

**ÅLANDSBANKEN****ÅLANDSBANKEN ABP***(incorporated with limited liability in the Republic of Finland)***Borgo****BORGO AB***(incorporated with limited liability in the Kingdom of Sweden)***SEK 5,500,000,000****Floating Rate Covered Bonds due 10 September 2026**

On 10 September 2021, Ålandsbanken Abp (**Ålandsbanken** or the **Initial Issuer**) issued covered bonds under the Finnish Act on Mortgage Credit Bank Activity (in Finnish: *Laki kiinnitysluottopankkitoiminnasta* 688/2010, as amended) with an aggregate amount of SEK 5,500,000,000 (the **Covered Bonds**) to certain institutional investors. The terms and conditions of the Covered Bonds (the **Terms and Conditions**) provide that after the occurrence of the Issuer Change Event (as defined therein), Borgo AB (**Borgo** or the **Subsequent Issuer**) replaces the Initial Issuer as issuer under the terms as set out in the Terms and Conditions and the obligations and liabilities of the Initial Issuer under the Terms and Conditions and the Covered Bonds are assumed by and transferred to the Subsequent Issuer. The contemplated timing for the Issuer Change Event to occur is the first half of the calendar year 2022. The final decision regarding the occurrence of the Issuer Change Event shall be at the full discretion of the Initial Issuer and the Subsequent Issuer. The Terms and Conditions do not provide that the Issuer Change Event shall occur during the term of the Covered Bonds, and, accordingly, the Issuer Change Event may not occur at all. The Covered Bonds were issued based on the authorisation given by Ålandsbanken's Board of Directors on 19 July 2021 and on the authorisation given by Borgo's Board of Directors on 8 July 2021.

The Covered Bonds are in denominations of SEK 2,000,000. The Covered Bonds were offered for subscription through a book-building procedure that was carried out on 1 September 2021 (the **Offering**). The Covered Bonds were issued in the book-entry securities system of Euroclear Sweden AB (**Euroclear Sweden**) in dematerialised form under the Swedish Financial Instruments Accounts Act 1998 (in Swedish: *Lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*, as amended).

This listing prospectus (the **Listing Prospectus**) has been prepared solely for the purpose of listing the Covered Bonds on the official list of Nasdaq Helsinki Ltd (the **Helsinki Stock Exchange**) (the **Listing**) and does not constitute an offer of the Covered Bonds. The Initial Issuer has applied for listing of the Covered Bonds on the Helsinki Stock Exchange, and the Listing is expected to take place on or about 14 September 2021 under the trading code "ALBJVAIH26".

**The validity of this Listing Prospectus expires when the Covered Bonds have been admitted to trading on the Helsinki Stock Exchange. The obligation to supplement this Listing Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Listing Prospectus is no longer valid.**

Besides filing this Listing Prospectus with the Finnish Financial Supervisory Authority (the **FIN-FSA**) and the application to the Helsinki Stock Exchange, neither Ålandsbanken, Borgo nor the Joint Lead Managers and Bookrunners (as defined below) have taken any action, nor will they take any action, to render any public offer of the Covered Bonds or their possession, or the distribution of this Listing Prospectus or any other documents relating to the Covered Bonds admissible in any jurisdiction requiring special measures to be taken for the purpose of a public offer.

The Initial Issuer has been assigned a long-term credit rating of BBB by Standard & Poor's Credit Market Services Europe Limited (**S&P**). The Subsequent Issuer has not been assigned a credit rating by any credit rating agency, however, the Subsequent Issuer is expected to receive a credit rating by S&P or Moody's Investors Service (Nordics) AB (**Moody's**) during the last quarter of 2021. S&P and Moody's are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such S&P and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The Covered Bonds have been assigned a credit rating of AAA by S&P. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.**

The Covered Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) nor with any securities regulatory authority of any State of the United States. The Covered Bonds may not be offered, sold, pledged or otherwise transferred directly or indirectly within the United States nor to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (the **Regulation S**), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S.

An investment in the Covered Bonds involves certain risks. The principal risk factors that may affect the ability of either or both Issuer to fulfil their obligations under the Covered Bonds are discussed under "**Risk Factors**" below.

## IMPORTANT INFORMATION

**PRIIPs Regulation / Prohibition of sales to EEA retail investors:** The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance / Professional investors and eligible counterparties only target market:** Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **Distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In this Listing Prospectus, the "**Issuer**" refers to the Initial Issuer or the Subsequent Issuer as the context requires and the "**Ålandsbanken Group**" refers to Ålandsbanken Abp together with its consolidated subsidiaries.

This Listing Prospectus has been prepared in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council, as amended (the **Prospectus Regulation**), the Commission Delegated Regulation (EU) 2019/979, the Commission Delegated Regulation (EU) 2019/980, in application of the Annexes 7 and 15 thereof, the Finnish Securities Markets Act (746/2012, as amended) (the **Finnish Securities Markets Act**) and the regulations and guidelines issued by the FIN-FSA. The FIN-FSA, which is the competent authority for the purposes of the Prospectus Regulation and relevant implementing measures in Finland has approved the Listing Prospectus but assumes no responsibility for the correctness of the information contained herein. The FIN-FSA has only approved this Listing Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval shall not be considered as an endorsement of the qualities of the Covered Bonds, Ålandsbanken nor Borgo. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. The record number of the FIN-FSA's approval is FIVA 49/02.05.04/2021. This Listing Prospectus has been prepared in English only.

This Listing Prospectus should be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Listing Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Listing Prospectus. See "*Information Incorporated by Reference*".

Nordea Bank Abp (**Nordea**) and Danske Bank A/S (**Danske**) (the **Joint Lead Managers and Bookrunners**) are acting exclusively for Ålandsbanken and Borgo in connection with the listing of the Covered Bonds and will not be responsible to anyone other than Ålandsbanken and Borgo for providing the protections afforded to their clients nor giving investment or other advice in relation to the Covered Bonds.

Prospective investors should rely solely on the information contained in this Listing Prospectus including information incorporated by reference into this Listing Prospectus. Neither Ålandsbanken, Borgo nor the Joint Lead Managers and Bookrunners have authorised anyone to provide any information or give any statements other than those provided in this Listing Prospectus. The Joint Lead Managers and Bookrunners assume no responsibility for the accuracy or completeness of the information in this Listing Prospectus and, accordingly, disclaim to the fullest extent permitted by law, any and all liability which they might otherwise be found to have in respect of this Listing Prospectus or any such statement. Delivery of this Listing Prospectus shall not, under any circumstances, indicate that the information presented in this Listing Prospectus is correct on any day other than the date of this Listing Prospectus, or that there would not be any changes in the business of Ålandsbanken or Borgo after the date of this Listing Prospectus. Any investor investing in the Covered Bonds becomes bound by the Terms and Conditions. Information given in this Listing Prospectus is not a guarantee or grant for future events by Ålandsbanken or Borgo and shall not be considered as such. If a significant new factor, material mistake or material inaccuracy relating to the information included in this Listing Prospectus which may affect the assessment of the Covered Bonds arises or is noted prior to the Listing, this Listing Prospectus will be supplemented in accordance with the Prospectus Regulation. The obligation to supplement this Listing Prospectus under the Prospectus Regulation will end when the Listing Prospectus expires. Borgo has undertaken to comply with the periodic and ongoing disclosure obligations applicable to the Issuer under these Terms and Conditions also prior to the occurrence of the Issuer Change Event. However, the Subsequent Issuer will not publish any half-yearly or other interim financial information during 2021.

In making an investment decision, each investor must rely on their examination, analysis and enquiry of Ålandsbanken, Borgo and the Terms and Conditions, including the risks and merits involved. Neither Ålandsbanken, Borgo, nor the Joint Lead Managers and Bookrunners nor any of their respective affiliated parties or representatives, is making any representation to any offeree or subscriber of the Covered Bonds regarding the legality of the investment by such person. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of an investment in the Covered Bonds. The contents of this Listing Prospectus are not to be construed as legal, business, tax, financial or other advice.

The distribution of this Listing Prospectus and the offer and sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Listing Prospectus comes are required by Ålandsbanken, Borgo and the Joint Lead Managers and Bookrunners to inform themselves about and to observe any such restrictions. This Listing Prospectus may not be distributed in the United States, Australia, Canada, Hong Kong, South Africa, Japan, New Zealand or Singapore or such other countries or otherwise in such circumstances in which the offering of the Covered Bonds would be unlawful or require measures other than those required under the laws of Finland. This Listing Prospectus does not constitute an offer of, or an invitation to purchase, the Covered Bonds in any jurisdiction. No offer will be made to persons whose participation in the offering of the Covered Bonds requires any additional prospectus or registration. None of Ålandsbanken, Borgo, the Joint Lead Managers and Bookrunners or any of their respective affiliates or representatives accepts any legal responsibility for any such violations by any person or entity, whether or not a prospective purchaser of the Covered Bonds, and whether or not the person or entity is aware of such restrictions.

Prior to occurrence of the Issuer Change Event, the Covered Bonds are governed by and construed in accordance with Finnish law and any dispute arising in relation to the Covered Bonds shall be settled exclusively by the Finnish courts as specified in the Terms and Conditions. After the occurrence of the Issuer Change Event, the Covered Bonds are governed by and construed in accordance with Swedish law and any disputes relating to the Covered Bonds shall be settled exclusively by the Swedish courts as specified in the Terms and Conditions. The auditor of the Initial Issuer has audited the Swedish language versions of the financial statements that shall prevail. The auditor of the Subsequent Issuer has audited the Swedish language versions of the financial statements that shall prevail. English language versions of the financial statements of the Initial Issuer are unofficial translations thereof.

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## RISK FACTORS

*An investment in the Covered Bonds involves risks, some of which may be significant. Investors considering investment in the Covered Bonds should carefully review the information contained in this Listing Prospectus and, in particular, the risk factors described below, and the stock exchange releases published by each Issuer. Factors possibly affecting the investment decision are also discussed elsewhere in this Listing Prospectus. Should one or more of the risks materialise, it may have a material adverse effect on Ålandsbanken's and/or Borgo's business, financial condition, results of operations and future prospects and, thereby, on Ålandsbanken's and/or Borgo's ability to fulfil its obligations under the Covered Bonds as well as the market price and value of the Covered Bonds. As a result, investors may lose part of or all of their investment. The following description is a summary of certain risk factors that may affect Ålandsbanken's and/or Borgo's ability to fulfil obligations under the Covered Bonds or that are material in order to assess the market risk associated with the Covered Bonds. This description is based on the information known and assessed at the time of preparing this Listing Prospectus, and, therefore, the description of the risk factors is not necessarily exhaustive. All investors should make their own evaluations of the risks associated with an investment in the Covered Bonds and consult with their own professional advisers if they consider it necessary.*

*The risk factors are presented below in the following categories:*

- A. Risks relating to macroeconomic factors and to the financial and securities markets*
- B. Risks related to Ålandsbanken's business activities and industry*
- C. Risks related to Borgo's business activities and industry*
- D. Risks related to Ålandsbanken's financing*
- E. Risks related to Borgo's financing*
- F. Regulatory risks*
- G. Risks related to the Covered Bonds*
- H. Risks relating to the Borgo Transaction*

*While the categories are not presented in any order of materiality, within each risk category the most material risks, in the assessment of Ålandsbanken and/or Borgo, as applicable, taking into account the negative impact on Ålandsbanken and/or Borgo, as applicable, and the probability of their occurrence, are presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialization.*

### **A. Risks relating to macroeconomic factors and financial and securities markets**

#### ***Risks relating to Covid-19 pandemic***

The single largest uncertainty factor on the date of this Listing Prospectus is the impact of the global COVID-19-pandemic (the **Covid-19 pandemic**). Ålandsbanken Group and Borgo monitor the development of the Covid-19 pandemic closely and assess its impact on the business environment. A prolonged pandemic could have an adverse effect on the business environment and have an impact on corporate customers' ability to fulfil their credit obligations as well as lead to long-term unemployment which in turn affects private customers' ability to fulfil their credit obligations.

***Macroeconomic conditions and development in Finland, Sweden and globally can adversely affect the banking business, results of operations and liquidity of Ålandsbanken and/or Borgo, as applicable.***

Adverse changes in the Finnish, Swedish and global macroeconomic circumstances and development could have an adverse effect on Ålandsbanken's banking business, results of operations and liquidity. Relevant macroeconomic factors to Ålandsbanken are housing and commercial properties market development in Finland and in Sweden, unemployment ratios in both countries, development of interest rates and development of households' disposable income. Furthermore, adverse changes in the Swedish and global macroeconomic circumstances and development could have an adverse effect on Borgo's banking business, results of operations and liquidity. Relevant macroeconomic factors to Borgo are housing and commercial properties market development in Sweden, unemployment ratios in both countries, development of interest rates and development of households' disposable income.

During the Covid-19 pandemic housing and residential property values both in and outside the domestic growth centres and both in Finland and in Sweden, have increased. The majority of the housing and residential property collateral of the mortgage loans granted by each Issuer is located in major cities and growth centres where housing and residential property values have increased in recent years. According to Ålandsbankens' management's view, as the vaccine coverage will

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increase, the value of housing and residential property located outside the growth centres may in the future generally decline, or certain residential areas or districts may again become less attractive leading to a decline in the values of the housing and residential property in such areas thereby reducing the value of the collateral of either Issuer. Centralization of the property could also constitute a problem if values on the growth centres would reduce.

Macroeconomic adverse changes could affect debtors' economic situation and, consequently, their ability to fulfil their credit obligations towards each Issuer. It could also have an adverse effect on the development of the residential markets and commercial real estate markets, which form majority of the securities for each Issuer's credits.

Adverse changes in the macroeconomic conditions and more specifically on the housing markets and commercial properties could have an adverse effect on the Swedish Cover Pool. The Covered Bonds issued will have the benefit of the Swedish Cover Pool (see "*Characteristic of the Swedish Cover Pool*"). The Swedish Cover Pool includes housing properties located in Sweden and may also include loans secured by commercial properties in Sweden. Accordingly, the credit quality of the Swedish Cover Pool could be adversely affected by adverse developments in the housing markets and commercial property markets of Sweden. (See also "*Credit risk relating to housing loans and corporations*".)

### ***Circumstances in the financial and capital markets***

A negative development in the financial and securities market could have an adverse effect on the availability of funding from the debt capital markets which could lead to liquidity constraints for either Issuer. This could have an adverse effect on the business and results of that Issuer.

Changes in the global financial market and developments in the fixed income and stock markets create uncertainty of the global economy. This could have a negative impact on the economic conditions and as a consequence on either Issuer's creditors ability to fulfil their credit obligations towards that Issuer.

## **B. Risks related to Ålandsbanken's business activities and industry**

### ***Credit risk related to housing loans and loans to corporations***

Credit risk is the risk that Ålandsbanken will incur losses due to its borrowers' inability to meet their obligations to Ålandsbanken as they fall due. Adverse changes in the creditworthiness of Ålandsbanken's borrowers or any reduction in the value of collateral or other security obtained by Ålandsbanken may have an adverse impact on Ålandsbanken's financial results. Credit risks may also adversely impact Ålandsbanken's creditworthiness.

As at 30 June 2021, 36 per cent. of the Ålandsbanken Group's income constitutes of its net interest income, strongly affected by Ålandsbanken Group's lending business. Ålandsbanken mainly provides credits to private individuals with sound financial status who often are entrepreneurs and business owners and who value personal service from Ålandsbanken. Loans are not granted as a stand-alone product, but mainly as part of a long-term customer relationship and to support Ålandsbanken's financial investment business. As far as possible, loans shall be secured by either a real estate or securities and it is always required that there are steady cash flows that ensure the customer's ability to repay the debt.

The credit risk of the Ålandsbanken Group is comprised primarily of claims against private individuals. As at 30 June 2021, the Ålandsbanken Group's total lending was EUR 4,518 million, of which approximately 75 per cent. constituted loans to private individuals or households. The Ålandsbanken Group therefore has a significant exposure to individuals and households. Individuals' and households' creditworthiness are affected by a variety of factors such as the state of the economy in general, adverse changes in the level of employment and real estate values. As at 30 June 2021, total lending in Sweden was EUR 1,673 million, or approximately 37 per cent. of the total lending of the Ålandsbanken Group while total lending in Finland was EUR 2,845 million, or approximately 63 per cent. of the total lending of the Ålandsbanken Group, the balance of lending thus being in Finland. The exposure of the Ålandsbanken Group is, therefore, also particularly concentrated in Finland and Sweden.

Any economic downturn in the Ålandsbanken Group's core markets of Finland and Sweden, with falls in house and property prices and increases in unemployment, could adversely affect the Ålandsbanken Group's home loans portfolio and generate increases in impairment losses. House prices in Sweden have increased during recent years and constitute a certain risk if rapidly declining prices from current heightened levels were to occur. In addition, the effects of declining property values on the wider economy are also likely to contribute to higher default rates and impairment losses on the Ålandsbanken Group's loans.

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As at 30 June 2021, the Ålandsbanken Group's total lending to companies and the public sector and non-profit organisations was EUR 1,118 million. The Ålandsbanken Group's exposure to corporate and other institutional customers is subject to adverse changes in their credit quality, whether as a result of the global financial crisis or the European sovereign debt crisis or for other reasons.

The Ålandsbanken Group monitors the impact of the on-going Covid-19 pandemic. A prolonged pandemic could have a negative impact on the business environment and could lead to reduced credit quality in the corporate portfolios. An increase in unemployment could further increase the risk of impairment losses in the private portfolios. As at the date of this Listing Prospectus, the Ålandsbanken Group has not seen substantial increases in non-performing exposures because of the Covid-19 pandemic.

### ***Ålandsbanken is exposed to credit concentration risks***

Because of the customer target group Ålandsbanken has selected, private individuals with sound financial status who are often entrepreneurs and business owners, Ålandsbanken's credit exposure to individual customer entities can be relatively large in relation to its capital base. In a rapidly deteriorating economic environment combined with declining prices on real estate and securities the default of one or more of the largest credit customers could lead to material credit losses.

Within its corporate lending segment, Ålandsbanken has a large concentration in the real estate segment in Finland and Sweden. Specifically, lending towards the Swedish commercial real estate segment is considered to be an increased credit concentration risk. In its Finnish credit portfolio, lending towards the shipping industry is also viewed as a risk segment with historic increased credit provisioning during recent years.

The Ålandsbanken Group monitors the impact of the on-going Covid-19 pandemic. A prolonged pandemic could have a negative impact on the business environment and could lead to credit losses. Ålandsbanken has identified isolated cases where the repayment ability has reduced but as at the date of this Listing Prospectus, the Ålandsbanken Group has not seen substantial increases in non-performing exposures because of the Covid-19 pandemic.

### ***The Ålandsbanken Group is exposed to the risk of increased credit provisioning***

Amount of credit losses vary over the business cycle and there is a risk of increased credit losses in the current economic environment. As European markets remain challenging, credit risk associated with certain borrowers and counterparties in these markets remains increased.

The Ålandsbanken Group's accrued net impairment loss on loans and other commitments was EUR 0.6 million in the six-months period ended 30 June 2021 as compared to EUR 4.6 million in the six-months period ended 30 June 2020. The Ålandsbanken Group had at the end of the six-months period ended 30 June 2021 EUR 12.2 million in impairment loss provisions as compared to EUR 11.9 million as at 31 December 2020 and EUR 12.1 million as at the end of the six-months period ended 30 June 2020. The Ålandsbanken Group maintains allowances for loan losses to cover estimated probable incurred credit impairments inherent in its loan portfolio. The Ålandsbanken Group's calculation of the allowance for losses on loans is based on, among other things, its analysis of current and historical delinquency rates and loan management, its customers' likely repayment capacity and the valuation of the underlying assets, as well as numerous other management assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance.

Any material increase in impairment loss on loans and other commitments could have a material adverse effect on the Ålandsbanken Group's operations, and, thereby, on Ålandsbanken's ability to fulfil its obligations under the Covered Bonds as well as the market price and value of the Covered Bonds. Due to IFRS 9 the Ålandsbanken Group now calculates an expected credit loss figure for all assets within its lending and treasury operations. In addition to increased impairments for defaulted receivables deteriorating creditworthiness of not yet defaulted receivables could lead to increased credit provisioning. The risk is considered to be material since the calculations of expected credit losses covers a large part of the balance sheet.

### ***Risk relating to the assets managed by the Ålandsbanken Group***

The amount of managed assets by the Ålandsbanken Group was on 30 June 2021 EUR 8,541 million. If the value of the assets that are managed by the Ålandsbanken Group in the mutual funds or in the asset management decreased substantially due to the market conditions, if the development of the value of the assets was unsatisfactory or if success of the Ålandsbanken Group's asset management deteriorated there could be a risk that clients decrease their investments or transfer their assets to another service provider and that the Ålandsbanken Group could not acquire new clients or more

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assets from its present clients. This could lead to decreased commissions from asset management and adverse development of the asset management business. Negative value development or adverse success of asset management could have an adverse effect on Ålandsbanken's results.

### ***The Ålandsbanken Group is exposed to operational risks***

The Ålandsbanken Group has defined tolerance levels for realised operational risks and the events and losses are reported monthly to its executive management. The most critical functions are regularly assessing their operational risks and the most essential risks are presented to the executive management at least yearly. The operational risk losses have historically been low in the Ålandsbanken Group.

The Ålandsbanken Group depends on information technology to manage critical business processes. The IT-development is an ongoing process and most of the development is done by Ålandsbanken's information technology providing subsidiary Crosskey Banking Solutions Ab Ltd. There is a risk for disruptions or failure due to implementation of systems which may cause errors and therefore possible losses.

Although the Ålandsbanken Group has implemented risk controls and taken other actions to mitigate exposures and/or losses, there can be no assurance that such procedures will be effective in controlling each of the operational risks faced by the Ålandsbanken Group, or that the Ålandsbanken Group's reputation will not be damaged by the occurrence of any operational risks. Business expansion, mainly forming new partnerships in different areas of business increases the importance of documented and functioning internal routines. Documentation of internal routines is emphasized as a risk mitigation action.

As a part of its banking and asset management activities, the Ålandsbanken Group provides its clients with investment advice and access to internally, as well as externally, managed funds. In the event of losses incurred by the Ålandsbanken Group's clients due to such of investment advice, or an investment in such funds, such Ålandsbanken Group's clients may seek compensation from the Ålandsbanken Group, which may result in losses for the Ålandsbanken Group. Such compensation might be sought even if the Ålandsbanken Group has no direct exposure to such risks or has not recommended such counterparties to its customers.

### ***Risk of losing key persons***

Financial markets are highly dependent on competent people and there is high demand for such people. Risk relating to losing key personnel or not being able to employ new competent people is identified within the Ålandsbanken Group being active in many different areas of business. Ålandsbanken is a small bank and many functions are taken care of by less personnel than in larger banks. Losing certain people with specific skills could constitute a risk for the bank's operations.

### ***System risk***

Due to the dependencies in the domestic and international financing, securities and capital markets the financial difficulties of one market participant can cause difficulties also to the other participants and to the whole market. This system risk could have adverse effect to financial markets in general and consequently to Ålandsbanken.

### ***Reputational risk***

The Ålandsbanken Group's reputation is one of its most important assets. Reputational risk, including the risk to earnings and capital from negative public opinion, is inherent in the financial services business. Negative public opinion can result from any number of causes, including misconduct by employees, the activities of business partners over which the Ålandsbanken Group has limited or no control, severe or prolonged financial losses, or uncertainty about the Ålandsbanken Group's financial soundness or reliability. Negative public opinion may adversely affect the Ålandsbanken Group's ability to keep and attract customers, depositors and investors, as well as its relationships with regulators and the general public. The Ålandsbanken Group cannot ensure that it will be successful in avoiding damage to its business from reputational risk. The Ålandsbanken Group's strategy is to be a bank for investors that builds and maintains customer relationships. Negative public opinion and reputational risks are likely to have a particularly adverse effect on the Ålandsbanken Group's ability to implement that strategy, which could have an adverse effect on the Ålandsbanken Group's business.

### ***The Ålandsbanken Group faces competition in all markets***

There is competition for the types of banking and other products and services that the Ålandsbanken Group provides and there can be no assurances that the Ålandsbanken Group can maintain its competitive position.

A key success factor in the Ålandsbanken Group's strategy to be a bank for investors is the provision of high service levels to its premium and private banking clients. The Ålandsbanken Group faces competition in this market in both Sweden and Finland from several smaller specialised firms as well as large Nordic banks. There can be no guarantee that the business strategy adopted by the Ålandsbanken Group will be successful. If the Ålandsbanken Group's strategy proves unsuccessful, it could lead to a decrease in market share, protracted periods of low profitability or losses and a deterioration of its financial condition.

The financial services market may face significant changes due to the development of digital banking solutions, changes in consumer behaviour, regulatory reforms as well as new operators entering the market. The mortgage loan business in Finland and Sweden is also competitive. Lenders advertise extensively and use targeted marketing and loyalty schemes in an effort to expand their presence in the market and compete for customers. If the Ålandsbanken Group is unable to provide competitive product and service offerings, it may fail to attract new customers, retain existing customers, experience decreases on its interest, fee and commission income, and/or lose market share. Competition may adversely impact the Ålandsbanken Group's position in the premium and private banking segments and the mortgage loan business.

Any of these factors could have a material adverse effect on the Ålandsbanken Group's business, and, thereby, on Ålandsbanken's ability to fulfil its obligations under the Covered Bonds as well as the market price and value of the Covered Bonds.

### **C. Risks related to Borgo's business activities and industry**

#### ***IT and operational risk***

Borgo's operations will rely on the secure processing, storage and transmission of customer information and other confidential information in its IT systems and networks. Borgo's IT systems, software and networks could be vulnerable to breaches, unauthorised access, misuse, computer viruses or other malicious code that could result in disruption to its business or the loss or theft of confidential information, including customer information subject to bank secrecy laws. There is risk that any failure, interruption or breach in Borgo's IT security, including any failure of its back-up systems or failure to maintain adequate security surrounding customer information, results in reputational harm, disruption in the management of Borgo's customer relationships, the inability to originate, process and service loans or depositors not being able to access their funds.

In relation to deposits in particular, the risk of IT related problems or failures will, following commencement of its deposits operations, constitute one of the most severe risks, which may result in Borgo being unable to service its depositors for a short or long period of time. If any IT security or IT operational risks would materialise, it could result in a loss of customer business, loss of income, damaged reputation and possibly a large number of customers making withdrawals of deposits rapidly, thereby adversely affecting Borgo's funding and liquidity situation. Borgo could further be subject to additional regulatory scrutiny or be exposed to lawsuits by customers for identity theft or other loss resulting from the misuse of their personal information and possible financial liability. Regulators may also impose penalties or require remedial action if they identify weaknesses in Borgo's security systems and Borgo could be required to incur significant costs to increase its IT security to address any vulnerabilities that may be discovered or to remediate the harm caused by any security breaches. The degree to which IT failures could, now and in the future, affect Borgo is uncertain and presents a highly significant risk to Borgo's operations and financial situation.

As part of its business Borgo may share confidential customer information and proprietary information on an aggregated basis with outsourcing parties. The information systems of these third parties may be vulnerable to security breaches, and there is a risk that Borgo's methods and procedures for overseeing how outsourcing partners and other third parties operate their businesses may be inadequate or that Borgo may not be able to ensure that these third parties have appropriate security controls in place to protect the information that Borgo shares with them. Furthermore, such third parties may misuse data provided by Borgo. If Borgo's proprietary or confidential customer information is intercepted, stolen, misused or mishandled while in the possession of a third party, there is a risk that it will result in reputational harm to Borgo, loss of customer business, loss of income, and possibly a large number of customers making withdrawals of deposits rapidly, thereby adversely affecting Borgo's funding situation, and additional regulatory scrutiny, and that it will expose Borgo to civil litigation and possible financial liability, adversely affecting Borgo's operations and financial situation.

## EXPIRED

### ***If Borgo is unable to become a public limited company in the contemplated timetable, it may prevent the Borgo Transaction and/or cause other adverse effects***

Subject to the approval of Borgo's shareholders, Borgo intends to submit an application to the Swedish Companies Registration Office regarding, among other things, change of its articles of association and its company form from a private limited company to a public limited company in September 2021. The company form of Borgo shall be changed from a private limited company to a public limited company prior to the occurrence of the Issuer Change Event. If Borgo is not able to change its company form to a public limited company or the timetable or costs of such transformation are adversely affected, it may prevent the Borgo Transaction and/or the occurrence of the Issuer Change Event thus possibly having an adverse effect on the business and business prospects of the Issuer, non-achievement of the economic targets set for the Borgo Transaction and the contemplated business or cause negative publicity.

### ***Borgo is dependent on its distributors, owners and service suppliers***

Borgo's mortgage loans will be distributed by its Industrial Investors (as defined below under "*Borgo Transaction*"). Each Industrial Investor will market and originate mortgage loans through its own preferred route (e.g. online, via telephone or physical meetings) and using its own application interface. In addition, each Industrial Investor will set its own price, apply relevant discounts and following origination, handle first line customer support. Borgo will thus be, to a large degree, dependent on the Industrial Investors' ability to attract and service customers. In addition, Borgo is through an outsourcing agreement entirely dependent on Ålandsbanken's and its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd's treasury-, accounting-, payment- and IT-services to maintain day-to-day operations.

There is a risk that a failure by any of Borgo's Industrial Investors or service suppliers to attract customers and/or supply Borgo with required services could have a material adverse effect on Borgo's business operations and financial position.

### ***Credit risk relating to non-payment***

Credit risk is the risk that Borgo will incur losses due to its borrowers' inability to meet their obligations to Borgo as they fall due. Adverse changes in the creditworthiness of Borgo's borrowers or any reduction in the value of collateral or other security obtained by Borgo may have an adverse impact on Borgo's financial results. Credit risks may also adversely impact Borgo's creditworthiness.

Borgo's credit risk will, following commencement of its operations to originate and administer mortgage loans, mainly pertain to the borrowers' ability to perform their financial obligations under their respective mortgage loan, that is the borrowers' ability to pay principal of, and interest on, such mortgage loan. Borgo's ability to receive principal and interests will depend primarily on the financial status of the relevant borrower, which in turn, could be affected by general macroeconomic conditions and developments. Any national or global economic downturn, for example, the ongoing Covid-19 pandemic, could result in declining property values and increases in unemployment rates. This could impair borrowers' ability to make timely payments which would have an adverse effect on Borgo's liquidity and financial results.

### ***Credit risk relating to the value of collateral***

The mortgage loans granted by Borgo, following commencement of its operations to originate and administer mortgage loans, and its distributors will be secured by a first ranking pledge over mortgage certificates (in Swedish: *pantbrev*) or rights to cooperative flats (in Swedish: *bostadsrätt*). The value of the collateral is linked to the performance of the Swedish real estate and housing market. There are various factors which may have a negative effect on the prices on the housing market, for example changes in regulations affecting the market directly or indirectly, a quick rise in interest rates or unemployment levels or changing economic conditions. Legal requirements, such as stricter amortisation requirements as well as stricter caps on loan-to-value levels and loan-to-income ratios, may have a negative effect on prices on the Swedish housing market, as the borrowers will be able to take up less mortgage loans. The foregoing particularly applies to urban areas where market values are higher. In addition, potential constraints of monetary policies can also be expected to hold back house price development. Any such changed regulation or upcoming constraints of monetary policies that hold back pricing development in the housing market or lead to a general downturn in the value of properties in Sweden would adversely affect the value of the collateral and thus diminish Borgo's security for future claims against a borrower in case of non-payment of such borrower. In addition, the value of the collateral may also be impaired by a borrower's neglect and/or mismanagement of the relevant property, which ultimately may affect the value of the property. If the housing prices on the Swedish housing market, and thus also the value of Borgo's collateral for mortgage loans, significantly decreases for any reason and a significant number of borrowers are unable to pay principal and/or interest

in whole or in part, there is a risk that the collateral does not cover the borrowers' financial obligations under the mortgage loans. Accordingly, there is a risk that Borgo fails to recover monies equal to the payments to which it is entitled under the relevant mortgage loan, which may adversely affect the value of Borgo's portfolio of mortgage loans and subsequently result in Borgo being unable to fulfil its financial obligations and undertakings, including but not limited to its obligations as the Subsequent Issuer of the Covered Bonds.

### ***Risk of losing key persons***

Financial markets are highly dependent on competent people and there is high demand for such people. Risks relating to losing key personnel or not being able to employ new competent people is identified within Borgo. Borgo is a small company currently consisting of 15 employees with the aim to compete with established high-street banks on the Swedish mortgage loan market. This requires competent, skilful and dedicated people. Losing certain people with specific skills could constitute a risk for Borgo's operations.

### ***Reputational risk***

Borgo's ability to build and maintain a good reputation will be an important factor to establish itself as an alternative to high-street banks on the Swedish mortgage loan market. Reputational risk, including the risk to earnings and capital from negative public opinion, is inherent in the financial services business. Negative public opinion can result from any number of causes, including misconduct by employees, the activities of business partners over which Borgo has limited or no control, such as its distributors, severe or prolonged financial losses, or uncertainty about Borgo's financial soundness or reliability. Negative public opinion may adversely affect Borgo's ability to keep and attract customers, depositors and investors, as well as its relationships with regulators and the general public. Borgo cannot ensure that it will be successful in avoiding damage to its business from reputational risk. Negative public opinion with respect to Borgo's operations, offers and even its investors and business partners operations, such as its distributors of mortgage loans, could have an adverse effect on Borgo's business.

### ***Borgo faces competition in mortgage loan market***

There is competition for the types of services that Borgo will provide and there can be no assurances that Borgo can obtain and maintain a competitive position.

