

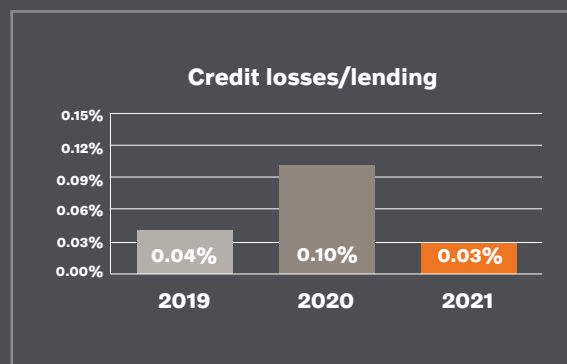
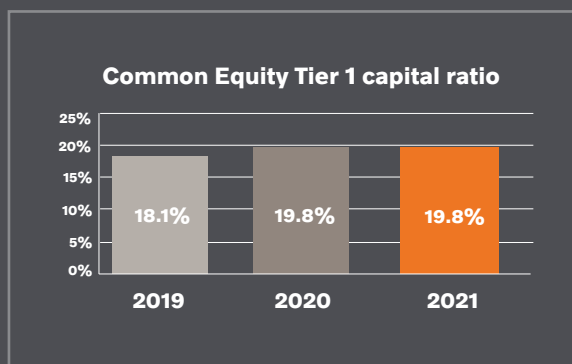
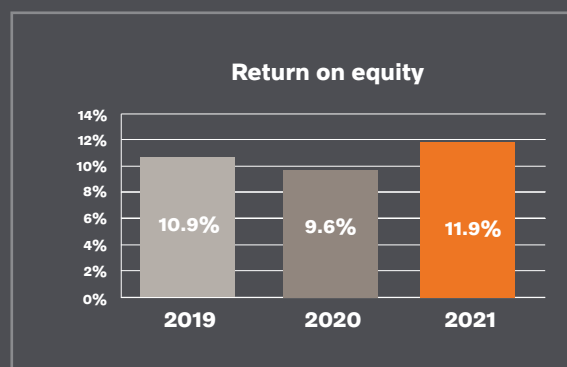
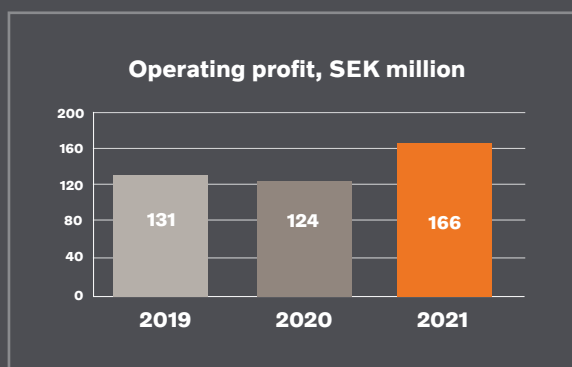
The image shows the interior of a restaurant or cafe. The ceiling is dark with several large, spherical, orange-colored pendant lights hanging from it. In the foreground, there are dark wooden chairs and tables. A person's back is visible on the right side. Large windows in the background offer a view of a brick building with arched windows and a dark Volvo SUV parked outside. The overall atmosphere is warm and modern.

INTERIM REPORT 1 JANUARY – 31 MARCH  
**2021**

**VOLVOFINANS BANK**

# SUMMARY

## JANUARY - MARCH 2021



# INTRODUCTION AND FINANCIAL STATEMENTS



## JAN–MAR 2021 IN SUMMARY

Operating profit:  
**SEK 166 million (124)**

Return on equity:  
**11.9% (9.6)**

Lending as of 31 March:  
**SEK 38.7 billion (37.7)**

Credit losses  
**SEK -1.3 million (24.7)**

Common Equity Tier 1 capital ratio:  
**19.8% (19.8)**

Cost/Income ratio:  
**0.43 (0.50)**

As Covid-related tribulations continue in our society, we are humbled to note that Volvofinans Bank has achieved its best quarterly performance ever. Profit before income tax totalled SEK 166 million, which is an improvement of no less than 34% compared to the same period last year.

The single biggest explanation for the increase in earnings is the continuing very strong demand for used cars. In the vehicle market, the first quarter was generally characterised by recovery and optimism. However, we must emphasize that the new car market during the quarter was somewhat overheated, driven by changes announced in vehicle tax on passenger cars. Registrations increased in March by over 70% compared to March 2020, and totalled just over 47,000 passenger cars.

The high registration figures were made possible by the excellent sales efforts by Volvo dealers during the autumn and winter, leading to a growth in lending for the quarter of SEK 1 billion for Volvofinans Bank. Our three business areas, Cars, Fleet and Trucks, are performing according to plan or better than plan. In recent years, business area Fleet has enjoyed a market-leading position and its market shares are now above 22%. In terms of profits, Fleet distinguished itself with sales of SEK 87 million, making it the best business area for the quarter.

Economic conditions have improved considerably since the first quarter compared with last year's macro-outlook, with its hugely uncertain future. The greatly improved conditions thanks to vaccination bring great hope, and less uncertainty also means the bank has been able to redeem approximately SEK 5 million of the credit loss provisions previously made. The redemption should be compared with the provision of SEK 20 million made during the first quarter last year.

The beginning of the year was also favourable for our owners and partners, except for the semiconductor shortage brought about by the pandemic. Following record profits in the second half of 2020, Volvo Cars enjoyed its best global sales ever during the first quarter of this year. This was also the case in Sweden, where Volvo Cars had

a market share of 23.4% during the first quarter. However, it should be noted that some manufacturers in Sweden have had major problems with deliveries due to the shortage of semiconductors mentioned above. Volvo dealers also reported good profits resulting from high car sales volumes together with good workshop performance. Truck manufacturer AB Volvo reported impressive quarterly results of SEK 12 billion. Credit rating institute Moody's announcement that the outlook for the A3 credit rating is once again stable is confirmation that the sector and the bank have been performing well for some time.

We are also enormously proud that Volvofinans Bank has won the award for Sweden's best customer service in banking at the Brilliant Awards for the second year in a row. Finalists and winners are picked based on data from customer surveys, meaning customer perceptions, not subjective assessments, govern who wins the prestigious award.

All in all, Volvofinans Bank is enjoying a very favourable period, despite the pandemic, even though we naturally remain humbly aware of what the near future might entail. There are numerous major strategic issues, and there are technical challenges in both the banking and automotive sectors, but as the Mobility Bank we are starting out from a very strong position in our efforts to meet the needs of customers in these changing times.

### Conny Bergström

CEO  
Volvofinans Bank AB



**"Volvofinans has won the award for Sweden's best customer service in banking for the second year in a row"**

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 07 May 2021.

