Annual and sustainability report

2022

Bank of Åland Plc

Going our own way

ÅLANDSBANKEN

Table of contents

Financial calendar

The Bank of Åland will publish the following Interim Reports during the 2023 financial year:

- January–March Interim Report April 27, 2023
- January–June Half-Year Financial Report July 20, 2023
- January–September Interim Report October 24, 2023

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 30,000 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 2022, 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, and we have been listed on the Helsinki Stock Exchange (now the Nasdaq Helsinki Oy) since 1942.
- The 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 has 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 has business partnerships with various financial technology (fintech) companies. We also supply services to companies in the financial services sector. The Bank is also a shareholder in several of our partner companies.
- The Bank of Åland offers its customers financial products that benefit them financially, but at the same time contribute to sustainable development. The Baltic Sea Account is a good example. If we include the 2022 total, over the years the Baltic Sea Account has contributed about EUR 3.8 million to projects that improve and protect the environment.

Bank of Åland Group	2022	2021	2020	2019	2018
EUR M					
Income					
Net operating profit	46.1	49.2	39.7	33.2	29.0
Profit for the year attributable to shareholders	36.8	39.9	31.5	26.3	22.9
Volume					
Lending to the public	4,303	4,788	4,378	4,110	4,022
Deposits from the public	4,182	4,070	3,605	3,368	3,304
Actively managed assets[1]	8,637	9,826	7,436	6,343	5,177
Managed mortgage loans[2]	1,304	2			
Equity capital	316	332	292	258	242
Risk exposure amount	1,938	1,976	1,671	1,583	1,578
Financial ratios					
Return on equity after taxes (ROE), %[3]	12.8	14.0	11.6	10.7	9.8
Expense/income ratio[4]	0.72	0.69	0.70	0.73	0.77
Loan loss level, %[5]	0.14	0.12	0.11	0.08	0.02
Gross share of loans in stage 3, %[6]	1.61	1.23	0.89	0.81	0.47
Liquidity coverage ratio (LCR), %[7]	138	139	159	139	120
Loan/Deposit ratio, %[8]	103	118	121	122	122
Common equity Tier 1 capital ratio, %[9]	12.0	12.1	14.3	13.4	13.0
Tier 1 capital ratio, %[10]	13.6	13.6	14.3	13.4	13.0
Total capital ratio, %[11]	15.2	15.4	16.5	15.8	15.4
Working hours re-calculated to full-time equivalent positions	854	815	751	700	691
Earnings per share, EUR[12]	2.37	2.55	2.02	1.69	1.48
Equity capital per share, EUR[13]	18.82	19.39	18.76	16.61	15.67
Dividend per share, EUR	2.05[14]	2.00	1.00	1.00	0.70

[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] 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.

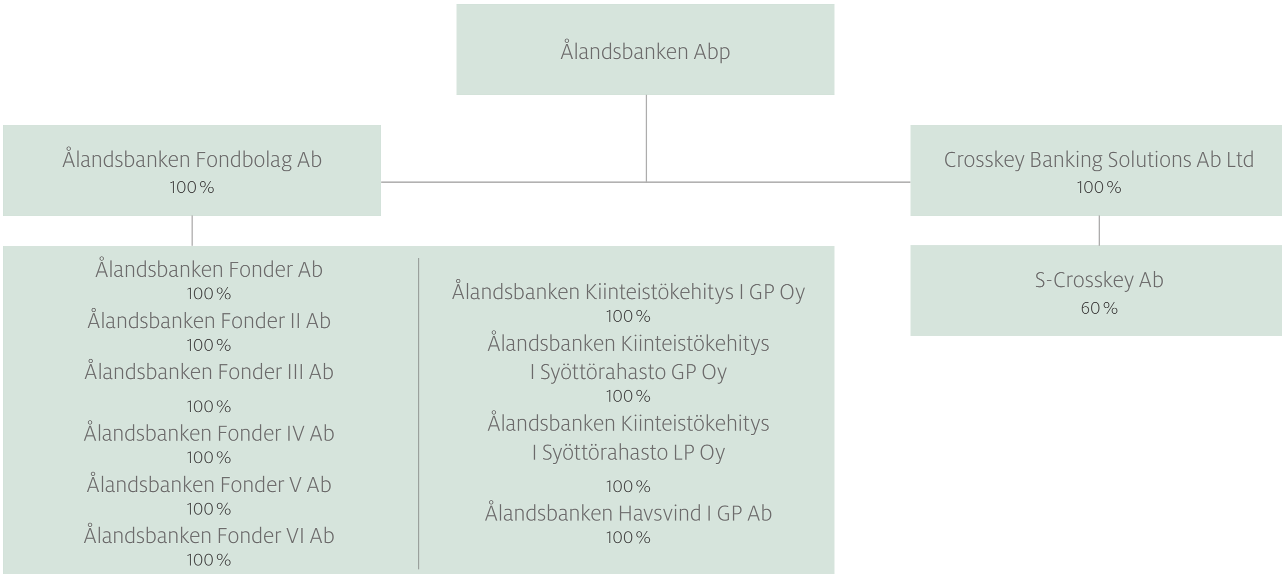
[11] Own funds/Risk exposure amount.

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

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

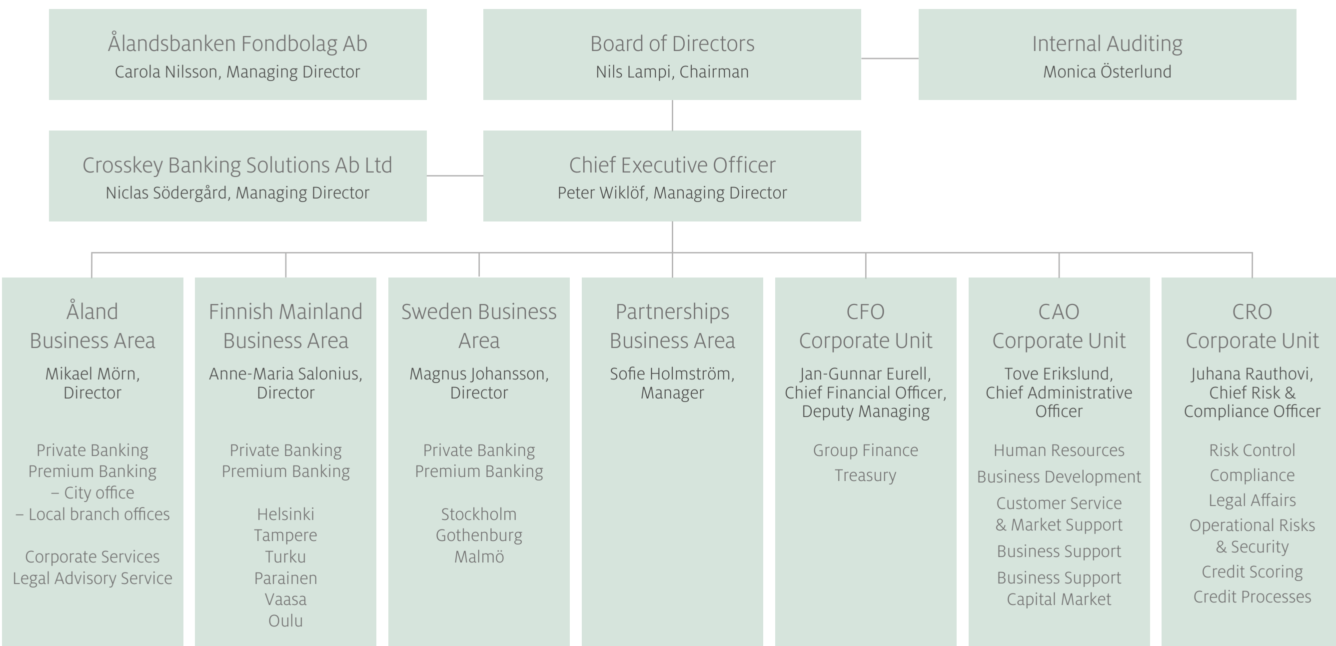
[14] Proposed by the Board of Directors for approval by the Annual General Meeting.

Legal group structure



Associated companies consolidated in the Group: Mäklarhuset Åland Ab, 35%; Alandia Holding Ab, 28%; Helen AB Tuulipuistohallinnointiyhtiö Oy; 40%, Uusimo GP Oy, 50%; Riitamaa-Nurmesneva GP Oy, 50%; Leilisio GP Oy, 50%.

Organisational chart



The year 2022 in brief

Financial summary of 2022

- Net operating profit decreased by 6 per cent to EUR 46.1 M (49.2).
- Earnings per share decreased by 7 per cent to EUR 2.37 (2.55).
- Return on equity after tax (ROE) decreased to 12.8 per cent (14.0).
- Core income in the form of net interest income, net commission income and IT income increased by 3 per cent to EUR 170.1 M (165.7).
- Total expenses increased by 8 per cent to EUR 131.8 M (121.9).
- Net impairment losses on financial assets (including recoveries) amounted to EUR 6.2 M (4.9), equivalent to a loan loss level of 0.14 per cent (0.12).
- Actively managed assets decreased by 12 per cent to EUR 8,637 M (9,826).
- Deposits rose by 3 per cent to EUR 4,182 M (4,070).
- Lending fell by 10 per cent to EUR 4,303 M (4,788).
- Home mortgage loans under management increased to EUR 1,304 M.
- The common equity Tier 1 capital ratio decreased to 12.0 per cent (12.1).
- The Board of Directors proposed a dividend of EUR 2.05 per share (2.00), of which EUR 1.60 per share as an ordinary dividend (1.55) plus an extra dividend of EUR 0.45 per share (0.45).

Milestones during 2022

FIRST QUARTER

- On January 4, 2022 POP Bank signed a cooperation agreement with Crosskey on the renewal of its core banking system. POP Bank expects to introduce the new system during 2025.
- On February 14, the Bank of Åland transferred most of its Swedish mortgage loans and related previously issued covered bonds to the mortgage company Borgo AB, 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 non-recurring positive effect in the Bank of Åland's income statement of SEK 9.8 M. At the same time, the transaction 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 income for maintaining various services to Borgo.
- 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 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.

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 July 2022. The first share issue was planned for January 2023, and 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.
- 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.

THIRD QUARTER

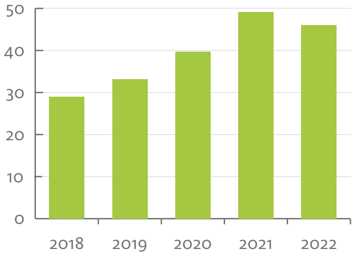
- Standard & Poor's Global Ratings agency raised its credit rating of the Bank of Åland for long-term borrowing to BBB+ with a stable outlook, from BBB. At the same time, the agency confirmed its credit rating of A-or short-term borrowing. The background to the raised credit rating was the Bank of Åland's high profitability, at the same time as it is reducing its need for capital due to the earlier-initiated and ongoing transfer of its Swedish mortgage loan business to Borgo.

FOURTH QUARTER

- For the second year in a row, the Bank of Åland was named Finland's best Private Banking operator in Kantar Prospera's *Private Banking Finland* survey.

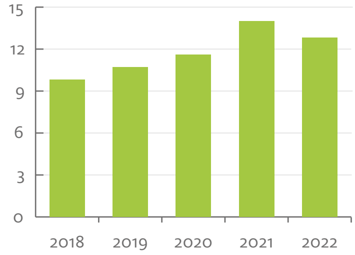
Net operating profit

EUR M



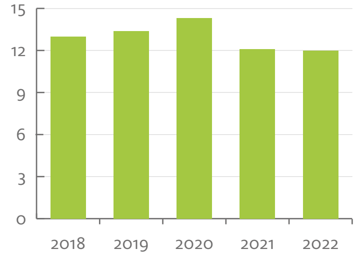
Return on equity after taxes (ROE)

per cent



Common equity Tier 1 capital ratio

per cent



Statement by the Bank of Åland's Managing Director: A successful year, with changing business conditions

Photographer: Viktor Fremling

Peter Wiklöf, Managing Director

The year 2022 was dominated by changing global conditions. In February, we saw Russia invade Ukraine. A full-scale war on European soil was thus a reality. This event added to already high inflation figures, which in some cases reached double digits.

The global situation

One consequence of these high inflation figures was that central banks completely pivoted. From being stimulative for a decade by means of growing balance sheets and low or negative key interest rates, central banks now began tightening their monetary policy via higher key rates and a halt in the growth of their balance sheets. During the second half of 2022, the market interest rates most widely used by our customers climbed from minus 0.5 per cent to almost 3 per cent.

The world's stock markets reacted very negatively to the Ukraine war, high inflation figures and central bank tightening measures. The Helsinki Stock Exchange fell by 16 per cent and the Stockholm exchange by 25 per cent.

The Swedish krona weakened during the year and was 8 per cent lower at the end of 2022 than a year earlier, compared to the euro.

CONTINUED UNDERLYING GROWTH

During 2022, we saw continued growth in our business areas. As a result of the home mortgage collaboration we previously initiated in Sweden with ICA Bank, Ikano Bank and Söderberg & Partners, in February we sold and migrated most of the Bank of Åland's Swedish mortgage loan portfolio to our jointly owned mortgage company, Borgo. This divestment was in keeping with our original intention with the collaboration. A mortgage loan portfolio of SEK 10.4 billion was transferred. The divestment generated nonrecurring income of about EUR 10 million. Because of decreased lending in our balance sheet, the Bank of Åland earned less net interest income but instead began to generate distribution fees and platform revenues for our management of Borgo's central functions and information technology.

Our lending grew during 2022 by EUR 530 million if we disregard the transfer of our Swedish mortgage portfolio. Including the latter, the negative net change in our loan portfolio was EUR 485 M.

During the year, we began to report a new business volume item under the concept of "managed mortgage loans". This is the lending volume outside of the Bank of Åland's balance sheet that we manage for Borgo. At the end of 2022, the volume of managed mortgage loans was EUR 1,304 M.

Despite negative developments in the world's equity and fixed income markets, we were pleased by positive net inflows from our existing and new customers into our financial investment services during all four quarters of 2022. Summing up the year, we recorded a total positive net inflow of EUR 504 M. However, due to sharp downturns in market valuations, our total actively managed assets decreased by 12 per cent to EUR 8,637 M during the year.

Deposits grew by 3 per cent during the year, ending at EUR 4,182 M.

Increased income

During 2022, our total income increased by 5 per cent to EUR 184.1 M. Especially during the second half of the year, rising market interest rates boosted our net interest income. Net interest income rose by 10 per cent to EUR 68.2 M even though we had a lower lending volume than in the previous year.

Because of the downward valuation trend in the world's stock markets, we had less share trading activity and lower actively managed assets than in 2021. In spite of this, our net commission income fell by only 1 per cent to EUR 78.4 M.

Our information technology (IT) income ended up at EUR 23.5 M, or 4 per cent lower than the year before, even though our IT subsidiary Crosskey managed to win new customers. The reason was lower project income than in 2021.

Other income rose by 35 per cent to EUR 14.0 M, thanks to the divestment of our mortgage portfolio in Sweden and capital gains in our treasury portfolio.

Also increased expenses

Total expenses rose by 8 per cent during the year to EUR 131.8 M. We continued to invest in more human resources. Recalculated to full-time positions, we increased our employee count by 39 or 5 per cent to 854. Staff costs rose by 6 per cent to EUR 75.5 M.

Other expenses rose by 18 per cent to EUR 39.7 M. Most of this increase can be explained by higher expenses for premises, EUR +1.2 M, largely due to the relocation of our Helsinki office; a lower activation rate for IT projects, EUR +1.4 M; increased travel costs as COVID-19 restrictions disappeared, EUR +0.5 M; and increased consultant expenses, EUR +0.5 M.

During the year, our statutory fees rose by 25 per cent to EUR 3.4 M while our depreciation and amortisation fell by 7 per cent to EUR 13.2 M.

Earnings close to the previous year's record level

We ended 2022 with a net operating profit of EUR 46.1 million, only EUR 3.1 million short of our record earnings of EUR 49.2 million in 2021. Our earnings were equivalent to what we had planned for the year but arose in a slightly different way than we had anticipated.

When we planned for 2022, we did not foresee the stock market declines and the sharp upturns in interest rates that occurred during the second half of the year. One result of these events was that our commission income was lower than planned, while our net interest income was higher. This shows that we have a well-diversified business, with several robust income sources to rely on. In my view, 2022 proved the strength of our business model.

Our know-how was put to the test

We usually describe what the Bank of Åland does by saying that we deliver a large bank's range of services with a small bank's thoughtfulness and good sense. During a year with plenty of drama in financial markets, powerful inflation and a war going on not far from our area of operations, our know-how was put to the test.

Our customers are the ultimate judges of our know-how and services. It was thus especially pleasing that for the second year in a row, we were rated the best Private Bank in Prospera's Finnish customer survey. This survey is divided into 13 categories, and the Bank of Åland came in at number one in nine of these categories. According to the survey, the three categories that customers value the most – knowledge of financial investments, service-mindedness and personalised contact – were all categories that we won. This confirms that our customers appreciate the path we have chosen, which is based on a long-term approach and solid relationships.

Our own customer surveys in the Premium Banking segment also show that our offering is highly appreciated. In both the Private and Premium Banking segments, this is confirmed by the fact that a large proportion of our new customers initially contact us because our existing customers have recommended us.

Last year, our corporate units began for the first time to deliver services on a broad basis to an outside company, Borgo. Together with Crosskey, the Bank of Åland is providing a turnkey solution including everything from accounting, treasury, payments, deposit and mortgage lending services to regulatory reporting.

For two decades, Crosskey has delivered IT services to other customers. Today it has about 35 external customers. During 2022, Crosskey continued to add new customers. The POP Bank Group, which includes local cooperative banks in Finland, deserves particular mention. Meanwhile, the trend is clear: more and more external market players want to buy services, instead of just programming code. Collaboration between the Bank of Åland's corporate units and Crosskey will thus be very interesting in the future.

Sustainability issues – a natural part of our DNA

Since 1997, the Bank of Åland has worked together with our customers on sustainability issues, which shows that we are not doing this solely because public authorities are now starting to demand action from all banks, but on the basis of our own convictions. This is natural for a bank that thinks long-term and wants to contribute to the sustainable development goals established by the United Nations.

During the year, our wind power fund – the first open mutual investment fund in the Nordic region with this focus – was well received and saw a good inflow of new capital. The fund also delivered a return of more than 13 per cent to its investors. Together with the Swedish wind power company OX2, we announced plans to establish large-scale offshore wind farms both south and north of Åland. If these plans are fully implemented, these wind farms can generate energy equivalent to three nuclear power plants of the same size as Finland's new Olkiluoto III plant.

However, our sustainability work extends far beyond individual products. During 2022, we established our climate strategy. This means that we are now making proactive choices throughout our operations to achieve our climate targets and contribute to the climate goals of Finland and the Paris Agreement.

We are deepening our knowledge of how we ourselves and the services we provide affect our climate. In every area, we are now setting targets and measuring our impact. Because of our targets, we need to have a continuous dialogue with our customers – so that together we can raise our awareness and move proactively towards a lower environmental impact.

Looking ahead to the future with confidence

The Bank of Åland successfully continued to move forward during 2022. We know that global events may bring surprises, but the Bank of Åland has never been stronger than today as we begin another year. We are convinced that we can keep growing in a controlled and profitable manner.

I would like to express my deep gratitude to all our employees for the admirable way they have taken on a bigger workload due to an increasing number of customers and additional regulatory requirements. 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 each 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 geographical 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 individuals 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 financial 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 that customers handle their financial 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 customers 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 usual operational management, where the Board of Directors, the Executive Team and all our employees have their role.

Our sustainability work begins with a materiality analysis, which is based on the 17 United Nations sustainable development principles. We analyse our operations and identify the areas where we have positive and negative impacts. 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 finally 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 and from the loan and treasury portfolios in our balance sheet, as well as from our customers' financial investment portfolios.

A healthier sea with the Baltic Sea Project

The Baltic Sea Project works for a healthier sea by funding good ideas and raising awareness of the state of the Baltic Sea. So far, the Bank of Åland has contributed about EUR 3.8 M to important projects.

During 2022 we financed, among other things, a project that explores the potential for using green hydrogen fuel for maritime transport. A total of EUR 550,000 was granted for eleven different projects.

The largest single grant in 2022 went to the Avoin association for the further development of a map application for sustainable land use. The aim is to make it easier for landowners to protect the Baltic Sea and find ways to combat climate change.

The second largest grant in 2022 went to P2X Solutions, a company specialising in the production of "green" hydrogen (from renewable energy sources). Energy production is in a transitional phase. Emission-free energy will be a key factor in mitigating climate change. If maritime transport vessels could use emission-free energy, this would help provide relief for the Baltic Sea.

The projects supported by the Bank of Åland through the Baltic Sea Project are also being recognised and rewarded by other actors. P2X Solutions and Solar Foods, two companies that have received funding from the Baltic Sea Project, were selected in September 2022 by the European Commission to participate in its new European value chain for a hydrogen-based economy, which will accelerate the production of clean hydrogen and the development of new applications for hydrogen. P2X is currently doing preparatory work on a green hydrogen and synthetic methane production facility in Harjavalta, southeast of Pori, Finland.

Solar Foods produces protein from the air by using carbon dioxide and renewable electricity. The company's demonstration plant, Factory 1, is under construction. It will be the first industrial-scale demonstration plant to employ new technology for the production of hydrogen, which is used in the process.

The 2022 Nordic Council Environment Prize went to the City of Mariehamn for its Nabben multifunctional wetland, which was also created with funding from the Baltic Sea Project among other sources. The projects related to the Nabben wetland have played a key role in improving water quality around Mariehamn as well as the Baltic Sea in general.

Photographer: Mats Westerbom

"We are proud that projects which have been funded by the Baltic Sea Project receive prestigious awards. This shows that together, we can influence and improve things," says Anne-Maria Salonius, Director of the Bank of Åland's Finnish Mainland Business Area.

"This is exactly what the Baltic Sea Project is about: ideas that at their best can grow, inspire new projects, connect with each other and ultimately contribute to a healthier Baltic Sea."

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 2022, 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 2022, the Bank of Åland was named Finland's best Private Banking player for the second year in a row. At the same time, 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 92.
- The result in the Net Promoter Score, NPS[2]: Our goal was more than 50, and the outcome was 56.

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. In the aftermath of the coronavirus pandemic, we have created various dynamic work solutions to ensure that we continue to be an attractive employer.

- The result of our employee commitment measurement: Our target was more than 7, and the outcome was 7.2.[3]
- The result of our leadership index: The outcome was 7.5. We will set a target during 2023. Notes and sub-targets are presented in Note S5.

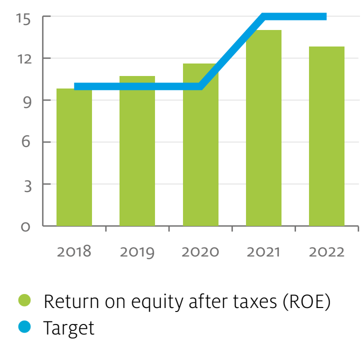
FINANCIAL TARGETS

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 12.8 per cent.

