

# Interim Report

For the period January–September 2022 • October 25, 2022



## January–September 2022

### Compared to January–September 2021

- Net operating profit decreased by 9 per cent and totalled EUR 35.5 M (39.0).
- Core income in the form of net interest income, net commission income and IT income increased by 3 per cent to EUR 125.8 M (121.6).
- Other income, which includes certain nonrecurring items, increased by 38 per cent to EUR 11.3 M (8.2).
- Total expenses increased by 9 per cent to EUR 97.7 M (89.5).
- Net impairment losses on financial assets (including recoveries) totalled EUR 4.0 M (1.4), equivalent to a loan loss level of 0.12 (0.05) per cent.
- Return on equity after taxes (ROE) decreased to 13.1 (15.1) per cent.
- Earnings per share decreased by 11 per cent to EUR 1.82 (2.05).
- The common equity Tier 1 capital ratio decreased to 11.8 per cent (12.1 per cent on December 31, 2021).
- Unchanged future outlook: The Bank of Åland expects its net operating profit in 2022 to be about the same as in 2021.

## The third quarter of 2022

### Compared to the third quarter of 2021

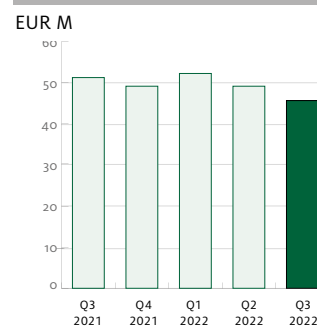
- Net operating profit decreased by 24 per cent to EUR 11.1 M (14.6).
- Core income in the form of net interest income, net commission income and IT income increased by 6 per cent to EUR 42.5 M (40.0).
- Other income, which includes certain nonrecurring items, decreased by 96 per cent to EUR 0.2 M (5.2).
- Total expenses increased by 2 per cent to EUR 30.5 M (29.8).
- Net impairment losses on financial assets (including recoveries) totalled EUR 1.1 M (0.8), equivalent to a loan loss level of 0.11 (0.07) per cent.
- Return on equity after taxes (ROE) decreased to 12.5 (16.7) per cent.
- Earnings per share decreased by 26 per cent to EUR 0.57 (0.77).

“We delivered another stable quarter, during which our earnings were at the same level as in the corresponding quarter last year if we exclude nonrecurring items. The long-term trend for our core income (net interest income, net commission income and IT income) remains positive. Core income during the first nine months of 2022 exceeded that of the same period of 2021 by EUR 4.2 M, despite the negative effect that the divestment of our Swedish mortgage loan portfolio – totaling more than EUR 1 billion – had on our net interest income.

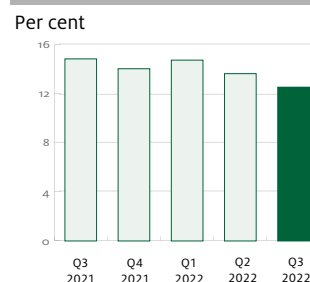
“Because of plunging stock markets as well as rising interest rates and bond yields, the mutual fund markets in Finland and Sweden have seen many investors withdraw their money. During every quarter of 2022, the Bank of Åland has seen net inflows into our financial investment products and we see that we are continuing to attract customers in our target group.”

Peter Wiklöf, Managing Director

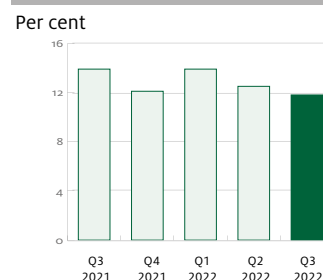
4 quarter moving net operating profit



4-quarter moving ROE



Common equity Tier 1 ratio



The Bank of Åland is a bank with strong customer relationships and personal 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 OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has six offices in the Åland Islands, five offices elsewhere in Finland and three offices in Sweden. A total of three subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

# Financial summary

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
EUR M								
Income								
Net interest income	18.9	15.2	24	15.5	22	48.5	46.0	5
Net commission income	18.6	21.2	-13	19.1	-3	60.0	57.6	4
IT income	5.0	6.8	-26	5.4	-7	17.3	18.1	-4
Other income	0.2	0.0		5.2	-96	11.3	8.2	38
<b>Total income</b>	<b>42.7</b>	<b>43.3</b>	<b>-1</b>	<b>45.2</b>	<b>-5</b>	<b>137.1</b>	<b>129.8</b>	<b>6</b>
Total expenses								
Staff costs	-17.9	-19.1	-6	-17.1	5	-55.8	-53.1	5
Other expenses	-9.3	-9.5	-2	-8.3	12	-28.4	-23.4	21
Statutory fees	0.0	0.1	-98	0.0	55	-3.4	-2.8	25
Depreciation/amortisation	-3.3	-3.3	1	-4.3	-24	-10.0	-10.2	-2
<b>Total expenses</b>	<b>-30.5</b>	<b>-31.7</b>	<b>-4</b>	<b>-29.8</b>	<b>2</b>	<b>-97.7</b>	<b>-89.5</b>	<b>9</b>
<b>Profit before impairment losses</b>	<b>12.2</b>	<b>11.6</b>	<b>6</b>	<b>15.4</b>	<b>-20</b>	<b>39.4</b>	<b>40.4</b>	<b>-2</b>
Impairment losses on financial assets, net	-1.1	-1.2	-1	-0.8	40	-4.0	-1.4	
<b>Net operating profit</b>	<b>11.1</b>	<b>10.4</b>	<b>6</b>	<b>14.6</b>	<b>-24</b>	<b>35.5</b>	<b>39.0</b>	<b>-9</b>
Income taxes	-2.2	-2.1	8	-2.5	-10	-7.2	-7.1	2
<b>Profit for the report period</b>	<b>8.9</b>	<b>8.3</b>	<b>6</b>	<b>12.1</b>	<b>-27</b>	<b>28.3</b>	<b>31.9</b>	<b>-11</b>
Attributable to:								
<b>Shareholders in Bank of Åland Plc</b>	<b>8.9</b>	<b>8.3</b>	<b>6</b>	<b>12.1</b>	<b>-27</b>	<b>28.2</b>	<b>31.9</b>	<b>-11</b>
Volume								
Lending to the public	4,241	4,145	2	4,591	-8			
Deposits from the public	4,207	4,295	-2	3,836	10			
Actively managed assets <sup>1</sup>	8,212	8,425	-3	8,922	-8			
Managed mortgage loans <sup>2</sup>	1,195	1,162	3					
Equity capital	312	310	0	322	-3			
Balance sheet total	6,145	5,943	3	6,353	-3			
Risk exposure amount	1,967	1,893	4	1,884	4			
Financial ratios								
Return on equity after taxes, % (ROE) <sup>3</sup>	12.5	11.9		16.7		13.1	15.1	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	12.5	13.6		14.8				
Expense/income ratio <sup>4</sup>	0.71	0.73		0.66		0.71	0.69	
Loan loss level, % <sup>5</sup>	0.11	0.13		0.07		0.12	0.05	
Gross share of loans in Stage 3, % <sup>6</sup>	1.62	1.40		1.19				
Liquidity coverage ratio (LCR), % <sup>7</sup>	138	114		149				
Net stable funding ratio (NSFR), % <sup>8</sup>	110	116		109				
Loan/deposit ratio, % <sup>9</sup>	101	96		120				
Common equity Tier 1 capital ratio, % <sup>10</sup>	11.8	12.5		13.5				
Tier 1 capital ratio, % <sup>11</sup>	13.3	14.0		15.1				
Total capital ratio, % <sup>12</sup>	15.0	15.9		16.2				
Leverage ratio, % <sup>13</sup>	4.1	4.3		4.8				
Earnings per share, EUR <sup>14</sup>	0.57	0.54	6	0.77	-26	1.82	2.05	-11
Earnings per share, EUR, moving 12-month average to end of report period	2.32	2.53	-8	2.67	-13			
Equity capital per share, EUR <sup>15</sup>	18.17	18.06	1	18.74	-3			
Working hours re-calculated to full-time equivalent positions	882	843	5	836	6	850	813	5

<sup>1</sup> Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume plus external funds with contractual earnings

<sup>2</sup> Total mortgage loan volume in Borgo AB that the Bank of Åland manages through various services

<sup>3</sup> Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital

<sup>4</sup> Expenses / Income

<sup>5</sup> Impairment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period

<sup>6</sup> Shares of loans in Stage 3 / Gross lending to the public

<sup>7</sup> LCR, assets at levels 1 and 2 / 30-day net cash outflow

<sup>8</sup> Available stable funding / Stable funding requirement

<sup>9</sup> Lending to the public / Deposits from the public

<sup>10</sup> Common equity Tier 1 capital / Risk exposure amount

<sup>11</sup> Tier 1 capital / Risk exposure amount

<sup>12</sup> Own funds / Risk exposure amount

<sup>13</sup> Tier 1 capital / Total exposure metric

<sup>14</sup> Shareholders' portion of profit for the period / Average number of shares

<sup>15</sup> Shareholders' portion of equity capital / Number of shares on closing day

# Comments

## MACRO SITUATION

Twenty twenty-two will probably go down in history as one of the most dramatic years in modern times. After the COVID-19 (coronavirus) pandemic had finally begun to release its two-year long grip in Finland and Sweden, on February 24 Russia began a full-scale war of invasion against its neighbouring country of Ukraine. The changing security situation in Europe has been accompanied by soaring energy prices and an inflation shock.

