Annual Report 2023

Ålandsbanken Abp

Going our own way

ÅLANDSBANKEN

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Financial calendar

The Bank of Åland will publish the following Interim Reports during the 2024 financial year:

- January–March Interim Report — April 25, 2024
- January–June Half-Year Financial Report — July 19, 2024
- January–September Interim Report — October 25, 2024

The Annual Report and all Interim Reports will be published on the Bank's website: *www.alandsbanken.fi*

They can be ordered from: info@alandsbanken.fi or from Secretariat, Bank of Åland Plc, PB 3, AX-22101 Mariehamn, Åland, Finland.

The Head Office of the Bank of Åland is in Mariehamn, capital of the autonomous Finnish province of Åland. Located in the Baltic Sea midway between Sweden and Finland, the 6,700-island Åland archipelago has more than 30,500 inhabitants. Its official language is Swedish.

This translation of the Swedish-language Annual Report uses the international currency codes for the European Central Bank euro (EUR) and the Swedish krona (SEK).
At year-end 2023, the middle rate for EUR 1 was USD 1.0666 and SEK 11.1218.

"The Bank" refers to the Bank of Åland Plc (Ålandsbanken Abp), Parent Company of the Bank of Åland Group. Amounts have generally been rounded off to millions or thousands, but percentage figures, totals, ratios etc. are calculated on the exact amounts. The abbreviation M refers to million(s), and K means thousand(s).

Translation: Victor Kayfetz, Oakland, CA
Cover: Anton Sucksdorf

About the Bank of Åland

- The Bank of Åland (Ålandsbanken) was founded in 1919 as Ålands Aktiebank. We have been listed on the Helsinki Stock Exchange (now the Nasdaq Helsinki Oy) since 1942.
- Our Head Office is located in Mariehamn, Åland. The Bank has a total of two offices in Åland and six on the Finnish mainland: Helsinki, Tampere, Vaasa, Oulu, Turku and Parainen. In Sweden, the Bank has offices in Stockholm, Gothenburg and Malmö.
- The Group includes two subsidiaries: the fund management company Ålandsbanken Fondbolag Ab and the information technology (IT) company Crosskey Banking Solutions Ab Ltd.
- In Åland, we are a bank for all residents: both in a position and with a desire to help develop the Åland of the future.
- On the Finnish mainland and in Sweden, the Bank of Åland has a niche strategy targeted to entrepreneurs, wealthy families and individual customers with sound finances. We offer two concepts: Private Banking and Premium Banking.
- Over the years, the Bank of Åland has established itself as an innovative pioneer in the financial services sector. Our Premium Banking concept was launched in 2004 and has developed into a model followed by our competitors in the Nordic countries. In 2016, with the Åland Index, we created an international standard for measuring the climate impact of private consumption.
- The Bank of Åland has business partnerships with various financial technology (fintech) companies. We also supply services to companies in the financial services sector. The Bank is a shareholder in several of our partner companies.
- The Bank of Åland offers its customers financial products that benefit them economically, but at the same time contribute to sustainable development. The Baltic Sea Account is a good example. Including the 2023 total, the Baltic Sea Account has contributed about EUR 4.4 million over the years to projects that improve and protect the environment.

Bank of Åland Group	2023	2022	2021	2020	2019
EUR M					
Income					
Net operating profit	61.7	46.1	49.2	39.7	33.2
Profit for the year attributable to shareholders	48.7	36.8	39.9	31.5	26.3
Volume					
Lending to the public	3,859	4,303	4,788	4,378	4,110
Deposits from the public	3,585	4,182	4,070	3,605	3,368
Actively managed assets [1]	9,776	8,637	9,826	7,436	6,343
Managed mortgage loans [2]	2,716	1,304	2		
Equity capital	335	316	332	292	258
Risk exposure amount	1,774	1,938	1,976	1,671	1,583
Financial ratios					
Return on equity after taxes (ROE), % [3]	17.2	12.8	14.0	11.6	10.7
Expense/income ratio [4]	0.68	0.72	0.69	0.70	0.73
Loan loss level, % [5]	0.05	0.14	0.12	0.11	0.08
Gross share of loans in stage 3, % [6]	1.61	1.61	1.23	0.89	0.81
Liquidity coverage ratio (LCR), % [7]	156	138	139	159	139
Loan/Deposit ratio, % [8]	107	103	118	121	122
Common equity Tier 1 capital ratio, % [9]	13.7	12.1	12.1	14.3	13.4
Tier 1 capital ratio, % [10]	15.3	13.6	13.6	14.3	13.4
Total capital ratio, % [11]	17.1	15.2	15.4	16.5	15.8
Working hours re-calculated to full-time equivalent positions	906	854	815	751	700
Earnings per share, EUR [12]	3.18	2.37	2.55	2.02	1.69
Equity capital per share, EUR [13]	19.98	18.85	19.39	18.76	16.61
Dividend per share, EUR	2.65	2.05	2.00	1.00	1.00

[1] Actively managed assets encompass managed assets in the Group's own mutual funds as well as discretionary and advisory securities volume plus external funds with contractual earnings.

[2] Total volume of mortgage loans in Borgo AB, which the Bank of Åland manages through various services.

[3] Profit for the report period attributable to shareholders/Average shareholders' portion of equity.

[4] Expenses/Income.

[5] Net impairment losses on financial assets from lending to the public/Lending to the public at end of period.

[6] Share of loans in Stage 3/Gross lending to the public.

[7] LCR assets at level 1 and 2/30-day net cash outflow.

[8] Lending to the public/Deposits from the public.

[9] Common equity Tier 1 capital/Risk exposure amount.

[10] Tier 1 capital/Risk exposure amount.

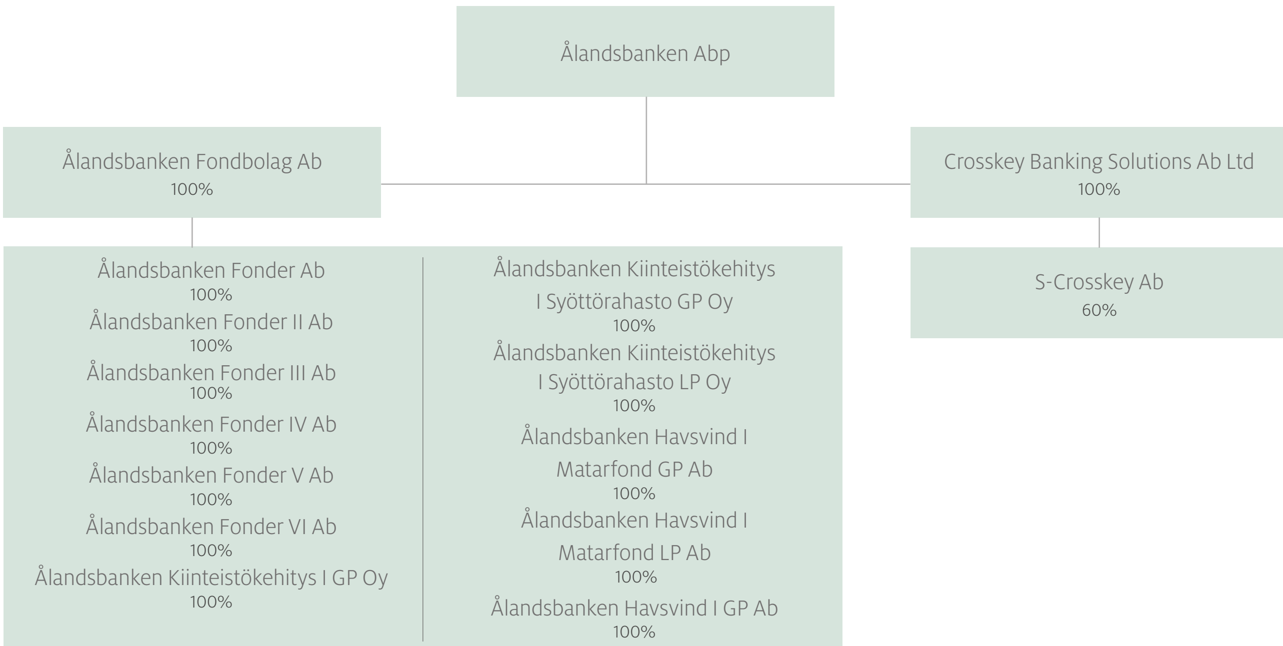
[11] Own funds/Risk exposure amount.

[12] Shareholders' portion of profit for the period/Average number of shares.

[13] Shareholders' portion of equity capital/Number of shares on closing day.

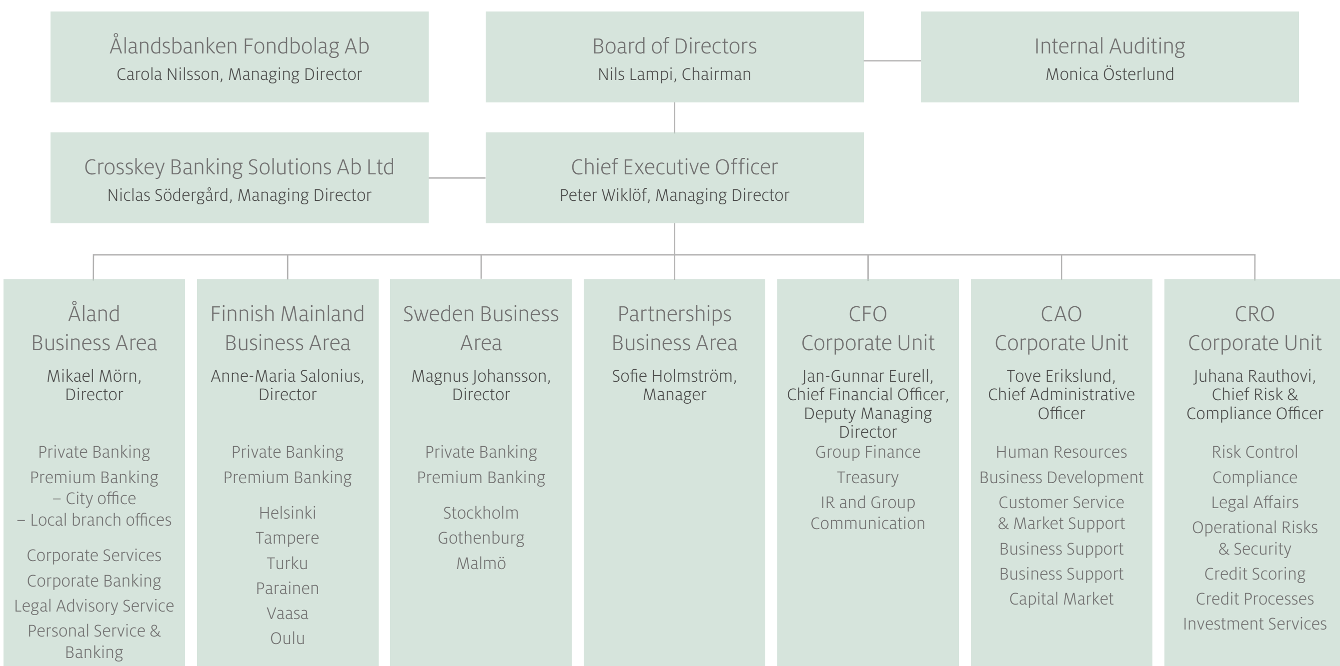
[14] Proposed by the Board of Directors for approval by the Annual General Meeting.

Legal group structure



Associated companies consolidated in the Group: Mäklarhuset Åland Ab, 32%; Alandia Holding Ab, 28%; Helen ÅB Tuulipuistohallinnointiyhtiö Oy, 40%; Uusimo GP Oy, 50%; Riitamaa-Nurmesneva GP Oy, 50%; Leilisuo GP Oy, 50%; Noatun Wind Park Norra Ab 40%; Noatun Wind Park Södra Ab, 40%.

Organisational chart



The year 2023 in brief

Financial summary of 2023

- Net operating profit increased by 34 per cent to EUR 61.7 M (46.1).
- Earnings per share increased by 34 per cent to EUR 3.18 (2.37).
- Return on equity after taxes (ROE) increased to 17.2 per cent (12.8).
- 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).
- 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).
- Actively managed assets increased by 13 per cent to EUR 9,776 M (8,637).
- Deposits fell by 14 per cent to EUR 3,595 M (4,182).
- Lending fell by 10 per cent to EUR 3,859 M (4,303).
- Home mortgage loans under management increased to EUR 2,716 M (1,304).
- The common equity Tier 1 capital ratio increased to 13.7 per cent (12.0).
- The Board of Directors proposed a dividend of EUR 2.65 per share (2.05), of which EUR 2.40 per share as a regular dividend (1.60) plus EUR 0.25 per share as an extra dividend (0.45).

Milestones during 2023

FIRST QUARTER

- The Bank of Åland issued 22,057 Series B shares to fulfil the Bank's obligations under the employee savings programme. In addition, 6,974 Series B shares were issued as a result of the Bank's commitment under the employee incentive programme.
- The Annual General Meeting (AGM) on March 29, 2023 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 Board members Nils Lampi, Christoffer Taxell, Mirel Leino-Haltia, Anders Å Karlsson, Ulrika Valassi and Anders Wiklöf. 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.

SECOND QUARTER

- The Board of Directors of the Bank of Åland approved a new 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 September 2023. The first share issue was planned for March 2024, and the programme will run for one year. Three years after each respective share issue, the Bank of Åland distributes one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the issues and who are still employed by the Group and own the shares that were issued.
- 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 our customers, we continue our commitment to a cleaner Baltic Sea. In 2023, the Baltic Sea Project contributed EUR 615,000 to various projects that promote the health of the Baltic Sea.

THIRD QUARTER

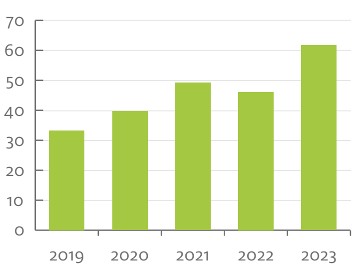
- The previously announced transfer of Swedish home mortgage loans from the Bank of Åland to Borgo was completed on September 11. The nominal amount of the mortgage portfolio that was transferred was SEK 5.8 billion. The portfolio consisted of home mortgage loans mediated by ICA Banken and Söderberg & Partners Bolån. The transfer did not have any significant effect on the Bank of Åland's earnings, but it freed up liquidity and capital.

FOURTH QUARTER

- 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.

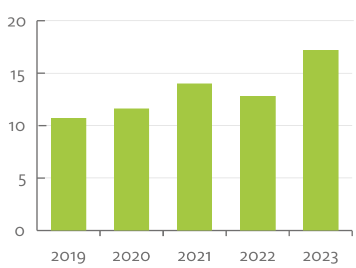
Net operating profit

EUR M



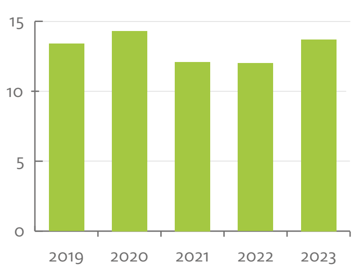
Return on equity after taxes (ROE)

per cent



Common equity Tier 1 capital ratio

per cent



Statement by the Bank of Åland's Managing Director: Strong earnings growth during a turbulent year

Photographer: Viktor Fremling

Peter Wiklöf, Managing Director

Last year was marked by several sources of concern. Early in the year, we saw steadily rising interest rates as the world's central banks combated high inflation – which was around 10 per cent – by raising their key interest rates.

In addition, we saw Russia's war of aggression in Ukraine enter its second year. Late in 2023 another war started, this time in the Middle East between Israel and Hamas. During the spring, we experienced banking sector turmoil when several regional banks in the United States failed due to liquidity shortages. Just before the summer one of the world's largest banks, Credit Suisse, met the same fate.

This turmoil initially caused the world's stock markets to fall, while market interest rates and bond yields continued to rise. Towards year-end, investors began to regain their confidence in the future as inflation started a clear downward trend and central banks were perceived as having finished hiking their key rates.

The Nasdaq Helsinki Oy was one of the weakest stock exchanges in the world during 2023, falling by 6 per cent, while the Stockholm stock exchange managed to gain 16 per cent. Market interest rates linked to Euribor rose during the year from around 2 per cent to 4 per cent but began to fall during the final month of the year.

The Swedish krona continued to lose value and was at record lows on some days late in 2023, when it was possible to buy SEK 12 for one euro. On average during the year, the Swedish krona was 8 percent lower than in 2022. A weak Swedish krona lowers the Bank of Åland's earnings and volume trend, since our financing reporting is in euros.

Continued growth in managed assets, but a reduced balance sheet

During 2023 we saw a continued inflow of new customers to the Bank. Despite a mixed performance in equity markets, at the end of the year we succeeded in reaching our previous peak volume of managed assets – where we have an agreement with our customers to handle their investments. This amount, EUR 9,776 M, was 13 per cent higher than in the previous year. One of the main reasons for this was a net inflow of over EUR 660 million into our asset management business.

Overall, the earnings from our investment management services were very good during 2023, clearly demonstrating the added value we can offer our customers. An exception was our Bostadsfond (a housing mutual fund), which after ten successful years experienced its first real challenge as rising market interest rates caused the residential real estate market to cool down sharply, which led to falling home prices.

Our lending fell by 10 per cent to EUR 3,859 M. The main reason for our shrinking loan volume was that we carried out our second migration of Swedish home loans to the mortgage company Borgo, which we own together with ICA Bank, Ikano Bank, Söderberg & Partners and the southern Swedish savings bank Sparbanken Syd. During the autumn, we transferred mortgages with a total value of SEK 5.8 billion. If we disregard this migration, we had a slight increase in lending volume, but it was clear that customers were hesitant to take out new loans while interest rates were climbing, and many customers chose to make extra loan repayments.

The volume that we handle for Borgo (managed mortgage loans), where Crosskey takes care of the IT operations while the Bank of Åland's corporate units handle most of Borgo's other day-to-day management, rose significantly during the year to EUR 2,716 M. This was an increase of about EUR 1.4 billion. The Bank of Åland does not bear any credit risk in this collaboration but is merely a service provider.

Last year, deposits fell by 14 per cent to EUR 3,595 M. In 2022, when Russia's war of aggression against Ukraine began, we saw an increase in deposits since many customers chose to "park" their money in accounts while waiting to see how the international situation would unfold. Early in 2023, we saw many customers start using this money again, among other things because rising interest rates made fixed income funds attractive, but some customers used the money to pay down loans. The decline in deposits mainly took place during the first half of the year, and in the fourth quarter we saw a slight increase in deposit volume.

Higher income

During 2023, total income increased by 10 per cent to EUR 202.4 M, thereby exceeding EUR 200 M for the first time. Rising market interest rates allowed wider margins across the banking sector, and our net interest income increased by 46 per cent to EUR 99.7 M.

The turmoil in the world's stock markets during the year led to less equity trading activity, lowering our securities brokerage commissions. Rising asset management volume largely offset this lower level of activity and the weaker Swedish krona. Net commission income decreased by 2 per cent during the year to EUR 77.0 M.

Our IT income rose by 22 per cent to EUR 28.6 M. New customers at Crosskey and several significant projects resulted in a clear increase in project revenues. Crosskey's order book looks good when we look ahead into 2025.

In 2022 the Bank of Åland had large nonrecurring income, including about EUR 10 M for the transfer of Swedish home mortgage loans to Borgo. In 2023, the Bank of Åland did not have any major nonrecurring income.

Also higher expenses

Total expenses increased by 5 per cent during the year to EUR 138.4 M, which was in line with our expectations. We continued to invest in more employees. The number of full-time equivalent employees increased by 52 positions, or 6 per cent, to 906. Staff costs rose by 8 per cent to EUR 81.3 M.

Other expenses increased by 5 per cent to EUR 41.6 M.

Our statutory fees decreased during the year by 6 per cent to EUR 3.2 M, while our depreciation and amortisation fell by 12 per cent to EUR 12.2 M.

Earnings set a new record

We ended 2023 with a net operating profit of EUR 61.7 million, which was 34 per cent better than in 2022. Over the past five years, the Bank of Åland has delivered a net operating profit that has set new records four times. In 2023 it was our net interest income and our IT income that took big steps in the right direction. During previous record years, it was usually our net commission income that – due to rising asset management volumes – was instrumental in giving us good earnings despite an adverse interest rate environment. Our ability to generate record earnings regardless of the interest rate environment or periods of turmoil demonstrates the well-functioning and well-diversified business model that the Bank of Åland has today.

The Bank's long-term financial target is to generate a return on capital exceeding 15 per cent. In 2023 as a whole we achieved a return of 17.2 per cent, and a return of 21.5 per cent during the second half of the year. We are thus entering 2024 with very good earnings generation.

Continued efforts to create a culture appreciated by both customers and employees

We usually describe what we do with the words: "we deliver a large bank's range of services with a smaller bank's thoughtfulness and good sense." To live up to this description, we need knowledgeable employees. The knowledge they must possess not only includes how our services work and how markets and regulations work, but also has to include a large number of soft values – understanding how to adapt to customer needs, but also how to fit into the ever-expanding team that the Bank of Åland represents today.

To support each other in this effort, we work continuously with cultural issues that help guide us along the path we have chosen.

Since we consciously work with these issues, it was especially gratifying to learn that Kantar Prospera's customer survey named us Finland's best Private Banking operator for the third year in a row. We were the winners in two of the categories that customers value most, according to the survey: service-mindedness and personal contact. In addition, the Bank of Åland was the bank most likely to be recommended by its customers. This type of award makes us feel even more confident about continuing to operate as a long-term relationship bank.

During 2023 we also saw high customer satisfaction figures in our own surveys of the Premium customer segment.

Among our employees, we regularly monitor many different areas, but one metric that summarises much of this is our commitment index. It was encouraging to see our employee scores increase in this area during the year.

Sustainability issues are an increasing element of our lives

Since 1997, the Bank of Åland has worked with its customers on sustainability issues. This shows that we are not doing so just because the authorities are now starting to demand action from all banks, but on the basis of our own convictions.

This comes naturally for a bank that thinks long-term. We want to contribute to the United Nations Sustainable Development Goals.

During 2023 we worked our way deeper into the various dimensions of sustainability issues. We have set new targets and started to measure our impact in more and more areas. We increased our understanding of our impact by carrying out a "double materiality" analysis, which takes into account both our direct impact as a company and the indirect impact of our products and services. In some areas, it must be said that the answers that emerge are not always exact, but they provide us with guidance.

To further hone our skills in the sustainability field, we have recruited more employees with the right expertise who can work with these issues on a dedicated basis.

We are a bank that has the ambition to grow. At the same time, we have set targets to reduce our greenhouse gas emissions. Combining growth with reduced emissions requires both knowledge and a readiness to make conscious decisions, but we are convinced that our customers and partners want to be part of our journey and contribute to a more sustainable world.

Continuing on our chosen path

Given the growing number of customers who have decided to rely on us, combined with the fact that it is demonstrably possible to run a relationship-oriented bank in a profitable way, we are increasingly convinced that we should continue on our current path without any need for major changes. At the same time as I say this, we know that there are many areas in which we can still improve, and that is where we must focus our efforts in the coming years.

I would like to express my deep gratitude to all our employees. Many thanks also to our existing and new customers for the trust that you show us.

Peter Wiklöf
Managing Director

Strategy and value creation

Photographer: Anton Sucksdorff

Daring to go our own way

As large banks become ever larger and their customers feel ever smaller, a clear need arises – the need for a bank where every customer feels seen, heard and appreciated. The Bank of Åland has a century behind it as an independent, innovative and customer-oriented bank. This is why it is self-evident that we will continue along a path where the needs of our customers are the guiding principle for the Bank of Åland's development.

- We offer a wide range of banking and asset management services. Under our own brand, we focus on private individuals and companies in selected geographic areas in Finland and Sweden.
- We offer Banking as a Service (BaaS). Our target group is companies that want to offer their customers banking services under their own brand.
- We offer IT as a Service (ITaaS). Our target group is financial service companies that need IT services to enable them to deal with their own customers.

Our vision

Our aim is to be the self-evident bank for people with ambitions and companies that value relationships.

Our position

The Bank of Åland is a bank for investors, with financing know-how. The Bank of Åland generates value for individuals and companies by delivering a large bank's range of services with a smaller bank's thoughtfulness and sense of dedication. At the Bank of Åland, we focus on what problems we solve, what opportunities we create and how we deliver different types of value to our customers. We always go our own way, and that is how we persuade more and more friends to join us on this path.

Our choice of position is ambitious, but it is a position where we foresee a clear customer need and a growing market. The Bank of Åland is growing within selected target groups, putting special emphasis on investment operations at the same time as we deliver financing solutions and other banking services in an outstanding way.

A bank for investors, with financing know-how

The Bank of Åland's proficiency as a bank for investors has been confirmed in all its markets over the past few years. This is demonstrated by its increasing number of customers, along with various industry awards. Our financing know-how has long traditions and will continue to play a central role.

Customer relationships and trust

All sound banking business is based on trust. This is especially evident in the way customers handle their investments. We know that it requires time and dedication to build trust among new customers.

The Bank of Åland offers a bank as it should be – a bank that wants individuals, companies and the community to have fertile ground for development. We are convinced that strong, long-term relationships are built through good performance by ambitious people.

Good service via all channels

The Bank of Åland has always welcomed new technology that makes everyday life easier for our customers. Our Internet Bank has thus been a forerunner in the industry since its inception. In our development work, we draw no distinctions between personal and digital encounters. Regardless of the channel, our customers shall always feel that they are receiving good service. Our relationships shall be equally strong in every channel. But we also take advantage of the special strengths of the various channels. Personal meetings are the most suitable channel for advisory services, while our Internet Office – delivered via the Web – and our banking app using mobile devices enable customer to gain a clear overview and seamlessly manage their everyday finances.

An ever-broadening range of partnerships

For many years, the Bank of Åland has collaborated with other market players within the IT field via its subsidiary Crosskey Banking Solutions. In the world that is now emerging, we are seeing that the Bank of Åland has the ability and the potential to offer products and services to other market players within a substantially broader field than IT services alone. In fintech, today the Bank of Åland is already a versatile and capable partner with the capacity to deliver solutions to companies in most financial service areas.

Making ourselves climate neutral

Given our close connection to the small community of Åland, located among thousands of islands in the middle of the Baltic Sea, sustainability work has been a natural element of our core values for a long time. Together with our customers, we have created products and services that both increase awareness and support concrete sustainability projects. Sustainability issues are an integral part of our operational management, where the Board of Directors, the Executive Team and all our employees have an important role.

Our sustainability work is based on our materiality analysis, which as of this year takes into account a double materiality perspective, in accordance with the requirements of CSRD[1]. We analyse our operations and identify the areas where we have positive and negative impacts, as well as the risks and opportunities we face. Then we set clear sustainable development targets and regularly follow up our work.

Our long-term target is to become a climate-neutral group and eventually achieve net-zero emissions. In 2021, we joined the Net-Zero Banking global alliance, which means that by 2050 we shall report net-zero greenhouse gas emissions, in line with the Paris Agreement. With the help of the Greenhouse Gas Protocol (GHGP), Scope 1–3, we will calculate and report greenhouse gas emissions on a quarterly basis from our own operating activities, our customers' investment portfolios and our loan and treasury portfolios.

[1] The European Union's Corporate Sustainability Reporting Directive, which entered into force on January 1, 2024.

Overall targets and outcomes

We have a balanced perspective and a long-term commitment

The Bank of Åland's operational management is based on a balanced perspective – where our customers, employees, shareholders and other stakeholders are given the opportunity to generate long-term value. During the year, we continued our efforts to integrate sustainability management as a natural element of our work.

Our management by objectives begins with the Board of Directors, together with the Managing Director and the Executive Team, formulating strategic goals and priorities. These are concretised and supplemented with statistics in our three-year plan, which is updated every autumn.

During 2023, we worked towards the following goals:

CUSTOMER SATISFACTION

The Bank of Åland's objective is to be the best market player in the Nordic region, with the most satisfied customers in the Private Banking and Premium Banking segments.

Every year, the Bank of Åland conducts customer satisfaction surveys in the Private Banking and Premium Banking segments. Our tools in this work are a Customer Satisfaction Index (CSI) and a Net Promoter Score (NPS) that measures customer loyalty. In 2023, the Bank of Åland was named Finland's best Private Banking operator for the third year in a row. At the same time, our customers' willingness to recommend the Bank of Åland remained high.

- The result in the customer satisfaction index, CSI[1]: Our goal was 100, and the outcome was 96.
- The result in the Net Promoter Score, NPS[2]: Our goal was more than 50, and the outcome was 46.

SOCIAL RESPONSIBILITY

The Bank of Åland's objective as an employer is to have motivated, committed and healthy employees who are constantly learning.

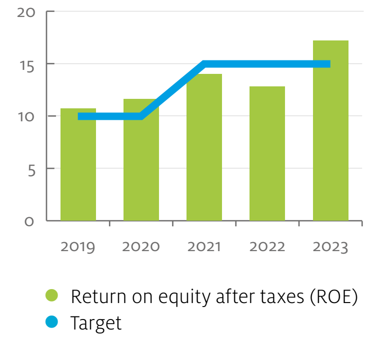
For the Bank of Åland as a societal stakeholder and employer, social responsibility is important. By continuously measuring and monitoring our employees' motivation and working conditions, we can ensure a healthy and efficient organisation. At the same time, we consistently work towards equality, while combating all forms of financial crime and corruption.

During the year, we continued our leadership development work.

- The result of our employee commitment measurement: Our target was more than 7.7, and the outcome was 7.3.[3]
- The result of our measurement of employee willingness to recommend the Bank of Åland as an employer (eNPS). Our target was more than 27, and the outcome was 10.
- The result of our leadership index: Our target was more than 8.1. The outcome was 7.9.[3] (Notes and sub-targets are presented in Note S5.)

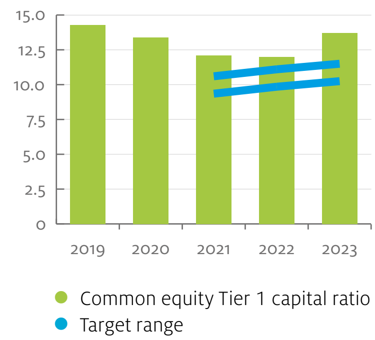
Return on equity after taxes (ROE)

per cent



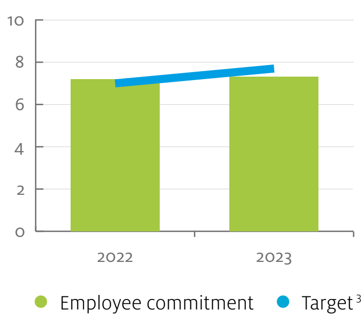
Common equity Tier 1 capital ratio

per cent



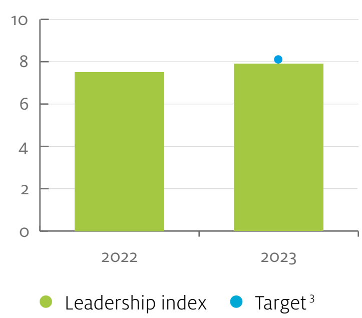
Employee commitment

7.3 compared to target 7.7



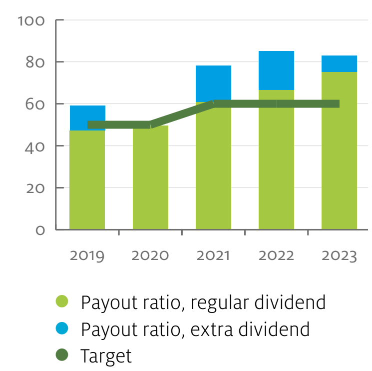
Leadership index

7.9 compared to target 8.1



Dividend payout ratio

per cent



[1] The Bank of Åland has created its own index, where first and last place ratings in the customer survey correspond to an index value of 100 and 0, respectively. In order to calculate the total result, the outcome for each geographic business segment is weighted using total business volume (actively managed assets plus loans and deposits from the public).

[2] In order to calculate the total result, the outcome for each geographic business segment is weighted against the total business volume (actively managed assets plus loans and deposits from the public).

[3] The Bank of Åland's objective is for the results to exceed the sector index. Maximum outcome 10.

FINANCIAL TARGETS

The Bank of Åland's overall and long-term financial targets are:

- Return on equity after taxes (ROE) shall exceed 15 per cent over time. The outcome was 17.2 per cent.
- The common equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75–3.0 percentage points. The outcome was 5.2 percentage points above this requirement.
- The dividend payout ratio shall be 60 per cent of profit for the year, or higher, provided that capital adequacy does not fall below target. The Board's proposal is to distribute 75 per cent of profit for the year as a regular dividend.

ENVIRONMENTAL AND CLIMATE-RELATED TARGETS

Based on an enhanced materiality analysis of our lending to private individuals and companies, we were able to identify our second environmental and climate objective during the year, which is about the circular economy with a focus on resource efficiency. The objective covers loans that have a high resource consumption and thus also a large impact on the environment and climate, such as projects in the real estate sector. In these areas, there is a great need for transition to a circular economy in order to save as much of nature's resources as possible. During 2024, we will continue to increase our understanding of how circular our loan portfolio is.

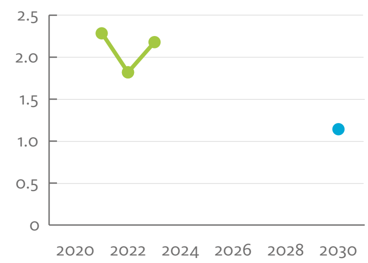
During 2023, we continued our work on developing and refining models that will enable us to follow up on our progress in relation to the established targets. (Notes and sub-targets are presented in Note S1).

The Bank of Åland's long-term climate targets for greenhouse gas emissions are:

- Reducing emissions by 50 per cent no later than 2030, compared to 2021 levels.
- Climate neutrality by 2035.
- Net-zero emissions by 2050.

Greenhouse gases, target and outcome

million tonnes of CO_2e



- Grand total, greenhouse gases
- 2030 target: 50% reduction compared to 2021

Investments account for the largest share of the Bank of Åland's emissions, and we are seeing that Scope 3 for investments increased significantly between 2022 and 2023. We believe that year-on-year comparability for Scope 3 emissions is still difficult to achieve, since the quality of Scope 3 data is generally low. There are also large variations between companies in the quantity of reported emissions data. As a result, data on exposures are not accurate enough to be used for comparisons. Reporting by the companies we invest in has improved to some extent, and a larger proportion of them are reporting Scope 3. This trend is positive, although the increased quantity of data is causing our emissions figures to rise.

Our operations

Photographer: Anton Sucksdorff

Strong growth in a sought-after segment

Photographer: Viktor Fremling

Magnus Johansson, Director of the Sweden Business Area; Mikael Mörn, Director of the Åland Business Area; and Anne-Maria Salonius, Director of the Finnish Mainland Business Area.

Ålandsbanken Private Banking includes Private Banking operations in the Åland islands, on the Finnish mainland and in Sweden, as well as asset management (Ålandsbanken Fondbolag Ab and its subsidiaries).

In order to deliver Private Banking service, we provide a team of employees specialising in wealth management, financing solutions, law, personalised service and banking services. Our ambition is to help our customers at all stages of life.

Our Private Banking offering is one of the cornerstones of the Bank of Åland's business operations. Private Banking is where the Bank has its largest market share on the Finnish mainland and in Sweden.

During 2023, Private Banking continued to attract new customers in our three geographic markets. The fastest-growing customer segment is very wealthy customers.

Net operating profit from Private Banking in 2023 amounted to EUR 39.0 M, which was equivalent to 60 per cent of the Bank's total net operating profit. Return on allocated equity was 30.0 per cent. Actively managed assets increased by 10 per cent to EUR 9,038 M. The year was characterised by a cautious attitude in the stock market, which was reflected in our commission income. At the same time, higher market interest rates created significantly better conditions for net interest income from our operations. However, net inflow of actively managed assets remained high, despite the turbulent international situation.

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 2023 survey. Our overall performance and the willingness of our customers to recommend the Bank of Åland were very high, confirming a high level of trust and loyalty among our customers.

The Bank of Åland's customer surveys show that customers continue to appreciate us for our personalised service and ethical standards, while our investment performance and sustainable investments are highly rated. Our customers focus increasingly on sustainability when choosing investments. Our commitment to sustainability differentiates us in the market. We offer our customers sustainable investment alternatives and provide information on how ESG factors are taken into account in our asset management. Due to the media visibility of our asset management experts, awareness of the Bank of Åland as a wealth manager increased significantly.

Asset management

Ålandsbanken Fondbolag is responsible for the financial investment business of the Bank of Åland and conducts its operations in Helsinki, Stockholm and Mariehamn. This fund management company has a wide range of products and services that include the strategic and tactical investment decisions in mutual funds and discretionary portfolios.

To support the Bank of Åland's asset management services, the fund management company delivers material including overall market outlook reports, recommendations for individual securities and asset allocation in the form of model portfolios. At the end of 2023, volume under management was EUR 9,776 M.

Environmental, social and governance (ESG) aspects are becoming increasingly important. Today they are today fully integrated into the investment process. During 2023, much effort focused on identifying and measuring emissions, with an extra focus on emission-intensive sectors. We continued to measure how many companies have joined or stated the ambition to join the Science Based Targets initiative (SBTi). By year-end, 15 per cent of portfolio companies had initiated the process of changing their operations to align with the SBTi, and 47 per cent had already joined.

In 2023, financial markets were dominated by continued geopolitical turmoil and the fight against inflation, as well as some international banking sector turmoil early in the year.

Despite high volatility, our asset allocation successfully generated positive returns during the year. The main reason for this was a high exposure to risk assets, both in equities and fixed income instruments. The absolute return on asset management funds was clearly better than their long-term target, which in turn was slightly better than their benchmark indices.

The performance of our equity funds and model portfolios was generally good during 2023, and in most cases they outperformed their benchmark indices. However, our Nordic small cap fund (Småbolagsfond) was negatively affected by rising interest rates, which meant that investors primarily sought out larger, more liquid companies. Our discretionary model portfolios performed very well during the year and their returns have now clearly outperformed the market over the past three, five and ten years.

The Bank of Åland's fixed income funds performed well during the year, both in relation to their benchmark indices and competing funds in the same categories. The fund that attracted the largest amount of new capital during the year was Ålandsbanken Kort Företagsränta, a conservative short-term fund with a focus on corporate bonds. This fund was named by Refinitiv Lipper as the best Nordic fund in its category over the past three-year period.

On the other hand, the Bank of Åland Euro High Yield fund, which invests in bonds from companies with lower credit ratings, was not the primary choice of investors during 2023. The same trend was noticeable in the overall market. In all, the Bank of Åland's fixed income funds under management rose to almost EUR 1 billion during the year.

During 2023, we continued our efforts to develop investment alternatives with a focus on the green energy transition. During the summer, Ålandsbanken Fondbolag launched a new closed-end alternative investment fund for professional investors, Ålandsbanken Havsvind 1 (Offshore Wind 1). The fund is a continuation of the collaboration that the fund management company started with the Swedish-based wind power company OX2 to develop offshore wind power in the Baltic Sea around the Åland archipelago. Together they own the Noatun Nord offshore wind project, located north of Åland. The size of the fund is about EUR 60 M and the minimum subscription is EUR 1 M.

2023 was a challenging year for real estate investments. The new interest rate environment and economic uncertainty had a negative impact on demand for housing, and the number of residential real estate transactions decreased significantly compared to previous years. Falling housing prices and rising maintenance and financing costs thus lowered the return on Ålandsbanken Bostadsfond, a housing mutual fund, with the result that many investors wished to divest their holdings. Redemption requests started during the first half of the year and accelerated during the autumn. However, the illiquid Finnish housing market made it difficult to sell housing assets, and during the second half the fund was forced to postpone payment of redemption requests. The fund portfolio management team was strengthened during the year.

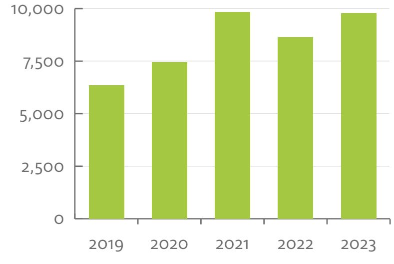
During 2023, the statutes for both UCITS and alternative investment funds were updated and adapted to the market.

In 2024, we expect an investment environment in which inflationary pressures gradually ease, interest rates continue to normalise and economic activity gradually improves. At the end of 2023, asset portfolios had a clear overweight in equities and corporate loans, reflecting an optimistic market outlook.

Our investment philosophy is based on active ownership of quality companies with reasonable valuations, and we believe that during 2024 this philosophy will continue to have good potential to generate added value for our customers and fund investors.

Actively managed assets

EUR M



A growing number of Premium Banking customers

In the Premium Banking business segment, we report all individual and corporate customers who are not Private Banking customers.

Put a bit simply, the business segment consists of three customer categories: Premium Banking customers; corporate customers in Åland; and other customers, who often have a relationship with other Premium Banking customers.

Collaboration between Private Banking and Premium Banking has continued to expand in all three home markets. As Private Banking has seen its customer base shift increasingly towards very wealthy customers, some customers previously served by Private Banking have moved to Premium Banking to be offered more time and customised service. In recent years, financial investment business has become increasingly important in Premium Banking. The Premium Banking offering is characterised by a high level of personalised service.

The number of Premium Banking customers grew during 2023 in all geographic home markets. Operating profit from Premium Banking was EUR 26.6 M for the full year, which was EUR 5.3 M better than in 2022. Rising interest rates dampened demand in the housing market and led to more customers choosing to pay down their mortgages, which reduced customers' deposits and savings somewhat.

During 2023, the Baltic Sea Account increased sharply in popularity as an attractive and sustainable deposit alternative.

Customer surveys continue to confirm that our customers appreciate the personalised service that we provide. In 2023, customer satisfaction was at about the same level as before. To a great extent, our customers are willing to recommend us to their friends.

We continuously invest in skills enhancement. Our employees participated in both internal and external training.

The Bank of Åland's Corporate Services unit is the market leader in Åland and offers a wide range of services and products adapted to Åland-based companies.

The Corporate Banking unit handles large corporate groups with an international focus that are domiciled in the Åland islands. In addition, it offers advanced financing services to existing and potential Private Banking customers on the Finnish mainland and in Sweden. During 2023, interest in the Bank of Åland's Corporate Banking offering increased. Especially pleasing were the financing packages that were devised together with entrepreneurs who are expanding and investing in their operations to achieve climate targets and thereby contribute to the climate transition.

To summarise, 2023 was a tough year for the Åland business community. Because of rising inflation and interest rate hikes, consumers were increasingly forced to manage their money carefully. This was visible in the form of reduced consumption and capital spending. Many companies are facing challenges. One indication of this is that our time with customers was spent more on discussing challenges instead of new investments. On the other hand, that is exactly what our role should be – a partner that customers can work with in troubled times. Such periods test our involvement in the Åland community a little more.

Turbulent times led to reduced demand for loans and to outflows from deposits. Using more of one's reserves in tougher times is a natural and healthy behaviour and something that we encourage our customers to do. When we, as a bank, have less activity on the financing side, it instead gives us the opportunity to work with sustainability in lending. During 2024, among other things we will focus on developing working methods and "ambition agreements" that will help both us and our customers choose sustainable investment alternatives. Together, we can help achieve the climate targets that have been established.

Fintech generates growth from new customer segments

Photographer: Therese Andersson

Sofie Holmström, Manager of the Partnerships Business Area.

Today the Bank of Åland has two types of partnerships: strategic partnerships with financial technology (fintech) companies and partnerships in our role as a service provider to financial service companies with their own operating licences. We also have ownership stakes in four partner companies: Dreams, Doconomy, Borgo and Plusius.

On March 1, 2016, we initiated the first collaboration between a fintech company and a bank – the first of its kind in the Nordic countries and perhaps even in the world. The Dreams savings app was launched in the Swedish market, and the Bank of Åland supplied the necessary banking services. As it had done many times before, the Bank of Åland chose to assume the role of a pioneer, with entrepreneurship and innovation guiding its decisions. Over the past eight years, we have succeeded in building up new business volume through several strategic collaborations. A new business area has emerged, contributing to the Bank of Åland's growth and financial performance.

The business concept for the partnerships that we initiate can be summarised as achieving economies of scale by using existing resources to a greater extent. The same

IT, process and knowledge resources can be used by more people, thereby broadening their benefits. The business area has a wide product range, including business volume for deposits, lending, actively managed assets as well as intermediated payments and mortgages.

During 2023, collaboration with Dreams in the Swedish market expanded from savings account and mutual fund savings products to also include a new savings product, based on a consumer loan development project. We have now launched a service that can be used to help customers get themselves out of debt from consumer loans through Dream's smart and scientific savings platform. The product aims to help people achieve financial well-being that is sustainable over time.

In 2017, following innovative development work in the field of sustainability, the Bank of Åland launched the Åland Index, a method for calculating the carbon dioxide emissions of private individuals. In 2021, to enable continued rapid expansion of the Åland Index, the Bank of Åland chose to sell the intellectual property (IP) rights for this carbon footprint calculation tool to Doconomy, which had already established the Åland Index as a global banking standard. Since then, Doconomy has shown strong growth, which continued during 2023. Today, Doconomy is the clear market leader and the Åland Index is used by over 100 banks in more than 30 countries worldwide. This means that more than 850 million people have access to services made possible by the Åland Index.

Doconomy's aim is to ensure that one billion people will have access to their offering, including the calculation method developed by the Bank of Åland that became the Åland Index and is now a global standard. During 2023, Doconomy acquired Dreams Technology – a company that was split from the parent company of Dreams and which owns the Dreams technical platform and savings method. With the help of this technical platform, Doconomy will have even greater capacity to deliver its services to new customers, with an increased focus on climate-smart behavioural changes. Doconomy's success is shared by the Bank of Åland through our 17 per cent ownership stake and because we can offer our customers new products developed by Doconomy based on the Åland Index.

In the Bank's role as a service provider, the mortgage partnership with Borgo is by far its most extensive commitment. A development project has been underway since 2019. In 2021 services for payments, customer and account management, accounting, regulatory reporting and treasury were launched, as well as the first lending service products. Within lending services, continuous product launches took place in 2022 and 2023, achieving a complete product range in November 2023. The project will continue in 2024 to achieve complementary functionality.

In addition to new product launches, 2023 was characterised by the transfer of new mortgage portfolios on three different occasions. In March, mortgages worth SEK 3.1 billion were transferred from the southern Swedish savings bank Sparbanken Syd to Borgo. In May, mortgages totalling SEK 4.7 billion that Sparbanken Syd had mediated with SBAB were transferred to Borgo. In September, the Bank of Åland transferred SEK 5.8 billion worth of mortgages mediated by ICA Bank and Söderberg & Partners to Borgo. Following these transfers, mortgages under management with Borgo, which generate commission income in our Partnerships business area, amounted to just over SEK 30 billion at the end of 2023.

We also deliver services in the payments field. Operators that require a licence and offer flexible payment solutions to the market have an opportunity to use the Bank of Åland's existing infrastructure for payments both in Swedish kronor and in euros. In 2023, the number of payments processed totalled over five million. Commission income from the existing collaborations is thus significant and gradually increasing.

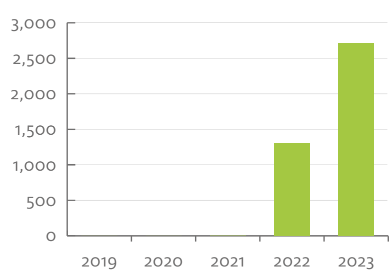
During 2024, we expect continued growth in the Partnerships business area and thus an increasing contribution to the Bank of Åland's earnings. Collaboration with Dreams will expand thanks to the new product for paying off consumer loans, while mortgage-related collaboration will grow through continuing collaboration with ICA Bank, Ikano Bank, Söderberg & Partners, Sparbanken Syd and the Bank of Åland's own Swedish operations, whose mortgages are transferred to Borgo. The market situation for mortgages has been challenging in 2023, but more activity is expected as early as 2024, benefiting the growth of both the Bank of Åland and Borgo. In 2024, a final transfer to Borgo will also be made for the last mortgages that ICA Bank mediated for the Bank of Åland and the remaining mortgage portfolio of the Bank of Åland in Sweden. The payments field will also show growth in 2024, since the existing market players plan volume increases and several potential new collaborations are currently being evaluated.

Through its partnerships, the Bank of Åland is endeavouring to increase its business volume by finding market players that need services that already being produced within our operations. In some cases, these services need adaptation. In other cases, deliveries can be established immediately after the counterparty has been evaluated and agreements have been signed. Since the Bank of Åland now has more than eight years of experience as a partner in the fintech field, we are one of the most well-established partner banks in the Nordic region. Every year, the Partnership business area receives around 100 requests for new potential collaborations. Only a few are selected for a thorough evaluation. When there is a good match, the Bank of Åland offers its services.

In some of the companies that the Bank of Åland collaborates with, we have chosen to take on an ownership role parallel with our supplier role. At the end of 2023, we had ownership stakes in four partner companies: Dreams, Doconomy, Borgo and Plusius.

Mortgages under management

EUR M



Effective strategy gives Crosskey continued tailwind

Crosskey continued its expansion by adding new customers, projects and employees. Crosskey has a clear and effective strategy: our services should be easily accessible via application programming interfaces (APIs). Our products attract great interest in the market, and we deliver high-quality solutions in the banking, payment card and asset management sectors. As the financial services sector now takes steps towards the EU's third Payment Services Directive (PSD3) and the Open Finance concept, Crosskey is ready to meet its needs.

The implementation project for POP Bank, a Finnish financial group consisting of 21 cooperative banks, remained a major focus during 2023 and will continue to be so in 2024. During the project, Crosskey is also investing heavily in product development for digital channels, which will guarantee faster launches. When channels become uniform, future development time is reduced.

During the year, several successful migrations to the mortgage company Borgo were completed, demonstrating the strength of our strategy.

The payments field is developing rapidly in the Nordic region and Europe. For many years, Crosskey has supplied complete and modern payment solutions in the Finnish and Swedish markets. In 2023, we continued to strengthen our offering by adding SEPA Instant and Target2, among others. We are closely following developments in the Swedish market after the closure of the P27 Nordic multicurrency digital payments platform, and our ambition is to offer new solutions as soon as there is a demand.

In the capital markets field, Crosskey is an established player with a competitive offering. During 2023, the institutional brokerage firm Mangold Fondkommission signed an agreement to purchase Crosskey's capital market system. Crosskey also completed its Payment Card Industry Data Security Standard (PCI-DSS) certification for the eleventh year in a row, making it among the first in the world to adopt the new 4.0 standard.

Information security is one of Crosskey's core competencies, but it is also a challenging field that requires humility in the face of all the new challenges that arise. During 2023, preparations began for the EU's new Digital Operational Resilience Regulation (DORA), which will have a major impact on companies in the financial services sector.

Artificial intelligence dominated news headlines during 2023, and Crosskey took its first steps towards using AI solutions. At the same time, it is important to achieve a balance between being at the forefront and adopting new technology, since Crosskey and its customers belong to a sensitive sector.

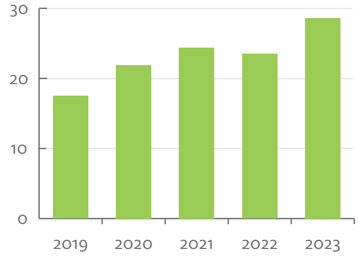
In 2023 the number of full-time equivalent employees rose to 351, a net increase of 27 compared to the end of 2022. As the Bank of Åland's partnerships expand, Crosskey is becoming an increasingly important part of the Group. Together, we have a strong offering, with Crosskey and the Bank of Åland providing more and more package service solutions for financial service companies.

Sustainability work is an integral part of Crosskey's activities, and for many years we have ensured that our technical solutions are powered by green electricity. In social sustainability, we work to ensure that Crosskey is a good long-term workplace for our employees. Among other things, we do this by ensuring a healthy work-life balance, for example with hybrid work solutions.

Niclas Södergård, Managing Director at Crosskey Banking Solutions Ab Ltd.

Non-Group income, Crosskey

EUR M



Corporate units

Photographer: Viktor Fremling

Tove Erikslund, Chief Administrative Officer; Jan-Gunnar Eurell, Chief Financial Officer; and Juhana Rauthovi, Chief Risk & Compliance Officer.

The Bank of Åland has three corporate units with a total of 275 employees in Mariehamn, Helsinki, Vaasa and Stockholm.

The CFO Corporate Unit is headed by Chief Financial Officer Jan-Gunnar Eurell and consists of the Treasury, Group Finance and IR & Group Communications departments.

The CRO Corporate Unit is headed by Chief Risk & Compliance Officer Juhana Rauthovi and consists of the following departments: Risk Control, Compliance, Operational Risks & Security, Legal, Credit Scoring, Credit Processes and Investment Services.

The CAO Corporate Unit is headed Chief Administrative Officer Tove Erikslund and consists of the Business Support, Business Support Capital Market, Customer Service & Market Support, Business Development and Sustainability & HR departments.

The corporate units as service providers

The Bank of Åland's corporate units play a central role in supporting the Group's Executive Team and the Board of Directors in strategic decision-making and operational governance. They also fulfil an important function by communicating with supervisory authorities, rating agencies, debt investors and shareholders.

The corporate units deliver business support services internally within the Bank of Åland, but also externally to customers in the Nordic markets. These support services include customers and accounts as well as payment, lending and financial investment operations, as well as customer service, human resources (HR), legal advisory services, financial and operations management. The corporate units are also responsible for the Bank of Åland's purchasing work, IT development and IT purchaser responsibility towards Crosskey. They ensure that the Group's operations comply with applicable regulations and supervisory requirements.

Borgo is the single largest external collaboration, for which the Bank of Åland's corporate units, together with Crosskey, provide turnkey service and related systems – among other things connected to mortgage services, certain payment services, deposit services, treasury services, accounting services and regulatory reporting services. The number of full-time equivalent employees engaged in credit services continued to grow especially fast during 2023.

Process efficiency improvement and IT development in a digital world

In many areas, the Bank of Åland has well-functioning processes that stand up well in a banking sector comparison. Employee satisfaction and motivation are measured continuously and remain high in most corporate units. Nevertheless, our ambition is to continue evolving and to become even better and more efficient.

Consolidated financial statements and internal financial control reports, which are ready on the fifth banking day after each report period, are examples of well-functioning reporting processes. Business analysis and customer profitability reports, which are updated using the data warehouse, are other examples.

During 2023, development projects focused on reducing operating and licensing costs for IT systems, as well as improving system backup and processes for both customer advisors and back office. To support this work, we continued to use automation technology in the form of Robotic Process Automation (RPA) and data warehousing.

Workplace equipment has been gradually modernised and made more efficient. Systematic efforts to streamline purchasing and supplier relationships has led to gradually lower expenses for purchased services.

In recent years, Crosskey's finance department has been successfully integrated into the Group organisation. This has enabled an integration of Crosskey's processes into the Group's processes, including internal accounting, financial statements, reporting and purchasing. The really large field of the future in collaboration with Crosskey will be Data and Analytics, where several senior key individuals have been added in recent years to reduce dependence on consultants and drive development efforts.

In the fields of payments, customers, accounts and financial investments, 2023 was another development-intensive year. The Business Support and the Business Support Capital Market departments were among the largest clients of the Bank's prioritised development projects. These have mainly dealt with adapting the Bank's operations to market and regulatory changes. The changes include everything from increased know-your-customer (KYC) and risk management requirements to major infrastructure changes in European markets for payments, clearing and securities settlement.

The year also included several deliveries in the payments field, with the largest connected to the European Central Bank's launch of the new T2 payments system in March 2023. There is still a lot of pressure from the authorities in the payments field, with numerous regulatory and market requirements, as well as in the fields of Anti-Money Laundering – Combating the Financing of Terrorism (AML–CFT) and fraud. In the capital markets field, Euroclear Finland – the Finnish central securities depository – joined the TARGET2-Securities (T2S) platform in September. Its aim is to harmonise and streamline settlement of securities trading in Europe. The Finnish market, including the Bank of Åland, has been preparing for the transition to the T2S platform for several years.

To improve and enhance the customer experience, the Bank of Åland enabled its customers to receive SEPA express payments and use the Garmin Pay service. During the year, we also continued our efforts to improve the user experience and expand the range of services and self-service options in the Mobile Bank and the Internet Office.

To further increase standardisation and create conditions for increased scalability, during 2023 the Group's corporate units worked to define service promises and standard offerings.

In the lending field, the agenda during 2023 was dominated by new regulatory requirements and regulatory implementation, including the introduction of a positive credit register in Finland, Basel IV, the development of new credit risk models and process development for our partnerships.

Analysis and control to ensure continued good quality in the Bank's lending were strengthened. The Bank's loss provisions in the loan portfolio were on a par with 2022, despite the general deterioration in economic conditions during 2023.

Customer Service volume decreased slightly from about 11,000 cases per month in 2022 to about 10,500 cases per month in 2023. Customers can contact the Bank via phone, the Internet Office and the Mobile Bank, as well as by email and online chat. The customer survey that we conducted showed that Customer Service maintains high quality in its customer encounters. Customers rated their overall satisfaction at 88 on a scale of 0–100. Our target was to achieve a rating of 90.

In 2024, development work by corporate units will be dominated by regulatory adjustments to operations. Initiatives to boost efficiency and strengthen the customer experience are being pursued as prioritised development projects and are continuing alongside our ongoing improvement efforts. In the field of capital markets, we also plan to take the next step towards further harmonising systems and processes, so that we eventually have the same system in Sweden and Finland. The main task of the new Investment Services department is to develop and provide backup to the Bank of Åland's financial investment business. Adaptations to changing regulatory requirements and streamlining of work processes are priority areas.

Sustainability

During 2023, we continued to integrate sustainability into our operational planning and financial reporting. The task of integrating climate and sustainability risks into the Bank's existing risk management processes will continue during 2024. See the Sustainability Report on page 23 for more information.

The social dimension is one of the Bank of Åland's largest areas of influence. During 2023, the number of customer fraud cases increased. For our customers, this means increased caution and awareness when using our digital services. We are continuously working to increase the IT security of the Bank's digital channels, refine our monitoring and improve security at the product level in order to more quickly identify and counteract fraud. Commitment and motivation are continuously measured within the Group and trend lines showed a continued increase in 2023.

During 2023, the Human Resources department identified the need to expand and streamline the skills development and learning process. To create the conditions for continuous learning and efficient processes, HR will implement a Learning Management System (LMS) over the next few years. To lay the groundwork for good leadership and employee empowerment, one focus area has been cultural and value-based issues.

The Legal Affairs department has had a strong focus on the implementation of various sustainability-related EU regulations. These regulations have had a significant impact on the way the Bank provides information and reports to customers. The regulations are complex and span several sectors, which makes them extra challenging to implement concretely and correctly.

Liquidity and funding

The Treasury department is directly responsible for approximately one quarter of the Bank of Åland's balance sheet and indirectly for the entire balance sheet in terms of interest rate risk and foreign exchange risk. Treasury plays a major role in the Bank's profitability. In the task of liquidity management and interest rate risk management, rapidly rising market interest rates and the fact that zero is no longer a high interest rate have required new solutions in order to achieve high returns in the treasury portfolio and at the same time manage market risks. The internal rate of return model has also been updated.

During 2023 two covered bonds, totalling EUR 100 million and EUR 250 million, fell due for payment. During the first quarter of 2024, a EUR 300 million covered bond will fall due.

Since the Bank of Åland's Swedish mortgage loans were transferred to Borgo, the Bank of Åland no longer has its own Swedish mortgage banking operations, but only its Finnish mortgage business.

Second line of defence

The Risk Office Corporate Unit is primarily entrusted with protecting the Bank of Åland's assets, earnings and brand by providing a framework for risk and credit management. The Risk Control, Operational Risks & Security and Compliance departments conduct independent oversight and continuously monitor and evaluate the Bank's compliance and risk exposures. In addition, these departments provide advice and support and report to the Executive Team and the Board of Directors. The Bank shall maintain a healthy risk culture that corresponds to its risk appetite and risk-bearing ability.

For Risk Control, the 2023 financial year was dominated by new regulatory requirements and a changing international situation. Among other things, the department participated in the implementation of a new regulatory framework for calculating interest rate risk in the banking book (IRRBB), as well as the new so-called Basel IV rules that will be introduced in the EU through an updated Capital Requirements Regulation (CRR3), which is expected to enter into force on January 1, 2025. The update will include changing the method for calculating capital requirements according to the standardised method and the implementation of a so-called output floor. The department has also applied for permission from the Financial Supervisory Authority for changes in credit risk models according to the IRB method. A decision is expected in 2024. Risk Control is adapting and intensifying its monitoring of financial risks in response to changes in the world around us, where the effects of rising interest rates, inflation and declining geopolitical stability have been in focus during the year.

During 2023, the Compliance department had a strong focus on compliance in the provision of investment services. In addition, it independently monitored and supported the Bank's financial investment business, but also provided compliance-related services to the Group's fund management companies. The department continuously monitored measures to prevent money laundering and terrorist financing. It provided support and advice to the Group's first line of defence on implementation of new regulatory requirements within AML-CFT.

The focus of the Operational Risks & Security department during 2023 was on project work to further develop the Bank's records of processing activities under the EU's General Data Protection Regulation (GDPR), studying what the EU's Digital Operational Resilience Act (DORA) regulations entail, performing cyber-security work and providing support for process development related to releases of new systems. The department assists the Bank by supplying expertise in operational risks and security.

Third line of defence

The third line of defence consists of the Internal Audit department. The task of this department is to provide the Board of Directors and the Executive Team with objective and independent assessments of operational activities. The aim of its work is to create improvements in operations and help the organisation achieve its objectives through evaluation and assessment of internal controls, risk management and governance processes. Internal Audit is also responsible for the entire Group's whistleblower system.

Internal Audit reports directly to the Bank's Board of Directors, and all companies in the Bank of Åland Group are included in the department's work.

Sustainability at the Bank of Åland

Photographer: Anton Sucksdorff

An expanded team will push sustainability development forward

For many years, it has been natural for us at the Bank of Åland to work according to ESG principles. In other words, we take environmental, social and governance aspects into account in everything we do. And we are seeing a clear trend. These areas are becoming broader and deeper throughout our operations, as well as in the financial services sector as a whole.

In concrete terms, this means that we include issues related to the environment and climate, human rights, social relations and anti-corruption in our processes and activities. In this way, sustainability aspects are naturally transferred to the products and services we offer. As part of broadening our work, in 2023 we expanded the team that will push our sustainability development forward.

One focus in 2023 was to deepen our understanding of how the Bank's operations affect the world around us. These insights are important to enable us to ensure the quality of our development work. For this reason, the Bank's impact analysis has been supplemented with a dual perspective: risks and opportunities. The development of this "double materiality" analysis is a step in our adaptation to the EU's new Corporate Sustainability Reporting Directive (CSRD), which entered into force on January 1, 2024.

We have also continued to deepen our understanding of the Bank of Åland's climate impact and how we can calculate it correctly. In this work, obtaining reliable data is the biggest challenge.

Two milestones during the year were developing sub-targets for our climate strategy and identifying our objectives based on the work on our climate impact. These sub-targets describe our journey towards the 2030 target. With the help of our strategy and objectives, we are clarifying how and at what rate we will reduce the Group's greenhouse gas emissions to achieve the established targets. Our second objective that we identified during the year is a circular economy in the environmental and climate field.

In 2024, we will further develop our circular economy objectives, starting with the Bank's loan portfolio.

Linda Lund
Sustainability Manager & Head of HR

The Bank of Åland's sustainability strategy

The Bank of Åland's sustainability strategy is an important platform and a tool for ensuring broad support for our targets, so that our sustainability work moves in the right direction.

Sustainability is a natural element of the Bank of Åland's business strategy, since our ambition is to ensure that our operations will run in a long-term sustainable manner – financially, socially and environmentally. This requires us to be aware of how our operations and our way of conducting our business affect individuals, our societies and the Earth, today as well as in the future. For us, it is self-evident that sustainability shall be integrated into all parts of our business, which means everything from our internal operations to our product offering and our investment decisions.

Based on this business strategy, we have made global commitments regarding principles and goals. Together with the applicable regulations, they create the framework for our sustainability work. We also work continuously to identify and map the impact of our operations, both positive and negative. With this mapping as a foundation, we set both short- and long-term targets, and follow up on them to contribute to a more sustainable future.

Our sustainability strategy has four focus areas:

1. Responsible investments
2. Responsible lending and liquidity management
3. Environmental responsibility
4. Social responsibility

These four focus areas form the basis for our long-term work to ensure sustainable financial growth. Active risk management plays a crucial role here. Conduct, business ethics and crime prevention are also important issues to our stakeholders and are thus essential to our operations.

Our investment strategy

Increasing transparency and communication about how we pursue our future sustainability work in responsible investments is an obvious focus area for us.

We want to help create a better and more sustainable society, which is why we strive for an active ownership dialogue with both the companies we invest in and with our stakeholders.

Two other important focus areas are the implementation of regulatory requirements and regulations as well as reporting and follow-up of our work. Methodically integrating ESG perspectives is a matter of course in all our investment decisions.

By continuously developing our range of sustainable investment products, we can offer our customers the opportunity to contribute to the environmental and climate transition.

Our strategy for lending and liquidity management

In our lending, we shall ensure customers' repayment capacity and identify risks related to climate change, shifts in consumer behaviour or new regulatory requirements. Our starting point is to work with lending to activities that comply with international policies and guidelines for sustainable development, and that our lending will follow established commitments that support active, sustainable choices.

We are continuously gaining more knowledge about our lending and the CO_2e emissions it gives rise to, as well as the risks or opportunities it may entail. Based on this, we are continuing our work to reduce its impact. We actively look for ways to encourage our retail and corporate customers to choose environmentally friendly and sustainable alternatives, while working together to build a green asset register that ensures a foundation for green debt financing.

Our treasury operations also play a central role in the green transition. Climate-smart management of the treasury portfolio will gradually reduce emissions towards our target of achieving net-zero by 2050. Investments in the treasury portfolio are evaluated from a climate perspective using criteria that indicate whether the securities issuer has taken, or plans to take, steps to reduce its emissions. These criteria are based on scientific targets, such as the SBTi, or on other initiatives such as net-zero emissions targets. Furthermore, data on the issuer's CO_2e intensity are used to support the decision-making process.

