



“We completed our best year ever in terms of net operating profit, EUR 61.7 million (+34 per cent), with our best quarter ever in terms of net operating profit, EUR 20.2 M (+90 per cent).”

“Due to good inflow and a positive market effect, the assets we manage for our clients, EUR 9,776 M (+13 per cent), are at about the same level as our previous record. Combined with the fact that we were named Finland’s best Private Banking operator in Kantar Prospera’s customer survey for the third year in a row, this means that we look forward to 2024 with solid confidence.”

Peter Wiklöf, Managing Director and Chief Executive

January–December 2023

Compared to January–December 2022

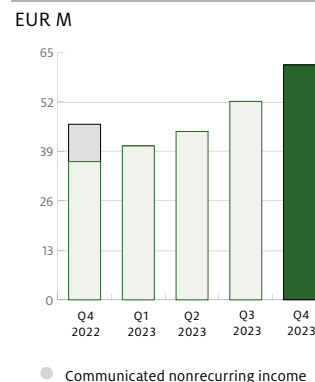
- Net operating profit increased by 34 per cent to EUR 61.7 M (46.1).
- Core income in the form of net interest income, net commission income and IT income increased by 21 per cent to EUR 205.2 M (170.1).
- Other income, which included a divestment gain in 2022, decreased to EUR -0.3 M (14.0).
- Total expenses increased by 5 per cent to EUR 138.4 M (131.8).
- Net impairment losses on financial assets (including recoveries) totalled EUR 2.2 M (6.2), equivalent to a loan loss level of 0.05 per cent (0.14).
- Return on equity after taxes (ROE) increased to 17.2 per cent (12.8).
- Earnings per share increased by 34 per cent to EUR 3.18 (2.37).
- The common equity Tier 1 capital ratio increased to 13.7 per cent (12.1 on December 31, 2022).
- Dividend: The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 2.40 (1.60) per share for the 2023 financial year, equivalent to a 75 (66) per cent payout ratio, plus an extra dividend of EUR 0.25 (0.45) per share.
- Future outlook: The Bank of Åland expects its net operating profit in 2024 to be about the same as in 2023.

The fourth quarter of 2023

Compared to the fourth quarter of 2022

- Net operating profit increased by 90 per cent to EUR 20.1 M (10.6).
- Core income in the form of net interest income, net commission income and IT income increased by 33 per cent to EUR 58.9 M (44.3).
- Other income amounted to EUR -3.2 M (2.7).
- Total expenses increased by 3 per cent to EUR 35.3 M (34.1).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.1 M (2.2), equivalent to a loan loss level of 0.02 per cent (0.20).
- Return on equity after taxes (ROE) increased to 21.5 per cent (11.9).
- Earnings per share increased by 90 per cent to EUR 1.05 (0.55).

4-quarter moving net operating profit

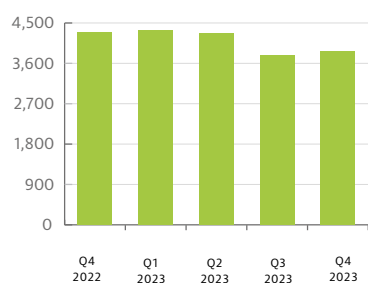


Financial summary

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
EUR M								
Income								
Net interest income	27.8	27.9	0	19.7	41	99.7	68.2	46
Net commission income	22.6	17.8	27	18.4	23	77.0	78.4	-2
IT income	8.4	6.4	32	6.2	37	28.6	23.5	22
Other income	-3.2	-0.9		2.7		-3.0	14.0	
Total income	55.7	51.2	9	47.0	18	202.3	184.1	10
Expenses								
Staff costs	-20.9	-19.4	8	-19.6	7	-81.3	-75.5	8
Other expenses	-11.2	-8.9	25	-11.3	-1	-41.6	-39.7	5
Statutory fees	0.0	0.0		0.0		-3.2	-3.4	-6
Depreciation/amortisation	-3.2	-3.1	2	-3.3	-3	-12.2	-13.2	-8
Total expenses	-35.3	-31.5	12	-34.1	3	-138.4	-131.8	5
Profit before impairment losses	20.4	19.8	3	12.8	59	63.9	52.3	22
	0.0	0.0		0.0		0.0	0.0	
Impairment losses on financial assets, net	-0.1	-0.7	-79	-2.2	-93	-2.2	-6.2	-65
Net operating profit	20.2	19.1	6	10.6	90	61.7	46.1	34
Income taxes	-4.2	-4.0	5	-2.1	97	-13.1	-9.3	40
Profit for the period	16.1	15.1	6	8.5	89	48.7	36.8	32
Attributable to:								
Shareholders in Bank of Åland Plc	16.1	15.1	6	8.5	89	48.7	36.8	32
Volume								
Lending to the public	3,859	3,777	2	4,303	-10			
Deposits from the public	3,595	3,553	1	4,182	-14			
Actively managed assets	9,776	8,982	9	8,637	13			
Managed mortgage loans	2,716	2,600	4	1,304				
Equity capital	335	318	5	317	6			
Balance sheet total	5,342	5,197	3	5,898	-9			
Risk exposure amount	1,774	1,741	2	1,938	-8			

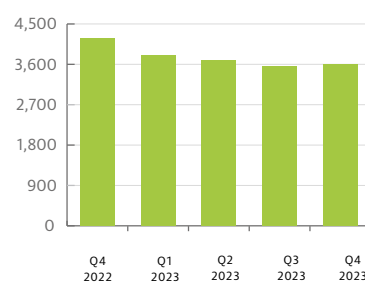
Lending to the public

EUR M



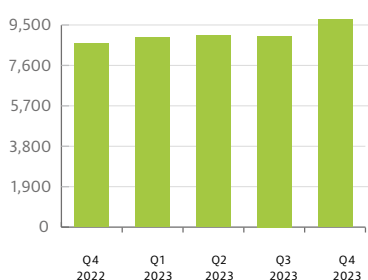
Deposits from the public

EUR M



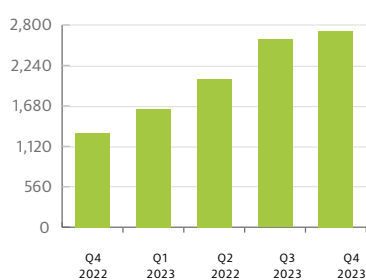
Actively managed assets

EUR M



Managed mortgage loans

EUR M

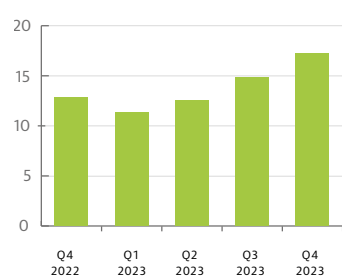


Financial ratios

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
Profitability								
Return on equity after taxes, % (ROE)	21.5	21.5		11.9		17.2	12.8	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	17.2	14.7		12.8				
Capital strength								
Common equity Tier 1 capital ratio, %	13.7	14.0		12.1				
Common equity Tier 1 capital ratio, surplus compared to minimum requirement, %	5.2	5.5		4.0				
Leverage ratio, %	5.0	5.1		4.3				
Liquidity and funding								
Liquidity coverage ratio (LCR), %	156	156		138				
Net stable funding ratio (NSFR), %	109	110		108				
Lending/deposit ratio, %	107	106		103				
Credit quality								
Loan loss level, %	0.02	0.06		0.20		0.05	0.14	
Gross share of loans in Stage 3, %	1.61	1.58		1.61				
Employees								
Working hours re-calculated to full-time equivalent positions	912	935	-2	862	6	906	854	6
Employee commitment index ¹	7.4	7.3				7.3	7.2	1
Leadership index ²	7.9	7.9				7.9		
Customers								
Customer Satisfaction Index (CSI) ³						92	96	
Net Promoter Score (NPS) ⁴						56	58	
Climate								
CO ₂ e emissions per EUR M of income (tonnes/EUR M)	27.7	23.8	16	21.4	29	32.6	28.1	16
Data on Bank of Åland shares								
Earnings per share, EUR	1.05	0.99	6	0.55	90	3.18	2.37	34
Earnings per share, EUR, moving 12-month average to end of report period	3.18	2.69	19	2.37	34			
Equity capital per share, EUR	19.98	18.87	6	18.85	6			

4-quarter moving ROE

percent



For definitions of financial ratios, see page 32, "Definitions".

¹ The Bank of Åland's target is >7. There is no comparative figure for Q4 2022, since quarterly information was not compiled during 2022.

² The Bank of Åland's target is to achieve a score above the industry average. There is no comparative figure for 2022, since the entire Group was not included in the calculation at that time.

³ The Bank of Åland has created its own index, where first and last place in the customer survey are equivalent to a score of 100 and 0, respectively. The customer survey includes a number of questions that summarise how satisfied customers are with the Bank's overall service offering. To calculate the total outcome, the score in each geographic business segment is weighted in relation to total business volume (actively managed assets as well as lending to and deposits from the public). Our target is 100. Customer surveys are conducted once a year, during the second half.

⁴ To calculate the total outcome, the score in each geographic business segment is weighted in relation to total business volume (actively managed assets as well as lending to and deposits from the public). Our target is more than 50.

Comments

MACRO SITUATION

Last year was dominated by continued geopolitical concerns and inflation-fighting as well as some international banking sector turmoil last spring. After more than a decade of key interest rates around zero, the European Central Bank raised its key rate by a total of 4.50 percentage points. Sweden's Riksbank raised its policy rate 4.00 points over the past two years. During 2023, ECB rate hikes totalled 2.00 points and Riksbank rate hiked totalled 1.50 points. However, there are now many indications that inflation-fighting has achieved its goals and that key interest rates have peaked.

BENCHMARK INTEREST RATES, QUARTERLY AVERAGES, PER CENT

	Q4 2023	Q3 2023	Q4 2022
Euribor 3 mo	3.96	3.78	1.77
Euribor 12 mo	3.95	4.12	2.83
Stibor 3 mo	4.07	3.99	2.22

BENCHMARK INTEREST RATES, ANNUAL AVERAGES, PER CENT

	2023	2022
Euribor 3 mo	3.43	0.34
Euribor 12 mo	3.86	1.09
Stibor 3 mo	3.70	1.00

During 2023, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 6 per cent, while the Nasdaq Stockholm's OMXSPI index rose by 16 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 8 per cent lower during 2023 than in 2022, but at year-end 2023 it was at about the same level as at year-end 2022. When converting the income statement of the Bank's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been converted at the exchange rate prevailing on the closing day of the report period.