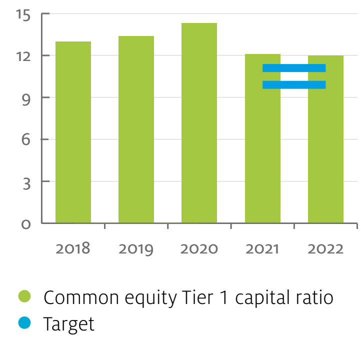
Return on equity after taxes (ROE)

per cent



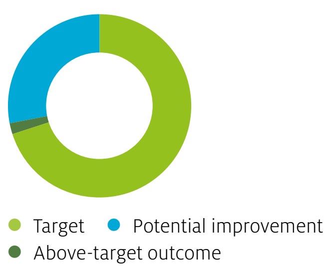
Common equity Tier 1 capital ratio

per cent



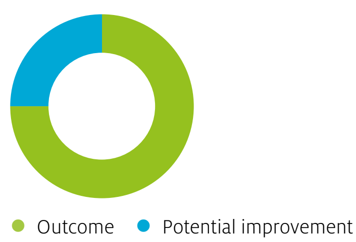
Employee commitment

7.2, compared to target



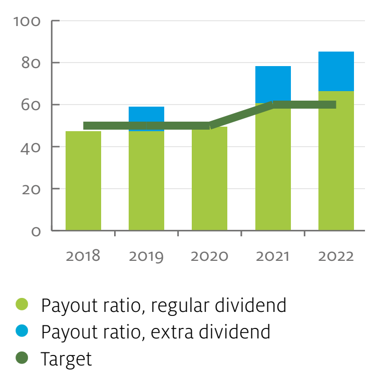
Leadership index

7.5[4]



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 lending and deposits from the public).
[2] To calculate the total result, the outcome for each geographical business segment is weighted using total business volume (actively managed assets plus lending and deposits from the public).
[3] Maximum outcome 10.
[4] We will set a target during 2023.

- 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 3.9 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 68 percent of profit for the year as an ordinary dividend.

CLIMATE-RELATED TARGETS

The Bank of Åland's long-term targets related to 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.

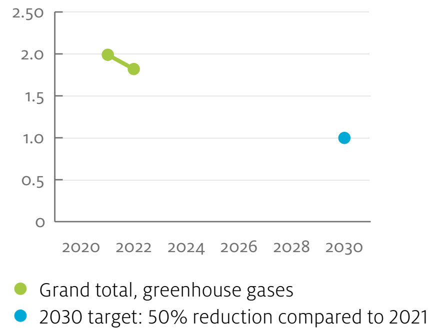
The Bank of Åland's sustainability work is based on our materiality analysis, which identifies our largest and most important areas of climate impact. In 2022, the Board of Directors adopted a new climate strategy with a number of targets during the Group's journey towards the goal of reaching net-zero emissions by 2050, in line with the Paris Agreement.

During 2022, we worked to develop models that will enable us to monitor our progress in relation to the established goals.

(Notes and sub-targets are presented in Note S1)

Greenhouse gases, target and outcome

million tonnes of CO_2e



Our operations

Photographer: Anton Sucksdorff

Consolidating our position as Finland's best Private Banking provider

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 Åland, 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 2022, Private Banking continued to attract new customers in our three geographic home markets. The fastest-growing customer segment is very wealthy customers.

Net operating profit from Private Banking in 2022 amounted to EUR 24.5 M, which was equivalent to 53 per cent of the Bank's total operating profit. Return on allocated equity was 18.3 per cent. Due to declining financial market valuations, actively managed assets decreased by 13 per cent to EUR 7,944 M, but the net inflow of actively managed assets remained high despite the turbulent international situation.

To meet heavy demand and give our customers the best conceivable service, new members were added to the team during 2022.

For the second year in a row, the Bank of Åland was named Finland's best Private Banking market player in Kantar Prospera's

Private Banking Finland survey. Our "overall performance" and customers' willingness to recommend the Bank of Åland were very high, confirming a strong sense of trust and loyalty among our customers. The Bank's own customer surveys show that customers continue to appreciate us greatly for our Private Banking solutions, our personalised service and our sustainability work.

Due to the media visibility of our asset management experts, awareness of the Bank of Åland as a wealth manager has increased significantly. The Baltic Sea Project has also generated a high media profile. Together with personal meetings and relationship-building, the Baltic Sea Project is a valuable differentiating factor that make it clear what the Bank of Åland brand stands for.

Asset management

Ålandsbanken Fondbolag is responsible for the financial management business of the Bank of Åland. This includes strategic and tactical investment decisions in both mutual funds and discretionary portfolios. To support the Bank's asset management services, Ålandsbanken Fondbolag delivers material including overall market outlooks reports, recommendations for individual securities and asset allocation in the form of model portfolios.

The year 2022 was turbulent. Because of rising inflation and monetary policy tightening, both equity and fixed income markets fell broadly. In addition to rising inflation, geopolitical tensions and continued COVID-19 outbreaks contributed to reduced risk appetite, especially early in the year. Despite market turbulence and a general trend towards outflows from mutual funds in Finland and in Sweden, customer interest in the Bank of Åland's mutual funds increased. Our customers paid particular attention to alternative investments such as Vindkraftsfonden (the Wind Power Fund).

Most of the Bank's mutual funds and discretionarily managed model portfolios outperformed their respective benchmark indices during the year. Because of our managers' general focus on quality companies with reasonable valuations, our asset management business often performs better in a weak market climate. Our funds' scores in external rankings continued to improve during the year, both in terms of returns and sustainability.

Ålandsbanken Fondbolag and the Swedish-based wind power company OX2 deepened and extended their cooperation agreement during 2022. They signed a supplementary agreement on the development of a second offshore wind power project that will be located north of the Åland archipelago and will be called Noatun North.

The Ålandsbanken Vindkraft Specialplaceringfond invested in several wind farms during the year. In February, this special wind power investment fund joined with Finnish energy company Helen Ab to purchase the Kalistanneva wind farm project in South Ostrobothnia, Finland, from the French energy operator Valorem. Kalistannneva will consist of 30 turbines and its total capacity will be 165 megawatts (MW). When completed, it will generate an amount of electricity equivalent to the power consumption of 60,000 households.

In July the Bank of Åland's wind power special investment fund, together with Helen Ab, bought the Juurakko and Karahka wind farms from the German-based VSB Group. These two wind farms in northern Ostrobothnia will operate a total of 32 turbines. The Juurakko wind farm will have an output of 40 MW and Karahka about 150 MW. The Juurakko wind farm was completed in November.

Late in 2022 the Bank of Åland's wind power special investment fund and OX2 signed an agreement to build the 145 MW Niinimäki wind farm in Pieksämäki, south Savo. It will have 22 turbines and when completed, it will be the biggest wind farm in eastern Finland, with an annual energy output of more than 400 gigawatt hours (GWh).

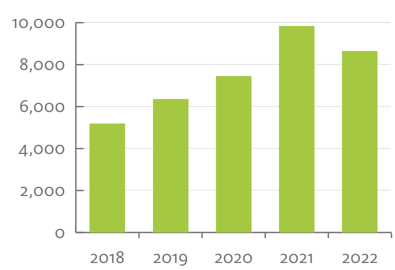
Generally speaking, the Bank of Åland's funds show a good level of sustainability. Among other things, the carbon intensity of their activities is low compared to the mutual fund industry as a whole.

Looking ahead at 2023, there is an unusual level of uncertainty about economic conditions, monetary and fiscal policy and capital market performance. We intend to keep expanding our operations further during the year, both by launching new sustainable products and by increasing our sales and marketing efforts. Good returns, sustainability and green energy are central themes of our strategy. The need for "dark green" investment options is growing and the Ålandsbanken Green Bond ESG fund was classified during the year as an Article 9 product, according to the requirements of the EU's Sustainable Finance Disclosure Regulation (SFDR). We are continuously exploring new investment alternatives and will launch new funds in response to customer demand.

Our investment philosophy is based on active ownership of quality companies with reasonable valuations, and during 2023 this philosophy should continue to have good potential to generate added value for our customers and fund investors.

Actively managed assets

EUR M



Growing asset management mandates in Premium

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

Put a bit simply, the business segment consists of three customer categories: Premium Banking concept customers, which are increasing in number in all geographic home markets; 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.

Net operating profit from Premium Banking in 2022 totalled EUR 21.3 M, which was EUR 9.7 M better than the previous year. This increase was largely explained by the proceeds from the transfer of the Bank's Swedish mortgage portfolio to Borgo. Due to rising interest rates, the classic deposit business began to contribute positively to net interest income.

Customer surveys continue to confirm that our customers appreciate the personalised service that we provide. Customer satisfaction was at an all-time high in 2022. 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 during the year.

Åland Corporate Services and Corporate Banking

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

The Corporate Banking unit handles large corporate groups with an international focus domiciled in Åland. In addition, it offers advanced financing services to existing and potential customers through Private Banking on the Finnish mainland and in Sweden.

To bridge over the negative impact of the coronavirus pandemic and related restrictions on companies, during 2022 the Corporate Services unit offered liquidity loans to Åland-based companies supported by the Åland provincial government. The Åland business community is also being offered funding guaranteed by the European Investment Fund (EIF). Thanks to such guarantees, the Bank of Åland's capital and credit risk expenses decrease, which in turn benefits companies. As a result, the Bank has been able to offer more favourable funding terms for small and medium-sized companies that want to expand their operations or make environment and sustainability-related investments, for example.

The ambition of the Corporate Services unit is to be at the forefront in supplying the Åland business community with capital to invest in the transition to a more sustainable society. During the year, the unit continued its involvement in projects and working groups organised by the Åland Chamber of Commerce and the provincial government. In this way, the Bank of Åland can contribute to a positive view of entrepreneurship and give business owners the opportunity to get started or expand their operations more easily.

Volume increases and a broader business palette

Photographer: Therese Andersson

Sofie Holmström, Manager of the Partnerships Business Area.

Today the Bank of Åland's partnerships stand on three stable legs. We collaborate with and supply banking services to Swedish fintech companies and to the Swedish mortgage company Borgo. We are a service provider in the payments field in both Sweden and Finland. We also have ownership stakes in four partner companies: Dreams, Doconomy, Borgo and since late 2022 also Plusius.

Since we started our collaboration with the Swedish-based company Dreams in 2015, the Bank has had the opportunity to gain broad experience of working with financial technology (fintech) companies. In recent years, the operations of fintech market players have evolved towards increasingly specific product areas, where companies want to collaborate with a bank that not only has industry knowledge but can also deliver a digital platform, IT infrastructure and regulatory compliance services.

The Bank of Åland's ambition is to broaden its business model through our partnerships and gain economies of scale by managing increased volumes of banking services that are already being produced by us. Our partnerships include a clear sustainability aspect. When existing resources are used to a greater extent, this reduces emissions per unit both in the Bank of Åland's own operations and for our partners.

During 2022, the Partnership business area made a positive contribution to earnings in the Group's financial statements.

During the past year, the focus has been on our expanded mortgage collaboration with Borgo. We now supply banking services that cover all of Borgo's operations, from customer and account management to lending and deposit services as well as payments. In addition, we handle Borgo's accounting, treasury operations and regulatory reporting.

In February 2022, the Bank of Åland transferred its Swedish mortgages and covered bonds to Borgo. At the same time, the mortgages provided to customers of ICA Bank and Söderberg & Partners were also transferred. These mortgages had been temporarily handled by the Bank of Åland pending the launch of Borgo. These transfers had a positive effect on earnings in 2022. The Bank of Åland now has two new business volume categories: "Managed mortgage loans" is a revenue item in the Partnerships business area and "Distributed mortgage loans" is a revenue item in the Bank's Swedish business area. During 2022, we also continued project work on completing the Bank of Åland's platform service. The year was marked by extensive deliveries in the lending area.

To enable the continued rapid expansion of the Åland Index, during 2021 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. During 2022, growth continued. Today, the Åland Index reaches more than 20 countries and 360 million people. Aside from the Bank of Åland, international players such as BNP Paribas, Mastercard, Standard Chartered and Klarna also rely on the Åland Index to help meet the sustainability goals of companies and customers. In 2022, Doconomy opened offices in New York and Tokyo.

Doconomy's success is shared by the Bank of Åland through our 17 per cent ownership stake and also because we can offer our customers new products. In addition to showing an individual's carbon footprint, the Åland Index can now also show how consumption affects individual water use. This new feature will be offered to our customers in the future.

By the end of 2022, the Bank of Åland had handled more than 200,000 fully digitised customer and account openings through its partnerships. Every month, our digital solutions manage and mediate more than 500,000 payments as well as thousands of loans and fund savings accounts. Growth is expected to continue during 2023 thanks to volume increases in existing collaborations and new partners.

Early in 2023 the Bank of Åland, together with Dreams, is launching a savings product that will help private individuals to become debt-free faster and achieve balanced everyday finances. Later in 2023, we will also carry out a follow-up transfer of Swedish mortgages to Borgo. Once this transfer is completed, our collaboration with Borgo can be considered fully established.

Over the next few years, collaboration with Borgo is expected to lead to increased business volume. This will mainly consist of more distributed and managed mortgage loans, which are a service provided to Borgo and the market players that offer mortgages as part of this collaboration: ICA Bank, Ikano Bank, Söderberg & Partners, Sparbanken Syd and the Bank of Åland's own Swedish operations.

We believe that the fintech sector views the Bank of Åland as a respected and valuable partner. Qualities cited by fintech companies in describing the Bank of Åland are entrepreneurship, a full product range, sustainability and experience.

The Bank of Åland receives about 100 partnership inquiries annually, and we continuously evaluate what projects can generate added value for both parties. In our evaluation process, we attach great importance to the Bank's sustainability goals being shared by the potential partner. More specifically, we focus on social sustainability by ensuring good regulatory compliance, such as anti-money laundering and data protection for customers.

In the payments field, the Bank of Åland's palette of solutions and services is well equipped for further expansion through existing and new partnerships. Late in 2022, the Bank of Åland initiated collaboration with the Swedish startup company Plusius, which develops payment services for international e-commerce. At the same time, we chose to make an investment in the company. During 2023 we expect a volume increase both via Plusius and our established partnerships in the payments field.

Crosskey is continuing to grow

During 2022, Crosskey continued its expansion by adding both new customer and more employees. The number of full-time positions at the Bank of Åland's IT subsidiary grew to 324 – a net gain of 16 compared to year-end 2021.

As the Bank's partnership business grows, Crosskey is becoming an increasingly important part of the Group. Crosskey and its parent Bank are supplying more and more package solutions to financial services companies.

The year started on a positive note, with POP Bank choosing Crosskey to renew its core banking system. The POP Bank Group is a Finnish financial group consisting of 21 cooperative banks, the non-life insurance company Skadeförsäkring Ab, the central credit institution Bonum Bank Plc and the POP Bank Centre coop. POP Bank expects to launch the new banking system during 2025.

During 2022, Crosskey continued to deliver important components to Borgo. The single biggest milestone was the transfer of the Bank of Åland's Swedish mortgage loan portfolio to Borgo.

During 2022, Sweden's Länsförsäkringar Bank began using Crosskey's capital markets system.

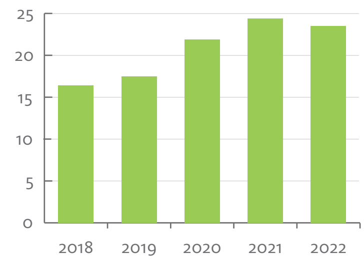
In the payments field, major changes are taking place throughout Europe and especially in Sweden. During 2022, Crosskey delivered its SEPA Instant payment solution and continued its development work for the P27 Nordic multicurrency digital payments platform, ahead of Sweden's transition to the new platform.

There is heavy customer interest in Crosskey's payment solutions, and during 2022 we attracted more new customers. Crosskey achieved Payment Card Industry Data Security Standard (PCI DSS) certification for the tenth year in a row.

In the sustainability field, Crosskey introduced various hybrid work solutions for all employees in the aftermath of the pandemic.

Non-Group income, Crosskey

EUR M



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

Corporate units

Photographer: Viktor Fremling

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

CFO Corporate Unit

Chief Financial Officer Jan-Gunnar Eurell is in charge of the Treasury and Group Finance departments. The CFO Corporate Unit has about 35 employees in Mariehamn, Helsinki and Stockholm.

Treasury is directly responsible for about one fifth of the Bank of Åland's balance sheet through liquidity management and capital market borrowing and indirectly for the entire Group's balance sheet regarding interest rate risk, currency risk and liquidity risk. Treasury operations are of great importance to the Bank's profitability.

In recent years, Treasury has carried out several new types of capital market transactions. Moving the Bank's Swedish mortgage business to Borgo during the first quarter of 2022 was another unique transaction, which that meant that the Bank of Åland's own Swedish mortgage banking operations closed and the Bank's balance sheet structure changed. During 2023, the Bank of Åland's capital, liquidity and funding situation will once again be affected by the final transfer of Swedish mortgages to Borgo.

During the fourth quarter of 2022, the Bank of Åland took out a Longer-Term Financing Operation (LTRO) loan of EUR 200 million from the European Central Bank, with one of its own covered bonds as collateral. The loan was taken out in order to deal with a EUR 117 M Targeted Longer-Term Financial Operation (TLTRO) loan that matured a few weeks later and an outstanding covered bond in a net amount of EUR 90 M that matured in January 2023.

A new covered bond law entered into force in July 2022. It stipulates that bonds issued under the old law should be in one pool and bonds issued under the new law should be in another pool. The Bank of Åland has not yet issued any bonds under the new legislation.

Rapidly rising market interest rates – and the fact that zero is no longer a high interest rate – are necessitating new liquidity and interest rate risk management solutions to achieve high returns in the treasury portfolio, while dealing with market risks. The proportion of cash equivalents and deposits in central banks thus fell significantly during the year.

The task of Group Finance is to deliver public information to the market and regulatory authorities, but also to develop and manage the Group's financial and business controls. In addition, the department has Group-wide responsibility for the purchasing process, ownership of shared technical platforms and systems as well as workplaces and data warehousing.

Today the Bank of Åland Group's financial statements and internal financial control reports are ready on the fifth banking day after each report period. Estimated customer analysis and profitability reports are updated from the data warehouse. Workstation equipment has been gradually modernised and rationalised. A systematic effort to streamline purchasing and supplier relationships has led to gradually lower expenses for purchased services. Sustainability has become an integral part of operational planning as well as financial reporting.

One new step during 2022 was to legally include the subsidiary Crosskey's finance department in the Group Finance organisation. The purpose is to thereby include Crosskey to a greater extent in Group processes such as operational management, internal accounting, financial statements, reporting and purchasing.

Another future area of collaboration with Crosskey is business intelligence and data use. Several senior key individuals have been recruited in recent years to reduce dependence on outside consultants and drive development work in this field. The Group's growing sustainability report also places great demands on data.

The processes within all functions of the CFO Corporate Unit are today of such quality and efficiency that they stand up well in an industry comparison. Employee satisfaction and motivation are also high. Nevertheless, the Unit's ambition is to continue developing and to become even better and more efficient.

Two of the platform services that the Bank of Åland provides to Borgo are treasury and financial accounting services.

CRO Corporate Unit

Chief Risk & Compliance Officer Juhana Rauthovi is in charge of the Risk Control, Compliance, Operational Risks & Security, Legal, Credit Scoring and Credit Processes departments. The corporate unit consists of about 100 people in Mariehamn, Helsinki and Stockholm.

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. Its purpose is to maintain a healthy risk culture that corresponds to the Bank's risk appetite and risk-bearing ability.

The Risk Control department is responsible for independent oversight and reporting of the Bank's financial risks. The 2022 financial year was dominated by new regulatory requirements and their implementation. This work will continue in 2023. During 2022, Risk Control completed an application to the Finnish Financial Supervisory Authority (FIN-FSA) for updated credit risk models that comply with a new definition of default. Regulatory approval is expected in 2023, but until then the new models are not in use. Risk Control also worked on further development of the department's service deliveries to Borgo.

Compliance is an independent department that identifies and monitors the Bank's compliance risks and reports on these to the Executive Team and the Board of Directors. The department provides advice and support to the Executive Team and the Bank's business operations on how to manage compliance risks to ensure that banking operations are conducted in keeping with regulatory requirements, with an emphasis on the interests of customers. In 2022, the department's focus was on monitoring and providing back-up to the Bank's financial investment business and on measures to prevent money laundering and terrorist financing. The department was also active in the Bank's efforts to strengthen oversight and follow-up of outsourcing arrangements and to implement new requirements regarding whistleblowing.

Operational Risks & Security is an independent department that provides advisory services, support and recommendations on managing operational risks. The department focuses on raising awareness of operational risks, monitoring compliance within its field of responsibility and reporting operational risks and incidents to the Executive Team and public authorities.

The year was dominated by project work to further develop the Bank's records of processing activities under the EU's General Data Protection Regulation (GDPR), transaction monitoring under the renewed Payment Services Directive (PSD2), improved cybersecurity, quality assurance of risk analyses and support for process development related to Borgo. The department also contributes its expertise in process development related to partnerships.

The process of integrating climate and sustainability risks into the Bank's existing risk management processes will continue during 2023.

The Legal Affairs department is responsible for meeting the needs of the Bank for legal expertise, since the Bank acts as a credit institution and issuer of securities. The department works to monitor regulatory changes and provide back-up for both business areas and corporate units as they develop and supply products and services to customers and partners. During the year, the department focused on the implementation of new regulations, with an emphasis on sustainability-related regulations, legal issues related to outsourcing management, launching new funds and products from Ålandsbanken Fondbolag and changes in existing partnerships.

The Credit Scoring department develops and carries out credit analysis and oversight to ensure good credit quality in the Bank's lending. In 2022, the department's role as a service provider to Borgo increased as that company's business expanded.

The proportion of unsettled loans in the lending portfolio increased during the year, mainly due to a few large exposures that are not directly connected to the general economic situation. The Credit Scoring department participated actively in deliveries related to the Borgo partnership as well as deliveries required by European Banking Authority (EBA) guidelines on loan origination and monitoring.

The Credit Processes department is responsible for administering and developing the Bank's lending processes and ensuring that they comply with internal and external regulations. In 2022, the department's focus was on implementing new regulatory requirements and expanding deliveries to Borgo.

In the future, the department's work will continue to be dominated by regulatory implementation, including the introduction of a positive credit register in Finland, Basel 4 and process development for our partnerships.

CAO Corporate Unit

Chief Administrative Officer Tove Erikslund is in charge of this corporate unit, which consists of the Business Support, Business Support Capital Market, Customer Service & Market Support, Business Development and Human Resources departments, as well as the sustainable development unit. The CAO Corporate Unit has about 140 employees in Mariehamn.

The CAO Corporate Unit had another development-intensive year in 2022. The Business Support and Business Support Capital Market departments are 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 infrastructural changes in European markets for payments, clearing and securities settlement. The corporate unit also worked to further streamline operations and improve the customer experience.

During the year, development projects aimed at improving efficiency focused on reducing operating and licensing costs for IT systems, as well as improving systems back-up 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.

As for customer experience enhancement projects, we enabled our 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 2022 the corporate unit worked to define service promises and standard offerings.

During 2023 the corporate unit's development work will be dominated by regulatory adaptations of the Bank's operations. Efforts to boost efficiency and strengthen the customer experience are being run as priority development projects, and they are continuing alongside our ongoing improvement work. In the capital markets field, we also plan to take the next step towards further harmonising our systems and processes, so that in the future we will have the same systems in Sweden and Finland.

As for administration, the Business Support department in particular has focused on creating routines and processes for the Bank of Åland's new role as a supplier of services to the Swedish mortgage company Borgo. The corporate unit's work with administration has also been dominated by efforts to strengthen operational continuity, including programmes to ensure the supply of skills.

The year brought changes in the market situation that posed new demands, which the administrative and development departments have adapted to. During 2022, the number of customer frauds increased. Our customers will need to exercise greater caution and awareness when using our digital services. We are working continuously to increase cybersecurity in the Bank of Åland's digital channels.

Customer Service volume was about the same as before: about 11,000 cases per month. Customers can contact the Bank via phone, the Internet Office and the Mobile Bank, as well as by email and online chat.