# 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 38.7 billion compared to 37.7 billion in the previous year. Trucks accounted for SEK 3.5 billion (3.3) of lending, equivalent to 9% (9) of the total. Fleet accounted for SEK 8.9 billion (7.6) of lending or 23% (21) and Volvo Card for 4% (4) or SEK 1.6 billion (1.7). The remainder – SEK 24.7 billion (25.6) – is attributable to passenger car financing in Cars, which corresponds to 64% (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

The bank's profit after credit losses was SEK 166.1 million (124.1), which is SEK 42 million or 34% higher than last year. The market for second-hand cars continues to be strong, which is also reflected in the bank's gains from the disposal of cars returned in operational leasing contracts. The accumulated surplus on sales of these cars is SEK 20.2 million higher than in the previous year. During the first quarter, the Bank reversed earlier impairments totalling SEK 5.2 million for expected credit losses (ECL) mainly due to lower forecast unemployment rates in Sweden. During the corresponding period in 2020 the Bank carried out impairments for expected credit losses totalling SEK 20.3 million in conjunction with the Covid 19 outbreak. This year, the bank has carried out impairments totalling SEK 3.5 million related to residual value risk. During the same period last year, when prices for used cars fell sharply in conjunction with the Covid 19 outbreak, the bank's impairments for residual value risk totalled SEK 12.6 million.

### Credit risk and credit losses

Because the major part of credit risk is borne by individual Volvo dealers through recourse agreements, 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 totalled SEK 8.8 million (7.4) and for loans and leasing SEK 220.9 million (281.2), of which SEK 217.5 million (273.1) is covered by recourse. Loans subject to deferral totalled SEK 91.8 million (108.7).

Verified credit losses of SEK 3.8 million (4.4), relate mainly to the credit card business. Expected credit losses are calculated based on a prospective impairment model, where the calculation takes account of macroeconomic data, demographic variables and behavioural variables. During the quarter, these forecast variables generated dissolution for expected credit losses of SEK 5.2 million. Thus the provision for expected credit losses totals SEK 33.3 million. Due to the reversal of previous impairments for expected credit losses, total credit losses stand at SEK -1.3 million.

## Residual value risk

There is residual value risk in operational leases corresponding to the risk that the present value of the remaining rents plus the present value of the expected residual value is lower than the book value and that the bank thereby sustains a loss. As of 31/03/2021, the bank reported an impairment loss of SEK 83.8 million (69.0) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. Market prices for used cars in 2020 were very volatile, and this is reflected in the bank's impairment tests of cars used in operational leases. During the first quarter of 2020, the Bank made impairment charges of SEK 12.6 million as a result of lower expected residual values for used cars due to the Covid-19 outbreak. Market prices for used cars have subsequently recovered to historically high levels. The second Covid-19 wave during the autumn of 2020 increased uncertainty in the economy just as the start of vaccination programs had begun to reduce this to some degree. Because of the prevailing uncertainty, the bank increased impairment of operating lease assets during the fourth quarter and accumulated impairments for the year totalled SEK 23.9 million. In the first quarter of 2021, the bank carried out impairments totalling SEK 3.5 million related to residual value risk.

## Funding and liquidity

Deposits in the bank's savings account decreased by SEK 0.8 billion during the first quarter, reaching a total of SEK 20.1 billion (20.0) at the end of the quarter. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships stood at SEK 21.3 billion (21.1) and accounted for 59% (59) of the bank's financing.

The bank's MTN program enables the issue of bonds in the currencies SEK, NOK and EUR; green bonds may also be issued. Under the program, bonds were issued to a value of SEK 1.9 billion during the first quarter and own bonds with a nominal value of SEK 0.3 billion were repurchased. Green bonds accounted for SEK 0.6 billion of issued volume. Volvofinans Bank AB's outstanding financing through its market loan programmes amounted to a nominal SEK 13.3 billion (12.5) as of 31/03/2021.

In addition to market borrowing and deposits, the bank also finances its activities through bank credits, which total SEK 1.2 billion (1.6). The proportion of financing from market loans programmes and the banking sector with remaining terms of more than one year was 74% (70).

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 4.5 billion (4.4). The securities holding accounted for SEK 3.2 billion (72%) and non-fixed deposits at other banks totalled SEK 1.3 billion (28%). Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. As of 31/03/2021, total lending was SEK 38.7 billion, which means the liquidity reserve corresponded to 12% (12). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.8 billion (4.3).

At the end of the quarter, Volvofinans Bank's liquidity coverage ratio (LCR) under article 415 of the EU Capital Requirements Regulation (CRR), totalled 197% (197). According to Volvofinans Bank's interpretation of the Basel Committee's new recommendation (BCBS295), the Net Stable Funding Ratio (NSFR) was 141% (144).

## Capital adequacy

Volvofinans Bank calculates most of the credit risk on the basis of its internal ratings-based approach (IRB), while the remainder is calculated according to the standard method. Common equity tier 1 capital ratio amounted to 19.8% (19.8) as of 31 March 2021 and the capital requirement was assessed internally

to 12.7% (12.6) 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. The capital conservation buffer of 2.5% of REA was SEK 554 million (513). The countercyclical buffer was reduced to 0.0% as of 16/03/2020 for preventive purposes due to Covid-19. The leverage ratio was 9.9% (9.5) as of 31/03/2021.

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.

### Covid-19

During the past year, Covid-19 had a global impact in both human and economic terms. Volvofinans Bank's income statement and balance sheet were affected in regard to expected credit losses (ECL). Macro-economic forecast parameters such as unemployment were strong contributing factors to the increase in the Bank's impairment charges for expected credit losses in 2020. The forecast unemployment rate fell during the first quarter of 2021, which led to the bank's reversal of expected credit losses. The second and third Covid 19 waves have increased uncertainty in the economy, at the same time as the vaccination programme has mitigated it.

### Rating

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

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

There were no changes in the credit rating during the quarter, but the rating outlook changed from Negative to Stable on 6 April. A detailed, up-to-date analysis from Moody's can be found on our website, under 'About us / Investor relations / rating'.

### Calendar:

10 June 2021	AGM
27 August 2021	Interim Report Jan–Jun
5 November 2021	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 May 2021

Conny Bergström  
CEO

The report will be available on our website [volvofinans.se](http://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

	31/03/2021	31/03/2020	31/12/2020
Return on equity, %	11.86	9.56	10.94
Risk capital / Balance sheet total, %	13.36	13.12	13.35
Deposits / Lending, %	55.20	56.07	59.20
Profit / Risk-weighted assets, %	3.00	2.42	2.66
Total capital ratio, %	21.56	21.78	21.91
Common Equity Tier 1 capital ratio, %	19.75	19.83	20.04
Cost/Income ratio	0.43	0.50	0.48
Cost/Income ratio excl. residual value provision	0.44	0.46	0.45
Credit losses / Lending, %	0.03	0.10	0.08
Liquidity coverage ratio (LCR), %	197	197	237
NSFR (Net Stable Funding Ratio), %	141	144	144
Leverage ratio, %	9.9	9.5	9.8

