



Borgo

Modernizing the mortgage market

INVESTOR PRESENTATION

MAY 2022

Borgo

EXECUTIVE SUMMARY

KEY HIGHLIGHTS



- Borgo is a new Swedish mortgage company, focusing on the financing and origination of mortgage loans
- The company is under the supervision of Swedish FSA and has a credit market company as well as covered bond issuance license from 2021
- Borgo is jointly owned by ICA Banken, Ikano Bank, Söderberg & Partners, Sparbanken Syd and Ålandsbanken as well as several financial investors. The industrial owners distribute mortgage loans using their own brands with Borgo as credit provider and funding vehicle
- Borgo aims to fund the loan portfolio by issuing covered bonds, senior bonds and by receiving deposits from the public

Key investment highlights

Low risk assets consisting of Swedish prime mortgages

Conservative underwriting standards

Strong capitalisation

Borgo's equity expected to be SEK 1,4bn by end of 2022

Solid ownership structure

Baa2 rating by Moody's with Stable outlook

Moody's ratings

Type	Assigned rating
Covered bond rating	Aaa (Stable)
Long-term Issuer Ratings	Baa2 (Stable)
Adjusted Baseline Credit Assessment	baa3
Long-term Counterparty Risk Assessment	A3(cr)
Long-term Issuer Ratings	Baa2 (Stable)
Short Term	P-2

AGENDA

1. BACKGROUND, STRATEGY AND BUSINESS MODEL

2. FINANCIALS, FUNDING AND LIQUIDITY

3. ASSET QUALITY AND CAPITAL ADEQUACY

4. MANAGEMENT & ESG

5. CONTACT DETAILS

BORGO IN BRIEF

STRONG DISTRIBUTION NETWORKS JOINING FORCES

Distribution with track-record



SBAB historical mortgage provider and discontinued given capital constraints at the state-owned bank



Short term both Skandia and Bluestep Bank act as mortgage providers, but not perceived as sustainable long term

ÅLANDSBANKEN

Has been offering own mortgages in the Swedish market since 2009, expected to benefit from the ability scale up in the partnership, funding wise and operationally

Sparbanken Syd

Full-service bank, established in 1827, with existing distribution through SBAB and own balance sheet

Proven historical distribution capacity

Fully operational company

Seasoned management team and organisation

With a vision to transform the mortgage market by creating a new financial institution by combining modern technology with traditional lending principles – managing cost of funding, efficient capital structure, credit and liquidity risk

Financially strong Partners, financial investors and experienced board of directors

Supporting the company financially and through industrial experience with a long-term perspective

Pure-play mortgage company with distribution, access to capital market funding and organisation in place

Scalable platform

Modern and legacy-free platform with high degree of automation

Allowing Borgo to build scale without increasing operational overhead and distributors to focus on sales, customer relationships and service

Partnerships with distributors and service providers

Proven IT-systems, payment services, credit administration processes and treasury support – at variable cost based on mortgage outstanding volume

Legacy-free and scalable platform with benefits from outsourced back- and front-end

