

INTERIM REPORT 1 JANUARY – 30 JUNE

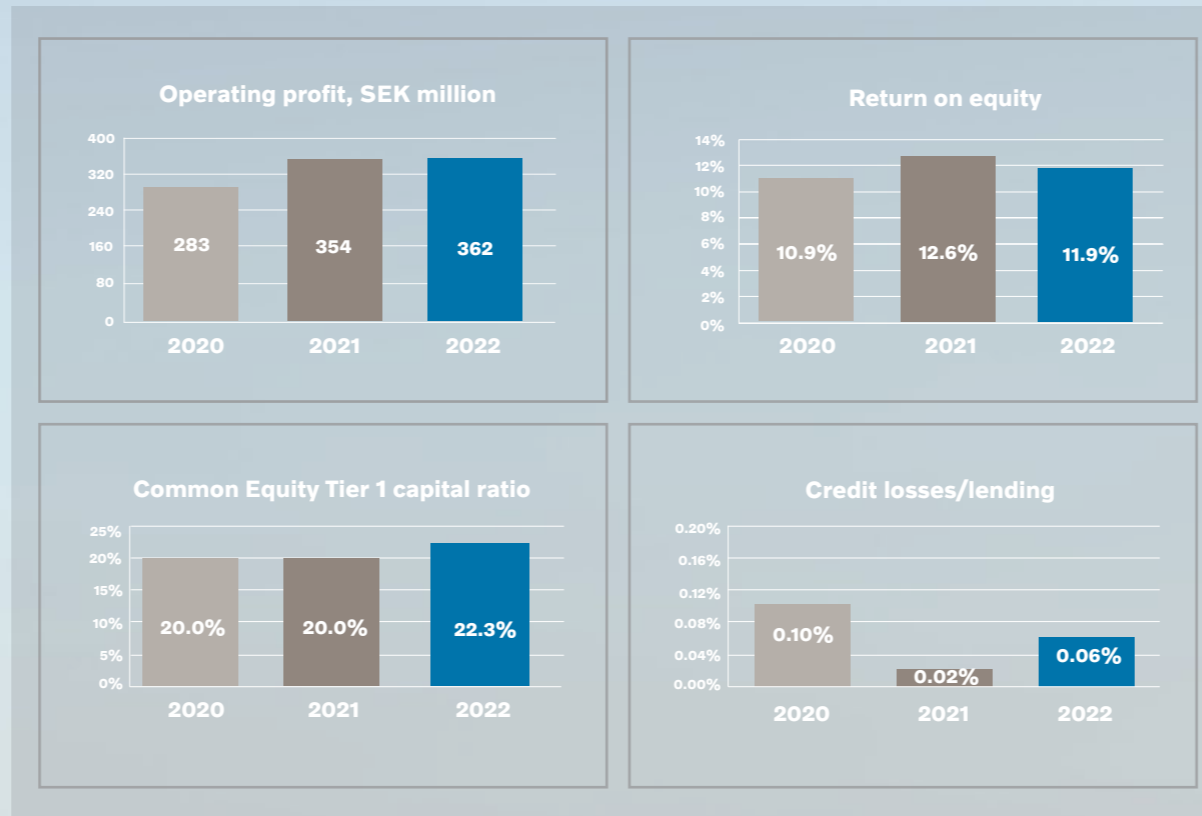
2022



VOLVOFINANS BANK

SUMMARY

JANUARY - JUNE 2022



INTRODUCTION AND FINANCIAL STATEMENTS



STATEMENT BY THE CEO

Volvofinans Bank's half-year performance rose compared to last year's record to SEK 362 million (354), despite a troubled world with war and financial turbulence. The improvement in earnings was driven by several factors, but mainly by very strong gains from the disposal of used vehicles.

The bank's lending continues to be stable and totalled SEK 38.7 billion at the end of the half-year period (39.6) even though lending during the first half-year was lower due to e.g. supply chain disruptions. New passenger car registrations in Sweden fell by almost 17% compared to the first six months of 2021, and totalled 144,182 vehicles. At the end of the half-year period, total market share for the bank's partner brands Volvo, Renault/Dacia and Polestar totalled 20.3% (21.9). It is clear that the semiconductor shortage impacts manufacturers on the Swedish market differently. Nobody knows for sure when the shortage will cease, but improvements are anticipated in 2023. Thus order backlogs are at record levels, even though signals indicating more cautious customers are beginning to emerge.

A clear, ongoing trend is the growing proportion of rechargeable cars among new car registrations; during the first half year rechargeable cars totalled 52%, compared to 40% last year. EVs made up 28%, an increase of no less than 76% compared to the first half-year, 2021.

New registrations on the truck side were also naturally affected by production disruptions, and the number of registered trucks totalled 3,167, a reduction of just over 22%. In the case of heavy trucks above 16 tonnes, the reduction remained at 9% and 498 vehicles. With 48% of new registrations, Volvo Trucks is clearly the market leader here. As for electric trucks, the first commercial roll-outs began this year. During the six-month period, 67 heavy electric trucks were delivered.

All three of the bank's business areas – Cars, Fleet and Trucks – have delivered profits that are in line with, or better than, expected. Market leader Fleet increased last year's all-time-high profits to SEK 187 million (174), largely as a result of increased volumes and the disposal of used vehicles. Cars, which also includes the card/payments business, was slightly below last year with earnings of SEK 157 million (165), mainly due to increased risk provisions. Profits in business area Trucks increased substantially by 21% to SEK 18 million, driven by higher lending and improved net interest income.



“We feel there is a vacant position for an enabler of mobility in the marketplace, and that we are the natural bank for what we internally refer to as the emergence of the green city.”

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 26 August 2022.

In times that are uncertain from both geopolitical and macro economic standpoints, Volvofinans Bank's forward-looking perspective impairment model has increased the reserve ratio a little for expected credit losses. This has led to an increase in the KPI for credit losses from a very low level, i.e. from 0.03% to 0.06 % during the second quarter. At the same time, with its capital adequacy ratios and liquidity reserves, the bank is very well-equipped to cope with any difficult times moving forward.

As I have described previously in our interim report, Volvofinans Bank has embarked on an exciting journey of change. In our view, the need for a niche player in the banking world to meet the demand for flexible mobility from private and corporate customers will be greater than ever. The technology in financed vehicles is changing; electric power, the IoT and our customers all increasingly demand the opportunity for more flexible vehicle usage. At the same time, both Volvofinans Bank and society as a whole demand a sustainable way of using mobility. This has led in recent years to our making great investments in system development and project management to make this new mobility possible. We feel there is a vacant position for an enabler of mobility in the marketplace, and that we are the natural bank for what we internally refer to as the emergence of the green city.

JAN–JUN 2022 IN SUMMARY

Operating profit:
SEK 362 million (354)

Return on equity:
11.9% (12.6)

Lending as of 30 June:
SEK 38.7 billion (39.6)

Credit losses
SEK 13.2 million (-0.1)

Common Equity Tier 1 capital ratio:
22.3 % (20.0)

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 Volverkinvest, and 50% by Volvo Personvagnar AB.

The primary task of Volvofinans Bank is to actively support sales of products marketed by Volvo dealers in the Swedish market by providing product and sales financing with good profitability.

Volvofinans Bank AB is the parent company in a group with dormant subsidiaries. Under chapter 7, section 6a of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, Volvofinans Bank does not prepare consolidated accounts as activities in subsidiaries are negligible.

Trends in volume/lending

Lending volume totalled SEK 38.7 billion compared to 39.6 billion in the previous year. Trucks accounted for SEK 4.6 billion (4.3) of lending, equivalent to 12% (11) of the total. Fleet accounted for SEK 8.8 billion (9.1) of lending or 23% (23) and Volvo Card for 5 % (4) or SEK 2.0 billion (1.8). The remainder – SEK 23.3 billion (24.4) – is attributable to passenger car financing in business area Cars, which corresponds to 60% (62) 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 362.3 million (353.5), which is SEK 8.8 million or 2% higher year-over-year. The bank's net interest income and net leasing improved during the period by SEK 20.2 million mainly due to lower borrowing margins. Net commissions increased by SEK 17.8 million, mainly due to the charge the bank has introduced for customers who prefer paper statements. Prices for second-hand cars continue to be high, which is reflected in the bank's gains from the disposal of vehicles returned from operational leases. The accumulated surplus on sales of these cars is SEK 29.4 million higher than in the previous year. Moving forward, the demand for second-hand cars is expected to fall as a result of deteriorating economic conditions and a diminishing shortage of new cars. During the first half-year, the bank made impairments in respect of residual value provisions of SEK 47 million (12). Due to the deteriorating economic conditions forecast, the macro parameters in the bank's ECL model increased credit loss provisions by SEK 5.6 million (-7.8) during the period.

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 5.8 million (6.4) and for loans and leasing SEK 194.6 million (231.9), of which SEK 192.9 million (228.8) is covered by recourse. Loans subject to deferral totalled SEK 59.5 million (142.0).