The surveys that we conduct show that Customer Service maintains high quality in its encounters with our customers. Our latest survey provides comparative background data on some 20 other banks in Finland and Sweden. The Bank of Åland's Net Promoter Score (NPS) is 56, which is well above the average of 34 for banks. General customer satisfaction with the Bank of Åland is also at a high level.

For the Human Resources department, 2022 largely centred on recruitment efforts and adaptations to regulatory requirements. We revised our annual knowledge updates for customer advisors, while giving skills supply and skills enhancement top priority.

Sustainability at the Bank of Åland

Photographer: Anton Sucksdorff

Sustainability at the Bank of Åland and the year in brief

A cornerstone of our sustainability work is to take environmental, social and corporate governance (ESG) aspects into account. This means that our ambition is to include climate and environment, human rights, social relations and anti-corruption issues in our processes and activities. This, in turn, leads to sustainability aspects becoming a natural element of our products and services.

One focus during 2022 was to deepen our understanding of the Bank of Åland's climate impact and how it should be calculated correctly. In this work, the biggest challenge remains how we can best gather reliable data.

Among the year's important milestones is the climate strategy that we developed. It describes our path towards the Bank of Åland's climate targets, which we set in 2021. The climate strategy helps us clarify how and at what pace we will reduce the Group's greenhouse gas emissions in order to achieve our established climate targets.

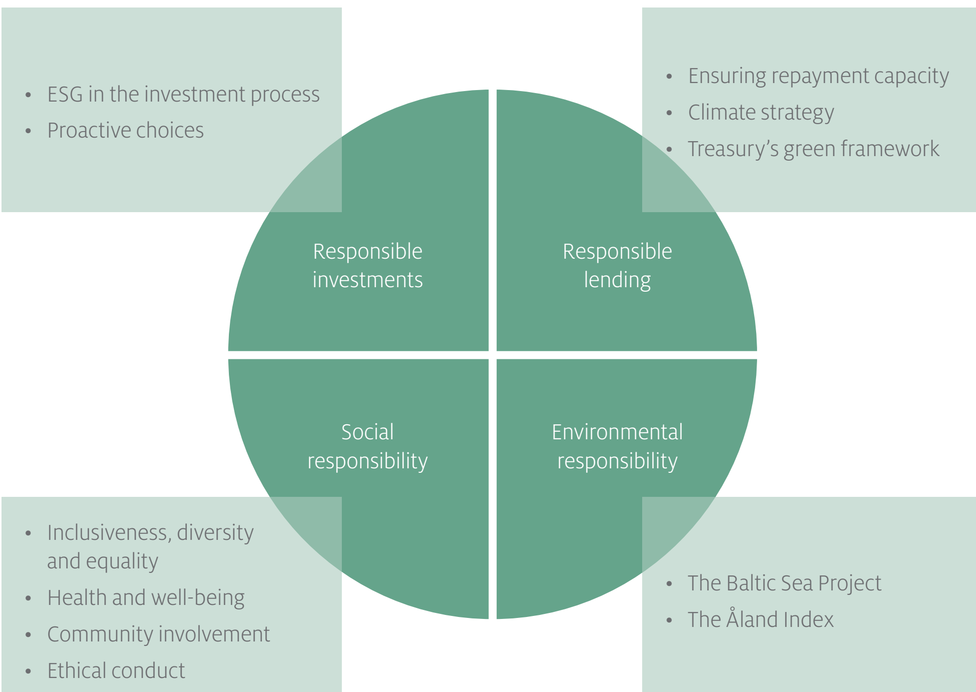
The Bank of Åland's sustainability strategy

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.

The strategy has four focus areas:

1. Responsible investments
2. Responsible lending
3. Environmental responsibility
4. Social responsibility

The 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 global commitments

As another source of guidance in our efforts to move our operations towards meeting the United Nations global goals, the Bank of Åland has joined four international initiatives:

The UN Principles for Responsible Investment (UNPRI)

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

The UN Principles for Responsible Banking (UNEP FI)

Having adopted the UN Principles for Responsible Banking (PRB), the Bank of Åland is committed to following these six principles:

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

During 2022 we continued to focus on the second principle, analysing how the Bank of Åland impacts various aspects of sustainability. We also continued our target setting efforts. With the help of UNEP FI's analysis tool, for the first time we were able to conduct a comprehensive impact analysis of the entire Bank of Åland loan portfolio. See the results in "Our contributions to the UN's global goals.

The Net-Zero Banking Alliance (NZBA)

The Bank of Åland is 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, which is among the reasons why the Bank of Åland has established its climate targets.

Climate Action 100+

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

Our sustainability governance

All development, management and governance of the Bank of Åland's sustainability work is based on our materiality analysis, the priorities of our stakeholders, external regulations 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 Group's Management Team, is responsible for implementing the decisions on strategic direction made by the Board of Directors.

The Bank of Åland's Sustainability Team 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 goals and regulations. The Risk Control Department monitors the Bank of Åland's climate risks.

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

Our climate strategy

The purpose of the Bank of Åland's climate strategy is to describe how, based on clear goals, we will gradually reduce the carbon dioxide equivalent (CO_2e) emissions both directly and indirectly caused by our operations.

The climate strategy defines how we will achieve the climate targets we have established. Our ambition is in line with the Paris Agreement and the decisions made by Finland and Sweden to achieve climate neutrality by 2035 and 2045, respectively.

In addition, the Bank's 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:

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.

The climate strategy rests on a three-part foundation:

- Data and computational models. Here the focus is on collecting data and applying them in comparable computational models. Reliable data remain in short supply, especially data for the GHG Scope 3 accounting standard. Yet it is 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 fund, 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 targets for CO_2e emissions according to the GHG protocol, the target must be broken down into different stages and sub-targets, on a yearly basis and long-term. Follow-up takes place quarterly, and targets can be adjusted continuously.

Our emissions

The Bank of Åland's climate strategy covers the part of our operations for which we count CO_2e emissions: the Bank's investment and lending operations, our treasury operations and our business operations. The calculation is based on the GHG protocol and on available data within Scope 1, 2 and parts of Scope 3.

In 2022, the Group's emissions were 1,819,554 tonnes of CO_2e, broken down as follows:

CO_2e emissions within various operations

	Tonnes of CO_2e emissions	Reference to note
Activity		
Own business operations	665.5	S1
Investments	1,587,742.4	S1
Loan portfolio	217,390.6	S1
Treasury portfolio	13,755.8	S1
Totalt	**1,819,554.2**	

This is a reduction of 9 per cent compared to the 2021 emission figures[1], which is a step in the right direction towards the Bank of Åland's climate targets.

Climate compensation

We are aware that in the short term we will not be able to reduce all emissions. This is why we use climate compensation for the portion of measurable emissions that are connected to our own business operations, including Scopes 1 and 2 as well as supplier-related emissions from purchases in Scope 3 (upstream).

[1]2021 emission figures were recalculated according to the same method as 2022 figures. The previously reported 1,519 K tonnes of CO_2e has now been expanded to 1,996 K tonnes of CO_2e.

The Bank of Åland's materiality analysis

With the help of our materiality analysis, we can identify areas for sustainable development. We use this analysis to look at the business from four responsibility perspectives, based on the UN's global goals: lending, investment, environment and social issues.

The materiality analysis includes monitoring of global events, identification of our stakeholders and their interests and identification of our impact from a sustainability perspective. The analysis is performed in order to identify the most important things we should focus on in the areas where our business has a positive or negative impact.

Climate and environment are an essential area in which we took a big step forward in 2022 by defining our climate strategy.

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. Demands for sustainability are increasingly regarded as normal throughout our product range. During 2023, we will further intensify our dialogue with stakeholders to gain better insights into what they need and what drives them to make various choices.

The Bank of Åland's main stakeholders:

- Customers
- Shareholders
- Debt investors
- Employees
- Public authorities (regulators)
- Rating agencies
- Resellers
- Suppliers
- Partnership organisations
- Special interest organisations
- Media

Various regulatory requirements increasingly dominate the everyday activities of the financial services sector. Since more and more parts of the Bank of Åland's business are affected, it is a top priority for the Bank to implement the various requirements and rules as efficiently as possible. We are thus continuing to develop our reporting processes and increase our transparency.

In our latest materiality analysis, we see that issues related to health, well-being and a sustainable working life are of growing importance to our employees. In its role as an employer, the Bank of Åland will obviously endeavour to continue offering the best possible conditions for all employees and thereby maintain a strong commitment to its workforce and to the community.

The Bank of Åland's impact is also connected to the exposures that arise from our financing and investment operations. In 2022, an initial PRB impact analysis of the Bank's loan portfolio was carried out using the UNEP FI Impact Analysis Tool, which examines several dimensions of social, economic and environmental factors. Our investment activities were not included in this initial analysis, but in 2023 they will be included.

Our contributions to the UN's global goals

The impact analysis of the Bank of Åland's loan portfolio showed that, through our products and services, we affect various sustainability areas both positively and negatively.

The analysis covered various lending products to retail and corporate customers in Sweden, the Finnish mainland and Åland. The results of the PRB impact analysis of responsible lending showed that through its lending, the Bank of Åland, has an important role in social change. The analysis shows that 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 through its financing transactions, the Bank of Åland affects areas such as climate, biodiversity, waste and resource efficiency. This mainly applies to our financing of private homes as well as construction and real estate companies.

When we mapped our impact on the UN global sustainable development goals in 2021, we were able to identify a significant impact on 6 of the UN's 17 goals:

- Goal 6: Clean water and sanitation.
- Goal 7: Affordable and clean energy.
- Goal 12: Responsible consumption and production.
- Goal 13: Climate action.
- Goal 14: Life below water.
- Goal 15: Life on land.

In these six areas, we are especially committed to limiting our impact, and through our established climate targets, we have taken a firm grip on that challenge.

During 2023, this work will be strengthened. We will formulate a number of scientifically based emission targets in accordance with the Science Based Target initiative (SBTi), which provides a method for the development and validation of scientifically based climate targets for companies. We will also study and establish more objectives. Our PRB impact analysis will also be expanded to include responsible investments.

Together with goal 8, Decent work and economic growth, the above UN goals continue to be the Bank of Åland's prioritised sustainable development goals (see Note S8).

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. During 2022, we expanded our calculations for the climate footprint of investments. These calculations now show emissions figures for all three scopes.

We have a wide range of products and services where the environmental, social and corporate governance (ESG) aspects are fully integrated into our investment processes. Our products include:

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

We continuously review our product range. As early as 2010, Ålandsbanken Fondbolag signed the UN Principles for Responsible Investment (UNPRI). All of the fund management companies whose funds we have chosen to recommend have signed UNPRI. At the end of 2022, Ålandsbanken Fondbolag managed assets worth EUR 4 billion.

Multiple approaches to achieving sustainable investments

At the Bank of Åland, we choose investments that are well equipped to endure, or even be winners, in the environment we live in. We avoid controversial businesses and those that have high sustainability risks. We pursue a proactive dialogue with existing and potential portfolio companies about their sustainability profile. Our climate strategy also forms the basis for choosing which companies the Bank of Åland will either invest in or avoid.

During 2022, our focus was on identifying and measuring emissions in our portfolio companies. As part of the Bank of Åland's climate strategy, we require companies to have or to develop scientifically based climate goals.

During the year, we measured how many companies had joined or expressed their ambition to join the Science Based Targets initiative (SBTi). By year-end, 23 per cent of our portfolio companies had initiated the process of changing their operations to be in line with SBTi and 36 per cent had already joined.

Which ones we choose

We invest in businesses that have good opportunities for success from a sustainability perspective, such as companies that have switched from single-use plastic products to more sustainable and recyclable materials such as wood fibre, paper and cardboard. Another example is companies that support the transition of society towards increased electrification and automation.

We pursue a dialogue with companies to help persuade them to contribute positively to the sustainability challenges that lie ahead. The Bank of Åland's climate strategy has also influenced our investments, since among other things we prioritise renewable energy sources over fossil ones. Among our bond investments, we prioritise real estate companies that have issued green bonds to improve their energy efficiency.

Which ones we avoid

We review all products included in the Bank of Åland's offering on a semi-annual basis, 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 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, with our ambition being 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.

During 2022 our guidelines for excluding companies engaged in the extraction of thermal coal became stricter, and companies are excluded if over five per cent of their sales come from this business.

Bank of Åland funds, allocated by SFDR classification, assets under management

- Article 9, funds that have sustainable investment as their objective
- Article 8, funds that promote environmental or social characteristics
- Other funds

How we exert an influence

In order to achieve positive changes in the companies that are part of 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 are willing to discuss sustainability-related developments.

As for its financial investment business, the Bank of Åland 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 take part in lobbying efforts aimed at public authorities. We actively participate 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 Markets 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 followed up the carbon intensity of all Bank of Åland mutual funds. Scope 3 level data are now becoming available for most companies we have invested in. The quality of the data is still variable, but we believe it will improve significantly over the next few years. The majority of companies included in our fund offering have either already joined SBTi or have clearly communicated how they intend to achieve the goals of the Paris Agreement.

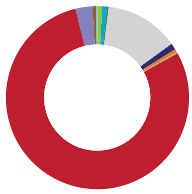
We continuously analyse developments within individual companies and focus on sectors that currently account for the largest emissions: the manufacturing sector, power producers and basic industry. Based on reports from companies and the initiatives taken to reduce their emissions, our assessment is that these companies will show a gradual improvement in their emissions data in the coming years. Nevertheless, emission levels for both the individual companies and whole sectors will probably 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 equity funds, the carbon intensity of these investments has decreased for all three of the scopes that are measured. Overall, the reduction in intensity was 19 tonnes of CO_2e per EUR 1 M invested, of which the largest reduction could be seen in Scope 3 emissions due to our efforts to allocate capital towards more sustainable alternatives. One sector with a clear reduction was extraction of minerals.

Total emissions from our financial investment business decreased by 8 per cent in 2022 from restated comparable figures for 2021 (see Notes S1 and S3). In spite of this, investments accounted for the largest percentage of the Bank of Åland's total emissions, partly because this area has more extensive calculations. In 2022 there was an increase in the data that formed the basis for the calculations. For example, real estate investments were included for the first time. Other portfolio companies have also reported Scope 3 emission figures, which were previously only estimates. We foresee large variations in the emission figures over the next few years as methods evolve.

Investments

tonnes of CO_2e



Responsible lending

Responsible lending is one of the four focus areas in the Bank of Åland's sustainability strategy. Our lending operations promote sustainability by ensuring repayment capacity and maintaining high ethical standards. This is also an important element of the Bank's new climate strategy.

In lending operations, too, sustainability is a key concept at the Bank of Åland. When granting loans, we must ensure the customer's repayment capacity. In this way, we can ensure a sustainable and responsible approach.

High interest rates or good collateral do not compensate for weak repayment capacity. As a responsible lender, we must protect our customers against problems connected to excessive debt. Responsible lending benefits the customer, the Bank and society at large.

Responsible lending is a cornerstone for ensuring that the Bank of Åland's sustainability work is moving in the right direction and is contributing to the UN's global goals.

Sustainability requirements

The Bank of Åland's lending must meet high ethical standards. The sustainability requirements in our lending operations are a way of working towards human rights, better working conditions and a healthier climate.

In recent years, we have created a clear analysis of the carbon footprint that our lending currently gives rise to. Based on this analysis, we will now continue our efforts to reduce our environmental impact.

We also want a high level of transparency about our sustainability work. We seek closer dialogue with our customers and other stakeholders. In addition, we also place great emphasis on the implementation of regulatory requirements and rules.

Climate targets and criteria for lending

Our starting point is that we will provide loans to businesses that comply with international policies and guidelines for sustainable development. If customers are not ambitious enough in their sustainability work, this may lead us to deny them a loan.

As part of the Bank of Åland's climate strategy, in addition to the customer's repayment capacity, our lending operations must be based on four criteria connected to environmental impact:

1. Our corporate customers are expected to sign an agreement to share the same climate target as the Bank of Åland, i.e., a 50 per cent reduction in their carbon dioxide emissions by 2030 as a first step.
2. The Bank of Åland does not finance activities that produce non-renewable energy. When financing renewable energy, including renewable fuels, the Bank shall take into account the latest international sustainability guidelines in this area.
3. When lending to companies that import goods from developing countries, one requirement is either Fair Trade labelling or organic/biodynamic labelling.
4. Financing of companies in emission-intensive industries will be limited to a maximum of 2 per cent of the loan portfolio. Otherwise, the first criterion applies.

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 4,303 million at the end of 2022. Our emission calculation includes the entire loan portfolio.

Total emissions attributable to our lending operations in 2022 were 217,391 (2021: 255,343) 2021) tonnes of CO_2e, or about 38,000 tonnes less than the restated base year 2021, when our calculations began. The Bank's reduced emissions are mainly due to a change in the sectoral distribution of corporate lending and changes in emission intensities, as well as a decrease in mortgage loan 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 the loan 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 part 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 2022, 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 are looking forward to this important challenge with confidence. For detailed figures, see Note S1 and S4.

Treasury

CLIMATE STRATEGY

During 2022, our Treasury department took its first steps towards the climate targets established by the Bank of Åland. Treasury is working on continuously expanding its estimates and boosting its share of actual emissions data, instead of relying on estimates. This is happening as standardised calculation models are developed and as securities issuers expand their sustainability reporting.

To create a clearer connection to the overall situation, we are also aiming to harmonise emissions reports and existing financial reports. In this way, we hope to present a clear total picture of the treasury portfolio's climate impact, in which we have identified the most emissions-intensive sectors.

Our climate strategy also includes evaluation of new investments and existing holdings from a climate perspective. This evaluation is performed using criteria that indicate whether the securities issuer has taken, or plans to take, steps to reduce its emissions. Our criteria are based on scientific objectives, such as SBTi, or on various initiatives such as net-zero emission targets.

We also use data on the securities issuer's CO_2e intensity as part of our decision-making process. For new investments, these criteria were introduced during 2022, while existing holdings have a transition period of three years before any of the criteria must be met.

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 of Åland's green finance framework. This framework covers the financing of renewable energy, more specifically wind and solar power, as well as green buildings with better energy performance than required by national building regulations. 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 low-carbon society. The green framework received a rating of 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. Starting in 2023, Treasury will publish an annual environmental impact report, detailing what green projects the green instrument has funded as well as the amount of CO_2e emission savings this funding has generated. These emission savings are calculated against a baseline scenario of conventional energy supply for renewable energy projects and energy performance required by national building regulations for green buildings. The report will be available on the Bank of Åland's website starting in February 2023.

TREASURY'S ENVIRONMENTAL IMPACT

Treasury evaluates its impact on the environment and climate by estimating the carbon emissions related to the treasury portfolio.

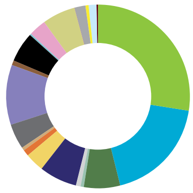
The treasury portfolio amounted to EUR 1,329 million on December 31, 2022. Total CO_2e emissions amounted to 13,756 tonnes. The emissions calculations are based on the GHG protocol standard and include Scope 1, Scope 2 and Scope 3. Emissions data were collected from public data sources. Emissions data are missing for 24 per cent of the portfolio, and estimates for this portion are made using sector data or comparable securities issuers.

Three per cent of the treasury portfolio accounts for 88 per cent of total emissions. The most emissions-intensive holdings include corporate bonds and covered bonds issued by the manufacturing and energy sectors.

During 2022, Treasury reduced emissions in its portfolio by 23 per cent compared to the base year 2021. Emission reduction was achieved mainly by divesting emissions-intensive corporate bonds and bonds from financial institutions where it seemed financially appropriate. Since November 2022, Treasury has applied various emission-related criteria to new investments to ensure that emissions related to its portfolio decrease at the pace required to achieve the Bank of Åland's climate targets.

Loan portfolio

tonnes of CO_2e



- Home loans
- Securities and other investments
- Other purposes
- Other service activities
- Construction
- Real estate activities
- Financial and insurance activities
- Electricity, gas, steam and air conditioning supply
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Hotel and restaurant activities
- Information and communication
- Agriculture, forestry and fishing
- Arts, entertainment and recreation
- Business activities, private individuals
- Public administration and defence; compulsory social security
- Manufacturing
- Transportation and storage
- Education
- Rentals, real estate services, travel services and other supportive services
- Water supply, sewerage, waste management and remediation activities
- Legal, financial, scientific and technical activities
- Human health and social work activities

Treasury

tonnes of CO_2e

- Construction
- Real estate activities
- Financial and insurance activities
- Electricity, gas, steam and air conditioning supply
- Public administration and defence; compulsory social security
- Manufacturing
- Transport and storage
- Rentals, real estate services, travel services and other supportive services
- Operations at international organisations, foreign embassies etc.

Social responsibility

Social responsibility is an important area of sustainability and 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

Through our work for gender equality and diversity at the Bank of Åland, we want to create a culture where differences are our strength. This will also help us to be perceived as an attractive employer. All employees should have the same opportunities for a successful career within the Group, regardless of factors such as gender, age, ethnicity, beliefs, religion or disability.

In our action plan 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 feel 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 opportunity to combine work, private life and parenthood.

It is important that our recruitment processes and selection of job candidates take place as objectively as possible. We thus work actively with skills-based recruitment throughout the process.

To ensure that our efforts work in practice, we measure gender equality and diversity 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. We thus continuously invest in skills-enhancing programmes according to the 70-20-10 model, where 70 per cent of professional development takes place during an employee's day-to-day job, 20 per cent occurs in collaboration with colleagues – for example through coaching and mentoring – and 10 per cent consists of more formal training programmes.

We measure the number of hours that employees have participated in internal and external skills-enhancing training programmes. These programmes are based on a training plan structured in various categories, which also provide the basis for our reporting and our key figures connected to skills. (See Note S5, Employees and human resources)

Other important skills-enhancing initiatives are the introductory course for all new employees, which begins even before their first working day. This introductory course is followed up with training in their own department and the joint introduction sessions during their first months at the Bank. Regularly recurring performance reviews in the form of conversations with managers later define employees' individual skills development needs.

We have a strong focus on expanding sustainability awareness among our employees and we thus organise mandatory training in sustainability for everyone.

Health, well-being and commitment

The Bank of Åland aims at ensuring a good physical and mental working environment and a high level of commitment among all employees. During 2022, we carried out continuous measurements of employee well-being and commitment using the Temperature and eNPS models. The results of these measurements are followed up and analysed so that we can see trends over time. Our long-term goal is to reach a level of commitment that is above the industry index. (See Note S5, Employees and human resources)

The Bank of Åland's systematic working environment efforts include studying, measuring, remedying and following up results related to the mental and physical working environment. As part of these efforts, we carry out a risk assessment twice a year. We monitor trends and create action plans in response. In 2022, we developed a common working environment agenda for our Finnish and Swedish operations and held joint discussions about the working environment risks that had been identified.

In the aftermath of the coronavirus pandemic, we have put extra emphasis on activities that maintain and develop physical and mental well-being. Among other things, employees have been offered initiatives such as occupational health care and lectures about stress and stress management. These programmes have also produced materials that various working groups can study during workshops.

As an expression of gratitude for all their great efforts during 2021, Group employees were rewarded during 2022 with an increased wellness allowance. Also much-appreciated is the bicycle benefit for employees in Åland and on the Finnish mainland – an environmentally friendly alternative to cars and public transport. At the Bank's head office in Mariehamn there is a staff gym, where employees interested in physical training instruction offered their colleagues free personal trainer sessions during the year.

In 2022, the Group launched a share savings programme for all employees. This one-year programme began in July and 69 percent of employees chose to participate. The aim of the programme is to further strengthen employee motivation, participation and long-term affiliation with the Bank of Åland.