BORGO KEY FINANCIALS

POSITIONED FOR GROWTH

Q1 2022



Total lending
SEK 11,5bn



Committed equity
SEK 2,7bn



Liquidity reserve
SEK 2,8bn



Long term funding
SEK 10,3bn



OC-level
33,0%



Total deposits
SEK 2,9bn



Credit losses
0,00%



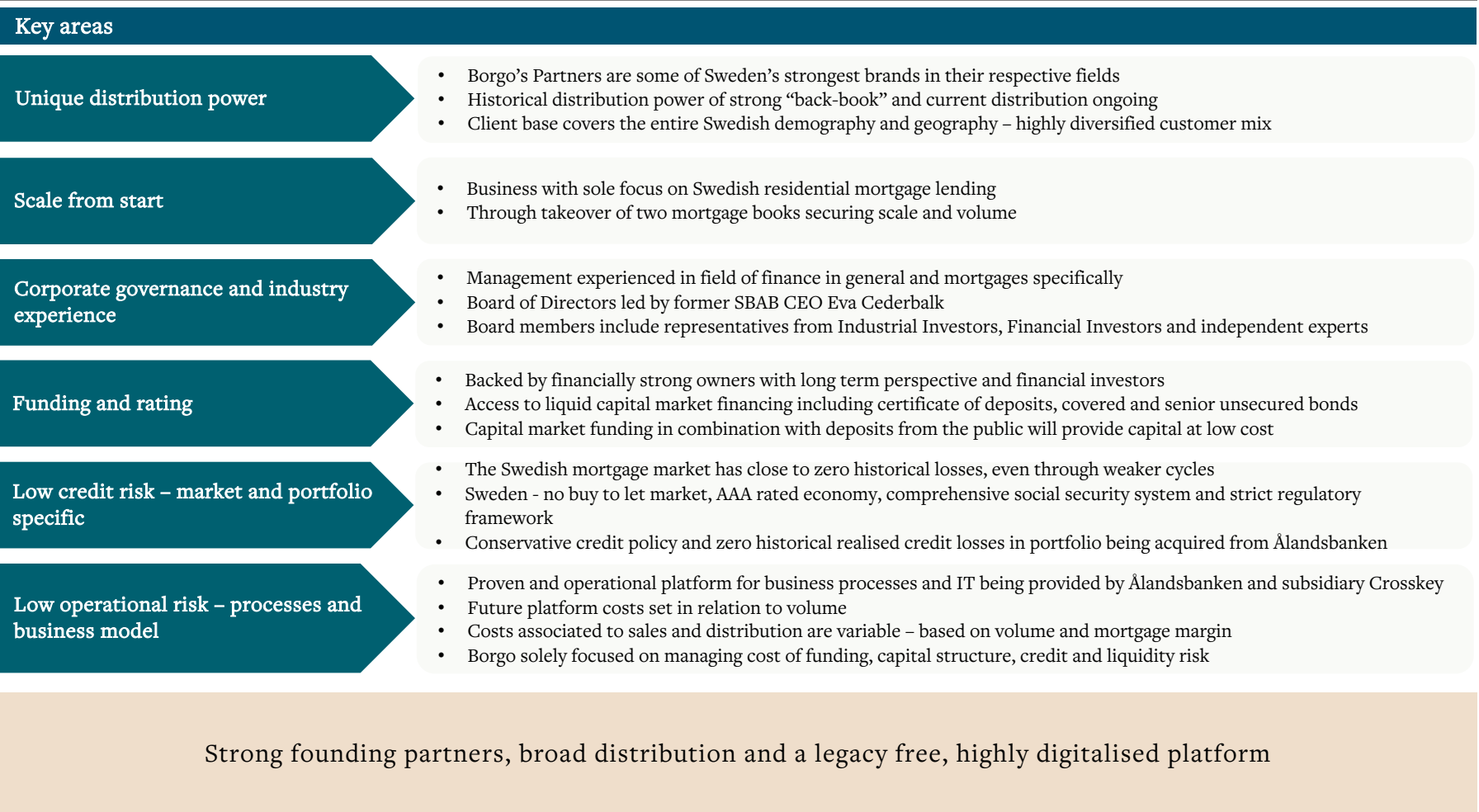
Total capital ratio (CET1 ratio)
14,9%*

With strong owners, a modern platform and digital processes,
Borgo will offer better mortgages for both distributors and customers

