<b>-1,404,212</b>	<b>-1,313,554</b>	<b>-5,443,696</b>	<b>-4,818,123</b>
<b>Profit before credit losses</b>	<b>100,474</b>	<b>115,030</b>	<b>77,198</b>	<b>514,708</b>	<b>425,599</b>
Credit losses, net, Note 8	-4,009	-2,998	-4,632	-13,185	-17,991
Impairment of financial intangible assets, net	115	88	-	276	-
<b>Operating profit</b>	<b>96,580</b>	<b>112,120</b>	<b>72,566</b>	<b>501,799</b>	<b>407,608</b>
Appropriations	-498,479	-	-406,989	-498,479	-406,989
Tax	83,397	-23,994	73,090	-3,320	-619
<b>Profit</b>	<b>-318,502</b>	<b>88,126</b>	<b>-261,333</b>	<b>-</b>	<b>-</b>

## Balance sheet highlights

	Amounts in SEK thousand	
	31/12/2018	31/12/2017
Eligible treasury bills etc.	1,245,816	1,432,848
Lending to credit institutions	1,622,571	1,300,672
Lending to the public	16,922,760	16,483,785
Bonds and other interest-bearing securities	2,231,967	1,882,661
Shares and participations in associates and other companies *	23,777	20,417
Shares and participations in Group companies	6,742	6,742
Intangible non-current assets	21,545	18,158
Property, plant, and equipment, inventory	6,488	2,300
Property, plant, and equipment, lease items	20,357,024	18,631,323
Other assets **	887,128	827,398
Prepayments and accrued income	50,743	43,157
<b>Total assets, Note 15</b>	<b>43,376,561</b>	<b>40,649,461</b>
Liabilities to credit institutions	2,083,333	2,150,000
Deposits and borrowing from the public	18,218,366	16,013,905
Securities issued	15,532,399	15,607,882
Other liabilities **	1,079,373	906,739
Accruals and deferred income	1,302,984	1,228,711
Subordinated liabilities	400,000	-
<b>Total liabilities, Note 15</b>	<b>38,616,455</b>	<b>35,907,237</b>
Untaxed reserves	4,128,190	3,629,711
<b>Equity</b>	<b>631,916</b>	<b>1,112,513</b>
<b>Total liability and equity</b>	<b>43,376,561</b>	<b>40,649,461</b>
* Shares and participation in associates and other companies has increased with SEK 3.4 million, partly as a result of the dividend paid by Visa Sweden Förening ek. för.		
** Of which derivative instruments with positive and negative market value		
Derivative instruments with positive market value	12,999	14,030
Derivative instruments with negative market value	-37,196	-2,760

## Change in equity

	Amounts in SEK thousand				
	Share capital	Restricted equity		Unrestricted equity	Total equity
		Statutory reserve fund	Development fund	Retained earnings	
<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	-	-	-	-	-
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>
	<b>Share capital</b>	<b>Statutory reserve fund</b>	<b>Development fund</b>	<b>Retained earnings</b>	<b>Total equity</b>
<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	-	-	-	-	-
Transfer self-generated development costs	-	-	5,133	-5,133	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>21,222</b>	<b>670,178</b>	<b>1,111,400</b>
Dividends	-	-	-	-479,484	-479,484
<b>Closing equity, 31 December 2018</b>	<b>400,000</b>	<b>20,000</b>	<b>21,222</b>	<b>190,694</b>	<b>631,916</b>