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			
	2021 Q1	2020 Q4	2020 Q1	2020 Jan–Dec
Interest income	128,486	126,217	145,541	556,789
Lease income	1,506,065	1,478,584	1,442,437	5,835,615
Interest expenses	-70,876	-70,045	-81,657	-327,147
<b>Net interest income, Note 5</b>	<b>1,563,675</b>	<b>1,534,756</b>	<b>1,506,321</b>	<b>6,065,257</b>
Dividend received, Note 6	13	14	15	241
Commission income	126,631	121,174	116,155	456,933
Commission expenses	-13,849	-25,921	-10,911	-76,853
Net result from financial transactions	211	-635	-821	-2,972
Other operating income, Note 7	16,463	16,984	16,550	65,030
<b>Total operating income</b>	<b>1,693,144</b>	<b>1,646,370</b>	<b>1,627,309</b>	<b>6,507,636</b>
General administration expenses	-117,354	-115,615	-123,623	-448,303
Depreciation and impairment of tangible and intangible non-current assets, Note 5	-1,395,641	-1,407,459	-1,344,026	-5,423,123
Other operating expenses	-10,906	-15,828	-10,808	-46,253
<b>Total operating expenses</b>	<b>-1,523,901</b>	<b>-1,538,902</b>	<b>-1,478,457</b>	<b>-5,917,679</b>
<b>Profit before credit losses</b>	<b>169,243</b>	<b>107,469</b>	<b>148,852</b>	<b>589,957</b>
Credit losses, net, Note 8	-3,267	-1,883	-24,747	-21,651
Impairments/Reversals of financial fixed assets, net, Note 8	100	54	34	-73
<b>Operating profit</b>	<b>166,076</b>	<b>105,639</b>	<b>124,139</b>	<b>568,233</b>
Appropriations	-	-412,589	-	-412,589
Tax	-34,212	65,009	-26,565	-33,986
<b>Profit</b>	<b>131,864</b>	<b>-241,941</b>	<b>97,574</b>	<b>121,658</b>

## Balance sheet highlights

	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
Treasury bills eligible as collateral etc.	1,328,318	1,231,606	1,331,203
Lending to credit institutions	1,260,606	994,245	2,483,630
Lending to the public	16,380,974	16,799,971	16,279,476
Bonds and other interest-bearing securities	1,873,838	2,212,710	1,825,984
Shares and participations in associates and other companies	7,915	11,258	9,761
Shares and participations in Group companies	6,742	6,742	6,742
Intangible non-current assets	20,164	14,210	20,182
Tangible assets: inventory	8,618	11,435	9,547
Tangible assets: lease items	22,273,814	20,839,637	21,405,350
Other assets*	1,552,865	795,227	708,016
Prepaid expenses and accrued income	133,354	132,348	62,540
<b>Total assets, Note 11</b>	<b>44,847,208</b>	<b>43,049,389</b>	<b>44,142,431</b>
Liabilities to credit institutions	1,190,476	1,552,381	1,230,952
Deposits and borrowing from the public	21,337,756	21,109,588	22,308,794
Securities issued	13,229,962	12,425,805	12,108,909
Other liabilities*	1,376,086	902,980	1,056,746
Accrued expenses and deferred income	1,473,887	1,388,132	1,329,853
Subordinated liabilities	400,000	400,000	400,000
<b>Total liabilities, Note 11</b>	<b>39,008,167</b>	<b>37,778,886</b>	<b>38,435,254</b>
Untaxed reserves	5,039,048	4,626,458	5,039,048
<b>Equity</b>	<b>799,993</b>	<b>644,045</b>	<b>668,129</b>
<b>Total liabilities and equity</b>	<b>44,847,208</b>	<b>43,049,389</b>	<b>44,142,431</b>
* Of which derivative instruments with positive and negative market values			
Derivative instruments with positive market value	7,182	8,213	9,933
Derivative instruments with negative market value	-39,013	-84,782	-76,404

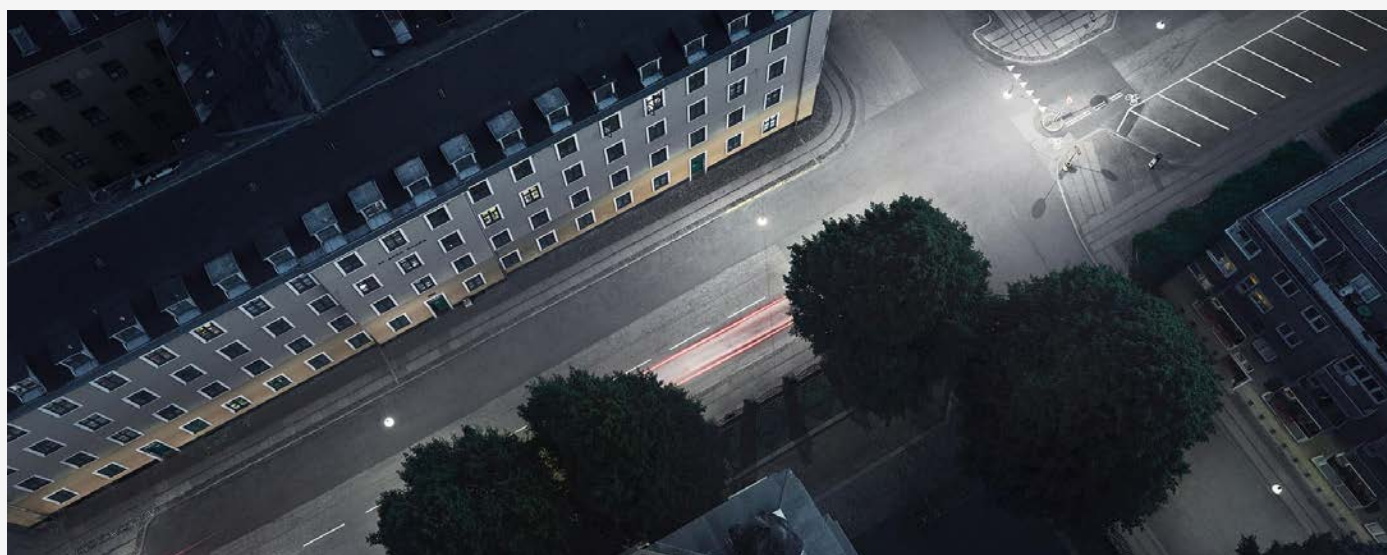
## Change in equity

	Amounts in SEK thousand				
	Restricted equity			Non-restricted equity	Total equity
	Share capital	Statutory reserve	Development fund	Retained earnings	
<b>Opening equity, 1 January 2020</b>	<b>400,000</b>	<b>20,000</b>	<b>15,060</b>	<b>111,411</b>	<b>546,471</b>
Profit for the period after tax	-	-	-	97,574	97,574
Transfer, internally generated development costs	-	-	-850	850	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>14,210</b>	<b>209,835</b>	<b>644,045</b>
Dividend	-	-	-	-	-
<b>Closing equity, 31 March 2020</b>	<b>400,000</b>	<b>20,000</b>	<b>14,210</b>	<b>209,835</b>	<b>644,045</b>
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
<b>Opening equity, 1 January 2020</b>	<b>400,000</b>	<b>20,000</b>	<b>15,060</b>	<b>111,411</b>	<b>546,471</b>
Profit for the year	-	-	-	121,658	121,658
Transfer, internally generated development costs	-	-	5,122	-5,122	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>20,182</b>	<b>227,947</b>	<b>668,129</b>
Dividend	-	-	-	-	-
<b>Closing equity, 31 December 2020</b>	<b>400,000</b>	<b>20,000</b>	<b>20,182</b>	<b>227,947</b>	<b>668,129</b>
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
<b>Opening equity, 1 January 2021</b>	<b>400,000</b>	<b>20,000</b>	<b>20,182</b>	<b>227,947</b>	<b>668,129</b>
Profit for the period after tax	-	-	-	131,864	131,864
Transfer, internally generated development costs	-	-	-18	18	-
<b>Total before transactions with shareholders</b>	<b>400,000</b>	<b>20,000</b>	<b>20,164</b>	<b>359,829</b>	<b>799,993</b>
Dividend	-	-	-	-	-
<b>Closing equity, 31 March 2021</b>	<b>400,000</b>	<b>20,000</b>	<b>20,164</b>	<b>359,829</b>	<b>799,993</b>