For new treasury investments, the criteria were introduced in 2022, while existing holdings have a transition period of three years before any of the criteria must be met.

By applying climate criteria in investment decisions, we can ensure that the treasury portfolio's emissions change in the desired direction.

Our environmental strategy

With its vulnerable location in the middle of the Baltic Sea, the Bank of Åland has a long history of working to protect the environment and its surroundings. Understanding the environmental impact that we have as an organisation, and what opportunities there are to make changes, is a guiding principle for us. By increasing awareness and knowledge among our employees, we want to maintain and increase the Bank's commitment to our environmental issues and ensure that we achieve our climate targets.

Transparency is a key factor, which is why we always follow up and report on our work. We continue to disseminate environmental awareness to our customers, our partners and other stakeholders through the Baltic Sea Project, the Baltic Sea Card and the Åland Index.

During 2022, the Board of Directors adopted our climate strategy, which will help us achieve our goal of becoming a climate-neutral bank. In the coming years, we will continue to develop our environmental strategy, among other things in compliance with the requirements of the EU's Corporate Sustainability Reporting Directive (CSRD) and Taxonomy reporting.

CLIMATE STRATEGY

The Bank of Åland's climate strategy defines how we will achieve our climate targets for reducing the emissions of carbon dioxide equivalents (CO_2e) that our operations both directly and indirectly give rise to. In line with the Paris Agreement and the decisions made by Finland and Sweden, we shall achieve carbon neutrality by 2035.

In addition, our climate target supports Goal 6 of the Bärkraft initiative for a sustainable Åland: Greatly reduced climate impact. The climate strategy includes the Bank of Åland's three climate targets:

- The Bank of Åland shall reduce its CO_2e emissions by 50 per cent no later than 2030, compared to the 2021 level.
- The Bank of Åland shall be a climate-neutral organisation no later than 2035.
- The Bank of Åland shall achieve net-zero emissions by 2050.

The climate strategy rests on a three-part foundation:

- Data and computational models. Here, the focus is on collecting data and creating comparable computational models. Reliable data remain in short supply, especially for calculating Scope 3 emissions under the GHG Protocol. Despite the shortcomings, it is still important to apply the applicable standards, guidelines and principles at an early stage.
- Application of a criteria structure. By working with different types of requirements and restrictions, we can ensure that we achieve our targets. One example is that the Bank of Åland can demand that the companies we invest in, or that we finance, have a well-established climate target. As for setting criteria, the conditions vary for different parts of the Bank of Åland's operations.
- Target setting and follow-up. To achieve the Group's emission targets, calculated in accordance with the GHG Protocol, these targets need to be broken down into different stages and sub-targets, on a yearly basis and long-term. Follow-up is carried out regularly by the Group's Sustainability Committee, Executive Team and Board of Directors. Targets may be adjusted on an ongoing basis.

THE ROAD TO 2030 AND HALVING EMISSIONS

During 2023, we worked intensively to even more clearly define the steps we need to take to achieve our target of halving CO_2e emissions compared to our base year 2021. We identified and linked our targets to specific emission-intensive industries in our own operations, our customers' investment portfolios and our loan and treasury portfolios, where we see that we have a material impact.

We have also formulated science-based emission targets in accordance with the Science Based Target initiative (SBTi), which offers a method for the development and validation of science-based climate targets for companies. These SBTi targets cover our own operations, our customers' investment portfolios and portions of our loan portfolio. During 2024, we will continue working on our application to ensure that our targets are validated. Working on sectoral targets and scientific objectives is part of the Bank of Åland's commitment to the Net-Zero Banking Alliance.

OUR EMISSIONS

The Bank of Åland's climate strategy covers the portions of our operations for which we calculate CO_2e emissions. These are our own operational emissions, our investment operations and our lending and treasury operations. These calculations are based on the GHG Protocol and are based on available data within Scope 1, 2 and parts of Scope 3.

The method for calculating emissions is continuously being improved as new information becomes available and its scope can be expanded. To enable us to compare developments over time, historical comparative figures are also recalculated according to the updated method. Since these improvements also occur among most of our counterparties, whose reported emissions figures form the basis for much of our Scope 3 downstream calculations related to the investment and treasury portfolios, reported emissions figures vary between reporting periods and companies. This also makes comparability between different companies difficult to assess.

The Group's greenhouse gas emissions in 2023 decreased by 5 per cent compared to the base year 2021[1], but during 2023 reported emissions increased compared to 2022, driven by our own operational emissions and emissions from customers' investments.

As for the Group's own operational emissions we see that the main areas are purchasing, with a focus on the renovation of the Head Office in Mariehamn and an increased amount of business travel.

Investments account for the largest share of the Bank of Åland's emissions, with reported Scope 3 emissions increasing significantly between 2022 and 2023. We believe that year-on-year comparability for Scope 3 emissions is still difficult to achieve, since the quality of Scope 3 data is generally low. There are also large variations between companies in the quantity of reported emissions data. As a result, data on exposures are not accurate enough to be used for comparisons. Reporting by the companies we invest in has improved to some extent, and a larger proportion of them are reporting Scope 3. This trend is positive, although the increased quantity of data is causing our emissions figures to rise.

Emissions from operations in 2023 were distributed as follows:

CO_2e emissions within various operations

	Tonnes of CO_2e emissions	Reference to note
Activity		
Own business operations	4,777	S1
Investments	1,903,523	S1
Loan portfolio	258,301	S1
Treasury portfolio	12,381	S1
Totalt	**2,178,981**	

CLIMATE FINANCING

On our journey towards carbon neutrality, we use climate financing for emissions that cannot be eliminated. The basis of our climate strategy is to gradually reduce greenhouse gas emissions, using clear short- and long-term targets. We are aware that despite extensive efforts, there is still a wide gap to becoming climate neutral and achieving the long-term target of achieving net-zero emissions. Climate financing is thus an important element of our climate strategy. We offset the portion of measurable emissions in Scope 1 and 2, as well as supplier-related emissions from Scope 3 upstream, that are linked to our own business operations.

[1] The calculation method improved during 2023, so figures for the base year 2021 as well as 2022 were recalculated to make them comparable between years. See Note S1 for details.

CLIMATE-RELATED RISKS

Climate change and the transition to a sustainable economy give rise to both physical risks and transition risks that are important to identify and manage in order to avoid negative financial or reputational impacts affecting the Bank of Åland.

Examples of physical risks include extreme weather that can cause damage to loan collateral or prevent our employees from getting to the workplace. Transition risks are associated with extensive changes in the economic system as society shifts to a carbon-neutral economy.

It is important for us to understand the effects of climate change and the changes in legislation and behaviour that may have an impact on the Bank of Åland's operations, both in the short and long term. To adapt our operations, we need to develop internal processes to manage the new risks that may arise.

We see that climate risks affect us in all the areas for which we already have risk management processes in place. Our strategy is therefore to integrate climate risks as a natural element of the risk areas that we are already working with.

OUR EXPOSURE TO CLIMATE RISKS

In our lending operations, risks are mainly associated with the geographic areas and sectors across which our loans and collateral are spread. Through our lending to households, we primarily see exposure to transition risks related to the energy efficiency of homes and physical risks such as flooding.

In our corporate loan portfolio, we traditionally have limited exposure to carbon-intensive sectors such as energy, transport and agriculture. But the exposure that we have poses a climate risk. We also see exposure to transition risks in both our lending in the real estate sector and the financial sector, which may be indirectly affected by climate-intensive holdings.

Furthermore, we need to take into account the climate-related risks that our own operational activities are facing. Acute physical hazards, such as extreme or unforeseen weather events, are key elements. Such events may result in damage to the Bank's real estate holdings or other property and affect the ability of suppliers or their subcontractors and employees to carry out their work. These risks may disturb or interrupt our operations and are therefore included in the business continuity process. We also need to consider reputational risk based on public expectations of how the Bank manages environmental and climate-related risks.

DEVELOPMENT EFFORTS WILL CONTINUE

The Bank of Åland's efforts to manage climate-related risks are constantly evolving. As we reduce our own emissions and indirect emissions from the operations we fund, our exposure to transition risks also decreases as climate-intensive industries change their operations. Our climate strategy is thus an important part of our climate risk management.

During 2023, we continued to develop our analyses of the lending portfolio and integrated reporting on climate risk factors into our regular reporting. Like other financial service companies, we see a continued need for more and better data to monitor and measure climate risks in an appropriate way. During the year, however, we saw positive developments in this area, such as increased access to data on energy certificates for our mortgage loan portfolio.

Our strategy for social responsibility

Social sustainability means taking our responsibility both as an employer and as a societal stakeholder. We work actively and broadly with social sustainability issues. Among these are inclusiveness, equal worth, sound values, professional development and commitment by our managers and employees and our impact through the products and services we provide. We place a high value on ethical conduct by complying with regulations and helping to combat corruption, money laundering and other criminal activities.

Our sustainability governance

All development, management and governance of the Bank of Åland's sustainability work is based on external regulations, our materiality analysis, the priorities of our stakeholders and our own ambition to be part of the move towards a sustainable society.

The Board of Directors has the ultimate responsibility for governance of the Bank's sustainability work and is actively engaged in sustainability issues. The Board adopts the Group's sustainability strategy and climate strategy.

The Bank of Åland's Managing Director/Chief Executive, together with the Executive Team, is responsible for implementing the decisions on strategic direction made by the Board of Directors.

The Bank of Åland's Sustainability Committee carries out the Group's overall sustainability work and serves as a forum for discussions and decisions. Based on the annual materiality analysis and the sustainability strategy, a sustainability plan is created for each sustainability area.

The ESG Committee handles monitoring of global events, initiates and oversees developments in sustainable investments and ensures that the Bank of Åland's investment operations follow our strategy and guidelines for sustainable investments.

The Credit Manager is responsible for ensuring that the Bank's lending complies with the established sustainability targets and regulations. The Risk Control department is responsible for monitoring the climate risks in the Bank of Åland's loan portfolio.

The Bank's regulatory group compiles all external monitoring results and maintains a list of the regulations that must be implemented.

Our global commitments

As another source of guidance in our efforts to integrate the most important sustainability areas and help achieve the United Nations Sustainable Development Goals, the Bank of Åland has joined five international initiatives:

The United Nations Principles for Responsible Investment (UNPRI)

UNPRI promotes sustainable investment by incorporating environmental, social and governance (ESG) considerations into the assessment of the companies in which we and our customers invest.

The United Nations Principles for Responsible Banking (UNEP FI)

Having adopted the UN Principles for Responsible Banking (PRB), the Bank of Åland is committed to complying with the framework's six principles:

1. Alignment
2. Impact and target setting
3. Clients and customers
4. Stakeholders
5. Governance and culture
6. Transparency and accountability

During 2023, our focus continued to be largely on the second principle, impact and target setting. We continued to develop our analysis of the Bank of Åland's impact on various aspects of sustainability aspects and continued to target setting efforts. To support this work, we use the UNEP FI analysis tool to conduct a comprehensive impact analysis of the entire Bank of Åland loan portfolio. In 2023, we expanded this analysis to also include our investment portfolio. The results of our investment analysis must nevertheless be regarded as indicative, in the absence of sufficiently reliable data.

The Net-Zero Banking Alliance (NZBA)

The Bank of Åland was one of the first members of the NZBA, whose goal since 2021 has been to accelerate the transition of the global economy to net-zero emissions. Each member commits to aim at net-zero greenhouse gas emissions by 2050.

During 2023, the Bank continued the development of its climate strategy to clarify objectives that describe the path to achieving our climate goals in accordance with the NZBA.

Climate Action 100+

Climate Action 100+ is an initiative to provide support and ensure that the companies with the largest global greenhouse gas emissions take the necessary action against climate change.

Science Based Target Initiative (SBTi)

In 2023 the Bank of Åland joined the Science Based Targets initiative (SBTi), thereby committing itself to setting science-based climate targets to reduce greenhouse gas emissions in accordance with the Paris Agreement.

What the EU regulatory framework means to us

Several European Union regulations affect the Bank of Åland's operations and sustainability reporting. They serve as a platform for our reporting. Below is a description of the three main ones: CSRD, the Taxonomy Regulation and SFDR.

CSRD

The Corporate Sustainability Reporting Directive (CSRD) is a comprehensive EU regulatory framework that regulates sustainability reporting for companies and includes increased transparency about sustainability in companies' annual reports. This reporting shall provide stakeholders with information by showing the company's impact on sustainability matters and providing stakeholders with information on how these sustainability matters will affect the company's development and future operations. The details are specified in the European Sustainability Reporting Standards (ESRS).

At the heart of both the CSRD and the new ESRS standard for sustainability reporting is the double materiality analysis, which includes both an impact analysis and a financial risk analysis. The results of the double materiality analysis then form the basis for reporting, which is intended to highlight the areas that are most material.

The Bank of Åland is one of the first corporate groups to start applying changes in national legislation mandated by CSRD on January 1, 2024. During 2023, we worked to begin the implementation of the new requirements to enable us to include expanded sustainability information in the annual report for 2024.

The Taxonomy Regulation

The EU Taxonomy Regulation is a tool for classifying what economic activities are environmentally sustainable, thus helping investors identify, compare and direct capital towards sustainable investments.

So far, the focus of the regulation has been on primarily classifying the economic activities that have the greatest potential to affect climate change by means of transition. This means that many economic activities are not yet included in the classification. The aim is for the taxonomy to be expanded in the future to include social objectives and additional economic activities. Until the taxonomy is expanded, taxonomy reporting will not represent all sectors and activities. The Taxonomy Regulation so far consists of six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

For the 2023 financial year, for the first time we are reporting the taxonomy alignment of our exposures under the first two objectives and the extent to which these exposures are covered by targets two to four. During the year, we worked on analysing our assets based on the Taxonomy Regulation and produced the reporting required by the Regulation. We also continued to improve the quality of the underlying data in order to meet future reporting requirements under the Taxonomy Regulation and other sustainability-related regulations. See Note S2 on our 2023 reporting.

SFDR

The SFDR is the EU's Sustainability Finance Disclosure Regulation. Its purpose is to create a standard for how the financial services industry presents and follows up on sustainability information about its investment products. In 2023 we worked on producing ex-post reports for all investment products and published the Group's Principal Adverse Impact (PAI) statement, which shows how we consider the principal adverse impacts on sustainability factors when making our investment decisions.

During 2023 we also worked to develop how we can identify products that suit our customers' sustainability preferences and that can be offered to them when providing investment advisory services. As data availability in the sustainability field increases, it will be easier to satisfy customers' wishes to invest in sustainable products in compliance with MiFID 2 regulatory requirements.

The Bank of Åland's materiality analysis

A materiality analysis is carried out to investigate and summarise what is essential for a company to prioritise in terms of sustainability. The analysis is done to identify the most important things we should focus on in those areas where our operations have a positive or negative impact. Under the CSRD regulations, we also consider risks and opportunities. With the help of the materiality analysis, we can identify areas for sustainable development and show how we contribute to the UN's global goals.

During 2023, we conducted a double materiality analysis, which means that based on the Group's value chain, we identified the areas in which we have the greatest impact on society, people, the environment and the climate. Furthermore, we identified the risks and opportunities that we clearly face in these areas and how these may affect our business. While a classic materiality analysis shows how a company's operations affect its surroundings, a double materiality analysis also means looking at how its surroundings affect the company's operations from a financial perspective.

Our double analysis was based on discussions with experts in the Bank's different areas of operations in order to create as comprehensive and accurate a picture of these operations as possible. The discussions were based on the areas covered by the European Sustainability Reporting Standards (ESRS) and extend across environmental, social and corporate governance fields.

Impact analysis

We have also gained valuable information through the impact analysis we carried out with the help of the UNEP FI analysis tool of the operations on our balance sheet, more specifically the loan and treasury portfolios and, starting in 2023, also our customers' investments via Ålandsbanken Fondbolag's range of mutual fund products. Although this information should be regarded as indicative, it shows potential areas to include, which makes it worth considering.

From the UNEP FI analysis, we can infer at the overall level that our most significant impact lies in the area of social sustainability. One conclusion is that the Bank is a major enabler of financial inclusiveness, which creates opportunities for a prosperous society benefiting both individuals and the business community. Our most significant negative impact is in the fields of climate and the environment, which is because we lend to and invest in sectors that by their nature have a negative impact in these fields.

The areas already been identified as material in this impact analysis have also been included as material in the double materiality analysis, supplemented with information about other relevant areas.

Double materiality analysis

The analysis is based on the Bank of Åland's operations and their nearest stages in the value chain. The value chain for the Group includes the Bank of Åland's banking operations, Crosskey's IT services and Ålandsbanken Fondbolag's asset management services. These entities form the core of the Group's own operational activities and are complemented downstream by our relationships with the customers who use our services, the partner collaborations in which we are engaged and our community involvement. The Bank also has a responsibility as a major employer, which is reflected in the broader materiality analysis.

Based on the Group's operations, relevant impact areas have been identified and evaluated depending on whether the impact is positive or negative, actual or potential, and within what time span the impact may occur. Then an assessment has been made based on the impact's severity and extent, whether the impact is irreversible or possible to remedy and the likelihood of an event occurring. The Sustainability Committee and the Executive Team have used these factors to decide what impact areas can be regarded as material.

The results of the analysis show that we have a significant impact in several areas. The Bank of Åland's own operational activities, mostly office-based, have a limited impact in the area of climate and the environment, but they have a negative impact through investments in and lending to businesses that have a more tangible impact. In the fields of corporate governance and social sustainability, we see a more direct impact based on the Bank of Åland's own operational activities, where our responsibility as a bank and employer is highly visible. In these areas, we mainly see a positive impact, but also some potentially negative areas that are important to monitor. Responsibility towards our customers in the services offered is also an important area, as are business ethics issues relating to corruption and whistleblowing.

Sustainability-related risks and opportunities that could potentially have an impact on the Bank of Åland's operations have also been identified. Risks and opportunities have been assessed according to the probability they may occur and the financial impact this could have on operations. With the help of this evaluation, the most significant risks and opportunities have been identified. Such an evaluation is important to prepare the Bank for both possible events and future CSRD reporting requirements.

Stakeholder dialogue

As the requirements for transparency and external communication about corporate sustainability work have increased, the Bank of Åland's stakeholders have also gained a more prominent role in our sustainability work.

A close dialogue with our stakeholders – both internal and external – is an important part of our development work, enabling us to better understand our impact from different perspectives. To understand the needs and driving forces that are important to our stakeholders, we conduct ongoing qualitative and quantitative stakeholder dialogues through various channels. These include customer and brand surveys as well as industry forums where current issues and trends are addressed. These dialogues are initiated both by the Bank of Åland and by stakeholders.

The Bank of Åland's stakeholders are:

1. Customers
2. Shareholder
3. Debt investors
4. Employees
5. Authorities (regulations)
6. Rating agencies
7. Resellers
8. Suppliers
9. Partner organisations
10. Special interest organisations
11. Media

During the year, we took another step to broaden our dialogue with the Bank's main stakeholders: its customers, shareholders and employees.

OUR CUSTOMERS

Dialogue with customers takes place primarily through physical meetings at our offices, but also via our digital channels, at various customer events and through our website. We conduct annual customer surveys to gather customers' views on our operations.

The results of our discussions show that the Bank of Åland's customers believe that we focus on relevant and important areas connected to sustainability. Climate goals and our social responsibility are highlighted as important areas. In particular, our community involvement in Åland is regarded as important. A large majority of our customers believe that we credibly live up to our promise to deliver a big bank's range of services with a small bank's thoughtfulness and good sense.

OUR SHAREHOLDERS

Our shareholders emphasise that the Bank of Åland, like the banking sector as a whole, has an important societal function in promoting prosperity and economic growth, but also a preventive one in thwarting financial crime. During the green transition, banks play a particularly important role as intermediaries for green investments.

In recent years, the Bank of Åland's sustainability work has received increasing attention. Thanks to the Åland Index, knowledge about each individual's environmental impact is available, at the same time as it provides an incentive to change our behaviour. Products that contribute to a better environment, such as the Baltic Sea Account and Vindkraftsfonden (the Wind Power Fund), are examples of concrete environmental and climate improvement measures. Meanwhile, our shareholders believe that it would be valuable if the Bank of Åland could develop more products with similarly positive properties.

Our shareholders also emphasise that the Bank of Åland's personalised way of meeting its customers and listening to and understanding their needs is unique and must be preserved. The Bank of Åland's sales and customer advisory services are to be characterised by a long-term focus on customer care and, in the future, should include more climate- and environment-related issues.

OUR EMPLOYEES

Dialogue with our employees is well-established and is conducted through employee surveys, performance reviews and professional development discussions, individual feedback discussions, group discussions via our intranet and during information meetings. We are convinced that a healthy working environment is of great importance for our employees' commitment, job satisfaction and performance. It is thus vital to continuously measure and follow up employees' opinions and thoughts about the working environment. The results we receive from the surveys and opinions of employees are followed up within each unit as well as at the Executive Team level. In this way, we can constantly develop and ensure a safe and healthy working environment.

An absolute majority of the Group's employees are aware of our sustainability work and our sustainability goals. Our own operational emissions and potential for reducing emissions are of particular interest. Our employees emphasise that sustainability follow-up must eventually be integrated and placed on an equal footing with financial follow-up in order for sustainability work to have a full impact. The Bank's community involvement is regarded as especially important, and employees want the Bank to continue providing information aimed at preventing financial crime and fraud, but they also want it to provide support to vulnerable groups, especially children and young people.

Our contribution to the UN Sustainable Development Goals

The impact analysis of the Bank of Åland's loan portfolio showed that through our products and services, we have both positive and negative impacts in different sustainability areas. The impact analysis of our loan portfolio is carried out using the Impact Analysis Tool v.3. It includes various lending and deposit products and services to retail customers in Sweden, on the Finnish mainland and in Åland. The analysis also covers to lending to the 20 largest sectors in our corporate service operations, divided between Sweden, the Finnish mainland and Åland.

The results showed that through its lending, the Bank of Åland has an important role in social change. According to the analysis, we have a positive impact on the UN's global sustainable development goal number 8, *Decent work and economic growth* by offering financial products and services. The analysis also shows that we contribute positively to goal 11, *Sustainable cities and communities*, among other things by providing financing to private individuals as well as construction and real estate companies, which creates opportunities for housing.

Our negative impact is primarily linked to climate and the environment, because the Bank of Åland's financing operations affect areas such as climate, biodiversity, waste and resource efficiency. This applies primarily to our financing of private homes as well as construction and real estate companies. The UN's sustainable development goal 12 *Responsible consumption and production* and goal 13, *Climate action*, are the single most important goals to focus on.

During 2023, we took the first step towards analysing our investment portfolio with the support of the Investment Portfolio Impact Analysis Tool. Because of challenges to data collection and data quality, this work must be improved in the future. The results must therefore be regarded as indicative, but the analysis shows that our most significant impact areas are connected to the following UN sustainable development goals:

- Goal 6: Clean water and sanitation
- Goal 7: Affordable and clean energy
- Goal 8: Decent work and economic growth
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 14: Life below water
- Goal 15: Life on land

In these eight areas, we have a particular commitment to limiting our impact. Through our climate target, we have taken a firm grip on this challenge. We have also taken this further by joining the Science Based Targets initiative, where we have committed to formulating science-based emission targets in accordance with the Paris Agreement. We also made our PRB impact analysis more in-depth by including responsible investments.

Our efforts work to contribute to the UN's Sustainable Development Goals also impact and contribute to more local sustainability goals, such as the seven strategic development goals in the Development and Sustainability Agenda for Åland. This is a revised version of the UN's Agenda 2030, but with a local starting point. Much of its implementation is being organised by the Åland-based Bärkraft network.

Responsible investments

The Bank of Åland works proactively to decide what we choose, and what we avoid, when we invest our own and our customers' money. As early as 2010, the fund management company Ålandsbanken Fondbolag signed the UN Principles for Responsible Investment (UNPRI). All fund management companies whose funds we recommend have signed the UNPRI. At the end of 2023, Ålandsbanken Fondbolag had assets under management in its own mutual funds totalling EUR 4.4 billion.

At the Bank of Åland, we invest in well-managed companies that are well positioned to meet the challenges of the future. We have a wide range of products and investment services where the environmental, social and governance (ESG) aspects are fully integrated into our investment processes. Our offering includes:

- Bank of Åland mutual funds
- External mutual funds, ETFs and index funds
- Equities
- Bonds
- Discretionary portfolio management
- Consultative investment solutions

Sustainability risks and opportunities

In the area of sustainability risks, we have identified physical risks that can be caused by extreme weather conditions, such as floods and/or extreme heat waves. In addition, we take into account transition risks, in other words the increased likelihood of risks that may occur in our operations due to changes in legislation or technology in the event of a transition to a carbon-neutral economy.

We also factor in social risks, such as risks connected to human rights violations, labour rights and non-compliance with good governance, including corruption, abuse or lack of processes within a business.

The return and risk profile of an investment may be negatively affected if the sustainability risk management and monitoring process is not managed appropriately.

Our climate strategy also forms the basis for deciding what companies the Bank of Åland either chooses or excludes from its investments. During 2023 we improved our processes for identifying and measuring emissions, with a special focus on emissions-intensive sectors. To achieve our established targets, we require companies to have or to develop science-based climate targets, for example in line with the Science Based Targets initiative (SBTi).

During the year, we measured how many companies had applied for validation or validated their targets according to the SBTi. By the end of 2023, we had increased the percentage of companies that had established a science-based climate target by 11 points compared to one year earlier.

The Bank of Åland's investment process

The Bank of Åland goes through a proactive selection process before making an investment. Initially, sectors that are non-sustainable by definition are excluded. Opportunities and risks are then analysed. Finally, the Bank of Åland exercises its right to exert an influence in cases where we consider this justified.

For our investments, we identify what sustainability risks are significant and how likely they are to occur. To evaluate and monitor the risks of a potential investment, we use various data providers to analyse and measure how well such risks are managed.

By taking sustainability risks into account when choosing investments, we can influence long-term returns and risk profiles in a beneficial way.

Which ones we choose

At the Bank of Åland, sustainability analysis is a natural part of our portfolio managers' investment analysis. Each company is carefully analysed, based on how they conduct their business, the products and services they offer, as well as their strategy, financial and non-financial performance and risks, capital structure, social and environmental impact and corporate governance.

We are convinced that sustainability is a crucial factor in generating long-term economic added value, and we want to ensure through our investment process that we are involved in promoting the global transition towards a more sustainable society.

Which ones we avoid

We review all products included in the Bank of Åland's offering twice a year, both our own funds and external funds. In this way, we ensure that everyone complies with international conventions and guidelines, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights or the ILO's Core Conventions on Labour Standards.

If a company in our investment portfolios were to violate any of the above agreements for more than two years, the company would be excluded from all our portfolios. During the two-year period, we pursue a dialogue with the company in question, and our ambition is to bring about a positive change.

Our funds also exclude companies that receive more than five per cent of their sales from the production of tobacco (and cannabis), controversial weapons, pornography, gambling or the extraction of thermal coal.

How we exert an influence

In order to ensure positive changes in the companies included in the Bank of Åland's fund offering, we pursue an active dialogue with them. We are pleased that after several years of discussions, we can see that companies are both clearly interested in listening to their investors and willing to discuss sustainable development.

As for its financial investment operations, the Bank of Åland's fund management company has signed and supports the following international agreements and initiatives, among others:

- The UN Guiding Principles on Business and Human Rights
- The ILO Core Conventions on Labour Standards
- The OECD Guidelines for Multinational Enterprises
- The UN Principles for Responsible Investment (UNPRI)
- The UN Global Compact

We also contribute to an active dialogue with public authorities by participating in inquiries and discussions that add value and improve the financial service sector's approach to sustainability issues. In Finland, this is done through the industry organisation Finance Finland and in Sweden via the Swedish Securities Market Association and the Swedish Investment Fund Association. The Bank of Åland is also a member of the Finnish and Swedish Forums for Sustainable Investments (Finsif and Swesif).

Our climate footprint

Since 2019, we have been calculating and monitoring the carbon intensity of all Bank of Åland mutual funds. Scope 3 data are now available for most of the companies we have invested in, but the quality is still variable. We believe that the quality of the data will increase significantly over the next few years. The majority of companies included in our fund offering have either already joined the SBTi or have clearly communicated how they intend to achieve the goals of the Paris Agreement.

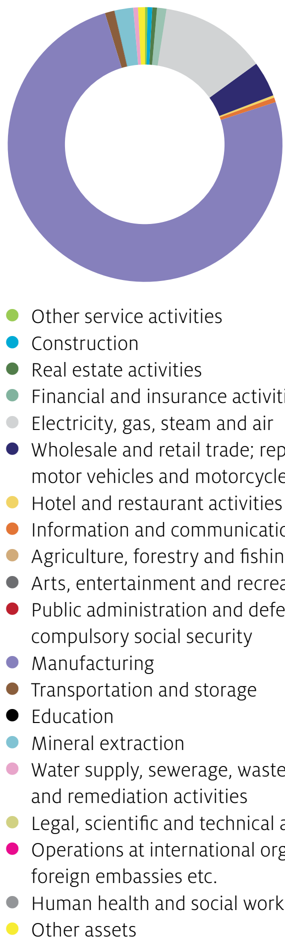
We continuously analyse developments within individual companies, with a focus on sectors that account for the largest emissions. In 2023 these sectors were manufacturing, power producers and basic industry. Based on reports from companies and the initiatives taken to reduce their emissions, our assessment is that these companies will show a gradual improvement in their emissions data in the coming years. Despite improved data quality, we expect emission levels for individual companies and whole sectors to vary quite a bit from year to year. This will depend on the economic cycle and capacity utilisation in more cyclical industries.

When we look at the performance of our managed assets, Scope 1 and Scope 2 carbon intensity has decreased by 38.91 per cent compared to our base year 2021. The same trend is apparent when we compare emissions in absolute terms. Compared to our base year, we have reduced our Scope 1 and Scope 2 emissions by 34.67 per cent.

We expect large variations in emission figures over the next few years as methods are further developed.

Investments

tonnes of CO_2e



Investments include Scope 1 and 2 emissions, as well as Scope 3 emissions in cases where companies report them. Although not all companies report Scope 3 emissions, these account for as much as 92 per cent of total reported emissions. Companies in the manufacturing sector account for 75 per cent and – together with the energy sector – account for 88 per cent of total reported emissions. See Note S1 for details.

Responsible lending and liquidity management

Responsible lending and liquidity management are among the cornerstones of ensuring that the Bank of Åland's sustainability work moves in the right direction and contributes to the UN global goals. Our work also takes good ethics into account and is an important part of the Bank's environmental and climate strategy.

The task of implementing the Bank's climate strategy in the loan portfolio is still ongoing. During 2023, we focused on further analysing the CO_2e emissions of the portfolio. Climate-intensive sectors have been identified, and we are investigating what measures will best reduce our carbon footprint. Based on where our carbon footprint is largest, we have set specific sectoral targets for our lending. Carbon dioxide reduction will mainly come from companies in climate-intensive sectors. The Bank's ambition is to work together with its customers in their green transition.

The following two sectoral targets for the loan portfolio have been set for 2030:

- For mortgage loans, the target is to reduce financed emission intensity (gCO_2e/m^2) by 26 per cent compared to the base year 2021.
- For financing of companies and businesses, the target is that 100 per cent of our customers classified as climate-intensive[1] shall have signed an "ambition agreement" that shares the same target as the Bank of Åland. This means that customers will reduce their emissions by at least 50 per cent no later than 2030. At least 90 per cent of the Bank's lending to companies shall be covered by such an ambition agreement.

Emissions related to our lending operations

The Bank of Åland's lending to the public, which forms the basis for our calculations, amounted to EUR 3,859 M at the end of 2023. Our calculation includes Scope 1 and 2 for the entire loan portfolio.

Total emissions attributable to our lending operations in 2023 were 258,301 tonnes of CO_2e (compared to 276,597 tonnes in 2022 and 310,260 tonnes in 2021), or just over 51,959 tonnes less than the recalculated base year 2021, when our calculations began. The Bank's reduced emissions were mainly due to a change in the sectoral distribution of corporate lending, changes in emission intensities and a decrease in mortgage lending volume due to the transfer of Swedish loans to the mortgage company Borgo.

We estimate that our financing of companies and investments has the largest single impact on the Bank's financed emissions (a total of 66 per cent of estimated emissions) in relation to their share of the loan portfolio (a total of 36 per cent of this portfolio).

The financing of traditionally emission-intensive activities such as energy, agriculture and transport is assumed to contribute a high individual impact, but these activities represent a marginal portion of our loan portfolio.

The Bank's target is to reduce the amount of carbon dioxide emissions by 50 per cent from 2021 to 2030. During 2023, the Bank of Åland's CO_2e emissions thus shifted in the right direction in relation to one of our climate targets. We still have a long way to go, but we look forward to this important challenge with confidence. For detailed figures, see Notes S1 and S4.

Responsible financing

During the year, the Treasury department's climate work focused on formulating objectives and responding to the regulatory requirements of the EU Taxonomy and upcoming CSRD regulations.

In addition to these major tasks, Treasury continued to work in accordance with the climate strategy drawn up in 2022. The department works continuously to ensure data quality and increase the proportion of actual emissions data instead of relying on estimates. This is happening as standardised calculation models are developed and securities issuers expand their sustainability reporting.

In line with the criteria for membership of the Net-Zero Banking Alliance (NZBA), and in support of the Bank of Åland's climate strategy, Treasury has been able to identify three emission-intensive sectors in its portfolio: the real estate sector, the energy production sector and the transport sector.

To develop targets, Treasury applies a so-called Paris-compatible reference scenario, which indicates the pace at which emission reductions should take place to enable companies in emission-intensive sectors to reach net-zero emissions by 2050.

Sectoral targets have been set in terms of the intensity level of tonnes of CO_2e per revenue in million euros. In this way, companies in these sectors are given room to grow. The same measuring system is applicable to multiple sectors, instead of sector-specific intensity metrics.

Sectoral targets have been set for 2030 compared with the base year 2021 and specify a decrease of 43 per cent for real estate operations, 51 per cent for energy production and 31 per cent for transport. In absolute terms, the yearly reduction in emissions is expected to be greater until 2030 and to slow after that.

In addition to sectoral targets within the NZBA, the Bank and its Treasury department have also worked to formulate science-based emission targets in accordance with the Science Based Target initiative (SBTi). Target setting work has progressed at a good pace, but these targets still need to be validated by the SBTi.

From a more comprehensive sustainability perspective, in addition to the climate perspective, Treasury has also participated in materiality analysis efforts to identify the most important impact areas and to establish priorities to guide us in future strategy development. In this analytical process, Treasury has used the UNEP FI Portfolio Impact Analysis Tool.

[1] Climate-intensive sectors have been defined as: construction; transport and storage; agriculture, forestry and fishing; real estate; wholesale and retail trade (repair of motor vehicles and motorcycles); manufacturing; electricity, gas, heating and cooling supply; and water supply (sewage treatment, waste management).

Green bonds

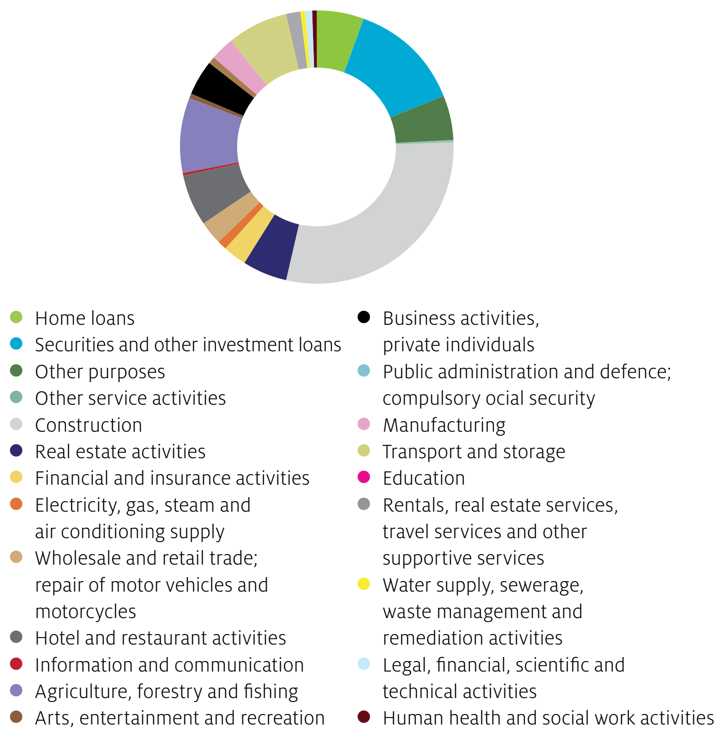
The Bank of Åland's Treasury department also contributes to the promotion of long-term sustainability development by issuing green bonds in accordance with the Bank's green finance framework. This framework covers the financing of renewable energy, more specifically wind and solar power, as well as green buildings. The independent research institute Cicero Shades of Green has reviewed the framework from a climate and environmental risk perspective and made an assessment of its ambitions for the transition to a more carbon-neutral society. The green framework has been rated Medium Green.

For the time being, the Bank of Åland has an outstanding green T2 (supplementary capital) instrument of SEK 150 million, for which the Treasury department maintains a green asset register. In the spring of 2023, Treasury published its first annual environmental impact report, which describes what projects the green instrument has funded as well as the amount of carbon dioxide emissions saved by this funding. These emission savings are calculated against a baseline scenario of conventional energy supply for renewable energy projects and energy performance required by national building codes for green buildings. The second environmental impact report was published on the Bank's website in February 2024.

In 2024, Treasury will initiate work on updating the Bank of Åland's green framework and obtaining a new independent external assessment. The aim is to align the regulatory framework with the EU Taxonomy to the extent this is possible.

Loan portfolio

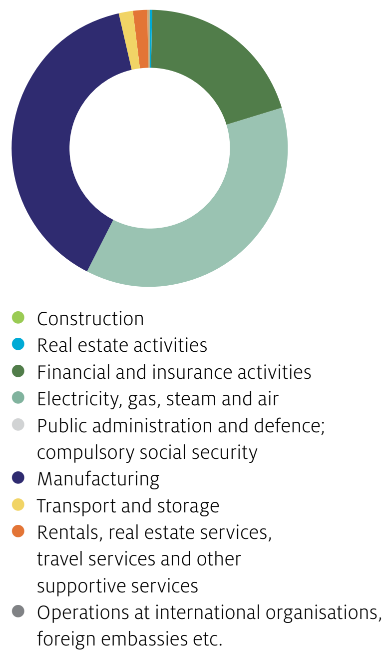
tonnes of CO_2e



The loan portfolio includes Scope 1 and 2 emissions, with the corporate portfolio accounting for 76 per cent of emissions, while private individuals account for 24 per cent. Emissions from climate-intensive sectors have been defined as: construction; transport and storage; agriculture, forestry and fishing; real estate; wholesale and retail trade; electricity, gas, heating and cooling supply; and water supply. See Note S1 for details.

Treasury portfolio

tonnes of CO_2e



The treasury portfolio includes Scope 1, 2 and 3 emissions, with Scope 3 accounting for 88 per cent of total reported emissions. Emissions from the manufacturing industry and the energy sector account for 76 percent of total reported emissions. See Note S1 for details.

Environmental responsibility

Due to Åland's geographic location in the Baltic Sea, it has always seemed natural for the Bank of Åland to devote itself to environmental issues.

Initiatives such as the Baltic Sea Project, the Baltic Sea Card and Åland Index Solutions have helped us to spread environmental awareness to our customers. Through the Baltic Sea Account, we also ensure that the contributions we make to the Baltic Sea have a tangible and positive environmental impact. During 2023, we continued to improve our materiality analysis to increase our understanding of the impact our own business operations on, water, biodiversity and ecosystems, among other things. Read more about this in the section entitled "The Bank of Åland's materiality analysis".

Because we have defined our climate targets, environmental awareness has also increased within the Group. There is a general commitment to helping achieve our climate targets and an interest in understanding how to do so. During 2023, employees contributed in many ways to a better environment by participating in various activities such as campaigns for sustainable modes of transport. In order to improve our environmental work and achieve the Bank of Åland's environmental objectives, we know that it is crucial that our employees continuously take part in skills development on sustainability issues.

Our commitment to the environment also creates a great deal of interest among potential employees.

Our own emissions

In keeping with the GHG Protocol, we report emissions in three scopes. Scope 1 includes fuel for company cars, Scope 2 includes our energy consumption and Scope 3 upstream includes supplier-related emissions from our purchases. In addition, the Bank makes estimates regarding Scope 3 downstream, which covers indirect emissions via lending in the loan and treasury portfolios and financial investments. For more information, see Note S1 and the texts for each area.

During 2023, the Bank of Åland's emissions from its own business operations (Scope 1, 2 and 3 upstream) amounted to 4,777 tonnes of CO_2e. This was an increase of 105 per cent compared to the base year 2021 (2,325 tonnes of CO_2e)[1] and was mainly due to increased emissions from business travel plus purchases, where the renovation of the Head Office in Mariehamn had an impact that will be visible during the construction period.

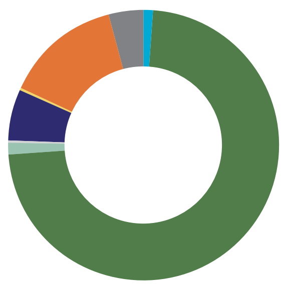
The number of company cars used by the Bank of Åland is very small, and since the autumn of 2022 the electricity we buy has been 100 per cent environmentally certified. Consequently, Scopes 1 and 2 make up a small fraction of our total emissions. Within Scope 3 upstream, which includes our own purchases, our business travel represents a significant item. After the restrictions of the pandemic years, travel has now increased. The value of in-person meetings has led to an upswing in the number of trips, which has had a negative impact on our ambition to reduce carbon dioxide emissions from travel. Yet the Bank of Åland's own operational emissions account for a small proportion of total emissions, compared to indirect emissions from our investment business in Scope 3 downstream.

Climate financing

In 2023, we provided climate financing for the CO_2e emissions included in Scopes 1 and 2 and measurable supplier-related emissions in Scope 3 upstream. Of the Bank's climate financing portfolio, 80 per cent consists of projects that reduce and store greenhouse gases. The remaining 20 per cent consists of innovation projects, such as carbon capture and storage technologies.

Emissions from the Bank´s own operations

tonnes of CO_2e



- Emissions from owned and controlled sources
- Energy-related emissions
- Purchased goods and services
- Capital goods
- Fuel- and energy-related activities
- Transport and distribution
- Waste generated by own operations
- Business travel
- Leased assets

Emissions from the Bank's own operations include Scope 1, 2 and supplier-related emissions from Scope 3 upstream, which account for as much as 99 per cent of total reported emissions. Emissions from purchased goods and services account for 74 per cent of total Scope 3 emissions and business travel for 14 per cent. See Note S1 for details.

[1] The calculation method improved during 2023, so figures for the base year 2021 as well as 2022 were recalculated to make them comparable between years. See Note S1 for details.

Baltic Sea Project – EUR 4.4 M for the well-being of the Baltic Sea

The Bank of Åland's Baltic Sea Project works for a healthier sea by funding good ideas, encouraging action and raising awareness of the state of the Baltic Sea. So far, the Bank has already financed environmental work within the framework of the Baltic Sea Project totalling of about EUR 4.4 M.

A fragile ecosystem like the Baltic Sea benefits from a vibrant diversity of species. The Baltic Sea Project funds scientific research and practical activities that maintain biodiversity. Its various projects to combat climate change can have a positive impact on the biodiversity of the entire planet. Biodiversity loss and climate change are closely linked.

During 2023, we distributed a record sum of EUR 615,000 to innovators, startups and activities that promote the well-being of the Baltic Sea through a circular economy, electrofuels and aquaculture. A total of 12 different projects received grants.

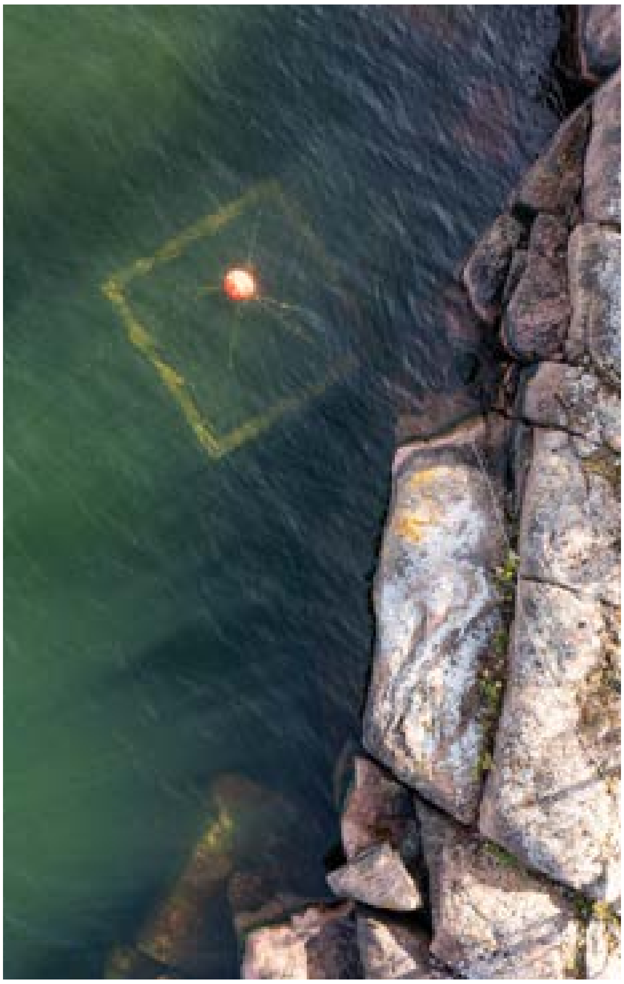
Projects funded by the Baltic Sea Project have the potential to contribute to major changes in various industrial sectors. The use of oil and coal accelerates climate change, and these fuels need to be replaced with sustainable solutions that slow down climate change.

One answer is green hydrogen and synthetic fuels. For the second year in a row, the Baltic Sea Project funded P2X Solutions, a Finnish pioneer in green hydrogen and Power-to-X technology. The company accelerates the emergence of a hydrogen market in an innovative way in all parts of the value chain, acts as a producer and distributor of green hydrogen and synthetic fuels and delivers turnkey hydrogen plants.

The textile and garment industry also produces huge amounts of emissions. Emmy Clothing Company Oy, which operates Finland's largest online store for second-hand designer clothes, received EUR 30,000 from the Baltic Sea Project. Thanks to this funding, Emmy was able to further develop its Emmyfy project. Emmyfy is a combination of technology and service that makes it easy for companies and organisations to offer their customers a simple way to sell their clothes. They do important work by extending the usage cycle of clothing and promoting used textiles as an alternative to new products.

Food production accounts for about 30 per cent of human-caused greenhouse gas emissions. These emissions come mainly from two sources: land use and animal production. For example, agriculture is still the largest source of nitrogen and phosphorus that cause eutrophication (excessive nutrients) in the Baltic Sea. Oy Lykkan Ab, whose aim is to reduce nutrient discharges from agriculture and promote regenerative agricultural practices, received funding of EUR 70,000.

The Baltic Sea Project also awarded EUR 70,000 to Project Björkskär, which is run by the Swedish energy company OX2, Nemo Seafarms and Under Ytan (Under the Surface). Research is underway on the island of Björkskär to find out how offshore wind power infrastructure can be used for marine farming and to create habitats for the Baltic Sea's key species, in order to increase biodiversity and reduce the nutrient load in the Baltic Sea.



Photographer: Tomas Årlemo

Research is underway on the island of Björkskär in the Åland archipelago to find out how offshore wind power infrastructure can be used for marine farming and to create habitats for the Baltic Sea's key species.

Of the total amount distributed, EUR 270,000 was used to support the Baltic Sea Project's long-term partners: the Baltic Sea Action Group, the John Nurminen Foundation, Race For The Baltic, WWF and the Keep the Archipelago Tidy Association's "Clean Beach" project.

Social responsibility

Social responsibility is an important area of sustainability and is also one of the four focus areas in the Bank of Åland's sustainability strategy. Social responsibility is broad and extends from our employees to our local community involvement.

Inclusiveness, diversity and equality

For the Bank of Åland, it is self-evident to work with gender equality and diversity. We want to create an inclusive culture and a working environment where differences are a strength. In the recruitment process, we work with competency-based recruitment, which means that candidate assessment must be carried out objectively on the basis of an established requirement profile. In this way, we can ensure good quality and equal assessment, which also helps create a good experience for job candidates.

Through our work, we help ensure that the Bank of Åland will be perceived as an attractive employer. All employees should have the same opportunities for a successful career within the Group, regardless of such factors as gender, age, ethnicity, beliefs, religion or disability.

In our action plan and policy for gender equality and diversity, we place particular emphasis on ensuring that:

- All employees have equal rights and opportunities in terms of work and professional development opportunities.
- Both women's and men's experiences and knowledge are utilised and represented in all areas, roles and positions in our operations.
- No one feels harassed, abused or bullied in the workplace. Harassment or bullying is unacceptable and shall be actively combated.
- Gender pay gaps do not occur. Nor should other terms of employment be different based on gender. Salaries and allowances shall be determined on objective grounds.
- Working conditions, salaries, benefits and other terms of employment are designed in such a way that all employees have the same opportunities to combine work, private life and parenthood.

We continuously measure perceptions of inclusiveness, diversity and gender equality at the Bank of Åland using an in-house index in our employee surveys.

Skills development

To remain competitive in the market, the right expertise and skills development are a strategic issue and a long-term investment for the Group. We strongly believe that the continuous professional development of our employees is crucial to our success and competitiveness. With this in mind, the Group has identified a need for further investments in learning.

We provide skills enhancement by offering solid introductory training for new employees. This begins even before their first day on the job and is supplemented by e-learning, introductory sessions and training in the employee's own department through integrated learning. We continuously measure new employees' perceptions of the Group's onboarding journey.

We measure the number of completed training courses and the hours that employees have participated in internal and external training.

The Bank of Åland endeavours to ensure a good physical and mental working environment and a high level of commitment among all employees. As in previous years, during 2023 we carried out continuous measurements of employee well-being and commitment using the eNPS and Temperature models, which measure employee commitment over time. The results of these measurements are followed up and analysed so that we can see how trends unfold.

The results show a change in a clearly positive direction in terms of employee loyalty and commitment (eNPS). eNPS and Temperature scores increased from 2022 to 2023 and show that employees perceive the Group's corporate culture as appealing and that the organisation offers them opportunities to grow professionally and take responsibility in their role. Our long-term goal is to achieve a level of commitment that is above the banking sector index. See Note S5 for detailed figures.

The Bank of Åland's systemic working environment efforts also include studying, measuring, remedying and following up results related to the mental and physical working environment. We carry out a risk assessment twice a year, monitor trends and create action plans in response. During 2023 we introduced a common working environment agenda for our Finnish and Swedish operations, which gives us a shared platform for discussions of working environment issues.

The Bank of Åland is committed to providing a good work-life balance. During 2023, we gave employees the opportunity to work remotely on a regular basis. The wellness allowance is a much-appreciated employee benefit. The Bank of Åland chose to continue offering employees the increased allowance that was introduced in 2022.

To help maintain the Bank's high level of employee commitment, a new one-year share savings program was initiated in September 2023 in which 62 per cent of total regular employees chose to participate. The objective of the program is to further strengthen employees' motivation, sense of participation and long-term affinity with the Group by offering them an opportunity to subscribe for shares in the Bank of Åland on favourable terms.

Leadership

Throughout the Group, we regard leadership as a strategically important area for achieving our employee commitment and well-being goals. We continuously monitor the results of our leadership index.

During 2023, our leadership programme focused on further strengthening leadership through initiatives such as training, workshops and other ongoing management information forums. The year's programme focused on the interaction between corporate culture and the Bank of Åland's behaviour-related values.

Leadership exercises focusing on the Bank's core values were carried out in the organisation, as well as various activities with the help of leadership support in the form of "key capabilities". These key capabilities have given managers the opportunity to train their leadership skills on various themes such as committing to a goal, maintaining learning, reflection, dealing with resistance to change and promoting self-leadership. At our annual leadership forums, issues such as corporate culture and values have been on the agenda, and these are themes we will continue to work on in the coming years.

During the year, the Minimum Level for Leadership was also established to further clarify and strengthen expectations and opportunities for managers. As part of regular performance reviews and professional development discussions, individual goals and skills development needs connected to these goals are defined.

Community involvement

The Bank of Åland is an active player in the business sector and we are broadly involved in the community, especially in Åland. During 2023, we proactively offered internships to students who had shown a strong interest in the Bank as an employer. The Bank of Åland creates opportunities for language trainees to develop their Swedish through integration into the business community.

Other activities organised during the year included events focused on encouraging and enabling Åland children to be more physically active. The Bank made this possible by working with Save the Children and other organisations.

Ethical conduct

An ethical approach and conduct are crucial for the Group's operations. We work continuously to ensure that employees maintain a high ethical level in their work and that we all comply with laws, regulations and sound financial market practices. Our Code of Conduct and our values are an expression of a common approach that should permeate our operations and provide a stable foundation for our daily work. We ensure this ambition through various forms of skills development and follow-ups. Our employees undergo mandatory training every year. We also meet the existing licensing requirements for the financial services sector in Sweden and Finland.

Business ethics, anti-crime work and information security

The Bank of Åland's operations maintain a high level of business ethics. In addition to laws and regulations, we also follow our own policy documents and guidelines. Our guidelines formulate a common approach to ethical conduct, which is the basis of our entire business.

We prevent and take measures to proactively keep the Bank of Åland from not being used for money laundering, terrorist financing, fraud or corruption. This work is important to enable us to take social responsibility and contribute to a long-term sustainable society. Measures to protect information about our customers and the Bank are important to combat all forms of financial crime.

Money laundering and terrorist financing

Thanks to the existence of internal regulations, we can counteract, prevent and reduce the risk that the Bank of Åland will be used for money laundering and terrorist financing. The Bank complies with international and national sanction decisions. We prevent financial resources from being channelled to or made available to persons or organisations that are on a sanctions list.

Bribery and corruption

Our work to identify, combat and counteract bribery and corruption at the Bank of Åland is supported by internal regulations. We follow industry-wide recommendations, as well as our own regulations regarding entertainment, sponsorship and gifts.

Bribery and corruption are, of course, criminal acts, but in many cases our work to prevent bribery and corruption is also a matter of trust. As a player in the banking and financial services sector, we enjoy a special level of trust from the public.

Information security

The Bank of Åland's ability to protect itself against cyber-threats is based on an information security framework consisting of identifying, protecting, detecting, responding and restoring. We work proactively to combat cyber-threats and raise awareness among employees. The Bank of Åland's Information Security Officer provides employees and systems owners support and advice on security issues. In addition to our own regulations, we follow the rules of the Finnish and Swedish Financial Supervisory Authorities. The auditing company KPMG conducts an IT audit of the Bank of Åland's systems every year.

Examples of the Bank's information security work are the regular penetration tests that are performed on all digital services that we offer our customers. All new development work also includes penetration testing when it comes to designing security components.

The Bank of Åland also follows internal regulations on how we process personal data with a good level of security. We have processes in place to prevent access and unauthorised use of both personal data and the equipment used for data processing.

Whistleblowing

We work proactively to detect and prevent violations of internal and external regulations or misconduct in our business operations. In this way, we can follow good corporate governance principles and maintain a high standard of business ethics. As part of this work, we use a reporting system to draw attention to irregularities. To enable all whistleblowers to feel safe with our reporting system, the user's identity is protected, which minimises any risk of retaliation.

Report of the Directors

Photographer: Anton Sucksdorff

Report of the Directors

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 and 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, 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.

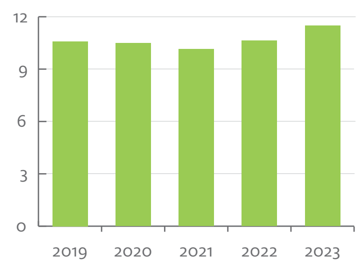
The Bank of Åland launched a new share savings programme for all Group employees, starting in September. The programme gives employees the opportunity to save part of their monthly salary to invest in Bank of Åland Series B shares. Participation in the share savings programme takes place on a voluntary 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

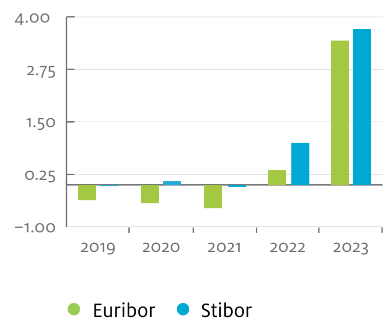
Average SEK/EUR exchange rate

SEK



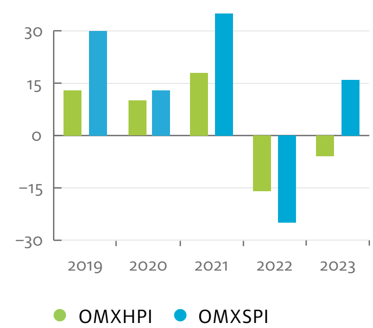
Euribor/Stibor, 3-month averages

Per cent



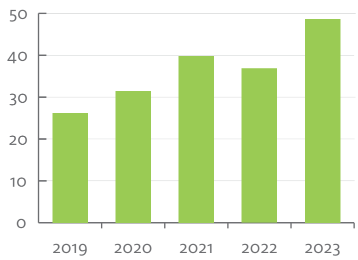
OMXHPI and OMXSPI

Per cent



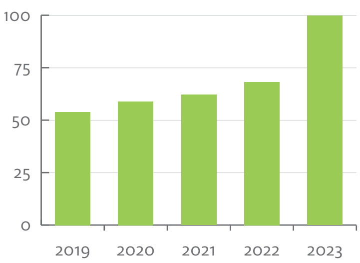
Profit attributable to shareholders

EUR M



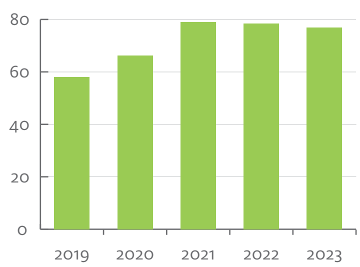
Net interest income

EUR M



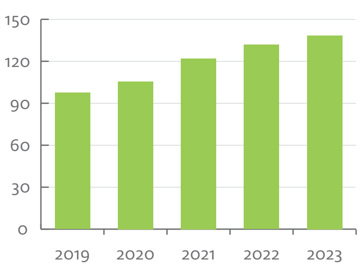
Net commission income

EUR M



Total expenses

EUR M



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 had not reported all derivative contracts to the trade repository. The inadequacies were corrected when the Bank became aware of them.

Earnings

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 (12.8).

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.

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 of EUR 9.8 M, 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 and elimination items)

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 2,716 M (1,304).

Balance sheet total and off-balance sheet items

During 2023 the Group's balance sheet decreased by EUR 556 M or 9 per cent to EUR 5,342 M (5,898). The decrease was primarily explained by the Swedish mortgage loan portfolio that was transferred to Borgo. Off-balance sheet obligations fell by EUR 328 M or 28 per cent to EUR 838 M (1,166). The decrease was mainly related to lines of credit.

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 Russia, Belarus or Ukraine. 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.

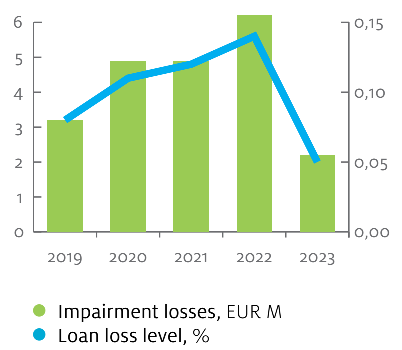
Liquidity and borrowing

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.

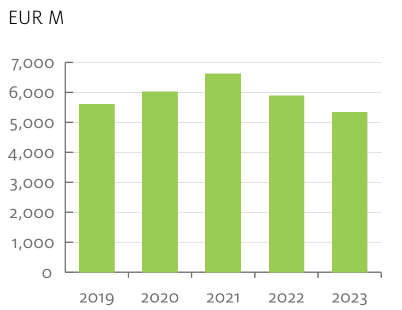
In January, a covered bond totalling EUR 100 M fell due for pay ment, and in September an additional covered bond totalling EUR 250 M fell due. In September the Bank also paid off a central bank loan (TLTRO) totalling EUR 200 M. In May, a T2 instrument totalling SEK 200 M fell due.

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.

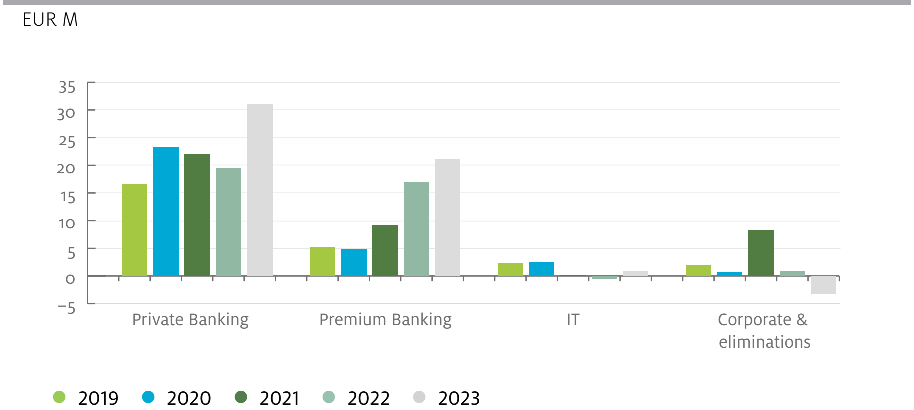
Impairment losses and loan loss level



Balance sheet total

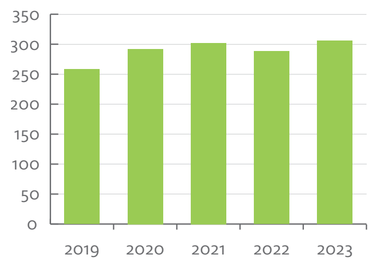


Profit attributable to shareholders, by segment



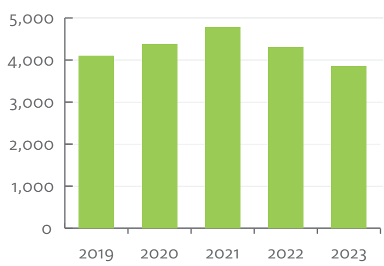
Equity capital attributable to shareholders

EUR M



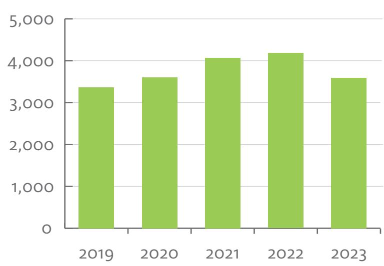
Lending

EUR M



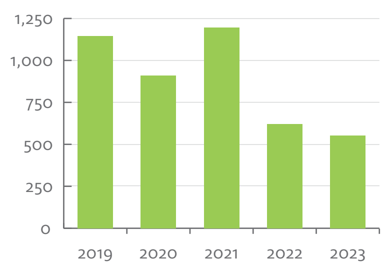
Deposits

EUR M



Covered bonds

EUR M



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 (233.9).

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 require- ments 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 assess ment 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).

- 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 CO_2e 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 green- house gas emissions. Total emissions from the Bank's own business operations during 2023 were 4,777 tonnes of carbon dioxide equivalents (CO_2e), 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 compensation 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 CO_2e, from the Treasury portfolio 12,381 tonnes of CO_2e and from customers' investment portfolios 1,903,523 tonnes of CO_2e.

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 motivated, 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; 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.

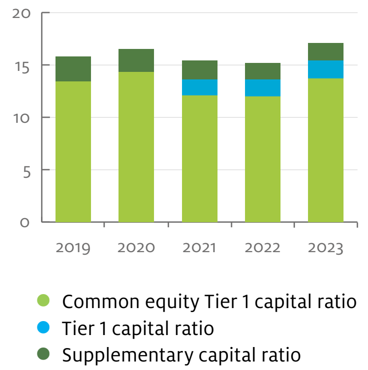
Social responsibility

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.

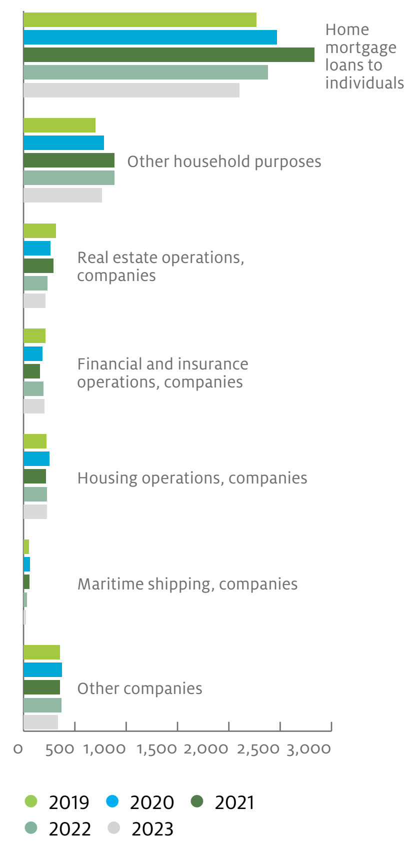
Capital ratios

Per cent



Lending by economic sector

EUR M



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 that 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.

Risk 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.

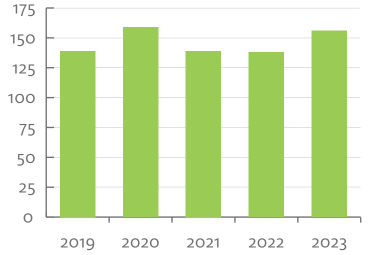
Future outlook

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.

