

The
Mobility
Bank

Ziklo



Investor Report Green Bonds 2024

Ziklo Bank – Investor Report Green Bonds

Ziklo Bank issued its first green bond in May 2017 and was among the first in Europe to ever issue a green bond linked to the passenger car sector¹. Since then, Ziklo Bank has further intensified the sustainability focus by establishing new goals, upgrading its Green Bond Framework in 2019, 2022 and most recently in 2024 (see below) with stricter eligibility criteria as well as by being an active issuer in the green bond market. The auto industry is experiencing a rapid transition from fossil fueled vehicles to electric vehicles and Ziklo Bank is determined to contribute to a new transportation landscape consisting of electric vehicles in "green cities" with less climate impact. In March 2024 the bank had twelve green bonds outstanding with a total volume of SEK 5,000 million (4,100). Green bonds are issued under the bank's MTN program, where green bond funding is used to refinance the bank's portfolio of green loans.

Ziklo Bank's activity in green bond issuance has continued since the previous report, and from April 2023 to March 2024, the bank has issued five bonds with a total value of SEK 2,250 million (750). The issue volume of the bonds was between 150 and 800 million and they had an average maturity of slightly over four years. The bank's overall objective is to reduce the impact of climate change and to promote the transition to sustainable mobility. This is reflected in Ziklo Bank's updated main goal of 30% reduction in greenhouse gas emissions by 2025. From a business strategy point of view, the utilization of green financing also allows the bank to benefit from risk differentiation, increased business opportunities and competitive advantage.

Liquidity from current and future bonds is allocated to investments covered by the bank's green bond framework. These investments consist of loan and leasing contracts entered into by a customer for the use of a "green vehicle" that has low or zero CO₂ emissions. These contracts constitute the green loan portfolio of Ziklo Bank.

Ziklo Bank updated the green bond framework in September 2022 where the definition of eligible assets was changed to vehicles with zero specific CO₂ emissions. This means that only loans and leases to electrified vehicles (BEV) have been added to the green loan portfolio since April 1, 2022, already approved low-emission vehicles (PHEV) with a maximum of 50 grams of CO₂ emissions have however been left in the green loan portfolio. The Green Bond Framework has been reviewed by the CICERO Shades of Green AS (since December 2022 a part of S&P) and has been awarded a "Medium Green" rating. The work involved in green bonds and the green loan portfolio is carried out in cooperation with the bank's sustainability officer and the Treasury.



CICERO
Medium Green

In March 2024, the green loan portfolio amounted to SEK 11,125 million (9,031) while outstanding bond volumes amounted to SEK 5,000 million (4,100). The number of pure electric vehicles sold and funded is increasing sharply and makes up a majority, which in turn means lower CO₂ emissions and a more dark green portfolio.

For information on Ziklo Bank's sustainability work, see the Sustainability Report and Sustainability Policy at ziklo.com.

Framework for Green Bonds

Ziklo Bank's Green Bond Framework is based on the International Capital Markets Association's (ICMA) "Green Bond Principles" and sets out the conditions for issuing Ziklo Bank's green bonds and refinancing. The framework, together with CICERO's statement, can be found at ziklo.com.

Bond liquidity is used to refinance Ziklo Bank's green loan portfolio of loan and leasing contracts. Each individual contract has a passenger car or a truck as its financing object, whereupon the vehicle is zero or low emitting. As such and according to Ziklo Bank, the vehicles promote a transition to low carbon dioxide emissions and climate-resistant growth.

The Green Bond Framework stipulates that the vehicles shall be considered as eligible assets and defined as clean transportation providing they;

- have zero specific CO₂ emissions.

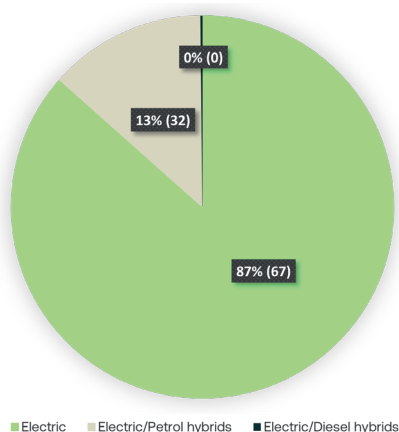
New contracts are continuously allocated to the portfolio, which is then amortized over the contract's duration. The duration of new contracts is up to 96 months, but the average remaining contract term being 20 months as of March 31, 2024 as the major part is shorter leasing contracts. About 90% of the original value of the financing object was financed by Ziklo Bank. Furthermore, the bank's ambition is for the green loan portfolio to always be larger than the outstanding volume of green bonds.