**Includes SEK 80m contributed equity approved by SWE FSA from April 8th*

BORGO'S BUSINESS MODEL

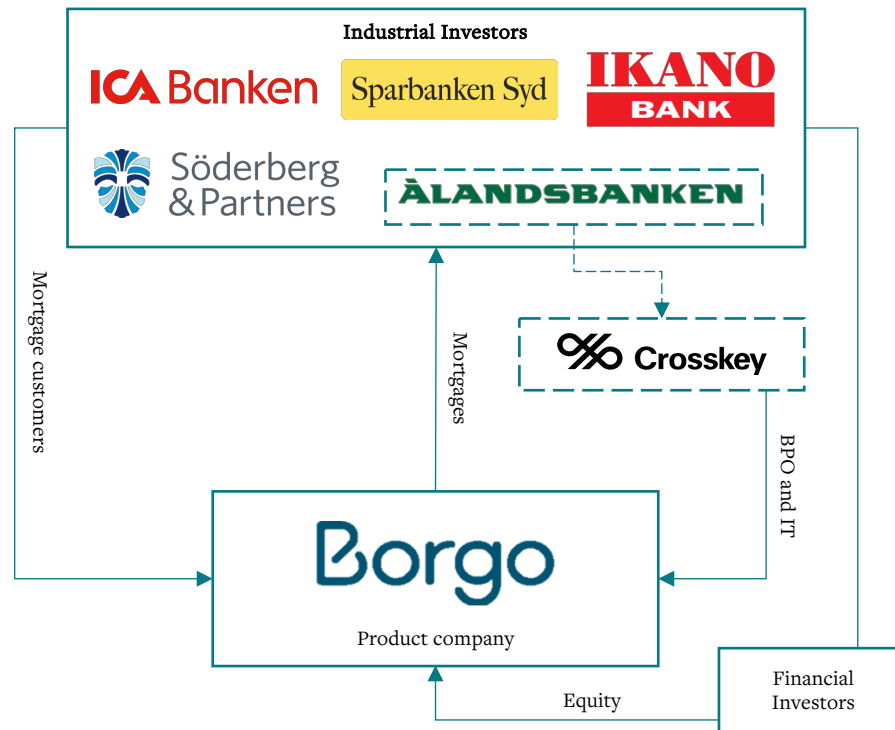
LOW-RISK MORTGAGE BUSINESS



PARTNERSHIP STRUCTURE

THE BORGO SPHERE

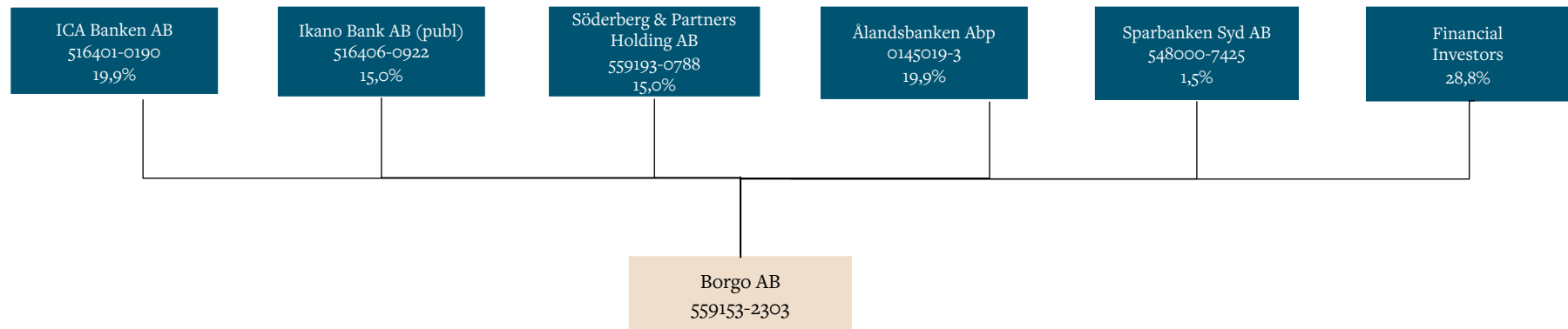
Partnership overview



- Since September 2019, the Industrial Investors have been funding operational activities and project related costs, investing a substantial amount in Borgo
- Part of the strategic rationale behind the Industrial Investors joining forces, was an intention by each partner to support its future distributed mortgage volume with equity (subject to pre-agreed restrictions and limitations) and benefit from economies of scale
- Since the Borgosphere's balance sheet is expected to grow during the next five years, in particular with the acquisition of the Swedish mortgage loan portfolios from Ålandsbanken and Sparbanken Syd, new equity capital contributions will continuously be needed. In an agreement with current owners and financial investors, Borgosphere has secured capital to execute on its business plan (including portfolio acquisitions).