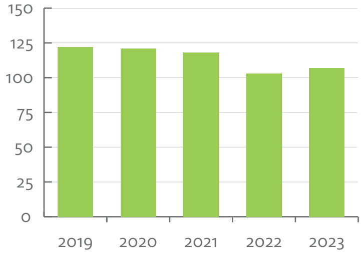
Liquidity coverage ratio

Per cent



Loan/deposit ratio

Per cent



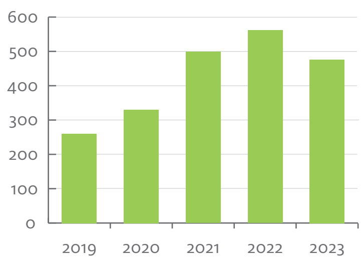
Facts on Bank of Åland shares

Photographer: Anton Sucksdorff

Facts on Bank of Åland shares

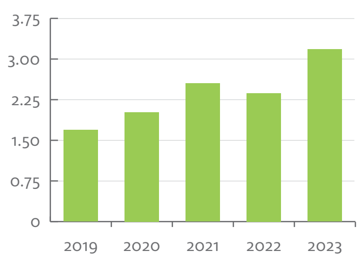
Market capitalisation

EUR M



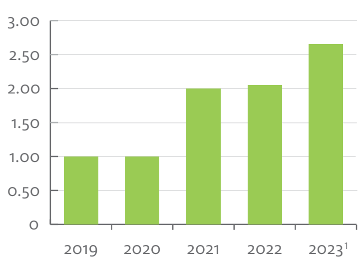
Earnings per share

Euros



Dividend per share

Euros



[1] Proposed by the Board of Directors for approval by the Annual General Meeting.

Share capital

The share capital of the Bank of Åland is EUR 42,029,289.89. The shares are divided into 6,476,138 Series A shares and 8,831,649 Series B shares. Each Series A share represents twenty (20) votes and each Series B share one (1) vote at shareholders' meetings. The Articles of Association stipulate that no representative at a General Meeting may vote for more than one fortieth of the number of votes represented at the Meeting.

In April 2019, the Annual General Meeting decided to authorise the Board of Directors to decide on the issuance of shares, option rights and other special rights entitling their holders to shares, as provided by the Finnish Companies Act, Chapter 10, Section 1. The authorisation concerns Series B shares. The total number of shares that may be issued with the support of the authorisation may not exceed 3,000,000 Series B shares. The authorisation covers one or more issues in exchange for payment or without payment and may also cover divestment of the Company's own shares. The authorisation replaces all of the Annual Meeting's earlier unused authorisations of shares, option rights and other special rights entitling their holders to shares. The Board's mandate is in force until April 3, 2024. So far, 144,064 shares (as of December 31, 2023) have been issued as authorised, and consequently an additional 2,855,936 Series B shares may be issued or divested on the basis of the authorisation.

Shares as part of variable compensation programmes

Newly issued or purchased Series B shares in the Bank are paid as part of the Bank of Åland's incentive programmes. In the spring of 2023, the Bank disbursed 6,974 newly issued Series B shares. In March 2024, about 19,000 Class B shares will be disbursed. Another approximately 26,000 Series B shares will be disbursed as a deferred portion of incentive programmes during the years 2025–2028, provided that the criteria for disbursement are fulfilled. The number of shares will depend on the share price on the disbursement date.

Share savings programme

The Bank of Åland launched a new share savings program for all Group employees starting in September 2023. The share savings programme gives employees the opportunity to save part of their monthly salary to invest in the Bank of Åland's Series B shares. Participation in the programme is voluntary. Employees can save a maximum of five percent 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 matching share for each share acquired in the targeted issues to those who have participated in the shareissues 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. By the end of the application period, 62 per cent of the number of regular employees in the Group had joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.4 million, 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.

In 2023, the Bank of Åland issued 47,069 Series B shares to fulfil the Bank's commitments under the 2022/2023 share savings programme. The number of matching Series B shares to be issued in 2026 is estimated at 43,000.

Changes in share capital

Year	Share capital, EUR	Series A shares	Series B shares
2023	42,029,289.89	6,476,138	8,831,649
2022	42,029,289.89	6,476,138	8,777,709
2021	42,029,289.89	6,476,138	9,126,165
2020	42,029,289.89	6,476,138	9,109,916
2019	42,029,289.89	6,476,138	9,075,360

Trading in the Bank's shares

During 2023, the volume of trading in the Bank's Series A on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) was EUR 5.7 M. Their average price was EUR 34.17. The highest quotation was EUR 41.70, and the lowest EUR 30.30. Trading in Series B shares totalled EUR 14.3 million at an average price of EUR 34.44. The highest quotation was EUR 41.60, the lowest EUR 30.40.

On December 31, 2023, the number of registered shareholders was 14,134, and they owned 14,000,822 shares. There was also a total of 1,306,965 shares registered in the names of nominees. The number of directly registered shareholders increased by 7 per cent during 2023.

The ten largest shareholders

	Shareholder	Series A shares	Series B shares	Total	% of shares	% of votes
1	Wiklöf Anders and companies	1,993,534	1,332,961	3,326,495	21.73	29.78
2	Nordea Bank Abp (nominee registered shares)	1,028	920,878	921,906	6.02	0.68
3	Alandia Försäkring Abp (insurance company)	754,908	52,632	807,540	5.28	10.95
4	Fennogens Investments S.A.	616,764	165,467	782,231	5.11	9.04
5	Pensionsförsäkringsaktiebolaget Veritas (pension insurance company)	123,668	265,754	389,422	2.54	1.98
6	Chilla Capital	277,500	0	277,500	1.81	4.01
7	Lundqvist Ben	273,795	0	273,795	1.79	3.96
8	Oy Etra Invest Ab (investment company)	0	225,000	225,000	1.47	0.16
9	Svenska Litteratursällskapet i Finland rf (literary society)	208,750	0	208,750	1.37	3.02
10	Nordea Life Assurance Finland Ltd	0	176,960	176,960	1.16	0.13

The list also includes group companies of shareholders and owner-controlled companies.

Shareholders by size of holding

Number of shares	Number of shareholders	Total number of shares held	Average holding	Voting power, %
1–100	7,566	299,402	40	1.6
101–1,000	5,321	1,831,161	344	7.7
1,001–10,000	1,141	2,833,223	2,483	12.0
10,001–	106	10,344,001	97,585	78.7
of which nominee registered shares		*1,306,965*		*1.4*

Shareholders by category

Category	Number of shares	% of shares
Private individuals	6,036,704	39,4
Companies	4,197,050	27,4
Financial institutions and insurance companies	1,793,170	11,7
Non-profit organisations	631,826	4,1
Government organisations	18,998	0,1
Foreign investors	1,323,074	8,6
Nominee registered shares	1,306,965	8,5
Total	**15,307,787**	**100,0**

Bank of Åland share data	2023	2022	2021	2020	2019
Number of shares, thousands [1]	15,308	15,254	15,602	15,586	15,551
Number of shares after dilution, thousands	15,415	15,321	15,636	15,634	15,601
Average number of shares, thousands	15,292	15,526	15,599	15,579	15,523
Earnings per share, EUR [2]	3.18	2.37	2.55	2.02	1.69
Earnings per share after dilution, EUR	3.17	2.37	2.55	2.02	1.69
Dividend per share, EUR	2.40 [3]	1.60	1.55	1.00	0.80
Extra dividend per share, EUR	0.25 [3]	0.45	0.45		0.20
Dividend payout ratio [4]	75.5	66.4	60.7	49.5	47.3
Extra dividend payout ratio [4]	7.9	18.7	17.6		11.8
Equity capital per share, EUR [5]	19.98	18.85	19.39	18.76	16.61
Equity capital per share after dilution, EUR	19.97	18.92	19.41	18.76	16.59
Market price per share, closing day, EUR					
Series A	31.20	37.60	32.60	21.60	17.00
Series B	31.00	36.20	31.50	20.90	16.55
Price/earnings ratio [6]					
Series A	9.8	15.9	12.8	10.7	10.0
Series B	9.7	15.3	12.3	10.3	9.8
Effective dividend yield, % [7]					
Series A	8.5	5.5	6.1	4.6	5.9
Series B	8.5	5.7	6.3	4.8	6.0
Market capitalisation, EUR M	475.8	561.3	498.6	330.3	260.3

1 Number of registered share minus own shares on closing day

2 $\dfrac{\text{Shareholders' interest in profit for the accounting period}}{\text{Average number of shares}}$

3 Proposed by the Board of Directors for approval by the Annual General Meeting

4 $\dfrac{\text{Dividend for the accounting period}}{\text{Shareholders' interest in profit for the accounting period}} \times 100$

5 $\dfrac{\text{Shareholders' portion of equity capital}}{\text{Number of shares on closing day}}$

6 $\dfrac{\text{Share price on closing day}}{\text{Earnings per share}}$

7 $\dfrac{\text{Dividend}}{\text{Share price on closing day}} \times 100$

Bank of Åland shares traded, Helsinki Stock Exchange

Year		Thousands of shares	Volume as % of shares	Price paid, EUR: Highest/Lowest	Average price, EUR
2023	A	166	2.6	41.70–30.30	34.17
2023	B	416	4.7	41.60–30.40	34.44
2022	A	283	4.4	40.40–27.30	33.21
2022	B	1,154	13.1	39.60–27.90	33.19
2021	A	321	5.0	33.20–22.40	28.42
2021	B	1,094	12.0	32.20–20.80	26.25
2020	A	198	3.1	21.80–14.90	18.71
2020	B	1,141	12.5	21.20–13.55	18.22
2019	A	914	14.1	17.00–13.10	14.95
2019	B	874	9.6	16.75–12.70	14.22

Financial statements

Photographer: Anton Sucksdorff

Consolidated income statement

(EUR K)

Bank of Åland Group	Note	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Interest income		195,096	84,526
Interest expenses		−95,444	−16,309
Net interest income	G7	**99,653**	**68,217**
Commission income		110,334	111,438
Commission expenses		−33,376	−33,006
Net commission income	G8	**76,958**	**78,432**
IT income		28,635	23,492
Net income from financial items carried at fair value	G9	−2,950	12,815
Share of income in associated companies[1]		−543	529
Other operating income	G10	520	622
Total income		**202,273**	**184,106**
Staff costs	G11	−81,308	−75,463
Other costs	G12	−41,636	−39,706
Statutory fees	G13	−3,245	−3,440
Depreciation/amortisation and impairment losses on tangible and intangible assets	G26, G27	−12,177	−13,214
Total expenses		**−138,367**	**−131,823**
Profit before impairment losses		**63,906**	**52,283**
Net impairment loss on financial assets	G14	−2,161	−6,205
Net operating profit		**61,745**	**46,077**
Income taxes	G15	−13,070	−9,314
Net profit for the period		**48,674**	**36,764**
Attributable to:			
Non-controlling interests		2	1
Shareholders in Bank of Åland Plc		**48,672**	**36,762**
Earnings per share, EUR	G16	3.18	2.37
Earnings per share after dilution, EUR	G16	3.17	2.37

[1] Shares in associated companies for the financial year 2022 have been recalculated with reference to the effects of IFRS 17 (EUR −16 K).

Consolidated statement of comprehensive income

(EUR K)

Bank of Åland Group	Note	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Profit for the accounting period		**48,674**	**36,764**
Cash flow hedges			
Changes in valuation at fair value		1,952	−1,952
Assets measured via other comprehensive income			
Changes in valuation at fair value		9,834	−10,235
Realised changes in value		-	2
Transferred to the income statement		−151	−1,587
Translation differences			
Gains/losses arising during the period[1]		983	−7,590
Taxes on items that have been or may be reclassified to the income statement	G15	−2,327	2,754
Items that have been or may be reclassified to the income statement		**10,291**	**−18,608**
Changes in value of equity instruments		−10,478	8,219
Translation differences[1]		78	−2,867
Re-measurements of defined benefit pension plans	G44	−1,967	7,078
Taxes on items that may not be reclassified to the income statement	G15	2,860	−2,229
Items that may not be reclassified to the income statement		**−9,506**	**10,201**
Other comprehensive income		**784**	**−8,407**
Total comprehensive income for the period		**49,459**	**28,356**
Attributable to:			
Non-controlling interests		2	1
Shareholders in Bank of Åland Plc		**49,457**	**28,355**

[1] Comparative figures have been corrected between items within "Other comprehensive income". This correction has also affected the calculation of taxes for these items.

Consolidated balance sheet

(EUR K)

Bank of Åland Group	Note	Dec 31, 2023	Dec 31, 2022
Assets			
Cash and deposits with central banks		351,011	341,983
Debt securities	G20	826,043	999,977
Lending to credit institutions	G21	31,479	42,583
Lending to the public	G22	3,859,054	4,302,937
Shares and participations	G23	40,147	48,810
Shares in associated companies[1]	G24	6,761	7,379
Derivative instruments	G25	27,258	26,637
Intangible assets	G26	20,932	20,621
Tangible assets	G27	36,702	35,544
Investment properties	G27	294	300
Current tax assets		2,362	1,234
Deferred tax assets	G28	4,759	6,479
Other assets	G29	81,713	28,653
Accrued income and prepayments	G30	52,993	35,172
Total assets		**5,341,507**	**5,898,309**
Liabilities			
Liabilities to credit institutions	G31	400,508	434,156
Deposits from the public	G32	3,594,757	4,182,068
Debt securities issued	G33	817,275	792,634
Derivative instruments	G25	15,414	23,636
Current tax liabilities		3,423	2,712
Deferred tax liabilities	G28	35,182	34,697
Other liabilities	G34	59,250	46,566
Provisions	G35	1,775	1,206
Accrued expenses and prepaid income	G36	47,097	32,164
Subordinated liabilities	G37	31,501	31,434
Total liabilities		**5,006,182**	**5,581,273**
Equity capital and non-controlling interests	G38		
Share capital		42,029	42,029
Share premium account		32,736	32,736
Reserve fund		25,129	25,129
Hedge reserve		0	−1,561
Fair value reserve		−529	107
Translation differences		−8,979	−10,025
Unrestricted equity capital fund		30,184	28,455
Retained earnings[1]		185,314	170,727
Shareholders' portion of equity capital		**305,885**	**287,597**
Non-controlling interests' portion of equity capital		16	14
Holders of additional Tier 1 capital		29,424	29,424
Total equity capital		**335,325**	**317,035**
Total liabilities and equity capital		**5,341,507**	**5,898,309**

[1] Shares in associated companies and retained earnings for the financial year 2022 have been recalculated with reference to the effects of IFRS 17 (EUR +606 K in equity capital).

Statement of changes in equity capital

(EUR K)

Bank of Åland Group

	Share capital	Share premium account	Reserve fund	Hedge reserve	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	Holders of additional Tier 1 capital	Total
Equity capital, Dec 31, 2021	**42,029**	**32,736**	**25,129**	**0**	**2,990**	**−141**	**0**	**27,994**	**171,744**	**302,481**	**13**	**29,424**	**331,918**
Change in accounting principle[1]									606	606			606
Equity capital, Jan 1, 2022	**42,029**	**32,736**	**25,129**	**0**	**2,990**	**−141**	**0**	**27,994**	**172,349**	**303,087**	**13**	**29,424**	**332,524**
Profit for the period[2]									36,762	36,762	1		36,764
Other comprehensive income				−1,561	−2,883	−9,884			5,921	−8,407			−8,407
Transactions with owners													
Buy-backs of own shares							−12,072			−12,072			−12,072
Annulment of own shares							12,072		−12,072				0
Tier 1 capital instrument dividends									−1,242	−1,242			−1,242
Dividends paid									−31,130	−31,130			−31,130
Incentive programme								460		460			460
Share savings programme									139	139			139
Equity capital, Dec 31, 2022	**42,029**	**32,736**	**25,129**	**−1,561**	**107**	**−10,025**	**0**	**28,455**	**170,727**	**287,597**	**14**	**29,424**	**317,035**
Profit for the period									48,672	48,672	2		48,674
Other comprehensive income				1,561	−636	1,046			−1,187	784			784
Transactions with owners													
Tier 1 capital instrument dividends									−1,924	−1,924			−1,924
Dividends paid									−31,330	−31,330			−31,330
Incentive programme								271		271			271
Share savings programme								1,459	355	1,814			1,814
Equity capital, Dec 31, 2023	**42,029**	**32,736**	**25,129**	**0**	**−529**	**−8,979**	**0**	**30,184**	**185,314**	**305,885**	**16**	**29,424**	**335,325**

For further information about changes in equity capital, see Note G38.

[1] Refers to implementation of IFRS 17, "Insurance contracts". For more information, see Note G2, Accounting principles.

[2] Implementation of IFRS 17, "Insurance contracts", had an impact on 2022 profit for the year of EUR −16 K.

Consolidated cash flow statement

(EUR K)

Bank of Åland Group	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash flow from operating activities		
Net operating profit	61,745	46,077
Adjustment for net operating profit items not affecting cash flow		
Depreciation/amortisation and impairment losses on intangible and tangible assets	12,177	13,214
Net impairment losses on financial assets	2,406	6,470
Unrealised changes in value	4,533	−1,716
Accrued surpluses/deficits on debt securities and bonds issued	7,773	7,097
Defined benefit pension plan	292	422
Gains/losses from investment activity	0	−1
Income taxes paid	−8,971	−11,773
Increase (–) or decrease (+) in receivables from operating activities		
Debt securities	185,759	−300,634
Lending to credit institutions	13,387	1,345
Lending to the public	453,813	312,235
Other assets	−73,288	−17,153
Increase (+) or decrease (–) in liabilities from operating activities		
Liabilities to credit institutions	−33,924	−354,879
Deposits from the public	−591,915	202,224
Debt securities issued	−4,093	−379,457
Other liabilities	31,317	−2,195
Cash flow from operating activities	**61,012**	**−478,725**
Cash flow from investing activities		
Investment in shares and participations	−1,811	−9,574
Divestment of shares and participations	-	27
Investment in tangible assets	−4,098	−3,552
Divestment of tangible assets	104	66
Investment in intangible assets	−4,765	−4,146
Cash flow from investing activities	**−10,571**	**−17,179**
Cash flow from financing activities		
Share issue	1,730	460
Buy-backs of own shares	-	−12,072
Payment of principal on lease liability	−4,841	−3,363
Increase in subordinated debentures	17,955	-
Decrease in subordinated debentures	−17,714	−2,266
Dividend paid	−31,330	−31,130
Interest paid on Tier 1 capital instruments	−1,924	−1,242
Cash flow from financing activities	**−36,123**	**−49,613**
Exchange rate differences in cash and cash equivalents	101	−25,818
Change in cash and cash equivalents	**14,420**	**−571,335**
Cash and cash equivalents at beginning of year	329,012	900,348
Cash flow from operating activities	61,012	−478,725
Cash flow from investing activities	−10,571	−17,179
Cash flow from financing activities	−36,123	−49,613
Exchange rate differences in cash and cash equivalents	101	−25,818
Cash and cash equivalents at end of year	**343,432**	**329,012**
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	321,981	309,819
Lending to credit institutions that is repayable on demand	21,451	19,193
Total cash and cash equivalents	**343,432**	**329,012**

"Cash and cash equivalents" refers to cash, cheque account with the Bank of Finland, lending to credit institutions that is repayable on demand as well as other lending to credit institutions and debt securities with an original remaining maturity of less than three months as well as claims on public sector entities that are not lending. "Investing activities" refers to payments related to tangible and intangible assets as well as holdings of shares and participations aside from shares intended for trading. "Financing activities" refers to items among equity capital and liabilities that fund operating activities. The analysis was prepared according to the indirect method.

For further information regarding the consolidated cash flow statement, see Note G39.

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Notes to the consolidated financial statements

(EUR K)

G1. Corporate information

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public company, organised in compliance with Finnish legislation and with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 11 offices in Finland and 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

A copy of the consolidated financial statements can be obtained from the Head Office or from the Bank's website *www.alandsbanken.fi*

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

The consolidated financial statements for the financial year ending on December 31, 2023 were approved by the Board of Directors on February 21, 2024 and will be submitted to the 2024 Annual General Meeting for adoption. The Annual General Meeting has the opportunity to adopt or abstain from adopting the financial statements.

G2. Accounting principles

1. Basis for the report

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as interpretations of these. IFRSs and interpretations become compulsory for the Bank of Åland's consolidated financial reporting as the European Union approves them. In addition, when preparing the notes to the consolidated financial statements, Finnish company and accounting legislation has also been applied. The consolidated financial statements are presented in thousands of euros (EUR K) unless otherwise stated. The consolidated financial statements have been prepared according to original cost, if not otherwise stated in the accounting principles.

Tables show rounded-off figures on all individual lines, but this means that the rounded-off figures do not always add up to the correct total.

2. Changes in 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, 2022, except for the application of IRFS 17, "Insurance contracts".

On January 1, 2023, IFRS 17, "Insurance contracts", entered into force for application in the EU. IFRS 17 replaces IFRS 4, "Insurance contracts" and establishes principles for reporting, presentation, valuation and disclosures about insurance and reinsurance contracts that have been issued. 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 but 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 have been restated. Financial ratios affected by the changes in comparative figures have also been restated.

Other changes in accounting rules adopted during 2023 have had no major effect on the Group's financial position, earnings, cash flow or disclosures.

2.1 COMING REGULATORY CHANGES

A number of new standards and interpretations take effect for accounting years that begin after January 1, 2024. These coming regulatory changes are not expected to have any significant effect on the Group's financial position, earnings or disclosure.

3. Significant accounting principles

3.1 PRESENTATION OF FINANCIAL REPORTS

Financial statements consist of a balance sheet, an income statement, a statement of comprehensive income, a statement of changes in equity capital, a cash flow statement and notes. Their purpose is to provide information about the position, financial performance and cash flows of a company that is useful in making economic decisions. Financial statements also present the results of the management team's administration of the resources entrusted to them.

The Group publishes an interim report for each quarter as well as a complete annual report.

3.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are prepared in compliance with IFRS 10, "Consolidated financial statements" and encompass the Parent Company, the Bank of Åland Plc – including its Swedish branch, Ålandsbanken Abp (Finland), svensk filial – and all subsidiaries that the Parent Company controls. The Group controls a company when it is exposed to, or has rights to, variable returns from its holding in the company and has the ability to affect those returns through its influence on the company. When assessing whether a controlling interest exists, potential voting rights are considered as well as whether de facto control exists. The consolidation of subsidiaries occurs from the date when control is achieved to the divestment date.

In elimination, the acquisition method of accounting has been used. The acquisition method means that the payment which is transferred, the identifiable assets of the acquired company and liabilities assumed plus any non-controlling interests are carried at fair value on the acquisition date. Conditional consideration is recognised at fair value on the acquisition date. In case contingent consideration is classified as an equity instrument, no reassessment is made and settlement occurs as part of equity capital. Other contingent consideration is reassessed on each reporting date and the change is recognised in the year's income statement. Intangible assets that are not found in the balance sheet of the acquired company, for example patents, brand names or customer relationships, are identified and measured at the time of the acquisition. In case of an acquisition where the payment which is transferred, any non-controlling interests and the fair value of any previously owned portion exceed the fair value of the acquired assets and the liabilities assumed, the difference is recognised either as goodwill or negative goodwill. If goodwill arises, it is tested at least in conjunction with the annual financial statements. If negative goodwill arises, it is recognised as income in its entirety at the time of the acquisition. For goodwill amounts in companies where the Group has a controlling influence, or in subsidiaries where it has significant holdings without decision-making rights, see Note G26.

Transaction expenditures – except for those attributable to the issuance of equity instruments or debt instruments – are recognised directly in the income statement. The portions of equity capital and profit for the accounting period in subsidiaries that are attributable to non-controlling interests are split off and shown as separate items in the consolidated income statement and balance sheet. Losses attributable to non-controlling interests are allocated even in those cases where non-controlling interests will be negative.

Changes in percentages of ownership in a subsidiary where a controlling influence is retained are recognised as a transaction in equity capital. The difference between payment received and non-controlling interests' proportion of acquired net assets is recognised under "Retained earnings". Changes where a controlling influence ceases – gains or losses as well as items in other comprehensive income, except any re-measurements of defined benefit pension plans – are recognised in the income statement. Remaining holdings are carried at fair value and the change in value is recognised in the income statement.

The consolidated financial statements include those associated companies in which the Bank of Åland Group owns 20–50 per cent of the voting power or otherwise has significant influence. When consolidating associated companies, the equity method of accounting has been used. The equity method means that the carrying amount of the shares in the consolidated financial statements is equivalent to the Group's proportion of the associated company's equity capital and Group goodwill and any other remaining consolidated surplus and deficit values, adjusted for any impairment losses. Shares in associated companies that are in a start-up/investment phase are recognised in the consolidated balance sheet at their acquisition cost. The Group's proportion of the income in associated companies and any proportion of other comprehensive income are recognised on separate lines in the consolidated income statement and the consolidated statement of other comprehensive income, respectively. When the Group's proportion of an associated company's losses equals or exceeds its holding in the associated company, including any receivables without collateral, the Group recognises no further losses, unless the Group has assumed legal or informal obligations or made payments on behalf of the associated company.

Joint operations and joint ventures are collaborative arrangements in which the Bank of Åland and one or more business partners are entitled to all economic benefits related to an operation's assets and obligations for its liabilities. Mutual property and housing companies have been classified as joint operations. The Group recognises assets, liabilities, income and expenses based on its proportion of these. All intra-Group receivables, liabilities, income and expenses – including dividends and unrealised intra-Group profits – have been eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associated companies are eliminated to an extent equivalent to the Group's proportion of ownership in the company, but only to the extent that there is no impairment.

3.3 ITEMS IN FOREIGN CURRENCIES

The consolidated financial statements are prepared in euros (EUR), which is the reporting and functional currency of the Parent Company, Bank of Åland Plc. The functional currency of an operation is determined on the basis of the economic environment where the operation is carried out. The functional currency of the Group's operations outside Finland may diverge from the Group's reporting and functional currency. A foreign currency is defined as a currency other than the Group's functional currency. Income and expenses in foreign currencies are translated to the functional currency of Group companies and branches on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing on the closing day. Translation differences from equity instruments and debt instruments measured at fair value via other comprehensive income – as well as translation differences from hedging of net assets in foreign operations and fair value changes in related currency derivative instruments after taxes, to the extent that the hedge is effective – are recognised in "Other comprehensive income". Non-monetary items that are recognised at fair value are translated according to the exchange rate when fair value was established. Other non-monetary items have been translated at the exchange rate on the transaction date.

In the consolidated financial statements, the income statements, other comprehensive income items and cash flow statements of operations outside Finland are translated to euros according to the average exchange rates for the report period. The translation of balance sheet items to euros is performed using the exchange rates on the balance sheet date. The translation differences that arise when translating operations outside Finland are recognised separately in "Other comprehensive income" and are accumulated in a separate component in equity capital known as the translation reserve. When controlling interest ceases, the accumulated translation differences attributable to these operations are realised, at which time they are reclassified from the translation reserve in equity capital to the income statement.

3.4 RECOGNITION OF ASSETS AND LIABILITIES IN THE BALANCE SHEET

The purchase and sale of shares, money and capital market instruments and derivatives in the spot market are recognised on the transaction date. Other financial assets and liabilities are normally recognised on the settlement date. Financial assets are removed from the balance sheet when the contractual rights to the cash flows that are attributable to the asset cease or when all risks and rewards associated with the asset are transferred to another party. A financial liability is removed from the balance sheet when the obligation ceases or is cancelled.

In case of a business acquisition, the acquired business is recognised in the consolidated accounts from the acquisition date. The acquisition date is the date when control over the acquired unit begins. The acquisition date may differ from the date when the transaction is legally confirmed. Assets and liabilities are removed from the balance sheet when controlling influence ceases.

Financial assets and liabilities are offset and recognised as a net amount or to simultaneously sell the asset and settle the liability. Further disclosures about offsetting of financial assets and liabilities are provided in Note G47.

The principles for recognition of assets and liabilities in the balance sheet are of special importance, for example, in the recognition of repurchase transactions, loans for the purchase of securities and leases. See the separate sections on these items below.

3.5 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

3.5.1 General financial assets

Most of the items in the consolidated balance sheet are financial instruments. A financial instrument is any form of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. Financial instruments are classified in the balance sheet on different lines depending on who the counterparty is, for example the public or a credit institution. If the financial instrument has no specific counterparty, or when it is quoted in a market, these financial instruments are classified in the balance sheet as various types of securities. Financial liabilities where the creditor has a lower priority than others are classified in the balance sheet as "Subordinated liabilities".

3.5.2 Classification and measurement

Financial assets are classified either as measured at amortised cost or at fair value in the income statement:

The allocation among the different categories is done on the basis of the Bank of Åland's business model for the various holdings and the qualities of the cash flows that the assets create. The choice of business model reflects how the Bank manages portfolios of financial assets to achieve a certain purpose, for example to obtain cash flows. When the business model is determined for a group of financial assets, it takes into account various factors such as earlier experiences of how cash flows were obtained, and how the results of the financial assets are evaluated and reported. Different groups of assets may have different business models. Classification in the balance sheet is independent of the measurement category. Different measurement principles may thus be applied to assets and liabilities that are recognised on the same line of the balance sheet. An allocation of the categories of financial assets and liabilities that are recognised in the balance sheet in terms of measurement category is provided in Note G17.

A derivative is a financial instrument characterised by changes in its value due to changes in such variables as exchange rates, interest rates or share prices in an underlying asset, while little or no initial net investment is required. The contract is settled at a future date. Derivatives are recognised on their own lines in the balance sheet, together with contractually accrued interest, either as an asset or a liability depending on whether the contract has a positive or negative fair value.

Financial assets are recognised in the balance sheet on the transaction date when the purchase contract is signed, aside from contracts in the "loan receivables" measurement category, which are recognised on the payment date. The derecognition of financial assets occurs when the right to receive cash flows has expired or has essentially been transferred to another party. Financial liabilities are derecognised from the balance sheet when the liability ends because the contract has been fulfilled or cancelled.

On the first recognition date, all financial assets and liabilities are recognised at fair value. For assets and liabilities at fair value via the income statement, transaction costs are directly recognised in the income statement on the acquisition date. For other financial instruments, transaction expenses according to the effective interest method are included in cost.

Financial liabilities are classified as measured at amortised cost or measured at fair value via the income statement.

3.5.3 Financial assets recognised at amortised cost

Recognised in the category "Financial assets and liabilities recognised at amortised cost" are interest-bearing financial assets that the Group holds as part of a business model whose aim is to hold financial assets for the purpose of receiving contractual cash flows. On predetermined dates, the contractual terms for the financial asset give rise to cash flows that are only payments of capital amounts and interest on the capital amount outstanding. The decision to hold an investment to maturity is made on the purchase date. Investments recognised at amortised cost are impairment tested according to the model for expected loan losses.

Loans and accounts receivable are recognised at amortised cost, that is, the discounted present value of all future payments attributable to the instrument, where the discount rate consists of the effective interest rate of the asset on the purchase date. When interest income is calculated, the effective interest rate for the recognised gross amount of a financial asset is used, except for those financial assets that have later been assigned poorer credit ratings. For these financial assets, the effective interest rate of the financial asset's amortised cost is used during subsequent report periods (minus credit reserves). Loans and accounts receivable are impairment tested according to the model for expected loan losses. Loans and accounts receivable that are defined as belonging to Stage 3 undergo impairment testing regularly and individually for each receivable. Impairment losses are recognised in the balance sheet. Loans and accounts receivable are recognised in the balance sheet at their net amount, after subtracting expected and actual loan losses.

3.5.4 Financial assets and liabilities recognised at fair value via other comprehensive income

A debt instrument is measured at fair value via other comprehensive income if it meets both of the following conditions and is not identified as carried at fair value via the income statement: it is held according to a business model whose aim can be achieved both by receiving contractual cash flows and selling financial assets, and on predetermined dates its contractual terms give rise to cash flows that are only payments of capital amounts and interest on capital amounts outstanding. Recognised in this measurement category are debt instruments that are initially recognised at amortised cost in the balance sheet and are later measured at fair value. The change in value is recognised under other comprehensive income, minus deferred tax. Upon divestment or impairment loss, the portion of accumulated income previously recognised under other comprehensive income is transferred to the income statement. Impairment testing of financial assets in this measurement category is performed according to the model based on expected loan losses. Upon divestment, accumulated income previously recognised under other comprehensive income is reclassified to the income statement under "Net income from financial items carried assets at fair value". Interest attributable to this measurement category is recognised in the income statement under "Net interest income".

The Bank of Åland has made an irrevocable choice to recognise equity holdings in the measurement category "Financial assets recognised at fair value via other comprehensive income". This choice is made investment by investment. Equities are initially recognised at cost and are then measured at fair value. The change in value is recognised under other comprehensive income, minus deferred tax. Upon divestment or derecognition from the balance sheet, the portion of accumulated income previously recognised under other comprehensive income, fair value reserve, is transferred to retained earnings. Dividends are recognised in the income statement.

3.5.5 Financial assets recognised at fair value via the income statement

All financial assets that are not classified as measured at amortised cost or fair value via other comprehensive income are measured at fair value via the income statement ("profit and loss").

3.5.6. Financial liabilities

Lease liabilities are reported as financial liabilities recognised at amortised cost. A financial liability is classified at fair value via the income statement if it is classified as a holding for trading purposes, as a derivative or has been identified as such on the first recognition date. Financial liabilities measured at fair value via the income statement are measured at fair value and net gains and losses, including interest expenses, are recognised in the income statement. Subsequent measurement of other financial liabilities occurs at amortised cost using the effective interest method. Interest expenses and exchange rate gains and losses are recognised in the income statement. Gains or losses upon derecognition from the accounts are also recognised in the income statement.

3.5.7 Reclassification of financial instruments

As a rule, financial assets are not reclassified after the first date of recognition. The provisions of IFRS 9 only allow reclassification of certain financial assets and only if the Bank of Åland, in rare cases, should change the business model for managing a portfolio of financial assets. No reclassification of financial assets occurred during the accounting year. Reclassification of financial liabilities is not allowed after the first date of recognition.

3.6 PRINCIPLES FOR RECOGNISING FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

Fair value is defined as the price at which an asset could be sold or a liability transferred in a normal transaction between independent market players.

The fair value of financial instruments that are traded in an active market is equal to the current market price. Such a market is regarded as active when listed prices are easily and regularly available in a regulated market, trading location, reliable news service or the equivalent, and where the price information received can easily be verified through regularly occurring transactions. As a rule, the current market price is equivalent to the current purchase price of financial assets or the current sale price of financial liabilities. 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 valuation models. The valuation models that are used are based on incoming data that in all essential respects can be verified through market observations, for example market interest rates and share prices. As needed, an adjustment is made for other variables that a market player is expected to take into account in pricing. Financial instruments measured with the help of models based on incoming data that cannot be verified using external market figures essentially consist of unlisted shares related to strategic shareholdings. To estimate a non-observable price, the Bank of Åland uses different methods depending on the type of available data. The primary method is based on the Bank's proportion of the net asset value of the company in question or is based on transactions that have been implemented, such as new share issues or prices of similar unlisted shares. If liquid price quotations are not available for shares, their value is determined largely using the Bank's own internal assumptions.

The valuation techniques used are analysis of discounted cash flows, measurement with reference to financial instruments that are essentially similar and measurement with reference to recently completed transactions in the same financial instruments. When using measurement techniques, market quotations are used to the greatest possible extent, but in case this is not possible, estimates are required in order to obtain fair value. See also Note G18.

Day 1 gains or losses, that is, differences between transaction price and value according to a measurement model that arise on the first recognition date, are recognised in the income statement only in cases where the measurement model is based only on observable market data. Otherwise the difference is accrued over the lifetime of the financial instrument. There were no Day 1 gains or losses during the accounting year.

3.6.1 Debt securities

Debt securities issued by sovereigns (national governments), as well as covered bonds and corporate bonds, are valued with the help of current market prices. In exceptional cases, corporate bonds may be measured using valuation techniques based on market yields for equivalent maturities, adjusting for credit and liquidity risk.

3.6.2 Equity instruments

Shares listed in an active market are valued at market price. When measuring unlisted shares and participations, the choice of valuation model is determined by what is deemed suitable for that particular instrument. Holdings in unlisted shares mainly consist of shares with a connection to the Bank's business, such as strategic partnerships and holdings in land companies. As a rule, such holdings are valued at the Bank's proportion of net asset value in the company, which is regarded as constituting a reasonable estimate of fair value. In companies that have recently 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.

3.6.3 Derivatives

Derivatives that are traded in an active market are valued at market price. Most of the Group's derivative contracts, among them interest rate swaps and various types of linear currency derivatives, are measured using valuation models based on market interest rates and other market prices. Valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable estimate of market-based incoming data, for example volatility.

3.7 IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

Impairment losses on loans and accounts receivable are determined according to a model based on "expected credit loss" (ECL). This is based on changes in the credit risk of financial assets and consists of a three-stage model. Stage 1 consists of exposures that are performing without significantly higher credit risk being regarded as having occurred. Those exposures that underperform and are regarded as having a significant change in credit risk are placed in Stage 2. In addition, exposures that have been granted forbearance measures are always placed at least in Stage 2. Exposures in Stage 3 fulfil the Group's default definition, in which an exposure is regarded as in default when a payment related to a significant amount is more than 90 days late. Other situations where the Group regards a credit exposure as being in default are when the Bank honours a bank guarantee, the counterparty files for bankruptcy or it applies for debt restructuring. In addition, the Group assesses whether a counterparty should be regarded for other reasons as incapable of paying, which always includes cases where the Bank expands its forbearance measures on behalf of the customer.

By definition, a loan loss provision for Stage 2 or Stage 3 is based on lifetime loan losses, but they differ since Stage 3 exposures always include objective evidence that the receivable has been identified as uncertain. For backward transitions to better stages, the Bank applies cooling off periods. For exposures in Stage 2, due to 30 days of delay, it applies a six-month period and for loans in Stage 3 the Bank applies no cooling off period since there is already a cooling off period in the definition of default. For exposures with forbearance, the Bank applies a cooling off period of 24 months before the exposure can revert to Stage 1, assuming that forbearance measures are no longer in place. The impairment loss model requires reporting of one year's expected loss from the initial date of recognition, and in case of a significant increase in credit risk, the impairment loss amount must be equivalent to the credit losses that are expected to arise during the remaining lifetime. A significant increase in credit risk is defined as a significant increase in the probability of a suspension of payment since the first reporting date. The Group assesses a significantly increased credit risk on the basis of a calculation of a relative change in probability of default (PD) for the remaining maturity of three times and an absolute change of at least 10 percentage points. Provisions for loan losses on financial assets that are measured at amortised cost are made in the balance sheet as a reduction in the recognised gross carrying amount of the asset. Provisions for guarantees issued and unutilised credit lines are recognised as liabilities. Impairment losses on loans and accounts receivable as well as realised loan losses are recognised in the income statement under "Net impairment loss on financial assets". Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has expired or has been transferred and the Group has transferred virtually all risks and rewards associated with ownership to another party. An actual loss thus means that a loan or accounts receivable is finally recorded as an impairment loss when bankruptcy has been confirmed or indigence has been determined as probable. Repayments of previously realised loan losses and recoveries of probable loan losses are recognised as income under "Net impairment loss on financial assets".

3.7.1 Measurement of expected loan losses

For all exposures, the Group applies a credit rating model for calculating expected loan losses. These calculations are based on internally developed models (probability of default = PD, loss given default = LGD and expected exposure at default = EAD), which take into account both historical data and probability-weighted forward- looking scenarios. The Bank of Åland uses a macro model with three forecast scenarios – a base scenario that has a 50 per cent weighting, a negative scenario that has a 25 per cent weighting and a positive scenario that has a 25 per cent weighting. The forecast period in the scenario is three years. These forecasts are revised at least yearly. A 12-month probability of default (PD) indicates the probability that a given commitment will default within 12 months, while a lifetime PD (for the remaining maturity) is equivalent to the probability that a given commitment will default during the entire remaining maturity of the financial asset. The PD model is based on historical data, the conditions that exist on the reporting date and future economic conditions that affect credit risk. Loss given default (LGD) is stated per commitment and is an estimate of the expected loss that the Group will incur assuming that the commitment defaults. The Group's LGD model is based on historical data. Exposure at default (EAD) refers to an estimated credit exposure at a future default date, taking into account expected changes in the credit exposure on the balance sheet date. The Group's EAD model takes into account such factors as current contractual terms, assumptions about the honouring of guarantees, expected utilisation of credit limits and irrevocable off-balance sheet obligations.

The level of provisions is based on a broad range of relevant information from incoming data, assumptions and assessments by the Executive Team. The following points may have an especially large influence on the level of provisions: establishment of a significant increase in credit risk, forecasts of future macroeconomic scenarios and calculation methodology for both the expected loan loss within the coming 12 months and expected lifetime loan losses. Expected credit losses for receivables in Stage 2 and Stage 3 are determined by the Credit Committee of the Executive Team, based on data from the Group's model of expected credit losses. When making this determination, this Credit Committee may approve divergent treatment if their assessment is that there are special circumstances that the model does not take into account.

3.7.2 Receivables with forbearance measures

"Receivables with forbearance measures" refers to loan receivables for which the Bank has granted the borrower concessions because of his/her obviously worsened financial situation, in order to avoid problems with the borrower's repayment capacity and thereby maximise the repayment of the outstanding receivable. Concessions may include adjusted loan conditions, such as postponed principal repayments, a reduced interest margin or an extended repayment period, or refinancing, which may mean that a loan has been fully repaid close to its original due date and in connection with this has been replaced with a new loan. When granting a concession on agreed loan conditions, the responsible decision maker shall assess the customer's financial situation. In case a concession is granted to the customer due to his/her deteriorating financial situation, the receivable shall always be transferred to Stage 2 (as long as there is no basis for divergent treatment due to statutory payment moratorium rules). When granting a concession, if it is deemed that full repayment of the receivables is unlikely unless the Group resorts to measures such as selling collateral or redeeming guarantees, the receivable is regarded as in default and is transferred to Stage 3. As long as it is only a matter of forbearance measures, i.e. the customer is not regarded as unlikely to make payments, the action is individual for each loan. "Carrying amount" refers to gross exposures and includes not only restructured loans but also other loans in a customer entity.

The Group analyses the effects of forbearance measures as part of its reporting of modification results. The original present value of the loan based on discounted future cash flows is compared with the adjusted present value after any changes in cash flows. When a loan is modified but not removed from the balance sheet, significant increases in credit risk compared to the original credit risk are still assessed for impairment purposes. Modification results are recorded in the income statement and refer to the difference in the present value of the original and the new contractual cash flows discounted at the original effective interest rate and are accrued on a straight-line basis over the remaining life of the loan.

3.7.3 Judgements and estimates

The impairment model in compliance with IFRS 9 requires the Executive Team to make judgements and estimates and make assumptions that affect the application of accounting principles. During the accounting year, the largest risks and uncertainty factors were the war between Hamas and Israel as well as Russia's war of invasion in Ukraine and related geopolitical risks. The consequences of these wars are difficult to assess. The Bank of Åland does not foresee a significant elevation of credit risk in its lending operations due to these developments. The Bank has no direct exposures to companies in Russia, Belarus or Ukraine. Nor does the Bank finance customers that import from or export to these countries to any significant extent. 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 and falling share prices may affect the repayment capacity of customers and the value of pledged assets.

3.8 HEDGE ACCOUNTING

3.8.1 Hedge accounting at fair value

Hedge accounting at fair value can be applied to individual assets and liabilities as well as to portfolios of financial instruments in order to protect the Group from undesirable effects on income due to changes in the market prices of recognised assets or liabilities. When hedging fair value, both the hedging instrument – the derivative – and the hedged risk in the hedged instrument at fair value are recognised in the income statement under "Net gains and losses on financial items at fair value". One requirement to apply hedge accounting is that the hedge has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and is expected to last and prove to have been very effective in offsetting changes in value during the reported periods.

3.8.2 Cash flow hedging

Cash flow hedging can be applied to individual assets and liabilities for the purpose of protecting the Group against undesirable effects on earnings due to changes in interest and exchange rates. Derivatives that comprise hedging instruments in cash flow hedging are recognised at fair value in the balance sheet. To the extent that the change in the value of the hedging instrument is effective, it is recognised in the hedge reserve under "Other comprehensive income". Any ineffective portion is recognised in the income statement under "Net gains and losses on financial items at fair value". The amount recognised in "Other comprehensive income" is transferred to the income statement upon the maturity of the issued debt security issued that has been hedged by cash flow hedging. One prerequisite for applying hedge accounting is that the hedge is formally identified and documented. Its effectiveness must be measurable in a reliable way and is expected to last and prove to have been very effective in offsetting changes in value during the reported periods.

3.8.3 Hedging of net investments in foreign operations

Hedges of net investments in foreign operations are applied to protect the Group from translation differences that arise when operations in a functional currency other than the presentation currency are translated. Derivatives that comprise hedging instruments in hedges of net investments in foreign operations are recognised in "Other comprehensive income".

Any ineffective portion is recognised in the income statement under "Net gains and losses on financial items at fair value". If a foreign operation is divested, the gain or loss that arises on the hedging instrument is reclassified from "Other comprehensive income" and recognised in the income statement. One prerequisite for applying hedge accounting is that the hedge is formally identified and documented. Its effectiveness must be measurable in a reliable way and is expected to last and prove to have been very effective in offsetting changes in value during the reported periods.

3.9 INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of IT systems produced for the Group's own use, externally procured systems, intangible assets from acquisitions of companies and acquired contracts.

3.9.1 Capitalisation of production for own use

If the computer system that is produced will probably generate future income or reduce expenses to an extent that exceeds its investment costs, the development expenses for the computer system are capitalised. Computer systems developed in-house are capitalised at actual cost. Development expenses that are not expected to yield a significant economic benefit are recognised as an expense in the income statement. Expenses for preliminary studies and research are recognised as an expense in the income statement.

3.9.2 Amortisation

Capitalised development expenses are normally amortised on a straight-line basis during 5–7 years. Amortisation begins when the computer system is ready for use.

Computer systems developed in-house	5–7 years
External computer systems	5–10 years
Acquired contracts	10 years
Other intangible assets	3–5 years

3.9.3 Impairment losses

Assets are reviewed yearly to determine if there is any indication of impairment. If such an indication arises, the recoverable amount is determined as the asset's sale price or value in use, whichever is higher. Not yet completed development work is tested yearly for impairment, regardless of whether indications of loss of value have occurred. An impairment loss is recognised in the income statement if the carrying amount exceeds net realisable value. A previously recognised impairment loss is reversed only if a significant change has occurred in the valuation basis for impairment testing. The carrying amount after reversal may not exceed the carrying amount before the impairment loss.

3.9.4 Goodwill

Goodwill corresponds to the share of cost that exceeds the fair value of assets purchased and liabilities taken over. Goodwill is not amortised but is tested yearly – or more often if a need exists – for impairment by discounting expected future cash flows in cash-generating units. Impairment losses are recognised in the income statement. See Note G26 for Group goodwill amounts.

3.10 TANGIBLE ASSETS

3.10.1 For the Group's own use

Tangible assets such as investment properties, business premises and equipment are initially recognised at cost and thereafter at cost less accumulated depreciation and impairment.

3.10.2 Depreciation

Depreciation or amortisation is based on the expected economic service life of the assets. All depreciation/amortisation is on a straight-line basis.

Buildings	40 years
Technical equipment in buildings	12 years
Renovation in rented customer premises	5 years
Renovation in other rented premises	10 years
Machinery and equipment	4–10 years
Other tangible assets	3–5 years
Right-of-use assets	1–9 years

Land is not depreciated.

3.11 PROVISIONS

A provision is recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount can be made. The provision is calculated at the present value of estimated outflow. Provisions are tested on each closing day and adjusted as needed, so that they correspond to the current estimate of the value of obligations.

Provisions are recognised for restructurings. Restructuring refers to extensive organisational changes, for example where employees receive severance pay for early termination or offices are closed. For a provision to be recognised, a restructuring plan must have been adopted and announced, so that it has created a well-grounded expectation among those affected that the company will implement the restructuring.

Provisions to the restructuring reserve related to other expenses are recognised in the balance sheet when the Group has adopted a detailed formal restructuring plan and the restructuring has either begun or been publicly announced.

Provisions related to litigation costs are recognised when the Group has identified the existing obligation and determined the probable outflow of resources that will be required in the event of a settlement.

Onerous contracts are recognised when the expected economic benefits received from a contract are lower than the unavoidable costs of meeting the obligations of the contract.

3.12 LEASES

IFRS 16 removes the lessor's requirement that lessees must distinguish between finance and operating leases and requires lessees to report a "right-of-use" asset and a lease liability for most leases in the balance sheet. The Bank of Åland applies the exemptions that the standard allows regarding leases running for 12 months or less (short-term leases) and leases where the underlying asset is of low value. These leases are recognised as expenses in the income statement.

3.12.1 Leases where the Bank of Åland is the lessee

When entering into a contract, the Bank determines whether the contract is, or includes, a lease – which is defined as an agreement that, during a certain period, transfers the right to control the use of an identified asset, in exchange for compensation. Assets and liabilities that arise from leases are initially recognised at the present value of future lease payments, discounted by the incremental borrowing rate. The Bank reassesses whether a contract is, or includes, a lease only if the terms of the contract change. The Bank is exposed to possible future increases in variable lease payments based on an index or interest rate, which are not included in lease liability before they go into effect. When an adjustment in lease payments based on an index or an interest rate goes into effect, the lease liability is re-evaluated and adjusted in relation to right-of-use. Gains or losses attributable to changes in leases are recognised in the income statement.

When a contract goes into effect, right-of-use assets are recognised among tangible assets and the corresponding financial lease liability among other liabilities. Assets are recognised at the beginning of a lease at the amount corresponding to the fair value of the asset or the lower present value of minimum lease charges. The lease period is determined on the basis of the irrevocable lease period together with an assessment of both periods including the option of a lease extension (and the appropriateness of doing so) and an assessment of periods that include an option to terminate the lease if there is certainty that this option will not be used. Depreciation/amortisation is carried out on the basis of service life or the shorter lease period. Interest on for lease liabilities is recognised as an interest expense according to the effective interest method.

Impairment losses are recognised on the basis of individual judgements of the need.

3.13 REVENUE

IFRS 15, "Revenue from contracts with customers", means that the Group must recognise revenue in an amount that reflects the compensation that the Group expects to be entitled to receive in exchange for providing goods or services to a customer.

3.13.1 Net interest income

Interest income and expenses on financial instruments are calculated according to the effective interest method. This method recognises the income and expenses of the instruments evenly in relation to amounts outstanding during the period until the maturity date. This calculation includes fees paid or received by the contractual parties that are part of effective interest, transaction costs and all other surpluses and deficits.

3.13.2 Net commission income

Income and expenses for various types of services are recognised in the income statement as "Commission income" and "Commission expenses", respectively. Commission income is recognised when the service is performed, which occurs when control of the service is transferred to the customer and the Group fulfils its performance obligation. Reported as "Commission income" are brokerage commissions, various forms of asset management fees, payment intermediation commissions and debit card fees. Foreign exchange commissions connected to customers' payments and securities trading are reported as payment intermediation commissions and securities commissions. Individual origination fees for loans and credit line commissions total- ling substantial amounts are accrued over the life of the loan and are included in net interest income. No information is provided about remaining performance obligations that have an original expected maturity of no more than one year, or if the Bank of Åland is entitled to compensation from a customer in an amount directly equivalent to the value for the customer of the Bank's performance that has been achieved to date, which is permitted according to IFRS 15. Commission expenses are transaction-dependent and are directly related to commission income. Income is invoiced regularly. For commissions that apply for several years, only the portion related to services the customer has received during the accounting period in question is recognised.

Commission income and expenses are recognised when the service is performed. For commissions that concern more than one year, only the portion related to the accounting period is recognised.

3.13.3 Net income from financial items at fair value

Under "net income from financial items at fair value", realised and unrealised gains and losses from financial instruments carried at fair value via the income statement ("profit and loss") are recognised via the income statement, along with the ineffective portion in hedge accounting.

Recognised under "Net income from foreign exchange dealing" are gains and losses on exchange rate differences that arise from translation of assets and liabilities to euros.

Realised changes in the value of assets that are measured under other comprehensive income are recognised as "Net income from financial assets carried at fair value". Unrealised changes in value from assets measured under other comprehensive income include expected loan losses and modification results.

3.13.4 IT income and other income

The subsidiary Crosskey offers IT services that include design, implementation and support. Income is measured on the basis of the compensation specified in the contract with the customer. Systems sales with significant adaptations are administered as long-term projects. Contracts may include several different performance obligations, for example systems development and licences. If contracts include several performance obligations, the transaction price is allocated to each separate performance obligation based on their stand-alone sales prices. In cases where the sales price is not directly observable, the price is estimated based on expected cost plus a profit margin. Systems licence income from long-term projects is recognised as revenue based on degree of completion, when this can be reliably determined. The degree of completion is determined separately for each project as the share of work completed on the balance sheet date, compared to estimated total working hours for the project. Estimates concerning project income, expenses or degree of completion are revised if circumstances change. Increases and decreases in estimated income or expenses based on a changed assessment are recognised in the income statement during the period when the circumstances that led to the revision became known. If total expenditures will probably exceed total income for the project, the expected loss is immediately recognised as an expense. If the contract is cost-plus and based on price per hour, the income is recognised to the extent Crosskey is entitled to invoice the customer.

Dividends on shares and participations as well as dividends on assets measured at fair value via the income statement are among the items recognised as "Other operating income". Also recognised here are capital gains from the divestment of non-current assets and rental revenue from investment properties. Rental revenue is recognised on a straight-line basis in the income statement in accordance with the terms of the lease.

3.14 EMPLOYEE BENEFITS

3.14.1 Pension liabilities

Post-retirement employee benefits consist of defined contribution and defined benefit plans. The plans recognised as defined contribution are those benefit plans under which the Group pays agreed fees to an external legal entity and then has no legal or informal obligation to pay additional fees if the legal entity lacks the assets to fulfil its obligation to the employee. Premiums paid to defined contribution plans are recognised continuously in the income statement as a staff cost. Other plans for post-employment benefits are recognised as defined benefit plans.

Pension coverage for employees in Finland has been arranged through the Finnish national pension system (a defined contribution plan). There is also an older system via a pension fund (Ålandsbanken Abps Pensionsstiftelse r.s., a so-called A Fund defined benefit plan), which has been closed since 1991. Pension coverage for employees in Sweden follows the so-called BTP1 plan, which is defined contribution. A few previously agreed defined benefit BTP2 plans still exist.

A defined benefit pension solution pays a pension based on salary and length of employment, which means that the employer bears essentially all risks in fulfilling the pension obligation. For a majority of its defined benefit pension plans, the Group has set aside managed assets in pension funds or various kinds. Plan assets minus plan obligations in defined benefit pension plans are recognised in the balance sheet as a net asset. Actuarial gains and losses on pension obligations as well as returns that exceed the estimated returns on plan assets are recognised in "Other comprehensive income".

Changes or curtailments in a defined benefit plan are recognised at the earlier of the following dates: when the change or curtailment in the plan occurs or when the company recognises related restructuring expenses and severance pay. Changes/curtailments are recognised directly in profit for the year.

3.15 EQUITY CAPITAL

3.15.1 Holders of additional Tier 1 capital

The Bank of Åland has issued additional Tier 1 (AT1) capital. These instruments are classified as equity capital, since the instruments do not include any requirement that the Bank of Åland must pay the principal amount or interest to the holders. If the instrument includes an interest payment requirement, depending on whether a future uncertain event beyond the control of both the issuer and the holder occurs or does not occur, the instrument shall be classified as a financial liability. The Bank of Åland treats payments on financial instruments classified as equity capital (i.e. AT1 capital) as distributions of profits, and such payments are thus reported as dividends. Payment is made on a quarterly basis and the interest rate is the 3-month Stibor plus 3.75 per cent.

3.16 INCOME TAX

Income tax in the income statement includes current taxes for the Group, based on taxable income for the year together with tax adjustments for prior years plus changes in deferred taxes. Tax expense is recognised in the income statement as an expense, except for items recognised in other comprehensive income, in which case the tax effect is also recognised as part of other comprehensive income.
A deferred tax asset or liability has been established for temporary differences between the value of assets and liabilities for tax purposes and their carrying amount, by using tax rates applicable to future periods. Deferred tax liabilities and tax assets are calculated according to the tax rates expected to apply when the tax materialises (a law has been adopted but has not yet gone into effect).
A deferred tax asset is recognised to the extent it is probable that future taxable income will arise against which the temporary difference can be utilised.

3.17 OPERATING SEGMENTS

The Group reports operating segments in compliance with IFRS 8, which means that the segment report reflects the information that the Group's Executive Team receives. The Managing Director of the Group has been identified as the chief operating decision maker.
The Group reports its various business areas as operating segments. A business area is a group of departments and companies that provide products or services that have risks and rewards that diverge from other business areas. Intra-Group transactions take place at market prices.

3.18 CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" refers to cash and deposits in the Finnish and Swedish central banks that may be used freely. "Deposits" refers to funds that are available at any time. This means that all cash and cash equivalents are immediately usable. Cash and cash equivalents in the cash flow statement are defined in compliance with IAS 7 and do not coincide with what the Group regards as cash and cash equivalents.

4. Significant judgements and estimation uncertainty

Preparation of financial statements in compliance with IFRSs requires the Executive Team to make judgements and estimates 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 judgements and estimates are based on the best knowledge of the Executive Team about current events and measures at the time of the judgement, the actual outcome may diverge from these judgements and estimates. Significant accounting judgements that were made when applying the Group's accounting principles were primarily related to impairment losses on loans and receivables. The sources of uncertainty which may lead to substantial adjustments in the following year's financial reports are described below.

4.1 MEASUREMENT OF LOANS AND ACCOUNTS RECEIVABLE

Loans and accounts receivable that are defined as belonging in Stage 3 undergo impairment testing regularly and individually for each receivable. Exposures that are subject to individual testing are identified on the basis of background data covering customers with defaulting commitments or commitments that will probably default during a given quarter. If necessary, the receivable is written down to its estimated recoverable value. This estimated recoverable value is based on an assessment of the counterparty's financial repayment ability and assumptions about the sale value of any collateral.

For those concentrations that do not need an impairment loss, according to an individual assessment, impairment losses are recognised using a model based on expected credit loss (ECL). The model, which consists of three stages, focuses on changes in the credit risk of financial assets. An assessment by the Executive Team may be required, especially concerning information that affects the calculation of expected loan losses such as earlier events, current circumstances and reasonable, verifiable forecasts of future economic conditions that may affect future expected cash flows. For further information, see Note G14.

4.2 Actuarial calculations of pension obligations

Future pension liability is calculated using actuarial models. As a basis for the calculation, there are estimates of the discount rate (swap rate with maturity equivalent to the expected life of the pension liability), pay increase (expected future increase for pensions), inflation, employee turnover and expected return on assets. For further information, see Note G44.

4.3 Financial instruments carried at fair value

To determine the fair value of financial instruments, judgements are made that may have a significant impact on the recognised amounts. The judgements referred to include the choice of measurement techniques, judgements on whether markets are active and on what market parameters can be observed. When employing measurement techniques, market quotations are used to the greatest possible extent, but in case this is not possible the Executive Team is required to make estimates in order to determine fair value.

If the fair value of financial instruments cannot be obtained from quotations in an active market, they are calculated with the aid of various measurement techniques, including mathematical models. The Executive Team assesses what market quotations are most suitable and what mathematical models shall be applied in the Group. For further information, see Note G18.

4.4 Measurement of goodwill

Goodwill is tested yearly for impairment losses by calculating whether the carrying amount exceeds the recoverable amount. Impairment testing is done by discounting expected future cash flows in cash-generating units. Expected future cash flows are based on cash flows estimated by the Executive Team. A change in the estimate of future cash flows, as a consequence of an economic downturn, new competitors or price pressures, may lead to an impairment loss on goodwill.

4.5 Appraisal of investment properties and properties for own use

The Executive Team carries out a yearly review of the values of investment properties and properties for the Group's own use to determine whether there is any indication of impairment. If such an indication occurs, the recoverable amount is determined as the higher of the sales price and the value in use of the asset. An impairment loss is then recognised in the income statement if the carrying amount exceeds the recoverable amount. Estimates of the values of the assets are made by independent outside appraisers. For further information, see Note G27.

4.6 Leases

In assessing the present value of right-to-use assets and the related lease liability, estimates are made about determining the lease period and choice of discount rate. When the length of the lease is determined, the Executive Team takes into account all available information that provides an economic incentive to take advantage of an extension option or not to take advantage of an option to terminate the lease.

4.7 Measurement of deferred tax

A deferred tax asset is recognised for identified taxable losses to the extent that it is probable that future taxable income will arise. The Executive Team regularly assesses when deferred tax should be recognised in the consolidated financial statements, based on expected future earnings performance. On every closing day, an assessment is made as to whether recognising a deferred tax is justified, based on the size of expected future taxable income. For further information, see Note G28.

4.8 Share-based payment

When calculating the recognised expense of share-based payment in accordance with the Group's compensation policy, the Executive Team estimates how many shares will be allocated to employees. The expense is based on the fair value of the shares at the moment they are distributed. For further information, see Note G11.

G3. The Group's risk management

1. Risks in the Bank's operations

1.1 RISK PROFILE AND RISK APPETITE

Exposure to risk is a natural part of a bank's operations. The Bank's objective is that all risk should derive from normal business operations. It follows that the risks mainly consist of profitability and capital risk, credit risk, liquidity and financing risk, market risk and operational risk. The risks must comply with the Bank's risk capacity, i.e. the Bank shall be able to cover losses related to these risks with its own funds and earnings.

It is the responsibility of the bank's board and management to determine the risk appetite for all significant risks based on the bank's overall business strategy. Risk appetite refers to the level of risk that can be accepted to achieve the bank's strategic objectives. The bank's scale for risk appetite is low, medium, and high.

Table 1.1.1

Risk profile by risk category

Risk type	Risk profile	Risk management
Profitability and capital risk	The Bank's business risk is generally low. Costs due to changes in regulations and shifts in technology may affect the profitability of the Bank of Åland to a greater extent than that of other banks, since the Bank is a small market player. The Bank's appetite for capital risk is low. The Bank aims to maintain sufficient capital buffers to cover any risks that materialize.	The Board and Executive Team, as well as their respective committees, work continuously to identify and find suitable measures to manage business risk. Among other things, the Bank has entered various partnerships to diversify its sources of income and achieve cost allocation.
Credit risk	The Bank of Åland's prioritised customer category is private individuals in Åland, on the Finnish mainland and in Sweden with solid finances and, except in Åland, geographically limited to major urban areas. In Åland there is also a Corporate Services unit.	The Board establishes the framework for lending and credit risk management. The size and risk level determines the lending decision level, where the Board is the highest level. Credit risk in day-to-day operations is managed based on good knowledge of customers as well as analysis of their repayment capacity and the collateral they provide. For corporate loan portfolio exposures, the Bank also carries out a yearly presentation analysing the customer. Credit risk is also managed using limits established by the Board. For example, maximum exposure to certain economic sectors and counterparties is limited. Counterparties (primarily financial institutions) are managed through an evaluation process that primarily focuses on the institution's credit rating and other relevant key figures, plus risk limits.
Liquidity and financing risk	Liquidity risk is a dynamic risk that may change rapidly. Since the Bank of Åland is a small market player, these changes may greatly affect its access to liquidity. The Bank strives to not be dependent on other funding sources for its lending operations than customer deposits and covered bonds. Unsecured capital market funding can be utilised when market prices make this appropriate.	The Board establishes the framework of liquidity and funding risk management. Day-to-day liquidity management occurs in the Treasury unit. Liquidity and funding risk is managed primarily by means of a well-diversified borrowing structure and a liquidity reserve containing high-quality assets. The risk profile is also governed using limits established by the Board.
Market risk	Interest rate risk in the banking book is structural in nature and is regarded as a significant but manageable risk. Foreign exchange risk is primarily of a structural nature and mainly occurs in Swedish kronor via the Bank's Swedish branch.	The Board establishes the framework of market risk management. Day-to-day market risk management occurs in the Treasury unit. Interest rate risks are managed by using limits for net interest income and economic value of equity and using derivatives. Foreign exchange risks are limited primarily by matching and through limits.
Operational risk	The Bank's operational risks shall relate to its business operations, and risks shall be avoided and limited to what is financially justified. The Bank's risk appetite for business-critical products, services and IT solutions is low. No operational risk shall pose a threat to operations that are subject to permits or threaten consumer protection for Bank of Åland customers	The Bank's vision, mission, and values should be the starting points for the direction and prioritization of risk management. The Bank of Åland's risk management should be characterized by preventive measures aimed at preventing or limiting risks, which contributes to sustainability. The Bank should strive for a high level of risk awareness and a healthy risk culture where risk management is seen as a success factor, and all employees have a good understanding of their own operations and the risks associated with them. The Board establishes the framework of operational risk management. Day-to-day operational risk management occurs primarily in business operations. Operational risks are managed through yearly self-evaluations, updated continuity plans, continuity drills, incident reporting, maintenance of internal regulations and internal training courses.
Climate risk	Climate risk is identified as a significant risk but does not constitute a separate risk area and should be integrated as part of all risk management.	Work on developing climate risk management is ongoing, and climate risk management should be integrated within relevant risk areas. The bank has also set climate goals and has a board-approved climate strategy.

1.1.1 Profitability and capital risk

Profitability or business risk refers to the risk that the Bank's earning capacity deteriorates or that costs increase more than planned dueto, for example, narrower margins or failed strategic decisions. Capital risk refers to the risk of not holding sufficient capital to meet regulatory capital requirements, due to lower profit levels than expected in the financial planning or immediate losses because of incidents.

Profitability and capital risk arises naturally in all business operations and cannot be avoided. A good profitability can be considered to act as a dampener in the event of these risks materializing.

The Bank's appetite for profit risk is moderate. The bank must focus its operations on markets and products where it is already active and has good knowledge of. New markets and products can be entered into to a limited extent and, if desired, gradually expanded.

The Bank's risk appetite for capital risk is low. The Bank must holdsufficient equity capital to cover the risks that it may be exposed toand the losses that may occur if these materialize.

1.1.2 Credit risk

Credit risk arises within the framework of lending operations and is a risk that the bank chooses to take. Credit risk means the risk of losses due to customers not being able to fulfil their commitments to the Bank and that collateral received for the exposure does not cover the Bank's claim.

In general, the Bank's risk appetite for credit risk is low, with an ambition that the bank's credit loss level over time should be one of the lowest among Nordic banks.

The bank's strategic direction, where the goal is to be the bank of all Åland residents and to actively contribute to Åland society, means that the bank accepts a higher risk profile within the Åland business area.