So far this year, the European Central Bank and Sweden's Riksbank have hiked their key interest rates by a total of 1.25 and 1.75 percentage points respectively, and both have declared their intention to implement further key rate hikes aimed at combating inflation. The Bank of Åland has substantial positive sensitivity to rising short-term market interest rates.

## BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q3 2022	Q2 2022	Q3 2021
Euribor 3 mo	0.47	-0.35	0.55
Euribor 12 mo	1.49	0.40	0.49
Stibor 3 mo	1.37	0.41	0.02

During the first nine months of 2022, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 23 per cent, while the Nasdaq Stockholm's OMXSPI index fell by 32 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 4 per cent lower during the first nine months of 2022 than in the year-earlier period and 6 per cent lower than at the end of 2021. 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

Finland's POP Bank has chosen the Bank of Åland's subsidiary Crosskey as its central banking system partner. On January 4, 2022 POP Bank signed a cooperation agreement with Crosskey on the renewal of its core banking system. POP Bank anticipates that it will introduce the new core banking system during 2025.

On February 14, the Bank of Åland transferred most of its Swedish mortgage loans and related previously issued covered bonds to Borgo AB (publ), in which the Bank of Åland's ownership stake amounts to 19.9 per cent. The nominal amount of the mortgage loan portfolio that was transferred was SEK 10.4 billion. The nominal amount of the previously issued covered bonds, which now have Borgo as their issuer, was SEK 7.5 billion. A smaller mortgage loan portfolio will be transferred later. The transaction had a nonrecurring positive effect in the Bank of Åland's income statement of SEK 9.8 M. At the same time, this will mean a smaller loan portfolio in the Bank of Åland's own balance sheet and thus a lower current net interest income. The Bank of Åland will instead receive distribution fees for brokered loans and platform revenues for maintaining various services to Borgo. The transaction also

improved the Bank's common equity Tier 1 (CET1) capital ratio on a pro forma basis by about 2.5 percentage points.

During the first nine months of 2022, the Bank of Åland bought back 90,519 of its own Series B shares, of which 90,179 were annulled. The Bank also issued 12,825 new Series B shares due to its obligations as part of the employee incentive programme.

On March 30, 2022, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.00 per share for the financial year 2021 (a regular dividend of EUR 1.55 plus an extra dividend of EUR 0.45).

The AGM also decided to authorise the Board to approve acquisitions of no more than 1,500,000 of the Bank of Åland's Series B shares, which is equivalent to about 10 per cent of all shares in the Company and about 17 per cent of all Series B shares in the Company.

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

The Board of Directors of the Bank of Åland has decided to launch a share savings programme for all Group employees. 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 savings period began in July 2022. The first share issue is planned in January 2023. 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 will be offered the opportunity to subscribe for Series B shares at a price that is 10 per cent below the average price during the calendar month before each respective share issue. At the end of the application period, 69 per cent of the number of Group employees had joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.5 M, which would be equivalent to about 56,000 Series B shares, based on the average share price in June 2022 including a 10 per cent discount. The number of matching Series B shares is estimated at 47,000. The projected number of shares that employees may receive as part of the share savings programme is about 103,000.

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 550,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 3.8 M to various environmentally related projects.

In November 2021 the Bank of Åland's mutual fund company Ålandsbanken Fondbolag and its Swedish wind power partner OX2 signed a memorandum of understanding for an offshore wind power project in the Baltic Sea south of Åland. This collaboration

was expanded in May 2022 to include an additional project north of Åland. In September the parties signed a binding agreement. Because the task of analysis and environmental impact assessment has begun, the project is included in OX2's development portfolio. The projects, known as Noatun South and Noatun North, are being run via two joint ventures in which OX2 is the developer and Ålandsbanken Fondbolag is a long-term shareholder via its mutual funds. In addition to offshore wind farms in the Åland maritime zone, the Noatun projects also include a grid solution for the distribution of electricity to Åland, Sweden, Finland and Estonia.

#### EARNINGS FOR JANUARY–SEPTEMBER 2022

Net operating profit decreased by EUR 3.5 M or 9 per cent to EUR 35.5 M (39.0). About EUR 10 M of net operating profit for the period was attributable to nonrecurring items, compared to about EUR 5.0 M in the year-earlier period.

Profit for the period attributable to shareholders decreased by EUR 3.7 M or 11 per cent to EUR 28.2 M (31.9).

Return on equity after taxes (ROE) decreased to 13.1 per cent (15.1).

Total income rose by EUR 7.3 M or 6 per cent to EUR 137.1 M (129.8). Core income in the form of net interest income, net commission income and information technology (IT) income increased by EUR 4.2 M or 3 per cent to EUR 125.8 M (121.6).

Net interest income rose by EUR 2.5 M or 5 per cent to EUR 48.5 M (46.0). A higher interest margin – with market interest rates shifting from being negative to being positive – offset lower lending volume. Lending volume was lower because on February 14, the Bank of Åland transferred most of its Swedish mortgage loans to Borgo.

Net commission income rose by EUR 2.4 M or 4 per cent to EUR 60.0 M (57.6). This increase was mainly due to income from brokered and managed mortgage loans.

IT income fell by EUR 0.8 M or 4 per cent to EUR 17.3 M (18.1). The decrease mainly came from lower project income.

Other income, including net income on financial items, increased by EUR 3.1 M or 21 per cent to EUR 11.3 M (8.2), mainly thanks to a capital gain of EUR 9.6 M from the transfer of most of the Bank's Swedish mortgage loans. The year-earlier amount included positive nonrecurring income connected to associated companies and the divestment of intellectual property (IP) rights.

Total expenses increased by EUR 8.2 M or 9 per cent and amounted to EUR 97.7 M (89.5). Higher staff costs and expenses for premises and property, consultants and business travel – plus a substantially higher stability fee to Finland's Resolution Fund – were the main reasons. Production for own use also decreased. Among costs of premises and property was an allocation of EUR 0.6 M for a new office in Helsinki.

Net impairment losses on financial assets amounted to EUR 4.0 M (1.4), equivalent to a loan loss level of 0.12 (0.05) per cent. These impairment losses were mainly due to a small number of individual loans. Due to lower risk of future loan losses related to the coronavirus pandemic, the Bank withdrew its entire previous coronavirus reserve during 2022.

Tax expense amounted to EUR 7.2 M (7.1), equivalent to an effective tax rate of 20.3 (18.1) per cent.

#### EARNINGS FOR THE THIRD QUARTER OF 2022

Net operating profit decreased by EUR 3.4 M or 24 per cent to EUR 11.1 M (14.6). About EUR 3.0 M of net operating profit for the year-earlier period was attributable to nonrecurring items.

Profit for the period attributable to shareholders decreased by EUR 3.2 M or 27 per cent to EUR 8.9 M (12.1).

Return on equity after taxes (ROE) decreased to 12.5 per cent (16.7).

Total income decreased by EUR 2.5 M or 5 per cent and amounted to EUR 42.7 M (45.2). Core income in the form of net interest income, net commission income and IT income increased by EUR 2.5 M or 6 per cent to EUR 42.5 M (40.0).

Net interest income rose by EUR 3.4 M or 22 per cent and amounted to EUR 18.9 M (15.5). Substantially higher market interest rates far more than compensated for lower lending volume following the transfer of the Swedish mortgage loan portfolio.

Net commission income fell by EUR 0.5 M or 3 per cent to EUR 18.6 M (19.1). Lower income from the Bank's asset management business was not fully offset by higher income from the brokered mortgage loan business.

IT income fell by EUR 0.4 M or 7 per cent and amounted to EUR 5.0 M (5.4). The decrease mainly came from lower project income.

Other income, including net income on financial items, fell by EUR 5.0 M or 96 per cent to EUR 0.2 M (5.2). The year-earlier amount included positive nonrecurring income connected to the divestment of intellectual property (IP) rights.

Total expenses increased by EUR 0.7 M or 2 per cent and amounted to EUR 30.5 M (29.8). Substantially lower depreciation/amortisation was offset by higher staff costs and other expenses.

Net impairment losses on financial assets increased by EUR 0.3 M to EUR 1.1 M (0.8), equivalent to a loan loss level of 0.11 (0.07) per cent.

Tax expense amounted to EUR 2.2 M (2.5), equivalent to an effective tax rate of 20.2 (17.2) per cent.

#### OPERATING SEGMENTS

The Group's decrease of EUR 3.5 M in net operating profit to EUR 35.5 M during the January-September report period was allocated as follows:

- Private Banking -4.7 (higher impairment loss provisions)
- Premium Banking +7.7 (divested mortgage loan portfolio)
- IT -0.8 (lower project income)
- Corporate units -5.7 (nonrecurring effects) & eliminations

#### BUSINESS VOLUME

Actively managed assets on behalf of customers decreased by EUR 1,614 M or 16 per cent compared to year-end 2021, despite continued strong net inflows from customers, and amounted to EUR 8,212 M (9,826). The decrease was due to a negative market effect.

Deposits from the public rose by EUR 137 M or 3 per cent compared to year-end 2021 and amounted to EUR 4,207 M (4,070).

Lending to the public decreased by EUR 547 M or 11 per cent

compared to year-end 2021 and totalled EUR 4,241 M (4,788). The transferred Swedish mortgage loan portfolio was the reason for this big change. Underlying lending grew by EUR 468 M.

Starting in 2022, the Bank of Åland is reporting a new business volume item in the form of managed mortgage loans. On September 30, 2022, managed mortgage loans totalled EUR 1,195 M. This business volume item generates continuous commission and IT income.

