

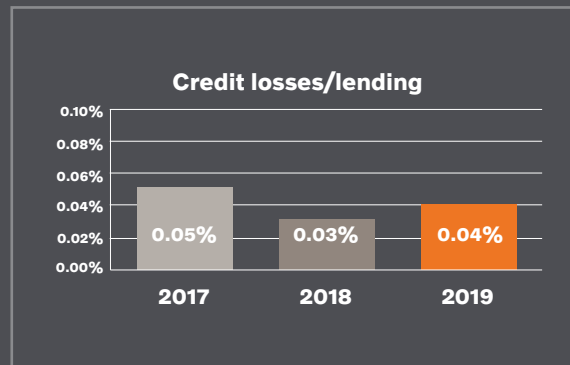
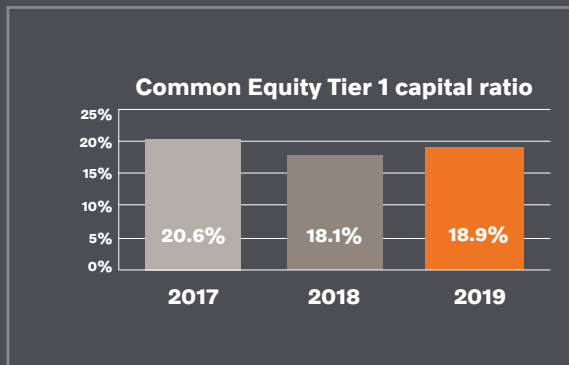
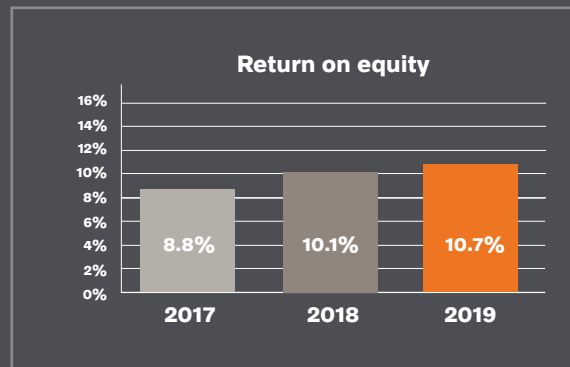
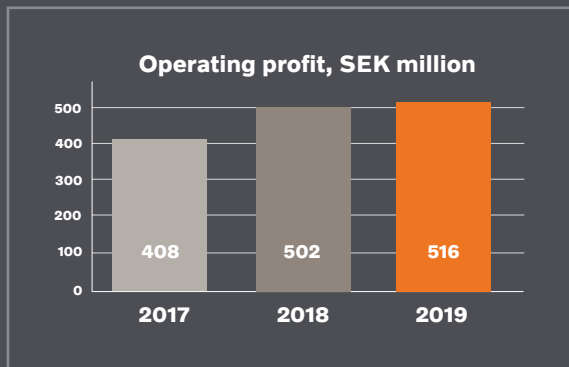


YEAR-END REPORT
2019

VOLVOFINANS BANK

SUMMARY

2019



INTRODUCTION AND FINANCIAL STATEMENTS



JAN–DEC 2019 IN SUMMARY

Operating profit:
SEK 516 million (502)

Return on equity:
10.7% (10.1)

Lending as of 31 December:
SEK 37.9 billion (37.3)

Credit losses, net:
SEK 16.0 million (13.2)

Common Equity Tier 1 capital ratio:
18.9% (18.1)

The operating profit for 2019 exceeded the previous year's by SEK 14 million and reached SEK 516 million; the return on equity increase to 10.7%. This was yet another record profit for the bank in a year when Swedish growth slowed up, but which is yet to have any noticeable impact on Volvofinans Bank's profit.

Once again, we experienced a strong sales year in the automotive market, which with its 356,000 registrations, was the third best year ever. The bank's lending grew by SEK 0.6 billion to SEK 37.9 billion in a year when Volvo Personvagnar sold 65,000 cars in Sweden, compared to the previous year's 70,000, due to longer delivery times. Instead, an extremely strong used car market was behind our profit increase, and this also had a positive impact on profits in our car disposals and also result in the dissolution of previous impairment charges. As previously mentioned, used cars are in demand for several reasons. They are free from high new car tax, and they are a smaller investment if the customer is uncertain about fuel choice, while increased demand from foreign purchasers has also boosted prices.