Credit-related concentration risks

Credit-related concentration risks in lending activities may arise from groups of exposures whose default risk exhibits a significant degree of covariation. The concentration risks relevant to the Bank are concentration of individual counterparties (name concentration), concentration of branches or sectors (industry concentration) and concentration within countries (geographic concentration).

The Bank's risk appetite within sector concentration risk is medium. Mortgages are the primary driver of concentration risk, which can be reflected both in lending to private individuals and to companies in the real estate industry.

The bank's position and limited size means that the geographic concentration risk is heightened as a natural result of the choice to focus on the Finnish and Swedish markets.

Counterparty credit risk

Counterparty credit risk arises within the Bank's liquidity management. The Bank's risk appetite for counterparty credit risk is low. Business must be done only with well-known counterparties and/or with investment grade credit ratings in the Nordics and in economically stable countries. Part of the liquidity portfolio can be invested in instruments with higher risk but in limited volume and risk level.

1.1.3 Liquidity and financing risk

Liquidity risk refers to the risk of lacking access to liquid assets and therefore not being able to meet payment obligations. The Bank's risk appetite for liquidity risk is low. To ensure access to liquidity even during periods when external borrowing is not possible, the Bank must have a liquidity reserve that exceeds the requirements of the legislation by a good margin, as well as a well-diversified structure of instruments and maturities in its borrowing.

Financing risk refers to the risk of not being able to borrow money or being able to borrow money but only at a high cost. The Bank's risk appetite for financing risk is low. The Bank must strive not to be dependent on other funding sources for its lending than customer deposits and covered bonds. Unsecured capital market funding can be utilized when market prices make this appropriate.

1.1.4 Market risk

Structural risks pertaining to interest rate risks (net interest income and economic value of equity), foreign exchange risks, and equity risks arise within the Bank's operations.

Interest rate risk refers to the risk of reduced net interest and the risk of unfavourable value changes in the bank's assets and liabilities (including interest-related contracts off the balance sheet). The Bank's risk appetite for interest rate risk is medium. The bank is willing to take advantage of the positive earning opportunities that exist, while the ambition is to greatly limit the downside risk.

Foreign exchange risk refers to the risk of unfavourable value changes in assets and liabilities because of changes in exchange rates for currencies to which the Bank is exposed. The Bank's risk appetite for foreign exchange risk is low. The Bank holds a structural currency position in Swedish krona, subject to permission, which aims to protect the bank's core equity ratio. The structural currency position, which originates from operations in the Swedish branch, is long-term. Active decisions are taken to manage the risk.

Equity risk refers to the risk of a decrease in the value of the Bank's shareholdings due to changes in prices on the stock market or changes in the valuation of unlisted holdings. The Bank's equity risk relates above all to unlisted holdings in strategic partners where the Bank can be considered to have an active ownership role. The investments are, among other things, in Fintech companies with new business models and investment companies. The Bank's risk appetite for equity risk is high.

1.1.5 Operational risk

For *non-financial or operational risks*, the risk appetite at the aggregate level is medium. Risks must be prevented; however, risk can be taken when it is financially justified and under the condition that the risk-taking is related to business operations in a way that the strategic goals can be met. No operational risk shall pose a threat to the licensed operations or threaten consumer protection for the Bank's customers.

1.1.6 Climate risk

Climate risk is a risk that arises from the inability to identify and manage the risk drivers that arise because of climate change or society's transition to a sustainable economy in a suitable manner. Climate risks are considered a significant risk but should be integrated as part of all risk management.

1.2 RISK ORGANISATION

Board of Directors

Managing Director

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Owns and manages risks • Business operations • Support units	Independent measurement, control and reporting • Risk Control • Operational Risks and Security • Compliance	Oversight and evaluation • Internal Audit

1.2.1 The Board of Directors

The Board of Directors has overall responsibility for risk management and control of risks. The Board defines the risk appetite of the Bank's operations and adopts yearly policy documents that specify the overall principles for risk management as well as restrictions in the form of limits that operations shall stay within. The Bank's compliance with risk management principles and its risk positions are monitored regularly. Limit positions and risk indicators are reported to the Board at least quarterly. The Board also approves essential methods and models that are used to measure the Bank's risks.

The Audit Committee of the Board of Directors assists the Board in handling its tasks related to oversight of risk management, methods and models for risk measurement, risk reporting and internal controls.

1.2.2 The Managing Director and management team

The Managing Director is appointed by the board. The Managing Director must ensure that risk management complies with the principles and risk tolerances decided on by the Board. This is done by establishing guidelines, which proceeds from the policy documents established by the Board. The Managing Director must also ensure that the Bank's skills and resources are suitable to business operations and that there are sufficient resources and systems for control and follow-up.

The Board of Directors appoints the members of the Group-wide Executive Team. These members consist of the heads of the Bank's business areas and corporate units; they serve as advisors to the Managing Director. The Managing Director and the other members of the Executive Team regularly receive reports on the Bank's limit positions and risk indicators.

Matters related to certain types of financial risks are handled by committees consisting of management team members and other persons appointed by the CEO. The bank's Asset and Liability Committee (ALCO) is a decision-making body, subordinate to the managing director, which handles matters relating to financial risks, liquidity, financing, and capital allocation. The management group's Credit Committee makes credit decisions in major credit matters for the bank according to decided credit limits.

Matters related to certain types of financial risks are handled by committees consisting of Executive Team members and other persons appointed by the Managing Director. The Bank's Asset and Liability Committee (ALCO) is a decision-making body reporting to the Managing Director that deals with issues concerning financial risks, liquidity, funding, and capital allocation. The Credit Committee of the Executive Team makes lending decisions for the Bank on large loan commitments according to approved credit limits.

1.2.3 The three lines of defence

The Bank is organized based on the principle of three lines of defence, which is the starting point for how responsibility linked to internal governance and control is distributed in the organisation. This means that appropriate and independent control functions are maintained that review, ensure and report whether the internal management and control is well-functioning and effective, and that laws and regulations are followed.

First line of defence

The first line of defence includes everyone in the business who is responsible for carrying out the daily operational work, i.e. risk owners, business areas, Treasury, and associated support functions in the Bank and in the respective subsidiaries. They are all responsible for the risk that arises in their own daily operations, which means that risk-taking must comply with given frameworks and that there are processes for measurement and control.

Second line of defence

The second line of defence includes internal control functions comprising a risk control function and a regulatory compliance function. The second line of defence is responsible for supporting the first line of defence in the risk and regulatory compliance work, monitoring and challenging the outcome of the business's work, and continuously following up and evaluating regulatory compliance and risk exposure. The second line of defence functions must continuously report the overall risk situation and identified deficiencies to Management and the Board.

The risk control function consists of *the Risk Control unit*, which monitors the risks of the business and is responsible for regularly producing reports on significant risks relating to the operations. Risk Control must be independent in relation to the business to be controlled. Risk Control shall not participate in the management of the risks being controlled.

The regulatory compliance function consists of t*he Compliance unit*, which must control and actively work to ensure regulatory compliance within the function's areas of responsibility. Compliance must further identify and report the risks that exist because the bank does not fulfil its obligations according to applicable laws, rules, standards, and regulations.

Operational Risks & Security is the unit within the bank that is responsible for analysing and reporting the group's operational risks, including information management, data protection and physical security, as well as maintaining internal regulations that affect the unit's area of responsibility.

Third line of defence

The third line of defence includes Internal Audit, which is a central and group-wide function directly subordinate to the Board of Directors. The purpose of the Internal Audit shall be to objectively provide the board and management with independent assessments of the business, operational business and management processes, the Group's risk management, governance, and control. The internal audit must be independent of both the first and second line of defence's activities, units, and functions.

1.3 RISK MANAGEMENT MODEL

The Bank must have well-functioning risk management and control, which is on a par with the focus, scope and complexity of the business and the Bank's Risk Capability Framework. Risk management and control must also be compatible with laws and regulations.

The Bank's risk management system must be based on appropriate internal regulations, clearly documented processes and routines, tools for identification, measurement, control, and follow-up of risks as well as reporting and escalation procedures. The risk management system requires that sufficient competence and experience, both in quantitative and qualitative terms, is available.

The Financial Supervisory Authority is informed regularly about the Bank's risk position.

2. Profit and capital risk.

2.1 CAPITAL AND CAPITAL REQUIREMENTS

The Bank's capital requirement is stipulated in the Capital Requirements Regulation (CRR) and in the Capital Requirements Directive (CRD), which state how much capital a bank needs to maintain in relation to the risks found in its operations.

On January 1, 2023, IFRS 17 Insurance contracts entered into force. The Bank is affected by this standard through the consolidation of associated companies that apply IFRS 17. The standard is applied from and including the financial year 2023 and must be put into use retroactively, which affects the Bank's retained earnings within equity at the beginning of the comparison year 2022. Information regarding 2022 has therefore been adjusted.

2.1.1 Capital

Own funds are divided into Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital (T2). CET1 capital comprises the most permanent form of capital and, in practice, is equivalent to equity capital according to the balance sheet after certain statutory adjustments.

CET1 capital specifically consists of share capital in the form of capital instruments as well as related share premium reserves that meet the conditions in Articles 28 and 29 of the CRR. The financial instruments included in the Bank of Åland's year-end CET1 were the Bank's Series A and Series B shares. According to Article 26, point 2 of the CRR, the year's retained earnings may only be included with prior permission from FIN-FSA, unless an Annual General Meeting has approved the year's earnings report.

Deductions from CET1 are made for items that have poorer capacity to absorb losses. Examples of such deductions are the unamortized cost of intangible assets, any positive net pension assets, deferred tax assets that are dependent on future profitability and deficits in the form of expected losses exceeding specific credit risk adjustments in the IRB-approved portfolio.

2.1.2 Need for capital

The Bank's capital requirement for credit risks from lending to the public is calculated according to the IRB approach. For the corporate exposure class, the Bank applies the foundation method (F-IRB). For all other exposure categories, including equity exposures, the Bank uses the standardized approach to calculate the capital requirement for credit risk. In the Bank's Swedish operations, the entire capital requirement is calculated according to the standardized approach.

The Bank has only a small trading book, which mostly consists of equity-related instruments. These positions arise from trading on behalf of customers. The Bank carries out no trading for its own account. The Bank applies the small trading book exemption according to Article 94 of the CRR. It thus estimates no capital requirement for position risks according to the market risk regulations. Instead, it applies the credit risk rules to these items.

To calculate the exposure value of counterparty risks on derivatives, the Bank applies the original exposure method in compliance with Article 282 of CCR. The capital requirement for credit value adjustment risk is calculated according to the standardized approach and applies to all derivatives exposures to institutions that are not cleared by a central counterparty.

The Bank applies the standardized approach in calculating the capital requirement for operational risk.

2.1.3 Capital requirements

The capital requirements are divided into Pillar 1 requirements, Pillar 2 requirements and combined buffer requirements.
According to the Pillar 1 requirements in Article 92 of the CRR, banks must have sufficient own funds to always fulfil the following requirements in relation to the risk exposure amount:

- A CET1 capital ratio of at least 4.5 per cent
- A Tier 1 capital ratio of at least 6 per cent
- A total capital ratio of at least 8 per cent

In addition to the Pillar 1 capital requirement, the Bank must hold additional capital to cover other risks that are not covered under Pillar 1. This capital requirement constitutes the Bank's Pillar 2 capital requirement. The capital requirement according to Pillar 2 is assessed annually by the Bank through the Internal Capital Adequacy Assessment Process (ICAAP), the results of which are then determined or adjusted by the Financial Supervisory Authority through the Supervisory Review and Evaluation Process (SREP). In the SREP evaluation, national authorities can impose additional capital requirements on banks for these other risks. Three quarters of the Pillar 2 requirement must be covered by primary capital, of which three quarters by core primary capital.

2.2 COMBINED BUFFER REQUIREMENTS

For the Bank to be able to freely dispose of its retained earnings and make payments on CET1 capital instruments, it is required that the Bank also holds capital to cover combined buffer requirements.
For the Bank of Åland, these consist of a capital conservation buffer of 2.5 percent and a countercyclical capital buffer that can vary between 0 and 2.5 percent.

The Financial Supervisory Authority has decided to implement a systemic risk buffer of one percent. The requirement comes into effect on 1 April 2024.

The combined buffer requirement must be met in its entirety by CET1 capital. Violation of the combined buffer entails limited opportunities for distribution of the equity in accordance with the distribution restrictions in Article 141 of the CRD. Unlike larger institutions, the bank is not subject to any buffer requirements for systemically important institutions.

2.3 CAPITAL POSITION

Considering the capital requirements according to Pillar 1, the most recently assessed capital requirements for Pillar 2 and the combined buffer requirement, the Bank of Åland's CET1 capital level as of 31 December 2023 must at least amount to 8.5 percent for dividend restrictions not to occur. Corresponding minimum ratios regarding Tier 1 and total capital level were 10.2 and 12.5 percent, respectively. Compared to the previous year, the Bank's minimum capital requirement has increased because of increased countercyclical buffer requirements.

At year-end, the Bank's CET1 capital ratio amounted to 13.7 percent (12.1), which means that the bank had a CET1 capital buffer of 5.1 percent (3.9), or EUR 91.1 M (76.4).

The total capital ratio increased from 15.2 to 17.1 percent.

2.3.1 Own funds

Compared to the previous year, the Bank's CET1 capital increased by a total of EUR 8.9 M or 3.8 percent to EUR 242.8 M. During the year, equity changed with the period's result of EUR 48.7 M, other comprehensive income of EUR 0.8 M, issuance of new shares within the framework of incentive programs of EUR 0.3 M and share savings program of EUR 1.8 M, dividend paid of EUR 31.3 M and a dividend paid on Tier 1 capital instruments of EUR 1.9 M and amounted to EUR 335.3 M (317.0) as of 31 December 2023.

The Bank applies the transitional rules in Article 473a of the CRR for IFRS 9. The Bank thereby adds back part of its reserve for expected credit losses to CET1 capital using two factors that gradually decrease over five years. In practice, the impairment losses that are added back are attributable to exposures managed according to the standardized approach.

Unlike CET1 capital, T2 capital is not equally available for covering losses according to the regulations. The Group's T2 capital mainly consists of issued T2 instruments. These amounted EUR 31.5 M by year-end 2023. Tier 2 capital may also, where applicable, include expected losses that exceed reported impairment losses for the IRB-approved portfolio, however a maximum of 0.6 percent of the risk exposure amount calculated according to the IRB method. Detailed information about the Group's own funds is provided in the Bank's Pillar 3 report.

Table 2.3.1.1

Own funds	2023	2022
EUR K		
Equity in the consolidated situation	305,864	287,597
Proposed/actual dividend	−40,566	−31,270
Common Equity Tier 1 capital before regulatory adjustments	**265,298**	**256,327**
Intangible assets	−14,020	−14,292
Pension assets in excess of related liabilities	0	−360
Minority interests	−16	−14
Cash flow hedges	0	1,561
Other items, net	−89	−147
Additional value adjustments	−577	−783
IRB provisions shortfall (−)	−7,817	−8,726
Adjustments due to transitional rules related to IFRS 9	0	333
Common equity Tier 1 capital	**242,779**	**233,900**
Additional Tier 1 capital	29,424	29,424
Tier 1 capital	**271,608**	**263,324**
Tier 2 capital instruments	31,543	31,470
Tier 2 capital	**31,543**	**31,470**
Own funds, net	**303,749**	**294,794**

2.3.2 Capital requirements

By the year-end, the Bank's total risk exposure amount totalled EUR 1,774 M compared to EUR 1,938 M at the previous year-end. The risk exposure amount for credit risk decreased by EUR 225 M or 13.0 percent. The change mainly stems from the transfer of Swedish mortgages from the Bank of Åland to Borgo AB, which was carried out in September. The nominal amount for the mortgage portfolio that was transferred was SEK 5.8 billion.

Since 2021, the Bank applies an additional capital requirement of 26.5 percent of the risk exposure amount for IRB-managed portfolios. This is because the Bank's new IRB models have not yet been approved by the Financial Supervisory Authority. In 2022, the requirement was increased to 45.5 percent for the household portfolio.

The capital requirement for operational risk is EUR 21.3 M compared to EUR 19.5 M at the end of the previous year.

Table 2.3.2.1 shows the Group's capital position according to Pillar 1.

Table 2.3.2.1

Capital adequacy	2023	2022
EUR K		
Common equity Tier 1 capital	242,779	233,900
Additional Tier 1 capital	29,424	29,424
Tier 2 capital	31,543	31,470
Total own funds	**303,749**	**294,794**
Credit risks according to IRB approach	37,963	38,954
Additional requirements to IRB approach	13,844	14,079
Credit risks according to standardised approach	65,136	81,905
Market risk	3,636	592
Credit value adjustment risk	70	47
Operational risk	21,258	19,487
Total capital requirement	**141,906**	**155,063**
Risk exposure amount	**1,773,827**	**1,938,293**
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
Requirements related to capital buffers, %		
Total common equity Tier 1 capital requirement including buffer requirement	8.5	8.1
of which common equity Tier 1 capital requirement under Pillar 1	*4.5*	*4.5*
of which common equity Tier 1 capital requirement under Pillar 2	*0.6*	*0.6*
of which capital conservation buffer requirement	*2.5*	*2.5*
of which countercyclical capital buffer requirement	*0.9*	*0.5*
Common equity Tier 1 capital available to be used as a buffer	**13.7**	**12.1**

Table 2.3.2.2

Breakdown by exposure classes					
EUR K	Original exposure	Exposure at default	Risk weight, %	Risk exposure amount	Capital requirement
Credit risk, IRB approach					
Without own estimates of LGD					
Corporate – other large companies	188,450	171,424	54	92,905	7,432
Corporate – SMEs	294,045	259,644	50	128,967	10,317
Corporate – Specialised lending	4,777	4,797	71	3,409	273
With own estimates of LGD					
Retail – secured by real estate property (non-SMEs)	1,804,546	1,793,875	9	164,269	13,142
Retail – secured by real estate property (SMEs)	122,566	119,958	21	25,019	2,002
Retail – other, SMEs	32,894	31,671	20	6,201	496
Retail – other, not SMEs	355,430	297,409	18	53,768	4,301
Total exposures, IRB approach	**2,802,708**	**2,678,778**	**18**	**474,538**	**37,963**
Credit risk, standardised approach					
Central governments or central banks	440,927	524,960	0	0	0
Regional governments or local authorities	79,113	115,811	0	0	0
Public sector entities	37,282	37,260	0	0	0
Multilateral development banks	52,543	59,768	2	1,000	80
International organisations	4,013	4,013	0	0	0
Institutions	222,098	170,887	25	42,558	3,405
Corporate exposures	672,234	270,209	95	257,034	20,563
Retail exposures	527,382	87,115	73	63,952	5,116
Secured by mortgages on immovable property	713,223	712,565	33	234,381	18,750
Exposures in default	12,061	4,965	141	7,006	560
Covered bonds	486,507	486,452	11	52,432	4,195
Collective investments undertakings (CIU)	1,285	1,285	138	1,770	142
Equity exposures	45,029	45,029	167	75,038	6,003
Other items	141,873	141,873	56	79,026	6,322
Total exposures, standardised approach	**3,435,570**	**2,662,193**	**31**	**814,197**	**65,136**
Total exposure	**6,238,278**	**5,340,971**	**24**	**1,288,735**	**103,099**

Table 2.3.2.2 provides an overview of exposure amounts distributed according to exposure classes.

2.3.3 Leverage ratio

Leverage is a measure of bank solvency aimed at avoiding excessive debt. The leverage ratio is calculated as the ratio of T1 capital to a specially defined exposure metric according to CRR. Unlike the capital adequacy calculation, the exposures are not risk-weighted when calculating the ratio.

By year-end, the Bank's Leverage Ratio amounted to 5.0 per cent. The minimum requirement for the Leverage Ratio is 3 per cent. The Leverage Ratio is calculated according to the situation at year-end. T1 capital included profit for the period.

Table 2.3.3.1

Leverage ratio	2023	2022
EUR K		
Tier 1 capital	272,203	263,324
Total exposure metric	5,431,797	6,158,534
of which balance sheet items	*5,310,008*	*5,924,986*
of which off-balance sheet items	*121,790*	*233,548*
Leverage ratio, %	**5.0**	**4.3**

2.4 PROFIT RISK

The Bank's income is largely determined by volumes and customer margins for lending, deposits, and managed capital. The greater the business volumes and the higher the margins, the higher the income. The size of assets under management and related provision income is not determined solely by the net inflow of customers. Market value changes in customers' portfolios are also of great importance. Of the Bank's costs, personnel costs make up just over half of the overall costs.

The Bank has a structural net interest income position. This means the Bank's net interest income position is usually affected positively by rising interest rates. The size of the positive effect is very much tied to the general interest rate environment, as on-demand deposits in particular tend to have longer repricing periods when interest rates are low.

2.5 INTERNAL CAPITAL ADEQUACY ASSESSMENT

The Internal Capital Adequacy Assessment Process (ICAAP) aims to analyse all risks in the Group's operations, and based on the results assess the capital requirement to ensure that the Group is sufficiently capitalized to cover all its risks to be able to conduct and develop the business, both under normal and severely deteriorated business conditions. The process assesses on one hand whether the capital requirements under Pillar 1 are sufficient, and on the other the level of the capital requirement for risks that are not covered under Pillar 1.

In the capital assessment that was done based on the situation by year-end 2022, the Bank assessed the internally calculated capital requirement at EUR 21.3 M, corresponding to approximately 1.1 percent of the risk exposure amount at the end of the year, compared to the P2R requirement which amounts to EUR 19.4 M.

In its latest review of the bank's situation from the end of 2020, the Financial Supervisory Authority decided on additional capital requirements of a total of 1.0 percent. The reason why the Bank's internally assessed capital requirement is higher can largely be attributed to the significantly changed economic macro situation since the Financial Supervisory Authority made its assessment.

Until further notice, the bank applies the internally assessed capital requirement as total minimum capital requirement.

As part of ICAAP, the capital requirement is tried further through stress tests to ensure that capital relations are maintained at a satisfactory level even in the event of a possible economic downturn.

3. Credit risk

Credit risk refers to the risk of losses because a customer is incapable of fulfilling its obligations to the Bank and collateral pledged for the exposure does not cover the Bank's claim. The risk mainly stems from claims on private individuals and non-financial companies, largely from granting of credits, credit limits and guarantees.

Credit risk also includes credit concentration risks such as name, industry, and geographic risk.

Credit risks also arise through the Bank's collateral requirements for customers who borrow securities from the Bank and trade in derivatives on Nasdaq.

3.1 RISK MANAGEMENT

Credit decisions must be made in a responsible manner and based on the customer's ability to repay their debt in accordance with the agreed repayment plan. High interest rates or high-quality collateral must not compensate for a weak repayment capacity.

In the credit granting process, a financial assessment must be carried out to assess a person's or a company's financial position and ability or willingness to fulfil their payment obligations. When assessing repayment capacity, the Bank must consider relevant factors that may affect the customer's current and future repayment capacity and avoid causing undue hardship and over-indebtedness.

Credit decisions are made by individual decision-makers or bodies authorized to grant credit within a framework of established limits. The decision-making process is mainly governed by the total commitment of the customer or customer group and any security deficit. The Credit Committee of the Executive Team makes decisions in credit matters where the total commitment of the customer group is in the size class of 2 to 10 M euros. The Credit Committee includes, among others, the Managing Director, the Group's Chief Risk Officer, and credit managers. The Bank's Board makes decisions in credit matters where the total commitment of the customer or group of customers exceeds the equivalent of EUR 10 M.

A designated team within the credit organization make sure that cases to be handled in a credit committee contain a comprehensive and accurate view of the customer's financial situation, future repayment ability and value of collateral provided.

To ensure sound risk management and an accurate risk classification, a qualitative assessment must be made annually for larger corporate customers that are part of the corporate exposure class. The annual presentation includes a qualitative assessment that constitutes an important supplement to the statistical scoring of the business customer.

Credit risk control and reporting must be carried out independently of the business operations. These activities are performed on an ongoing basis by the Bank's Risk Control function. Credit risk reporting in the Bank includes both reporting to the Bank's management, business units and authorities.

3.1.1 Collateral management

To limit the Bank's credit risk exposure, credits granted to the public must as a rule be secured. Collateral received eliminates or reduces the Bank's loss if a borrower cannot fulfil its payment obligations.

Unsecured loans can be granted in the case of minor loans to private individuals and only in exceptional cases to companies. In the latter case, as a rule, special conditions or covenants are established, which give the Bank extended rights to renegotiate or terminate the credit or covenants. The covenants can be of financial or non-financial nature. Financial covenants are generally based on various financial key figures, while the non-financial ones can limit the customer's freedom of action.

Collateral can be provided through pledge or guarantee, but primarily liens on real estate and financial collateral must be used. Most of all credits granted to private individuals and companies have a home or other property as collateral.

Lending also takes place using financial securities as collateral. Market values of most of these securities are quoted daily. Financial collateral mainly consists of equities listed on the Helsinki and Stockholm stock exchanges, as well as fixed income securities issued or provided mainly by Nordic credit institutions.

By using LTV ratios for collateral, the Bank creates a buffer in case of any negative price performance by various kinds of collateral, for example changes in home prices and market prices of financial collateral. Generally, maximum lending against residential property collateral is 70–85 per cent of market value. For financial collateral, maximum lending is mainly determined by the liquidity and credit quality of the financial instrument. The estimated LGD value of an exposure goes hand in hand with the LTV ratio, since both are based on the available market value of pledged collateral in relation to the exposure. The value of the collateral must be verified by the Bank regularly and they must be liquid.

3.1.2 Risk mitigation

Credit risk mitigation techniques in capital requirement calculation refer to the consideration of certain acceptable collateral that lowers the capital requirement for credit risk. As acceptable collateral in the capital requirement calculation, the bank considers residential properties, guarantees issued by sovereigns, local authorities and institutions, deposits in own or other banks as well as financial collateral.

Housing collateral used for credit risk mitigation must meet requirements set by the capital adequacy regulations to be accepted. Among other things, the requirements include requirements for regular independent valuation of the collateral and that the collateral value exceeds the claim by a substantial amount, which is ensured through loan-to-value ratios. According to capital adequacy regulations, an exposure or part of an exposure that does not exceed 80 percent of the property's market value is considered fully collateralized. The market value of residential property collateral is monitored on a quarterly basis. If necessary, an external assessor is hired.

For financial collateral, the Bank uses the comprehensive method. Eligible financial collateral according to capital adequacy regulations is volatility adjusted with volatility adjustments given by the authority and affects the LGD parameter for the exposures where IRB is applied. For exposures where the capital requirement is calculated according to the standardized method, the exposure amount for the exposures is instead reduced before these are risk weighted.

By using guarantees issued by governments and others, the Bank may transfer all or part of an exposure to a counterparty with better credit quality when calculating capital requirements. The foremost providers of these forms of credit protection are the Finnish government and the Åland provincial government. In the Bank's Swedish operations, guarantees by the National Board of Housing, Building and Planning serve as collateral in some financing solutions in the form of building loans. The Bank was also granted permission to use guarantees issued by the European Investment Fund for a limited portfolio.

3.1.3 Credit concentration risk

Concentration risk includes risk resulting from large aggregate exposure to individual counterparties, industries, or geographic regions.The bank manages name and industry concentration risk in the credit portfolio by limiting individual counterparties and certain industries. For banks, statutory limits apply to concentrations towards individual customers or groups of customers.

3.2 RISK MEASUREMENT

Credit risk monitoring and analysis of exposures to individuals and companies is mainly done using the Bank's internal risk classification systems. The bank has two internal risk classification systems for credit risk in the lending business, a system used for calculating unexpected losses (capital requirements) and expected losses (EL) in accordance with IRB, and a system for calculating provisions for expected future credit losses (ECL) in accordance with IFRS 9. Both risk classification systems are developed based on the Bank's own credit statistics to estimate the probability of default (PD) and the proportion of loss in the event of default (LGD) of the Bank's credit customers. The estimation of the risk parameters in the two systems are therefore largely consistent.

Risk Control includes separate model development and validation units. The model development unit is responsible for development, documentation, and implementation of internal models. The unit also does quarterly and annual reviews, a complete review every three years, as well as any subsequent calibration of the metrics and models used for risk classification. The validation unit is responsible for conducting independent evaluations of the risk classification system on a regular basis. The results of these evaluations are reported to the Board.

Included in internal reporting on a regular basis is the Bank's risk profile divided into classes, migration between classes and comparisons of actual default percentages and, to the extent that in-house estimates are used, comparisons of actual LGD values and conversion factors plus forecasts.

3.2.1 Use of the internal approach for credit risk

The Bank applies the internal risk classification method (IRB) for calculating its regulatory capital requirement. This poses high demands on the Bank's management of credit risks and regulatory compliance, through the Capital Requirements Regulation (CRR) among other. All essential parts of the Bank's risk classification system and risk estimates must be approved by the Board, or a committee appointed by them.

Internal risk classification models for IRB are applied for exposures to private individuals, small businesses that can be classified as retail exposures and large companies.

The risk classification system estimates the probability that a customer will default within 12 months as well as how much the Bank will lose if the customer defaults.

For companies in the retail portfolio, the official PD-classification, comprising class number and class PD value, is determined based on a statistical regression model. For companies in the corporate portfolio, the official PD classification is determined through an annual qualitative assessment. It is based, among other things, on the PD classification proposed by the models. For retail class exposures, the Bank makes its own LGD estimates (A-IRB), while for corporate class exposures it uses LGD values stated by regulators (F-IRB). The Bank's models for estimating LGD for the exposures are based on statistical analysis data on customers' repayment history.

When calculating regulatory capital requirements, exposures are categorized according to the Bank's seven-point PD scale for non-defaulted exposures, where a determined class value for PD is used in the calculation of capital requirements. In addition, there is a class for credits in default. In credit risk modelling for corporate customers, external scoring data is also used, which is based, among other things, on the companies' financial key figures.

The Bank's model for calculating capital requirements and expected loss has elements of point-in-time (LGD) and through-the-cycle approach (PD) and is overall based on an entire economic cycle including a recession. Since EL is assumed to be known, it must also be deducted from the Bank's own funds to the extent that this is not covered by impairment losses accounted for.

The internal risk classification system is used, among other things, for pricing credit risk when granting new credits. The Bank also relies on the internal system for monthly risk monitoring and internal reporting, internal capital allocation and calculation of risk-adjusted returns.

Internal Audit performs independent inspections of the risk classification system and its use in the business. The Bank may not make significant changes to its internal models without the approval of the Financial Supervisory Authority.

3.2.2 Use of the standardised approach for credit risk

The Bank applies the standardized approach for credit risk when managing exposures to, for example, sovereigns and central banks, institutions, and equities. Exposures in the Bank's Swedish branch is handled in their entirety according to the standardized approach.

Exposures managed through to the standardized approach are divided into exposure classes based on counterparty, collateral, or type of claim. Next, the risk weights established in the regulations are applied for each exposure class. Risk weights for institutions, covered bonds and companies in the Treasury portfolio are determined based on external ratings. For exposures that do not have an external rating, the risk weight is derived based on the home country's rating.

3.2.3 Credit risk according to IFRS 9

IFRS 9 includes a three-stage model for impairment losses based on expected credit losses, which derives from changes in the credit risk of financial assets.

Stage 1 consists of performing exposures for which no significantly increased credit risk is considered to exist. For assets in Stage 1, the Bank must calculate and report a reserve that corresponds to expected credit losses within the next twelve months.

Stage 2 consists of financial assets for which the credit risk has increased significantly since initial recognition. A significant increase in credit risk is considered to have occurred if the lifetime PD of the exposure has increased at least 3 times compared to the initial lifetime PD and the absolute change is at least 10 percentage points. The Bank applies the 30-day delay criterion as a backstop. Exposures with amounts overdue by more than 90 days or which in other respects meet the Bank's default definition are moved to Stage 3.

Loan loss provisions for Stage 2 and Stage 3 shall correspond to expected credit losses throughout the remaining lifetime.

For backward transitions to lower stages, the Bank applies waiting periods. For exposures in Stage 2 with at least 30 days in arrears, a waiting period of six months is applied and for credits in Stage 3, a waiting period of two months is applied.

Generally, the Bank only uses specific and not general impairments.

Default

Default occurs when an exposure or counterparty has either a confirmed unlikeliness to pay or a material past due claim for more than 90 days. Unlikeliness to pay refers to a situation where it is unlikely that the debtor can fulfil his obligations towards the bank, without the bank needing to resort to measures such as realizing collateral or guarantees.

The accounting definition of impaired receivables consists of the receivables reported in Stage 3, which is essentially consistent with the regulatory definition of default.

A receivable is finally recognized as an impairment loss if bankruptcy has been confirmed or indigence is regarded as probable.

Forbearance

Forbearance is considered to occur when a change of terms is made, which is a concession on the part of the bank to a customer whose financial situation means that the customer has or is likely to have difficulties in fulfilling their financial obligations. The forbearance measure formally constitutes a concession that the bank would not have made if the customer had not had or was close to having financial problems. This may consist of reduced margin, amortization postponement and/or a significantly extended repayment period among other.

An exposure covered by forbearance measures is transferred to Stage 2 as the credit risk is then deemed to have increased significantly. Recurring forbearance measures imply that the exposure has become non-performing and is thus recognized as being in Stage 3.

Table 3.3.1

Credit risk exposure in lending to the public	2023			2022		
EUR K		of which counterparties in Finland	of which counterparties in Sweden		of which counterparties in Finland	of which counterparties in Sweden
Households						
Housing	2,104,499	1,387,223	533,526	2,383,870	1,462,984	780,890
Securities and other investments	340,860	274,231	36,926	433,199	316,109	68,482
Business activities	77,148	68,736	726	85,243	76,006	815
Other household purposes	352,611	134,200	168,312	372,489	139,290	185,758
Total	**2,875,118**	**1,864,390**	**739,490**	**3,274,802**	**1,994,388**	**1,035,945**
Corporates						
Shipping	20,190	4,731	15,074	30,659	12,307	17,933
Wholesale and retail trade	36,224	33,185	986	38,640	34,906	997
Housing activities	215,477	45,482	168,313	232,840	42,966	188,324
Other real estate activities	204,604	104,238	72,252	190,827	101,418	65,175
Financial and insurance actvities	228,137	177,066	38,281	223,935	166,385	43,433
Accommodation and food service activities	30,696	26,414	1,913	31,966	27,606	1,947
Agriculture, forestry and fishing	15,199	14,253	0	10,279	9,369	0
Construction	55,981	22,688	32,267	53,984	23,475	27,691
Other industrial activities	38,280	33,909	2,141	35,417	30,942	2,111
Other services	129,844	75,211	49,852	131,072	76,145	49,209
Total	**974,631**	**537,178**	**381,080**	**979,620**	**525,517**	**396,819**
Public sector and non-profit organisations	29,478	27,503	0	68,547	57,374	2,730
Lending to the public	**3,879,227**	**2,429,071**	**1,120,571**	**4,322,970**	**2,577,280**	**1,435,494**
Off-balance sheet commitments						
Unutilised lines of credit	801,295			1,115,164		
Other commitments	36,983			50,956		
Total off-balance sheet commitments	**838,277**			**1,166,120**		

3.3 CREDIT RISK EXPOSURE

Table 3.3.1 shows lending to the public distributed according to the industry and geographic affiliation of the counterparty. The Bank has specifically identified lending to shipping and other real estate operations as segments within the credit portfolio that have an increased credit risk, therefore specific limits have been set by the Board for lending to these segments.

Table 3.3.2 shows the credit quality for the Group's credit risk exposures within lending to the public as well as off-balance sheet items. Reported values before provisions or nominal amounts are distributed according to days past due and stage.

Receivables reported in Stage 3 according to IFRS 9 at year-end 2023 were at a lower level than in the beginning of the year.

The volume of loans with forbearance measures has increased during the year, mainly because of recurring forbearance measures. See table 3.3.3.

Table 3.3.4 shows current collateral values for collateral provided for the Bank's credit risk exposures within the lending to the public distributed according to stage and type of collateral. The table merely includes collateral that is eligible in the context of capital adequacy.

Table 3.3.2

Credit quality	2023				2022
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Lending to the public					
Receivables without past-due amounts	3,500,566	202,221	37,460	3,740,246	4,195,438
Receivables with past-due amounts 1–30 days	36,166	23,515	2,571	62,253	52,219
Receivables with past-due amounts 31–60 days	592	4,538	699	5,830	3,366
Receivables with past-due amounts 6–90 days	0	2,700	165	2,865	785
Receivables with past-due amounts > 90 days	45,674	678	21,680	68,033	71,236
Lending to the public, gross amount	**3,582,998**	**233,652**	**62,576**	**3,879,227**	**4,323,044**
Allowances	−634	−1,878	−17,662	−20,174	−20,036
Lending to the public, carrying amount	**3,582,364**	**231,774**	**44,915**	**3,859,053**	**4,303,008**
Off balance-sheet items					
Unutilised lines of credit	797,554	1,969	1,772	801,295	1,115,165
Guarantees	21,088	0	283	21,372	22,896
Other commitments	15,611	0	0	15,611	28,060
Off balance-sheet items, gross nominal value	**830,541**	**1,969**	**2,055**	**838,277**	**1,166,120**
Provisions for expected loss	−37	−5	−100	−142	−42
Carrying amount (provision)	**−37**	**−5**	**−100**	**−142**	**−42**

Table 3.3.3

Receivables with forbearance measures	2023	2022
EUR K		
Receivables from the public and the public sector		
Receivables without past-due amounts and receivables with past-due amounts <= 30 days	24,656	7,007
Receivables with past-due amounts > 30 days	0	0
Defaulted receivables	19,230	18,372
Gross amount	**43,886**	**25,380**

Table 3.3.4

Market value of collateral received in lending to the public	2023				2022
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Immovable property	4,411,348	236,602	37,415	4,685,365	5,278,547
Central and local government guarantees	132,150	8,761	2,113	143,023	152,769
Other guarantees	39,282	377	593	40,253	10,958
Financial collateral	835,132	12,053	255	847,440	899,222
Total	**5,417,911**	**257,793**	**40,376**	**5,716,080**	**6,341,495**

4. Counterparty credit risk

Counterparty credit risk arises within the Bank's liquidity management and refers to the risk that the counterparty in a financial transaction cannot fulfil its commitment in the transaction. Counterparty credit risk arises, for example, when placing overnight deposits with another bank, buying bonds, acquiring derivative instruments, or making deposits in another bank.

Counterparty credit risk in Treasury operations mainly stems from the holding of mass promissory notes in the Bank's liquidity portfolio, which are largely covered bonds and government bonds as well as securities issued by multilateral development banks. The Bank also holds a limited High Yield portfolio consisting of securities issued by counterparties with lower or no credit ratings.

4.1 RISK MANAGEMENT

The Bank's limit framework includes investment guidelines which, among other things, specify how the investments should be distributed between different sectors, for example central banks, sovereigns, public sector entities and institutes.

The counterparties in the High Yield portfolio have undergone an evaluation process with high quality requirements and for all counterparties an estimate of the creditworthiness is made based on an analysis of the counterparty and its key figures. The instruments mainly consist of debentures issued by companies on the European market. The High Yield portfolio is subject to investment guidelines established by the Board.

Counterparty credit risk arising from entering derivative contracts is managed through netting agreements drawn up according to ISDA standards, which allow receivables and liabilities that run under the same agreement with one and the same counterparty to be set off. In addition, CSA agreements are applied which regulate the exchange of collateral. To reduce credit risk exposure, central clearing is used for derivative instruments.

4.2 RISK EXPOSURE

Table 4.2.1 presents the Group's holdings of debt securities distributed according to stage.

Write-downs and reversed write-downs of debentures that are reported at fair value via other comprehensive income are reported in the income statement under net financial income.

Table 4.2.1

Credit quality	2023				2022
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Debt securities recognised at amortised cost					
Gross amount	327,849	0	0	327,849	318,585
Allowances	–75	0	0	–75	–114
Carrying amount	**318,471**	**0**	**0**	**327,774**	**318,471**
Debt securities recognised at fair value via other comprehensive income					
Gross amount	**475,723**	**0**	**0**	**475,723**	**665,055**
of which allowances	*–82*	*0*	*0*	*–82*	*–99*

The Group's holdings of debt securities at the end of the year are also reported in note G19.
The Group's derivative exposures at the end of the year are reported in note G24.

5. Market risk

5.1 RISK MANAGEMENT

The Board of Directors decides on the Bank's risk appetite and establishes limits on interest rate risk, foreign exchange risk and equity risk. The Bank's market risks are primarily of a structural nature and managed by Treasury. Positions are hedged when they enter the balance sheet and continuously in compliance with the principles established by the Bank's Board of Directors and the processes established by the Treasury unit. Decisions concerning equity and foreign exchange risk are handled by the Board or by the Managing Director.

5.2 RISK MEASUREMENT

5.2.1 Interest rate risk

Interest rate risks arise mainly due to differences in the interest rate repricing periods and repricing dates between interest-bearing assets and liabilities. The Bank measures the interest rate risk through sensitivity analyses of the net interest income (NII) and the economic value of equity (EVE) of interest-bearing assets and liabilities in scenarios where the yield curve is stressed in different ways.

Table 5.2.1.1 shows interest-bearing assets and liabilities that reprice in the respective time buckets with the assumption that demand deposits reprice on day one.

Net interest income

The Bank measures interest rate risk by means of sensitivity analyses of NII and EVE of interest-bearing assets and liabilities in scenarios where the yield curve is stressed in various ways. NII is measured as the sensitivity of net interest income during the next twelve months, assuming a constant balance sheet. Positions in the balance sheet undergo repricing on their contractual or assumed interest rate adjustment dates Demand deposits are modelled according to guidelines given the European Bank Authority (EBA), and the Basel-committee. The repricing periods modelled according to the EBA and Basel guidelines are applied in the EBA supervisory outlier test, where the outcomes of stress scenarios are controlled in relation to the regulatory limit that is linked to the Bank's common equity Tier 1 capital. NII is measured by material currency in compliance with EBA regulations, and positive outcomes are weighted at 50 per cent.

Economic value of equity

EVE is measured as the sensitivity of the present value of all existing interest-bearing items. When calculating EVE, the Bank uses two methods for the interest rate repricing period of demand deposits. The first model places demand deposits that are connected to the Bank's own benchmark interest rates in the time bucket 0–1 month, and the rest of deposits in the time bucket 10–11 months. The second method models repricing periods for demand deposits based on European Banking Authority (EBA) and Basel Committee regulations.

The repricing periods modelled according to the EBA and Basel guidelines are applied in the EBA supervisory outlier test, where the outcomes of its six stress scenarios are controlled in relation to the regulatory limit that is linked to the Bank's common equity Tier 1 capital. EVE is measured by material currency in compliance with EBA regulations, and positive outcomes are weighted at 50 per cent. The Bank also has an internal limit against comprehensive income for a +100-basis point shift.

Table 5.2.1.2 shows the sensitivity of NII and the sensitivity of EVE of interest-bearing assets and liabilities in case of a parallel shift in the yield curve upward and downward by 200 basis points per material currency. The measurements are stated according to the above-described models demand deposits are modelled according to EBA and Basel guidelines.

Table 5.2.1.1

Remaining maturity							
EUR K	<3 mo	3–6 mo	6–12 mo	1–5 yrs	>5 yrs	Other	Total
Assets							
Cash and balances with central banks	351,010	0	0	0	0	1	351,011
Debt securities	159,182	78,156	162,465	407,542	31,050	−12,351	826,043
Lending to credit institutions	23,531	0	0	0	0	7,947	31,477
Lending to the public	2,279,682	558,052	768,769	243,943	36,392	−27,806	3,859,032
Total interest-bearing assets	**2,813,405**	**636,208**	**931,234**	**651,485**	**67,441**	**−32,210**	**5,067,564**
Liabilities							
Liabilities to credit institutions	−400,459	0	0	0	0	−49	−400,508
Deposits from the public and the public sector	−3,155,937	−128,019	−308,993	−1,799	0	43	−3,594,707
Debt securities issued	−457,734	−101,179	−9,000	−250,000	0	638	−817,275
Subordinated liabilities	−31,543	0	0	0	0	42	−31,501
Total interest-bearing liabilities	**−4,045,673**	**−229,198**	**−317,993**	**−251,799**	**0**	**672**	**−4,843,991**
Derivative instruments	−189,320	84,456	−8,650	147,332	−33,600	0	218
Difference between assets and liabilities	**−1,421,587**	**491,466**	**604,591**	**547,018**	**33,841**	**0**	**223,790**

Table 5.2.1.2

Parallel shift in the yield curve	2023	
EUR K	Basis points +200	Basis points −200
NII	369	−9,809
EUR	1,704	−8,427
SEK	59	−1,945
EVE	−4,861	2,379
EUR	−2,460	−1,608
SEK	−1,130	3,586

5.2.2 Foreign exchange risk

The bank's operations mainly take place in the two base currencies, euro, and Swedish krona. A limited part of lending and deposits also takes place in other currencies. Foreign exchange risk is primarily managed through matching, and the potential remaining risk at the end of the day is adjusted by currency balance.

At year-end 2023, the Bank's foreign exchange exposure was EUR 0.6 M (2021 EUR 0.8 M). The Bank also uses a static metric for risk in the Group's foreign currency balance. Using a VaR analysis with a 95 per cent confidence interval, year-end sensitivity was about EUR 9 K, compared to EUR 0.6 M in total foreign exchange risk exposure.

The Group has a structural foreign currency position, which arises mainly from its Swedish operations in the form of a branch whose balance sheet is denominated in Swedish kronor. The branch is capitalized with endowment capital and accrued earnings that are reported in Swedish kronor. The purpose of this position is to ensure that the ratio of CET1 capital in Swedish kronor and the risk exposure amount in Swedish kronor is in balance with the Group's CET1 capital ratio. The structural foreign exchange position in Swedish kronor affects other comprehensive income. The Bank has permission from the FIN-FSA to exempt the structural foreign exchange position from the capital adequacy calculation up to a maximum open net position.

5.2.3 Equity risk

The Bank is exposed to equity risk through strategic and other holdings. The Bank's strategic and other shareholdings are managed, considering its purpose and nature, through separate decisions by the Board for strategic holdings and by the Managing Director for other shareholdings.

6. Liquidity and financing risk

6.1 RISK MANAGEMENT

With regard to the Bank's risk tolerance, the Board has established limits for, among other things, the Bank's Liquidity Coverage Ratio, Net Stable Funding Ratio, survival horizon and for how large the share of issued covered bonds may be in relation to available collateral.

The liquidity risk is managed by Treasury, which is responsible for identifying and managing risk factors, in the Bank's operations and in the markets, that affect the Bank's need for funding, access to and costs of financing. Treasury must ensure that the risks respect the limits set by the Board.

6.1.1 Liquidity reserve

To ensure access to liquidity even during periods with no possibility of external borrowing, the Bank shall maintain a liquidity reserve that shall serve as an alternative source of liquidity at times of limited or non-existent opportunities to borrow money in the external capital market. The reserve must consist of short-term investments and investments in high-quality assets. The size of the reserve must be such that the Bank can withstand a serious liquidity stress without having to change its business model and that the regulated Liquidity Coverage Ratio is complied with.

6.1.2 Financing

The Bank's financing structure must be well diversified from both an instrument and a maturity perspective. The Bank must strive not to be dependent on other funding sources for its lending than customer deposits and covered bonds. Non-secured capital market financing can be used when market price makes it appropriate.

A long-term goal is that deposits from the public account for more than 50 percent of the financing excluding equity. At the end of the year, deposits and covered bonds made up roughly 86 percent of the financing structure.

To manage concentration risks in the Bank's maturity structure, the Board has determined a limit that limits the maturity of long-term capital market borrowing within a six-month period.

6.2 RISK MEASUREMENT

The balance sheet of the Bank and its maturity structure are an important parameter when calculating and analysing the Bank's liquidity risk. Based on the balance sheet, future cash flows are forecast. These are an important tool in managing and planning liquidity risks and borrowing requirements.

Table 6.1.1.1

Liquidity reserve	2023	2022
EUR K		
Cash and balances with central banks	351,011	341,980
Debt securities issued by sovereigns and public authorities	251,456	518,407
Covered bonds (minimum rating AA–)	449,268	295,428
Retained covered bonds	225,691	
Lending to credit institutions	21,451	17,413
Debt securities issued by financial companies		52,577
Total	**1,298,876**	**1,225,806**
of which LCR-qualified	*1,012,181*	*1,132,382*

6.2.1 Liquidity coverage ratio and net stable funding ratio

Regulatory authorities have adopted rules for liquidity risk that cover both short-term and structural liquidity under stressed conditions. The purpose of the Liquidity Coverage Ratio (LCR) is to ensure that banks have enough liquid assets to deal with short-term liquidity stress. This means that banks must have liquid assets of very high quality that are equivalent to at least the net cash outflow for 30 days under stressed conditions, that is, at least 100 per cent.

Table 6.2.1.1

Liquidity coverage ratio (LCR)	2023	2022
EUR K		
Liquid assets, level 1	933,530	1,050,214
Liquid assets, level 2	78,651	82,168
Total high-quality liquid assets (HQLA)	**1,012,181**	**1,132,382**
Deposits from the public	147,410	179,232
Capital market funding	488,625	663,323
Other cash flows	117,650	74,886
Cash outflows	**753,684**	**917,441**
Inflows from fully performing exposures	67,376	46,454
Other cash inflows	37,614	52,534
Total cash inflows	**104,990**	**98,988**
Net cash outflow	648,694	818,453
Liquidity coverage ratio (LCR), %	156	138

Table 6.2.1

Remaining maturity	2023								
	Undiscounted contractual cash flows								
EUR K	Repayable on demand	<3 mo	3–6 mo	6–12 mo	1–5 yrs	5–10 yrs	>10 yrs	Not classified by maturity	Total
Assets									
Cash and deposits with central banks	351,011								351,011
Debt securities eligible for refinancing with central banks		92,738	109,003	121,973	462,153	29,189	0		815,056
Lending to credit institutions	31,479								31,479
Lending to the public	46,303	265,119	114,067	200,634	1,306,515	664,439	1,261,976		3,859,054
Other debt securities		0	0	1,814	9,173	0	0		10,987
Shares and participations								46,908	46,908
Derivative instruments		5,253	3,562	133	13,832	4,047	432		27,258
Intangible assets								20,932	20,932
Tangible assets								36,702	36,702
Investment properties								294	294
Other assets								141,827	141,827
Total assets	**428,792**	**363,111**	**226,633**	**324,553**	**1,791,673**	**697,675**	**1,262,408**	**246,663**	**5,341,507**
Liabilities									
Liabilities to credit institutions	90,386	310,123	0	0	0	0	0		400,508
Deposits from the public	2,651,769	504,176	128,019	308,993	1,799	0	0		3,594,757
Debt securities in issued		457,096	101,179	9,000	250,000	0	0		817,275
Derivative instruments		10,497	3,545	0	732	231	409		15,414
Other liabilities								146,727	146,727
Subordinated liabilities							31,501		31,501
Equity capital								335,325	335,325
Total liabilities and equity	**2,742,155**	**1,281,891**	**232,743**	**317,993**	**252,531**	**231**	**31,910**	**482,052**	**5,341,507**

The Net Stable Funding Ratio (NSFR), a structural liquidity metric, requires that banks have enough stable funding to cover their funding needs in a one-year perspective, both under normal and stressed conditions. The minimum NSFR requirement is 100 per cent. NSFR is unaudited.

6.2.2 Encumbered assets

Encumbered assets predominantly consist of home mortgage loans that are used as collateral for the Bank of Åland's covered bond issues outstanding. The size of encumbered assets for covered bonds is based on the level of over-collateralization that the credit rating agency Standard & Poor's requires of the Bank of Åland to ensure that the bonds are assigned a credit rating of AAA.

In addition to home mortgage loans, the Bank of Åland has provided collateral for its own liabilities, payment systems, brokerage operations and clearing in the form of government securities and bonds, mainly to central banks and credit institutions.

6.3 Internal liquidity assessment

The bank annually conducts an internal liquidity assessment to ensure that the liquidity buffers that exist are sufficient to ensure uninterrupted operations even during periods of stress. This is done through stress tests that are based on different scenarios to assess the effects these have on the Bank's liquidity assets and need of financing.

The stress tests are based on factors that the Bank has identified, and which are deemed to have a major impact on the Bank's liquidity risk. Examples of such factors are deposits, the collateral for covered bonds and liquid assets.

The internal liquidity assessment, which was carried out based on the situation in 2022, shows that the bank has an optimized liquidity management, but in the event of disturbances in the market, the Bank may have to use new financing.

Table 6.2.1.2

Net stable funding ratio (NSFR)	2023	2022
EUR K		
Required stable funding (RSF) items		
High-quality liquid assets (HQLA)	110,017	104,210
Other liquid assets	1,288	4,774
Other securities	7,669	38,265
Performing loans	2,652,022	3,185,437
Derivatives	38,650	52,282
Other assets	240,333	242,059
Off-balance sheet items	22,342	22,714
Total required stable funding	**3,072,321**	**3,649,740**
Available stable funding (ASF) items		
Capital items and instruments	325,671	316,626
Deposits from the public	2,199,869	2,397,920
of which stable deposits	*1,360,236*	*1,411,821*
of which less stable deposits	*839,632*	*986,099*
Deposits from other counterparties	561,351	609,775
Capital market funding	250,000	625,000
Other liabilities	0	0
Total available stable funding	**3,336,890**	**3,949,320**
Net stable funding ratio, %	109	108

Tablel 6.2.2.1

Encumbered assets			
EUR K	Encumbered assets	Unencumbered assets	Total assets
Debt securities	105,513	720,531	826,043
Lending to the public	1,180,175	2,678,879	3,859,054
Other assets	13,921	442,735	456,656
Assets not eligible for encumbering		199,754	199,754
Total	**1,299,608**	**4,041,899**	**5,341,507**
Per cent of total assets	24	76	100

7. Climate-related risks

Climate-related risks are not defined as a separate risk area, but rather one that cuts across categories and can amplify the risks in already established risk areas. Climate-related risks therefore require the expansion of the existing risk management framework to address the emerging risk drivers resulting from climate change. Climate-related risks can be divided into two main categories, physical risks, and transition risks.

Physical risks refer to the direct effects of climate events. Physical risks may be acute: in the form of individual extreme weather events such as floods, storms or forest fires that may damage buildings and infrastructure or disrupt production and supply chains. Borrowers affected by an extreme weather event may suffer financial loss due to damaged property or loss of income. Physical risks may also be chronic – involving long-term changes such as shifts in rainfall patterns, higher average temperatures or rising sea levels.

Transition risk refers to risks stemming from the societal changes arising from the transition to a low-carbon economy. Such risks aremainly seen to arise through changes in public sector policies, innovations, and changes in existing technologies as well as changes inmarket sentiment. Generally, actors whose activities have a negative impact on the climate can be assumed to be exposed to transition risk to a greater extent.

Forecasts of when climate-related risks might materialize vary between different actors. Transition risks may materialize relatively soon, especially if the world is to succeed in meeting the existing climate targets, while the physical risks of climate change will be more significant if the transition to a sustainable economy has not been sufficiently rigorous.

7.1 CREDIT RISK

Climate change may create credit risk by causing borrowers to suffer losses that make them unable to fulfil their loan obligations. This may include damage to property, loss of income or a reduction in the value of investments due to climate-related market risk. Climate change may also trigger credit concentration risks since certain geographic areas or economic sectors may be hit harder by extreme weather events.

More than half of the Bank's lending consists of residential mortgage loans to individuals. The main risk factors in this segment relate to the real estate that is used as collateral for the loans. These properties may be damaged during extreme weather events. Real estate collateral may also decrease in value because its location is especially vulnerable to floods or rising sea levels, which may result in a loss for the Bank if the customer defaults and the collateral must be sold. The market value of properties may also be affected by their energy performance. Poorer energy performance may lead to costs for modernisation or higher energy and heating costs.

The Bank's corporate lending is allocated across different economic sectors and is mainly concentrated among businesses in Åland, on the Finnish mainland and in Sweden. The sectoral codes used in official statistics are inexact, making it hard to assess the risk exposure of companies based on these codes alone. Companies also make different choices about their business investments and supply chains, which means they may be more exposed or less exposed to climate-related risks compared to other market players. A large proportion of risk exposure may be found elsewhere in the supply chain, for example in factories and during transport from developing countries.

In the construction sector and in urban planning, adaptations are needed to mitigate climate risks and reduce the vulnerability of buildings and other facilities to heat waves, increased rainfall, flooding, or landslides. The construction sector is already subject to more stringent laws on sustainability measures, such as climate declaration requirements for new buildings, energy conservation and at source sorting of construction and demolition waste.

How the wholesale and retail trade and the manufacturing sector will be affected by climate risks will depend on what they sell or produce and what methods they use. The availability of imported goods or inputs may be subject to greater uncertainty as other parts of the world are affected by extreme weather events. Price variations may also widen as disruptions become more frequent. The transition to fossil-free goods may cause demand for some products to fall drastically, making some business models directly unprofitable.

Agriculture, forestry, and fishing are sectors that will be directly affected by extreme weather and climate change. Flooding, droughts, forest fires and storms may have serious consequences. In agriculture, adaptation measures are needed to reduce the risk of extreme weather events or pests destroying entire harvests. Depleted fish stocks in the Baltic Sea will inevitably affect commercial fishing.

Tourism and leisure industry operators may benefit to some extent from a warmer climate including more heat waves in southern and central Europe, since this may increase summer tourism in the Nordic region. At the same time, companies offering winter sports activities may suffer from shorter or less snowy winters.

Service sectors will presumably be less affected by climate change. One potential problem might be that buildings or facilities are located where they are relatively often affected by heat waves or cold spells.

In the financial and insurance sector, damage resulting from the climate-related risks of borrowers or policyholders may lead to losses. As emission-heavy business models become economically unprofitable, investors may be forced to write down their holdings. Stranded fossil assets such as oil, coal, gas and all the infrastructure built to extract these natural resources would affect a range of economic actors and potentially the entire world economy and financial stability.

7.2 MARKET RISK

As climate events occur with greater frequency and severity, market risks will be affected. If the market believes that climate policy measures – such as tougher taxation of carbon emissions – will be taken, this may impact share prices of companies that are expected to be affected. The price picture may also be affected as rating agencies consider more climate risk factors in their assessments.

Since the Bank of Åland does not engage in equity trading for its own account, its equity risk is very limited, consisting mainly of strategic holdings in financial services companies that are deemed to have limited exposure to climate-related risks.

Climate change and the measures taken to counteract it generate risks that may jeopardise economic development, price stability and financial stability. Extreme weather events risk worsening the production opportunities of businesses and human well-being. From a monetary policy perspective, this may increase the volatility of prices and output. How inflation will be affected depends, among other things, on monetary policy considerations.

7.3 LIQUIDITY RISK

Climate-related risk rarely causes liquidity risk without first causing market risk, credit risk or operational risk. This is because climate change does not usually make an asset less liquid unless that asset loses value, a borrower defaults or financial markets experience disruption.

Liquidity risk might arise if investors choose to invest primarily in green bonds. The market for non-green bonds would then become less liquid, since there would be fewer buyers. This would also affect the value of non-green bonds and generate market risk for investors who already own them. In addition, investors may be forced to hold such bonds to maturity. Overall, these investors would be less liquid than previously and would have to supplement their liquidity reserves with more funds. It is also possible that securities issued by governments and regional authorities in areas at greater risk of suffering from repeated weather disasters would fall in value or become less liquid.

The Bank limits the risk in its liquidity portfolio by following guidelines approved by the Board of Directors, for example with respect to credit ratings, countries, currencies, and counterparty sectors. The Bank also endeavours to devise better methods for identifying sustainable financial instruments among its own assets as well as developing new processes for gathering data on sustainability in the granting of loans and creating suitable conditions for issuing green bonds.

7.4 PROFITABILITY AND CAPITAL RISK

As consumers become more aware of climate change issues and actively choose sustainable products and services, this may increase profitability and capital risk for companies that did not have enough time to adapt their product range in line with consumer preferences.

Sustainability work has already been among the Bank of Åland's core values for many years. Sustainability issues are an integral element of the Bank's operational management and aim at constantly improve the Bank's performance from a sustainability perspective.

7.5 OPERATIONAL RISK

Climate change may have an impact on the level of operational risk, for example in the event that extreme weather may force office closures or damage key resources such as data centres. Extreme weather may also make it difficult for individual employees to travel to their workplace. Operational risks are identified by the Bank's operational units through yearly self-assessments. The highest risks must be managed and mitigated if they are not deemed to be within the Bank's risk appetite.

The Bank has continuity plans for all business-critical processes to manage the situation arising from any disruption in IT systems. In addition to its own continuity plans, the Bank requires critical systems suppliers to maintain plans that include strategies to minimize the impact of extreme weather events, for example, and to quickly resume operations.

8. Operational risk

8.1 RISK MANAGEMENT

The management of operational risks must ensure that all significant operational risks are identified and managed at a sufficient level in relation to the business's nature and the Bank's ability to bear risk. The likelihood of unforeseen significant losses or threats to reputation must be minimized.

Risk management mainly takes place in the first line of defence. The second line of defence supports operations through, among other things, internal training and internal regulations relating to the management of operational risks and regulatory compliance. The Operational Risks & Security and Compliance units form parts of the Bank's second line of defence.

The Group has continuity plans for all main processes and central business units that must function to ensure that the Group and its customers do not suffer serious consequences. The purpose of these plans is to maintain operations and to limit interruptions, losses, or damage in the event of disruptions.

During project work, the Bank uses its new products approval process (NPAP). Risk mapping is an important part of this process. The purpose of a comprehensive analysis that highlights a variety of risks is to avoid inadvertent risk-taking. Products and services that are new or have undergone significant changes must be secure and functional when they are put into use.

At group level, insurances have been taken out to reduce the consequences of realized risks. There are insurances for board and management liability (Directors & Officers), operational liability (Professional Liability) and against criminal acts (Crime). In addition to these insurances, the companies in the group have taken out company-specific insurances.

Adequate procedures for data protection and information security must be in place and must be further developed, based on the threat situation at hand.

Management and the Board are regularly informed about operational risks in the business so that this can be considered when making decisions. Adequate management of operational risks is important to secure trust in the Bank's operations, not least from the customer's point of view.

8.2 MAPPING OF OPERATIONAL RISKS

The first line of defence maps its own operational risks yearly through self-evaluation and other methods. Self-evaluations assess the probability and consequences if one or more operational risks should materialise. Risks that the second line of defence deems high or unacceptable are presented to the Group's Executive Team to ensure that sufficient steps are taken in order not to exceed the Group's risk appetite. Action plans are followed up continuously. At least annually, risk analyses are carried out in combating money laundering and the financing of terrorism (Anti Money Laundering - Combating the Financing of Terrorism, AML-CFT). The results are reported to management and the Board.

The second line of defence regularly carries out its own risk assessments in such areas as information security risks, compliance and mapping the Bank's operational risks.

8.3 RELEVANT OPERATIONAL RISKS

Operational risk areas that have been identified and assessed as important are mainly connected to manual processes and insufficient systems support, risk of fraud and suspicious transactions, risks connected to third parties and compliance risks.

8.3.1 Risks stemming from manual processes and insufficient system support

The demands placed on banks by external regulations lead to a growing need for IT systems that support increasingly complex processes. From an operational risk standpoint, more complex processes with many manual work stages mean higher risk, especially in combination with growing operations. To mitigate risks, IT deliveries and the pace of development need to be in balance.

8.3.2 Risk of fraud and suspicious transaction

The risk of fraud and suspicious transactions is attributable to the external threats posed by financial crime that the financial services sector is exposed to. A growing amount of criminal activity occurs on the internet, often harming the Bank's customers directly. But banks have a broad obligation to compensate fraud victims, which can result in heavy costs even though the fraud is not aimed at the bank. Fraud may take such forms as investment fraud or romance scams, phishing, or phone frauds.

Every day numerous transactions flow through banks' payments systems, which means a risk that criminal transactions will also be initiated. Continuous systems-based procedures are employed to identify suspicious transactions. The Bank regularly provides training to its employees to raise awareness of suspicious transactions and how to deal with and investigate them. There are dedicated employees in the first and second lines of defence who provide operational back-up in dealing with suspicious transactions as well as combating money laundering and financing of terrorism.

8.3.3 Risks stemming from third parties

The financial services sector is continually undergoing major changes due to technological advances. These changes tend to lead to third party contracting of processes and activities. Third party contracting refers to situations in which the Bank has signed a contract with a supplier to perform a process, a service or other activity – often related to information technology solutions.

Third party risks are risks that a company may be exposed to as a result of a contract with another party. Responsibility for services and risks connected to the Bank's own operations can never be assigned to another party. To limit third party risks, it is important to apply a thorough approval process in connection with the signing of new contracts. New and existing suppliers are adequately vetted and followed up on in an appropriate manner and they commit to complying with the bank's security requirements.

The Bank has established a special committee for managing third party contracting matters.

8.3.4 Compliance risks

The Bank is subject to numerous regulations that make far-reaching demands on its operations. Compliance shortcomings create a risk that the Bank will not live up to external laws and regulations. Failure to manage compliance risks may lead to increased operational and legal risks, reputational risks, and the risk of intervention by regulatory authorities.

At least once a year, the Compliance department carries out an analysis of compliance risks, consisting of identifying and evaluating risks and proposing actions to limit and manage risks that are deemed high or unacceptable.

Internal risk-mapping must always include compliance risks.

9. Coming changes in capital adequacy regulations

The upcoming regulatory change that is deemed to have the greatest impact on the Bank's capital and risk management is the updates to the capital requirements regulation, which is expected to enter into force during 2025, with a gradual phase-in for some of the changes over five years.

The changes include, among other things, a transformed standardized method for credit risk that is more risk-sensitive, for example when it comes to exposures to households and property lending. The standardized risk weights for exposures secured by residential real estate will change from a uniform level of 35 percent to a differentiated risk weight depending on the exposure to value ratio (ETV). With generally low ETV values, the Bank's risk weights for loans with housing as collateral, which are handled according to the standard method, are deemed to decrease.

A floor level (output floor) is introduced for risk-weighted assets that limits the Banks' ability to lower their capital requirement through internal models. The output floor proposes that risk-weighted assets calculated based on internal models are limited to at least the equivalent of 72.5 percent of risk-weighted assets calculated based on standard methods. The Group's total risk exposure amount is deemed not to be affected by the output floor.