#### CREDIT QUALITY

Lending to private individuals comprised 75 per cent of the loan portfolio. Home mortgage loans accounted for 72 per cent of this. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to individuals. Historically, the Bank of Åland has not had any substantial 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 18.2 M in impairment loss provisions on September 30, 2022 (14.6 on December 31, 2021), of which EUR 0.6 M (2.1) in Stage 1, EUR 0.8 M (0.8) in Stage 2 and EUR 16.8 M (11.7) in Stage 3. Stage 3 loans as a share of gross lending to the public totalled 1.62 per cent (1.23). The level of provisions for Stage 3 loans amounted to 24 (20) per cent. Most of these loans have good collateral.

Of the Bank of Åland's Stage 3 impairment loss provisions, EUR 4.7 M is related to a case in Sweden caused by credit fraud, where the customers have already been convicted of similar crimes. The Bank of Åland has the requisite insurance against crime and has filed a damage claim with its insurance company. The insurance company has not completed its damage investigation.

The Bank of Åland has no direct exposure to Ukraine, Belarus or Russia. The direct impact of the war on the Bank's credit risk is thus limited.

#### LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,249 M on September 30, 2022 (1,320 on December 31, 2021). This was equivalent to 20 (20) per cent of total assets and 29 (28) per cent of lending to the public.

The Bank of Åland's balance sheet structure has changed as a result of the transfer of its Swedish mortgage banking business to Borgo AB. Because of this transaction, its funding structure has changed in such a way that deposits from the public now account for a larger proportion of the Bank of Åland's funding. There are no longer any Swedish covered bonds.

On September 30, 2022, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.4 (3.1) years.

The loan/deposit ratio amounted to 101 (118) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 75 (66) per cent and covered bonds issued accounted for 11 (19) per cent.

The liquidity coverage ratio (LCR) amounted to 138 (139) per cent. The net stable funding ratio (NSFR) amounted to 110 (109) per cent.

#### RATING

On July 12, Standard & Poor's Global Ratings agency raised its credit rating of the Bank of Åland's for long-term borrowing to BBB+ with a stable outlook, from BBB with a positive outlook. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

#### EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 28.3 M; other comprehensive income, EUR -14.2 M; issuance of new shares as part of the incentive programme, EUR 0.5 M, and the share savings programme, EUR 0.1 M; buy-backs of the Bank's own shares, EUR 3.0 M; a dividend of EUR 31.1 M distributed to shareholders; and dividends of EUR 0.9 M distributed to holders of additional Tier 1 (AT1) capital instruments. On September 30, 2022, equity capital amounted to EUR 311.6 M (331.9 on December 31, 2021).

Other comprehensive income was affected by rising market interest rates and yields as well as a weaker Swedish krona. Rising market rates decreased the market value of debt securities in the Treasury portfolio, which are carried at fair value via comprehensive income, but they meanwhile decreased the value of pension liability in defined-benefit pension plans in compliance with IAS 19. The weakening of the krona decreased the value of the Bank's structural foreign exchange position in Swedish kronor, which ensures a common equity Tier 1 capital ratio with both a numerator and a denominator in Swedish kronor, as well as the value of strategic shareholdings in Swedish kronor and other Tier 1 capital in Swedish kronor. A new cash flow hedge also affected other comprehensive income for the period January-September 2022.

Common equity Tier 1 capital fell by EUR 6.0 M during the report period to EUR 233.0 M (239.0). At year-end 2021, there was unutilised permission from the Finnish Financial Supervisory Authority for buy-backs of the Bank's own shares totalling up to EUR 10.5 M. This amount was a fully deductible item in the capital base (own funds) even when these buy-backs had not occurred. As of September 30, 2022 similar permission was in force, of which the unutilised portion amounted to EUR 9.3 M.

The risk exposure amount decreased by 0.5 per cent during January-September 2022 and totalled EUR 1,967 M (1,976). The risk exposure amount for credit risk fell by EUR 37 M or 2 per cent. The main reason was the reduced Swedish mortgage loan portfolio in the Bank's balance sheet. Starting in the first quarter, the standardised 26.5 per cent upward adjustment in the risk exposure amount, calculated according to the current IRB approach while awaiting an updated approach, was raised to 45.5 per cent for the retail portfolio. The operational risk exposure amount rose by EUR 21 M. A new risk exposure amount of EUR 8 M was added due to an increased strategic foreign exchange position in Swedish kronor after the transfer of most of the Swedish mortgage loan portfolio to Borgo AB (publ).

The common equity Tier 1 (CET1) capital ratio decreased to 11.8 (12.1) per cent. The Tier 1 (T1) capital ratio decreased to 13.3 (13.6) per cent. The total capital ratio decreased to 15.0 (15.4) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. Due to the coronavirus crisis, several of these buffer requirements have been lowered. 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 expo-



asures, the requirement remains 0.0 per cent, but for Swedish exposures the amount of the countercyclical buffer was raised to 1.0 per cent starting in September 2022. A further increase to 2.0 per cent has been announced in Sweden starting in June 2023.

The Finnish Financial Supervisory Authority (FIN-FSA) has also set the buffer requirement related to Pillar 2 capital adequacy regulations at 1.0 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	8.1 per cent
•Tier 1 capital ratio	9.8 per cent
•Total capital ratio	12.0 per cent

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

•Common equity Tier 1 capital ratio	+3.8 percentage points
•Tier 1 capital ratio	+3.6 percentage points
•Total capital ratio	+2.9 percentage points

Effective on January 1, 2022, 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 applies the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. The GHGP is a global standard for measuring, managing and reporting greenhouse gas emissions. In addition to carbon dioxide, it includes six greenhouse gases identified according to the Kyoto Protocol. Total emissions are measured and reported in tonnes of carbon dioxide equivalent, CO<sub>2</sub>e. These emissions are reported in three scopes, where the Bank of Åland's climate estimate initially encompasses Scope 1 and 2 plus supplier-related emissions from purchases in Scope 3.

Emissions during January-September 2022 totalled 452 tonnes of carbon dioxide equivalents, which was an increase of 186 tonnes or 70 per cent compared to the preceding year. This increase was primarily explained by increased business travel.

During January-September 2022, environmentally certified electricity rose from 85 per cent to 92 per cent of total purchases compared with the year-earlier period.

The Bank of Åland paid climate compensation for its estimated emissions.

#### IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

No important events have occurred after the close of the report period.

#### RISKS AND UNCERTAINTIES

The single largest risk and uncertainty factors are Russia's actions in Ukraine and the related geopolitical risks, together with record-high inflation. The consequences of the war and inflation 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.

Since 2017 the Bank of Åland has had a pending case with the Swedish Tax Agency concerning value-added tax (VAT) for the financial year 2016. The Tax Agency has announced a decision on the matter, in which it states that the Bank of Åland must pay about EUR 0.5 M in VAT. The Bank of Åland does not agree with the Tax Agency's assessment and has appealed the Administrative Court's negative ruling of December 2021. A provision for half the amount was made earlier as a tax expense in the financial accounts.

#### UNCHANGED FUTURE OUTLOOK

The Bank of Åland expects its net operating profit in 2022 to about the same as in 2021.

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 Year-end Report for 2022 will be published on Wednesday, February 1, 2023.

#### THE BOARD OF DIRECTORS

Mariehamn, October 25, 2022

# Sustainability information

The Bank of Åland works towards an awareness and reduction of the organisation's resource consumption and environmental impact. We make an active effort to achieve the established targets in the Group's environmental plan. We include sustainability as a natural element of the dialogue with our suppliers and business partners. By distributing funds yearly for environmental projects that promote a healthier Baltic Sea and providing climate compensation through other projects, we offset our resource consumption and environmental impact.

The Bank of Åland's climate impact estimate encompasses Scope 1, 2 and 3 of the Greenhouse Gas Protocol. Scope 1 includes direct emissions from resources owned or controlled by the Company. Scope 2 includes indirect emissions from the production of electricity, heating and cooling. Scope 3 encompasses indirect emissions that arise from sources that are not owned or controlled by the Bank of Åland. Emissions are estimated with the aid of emission factors and the Åland Index, based on activities in the income statement that are recognised as costs. The exception is purchased electricity, which is recognised in the note according to a market-based method where environmentally certified electricity is recognised at zero CO2e emissions.