IMPORTANT EVENTS

For the third year in a row, the Bank of Åland was named Finland's best Private Banking operator in Kantar Prospera's Private Banking Finland survey. The survey showed that customers appreciate the Bank's long-term work with customer relationships, financial planning and sustainability. The Bank of Åland's customers are also the ones who are the most willing to recommend their bank to others.

The Bank of Åland's Ålandsbanken Kort Företagsränta, a short-term corporate bond fund, was named the best Nordic fund in its category by Refinitiv Lipper.

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. This year the Baltic Sea Project contributed EUR 615,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 4.4 M to various environmentally related projects.

The previously announced transfer of Swedish home mortgage

loans from the Bank of Åland to Borgo was completed on September 11. The nominal amount of the mortgage portfolio that was transferred was SEK 5.8 billion. The portfolio consisted of home mortgage loans mediated by ICA Banken and Söderberg & Partners Bolån. The transfer did not have any significant effect on the Bank of Åland's earnings, but it freed up liquidity and capital. A third transfer to Borgo of a smaller mortgage portfolio is planned to take place during 2024.

The Bank of Åland launched a new share savings programme for all Group employees, starting in September. The programme gives employees the opportunity to save part of their monthly salary to invest in Bank of Åland Series B shares. Participation in the share savings programme takes place on a voluntary basis. Employees can save a maximum of five per cent of their monthly salary in order to subscribe for twice-yearly targeted issues of Series B shares. The programme will run for one year. Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own the shares that were issued. Employees are offered an opportunity to subscribe for Series B shares at a price that is 10 per cent below the average stock market price during the month prior to the issue. At the end of the application period, 62 per cent of the number of regular Group employees had joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.4 M, which would be equivalent to about 52,000 Series B shares, based on the average share price in December 2023 including a 10 per cent discount. The number of matching Series B shares is estimated at 44,000. The projected number of shares that employees may receive as part of the share savings programme is about 96,000.

During 2023, the Bank of Åland issued 47,069 Series B shares to fulfil its commitments as part of the 2022/2023 share savings programme. In addition, 6,974 Series B shares were issued to fulfil the Bank's commitments as part of its employee incentive programme.

On March 29, 2023, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.05 per share for the financial year 2022 (a regular dividend of EUR 1.60 plus an extra dividend of EUR 0.45).

The AGM re-elected Anders Å Karlsson, Nils Lampi, Mirel Leino-Haltia, Christoffer Taxell, Ulrika Valassi and Anders Wiklöf as members of the Board of Directors. At the statutory meeting of the Board on the same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board.

The Finnish Financial Supervisory Authority (FIN-FSA) imposed an administrative fine of EUR 60,000 on the Bank of Åland, based on inadequacies in the Bank's reporting of derivative contracts that it had entered into during the period 2016-2021. The inadequacies were related to an obligation to report all derivative contracts to a trade repository in accordance with European Union's European Market Infrastructure Regulation (EMIR). The Bank had hired a

clearing agent to handle this reporting on behalf of the Bank. However, the clearing agent has not reported all derivative contracts to the trade repository. The inadequacies were corrected when the Bank became aware of them.

EARNINGS FOR JANUARY–DECEMBER 2023

Net operating profit increased by EUR 15.6 M or 34 per cent to EUR 61.7 M (46.1). Excluding a divestment gain of EUR 9.8 M in 2022, net operating profit increased by EUR 25.4 M or 70 per cent. This net operating profit was the Bank of Åland's highest-ever yearly earnings.

Profit for the year attributable to shareholders increased by EUR 11.9 M or 32 per cent to EUR 48.7 M (36.8).

Return on equity after taxes (ROE) increased to 17.2 per cent (10.1, but 9.8 excluding a divestment gain).

Core income in the form of net interest income, net commission income and IT income increased by EUR 35.1 M or 21 per cent to EUR 205.2 M (170.1). Due to the weaker Swedish krona, core income converted to euros decreased by EUR 5.4 M compared to 2022.

Net interest income rose by EUR 31.5 M or 46 per cent to EUR 99.7 M (68.2). A higher interest margin, when market rates had gone from being negative to being positive, was the main explanation.

Net commission income fell by EUR 1.4 M or 2 per cent to EUR 77.0 M (78.4). Income from the Bank's asset management business was lower, mainly due to lower activity, while platform income for managed mortgage loans contributed to higher net commission income.

Information technology (IT) income rose by EUR 5.1 M or 22 per cent to EUR 28.6 M (23.5). The increase mainly came from higher project income.

Other income, including net income on financial items, fell by EUR 17.0 M to EUR -3.0 M (14.0), mainly due to a capital gain of EUR 9.8 M from the divestment of most of the Bank's Swedish mortgage loans to Borgo in February 2022.

Total expenses increased by EUR 6.6 M or 5 per cent and amounted to EUR 138.4 M (131.8). Higher staff costs were the main explanation.

Net impairment losses on financial assets amounted to EUR 2.2 M (6.2), equivalent to a loan loss level of 0.05 (0.14) per cent.

Tax expenses amounted to EUR 13.1 M (9.3), equivalent to an effective tax rate of 21.2 (20.2) per cent.

EARNINGS FOR THE FOURTH QUARTER OF 2023

Net operating profit increased by EUR 9.6 M or 90 per cent to EUR 20.2 M (10.6). This was the highest quarterly earnings level in the Bank of Åland's history.

Profit for the quarter attributable to shareholders increased by EUR 7.6 M or 89 per cent to EUR 16.1 M (8.5).

Return on equity after taxes (ROE) increased to 21.5 (11.9) per cent.

Core income in the form of net interest income, net commission income and IT income increased by EUR 14.6 M or 33 per cent to

EUR 58.9 M (44.3). Due to the weaker Swedish krona, core income converted to euros decreased by EUR 0.7 M compared to the fourth quarter of 2022.

Net interest income rose by EUR 8.1 M or 41 per cent and amounted to EUR 27.8 M (19.7), primarily thanks to a wider interest margin.

Net commission income rose by EUR 4.2 M or 23 per cent to EUR 22.6 M (18.4), mainly due to higher income from the Bank's asset management business.

IT income rose by EUR 2.2 M or 37 per cent and amounted to EUR 8.4 M (6.2), mainly thanks to higher project income.

Other income, including negative net income on financial items, decreased by EUR 5.9 M and amounted to EUR -3.2 M (2.7). This change was mainly due to lower capital gains and reappraisal of a financial asset.

Total expenses increased by EUR 1.2 M or 3 per cent and amounted to EUR 35.3 M (34.1). Higher staff costs were the main explanation.

Net impairment losses on financial assets decreased by EUR 2.1 M or 93 per cent and amounted to EUR 0.1 M (2.2), equivalent to a loan loss level of 0.02 (0.20) per cent.

Tax expenses amounted to EUR 4.2 M (2.1), equivalent to an effective tax rate of 20.6 (19.9) per cent.

OPERATING SEGMENTS

The Group's increase of EUR 25.5 M in net operating profit to EUR 61.7 M, excluding last year's divestment gain, was allocated as follows:

- Private Banking +17.6 (higher net interest income, lower impairment losses)
- Premium Banking +10.9 (higher net interest income)
- IT +1.8 (higher income)
- Corporate Units -4.8 (lower net income on financial items) & Eliminations

BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 1,139 M or 13 per cent compared to year-end 2022 and amounted to EUR 9,776 M (8,637). This is about the same as the Bank's highest-ever level. The increase was due to both positive net inflows and a positive market effect.

Deposits from the public fell by EUR 587 M or 14 per cent compared to year-end 2022 and amounted to EUR 3,595 M (4,182). Most of the decrease occurred during the first quarter.

Lending to the public decreased by EUR 444 M or 10 per cent compared to year-end 2022 and totalled EUR 3,859 M (4,303). The transferred Swedish mortgage loan portfolio was the main explanation for the decrease.

Managed mortgage loans increased by EUR 1,412 M or 108 per cent compared to year-end 2022 and totalled EUR 2,712 M (1,304).

CREDIT QUALITY

Lending to private individuals comprised 74 per cent of the loan portfolio. Home mortgage loans accounted for 73 per cent of this. "Other household purposes" comprised the second-largest type of

lending to individuals. Historically, the Bank of Åland has not had any significant loan losses on this lending segment. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

The Bank of Åland Group had EUR 20.2 M in impairment loss provisions on December 31, 2023 (20.0 on December 31, 2022), of which EUR 0.6 M (0.5) in Stage 1, EUR 1.9 M (1.2) in Stage 2 and EUR 17.7 M (18.3) in Stage 3. Stage 3 loans as a share of gross lending to the public totalled 1.61 per cent (1.61). The level of provisions for Stage 3 loans amounted to 28 (26) per cent. Most of these loans have good collateral.

The Bank of Åland has no direct exposure to Ukraine, Belarus or Russia. The direct impact of the Russian war of invasion on the Bank's credit risk is thus limited. Inflation pressures, rising interest rates/bond yields and falling share prices and real estate prices may affect the repayment capacity of customers and the value of pledged collateral.

Of the Bank of Åland's Stage 3 impairment loss provisions, EUR 6.0 M is related to a case in Sweden caused by credit fraud, where the customers were sentenced to prison terms for this crime. The Bank of Åland has the requisite insurance against crime, but after its investigation in 2023 the insurance company did not share the Bank of Åland's opinion that the insurance policy should cover this damage. The case concerning the validity of the crime insurance policy will be adjudicated through a lawsuit during 2024.

LIQUIDITY AND BORROWING

In February, the Bank of Åland issued a new T2 (supplementary capital) instrument totalling SEK 200 M. In March, the Bank issued a new covered bond totalling EUR 250 M with a 3-year maturity.

In January, a covered bond totalling EUR 100 M fell due for payment, and in September an additional covered bond totalling EUR 250 M fell due. In September the Bank also paid off a central bank loan (TLTRO) totalling EUR 200 M. In May, a T2 instrument totalling SEK 200 M fell due.

The Bank of Åland's liquidity reserve in the form of cash and deposits with central banks, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,264 M on December 31, 2023 (1,226 on December 31, 2022). This was equivalent to 24 (21) per cent of total assets and 33 (28) per cent of lending to the public. Of the liquidity reserve, EUR 225 M (0) consisted of holdings of unencumbered covered bonds issued by the Bank.

The loan/deposit ratio amounted to 107 (103) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 75 (77) per cent and covered bonds issued accounted for 11 (11) per cent.

The liquidity coverage ratio (LCR) amounted to 156 (138) per cent. The net stable funding ratio (NSFR) amounted to 109 (108) per cent.

On December 31, 2023, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.0 (1.3) years. A covered bond totalling EUR 300 M will mature in March 2024.

