

## Half-Year Financial Report

For the period January-June 2022 • July 19, 2022



### January–June 2022

Compared to January–June 2021

- Net operating profit was about the same and totalled EUR 24.3 M (24.4).
- Net interest income decreased by 3 per cent to EUR 29.6 M (30.5).
- Net commission income increased by 8 per cent to EUR 41.5 M (38.5).
- Total expenses increased by 13 per cent to EUR 67.2 M (59.7).
- Net impairment losses on financial assets (including recoveries) totalled EUR 2.8 M (0.6), equivalent to a loan loss level of 0.13 (0.03) per cent.
- Return on equity after taxes (ROE) decreased to 13.4 (14.4) per cent.
- Earnings per share decreased by 2 per cent to EUR 1.25 (1.27).
- The common equity Tier 1 capital ratio increased to 12.5 per cent (12.1 per cent on December 31, 2021).
- Unchanged future outlook: The Bank of Åland expects its net operating profit in 2022 to be about the same as in 2021.

### The second quarter of 2022

Compared to the second quarter of 2021

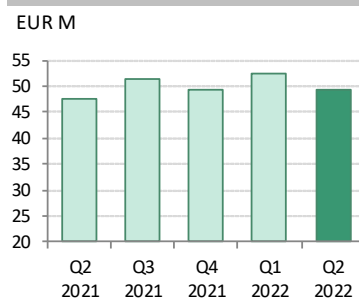
- Net operating profit decreased by 23 per cent to EUR 10.4 M (13.6).
- Net interest income was about the same and totalled EUR 15.2 M (15.2).
- Net commission income increased by 12 per cent to EUR 21.2 M (18.9).
- Total expenses increased by 9 per cent to EUR 31.7 M (29.2).
- Net impairment losses on financial assets (including recoveries) totalled EUR 1.2 M (0.5), equivalent to a loan loss level of 0.13 (0.05) per cent.
- Return on equity after taxes (ROE) decreased to 11.9 (16.4) per cent.
- Earnings per share decreased by 25 per cent to EUR 0.54 (0.72).

*“A turbulent first half of 2022: with war in Ukraine, high inflation, rising interest rates and bond yields as well as plunging stock markets. Despite this turbulence, we have seen a continued stable net inflow of new customers and financial investment volumes, EUR +294 M. Adjusted for the divestment of most of our Swedish mortgage loan portfolio – about EUR 1 billion – lending grew by EUR 372 M during the first six months of this year.*

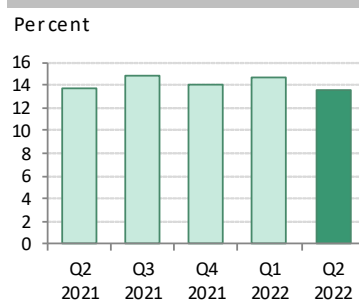
*“To summarise, it was a satisfactory first half. We will have to prepare ourselves for continued turbulence during the second half of 2022, but my perception is that the Bank of Åland will also take on the rest of the year with solid confidence.”*

Peter Wiklöf, Managing Director and Chief Executive

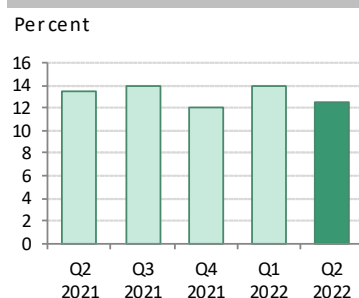
4-quarter moving net operating profit



4-quarter moving ROE



Common equity Tier 1 ratio



The Bank of Åland is a bank with strong customer relationships and personalised service. The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) since 1942.

The Bank of Åland's Head Office is in Mariehamn. The Bank has two offices in the Åland Islands, six offices elsewhere in Finland and three offices in Sweden.

Two subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

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# Financial summary

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>								
<b>Income</b>								
Net interest income	15.2	14.3	6	15.2	0	29.6	30.5	-3
Net commission income	21.2	20.2	5	18.9	12	41.5	38.5	8
Net income from financial items at fair value	-0.2	10.8		-0.6	-64	10.6	-0.3	
Other income	7.1	5.7	23	9.7	-27	12.8	15.9	-20
<b>Total income</b>	<b>43.3</b>	<b>51.1</b>	<b>-15</b>	<b>43.2</b>	<b>0</b>	<b>94.4</b>	<b>84.6</b>	<b>12</b>
<b>Expenses</b>								
Staff costs	-19.1	-18.9	1	-18.5	3	-37.9	-36.0	5
Other expenses	-9.5	-9.7	-2	-7.8	22	-19.2	-15.2	27
Statutory fees	0.1	-3.6		0.1	55	-3.4	-2.8	25
Depreciation/amortisation	-3.3	-3.4	-3	-2.9	13	-6.7	-5.8	14
<b>Total expenses</b>	<b>-31.7</b>	<b>-35.5</b>	<b>-11</b>	<b>-29.2</b>	<b>9</b>	<b>-67.2</b>	<b>-59.7</b>	<b>13</b>
<b>Profit before impairment losses</b>	<b>11.6</b>	<b>15.6</b>	<b>-26</b>	<b>14.1</b>	<b>-18</b>	<b>27.2</b>	<b>25.0</b>	<b>9</b>
Impairment losses on financial assets, net	-1.2	-1.7	-32	-0.5		-2.8	-0.6	
<b>Net operating profit</b>	<b>10.4</b>	<b>13.9</b>	<b>-25</b>	<b>13.6</b>	<b>-23</b>	<b>24.3</b>	<b>24.4</b>	<b>0</b>
Income taxes	-2.1	-2.9	-27	-2.4	-11	-5.0	-4.5	9
<b>Profit for the report period</b>	<b>8.3</b>	<b>11.0</b>	<b>-24</b>	<b>11.2</b>	<b>-26</b>	<b>19.4</b>	<b>19.8</b>	<b>-2</b>
<b>Attributable to:</b>								
<b>Shareholders in Bank of Åland Plc</b>	<b>8.3</b>	<b>11.0</b>	<b>-24</b>	<b>11.2</b>	<b>-26</b>	<b>19.4</b>	<b>19.8</b>	<b>-2</b>
<b>Volume</b>								
Lending to the public	4,145	3,936	5	4,518	-8			
Deposits from the public	4,295	4,238	1	3,801	13			
Actively managed assets <sup>1</sup>	8,425	9,082	-7	8,541	-1			
Managed mortgage loans <sup>2</sup>	1,162	1,114	4					
Equity capital	310	310	0	311	0			
Balance sheet total	5,943	5,950	0	6,261	-5			
Risk exposure amount	1,893	1,805	5	1,870	1			
<b>Financial ratios</b>								
Return on equity after taxes, % (ROE) <sup>3</sup>	11.9	15.0		16.4		13.4	14.4	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	13.6	14.7		13.7				
Expense/income ratio <sup>4</sup>	0.73	0.69		0.67		0.71	0.71	
Loan loss level, % <sup>5</sup>	0.13	0.16		0.05		0.13	0.03	
Gross share of loans in Stage 3, % <sup>6</sup>	1.40	1.55		1.01				
Liquidity coverage ratio (LCR), % <sup>7</sup>	114	132		152				
Net stable funding ratio (NSFR), % <sup>8</sup>	116	121		110				
Loan/deposit ratio, % <sup>9</sup>	96	93		119				
Common equity Tier 1 capital ratio, % <sup>10</sup>	12.5	13.9		13.0				
Tier 1 capital ratio, % <sup>11</sup>	14.0	15.5		14.6				
Total capital ratio, % <sup>12</sup>	15.9	17.5		16.1				
Leverage ratio, % <sup>13</sup>	4.3	5.0		4.8				
Earnings per share, EUR <sup>14</sup>	0.54	0.71	-24	0.72	-25	1.25	1.27	-2
Earnings per share, EUR, moving 12-month average to end of report period	2.53	2.71	-7	2.45	3			
Equity capital per share, EUR <sup>15</sup>	18.06	18.02	0	18.07	0			
Working hours re-calculated to full-time equivalent positions	843	836	1	825	2	838	807	4

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

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

<sup>3</sup> Profit for the report period attributable to shareholders /

Average shareholders' portion of equity capital

<sup>4</sup> Expenses / Income

<sup>5</sup> Impairment losses on loan portfolio and other commitments /

Lending to the public at the beginning of the period

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

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

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

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

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

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

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

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

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

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

# Comments

## MACRO SITUATION

Early 2022 was dramatic, to say the least. After the COVID-19 (coronavirus) pandemic had finally begun to release its grip in Finland and Sweden, on February 24 Russia began a full-scale war of invasion against its neighbouring country of Ukraine.