The mortgage market in Sweden is in general dominated by a small group of high-street banks with a combined market share of 77 per cent (according to information from Statistics Sweden (*Statistikmyndigheten SCB*) of December 2020)<sup>1</sup>. Borgo faces the risk that competitors, for example high-street banks, which offer a broad range of products and services through widespread retail office networks and online, may outcompete Borgo's offers, services and products. It is possible that Borgo's competitors benefit from certain competitive advantages such as lower cost of funds, a more efficient organisation (Borgo outsources a significant part of its operations, see "*Borgo is dependent on its distributors, owners and service suppliers*" above) or a larger existing customer base. Additionally, there is a risk that new actors will enter the market with new or improved technical solutions and or business offers. If new actors successfully enters the market or already established high-street banks can continue to benefit from certain competitive advantages which Borgo lacks, there is a risk that Borgo will fail to obtain and maintain a profitable market share and that the demand for Borgo's services and products decreases, or that Borgo is required to reduce the interest rates that it charges on its loan products in order to maintain demand, which would have a material adverse effect on Borgo's net interest margin and financial position.

## **D. Risks related to Ålandsbanken's financing**

### ***The Ålandsbanken Group is exposed to liquidity risk***

The Ålandsbanken Group is exposed to the risk of not being able to meet its obligations as they fall due or only being able to meet its liquidity commitments at an increased cost.

Liquidity risk consists of refinancing risk and market liquidity risk. Refinancing risk is the risk of not being able to fulfil payment obligations on the maturity date without a substantial increase in the cost of obtaining the means of payment. Market liquidity risk refers to the risk of not being able to sell positions at expected market prices, in situation where the market is not liquid enough or is not functioning due to disruptions.

<sup>1</sup> <https://www.statistikdatabasen.scb.se/sq/110912>

## EXPIRED

Since Ålandsbanken strives not to rely on other funding sources than customer deposits and covered bonds, a substantial part of the Ålandsbanken Group's liquidity and funding requirements are met through reliance on customer deposits, as well as ongoing access to wholesale lending markets, including issuance of long-term debt market instruments such as covered bonds.

As at 30 June 2021, deposits accounted for 66 per cent. of the Ålandsbanken Group's funding. Should the Ålandsbanken Group encounter a significant outflow of deposits, the Ålandsbanken Group's funding structure would change substantially, and its average cost of funding would most likely increase. The volume of long-term funding may be constrained during periods of liquidity stress. Turbulence in the global financial markets and economy may adversely affect the Ålandsbanken Group's liquidity and the willingness of certain counterparties and customers to do business with the Ålandsbanken Group.

This might jeopardise the Ålandsbanken Group's liquidity, and the Ålandsbanken Group could be unable to meet its current and future cash flow and collateral needs, both expected and unexpected. Such events or a general decline in the Ålandsbanken Group's liquidity may adversely affect the availability and price of the Ålandsbanken Group's funding and, as a consequence, have a material adverse effect on the Ålandsbanken Group's operations, thereby, on Ålandsbanken's ability to fulfil its obligations under the Covered Bonds as well as the market price and value of the Covered Bonds.

In order to ensure access to liquidity even during periods without external borrowing opportunities, Ålandsbanken has a liquidity reserve and a well-diversified instrument and maturity structure on its borrowing. The quality of Ålandsbanken's liquidity reserve and liquidity position is measured with the key ratios Liquidity Coverage Ratio (the **LCR**) and Net Stable Funding Ratio (the **NSFR**). The purpose of the LCR is to ensure that banks have enough liquid assets to deal with short-term liquidity stress whereas the NSFR, a structural liquidity metric, requires that banks have enough stable funding to cover their funding needs in a one-year perspective, both under normal and stressed conditions. On 30 June 2021, the LCR amounted to 152 per cent. compared to 159 per cent. on 31 December 2020. On 30 June 2021, the NSFR amounted to 110 per cent. compared to 106 per cent. on 31 December 2020.

### ***Credit risk related to counterparties***

Within its treasury operations, Ålandsbanken has large exposures against its financial counterparties on a regular basis. Ålandsbanken applies a strict policy regarding its accepted counterparties and to certain extent relies on external credit judgments (i.e. external credit ratings) when assessing credit risks. Any failure in these external assessments to adequately capture the credit risk could lead to material credit losses.

Ålandsbanken routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, funds and other institutional and corporate clients. Many of these transactions expose Ålandsbanken to the risk that Ålandsbanken's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults on its obligations prior to maturity when Ålandsbanken has an outstanding claim against that counterparty. Due to the increased volatility in foreign exchange and fixed income markets in recent years, this risk has increased. This credit risk may also be exacerbated when the collateral held by Ålandsbanken cannot be realised or is liquidated at prices not sufficient to recover the full amount of the counterparty exposure.

### ***Market risk***

Market risk is the risk of losses due to changes in interest rates, foreign exchange rates and equity prices. The Ålandsbanken Group's market risk is mainly represented in terms of interest rate risk due to differences in the interest rate repricing periods and repricing dates between its lending and funding and its treasury operations in which it holds investment and liquidity portfolios for its own account. Ålandsbanken does not trade for its own account. Like all banking groups, the Ålandsbanken Group earns interest from loans and other assets, and pays interest to its depositors and other creditors. The net effect of changes to the Ålandsbanken Group's net interest income depends on the relative levels of assets and liabilities that are affected by changes in interest rates. The Ålandsbanken Group is exposed to structural interest income risk when there is a mismatch between the interest rate re-pricing periods, volumes or reference rates of its assets, liabilities and derivatives. This mismatch in any given period in the event of changes in interest rates could lead to significant losses or protracted periods of low profitability or losses. Adverse movements in interest rates or other market prices could therefore have a material adverse effect on the Ålandsbanken Group's results of operations and, thereby, on Ålandsbanken's ability to fulfil its obligations under the Covered Bonds as well as the market price and value of the Covered Bonds.

To the extent volatile market conditions persist or recur, the fair value of the Ålandsbanken Group's assets could fall substantially and cause Ålandsbanken or other members of the Ålandsbanken Group to write-down values. In addition, because the Ålandsbanken Group's investment income from assets held in its liquidity portfolio depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Ålandsbanken Group's investment income or result in a loss.

#### ***Ålandsbanken is exposed to foreign exchange risk***

Ålandsbanken's operations occur mainly in its two base currencies, euros and Swedish kronor. To control the foreign exchange risk exposure, measured as the aggregated net position (sum of the absolute amounts for each individual net position), limits are set out by the Board of Directors of Ålandsbanken (as defined below under "*Description of Ålandsbanken*").

Ålandsbanken also has a structural foreign exchange risk in Swedish kronor, since Ålandsbanken's financial accounts are prepared in euros while the reporting currency of its Swedish branch is Swedish kronor. The structural foreign exchange risk exposures arise due to accrued profits/losses in the branch as well as the branch's endowment capital in Swedish kronor. Ålandsbanken is therefore exposed to adverse exchange rate movements between SEK and EUR. A significant movement in the SEK and EUR exchange rate could have a material adverse effect on Ålandsbanken's balance sheet positions.

### **E. Risks related to Borgo's financing**

#### ***Market risk***

Market risk is the risk of losses due to changes in interest rates, foreign exchange rates and equity prices. Borgo's market risk will, following commencement of its operations to originate and administer mortgage loans, mainly be represented in terms of interest rate risk due to interest rates payable by Borgo on its funding, and the interest rates that Borgo charges on mortgage loans to its customers. This difference is known as the interest margin. Changes in interest rate levels, yield curves and spreads could affect the interest margin. There is a risk that Borgo's use of hedging instruments for the mismatch in the different terms in funding and investing interest rates does not perfectly offset the impact of interest rate changes. There is also a risk that Borgo will not be able to re-price its variable rate assets and liabilities at the same time, resulting in a reduction of the interest margin in the short and/or medium term.

Changes in the competitive environment could also affect spreads on Borgo's lending and deposits. If Borgo's funding costs were to significantly increase due to material increases in market interest rates or other reasons and Borgo were unable to sufficiently increase the interest rates on its loan products in a timely manner, or at all, Borgo's interest margin will be adversely affected, causing an adverse effect on Borgo's net earnings.

Interest rates are also sensitive to several factors that are outside of Borgo's control, including fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. The interest rate levels in Sweden have been at historically low levels in recent years. A higher interest rate environment could reduce demand for mortgage loans, as individuals may be less likely or less able to borrow when interest rates are higher. Higher interest rates would also lead to higher interest costs for existing borrowers, which could affect their ability to repay their borrowings and lead to an increased rate of defaults.

#### ***Liquidity risk***

Borgo is subject to liquidity risk. Liquidity risk is the risk that Borgo will not be able to meet its payment obligations at maturity without significant cost increases or at all. Borgo's funding policy is to maintain a diverse funding base for its lending operations through a combination of, amongst others, retail deposits and long-term debt through the issuance of covered bonds. As of the date of this prospectus, Borgo has no interest-bearing liabilities but the company estimates that its interest-bearing liabilities will amount to SEK 2,500 million (consisting of deposits) by the end of 2021 and SEK 39,900 million (consisting of deposits and issued securities) by the end of 2022.

Funding risks can be exacerbated by enterprise-specific factors, such as over-reliance on a particular source of funding, or by market-wide phenomena, such as market dislocation or a major disaster. Borgo's ability to access funding sources on satisfactory economic terms is subject to a variety of factors, a number of them which are outside of Borgo's control. If access to funding were to be constrained for a prolonged period of time, competition for retail deposits and the cost of accessing the capital markets could similarly increase. There is a risk that this will increase Borgo's cost of funding or

result in Borgo not getting access to sufficient funding and, therefore, poses a highly significant risk to Borgo's net interest margin and financial position.

Borgo's ability to issue bonds, depends on a variety of factors, including the credit quality of Borgo and its assets, market conditions, the general availability of credit and rating agencies' assessment of Borgo. There is a risk that these and other factors will limit Borgo's ability to issue bonds, which, in turn, could adversely affect Borgo's ability to maintain or grow its loan portfolio as well as its net interest margin.

### ***Capital risk***

Capital risk is the risk of not meeting the capital requirements at any point in time. Borgo plans to raise capital for the commencement of banking operations, both from current owners and financial investors to hold sufficient own funds in accordance with Borgo's internal capital adequacy assessment (the **ICAAP**). The planned amount Borgo's equity at the end of 2021 amounts to SEK 143 million. After commencement of banking operations there is also a risk of falling below the required capital levels, for example through a larger than expected loan portfolio growth with a lower margin than expected, resulting in an increased capital requirement which cannot be met with accumulated profits. While the capital raising is currently proceeding in accordance with the ICAAP and as planned, a failure to complete the capitalisation or to secure sufficient own funds when the banking operations have commenced could adversely affect Borgo's ability to operate its business.

## **F. Regulatory risks**

### ***The Finnish and Swedish legislation implementing the EU Covered Bond Directive 2019/2162***

On 18 December 2019, Directive 2019/2162/EU on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the **Covered Bond Directive**) was published in the Official Journal of the European Union. Member States shall adopt and publish, by 8 July 2021, the laws, regulations and administrative provisions necessary to comply with the Covered Bond Directive and they shall apply those measures at the latest from 8 July 2022. The Covered Bond Directive requires the implementing law to enter into force on 8 July 2022, however, it is not certain that Finland will be able to implement the law by the required date. At the date of this Listing Prospectus, the Covered Bond Directive has not been implemented in Finland and no government bill has been issued in Finland for the implementation of the Covered Bond Directive, however, a draft government proposal (journal number VM/RMO 5/2021) for the law implementing the Covered Bond Directive in Finland has been under consultation (the **Preliminary Proposal**).

The licenses of existing mortgage banks and other credit institutions licensed to issue covered bonds do not as such meet the authorization requirement of the Covered Bond Directive. According to the Preliminary Proposal, the existing mortgage banks and other credit institutions currently licensed to issue covered bonds would need to update their licenses in order to meet new requirements set by the implementing law for the license for the covered bond issues, as the implementing law would enter into force. Any failure by Ålandsbanken in the process to update its license for the covered bond issues or to be compliant with the regulation set by the law implementing the Covered Bond Directive in Finland may have an adverse effect on the business of Ålandsbanken (see "*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds*").

On 4 November 2020 an Official Report of the Swedish Government (SOU 2020:61 (*Ändrade regler om säkerställda obligationer*)) was published containing inter alia proposals of the legislative amendments needed to implement the Covered Bond Directive in Sweden (the **Covered Bond Report**). It should be noted that Covered Bond Report is currently submitted for consultation and does not constitute a final proposal on the implementation of the Covered Bond Directive. Hence, it is still unclear how the Covered Bond Directive will affect the Swedish legislation governing covered bonds. However, any failure by Borgo to comply with the Swedish legislation governing covered bonds may have a material adverse effect on Borgo.

### ***Regulatory changes may adversely affect Ålandsbanken Group and/or Borgo, and Ålandsbanken Group and Borgo operate in a legal and regulatory environment that exposes them to potentially significant litigation and regulatory risks***

Ålandsbanken Group and Borgo are subject to financial services laws, regulations, administrative actions and policies in Finland and/or in Sweden and in the EU. Ålandsbanken Group and Borgo must meet the requirements set forth in the regulations regarding, inter alia, minimum capital and capital adequacy, reporting with respect to financial information and financial condition, marketing and selling practices, advertising, terms and conduct of business and permitted

investments, liabilities and payment of dividends. In addition, certain decisions made by Ålandsbanken Group or Borgo may require approval or notification to the relevant authorities in advance.

Changes in supervision and regulation, particularly in Finland and in Sweden, could materially affect the business, the products and services offered or the value of assets of Ålandsbanken Group and/or Borgo. Such changes in regulation and supervision may, for example, expose Ålandsbanken Group and/or Borgo to additional costs and liabilities and require it to change how it conducts business.

### ***Increased capital requirements may adversely affect Ålandsbanken Group and/or Borgo***

The Ålandsbanken Group and Borgo must comply with numerous capital requirements and standards. Recent and possible future changes to capital adequacy and liquidity requirements, including the current updates to the CRR and the CRD as well as the Basel IV package (each as defined below), imposed on the Issuers may require the Issuers to raise additional Tier 1, common equity Tier 1 and Tier 2 capital by way of issuances of securities and could result in existing Tier 1 and Tier 2 securities, if any, ceasing to count towards the Issuers' regulatory capital, either at the same level as at present or at all. See "Regulatory Environment – Capital requirements and standards".

The FIN-FSA has established buffer requirements related to Pillar 2 capital adequacy regulations totalling 1.0 per cent. of the Ålandsbanken Group's risk exposure amount starting in the third quarter of 2021. 56.25 per cent. of the requirement must be covered by common equity Tier 1 Capital. Any updates to the Pillar 2 capital requirement by the FIN-FSA and/or the SWE-FSA in respect of the Ålandsbanken Group's and/or Borgo's, as applicable, could affect their capital position negatively. Any failure by the Issuers to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on the Ålandsbanken Group's and/or Borgo's, business, financial condition and results of operations and may also have other effects on the Ålandsbanken Group's and/or Borgo's financial performance and on the value of the Covered Bonds, both with or without the intervention by regulators or the imposition of sanctions.

Borgo submitted its application for credit institute license to the Swedish Financial Supervisory Authority (in Swedish: *Finansinspektionen*; the **SWE-FSA**) in 2020 and received an approval in first quarter of 2021. The ICAAP formed part of the application, detailing the expected capital requirements over a 3-year planning period as well as the projected capital availability during these years. Pillar 2 capital adequacy requirements have been estimated for credit concentration risk, operational risk, interest rate risk in the banking book (IRRBB), credit spread risk in the banking book (CSRBB) and business risk, totalling 2.7 per cent. of Borgo's risk exposure amount end of 2021. As required by regulation the capital adequacy assessment was also evaluated under stressed conditions and deemed sufficient without any additional capital planning buffers. The ICAAP built on the assumption of a capital conservation buffer of 2.5 per cent. for all three years in the planning period and a Swedish contracyclical buffer of 0 per cent. end of 2021, with a stepwise increase to 2.5 per cent. end of 2024. The planned deposit volumes and the transfer of the mortgage loan portfolio to Borgo's balance sheet formed part of the ICAAP and are hence assumptions which have been accounted for when assessing the required capital levels. The capital requirements will change over time as the business plan is realized. While the ICAAP includes a plan for available own funds that will be sufficient to meet the regulatory requirements and the capital risk appetite of the Board at all times, there is no certainty that Borgo would be able to meet the requirements when the business plan is realized. A failure to meet the capital requirements could adversely affect Borgo's ability to operate its business.

On 29 June 2018, the FIN-FSA announced a macro prudential supervisory decision to introduce an additional capital requirement based on systemic risk buffer, which amounts to 1 per cent. of the Ålandsbanken Group's risk exposure amount for Ålandsbanken. The decision came into effect on 1 July 2019. However, due to the outbreak of the Covid-19 pandemic, the FIN-FSA made a decision on 6 April 2020 to remove the systemic risk buffer from certain credit institutions, including Ålandsbanken, in order to support credit institutions' ability to provide credit and ease the funding conditions for households and businesses during the Covid-19 pandemic. If the eased capital or other prudential requirements are tightened in the future to their levels existing prior to the Covid-19 pandemic or even higher, it may adversely affect the Ålandsbanken Group.

### ***Finland and Sweden have implemented a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing***

The Directive 2014/59/EU (the **BRRD**) (including without limitation as amended by the Creditor Hierarchy Directive and by Directive (EU) 2019/879 of 20 May 2019 of the European Parliament and of the Council amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms) sets out the necessary steps and powers for authorities to ensure that bank failures across the EU are managed in a way which mitigates the risk of financial instability and minimises the impact of an institution's failure on the economy and financial

system costs for taxpayers. The BRRD and subsequent amendments are implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (in Finnish: *laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta* 1194/2014) (as amended) (the **Finnish Resolution Act**) and the Act on Financial Stability Authority (in Finnish: *laki rahoitusvakausviranomaisesta* 1195/2014) (as amended), together the **Finnish Resolution Laws**. The BRRD and subsequent amendments are implemented in Sweden through the Act on Resolution (in Swedish: *lag (2015:1016) om resolution*) (the **Swedish Resolution Act**). See “*Regulatory Environment – Resolutions Laws*”.

One of the tools implemented pursuant to the BRRD is bail-in - which gives the Finnish Financial Stability Authority (the **Finnish Resolution Authority**) or the Swedish National Debt Office (in Swedish: *Riksgäldskontoret*; the **Swedish Resolution Authority**), as applicable, the power to write down certain claims of unsecured creditors of a failing institution (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims to equity or other instruments of ownership (the **general bail-in tool**), which equity and other instruments could also be subject to any future cancellation, transfer or dilution. Relevant claims for the purposes of the general bail-in tool would include the claims of the holders of the Covered Bonds (the **Bondholders**) only if and to the extent that the amounts payable in respect of the Covered Bonds exceed the value of the cover pool collateral against which payment of those amounts is secured. However, the determination that all or a part of the principal amount of the Covered Bonds will be subject to the general bail-in tool, is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Ålandsbanken Group’s and/or Borgo’s control, as applicable. The application of the general bail-in tool with respect to the Covered Bonds, may result in the cancellation of a portion of the principal amount of, or interest on, the Covered Bonds, however, only if and to the extent that the amounts payable in respect of the Covered Bonds exceed the value of the cover pool collateral against which payment of those amounts is secured. Accordingly, potential investors in the Covered Bonds should consider the risk that the general bail-in tool may be applied in such a manner as to result in Bondholders losing a part of the value of their investment in the Covered Bonds. Moreover, the Finnish Resolution Authority and the Swedish Resolution Authority, as applicable, may exercise its authority to apply the general bail-in tool without providing any advance notice to the Bondholders. Bondholders may also have limited or no rights to challenge any decision of the Finnish Resolution Authority or the Swedish Resolution Authority, as applicable, to exercise the general bail-in tool or to have that decision reviewed by a judicial or administrative process or otherwise.

The exercise of any power under the Finnish Resolution Laws or the Swedish Resolution Act, as applicable, or any suggestion of such exercise could materially adversely affect the rights of Bondholders, the price or value of their investment in any Covered Bonds and/or the ability of Ålandsbanken or Borgo, as applicable, to satisfy its obligations under any Covered Bonds. The BRRD, the Finnish Resolution Act and the Swedish Resolution Act introduced a requirement for credit institutions and investment firms to meet the minimum requirement for own funds and eligible liabilities (**MREL**) for the purposes of ensuring sufficient loss absorbing capacity to enable the continuity of critical functions without recourse to public funds. As at 4 May 2021, the Finnish Resolution Authority has informed Ålandsbanken that it will receive an MREL requirement from the beginning of 2022. The requirement will consist of a minimum of 9 per cent. total capital requirement and a minimum of 3 per cent. leverage ratio. The upcoming MREL requirements will have no material effect on the funding of Ålandsbanken. As at 29 June 2021, the Swedish Resolution Authority has not imposed an additional MREL requirement in relation to Borgo.

### ***Risks relating to the enforcement of collateral***

All or some of the mortgage loans granted by each Issuer are or will be secured by a first ranking pledge over mortgage certificates (in Swedish: *pantbrev*) or rights to cooperative flats (in Swedish: *bostadsrätt*). The Issuers are or will therefore be entitled to enforce such security if any borrower defaults under its respective mortgage loan. Perfecting and enforcing security over mortgage certificates over real estate or cooperative flats is subject to formal requirements and thus risks. For instance, there is no official record in Sweden stating whether a cooperative flat right is pledged. Instead a pledge is affected by a notification to the cooperative association (in Swedish: *bostadsrättsförening*). The Issuers are or will be therefore reliant on the records of the cooperative association and is exposed to risks of fraud and mistakes in relation to the creation of the security. Furthermore, under certain circumstances obligations owed by the cooperative association itself will rank ahead of the pledgee of a cooperative flat, even if proper notification has been made. Following the enforcement of security over a cooperative flat, the cooperative association may, depending on the terms of its charter, have a right to refuse the new owner membership in the association and will have a right to require that the new owner settles any amounts owed to the association by the previous owner. The foregoing may entail a decrease in the value of the cooperative flat as it may be harder to dispose. As to the enforcement of security over mortgage certificate(s), such enforcement must be done through a sale of the property by the Swedish Enforcement Authority (in Swedish: *Kronofogdemyndigheten*). These enforcement processes may be both time-consuming and costly at the same time as the best possible price for the property may not be generated through such regulated process.

When collateral is enforced, a court order is normally required to establish the borrower's obligation to pay and to enable a sale by execution measures. The ability of each Issuer to enforce the collateral without the consent of the borrower is thus dependent on the decisions from a court, the execution measures, the demand for the relevant real property and other relevant circumstances in the Swedish housing market. If the relevant Issuer cannot realise the collateral to obtain a sufficient amount to repay the Covered Bonds, for example due to delays in obtaining court decisions and/or delays in execution measures, the Bondholders would as a result not recover any or full value of the Covered Bonds, which presents a significant risk to the Bondholders' return on their respective investments.

### ***Legal risks relating to mortgage loans***

Each Issuer's business operations as well as the mortgage loans are subject to legislation and regulations, as well as government policies and general recommendations issued by, inter alia, the European Union (EU) and/or relevant Swedish authorities such as the SWE-FSA and the Swedish Consumer Agency (in Swedish: *Konsumentverket*). For example, as the Issuers grant, hold and manage mortgage loans in Sweden or plan to do so, they must comply with the Swedish Consumer Credit Act (in Swedish: *konsumentkreditlagen (2010:1846)*) for mortgage credits granted since 1 January 2011. In addition, the Issuers are obliged to follow certain laws and regulations which are applicable to its business, such as the Swedish Mortgage Business Act (in Swedish: *lag (2016:1024) om verksamhet med bostadskrediter*), the Swedish Money Laundering and Terrorist Financing (Prevention) Act (in Swedish: *lag (2017:630) om åtgärder mot penningtvätt och finansiering av terrorism*) and the Swedish Consumer Credit Act. Such rules and regulation may for example limit or delay the Issuers' ability to exercise their rights under the mortgage loans, as the Issuers may be obliged to grant extensions of mortgage loans upon maturity. In case of material violations, the relevant authority can, as an ultimate measure prohibit each Issuer to continue its operations. The relevant authority may also make remarks and issue warnings, each of which may be accompanied by monetary fines. Failure to comply with applicable rules and regulations could thus impact the Issuers' ability to carry out their business operations as intended, which would adversely impact the relevant Issuer's competitiveness and profitability.

### ***Risks arising from processing of personal data***

Processing of personal data (such as customer data) is part of the daily business of each Issuer. Such processing is regulated by the European Union's General Data Protection Regulation (EU) No 2016/679 (the **GDPR**) and national laws providing strict confidentiality obligations and sector-specific data protection rules applicable to financial institutions.

Privacy issues and the protection of personal data, in particular the protection of data relating to each Issuer's customers and employees, are of the essence to each Issuer. However, although Ålandsbanken Group and Borgo have assessed its data protection processes and practices and issued related internal guidelines, they may not be able to prevent intentional or unintentional misuse of their systems containing personal data. Such personal data breaches may be attributable, for instance, to human error or faults in ICT systems or software and they may result in identity frauds or other types of misuse of personal data if, for instance, customer data is leaked outside Ålandsbanken Group or Borgo.

A breach of data protection legislation by Ålandsbanken Group and/or Borgo (or their supplier(s)) could result in administrative sanctions, claims for damages and/or loss of reputation and customers. The GDPR includes an extensive sanction mechanism, according to which breaches of the GDPR can result in administrative fines of up to 4 per cent. of the worldwide annual turnover or 20 million euros (whichever is higher). A breach of personal data legislation could, therefore, have a material adverse effect on the Ålandsbanken Group's and/or Borgo's business and results of operations.

## **G. Risks related to the Covered Bonds**

### ***The Terms and Conditions allow a change of the issuer from Ålandsbanken to Borgo without consent or any other action of any investor***

The identity of the debtor is one of the most material aspects of any debt instrument. The Terms and Conditions provide that the issuer under the Terms and Conditions, and, accordingly, the identity of the debtor whose obligations and liabilities the Covered Bonds are, may change from Ålandsbanken to Borgo, as specified in the Terms and Conditions. The change in the identity of the issuer under the Terms and Conditions does not require consent or any other actions of any investor in the Covered Bonds. Therefore, any investor in the Covered Bonds is exposed to the credit risk of each Issuer even if the Issuer Change Event has not occurred. The Issuer Change Event may also occur after the financial or other condition of the Subsequent Issuer has already materially decreased which would have a significant material adverse effect on the ability of the debtor whose obligations and liabilities the Covered Bonds are, to fulfil its obligations under the Terms and Conditions. Regardless of the occurrence of the Issuer Change Event, a decrease in the financial or other condition of either or both Issuer may impact the market price and value of the Covered Bonds.

The contemplated timing for the Issuer Change Event to occur is the first half of the calendar year 2022, however, the exact timing is at the full discretion of the Initial Issuer and the Subsequent Issuer. In addition, the Terms and Conditions do not provide that the Issuer Change Event shall occur during the term of the Covered Bonds. If the financial or other condition of the Initial Issuer has decreased while the financial or other condition of the Subsequent Issuer has increased during the term of the Covered Bonds, the non-event of the Issuer Change Event may have a material adverse effect on the market price and value of the Covered Bonds as well as the ability of the debtor whose obligations and liabilities the Covered Bonds are, to fulfil its obligations under the Terms and Conditions.

***The Terms and Conditions allow a change of the governing law and jurisdiction without consent or any other action of any investor***

The Terms and Conditions provide that the governing law of the Terms and Conditions and jurisdiction in respect of the Covered Bonds changes upon occurrence of the Issuer Change Event, as specified in the Terms and Conditions. Change of governing law or jurisdiction may affect, among other things, the enforceability of certain provisions of the Terms and Conditions, the regulatory framework applicable to the Covered Bonds or either Issuer or the tax treatment of the Covered Bonds. Any effects on such matters or other matters which may be impossible to assess on the date of this Listing Prospectus could have a material adverse impact on any investor in the Covered Bonds or either or both Issuer. For more information on the regulatory framework applicable to the Covered Bonds, see “*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds*”.

***The Issuer Change Event may have adverse effects on the tax considerations relating to the Covered Bonds***

There is no certainty that the tax considerations relating to the Covered Bonds will be the same before and after the occurrence of the Issuer Change Event. Changes in the tax treatment of the Covered Bonds and their return during the term of the Covered Bonds may adversely affect the net returns received by the Bondholders. Prospective investors of the Covered Bonds are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of the Covered Bonds, including, but not limited to, the consequences of receipt of payments under the Covered Bonds and their disposal or redemption. For more information on the tax considerations, see “*Taxation*”.

In case the Issuer Change Event occurs, the Terms and Conditions allow a re-issue of the Covered Bonds if required by the Euroclear Rules or the rules of the relevant stock exchange or technical reasons attributable to Euroclear Sweden or the relevant stock exchange. There is no certainty whether there are any tax consequences in the case of a possible re-issue of the Covered Bonds.

***The Issuer Change Event may have adverse effects on the Listing or liquidity of the Covered Bonds***

The Initial Issuer has applied for listing of the Covered Bonds on the Helsinki Stock Exchange, and the Listing is expected to take place on or about 14 September 2021 under the trading code “ALBJVAIH26”. There is no guarantee that the Subsequent Issuer fulfils the criteria of a listed company and that the Listing of the Covered Bonds may continue following the occurrence of the Issuer Change Event. If occurrence of the Issuer Change Event results in the de-listing of the Covered Bonds, it may have negative effects to the classification of the Covered Bond from the perspective of a Bondholder or it may adversely affect the liquidity of the Covered Bonds.

***The Terms and Conditions contain provisions which permit their modification without the consent of all investors***

The Terms and Conditions contain provisions for calling meetings of Bondholders or a Procedure in Writing to consider matters affecting interests of the Bondholders generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting or in the procedure in writing and Bondholders who voted in a manner contrary to the majority. Modifications of the Terms and Conditions and other resolutions made at the Bondholders’ Meetings or in the Procedure in Writing may not be in all Bondholders’ interest.

***Adverse change in the credit rating of the Issuer or the Covered Bonds may significantly reduce the Issuer’s access to the debt markets and result in increased interest rates on future debt***

Ålandsbanken has been assigned a long-term credit rating of BBB by S&P. Borgo has not been assigned a credit rating by any credit rating agency, however, Borgo is expected to receive a credit rating by S&P or Moody’s during the last quarter of 2021. Furthermore, the Covered Bonds have been assigned a credit rating of AAA by S&P. The Terms and Conditions contain provisions for the Step-Up Rating Change which will be triggered if after the occurrence of the Issuer

Change Event the credit rating of the Covered Bonds decreases below a certain level. From and including the first Interest Payment Date falling on or after the date of a Step-Up Rating Change, the Margin payable on the Covered Bonds shall be increased by the Step-Up Margin. Any material deterioration in the existing credit rating of Ålandsbanken or the future credit rating of Borgo or the Covered Bonds may significantly reduce Ålandsbanken's or Borgo's, as applicable, access to the debt markets and result in increased interest rates on future debt. A downgrade in Ålandsbanken's existing credit rating or Borgo's future credit rating may result from factors specific to Ålandsbanken or Borgo, as applicable, or from other factors such as general economic weakness or sovereign credit rating ceilings. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

***The Issuer has a right to redeem the Covered Bonds prior to maturity due to tax reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date at their nominal amount, together with unpaid interest accrued to (but excluding) the date of redemption pursuant to certain tax reasons set out in Condition 6.2 of the Terms and Conditions. If the Covered Bonds are redeemed prior to maturity pursuant to tax reasons, the Bondholders will receive less interest than the amount they would have received in case the Covered Bonds would have been redeemed at their maturity. In addition, such early redemption initiated by the Issuer may incur financial losses or damage, among other things, to such Bondholders who had prepared themselves to have the amount of the Covered Bonds invested until the contractual final maturity of the Covered Bonds and may be incapable of reinvesting the redemption amount at a yield comparable to that offered by the Covered Bonds.

***The value of the Covered Bonds could be adversely affected by a change in law or administrative practice***

Prior to the occurrence of the Issuer Change Event, the Terms and Conditions of the Covered Bonds are governed by Finnish law in effect as at the date of this Listing Prospectus, except for the registration of the Covered Bonds in Euroclear Sweden, which will be governed by Swedish law. After the occurrence of the Issuer Change Event, the Terms and Conditions of the Covered Bonds are governed by Swedish law. No assurance can be given as to the impact of any possible judicial decision or change to Finnish law or Swedish law or administrative practice after the date of this Listing Prospectus and any such change could materially adversely impact the value of the Covered Bonds.

***The regulation and reform of "benchmarks" may adversely affect the value of the Covered Bonds linked to such "benchmarks"***

Amounts payable under the Covered Bonds are calculated by reference to Stockholm Interbank Offered Rate (STIBOR). STIBOR and other indices which are deemed to be "benchmarks" are the subject of recent international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. See "Regulatory Environment – Benchmark Regulation". These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to such a "benchmark".

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Such factors that may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bonds linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any possible reforms, investigations and licensing issues in making any investment decision with respect to the Covered Bonds.

***No events of default in Covered Bonds***

The Terms and Conditions do not include any events of default relating to the Issuer and therefore the Terms and Conditions do not entitle any Bondholder to accelerate the Covered Bonds. As such, it is envisaged that the Bondholders will only be paid the scheduled interest payments under the Covered Bonds as and when they fall due under the Terms and Conditions.

***In the event of a failure of the Swedish Cover Pool to meet the matching requirements, holders of the Covered Bonds may receive payments according to a schedule that is different from that contemplated by the terms of the Covered Bonds***

Ålandsbanken will be required under the Finnish Covered Bond Act to comply with certain matching requirements as long as there is any Covered Bond outstanding or the Issuer Change Event has occurred. Under the Finnish Covered Bond Act, if the assets in the Swedish Cover Pool do not fulfil the requirements provided for in the Finnish Covered Bond Act, the FIN-FSA may set a time limit within which Ålandsbanken shall place more collateral in compliance with the Finnish Covered Bond Act and the Terms and Conditions of the Covered Bonds. If these requirements are not complied with, Ålandsbanken's license for mortgage credit bank operations may be withdrawn. If Ålandsbanken is placed in liquidation or declared bankrupt, and the requirements for the total amount of collateral of the Covered Bonds in Sections 16 and 17 of the Finnish Covered Bond Act are not fulfilled, a supervisor appointed by the FIN-FSA may demand that Ålandsbanken's bankruptcy administrator declare the Covered Bonds due and payable and sell the assets in the Swedish Cover Pool. This could result in the holders of Covered Bonds receiving payment according to a schedule that is different from that contemplated by the terms of the Covered Bonds (with accelerations as well as delays). See "*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds—Finnish Act on Mortgage Credit Bank Activity—Right of Priority in Bankruptcy or Liquidation of the Issuer*".