¹Source: GlobalCapital

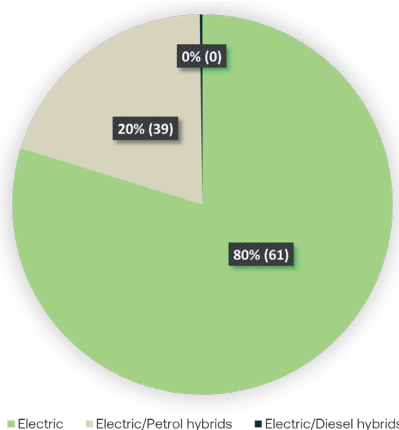
2024-03-31	million SEK
Approved Green Loan Portfolio	11,125
Outstanding volume of Green Bonds	5,000
Remaining approved investment amount	6,125

2024-03-31 Vehicles	Number	Balance (MSEK)
Electric vehicles	28,343	9,652
Electric/petrol hybrid vehicles	7,091	1,454
Electric/diesel hybrid vehicles	80	0,019
Total	35,514	11,125

Green Loan Portfolio 240331 (230331) % of Balance



Green Loan Portfolio 240331 (230331) % of Number



Impact - CO₂ reduction

When estimating the climate benefit, the following standardized reasoning focuses on CO₂ emissions.

There are a number of uncertainties when attempting to calculate CO₂ emissions where, in principle, the technical specifications supplied by the manufacturers give each vehicle expected emissions. However, there are several variables that deviate from the norm. Among other things, it cannot be said with certainty which fuel a hybrid engine customer chooses to drive on and it cannot be determined with certainty whether the vehicle is being used in the city or on the open road.

Ziklo Bank is also aware that vehicles have environmental impact in ways other than CO₂ emissions, for example, a life-cycle analysis for the vehicles has not been established nor have particle emissions been included. From a green perspective, we do not imply any social benefits associated with being a financier of social transportation nor any negative effects such as societal costs for road accidents.

The estimated consumption of each individual vehicle is the basis for the calculations. For electric vehicle '0' is used and for electric hybrids (electricity in combination with petrol or diesel) the manufacturer's declared consumption figure (according to WLTP/NEDC) is used.

Ziklo Bank uses the statutory definition for green cars where the calculations are based on the above assumptions and where the expected CO₂ reduction is calculated by the difference between the emissions of vehicles financed by Ziklo Bank and the average emission of new vehicles in Sweden. In 2023, the average emission was 61g² CO₂/km for newly registered cars during the year and 640g³ CO₂/km for trucks, according to the Swedish Transport Agency.

The cars in the green loan portfolio have an average emission of 8g CO₂/km. The annual emission for cars in the green loan portfolio sums up to 3,074 tonnes of CO₂ calculated on an average annual basis on mileage of 11,260 km/year⁴. Compared to the average emissions for new cars of 61g CO₂/km this gives a reduction for cars with 21,283 tonnes of CO₂.

The same methodology has been used in the calculation of CO₂ emission for the trucks included in the green portfolio which are all electrical and have 0g CO₂ emission. The average annual mileage for timber trucks, heavy trucks, and buses combined is 62,433 km/year⁵ and the average emission is 640g CO₂/km. In comparison this gives an annual reduction of 2,038 tonnes of CO₂.

² Rekordlåga utsläpp från den nya personbilsflottan - Transportstyrelsen

³ Emissionsberäkningsmodellen HBEFA - Bransch (trafikverket.se)

⁴⁻⁵ Körsträckor 2023 (trafa.se)

By comparing the environmentally rated vehicles as per March 31, 2024 with average emissions for new vehicles, one can assume an annual reduction of 23,321 tonnes of CO₂ for the vehicles throughout the entire green loan portfolio, see table below.

Outstanding volumes of green bonds correspond to an annual CO₂ reduction of 10,481 tonnes of CO₂.

2024-03-31	Green Loan Portfolio	Total CO ₂ reduction Green Loan Portfolio	CO ₂ reduction Green Bonds
Gram CO ₂ per km for cars	8	53	
Grams CO ₂ per km for trucks	0	640	
Vehicles (number)	35,514	35,514	
Balance (MSEK)	11,125		5,000
CO ₂ emissions tonnes/year	3,074	23,321	10,481

Review performed by compliance function

Ziklo Bank’s regulatory compliance function has reviewed this investor report, as well as the use, management and traceability of green bond issues. This review has not resulted in any remarks.