RATING

The Bank of Åland's has a credit rating of BBB+ for long-term borrowing with a negative outlook and A-2 for short-term borrowing from the S&P Global Ratings agency. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

In June, S&P Global Ratings changed the outlook for the Bank of Åland from stable to negative. The background to this change in outlook is S&P Global Ratings' own model for calculating capital strength, the risk-adjusted capital (RAC) ratio, which diverges significantly from the official capital adequacy regulations that apply to European banks.

EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 48.9 M; other comprehensive income, EUR 0.8 M; issuance of new shares as part of the incentive programme, EUR 0.3 M, and the share savings programme, EUR 1.8 M; a dividend of EUR 31.3 M distributed to shareholders; and dividends of EUR 1.9 M distributed to holders of additional Tier 1 (AT1) capital instruments. On December 31, 2023, equity capital amounted to EUR 335.3 M (317.0 on December 31, 2022 including the impact of implementing IFRS 17).

Other comprehensive income was affected by changes in market interest rates and yields, as well as changes in the market value of certain strategic shareholdings, and totalled EUR 0.8 M (-8.4) after taxes.

Common equity Tier 1 capital increased by EUR 8.9 M during 2023 to EUR 242.8 M (233.3).

The risk exposure amount decreased by 8 per cent during 2023 and totalled EUR 1,774 M (1,938). The risk exposure amount for credit risk fell by EUR 225 M or 13 per cent. The operational risk exposure amount rose by EUR 22 M or 9 per cent. The credit-worthiness adjustment risk and market risk exposure amounts increased by EUR 39 M.

The common equity Tier 1 (CET1) capital ratio increased to 13.7 (12.1) per cent. The Tier 1 (T1) capital ratio increased to 15.3 (13.6) per cent. The total capital ratio increased to 17.1 (15.2) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0-2.5 per cent. For Finnish exposures, the requirement remains 0.0 per cent. For Swedish exposures the amount of the countercyclical buffer is 2.0 per cent, effective from June 2023.

Based on the Bank of Åland's internal capital adequacy assessment process (ICAAP), the Finnish Financial Supervisory Authority (FIN-FSA) has set the buffer requirement related to Pillar 2 capital adequacy regulations at 1.1 per cent of the Bank's risk exposure amount (REA).

The minimum levels currently applicable to the Bank of Åland are thus:

- Common equity Tier 1 capital ratio 8.5 per cent
- Tier 1 capital ratio 10.2 per cent
- Total capital ratio 12.5 per cent

In relation to the above buffer requirements, the Bank of Åland has an ample capital surplus:

- Common equity Tier 1 capital ratio +5.2 percentage points
- Tier 1 capital ratio +5.1 percentage points
- Total capital ratio +4.6 percentage points

In Finland, a systemic risk buffer of 1.0 per cent will be reintroduced as of April 1, 2024. As of March 31, 2024 the Bank of Åland will also be subject to an indicative additional capital requirement (Pillar 2 guidance, P2G) of 0.75 per cent.

Finland's Financial Stability Authority has given the Bank of Åland a formal minimum requirement for eligible liabilities (MREL) under European Union regulations, but in practice this does not represent any extra capital requirement beyond the already existing minimum requirements related to the Bank's total capital ratio and leverage ratio.

SUSTAINABILITY INFORMATION

The Bank of Åland's sustainability work includes a sustainability strategy as well as a climate strategy, which describe how the Bank's climate targets will be achieved. The Bank of Åland has established three climate targets:

1. The Bank of Åland shall reduce its CO₂e emissions by 50 per cent no later than 2030, compared to 2021.
2. The Bank of Åland shall be a climate-neutral organisation no later than 2035.
3. The Bank of Åland shall achieve net-zero emissions by 2050.

To follow up its climate targets, the Bank of Åland applies the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. Total emissions from the Bank's own business operations during 2023 were 4,777 tonnes of carbon dioxide equivalents (CO₂e), which was an increase of 24 per cent compared to 2022. The increase was explained primarily by higher emissions from purchased goods and services, capital goods and travel. Part of the increase in purchases was attributable to the renovation of the Head Office.

During 2023, environmentally certified electricity accounted for 100 per cent of total power purchases, in keeping with the established target.

The Bank of Åland paid climate financing for estimated emissions from its own business operations.

Aside from information on emissions from its own business operations, the Bank is also providing information about indirect downstream Scope 3 emissions. On December 31, 2023, estimated emissions from the loan portfolio were 258,301 tonnes of CO₂e, from the Treasury portfolio 12,381 tonnes of CO₂e and from customers' investment portfolios 1,903,523 tonnes of CO₂e.

EMPLOYEES

The Bank of Åland's employees are its most valuable asset and most important competitive advantage. The Bank's growth strategy implies that its workforce may increase if its operations also do so. During 2023, the number of full-time equivalent positions was 906. This was 52 full-time equivalents or 6 per cent more than during 2022.

The goal of the Bank of Åland's social sustainability work is moti-

vated, committed and healthy employees who achieve continuous professional development. During 2023 the Bank worked with the following goals and focus areas: Inclusiveness, diversity and equality, health and well-being, skills development, leadership, community involvement and ethical conduct.

By continuously measuring and monitoring employee motivation and working conditions, the Bank of Åland can ensure a healthy and efficient organisation. The full-year 2023 employee commitment score was 7.3, which was higher than the 2022 score of 7.2.

CUSTOMERS

The Bank of Åland continues to retain existing customers and attract new ones in all its various geographic markets and through business partnerships. The number of asset management customers increased by 2 per cent during 2023.

Customer surveys continue to confirm that our customers appreciate the personalised service we offer. For the third year in a row, the Bank of Åland was named Finland's best Private Banking operator in Kantar Prospera's Private Banking Finland survey. The survey showed that customers appreciate the Bank's long-term work with customer relationships, financial planning and sustainability. The Bank of Åland's customers are also the ones who are the most willing to recommend their bank to others.

SOCIAL RESPONSIBILITY

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 4.4 M to various environmentally related projects.

Aside from paying income and value added taxes to the Finnish government, the Bank of Åland is a sizeable employer, especially in its Åland home market. The Bank is deeply involved in the Åland community and contributes to it mainly by supporting culture, sports and studies.

DIVIDEND

The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 2.40 per share for the 2023 financial year, for a total amount of EUR 36.7 M. The dividend is equivalent to a payout ratio of 75 per cent.

In addition, the Board of Directors proposes to the Annual General Meeting approve payment of an extra dividend of EUR 0.25 per share. This extra dividend is connected to the final transfer of Swedish mortgage banking operations to Borgo during 2024. The overall proposed dividends amount to EUR 40.6 M, or EUR 2.65 per share.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

In January 2024, the Bank of Åland issued a new covered bond totalling EUR 300 million with a maturity of three and a half years.

In January 2024, the Bank of Åland applied to join the Science Based Targets Initiative (SBTi), a collaboration between CDP (formerly the Carbon Disclosure Project), the World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the United Nations Compact (UN Global Compact). The application process will be carried out in several steps. After a memorandum of understanding has been adopted, the next step is to establish emission reduction targets in line with the SBTi's criteria for science-based

environmental objectives. When these targets have been formulated, the SBTi will officially validate them.

A lawsuit was filed in January 2024 against Bank of Åland from a bankruptcy estate, demanding an amount from the Bank in the range of EUR 6.5 million. The Bank disputes this demand.

RISKS AND UNCERTAINTIES

The single largest risk and uncertainty factors are the war between Hamas and Israel as well as Russia's war of invasion in Ukraine and the related geopolitical risks. The consequences of the wars are difficult to assess.

The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates and bond yields, share prices and exchange rates, along with higher expenses due to regulatory decisions and directives as well as by the competitive situation.

The Group aims at achieving operations with reasonable and carefully considered risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk. The Bank does not engage in trading for its own account.

FUTURE OUTLOOK

The Bank of Åland expects its net operating profit in 2024 to be about the same as in 2023.

The Bank is especially dependent on the performance of the fixed income and stock markets. There are concerns about economic developments in a number of important markets. For this reason, there is some uncertainty about the Bank's current forecast.

FINANCIAL INFORMATION CALENDER

The Annual Report for 2023 will be published on February 21, 2024. The corporate governance report is included in the Annual Report, while the risk report (Pillar 3) will be published separately at the same time as the Annual Report.

The Interim Report for the period January–March 2024 will be published on Thursday, April 25, 2024.

The Half-year Financial Report for the period January–June 2024 will be published on Friday, July 19, 2024.

The Interim Report for the period January–September 2024 will be published on Thursday, October 24, 2024.

This Year-end Report is unaudited.

Mariehamn, February 2, 2024

THE BOARD OF DIRECTORS

Sustainability information

The Bank of Åland works towards an awareness and reduction of the organisation's resource consumption and environmental impact. We make an effort to achieve the sustainability targets we have established, and we include sustainability as a natural element of the dialogue with our suppliers and business partners.

The Bank of Åland's climate impact estimate of emissions in the form of carbon dioxide equivalents (CO₂e) is compiled in accordance with the Greenhouse Gas (GHG) Protocol and encompasses Scope 1, 2 and 3. Scope 1 includes fuel for business and company vehicles. Scope 2 includes energy use in the Bank of Åland's own premises. Scope 3 upstream includes indirect supplier-related emissions caused by purchases of goods and services. Emissions from the Bank's own business operations are calculated with the aid of emission factors and the Åland Index, based on activities in the income statement that are recognised as costs. Exceptions are made in Scope 2, where purchased electricity is deducted to zero CO₂e emissions for environmentally certified electricity according to a market-based method, and district heating, where CO₂e emissions are calculated based on actual district heating consumption by Bank of Åland offices in properties owned by the Bank. These are supplemented with related Scope 3 emissions in the category "Fuel and energy-related activities", which are also calculated on the basis of actual district heating consumption.

Since the method of calculation is continuously being developed and refined, the method has changed since last year. Comparative figures have consequently also been recalculated in order to remain comparable. As a result, the Bank's previously implemented climate financing no longer matches the recalculated figures.

Information on emissions from the Bank's own business operations is being supplemented with information regarding Scope 3 downstream emissions from the loan portfolio, Treasury operations and our customers' investments. What is presented is a picture of the current situation based on the value of holdings and loans at the end of the quarter. These figures can be equated with values at the annual level, since they represent financial assets and will thus not accumulate continuously throughout the year in the same way as emissions figures for the Bank's own business operations.