The world's capital markets have experienced high volatility. Inflation has climbed rapidly and may be more long-lasting than earlier forecasts had indicated. World economic growth is slowing. Long-term market yields have already risen sharply over a lengthy period. Short-term market interest rates and yields have now also begun to rise sharply. During the second quarter of 2022, Sweden's Riksbank hiked its key interest rate twice by a total of 0.75 percentage points and announced plans for continued hikes to a level of at least 2.0 per cent. The European Central Bank has not yet implemented any rate hike but has declared that it will carry out its first key rate hike in eleven years during July and further hikes after that aimed at combating inflation.

The Bank of Åland has substantial positive sensitivity to rising short-term market interest rates.

## BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q2 2022	Q1 2022	Q2 2021
Euribor 3 mo	-0.35	-0.53	-0.54
Euribor 12 mo	0.40	-0.35	-0.48
Stibor 3 mo	0.41	-0.02	-0.03

During the first half of 2022, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 21 per cent, while the Nasdaq Stockholm's OMXSPI index fell by 29 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 3 per cent lower during the first half of 2022 than in the year-earlier period and 4 per cent lower than at the end of 2021. When converting the income statement of the Bank's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been converted at the exchange rate prevailing on the closing day of the report period.

## IMPORTANT EVENTS

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

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

Bank of Åland will instead receive distribution fees for brokered loans and platform revenues for maintaining various services to Borgo. The transaction also improved the Bank's common equity Tier 1 (CET1) capital ratio on a pro forma basis by about 2.5 percentage points.

The Bank of Åland bought back 50,000 of its own Series B shares during the first quarter, which were then annulled. It bought back a further 14,872 Series B shares during the second quarter. The Bank also issued 12,825 new Series B shares due to its obligations as part of the employee incentive programme.

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

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

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

The Board of Directors of the Bank of Åland has decided to launch a share savings programme for all Group employees. Employees can save a maximum of five per cent of their monthly salary in order to subscribe for twice-yearly targeted issues of Series B shares. The savings period for the programme begins in July 2022. The first share issue is planned in January 2023. The programme will run for one year. Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own the shares that were issued. Employees will be offered the opportunity to subscribe for Series B shares at a price that is 10 per cent below the average price during the calendar month before each respective share issue. Sixty-nine per cent of the number of Group employees have joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.5 M, which would be equivalent to about 56,000 Series B shares, based on the average share price in June 2022 including a 10 per cent discount. The number of matching Series B shares is estimated at 47,000. The projected number of shares that employees may receive as part of the share savings programme is about 103,000.

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. This year the Baltic Sea Project contributed EUR 550,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 3.8 M to various environmentally related projects.

### EARNINGS FOR JANUARY–JUNE 2022

Net operating profit was about the same and totalled EUR 24.3 M (24.4). About EUR 10 M of net operating profit for the period was attributable to nonrecurring items, compared to about EUR 2 M in the year-earlier period.

Profit for the period attributable to shareholders decreased by EUR 0.4 M or 2 per cent to EUR 19.4 M (19.8).

Return on equity after taxes (ROE) decreased to 13.4 per cent (14.4).

Total income rose by EUR 9.8 M or 12 per cent to EUR 94.4 M (84.6).

Net interest income fell by EUR 0.9 M or 3 per cent to EUR 29.6 M (30.5). The decrease came from lower lending volume. This volume was lower because on February 14, the Bank of Åland transferred most of its Swedish mortgage loans to Borgo.

Net commission income rose by EUR 3.0 M or 8 per cent to EUR 41.5 M (38.5). The increase was due to both higher banking commissions and higher income from the Bank's asset management business. Starting in 2022, banking commissions include income from brokered and managed mortgage loans.

Net income on financial items rose by EUR 10.9 M to EUR 10.6 M (-0.3), mainly due to a capital gain of EUR 9.8 M from the transfer of most of the Bank's Swedish mortgage loans.

Information technology (IT) income fell by EUR 0.4 M or 3 per cent to EUR 12.3 M (12.7). The decrease mainly came from lower project income.

Total expenses increased by EUR 7.5 M or 13 per cent and amounted to EUR 67.2 M (59.7). Higher staff costs, costs of premises and property plus a substantially higher stability fee to Finland's Resolution Fund were the main reasons. Higher depreciation/amortisation also contributed. Among costs of premises and property was an allocation of EUR 0.6 M for a new office in Helsinki.

Net impairment losses on financial assets amounted to EUR 2.8 M (0.6), equivalent to a loan loss level of 0.13 (0.03) per cent. These impairment losses were mainly due to a small number of individual loans. Due to lower risk of future loan losses related to the coronavirus pandemic, the Bank has now withdrawn its entire previous coronavirus reserve.

Tax expense amounted to EUR 5.0 M (4.5), equivalent to an effective tax rate of 20.3 (18.6) per cent.

### EARNINGS FOR THE SECOND QUARTER OF 2022

Net operating profit decreased by EUR 3.2 M or 23 per cent to EUR 10.4 M (13.6). About EUR 2 M of net operating profit for the year-earlier period was attributable to nonrecurring items.

Profit for the period attributable to shareholders decreased by EUR 2.9 M or 26 per cent to EUR 8.3 M (11.2).

Return on equity after taxes (ROE) decreased to 11.9 per cent (16.4).

Total income was unchanged and amounted to EUR 43.3 M (43.2).

Net interest income was about the same and totalled EUR 15.2 M (15.2). Despite lower lending volume and consequently lower

interest income, higher interest income from Treasury operations offset lower interest income from lending volume. Lending volume was lower because on February 14, the Bank of Åland transferred most of its Swedish mortgage loans to Borgo.

Net commission income rose by EUR 2.3 M or 12 per cent to EUR 21.2 M (18.9), primarily due higher income from the Bank's asset management business. Higher banking commissions also contributed, thanks to income from brokered and managed mortgage loans.

Net income on financial items rose by EUR 0.4 M to EUR -0.2 M (-0.6), mainly due to last year's re-measurement of a liability attributable to an earn-out (contingent consideration) related to the purchase price of Crosskey's subsidiary Model IT.

Information technology (IT) income was nearly unchanged and amounted to EUR 6.8 M (6.7).

Other income in 2021 included nonrecurring positive effects related to associated companies.

Total expenses increased by EUR 2.5 M or 9 per cent and amounted to EUR 31.7 M (29.2). Higher staff costs and consultant expenses were the main reason. Higher depreciation/amortisation also contributed.

Total net impairment losses on financial assets increased by EUR 0.7 M to EUR 1.2 M (0.5), equivalent to a loan loss level of 0.13 (0.05) per cent.

Tax expense amounted to EUR 2.1 M (2.4), equivalent to an effective tax rate of 20.0 (17.4) per cent.

### OPERATING SEGMENTS

The Group's net operating profit was unchanged and totalled EUR 24.3 M. The following changes occurred between segments:

- Private Banking -4.7 (higher impairment loss provisions)
- Premium Banking +6.5 (divested mortgage loan portfolio)
- IT -0.1 (lower project income)
- Corporate Units & Eliminations -1.7 (nonrecurring effects)

### BUSINESS VOLUME

Actively managed assets on behalf of customers decreased by EUR 1,401 M or 14 per cent compared to year-end 2021, despite continued strong net inflows from customers, and amounted to EUR 8,425 M (9,826). The decrease was due to a negative market effect.

Deposits from the public rose by 6 per cent compared to year-end 2021 and amounted to EUR 4,295 M (4,070).

Lending to the public decreased by 13 per cent compared to year-end 2021 and totalled EUR 4,145 M (4,788). The transferred Swedish mortgage loan portfolio was the reason for this big change. Underlying lending grew by EUR 372 M.

Starting in 2022, the Bank of Åland is reporting a new business volume item in the form of managed mortgage loans. On June 30, 2022, managed mortgage loans totalled EUR 1,162 M. This business volume item generates continuous commission and IT income.

### CREDIT QUALITY

Lending to private individuals comprised 74 per cent of the loan portfolio. Home mortgage loans accounted for 71 per cent of

this. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to individuals. Historically, the Bank of Åland has not had any substantial loan losses on this lending segment. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

The Bank of Åland had EUR 17.8 M in impairment loss provisions on June 30, 2022 (14.6 on December 31, 2021), of which EUR 0.4 M (2.1) in Stage 1, EUR 0.8 M (0.8) in Stage 2 and EUR 16.5 M (11.7) in Stage 3.

Stage 3 loans as a share of gross lending to the public totalled 1.40 per cent (1.23). The level of provisions for Stage 3 loans amounted to 28 (20) per cent. Most of these loans have good collateral.

Of the Bank of Åland's Stage 3 impairment loss provisions, EUR 4.4 M is related to a case in Sweden caused by credit fraud, where the customers have already been convicted of similar crimes. The Bank of Åland has the requisite insurance against crime and has filed a damage claim with its insurance company. The insurance company has not completed its damage investigation, which is why no insurance payment has been included yet in the financial accounts.