OWNERSHIP AND CAPITALIZATION Q1 2022

EQUITY SUPPORT OF BORGO



Comittment to funding Borgo

- Since entering into an agreement to purchase the shares in Borgo in September 2019, the Partners have been funding operational activities and project related costs
- Partners 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 (valid through 2022)

Capital support for the business plan

- As per Q1 2022, Industrial Investors' total combined maximum amount available to support Borgo's business plan is approx. SEK 1,4bn
- Financial Investors' combined commitment exceeds SEK 1,3bn
- Total capital available SEK 2,7bn

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FINANCIALS

SELECTED KEY FIGURES

Q1 2022 balance sheet and income statement

- Prepared for growth and building a high credit quality mortgage portfolio
 - Acquisitions of mortgage portfolios exceeding SEK >20bn
- As part of the conservative approach, Borgo's liquidity portfolio is expected to be corresponding to approx. 20% of total assets
- Main source of financing will be SEK denominated covered bonds
 - Deep market, historically proved to remain open with high investor confidence even through volatile times
- Existing deposits on balance sheet and continued inflow in Q1 indicate an interest in depositing funds in Borgo and give evidence for future customer deposit rates
- Complementary issuance of senior unsecured bonds is planned to achieve a diversified long-term funding profile
- Secured capital from Industrial Investors and Financial Investors provide Borgo with equity to grow well beyond lending volumes of 2022
- Capital requirement calculations are based on Basel III framework (standardised method) and include conservative management buffers vs. regulatory requirements
 - No dividends during growth phase

SEKm	2022 Q1
Total lending	11 516
Liquidity portfolio	2 843
Long term funding	10 277
Deposits	2 900
NII	3,6
Operation expenses	-42,7
Net Income	-31,4

Covered bonds/total financing (ex equity)	59,8%
Senior unsecure/total financing (ex equity)	12,0%
Deposits/lending	26,8%
Liquidity portfolio/total assets	19,0%
CET 1 ratio	14,9%
Leverage ratio	4,8%
OC	33,0%
Credit loss ratio (%)	0,0%

CAPITAL MARKET FUNDING STRATEGY

A TRANSPARENT AND REGULAR ISSUER

Long term strategy to support market demand

Strategy

- Transparent issuer, communicating issuance plans
- Building a smooth maturity profile
- Aiming for Level 1 bonds with high liquidity
- Long-term commitment
- Regular issuer in the capital market
- Buy-backs to manage refinancing risk

Covered bonds

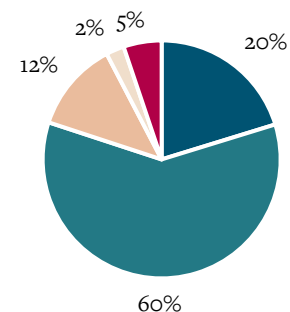
- Swedish krona
- Preferred tenor 3-5 years
- FRN, soft bullet
- Both syndicated issues and private placements
- Long-term OC of approximately 30 percent

Senior unsecured

- Swedish krona
- Preferred tenor 3 years
- FRN
- Senior unsecured debt issued to support Borgos rating and to diversify the funding sources

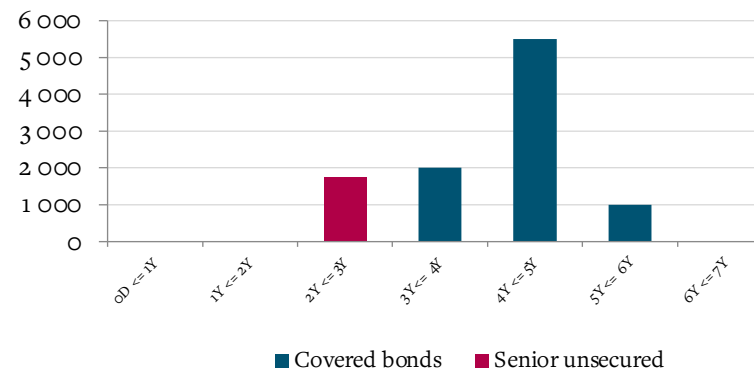
Funding Profile Q1 2022

Funding mix



■ Desposits ■ Covered bonds ■ Senior unsecured ■ Certificates ■ Equity

Maturity profile long term funding



■ Covered bonds ■ Senior unsecured

LIQUIDITY MANAGEMENT

ENSURING EFFICIENCY AND MAINTAINING LIQUIDITY REQUIREMENTS

- Borgo targets to hold a liquidity portfolio equivalent to 20% of total assets
- The composition of the liquidity portfolio is:
 - High quality liquid assets (HQLA), eligible at Riksbanken or with the ECB
 - Only SEK issued securities, no FX-risk
- The Board of Directors have decided on a risk appetite framework taking both NSFR and LCR into consideration and the forecasted development of the liquidity portfolio provides a significant buffer to the risk limits set by the Board
- In addition to LCR/NSFR Borgo intends to use an internally defined survival horizon metric to ensure a sufficient liquidity position at all times
- Borgo is well prepared to manage its liquidity and survive stressful conditions