## Cash flow statement

	Amounts in SEK thousand		
	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
<b>Operating activities</b>			
Operating profit	166,076	124,139	568,233
<b>Adjustment of items not included in cash flow</b>			
Unrealised portion of net result from financial transactions	1,149	-588	-1,698
Depreciations, amortisation, impairments	1,395,641	1,344,026	5,423,123
Credit losses	3,267	24,747	21,651
Paid/refunded (-/+ ) tax	-1,753	-1,790	-8,479
<b>Changes to assets and liabilities in operating activities</b>			
Treasury bills eligible as collateral etc.	2,885	198,343	98,746
Lending to the public	-106,519	465,877	979,012
Bonds and other interest-bearing securities	-47,854	136,842	523,569
Deposits and borrowing from the public	-971,038	-107,147	1,092,059
Liabilities to credit institutions	-40,476	-40,476	-361,905
Other assets	-946,367	49,001	205,167
Securities issued	1,121,053	-665,932	-982,828
Other liabilities	462,224	-270,034	-173,437
<b>Cash flow from operating activities</b>	<b>1,038,288</b>	<b>1,257,009</b>	<b>7,383,213</b>
<b>Investing activities</b>			
Capitalised development expenditures	-1,670	-845	-11,816
Disposal/redemption of shares and participations	1,846	-	1,496
Disposal of tangible assets	1,214,616	1,375,311	4,570,000
Acquisition of tangible assets	-3,476,104	-2,918,521	-10,740,553
<b>Cash flow from investing activities</b>	<b>-2,261,312</b>	<b>-1,544,054</b>	<b>-6,180,873</b>
<b>Financing activities</b>			
Dividends paid	-	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flow for the period</b>			
Cash and cash equivalents at beginning of period	2,483,630	1,281,290	1,281,290
Cash flow from operating activities	1,038,288	1,257,009	7,383,213
Cash flow from investing activities	-2,261,312	-1,544,054	-6,180,873
Cash flow from financing activities	-	-	-
<b>Cash and cash equivalents at end of period</b>	<b>1,260,606</b>	<b>994,245</b>	<b>2,483,630</b>



# 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 2020 have taken place.

**FUTURE REGULATORY CHANGES IFRS**

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 expected lower residual values
- Choice of method for calculating expected credit losses
- Assessment of the bank's business model for the holding of securities in the liquidity portfolio

Areas in which uncertainty about estimates may exist are assumptions about credit loss impairment and assessments of the expected 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 mainly sold by Swedish Volvo and Renault dealers through loans or leasing, often in package solutions that include insurance, a credit card and a service agreement. There is also a collaboration with Polestar Automotive Sweden AB, which only makes fully electric cars. The Card/Payments business offers card payments and digital payment solutions via CarPay aimed at creating ease of payment for all vehicle usage requirements anywhere VISA is accepted. Using their mobile phones, the bank's customers can pay for their workshop visits, fuel stops at Tanka and other purchases using Samsung Pay and Apple Pay. This makes life easier for our customers and partners.

During the first quarter, passenger car registrations increased by 37.4% and in March the new car market in Sweden hit a record 70% increase in passenger cars compared to last year, largely driven by the changes in the bonus-malus system that came into force on 1 April.

New Volvo, Renault, Dacia and Polestar registrations reached 24,059 cars, equivalent to a market share of 26.5%, where Volvofinans provides a high proportion of the financing. The trend during the year continued to show a sharp rise for rechargeable cars, but was more restrained for fully electric cars. This is also due to the new change in the bonus-malus system as electric cars will instead benefit from the bonus effect through registration after April 1.

The payments business is undergoing recovery, although it is still affected by Covid 19 as manifested by the product groups strongly linked to the restrictions in force. Nevertheless, our digital CarPay service continues to provide high inflows and the app has been downloaded by more than 700,000 unique customers.

Product development work is constantly in progress, as are launches of new digital services together with Volvo and Renault dealers, our vehicle manufacturers and other interested parties in the business ecosystem. The digital customer journey for vehicle financing during which the financial services are consumed is under constant development, and as with our digital payment solutions, we focus intensely on living up to our customer promise of a smarter car economy.

	Amounts in SEK thousand		
	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
Net interest income and net leasing*	138,179	146,529	569,820
Change in impairment of operational leases	-10,606	-	-10,885
Dividends received	13	15	241
Commission income	55,836	63,814	247,051
Commission expenses	-13,749	-10,748	-76,053
Net result from financial transactions	146	-567	-2,043
Other income	1,055	1,863	5,341
<b>Operating income</b>	<b>170,875</b>	<b>200,906</b>	<b>733,473</b>
Overhead expenses**	-94,228	-97,936	-365,048
Credit losses	-3,843	-4,285	-17,699
Credit risk provision	-1,185	-7,481	-1,280
<b>Operating profit</b>	<b>71,619</b>	<b>91,204</b>	<b>349,447</b>

\* Including depreciation of lease items.

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

Product information, loans and leasing	31/03/2021	31/03/2020	31/12/2020
Number of contracts	191,250	200,796	192,489
Total volume, SEK million	25,916	26,242	25,649
of which transferred, %	93.9	93.6	93.8
of which pledged, %	6.1	6.4	6.2
of which loans, %	44.8	45.5	45.7
of which leases, %	55.2	54.5	54.3
Private leasing as a proportion of total leases, %	25.5	25.1	25.1

Product information, cards	31/03/2021	31/03/2020	31/12/2020
Average number of active accounts	379,249	401,558	396,745
Total volume, SEK million	1,638	1,675	1,590
Average number of credit customers	75,300	86,023	81,180
Total sales Volvo Card, SEK million	3,292	3,463	13,802
of which fuel, %	33.3	36.4	34.0
of which workshop, %	18.8	17.2	18.3
of which retail store, %	1.3	1.3	1.3
of which car wash, %	1.7	1.7	1.4
of which sales outside Volvo dealers, %	36.9	34.7	36.8
of which other (incl. car loans and insurance), %	8.1	8.7	8.2

## 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 has slowed partly as a result of the ongoing Covid-19 pandemic, but in terms of market share, Volvo is maintaining a stable, high 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 flexible payment methods in general are examples of areas where the bank, together with Volvo Trucks, is creating future conditions for enhanced customer value. eControl is an invoice management service and cost monitoring system for the Swedish marketplace and mainly marketed to small and medium-size hauliers. eControl and a financing solution based on driven kilometres are examples of the development in progress at the bank aimed at offering Volvo customers smarter trucking economy to boost haulier profitability.

	Amounts in SEK thousand		
	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
Net interest income and net leasing*	12,614	13,734	48,846
Commission income	1,923	2,147	9,390
Commission expenses	-47	-40	-162
Net result from financial transactions	14	-84	-303
Other income	115	6	49
<b>Operating income</b>	<b>14,619</b>	<b>15,763</b>	<b>57,820</b>
Overhead expenses**	-7,760	-7,605	-28,452
Credit losses	-6	-106	-299
Credit risk provision	85	-650	-33
<b>Operating profit</b>	<b>6,938</b>	<b>7,402</b>	<b>29,036</b>

\* 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	31/03/2021	31/03/2020	31/12/2020
Number of contracts	6,498	6,401	6,419
Total volume, SEK million	4,209	4,059	4,148
of which transferred, %	81.8	79.5	81.2
of which pledged, %	18.2	20.5	18.8
of which loans, %	78.3	76.8	77.5
of which leases, %	21.7	23.2	22.5
Operational leasing as a proportion of total leases, %	23.0	22.9	22.9



## FLEET

In the Fleet segment, the bank provides vehicle-fleet administration and financing mainly to mid-size and large companies, regardless of the car brands customers choose to use. Here we offer both operational and financial leasing.