Leadership

Throughout the Group, we see leadership as a strategically important area for achieving our employee commitment and well-being goals. We thus continuously monitor the results of our leadership index. (See Note S5, Employees and human resources)

To strengthen their leadership skills, our managers receive ongoing information, training and support. During 2022, all managers underwent a six-part leadership program. The goal is to encourage leadership that focuses on participation, relevance and professional development. Our annual leadership forums have included a focus on corporate culture and values, and these are themes that we want to continue working on in the coming years.

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. In December, Bank of Åland employees – in cooperation with the humanitarian aid organisation Ukrainahjälpen and the Åland Red Cross – organised a Christmas gift drive for Ukrainian refugee children. We plan to carry out at least three similar programmes annually.

In Åland, we are a major employer. We thus have a social responsibility to provide interesting and stimulating work opportunities that will enable the Åland community to remain highly attractive. We want to offer work both to recent graduates and people with long professional experience.

We have built up various forms of collaboration with schools in Åland, both at university level and with other organisations such as language training programmes.

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, rules 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 form a stable basis for our daily work. We ensure this through various forms of skills development and follow-ups. Our employees undergo mandatory training every year. We meet the existing licensing requirements for the financial services sector in Sweden and Finland.


Photographer: Anton Sucksdorff

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 climate impact. During 2022, we worked to increase our understanding of the impact our own business operations have on water, biodiversity and ecosystems, among other things.

In order to improve our environmental work and achieve the Bank of Åland's environmental targets, we know it is crucial that our employees continuously participate in skills development on sustainability issues.

Our own emissions

In 2022, the Bank of Åland continued its focus on emission calculations according to the GHG protocol. The method we use to estimate our CO_2e emissions is based on applying the Åland Index to the costs of our own operations. In keeping with the GHG protocol, we report emissions in three scopes: The Bank of Åland's business operations are part of Scope 1, and this includes cars owned or leased by the Group and their fuel. Scope 2 includes our energy consumption and Scope 3 (upstream) includes supplier-related emissions from our purchases.

The Bank of Åland's emissions from its own business operations in 2022 were 665.5 tonnes of CO_2e. This was an increase of 287.1 tonnes compared to 2021 (378.4 tonnes of CO_2e, recalculated during 2022 from the previous estimate, which was 775.2 tonnes of CO_2e). The increase was largely due to increased emissions from business travel.

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. But Scope 3 (upstream), including our own purchases, is the part of our business where we see the largest quantity of emissions. In this category, our business trips are a significant item. After the restrictions of the pandemic years, travel has again 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.

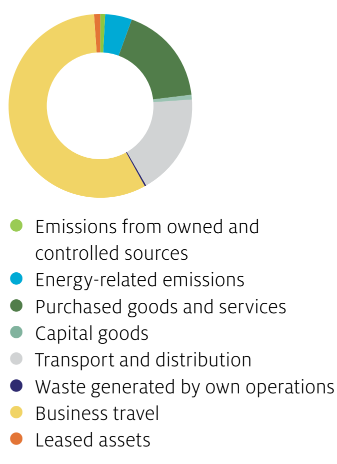
In our energy consumption, we see a clear improvement. In 2022, the share of environmentally certified electricity increased from an average of 85 per cent in 2021 to 94 per cent in 2022. At year-end, the share of environmentally certified electricity was 100 per cent.

Climate compensation

In 2022, we provided climate compensation for the CO_2e emissions included in Scopes 1 and 2 and measurable supplier-related emissions in Scope 3 (upstream). Of the Bank of Åland's compensation portfolio, 80 per cent consists of projects that reduce and store greenhouse gases. The remaining 20 per cent consists of innovation projects, such as technologies for capturing and storing carbon dioxide.

Emissions from the Bank´s own operations

tonnes of CO_2e



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 steps to proactively prevent the Bank of Åland from 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 sanctions decisions. We prevent financial resources from being channelled 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

We work continuously to combat cyber-threats and raise awareness among employees. The Bank of Åland's Information Security Manager offers 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 performs 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 tests when it comes to designing safety components. The Bank of Åland also follows internal regulations on how we process personal data with a good level of security. We also 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 an internal reporting system to draw attention to irregularities. To enable all our employees to feel safe with our whistleblowing system, the user's identity is protected, which minimises any risk of retaliation.

What the EU's regulatory framework means to us

A number of European Union regulations and directives 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: the Taxonomy Regulation, SFDR and CSRD.

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.

The Taxonomy Regulation 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

The reporting obligation for the first two environmental objectives entered into force in 2021. Reporting for the four other objectives will be implemented gradually.

During 2022, we continued to improve the underlying data quality to ensure that we can meet future reporting requirements within the Taxonomy Regulation and other sustainability-related regulations. See note S2 on our 2022 reporting.

SFDR

The Sustainable Finance Disclosure Regulation (SFDR) is the EU regulation on sustainability-related disclosures. The purpose is to create a standard for how the financial services industry presents sustainability information about its products. In 2022, we published sustainability information about our funds and model portfolios as well as a so-called Principal Adverse Impact (PAI) report, which shows how we pay attention mainly to negative consequences for sustainability factors when making investment decisions.

In line with amendments to the second Markets in Financial Instruments Directive (MiFID 2), we have also initiated the task of asking for our customers' sustainability preferences when providing investment advisory services. Since our customers will base future investment decisions on their sustainability preferences, this will partially fulfil the EU's objective that capital should increasingly flow into sustainable investments.

CSRD

In 2022, the Bank of Åland initiated a prioritised project for the newly enacted Corporate Sustainability Reporting Directive (CSRD). After national implementation, CSRD will be applied starting in 2024.

The key feature of both CSRD and the new European Sustainability Reporting Standards (ESRS) is the double materiality analysis, which includes both an impact assessment and a financial risk analysis.

Governance and management of climate-related risks

Climate change gives rise to both physical and transition risks. An example of physical risks is extreme weather that may prevent our employees from getting to their workplace or adversely affect the Bank's suppliers.

How the Bank of Åland manages climate risks

Transition risks are associated with the extensive structural change in the economic system as society shifts to a carbon-neutral economy. This transition affects not only the Bank of Åland, but the entire financial services sector. The ESG requirements imposed on banks through various regulations are also evolving at a rapid pace and expanding in scope.

All in all, these factors require us to analyse the impact that climate change may have on the Bank's operations, both in the short and long term. We need clarity about what kind of processes are needed in order to manage each individual risk that we identify.

We foresee that climate risks will affect us in all areas for which we already have risk management processes. Our long-term strategy is thus to integrate climate risks as a natural element of the risk areas we are already working with today. Initially, we still want to keep climate risks as a separate area. In that way, we will ensure that we give climate risks the priority and visibility required to accelerate the work that needs to be done, and then be able to integrate climate risks into our existing processes.

Our exposure to climate risks

Through our own business operations, we are directly exposed to climate risks. Indirectly, we are exposed to these risks through the customers we finance. In our lending operations, risks are associated with the geographies and sectors across which our loans are spread. In our lending to households, we primarily foresee exposure to transition risks related to the energy efficiency of homes and physical risks such as flooding.

In our corporate loan portfolio, exposure to climate risks is mainly found in the sectors we lend to. We generally have relatively low exposure to such classically carbon-intensive sectors as energy, transport and agriculture. On the other hand, we foresee exposure to transition risks in our lending to the real estate and financial services sectors, where the risks consist of demands for increased energy efficiency and the risk of stranded assets.

We must also take into consideration the climate-related risks that our own business operations face. As mentioned earlier, acute physical risks include extreme or unforeseen weather events. These may lead to damage to the Bank of Åland's real estate or other property, affect suppliers or their subcontractors and employees' ability to perform their work. These risks may interfere with or cause disruptions to our business. We must also take into consideration reputational risk, based on the public's expectations of the Bank of Åland related to the management of climate- and environment-related risks.

Developmental phase

The Bank of Åland's efforts to manage climate-related risks are in the developmental phase. Among the factors driving these efforts are the development of the financial service sector's climate change impact management and the regulations that are being introduced. As the Bank reduces its exposure to carbon-intensive sectors, this also decreases our exposure to transition risks when these sectors shift towards lower-emission operations.

In 2023, we will base our efforts on the initial work that has been done to identify climate-related risks. From there, we will begin developing methods for measuring and reporting these risks. Like most players in the financial services sector, the Bank of Åland also needs to develop and gain access to more comprehensive data. This is an area where we expect to take major steps forward over the next few years, while introducing more precise measurement methods.

Report of the Directors

Photographer: Anton Sucksdorff

Report of the Directors

Macro situation

The year 2022 will probably go down in history as one of the most dramatic years in modern times. After the COVID-19 (coronavirus) pandemic had finally begun to release its two-year long grip in Finland and Sweden, on February 24 Russia began a full-scale war of invasion against its neighbouring country of Ukraine. The changing security situation in Europe has been accompanied by soaring energy prices and an inflation shock.

During 2022, the European Central Bank and Sweden's Riksbank both hiked their key interest rates by a total of 2.50 percentage points, and both have declared their intention to implement further key rate hikes aimed at combating inflation. The Bank of Åland has substantial positive net interest income sensitivity to rising short-term market interest rates.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	2022	2021
Euribor 3 mo	0.34	−0.55
Euribor 12 mo	1.09	−0.49
Stibor 3 mo	1.00	−0.04

During the year, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 16 per cent, while the Nasdaq Stockholm's OMXSPI index fell by 25 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 5 per cent lower during 2022 than during the prior year, and at year-end 2022 it was 8 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 chose 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 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.

The transaction had a nonrecurring positive effect in the Bank of Åland's income statement of SEK 9.8 M. At the same time, this will mean a smaller loan portfolio in the Bank of Åland's own balance sheet and thus a lower current net interest income. The Bank of Åland will instead receive distribution fees for brokered loans and platform revenues for maintaining various services to Borgo. However, ICA Bank and Söderberg & Partners continued to use the Bank of Åland's balance sheet for certain types of new mortgage loans, which will be transferred to Borgo during 2023.

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.

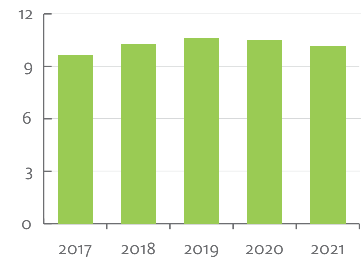
The AGM elected Mirel Leino-Haltia as a new member of the Board of Directors. Board members Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å Karlsson, Ulrika Valassi and Anders Wiklöf were re-elected. At the statutory meeting of the Board the same day, Nils Lampi was elected as Chairman and Christoffer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

During 2022, the Bank of Åland bought back and annulled 361,281 of its own Series B shares for EUR 12.2 M. The Bank also issued 12,825 new Series B shares due to its obligations as part of the employee incentive programme.

The Bank of Åland launched 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 July 2022, and the programme will run for one year.

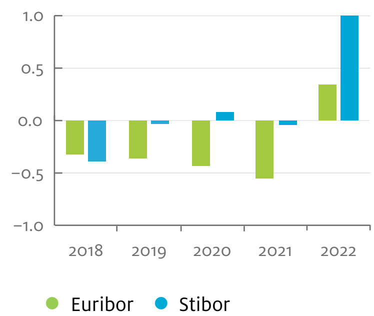
Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own

Average EUR/SEK exchange rate



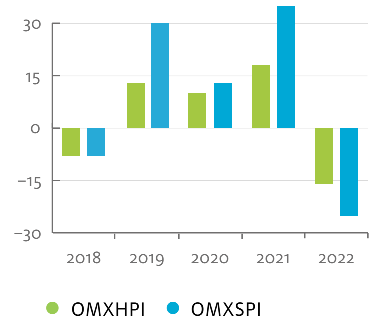
Euribor/Stibor, 3-month averages

Per cent



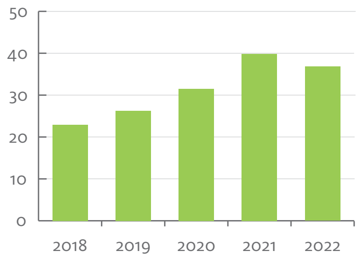
OMXHPI and OMXSPI

Per cent



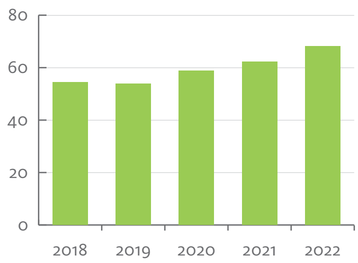
Profit attributable to shareholders

EUR M



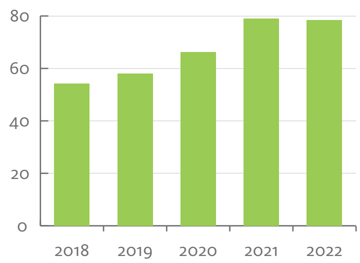
Net interest income

EUR M



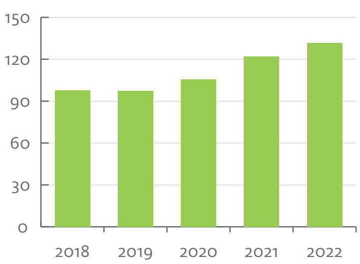
Net commission income

EUR M



Total expenses

EUR M



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, 69 per cent of Group employees had joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.5 M, which would be equivalent to about 44,000 Series B shares, based on the average share price in December 2022 including a 10 per cent discount. The number of matching Series B shares is estimated at 38,000. The projected number of shares that employees may receive as part of the share savings programme is about 83,000.

In November 2021 the Bank of Åland's mutual fund company Ålandsbanken Fondbolag and the Swedish energy company OX2 signed a memorandum of understanding to develop an offshore wind power project in the Baltic Sea south of Åland. This collaboration was expanded in May 2022 to include an additional project north of Åland. In September the parties signed a binding agreement. Because the task of analysis and environmental impact assessment has begun, the project is included in OX2's development portfolio. The projects, known as Noatun South and Noatun North, are being run via two joint ventures in which OX2 is the developer and Ålandsbanken Fondbolag is a long-term shareholder via its mutual funds. In addition to offshore wind farms in the Åland maritime zone, the Noatun projects also include a grid solution for the distribution of electricity to Åland, Sweden, the Finnish mainland and Estonia.

Earnings

Net operating profit decreased by EUR 3.1 M or 6 per cent to EUR 46.1 M (49.2). About EUR 10 M of net operating profit for the report period was attributable to nonrecurring items, compared to about EUR 5.0 M in the previous year.

Profit for the period attributable to shareholders decreased by EUR 3.0 M or 8 per cent to EUR 36.8 M (39.8).

Return on equity after taxes (ROE) decreased to 12.8 per cent (14.0).

Total income rose by EUR 8.1 M or 5 per cent to EUR 184.1 M (176.0). Core income in the form of net interest income, net commission income and information technology (IT) income increased by EUR 4.4 M or 3 per cent to EUR 170.1 M (165.7).

Net interest income rose by EUR 6.0 M or 10 per cent to EUR 68.2 M (62.2). A higher interest margin – with market interest rates shifting from being negative to being positive – offset lower lending volume. Lending volume was lower because on February 14, the Bank of Åland transferred most of its Swedish mortgage loans to Borgo.

Net commission income fell by EUR 0.6 M or 1 per cent to EUR 78.4 M (79.0). Income from the Bank's asset management business was lower, while income from distributed mortgage loans as well as platform income for managed mortgage loans contributed to higher commission income.

IT income fell by EUR 0.9 M or 4 per cent to EUR 23.5 M (24.4). The decrease mainly came from lower project income.

Other income, including net income on financial items, increased by EUR 3.7 M or 35 per cent to EUR 14.0 M (10.3), mainly thanks to a capital gain of EUR 9.6 M from the transfer of most of the Bank's Swedish mortgage loans. Capital gains from the liquidity portfolio also helped increase other income. The 2021 amount included positive nonrecurring income connected to associated companies and the divestment of intellectual property (IP) rights.

Total expenses increased by EUR 9.9 M or 8 per cent and amounted to EUR 131.8 M (121.9). Higher staff costs and expenses for premises and property, consultants and business travel – plus a substantially higher stability fee to Finland's Resolution Fund – were the main reasons. Production for own use also decreased. Among costs of premises and property was an allocation of EUR 0.6 M for a new office in Helsinki.

Net impairment losses on financial assets amounted to EUR 6.2 M (4.9), equivalent to a loan loss level of 0.14 (0.12) per cent. These impairment losses were mainly due to a small number of individual loans. Due to lower risk of future loan losses related to the coronavirus pandemic, the Bank withdrew its entire previous coronavirus reserve during 2022.

Tax expense amounted to EUR 9.3 M (9.3), equivalent to an effective tax rate of 20.2 (19.0) per cent.

Operating segments

The Group's decrease of EUR 3.1 M in full-year net operating profit to EUR 46.1 M was allocated as follows:

- Private Banking −3.4
(higher impairment loss provisions)
- Premium Banking +9.7
(divested mortgage loan portfolio, higher net interest income))
- IT −1.3
(lower project income)
- Corporate Units & Eliminations −8.1
(nonrecurring effects)

Business volume

Actively managed assets on behalf of customers decreased by EUR 1,188 M or 12 per cent compared to year-end 2021, despite continued strong net inflows from customers, and amounted to EUR 8,637 M (9,826). The decrease was due to a negative market effect.

Deposits from the public rose by EUR 112 M or 3 per cent compared to year-end 2021 and amounted to EUR 4,182 M (4,070).

Lending to the public decreased by EUR 484 M or 10 per cent compared to year-end 2021 and totalled EUR 4,303 M (4,788). The transferred Swedish mortgage loan portfolio was the reason for this big change. Underlying lending grew by EUR 530 M.

Starting in 2022, the Bank of Åland is reporting a new business volume item in the form of managed mortgage loans. On December 31, 2022, managed mortgage loans totalled EUR 1,304 M. This business volume item generates continuous commission and IT income.

Balance sheet total and off-balance sheet obligations

During 2022 the Group's balance sheet decreased by EUR 737 M or 11 per cent to EUR 5,898 M (6,635). The decrease was primarily explained by the Swedish mortgage loan portfolio and related covered bonds, which were transferred to Borgo AB. Off-balance sheet obligations rose by EUR 120 M or 11 per cent to EUR 1,165 M (1,045). The increase was mainly related to lines of credit.

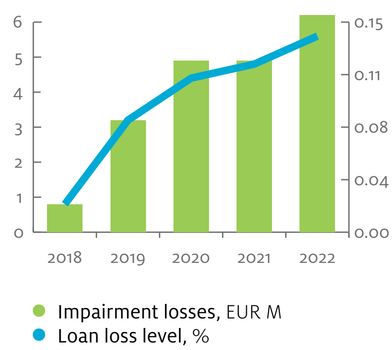
Credit quality

Lending to private individuals comprised 76 per cent of the loan portfolio. Home mortgage loans accounted for 73 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 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.

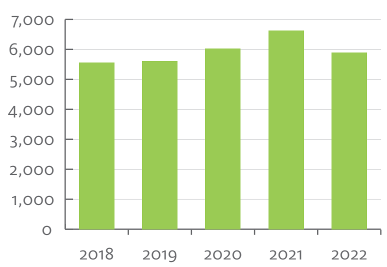
The Bank of Åland Group had EUR 20.0 M in impairment loss provisions on December 31, 2022 (14.6 on December 31, 2021), of which EUR 0.5 M (2.1) in Stage 1, EUR 1.2 M (0.8) in Stage 2 and EUR 18.3 M (11.7) in Stage 3. Stage 3 loans as a share of gross lending to the public totalled 1.61 per cent (1.23). The level of provisions for Stage 3 loans amounted to 26 (20) per cent. Most of these loans have good 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 and has filed a damage claim with its insurance company. The insurance company has not completed its damage investigation.

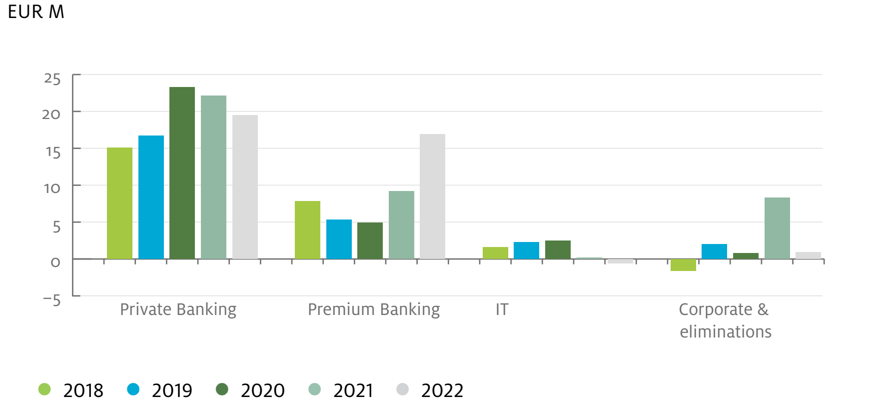
Impairment losses and loan loss level



Balance sheet total

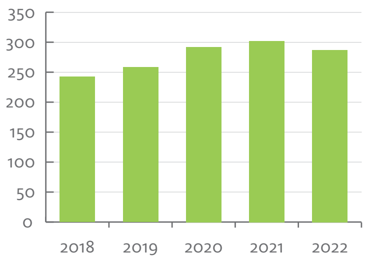


Profit attributable to shareholders, by segment



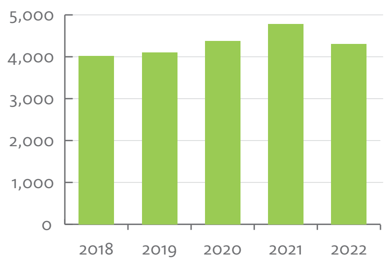
Equity capital
attributable to shareholders

EUR M



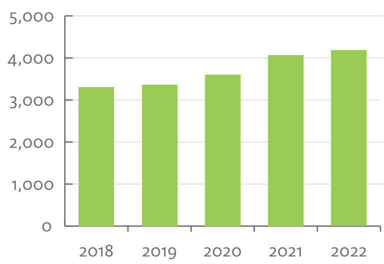
Lending

EUR M



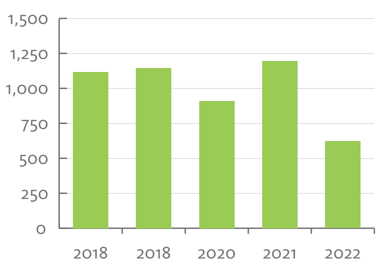
Deposits

EUR M



Covered bonds

EUR M



The 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. 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.

Liquidity and borrowing

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 1,226 M on December 31, 2022 (1,320 on December 31, 2021). This was equivalent to 21 (20) per cent of total assets and 28 (28) per cent of lending to the public.

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

On December 31, 2022, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.3 (3.1) years.

The loan/deposit ratio amounted to 103 (118) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 77 (66) per cent and covered bonds issued accounted for 11 (19) per cent.

The liquidity coverage ratio (LCR) amounted to 138 (139) per cent.

The net stable funding ratio (NSFR) amounted to 108 (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 from BBB with a positive outlook to BBB+ with a stable 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 36.8 M; other comprehensive income, EUR −8.4 M; issuance of new shares as part of the incentive programme, EUR 0.5 M, and the share savings programme, EUR 0.1 M; buy-backs of the Bank's own shares, EUR 12.1 M; a dividend of EUR 31.1 M distributed to shareholders; and dividends of EUR 1.2 M distributed to holders of additional Tier 1 (AT1) capital instruments. On December 31, 2022, equity capital amounted to EUR 316.4 M (331.9 on December 31, 2021).

Other comprehensive income was affected by rising market interest rates and yields, a weaker Swedish krona and increased market value of certain strategic shareholdings. It totalled EUR −8.4 M after taxes, divided into the following balance sheet items. The portion of the Treasury portfolio that is carried at fair value via comprehensive income had other comprehensive income of EUR −9.4 M after taxes.

