

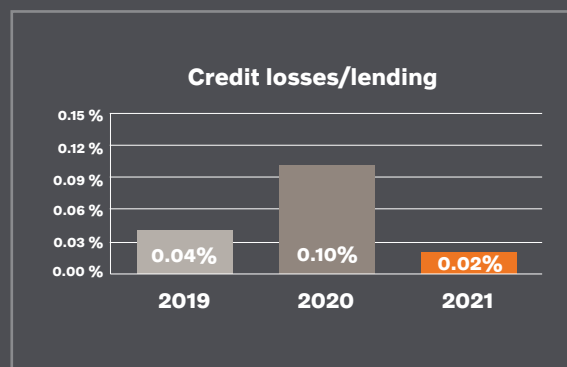
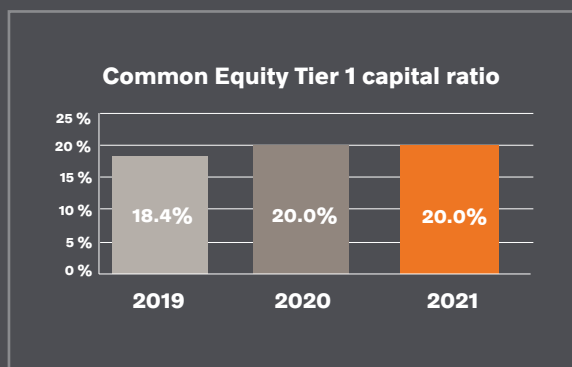
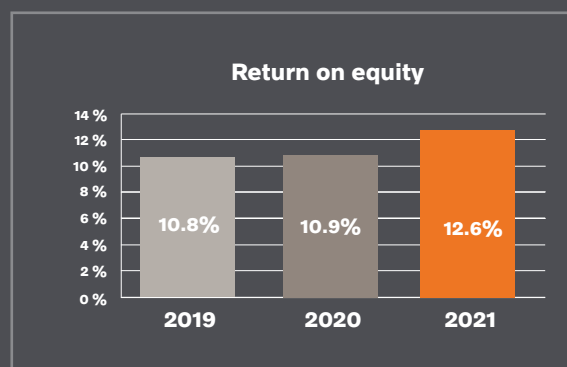
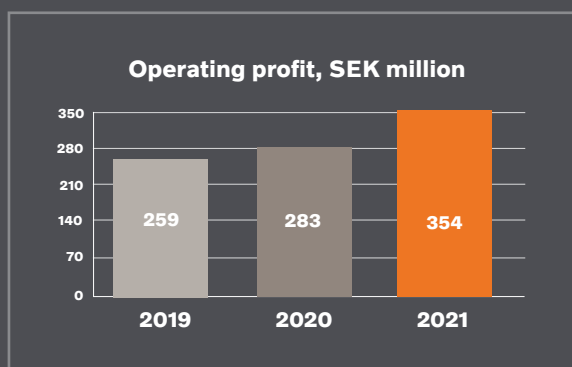
INTERIM REPORT 1 JANUARY – 30 JUNE
2021



VOLVOFINANS BANK

SUMMARY

JANUARY - JUNE 2021



An aerial photograph of a rugged, rocky coastline. The rocks are grey and brown, with some green vegetation growing in the crevices. The sea is dark blue with white-capped waves. The text 'INTRODUCTION AND FINANCIAL STATEMENTS' is centered over the image in white, uppercase letters. A short orange horizontal line is positioned below the text.

INTRODUCTION AND FINANCIAL STATEMENTS

JAN–JUN 2021 IN SUMMARY

Operating profit:
SEK 354 million (283)

Return on equity:
12.6 % (10.9)

Lending as of 30 June:
SEK 39.6 billion (37.2)

Credit losses
SEK -0.1 million (32.0)

Common Equity Tier 1 capital ratio:
20.0 % (20.0)

Cost/Income ratio:
0.43 (0.45)

Profit at Volvofinans Bank continues to grow with earnings totalling SEK 354 million in the bank's strongest half-year performance ever. It is also satisfying to note a substantial growth in lending, almost SEK 2 billion or 5 percent so far this year and SEK 2.4 billion over 12 months. This balance sheet growth is extremely important and provides for sustainably strong net interest income. Growth during the second quarter totalled almost SEK 1 billion and consisted mainly of a major loan portfolio takeover in business area Trucks. All business areas (Cars, Fleet, Trucks) are performing better than planned, with Fleet continuing to stand out with an earnings contribution of SEK 174 million. Business area Fleet was driven by the strong used vehicle market for passenger cars, which resulted in improved earnings from the disposal of the bank's lease cars.

Compared to the same period in 2020, total new car registrations in Sweden increased by almost 38% in the first half of the year and totalled 173,163 cars. The increase is naturally biased by the low level of registrations during the first pandemic wave in 2020. Volvo Cars is the market leader with 18.4% of the market. BIL Sweden's forecast for the full year is a total market of 315,000 cars. The electrification of the fleet continues to pick up speed, and 49% of the total number of cars sold in June alone were rechargeable, of which 24% were powered solely by electricity.

Volume growth is also part of the explanation for the strong growth in Fleet earnings, along with the very strong used vehicle market already mentioned. A number of factors have led to the increased demand for used cars, such as a sharp increase in the tax on new cars. An additional factor in 2021 is the lack of semiconductors, which has reduced the availability of new vehicles right across the automotive industry. One major advantage our Fleet business enjoys is its wide range of cars covering all types in demand on the Swedish market, which also means we have a wide range of used cars.

Thanks to its positioning as an automotive industry bank, Volvofinans Bank has a very exciting future ahead. Along with the rest of the banking sector, we

are facing a rapid shift toward the new demand for digital banking, where customers insist on fast, flexible solutions. In our automotive industry niche, this new digitisation offers completely new opportunities to provide the sustainable, flexible transport solutions that customers demand. While sustainability issues have always been important, they are more important than ever today. And our flexibility naturally depends on our customers' needs, as we cover everything from private customers and SMEs to very large companies. All in all, this means the ability to offer seamless transport and mobility to all customer groups is essential. There is a clear shift among customers from ownership to usage, where flexible rental periods are combined with subscriptions, creating the need for new payment solutions.

In this world of new payment possibilities in the automotive industry, the Bank – together with its partners – seeks to develop bespoke financing solutions for its customers. In our card business, which enjoyed its biggest payment activity ever this summer, we have developed CarPay and are now integrating it into some of our corporate finance solutions. Continuing our journey and creating the tools we need to become The Mobility Bank is our great inspiration. We look forward to the autumn with great confidence and enthusiasm!