After the occurrence of the Issuer Change Event, Borgo will be required under the Swedish Covered Bond Act to comply with certain matching requirements as long as there is any Covered Bond outstanding. These requirements prescribe that the nominal value of a cover pool must at all times exceed the aggregate nominal value of any claims that may be brought against the relevant issuer in respect of covered bonds issued by it by an aggregate value of at least two per cent. An issuer of covered bonds must also ensure that the cash flows in respect of the assets in the cover pool, derivative agreements and covered bonds are such that the issuer is at all times able to fulfil its payment obligations towards the covered bondholders and derivative counterparties. Borgo may also enter into derivatives contracts to fulfil the matching requirements. In these circumstances, the matching of the relevant cover pool is also dependent on the availability of derivative counterparties with a sufficient rating and the performance by such counterparties of their obligations under the derivative agreements.

In the event that Borgo is in material breach of its obligations under the Swedish Covered Bond Act, the SWE-FSA may withdraw Borgo's authorisation to issue additional covered bonds and may then determine the manner in which Borgo's covered bond operations are wound up. If Borgo's authorisation to issue covered bonds is withdrawn through failure to meet the matching requirements, this would mean that the assets in the Swedish Cover Pool are not sufficient to redeem the Covered Bonds in full and this could result in holders of Covered Bonds not receiving the full amount due to them.

In addition, if, in Borgo's bankruptcy, the bankruptcy administrator (in Swedish: *konkursförvaltare*) deems that the Swedish Cover Pool does not comply with the matching requirements (for example, due to a devaluation of the underlying properties and where no additional assets are available to compensate for such devaluation) and the deviations are not just minor and temporary, the Swedish Cover Pool can no longer be maintained as a unit and the holders of Covered Bonds and any related derivative counterparties will instead benefit from the proceeds of the sale of assets in the Swedish Cover Pool in accordance with the Swedish rules regarding dividends in bankruptcy. This could result in the holders of Covered Bonds receiving payment according to a schedule that is different from that contemplated by the terms of the Covered Bonds (with accelerations as well as delays) or that the holders of Covered Bonds are not paid in full. However, the holders of Covered Bonds and any related derivative counterparties will retain the benefit of priority to the assets comprised in the Swedish Cover Pool. See "*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds—The Swedish Covered Bond Act—Benefit of a priority right in the cover pool*" and "*Administration of the cover pool in the event of bankruptcy*".

***If any relevant claims in respect of the Covered Bonds are not met out of the Swedish Cover Pool, any remaining claims will subsequently rank pari passu with the Issuer's obligations under unsecured and unsubordinated obligations of the Issuer***

In the event of liquidation or the bankruptcy of Ålandsbanken, the holders of Covered Bonds (along with counterparties to related Derivative Transactions and providers of Bankruptcy Liquidity Loans registered in the Swedish Cover Pool) have the benefit of priority in relation to the assets in the Swedish Cover Pool. Under the Finnish Covered Bond Act, this priority is limited to (i) 70 per cent. of the value at the relevant time of the assets securing residential mortgages in the Swedish Cover Pool and (ii) 60 per cent. of the value at the relevant time of the assets securing commercial mortgages in the Swedish Cover Pool. If the proceeds from the assets in the Swedish Cover Pool are not sufficient to discharge the Covered Bonds in full, the holders of the Covered Bonds will be general creditors in Ålandsbanken's bankruptcy or liquidation with no priority as to the shortfall. In such circumstances, the holders of the Covered Bonds may not be paid

in full. See “*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds—Finnish Act on Mortgage Credit Bank Activity—Right of Priority in Bankruptcy or Liquidation of the Issuer*”.

Similarly, in the event of liquidation or the bankruptcy of Borgo, claims by holders of Covered Bonds and any related derivative counterparties will, to the extent their remaining claims are not covered by the Swedish Cover Pool, rank *pari passu* with Borgo’s unsecured creditors. There is no assurance that the assets in the Swedish Cover Pool will be sufficient to repay any outstanding Covered Bonds in full or that the assets of Borgo, when insolvent, will cover any remaining claims. In addition, as no issuer of covered bonds has yet to file for, or be placed into, bankruptcy in Sweden, it is currently unclear what the impact of a bankruptcy would be on the Bondholders. See “*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds—The Swedish Covered Bond Act—Benefit of a priority right in the cover pool*” and “*Administration of the cover pool in the event of bankruptcy*”.

#### ***Transfer of the Covered Bonds and the Swedish Cover Pool in bankruptcy of the Issuer***

In bankruptcy, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to a mortgage credit bank, deposit bank or credit entity that has acquired a license to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the Finnish Covered Bond Act unless the terms of the covered bond provide otherwise. If the liability for a covered bond and the corresponding collateral are transferred, there is no guarantee that the transferee is able to effectively administrate the transferred assets. In addition, the transfer may cause other adverse effects including, among other things, tax consequences. See “*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds—Finnish Act on Mortgage Credit Bank Activity—Right of Priority in Bankruptcy or Liquidation of the Issuer*”.

#### ***No market for collateral in Finland or Sweden after an insolvency of the Issuer***

There is no assurance that there will be a trading market for the collateral in the Swedish Cover Pool or an eligible transferee to take over the obligations relating to the Covered Bonds and the corresponding collateral after an insolvency of the Issuer. If there is no trading market, it may have an adverse effect on the value of the Covered Bonds or the holders of the Covered Bonds may not be paid in full upon enforcement of the collateral included in the Swedish Cover Pool. If there is no eligible transferee, the administration of the Swedish Cover Pool including any payments related thereto, may be adversely affected after a Payment Default (as defined in the Terms and Conditions) and/or insolvency of the Issuer.

#### ***Liquidity post Issuer bankruptcy***

It is believed that neither an insolvent issuer nor its bankruptcy estate would have the ability to issue Covered Bonds. Under the Finnish Covered Bond Act, the bankruptcy administrator (upon the demand or the consent of a supervisor appointed by the FIN-FSA) may, however, raise liquidity through the sale of mortgage loans and other assets in the Swedish Cover Pool to fulfil the obligations relating to the Covered Bonds. Further, the bankruptcy administrator (upon the demand or the consent of the supervisor appointed by the FIN-FSA) may take out liquidity loans and enter into other agreements for the purpose of securing liquidity of the Swedish Cover Pool. Counterparties in such transactions will rank *pari passu* with holders of the Covered Bonds and existing derivative counterparties with respect to assets in the Swedish Cover Pool. However, there can be no assurance as to the actual ability of the bankruptcy estate to raise post-bankruptcy liquidity, which may result in a failure by Ålandsbanken to make full and timely payments to holders of Covered Bonds and existing derivative counterparties registered in the Swedish Cover Pool.

Upon a Borgo’s bankruptcy, neither Borgo nor its bankruptcy estate would have the ability to issue further Covered Bonds. However, the Swedish Covered Bond Act gives the bankruptcy administrators an explicit and broad mandate to enter into loan, derivative, repo and other transactions on behalf of the bankruptcy estate with a view to maintaining matching cash flows, currencies, interest rates and interest periods between assets in the Swedish Cover Pool, the Covered Bonds and derivative contracts. Counterparties in such transactions will rank senior to holders of the Covered Bonds and derivative counterparties. The bankruptcy administrators may also raise liquidity by selling assets in the Swedish Cover Pool in the market for example. However, it is uncertain to which extent a bankruptcy administrator will be able to find necessary counterparties to enter into agreements to raise liquidity. If the bankruptcy estate is not able to raise sufficient liquidity, this could result in a holder of the Covered Bonds not being paid in a timely manner.

#### ***There are certain issues that may, in the event of Borgo’s bankruptcy, lead to a conflict between the interests of holders of Covered Bonds and derivative counterparties on the one hand and the other creditors on the other***

In the event of Borgo’s bankruptcy, the Swedish Covered Bond Act does not provide clear guidance on certain issues that may lead to a conflict between holders of the Covered Bonds and derivative counterparties on the one hand and the other

creditors of Borgo on the other. In particular, these issues include how proceeds from a loan partly registered to the Swedish Cover Pool should be distributed between the portion of such loan registered to the Swedish Cover Pool and the portion of such loan not registered to the Swedish Cover Pool and how the proceeds of enforcement of a mortgage certificate should be distributed if the mortgage serves as collateral for two different loans ranking *pari passu* where one loan is not wholly or partly registered in the Swedish Cover Pool. The lack of clear guidance on these and similar issues may lead to disputes regarding the allocation of proceeds to the Swedish Cover Pool and could reduce the return to holders of the Covered Bonds. In addition, there is some uncertainty as to whether a creditor that obtains execution (in Swedish: *utmätning*) against an asset in a cover pool more than three months before the relevant issuer's bankruptcy could defeat the priority afforded to holders of covered bonds and any relevant derivative counterparties in relation to such asset. See “Summary of the Finnish and the Swedish Legislation regarding Covered Bonds—The Swedish Covered Bond Act—Benefit of a priority right in the cover pool”.

### ***Collection of mortgage loans and default by borrowers***

The mortgage loans which secure the Covered Bonds will comprise loans secured on property. A borrower may default on its obligation under such mortgage loan. Defaults may occur for a variety of reasons. Defaults under mortgage loans can realise Ålandsbanken's credit, liquidity and interest rate risks. In addition, if a mortgage loan is repaid with rental income from the property, the default can cause rental yield reduction and, consequently further affect the ability of a borrower to repay the mortgage loan. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climates, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors relating to borrowers' individual, personal or financial circumstances may affect the ability of the borrowers to repay the mortgage loans. Loss of earnings, illness, divorce, weakening of financial conditions or the results of business operations and other similar factors may lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the mortgage loans. In addition, the ability of a borrower or either Issuer to sell a property given as security for a mortgage loan at a price sufficient to repay the amounts outstanding under that mortgage loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. The registered value of a property in the Swedish Cover Pool may be higher than the price for which such property can actually be sold on any given day. If borrowers default on their obligations under their mortgage loans, it may have an adverse effect on the relevant Issuer's business and financial condition and/or, if the proceeds from the assets in the Swedish Cover Pool are not sufficient to discharge the Covered Bonds in full due to, among other things, borrowers' defaults under the mortgages loans, the holders of the Covered Bonds may not be paid in full.

### ***Reliance on Swap Providers***

To provide a hedge against possible variances in the rates of interest receivable on the mortgage loans and other assets from time to time held by the Issuer (which may, for instance, include variable rates of interest, discounted rates of interest, fixed interest rates of interest or rates of interest which track a base rate) and the interest rate(s) under the Covered Bonds, the Issuer may from time to time enter into Swap Agreements (see “Derivative Transactions”).

If any swap counterparty defaults on its obligations to make payments under the relevant Swap Agreement, the Issuer will be exposed to changes in the relevant rates of interest. Unless one or more replacement Interest Rate Swap Agreements are entered into, the Issuer may not have sufficient funds to make payments under the Covered Bonds.

### ***The maturity of the Covered Bonds may be automatically extended up to 12 months***

The Terms and Conditions provide that an Extended Maturity Date (as defined below) applies to the Covered Bonds.

If the relevant Issuer fails to redeem the Covered Bonds in full on the Maturity Date (or within two (2) Business Days thereafter) the maturity of the nominal amount outstanding of the Covered Bonds not redeemed will automatically extend up to but not later than 12 months from the Maturity Date (the **Extended Maturity Date**). In that event, the Issuer may redeem all or part of the nominal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, up to and including the Extended Maturity. The Covered Bonds will also then bear interest on the nominal amount outstanding of the Covered Bonds in accordance with the Terms and Conditions.

The extension of the maturity of the nominal amount outstanding of the Covered Bonds from the Maturity Date to the Extended Maturity Date will not result in any right of the Bondholders to accelerate payments or take action against the Issuer and no payment will be payable to the Bondholders in that event other than as set out in the Terms and Conditions.

In these circumstances, failure by the Issuer to make payment in respect of the redemption amount on the Maturity Date shall not constitute a Payment Default (as defined in the Terms and Conditions).

However, failure by the Issuer to pay the redemption amount or the balance thereof on the Extended Maturity Date and/or interest on such amount on any Interest Payment Date falling after the Maturity Date up to (and including) the Extended Maturity Date shall constitute a Payment Default (as defined in the Terms and Conditions).

Where at least three (3) Business Days' notice is not given to the holders of Covered Bonds by the Issuer of its intention to redeem all or any of the nominal amount outstanding of the Covered Bonds prior to the Maturity Date, or as applicable, the relevant Interest Payment Date or, as applicable, the Extended Maturity Date, this will not affect the validity or effectiveness of any such redemption of the Covered Bonds or give rise to any such person having any rights in respect of any such redemption but such failure may result in a delay in payment being received by a holder of Covered Bonds through Euroclear Sweden and holders of Covered Bonds shall not be entitled to further interest or any other payment in respect of such delay. Any failure to give notice to holders of Covered Bonds of any decision to extend the maturity of the Covered Bonds will also not affect the validity or effectiveness of such extension.

## **H. Risks relating to the Borgo Transaction**

### ***Each Issuer is subject to risks relating to management and execution of the contemplated Borgo Transaction***

The Borgo Transaction is a material project for each Issuer's business and operating structure. Each Issuer is expecting the new business model where Ålandsbanken and the other Industrial Investors distribute mortgages from Borgo's balance sheet to provide long-term benefits and stability to its businesses, and also to provide a possibility to offer mortgage loans on competitive terms to its customers. In addition to the actions of each Issuer, the Borgo Transaction is dependent on third parties to which each of the Issuers have limited or no control. Participation in, and preparations for, the Borgo Transaction involves risks, such as cost overruns or delays, as well as non-achievement of the economic targets set for the project and the contemplated business. For more information on the project, see "*Borgo Transaction*".

### ***The Borgo Transaction is dependent on, among others, Euroclear Sweden, Helsinki Stock Exchange, the FIN-FSA and the SWE-FSA***

The Terms and Conditions provide that the Subsequent Issuer may replace the Initial Issuer as issuer under the terms as set out in the Terms and Conditions and the obligations and liabilities of the Initial Issuer under the Terms and Conditions and the Covered Bonds are assumed by and transferred to the Subsequent Issuer. Pursuant to the Borgo Transaction, the Initial Issuer also contemplates to transfer the underlying assets in the Swedish Cover Pool to the Subsequent Issuer subject to, among other things, the Initial Issuer obtaining the prior approval of the FIN-FSA for such transfer in accordance with Section 12 of the Finnish Covered Bonds Act. The Issuer Change Event may also require technical actions from and interactions with, among others, the Helsinki Stock Exchange, Euroclear Sweden and/or the SWE-FSA (being the supervisory authority on the Swedish covered bond market). At the date of this Listing Prospectus, there is no certainty to the technical feasibility, timetable and extent of the actions of such third parties. If the timetable, costs or occurrence of the Issuer Change Event is adversely affected by the requirements or actions of such third parties, it may prevent the Borgo Transaction thus possibly having an adverse effect on the business and business prospects of the Issuer, non-achievement of the economic targets set for the project and the contemplated business or cause negative publicity.

### ***There is no certainty that the synergies and other efficiencies sought by the Borgo Transaction will eventually be achieved***

Ålandsbanken and Borgo are expecting the new business model to provide long-term benefits and stability to their businesses and a possibility to offer mortgage loans on competitive terms.

The Industrial Investors (as defined below under "*Borgo Transaction*") see the establishment of Borgo as an opportunity to operate on the mortgage market in a competitive way. However, if Borgo is not able to offer mortgage loans with competitive terms and conditions, it could have an adverse effect on Borgo's results.

Ålandsbanken and its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd will supply platform solutions to Borgo. In addition, the co-operation with Borgo is an important way for Ålandsbanken to implement its strategy of partner co-operation as it is delivering all back-office services to Borgo's platform. A potential inability by Ålandsbanken to adequately provide the solutions and services may lead to delays and contractual breaches which may have an adverse effect on Borgo's operations and financial results.

Borgo's management has operational responsibility for establishing and running Borgo. A potential failure in execution of Borgo's strategy or false management decisions may have an adverse effect on Borgo's operations and results.

Borgo intends to receive cost efficiency through scale of the operations. Funding costs and administrative costs, measured as basis points of mortgage volumes, are strongly linked to the size of the operations. The bigger the volume, the lower the cost in terms of basis points. 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. There is a possibility that Borgo does not reach the necessary business volumes needed for economies of scale which could have an adverse effect on Borgo's funding costs, capital requirements and results.

Ålandsbanken, being also a platform solution provider to Borgo, expects Borgo to reach scale benefits in different business areas, which will further benefit also Ålandsbanken's traditional banking and IT business. If these expectations of Ålandsbanken concerning Borgo do not realize, could this have an adverse effect on the results of Ålandsbanken.

***Borgo is dependent on receiving the planned financing with respect to the Borgo Transaction***

Borgo's funding will partly come from covered bonds, which will be issued under its yet to be established covered bonds program. This will provide Borgo an access to a proven, cost-efficient and liquid funding source. As Borgo's balance sheet is expected to grow rapidly under the next five years, new funding is constantly needed in order to finance the growth. If Borgo does not manage to raise enough funding in the capital market on competitive terms and conditions, this could potentially have a material adverse effect on its ability to provide mortgage loans on competitive terms and limit growth. Borgo's funding will partly pertain to deposits. Borgo will offer deposits accounts via its own website but also via MONU, a web-based deposits distribution platform which connects banks and credit market companies with sources of savings capital, such as asset managers or savings platforms. The success of Borgo's deposits operations is thus to a degree dependent on the result of its collaboration with MONU. In addition, changes in the competitive environment for retail deposits could also affect the company's ability to attract sufficient deposits. Should Borgo fail to acquire adequate funding through deposits, this could potentially have a material adverse effect on its ability to provide mortgage loans on competitive terms and conditions.

For the Borgo Transaction planned to be completed during the first half year of calendar year 2022, the total financing planned consists of SEK 4,500 million deposits from general public, SEK 150 million issued certificates, SEK 7,500 million covered bonds (including the Covered Bonds) transferred from Ålandsbanken, SEK 1,500 million issued senior unsecured bonds and SEK 1,750 million liabilities to credit institutions.

## IMPORTANT NOTICES TO PROSPECTIVE INVESTORS

Each prospective investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference into this Listing Prospectus;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds where the currency for principal or interest payments is different from the prospective investor's currency;
- understands thoroughly the terms of the Covered Bonds and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Covered Bonds under any applicable risk-based capital or similar rules.

### Responsibility Statement

Ålandsbanken accepts responsibility for the information contained in this Listing Prospectus with the exception of the information in respect of Borgo as specified below under Borgo's responsibility statement. To the best of the knowledge of Ålandsbanken, the information contained in this Listing Prospectus is in accordance with the facts and the Listing Prospectus makes no omission likely to affect the import of such information.

Ålandsbanken Abp

Borgo accepts responsibility for the information contained in this Listing Prospectus in the sections "*Description of Borgo*", "*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds – Swedish Covered Bond Act*", "*Taxation – Sweden*" and the information expressly in respect of Borgo on the cover page of this Listing Prospectus and in sections "*Important Information*", "*Risk Factors*", "*Important Notices to Prospective Investors*", "*Terms and Conditions of the Covered Bonds*", "*Use of Proceeds*", "*Derivate Transactions*", "*Borgo Transaction*", "*Information Incorporated by Reference*", "*Selling Restrictions*", "*General Information*", "*Additional Information on the Issue of the Covered Bonds*". To the best of the knowledge of Borgo, the information contained in this Listing Prospectus in respect of Borgo is in accordance with the facts and the Listing Prospectus makes no omission likely to affect the import of such information.

Borgo AB

### Cautionary statement regarding forward looking statements

Some statements in this Listing Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning Ålandsbanken or Borgo's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Listing Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*", "*Description of Ålandsbanken*", "*Description of Borgo*" and other sections of this Listing Prospectus. Ålandsbanken and Borgo's have based these forward looking statements on the current view of its management with respect to future events and financial performance. Although Ålandsbanken and Borgo believe that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Listing Prospectus, if one or more of the risks or uncertainties materialise, including those identified above or which

Ålandsbanken and Borgo have otherwise identified in this Listing Prospectus, or if any of Ålandsbanken or Borgo's underlying assumptions prove to be incomplete or inaccurate, Ålandsbanken or Borgo's actual results of operation may vary from those expected, estimated or predicted.

Any forward looking statements contained in this Listing Prospectus speak only as at the date of this Listing Prospectus. Without prejudice to any requirements under applicable laws and regulations, Ålandsbanken and Borgo expressly disclaims any obligation or undertaking to disseminate after the date of this Listing Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

### **Publishing of the Listing Prospectus**

This Listing Prospectus and the information incorporated into this Listing Prospectus will be published on Ålandsbanken's website at <https://www.alandsbanken.com/about-us/debt-investors> and on Borgo's website at <https://borgohypotek.se/investor-relations/> on or about 10 September 2021. This Listing Prospectus and the information incorporated into this Listing Prospectus will also be available during the opening hours free of charge at Ålandsbanken's head office at Nygatan 2, 22100 Mariehamn, Åland, Finland and at Borgo's head office at Linnégatan 87F, 104 50, Stockholm, Sweden.

### **Presentation of financial and certain other information**

Unless otherwise indicated, the financial information in this Listing Prospectus relating to Ålandsbanken has been derived from (i) the audited consolidated financial statements of Ålandsbanken for the financial years ended 31 December 2019 (the **Ålandsbanken 2019 Financial Statements**) and 31 December 2020 (the **Ålandsbanken 2020 Financial Statements**) and (ii) the unaudited reviewed consolidated financial statements of Ålandsbanken for the six-month period ended 30 June 2021 (the **Ålandsbanken Interim Financial Statements** and, together with the Ålandsbanken 2019 Financial Statements and the Ålandsbanken 2020 Financial Statements, the **Ålandsbanken Financial Statements**). Ålandsbanken's financial year ends on 31 December, and references in this Listing Prospectus to any specific year are to the 12-month period ended 31 December of such year. The Ålandsbanken Financial Statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) as adopted by the European Union.

Unless otherwise indicated, the financial information in this Listing Prospectus relating to Borgo has been derived from the audited financial statements of Borgo for the financial years ended 31 December 2019 (the **Borgo 2019 Financial Statements**) and 31 December 2020 (the **Borgo 2020 Financial Statements**, and together with the Borgo Financial 2019 Statements, the **Borgo Financial Statements**). Borgo's financial year ends on 31 December, and references in this Listing Prospectus to any specific year are to the 12-month period ended 31 December of such year. The Borgo Financial Statements have been prepared in accordance with the recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board. Borgo's financial statements for the financial year 2021 and beyond shall be prepared in accordance with International Financial Reporting Standards (*IFRS*) as adopted by the European Union.

RFR 2 states applicable exceptions from and additions to IFRS that shall be applied in the financial statements of Swedish listed legal entities. RFR 2 states an exception from the main rule regarding the applicability of IFRS for a legal entity if such application is not compatible with the Swedish Annual Accounts Act (in Swedish: *årsredovisningslagen*). Exceptions from the main rule can also be justified if the application of IFRS would lead to a tax position which would deviate from that of other Swedish companies or by other substantial reasons. RFR 2 also contains additions to IFRS as a result of certain disclosure requirements in the Swedish Annual Accounts Act or as a consequence of certain exceptions to IFRS.

## TERMS AND CONDITIONS FOR SEK 5,500,000,000 COVERED BONDS

### 1 DEFINITIONS

In these Conditions, the following terms shall have the following meanings:

**Account Operator** means a bank or other party duly authorised to operate as an account operator (Sw. *kontoförande institut*) pursuant to the Swedish Financial Instruments Accounts Act and through which a Holder has opened a Securities Account in respect of its Covered Bonds.

**Adjusted Nominal Amount** means the aggregate nominal amount of the Covered Bonds less the nominal amount of all Covered Bonds held by the Issuer, another Group Company or any Affiliate of the Issuer, whether the Issuer, that Group Company or any such Affiliate is directly registered as holder of such Covered Bonds or not.

**Affiliate** means, in relation to any person a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

**Bankruptcy Liquidity Loans** means loans made by the bankruptcy administrator of the Initial Issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the Finnish Covered Bonds Act and prior to the occurrence of the Issuer Change Event recorded, in accordance with the Finnish Covered Bonds Act, in the register of Covered Bonds maintained by the Initial Issuer.

**Base Rate** means STIBOR or any reference rate replacing STIBOR in accordance with Condition 5.5.

**Base Rate Administrator** means Swedish Financial Benchmark Facility AB (SFBF) or any person replacing it as administrator of the Base Rate.

**Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in Helsinki or Stockholm, as applicable.

**Calculation Agent** means the Initial Issuer.

**Companies Act** means (i) prior to the occurrence of the Issuer Change Event, the Finnish Companies Act (Fi. *osakeyhtiölaki*) (624/2006, as amended) or (ii) after the occurrence of the Issuer Change Event, the Swedish Companies Act (Sw. *aktiebolagslagen* (2005:551)).

**Conditions** means these terms and conditions.

**Covered Bond** means:

- (i) prior to the occurrence of the Issuer Change Event, covered bonds (Fi. *katetut joukkolainat*) issued pursuant to the Finnish Covered Bonds Act by the Initial Issuer under these Conditions and coupled with rights of priority in accordance with the Finnish Covered Bonds Act and the Finnish Rights of Priority Act; or
- (ii) after the occurrence of the Issuer Change Event, bonds (Sw. *säkerställd obligation*) issued pursuant to the Swedish Covered Bonds Act by the Subsequent Issuer under these Conditions and coupled with rights of priority in accordance with the Swedish Covered Bonds Act and the Swedish Rights of Priority Act,

in each case registered in accordance with the Swedish Financial Instruments Accounts Act.

**CSD** means the central securities depository and registrar in which the Covered Bonds are registered, being Euroclear Sweden on the date of these Conditions.

**Day Count Convention** means, when calculating an amount for a certain reference period, the calculation method “actual/360”, which means that the amount is to be calculated on the actual number of days elapsed in the relevant period divided by 360.

**Debt Register** means the register, held by Euroclear Sweden in relation to the Covered Bonds.

**Derivative Transactions** means derivative transactions entered into by the Initial Issuer to hedge against risks relating to the Covered Bonds or the underlying assets in the Swedish Cover Pool and prior to the occurrence of the Issuer Change Event recorded, in accordance with the Finnish Covered Bonds Act, in the register of Covered Bonds.

**Eligible Bank** means (a) the Bank of Finland provided that the long-term credit rating assigned by Standard & Poor's to the Republic of Finland is at least "AA" or (b) a bank or credit institution which has a long-term credit rating assigned by Standard & Poor's of at least "A" or, if such bank or credit institution (or its debt securities) are not rated by Standard & Poor's, such bank or credit institution shall be deemed to be an Eligible Bank if Standard & Poor's confirms to the Issuer in writing that the use of such bank or credit institution for the purpose stated in the Condition 3.1 does not adversely impact the then current Standard & Poor's rating of the Covered Bonds.

**Euroclear Rules** means regulations, decisions and operating procedures applicable to and/or issued by Euroclear Sweden.

**Euroclear Sweden** means Euroclear Sweden AB, a limited liability company incorporated in Sweden with registration number 556112-8074 and having its registered address at Klarabergsviadukten 63, P.O. Box 191, SE-101 23 Stockholm, Sweden.

**Extended Maturity Date** means the date falling twelve (12) months from the Maturity Date.

**Finnish Covered Bonds Act** means the Finnish Act on Mortgage Credit Bank Operations (Fi. laki kiinnitysluottopankkitoiminnasta) (688/2010, as amended), including any act amending, supplementing or replacing the same.

**Finnish Rights of Priority Act** means the Finnish Act on Order of Priority of Claims (Fi. laki velkojien maksunsaantijärjestyksestä) (1578/1992, as amended).

**Group** means the relevant Issuer and its Subsidiaries from time to time.

**Group Company** means a member of the Group.

**Holder** means the person who is registered on a Securities Account as direct registered owner (Sw. *ägare*) or nominee (Sw. *förvaltare*) with respect to a Covered Bond.

**Holding Company** means, in relation to a person, any other person in respect of which it is a Subsidiary.

**Indebtedness** means indebtedness (whether being principal, premium, interest or other amounts) in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit of the relevant Issuer.

**Initial Issuer** means Ålandsbanken Abp, a public limited liability company incorporated in Finland with business identity code 0145019-3.

**Interest Payment Date** means each day on which interest is due and payable under these Conditions, being:  
during the period from the Issue Date up to and including the Maturity Date, 10<sup>th</sup> December, 10<sup>th</sup> March, 10<sup>th</sup> June and 10<sup>th</sup> September in each year; and  
during the period from (but excluding) the Maturity Date up to and including the Extended Maturity Date, 10<sup>th</sup> day of each month in each year.

**Interest Period** each period of time for which the interest on the Covered Bonds is calculated.

**Interest Rate** means the applicable interest rate as adjusted by any application of Condition 5.5.

**Issue Date** means 10 September 2021.

**Issuer** means:

- (a) prior to the occurrence of the Issuer Change Event, the Initial Issuer; and
- (b) after the occurrence of the Issuer Change Event, the Subsequent Issuer.

**Issuer Agent** means Nordea Bank Abp, filial i Sverige, acting as the issuer agent (Fi. *liikkeeseenlaskijan asiamies*; Sw. *emissionsinstitut*) of the Covered Bonds referred to in the Euroclear Rules and applicable laws, or any other person replacing the same in accordance with the Euroclear Rules.

**Issuer Change Event** means an event whereby the Subsequent Issuer replaces the Initial Issuer as issuer under the terms as set out in these Conditions and the obligations and liabilities of the Initial Issuer under these Conditions and the Covered Bonds are assumed by and transferred to the Subsequent Issuer. If the Initial Issuer transfers the assets belonging to its Swedish Cover Pool to the Subsequent Issuer, the Issuer Change Event will take place when the transfer becomes effective.

**Margin** means 0.500 per cent., subject to adjustment as a result of a Step-Up Rating Change.

**Maturity Date** means 10 September 2026.

**Mortgage** means commercial mortgages (Fi. *liikekiinteistöluotto*) and residential mortgages (Fi. *asuntoluotto*), each as defined in the Finnish Covered Bonds Act.

**Payment Default** means a default by the relevant Issuer in the payment of any principal or interest due in respect of any of its material Indebtedness where the default continues for a period of five (5) days in the case of principal and three (3) days in the case of interest.

**Public-Sector Debt** means public sector debt (Fi. *julkisyhteisöluotto*) as defined in the Finnish Covered Bonds Act.

**Rating Agency** means each of S&P Global Ratings Europe Limited, Moody's Investors Service Ltd and Fitch Ratings Limited.

**Record Date** means the date pursuant to CSD's applicable rules and practices.

**Securities Account** means the account maintained by the CSD in which (i) an owner of such security is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee, in accordance with the laws of Sweden.

**SEK** means Swedish kronor, the lawful currency of Sweden.

**Step-Up Margin** means 0.150 per cent.

**Step-Up Rating Change** means the first public announcement after the occurrence of the Issuer Change Event by the relevant Rating Agency of a decrease in the credit rating of the Covered Bonds to below Aaa (in the case of Moody's) or below AAA (in the case of S&P) or below AAA (in the case of Fitch). For the avoidance of doubt, any further decrease in the credit rating of the Covered Bonds below Aaa in the case of Moody's or, if applicable, below AAA in the case of S&P or below AAA in the case of Fitch and shall not constitute a further Step-Up Rating Change.

**STIBOR** means:

- (a) the Stockholm interbank offered rate (STIBOR) administered by the Base Rate Administrator for the offering of deposits in Swedish Kronor and for a period equal to the relevant Interest Period, as displayed on page STIBOR= of the Thomson Reuters screen (or any replacement thereof) as of or around 11.00 a.m. on the Quotation Day;
- (b) if no rate as described in paragraph (a) is available for the relevant Interest Period, the rate determined by the Issuing Agent by linear interpolation between the two closest rates for STIBOR fixing, as displayed on page STIBOR= of the Thomson Reuters screen (or any replacement thereof) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in SEK;
- (c) if no rate as described in paragraph (a) or (b) is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by the Reference Banks, for deposits of SEK 100,000,000 for the relevant period; or
- (d) if no rate as described in paragraph (a) or (b) is available for the relevant Interest Period and no quotation is available pursuant to paragraph (c), the interest rate which according to the reasonable assessment of the Issuing

Agent best reflects the interest rate for deposits in SEK offered in the Stockholm interbank market for the relevant period, and

if any such rate is below zero, STIBOR will be deemed to be zero.

**Subsequent Issuer** means Borgo AB (Reg. No. 559153-2303), a private limited liability company incorporated in Sweden to be converted into a public limited liability company prior to the Issuer Change Event.

**Subsidiary** means, in relation to any person, any legal entity (whether incorporated or not), which at any time is a subsidiary to such person, directly or indirectly, as defined in the applicable Companies Act.

**Supplemental Security Assets** means supplemental security assets (Fi. *täytevakuus*) within the meaning of Section 15 of the Finnish Covered Bonds Act.

**Swedish Covered Bonds Act** means the Swedish Act on Issuance of Covered Bonds (Sw. *lagen (2003:1223) om utgivning av säkerställda obligationer*), including any act amending, supplementing or replacing the same.

**Swedish Cover Pool** means the cover pool (Sw. *säkerhetsmassa*) securing the Covered Bonds and (i) prior to the occurrence of the Issuer Change Event, maintained by the Initial Issuer in accordance with the Finnish Covered Bonds Act and Condition 3.1 and (ii) after the occurrence of the Issuer Change Event, maintained by the Subsequent Issuer in accordance with the Swedish Covered Bonds Act and Condition 3.2.

**Swedish Financial Instruments Accounts Act** means the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om värdepappercentraler och kontoföring av finansiella instrument*).