The 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, had other comprehensive income of EUR −7.8 M after taxes. A cash flow hedge had other comprehensive income of EUR −1.6 M after taxes. AT1 instruments in Swedish kronor contributed EUR −1.8 M to other comprehensive income. Strategic shareholdings in Swedish kronor made a net contribution of EUR 6.6 M after taxes to other comprehensive income.

Defined-benefit pension plans in compliance with IAS19 benefited from lower pension liability due to rising market rates and made a net contribution to other comprehensive income of EUR 5.7 M after taxes.

Common equity Tier 1 capital fell by EUR 5.7 M during 2022 to EUR 233.0 M (239.0). At year-end 2021, there was unutilised permission from the Finnish Financial Supervisory Authority for buy-backs of the Bank's own shares totalling up to EUR 10.5 M. This amount was a fully deductible item in the capital base (own funds) even when these buy-backs had not occurred. As of December 31, 2022 no similar unutilised permission was in force, since the buy-backs had been implemented in accordance with this permission.

The risk exposure amount decreased by 2 per cent during 2022 and totalled EUR 1,938 M (1,976). The risk exposure amount for credit risk fell by EUR 66 M or 4 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 7 M was added due to an increased strategic foreign exchange position in Swedish kronor after the transfer of most of the Swedish mortgage loan portfolio to Borgo AB (publ).

The common equity Tier 1 (CET1) capital ratio decreased to 12.0 (12.1) per cent. The Tier 1 (T1) capital ratio was unchanged at 13.6 (13.6) per cent. The total capital ratio decreased to 15.2 (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 and 2.5 per cent. For Finnish exposures, the requirement remains 0.0 per cent. For Swedish exposures the amount of the countercyclical buffer was raised to 1.0 per cent starting in September 2022. A further increase to 2.0 per cent has been announced in Sweden starting in June 2023.

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

- Common equity Tier 1 capital ratio, 8.1 per cent
- Tier 1 capital ratio, 9.8 per cent
- Total capital ratio, 12.0 per cent

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

- Common equity Tier 1 capital ratio, +3.9 percentage points
- Tier 1 capital ratio, +3.8 percentage points
- Total capital ratio, +3.1 percentage points

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

Sustainability information

The Bank of Åland applies the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. The GHGP is a global standard for measuring, managing and reporting greenhouse gas emissions. In addition to carbon dioxide, it includes six greenhouse gases identified according to the Kyoto Protocol. Total emissions are measured and reported in tonnes of carbon dioxide equivalent, CO_2e. These emissions are reported in three scopes, where the Bank of Åland's climate estimate initially encompasses Scope 1 and 2 plus supplier-related (upstream) emissions from purchases in Scope 3.

Total emissions from the Bank's own business operations during 2022 amounted to 666 tonnes of carbon dioxide equivalents, which was an increase of 287 tonnes or 76 per cent compared to 2021. This increase was primarily explained by increased business travel.

During 2022, environmentally certified electricity rose from 85 per cent to 94 per cent of total purchases compared to 2021. During the fourth quarter of 2022, environmentally certified electricity accounted for 100 per cent of total purchases.

The Bank of Åland paid climate compensation for estimated emissions from its own business operations. Emissions from its own business operations are also being supplemented with information about downstream Scope 3 emissions, which include the impact from the loan portfolio, Treasury operations and investments via the mutual fund subsidiary Ålandsbanken Fondbolag. What is new in 2022 in that estimates were developed for these areas, which means that a larger share of their emissions is being reported in 2022 compared to prior years.

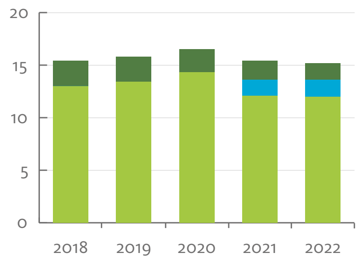
Employees

The Bank of Åland's employees are its most important asset and competitive advantage. The Bank's growth strategy implies that its workforce will increase. In 2022 the number of full-time equivalent positions, re-calculated on the basis of hours worked, was 854. This was 39 full-time equivalents or 5 per cent more than the previous year and 155 full-time positions or 22 per cent more than in 2019.

By continuously measuring and monitoring employee motivation and working conditions,

Capital ratios

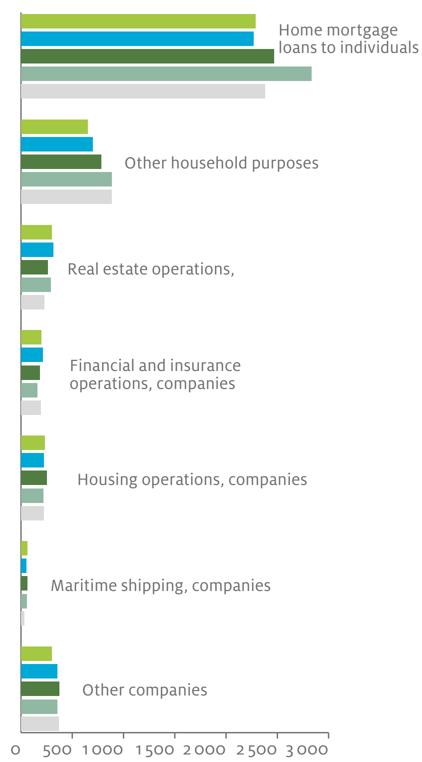
Per cent



- Common equity Tier 1 capital ratio
- Tier 1 capital ratio
- Supplementary capital ratio

Lending by economic sector

EUR M



2018 2019 2020
2021 2022

the Bank of Åland can ensure a healthy and efficient organisation. The employee commitment score was 7.2 (target >7). During 2022, the Bank has focused its efforts, among other things, on putting in place various dynamic work solutions to ensure that it will continue to be an attractive employer.

The Bank of Åland's action plan for equality and diversity places particular emphasis on ensuring that all employees enjoy equal rights. Within the Bank's operations, creating a culture in which differences are viewed as an asset is a self-evident goal. In order to remain competitive in the market, the right skills and training are a strategic issue and a long-term investment, and the Bank continuously invests in skill-upgrading programmes.

Customers

The Bank of Åland continues to attract new customers in all its various geographic markets and through business partnerships. The number of asset management customers increased by 8 per cent during the year.

Customer surveys continue to confirm that our customers appreciate the personalised service we offer. Customer satisfaction was at a record high and customers were very willing to recommend us. For the second year in a row, the Bank of Åland was named Finland's best Private Banking market player in Kantar Prospera's survey.

Social responsibility

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.

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

Dividend

The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.60 per share for the 2022 financial year, equivalent to a total amount of EUR 24.4 M. The dividend is equivalent to a 68 per cent payout ratio.

The Board also proposes that the AGM approve payment of an extra dividend of EUR 0.45 per share. This extra dividend is connected to the final transfer of Swedish mortgage banking operations to Borgo during 2023. The total proposed dividend amounts to EUR 31.3 M or EUR 2.05 per share.

Important events after close of report period

As part of the share savings programme, in January the Bank issued 22,057 Series B shares.

Risk and uncertainties

The single largest risk and uncertainty factors are Russia's war of invasion 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.

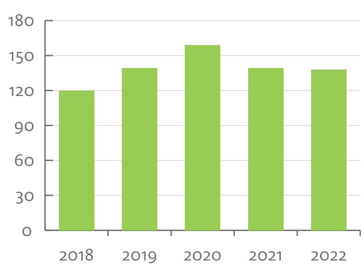
Since 2017 the Bank of Åland has had a pending case with the Swedish Tax Agency concerning value-added tax (VAT) for the financial year 2016. The Tax Agency has announced a decision on the matter, in which it states that the Bank of Åland must pay about EUR 0.5 M in VAT. The Bank of Åland does not agree 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.

Future outlook

The Bank of Åland expects its net operating profit in 2023 to be significantly better than in 2022. 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.

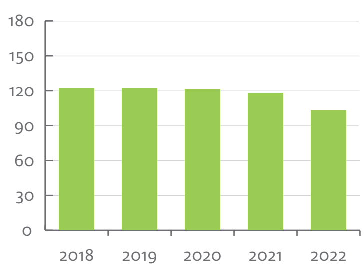
Liquidity coverage ratio

Per cent



Loan/deposit ratio

Per cent



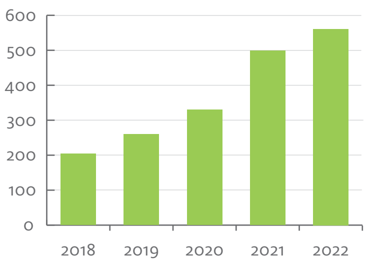
Facts on Bank of Åland shares

Photographer: Anton Sucksdorff

Facts on Bank of Åland shares

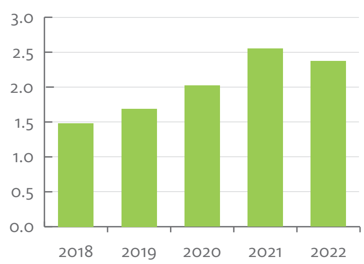
Market capitalisation

EUR M



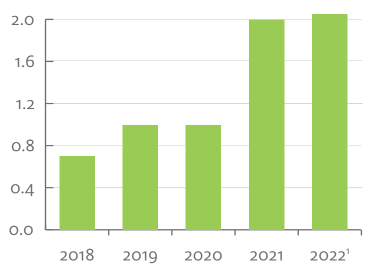
Earnings per share

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 and 8,777,709 Series B shares. Each Series A share represents twenty (20) votes at shareholders' meetings and each Series B share one (1) vote. 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 voted to authorise the Board 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 unutilised 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 90,021 Series B shares (as of December 31, 2022) have been issued or divested as authorised, and consequently an additional 2,909,979 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 spring 2022, the Bank disbursed 12,825 newly issued Series B shares. In March 2023, about 7,000 newly issued Series B shares will be disbursed. Another approximately 15,000 Series B shares will be disbursed as a delayed portion of incentive programmes during the years 2024–2027, provided that the criteria for disbursement are fulfilled. The number of shares is dependent on the share price on the disbursement date.

Acquisitions of the Bank's own shares

On March 30, 2022, the Annual General Meeting (AGM) authorised the Board of Directors to decide on acquisitions of the Bank of Åland's own Series B shares. The authorisation covers a maximum of 1,500,000 Series B shares and is in force until the end of the next AGM, but no later than September 30, 2023.

On the basis of this authorisation, the Bank of Åland bought back and annulled 361,281 Series B shares for EUR 12.1 million during the year.

The shares are acquired in order to change the Bank of Åland's capital structure, to be used as consideration in acquisitions of companies or sectoral reorganisations, as part of the Bank of Åland's incentive programmes and may otherwise be transferred onward or kept by the Bank of Åland. There are thus weighty financial reasons to carry out a targeted acquisition.

Share savings programme

The Bank of Åland launched 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 July 2022. 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. By the end of the application period, 69 per cent of the number of Group employees had joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.5 M, which would be equivalent to about 44,000 Series B shares, based on the average share price in December 2022 including a 10 per cent discount. The number of matching Series B shares is estimated at 38,000. The projected number of shares that employees may receive as part of the share savings programme is about 83,000.

As part of the share savings programme, 22,057 Series B shares were issued in January 2023.

Changes in share capital

Year	Share capital, EUR	Series A shares	Series B shares
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
2018	41,974,063.28	6,476,138	8,995,547

Trading in the Bank's shares

During 2022, the volume of trading in the Bank's Series A shares on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) was EUR 9.4 M. Their average price was EUR 33.21. The highest quotation per share was EUR 40.40, the lowest EUR 27.30. Trading in Series B shares totalled EUR 38.3 M at an average price of EUR 33.19. The highest quotation was EUR 39.60, the lowest EUR 27.90.

On December 31, 2022, the number of registered shareholders was 13,236 and they owned 13,931,957 shares. There were also a total of 1,321,890 shares registered in the names of nominees. The number of directly registered shareholders increased by 9 per cent during 2022.

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	21.81	29.79
2	Nordea Bank Abp (nominee registered shares)	1,109	919,758	920,867	6.04	0.68
3	Alandia Försäkring Abp (insurance company)	754,908	52,632	807,540	5.29	10.95
4	Fennogens Investments S.A.	616,764	165,467	782,231	5.13	9.04
5	Pensionsförsäkringsaktiebolaget Veritas (pension insurance company)	123,668	265,754	389,422	2.55	1.98
6	Chilla Capital	277,500	0	277,500	1.82	4.01
7	Lundqvist Ben	251,574	0	251,574	1.65	3.64
8	Oy Etra Invest Ab (investment company)	0	225,000	225,000	1.48	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	176,040	176,040	1.15	0.13

The above list also includes the shareholder's Group companies and shareholder-controlled companies.

Shareholders by size of holding

Number of shares	Number of shareholders	Total number of shares held	Average holding	Voting power, %
1–100	6,852	270,135	39	1.5
101–1,000	5,148	1,792,585	348	7.6
1,001–10,000	1,128	2,811,537	2,492	11.9
10,001–	108	10,379,590	96,107	79.0
of which nominee registered shares		1,321,890		1.5

Shareholders by category

Category	Number of shares	% of shares
Private individuals	5,936,034	38.9
Companies	4,224,768	27.7
Financial institutions and insurance companies	1,798,262	11.8
Non-profit organisations	629,754	4.1
Government organisations	18,998	0.1
Foreign investors	1,324,141	8.7
Nominee registered shares	1,321,890	8.7
Total	**15,253,847**	**100.0**

Bank of Åland share data	2022	2021	2020	2019	2018
Number of shares, thousands [1]	15,254	15,602	15,586	15,551	15,472
Number of shares after dilution, thousands	15,321	15,636	15,634	15,601	15,590
Average number of shares, thousands	15,526	15,599	15,579	15,523	15,453
Earnings per share, EUR [2]	2.37	2.55	2.02	1.69	1.48
Earnings per share after dilution, EUR	2.37	2.55	2.02	1.69	1.48
Dividend per share, EUR	1.60 [3]	1.55	1.00	0.80	0.70
Extra dividend per share, EUR	0.45 [3]	0.45		0.20	
Dividend payout ratio [4]	66.4	60.7	49.5	47.3	47.2
Extra dividend payout ratio [4]	18.7	17.6		11.8	
Equity capital per share, EUR [5]	18.82	19.39	18.76	16.61	15.67
Equity capital per share after dilution, EUR	18.88	19.41	18.76	16.59	15.58
Market price per share, closing day, EUR					
Series A	37.60	32.60	21.60	17.00	13.30
Series B	36.20	31.50	20.90	16.55	13.10
Price/earnings ratio [6]					
Series A	15.9	12.8	10.7	10.0	9.0
Series B	15.3	12.3	10.3	9.8	8.8
Effective dividend yield, % [7]					
Series A	5.5	6.1	4.6	5.9	5.3
Series B	5.7	6.3	4.8	6.0	5.3
Market capitalisation, EUR M	561.3	498.6	330.3	260.3	204.0

1 Number of registered share minus own shares on closing day

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

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

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

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

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

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

Bank of Åland shares traded, Helsinki Stock Exchange					
Year		Thousands of shares	Volume as % of shares	Price paid, EUR: Highest/Lowest	Average price, EUR
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
2018	A	81	1.3	17.10–13.20	14.11
2018	B	545	6.1	15.00–12.80	13.63

Financial statements

Photographer: Anton Sucksdorff

Consolidated income statement

(EUR K)

Bank of Åland Group	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Interest income		84,526	69,390
Interest expenses		−16,309	−7,161
Net interest income	G7	**68,217**	**62,229**
Commission income		111,438	110,436
Commission expenses		−33,006	−31,391
Net commission income	G8	**78,432**	**79,044**
IT income		23,492	24,407
Net income from financial items carried at fair value	G9	12,815	−442
Share of income in associated companies		544	531
Other operating income	G10	622	10,254
Total income		**184,122**	**176,024**
Staff costs	G11	−75,463	−71,115
Other costs	G12	−39,706	−33,786
Statutory fees	G13	−3,440	−2,757
Depreciation/amortisation and impairment losses on tangible and intangible assets	G26, G27	−13,214	−14,262
Total expenses		**−131,823**	**−121,920**
Profit before impairment losses		**52,299**	**54,104**
Net impairment loss on financial assets	G14	−6,205	−4,906
Net operating profit		**46,093**	**49,198**
Income taxes	G15	−9,314	−9,348
Net profit for the period		**36,779**	**39,850**
Attributable to:			
Non-controlling interests		1	2
Shareholders in Bank of Åland Plc		**36,778**	**39,849**
Earnings per share, EUR	G16	2.37	2.55
Earnings per share after dilution, EUR	G16	2.37	2.55

Consolidated statement of comprehensive income

(EUR K)

Bank of Åland Group	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Profit for the accounting period		**36,779**	**39,850**
Cash flow hedges			
Changes in valuation at fair value		−1,952	-
Assets measured via other comprehensive income			
Changes in valuation at fair value		−10,235	−608
Realised changes in value		2	90
Transferred to the income statement		−1,587	−551
Translation differences			
Gains/losses arising during the period		−7,840	−2,240
Taxes on items that have been or may be reclassified to the income statement	G15	2,754	232
Items that have been or may be reclassified to the income statement		**−18,858**	**−3,077**
Changes in value of equity instruments		8,219	−265
Translation differences		−2,554	−43
Re-measurements of defined benefit pension plans	G44	7,078	6,351
Taxes on items that may not be reclassified to the income statement	G15	−2,291	−1,038
Items that may not be reclassified to the income statement		**10,451**	**5,005**
Other comprehensive income		**−8,407**	**1,928**
Total comprehensive income for the period		**28,372**	**41,778**
Attributable to:			
Non-controlling interests		1	2
Shareholders in Bank of Åland Plc		**28,371**	**41,776**

Consolidated balance sheet

(EUR K)

Bank of Åland Group	Note	Dec 31, 2022	Dec 31, 2021
Assets			
Cash and deposits with central banks		341,983	893,719
Debt securities	G20	999,977	717,864
Lending to credit institutions	G21	42,583	64,353
Lending to the public	G22	4,302,937	4,787,845
Shares and participations	G23	48,810	15,049
Shares and participations in associated companies	G24	6,790	14,603
Derivative instruments	G25	26,637	13,027
Intangible assets	G26	20,621	23,086
Tangible assets	G27	35,544	34,272
Investment properties		300	307
Current tax assets		1,234	141
Deferred tax assets	G28	6,479	4,777
Other assets	G29	28,653	34,311
Accrued income and prepayments	G30	35,172	31,285
Total assets		**5,897,719**	**6,634,639**
Liabilities			
Liabilities to credit institutions	G31	434,156	867,491
Deposits from the public	G32	4,182,068	4,070,112
Debt securities issued	G33	792,634	1,196,535
Derivative instruments	G25	23,636	6,824
Current tax liabilities		2,712	4,271
Deferred tax liabilities	G28	34,697	34,571
Other liabilities	G34	46,566	49,844
Provisions	G35	1,206	363
Accrued expenses and prepaid income	G36	32,164	36,365
Subordinated liabilities	G37	31,434	36,343
Total liabilities		**5,581,273**	**6,302,720**
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		−1,561	-
Fair value reserve		107	2,990
Translation differences		−10,025	−141
Unrestricted equity capital fund		28,455	27,994
Retained earnings		170,137	171,744
Shareholders' portion of equity capital		**287,007**	**302,481**
Non-controlling interests' portion of equity capital		14	13
Holders of additional Tier 1 capital		29,424	29,424
Total equity capital		**316,446**	**331,918**
Total liabilities and equity capital		**5,897,719**	**6,634,639**

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, 2020	**42,029**	**32,736**	**25,129**	**0**	**4,129**	**2,133**	**0**	**27,611**	**158,589,**	**292,357**	**11**	**0**	**292,368**
Profit for the period									39,849	39,849	2		39,850
Other comprehensive income					−1,139	−2,274			5,341	1,928			1,928
Transactions with owners													
Additional Tier 1 capital issue												29,424	29,424
Tier 1 capital instrument dividends									−847	−847			−847
Dividends paid									−31,188	−31,188			−31,188
Incentive programme								383		383			383
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**
Profit for the period									36,778	36,778	1		36,779
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			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**	**170,137**	**287,007**	**14**	**29,424**	**316,446**

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

Consolidated cash flow statement

(EUR K)

Bank of Åland Group	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Cash flow from operating activities		
Net operating profit	46,093	49,198
Adjustment for net operating profit items not affecting cash flow		
Depreciation/amortisation and impairment losses on intangible and tangible assets	13,214	14,262
Net impairment losses on financial assets	6,470	5,347
Unrealised changes in value	−1,716	1,406
Accrued surpluses/deficits on debt securities and bonds issued	7,097	6,653
Defined benefit pension plan	422	460
Gains/losses from investment activity	−1	−1,936
Income taxes paid	−11,773	−8,227
Increase (–) or decrease (+) in receivables from operating activities		
Debt securities	−300,634	50,762
Lending to credit institutions	1,345	−12,164
Lending to the public	312,235	−451,315
Other assets	−17,153	−2,043
Increase (+) or decrease (–) in liabilities from operating activities		
Liabilities to credit institutions and central banks	−354,879	369,381
Deposits from the public	202,224	486,511
Debt securities issued	−379,457	−232,783
Other liabilities	−2,211	−17,456
Cash flow from operating activities	**−478,725**	**258,054**
Cash flow from investing activities		
Investment in shares and participations	−9,574	−2,432
Divestment of shares and participations	27	135
Investment in shares of associated companies and subsidiaries	-	−11,543
Divestment of shares in associated companies and subsidiaries	-	764
Investment in tangible assets	−3,552	−2,872
Divestment of tangible assets	66	138
Investment in intangible assets	−4,146	−5,919
Cash flow from investing activities	**−17,179**	**−21,730**
Cash flow from financing activities		
Share issue	460	383
Buy-backs of own shares	−12,072	-
Issue of additional Tier 1 capital	-	29,424
Payment of principal on lease liability	−3,363	−4,038
Increase in subordinated debentures	-	14,606
Decrease in subordinated debentures	−2,266	−14,776
Dividend paid	−31,130	−31,188
Interest paid on Tier 1 capital instruments	−1,242	−847
Cash flow from financing activities	**−49,613**	**−6,435**
Exchange rate differences in cash and cash equivalents	−25,818	−1,796
Change in cash and cash equivalents	**−571,335**	**228,093**
Cash and cash equivalents at beginning of year	900,348	672,255
Cash flow from operating activities	−478,725	258,054
Cash flow from investing activities	−17,179	−21,730
Cash flow from financing activities	−49,613	−6,435
Exchange rate differences in cash and cash equivalents	−25,818	−1,796
Cash and cash equivalents at end of year	**329,012**	**900,348**
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	309,819	862,154
Lending to credit institutions that is repayable on demand	19,193	38,194
Total cash and cash equivalents	**329,012**	**900,348**

"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.

Table of contents, notes to the consolidated financial statements

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, 2022 were approved by the Board of Directors on February 22, 2023 and will be submitted to the 2023 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. 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, 2021.

Changes in accounting rules adopted during 2022 have had no major effect on the Group's financial position, earnings, cash flow or disclosures.

COMING REGULATORY CHANGES

A number of new standards and interpretations take effect for accounting years that begin after January 1, 2023. These coming regulatory changes are not expected to have any significant effect on the Group's financial position, earnings or disclosure.

3. 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.

4. 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. 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.

5. 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.

6. 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.