Conny Bergström

CEO
Volvofinans Bank AB



**“Continuing our journey
and creating the tools
we need to become The
Mobility Bank is our
great inspiration”**

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 27 August 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 39.6 billion compared to 37.2 billion in the previous year. Trucks accounted for SEK 4.3 billion (3.3) of lending, equivalent to 11 % (9) of the total. Fleet accounted for SEK 9.1 billion (7.7) of lending or 23% (21) and Volvo Card for 4% (4) or SEK 1.8 billion (1.6). The remainder – SEK 24.4 billion (24.6) – is attributable to passenger car financing in business area Cars, which corresponds to 62% (66) 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 353.5 million (282.6), which is SEK 70.9 million or 25% higher year-over-year. The market for used cars continues to be strong, which is reflected in the bank's gains from the disposal of cars returned from operational leasing contracts. The accumulated surplus on sales of these cars is SEK 60.8 million higher than in the previous year. During the first half of the year, the Bank reversed earlier impairments totalling SEK 7.8 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 22.6 million in conjunction with the Covid-19 outbreak.

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 6.4 million (9.4) and for loans and leasing SEK 231.9 million (285.0), of which SEK 228.8 million (273.8) is covered by recourse. Loans subject to deferral totalled SEK 81.0 million (168.5).

Verified credit losses of SEK 7.7 million (9.5), 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 first half of the year, these forecast variables generated dissolution for expected credit losses of SEK 7.8 million. Thus the provision for expected credit losses totals SEK 30.6 million. Due to the reversal of previous impairments for expected credit losses, total credit losses stand at SEK -0.1 million; see Note 8.

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 30/06/2021, the bank reported an impairment loss of SEK 92.7 million (55.9) 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. During the first half of 2021, the bank carried out impairments totalling SEK 12.4 million related to residual value risk, mainly due to the bank's increased residual value positions in operational leases. As of 30/06/2021, the bank's residual value positions for operational lease assets totalled SEK 4.6 billion (3.3).

Funding and liquidity

Deposits in the bank's savings account increased by SEK 22 million during the second quarter, to reach a total of SEK 20.1 billion (20.4) for the six-month period. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships stood at SEK 22.2 billion (21.9) and accounted for 59% (60) 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 3.0 billion during the first half of the year and own bonds with a nominal value of SEK 0.6 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 totalled a nominal SEK 13.6 billion (12.8) as of 30/06/2021.

In addition to market borrowing and deposits, the bank also finances its activities through bank credits, which total SEK 1.2 billion (1.3). The proportion of financing from market loans programmes and the banking sector with remaining terms of more than one year was 75 % (71).

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 5.4 billion (6.0). The securities holding accounted for SEK 3.3 billion (60 %) and non-fixed deposits at other banks totalled SEK 2.2 billion (40 %). Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. As of 30/06/2021, total lending was SEK 39.6 billion, which means the liquidity reserve corresponded to 14% (16). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.3 billion (4.8).

At the end of the second quarter, Volvofinans Bank's liquidity coverage ratio (LCR) under article 415 of the EU Capital Requirements Regulation (CRR), totalled 233% (261), and the net stable funding ratio (NSFR) was 117% under CRR2.

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 20.0% (20.0) as of 30/06/2021 and the capital requirement was assessed internally to 12.3% (12.5) 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 560 million (517). The countercyclical buffer was reduced to 0.0% as of 16/03/2020 for preventive purposes due to Covid-19. The leverage ratio was 10.0 % (9.4) as of 30/06/2021.

In June, the Swedish Financial Supervisory Authority approved the counterparty risk netting agreement in derivative contracts as submitted in its application pursuant to Article 296 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

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 half of 2021, which led to the bank's reversal of expected credit losses.

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:

5 November 2021 Interim Report Jan–Sep

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.

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, 27 August 2021

Urmars Kruusval
Chairman of the Board

Synnöve Trygg
Deputy Chairman of the Board

Per Avander
Board Member

Johan Ekdahl
Board Member

Ann Hellenius
Board Member

Lex Kerssemakers
Board Member

Björn Rentzhog
Board Member

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.

Key ratios

	30/06/2021	30/06/2020	31/12/2020
Return on equity, %	12.63	10.89	10.94
Risk capital / Balance sheet total, %	13.28	12.99	13.35
Deposits / Lending, %	56.13	58.96	59.20
Profit / Risk-weighted assets, %	3.15	2.73	2.66
Total capital ratio, %	21.80	21.93	21.91
Common Equity Tier 1 capital ratio, %	20.01	19.99	20.04
Cost/Income ratio	0.43	0.45	0.48
Cost/Income ratio excl. residual value provision	0.42	0.45	0.45
Credit losses / Lending, %	0.02	0.10	0.08
Liquidity coverage ratio (LCR), %	233	261	237
Net stable funding ratio (NSFR), %	117		
Leverage ratio, %	10.02	9.41	9.79

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/finansiala-rapporter/definition-av-nyckeltal/>

Income statement, overview

	Amounts in SEK thousand					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Interest income	132,017	128,486	146,734	260,503	292,275	556,789
Lease income	1,555,861	1,506,065	1,449,941	3,061,926	2,892,379	5,835,615
Interest expenses	-71,318	-70,876	-90,046	-142,194	-171,702	-327,147
Net interest income, Note 5	1,616,560	1,563,675	1,506,629	3,180,235	3,012,952	6,065,257
Dividend received, Note 6	13	13	41	26	56	241
Commission income	140,502	126,631	98,664	267,132	214,818	456,933
Commission expenses	-10,098	-13,849	-11,426	-23,947	-22,336	-76,853
Net result from financial transactions	7,734	211	-1,729	7,945	-2,550	-2,972
Other operating income, Note 7	17,500	16,463	15,670	33,963	32,220	65,030
Total operating income	1,772,211	1,693,144	1,607,849	3,465,354	3,235,160	6,507,636
General administration expenses	-123,124	-117,354	-113,613	-240,478	-237,236	-448,303
Depreciation and impairment of tangible and intangible non-current assets, Note 5	-1,449,597	-1,395,641	-1,319,798	-2,845,237	-2,663,824	-5,423,123
Other operating expenses	-10,492	-10,906	-8,636	-21,398	-19,444	-46,253
Total operating expenses	-1,583,212	-1,523,901	-1,442,047	-3,107,113	-2,920,504	-5,917,679
Profit before credit losses	188,999	169,243	165,802	358,241	314,656	589,957
Credit losses, net, Note 8	-1,554	-3,267	-7,151	-4,821	-31,898	-21,651
Impairments/Reversals of financial fixed assets, net, Note 8	-6	100	-178	95	-144	-73
Operating profit	187,439	166,076	158,473	353,515	282,614	568,233
Appropriations	-	-	-	-	-	-412,589
Tax	-38,612	-34,212	-33,914	-72,824	-60,479	-33,986
Profit	148,827	131,864	124,559	280,691	222,135	121,658