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
<b>Greenhouse gases, tonnes of CO2e</b>								
<b>Scope 1</b>								
Emissions from owned and controlled resources	2.7	1.0		2.9	-7	4.7	4.6	1
<b>Scope 2</b>								
Energy-related emissions 1	4.3	12.8	-66	21.7	-80	30.7	73.9	-58
<i>of which from electricity according to the market-based method</i>	4.3	12.6	-66	21.6	-80	30.1	72.5	-58
<b>Scope 3 *</b>								
Purchased goods and services	22.5	26.1	-14	17.3	30	88.0	65.0	35
Capital goods	1.0	1.2	-18	1.8	-45	3.5	6.1	-43
Transport and distribution	30.7	22.2	38	22.2	39	84.0	77.0	9
Waste generated by own operations	0.5	0.5	-3	0.4	20	1.5	1.3	14
Business travel	127.9	85.0	50	20.1		235.3	34.3	
Leased assets	1.5	1.2	28	0.9	58	3.7	3.1	18
<b>Total Scope 3</b>	<b>184.1</b>	<b>136.2</b>	<b>35</b>	<b>62.7</b>		<b>416.1</b>	<b>186.9</b>	
<b>Total greenhouse gases, tonnes of CO2e</b>	<b>191.1</b>	<b>149.9</b>	<b>27</b>	<b>87.4</b>		<b>451.5</b>	<b>265.5</b>	<b>70</b>
Climate compensation	-191.1	-149.9	27			-451.5		
<b>Net greenhouse gases, tonnes of CO2e</b>	<b>0.0</b>	<b>0.0</b>		<b>87.4</b>	<b>-100</b>	<b>0.0</b>	<b>265.5</b>	<b>-100</b>
<sup>1</sup> Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO2e								
	208.3	200.9	4	200.9	4	617.5	584.4	6

\* Supplier-related emissions from purchases

Emissions per employee (tonnes/average full-time equivalent)	0.84	0.70		0.41		0.70	0.44	
Emissions per EUR M earned (tonnes/EUR M)	4.47	3.47		1.93		3.29	2.04	

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
Paper consumption, tonnes	3.0	5.1	-41	3.6	-17	14.2	15.6	-9
Energy consumption, GwH	0.56	0.54	4	0.55	2	1.66	1.60	4
<i>of which renewable</i>	0.54	0.49	10	0.48	13	1.53	1.36	13
<i>of which other</i>	0.02	0.05	-60	0.07	-71	0.13	0.24	-46
Number of business trips	615	583	5	169		1,269	230	
<i>of which aircraft</i>	456	285	60	94		777	123	
<i>of which ship</i>	89	114	-22	47	89	229	47	
<i>of which train</i>	70	184	-62	28		263	60	

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# Summary income statement

Group	Note	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
<b>EUR M</b>									
Net interest income	5	18.9	15.2	24	15.5	22	48.5	46.0	5
Net commission income	6	18.6	21.2	-13	19.1	-3	60.0	57.6	4
IT income		5.0	6.8	-26	5.4	-7	17.3	18.1	-4
Net income from financial items at fair value	7	-0.1	-0.2	-53	-1.7	-94	10.5	-1.9	
Other operating income		0.3	0.3	27	6.9	-95	0.8	10.1	-92
<b>Total income</b>		<b>42.7</b>	<b>43.3</b>	<b>-1</b>	<b>45.2</b>	<b>-5</b>	<b>137.1</b>	<b>129.8</b>	<b>6</b>
Staff costs		-17.9	-19.1	-6	-17.1	5	-55.8	-53.1	5
Other expenses		-9.3	-9.5	-2	-8.3	12	-28.4	-23.4	21
Statutory fees		0.0	0.1	-98	0.0	55	-3.4	-2.8	25
Depreciation/amortisation		-3.3	-3.3	1	-4.3	-24	-10.0	-10.2	-2
<b>Total expenses</b>		<b>-30.5</b>	<b>-31.7</b>	<b>-4</b>	<b>-29.8</b>	<b>2</b>	<b>-97.7</b>	<b>-89.5</b>	<b>9</b>
<b>Profit before impairment losses</b>		<b>12.2</b>	<b>11.6</b>	<b>6</b>	<b>15.4</b>	<b>-20</b>	<b>39.4</b>	<b>40.4</b>	<b>-2</b>
Impairment losses on financial assets, net	8	-1.1	-1.2	-1	-0.8	40	-4.0	-1.4	
<b>Net operating profit</b>		<b>11.1</b>	<b>10.4</b>	<b>6</b>	<b>14.6</b>	<b>-24</b>	<b>35.5</b>	<b>39.0</b>	<b>-9</b>
Income taxes		-2.2	-2.1	8	-2.5	-10	-7.2	-7.1	2
<b>Profit for the period</b>		<b>8.9</b>	<b>8.3</b>	<b>6</b>	<b>12.1</b>	<b>-27</b>	<b>28.3</b>	<b>31.9</b>	<b>-11</b>
Attributable to:									
Non-controlling interests		0.0	0.0		0.0	-35	0.0	0.0	-42
<b>Shareholders in Bank of Åland Plc</b>		<b>8.9</b>	<b>8.3</b>	<b>6</b>	<b>12.1</b>	<b>-27</b>	<b>28.2</b>	<b>31.9</b>	<b>-11</b>
Earnings per share, EUR		0.57	0.54	6	0.77	-26	1.82	2.05	-11
Earnings per share, EUR, moving 12-month average to end of report period		2.32	2.53	-8	2.67	-13			

# Summary statement of other comprehensive income

Group	Q3 2022	Q2 2022	%	Q3 2021	%Jan-Sep 2022	Jan-Sep 2021	%
EUR M							
<b>Profit for the period</b>	<b>8.9</b>	<b>8.3</b>	<b>6</b>	<b>12.1</b>	<b>-27</b>	<b>28.3</b>	<b>-11</b>
Cash flow hedge							
Changes in valuation at fair value	-1.0	-1.6	-36		-2.6		
Assets measured via other comprehensive income							
Changes in valuation at fair value	-3.5	-6.0	-42	0.1	-10.4	-0.5	
Realised change in value					0.0	0.0	0
Transferred to the income statement	0.0	0.0		-0.1	-0.7	-0.4	60
Translation differences							
Gains/Losses arising during the period	-1.6	-3.4	-55	-0.5	-5.8	-1.2	
Taxes on items that have been or may be reclassified to the income statement	0.9	1.5	-41	0.0	2.7	0.2	
<i>of which cash flow hedges</i>	0.2	0.3	-36		0.5		
<i>of which assets measured via other comprehensive income</i>	0.7	1.2	-42	0.0	2.2	0.2	
<b>Items that have been or may be reclassified to the income statement</b>	<b>-5.2</b>	<b>-9.5</b>	<b>-46</b>	<b>-0.5</b>	<b>-16.7</b>	<b>-1.9</b>	
Changes in value of equity instruments	-1.3	-1.7	-21	-0.1	-2.9	-0.2	
Translation differences	-0.5	-1.3	-59	-0.2	-2.2	0.0	
Re-measurements of defined benefit pension plans	0.2	5.6	-97	-0.7	8.0	1.7	
Taxes on items that may not be reclassified to the income statement	0.4	-0.5		0.3	49	-0.4	-0.2
<i>of which changes in value of equity instruments</i>	0.3	0.3	-21	0.0	0.6	0.0	
<i>of which translation differences</i>	0.1	0.3	-59	0.0	0.4	-0.1	
<i>of which re-measurements of defined-benefit pension plans</i>	0.0	-1.1	-97	0.1	-1.6	-0.3	
<i>of which taxes on dividends to holders of T1 capital instrument</i>	0.1	0.1	15	0.1	17	0.2	50
<b>Items that may not be reclassified to the income statement</b>	<b>-1.3</b>	<b>2.1</b>		<b>-0.8</b>	<b>60</b>	<b>2.5</b>	<b>1.3</b>
<b>Other comprehensive income for the period</b>	<b>-6.5</b>	<b>-7.4</b>	<b>-12</b>	<b>-1.4</b>	<b>-14.2</b>	<b>-0.6</b>	
<b>Total comprehensive income for the period</b>	<b>2.4</b>	<b>1.0</b>		<b>10.7</b>	<b>-78</b>	<b>14.1</b>	<b>-55</b>
Attributable to:							
Non-controlling interests	0.0	0.0		0.0	-35	0.0	-42
<b>Shareholders in Bank of Åland Plc</b>	<b>2.4</b>	<b>1.0</b>		<b>10.7</b>	<b>-78</b>	<b>14.1</b>	<b>-55</b>

## Income statement by quarter

Group	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
EUR M					
Net interest income	18.9	15.2	14.3	16.2	15.5
Net commission income	18.6	21.2	20.2	21.5	19.1
IT income	5.0	6.8	5.5	6.3	5.4
Net income from financial items at fair value	-0.1	-0.2	10.8	1.5	-1.7
Other operating income	0.3	0.3	0.2	0.7	6.9
<b>Total income</b>	<b>42.7</b>	<b>43.3</b>	<b>51.1</b>	<b>46.2</b>	<b>45.2</b>
Staff costs	-17.9	-19.1	-18.9	-18.0	-17.1
Other expenses	-9.3	-9.5	-9.7	-10.3	-8.3
Statutory fees	0.0	0.1	-3.6	0.0	0.0
Depreciation/amortisation	-3.3	-3.3	-3.4	-4.1	-4.3
<b>Total expenses</b>	<b>-30.5</b>	<b>-31.7</b>	<b>-35.5</b>	<b>-32.5</b>	<b>-29.8</b>
<b>Profit before impairment losses</b>	<b>12.2</b>	<b>11.6</b>	<b>15.6</b>	<b>13.8</b>	<b>15.4</b>
Net impairment losses on financial assets	-1.1	-1.2	-1.7	-3.5	-0.8
<b>Net operating profit</b>	<b>11.1</b>	<b>10.4</b>	<b>13.9</b>	<b>10.2</b>	<b>14.6</b>
Income taxes	-2.2	-2.1	-2.9	-2.3	-2.5
<b>Profit for the period</b>	<b>8.9</b>	<b>8.3</b>	<b>11.0</b>	<b>7.9</b>	<b>12.1</b>
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Shareholders in Bank of Åland Plc</b>	<b>8.9</b>	<b>8.3</b>	<b>11.0</b>	<b>7.9</b>	<b>12.1</b>