7. Classification of financial assets and liabilities

FINANCIAL ASSETS

For valuation and reporting purposes, all financial liabilities are divided in compliance with the regulations in IFRS 9 into the following categories:

1. Amortised cost
   - Investments held to maturity
   - Loans and other receivables
   - Other financial assets and liabilities
2. Fair value via income statement ("profit and loss")
   - Held for trading
3. Fair value via other comprehensive income
   - Investments held to collect cash flows and available for sale
   - Equity instruments not held for trading

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 the Bank of Åland's business model reflects how groups of financial assets are jointly managed in order to achieve a certain purpose, for example to obtain cash flows and sell assets. 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 G16.

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".

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 ASSETS AND LIABILITIES 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 receivables 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.

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 meet 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 de-recognition 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.

FINANCIAL ASSETS AND LIABILITIES 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.

FINANCIAL LIABILITIES

1. Amortised cost
2. Fair value via income statement ("profit and loss")
   - Derivative instruments not subject to hedge accounting

Financial liabilities are classified as measured at amortised cost or fair value via the income statement. 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 de-recognition from the accounts are also recognised in the income statement.

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.

EMBEDDED DERIVATIVES

An embedded derivative is a component of a combined financial instrument that also includes a host contract that is not a derivative, with the effect that some of the hybrid instrument's cash flows vary in a way similar to the cash flows from a stand-alone derivative. An embedded derivative is differentiated from the host contract and is recognised separately among "Derivative instruments" in the balance sheet when its financial features are not closely related to those of the host contract, provided that the combined financial instrument is not recognised at fair value via the income statement. The Bank of Åland had no embedded derivatives at the end of the accounting year.

8. 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.

DEBT SECURITIES

Debt securities issued by sovereigns, 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.

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 Banks 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.

DERIVATIVES

Derivatives that are traded in an active market are valued at market price. Most of the Groups 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.

9. 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 under-perform 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 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 in default is 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.

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 year. 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.

"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 measure 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.

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 single largest prevailing uncertainty factor was the changed security situation in Europe as a consequence of Russia's war of invasion in Ukraine. The Bank of Åland does not foresee a significant elevation 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 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.

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 in virtually all risks and rewards associated with ownership to another party. An actual loss thus means that a loan or trade receivables 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".

10. Hedge accounting

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 remain and prove to have been very effective in offsetting changes in value during the reported periods.

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 remain and prove to have been very effective in offsetting changes in value during the reported periods.

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 remain and prove to have been very effective in offsetting changes in value during the reported periods.

11. Intangible assets

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.

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.

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

EXTERNALLY PROCURED SYSTEMS

External computer systems are recognised in the balance sheet at cost minus accumulated amortisation and impairment losses.

ACQUIRED CONTRACTS

"Acquired contracts" refers to expenditures for rights to future cash flows and is recognised in the balance sheet at cost minus accumulated amortisation and impairment losses.

OTHER INTANGIBLE ASSETS

Other intangible assets include acquired customer contracts.

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.

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.

12. Tangible assets

INVESTMENT PROPERTIES

Investment properties are held in order to earn rental income or value appreciation, or for both purposes. Investment properties consist of direct holdings as well as indirect holdings via property and housing companies. Investment properties are recognised separately according to the cost method in the balance sheet under tangible assets at cost less accumulated depreciation and impairment losses. In the income statement, "Net income from investment properties" is shown on a separate line under "Other income". The properties have been appraised by a licensed estate agent.

PROPERTIES FOR THE GROUP'S OWN USE

Properties for the Group's own use consist of direct holdings as well as indirect holdings via property and housing companies. Properties for the Group's own use are recognised in the balance sheet at cost less accumulated depreciation and impairment losses.

OTHER TANGIBLE ASSETS

Other tangible assets consist of machinery and equipment, vehicles, renovations of rented premises and an art collection. Other tangible assets are carried in the balance sheet at cost minus accumulated depreciation and impairment losses. Any divestment gains/losses and disposals are recognised in income/expenses.

RIGHT-OF-USE ASSETS

"Right-of-use assets" refers to rental contracts and leases where the Group is the lessee and which are recognised as tangible assets in compliance with IFRS 16. When it comes to properties for the Group's own use, these right-of-use assets primarily consist of bank and office premises. When it comes to other tangible assets, they primarily consist of IT equipment and vehicles. The depreciation period is usually a fixed period of between 1–9 years, with an average lease period of 4 years. For further information on lease management, see Point 14.

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.

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. An impairment loss is recognised in the income statement if the carrying amount exceeds net realisable value. With the exception of goodwill, 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.

13. 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.

A contingent liability is recognised when there is a possible obligation as a result of past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group, or when there is an obligation that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or it cannot be estimated in a sufficiently reliable way. A contingent liability is not recognised as a provision in the balance sheet. Instead disclosures on contingent liabilities are provided in the notes to the Group's financial reports.

14. Leases

IFRS 16 removes the 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. A single discount rate has been applied to a portfolio of leases with essentially similar characteristics. 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.

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 to 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.

LEASES WHERE THE BANK OF ÅLAND IS THE LESSOR

When the Bank of Åland is the lessor, on the initial date of the lease it determines whether the lease shall be classified as a finance or operating lease. A finance lease transfers from the lessor to the lessee substantially all the economic risks and rewards incidental to ownership of an asset. As a lessor, the Bank of Åland's leasing operations consist of finance leases and are recognised as loan receivables. The carrying amount is equivalent to the present value of future lease payments. The difference between future lease payments and the present value of future lease payments is unearned income. As a result, lease fees received are recognised both in the income statement as interest income and in the balance sheet as a principal payment.

Since lessors bear the economic risks and advantages, the lease is classified as an operating lease. The Bank of Åland recognises fees for operating leases as income on a straight-line basis over the lease period under "Other income". See Note G10. The Bank of Åland classifies subleases on the basis of the right-of-use that arises from the main lease, not on the basis of the underlying asset.

15. 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.

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.

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 totalling 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.

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 credit losses and modification results.

IT 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.

OTHER INCOME

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.

16. Employee benefits

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".

Recognised pension expense related to defined benefit plans consists of the net amount of the following items, which are all included in staff costs:

- Pension rights earned during the year, that is, the year's portion of the estimated final total pension disbursement. The calculation of pension rights earned is based on an estimated final salary and is subject to actuarial assumptions.
- Interest expense for the year, since the present value of the pension liability has increased as the period until its disbursement has decreased. To calculate the year's interest expense, the Bank uses the current swap interest rate (interest rate on January 1) for a maturity equivalent to the remaining time until disbursement of the pension liability.

- Estimated return (interest rate) on plan assets. Interest on plan assets is recognised in the income statement by applying the same interest rate used when setting the year's interest expense.
- The calculation of expenses and obligations related to the Group's defined benefit plans involve a number of judgements and assumptions that may have a significant effect on the amounts recognised.

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.

17. Equity capital

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.

18. Share-based payment

In its compensation policy document, the Group has made it possible for portions of its compensation to employees to be settled through its own shares, which are recognised as share-based payment. The fair value of the shares is calculated on the distribution date and allocated over the vesting period, while the corresponding increase in equity capital is recognised. The expense is based on the fair value of the shares on the distribution date. The fair value of the shares is calculated on the distribution date on the basis of their quoted market price. An assessment of how many shares employees will earn is carried out when calculating the recognised expense of share-based payment in accordance with the terms and conditions in the Group's compensation policy (for example continued employment). At the end of each report period, the Executive Team re-assesses its judgements about how many shares will be earned.

19. 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 (imputed) 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.

20. Non-current assets held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale if its carrying amount will be largely recovered through a sale and not through use. The asset or disposal group must be available for immediate sale in its present condition and based on normal conditions. It must be highly probable that the sale will occur. A completed sale is expected to be recognised within one year. An independent business unit or a significant operation within a geographic area, or a subsidiary acquired exclusively with a view to resale, are also recognised as discontinued operations.

Non-current assets or disposal groups held for sale are presented on a separate line in the balance sheet and are measured at the lower of carrying amount and fair value less expected costs to sell. Liabilities that are related to these non-current assets are also presented on a separate line in the balance sheet. There were no non-current assets held for sale at the end of 2021 or 2022.

21. 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.

22. 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.

23. 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.

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.

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.

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.

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.

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 G28.

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.

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 G29.

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 element of a bank's operations. The Bank of Åland has a low risk profile, with a conservative attitude towards risk and with the aim that all risk shall derive from its normal business operations. Consequently, its main risks consist of business risk, credit risk, liquidity risk, market risk and operational risk. These risks shall be adapted to the risk-bearing capacity of the Bank. This means that the Bank shall be able to cover losses related to these risks with its own funds and earnings. The Bank's low risk profile is reflected in its low losses related to financial and operational risks that have arisen over the years.

Table 1.1.1

Risk profile by risk category

Risk type	Risk profile	Risk management
Business 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 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 into various partnerships in order 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 on the basis of 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 through the use of 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 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 Board establishes the framework of liquidity management and liquidity risk management. Day-to-day liquidity management occurs in the Treasury unit. Liquidity risk is managed primarily by means of a well-diversified borrowing structure and a liquidity reserve containing high-quality assets. Liquidity risk is also managed through the use of 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 interest rate risk as well as value change risk, and through the use of 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 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 selfevaluations, updated continuity plans, continuity drills, incident reporting, maintenance of internal regulations and internal training courses.

1.1.1 Credit risk

Credit risk refers to the risk of losses due to a customer's inability to fulfil its obligations towards the Bank and because the collateral that has been pledged does not cover the Bank's claim on the customer. Credit risk in lending activities is a risk that arises naturally in the banking business. Credit risk also arises in the context of funding operations in the Bank's liquidity management.

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 individual sectors (sector concentration) and concentration within individual countries (geographic concentration).

The Bank's overall credit strategy and credit risk appetite are established by the Bank's Board of Directors.

1.1.2 Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations on the due date because of a lack of liquid assets, or the risk that the obligations can only be met by obtaining funds at a significantly higher cost or by selling positions at a significantly lower market price than expected. Liquidity risk is a risk that arises naturally from the Bank's operations.

The Bank endeavours to limit liquidity risk, above all by not being dependent on sources of funding for its lending other than customer deposits and covered bonds. To ensure access to liquidity even during periods when external borrowing is not possible, the Bank must have a liquidity reserve as well as a well-diversified structure of instruments and maturities in its borrowing.

1.1.3 Capital risk

Capital risk refers to the risk that the Bank does not have a satisfactory capital level or structure to cover external requirements and meanwhile support its business operations under normal or stressed conditions.

The Bank endeavours to maintain a strong capital position in relation to its aggregate risk exposure. Its capital requirement is evaluated at least yearly as part of the Bank's internal capital and liquidity evaluation.

1.1.4 Market risk

Market risk refers to the risk that earnings, equity capital or value will decrease due to price changes and risk factors in financial markets. Market risk includes interest rate risk, foreign exchange risk and equity risk.

Structural risks related to interest rate risk (net interest income risk and value change risk) unavoidably arise as part of banking operations. The Bank endeavours to limit most of these risks.

The Group has a structural foreign exchange risk in Swedish kronor due to its Swedish operations. This risk is managed through active decisions.

Equity risk refers to the risk of decreases in value due to price changes in the stock market. The Bank carries out no equity trading for its own account.

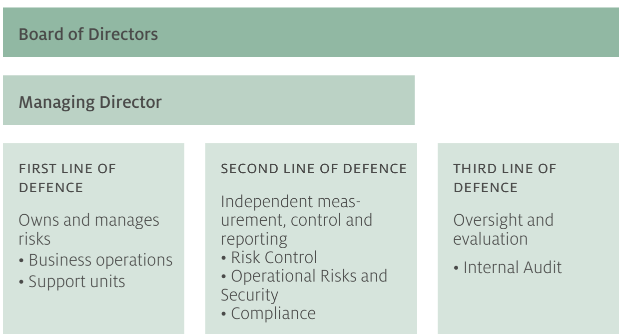
1.1.5 Business risk

Business risk refers to the risk of lower earnings due to deterioration in business conditions. Business risk arises naturally in all business operations and cannot be avoided. The Bank mainly targets its operations to markets and products that it has worked with previously and is familiar with.

1.1.6 Operational risk

Operational risk refers to the risk of losses due to inappropriate or faulty internal processes, human errors, systemic errors or external events. Legal risks are included in operational risks. Operational risks occur in all operations. It is thus neither possible nor optimal to eliminate them entirely. The important thing is that risk-taking is deliberate and suitable actions are taken when the risks that are identified are too large. What risk level is considered optimal shall be established by the Board of Directors and constitutes the Bank's risk appetite.

1.2 RISK ORGANISATION



1.2.1 The Board of Directors

The Board of Directors has overall responsibility for risk management and control. 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

The Managing Director is appointed by the Board and shall ensure that risk management complies with the principles and risk tolerances that the Board has approved. The Managing Director does this by setting guidelines based on the policy documents adopted by the Board. The Managing Director shall also ensure that the Bank's expertise and resources are adapted to its business operations and that the Bank has sufficient resources and systems for oversight and monitoring.

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 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

In order to create a strong risk culture that permeates the entire organisation, the risk organisation at the Bank is based on three lines of defence, which have a clear allocation of responsibility between risk-takers and oversight units.

First line of defence

The first line of defence consists of the Bank's business areas, subsidiaries and Treasury unit plus related support units. They are each responsible for the risk that arises in their own day-to-day operations, which means that risk-taking occurs within established limits and that there are measurement and oversight processes.

Second line of defence

The second line of defence consists of the independent Risk Control, Operational Risks and Security and Compliance departments, which all report to the Bank's Chief Risk Officer (CRO).

Risk Control is responsible for continuously identifying, measuring, analysing, overseeing and reporting the Bank's financial risks. This includes regular oversight to ensure that the Bank's operations remain within the established risk tolerances and regular reporting of the Bank's financial risks to the Executive Team, the Board and regulatory authorities.

Risk Control is responsible for coordinating internal asset and liquidity evaluations and analyses the impact of stress tests on capital adequacy and liquidity positions. Risk Control is also responsible for coordinating and updating the Bank's recovery plan and for monitoring and reporting on the recovery plan's indicators.

The Operational Risks and Security department is responsible for analysing and reporting the Group's operational risks as well as information management, data protection and physical security, as well as maintaining internal rules related to the department's rea of responsibility.

The Compliance department is responsible for overseeing, monitoring and ensuring that the Group maintains good regulatory compliance. The department identifies risks related to deficiencies in compliance, among other things by means of yearly risk analyses in the fields of customer protection, market behaviour, combating money laundering and the financing of terrorism, as well as permit and regulatory issues.

Third line of defence

The third line of defence consists of the Internal Audit department, which is directly subordinate to the Board of Directors. Internal Audit is entrusted with evaluating the Group's risk management through independent reviews of processes, models and systems. The department reports its observations to the Board.

1.3 RISK MANAGEMENT MODEL

The purpose of the Bank's risk management model is to identify, measure, monitor and report risks in the Group. The model is designed to meet external regulatory requirements as well as internal requirements and needs, while living up to sound market practices.

The model consists of:

- Internal regulations, approved by the Board and the Managing Director, that establish allocation of responsibilities as well as principles and guidelines for management, measurement, monitoring and reporting of the Group's risks.
- Clear, documented descriptions of processes.
- Systems for measuring, following up and monitoring risks, adapted to the complexity and scale of operations.
- Resources and expertise adapted to operations.
- Regular reporting to the Board and the Executive Team.
- Incident reporting.

The Bank's Asset and Liability Management (ALM) process is aimed at balancing the risks and the returns that arise in the Bank's operations in financial markets. A high risk may jeopardise future income, create a liquidity shortage and threaten the survival of the Bank. It is thus important that the Bank's risk exposure matches its risk appetite, as well as its capacity for managing unexpected losses due to interest rate changes or other external events that are detrimental to the Bank.

The ALM process includes analysis of the structure of interest rate repricing periods and maturities related to assets and liabilities, risk hedging strategies, capital planning, funding needs and stress tests. The process consists of both static and dynamic scenarios, predefined as well as specific to separate business decisions.

2. Credit risk

Credit risk in lending operations is the biggest risk in the Bank's operations. 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. This risk is mostly attributable to private individuals and non-financial companies, mainly on the basis of loans, credit limits and guarantees issued.

Credit risk in treasury operations mainly consists of the risk of default by issuers of bond holdings in the Bank's balance sheet management. This category also includes counterparty credit risks, which are specifically related to derivatives trading in balance sheet management.

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

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

2.1 RISK MANAGEMENT

Credit risk management is mainly based on formal credit or limit decisions. Credit decisions must be based on knowledge of the customer. In practice, this means that the Bank primarily does business with customers working in the regions where the Bank has offices. For corporate loans, the general rule is that the customer must have a contact person at the Bank who is familiar with the customer's business and economic sector and the risks and collateral associated with the loan commitment. For larger corporate customers included in its corporate exposure class, the Bank conducts a qualitative assessment of the customer, which shall be revised at least annually and reported to the Bank's Credit Committee. This qualitative assessment is an important complement to statistical scoring of corporate customers.

The Credit Committee of the Executive Team makes decisions on lending matters that fall outside the limit of an individual officer or unit manager. This committee includes the Managing Director, the Group's Chief Risk Officer (CRO) and credit managers. As a rule, the Credit Committee makes decisions on in the EUR 2-10 M range. The Bank's Board of Directors makes decisions on lending matters larger than EUR 10 M.

The Bank's Credit Scoring department ensures that presentations to a credit committee provide a comprehensive and accurate picture of the customer's financial situation and future repayment capacity as well as the value of the collateral.

Credit risks are monitored and analysed centrally by the Risk Control department, which reports directly to the Managing Director and the Executive Team monthly and to the Board of Directors quarterly in connection with the Group's Risk Report. As part of the second line of defence, Risk Control shall be independent of the operations being monitored and shall not participate in the management of the risks it is monitoring.

The Finnish Financial Supervisory Authority (FIN-FSA) is regularly informed of the Bank's risk position.

2.1.1 Collateral management and risk mitigation

The Bank limits its credit risk mainly by requiring adequate collateral of high quality. Collateral eliminates or reduces the Bank's loss if the borrower cannot fulfil his or her payment obligations. As a main rule, loans to private individuals and companies are made against collateral. This applies, for example, to home mortgage financing to private individuals, loans to real estate companies, loans to private individuals and companies for the purchase of securities as well as various other types of financing. Unsecured loans are primarily granted in the case of small loans to private individuals and only in exceptional cases to companies. In the latter case, as a rule special loan conditions are established that give the Bank greater rights of renegotiation or loan termination.

In corporate lending, the use of covenants is possible. The covenants may be of financial or non-financial nature.

The financial covenants are generally based on various financial ratios, while non-financial covenants may limit the customer's freedom of action.

Credit risk mitigation (CRM) in the calculation of capital requirements refers to measures by which the Bank takes into account certain types of acceptable collateral that lower the capital requirement for credit risk. These are residential properties, guarantees issued by sovereigns, local authorities and institutions, deposit accounts in the Bank itself and other banks as well as financial collateral.

The majority of all loans have been granted to private individuals and companies have a home or other property as collateral. The residential property collateral used in credit risk mitigation must meet special requirements set by capital adequacy regulations in order to be accepted. These include requirements for regular independent appraisals and for the value of the collateral to exceed the receivable by a significant amount, which is ensured by the loan-to-value ratio. 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 collateralised. The market value of residential property collateral is monitored on a quarterly basis. An outside appraiser is hired if necessary.

Lending also takes place using financial securities as collateral. The 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. As a general rule, 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 loss given default (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 inrelation to the exposure.

For financial collateral, the Bank uses the comprehensive method. Approved financial collateral according to capital adequacy regulations is adjusted for volatility using formulas specified by authorities and affects the LGD parameter for the exposure classes where the internal ratings-based (IRB) approach is applied. For exposures where the capital requirement is calculated according to the standardised approach, the exposure amount for the exposures is mitigated before these are risk-weighed.

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.

2.1.2 Credit risk management in Treasury department operations

In Treasury department operations, credit risk arises from holdings of financial instruments used as part of balance sheet management and risk management. These instruments consist mainly of the bonds in the Bank's liquidity portfolio. These are largely covered bonds, government bonds and securities issued by multilateral development banks. The Bank's limit framework includes investment guidelines, which among other things specify how investments should be allocated between different sectors, such as central banks, public authorities and institutions.

The Bank also maintains a high yield portfolio, consisting of securities issued by counterparties with lower credit ratings or which are unrated. The counterparties in this high yield portfolio have undergone an evaluation process with high quality standards. All counterparties are assessed for creditworthiness on the basis of an analysis of the counterparty and its financial ratios. These instruments are mainly debt securities issued by companies in European financial markets. The high yield portfolio is subject to investment guidelines established by the Board of Directors.

When the Bank enters into derivative contracts with various counterparties, counterparty credit risk arises. Counterparty credit risk is managed through netting agreements drawn up in accordance with the ISDA standard, which allow offsetting of receivables and liabilities under the same contract with same counterparty. In addition, CSA agreements are used, which regulate exchange of collateral. In an effort to reduce credit risk exposure, central clearing is used for derivative instruments.

2.1.3 Credit concentration risk

The Bank manages name and sectoral concentration risk in its lending portfolio by limiting individual counterparties and certain sectors. Banks are subject to legal limits on concentrations involving individual customers or customer entities.

All large loan commitments in each business area are reported on a quarterly basis to the Executive Team as well as to FIN-FSA.

2.2 MEASURING CREDIT RISK

The Bank of Åland mainly carries out its credit risk monitoring and analysis of exposures to private individuals and companies with the help of its internal risk classification systems. The Bank has two such systems for credit risk in lending operations. One system is used for calculating unexpected losses (capital requirements) and expected losses (EL) according to the principles of internal ratings-based (IRB) regulations. The other system is used for calculating provisions for future expected credit losses (ECL) in compliance with the IFRS 9 regulation. Both risk classification systems are based on statistics derived from the Bank's own internal data for estimating the probability of default (PD) and the loss given default (LGD) for the Bank's loan customers. In both systems, the estimation of risk parameters is thus largely similar.

Internally, the Bank's risk profile is 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 in the quarterly risk report.

Risk Control includes separate model development and validation units. These units have clear areas of responsibility and report separately to the head of the department. The model development unit is responsible for development, documentation and implementation of internal models. Regular oversight includes quarterly and annual reviews and a complete review every three years, as well as any subsequent calibration of the metrics and models used for risk classification. Regular monitoring takes place to ensure that risk is measured in a reliable and consistent manner. 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.

The Internal Audit Department performs independent monitoring of the risk classification system and its use in operations. The Bank may not make changes in its internal models that have a significant impact on the capital requirement without FIN-FSA approval.

2.2.1 Use of the internal approach for credit risk

The internal risk classification system (IRB) is an important cornerstone of the credit approval process. Among other things, it is used for pricing credit risks when granting new loans. 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 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 probability of default (PD) classification, comprising class number and class value, is determined on the basis of a statistical regression model. For companies in the corporate portfolio, the official PD classification is determined at an annual presentation that is based, among other things, on the PD classification proposed by the models. For retail class exposures, the Bank makes its own loss given default (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 that the Bank has stored on customers' repayment history.

For calculating regulatory capital requirements, an exposure is placed in the Bank's seven-point PD scale for non-defaulted loans, where an established PD class value is used in calculating the capital requirement. There is an additional class for loans that have defaulted. In its modelling of credit risk among corporate customers, the Bank also uses external scoring data based on key financial ratios of companies and other factors.

The Bank's model for calculating capital requirements and expected loss (EL) has both elements of Point-in-Time (LGD) and the so-called through-the-cycle approach (PD). It is based on a complete economic cycle, including a recession. Since EL is assumed to be known, there must also be provisions for it in the Bank's own funds to the extent that this is not covered by recognised loan loss provisions. Such provisions (ECL) are based on the accounting principles stipulated by IFRS 9.