Balance sheet highlights

	Amounts in SEK thousand		
	30/06/2021	30/06/2020	31/12/2020
Treasury bills eligible as collateral etc.	1,449,112	1,437,977	1,331,203
Lending to credit institutions	2,158,417	2,468,506	2,483,630
Lending to the public	17,033,119	16,534,885	16,279,476
Bonds and other interest-bearing securities	1,814,667	2,114,775	1,825,984
Shares and participations in associates and other companies	9,064	7,925	9,761
Shares and participations in Group companies	6,742	6,742	6,742
Intangible non-current assets	18,980	19,200	20,182
Tangible assets: inventory	7,690	11,491	9,547
Tangible assets: lease items	22,585,468	20,667,276	21,405,350
Other assets*	772,702	805,480	708,016
Prepaid expenses and accrued income	111,808	105,844	62,540
Total assets, Note 11	45,967,769	44,180,101	44,142,431
Liabilities to credit institutions	1,150,000	1,311,905	1,230,952
Deposits and borrowing from the public	22,236,625	21,934,450	22,308,794
Securities issued	13,610,013	12,741,796	12,108,909
Other liabilities*	1,280,311	1,005,056	1,056,746
Accrued expenses and deferred income	1,516,021	1,391,830	1,329,853
Subordinated liabilities	400,000	400,000	400,000
Total liabilities, Note 11	40,192,970	38,785,037	38,435,254
Untaxed reserves	5,039,048	4,626,458	5,039,048
Equity	735,751	768,606	668,129
Total liabilities and equity	45,967,769	44,180,101	44,142,431
* Of which derivative instruments with positive and negative market values			
Derivative instruments with positive market value	8,651	13,631	9,933
Derivative instruments with negative market value	-55,941	-71,393	-76,404

Change in equity

	Amounts in SEK thousand				
	Restricted equity			Non-restricted equity	Total equity
	Share capital	Statutory reserve	Development fund	Retained earnings	
Opening equity, 1 January 2020	400,000	20,000	15,060	111,411	546,471
Profit for the period after tax	-	-	-	222,135	222,135
Transfer, internally generated development costs	-	-	4,140	-4,140	-
Total before transactions with shareholders	400,000	20,000	19,200	329,406	768,606
Dividend	-	-	-	-	-
Closing equity, 30 June 2020	400,000	20,000	19,200	329,406	768,606
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
Opening equity, 1 January 2020	400,000	20,000	15,060	111,411	546,471
Profit for the year	-	-	-	121,658	121,658
Transfer, internally generated development costs	-	-	5,122	-5,122	-
Total before transactions with shareholders	400,000	20,000	20,182	227,947	668,129
Dividend	-	-	-	-	-
Closing equity, 31 December 2020	400,000	20,000	20,182	227,947	668,129
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
Opening equity, 1 January 2021	400,000	20,000	20,182	227,947	668,129
Profit for the period after tax	-	-	-	280,691	280,691
Transfer, internally generated development costs	-	-	-1,202	1,202	-
Total before transactions with shareholders	400,000	20,000	18,980	509,840	948,820
Dividend	-	-	-	-213,069	-213,069
Closing equity, 30 June 2021	400,000	20,000	18,980	296,771	735,751

Cash flow statement

	Amounts in SEK thousand		
	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Operating activities			
Operating profit	353,515	282,614	568,233
Adjustment of items not included in cash flow			
Unrealised portion of net result from financial transactions	3,592	-2,292	-1,698
Depreciations, amortisation, impairments	2,845,237	2,663,824	5,423,123
Credit losses	4,821	32,006	21,651
Paid/refunded (-/+) tax	-30,518	-4,201	-8,479
Changes to assets and liabilities in operating activities			
Treasury bills eligible as collateral etc.	-117,909	-8,029	98,746
Lending to the public	-760,272	726,954	979,012
Bonds and other interest-bearing securities	11,316	234,777	523,569
Deposits and borrowing from the public	-72,169	717,715	1,092,059
Liabilities to credit institutions	-80,952	-280,952	-361,905
Other assets	-154,453	19,577	205,167
Securities issued	1,501,104	-349,941	-982,828
Other liabilities	406,143	-162,556	-173,437
Cash flow from operating activities	3,909,455	3,869,497	7,383,213
Investing activities			
Capitalised development expenditures	-2,436	-7,492	-11,816
Investments in shares and participations	-2,338	-	-
Disposal/redemption of shares and participations	3,036	3,333	1,496
Disposal of tangible assets	2,518,697	2,554,575	4,570,000
Acquisition of tangible assets	-6,538,558	-5,232,697	-10,740,553
Cash flow from investing activities	-4,021,599	-2,682,281	-6,180,873
Financing activities			
Dividends paid	-213,069	-	-
Cash flow from financing activities	-213,069	-	-
Cash flow for the period			
Cash and cash equivalents at beginning of period	2,483,630	1,281,290	1,281,290
Cash flow from operating activities	3,909,455	3,869,497	7,383,213
Cash flow from investing activities	-4,021,599	-2,682,281	-6,180,873
Cash flow from financing activities	-213,069	-	-
Cash and cash equivalents at end of period	2,158,417	2,468,506	2,483,630



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, Google Pay and Apple Pay.

Passenger car registrations increased by 37.8% up until the end of the second quarter, and the first half of the year was characterised mainly by the changes in control instruments such as Bonus Malus, preferential regulations and the Corona pandemic, while the global shortage of silicon semiconductors used in microchips has had a negative effect and reduced the supply of new cars. Together, these factors led to a relatively erratic vehicle market in 2021.