**Swedish Limitations Act** means the Swedish Limitations Act (Sw. *preskriptionslag (1981:130)*).

**Swedish Rights of Priority Act** means the Swedish Rights of Priority Act (Sw. *förmånrättslag (1970:979)*).

**Quotation Date** means, in relation to any Interest Period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

## **2 FORM, DENOMINATION AND ISSUANCE**

The Covered Bonds are denominated in SEK and each Covered Bond is constituted by these Conditions. The Issuer undertakes to make payments in relation to the Covered Bonds and to comply with these Conditions.

By subscribing for Covered Bonds, each initial Holder agrees that the Covered Bonds shall benefit from and be subject to these Conditions and by acquiring Covered Bonds, each subsequent Holder confirms such agreement.

The denomination of each book-entry unit relating to the Covered Bonds is SEK 2,000,000. The minimum subscription amount shall be SEK 2,000,000. The Covered Bonds shall be offered for subscription mainly to institutional investors.

The Covered Bonds will be issued in uncertificated and dematerialised form in the register (Sw. *avstämningsregister*) held by Euroclear Sweden and formed in accordance with the Swedish Financial Instruments Accounts Act, other applicable Swedish legislation and the Euroclear Rules. Covered Bonds shall be registered on a Securities Account on behalf of Holders and, accordingly, no physical Covered Bonds will be issued. Registration requests relating to Covered Bonds shall be directed to an Account Operator.

## **3 STATUS AND SECURITY**

### **3.1 Status and Security prior to the occurrence of the Issuer Change Event**

Prior to the occurrence of the Issuer Change Event, the Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Initial Issuer and rank *pari passu* among themselves and with Derivative Transactions and Bankruptcy Liquidity Loans and all other obligations of the Initial Issuer issued in respect of the statutory right of preference to assets registered in the Swedish Cover Pool, including the SEK 2,000,000,000 covered bonds issued by the Initial Issuer on 12 May 2020 which benefit from the Swedish Cover Pool and which are contemplated to be transferred to the Subsequent Issuer at the time of occurrence of the Issuer Change Event, in accordance with the Finnish Covered Bonds Act. Prior to the occurrence of the Issuer Change Event, to the extent that claims in relation to the Covered Bonds and other claims

with the same priority are not met out of the assets of the Initial Issuer that are covered in accordance with the Finnish Covered Bonds Act, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Initial Issuer.

Prior to the occurrence of the Issuer Change Event and for so long as the Covered Bonds are outstanding:

- (A) where Public-Sector Debt and/or Supplemental Security Assets are included in the Swedish Cover Pool, the Initial Issuer shall ensure that the debtors in respect of such Public-Sector Debt and Supplemental Security Assets make all payments of principal and/or interest to which the Initial Issuer is entitled in respect of its holding of such Public-Sector Debt and/or Supplemental Security Assets to a bank account designated by the Initial Issuer which must be held with an Eligible Bank; and
- (B) as soon as practicable after the occurrence of a Payment Default, the Initial Issuer shall instruct the debtors in respect of Mortgages in the Swedish Cover Pool to make all payments of principal and/or interest to which the Initial Issuer is entitled in respect of such Mortgages to a bank account designated by the Initial Issuer which must be held with an Eligible Bank.

If a bank or credit institution to which debtors have been instructed to make payments in accordance with this Condition 3.1 ceases to be an Eligible Bank, then the Initial Issuer shall ensure that, for purposes of this Condition 3.1, such bank or credit institution is replaced with an Eligible Bank as soon as reasonably practicable, and in any event not later than 60 calendar days, after the date when such bank or credit institution ceased to be an Eligible Bank.

### **3.2 Status and Security after the occurrence of the Issuer Change Event**

After the occurrence of the Issuer Change Event, the Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Subsequent Issuer and rank *pari passu* without any preference among themselves. After the occurrence of the Issuer Change Event, the Covered Bonds are obligations issued or converted in accordance with the Swedish Covered Bonds Act and rank *pari passu* with all other obligations of the Subsequent Issuer that have been provided the same priority in the relevant Cover Pool. After the occurrence of the Issuer Change Event, to the extent that claims in relation to the Covered Bonds are not met out of the pool of assets, the residual claims will rank *pari passu* with the claims of unsecured and unsubordinated creditors of the Subsequent Issuer.

## **4 NOMINAL AMOUNT AND CURRENCY**

The aggregate nominal amount of the Covered Bonds issued under these Conditions is SEK 5,500,000,000, unless the Issuer decides to increase the aggregate nominal amount of the Covered Bonds.

## **5 INTEREST**

### **5.1 Interest rate**

Each Covered Bond bears interest at the percentage rate per annum which is the aggregate of the applicable STIBOR and the Margin.

The Margin payable on the Covered Bonds will be subject to adjustment in the event of a Step-Up Rating Change. From and including the first Interest Payment Date falling on or after the date of a Step-Up Rating Change, the Margin payable on the Covered Bonds shall be increased by the Step-Up Margin.

In the event of a Step-Up Rating Change, the Subsequent Issuer will cause the occurrence of a Step-Up Rating Change giving rise to an adjustment to the Margin payable on the Covered Bonds pursuant to this Condition 5.1 to be notified to the Issuer Agent and (in accordance with Condition 11) the Holders as soon as reasonably practicable after the occurrence of the Step-Up Rating Change.

If the rating designations employed by any Rating Agency are changed from those which are described in this Condition, the Issuer shall determine the rating designations of such Rating Agency as are most equivalent to the prior rating designations of the existing Rating Agency (or Rating Agencies, as the case may be).

## 5.2 Interest periods

The first Interest Period shall begin on the Issue Date and end on the following Interest Payment Date. Each following Interest Period begins on the previous Interest Payment Date and ends on the following Interest Payment Date.

Interest shall accrue for each Interest Period from (but excluding) the first day of the Interest Period to (and including) the last day of such Interest Period on the nominal amount of the Covered Bonds outstanding from time to time.

The last Interest Period ends on the Maturity Date (or if applicable, the Extended Maturity Date).

## 5.3 Payment of interest

Interest shall be paid in arrears on each Interest Payment Date up to (and including) the Maturity Date (or if applicable, the Extended Maturity Date) and shall be calculated by using the Day Count Convention.

If there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Payment of interest shall be made in accordance with Swedish legislation governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Holder that is entitled to receive such payment according to the book-entry account information.

## 5.4 Penalty interest

In the event of any delay in payment relating to principal and/or interest, penalty interest shall be payable on the overdue amount from its due date up to and including the date on which payment is made at a rate corresponding to the average of one week STIBOR for the duration of the delay, plus two (2) percentage points. STIBOR shall for this purpose be determined on the first Business Day in each calendar week for the duration of the period of default. Penalty interest, in accordance with this Condition 5.4, shall never be paid at a lower interest rate than the interest rate applicable to the Covered Bonds on the relevant due date with the addition of two (2) percentage points. Penalty interest shall not be capitalised. If the delay is due to an obstacle of the kind set out in Condition 9 on the part of the CSD, no penalty interest shall apply, in which case the interest rate which applied to the Covered Bonds on the relevant due date shall apply instead.

## 5.5 Replacement of Base Rate

Notwithstanding Condition 5.1 (*Interest rate*) above, any determination or election to be made by an Independent Adviser, the Issuer or the Holders in accordance with the provisions of this Condition 5.5 shall at all times be made by such Independent Adviser, the Issuer or the Holders (as applicable) acting in good faith, in a commercially reasonable manner and by reference to relevant market data.

If a Base Rate Event has occurred, this Condition 5.5 shall take precedent over the fallbacks set out in paragraph (b) to (d) of the definition of STIBOR.

In this Condition 5.5:

**Adjustment Spread** means a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, or a combination thereof determined in accordance with Condition 5.5.1, to be applied to a Successor Base Rate or an Alternative Base Rate, the objective of which, in each case, shall be to reduce or eliminate, to the fullest extent reasonably practicable, any transfer of economic value from one party to another as a result of a replacement of the Base Rate.

**Alternative Base Rate** means the reference rate that has replaced the Base Rate in customary market usage in the relevant debt capital markets for the purposes of determining rates of interest in respect of Covered Bonds denominated in Swedish kronor or, if there is no such rate, such other rate as the Independent Adviser determines is most comparable to the Base Rate.

**Base Rate Amendments** has the meaning set forth in Condition 5.5.

**Base Rate Event** means that:

- (a) the Base Rate has (i) been permanently or indefinitely discontinued, (ii) ceased to exist or (iii) ceased to be published for at least five (5) consecutive Business Days as a result of the Base Rate ceasing to be calculated or administered;
- (b) the Base Rate Administrator ceases to publish the applicable Base Rate permanently or indefinitely and, at that time, no successor administrator has been appointed to continue to publish the Base Rate;
- (c) the supervisor of the Base Rate Administrator (i) has made a public statement stating that the Base Rate is no longer representative of the underlying market or (ii) is recommending the usage of a Successor Base Rate for the applicable Base Rate;
- (d) the Base Rate Administrator or its supervisor announces that (i) the Base Rate methodology has changed materially after the Issue Date or (ii) the Base Rate may no longer be used, either generally or in respect of the Covered Bonds; or
- (e) it has become unlawful for the Issuer or the Issuing Agent to calculate any payments due to be made to any Holder using the applicable Base Rate.

**Base Rate Event Announcement** means a public statement by the Base Rate Administrator or the supervisor of the Base Rate Administrator that any event or circumstance specified in paragraphs (a) to (e) of the definition of Base Rate Event will occur.

**Independent Adviser** means an independent financial institution or adviser of repute in the debt capital markets where the Base Rate is commonly used.

**Relevant Nominating Body** means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee of any of them or the Financial Stability Council (*Finansiella stabilitetsrådet*) or any part thereof.

**Successor Base Rate** means a screen or benchmark rate which is formally recommended as a successor to or replacement of the Base Rate by a Relevant Nominating Body.

#### 5.5.1 Determination of Base Rate, Adjustment Spread and Base Rate Amendments

Without prejudice to Condition 5.5, upon a Base Rate Event Announcement, the Issuer may, if it is possible to determine a Successor Base Rate or an Alternative Base Rate at such point of time, at any time before the occurrence of the relevant Base Rate Event at the Issuer's expense appoint an Independent Adviser to determine a Successor Base Rate or, if there is no Successor Base Rate, an Alternative Base Rate and, in each case, the Adjustment Spread and any Base Rate Amendments for purposes of determining and calculating the applicable Base Rate. For the avoidance of doubt, the Issuer will not be obliged to take any such actions until obliged to do so pursuant to Condition 5.5.

If (i) a Base Rate Event has occurred or (ii) a Base Rate Event Announcement has been made and the announced Base Rate Event will occur within six (6) months, the Issuer shall use all commercially reasonable endeavours to, as soon as reasonably practicable and at the Issuer's expense, appoint an Independent Adviser to determine, as soon as commercially reasonable, a Successor Base Rate or (if there is no Successor Base Rate) an Alternative Base Rate and, in each case, the Adjustment Spread and any Base Rate Amendments for purposes of determining and calculating the applicable Base Rate.

If the Issuer fails to appoint an Independent Adviser in accordance with Condition 5.5, the Holders shall, if so decided at a Holders' Meeting or by way of Procedure in Writing, be entitled to appoint an Independent Adviser (at the Issuer's expense) for the purposes set forth in Condition 5.5.

The Adjustment Spread determined by the Independent Adviser, shall be the Adjustment Spread which:

- (a) is formally recommended in relation to the replacement of the Base Rate by any Relevant Nominating Body; or
- (b) if paragraph (a) above does not apply, the Independent Adviser determines is customarily applied to the relevant Successor Base Rate or Alternative Base Rate (as applicable), in comparable debt capital markets transactions.

The Independent Adviser shall also determine any technical, administrative or operational changes required to ensure the proper operation of a Successor Base Rate or an Alternative Base Rate or to reflect the adoption of such Successor Base Rate or Alternative Base Rate in a manner substantially consistent with market practice (**Base Rate Amendments**).

Provided that a Successor Base Rate or (if there is no Successor Base Rate) an Alternative Base Rate and, in each case, the applicable Adjustment Spread and any Base Rate Amendments have been determined no later than ten (10) Business Days prior to the relevant Quotation Day in relation to the next succeeding Interest Period, they shall become effective with effect from and including the commencement of the next succeeding Interest Period.

#### 5.5.2 Interim measures

If a Base Rate Event has occurred but no Successor Base Rate or Alternative Base Rate and Adjustment Spread have been determined at least ten (10) Business Days prior to the relevant Quotation Day in relation to the next succeeding Interest Period, the Interest Rate applicable to the next succeeding Interest Period shall be:

- (a) if the previous Base Rate is available, determined pursuant to the terms that would apply to the determination of the Base Rate as if no Base Rate Event had occurred; or
- (b) if the previous Base Rate is no longer available or cannot be used in accordance with applicable law or regulation, equal to the Interest Rate determined for the immediately preceding Interest Period.

For the avoidance of doubt, the above shall apply only to the relevant next succeeding Interest Period and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustments as provided in, this Condition 5.5.

#### 5.5.3 Notices etc.

The Issuer shall promptly following the determination by the Independent Adviser of any Successor Base Rate, Alternative Base Rate, Adjustment Spread and any Base Rate Amendments give notice thereof to the Issuing Agent and the Holders in accordance with Condition 11 and the CSD. Any notice that the Issuer or the Issuing Agent shall send to the Holders pursuant to this Condition 5.5.3 shall also be published by way of press release by the Issuer.

#### 5.5.4 Variation upon replacement of Base Rate

No later than giving the Issuing Agent notice pursuant to Condition 5.5.3, the Issuer shall deliver to the Issuing Agent a certificate signed by the Independent Adviser and the CEO, CFO or any other duly authorised signatory of the Issuer confirming the relevant Successor Base Rate or Alternative Base Rate, the Adjustment Spread and any Base Rate Amendments, in each case as determined in accordance with the provisions of this Condition 5.5. The Successor Base Rate or Alternative Base Rate, the Adjustment Spread and any Base Rate Amendments (as applicable) specified in such certificate will, in the absence of manifest error or bad faith in any determination, be binding on the Issuer, the Issuing Agent and the Holders.

Subject to receipt by the Issuing Agent of the certificate referred to in this Condition 5.5.4, the Issuer and the Issuing Agent shall, at the request and expense of the Issuer, without the requirement for any consent or approval of the Holders, without undue delay effect such amendments to these Conditions as may be required by the Issuer in order to give effect to this Condition 5.5.

#### 5.5.5 Limitation of liability for the Independent Adviser

Any Independent Adviser appointed pursuant to Condition 5.5 shall not be liable whatsoever for damage or loss caused by any determination, action taken or omitted by it under or in connection with any Conditions, unless directly caused by its gross negligence or wilful misconduct. The Independent Adviser shall never be responsible for indirect or consequential loss.

#### 5.5.6 Amendment and waivers

The Issuing Agent is satisfied that any amendment or waiver to the Base Rate is made pursuant to Condition 5.5 at any relevant time.

## **6 MATURITY AND REDEMPTION**

### **6.1 Redemption at maturity**

Each Covered Bond will be redeemed by the Issuer on the Maturity Date (or if applicable, the Extended Maturity Date) in an amount equal to its nominal amount together with accrued but unpaid interest.

Payment of the redemption amount will be made in accordance with Swedish legislation governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Holder that is entitled to receive such payment according to the book-entry account information.

### **6.2 Redemption for tax reasons**

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date at their nominal amount, together with unpaid interest accrued to (but excluding) the date of redemption, provided that the Issuer has given not less than 30 days' prior notice to the Holders in accordance with Condition 11, if:

on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (i) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 12) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date or (ii) solely due to the occurrence of the Issuer Change Event; and

such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in relation to a payment in respect of the Covered Bonds then due.

### **6.3 Extension of maturity up to Extended Maturity Date**

If the Issuer does not redeem all of the Covered Bonds in full on the Maturity Date or within two (2) Business Days thereafter, the maturity of the Covered Bonds and the date on which the Covered Bonds will be due and redeemable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date. In that event, the Issuer may redeem all or some only of the Covered Bonds then outstanding on any Interest Payment Date falling after the Maturity Date up to and including the Extended Maturity Date.

The Issuer shall give notice to the Issuer Agent and the Holders (in accordance with Condition 11) of (a) any decision to so extend the maturity of the Covered Bonds, in whole or in part, as soon as practicable after any such decision is made and (b) its intention to redeem all or some only of the Covered Bonds then outstanding or any of the nominal amount outstanding of the Covered Bonds in full at least three (3) Business Days prior to (i) the Maturity Date, where practicable for the Issuer to do so and otherwise as soon as practicable after the relevant decision to redeem the Covered Bonds (if any) is made or, as applicable (ii) the relevant Interest Payment Date or, as applicable (iii) the Extended Maturity Date.

Any failure by the Issuer to notify the Holders on the extension of the maturity of the Covered Bonds shall not affect the validity or effectiveness of any such extension of the maturity of the Covered Bonds or, as applicable, redemption by the Issuer of the Covered Bonds in accordance with these Conditions or give rise to any Holder having any rights in respect of any such redemption. However, such failure may result in a delay in payment being received by a Holder through Euroclear Sweden, as applicable, (including on the Maturity Date where at least three (3) Business Days' notice of such redemption is not given to the Holders (in accordance with Condition 11)) and Holders shall not be entitled to further interest or any other payment as a result of such delay.

Any extension of the maturity of the Covered Bonds under this Condition 6.3 shall be irrevocable. Where this Condition 6.3 applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of the Covered Bonds under this Condition 6.3 shall not constitute an event of default for any purpose or give any Holder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Conditions.

If the Issuer redeems part and not all of the nominal amount of the Covered Bonds outstanding on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied *pro rata* across the Covered Bonds and the nominal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.3, for so long as any of the Covered Bonds remains outstanding, the Issuer shall not issue any further covered bonds, unless the proceeds of issue of such further covered bonds are applied by the Issuer towards redeeming in whole or in part the relevant Covered Bonds the maturity of which has been extended in accordance with this Condition 6.3.

#### **6.4 Purchases**

The Issuer or any Subsidiary of the Issuer may at any time purchase Covered Bonds at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or cancelled at the Issuer's discretion.

### **7 SUBSCRIPTION OF THE COVERED BONDS**

#### **7.1 Method of subscription and payment**

The Covered Bonds are offered for subscription at Nordea Bank Abp, Satamaradankatu 5, FI-00020 Nordea, Finland and at Danske Bank A/S, Danmark, Sverige Filial, Box 7523, SE-103 93 Stockholm, Sweden, on 1 September 2021. The Issuer may shorten or lengthen the subscription period.

The subscription amount equals the nominal amount of the Covered Bonds being subscribed for multiplied by the issue price of 101.260 per cent. of the aggregate nominal amount of the Covered Bonds.

Payment in respect of Covered Bonds subscribed for shall be effected as instructed in connection with the subscription. The Initial Issuer may, at its sole discretion, accept or reject a subscription in part or in whole. Approved subscriptions are confirmed after the subscription period has ended.

#### **7.2 Oversubscription and undersubscription**

In the event of oversubscription or undersubscription, as applicable, in relation to the Covered Bonds, the Initial Issuer is entitled to increase or decrease the aggregate nominal amount of the Covered Bonds during the subscription period, discontinue the subscription or cancel the issue of the Covered Bonds.

If the issue is cancelled or the subscriptions are decreased due to oversubscription, the Initial Issuer shall refund the price paid to the account notified by the relevant subscriber within five (5) Business Days from the date of the decision concerning the cancellation or decrease.

### **8 DELIVERY OF COVERED BONDS**

Covered Bonds subscribed and paid for shall be entered to the respective book-entry accounts of the subscribers on or around the Issue Date in accordance with Swedish legislation governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules.

Each Covered Bond is freely transferable after it has been registered into the respective book-entry account.

### **9 FORCE MAJEURE**

The Issuer, the Issuer Agent, the Calculation Agent, the subscription place or any Account Operator shall not be responsible for any loss arising from:

- (a) an act of an authority, war or threat of war, revolt, civil disturbance, or any act of terror;
- (b) disturbance in postal or telephone traffic, electronic communication, or supply of electricity that is beyond the control of, and that has an essential impact on, the operations of the Issuer, the Issuer Agent, the Calculation Agent, the subscription place or any Account Operator;
- (c) interruption or delay of action or measure of the Issuer, the Issuer Agent, the Calculation Agent, subscription place or any Account Operator that is caused by fire or equivalent accident;

- (d) strike or other industrial action which has an essential impact to the operations of the Issuer, the Issuer Agent, the Calculation Agent, the subscription place or any Account Operator, even when it only affects part of the personnel of the aforementioned entities and irrespective of whether the aforementioned entities are involved in it or not;
- (e) an act of God (such as, but not limited to, fires, explosions, earthquakes, drought, tidal waves and floods); or
- (f) other equivalent force majeure or any similar reason that causes unreasonable difficulty for the operations of the Issuer, the Issuer Agent, the Calculation Agent, the subscription place or any Account Operator.

## **10 PRESCRIPTION**

### **10.1 Time barring of claims pertaining to the period prior to the occurrence of the Issuer Change Event**

In the case any payment under the Covered Bonds pertaining to the period prior to the occurrence of the Issuer Change Event has not been claimed by the relevant Holder entitled to such payment within three (3) years from the original due date thereof, the right to such payment shall become forfeited by the relevant Holder and the Initial Issuer shall be permanently free from such payment.

### **10.2 Time barring of claims pertaining to the period after the occurrence of the Issuer Change Event**

The right to receive repayment of principal of the Covered Bonds pertaining to the period after the occurrence of the Issuer Change Event shall be subject to time bar and become void ten years from the Maturity Date. The right to receive payment of interest on the Covered Bonds pertaining to the period after the occurrence of the Issuer Change Event shall be subject to time bar and become void three years from the relevant Interest Payment Date. The Subsequent Issuer is entitled to any funds set aside for payments in respect of claims which have become void due to time bar.

If a period of limitation is duly interrupted (*Sw. preskriptionsavbrott*) in accordance with the Swedish Limitations Act, a new limitation period of ten years with respect to the right to receive repayment of the principal of the Covered Bonds pertaining to the period after the occurrence of the Issuer Change Event, and of three years with respect to the right to receive payment of interest on the Covered Bonds pertaining to the period after the occurrence of the Issuer Change Event will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Limitations Act.

## **11 NOTICES AND RIGHT TO INFORMATION**

Prior to the occurrence of the Issuer Change Event, Holders shall be advised of matters relating to the Covered Bonds by a stock-exchange release and a notice published on the Initial Issuer's website at <https://www.alandsbanken.com/about-us/debt-investors>.

After the occurrence of the Issuer Change Event, Holders shall be advised of matters relating to the Covered Bonds by a stock-exchange release, a notice published on the Subsequent Issuer's website at <https://borgohypotek.se/investor-relations/> or a notice published in any major Swedish national daily newspaper selected by the Subsequent Issuer. After the occurrence of the Issuer Change Event, the Subsequent Issuer will make the following information available to the Holders by way of press release and publication on the website of the Subsequent Issuer:

- (a) as soon as the same become available, but in any event within six months after the end of each accounting period of the Subsequent Issuer, its audited consolidated financial statements for that accounting period;
- (b) as soon as practicable upon becoming aware of an acquisition or disposal of any Covered Bond by the Subsequent Issuer or its Group, information regarding the aggregate Nominal Amount held by the Subsequent Issuer's Group, and the amount of any Covered Bonds cancelled by the Subsequent Issuer; and
- (c) any other information required by the Swedish Securities Markets Act (*Sw. lag (2007:582) om värdepappersmarknaden*) and in any event the rules and regulations of the Helsinki Stock Exchange.

The Issuer may and shall, if required by the Euroclear Rules or applicable laws, also deliver notices relating to the Covered Bonds in writing directly to the Holders at the address appearing on the list of the Holders provided by Euroclear Sweden in accordance with the below paragraph (or through Euroclear Sweden's book-entry system or Account Operators).

Any notice relating to the Covered Bonds shall be deemed to have been received by the Holders when published or delivered in accordance with this Condition 11.

Notwithstanding any secrecy obligation, the Issuer shall, subject to the Euroclear Rules and applicable laws, be entitled to obtain information of the Holders from Euroclear Sweden and Euroclear Sweden shall be entitled to provide such information to the Issuer. Furthermore, the Issuer shall, subject to the Euroclear Rules and applicable laws, be entitled to acquire from Euroclear Sweden a list of Holders, provided that it is technically possible for Euroclear Sweden to maintain such a list. The Issuer shall at the request of the Issuer Agent pass on such information to the Issuer Agent.

The address for notices to the Initial Issuer is:

Ålandsbanken Abp  
Nygatan 2  
PB 3  
AX-22101 Mariehamn

The address for notices to the Subsequent Issuer is:

Borgo AB  
Linnégatan 87 F  
Box 24088  
SE-104 50 Stockholm

## 12 TAXATION

All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (defined below) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond:

- (a) presented for payment in the applicable Tax Jurisdiction;
- (b) the holder of which is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Covered Bond; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Business Day.

For the purposes of this Condition 12:

**Tax Jurisdiction** means (i) prior to the occurrence of the Issuer Change Event, the Republic of Finland or any political subdivision or any authority thereof or therein having power to tax or (ii) after the occurrence of the Issuer Change Event, the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax; and

**Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuer Agent, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 11.

## 13 MEETING OF HOLDERS AND PROCEDURE IN WRITING

The Issuer may convene a meeting of Holders (**Holders' Meeting**) or request a procedure in writing among the Holders (**Procedure in Writing**) to decide on amendments to these Conditions or other matters as specified below. Euroclear Sweden must be notified of the Holders' Meeting or a Procedure in Writing by the Issuer in accordance with the Euroclear Rules and applicable laws.

Notice of a Holders' Meeting and the initiation of a Procedure in Writing shall be provided to the Issuer Agent and the Holders in accordance with Condition 11 at least ten (10) Business Days prior to the Holders' Meeting or the last day for

replies in the Procedure in Writing, and shall include information on the date, place and agenda of the Holders' Meeting or the last day and address for replies in the Procedure in Writing (or if the voting is to be made electronically, instructions for such voting) as well as instructions as to any action required on the part of a Holder to attend the Holders' Meeting or to participate in the Procedure in Writing. No matters other than those referred to in the notice of the Holders' Meeting or initiation of the Procedure in Writing may be resolved upon at the Holders' Meeting or the Procedure in Writing.

Only those who, according to the register kept by Euroclear Sweden in accordance with the Euroclear Rules and applicable laws, in respect of the Covered Bonds, were registered as Holders on the fifth (5th) Business Day prior to the Holders' Meeting or the last day for replies in the Procedure in Writing on the list of Holders to be provided by Euroclear Sweden in accordance with Condition 11, or proxies authorised by such Holders, shall, if holding any of the nominal amount of the Covered Bonds at the time of the Holders' Meeting or the last day for replies in the Procedure in Writing, be entitled to vote at the Holders' Meeting or in the Procedure in Writing and shall be recorded in the list of the Holders present at the Holders' Meeting or participating in the Procedure in Writing.

The Holders' Meeting must be held in Stockholm and the chairman of the meeting shall be appointed by the Board of Directors of the Issuer.

A Holders' Meeting or a Procedure in Writing shall constitute a quorum only if two (2) or more Holders present hold or represent at least 50 per cent. or one (1) Holder holding one hundred 100 per cent. of the Adjusted Nominal Amount outstanding attends the Holders' Meeting or provides replies in the Procedure in Writing. Notwithstanding Condition 13 or anything set out in this paragraph, following the occurrence of the Issuer Change Event, the Subsequent Issuer may amend and/or restate these Conditions, and execute any documents required, without further Holder's consent in order to reflect that the Subsequent Issuer has assumed the rights and obligations of the Initial Issuer (including, but not limited to, for the purpose of aligning the terms contained herein with those in the Subsequent Issuer's medium term covered bond programme). For this purpose, each initial Holder agrees to such amendments and/or restatements by subscribing for Covered Bonds, and by acquiring Covered Bonds, each subsequent Holder confirms such agreement. For the avoidance of doubt, no separate decision by the Holders on a Holders' Meeting or Procedure in Writing shall be required in order to effect the aforementioned amendments and/or restatements. Such amendments and/or restatements are for the purposes of adapting the Covered Bond to comply with Swedish law and regulation as well as market practice applicable to a Swedish issuer and may not decrease the Holders' rights.

If, within 30 minutes after the time specified for the start of a Holders' Meeting, a quorum is not present, any consideration of the matters to be dealt with at the meeting may, at the request of the Issuer, be adjourned for consideration at a meeting to be convened on a date no earlier than 14 calendar days and no later than 28 calendar days after the original meeting, at a place to be determined by the Issuer. Correspondingly, if by the last day for replies in the Procedure in Writing a quorum is not constituted, the time for replies may be extended as determined by the Issuer.

The quorum for an adjourned Holders' Meeting or extended Procedure in Writing will be at least 25 per cent. of the Adjusted Nominal Amounts outstanding.

Notice of an adjourned Holders' Meeting or in relation to a Procedure in Writing, information regarding the extended time for replies, shall be given in the same manner as notice of the original Holders' Meeting or the Procedure in Writing. The notice shall also state the requirements for the constitution of a quorum.

Voting rights of Holders shall be determined according to the proportion of the Adjusted Nominal Amount held by such Holder.

Resolutions shall be carried by a majority of more than 50 per cent. of the votes cast. A representative of the Issuer and a person authorised to act for the Issuer may attend and speak at a Holders' Meeting.

A Holders' Meeting or a Procedure in Writing is entitled to make the following decisions that are binding upon all Holders:

- (a) amend these Conditions, including approval of any proposal by the Issuer for any modification, abrogation, variation or compromise of these Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds; and
- (b) waive any breach or consent to any proposed breach by the Issuer of its obligations under or in respect of the Covered Bonds,

provided, however, that consent of at least 75 per cent. of the Adjusted Nominal Amount outstanding is required to:

- (a) decrease the nominal amount of, or interest payable on (other than as a result of an application of Condition 5.5), the Covered Bonds;
- (b) extend the term of the Covered Bonds (other than pursuant to Condition 6.3);
- (c) amend the requirements for the constitution of a quorum at a Holders' Meeting or Procedure in Writing; or
- (d) amend the majority requirements of the Holders' Meeting or Procedure in Writing.

The consents can be given at a Holders' Meeting, in the Procedure in Writing or by other verifiable means in writing.

When consent from the Holders representing the requisite majority has been received in the Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired, provided that the Holders representing such requisite majority are registered as Holders on the list of Holders provided by Euroclear Sweden in accordance with Condition 11 on the date when such requisite majority is reached.

The Holders' Meeting and the Procedure in Writing can authorise a named person to take necessary action to enforce the decisions of the Holders' Meeting or the Procedure in Writing.

Resolutions passed at a Holders' Meeting or in the Procedure in Writing shall be binding on all Holders irrespective of whether they have been present at the Holders Meeting or participated in the Procedure in Writing. In addition, Holders are obligated to inform subsequent transferees of Covered Bonds of resolutions made at a Holders' Meeting and in a Procedure in Writing. A Holders' Meeting's resolutions must also be notified to the Issuer Agent as well as Euroclear Sweden in accordance with the Euroclear Rules and applicable laws.

Any resolution at a Holders' Meeting or in a Procedure in Writing, which extends or increases the obligations of the Issuer, or limits, reduces or extinguishes the rights or benefits of the Issuer, shall be subject to the consent of the Issuer.

Notwithstanding anything to the contrary in these Conditions, the Issuer is entitled to, without the consent of the Holders to make appropriate changes to these Conditions if such changes do not weaken the position of the Holders. Any such changes shall be binding upon the Holders. The Issuer shall notify the Holders of such changes in accordance with Condition 11 above.

## **14                    ADMISSION TO TRADING**

The Initial Issuer undertakes to apply for admission of the Covered Bonds to trading on the Helsinki Stock Exchange and the Initial Issuer and the Subsequent Issuer (as applicable) undertake to take any reasonable measures that may be required to maintain the admission as long as the Covered Bonds are outstanding, however, no longer than what is possible pursuant to applicable laws and regulations.

## **15                    FURTHER ISSUES**

Subject to the last paragraph of Condition 6.3, the Issuer may from time to time without the consent of, or notice to, the Holders create and issue further covered bonds having the same terms and conditions as the Covered Bonds (or the same in all respects save for the amount and date of the first payment of interest thereon, the issue price, the minimum subscription amount and the date from which interest starts to accrue) and so that the same may be consolidated and form a single series with the outstanding Covered Bonds.

## **16                    CHANGE OF ISSUER**

The Initial Issuer contemplates to transfer the underlying assets in the Swedish Cover Pool to the Subsequent Issuer, thus triggering the Issuer Change Event. The Issuer Change Event is subject to, among other things, that the Initial Issuer has obtained the prior approval of the Finnish Financial Supervisory Authority for such transfer in accordance with Section 12 of the Finnish Covered Bonds Act. The final decision to transfer the underlying assets in the Swedish Cover Pool and, consequently, the Issuer Change Event taking place is at the full discretion of the Initial Issuer and the Subsequent Issuer and subject to the all the conditions precedent for closing under the related business purchase agreement to be entered into between the Initial Issuer and the Subsequent Issuer having been fulfilled or waived by the parties thereto.

If required by the Euroclear Rules or the rules of the relevant stock exchange or technical reasons attributable to Euroclear Sweden or the relevant stock exchange, upon the occurrence of the Issuer Change Event the Covered Bonds will be re-issued under these Conditions by the Subsequent Issuer.

Following the occurrence of the Issuer Change Event, the Subsequent Issuer will assume the rights and obligations of the Initial Issuer under these Conditions and the Covered Bonds. If required, the Subsequent Issuer may amend and/or restate these Conditions, and execute any documents required, without further Holder's consent in order to reflect that the Subsequent Issuer has assumed the rights and obligations of the Initial Issuer (including, but not limited to, for the purpose of aligning the terms contained herein with those in the Subsequent Issuer's medium term covered bond programme). For this purpose, each initial Holder agrees to such amendments and/or restatements by subscribing for Covered Bonds, and by acquiring Covered Bonds, each subsequent Holder confirms such agreement. For the avoidance of doubt, no separate decision by the Holders on a Holders' Meeting or Procedure in Writing shall be required in order to effect the aforementioned amendments and/or restatements.

