

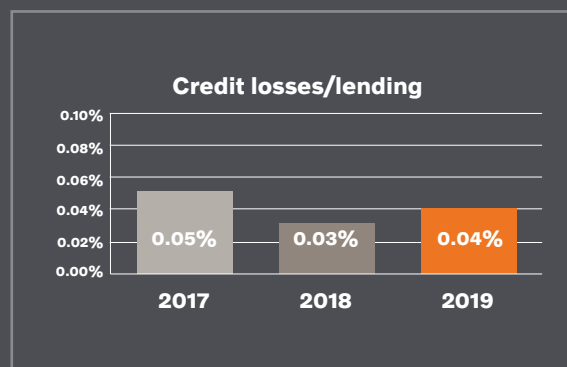
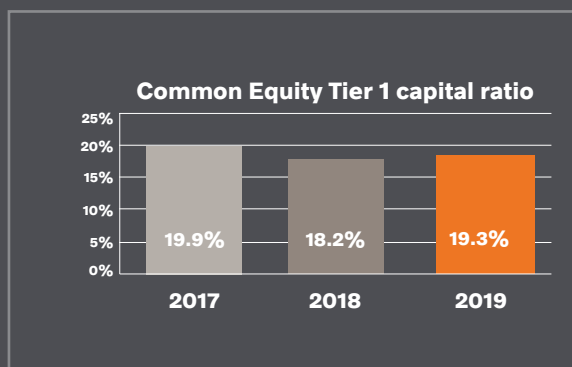
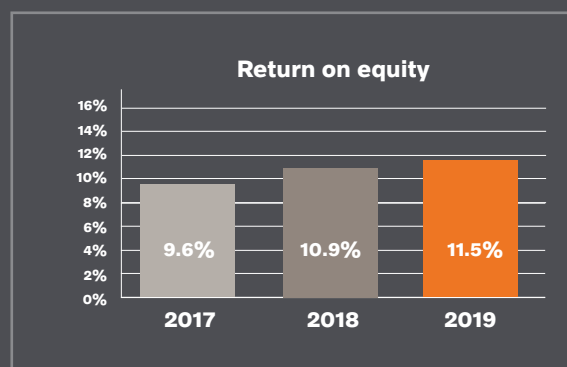
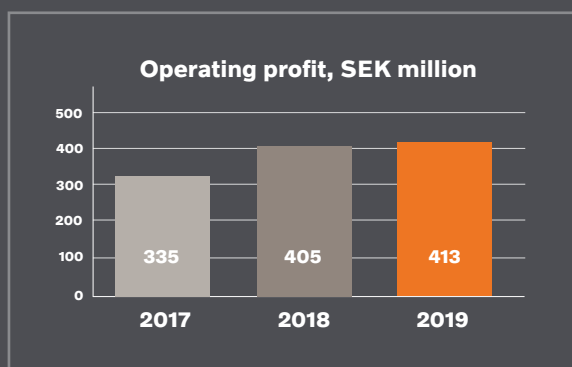


INTERIM REPORT
1 JANUARY – 30 SEPTEMBER
2019

VOLVOFINANS BANK

SUMMARY

JANUARY - SEPTEMBER 2019



An aerial, high-angle photograph of a city street at night. The street is illuminated by a bright light source from the right, creating a strong contrast with the dark shadows of the buildings on the left. A silver SUV is driving away from the viewer in the center of the frame. A person is walking on the sidewalk to the left of the car. The buildings are dark and their windows are mostly unlit. The overall mood is quiet and urban.

INTRODUCTION AND FINANCIAL STATEMENTS

JAN–SEP 2019 IN SUMMARY

Operating profit:
SEK 413 million (405)

Return on equity:
11.5% (10.9)

Lending as of 30 September:
SEK 37.1 billion (37.3)

Credit losses, net:
SEK 12.2 million (9.2)

Common Equity Tier 1 capital ratio:
19.3% (18.2)

Volvofinans Bank increased its profit during the 3rd quarter and for the period January – September, operating profit amounted to SEK 413 million. Profit exceeds the previous year's by SEK 8 million, or 2%. However, adjusted for non-recurring items, profit improved by SEK 29 million or just over 7%.

The improvement in profit is attributable to lower borrowing costs and higher divestment revenues from operating leases. Total lending declined somewhat; the decline stems from the bank's Cars and Trucks sales financing branches, whereas business area Fleet increased its financed volume. The decline in lending volumes is due primarily to an overall 12% reduction in vehicle sales in the Swedish market, and because Volvo Trucks' foremost rival in the market for heavy goods vehicles began deliveries of a new model during the year. In terms of profit, business area Cars contributed a somewhat higher profit than the equivalent period for the previous year, while profit at Trucks declined somewhat. Profit at Fleet is on a par with last year's, but adjusted for the reversal of residual value impairment in 2018, the bank's large corporate business is distinctly better than the previous year's.

For some time, the market for used passenger cars has been characterised by high prices driven by increasing demand, which is in turn driven by higher new car taxes, uncertainty concerning the choice of fuel for new car purchases and more recently by a very poor exchange rate for the Swedish crown, also by foreign purchasers. High used car demand has both positive and negative effects. As already mentioned, the bank earns more from car disposals, but the flip side is somewhat lower new car financing.

Even if new car sales in Sweden have fallen in general, registrations as of 30 September extrapolated for the full year total around 330,000 compared to 353,000 in 2018, the number of electric cars and plug-in hybrids is growing rapidly. According to BilSweden, the proportion of pure electric cars has risen by 205% so far this year to constitute 4.9% of registrations, compared to 1.4% for the same period last year. In

September, the proportion of rechargeable cars, i.e. electric cars and plug-in hybrids, together constituted 13.5% of registrations. We are likely to see a continued increase in the proportion of rechargeable cars, especially since the EU is pressuring vehicle manufacturers to reach the 95 grams CO2 average in sold vehicles during 2021. Following the summer next year, Volvo Cars will begin delivering the recently presented XC40 Recharge to customers and the subsidiary Polestar will launch its 1st electric car, Polestar 2, in June.

