

INTERIM REPORT 1 JANUARY – 31 MARCH

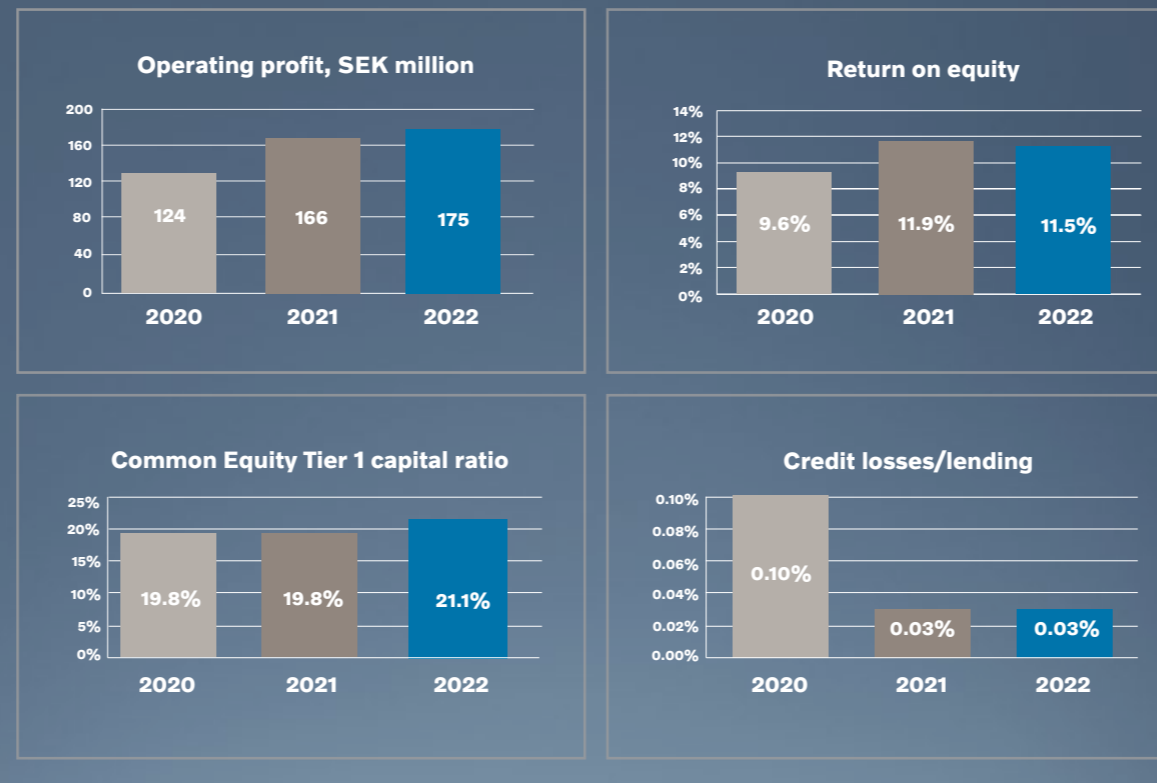
**2022**



**VOLVOFINANS BANK**

# SUMMARY

## JANUARY - MARCH 2022





# INTRODUCTION AND FINANCIAL STATEMENTS

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## STATEMENT BY THE CEO

Volvofinans Bank continues to perform exceptionally well, and once again the bank has delivered record profits for the first quarter. Operating profit for the quarter totalled SEK 175 million (166) with an ROE of 11.5%. The bank's most important key ratios continue to be very robust with a common equity tier 1 capital ratio of 21.1% (19.8) and credit losses relative to lending of 0.03%. Meanwhile, the bank is continuing with its important fintech investments to meet the great customer demand for mobility in the new, emergent green city.

The strong profit was achieved despite a severe reduction in deliveries of new passenger cars and trucks due to the prevailing component shortages. At the same time, orders for new vehicles are at record levels, which is a good guarantee of profits moving forward. Business Area Fleet, which has developed its market shares year after year in the important corporate market, has now grown to become the bank's largest in terms of operating profit, and delivered 54% of the quarter's earnings. Another important contributing factor is the excellent boost provided by the high disposal gains generated by the almost overheated used car market.

The bank's other business areas – Cars and Trucks – focus on private customers and SMEs via the Volvo dealers, and are delivering profits that are on par with or better than 2021. However, these operations are burdened by the same ongoing delivery problems at our partners, Volvo Cars and Volvo Trucks, that affect all manufacturers. One of our other partners, Polestar, has been able to deliver in Sweden and sales increased by 176% this year. The trend toward a greater share of purely electric vehicles is clearly growing stronger and demand is very high.



**“Meanwhile, the bank is continuing its important fintech investments to meet the great customer demand for mobility in the new, emergent green city.”**

In the wider world, there is growing uncertainty about the effects of a war in Ukraine which we have yet to see the full economic consequences of, apart from the terrible human suffering. Supply shortages caused by the pandemic have been exacerbated by a shortage of raw materials due to the war and sanctions. Inflation that was already high has reached historical levels both in Sweden and globally. A sharp increase in long-term interest rates is already a fact and following a U-turn, our central bank is now acting resolutely, with higher short-term interest rates as a result. The war, inflation and higher interest rates are likely to have an impact on our businesses and those of our partners moving forward. To what extent remains to be seen.

But for Volvofinans Bank, the above uncertainty is tempered with confidence and a determination to continue on course to occupy the vacant position as the Mobility Bank. We want to follow our customers and partners and move from making ownership of vehicles possible to offering vehicles as a service, in harmony with sustainable mobility.

**Conny Bergström**  
CEO  
Volvofinans Bank AB

Volvofinans Bank AB (publ), Co. Reg. 556069-0967, is obliged to publish this information under the Swedish Securities Market Act (SFS 2007:528). This report was submitted for publication on 06 May 2022.