By subscribing for Covered Bonds, each initial Holder agrees to the Issuer Change Event and by acquiring Covered Bonds, each subsequent Holder confirms such agreement. No remedy against the Initial Issuer or the Subsequent Issuer shall be available to the Holders, whether for the recovery of amounts owing in respect of the Covered Bonds or otherwise as a result of or in relation to the Issuer Change Event. For the avoidance of doubt, no separate decision by the Holders on a Holders' Meeting or Procedure in Writing shall be required in order to effect the Issuer Change Event.

The Initial Issuer and the Subsequent Issuer shall inform the Holders of the occurrence of the Issuer Change Event in accordance with Condition 11. In addition, the Initial Issuer and the Subsequent Issuer shall notify Euroclear Sweden, the Issuer Agent and (if the Covered Bonds are listed therein) the Helsinki Stock Exchange of the Issuer Change Event without delay upon its occurrence.

## **17 GOVERNING LAW AND JURISDICTION**

### **17.1 Governing law**

- (a) Prior to the occurrence of the Issuer Change Event, the Covered Bonds and any non-contractual obligations arising out of or in connection herewith, are and shall be governed by, and construed in accordance with, Finnish law, except for the provisions on registration of the Covered Bonds in Euroclear Sweden, which shall be governed by, and construed in accordance with, Swedish law.
- (b) After the occurrence of the Issuer Change Event, the Covered Bonds and any non-contractual obligations arising out of or in connection herewith, are and shall be governed by, and construed in accordance with, Swedish law.

### **17.2 Submission to jurisdiction**

- (a) Prior to the occurrence of the Issuer Change Event, any disputes relating to the Covered Bonds shall be settled in the first instance at the District Court of Helsinki (Fi. *Helsingin käräjäoikeus*).
- (b) After the occurrence of the Issuer Change Event, any disputes relating to the Covered Bonds shall be settled in the first instance at the Stockholm District Court (Sw. *Stockholms tingsrätt*).
- (c) If the claimant is a consumer, such claimant may take legal action in a district court of the claimant's place of residence.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Covered Bonds will be applied by the Initial Issuer for the redemption of SEK 2,500,000,000 covered bonds issued by the Initial Issuer on 22 November 2017 with the maturity date of 22 November 2022 and the ISIN code SE0010598474 and on general corporate purposes, which include making a profit.

## REGULATORY ENVIRONMENT

*The following is a summarized presentation of certain aspects of the banking regulatory environment in which the Issuers operate:*

### Capital Requirements

On 6 June 2019 material updates to both the Capital Requirements Regulation (EU) No. 575/2013 (the **CRR**) and the Capital Requirements Directive 2013/36/EU (the **CRD**) were published in the Official Journal of the European Union. The updates to the CRR (the **CRR II**) introduces binding requirements for a leverage ratio of 3 per cent. and a binding requirement for the NSFR of 100 per cent. CRR II also includes a new standardised method to compute the exposure value of derivatives exposures, calculations for markets risk, exposures to central counterparties, exposures to investment undertakings, large exposures and lending to small and medium sized enterprises (SME's). The updates to the directive (the **CRD V**) include updates to supervisory measures and capital conservation measures. Among other changes, it updates the rules governing Pillar 2. Specifically, CRD V introduces a split of Pillar 2 add-ons into the Pillar 2 Requirements (the **P2R**) and the Pillar 2 Guidance (the **P2G**), where the P2R will increase the maximum distributable amount (the **MDA**) level while the P2G does not affect the MDA level. Both the CRR II and the CRD V entered into force on 27 June 2019. The CRR II has generally applied as of 28 June 2021 and the CRD V as of 28 December 2020.

In December 2017, the finalised Basel III framework (the **Basel IV package**), was published by the Basel committee. The Basel IV package will according to the current expected timeline be implemented in 2023 at the earliest and includes revisions to capital requirements calculation of credit risk, operational risk, credit valuation adjustment (CVA) risk. The Basel IV package sets a minimum leverage ratio buffer for large and systemically important institutions and introduces a new output floor for banks using internal models. In addition, revisions to market risk (so called Fundamental Review of the Trading Book) was initially agreed in 2016 (a revision was published on 14 January 2019) and will be implemented together with the Basel IV package in 2023. On credit risk, the package includes revisions to both the IRB approach, where restrictions to the use of IRB for certain exposures are implemented, as well as to the standardised approach.

The output floor sets a minimum level for the risk weighted assets calculated according to the internal models. Output floor requires that the amount of risk weighted assets should be at least 72.5 per cent. of the total Pillar 1 risk exposure amount calculated with the standardised approaches for credit-, market- and operational risk. Output floor will be fully phased in over a period from 2023 to 2028.

As of 1 January 2018, the international accounting regulation IAS 39, "Financial instruments: Recognition and Measurement" was replaced by IFRS 9, "Financial Instruments". Under IFRS 9, banks are required, inter alia, to apply a forward-looking approach to impairments by estimating expected credit losses based on each bank's view of the market. Banks may employ statistical methods to calculate loan loss provisions in respect of essentially all credit risk-bearing assets, thus also including loans that have not yet defaulted. This approach will lead to an increase in provision amounts, which may affect the banks' capital adequacy ratios. For banks that apply IRB and have a substantial surplus of regulatory expected losses to loan loss provisions, the effect on the capital base is limited, since the surplus has already been subtracted from the capital base today. In practise, Ålandsbanken has included only exposures that are handled according to the standardised approach since the exposures calculated using the IRB approach have a substantial surplus of regulatory expected loss. Accordingly, the initial application of the expected credit loss impairment model increased the loan loss reserve by EUR 2.4 million as of 1 January 2018. The EU has provided an optional 5-year phase-in of the effect of IFRS 9 on the capital base, with a gradually declining recovery to the capital base beginning from 2018. To mitigate the potential impact of the Covid-19 pandemic on banks' lending capacity and capital ratios due to an increase in expected credit loss provisions, the EU decided to extend the transitional arrangements by two years to 2024 and to allow banks to fully add back any increases in ECL provisions for non-credit-impaired assets to their Common Equity Tier 1 capital during 2020 and 2021.

### Resolution Laws

On 2 July 2014, the BRRD entered into force. On 27 June 2019, the Directive 2019/879/EU (the **BRRD II**) entered into force amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, and Directive 98/26/EC. The BRRD and subsequent amendments are designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD and subsequent amendments are implemented in Finland through the Finnish Resolution Laws. The BRRD and subsequent amendments are implemented in Sweden through the Swedish Resolution Act.

The Finnish Resolution Act and the Swedish Resolution Act contain resolution tools and powers which may be used alone or in combination where the (i) the Finnish Resolution Authority or (ii) the Swedish Resolution Authority and the SWE-FSA in consultation with one another, as applicable, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. One of these tools is bail-in - which gives the Finnish Resolution Authority or the Swedish Resolution Authority, as applicable, the power to write down certain claims of unsecured creditors of a failing institution (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims to equity or other instruments of ownership (the **general bail-in tool**), which equity and other instruments could also be subject to any future cancellation, transfer or dilution.

The general bail-in tool power can be used to ensure that Tier 1 and Tier 2 instruments fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken. The BRRD specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in power contains a specific safeguard with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity, however such safeguard may not be applicable to the statutory write-down and conversion power available to resolution authorities in connection with Tier 1 and Tier 2 instruments.

*The following is a brief summary of the regulatory environment related to benchmarks:*

### **Benchmark Regulation**

Amounts payable under the Covered Bonds are calculated by reference to STIBOR. As at the date of this Listing Prospectus, the administrator of STIBOR, the Swedish Financial Benchmark Facility, is not included in the European Securities and Market Authority's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmark Regulation**). As at the date of this Listing Prospectus, the Swedish Financial Benchmark Facility is in the process for seeking authorisation from the SWE-FSA to operate as an approved administrator under Benchmark Regulation and intends to submit a formal application for authorisation during 2021.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and came into force on 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed to be equivalent or recognised or endorsed). See "*Risks related to the Covered Bonds – The regulation and reform of "benchmarks" may adversely affect the value of the Covered Bonds linked to such "benchmarks"*".

## SUMMARY OF THE FINNISH AND THE SWEDISH LEGISLATION REGARDING COVERED BONDS

### Finnish Act on Mortgage Credit Bank Activity

Prior to the occurrence of the Issuer Change Event, the Finnish Covered Bond Act (in Finnish: *laki kiinnitysluottopankkitoiminnasta* 688/2010) (as amended) (the **Finnish Covered Bond Act**) applies to the Covered Bonds. The following is a brief summary of certain features of the Finnish Covered Bond Act as at the date of this Listing Prospectus. It does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for covered bonds.

#### General

Covered bonds are debt instruments issued by Finnish commercial banks that are at all times secured by a pool of qualifying assets (the **Cover Pool**), the quality and standards of which are regulated by the Finnish Covered Bond Act.

Covered bonds may only be issued by credit institutions that are licensed by the FIN-FSA to do so. Ålandsbanken was granted such license on 29 July 2011. The FIN-FSA supervises banks' compliance with the Finnish Covered Bond Act.

#### Eligible Assets for the Cover Pool

According to the Finnish Covered Bond Act, the following types of assets qualify for the Cover Pool:

- Loans that are secured by a mortgageable object referred to in chapter 16, section 1 or in chapter 19, section 1 of the Finnish Land Code (in Finnish: *maakaari* 540/1995) (as amended) (the **Finnish Land Code**) and whose purpose is to serve as housing, by shares in a housing company according to Chapter 1, Section 2 of the Finnish Housing Companies Act (in Finnish: *asunto-osakeyhtiölaki* 1599/2009) (as amended) (the **Finnish Housing Companies Act**), by other comparable shares or rights-of-occupancy, or by collateral that is comparable to the above and situated in another State in the European Economic Area (**Residential Mortgages**). A housing company is a special form of limited liability company (regulated by the Finnish Housing Companies Act). Shares of a housing company carry rights to occupy a specific part of the building owned by the company as stipulated in its articles of association.
- Loans that are secured by a mortgageable object referred to in Chapter 16, Section 1 or in Chapter 19, Section 1 of the Finnish Land Code and whose purpose is to serve as office or commercial space, by shares in a housing company or a mutual real estate company that entitle its holder to occupy commercial or office space, or by comparable collateral situated in another State belonging to the European Economic Area (**Commercial Mortgages** and, together with Residential Mortgages, **Mortgages**). The governance of a mutual real estate company is similar to that of any other Finnish limited liability company. Real estate companies may be governed by the Finnish Housing Companies Act or the Finnish Companies Act (in Finnish: *osakeyhtiölaki* 624/2006) (as amended), as stipulated in each company's articles of association. Shares of a mutual real estate company carry rights to occupy a specific part of the building owned by the mutual real estate company as stipulated in its articles of association.
- Public-sector loans that have been granted to the Finnish state, a Finnish municipality or another public body which may, when calculating prudential requirements set out in the CRR, be considered equivalent to the Finnish state or Finnish municipality or indebtedness that is fully guaranteed by, or fully collateralised by a claim against the Finnish state, a Finnish municipality or such other public body as described above (**Public-Sector Debt**).
- Mortgages and Public-Sector Debt of such other credit institution, to which the mortgage bank (in Finnish: *kiinnitysluottopankki*) issuer of covered bonds has granted inter-bank loans (**Inter-Bank Loans**) where the Inter-Bank Loan is secured by Mortgages granted by that credit institution or Public-Sector Debt posted as collateral by that credit institution to the extent those Mortgages and that Public-Sector Debt forms part of the Cover Pool for the covered bonds as described below (**Inter-Bank Loan Assets**). The use of Inter-Bank Loans is not available to Ålandsbanken because it is not a mortgage bank.
- In addition, up to 20 per cent. of the aggregate amount of all the assets in the Cover Pool may in certain circumstances temporarily consist of certain supplemental assets. Supplemental assets in the Cover Pool (together referred to as the **Supplemental Assets**) may include:
  - bonds and other debt obligations issued by the Finnish government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the issuer of the covered bonds);

- guarantees granted by a public-sector entity or a credit institution (other than one belonging to the same consolidated group as the issuer of the covered bonds);
- credit insurance given by an insurance company other than one belonging to the same group as the issuer of the covered bonds; and
- cash of the issuer of the covered bonds deposited in the Bank of Finland or a deposit bank (other than a deposit bank, belonging to the same consolidated group as the issuer of the covered bonds, if the issuer is also a deposit bank).

Debt obligations issued by credit institutions may not, however, exceed 15 per cent. of the aggregate amount of assets in the Cover Pool. The FIN-FSA may in limited circumstances grant an exemption from the 20 per cent. limit for a set period.

Supplemental Assets may temporarily be used in situations where Mortgages or Public-Sector Debt have not yet been granted or registered in the Cover Pool or the Finnish Covered Bond Act's requirements described below under "Loan to Value Ratios, Liquidity and Interest Cover Requirements" are not fulfilled.

### ***Covered Bond Register***

The issuer of covered bonds is required to maintain a register of the covered bonds and the assets in the Cover Pool (the **Register**). The Register must include, amongst other things, details on:

- each series of covered bonds in issue, including the nominal amount, interest rate and maturity;
- the assets in the Cover Pool, including the aggregate nominal amount, interest and maturity of the Mortgages and any Public-Sector Debt in the Cover Pool;
- any Supplemental Assets in the Cover Pool; and
- any derivative contracts entered into to hedge against risks relating to the covered bonds or the Cover Pool.

The Register must be continuously updated to reflect changes in the covered bonds and the Cover Pool. The Mortgages, Public-Sector Debt, Inter-Bank Loan Assets and Supplemental Assets recorded in the Register at any given time constitute the Cover Pool that secures the covered bonds, subject to the limitations set forth in the Finnish Covered Bond Act. Each of the assets in the Cover Pool secures each series of covered bonds in issue on a *pari passu* basis, to the extent each of the series is secured by the same assets. If an asset recorded in the Register secures only a particular series or category of covered bonds, the Register must specify which series the asset secures. A Mortgage, Public-Sector Debt or Inter-Bank Loan must, following its repayment in full, be removed from the Register. Mortgages that are no longer eligible Residential Mortgages or Commercial Mortgages must also be removed. Assets may also be removed from the Register if after the removal the remaining assets in the Cover Pool are sufficient to meet the requirements of the Finnish Covered Bond Act and the terms and conditions of the covered bonds. The fact that an issuer of covered bonds has included certain Mortgages, Public-Sector Debt or other indebtedness in the Cover Pool does not prevent it from allowing, or allow it to prevent, the debtor in relation to such indebtedness to pre-pay the relevant indebtedness or to change the terms of the relevant indebtedness (including changing the collateral (e.g., residential property or shares in a housing company) securing the indebtedness). According to the Finnish Consumer Protection Act (in Finnish: *kuluttajansuojalaki* 38/1978) (as amended), consumers are entitled at any time to pre-pay their Residential Mortgages in full or in part before they mature. The issuer of covered bonds is, however, prohibited from creating any security interest in or selling Mortgages or Public-Sector Debt that forms part of the Cover Pool without the permission of the FIN-FSA. If Inter-Bank Loan Assets are included in the Cover Pool, the same restrictions as to the sale and creation of security interests apply to the debtor credit institution under the Inter-Bank Loan. The composition of the Cover Pool may change over time, subject at all times to the requirements of the Finnish Covered Bond Act and the terms and conditions of the covered bonds. For a summary of the requirements in the Finnish Covered Bond Act relating to the Cover Pool, see "*Certain Cover Pool Requirements*" and "*Loan to Value Ratios, Liquidity and Interest Cover Requirements*" below. Issuers of covered bonds may also enter into derivatives contracts in order to hedge risks relating to the covered bonds and the Cover Pool. Details of any derivatives contracts must be listed in the Register.

The security interest in the Mortgages and Public-Sector Debt included in the Cover Pool will be recorded on the documentation evidencing the Mortgages or Public-Sector Debt or in a register that is used to administer the Mortgages or Public-Sector Debt.

### ***Certain Cover Pool Requirements***

The Finnish Covered Bond Act provides that the nominal amount of the Mortgages included in the Cover Pool may not exceed the fair value of the collateral securing those Mortgages. The fair value of the collateral is to be determined in accordance with the FIN-FSA's rules and regulations. For example, any collateral assets underlying Commercial Mortgages and Residential Mortgages, where the value of such Residential Mortgage exceed EUR 3,000,000, are to be valued by an independent third-party valuation agent.

If the assets in the Cover Pool do not meet the requirements of the Finnish Covered Bond Act, the FIN-FSA will set a time period within which the issuer of the covered bonds is required to add such amount of qualifying assets to the Cover Pool as is required to remedy the breach. If the issuer does not comply with the requirements within the set time period, the FIN-FSA may revoke the issuer's license to carry on mortgage banking activities.

### ***Loan to Value Ratios, Liquidity and Interest Cover Requirements***

The Finnish Covered Bond Act provides for the following requirements as to the assets in the Cover Pool:

- The aggregate value of the assets in the Cover Pool (calculated as specified below) must at all times exceed the aggregate outstanding nominal amount of the covered bonds.
- The present value of the assets in the Cover Pool must at all times exceed 102 per cent. of the present value of the payment obligations under the covered bonds. When determining the present value of the assets in the Cover Pool for this purpose, only 60 per cent. and 70 per cent. of the payments made or to be made under the Commercial Mortgages and Residential Mortgages, respectively, may be included. According to the preparatory works of the Finnish Covered Bond Act (HE 42/2010), present value means the total value of the future discounted cash flows applying the market rate of interest prevailing from time to time. The FIN-FSA may in the future issue more specific rules and regulations regarding present value calculations.
- Unless the terms of the covered bonds provide otherwise, at least 90 per cent. of the aggregate value of the assets in the Cover Pool (calculated as specified below) must be comprised of Residential Mortgages, Public-Sector Debt or Supplemental Assets.
- The aggregate value of the assets in the Cover Pool (calculated as specified below) relating to the Inter-Bank Loan Assets must at all times exceed the amount of the Inter-Bank Loans. In the case of Inter-Bank Loans, the Public-Sector Debt and Mortgages that secure those Inter-Bank Loans are to be recorded in the Register and included in the Cover Pool; the Inter-Bank Loans themselves are not included in the Cover Pool for purposes of the tests and requirements described in this section "*Loan to Value Ratios, Liquidity and Interest Cover Requirements*".
- The weighted average maturity of the covered bonds must not be longer than the weighted average maturity of the assets in the Cover Pool.
- The interest accruing on the aggregate amount of assets in the Cover Pool (calculated as specified below) in any 12-month period must cover the interest payments on the covered bonds (and any derivative contracts related thereto) in the same period.

For purposes of the requirements described in this section "*Loan to Value Ratios, Liquidity and Interest Cover Requirements*", certain additional loan-to-value thresholds apply. Namely, for purposes of determining the aggregate amount or value of assets in the Cover Pool:

- in the case of Residential Mortgages, only up to 70 per cent. of the fair value of the residential property securing the Residential Mortgage can be included;
- in the case of Commercial Mortgages, only up to 60 per cent. of the fair value of the commercial property securing the Commercial Mortgage can be included;
- in the case of Public-Sector Debt and Supplemental Assets, the book value is to be included; and

- Loans that according to the rules of the FIN-FSA are to be booked as non-performing loans cannot be included.

In addition, derivative transactions concluded in order to hedge risks relating to the covered bonds or any assets in the Cover Pool are taken into account for the purposes of the requirements described above.

### ***Limited Recourse Against Assets in the Cover Pool***

According to the Finnish Covered Bond Act, creditors of the issuer of covered bonds other than the covered bond holders cannot have recourse against the assets in the Cover Pool. Therefore, the assets in the Cover Pool cannot be subject to injunctions, debt execution or other enforcement measures by such creditors. In addition, in a bankruptcy or liquidation of an issuer of covered bonds, a Mortgage debtor or issuer of Public-Sector Debt cannot as a general rule invoke the right of set-off in relation to a Mortgage or Public-Sector Debt that is included in the Cover Pool.

### ***Right of Priority in Bankruptcy or Liquidation of the Issuer***

Under the Finnish Covered Bond Act, holders of covered bonds are given a preferential status in the liquidation or bankruptcy of the issuer of those covered bonds. If the issuer has been placed in liquidation or declared bankrupt, the holders of covered bonds have the right to receive payment, in preference to all other creditors of the issuer, in accordance with the terms and conditions of the covered bonds, from the assets that comprise the Cover Pool (i.e., assets included in the Register). After the commencement of the bankruptcy or liquidation proceedings, any proceeds from the assets in the Cover Pool will be recorded in the Register for the benefit of the holders of the covered bonds. Prior to the commencement of bankruptcy or liquidation, proceeds from the assets in the Cover Pool will only be recorded in the Register for the benefit of the holders of the covered bonds to the extent that such proceeds are temporarily recorded in the Register as Supplemental Assets.

However, with respect to Mortgages included in the Cover Pool, the covered bond holders' preferential treatment will be limited, in accordance with section 25 of the Finnish Covered Bond Act, to a maximum amount which corresponds to 70 per cent. of the value, as recorded in the Register, of the assets securing the Residential Mortgages in the pool; and to 60 per cent. of the value, as recorded in the Register, of the assets securing the Commercial Mortgages in the pool, in each case at the time the issuer was declared bankrupt or when the issuer is placed in liquidation, as the case may be. Any excess proceeds from the Mortgages in the Cover Pool will be paid to the bankruptcy estate for the benefit of the general creditors of the estate.

The issuer's counterparties to derivative transactions that are recorded in the Register and the providers of any liquidity loans borrowed by the bankruptcy estate enjoy the same preferential treatment as covered bond holders in the issuer's bankruptcy or liquidation. These counterparties and lenders have an equal right with the holders of covered bonds to payments from the assets in the Cover Pool. Accordingly, derivative transactions and such liquidity loans rank *pari passu* with the covered bond holders with respect to assets in the Cover Pool.

In the bankruptcy or liquidation of the issuer, holders of covered bonds rank *pari passu* amongst themselves in respect of proceeds from the Cover Pool, to the extent their bonds are secured by the same assets in the Register. If an asset recorded in the Register secures a particular series of covered bonds only, only that particular series of covered bonds will receive the benefit of any proceeds from the relevant asset.

If an issuer of covered bonds is placed in liquidation or declared bankrupt, a supervisor will be appointed by the FIN-FSA to represent the interests of the holders of the relevant covered bonds. A bankruptcy administrator will also be appointed by the court of jurisdiction in accordance with the Finnish Bankruptcy Act (in Finnish: *konkurssilaki* 120/2004) (as amended). The supervisor supervises the management and any liquidation of the assets in the Cover Pool as well as the payments to be made to the holders of covered bonds.

In the bankruptcy or liquidation of the issuer, the bankruptcy administrator shall, at the supervisor's request or with its consent, enter into such derivatives contracts as are necessary to hedge the risks relating to the covered bonds or the assets in the Cover Pool, and, where necessary, sell a sufficient amount of assets in the Cover Pool in order for the issuer to discharge its obligations relating to the covered bonds. The bankruptcy administrator may also take out liquidity loans to secure the liquidity of the bankruptcy estate. Moreover, the bankruptcy administrator may, with the permission of the FIN-FSA and subject to the terms and conditions of the covered bonds, transfer the covered bonds and the entire Cover Pool to another Finnish financial institution that is licensed to issue covered bonds (or to an equivalent non-Finnish institution).

If the requirements described above under “*Loan to Value Ratios, Liquidity and Interest Cover Requirements*” are not satisfied, the bankruptcy administrator shall, at the supervisor’s request or with its consent, accelerate the covered bonds, liquidate the assets in the Cover Pool relating to such covered bonds and use the proceeds thereof to discharge the covered bonds. If the proceeds from the assets in the Cover Pool (after application of the limitation in respect of Mortgages described above) are not sufficient to discharge the covered bonds in full, the holders of the covered bonds will be general creditors in the issuer’s bankruptcy with no priority in payment as to the shortfall. In such circumstances, the holders of the covered bonds may not be paid in full.

### ***Management of the Cover Pool upon Liquidation or Bankruptcy of an Interbank Loan Debtor***

If the debtor in respect of an Inter-Bank Loan that has been taken into account in the Cover Pool is in bankruptcy or liquidation, the FIN-FSA shall without delay appoint a supervisor to represent the interests of the holders of covered bonds issued by the issuer (i.e., the creditor of the Inter-Bank Loan debtor). The supervisor shall in particular supervise the administration and liquidation of the assets in the Cover Pool and the payments to be made to the holders of covered bonds. Notwithstanding the liquidation or bankruptcy of an Inter-Bank Loan debtor, payments shall be made on the covered bonds, in accordance with their terms, from the Inter-Bank Loan Assets comprising the Cover Pool, taking into account the right of preference provided in the Finnish Covered Bond Act.

In the liquidation of the Inter-Bank Loan debtor, the debtor’s estate administrator shall at the request of, or with the consent of, the supervisor:

- sell the debtor’s Mortgages or Public-Sector Debt that comprise the Cover Pool to the issuer of the covered bonds by, in whole or in part, offsetting the purchase price against the issuer’s Inter-Bank Loan claim against the debtor; or
- if necessary, sell to a third party such amount of the debtor’s assets in the Cover Pool as is necessary to discharge the obligations under the covered bonds.

### ***Implementation of the EU Covered Bond Directive 2019/2162 in Finland***

On 18 December 2019, Directive 2019/2162/EU on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the **Covered Bond Directive**) were published in the Official Journal of the European Union. Member States shall adopt and publish, by 8 July 2021, the laws, regulations and administrative provisions necessary to comply with the Covered Bond Directive and they shall apply those measures at the latest from 8 July 2022.

The main needs for change arising from the Covered Bond Directive in Finland relate to the license procedure for covered bond programmes, the liquidity requirement and the conditions for the postponement of the maturity of a covered bond (soft bullet). The Covered Bond Directive imposes additional conditions on the use of derivatives linked to covered bonds, particularly so that obligations arising from derivatives must be covered by the collaterals of the mortgage loans granted and that claims arising from such derivatives are covered by the collaterals of the mortgage loans granted. In other respects, the changes required by the Covered Bond Directive in Finland are mainly clarifying.

The Covered Bond Directive requires the implementing law to enter into force on 8 July 2022, however, it is not certain that Finland will be able to implement the law by the required date. At the date of this Listing Prospectus, the Covered Bond Directive has not been implemented in Finland and no government bill has been issued in Finland for the implementation of the Covered Bond Directive, however, a draft government proposal (journal number VM/RMO 5/2021) for the law implementing the Covered Bond Directive in Finland has been under consultation (the **Preliminary Proposal**).

In many respects, the Finnish Covered Bond Act already meets the requirements of the Covered Bond Directive. According to the Preliminary Proposal, the main changes would be the increase of the collateral value of Residential Mortgages from 70 per cent. to 80 per cent. of the fair value of the residential property securing the Residential Mortgage, removal of the maturity restrictions on covered bonds, inclusion of the postponement of the maturity conditions (soft bullet) in the legislation, limitation of the use of Inter-Bank Loan financing arrangements to intra-group financing arrangements, allowance of the Inter-Bank Loan to a credit institution belonging to the same consolidation group located in the European Economic Area and the clarification of the obligation to assess the balance sheet commitments.

The proposed increase in the maximum collateral value the Residential Mortgages from 70 per cent. to 80 per cent. of the fair value of the residential property securing the Residential Mortgage would allow covered bond issuers to be able to make more comprehensive use of loans with higher credit ratios in collateral pools. The proposed change concerns the collateral value of mortgages only in cover pools, and the change as such would have no effect on the valuations of Residential Mortgages in credit institutions' risk management and lending practices.

According to the Preliminary Proposal, a license procedure for covered bonds would be established. The Covered Bond Directive requires that in order to issue covered bonds under the Covered Bond Directive and to use the covered bond labels under the Covered Bond Directive (European Covered Bond and European Covered Bond (Premium)), the issuer must have the permission required by the Covered Bond Directive.

The licenses of existing mortgage banks and other credit institutions licensed to issue covered bonds do not as such meet the authorization requirement of the Covered Bond Directive. According to the Preliminary Proposal, the existing mortgage banks and other credit institutions currently licensed to issue covered bonds would need to update their licenses in order to meet new requirements set by the implementing law for the license for the covered bond issues, as the implementing law would enter into force.

### Swedish Covered Bond Act

After the occurrence of the Issuer Change Event, the Swedish Covered Bond Act (in Swedish: *lagen (2003:1223) om utgivning av säkerställda obligationer*) applies to the Covered Bonds. The following is a brief summary of certain features of the Swedish Covered Bond Act as at the date of this Listing Prospectus. It does not purport to be, and is not, a complete description of all aspects of the Swedish legislative and regulatory framework for covered bonds.

#### General

The Swedish Covered Bond Act entered into force on 1 July 2004 and was last amended in 2018. It enables Swedish banks and credit market companies which have been granted a specific licence by the SWE-FSA (in Swedish: *Finansinspektionen*), to issue full-recourse debt instruments secured by a pool of mortgage credits and/or public sector credits.

The SWE-FSA has issued regulations and recommendations under the authority conferred on it by the Swedish Covered Bond Act, including the SWE-FSA's regulations and general guidelines regarding covered bonds (in Swedish: *Finansinspektionens föreskrifter och allmänna råd om säkerställda obligationer (FFFS 2013:1)*) as amended from time to time (the **SWE-FSA Regulations**).

Swedish covered bonds may take the form of bonds and other comparable debt instruments, such as commercial paper. In the event of an issuer's bankruptcy, holders of covered bonds (and certain eligible counterparties to derivative contracts entered into for the purpose of matching the financial terms of the assets in the cover pool (the **Cover Pool**) with those of the covered bonds) benefit from a priority right in the pool of assets consisting of Eligible Mortgages, Public Credits and Supplemental Assets (as defined below). The Swedish Covered Bond Act further enables such holders (and derivative counterparties) to continue to receive timely payments also following the issuer's bankruptcy, subject to certain conditions being met.

The Cover Pool is dynamic in the sense that an issuer may supplement or substitute assets in the Cover Pool at any time. An issuer may establish more than one Cover Pool.

#### Eligible Assets for the Cover Pool

According to the Swedish Covered Bond Act, the following types of assets qualify for the Cover Pool:

- Loans secured by: (i) mortgages over real property (in Swedish: *fastigheter*) intended for residential, agricultural, office or commercial purposes or site leasehold rights (in Swedish: *tomträtter*) intended for residential, office or commercial purposes; (ii) pledges over tenant-owner rights (in Swedish: *bostadsrätter*); or (iii) comparable security interests over equivalent assets situated in other countries within the EEA (**Eligible Mortgages**);
- Loans to (or guaranteed by), among others, the Swedish State, Swedish municipalities and comparable public bodies and the European Union (**Public Credits**); and

- In addition, up to 20 per cent. of the aggregate amount of all the assets in the Cover Pool, certain supplemental assets, primarily government bonds and cash, although the SWE-FSA may also authorise the use of certain debt instruments issued by credit institutions and other bodies as supplemental assets (**Supplemental Assets**).

### ***Covered Bond Register***

Information in respect of all covered bonds, assets in the Cover Pool and relevant derivative contracts must be entered into a special register, which is maintained by the issuer. The actual registration of the covered bonds and relevant derivative contracts in the register is necessary to confer the priority right in the Cover Pool. Further, only assets entered into the register form part of the Cover Pool. The register must at all times show the nominal value of the covered bonds, the Cover Pool and the relevant derivative contracts. As a result, the register requires regular updating, including, without limitation, due to changes in interest rates, interest periods, outstanding debt and the composition of the Cover Pool. The value of the underlying collateral securing Eligible Mortgages in the Cover Pool must also be entered into the register.

### ***Loan-to-value ratios and certain other restrictions***

For Eligible Mortgages, there is a maximum loan amount which may be included in the Cover Pool, depending on the value of the underlying collateral:

- For residential collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 75 per cent. of the market value of the collateral.
- For agricultural collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 70 per cent. of the market value of the collateral.
- For office or commercial collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 60 per cent. of the market value of the collateral.

Should a loan exceed the relevant ratio, only the part of the loan that falls within the permitted limit may be included in the Cover Pool (a **Partly Eligible Loan**). The Swedish Covered Bond Act does not explicitly regulate how proceeds in respect of a Partly Eligible Loan shall be distributed between the eligible and the non-eligible parts of the loan. The most likely interpretation is that interest payments shall be allocated *pro rata* between the eligible and non-eligible parts of the loan and that amortisations shall be applied first towards the non-eligible part of the loan (absent enforcement of the security over the underlying collateral). However, proceeds from enforcement of the security should most likely be applied first towards the eligible part of the loan.

A similar situation arises if, for example, the same mortgage security serves as first-ranking security for two (or more) loans granted by an issuer and only one of these loans is included in the Cover Pool. The Swedish Covered Bond Act does not give clear guidance as to how proceeds shall be allocated between the two loans in case of the issuer's bankruptcy. The lack of guidance may give room for unsecured creditors of the issuer to argue that only a *pro rata* portion of such proceeds shall be allocated to the loan included in the Cover Pool.

The Swedish Covered Bond Act restricts the overall proportion of loans provided against security over real property (or site leasehold rights or tenant-owner rights) intended for office or commercial purposes to 10 per cent. of an issuer's Cover Pool. Furthermore, the proportion of Supplemental Assets may not exceed 20 per cent. of the Cover Pool, although the SWE-FSA has the authority to raise this limit up to 30 per cent. for a limited period in special circumstances.

Issuers are required to regularly monitor the market value of the mortgage assets that serve as collateral for loans included in the Cover Pool and at least once a year to analyse how future changes in market values may affect the loan-to-value ratios and the value of all such mortgage assets. If the market value of a mortgage asset declines significantly (around 15 per cent. or more according to the preparatory works to the Swedish Covered Bond Act), then only such part of the loan that falls within the permitted loan-to-value ratio will be eligible for inclusion in the Cover Pool and will be subject to the priority right described below. However, a decline in the market value following an issuer's bankruptcy would not result in a reduction of the assets in which holders of covered bonds (and relevant derivative counterparties) have a priority right but could result in the Cover Pool ceasing to meet the matching requirements.