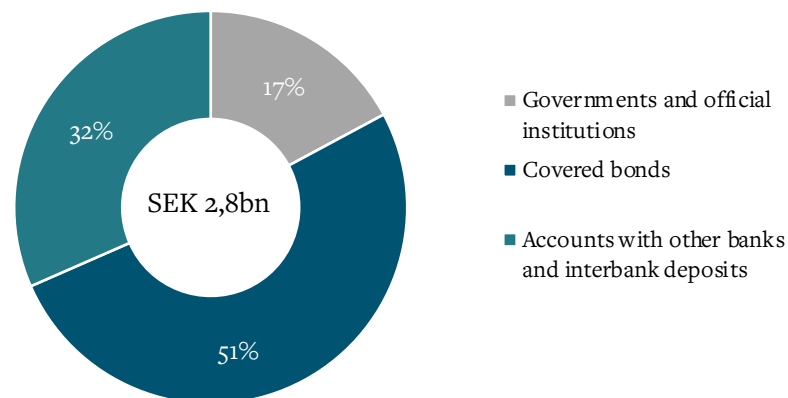
Key metrics Q1 2022

LCR	1186%
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NSFR	115%
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Survival Horizon	>12 months
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Liquidity portfolio composition Q1 2022



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INTERNAL CREDIT ASSESSMENT PROCESS

CONSERVATIVE CREDIT SCORING PROCESS

Overview of credit assessment and scoring process

- Borgo has a restrictive credit policy, in line with traditional banks' credit policies
- The plan to use PSD2-enabled services alongside established credit scoring services to give current and forward-looking view of homeowners' financial state
- All loans are secured by a first ranking pledge over mortgage certificates or rights to tenant owned apartments, in all cases owned solely by the borrower
- Independent valuation function separated from the credit department to ensure independence and unbiased valuations
- Quarterly revaluation of all properties

Identification of customers

- All mortgage applicants are identified via mobile BankID, only administered to Swedish residents, to secure a uniform and secure identification
- The legal capacity and financial position of the mortgage applicants are retrieved through a third-party provider

Income status

- The income status of the applicant is retrieved through a third-party provider and verified by the applicant

Stress testing

- The applicant's current and future payment ability is assessed by establishing a KALP. The KALP outcome is stress-tested with an interest rate level of 6%.

Customer scoring

- Each applicant is assigned a credit scoring

Additional criteria for inclusion in the cover pool

- The Issuer identifies the mortgages that are eligible for inclusion in the Swedish Cover Pool according to criteria set by the Covered Bond Act and the Issuer
- Prime Swedish residential mortgages