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

#### LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,188 M on June 30, 2022 (1,320 on December 31, 2021). This was equivalent to 20 (20) per cent of total assets and 29 (28) per cent of lending to the public.

The Bank of Åland's balance sheet structure has changed as a result of the transfer of its Swedish mortgage banking business to Borgo AB. Because of this transaction, its funding structure has changed in such a way that deposits from the public now account for a larger proportion of the Bank of Åland's funding. There are no longer any Swedish covered bonds. Because of the Bank's good liquidity and borrowing situation, there is also currently no need to use certificates of deposit or non-covered bonds.

During 2022 no capital market borrowings will mature.

On June 30, 2022, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.6 (3.1) years.

The loan/deposit ratio amounted to 96 (118) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 78 (66) per cent and covered bonds issued accounted for 11 (19) per cent.

The liquidity coverage ratio (LCR) amounted to 114 (139) per cent.

The net stable funding ratio (NSFR) amounted to 116 (109) per cent.

#### RATING

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

#### EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 19.4 M; other comprehensive income, EUR -7.7 M; issuance of new shares as part of the incentive programme, EUR 0.5 M; buy-backs of the Bank's own shares, EUR 2.2 M; a dividend of EUR 31.1 M distributed to shareholders; and dividends of EUR 0.5 M distributed to holders of additional Tier 1 (AT1) capital instruments. On June 30, 2022, equity capital amounted to EUR 310.2 M (331.9 on December 31, 2021).

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

Common equity Tier 1 capital fell by EUR 2.8 M during the report period to EUR 236.2 M (239.0). At year-end 2021, there was unutilised permission from the Finnish Financial Supervisory Authority for buy-backs of the Bank's own shares totalling up to EUR 10.5 M. This amount was a fully deductible item in the capital base (own funds) even when these buy-backs had not occurred. As of June 30, 2022 similar permission was in force, of which the unutilised portion amounted to EUR 10.1 M.

The risk exposure amount decreased by 4 per cent during January–June 2022 and totalled EUR 1,893 M (1,976). The risk exposure amount for credit risk fell by EUR 155 M or 10 per cent. The main reason was the reduced Swedish mortgage loan portfolio in the Bank's balance sheet. Starting in the first quarter, the standardised 26.5 per cent upward adjustment in the risk exposure amount, calculated according to the current IRB approach while awaiting an updated approach, was raised to 45.5 per cent for the retail portfolio. The operational risk exposure amount rose by EUR 21 M. A new risk exposure amount of EUR 8 M was added due to an increased strategic foreign exchange position in Swedish kronor after the transfer of most of the Swedish mortgage loan portfolio to Borgo AB (publ).

The common equity Tier 1 (CET1) capital ratio increased to 12.5 (12.1) per cent. The Tier 1 (T1) capital ratio increased to 14.0 (13.6) per cent. The total capital ratio increased to 15.9 (15.4) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. Due to the coronavirus crisis, several of these buffer requirements have been lowered. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries.

The countercyclical capital buffer requirement may vary between 0-2.5 per cent. For Finnish and Swedish exposures, the requirement remains 0.0 per cent, but the Swedish Financial Supervisory Authority has decided to raise the amount of the countercyclical buffer to 1.0 per cent starting in September 2022 and to 2.0 per cent starting in June 2023.

The Finnish Financial Supervisory Authority (FIN-FSA) has also set the buffer requirement related to Pillar 2 capital adequacy regulations at 1.0 per cent of the Bank's risk exposure amount (REA).

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

- |                                      |               |
|--------------------------------------|---------------|
| • Common equity Tier 1 capital ratio | 7.6 per cent  |
| • Tier 1 capital ratio               | 9.3 per cent  |
| • Total capital ratio                | 11.5 per cent |

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

- |  |      |
|--|------|
| • Common equity Tier 1 capital ratio percentage points | +4.9 |
| • Tier 1 capital ratio percentage points               | +4.7 |
| • Total capital ratio percentage points                | +4.4 |

Effective on January 1, 2022, Finland's Financial Stability Authority has given the Bank of Åland a formal minimum requirement for eligible liabilities (MREL) under European Union regulations, but in practice this does not represent any extra capital requirement beyond the already existing minimum requirements related to the Bank's total capital ratio and leverage ratio.

## SUSTAINABILITY INFORMATION

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

Emissions during the first half of 2022 totalled 261 tonnes of carbon dioxide equivalents, which was an increase of 103 tonnes or 65 per cent compared to the preceding year. This increase is primarily explained by greater expenses for new premises in Helsinki and increased business travel.

During the report period, environmentally certified electricity rose from 85 per cent to 89 per cent of total purchases.

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

## IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

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

## RISK AND UNCERTAINTIES

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

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

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

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

## UNCHANGED FUTURE OUTLOOK

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

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

## FINANCIAL INFORMATION CALENDAR

The Interim Report for the period January–September 2022 will be published on Tuesday, October 25, 2022.

## THE BOARD OF DIRECTORS

Mariehamn, July 19, 2022

# Sustainability information

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

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

Bank of Åland Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>Greenhouse gases, tonnes of CO<sub>2</sub>e</b>								
<b>Scope 1</b>								
Emissions from owned and controlled resources	1.0	1.0	-8	0.9	8	2.0	1.7	13
<b>Scope 2</b>								
Energy-related emissions <sup>1</sup>	12.8	14.1	-9	16.3	-21	26.9	34.3	-21
<i>of which from electricity according to the market-based method</i>	12.6	13.9	-9	16.1	-22	26.4	33.1	-20
<b>Scope 3<sup>*</sup></b>								
Purchased goods and services	26.1	39.4	-34	26.4	-1	65.5	45.3	45
Capital goods	1.2	1.3	-10	2.5	-52	2.5	4.3	-42
Transport and distribution	22.2	31.1	-28	25.9	-14	53.3	54.8	-3
Waste generated by own operations	0.5	0.5	11	0.5	6	1.0	0.9	10
Business travel	85.0	22.5		7.4		107.5	14.2	
Leased assets	1.2	1.1	7	1.2	-1	2.2	2.2	1
<b>Total Scope 3</b>	<b>136.2</b>	<b>95.9</b>	<b>42</b>	<b>63.9</b>	<b>113</b>	<b>232.1</b>	<b>121.8</b>	<b>90</b>
<b>Total greenhouse gases, tonnes of CO<sub>2</sub>e</b>	<b>149.9</b>	<b>111.0</b>	<b>35</b>	<b>81.1</b>	<b>85</b>	<b>260.9</b>	<b>157.8</b>	<b>65</b>
Climate compensation	-149.9	-111.0	35	0.0	0	-260.9	0.0	
<b>Net greenhouse gases, tonnes of CO<sub>2</sub>e</b>	<b>0.0</b>	<b>0.0</b>		<b>81.1</b>	<b>-100</b>	<b>0.0</b>	<b>157.8</b>	<b>-100</b>
1 Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO <sub>2</sub> e	200.9	208.3	-4	171.7	17	409.2	361.6	13

\* Supplier-related emissions from purchases

Emissions per employee (tonnes/average full-time equivalent)	0.70	0.54		0.40		0.62	0.40	
Emissions per EUR M earned (tonnes/EUR M)	3.46	2.68		1.87		2.76	1.86	

Bank of Åland Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
Paper consumption, tonnes	5.1	6.1	-17	6.6	-23	11.1	12.0	-8
Energy consumption, GWh	0.54	0.56	-4	0.47	15	1.10	0.99	11
<i>of which renewable</i>	0.49	0.50	-2	0.40	23	0.98	0.84	17
<i>of which other</i>	0.05	0.06	-17	0.07	-29	0.12	0.15	-20
Number of business trips	583	71		24		654	61	
<i>of which aircraft</i>	285	36		12		321	29	
<i>of which ship</i>	114	26		0		140	0	
<i>of which train</i>	184	9		12		193	32	