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
Greenhouse gases, tonnes of CO₂e								
Scope 1								
Emissions from owned and controlled resources	1.4	1.7	-16	0.7	92	5.4	4.0	34
Total Scope 1	1.4	1.7	-16	0.7	92	5.4	4.0	34
Scope 2								
Energy-related emissions ¹	19.3	3.4		16.9	15	54.2	85.5	-37
<i>of which from electricity according to the market-based method</i>	0.0	0.0		0.0		0.0	30.0	-100
Total Scope 2	19.3	3.4		16.9	15	54.2	85.5	-37
Scope 3 upstream								
Purchased goods and services	1,185.9	952.6	24	624.4	90	3,481.8	2,721.9	28
Capital goods	11.4	18.1	-37	14.2	-20	66.0	45.3	46
Fuel and energy-related activities	4.0	0.7		3.5	15	11.2	11.5	-2
Transport and distribution	84.8	80.1	6	79.4	7	294.5	267.7	10
Waste generated by own operations	0.9	0.8	4	0.5	56	2.5	2.1	23
Business travel	196.7	129.0	52	195.7	1	674.9	540.9	25
Leased assets	38.2	33.6	14	70.6	-46	186.5	175.5	6
Total Scope 3	1,521.9	1,214.9	25	988.4	54	4,717.4	3,764.8	25
Total greenhouse gases, tonnes of CO₂e²	1,542.7	1,219.9	26	1,006.0	53	4,777.0	3,854.3	24
Climate financing ³						-4,777.0	-666.0	
Net greenhouse gases, tonnes of CO₂e						0.0	3,188.3	-100
¹ Emissions from electricity according to location-based method subtracted from Nordic Average Mix, tonnes of CO ₂ e	31.4	30.9	2	32.0	-2	119.4	146.8	-19
CO ₂ e emissions per employee (tonnes/average full-time equivalent)	6.6	5.1	31	4.6	46	5.2	4.5	17
CO ₂ e emissions per EUR M of income (tonnes/EUR M)	27.7	23.8	16	21.4	29	32.6	28.1	16

² The calculation method has been updated in several steps since the previous year. Comparative figures thus also been restated. Emissions in Q3 2023 have been recalculated from 723.2 tonnes of CO₂e to 1,219.9 tonnes of CO₂e. Emissions in Q4 2022 have been recalculated from 208.7 tonnes of CO₂e to 1,006.0 tonnes of CO₂e. Emissions during January 1-December 31, 2022 have been recalculated from 665.5 tonnes of CO₂e to 3,854.3 tonnes of CO₂e.

³ Climate financing for earlier periods, based on then-estimated emissions. The underlying quantity of emissions has been restated, due to a change in calculation method.

Group	Dec 31, 2023	Sep 30, 2023	%	Dec 31, 2022	%
Scope 3, downstream, current situation on annual basis (CO ₂ e), tonnes					
Loan portfolio Scope 1 and 2 ¹	258,301	253,265	2	276,597	-7
<i>of which Scope 1-2</i>	258,301	253,265	2	276,597	-7
Investments Scope 1, 2 and 3 ²	1,903,523	1,801,713	6	1,297,418	47
<i>of which Scope 1</i>	116,483	103,771	12	102,643	13
<i>of which Scope 2</i>	31,609	30,562	3	30,138	5
<i>of which Scope 3</i>	1,755,430	1,667,380	5	1,164,637	51
Treasury Scope 1, 2 and 3 ³	12,381	11,447	8	13,756	-10
<i>of which Scope 1</i>	1,156	1,102	5	1,334	-13
<i>of which Scope 2</i>	283	171	66	278	2
<i>of which Scope 3</i>	10,941	10,173	8	12,144	-10
Total, Scope 3, downstream	2,174,204	2,066,424	5	1,587,771	37

¹ The emission calculations for the loan portfolio are based on the PCAF method to the extent data are available. The calculations for mortgage loans are based on estimated energy consumption for collateral, which is calculated based on size in square metres and energy certificates. Where data are missing, an average value is applied. An average emission factor and LTV are used to calculate estimated energy emissions compensated by the Bank of Åland. For other credits, emissions are estimated based on loan volume multiplied by an emission factor, using the Åland Index tool for climate impacts, as well as published average emissions in Finland and Sweden. The Bank of Åland's model provides a rough estimate of the loan portfolio's CO₂e emissions. The model is not exact enough to be used for comparisons with other banks. Data for Scope 3 are not available, and zero is thus reported. As of December 31, 2023, reported emissions for 2022 have been restated for mortgage loans as a result of a major improvement in the calculation methodology. In previous years, emissions have been based on all collateral linked to a mortgage, while starting in 2023, the primary residential unit linked to the loan will be estimated. In addition to this, a major revision has been made in emission factors for different heating methods used in the calculations. Because of the change in the calculation method, reported CO₂e emissions for mortgage loans are decreasing compared to previously reported figures. The emission factors have also been updated in most sectors for corporate loans, which has had the effect of increasing estimated emissions compared to previously reported figures. Comparative figures have been restated in accordance with the new method. Emissions in 2022 have been recalculated from 217,391 tonnes of CO₂e to 276,597 tonnes of CO₂e. Emissions as of September 30, 2023 have been recalculated from 293,452 tonnes of CO₂e to 253,265 tonnes of CO₂e.

² The emission calculations for investments include shares, bonds and physical properties. Emissions by the issuers of investments are ownership-weighted per holding on December 31, 2023. Firstly, reported emission data have been used and secondly, estimated emission data. The estimated data used are third-party data, except for the housing mutual fund Ålandsbanken Bostadsfond, where the Bank has produced its own estimates. Calculations are made for Scope 1, Scope 2 and Scope 3 with the aim of achieving the highest possible coverage. Since UCITS funds and exchange-traded funds (ETFs) owned by customers have now also been included in the emissions calculation, comparative figures have been recalculated. Emissions in 2022 have been recalculated from 1,587,742 tonnes of CO₂e to 1,297,418 tonnes of CO₂e, based on the total percentage of ownership in the portfolio companies' respective carbon dioxide emissions reported as of December 31, 2022. Emissions as of September 30, 2023 have been recalculated from 1,428,656 tonnes of CO₂e to 1,801,713 tonnes of CO₂e.

³ The emission calculations for the Treasury portfolio include cash positions in central banks as well as bonds. The emissions by the issuers of investments are ownership-weighted based on the Bank of Åland's holdings on December 31, 2023. Emission data have been obtained from the issuers' annual and sustainability reports and sustainability reports and include Scope 1, Scope 2 and Scope 3. In cases where data are not available from the issuer, estimates have been used. When estimating, a weighted average is calculated for the holdings in the portfolio that belong to the same industrial sector and are deemed to be relatively similar in terms of their operations. In cases where there are no similar issuers in the portfolio for estimating emission figures, emission figures from other issuers are used that are estimated to be equivalent to an industrial sector and its operations. For those issuers whose emission figures are only available at group level, the group's emission figures have been adjusted to the issuing entity's share according to the comparison principle.

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
Paper consumption, tonnes	4.7	3.8	25	4.9	-4	19.4	19.0	2
Energy consumption, GwH	0.45	0.44	2	0.46	-2	1.72	2.11	-19
<i>of which renewable, in per cent</i>	100	100		100		100	94	6
<i>of which other, in per cent</i>	0	0		0		0	6	-100
Number of business trips	726	452	61	787	-8	2,503	2,057	22
<i>of which aircraft, in per cent</i>	60	72	-17	52	15	61	58	5
<i>of which ship, in per cent</i>	15	8	88	20	-25	16	19	-16
<i>of which train, in per cent</i>	25	19	32	28	-11	23	23	

Table of contents, financial information

	PAGE
Summary income statement	12
Summary statement of other comprehensive income.....	13
Income statement by quarter.....	14
Summary balance sheet	15
Statement of changes in equity capital.....	16
Summary cash flow statement.....	17

NOTES	
1. Corporate information	18
2. Basis for preparation of the Year-end Financial Report and essential accounting principles	18
3. Segment report	19
4. Changes in Group structure	21
5. Net interest income	21
6. Net commission income	21
7. Net income from financial items at fair value	22
8. Net impairment losses on financial assets.....	23
9. Lending to the public by purpose	23
10. Lending to the public by stage	24
11. Debt securities issued	25
12. Derivative instruments	25
13. Financial instruments measured at fair value	26
14. Off-balance sheet commitments.....	27
15. Assets pledged	27
16. Offsetting of financial assets and liabilities	27
17. Capital adequacy.....	28
18. Share-related information.....	31
Definitions.....	32

Summary income statement

Group	Note	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
EUR M									
Net interest income	5	27.8	27.9	0	19.7	41	99.7	68.2	46
Net commission income	6	22.6	17.8	27	18.4	23	77.0	78.4	-2
IT income		8.4	6.4	32	6.2	37	28.6	23.5	22
Net income from financial items at fair value	7	-3.5	-1.0		2.3		-3.0	12.8	
Other operating income		0.2	0.2	52	0.3	-29	0.0	1.2	
Total income		55.7	51.2	9	47.0	18	202.3	184.1	10
Staff costs		-20.9	-19.4	8	-19.6	7	-81.3	-75.5	8
Other expenses		-11.2	-8.9	25	-11.3	-1	-41.6	-39.7	5
Statutory fees		0.0	0.0		0.0		-3.2	-3.4	-6
Depreciation/amortisation		-3.2	-3.1	2	-3.3	-3	-12.2	-13.2	-8
Total expenses		-35.3	-31.5	12	-34.1	3	-138.4	-131.8	5
Profit before impairment losses		20.4	19.8	3	12.8	59	63.9	52.3	22
Impairment losses on financial assets, net	8	-0.1	-0.7	-79	-2.2	-93	-2.2	-6.2	-65
Net operating profit		20.2	19.1	6	10.6	90	61.7	46.1	34
Income taxes		-4.2	-4.0	5	-2.1	97	-13.1	-9.3	40
Profit for the period		16.1	15.1	6	8.5	89	48.7	36.8	32
Attributable to:									
Non-controlling interests		0.0	0.0		0.0		0.0	0.0	45
Shareholders in Bank of Åland Plc		16.1	15.1	6	8.5	89	48.7	36.8	32
Earnings per share, EUR		1.05	0.99	6	0.55	90	3.18	2.37	34
Earnings per share, EUR, moving 12-month average to end of report period		3.18	2.69	19	2.37	34			