A new standardized method is introduced for operational risks. The Group's capital requirements for operational risk are expected to increase to some extent as a result.

When the new Basel rules come into effect, further updates to internal models will be introduced. For example, floors are introduced for PD and LGD levels as well as credit conversion factors. Unlike larger institutions, the Bank is not affected by the abolition of A-IRB for large and medium-sized companies and the institution exposure class. With the new regulations, the scaling factor of 1.06 will be removed, which in practice means that the capital requirement will decrease by an estimated corresponding factor.

The previous standard method for calculating capital requirements for credit valuation adjustment risk (CVA) will be replaced by a new method. With this, the bank's capital requirements for CVA risk will increase sharply in relative terms, but from very low levels.

The package also includes rules on managing and monitoring ESG risks in line with the EU's sustainable development strategy. It would require banks to systematically identify, publicize and manage ESG risks as part of their risk management. This includes recurrent climate stress testing, conducted by both regulatory authorities and banks. The proposed measures would not only make the banking sector more resilient but also ensure that it takes sustainability issues into account. It is also expected that new regulations regarding ESG risks will be introduced, which may have an impact on banks' capital requirements.

The Financial Supervisory Authority has decided to implement a systemic risk buffer of one percent. The requirement comes into effect on 1 April 2024.

10. Further information

In the Bank of Åland's Pillar 3 report, the Bank reports on the disclosure requirements laid down in Part Eight of the Capital Requirements Regulation (EU) No 575/2013 and subsequent amendments. The report provided further information on the Group's financial risks and is available on the Bank's website.

G4. Segment report	2023					
	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
Net interest income	45,161	48,743	−65	5,841	−26	99,653
Net commission income	54,181	17,019	−68	5,246	580	76,958
IT income	0	0	46,971	1,077	−19,414	28,635
Net income from financial items carried at fair value	51	−49	−80	−2,848	−24	−2,950
Other income	130	34	1,210	104	−1,501	−23
Total income	**99,522**	**65,747**	**47,968**	**9,421**	**−20,384**	**202,273**
Staff costs	−20,245	−6,954	−26,284	−27,825	0	−81,308
Other expenses	−12,865	−4,257	−16,933	−24,701	17,119	−41,636
Statutory fees	−1,397	−1,632	0	−217	0	−3,245
Depreciation/amortisation	−295	−167	−3,764	−10,695	2,743	−12,177
Internal allocation of expenses	−25,835	−23,970	0	49,805	0	0
Total expenses	**−60,637**	**−36,979**	**−46,981**	**−13,632**	**19,862**	**−138,367**
Profit before impairment losses	**38,887**	**28,768**	**986**	**−4,212**	**−524**	**63,906**
Net impairment losses on financial assets	115	−2,174	0	−102	0	−2,161
Net operating profit	**39,002**	**26,594**	**986**	**−4,314**	**−524**	**61,745**
Income taxes	−7,991	−5,448	−88	458	0	−13,070
Non-controlling interests	0	0	−2	0	1	−1
Profit for the period attributable to shareholders in Bank of Åland Plc	**31,011**	**21,146**	**896**	**−3,856**	**−523**	**48,674**
Net commission income						
Deposits	213	969	0	216	0	1,398
Lending	691	1,938	0	16	−3	2,642
Payment intermediation	1,665	6,967	0	3,025	0	11,657
Mutual fund commissions	60,834	5,595	0	939	−6,363	61,005
Asset management commissions	15,935	1,589	0	11	−216	17,319
Securities brokerage	9,148	751	0	943	0	10,842
Other commissions	213	2,491	0	2,798	−31	5,470
Total commission income	**88,699**	**20,300**	**0**	**7,947**	**−6,613**	**110,334**
Commission expenses	−34,519	−3,281	−68	−2,701	7,193	−33,376
Total net commission income	**54,181**	**17,019**	**−68**	**5,246**	**580**	**76,958**
Business volume, December 31						
Lending to the public	1,749,942	1,984,315	0	126,890	−2,093	3,859,054
Deposits from the public	1,556,701	1,995,346	0	53,768	−11,059	3,594,757
Actively managed assets	9,037,867	727,323	0	11,203	0	9,776,392
Managed mortgage loans	0	0	0	2,715,628	0	2,715,628
Risk exposure amount	728,343	542,210	75,000	428,090	0	1,773,643
Equity capital	113,187	89,419	30,266	102,454	0	335,325
Financial ratios etc.						
Return on equity (ROE), %	30.0	26.9	3.4	−5.2		17.2
Expense/income ratio	0.61	0.56	0.98	1.45		0.68

2022						
	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
Net interest income	32,742	31,183	–12	4,317	–13	68,217
Net commission income	55,531	18,072	–65	4,423	470	78,432
IT income	0	0	43,559	205	–20,272	23,492
Net income from financial items carried at fair value	2,915	5,448	–235	4,746	–58	12,815
Other income	74	10	1,092	1,552	–1,577	1,151
Total income	**91,262**	**54,714**	**44,339**	**15,242**	**–21,450**	**184,106**
Staff costs	–20,104	–6,808	–24,484	–24,067	0	–75,463
Other expenses	–10,257	–3,976	–17,189	–25,661	17,377	–39,706
Statutory fees	–1,456	–1,719	0	–266	0	–3,440
Depreciation/amortisation	–2,547	–202	–3,492	–9,286	2,313	–13,214
Internal allocation of expenses	–24,944	–22,111	0	47,055	0	0
Total expenses	**–59,307**	**–34,816**	**–45,165**	**–12,225**	**19,690**	**–131,823**
Profit before impairment losses	**31,954**	**19,898**	**–827**	**3,017**	**–1,760**	**52,283**
Net impairment losses on financial assets	–7,485	1,391	0	–112	0	–6,205
Net operating profit	**24,470**	**21,289**	**–827**	**2,905**	**–1,760**	**46,077**
Income taxes	–5,016	–4,343	218	–172	0	–9,314
Non-controlling interests	0	0	–1	0	0	–1
Profit for the period attributable to shareholders in Bank of Åland Plc	**19,453**	**16,947**	**–610**	**2,733**	**–1,760**	**36,762**
Net commission income						
Deposits	167	1,010	0	262	0	1,440
Lending	964	2,398	0	68	–2	3,429
Payment intermediation	1,648	7,084	0	3,149	0	11,882
Mutual fund commissions	60,245	5,885	0	961	–6,614	60,477
Asset management commissions	15,410	1,409	0	–8	–180	16,630
Securities brokerage	11,085	976	0	1,063	0	13,125
Other commissions	271	2,547	0	1,674	–37	4,456
Total commission income	**89,791**	**21,309**	**0**	**7,171**	**–6,833**	**111,438**
Commission expenses	–34,260	–3,237	–65	–2,748	7,303	–33,006
Total net commission income	**55,531**	**18,072**	**–65**	**4,423**	**470**	**78,432**
Business volume, December 31						
Lending to the public	1,898,035	1,994,511	0	412,016	–1,626	4,302,937
Deposits from the public	2,006,633	2,063,007	0	129,418	–16,991	4,182,068
Actively managed assets	7,943,825	683,974	0	9,578	0	8,637,377
Managed mortgage loans	0	0	0	1,303,508	0	1,303,508
Risk exposure amount	758,229	506,742	75,000	598,105	0	1,938,077
Equity capital	108,038	76,708	25,879	106,410	0	317,035
Financial ratios etc.						
Return on equity (ROE), %	18.3	21.7	–2.3	3.5		12.8
Expense/income ratio	0.65	0.64	1.02	0.80		0.72

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 wholly owned subsidiaries). "Premium Banking" encompasses operations in all customer segments excluding Private Banking in Åland, on the Finnish mainland and in Sweden, as well as asset management. "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd including S-Crosskey Ab. "Corporate and other" encompasses all central corporate units in the Group, including Treasury and partnerships.

G5. Product areas

	2023					
	Daily banking services incl. deposits	Financing services	Investment services	IT services	Other	Total
Net interest income	60,401	35,262	0	−247	4,236	99,653
Net commission income	10,733	5,347	60,926	−68	20	76,958
IT income	0	0	0	28,635	0	28,635
Net income from financial items carried at fair value	0	−1,535	0	−80	−1,335	−2,950
Other income	0	0	0	0	−23	−23
Total income	**71,134**	**39,075**	**60,926**	**28,240**	**2,898**	**202,273**

	2022					
	Daily banking services incl. deposits	Financing services	Investment services	IT services	Other	Total
Net interest income	19,904	47,600	0	−156	870	68,217
Net commission income	11,263	4,933	62,286	−65	15	78,432
IT income	0	0	0	23,492	0	23,492
Net income from financial items carried at fair value	0	11,310	0	−235	1,740	12,815
Other income	0	0	0	0	1,150	1,150
Total income	**31,167**	**63,843**	**62,286**	**23,035**	**3,791**	**184,106**

Daily banking services included net interest income from all deposit accounts, i.e. also savings accounts, time deposits and cash accounts connected to securities accounts, net commission income from deposits, cashier and payment intermediate services, cards, the Premium concept, bank safety deposit boxes etc. plus income from exchanging currencies.

Financing services consisted of net interest income from all lending products, i.e. also securities account loans, as well as lending commissions and guarantee commissions.

Investment services included income from discretionary asset management, advisory asset management, mutual fund management and securities brokerage. Income from deposit accounts and loans that may be part of a customer's asset management were reported under daily banking services and financing services, respectively.

IT services included the operations of Crosskey Banking Solutions Ab Ltd.

G6. Geographic distribution

	2023			2022		
	Finland	Sweden	Total	Finland	Sweden	Total
Net interest income	58,162	41,490	99,653	39,785	28,432	68,217
Net commission income	59,251	17,707	76,958	59,079	19,353	78,432
Net income from financial items carried at fair value	19,849	8,786	28,635	15,363	8,128	23,492
IT income	−1,551	−1,399	−2,950	3,577	9,238	12,815
Other income	−189	166	−23	984	167	1,151
Total income	**135,522**	**66,751**	**202,273**	**118,789**	**65,318**	**184,106**
Staff costs	−62,050	−19,259	−81,308	−56,957	−18,505	−75,463
Other expenses	−23,065	−21,816	−44,881	−23,188	−19,958	−43,146
Depreciation/amortisation	−11,517	−660	−12,177	−12,374	−840	−13,214
Total expenses	**−96,632**	**−41,735**	**−138,367**	**−92,520**	**−39,304**	**−131,823**
Profit before impairment losses	**38,890**	**25,016**	**63,906**	**26,269**	**26,014**	**52,283**
Net impairment losses on financial assets	−2,631	469	−2,161	−929	−5,277	−6,205
Net operating profit	**36,259**	**25,485**	**61,745**	**25,341**	**20,737**	**46,077**
Income taxes	−7,676	−5,395	−13,070	−5,124	−4,190	−9,314
Non-controlling interests	−2	0	−2	−1	0	−1
Profit for the period attributable to shareholders in Bank of Åland Plc	**28,582**	**20,091**	**48,672**	**20,215**	**16,547**	**36,762**
Business volume, December 31						
Lending to the public	2,745,611	1,113,443	3,859,054	2,871,452	1,431,484	4,302,937
Deposits from the public	2,562,227	1,032,529	3,594,757	2,829,386	1,352,682	4,182,068
Actively managed assets	5,467,339	4,309,054	9,776,392	4,803,693	3,833,685	8,637,377
Risk exposure amount	1,264,670	508,973	1,773,643	1,220,141	717,936	1,938,077
Allocated equity capital	266,289	69,036	335,325	230,178	86,857	317,035
Financial ratios etc.						
Return on equity (ROE), %	14.3	24.3	17.2	9.7	21.1	12.8
Expense/income ratio	0.71	0.63	0.68	0.78	0.60	0.72

G7. Net interest income	2023			2022		
	Average balance	Interest	Average interest rate, %	Average balance	Interest	Average interest rate, %
Lending to credit institutions and central banks	314,137	11,068	3.52	674,955	1,621	0.24
Lending to the public	4,146,376	168,444	4.06	4,245,251	73,511	1.73
Debt securities	912,959	12,897	1.41	925,310	4,224	0.46
Interest-bearing assets	**5,373,473**	**192,409**	**3.58**	**5,845,516**	**79,356**	**1.36**
Derivative instruments	26,724	1,079		17,828	1,590	
Other assets	241,100	1,586		203,371	667	
Total assets	**5,641,297**	**195,074**		**6,066,714**	**81,613**	
of which interest according to the effective interest method		*194,393*			*81,245*	
Liabilities to credit institutions	483,480	16,223	3.36	588,696	55	0.01
Deposits from the public	3,740,905	41,472	1.11	4,212,177	5,669	0.13
Debt securities issued	901,141	32,172	3.57	759,565	3,994	0.53
Subordinated liabilities	34,629	2,187	6.32	34,302	1,083	3.16
Interest-bearing liabilities	**5,160,155**	**92,054**	**1.78**	**5,594,739**	**10,801**	**0.19**
Derivative instruments	18,352	3,133		15,283	2,446	
Other liabilities	150,431	235		139,420	149	
Total liabilities	**5,328,938**	**95,422**		**5,749,443**	**13,396**	
Total equity capital	312,358			317,271		
Total liabilities and equity capital	**5,641,297**			**6,066,714**		
of which interest according to the effective interest method		*95,049*			*13,026*	
Net interest income		**99,653**			**68,217**	
Interest margin			1.80			1.16
Investment margin			1.77			1.12

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 13 end-of-month figures.

Investment margin is net interest income divided by the average balance sheet total.

G8. Net commission income	2023	2022
Deposits	1,398	1,440
Lending	2,642	3,429
Payment intermediation	11,657	11,882
Mutual fund commissions	61,005	60,477
Asset management commissions	17,319	16,630
Securities brokerage	10,842	13,125
Legal services	506	673
Guarantee commissions	376	302
Other commissions	4,588	3,481
Total commission income	**110,334**	**111,438**
Payment commission expenses	−4,202	−4,183
Mutual fund commission expenses	−25,337	−24,650
Asset management commission expenses	−994	−1,127
Securities brokerage commission expenses	−1,998	−2,241
Other commission expenses	−844	−806
Total commission expenses	**−33,376**	**−33,006**
Net commission income	**76,958**	**78,432**

G9. Net income from financial items carried at fair value

	2023			2022		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Valuation category fair value via the income statement ("profit and loss")						
Derivative instruments		−19	−19	0	−7	−7
Other financial items		−2,992	−2,992	−149	1,817	1,669
Valuation category fair value via the income statement ("profit and loss")	**0**	**−3,011**	**−3,011**	**−149**	**1,810**	**1,661**
Fair value via other comprehensive income						
Realised changes in value	151		151	1,587		1,587
Expected loan losses		15	15		−69	−69
Total, valuation category fair value via other comprehensive income	**151**	**15**	**166**	**1,587**	**−69**	**1,518**
Hedge accounting						
of which hedging instruments	*2,793*	*9,093*	*11,886*	*79*	*−3,881*	*−3,803*
of which hedged item		*−9,901*	*−9,901*	*0*	*4,467*	*4,467*
Hedge accounting	**2,793**	**−807**	**1,985**	**79**	**585**	**664**
Valuation category accrued cost						
Loans	−1,484	−38	−1,521	9,519	−18	9,501
Debt securities	123		123	63		63
Total, valuation category accrued cost	**−1,360**	**−38**	**−1,398**	**9,582**	**−18**	**9,564**
Foreign currency revaluation	**0**	**−692**	**−692**	**0**	**−593**	**−593**
Total	**1,583**	**−4,533**	**−2,950**	**11,099**	**1,716**	**12,815**

G10. Other income

	2023	2022
Income from equity capital investments	69	38
Net income from investment properties	7	4
Rental income on properties	81	79
Miscellaneous income	362	500
Total	**520**	**622**
Specification of net income from investment properties		
Rental income	23	20
Other income		1
Other expenses	−15	−16
Total	**7**	**4**

G11. Staff costs

	2023	2022
Salaries and fees	62,700	58,381
Compensation in the form of shares in Bank of Åland Plc	864	305
Pension expenses	11,058	10,285
Other social security expenses	6,687	6,492
Total	**81,308**	**75,463**
of which variable staff costs	*4,133*	*3,308*
of which staff outplacement expenses	*309*	*190*

Variable staff costs and staff outplacement expenses are reported including social insurance fees.

	2023	2022
Salaries and fees		
Boards of Directors	371	397
Senior executives	4,095	3,052
Others	59,098	55,236
Total	**63,563**	**58,686**

"Boards of Directors" refers to all Board members of Group companies. "Senior executives" refers to the Group's Executive Team and to the Managing Director and Deputy Managing Directors of subsidiaries.

			2023			2022
Salaries and fees to senior executives						
Salaries and fees			3,284			2,794
Share-based payment			811			258
Total			**4,095**			**3,052**
Pension expenses						
Managing Director			126			85
Senior executives			587			458
Others			10,345			9,742
Total			**11,058**			**10,285**
Pension expenses						
Defined benefit plan			789			784
Defined contribution plan			10,269			9,500
Total			**11,058**			**10,285**
	Men	Women	Total	Men	Women	Total
Number of employees						
Åland	292	274	566	273	258	531
Finnish Mainland	139	130	269	137	117	254
Sweden	132	71	203	127	67	194
Total	**563**	**475**	**1,038**	**537**	**442**	**979**
Hours worked, recalculated to full-time equivalent positions						
Bank of Åland Plc			527			499
Crosskey Banking Solutions Ab Ltd			335			317
Ålandsbanken Fondbolag Ab			45			37
Total number of positions, recalculated from hours worked			**906**			**854**
	Men	Women		Men	Women	
Gender breakdown, %						
Board of Directors	67	33		57	43	
Senior executives	67	33		69	31	

"Board of Directors" refers to the Board of the Bank of Åland Plc.

	2023			2022		
	Managing Director	Senior executives	Others	Managing Director	Senior executives	Others
Total compensation						
Fixed compensation earned	402	2,048	57,402	385	2,009	53,577
Provisions for pensions	126	587	10,345	85	458	9,742
Variable compensation earned	313	1,332	2,067	135	523	2,057
Total	**840**	**3,968**	**69,813**	**605**	**2,990**	**65,376**
of which postponed variable compensation	*188*	*786*	*293*	*54*	*152*	*246*
of which variable compensation paid	*125*	*547*	*1,774*	*81*	*371*	*1,811*
Number of persons who received only fixed compensation	0	2	1,005	0	3	1,027
Number of persons who received both fixed and variable compensation	1	10	114	1	9	114
Total	**1**	**12**	**1,119**	**1**	**12**	**1,141**
Postponed variable compensation, January 1	255	855	746	231	763	683
Variable compensation postponed during the year	188	786	293	54	152	246
Disbursed during the year	−46	−115	−95	−31	−50	−122
Adjusted during the year	0	−5	−380	0	−10	−62
Postponed variable compensation, December 31	**396**	**1,521**	**564**	**255**	**855**	**746**

Further information about key individuals in management positions and risk-takers (Pillar 3, CRR, Article 450) is being published at the same time as the Annual Report in a separate report on the Bank of Åland's website.

Share savings programmes	2023	2022
2022 programme		
Recognised expense related to payment in the form of shares in the Bank of Åland Abp	278	139
Recognised expense for social security fees related to share-based portion	7	11
2023 programme		
Recognised expense related to payment in the form of shares in the Bank of Åland Abp	80	0
Recognised expense for social security fees related to share-based portion	5	0
Total recognised expense	**370**	**150**

CONDITIONS AND COMPENSATION

General

The Bank's compensation system shall be compatible with the Group's corporate strategy, goals and values, as well as being compatible with and promoting good, effective risk management. The compensation system shall be constructed in such a way that it does not counteract the long-term interests of the Group. An analysis is carried out to determine how the compensation system affects the financial risks that the Bank is subjected to and the management of these risks. There shall be a suitable balance between fixed and variable compensation. The Group's total compensation for a single earning period shall not build up and reward risks that may jeopardise the long-term interests of the Group.

The Bank has an earnings-based compensation system including the Managing Director and the rest of the Executive Team. There are also separate earnings-based compensation systems for employees in the Group's business areas. Earnings-based compensation for a single individual may not exceed an amount equivalent to 12 monthly salaries per financial year.

Board of Directors

The fees of the Board members are established by the General Meeting. During the period from the 2023 Annual General Meeting to the end of the 2024 Annual General Meeting, the members of the Board receive an annual fee as well as a fee for each Board and Committee meeting attended. The Chairman of the Board receives an annual fee of EUR 35,000 and the Deputy Chairman receives an annual fee of EUR 30,000. Other Board members each receive an annual fee of EUR 28,000. In addition, Board members are paid a meeting fee for each Board meeting they attend. The meeting fee amounts to EUR 1,000 for the Chairman and EUR 750 for other members per meeting attended. Each member of a Board committee is paid EUR 750 per committee meeting attended. The chairman of each respective committee receives a meeting fee of EUR 1,000 per committee meeting attended. The members of the Bank's Board of Directors are not included in share-based compensation systems.

Managing Director

The Managing Director receives a monthly salary of EUR 32,085. He also receives free automobile benefits and is entitled to the employee benefits that are generally applicable at the Bank. During 2023, the Managing Director was paid compensation totalling EUR 539,751 including fringe benefits and variable compensation. Of the variable compensation paid in 2023, EUR 63,376 was paid in cash and EUR 63,376 in Bank shares, in compliance with external regulations.

The Managing Director's minimum retirement age is 65 and his maximum retirement age is 70. He will receive a pension in accordance with the Finnish national pension system. He is not entitled to a supplementary pension in addition to the statutory public pension. The notice period in case of resignation initiated by the Managing Director is nine (9) months. During this notice period, he will receive a regular monthly salary. According to his employment contract, the Managing Director is entitled to severance pay totalling nine (9) months' salary in case of dismissal by the Bank. Upon resignation, the Managing Director is not entitled to any other compensation.

Senior executives

Compensation to other members of the Executive Team is paid as a fixed individual monthly salary plus generally applicable employment benefits at the Bank. The other members of the Executive Team are not covered by any supplementary pension arrangement. Due to a divergent pension system in Sweden, the Bank has obtained defined contribution-based supplementary pension insurance for members of the Executive Team residing in Sweden, with a retirement age of 70.

Disclosures concerning earnings-based (variable) compensation and share-based compensation systems

Payment of variable compensation to non-risk-takers

Variable compensation related to a service period of one calendar year shall be paid immediately in full, if the compensation does not exceed EUR 50,000.

If the variable compensation exceeds EUR 50,000 but does not exceed EUR 100,000, at least 40 per cent of this variable compensation shall be deferred by at least four years (vesting period).

Deferred variable remuneration may be paid either at the end of the deferral period or on several occasions during the deferral period. The first deferred portion may be disbursed no earlier than 12 months after the start of the deferral period. In the case of a deferral period of, for example, four years, the variable compensation may be paid at a rate of one-fourth at the end of years n+1, n+2, n+3 and n+4 respectively, where n is the date of payment of the portion of the allocated variable compensation that is paid directly.

If the variable remuneration exceeds EUR 100,000, the rules for risk-takers apply to the entire remuneration.

Payment of variable remuneration to risk-takers[1]

Variable compensation related to a service period of one calendar year shall be paid immediately in full, if the compensation does not exceed EUR 50,000.

If the variable compensation exceeds EUR 50,000, at least 40 per cent of the variable compensation shall be deferred by at least four years (vesting period). If the variable compensation constitutes an especially large percentage of the total amount of fixed and variable compensation, at least 60 per cent of the variable remuneration shall be deferred in a similar way. The level at which variable compensation is considered to constitute an especially large percentage is when it exceeds six months' salary.

Deferred variable remuneration may be paid either at the end of the deferral period or on several occasions during the deferral period. The first deferred portion can be paid no earlier than 12 months after the start of the deferral period. In the case of a deferral period of, for example, four years, the variable compensation may be disbursed at the rate of one quarter at the end of years N+1, N+2, N+3 and N+4 respectively, where N is the date of payment of the portion of the allocated variable compensation that is paid directly.

Since the Bank of Åland Plc is a listed company, at least 50 per cent of the earnings-based compensation is paid in the Bank's shares. Because Ålandsbanken Fondbolag Ab is a fund management company, at least 50 per cent of variable compensation to risk-takers employed by Ålandsbanken Fondbolag Ab shall be paid in fund units. The allocated shares/fund units must be held for at least 12 months (deferral period) before the recipient of the compensation may have access to them. The disbursement may be further postponed in light of a comprehensive assessment based on the Group's economic cycle, the nature of its business operations and risks and the job

[1] "Risk-takers" in the Bank's compensation policy documents refers to employees who are regarded as having a significant impact on the Bank's risk profile. On December 31, 2023 the number of risk-takers totalled 44, while the corresponding figure on December 31, 2022 was 44. The Bank has established qualitative and quantitative criteria for the purpose of identifying those employees who have a significant impact on the Bank's risk profile.

duties and responsibilities of the individual. The Bank is entitled to abstain from disbursing postponed earning-based compensation if the Group's financial position has substantially deteriorated.

For information about the number of shares connected to the variable compensation programmes, see the section entitled "Facts on Bank of Åland shares".

Share savings programme, 2023–2024

During 2023, the Board of Directors of the Bank of Åland decided to launch a share savings programme for all Group employees. The one-year savings period began in September 2023, and 62 per cent of the number of employees in the Group chose to participate. In March and September 2024, they obtain savings shares (Series B shares) in the Bank through a new share issue. The date of issue of the savings shares marks the beginning of a three-year qualification period. At the end of this period, matching shares are distributed to those participants who still have their savings shares in an earmarked custody account. The programme ends when the last matching shares have been distributed in 2027. The objective of the programme is to further strengthen employee motivation, participation and long-term affinity with the Group by offering all employees the opportunity to obtain shares in the Bank on favourable terms.

G12. Other expenses	2023	2022
IT expenses (excluding market data)	18,052	17,645
Rents	877	1,384
Other costs of premises and property	1,951	2,367
Marketing expenses	3,189	2,944
Information services	3,377	2,850
Staff-related expenses	2,990	2,853
Telecoms, postage	2,364	2,108
Travel expenses	996	819
Purchased services	3,996	4,710
Other expenses	8,528	6,362
Production for own use	−4,683	−4,336
Total	**41,636**	**39,706**
Fees paid to auditors		
Auditing fees paid	443	434
Fees according to the Auditing Act, Chapter 1, Section 1, Point 2	14	25
Consulting fees paid		
Tax matters	35	65
Other	130	487
Total	**622**	**1,010**

These amounts include value-added tax (VAT).
Fees paid to KPMG OY Ab for expenses other than auditing totalled EUR 130 K (283).

G13. Statutory fees	2023	2022
Guarantee fee [1]	5	10
Stability fee	3,240	3,430
Total	**3,245**	**3,440**

[1] The guarantee fee includes the deposit guarantee fee and the fee for the Investors' Compensation Fund.

Fees to the Finnish Financial Stability Authority		
Deposit guarantee fee	2,310	2,135
Paid by the old Deposit Guarantee Fund	−2,310	−2,135
Stability fee	3,240	3,430
Administration fee	41	28
Total	**3,281**	**3,458**

Given the 2023 fee level, the Bank has prepaid deposit guarantee fees for about four years.

G14. Expected credit (loan) losses	2023					
	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	11,970	−9,956	−1,837	2,168	−245	2,101
Off-balance sheet obligations	240	−141				99
Debt securities	90	−130				−39
Total expected loan losses	**12,301**	**−10,227**	**−1 837**	**2,168**	**−245**	**2,161**
Expected loss from financial assets recognised at fair value via other comprehensive income						
Debt securities	108	−123				−15
Total expected loan losses via other comprehensive income	**108**	**−123**	**0**	**0**	**0**	**−15**

	2022					
	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	16,555	−10,112	−651	952	−265	6,480
Off-balance sheet obligations	134	−408				−274
Debt securities	174	−174				0
Total expected loan losses	**16,864**	**−10,694**	**−651**	**952**	**−265**	**6,205**
Expected loss from financial assets recognised at fair value via other comprehensive income						
Debt securities	141	−72				69
Total expected loan losses via other comprehensive income	**141**	**−72**	**0**	**0**	**0**	**69**

Expected loan losses via other comprehensive income are recognised in the income statement under "Net income from financial items at fair value".

	2023				2022			
	Reserve for individually assessed lending	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total	Reserve for individually assessed lending	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total
Change in impairment loss reserve								
Reserve on January 1	20,036	42	114	20,192	14,654	318	114	15,087
New and increased individual impairment losses	11,470	240	90	11,801	18,253	393	174	18,820
Net changes due to revisions in estimation method	500			500	−1,698	−259		−1,956
Recovered from earlier provisions	−9,956	−141	−130	−10,227	−10,112	−408	−174	−10,694
Utilised for actual losses	−1,837			−1,837	−651	0		−651
Exchange rate differences and other adjustments	−40	0		−40	−411	−1		−413
Reserve on December 31	**20,174**	**142**	**75**	**20,391**	**20,036**	**42**	**114**	**20,192**

For information on receivables with forbearance measures, see Note G3. "Receivables with forbearance measures" refers to loan receivables for which the Bank has granted the borrower concessions because of his/her obviously worsened financial situation, in order to avoid problems with the borrower's repayment capacity and thereby maximise the repayment of the outstanding receivable. Concessions may include adjusted loan conditions, such as postponed principal repayments, a reduced interest margin or an extended repayment period, or refinancing, which may mean that a loan has been fully repaid close to its original due date and in connection with this has been replaced with a new loan.

G15. Income taxes

	2023	2022
Income statement		
Taxes related to prior years	197	7
Current taxes	10,496	11,201
Changes in deferred taxes	2,378	−1,894
Total	**13,070**	**9,314**
Nominal tax rate in Finland, %	20.0	20.0
Non-taxable income/deductible expenses, %	0.3	0.0
Swedish tax rate, %	0.3	0.3
Taxes related to prior years, %	0.3	0.0
Other, %	0.3	−0.1
Effective tax rate, %	**21.2**	**20.2**
Other comprehensive income		
Current taxes	−387	−257
Changes in deferred taxes	−146	−269
Total	**−533**	**−526**

Deferred tax assets and liabilities were calculated using a tax rate of 20.0 per cent.

The tax rate in Sweden was 20.6 per cent.

G16. Earnings per share	2023	2022
Profit for the period attributable to shareholders	**48,672**	**36,778**
Average number of shares before dilution	15,292,261	15,526,114
Average number of shares after dilution	15,342,017	15,537,418
Earnings per share, EUR	**3.18**	**2.37**
Earnings per share after dilution, EUR	**3.17**	**2.37**

When calculating earnings per share, the average number of shares is calculated as a weighted average of shares outstanding during the period.

Notes to the consolidated balance sheet

G17. Classification of financial assets and liabilities 2023	Carried at fair value via income statement			Measurement via other comprehensive income		Measurement at amortised cost			
	Held for trading	Hedge accounting	Other	Hedge accounting[1]	Other	Hedge accounting[1]	Other	Total carrying amount	Fair value
Cash and balances with central banks							351,011	351,011	351,011
Debt securities				22,546	475,723		327,774	826,043	812,724
Lending to credit institutions							31,479	31,479	31,479
Lending to the public						184,397	3,674,657	3,859,054	3,865,929
Shares and participations					40,147			40,147	40,147
Shares and participations in associated companies							6,761	6,761	6,761
Derivative instruments	8,743	18,515						27,258	27,258
Accrued interest income							22,969	22,969	22,969
Receivables on mutual fund settlement proceeds							61,839	61,839	61,839
Other assets			4,519				4,352	8,871	8,871
Total finacial assets	**8,743**	**18,515**		**22,546**	**515,870**	**184,397**	**4,480,841**	**5,235,431**	**5,228,987**
Non-financial assets								106,076	
Total assets								**5,341,507**	

[1] The interest component in the contract is subject to hedge accounting.

2023	Carried at fair value via income statement			Measurement via other comprehensive income		Measurement at amortised cost			
	Held for trading	Hedge accounting	Other	Hedge accounting[1]	Other	Hedge accounting[1]	Other	Total carrying amount	Fair value
Liabilities to credit institutions							400,508	400,508	400,701
Deposits from the public							3,594,757	3,594,757	3,580,459
Debt securities issued						551,905	265,370	817,275	817,562
Derivative instruments	8,614	6,800						15,414	15,414
Subordinated liabilities							31,501	31,501	31,619
Accrued interest expenses							14,868	14,868	14,868
Liabilities on mutual fund settlement proceeds							16,891	16,891	16,891
Other liabilities							17,798	17,798	17,798
Total financial liabilities	**8,614**	**6,800**				**551,905**	**4,341,693**	**4,909,012**	**4,895,312**
Non-financial liabilities								97,170	
Total liabilities								**5,006,182**	

[1] The interest component in the contract is subject to hedge accounting.

2022									
	Carried at fair value via income statement			Measurement via other comprehensive income		Measurement at amortised cost			
	Held for trading	Hedge accounting	Other	Hedge accounting[1]	Other	Hedge accounting[1]	Other	Total carrying amount	Fair value
Cash and balances with central banks							341,983	341,983	341,983
Debt securities				16,451	665,055		318,471	999,977	976,554
Lending to credit institutions							42,583	42,583	42,583
Lending to the public						168,911	4,134,026	4,302,937	4,265,224
Shares in associated companies					48,810			48,810	48,810
Shares and participations in associated companies							7,379	7,379	7,379
Derivative instruments	7,142	19,495						26,637	26,637
Accrued interest income							15,445	15,445	15,445
Receivables on mutual fund settlement proceeds							8,213	8,213	8,213
Other assets			7,275					7,275	7,275
Total finacial assets	**7,142**	**19,495**	**7,275**	**16,451**	**713,865**	**168,911**	**4,868,099**	**5,801,239**	**5,740,103**
Non-financial assets								97,070	
Total assets								**5,898,309**	

[1] The interest component in the contract is subject to hedge accounting.

2022									
	Carried at fair value via income statement			Measurement via other comprehensive income		Measurement at amortised cost			
	Held for trading	Hedge accounting	Other	Hedge accounting[1]	Other	Hedge accounting[1]	Other	Total carrying amount	Fair value
Liabilities to credit institutions							434,156	434,156	430,851
Deposits from the public							4,182,068	4,182,068	4,180,990
Debt securities issued						622,026	170,608	792,634	792,642
Derivative instruments	5,498	18,138						23,636	23,636
Subordinated liabilities							31,434	31,434	30,959
Accrued interest expenses							4,420	4,420	4,420
Liabilities on mutual fund settlement proceeds							8,407	8,407	8,407
Other liabilities							17,683	17,683	17,683
Total financial liabilities	**5,498**	**18,138**				**622,026**	**4,848,775**	**5,494,438**	**5,489,587**
Non-financial liabilities								86,836	
Total liabilities								**5,581,273**	

[1] The interest component in the contract is subject to hedge accounting.

G18. Measurement of financial assets and liabilities carried at fair value	2023			
	Level 1	Level 2	Level 3	Total
Debt securities	498,269			498,269
Lending to the public		184,397		184,397
Shares and participations	1,292		38,855	40,147
Derivative instruments		27,258		27,258
Other assets			8,871	8,871
Total financial assets carried at fair value	**499,561**	**211,655**	**47,726**	**758,942**
Debt securities issued		551,905		551,905
Derivative instruments		15,414		15,414
Total financial liabilities carried at fair value	**0**	**567,319**	**0**	**567,319**

	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets and liabilities recognised at amortised cost					
Assets					
Cash and deposits with central banks	351,011		351,011		351,011
Debt securities	327,774	314,455			314,455
Lending to credit institutions	31,479		31,479		31,479
Shares in associated companies	6,761			6,761	6,761
Lending to the public	3,674,657		3,681,532		3,681,532
Total financial assets at amortised cost	**4,391,682**	**314,455**	**4,064,022**	**6,761**	**4,385,238**
Liabilities					
Liabilities to credit institutions	400,508		400,701		400,701
Deposits from the public	3,594,757		3,580,459		3,580,459
Debt securities issued	265,370		265,658		265,658
Subordinated liabilities	31,501		31,619		31,619
Total financial liabilities at amortised cost	**4,292,137**	**0**	**4,278,437**	**0**	**4,278,437**

	2022			
	Level 1	Level 2	Level 3	Total
Debt securities	681,507			681,507
Lending to the public		168,821		168,821
Shares and participations	1,162		47,648	48,810
Derivative instruments		26,637		26,637
Other assets			7,275	7,275
Total financial assets carried at fair value	**682,669**	**195,458**	**54,923**	**933,050**
Debt securities issued		622,115		622,115
Derivative instruments		23,636		23,636
Total financial liabilities carried at fair value	**0**	**645,752**	**0**	**645,752**

	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets and liabilities recognised at amortised cost					
Assets					
Cash and deposits with central banks	341,983		341,983		341,983
Debt securities	318,471	295,047			295,047
Lending to credit institutions	42,581		42,583		42,583
Shares in associated companies	6,790			6,790	6,790
Lending to the public	4,134,116		4,096,403		4,096,403
Total financial assets at amortised cost	**4,843,939**	**295,047**	**4,480,969**	**6,790**	**4,782,806**
Liabilities					
Liabilities to credit institutions	434,156		430,851		430,851
Deposits from the public	4,182,068		4,180,990		4,180,990
Debt securities issued	170,519		170,526		170,526
Subordinated liabilities	31,434		30,959		30,959
Total financial liabilities at amortised cost	**4,818,176**	**0**	**4,813,326**	**0**	**4,813,326**

Level 1	Instruments with quoted market prices
Level 2	Measurement techniques based on observable market data
Level 3	Measurement techniques based on non-observable market data

	2023	2022
	Shares and participations	Shares and participations
Change in Level 3 holdings		
Carrying amount on January 1	47,648	14,028
New purchases/reclassification	1,816	25,568
Divested/reached maturity during the year		−26
Realised change in value		−4
Change in value recognised in other comprehensive income	−10,609	8,082
Carrying amount on December 31	**38,855**	**47,648**

No transfer between Level 1 and 2 has occurred.

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 equity capital holdings for which the Bank of Åland, on the initial recognition date or upon transition to IFRS 9, has made an irrevocable choice to recognise subsequent changes in fair value under other comprehensive income.

In the above tables, 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. No instruments were moved between Levels 1 and 2. Changes in Level 3 are presented in a separate table.

G19. Assets and liabilities by currency	2023				
	EUR	SEK	USD	Others	Total
Cash and balances with central banks	315,927	34,774	89	221	351,011
Debt securities	566,627	232,624	26,793		826,043
Lending to credit institutions	21,134	3,297	3,918	3,130	31,479
Lending to the public	2,731,764	1,113,443	13,847		3,859,054
Shares and participations	1,758	38,384	2	3	40,147
Derivative instruments	18,838	8,354	66		27,258
Other items not allocated by currency	206,516				206,516
Total assets	**3,862,563**	**1,430,876**	**44,714**	**3,354**	**5,341,507**
Liabilities to credit institutions	273,587	126,326	257	338	400,508
Deposits from the public	2,482,585	974 047	123,571	14,554	3,594,757
Debt securities issued	735,159	82,116			817,275
Derivative instruments	6,780	8,634			15,414
Subordinated liabilities		31,501			31,501
Other items not allocated by currency, including equity capital	482,052				482,052
Total liabilities and equity capital	**3,980,163**	**1,222,624**	**123,828**	**14,892**	**5,341,507**
Other assets and liabilities allocated by currency as well as off-balance sheet items		−62,615	79,140	11,929	
Net position in currencies (EUR)		145,637	25	391	146,054

The net position in Swedish kronor is mainly the structural position that arises because the consolidated accounts are prepared in euros and the Swedish branch's accounts are in Swedish kronor.

	2022				
	EUR	SEK	USD	Others	Total
Cash and balances with central banks	307,295	34,443	95	150	341,983
Debt securities	675,273	301,594	23,110		999,977
Lending to credit institutions	27,561	6,797	3,188	5,035	42,583
Lending to the public	2,854,744	1,431,484	16,708		4,302,937
Shares and participations	1,516	47,291	2	1	48,810
Derivative instruments	19,709	6,928		1	26,637
Other items not allocated by currency	135,383				135,383
Total assets	**4,021,482**	**1,828,536**	**43,103**	**5,186**	**5,898,309**
Liabilities to credit institutions	418,359	15,373	1	423	434,156
Deposits from the public	2,761,170	1,292,981	105,854	22,063	4,182,068
Debt securities issued	765,359	27,275			792,634
Derivative instruments	18,167	5,446		24	23,636
Subordinated liabilities		31,434			31,434
Other items not allocated by currency, including equity capital	434,381				434,381
Total liabilities and equity capital	**4,397,436**	**1,372,509**	**105,855**	**22,510**	**5,898,309**
Other assets and liabilities allocated by currency as well as off-balance sheet items		−332,340	62,851	17,976	
Net position in currencies (EUR)		123,688	99	652	124,438

G20. Holdings of debt securities	2023			2022		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Debt securities eligible for refinancing with central banks						
Holdings at fair value via other comprehensive income						
Government bonds	201,056	196,361	52	444,191	434,340	48
Covered mortgage bonds	266,372	263,300	28	174,066	171,763	14
Debt securities issued by credit institutions	39,587	38,574	4	77,239	75,347	14
Holdings at amortised cost						
Government bonds	48,142	48,385	11	69,310	69,785	8
Covered mortgage bonds	225,170	221,344	26	180,183	179,382	34
Debt securities issued by credit institutions	47,125	47,092	4	56,923	56,881	15
Total debt securities eligible for refinancing with central banks	**827,451**	**815,056**	**126**	**1,001,911**	**987,497**	**133**
Other debt securities						
Holdings at accrued cost						
Corporate bonds	10,943	10,987	34	12,405	12,480	57
Total other debt securities	**10,943**	**10,987**	**34**	**12,405**	**12,480**	**57**
Total debt securities	**838,394**	**826,043**	**159**	**1,014,316**	**999,977**	**190**

The entire holding consists of publicly listed debt securities.

G21. Lending to credit institutions

	2023				2022			
	Repayable on demand	Other	Provision for expected loss	Total	Repayable on demand	Other	Provision for expected loss	Total
Finnish credit institutions	453			453	4,413			4,413
Foreign banks and credit institutions	31,025			31,025	38,170			38,170
Total	**31,479**	**0**	**0**	**31,479**	**42,583**	**0**	**0**	**42,583**

G22. Lending to the public

	2023			2022		
	Gross carrying amount	Provision for expected loss	Net carrying amount	Gross carrying amount	Provision for expected loss	Net carrying amount
Companies	529,253	−2,335	526,918	545,623	−1,508	544,115
Public sector entities	8,703	−25	8,678	8,303	−9	8,294
Households	1,883,171	−7,403	1,875,768	2,005,231	−6,593	1,998,638
Household interest organisations	17,038	−3	17,034	18,128	−1	18,126
Outside Finland	1,441,064	−10,409	1,430,655	1,745,688	−11,924	1,733,764
Total	**3,879,228**	**−20,174**	**3,859,054**	**4,322,973**	**−20,036**	**4,302,937**
of which subordinated receivables			*6,049*			*1,704*

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross lending to the public	**3,582,998**	**233,652**	**62,577**	**3,879,228**	**4,027,248**	**225,944**	**69,781**	**4,322,973**
Provisions for expected losses								
Balance on January 1	480	1,241	18,315	20,036	2,110	842	11,693	14,645
Increases due to issuance and acquisitions	314	2	88	403	641	8	4,375	5,024
Reduction due to removals from the balance sheet	−150	−507	−2,981	−3,638	−754	71	−4,433	−5,116
Reduction due to impairment losses	0	0	4	4	0	0	51	51
Transfer to Stage 1	790	−789	−1	0	621	−617	−4	0
Transfer to Stage 2	−864	1,669	−805	0	−1,067	1,435	−368	0
Transfer to Stage 3	−52	−186	238	0	−29	−379	409	0
Net changes due to change in credit risk	115	−46	2,840	2,909	494	45	7,004	7,544
Net changes due to changes in estimation method	0	500	0	500	−1,521	−132	−44	−1,698
Exchange rate differences and other adjustments	1	−5	−36	−40	−15	−31	−369	−414
Balance on December 31	**634**	**1,878**	**17,662**	**20,174**	**480**	**1,241**	**18,315**	**20,036**
Net lending to the public	**3,582,364**	**231,775**	**44,915**	**3,859,054**	**4,026,768**	**224,703**	**51,465**	**4,302,937**

	Dec 31, 2023	Dec 31, 2022
Loan losses IFRS 9 – Key ratios, %		
Total coverage ratio, lending to the public	0.52	0.46
Coverage ratio, Stage 1, lending to the public	0.02	0.01
Coverage ratio, Stage 2, lending to the public	0.80	0.55
Coverage ratio, Stage 3, lending to the public	28.22	26.25
Share of lending to the public in Stage 3	1.61	1.61

G23. Shares and participations

G23. Shares and participations	2023	2022
Listed	1,292	1,162
Unlisted	38,855	47,648
Total shares and participations	**40,147**	**48,810**

The entire holding is classified as financial assets at fair value via other comprehensive income.

G24. Shares in associated companies

G24. Shares in associated companies	2023	2022
Carrying amount on January 1	**7,379**	**14,603**
Share of profit for the year	−543	544
Acquisitions/ Shareholder contributions	9	1
Divestments/Reclassifications		−8,286
Retroactive application of IFRS 17		589
Dividends	−85	−73
Carrying amount on December 31	**6,761**	**7,379**

The following associated companies and joint ventures were consolidated according to the equity method of accounting on December 31, 2023:

	Registered office	Ownership, %
Mäklarhuset Åland Ab	Mariehamn	32
Alandia Holding Ab	Mariehamn	28
Helen ÅB Tuulipuistohallinnointiyhtiö Oy	Helsinki	40
Leilisuo Oy	Simo	50
Riitamaa-Nurmesneva GP Oy	Helsinki	50
Uusimo GP Oy	Helsinki	50
Noatun Vindpark Norra Ab	Mariehamn	40
Noatun Vindpark Södra Ab	Mariehamn	40

Combined financial information about these associated companies:

	2023	2022
Assets	38,013	42,373
Liabilities	15,693	17,846
Sales	1,278	1,206
Profit for the year	−1,988	3,693

G25. Derivative instruments

G25. Derivative instruments	Nominal amount/maturity			2023			2022		
	Under 1 yr	1–5 yrs	over 5 yrs	Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	0	0	6,060	6,060	415	395	6,060	294	270
Currency-related contracts									
Currency forward contracts	488,196	0	0	488,196	8,328	8,219	678,060	6,858	5,237
Total	**488,196**	**0**	**6,060**	**494,256**	**8,743**	**8,614**	**684,120**	**7,151**	**5,507**
Derivatives for fair value hedges									
Interest-related contracts									
Interest rate swaps	320,850	357,868	33,600	712,318	18,515	6,800	831,171	19,486	17,967
Total	**320,850**	**357,868**	**33,600**	**712,318**	**18,515**	**6,800**	**831,171**	**19,486**	**17,967**
Derivatives for cash flow hedges									
Interest-related contracts									
Interest rate and currency swaps	0	0	0	0	0	0	359,654		162
Total	**0**	**0**	**0**	**0**	**0**	**0**	**359,654**	**0**	**162**
Total derivative instruments	**809,046**	**357,868**	**39,660**	**1,206,574**	**27,258**	**15,414**	**1,874,945**	**26,637**	**23,636**
of which cleared OTC									
of which cleared	*320,850*	*357,868*	*36,630*	*715,348*	*18,515*	*7,208*	*1,193,855*	*19,495*	*18,407*

Derivatives are recognised together with their associated accrued interest.

G26. Intangible assets	2023				
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	39,704	21,394	2,932	7,478	71,508
Cost of intangible assets added	4,691	371	0	0	5,062
Impairment losses for the year	−89	0	0	0	−89
Exchange rate effect	9	4	0	0	13
Cost on December 31	**44,314**	**21,769**	**2,932**	**7,478**	**76,493**
Accumulated amortisation and impairment losses on January 1	−24,344	−19,255	−30	−7,257	−50,887
Amortisation for the year	−3,541	−966	0	−142	−4,648
Exchange rate effect	−17	−9	0	0	−26
Accumulated amortisation and impairment losses on December 31	**−27,902**	**−20,230**	**−30**	**−7,399**	**−55,562**
Residual value on December 31	**16,412**	**1,539**	**2,901**	**79**	**20,932**

"Other intangible assets" include acquired contracts.

Goodwill in acquired businesses was allocated to the lowest possible cash-generating unit. The recovery amount for this was established on the basis of value in use. This means that the present value of the estimated future cash flows of the assets were calculated using a discount factor. Impairment testing for cash-generating operations was carried out. A sensitivity analysis was performed, in which the variables included in the value in use model were changed and the effect was analysed. For the projected cash flow, important factors are growth, profit margin and investments. The discount factor is another important parameter for valuation. The profit margin assumed in the model is also at the level of the final 2023 outcome. A negative 1 per cent change in growth, the profitability trend and the discount factor did not result in any impairment losses.

	2022				
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	35,916	21,615	2,932	7,478	67,940
Cost of intangible assets added	4,334	185	0	0	4,518
Divestments and disposals	−230	−256	0	0	−486
Exchange rate effect	−315	−150	0	0	−465
Cost on December 31	**39,704**	**21,394**	**2,932**	**7,478**	**71,508**
Accumulated amortisation and impairment losses on January 1	−21,571	−18,532	−30	−4,722	−44,854
Divestments and disposals	230	256	0	0	486
Amortisation for the year	−3,204	−1,101	0	−2,535	−6,840
Exchange rate effect	201	122	0	0	322
Accumulated amortisation and impairment losses on December 31	**−24,344**	**−19,255**	**−30**	**−7,257**	**−50,887**
Residual value on December 31	**15,360**	**2,139**	**2,901**	**221**	**20,621**

G27. Tangible assets			2023			2022
Investment properties			294			300
Properties for own use			14,050			12,889
Other tangible assets			6,023			5,838
Right-of-use assets			16,628			16,816
Total			**36,996**			**35,843**

	Investment properties	Properties for own use	Other tangible assets	Investment properties	Properties for own use	Other tangible assets
Cost on January 1	469	33,979	33,824	476	35,953	33,528
New acquisitions	0	2,182	2,254	0	1,784	1,529
Divestments and disposals	−6	−681	−792	−7	−2,725	−1,558
Transfer between items	0	−17	17	0	−1,009	1,009
Exchange rate effects	0	1	19	0	−23	−684
Cost on December 31	**464**	**35,465**	**35,322**	**469**	**33,979**	**33,824**
Accumulated depreciation on January 1	−169	−21,090	−27,986	−169	−22,709	−28,250
Depreciation for the year	0	−1,005	−2,020	0	−1,042	−1,887
Impairment losses for the year	0	0	0	0	−94	−5
Divestments and disposals	0	682	731	0	2,734	1,495
Exchange rate effects	0	−1	−23	0	21	661
Accumulated depreciation on December 31	**−169**	**−21,414**	**−29,299**	**−169**	**−21,090**	**−27,986**
Carrying amount	**294**	**14,050**	**6,023**	**300**	**12,889**	**5,838**
of which buildings	*0*	*11,850*		*0*	*10,934*	
of which land and water	*0*	*2,066*		*0*	*1,820*	
of which shares in real estate companies	*294*	*134*		*300*	*135*	

The carrying amount of investment properties was the same as their market value.

	2023		2022	
	Properties for own use	Other tangible assets	Properties for own use	Other tangible assets
Right-of-use assets				
Cost on January 1	22,966	1,829	20,092	1,794
New acquisitions	2,686	55	4,480	41
Divestments and disposals	−791	−98	−923	0
Assessments and modifications	1,628	2	200	0
Exchange rate effects	60	0	−883	−6
Cost on December 31	**26,550**	**1,788**	**22,966**	**1,829**
Accumulated depreciation on January 1	−7,351	−628	−5,875	−262
Depreciation for the year	−4,052	−363	−2,977	−368
Divestments and disposals	771	43	1,156	0
Assessments and modifications	−53	0	0	0
Exchange rate effects	−76	−1	345	2
Accumulated depreciation on December 31	**−10,762**	**−948**	**−7,351**	**−628**
Carrying amount	**15,788**	**840**	**15,615**	**1,201**

The table concerning right-of-use assets provides information about the leases where the Group is the lessee. The Group recognises right-of-use for properties for the Group's own use, primarily consisting of bank and office premises, and for other tangible assets primarily consisting of IT equipment and vehicles. The average lease period is 5 years.

In some cases, especially for IT equipment, the Group has options to buy the leased assets at the end of the lease period. Some of the leases related to bank and office premises include both options to extend the leases and index clauses.

A maturity analysis of lease liabilities is presented in Note G34.

	2023	2022
Amounts recognised in the income statement		
Depreciation of right-to-use assets	−4,415	−3,345
Interest expenses for lease liabilities	−725	−553
Expenses attributable to short-term leases	−742	−1,350
Expenses attributable to low-value leases	−129	−38
Income from subleasing right-of-use assets	103	99

Total cash flow related to leases during 2023 was EUR 4,841 K (3,363).

G28. Deferred tax assets and liabilities	2023	2022
Deferred tax assets		
Provisions	349	248
Intangible assets	2,624	2,504
Pension liabilities	373	6
Income received in advance	85	144
Other	713	633
Financial assets measured via other comprehensive income		
Debt securities	614	2,554
Cash flow hedge		390
Total deferred tax assets	**4,759**	**6,479**
Deferred tax liabilities		
Taxable temporary differences		
Untaxed reserves	31,789	29,000
Intangible assets	1,493	1,554
Tangible assets	1,436	1,492
Pension assets		90
Financial assets measured via other comprehensive income		
Shares and participations	465	2,561
Total deferred tax liabilities	**35,182**	**34,697**
Net deferred taxes	**–30,424**	**–28,218**

	2023				
	Dec 31, 2022	Recognised in income statement	Recognised in other comprehensive income	Exchange rate effects	Dec 31, 2023
Changes in deferred taxes, 2023					
Provisions	248	101			349
Intangible assets	950	176		5	1,131
Pension liabilities	–84	58	399	0	373
Income received in advance	144	–59			85
Untaxed reserves	–29,000	–2,788			–31,789
Tangible assets	–1,380	120		1	–1,259
Debt securities measured via other comprehensive income	2,554		–1,940		614
Shares and participations measured via other comprehensive income	–2,561		2,096		–465
Cash flow hedge	390		–390		0
Other	523	13		1	537
Total	**–28,218**	**–2,378**	**165**	**8**	**–30,424**

	2022				
	Dec 31, 2021	Recognised in income statement	Recognised in other comprehensive income	Exchange rate effects	Dec 31, 2022
Changes in deferred taxes, 2022					
Provisions	79	169			248
Intangible assets	666	283		1	950
Pension liabilities	1,256	93	–1,405	–28	–84
Impairment loss, financial liability	520	–520			0
Income received in advance	110	33			144
Untaxed reserves	–30,606	1,606			–29,000
Tangible assets	–1,541	163		–2	–1,380
Debt securities measured via other comprehensive income	176		2,378		2,554
Shares and participations measured via other comprehensive income	–917		–1,644		–2,561
Cash flow hedge	0		390		390
Other	465	67		–9	523
Total	**–29,794**	**1,895**	**–280**	**–38**	**–28,218**

G29. Other assets	2023	2022
Payment intermediation receivables	4,896	5,273
Receivables on mutual fund settlement proceeds	61,839	8,213
Accounts receivable	7,110	6,032
Receivable in conjunction with transfer of assets	4,519	7,275
Other	3,350	1,861
Total	**81,713**	**28,653**

G30. Accrued income and prepayments	2023	2022
Accrued interest income	22,969	15,445
Commissions receivable	14,805	6,944
Other accrued income	9,653	7,306
Other prepaid expenses	5,566	5,477
Total	**52,993**	**35,172**

G31. Liabilities to credit institutions	2023			2022		
	Repayable on demand	Other	Total	Repayable on demand	Other	Total
Central banks		200,000	200,000		400,000	400,000
Finnish credit institutions	7,717		7,717	54		54
Foreign credit institutions	82,669	110,123	192,792	34,102		34,102
Total	**90,386**	**310,123**	**400,508**	**34,156**	**400,000**	**434,156**

G32. Deposits from the public	2023	2022
Companies	991,931	1,143,823
Public sector entities	83,229	92,914
Households	1,326,858	1,405,729
Household interest organisations	55,953	66,499
Outside Finland	1,136,786	1,473,103
Total	**3,594,757**	**4,182,068**

G33. Debt securities issued	2023		2022	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Certificates of deposit	267,913	265,370	171,334	170,608
of which at amortised cost	267,913	265,370	171,334	170,608
Covered bonds	550,000	551,905	640,000	622,026
of which fair value hedge	550,000	551,905	640,000	622,026
Total	**817,913**	**817,275**	**811,334**	**792,634**

"Fair value hedge" refers to hedge accounting of the interest component in the debt security.

G34. Other liabilities	2023	2022
Payment intermediation liabilities	4,642	5,520
Liabilities on mutual fund settlement proceeds	16,891	8,407
Trade payables	5,064	4,335
Lease liabilities	17,798	17,683
Other	14,854	10,621
Total	**59,250**	**46,566**
Lease liabilities		
Short-term	4,296	3,497
Long-term	13,502	14,185
Total	**17,798**	**17,683**

G35. Provisions	2023			2022		
	Provision for off-balance sheet obligations	Other provisions	Total	Provision for off-balance sheet obligations	Other provisions	Total
Provisions on December 31 of the previous year	42	1,165	1,207	318	46	363
Provisions made during the year	240	1,588	1,828	134	1,870	2,004
Amounts utilised		−1,173	−1,173		−750	−750
Unutilised amounts recovered	−141		−141	−408		−408
Exchange rate changes		54	54	−1	−2	−3
Provisions on December 31	**142**	**1,633**	**1,775**	**42**	**1,165**	**1,207**

"Provision for off-balance sheet obligations" refers to expected loan losses related to guarantees issued and unutilised credit lines. "Other provisions" consist of severance pay and operational losses.

G36. Accrued expenses and prepaid income	2023	2022
Accrued interest expenses	14,868	4,420
Accrued expenses	22,841	20,460
Commission liabilities	5,749	5,268
Pension liabilities	3,030	1,121
Prepaid income	609	894
Total	**47,097**	**32,164**

G37. Subordinated liabilities	2023			2022		
	Nominal amount	Carrying amount	Amount in own funds	Nominal amount	Carrying amount	Amount in own funds
Debenture loan 1/2018				17,983	17,973	17,983
Green Floating Rate Tier 2 Note 2021	13,518	13,499	13,518	13,487	13,461	13,487
Floating Rate Callable Tier 2 2023	18,025	18,002	18,025			
Total	**31,543**	**31,501**	**31,543**	**31,470**	**31,434**	**31,470**

	Interest rate:	Repayment:
Green Floating Rate Tier 2 Note	3-month Stibor +2.15%	December 16, 2041
Floating Rate Callable Tier 2 2023	3-month Stibor +3.65%	March 2, 2043

The loans may be repurchased in advance, but this is possible only with the permission of the Finnish Financial Supervisory Authority. In case the Bank is dissolved, the loans are subordinate to the Bank's other obligations.

Subordinated liabilities were issued with a write-down clause. In the event that the Bank of Åland's or the Group's common equity Tier 1 (CET1) capital ratio falls below 7 per cent, the loan principal is written down by 50 per cent.

G38. Specification of changes in equity capital	2023	2022
Change in hedge reserve		
Hedge reserve on January 1	−1,561	0
Unrealised changes in value during the year	1,561	−1,561
Hedge reserve on December 31	0	−1,561
Change in fair value reserve		
Fair value reserve on January 1	107	2,990
Divested or reached maturity during the year	3,958	−48
Unrealised change in market value for remaining and new holdings	−4,594	−2,835
Fair value reserve on December 31	**−529**	**107**
Change in translation differences		
Translation differences on January 1	−10,025	−141
Change in translation differences attributable to branches	999	−7,668
Change in translation differences due to subsidiaries		−10
Change in translation differences attributable to additional Tier 1 capital	63	−2,293
Other changes	−17	87
Translation differences on December 31	**−8,979**	**−10,025**

	2023	2022
Change in paid-up unrestricted equity capital fund		
Paid-up unrestricted equity capital fund on January 1	28,455	27,994
Shares issued, share savings programme	1,459	
Shares issued, incentive programme	271	460
Paid-up unrestricted equity fund on December 31	**30,184**	**28,455**
Retained earnings		
Retained earnings on January 1	170,727	171,744
Shareholders' portion of profit for the accounting period	48,672	36,778
Dividend paid	−31,330	−31,130
Re-measurement of defined benefit pension plans	−1,573	5,662
Share savings programmes	358	139
Buy-backs of own shares	−3	12,072
Dividend on additional Tier 1 capital incl. tax effect	−1,537	−985
Change in accounting principle		590
Other		1
Retained earnings on December 31	**185,314**	**170,137**

Items under "Equity capital"
"Share premium account" includes amounts that were paid at the time of new share issues for shares in addition to their nominal value before September 1, 2006.
"Reserve fund" includes components transferred from equity capital in compliance with the Articles of Association or a decision of a General Meeting.
"Hedge reserve" comprises the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.
"Fair value reserve" includes accumulated net change in fair value of debt instruments and equity instruments carried at fair value via other comprehensive income, until the asset is derecognised from the balance sheet. For debt instruments, the realised gain from a divestment is shown in the income statement. When equity instruments are sold, the revaluation amount of the instrument is transferred to retained earnings without affecting either income or other comprehensive income.
"Translation differences" comprises all exchange rate differences that arise when translating financial reports from foreign operations that have drawn up their financial reports in a currency other than the currency in which the Group's financial reports are presented.
"Unrestricted equity capital fund" comprises amounts that were paid at the time of new share issues for shares in addition to their nominal value starting on September 1, 2006.
Additional Tier 1 capital consists of an additional Tier 1 (AT1) capital instrument totalling SEK 300 M. This is a perpetual instrument, with a possibility of early redemption after five years. The interest rate is 3-month Stibor +3.75 per cent.

Changes in number of shares	2023		2022	
	Series A shares	Series B shares	Series A shares	Series B shares
Number of shares on January 1	6,476,138	8,777,709	6,476,138	9,126,165
Annulments of own shares		−103		−361,821
Shares issued, share savings programme		47,069		
Shares issued, incentive programme		6,974		12,825
Number of shares on December 31	**6,476,138**	**8,831,649**	**6,476,138**	**8,777,709**

See the "Facts on Bank of Åland shares" section for more detailed information.

Other notes

G39. Cash flow statement, specifications

"Operating activities" included interest received of EUR 184,445 K (82,584), interest paid of EUR 83,018 K (14,777) and dividend income received of EUR 69 K (38).

Reconciliation of liabilities attributable to funding activities:

			Changes not affecting cash flows		
	Dec 31, 2022	Cash flow from funding activities	Effect of exchange rate changes	Other	Dec 31, 2023
Subordinated debenture loans	31,434	241	−174		31,501
Lease liabilities	17,683	−4,841	10	4,946	17,798
Total liabilities attributable to funding activities	**49,117**	**−4,599**	**−164**	**4,946**	**49,299**

G40. Group structure

The Bank of Åland has two subsidiaries whose operations are connected in various ways to banking.
The Bank holds a majority of the voting power in all subsidiaries.

	Registered office	Field of operations	Ownership, %
Subsidiaries			
Ålandsbanken Fondbolag Ab	Finland/Mariehamn	Mutual fund management	100
Ålandsbanken Fonder Ab	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Fonder II Ab	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Fonder III Ab	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Fonder IV Ab	Finland/Mariehamn	Mutual fund management	100
Ålandsbanken Fonder V Ab	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Fonder VI Ab	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Kiinteistökehitys I GP Oy	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Kiinteistökehitys I Syöttörahasto GP Oy	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Kiinteistökehitys I Syöttörahasto LP Oy	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Havsvind I Matarfond GP Ab	Finland/Mariehamn	Mutual fund management	100
Ålandsbanken Havsvind I Matarfond LP Ab	Finland/Mariehamn	Mutual fund management	100
Ålandsbanken Havsvind I GP Ab	Finland/Helsinki	Mutual fund management	100
Crosskey Banking Solutions Ab Ltd	Finland/Mariehamn	IT	100
S-Crosskey Ab	Finland/Mariehamn	IT	60

The Bank of Åland has no holdings of structured entities. Ålandsbanken Fondbolag Ab manages mutual funds and alternate investment funds with a total value of EUR 4.4 billion.

Shares in associated companies and joint ventures	Registered office	Field of operations	Ownership, %
Mäklarhuset Åland Ab	Finland/Mariehamn	Estate agents	32
Alandia Holding Ab	Finland/Mariehamn	Holding company	28
Helen ÅB Tuulipuistohallinnointiyhtiö Oy	Finland/Helsinki	Financial support operations	40
Leilisuo GP Oy	Finland/Simo	Wind power	50
Riitamaa-Nurmesneva GP Oy	Finland/Helsinki	Wind power	50
Uusimo GP Oy	Finland/Helsinki	Wind power	50
Noatun Vindpark Norra Ab	Finland/Mariehamn	Wind power	40
Noatun Vindpark Södra Ab	Finland/Mariehamn	Wind power	40

Holdings in real estate companies

The Group holds participations in one property for its own use and ten investment properties, of which some are consolidated as follows.

	Registered office	Consolidation	Ownership, %
Properties for own use			
Fastighets Ab Godbycenter	Finland/Finström	Joint operation	11
Investment properties			
Fastighets Ab Nymars	Finland/Sottunga	Joint operation	30
Fastighets Ab Västernäs City	Finland/Mariehamn	Joint operation	50
Fastighets Ab Horsklint	Finland/Kökar	Equity method	20

Fastighets Ab Godbycenter, Fastighets Ab Nymars and Fastighets Ab Västernäs City are mutual associations and, in compliance with IFRS 11, have thus been reported as ”joint operations”.