Applicant(s) should
reside in Sweden

Loan size
max. SEK 15m

LTV
below 85%

LTI
max. 5x annual income

KALP
interest rate 6%

Housing society leverage
max. SEK 20 k/m²

COVER POOL

A HIGH QUALITY, LOW-RISK LOAN PORTFOLIO

Borgos mortgage portfolio	Cover pool overview (March 31, 2022)																				
<ul style="list-style-type: none"> The acquisition of Ålandsbanken's mortgages and transfer of their outstanding covered bonds denominated in SEK Per March 31, 2022, total mortgage loan volume was SEK 11,307m, consisting of 7,569 loans split by 7,274 clients with an average loan size of SEK 1,517m per household The portfolio is of high quality with an average LTV of 57,9% A majority of the portfolio (66,6%) is on a floating rate (0-3 months) The portfolio is dominated by exposures in the Stockholm region with 50% of the total mortgage portfolio 	<table border="1"> <tr> <td>Credit rating</td> <td>Aaa rated by Moody's</td> </tr> <tr> <td>Included assets</td> <td>SEK 11,307m loans (no substitute assets)</td> </tr> <tr> <td>Over-collateralisation</td> <td>33,0% (nominal)</td> </tr> <tr> <td>Type of collateral</td> <td>100% Single -family housing & flats</td> </tr> <tr> <td>Cover pool items</td> <td> <ul style="list-style-type: none"> Number of loans 7,569 Number of clients 7,274 Number of properties 4,762 Average loan size TSEK 1,517 </td> </tr> <tr> <td>Regional distribution</td> <td>Stockholm 50,0% (loan volume SEK 5,648m)</td> </tr> <tr> <td>Repayments</td> <td> <ul style="list-style-type: none"> Interest only 37,6% (SEK 4,247m) Amortizing 62,4% (SEK 7,060m) </td> </tr> <tr> <td>Interest rate type</td> <td> <ul style="list-style-type: none"> Floating 66,6% (SEK 7,532m) Fixed 33,4% (SEK 3,775m) </td> </tr> <tr> <td>LTV levels (mortgage assets)</td> <td> <ul style="list-style-type: none"> 70-75%: SEK 2,726m (24% of volume) 60-70%: SEK 2,508m (22% of volume) 50-60%: SEK 1,949m (17% of volume) ≤ 50%: SEK 4,124m (36% of volume) WALTV: 57,9% </td> </tr> <tr> <td>Loans past due</td> <td>SEK 0 (zero)</td> </tr> </table>	Credit rating	Aaa rated by Moody's	Included assets	SEK 11,307m loans (no substitute assets)	Over-collateralisation	33,0% (nominal)	Type of collateral	100% Single -family housing & flats	Cover pool items	<ul style="list-style-type: none"> Number of loans 7,569 Number of clients 7,274 Number of properties 4,762 Average loan size TSEK 1,517 	Regional distribution	Stockholm 50,0% (loan volume SEK 5,648m)	Repayments	<ul style="list-style-type: none"> Interest only 37,6% (SEK 4,247m) Amortizing 62,4% (SEK 7,060m) 	Interest rate type	<ul style="list-style-type: none"> Floating 66,6% (SEK 7,532m) Fixed 33,4% (SEK 3,775m) 	LTV levels (mortgage assets)	<ul style="list-style-type: none"> 70-75%: SEK 2,726m (24% of volume) 60-70%: SEK 2,508m (22% of volume) 50-60%: SEK 1,949m (17% of volume) ≤ 50%: SEK 4,124m (36% of volume) WALTV: 57,9% 	Loans past due	SEK 0 (zero)
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Key characteristics of outstanding covered bonds																					
Outstanding issues in SEK (total: SEK 8,500m)																					
SE0017232366 (ISIN) SEK 2,000m	<ul style="list-style-type: none"> Settlement date: 2020-05-12 Maturity: 2025-05-12 Coupon: 0,190 Fixed/Floating: Floating 																				
SE0017232358 (ISIN) SEK 5,500m	<ul style="list-style-type: none"> Settlement date: 2021-09-10 Maturity: 2026-09-10 Coupon: 0,342 Fixed/Floating: Floating 																				
SE0013360724 (ISIN) SEK 1,000m	<ul style="list-style-type: none"> Settlement date: 2022-03-30 Maturity: 2027-06-30 Coupon: 0,451 Fixed/Floating: Floating 																				

CAPITAL ADEQUACY

SOUND RISK MANAGEMENT

Overview of assumptions and basis for calculations

- Borgo submitted its application for credit institute license to the Swedish Financial Supervisory Authority in 2020 and received an approval in first quarter of 2021

Capital targets includes conservative management buffers above regulatory requirement, determined by the Board of Directors

- In a stressed scenario the CCyB and CCoB are also assessed to be available to cover unforeseen losses
- The capital planning is forward looking and is based on the continuous ICAAP process where the current estimates on the capital target includes:

Combined buffer requirement

- An increase in CCyB to 1,0% in Q3 2022 per the SFSA communication and a further increase to 2,0% in the end of 2023