ECL and regulatory capital requirements are included in the Bank's reporting to the Executive Team and the Board of Directors and have a strong connection to risk control in the Bank's risk management system.

2.2.2 Use of the standardised approach for credit risk

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

In the standardised approach, exposures are divided into exposure classes based on the type of counterparty, collateral or receivable. After that, the Bank applies risk weights specified in the regulations for each exposure class. The Bank bases its risk weights for institutions, covered bonds and companies in the Treasury portfolio on external credit rating agencies. For exposures that have no external rating, the risk weight is based on the rating of the national government (sovereign).

2.2.3 Credit risk according to IFRS 9

According to the IFRS 9 regulation, credit risk exposures should be divided into three stages. Stage 1 consists of exposures that are performing without any significant increase in credit risk regarded as having occurred. Exposures that are underperforming and are regarded as having undergone a significant change in credit risk are placed in Stage 2. A significant increase in credit risk is regarded as having occurred if the lifetime PD of the exposure has increased at least 3 times compared to initial lifetime PD and the absolute change is at least 10 percentage points. The Bank applies the presumption of 30 days' delay as a back-stop, in keeping with the IFRS 9 regulation. Exposures with amounts that are delayed more than 90 days, or that meet the Bank's definition of default in other respects, are moved to Stage 3.

Non-performing exposures are defined as receivables that fulfil the regulatory definition for default according to Article 178 of the European Union's Capital Requirements Regulation (CRR) or are regarded as impaired according to accounting principles. According to the Bank's internal definition of default, an exposure is considered in default when a payment related to a significant amount is more than 90 days past due or when the Bank considers it unlikely that the borrower can fulfil his or her obligations to the Bank, without the Bank needing to take steps such as selling collateral or resorting to guarantees. In assessing the unlikelihood of payment, the indicators found in Article 178.3 of the CRR are included. In addition, the Bank applies other indicators that are deemed appropriate based on the Bank's credit risk management process. The definition of impairment losses for accounting purposes is when receivables are recognised as being in Stage 3 according to the IFRS 9 regulation, which is essentially the same as the regulatory definition of default. In general, the Bank only uses specific impairment losses and not collective impairments. During 2022 no collective impairments were made.

Forbearance measures are applied by the Bank for loan commitments where customers have obvious financial problems and mean that an adjustment of the loan terms must be made in order to maintain the customer's repayment capacity. Formally, a forbearance measure is a concession to a customer that the Bank would not have made if the customer had not experienced or was not close to experiencing financial problems. Clear signs of obvious financial problems are that the customer does not follow his or her repayment plan but is instead repeatedly late with payments. There may also be cases where the customer informs his or her advisor at the Bank of circumstances that imply that the loan terms need to be adjusted in order to correct a long-term weakening of repayment capacity. Examples of such adjustments are that the Bank may consider lowering its margin, postponing a repayment and/or significantly extending the repayment period for the loan. In order for an exposure to be deemed no longer subject to forbearance measures, the loan must be performing in accordance with the requirements specified by external regulations. It is also necessary for the customer advisor to have conducted a financial analysis which confirms that there are no longer financial difficulties. An exposure included in forbearance measures is moved to Stage 2, since the credit risk is then deemed to have increased significantly. Expanded forbearance measures imply that the exposure has become non-performing and is thus recognised as being in Stage 3.

For backward transitions to lower stages, the Bank applies waiting periods. For exposures in Stage 2 with at least a 30-day delay, it applies a six-month period and for loans in Stage 3 it applies a two-month waiting period. For exposures with forbearance, the Bank applies a waiting period of 24 months before the exposure can revert to Stage 1, assuming that forbearance measures are no longer in place.

The model for calculating expected credit loss (ECL) is based on yearly future PD. LGD and exposure at default (EAD) values and also depends on the discount rate of the loan. When estimating ECL, for each exposure the Bank calculates a 12-month ECL and a lifetime ECL that is applied when an exposure is deemed to have a significant increase in credit risk. The loan loss provision for Stages 2 and 3 is, by definition, based on lifetime ECL but diverge since certain Stage 3 exposures have individual impairment testing.

According to the Bank's guidelines, a receivable is finally recognised as an impairment loss if bankruptcy has been confirmed or indigence is regarded as probable. In this stage, the exposure is regarded by the Bank as an actual loan loss. Non-performing and weakened loan commitments, as well as trends in special credit risk indicators for lending, are reported monthly to the Managing Director and quarterly to the Board in conjunction with the Group's internal risk report.

2.3 CREDIT RISK EXPOSURE

Table 2.3.1 presents lending to the public allocated according to the counterparty's sectoral and geographic classification. The Bank has separately identified lending to "Shipping" and "Other real estate operations" as segments of its loan portfolio that involve heightened credit risk. The Bank's Board of Directors has therefore set specific limits on lending to these segments.

Derivative exposures at the end of the year are reported in Note G24.

Table 2.3.1

Credit risk exposure in lending to the public

	2022			2021		
EUR K		of which counterparties in Finland	of which counterparties in Sweden		of which counterparties in Finland	of which counterparties in Sweden
Private individuals						
Housing	2,383,870	1,462,984	780,890	2,834,518	1,522,435	1,226,742
Securities and other investments	433,199	316,109	68,482	439,834	314,471	80,295
Business activities	85,243	76,006	815	85,267	80,092	921
Other household purposes	372,489	139,290	185,758	366,585	144,460	190,227
Total private individuals	**3,274,802**	**1,994,388**	**1,035,945**	**3,726,203**	**2,061,458**	**1,498,186**
Companies						
Shipping	30,659	12,307	17,933	53,642	30,867	19,328
Wholesale and retail trade	38,640	34,906	997	40,986	38,568	2,342
Housing operations	232,840	42,966	188,324	291,561	51,989	239,219
Other real estate operations	190,827	101,418	65,175	157,366	125,164	31,858
Financial and insurance operations	223,935	166,385	43,433	216,906	176,163	38,946
Hotel and restaurant operations	31,966	27,606	1,947	33,407	31,261	2,146
Agriculture, forestry and fishing	10,279	9,369	0	9,826	9,826	0
Construction	53,984	23,475	27,691	49,306	26,160	22,470
Other industrial operations	35,417	30,942	2,111	37,962	33,980	3,982
Other service operations	131,072	76,145	49,209	118,092	79,055	38,899
Total enterprises	**979,620**	**525,517**	**396,819**	**1,009,053**	**603,032**	**399,190**
Public sector and non-profit organisations	68,547	57,374	2,730	67,139	64,622	2,517
Lending to the public	**4,322,970**	**2,577,280**	**1,435,494**	**4,802,395**	**2,729,113**	**1,899,894**
Off-balance sheet commitments						
Unutilised lines of credit	1,113,776			959,679		
Other commitments	50,956			85,614		
Total off-balance sheet commitments	**1,164,732**			**1,045,293**		

Tables 2.3.2 and 2.3.3 present credit quality for the financial instruments covered by provisions for expected loan losses in compliance with IFRS 9. Recognised values before provisions or nominal amounts are allocated according to the Bank's internal credit risk assessment and by stage. Instruments for which no probability of default has been established are reported as ungraded.

At the end of 2022, receivables which were reported in Stage 3 according to IFRS 9 was at a higher level than at the beginning of the year. Gross value for receivables reported in Stage 3 was EUR 59.0 M.

Table 2.3.2

Credit quality		2022			2021
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Lending to the public					
Low risk	3,736,779	8,714	35	3,745,528	4,467,746
Medium risk	281,579	133,904	0	415,483	231,805
High risk	6,653	77,134	111	83,899	42,088
Ungraded	2,299	10	146	2,456	517
Defaulted	3	6,182	69,488	75,673	60,332
Gross balance sheet value	**4,027,314**	**225,944**	**69,781**	**4,323,039**	**4,802,487**
Provision for expected loss	−475	−1,240	−18,321	−20,037	−14,656
Net balance sheet value	**4,026,839**	**224,704**	**51,459**	**4,303,002**	**4,787,831**
Unutilised lines of credit and guarantees					
Low risk	505,407	2	0	505,408	523,494
Medium risk	7,685	4,306	0	11,991	1,292
High risk	54	21	0	75	14
Ungraded	645,778	0	0	645,778	516,123
Defaulted	508	561	1,799	2,868	4,370
Gross nominal value	**1,159,432**	**4,890**	**1,798**	**1,166,120**	**1,045,293**
Appropriation for expected loss	−308	−4	−7	−318	−322
Net balance sheet value (appropriation)	**−308**	**−4**	**−7**	**−318**	**−322**
Debt securities recognised at accrued cost					
Low risk	318,585			318,585	322,362
Gross balance sheet value	**318,585**			**318,585**	**322,362**
Provision for expected loss	−114			−114	−114
Net balance sheet value	**318,471**			**318,471**	**322,247**
Debt securities recognised at fair value via other comprehensive income					
Low risk	665,055			665,055	368,240
Gross balance sheet value	**665,055**			**665,055**	**368,240**
Provision for expected loss	−99			−99	−30
Net balance sheet value	**664,956**			**664,956**	**368,210**

Table 2.3.3

Past-due receivables		2022			2021
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Lending to the public					
Receivables without past-due amounts	4,008,739	208,255	49,187	4,266,181	4,726,912
Receivables with past-due amounts <= 30 days	18,575	14,949	1,683	35,208	60,209
Receivables with past-due amounts > 30 days	0	2,740	18,910	21,650	15,367
Gross balance sheet value	**4,027,314**	**225,944**	**69,781**	**4,323,039**	**4,802,487**

The volume of forborne loans decreased during 2022, mainly because loans that were included in forbearance measures fulfilled all criteria for the assessment that forbearance measures are no longer in force.

Table 2.3.4

Receivables with forbearance measures	2022	2021
EUR K		
Receivables from the public and the public sector		
Receivables without past-due amounts and receivables with past-due amounts <= 30 days	7,006	14,635
Receivables with past-due amounts > 30 days	0	0
Defaulted receivables	18,320	17,214
Gross balance sheet amount	**25,326**	**31,849**

Table 2.3.5 shows year-end values for collateral pledged for the Bank's credit risk exposures as part of its lending to the public, allocated by stage and type of collateral for these exposures.

The table only includes collateral that is taken into account in connection with capital adequacy.

Table 2.3.5

Lending to the public by type of collateral	2022				2021
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Real estate	4,987,128	243,707	47,711	5,278,547	5,749,748
Central and local government guarantees	144,992	6,982	795	152,769	144,422
Other guarantees	9,671	862	425	10,958	19,423
Financial collateral	888,237	10,683	302	899,222	914,075
Total	**6,030,027**	**262,234**	**49,234**	**6,341,495**	**6,816,199**

3. Liquidity risk

3.1 RISK MANAGEMENT

In order to manage liquidity risks, the Bank has designed a framework consisting of a number of components:

- Observance of limits that ensure compliance with the Bank's risk appetite and risk tolerance.
- Continuous follow-up and analysis of the Bank's future liquidity needs, both short- and long-term.
- A well-diversified funding structure, both from the standpoint of financial instruments and maturity perspectives.
- A portfolio of home mortgage loans whose quality is of such a nature as to maintain the Bank's borrowing by means of covered bonds even in a stressed scenario.
- A well-developed investor base.
- A liquidity reserve with high-quality assets that safeguard access to liquidity during a lengthy period of limited access to capital market borrowing.

Based on the Bank's risk tolerance, the Board of Directors has established limits for the Bank's liquidity coverage ratio, net stable funding ratio, survival horizon and how large the amount of covered bonds issued may be as a percentage of the available collateral. Liquidity risk is managed by the Bank's Treasury unit, which is responsible for ensuring that risks respect the limits established by the Board of Directors. Liquidity risks are monitored and analysed by the Group's Risk Control department, which reports directly to the Managing Director on a monthly basis and to the Board of Directors on a quarterly basis in conjunction with the Group's risk report.

3.1.1 Liquidity reserve

In order to decrease its liquidity risk, the Bank maintains a liquidity reserve containing high-quality assets 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 may consist of cash, accounts with central banks or other well-reputed banks with a good credit rating, deposits with short maturities, holdings of debt securities issued by the Bank and securities of such credit quality that they are eligible for refinancing with central banks. These investments are regulated by the Board of Directors. The size of the liquidity reserve must be sufficient to maintain the targeted survival horizon as well as the liquidity coverage ratio.

Table 3.1.1.1

Liquidity reserve	2022	2021
EUR K		
Cash and investments with central banks	341,980	893,711
Debt securities issued by sovereigns and public authorities	518,407	123,873
Covered bonds (minimum rating AA–)	295,428	268,708
Accounts with other banks	17,413	33,881
Debt securities issued by financial companies	52,577	0
Total	**1,225,806**	**1,320,173**
of which LCR-qualified	1,132,382	1,264,727

3.1.2 Funding

The Bank of Åland endeavours to achieve a well-diversified funding structure, both from the perspective of instruments and maturities. The Bank intends to be independent of individual depositors, investors, funding instruments or market segments.

Aside from equity capital, the Bank of Åland's funding sources consist mainly of deposits from the public, covered bonds, certificates of deposit and short- and long-term borrowing from credit institutions. One long-term goal is that deposits from the public shall account for more than 50 per cent of funding, excluding equity capital. At the end of 2022, deposits and covered bonds comprised more than 80 per cent of the Bank's funding structure.

3.2 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 3.2.1

Remaining maturity					2022				
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 receivable from central banks	341,983								341,983
Debt securities eligible for refinancing with central banks		67,952	123,166	223,503	541,121	31,755			987,497
Other debt securities					9,916	2,564			12,480
Lending to credit institutions	42,583								42,583
Lending to the public	45,210	329,687	104,453	151,282	1,428,815	696,729	1,545,810	950	4,302,937
Shares and participations								55,599	55,599
Derivative instruments		6,403	2,444	0	8,881	8,617	292		26,637
Intangible assets								20,621	20,621
Tangible assets								35,544	35,544
Investment properties								300	300
Other assets								71,538	71,538
Total	**429,776**	**404,042**	**230,064**	**374,785**	**1,988,732**	**739,665**	**1,546,102**	**184,552**	**5,897,719**
Liabilities									
Liabilities to credit institutions	33,793	200,363	0	0	200,000	0	0		434,156
Deposits from the public	3,334,867	743,812	39,408	42,234	21,748	0	0		4,182,068
Debt securities issued		212,661	47,947	244,154	287,872	0	0		792,634
Derivative instruments		3,003	2,607	5,722	12,036	0	269		23,636
Other liabilities								117,345	117,345
Subordinated liabilities							31,434		31,434
Equity capital								316,446	316,446
Total	**3,368,660**	**1,159,838**	**89,961**	**292,111**	**521,655**	**0**	**31,702**	**433,791**	**5,897,719**

3.2.1 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 3.2.1.1

Liquidity coverage ratio (LCR)	2022	2021
EUR K		
Liquid assets, level 1	1,050,214	1,162,414
Liquid assets, level 2	82,168	102,313
Liquid assets, total	**1,132,382**	**1,264,727**
Deposits from the public	179,232	180,416
Capital market funding	663,323	774,503
Other cash flows	74,886	68,010
Cash outflows	**917,441**	**1,022,929**
Inflows from fully performing exposures	46,454	53,310
Other cash inflows	52,534	58,257
Total cash inflows	**98,988**	**111,567**
Net cash outflow	818,453	911,362
Liquidity coverage ratio (LCR), %	138	139

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.

Table 3.2.1.2

Net stable funding ratio (NSFR)	2022	2021
EUR K		
Required stable funding (RSF) items		
High-quality liquid assets (HQLA)	104,210	60,015
Other liquid assets	4,774	52,020
Other securities	38,265	121,824
Performing loans and other receivables	3,185,437	3,862,211
Derivative assets	52,282	7,547
Other assets	242,059	201,858
Off-balance sheet items	22,714	24,232
Total required stable funding	**3,649,740**	**4,329,708**
Available stable funding (ASF) items		
Own funds	316,626	337,087
Deposits from the public	2,397,920	2,437,182
of which stable deposits	1,411,821	1,390,476
of which less stable deposits	986,099	1,046,706
Deposits from other counterparties	609,775	480,505
Capital market funding	625,000	1,444,825
Other liabilities	0	0
Total available stable funding	**3,949,320**	**4,699,599**
Net stable funding ratio, %	108	109

3.3 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-collateralisation 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.

Tablel 3.3.1

Encumbered assets

EUR K	Encumbered assets	Unencumbered assets	Total assets
Interest-bearing securities	111,362	888,616	999,977
Lending to the public	1,250,830	3,052,107	4,302,937
Other assets	5,312	461,490	466,803
Non-encumberable assets		128,002	128,002
Total	**1,367,504**	**4,530,215**	**5,897,719**
Per cent of total assets	23	77	100

4. Market risk

4.1 RISK MANAGEMENT

The Bank of Åland's 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 low and primarily of a structural nature. They are managed by the Bank's Treasury unit. 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 risk are handled by the Board or by the Managing Director.

Market risks are monitored and analysed centrally by the Risk Control department, which reports directly to the Managing Director on a monthly basis and to the Board on a quarterly basis in connection with the Group's risk report.

4.2 INTEREST RATE RISK

Interest rate risk refers both to the risk of decreased net interest income (NII) and the risk of unfavourable changes in the value of the Bank's assets and liabilities (economic value of equity, EVE) when market interest rates change. 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 interest rate risk by means of sensitivity analyses of net interest income and the value of interest-bearing assets and liabilities in scenarios where the yield curve is stressed in various ways.

Table 4.2.1 shows assets and liabilities that fall due for a new interest rate refixing during each respective time interval, assuming that demand deposits fall due on Day 1.

Table 4.2.1

Remaining maturity

EUR K	<3 mo	3–6 mo	6–12 mo	1–5 yrs	>5 yrs	Total
Assets						
Cash and deposits with central banks	341,980	0	0	0	0	341,980
Debt securities eligible for refinancing with central banks	129,158	80,229	286,562	484,449	33,919	1,014,316
Lending to credit institutions	25,951	0	0	0	0	25,951
Lending to the public and the public sector	2,329,204	671,783	888,587	381,356	49,408	4,320,339
Total interest-bearing assets	**2,826,293**	**752,012**	**1,175,149**	**865,805**	**83,327**	**5,702,586**
Liabilities						
Liabilities to credit institutions	234,103	0	0	200,000	0	434,103
Deposits from the public and the public sector	4,095,703	39,408	42,234	21,748	0	4,199,092
Debt securities issued	213,334	48,000	250,000	300,000	0	811,334
Subordinated liabilities	31,470	0	0	0	0	31,470
Total interest-bearing liabilities	**4,574,609**	**87,408**	**292,234**	**521,748**	**0**	**5,475,998**
Off-balance sheet items	−834,935	463,375	250,000	168,729	−45,600	1,569
Difference between assets and liabilities	**−2,583,251**	**1,127,979**	**1,132,916**	**512,787**	**37,727**	**228,157**

4.2.1 Net interest income

The Bank measures interest rate risk by means of sensitivity analyses of net interest income and the value of interest-bearing assets and liabilities in scenarios where the yield curve is stressed in various ways. Net interest income risk 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 interest rate adjustments on their contractual or assumed interest rate adjustment dates. In the model, the interest rate repricing period for demand deposits is set at one day.

4.2.2 Economic value of equity

EVE is measured as the sensitivity of the estimated 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 interval 0–1 month, and the rest of deposits in the time interval 10–11 months. The second method models repricing periods for demand deposits on the basis of European Banking Authority (EBA) and Basel Committee regulations.

The repricing periods modelled according to the EBA and Basel regulations 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 4.2.2 shows the sensitivity of net interest income and the sensitivity of the present value 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, where present value risk refers to the present value of all interest-bearing assets and liabilities according to the Bank's EBA and Basel regulation model.

Table 4.2.2

Parallel shift in the yield curve	2022	
EUR K	Basis points +200	Basis points –200
NII	21,031	–23,280
EUR	14,777	–18,712
SEK	10,054	–8,588
EVE	10,436	–14,472
EUR	16,626	–17,637
SEK	–5,554	2,754

4.3. FOREIGN EXCHANGE RISK

Foreign exchange risk refers to the risk of unfavourable results due to changes in the exchange rates of currencies that the Bank is exposed to. The Bank's operations occur mainly in its two base currencies, euros and Swedish kronor. A limited proportion of its lending and deposits occurs in other currencies. Foreign exchange risk is primarily managed by means of matching, and if the potential foreign exchange risk remains at the end of day, the Bank adjusts it.

At year-end 2022, the Bank's foreign exchange exposure was EUR 0.8 M (2021: 0.7). 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 16 K, compared to EUR 0.8 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 capitalised 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 FIN-FSA to exempt the structural foreign exchange position from the capital adequacy calculation up to a maximum open net position.

4.4 EQUITY RISK

Equity risk is the risk of decrease in value due to price changes in the stock market. Since the Bank does not carry out any trading in equities for its own account, equity risk is very limited.

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

5. Business risk

Business risk encompasses competitive risk, strategic risk and reputational risk.

Competitive risk means a risk of lower income due to increased competition, which may lead to lower volume and/or narrower margins.

Strategic risk refers to the strategy chosen by the Board of Directors and the Managing Director in response to changed market conditions for the Bank of Åland's operations, but also in the form of changes in regulations or technological shifts in the financial sector that may affect the ability of the Bank, as a small market player, to carry out profitable banking business. The financial services sector is rapidly changing, with new technology enabling new market players to distribute financial services in new, cost-effective ways, thereby eroding the profitability of traditional banks.

Reputational risk refers to a loss of respect and trust among customers, employees and public authorities, for example due to a lack of business ethics or failure to comply with regulations.

Much of the work of the Board of Directors and the Executive Team as well as their committees is aimed at identifying business risks and finding appropriate measures to manage the opportunities and threats that arise in a changeable world.6. Operational risk

6.1 RISK MANAGEMENT

The objective of operational risk management is to ensure that all significant operational risks are identified and managed at a sufficient level in relation to the nature and the risk-bearing capacity of the operations. The Bank endeavours to reduce the probability of significant unforeseen losses or loss of respect. The Executive Team and the Board of Directors must be informed regularly about operational risks associated with Group operations. Adequate operational risk management is important to ensure trust in the Bank's operations.

The Operational Risks & Security and Compliance departments are part of the Bank's second line of defence. Operational Risks & Security is responsible for analysing and report the Group's operational risks. The Compliance department is responsible for analysing risks from a compliance standpoint. The second line of defence supports the Group's operations, among other things, by means of internal training and internal regulations related to management of operational risks and compliance.

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.

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

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 the Group level, insurance policies have been obtained to cover directors and officers, professional liability and crime. In addition to these insurance policies, Group companies have obtained company-specific insurance coverage.

6.2 MAPPING OF OPERATIONAL RISKS

To obtain a complete picture of the Group's risks, risk mapping and analyses by all three lines of defence must be taken into account.

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 once a year, AML-CFT (Anti Money Laundering – Combating the Financing of Terrorism) risk analyses take place. The results are reported to the Executive Team 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.

6.3 IMPORTANT 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.

6.3.1 Risks connected to manual processes and insufficient systems 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 decrease risks, IT deliveries and the pace of development need to be in balance.

6.3.2 Risk of fraud and suspicious transactions

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 phishing, false invoices, investment fraud or romance scams.

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.

6.3.3 Risks connected to 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, 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 and that new and existing suppliers are adequately vetted and followed up.

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

6.3.4 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.

7. Climate-related risks

Climate-related risks are not 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 different categories, such as physical risks, transition risks related to measures that mitigate climate change and liability risk.