G41. Actively managed assets	2023	2022
Mutual fund management	4,372,617	4,023,986
Discretionary asset management	2,701,934	2,488,957
Advisory asset management	2,583,828	2,010,186
External mutual funds	118,014	114,248
Total	**9,776,392**	**8,637,377**
of which own mutual funds in discretionary and advisory asset management	*871,748*	*794,489*

G42. Assets pledged

G42. Assets pledged	2023	2022
Collateral pledged for own liabilities		
Lending to credit institutions	9,500	22,863
Government securities and bonds	57,282	46,207
Lending to the public	1,180,175	1,250,830
Other	3,827	3,686
Total assets pledged for own liabilities	**1,250,784**	**1,323,586**

Assets pledged in the form of government securities and bonds were mainly provided as collateral to central banks. "Lending to the public" that was provided as collateral consisted of the registered collateral pool on behalf of holders of covered bonds. "Other assets pledged for own liabilities" refers mainly to endowment insurance.

	2023	2022
Other assets pledged		
Government securities and bonds	48,231	56,130
Other	594	593
Total other assets pledged	**48,824**	**56,723**

Assets pledged in the form of government securities and bonds were mainly provided as collateral to central banks and credit institutions for payment systems, securities trading and clearing.

Assets were not pledged for the liabilities or commitments of others.

Except for loan receivables comprising the collateral pool for covered bonds, where legislation regulates minimum requirements for over-collateralisation, collateral that exceeds the nominal value of the liability is at the free disposal of the Bank.

G43. Off-balance sheet obligations

G43. Off-balance sheet obligations	2023	2022
Guarantees	21,372	22,896
Unutilised overdraft limits	359,115	326,473
Unutilised credit card limits	92,525	88,570
Unutilised credit facilities	349,655	700,120
Other commitments	15,611	28,060
Total	**838,277**	**1,166,120**
Provision for expected loss	142	42

G44. Pension liabilities

Pension coverage for employees in Finland has been arranged partly through the Finnish national pension system (a defined contribution plan) and partly via the pension fund known as Ålandsbanken Abps Pensionsstiftelse (a defined benefit plan). Ålandsbanken Abps Pensionsstiftelse has been closed to new participants since June 30, 1991. Persons covered by this fund are entitled to retire at age 63–65 depending on their year of birth. The full retirement pension comprises 60 per cent of pensionable salary, which is calculated according to the same principles as in the national pension system. A family pension comprises 30–60 per cent depending on whether the surviving spouse is alone or has one or more children.

According to the Finnish collective bargaining agreement in the financial services sector, employees are partially entitled to pensions at a lower age than stipulated today by general legislation. The employer is required to provide vested pension benefits in the collective agreement for the financial services sector, which was confirmed during 2017 by a Labour Court ruling.

Pension coverage for employees in Sweden follows the so-called BTP multi-employer plan for banking employees and historically is largely defined benefit. Starting on May 1, 2013, new employees are covered by a new defined contribution supplementary pension plan known as BTP1. The BTP plan is secured through the insurance company SPP. In Sweden, the retirement pension is payable from age 65 and the guaranteed amount consists of 10 per cent of pensionable salary below 7.5 annually indexed "income base amounts" and 65 per cent of the portion of salary between 20 and 30 income base amounts. The guaranteed amount of a family pension is 32.5 per cent of the portion of salary between 7.5 and 20 income base amounts and 16.25 per cent of the portion of salary between 20 and 30 income base amounts.

The duration of defined benefit plans in Finland is 11 (10) years and in Sweden 14 (13) years.

	2023	2022
Carrying amount in the income statement		
Current service costs	309	258
Interest expenses	−3	77
Administrative expenses	182	141
Expenses (+)/revenue (–) recognised in the income statement	**488**	**476**
Restatement of defined benefit pension plans in “Other comprehensive income”		
Actuarial gain (+)/loss (–), financial assumptions	−2,148	9,261
Actuarial gain (+)/loss (–), experience-based	−809	−557
Actuarial gain (+)/loss (–) on plan assets	990	−1,626
Other comprehensive income	**–1,967**	**7,078**
Total	**–2,455**	**6 602**
Carrying amount in the balance sheet		
Pension obligations	23,791	21,206
Fair value of plan assets	21,924	21,626
Net pension assets (+)/pension liabilities (–)	**–1,867**	**420**
Net pension assets (+)/pension liabilities (–) in Finland	−984	450
Net pension assets (+)/pension liabilities (–) in Sweden	−883	−30
Net pension assets (+)/pension liabilities (–), total	**–1,867**	**420**
Net change in pension assets		
January 1	420	−6,318
Income	−488	−476
Other comprehensive income	−1,967	7,078
Premium payments	197	54
Exchange rate effects	−28	82
On December 31	**–1,867**	**420**
Pension obligations		
January 1	21,206	30,580
Current service costs	309	258
Interest expenses	296	332
Benefits paid	−1,017	−927
Exchange rate effect	40	−334
Actuarial gains (+)/losses (–)	2,957	−8,704
Pension obligations on December 31	**23,791**	**21,206**
Plan assets		
January 1	21,626	24,262
Interest income	299	256
Premium payments	197	54
Benefits paid	−1,017	−927
Actuarial gains (+)/losses (–)	990	−1,626
Exchange rate effects	12	−252
Administrative expenses	−182	−141
Plan assets on December 31	**21,924**	**21,626**
Breakdown of plan assets		
Listed shares and participations	4,683	6,698
Listed mutual fund units	4,310	4,523
Listed interest-bearing securities	6,727	6,950
Properties	2,198	2,372
Other plan assets	4,006	1,187
Total plan assets	**21,924**	**21,730**

Plan assets included shares in the Bank of Åland Plc with a market value of EUR 40 K (48) and bank accounts worth EUR 3,468 K (532).

	Outcome, 2023	Forecast, 2024
Future cash flows		
Benefits paid	57	58

	2023		2022	
	Finland, %	Sweden, %	Finland, %	Sweden, %
Assumptions				
Discount rate	3.20	3.15	3.85	4.40
Increase in salary expenses	2.25	2.20	2.35	2.40
Pension index increase	2.25	2.20	2.35	2.40

Sensitivity of defined benefit obligations to changes in significant assumptions

	Change in assumptions, %	Increase in assumption	Decrease in assumption
Sensitivity analysis, net present value of pension obligation: increase (+)/decrease (–)			
Discount rate	0.5	–1,423	1,659
Expected increase in salaries	0.5	334	–320
Expected increase in pensions	0.5	1,261	–1,178

The sensitivity analysis is based on a change in one assumption, while all other assumptions remain constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method is used as when calculating the pension liabilities recognised in the balance sheet.

The Bank is exposed to a number of risks because of its defined benefit plans. The most significant risks are described below.

ASSET VOLATILITY

Pension liabilities are calculated with the help of a discount rate based on corporate bonds with good credit ratings. If plan assets generate returns worse than the discount rate, this will cause a deficit. Plan assets include a sizeable percentage of equities, which in the long term are expected to provide a higher return than the discount rate, while providing higher volatility and risk in the short term. Because of the long-term nature of pension liabilities, the Bank believes that a continued high percentage of equities is suitable for managing the plans in an effective way.

CHANGES IN BOND YIELDS

In case the yields on corporate bonds fall, this leads to an increase in pension obligations. Partly offsetting this is the fact that the value of the bonds that are included in plan assets will increase.

INFLATION RISK

Pension obligations are connected to inflation. Higher inflation will lead to increased pension obligations. Plan assets are not affected by inflation to any great extent, which means that if inflation increases, this will lead to an increased deficit in pension plans.

LIFE EXPECTANCY

Pension plans generate pensions that extend through the lifetimes of employees. This means that if life expectancy increases, pension obligations will increase.

G45. Lease liabilities	2023			2022		
Financial lease liabilities will be paid as follows:	Minimum rents	Interest	Present value	Minimum rents	Interest	Present value
Under 1 year	4,881	585	4,296	4,077	579	3,497
1–5 years	13,210	1,056	12,155	13,199	1,316	11,883
Over 5 years	1,385	38	1,347	2,386	84	2,302
Total	**19,477**	**1,679**	**17,798**	**19,661**	**1,979**	**17,683**

G46. Disclosures about related parties

	2023			2022		
	Board and Executive Team	Related companies	Associated companies	Board and Executive Team	Related companies	Associated companies
Assets						
Lending to the public	15,325	13,531		15,046	13,345	0
Accrued income and prepayments		61			58	
Total	**15,325**	**13,592**	**0**	**15,046**	**13,403**	**0**
Liabilities						
Deposits from the public	6,514	106,180	268	6,385	87,405	412
Total	**6,514**	**106,180**	**268**	**6,385**	**87,405**	**412**
Income and expenses						
Interest income	171	893		67	420	
Interest expenses	–16	–2,538		–5	–338	
Commission income	5	131	1	6	141	1
Other income		10			9	
Total	**160**	**–1,504**	**1**	**68**	**232**	**1**

The Bank of Åland Group consists of the Parent Company, the Bank of Åland Plc (Ålandsbanken Abp), the subsidiaries that are consolidated in the Group, associated companies, the Executive Team and other related companies. "Board and Executive Team" includes the Managing Director, individuals on the Board of Directors and other members of the Executive Team, as well as their close family members. "Related parties" includes companies or persons with significant influence. "Related companies" also refers to companies in which an individual belonging to the Executive Team or a close family member of such an individual has significant influence. "Related parties" include the pension fund Ålandsbanken Abp:s Pensionsstiftelse r.s.

Loans to employees are granted on commercial terms. "On commercial terms" means that loans, guarantees, collateral or financing occur on the same terms and according to the same assessments applied to the Bank of Åland's customers in general. The employee interest rate is used for loans to employees in Finnish operations. The employee interest rate is set by the Executive Team and amounted to 3.50 (1.00) per cent on December 31, 2023.

All transactions with related parties have occurred on commercial terms, aside from loans to the Executive Team, which in Finland have been granted at the employee interest rate.

For disclosures on salaries and fees paid to the Board of Directors and the Executive Team, see Note P34.

For disclosures on Group structure, see Note P40.

Compensation to senior executives

	2023	2022
Salaries and other short-term compensation[1]	2,193	2,446
Share-based compensation	233	225
Total	**2,426**	**2,671**

"Senior executives" refers to the Executive Team including the Managing Director.

[1] Includes salary, benefits and variable compensation paid in cash.

G47. Offsetting of financial assets and liabilities

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Financial assets and liabilities that are subject to offsetting, netting agreements or similar agreements				
Gross amount	27,258	47,985	26,637	63,995
Offset amounts				
Total	**27,258**	**47,985**	**26,637**	**63,995**
Related amounts not offset				
Financial instruments, netting agreements	–7,683	–7,683	–7,610	–7,610
Financial instruments, collateral		–32,043		–39,831
Cash, collateral	–7,232	–528		–3,333
Total amounts not offset	**–14,915**	**–40,253**	**–7,610**	**–50,775**
Net amount	**12,343**	**7,731**	**19,027**	**13,220**

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, which 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.

G48. Important events after the close of the accounting 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.

Parent Company income statement

(EUR K)

Parent Company	Note	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Interest income		195,184	84,597
Interest expenses		–96,660	–17,047
Net interest income	P2	**98,524**	**67,551**
Commission income		48,132	51,082
Commission expenses		–8,789	–9,214
Net commission income	P3	**39,342**	**41,868**
Net income from financial items carried at fair value	P4	–2,880	13,091
Income from equity capital investments	P5	10,904	15,111
Other income	P6	15,098	13,830
Total income		**160,988**	**151,451**
Staff costs	P7	–49,138	–44,105
Other expenses	P8	–47,322	–44,270
Statutory fees	P9	–3,276	–3,440
Depreciation/amortisation and impairment losses on tangible and intangible assets	P19, P20	–4,698	–6,951
Total expenses		**–104,435**	**–98,766**
Profit before loan losses		**56,553**	**52,685**
Final and expected loan losses	P10	–2,177	–6,208
Net operating profit		**54,376**	**46,476**
Appropriations		–14,000	8,000
Income taxes	P11	–6,493	–8,098
Net profit for the accounting period		**33,884**	**46,379**

Parent Company balance sheet

(EUR K)

Parent Company	Note	Dec 31, 2023	Dec 31, 2022
Assets			
Cash and deposits with central banks		351,011	341,983
Debt securities eligible for refinancing with central banks	P14	815,056	987,497
Lending to credit institutions	P15	31,395	42,013
Lending to the public	P16	3,861,127	4,304,559
Debt securities	P14	10,987	12,480
Shares and participations	P17	40,142	48,810
Shares and participations in associated companies	P17	3,054	3,054
Shares and participations in Group companies	P17	3,346	3,346
Derivative instruments	P18	27,258	26,637
Intangible assets	P19	13,566	13,960
Tangible assets	P20	14,892	13,753
Other assets	P21	75,507	23,859
Accrued income and prepayments	P22	48,441	37,244
Deferred tax assets	P23	1,284	3,348
Total assets		**5,297,067**	**5,862,543**
Liabilities			
Liabilities to credit institutions and central banks	P24	400,459	434,103
Deposits from the public	P25	3,605,841	4,199,092
Debt securities issued	P26	817,275	792,634
Derivative instruments	P18	15,414	23,636
Other liabilities	P27	37,968	27,194
Provisions	P28	1,768	43
Accrued expenses and prepaid income	P29	35,814	21,560
Subordinated liabilities	P30	58,496	58,348
Deferred tax liabilities	P23	465	2,561
Total liabilities		**4,973,500**	**5,559,171**
Appropriations			
General loan loss reserve[1]		158,488	144,488
Total appropriations		**158,488**	**144,488**
Equity capital			
Share capital		42,029	42,029
Share premium account		32,736	32,736
Reserve fund		25,129	25,129
Hedge reserve			−1,561
Fair value reserve		−529	107
Translation reserve		−7,321	−8,310
Unrestricted equity capital fund		30,380	28,651
Retained earnings		42,654	40,103
Total equity capital		**165,079**	**158,884**
Total liabilities and equity capital		**5,297,067**	**5,862,543**
Off-balance sheet obligations	P38		
Obligations to a third party on behalf of customers			
Guarantees		22,610	24,123
Irrevocable commitments given on behalf of customers		810,407	1,120,345

[1] Loan loss provisions in compliance with Finland's Business Income Tax Act, Section 46.

Parent Company statement of changes in equity capital

(EUR K)

Parent Company	Share capital	Share premium account	Reserve fund	Hedge reserve	Fair value reserve	Translation difference	Own shares	Unre-stricted equity capital fund	Retained earnings	Totalt
Equity capital, Dec 31, 2021	**42,029**	**32,736**	**25,129**	**0**	**2,990**	**−750**	**0**	**28,190**	**36,926**	**167,250**
Profit for the period									46,379	46,379
Change in fair value				−1,561	−2,883				1	−4,443
Translation difference						−7,560				−7,560
Buy-backs of own shares							−12,072			−12,072
Annulment of own shares							12,072		−12,072	0
Dividends paid									−31,130	−31,130
Incentive programme								460		460
Equity capital, Dec 31, 2022	**42,029**	**32,736**	**25,129**	**−1,561**	**107**	**−8,310**	**0**	**28,651**	**40,103**	**158,884**
Profit for the period									33,884	33,884
Change in fair value				1,561	−636					925
Translation difference						989				989
Dividends paid									−31,330	−31,330
Incentive programme								271		271
Share saving programme								1,459		1,459
Equity capital, Dec 31, 2023	**42,029**	**32,736**	**25,129**	**0**	**−529**	**−7,321**	**0**	**30,380**	**42,654**	**165,079**

For further data, see Note P41 and the section entitled “Facts on Bank of Åland shares”.

Parent Company cash flow statement

(EUR K)

Parent Company	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash flow from operating activities		
Net operating profit	54,376	46,476
Adjustment for net operating profit items not affecting cash flow		
Depreciation/amortisation and impairment losses on intangible and tangible assets	4,698	6,951
Impairment losses on loans and other commitments	2,422	6,473
Unrealised changes in value	4,310	−1,993
Accrued surpluses/deficits on debt securities and bonds issued	7,773	7,116
Income from investing activities		−1
Dividends from associated companies and subsidiaries	−12,835	−15,073
Income taxes paid	−4,276	−7,018
Increase (–) or decrease (+) in receivables from operating activities		
Debt securities eligible for refinancing with central banks	185,759	−300,634
Lending to credit institutions	13,387	1,345
Lending to the public	453,346	310,914
Other assets	−64,614	−14,890
Increase (+) or decrease (–) in liabilities from operating activities		
Liabilities to credit institutions	−33,920	−354,873
Deposits from the public	−597,855	200,346
Debt securities issued	−4,093	−379,457
Other liabilities	29,204	−5,500
Total cash flow from operating activities	**37,683**	**−499,819**
Cash flow from investing activities		
Investment in shares and participations	−1,811	−9,574
Divestment of shares and participations		27
Dividends received from associated companies and subsidiaries	12,835	15,073
Investment in tangible assets	−2,349	−1,901
Divestment of tangible assets	104	51
Investment in intangible assets	−2,915	−3,945
Total cash flow from investing activities	**5,864**	**−270**
Cash flow from financing activities		
Share issue	1,730	460
Buy-backs of own shares		−12,072
Increase in subordinated debentures	17,974	
Decrease in subordinated debentures	−17,714	−2,266
Dividend paid	−31,330	−31,130
Total cash flow from financing activities	**−29,340**	**−45,008**
Exchange rate differences in cash and cash equivalents	101	−25 818
Change in cash and cash equivalents	**14,308**	**−570 915**
Cash and cash equivalents at beginning of year	329,040	899,357
Cash flow from operating activities	37,683	−499,819
Cash flow from investing activities	5,864	−270
Cash flow from financing activities	−29,340	−45,008
Exchange rate differences in cash and cash equivalents	101	−25,818
Cash and cash equivalents at end of year	**343,348**	**328,442**
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	321,981	309,819
Lending to credit institutions that is repayable on demand	21,367	18,623
Total	**343,348**	**328,442**

"Cash and cash equivalents" refers to cash, cheque account with the Bank of Finland, lending to credit institutions that is repayable on demand, other lending to credit institutions and debt securities with an original remaining maturity of less than three months as well as claims on public sector entities that are not lending.
"Investing activities" refers to payments related to tangible and intangible assets as well as holdings of shares and participations aside from shares intended for trading.
"Financing activities" refers to items among equity capital and liabilities that fund operating activities. The analysis was prepared according to the indirect method.

"Operating activities" included interest received of EUR 184,533 K (82,655), interest paid of EUR 84,229 K (15,506) and dividend income received of EUR 69 K (38).

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Notes to the Parent Company financial statements

(EUR K)

P1. Parent Company accounting principles

The financial statements of the Bank of Åland Plc have been drawn up in accordance with the Finnish Credit Institutions Act, the Ministry of Finance ordinance on annual accounts and consolidated annual accounts of financial institutions and securities companies and the regulations of the Financial Supervisory Authority. The financial statements of the Bank of Åland Plc have been prepared in compliance with Finnish accounting standards (FAS). The Parent Company's financial statements are presented in thousands of euros (EUR K), unless otherwise stated.

Goodwill

Goodwill is amortised over 10 years.

Appropriations

Voluntary provisions that the Bank of Åland has made based on Section 46 of the Finnish Business Income Tax Act are recognised under "Appropriations".

Otherwise, please see the consolidated accounting principles.

Notes to the income statement

P2. Net interest income	2023	2022
Lending to credit institutions	11,077	3,601
Lending to the public	168,540	74,516
Debt securities	12,897	4,224
Derivative instruments	1,079	1,590
Other interest income	1,592	667
Total interest income	**195,184**	**84,597**
of which interest according to the effective interest method	*194,503*	*84,229*
Liabilities to credit institutions	16,234	2,035
Deposits from the public	41,490	6,608
Debt securities	31,629	3,586
Subordinated liabilities	4,122	2,368
Derivative instruments	3,133	2,446
Other interest expenses	53	4
Total interest expenses	**96,660**	**17,047**
of which interest according to the effective interest method	*96,469*	*16,822*
Net interest income	**98,524**	**67,551**

Interest income received from Group companies was EUR 94 K (72).

Interest expenses paid to Group companies were EUR 7 K (5).

Interest from derivative instruments is recognised together with the item that they hedge within the framework of hedge accounting (fair value hedge and cash flow hedge) and the fair value option.

Negative interest income from financial investments is recognised as interest expenses, while negative interest received for liabilities is recognised as interest income.

P3. Net commission income	2023	2022
Deposits	1,398	1,440
Lending	2,645	3,431
Payment intermediation	11,657	11,882
Mutual fund commissions	951	932
Asset management commissions	17,467	16,982
Securities brokerage	10,842	13,125
Legal services	506	673
Guarantee commissions	407	339
Other commissions	2,259	2,279
Total commission income	**48,132**	**51,082**
Payment intermediation commission expenses	−4,757	−4,636
Asset management commission expenses	−994	−1,127
Securities brokerage commission expenses	−2,146	−2,593
Other commission expenses	−893	−857
Total commission expenses	**−8,789**	**−9,214**
Net commission income	**39,342**	**41,868**

P4. Net income from financial items carried at fair value	2023			2022		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Valuation category fair value via the income statement ("profit and loss")						
Derivative instruments		−19	−19	0	−7	−7
Other financial items		−2,992	−2,992	−149	1,817	1,669
Valuation category fair value via the income statement ("profit and loss")	**0**	**−3,011**	**−3,011**	**−149**	**1,810**	**1,661**
Fair value via other comprehensive income						
Realised changes in value	151		151	1,587		1,587
Expected loan losses		15	15		−69	−69
Total, valuation category fair value via other comprehensive income	151	15	166	1,587	−69	1,518
Hedge accounting						
of which hedging instruments	*2,793*	*9,093*	*11,886*	*79*	*−3,881*	*−3,803*
of which hedged item		*−9,901*	*−9,901*	*0*	*4,467*	*4,467*
Hedge accounting	**2,793**	**−807**	**1,985**	**79**	**585**	**664**
Valuation category accrued cost						
Loans	**−1,484**	**−38**	**−1,521**	**9,519**	**−18**	**9,501**
Debt securities	**123**		**123**	**63**		**63**
Total, valuation category accrued cost	**−1,360**	**−38**	**−1,398**	**9,582**	**−18**	**9,564**
Foreign currency revaluation	**0**	**−622**	**−622**	**0**	**−317**	**−317**
Total	**1,583**	**−4,463**	**−2,880**	**11,099**	**1,991**	**13,091**

P5. Income from equity instruments	2023	2022
Holdings recognised at fair value via other comprehensive income	69	38
Associated companies	85	73
Group companies, dividend paid	10,750	15,000
Total	**10,904**	**15,111**

P6. Other income	2023	2022
Rental income on properties	81	79
Intra-Group services	10,661	10,914
Income from acquired contracts		500
Miscellaneous income	4,356	2,337
Total	**15,098**	**13,830**
Net income from investment properties		
Rental income	23	20
Other income		1
Other expenses	–15	–16
Total	**7**	**4**

P7. Staff costs	2023	2022
Salaries and fees	37,161	33,624
Compensation in the form of shares in Bank of Åland Plc	864	305
Pension expenses	6,685	5,952
Other social security expenses	4,429	4,224
Total	**49,138**	**44,105**
Number of employees		
Permanent full-time employees	535	510
Permanent part-time employees	9	12
Temporary employees	71	58
Total	**615**	**580**

P8. Other expenses	2023	2022
IT expenses (excluding market data)	19,193	19,215
Rents	3,880	3,221
Other costs of premises and property	1,648	2,011
Marketing expenses	2,987	2,732
Market data	2,165	1,864
Staff-related expenses	1,895	1,898
Telecoms, postage	1,991	1,759
Travel expenses	506	416
Purchased services	3,576	4,241
Other expenses	9,482	6,913
Total	**47,322**	**44,270**
Fees paid to auditors		
Auditing fees paid	296	283
In compliance with Finnish Auditing Act, Ch. 1, Sec. 1, Par. 2	14	25
Consulting fees paid		
Tax matters	35	65
Other	78	425
Total	**423**	**797**

These amounts include value-added tax (VAT).
Fees paid to KPMG OY Ab for expenses other than auditing totalled EUR 78 K (223).

P9. Statutory fees	2023	2022
Guarantee fee[1]	5	10
Stability fee	3,272	3,430
Total	**3,276**	**3,440**

[1] The guarantee fee includes the deposit guarantee fee and the fee for the Investors' Compensation Fund.

Fees to the Finnish Financial Stability Authority		
Deposit guarantee fee	2,310	2,135
Paid by the old Deposit Guarantee Fund	−2,310	−2,135
Stability fee	3,272	3,430
Administration fee	41	28
Total	**3,312**	**3,458**

Given the 2023 fee level, the Bank has prepaid deposit guarantee fees for about four years.

P10. Final and expected credit (loan) losses	2023					
	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	12,021	−9,991	−1,837	2,168	−245	2,116
Off-balance sheet obligations	267	−166				101
Debt securities	90	−130				−39
Total expected loan losses	**12,379**	**−10,287**	**−1,837**	**2,168**	**−245**	**2,177**
Expected losses from financial assets recognised at fair value via other comprehensive income						
Debt securities	108	−123				−15
Total	**108**	**−123**	**0**	**0**	**0**	**−15**

	2022					
	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	16,561	−10,115	−651	952	−265	6,483
Off-balance sheet obligations	138	−412	0			−274
Debt securities	174	−174				0
Total expected loan losses	**16,874**	**−10,701**	**−651**	**952**	**−265**	**6,208**
Expected losses from financial assets recognised at fair value via other comprehensive income						
Debt securities	141	−72				69
Total	**141**	**−72**	**0**	**0**	**0**	**69**

Expected loan losses via other comprehensive income are recognised in the income statement under "Net income from financial items at fair value".

	2023				2022			
	Reserve for expected losses on lending	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total	Reserve for expected losses on lending	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total
Change in impairment loss reserve								
Reserve on January 1	20,040	43	114	20,196	14,654	318	114	15,087
New and increased individual impairment losses	11,521	267	90	11,879	18,259	397	174	18,830
Net changes due to revisions in estimation method	500			500	−1,698	−259		−1,956
Recovered from earlier provisions	−9,991	−166	−130	−10,287	−10,115	−412	−174	−10,701
Utilised for actual losses	−1,837			−1,837	−651	0		−651
Exchange rate differences	−40	0		−40	−411	−1		−413
Reserve on December 31	**20,193**	**143**	**75**	**20,411**	**20,040**	**43**	**114**	**20,196**

P11. Income taxes	2023	2022
Income statement		
Taxes related to prior years	205	0
Current taxes	6,553	7,584
Changes in deferred taxes	−266	513
Total	**6,493**	**8,098**
Nominal tax rate in Finland, %	20.0	20.0
Non-taxable income/deductible expenses, %	−4.8	−5.4
Swedish tax rate, %	0.4	0.3
Taxes related to prior years, %	0.5	0
Other, %	−0.1	0
Effective tax rate, %	**16.1**	**14.9**

Deferred tax assets and liabilities were calculated according to a 20.0 per cent tax rate.
The tax rate in Sweden was 20.6 per cent.

Notes to the balance sheet

P12. Fair values and carrying amounts of financial assets, liabilities and fair value levels	2023		2022	
	Total carrying amount	Fair value	Total carrying amount	Fair value
Cash and accounts with central banks	351,011	351,011	341,983	341,983
Debt securities eligible for refinancing with central banks	815,056	802,529	987,497	965,231
Lending to credit institutions	31,395	31,395	42,013	42,013
Lending to the public	3,861,127	3,868,002	4,304,559	4,266,846
Debt securities	10,987	10,195	12,480	11,322
Shares and participations	40,142	40,142	48,810	48,810
Shares in associated companies	3,054	3,054	3,054	3,054
Shares in subsidiaries	3,346	3,346	3,346	3,346
Derivative instruments	27,258	27,258	26,637	26,637
Total financial assets	**5,143,376**	**5,136,932**	**5,770,378**	**5,709,242**
Liabilities to credit institutions	400,459	400,651	434,103	430,797
Deposits from the public	3,605,841	3,591,544	4,199,092	4,198,014
Debt securities issued	817,275	817,562	792,634	792,642
Derivative instruments	15,414	15,414	23,636	23,636
Subordinated liabilities	58,496	58,656	58,348	56,373
Subordinated liabilities	**4,897,485**	**4,883,827**	**5,507,813**	**5,501,462**

	2023			
	Level 1	Level 2	Level 3	Total
Financial instruments carried at fair value in the balance sheet				
Assets				
Debt securities eligible for refinancing with central banks	498,269			498,269
Lending to the public		184,397		184,397
Shares and participations	1,292		38,855	40,147
Derivative instruments		27,258		27,258
Total	**499,561**	**211,655**	**38,855**	**750,071**
Liabilities				
Debt securities issued		551,905		551,905
Derivative instruments		15,414		15,414
Total	**0**	**567,319**	**0**	**567,319**

	2022			
	Level 1	Level 2	Level 3	Total
Financial instruments carried at fair value in the balance sheet				
Assets				
Debt securities eligible for refinancing with central banks	681,507			681,507
Lending to the public		168,821		168,821
Shares and participations	1,162		47,648	48,810
Derivative instruments		26,637		26,637
Total	**682,669**	**195,458**	**47,648**	**925,775**
Liabilities				
Debt securities issued		622,115		622,115
Derivative instruments		23,636		23,636
Total	**0**	**645,752**	**0**	**645,752**

Level 1	Instruments with quoted market prices
Level 2	Measurement techniques based on observable market data
Level 3	Measurement techniques based on non-observable market data

	2023	2022
	Shares and participations	Shares and participations
Change in Level 3 holdings		
Carrying amount on January 1	47,648	14,028
New purchases	1,816	25,568
Divested/reached maturity during the year		−26
Unrealised foreign exchange valuation		−4
Realised change in value	−10,609	8,082
Carrying amount on December 31	**38,855**	**47,648**

No transfer occurred between Level 1 and Level 2.

P13. Assets and liabilities by currency	2023				
	EUR	SEK	USD	Others	Total
Cash and cash equivalents	315,927	34,774	89	221	351,011
Debt securities eligible for refinancing with central banks	555,640	232,624	26,793		815,056
Lending to credit institutions	21,129	3,218	3,918	3,130	31,395
Lending to the public	2,733,837	1,113,443	13,847		3,861,127
Debt securities	10,987				10,987
Shares and participations	1,753	38,384	2	3	40,142
Derivative instruments	18,838	8,354	66	0	27,258
Other items not allocated by currency	160,091				160,091
Total assets	**3,818,202**	**1,430,797**	**44,714**	**3,354**	**5,297,067**
Liabilities to credit institutions	273,537	126,326	257	338	400,459
Deposits from the public	2,487,097	980,619	123,571	14,554	3,605,841
Debt securities issued	735,159	82,116			817,275
Derivative instruments	6,780	8,634			15,414
Subordinated liabilities		58,496			58,496
Other items not allocated by currency, including equity capital	399,582				399,582
Total liabilities and equity capital	**3,902,156**	**1,256,191**	**123,828**	**14,892**	**5,297,067**
Other assets and liabilities allocated by currency as well as off-balance sheet items		−55,535	79,140	11,929	
Net position in currencies (EUR)		119,072	25	391	119,488

The net position in Swedish kronor is mainly the structural position that arises because the Bank’s financial accounts are prepared in euros and the Swedish branch’s financial accounts are in Swedish kronor.

	2022				
	EUR	SEK	USD	Others	Total
Cash and cash equivalents	307,295	34,443	95	150	341,983
Debt securities eligible for refinancing with central banks	662,793	301,594	23,110		987,497
Lending to credit institutions	27,563	6,227	3,188	5,035	42,013
Lending to the public	2,856,366	1,431,484	16,708		4,304,559
Debt securities	12,480				12,480
Shares and participations	1,516	47,291	2	1	48,810
Derivative instruments	19,709	6,928		1	26,637
Other items not allocated by currency	98,564				98,564
Total assets	**3,986,288**	**1,827,966**	**43,103**	**5,186**	**5,862,543**
Liabilities to credit institutions and central banks	418,306	15,373	1	423	434,103
Deposits from the public	2,773,805	1,297,370	105,854	22,063	4,199,092
Debt securities issued	765,359	27,275			792,634
Derivative instruments	18,167	5,446		24	23,636
Subordinated liabilities		58,348			58,348
Other items not allocated by currency, including equity capital	354,730				354,730
Total liabilities and equity capital	**4,330,366**	**1,403,812**	**105 855**	**22,510**	**5,862,543**
Other assets and liabilities allocated by currency as well as off-balance sheet items		−328,638	62,851	17,976	
Net position in currencies (EUR)		95,517	99	652	96,267

The net position in Swedish kronor is mainly the structural position that arises because the Bank's financial accounts are prepared in euros and the Swedish branch's financial accounts are in Swedish kronor.

P14. Holdings of debt securities

	2023			2022		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Debt securities eligible for refinancing with central banks						
Holdings at fair value via other comprehensive income						
Government bonds	201,056	196,361	52	444,191	434,340	48
Covered mortgage bonds	266,372	263,300	28	174,066	171,763	14
Debt securities issued by credit institutions	39,587	38,574	4	77,239	75,347	14
Other debt securities						
Holdings at amortised cost						
Government bonds	48,142	48,385	11	69,310	69,785	8
Covered mortgage bonds	225,170	221,344	26	180,183	179,382	34
Debt securities issued by credit institutions	47,125	47,092	4	56,923	56,881	15
Other debt securities						
Total debt securities eligible for refinancing with central banks	**827,451**	**815,056**	**126**	**1,001,911**	**987,497**	**133**
Other debt securities						
Holdings at accrued cost						
Corporate bonds	10,943	10,987	34	12,405	12,480	57
Total other debt securities	**10,943**	**10,987**	**34**	**12,405**	**12,480**	**57**
Total debt securities	**838,394**	**826,043**	**159**	**1,014,316**	**999,977**	**190**

The entire holding consists of publicly listed debt securities.

P15. Lending to credit institutions

	2023				2022			
	Repayable on demand	Other	Provision for expected loss	Total	Repayable on demand	Other	Provision for expected loss	Total
Finnish credit institutions	453			453	4,413			4,413
Foreign banks and credit institutions	30,942			30,942	37,599			37,599
Total	**31,395**	**0**	**0**	**31,395**	**42,013**	**0**	**0**	**42,013**

P16. Lending to the public

	2023			2022		
	Gross carrying amount	Provision for expected loss	Net carrying amount	Gross carrying amount	Provision for expected loss	Net carrying amount
Companies	531,345	−2,354	528,991	547,249	−1,512	545,736
Public sector entities	8,703	−25	8,678	8,303	−9	8,294
Households	1,883,171	−7,403	1,875,768	2,005,231	−6,593	1,998,638
Household interest organisations	17,038	−3	17,034	18,128	−1	18,126
Outside Finland	1,441,064	−10,409	1,430,655	1,745,688	−11,924	1,733,764
Total	**3,881,320**	**−20,193**	**3,861,127**	**4,324,598**	**−20,040**	**4,304,559**
of which subordinated receivables			*6,049*			*1,704*

P17. Shares and participations

	2023	2022
Holdings recognised at fair value via other comprehensive income		
Listed	1,292	1,162
Unlisted	38,850	47,648
Total	**40,142**	**48,810**
Shares and participations in associated companies	3,054	3,054
Shares and participations in Group companies	3,346	3,346
Total shares and participations	**46,542**	**55,209**

P18. Derivative instruments

	Nominal amount/maturity			2023			2022		
	Under 1 yr	1–5 yrs	over 5 yrs	Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	0	0	6,060	6,060	415	395	6,060	294	433
Currency-related contracts									
Currency forward contracts	488,196	0	0	488,196	8,328	8,219	678,060	6,858	5,237
Total	**488,196**	**0**	**6,060**	**494,256**	**8,743**	**8,614**	**684,120**	**7,151**	**5,670**
Derivatives for fair value hedges									
Interest-related contracts									
Interest rate swaps	320,850	357,868	33,600	712,318	18,515	6,800	831,171	19,486	17,967
Total	**320,850**	**357,868**	**33,600**	**712,318**	**18,515**	**6,800**	**831,171**	**19,486**	**17,967**
Derivatives for cash flow hedges									
Interest-related contracts									
Interest and currency swaps	0	0	0	0	0	0	359,654	0	162
Total	**0**	**0**	**0**	**0**	**0**	**0**	**359,654**	**0**	**162**
Total derivative instruments	**809,046**	**357,868**	**39,660**	**1,206,574**	**27,258**	**15,414**	**1,874,945**	**26,637**	**23,799**
of which cleared OTC									
of which cleared	*320,850*	*357,868*	*36,630*	*715,348*	*18,515*	*7,208*	*1,193,855*	*19,495*	*18,407*

Derivatives are recognised together with their associated accrued interest.

P19. Intangible assets

2023	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	1,421	42,415	29,816	7,278	80,931
Cost of intangible assets added	0	3,205	0	0	3,205
Impairment losses for the year	0	−222	0	0	−222
Exchange rate effects	1	11	38	0	50
Cost on December 31	**1,422**	**45,410**	**29,854**	**7,278**	**83,964**
Accumulated amortisation and impairment losses on January 1	−1,117	−28,907	−29,816	−7,130	−66,971
Amortisation for the year	−202	−3,068	0	−102	−3,371
Exchange rate effects	−2	−16	−38	0	−56
Accumulated amortisation and impairment losses on December 31	**−1,320**	**−31,991**	**−29,854**	**−7,232**	**−70,398**
Residual value on December 31	**102**	**13,640**	**0**	**46**	**13,566**

2022	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	1,448	39,360	31,203	7,278	79,289
Cost of intangible assets added	0	4,214	0	0	4,214
Divestments and disposals	0	−754	0	0	−754
Exchange rate effects	−27	−404	−1,387	0	−1,818
Cost on December 31	**1,421**	**42,415**	**29,816**	**7,278**	**80,931**
Accumulated amortisation and impairment losses on January 1	−931	−27,007	−31,158	−4,635	−63,731
Divestments and disposals	0	754	0	0	754
Amortisation for the year	−205	−3,029	−43	−2,495	−5,773
Exchange rate effects	19	375	1,385	0	1,779
Accumulated amortisation and impairment losses on December 31	**−1,117**	**−28,907**	**−29,816**	**−7,130**	**−66,971**
Residual value on December 31	**305**	**13 508**	**0**	**148**	**13 960**

"Other intangible assets" include acquired contracts.

P20. Tangible assets	2023	2022
Investment properties	402	402
Properties for own use	11,929	10,478
Other tangible assets	2,562	2,873
Total	**14,892**	**13,753**

	2023 Investment properties	2023 Properties for own use	2023 Other tangible assets	2022 Investment properties	2022 Properties for own use	2022 Other tangible assets
Cost on January 1	571	18,836	14,990	571	20,790	15,932
New acquisitions	0	2,169	145	0	1,784	133
Divestments and disposals	0	−680	−792	0	−2,723	−1,557
Transfer between items	0	−17	17	0	−1,009	1,009
Exchange rate effects	0	0	14	0	−6	−527
Cost on December 31	**571**	**20,308**	**14,374**	**571**	**18,836**	**14,990**
Accumulated depreciation on January 1	−169	−13,647	−12,117	−169	−15,550	−13,771
Depreciation for the year	0	−691	−414	0	−730	−349
Impairment losses for the year	0	0	0	0	−94	−5
Divestments and disposals	0	671	733	0	2,723	1,495
Exchange rate effects	0	−1	−14	0	4	513
Accumulated depreciation on December 31	**−169**	**−13,668**	**−11,812**	**−169**	**−13,647**	**−12,117**
Revaluations on January 1		5,289			5,289	
Accumulated revaluations on December 31		**5,289**			**5,289**	
Carrying amount	**402**	**11,929**	**2,562**	**402**	**10,478**	**2,873**
of which buildings		*11,449*			*10,244*	
of which land and water		*380*			*134*	
of which shares in property companies	*402*	*100*		*402*	*100*	

The carrying amount for investment properties is the same as market value.

P21. Other assets	2023	2022
Payment intermediation receivables	4,896	5,273
Receivables on mutual fund settlement proceeds	61,839	8,213
Accounts receivable	969	1,274
Receivables in conjunction with transfer of assets	4,519	7,275
Other	3,285	1,825
Total	**75,507**	**23,859**

P22. Accrued income and prepayments	2023	2022
Accrued interest income	22,969	15,445
Other accrued income	13,046	9,378
Prepaid taxes	1,903	0
Anticipated dividend	8,000	10,000
Other prepaid expenses	2,524	2,421
Total	**48,441**	**37,244**

P23. Deferred tax assets and liabilities	2023	2022
Deferred tax assets		
Provisions	349	15
Unused tax depreciation	221	178
Income received in advance	85	144
Debt securities measured via other comprehensive income	614	2,554
Cash flow hedge	0	390
Other	15	68
Total deferred tax assets	**1,284**	**3,348**
Deferred tax liabilities		
Financial assets measured via other comprehensive income		
Shares and participations	465	2,560
Total deferred tax liabilities	**465**	**2,560**
Net deferred taxes	**819**	**787**

Accumulated appropriations included a deferred tax liability of EUR 31,698 K (28,898).

	2023			
	Dec 31, 2022	Recognised in income statement	Recognised in other comprehensive income	Dec 31, 2023
Changes in deferred taxes				
Provisions	15	334		349
Unused tax depreciation	178	43		221
Income received in advance	144	−59		85
Debt securities measured via other comprehensive income	2,554		−1,940	614
Shares and participations measured via other comprehensive income	−2,560		2,096	−465
Cash flow hedge	390		−390	0
Other	68	−53		15
Total	**787**	**266**	**−234**	**819**

	2022			
	Dec 31, 2021	Recognised in income statement	Recognised in other comprehensive income	Dec 31, 2022
Changes in deferred taxes				
Provisions	79	−64		15
Unused tax depreciation	141	37		178
Measurement, financial liability	520	−520		0
Income received in advance	110	33		144
Debt securities measured via other comprehensive income	176		2,378	2,554
Shares and participations measured via other comprehensive income	−917		−1,644	−2,560
Cash flow hedge	0		390	390
Other	68			68
Total	**176**	**−513**	**1,125**	**787**

P24. Liabilities to credit institutions	2023			2022		
	Repayable on demand	Other	Total	Repayable on demand	Other	Total
Central banks		200,000	200,000		400,000	400,000
Finnish credit institutions	7,667		7,667	1		1
Foreign banks and credit institutions	82,669	110,123	192,792	34,102		34,102
Total	**90,336**	**310,123**	**400,459**	**34,103**	**400,000**	**434,103**

P25. Deposits from the public	2023	2022
Companies	1,003,015	1,160,847
Public sector entities	83,229	92,914
Households	1,326,858	1,405,729
Household interest organisations	55,953	66,499
Outside Finland	1,136,786	1,473,103
Total	**3,605,841**	**4,199,092**

P26. Debt securities issued	2023		2022	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Certificates of deposit	267,913	265,370	171,334	170,608
of which at amortised cost	*267,913*	*265,370*	*171,334*	*170,608*
Covered bonds	550,000	551,905	640,000	622,026
of which fair value hedge	*550,000*	*551,905*	*640,000*	*622,026*
Total	**817,913**	**817,275**	**811,334**	**792,634**

"Fair value hedge" refers to hedge accounting of the interest component in the debt security.

P27. Other liabilities	2023	2022
Payment intermediation liabilities	4,642	5,520
Fund settlement liabilities	16,891	8,407
Trade payables	2,996	3,966
Other	13,439	9,301
Total	**37,968**	**27,194**

P28. Provisions	2023			2022		
	Provision for off–balance sheet obligations	Other provisions	Total	Provision for off–balance sheet obligations	Other provisions	Total
Provisions on December 31 of the previous year	43	0	43	318	45	364
Provisions during the year	267	1,580	1,846	138	612	750
Amounts utilised		−9	−9		−656	−656
Unutilised amounts recovered	−166		−166	−412		−412
Exchange rate changes		54	53	−1	−2	−3
Provisions on December 31	**143**	**1,624**	**1,768**	**43**	**0**	**43**

"Provision for off-balance sheet obligations" refers to expected credit losses related to guarantees issued and unutilised credit lines. "Other provisions" consist of severance pay and operational losses.

P29. Accrued expenses and prepaid income	2023	2022
Accrued interest expenses	14,897	4,444
Accrued expenses	17,020	13,622
Accrued taxes	3,291	2,592
Prepaid income	606	902
Total	**35,814**	**21,560**

P30. Subordinated debentures	2023			2022		
	Nominal amount	Carrying amount	Amount in own funds	Nominal amount	Carrying amount	Amount in own funds
Debenture loan 1/2018				17,983	17,973	17,983
Green Floating Rate Tier 2 Note	13,518	13,499	13,518	13,487	13,461	13,487
Floating Rate Callable Tier 2 2023	18,025	18,002	18,025			
Additional Tier 1 capital						
Floating Rate Perpetual AT1 Note	27,037	26,995	27,037	26,974	26,914	26,974
Total	**58,580**	**58,496**	**58,580**	**58,444**	**58,348**	**58,444**

	Interest rate:	Repayment:
Green Floating Rate Tier 2 Note	3-month Stibor +2.15%	December 16, 2041
Floating Rate Callable Tier 2 2023	3-month Stibor +3.65%	March 2, 2043
Floating Rate Perpetual AT1 Note	3-month Stibor +3.75%	Perpetual

The loans may be repurchased in advance, but this is possible only with the permission of the Finnish Financial Supervisory Authority. In case the Bank is dissolved, the loans are subordinate to the Bank's other obligations.

Subordinated liabilities were issued with a write-down clause. In the event that the Bank of Åland's or the Group's common equity Tier 1 (CET1) capital ratio falls below 7 per cent, the loan principal is written down by 50 per cent.

P31. Maturity breakdown of assets and liabilities

	2023								
	Undiscounted contractual cash flows								
	Repayable on demand	<3 mo	3–6 mo	6–12 mo	1–5 yrs	5–10 yrs	>10 yrs	Not classified by maturity	Total
Assets									
Cash and receivable from central banks	351,011								351,011
Debt securities eligible for refinancing with central banks		92,738	109,003	121,973	462,153	29,189			815,056
Lending to credit institutions	31,395								31,395
Lending to the public	46,303	265,119	114,067	200,634	1,307,552	664,439	1,263,013		3,861,127
Other debt securities				1,814	9,173				10,987
Shares and participations								46,542	46,542
Derivative instruments		5,253	3,562	133	13,832	4,047	432		27,258
Intangible assets								13,566	13,566
Tangible assets								14,892	14,892
Other assets								125,233	125,233
Total	**428,709**	**363,111**	**226,633**	**324,553**	**1,792,710**	**697,675**	**1,263,444**	**200,233**	**5,297,067**
Liabilities									
Liabilities to credit institutions	90,336	310,123							400,459
Deposits from the public	2,662,854	504,176	128,019	308,993	1,799				3,605,841
Debt securities issued		457,096	101,179	9,000	250,000				817,275
Derivative instruments		10,497	3,545		732	231	409		15,414
Other liabilities								76,015	76,015
Subordinated liabilities							58,512		58,496
Equity capital and appropriations								323,567	323,567
Total	**2,753,190**	**1,281,891**	**232,743**	**317,993**	**252,531**	**231**	**58,920**	**399,582**	**5,297,067**

	2022								
	Undiscounted contractual cash flows								
	Repayable on demand	<3 mo	3–6 mo	6–12 mo	1–5 yrs	5–10 yrs	>10 yrs	Not classified by maturity	Total
Assets									
Cash and receivable from central banks	341,983								341,983
Debt securities eligible for refinancing with central banks		67,952	75,245	271,425	546,124	26,752			987,497
Lending to credit institutions	42,013								42,013
Lending to the public	45,210	331,313	104,453	151,282	1,437,651	696,729	1,537,920		4,304,559
Other debt securities					9,916	2,564			12,480
Shares and participations								55,209	55,209
Derivative instruments		6,403	2,444		8,950	8,548	292		26,637
Intangible assets								13,960	13,960
Tangible assets								13,753	13,753
Other assets								64,451	64,451
Total	**429,206**	**405,669**	**182,142**	**422,707**	**2,002,640**	**734,593**	**1,538,212**	**147,374**	**5,862,543**
Liabilities									
Liabilities to credit institutions	33,740	200,363			200,000				434,103
Deposits from the public	3,351,955	743,749	39,408	42,234	21,748				4,199,092
Debt securities issued		212,905	47,667	244,115	287,946				792,634
Derivative instruments		3,003	2,607	5,722	12,036		269		23,636
Other liabilities								51,358	51,358
Subordinated liabilities							58,348		58,348
Equity capital and appropriations								303,372	303,372
Total	**3,385,694**	**1,160,019**	**89,681**	**292,071**	**521,730**	**0**	**58,616**	**354,730**	**5,862,543**

P32. Claims on Group companies	2023	2022
Lending to the public	2,093	1,626
Other assets	9,769	12,310
Accrued income and prepayments	5,500	2,829
Total	**17,362**	**16,766**

P33. Liabilities to Group companies	2023	2022
Deposits from the public	11,044	16,973
Other liabilities	2,037	2,109
Accrued expenses and prepaid income	1,647	1,266
Total	**14,729**	**20,349**

Notes concerning staff, Board of Directors and Executive Team

P34. Salaries/fees paid to the Board of Directors and Executive Team		
	2023	2022
Lampi, Nils	62	67
Taxell, Christoffer	45	50
Ceder, Åsa[1]	11	45
Karlsson, Anders Å	48	53
Valassi, Ulrika	51	56
Wiklöf, Anders	41	42
Leino-Haltia Mirel	48	38
Board members	306	349
Managing Director	540	570
Other members of the Executive Team	1,886	2,101

The amount includes the value of fringe benefits. There are no pension obligations to the members of the Board of Directors. The pension benefits of the Managing Director are based on customary terms of employment.

[1] Resigned from the Board of Directors on March 29, 2023.

P35. Private shareholdings of the Board of Directors and the Executive Team in Bank of Åland Plc

See the Board of Directors and Executive Team sections.

P36. Financial transactions with related parties

See Note G46 in the notes to the consolidated financial statements.

Notes concerning assets pledged and contingent liabilities

P37. Assets pledged	2023	2022
Assets pledged for own liabilities		
Lending to credit institutions	9,500	22,863
Government securities and bonds	57,282	46,207
Lending to the public	1,180,175	1,250,830
Other	3,827	3,686
Total assets pledged for own liabilities	**1,250,784**	**1,323,586**

Assets pledged in the form of government securities and bonds were mainly provided as collateral to central banks. “Lending to the public” that was provided as collateral consisted of the registered collateral pool on behalf of holders of covered bonds. “Other assets pledged for own liabilities” refers mainly to endowment insurance.

Other assets pledged		
Government securities and bonds	48,231	56,130
Other	594	593
Total other assets pledged	**48,824**	**56,723**

Assets pledged in the form of government securities and bonds were mainly provided as collateral to central banks and credit institutions for payment systems, securities trading and clearing.

Assets were not pledged for the liabilities or commitments of others.

Except for loan receivables comprising the collateral pool for covered bonds, where legislation regulates minimum requirements for over-collateralisation, collateral that exceeds the nominal value of the liability are at the free disposal of the Bank.

P38. Off-balance sheet obligations	2023	2022
Guarantees	22,610	24,123
Unutilised overdraft limits	368,228	333,043
Unutilised credit card limits	92,525	88,570
Unutilised credit lines	349,655	700,120
Other commitments	15,611	28,060
Total	**848,629**	**1,173,916**
Provision for expected loss	142	42
Guarantees for subsidiaries	1,238	5,723
Unutilised overdraft limits for subsidiaries	9,113	2,074
Unutilised credit facilities for subsidiaries	0	0

P39. Rental obligations	2023	2022
Rental payments due		
Under 1 year	4,113	3,617
More than 1 and less than 5 years	9,555	10,770
More than 5 years	245	937
Total	**13,912**	**15,323**

Rental obligations were equivalent to the rental expenses that would arise upon termination of all rental agreements.

P40. Subsidiaries and associated companies	2023		
	Registered office	Ownership, %	Carrying amount
Subsidiaries			
Crosskey Banking Solutions Ab Ltd	Mariehamn	100	2,505
S-Crosskey Ab	Mariehamn	60	
Ålandsbanken Fondbolag Ab	Mariehamn	100	841
Ålandsbanken Fonder Ab	Mariehamn	100	
Ålandsbanken Fonder II Ab	Mariehamn	100	
Ålandsbanken Fonder III Ab	Mariehamn	100	
Ålandsbanken Fonder IV Ab	Mariehamn	100	
Ålandsbanken Fonder V Ab	Helsinki	100	
Ålandsbanken Fonder VI Ab	Helsinki	100	
Ålandsbanken Kiinteistökehitys I GP Oy	Helsinki	100	
Ålandsbanken Kiinteistökehitys I Syöttörahasto GP Oy	Helsinki	100	
Ålandsbanken Kiinteistökehitys I Syöttörahasto LP Oy	Helsinki	100	
Ålandsbanken Havsvind I GP Ab	Helsinki	100	
Ålandsbanken Havsvind I Matarfond GP Ab	Mariehamn	100	
Ålandsbanken Havsvind I Matarfond LP Ab	Mariehamn	100	
Total			**3,346**
Associated companies			
Mäklarhuset Åland Ab	Mariehamn	32	20
Alandia Holding Ab	Mariehamn	28	3,034
Helen ÅB Tuulipuistohallinnointiyhtiö Oy	Helsinki	40	
Leilisuo GP Oy	Simo	50	
Riitamaa-Nurmesneve GP Oy	Helsinki	50	
Uusimo GP Oy	Helsinki	50	
Noatun Vindpark Norra Ab	Mariehamn	40	
Noatun Vindpark Södra Ab	Mariehamn	40	
Total			**3,054**
Housing and real estate companies			
Properties for the Group's own use			
FAB Godby Center	Finström	11	100
Total			**100**
Investment properties			
FAB Horsklint	Kökar	20	12
FAB Nymars	Sottunga	30	30
FAB Västernäs City	Mariehamn	50	300
Total			**342**

P41. Distributable profit	2023	2022
Retained earnings	42,654	40,103
Unrestricted equity capital fund	30,380	28,651
Capitalised development expenditures	−102	−305
Total	**72,933**	**68,450**

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Sustainability notes, Bank of Åland

S1. Greenhouse gas emissions, tonnes of CO_2e

The Bank of Åland's emissions in the form of carbon dioxide equivalents (CO_2e) are compiled in compliance with the Greenhouse Gas (GHG) Protocol. According to the GHG Protocol, emissions are reported in three scopes, where the Bank of Åland's own business operations account for Scope 1, which consists of fuel for the Bank's company cars; Scope 2, which consists of energy use in the Bank's own premises; and finally, supplier-related emissions from purchases of goods and services in Scope 3 upstream. The Bank of Åland pays climate financing equivalent to the emissions generated by its own operations.

Emissions from the Bank's own business operations are supplemented with information about the emissions in Scope 3:15 downstream, which refers to estimated emissions based on the loan portfolio, treasury operations and our customers' investments in our asset management solutions. However, available data for all areas of impact of the credit portfolio (Scope 3 downstream from the perspective of the loan portfolio) is still lacking. To improve the potential for comparison between the different areas, these are shown divided into their respective Scopes 1, 2 and 3, seen from their perspective.

As the availability of data continues to improve, the methods for calculating emissions are also evolving. In order to provide a true and fair picture of developments, comparative figures for historical periods are recalculated using the latest available data and method. One effect is that previously implemented climate financing no longer matches the recalculated figures, even if they matched at that time.

The comparative figures for the base year 2021 have also been recalculated to create an opportunity for continuous follow-up. Compared to 2021, the Bank of Åland's emissions have decreased by 5 per cent. In 2023, emissions increased compared to the previous year, driven by our own operational emissions and emissions from customers' investments. As for the Group's own operational emissions, the main areas are purchasing, with a focus on the renovation of the Head Office in Mariehamn and an increased amount of business travel.

Our customers' investments account for the largest share of the Bank of Åland's emissions, with Scope 3 emissions increasing significantly between 2022 and 2023. We believe that year-on-year comparability for these emissions is still difficult to achieve, since the quality of Scope 3 data is generally low. There are also large variations between companies in the quantity of reported emissions data. As a result, information on the exposures is not sufficiently accurate to be used for comparisons. Reporting by the companies we invest in has improved to some extent, and a larger proportion of them are reporting Scope 3. This trend is positive, although the increased quantity of data is causing our emissions figures to rise.

Own emissions[1], greenhouse gases

tonnes of CO_2e	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
Scope 1					
Emissions from owned or controlled sources	5	4	34	5	15
Total Scope 1	**5**	**4**	**34**	**5**	**15**
Scope 2					
Energy-related emissions	54	85	−37	133	−59
of which emissions from electricity according to market-based method	*0*	*30*	*−100*	*72*	*−100*
Total Scope 2	**54**	**85**	**−37**	**133**	**−59**
Scope 3 upstream					
Purchased goods and services	3,482	2,722	28	1,617	
Capital goods	66	45	46	70	−6
Fuel- and energy-related activities	11	11	−2	12	−10
Transport and distribution	294	268	10	221	33
Waste generated by own operations	3	2	23	2	39
Business travel	675	541	25	148	
Leased assets	187	176	6	118	58
Total Scope 3 upstream	**4,717**	**3,765**	**25**	**2,188**	
Total, own emissions	**4,777**	**3,854**	**24**	**2,325**	
Climate compensation[2]	**−4,777**	**−666**		**−775**	
Emissions from electricity according to location-based method	**119**	**147**	**−19**	**153**	**−22**
Scope 3, downstream (see specification on next page)					
Financial investments	1,903,523	1,297,418	47	1,953,815	−3
Loan portfolio	258,301	276,597	−7	310,261	−17
Treasury portfolio	12,381	13,756	−10	17,758	−30
Total Scope 3 downstream	**2,174,204**	**1,587,771**	**37**	**2,281,834**	**−5**
Total greenhouse gases	**2,178,981**	**1,591,625**	**37**	**2,284,159**	**−5**

[1] Emissions from the Group's own business operations are calculated using emission factors and the Åland Index and are based on expensed activities in the income statement. The exception is found in Scope 2, where purchased environmentally certified electricity is recorded as zero CO_2e emissions according to a market-based method, and district heating, where CO2 emissions are calculated on the basis of actual district heating consumption, but limited to the Bank's offices in properties that it owns. But as for the share of electricity consumption derived from non-renewable sources, actual consumption is the basis for the value figure, multiplied by an emission factor. The calculation method has been updated several times since prior years, including improved methodology and improved data capture, after which comparative figures have been restated. To ensure comparable figures between years, 2021 emissions were restated retroactively according to this methodology for calculation of energy consumption, causing 2021 estimated emissions to fall from 775.2 to 378.4 tonnes of CO_2e and then rise to 2,325.1 tonnes of CO_2e. Emissions from business operations during 2022 have been recalculated from 666 to 3,854.3 tonnes of CO_2e.

[2] Climate financing for 2021 was based on then-estimated emissions of 775 tonnes of CO_2e. The underlying emission amount was restated to 2,325 tonnes of CO_2e when the calculation method was updated. Climate financing for 2022 was based on then-estimated emissions of 666 tonnes of CO_2e. The underlying emission amount was restated to 3,854 tonnes of CO_2e when the calculation method was updated.

Scope 3, downstream, greenhouse gases

Loan portfolio[1]					
tonnes of CO_2e	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
Scope 1 and 2	258,301	276,597	−7	310,261	−17
Scope 3	0	0	0	0	0
Total, loan portfolio	**258,301**	**276,597**	**−7**	**310,261**	**−17**

Includes the loan portfolio's own Scope 1 and 2, not Scope 3.

Total by industries					
Private individuals					
Home loans[2]	14,478	15,499	−7	16,183	−11
Securities and other investments[3]	34,420	40,151	−14	65,405	−47
Other purposes	13,682	14,464	−5	14,388	−5
Total, private individuals	**62,580**	**70,115**	**−11**	**95,976**	**−35**
Companies					
Other service activities	915	1,009	−9	1,505	−39
Construction	75,281	75,690	−1	69,429	8
Real estate activities	13,736	14,150	−3	14,219	−3
Financial and insurance activities	7,417	7,388	0	7,416	0
Electricity, gas, steam and air conditioning supply	2,473	2,404	3	3,769	−34
Wholesale and retail trade; repair of motor vehicles and motorcycles	7,389	8,092	−9	8,379	−12
Hotel and restaurant activities	15,822	16,480	−4	17,207	−8
Information and communication	234	290	−19	303	−23
Agriculture, forestry and fishing	23,180	22,973	1	22,367	4
Arts, entertainment and recreation	1,420	1,433	−1	1,591	−11
Business activities, private individuals	11,002	12,215	−10	12,746	−14
Public administration and defence; compulsory social security	1,819	1,640	11	1,687	8
Manufacturing	7,090	6,794	4	6,499	9
Transportation and storage	18,616	26,111	−29	38,780	−52
Education	18	28	−33	18	4
Rentals, real estate services, travel services and other supportive services	4,291	4,224	2	3,226	33
Water supply, sewerage, waste management and remediation activities	1,483	1,587	−7	1,339	11
Legal, financial, scientific and technical activities	2,253	2,543	−11	2,387	−6
Human health and social work activities	1,282	1,432	−11	1,419	−10
Total companies[4]	**195,721**	**206,482**	**−5**	**214,285**	**−9**
Total, loan portfolio exposures	**258,301**	**276,597**	**−7**	**310,261**	**−17**

[1] The emission calculations for the credit portfolio are based on the PCAF method to the extent that data are available. Estimates are used for the areas where data are missing. When changing the calculation method, CO_2e emissions during previous periods are recalculated retroactively according to the updated method to the extent that data are also available for the previous period. Where updated factors have become available in later reporting periods, these are also used for previous years in the restatement. Emissions figures for 2021 were restated from 255,343 to 310,261 tonnes of CO_2e. Emission figures for 2022 were recalculated from 217,391 to 276,597 tonnes of CO_2e. The Bank of Åland's model provides a rough estimate of the loan portfolio's CO_2e emissions. The model is not accurate enough to be used for comparisons with other banks. Data for Scope 3 are not available, which is why zero is reported.

[2] The calculations for mortgage loans are based on estimated energy consumption for the collateral, which is calculated on the basis of square metre size and energy certificates; where data are missing, an average value is applied. An average emission factor and LTV are applied to estimated energy consumption to calculate the Bank of Åland's financed emissions. These calculations are based on the estimate for the primary residence that has been pledged as collateral. In the absence of such an estimate, the loan is excluded from the calculations. The emission factors used are obtained from the Association of Issuing Bodies, Motiva Oy and Swedenergy. As of December 31, 2023, the reported emissions for 2021 and 2022 have been restated for mortgage loans due to a major change in the calculation method. According to the new methodology, estimates are made for the primary residential property linked to the loan, and a major revision has been made to the emission factors for the various heating methods used in the calculations. The change in the calculation method means that the reported CO_2e emissions connected to home mortgage loans are smaller than previously reported figures.

[3] Emissions from loans for investments and other private consumption are calculated as the loan volume multiplied by an emission factor. Emission factors from the Bank of Åland's mutual funds are used for investment-related loans; for private consumption, the Åland Index emission factor is used. No changes have been made to the method from 2022.

[4] CO_2e emissions for corporate loans are calculated using sector-specific estimates based on loan volume, since actual emissions data on the Bank of Åland's corporate customers are usually not available. The estimates are based on outstanding loan volume multiplied by sector-specific published average emission factors from the Åland Index or Statistics Sweden. Loan volume refers to the amount of loans on the balance sheet as of December 31 each respective year. Because overall sector-specific emission factors are applied to all customers and due to some uncertainty in the information on customers' sector affiliations, the estimated emissions from the company portfolio should be regarded as indicative. Emission factors have been updated for most economic sectors in the case of corporate loans, which has had the effect increasing the estimated emissions compared to previously reported figures. Comparative figures have been restated according to the new method.

Scope 3, downstream, greenhouse gases

Loan portfolio, intensity metrics[1]					
tonnes of CO_2e/MEUR	Intensity 2023	Intensity 2022	Difference in intensity 2023 vs 2022	Intensity 2021	Difference in intensity 2023 vs 2021
Scope 1 and 2	67	64	3	66	1
Scope 3	0	0	0	0	0
Total, loan portfolio intensity	**67**	**64**	**3**	**66**	**1**

Includes the loan portfolio's own Scope 1 and 2, not Scope 3.

Total by industries					
Private individuals					
Home loans[2]	7	6	0	6	1
Securities and other investments[3]	100	92	8	149	−49
Other purposes	42	42	0	42	0
Total, private individuals intensity	**23**	**22**	**1**	**27**	**−5**
Companies					
Other service activities	42	42	0	42	0
Construction	1,344	1,344	0	1,344	0
Real estate activities	33	33	0	33	0
Financial and insurance activities	32	32	0	32	0
Electricity, gas, steam and air conditioning supply	708	708	0	708	0
Wholesale and retail trade; repair of motor vehicles and motorcycles	204	204	0	204	0
Hotel and restaurant activities	514	514	0	514	0
Information and communication	32	32	0	32	0
Agriculture, forestry and fishing	1,509	1,509	0	1,509	0
Arts, entertainment and recreation	83	83	0	83	0
Business activities, private individuals	145	141	4	139	6
Public administration and defence; compulsory social security	192	192	0	192	0
Manufacturing	258	258	0	258	0
Transportation and storage	638	638	0	638	0
Education	42	42	0	42	0
Rentals, real estate services, travel services and other supportive services	303	303	0	303	0
Water supply, sewerage, waste management and remediation activities	830	830	0	830	0
Legal, financial, scientific and technical activities	32	32	0	32	0
Human health and social work activities	88	88	0	88	0
Total companies, intensity[4]	**180**	**182**	**−2**	**183**	**−4**
Total, loan portfolio exposures, intensity	**67**	**64**	**3**	**66**	**1**

[1] The emission calculations for the credit portfolio are based on the PCAF method to the extent that data are available. Estimates are used for the areas where data are missing. When changing the calculation method, CO_2e emissions during previous periods are recalculated retroactively according to the updated method to the extent that data are also available for the previous period. Where updated factors have become available in later reporting periods, these are also used for previous years in the restatement. Emissions figures for 2021 were restated from 255,343 to 310,261 tonnes of CO_2e. Emission figures for 2022 were recalculated from 217,391 to 276,597 tonnes of CO_2e. The Bank of Åland's model provides a rough estimate of the loan portfolio's CO_2e emissions. The model is not accurate enough to be used for comparisons with other banks. Data for Scope 3 are not available, which is why zero is reported. The intensity figures for 2021 were also recalculated due to a change in calculation method. Intensity in tonnes of CO_2e per EUR M for the credit portfolio was recalculated from 53 to 66 tonnes of CO_2e/MEUR for 2021. The total amount for private individuals was recalculated from 40 to 27 tonnes of CO_2e/EUR M, while the total number for companies was recalculated from 94 to 183 tonnes of CO_2e/EUR M. Intensity for the loan portfolio in tonnes per CO_2e/EUR M was recalculated from 50 to 64 tonnes of CO_2e/EUR M for 2022. As part of these figures for 2022, the total amount for private individuals was recalculated from 36 to 22 tonnes of CO_2e/EUR M, while the total for companies was recalculated from 90 to 182 tonnes of CO_2e/EUR M.