Thus we can expect a great deal of exciting technology news in the years ahead, but first we're looking forward to concluding Volvofinans Bank's anniversary year (AB Volvofinans was founded in 1959) in the best possible way and deliver yet another strong year end.

Conny Bergström
CEO
Volvofinans Bank AB

Volvofinans Bank AB (publ), Co. Reg. 556069-0967, is obliged to publish this information under the Swedish Securities Market Act (SFS 2007:528). This report was submitted for publication on 7 November 2019.



**“Profit exceeds the
previous year's by
SEK 8 million.”**

Financial statements

Ownership/Operations

The company was established in 1959 with 50% owned by the Swedish Volvo dealers through their holding company AB Volverkinvest, and 50% by 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 dormant subsidiaries. Under chapter 7, section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, Volvofinans Bank does not prepare consolidated accounts as activities in subsidiaries are negligible.

Trends in volume/lending

Lending volume totalled SEK 37.1 billion compared to 37.3 billion in the previous year. Trucks accounted for SEK 3.4 billion (3.2), of lending, equivalent to 9% (9) of the total. Fleet accounted for SEK 7.1 billion (6.9) of lending or 19% (18) and Volvo Card for 5% (5) or SEK 1.8 billion (1.8). The remainder, SEK 24.8 billion (25.5), is attributable to passenger car financing in Cars, which corresponds to 67% (68) of lending.

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

Trends in profit and financial position

Profit

Volvofinans Bank's profit after credit losses amounted to SEK 413.4 million (405.2), an increase of 2%. The deviation from the previous year is primarily due to higher revenues from surpluses when concluding operational leases.

Credit risk and credit losses

Because the major part of credit risk is borne by individual Volvo dealers, the credit risk for Volvofinans Bank is very low. Defaulted receivables are defined as receivables more than 90 days overdue or defaulted on for other reasons. Volvofinans Bank's defaulted credit card receivables amounted to SEK 12.9 million (12.6) and for loans and leasing SEK 145.3 million (211.0).

With regard to commitments relating to loans and leases, there are, in addition to the collateral in the financed items, recourse agreements in place whereby the dealers bear the credit risk. This amounted to SEK 141.7 million (201.9) as of the closing date. Deferred loans or loans with renegotiated terms amount to SEK 15.9 million (19.1). Confirmed bad debt losses during the year derive from credit card transactions. Anticipated credit losses are calculated based on a prospective impairment model, where the calculation takes account of macroeconomic data, demographic variables and behavioural variables.

Residual value risk

This refers to 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 of 30/09/2019, the bank reported an impairment loss of SEK 60.7 million (71.9) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. During the year, the bank reversed SEK 13.2 million (60.8) of an impairment previously carried out due to residual value risk. The major part, SEK 45.8 million, of the previous year's reversal is due to signing a new contract with a buyer for cars in the Fleet business.

Funding and liquidity

Deposits in the bank's savings account increased marginally by SEK 17 million during the third quarter reaching a total balance of SEK 19.9 billion (16.1)

at the end of the quarter. Total deposits including the balance for the Volvo Card and deposits from Volvo dealerships totalled SEK 21.3 billion (17.7) and accounted for 58% (48) of the bank's financing.

Due to a high inflow of deposits into the bank's savings accounts during the first half of the year, no market financing was carried out in 2019. However, the company's own bonds were repurchased to a nominal amount of SEK 499 million during the first six months. Volvofinans Bank AB's outstanding financing through its market loan programmes amounted to a nominal SEK 13.5 billion (16.1) as of 30/09/2019.

In addition to market borrowing and deposits, the bank also finances its activities through bank credits, which total SEK 1.6 billion (2.1). The proportion of financing from market loans programmes and the banking sector with remaining terms of more than one year was 74% (83).

Borrowing with a remaining period of less than one year together with a proportion of deposits must be covered at all times by the liquidity reserve and unutilised credit facilities. The total liquidity reserve was SEK 6.3 billion (5.0). The securities holding accounted for SEK 3.6 billion (58%) and non-fixed deposits at other banks totalled SEK 2.6 billion (42%). Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. As of September 30, 2019, total lending amounted to SEK 37.1 billion, which means the liquidity reserve corresponded to 17% (13). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.3 billion (4.3).

At the end of the second quarter, Volvofinans Bank's liquidity coverage ratio (LCR) under article 415 of the EU Capital Requirements Regulation (CRR), totalled 287 % (307). According to Volvofinans Bank's interpretation of the Basel Committee's recommendation (BCBS295), the Net Stable Funding Ratio (NSFR) was 145% (145).

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 standard method. The common equity tier 1 capital ratio amounted to 19.3% (18.2). The internally assessed capital requirement amounted to 15.1% (14.7) and is calculated based on the methods and models used to calculate the capital requirement within the framework of Pillar 1. In addition to this, there are capital requirements for a countercyclical capital buffer and a capital conservation buffer. As of 30 June, the countercyclical buffer of 2.5 per cent of the risk-weighted exposure (REA) totalled SEK 496 million (388) and the capital conservation buffer of 2.5 per cent of REA totalled 496 million (485). The countercyclical buffer value was raised to 2.5 per cent (2.0) as of 19/09/2019. The leverage ratio amounted to 8.7% (8.2).

Disclosures are provided in compliance with Swedish Financial Supervisory Authority publication requirements FFFS 2014:12, FFFS 2010:7 and FFFS 2014:21.

Other significant information

Significant risks and uncertainty factors

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 increased costs in terms of the means of payment or, in the worst-case, cannot be met at all. To manage liquidity stress, Volvofinans Bank not only maintains a liquidity reserve, but also agreed credit facilities that can be utilised at short notice.