The above effect occurs in business area Fleet, and our major customer unit was thus able to report record profits of SEK 172.5 million. The segment is growing at a rate of just over 5%, both in terms of lending volumes and the number of agreements, thus ensconcing its position as market leader. Cars, by far the bank's biggest business area, delivered a profit of SEK 324 million, which is on a par with the previous year (2018 adjusted for an extraordinary revenue). This segment includes the CarPay card operation, which burdened profits following continued investments in product development and the launch of new digital services. Smartphone payment for fuel at the Tanka filling station chain is a typical example of a digital service launched during the year. In conclusion, I'm also able to note that our Trucks business has had a successful year. Its profit reached SEK 19.5 million, which is an improvement of no less than 48%. Thus Volvo Lastvagnar (Trucks) is able to move forward from a very successful 2019 with a retained Swedish sales volume of 2,636 heavy trucks.

Regarding profit for the year, I also note that the bank has benefited from rising interest rates, and since the Swedish central bank raised interest rates in December, we're once again enjoying positive market interest rates after almost five years.

Volvofinans continues to invest heavily in preventive measures within the field of cyber security, and major resources have been invested in order to comply with PSDII regulations and Basel IV. In the field of efficiency, Robotic Process Automation (RPA) is where we have practical initiatives in progress in the operation. RPA concerns the robotisation of time-consuming, monotonous processes, which frees up time and resources and allows our employees to perform other assignments. During the year, Volvofinans Bank put a number of robots into production in our administration. As a niche bank for car-related needs, or the mobility which seems to be trending, we also have an assignment to monitor technical development in the automotive sector in addition to monitoring fintech development. On the bank's horizon we see electrification making serious advances on a broad front. During 2019, a little over 40,000 rechargeable cars were sold, which is 11% of the total market. BIL Sweden predicts that the corresponding figures for 2020 will be 100,000 and 30%.

It appears that 2020 will be the first of several years with a transition from fossil-fuel powered vehicles to full or partial electrical power. But we should not forget the total number of vehicles in Sweden, with almost 5 million passenger cars in use, which means that fossil fuel will continue to be predominant on our roads. Anyhow, here at Volvofinans Bank, we're looking forward to financing an ever increasing proportion of electric vehicles, and later this year we will receive the first financing contracts for the Volvo XC40 Recharge and Polestar 2.

In conclusion, we're looking forward to the new business year with excitement and confidence. In our efforts to live up to and be perceived as The Mobility Bank, 2020 seems to be taking us one step closer to our vision.

Conny Bergström
CEO
Volvofinans Bank AB



"It appears that 2020 will be the first of several years with a transition from fossil-fuel powered vehicles to full or partial electrical power."

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 31 January 2020.

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. Based on 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 37.9 billion compared to 37.3 billion in the previous year. Trucks accounted for SEK 3.4 billion (3.3) of lending, equivalent to 9% (9) of the total. Fleet accounted for SEK 7.4 billion (7.0) of lending or 19% (19) and Volvo Card for 5% (5) or SEK 1.8 billion (1.8). The remainder – SEK 25.3 billion (25.2) – is attributable to passenger car financing in Cars, which corresponds to 67% (67) 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 516.1 million (501.8), an increase of 3%. The deviation from the previous year is primarily due to lower borrowing costs and 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 13.0 million (11.7) and for loans and leasing SEK 93.4 million (205.6).

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 90.2 million (198.3) as of the closing date. Deferred loans or loans with renegotiated terms amount to SEK 14.3 million (18.9). Confirmed bad debt losses during the year derive mainly 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 31/12/2019, the bank reported an impairment loss of SEK 56.4 million (73.9) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. During the year, the bank reversed SEK 17.6 million (58.8) 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 by SEK 3.4 billion in 2019,

reaching a total balance of SEK 20.1 billion (16.7) at year-end. Total deposits, including the credit balance for the Volvo Card and deposits from Volvo dealerships, totalled SEK 21.2 billion (18.2) and accounted for 58% (50) of the bank's financing.

The bank's bond program enables issues in the currencies SEK, NOK and EUR; so-called green bonds may also be issued. Due to a high inflow of deposits into the bank's savings accounts during the first half of the year, no bond financing was carried out in 2019. However, the company's own bonds were repurchased to a nominal amount of SEK 657 million during the year. Bank certificate worth SEK 300 million were issued during the year. Outstanding financing via the bank's market loan programmes amounted nominally to SEK 13.1 billion (15.6) as of 31 December 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 69% (81).

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 5.1 billion (5.1). The securities portfolio accounted for SEK 3.8 billion (75%) and non-fixed deposits at other banks totalled SEK 1.3 billion (25%). Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. As of 31 December, total lending amounted to SEK 37.9 billion, which means the liquidity reserve corresponded to 13% (14). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.3 billion (4.3).