Summary statement of other comprehensive income

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
EUR M								
Profit for the period	16.1	15.1	6	8.5	89	48.7	36.8	32
Cash flow hedges								
Changes in valuation at fair value				0.7	-100	2.0	-2.0	
Assets measured via other comprehensive income								
Changes in valuation at fair value	4.7	2.0		0.2		9.8	-10.2	
Realised changes in value							0.0	-100
Transferred to the income statement	0.0	0.0		-0.9		-0.2	-1.6	-91
Translation differences								
Gains/Losses arising during the period	4.5	2.5	81	-1.8		1.0	-7.6	
Taxes on items that have been or may be reclassified to the income statement	-0.9	-0.4		0.0		-2.3	2.8	
<i>of which cash flow hedges</i>				-0.1	-100	-0.4	0.4	
<i>of which assets measured via other comprehensive income</i>	-0.9	-0.4		0.2		-1.9	2.4	
Items that have been or may be reclassified to the income statement	8.2	4.1		-1.9		10.3	-18.6	
Changes in value of equity instruments								
Translation differences	-7.5	0.6		11.1		-10.5	8.2	
Re-measurements of defined benefit pension plans	1.3	0.8	70	-0.7		0.1	-2.9	
Taxes on items that may not be reclassified to the income statement	-2.4	0.7		-0.9		-2.0	7.1	
<i>of which changes in value of equity instruments</i>	1.8	-0.3		-1.8		2.9	-2.2	
<i>of which translation differences</i>	1.5	-0.1		-2.2		2.1	-1.6	
<i>of which re-measurements of defined-benefit pension plans</i>	-0.3	-0.2	70	0.1		0.0	0.6	
<i>of which taxes on dividends to holders of T1 capital instruments</i>	0.5	-0.1		0.2		0.4	-1.4	
<i>of which taxes on dividends to holders of T1 capital instruments</i>	0.1	0.1	6	0.1	32	0.4	0.3	50
Items that may not be reclassified to the income statement	-6.8	1.7		7.7		-9.5	10.2	
Other comprehensive income for the period	1.4	5.8	-76	5.8	-75	0.8	-8.4	
Total comprehensive income for the period	17.5	20.9	-17	14.3	23	49.5	28.4	74
Attributable to:								
Non-controlling interests	0.0	0.0		0.0		0.0	0.0	45
Shareholders in Bank of Åland Plc	17.5	20.9	-16	14.3	23	49.5	28.4	74

Income statement by quarter

Group	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
EUR M					
Net interest income	27.8	27.9	24.2	19.8	19.7
Net commission income	22.6	17.8	18.2	18.3	18.4
IT income	8.4	6.4	7.7	6.1	6.2
Net income from financial items at fair value	-3.5	-1.0	0.2	1.3	2.3
Other operating income	0.2	0.2	-0.2	-0.2	0.3
Total income	55.7	51.2	50.1	45.3	47.0
Staff costs	-20.9	-19.4	-20.4	-20.5	-19.6
Other expenses	-11.2	-8.9	-11.5	-10.0	-11.3
Statutory fees	0.0	0.0	0.0	-3.2	0.0
Depreciation/amortisation	-3.2	-3.1	-3.0	-2.9	-3.3
Total expenses	-35.3	-31.5	-34.9	-36.7	-34.1
Profit before impairment losses	20.4	19.8	15.2	8.5	12.8
Impairment losses on financial assets, net	-0.1	-0.7	-1.0	-0.3	-2.2
Net operating profit	20.2	19.1	14.2	8.2	10.6
Income taxes	-4.2	-4.0	-2.9	-2.0	-2.1
Profit for the period	16.1	15.1	11.3	6.2	8.5
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	16.1	15.1	11.3	6.2	8.5

Summary balance sheet

Group	Note	Dec 31, 2023	Dec 31, 2022	%
EUR M				
Assets				
Cash and balances with central banks		351	342	3
Debt securities		826	1,000	-17
Lending to credit institutions		31	43	-26
Lending to the public	9, 10	3,859	4,303	-10
Shares and participations		40	49	-18
Participations in associated companies ¹		7	7	-8
Derivative instruments	12	27	27	2
Intangible assets		21	21	2
Tangible assets		37	36	3
Investment properties		0	0	-2
Current tax assets		2	1	91
Deferred tax assets		5	6	-27
Other assets		82	29	
Accrued income and prepayments		53	35	51
Total assets		5,342	5,898	-9
Liabilities				
Liabilities to credit institutions and central banks		401	434	-8
Deposits from the public		3,595	4,182	-14
Debt securities issued	11	817	793	3
Derivative instruments	12	15	24	-35
Current tax liabilities		3	3	26
Deferred tax liabilities		35	35	1
Other liabilities		59	47	27
Provisions		2	1	47
Accrued expenses and prepaid income		47	32	46
Subordinated liabilities		32	31	0
Total liabilities		5,006	5,581	-10
Equity capital and non-controlling interests				
Share capital		42	42	
Share premium account		33	33	
Reserve fund		25	25	
Fair value reserve		-10	-11	-17
Unrestricted equity capital fund		30	28	6
Retained earnings ¹		185	171	9
Shareholders' portion of equity capital		306	288	6
Non-controlling interests' portion of equity capital		0	0	14
Additional Tier 1 capital holders		29	29	
Total equity capital		335	317	6
Total liabilities and equity capital		5,342	5,898	-9

¹ Participations in associated companies and retained earnings have been recalculated with reference to the effects of IFRS 17 (EUR +0.6 M in equity capital)

Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Hedge accounting	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Additional Tier 1 capital holders	Total
Equity capital, Dec 31, 2021	42.0	32.7	25.1	0.0	3.0	-0.1	0.0	28.0	171.7	302.5	0.0	29.4	331.9
Change in accounting principle ¹									0.6	0.6			0.6
Equity capital, Jan 1, 2022	42.0	32.7	25.1	0.0	3.0	-0.1	0.0	28.0	172.3	303.1	0.0	29.4	332.5
Profit for the period ²									36.8	36.8	0.0		36.8
Other comprehensive income				-1.6	-2.9	-9.9			5.9	-8.4			-8.4
<i>Transactions with owners</i>													
Buy-backs of own shares							-12.1			-12.1			-12.1
Annulment of own shares							12.1		-12.1				0.0
Tier 1 capital instrument dividends									-1.2	-1.2			-1.2
Dividends paid to shareholders									-31.1	-31.1			-31.1
Incentive programme								0.5		0.5			0.5
Share savings programme									0.1	0.1			0.1
Equity capital, Dec 31, 2022	42.0	32.7	25.1	-1.6	0.1	-10.0	0.0	28.5	170.7	287.6	0.0	29.4	317.0
Profit for the period									48.7	48.7	0.0		48.7
Other comprehensive income				1.6	-0.6	1.0			-1.2	0.8			0.8
<i>Transactions with owners</i>													
Tier 1 capital instrument dividends									-1.9	-1.9			-1.9
Dividends paid to shareholders									-31.3	-31.3			-31.3
Incentive programme								0.3		0.3			0.3
Share savings programme								1.5	0.4	1.8			1.8
Equity capital, Dec 31, 2023	42.0	32.7	25.1	0.0	-0.5	-9.0	0.0	30.2	185.3	305.9	0.0	29.4	335.3

¹ Refers to implementation of IFRS 17, "Insurance contracts". For more information, see Note 2, Accounting principles.

² Implementation of IFRS 17, "Insurance contracts", had an impact on 2022 profit for the year of EUR -0.0 M.

Summary cash flow statement

Group	Jan-Dec 2023	Jan-Dec 2022
EUR M		
Operating activities		
Net operating profit	61.7	46.1
Adjustment for net operating profit items not affecting cash flow	27.2	25.6
Profit from investing activities	0.0	0.0
Income taxes paid	-9.0	-11.8
Changes in assets and liabilities from operating activities ¹	-18.9	-538.7
Cash flow from operating activities	61.0	-478.7
Investing activities		
Changes in shares	-1.8	-9.5
Changes in tangible assets	-4.0	-3.5
Changes in intangible assets	-4.8	-4.1
Cash flow from investing activities	-10.6	-17.2
Financing activities		
Share issue	1.7	0.5
Divestments/buy-backs of own shares	0.0	-12.1
Subordinated debt issue/payments of principal	0.2	-2.3
Payment of principal on lease liability	-4.8	-3.4
Tier 1 capital instrument dividends	-1.9	-1.2
Dividends paid to shareholders	-31.3	-31.1
Cash flow from financing activities	-36.1	-49.6
Cash and cash equivalents at beginning of period	329.0	900.3
Cash flow during the period	14.3	-545.5
Exchange rate differences in cash and cash equivalents	0.1	-25.8
Cash and cash equivalents at end of period	343.4	329.0
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	322.0	309.8
Lending to credit institutions that is repayable on demand	21.5	19.2
Total cash and cash equivalents	343.4	329.0

¹ The change in 2022 can be attributed largely to restructuring after the transfer of the Swedish mortgage loan portfolio to Borgo AB (publ).

Notes to the consolidated Year-end Report

1. Corporate information

The Bank of Åland is a Finnish public limited liability company with its Head Office in Mariehamn. It is a commercial bank with strong customer relationships and personalised service.

The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) since 1942.

The Bank of Åland's Head Office is located in Mariehamn. The Bank has a total of 11 offices: two offices in the Åland Islands, six offices elsewhere in Finland and three offices in Sweden. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is a supplier of modern banking computer systems for small and medium-sized banks.

The Group also includes the asset management company Ålandsbanken Fondbolag Ab and its wholly owned subsidiaries.

The Head Office of the Parent Company has the following registered address:

Bank of Åland Plc
Nygatan 2
AX-22100 Mariehamn, Åland, Finland

The shares of the Bank of Åland Plc are traded on the Nasdaq Helsinki Oy (Helsinki Stock Exchange).

This Year-end Report for the accounting period January 1–December 31, 2023 was approved by the Board of Directors on February 1, 2024.

2. Basis for preparation of the Year-end Report and essential accounting principles

BASIS FOR PREPARATION OF THE YEAR-END REPORT

This Year-end Report for the period January 1–December 31, 2023 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standard IAS 34, "Interim financial reporting", which have been adopted by the European Union.

The Year-end Report does not contain all information and all notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2022.

Tables show correct rounded-off figures on each line, but this does not mean that rounded-off figures add up to the correct total. In cases where rounded-off figures add up to zero, they are shown as "0" in the tables, while a lack of figures is shown as an empty space.

ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Year-end Report are the same as those used in preparing the financial statements for the year ending December 31, 2022, except for the implementation of IFRS, "Insurance contracts".

On January 1, 2023, IFRS 17, "Insurance contracts", which replaces IFRS 4, "Insurance contracts", entered into force for application in the EU. The Bank of Åland is not directly affected by this standard, but the effect of the change in accounting principle comes from the consolidation of associated companies that apply IFRS 17. The standard is applied starting with the financial year 2023 and is to be implemented retroactively. It affects the Bank of Åland's retained earnings in equity capital at the beginning of the comparative year 2022. Comparative figures and financial ratios have been restated.