Verified credit losses of SEK 7.6 million (7.7) 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-year, these forecast variables generated provisions for expected credit losses of SEK 5.6 million. Thus the provision for expected credit losses totals SEK 32.5 million. Credit losses totalled SEK 13.2 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 30/06/2022, the bank carried out impairments totalling SEK 172.1 million (92.7) due to the residual value risk, under depreciations, amortisation and impairments of tangible assets. During the first half of 2022, the bank carried out impairments totalling SEK 47.2 million related to residual value risk, mainly due to the bank's increased residual value positions in operational leases. As of 30/06/2022, the bank's residual value positions for operational lease assets totalled SEK 5.3 billion (4.6).

Funding and liquidity

Deposits in the bank's savings account increased by SEK 126 million during the second quarter, to reach a total of SEK 20.2 billion (20.1) for the six-month period. Total deposits including the credit balance for the Volvo Card and deposits from Volvo dealerships stood at SEK 22.4 billion (22.2) and accounted for 60% (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. During the first half-year, issues totalled SEK 2.5 billion, of which green bonds accounted for SEK 0.8 billion, and own bonds were repurchased for the nominal amount of SEK 0.4 billion. Certificates of deposit relating to short-term borrowing were issued in the amount of SEK 0.4 billion during the six months. Volvofinans Bank AB's outstanding financing through its MTN market loan programmes and certificates totalled a nominal SEK 13.5 billion (13.6), of which green bonds accounted for SEK 3.4 billion on 30/06/2022.

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 maturity of more than one year was 61% (75).

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 six months was SEK 6.3 billion (5.4). The securities holding accounted for SEK 3.1 billion (50%) and non-fixed deposits at other banks totalled SEK 3.1 billion (50%). Volvofinans Bank's liquidity reserve must always be at least 10% in relation to lending volume. As of 30/06/2022, total lending was SEK 38.7 billion, which means the liquidity reserve corresponded to 16% (14). In addition to the liquidity reserve, available and unutilised loan facilities totalled SEK 4.3 billion (4.3).

At the end of the second quarter, Volvofinans Bank's liquidity coverage ratio (LCR) under article 415 of the EU Capital Requirements Regulation (CRR), totalled 244% (233), and the net stable funding ratio (NSFR) was 116% under CRR2 (117).

Capital adequacy

Volvofinans Bank calculates most of the credit risk on the basis of its internal ratings-based approach (IRB), while the remainder is calculated according to the standard method. The Tier 1 ratio amounted to 22.3% (20.0) as of 30/06/2022 and the capital requirement was assessed internally to 12.4% (12.3) 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% (2.5) of REA was SEK 574 million (560). 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% and from June 2023 it will be 2.0%.

The leverage ratio was 11.3 % (10.0) as of 30/06/2022.

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. The bank has not yet received an assessment from the authority 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.

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, 26 August 2022

Urmas 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.

The war in Ukraine

Following a period of geopolitical tension, Russia invaded Ukraine on 24 February 2022. As a result of the war, Sweden has experienced higher fuel and energy prices, which mainly impacts transport companies and private individuals. Credit losses in the transport sector may 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 has further exacerbated global component and raw material flows not least within the automotive sector, which has led 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:

4 November 2022 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.

Key ratios

	30/06/2022	30/06/2021	31/12/2021
Return on equity, %	11.87	12.63	11.75
Deposits / Lending, %	57.91	56.13	56.36
Profit / Risk-weighted assets, %	3.16	3.15	2.96
Total capital ratio, %	24.04	21.80	23.08
Common Equity Tier 1 capital ratio, %	22.29	20.01	21.28
Cost/Income ratio	0.46	0.41	0.44
Cost/Income ratio excl. residual value provision	0.39	0.40	0.41
Credit losses / Lending, %	0.06	0.02	0.01
Liquidity coverage ratio (LCR), %	244	233	225
NSFR (Net Stable Funding Ratio), %	116	117	116
Leverage ratio, %	11.3	10.0	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/finanssiella-rapporter/definition-av-nyckeltal/>

Income statement, overview

	Amounts in SEK thousand					
	2022 Q2	2022 Q1	2021 Q2	2022 Jan-Jun	2021 Jan-Jun	2021 Jan-Dec
Interest income	147,838	135,063	137,222	282,901	271,059	543,397
Lease income	1,554,550	1,533,844	1,555,861	3,088,394	3,061,926	6,158,786
Interest expenses	-73,653	-67,443	-71,318	-141,096	-142,194	-281,025
Net interest income, Note 5	1,628,735	1,601,464	1,621,765	3,230,199	3,190,791	6,421,157
Dividends received	9	8	13	17	26	46
Commission income	110,933	83,879	90,633	194,811	175,026	350,281
Commission expenses	-35,179	-26,974	-27,363	-62,153	-60,210	-139,813
Net result from financial transactions	11,188	13,705	7,734	24,893	7,945	10,379
Other operating income, Note 6	79,880	75,779	68,674	155,659	129,672	259,038
Total operating income	1,795,564	1,747,861	1,761,455	3,543,426	3,443,250	6,901,088
General administration expenses	-119,604	-121,765	-112,368	-241,369	-218,374	-448,008
Depreciation and impairment of tangible and intangible non-current assets, Note 5	-1,464,221	-1,436,345	-1,449,597	-2,900,566	-2,845,237	-5,753,371
Other operating expenses	-14,009	-12,405	-10,492	-26,414	-21,398	-30,892
Total operating expenses	-1,597,834	-1,570,515	-1,572,457	-3,168,349	-3,085,009	-6,232,271
Profit before credit losses	197,730	177,346	188,999	375,077	358,241	668,817
Credit losses, net, Note 7	-10,530	-2,315	-1,554	-12,846	-4,821	-10,848
Impairments/Reversals of financial fixed assets, net	324	-303	-6	21	95	20
Operating profit	187,524	174,728	187,439	362,252	353,515	657,989
Appropriations						-494,047
Taxes, Note 8	-38,630	-35,994	-38,612	-74,624	-72,824	258,669
Profit	148,894	138,734	148,827	287,628	280,691	422,611

Balance sheet highlights

	Amounts in SEK thousand		
	30/06/2022	30/06/2021	31/12/2021
Treasury bills eligible as collateral etc.	1,197,356	1,449,112	1,586,148
Lending to credit institutions	3,125,291	2,158,417	2,233,864
Loans and advances to the public	16,639,025	17,032,920	16,872,075
Bonds and other interest-bearing securities	1,935,955	1,814,667	1,452,687
Shares and participations in other companies	3,502	3,480	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	22,563	18,980	19,047
Tangible assets: inventory	4,262	7,690	5,877
Tangible assets: lease items	22,022,719	22,585,468	21,797,175
Other assets*	1,045,194	772,703	770,076
Deferred tax asset, Note 8	146,000	-	292,000
Prepaid expenses and accrued income	125,566	111,808	65,434
Total assets, Note 11	46,279,592	45,967,571	45,112,024
Liabilities to credit institutions	988,095	1,150,000	1,069,048
Deposits and borrowing from the public	22,388,653	22,236,625	21,794,994
Securities issued	13,398,444	13,610,013	13,092,362
Other liabilities*	1,111,179	1,280,112	1,032,916
Accrued expenses and deferred income	1,425,438	1,516,022	1,311,938
Subordinated liabilities	400,000	400,000	400,000
Total liabilities, Note 11	39,711,809	40,192,772	38,701,258
Untaxed reserves	5,533,095	5,039,048	5,533,095
Equity	1,034,688	735,751	877,671
Total liabilities and equity	46,279,592	45,967,571	45,112,024

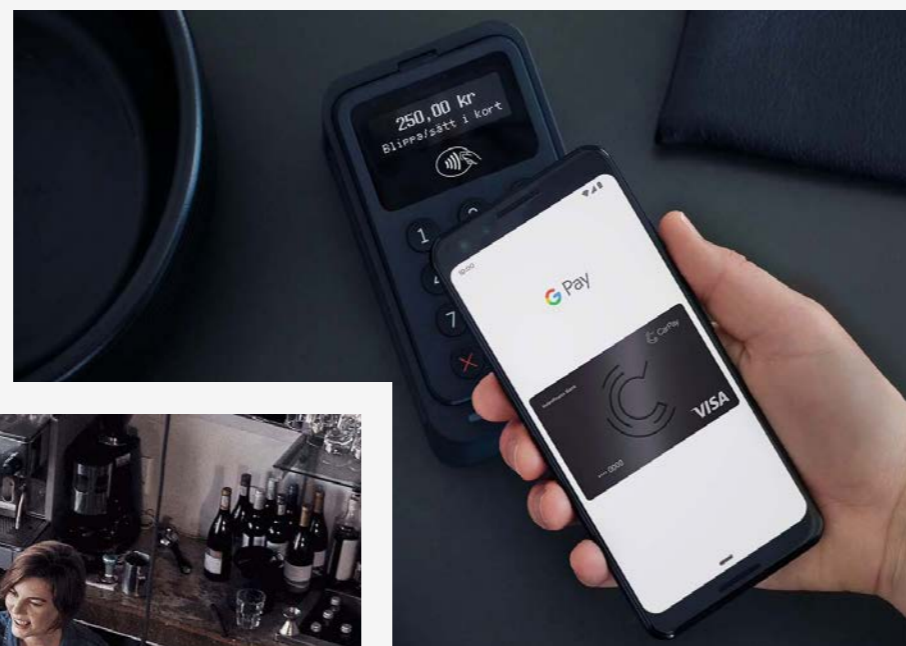
* Of which derivative instruments with positive and negative market values