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# Summary income statement

Group	Note	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>									
Net interest income	5	15.2	14.3	6	15.2	0	29.6	30.5	-3
Net commission income	6	21.2	20.2	5	18.9	12	41.5	38.5	8
Net income from financial items at fair value	7	-0.2	10.8		-0.6	-64	10.6	-0.3	
IT income		6.8	5.5	23	6.7	2	12.3	12.7	-3
Other operating income		0.3	0.2	20	3.0	-91	0.5	3.2	-85
<b>Total income</b>		<b>43.3</b>	<b>51.1</b>	<b>-15</b>	<b>43.2</b>	<b>0</b>	<b>94.4</b>	<b>84.6</b>	<b>12</b>
Staff costs		-19.1	-18.9	1	-18.5	3	-37.9	-36.0	5
Other expenses		-9.5	-9.7	-2	-7.8	22	-19.2	-15.2	27
Statutory fees		0.1	-3.6		0.1	55	-3.4	-2.8	25
Depreciation/amortisation		-3.3	-3.4	-3	-2.9	13	-6.7	-5.8	14
<b>Total expenses</b>		<b>-31.7</b>	<b>-35.5</b>	<b>-11</b>	<b>-29.2</b>	<b>9</b>	<b>-67.2</b>	<b>-59.7</b>	<b>13</b>
<b>Profit before impairment losses</b>		<b>11.6</b>	<b>15.6</b>	<b>-26</b>	<b>14.1</b>	<b>-18</b>	<b>27.2</b>	<b>25.0</b>	<b>9</b>
Impairment losses on financial assets, net	8	-1.2	-1.7	-32	-0.5		-2.8	-0.6	
<b>Net operating profit</b>		<b>10.4</b>	<b>13.9</b>	<b>-25</b>	<b>13.6</b>	<b>-23</b>	<b>24.3</b>	<b>24.4</b>	<b>0</b>
Income taxes		-2.1	-2.9	-27	-2.4	-11	-5.0	-4.5	9
<b>Profit for the period</b>		<b>8.3</b>	<b>11.0</b>	<b>-24</b>	<b>11.2</b>	<b>-26</b>	<b>19.4</b>	<b>19.8</b>	<b>-2</b>
Attributable to:									
Non-controlling interests		0.0	0.0		0.0		0.0	0.0	
<b>Shareholders in Bank of Åland Plc</b>		<b>8.3</b>	<b>11.0</b>	<b>-24</b>	<b>11.2</b>	<b>-26</b>	<b>19.4</b>	<b>19.8</b>	<b>-2</b>
Earnings per share, EUR		0.54	0.71	-24	0.72	-25	1.25	1.27	-2
Earnings per share, EUR, moving 12-month average to end of report period		2.53	2.71	-7	2.45	3			

# Summary statement of other comprehensive income

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>								
<b>Profit for the period</b>	<b>8.3</b>	<b>11.0</b>	<b>-24</b>	<b>11.2</b>	<b>-26</b>	<b>19.4</b>	<b>19.8</b>	<b>-2</b>
Cash flow hedge								
Changes in valuation at fair value	-1.6					-1.6		
Assets measured via other comprehensive income								
Changes in valuation at fair value	-6.0	-0.9		0.2		-6.9	-0.6	
Realised change in value		0.0	-100			0.0		
Transferred to the income statement	0.0	-0.7		0.0		-0.7	-0.3	
Translation differences								
Gains/Losses arising during the period	-3.4	-0.8		1.2		-4.2	-0.6	
Taxes on items that have been or may be reclassified to the income statement	1.5	0.3		0.0		1.8	0.2	
<i>of which cash flow hedges</i>	0.3					0.3		
<i>of which assets measured via other comprehensive income</i>	1.2	0.3		0.0		1.5	0.2	
<b>Items that have been or may be reclassified to the income statement</b>	<b>-9.5</b>	<b>-2.1</b>		<b>1.3</b>		<b>-11.5</b>	<b>-1.3</b>	
Changes in value of equity instruments	-1.7	0.2		0.2		-1.5	0.0	
Translation differences	-1.3	-0.3		0.5		-1.6	0.2	
Re-measurements of defined benefit pension plans	5.6	2.3		1.2		7.8	2.4	
Taxes on items that may not be reclassified to the income statement	-0.5	-0.4	24	-0.3	49	-0.8	-0.5	80
<i>of which changes in value of equity instruments</i>	0.3	0.0		0.0		0.3	0.0	
<i>of which translation differences</i>	0.3	0.1		-0.1		0.3	0.0	
<i>of which re-measurements of defined-benefit pension plans</i>	-1.1	-0.5		-0.2		-1.6	-0.5	
<i>of which taxes on dividends to holders of T1 capital instrument</i>	0.1	0.1	7	0.1	1	0.1	0.1	80
<b>Items that may not be reclassified to the income statement</b>	<b>2.1</b>	<b>1.7</b>	<b>22</b>	<b>1.5</b>	<b>40</b>	<b>3.9</b>	<b>2.1</b>	<b>80</b>
<b>Other comprehensive income for the period</b>	<b>-7.4</b>	<b>-0.3</b>		<b>2.8</b>		<b>-7.7</b>	<b>0.8</b>	
<b>Total comprehensive income for the period</b>	<b>1.0</b>	<b>10.7</b>	<b>-91</b>	<b>14.0</b>	<b>-93</b>	<b>11.7</b>	<b>20.6</b>	<b>-43</b>
Attributable to:								
Non-controlling interests	0.0	0.0		0.0		0.0	0.0	
Shareholders in Bank of Åland Plc	1.0	10.7	-91	14.0	-93	11.7	20.6	-43

## Income statement by quarter

Group	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
<b>EUR M</b>					
Net interest income	15.2	14.3	16.2	15.5	15.2
Net commission income	21.2	20.2	21.5	19.1	18.9
Net income from financial items at fair value	-0.2	10.8	1.5	-1.7	-0.6
IT income	6.8	5.5	6.3	5.4	6.7
Other operating income	0.3	0.2	0.7	6.9	3.0
<b>Total income</b>	<b>43.3</b>	<b>51.1</b>	<b>46.2</b>	<b>45.2</b>	<b>43.2</b>
Staff costs	-19.1	-18.9	-18.0	-17.1	-18.5
Other expenses	-9.5	-9.7	-10.3	-8.3	-7.8
Statutory fees	0.1	-3.6	0.0	0.0	0.1
Depreciation/amortisation	-3.3	-3.4	-4.1	-4.3	-2.9
<b>Total expenses</b>	<b>-31.7</b>	<b>-35.5</b>	<b>-32.5</b>	<b>-29.8</b>	<b>-29.2</b>
<b>Profit before impairment losses</b>	<b>11.6</b>	<b>15.6</b>	<b>13.8</b>	<b>15.4</b>	<b>14.1</b>
Net impairment losses on financial assets	-1.2	-1.7	-3.5	-0.8	-0.5
<b>Net operating profit</b>	<b>10.4</b>	<b>13.9</b>	<b>10.2</b>	<b>14.6</b>	<b>13.6</b>
Income taxes	-2.1	-2.9	-2.3	-2.5	-2.4
<b>Profit for the period</b>	<b>8.3</b>	<b>11.0</b>	<b>7.9</b>	<b>12.1</b>	<b>11.2</b>
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Shareholders in Bank of Åland Plc</b>	<b>8.3</b>	<b>11.0</b>	<b>7.9</b>	<b>12.1</b>	<b>11.2</b>

# Summary balance sheet

Group	Note	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>EUR M</b>						
<b>Assets</b>						
Cash and balances with central banks		517	894	-42	749	-31
Debt securities		1,048	718	46	717	46
Lending to credit institutions		52	64	-19	67	-22
Lending to the public	9, 10	4,145	4,788	-13	4,518	-8
Shares and participations		32	15		13	
Participations in associated companies		6	15	-56	8	-17
Derivative instruments	12	19	13	45	14	34
Intangible assets		22	23	-5	25	-14
Tangible assets		37	34	8	32	14
Investment properties		0	0		0	-2
Current tax assets		1	0		0	
Deferred tax assets		5	5	6	5	-2
Other assets		24	34	-29	87	-72
Accrued income and prepayments		33	31	4	25	29
<b>Total assets</b>		<b>5,943</b>	<b>6,635</b>	<b>-10</b>	<b>6,261</b>	<b>-5</b>
<b>Liabilities</b>						
Liabilities to credit institutions and central banks		531	867	-39	730	-27
Deposits from the public		4,295	4,070	6	3,801	13
Debt securities issued	11	630	1,197	-47	1,209	-48
Derivative instruments	12	14	7		7	97
Current tax liabilities		2	4	-61	3	-45
Deferred tax liabilities		34	35	-1	33	4
Other liabilities		62	50	24	98	-37
Provisions		1	0	58	0	56
Accrued expenses and prepaid income		29	36	-20	39	-25
Subordinated liabilities		35	36	-4	28	24
<b>Total liabilities</b>		<b>5,633</b>	<b>6,303</b>	<b>-11</b>	<b>5,949</b>	<b>-5</b>
<b>Equity capital and non-controlling interests</b>						
Share capital		42	42		42	
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		-11	3		5	
Unrestricted equity capital fund		28	28	2	28	2
Own shares		0				
Retained earnings		164	172	-4	149	10
<b>Shareholders' portion of equity capital</b>		<b>281</b>	<b>302</b>	<b>-7</b>	<b>282</b>	<b>0</b>
<b>Non-controlling interests' portion of equity capital</b>						
Additional Tier 1 capital holders		29	29		29	0
<b>Total equity capital</b>		<b>310</b>	<b>332</b>	<b>-7</b>	<b>311</b>	<b>0</b>
<b>Total liabilities and equity capital</b>		<b>5,943</b>	<b>6,635</b>	<b>-10</b>	<b>6,261</b>	<b>-5</b>

# Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Hedge accounting	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Additional Tier 1 capital holders	Total
<b>Equity capital, Dec 31, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>4.1</b>	<b>2.1</b>	<b>0.0</b>	<b>27.6</b>	<b>158.6</b>	<b>292.4</b>	<b>0.0</b>	<b>0.0</b>	<b>292.4</b>
Profit for the period									19.8	19.8	0.0		19.8
Other comprehensive income					-0.7	-0.5			2.0	0.8			0.8
<i>Transactions with owners</i>													
Additional Tier 1 capital issue												29.4	29.4
Tier 1 capital instrument dividends									-0.3	-0.3			-0.3
Dividends paid									-31.2	-31.2			-31.2
Incentive programme								0.4		0.4			0.4
<b>Equity capital, Jun 30, 2021</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>3.4</b>	<b>1.6</b>	<b>0.0</b>	<b>28.0</b>	<b>149.0</b>	<b>281.9</b>	<b>0.0</b>	<b>29.4</b>	<b>311.4</b>
Profit for the period									20.0	20.0	0.0		20.0
Other comprehensive income					-0.4	-1.8			3.3	1.1			1.1
<i>Transactions with owners</i>													
Tier 1 capital instrument dividends									-0.6	-0.6			-0.6
<b>Equity capital, Dec 31, 2021</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>3.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>28.0</b>	<b>171.7</b>	<b>302.5</b>	<b>0.0</b>	<b>29.4</b>	<b>331.9</b>
Profit for the period									19.4	19.4	0.0		19.4
Other comprehensive income					-1.3	-7.3	-5.5		6.4	-7.7			-7.7
<i>Transactions with owners</i>													
Buy-backs of own shares							-2.2			-2.2			-2.2
Annulment of own shares							1.7		-1.7				
Tier 1 capital instrument dividends									-0.5	-0.5			-0.5
Dividends paid									-31.1	-31.1			-31.1
Incentive programme								0.5		0.5			0.5
<b>Equity capital, Jun 30, 2022</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>-1.3</b>	<b>-4.3</b>	<b>-5.6</b>	<b>-0.4</b>	<b>28.5</b>	<b>164.1</b>	<b>280.8</b>	<b>0.0</b>	<b>29.4</b>	<b>310.2</b>

# Summary cash flow statement

Group	Jan-Jun 2022	Jan-Dec 2021	Jan-Jun 2021
<b>EUR M</b>			
Operating activities			
Net operating profit	24.3	49.2	24.4
Adjustment for net operating profit items not affecting cash flow	13.4	28.1	7.7
Profit from investing activities	0.0	-1.9	
Income taxes paid	-8.3	-8.2	-6.2
Changes in assets and liabilities from operating activities	-353.0	190.9	87.2
<b>Cash flow from operating activities</b>	<b>-323.5</b>	<b>258.1</b>	<b>113.1</b>
Investing activities			
Changes in shares	-10.6	-13.1	-3.7
Changes in tangible assets	-1.6	-2.7	-1.5
Changes in intangible assets	-2.1	-5.9	-3.3
<b>Cash flow from investing activities</b>	<b>-14.3</b>	<b>-21.7</b>	<b>-8.4</b>
Financing activities			
Additional Tier 1 capital issue		29.4	29.4
Share issue	0.5	0.4	0.4
Divestments/buy-backs of own shares	-2.2		
Subordinated debt issue/payments of principal	0.0	-0.2	-8.6
Payment of principal on lease liability	-1.7	-4.0	-2.1
Tier 1 capital instrument dividends	-0.5	-0.8	-0.3
Dividends paid	-31.1	-31.2	-31.2
<b>Cash flow from financing activities</b>	<b>-35.1</b>	<b>-6.4</b>	<b>-12.3</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>900.3</b>	<b>672.3</b>	<b>672.3</b>
Cash flow during the period	-372.9	229.9	92.3
Exchange rate differences in cash and cash equivalents	-14.7	-1.8	-0.6
<b>Cash and cash equivalents at end of period</b>	<b>512.7</b>	<b>900.3</b>	<b>763.9</b>
Cash and cash equivalents consisted of the following items:			
Cash and deposits with central banks	482.8	862.2	718.1
Lending to credit institutions that is repayable on demand	30.0	38.2	45.8
<b>Total cash and cash equivalents</b>	<b>512.7</b>	<b>900.3</b>	<b>763.9</b>

# Notes to the consolidated Half-Year Financial Report

## 1. Corporate information

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

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

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

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

The Half-Year Financial Report for the accounting period January 1–June 30, 2022 was approved by the Board of Directors on July 18, 2022.

## 2. Basis for preparation of the Half-Year Financial Report and essential accounting principles

### BASIS FOR PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

The Half-Year Financial Report does not contain all information and all notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2021.

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

### ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles that have been used in preparing the Half-Year Financial Report are the same as those used in preparing the financial statements for the year ended December 31, 2021.

### CHANGE IN PRESENTATION OF STATUTORY FEES

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

### ESTIMATES AND JUDGEMENTS

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

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

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

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

### 3. Segment report

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

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

Group	Jan-Jun 2022					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	12.8	13.2	0.0	3.5	0.0	29.6
Net commission income	30.2	8.9	0.0	2.2	0.2	41.5
Net income from financial items at fair value	2.9	5.5	-0.1	2.3	0.0	10.6
IT income			22.7	-0.2	-10.3	12.3
Other income	0.0	0.0	0.5	0.7	-0.7	0.5
<b>Total income</b>	<b>45.9</b>	<b>27.7</b>	<b>23.1</b>	<b>8.5</b>	<b>-10.8</b>	<b>94.4</b>
Staff costs	-9.9	-3.4	-12.7	-11.9		-37.9
Other expenses	-4.4	-2.0	-8.4	-13.5	9.0	-19.2
Statutory fees	-1.5	-1.7		-0.3		-3.4
Depreciation/amortisation	-1.3	-0.1	-1.8	-4.6	1.2	-6.7
Internal allocation of expenses	-12.7	-11.1		23.8		
<b>Total expenses</b>	<b>-29.7</b>	<b>-18.4</b>	<b>-23.0</b>	<b>-6.4</b>	<b>10.2</b>	<b>-67.2</b>
<b>Profit before impairment losses</b>	<b>16.2</b>	<b>9.3</b>	<b>0.1</b>	<b>2.1</b>	<b>-0.6</b>	<b>27.2</b>
Net impairment losses on financial assets	-4.3	1.4		0.0		-2.8
<b>Net operating profit</b>	<b>11.9</b>	<b>10.8</b>	<b>0.1</b>	<b>2.1</b>	<b>-0.6</b>	<b>24.3</b>
Income taxes	-2.5	-2.2	0.0	-0.3		-5.0
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>9.5</b>	<b>8.6</b>	<b>0.1</b>	<b>1.8</b>	<b>-0.6</b>	<b>19.4</b>
<b>Business volume</b>						
Lending to the public	1,887	2,029		228	0	4,145
Deposits from the public	2,173	2,078		63	-18	4,295
Actively managed assets	7,791	624		9		8,425
Managed mortgage loans				1,162		1,162
Risk exposure amount	755	500	75	564		1,893
Equity capital	109	76	26	99		310
<b>Financial ratios etc.</b>						
Return on equity after taxes, % (ROE)	18.6	22.0	0.7	4.4		13.4
Expense/income ratio	0.65	0.66	0.99	0.75		0.71



Group

Jan-Jun 2021

EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	14.1	13.9	0.0	2.4	0.0	30.5
Net commission income	28.6	8.0	0.0	1.9	0.1	38.5
Net income from financial items at fair value	0.0	0.0	-0.7	0.5	0.0	-0.3
IT income			21.8	0.3	-9.4	12.7
Other income	0.0	0.0	0.5	3.3	-0.6	3.2
<b>Total income</b>	<b>42.7</b>	<b>21.9</b>	<b>21.5</b>	<b>8.5</b>	<b>-9.9</b>	<b>84.6</b>
Staff costs	-8.9	-3.4	-12.2	-11.5	0.0	-36.0
Other expenses	-3.8	-1.9	-7.5	-9.5	7.6	-15.2
Statutory fees	-1.2	-1.5		-0.1		-2.8
Depreciation/amortisation	-0.4	-0.1	-1.5	-4.9	1.2	-5.8
Internal allocation of expenses	-11.6	-10.3		21.9	0.0	0.0
<b>Total expenses</b>	<b>-25.9</b>	<b>-17.1</b>	<b>-21.2</b>	<b>-4.2</b>	<b>8.8</b>	<b>-59.7</b>
<b>Profit before impairment losses</b>	<b>16.8</b>	<b>4.7</b>	<b>0.2</b>	<b>4.3</b>	<b>-1.1</b>	<b>25.0</b>
Net impairment losses on financial assets	-0.2	-0.5		0.1		-0.6
<b>Net operating profit</b>	<b>16.6</b>	<b>4.3</b>	<b>0.2</b>	<b>4.4</b>	<b>-1.1</b>	<b>24.4</b>
Income taxes	-3.4	-0.9	-0.2	-0.1		-4.5
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>13.2</b>	<b>3.4</b>	<b>0.1</b>	<b>4.3</b>	<b>-1.1</b>	<b>19.8</b>
<b>Business volume</b>						
Lending to the public	1,914	2,278		329	-3	4,518
Deposits from the public	1,831	1,927		65	-21	3,801
Actively managed assets	7,958	574		9		8,541
Risk exposure amount	715	579	75	501		1,870
Equity capital	92	94	27	99		311
<b>Financial ratios etc.</b>						
Return on equity after taxes, % (ROE)	29.9	7.4	0.5	12.4		14.4
Expense/income ratio	0.61	0.78	0.99	0.49		0.71