ESTIMATES AND JUDGEMENTS

Preparation of this Interim Report in compliance with IFRSs requires the Company's Executive Team to make assessments, estimates and assumptions that affect the application of accounting principles and the recognised amounts of assets and liabilities, income and expenses as well as disclosures about commitments. Although these estimates are based on the best knowledge of the Executive Team on current events and measures, the actual outcome may diverge from the estimates.

The substantial accounting assessments that have been made when applying the Group's accounting principles are primarily related to the application of the impairment model in compliance with IFRS 9 and accounting of financial instruments.

The Bank does not foresee any significant short- or medium-term escalation of credit risk in its lending operations due to developments in Ukraine. The Bank has no direct exposures to companies in Russia, Belarus or Ukraine, nor does the Bank finance customers that have any significant import or export ties with these countries. Like other banks, however, the Bank of Åland is exposed to events at the macroeconomic level and their impact on the real economy. Inflation pressures, rising interest rates/bond yields and falling share prices may affect the repayment capacity of customers and the value of pledged collateral.

As for the recognition of leases in compliance with IFRS 16, estimates have been made in establishing the leasing period and the choice of discount rate.

3. Segment report

The Bank of Åland Group reports operating segments in compliance with IFRS 8, which means that operating segments reflect the information that the Group's Executive Team receives.

"Private Banking" encompasses Private Banking operations in Åland, on the Finnish mainland and in Sweden as well as Asset Management (Ålandsbanken Fondbolag Ab and its ten wholly owned subsidiaries). "Premium Banking" encompasses operations in all customer segments excluding private banking in Åland, on the Finnish mainland, in Sweden and Asset Management. "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd and S-Crosskey Ab. "Corporate and Other" encompasses all central corporate units in the Group including Treasury and external partner collaboration.

Group	Jan-Dec 2023					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	45.2	48.7	-0.1	5.8	0.0	99.7
Net commission income	54.2	17.0	-0.1	5.2	0.6	77.0
IT income	0.0	0.0	47.0	1.1	-19.4	28.6
Net income from financial items at fair value	0.1	0.0	-0.1	-2.8	0.0	-3.0
Other income	0.1	0.0	1.2	0.1	-1.5	0.0
Total income	99.5	65.7	48.0	9.4	-20.4	202.3
Staff costs	-20.2	-7.0	-26.3	-27.8	0.0	-81.3
Other expenses	-12.9	-4.3	-16.9	-24.7	17.1	-41.6
Statutory fees	-1.4	-1.6	0.0	-0.2	0.0	-3.2
Depreciation/amortisation	-0.3	-0.2	-3.8	-10.7	2.7	-12.2
Internal allocation of expenses	-25.8	-24.0	0.0	49.8	0.0	0.0
Total expenses	-60.6	-37.0	-47.0	-13.6	19.9	-138.4
Profit before impairment losses	38.9	28.8	1.0	-4.2	-0.5	63.9
Impairment losses on financial assets, net	0.1	-2.2	0.0	-0.1	0.0	-2.2
Net operating profit	39.0	26.6	1.0	-4.3	-0.5	61.7
Income taxes	-8.0	-5.4	-0.1	0.5	0.0	-13.1
Profit for the year attributable to shareholders in Bank of Åland Plc	31.0	21.1	0.9	-3.9	-0.5	48.7
Business volume						
Lending to the public	1,750	1,984		127	-2	3,859
Deposits from the public	1,557	1,995		54	-11	3,595
Actively managed assets	9,038	727		11		9,776
Managed mortgage loans				2,716		2,716
Risk exposure amount	728	542	75	428		1,774
Equity capital	113	89	30	102		335
Financial ratios etc.						
Return on equity after taxes, % (ROE)	30.0	26.9	3.4	-5.2		17.2
Expense/income ratio	0.61	0.56	0.98	1.45		0.68

Bank of Åland Group		Jan-Dec 2022				
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	32.7	31.2	0.0	4.3	0.0	68.2
Net commission income	55.5	18.1	-0.1	4.4	0.5	78.4
IT income	0.0	0.0	43.6	0.2	-20.3	23.5
Net income from financial items at fair value	2.9	5.4	-0.2	4.7	-0.1	12.8
Other income	0.1	0.0	1.1	1.6	-1.6	1.2
Total income	91.3	54.7	44.3	15.2	-21.4	184.1
Staff costs	-20.1	-6.8	-24.5	-24.1	0.0	-75.5
Other expenses	-10.3	-4.0	-17.2	-25.7	17.4	-39.7
Statutory fees	-1.5	-1.7	0.0	-0.3	0.0	-3.4
Depreciation/amortisation	-2.5	-0.2	-3.5	-9.3	2.3	-13.2
Internal allocation of expenses	-24.9	-22.1	0.0	47.1	0.0	0.0
Total expenses	-59.3	-34.8	-45.2	-12.2	19.7	-131.8
Profit before impairment losses	32.0	19.9	-0.8	3.0	-1.8	52.3
Impairment losses on financial assets, net	-7.5	1.4	0.0	-0.1	0.0	-6.2
Net operating profit	24.5	21.3	-0.8	2.9	-1.8	46.1
Income taxes	-5.0	-4.3	0.2	-0.2	0.0	-9.3
Profit for the year attributable to shareholders in Bank of Åland Plc	19.5	16.9	-0.6	2.7	-1.8	36.8
Business volume						
Lending to the public	1,898	1,995		412	-2	4,303
Deposits from the public	2,007	2,063		129	-17	4,182
Actively managed assets	7,944	684		10		8,637
Managed mortgage loans				1,304		1,304
Risk exposure amount	758	507	75	598		1,938
Equity capital	108	77	26	106		317
Financial ratios etc.						
Return on equity after taxes, % (ROE)	18.3	21.7	-2.3	3.6		12.8
Expense/income ratio	0.65	0.64	1.02	0.80		0.72

4. Changes in Group structure

There were no changes during January-December 2023 to report.

5. Net interest income

Group	Q4 2023	Q3 2023	%	Q4 2022	Jan-Dec 2023	Jan-Dec 2022	%
EUR M							
Total interest income	54.3	54.6	-1	29.5	84	195.1	81.6
<i>of which interest income according to the effective interest method</i>	54.2	54.4	0	29.4	84	194.4	81.2
Total interest expenses	26.5	26.8	-1	9.8	95.4	13.4	
<i>of which interest expenses according to the effective interest method</i>	26.4	26.7	-1	9.6	95.0	13.0	
Net interest income	27.8	27.9	0	19.7	41	99.7	68.2
Interest margin, per cent	2.09	1.97		1.38	1.80	1.16	
Investment margin, per cent	2.11	1.97		1.31	1.77	1.12	

Interest margin is interest on interest-bearing assets divided by the average balance of assets minus interest on interest-bearing liabilities divided by the average balance of liabilities. Average balance is calculated as the average of end-of-month figures for the period in question plus the opening balance for the period. Investment margin is net interest income divided by the average balance sheet total.

6. Net commission income

Group	Q4 2023	Q3 2023	%	Q4 2022	Jan-Dec 2023	Jan-Dec 2022	%
EUR M							
Banking commissions	3.1	2.8	11	3.3	-4	11.9	12.9
Asset management commissions	18.3	13.9	32	14.3	28	60.8	62.2
Other commissions	1.2	1.1	11	0.9	35	4.3	3.3
Net commission income	22.6	17.8	27	18.4	23	77	78.4

7. Net income from financial items at fair value

Group	Q4 2023	Q3 2023	%	Q4 2022	Jan-Dec 2023	Jan-Dec 2022	%
EUR M							
Valuation category fair value via the income statement ("profit and loss")							
Shares	0.0	0.0	21	0.0	35		
Derivatives	0.0	0.2		0.0	0.0	0.0	
Other financial items	-3.2			1.2	-3.0	1.7	
Total, valuation category fair value via the income statement ("profit and loss")	-3.2	0.2		1.2	-3.0	1.7	
Valuation category fair value via other comprehensive income							
Realised changes in value		0.0	-100	0.9	-100	0.2	1.6
Expected loan losses	0.0	0.0		0.0	-23	0.0	-0.1
Total, valuation category fair value via other comprehensive income	0.0	0.0		0.9	0.2	1.5	-89
Hedge accounting							
<i>of which hedging instruments</i>	2.5	3.8	-33	1.1	11.9	-3.8	
<i>of which hedged item</i>	-2.8	-3.9	-29	-0.7	-9.9	4.5	
Hedge accounting	-0.2	-0.1		0.4	2.0	0.7	
Valuation category accrued cost							
Loans	0.0	-1.5		-0.1	-1.5	9.5	
Debt securities	0.1	0.0		0.0	0.1	0.1	96
Total, valuation category accrued cost	0.1	-1.5		-0.1	-1.4	9.6	
Foreign currency revaluation	-0.2	0.4		-0.2	-9	-0.6	17
Total	-3.5	-1.0		2.3	-3.0	12.8	

8. Net impairment losses on financial assets

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
EUR M								
Impairment losses, Stage 1	0.0	0.0	-33	-0.1	-54	0.1	-1.9	
Impairment losses, Stage 2	0.3	0.0		0.4	-15	0.6	0.4	63
Net impairment losses, Stages 1-2	0.3	0.0		0.3	-7	0.8	-1.5	
Impairment losses, Stage 3								
New and increased individual provisions	0.9	1.5	-39	2.8	-66	5.5	12.5	-56
Recovered from previous provisions	-1.3	-0.8	61	-0.8	56	-4.2	-4.7	-11
Utilised for actual loan losses	-1.4	0.0		-0.3		-1.8	-0.7	
Actual loan losses	1.6	0.1		0.3		2.2	1.0	
Recoveries of actual loan losses	0.0	-0.1	-42	-0.1	-39	-0.2	-0.3	-7
Net impairment losses, Stage 3	-0.2	0.7		1.9		1.4	7.7	-82
Total impairment losses	0.1	0.7	-79	2.2	-93	2.2	6.2	-65
of which lending to the public	0.2	0.6	-74	2.2	-92	2.1	6.5	-68
of which off-balance sheet commitments	0.0	0.1		0.0		0.1	-0.3	
of which debt securities at amortised cost	0.0	0.0	-51	0.0		0.0	0.0	
Loan loss level, lending to the public, %	0.02	0.06		0.20		0.05	0.14	

9. Lending to the public by purpose

Group	Dec 31, 2023			Dec 31, 2022		%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		
Private individuals						
Home loans	2,104	-3	2,102	2,380	-12	
Securities and other investments	341	0	340	433	-21	
Business operations	77	-1	76	84	-10	
Other household purposes	353	-8	345	365	-6	
Total, private individuals	2,875	-12	2,863	3,262	-12	
Companies						
Shipping	20	0	20	31	-34	
Wholesale and retail trade	36	0	36	38	-6	
Housing operations	215	-5	210	228	-8	
Other real estate operations	205	-1	203	190	7	
Financial and insurance operations	228	0	228	224	2	
Hotel and restaurant operations	31	0	31	32	-4	
Agriculture, forestry and fishing	15	0	15	10	48	
Construction	56	0	56	54	4	
Other industry and crafts	38	0	38	35	7	
Other service operations	130	-1	129	131	-1	
Total, companies	975	-8	967	973	-1	
Public sector and non-profit organisations ¹	29	0	29	68	-57	
Total, public sector and non-profit organisations	29	0	29	68	-57	
Total	3,879	-20	3,859	4,303	-10	

¹ A review of lending to the public sector and non-profit organisations during the first quarter of 2023 showed that several customers had been assigned the wrong sector code. This has been corrected. Comparative figures have not been recalculated.