At the end of the fourth quarter, Volvofinans Bank's liquidity coverage ratio (LCR) under article 415 of the EU Capital Requirements Regulation (CRR) totalled 257% (333). According to Volvofinans Bank's interpretation of the Basel Committee's recommendation (BCBS295), the Net Stable Funding Ratio (NSFR) was 142% (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. During the first half of 2018, the bank rendered the capital base cost-effective by issuing subordinated debt in the amount of SEK 400 million before paying out a special dividend in the equivalent amount. Common equity tier 1 capital ratio amounted to 18.9% (18.1) as of 31 December 2019 and the capital requirement was assessed internally to 15.1% (14.6) calculated on the basis of the methods and models used to calculate 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 31 December 2019, the countercyclical buffer of 2.5 per cent of the risk-weighted exposure (REA) totalled SEK 515 million (396) and the capital conservation buffer of 2.5 per cent of REA totalled 515 million (495). The countercyclical buffer value was raised to 2.5 per cent (2.0) as of 30 September 2019. The leverage ratio was 8.9% (8.3).

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:

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 year-end 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, 31 January 2020

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

	31/12/2019	31/12/2018
Return on equity, %	10.74	10.15
Risk capital / Balance sheet total, %	12.43	11.67
Deposits / Lending, %	55.94	48.87
Profit / Risk-weighted assets, %	2.50	2.53
Total capital ratio, %	20.80	20.08
Common Equity Tier 1 capital ratio, %	18.86	18.06
Cost/Income ratio	0.51	0.47
Cost/Income ratio excl. residual value provision	0.53	0.53
Credit losses / Lending, %	0.04	0.03
Liquidity coverage ratio (LCR), %	257	333
NSFR (Net Stable Funding Ratio), %	142	145
Leverage ratio, %	8.9	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 Q4	2019 Q3	2018 Q4	2019 Jan-Dec	2018 Jan-Dec
Interest income	138,433	135,589	121,909	544,851	482,494
Lease income	1,429,152	1,412,513	1,374,397	5,659,891	5,318,171
Interest expenses	-80,634	-89,029	-65,599	-335,319	-256,698
Net interest income, Note 5	1,486,952	1,459,074	1,430,707	5,869,423	5,543,967
Dividend received, Note 6	15	12	44	308	16,352
Commission income	112,854	115,296	104,888	439,436	390,839
Commission expenses	-11,686	-11,681	-10,207	-42,169	-43,915
Net result from financial transactions	1,636	239	565	851	-563
Other operating income, Note 7	17,333	15,988	13,460	68,202	51,724
Total operating income	1,607,102	1,578,928	1,539,457	6,336,051	5,958,404
General administration expenses	-144,664	-103,857	-106,442	-480,027	-389,147
Depreciation and impairment of tangible and intangible non-current assets, Note 5	-1,331,098	-1,301,102	-1,298,741	-5,248,131	-4,941,822
Other operating expenses, Note 13	-24,986	-15,029	-33,800	-75,821	-112,727
Total operating expenses	-1,500,748	-1,419,988	-1,438,983	-5,803,979	-5,443,696
Profit before credit losses	106,354	158,940	100,474	532,072	514,708
Credit losses, net, Note 8	-3,838	-4,000	-4,009	-16,041	-13,185
Impairments/Reversals of financial intangible assets, net	126	-4	115	57	276
Operating profit	102,642	154,936	96,580	516,088	501,799
Appropriations	-498,268	-	-498,479	-498,268	-498,479
Tax	83,817	-33,156	83,397	-4,661	-3,320
Profit	-311,809	121,780	-318,502	13,159	-

Balance sheet highlights

	Amounts in SEK thousand	
	31/12/2019	31/12/2018
Treasury bills eligible as collateral etc.	1,429,949	1,245,816
Lending to credit institutions	1,281,290	1,622,571
Lending to the public	17,278,081	16,922,760
Bonds and other interest-bearing securities	2,349,552	2,231,967
Shares and participations in associates and other companies	11,258	23,777
Shares and participations in Group companies	6,742	6,742
Intangible non-current assets	15,060	21,545
Tangible assets: inventory	12,133	6,488
Tangible assets: lease items	20,648,640	20,357,024
Other assets*	936,042	887,128
Prepaid expenses and accrued income	67,246	50,743
Total assets, Note 11	44,035,993	43,376,561
Liabilities to credit institutions	1,592,857	2,083,333
Deposits and borrowing from the public	21,216,735	18,218,366
Securities issued	13,091,737	15,532,399
Other liabilities*	1,255,682	1,079,373
Accrued expenses and deferred income	1,306,053	1,302,984
Subordinated liabilities	400,000	400,000
Total liabilities, Note 11	38,863,064	38,616,455
Untaxed reserves	4,626,458	4,128,190
Equity	546,471	631,916
Total liabilities and equity	44,035,993	43,376,561
* Of which derivative instruments with positive and negative market values		
Derivative instruments with positive market value	11,022	12,999
Derivative instruments with negative market value	-11,070	-37,196