New Volvo, Renault, Dacia and Polestar registrations reached 37,982 cars, equivalent to a market share of 21.9 %, where Volvofinans provides a high proportion of the financing. The trend during the year continued to show a sharp rise for rechargeable cars, especially in the case of purely electrical cars following the new tax regulations. Electric cars benefited from registration after 1 April for the enhanced bonus effect.

The Payments business is recovering, although to some extent it remains affected by Covid-19 and current restrictions. Nevertheless, our digital CarPay service continues to provide high inflows and the app has been downloaded by more than 720,000 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–Jun	2020 Jan–Jun	2020 Jan–Dec
Net interest income and net leasing*	281,927	292,200	569,820
Change in impairment of operational leases	-23,484	-695	-10,885
Dividends received	26	56	241
Commission income	118,628	124,842	247,051
Commission expenses	-23,936	-21,951	-76,053
Net result from financial transactions	8,198	-1,763	-2,043
Other income	1,356	2,726	5,341
Operating income	362,715	395,415	733,473
Overhead expenses**	-191,024	-187,726	-365,048
Credit losses	-7,667	-8,849	-17,699
Credit risk provision	702	-6,760	-1,280
Operating profit	164,726	192,080	349,447

* 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	30/06/2021	30/06/2020	31/12/2020
Number of contracts	188,138	197,059	192,489
Total volume, SEK million	25,803	25,734	25,649
of which transferred, %	93.9	93.6	93.8
of which pledged, %	6.1	6.4	6.2
of which loans, %	44.7	45.8	45.7
of which leases, %	55.3	54.2	54.3
Private leasing as a proportion of total leases, %	25.5	25.3	25.1

Product information, cards	30/06/2021	30/06/2020	31/12/2020
Average number of active accounts	389,328	398,408	396,745
Total volume, SEK million	1,763	1,640	1,590
Average number of credit customers	74,696	83,841	81,180
Total sales Volvo Card, SEK million	7,162	6,800	13,802
of which fuel, %	33.7	34.6	34.0
of which workshop, %	18.6	18.6	18.3
of which retail store, %	1.1	1.4	1.3
of which car wash, %	1.5	1.6	1.4
of which sales outside Volvo dealers, %	37.9	35.3	36.8
of which other (incl. car loans and insurance), %	7.1	8.6	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 Covid-19, 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.

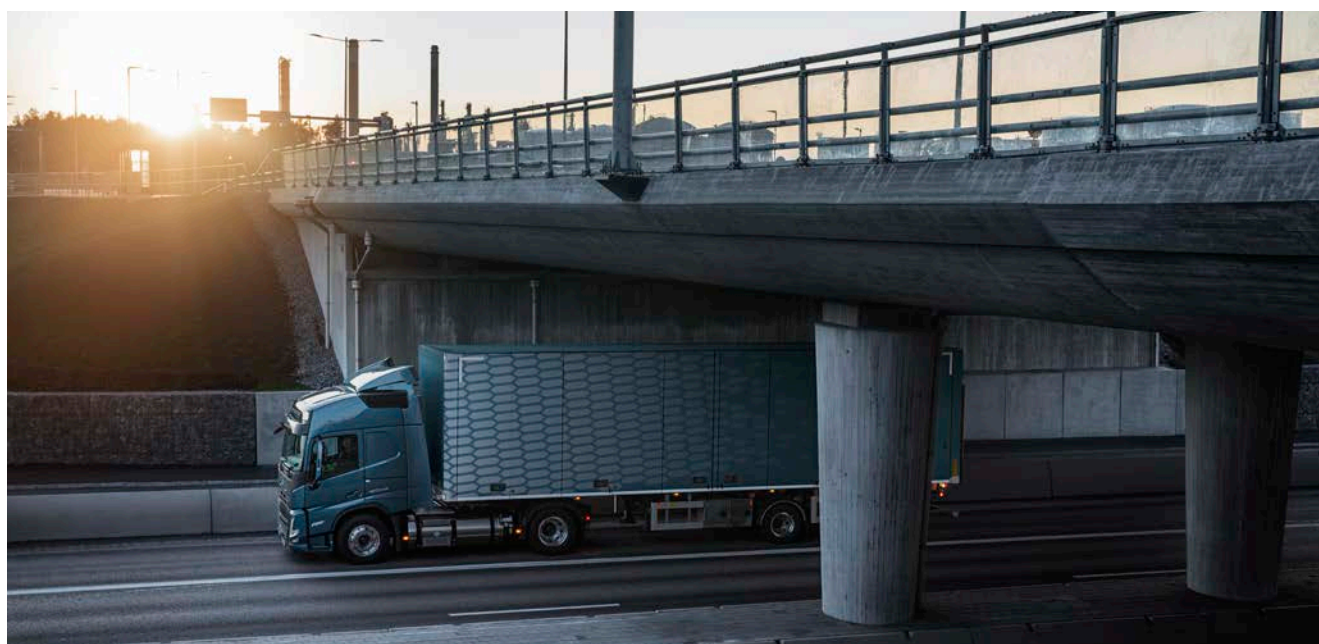
Work is constantly in progress with product development and the marketing of financial offers together with Volvo Trucks and Volvo Dealers. The development of future services and financial solutions in Fleet Management and flexible payment methods in general are examples of areas where the bank, together 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–Jun	2020 Jan–Jun	2020 Jan–Dec
Net interest income and net leasing*	26,427	26,904	48,846
Commission income	4,335	5,341	9,390
Commission expenses	-185	-75	-162
Net result from financial transactions	-79	-256	-303
Other income	125	11	49
Operating income	30,624	31,925	57,820
Overhead expenses**	-15,924	-15,126	-28,452
Credit losses	6	-273	-299
Credit risk provision	226	-353	-33
Operating profit	14,933	16,173	29,036

* Including depreciation and impairment of lease items.

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

Product information, loans and leasing	30/06/2021	30/06/2020	31/12/2020
Number of contracts	7,739	6,466	6,419
Total volume, SEK million	5,065	4,149	4,148
of which transferred, %	85.1	79.3	81.2
of which pledged, %	14.9	20.7	18.8
of which loans, %	80.3	77.4	77.5
of which leases, %	19.7	22.6	22.5
Operational leasing as a proportion of total leases, %	20.6	23.0	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.

