MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Ziklo Bank AB's A3 long-term issuer rating; outlook remains negative

17 Nov 2026

Stockholm, November 17, 2026 -- Moody's Ratings (Moody's) has today affirmed all ratings and assessments of Ziklo Bank AB (Ziklo Bank): the A2/P-1 long- and short-term deposit ratings, 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 A2(cr)/P-1(cr) long- and short-term Counterparty Risk Assessments.

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

This rating action follows the downgrade to Ba2 of the corporate family rating (CFR) of Ziklo Bank's part owner, Volvo Car AB (Volvo Cars, Ba2, negative).

RATINGS RATIONALE

AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

The affirmation of Ziklo Bank's BCA of baa2 reflects our expectation that the bank will maintain low asset risk, resilient earnings generation and strong capital position, notwithstanding the deterioration in the creditworthiness of the part owner, Volvo Cars. The baa2 BCA also considers concentration risks as Ziklo Bank derives the majority of its revenue from consumer and automotive finance activities, which exposes the bank to cyclical risks in the automotive industry.

Ziklo Bank's baa2 BCA reflects its strong asset quality demonstrated by a low level of problem loans and credit losses. 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.

We also expect Ziklo Bank to maintain strong capital buffers over the next 12-18 months, supported by stable recurring earnings generation, and partly offset by moderate shareholder returns to its joint 50:50 owners, Volvo Cars and Swedish Volvo dealers, through their holding company AB Volverkinvest. The bank's tangible common equity to risk weighted assets was very strong at 24.9% and its Common Equity Tier 1 (CET1) ratio was 22.6% at end September 2026, well above the regulatory requirement of 10%.

The bank's funding profile benefits from a granular retail deposit base, although sourcing online makes it price-sensitive, complemented by longer-dated senior unsecured funding. The bank maintains only a modest stock of high-quality liquid assets and does not have permanent access to central bank liquidity, although liquidity is managed tightly in line with the bank's funding needs, with the bank also having access to additional committed credit facilities from leading financial institutions.

Notwithstanding the interlinkages with Volvo Cars through partial ownership, shared branding and the financing of Volvo vehicles, Ziklo Bank's baa2 BCA is positioned three notches above Volvo Cars' Ba2 rating. This reflects the bank's meaningful degree of strategic, operational and financial independence that makes its credit profile less correlated with its part-owner than is typically observed for fully owned captive auto banks.

LOSS GIVEN FAILURE AND GOVERNMENT SUPPORT ANALYSIS

The bank's long-term deposit and issuer ratings of A2 and A3 respectively, reflect the bank's Adjusted BCA of baa2 and our analysis of the severity of loss faced by the different liability classes in the event of a failure, resulting in three and two notches of uplift in the relevant ratings, respectively. Our unchanged assumption of a low probability of government support, results in no further rating uplift.

OUTLOOK

The outlooks on Ziklo Bank's long-term deposit and issuer ratings are negative, aligned with the negative outlook on Volvo Cars, and reflecting our concerns that a further deterioration in Volvo Cars' creditworthiness could have a spillover effect on the bank's financing volumes, profitability, or ability to fund itself.

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 Bank's ratings could be upgraded following higher liquidity buffers and permanent central bank liquidity access, provided that also Volvo Cars' ratings are upgraded; and Ziklo Bank further diversifies the cars it finances away from Volvo Cars and it reduces its interdependencies with Volvo Cars 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 Cars' ratings would lead to a downgrade of Ziklo Bank's ratings.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in September 2026 and available at https://ratings.moodys.com/rmc-documents/474049. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Ziklo Bank'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 limited access to additional capital as a privately owned company, and funding risks associated with more price sensitive savings deposits.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Paula Jouandet-Dahlen
VP - Ratings

Simon Ainsworth
Exec Dir - Ratings

Releasing Office:
Moody's Investors Service (Nordics) AB
Norrlandsgatan 20
Stockholm, 111 43
Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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