

Ålandsbanken starts consent solicitation process with certain noteholders in order to be prepared for contemplated transfer of its Swedish mortgage loans to Borgo AB

17.08.2021

Ålandsbanken Abp

Stock exchange release

August 17, 2021, 10:00 EET

Ålandsbanken starts consent solicitation process with certain noteholders in order to be prepared for contemplated transfer of its Swedish mortgage loans to Borgo AB

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, TO ANY PERSON LOCATED OR RESIDENT IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, HONG KONG, SOUTH AFRICA, JAPAN, NEW ZEALAND OR SINGAPORE OR ANY OTHER JURISDICTION WHERE SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL OR REQUIRE REGISTRATION OR ANY OTHER MEASURES. THIS NOTICE DOES NOT CONSTITUTE AN OFFER TO SELL OR BUY ANY OF THE SECURITIES DESCRIBED HEREIN.

Ålandsbanken has today disclosed a consent solicitation process to the holders (the "Noteholders") of the SEK 2,500,000,000 Covered Bonds due 2022, ISIN: SE0010598474 (the "Notes"). Ålandsbanken requests that, the Noteholders consent to amend the Terms and Conditions of the Notes by adding a call option to the terms and conditions (the "Call Option"). If the amendment is accepted by the Noteholders Ålandsbanken intends to exercise its Call Option and simultaneously issue an up to SEK 5,500,000,000 covered bond (the "New Covered Bond") which includes a right to transfer the New Covered Bond to Borgo Ab in the Borgo Transaction described below and Borgo becoming the issuer of the New Covered Bond. The net proceeds from the issue of the New Covered Bond will be applied for the redemption of the Notes and on general corporate purposes. For the avoidance of doubt, Ålandsbanken has no obligation to exercise the call option and it is in its sole discretion even if the amendment of the terms and conditions of the Notes has been approved.

On 19 September 2019, Ålandsbanken, ICA Banken, Ikano Bank and Söderberg & Partners (the "Industrial Investors") and Borgo signed an agreement on establishing a new mortgage company and joint mortgage platform on the Swedish market. Borgo is a digital start up mortgage company, which has been acquired by the Industrial Investors and has been licenced by the Swedish Financial Supervision. As one step of the co-operation Ålandsbanken and Borgo intend to enter into an agreement, according to which Ålandsbanken will transfer its Swedish mortgage loans, SEK-denominated covered bonds it has issued and SEK-denominated bonds from its liquidity portfolio to Borgo (the "Borgo Transaction"). Each of Borgo's initial industrial shareholder currently owns 24.95 per cent. of Borgo.

Based on mortgage loan stock on 30 June 2021 the mortgage loans to be transferred in the Borgo Transaction are expected to be around SEK 12,500,000,000 and estimated to be consisting of around 6,800 loans split by around 4,300 households with an average loan size of SEK 2,900,000 per

household. Based on the estimation the portfolio is expected to be of high quality with an expected average LTV of 54 % and 83 % of the loans have an LTV below 70 %. A large part of the portfolio (90 %) is estimated to be on a floating rate (0-3 months) and 10 % is on a fixed interest period (more than 1 year). The portfolio is estimated to be dominated by exposures in the Stockholm region with 60 % of the total mortgage portfolio. These estimates are based on Ålandsbanken's view on the development of the mortgage loan stock. Mortgage loans which will be transferred to Borgo consist of loans to Ålandsbanken's own customers and loans which ICA Banken and Söderberg & Partners have distributed but which have been granted from Ålandsbanken's balance sheet. The transfer of Ålandsbanken's mortgage loans for its own customers will be done at a market price determined by the parties.

The SEK-denominated covered bonds to be transferred and Borgo becoming the issuer instead of Ålandsbanken would be the New Covered Bond and a SEK 2,000,000,000 covered bond due in May 2025 (the "2025 Notes"). Covered bonds will be transferred at a market price agreed between Ålandsbanken and Borgo.

The size of the liquidity portfolio to be transferred is expected to be around 25 per cent. of the size of the mortgage loans to be transferred.