Business area Fleet has been market leader for several years, with 22.8% of the market as of June 2021. 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 used 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 61 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–Jun	2020 Jan–Jun	2020 Jan–Dec
Leasing, net*	39,673	34,865	68,320
Change in impairment of operational leases	11,109	1,151	-13,074
Commission income	144,169	84,635	200,491
Commission expenses	174	-310	-638
Net result from financial transactions	-174	-531	-626
Service and repair contracts	31,634	29,312	58,895
Other income	847	171	745
Operating income	227,432	149,293	314,114
Overhead expenses**	-60,423	-59,125	-111,640
Credit losses	-35	-367	-650
Credit risk provision	6,881	-15,440	-12,049
Operating profit	173,856	74,361	189,775

* Including depreciation of lease items.

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

Product Information	30/06/2021	30/06/2020	31/12/2020
Number of financing contracts	37,243	35,810	36,392
Number of administered contracts	49,020	48,020	47,741
Total volume, SEK million	9,131	7,673	8,408
of which operational leases, %	72.6	69.6	71.7
of which financial leases, %	27.4	30.4	28.3

NOTE 4. DISCLOSURES, LOANS AND LEASES

30/06/2021	Loans	Leasing	Total
Number of contracts	120,769	120,825	241,594
Average contract, SEK thousand	129	208	154
Collateral value, SEK million	15,596	25,131	40,727
Credit utilised, SEK million	15,045	22,707	37,752
Loan-to-value ratio	96	90	93

30/06/2020	Loans	Leasing	Total
Number of contracts	124,788	122,912	247,700
Average contract, SEK thousand	120	189	154
Collateral value, SEK million	14,993	23,202	38,195
Credit utilised, SEK million	14,575	20,780	35,355
Loan-to-value ratio	97	90	93

NOTE 5. LEASE INCOME AND ACCUMULATED NET INTEREST INCOME

	Amounts in SEK thousand					
	2021 Q2	2021 Q1	2020 Q2	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Lease income from operational and financial leases	1,555,861	1,506,065	1,449,941	3,061,926	2,892,379	5,835,615
Depreciations, leased items	-1,438,136	-1,394,072	-1,330,185	-2,832,208	-2,658,983	-5,378,296
Impairment charges / Reversals; lease item credit risk	342	4,499	-2,480	4,841	-13,059	-10,285
Impairment charges / Reversals; lease item residual value risk	-8,923	-3,451	13,070	-12,375	455	-23,958
Leasing, net	109,144	113,041	130,346	222,184	220,792	423,076
Interest income	132,018	128,486	146,734	260,503	292,275	556,789
Interest expenses	-71,318	-70,876	-90,046	-142,194	-171,702	-327,147
Net interest income	60,699	57,610	56,689	118,309	120,573	229,642
Accumulated net interest income	169,843	170,650	187,035	340,493	341,365	652,718

NOTE 6. DIVIDENDS RECEIVED

	Amounts in SEK thousand		
	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Cash dividend Visa Sweden Association.	26	56	241
Total	26	56	241

NOTE 7. OTHER OPERATING INCOME

	Amounts in SEK thousand		
	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Capital gains on the sale of tangible assets	1,739	363	1,407
Revenues, service and repair contracts	31,634	29,309	58,885
Income from associated companies	577	673	1,836
Other operating income	12	1,875	2,902
Total	33,962	32,220	65,030

NOTE 8. CREDIT LOSSES, NET

	Amounts in SEK thousand		
Credit losses	30/06/2021	30/06/2020	31/12/2020
Loans at amortised cost (incl. unused part of limit)			
Provisions – stage 1	11,692	14,000	12,372
Provisions – stage 2	8,933	12,448	10,118
Provisions – stage 3	3,366	6,765	4,375
Total reserve	23,991	33,213	26,865
	2021	2020	2020
	Jan–Jun	Jan–Jun	Jan–Dec
Loans at amortised cost (incl. unused part of limit)			
Change in provisions – stage 1	678	-4,501	-2,874
Change in provisions – stage 2	1,185	-4,284	-1,954
Change in provisions – stage 3	1,011	-565	1,825
Total change in provisions	2,874	-9,350	-3,003
Write-off, confirmed credit losses	-8,921	-10,095	-20,023
Recoveries of previously confirmed credit losses	1,261	974	2,026
Total	-7,660	-9,121	-17,997
Credit losses, net*	-4,786	-18,471	-21,000

* 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.

	Amounts in SEK thousand		
Credit losses	30/06/2021	30/06/2020	31/12/2020
Lease assets			
Provisions – stage 1	2,992	3,819	3,427
Provisions – stage 2	200	115	198
Provisions – stage 3	2,596	9,469	7,005
Total reserve	5,788	13,403	10,630
	2021	2020	2020
	Jan–Jun	Jan–Jun	Jan–Dec
Lease assets			
Change in provisions – stage 1	434	-3,685	-3,292
Change in provisions – stage 2	-2	-76	-160
Change in provisions – stage 3	4,409	-9,298	-6,833
Total change in provisions**	4,841	-13,059	-10,285
Write-off, confirmed credit losses	-121	-367	-743
Recoveries of previously confirmed credit losses	86	-	93
Total***	-35	-367	-650
Credit losses, net	4,806	-13,426	-10,935

** 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.

	Amounts in SEK thousand		
Credit losses	30/06/2021	30/06/2020	31/12/2020
Financial fixed assets			
Provisions – stage 1	822	987	917
Provisions – stage 2	-	-	-
Provisions – stage 3	-	-	-
Total reserve	822	987	917
	2021	2020	2020
	Jan–Jun	Jan–Jun	Jan–Dec
Financial fixed assets			
Change in provisions – stage 1	95	-144	-73
Change in provisions – stage 2	-	-	-
Change in provisions – stage 3	-	-	-
Total change in provisions	95	-144	-73
Credit losses, net****	95	-144	-73

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

	Amounts in SEK thousand		
	30/06/2021	30/06/2020	31/12/2020
Credit losses			
Total assets			
Provisions – stage 1	15,506	18,806	16,715
Provisions – stage 2	9,133	12,563	10,316
Provisions – stage 3	5,962	16,234	11,380
Total reserve	30,601	47,603	38,411
	2021	2020	2020
	Jan–Jun	Jan–Jun	Jan–Dec
Total assets			
Change in provisions – stage 1	1,207	-8,330	-6,240
Change in provisions – stage 2	1,183	-4,360	-2,114
Change in provisions – stage 3	5,420	-9,863	-5,008
Total change in provisions	7,810	-22,553	-13,362
Write-off, confirmed credit losses	-9,042	-10,462	-20,766
Recoveries of previously confirmed credit losses	1,347	974	2,119
Total	-7,695	-9,488	-18,647
Credit losses, net	115	-32,041	-32,009