## Cash flow statement

	Amounts in SEK thousand	
	2018 Jan-Dec	2017 Jan-Dec
<b>Operating activities</b>		
Operating profit	501,799	407,608
<b>Adjustment of items not included in cash flow</b>		
Unrealised portion of net profit from financial transactions	-563	-8,423
Depreciation, amortisation, and impairment	4,947,844	4,436,469
Credit losses	11,884	17,264
Paid/refunded (-/+ ) tax	-1,236	11,933
<b>Changes to the operating activities' assets and liabilities</b>		
Eligible treasury bills etc.	187,032	-392,306
Lending to the public	-449,362	-1,296,828
Bonds and other interest-bearing securities	-349,306	-159,135
Other assets	-70,897	-178,610
Liabilities to credit institutions	-66,667	800,000
Deposits and borrowing from the public	2,204,461	601,492
Securities issued	-75,484	3,212,794
Other liabilities	247,470	236,355
<b>Cash flow from operating activities</b>	<b>7,086,977</b>	<b>7,688,613</b>
<b>Investing activities</b>		
Capitalised development expenditure	-22,044	-11,664
Investments in shares and participations	-3,361	-1,408
Acquisition of property, plant, and equipment	-10,559,274	-10,173,269
Sale of property, plant, and equipment	3,899,084	3,083,963
<b>Cash flow from investing activities</b>	<b>-6,685,594</b>	<b>-7,102,378</b>
<b>Financing activities</b>		
Subordinated liabilities	400,000	-
Dividend paid	-479,484	-73,899
<b>Cash flow from financing activities</b>	<b>-79,484</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
Cash flows from operating activities	7,086,977	7,690,283
Cash flows from investing activities	-6,685,594	-7,102,378
Cash flows from financing activities	-79,484	-73,899
<b>Cash and cash equivalent at the end of the period</b>	<b>1,622,571</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 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 THE FINANCIAL STATEMENTS**

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

- Whether 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.

The strong market for new cars during 2018 has resulted in being the third best year in the history, with 353,729 registered passenger cars, where the main part was registered during the first half of the year as a result of the new taxation Bonus-Malus. Accumulated this year, new Volvo-, Renault- and Dacia-registrations reach 87,393 cars, equivalent to 24.7 % market share, in which vehicle financing via Volvofinans is still stable. 2018 accumulated there is an increase in volume with 4.291 loan and leasing contracts. Within Cards/Payments, the provision income increases with a positive trend both for card payments, increasing with 12 %, and card credits increasing with SEK 53 million compared to last year. Fuel sales payed with the card drops by 2.5 % during 2018 but one group of customers increases their purchases is the one using CarPay. The usage of CarPay as well as number of log-ins/customer increases. During the fourth quarter, some of the bank's existing customers has been acting as test pilots for a new function where fuel payment is handled directly within the CarPay-app. The higher costs for the segment is explained by a raise in IT-investemnts and a retroactive VAT-cost.

	Amounts in SEK thousand		
	2018	2017	Change
Net interest *	484,284	446,075	38,209
Dividend	16,352	-	16,352
Commission income	263,662	253,039	10,623
Commission expenses	-43,034	-32,707	-10,327
Net result of financial transactions	-415	-9,537	9,122
Other income	8,135	8,631	-496
<b>Operating income</b>	<b>728,984</b>	<b>665,501</b>	<b>63,483</b>
Expenses **	-378,044	-291,246	-86,798
Credit losses	-15,161	-15,380	219
Credit provision	2,101	836	1,265
<b>Operating profit</b>	<b>337,880</b>	<b>359,711</b>	<b>-21,831</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	31/12/2018	31/12/2017	Change
Number of contracts	207,725	203,434	4,291
Total volume, SEK million	26,560	25,651	909
of which transferred, %	93.1	91.9	1.2
of which pledged, %	6.9	8.1	-1.2
of which loans, %	45.3	45.4	0.0
of which leasing, %	54.7	54.6	0.0
Private leases as a proportion of total leases, %	27.0	27.6	-0.6

Product information cards	31/12/2018	31/12/2017	Change
Average number of active accounts	423,909	427,059	-3,150
Total volume, SEK million	1,779	1,693	86
Average number of credit customers	88,304	87,520	784
Total Volvo Card sales, SEK million	14,292	12,970	1,322
of which fuel, %	41.5	42.3	-0.7
of which workshop, %	15.8	16.0	-0.2
of which shop, %	1.7	2.1	-0.4
of which car wash, %	1.3	1.3	0.0
of which sales outside Volvo business, %	29.6	26.9	2.7
of which other (including car loans and insurance), %	10.1	11.5	-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 i SEK thousand		
	2018	2017	Change
Net interest *	39,751	35,072	4,678
Commission income	10,081	9,812	268
Commission expenses	-195	-332	137
Net result of financial transactions	-47	-1,202	1,155
Other income	990	393	597
<b>Operating income</b>	<b>50,579</b>	<b>43,744</b>	<b>6,835</b>
Expenses **	-37,424	-21,893	-15,531
Credit losses	-321	-592	271
Credit provisions	338	-204	542
<b>Operating profit</b>	<b>13,172</b>	<b>21,055</b>	<b>-7,883</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	31/12/2018	31/12/2017	Change
Number of contracts	6,793	6,446	347
Total volume, SEK million	4,221	3,794	427
of which transferred, %	77.7	79.5	-1.8
of which pledged, %	22.3	20.6	1.7
of which loans, %	76.8	77.8	-1.0
of which leasing, %	23.2	22.3	0.9
Operating leases as a proportion of total leases, %	28.2	24.6	3.6