# Summary balance sheet

Group	Note	Sep 30, 2022	Dec 31, 2021	%	Sep 30, 2021	%
<b>EUR M</b>						
<b>Assets</b>						
Cash and balances with central banks		520	894	-42	789	-34
Debt securities		1,018	718	42	707	44
Lending to credit institutions		102	64	58	53	91
Lending to the public	9, 10	4,241	4,788	-11	4,591	-8
Shares and participations		35	15		15	
Participations in associated companies		7	15	-55	8	-21
Derivative instruments	12	25	13	90	14	82
Intangible assets		21	23	-8	24	-11
Tangible assets		36	34	6	31	17
Investment properties		0	0	-2	0	-2
Current tax assets		2	0		1	
Deferred tax assets		6	5	26	6	7
Other assets		94	34		85	10
Accrued income and prepayments		39	31	24	28	36
<b>Total assets</b>		<b>6,145</b>	<b>6,635</b>	<b>-7</b>	<b>6,353</b>	<b>-3</b>
<b>Liabilities</b>						
Liabilities to credit institutions and central banks		648	867	-25	751	-14
Deposits from the public		4,207	4,070	3	3,836	10
Debt securities issued	11	739	1,197	-38	1,243	-41
Derivative instruments	12	26	7		7	
Current tax liabilities		2	4	-64	3	-52
Deferred tax liabilities		34	35	0	34	0
Other liabilities		114	50		94	21
Provisions		0	0	-74	0	-74
Accrued expenses and prepaid income		31	36	-14	41	-23
Subordinated liabilities		32	36	-12	22	46
<b>Total liabilities</b>		<b>5,834</b>	<b>6,303</b>	<b>-7</b>	<b>6,031</b>	<b>-3</b>
<b>Equity capital and non-controlling interests</b>						
Share capital		42	42		42	
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		-18	3		4	
Own shares		0				
Unrestricted equity capital fund		28	28	2	28	2
Retained earnings		172	172	0	160	7
<b>Shareholders' portion of equity capital</b>		<b>282</b>	<b>302</b>	<b>-7</b>	<b>292</b>	<b>-3</b>
Non-controlling interests' portion of equity capital		0	0	10	0	6
Additional Tier 1 capital holders		29	29		29	
<b>Total equity capital</b>		<b>312</b>	<b>332</b>	<b>-6</b>	<b>322</b>	<b>-3</b>
<b>Total liabilities and equity capital</b>		<b>6,145</b>	<b>6,635</b>	<b>-7</b>	<b>6,353</b>	<b>-3</b>

# 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	
<b>Equity capital, Dec 31, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>4.1</b>	<b>2.1</b>	<b>0.0</b>	<b>27.6</b>	<b>158.6</b>	<b>292.4</b>	<b>0.0</b>	<b>0.0</b>	<b>292.4</b>	
Profit for the period									31.9	31.9	0.0		31.9	
Other comprehensive income					-0.9	-1.2			1.5	-0.6			-0.6	
<i>Transactions with owners</i>														
Additional Tier 1 capital issue													29.4	29.4
Tier 1 capital instrument dividends									-0.6	-0.6			-0.6	
Dividends paid									-31.2	-31.2			-31.2	
Incentive programme								0.4		0.4			0.4	
<b>Equity capital, Sep 30, 2021</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>3.3</b>	<b>0.9</b>	<b>0.0</b>	<b>28.0</b>	<b>160.3</b>	<b>292.3</b>	<b>0.0</b>	<b>29.4</b>	<b>321.8</b>	
Profit for the period									7.9	7.9	0.0		7.9	
Other comprehensive income					-0.3	-1.1			3.9	2.5			2.5	
<i>Transactions with owners</i>														
Tier 1 capital instrument dividends									-0.3	-0.3			-0.3	
<b>Equity capital, Dec 31, 2021</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>3.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>28.0</b>	<b>171.7</b>	<b>302.5</b>	<b>0.0</b>	<b>29.4</b>	<b>331.9</b>	
Profit for the period									28.2	28.2	0.0		28.3	
Other comprehensive income					-2.1	-11.1			6.6	-14.2			-14.2	
<i>Transactions with owners</i>														
Buy-backs of own shares									-3.0	-3.0			-3.0	
Annulment of own shares								3.0	-3.0				0.0	
Tier 1 capital instrument dividends									-0.9	-0.9			-0.9	
Dividends paid									-31.1	-31.1			-31.1	
Incentive programme								0.5		0.5			0.5	
Share savings programme									0.1	0.1			0.1	
<b>Equity capital, Sep 30, 2022</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>-2.1</b>	<b>-8.2</b>	<b>-7.6</b>	<b>0.0</b>	<b>28.5</b>	<b>171.7</b>	<b>282.2</b>	<b>0.0</b>	<b>29.4</b>	<b>311.6</b>	

# Summary cash flow statement

Group	Jan-Sep 2022	Jan-Dec 2021	Jan-Sep 2021
EUR M			
Operating activities			
Net operating profit	35.5	49.2	39.0
Adjustment for net operating profit items not affecting cash flow	19.6	28.1	17.1
Profit from investing activities	0.0	-1.9	-2.6
Income taxes paid	-10.8	-8.2	-7.6
Changes in assets and liabilities from operating activities	-301.7	190.9	106.0
<b>Cash flow from operating activities</b>	<b>-257.4</b>	<b>258.1</b>	<b>151.9</b>
Investing activities			
Changes in shares	-15.2	-13.1	-3.9
Changes in tangible assets	-2.6	-2.7	-1.8
Changes in intangible assets	-3.0	-5.9	-4.3
<b>Cash flow from investing activities</b>	<b>-20.8</b>	<b>-21.7</b>	<b>-10.0</b>
Financing activities			
Additional Tier 1 capital issue		29.4	29.4
Share issue	0.5	0.4	0.4
Divestments/buy-backs of own shares	-3.0		
Subordinated debt issue/payments of principal	-2.3	-0.2	-14.8
Payment of principal on lease liability	-2.6	-4.0	-3.1
Tier 1 capital instrument dividends	-0.9	-0.8	-0.6
Dividends paid	-31.1	-31.2	-31.2
<b>Cash flow from financing activities</b>	<b>-39.3</b>	<b>-6.4</b>	<b>-19.8</b>
Cash and cash equivalents at beginning of period	900.3	672.3	672.3
Cash flow during the period	-317.6	229.9	122.1
Exchange rate differences in cash and cash equivalents	-19.6	-1.8	-1.1
<b>Cash and cash equivalents at end of period</b>	<b>563.2</b>	<b>900.3</b>	<b>793.2</b>
Cash and cash equivalents consisted of the following items:			
Cash and deposits with central banks	487.3	862.2	758.2
Lending to credit institutions that is repayable on demand	75.9	38.2	35.1
<b>Total cash and cash equivalents</b>	<b>563.2</b>	<b>900.3</b>	<b>793.2</b>



# Notes to the consolidated interim report

## 1. Corporate information

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public limited company with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 11 offices in Åland, on the Finnish mainland and in Sweden. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium-sized banks.

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).

The Interim Report for the accounting period January 1–September 30, 2022 was approved by the Board of Directors on October 24, 2022.

## 2. Basis for preparation of the interim report and essential accounting principles

### BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–September 30, 2022 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards, IAS 34, "Interim Financial Reporting", which have been adopted by the European Union.

The Interim Financial 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, 2021.

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 Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2021.

### CHANGE IN PRESENTATION OF STATUTORY FEES

During the second quarter of 2022, the Bank of Åland began to recognise the stability fee on the new "Statutory fees" line in the income statement. The earlier principle was to recognise this expense as part of "Other expenses". The new presentation provides a clearer picture of the Bank of Åland's underlying earnings and the effect of statutory fees.

## 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 new 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. Rising oil and other energy prices, 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 nine 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-Sep 2022					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	22.1	21.5	0.0	5.0	0.0	48.5
Net commission income	43.1	13.4	0.0	3.3	0.3	60.0
IT income	0.0	0.0	32.1	0.0	-14.8	17.3
Net income from financial items at fair value	2.9	5.5	-0.2	2.2	0.0	10.5
Other income	0.0	0.0	0.8	1.1	-1.1	0.8
<b>Total income</b>	<b>68.2</b>	<b>40.4</b>	<b>32.7</b>	<b>11.5</b>	<b>-15.6</b>	<b>137.1</b>
Staff costs	-14.7	-5.1	-17.9	-18.1	0.0	-55.8
Other expenses	-6.9	-2.9	-12.6	-19.0	13.0	-28.4
Statutory fees	-1.5	-1.7	0.0	-0.3	0.0	-3.4
Depreciation/amortisation	-1.9	-0.2	-2.7	-6.9	1.7	-10.0
Internal allocation of expenses	-18.6	-16.4	0.0	34.9	0.0	0.0
<b>Total expenses</b>	<b>-43.6</b>	<b>-26.2</b>	<b>-33.2</b>	<b>-9.4</b>	<b>14.7</b>	<b>-97.7</b>
<b>Profit before impairment losses</b>	<b>24.5</b>	<b>14.1</b>	<b>-0.5</b>	<b>2.2</b>	<b>-0.9</b>	<b>39.4</b>
Net impairment losses on financial assets	-5.6	1.6	0.0	0.0	0.0	-4.0
<b>Net operating profit</b>	<b>18.9</b>	<b>15.7</b>	<b>-0.5</b>	<b>2.2</b>	<b>-0.9</b>	<b>35.5</b>
Income taxes	-3.9	-3.2	0.1	-0.2	0.0	-7.2
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>15.0</b>	<b>12.5</b>	<b>-0.4</b>	<b>2.0</b>	<b>-0.9</b>	<b>28.2</b>
Business volume						
Lending to the public	1,900	2,022		320	-1	4,241
Deposits from the public	2,049	2,065		105	-13	4,207
Actively managed assets	7,581	622		9		8,212
Managed mortgage loans				1,195		1,195
Risk exposure amount	780	519	75	601		1,967
Equity capital	112	79	26	95		312
Financial ratios etc.						
Return on equity after taxes, % (ROE)	19.1	21.5	-2.1	3.4		13.1
Expense/income ratio	0.64	0.65	1.02	0.81		0.71