In recent years, business area Fleet has enjoyed a market-leading position. As of March 2021, Fleet is market leader with 22.9%. The number of agreements has risen by around 2% compared to the same period last year. The majority of the new contracts were in the operational leasing category. The market for second-hand cars continues to be strong, which is also reflected in the disposal gains for the sale of returned operational leasing cars. The accumulated surplus on sales of these cars is SEK 20.2 million higher than in the previous year.

Product development is constantly in progress, and we are launching new services to make life simpler for the bank's customers by creating a smarter vehicle economy in the form of competitive company car expenditures for both drivers and companies.

	Amounts in SEK thousand		
	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
Leasing, net*	18,810	17,260	68,320
Change in impairment of operational leases	7,154	-12,615	-13,074
Commission income	68,871	50,194	200,491
Commission expenses	-54	-123	-638
Net result from financial transactions	51	-170	-626
Service and repair contracts	14,897	14,552	58,895
Other income	396	129	745
<b>Operating income</b>	<b>110,126</b>	<b>69,227</b>	<b>314,114</b>
Overhead expenses**	-28,888	-31,504	-111,640
Credit losses	30	-	-650
Credit risk provision	6,251	-12,190	-12,049
<b>Operating profit</b>	<b>87,519</b>	<b>25,533</b>	<b>189,775</b>

\* Including depreciation of lease items.

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

Product Information	31/03/2021	31/03/2020	31/12/2020
Number of financing contracts	37,028	35,842	36,392
Number of administered contracts	48,521	47,493	47,741
Total volume, SEK million	8,852	7,621	8,408
of which operational leases, %	71.9	69.2	71.7
of which financial leases, %	28.1	30.8	28.3

## NOTE 4. DISCLOSURES, LOANS AND LEASES

31/03/2021	Loans	Leasing	Total
Number of contracts	121,406	121,863	243,269
Average contract, SEK thousand	123	203	163
Collateral value, SEK million	14,915	24,770	39,684
Credit utilised, SEK million	14,355	22,367	36,722
Loan-to-value ratio	96	90	93

31/03/2020	Loans	Leasing	Total
Number of contracts	126,396	125,399	251,795
Average contract, SEK thousand	119	188	154
Collateral value, SEK million	15,078	23,583	38,661
Credit utilised, SEK million	14,689	21,101	35,790
Loan-to-value ratio	97	89	93

## NOTE 5. LEASE INCOME AND ACCUMULATED NET INTEREST INCOME

	Amounts in SEK thousand			
	2021 Q1	2020 Q4	2020 Q1	2020 Jan–Dec
Lease income from operational and financial leases	1,506,065	1,478,584	1,442,437	5,835,615
Depreciations, leased items	-1,394,072	-1,368,844	-1,328,798	-5,378,296
Impairment charges / Reversals; lease item credit risk	4,499	2,171	-10,579	-10,285
Impairment charges / Reversals; lease item residual value risk	-3,451	-38,138	-12,615	-23,958
<b>Leasing, net</b>	<b>113,041</b>	<b>73,772</b>	<b>90,445</b>	<b>423,076</b>
Interest income	128,486	126,217	145,541	556,789
Interest expenses	-70,876	-70,045	-81,657	-327,147
<b>Net interest income</b>	<b>57,610</b>	<b>56,172</b>	<b>63,884</b>	<b>229,642</b>
<b>Accumulated net interest income</b>	<b>170,650</b>	<b>129,945</b>	<b>154,329</b>	<b>652,718</b>

## NOTE 6. DIVIDENDS RECEIVED

	Amounts in SEK thousand		
	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
Cash dividend Visa Sweden association	13	15	241
<b>Total</b>	<b>13</b>	<b>15</b>	<b>241</b>

## NOTE 7. OTHER OPERATING INCOME

	Amounts in SEK thousand		
	2021 Jan–Mar	2020 Jan–Mar	2020 Jan–Dec
Capital gains on the sale of tangible assets	1,070	258	1,407
Revenues, service and repair contracts	14,897	14,552	58,885
Income from associated companies	294	393	1,836
Other operating income	202	1,347	2,902
<b>Total</b>	<b>16,463</b>	<b>16,550</b>	<b>65,030</b>



## NOTE 8. CREDIT LOSSES, NET

Credit losses	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
<b>Loans at amortised cost (incl. unused part of limit)</b>			
Provisions – stage 1	12,708	14,186	12,372
Provisions – stage 2	9,764	13,503	10,118
Provisions – stage 3	3,842	5,951	4,375
<b>Total reserve</b>	<b>26,314</b>	<b>33,640</b>	<b>26,865</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Loans at amortised cost (incl. unused part of limit)</b>			
Change in provisions – stage 1	-336	-4,687	-2,874
Change in provisions – stage 2	354	-5,338	-1,954
Change in provisions – stage 3	534	249	1,825
<b>Total change in provisions</b>	<b>552</b>	<b>-9,777</b>	<b>-3,003</b>
Write-off, confirmed credit losses	-4,380	-4,822	-20,023
Recoveries of previously confirmed credit losses	531	431	2,026
<b>Total</b>	<b>-3,849</b>	<b>-4,391</b>	<b>-17,997</b>
<b>Credit losses, net*</b>	<b>-3,297</b>	<b>-14,168</b>	<b>-21,000</b>

\* Should be read together with the line item 'Total verified bad debt losses, lease assets' later in the note for comparison with the income statement overview and the line item 'Credit losses', Note 8.

Credit losses	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
<b>Lease assets</b>			
Provisions – stage 1	3,241	3,381	3,427
Provisions – stage 2	193	165	198
Provisions – stage 3	2,697	7,376	7,005
<b>Total reserve</b>	<b>6,131</b>	<b>10,922</b>	<b>10,630</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Lease assets</b>			
Change in provisions – stage 1	186	-3,247	-3,292
Change in provisions – stage 2	5	-127	-160
Change in provisions – stage 3	4,308	-7,205	-6,833
<b>Total change in provisions**</b>	<b>4,499</b>	<b>-10,578</b>	<b>-10,285</b>
Write-off, confirmed credit losses	-8	-	-743
Recoveries of previously confirmed credit losses	38	-	93
<b>Total***</b>	<b>30</b>	<b>-</b>	<b>-650</b>
<b>Credit losses, net</b>	<b>4,529</b>	<b>-10,578</b>	<b>-10,935</b>

\*\* Refer to the Income statement overview and the line item 'Depreciation and impairment of tangible and intangible non-current assets', Note 5. Note 5 refers to the line item 'Impairment charges / Reversals; lease item credit risk'.

\*\*\* Should be read together with the line item 'Credit losses loans at amortized cost' in the note's first table for comparison with the income statement overview and the line item 'Credit losses', Note 8.