UN Sustainable Development Goals

Ziklo Bank’s green bonds framework addresses two of the UN Sustainable Development Goals.



New updated framework 2024

As per April 1, 2024 Ziklo Bank completed a third update of the inaugural Green Bond Framework from 2017. In the new framework all remaining low-emission vehicles (PHEV) are excluded from the green loan portfolio, thus only fully electric vehicles will be financed. The framework follows the core components and key recommendations of the Green Bond Principles published by ICMA. S&P Global Ratings has awarded the framework with a Dark green shading.

Common cars in the green loan portfolio



Volvo C40 Recharge
WLTP CO₂: 0g/km



Volvo XC40 Recharge
WLTP CO₂: 0g/km



Polestar 2
WLTP CO₂: 0g/km



VW ID.5
WLTP CO₂: 0g/km

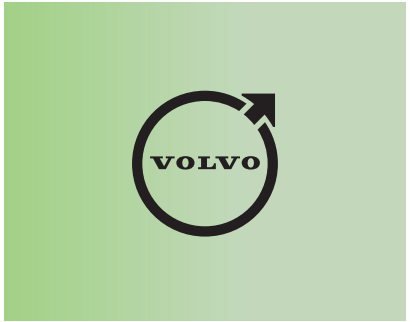


Volvo Cars

Volvo Cars aim to be pioneers in protecting people and the world by working towards net zero greenhouse gas emissions. By 2040 Volvo Cars is aiming to reach net zero greenhouse gas emissions by reducing emissions across the entire value chain. Volvo Cars is also aiming towards becoming a circular business by 2040 and therefore focus on eliminating waste and pollution, making greater use of recycled material, and remanufacturing and reusing parts. Volvo Cars is accelerating its electrification and plan to become a fully electric car company by 2030. Volvo Cars have expanded their car portfolio with new fully electric models EX30, EX90 and EM90, in addition to the EX40 and EC40. By 2025 Volvo Cars are aiming for at least 50% of their global sales volume to be fully electric cars, with the rest hybrids. This is a critical step towards being fully electric by 2030⁶.

AB Volvo

Volvo Group is committed to driving the transition to sustainable, safe, and more productive transport and infrastructure solutions, while making the journey to become a net-zero society. In 2030, around 35% of all vehicles sold by Volvo Group will be electric and by 2040 100% of the vehicles will be fossil-fuel free. The company was an early mover in the electrification journey, in 2015 Volvo's first fully-electric bus entered service and by 2018 the first fully-electric commercial Volvo truck premiered. Volvo Group now offer fully electric solutions ranging from compact excavators to city buses and heavy-duty trucks with zero greenhouse gas tailpipe emissions. The electrified heavy-duty trucks consist of FH, FM, FMX, FE and FL model⁷.

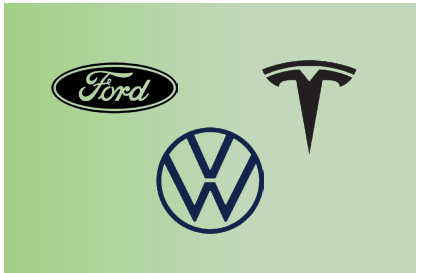


Polestar

Polestar is serious about operating sustainably. By 2030 the Polestar 0 Project aim to create a truly climate-neutral production car and by 2040 Polestar have a goal of reaching climate neutrality by eliminating all greenhouse gas emissions across the operations, and all phases of the cars' life-cycles. This includes emissions from supply chain and manufacturing, as well as energy use during the cars' use phase. Polestar aims to manufacture cars with reduced virgin materials reliance, improved lifespans, and minimal waste at end-of-life. Polestar 3 and 4 will be delivered to the first customers during the summer of 2024⁸.

Other car brands

Ziklo Bank finances cars from many different brands and the ambition is to become even more brand agnostic so that the bank can continue offer its customers financing solutions linked to a large range of fully-electric vehicles. Ziklo Bank's portfolio consist of a numerous different fully electric car models such as Volkswagen ID.5, Tesla Model Y, Renault Zoe and Audi Q4 e-tron. Vehicle electrification is now a permanent feature in the automotive sector, each year we will see car manufacturer add more EVs to their lineups, from well-established existing manufacturer to new OEMs.



⁶⁻⁸ Text and information taken from annual reports and/or Ziklo Bank AB

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