Change in equity

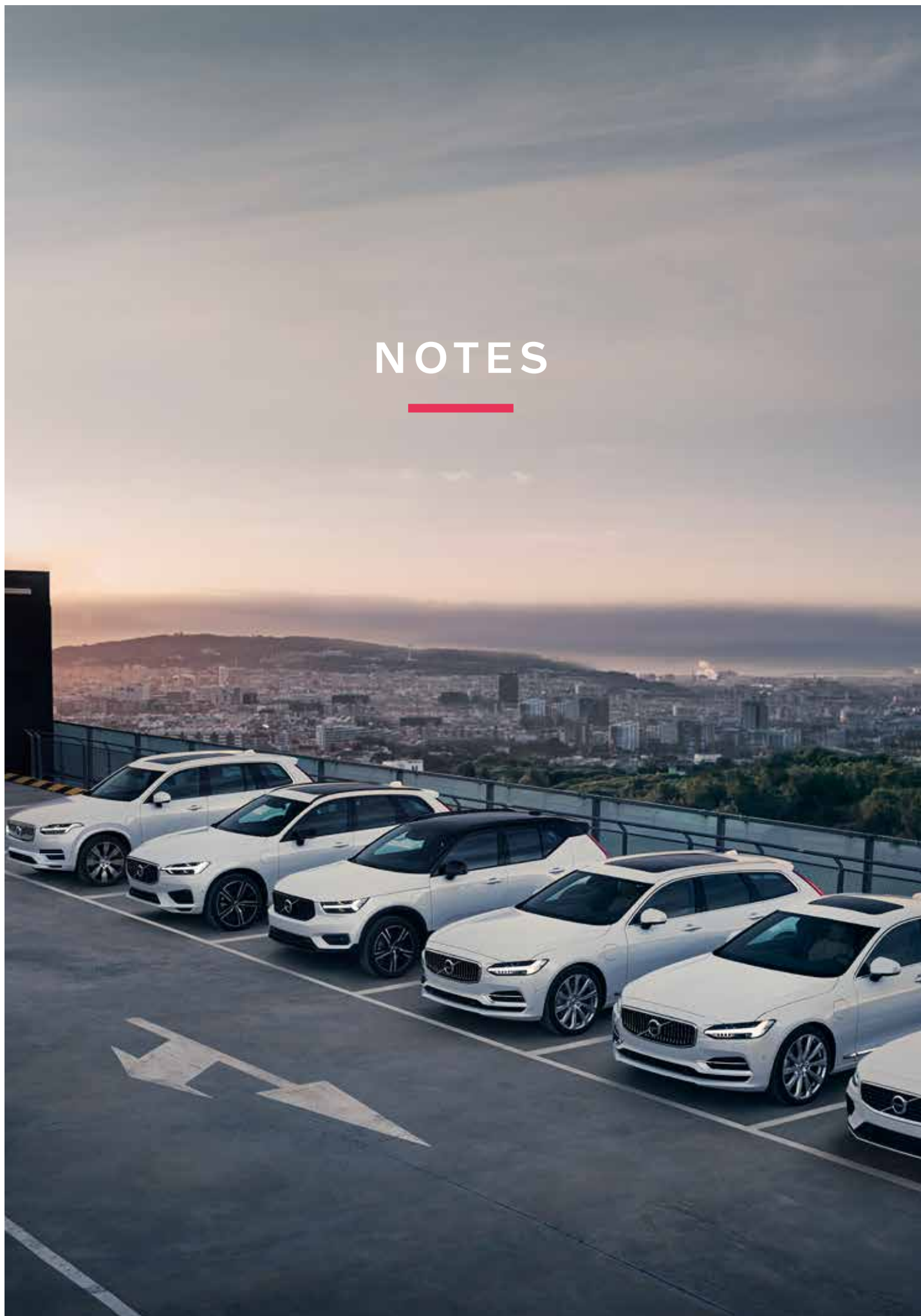
	Amounts in SEK thousand				
	Share capital	Restricted equity		Non-restricted equity	Total equity
		Statutory reserve	Development fund	Retained earnings	
Opening equity, 1 January 2018	400,000	20,000	16,089	676,424	1,112,513
IFRS 9, reclassification, securities	-	-	-	1,500	1,500
IFRS 9, credit risk reserve	-	-	-	-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 year	-	-	-	13,159	13,159
Transfer, internally generated development costs	-	-	-6,162	6,162	-
Total before transactions with shareholders	400,000	20,000	15,060	210,015	645,075
Dividend	-	-	-	-98,604	-98,604
Closing equity, 31 December 2019	400,000	20,000	15,060	111,411	546,471