[2] The calculations for mortgage loans are based on estimated energy consumption for the collateral, which is calculated on the basis of square metre size and energy certificates; where data are missing, an average value is applied. An average emission factor and LTV are applied to estimated energy consumption to calculate the Bank of Åland's financed emissions. These calculations are based on the estimate for the primary residence that has been pledged as collateral. In the absence of such an estimate, the loan is excluded from the calculations. The emission factors used are obtained from the Association of Issuing Bodies, Motiva Oy and Swedenergy. As of December 31, 2023, the reported emissions for 2021 and 2022 have been restated for mortgage loans due to a major change in the calculation method. According to the new methodology, estimates are made for the primary residential property linked to the loan, and a major revision has been made to the emission factors for the various heating methods used in the calculations. The change in the calculation method means that the reported CO_2e emissions connected to home mortgage loans are smaller than previously reported figures.

[3] Emissions from loans for investments and other private consumption are calculated as the loan volume multiplied by an emission factor. Emission factors from the Bank of Åland's mutual funds are used for investment-related loans; for private consumption, the Åland Index emission factor is used. No changes have been made to the method from 2022.

[4] CO_2e emissions for corporate loans are calculated using sector-specific estimates based on loan volume, since actual emissions data on the Bank of Åland's corporate customers are usually not available. The estimates are based on outstanding loan volume multiplied by sector-specific published average emission factors from the Åland Index or Statistics Sweden. Loan volume refers to the amount of loans on the balance sheet as of December 31 each respective year. Because overall sector-specific emission factors are applied to all customers and due to some uncertainty in the information on customers' sector affiliations, the estimated emissions from the company portfolio should be regarded as indicative. Emission factors have been updated for most economic sectors in the case of corporate loans, which has had the effect increasing the estimated emissions compared to previously reported figures. Comparative figures have been restated according to the new method.

Scope 3, downstream, greenhouse gases

Investments					
tonnes of CO_2e	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
Scope 1	116,483	102,643	13	184,363	−37
Scope 2	31,609	30,138	5	42,319	−25
Scope 3	1,755,430	1,164,637	51	1,727,133	2
Total, investments	**1,903,523**	**1,297,418**	**47**	**1,953,815**	**−3**
Total by sectors					
Corporate exposures					
Other service activities	6,139	6,043	2	455	
Construction	14,157	9,428	50	30,678	−54
Real estate activities	6,260	6,483	−3	4,547	38
Financial and insurance activities	21,361	15,672	36	4,090	
Electricity, gas, steam and air conditioning supply	238,971	90,866		208,645	15
Wholesale and retail trade; repair of motor vehicles and motorcycles	83,087	29,642		76,525	9
Hotel and restaurant activities	621	663	−6	6,563	−91
Information and communication	13,469	6,035		6,320	
Agriculture, forestry and fishing	1,330	941	41	16	
Arts, entertainment and recreation	563	25		33	
Public administration and defence; compulsory social security	0	0	−84	0	−81
Manufacturing	1,429,130	1,045,610	37	1,398,581	2
Transportation and storage	22,615	40,299	−44	16,632	36
Education	12	4		3	
Mineral extraction	41,240	31,047	33	72,375	−43
Water supply, sewerage, waste management and remediation activities	12,072	1,558		334	
Legal, financial, scientific and technical activities	299	224	34	1,985	−85
Operations at international organisations, foreign embassies etc.	0	0		0	
Human health and social work activities	1,290	79		312	
Other assets	10,908	12,801	−15	125,720	−91
Total, investments[5]	**1,903,523**	**1,297,418**	**47**	**1,953,815**	**−3**

[5] Emission calculations for investments include equities, bonds, funds and physical real estate. The emissions of investment issuers are weighted according to the ownership stake held by Bank of Åland funds on December 31, 2023. Emissions for 2023 are calculated as the funds' owned proportion of each portfolio company's reported carbon dioxide emissions as of December 31, 2022. Initially, reported emission data used, and secondarily, estimated emission data. The estimated data used are third-party data except for the Bank of Åland's Bostadsfond (housing mutual fund), which produces its own estimates. Calculations are made for Scope 1, 2 and 3 with the aim of having 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 for 2022 have been recalculated from 1,587,742 to 1,297,418 tonnes of CO_2e, based on the sum of the fund-owned proportion of each portfolio company's reported carbon dioxide emissions as of December 31, 2022. Emissions for 2021 have been recalculated from 1,723,124 to 1,953,815 tonnes of CO_2e, based on the sum of the fund-owned proportion of each portfolio company's reported carbon dioxide emissions as of December 31, 2021. Comparability of Scope 3 emissions between different years is still difficult to assess, since the quality of Scope 3 data is generally low and reporting in this area does not include all emissions. There is great variation in the extent of emissions data reported by different companies, which means that the data about the exposures are not accurate enough to be used for comparison with other banks.

Scope 3, downstream, greenhouse gases

Investments, intensity metrics

tonnes of CO_2e/MEUR	Intensity 2023	Intensity 2022	Difference in intensity 2023 vs 2022	Intensity 2021	Difference in intensity 2023 vs 2021
Scope 1	30	30	0	50	−21
Scope 2	7	8	0	10	−3
Scope 3	460	343	117	478	−18
Total, investments, intensity	**497**	**380**	**117**	**538**	**−42**
Total by sectors					
Corporate exposures					
Other service activities	96	180	−84	75	20
Construction	232	190	42	400	−168
Real estate activities	30	28	3	24	6
Financial and insurance activities	21	18	3	5	16
Electricity, gas, steam and air conditioning supply	1,756	584	1,172	2,224	−467
Wholesale and retail trade; repair of motor vehicles and motorcycles	227	186	41	298	−71
Hotel and restaurant activities	166	163	2	340	−174
Information and communication	27	21	7	16	11
Agriculture, forestry and fishing	111	95	16	53	58
Arts, entertainment and recreation	18	25	−7	17	1
Public administration and defence; compulsory social security	53	54	−1	63	−9
Manufacturing	1,088	675	413	837	252
Transportation and storage	582	427	155	356	226
Education	13	8	5	6	7
Mineral extraction	2,288	2,458	−170	4,860	−2,572
Water supply, sewerage, waste management and remediation activities	289	287	2	325	−36
Legal, financial, scientific and technical activities	26	33	−7	133	−108
Operations at international organisations, foreign embassies etc.	0	0	0	0	0
Human health and social work activities	24	30	−7	37	−14
Other assets	1,658	1,121	537	1,755	−97
Total, investments, intensity[5]	**497**	**380**	**117**	**539**	**−42**

[5] Emission calculations for investments include equities, bonds, funds and physical real estate. The emissions of investment issuers are weighted by ownership stake per holding on December 31, 2023. Emissions for 2023 are calculated as the funds' owned proportion of each portfolio company's reported carbon dioxide emissions as of December 31, 2022. Initially, reported emission data used, and secondarily, estimated emission data. The estimated data used are third-party data except for the Bank of Åland's Bostadsfond (housing mutual fund), which produces its own estimates. Calculations are made for Scope 1, 2 and 3 with the aim of having 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 for 2022 have been recalculated from 1,587,742 to 1,297,418 tonnes of CO_2e, based on the sum of the fund-owned proportion of each portfolio company's reported carbon dioxide emissions as of December 31, 2022. Emissions for 2021 have been recalculated from 1,723,124 to 1,953,815 tonnes of CO_2e, based on the sum of the fund-owned proportion of each portfolio company's reported carbon dioxide emissions as of December 31, 2021. Comparability of Scope 3 emissions between different years is still difficult to assess, since the quality of Scope 3 data is generally low and reporting in this area does not include all emissions. There is great variation in the extent of emissions data reported by different companies, which means that the data about the exposures are not accurate enough to be used for comparison with other banks. The intensity figures were also recalculated due changes in emission calculations. Intensity in tonnes of CO_2e per EUR M for investments was recalculated from 481 to 538 tonnes of CO_2e/MEUR for 2021. As part of these figures for 2021, Scope 1 was recalculated from 45 to 50 tonnes of CO_2e/EUR M: Scope 2 from 9 to 10 tonnes of CO_2e/EUR M; and Scope 3 from 528 to 478 tonnes per CO_2e/EUR M. As part of these figures for 2022, Scope 1 was recalculated from 42 to 30 tonnes of CO_2e/EUR M: Scope 2 from 7 to 8 tonnes of CO_2e/EUR M; and Scope 3 from 505 to 343 tonnes per CO_2e/EUR M.

Scope 3, downstream, greenhouse gases

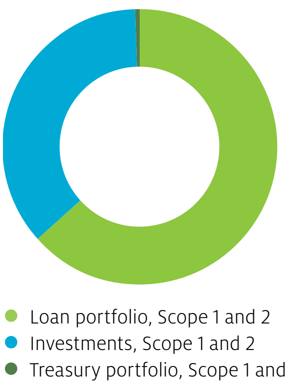
Treasury portfolio					
tonnes of CO_2e	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
Scope 1	1,156	1,334	−13	1,914	−40
Scope 2	283	278	2	340	−17
Scope 3	10,941	12,144	−10	15,504	−29
Total, treasury portfolio	**12,381**	**13,756**	**−10**	**17,758**	**−30**
Total by industries					
Construction	34	0		0	
Real estate activities	10	18	−42	24	−57
Financial and insurance activities	2,467	2,536	−3	3,916	−37
Electricity, gas, steam and air conditioning supply	4,611	4,257	8	5,713	−19
Public administration and defence; compulsory social security	14	15	−5	11	28
Manufacturing	4,828	6,272	−23	7,062	−32
Transport and storage	208	285	−27	586	−65
Rentals, real estate services, travel services and other supportive services	207	373	−44	447	−54
Operations at international organisations, foreign embassies etc.	1	1	3	1	29
Total, treasury portfolio[6]	**12,381**	**13,756**	**−10**	**17,758**	**−30**

[6] Emission calculations for the treasury portfolio include cash positions in central banks and bonds. The emissions of investment issuers were weighted according to the ownership stake held by the Bank of Åland on December 31, 2023. Emissions data were obtained from the issuers' annual and sustainability reports and cover Scope 1, 2 and Scope 3. In cases where data were not available from the issuer, estimates were used.

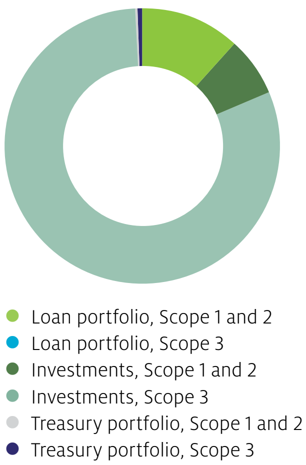
For estimation purposes, a weighted average was calculated for the holdings in the portfolio belonging to the same sector and deemed relatively similar in terms of their operations. In cases where there are no similar issuers in the portfolio for estimating emission figures, the Bank used emission figures from other issuers estimated to belong to the corresponding sector and activities.

For issuers whose emission figures were only available at corporate group level, the group emission figures were adjusted to the issuing entity's proportion according to the comparative principle.

Scope 3 downstream, with respective Scope 1 och 2



Scope 3 downstream, with respective Scope 1,2 and 3



The pie charts show the Bank of Åland's downstream Scope 3 emissions (in tonnes of CO_2e), with their respective Scope 1 and 2 and respective 1, 2 and 3, to illustrate the allocation of emissions, since data for the loan portfolio's own Scope 3 are not available and are thus reported as zero. Looking only at Scope 1 and 2 only for our scope 3 downstream, we can see that the loan portfolio accounts for the largest share of reported emissions, 63 per cent, while investments are in second place with 36 per cent. However, since data for the loan portfolio's own Scope 3 are not available, they assume a significantly smaller role when we see total reported emissions figures for our own Scope 3 downstream, where the loan portfolio only accounts for 12 per cent. Emissions from investments represent the largest share of total Scope 3 downstream emissions because they provide more extensive reporting.

Scope 3, downstream, greenhouse gases

Treasury portfolio, intensity metrics

tonnes of CO_2e/MEUR	Intensity, tonnes of 2023	Intensity, tonnes of 2022	Difference in intensity 2023 vs 2022	Intensity, tonnes of 2021	Difference in intensity 2023 vs 2021
Scope 1	1	1	0	1	0
Scope 2	0	0	0	0	0
Scope 3	9	9	0	10	0
Total, treasury portfolio, intensity	**11**	**11**	**0**	**11**	**0**
Total by industries					
Construction	36	0	36	0	36
Real estate activities	12	20	−8	23	−11
Financial and insurance activities	3	3	0	3	0
Electricity, gas, steam and air conditioning supply	5,873	5,496	377	5,659	214
Public administration and defence; compulsory social security	0	0	0	0	0
Manufacturing	1,096	1,479	−383	1,359	−263
Transport and storage	405	587	−182	1,033	−627
Rentals, real estate services, travel services and other supportive services	222	163	59	126	96
Operations at international organisations, foreign embassies etc.	0	0	0	0	0
Total, treasury portfolio, intensity[6]	**11**	**11**	**0**	**11**	**0**

[6] Emission calculations for the treasury portfolio include cash positions in central banks and bonds. The emissions of investment issuers were weighted according to the ownership stake held by the Bank of Åland on December 31, 2023. Emissions data were obtained from the issuers' annual and sustainability reports and cover Scope 1, 2 and Scope 3. In cases where data were not available from the issuer, estimates were used.

For estimation purposes, a weighted average was calculated for the holdings in the portfolio belonging to the same sector and deemed relatively similar in terms of their operations. In cases where there are no similar issuers in the portfolio for estimating emission figures, the Bank used emission figures from other issuers estimated to belong to the corresponding sector and activities.

For issuers whose emission figures were only available at corporate group level, the group emission figures were adjusted to the issuing entity's proportion according to the comparative principle.

The method for calculating intensity by sector has been changed in such a way that it now corresponds to the method of calculation applied to loans and investments. Treasury has previously applied a normalised intensity metric, so that the sector-specific intensity metrics would add up to the entire portfolio's intensity metric. In the future, the sectoral intensity metrics will be calculated separately from the total (in such a way that the sector-specific intensity metrics will not add up to the intensity metrics for the entire portfolio). The sector-specific intensity figures for 2021 and 2022 have thus been adjusted.

CO_2e impact, operations[1]

tonnes of CO_2e	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
Total tonnes of CO_2e emissions per full-time equivalent employee	2,378	1,842	29	2,815	−16
Total tonnes of CO_2e emissions per million euros of income	14,862	11,607	28	12,976	15
Tonnes of CO_2e emissions from own operations per FTE employee	5	4	17	3	82
Tonnes of CO_2e emissions from own operations per million euros of income	33	28	16	13	

Follow-up, climate target

tonnes of CO_2e	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
The Bank of Åland shall reduce its CO_2e emissions by 50% by 2030 compared to 2021	2,178,981	1,591,625	37	2,284,159	−5

[1] Total CO_2e emissions per FTE were recalculated from 2,462 to 2,815 tonnes of CO_2e for 2021 and from 2,101 to 1,842 tonnes of CO_2e/FTE for 2022. Total CO_2e emissions per million euros of income were recalculated from 11,343 to 12,976 tonnes of CO_2e/EUR M in 2021 and from 9,882 to 11,607 tonnes of CO_2e/EUR M in 2022. CO_2e emissions from the Group's own operations per FTE (tonnes of CO_2e) were recalculated from 1 to 3 tonnes of CO_2e/FTE for 2021 and from 1 to 5 tonnes CO_2e/FTE for 2022. CO_2e emissions from the Group's own operations per million euros of income) were recalculated from 2 to 13 tonnes of CO_2e/EUR M in 2021 and from 4 to 28 tonnes of CO_2e/EUR M in 2022.

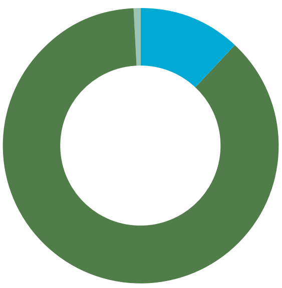
Consumption[1]

	2023	2022	% 2023 vs 2022	2021	% 2023 vs 2021
Paper consumption, tonnes	19.4	19.0	2	19.7	−2
Paper consumption, tonnes/full-time equivalent employee	0.021	0.022	−4	0.024	−13
Energy consumption, GWh	1.72	2.11	−19	2.20	−22
of which renewable, per cent	*100*	*94*	*7*	*85*	*18*
of which other, per cent	*0*	*6*	*−100*	*15*	*−100*
Energy consumption, GWh/FTE employee	0.002	0.002	−23	0.003	−31
Business trips, tonnes of CO_2e	674.9	540.9	25	147.8	
Business trips, tonnes of CO_2e/FTE employee	0.7	0.6	18	0.2	
Number of business trips	2,503	2,057	22	578	
of which aircraft, per cent	*61*	*58*	*6*	*61*	*0*
of which ship, per cent	*16*	*19*	*−15*	*22*	*−27*
of which train, per cent	*23*	*23*	*−2*	*17*	*33*
Number of business trips/FTE employee	2.7	2.4	15	0.7	

[1] Emissions related to business trips have been recalculated according to the new method for emissions calculations: Business trips from 97.9 to 147.8 tonnes of CO_2e for 2021 and from 378.5 to 540.9 tonnes of CO_2e for 2022 and business trips per FTE employee from 0.1 to 0.2 tonnes of CO_2e for 2021 and from 0.4 to 0.6 tonnes of CO_2e for 2022. The number of business trips consists of the estimated number of one-way trips.

Greenhouse gas emissions

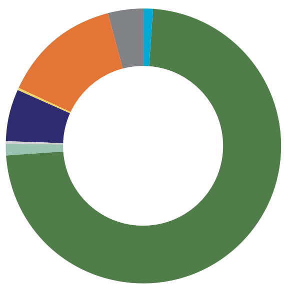
tonnes of CO_2e



- Total, own emissions
- Loan portfolio
- Financial investments
- Treasury portfolio

Emissions from the Bank´s own operations

tonnes of CO_2e



- Emissions from owned or controlled sources
- Energy-related emissions
- Purchased goods and services
- Capital goods
- Fuel- and energy-related activities
- Transport and distribution
- Waste generated by own operations
- Business travel
- Leased assets

The charts show Scope 1, 2 and 3 upstream and Scope 3 downstream. Data for the loan portfolio's own Scope 3 emissions is not available. Total emissions for 2023 add up to 2,179 thousand tonnes, a reduction of 105 thousand tonnes compared to the base year 2021. Emissions from investments account for 87 per cent of total reported emissions, while the loan and treasury portfolios account for 12 per cent and 1 per cent, respectively. Emissions from the Bank's own operations account for less than 1 per cent of total reported emissions but are dominated by emissions from purchased goods and services as well as business travel.

1. The EU Taxonomy: Principles and implementation

Since 2021, the Bank of Åland has reported exposures in its balance sheet that are covered by the EU Taxonomy for sustainable investments. The fact that an exposure is considered taxonomy-eligible means that there are criteria for assessing whether it is environmentally sustainable. For the 2023 financial year, the enhanced reporting requirements under Commission Delegated Regulation (EU) 2021/2178 have entered into force, and we are now applying the standardised templates in the Regulation for our taxonomy reporting. The following report describes the green asset ratio (taxonomy-aligned assets) in the Bank of Åland's assets according to the EU Taxonomy's criteria.

The EU Taxonomy is a regulatory framework that aims to categorise how green a company's assets are, and to enable investors to compare environmentally sustainable investments through screening criteria for different activities. The reporting is structured according to the structural principles of taxonomy eligibility and taxonomy alignment. In a first step, the assets are assessed to identify whether they are eligible for the EU Taxonomy and its six environmental objectives, after which these are analysed to see to what extent they are aligned with the environmental objectives. In order for the assets to be taxonomy-aligned, it is required that:

1. Their underlying activities contribute substantially to one or more environmental objectives according to the Taxonomy's screening criteria.
2. They do no significant harm to any of the other environmental objectives (DNSH).
3. And that the operations comply with minimum safeguards to ensure good governance and protection of human rights.

For 2023, eligibility is reported for all six environmental objectives, but alignment only with the first two environmental objectives, Climate Change Mitigation and Climate Change Adaptation.

2. Taxonomy-eligible and non-eligible assets

In general, the Green Asset Ratio (GAR) is calculated as a ratio of a numerator and a denominator, which are specified in detail in the tables in this note.

The assets covered by the EU Taxonomy and included in the numerator for the Bank of Åland are lending, debt securities and equity capital instruments relating to large public-interest entities (also known as Non-Financial Reporting Directive or NFRD companies) and lending to private individuals, mainly consisting of mortgage loans. The Bank of Åland's assets covered by the EU Taxonomy are mainly loans to private individuals and large companies, as well as investments made in the Bank's treasury operations. In addition, the Bank has customer assets under management and financial guarantees that are off-balance-sheet and are thus calculated as a separate item.

The fact that an asset is not covered by the EU Taxonomy or included in the numerator does not mean it cannot possibly be sustainable, but only that for various reasons it falls outside the established criteria for classification, and it thus cannot be assessed according to the taxonomy framework. Since the Bank of Åland's corporate lending is mainly in the small and medium-sized enterprise segment, they cannot be part of the Green Asset Ratio, which has an impact on the Bank of Åland's potential GAR.

The assets covered by the denominator consist of all of the above items that appear in the numerator plus exposures to smaller companies that are not classified as NFRDs, non-EU counterparties that do not have a taxonomy-reporting obligation, plus derivatives, cash and other assets.

The only things that are excluded from both the numerator and the denominator are exposures to governments, supranational issuers and central banks.

3. Households

Lending to households in the form of mortgages to private individuals accounts for a significant proportion of the Bank of Åland's assets covered by the EU Taxonomy. As for lending to private individuals, mortgage loans and loans for renovations and automobile financing are relevant for the EU Taxonomy. The portion of the Bank of Åland's lending activities that is covered by the EU Taxonomy is described in category 7. Construction and real estate activities and the economic activities associated therewith: 7.7 Acquisition and ownership of buildings and 7.1 Construction of new buildings (residential lending) and 7.2 Renovation of existing buildings (renovation loans) and 6.3 Urban and suburban transport, road passenger transport (car financing). These categories are set out in Delegated Regulation (EU) 2021/2139, which includes screening criteria for the taxonomy's environmental objectives 1 and 2.

Regarding the valuation of the taxonomy-alignment of the Bank of Åland's mortgage loan portfolio, an evaluation of the energy efficiency of the properties that serve as collateral for the mortgages has been initiated as a first step. In order for a property to live up to the requirement to make a significant contribution to objective 1, Climate Change Mitigation, an A-rated energy performance certificate is required. In addition to this, an assessment must also be made of whether or not the activity does any significant harm to other environmental objectives, especially objective 2, Climate Change Adaptation. In this case, such criteria consist of adaptation of the property to withstand the kinds of events that may be associated with climate change in the area in question. The properties that form the basis of the collateral behind the mortgages in the Bank of Åland's residential loan portfolio are all located in the Nordic region, where such events can be expected to occur to varying degrees depending on the local area. As for the Bank's mortgage loan portfolio, there are properties with an A-rated energy certificate, but studies of adaptation to local climate change are still in their infancy, since they involve extensive information-gathering from private individuals. For this reason, the Bank of Åland makes the assessment that even if the entire mortgage loan portfolio is taxonomy-eligible, and exposures corresponding to EUR 11.5 million are covered by A-rated energy certificates, zero can be said to be taxonomy-aligned with the EU Taxonomy's requirements for green assets.

As for renovation and auto loans, they are also considered not to be aligned with the EU Taxonomy's requirements for green assets, even though they are Taxonomy-eligible. There is also potential for improved information gathering in this area.

4. Corporate lending

For the Bank of Åland, whose lending focus is on private individuals and small and medium-sized enterprises, the share of corporate lending covered by the EU Taxonomy is limited. The corporate lending covered by the EU Taxonomy consists of loans extended to large companies of public interest, so-called NFRD companies. Since the number of such corporate customers at the Bank of Åland is limited, only a very small amount of information is gathered and analysed.

Most corporate customers are small enterprises not covered by the EU Taxonomy, whose potential improvements in the area of sustainability are currently not captured within the EU Taxonomy's standardised format.

5. Exposures to other companies – restrictions on access to information

For a financial service company such as the Bank of Åland, most taxonomy reporting consists of gathering information from other companies' taxonomy reporting. This is because a large proportion of the Bank's financial assets is connected with exposures to other companies. The same also applies to our customers' assets under management and off-balance sheet financial guarantees. To a large extent, the Bank of Åland's taxonomy reporting is thus based on each respective company's published taxonomy reporting. During the implementation phase of expanded taxonomy reporting, this results in a lack of available information.

The data that the Bank of Åland are reporting for non-financial corporations refers to 2022, since this is the latest available taxonomy reporting. For financial service companies, the available information is also based on reporting for 2022. Financial service companies are reporting under the expanded requirements for the first time during 2024 (for 2023). It is therefore not possible to obtain the desired information in time to include it in the Bank's 2023 annual report. For this reason, in most cases there is a lack of information at the detailed level required by the taxonomy tables that have been developed. In cases where data points were missing from the respective company's taxonomy reporting, zero is reported.

In cases where the reports have been published by financial service companies whose 2022 report only includes information on the proportion of their balance sheet that is taxonomy-eligible, without specifying the scope of turnover-based or CapEx-based data, they have been included in the tables as zero in taxonomy scope, in keeping with the recommendations of the European Commission.

Reporting is limited to first-hand data and thus does not contain any estimates or derivations. Since the lack of first-hand data has meant that the taxonomy-eligible exposure could not be either defined or quantified, zero is reported.

6. Developments over time

Since 2023 is the first reporting year for these tables, there is a lack of historical data to enable comparisons with developments over time. In the coming years, we will follow up on changes in our operations in terms of compliance with the taxonomy-alignment.

As for the taxonomy eligibility of environmental objectives 3–6, the results are deduced from each company's taxonomy reporting. Since this reporting requirement is new for 2023, there is no available information, which is why zero is reported in the table. Our expectation is that as companies update their taxonomy reporting, there should be more information for future reporting years.

7. Product design and contact with customers

7.1 LENDING

The Bank of Åland is evaluating the potential for developing financing products that take sustainability aspects into account, in order to improve the collection of data necessary to assess the taxonomy alignment of its operations.

7.2 ASSET MANAGEMENT

The Bank of Åland has a strategy of offering responsible investment products and thus taking into account sustainability factors, such as taxonomy alignment, in its asset management-related investment decisions. For 2024, Ålandsbanken Fondbolag Ab has established a binding commitment that the Bank's own mutual funds shall contain a taxonomy alignment of 1.5 per cent or higher. In the Wind Power Fund, the minimum share of taxonomy alignment is 70 per cent. The Bank of Åland also aims to establish a minimum percentage of taxonomy alignment for its model portfolios in 2024. The Bank will evaluate the minimum percentage of taxonomy alignment for its products yearly, and we expect the proportion of taxonomy alignment to increase as taxonomy data become more complete.

7.3 INVESTMENT ADVISORY SERVICES

The Bank of Åland gathers information on its customers' sustainability preferences as part of its investment advisory services and portfolio management. In connection with this, customers have the opportunity to express any preferences regarding taxonomy alignment.

8. The importance of financing taxonomy-aligned economic activities

8.1 LENDING

Most Bank of Åland customers are not NFRD companies, but are in the small enterprise category. Regardless of the information that may be gathered about them, they are not included in the numerator for calculating GAR.

The portion of the Bank's operations that is taxonomy-eligible is loans to households, where it may be relevant to provide information about the energy classification of properties that serve as collateral for mortgage loans and renovation loans aimed at upgrading a property's energy efficiency. The Bank's goal is to begin gathering energy classifications for new customers in Åland and to expand this process to nearby regions over time.

8.2 INVESTMENT ADVISORY SERVICES

The Bank of Åland is continuously evaluating the need to increase the proportion of taxonomy alignment in its investment products in order to meet the sustainability preferences expressed by customers in connection with the Bank's investment advisory services and portfolio management.

8.3 TREASURY

The Treasury department's holdings mainly include asset classes that fall outside the scope of taxonomy reporting, including sovereign and supranational issuers, central bank exposures as well as non-NFRD and non-EU holdings. The remaining holdings consist mainly of debt instruments issued by credit institutions that have not yet reported on their taxonomy alignment.

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0. Summary of KPIs regarding the green asset ratio (GAR)

		Total environmentally sustainable assets	KPI[1]	KPI[2]	% coverage (over total assets)[3]	% of assets excluded from the numerator of the GAR[4]	% of assets excluded from the denominator of the GAR[5]
Main KPI	Green asset ratio (GAR) stock	0.2	0.004	0.004	91	28	9

		Total environmentally sustainable activities	KPI[6]	KPI[7]	% coverage (over total assets)[9]	% of assets excluded from the numerator of the GAR[10]	% of assets excluded from the denominator of the GAR[11]
Additional KPIs	GAR (flow)[8]	0	0	0	16	4	0.2
	Trading book[12]	N/A	N/A	N/A			
	Financial guarantees[13]	0	0	0			
	Assets under management[14]	119	2.3	3.5			
	Fees and commissions income[15]	N/A för 2023	N/A	N/A			

The greyed-out cells should not be filled in.

[1] GAR is calculated on the basis of the counterparty's turnover indicator. GAR stock is calculated as the sum of taxonomy-aligned exposures divided by the sum of total covered assets.

[2] GAR is calculated on the basis of the counterparty's CapEx indicator. GAR stock is calculated as the sum of taxonomy-aligned exposures divided by the sum of total covered assets.

[3] The percentage of assets covered by the calculation of the KPI, divided by all assets.

[4] Selection based on Article 7 (2) and (3) and section 1.1.2 of Annex V.

[5] Selection based on Article 7 (1) and section 1.2.4 of Annex V.

[6] GAR is calculated on the basis of the counterparty's turnover indicator.

[7] GAR is calculated on the basis of the counterparty's CapEx indicator.

[8] Assuming that KPI GAR (flow) is calculated as the sum of taxonomy-aligned exposures within the flow for 2023 for turnover and capital expenditure, respectively, divided by the sum of total covered assets.

[9] Assuming that the percentage of coverage for KPI GAR (flow) is calculated as the sum of total relevant covered assets in respect of loans, debt investments, equity holdings and derivatives for the flow in 2023, divided by total assets.

[10] Selection based on Article 7 (2) and (3) and section 1.1.2 of Annex V, assuming that the percentage of assets excluded from the numerator of the GAR calculation for the flow is calculated as the sum of excluded assets of the flow in 2023 divided by total assets.

[11] Selection based on Article 7 (1) and section 1.2.4 of Annex V, assuming that the percentage of assets excluded from the denominator of the GAR calculation for the flow is calculated as the sum of excluded assets in the flow divided by total assets.

[12] KPI GAR Trading Book is not applicable to the Bank of Åland's operations.

[13] Assuming that KPI GAR Financial Guarantees is calculated as the sum of taxonomy-aligned exposures for turnover and CapEx, respectively, divided by the total amount of financial guarantees.

[14] Assuming that KPI GAR Assets Under Management is calculated as the sum of taxonomy-aligned exposures in direct holdings, divided by total assets under management (AuM) in respect of funds and model portfolios, excluding government securities.

[15] KPIs for fee and commission income shall only apply from 2026 onwards. No reporting was required for 2023.

1. Assets for the calculation of GAR – Turnover

	Million EUR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	AF
			2023[1]																													
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]					Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				
				Of which environmentally sustainable (Taxonomy-aligned)[3]					Of which environmentally sustainable (Taxonomy-aligned)[3]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR – Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3,379.7	2,487.0	0.2	0	0	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,487.0	0.2	0	0	0.2
2	Financial undertakings	406.8	5.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.7	0	0	0	0
3	*Credit institutions*[5]	405.8	5.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.7	0	0	0	0
4	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Debt securities, including UoP*	405.8	5.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.7	0	0	0	0
6	*Equity instruments*	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
7	*Other financial corporations*	1.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	*of which investment firms*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
12	*of which management companies*	1.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	1.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
16	*of which insurance undertakings*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
20	Non-financial undertakings[6]	36.7	33.4	0.2	0	0	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33.4	0.2	0	0	0.2
21	*Loans and advances*	31.5	30.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30.9	0	0	0	0
22	*Debt securities, including UoP*	5.2	2.6	0.2	0	0	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.6	0.2	0	0	0.2
23	*Equity instruments*	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
24	Households	2,936.2	2,447.9	0	0	0	0	0	0	0	0					0	0	0	0									2,447.9	0	0	0	0
25	*of which loans collateralised by residential immovable property*[7]	2,350.7	2,350.7	0	0	0	0	0	0	0	0					0	0	0	0									2,350.7	0	0	0	0
26	*of which building renovation loans*	89.1	89.1	0	0	0	0	0	0	0	0					0	0	0	0									89.1	0	0	0	0
27	*of which motor vehicle loans*	8.1	8.1	0	0	0	0																					8.1	0	0	0	0
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	*Housing financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	*Other local government financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**1,489.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
33	Financial and Non-financial undertakings	1,287.0																														
34	*SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations*	1,153.2																														
35	*Loans and advances*	949.1																														
36	*of which loans collateralised by commercial immovable property*	204.1																														
37	*of which building renovation loans*	1.6																														
38	*Debt securities*[8]	157.2																														
39	*Equity instruments*	46.9																														
40	*Non-EU country counterparties not subject to NFRD disclosure obligations*	133.8																														
41	*Loans and advances*	0																														
42	*Debt securities*[8]	133.8																														
43	*Equity instruments*	0																														
44	Derivatives	27.3																														
45	On demand interbank loans	0																														
46	Cash and cash-related assets	45.8																														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	129.0																														
48	**Total GAR assets**	**4,868.9**	**2,487.0**	**0.2**	**0**	**0**	**0.2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,487.0**	**0.2**	**0**	**0**	**0.2**
49	**Assets not covered for GAR calculation**	**472.7**																														
50	Central governments and Supranational issuers[9]	135.9																														
51	Central banks exposure	336.7																														
52	Trading book	0																														
53	**Total assets**	**5,341.5**	**2,487.0**	**0.2**	**0**	**0**	**0.2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,487.0**	**0.2**	**0**	**0**	**0.2**
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	14.1	2.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.9	0	0	0	0
55	Assets under management[10]	1,556.8	479.6	118.4	0	6.3	0	1.9	0.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	481.5	119.1	0	6.3	0
56	*of which debt securities*[10]	468.6	218.9	77.5	0	0	0	1.8	0.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	220.8	78.1	0	0	0
57	*of which equity instruments*[10]	1,088.2	260.7	40.9	0	6.3	0	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	260.8	41.0	0	6.3	0

The greyed-out cells should not be filled in.

[1] Comparative figures are not reported in the first reporting year.

[2] Where the taxonomy eligibility refers to a corporate exposure: Taxonomy data based on the companies' respective 2022 taxonomy reporting. Where the requested data could not be found in the companies' taxonomy reporting for 2022, zero is written. Taxonomy eligibility reported only for those exposures where the company reported on eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from each respective company's reporting, 0 is reported in the taxonomy eligibility. The amount specified for taxonomy eligibility is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data.

[3] Where taxonomy alignment refers to a corporate exposure: Taxonomy data based on the companies' respective 2022 Taxonomy reporting. Where the requested data could not be found in the companies' taxonomy reporting for 2022, zero is written. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from each company's reporting, 0 is reported in taxonomy alignment. The amount indicated for taxonomy alignment is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data.

[4] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Since credit institutions have not yet reported taxonomy eligibility at the environmental objective level, the assumption has been made that any reported taxonomy eligibility relates to environmental objective 1 (CCM).

[6] In cases where the company has reported taxonomy eligibility but has not provided information about which environmental objective they are subject to, the assumption has been made that their taxonomy eligibility refers to environmental objective 1 (CCM).

[7] The entire mortgage loan portfolio is EU Taxonomy eligible. Of this, exposures corresponding to EUR 11.5 M are attributable to properties covered by A-rated energy performance certificates and are thus relevant for potential compatibility with Target 1 (CCM). DNSH and MSS could not be evaluated and therefore 0 for taxonomy alignment is reported in cell c25.

[8] Exposures to multilateral development banks are classified as exposures to credit institutions. To deduce whether these are located in the EU or not, their geographic location has been determined based on the issuer's head office.

[9] The central governments category includes exposures to both central governments and municipalities. Supranational issuers are defined as exposures to international organisations, but not exposures to multilateral development banks, which are classified as exposures to credit institutions.

[10] Reported assets under management are based on direct holdings of funds and model portfolios. Other individual discretionary portfolios, funds, ETFs and derivatives are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. Taxonomy eligibility amounts in columns (b) and (g) are calculated based on the percentage distribution of taxonomy alignment between Objective 1 (CCM) and Objective 2 (CCA). The reason is that there are no taxonomy eligibility data broken down by CCM and CCA in the available taxonomy reports. No separate voluntary reporting according to estimates is made for investee companies that are not NFRD companies.

1. Assets for the calculation of GAR – CapEx

	Million EUR	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	AF
			2023[1]																													
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Total [gross] carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]					Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				Of which towards taxonomy relevant sectors (Taxonomy-eligible)[2]				
				Of which environmentally sustainable (Taxonomy-aligned)[3]					Of which environmentally sustainable (Taxonomy-aligned)[3]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]				Of which environmentally sustainable (Taxonomy-aligned)[3,4]			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR – Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3,379.7	2,486.6	0.2	0	0	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,486.6	0.2	0	0	0.1
2	Financial undertakings	406.8	5.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.0	0	0	0	0
3	*Credit institutions[5]*	405.8	5.0	0	0	0	0	,,0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.0	0	0	0	0
4	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Debt securities, including UoP*	405.8	5.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.0	0	0	0	0
6	*Equity instruments*	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
7	*Other financial corporations*	1.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	*of which investment firms*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
12	*of which management companies*	*1.0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	1.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
16	*of which insurance undertakings*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
20	Non-financial undertakings[6]	36.7	33.7	0.2	0	0	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33.7	0.2	0	0	0.1
21	*Loans and advances*	31.5	31.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31.5	0	0	0	0
22	*Debt securities, including UoP*	5.2	2.2	0.2	0	0	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.2	0.2	0	0	0.1
23	*Equity instruments*	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
24	Households	2,936.2	2,447.9	0	0	0	0	0	0	0	0					0	0	0	0									2,447.9	0	0	0	0
25	*of which loans collateralised by residential immovable property[7]*	*2,350.7*	*2,350.7*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*2,350.7*	*0*	*0*	*0*	*0*
26	*of which building renovation loans*	*89.1*	*89.1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*89.1*	*0*	*0*	*0*	*0*
27	*of which motor vehicle loans*	*8.1*	*8.1*	*0*	*0*	*0*	*0*																					*8.1*	*0*	*0*	*0*	*0*
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	*Housing financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	*Other local government financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**1,489.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
33	Financial and Non-financial undertakings	1,287.0																														
34	*SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations*	1,153.2																														
35	*Loans and advances*	949.1																														
36	*of which loans collateralised by commercial immovable property*	*204.1*																														
37	*of which building renovation loans*	*1.6*																														
38	*Debt securities[8]*	157.2																														
39	*Equity instruments*	46.9																														
40	*Non-EU country counterparties not subject to NFRD disclosure obligations*	133.8																														
41	*Loans and advances*	0																														
42	*Debt securities[8]*	133.8																														
43	*Equity instruments*	0																														
44	Derivatives	27.3																														
45	On demand interbank loans	0																														
46	Cash and cash-related assets	45.8																														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	129.0																														
48	**Total GAR assets**	**4,868.9**	**2,486.6**	**0.2**	**0**	**0**	**0.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,486.6**	**0.2**	**0**	**0**	**0.1**
49	**Assets not covered for GAR calculation**	**472.7**																														
50	Central governments and Supranational issuers[9]	135.9																														
51	Central banks exposure	336.7																														
52	Trading book	0																														
53	**Total assets**	**5,341.5**	**2,486.6**	**0.2**	**0**	**0**	**0.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,486.6**	**0.2**	**0**	**0**	**0.1**
	Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	14.1	13.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13.0	0	0	0	0
55	Assets under management[10]	1,556.8	585.2	178.0	0	31.3	0	0.6	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	585.8	178.2	0	31.3	0
56	*of which debt securities[10]*	*468.6*	*250.9*	*98.5*	*0*	*23.1*	*0*	*0.6*	*0.2*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*251.5*	*98.7*	*0*	*23.1*	*0*
57	*of which equity instruments[10]*	*1,088.2*	*334.3*	*79.5*	*0*	*8.2*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*334.3*	*79.5*	*0*	*8.2*	*0*

The greyed-out cells should not be filled in.

[1] Comparative figures are not reported in the first reporting year.

[2] Where the taxonomy eligibility refers to a corporate exposure: Taxonomy data based on the companies' respective 2022 taxonomy reporting. Where the requested data could not be found in the companies' taxonomy reporting for 2022, zero is written. Taxonomy eligibility reported only for those exposures where the company reported on eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from each respective company's reporting, 0 is reported in the taxonomy eligibility. The amount specified for taxonomy eligibility is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage for CapEx-based data.

[3] Where taxonomy alignment refers to a corporate exposure: Taxonomy data based on the companies' respective 2022 Taxonomy reporting. Where the requested data could not be found in the companies' taxonomy reporting for 2022, zero is written. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, Zero is reported in taxonomy alignment. The amount indicated for taxonomy alignment is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx data.

[4] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Since credit institutions have not yet reported taxonomy eligibility at the environmental objective level, the assumption has been made that any reported taxonomy eligibility relates to environmental objective 1 (CCM).

[6] In cases where the company has reported taxonomy eligibility but has not provided information about which environmental objective they are subject to, the assumption has been made that their taxonomy eligibility refers to environmental objective 1 (CCM).

[7] The entire mortgage portfolio is subject to the EU Taxonomy. Of this, exposures corresponding to EUR 11.5 million are attributable to real estate covered by A-rated energy certificates and thus relevant for potential compatibility with Target 1 (CCM). DNSH and MSS could not be evaluated and therefore 0 for taxonomy alignment is reported in cell c25.

[8] Exposures to multilateral development banks are classified as exposures to credit institutions. To deduce whether these are located in the EU or not within the EU, their geographic location has been determined based on the issuer's head office

[9] The central governments category includes exposures to both central governments and municipalities. Supranational issuers are defined as exposures to international organisations, but not exposures to multilateral development banks that are classified as exposures to credit institutions.

[10] Reported assets under management are based on direct holdings of funds and model portfolios. Other individual discretionary portfolios, funds, ETFs and derivatives are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. Taxonomy eligibility amounts in columns (b) and (g) are calculated based on the percentage distribution of Taxonomy-alignment between Objective 1 (CCM) and Objective 2 (CCA). The reason is that there are no taxonomy eligibility data broken down by CCM and CCA in the available taxonomy reports. No separate voluntary reporting according to estimates is made for investee companies that are not NFRD companies.

2. GAR sector information – Turnover

	Breakdown by sector – NACE 4 digits level (code and label)[1]	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)[3]	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)[3]	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)[3,4]	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)[3,4]	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)[3,4]	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)[3,4]	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)[3,4]	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	C17.2.9 Manufacture of other articles of paper and paperboard	0.5	0			0	0			0	0			0	0			0	0			0	0			0.5	0		
2	C28.2.2 Manufacture of lifting and handling equipment	0.6	0.1			0	0			0	0			0	0			0	0			0	0			0.6	0.1		
3	C29.2.0 Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers	0	0			0	0			0	0			0	0			0	0			0	0			0	0		
4	N82.9.9 Other business service activities n.e.c.	0	0			0	0			0	0			0	0			0	0			0	0			0	0		
5	H50.2.0 Sea and coastal freight water transport	0.5	0			0	0			0	0			0	0			0	0			0	0			0.5	0		
6	L68.2.0 Rental and operating of own or leased real estate	31.7	0.1			0	0			0	0			0	0			0	0			0	0			31.7	0.1		

The greyed-out cells should not be filled in.

[1] NACE code chosen according to the issuer's/borrower's main place of business.

[2] The amount provided for taxonomy eligibility is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility reported only for those exposures where the company reported eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from each respective company's reporting, zero is reported in taxonomy eligibility in Table 1 and is not included in Table 2.

[3] The amount provided for taxonomy alignment is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from each respective company's reporting, zero is reported in taxonomy alignment in Table 1 and is not included in Table 2.

[4] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

2. GAR sector information – CapEx

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB
Breakdown by sector – NACE 4 digits level (code and label)[1]		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount		[Gross] carrying amount[2]		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)[3]	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)[3]	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)[3,4]	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)[3,4]	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)[3,4]	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)[3,4]	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)[3,4]	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	C17.2.9 Manufacture of other articles of paper and paperboard	0.3	0			0	0			0	0			0	0			0	0			0	0			0.3	0.0		
2	C28.2.2 Manufacture of lifting and handling equipment	0.2	0.04			0	0			0	0			0	0			0	0			0	0			0.2	0.0		
3	C29.2.0 Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers	0.1	0.02			0	0			0	0			0	0			0	0			0	0			0.1	0.0		
4	N82.9.9 Other business service activities n.e.c.	0.2	0.01			0	0			0	0			0	0			0	0			0	0			0.2	0.0		
5	H50.2.0 Sea and coastal freight water transport	0.5	0.09			0	0			0	0			0	0			0	0			0	0			0.5	0.1		
6	L68.2.0 Rental and operating of own or leased real estate	32.4	0.06			0	0			0	0			0	0			0	0			0	0			32.4	0.1		

The greyed-out cells should not be filled in.

[1] NACE code chosen according to the issuer's/borrower's main place of business.

[2] The amount provided for taxonomy eligibility is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility reported only for those exposures where the company reported eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from each respective company's reporting, zero is reported in taxonomy eligibility in Table 1 and is not included in Table 2.

[3] The amount provided for taxonomy alignment is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from each respective company's reporting, zero is reported in taxonomy alignment in Table 1 and is not included in Table 2.

[4] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

3. GAR KPI stock – Turnover

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	AF
		2023[1]																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	% (compared to total covered assets in the denominator)[2]	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR – Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	51.1	0.004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	51.1	0.004	0	0	0	69.4
2	Financial undertakings	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	8.4
3	*Credit institutions[6]*	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	8.3
4	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Debt securities, including UoP*	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	8.3
6	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
7	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	*of which investment firms*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
12	*of which management companies*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
16	*of which insurance undertakings*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
20	Non-financial undertakings[7]	0.7	0.004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.7	0.004	0	0	0	0.8
21	*Loans and advances*	0.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.6	0	0	0	0	0.6
22	*Debt securities, including UoP*	0.1	0.004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0.004	0	0	0	0.1
23	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
24	Households	50.3	0	0	0	0	0	0	0	0					0	0	0	0									50.3	0	0	0	0	60.3
25	*of which loans collateralised by residential immovable property[8]*	*48.3*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*48.3*	*0*	*0*	*0*	*0*	*48.3*
26	*of which building renovation loans*	*1.8*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*1.8*	*0*	*0*	*0*	*0*	*1.8*
27	*of which motor vehicle loans*	*0.2*	*0*	*0*	*0*	*0*																										
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	*Housing financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	*Other local government financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Total GAR assets**	**51.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**51.1**	**0**	**0**	**0**	**0**	**100.0**

The greyed-out cells should not be filled in.

[1] Comparative figures are not reported in the first reporting year.

[2] Assuming that % (compared to total covered assets in the denominator) is calculated as the corresponding amount in Table 1 for turnover-based data, for taxonomy-eligibility and taxonomy alignment, divided by the total assets covered (a48 in Table 1).

[3] The underlying amounts on which the percentages are based are the amounts shown in Table 1. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each respective company's report, with the percentage for turnover-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility is reported only for those exposures where the company reported eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported in the taxonomy eligibility in Table 1 and consequently a value of zero in Table 3.

[4] The underlying amounts on which the percentages are based are the amounts shown in Table 1. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment of zero is reported in Table 1, and consequently also a value of zero in Table 3.

[5] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[6] Since credit institutions have not yet reported taxonomy eligibility at the environmental objective level, the assumption has been made that any reported taxonomy eligibility relates to environmental objective 1 (CCM).

[7] In cases where the company has reported taxonomy eligibility but has not informed which environmental objective they are covered by, it has been assumed that their taxonomy eligibility refers to environmental objective 1 (CCM).

[8] The entire housing loan portfolio is Taxonomy-eligible. Of this, exposures corresponding to EUR 11.5 million are attributable to properties covered by Energy Performance Certificate A, and thus relevant for potential compatibility with Target 1 (CCM). DNSH and MSS could not be evaluated and therefore zero is reported for taxonomy alignment.

3. GAR KPI stock – CapEx

	% (compared to total covered assets in the denominator)[2]	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	AF
		2023[1]																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[3]					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[4,5]				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR – Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	51.1	0.004	0	0	0.003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	51.1	0.004	0	0	0.003	69.4
2	Financial undertakings	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	8.4
3	*Credit institutions*[6]	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	8.3
4	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Debt securities, including UoP*	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	8.3
6	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
7	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0.02
8	*of which investment firms*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*		*0*	*0*	*0*
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
11	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
12	*of which management companies*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*		*0*	*0*	*0.02*
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0.02
15	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
16	*of which insurance undertakings*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*		*0*	*0*	*0*
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
19	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
20	Non-financial undertakings[7]	0.7	0.004	0	0	0.003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.7	0.004	0	0	0.003	0.8
21	*Loans and advances*	0.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.6	0	0	0	0	0.6
22	*Debt securities, including UoP*	0.05	0.004	0	0	0.003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.05	0.004	0	0	0.003	0.1
23	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
24	Households	50.3	0	0	0	0	0	0	0	0					0	0	0	0									50.3	0	0	0	0	60.3
25	*of which loans collateralised by residential immovable property*[8]	*48.3*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*48.3*	*0*	*0*	*0*	*0*	*48.3*
26	*of which building renovation loans*	*1.8*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*1.8*	*0*	*0*	*0*	*0*	*1.8*
27	*of which motor vehicle loans*	*0.2*	*0*	*0*	*0*	*0*																										
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	*Housing financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	*Other local government financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Total GAR assets**	**51.1**	**0.004**	**0**	**0**	**0.003**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**51.1**	**0.004**	**0**	**0**	**0.003**	**100**

The greyed-out cells should not be filled in.

[1] Comparative figures are not reported in the first reporting year.

[2] Assuming that % (compared to total covered assets in the denominator) is calculated as the corresponding amount in Table 1 for CapEx-based data, for taxonomy eligibility and taxonomy alignment, divided by the total assets covered (a48 in Table 1).

[3] The underlying amounts on which the percentages are based are the amounts shown in Table 1. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each respective company's report, with the percentage for CapEx-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility is reported only for those exposures where the company reported eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported in the taxonomy eligibility in Table 1 and consequently a value of zero in Table 3.

[4] The underlying amounts on which the percentages are based are the amounts shown in Table 1. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment of zero is reported in Table 1, and consequently also a value of zero in Table 3.

[5] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[6] Since credit institutions have not yet reported taxonomy eligibility at the environmental objective level, the assumption has been made that any reported taxonomy eligibility relates to environmental objective 1 (CCM).

[7] In cases where the company has reported taxonomy scope but has not informed which environmental objective they are covered by, it has been assumed that their taxonomy scope refers to environmental objective 1 (CCM).

[8] The entire housing loan portfolio is Taxonomy-eligible. Of this, exposures corresponding to EUR 11.5 million are attributable to properties covered by Energy Performance Certificate A, and thus relevant for potential compatibility with Target 1 (CCM). DNSH and MSS could not be evaluated and therefore zero is reported for taxonomy alignment.

4. GAR KPI flow – Turnover

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	AF
		2023																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	% (compared to flow of total eligible assets)[1]	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR – Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	8.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8.7	0	0	0	0	13.5
2	Financial undertakings	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	3.8
3	*Credit institutions*[5]	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	3.8
4	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Debt securities, including UoP*	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	3.8
6	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
7	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	*of which investment firms*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
12	*of which management companies*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
16	*of which insurance undertakings*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
20	Non-financial undertakings[6]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	*Debt securities, including UoP*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
24	Households	8.6	0	0	0	0	0	0	0	0					0	0	0	0									8.6	0	0	0	0	9.8
25	*of which loans collateralised by residential immovable property*	*8.3*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*8.3*	*0*	*0*	*0*	*0*	*8.3*
26	*of which building renovation loans*	*0.3*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*					*0*	*0*	*0*	*0*									*0.3*	*0*	*0*	*0*	*0*	*0.3*
27	*of which motor vehicle loans*	*0.1*	*0*	*0*	*0*	*0*																					*0.1*	*0*	*0*	*0*	*0*	*0.1*
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	*Housing financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	*Other local government financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Total GAR assets**	**8.7**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8.7**	**0**	**0**	**0**	**0**	**17.9**

The greyed-out cells should not be filled in.

[1] The flow is defined as new in the reporting year 2023. Assumption that % (compared to flow of total eligible assets) is calculated as the corresponding amount in Table 1 within the 2023 flow of turnover-based data, in terms of Taxonomy eligibility and Taxonomy alignment, divided by the sum of total covered assets. Assumption that the denominator is not limited to the flow but is based on the total assets covered.

[2] The underlying amounts on which the percentage is based are in the numerator the flow of new arrivals during the reporting year. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility reported only for those exposures where the entity reported on eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported as the taxonomy eligibility in the flow statement, and it consequently also gets a value of zero in Table 4.

[3] The underlying amounts on which the percentage is based, are in the numerator, the flow of new arrivals during the reporting year. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported Taxonomy-alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment is reported as zero in the flow compilation, and consequently also has a value of zero in Table 4.

[4] Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Since credit institutions have not yet reported taxonomy-eligibility at the environmental objective level, the assumption has been made that any reported taxonomy scope relates to environmental objective 1 (CCM).

[6] In cases where the company has reported taxonomy eligibility but has not provided information about which environmental objective they are subject to, the assumption has been made that their taxonomy eligibility refers to environmental objective 1 (CCM).

4. GAR KPI flow – CapEx

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	AF
		2023																														
	% (compared to flow of total eligible assets)[1]	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR – Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	8.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8.7	0	0	0	0	13.5
2	Financial undertakings	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	3.8
3	*Credit institutions*[5]	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	3.8
4	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Debt securities, including UoP*	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	3.8
6	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
7	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	*of which investment firms*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
12	*of which management companies*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
16	*of which insurance undertakings*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
20	Non-financial undertakings[6]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	*Loans and advances*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	*Debt securities, including UoP*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	*Equity instruments*	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
24	Households	8.6	0	0	0	0	0	0	0	0					0	0	0	0									8.6	0	0	0	0	9.8
25	*of which loans collateralised by residential immovable property*	8.3	0	0	0	0	0	0	0	0					0	0	0	0									8.3	0	0	0	0	8.3
26	*of which building renovation loans*	0.3	0	0	0	0	0	0	0	0					0	0	0	0									0.3	0	0	0	0	0.3
27	*of which motor vehicle loans*	0.1	0	0	0	0																					0.1	0	0	0	0	0.1
28	Local governments financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	*Housing financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	*Other local government financing*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Total GAR assets**	**8.7**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8.7**	**0**	**0**	**0**	**0**	**17.9**

The greyed-out cells should not be filled in.

[1] The flow is defined as new in the reporting year 2023. Assumption that % (compared to flow of total eligible assets) is calculated as the corresponding amount in Table 1 within the 2023 flow of CapEx-based data, in terms of taxonomy eligibility and taxonomy alignment, divided by the sum of total covered assets. Assumption that the denominator is not limited to the flow but is based on the total assets covered.

[2] The underlying amounts on which the percentage is based are in the numerator the flow of new arrivals during the reporting year. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility reported only for those exposures where the entity reported on eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported as the taxonomy eligibility in the flow statement, and it consequently also gets a value of zero in Table 4.

[3] The underlying amounts on which the percentage is based, are in the numerator, the flow of new arrivals during the reporting year. In the case of corporate exposures, the amounts derive from holdings or exposures multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported Taxonomy-alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment is reported as zero in the flow compilation, and consequently also has a value of zero in Table 4.

[4] Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Since credit institutions have not yet reported taxonomy-eligibility at the environmental objective level, the assumption has been made that any reported taxonomy scope relates to environmental objective 1 (CCM).

[6] In cases where the company has reported taxonomy eligibility but has not provided information about which environmental objective they are subject to, the assumption has been made that their taxonomy eligibility refers to environmental objective 1 (CCM).

5. KPI off-balance sheet exposures, GAR stock, Turnover

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE
		2023																													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				
	% (compared to total eligible off-balance sheet assets) [1]		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]			
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	13.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13.4	0	0	0	0
2	Assets under management (AuM KPI) [5]	9.3	2.3	0	0.1	0	0.04	0.01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9.3	2.31	0	0.1	0

The greyed-out cells should not be filled in.

[1] Assuming that % (compared to total-eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 for turnover-based data, for taxonomy eligibility and taxonomy alignment, divided by the sum of financial guarantees and total assets under management (AuM) for funds and model portfolios, excluding sovereign debt.

[2] The underlying amounts on which the numerator of the percentage calculation is based are the amounts shown in Table 1. The amounts are calculated as exposures multiplied by the stated percentage in each company's report, with the percentage of turnover-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility is reported only for those exposures where the company reported scope as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported for taxonomy eligibility in Table 1 and it consequently also has a value of zero in Table 5.

[3] The amounts underlying the numerator of the percentage calculation are the amounts shown in Table 1. The amounts are calculated as exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment of zero is reported in Table 1 and consequently it is also given a value of zero in Table 5.

[4] Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Reported assets under management are based on direct holdings of funds and model portfolios. Other individual discretionary portfolios, funds, ETFs and derivatives are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy scope. The taxonomy eligibility amounts are calculated based on the percentage distribution of taxonomy alignment between Objective 1 (CCM) and Objective 2 (CCA). The reason is that there is no taxonomy eligibility data broken down by CCM and CCA in the available taxonomy reports. No separate voluntary reporting according to estimates is made for investee companies that are not NFRD companies.

5. KPI off-balance sheet exposures, GAR stock, CapEx

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE
		2023																													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible) [2]				
	% (compared to total eligible off-balance sheet assets) [1]		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) [3,4]			
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	60.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60.9	0	0	0	0
2	Assets under management (AuM KPI) [5]	11.3	3.5	0	0.6	0	0.01	0.004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11.4	3.5	0	0.6	0

The greyed-out cells should not be filled in.

[1] Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 for CapEx-based data, for taxonomy eligibility and taxonomy alignment, divided by, respectively, the sum of financial guarantees or total assets under management (AuM) for funds and model portfolios, excluding sovereign debt.

[2] The underlying amounts on which the numerator of the percentage calculation is based are the amounts shown in Table 1. The amounts are calculated as exposures multiplied by the stated percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility is reported only for those exposures where the company reported eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported for taxonomy eligibility in Table 1 and it consequently also has a value of zero in Table 5.

[3] The amounts underlying the numerator of the percentage calculation are the amounts shown in Table 1. The amounts are calculated as exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment of zero is reported in Table 1 and consequently it is also given a value of zero in Table 5.

[4] Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Reported assets under management are based on direct holdings of funds and model portfolios. Other individual discretionary portfolios, funds, ETFs and derivatives are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy scope. The Taxonomy eligibility amounts are calculated based on the percentage distribution of taxonomy alignment between Objective 1 (CCM) and Objective 2 (CCA). The reason is that there is no taxonomy eligibility data broken down by CCM and CCA in the available taxonomy reports. No separate voluntary reporting according to estimates is made for investee companies that are not NFRD companies.

5. KPI off-balance sheet exposures, GAR flow, Turnover

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE
	2023																													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				
% (compared to total eligible off-balance sheet assets)[1]		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]			
			Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1 Financial guarantees (FinGuar KPI)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Assets under management (AuM KPI)[5]	3.1	1.0	0	0.01	0	0.04	0.01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3.1	1.0	0	0.01	0

The greyed-out cells should not be filled in.

[1] The flow is defined as new in the reporting year 2023. Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 within the 2023 flow of turnover-based data on taxonomy eligibility and taxonomy alignment, divided by the sum of, respectively, financial guarantees and total assets under management (AuM) on funds and model portfolios, excluding sovereign debt. This assumes that the denominator is not limited to the flow but is based on the total assets covered..

[2] In the numerator, the underlying amounts on which the percentage is based are the flow of new arrivals during the reporting year. The amounts are calculated as exposures multiplied by the percentage stated in each company's report, with the percentage of turnover-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility is reported only for those exposures where the company reported on eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported for taxonomy eligibility in the flow statement, and it consequently also has a value of zero in Table 5.

[3] In the numerator, the underlying amounts on which the percentage is based are the flow of new arrivals during the reporting year. The amounts are calculated as exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment is reported as zero in the flow compilation, and it consequently also has a value of zero in Table 5.

[4] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Reported assets under management are based on direct holdings of mutual funds. Other individual discretionary portfolios, funds, ETFs and derivatives are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. Taxonomy eligibility amounts are calculated based on the percentage distribution of taxonomy alignment between Objective 1 (CCM) for taxonomy eligibility allocated between CCM and CCA in available taxonomy reports. No specific voluntary reporting is made according to estimates for investee companies that are not NFRD companies.

5. KPI off-balance sheet exposures, GAR flow, CapEx

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE
	2023																													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[2]				
% (compared to total eligible off-balance sheet assets)[1]		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[3,4]			
			Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1 Financial guarantees (FinGuar KPI)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Assets under management (AuM KPI)[5]	4.3	1.4	0	0.2	0	0.01	0.004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4.3	1.5	0	0.2	0

The greyed-out cells should not be filled in.

[1] The flow is defined as new in the reporting year 2023. Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 within the 2023 flow of CapEx-based data on taxonomy eligibility and taxonomy alignment, divided by the sum of, respectively, financial guarantees or total assets under management (AuM) on funds and model portfolios, excluding sovereign debt. This assumes that the denominator is not limited to the flow but is based on the total assets covered.

[2] In the numerator, the underlying amounts on which the percentage is based are the flow of new arrivals during the reporting year. The amounts are calculated as exposures multiplied by the percentage stated in each company's report, with the percentage of CapEx-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy eligibility is reported only for those exposures where the company reported on eligibility as a percentage of turnover or capital expenditure. In cases where relevant data points are missing from the respective company's reporting, zero is reported for taxonomy eligibility in the flow statement, and it consequently also has a value of zero in Table 5.

[3] In the numerator, the underlying amounts on which the percentage is based are the flow of new arrivals during the reporting year. The amounts are calculated as exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data are based on companies' respective 2022 taxonomy reporting. Taxonomy alignment is only reported for those holdings where the issuer reported taxonomy alignment. In cases where relevant data points are missing from the respective company's reporting, taxonomy alignment is reported as zero in the flow compilation, and it consequently also has a value of zero in Table 5.

[4] Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

[5] Reported assets under management are based on direct holdings of mutual funds. Other individual discretionary portfolios, funds, ETFs and derivatives are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. Taxonomy eligibility amounts are calculated based on the percentage distribution of taxonomy alignment between Objective 1 (CCM) for taxonomy eligibility allocated between CCM and CCA in available taxonomy reports. No specific voluntary reporting is made according to estimates for investee companies that are not NFRD companies.

Taxonomy reporting on nuclear energy and fossil gas-related activities[1]

1. Nuclear and fossil gas related activities

	Nuclear energy related activities	YES/NO
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES

	Fossil gas related activities	YES/NO
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

[1] Taxonomy reporting on nuclear energy and fossil gas-related activities under Article 8 of (EU) 2021/2178, Annex XII.

2. Taxonomy-aligned economic activities (denominator) regarding Turnover[1]

	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.1	3	0.1	3	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	5.4	88	5.4	88	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**0.2**	**9**	**0.2**	**9**	**0**	**0**
8	**Total applicable KPI**	**24.6**	**100**	**24.6**	**100**	**0**	**0**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company’s own reporting.

2. Taxonomy-aligned economic activities (denominator) regarding CapEx[1]

	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4.3	71	4.3	71	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1.4	23	1.4	23	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**0.4**	**6**	**0.4**	**6**	**0**	**0**
8	**Total applicable KPI**	**6.0**	**100**	**6.0**	**100**	**0**	**0**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

3. Taxonomy-aligned economic activities (numerator) regarding Turnover[1]

	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.4	2	0.4	2	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	18.2	95	18.2	95	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**0.6**	**0**	**0.6**	**0**	**0**	**0**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**19.2**	**100**	**19.2**	**100**	**0**	**0**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

3. Taxonomy-aligned economic activities (numerator) regarding CapEx[1]

	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	4.3	70	4.3	70	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	1.5	25	1.5	25	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**0.3**	**5**	**0.3**	**5**	**0**	**0**
8	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**6.1**	**100**	**6.1**	**100**	**0**	**0**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

4. Taxonomy-eligible but not taxonomy-aligned economic activities regarding Turnover[1]

	Economic activities	Proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.05	83	0.05	83	0	0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**0.01**	**17**	**0.01**	**17**	**0**	**0**
8	**Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI**	**0.05**	**100**	**0.05**	**100**	**0**	**0**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

4. Taxonomy-eligible but not taxonomy-aligned economic activities regarding CapEx[1]

	Economic activities	Proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.03	100	0.03	100	0	0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**0**	**0**	**0**	**0**	**0**	**0**
8	**Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI**	**0.03**	**100**	**0.03**	**100**	**0**	**0**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

5. Taxonomy non-eligible economic activities regarding Turnover[1]

	Economic activities	Amount, MEUR	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.03	5
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI'**	**0.5**	**95**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**0.6**	**100**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

5. Taxonomy non-eligible economic activities regarding CapEx[1]

	Economic activities	Amount, MEUR	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.02	22
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI'**	**0.1**	**78**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**0.1**	**100**

[1] The reporting refers only to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

S3. Responsible investments

The Bank of Åland has a wide range of products and services where the environmental, social and corporate governance (ESG) aspects are integrated into the investment processes. Below are Ålandsbanken Fondbolag's assets under management, allocated by their classification in SFDR, the EU's regulation for sustainability-related disclosures. SFDR classifies funds into three main categories, Articles 6, 8 and 9. Article 9 consists of so-called dark green funds (which put their money into sustainable investments), Article 8 consists of light green funds (which promote environmental and social aspects), and Article 6 consists of other funds.