Interest rate risk is the current and future risk that net interest income will decline as a result of unfavourable changes in the interest rate. The major part of the bank's lending and all borrowing follows the short-term market interest rate, which entails 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. Any borrowing in foreign currency is hedged, which means the bank is not exposed to exchange rate fluctuations.

Rating

Volvofinans Bank's international credit ratings from Moody's Investors Service are as follows:

- Short-term financing: P-2
- Long-term financing: A3
- Prospects: Stable

There has been no change in the credit rating during the period. A detailed, up-to-date analysis from Moody's can be found on our website, under "About us/Investor relations/rating".

Calendar:

31 January 2020	Year-end report
Week 13, 2020	Annual Report
29 April 2020	Interim Report Jan-Mar
11 June 2020	Annual General Meeting
27 August 2020	Interim Report Jan-Jun
29 October 2020	Interim Report Jan-Sep

Certificate

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

Gothenburg, 7 November 2019.

Conny Bergström
CEO

The report will be available on our website volvofinans.se, under About us/Investor relations/Financial reports.

Should you have any questions, please call CEO Conny Bergström, +46 31-83 88 00.

Review

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

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



Key ratios

	30/09/2019	30/09/2018	31/12/2018
Return on equity, %	11.47	10.93	10.15
Risk capital / Balance sheet total, %	11.99	11.31	11.67
Deposits / Lending, %	57.30	47.42	48.87
Profit / Risk-weighted assets, %	2.78	2.79	2.53
Total capital ratio, %	21.28	20.23	20.08
Common Equity Tier 1 capital ratio, %	19.26	18.16	18.06
Cost/Income ratio	0.47	0.42	0.47
Cost/Income ratio excl. residual value provision	0.49	0.51	0.53
Credit losses / Lending, %	0.04	0.03	0.03
Liquidity coverage ratio (LCR), %	287	307	333
NSFR (Net Stable Funding Ratio), %	145	145	145
Leverage ratio, %	8.7	8.2	8.3

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-oss/investerarrelationer/finansiella-rapporter/definition-av-nyckeltal/>

Income statement, overview

	Amounts in SEK thousand					
	2019 Q3	2019 Q2	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Interest income	135,589	137,101	124,503	406,417	360,585	482,494
Lease income	1,412,513	1,415,389	1,359,959	4,230,739	3,943,773	5,318,171
Interest expenses	-89,029	-82,944	-66,607	-254,686	-191,099	-256,698
Net interest income, Note 5	1,459,074	1,469,546	1,417,855	4,382,470	4,113,259	5,543,967
Dividend received, Note 6	12	269	0	294	16,308	16,352
Commission income	115,296	108,982	97,836	326,582	285,951	390,839
Commission expenses	-11,681	-11,669	-11,084	-30,483	-33,708	-43,915
Net result from financial transactions	239	-861	-788	-785	-1,128	-563
Other operating income, Note 7	15,988	17,331	15,423	50,869	38,264	51,724
Total operating income	1,578,928	1,583,598	1,519,242	4,728,947	4,418,946	5,958,404
General administration expenses	-103,857	-122,406	-88,547	-335,363	-282,705	-389,147
Depreciation and impairment of tangible and intangible non-current assets, Note 5	-1,301,102	-1,311,375	-1,264,347	-3,917,032	-3,643,081	-4,941,822
Other operating expenses, Note 13	-15,029	-18,032	-51,318	-50,834	-78,927	-112,727
Total operating expenses	-1,419,988	-1,451,813	-1,404,212	-4,303,229	-4,004,713	-5,443,696
Profit before credit losses	158,940	131,785	115,030	425,718	414,233	514,708
Credit losses, net, Note 8	-4,000	-4,308	-2,998	-12,202	-9,176	-13,185
Impairments/Reversals of financial intangible assets, net	-4	65	88	-70	162	276
Operating profit	154,936	127,542	112,120	413,446	405,219	501,799
Appropriations	-	-	-	-	-	-498,479
Tax	-33,156	-27,294	-23,994	-88,478	-86,717	-3,320
Profit	121,780	100,248	88,126	324,968	318,502	-

Balance sheet highlights

	Amounts in SEK thousand		
	30/09/2019	30/09/2018	31/12/2018
Treasury bills eligible as collateral etc.	1,432,217	1,347,194	1,245,816
Lending to credit institutions	2,622,135	1,184,677	1,622,571
Lending to the public	16,970,854	17,056,099	16,922,760
Bonds and other interest-bearing securities	2,199,915	2,429,828	2,231,967
Shares and participations in associates and other companies	23,777	22,701	23,777
Shares and participations in Group companies	6,742	6,742	6,742
Intangible non-current assets	24,169	20,957	21,545
Tangible assets: inventory	6,404	4,870	6,488
Tangible assets: lease items	20,130,221	20,282,212	20,357,024
Other assets*	756,832	887,358	887,128
Prepaid expenses and accrued income	84,815	69,528	50,743
Total assets, Note 11	44,258,081	43,312,166	43,376,561
Liabilities to credit institutions	1,633,333	2,100,000	2,083,333
Deposits and borrowing from the public	21,257,097	17,705,425	18,218,366
Securities issued	13,484,939	16,073,626	15,532,399
Other liabilities*	1,098,756	1,038,167	1,079,373
Accrued expenses and deferred income	1,397,486	1,414,819	1,302,984
Subordinated liabilities	400,000	400,000	400,000
Total liabilities, Note 11	39,271,610	38,732,037	38,616,455
Untaxed reserves	4,128,190	3,629,711	4,128,190
Equity	858,280	950,418	631,916
Total liabilities and equity	44,258,081	43,312,166	43,376,561
* Of which derivative instruments with positive and negative market values			
Derivative instruments with positive market value	26,798	23,885	12,999
Derivative instruments with negative market value	-396	-403	-37,196