Cash flow statement

	Amounts in SEK thousand	
	2019 Jan-Dec	2018 Jan-Dec
Operating activities		
Operating profit	516,088	501,799
Adjustment of items not included in cash flow		
Unrealised portion of net result from financial transactions	1,920	-563
Depreciations, amortisation, impairments	5,248,171	4,947,844
Credit losses	14,600	11,884
Paid/refunded (-/+) tax	-3,328	-1,236
Changes to assets and liabilities in operating activities		
Treasury bills eligible as collateral etc.	-184,133	187,032
Lending to the public	-369,907	-449,362
Bonds and other interest-bearing securities	-117,586	-349,306
Deposits and borrowing from the public	3,001,369	2,204,461
Liabilities to credit institutions	-490,476	-66,667
Other assets	-66,763	-70,897
Securities issued	-2,440,662	-75,484
Other liabilities	177,456	247,470
Cash flow from operating activities	5,286,751	7,086,977
Investing activities		
Capitalised development expenditures	-7,403	-22,044
Investments in shares and participations	-3,426	-3,361
Disposal/redemption of shares and participations	12,946	-
Disposal of tangible assets	4,682,274	3,899,084
Acquisition of tangible assets	-10,213,819	-10,559,274
Cash flow from investing activities	-5,529,428	-6,685,594
Financing activities		
Subordinated liabilities	-	400,000
Dividends paid	-98,604	-479,484
Cash flow from financing activities	-98,604	-79,484
Cash flow for the period		
Cash and cash equivalents at beginning of period	1,622,571	1,300,672
Cash flow from operating activities	5,286,751	7,086,977
Cash flow from investing activities	-5,529,428	-6,685,594
Cash flow from financing activities	-98,604	-79,484
Cash and cash equivalents at end of period	1,281,290	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, returns and cash flows 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. A collaboration was begun with Polestar Performance AB, a new marque of cars owned by Volvo Cars and Geely, where customers will be able from the beginning of 2020 to order their car and sign financing from Volvofinans completely digitally, via the internet. 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 new car market in Sweden has remained strong for many years and 2019 was the third best year ever with 356,036 registered new passenger cars, which is 0.7% more than the previous year. New Volvo, Renault and Dacia registrations reached 81,675 cars, equivalent to a market share of 22.9% of which a high proportion of vehicle financing continues to be through Volvofinans. Accumulated over the year, we note a slightly reduced stock volume with 4,962 loans and leases, and as of 31 December 2019, the stock volume was 202,763 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 almost 500,000 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, the bank's 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. For example, customers will also be able to pay for their purchases via Apple Pay during the first quarter 2020. This makes life easier for our customers and partners – quite simply smarter car economy.

	Amounts in SEK thousand		
	2019	2018	
	Jan-Dec	Jan-Dec	Change
Net interest*	528,796	484,284	44,512
Dividends received	308	16,352	-16,044
Commission income	265,516	263,662	1,854
Commission expenses	-41,199	-43,034	1,835
Net result from financial transactions	600	-415	1,015
Other income	10,442	8,135	2,307
Operating income	764,464	728,984	35,480
Overhead expenses**	-425,030	-378,044	-46,986
Credit losses	-14,961	-15,161	200
Credit risk provision	-436	2,101	-2,537
Operating profit	324,036	337,881	-13,845

* 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	31/12/2019	31/12/2018	Change
Number of contracts	202,763	207,725	-4,962
Total volume, SEK million	26,335	26,560	-225
of which transferred, %	93.6	93.1	0.5
of which pledged, %	6.4	6.9	-0.5
of which loans, %	45.5	45.3	0.2
of which leases, %	54.5	54.7	-0.2
Private leasing as a proportion of total leases, %	25.0	27.0	-2.0

Product information, cards	31/12/2019	31/12/2018	Change
Average number of active accounts	420,607	423,909	-3,302
Total volume, SEK million	1,801	1,779	22
Average number of credit customers	86,908	88,304	-1,396
Total sales Volvo Card, SEK million	15,083	14,292	791
of which fuel, %	39.6	41.5	-1.9
of which workshop, %	13.2	13.1	0.1
of which retail store, %	1.5	1.7	-0.2
of which car wash, %	1.2	1.3	-0.1
of which sales outside Volvo dealers, %	32.6	29.6	3.0
of which other (incl. car loans and insurance), %	11.9	12.8	-0.9

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.

The demand for trucks continues to be high, and 2019 turned out to be the best year ever with 6,652 registered vehicles. However, Volvo Lastvagnar's market share during the year was lower than in previous years. 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, both aimed at simply offering Volvo customers smarter trucking economy.