Product information cards	31/12/2018	31/12/2017	Change
Average proportion of active Volvo Truck Card accounts	1,529	1,678	-149
Total Volvo Truck Card sales, SEK million	364	387	-23
of which workshop, %	56.8	56.3	0.5
of which shop, %	12.4	13.7	-1.3
of which car wash, %	5.3	5.5	-0.2
of which other (including loans and insurance), %	7.2	6.8	0.3
of which fuel, %	18.3	17.7	0.6

## 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. As at December 2018 this ambition was reached and Fleet became market leading in Sweden within this segment with 22.5 % of the market share. Increase in stock is continued well-paced and is up by 8 % 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 58.8 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	2017	Change
Net leasing *	32,835	29,990	2,845
Change in residual value impairment	58,787	-64,204	122,991
Commission income **	117,096	103,518	13,578
Commission expenses	-686	-665	-21
Net result of financial transactions	-101	-2,313	2,212
Service and repair agreements **	42,289	37,025	5,264
Other income **	310	266	44
<b>Operating income</b>	<b>250,530</b>	<b>103,617</b>	<b>146,913</b>
Expenses ***	-99,918	-74,124	-25,794
Credit losses	90	-1,555	1,645
Credit provisions	45	-1,096	1,141
<b>Operating profit</b>	<b>150,747</b>	<b>26,842</b>	<b>123,905</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	31/12/2018	31/12/2017	Change
Number of financing agreements	33,713	30,632	3,081
Number of administered contracts	45,860	42,407	3,453
Total volume, SEK million	7,020	6,155	864
of which operating leases, %	68.4	67.4	1.0
of which financial leases, %	31.6	32.6	-1.0

## NOTE 4. INFORMATION ON LOAN AND LEASING CONTRACTS

31/12/2018	Loan	Leasing	Total
Number of contracts	129,366	126,348	255,714
Average contracts, SEK thousand	118	176	147
Collateral value, SEK million	15,297	22,286	37,582
Credit utilized, SEK million	14,774	20,270	35,044
Loan-to-value ratio	97	91	93

31/12/2017	Loan	Leasing	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

## NOTE 5. LEASE INCOME AND ACCUMULATED NET INTEREST

	Amounts in SEK thousand				
	2018 Q4	2018 Q3	2017 Q4	2018 Jan-Dec	2017 Jan-Dec
Income from operating and finance leases	1,374,397	1,359,959	1,228,319	5,318,171	4,635,582
Depreciation, lease items	-1,287,687	-1,271,152	-1,154,784	-4,987,011	-4,365,962
Impairment, lease items	-9	32	-1,852	-86	-694
Change in residual value provision, lease items	-2,017	8,509	-42,450	58,787	-64,204
<b>Net leasing</b>	<b>84,685</b>	<b>97,348</b>	<b>29,233</b>	<b>389,861</b>	<b>204,722</b>
Interest income	121,910	124,503	112,554	482,494	438,440
Interest expenses	-65,599	-66,607	-53,755	-256,698	-196,228
<b>Net interest</b>	<b>56,310</b>	<b>57,896</b>	<b>58,799</b>	<b>225,796</b>	<b>242,212</b>
<b>Accumulated net interest</b>	<b>140,995</b>	<b>155,244</b>	<b>88,032</b>	<b>615,656</b>	<b>446,934</b>

## NOTE 6. DIVIDEND RECEIVED

	2018 Jan-Dec	2017 Jan-Dec
Cash dividend from Visa Sweden förening ek. för.	14,068	-
Convertible preference shares Visa Inc	2,284	-
<b>Total</b>	<b>16,352</b>	<b>-</b>

The dividend originate partly from 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-Dec	2017 Jan-Dec
Capital gain on sale of property, plant and equipment	630	567
Service and repair agreements *	42,289	37,025
Income from associated companies	1,077	1,408
Other operating income	7,728	7,315
<b>Total</b>	<b>51,724</b>	<b>46,315</b>