Change in equity

	Amounts in SEK thousand				
	Share capital	Restricted equity		Non-restricted equity	Total equity
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
Opening equity, 1 January 2018	400,000	20,000	16,089	676,424	1,112,513
IFRS 9, reclassification, securities	-	-	-	1,500	1,500
IFRS 9, credit risk reserve	-	-	-	-2,613	-2,613
Adjusted opening balance, 1 January 2018	400,000	20,000	16,089	675,311	1,111,400
Profit for the period after tax	-	-	-	318,502	318,502
Transfer, internally generated development costs	-	-	6,815	-6,815	-
Total before transactions with shareholders	400,000	20,000	22,904	986,998	1,429,902
Dividend	-	-	-	-479,484	-479,484
Closing equity, 30 September 2018	400,000	20,000	22,904	507,514	950,418
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
Opening equity, 1 January 2018	400,000	20,000	16,089	676,424	1,112,513
IFRS 9, reclassification, securities	-	-	-	1,500	1,500
IFRS 9, credit risk reserve	-	-	-	-2,613	-2,613
Adjusted opening balance, 1 January 2018	400,000	20,000	16,089	675,311	1,111,400
Profit for the year	-	-	-	-	-
Transfer, internally generated development costs	-	-	5,133	-5,133	-
Total before transactions with shareholders	400,000	20,000	21,222	670,178	1,111,400
Dividend	-	-	-	-479,484	-479,484
Closing equity, 31 December 2018	400,000	20,000	21,222	190,694	631,916
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
Opening equity, 1 January 2019	400,000	20,000	21,222	190,694	631,916
Profit for the period after tax	-	-	-	324,968	324,968
Transfer, internally generated development costs	-	-	2,947	-2,947	-
Total before transactions with shareholders	400,000	20,000	24,169	512,715	956,884
Dividend	-	-	-	-98,604	-98,604
Closing equity, 30 September 2019	400,000	20,000	24,169	414,111	858,280

Cash flow statement

Amounts in SEK thousand

	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Operating activities			
Operating profit	413,446	405,219	501,799
Adjustment of items not included in cash flow			
Unrealised portion of net result from financial transactions	95	-1,128	-563
Depreciations, amortisation, impairments	3,917,032	3,641,968	4,947,844
Credit losses	10,150	7,890	11,884
Paid/refunded (-/+) tax	-6,680	-3,618	-1,236
Changes to assets and liabilities in operating activities			
Treasury bills eligible as collateral etc.	-186,401	85,654	187,032
Lending to the public	-58,250	-578,716	-449,362
Bonds and other interest-bearing securities	32,051	-547,167	-349,306
Deposits and borrowing from the public	3,038,731	1,691,520	2,204,461
Liabilities to credit institutions	-450,000	-50,000	-66,667
Other assets	102,911	-84,203	-70,897
Securities issued	-2,047,460	465,744	-75,484
Other liabilities	25,312	231,948	247,470
Cash flow from operating activities	4,790,937	5,265,112	7,086,977
Investing activities			
Capitalised development expenditures	-7,177	-6,164	-22,044
Investments in shares and participations	-	-2,284	-3,361
Disposal of tangible assets	3,465,361	2,955,732	3,899,084
Acquisition of tangible assets	-7,150,953	-8,248,908	-10,559,274
Cash flow from investing activities	-3,692,769	-5,301,624	-6,685,594
Financing activities			
Subordinated liabilities	-	400,000	400,000
Dividends paid	-98,604	-479,484	-479,484
Cash flow from financing activities	-98,604	-79,484	-79,484
Cash flow for the period			
Cash and cash equivalents at beginning of period	1,622,571	1,300,672	1,300,672
Cash flow from operating activities	4,790,937	5,265,112	7,086,977
Cash flow from investing activities	-3,692,769	-5,301,624	-6,685,594
Cash flow from financing activities	-98,604	-79,484	-79,484
Cash and cash equivalents at end of period	2,622,135	1,184,677	1,622,571



NOTES



NOTE 1. ACCOUNTING POLICIES

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. Volvofinans Bank applies legally restricted IFRS, which means the interim report has been prepared in compliance 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 compliance with the change regulations in FFFS 2009:11 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. No changes in the bank's accounting policies as described in the Annual Report 2018 have taken place.

IFRS 16 LEASES

IFRS 16 is a new standard for leases which came into force on 1 January 2019. IFRS 16 introduces a uniform lease accounting model for lessees, who now recognise the underlying asset as a right-of-use asset, and report a lease liability representing the obligation to pay lease charges. The accounting requirements for lessors resemble the current standard, i.e. lessors continue to classify their leases as financial or operating leases. The standard mainly affects lessees and their lease accounting. As a lessor, the bank continues to classify its leases as operational and the assets are listed in the balance sheet. The bank applies the relief rule in RFR 2 and thus reports all leases as operational, even in the few cases where the bank is the lessee. The introduction has had no significant effect on the bank's financial position, its profit or cash flow.

The bank's interim report was otherwise prepared in accordance with the same accounting policies and methods of calculation as those applied in the Annual Report 2018.

FUTURE REGULATORY CHANGES**Other changes in IFRSs**

None of the other changes in accounting policies issued for application are considered to have any material impact on Volvofinans' financial reports, capital adequacy or major exposures, or any other applicable operating regulations.

NOTE 2. ASSESSMENTS AND ESTIMATIONS IN THE FINANCIAL STATEMENTS

Preparation of the financial statements in compliance with IFRS requires the bank's management to make assessments, estimations, and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenues, and expenses. These estimations and assumptions are based on historical experience and a number of other factors deemed reasonable under current circumstances. The outcomes of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities not otherwise clearly provided by other sources.

Actual outcomes may deviate from these estimations and assumptions. Primarily, the bank made the following critical assessments when applying significant accounting policies:

- Whether the bank has assumed significant risks and benefits from the seller on acquisition of receivables and agreements
- Impairment testing of lease items at risk of falling residual values
- Choice of method for calculating anticipated 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 assessments of the residual value of lease items.

Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period during which a change is made if the change affects only that particular period, or in the period during which the change is made and future periods if the change affects both the current 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 monitors. Operations are organised such that management monitors profit and returns generated by the various services. Internal reporting is structured to allow management to monitor the performance of all services. It is on the basis of this reporting that the bank has identified the segments Cars, Trucks and Fleet.

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



CARS

Business area Cars comprises two businesses; Sales Finance and Cards/Payments, both aimed at consumers and small companies. Sales Finance finances cars sold by Swedish Volvo dealers through loans or leasing, often in package solutions that include insurance, a credit card and a service agreement. Cards/Payments offers both card payments and digital payment solutions in CarPay. The bank provides flexible payments to cover all car-related needs, and also everywhere VISA is accepted, where the transactions generate bonus checks in a loyalty programme.

The Swedish new car market has remained strong for several years and 2018 was the third best year ever. The first nine months of 2019 were slightly weaker with approx 247,800 new passenger cars registered, 12% fewer than the first six months of 2018. New Volvo, Renault and Dacia registrations reached 56,219 cars, equivalent to a market share of 22.7% of which a high proportion of vehicle financing continues to be through Volvofinans. Accumulated over the past year, we note a slightly reduced stock volume with 4,352 loans and leases as a result of the lower new-car market; as of 30/09/2019 the stock volume was 204,666 agreements. In the Payments business, the bank notes a positive trend in both card purchases and interest-bearing loans. Product development work is constantly in progress, as are launches of new digital services together with Volvo dealers and other interested parties within the business ecosystem. The bank has developed the CarPay service to increase customer value, and this has now reached more than 470,000 customers. Digital payments and services are another example of new developments to satisfy customer demand and create favourable conditions in the ecosystem. Using their mobile phones, our customers can now pay for their workshop visits, fuel stops at Tanka and other purchases using Samsung Pay – areas where the bank sees a great increase in demand and in which it has many other development initiatives. This makes life easier for our customers and partners – in other words, through smarter car economy.

	Amounts in SEK thousand		
	2019	2018	
	Jan-Sep	Jan-Sep	Change
Net interest*	391,730	359,995	31,735
Dividends received	294	16,308	-16,014
Commission income	197,769	196,045	1,724
Commission expenses	-29,801	-33,096	3,295
Net result from financial transactions	-527	-834	307
Other income	7,186	6,191	995
Operating income	566,651	544,609	22,042
Overhead expenses**	-288,030	-279,875	-8,155
Credit losses	-11,195	-11,138	-57
Credit risk provision	-866	2,109	-2,975
Operating profit	266,559	255,705	10,854

* Including depreciation and impairment of lease items.

** Including depreciations of tangible and intangible non-current assets excluding depreciation and impairment of lease items.

Product information, loans and leasing	30/09/2019	30/09/2018	Change
Number of contracts	204,666	209,018	-4,352
Total volume, SEK million	26,100	26,839	-739
of which transferred, %	93.4	92.9	0.5
of which pledged, %	6.6	7.1	-0.5
of which loans, %	45.9	45.2	0.7
of which leases, %	54.1	54.8	-0.7
Private leasing as a proportion of total leases, %	25.8	26.9	-1.1

Product information, cards	30/09/2019	30/09/2018	Change
Average number of active accounts	420,278	420,509	-231
Total volume, SEK million	1,799	1,807	-8
Average number of credit customers	87,270	88,671	-1,401
Total sales Volvo Card, SEK million	11,226	10,611	615
of which fuel, %	40.4	42.3	-1.9
of which workshop, %	15.8	15.3	0.5
of which retail store, %	1.4	1.6	-0.2
of which car wash, %	1.2	1.3	-0.1
of which sales outside Volvo dealers, %	32.2	29.2	3.0
of which other (incl. car loans and insurance), %	9.0	10.2	-1.2

TRUCKS

In business area Trucks, the bank offers loans and lease financing for new and used trucks including trailers, superstructures and other equipment. Volvo Truck Card is also included in Trucks.

Demand for trucks continues to be high and Volvo Trucks' market share remains at a good level. The bank's financing share of new trucks is stable and more than every other truck is financed via truck loans, financial leases or operational leases. Financing volumes for used vehicles and trailers are at a high level. Work is constantly in progress with product development and the marketing of financial offers together with Volvo Trucks and Volvo Dealers.

The development of future services and financial solutions in Fleet Management and more flexible payment solutions are further examples of areas where the bank, together with Volvo Trucks, is creating conditions for future increases in customer value. The area has seen the launch of eControl – an invoice and cost control service unique to the industry. eControl is aimed primarily at small and mid-sized hauliers.

eControl and a financing solution based on driven kilometres are examples of developments in progress at the bank aimed at offering Volvo customers smarter trucking economy to boost haulier profitability.

	Amounts in SEK thousand		
	2019 Jan-Sep	2018 Jan-Sep	Change
Net interest*	32,150	29,293	2,857
Commission income	7,681	7,650	31
Commission expenses	-154	-138	-16
Net result from financial transactions	-84	-100	16
Other income	660	881	-221
Operating income	40,253	37,586	2,667
Overhead expenses**	-26,109	-21,528	-4,581
Credit losses	-40	-346	306
Credit risk provision	-161	232	-393
Operating profit	13,944	15,944	-2,000

* Including depreciation and impairment of lease items.

** Including depreciations of tangible and intangible non-current assets excluding depreciation and impairment of lease items.