### ***Matching requirements***

The Swedish Covered Bond Act prescribes that an issuer must comply with certain matching requirements, which, among other things, require that the nominal value of the assets registered in the Cover Pool exceeds the nominal value of the liabilities which relate to covered bonds issued from time to time by at least 2 per cent. The calculation shall be made on the basis of current book values. In order to comply with these requirements, the issuer may enter into derivative contracts, which will also be taken into account when testing the matching. To do so, the issuer is dependent on the availability of derivative counterparties with sufficient credit rating and also on such counterparties fulfilling their contractual obligations.

Furthermore, an issuer must compose the Cover Pool in such a way as to ensure a sound balance between the covered bonds and the assets in the Cover Pool in terms of currencies, interest rates and interest fixation periods. Such sound balance is deemed to exist when the present value of the Cover Pool at all times exceeds the present value of the liabilities relating to the covered bonds by at least 2 per cent. The present value of derivative contracts shall be taken into account for the purposes of such calculation. The calculations of present value shall withstand certain stress tests (changes in interest rates and/or currency exchange rates).

The payment flows relating to the assets in the Cover Pool, derivative contracts and covered bonds shall be such that an issuer is at all times able to meet its payment obligations towards holders of covered bonds and relevant derivative counterparties.

Non-performing assets in the Cover Pool which are more than 60 days overdue must be disregarded for the purposes of the matching tests.

### ***Supervision by the SWE-FSA and the independent monitor***

The SWE-FSA monitors that an issuer complies with the Swedish Covered Bond Act and other provisions of the legislative and regulatory framework which regulates the business of the issuer. In addition, the SWE-FSA appoints an independent monitor (in Swedish: *oberoende granskare*) for each issuer that issues covered bonds.

The independent monitor is responsible for monitoring the register to assess whether or not it is being maintained correctly and in compliance with the Swedish Covered Bond Act and the SWE-FSA Regulations. The monitoring shall be risk-based. In particular, the independent monitor shall verify that (i) covered bonds and relevant derivative contracts are registered in the register, (ii) only loans and Supplemental Assets that satisfy the eligibility criteria are included in the Cover Pool and registered in the register, (iii) the valuations of the underlying collateral for loans in the Cover Pool are in accordance with the Swedish Covered Bond Act and the SWE-FSA Regulations, (iv) mortgage loans, the underlying collateral of which has decreased significantly in value are, for the purpose of the matching requirements, deducted from the Cover Pool to the extent necessary to comply with the relevant loan-to-value ratio and (v) the matching requirements are complied with. In addition, the independent monitor shall annually review revaluations by the issuer of the underlying collateral.

The independent monitor is entitled to request information from the issuer, conduct site visits and is required to report regularly and at least once a year to the SWE-FSA. The Swedish Covered Bond Act does not provide for any change to the independent monitor's remit upon the bankruptcy of an issuer.

### ***Benefit of a priority right in the Cover Pool***

Pursuant to the Swedish Covered Bond Act and the Rights of Priority Act (in Swedish: *förmånsrättslag (1970:979)*), the holders of covered bonds benefit from a priority right in the Cover Pool should the issuer be declared bankrupt (in Swedish: *försatt i konkurs*). The same priority is awarded to the issuer's eligible counterparties to derivative contracts entered into for the purpose of matching the financial terms of the assets in the Cover Pool with those of the covered bonds. Such derivative counterparties and the holders of covered bonds rank *pari passu* with joint seniority in relation to the Cover Pool.

By virtue of the aforementioned priority, holders of covered bonds and relevant derivative counterparties rank ahead of unsecured creditors and all other creditors of the issuer in respect of assets in the Cover Pool (except the bankruptcy administrator as regards fees for its administration of assets in the Cover Pool and costs for such administration and obligations under liquidity loans and other agreements entered into by the bankruptcy administrator on behalf of the bankruptcy estate with a view to fulfilling the matching requirements for the Cover Pool (see further below)). The priority right also covers cash received by an issuer and deriving from the Cover Pool or relevant derivative contracts, provided that certain administrative procedures have been complied with.

Due to what is generally regarded as an oversight by the legislator, there is some uncertainty as to whether a creditor that obtains execution (in Swedish: *utmätning*) against an asset in the Cover Pool earlier than three months before an issuer's bankruptcy could defeat the priority afforded to holders of covered bonds and derivative counterparties as regards such asset. However, an execution that is levied less than three months before the issuer is being declared bankrupt will typically not defeat the priority.

### ***Administration of the Cover Pool in the event of bankruptcy***

Should an issuer be declared bankrupt, at least one bankruptcy administrator would be appointed by the bankruptcy court and one bankruptcy administrator would be appointed by the SWE-FSA. The bankruptcy administrators would take over the administration of the bankruptcy estate, including the Cover Pool.

Provided that (and as long as) the Cover Pool meets the requirements of the Swedish Covered Bond Act (including the matching requirements), the assets in the Cover Pool, the covered bonds and any relevant derivative contracts that have been entered into the register are required to be maintained as a unit and kept segregated from other assets and liabilities of the bankruptcy estate of the issuer. The bankruptcy administrators are in such case required to procure the continued timely service of payments due under the covered bonds and any relevant derivative contracts. Consequently, the bankruptcy would not as such result in early repayment or suspension of payments to holders of covered bonds or to derivative counterparties, so long as the Cover Pool continues to meet the requirements of the Swedish Covered Bond Act.

Upon an issuer's bankruptcy, neither the issuer nor its bankruptcy estate would have the ability to issue further covered bonds. However, the Swedish Covered Bond Act gives the bankruptcy administrators an explicit and broad mandate to enter into loan, derivative, repo and other transactions on behalf of the bankruptcy estate with a view to maintaining matching cash flows, currencies, interest rates and interest periods between assets in the Cover Pool, covered bonds and derivative contracts. Counterparties in such transactions will rank senior to holders of covered bonds and derivative counterparties. The bankruptcy administrators may also raise liquidity by selling assets in the Cover Pool in the market for example. However, it is uncertain to which extent a bankruptcy administrator will be able to find necessary counterparties to enter into agreements to raise liquidity. If the bankruptcy estate is not able to raise sufficient liquidity, this could result in a holder of covered bonds not being paid in a timely manner.

If the Cover Pool ceases to meet the requirements of the Swedish Covered Bond Act, and the deviations are not just temporary and minor, the Cover Pool may no longer be maintained as a unit and the continuous payment under the terms and conditions of the covered bonds and derivative contracts will cease. The holders of covered bonds and derivative counterparties would in such case instead benefit from a priority right in the proceeds of a sale of the assets in the Cover Pool in accordance with general bankruptcy rules. This could result in the holders of covered bonds receiving payment according to a schedule that is different from that contemplated by the terms and conditions of the covered bonds (with accelerations as well as delays) or that the holders of covered bonds are not paid in full. However, the holders of covered bonds and derivative counterparties would retain the benefit of the right of priority in the assets comprising the Cover Pool (although certain bankruptcy-related costs (such as fees payable to the bankruptcy administrators) would rank ahead of the holders of covered bonds and derivative counterparties). Any residual claims of the holders of covered bonds and derivative counterparties remain valid claims against the issuer but will rank *pari passu* with other unsecured and unsubordinated creditors of the issuer.

### ***Implementation of Covered Bond Directive in Sweden***

On 4 November 2020 an Official Report of the Swedish Government (SOU 2020:61 *Ändrade regler om säkerställda obligationer*) was published containing, inter alia, proposals of the legislative amendments needed to implement the Covered Bond Directive in Sweden (the **Covered Bond Report**). It should be noted that Covered Bond Report is currently submitted for consultation and does not constitute a final proposal on the implementation of the Covered Bond Directive. Hence, it is still unclear how the Covered Bond Directive will affect the Swedish legislation governing covered bonds.

### **Assets in the Cover Pool**

Pursuant to the Covered Bond Report, residential and commercial mortgages, exposures to credit institutions and public loans can be included in the Cover Pool. The Covered Bond Report proposes that the provisions of the Swedish Covered Bond Act be amended to reflect the provisions of the CRR. Issuers should be required to meet CRR's requirements regarding exposure limits for credit institutions. The proposal amends the provisions of the Swedish Covered Bond Act on public loans and mortgages to reflect the provisions of the CRR. As a result, the provisions on issuance of covered bonds will correlate better with the CRR's provisions on risk weights and capital requirements.

Amendments to the provisions on loan-to-value levels are proposed in the Covered Bonds Act where only a part of the loan, up to a specific share of the market value of the collateral, can be included in the coverage calculation. The proposal changes the loan-to-value for residential mortgages from 75 per cent. to 80 per cent. of the market value of the collateral and for commercial mortgages, the loan-to-value is changed in certain cases.

The Covered Bond Report proposes that the provisions on substitute collateral be repealed, since it is difficult to combine them with the Covered Bond Directive. Instead, new provisions on exposures to credit institutions and provisions on a liquidity buffer are proposed in the Swedish Covered Bond Act. While these provisions partly have the same purpose as substitute collateral, they have a broader scope, since exposures to derivative counterparties are also included.

#### Coverage requirements, over-collateralisation and liquidity buffer

The Covered Bond Report proposes that the requirements in the Swedish Covered Bond Act on over-collateralisation, i.e. the level by which the value of the assets in the Cover Pool has to exceed the value of the liabilities, be adapted to the main principle in the CRR of at least five per cent. over-collateralisation.

As a result of the rules in the Covered Bond Directive, the Covered Bond Report also proposes that provisions concerning a specific liquidity buffer should be introduced in the Swedish Covered Bond Act. It should cover the maximum cumulative net liquid outflow from the issuer over the next 180 days.

#### Maturity extensions

The Covered Bond Report proposes that provisions permitting maturity extensions be introduced in Swedish law. These are conditions included in the terms of a covered bond contract stating that repayment can be postponed in certain circumstances. In the Covered Bond Report's proposal, such a maturity extension can only be subject to approval from the SWE-FSA.

According to the main principle, calculation of the liquidity buffer requirement for covered bonds allowing for maturity extensions should be based only on the original maturity date, unless the SWE-FSA has approved the maturity extension.

#### Information, monitoring and supervision

The provisions on an independent inspector in the Swedish Covered Bond Act should remain in place, in the view of the Covered Bond Report. Therefore, the Member State option in the Covered Bond Directive allowing for the appointment of a Cover Pool monitor should not be implemented. The Covered Bond Report proposes that the SWE-FSA's power to revoke an issuer's authorisation for a covered bond programme be extended to include the situation where the issuer has acquired permission for a covered bond programme by making false statements or by some other irregular means.

As a complement to the provisions on sanctions for issuers and other credit institutions, the Covered Bond Report proposes that additional provisions on sanctions for natural persons be included in the Swedish Banking and Financing Business Act, in relation to breaches of certain provisions in the Swedish Covered Bond Act.

The Covered Bond Report proposes that new authorisations to issue regulations be introduced in the Swedish Covered Bond Act in relation to the information to be provided by the issuer to investors and the information that the issuers have to submit to Swedish FSA, when this has to be done and how the information has to be given. The Covered Bond Report proposes that several of the authorisations to issue regulations in the current wording of the Swedish Covered Bond Act be repealed in the light of the Covered Bond Directive.

#### Entry into force and transitional provisions

The legislative amendments are proposed to enter into force on 8 July 2022. For a covered bond that has been issued before this date, the previous provisions of the Covered Bonds Act will, as a main principle, continue to apply during the remaining part of its maturity. For tap issues made after 8 July 2022, certain transitional provisions will apply.

## CHARACTERISTICS OF THE SWEDISH COVER POOL

Prior to the occurrence of the Issuer Change Event, the Initial Issuer must ensure that the Swedish Cover Pool is comprised only of Mortgages, Public-Sector Debt and Supplemental Assets within the limitations set by the Finnish Covered Bond Act (as summarised under “*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds*”) and the Terms and Conditions of the Covered Bonds. After the occurrence of the Issuer Change Event, the Subsequent Issuer must ensure that the Swedish Cover Pool is comprised only of Mortgages, Public-Sector Debt and Supplemental Assets within the limitations set by the Swedish Covered Bond Act (as summarised under “*Summary of the Finnish and the Swedish Legislation regarding Covered Bonds*”) and the Terms and Conditions of the Covered Bonds. At no time shall the Swedish Cover Pool includes asset-backed securities that do not comply with the requirements of paragraph 1 Article 80 of Guideline ECB/2014/60 of the European Central Bank.

The Initial Issuer or the Subsequent Issuer, as applicable, will substitute assets that are no longer eligible to be included in the Swedish Cover Pool in accordance with the requirements of the Finnish Covered Bond Act or the Swedish Covered Bond Act, as applicable, and such terms and conditions and supplement the Swedish Cover Pool with new Mortgages, Public-Sector Debt or Supplemental Assets upon the existing Mortgages, Public-Sector Debt or Supplemental Assets in the Swedish Cover Pool being repaid by the relevant borrower in respect of such assets.

The transfer of the Mortgages included in the Swedish Cover Pool from the Initial Issuer to the Subsequent Issuer requires a prior approval of the FIN-FSA in accordance with Section 12 of the Finnish Covered Bonds Act. At the date of this Listing Prospectus, such prior approval of the FIN-FSA has not been yet received. Furthermore, the transfer of the Mortgages included in the Swedish Cover Pool from the Initial Issuer to the Subsequent Issuer requires that each Mortgage shall be transferred from the Initial Issuer to the Subsequent Issuer.

The criteria that the Initial Issuer and the Subsequent Issuer apply in the selection of assets for the Swedish Cover Pool and the policies for granting loans are summarised below.

### The Swedish Cover Pool

All Mortgages included in the Swedish Cover Pool are originated by the Initial Issuer’s Swedish branch, the Subsequent Issuer, ICA Banken (as defined below under “*Borgo Transaction*”) and/or Söderberg & Partners (as defined below under “*Borgo Transaction*”) in accordance with the applicable lending criteria, which include, among other things, verifying the identity of the borrower, assessing the creditworthiness of the borrower and checking the past defaults of the borrower which are contained in the internal payment default register of the Initial Issuer, the Subsequent Issuer, ICA Banken or Söderberg & Partners, as applicable.

The Initial Issuer or the Subsequent Issuer, as applicable, identifies the Mortgages that are eligible for inclusion in the Swedish Cover Pool according to criteria set by the Finnish Covered Bond Act or the Swedish Covered Bond Act, as applicable, and the Initial Issuer or the Subsequent Issuer, as applicable. These criteria, in summary, include (but are not limited to):

- the principal amount of the Mortgage must not exceed the fair value of the collateral securing the Mortgage, that is, the loan-to-value ratio must be 100 per cent. or lower;
- the Initial Issuer or the Subsequent Issuer, as applicable, must have security over the collateral securing the Mortgage;
- the Mortgage must not have been in arrears for more than 90 days;
- if several loans are secured by the same collateral, the group of loans is only eligible for the Swedish Cover Pool if the entire group meets the loan-to-value ratio requirement stated above. However, certain types of loans within such a group, such as currency loans and credit limits, are not eligible for inclusion (although they are included for the purpose of the loan-to-value ratio requirement);
- the Mortgage must be secured by eligible assets located or incorporated in Sweden and must be denominated in SEK; and
- the terms and conditions of the pledge relating to the property that constitutes the collateral for the Mortgage must contain a provision according to which the pledgor undertakes to maintain the fire insurance of the property.

The composition and characteristics of the Swedish Cover Pool will change over time.

## DERIVATIVE TRANSACTIONS

### Permitted Derivative Transactions

The Initial Issuer or the Subsequent Issuer, as applicable, may from time to time enter into one or more derivative transactions in order to hedge against risks relating to the Covered Bonds or the assets in the Swedish Cover Pool. Such derivative transactions will be entered into the Register for the Swedish Cover Pool.

The Initial Issuer or the Subsequent Issuer, as applicable, may also enter into one or more interest rate swap transactions to hedge the interest rate exposure arising as a result of Mortgages and other assets in the Swedish Cover Pool that carry fixed rates of interest covering the Covered Bonds that carry a floating interest rate payment obligation for the Issuer.

A derivative transaction entered into by the Initial Issuer in relation to the Covered Bonds will not be transferred to the Subsequent Issuer upon occurrence of the Issuer Change Event.

### Documentation

The Initial Issuer or the Subsequent Issuer, as applicable, currently anticipates that derivative transactions entered into between the Initial Issuer or the Subsequent Issuer, as applicable, and a swap counterparty will be evidenced by a confirmation and such confirmation will supplement, form part of and be subject to an agreement between the Initial Issuer or the Subsequent Issuer, as applicable, and such swap counterparty in the form of a 1992 ISDA Master Agreement (Multicurrency – Cross Border) or an ISDA 2002 Master Agreement, as amended and supplemented from time to time, each as published by the International Swaps and Derivatives Association Inc. (ISDA) (each such agreement a **Swap Agreement**). All such derivative transactions will be terminable by a party if an Event of Default (as defined in the relevant Swap Agreement) occurs in respect of the other party or all or a group of derivative transactions will be terminable by one or both of the parties if a Termination Event (as defined in the relevant Swap Agreement) occurs.

Upon the early termination of one or more derivative transactions, the Initial Issuer or the Subsequent Issuer, as applicable, or the relevant swap counterparty may be liable to make a payment to the other party reflecting the value of the terminated derivative transaction(s).

The Initial Issuer or the Subsequent Issuer, as applicable, may also at its discretion use other types of instruments and transactions for the purposes described in this section “*Derivative Transactions*”.

### Bankruptcy or Liquidation of the Initial Issuer or the Subsequent Issuer

Under the Finnish Covered Bond Act, the Initial Issuer is required to fulfil the obligations arising under a derivative transaction entered into the Register for the Swedish Cover Pool in accordance with its terms notwithstanding a bankruptcy or liquidation of the Initial Issuer. Counterparties to such derivative transactions (along with holders of the Covered Bonds and providers of Bankruptcy Liquidity Loans) are given a statutory priority in the liquidation or bankruptcy of the Initial Issuer to the assets in the Swedish Cover Pool. Accordingly, such counterparties (and holders of the Covered Bonds and providers of Bankruptcy Liquidity Loans) have the statutory right to receive payment from the assets in the Swedish Cover Pool before all other holders of claims and this right remains for so long as the Covered Bonds remain outstanding.

Provided that (and as long as) the Swedish Cover Pool meets the requirements of the Swedish Covered Bond Act (including the matching requirements), the assets in the Swedish Cover Pool, the Covered Bonds and any relevant derivative contracts that have been entered into the Register are required to be maintained as a unit and kept segregated from other assets and liabilities of the bankruptcy estate of the Subsequent Issuer. The bankruptcy administrators are in such case required to procure the continued timely service of payments due under the Covered Bonds and any relevant derivative contracts. Consequently, the bankruptcy of the Subsequent Issuer would not as such result in early repayment or suspension of payments to holders of the Covered Bonds or to derivative counterparties, so long as the Swedish Cover Pool continues to meet the requirements of the Swedish Covered Bond Act.

## DESCRIPTION OF ÅLANDSBANKEN

### General information

Ålandsbanken is a public limited liability company, registered in the Finnish Trade Register, with its registered office in Mariehamn in the autonomous Finnish Province of Åland and it operates under Finnish law. Ålandsbanken was incorporated on 3 December 1919 under the laws of Finland with business identity code 0145019-3. Its LEI number is 7437006WYM821IJ3MN73. Its registered address and phone number are as follows:

Ålandsbanken Abp  
Nygatan 2  
AX-22 100 Mariehamn  
Tel. +358 (0) 204 29 011

Ålandsbanken's website is [www.alandsbanken.fi](http://www.alandsbanken.fi). The information on the website does not form part of the Listing Prospectus unless that information is incorporated by reference into the Listing Prospectus. Any supplements to the Listing Prospectus on the website are also part of the Listing Prospectus.

Ålandsbanken's core markets are the Åland Islands, mainland Finland and Sweden. Ålandsbanken's head office is located in Mariehamn on the Åland Islands. Ålandsbanken has two offices in the Åland Islands and six offices on the Finnish mainland, situated in Helsinki, Oulu, Parainen, Tampere, Turku and Vaasa. Ålandsbanken's Swedish branch has three offices in Sweden situated in Stockholm, Gothenburg and Malmö.

As at 30 June 2021, Ålandsbanken had total assets of EUR 6,261 million, total equity of EUR 311.4 million and net operating profit of EUR 24.4 million (1 January – 30 June 2021). As at 31 December 2020, Ålandsbanken had total assets of EUR 6,035 million, total equity of EUR 292.4 million and net operating profit of EUR 39.7 million (1 January – 31 December 2020). As at 30 June 2020, Ålandsbanken had total assets of EUR 5,708 million, total equity of EUR 271.3 million and net operating profit of EUR 16.7 million (1 January – 30 June 2020). As at 31 December 2019, Ålandsbanken had total assets of approximately EUR 5,607 million, total equity of EUR 258.4 million and net operating profit of EUR 33.2 million (1 January – 31 December 2019). As at 31 December 2020, the Ålandsbanken Group had 751 employees (based on hours worked, recalculated to full-time equivalent positions).

The Ålandsbanken Group has two wholly-owned subsidiaries whose operations are connected in various ways with banking. They are Ålandsbanken Fondbolag Ab and Crosskey Banking Solutions Ab Ltd. The focus of Ålandsbanken is on enhancing its role as a bank for investors while also seeking to offer good financing know-how and banking services. Its most important operational areas are private banking and premium banking. Ålandsbanken's private banking service provides individuals and corporate customers with banking, financial and advisory services. Premium banking, which is offered mainly to individuals, is a concept that combines banking, financial and advisory services with security and lifestyle related services. As a relationship bank, Ålandsbanken seeks to generate value for individual clients and their companies by building, deepening and maintaining long-term personal client relationships.

For further information on Ålandsbanken Group's financial position, please refer to the Ålandsbanken Financial Statements and Ålandsbanken's Capital and Risk Management Report incorporated by reference into this Listing Prospectus.

### Strategy of Ålandsbanken

Ålandsbanken's aim is to be the self-evident bank for individuals with ambitions and companies that value relationships. Ålandsbanken is a bank for investors, with financing know-how. Ålandsbanken generates value for individuals and companies by delivering a large bank's range of services with a smaller bank's thoughtfulness and sense of dedication.

In the Åland Islands, Ålandsbanken is a bank for all residents and is both in a position and with a desire to help develop the Åland of the future. On the Finnish mainland and in Sweden, Ålandsbanken has a growth niche strategy targeted to entrepreneurs, wealthy families and individual customers with sound finances. Ålandsbanken offers two concepts: Private Banking and Premium Banking.

Besides banking services and asset management services, Ålandsbanken is offering IT services through its wholly owned information technology providing company Crosskey Banking Solutions Ab Ltd and partnership services to targets customer groups. Ålandsbanken has business partnerships with several financial technology ("fintech") companies and

supplies services to companies operating in the financial services sector. Ålandsbanken is also a shareholder in a number of strategic partners.

## Business activities

Ålandsbanken has a diversified business model covering three geographical markets: the Åland Island, the Finnish mainland and Sweden. The main focus is on banking and asset management services offered to private individuals, corporate clients and local governments, with the core concepts being Private Banking and Premium Banking. The Private Banking service is offered to both private individuals and corporate customers who require more extensive financial advisory services. The service is focused on both discretionary and consultative asset management as well as wealth management with a focus on investments and tax issues. The Premium Banking full-service concept is offered to private individuals and includes a broad array of personal banking, financial investment services, financing, lifestyle and security services. Ålandsbanken also offers a wide range of web-based services, providing its clients with an internet-based tool for monitoring their financial engagements with Ålandsbanken.

Through its subsidiary Ålandsbanken Fondbolag Ab mutual funds are offered not only to Ålandsbanken customers but also to other customers via platform services.

Crosskey Banking Solutions Ab Ltd is offering a full range of IT services to financial service providers in Finland and Sweden, Ålandsbanken being its largest customer. The number of customers is growing in capital markets systems as well as in core banking solutions.

For many years, Ålandsbanken has collaborated with other market actors within the IT field via its subsidiary Crosskey Banking. Nevertheless, Ålandsbanken has the ability and the potential to offer products and services to other market actors within a substantially broader field than IT services alone. In fintech, today Ålandsbanken is already a versatile and capable partner with the capacity to deliver solutions to companies in most financial service areas.

A significant proportion of the Ålandsbanken Group's lending activities is comprised of lending to private individuals and households. As at 30 June, the Ålandsbanken Group's total lending was EUR 4,518 million, of which 75 per cent. constituted loans to private individuals or households. The Ålandsbanken Group's total home loan lending as at 30 June 2021 was EUR 2,599 million, as at 31 December 2020 was EUR 2,466 million and as at 31 December 2019 was EUR 2,266 million, or 58 per cent., 56 per cent. and 55 per cent. of total lending, respectively. As at 30 June 2021, the total lending in Sweden was EUR 1,673 million, or approximately 37 per cent. of the total lending of the Ålandsbanken Group while total lending in Finland was EUR 2,845 million, or approximately 63 per cent. of the total lending of the Ålandsbanken Group.

The Ålandsbanken 2020 Financial Statements include certain statistical information on the Ålandsbanken Group's lending activities:

- **Loan Portfolio:** for information in relation to the Ålandsbanken Group's loan portfolio, please see Notes G16. (*Classification of financial assets and liabilities*), G17. (*Measurement of financial assets and liabilities carried at fair value*), G18. (*Assets and liabilities by currency*), G19. (*Holdings of debt securities*), G20. (*Lending to Credit Institutions*) and G21. (*Lending to Public*) in the Ålandsbanken 2020 Financial Statements and the chart entitled "Remaining maturity" on page 67 of the Ålandsbanken 2020 Financial Statements.
- **Impaired Loans:** for information in relation to the Ålandsbanken Group's impaired loans, please see Note G13. (*Expected credit (loan) losses*) in the Ålandsbanken 2020 Financial Statements. In addition, for a discussion of the Ålandsbanken Group's loan origination and monitoring procedures, its customer concentrations, large exposures, institutional counterparty risk exposure and collateral policy, please see the "Capital and risk management report" (i.e. Pillar 3-report) as of the 31 December 2020.

## Organisational structure

Ålandsbanken is the parent company of the Ålandsbanken Group.

Ålandsbanken has two wholly-owned subsidiaries. The wholly-owned subsidiaries are Ålandsbanken Fondbolag Ab and Crosskey Banking Solutions Ab Ltd. Ålandsbanken Fondbolag Ab, domiciled in Mariehamn, is a fund management company pursuant to the Finnish Act on Investment Funds (*sijoitusrahastolaki* 213/2019) (as amended). Ålandsbanken Fondbolag Ab is in important role in the provision of the asset management services as it provides the services and products on which the banks advisory service is based on. Crosskey Banking Solutions Ab Ltd, domiciled in Mariehamn,

develops, sells and supports banking systems to small and medium-sized banks primarily in the Nordic countries. The subsidiary of Crosskey Banking Solutions Ab Ltd, S-Crosskey Ab, is 60 per cent. owned by Crosskey Banking Solutions Ab Ltd and is domiciled in Mariehamn. Crosskey Banking Solutions Ab Ltd provides Ålandsbanken and the Ålandsbanken Group banking systems and has thus an important role in the overall operations of Ålandsbanken.

In Sweden, Ålandsbanken operates through its Swedish branch, Ålandsbanken Abp (Finland), svensk filial.

During the fourth quarter of 2019, Ålandsbanken's information technology providing subsidiary Crosskey Banking Solutions Ab Ltd acquired the Finnish software company Model IT Oy. The company, which is based in Helsinki, has 13 employees and mainly targets customers in asset management with its OneFactor IT platform and in the insurance sector with its cFrame system. Through this acquisition, Crosskey Banking Solutions Ab Ltd is strengthening its range of products and services for banks, asset managers, fund companies and insurance companies.

In September 2019, Borgo AB entered into an agreement with ICA Banken, Ikano Bank, Söderberg & Partners (each as defined below under "*Description of Borgo*") and Ålandsbanken with the aim of creating a joint mortgage company through Borgo. The transaction meant that the previous owner of the shares in Borgo, Borgo Holding AB, sold its majority of shares in Borgo to ICA Banken, Ikano Bank, Söderberg & Partners and Ålandsbanken, which, via IISÅ Holdco AB became indirect owners of 24.95 per cent. each of the shares in Borgo. For more information, see section "*Borgo Transaction*".

Ålandsbanken became a co-owner of the new company Alandia Holding 30 June 2021. The other co-owners are the pension insurance company Veritas Pensionsförsäkring, the cruise ferry company Viking Line, Föreningen Konstsamfundet (an association that supports the arts in Swedish-speaking Finland), Lundquist Shipping Company and Wiklöf Holding. Alandia Holding owns 24.9 per cent. of the insurance company Alandia Försäkring. Ålandsbanken owns 27.5 per cent. of Alandia Holding.

## Share capital and shareholders

As at the date of this Listing Prospectus, the share capital of Ålandsbanken was EUR 42,029,289.89. The number of Series A shares totals 6,476,138 (representing 129,522,760 votes) and the number of Series B shares totals 9,126,165 (representing 9,126,165 votes).

Each Series A share represents twenty votes and each Series B share one vote at the shareholders' meetings. The Articles of Association stipulate that no representative at the annual general meeting may vote for more than one fortieth of the number of votes represented at the meeting.

On 3 April 2019, the annual general meeting of shareholders (the **General Meeting of Ålandsbanken**) authorised the board of directors of Ålandsbanken (the **Board of Directors of Ålandsbanken**) to issue shares and option rights. The authorisation is in force for five years from the resolution and a maximum of 3,000,000 Series B shares can be issued pursuant to the authorisation.

As at the date of this Listing Prospectus, there were eight shareholders in Ålandsbanken holding more than two (2) per cent. of the share capital or the votes, as shown in the table below. The list below also includes companies within each shareholder's group as well as other companies controlled by each shareholder.

Shareholder	Series A shares	Series B shares	Total	% of shares	% of votes
1. Wiklöf Anders (and Wiklöf controlled companies)	1,993,534	1,332,961	3,326,495	21.32 %	29.72 %
2. Alandia Group (insurance group)	754,908	302,632	1,057,540	6.78 %	11.11 %
3. Nominee registered shareholders in OP Corporate Bank	2,102	929,008	931,110	5.97 %	0.70 %
4. Fennogens Investments S.A.	569,264	165,467	734,731	4.71 %	8.33 %

5.	Veritas Pension Insurance Company	123,668	265,754	389,422	2.50 %	1.98 %
6.	Lundqvist Ben Hugo	253,574	0	253,574	1.63 %	3.66 %
7.	Chilla Capital	230,000	0	230,000	1.48 %	3.32 %
8.	Svenska Literatursällskapet i Finland	208,750	0	208,750	1.34 %	3.01 %

As far as Ålandsbanken is aware, there are no arrangements that may result in a change of control of Ålandsbanken.

### **Distribution of the dividend**

On 1 January 2021, the Board of Directors of Ålandsbanken approved the distribution of a dividend totalling EUR 1 per share (a regular dividend of EUR 0.80 and a 100th anniversary dividend of EUR 0.20) for the 2019 financial year, in compliance with the authorisation that the Board of Directors of Ålandsbanken received from the General Meeting of Ålandsbanken on 2 April 2020.

On 18 December 2020, FIN-FSA issued a new non-binding recommendation that – in practice – further extended its earlier limitation on dividends or share buy-backs until 30 September 2021. Ålandsbanken chose not to follow this recommendation.

Regulatory authorities have classified all banks in Finland, except the two largest, as “less significant institutions”. This implies that Ålandsbanken and the other banks in this category are not expected to be rescued by the government in case of any future crisis. For more than a century Ålandsbanken has acted with a long-term perspective and responsibly, which it also intends to do in the future.

The regulatory recommendations challenge the prerequisites for long-term shareholders to invest in banks. For “less significant institutions”, it is vital to have long-term shareholders and for them to be there if any future crisis should require their input.

For this reason, the Board of Directors of Ålandsbanken believes that the long-term risks to Ålandsbanken may be larger if – based on its current level of earnings and risks – it chooses to follow the regulatory recommendation than if it also begins to take Ålandsbanken’s other important stakeholder groups into account.

One of these stakeholder groups is Ålandsbanken’s approximately 5,300 shareholders in the Åland Islands, who own about 56 per cent. of Ålandsbanken. In the assessment of the Board of Directors of Ålandsbanken, the Åland community has a substantially greater need for these dividends than Ålandsbanken has.

The record date for the dividend of EUR 1.00 per share for the financial year 1 January 2020 – 31 December 2020 was 1 April 2021 and the payment date 12 April 2021.

The approved dividend distribution for the 2019 financial year and the approved dividend distribution for the 2020 financial year were subtracted from Ålandsbanken’s common equity Tier 1 capital ratio on 31 December 2020. Implementation of dividend distribution did thus not affect Ålandsbanken’s important capital adequacy ratios.

### **Authorisation for the Board to make decisions on acquisitions of Ålandsbanken’s own shares**

On 31 March 2021, the General Meeting of Ålandsbanken authorised the Board of Directors of Ålandsbanken to approve acquisitions of Ålandsbanken’s Series B shares as follows:

- The number of Series B shares that may be acquired on the basis of the authorisation may total no more than 1,500,000, which is equivalent to about 10 per cent. of all shares in Ålandsbanken and about 16.4 per cent. of all Series B shares in Ålandsbanken. Ålandsbanken’s own shares may be acquired on the basis of the authorisation, other than in relation to shareholders’ holdings (targeted acquisition) in case there are compelling reasons. The shares may be acquired using unrestricted equity capital at the price established in public trading on Nasdaq Helsinki Oy on the day of the acquisition. The shares may be acquired in one or more rounds.

- Ålandsbanken's own shares may be acquired in order to change Ålandsbanken's capital structure, to be used as consideration in acquisitions of companies or sectoral reorganisations or as part of Ålandsbanken's incentive programmes and may otherwise be transferred onward, be kept by Ålandsbanken or be annulled.
- The Board of Directors of Ålandsbanken shall decide on all other conditions for the acquisition of Ålandsbanken's own shares. The authorisation would be in force until the end of the next annual general meeting, but no longer than until 30 September 2022.