Bank of Åland Group		Jan-Sep 2021				
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	21.2	21.1	0.0	3.8	0.0	46.0
Net commission income	42.5	12.2	-0.1	2.8	0.2	57.6
IT income	0.0	0.0	31.4	0.3	-13.7	18.1
Net income from financial items at fair value	0.0	0.0	-0.7	-1.2	0.0	-1.9
Other income	0.7	0.0	0.7	9.6	-0.9	10.1
<b>Total income</b>	<b>64.3</b>	<b>33.2</b>	<b>31.3</b>	<b>15.3</b>	<b>-14.3</b>	<b>129.8</b>
Staff costs	-13.5	-5.1	-17.0	-17.5	0.0	-53.1
Other expenses	-5.7	-2.7	-11.6	-14.7	11.3	-23.4
Statutory fees	-1.2	-1.5	0.0	-0.1	0.0	-2.8
Depreciation/amortisation	-1.6	-0.2	-2.4	-8.8	2.8	-10.2
Internal allocation of expenses	-17.5	-15.5	0.0	33.0	0.0	0.0
<b>Total expenses</b>	<b>-39.5</b>	<b>-25.0</b>	<b>-30.9</b>	<b>-8.2</b>	<b>14.1</b>	<b>-89.5</b>
<b>Profit before impairment losses</b>	<b>24.8</b>	<b>8.3</b>	<b>0.3</b>	<b>7.2</b>	<b>-0.2</b>	<b>40.4</b>
Net impairment losses on financial assets	-1.2	-0.2	0.0	0.1	0.0	-1.4
<b>Net operating profit</b>	<b>23.6</b>	<b>8.0</b>	<b>0.3</b>	<b>7.2</b>	<b>-0.2</b>	<b>39.0</b>
Income taxes	-4.9	-1.6	-0.2	-0.3	0.0	-7.1
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>18.8</b>	<b>6.4</b>	<b>0.1</b>	<b>6.9</b>	<b>-0.2</b>	<b>31.9</b>
Business volume						
Lending to the public	1,892	2,292		407		4,591
Deposits from the public	1,841	1,941		68	-15	3,836
Actively managed assets	8,275	637		10		8,922
Risk exposure amount	713	564	75	532		1,884
Equity capital	83	90	27	122		322
Financial ratios etc.						
Return on equity after taxes, % (ROE)	28.4	9.2	0.6	12.5		15.1
Expense/income ratio	0.61	0.75	0.99	0.53		0.69

#### 4. Changes in Group structure

During the first quarter of 2022, Borgo AB (publ) was reclassified in such a way that it is no longer an associated company, since the Bank of Åland's ownership stake decreased to 19.9 per cent.

During the third quarter of 2022, Ålandsbanken Kiinteistökehitys I GP Oy, Ålandsbanken Kiinteistökehitys I Syöttörahasto GP Oy and Ålandsbanken Kiinteistökehitys I Syöttörahasto LP Oy were established. These three new real estate development funds are wholly owned subsidiaries of Ålandsbanken Fondbolag Ab.

#### 5. Net interest income

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
EUR M								
Lending to credit institutions and central banks	0.4	-0.2		-0.3		-0.1	-0.7	-87
Lending to the public	19.4	14.2	37	15.9	22	47.7	47.7	0
Debt securities	1.4	0.6		0.1		2.3	0.2	
Derivatives	0.6	0.8	-26	0.3		1.7	0.8	
Other interest income	0.2	0.2	9	0.0		0.5	0.0	
<b>Total interest income</b>	<b>22.0</b>	<b>15.6</b>	<b>41</b>	<b>16.1</b>	<b>37</b>	<b>52.1</b>	<b>48.1</b>	<b>8</b>
<i>of which interest income according to the effective interest method</i>	21.9	15.5	41	16.0	37	51.8	47.9	8
Liabilities to credit institutions and central banks	0.4	-0.7		-0.8		-1.1	-2.2	-50
Deposits from the public	1.0	0.3		0.5		1.7	1.4	26
Debt securities issued	0.5	-0.1		0.3	93	0.4	1.0	-65
Subordinated liabilities	0.3	0.2	21	0.2	66	0.7	0.7	5
Derivatives	0.9	0.6	56	0.4	93	1.8	1.2	47
Other interest expenses	0.0	0.0	3	0.0		0.1	0.0	
<b>Total interest expenses</b>	<b>3.1</b>	<b>0.4</b>		<b>0.6</b>		<b>3.6</b>	<b>2.1</b>	<b>69</b>
<i>of which interest expenses according to the effective interest method</i>	3.0	0.3		0.5		3.4	2.0	73
<b>Net interest income</b>	<b>18.9</b>	<b>15.2</b>	<b>24</b>	<b>15.5</b>	<b>22</b>	<b>48.5</b>	<b>46.0</b>	<b>5</b>
Interest margin, per cent	1.29	1.03		1.06		1.09	1.04	
Investment margin, per cent	1.24	1.02		1.02		1.06	1.00	

Interest from derivative instruments is recognised together with the item that they hedge within the framework of hedge accounting (fair value hedging and cash flow hedging). 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	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
EUR M								
Banking commissions	3.3	3.4	-1	2.9	16	9.6	8.3	15
Asset management commissions	14.3	17.0	-16	15.7	-9	48.0	47.5	1
Other commissions	0.9	0.8	8	0.5	71	2.5	1.7	43
<b>Net commission income</b>	<b>18.6</b>	<b>21.2</b>	<b>-13</b>	<b>19.1</b>	<b>-3</b>	<b>60.0</b>	<b>57.6</b>	<b>4</b>

## 7. Net income from financial items at fair value

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
EUR M								
Valuation category fair value via the income statement ("profit and losses")								
Derivative instruments	0.0	0.0		0.3		0.0	0.3	
<b>Valuation category fair value via the income statement ("profit and losses")</b>	<b>0.0</b>	<b>0.0</b>		<b>0.3</b>		<b>0.0</b>	<b>0.3</b>	
Hedge accounting								
of which hedging instruments	-2.5	-1.0		-0.9		-4.9	-3.2	53
of which hedged item	2.3	1.4	64	1.0		5.2	3.3	55
<b>Hedge accounting</b>	<b>-0.2</b>	<b>0.4</b>		<b>0.0</b>		<b>0.2</b>	<b>0.1</b>	
<b>Net income from foreign currency revaluation</b>	<b>0.1</b>	<b>-0.3</b>		<b>0.0</b>		<b>-0.4</b>	<b>-0.2</b>	
<b>Modification results and expected credit losses</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>	<b>0.2</b>	
<b>Net income from financial assets and liabilities</b>	<b>0.0</b>	<b>-0.3</b>		<b>-2.0</b>		<b>10.7</b>	<b>-2.4</b>	
<b>Total</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-53</b>	<b>-1.7</b>	<b>-94</b>	<b>10.5</b>	<b>-1.9</b>	

## 8. Net impairment losses on financial assets

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
EUR M								
Impairment losses, Stage 1	0.2	-0.4		-0.1		-1.8	-0.6	
Impairment losses, Stage 2	0.0	0.0	-75	-0.1		0.0	-0.1	-79
<b>Net impairment losses, Stages 1-2</b>	<b>0.2</b>	<b>-0.4</b>		<b>-0.2</b>		<b>-1.8</b>	<b>-0.6</b>	
Impairment losses, Stage 3								
New and increased individual provisions	1.3	2.1	-37	1.9	-28	9.7	3.8	
Recovered from previous provisions	-0.9	-0.6	47	-0.7	18	-3.9	-1.8	
Utilised for actual loan losses	-0.1	-0.3	-64	0.0		-0.4	-0.3	54
Actual loan losses	0.2	0.3	-45	0.1	98	0.7	0.6	10
Recoveries of actual loan losses	0.4	-0.1		-0.1		-0.2	-0.3	-30
<b>Net impairment losses, Stage 3</b>	<b>0.9</b>	<b>1.5</b>	<b>-37</b>	<b>1.1</b>	<b>-10</b>	<b>5.8</b>	<b>2.0</b>	
<b>Total impairment losses</b>	<b>1.1</b>	<b>1.2</b>	<b>-1</b>	<b>0.8</b>	<b>40</b>	<b>4.0</b>	<b>1.4</b>	
of which lending to the public	1.1	1.2	-9	0.8	37	4.3	1.6	
of which off-balance sheet commitments	0.0	-0.1		0.0		-0.3	0.0	
of which debt securities at amortised cost	0.0	0.0	-88	0.0		0.0	-0.1	-75
Loan loss level, lending to the public, %	0.11	0.13		0.07		0.12	0.05	