10. Lending to the public by stage

Group	Jan 1, 2023 - Dec 31, 2023				Jan 1, 2022 - Dec 31, 2022
	Stage 1	Stage 2	Stage 3	Total	Total
EUR M					
Carrying amount, gross					
Opening balance, January 1	4,027.3	225.9	69.8	4,323.0	4,802.5
Closing balance, December 31	3,583.0	233.7	62.6	3,879.2	4,323.0
Provisions for expected losses					
Opening balance, January 1	0.5	1.2	18.3	20.0	14.6
Increases due to issuances and acquisitions	0.3	0.0	0.1	0.4	5.0
Decrease due to removal from balance sheet	-0.2	-0.5	-3.0	-3.6	-5.1
Decrease due to write-offs	0.0	0.0	0.0	0.0	0.1
Transfer to Stage 1	0.8	-0.8	0.0	0.0	0.0
Transfer to Stage 2	-0.9	1.7	-0.8	0.0	0.0
Transfer to Stage 3	-0.1	-0.2	0.2	0.0	0.0
Net changes due to changed credit risk	0.1	0.0	2.8	2.9	7.5
Net changes due to changed estimation method	0.0	0.5	0.0	0.5	-1.7
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	-0.4
Closing balance, December 31	0.6	1.9	17.7	20.2	20.0
Carrying amount, net					
Opening balance, January 1	4,026.8	224.7	51.5	4,303.0	4,787.8
Closing balance, December 31	3,582.4	231.8	44.9	3,859.1	4,303.0
	Dec 31,	Dec 31,			
Impairment losses, IFRS 9 - Financial ratios	2023	2022			
Total provision ratio, lending to the public, %	0.52	0.46			
Provision ratio, Stage 1, lending to the public, %	0.02	0.01			
Provision ratio, Stage 2, lending to the public, %	0.80	0.55			
Provision ratio, Stage 3, lending to the public, %	28.22	26.25			
Share of lending to the public in Stage 3, %	1.61	1.61			

11. Debt securities issued

Group	Dec 31, 2023	Dec 31, 2022	%
EUR M			
Certificates of deposit	265	171	56
Covered bonds	552	622	-11
Total	817	793	3

12. Derivative instruments

Group	Dec 31, 2023						Dec 31, 2022		
	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
EUR M	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	0	0	6	6	0	0	6	0	0
Currency-related contracts									
Currency forward contracts	488	0	0	488	8	8	678	7	5
Total	488	0	6	494	9	9	684	7	6
Derivatives for market value hedge									
Interest-related contracts									
Interest rate swaps	321	358	34	712	19	7	831	19	18
Total	321	358	34	712	19	7	831	19	18
Derivatives for cash flow hedge									
Interest-related contracts									
Interest rate and currency swaps	0	0	0	0	0	0	360	0	0
Total	0	0	0	0	0	0	360	0	0
Total derivative instruments	809	358	40	1,207	27	15	1,875	27	24
<i>of which cleared</i>	<i>321</i>	<i>358</i>	<i>37</i>	<i>715</i>	<i>19</i>	<i>7</i>	<i>1,194</i>	<i>19</i>	<i>18</i>

13. Financial instruments measured at fair value

Group	Dec 31, 2023			
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities	498			498
Lending to the public		184		184
Shares and participations	1		39	40
Derivative instruments		27		27
Other assets			9	9
Total financial assets	500	212	48	759
Debt securities issued		552		552
Derivative instruments		15		15
Total financial liabilities	0	567	0	567

Group	Dec 31, 2022			
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities	682			682
Lending to the public		169		169
Shares and participations	1		48	49
Derivative instruments		27		27
Other assets			7	7
Total financial assets	683	195	55	933
Debt securities issued		622		622
Derivative instruments		24		24
Total financial liabilities		646		646

Changes in Level 3 holdings	Jan 1 - Dec 31, 2023	Jan 1 - Dec 31, 2022
EUR M	Shares and participations	Shares and participations
Carrying amount on January 1	47.6	14.0
New purchases/reclassifications	1.8	25.6
Divested/reached maturity during the year	0.0	0.0
Realised change of value in the income statement	0.0	0.0
Change in value recognised in "Other comprehensive income"	-10.6	8.1
Carrying amount at end of period	38.9	47.6

Financial instruments for which there is price information that is easily available and that represent actual and frequently occurring transactions are measured at current market price. For financial assets, the current purchase price is used. For financial liabilities, the current sale price is used. The current market price of groups of financial instruments that are managed on the basis of the Bank's net exposure to market risk equals the current market price that would be received or paid if the net position were divested.

In the case of financial assets for which reliable market price information is not available, fair value is determined with the help of measurement models. Such models may, for example, be based on price comparisons, present value estimates or option valuation theory, depending on the nature of the instrument. The models use incoming data in the form of market prices and other variables that are deemed to influence pricing. The models and incoming data on which the measurements are based are validated regularly to ensure that they are consistent with market practices and generally accepted financial theory.

The measurement hierarchy

Financial instruments that are measured according to quoted prices in an active market for identical assets/liabilities are categorised as Level 1.

Financial instruments that are measured using measurement models that are, in all essential respects, based on market data are categorised as Level

2. Financial instruments that are measured with the help of models based on incoming data that cannot be verified with external market information are categorised in Level 3. These holdings essentially consist of unlisted shares related to strategic shareholdings. In order to estimate the non-observable price, different methods are used depending on the type of data available. The primary method is based on the Bank's portion of the net asset value of the company, or based on completed transactions, for example in the form of new share issues, or prices of similar listed shares. If liquid price quotations are not available for shares at this level, the valuation is determined using significant input from the Bank of Åland's own internal assumptions. Unlisted shares are valued at fair value in "Other comprehensive income".

In the tables on the previous page, financial instruments measured at fair value have been classified with regard to how they have been measured and the degree of market data used in this measurement on closing day. If the classification on closing day has changed, compared to the classification at the end of the previous year, the instrument has been moved between the levels in the table. During the period, no instruments were moved between Levels 1 and 2. Changes in Level 3 are presented in a separate table on the previous page.

14. Off-balance sheet commitments

Group	Dec 31, 2023	Dec 31, 2022	%
EUR M			
Guarantees	21	23	-7
Unutilised overdraft limits	359	326	10
Unutilised credit card limits	93	89	4
Lines of credit	350	700	-50
Other commitments	16	28	-44
Total	838	1,166	-28
Provision for expected loss	0	0	

15. Assets pledged

Group	Dec 31, 2023	Dec 31, 2022	%
EUR M			
Lending to credit institutions	10	23	-57
Debt securities	106	102	3
Loan receivables constituting collateral (cover pool) for covered bonds	1,180	1,251	-6
Other assets pledged	4	4	4
Total	1,300	1,380	-6

16. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Dec 31, 2023	Dec 31, 2022	%	Dec 31, 2023	Dec 31, 2022	%
EUR M						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	27	27	2	48	64	-25
Offset amount						
Total	27	27	2	48	64	-25
Related amounts not offset						
Financial instruments, netting agreements	-8	-8	1	-8	-8	
Financial instruments, collateral				-32	-40	
Cash, collateral	-7			-1	-3	
Total amounts not offset	-15	-8	96	-40	-51	-21
Net amount	12	19	-35	8	13	-42

The tables report financial instruments that were offset in the balance sheet in compliance with IAS 32 and those that were covered by legally binding master netting agreements or similar agreements not qualified for netting. The financial instruments consisted of derivatives, repurchase agreements (repos) and reverse repos, securities deposits and securities loans. Collateral consisted of financial instruments or cash received or paid for transactions covered by legally binding netting agreements or similar agreements that allow netting of obligations to counterparties in case of default. The value of the collateral was limited to the related amount recognised in the balance sheet, so the excess value of collateral is not included. Amounts not offset in the balance sheet are presented as a reduction in the carrying amount of financial assets or liabilities in order to recognise the net exposure of the asset and liability.

17. Capital adequacy

Group	Dec 31, 2023	Dec 31, 2022	%
EUR M			
Equity capital	305.9	287.6	6
Proposed dividend	-40.6	-31.3	30
Common equity Tier 1 capital before deductions	265.3	256.3	4
Intangible assets	-14.0	-14.3	-2
Deduction for excess value of pension assets		-0.4	-100
Non-controlling interests	0.0	0.0	14
Cash flow hedge		1.6	-100
Net other items	-0.1	-0.1	-39
Further adjustments in value	-0.6	-0.8	-26
Expected losses according to IRB approach beyond recognised losses (deficit)	-7.8	-8.7	-10
Adjustments due to transitional rules related to IFRS 9		0.3	-100
Common equity Tier 1 capital	242.8	233.9	4
Tier 1 capital instruments	29.4	29.4	0
Additional Tier 1 capital	29.4	29.4	0
Tier 1 capital	272.2	262.7	4
Supplementary capital instruments	31.5	31.5	0
Supplementary capital	31.5	31.5	0
Total capital base (own funds)	303.7	294.8	3
Capital requirement for credit risk according to the IRB approach	38.0	39.0	-3
Additional capital requirement, IRB approach	13.8	14.1	-2
Capital requirement for credit risk according to standardised approach	65.1	81.9	-20
Capital requirement for market risk	3.6	0.6	
Capital requirement for credit-worthiness adjustment risk	0.1	0.0	50
Capital requirement for operational risk	21.3	19.5	9
Capital requirement	141.9	155.1	-8
Capital ratios			
Common equity Tier 1 capital ratio, %	13.7	12.1	
Tier 1 capital ratio, %	15.3	13.6	
Total capital ratio, %	17.1	15.2	
Risk exposure amount	1,774	1,938	-8
of which % comprising credit risk	82	87	
of which % comprising market risk	3	0	
of which % comprising credit-worthiness adjustment risk	0	0	
of which % comprising operational risk	15	13	