Derivative instruments with positive market value	30,269	8,651	8,840
Derivative instruments with negative market value	-69,080	-55,941	-39,484



Change in equity

	Amounts in SEK thousand				
	Share capital	Restricted equity Statutory reserve	Development fund	Non-restricted equity 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
	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 year	-	-	-	422,611	422,611
Transfer, internally generated development costs	-	-	-1,135	1,135	-
Total before transactions with shareholders	400,000	20,000	19,047	651,693	1,090,740
Dividend	-	-	-	-213,069	-213,069
Closing equity, 31 December 2021	400,000	20,000	19,047	438,624	877,671
	Share capital	Statutory reserve	Development fund	Retained earnings	Total equity
Opening equity, 1 January 2022	400,000	20,000	19,047	438,624	877,671
Profit for the period after tax	-	-	-	287,628	287,628
Transfer, internally generated development costs	-	-	3,517	-3,517	-
Total before transactions with shareholders	400,000	20,000	22,564	722,735	1,165,299
Dividend	-	-	-	-130,611	-130,611
Closing equity, 30 June 2022	400,000	20,000	22,564	592,124	1,034,688



Cash flow statement

	Amounts in SEK thousand		
	2022 Jan–Jun	2021 Jan–Jun	2021 Jan–Dec
Operating activities			
Operating profit	362,252	353,515	657,989
Adjustment of items not included in cash flow			
Unrealised portion of net result from financial transactions	26,014	3,592	6,178
Depreciations, amortisation, impairments	2,900,566	2,845,237	5,753,371
Credit losses	12,846	4,821	10,848
Paid/refunded (-/+) tax	-19,148	-30,518	-37,132
Changes to assets and liabilities in operating activities			
Treasury bills eligible as collateral etc.	388,792	-117,909	-254,945
Loans and advances to the public	220,132	-760,272	-605,388
Bonds and other interest-bearing securities	-483,268	11,316	373,297
Deposits and borrowing from the public	593,659	-72,169	-513,800
Liabilities to credit institutions	-80,952	-80,952	-161,905
Other assets	-244,654	-154,453	-59,294
Securities issued	306,082	1,501,104	983,453
Other liabilities	165,748	406,143	-47,841
Cash flow from operating activities	4,148,069	3,909,455	6,104,831
Investing activities			
Capitalised development expenditures	-8,631	-2,436	-7,162
Investments in shares and participations	-97	-2,338	-2,264
Disposal/redemption of shares and participations	2,077	3,036	1,126
Disposal of tangible assets	2,273,511	2,518,697	3,990,081
Acquisition of tangible assets	-5,392,891	-6,538,558	-10,123,309
Cash flow from investing activities	-3,126,031	-4,021,599	-6,141,528
Financing activities			
Dividends paid	-130,611	-213,069	-213,069
Cash flow from financing activities	-130,611	-213,069	-213,069
Cash flow for the period			
Cash and cash equivalents at beginning of period	2,233,864	2,483,630	2,483,630
Cash flow from operating activities	4,148,069	3,909,455	6,104,831
Cash flow from investing activities	-3,126,031	-4,021,599	-6,141,528
Cash flow from financing activities	-130,611	-213,069	-213,069
Cash and cash equivalents at end of period	3,125,291	2,158,417	2,233,864



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 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 Bank's financial reports, capital adequacy or major exposures, or any other applicable operating regulations.

NOTE 2. ASSESSMENTS AND ESTIMATIONS IN THE FINANCIAL STATEMENTS

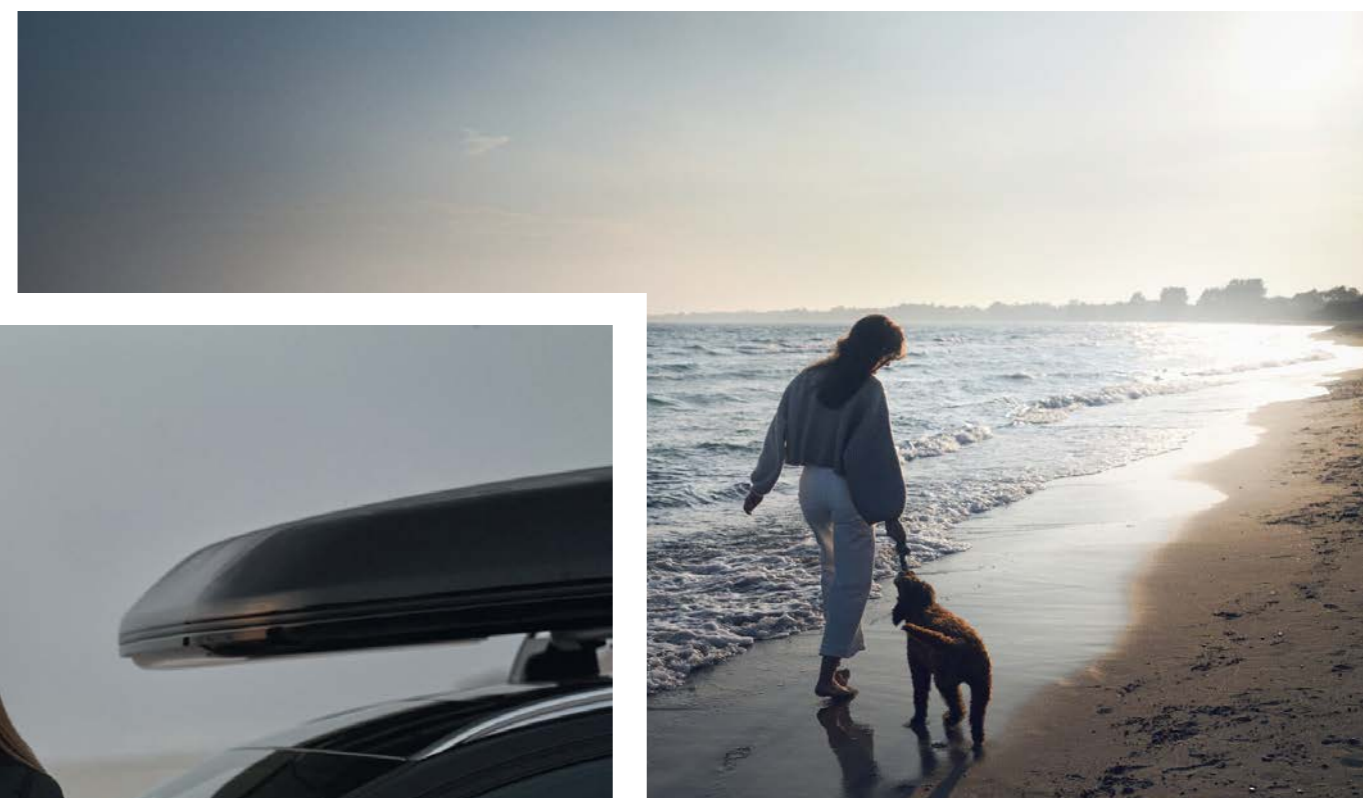
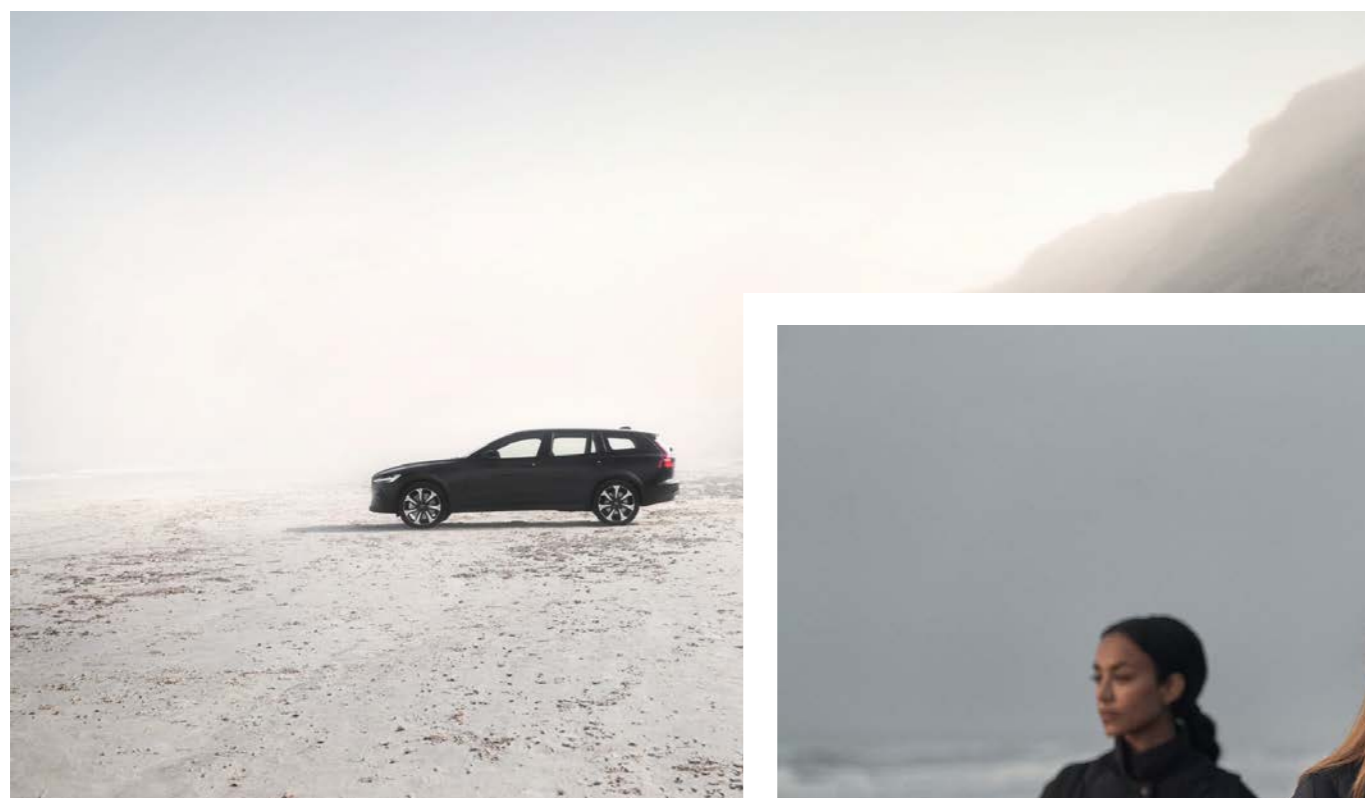
Preparation of the financial statements in compliance with IFRS requires the bank's management to make assessments, estimations, and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenues, and expenses. These estimations and assumptions 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.