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



## NOTE 8. NET CREDIT LOSSES

	Amounts in SEK thousand	
	2018 Jan-Dec	2017 Jan-Dec
<b>Credit losses, net</b>		
<b>Loans at amortised cost (incl. unutilised part of limit)</b>		
Change in provisions – stage 1	2,121	-
Change in provisions – stage 2	-466	-
Change in provisions – stage 3	552	-
Impairment for the period		-11,477
Reversed provisions		11,013
<b>Total change in reserve</b>	<b>2,207</b>	<b>-464</b>
Net costs for the period for confirmed losses	-17,567	-19,241
Received from previous confirmed customer losses	2,175	1,714
<b>Total</b>	<b>-15,392</b>	<b>-17,527</b>
<b>Credit losses, net *</b>	<b>-13,185</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	
	31/12/2018	31/12/2017
<b>Common equity tier 1 capital</b>		
Equity	533,312	1,033,030
Share of equity of untaxed reserves	3,244,757	2,831,174
Intangible non-current assets	-21,545	-18,158
AVA	-50	-2,657
IRB shortfall	-177,315	-62,163
<b>Common equity tier 1 capital</b>	<b>3,579,159</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>Total own funds</b>	<b>3,979,159</b>	<b>3,781,226</b>

**NOTE 10. CAPITAL ADEQUACY**

	Amounts in SEK thousand	
	31/12/2018	31/12/2017
Risk-weighted assets, SEK thousand	19,816,405	18,325,156
CET 1 capital ratio, %	18.06	20.63
Total capital ratio, %	20.08	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	
	31/12/2018	31/12/2017
Credit risk	1,454,634	1,351,554
Operational risk	128,654	112,951
CVA risk	2,025	1,507
<b>Pillar 1 capital requirement</b>	<b>1,585,313</b>	<b>1,466,012</b>
Concentration risk	289,104	274,247
Strategic risk	79,266	73,301
Interest rate risk	65,000	65,000
<b>Pillar 2 capital requirement</b>	<b>433,370</b>	<b>412,547</b>
Capital conservation buffer	495,410	458,129
Countercyclical capital buffer	396,328	366,503
<b>Combined buffer requirement</b>	<b>891,738</b>	<b>824,632</b>
<b>Capital requirement</b>	<b>2,910,421</b>	<b>2,703,192</b>
<b>Total own funds</b>	<b>3,979,159</b>	<b>3,781,226</b>
<b>Surplus of capital</b>	<b>1,068,738</b>	<b>1,078,035</b>

## NOTE 12. CAPITAL REQUIREMENT AND RISK-WEIGHTED EXPOSURE AMOUNT

	Amounts in SEK thousand			
	31/12/2018		31/12/2017	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Credit risk according to IRB</b>				
Corporate exposures	495,965	6,199,557	485,402	6,067,521
Retail exposures	556,739	6,959,233	542,089	6,776,119
Non-credit obligation asset exposures	313,729	3,921,608	247,497	3,093,710
<b>Total according to IRB</b>	<b>1,366,432</b>	<b>17,080,398</b>	<b>1,274,988</b>	<b>15,937,349</b>
<b>Credit risk according to standardised method</b>				
Exposures to public bodies	424	5,300	427	5,343
Institutional exposures	27,569	344,613	21,436	267,956
Corporate exposures	15,550	194,375	15,615	195,188
Retail exposures	28,472	355,895	25,747	321,832
Past due items	1,011	12,633	202	2,528
Covered bonds	11,445	143,059	9,650	120,620
Share exposures	2,442	30,520	2,173	27,159
Other items	1,291	16,133	1,316	16,450
<b>Total according to standardised method</b>	<b>88,202</b>	<b>1,102,529</b>	<b>76,566</b>	<b>957,076</b>
Operational risk	128,654	1,608,170	112,951	1,411,890
Credit valuation adjustment (CVA)	2,025	25,308	1,507	18,840
<b>Total minimum capital and risk-weighted exposure amount</b>	<b>1,585,312</b>	<b>19,816,405</b>	<b>1,466,012</b>	<b>18,325,156</b>