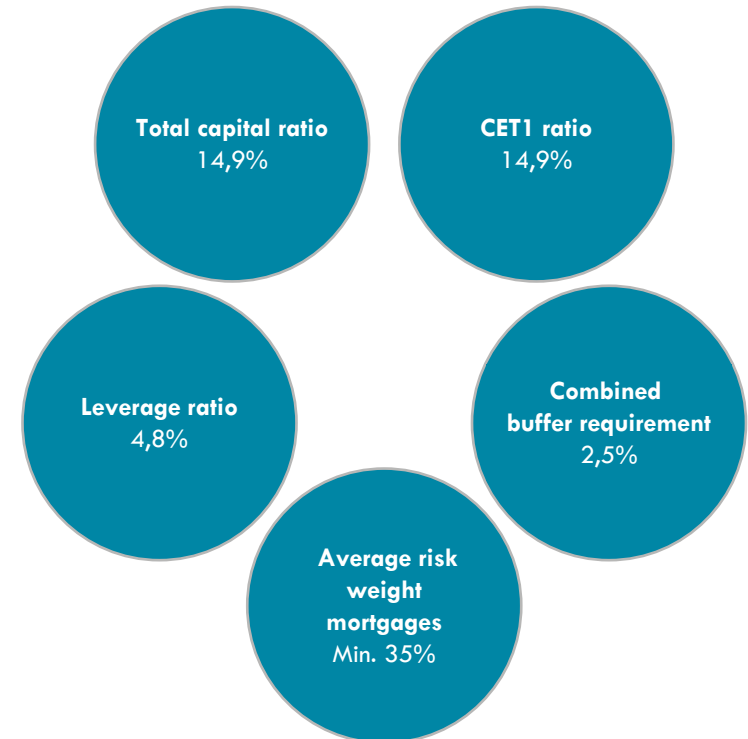
Regulatory changes in the risk weight calculation

- The revised Basel III framework is assumed to apply as of January 1, 2025 (per the communicated timing on CRR III / CRD VI) resulting in a reduction in the riskweight applied to the mortgage lending

Pillar 2

- The Pillar 2 requirement is calculated based on the risk in the company at the end of each year

Capital ratios Q1 2022



Borgo is committed to strong capital ratios, diversified funding and sound approach to risk

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BOARD OF DIRECTORS

OWNERS AND INDEPENDENT

External

Eva Cederbalk Chairman

Board member at Ikano
Bank and Svolder
Prior: CEO at SBAB,
Chairman at Klarna

Julia Lannerheim Board member

Risk & Compliance Officer
Arvato Financial Solutions

Johan Brodin Board member

CTO at Intrum
Prior: CRO at Intrum,
CRO at SBAB

Industrial investors

ICA Bank Per Balazsi (CFO)

Söderberg & Partners Gustaf Rentzhog (CEO)

Ikano Bank Anna Wanby (CLO)

Ålandsbanken Jan-Gunnar Eurell (CFO & deputy CEO)

Sparbanken Syd Johan Sandberg (CFO)

Financial investors

Proventus Caj Tigerstedt (CIO)

Persson Invest Björn Rentzhog (CEO)

BORGO'S ESG ACTION PLAN

SEVERAL STEPS TO BE TAKEN DURING 2022

Materiality Assessment

- Which are Borgo's relevant sustainability issues? Which are relevant in our business?
- Review of current policies and guidelines, Peer group analysis, Stakeholder dialogues (ongoing)
- Sustainability risk assessment from financial, legal and reputational perspective
- Impact analysis: inside out and outside in – including screening of risk assets and assessing homes exposed to climate risks
- End result is a comprehensive long term strategy with specified ESG-targets

TCFD Analysis (Task Force on Climate-related Financial Disclosures)

- *“The TCFD recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.”*
- This initiative is widely becoming standard in terms of climate disclosures; reporting in accordance with TCFD requires a climate risk analysis and scenario analysis, which Borgo will be conducting
- The resulting report will be made available to investors, stakeholders

Science-based targets

- SBTi (Science Based Targets) and GHG (Greenhouse Gas Protocol) to be used to gather and verify data
- Results will provide a starting point for Borgo in assessing where we are, as well as in setting targets for the future

Sustainability Reporting

- Borgo will be required to publish a sustainability report for 2022 (published in 2023)
- Reporting will be done in compliance with the CSRD (The Corporate Sustainability Reporting Directive, an EU legislation)
- GRI (Global Reporting Initiative) and PAI (Principal Adverse Impacts) will be used. GRI-standards are in line with the CSRD