### JAN–MAR 2022 IN SUMMARY

Operating profit:  
**SEK 175 million (166)**

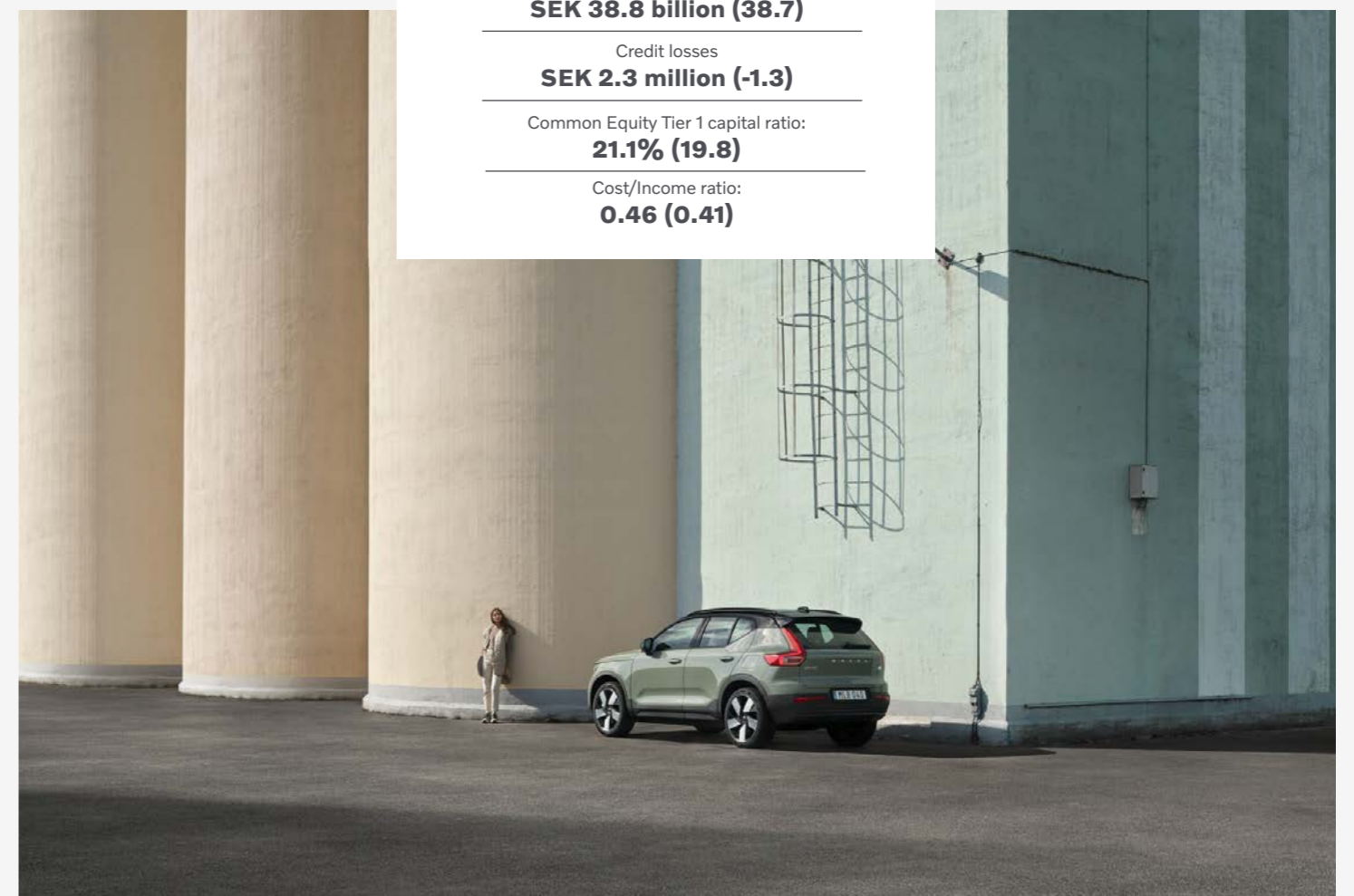
Return on equity:  
**11.5% (11.9)**

Lending as of 31 March:  
**SEK 38.8 billion (38.7)**

Credit losses  
**SEK 2.3 million (-1.3)**

Common Equity Tier 1 capital ratio:  
**21.1% (19.8)**

Cost/Income ratio:  
**0.46 (0.41)**



# Financial statements

## Ownership/Operations

The company was established in 1959 with 50% owned by the Swedish Volvo dealers through their holding company AB Volverinvest, 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 38.8 billion compared to 38.7 billion in the previous year. Trucks accounted for SEK 4.4 billion (3.5) of lending, equivalent to 11% (9) of the total. Fleet accounted for SEK 8.8 billion (8.9) of lending or 23% (23) and Volvo Card for 5% (4) or SEK 1.9 billion (1.6). The remainder – SEK 23.7 billion (24.7) – is attributable to passenger car financing in business area Cars, which corresponds to 61% (64) 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 174.7 million (166.1), which is SEK 8.6 million or 5% higher than last year. Prices for used cars continue to be high, which is reflected in the bank's gains from the disposal of vehicles returned from operational leasing contracts. The accumulated surplus on sales of these cars is SEK 16.8 million higher than in the previous year.

### 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 5.9 million (8.8) and for loans and leasing SEK 162.2 million (220.9), of which SEK 159.2 million (217.5) is covered by recourse. Loans subject to deferral totalled SEK 64.0 million (176.3).

Verified credit losses of SEK 3.6 million (3.8) 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 1.4 million. Thus the provision for expected credit losses totals SEK 25.6 million. Due to the reversal of previous impairments for expected credit losses, total credit losses stand at SEK 2.3 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 31/03/2022, the bank carried out impairments totalling SEK 140.9 million (83.8) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. During the first quarter of 2022, the bank carried out impairments totalling SEK 16.0 million (3.5) related to residual value risk, mainly due to the bank's increased residual value positions in operational leases. As of 31/03/2022, the bank's residual value positions for operational lease assets totalled SEK 5.1 billion (4.3).

## Funding and liquidity

Deposits in the bank's savings account increased by SEK 25 million in first quarter, reaching a total balance of SEK 20.1 billion (20.1) in March. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships stood at SEK 21.9 billion (21.3) and accounted for 59% (59) of the bank's financing.

The bank's MTN programme allows the issue of bonds in the currencies SEK, NOK and EUR; green bonds may also be issued. In the program, shares with a value of SEK 1.8 billion were issued during the first quarter, of which green bonds accounted for SEK 0.8 billion of the issued volume. Own bonds were repurchased for the nominal amount of SEK 0.3 billion. Certificates of deposit relating to short-term borrowing were issued in the amount of SEK 0.2 billion during the quarter. Volvofinans Bank AB's outstanding financing through its MTN market loan programmes and certificates totalled a nominal SEK 13.7 billion (13.3), of which green bonds accounted for SEK 4.1 billion on 31/03/2022.

In addition to market borrowing and deposits, the bank also finances its activities through bank credits, which total SEK 1.0 billion (1.2). The proportion of financing from market loans programmes and the banking sector with remaining terms of more than one year was 67% (74).

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 at the end of the quarter was SEK 5.3 billion (4.5). The securities holding accounted for SEK 2.7 billion (51%) and non-fixed deposits at other banks totalled SEK 2.6 billion (49%). Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. As of 31/03/2022, total lending was SEK 38.8 billion, which means the liquidity reserve corresponded to 14% (12). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.3 billion (4.8).

At the end of the first quarter, Volvofinans Bank's liquidity coverage ratio (LCR) under article 415 of the EU Capital Requirements Regulation (CRR), totalled 207% (197), 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 21.1% (19.8) as of 31/03/2022 and the capital requirement was assessed internally to 12.3% (12.7) 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 584 million (554). The countercyclical buffer was reduced to 0.0% as of 16/03/2020 for preventive purposes due to Covid-19. From 29/09/2022, the countercyclical buffer value will be 1.0%. The leverage ratio was 11.0% (9.9) as of 31/03/2022.

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

Under its review and evaluation process, the Financial Supervisory Authority may decide on a specific capital base requirement and a gross leverage ratio requirement. As yet, the bank has no assessment from the FSA regarding specific Pillar 2 guidance.

## 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.

### The war in Ukraine

After a period of geopolitical tension, Russia invaded Ukraine on 24 February 2022. Sweden has experienced higher fuel and energy prices as a result of the war. Fuel prices are now at a record level, and this affects primarily transport companies and private individuals. Credit losses in the transport sector can be expected to increase if fuel prices remain high. The Board of Directors and management note significant uncertainty in the world at large, and this may lead to lower growth in Sweden affecting both the will to invest and consume and thus demand for the bank's services. The war may further exacerbate component and raw material flows in the world not least within the automotive sector, which may lead to further supply shortages in an already strained situation. In general, the bank sees a worsening security situation in Europe, especially in the form of cybersecurity threats. Since the outbreak of the war, the cost of borrowing on the bond market has increased. The geopolitical developments discussed above have not yet significantly affected Volvofinans Bank's earnings or position.

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

## Calendar:

June 9 2022	AGM
August 26 2022	Interim Report Jan–Jun
November 4 2022	Interim Report Jan–Sep

## Certificate

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

Gothenburg, May 6 2021

Conny Bergström  
CEO

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

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

## Review

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

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





## Key ratios

	31/03/2022	31/03/2021	31/12/2021
Return on equity, %	11.45	11.86	11.75
Deposits / Lending, %	56.54	55.20	56.36
Profit / Risk-weighted assets, %	2.99	3.00	2.96
Total capital ratio, %	22.76	21.56	23.08
Common Equity Tier 1 capital ratio, %	21.05	19.75	21.28
Cost/Income ratio	0.46	0.41	0.46
Cost/Income ratio excl. residual value provision	0.42	0.42	0.43
Credit losses / Lending, %	0.03	0.03	0.01
Liquidity coverage ratio (LCR), %	207	197	225
NSFR (Net Stable Funding Ratio), %	117	-	116
Leverage ratio, %	11.0	9.9	10.8

