

The Bank of Åland will transfer most of its Swedish mortgage portfolio to Borgo AB

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Bank of Åland Plc
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On January 20, 2022, the Board of Directors of the Bank of Åland (Ålandsbanken) decided to carry out the transfer of most of the Bank's Swedish mortgage portfolio and previously issued Swedish covered bonds to the Swedish company Borgo AB. This transaction is subject to approval by the Financial Supervisory Authority of Finland and its counterpart in Sweden.

The transaction is part of the collaboration that began in the autumn of 2019 between the Bank of Åland, ICA Bank, Ikano Bank, Söderberg & Partners and Borgo with the aim of creating a large new modern player in the Swedish mortgage market. Within the framework of this collaboration the Bank of Åland – together with its information technology subsidiary Crosskey Banking Solutions – will provide platform solutions for the new mortgage company Borgo and will contribute its existing knowledge about mortgage management. During the preparatory phase, before Borgo has been able to start its operations, the Bank of Åland has handled mortgages for the customers of ICA Bank and Söderberg & Partners in its own balance sheet.

Following the transaction, the Bank of Åland's ownership stake in Borgo will initially amount to 19.9 per cent. The transaction will mainly occur during the first quarter of 2022, 2022, but some small portions of the loan portfolio will be transferred later in the year. As previously communicated, the transferred mortgage portfolio totals approximately SEK 12.5 billion and previously issued covered bonds amounting to SEK 7.5 billion will change issuer – from the Bank of Åland plc under Finnish mortgage banking legislation to Borgo as issuer under Swedish mortgage banking legislation.

The transaction will have a positive effect on the Bank of Åland's net operating profit in the first quarter, but will subsequently mean a smaller loan portfolio in the Bank of Åland's own balance sheet and thus a lower current net interest income for the Bank. In the future, the Bank of Åland will instead receive distribution fees for brokered loans and platform revenues for maintaining all its various services to Borgo. The total full-year effect on 2022 earnings is expected to be positive.

Borgo currently has four "industrial investors" – ICA Bank, Ikano Bank, Söderberg & Partners and the Bank of Åland – all of which will offer their customers mortgages that are administered in Borgo's balance sheet. The southern Swedish savings bank Sparbanken Syd has signed an agreement to be included as a fifth industrial investor in Borgo and a mortgage distributor. There are also about ten financial investors that have signed agreements to become co-owners of Borgo.

For further information, please contact:

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