As payment for its mortgage loans and covered bonds transferred to Borgo, Ålandsbanken will receive partly shares in Borgo and partly cash. Maximum number of shares to be issued to Ålandsbanken will correspond to SEK 230,000,000.

The Industrial Investors have long experience of distributing mortgage loans and Ålandsbanken has a long experience of running full scale mortgage operations. The Industrial Investors will distribute Borgo's mortgage loans and receive commission from Borgo in return. Each Industrial Investor will set its own price, apply relevant discounts and following origination, handle first line customer support.

Ålandsbanken and its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd will supply platform solutions to Borgo. The platform solutions consist of four main services - treasury, payments, credits and accounting. A ten year-agreement has initially been signed.

In accordance with Ålandsbanken's market view a prerequisite for high profitability on the Swedish mortgage market is the scale. The advantage of scale is most obvious when it comes to cost of funding and cost of administration. The cost of capital is also indirectly linked to volume, since internal ratings-based models for calculating the capital requirement, with a current risk weight floor of 25 per cent. instead of a risk weight of 35 per cent. with the standard approach, is granted only to large actors. A co-operation between the Industrial Investors through Borgo enables necessary

scale of mortgage operations and enables them to provide mortgage loans to their customers with more beneficial terms and conditions than what has been possible earlier. Owning a large-scale mortgage company is also a business opportunity.

The Borgo Transaction is expected to take place during the first half year of calendar year 2022, but the completion is subject to several conditions precedent

The consent solicitation and issuance of the New Covered Bond are expected to be closed by 10 September 2021.

For further information, please contact:

Peter Wiklöf, Managing Director and Chief Executive, Bank of Åland, tel +358 40 512 7505

Important Notice

In respect of the consent solicitation process, this announcement must be read in conjunction with the Notice of Procedure in Writing. If any noteholder is in any doubt as to the contents of this stock exchange release, the information contained in the Notice of Procedure in Writing or the action it

should take, such noteholder should seek its own financial and legal advice, including in respect of any tax consequences, immediately from its broker, bank manager, solicitor, accountant or other independent financial, tax or legal adviser.

Neither this announcement nor the Notice of Procedure in Writing constitutes an invitation to participate in the consent solicitation in any jurisdiction in which, or to any person to or from whom, it is unlawful to make such invitation or for there to be such participation under applicable securities laws.

In a number of jurisdictions, in particular in Australia, Canada, South Africa, Singapore, Japan and the United States, the distribution of this announcement or the Notice of Procedure in Writing may be subject to restrictions imposed by law (such as registration of the relevant offering documents, admission, qualification and other regulations). Persons into whose possession this announcement or the Notice of Procedure in Writing comes are required to inform themselves about, and to observe, any such restrictions. In particular, none of the securities referenced in this announcement, including the Notes, nor the consent solicitation have been registered or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States and as any securities may not be offered or sold (and the consent solicitation is not being made) in the United States except pursuant to an exemption from registration under the Securities Act.

The consent solicitation is only being made outside the United States. Neither this announcement nor the Notice of Procedure in Writing is an offer to sell or the solicitation of an offer to buy any securities and shall not constitute an offer, solicitation or sale in the United States or any other jurisdiction in which such offering, solicitation or sale would be unlawful. This announcement or the Notice of Procedure in Writing must not be released or otherwise forwarded, distributed or sent, directly or indirectly, in whole or in part, in or into the United States or any jurisdiction where the distribution of these materials would breach any applicable law or regulation or would require any registration or licensing within such jurisdiction. Failure to comply with the foregoing limitation may result in a violation of the Securities Act or other applicable securities laws.

The information herein may contain forward-looking statements. All statements other than statements of historical facts included in the information are forward-looking statements. Forward-looking statements give Ålandsbanken's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "expect", "aim", "intend", "may", "plan", "would", "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Ålandsbanken's control that could cause Ålandsbanken's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Ålandsbanken's present and future business strategies and the environment in which it will operate in the future.