Areas where estimations may be subject to uncertainty include 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.

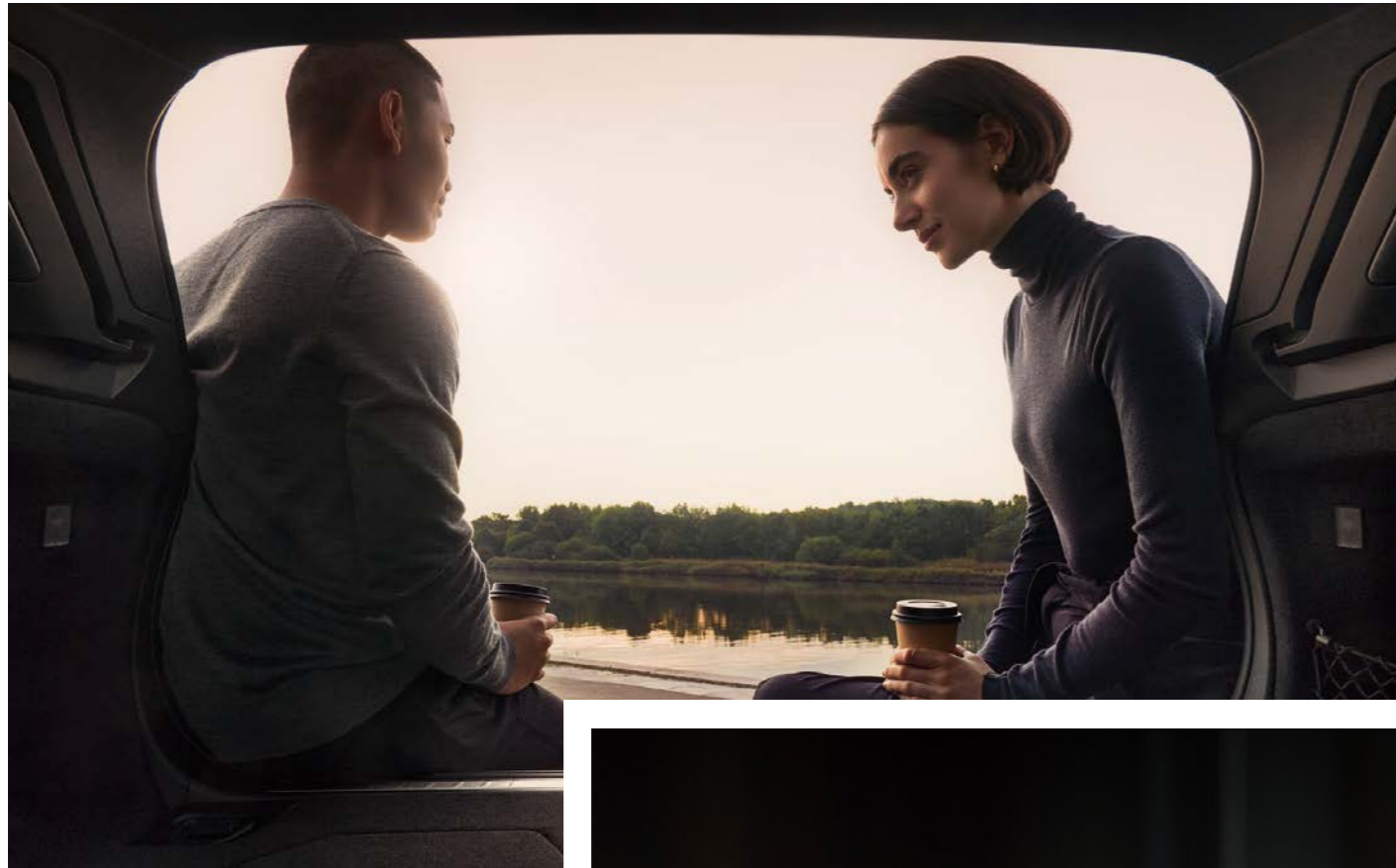
Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period during which a change is made if the change affects only that particular period, or in the period during which the change is made and future periods if the change affects both the current and future periods.



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 17%, which should be compared with record registrations last year as a result of system changes such as in Bonus Malus 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 29,280 cars, equivalent to a market share of 20.3%, where Volvofinans Bank 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 inflows and the app has been downloaded by more than 800,000 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–Jun	2021 Jan–Jun	2021 Jan–Dec
Net interest income and net leasing*	305,710	292,483	583,410
Change in impairment of operational leases	-41,080	-23,484	-48,176
Dividends received	17	26	46
Commission income	133,382	122,202	245,816
Commission expenses	-59,363	-57,578	-136,743
Net result from financial transactions	16,218	8,198	9,632
Other income	3,344	1,385	5,539
Operating income	358,229	343,232	659,525
Overhead expenses**	-190,130	-171,541	-347,252
Credit losses	-7,634	-7,667	-15,008
Credit risk provision	-3,109	702	2,121
Operating profit	157,355	164,726	299,386

* 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	30/06/2022	30/06/2021	31/12/2021
Number of contracts	174,790	188,138	182,001
Total volume, SEK million	24,568	25,803	25,042
of which transferred, %	94.6	93.9	94.0
of which pledged, %	5.4	6.1	6.0
of which loans, %	43.8	44.7	44.9
of which leases, %	56.2	55.3	55.1
Private leasing as a proportion of total leases, %	28.2	25.5	27.3

Product information, cards	30/06/2022	30/06/2021	31/12/2021
Average number of active accounts	388,356	389,328	392,230
Total volume, SEK million	1,953	1,763	1,810
Average number of credit customers	74,699	74,696	74,897
Total sales Volvo Card, SEK million	8,501	7,162	15,413
of which fuel, %	37.5	33.7	34.8
of which workshop, %	16.0	18.6	17.3
of which retail store, %	0.8	1.1	1.0
of which car wash, %	1.3	1.5	1.2
of which sales outside Volvo dealers, %	39.7	37.9	39.3
of which other (incl. car loans and insurance), %	4.8	7.1	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 a 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 market-place 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–Jun	2021 Jan–Jun	2021 Jan–Dec
Net interest income*	32,878	26,427	55,498
Commission income	4,011	4,335	8,376
Commission expenses	-617	-531	-1,207
Net result from financial transactions	2,735	-79	219
Other income	78	125	258
Operating income	39,087	30,278	63,144
Overhead expenses**	-18,715	-15,578	-31,300
Credit losses	58	6	-5
Credit risk provision	-2,388	226	138
Operating profit	18,041	14,933	31,977

* 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	30/06/2022	30/06/2021	31/12/2021
Number of contracts	8,105	7,739	7,832
Total volume, SEK million	5,483	5,065	5,246
of which transferred, %	84.2	85.1	84.8
of which pledged, %	15.8	14.9	15.2
of which loans, %	79.0	80.3	80.0
of which leases, %	21.0	19.7	20.0
Operating leases as a proportion of total leases, %	24.4	20.6	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 22.2 % of the market as of June 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 28 million higher than in the previous year.