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			
	2022 Q1	2021 Q4	2021 Q1	2021 Jan–Dec
Interest income *	135,063	135,250	133,837	543,397
Lease income	1,533,844	1,573,557	1,506,065	6,158,786
Interest expenses	-67,443	-68,458	-70,876	-281,025
<b>Net interest income, Note 5</b>	<b>1,601,464</b>	<b>1,640,350</b>	<b>1,569,027</b>	<b>6,421,157</b>
Dividends received	8	19	13	46
Commission income *, **	83,879	87,254	84,394	350,281
Commission expenses ***	-26,974	-18,620	-32,847	-139,813
Net result from financial transactions	13,705	2,000	211	10,379
Other operating income**, Note 6	75,779	57,164	60,998	259,038
<b>Total operating income</b>	<b>1,747,861</b>	<b>1,768,167</b>	<b>1,681,795</b>	<b>6,901,088</b>
General administration expenses ***	-121,765	-137,676	-106,005	-448,008
Depreciation and impairment of tangible and intangible non-current assets, Note 5	-1,436,345	-1,491,813	-1,395,641	-5,753,371
Other operating expenses	-12,405	1,161	-10,906	-30,892
<b>Total operating expenses</b>	<b>-1,570,515</b>	<b>-1,628,328</b>	<b>-1,512,552</b>	<b>-6,232,271</b>
<b>Profit before credit losses</b>	<b>177,346</b>	<b>139,839</b>	<b>169,243</b>	<b>668,817</b>
Credit losses, net, Note 7	-2,315	-3,042	-3,267	-10,848
Impairments/Reversals of financial fixed assets, net	-303	133	100	20
<b>Operating profit</b>	<b>174,728</b>	<b>136,931</b>	<b>166,076</b>	<b>657,989</b>
Appropriations	-	-494,047	-	-494,047
Taxes, Note 8	-35,994	366,007	-34,212	258,669
<b>Profit</b>	<b>138,734</b>	<b>8,891</b>	<b>131,864</b>	<b>422,611</b>

\* Notification fees from credit card customers (SEK 5.4 million), previously reported as commission income are recognised as interest income from the first quarter, 2022. Comparison figures have been updated.

\*\* The gains from disposals from operational leases (SEK 61.4 million) previously reported as commission income are recognised as other operating revenues from the first quarter, 2022. Comparison figures have been updated.

\*\*\* Production costs (SEK 9.8 million), previously recognised as general administration expenses, are reported as Commission expenses from the first quarter, 2022. Comparison figures have been updated.

## Balance sheet highlights

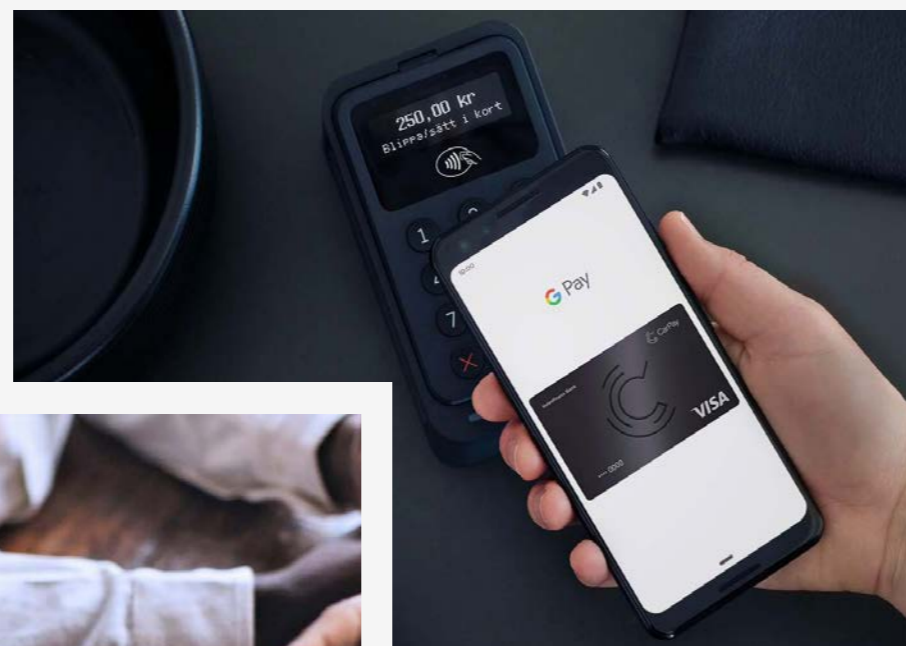
	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
Treasury bills eligible as collateral etc.	1,097,725	1,328,318	1,586,148
Lending to credit institutions	2,589,297	1,260,606	2,233,864
Lending to the public	16,654,296	16,380,974	16,872,156
Bonds and other interest-bearing securities	1,641,442	1,873,838	1,452,687
Shares and participations in other companies	3,598	2,331	3,406
Shares and participations in associated companies	5,417	5,584	7,493
Shares and participations in Group companies	6,742	6,742	6,742
Intangible non-current assets	20,790	20,164	19,047
Tangible assets: inventory	5,058	8,618	5,877
Tangible assets: lease items	22,125,943	22,273,814	21,797,175
Other assets*	1,515,407	1,552,865	770,076
Deferred tax asset, Note 8	219,000	-	292,000
Prepaid expenses and accrued income	133,781	133,354	65,434
<b>Total assets, Note 11</b>	<b>46,018,496</b>	<b>44,847,208</b>	<b>45,112,105</b>
Liabilities to credit institutions	1,028,571	1,190,476	1,069,048
Deposits and borrowing from the public	21,924,674	21,337,756	21,794,994
Securities issued	13,658,492	13,229,962	13,092,362
Other liabilities*	1,067,619	1,376,086	1,032,997
Accrued expenses and deferred income	1,389,640	1,473,887	1,311,938
Subordinated liabilities	400,000	400,000	400,000
<b>Total liabilities, Note 11</b>	<b>39,468,996</b>	<b>39,008,167</b>	<b>38,701,339</b>
Untaxed reserves	5,533,095	5,039,048	5,533,095
<b>Equity</b>	<b>1,016,405</b>	<b>799,993</b>	<b>877,671</b>
<b>Total liabilities and equity</b>	<b>46,018,496</b>	<b>44,847,208</b>	<b>45,112,105</b>
* Of which derivative instruments with positive and negative market values			
Derivative instruments with positive market value	18,026	7,182	8,840
Derivative instruments with negative market value	-32,071	-39,013	-36,484





## Change in equity

	Amounts in SEK thousand				
	Share capital	Restricted equity Statutory reserve	Development fund	Non-restricted equity Retained earnings	Total equity
<b>Opening equity, 1 January 2021</b>	400,000	20,000	20,182	227,947	668,129
Profit for the period after tax	-	-	-	131,864	131,864
Transfer, internally generated development costs	-	-	-18	18	-
<b>Total before transactions with shareholders</b>	400,000	20,000	20,164	359,829	799,993
Dividend	-	-	-	-	-
<b>Closing equity, 31 March 2021</b>	400,000	20,000	20,164	359,829	799,993
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
<b>Opening equity, 1 January 2021</b>	400,000	20,000	20,182	227,947	668,129
Profit for the year	-	-	-	422,611	422,611
Transfer, internally generated development costs	-	-	-1,135	1,135	-
<b>Total before transactions with shareholders</b>	400,000	20,000	19,047	651,693	1,090,740
Dividend	-	-	-	-213,069	-213,069
<b>Closing equity, 31 December 2021</b>	400,000	20,000	19,047	438,624	877,671
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
<b>Opening equity, 1 January 2022</b>	400,000	20,000	19,047	438,624	877,671
Profit for the period after tax	-	-	-	138,734	138,734
Transfer, internally generated development costs	-	-	1,743	-1,743	-
<b>Total before transactions with shareholders</b>	400,000	20,000	20,790	575,615	1,016,405
Dividend	-	-	-	-	-
<b>Closing equity, 31 March 2022</b>	400,000	20,000	20,790	575,615	1,016,405



## Cash flow statement

	Amounts in SEK thousand		
	2022 Jan–Mar	2021 Jan–Mar	2021 Jan–Dec
<b>Operating activities</b>			
Operating profit	174,728	166,076	657,989
<b>Adjustment of items not included in cash flow</b>			
Unrealised portion of net result from financial transactions	13,859	1,149	6,178
Depreciations, amortisation, impairments	1,436,345	1,395,641	5,753,371
Credit losses	2,315	3,267	10,848
Paid/refunded (-/+ ) tax	-8,232	-1,753	-37,132
<b>Changes to assets and liabilities in operating activities</b>			
Treasury bills eligible as collateral etc.	488,423	2,885	-254,945
Loans and advances to the public	215,413	-106,519	-605,388
Bonds and other interest-bearing securities	-188,756	-47,854	373,297
Deposits and borrowing from the public	129,679	-971,038	-513,800
Liabilities to credit institutions	-40,476	-40,476	-161,905
Other assets	-768,387	-946,367	-59,294
Securities issued	566,130	1,121,053	983,453
Other liabilities	98,545	462,224	-47,841
<b>Cash flow from operating activities</b>	<b>2,119,587</b>	<b>1,038,288</b>	<b>6,104,831</b>
<b>Investing activities</b>			
Capitalised development expenditures	-4,454	-1,670	-7,162
Investments in shares and participations	-193	-	-2,264
Disposal/redemption of shares and participations	2,077	1,846	1,126
Disposal of tangible assets	1,214,412	1,214,616	3,990,081
Acquisition of tangible assets	-2,975,996	-3,476,104	-10,123,309
<b>Cash flow from investing activities</b>	<b>-1,764,154</b>	<b>-2,261,312</b>	<b>-6,141,528</b>
<b>Financing activities</b>			
Dividends paid	-	-	-213,069
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-213,069</b>
<b>Cash flow for the period</b>			
Cash and cash equivalents at beginning of period	2,233,864	2,483,630	2,483,630
Cash flow from operating activities	2,119,587	1,038,288	6,104,831
Cash flow from investing activities	-1,764,154	-2,261,312	-6,141,528
Cash flow from financing activities	-	-	-213,069
<b>Cash and cash equivalents at end of period</b>	<b>2,589,297</b>	<b>1,260,606</b>	<b>2,233,864</b>



# NOTES

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**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 FFS 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 2021 have taken place.