Product information, loans and leasing	30/09/2019	30/09/2018	Change
Number of contracts	6,549	6,736	-187
Total volume, SEK million	4,118	4,090	28
of which transferred, %	80.7	77.9	2.8
of which pledged, %	19.3	22.1	-2.8
of which loans, %	77.3	77.1	0.2
of which leases, %	22.7	22.9	-0.2
Operational leasing as a proportion of total leases, %	26.0	26.0	0.0

Product information, cards	30/09/2019	30/09/2018	Change
Average number of active Volvo Truck accounts	1,428	1,538	-110
Total sales, Volvo Truck cards, SEK million	241	271	-30
of which workshop, %	57.0	56.5	0.5
of which retail store, %	12.1	12.1	0.0
of which car wash, %	5.6	5.2	0.4
of which other (incl. loans and insurance), %	9.0	7.0	2.0
of which fuel, %	16.3	19.2	-2.9

FLEET

In the Fleet segment, the bank provides administration and financing mainly to mid-size and large companies, regardless of the car brands customers choose to use. Service and repair agreements and the tyre warranty product are also provided in this segment. The business idea is to simplify company car operations for the bank's customers by creating a smarter automotive economy through competitive costs for both drivers and companies. In recent years, business area Fleet has had the ambition to achieve a market-leading position in order to enjoy economies of scale in administration and purchasing. As of December 2018, this ambition was achieved and the business area Fleet became market leader in Sweden within the segment with 22.5% of the market. As of September 2019, Fleet remains the market leader with 22.3%. The number of contracts continues to increase at a good pace and has risen by around 4% compared to the same period for the previous year. The majority of the new contracts were in the operational leasing category. During the year, the bank reversed SEK 13.2 million (60.8) of an impairment previously carried out due to residual value risk. The major part – SEK 45.8 million – of the previous year's reversal is due to the conclusion of a new contract with a buyer for cars in the Fleet business.

	Amounts in SEK thousand		
	2019 Jan-Sep	2018 Jan-Sep	Change
Leasing, net	34,561	24,569	9,992
Change in residual value impairment	13,210	60,805	-47,595
Commission income	121,132	82,257	38,875
Commission expenses	-528	-473	-55
Net result from financial transactions	-174	-193	19
Service and repair contracts	42,550	30,952	11,598
Other income	472	241	231
Operating income	211,224	198,158	13,066
Overhead expenses**	-78,271	-64,713	-13,558
Credit losses	-	90	-90
Credit risk provision	-10	39	-49
Operating profit	132,943	133,574	-631

* Including depreciation and impairment of lease items.

** Including depreciations of tangible and intangible non-current assets excluding depreciation and impairment of lease items.

Product Information	30/09/2019	30/09/2018	Change
Number of financing contracts	34,595	32,917	1,678
Number of administered contracts	46,841	44,830	2,011
Total volume, SEK million	7,099	6,851	248
of which operational leases, %	68.1	68.5	-0.4
of which financial leases, %	31.9	31.5	0.4

NOTE 4. DISCLOSURES, LOANS AND LEASES

30/09/2019	Loans	Leasing	Total
Number of contracts	128,242	126,052	254,294
Average contract, SEK thousand	118	182	150
Collateral value, SEK million	15,161	22,884	38,045
Credit utilised, SEK million	14,790	20,355	35,145
Loan-to-value ratio	98	89	92

30/09/2018	Loans	Leasing	Total
Number of contracts	129,870	125,927	255,797
Average contract, SEK thousand	118	184	150
Collateral value, SEK million	15,302	23,153	38,455
Credit utilised, SEK million	14,790	20,643	35,433
Loan-to-value ratio	97	89	92

NOTE 5. LEASE INCOME AND ACCUMULATED NET INTEREST INCOME

	Amounts in SEK thousand					
	2019 Q3	2019 Q2	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Lease income from operational and financial leases	1,412,513	1,415,389	1,359,959	4,230,739	3,943,773	5,318,171
Depreciations, leased items	-1,308,214	-1,310,478	-1,271,152	-3,924,025	-3,699,324	-4,987,011
Impairments, leased items	12	-11	32	-4	-78	-86
Change in residual value provision, leased items	9,487	1,411	8,509	13,210	60,805	58,787
Leasing, net	113,799	106,311	97,348	319,920	305,176	389,861
Interest income	135,589	137,101	124,503	406,417	360,585	482,494
Interest expenses	-89,029	-82,944	-66,607	-254,686	-191,099	-256,698
Net interest	46,561	54,157	57,897	151,731	169,486	225,796
Accumulated net interest income	160,359	160,468	155,245	471,651	474,661	615,657

NOTE 6. DIVIDENDS RECEIVED

	Amounts in SEK thousand		
	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Cash dividend Visa Sweden association	294	14,024	14,068
Convertible preference shares in Visa Inc	-	2,284	2,284
Total	294	16,308	16,352

The 2018 dividend derived partly from Visa Sweden's sale of its share in Visa Europe Ltd to Visa Inc. where the total compensation consisted of a combination of cash and shares that was distributed among the various members of Visa Sweden. The bank's share of the dividend comprised SEK 14 million in cash, of which SEK 1 million is a guaranteed future dividend for payment in 2019. Also, because the dividend comprised shares in Visa Inc. Series C Convertible participating Preferred Stock, no liquid notes are available for this instrument and its market value has been identified with elements of internal assumptions.

NOTE 7. OTHER OPERATING INCOME

	Amounts in SEK thousand		
	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Capital gains on the sale of tangible assets	679	464	630
Revenues, service and repair contracts	42,550	30,952	42,289
Income from associated companies	2,504	832	1,077
Other operating income	5,136	6,016	7,728
Total	50,869	38,264	51,724

NOTE 8. CREDIT LOSSES, NET

	Amounts in SEK thousand		
	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Credit losses, net			
Loans at amortised cost (incl. unused part of limit)			
Change in provisions – stage 1	-540	2,143	2,121
Change in provisions – stage 2	147	-39	-466
Change in provisions – stage 3	-575	114	552
Total change in provisions	-968	2,218	2,207
Write-off, confirmed credit losses	-13,102	-12,935	-17,567
Recoveries of previously confirmed credit losses	1,868	1,541	2,175
Total	-11,234	-11,394	-15,392
Credit losses, net	-12,202	-9,176	-13,185

NOTE 9. LEVERAGE RATIO

	Amounts in SEK thousand		
	30/09/2019	30/09/2018	31/12/2018
Tier 1 capital	3,825,004	3,521,573	3,579,159
Exposure measurement	44,005,369	43,218,494	43,215,215
Leverage ratio, %	8.69	8.15	8.28