NOTE 9. LEVERAGE RATIO

	Amounts in SEK thousand		
	30/06/2021	30/06/2020	31/12/2020
Tier 1 capital	4,486,705	4,132,176	4,282,284
Exposure measurement	44,781,889	43,895,724	43,736,444
Leverage ratio, %	10.02	9.41	9.79
Leverage ratio 3 %	1,343,457	1,316,872	1,312,093



NOTE 10. CAPITAL ADEQUACY ANALYSIS

KEY RATIOS

	Amounts in SEK thousand
	30/06/2021
Available own funds (amounts)	
Common Equity Tier 1 (CET1) capital	4,486,705
Tier 1 capital	4,486,705
Total capital	4,886,705
Risk-weighted exposure amounts	
Total risk-weighted exposure amount	22,418,423
Capital ratios (as a percentage of risk-weighted exposure amount)	
Common Equity Tier 1 ratio, %	20.0
Tier 1 ratio, %	20.0
Total capital ratio, %	21.8
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
Additional own funds requirements to address risks other than the risk of excessive leverage, %	-
of which: to be made up of CET1 capital (percentage points)	-
of which: to be made up of Tier 1 capital (percentage points)	-
Total SREP own funds requirements, %	8.0
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer, %	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State, %	-
Institution specific countercyclical capital buffer, %	-
Systemic risk buffer, %	-
Global Systemically Important Institution buffer, %	-
Other Systemically important institution buffers, %	-
Combined buffer requirement, %	2.5
Overall capital requirements, %	10.5
CET1 available after meeting the total SREP own funds requirements, %	15.5
Leverage ratio	
Total exposure measure	44,781,889
Leverage ratio, %	10.0
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
Additional own funds requirements to address the risk of excessive leverage, %	-
of which: to be made up of CET1 capital (percentage points)	-
Total SREP leverage ratio requirements, %	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
Leverage ratio buffer requirement, %	-
Overall leverage ratio requirements, %	3.0
Liquidity Coverage Ratio (LCR)	
Total high-quality liquid assets (HQLA) (weighted value – average)*	2,419,285
Cash outflows - Total weighted value*	3,745,241
Cash inflows - Total weighted value*	3,457,754
Total net cash outflows (adjusted value)	2,808,931
Liquidity Coverage Ratio, %	258
Net Stable Funding Ratio (NSFR)	
Total available stable funding	38,669,416
Total required stable funding	33,048,094
Net Stable Funding Ratio, %	117

* Calculated as the simple average of the end-of-the-month observations over the past 12 months.

CAPITAL BASE

	Amounts in SEK thousand		
	30/06/2021	30/06/2020	31/12/2020
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	400,000	400,000	400,000
Retained earnings	226,598	273,872	14,878
Accumulated other comprehensive income (and other reserves)	4,039,984	3,675,596	4,041,185
Common Equity Tier 1 capital before regulatory adjustments	4,666,582	4,349,468	4,456,063
Common Equity Tier 1 capital: regulatory adjustments			
Intangible assets	-18,980	-19,200	-20,182
Negative amounts resulting from the calculation of expected loss amount	-160,833	-198,007	-153,511
Gains or losses on liabilities valued at fair value resulting from changes in the institution's own credit standing.	-64	-85	-86
Total regulatory adjustments to Common Equity Tier 1	-179,877	-217,292	-173,779
Common Equity Tier 1 capital	4,486,705	4,132,176	4,282,284
Tier 2 capital: instruments and provisions			
Capital instruments and the related share premium accounts	400,000	400,000	400,000
Tier 2 capital	400,000	400,000	400,000
Total capital (Common Equity Tier 1 capital + Tier 2 capital)	4,886,705	4,532,176	4,682,284
Total risk-weighted assets	22,418,423	20,668,259	21,368,095

CAPITAL RATIOS AND BUFFERS

	Amounts in SEK thousand		
	30/06/2021	30/06/2020	31/12/2020
Risk-weighted assets	22,418,423	20,668,259	21,368,095
Common Equity Tier 1 capital ratio, %	20.0	20.0	20.0
Tier 1 capital, %	20.0	20.0	20.0
Total capital ratio, %	21.8	21.9	21.9
Institution-specific Common Equity Tier 1 capital requirements including buffer requirements, %	7.0	7.0	7.0
of which requirement for capital conservation buffer, %	2.5	2.5	2.5
of which requirement for countercyclical buffer, %	-	-	-
Total capital requirement, %	12.3	12.5	12.6
Common Equity Tier 1 capital ratio available for use as a buffer, %	15.5	15.5	15.5
Common Equity Tier 1 capital ratio available for use as a buffer	3,477,876	3,202,104	3,320,720

INTERNALLY ASSESSED CAPITAL REQUIREMENT

	30/06/2021			30/06/2020			31/12/2020		
	Capital requirement	Capital requirement / Total REA	Of which CET1 requirement / REA	Capital requirement	Capital requirement / Total REA	Of which CET1 requirement / REA	Capital requirement	Capital requirement / Total REA	Of which CET1 requirement / REA
Credit risk	1,631,203	7.3%	4.1%	1,505,616	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	1,578	0.0%	0.0%	1,322	0.0%	0.0%	1,754	0.0%	0.0%
Pillar 1 capital requirement	1,793,474	8.0%	4.5%	1,653,461	8.0%	4.5%	1,709,448	8.0%	4.5%
Concentration risk	258,621	1.2%	0.8%	273,304	1.3%	0.9%	305,968	1.4%	1.0%
Strategic risk	89,674	0.4%	0.3%	82,673	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%
Pillar 2 capital requirement	413,294	1.8%	1.2%	420,977	2.0%	1.4%	456,440	2.1%	1.4%
Capital conservation buffer	560,461	2.5%	2.5%	516,706	2.5%	2.5%	534,202	2.5%	2.5%
Countercyclical capital buffer	-	-	-	-	-	-	-	-	-
Combined buffer requirements	560,461	2.5%	2.5%	516,706	2.5%	2.5%	534,202	2.5%	2.5%
Capital requirements	2,767,229	12.3%	8.2%	2,591,144	12.5%	8.3%	2,700,090	12.6%	8.4%
Capital base	4,886,705	-	-	4,532,176	-	-	4,682,284	-	-
Capital surplus	2,119,476	-	-	1,941,032	-	-	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