**FUTURE REGULATORY CHANGES**

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**

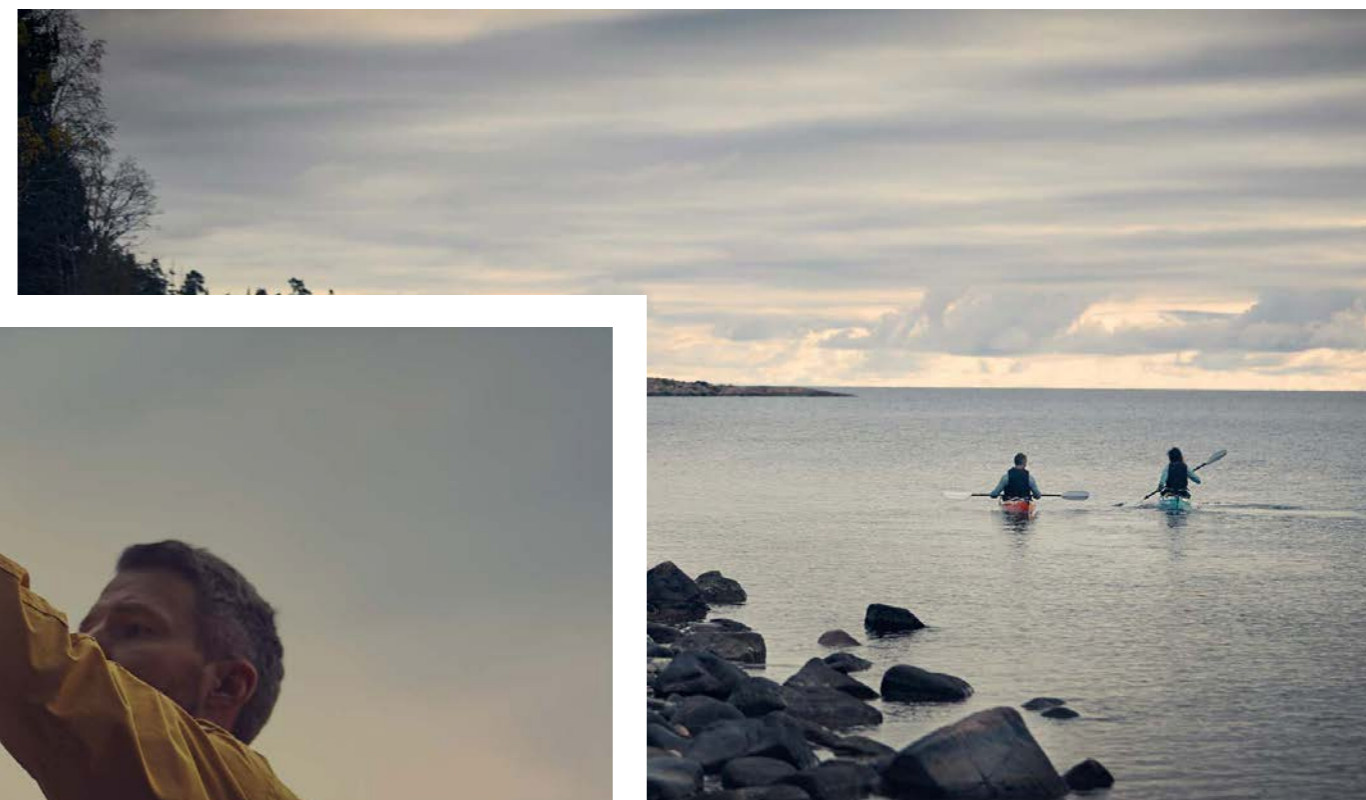
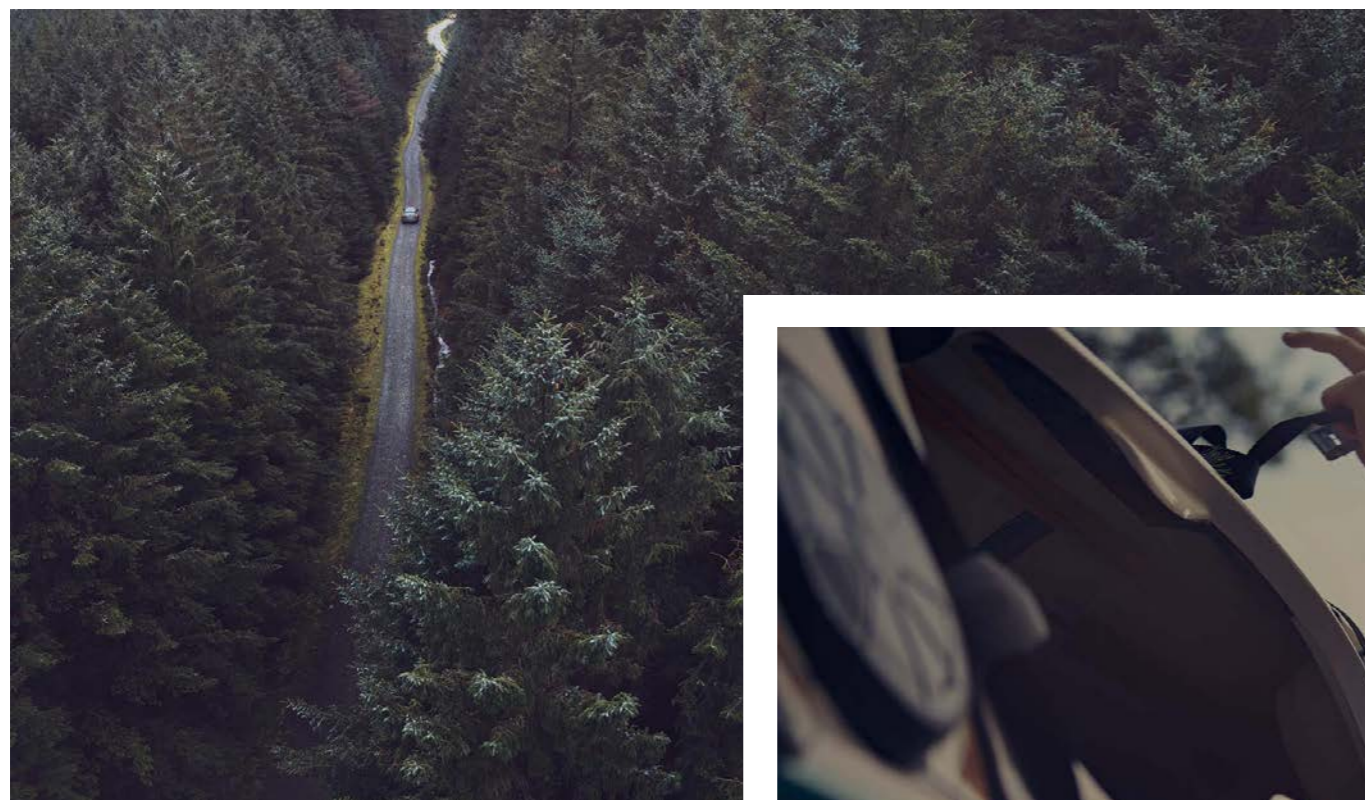
Preparation of the financial statements in compliance with IFRS requires the bank's management to make assessments, estimations, and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenues, and expenses. These estimations and assumptions 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
- Choice of method for a deferred tax asset applicable to a tax reduction for investments in inventory acquired in 2021.