## 9. Lending to the public by purpose

Group	Sep 30, 2022			Dec 31, 2021		% Sep 30, 2021		%
	Lending before provisions	Provisions	Lending after provisions	Lending after provisions	Lending after provisions			
EUR M								
Private individuals								
Home loans	2,294	-4	2,291	2,832	-19	2,702	-15	
Securities and other investments	442	0	442	438	1	401	10	
Business operations	87	-1	86	84	2	93	-8	
Other household purposes	374	-8	366	363	1	326	12	
<b>Total, private individuals</b>	<b>3,197</b>	<b>-13</b>	<b>3,184</b>	<b>3,716</b>	<b>-14</b>	<b>3,522</b>	<b>-10</b>	
Companies								
Shipping	43	0	43	54	-20	56	-23	
Wholesale and retail trade	40	0	40	41	-1	42	-4	
Housing operations	262	-4	258	290	-11	279	-7	
Other real estate operations	168	-1	167	157	7	150	11	
Financial and insurance operations	218	0	218	217	0	229	-5	
Hotel and restaurant operations	31	0	31	33	-5	32	-5	
Agriculture, forestry and fishing	11	0	11	10	11	12	-8	
Construction	53	0	53	49	7	54	-2	
Other industry and crafts	36	0	36	38	-5	37	-3	
Other service operations	133	0	132	118	12	115	15	
<b>Total, companies</b>	<b>994</b>	<b>-5</b>	<b>988</b>	<b>1,004</b>	<b>-2</b>	<b>1,005</b>	<b>-2</b>	
Public sector and non-profit organisations	69	0	68	67	2	64	7	
<b>Total, public sector and non-profit organisations</b>	<b>69</b>	<b>0</b>	<b>68</b>	<b>67</b>	<b>2</b>	<b>64</b>	<b>7</b>	
<b>Total</b>	<b>4,259</b>	<b>-18</b>	<b>4,241</b>	<b>4,788</b>	<b>-11</b>	<b>4,591</b>	<b>-8</b>	



## 10. Lending to the public by stage

Group	Jan 1, 2022 - Sep 30, 2022				Jan 1, 2021 - Sep 30, 2021
	Stage 1	Stage 2	Stage 3	Total	Total
<b>EUR M</b>					
Carrying amount, gross					
Opening balance, January 1	4,603.5	139.9	59.0	4,802.5	4,389.8
Closing balance, September 30	4,028.0	162.3	69.1	4,259.3	4,604.1
Provisions for expected losses					
<b>Opening balance, January 1</b>	<b>2.1</b>	<b>0.8</b>	<b>11.7</b>	<b>14.6</b>	<b>11.9</b>
Increases due to issuances and acquisitions	0.6	0.0	4.4	5.0	0.6
Decrease due to removal from balance sheet	-0.7	0.0	-3.9	-4.7	-1.0
Decrease due to write-offs	0.0	0.0	0.0	0.0	0.0
Transfer to Stage 1	0.6	-0.6	0.0	0.0	0.0
Transfer to Stage 2	-0.9	1.3	-0.4	0.0	0.0
Transfer to Stage 3	0.0	-0.4	0.4	0.0	0.0
Net changes due to changed credit risk	0.5	-0.3	4.9	5.2	1.7
Net changes due to changed estimation method	-1.5	-0.1	0.0	-1.7	0.0
Exchange rate differences and other adjustments	0.0	0.0	-0.2	-0.2	0.0
<b>Closing balance, September 30</b>	<b>0.6</b>	<b>0.8</b>	<b>16.8</b>	<b>18.2</b>	<b>13.1</b>
Carrying amount, net					
Opening balance, January 1	4,601.4	139.1	47.3	4,787.8	4,377.9
Closing balance, September 30	4,027.4	161.4	52.2	4,241.0	4,591.0
	<b>Sep 30, 2022</b>	<b>Dec 31, 2021</b>	<b>Sep 30, 2021</b>		
Impairment losses, IFRS 9 - Financial ratios					
Total provision ratio, lending to the public, %	0.43	0.30	0.28		
Provision ratio, Stage 1, lending to the public, %	0.01	0.05	0.05		
Provision ratio, Stage 2, lending to the public, %	0.51	0.60	0.66		
Provision ratio, Stage 3, lending to the public, %	24	20	18		
Share of lending to the public in Stage 3, %	1.62	1.23	1.19		

## 11. Debt securities issued

Group	Sep 30, 2022	Dec 31, 2021	%	Sep 30, 2021	%
EUR M					
Certificates of deposit	117			39	
Covered bonds	622	1,197	-48	1,203	-48
<b>Total</b>	<b>739</b>	<b>1,197</b>	<b>-38</b>	<b>1,243</b>	<b>-41</b>

## 12. Derivative instruments

Group	Sep 30, 2022						Dec 31, 2021		
	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									
<i>Interest rate swaps</i>			6	6	0	0	12	2	2
Currency-related contracts									
<i>Currency forward contracts</i>	669			669	7	7	549	2	3
<b>Total</b>	<b>669</b>	<b>0</b>	<b>6</b>	<b>675</b>	<b>7</b>	<b>7</b>	<b>561</b>	<b>3</b>	<b>4</b>
Derivatives for market value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	365	422	51	838	18	17	824	10	3
<b>Total</b>	<b>365</b>	<b>422</b>	<b>51</b>	<b>838</b>	<b>18</b>	<b>17</b>	<b>824</b>	<b>10</b>	<b>3</b>
Derivatives for cash flow hedge									
Interest-related contracts									
<i>Interest rate and currency swaps</i>	367			367		2			
<b>Total</b>	<b>367</b>	<b>0</b>	<b>0</b>	<b>367</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total derivative instruments</b>	<b>1,400</b>	<b>422</b>	<b>57</b>	<b>1,879</b>	<b>25</b>	<b>26</b>	<b>1,385</b>	<b>13</b>	<b>7</b>
<i>of which cleared</i>	732	422	54	1,208	18	19	830	10	4

### 13. Financial instruments measured at fair value

Group		Sep 30, 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	715			715
Lending to the public		169		169
Shares and participations	1		34	35
Derivative instruments		25		25
Other assets			6	6
<b>Total financial assets</b>	<b>716</b>	<b>194</b>	<b>40</b>	<b>950</b>
Debt securities issued		622		622
Derivative instruments		26		26
<b>Total financial liabilities</b>		<b>648</b>		<b>648</b>

Group		Dec 31, 2021		
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	396			396
Lending to the public		167		167
Shares and participations	1		14	15
Derivative instruments		13		13
Other assets			5	5
<b>Total financial assets</b>	<b>397</b>	<b>180</b>	<b>19</b>	<b>596</b>
Debt securities issued		644		644
Derivative instruments		7		7
<b>Total financial liabilities</b>		<b>651</b>		<b>651</b>

Changes in Level 3 holdings	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2021
EUR M	Shares and participations	Shares and participations
Carrying amount on January 1	14.0	12.0
New purchases/reclassifications	23.2	2.5
Divested/reached maturity during the year	0.0	-0.1
Realised change of value in the income statement	0.0	0.0
Change in value recognised in "Other comprehensive income"	-3.0	-0.5
<b>Carrying amount at end of period</b>	<b>34.3</b>	<b>14.0</b>

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 assets essentially consist of unlisted shares. Such holdings are generally measured as the Bank's portion of the net asset value of the company. In companies that have carried out a new share issue without preferential rights based on previous holdings, each share is valued at this issue price, with a deduction for share illiquidity. The changes in the value of unlisted shares are reported 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	Sep 30, 2022	Dec 31, 2021	% Sep 30, 2021	%	
EUR M					
Guarantees	23	44	-47	43	-46
Unutilised overdraft limits	327	312	5	304	8
Unutilised credit card limits	88	88	0	88	1
Lines of credit	851	560	52	617	38
Other commitments	28	42	-33	32	-13
<b>Total</b>	<b>1,317</b>	<b>1,045</b>	<b>26</b>	<b>1,084</b>	<b>22</b>
Provision for expected loss	0	0	-88	0	-88

## 15. Assets pledged

Group	Sep 30, 2022	Dec 31, 2021	% Sep 30, 2021	%	
EUR M					
Lending to credit institutions	26	26	-2	18	42
Debt securities	328	313	5	316	4
Loan receivables constituting collateral (cover pool) for covered bonds	1,095	2,085	-47	2,093	-48
Other assets pledged	51	4		4	
<b>Total</b>	<b>1,500</b>	<b>2,428</b>	<b>-38</b>	<b>2,432</b>	<b>-38</b>

During the report period, no major shift has taken place concerning the scale of financial assets and liabilities that are subject to offsetting, netting agreements or similar agreements. Information about this type of agreements is included in the Bank of Åland's Annual Report, Note G46.