#### 4. Changes in Group structure

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

#### 5. Net interest income

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>								
Lending to credit institutions and central banks	-0.2	-0.3	-20	-0.3	-32	-0.5	-0.4	21
Lending to the public	14.2	14.1	1	15.9	-11	28.3	31.8	-11
Debt securities	0.6	0.3		0.1		0.9	0.1	
Derivatives	0.8	0.3		0.3		1.1	0.5	
Other interest income	0.2	0.1	82			0.3		
<b>Total interest income</b>	<b>15.6</b>	<b>14.5</b>	<b>8</b>	<b>15.9</b>	<b>-2</b>	<b>30.1</b>	<b>32.1</b>	<b>-6</b>
<i>of which interest income according to the effective interest method</i>	<i>15.5</i>	<i>14.4</i>	<i>8</i>	<i>15.9</i>	<i>-2</i>	<i>29.9</i>	<i>32.0</i>	<i>-6</i>
Liabilities to credit institutions and central banks	-0.7	-0.8	-1	-0.8	-5	-1.5	-1.4	5
Deposits from the public	0.3	0.4	-13	0.5	-28	0.7	0.9	-21
Debt securities issued	-0.1	-0.1	-52	0.3		-0.2	0.7	
Subordinated liabilities	0.2	0.2	11	0.3	-5	0.5	0.5	-15
Derivatives	0.6	0.4	51	0.4	33	0.9	0.8	20
Other interest expenses	0.0	0.0	-6	0.0		0.1	0.0	
<b>Total interest expenses</b>	<b>0.4</b>	<b>0.1</b>		<b>0.7</b>	<b>-48</b>	<b>0.5</b>	<b>1.6</b>	<b>-67</b>
<i>of which interest expenses according to the effective interest method</i>	<i>0.3</i>	<i>0.1</i>		<i>0.6</i>	<i>-55</i>	<i>0.3</i>	<i>1.4</i>	<i>-76</i>
<b>Net interest income</b>	<b>15.2</b>	<b>14.3</b>	<b>6</b>	<b>15.2</b>	<b>0</b>	<b>29.6</b>	<b>30.5</b>	<b>-3</b>
Interest margin, per cent	1.03	0.97		1.06		0.99	1.05	
Investment margin, per cent	1.02	0.93		1.02		0.97	1.00	

Interest from derivative instruments is recognised together with the item that they hedge within the framework of hedge accounting (fair value hedging and cash flow hedging). Interest margin is interest on interest-bearing assets divided by the average balance of assets minus interest on interest-bearing liabilities divided by the average balance of liabilities. Average balance is calculated as the average of end-of-month figures for the period in question plus the opening balance for the period. Investment margin is net interest income divided by the average balance sheet total.

## 6. Net commission income

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>								
Banking commissions	3.3	2.8	17	2.6	28	6.1	5.2	18
Asset management commissions	17.0	16.6	3	15.6	9	33.6	31.9	6
Other commissions	0.9	0.8	10	0.8	16	1.7	1.5	15
<b>Net commission income</b>	<b>21.2</b>	<b>20.2</b>	<b>5</b>	<b>18.9</b>	<b>12</b>	<b>41.5</b>	<b>38.5</b>	<b>8</b>

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

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>								
Valuation category fair value via the income statement ("profit and losses")								
Derivative instruments	0.0	0.0		0.0	47	0.0	0.0	
<b>Valuation category fair value via the income statement ("profit and losses")</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>47</b>	<b>0.0</b>	<b>0.0</b>	
Hedge accounting								
<i>of which hedging instruments</i>	-1.0	-1.5	-33	-1.5	-36	-2.5	-2.3	7
<i>of which hedged item</i>	1.4	1.5	-9	1.5	-11	2.9	2.4	22
<b>Hedge accounting</b>	<b>0.4</b>	<b>0.0</b>		<b>0.0</b>		<b>0.4</b>	<b>0.1</b>	
<b>Net income from foreign currency revaluation</b>	<b>-0.3</b>	<b>-0.2</b>		<b>0.0</b>		<b>-0.5</b>	<b>-0.2</b>	
<b>Modification results and expected credit losses</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>	<b>0.2</b>	
<b>Net income from financial assets and liabilities</b>	<b>-0.3</b>	<b>11.0</b>		<b>-0.6</b>	<b>-59</b>	<b>10.7</b>	<b>-0.4</b>	
<b>Total</b>	<b>-0.2</b>	<b>10.8</b>		<b>-0.6</b>	<b>-64</b>	<b>10.6</b>	<b>-0.3</b>	

## 8. Net impairment losses on financial assets

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>EUR M</b>								
Impairment losses, Stage 1	-0.4	-1.6	-75	-0.2		-2.0	-0.5	
Impairment losses, Stage 2	0.0	-0.1		0.0		0.0	0.1	
<b>Net impairment losses, Stages 1-2</b>	<b>-0.4</b>	<b>-1.7</b>	<b>-79</b>	<b>-0.2</b>	<b>87</b>	<b>-2.0</b>	<b>-0.4</b>	
Impairment losses, Stage 3								
New and increased individual provisions	2.1	6.2	-66	1.2	83	8.3	1.9	
Recovered from previous provisions	-0.6	-2.4	-76	-0.5	20	-3.0	-1.0	
Utilised for actual loan losses	-0.3	0.0		-0.1		-0.3	-0.3	19
Actual loan losses	0.3	0.1		0.2	49	0.5	0.5	-6
Recoveries of actual loan losses	-0.1	-0.5	-89	-0.1	-35	-0.6	-0.1	
<b>Net impairment losses, Stage 3</b>	<b>1.5</b>	<b>3.4</b>	<b>-55</b>	<b>0.7</b>		<b>4.9</b>	<b>0.9</b>	
<b>Total impairment losses</b>	<b>1.2</b>	<b>1.7</b>	<b>-32</b>	<b>0.5</b>		<b>2.8</b>	<b>0.6</b>	
of which lending to the public	1.2	1.9	-36	0.5		3.2	0.7	
of which off-balance sheet commitments	-0.1	-0.2	-35	0.0		-0.3	0.0	
of which debt securities at amortised cost	0.0	-0.1		0.0		0.0	-0.1	-70
Loan loss level, lending to the public, %	0.13	0.16		0.05		0.13	0.03	

## 9. Lending to the public by purpose

Group	Jun 30, 2022			Dec 31, 2021	%	Jun 30, 2021	%
	EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions
Private individuals							
Home loans	2,176	-3	2,173	2,832	-23	2,599	-16
Securities and other investments	449	0	449	438	3	395	14
Business operations	88	-1	87	84	4	96	-9
Other household purposes	365	-8	357	363	-2	315	14
<b>Total, private individuals</b>	<b>3,078</b>	<b>-13</b>	<b>3,066</b>	<b>3,716</b>	<b>-18</b>	<b>3,405</b>	<b>-10</b>
Companies							
Shipping	53	0	53	54	-2	56	-6
Wholesale and retail trade	40	0	40	41	-2	42	-6
Housing operations	269	-3	266	290	-8	285	-7
Other real estate operations	172	-1	171	157	9	158	9
Financial and insurance operations	224	0	224	217	3	254	-12
Hotel and restaurant operations	33	0	33	33	1	33	-1
Agriculture, forestry and fishing	11	0	11	10	10	12	-8
Construction	50	0	50	49	2	54	-7
Other industry and crafts	37	0	37	38	-3	37	-2
Other service operations	126	0	126	118	7	119	6
<b>Total, companies</b>	<b>1,015</b>	<b>-5</b>	<b>1,010</b>	<b>1,004</b>	<b>1</b>	<b>1,050</b>	<b>-4</b>
Public sector and non-profit organisations	69	0	69	67	3	63	8
<b>Total, public sector and non-profit organisations</b>	<b>69</b>	<b>0</b>	<b>69</b>	<b>67</b>	<b>3</b>	<b>63</b>	<b>8</b>
<b>Total</b>	<b>4,163</b>	<b>-18</b>	<b>4,145</b>	<b>4,788</b>	<b>-13</b>	<b>4,518</b>	<b>-8</b>