The areas where there may be uncertainty concerning the estimation of assumptions on credit loss impairments, estimations of expected residual values for lease objects and uncertainty as to how large a part of the lease stock will be redeemed early or disposed of in some other way in 2022.

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.

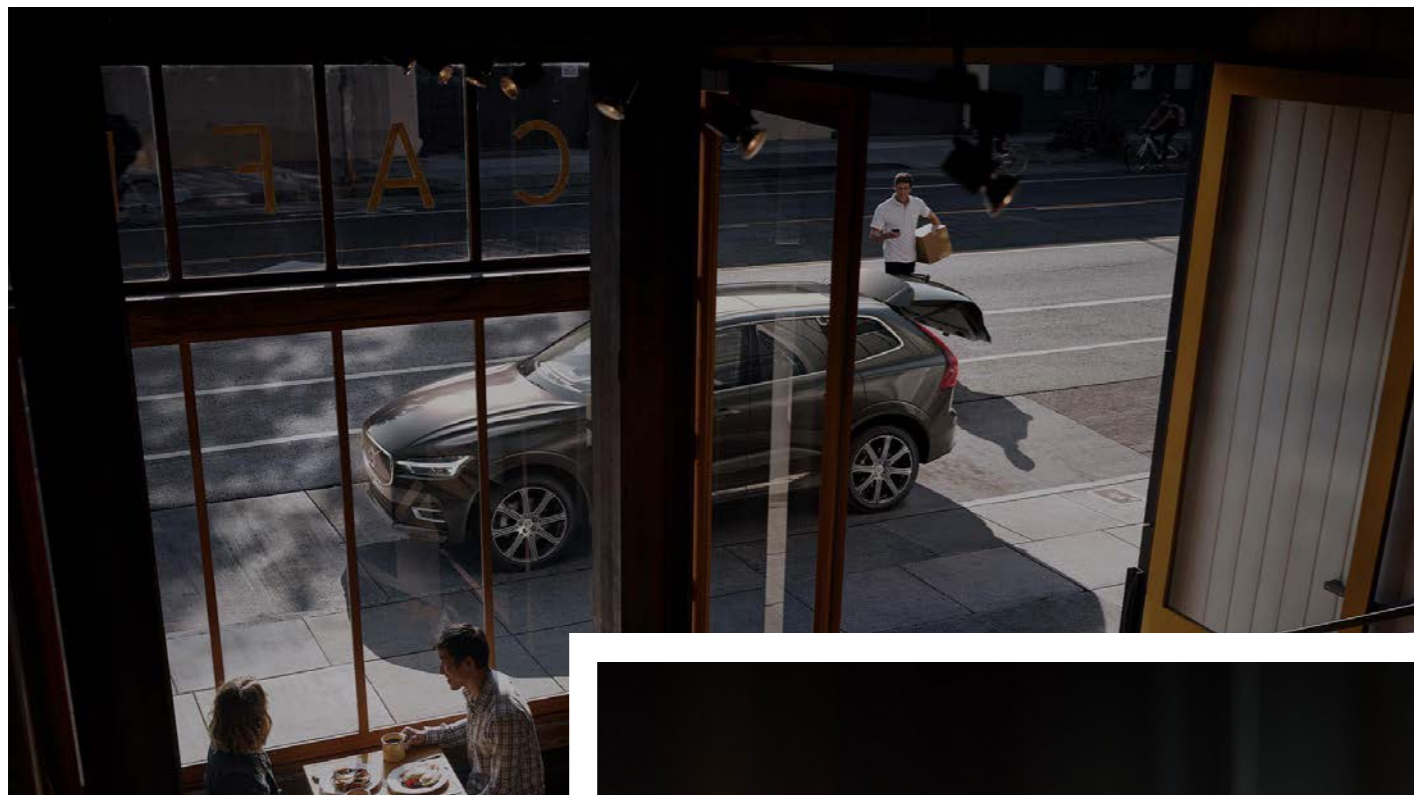




## NOTE 3. OPERATING SEGMENTS

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 vehicles 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.

So far this year, passenger car registrations have decreased by just over 23%, which should be compared with record registrations last year as a result of Bonus Malus changes and preferential regulations. The global shortage of components continues, while the war in Ukraine has an impact on the market with disruptions in the supply chains. The combination of production disruptions, increased energy prices, increased costs for input goods and haulage, a weak krona and general sense of unease will have consequences on the Swedish vehicle market. So far, demand is still strong, but supply is already under pressure and delivery capacity remains a bottleneck.

New Volvo, Renault, Dacia and Polestar registrations reached 15,807 cars, equivalent to a market share of 22.7%, 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.

Our payments business is picking up, our digital CarPay service continues to provide high transaction inflows and the app has been downloaded by more than 775,000 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 flexible, simple and smarter payments.

	Amounts in SEK thousand		
	2022 Jan-Mar	2021 Jan-Mar	2021 Jan-Dec
Net interest income and net leasing*	148,400	143,530	583,410
Change in impairment of operational leases	-17,011	-10,606	-48,176
Dividends received	8	13	46
Commission income	55,371	58,135	245,816
Commission expenses	-25,552	-31,441	-136,743
Net result from financial transactions	8,994	146	9,632
Other income	1453	1,055	5,539
<b>Operating income</b>	<b>171,663</b>	<b>160,833</b>	<b>659,525</b>
Overhead expenses**	-97,407	-84,185	-347,252
Credit losses	-3,680	-3,843	-15,008
Credit risk provision	972	-1,185	2,121
<b>Operating profit</b>	<b>71,548</b>	<b>71,619</b>	<b>299,386</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	31/03/2022	31/03/2021	31/12/2021
Number of contracts	178,867	191,250	182,001
Total volume, SEK million	24,893	25,916	25,042
of which transferred, %	94.6	93.9	94.0
of which pledged, %	5.4	6.1	6.0
of which loans, %	44.1	44.8	44.9
of which leases, %	55.9	55.2	55.1
Private leasing as a proportion of total leases, %	27.8	25.5	27.3

Product information, cards	31/03/2022	31/03/2021	31/12/2021
Average number of active accounts	380,984	379,249	392,230
Total volume, SEK million	1,867	1,638	1,810
Average number of credit customers	73,582	75,300	74,897
Total sales Volvo Card, SEK million	3,846	3,292	15,413
of which fuel, %	36.8	33.3	34.8
of which workshop, %	16.5	18.8	17.3
of which retail store, %	0.8	1.3	1.0
of which car wash, %	1.6	1.7	1.2
of which sales outside Volvo dealers, %	38.7	36.9	39.3
of which other (incl. car loans and insurance), %	5.5	8.1	6.3



## TRUCKS

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

The demand for HGVs is very high, but production and customer delivery are affected negatively by shortage of semiconductors and other components in the wake of the pandemic. The bank's financing share of new trucks is stable and more than every other truck is financed via truck loans, financial leases or operating 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		
	2022 Jan-Mar	2021 Jan-Mar	2021 Jan-Dec
Net interest income*	14,929	12,614	55,498
Commission income	2,006	1,923	8,376
Commission expenses	-254	-208	-1,207
Net result from financial transactions	1,530	14	219
Other income	26	115	258
<b>Operating income</b>	<b>18,235</b>	<b>14,457</b>	<b>63,144</b>
Overhead expenses**	-9,463	-7,598	-31,300
Credit losses	49	-6	-5
Credit risk provision	-89	85	138
<b>Operating profit</b>	<b>8,734</b>	<b>6,938</b>	<b>31,977</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	31/03/2022	31/03/2021	31/12/2021
Number of contracts	7,919	6,498	7,832
Total volume, SEK million	5,227	4,209	5,246
of which transferred, %	84.4	81.8	84.8
of which pledged, %	15.6	18.2	15.2
of which loans, %	79.2	78.3	80.0
of which leases, %	20.8	21.7	20.0
Operating leases as a proportion of total leases, %	18.1	23.0	20.1



## 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 22.1% of the market as of March 2022. The number of agreements is on par with the corresponding period in the previous 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 16 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		
	2022 Jan-Mar	2021 Jan-Mar	2021 Jan-Dec
Leasing, net*	21,003	18,810	78,498
Change in impairment of operational leases	996	7,154	3,580
Commission income	26,502	24,335	96,089
Commission expenses	-1,168	-1,198	-1,864
Net result from financial transactions	3,181	51	528
Service and repair contracts	13,402	14,897	60,176
Disposals, operational leases	60,700	44,536	191,744
Other income	199	396	1,320
<b>Operating income</b>	<b>124,816</b>	<b>108,981</b>	<b>430,072</b>
Overhead expenses**	-30,865	-27,744	-112,380
Credit losses	0	30	-278
Credit risk provision	495	6,251	9,212
<b>Operating profit</b>	<b>94,446</b>	<b>87,519</b>	<b>326,626</b>

\* Including depreciation of lease items.