NOTE 10. CAPITAL ADEQUACY ANALYSIS

Amounts in SEK thousand

CAPITAL BASE		30/09/2019
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts		400,000
Retained earnings		377,039
Accumulated other comprehensive income (and other reserves)		3,244,757
Common Equity Tier 1 capital before regulatory adjustments		4,021,796
Common Equity Tier 1 capital: regulatory adjustments		
Intangible assets		-24,169
Negative amounts resulting from the calculation of expected loss amount		-172,596
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		-27
Total regulatory adjustments to Common Equity Tier 1		-196,792
Common Equity Tier 1 capital		3,825,004
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts		400,000
Tier 2 capital		400,000
Total capital (Common Equity Tier 1 capital + Tier 2 capital)		4,225,004
Total risk-weighted assets		19,857,061

Amounts in SEK thousand

CAPITAL RATIOS AND BUFFERS	30/09/2019	30/09/2018	31/12/2018
Risk-weighted assets	19,857,061	19,387,188	19,816,517
Common Equity Tier 1 capital ratio, %	19.26	18.16	18.06
Tier 1 capital, %	21.28	20.23	20.08
Total capital ratio, %	21.28	20.23	20.08
Institution-specific Common Equity Tier 1 capital requirements including buffer requirements, %	9.5	9.0	9.0
of which requirement for capital conservation buffer, %	2.5	2.5	2.5
of which requirement for countercyclical buffer, %	2.5	2.0	2.0
Total capital requirement, %	15.09	14.66	14.65
Common Equity Tier 1 capital ratio available for use as a buffer, %	14.76	13.66	13.56
Common Equity Tier 1 capital ratio available for use as a buffer	2,931,436	2,649,150	2,687,416
INTERNAL ASSESSED CAPITAL REQUIREMENT			
Credit risk	1,458,017	1,435,406	1,454,643
Operational risk	128,654	112,951	128,654
CVA risk	1,894	2,617	2,025
Pillar 1 capital requirement	1,588,565	1,550,974	1,585,322
Concentration risk	270,444	275,935	289,104
Strategic risk	79,428	77,549	79,266
Interest rate risk	65,000	65,000	65,000
Pillar 2 capital requirement	414,872	418,484	433,370
Capital conservation buffer	496,427	484,680	495,410
Countercyclical capital buffer	496,427	387,744	396,328
Combined buffer requirements	992,853	872,424	891,738
Capital requirements	2,996,290	2,841,882	2,910,430
Capital base	4,225,004	3,921,573	3,979,159
Capital surplus	1,228,714	1,079,691	1,068,729

In June 2018, the bank was granted a permit by the Swedish Financial Supervisory Authority to count interim profit as common equity tier 1 capital. The bank has applied this permit in reports as of June 2018.

Amounts in SEK thousand

CAPITAL REQUIREMENT AND RISK-WEIGHTED EXPOSURE AMOUNT

30/09/2019

	Capital requirement	Risk-weighted exposure amount	Average risk weighting
Credit risk IRB			
Corporate exposures	474,646	5,933,076	69.0%
Retail exposures	550,034	6,875,424	21.4%
Non credit-obligation assets exposure	321,488	4,018,597	100.0%
Total IRB	1,346,168	16,827,097	37.6%
Credit risk STD			
Exposures to central governments or central banks	-	-	-
Exposures to provincial or regional government bodies or local authorities	-	-	-
Exposures to public sector	429	5,363	100.0%
Exposures to institutions	43,270	540,878	20.0%
Corporate exposures	20,430	255,373	94.8%
Retail exposures	30,652	383,152	67.2%
Exposures in default	81	1,017	150.0%
Covered bonds	11,335	141,691	10.0%
Share exposures	2,442	30,520	100.0%
Other items	3,210	40,124	100.0%
Total STD	111,849	1,398,117	21.2%
Total	1,458,017	18,225,214	35.5%
Operational risk	128,654	1,608,170	-
Credit value adjustment (CVA)	1,894	23,676	-
Total minimum capital requirement and risk-weighted exposure amount	1,588,565	19,857,061	-

NOTE 11. CARRYING AMOUNT BY CATEGORY OF FINANCIAL INSTRUMENTS AND

DISCLOSURES ABOUT FAIR VALUE

Methods for determining fair value

Derivatives are reported under other assets or other liabilities. Because 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).

Under IFRS 13 Fair value measurement, treasury bills eligible as collateral, other eligible securities, bonds and other interest-bearing securities are measured at fair value with prices quoted on an active market (Level 1) and also at market value using observable market data (Level 2).

Lending to the public has been calculated by discounting the contractual cash flows using a discount rate based on a current lending spread (Level 2) to determine fair value according to IFRS 13.

Liabilities to credit institutions, deposits and borrowing by the public, issued securities and subordinated liabilities have been calculated on the basis of estimated, current lending spreads (Level 2) to determine fair value according to IFRS 13. Other categories belong to Level 3. The carrying amounts of these assets and liabilities provide a good approximation of fair value due to their short remaining maturity.

Fair values are categorised into levels in a fair value hierarchy based on the use of input data in the following measurement techniques:

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

Level 2 – from directly or indirectly observable market data not included in level 1. This category includes instruments whose value is based on quoted prices on active markets for similar instruments; quoted prices for identical or similar instruments traded on non-active markets, or other valuation techniques where all material input data is directly and indirectly observable on the market.

Level 3 – from input data not observable on the market. This category includes all instruments where the valuation technique comprises inputs that are not based on observable data and where such data has a material impact on valuation.