## **Management of Ålandsbanken**

The Board of Directors of Ålandsbanken has overall responsibility for the activities of the Ålandsbanken Group and decides on the nature of its business and its business strategies and goals.

The Managing Director supervises the business operations of Ålandsbanken in accordance with the instructions of the Board of Directors of Ålandsbanken and is responsible for the day-to-day administration.

The Executive Team serves as an advisory team to the Managing Director.

The Board of Directors of Ålandsbanken has instituted a nomination committee (the **Nomination Committee**), an audit committee (the **Audit Committee**) and a compensation committee (the **Compensation Committee**).

## ***The Board of Directors of Ålandsbanken***

The members of the Board of Directors of Ålandsbanken are annually elected by a simple majority of the shareholders' votes represented at the General Meeting of Ålandsbanken for a one-year term ending at close of the next General Meeting of Ålandsbanken.

The Board of Directors of Ålandsbanken consists of six directors, which are presented below.

**NILS LAMPI, Chairman of the Board of Directors of Ålandsbanken**, Bachelor of Economic Sciences, born 1948

### *Background*

Wiklöf Holding, CEO (1992 –); Wiklöf Holding Ab, Managing Director (1990 – 1991); AW Line Ab, Deputy Managing Director (1988 – 1989); Föreningsbanken i Finland, Director (1986 – 1987); Helsingfors Aktiebank, Director (1980 – 1985); Ålands Landskapsstyrelse, Administrative Officer of the Province (1975 – 1979).

### *Membership in other Board of Directors and other positions of trust*

Aktia Bank Abp, Aktia Abp, member of the Board of Directors (2010 – 2013); Åland Post Ab, Chairman of the Board of Directors (2011 –); Nordea, Member of the Delegation (2005 – 2009); Best- Hall Oy, Chairman of the Board of Directors (1997 –); Ab ME Group Oy Ltd, Chairman of the Board of Directors (1990 –); Ab Mathias Eriksson / Ab Mariehamns Parti, Chairman of the Board of Directors (1990 –); Skärgårdshavets Helikoptertjänst Ab, Chairman of the Board of Directors (1990 –); Hotell Arkipelag Ab, Chairman of the Board of Directors (1989 – 2015); Ålands delegationen, Member (1983 –); Scandinavian Air Ambulance Ab, Chairman of the Board of Directors (2008 – 2010).

**CHRISTOFFER TAXELL, Vice Chairman of the Board of Directors of Ålandsbanken**, Master of Laws, Member, born 1948

### *Background*

Partek Oyj Abp, President and Chief Executive Officer (1990 – 2002); Swedish People's Party of Finland National Party, Leader (1985 – 1990); Minister of Education (1987 – 1990); Minister of Justice (1979 – 1987); Member of the Parliament (1975 – 1991).

### *Membership in other Board of Directors and other positions of trust*

Partek Oyj Abp, Member of the Board of Directors (1984 – 2002); Åbolands Skärgårdsstiftelse sr, Member of the Board of Directors (2017–); Rettig Group Ab, Member of the Board of Directors (2012 – 2017); Luvata Oy, Member of the Board of Directors (2005 – 2014); Föreningen Konstsamfundet, Chairman of the Board of Directors, (2004 – 2017),

Member of the Board of Directors (1996 – 2003); Svenska litteratursällskapet, member of the Financial Affairs (1982 – 2016); Stiftelsen för Åbo Akademi, Chairman for the Delegation (2013–), Chairman of the Foundation's Board of Directors (2003 – 2012); Member of the Foundation's Board of Directors (1988 – 2012); Sampo Abp, Member of the Board of Directors (1998 – 2013); Finnair Abp, Chairman of the Board of Directors (2003 – 2011); Stockmann Oyj Abp, Chairman of the Board of Directors (2007 – 2014), Member of the Board of Directors (1985 – 2014).

**ÅSA CEDER**, Master of Economic Sciences, born 1965

#### *Background*

Alandia Försäkring, Managing Director of Försäkringsaktiebolaget Pensions-Alandia (2005 – 2018); Redarnas Ömsesidiga Försäkringsbolag, Försäkringsaktiebolaget Alandia, Chief Mathematician (2005 – 2019), Mathematician (2002 – 2005); Insurance Supervisory Authority, Mathematician and Chief Supervisor (2000 – 2002); Hanken School of Economics in Helsinki, Chief Assistant in Finance and Investments, Assistant in Statistics (1994 – 2000).

#### *Membership in other Board of Directors and other positions of trust*

Ålands Penningautomatförening (PAF), Chairman of the Board of Directors (2016 – 2018); Arbetspensionsförsäkrarna TELA rf, Member of the Board of Directors (2015 –); Ab Plasto Oy Ltd Member of the Board of Directors (2006 – 2019).

**ANDERS Å KARLSSON**, Bachelor of Commerce, born 1959

#### *Background*

Chips Abp, CFO and Deputy Managing Director (1987 – 2009); Plasto Ab, Financial Manager (1983 – 1987).

#### *Membership in other Board of Directors and other positions of trust*

Ålands Skogsindustrier Ab, Member of the Board of Directors (2015 –); Ålands Skogsägare Andelslag, Member of the Board of Directors (2015–); Ålands Ömsesidiga Försäkringsbolag, Member of the Board of Directors (2011 – 2017); Ålands Penningautomatförening (PAF), Member of the Board of Directors (2010 – 2018); Ålands Bygg Ab Member of the Board of Directors (2010 –); Ålands Bygg Fastighets Ab, Member of the Board of Directors (2010–); Fastighets Ab Norragatan 17, Member of the Board of Directors (2010–); Ålands Centralandelslag, Member of the Board of Directors (2010 – 2016); Ålands Skogsägarförbund Andelslag, Member of the Board of Directors (2010 – 2015); Ab Skogen, Member of the Board of Directors (2010 – 2016); Chips Abp, Member of the Board of Directors (2005 – 2009); Ålands Tidnings-Tryckeri Ab, Member of the Board of Directors (1990 – 2003); Authorised Accountant in different companies (1987 – 2003).

**ULRIKA VALASSI**, Bachelor of Business Administration, born 1967

#### *Background*

DBT Capital AB, Credit (2017–); Au Management AB, Founder (2013–); Landshypotek AB, Credit (2011 – 2013); SEB, Group's Risk Control, Chief of NPA office (208-2011), Project Leader (2007 – 2008); SEB Stockholm, Group's Credit Function, Line Credit manager, Financials (2004 – 2006), Credit Manager, Nordöst, Midcorp (2002 – 2003); SEB New York, Credit Administration, Vice President, Head of Credit Administration (2000 – 2002).

#### *Membership in other Board of Directors and other positions of trust*

Dreams Securities AB (2019 – ); Hemfosa Fastigheter AB, Member of the Board of Directors (2015 – 2019); Hypoteket Bolån Sverige AB (2019 –); Intrum Justitia AB, Member of the Board of Directors (2016 – 2017); Qliro AB (2015 – 2016).

**ANDERS WIKLÖF**, Business owner, born 1946

#### *Membership in other Board of Directors and other positions of trust*

Ålandsbanken Abp, Member of the Board of Directors (2006 –); Chairman of the Board of Governors (2001 – 2003); Member of the Board of Governors (1983 – 2003); Ålands Ömsesidiga Försäkringsbolag; Vice Chairman of the Board of Governors (2003 – 2011); Chairman of the Board of Governors (1998 – 2002); Member of the Chairman of the Board

of Governors (1991 – 2011); Wiklöf Holding Ab; Chairman of the Board of Directors (1987 –); Stiftelsen Ålandsfonden för Östersjöns framtid, Member of the Delegation.

### ***Nomination Committee***

The Nomination Committee is responsible for the preparation of the election of the board members at the General Meeting of Ålandsbanken and for giving proposals regarding the compensation of the Board of Directors of Ålandsbanken. The Nomination Committee has four members, consisting of the Chairman of the Board of Directors of Ålandsbanken and one representative of each of the three shareholders with the largest number of voting shares as at 1 November each year. The Nomination Committee consists of the Chairman of the Board Nils Lampi, member of the Board Anders Wiklöf by virtue of his direct and indirect shareholding, Roger Lönnberg as a representative of Alandia Försäkring and Ulf Toivonen as a representative of Ålands Ömsesidiga Försäkringsbolag. Anders Wiklöf is the Chairman of the Nomination Committee.

### ***Audit Committee***

The Audit Committee assists the Board of Directors of Ålandsbanken in fulfilling its duties in overseeing the internal control and risk management systems, reporting, the audit process and observance of laws and regulations. In addition, before the General Meeting of Ålandsbanken the Audit Committee prepares proposals for the election of auditors and their fees. The Audit Committee consists of the board members Ulrika Valassi, Åsa Ceder, Anders Å Karlsson and Nils Lampi. Ulrika Valassi is the Chairman of the Audit Committee.

### ***Compensation Committee***

The Compensation Committee is responsible for the preparation of material compensation-related decisions and the evaluation of compensation policies and principles for variable compensation. The Compensation Committee decides on measures for monitoring the application of the principles for the compensation system and assesses their suitability and effect on the Ålandsbanken Group's risks and risk management. The Compensation Committee consist of the board members Nils Lampi and Christoffer Taxell as well as of Agneta Karlsson. Agneta Karlsson is the Chairman of the Compensation Committee.

Ålandsbanken is subject to Finnish Corporate Governance Code. In applying the code, Ålandsbanken departs from Recommendation 15, "Appointment of members to committees", since the Bank's Compensation Committee includes one co-opted member, Agneta Karlson, who is not a member of the Bank's Board of Directors. Karlson is also Chairman of the Committee. The purpose of this departure is to broaden the Compensation Committee's experience and expertise base on compensation matters.

### ***The Managing Director and the Executive Team***

The Board of Directors of Ålandsbanken has adopted rules of procedures for the Ålandsbanken Group with internal guidelines regarding, among other matters, the work of the Managing Director and the Executive Team.

The Managing Director supervises the business operations of Ålandsbanken in accordance with the instructions of the Board of Directors of Ålandsbanken and is responsible for the day-to-day administration of Ålandsbanken.

The Executive Team serves as an advisory team to the Managing Director and has decision making powers in any matters that the Board of Directors of Ålandsbanken has delegated to it.

The Executive Team consists of seven persons which are presented below.

PETER WIKLÖF  
Master of Laws  
Managing Director

Born 1966  
Member of the Executive Team since 2008  
Chairman

JAN-GUNNAR EURELL  
Master of Business Administration  
Bachelor of Science (Economics)  
Chief Financial Officer  
Deputy Managing Director

Born 1959  
Member of the Executive Team since 2011

TOVE ERIKSLUND  
Master of Business Administration  
Chief Administrative Officer

Born 1967  
Member of the Executive Team since 2006

SOFIE HOLMSTRÖM  
Master of Science in Engineering B.Sc. in Business  
Administration

Born 1985  
Member of the Executive Team since 2021

MAGNUS JOHANSSON  
Master of Science in Business and Economics  
Director, Sweden Business Area

Born 1972  
Member of the Executive Team since 2017

MIKAEL MÖRN  
Director, Åland Business Area  
Diploma in business

Born 1965  
Member of the Executive Team since 2017

JUHANA RAUTHOVI  
Licentiate of Laws  
Master of Science (Economics)  
Master of Science (Technology)  
Master in International Management  
Chief Risk and Compliance Officer

Born 1975  
Member of the Executive Team since 2012

ANNE-MARIA SALONIUS  
Master of Laws (trained on the bench)  
Director, Finnish Mainland Business Area

Born 1964  
Member of the Executive Team since 2010

### **General information on the management of Ålandsbanken**

The Board of Directors of Ålandsbanken has adopted and applies the Finnish Corporate Governance Code. The code is applied according to the “comply or explain” principle, which means that departures from its recommendations must be disclosed and explained. Ålandsbanken departs from Recommendation 15, “*Appointment of members to the committees*”, since the Nomination Committee may include members who are not members of the Board of Directors of Ålandsbanken.

The business address of each member of the Board of Directors of Ålandsbanken and the Executive Team is Ålandsbanken Abp, Post Box 3, AX-22101 Mariehamn, Finland.

### **Independence of directors**

According to the evaluation of the Board of Directors of Ålandsbanken, all Board members are independent in relation to Ålandsbanken. The Board members Christoffer Taxell, Anders Å Karlsson, Ulrika Valassi and Åsa Ceder are independent in relation to significant shareholders. Nils Lampi represents Wiklöf Holding Ab which has significant holding in Ålandsbanken shares or total voting power and therefore Mr. Lampi is not independent in relation to significant shareholders. Anders Wiklöf personally and through his companies owns more than 20 per cent. of Ålandsbanken’s shares or total voting power and therefore is not independent in relation to significant shareholders.

### **Conflicts of interests**

There are no conflicts of interest between any duties of the members of the Board of Directors of Ålandsbanken, Nomination Committee, Audit Committee, Compensation Committee or the Executive Team to Ålandsbanken and their private interests or duties.

## DESCRIPTION OF BORGO

### General information

Borgo is a private limited liability company, incorporated in Sweden and registered with the Swedish Companies Registration Office (in Swedish: *Bolagsverket*), with its registered office in Stockholm, Sweden and it operates under Swedish law. Borgo was incorporated on 15 March 2018 under the laws of Sweden with registration number 559153-2303. Its LEI number is 54930030QWENGUD8ZR59. Subject to the approval of Borgo's shareholders, Borgo intends to submit an application to the Swedish Companies Registration Office regarding, among other things, change of its articles of association and its company form from a private limited company to a public limited company in September 2021. The company form of Borgo shall be changed from a private limited company to a public limited company prior to the occurrence of the Issue Change Event. Its registered address and phone number is as follows:

Borgo AB  
Linnégatan 87 F  
Box 24088  
SE-104 50 Stockholm  
Tel. +46 (0)10-525 25 00

Borgo's website is [www.borgohypotek.se](http://www.borgohypotek.se). The information on the website does not form part of the Listing Prospectus unless that information is incorporated by reference into the Listing Prospectus. Any supplements to the Listing Prospectus on the website are also part of the Listing Prospectus.

As at 31 December 2020, Borgo had total assets of SEK 27.5 million total equity of SEK 21.1 million and net operating profit of SEK -43.9 million (1 January — 31 December 2020). As at 31 December 2019, Borgo had total assets of SEK 39.9 million, total equity of SEK 37.3 million and net operating profit of SEK -11.2 million (1 January — 31 December 2019). As at 31 December 2018, Borgo had total assets of SEK 5.4 million, total equity of SEK 2.7 million and a net operating profit of SEK -5.3 million (21 March — 31 December 2018). As at 31 December 2020, Borgo had 10 employees (based on hours worked, recalculated to full-time equivalent positions). The same number for 2019 was 7 employees.

For further information on Borgo's financial position, please refer to the Borgo's Financial Statements incorporated by reference into this Listing Prospectus.

### Strategy of Borgo

Borgo's strategy is to conduct its business as a credit market company specializing in mortgage loans and financing of such loans by issuing securities such as covered bonds and by receiving deposits from the public. The majority of the mortgages will be mediated through its distributors. At the date of this Listing Prospectus the distributors are Borgo's owners, i.e. ICA Banken AB, reg. no. 516401-0190 (**ICA Banken**), Ikano Bank AB (publ), reg. no. 516406-0922 (**Ikano Bank**), Söderberg & Partners Bolån AB (which is a partly owned subsidiary of Söderberg & Partners Holding AB, reg. no. 559193-0788 (**Söderberg & Partners**), which is one of Borgo's indirect owners) and Ålandsbanken. The credit intermediation and the work that each distributor performs in connection with the distribution of mortgages and during the term of each mortgage is regulated in separate agreements between Borgo and each respective distributor.

In order to achieve profitability, Borgo strives to achieve low financing costs. The goal is that responsible lending, good credit quality and risk-based pricing should lead to the highest possible rating of Borgo's covered bonds and an attractive pricing. By establishing itself as a regular issuer in the Swedish market for covered bonds, Borgo will be able to offer its customers competitive terms.

### Business activities

Borgo was founded in 2018 with the purpose of originating mortgage loans and administering already originated mortgage loans on the Swedish market. The mortgage business was initially intended to be financed solely through a Swedish alternative investment fund. On 19 October 2018, Borgo was granted a license to conduct operations as a mortgage credit institution (in Swedish: *bostadskreditinstitut*) in accordance with the Swedish Mortgage Business Act (in Swedish: *Lag (2016:1024) om verksamhet med bostadskrediter*). Since the granting of the permit, Borgo has worked to secure the long-term financing and to prepare Borgo operationally to begin operations.

In September 2019, Borgo entered into an agreement with ICA Banken, Ikano Bank, Söderberg & Partners and Ålandsbanken with the aim of creating a joint mortgage company through Borgo. The transaction meant that the previous

owner of the shares in Borgo, Borgo Holding AB, sold its majority of shares in Borgo to ICA Banken, Ikano Bank, Söderberg & Partners and Ålandsbanken, which, via IISÅ Holdco AB, reg. no. 559217-9203, became indirect owners of 24.95 per cent. each of the shares in Borgo. As a result of the transaction, Borgo will conduct its lending operation mainly through its owners as intermediaries. Borgo also intends to receive deposits from the public.

Borgo's operations will be capitalized by its owners and financed through deposits from the public and the issuance of covered bonds and other supplementary financing. As of the date of this prospectus, Borgo has no interest-bearing liabilities but the company estimates that its interest-bearing debt will amount to SEK 2,500 million (consisting of deposits) by the end of 2021 and SEK 39,900 million (consisting of deposits and issued securities) by the end of 2022.

Initially, Borgo will offer deposit accounts to selected private and corporate customers. It will later extend its offer to the general public via a web-based application on its website. Borgo will continuously monitor volume needs, success in each channel and pricing to ensure there are sufficient deposits to cover the company's needs. In addition, Borgo, together with MONU, will launch an offer via MONU's web-based platform. MONU is a new Nordic actor that is a so-called "Deposit distribution platform" which connects banks and credit market companies with sources of savings capital, such as asset managers or savings platforms.

In the long term, MONU will work with several actors which provides sources of capital. One actor that will be involved from the start via MONU's platform is SBC Sveriges BostadsrättsCentrum AB (SBC). SBC is a manager of finances for cooperative associations (in Swedish: *bostadsrättsföreningar*). SBC estimates that their customers currently have SEK 5 - 7 billion invested in accounts that provide low or no interest. This is where SBC sees a great opportunity to transfer a significant share to Borgo via MONU. Since Borgo's needs are less than what is considered to be the total possible capital that can be attracted via SBC, a plan will be drawn up to gradually transfer deposits to restricted accounts with Borgo to match the need that exists on an ongoing basis. MONU also maintains a dialogue with Söderberg & Partners, which has the potential to be another important source of deposits through access to their extensive customer base.

## Organisational structure

On September 19, 2019, Ålandsbanken together with ICA Banken, Ikano Bank, Söderberg & Partners and Borgo signed an agreement to establish a joint mortgage company on the Swedish market. Borgo's management will have operational responsibility for coordinating and establishing the new mortgage company. Ålandsbanken, together with its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd, will supply platform solutions to Borgo and contribute with their existing knowledge about mortgage loans management.

On 5 February 2021 it was made public that Sparbanken Syd, reg. no. 548000-7425, had signed a Letter of Intent with Borgo with the ambition to finance their current mortgage loan portfolio as well as distributing mortgage loans. On 27 August 2021, Sparbanken Syd, Borgo, the Industrial Investors, IISÅ Holdco AB and Borgo Holding AB entered into a binding investment agreement whereby Sparbanken Syd committed to make an investment (the **Syd Investment**) in Borgo. The Syd Investment is conditional upon certain conditions being fulfilled, one being the completion of the New Issue (as defined below). Sparbanken Syd's maximum ownership percentage will, following the Syd Investment, be 19.9 per cent. of the shares in Borgo.

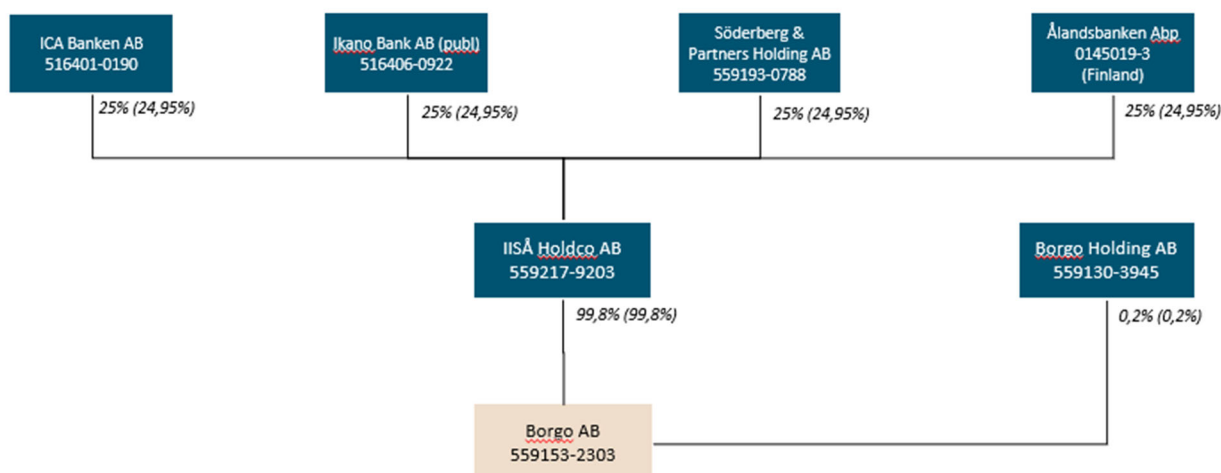
Each of Ålandsbanken, ICA Banken, Ikano Bank and Söderberg & Partners, will following the completion of the New Issue and a transfer of shares from IISÅ Holdco AB, reg. no. 559217-9203, own 19.69 per cent. of the shares in Borgo. IISÅ Holdco AB will own 21.23 per cent. and Borgo Holding AB, reg. no. 559130-3945, will own approximately 0.00020 % of the shares. As at the date of this Listing Prospectus, Borgo has no subsidiaries.

## Share capital and shareholders

As at the date of this Listing Prospectus, the share capital of Borgo was SEK 50,100.00. The number of ordinary shares totals 1,000 (representing 1,000 votes) and the number of preference shares totals 2 (representing 2 votes). Each ordinary share and each preference share represent one vote at the shareholders' meetings. Preference shares shall entitle the holder of the preference shares preferential rights to dividends in accordance with the decision of the annual general meeting. In other respects, preference shares shall not carry any right to dividends. In the event that Borgo is dissolved or liquidated, the preference shares shall entail preferential rights to dividends, distributions and or other financial rights in accordance with the decision of the annual general meeting. In other respects, preference shares shall not entail any rights in the event of the Borgo's dissolution or liquidation.

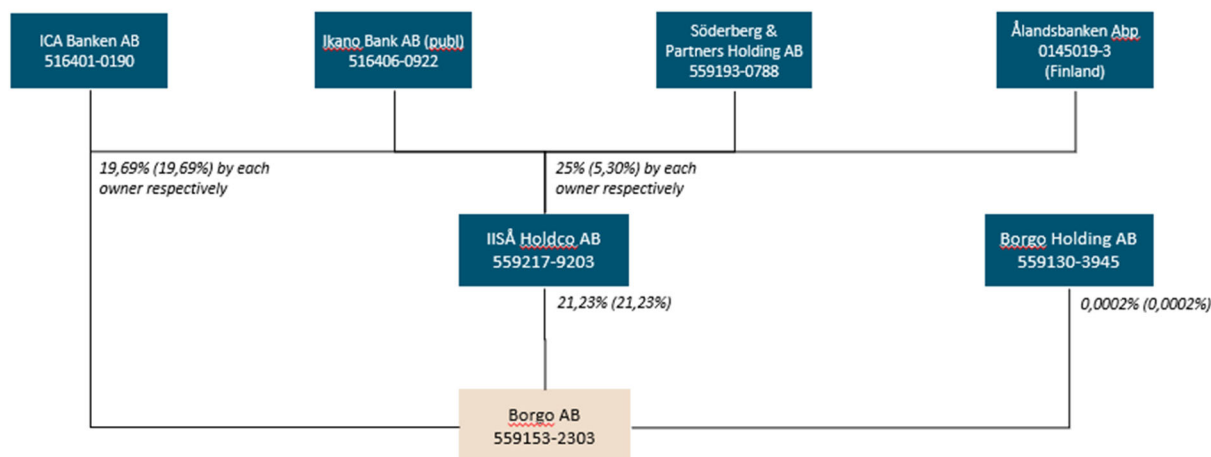
As at the date of this Listing Prospectus, there were two direct shareholders in Borgo, IISÅ Holdco AB, reg. no. 559217-9203 and Borgo Holding AB, reg. no. 559130-3945. The structure chart below also included companies controlled by

each shareholder. The percentage numbers (not in brackets) in the chart indicates ownership in the relevant shareholder's direct subsidiary and the percentage numbers in brackets indicates each shareholder's ownership, directly or indirectly, in Borgo.



Following a new rights issue (in Swedish: *företrädesemission*) to be completed in September 2021 (the **New Issue**), the share capital of Borgo will be SEK 50,000,100. The number of ordinary shares will be 1,000,000 (representing 1,000,000 votes) and the number of preference shares will be 2 (representing 2 votes). Each ordinary share and each preference share will represent one vote at the shareholders' meetings.

Following the New Issue but not taking the Syd Investment into account, there will be six direct shareholders in Borgo, IISÅ Holdco AB, Borgo Holding AB, ICA Banken, Ikano Bank, Söderberg & Partners and Ålandsbanken.



Other than the contemplated New Issue and the Syd Investment, Borgo is not aware of any arrangement that may result in a change of control of Borgo.

## Management of Borgo

The board of directors of Borgo (the **Board of Directors of Borgo**) has the overall responsibility for the activities of Borgo and decides on the nature of its business and its business strategies and goals.

The Managing Director supervises the business operations of Borgo in accordance with the instructions of the Board of Directors of Borgo and is responsible for the day-to-day administration.

The Executive Team serves as an advisory team to the Managing Director.

### **Board of Directors of Borgo**

The members of the Board of Directors are annually elected at the annual general meeting for a one-year term ending at close of the next annual general meeting.

The Board of Directors consists of eight directors which are presented below.

**EVA CEDERBALK – Chairman of the Board of Directors of Borgo**, MSc in Business and Economics, Stockholm School of Economics, born 1952

#### *Background*

Arion Banki hf, Chairman of the Board (2017-2019); National Bank of Greece Group, member of the Board of Directors (2016-2019); Klarna Holding AB and Klarna AB, Chairman of the Board of Directors (2011-2016); Klarna Holding AB and Klarna AB, member of the Board of Directors (2009-2011); SBAB Bank AB (publ), Managing Director (2004-2011); Netgiro International AB, Managing Director (2002-2003); If Skadeförsäkring AB, Executive Vice President and Head of Corporate E-commerce (2000-2001); Dial Försäkring, Managing Director (1998-2000); Skandinaviska Enskilda Banken, different senior executive positions (1975-1998).

#### *Membership in other Board of Directors and other positions of trust*

Green City Ferries AB, member of the Board of Directors (2021 -); Gimi AB, member of the Board of Directors (2021 -); Econans AB, Chairman of the Board of Directors (2020 -); Svolder AB, member of the Board of Directors (2015 -); Ikano S.A., member of the Board of Directors (2012 -).

**PER BALAZSI**, MSc in Economics, Finance and Accounting, Lund University, Executive MBA Stockholm School of Economics, born 1966.

#### *Background*

ICA Banken, CFO (2012 -); SBAB Bank, CRO (2011-2012); SBAB Bank, Ekonomichef (2002-2011); Finansdepartementet, Kansliråd (1994-2002).

#### *Membership in other Board of Directors and other positions of trust*

IISÅ Holdco AB, member of the Board of Directors (2019-); Inanlv AB, member of the Board of Directors (2019 -).

**JOHAN BRODIN**, MSc in Economics and Finance, Örebro University, born 1968

#### *Background*

Intrum, Chief Technology Officer (2019 -); Intrum, Chief Risk Officer (2011-2020); SBAB, CRO (2009-2011); SBAB, Head of Risk Control (2005-2009); Oliver Wyman, Senior Manager (2003-2005); KPMG, Head of Department and Senior Manager (2000-2003).

#### *Membership in other Board of Directors and other positions of trust*

-

**JAN-GUNNAR EURELL**, Master of Business Administration, University of Rhode Island, Bachelor of Science (Economics), Stockholm School of Economics, born 1959

#### *Background*

Ålandsbanken, CFO and deputy Managing Director (2011 -); Swedbank, Group Chief Financial Controller (2001-2006), Head of Group Finance (2006-2011); SEB, Chief Financial Controller for Retail Division (1984-2001).

#### *Membership in other Board of Directors and other positions of trust*

IISÅ Holdco AB, member of the Board of Directors (2019 -); Pingst Förvaltning AB, member of the Board of Directors.

**JULIA LANNERHEIM**, Master of Laws University of Stockholm, born 1978

*Background*

Arvato Financial Solutions, Divisional Risk & Compliance Officer (2017 -); Bambora Group AB, Head of Group Credit, Risk & Legal (2014-2017); Euroline AB, Head of Group Credit, Risk & Legal (2014); SEB Kort Bank AB, Senior Legal Counsel (2011-2014); Advokatfirman Vinge KB, Associate/Senior Associate (2006-2011); Norrtälje District Court, Junior Judge (2004-2006).

*Membership in other Board of Directors and other positions of trust*

-

**GUSTAF RENTZHOG**, BSc, Banking and Finance, Stockholm School of Business, born 1972

*Background*

Söderberg & Partners, CEO (2004 -); Carnegie Pension Consulting AB, Business Analyst (1996-2003), CEO (2003-2004).

*Membership in other Board of Directors and other positions of trust*

IISÅ Holdco AB, member of the Board of Directors (2019 -).

**PETER WALLDOUR**, BSc in Business Administration, School of Business, Economics and Law at the University of Gothenburg, born 1983

*Background*

Avanza Bank, Head of Private Banking & Pro (2014-2017); Collector Bank, Client Executive (2012-2014); Avanza Bank, Client Manager Private Banking (2010-2012); Nordea Bank, Relationship Manager (2008-2010).

*Membership in other Board of Directors and other positions of trust*

Borgo Holding AB, chairman of the Board of Directors; Borgo Fund I AB (publ), member of the Board of Directors (2018 -); Peter Holding i Sthlm AB, member of the Board of Directors (2012 -); Pär Aronsson Konsult AB, deputy board member; Aspetoft Fastigheter AB, deputy board member.

**ANNA WANBY**, Master of Law, Lunds Universitet, born 1966

*Background*

Ikano Bank, CLO (2020 -); Handelsbanken, Head Legal Department (South of Sweden) (2011-2020); Handelsbanken, Legal Counsel (2002-2011).

*Membership in other Board of Directors and other positions of trust*

IISÅ Holdco AB, member of the Board of Directors (2021 -).

***The Managing Director and the Executive Team***

The Managing Director supervises the business operations of Borgo in accordance with the instructions of the Board of Directors of Borgo and is responsible for the day-to-day administration of Borgo.

The Executive Team serves as an advisory team to the Managing Director and has decision making powers in any matters that the Board of Directors of Borgo has delegated to it.

The Executive Team consists of seven persons which are presented below.

GUSTAV BERGGREN Master of Laws Chief Executive Officer	Born 1980 Member of the Executive Team since 2020
EMMA DI NICOLA MSc, Business and Economics Chief Risk Officer	Born 1982 Member of the Executive Team since 2021
DANIEL KOLVIK MSc, Computer Science Chief Technology Officer	Born 1980 Member of the Executive Team since 2018
ADAM LEWENHAUPT MSc, Business and Economics Chief Marketing Officer	Born 1981 Member of the Executive Team since 2018
CARL MARTINSON MSc, Accounting and Financial Management Chief Financial Officer	Born 1979 Member of the Executive Team since 2020
CAMILLA PHILIPSON WATZ Master of Law Chief Legal Officer	Born 1975 Member of the Executive Team since 2020
PETER WALLDOUR BSc in Business Administration Chief Operating Officer	Born 1983 Member of the Executive Team since 2018

### ***Independence of directors***

Borgo is not required to comply with any corporate governance code. According to the Board of Directors' internal evaluation made in accordance with Borgo's policies and internal guidelines, all Board members, except for Peter Walldour which is the Chief Operating Officer of Borgo, are independent in relation to Borgo. The Board members Johan Brodin, Julia Lannerheim and Peter Walldour are independent in relation to significant shareholders.

- Per Balazsi represents ICA Banken which will mediate mortgages on behalf of Borgo (see "*Description of Borgo – Strategy of Borgo*") and which, following the completion of the New Issue, owns 24.99 per cent. of Borgo's shares and total voting power;
- Anna Wanby represents Ikano Bank which will mediate mortgages on behalf of Borgo (see "*Description of Borgo – Strategy of Borgo*") and which, following the completion of the New Issue, owns 24.99 per cent. of Borgo's shares and total voting power;
- Eva Cederbalk is member of the Board of Directors of Ikano S.A., a shareholder in Ikano Bank which will mediate mortgages on behalf of Borgo (see "*Description of Borgo – Strategy of Borgo*") and which, following the completion of the New Issue, owns 24.99 per cent. of Borgo's shares and total voting power;
- Gustaf Rentzhog is an indirect shareholder of Borgo and represents Söderberg & Partners which will mediate mortgages on behalf of Borgo (see "*Description of Borgo – Strategy of Borgo*") and which, following the completion of the New Issue, owns 24.99 per cent. of Borgo's shares and total voting power; and
- Jan-Gunnar Eurell represents Ålandsbanken which will mediate mortgages on behalf of Borgo (see "*Description of Borgo – Strategy of Borgo*") and supply Borgo with platform solutions consisting of four main services - treasury, payments, credits and accounting and which, following the completion of the New Issue, owns 24.99 per cent. of Borgo's shares and total voting power.