## 10. Lending to the public by stage

Group	Jan 1, 2022 - Jun 30, 2022				Jan 1, 2021 - Jun 30, 2021
	Stage 1	Stage 2	Stage 3	Total	Total
<b>EUR M</b>					
Carrying amount, gross					
Opening balance, January 1	4,603.5	139.9	59.0	4,802.5	4,389.8
Closing balance, June 30	3,960.8	143.4	58.4	4,162.6	4,529.8
Provisions for expected losses					
<b>Opening balance, January 1</b>	<b>2.1</b>	<b>0.8</b>	<b>11.7</b>	<b>14.6</b>	<b>11.9</b>
Increases due to issuances and acquisitions	0.6	0.0	4.3	4.9	0.5
Decrease due to removal from balance sheet	-0.7	0.0	-3.7	-4.4	-0.7
Decrease due to write-offs	0.0	0.0	0.0	0.0	0.0
Transfer to Stage 1	0.4	-0.4	0.0	0.0	0.0
Transfer to Stage 2	-0.8	1.2	-0.4	0.0	0.0
Transfer to Stage 3	0.0	-0.3	0.3	0.0	0.0
Net changes due to changed credit risk	0.4	-0.4	4.4	4.5	0.6
Net changes due to changed estimation method	-1.5	-0.1	0.0	-1.7	0.0
Exchange rate differences and other adjustments	0.0	0.0	-0.1	-0.2	0.0
<b>Closing balance, June 30</b>	<b>0.4</b>	<b>0.8</b>	<b>16.5</b>	<b>17.8</b>	<b>12.2</b>
Carrying amount, net					
Opening balance, January 1	4,601.4	139.1	47.3	4,787.8	4,377.9
Closing balance, June 30	3,960.4	142.6	41.9	4,144.9	4,517.6
	<b>Jun 30,</b>	<b>Dec 31,</b>	<b>Jun 30,</b>		
Impairment losses, IFRS 9 - Financial ratios	<b>2022</b>	<b>2021</b>	<b>2021</b>		
Total provision ratio, lending to the public, %	0.43	0.30	0.27		
Provision ratio, Stage 1, lending to the public, %	0.01	0.05	0.05		
Provision ratio, Stage 2, lending to the public, %	0.57	0.60	0.72		
Provision ratio, Stage 3, lending to the public, %	28	20	19		
Share of lending to the public in Stage 3, %	1.40	1.23	1.01		

## 11. Debt securities issued

Group	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>EUR M</b>					
Certificates of deposit				54	-100
Covered bonds	630	1,197	-47	905	-30
Senior non-covered bonds				250	-100
<b>Total</b>	<b>630</b>	<b>1,197</b>	<b>-47</b>	<b>1,209</b>	<b>-48</b>

## 12. Derivative instruments

Group	Jun 30, 2022						Dec 31, 2021		
	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
EUR M	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>	373		6	379	1	2	12	2	2
Currency-related contracts									
<i>Currency forward contracts</i>	683			683	6	4	549	2	3
<b>Total</b>	<b>1,056</b>		<b>6</b>	<b>1,062</b>	<b>7</b>	<b>5</b>	<b>561</b>	<b>3</b>	<b>4</b>
Derivatives for fair value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	115	665	60	840	12	9	824	10	3
<b>Total</b>	<b>115</b>	<b>665</b>	<b>60</b>	<b>840</b>	<b>12</b>	<b>9</b>	<b>824</b>	<b>10</b>	<b>3</b>
<b>Total derivative instruments</b>	<b>1,170</b>	<b>665</b>	<b>66</b>	<b>1,901</b>	<b>19</b>	<b>14</b>	<b>1,385</b>	<b>13</b>	<b>7</b>
<i>of which cleared</i>	487	665	63	1,215	12	10	830	10	4

### 13. Financial instruments measured at fair value

Group		Jun 30, 2022		
	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
<b>EUR M</b>				
Debt securities	731			731
Lending to the public		171		171
Shares and participations	1		31	32
Derivative instruments		19		19
Other assets			6	6
<b>Total financial assets</b>	<b>732</b>	<b>190</b>	<b>37</b>	<b>959</b>
Debt securities issued		630		630
Derivative instruments		14		14
<b>Total financial liabilities</b>		<b>644</b>		<b>644</b>

Group		Dec 31, 2021		
	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
<b>EUR M</b>				
Debt securities	396			396
Lending to the public		167		167
Shares and participations	1		14	15
Derivative instruments		13		13
Other assets			5	5
<b>Total financial assets</b>	<b>397</b>	<b>180</b>	<b>19</b>	<b>596</b>
Debt securities issued		644		644
Derivative instruments		7		7
<b>Total financial liabilities</b>		<b>651</b>		<b>651</b>

Changes in Level 3 holdings		Jan 1 - Jun 30, 2022	Jan 1 - Dec 31, 2020
<b>EUR M</b>	Shares and participations		
Carrying amount on January 1		14.0	12.0
New purchases/reclassification		18.8	2.5
Divested/reached maturity during the year		0.0	-0.1
Realised change of value		0.0	0.0
Change in value recognised in "Other comprehensive income"		-1.6	-0.5
<b>Carrying amount at end of period</b>		<b>31.2</b>	<b>14.0</b>

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

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



### The measurement hierarchy

Financial instruments that are measured according to quoted prices in an active market for identical assets/liabilities are categorised as Level 1. Financial instruments that are measured using measurement models that are, in all essential respects, based on market data are categorised as Level 2. Financial instruments that are measured with the help of models based on incoming data that cannot be verified with external market information are categorised in Level 3. These assets essentially consist of unlisted shares. Such holdings are generally measured as the Bank's portion of the net asset value of the company. In companies that have carried out a new share issue without preferential rights based on previous holdings, each share is valued at this issue price, with a deduction for share illiquidity. The changes in the value of unlisted shares are reported in "Other comprehensive income".

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

### 14. Off-balance sheet commitments

Group	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>EUR M</b>					
Guarantees	10	44	-76	43	-76
Unutilised overdraft limits	327	312	5	283	16
Unutilised credit card limits	93	88	6	87	7
Lines of credit	893	560	60	627	42
Other commitments	35	42	-16	36	-2
<b>Total</b>	<b>1,359</b>	<b>1,045</b>	<b>30</b>	<b>1,075</b>	<b>26</b>
Provision for expected loss	0	0	-90	0	-90

### 15. Assets pledged

Group	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>EUR M</b>					
Lending to credit institutions	22	26	-15	21	5
Debt securities	257	313	-18	328	-22
Loan receivables constituting collateral (cover pool)					
for covered bonds	1,095	2,085	-47	1,790	-39
Other assets pledged	5	4	27	4	23
<b>Total</b>	<b>1,379</b>	<b>2,428</b>	<b>-43</b>	<b>2,143</b>	<b>-36</b>

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

## 16. Capital adequacy

Group	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>EUR M</b>					
Equity capital	281.2	302.5	-7	281.9	0
Foreseeable dividend	-11.8	-31.2	-62	-9.8	20
<b>Common equity Tier 1 capital before deductions</b>	<b>269.4</b>	<b>271.3</b>	<b>-1</b>	<b>272.1</b>	<b>-1</b>
Intangible assets	-13.9	-15.0	-8	-21.0	-34
Deduction for excess value of pension assets	-1.1				
Permission for buy-backs and holdings of own shares	-10.5	-10.5			
Non-controlling interests	0.0	0.0	-2	0.0	14
Cash flow hedge	1.3				
Net other items	-0.1				
Further adjustments in value	-0.8	-0.4	99	-0.4	79
Expected losses according to IRB approach beyond recognised losses (deficit)	-8.3	-6.9	21	-7.4	13
Adjustments due to transitional rules related to IFRS 9	0.2	0.5	-68	0.4	-61
<b>Common equity Tier 1 capital</b>	<b>236.2</b>	<b>239.0</b>	<b>-1</b>	<b>243.6</b>	<b>-3</b>
Tier 1 capital instruments	29.4	29.4	0	29.4	0
<b>Additional Tier 1 capital</b>	<b>29.4</b>	<b>29.4</b>	<b>0</b>	<b>29.4</b>	<b>0</b>
<b>Tier 1 capital</b>	<b>265.6</b>	<b>268.4</b>	<b>-1</b>	<b>273.1</b>	<b>-3</b>
Supplementary capital instruments	34.9	36.4	-4	28.2	24
<b>Supplementary capital</b>	<b>34.9</b>	<b>36.4</b>	<b>-4</b>	<b>28.2</b>	<b>24</b>
<b>Total capital base</b>	<b>300.5</b>	<b>304.8</b>	<b>-1</b>	<b>301.3</b>	<b>0</b>
Capital requirement for credit risk according to the IRB approach	38.1	38.8	-2	40.4	-6
Additional capital requirement, IRB approach	13.8	10.3	34	10.7	29
Capital requirement for credit risk according to standardised approach	79.4	91.1	-13	80.6	-2
Capital requirement for market risk	0.7				
Capital requirement for credit-worthiness adjustment risk	0.0	0.1	-8	0.0	3
Capital requirement for operational risk	19.5	17.8	9	17.8	9
<b>Capital requirement</b>	<b>151.5</b>	<b>158.1</b>	<b>-4</b>	<b>149.6</b>	<b>1</b>
Capital ratios					
Common equity Tier 1 capital ratio, %	12.5	12.1		13.0	
Tier 1 capital ratio, %	14.0	13.6		14.6	
Total capital ratio, %	15.9	15.4		16.1	
Risk exposure amount	1,893	1,976	-4	1,870	1
of which % comprising credit risk	87	89		88	
of which % comprising market risk	0				
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	13	11		12	