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

Product Information	31/03/2022	31/03/2021	31/12/2021
Number of financing contracts	36,996	37,028	36,905
Number of administered contracts	48,402	48,521	48,408
Total volume, SEK million	8,773	8,852	8,756
of which operational leases, %	72.9	71.9	72.7
of which financial leases, %	27.1	28.1	27.3





#### NOTE 4. DISCLOSURES, LOANS AND LEASES

31/03/2022	Loans	Leasing	Total
Number of contracts	113,949	113,353	227,302
Average contract, SEK thousand	133	217	175
Collateral value, SEK million	15,118	24,573	39,691
Credit utilised, SEK million	14,523	22,350	36,873
Loan-to-value ratio	96	91	93

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

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

	2022 Q1	2021 Q4	2021 Q1	2021 Jan-Dec
Lease income from operational and financial leases	1,533,844	1,573,557	1,506,065	6,158,786
Depreciations, leased items	-1,417,133	-1,464,805	-1,394,072	-5,703,751
Impairment charges / Reversals; lease item credit risk	366	1,585	4,499	7,008
Impairment charges / Reversals; lease item residual value risk	-16,014	-25,124	-3,451	-44,597
<b>Leasing, net</b>	<b>101,063</b>	<b>85,213</b>	<b>113,040</b>	<b>417,446</b>
Interest income	135,063	135,250	133,837	543,397
Interest expenses	-67,443	-68,458	-70,876	-281,025
<b>Net interest income</b>	<b>67,620</b>	<b>66,793</b>	<b>62,961</b>	<b>262,371</b>
<b>Accumulated net interest income</b>	<b>168,683</b>	<b>152,006</b>	<b>176,002</b>	<b>679,817</b>

#### NOTE 6. OTHER OPERATING INCOME

	Amounts in SEK thousand		
	2022 Jan-Mar	2021 Jan-Mar	2021 Jan-Dec
Capital gains on the sale of tangible assets	398	1,070	2,266
Revenues, service and repair contracts	13,402	14,897	60,176
Disposals, operational leases	61,364	44,536	192,040
Income from associated companies	616	294	1,910
Other operating income	-	202	2,646
<b>Total</b>	<b>75,779</b>	<b>60,998</b>	<b>259,038</b>





## NOTE 7. CREDIT LOSSES, NET

Credit losses	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
<b>Loans at amortised cost (incl. unused part of limit)</b>			
Provisions – stage 1	10,393	12,708	11,004
Provisions – stage 2	7,751	9,764	8,696
Provisions – stage 3	2,963	3,842	2,722
<b>Total reserve</b>	<b>21,107</b>	<b>26,314</b>	<b>22,422</b>
	<b>2022</b>	<b>2021</b>	<b>2021</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	611	-336	1,368
Change in provisions – stage 2	945	354	1,422
Change in provisions – stage 3	-241	534	1,653
<b>Total change in provisions</b>	<b>1,315</b>	<b>552</b>	<b>4,443</b>
Write-off, confirmed credit losses	-4,318	-4,380	-17,490
Recoveries of previously confirmed credit losses	688	531	2,477
<b>Total</b>	<b>-3,630</b>	<b>-3,849</b>	<b>-15,013</b>
<b>Credit losses, net*</b>	<b>-2,315</b>	<b>-3,297</b>	<b>-10,570</b>

\* Should be read together with the line item 'Loans at amortised cost' in the note's first table for comparison with the income statement overview and the line item 'Credit losses, net' in Note 7.

Credit losses	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
<b>Lease assets at accrued cost</b>			
Provisions – stage 1	2,189	3,241	2,317
Provisions – stage 2	215	193	194
Provisions – stage 3	851	2,697	1,110
<b>Total reserve</b>	<b>3,255</b>	<b>6,131</b>	<b>3,621</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Lease assets at accrued cost</b>			
Change in provisions – stage 1	128	186	1,109
Change in provisions – stage 2	-21	5	4
Change in provisions – stage 3	259	4,308	5,895
<b>Total change in provisions**</b>	<b>366</b>	<b>4,499</b>	<b>7,008</b>
Write-off, confirmed credit losses	-	-8	-364
Recoveries of previously confirmed credit losses	-	38	86
<b>Total***</b>	<b>-</b>	<b>30</b>	<b>-278</b>
<b>Credit losses, net</b>	<b>366</b>	<b>4,529</b>	<b>6,730</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 'Loans at amortised cost' in the note's first table for comparison with the income statement overview and the line item 'Credit losses, net' in Note 7.

Credit losses	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
<b>Financial fixed assets</b>			
Provisions – stage 1	1,199	816	897
Provisions – stage 2	-	-	-
Provisions – stage 3	-	-	-
<b>Total reserve</b>	<b>1,199</b>	<b>816</b>	<b>897</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Financial fixed assets</b>			
Change in provisions – stage 1	-303	100	20
Change in provisions – stage 2	-	-	-
Change in provisions – stage 3	-	-	-
<b>Total change in provisions</b>	<b>-303</b>	<b>100</b>	<b>20</b>
<b>Credit losses, net****</b>	<b>-303</b>	<b>100</b>	<b>20</b>

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

Credit losses	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
<b>Total assets</b>			
Provisions – stage 1	13,781	16,765	14,218
Provisions – stage 2	7,966	9,957	8,890
Provisions – stage 3	3,814	6,539	3,832
<b>Total reserve</b>	<b>25,561</b>	<b>33,261</b>	<b>26,940</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Jan–Mar</b>	<b>Jan–Mar</b>	<b>Jan–Dec</b>
<b>Total assets</b>			
Change in provisions – stage 1	436	-50	2,497
Change in provisions – stage 2	924	359	1,426
Change in provisions – stage 3	18	4,842	7,548
<b>Total change in provisions</b>	<b>1,378</b>	<b>5,151</b>	<b>11,471</b>
Write-off, confirmed credit losses	-4,318	-4,388	-17,854
Recoveries of previously confirmed credit losses	688	569	2,563
<b>Total</b>	<b>-3,630</b>	<b>-3,819</b>	<b>-15,291</b>
<b>Credit losses, net</b>	<b>-2,252</b>	<b>1,332</b>	<b>-3,820</b>

## NOTE 8. TAX

	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
Current tax	37,006	-34,212	-33,331
Deferred tax income with regard to other unutilised tax deductions	-73,000	-	292,000
<b>Tax</b>	<b>-35,994</b>	<b>-34,212</b>	<b>258,669</b>

In October 2021, parliament resolved to introduce a tax reduction for investments in inventory acquired during 2021. A tax reduction of 3.9% may be used for tangible assets i.e. lease items, remaining at year-end 2022. As of 31 December 2021, Volvofinans Bank reported an accrued tax asset of SEK 292 million in accordance with IAS 12. During the equivalent quarter in 2022, the Bank will dissolve 25% of the SEK 292 million booked in the financial statements of 31 December 2021, provided that the original assumptions regarding vehicles disposed of remain valid in 2022.