	Amounts in SEK thousand		
	2019 Jan-Dec	2018 Jan-Dec	Change
Net interest*	44,313	39,751	4,562
Commission income	10,387	10,081	306
Commission expenses	-215	-195	-20
Net result from financial transactions	80	-47	127
Other income	665	990	-325
Operating income	55,230	50,579	4,651
Overhead expenses**	-35,501	-37,424	1,923
Credit losses	-59	-321	262
Credit risk provision	-175	338	-513
Operating profit	19,495	13,172	6,323

* 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	31/12/2019	31/12/2018	Change
Number of contracts	6,490	6,793	-303
Total volume, SEK million	4,156	4,221	-65
of which transferred, %	80.3	77.7	2.6
of which pledged, %	19.7	22.3	-2.6
of which loans, %	77.3	76.8	0.5
of which leases, %	22.7	23.2	-0.5
Operational leasing as a proportion of total leases, %	24.4	28.2	-3.8

Product information, cards	31/12/2019	31/12/2018	Change
Average number of active Volvo Truck accounts	1,441	1,529	-88
Total sales, Volvo Truck cards, SEK million	324	364	-40
of which workshop, %	56.6	56.8	-0.2
of which retail store, %	12.5	12.4	0.1
of which car wash, %	6.1	5.3	0.8
of which other (incl. loans and insurance), %	8.8	7.2	1.6
of which fuel, %	16.1	18.3	-2.2

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. Business area Fleet has the ambition to achieve economies of scale within administration and purchasing through its market-leading position. Fleet endorsed its market leader position during 2019 with a market share of 22.4% as of December. 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 17.6 million (58.8) of an impairment loss 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-Dec	2018 Jan-Dec	Change
Leasing, net*	48,273	32,835	15,438
Change in residual value impairment	17,551	58,787	-41,236
Commission income	163,533	117,096	46,437
Commission expenses	-755	-686	-69
Net result from financial transactions	171	-101	272
Service and repair contracts	56,572	42,289	14,283
Other income	523	310	213
Operating income	285,868	250,530	35,338
Overhead expenses**	-112,960	-99,918	-13,042
Credit losses	-361	90	-451
Credit risk provision	9	45	-36
Operating profit	172,556	150,746	21,810

* 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	31/12/2019	31/12/2018	Change
Number of financing contracts	35,437	33,713	1,724
Number of administered contracts	47,588	45,860	1,728
Total volume, SEK million	7,382	7,020	362
of which operational leases, %	68.5	68.4	0.1
of which financial leases, %	31.5	31.6	-0.1

NOTE 4. DISCLOSURES, LOANS AND LEASES

31/12/2019	Loans	Leasing	Total
Number of contracts	127,387	125,978	253,365
Average contract, SEK thousand	119	186	152
Collateral value, SEK million	15,214	23,415	38,628
Credit utilised, SEK million	14,834	20,956	35,790
Loan-to-value ratio	98	89	93

31/12/2018	Loans	Leasing	Total
Number of contracts	129,366	126,349	255,715
Average contract, SEK thousand	118	184	151
Collateral value, SEK million	15,297	23,195	38,492
Credit utilised, SEK million	14,774	20,567	35,341
Loan-to-value ratio	97	89	92

NOTE 5. LEASE INCOME AND ACCUMULATED NET INTEREST INCOME

	Amounts in SEK thousand				
	2019 Q4	2019 Q3	2018 Q4	2019 Jan-Dec	2018 Jan-Dec
Lease income from operational and financial leases	1,429,152	1,412,513	1,374,397	5,659,891	5,318,171
Depreciations, leased items	-1,323,966	-1,308,214	-1,287,687	-5,247,991	-4,987,011
Impairments, leased items	-44	12	-8	-48	-86
Change in residual value provision, leased items	4,341	9,487	-2,017	17,551	58,787
Leasing, net	109,484	113,799	84,686	429,403	389,861
Interest income	138,433	135,589	121,909	544,851	482,494
Interest expenses	-80,634	-89,029	-65,599	-335,319	-256,698
Net interest	57,800	46,561	56,309	209,531	225,796
Accumulated net interest income	167,283	160,359	140,995	638,935	615,656

NOTE 6. DIVIDENDS RECEIVED

	Amounts in SEK thousand	
	2019 Jan-Dec	2018 Jan-Dec
Cash dividend Visa Sweden association	308	14,068
Convertible preference shares in Visa Inc	-	2,284
Total	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-Dec	2018 Jan-Dec
Capital gains on the sale of tangible assets	808	630
Revenues, service and repair contracts	56,572	42,289
Income from associated companies	3,426	1,077
Other operating income	7,396	7,728
Total	68,202	51,724