Credit losses	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
<b>Financial fixed assets</b>			
Provisions – stage 1	816	809	917
Provisions – stage 2	-	-	-
Provisions – stage 3	-	-	-
<b>Total reserve</b>	<b>816</b>	<b>809</b>	<b>917</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Financial fixed assets</b>			
Change in provisions – stage 1	100	34	-73
Change in provisions – stage 2	-	-	-
Change in provisions – stage 3	-	-	-
<b>Total change in provisions</b>	<b>100</b>	<b>34</b>	<b>-73</b>
<b>Credit losses, net****</b>	<b>100</b>	<b>34</b>	<b>-73</b>

\*\*\*\* See 'Income statement, overview' and the line item 'Impairments/Reversals of financial intangible assets, net'.

Credit losses	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
<b>Total assets</b>			
Provisions – stage 1	16,765	18,376	16,715
Provisions – stage 2	9,957	13,668	10,316
Provisions – stage 3	6,539	13,327	11,380
<b>Total reserve</b>	<b>33,261</b>	<b>45,371</b>	<b>38,411</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Total assets</b>			
Change in provisions – stage 1	-50	-7,900	-6,240
Change in provisions – stage 2	359	-5,465	-2,114
Change in provisions – stage 3	4,842	-6,956	-5,008
<b>Total change in provisions</b>	<b>5,151</b>	<b>-20,321</b>	<b>-13,362</b>
Write-off, confirmed credit losses	-4,388	-4,822	-20,766
Recoveries of previously confirmed credit losses	569	431	2,119
<b>Total</b>	<b>-3,819</b>	<b>-4,391</b>	<b>-18,647</b>
<b>Credit losses, net</b>	<b>1,332</b>	<b>-24,712</b>	<b>-32,009</b>

## NOTE 9. LEVERAGE RATIO

	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
Tier 1 capital	4,380,456	4,065,739	4,282,284
Exposure measurement	44,128,215	42,699,070	43,736,444
<b>Leverage ratio, %</b>	<b>9.93</b>	<b>9.52</b>	<b>9.79</b>



## NOTE 10. CAPITAL ADEQUACY ANALYSIS

### CAPITAL BASE

	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	400,000	400,000	400,000
Retained earnings	113,794	185,441	14,878
Accumulated other comprehensive income (and other reserves)	4,041,168	3,670,607	4,041,185
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>4,554,962</b>	<b>4,256,048</b>	<b>4,456,063</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
Intangible assets	-20,164	-14,210	-20,182
Negative amounts resulting from the calculation of expected loss amount	-154,296	-176,006	-153,511
Gains or losses on liabilities valued at fair value resulting from changes in the institution's own credit standing.	-46	-93	-86
<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>-174,506</b>	<b>-190,309</b>	<b>-173,779</b>
<b>Common Equity Tier 1 capital</b>	<b>4,380,456</b>	<b>4,065,739</b>	<b>4,282,284</b>
<b>Tier 2 capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts	400,000	400,000	400,000
<b>Tier 2 capital</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
<b>Total capital (Common Equity Tier 1 capital + Tier 2 capital)</b>	<b>4,780,456</b>	<b>4,465,739</b>	<b>4,682,284</b>
<b>Total risk-weighted assets</b>	<b>22,177,721</b>	<b>20,504,344</b>	<b>21,368,095</b>

### CAPITAL RATIOS AND BUFFERS

	Amounts in SEK thousand		
	31/03/2021	31/03/2020	31/12/2020
Risk-weighted assets	22,177,721	20,504,344	21,368,095
Common Equity Tier 1 capital ratio, %	19.75	19.83	20.04
Tier 1 capital, %	21.56	21.78	21.91
Total capital ratio, %	21.56	21.78	21.91
Institution-specific Common Equity Tier 1 capital requirements including buffer requirements, %	7.00	7.00	7.00
of which requirement for capital conservation buffer, %	2.50	2.50	2.50
of which requirement for countercyclical buffer, %	-	-	-
Total capital requirement, %	12.68	12.61	12.64
Common Equity Tier 1 capital ratio available for use as a buffer, %	15.25	15.33	15.54
Common Equity Tier 1 capital ratio available for use as a buffer	3,382,458	3,143,044	3,320,720

## INTERNALLY ASSESSED CAPITAL REQUIREMENT

	31/03/2021			31/03/2020			31/12/2020		
	Capital requirement	Capital requirement / Total REA	Of which	Capital requirement	Capital requirement / Total REA	Of which	Capital requirement	Capital requirement / Total REA	Of which
			CET1 requirement / REA			CET1 requirement / REA			CET1 requirement / REA
Credit risk	1,611,908	7.3%	4.1%	1,492,467	7.3%	4.1%	1,547,001	7.2%	4.1%
Operational risk	160,693	0.7%	0.4%	146,522	0.7%	0.4%	160,693	0.8%	0.4%
CVA risk	1,617	0.0%	0.0%	1,358	0.0%	0.0%	1,754	0.0%	0.0%
<b>Pillar 1 capital requirement</b>	<b>1,774,218</b>	<b>8.0%</b>	<b>4.5%</b>	<b>1,640,348</b>	<b>8.0%</b>	<b>4.5%</b>	<b>1,709,448</b>	<b>8.0%</b>	<b>4.5%</b>
Concentration risk	328,658	1.5%	1.0%	285,039	1.4%	0.9%	305,968	1.4%	1.0%
Strategic risk	88,711	0.4%	0.3%	82,017	0.4%	0.3%	85,472	0.4%	0.3%
Interest rate risk	65,000	0.3%	0.2%	65,000	0.3%	0.2%	65,000	0.3%	0.2%
<b>Pillar 2 capital requirement</b>	<b>482,369</b>	<b>2.2%</b>	<b>1.5%</b>	<b>432,056</b>	<b>2.1%</b>	<b>1.4%</b>	<b>456,440</b>	<b>2.1%</b>	<b>1.4%</b>
Capital conservation buffer	554,443	2.5%	2.5%	512,609	2.5%	2.5%	534,202	2.5%	2.5%
Countercyclical capital buffer	-	-	-	-	-	-	-	-	-
<b>Combined buffer requirements</b>	<b>554,443</b>	<b>2.5%</b>	<b>2.5%</b>	<b>512,609</b>	<b>2.5%</b>	<b>2.5%</b>	<b>534,202</b>	<b>2.5%</b>	<b>2.5%</b>
<b>Capital requirements</b>	<b>2,811,030</b>	<b>12.7%</b>	<b>8.4%</b>	<b>2,585,013</b>	<b>12.6%</b>	<b>8.4%</b>	<b>2,700,090</b>	<b>12.6%</b>	<b>8.4%</b>
Capital base	4,780,456	-	-	4,465,739	-	-	4,682,284	-	-
Capital surplus	1,969,426	-	-	1,880,726	-	-	1,982,194	-	-

The bank has a permit from the Swedish Financial Supervisory Authority to count interim profit as Common Equity Tier 1 capital.