## NOTE 9. LEVERAGE RATIO

	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
Tier 1 capital	4,914,409	4,380,456	4,722,671
Exposure measurement	44,760,649	44,128,215	43,742,447
<b>Leverage ratio, %</b>	<b>10.98</b>	<b>9.93</b>	<b>10.80</b>
Leverage ratio 3%	1,342,819	1,323,846	1,312,273



**NOTE 10. CAPITAL ADEQUACY ANALYSIS**
**KEY RATIOS**

	Amounts in SEK thousand			
	31/03/2022	31/12/2021	30/09/2021	30/06/2021
<b>Available capital base (amount)</b>				
Common Equity Tier 1 (CET1) capital	4,914,409	4,722,671	4,608,800	4,486,705
Tier 1 capital	4,914,409	4,722,671	4,608,800	4,486,705
Total capital	5,314,409	5,122,671	5,008,800	4,886,705
<b>Risk-weighted exposure amounts</b>				
Total risk-weighted exposure amount	23,349,328	22,193,673	21,926,932	22,418,423
<b>Capital ratio (as a percentage of the risk-weighted exposure amount)</b>				
Common Equity Tier 1 capital ratio, %	21.1	21.3	21.0	20.0
Tier 1 capital ratio, %	21.1	21.3	21.0	20.0
Total capital ratio, %	22.8	23.1	22.8	21.8
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of the risk-weighted amount of exposure)</b>				
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	8.0	8.0	8.0
<b>Combined buffer requirement and overall capital requirement (as a percentage of the risk-weighted amount of exposure)</b>				
Capital conservation buffer, %	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State, %	-	-	-	-
Institution specific countercyclical capital buffer, %	-	-	-	-
System risk buffer, %	-	-	-	-
Global Systemically Important Institution buffer, %	-	-	-	-
Other systemically important institution buffer, %	-	-	-	-
Combined buffer requirement, %	2.5	2.5	2.5	2.5
Overall capital requirements, %	10.5	10.5	10.5	10.5
CET1 available after meeting the total SREP own funds requirements, %	16.6	16.8	16.5	15.5
<b>Leverage ratio</b>				
Total exposure measure	44,760,649	43,742,447	43,900,020	44,781,889
Leverage ratio, %	11.0	10.8	10.5	10.0
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of the total exposure measure)</b>				
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, %	3.0	3.0	3.0	3.0
<b>Leverage buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>				
Leverage ratio buffer requirement, %	-	-	-	-
Overall leverage ratio requirements, %	3.0	3.0	3.0	3.0
<b>Liquidity coverage ratio</b>				
Total high-quality liquid assets (HQLA) (Weighted value - average)*	2,278,983	2,349,990	2,356,091	2,395,990
Cash outflows - Total weighted value*	4,157,008	4,116,682	4,067,382	4,014,465
Cash inflows - Total weighted value*	3,779,553	3,432,408	3,361,002	3,450,256
Total net cash outflows (adjusted value)*	1,039,214	1,082,239	1,069,914	1,056,684
Liquidity Coverage Ratio, %*	220	219	223	230
<b>Net stable funding ratio</b>				
Total available stable funding	38,307,334	37,317,968	37,863,750	38,669,416
Total required stable funding	32,676,508	32,257,689	32,374,247	33,048,094
Net stable funding ratio, %	117	116	117	117

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

**CAPITAL BASE**

	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
<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	436,881	227,965	16,013
Other reserves	4,434,067	4,041,168	4,432,324
Net interim profit after deductions for predictable expenses and dividends verified by persons in an independent position.	-	-	292,000
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>5,270,948</b>	<b>4,669,133</b>	<b>5,140,337</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
Further value adjustments (negative amount)	-50	-46	-48
Intangible assets (net after reduction of related tax liabilities) (negative amount)	-20,790	-20,164	-19,047
Deferred tax assets that are dependent on future profitability, except those that arise as a result of temporary differences.*	-219,000	-	-292,000
Negative amounts resulting from the calculation of expected loss amount	-90,139	-154,296	-106,571
Losses for the current financial year (negative amount)	-26,560	-114,171	-
<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>-356,539</b>	<b>-288,677</b>	<b>-417,666</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>4,914,409</b>	<b>4,380,456</b>	<b>4,722,671</b>
<b>Tier 1 capital contribution: Instrument</b>			
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital ratio + Tier 1 capital contribution)	4,914,409	4,380,456	4,722,671
<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 before regulatory adjustments</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
<b>Tier 2 capital: regulatory adjustments</b>			
Tier 2 capital	400,000	400,000	400,000
<b>Total capital (total capital = tier 1 capital + tier 2 capital)</b>	<b>5,314,409</b>	<b>4,780,456</b>	<b>5,122,671</b>
<b>Total risk-weighted assets</b>	<b>23,349,328</b>	<b>22,177,721</b>	<b>22,193,673</b>

\* After a reduction for an associated tax liability when the conditions in article 38.3 are met. Negative amount.

**CAPITAL RATIOS AND BUFFERS**

	Amounts in SEK thousand		
	31/03/2022	31/03/2021	31/12/2021
Risk-weighted assets	23,349,328	22,177,721	22,193,673
Common Equity Tier 1 capital ratio, %	21.05	19.75	21.28
Tier 1 capital ratio, %	21.05	21.56	21.28
Total capital ratio, %	22.76	21.56	23.08
Total capital requirement, %	12.31	12.68	12.40
Institution-specific Common Equity Tier 1 capital requirements including buffer requirements, %	8.20	8.50	8.30
of which: Pillar 1 requirement, %	4.50	4.50	4.50
of which: Pillar 2 requirement, %	1.20	1.50	1.30
of which requirement for capital conservation buffer, %	2.50	2.50	2.50
of which requirement for countercyclical buffer, %	-	-	-



## INTERNALLY ASSESSED CAPITAL REQUIREMENT

	Amounts in SEK thousand								
	31/03/2022			31/03/2021			31/12/2021		
	Capital requirement	Capital requirement / Total REA	Of which CET1 requirements / REA	Capital requirement	Capital requirement / Total REA	Of which CET1 requirements / REA	Capital requirement	Capital requirement / Total REA	Of which CET1 requirements / REA
Credit risk	1,696,668	7.3%	4.1%	1,611,908	7.3%	4.1%	1,604,337	7.2%	4.1%
Operational risk	170,024	0.7%	0.4%	160,693	0.7%	0.4%	170,024	0.8%	0.4%
CVA risk	1,254	0.0%	0.0%	1,617	0.0%	0.0%	1,133	0.0%	0.0%
<b>Pillar 1 capital requirement</b>	<b>1,867,946</b>	<b>8.0%</b>	<b>4.5%</b>	<b>1,774,218</b>	<b>8.0%</b>	<b>4.5%</b>	<b>1,775,494</b>	<b>8.0%</b>	<b>4.5%</b>
Concentration risk	255,072	1.1%	0.7%	328,658	1.5%	1.0%	257,363	1.2%	0.8%
Strategic risk	93,397	0.4%	0.3%	88,711	0.4%	0.3%	88,775	0.4%	0.3%
Market risk	75,113	0.3%	0.2%	65,000	0.3%	0.2%	75,744	0.3%	0.2%
<b>Pillar 2 capital requirement*</b>	<b>423,582</b>	<b>1.8%</b>	<b>1.2%</b>	<b>482,369</b>	<b>2.2%</b>	<b>1.5%</b>	<b>421,882</b>	<b>1.9%</b>	<b>1.3%</b>
Capital conservation buffer	583,733	2.5%	2.5%	554,443	2.5%	2.5%	554,842	2.5%	2.5%
Countercyclical capital buffer	-	-	-	-	-	-	-	-	-
<b>Combined buffer requirement</b>	<b>583,733</b>	<b>2.5%</b>	<b>2.5%</b>	<b>554,443</b>	<b>2.5%</b>	<b>2.5%</b>	<b>554,842</b>	<b>2.5%</b>	<b>2.5%</b>
<b>Capital requirements</b>	<b>2,875,261</b>	<b>12.3%</b>	<b>8.2%</b>	<b>2,811,030</b>	<b>12.7%</b>	<b>8.5%</b>	<b>2,752,218</b>	<b>12.4%</b>	<b>8.3%</b>
<b>Capital base</b>	<b>5,314,409</b>	-	-	<b>4,780,456</b>	-	-	<b>5,122,671</b>	-	-
<b>Capital surplus</b>	<b>2,439,148</b>	-	-	<b>1,969,426</b>	-	-	<b>2,370,453</b>	-	-

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

\* The bank has not yet received an assessment from the authority regarding specific Pillar 2 guidance.