	30/06/2021			30/06/2020			31/12/2020		
	Capital requirement	Risk-weighted exposure amount	Average risk weighting	Capital requirement	Risk-weighted exposure amount	Average risk weighting	Capital requirement	Risk-weighted exposure amount	Average risk weighting
Credit risk IRB									
Corporate exposures	533,804	6,672,552	70.4%	491,361	6,142,013	70.8%	533,128	6,664,099	73.9%
Retail exposures	612,522	7,656,526	23.7%	564,162	7,052,031	22.1%	564,542	7,056,770	22.3%
Non credit-obligation assets exposure	381,365	4,767,062	100.0%	328,782	4,109,780	100.0%	355,402	4,442,526	100.0%
Total IRB	1,527,691	19,096,139	41.1%	1,384,306	17,303,824	38.7%	1,453,072	18,163,395	40.3%
Credit risk STD									
Exposures to central governments or central banks	-	-	-	-	-	-	-	-	-
Exposures to provincial or regional government bodies or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector	137	1,713	20.0%	564	7,050	100.0%	762	9,528	100.0%
Exposures to institutions	36,377	454,707	20.0%	41,599	519,982	20.0%	41,969	524,608	20.0%
Corporate exposures	25,355	316,943	89.1%	33,192	414,894	96.8%	13,477	168,464	93.1%
Retail exposures	25,451	318,132	61.5%	26,639	332,984	66.7%	25,114	313,921	66.3%
Exposures in default	151	1,893	150.0%	1,236	15,445	150.0%	245	3,069	150.0%
Covered bonds	8,917	111,468	10.0%	11,323	141,539	10.0%	9,008	112,602	10.0%
Share exposures	1,264	15,806	100.0%	1,173	14,667	100.0%	1,320	16,503	100.0%
Other items	5,859	73,239	100.0%	5,585	69,811	100.0%	2,034	25,428	100.0%
Total STD	103,512	1,293,900	21.8%	121,310	1,516,373	23.0%	93,929	1,174,123	19.9%
Total	1,631,203	20,390,039	38.9%	1,505,615	18,820,197	36.7%	1,547,001	19,337,518	37.9%
Operational risk	160,693	2,008,657	-	146,522	1,831,531	-	160,693	2,008,657	-
Credit value adjustment (CVA)	1,578	19,727	-	1,322	16,531	-	1,754	21,920	-
Total minimum capital requirement and risk-weighted exposure amount	1,793,474	22,418,423	-	1,653,461	20,668,259	-	1,709,448	21,368,095	-

Amounts in SEK thousand

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
Assets, Jan – Jun 2021					
Treasury bills eligible as collateral etc.	1,449,645	-	-	1,449,645	1,449,112
Lending to credit institutions	-	-	2,158,417	2,158,417	2,158,417
Lending to the public	-	-	17,553,450	17,553,450	17,033,119
Bonds and other interest-bearing securities	1,115,488	699,988	-	1,815,476	1,814,667
Other assets*	-	8,651	764,051	772,702	772,702
Prepaid expenses and accrued income	-	-	111,808	111,808	111,808
Total	2,565,133	708,639	20,587,726	23,861,498	23,339,825
Liabilities, Jan – Jun 2021					
Liabilities to credit institutions	-	-	1,161,020	1,161,020	1,150,000
Deposits and borrowing from the public	-	-	22,236,625	22,236,625	22,236,625
Securities issued	-	13,711,967	-	13,711,967	13,610,013
Other liabilities*	-	55,941	1,224,370	1,280,311	1,280,311
Accrued expenses and deferred income	-	-	1,516,021	1,516,021	1,516,021
Subordinated liabilities	-	422,200	-	422,200	400,000
Total	-	14,190,108	26,138,036	40,328,144	40,192,970
Assets, Jan – Jun 2020					
Treasury bills eligible as collateral etc.	1,436,008	-	-	1,436,008	1,437,977
Lending to credit institutions	-	-	2,468,506	2,468,506	2,468,506
Lending to the public	-	-	17,064,160	17,064,160	16,534,885
Bonds and other interest-bearing securities	1,415,058	699,388	-	2,114,446	2,114,775
Other assets*	-	13,631	791,849	805,480	805,480
Prepaid expenses and accrued income	-	-	105,844	105,844	105,844
Total	2,851,066	713,019	20,430,359	23,994,444	23,467,467
Liabilities, Jan – Jun 2020					
Liabilities to credit institutions	-	-	1,329,849	1,329,849	1,311,905
Deposits and borrowing from the public	-	-	21,934,500	21,934,500	21,934,450
Securities issued	-	12,706,730	-	12,706,730	12,741,796
Other liabilities*	-	71,393	933,663	1,005,056	1,005,056
Accrued expenses and deferred income	-	-	1,391,830	1,391,830	1,391,830
Subordinated liabilities	-	384,577	-	384,577	400,000
Total	-	13,162,700	25,589,842	38,752,542	38,785,037

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

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

Volvofinans Bank concludes derivative contracts under the International Swaps and Derivatives Association (ISDA) master agreement. No amounts have been offset. In the 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. After marking the agreements to market, SEK 8.7 million have been entered as assets, and SEK 55.9 million as liabilities. Securities in the amount of SEK 3.5 million were received and assets of SEK 48.0 million were pledged as of 30 June 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
30/06/2021					
Treasury bills eligible as collateral etc.	1,449,112	-	-	1,449,112	1,449,645
Lending to credit institutions	2,158,417	-	-	2,158,417	2,158,417
Lending to the public	17,033,119	-	-	17,033,119	17,553,450
Bonds and other interest-bearing securities	1,814,667	-	-	1,814,667	1,815,476
Shares and participations in associates and other companies	-	-	9,064	9,064	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	18,980	18,980	-
Tangible assets: inventory	-	-	7,690	7,690	-
Tangible assets: lease items	-	-	22,585,468	22,585,468	-
Other assets	599,675	7,887	165,140	772,702	772,702
Prepaid expenses and accrued income	111,808	-	-	111,808	111,808
Total assets	23,166,798	7,887	22,793,084	45,967,769	
Liabilities					
30/06/2021	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities**	Total	Fair value
Liabilities to credit institutions	-	-	1,150,000	1,150,000	1,161,020
Deposits and borrowing from the public	-	-	22,236,625	22,236,625	22,236,625
Securities issued	-	-	13,610,013	13,610,013	13,711,967
Other liabilities	384,161	1,853	894,297	1,280,311	1,280,311
Accrued expenses and deferred income	1,442,539	-	73,482	1,516,021	1,516,021
Subordinated liabilities	-	-	400,000	400,000	422,200
Total liabilities	1,826,700	1,853	38,364,417	40,192,970	