## NOTE 13. CAPITAL AND BUFFER REQUIREMENTS

	31/12/2018			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
<b>Percent</b>						
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	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>Amounts in SEK thousand</b>						
Minimum capital requirement	891,738	1,188,984	1,585,312	824,632	1,099,509	1,466,012
Capital conservation buffer	495,410	495,410	495,410	458,129	458,129	458,129
Countercyclical capital buffer	396,328	396,328	396,328	366,503	366,503	366,503
<b>Total capital requirement</b>	<b>1,783,476</b>	<b>2,080,722</b>	<b>2,477,051</b>	<b>1,649,264</b>	<b>1,924,141</b>	<b>2,290,644</b>

## NOTE 14. LEVERAGE RATIO

	Amounts in SEK thousand	
	31/12/2018	31/12/2017
Core capital	3,579,159	3,781,226
Exposure measurement	43,215,215	40,412,184
<b>Leverage ratio, %</b>	<b>8.28</b>	<b>9.36</b>

## NOTE 15. CARRYING AMOUNT BY CATEGORY OF FINANCIAL INSTRUMENTS AND

### INFORMATION ABOUT FAIR VALUE

#### Methods for determining fair value

Derivatives are accounted for under other assets or other liabilities. 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 in accordance with IFRS 13. When discounting, only observable market data is used (Level 2).

Eligible treasury bills, other eligible securities, bonds and other interest bearing securities are, accordingly with IFRS 13 Fair value measurement, valued with prices on an active market (Level 1) as well as with observable market data (Level 2).

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 (Level 2) to determine fair value according to IFRS 13. Disclosures about fair value of liabilities to credit institutions, securities issued, and subordinated liabilities have been calculated using estimated, current spreads of borrowings (Level 2) to determine fair value according to IFRS 13. Other categories of financial instrument belong to Level 3. For these instruments, carrying amount provide a fair approximation of fair value due to short remaining duration.

Fair values are categorised in different levels in a fair value hierarchy based on in-data being used in the valuation-technique accordingly:

Level 1: according to quoted price on an active market for identical instruments

Level 2: from direct or indirect observable market data not included in level 1. This category include such instrument which value is based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments which are traded on non-active markets, or other valuation techniques where all material in-data is direct and indirect observable on the market.

Level 3: from in-data not observable on the market. This category includes all instrumentst where the technique for valuation comprises such in-data not based on observable data and where it has a material impact on valuation.

	Amounts in SEK thousand				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<b>Assets, Jan - Dec 2018</b>					
Eligible treasury bills etc.	1,243,806	-	-	1,243,806	1,245,816
Lending to credit institutions	-	-	1,622,571	1,622,571	1,622,571
Lending to the public	-	16,907,161	-	16,907,161	16,922,760
Bonds and other interest-bearing securities	1,430,656	800,260	-	2,230,916	2,231,967
Other assets*	-	12,999	874,129	887,128	887,128
Prepayments and accrued income	-	-	50,743	50,743	50,743
<b>Total</b>	<b>2,674,462</b>	<b>17,720,420</b>	<b>2,547,443</b>	<b>22,942,325</b>	<b>22,960,985</b>
<b>Liabilities, Jan - Dec 2018</b>					
Liabilities to credit institutions	-	2,070,608	-	2,070,608	2,083,333
Deposits and borrowing from the public	-	18,218,341	-	18,218,341	18,218,366
Securities issued	-	15,581,404	-	15,581,404	15,532,399
Other liabilities*	-	37,196	1,042,178	1,079,373	1,079,373
Accruals and deferred income	-	-	1,302,984	1,302,984	1,302,984
Subordinated liabilities	-	391,703	-	391,703	400,000
<b>Total</b>	<b>-</b>	<b>36,299,252</b>	<b>2,345,162</b>	<b>38,644,413</b>	<b>38,616,455</b>
<b>Assets, Jan - Dec 2017</b>					
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	-	14,030	813,368	827,398	827,398
Prepayments and accrued income	-	-	43,157	43,157	43,157
<b>Total</b>	<b>2,640,259</b>	<b>17,147,387</b>	<b>2,157,197</b>	<b>21,944,843</b>	<b>21,970,521</b>
<b>Liabilities, Jan - Dec 2017</b>					
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	-	2,760	903,979	906,739	906,739
Accruals and deferred income	-	-	1,228,711	1,228,711	1,228,711
<b>Total</b>	<b>-</b>	<b>33,879,620</b>	<b>2,132,690</b>	<b>36,012,310</b>	<b>35,907,237</b>

\* Financial instruments measured at fair value in the balance sheet are derivatives.