NOTE 8. CREDIT LOSSES, NET

	Amounts in SEK thousand	
	2019 Jan-Dec	2018 Jan-Dec
Credit losses, net		
Loans at amortised cost (incl. unused part of limit)		
Change in provisions – stage 1	-222	2,121
Change in provisions – stage 2	200	-466
Change in provisions – stage 3	-638	552
Total change in provisions	-660	2,207
Write-off, confirmed credit losses	-17,658	-17,567
Recoveries of previously confirmed credit losses	2,277	2,175
Total	-15,381	-15,392
Credit losses, net	-16,041	-13,185

NOTE 9. LEVERAGE RATIO

	Amounts in SEK thousand	
	31/12/2019	31/12/2018
Tier 1 capital	3,888,357	3,579,159
Exposure measurement	43,609,241	43,215,215
Leverage ratio, %	8.92	8.28



NOTE 10. CAPITAL ADEQUACY ANALYSIS

CAPITAL BASE	Amounts in SEK thousand	
	31/12/2019	31/12/2018
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	400,000	400,000
Retained earnings	45,060	133,312
Accumulated other comprehensive income (and other reserves)	3,636,396	3,244,757
Common Equity Tier 1 capital before regulatory adjustments	4,081,456	3,778,069
Common Equity Tier 1 capital: regulatory adjustments		
Intangible assets	-15,060	-21,545
Negative amounts resulting from the calculation of expected loss amount	-178,017	-177,315
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-22	-50
Total regulatory adjustments to Common Equity Tier 1	-193,099	-198,910
Common Equity Tier 1 capital	3,888,357	3,579,159
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	400,000	400,000
Tier 2 capital	400,000	400,000
Total capital (Common Equity Tier 1 capital + Tier 2 capital)	4,288,357	3,979,159
Total risk-weighted assets	20,617,467	19,816,517

CAPITAL RATIOS AND BUFFERS	Amounts in SEK thousand	
	31/12/2019	31/12/2018
Risk-weighted assets	20,617,467	19,816,517
Common Equity Tier 1 capital ratio, %	18.86	18.06
Tier 1 capital, %	20.80	20.08
Total capital ratio, %	20.80	20.08
Institution-specific Common Equity Tier 1 capital requirements including buffer requirements, %	9.5	9.0
of which requirement for capital conservation buffer, %	2.5	2.5
of which requirement for countercyclical buffer, %	2.5	2.0
Total capital requirement, %	15.15	14.65
Common Equity Tier 1 capital ratio available for use as a buffer, %	14.36	13.56
Common Equity Tier 1 capital ratio available for use as a buffer	2,960,571	2,687,416

INTERNAL ASSESSED CAPITAL REQUIREMENT

Credit risk	1,501,424	1,454,643
Operational risk	146,522	128,654
CVA risk	1,451	2,025
Pillar 1 capital requirement	1,649,396	1,585,322
Concentration risk	294,797	289,104
Strategic risk	82,470	79,266
Interest rate risk	65,000	65,000
Pillar 2 capital requirement	442,267	433,370
Capital conservation buffer	515,437	495,410
Countercyclical capital buffer	515,437	396,328
Combined buffer requirements	1,030,874	891,738
Capital requirements	3,122,538	2,910,430
Capital base	4,288,357	3,979,159
Capital surplus	1,165,819	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

31/12/2019

	Capital requirement	Risk-weighted exposure amount	Average risk weighting
Credit risk IRB			
Company exposures	535,620	6,695,250	70.4%
Retail exposures	558,213	6,977,663	21.6%
Non credit-obligation assets exposure	322,735	4,034,183	100.0%
Total IRB	1,416,568	17,707,097	38.7%
Credit risk STD			
Exposures to central governments or central banks	-	-	-
Exposures to provincial or regional government bodies or local authorities	-	-	-
Exposures to public sector	543	6,793	100.0%
Exposures to institutions	21,784	272,299	20.0%
Corporate exposures	18,655	233,185	92.9%
Retail exposures	28,984	362,294	66.7%
Exposures in default	267	3,335	150.0%
Covered bonds	11,325	141,561	10.0%
Share exposures	1,440	18,000	100.0%
Other items	1,859	23,233	100.0%
Total STD	84,856	1,060,701	20.3%
Total	1,501,424	18,767,798	36.8%
Operational risk	146,522	1,831,531	-
Credit value adjustment (CVA)	1,451	18,138	-
Total minimum capital requirement and risk-weighted exposure amount	1,649,397	20,617,467	-