## 16. Capital adequacy

Group	Sep 30, 2022	Dec 31, 2021	%	Sep 30, 2021	%
EUR M					
Equity capital	282.1	302.5	-7	292.3	-3
Foreseeable dividend	-17.2	-31.2	-45	-15.8	8
<b>Common equity Tier 1 capital before deductions</b>	<b>265.0</b>	<b>271.3</b>	<b>-2</b>	<b>276.5</b>	<b>-4</b>
Intangible assets	-14.2	-15.0	-6	-15.3	-7
Deduction for excess value of pension assets	-1.1				
Permission for buy-backs and holdings of own shares	-9.3	-10.5	-12	0.0	
Non-controlling interests	0.0	0.0	9	0.0	6
Cash flow hedge	2.1				
Net other items	-0.1			0.0	8
Further adjustments in value	-0.8	-0.4		-0.5	73
Expected losses according to IRB approach beyond recognised losses (deficit)	-8.8	-6.9	28	-6.6	33
Adjustments due to transitional rules related to IFRS 9	0.2	0.5	-68	0.4	-58
<b>Common equity Tier 1 capital</b>	<b>233.0</b>	<b>239.0</b>	<b>-3</b>	<b>254.5</b>	<b>-8</b>
Tier 1 capital instruments	29.4	29.4	0	29.4	0
<b>Additional Tier 1 capital</b>	<b>29.4</b>	<b>29.4</b>	<b>0</b>	<b>29.4</b>	<b>0</b>
<b>Tier 1 capital</b>	<b>262.4</b>	<b>268.4</b>	<b>-2</b>	<b>283.9</b>	<b>-8</b>
Supplementary capital instruments	32.1	36.4	-12	21.9	46
<b>Supplementary capital</b>	<b>32.1</b>	<b>36.4</b>	<b>-12</b>	<b>21.9</b>	<b>46</b>
<b>Total capital base</b>	<b>294.5</b>	<b>304.8</b>	<b>-3</b>	<b>305.9</b>	<b>-4</b>
Capital requirement for credit risk according to the IRB approach	40.1	38.8	3	39.2	2
Additional capital requirement, IRB approach	14.4	10.3	39	10.4	38
Capital requirement for credit risk according to standardised approach	82.7	91.1	-9	83.2	-1
Capital requirement for market risk	0.6				
Capital requirement for credit-worthiness adjustment risk	0.0	0.1	-38	0.0	-7
Capital requirement for operational risk	19.5	17.8	9	17.8	9
<b>Capital requirement</b>	<b>157.4</b>	<b>158.1</b>	<b>0</b>	<b>150.7</b>	<b>4</b>
Capital ratios					
Common equity Tier 1 capital ratio, %	11.8	12.1		13.5	
Tier 1 capital ratio, %	13.3	13.6		15.1	
Total capital ratio, %	15.0	15.4		16.2	
Risk exposure amount	1,967	1,976	0	1,884	4
of which % comprising credit risk	87	89		88	
of which % comprising market risk	0				
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	12	11		12	

Requirements related to capital buffers, %	Jun 30, 2022	Dec 31, 2021	Jun 30, 2021
Total common equity Tier 1 capital requirements including buffer requirements	8.1	7.6	7.6
of which common equity Pillar 1 capital requirement	4.5	4.5	4.5
of which common equity Pillar 2 capital requirement	0.6	0.6	0.6
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	0.5	0.0	
of which systemic risk buffer requirement	0.0	0.0	
Common equity Tier 1 capital available to be used as a buffer	11.8	12.1	13.5

Exposure class	Sep 30, 2022				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
Without own LGD estimates					
Corporate, other large companies	230.6	196.6	56	110.3	8.8
Corporate, small and medium sized companies	309.8	287.4	49	141.8	11.3
Corporate, special lending	4.9	4.9	93	4.5	0.4
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,898.3	1,884.1	10	179.8	14.4
Retail with property as collateral (small and medium-sized companies)	129.3	127.0	20	25.5	2.0
Retail, other (small and medium-sized companies)	36.3	34.8	20	7.1	0.6
Retail, other	376.3	318.2	10	32.9	2.6
<b>Total exposures according to IRB approach</b>	<b>2,985.4</b>	<b>2,853.0</b>	<b>18</b>	<b>501.8</b>	<b>40.1</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	795.6	872.3	0	0.0	0.0
Regional governments or local authorities	48.8	84.5	0	0.0	0.0
Public sector entities	17.1	17.1	0	0.0	0.0
Multilateral development banks	50.8	59.2	2	1.0	0.1
International organisations	33.8	33.8	0	0.0	0.0
Institutions	351.5	314.6	20	63.2	5.1
Corporates	773.7	320.8	96	308.7	24.7
Retail	981.3	329.6	53	175.5	14.0
Secured by mortgages on immovable property	862.6	861.6	33	284.6	22.8
Exposures in default	22.8	16.5	116	19.0	1.5
Covered bonds	427.4	427.3	10	44.8	3.6
Collective investment undertakings	1.1	1.1	88	1.0	0.1
Equity exposures	40.8	40.8	177	72.4	5.8
Other exposures	140.3	140.3	45	63.6	5.1
<b>Total exposures according to standardised approach</b>	<b>4,547.6</b>	<b>3,519.5</b>	<b>29</b>	<b>1,033.8</b>	<b>82.7</b>
<b>Total risk exposure amount, credit risk</b>	<b>7,533.1</b>	<b>6,372.5</b>	<b>24</b>	<b>1,535.6</b>	<b>122.8</b>



Exposure class	Dec 31, 2021				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
Without own LGD estimates					
Corporate, other large companies	275.5	207.7	48	100.7	8.1
Corporate, small and medium sized companies	305.4	274.1	51	139.4	11.2
Corporate, special lending	5.0	5.0	71	3.5	0.3
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,874.0	1,859.2	9	174.2	13.9
Retail with property as collateral (small and medium-sized companies)	129.9	127.4	22	27.5	2.2
Retail, other (small and medium-sized companies)	35.2	33.9	20	6.8	0.5
Retail, other	386.9	332.6	10	33.1	2.6
<b>Total exposures according to IRB approach</b>	<b>3,011.9</b>	<b>2,839.9</b>	<b>17</b>	<b>485.3</b>	<b>38.8</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	918.3	1,000.0	0	0.0	0.0
Regional governments or local authorities	66.4	101.1	0	0.0	0.0
Public sector entities	0.1	0.1	0	0.0	0.0
Multilateral development banks	53.9	61.0	2	1.0	0.1
International organisations	4.0	4.0	0	0.0	0.0
Institutions	301.7	262.5	22	57.5	4.6
Corporates	766.9	310.8	96	297.9	23.8
Retail	634.2	250.8	48	120.8	9.7
Secured by mortgages on immovable property	1,438.0	1,436.7	34	485.2	38.8
Exposures in default	13.9	11.1	118	13.1	1.1
Covered bonds	397.0	397.0	11	43.5	3.5
Collective investment undertakings	1.0	1.0	77	0.8	0.1
Equity exposures	28.6	28.6	143	41.1	3.3
Other exposures	89.9	89.9	87	78.0	6.2
<b>Total exposures according to standardised approach</b>	<b>4,714.2</b>	<b>3,954.7</b>	<b>29</b>	<b>1,138.8</b>	<b>91.1</b>
<b>Total risk exposure amount, credit risk</b>	<b>7,726.0</b>	<b>6,794.5</b>	<b>24</b>	<b>1,624.1</b>	<b>129.9</b>

Leverage ratio	Sep 30, 2022	Dec 31, 2021	% Sep 30, 2021	%
EUR M				
Tier 1 capital	262.4	268.4	-2	-8
Total exposure measure	6,412.7	6,272.9	2	8
of which balance sheet items	6,149.7	6,052.0	2	8
of which off-balance sheet items	263.0	220.9	19	18
Leverage ratio, %	4.1	4.3		4.8

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

## 17. Share-related information

Group	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
thousands					
Number of Series A shares outstanding at beginning of period	6,476	6,476		6,476	
Number of Series B shares outstanding at beginning of period	9,126	9,110	0	9,110	0
<b>Total shares outstanding at beginning of period</b>	<b>15,602</b>	<b>15,586</b>	<b>0</b>	<b>15,586</b>	<b>0</b>
Number of Series B shares issued	13	16	-21	16	-21
Number of Series B shares bought back and nullified	-91				
<b>Total change in Series B shares</b>	<b>-78</b>	<b>16</b>		<b>16</b>	
Number of Series A shares outstanding at end of period	6,476	6,476		6,476	
Number of Series B shares outstanding at end of period	9,048	9,126	-1	9,126	-1
<b>Total shares outstanding at end of period</b>	<b>15,525</b>	<b>15,602</b>	<b>0</b>	<b>15,602</b>	<b>0</b>
<b>Total shares outstanding at end of period after dilution</b>	<b>15,541</b>	<b>15,636</b>	<b>-1</b>	<b>15,616</b>	<b>0</b>
Shareholders' portion of equity capital per share, EUR	18.17	19.39	-6	18.74	-3
Closing price per Series A share, EUR	34.00	32.60	4	28.60	19
Closing price per Series B share, EUR	31.30	31.50	-1	27.70	13
Market capitalisation, EUR M	503	499	1	438	15
Market capitalisation/shareholders' portion of equity capital, %	178	165		150	

Group	Q3 2022	Q2 2022	%	Q3 2021	%	Jan-Sep 2022	Jan-Sep 2021	%
thousands								
Average number of shares outstanding	15,562	15,575	0	15,602	0	15,562	15,598	0
Average number of shares outstanding after dilution	15,583	15,577	0	15,602	0	15,583	15,598	0
Earnings per share, EUR	0.57	0.54	6	0.77	-26	1.82	2.05	-11
Earnings per share after dilution, EUR	0.57	0.54	6	0.77	-27	1.81	2.05	-11
Earnings per share, rolling 12 months, EUR	2.32	2.53	-8	2.67	-13			

Translation

## **Report on review of the interim report of Bank of Åland Plc for the accounting period January 1 – September 30, 2022**

### **To the Board of Directors of Bank of Åland Plc**

#### **INTRODUCTION**

We have reviewed the summary balance sheet as of September 30, 2022 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Bank of Åland Plc group for the nine-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

#### **SCOPE OF REVIEW**

We conducted our review in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, October 25, 2022

KPMG Oy Ab

HENRY MAARALA  
Authorised Public Accountant, KHT

SANDRA ERIKSSON  
Authorised Public Accountant, KHT

JESSICA BJÖRKGREN  
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