	Amounts in SEK thousand				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Assets, Jan - Sep 2019					
Treasury bills eligible as collateral etc.	1,430,757	-	-	1,430,757	1,432,217
Lending to credit institutions	-	-	2,622,135	2,622,135	2,622,135
Lending to the public	-	16,947,941	-	16,947,941	16,970,854
Bonds and other interest-bearing securities	1,416,546	783,007	-	2,199,553	2,199,915
Other assets*	-	26,798	730,034	756,832	756,832
Prepaid expenses and accrued income	-	-	84,815	84,815	84,815
Total	2,847,303	17,757,746	3,436,984	24,042,033	24,066,768
Liabilities, Jan - Sep 2019					
Liabilities to credit institutions	-	1,648,577	-	1,648,577	1,633,333
Deposits and borrowing from the public	-	21,257,097	-	21,257,097	21,257,097
Securities issued	-	13,696,837	-	13,696,837	13,484,939
Other liabilities*	-	396	1,098,360	1,098,756	1,098,756
Accrued expenses and deferred income	-	-	1,397,486	1,397,486	1,397,486
Subordinated liabilities	-	446,846	-	446,846	400,000
Total	-	37,049,753	2,495,846	39,545,599	39,271,611
Assets, Jan - Sep 2018					
Treasury bills eligible as collateral 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*	-	23,885	863,473	887,358	887,358
Prepaid expenses and accrued income	-	-	69,528	69,528	69,528
Total	2,976,747	17,848,560	2,117,678	22,942,985	22,974,684
Liabilities, Jan - Sep 2018					
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*	-	403	1,037,764	1,038,167	1,038,167
Accrued expenses and deferred income	-	-	1,414,819	1,414,819	1,414,819
Subordinated liabilities	-	399,692	-	399,692	400,000
Total	-	36,414,391	2,452,583	38,866,974	38,732,037

* The financial instruments measured at fair value in the balance sheet by the bank are derivative instruments.

Financial instruments that are offset in the balance sheet or covered by netting agreements

Volvofinans Bank concludes derivative contracts under the International Swaps and Derivatives Association (ISDA) master agreement. No amounts have been offset in the balance sheet. In the case of derivative agreements concluded after 1 March 2017, Volvofinans Bank receives and provides collateral in the form of deposits in accordance with the standard conditions of the ISDA Credit Support Annex. Assets for derivative agreements amount to SEK 26.8 million and liabilities to SEK 0.4 million. As of 30 September 2019, collateral had been received in amounts totalling SEK 14.4 million.



Fair value assets and liabilities per category

Assets	Amounts in SEK thousand				
	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Total	Fair value
30/09/2019					
Treasury bills eligible as collateral etc.	1,432,217	-	-	1,432,217	1,430,757
Lending to credit institutions	2,622,135	-	-	2,622,135	2,622,135
Lending to the public	16,970,854	-	-	16,970,854	16,947,941
Bonds and other interest-bearing securities	2,199,915	-	-	2,199,915	2,199,553
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	-	-	24,169	24,169	-
Tangible assets: inventory	-	-	6,404	6,404	-
Tangible assets: lease items	-	-	20,130,221	20,130,221	-
Other assets	619,725	26,222	110,885	756,832	756,832
Prepaid expenses and accrued income	84,815	-	-	84,815	84,815
Total assets	23,929,661	26,222	20,302,198	44,258,081	
Liabilities					
	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
30/09/2019					
Liabilities to credit institutions	-	-	1,633,333	1,633,333	1,648,577
Deposits and borrowing from the public	-	-	21,257,097	21,257,097	21,257,097
Securities issued	-	-	13,484,939	13,484,939	13,696,837
Other liabilities	511,596	-	587,160	1,098,756	1,098,756
Accrued expenses and deferred income	1,263,331	-	134,155	1,397,486	1,397,486
Subordinated liabilities	-	-	400,000	400,000	446,846
Total liabilities	1,774,927	-	37,496,684	39,271,611	

Assets	Amounts in SEK thousand				
	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Total	Fair value
30/09/2018					
Treasury bills eligible as collateral 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	-	-	22,701	22,701	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	20,957	20,957	-
Tangible assets: inventory	-	-	4,870	4,870	-
Tangible assets: lease items	-	-	20,282,212	20,282,212	-
Other assets	750,996	23,829	112,533	887,358	887,358
Prepaid expenses and accrued income	69,528	-	-	69,528	69,528
Total assets	22,838,322	23,829	20,450,015	43,312,166	
Liabilities					
	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
30/09/2018					
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	1,038,167	1,038,167
Accrued expenses and deferred income	1,313,665	-	101,154	1,414,819	1,414,819
Subordinated liabilities	-	-	400,000	400,000	399,692
Total liabilities	1,763,203	359	36,968,476	38,732,037	

NOTE 12. RELATED PARTIES

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

The bank has participations in four companies 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.

Balance sheet	Group companies		Associates		Other related companies	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	Assets	6,742	6,742	28,235	30,410	1,142,906
Liabilities	6,789	6,789	125,787	109,884	112,552	322,417
Income statement						
Interest income	-	-	709	454	5	18
Lease income	-	-	-	-	265,799	245,580
Interest expenses	-	-	-38	-23	-20	-23
Commission income	-	-	-	-	1,378	1,423
Other operating income	-	-	2,504	832	-	-
Total	-	-	3,175	1,263	267,162	246,998

NOTE 13. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Amounts in SEK thousand		
	30/09/2019	30/09/2018	31/12/2018
Pledged assets	-	-	-
Contingent liabilities	-	-	-

Up until Q2 2018, the bank reported a contingent liability concerning an estimated disputed receivable from the Swedish Tax Agency in respect of non-deductible opening VAT from 2015 and onwards. During 2018, Volvofinans Bank AB charged SEK 45.4 million to the income statement under Other operating expenses, which corresponds to the difference between the Swedish Tax Agency's adjusted revenue-based method and the bank's time-based calculation method. Volvofinans Bank continues to contest the decision to deny deduction for VAT paid, and appealed to the Administrative Court in late 2018.

NOTE 14. EVENTS AFTER THE END OF THE PERIOD

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

VOLVOFINANS BANK

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