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 - Dec 2019					
Treasury bills eligible as collateral etc.	1,428,339	-	-	1,428,339	1,429,949
Lending to credit institutions	-	-	1,281,290	1,281,290	1,281,290
Lending to the public	-	17,286,480	-	17,286,480	17,278,081
Bonds and other interest-bearing securities	1,414,820	933,940	-	2,348,760	2,349,552
Other assets*	-	11,022	925,020	936,042	936,042
Prepaid expenses and accrued income	-	-	67,246	67,246	67,246
Total	2,843,159	18,231,442	2,273,556	23,348,157	23,342,160
Liabilities, Jan - Dec 2019					
Liabilities to credit institutions	-	1,611,386	-	1,611,386	1,592,857
Deposits and borrowing from the public	-	21,216,735	-	21,216,735	21,216,735
Securities issued	-	13,202,874	-	13,202,874	13,091,737
Other liabilities*	-	11,070	1,244,612	1,255,682	1,255,682
Accrued expenses and deferred income	-	-	1,306,053	1,306,053	1,306,053
Subordinated liabilities	-	403,205	-	403,205	400,000
Total	-	36,445,270	2,550,665	38,995,936	38,863,064
Assets, Jan - Dec 2018					
Treasury bills eligible as collateral 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
Prepaid expenses and accrued income	-	-	50,743	50,743	50,743
Total	2,674,462	17,720,420	2,547,443	22,942,325	22,960,985
Liabilities, Jan - Dec 2018					
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
Accrued expenses and deferred income	-	-	1,302,984	1,302,984	1,302,984
Subordinated liabilities	-	391,703	-	391,703	400,000
Total	-	36,299,252	2,345,162	38,644,413	38,616,455

* 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 11 million and liabilities to SEK 11.1 million. Securities in the amount of SEK 8.5 million were received and assets of SEK 18.2 million were pledged as of 31 December 2019.



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
31/12/2019					
Treasury bills eligible as collateral etc.	1,429,949	-	-	1,429,949	1,428,339
Lending to credit institutions	1,281,290	-	-	1,281,290	1,281,290
Lending to the public	17,278,081	-	-	17,278,081	17,286,480
Bonds and other interest-bearing securities	2,349,552	-	-	2,349,552	2,348,760
Shares and participations in associates and other companies	-	-	11,258	11,258	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	15,060	15,060	-
Tangible assets: inventory	-	-	12,133	12,133	-
Tangible assets: lease items	-	-	20,648,640	20,648,640	-
Other assets	701,270	10,730	224,042	936,042	936,042
Prepaid expenses and accrued income	67,246	-	-	67,246	67,246
Total assets	23,107,387	10,730	20,917,875	44,035,992	
Liabilities					
	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
31/12/2019					
Liabilities to credit institutions	-	-	1,592,857	1,592,857	1,611,386
Deposits and borrowing from the public	-	-	21,216,735	21,216,735	21,216,735
Securities issued	-	-	13,091,737	13,091,737	13,202,874
Other liabilities	441,304	1,313	813,065	1,255,682	1,255,682
Accrued expenses and deferred income	1,286,214	-	19,839	1,306,053	1,306,053
Subordinated liabilities	-	-	400,000	400,000	403,205
Total liabilities	1,727,518	1,313	37,134,233	38,863,064	

Assets	Amounts in SEK thousand				
	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets	Total	Fair value
31/12/2018					
Treasury bills eligible as collateral 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	-
Tangible assets: inventory	-	-	6,488	6,488	-
Tangible assets: lease items	-	-	20,357,024	20,357,024	-
Other assets	735,720	12,898	138,510	887,128	887,128
Prepaid expenses and accrued income	50,743	-	-	50,743	50,743
Total assets	22,809,577	12,898	20,554,086	43,376,561	
Liabilities					
	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities	Total	Fair value
31/12/2018					
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
Accrued expenses and deferred income	1,287,069	-	15,915	1,302,984	1,302,984
Subordinated liabilities	-	-	400,000	400,000	391,703
Total liabilities	1,685,893	37,189	36,893,373	38,616,455	

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	Assets	6,742	6,742	22,763	24,689	1,227,996
Liabilities	6,789	6,789	262,102	214,948	118,207	295,532
Income statement						
Interest income	-	-	815	478	6	23
Lease income	-	-	-	-	342,630	343,707
Interest expenses	-	-	-52	-27	-20	-38
Commission income	-	-	-	-	1,776	1,938
Other operating income	-	-	3,426	1,077	-	-
Total	-	-	4,189	1,528	344,392	345,630

NOTE 13. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Amounts in SEK thousand	
	31/12/2019	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. The Administrative Court rejected the bank's appeal in December 2019. An appeal against the judgement was lodged with the Administrative Court of Appeal in January 2020.

NOTE 14. EVENTS AFTER THE END OF THE PERIOD

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

VOLVOFINANS BANK

Volvofinans Bank AB (publ) • Co. Reg. 556069-0967

Bohusgatan 15 • Box 198 • SE 401 23 Gothenburg

Phone: +46 31-83 88 00 • volvofinans.se