## CAPITAL REQUIREMENT AND RISK-WEIGHTED EXPOSURE AMOUNT

	Amounts in SEK thousand								
	31/03/2022			31/03/2021			31/12/2021		
	Capital requirement	Riskweighted exposure amount	Average risk weighting	Capital requirement	Riskweighted exposure amount	Average risk weighting	Capital requirement	Riskweighted exposure amount	Average risk weighting
<b>Credit risk according to IRB</b>									
Corporate exposures	504,761	6,309,518	69.5%	519,902	6,498,773	70.2%	532,525	6,656,565	69.5%
Retail exposures	595,765	7,447,062	24.0%	573,775	7,172,193	22.5%	599,089	7,488,610	24.0%
Non credit-obligation assets exposure	398,093	4,976,165	100.0%	372,270	4,653,380	100.0%	382,050	4,775,621	100.0%
<b>Total according to IRB</b>	<b>1,498,620</b>	<b>18,732,745</b>	<b>41.0%</b>	<b>1,465,948</b>	<b>18,324,346</b>	<b>40.0%</b>	<b>1,513,664</b>	<b>18,920,795</b>	<b>41.0%</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	141	1,758	20.0%	699	8,736	100.0%	140	1,746	20.0%
Exposures to institutions	42,902	536,281	20.0%	21,752	271,903	20.0%	37,380	467,254	20.0%
Corporate exposures	113,476	1,418,453	89.3%	80,392	1,004,898	97.2%	18,841	235,516	89.3%
Retail exposures	24,398	304,969	62.1%	25,280	315,999	61.7%	23,700	296,249	62.1%
Exposures in default	202	2,523	150.0%	186	2,324	150.0%	229	2,867	150.0%
Covered bonds	8,332	104,146	10.0%	8,991	112,384	10.0%	6,821	85,268	10.0%
Equity exposures	1,261	15,757	100.0%	1,173	14,657	100.0%	1,411	17,641	100.0%
Other items	7,337	91,713	100.0%	7,488	93,606	100.0%	2,150	26,873	100.0%
<b>Total standardised approach</b>	<b>198,048</b>	<b>2,475,600</b>	<b>20.0%</b>	<b>145,961</b>	<b>1,824,508</b>	<b>31.9%</b>	<b>90,672</b>	<b>1,133,414</b>	<b>20.0%</b>
<b>Total</b>	<b>1,696,668</b>	<b>21,208,345</b>	<b>39.1%</b>	<b>1,611,908</b>	<b>20,148,854</b>	<b>39.1%</b>	<b>1,604,337</b>	<b>20,054,209</b>	<b>39.1%</b>
Operational risk	170,024	2,125,302	-	160,693	2,008,657	-	170,024	2,125,302	-
Credit value adjustment (CVA)	1,254	15,681	-	1,617	20,209	-	1,133	14,161	-
<b>Total minimum capital requirement and risk-weighted exposure amount</b>	<b>1,867,946</b>	<b>23,349,328</b>	<b>-</b>	<b>1,774,218</b>	<b>22,177,721</b>	<b>-</b>	<b>1,775,494</b>	<b>22,193,673</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).

Shares and participations in other companies have been marked to market 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. Deposits and borrowings from the general public are calculated by estimating borrowing spreads (Level 3); the carrying amount is considered to be a good approximation of fair value due to the short remaining term. 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.

**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, Volvofinans Bank receives and provides collateral in the form of bank balances in accordance with the standard conditions of the ISDA Credit Support Annex. Assets for derivative agreements amount to SEK 18.0 million and liabilities to SEK 32.1 million. Securities in the amount of SEK 7.5 million were received and assets of SEK 21.6 million were pledged as of 31 March 2022.



					Amounts in SEK thousand	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount	
<b>Assets, Jan–Mar 2022</b>						
Treasury bills eligible as collateral etc.	1,098,133	-	-	1,098,133	1,097,725	
Lending to credit institutions	-	-	2,589,297	2,589,297	2,589,297	
Loans and advances to the public	-	-	17,130,538	17,130,538	16,654,296	
Bonds and other interest-bearing securities	1,041,358	599,984	-	1,641,342	1,641,442	
Shares and participations in other companies*	-	3,598	-	3,598	3,598	
Other assets*	-	18,026	1,497,381	1,515,407	1,515,407	
Prepaid expenses and accrued income	-	-	133,781	133,781	133,781	
<b>Total</b>	<b>2,139,491</b>	<b>621,608</b>	<b>21,350,997</b>	<b>24,112,096</b>	<b>23,635,546</b>	
<b>Liabilities, Jan–Mar 2022</b>						
Liabilities to credit institutions	-	-	1,038,996	1,038,996	1,028,571	
Deposits and borrowing from the public	-	-	21,924,664	21,924,664	21,924,674	
Securities issued	-	13,685,375	-	13,685,375	13,658,492	
Other liabilities*	-	32,071	1,035,548	1,067,619	1,067,619	
Accrued expenses and deferred income	-	-	1,389,640	1,389,640	1,389,640	
Subordinated liabilities	-	410,872	-	410,872	400,000	
<b>Total</b>	<b>-</b>	<b>14,128,318</b>	<b>25,388,848</b>	<b>39,517,166</b>	<b>39,468,996</b>	
<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	
Loans and advances 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	
Shares and participations in other companies*	-	2,331	-	2,331	2,331	
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>759,510</b>	<b>19,841,674</b>	<b>23,054,660</b>	<b>22,532,286</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>	

\* The financial instruments measured at fair value in the balance sheet by the bank are derivative instruments, shares and participations in other companies.



## Fair value assets and liabilities per category

Assets	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets*	Fair value via the income statement (mandatory)	Amounts in SEK thousand	
					Total	Fair value
<b>31/03/2022</b>						
Treasury bills eligible as collateral etc.	1,097,725	-	-	-	1,097,725	1,098,133
Lending to credit institutions	2,589,297	-	-	-	2,589,297	2,589,297
Loans and advances to the public	16,654,296	-	-	-	16,654,296	17,130,538
Bonds and other interest-bearing securities	1,641,442	-	-	-	1,641,442	1,641,342
Shares and participations in other companies	-	-	-	3,598	3,598	3,598
Shares and participations in associated companies	-	-	5,417	-	5,417	-
Shares and participations in Group companies	-	-	6,742	-	6,742	-
Intangible non-current assets	-	-	20,790	-	20,790	-
Tangible assets: inventory	-	-	5,058	-	5,058	-
Tangible assets: lease items	-	-	22,125,943	-	22,125,943	-
Other assets	561,572	1,465	935,809	16,561	1,515,407	1,515,407
Deferred tax asset	-	-	219,000	-	219,000	-
Prepaid expenses and accrued income	133,781	-	-	-	133,781	133,781
<b>Total assets</b>	<b>22,678,113</b>	<b>1,465</b>	<b>23,318,759</b>	<b>20,159</b>	<b>46,018,496</b>	<b>24,112,096</b>
<b>Liabilities</b>						
<b>31/03/2022</b>						
Liabilities to credit institutions	-	-	1,028,571	-	1,028,571	1,038,996
Deposits and borrowing from the public	-	-	21,924,674	-	21,924,674	21,924,664
Securities issued	-	-	13,658,492	-	13,658,492	13,685,375
Other liabilities	389,834	23,066	645,713	9,006	1,067,619	1,067,619
Accrued expenses and deferred income	1,348,217	-	41,423	-	1,389,640	1,389,640
Subordinated liabilities	-	-	400,000	-	400,000	410,872
<b>Total liabilities</b>	<b>1,738,051</b>	<b>23,066</b>	<b>37,698,873</b>	<b>9,006</b>	<b>39,468,996</b>	<b>39,517,166</b>

Assets	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets*	Fair value via the income statement (mandatory)	Amounts in SEK thousand	
					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
Loans and advances 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 other companies	-	-	-	2,331	2,331	2,331
Shares and participations in associated companies	-	-	5,584	-	5,584	-
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
Deferred tax asset	-	-	-	-	-	-
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>23,328,180</b>	<b>2,331</b>	<b>44,847,208</b>	<b>23,054,660</b>
<b>Liabilities</b>						
<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>-</b>	<b>39,008,167</b>	<b>39,142,946</b>

\* Non-hedged derivatives amounting to 64 are included in the item other assets.

\*\* Non-hedged derivatives are included in the item other liabilities.

## 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	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
Assets	6,742	6,742	22,292	10,467	1,369,154	1,458,570
Liabilities	6,789	6,789	51,541	130,156	478,529	199,334
<b>Income statement</b>						
Interest income	-	-	271	377	-	2
Lease income	-	-	-	-	27,599	32,869
Interest expenses	-	-	-6	-34	-	-
Commission income	-	-	-	-	115	143
Other operating income	-	-	616	294	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>881</b>	<b>637</b>	<b>27,714</b>	<b>33,014</b>

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

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



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