Requirements related to capital buffers, %	Jun 30, 2022	Dec 31, 2021	Jun 30, 2021
Total common equity Tier 1 capital requirements including buffer requirements	7.6	7.6	7.8
of which common equity Pillar 1 capital requirement	4.5	4.5	4.5
of which common equity Pillar 2 capital requirement	0.6	0.6	0.8
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	0.0	0.0	
of which systemic risk buffer requirement	0.0	0.0	
Common equity Tier 1 capital available to be used as a buffer	12.5	12.1	13.4

Exposure class	Jun 30, 2022				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
<b>Without own LGD estimates</b>					
Corporate, other large companies	242.2	188.9	48	91.4	7.3
Corporate, small and medium sized companies	302.1	276.8	50	138.1	11.0
Corporate, special lending	4.9	4.9	93	4.5	0.4
<b>Using own LGD estimates</b>					
Retail with property as collateral (private individuals)	1,893.6	1,878.7	9	173.5	13.9
Retail with property as collateral (small and medium-sized companies)	130.1	127.7	21	27.3	2.2
Retail, other (small and medium-sized companies)	36.9	35.2	20	7.2	0.6
Retail, other	385.2	329.7	10	34.5	2.8
<b>Total exposures according to IRB approach</b>	<b>2,995.0</b>	<b>2,841.9</b>	<b>17</b>	<b>476.5</b>	<b>38.1</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	747.1	836.7	0	0.0	0.0
Regional governments or local authorities	49.3	85.5	0	0.0	0.0
Public sector entities	8.4	8.4	0	0.0	0.0
Multilateral development banks	60.1	68.4	1	1.0	0.1
International organisations	34.0	34.0	0	0.0	0.0
Institutions	311.4	273.9	23	62.2	5.0
Corporates	816.2	327.7	96	314.8	25.2
Retail	973.3	324.4	53	172.3	13.8
Secured by mortgages on immovable property	758.7	758.3	33	248.2	19.9
Exposures in default	13.3	8.3	135	11.2	0.9
Covered bonds	498.8	498.8	10	51.9	4.2
Collective investment undertakings	1.1	1.1	83	0.9	0.1
Equity exposures	37.6	37.6	171	64.3	5.1
Other exposures	74.5	74.5	88	65.2	5.2
<b>Total exposures according to standardised approach</b>	<b>4,384.0</b>	<b>3,337.6</b>	<b>30</b>	<b>992.1</b>	<b>79.4</b>
<b>Total risk exposure amount, credit risk</b>	<b>7,379.0</b>	<b>6,179.6</b>	<b>24</b>	<b>1,466.8</b>	<b>117.3</b>

Exposure class	Dec 31, 2021				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
<b>Without own LGD estimates</b>					
Corporate, other large companies	275.5	207.7	48	100.7	8.1
Corporate, small and medium sized companies	305.4	274.1	51	139.4	11.2
Corporate, special lending	5.0	5.0	71	3.5	0.3
<b>Using own LGD estimates</b>					
Retail with property as collateral (private individuals)	1,874.0	1,859.2	9	174.2	13.9
Retail with property as collateral (small and medium-sized companies)	129.9	127.4	22	27.5	2.2
Retail, other (small and medium-sized companies)	35.2	33.9	20	6.8	0.5
Retail, other	386.9	332.6	10	33.1	2.6
<b>Total exposures according to IRB approach</b>	<b>3,011.9</b>	<b>2,839.9</b>	<b>17</b>	<b>485.3</b>	<b>38.8</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	918.3	1,000.0	0	0.0	0.0
Regional governments or local authorities	66.4	101.1	0	0.0	0.0
Public sector entities	0.1	0.1	0	0.0	0.0
Multilateral development banks	53.9	61.0	2	1.0	0.1
International organisations	4.0	4.0	0	0.0	0.0
Institutions	301.7	262.5	22	57.5	4.6
Corporates	766.9	310.8	96	297.9	23.8
Retail	634.2	250.8	48	120.8	9.7
Secured by mortgages on immovable property	1,438.0	1,436.7	34	485.2	38.8
Exposures in default	13.9	11.1	118	13.1	1.1
Covered bonds	397.0	397.0	11	43.5	3.5
Collective investment undertakings	1.0	1.0	77	0.8	0.1
Equity exposures	28.6	28.6	143	41.1	3.3
Other exposures	89.9	89.9	87	78.0	6.2
<b>Total exposures according to standardised approach</b>	<b>4,714.2</b>	<b>3,954.7</b>	<b>29</b>	<b>1,138.8</b>	<b>91.1</b>
<b>Total risk exposure amount, credit risk</b>	<b>7,726.0</b>	<b>6,794.5</b>	<b>24</b>	<b>1,624.1</b>	<b>129.9</b>
<b>Leverage ratio</b>					
	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>EUR M</b>					
Tier 1 capital	265.6	268.4	-1	273.1	-3
Total exposure measure	6,222.9	6,272.9	-1	5,742.4	8
of which balance sheet items	5,956.4	6,052.0	-2	5,516.8	8
of which off-balance sheet items	266.5	220.9	21	225.6	18
Leverage ratio, %	4.3	4.3		4.8	

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

## 17. Share-related information

Group	Jun 30, 2022	Dec 31, 2021	%	Jun 30, 2021	%
<b>thousands</b>					
Number of Series A shares issued	6,476	6,476		6,476	
Number of Series B shares issued	9,089	9,126	0	9,126	0
<b>Number of shares issued</b>	<b>15,565</b>	<b>15,602</b>	<b>0</b>	<b>15,602</b>	<b>0</b>
Number of Series B shares bought back	15				
<b>Number of Series B shares bought back</b>	<b>15</b>				
Number of Series A shares outstanding	6,476	6,476		6,476	
Number of Series B shares outstanding	9,074	9,126	-1	9,126	-1
<b>Number of shares outstanding</b>	<b>15,550</b>	<b>15,602</b>	<b>0</b>	<b>15,602</b>	<b>0</b>
<b>Number of shares outstanding after dilution</b>	<b>15,568</b>	<b>15,636</b>	<b>0</b>	<b>15,618</b>	<b>0</b>
Shareholders' portion of equity capital per share, EUR	18.06	19.39	-7	18.07	0
Closing price per Series A share, EUR	30.00	32.60	-8	27.40	9
Closing price per Series B share, EUR	29.80	31.50	-5	25.90	15
Market capitalisation, EUR M	465	499	-7	414	12
Market capitalisation/shareholders' portion of equity capital, %	166	165		147	

Group	Q2 2022	Q1 2022	%	Q2 2021	%	Jan-Jun 2022	Jan-Jun 2021	%
<b>thousands</b>								
Average number of shares outstanding	15,575	15,588	0	15,602	0	15,575	15,597	0
Average number of shares outstanding after dilution	15,577	15,588	0	15,602	0	15,577	15,597	0
Earnings per share, EUR	0.54	0.71	-24	0.72	-25	1.25	1.27	-2
Earnings per share after dilution, EUR	0.54	0.71	-24	0.72	-25	1.24	1.27	-2
Earnings per share, rolling 12 months, EUR	2.53	2.71	-7	2.45	3			

Translation

# Report on review of the Half-Year Financial Report of Bank of Åland Plc for the accounting period January 1 – June 30, 2022

To the Board of Directors of Bank of Åland Plc

## Introduction

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

## Scope of review

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

## Conclusion

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

Helsinki, July 19, 2022

HENRY MAARALA

*Authorised Public Accountant, KHT*

SANDRA ERIKSSON

*Authorised Public Accountant, KHT*