## CAPITAL REQUIREMENT AND RISK-WEIGHTED EXPOSURE AMOUNT

	31/03/2021			31/03/2020			31/12/2020		
	Capital requirement	Risk-weighted exposure amount	Average risk	Capital requirement	Risk-weighted exposure amount	Average risk	Capital requirement	Risk-weighted exposure amount	Average risk
			weighting			weighting			weighting
<b>Credit risk IRB</b>									
Corporate exposures	519,902	6,498,773	70.2%	512,282	6,403,528	70.2%	533,128	6,664,099	73.9%
Retail exposures	573,775	7,172,193	22.5%	569,916	7,123,953	22.1%	564,542	7,056,770	22.3%
Non credit-obligation assets exposure	372,270	4,653,380	100.0%	325,801	4,072,512	100.0%	355,402	4,442,526	100.0%
<b>Total IRB</b>	<b>1,465,947</b>	<b>18,324,346</b>	<b>40.0%</b>	<b>1,407,999</b>	<b>17,599,993</b>	<b>38.7%</b>	<b>1,453,072</b>	<b>18,163,395</b>	<b>40.3%</b>
<b>Credit risk STD</b>									
Exposures to central governments or central banks	-	-	-	-	-	-	-	-	-
Exposures to provincial or regional government bodies or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector	699	8,736	100.0%	571	7,134	100.0%	762	9,528	100.0%
Exposures to institutions	21,752	271,903	20.0%	18,164	227,048	20.0%	41,969	524,608	20.0%
Corporate exposures	80,392	1,004,898	97.2%	18,138	226,726	96.4%	13,477	168,464	93.1%
Retail exposures	25,280	315,999	61.7%	27,119	338,992	66.5%	25,114	313,921	66.3%
Exposures in default	186	2,324	150.0%	341	4,259	150.0%	245	3,069	150.0%
Covered bonds	8,991	112,384	10.0%	11,303	141,286	10.0%	9,008	112,602	10.0%
Share exposures	1,173	14,657	100.0%	1,440	18,000	100.0%	1,320	16,503	100.0%
Other items	7,488	93,606	100.0%	7,392	92,395	100.0%	2,034	25,428	100.0%
<b>Total STD</b>	<b>145,961</b>	<b>1,824,508</b>	<b>31.9%</b>	<b>84,467</b>	<b>1,055,840</b>	<b>22.1%</b>	<b>93,929</b>	<b>1,174,123</b>	<b>19.9%</b>
<b>Total</b>	<b>1,611,908</b>	<b>20,148,854</b>	<b>39.1%</b>	<b>1,492,467</b>	<b>18,655,833</b>	<b>37.1%</b>	<b>1,547,001</b>	<b>19,337,518</b>	<b>37.9%</b>
Operational risk	160,693	2,008,657	-	146,522	1,831,531	-	160,693	2,008,657	-
Credit value adjustment (CVA)	1,617	20,209	-	1,358	16,981	-	1,754	21,920	-
<b>Total minimum capital requirement and risk-weighted exposure amount</b>	<b>1,774,218</b>	<b>22,177,721</b>	<b>-</b>	<b>1,640,348</b>	<b>20,504,344</b>	<b>-</b>	<b>1,709,448</b>	<b>21,368,095</b>	<b>-</b>

## 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 3) to determine fair value according to IFRS 13.

Issued securities and subordinated liabilities have been calculated based on current lending spreads (Level 2) to determine fair value according to IFRS 13. Liabilities to credit institutions have been calculated on the basis of estimated borrowing spreads (Level 3).

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.

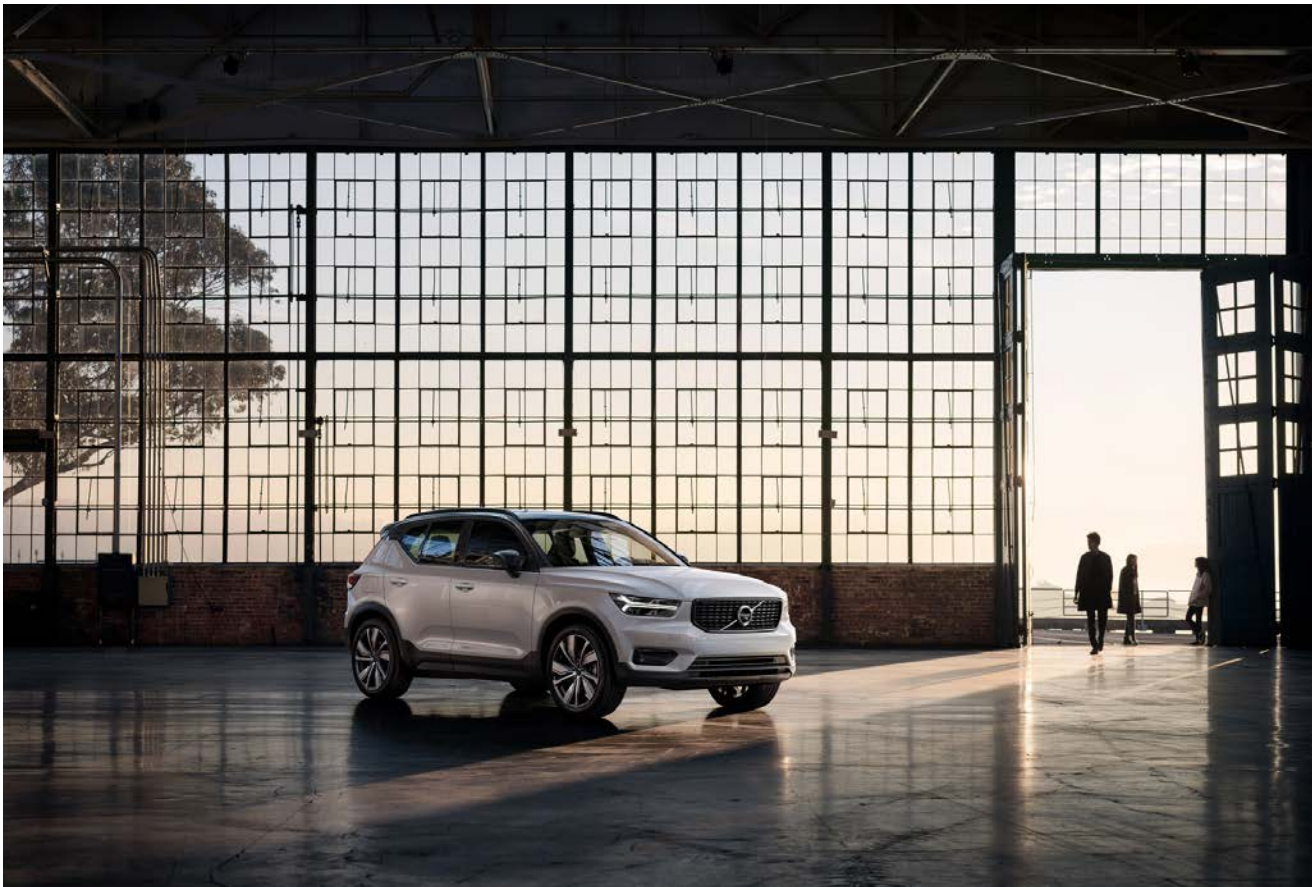
Level 3 – from input data not observable on the market. This category includes all instruments where the valuation technique comprises inputs that are not based on observable data and where such data has a material impact on valuation.