### ***Conflicts of interest***

Johan Brodin who is a member of the Board of Directors of Borgo is the Chief Technology Officer of Intrum which will supply Borgo with debt collection services and Emma di Nicola who is the Chief Risk Officer of Borgo is married to one of the founders of MONU, a web-based deposits distribution platform through which Borgo will offer deposits accounts (see “*Description of Borgo – Business activities*”) and further Carl Martinson who is the Chief Financial Officer of Borgo is married to Katarina Martinson which is a member of the Board of Directors of Fidelio Capital AB, in turn controlling SBC which will transfer a significant share of their customers’ invested capital to Borgo via MONU (see “*Description of Borgo – Business activities*”). Other than that, and what is stated above under “*Independence of directors*”, there are no conflicts of interest between any duties of the members of the Board of Directors of Borgo or the Executive Team to Borgo and their private interests or duties.

## BORGO TRANSACTION

On 27 June 2019, Ålandsbanken, ICA Banken, Ikano Bank and Söderberg & Partners signed a letter of intent to form a new Swedish mortgage company.

On 19 September 2019, the Industrial Investors (as defined below) and Borgo signed an agreement on establishing a new mortgage company and joint mortgage platform on the Swedish market.

The Industrial Investors have long experience of distributing mortgage loans. Ålandsbanken has a long experience of running full scale mortgage operations. Borgo, the fifth partner in the collaboration, is a digital start up mortgage company, which has been acquired by the Industrial Investors. Borgo's management has operational responsibility for establishing and running the new mortgage company.

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.

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.

As a first phase in the co-operation, Ålandsbanken signed a distribution agreement with ICA Banken on 30 August 2019. This collaboration enabled ICA Banken to start offering mortgage products to its customers from Ålandsbanken's balance sheet. Söderberg & Partners has later signed a similar distribution agreement. These mortgage loans will be transferred to Borgo in connection with the Borgo Transaction (as defined below). On 5 February 2021 it was made public that Sparbanken Syd had signed a Letter of Intent with Borgo with the ambition to finance their current mortgage loan portfolio as well as distributing mortgage loans. On 27 August 2021, Sparbanken Syd, Borgo, the Industrial Investors, IISÅ Holdco AB and Borgo Holding AB entered into a binding investment agreement whereby Sparbanken Syd committed to make an investment in Borgo and to enter into final and binding agreements regarding the acquisition by Borgo of Sparbanken Syd's mortgage loan portfolio. The transaction is conditional upon certain conditions being fulfilled, one being the completion of the New Issue.

On 11 March 2021, Borgo was granted a license by the SWE-FSA to act as a credit market company and to issue covered bonds.

The Swedish mortgage market has historically been characterized by high profitability and low risk. However, a prerequisite for high profitability is the scale. The five main cost components in mortgage banking are the costs of 1) funding; 2) capital; 3) administration; 4) distribution; and 5) credit risk. 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 ICA Banken, Ikano Bank, Söderberg & Partners and Ålandsbanken 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.

### **Borgo's ownership and funding structure**

Borgo has four initial industrial shareholders: Ålandsbanken, ICA Banken, Ikano Bank and Söderberg & Partners. Each of Borgo's initial industrial shareholder currently owns 24.95 per cent. each of Borgo (all together referred as the **Industrial Investors**).

Borgo's funding will partly come from covered bonds which will be issued under its yet to be established covered bonds program. This will provide Borgo an access to a proven, cost-efficient and liquid funding source. Other capital market funding sources such as certificates of deposits and senior unsecured bonds will also be used.

Deposits from the public is expected to be the second most important funding source of Borgo.

Since Borgo's balance sheet is expected to grow during the next five years, in particular with the transfer of the Swedish mortgage loan portfolio from Ålandsbanken to Borgo's balance sheet in the first half of the calendar year 2022, new equity capital contributions will constantly be needed. In order to secure capital contributions the Industrial Investors have signed an investment agreement. In addition, discussions are being held with potential financial investors.

Since entering into an agreement to purchase the shares in Borgo in September 2019, the Industrial Investors have been funding operational activities and project related costs, investing a substantial amount in Borgo.

The Industrial Investors are committed to support continued development of Borgo and have also undertaken to cover certain additional unforeseen project or operating costs related to the launch and initial phase of Borgo (subject to decision by Board of Directors and certain limitations). Each Industrial Investors has, for the purposes of establishing Borgo and to finance and capitalise the initial phase of Borgo's operations, committed to make investments in Borgo of no less than SEK 100 million. The indicative total combined maximum amounts available among the Industrial Investors to capitalise and support Borgo is SEK 1,430 million.

### **Borgo Transaction**

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**). Based on mortgage loan stock on 30 June 2021, the mortgage loans to be transferred are expected to be SEK 12,500 million 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 thousand 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.

The size of the liquidity portfolio to be transferred is expected be 25 per cent. of the size of the mortgage loans to be transferred. 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. Loans which ICA Banken and Söderberg & Partners have distributed will be transferred to Borgo at nominal value.

Simultaneously with the mortgage loans, Ålandsbanken will transfer two Covered Bonds to Borgo, a SEK 2,000,000,000 Covered Bond issued in May 2020 and a SEK 5,500,000,000 Covered Bond issued in connection with this Listing Prospectus. Covered Bonds will be transferred at a market price agreed between Ålandsbanken and Borgo.

As payment for its mortgage loans and covered bonds transferred to Borgo, Ålandsbanken will receive partly shares in Borgo and partly cash. Simultaneously other Industrial Investors will subscribe and it is intended that financial investors subscribe for new shares at the same price. Maximum number of shares to be issued to Ålandsbanken will correspond to SEK 230 million and the total investment amount received by Borgo from all its investors is expected to be SEK 400 million during the first half year of calendar year 2022.

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 main conditions for the completion are: (i) the FIN-FSA having approved the removal of the housing loans from Ålandsbanken's cover pool and to transfer them to Borgo in accordance with Section 12 subsection 2 of the Finnish Covered Bond Act, (ii) Borgo receiving the planned financing with respect to the Borgo Transaction, (iii) establishment of a programme for the issue of bonds for Borgo, (iv) a resolution of the shareholders of Borgo in respect of a share issue, change of Borgo's articles of association and company form to a public limited company, (v) certain agreements being concluded between, *inter alia*, the Industrial Investors and Borgo including a shareholders' agreement and an investment agreement; (vi) Borgo having received a rating from a rating agency; and (vii) any other necessary licenses, approvals and permits from authorities having been obtained.

## TAXATION

*The following is a general description of certain tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in those countries or elsewhere. Prospective investors of the Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Listing Prospectus and is subject to any change in law that may take effect after such date.*

### General

Prospective investors of the Covered Bonds are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of the Covered Bonds, including, but not limited to, the consequences of receipt of payments under the Covered Bonds and their disposal or redemption.

### Finland

#### ***Finnish Resident Individuals and Estates***

If the recipient of interest paid on the Covered Bonds is an individual (natural person) residing in Finland or an undistributed estate of a deceased Finnish resident, such interest is, when paid by the Issuer or securities dealer (i.e., a Finnish financial institution making the payment), subject to an advance withholding tax in accordance with the Finnish Withholding Tax Act (*Ennakkoperintälaki* 1118/1996, as amended) and final taxation as capital income in accordance with the Finnish Income Tax Act (*Tuloverolaki* 1535/1992, as amended). The current withholding tax and capital income tax rate is 30 per cent. Should the amount of capital income received by a resident natural person exceed EUR 30,000 in a calendar year, the capital income tax rate is 34 per cent. However, advance tax withholdings will still be made at the rate of 30 per cent. The advance tax withheld is credited against the final tax payable by the recipient of interest paid on the Covered Bonds.

A tax at source, in accordance with the Act on Tax at Source of Interest Income (*Laki korkotulon lähdeverosta* 1341/1990, as amended), has to be withheld from the interest paid to a resident individual or an undistributed estate of deceased Finnish resident, unless otherwise indicated below. The tax at source is currently 30 per cent. of the amount of interest paid. The Act on Tax at Source of Interest Income is not applicable, inter alia, if a prospectus does not have to be prepared with respect to the Covered Bonds due to (i) the Covered Bonds being provided to qualified investors only, (ii) the offer being addressed in each country belonging to the EEA to a maximum number of under 150 investors who are not qualified investors, or (iii) the Covered Bonds not being offered for a consideration of less than EUR 100,000 per investor and for each separate offer or in denomination of less than EUR 100,000 per unit.

Any gain or loss realised following a disposal of the Covered Bonds is taxable income or a tax deductible loss for the relevant Bondholder. If Covered Bonds are disposed of during the loan period, any capital gain as well as accrued interest received (secondary market compensation) is taxed as capital income at a flat rate of 30 per cent. (34 per cent. of the capital income exceeding EUR 30,000).

Capital losses are primarily deductible from capital gains arising in the same year. Any capital losses that cannot be used to offset capital gains in the same year can then be applied against other capital income in the same year. Any remaining unused capital losses can finally be carried forward for five years and used in the same manner as described above.

If Covered Bonds are acquired in the secondary market, any accrued interest paid (secondary market compensation) is deductible from the capital income or, to the extent exceeding capital income, from earned income subject to the limitations of the Finnish Income Tax Act.

Eventual interests, capital gains or losses shall be reported in the annual tax return.

#### ***Finnish Resident Corporate Entity***

If the recipient of interest paid on the Covered Bonds is a corporation or a partnership residing in Finland as further defined in the Finnish Income Tax Act, such interest is not subject to any preliminary withholding. The interest is subject to final taxation of the recipient in accordance with the Finnish Business Income Tax Act (24.6.1968/360, as amended). The current rate of corporate income tax is 20 per cent.

Any gain or loss realised following a disposal of the Covered Bonds will be taxable income or a tax deductible loss for the relevant Bondholder. Capital gains are currently taxed at a flat rate of 20 per cent. Generally, a capital loss is deductible from the resident corporations' income arising in the same year and during the following ten fiscal years.

Eventual interests, capital gains or losses shall be reported in the annual tax return.

### **Non-Finnish Resident Bondholders**

Bondholders who are not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment or a fixed place of business in Finland should not be subject to Finnish taxes on interest or gains realised on the sale or redemption of the Covered Bonds. Interest payments made by the Issuer or a securities dealer (i.e., a Finnish financial institution making the payment) to Bondholders who are not resident in Finland for tax purposes may, however, be subject to Finnish withholding tax, unless the identity of the Bondholders can be appropriately established. Investors who are in any doubt as to their position should consult their professional advisers.

The interest paid to an individual or a corporation not residing in Finland may be subject to tax regulations in their state of residence.

### ***Transfer Tax***

Generally, the transfer tax amounting 1.6 per cent. is payable on transfers or sales of the securities. However, the Covered Bonds are not classified as securities within the meaning of the Finnish Transfer Tax Act (*Varainsiirtoverolaki* 931/1996, as amended) and, thus, transfer tax is not payable, provided that the yield of the Covered Bonds is not determined by the profit of the Issuer or by the amount of dividend or otherwise entitles to the share of annual profit or surplus of the Issuer.

No transfer tax is payable in Finland on transfers or sales of the securities admitted to trading on the regulated market or other multilateral trading facility.

### **Sweden**

The following summary outlines certain Swedish tax consequences relating to Bondholders. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not address, inter alia, situations where Covered Bonds are held in an investment savings account (in Swedish: *investeringsparkonto*), the tax consequences of a write-down or conversion of the Covered Bonds, the existence of the ability of relevant regulatory authorities to effect such a write-down or conversion, any tax consequences following a variation or substitution (instead of redemption) of any Covered Bonds or the rules regarding reporting obligations for, among others, payers of interest. Further, the summary does not address credit of foreign taxes in Sweden. Investors should consult a professional tax adviser regarding the Swedish tax and other tax consequences (including the applicability and effect of tax treaties for the avoidance of double taxation) of acquiring, owning and disposing of the Covered Bonds in their particular circumstances.

### ***Bondholders not tax resident in Sweden***

Payments of any principal or any amount that is considered to be interest for Swedish tax purposes to the Bondholder should not be subject to Swedish income tax, provided that such Bondholder (i) is not resident in Sweden for Swedish tax purposes and (ii) does not have a permanent establishment in Sweden with which the Covered Bonds are effectively connected.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal or any amount that is considered to be interest for Swedish tax purposes except in relation to certain payments of interest (and other distributions on Covered Bonds) to a private individual (or the estate of a deceased individual) who is (or was) resident in Sweden for Swedish tax purposes (see "*Bondholders tax resident in Sweden*" below).

### ***Bondholders tax resident in Sweden***

In general, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (for example, income that is considered to be interest for Swedish tax purposes and capital gains on the Covered Bonds) will be taxable. Specific tax consequences may be applicable to

certain categories of corporations, for example life insurance companies. Moreover, specific tax consequences may be applicable if, and to the extent that, a holder of the Covered Bonds realises a capital loss on the Covered Bonds.

If amounts that are deemed as interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, or a clearing institution within the EEA, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally also be withheld on other returns on the Covered Bonds (but not capital gains), if the return is paid out together with such a payment of interest referred to above.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be incorporated into, and form part of, this Listing Prospectus:

- (a) The auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2019 of Ålandsbanken set out on pages 48 to 130 (inclusive) of Ålandsbanken's Annual Report for the year ended 31 December 2019.

This document is available on the following website:

<https://www.alandsbanken.ax/uploads/pdf/result/arsredovisn2019en.pdf>

- (b) The auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2020 of Ålandsbanken set out on pages 43 to 122 (inclusive) of Ålandsbanken's Annual Report for the year ended 31 December 2020.

This document is available on the following website:

<https://www.alandsbanken.fi/uploads/pdf/result/arsredovisn2020en.pdf>

- (c) The auditors' report and Ålandsbanken's unaudited consolidated half-year report for the six-months period ended 30 June 2021.

This document is available on the following website:

[https://www.alandsbanken.ax/uploads/pdf/result/en\\_resultat\\_jan-jun\\_21.pdf](https://www.alandsbanken.ax/uploads/pdf/result/en_resultat_jan-jun_21.pdf)

- (d) Ålandsbanken's Capital and Risk Management Report 2020.

This document is available on the following website:

[https://www.alandsbanken.ax/uploads/pdf/result/kapital-riskhanteringsrapport\\_2020en.pdf](https://www.alandsbanken.ax/uploads/pdf/result/kapital-riskhanteringsrapport_2020en.pdf)

- (e) The audited annual financial statements, in Swedish language, for the financial year ended 31 December 2019 of Borgo for the year ended 31 December 2019.

This document is available on the following website:

[https://borgohypotek.se/uploads/Borgo\\_AB\\_Arsredovisning\\_2019.pdf](https://borgohypotek.se/uploads/Borgo_AB_Arsredovisning_2019.pdf)

- (f) The auditors' report, in Swedish language, for the financial year ended 31 December 2019 of Borgo for the year ended 31 December 2019.

This document is available on the following website:

[https://borgohypotek.se/uploads/Borgo\\_AB\\_Revisionsberattelse\\_2019.pdf](https://borgohypotek.se/uploads/Borgo_AB_Revisionsberattelse_2019.pdf)

- (g) The audited annual financial statements, in Swedish language, for the financial year ended 31 December 2020 of Borgo for the year ended 31 December 2020.

This document is available on the following website:

[https://borgohypotek.se/uploads/Borgo\\_AB\\_Arsredovisning\\_2020.pdf](https://borgohypotek.se/uploads/Borgo_AB_Arsredovisning_2020.pdf)

- (h) The auditors' report, in Swedish language, for the financial year ended 31 December 2020 of Borgo for the year ended 31 December 2020.

This document is available on the following website:

[https://borgohypotek.se/uploads/Borgo\\_AB\\_Revisionsberattelse\\_2020.pdf](https://borgohypotek.se/uploads/Borgo_AB_Revisionsberattelse_2020.pdf)

Any non-incorporated parts of a document referred to above are either deemed not relevant for an investor or are otherwise covered elsewhere in this Listing Prospectus.

**EXPIRED**

## **SELLING RESTRICTIONS**

### **The United States, Australia, Japan, Canada, Great Britain, Hong Kong, South Africa, Singapore and Certain Other Jurisdictions**

The Covered Bonds will not be offered to persons who are residents of the United States, Australia, Japan, Canada, Great Britain, Hong Kong, South Africa, Singapore or any jurisdiction in which such offering would be unlawful.

The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission or any State Securities Commission in the United States or any other regulatory authority in the United States nor have any of the foregoing authorities passed upon or endorsed the merits of the securities or the accuracy of this Listing Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Covered Bonds have not been, and will not be, registered under the US Securities Act of 1933 (as amended), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Covered Bonds may not be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into the United States except in transactions exempt from registration under the US Securities Act. The Covered Bonds are being offered and sold outside the United States in compliance with Regulation S.

### **Public Offer Selling Restriction under the Prospectus Regulation**

The Joint Lead Managers and Bookrunners have represented and agreed that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Listing Prospectus as completed by the Terms and Conditions in relation thereto to any retail investor in or outside the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of the MiFID II; or
  - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

### **General**

The Joint Lead Managers and Bookrunners have represented and agreed that they will (to the best of their knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which they purchase, offer, sell or deliver Covered Bonds or possess or distribute this Listing Prospectus and will obtain any consent, approval or permission required by them for the purchase, offer, sale or delivery by them of the Covered Bonds under the laws and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries and neither Ålandsbanken nor Borgo shall have any responsibility therefor.

None of Ålandsbanken, Borgo or the Joint Lead Managers and Bookrunners represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Initial Issuer

Ålandsbanken Abp  
Business identity code: 0145019-3  
Nygatan 2  
PB 3  
Mariehamn, Finland  
Tel: 0204 29 011  
Fax: 0204 291 228  
Info@alandsbanken.fi

### Subsequent Issuer

Borgo AB  
Business identity code: 559153-2303  
Linnégatan 87F  
104 50, Stockholm, Sweden  
Tel: +46 (0)10 - 525 25 00  
info@borgohypotek.se

### Joint Lead Managers and Bookrunners

Nordea Bank Abp  
Satamaradankatu 5  
FI-00020 NORDEA  
Helsinki, Finland

Danske Bank A/S  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

### Auditor of the Initial Issuer

KPMG Oy Ab  
Töölönlahdenkatu 3 A  
FI-00100 Helsinki, Finland

### Auditor of the Subsequent Issuer

Öhrlings PricewaterhouseCoopers AB  
Torsgatan 21  
SE-113 21 Stockholm, Sweden

### Auditors of the Initial Issuer

The following auditors have audited the Initial Issuer's accounts in accordance with the International Standards on Auditing for the financial year ended 31 December 2019.

Marcus Tötterman Authorised Public Accountant, KHT	Mari Suomela Authorised Public Accountant, KHT	Daniel Haglund Authorised Public Accountant, HT
KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The following auditors have audited the Initial Issuer's accounts in accordance with the International Standards on Auditing for the financial year ended 31 December 2020.

Marcus Tötterman Authorised Public Accountant, KHT	Fredrik Westerholm Authorised Public Accountant, KHT	Jessica Björkgren Authorised Public Accountant, KHT
KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The following auditors were elected as auditors of the Initial Issuer on 30 March 2021 in the General Meeting of Ålandsbanken. The auditors' term of office covers the period until the end of the next General Meeting of Ålandsbanken.

Marcus Tötterman Authorised Public Accountant, KHT	Fredrik Westerholm Authorised Public Accountant, KHT	Henry Maarala Authorised Public Accountant, KHT
KPMG Oy Ab	KPMG Oy Ab	KPMG Oy Ab

Töölönlahdenkatu 3 A  
FI-00100 Helsinki, Finland

Töölönlahdenkatu 3 A  
FI-00100 Helsinki, Finland

Töölönlahdenkatu 3 A  
FI-00100 Helsinki, Finland

The auditors of the Initial Issuer have no material interest in the Initial Issuer.

### **Auditors of the Subsequent Issuer**

The following auditors have audited the Subsequent Issuer's accounts in accordance with the International Standards on Auditing for the financial years ended 31 December 2019 and 31 December 2020.

Daniel Algotsson  
Authorised Public Accountant

Öhrlings PricewaterhouseCoopers AB  
Torsgatan 21  
SE-113 21 Stockholm, Sweden

The auditors of the Subsequent Issuer have no material interest in the Subsequent Issuer.

### **Documents available**

This Listing Prospectus, copies of Ålandsbanken's articles of association, trade register extract and the information incorporated by reference (see "*Information Incorporated by Reference*") are available for inspection from the registered office of Ålandsbanken and at <https://www.alandsbanken.com/about-us/debt-investors>.

This Listing Prospectus, copies of Borgo's articles of association, trade register extract and the information incorporated by reference (see "*Information Incorporated by Reference*") are available for inspection from the registered office of Borgo and at <https://borgohypotek.se/investor-relations/>.

### **No incorporation of website information**

This Listing Prospectus will be published on Ålandsbanken's website at <https://www.alandsbanken.com/about-us/debt-investors>. However, the contents of Ålandsbanken's website (excluding the Listing Prospectus, any supplement thereto and the information incorporated by reference) or any other website do not form a part of this Listing Prospectus, and prospective investors should not rely on such information in making their decision to invest in the Covered Bonds.

This Listing Prospectus and any supplement thereto will be published on Borgo's website at <https://borgohypotek.se/investor-relations/>. However, the contents of Borgo's website (excluding the Listing Prospectus, any supplement thereto and the information incorporated by reference) or any other website do not form a part of this Listing Prospectus, and prospective investors should not rely on such information in making their decision to invest in the Covered Bonds.

### **Information derived from third party sources**

Where certain information contained in this Listing Prospectus has been derived from third party sources, such sources have been identified herein. Ålandsbanken and Borgo confirm, each in respect of the third party information about itself, that such third party information has been accurately reproduced herein. In addition, as far as Ålandsbanken and Borgo are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Litigation**

Since 2017, Ålandsbanken has had an ongoing dispute with the Swedish Tax Agency regarding value-added tax (VAT) for the financial year 2016. After the end of the report period, the Swedish Tax Agency announced a decision in the matter in which it believes that Ålandsbanken should pay additional VAT. Ålandsbanken does not share the Swedish Tax Agency's view and intends to pursue the matter further.

Besides the dispute specified above, there are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Ålandsbanken is aware) in the 12 months

preceding the date of this Listing Prospectus which may have or have in such period had a significant effect on the financial position or profitability of Ålandsbanken or the Ålandsbanken Group.

There are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Borgo is aware) in the 12 months preceding the date of this Listing Prospectus which may have or have in such period had a significant effect on the financial position or profitability of Borgo.

### **Material contracts**

To the best of Ålandsbanken's knowledge, other than the agreements described under "*Borgo Transaction*" there are no other material contracts entered into outside the ordinary course of Ålandsbanken's business, which could result in any group member being under an obligation or entitlement that is material to Ålandsbanken's ability to meet its obligation to security holders in respect of the securities being issued.

To the best of Borgo's knowledge, there are no material contracts entered into outside the ordinary course of Borgo's business, which could result in Borgo being under an obligation or entitlement that is material to Borgo's ability to meet its obligation to security holders in respect of the securities being issued.

### **Joint Lead Managers and Bookrunners transacting with Ålandsbanken and Borgo**

The Joint Lead Managers and Bookrunners and their affiliates may engage in investment banking and/or commercial banking transactions with Ålandsbanken and/or Borgo, and may perform services for Ålandsbanken and/or Borgo and their affiliates in the ordinary course of business.

### **Recent events**

#### ***Borgo***

For recent events in respect of Borgo, see under "*Borgo Transaction*". No other important events have occurred in respect of Borgo after the close of the report period for the financial year ended 31 December 2020.

#### ***Ålandsbanken***

##### *Consent solicitation for the floating interest rate notes due 2022*

On 17 August 2021, Ålandsbanken announced a consent solicitation for its outstanding up to SEK 2,500,000,000 floating interest rate notes issued by it on 22 November 2017 with maturity date of 22 November 2022 and the ISIN code SE0010598474, to solicit consents, waivers and decisions to amend the terms and conditions of the notes. Ålandsbanken commenced a consent solicitation process and initiated the procedure in writing for the noteholders to vote for or against the proposal to amend the terms and conditions of the notes by adding a call option according to which Ålandsbanken may redeem all, but not some only, of the outstanding notes in full any time prior to the final maturity date of the notes at an amount equal to 100.800 per cent. of the nominal amount together with accrued but unpaid interest.

On 25 August 2021, Ålandsbanken announced certain amendments to the proposal made in the procedure in writing, including, *inter alia*, an increase in the call price to 100.900 per cent.

On 27 August 2021, Ålandsbanken announced that the noteholders have voted to approve the proposal made in the procedure in writing.

On 1 September 2021, Ålandsbanken announced that it will, subject to the issue of the Covered Bonds, redeem all outstanding notes in full.

On 2 September 2021, Ålandsbanken further announced that the redemption of the notes is no longer conditional, and it shall redeem all notes on 10 September 2021.

##### *Divestment of Åland Index Solutions AB*

Ålandsbanken has on 27 August 2021 sold its share of 50 % of Åland Index Solutions AB to Doconomy AB. The transaction was made as a part of Doconomy AB's capitalisation enabling expansion of Åland Index Solutions AB.

Ålandsbanken has together with Doconomy AB launched Åland Index on a global scale. Åland Index enables card customers to calculate the carbon footprint their create via purchases paid with the card.

#### *Other*

For recent events in respect of Ålandsbanken concerning the Borgo Transaction, see under “*Borgo Transaction*”. No other important events have occurred in respect of Ålandsbanken after the close of the report period for the six-months period ended 30 June 2021.

#### **Significant or material change**

There has been no significant change in the financial performance or position of Ålandsbanken or the Ålandsbanken Group since 31 December 2020. There has been no material adverse change in the prospects of Ålandsbanken since 31 December 2020.

There has been no significant change in the financial performance or position of Borgo since 31 December 2020. There has been no material adverse change in the prospects of Borgo since 31 December 2020.

#### **Capital adequacy**

The Ålandsbanken Group is reporting capital adequacy in accordance with the Basel rules. During the first quarter of 2012, the FIN-FSA approved the Issuer’s application to be allowed to calculate the capital requirement for credit risk according to the IRB approach for its Finnish household loan portfolio. During the second quarter of 2016, the FIN-FSA approved Ålandsbanken’s application to be allowed to calculate the capital requirement for credit risk according to the FIRB approach for its Finnish corporate loan portfolio. The Ålandsbanken Group’s total capital ratio as at 30 June 2021, 31 December 2020 and 31 December 2019 were 16.6 per cent., 16.5 per cent. and 15.8 per cent., respectively.

The capital requirement for credit risks has been calculated according to the IRB and standardised approach, and the capital requirement for operational risks according to the basic indicator approach.

During the third quarter of 2018, capital requirement for pillar 2 risks came into effect. The requirement, which is to be met by common equity Tier 1 capital, constitutes 1.5 per cent. of total risk exposure amount. Ålandsbanken’s pillar 2 requirement specifically addresses credit concentration risk (1 per cent.) and interest rate risk in the banking book (0.5 per cent.).

On 29 June 2018, the FIN-FSA announced a macro prudential supervisory decision to introduce an additional capital requirement based on systemic risk buffer, which amounts to 1 per cent. of the Ålandsbanken Group’s risk exposure amount for Ålandsbanken. The decision came into effect on 1 July 2019. However, due to the outbreak of the Covid-19 pandemic, the FIN-FSA made a decision on 6 April 2020 to remove the systemic risk buffer from certain credit institutions, including Ålandsbanken, in order to support credit institutions’ ability to provide credit and ease the funding conditions for households and businesses during the Covid-19 pandemic.

Additional capital requirements according to the Capital Requirements Directive 2013/36/EU (as amended) (the **CRD IV**) currently comprises of a capital conservation buffer of 2.5 per cent. of the risk weighted exposure amount. Taken into account Pillar 1, Pillar 2 and the combined buffer requirement the banks total common equity Tier 1 capital requirement per 31 December 2020 was 8.5 per cent. The revised Capital Requirements Directive (EU) 2019/878 (the **CRD V**) was implemented at the end of 2020 and sets a lower minimum CET1 requirement for P2R. Under the CRD V the bank can fulfil Pillar 2 Requirements with a minimum 56.25 % CET1 capital. Thus, setting the bank’s total common equity Tier 1 capital requirement to 7.8 % in 2021. The Ålandsbanken Group’s total common equity Tier 1 capital ratio as at 30 June 2021 and 31 December 2020 were 13.4 per cent. and 14.3 per cent., respectively.

For further information about the Ålandsbanken Group’s capital management, capital base and capital adequacy calculations, please see Ålandsbanken’s Capital and risk management report (i.e. Pillar 3-report) as of 31 December 2020.

Borgo received their credit institute license approval in the first quarter of 2021 and is required to follow the CRR and CRD. Capital requirements will be calculated with the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. In the ICAAP submitted by Borgo to the SWE-FSA in 2020 as part of the credit institute license application, the projected total common equity Tier 1 capital ratio as at 31 December 2021 amounted to 15.6 per cent., which also corresponded to the total capital ratio planned for 31 December 2021 as common equity Tier 1 only is planned to build up the capital base end of 2021. In nominal terms this corresponded to a capital base of SEK 748 million

and a loan portfolio of SEK 12,400 million. Pillar 2 capital adequacy requirements have been estimated for credit concentration risk, operational risk, interest rate risk in the banking book (IRRBB), credit spread risk in the banking book (CSRBB) and business risk, totalling 2.7 per cent. of Borgo's estimated risk exposure amount end of 2021. As required by regulation the capital adequacy assessment was also evaluated under stressed conditions and deemed sufficient without any additional capital planning buffers. The ICAAP built on the assumption of a capital conservation buffer of 2.5 per cent. for all three years in the planning period and a Swedish contracyclical buffer of 0 per cent. at the end of 2021, with a stepwise increase to 2.5 per cent. at the end of 2024. The planned capital requirement for end of 2021 hence amounted to 13.2 per cent.

The ICAAP is currently in review and the updated planned capital base end of 2021 amounts to SEK 143 million and the loan portfolio amounts to SEK 210 million. The main difference between the updated business plan and the business plan submitted in the application process is a postponement of the transfer of the loan portfolio from Ålandsbanken as well of its size. The updated ICAAP will however secure a sufficient capitalization at all times. Realisation of a business plan always comes with uncertainties but in the ICAAP Borgo has included a Business Risk capital requirement in Pillar 2, which intends to cover for the business planning risk.

## ADDITIONAL INFORMATION ON THE ISSUE OF THE COVERED BONDS

Form of the Covered Bonds:	Securities in book-entry form issued in the book-entry securities system maintained by Euroclear Sweden AB.
ISIN code of the Covered Bonds:	SE0013360419
Depository and settlement system:	Euroclear Sweden AB, Klarabergsviadukten 63, P.O. Box 191, SE-101 23 Stockholm, Sweden.
Decisions and authorisations:	Decision of the Board of Directors of the Initial Issuer on 19 July 2021 and decision of the Board of Directors of the Subsequent Issuer on 8 July 2021.
Effective yield of the Covered Bonds:	At the issue price of 101.260 %, the effective yield of the Covered Bonds is 3-month STIBOR plus 0.250 % per annum.
Rate of interest of the Covered Bonds:	3-month STIBOR + 0.500 %.
Issuing Agent:	Nordea Bank Abp, filial i Sverige
Publication date and investors:	The result of the Offering was announced on 2 September 2021 and the Covered Bonds were allocated to certain institutional investors.
Listing:	Application has been made to have the Covered Bonds listed on the Helsinki Stock Exchange.
Estimated time of Listing:	14 September 2021.
Interests of the participants of the Offering:	Interests of the Joint Lead Managers and Bookrunners: Business interest normal in the financial markets.
Estimated net amount of the proceeds:	The aggregate net proceeds to the Initial Issuer from the issue of the Covered Bonds, after deduction of the fees and expenses payable by the Initial Issuer, will be approximately SEK 5,562,425,000.
Estimated expenses related to the issue of the Covered Bonds:	The fees and expenses incurred in connection with the issue of the Covered Bonds and payable by the Initial Issuer amount in aggregate to an estimated SEK 10,500,000.
Use of proceeds:	The net proceeds from the issue of the Covered Bonds will be applied by the Initial Issuer for the redemption of SEK 2,500,000,000 covered bonds issued by the Initial Issuer on 22 November 2017 with the maturity date of 22 November 2022 and the ISIN code SE0010598474 and on general corporate purposes, which include making a profit.
Date of the entry of the Covered Bonds to the book-entry system:	Covered Bonds subscribed and paid for will be entered to the respective book-entry accounts of the subscribers on or about 10 September 2021 in accordance with the Swedish legislation governing book-entry system and book-entry accounts as well as regulations and decisions of Euroclear Sweden AB.

#### **INITIAL ISSUER**

**Ålandsbanken Abp**  
Nygatan 2  
AX-22 100 Mariehamn  
Finland

#### **SUBSEQUENT ISSUER**

**Borgo AB**  
Linnégatan 87F  
104 50, Stockholm  
Sweden

#### **JOINT LEAD MANAGERS AND BOOKRUNNERS**

**Nordea Bank Abp**  
Satamaradankatu 5  
FI-00020 NORDEA  
Finland

**Danske Bank A/S**  
2-12 Holmens Kanal  
DK-1092 Copenhagen K  
Denmark

#### **AUDITORS**

*to the Initial Issuer*

**KPMG Oy Ab**  
Töölönlahdenkatu 3 A  
FI-00100 Helsinki  
Finland

*to the Subsequent Issuer*

**Öhrlings PricewaterhouseCoopers AB**  
Torsgatan 21  
SE-113 21 Stockholm  
Sweden

#### **LEGAL ADVISERS**

*to the Initial Issuer and the Subsequent Issuer as to  
Finnish Law*

**Castrén & Snellman Attorneys Ltd**  
Eteläesplanadi 14  
FI-00130 Helsinki  
Finland

*to the Initial Issuer and the Subsequent Issuer as to  
Swedish Law*

**Advokatfirman Vinge KB**  
Smålandsgatan 20  
SE-11187 Stockholm  
Sweden

*to the Joint Lead Managers and Bookrunners as to Finnish and Swedish Law*

**Hannes Snellman Attorneys Ltd**  
Eteläesplanadi 20  
FI-00130 Helsinki  
Finland