Requirements related to capital buffers, %		Dec 31, 2023		Dec 31, 2022	
Total common equity Tier 1 capital requirements including buffer requirements		8.5		8.1	
of which common equity Pillar 1 capital requirement		4.5		4.5	
of which common equity Pillar 2 capital requirement		0.6		0.6	
of which capital conservation buffer requirement		2.5		2.5	
of which countercyclical capital buffer requirement		0.9		0.5	
of which systemic risk buffer requirement		0.0		0.0	
Common equity Tier 1 capital available to be used as a buffer		13.7		12.1	
Exposure class		Dec 31, 2023			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	188.4	171.4	54	92.9	7.4
Corporate, small and medium sized companies	294.0	259.6	50	129.0	10.3
Corporate, special lending	4.8	4.8	71	3.4	0.3
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,804.5	1,793.9	9	164.3	13.1
Retail with property as collateral (small and medium-sized companies)	122.6	120.0	21	25.0	2.0
Retail, other (small and medium-sized companies)	32.9	31.7	20	6.2	0.5
Retail, other	355.4	297.4	18	53.8	4.3
Total exposures according to IRB approach	2,802.7	2,678.8	18	474.5	38.0
Credit risk according to standardised approach					
Central government or central banks	440.9	525.0	0	0.0	0.0
Regional governments or local authorities	79.1	115.8	0	0.0	0.0
Public sector entities	37.3	37.3	0	0.0	0.0
Multilateral development banks	52.5	59.8	2	1.0	0.1
International organisations	4.0	4.0	0	0.0	0.0
Institutions	222.1	170.9	25	42.6	3.4
Corporates	672.2	270.2	95	257.0	20.6
Retail	527.4	87.1	73	64.0	5.1
Secured by mortgages on immovable property	713.2	712.6	33	234.4	18.8
Exposures in default	12.1	5.0	141	7.0	0.6
Covered bonds	486.5	486.5	11	52.4	4.2
Collective investment undertakings	1.3	1.3	138	1.8	0.1
Equity exposures	45.0	45.0	167	75.0	6.0
Other exposures	141.9	141.9	56	79.0	6.3
Total exposures according to standardised approach	3,435.6	2,662.2	31	814.2	65.1
Total risk exposure amount, credit risk	6,238.3	5,341.0	24	1,288.7	103.1

Exposure class	Dec 31, 2022				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	216.9	185.1	54	100.7	8.1
Corporate, small and medium sized companies	302.2	281.2	48	134.2	10.7
Corporate, special lending	4.9	4.9	93	4.6	0.4
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,895.8	1,882.7	10	181.2	14.5
Retail with property as collateral (small and medium-sized companies)	129.0	126.6	21	26.1	2.1
Retail, other (small and medium-sized companies)	35.4	33.9	20	6.8	0.5
Retail, other	377.7	319.7	10	33.4	2.7
Total exposures according to IRB approach	2,961.8	2,834.1	17	486.9	39.0
Credit risk according to standardised approach					
Central government or central banks	641.8	721.9	0	0.0	0.0
Regional governments or local authorities	88.5	123.8	0	0.0	0.0
Public sector entities	35.1	35.1	0	0.0	0.0
Multilateral development banks	57.9	65.6	2	1.0	0.1
International organisations	39.8	39.8	0	0.0	0.0
Institutions	250.4	214.2	21	44.7	3.6
Corporates	814.2	323.2	96	310.2	24.8
Retail	795.2	286.4	51	147.1	11.8
Secured by mortgages on immovable property	943.8	942.9	33	314.0	25.1
Exposures in default	23.1	15.0	114	17.2	1.4
Covered bonds	352.5	352.4	11	38.8	3.1
Collective investment undertakings	1.2	1.2	113	1.3	0.1
Equity exposures	54.4	54.4	161	87.4	7.0
Other exposures	71.3	71.3	87	62.1	5.0
Total exposures according to standardised approach	4,169.3	3,247.1	32	1,023.8	81.9
Total risk exposure amount, credit risk	7,131.1	6,081.2	25	1,510.7	120.9

Leverage ratio	Dec 31, 2023	Dec 31, 2022	%
EUR M			
Tier 1 capital	272.2	263.3	3
Total exposure measure	5,431.8	6,132.5	-11
of which balance sheet items	5,310.0	5,898.3	-10
of which off-balance sheet items	121.8	234.2	-48
Leverage ratio, %	5.0	4.3	

The leverage ratio was calculated according to the situation at the end of the period. Tier 1 capital included profit for the period.

18. Share-related information

Group	Dec 31, 2023	Dec 31, 2022	%
thousands			
Number of Series A shares outstanding at beginning of period	6,476	6,476	
Number of Series B shares outstanding at beginning of period	8,778	9,126	-4
Total shares outstanding at beginning of period	15,254	15,602	-2
Number of Series B shares issued	54	13	
Number of Series B shares bought back and nullified	0	-361	-100
Total change in Series B shares	54	-348	
Number of Series A shares outstanding at end of period	6,476	6,476	
Number of Series B shares outstanding at end of period	8,832	8,778	1
Total shares outstanding at end of period	15,308	15,254	0
Total shares outstanding at end of period after dilution	15,415	15,321	1
Equity capital per share, EUR	19.98	18.85	6
Closing price per Series A share, EUR	31.20	37.60	-17
Closing price per Series B share, EUR	31.00	36.20	-14
Market capitalisation, EUR M	476	561	-15
Market capitalisation/shareholders' portion of equity capital, %	156	196	

Group	Q4 2023	Q3 2023	%	Q4 2022	%	Jan-Dec 2023	Jan-Dec 2022	%
thousands								
Average number of shares outstanding	15,292	15,287	0	15,526	-2	15,292	15,526	-2
Average number of shares outstanding after dilution	15,342	15,334	0	15,537	-1	15,342	15,537	-1
Earnings per share, EUR	1.05	0.99	6	0.55	90	3.18	2.37	34
Earnings per share after dilution, EUR	1.05	0.98	6	0.55	89	3.17	2.37	34
Earnings per share, rolling 12 months, EUR	3.18	2.69	19	2.37	34			

Definitions

ACTIVELY MANAGED ASSETS

Managed assets in the Bank's own mutual funds plus securities custodial accounts with discretionary and advisory asset management agreements and external funds with contractual earnings.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are financial metrics for the historical or future trend of earnings, financial position or cash flow that are not defined in the applicable International Financial Reporting Standards (IFRSs) or in the European Union's Capital Requirements Directive and Regulation (CRD/CRR).

The Bank of Åland uses alternative performance measures when they are relevant for monitoring and describing the Bank's financial situation, to facilitate comparability between periods and to provide further usable information to the users of its financial reports.

These metrics do not need to be comparable to similar performance measures that are presented by other companies

CAPITAL COVER RATIO

Own funds divided by risk exposure amount.

CO₂

Chemical designation for carbon dioxide.

CO₂e

Carbon dioxide equivalents, collective term for the environmental impact of the most common greenhouse gases recalculated into carbon dioxide.

COMMON EQUITY TIER 1 (CET1) CAPITAL

Equity capital excluding proposed dividend, deferred tax and intangible assets and certain other adjustments according to the European Union's Capital Requirements Regulation No. 575/2013 (CRR).

COMMON EQUITY TIER 1 CAPITAL RATIO, %

Common Equity Tier 1 (CET1) capital divided by risk exposure amount.

CUSTOMER SATISFACTION INDEX (CSI)

The Bank of Åland has created its own index where first and last place in the customer survey correspond to index values of 100 and 0, respectively. The customer survey includes various questions that summarise how satisfied customers are with the Bank of Åland's overall service offering. To calculate the total result, the outcome for each each geographic business segment is weighted according to its total business volume (actively managed capital as well as lending and deposits from the public).

EARNINGS PER SHARE, EUR

Shareholders' portion of earnings for the period divided by the average number of shares.

EMPLOYEE NET PROMOTER SCORE (eNPS)

Employees' propensity to recommend the Bank of Åland. Calculated on a scale of 0–10, where the percentage of negative responses (0–6) is subtracted from the percentage of positive responses (9–10).

EQUITY CAPITAL PER SHARE, EUR

Shareholders' portion of equity capital divided by the number of shares on closing day.

EXPENSE/INCOME RATIO

Total expenses divided by total income.

GROSS SHARE OF LOANS IN STAGE 3

Gross loans in Stage 3 as a percentage of the carrying amount of lending to the public before provisions for impairment losses.

LEVEL OF PROVISIONS FOR LENDING TO THE PUBLIC IN STAGE 3

Provisions for impairment losses in Stage 3 as a percentage of gross lending to the public in Stage 3.

LEVERAGE RATIO

The ratio of Tier 1 capital to the balance sheet total plus certain off-balance sheet items recalculated using conversion factors defined in the standardised approach.

LIQUIDITY COVERAGE RATIO (LCR), %

High-quality liquid assets as a percentage of estimated net liquidity outflow during a 30-day period.

LOAN/DEPOSIT RATIO

Lending to the public divided by deposits from the public.

LOAN LOSS LEVEL

Net impairment losses on net financial assets in lending to the public divided by lending to the public at the beginning of the period.

MANAGED MORTGAGE LOANS

Total mortgage loan volume in Borgo AB (publ) that the Bank of Åland manages through various services.

MARKET CAPITALISATION/SHAREHOLDERS' PORTION OF EQUITY, %

Share price at the end of the reporting period as a percentage of shareholders' portion of equity capital on closing day.

NET PROMOTER SCORE (NPS)

The propensity to recommend the Bank of Åland. Calculated on a scale from 0-10 where the proportion of negative responses (0-6) is subtracted from the proportion of positive responses (9-10).

NET STABLE FUNDING RATIO (NSFR)

Available stable funding as a percentage of necessary stable funding.

OWN FUNDS (REPLACES CAPITAL BASE CONCEPT)

Total of Tier 1 capital and Tier 2 (supplementary) capital.

RETURN ON EQUITY AFTER TAXES (ROE), %

Profit for the report period attributable to shareholders divided by average shareholder's portion of equity capital.

RISK EXPOSURE AMOUNT

Assets and off-balance sheet commitments, risk-weighted according to capital adequacy regulations for credit risk and market risk. Operational risks are calculated and expressed as risk exposure.

TIER 1 CAPITAL

Common equity Tier 1 (CET1) capital including certain loss-absorbing subordinated debentures ("additional Tier 1 capital").

TIER 2 (SUPPLEMENTARY) CAPITAL

Mainly subordinated debentures that do not meet requirements to be included as additional Tier 1 capital.

¹ Average of 13 end-of-month figures.