* Non-hedged derivatives totalling SEK 764 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

** Non-hedged derivatives totalling SEK 54,088 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
30/06/2020					
Treasury bills eligible as collateral etc.	1,437,977	-	-	1,437,977	1,436,008
Lending to credit institutions	2,468,506	-	-	2,468,506	2,468,506
Lending to the public	16,534,885	-	-	16,534,885	17,064,160
Bonds and other interest-bearing securities	2,114,775	-	-	2,114,775	2,114,446
Shares and participations in associates and other companies	-	-	7,925	7,925	-
Shares and participations in Group companies	-	-	6,742	6,742	-
Intangible non-current assets	-	-	19,200	19,200	-
Tangible assets: inventory	-	-	11,491	11,491	-
Tangible assets: lease items	-	-	20,667,276	20,667,276	-
Other assets	619,261	13,567	172,652	805,480	805,480
Prepaid expenses and accrued income	105,844	-	-	105,844	105,844
Total assets	23,281,248	13,567	20,885,286	44,180,101	
Liabilities					
30/06/2020	Non-financial liabilities	Derivatives in hedge accounting	Other financial liabilities**	Total	Fair value
Liabilities to credit institutions	-	-	1,311,905	1,311,905	1,329,849
Deposits and borrowing from the public	-	-	21,934,450	21,934,450	21,934,500
Securities issued	-	-	12,741,796	12,741,796	12,706,730
Other liabilities	365,246	16	639,794	1,005,056	1,005,056
Accrued expenses and deferred income	1,301,836	-	89,994	1,391,830	1,391,830
Subordinated liabilities	-	-	400,000	400,000	384,577
Total liabilities	1,667,082	16	37,117,939	38,785,037	

* Non-hedged derivatives totalling SEK 64 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

** Non-hedged derivatives totalling SEK 71,376 thousand are included in the item other liabilities and are measured mandatorily at fair value via the income statement.

NOTE 12. RELATED PARTIES

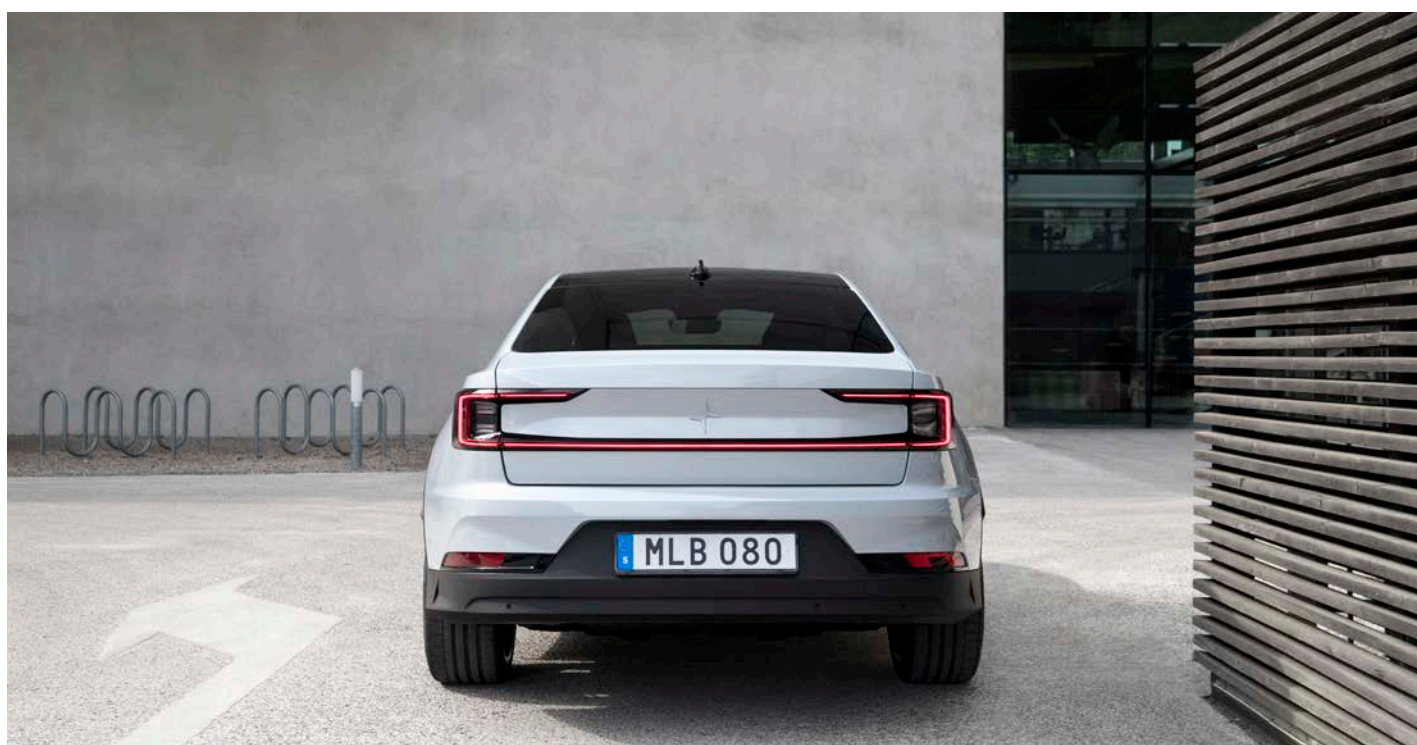
The bank is owned 50% by Volvo Personvagnar AB and 50% by Swedish Volvo dealers, through their trust company AB Volverkinvest. Both companies are classified as other related companies.

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.

Balance sheet	Group companies		Associates		Other related companies	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	Assets	6,742	6,742	40,508	27,445	1,407,765
Liabilities	6,789	6,789	159,074	109,745	651,604	304,255
Income statement						
Interest income	-	-	753	511	6	-
Lease income	-	-	-	-	64,120	118,305
Interest expenses	-	-	-55	-57	-	-67
Commission income	-	-	-	-	274	583
Other operating income	-	-	577	673	-	-
Total	-	-	1,275	1,127	64,400	118,821

NOTE 13. EVENTS AFTER THE END OF THE PERIOD

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



VOLVOFINANS BANK

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