				Amounts in SEK thousand	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<b>Assets, Jan–Mar 2021</b>					
Treasury bills eligible as collateral etc.	1,328,853	-	-	1,328,853	1,328,318
Lending to credit institutions	-	-	1,260,606	1,260,606	1,260,606
Lending to the public	-	-	16,902,031	16,902,031	16,380,974
Bonds and other interest-bearing securities	1,124,623	749,997	-	1,874,620	1,873,838
Other assets*	-	7,182	1,545,683	1,552,865	1,552,865
Prepaid expenses and accrued income	-	-	133,354	133,354	133,354
<b>Total</b>	<b>2,453,476</b>	<b>757,179</b>	<b>19,841,674</b>	<b>23,052,329</b>	<b>22,529,955</b>
<b>Liabilities, Jan–Mar 2021</b>					
Liabilities to credit institutions	-	-	1,201,720	1,201,720	1,190,476
Deposits and borrowing from the public	-	-	21,337,756	21,337,756	21,337,756
Securities issued	-	13,335,523	-	13,335,523	13,229,962
Other liabilities*	-	39,013	1,337,073	1,376,086	1,376,086
Accrued expenses and deferred income	-	-	1,473,887	1,473,887	1,473,887
Subordinated liabilities	-	417,974	-	417,974	400,000
<b>Total</b>	<b>-</b>	<b>13,792,510</b>	<b>25,350,436</b>	<b>39,142,946</b>	<b>39,008,167</b>
<b>Assets, Jan–Mar 2020</b>					
Treasury bills eligible as collateral etc.	1,229,546	-	-	1,229,546	1,231,606
Lending to credit institutions	-	-	994,245	994,245	994,245
Lending to the public	-	-	17,349,408	17,349,408	16,799,971
Bonds and other interest-bearing securities	1,411,963	799,856	-	2,211,819	2,212,710
Other assets*	-	8,213	787,014	795,227	795,227
Prepaid expenses and accrued income	-	-	132,348	132,348	132,348
<b>Total</b>	<b>2,641,509</b>	<b>808,069</b>	<b>19,263,015</b>	<b>22,712,593</b>	<b>22,166,107</b>
<b>Liabilities, Jan–Mar 2020</b>					
Liabilities to credit institutions	-	-	1,572,597	1,572,597	1,552,381
Deposits and borrowing from the public	-	-	21,109,588	21,109,588	21,109,588
Securities issued	-	12,232,488	-	12,232,488	12,425,805
Other liabilities*	-	84,782	818,198	902,980	902,980
Accrued expenses and deferred income	-	-	1,388,132	1,388,132	1,388,132
Subordinated liabilities	-	356,799	-	356,799	400,000
<b>Total</b>	<b>-</b>	<b>12,674,069</b>	<b>24,888,515</b>	<b>37,562,584</b>	<b>37,778,886</b>

\* 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 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 7.2 million and liabilities to SEK 39.0 million. Securities in the amount of SEK 3.5 million were received and assets of SEK 36.8 million were pledged as of 31 March 2021.



## Fair value assets and liabilities per category

Amounts in SEK thousand					
Assets	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets*	Total	Fair value
<b>31/03/2021</b>					
Treasury bills eligible as collateral etc.	1,328,318	-	-	1,328,318	1,328,853
Lending to credit institutions	1,260,606	-	-	1,260,606	1,260,606
Lending to the public	16,380,974	-	-	16,380,974	16,902,031
Bonds and other interest-bearing securities	1,873,838	-	-	1,873,838	1,874,620
Shares and participations in associates and other companies	-	-	7,915	7,915	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	20,164	20,164	-
Tangible assets: inventory	-	-	8,618	8,618	-
Tangible assets: lease items	-	-	22,273,814	22,273,814	-
Other assets	532,857	6,750	1,013,258	1,552,865	1,552,865
Prepaid expenses and accrued income	133,354	-	-	133,354	133,354
<b>Total assets</b>	<b>21,509,947</b>	<b>6,750</b>	<b>23,330,511</b>	<b>44,847,208</b>	
<b>Liabilities</b>					
Liabilities	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities**	Total	Fair value
<b>31/03/2021</b>					
Liabilities to credit institutions	-	-	1,190,476	1,190,476	1,201,720
Deposits and borrowing from the public	-	-	21,337,756	21,337,756	21,337,756
Securities issued	-	-	13,229,962	13,229,962	13,335,523
Other liabilities	343,309	2,214	1,030,563	1,376,086	1,376,086
Accrued expenses and deferred income	1,430,602	-	43,285	1,473,887	1,473,887
Subordinated liabilities	-	-	400,000	400,000	417,974
<b>Total liabilities</b>	<b>1,773,911</b>	<b>2,214</b>	<b>37,232,042</b>	<b>39,008,167</b>	

\* Non-hedged derivatives totalling SEK 432 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

\*\* Non-hedged derivatives totalling SEK 36,799 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

Amounts in SEK thousand					
Assets	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets*	Total	Fair value
<b>31/03/2020</b>					
Treasury bills eligible as collateral etc.	1,231,606	-	-	1,231,606	1,229,546
Lending to credit institutions	994,245	-	-	994,245	994,245
Lending to the public	16,799,971	-	-	16,799,971	17,349,408
Bonds and other interest-bearing securities	2,212,710	-	-	2,212,710	2,211,819
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	-	-	14,210	14,210	-
Tangible assets: inventory	-	-	11,435	11,435	-
Tangible assets: lease items	-	-	20,839,637	20,839,637	-
Other assets	596,440	8,024	190,763	795,227	795,227
Prepaid expenses and accrued income	132,348	-	-	132,348	132,348
<b>Total assets</b>	<b>21,967,320</b>	<b>8,024</b>	<b>21,074,045</b>	<b>43,049,389</b>	
<b>Liabilities</b>					
Liabilities	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities**	Total	Fair value
<b>31/03/2020</b>					
Liabilities to credit institutions	-	-	1,552,381	1,552,381	1,572,597
Deposits and borrowing from the public	-	-	21,109,588	21,109,588	21,109,588
Securities issued	-	-	12,425,805	12,425,805	12,232,488
Other liabilities	333,041	1,228	568,710	902,980	902,980
Accrued expenses and deferred income	1,338,529	-	49,603	1,388,132	1,388,132
Subordinated liabilities	-	-	400,000	400,000	356,799
<b>Total liabilities</b>	<b>1,671,570</b>	<b>1,228</b>	<b>36,106,087</b>	<b>37,778,886</b>	

\* Non-hedged derivatives totalling SEK 189 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

\*\* Non-hedged derivatives totalling SEK 83,553 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

## NOTE 12. RELATED PARTIES

The bank is owned 50% by Volvo Personvagnar AB and 50% by Swedish Volvo dealers, through their trust company AB Volverkinvest. 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.

	Group companies		Associates		Other related companies	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020
<b>Balance sheet</b>						
Assets	6,742	6,742	10,467	8,926	1,458,570	1,145,724
Liabilities	6,789	6,789	130,156	52,140	199,334	183,483
<b>Income statement</b>						
Interest income	-	-	377	243	2	-
Lease income	-	-	-	-	32,869	69,272
Interest expenses	-	-	-34	-27	-	-
Commission income	-	-	-	-	143	351
Other operating income	-	-	294	393	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>637</b>	<b>609</b>	<b>33,014</b>	<b>69,623</b>

## NOTE 13. EVENTS AFTER THE END OF THE PERIOD

As of 01/04/2021, the bank had acquired more than 1,000 loans and lease agreements totalling SEK 744 million in business area Trucks. Settlement for these agreements has been made and charged to the balance sheet on 31/03/2021.





# **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](http://volvofinans.se)