**Financial instruments being netted in the balance sheet or covered by netting agreements**

Volvofinans Bank enters agreements under International Swaps and Derivatives Association (ISDA) master agreement. In balance sheet no amounts have been netted. For derivative agreements entered after 1 March 2017 Volvofinans Bank receive and provide collateral in the form of deposits, in accordance with standard terms in ISDA Credit Support Annex. Assets for derivative agreements amount to SEK 13 million and liabilities to SEK 37 million. Collateral provided amounts to SEK 27.2 million and collateral received amounts to SEK 4.4 million as per 31 December 2018.



## Fair value assets and liabilities by category

### Assets

	Amounts in SEK thousand				
31/12/2018	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Total	Fair value
Eligible treasury bills etc.	1,245,816	-	-	1,245,816	1,243,806
Lending to credit institutions	1,622,571	-	-	1,622,571	1,622,571
Lending to the public	16,922,760	-	-	16,922,760	16,907,161
Bonds and other interest-bearing securities	2,231,967	-	-	2,231,967	2,230,916
Shares and participations in associates and other companies	-	-	23,777	23,777	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	21,545	21,545	-
Property, plant, and equipment, inventory	-	-	6,488	6,488	-
Property, plant, and equipment, lease items	-	-	20,357,024	20,357,024	-
Other assets	735,720	12,898	138,510	887,128	887,128
Prepayments and accrued income	50,743	-	-	50,743	50,743
<b>Total assets</b>	<b>22,809,577</b>	<b>12,898</b>	<b>20,554,086</b>	<b>43,376,561</b>	

### Skulder

31/12/2018	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
Liabilities to credit institutions	-	-	2,083,333	2,083,333	2,070,608
Deposits and borrowing from the public	-	-	18,218,366	18,218,366	18,218,341
Securities issued	-	-	15,532,399	15,532,399	15,581,404
Other liabilities	398,824	37,189	643,360	1,079,373	1,079,373
Accruals and deferred income	1,287,069	-	15,915	1,302,984	1,302,984
Subordinated liabilities	-	-	400,000	400,000	391,703
<b>Total liabilities</b>	<b>1,685,893</b>	<b>37,189</b>	<b>36,893,373</b>	<b>38,616,455</b>	

### 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
<b>Total assets</b>	<b>18,451,269</b>	<b>2,640,278</b>	<b>675,250</b>	<b>14,011</b>	<b>18,868,653</b>	<b>40,649,461</b>	

### 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
<b>Total liabilities</b>	<b>61</b>	<b>1,537,791</b>	<b>2,699</b>	<b>34,366,686</b>	<b>35,907,237</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.

	Group companies		Associates		Amounts in SEK thousand Other related companies	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<b>Balance sheet</b>						
Assets	6,742	6,742	24,689	65,139	1,260,708	932,512
Liabilities	6,789	6,789	214,948	162,739	295,532	125,374
<b>Income statement</b>						
Interest income	-	-	478	2,492	23	73
Lease income	-	-	-	-	343,707	255,308
Interest expenses	-	-	-27	-27	-38	-14
Commission income	-	-	-	-	1,938	1,833
Other operating income	-	-	1,077	1,408	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,528</b>	<b>3,873</b>	<b>345,630</b>	<b>257,200</b>

## NOTE 17. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Amounts in SEK thousand	
	31/12/2018	31/12/2017
Pledged assets	-	-
Contingent liabilities	-	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. Volvofinans Bank AB as during 2018 charged the result, under Other operating expenses, by SEK 45.4 million corresponding to the difference between the Swedish Tax Agency adjusted revenue-based method and the bank's time-based calculation method. Volvofinans Bank oppose the decision to deny deduction for input VAT and has appealed to Förvaltningsrätten in late 2018.

## NOTE 18. EVENTS AFTER THE END OF THE PERIOD

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

# **VOLVOFINANS BANK**

Volvofinans Bank AB (publ) • Corporate ID no. 556069-0967

Bohusgatan 15 • Box 198 • SE-401 23 Göteborg

Tel: +46 (0)31-83 88 00 • [volvofinans.se](http://volvofinans.se)