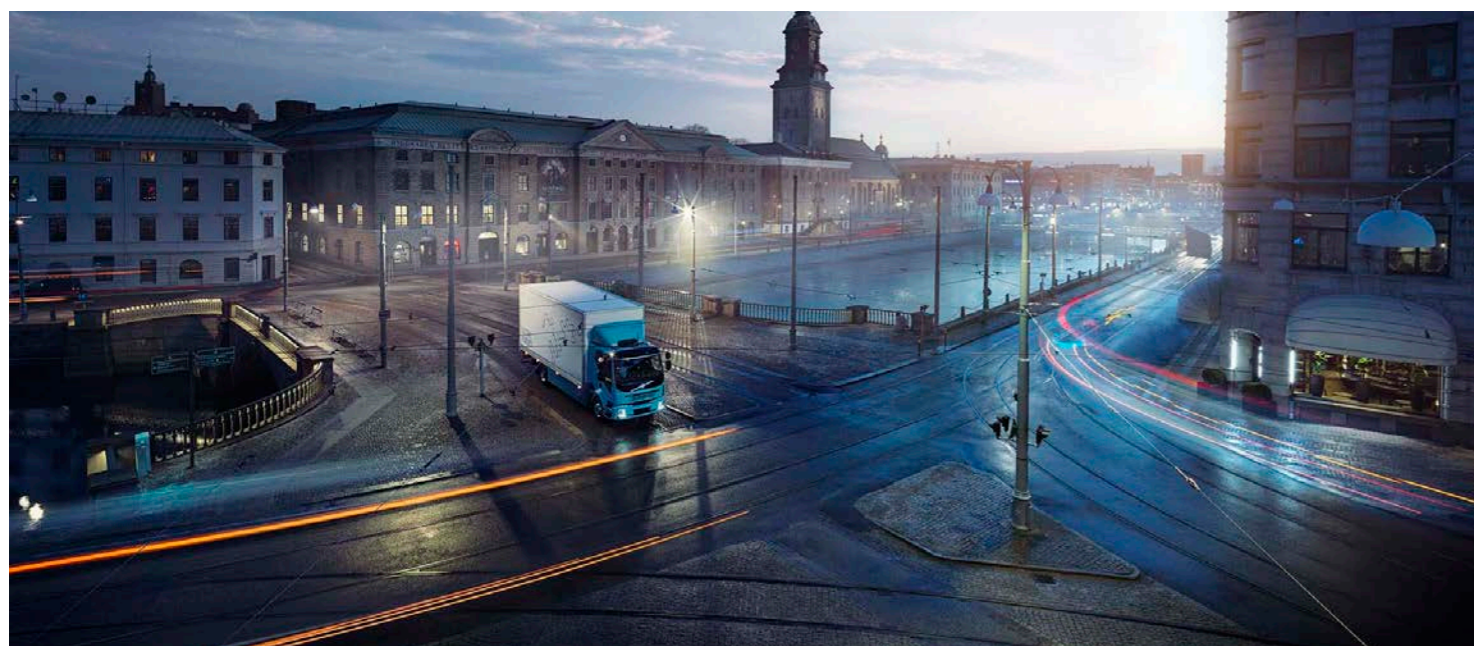
Product development is constantly in progress, and we are launching new services to make life simpler for the bank's customers by creating a smarter vehicle economy in the form of competitive company car expenditures for both drivers and companies.

	Amounts in SEK thousand		
	2022 Jan–Jun	2021 Jan–Jun	2021 Jan–Dec
Leasing, net*	45,394	39,673	78,498
Change in impairment of operational leases	-6,116	11,109	3,580
Commission income	57,418	48,489	96,089
Commission expenses	-2,173	-2,100	-1,864
Net result from financial transactions	5,940	-174	528
Service and repair contracts	28,125	31,634	60,176
Disposals, operational leases	123,741	95,680	191,744
Other income	371	847	1,320
Operating income	252,698	225,158	430,072
Overhead expenses**	-65,757	-58,148	-112,380
Credit losses	0	-35	-278
Credit risk provision	-85	6,881	9,212
Operating profit	186,857	173,856	326,626

* Including depreciation of lease items.

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

Product Information	30/06/2022	30/06/2021	31/12/2021
Number of financing contracts	37,445	37,243	36,905
Number of administered contracts	49,062	49,020	48,408
Total volume, SEK million	8,762	9,131	8,756
of which operational leases, %	72.3	72.6	72.7
of which financial leases, %	27.7	27.4	27.3



NOTE 4. DISCLOSURES, LOANS AND LEASES

30/06/2022	Loans	Leasing	Total
Number of contracts	111,208	112,799	224,007
Average contract, SEK thousand	136	218	177
Collateral value, SEK million	15,106	24,550	39,656
Credit utilised, SEK million	14,437	22,293	36,730
Loan-to-value ratio	96	91	93

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

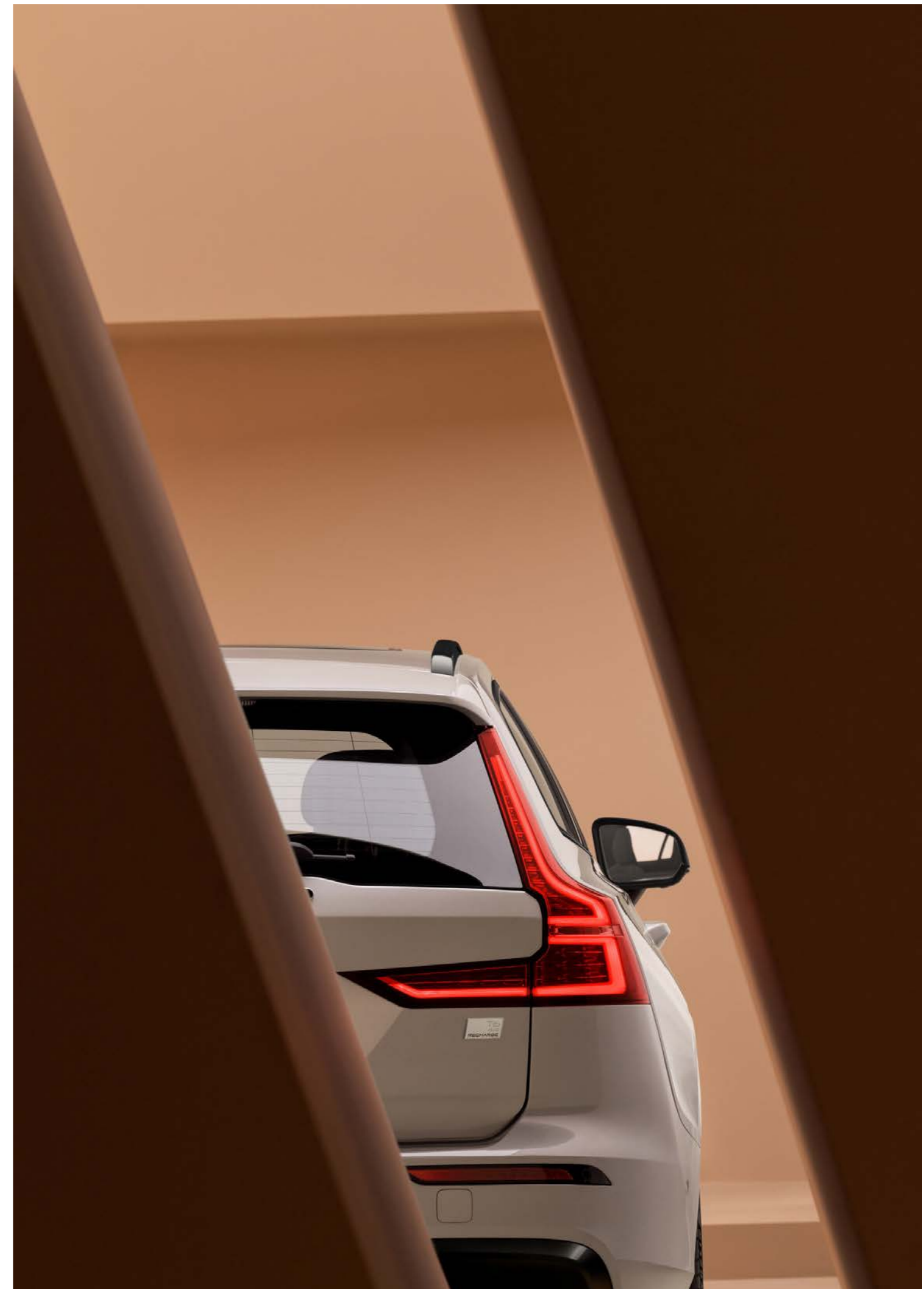
NOTE 5. LEASE INCOME AND ACCUMULATED NET INTEREST

INCOME

	2022 Q2	2022 Q1	2021 Q2	2022 Jan-Jun	2021 Jan-Jun	2021 Jan-Dec
Lease income from operational and financial leases	1,554,550	1,533,844	1,555,861	3,088,394	3,061,926	6,158,786
Depreciations, leased items	-1,429,084	-1,417,133	-1,438,136	-2,846,216	-2,832,208	-5,703,751
Impairment charges / Reversals; lease item credit risk	-700	366	342	-334	4,841	7,008
Impairment charges / Reversals; lease item residual value risk	-31,182	-16,014	-8,923	-47,196	-12,375	-44,597
Leasing, net	93,585	101,063	109,144	194,648	222,184	417,446
Interest income	147,838	135,063	137,222	282,901	271,059	543,397
Interest expenses	-73,653	-67,443	-71,318	-141,096	-142,194	-281,025
Net interest income	74,185	67,620	65,904	141,805	128,865	262,371
Accumulated net interest income	167,770	168,683	175,047	336,453	351,049	679,817