ESG INTEGRATED WITH BORGO FROM START

BORGO'S VISION IS BROAD AND INVOLVES ENTIRE COMPANY

Borgo's ESG Strategy is essential for Borgo to reach its business goals

ESG Integrated from Start

- Borgo has had a vision from day one to build a sustainable business model aligned with the global Sustainable Development Goals' (SDG's) 30-year agenda, where Borgo has identified a number of focus areas via materiality analysis
- Starting point is simplified by a "clean sheet" starting point
- Borgo's mortgage platform with digital and efficient processes will have a very limited environmental impact
- In addition to being digitalized to a large extent, Borgo's goal is to be best-in-class in terms of business ethics, gender equality, diversity and responsible lending
- Vision to be achieved via clear targets and closely tracked key performance indicators

Environmental Impact

- Borgo aims to launch "green mortgages" during 2023 along with green bonds
- Borgo's long term target is that green mortgages' share of the mortgage portfolio shall be larger than the market average (green mortgages currently account for an insignificant share of mortgages in Sweden, mainly due to the relatively small number of eligible, energy-efficient, homes, as well as taxonomy being developed)
- Borgo is investigating the possibility of launching "green" savings accounts to be supportive of green lending
- Borgo aims to invest its liquidity portfolio actively and responsibly, with a focus on ESG-friendly assets
- Borgo is assessing the climate risk on collateral – i.e. are there homes in certain areas that may be extra exposed to climate change?

Social responsibility

- High focus on consumer protection and personal data protection, as well as preventing money laundering
- Borgo aims to take thought-leadership in questions involving savings and responsible borrowing
- Borgo will seek ways to positively impact society via sponsorships, scholarships and collaborations

Sustainable Governance

- Borgo has an ethics policy fully incorporated in the company's operations
- Borgo has a diversity policy and recruitments at all levels are made in accordance with this policy
- Borgo works with Alva Labs to achieve objective hiring through data driven and science based screening processes
- Employee satisfaction and a sustainable workplace in focus – diversity, equality, inclusivity
- All goals to be tracked and followed up regularly

TEAM DEDICATED TO ESG

SUPPORT FROM OWNERS AND ADVISORS

Joint Effort to Formulate and Work Towards Strategy

Dedicated Team

- Borgo has formed an internal team across disciplines to formulate the ESG strategy and to conduct the materiality analysis
 - Peter Walldour, Chief Operating Officer
 - Adam Lewenhaupt, Chief Commercial Officer
 - Emma di Nicola, Chief Risk Officer
 - Fernanda Echenique, Head of Treasury
- Current team plans to enroll in courses covering ESG to ensure up to date knowledge
- Long term, a recruitment specifically for ESG will be made

External Support

- Borgo works closely with consultants with experts in ESG, assisting Borgo in developing its strategy as well as in conducting climate analysis and reporting
- Borgo’s industrial investors have all made significant efforts around, and have dedicated personnel working with, ESG
- Industrial investors have contributed to Borgo’s materiality analysis and provided advise

Industrial Investors’ ESG Goals and Strategies



- Strategy formulated around the SDG:s with help of materiality analysis; mostly focused on ICA’s main activity – food retail; health and climate impact
- ICA Banken’s focus is on green lending, green funds and social initiatives around health
- Quarterly follow ups and reporting



- “Help the many people to a healthy and sustainable economy in everyday life”
- Three over-arching goals: Healthy & financial living, circular & climate positive, fair & inclusive
- Focus on becoming fully digital
- Social initiatives mainly focus on children’s and women’s rights organizations



- Significant focus on sustainability as part of pension advisory and fund management
- Traffic light-system to guide to “sustainable investments”
- Preventing child labour is one focus area
- Goals are presented together with relevant SDG:s, and continuously measured and reported



- Includes all 169 SDG targets in their sustainability work, with special focus on sustainable energy for all, life below water, climate action and decent work and economic growth
- Environmental cause the Baltic Sea Project, has been ongoing for 20 years

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CONTACT BORGO'S TEAM

Overview

Gustav Berggren – CEO

Gustav has spent 10 years at Avanza where his latest position was Head of the Private Bank, as well as member of the Group Management and the Credit Committee. Gustav was a driving force in creating Avanza's own mortgage offering to Private Banking clients as well as in investing in and partnering with Stabelo.

Fernanda Echenique – Head of Treasury

Fernanda has over 10 years experience from the mortgage industry, specifically from SBAB's Treasury managing the covered bond portfolio as well as handling the interest rate risk in the bank. Fernanda has also worked at the Treasury of the Swedish Kingdom (SNDO/Riksgälden).

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