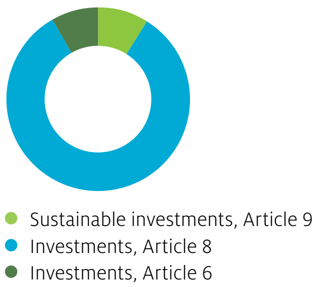
The funds are also evaluated in accordance with the Principles for Responsible Investment (PRI), so that measures can be taken when irregularities are noticed. There is also a dialogue with the companies involved about sustainability goals (SBTi).

Classification and evaluation	2023		2022	
	EUR K	% of total	EUR K	% of total
Sustainable investments, Article 9[1]	385,720	9	319,023	8
Investments, Article 8[1]	3,513,035	83	3,271,852	81
Investments, Article 6[1]	341,121	8	437,564	11
Product range				
Percentage of funds evaluated according to PRI (Principles for Responsible Investment)		100		100
Percentage of fund holdings that have joined SBTi		47		36
Percentage of fund holdings that have begun the process of joining SBTi		15		23
Percentage of fund holdings that have not yet begun the process of joining SBTi		38		41

[1] The figures include Ålandsbanken Fondbolag's managed fund assets, allocated by SFDR classifications.

Review of investments	2023	2022
	% of total	% of total
Percentage of fund assets that have been ESG screened	100	100
Percentage of companies that violate international agreements (breach of standards)	2	2

Fund assets, allocated by SFDR classifications, Articles 6, 8 and 9.



S4. Responsible lending

Lending to the public	2023	2022
per cent		
Percentage of lending to the public by region		
Finland	71	67
Sweden	29	33

Lending to companies	2023	2022
EUR M		
Lending to companies, by sector		
Agriculture, forestry and fishing	15	15
Real estate activities	422	435
Transportation and storage	29	41
Hotel and restaurant activities	31	32
Financial and insurance activities	231	230
Electricity, gas, steam and air conditioning supply	4	3
Manufacturing	27	26
Rentals, real estate services, travel services and other supportive services	14	14
Legal, financial, scientific and technical activities	70	79
Construction	56	56
Water supply, sewerage, waste management and remediation activity	2	2
Arts, entertainment and recreation	17	17
Wholesale and retail trade, repair of motor vehicles and motorcycles	36	40
Other service activities	22	24
Human health and social work activities	15	16
Information and communication	7	9
Education	0	1
Public administration and defence, compulsory social security	9	9
Business activities, private individuals	78	87
Total lending to companies[1]	**1,087**	**1,136**

Mortgage loans	2023	2022
kg CO_2e/m^2		
CO_2e emissions from our mortgage loans[2] per square metre[2]	7.1	6.8
of which Finland	*7.3*	*7.3*
of which Sweden	*3.2*	*3.4*

Green Bonds	2022	2021
Green Bonds total[3]	13.5	13.5
of which renewable energy, %	*20*	*18*
of which green properties, %	*80*	*82*
Emissions avoided, tonnes of CO_2e[4]	5,921.2	4,359.8

[1] The total includes loan amounts in the balance sheet (not counting overdrafts and credit cards). Business activities, private individuals is included in corporate lending here. Should only be regarded as a basis for sustainability reporting and differs from other sectoral classification.

[2] Includes only emissions from residential properties with information on actual size in square metres. Sweden only includes flats, since square metre information on other properties was not available. The Finland figure includes flats and other properties. As of December 31, 2023, the reported emissions have been restated for home mortgage loans as a result of a major improvement in the calculation method. In previous years, emissions have been based on all collateral connected to a mortgage loan, but as of 2023 the primary residential property connected to the loan forms the basis of the estimate. In addition, a major revision has also been made in the emission factors for various heating methods used in the calculations. Because of the change in calculation method, the reported CO_2e emissions for mortgage loans have been reduced, compared to previously reported figures. Due to an improvement in the calculation method, comparative figures have been restated. The 2022 figure has been recalculated from 23.6 to 6.8 kg of CO_2e/m^2, of which the figure in Finland was recalculated from 24.3 to 7.3 kg of CO_2e/m^2, and the figure in Sweden from 17.2 to 3.4 kg of CO_2e/m^2.

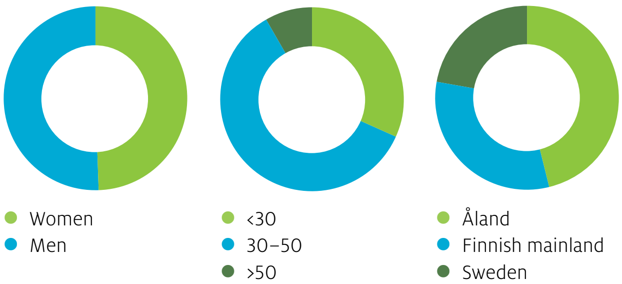
[3] The green assets have been selected in accordance with the criteria of the Bank of Åland's green framework, which has been reviewed and rated by the independent research institute Cicero Shades of Green. These are not reflected in EU Taxonomy reporting in Note S2, since the DNSH ("Do no significant harm") and MSS ("Minimum social safeguards") aspects of the technical screening criteria have not yet been verified.

[4] Avoidance of emissions due to the financing of more energy-efficient assets and production solutions than the baseline scenario reflecting the current situation.

S5. Employees and human resources

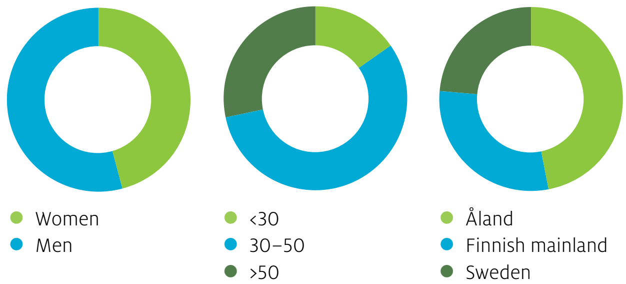
Employee mobility	2023	2022	2021
%			
Expansion, regular positions	13.4	16.1	18.6
Employee turnover	9.2	12.9	9.4

Expansion



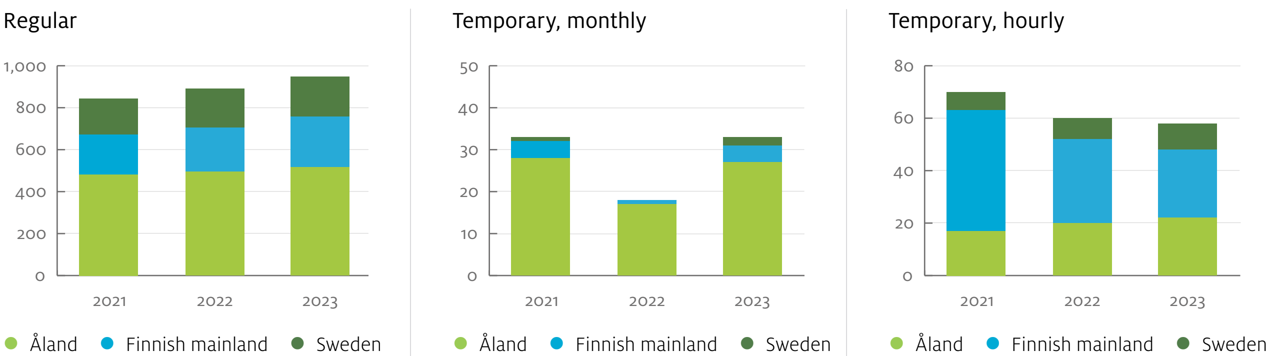
The Group hired 123 new regular employees during 2023. Expansion was 13.4 per cent compared to total FTE employees (16.1 per cent in 2022).

Employee turnover

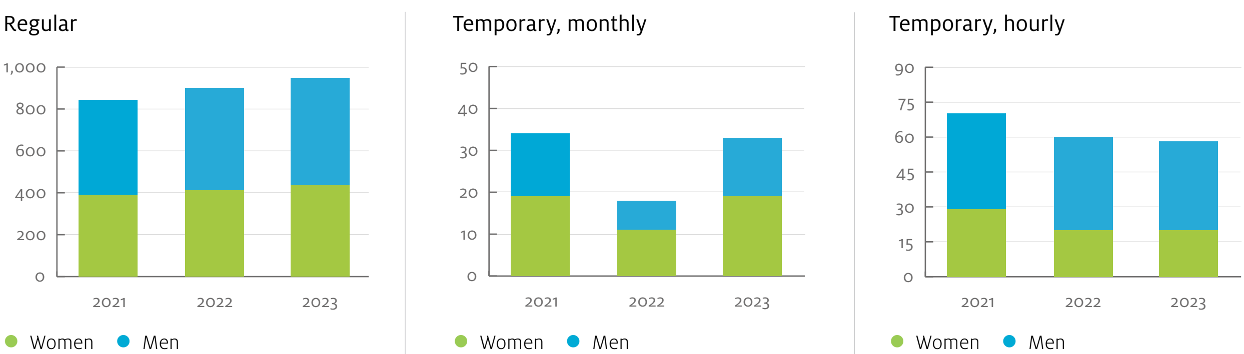


During 2023, 85 people ended their regular employment in the Bank of Åland Group. This included 11 retirements. As a percentage of average FTE employees, this was a turnover rate of 9.2 per cent (12.9 per cent in 2022).

Employee contract type by region



Employee contract type by gender



Part-time/full-time by gender and region	2023			2022		
	Part-time	Full-time	Total	Part-time	Full-time	Total
Åland						
Women	18	256	274	26	232	258
Men	16	276	292	23	250	273
Total	**34**	**532**	**566**	**49**	**482**	**531**
Finnish mainland						
Women	12	118	130	15	102	117
Men	19	120	139	25	112	137
Total	**31**	**238**	**269**	**40**	**214**	**254**
Sweden						
Women	5	66	71	5	62	67
Men	7	125	132	7	120	127
Total	**12**	**191**	**203**	**12**	**182**	**194**
Whole group						
Women	35	440	475	46	396	442
Men	42	521	563	55	482	537
Total	**119**	**961**	**1 038**	**101**	**878**	**979**

The number of jobs in the Group totalled 1,038 at the end of 2023 (2022: 979). Among these 1,038 people, 947 (91 per cent) had regular employment contracts and 91 (9 per cent) had temporary contracts. Total gender representation in the Group was 46 per cent women and 54 per cent men, divided between full-time and part-time positions. About half the workforce is stationed in Åland, while the rest are stationed on the Finnish mainland and in Sweden.

Absences due to illness, accidents	2023		2022	
	Days	%	Days	%
Absences due to illness, short-term	4,549	68	4,847	73
Absences due to illness, long-term	2,150	32	1,837	27
Absences due to illness, total	**6,699**		**6,684**	
Accidents, number per year	12		6	

Short-term absence due to illness refers to all such absences of less than 14 days during the report period. Long-term absence due to illness refers to all such absences of 15 days or more during the period. Short-term absences due to illness accounted for 68 per cent of the total, and long-term absences accounted for 32 per cent.

Gender equality

Gender breakdown	2023		2022	
	Number	%	Number	%
Managers and supervisors (excluding senior executives)				
Women	58	46	53	41
Men	69	54	77	59
Total	**127**		**130**	
Senior executives				
Women	7	39	4	31
Men	11	61	9	69
Total	**18**		**13**	
Employees excluding managers, supervisors and senior executives				
Women	410	46	385	46
Men	483	54	451	54
Total	**893**		**836**	
Total workforce excluding the Board of Directors				
Women	475	46	442	45
Men	563	54	537	55
Total	**1,038**		**979**	
Board of Directors				
Women	3	23	4	33
Men	10	77	8	67
Total	**13**		**12**	

The Group’s goal is a balanced gender breakdown (at least 40/60). Among managers and supervisors, the breakdown was 46/54. For the Group, the breakdown was 46/54 at year-end 2023. At the Board level, the breakdown was 23 per cent women and 77 per cent men.

Senior executives refers to the Group's Executive Team plus the managing director and deputy managing director of subsidiaries. Board of directors refers to all board members in each Group company.

Age breakdown	2023		2022	
	Number	%	Number	%
Managers/supervisors (excluding senior executives)				
<30	6	5	3	2
30–50	84	66	88	68
>50	37	29	39	30
Total	**127**		**130**	
Senior executives				
<30	0	0	0	0
30–50	8	44	5	38
>50	10	56	8	62
Total	**18**		**13**	
Employees excluding managers/supervisors and senior executives				
<30	188	21	187	22
30–50	475	53	429	51
>50	230	26	220	26
Total	**893**		**836**	
Total workforce excluding the Board of Directors				
<30	194	19	190	19
30–50	567	55	522	53
>50	277	27	267	27
Total	**1,038**		**979**	
Board of Directors				
<30	0	0	0	0
30–50	2	15	1	8
>50	11	85	11	92
Total	**13**		**12**	

"Senior executives" refers to the Group's Executive Team plus
the managing director and deputy managing director of subsidiaries.
"Board of Directors" refers to all board members in each Group company.
These figures were compiled on the last day of each respective year.

Skills development

Training completed, employees and managers	2023			2022		
	Total training hours[1]	Number of employees	Average per person	Total training hours[1]	Number of employees	Average per person
Managers						
of which women	*416*	*65*	*6*	*828*	*57*	*15*
of which men	*877*	*80*	*11*	*1,417*	*86*	*16*
Total	**1,293**	**145**	**9**	**2,246**	**143**	**16**
Employees excluding managers/supervisors and senior executives						
of which women	*3,926*	*410*	*10*	*3,915*	*385*	*10*
of which men	*4,797*	*483*	*10*	*5,394*	*451*	*12*
Total	**8,723**	**893**	**10**	**9,309**	**836**	**11**

[1] Including introductory training for new employees.

Training completed, by category	2023	2022
Hours		
Introductory training	2,070	2,184
Markets, trends and global events	680	227
Changes in technology	105	215
Regulatory requirements and security	4,415	3,446
Product development	12	419
Enhancing professional skills	2,366	2,801
Changes in working methods	281	2,063
Other training	87	201
Total	**10,016**	**11,555**
Average hours per employee	10	12

On average, an employee at the Bank of Åland underwent 10 hours of training during 2023. Forty-four per cent of all training hours were carried out in the field of regulatory requirements and safety focus.

Commitment and leadership indices	2023	2022
Commitment Index (0–10)	7.3	7.2
eNPS (–100 – +100)	10	5
Leadership Index (0–10)	7.9	7.5

S6. Community involvement

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 contributes to employment by providing more than 500 jobs in Åland, which makes us the second largest private employer in Åland. By paying social security fees, the Bank of Åland helps strengthen social protection. In addition, the Bank pays fees to the government's stability fund, which helps maintain financial stability in Finland. The Bank is deeply involved in the Åland community and contributes to it mainly by supporting culture, sports and studies. By doing so, we are helping to create meaningful leisure activities and a future for children and young people. We also regularly organise information activities that are open to the public. We broadened our community involvement during 2023 by proactively exploring the potential for new energy solutions, both offshore and onshore in Åland.

The Bank considers it important to ensure that Åland is a vibrant community that people want to remain in, move to and return to. Through the Bank's employees, we participate actively in numerous community functions that are important to our home province.

The Bank of Åland's attitude towards paying taxes

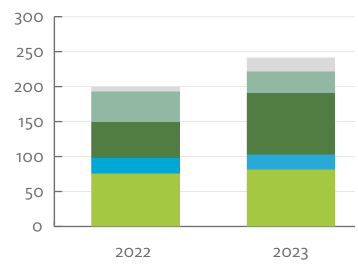
A fundamental part of the Bank of Åland's sustainability work is to pay taxes and contribute to the communities where the Bank operates. The Bank makes a great effort to ensure compliance with applicable tax laws and regulations and endeavours to act transparently and in compliance with the purpose of this legislation. When necessary, the Bank engages in dialogue with the tax authorities.

Economic value-added	2023	2022
EUR M		
Total income minus impairment losses	200.1	177.9
Value-added generated by serving the Bank's customers	200.1	177.9
Employees		
Salaries	59.9	55.9
Social security and other staff costs	21.4	19.6
Total value to employees	**81.3**	**75.5**
To central government		
Current taxes	10.7	11.2
Non-deductible value-added taxes	7.8	7.4
Deposit guarantee fees	0	0
Fees to government stability fund	3.2	3.4
Total value to central government	**21.7**	**22.1**
Interest paid to the public (deposits)	41.5	5.7
Suppliers[1]	45.1	44.6
Sponsorships	0.9	0.9
Total other value to society	**87.5**	**51.2**
Transactions with shareholders		
Dividend paid	31.3	31.1
CET1 capital instrument, dividend	1.9	1.2
Buy-backs of own shares		12,1
New share issue	−2.1	−0.6
Total transactions with shareholders	**31.2**	**43.8**
Remaining in the Bank		
Reinvested economic value	19.4	6.2

[1] Refers to miscellaneous administrative expenses and depreciation/amortisation.

Economic value-added

EUR M



Tax payments	2023			2022		
EUR M	Finland	Sweden	Total	Finland	Sweden	Total
Taxes and similar fees						
Current tax	4.7	6.0	10.7	6.1	5.1	11.2
Social security fees	10.0	7.7	17.8	9.3	7.3	16.7
Nondeductible value-added taxes	5.8	2.0	7.8	5.7	1.7	7.4
Deposit guarantee and government stability fund	3.2		3.2	3.4		3.4
Total	**23.9**	**15.7**	**39.5**	**24.6**	**14.2**	**38.8**

S7. Purchases and suppliers

The aim of Bank of Åland's purchasing management is to ensure that we buy the right things at the right price, and that suppliers meet the Bank's requirements. Procurements must support the Bank's strategy and comply with the applicable regulations.

In 2023, the Bank of Åland had 304 active suppliers, from which the Bank purchased products and services valued at EUR 34,896,182. A total of 23 supplier dialogues have been held with existing and new suppliers in order to evaluate and ensure that agreed conditions have been met.

Purchases and suppliers	2023	2022
EUR K		
Suppliers		
Number of active suppliers[1]	304	261
Number of supplier dialogues[2]	23	14
Purchases, value by category		
Information and communication	14,473	23,109
Financial and insurance activities	4,396	4,081
Legal, financial, scientific and technical activities	4,321	3,859
Real estate activities	3,318	2,805
Rentals, real estate services, travel services and other supportive services	2,782	2,771
Transportation and storage	1,669	1,430
Wholesale and retail trade	828	632
Other service activities	532	607
Hotel and restaurant activities	432	526
Electricity, gas, steam and air conditioning supply	263	308
Human health and social work activities	331	289
Public administration and defence; compulsory social security	1,030	251
Education	167	155
Manufacturing	175	107
Arts, entertainment and recreation	161	62
Construction		29
Water supply, sewerage, waste management and remediation activities		12
Agriculture, forestry and fishing	17	
Purchases, value[3]	**34,896**	**41,033**

[1] Active supplier: A supplier that invoiced more than EUR 10,000 during the year.

[2] Dialogues: The number of dialogues conducted with suppliers to evaluate their deliveries and collaboration.

[3] Purchases: Total purchases from active suppliers, which invoiced more than EUR 10,000.

S8. The UN global goals and an overview of the Bank of Åland's related activities

Below we provide an overview of how our operations affects those United Nations global goals for sustainable development that are regarded as priorities for the Bank of Åland.

The Bank's climate targets

- The Bank of Åland shall reduce its CO_2e emissions by 50 per cent no later than 2030 compared to 2021.
  – Follow-up: 5 per cent reduction from 2021 to 2023.
- The Bank of Åland shall be a climate-neutral organisation no later than 2035.
- The Bank of Åland shall achieve net-zero emissions by 2050.

6. Clean water and sanitation

Targets 6.1, 6.3, 6.5, 6.6, 6.B

Goal	The Bank of Åland's activities that contribute to the goal
The Bank of Åland's climate targets; see above.	One goal is to help reduce pollution in the Baltic Sea. We contribute to this work through the Baltic Sea Project, which supports companies and organisations that work actively to reduce pollution of waterways. The Bank of Åland was one of the founders of the Stockholm Water Prize, which is awarded by the Stockholm International Water Institute (SIWI). We are still contributing to the annual awarding of the prize. We have informally eco-labelled the water taps in our offices, which means that we only serve unbottled water.

7. Affordable and clean energy

Targets 7.2, 7.3

Goal	The Bank of Åland's activities that contribute to the goal
The Bank of Åland's climate targets; see above.	We give preference to green investment products and offer our customers investment products that benefit environment characteristics. Since our Vindkraftsfond (Wind Power Fund) invests in wind farm projects, we are helping to increase the proportion of renewable energy in the Nordic countries. During 2023 the Bank's mutual fund company Ålandsbanken Fondbolag Ab launched Ålandsbanken Havsvind I, the first fund in Finland that invests in offshore wind power. It is a closed fund that is investing in the development phase of the Noatun Nord offshore wind power project, located in the Baltic Sea north of Åland. The project is being developed and is co-owned by the Swedish wind power developer OX2. The Noatun Nord project is still in an early development phase, but at the stage when completed the offshore wind farm will consist of about 250 wind turbines that together will produce about 20 TWh per year, equivalent to the annual electricity consumption of some four million households.

8. Decent work and economic growth

Targets 8.1, 8.2, 8.3, 8.5, 8.7, 8.8, 8.10

Goal	The Bank of Åland’s activities that contribute to the goal
The Bank of Åland’s long-term financial targets: Return on equity after taxes (ROE) shall exceed 15% over time. Outcome: 17,2%. The common equity Tier 1 capital ratio shall exceed the FIN-FSA’s minimum requirement by 1.75–3.0 percentage points. Outcome: 5.2 percentage points above. The payout ratio shall be 60% or higher, provided that capital adequacy does not fall below target. Outcome: The Board’s proposal is 75%. The Bank of Åland’s climate targets; see above. Balanced gender distribution between women and men: At least 40/60%. Outcome at Group level in 2023: 46/54%.	*Responsible lending:* We want to ensure the customer’s repayment capacity and ensure that the loan meets the customer's needs. We work to integrate sustainability risk into our risk assessment when new loans are granted. We offer banking services and lending to individuals and to companies of varying sizes. *Responsible investments:* Our investments exclude companies that violate the Global Compact, which helps to ensure decent working conditions. *Social responsibility*: We work proactively to promote integration into society and diversity. For example, by welcoming work and language trainees we can contribute to employment, integration and diversity. We work deliberately to ensure that all employees shall have equal rights and opportunities in terms of work and professional development. Our salary model, which is based on work evaluation, and our annual salary analysis shall ensure equal pay for equivalent work. The Bank of Åland’s Code of Conduct helps us and our suppliers to act responsibly and ethically and requires companies to protect employee rights and promote a safe and secure working environment for all. It also requires decent working conditions with equal pay for equivalent work and requires that employers endeavour to ensure that both women's and men's experience and knowledge are utilised and represented in all areas, roles and positions throughout the organisation, creating a corporate culture where differences are regarded as an asset. We are pursuing gradual work environment improvements and we comply with applicable legal requirements. We attach great importance to continuously improving cooperation between us as employers and our staff and union representatives.

11. Sustainable cities and communities

Targets 11.1, 11.3, 11.4, 11.6, 11.A

Goal	The Bank of Åland’s activities that contribute to the goal
The Bank of Åland’s climate targets; see above.	The Bank of Åland’s Bostadsfond (housing mutual fund) helps to ensure a mix of rental and owner-occupied housing. We create jobs and contribute to reduced segregation. In the premises where we operate, we are expanding the recycling of waste, thereby helping to reduce its environmental impact. Our employees are encouraged to use fossil-free means of transport, or alternatively to use public transport.

12. Responsible consumption and production

Targets 12.2, 12.3, 12.4, 12.5, 12.6, 12.7, 12.8

Goal	The Bank of Åland’s activities that contribute to the goal
The Bank of Åland’s climate targets; see above.	The Bank of Åland’s Code of Conduct helps us and our suppliers to act responsibly and ethically. We follow regulations as well as policies on ethical conduct and the identification and management of conflicts of interest. Through training programmes and technical development, we help combat corruption, money laundering and other criminal activities. The Bank of Åland also have a Code of Conduct specifically for suppliers. During 2023, we continued our campaign about sustainable commuting, which was initiated in 2022 and was coordinated by the Åland sustainability agenda Bärkraft. The purpose of the campaign is to highlight the advantages and possibilities of sustainable commuting to and from the workplace. Through the Baltic Sea Account and the Baltic Sea Card with the Åland Index, our customers have the opportunity to make their own environmentally friendly choices. Together with the charity Emmaus Åland, we have made it easy for our employees to recycle clothes and shoes by using collection bins at our head office. In purchasing, when the nature of the product allows it, we always study the possibility of buying used alternatives.

13. Climate action

Targets 13.1, 13.2, 13.3

Goal	The Bank of Åland's activities that contribute to the goal
The Bank of Åland's climate targets; see above Target: Reduce carbon dioxide emissions from travel by 50 per cent no later than 2030, compared with the base year 2022. Outcome: In 2023, carbon dioxide emissions from business trips totalled 674.4 tonnes of CO_2e, which represented an increase of 25 per cent from 2022.[1] [1] CO_2e emissions from business trips in 2022 were recalculated from the previously reported 378 tonnes of CO_2e.	We calculate CO_2e emissions from our core business and our own operations in accordance with the GHG protocol. The climate strategy which was established in 2022 lays the foundation for our active work. This climate strategy describes how – by setting yearly and long-term targets – we shall reduce CO_2e emissions that are directly and indirectly caused by our operations, in order to achieve our climate target. The climate strategy includes yearly follow-ups. We will climate finance for CO_2e emissions in 2023 from our own operations through a compensation portfolio. In our work to combat climate change, we pursue close cooperation with UNEP FI and NZBA in development efforts and work according to the principles we have adopted as members of these initiatives. We develop science-based emission targets in accordance with the Science Based Target initiative (SBTi). Ålandsbanken Fondbolag initiates and follows up on the number of affiliations by portfolio companies to the Science Based Targets initiative. The Bank's Treasury department further contributes to promoting long-term sustainability development by issuing green bonds in accordance with the Bank of Åland's green framework. How we travel is of major importance to our climate impact. Our travel policy is thus part of our climate strategy to achieve the Bank of Åland's climate goals.

14. Life below water

Targets 14.1, 14.2, 14.3, 14.5, 14.A

Goal	The Bank of Åland's activities that contribute to the goal
The Bank of Åland's climate targets; see above.	Through the Baltic Sea Account and the Baltic Sea Project, we and our customers help reduce pollution in the Baltic Sea. Various companies and organisations are given the opportunity to receive funds to turn their ideas for a healthier sea into reality. Our environmental work started as early as 1997 and has its origins in our location – in a mid-Baltic Sea archipelago. One goal is to help reduce pollution in the Baltic Sea. We contribute to this work through the Baltic Sea Project, which supports companies and organisations that work actively to reduce pollution of waterways.

15. Life on land

Targets 15.1, 15.5, 15.A

Goal	The Bank of Åland's activities that contribute to the goal
The Bank of Åland's climate targets; see above.	Through the Åland Index, we are increasing our employees' and customers' awareness of their own carbon footprint. At the same time, we are working to reduce our carbon dioxide emissions. Climate change puts additional pressure on ecosystems and biological diversity. During 2023, the Bank of Åland defined another target area: the circular economy. Its purpose is to contribute to increased resource efficiency, which in turn helps reduce pressure on ecosystems and biological diversity. Our employees are trained and committed to sustainability and environmental work, for example through local "keep nature clean" projects.

Proposed allocation of profit

According to the financial statements, distributable profit – after subtracting capitalised development expenses – including the unrestricted equity capital fund is EUR 72,933,131.08, of which the profit for the financial year is EUR 33,883,730.07. No significant changes in the financial position of the Company have occurred since the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that the distributable profit of the Bank of Åland Plc, EUR 72,933,131.08, be allocated as follows:

For Series A and Series B shares outstanding, a dividend of EUR 2.40 per share plus an extra dividend of EUR 0.25 per share from retained earnings,

totalling	40,565,635.55
To be carried forward as retained earnings	32,367,495.53

Mariehamn, February 21, 2024

Nils Lampi,
Chairman

Christoffer Taxell,
Deputy Chairman

Mirel Leino-Haltia

Anders Å Karlsson

Ulrika Valassi

Anders Wiklöf

Peter Wiklöf,
Managing Director

Auditors' note

A report on the audit performed has been issued today.

Helsinki, February 21, 2024
KPMG Oy Ab

Henry Maarala
KHT

To the Annual General Meeting of Ålandsbanken Abp

Auditors' Report

This document is an English translation of the auditors' report in the Swedish language. Only the auditors' report in the Swedish language is legally binding.

Opinion

We have audited the financial statements of Bank of Åland Plc (business identity code 0145019-3) for the year ended December 31, 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters	How these matters were addressed in the audit
Valuation of lending to the public and public sector entities (Accounting Principles and Notes G3, G14, G22, P10, M16).	

- Lending to the public and public sector entities amounted to 3.9 billion euros as at December 31, 2023. This comprises approximately 73 per cent of the Bank of Åland's total assets.
- IFRS 9 Financial Instruments standard is applied in the calculation of expected credit losses. Calculation of expected credit losses involves assumptions, estimates and management judgment. For example, in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk.
- Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities is addressed as a key audit matter.
- We have reviewed and assessed the principles and controls applied for lending regarding approval, recognition and monitoring of loans and receivables. In addition, we have assessed the credit risk monitoring and impairment recognition principles applied. We also utilised data analyses in our review of the loan portfolio.
- We assessed the models and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognised during the financial period.
- IFRS and financial instruments specialists from KPMG were involved in the audit.
- Furthermore, we considered the appropriateness of the notes provided by the Bank of Åland in respect of loans and other receivables and expected credit losses.

Net commission income and IT income (Accounting Principles and Notes G8 and P3)

- The assets managed by the Bank of Åland entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. The Group also derives IT income based on customer agreements. Commissions and IT income are a significant item in the Group's income statement.
- The calculation of commissions and IT income comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement.
- Due to the significance of the income amount and the judgement involved, net commission and IT income are considered a key audit matter.
- We assessed the methods used by the Bank of Åland for calculation of mutual fund and asset management commissions and IT income.
- Our review regarding the accounting of mutual fund and asset management commissions and IT income focused on controls in the billing and fee calculation processes. Our audit procedures involved an assessment of the functionality and effectiveness of these controls.
- Our audit procedures included testing of commission calculations on a sample basis, as well as an assessment of the underlying related agreements and fund statutes where fees have been defined. We utilised data analysis in our analysis of the charged fees.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 2023, and our appointment represents a total period of uninterrupted engagement of 11 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 21, 2024
KPMG Oy Ab

Henry Maarala
Authorised Public Accountant, KHT

KPMG Oy Ab
Töölönlahdenkatu 3 A
00100 Helsinki

FIVE-YEAR GROUP SUMMARY

Bank of Åland Group	2023	2022	2021	2020	2019
EUR M					
Net interest income	99.7	68.2	62.2	58.9	53.9
Net commission income	77.0	78.4	79.0	66.3	58.0
IT income	28.6	23.5	24.4	21.9	17.5
Net income from financial items carried at fair value	−3.0	12.8	−0.4	1.8	3.9
Other income	0.0	1.2	10.8	1.2	0.7
Total income	**202.3**	**184.1**	**176.0**	**150.1**	**133.9**
Staff costs	−81.3	−75.5	−71.1	−62.9	−57.0
Other expenses	−41.6	−39.7	−33.8	−30.3	−28.7
Statutory fees	−3.2	−3.4	−2.8	0.0	0.0
Depreciation/amortisation and impairment losses on tangible and intangible assets	−12.2	−13.2	−14.3	−12.3	−11.8
Total expenses	**−138.4**	**−131.8**	**−121.9**	**−105.6**	**−97.5**
Profit before impairment losses	**63.9**	**52.3**	**54.1**	**44.6**	**36.4**
Impairment losses on loans and other commitments	−2.2	−6.2	−4.9	−4.9	−3.2
Net operating profit	**61.7**	**46.1**	**49.2**	**39.7**	**33.2**
Income taxes	−13.1	−9.3	−9.3	−8.2	−6.9
Profit for the report period	**48.7**	**36.8**	**39.9**	**31.5**	**26.3**
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	**48.7**	**36.8**	**39.9**	**31.5**	**26.3**
Volume					
Lending to the public	3,859	4,303	4,788	4,378	4,110
Deposits from the public	3,595	4,182	4,070	3,605	3,368
Actively managed assets [1]	9,776	8,637	9,826	7,436	6,343
Managed mortgage loans [2]	2,716	1,304	2		
Equity capital	335	317	332	292	258
Balance sheet total	5,342	5,898	6,635	6,035	5,607
Risk exposure amount	1,774	1,938	1,976	1,671	1,583
Financial ratios					
Return on equity after taxes (ROE), % [3]	17.2	12.8	14.0	11.6	10.7
Expense/income ratio [4]	0.68	0.72	0.69	0.70	0.73
Loan loss level, % [5]	0.05	0.14	0.12	0.11	0.08
Gross share of loans in stage 3, % [6]	1.61	1.61	1.23	0.89	0.81
Liquidity coverage ratio (LCR), % [7]	156	138	139	159	139
Net stable funding ratio (NSFR), % [8]	109	108	109	106	115
Loan/deposit ratio, % [9]	107	103	118	121	122
Common equity Tier 1 capital ratio, % [10]	13.7	12.1	12.1	14.3	13.4
Tier 1 capital ratio, % [11]	15.3	13.6	13.6	14.3	13.4
Total capital ratio, % [12]	17.1	15.2	15.4	16.5	15.8
Leverage ratio, % [13]	5.0	4.3	4.3	4.2	3.7
Working hours re-calculated to full-time equivalent positions	906	854	815	751	700
Earnings per share, EUR [14]	3.18	2.37	2.55	2.02	1.69
Equity capital per share, EUR [15]	19.98	18.85	19.39	18.76	16.61
Dividend per share, EUR [16]	2.65	2.05	2.00	1.00	1.00

[1] 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.

[2] Total volume of mortgage loans in Borgo AB that the Bank of Åland manages through various services.

[3] Profit for the reporting period attributable to shareholders/Average shareholders’ portion of equity capital.

[4] Expenses/Income.

[5] Impairment losses on loan portfolio and other commitments from lending to the public/Lending to the public at the beginning of the period.

[6] Share of loans in stage 3/Gross lending to the public.

[8] Available stable funding/Stable funding requirement.

[9] Lending to the public/Deposits from the public.

[10] Common equity Tier 1 capital/Risk exposure amount.

[11] Tier 1 capital/Risk exposure amount.

[12] Own funds/Risk exposure amount.

[13] Tier 1 capital/Total exposure metric.

[14] Shareholders’ portion of profit for the period/Average number of shares.

[15] Shareholders’ portion of equity capital/Number of shares on closing day.

[16] Proposed by the Board of Directors for approval by the Annual General Meeting.

Corporate Governance Statement

Photographer: Anton Sucksdorff

Corporate Governance Statement

The Corporate Governance Statement is being issued as a separate report in conjunction with the Report of the Directors for 2023 and was prepared by the Audit Committee of the Board of Directors.

Legislation and recommendations on corporate governance

The Finnish Corporate Governance Code 2020 ("the Code"), which is available on the website *www.cgfinland.fi*, is intended to be followed by companies listed on the Nasdaq OMX Helsinki ("Helsinki Stock Exchange"). The Code is applied according to the "comply or explain" principle, which means that departures from its recommendations must be disclosed and explained. A company is regarded as complying with the Code even if it departs from an individual recommendation, provided that it discloses and explains the departure.

The Bank of Åland Plc ("the Bank"), which is listed on the Helsinki Stock Exchange, is a public company domiciled in Mariehamn, Finland. The Bank is subject to legislation including the Finnish Companies Act, the Credit Institutions Act and the Securities Markets Act, as well as the Bank's Articles of Association and the Code. The Corporate Governance Statement has been prepared in compliance with the Code's reporting instructions and according to the Finnish Securities Market Act, Chapter 7, Section 7. In applying the Code, the Bank departs from Recommendation 15, "Appointment of Members to a Committee", since the Bank's Compensation Committee includes one co-opted member who is not a member of the Bank's Board of Directors. The co-opted member is also Chairman of the Committee. The purpose of this departure is to broaden the Compensation Committee's experience and expertise base on compensation matters. The need for outside expertise is assessed separately before each appointment date. On April 16, 2015, the Annual General Meeting of the Bank of Åland approved departures from Recommendation 18, "Nomination Committee" and Recommendation 19, "Shareholders' Nomination Board". The Nomination Committee shall consist of the Chairman of the Board plus representatives of the three shareholders with the largest voting power in the Bank on November 1 of the respective year. If a shareholder abstains from participating in the Nomination Committee, the right of membership is transferred to the next largest shareholder.

This Corporate Governance Statement, the Articles of Association and other disclosures required according to the Code are available at the Company's website, *www.alandsbanken.fi*.

Board of Directors

COMPOSITION OF THE BOARD

The members of the Board of Directors are elected by the shareholders at the Annual General Meeting (AGM). The Board's term of office ends at the closing of the next AGM after the election. According to the Articles of Association, the Board shall consist of at least five and at most eight members. During 2023, the Board consisted of seven members up to and including the AGM on March 29, 2023, when Åsa Ceder resigned. During the rest of 2023, the Board comprised six members. The Managing Director may not be a member of the Board.

PRESENTATION OF BOARD MEMBERS AND THEIR SHAREHOLDINGS IN THE BANK

Composition of the Board, 2023

Name, main occupation and education	Year of birth Board members since what year Place of residence	Board members' shareholdings in the Bank on December 31, 2023 (direct ownership or via companies which the Board member controls). There are no shareholdings in other Bank of Åland Group companies.
Nils Lampi, Chairman CEO, Wiklöf Holding Ab Bachelor of Economic Sciences	Born 1948 Member since 2013 Mariehamn, Åland	Series A shares: 567 Series B shares: 5,867
Christoffer Taxell, Deputy Chairman Master of Laws	Born 1948 Member since 2013 Turku, Finland	Series A shares: 0 Series B shares: 1,833
Åsa Ceder[1] Master of Science in Economics Actuary	Born 1965 Member since 2016 Mariehamn, Åland	Series A shares: 0 Series B shares: 0
Anders Å Karlsson Business owner Bachelor of Commerce	Born 1959 Member since 2012 Lemland, Åland	Series A shares: 3,000 Series B shares: 1,500
Mirel Leino-Haltia PhD (Econ.), CFA	Born 1971 Member since 2022 Helsinki, Finland	Series A shares: 0 Series B shares: 40
Ulrika Valassi Business owner Master of Business Administration	Born 1967 Member since 2015 Stockholm, Sweden	Series A shares: 0 Series B shares: 0
Anders Wiklöf Business owner Doctor of Economics (honorary) Commercial Counsellor	Born 1946 Member since 2006 Mariehamn, Åland	Series A shares: 1,993,534 Series B shares: 1,332,961

[1] Resigned from the Board effective after the AGM on March 29, 2023.

THE BOARD'S ASSESSMENT OF THE INDEPENDENCE OF ITS MEMBERS IN RELATION TO THE BANK AND MAJOR SHAREHOLDERS

In the assessment of the Board of Directors, the Chairman of the Board and all other Board members are independent of the Bank. Christoffer Taxell, Mirel Leino-Haltia and Ulrika Valassi are also independent in relation to major shareholders. Nils Lampi, Chairman of the Board, is deemed to be dependent in relation to a major shareholder since he is CEO of Wiklöf Holding, which is a major shareholder in the Bank. Anders Wiklöf is regarded as dependent in relation to a major shareholder due to his direct and indirect shareholding in the Bank. Anders Å Karlsson is deemed to be dependent in relation to a major shareholder in the Bank since he is a Board member of Alandia Försäkring Abp, which has a major shareholding in the Bank.

THE WORK OF THE BOARD

The Board of Directors oversees the administration of the Bank's affairs and is responsible for ensuring that its operations are appropriately organised. The Board is also responsible for overall policy and strategy issues and for ensuring that risk oversight is sufficient and that management systems are working. The duties of the Board also include appointing and, if necessary, dismissing the Managing Director, his deputy and other members of the Executive Team, as well as deciding their salary benefits and other employment conditions. The Board shall constitute a quorum when more than half its members are present.

The Board has established Group-wide internal Rules of Procedure for its work. These Rules of Procedure, which are evaluated annually and revised as needed, mainly regulate the division of labour between the Board, the Managing Director and other members of the Executive Team. The Rules of Procedure also regulates meeting procedures, minutes of meetings and reporting procedures. The Board of Directors, which meets after being convened by the Chairman of the Board, regularly discusses the economic situation in the financial markets.

Supported by the Managing Director's recurrent reports on operational activities, the Board monitors the strategy, financial outcomes and overall long-term objectives of the Bank's operations. Beyond this, the Board deals with other matters raised in compliance with the Annual Accounts Act, the Articles of Association and other regulations that affect the Bank's operations and administration, as well as matters referred by individual Board members and by the Executive Team.

EVALUATION OF THE WORK OF THE BOARD

The Board of Directors conducts a yearly internal evaluation of its performance and its work. The evaluation includes a questionnaire in which each Board member assesses the work of the Board during the year. The Chairman of the Board also has individual conversations with each Board member. Led by the Chairman of the Board, the evaluation is also discussed and dealt with at a subsequent Board meeting, and decisions are made on actions to be taken as a result of the evaluation.

BOARD MEETINGS

During 2023, the Board held 16 (22) meetings. The Board members' average attendance was 100 (97) per cent. During 2023, each Board member attended Board and committee meetings as follows:

Attendance at Board meetings, 2023

Board member	Board meetings Total number: 16
Nils Lampi	16/16
Christoffer Taxell	16/16
Åsa Ceder [1]	4/4
Anders Å Karlsson	22/22
Mirel Leino-Haltia	17/17
Ulrika Valassi	22/22
Anders Wiklöf	19/22

[1] Resigned from the Board effective after the AGM on March 29, 2023.

DIVERSITY PRINCIPLES

According to the Credit Institutions Act and the Code, the Board shall establish principles for promoting diversity in the composition of the Board and have as a goal of the credit institution that both genders shall be equally represented on the Board. The Bank of Åland seeks a good balance in the composition of the Board, with the aim that the Board as a whole shall possess the expertise and experience required to monitor and develop the Company. Achieving this goal requires that as a group, the Board possesses a breadth in terms of education, personal qualities, experience, gender and age. Allocation between genders shall be equal, and both genders shall thus be represented in the proposal that is presented on the occasion of each nomination as a new Board member. During the financial year, the members of the Board have collectively achieved the variation in education, experience and talents required for the task. Both genders are represented on the Board, with the allocation between the genders being 33 per cent women and 67 per cent men. Up to and including the AGM on March 29, 2023, the allocation was 43 per cent women and 57 per cent men.

The committees of the Board

NOMINATION COMMITTEE

The main duty of the Nomination Committee is to prepare proposals before the AGM regarding the election of Board members as well as proposals concerning fees to the Chairman, Vice Chairman and other Board members.

Rules on how the Nomination Committee is appointed were established by the 2015 AGM. The Nomination Committee consists of four members: the Chairman of the Board and representatives of the three largest shareholders in the Bank in terms of voting power on November 1 of each year. If the Chairman of the Board represents any of the above shareholders, or in case a shareholder abstains from participating in the Nomination Committee, the right of membership is transferred to the next largest shareholder. The representative of the largest shareholder in terms of voting power is Chairman of the Nomination Committee.

The Nomination Committee consists of Nils Lampi, Chairman of the Board; Board member Anders Wiklöf, by virtue of direct and indirect personal shareholdings; Stefan Björkman, representing the insurance company Alandia Försäkring Abp; and Georg Ehrnrooth, representing Fennogens Investments S.A. Anders Wiklöf is Chairman of the Nomination Committee.

During 2023 the Nomination Committee met 2 (2) times. The average attendance of Committee members was 100 (100) per cent.

Attendance at Nomination Committee meetings, 2023

Member	Nomination Committee meetings Total number: 2
Anders Wiklöf, *Chairman of the Committee*	2/2
Nils Lampi	2/2
Stefan Björkman	2/2
Georg Ehrnrooth	2/2

AUDIT COMMITTEE

The Board of Directors, which appoints the members of the Audit Committee, has established its duties in Rules of Procedure. The Audit Committee assists the Board, among other things, in fulfilling its duties in overseeing the internal control and risk management systems, reporting, the audit process and observance of laws and regulations. In addition, before the AGM the Audit Committee prepares proposals for the election of auditors and their fees. The Chairman of the Audit Committee reports regularly to the Board about the work and observations of the Committee.

The Audit Committee consists of Nils Lampi, Chairman of the Board; and Board members Anders Å Karlsson, Mirel Leino-Haltia and Ulrika Valassi, Chairman of the Audit Committee. During 2022 the Audit Committee met 9 (10) times.

The average attendance of Committee members was 100 (100) per cent.

Attendance at Audit Committee meetings, 2023

Member	Audit Committee meetings Total number: 9
Ulrika Valassi, *Chairman of the Committee*	9/9
Anders Å Karlsson	9/9
Mirel Leino-Haltia	9/9
Nils Lampi	9/9

COMPENSATION COMMITTEE

The duties of the Compensation Committee are to prepare key compensation-related decisions and evaluate the Bank's compensation policy and the principles for variable compensation. The Compensation Committee decides on measures for monitoring the application of the principles for the compensation system and assesses its suitability and effect on the Group's risks and risk management.

The Compensation Committee consists of Nils Lampi, Chairman of the Board; Board member Christoffer Taxell; and Agneta Karlsson as a co-opted member and Chairman of the Committee.

During 2023 the Compensation Committee met 3 (4) times. The average attendance of Committee members was 100 (100) per cent.

Attendance at Compensation Committee meetings, 2023

Member	Audit Committee meetings Total number: 3
Agneta Karlsson, *Chairman of the Committee*	3/3
Nils Lampi	3/3
Christoffer Taxell	3/3

Managing Director

The Managing Director of the Bank is Peter Wiklöf, Master of Laws (born 1966). The Managing Director's shareholdings in the Bank can be seen in the table to the right.

Among other things, the Managing Director is responsible for the day-to-day administration of the Bank and for ensuring that this is managed in compliance with law, the Articles of Association, other regulations and the instructions and directions of the Board. In addition, the Managing Director is responsible for ensuring that the decisions of the Board are implemented.

The Managing Director reports regularly to the Board. The Managing Director is appointed and dismissed by the Board of Directors. His employment conditions are established in a written contract that is approved by the Board.

The Group's Executive Team – other members

The Board appoints the other members of the Group-wide Executive Team. The other members of the Executive Team advise the Managing Director, and the Executive Team deals with all major Bank-wide issues. The Executive Team consists of the heads of the Bank's business areas and corporate units.

Their shareholdings in the Bank can see seen in the table below.

During 2023 the Executive Team met on 11 (11) occasions.

DISCLOSURES ABOUT EXECUTIVE TEAM MEMBERS, INCLUDING THE MANAGING DIRECTOR, AND THEIR SHAREHOLDINGS IN THE BANK

The Group-wide Executive Team, 2023

Composition of the Executive Team and its members' areas of responsibility	Education Year of birth Executive Team member since what year	Shareholdings in the Bank on December 31, 2023 (direct ownership or via companies which the person controls). There are no shareholdings in other Bank of Åland Group companies.
Peter Wiklöf Managing Director, Chief Executive Chairman of the Executive Team	Master of Laws Born 1966 Member since 2008	Series A shares: 500 Series B shares: 38,598
Jan-Gunnar Eurell Chief Financial Officer Deputy Managing Director	Bachelor of Science (Economics) Master of Business Administration Born 1959 Member since 2011	Series A shares: 0 Series B shares: 37,146
Tove Erikslund Chief Administrative Officer	Master of Business Administration Born 1967 Member since 2006	Series A shares: 0 Series B shares: 8,252
Sofie Holmström Manager, Partnerships Business Area	Master of Science in Engineering Bachelor of Arts in Economics Born 1985 Member since 2021	Series A shares: 0 Series B shares: 1,148
Magnus Johansson Director, Sweden Business Area	Bachelor of Science (Economics) Born 1972 Member since 2017	Series A shares: 0 Series B shares: 19,735
Mikael Mörn Director, Åland Business Area	Associate of Arts in Commerce Born 1965 Member since 2017	Series A shares: 0 Series B shares: 6,668
Juhana Rauthovi Chief Risk & Compliance Officer	Licentiate in Laws, M.Sc. (Econ.), M.Sc. (Tech.) Master in International Management Born 1975 Member since 2012	Series A shares: 0 Series B shares: 14,633
Anne-Maria Salonius Director, Finnish Mainland Business Area	Master of Laws Attorney at Law Born 1964 Member since 2010	Series A shares: 0 Series B shares: 10,956

EVALUATION OF THE WORK OF THE MANAGING DIRECTOR AND THE EXECUTIVE TEAM

The Board of Directors, led by the Chairman of the Board, evaluates the work of the Managing Director and the rest of the Executive Team yearly. The Managing Director and other members of the Executive Team do not attend this evaluation.

Internal controls and risk management systems related to the financial reporting process

GENERAL

Internal controls and risk management in the financial reporting process are an integral element of operational systems and daily routines. To achieve this integration, the Group employs clear and easily accessible internal instructions. In developing new systems, products, services and/or routines, internal controls are taken into account. The organisation has clearly defined responsibilities and powers as well as clear reporting mechanisms.

FINANCIAL REPORTING PROCESS

The fundamental principles of internal controls in the financial reporting process are a clear allocation of roles as well as instructions and an understanding of how financial results are achieved.

The Group's reporting is compiled centrally by Group Finance. This department is responsible for the consolidated accounts and the consolidated financial statements, accounting principles, policy documents and instructions, financial control systems, tax analysis, reporting to regulatory authorities and publication of financial information. The respective subsidiaries are responsible for ensuring that their accounts meet the Group's standards, and they report monthly to their company's management and Group Finance.

The Internal Auditing Department assists the external auditors with the examination of financial information in accordance with an audit plan drawn up in advance. Internal Auditing is an independent unit and works on behalf of the Board of Directors.

External auditors examine the Group's interim reports, half-year financial report, Annual Report and Corporate Governance Statement and submit an auditors' report to the Audit Committee and to the Group's Board of Directors.

The Group's Executive Team deals with the Group's internal financial reporting every month and with the interim reports, half-year financial report or the Annual Report every quarter.

The Audit Committee assists the Board in its continuous monitoring work by examining the quarterly financial reports, the half-year financial report and the annual financial statements, as well as dealing with the observations of the external and internal auditors.

The Board of Directors deals with interim reports, the half-year financial report or the Annual Report every quarter and receives the Group's internal financial reporting every month. The Board also examines the auditors' reports, audit plans and conclusions of the external auditors concerning interim reports, the half-year financial report and the Annual Report. The Board meets with the external auditors at least quarterly.

RISK MANAGEMENT

The Group's ambition is to pursue its operations with reasonable and carefully considered risks. Its profitability directly depends on the ability of the organisation to identify, manage and price risks. The purpose of risk management is to reduce the probability of unforeseen losses and/or threats to the Group's reputation as well as contribute to higher profitability and shareholder value.

The Group is exposed to credit risk, counterparty risk, market risk, liquidity risk, operational risk and business risk. The latter is a consequence of the Group's strategy, competitiveness, ability to adapt to customer expectations, unfavourable business decisions and the environment and market the Group works in. Business risk is managed in conjunction with strategic planning. Credit risk, which is the Group's most significant risk, encompasses receivables from private individuals, companies, institutions and the public sector. These receivables mainly consist of loans, overdraft facilities and guarantees issued by the Bank.

The Board of Directors has overall responsibility for governance and monitoring, that is, for ensuring that risk management is sufficient and for establishing systems and regulations for monitoring and limiting the Bank's risk exposure. The Audit Committee assists the Board in handling these oversight tasks in internal control systems, risk management and reporting. The Managing Director oversees and supervises business operations in accordance with the Board's instructions, is responsible for day-to-day administration and for ensuring that the members of the Board receive sufficient information regularly about the Group's risk positions and the regulations that affect its operations.

The Bank works according to an allocation of responsibility between three different lines of defence, in which each part of its business operations within the first line of defence bears responsibility for its business and for managing its risks. Within the second line of defence, the Risk Office Corporate Unit is responsible for independent risk monitoring (financial risks) and operational risks (among other things compliance with regulations). The Risk Office Corporate Unit is also responsible for the credit approval process. This includes identifying, measuring, analysing and reporting all of the Group's significant risks as well as examining the loan matters presented to the Credit Committee of the Executive Team. The Risk Office is also responsible for data protection as well as informational and corporate security in the Group. In addition, the corporate unit ensures that risks and risk management live up to the Bank's risk appetite and risk tolerance and that the management of the Bank regularly receives reports and analyses on the current situation. Within the third line of defence, the Risk Office is audited by the Internal Auditing Department, which evaluates risk management both in terms of sufficiency and compliance.

In addition to the regulations and instructions of the Finnish Financial Supervisory Authority and national legislation, the main foundations of the Group's risk management are numerous directives and regulations at the European Union level. For more detailed information on the Group's risk management, capital management, evaluation of capital requirements and capital adequacy information, see the Capital and Risk Management Report for 2023. The report is posted on the Bank's website, *www.alandsbanken.fi*.

LENDING STRUCTURE

At the Bank, the Private Banking and Premium Banking units in Åland, on the Finnish mainland and in Sweden bear responsibility for lending via mandates. Those employees who work with lending have personal loan granting limits for the customers that they are responsible for. In Åland there is also a corporate lending unit. Responsibility for lending rests with the management of each respective unit along with those responsible for customers according to the above-mentioned structure. If decisions regarding larger loans are needed, there is a Credit Committee for operations in Finland and one for operations in Sweden. In addition, there is a Credit Committee of the Executive Team for credit matters that cannot be decided by the country-specific units due to their size. The largest commitments are decided by the Bank's Board of Directors.

During 2022 the Bank transferred to the mortgage company Borgo AB the majority of the mortgage portfolio that was built up via partnerships. Part of the Bank's own mortgage loans were also transferred to Borgo AB. As a result of this collaboration, part of the new mortgage loans that the Bank provides to its customers will be issued by Borgo AB.

COMPLIANCE

Independent monitoring and assessment of the Bank's compliance with regulations is managed by the Group's Compliance department, with a focus on customer protection, behaviour in the market, combating money laundering and the financing of terrorism as well as permitting and regulatory matters. The Compliance department regularly reports its observations to the Bank's Executive Team and Board of Directors.

Internal Auditing

The Internal Auditing department is an independent department that reports directly to the Board of Directors.

The purpose of internal auditing work is to provide the Board and the Executive Team with objective and independent assessments of operational activities, operational business and management processes and the Group's risk management, governance and controls. Internal Auditing reports regularly to the Board, the Audit Committee and the Executive Team. The Board adopts a yearly plan for internal auditing work.

Special decision-making procedure concerning related party transactions

Decisions on loans to related parties are made by the Bank's Board of Directors.

Regulations for related party transactions

The Bank has established internal regulations for identification and decision-making concerning transactions with related parties. The internal regulations govern such matters as identification, reporting and oversight of related party transactions as well as the decision-making process and management of conflicts of interest.

Insider administration

In their capacities as an investment firm and a fund management company, respectively, the Bank of Åland and its subsidiary Ålandsbanken Fondbolag maintain insider registers in compliance with the Act on Investment Services or the Act on Mutual Funds.

In its capacity as a listed company, the Bank only maintains project-specific insider lists. These project-specific insider lists are established immediately when information that the Bank, in compliance with applicable regulations, deems to be insider information arises. Persons included on project-specific insider lists are prohibited from trading in the Bank's financial instruments as long as they are included on such a list.

The Bank does not maintain any permanent insider list, or any list of persons who participate in the preparation of interim reports and annual accounts. Persons discharging managerial responsibilities at the Bank and persons closely associated with them are obligated to immediately report their transactions in the Bank's financial instruments. The Bank publishes stock exchange releases on these transactions.

In accordance with the EU's Market Abuse Regulation and the insider regulations of the Nasdaq Helsinki Oy (the Helsinki Stock Exchange), the Bank of Åland Group has introduced a trading restriction, under which persons in management positions as well as all Group employees may not trade in the Bank's financial instruments during a 30-day period before and including the publication date of the Bank's financial reports. The trading restriction also includes minors for whom persons in management positions or Group employees are guardians, as well as organisations in which people in management positions or Group employees have a controlling influence.

The Bank observes a silent period of three weeks prior to the publication of an interim report, half-year financial report or year-end report.

For employees who participate in providing investment services, the Bank also applies Group-wide trading restrictions that are based on the trading rules established by such professional organisations as Finance Finland, the Swedish Securities Dealers Association and the Swedish Investment Fund Association.

The Bank's Legal Affairs department regularly monitors information reported to the insider register and insider lists, as well as information about people in management positions and their related parties. The Bank's Compliance department regularly monitors employee compliance with the trade restrictions in force.

Auditors

According to the amendment to its Articles of Association adopted by the AGM on March 29, 2023, the Bank shall have at least one auditor and the necessary number of deputies for them. Auditors are appointed yearly at the AGM for the period up to the end of the next Annual General Meeting.

The 2023 AGM elected the authorised accounting firm KPMG Oy Ab as auditor, with Henry Maarala as auditor in charge.

During 2023, Group companies paid a total of EUR 443,195 (434,175) including value-added tax for auditing fees. In addition, they paid EUR 129,743 (283,344) including VAT for consulting assignments performed by KPMG Oy Ab.

Compensation to the Board, Managing Director and other Executive Team members

The Bank's compensation statement, including its compensation report for 2023, has been published in Swedish and Finnish on the Bank's website, *www.alandsbanken.fi*.

Board of Directors

Nils Lampi

CHAIRMAN

CEO, Wiklöf Holding Ab
Bachelor of Economic Sciences
Born 1948
Chairman of the Board since 2013
Board member since 2013

Christoffer Taxell

DEPUTY CHAIRMAN

Master of Laws
Born 1948
Deputy Chairman of the Board since 2013
Board member since 2013

Anders Å Karlsson

Business owner
Bachelor of Commerce
Born 1959
Board member since 2012

Mirel Leino-Haltia

PhD (Econ.), CFA
Born 1971
Board member since 2022

Ulrika Valassi

Business owner
Master of Business Administration
Born 1967
Board member since 2015

Anders Wiklöf

Business owner
Doctor of Economics (honorary), Commercial Counsellor
Born 1946
Board member since 2006

Further information in Swedish and Finnish about the members of the Board can be found on the Bank’s website *www.alandsbanken.fi*

Executive Team

Peter Wiklöf

Managing Director. Chief Executive
Master of Laws
Born 1966
Chairman and member of the Executive Team since 2008

Jan-Gunnar Eurell

Chief Financial Officer. Deputy Managing Director
Master of Business Administration, Bachelor of Science (Economics)
Born 1959
Member of the Executive Team since 2011

Tove Erikslund

Chief Administrative Officer
Master of Business Administration
Born 1967
Member of the Executive Team since 2006

Magnus Johansson

Director, Sweden Business Area
Bachelor of Science (Economics)
Born 1972
Member of the Executive Team since 2017

Mikael Mörn

Director, Åland Business Area
Associate of Arts in Commerce
Born 1965
Member of the Executive Team since 2017

Juhana Rauthovi

Chief Risk & Compliance Officer
Licentiate in Laws, MSc (Econ), MSc (Tech),
Master in International Management
Born 1975
Member of the Executive Team since 2012

Anne-Maria Salonius

Director, Finnish Mainland Business Area
Attorney at Law, Master of Laws
Born 1964
Member of the Executive Team since 2010

Sofie Holmström

Manager, Partnerships Business Area
Master of Science, IT Management
Bachelor of Commerce, Business Administration
Born 1985
Member of the Executive Team since 2021

Further information in Swedish and Finnish about the members of the Executive Team can be found on the Bank's website *www.alandsbanken.fi*

Definitions

ACTIVELY MANAGED ASSETS
Managed assets in the Bank's own mutual funds plus securities custodial accounts with discretionary and advisory asset management agreements.

ALTERNATIVE PERFORMANCE MEASURES
Alternative performance measures are financial metrics of historical or future earnings developments, financial position or cash flow that have not been defined in applicable accounting regulations (IFRSs) or capital requirements regulations (CRD/CRR).

The Bank of Åland uses alternative performance measures when they are relevant in order to monitor and describe the Bank's financial situation, to facilitate comparability between periods and to provide additional usable information to the readers of its financial reports.

These measures are not necessarily comparable to similar financial metrics that are presented by other companies.

CAPITAL COVER RATIO
Own funds divided by risk exposure amount.

CO_2
Chemical designation for carbon dioxide.

CO_2e
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 (CET1) CAPITAL RATIO
Common equity Tier 1 (CET1) capital divided by risk exposure amount. Replaces "core Tier 1 capital" concept.

EARNINGS PER SHARE
Shareholders' portion of earnings for the period divided by 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/ASSETS RATIO
Equity capital as a percentage of balance sheet total.

EQUITY CAPITAL PER SHARE
Shareholders' portion of equity capital divided by number of shares less own shares on closing day.

EXPECTED CREDIT LOSS (ECL)
The present value of expected future credit (loan) losses on financial assets. ECL is a product of PD, LGD and exposure at default.

EXPENSE/INCOME RATIO
Total expenses divided by total income.

GHG/GHGP
Greenhouse Gas Protocol, a global procedure and standard for calculating greenhouse gas emissions.

GROSS EQUITY/ASSETS RATIO
Tier 1 capital divided by balance sheet total plus certain off-balance sheet items recalculated using conversion factors defined in the standardised approach.

GROSS LENDING TO THE PUBLIC IN STAGE 3, %
Gross lending to the public in Stage 3, divided by lending to the public before provisions for impairment losses.

INVESTMENT MARGIN
Net interest income as percentage of average[1] balance sheet total.

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.

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 loan portfolio and other commitments in lending to the public divided by lending to the public at the beginning of the period.

LOSS GIVEN DEFAULT (LGD)
LGD specifies the percentage of loss in an exposure, in the event of a default.

NET PROMOTER SCORE (NPS)
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).

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.

PAYOUT RATIO
Dividend per share as a percentage of earnings per share.

PROBABILITY OF DEFAULT (PD)
The probability that a counterparty or a contract will default within 12 months.

RETURN ON EQUITY AFTER TAXES (ROE)
Profit for the report period attributable to shareholders divided by average shareholders' portion of equity capital.[1]

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.

Stock exchange releases, 2023

JANUARY

January 24, 2023	Issue of Series B shares as part of the Bank of Åland's share saving programme for employees
January 26, 2023	Managers' Transactions (Mörn)
January 26, 2023	Managers' Transactions (Wiklöf)
January 26, 2023	Managers' Transactions (Eurell)
January 27, 2023	Managers' Transactions (Rauthovi)
January 27, 2023	Managers' Transactions (Salonius)
January 27, 2023	Managers' Transactions (Erikslund)
January 30, 2023	Managers' Transactions (Johansson)

FEBRUARY

February 1, 2023	Year-end Report for the period January–December 2022
February 1, 2023	Bank of Åland Plc to increase prime rate
February 6, 2023	Managers' Transactions (Karlsson)
February 22, 2023	The 2022 Annual Report of the Bank of Åland Plc has been published
February 23, 2023	Notice to convene the Annual General Meeting
February 28, 2023	Financial Supervisory Authority imposes administrative fine on Ålandsbanken for inadequate reporting on derivative contracts

MARCH

March 2, 2023	Notification of an application for the admission of a security to trading in a regulated market
March 10, 2023	Bank of Åland's targeted share issue for implementation of the variable compensation system for members of the Executive Team and key individuals
March 16, 2023	Notification of an application for the admission of a security to trading in a regulated market
March 16, 2023	Managers' Transactions (Rauthovi)
March 17, 2023	Managers' Transactions (Wiklöf)
March 17, 2023	Managers' Transactions (Erikslund)
March 17, 2023	Managers' Transactions (Eurell)
March 20, 2023	Managers' Transactions (Johansson)
March 21, 2023	Managers' Transactions (Salonius)
March 29, 2023	Bank of Åland Plc to increase prime rate
March 29, 2023	Bank of Åland Plc: Decisions at the 2023 Annual General Meeting of the Bank of Åland Plc (Ålandsbanken Abp)

APRIL

April 12, 2023	Early repayment of Bank of Åland subordinated notes maturing in 2038
April 12, 2023	Bank of Åland Plc: Interim Report for the period January–March 2023
April 28, 2023	Managers' Transactions (Eurell)

MAY

May 5, 2023	Bank of Åland Plc to increase prime rate

JUNE

June 20, 2023	Bank of Åland Plc launches share savings programme for employees
June 29, 2023	S&P Global Ratings changes outlook for Bank of Åland Plc

JULY

July 6, 2023	Issue of Series B shares as part of the Bank of Åland's share
July 10, 2023	Managers' Transactions (Johansson)
July 10, 2023	Managers' Transactions (Eurell)
July 11, 2023	Managers' Transactions (Mörn)
July 11, 2023	Managers' Transactions (Salonius)
July 11, 2023	Managers' Transactions (Rauthovi)
July 11, 2023	Managers' Transactions (Wiklöf)
July 12, 2023	Managers' Transactions (Erikslund)
July 20, 2023	Bank of Åland Plc: Half-Year Financial Report for the period January–June 2023
July 20, 2023	Bank of Åland Plc to annul own shares held by the Company

AUGUST

August 25, 2023	Bank of Åland Plc to increase prime rate

SEPTEMBER

September 11, 2023	Transfer of Swedish mortgages from Bank of Åland Plc to Borgo AB completed

OCTOBER

October 24, 2023	Bank of Åland Plc: Financial information and Annual General Meeting, 2023
October 24, 2023	Interim Report for the period January–September 2023

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