NOTE 6. OTHER OPERATING INCOME

	Amounts in SEK thousand		
	2022 Jan-Jun	2021 Jan-Jun	2021 Jan-Dec
Capital gains on the sale of tangible assets	775	1,739	2,266
Revenues, service and repair contracts	28,125	31,634	60,176
Disposals, operational leases	125,092	95,710	192,040
Income from associated companies	1,608	577	1,910
Other operating income	58	12	2,647
Total	155,659	129,672	259,038



NOTE 7. CREDIT LOSSES, NET

Credit losses	Amounts in SEK thousand		
	30/06/2022	30/06/2021	31/12/2021
Loans at amortised cost (incl. unused part of limit)			
Provisions – stage 1	16,041	11,692	11,004
Provisions – stage 2	8,712	8,933	8,696
Provisions – stage 3	2,939	3,366	2,722
Total reserve	27,692	23,991	22,422
	2022	2021	2021
	Jan–Jun	Jan–Jun	Jan–Dec
Loans at amortised cost (incl. unused part of limit)			
Change in provisions – stage 1	-5,037	678	1,368
Change in provisions – stage 2	-16	1,185	1,422
Change in provisions – stage 3	-217	1,011	1,653
Total change in provisions	-5,270	2,874	4,443
Write-off, confirmed credit losses	-8,746	-8,921	-17,490
Recoveries of previously confirmed credit losses	1,166	1,261	2,477
Total	-7,580	-7,660	-15,013
Credit losses, net*	-12,850	-4,786	-10,570

* 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		
	30/06/2022	30/06/2021	31/12/2021
Lease assets at accrued cost			
Provisions – stage 1	2,202	2,992	2,317
Provisions – stage 2	187	200	194
Provisions – stage 3	1,566	2,596	1,110
Total reserve	3,955	5,788	3,621
	2022	2021	2021
	Jan–Jun	Jan–Jun	Jan–Dec
Lease assets at accrued cost			
Change in provisions – stage 1	115	434	1,109
Change in provisions – stage 2	7	-2	4
Change in provisions – stage 3	-456	4,409	5,895
Total change in provisions**	-334	4,841	7,008
Write-off, confirmed credit losses	0	-121	-364
Recoveries of previously confirmed credit losses	4	86	86
Total***	4	-35	-278
Credit losses, net	-330	4,806	6,730

** 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		
	30/06/2022	30/06/2021	31/12/2021
Financial fixed assets			
Provisions – stage 1	876	822	897
Provisions – stage 2	-	-	-
Provisions – stage 3	-	-	-
Total reserve	876	822	897
	2022	2021	2021
	Jan–Jun	Jan–Jun	Jan–Dec
Financial fixed assets			
Change in provisions – stage 1	21	95	20
Change in provisions – stage 2	-	-	-
Change in provisions – stage 3	-	-	-
Total change in provisions	21	95	20
Credit losses, net****	21	95	20

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

Credit losses	Amounts in SEK thousand		
	30/06/2022	30/06/2021	31/12/2021
Total assets			
Provisions – stage 1	19,119	15,506	14,218
Provisions – stage 2	8,899	9,133	8,890
Provisions – stage 3	4,505	5,962	3,832
Total reserve	32,523	30,601	26,940
	2022	2021	2021
	Jan–Jun	Jan–Jun	Jan–Dec
Total assets			
Change in provisions – stage 1	-4,901	1,207	2,497
Change in provisions – stage 2	-9	1,183	1,426
Change in provisions – stage 3	-673	5,420	7,548
Total change in provisions	-5,582	7,810	11,471
Write-off, confirmed credit losses	-8,746	-9,042	-17,854
Recoveries of previously confirmed credit losses	1,170	1,347	2,563
Total	-7,576	-7,695	-15,291
Credit losses, net	-13,158	115	-3,820

NOTE 8. TAX

Credit losses	Amounts in SEK thousand		
	30/06/2022	30/06/2021	31/12/2021
Current tax	71,376	-72,824	-33,331
Deferred tax income with regard to other unutilised tax deductions	-146,000	-	292,000
Tax	-74,624	-72,824	258,669

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

Credit losses	Amounts in SEK thousand		
	30/06/2022	30/06/2021	31/12/2021
Tier 1 capital	5,116,924	4,486,705	4,722,671
Exposure measurement	45,190,118	44,781,889	43,742,447
Leverage ratio, %	11.32	10.02	10.80
Leverage ratio 3 %	1,355,704	1,343,457	1,312,273



NOTE 10. CAPITAL ADEQUACY ANALYSIS
KEY RATIOS

	Amounts in SEK thousand				
	30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Available capital base (amount)					
Common Equity Tier 1 (CET1) capital	5,116,924	4,914,409	4,722,671	4,608,800	4,486,705
Tier 1 capital	5,116,924	4,914,409	4,722,671	4,608,800	4,486,705
Total capital	5,516,924	5,314,409	5,122,671	5,008,800	4,886,705
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	22,953,509	23,349,328	22,193,673	21,926,932	22,418,423
Capital ratio (as a percentage of the risk-weighted exposure amount)					
Common Equity Tier 1 capital ratio, %	22.3	21.1	21.3	21.0	20.0
Tier 1 capital ratio, %	22.3	21.1	21.3	21.0	20.0
Total capital ratio, %	24.0	22.8	23.1	22.8	21.8
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of the risk-weighted amount of exposure)					
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	8.0
Combined buffer requirement and overall capital requirement (as a percentage of the risk-weighted amount of exposure)					
Capital conservation buffer, %	2.5	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	2.5
Overall capital requirements, %	10.5	10.5	10.5	10.5	10.5
CET1 available after meeting the total SREP own funds requirements, %	17.8	16.6	16.8	16.5	15.5
Leverage ratio					
Total exposure measure	45,190,118	44,760,649	43,742,447	43,900,020	44,781,889
Leverage ratio, %	11.3	11.0	10.8	10.5	10.0
Additional own funds requirements to address the risk of excessive leverage (as a percentage of the 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, %	3.0	3.0	3.0	3.0	3.0
Leverage buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement, %	-	-	-	-	-
Overall leverage ratio requirements, %	3.0	3.0	3.0	3.0	3.0
Liquidity coverage ratio					
Total high-quality liquid assets (HQLA) (Weighted value - average)*	2,260,681	2,278,983	2,349,990	2,356,091	2,395,990
Cash outflows - Total weighted value*	4,154,440	4,157,008	4,116,682	4,067,382	4,014,465
Cash inflows - Total weighted value*	4,062,100	3,779,553	3,432,408	3,361,002	3,450,256
Total net cash outflows (adjusted value)*	1,038,610	1,039,252	1,082,277	1,069,952	1,056,723
Liquidity Coverage Ratio, %*	218	220	219	223	230
Net stable funding ratio					
Total available stable funding	37,642,927	38,307,334	37,317,968	37,863,750	38,669,416
Total required stable funding	32,522,369	32,676,508	32,257,689	32,374,247	33,048,094
Net stable funding ratio, %	116	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		
	30/06/2022	30/06/2021	31/12/2021
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	400,000	400,000	400,000
Retained earnings	304,497	16,080	16,013
Other reserves	4,435,840	4,039,984	4,432,324
Net interim profit after deductions for predictable expenses and dividends verified by persons in an independent position.	215,721	210,518	292,000
Common Equity Tier 1 capital before regulatory adjustments	5,356,058	4,666,582	5,140,337
Common Equity Tier 1 capital: regulatory adjustments			
Further value adjustments (negative amount)	-99	-64	-48
Intangible assets (net after reduction of related tax liabilities) (negative amount)	-22,563	-18,980	-19,047
Deferred tax assets that are dependent on future profitability, except those that arise as a result of temporary differences.*	-146,000	0	-292,000
Negative amounts resulting from the calculation of expected loss amount	-70,472	-160,833	-106,571
Losses for the current financial year (negative amount)	-	-	-
Total regulatory adjustments to Common Equity Tier 1	-239,134	-179,877	-417,666
Common Equity Tier 1 (CET1) capital	5,116,924	4,486,705	4,722,671
Tier 1 capital contribution: Instrument			
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital ratio + Tier 1 capital contribution)	5,116,924	4,486,705	4,722,671
Tier 2 capital: instruments and provisions			
Capital instruments and the related share premium accounts	400,000	400,000	400,000
Tier 2 capital before regulatory adjustments	400,000	400,000	400,000
Tier 2 capital: regulatory adjustments			
Tier 2 capital	400,000	400,000	400,000
Total capital (total capital = tier 1 capital + tier 2 capital)	5,516,924	4,886,705	5,122,671
Total risk-weighted assets	22,953,509	22,418,423	22,193,673

