

# MOODY'S RATINGS

## **Rating Action: Moody's Ratings affirms Ziklo Bank's issuer ratings, upgrades long- and short-term deposit ratings to A2/P-1 from A3/P-2**

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12 May 2026

### **Outlooks on long-term issuer and deposit ratings remain negative, in line with Volvo Car AB's outlook**

Stockholm, May 12, 2026 -- Moody's Ratings (Moody's) has today upgraded the long- and short-term deposit ratings of Ziklo Bank AB (Ziklo) to A2/P-1 from A3/P-2. At the same time, we affirmed all other ratings and assessments: the A3/P-2 long- and short-term issuer ratings, the baa2 Baseline Credit Assessment (BCA) and Adjusted BCA, the A2/P-1 long- and short-term Counterparty Risk Ratings (CRR), and the long- and short-term Counterparty Risk Assessments at A2(cr)/P-1(cr).

The negative outlooks on the long-term deposit and issuer ratings are maintained.

#### RATINGS RATIONALE

##### AFFIRMATION OF ISSUER RATINGS AND BCA

The affirmation of all ratings and assessments of Ziklo other than the long- and short-term deposit ratings reflects the affirmation of the bank's BCA, along with unchanged loss-given-failure assumptions (very low for senior unsecured bondholders, resulting in a two-notch uplift for the long-term issuer ratings), and low government support assumptions that continues to not result in any uplift.

Ziklo's baa2 BCA reflects its strong asset quality, demonstrated by a low level of problem loans and credit losses, benefiting from strong borrower repayment capacity. This is supported by a loan and leasing portfolio diversified by customer and product segment, with consistently well-managed residual value risk and historically low write-offs, as well as loan loss guarantees from Volvo dealers in Sweden.

Additionally, the affirmation reflects our expectation that the bank will maintain its conservative capital management policy, including modest dividends to its joint 50:50 owners, Volvo Car AB (Volvo Car) and Swedish Volvo dealers, through their holding company AB Volverkinvest. Together with stable recurring profitability, this will support the bank's strong capitalisation, as evidenced by a common equity tier 1 capital ratio of 23.5% as of March 2026.

The bank's strong solvency is complemented by a solid funding profile, characterised by a granular retail deposit base and longer-dated senior unsecured funding. However, these deposits are savings deposits sourced online and do not include transaction accounts, making them more price-sensitive and therefore potentially less stable.

The BCA also reflects our assessment of liquidity as a relative weakness. Liquidity is managed tightly in line with funding needs, and it reflects the shorter average maturities associated with automotive finance, compared with other businesses such as mortgage lending, as well as the retail deposit profile. While Ziklo demonstrates prudent liquidity management, reflected in a regulatory Liquidity Coverage Ratio of 252% as of March 2026, well above the regulatory minimum, and benefits from excess liquidity placed with other financial institutions as well as back-up liquidity lines, the bank maintains only a modest stock of high-quality liquid assets. This underpins our assessment of its weaker liquidity position. Our assessment also takes into account Ziklo's limited access to the central bank's discount window.

While diversified across retail and business segments and throughout Sweden, as the country's leading automotive finance lender the bank derives the majority of its revenue from consumer and automotive finance activities. This concentration exposes it to cyclical risks in the automotive industry.

#### UPGRADE OF THE LONG-TERM DEPOSIT RATINGS

The upgrade of Ziklo's long-term deposit ratings reflects our assessment that the introduction of full depositor preference over senior unsecured debt across the European Union will lead to a sustained increase in subordination for the bank's deposits and, consequently, lower loss severity in a resolution scenario. This results in three notches of uplift above the BCA, compared with two notches previously.

#### OUTLOOK

The outlook on Ziklo's long-term deposit and issuer ratings remains negative, aligned with the negative outlook on its part owner, Volvo Car.

In our view, a deterioration in Volvo Car's creditworthiness could have a spillover effect on the bank's financing volumes, profitability, or ability to fund itself given the use of the Volvofinans brand in its deposit business. Additionally, a weaker performance of the automaker could impact the operating performance of Volvo dealers, which provide loan and lease residual guarantees for Ziklo's lending portfolio. These risks are balanced by the share of financed vehicles being non-Volvo, including those in its fleet business and affiliated Volvo dealers.

The negative outlook of Volvo Car is driven by our expectation that amid a challenging macroeconomic environment, the automaker's profitability will remain subdued and it will be difficult to improve profitability and cash flow to levels commensurate with Volvo Car's Ba1 long-term Corporate Family Rating.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

While unlikely given the negative outlook on its long-term deposit and issuer ratings, Ziklo's ratings could be upgraded following higher liquidity buffers and permanent central bank liquidity access, provided that also Volvo Car's ratings are upgraded (unlikely at present given the negative outlook), or provided that Ziklo further diversifies the cars it finances away from Volvo Car and it reduces its interdependencies with Volvo Car and the Volvo brand.

The ratings could be downgraded if the BCA is downgraded or if there is a substantial reduction in the volume of deposits compared to its tangible banking assets, resulting in higher loss severity for deposits in the event of the bank's failure. The BCA could be downgraded following a significant deterioration in profitability and asset quality, or a lack of access to market funding, which would put pressure on liquidity.

Furthermore, a downgrade of Volvo Car's ratings could lead to a downgrade of Ziklo's ratings, particularly if we believe that a deterioration in Volvo Car's creditworthiness impacts Ziklo's financing volumes, the performance of Volvo dealers in Sweden, or its ability to fund itself.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454566>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Ziklo's "Assigned BCA" of baa2 is set four notches below the "Financial Profile" initial score of a1 to reflect concentration risks stemming from the bank's primary focus on auto finance lending, which is vulnerable to economic shocks, as well as our assessment of lower average risk weights resulting from the use of the internal ratings based approach, limited access to additional capital as a privately owned company, and funding risks associated with more price sensitive savings deposits.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections

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