* 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		
	30/06/2022	30/06/2021	31/12/2021
Risk-weighted assets	22,953,509	22,418,423	22,193,673
Common Equity Tier 1 capital ratio, %	22.29	20.00	21.28
Tier 1 capital ratio, %	22.29	20.00	21.28
Total capital ratio, %	24.04	21.80	23.08
Total capital requirement, %	12.36	12.30	12.40
Institution-specific Common Equity Tier 1 capital requirements including buffer requirements, %	8.30	8.30	8.40
of which: Pillar 1 requirement, %	4.50	4.50	4.50
of which: Pillar 2 requirement, %	1.30	1.30	1.40
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								
	30/06/2022			30/06/2021			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	1,665,135	7.3%	4.1%	1,631,203	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	1,122	0.0%	0.0%	1,578	0.0%	0.0%	1,133	0.0%	0.0%
Pillar 1 capital requirement	1,836,281	8.0%	4.5%	1,793,474	8.0%	4.5%	1,775,494	8.0%	4.5%
Concentration risk	237,346	1.0%	0.7%	258,621	1.2%	0.8%	257,363	1.2%	0.8%
Strategic risk	91,814	0.4%	0.3%	89,674	0.4%	0.3%	88,775	0.4%	0.3%
Market risk	98,786	0.4%	0.3%	65,000	0.3%	0.2%	94,907	0.4%	0.3%
Pillar 2 capital requirement*	427,946	1.9%	1.3%	413,294	1.8%	1.3%	441,045	2.0%	1.4%
Capital conservation buffer	573,838	2.5%	2.5%	560,461	2.5%	2.5%	554,842	2.5%	2.5%
Countercyclical capital buffer	-	-	-	-	-	-	-	-	-
Combined buffer requirement	573,838	2.5%	2.5%	560,461	2.5%	2.5%	554,842	2.5%	2.5%
Capital requirements	2,838,065	12.4%	8.3%	2,767,229	12.3%	8.3%	2,771,381	12.5%	8.4%
Capital base	5,516,924	-	-	4,886,705	-	-	5,122,671	-	-
Capital surplus	2,678,859	-	-	2,119,476	-	-	2,351,290	-	-

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								
	30/06/2022			30/06/2021			31/12/2021		
	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 according to IRB									
Corporate exposures	505,307	6,316,336	70.4%	533,804	6,672,552	70.4%	532,525	6,656,565	69.5%
Retail exposures	595,370	7,442,129	24.2%	612,522	7,656,526	23.7%	599,089	7,488,610	24.0%
Non credit-obligation assets exposure	409,027	5,112,837	100.0%	381,365	4,767,062	100.0%	382,050	4,775,621	100.0%
Total according to IRB	1,509,704	18,871,301	42.0%	1,527,691	19,096,139	41.1%	1,513,664	18,920,795	41.5%
Credit risk STD									
Exposures to central governments or central banks	-	-	-	-	-	-	-	-	-
Exposures to provincial or regional government bodies or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector	121	1,515	20.0%	137	1,713	20.0%	140	1,746	20.0%
Exposures to institutions	52,285	653,560	20.0%	36,377	454,707	20.0%	37,380	467,254	20.0%
Corporate exposures	56,602	707,521	90.7%	25,355	316,943	89.1%	18,841	235,516	89.3%
Retail exposures	26,807	335,088	62.7%	25,451	318,132	61.5%	23,700	296,249	62.1%
Exposures in default	156	1,945	150.0%	151	1,893	150.0%	229	2,867	150.0%
Covered bonds	11,489	143,615	10.0%	8,917	111,468	10.0%	6,821	85,268	10.0%
Equity exposures	1,253	15,661	100.0%	1,264	15,806	100.0%	1,411	17,641	100.0%
Other items	6,718	83,981	100.0%	5,859	73,239	100.0%	2,150	26,873	100.0%
Total STD	155,431	1,942,886	25.7%	103,512	1,293,900	21.8%	90,673	1,133,414	20.0%
Total	1,665,135	20,814,187	39.7%	1,631,203	20,390,039	38.9%	1,604,337	20,054,209	39.1%
Operational risk	170,024	2,125,302	-	160,693	2,008,657	-	170,024	2,125,302	-
Credit value adjustment (CVA)	1,122	14,019	-	1,578	19,727	-	1,133	14,161	-
Total minimum capital requirement and risk-weighted exposure amount	1,836,281	22,953,509	-	1,793,474	22,418,423	-	1,775,494	22,193,673	-



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. 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:

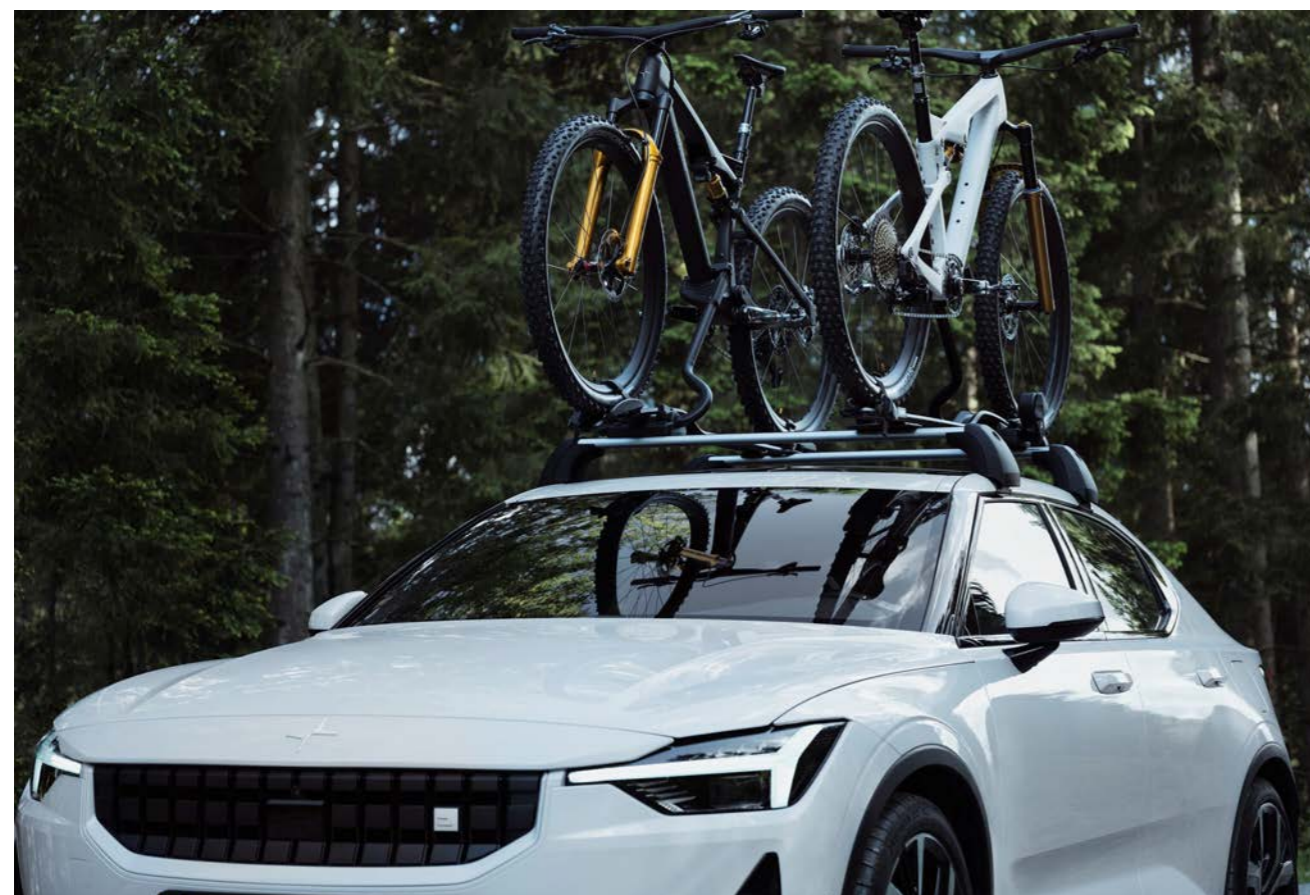
Level 1 – according to quoted price on an active market for identical instruments.

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 30.3 million and liabilities to SEK 69.1 million. Securities totalling SEK 9.7 million were received and assets of SEK 62.4 million were pledged as of 30 June 2022.



ASSETS, JAN – JUN 2022				Amounts in SEK thousand	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Treasury bills eligible as collateral etc.	1,194,745	-	-	1,194,745	1,197,356
Lending to credit institutions	-	-	3,125,291	3,125,291	3,125,291
Loans and advances to the public	-	-	17,106,060	17,106,060	16,639,025
Bonds and other interest-bearing securities	1,432,338	499,802	-	1,932,140	1,935,955
Shares and participations in other companies*	-	3,502	-	3,502	3,502
Other assets*	-	30,269	1,014,925	1,045,194	1,045,194
Prepaid expenses and accrued income	-	-	125,566	125,566	125,566
Total	2,627,083	533,573	21,371,842	24,532,498	24,071,890

LIABILITIES, JAN – JUN 2022				Total	
	Level 1	Level 2	Level 3	fair value	carrying amount
Liabilities to credit institutions	-	-	998,427	998,427	988,095
Deposits and borrowing from the public	-	-	22,388,653	22,388,653	22,388,653
Securities issued	-	13,310,255	-	13,310,255	13,398,444
Other liabilities*	-	69,080	1,042,099	1,111,179	1,111,179
Accrued expenses and deferred income	-	-	1,425,438	1,425,438	1,425,438
Subordinated liabilities	-	400,508	-	400,508	400,000
Total	-	13,779,843	25,854,617	39,634,460	39,711,809

Assets, Jan – Jun 2021				Total	
	Level 1	Level 2	Level 3	fair value	carrying amount
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
Loans and advances to the public	-	-	17,553,250	17,553,250	17,032,920
Bonds and other interest-bearing securities	1,115,488	699,988	-	1,815,476	1,814,667
Shares and participations in other companies*	-	3,480	-	3,480	3,480
Other assets*	-	8,651	764,052	772,703	772,703
Prepaid expenses and accrued income	-	-	111,808	111,808	111,808
Total	2,565,133	712,119	20,587,527	23,864,779	23,343,107

LIABILITIES, JAN – JUN 2021				Total	
	Level 1	Level 2	Level 3	fair value	carrying amount
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	1,224,171	1,280,112	1,280,112
Accrued expenses and deferred income	-	-	1,516,022	1,516,022	1,516,022
Subordinated liabilities	-	422,200	-	422,200	400,000
Total	-	14,190,108	26,137,838	40,327,946	40,192,772

* 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*	Amounts in SEK thousand		
				Fair value via the income statement (mandatory)	Total	Fair value
30/06/2022						
Treasury bills eligible as collateral etc.	1,197,356	-	-	-	1,197,356	1,194,745
Lending to credit institutions	3,125,291	-	-	-	3,125,291	3,125,291
Loans and advances to the public	16,639,025	-	-	-	16,639,025	17,106,060
Bonds and other interest-bearing securities	1,935,955	-	-	-	1,935,955	1,932,140
Shares and participations in other companies	-	-	-	3,502	3,502	3,502
Shares and participations in associated companies	-	-	5,417	-	5,417	-
Shares and participations in Group companies	-	-	6,742	-	6,742	-
Intangible non-current assets	-	-	22,563	-	22,563	-
Tangible assets: inventory	-	-	4,262	-	4,262	-
Tangible assets: lease items	-	-	22,022,719	-	22,022,719	-
Other assets	686,400	1,229	328,525	29,040	1,045,194	1,045,194
Deferred tax asset	-	-	146,000	-	146,000	-
Prepaid expenses and accrued income	125,566	-	-	-	125,566	125,566
Total assets	23,709,593	1,229	22,536,228	32,542	46,279,592	24,532,498
Liabilities						
30/06/2022						
Liabilities to credit institutions	-	-	988,095	-	988,095	998,427
Deposits and borrowing from the public	-	-	22,388,653	-	22,388,653	22,388,653
Securities issued	-	-	13,398,444	-	13,398,444	13,310,255
Other liabilities	477,095	42,083	565,003	26,998	1,111,179	1,111,179
Accrued expenses and deferred income	1,348,249	-	77,189	-	1,425,438	1,425,438
Subordinated liabilities	-	-	400,000	-	400,000	400,508
Total liabilities	1,825,344	42,083	37,817,384	26,998	39,711,809	39,634,460

Assets	Financial assets measured at amortised cost	Derivatives in hedge accounting	Other assets*	Amounts in SEK thousand		
				Fair value via the income statement (mandatory)	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
Loans and advances to the public	17,032,920	-	-	-	17,032,920	17,553,250
Bonds and other interest-bearing securities	1,814,667	-	-	-	1,814,667	1,815,476
Shares and participations in other companies	-	-	-	3,480	3,480	3,480
Shares and participations in associated companies	-	-	5,584	-	5,584	-
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	599,676	7,887	164,376	764	772,703	772,703
Deferred tax asset	-	-	-	-	-	-
Prepaid expenses and accrued income	111,808	-	-	-	111,808	111,808
Total assets	23,166,600	7,887	22,788,840	4,244	45,967,571	23,864,979
Liabilities						
30/06/2021						
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	840,010	54,088	1,280,112	1,280,112
Accrued expenses and deferred income	1,442,540	-	73,482	-	1,516,022	1,516,022
Subordinated liabilities	-	-	400,000	-	400,000	422,200
Total liabilities	1,826,701	1,853	38,310,130	54,088	40,192,772	40,327,946

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

NOTE 12. RELATED PARTIES

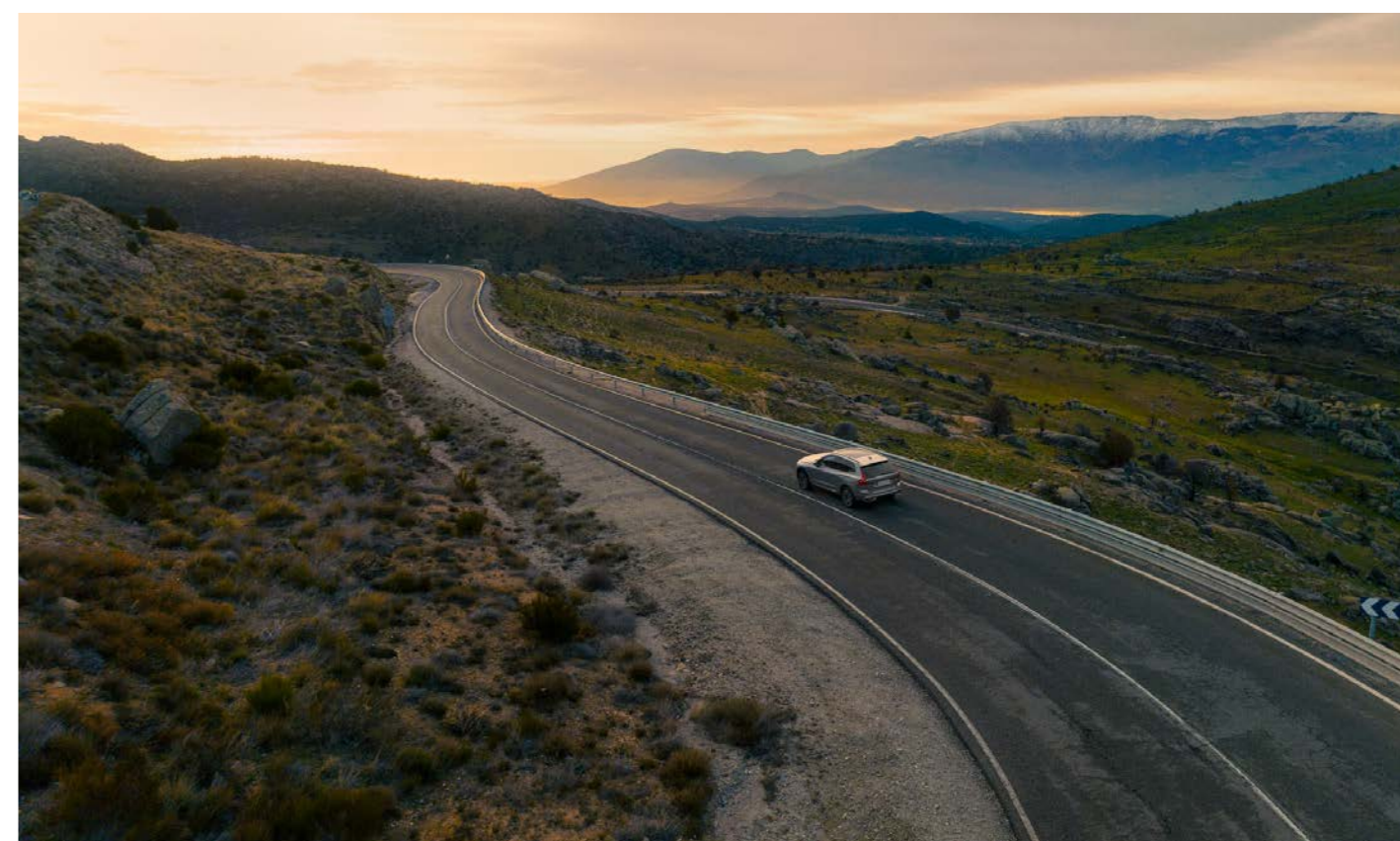
The bank is owned 50% by Volvo Personvagnar AB and 50% by Swedish Volvo dealers, through their trust company AB Volverkinvest. Both companies are classified as other related companies.

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	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Assets	6,742	6,742	105,039	40,508	1,280,958	1,407,765
Liabilities	6,789	6,789	27,092	159,074	609,737	651,604
Income statement						
Interest income	-	-	772	753	-	6
Lease income	-	-	-	-	56,039	64,120
Interest expenses	-	-	-13	-55	-	-
Commission income	-	-	-	-	230	274
Other operating income	-	-	1,608	577	-	-
Total	0	0	2,367	1,275	56,269	64,400

NOTE 13. EVENTS AFTER THE END OF THE PERIOD

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



VOLVOFINANS BANK

Volvofinans Bank AB (publ) • Co. Reg. 556069-0967
Bohusgatan 15 • Box 198 • SE 401 23 Gothenburg
Phone: +46 31-83 88 00 • volvofinans.se