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 actions taken to achieve a transition to a sustainable economy. Such a transition may also cause assets to depreciate before the end of their expected service life and consequently need to be written down. Such assets are commonly referred to as stranded assets. Generally speaking, market players whose activities are climate-damaging can be assumed to have higher transition risk. Those that can quickly transition to sustainable production may benefit financially, while others are punished for not being able to transition as quickly.

Climate change may also generate liability risk, when someone who has suffered losses due to climate change tries to recover these losses from others they believe may have been responsible, for example through lawsuits or insurance claims.

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

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 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 market players 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 on the basis of 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.

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.

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.

Business risk
As consumers become more aware of climate change issues and actively choose sustainable products and services, this may increase business 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.

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 in order 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 minimise the impact of extreme weather events, for example, and to quickly resume operations.

8. Capital management

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. These capital requirements are divided into Pillar 1 requirements, Pillar 2 requirements and combined buffer requirements. In addition to binding capital requirements, there is Pillar 2 guidance aimed at ensuring that banks have sufficient own funds to cover risks not covered by other requirements and that they can absorb losses in case of financial stress. The Finnish Financial Supervisory Authority has not established any Pillar 2 guidance for the Bank of Åland.

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 common equity Tier 1 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

The Pillar 2 capital requirements are estimated by evaluating other risks that are not covered by Pillar 1 regulations. The Bank assesses the capital requirements for these risks yearly by means of the internal capital adequacy assessment process. The requirements are then established or adjusted by FIN-FSA through a supervisory review and evaluation process (SREP). Through SREP, national authorities may impose extra capital requirements on banks for these other risks. Three fourths of the Pillar 2 requirement must be covered by Tier 1 capital, of which three fourths common equity Tier 1 capital.

In the internal assessment based on its situation in 2021, the Bank of Åland estimated its own internal capital requirement beyond Pillar 1 according to ICAAP at EUR 18.4 M, which at that time amounted to 1.0 per cent of the risk exposure amount. In its latest SREP concerning the Bank's situation at the end of 2020, FIN-FSA decided on additional capital requirements totalling 1.0 per cent. This is the Bank's Pillar 2 requirement and went into effect starting at the end of the third quarter of 2021. The requirement is valid for a maximum of three years, until September 30, 2024, or until FIN-FSA communicates an updated requirement for the Bank.

In addition to the above requirements, institutions must also meet combined buffer requirements against economic downturns, which are established by the CRD. At the Bank of Åland, these capital buffers consist of a capital conservation buffer, a countercyclical capital buffer and any systemic risk buffer.

The capital conservation buffer is the same for all banks. The countercyclical capital buffer may vary between 0 and 2.5 per cent of REA. This buffer is a macro-prudential tool. It is determined by the supervisory authority in each country and applied to the relevant lending exposures that are located within this market.

The combined buffer requirement must be fulfilled in its entirety by common equity Tier 1 capital. Failure to maintain this combined buffer would result in restrictions on the Bank's ability to distribute dividends from equity capital, in compliance with Article 141 of the CRD. Unlike larger institutions, the Bank is not included in any buffer requirements for systemically important institutions.

Taking into account the Pillar 1 capital requirement, the latest estimated Pillar 2 capital requirement and the combined buffer requirement, on December 31, 2022 the Bank of Åland's minimum CET1 capital to avoid the imposition of restrictions on dividends was 7.6 per cent. The corresponding minimum ratios for Tier 1 and total capital were 9.3 and 11.5 per cent, respectively.

At the end of 2022, the Bank's common equity Tier 1 capital ratio amounted to 12.0 (12.1) per cent, which means that the Bank had a common equity Tier 1 capital buffer of 3.9 (4.5) per cent, or – expressed as common equity Tier 1 capital – EUR 76.4 (89.3) M. Compared to the preceding year, the Bank's minimum capital requirement increased by a total of 0.5 percentage points. The increase was due to higher countercyclical buffer requirements.

The Bank's total capital ratio decreased from 15.4 to 15.2 per cent.

8.1 OWN FUNDS

Own funds are divided into common equity Tier 1 capital (CET1), additional Tier 1 capital (AT1) and supplementary capital (T2). Common equity Tier 1 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.

Common equity Tier 1 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 unamortised 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.

Compared to 2021, the Bank's CET1 decreased by a total of EUR 5.7 M or 2.4 per cent to EUR 233.3 M. During the year, equity capital changed in the amount of profit for the period, EUR 36.8 M; other comprehensive income, EUR –8.4 M; the issuance of new shares as part of the incentive programme, EUR 0.5 M, and the share savings programme, EUR 0.1 M; dividends paid to shareholders, EUR 31.1 M, and dividends related to Tier 1 capital instruments, EUR 1.2 M. On December 31, 2022, equity capital amounted to EUR 316.4 M.

At the end of 2021 there was unutilised permission from FIN-FSA for buy-backs of the Bank's own shares totalling EUR 10.5 M. This amount in its entirety was a deduction item in own funds, even though these buy-backs had not occurred. At the end of 2022 there was no similar permission.

The Bank of Åland is applying the transitional rules in Article 473a of the CRR for IFRS 9. The Bank thus adds back part of its reserve for expected credit losses to common equity Tier 1 capital using two factors that gradually decrease over five years. In practice, the impairment losses that are added back are attributable to exposures handled according to the standardised approach. The appendix provides specific disclosures of the effects on the transitional rule on the Bank's capital position and leverage ratio.

Supplementary capital, unlike CET1, is not as available to cover losses according to regulations. The Group's supplementary capital consists mainly of T2 instruments that it has issued. At year-end, these amounted to EUR 31.5 M. Expected losses that exceed reported impairment losses in the IRB-approved portfolio may be included as appropriate, but only up to a maximum of 0.6 per cent of risk exposure amount calculated according to the IRB approach.

Detailed information about the Group's own funds is provided in the Bank's Pillar 3 report.

Table 8.1.1

Own funds	2022	2021
EUR K		
Equity capital according to balance sheet	287,003	302,469
Proposed dividend	–31,270	–31,205
Common equity Tier 1 capital before deductions	**255,732**	**271,265**
Intangible assets	–14,292	–15,029
Deduction for excess value of pension assets	–360	
Non-controlling interests	–14	–13
Cash flow hedges	1,561	
Other items, net	–147	
Permission for buy-backs of own shares		–10,500
Additional adjustments in value	–783	–421
Expected losses according to IRB approach beyond reported losses (deficit)	–8,726	–6,863
Adjustments due to transitional rules related to IFRS 9	333	528
Common equity Tier 1 capital	**233,305**	**238,967**
Additional Tier 1 capital	29,424	29,424
Tier 1 capital	**262,729**	**268,391**
Supplementary capital instruments	31,470	36,411
Supplementary capital	**31,470**	**36,411**
Total own funds	**294,199**	**304,802**

8.2 CAPITAL REQUIREMENTS

The Bank of Åland's capital requirement for credit risks in its 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 standardised approach to calculate the capital requirement for credit risk. In the Bank's Swedish operations, the entire capital requirement is calculated according to the standardised approach.

The Bank has only a small trading book, which mostly consists of equity-related instruments. These positions always arise as a result of 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 standardised approach and applies to all derivatives exposures to institutions that are not cleared by a central counterparty.

The Bank applies the standardised approach in calculating the capital requirement for operational risk. The capital requirement for operational risk was EUR 19.5 M, compared to EUR 17.8 M at the end of 2021.

Since 2021, the Bank has applied an additional capital requirement of 26.5 per cent of the risk exposure amount for IRB-related portfolios in Finland, since the Bank's amended IRB models have not yet been approved by FIN-FSA. During 2022, the add-on rose to 45.5 percent for the household portfolio.

At the end of 2022, the Bank's total Risk exposure amount totalled EUR 1,938 M, compared to EUR 1,976 M at year-end 2021.

Table 8.2.1 shows the Group's Pillar 1 capital adequacy calculation.

Table 8.2.1

Capital adequacy	2022	2021
EUR K		
Common equity Tier 1 capital	233,305	238,967
Additional Tier 1 capital	29,424	29,424
Supplementary capital	31,470	36,411
Total own funds	**294,199**	**304,802**
Capital requirements for credit risks according to IRB approach	38,954	38,824
Additional capital requirements according to IRB approach	14,079	10,288
Capital requirements for credit risks according to standardised approach	81,905	91,107
Capital requirement for market risk	592	
Capital requirement for credit value adjustment risk	47	54
Capital requirement for operational risk	19,487	17,818
Total capital requirement	**155,063**	**158,093**
Risk exposure amount	**1,938,293**	**1,976,156**
Capital ratios, %		
Common equity Tier 1 capital ratio	12.0	12.1
Tier 1 capital ratio	13.6	13.6
Total capital ratio	15.2	15.4
Requirements related to capital buffers, %		
Total common equity Tier 1 capital requirement including buffer requirement	8.1	7.6
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	0.5	0.0
Common equity Tier 1 capital available to be used as a buffer	**12.0**	**12.1**

Table 8.2.2

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	216,875	185,098	54	100,690	8,055
Corporate – SMEs	302,207	281,179	48	134,249	10,740
Corporate – Specialised lending	4,903	4,915	93	4,551	364
Using own estimates of LGD					
Retail – real estate as collateral	1,895,824	1,882,740	10	181,186	14,495
Retail – real estate as collateral (SMEs)	129,000	126,551	21	26,062	2,085
Retail – Other, SMEs	35,351	33,921	20	6,770	542
Retail – Other, not SMEs	377,660	319,701	10	33,416	2,673
Total exposures, IRB approach	**2,961,820**	**2,834,106**	**17**	**486,924**	**38,954**
Credit risk, standardised approach					
Governments and central banks	641,815	721,873	0	0	0
Regional or local governments or agencies	88,487	123,767	0	0	0
Public sector entities	35,130	35,116	0	0	0
Multilateral development banks	57,902	65,612	2	1,000	80
International organisations	39,785	39,784	0	0	0
Institutions	250,376	214,175	21	44,723	3,578
Corporates	814,235	323,156	96	310,188	24,815
Retail	795,249	286,384	51	147,113	11,769
Secured by real estate	943,785	942,856	33	313,969	25,118
Associated with particularly high risks	23,144	15,002	114	17,154	1,372
Covered bonds	352,458	352,400	11	38,845	3,108
Collective investment undertakings (funds)	1,155	1,155	113	1,310	105
Equity exposures	54,445	54,445	161	87,398	6,992
Other exposures	71,349	71,349	87	62,109	4,969
Total exposures, standardised approach	**4,169,314**	**3,247,073**	**32**	**1,023,809**	**81,905**
Total risk exposure amount	**7,131,134**	**6,081,180**	**25**	**1,510,733**	**120,859**

Table 8.2.2 provides an overview of exposure amounts allocated by exposure classes.

8.3 LEVERAGE RATIO

Leverage is a measure of bank solvency aimed at avoiding excessive debt. The leverage ratio is calculated as the ratio of Tier 1 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.

At the end of 2022, the Bank of Åland's leverage ratio amounted to 4.3 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. Tier 1 capital included profit for the period.

Table 8.3.1

Leverage ratio	2022	2021
EUR K		
Tier 1 capital	262,729	268,391
Total exposure metric	6,158,534	6,272,903
of which balance sheet items	5,924,986	6,052,032
of which off-balance sheet items	233,548	220,871
Leverage ratio, %	**4.3**	**4.3**

9. Internal capital adequacy and liquidity assessment

The purpose of the internal capital adequacy assessment process (ICAAP) is to analyse all risks in the Group's operations and – based on the results – estimate the capital requirement to ensure that the Group is sufficiently capitalised to cover all its risks, enabling it to conduct and develop its operations both under normal and sharply worsened business conditions. In this process, the Bank assesses whether Pillar 1 capital requirements are sufficient. It also assesses the capital needed for risks not covered under Pillar 1. Examples of such risks are concentration risk, pension liability risk, business risk and interest rate risk in the banking book.

The 2022 ICAAP, which was related to the situation on December 31, 2021, evaluated the effects of a prolonged negative scenario, based on the recession scenario published by the EBA early in 2021, the economic outlook, the Bank's own estimates and information published by the Finnish Finance Ministry, the central banks of Finland and Sweden as well as various economic forecasters. In keeping with practice, the negative scenario is based on unchanged business volumes.

The identified additional capital requirement beyond Pillar 1 amounted to EUR 18.4 M. The largest risk areas were concentration risks in the loan portfolio, credit risk and equity risk beyond Pillar 1. In its capital requirement estimate, the Bank has included the Pillar 2 requirement (P2R) established by FIN-FSA as part of its SREP process, since this is higher than the Bank's internally estimated capital requirement according to ICAAP and binding regulatory requirements for the Bank. Capital planning for a possible economic downturn showed that capital ratios remain at high levels throughout the stress period.

The Bank's capital requirement on December 31, 2021 in total EUR 227.4 M, taking into account the Pillar 2 capital requirement, which FIN-FSA estimates should be 1.0 percent starting on September 30, 2021. Of this total, EUR 158.1 M represented the minimum requirement according to Pillar 1, EUR 49.6 M represented the combined buffer requirement and EUR 19.8 M consisted of the Pillar 2 capital requirement estimated by FIN-FSA.

The purpose of ICAAP is to ensure that the existing liquidity buffers are sufficient to safeguard disruption-free operations even during periods of stress. This is achieved by using stress tests featuring various scenarios, aimed at assessing what impact these will have on the Bank's liquidity supply and its borrowing needs.

At regular intervals, at least once a year, the Bank carries out a review of the scenarios it will use in identifying, measuring and managing liquidity risks. This is based on factors identified by the Bank that are expected to have a major impact on its liquidity risk. Examples of such factors are deposits, the collateral pool for covered bonds and liquid assets.

The 2022 internal liquidity adequacy assessment process (ILAAP) shows that from a liquidity perspective, the Bank can handle stressed scenarios that are specific to the Bank (idiosyncratic stress), general market stress and scenarios that combine these. This low liquidity risk is a result of the funding profile the Bank has chosen as well as its high-quality liquidity reserve.

10. Coming changes in capital adequacy regulations

In December 2017, the Basel Committee on Banking Supervision published its recommendation on finalising Basel III, its revised international capital adequacy standard. In October 2021, the European Commission unveiled a proposal for amendments and updates to the EU's capital adequacy regulations for credit institutions. These include amendments to both the Capital Requirements Regulation and Directive. The Commission's 2021 Banking Package also includes updates to the EU's Bank Recovery and Resolution Directive, which prescribes crisis management rules for banks. These amendments will complete the implementation of Basel III in the EU countries.

The Commission proposes January 1, 2025 as the starting date for most of the above reforms, with a gradual phase-in of certain amendments over a five-year period.

The amendments establish a floor for risk-weighted assets (output floor) that limit the ability of banks to lower their capital requirements by using internal models. The purpose is to narrow the excessive variations that occur among risk-weighted assets at banks that use internal models. The floor rule means that risk-weighted assets calculated on the basis of internal models will be limited to at least the equivalent of 72.5 per cent of risk-weighted assets calculated using standardised approaches, once the rule is phased in completely. The standardised approach for credit risk would also be made more risk-sensitive, for example in the case of retail exposures and real estate lending. A new standardised approach has been proposed for operational risks, while the option of using internal models for operational risks would be eliminated.

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, publicise 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 Bank of Åland's combined buffer requirement will increase when countercyclical buffer percentages in Sweden, Norway, Germany and other countries increase during 2023. The regulatory authority in Finland is preparing to introduce a systemic risk buffer of no more than 1 per cent early in 2023. This requirement can be expected to be in force for 12 months after it is communicated.

11. 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

	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
2022						
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	1,567	−1,577	1,166
Total income	**91,262**	**54,714**	**44,339**	**15,258**	**−21,450**	**184,122**
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**	**3,033**	**−1,760**	**52,299**
Net impairment losses on financial assets	−7,485	1,391	0	−112	0	−6,205
Net operating profit	**24,470**	**21,289**	**−827**	**2,921**	**−1,760**	**46,093**
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**	**2,748**	**−1,760**	**36,778**
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	266	2,478	0	1,680	−37	4,387
Total commission income	**89,785**	**21,240**	**0**	**7,178**	**−6,833**	**111,370**
Commission expenses	−34,255	−3,168	−65	−2,754	7,303	−32,938
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	105,820		316,446
Financial ratios etc.						
Return on equity (ROE), %	18.3	21.7	−2.3	3.6		12.8
Expense/income ratio	0.65	0.64	1.02	0.80		0.72

2021						
	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
Net interest income	27,991	28,268	−2	5,981	−8	62,229
Net commission income	58,582	16,909	−75	3,343	286	79,044
IT income	0	0	42,817	340	−18,749	24,407
Net income from financial items carried at fair value	12	−28	−747	327	−5	−442
Other income	681	11	937	10,364	−1,209	10,785
Total income	**87,267**	**45,161**	**42,907**	**20,375**	**−19,685**	**176,024**
Staff costs	−18,313	−6,857	−22,940	−23,006	0	−71,115
Other expenses	−8,137	−3,758	−16,204	−21,131	15,445	−33,786
Statutory fees	−1,189	−1,470	0	−98	0	−2,757
Depreciation/amortisation	−2,828	−364	−3,251	−11,206	3,387	−14,262
Internal allocation of expenses	−24,072	−21,261	0	45,333	0	0
Total expenses	**−54,538**	**−33,710**	**−42,395**	**−10,109**	**18,832**	**−121,920**
Profit before impairment losses	**32,729**	**11,450**	**513**	**10,266**	**−854**	**54,104**
Net impairment losses on financial assets	−4,898	103	0	−110	0	−4,906
Net operating profit	**27,831**	**11,553**	**513**	**10,155**	**−854**	**49,198**
Income taxes	−5,722	−2,367	−313	−946	0	−9,348
Non-controlling interests	0	0	−2	0	0	−2
Profit for the period attributable to shareholders in Bank of Åland Plc	**22,109**	**9,185**	**198**	**9,209**	**−854**	**39,849**
Net commission income						
Deposits	113	811	0	255	0	1,179
Lending	576	1,743	0	76	−2	2,394
Payment intermediation	1,653	6,355	0	3,245	0	11,253
Mutual fund commissions	59,467	5,682	0	927	−6,381	59,694
Asset management commissions	14,746	1,257	0	31	−149	15,885
Securities brokerage	13,935	1,305	0	1,249	0	16,489
Other commissions	388	2,646	0	505	−56	3,482
Total commission income	**90,877**	**19,799**	**0**	**6,288**	**−6,588**	**110,376**
Commission expenses	−32,295	−2,890	−75	−2,945	6,874	−31,332
Total net commission income	**58,582**	**16,909**	**−75**	**3,343**	**286**	**79,044**
Business volume, December 31						
Lending to the public	1,966,232	2,319,570	0	502,348	−305	4,787,845
Deposits from the public	1,960,205	2,064,482	0	64,290	−18,865	4,070,112
Actively managed assets	9,144,532	670,152	0	10,975	0	9,825,659
Managed mortgage loans	0	0	0	2,000	0	2,000
Risk exposure amount	752,967	582,014	75,000	566,175	0	1,976,156
Equity capital	82,265	88,347	27,747	133,559		331,918
Financial ratios etc.						
Return on equity (ROE), %	25.2	9.9	0.7	11.7		14.0
Expense/income ratio	0.62	0.75	0,99	0.50		0.69

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

“Private Banking” encompasses Private Banking operations in Åland, on the Finnish mainland and in Sweden, as well as asset management (Ålandsbanken Fondbolag Ab and its ten wholly owned subsidiaries). “Premium Banking” encompasses operations in all customer segments excluding Private Banking in Åland, on the Finnish mainland 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

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	1,166	1,166
Total income	**31,167**	**63,843**	**62,286**	**23,035**	**3,791**	**184,122**

2021	Daily banking services incl. deposits	Financing services	Investment services	IT services	Other	Total
Net interest income	5,847	54,699	0	−79	1,762	62,229
Net commission income	10,782	2,961	65,350	−75	28	79,044
IT income	0	0	0	24,407	0	24,407
Net income from financial items carried at fair value	0	−27	0	−747	333	−442
Other income	0	0	0	0	10,785	10,785
Total income	**16,629**	**57,633**	**65,350**	**23,506**	**12,907**	**176,024**

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

	2022			2021		
	Finland	Sweden	Total	Finland	Sweden	Total
Net interest income	39,785	28,432	68,217	35,051	27,178	62,229
Net commission income	59,079	19,353	78,432	60,404	18,640	79,044
Net income from financial items carried at fair value	15,363	8,128	23,492	17,499	6,908	24,407
IT income	−1,744	14,559	12,815	−5,631	5,189	−442
Other income	1,058	108	1,166	10,677	108	10,785
Total income	**113,542**	**70,580**	**184,122**	**124,929**	**51,095**	**176,024**
Staff costs	−56,957	−18,505	−75,463	−52,930	−18,185	−71,115
Other expenses	−23,793	−19,354	−43,146	−17,369	−19,174	−36,543
Depreciation/amortisation	−13,979	765	−13,214	−12,205	−2,057	−14,262
Total expenses	**−94,729**	**−37,094**	**−131,823**	**−82,505**	**−39,415**	**−121,920**
Profit before impairment losses	**18,812**	**33,486**	**52,299**	**42,424**	**11,680**	**54,104**
Net impairment losses on financial assets	−929	−5,277	−6,205	−2,229	−2,677	−4,906
Net operating profit	**17,884**	**28,209**	**46,093**	**40,195**	**9,004**	**49,198**
Income taxes	−3,614	−5,700	−9,314	−7,637	−1,711	−9,348
Non-controlling interests	−1	0	−1	−2	0	−2
Profit for the period attributable to shareholders in Bank of Åland Plc	**14,269**	**22,509**	**36,778**	**32,556**	**7,293**	**39,849**
Business volume, December 31						
Lending to the public	2,871,452	1,431,484	4,302,937	2,891,696	1,896,149	4,787,845
Deposits from the public	2,829,386	1,352,682	4,182,068	2,918,143	1,151,968	4,070,112
Actively managed assets	4,803,693	3,833,685	8,637,377	5,041,744	4,783,915	9,825,659
Risk exposure amount	1,220,141	717,936	1,938,077	1,122,926	853,230	1,976,156
Allocated equity capital	229,586	86,857	316,443	252,344	79,572	331,916
Financial ratios etc.						
Return on equity (ROE), %	6.8	28.7	12.8	15.0	10.6	14.0
Expense/income ratio	0.83	0.53	0.72	0.66	0.77	0.69

G7. Net interest income

	2022			2021		
	Average balance	Interest	Average interest rate, %	Average balance	Interest	Average interest rate, %
Lending to credit institutions and central banks	674,955	1,621	0.24	767,480	−875	−0.11
Lending to the public	4,245,251	73,511	1.73	4,536,804	63,720	1.40
Debt securities	925,310	4,224	0.46	733,128	335	0.05
Interest-bearing assets	**5,845,516**	**79,356**	**1.36**	**6,037,412**	**63,181**	**1.05**
Derivative instruments	17,828	1,590		16,639	1,075	
Other assets	203,371	667		184,028	166	
Total assets	**6,066,714**	**81,613**		**6,238,079**	**64,422**	
of which interest according to the effective interest method		81,245			63,988	
Liabilities to credit institutions and central banks	588,696	55	0.01	702,643	−2,923	−0.42
Deposits from the public	4,212,177	5,669	0.13	3,744,845	1,580	0.04
Debt securities issued	759,565	3,994	0.53	1,288,580	1,093	0.08
Subordinated liabilities	34,302	1,083	3.16	30,161	865	2.87
Interest-bearing liabilities	**5,594,739**	**10,801**	**0.19**	**5,766,229**	**614**	**0.01**
Derivative instruments	15,283	2,446		9,101	1,479	
Other liabilities	139,420	149		154,602	100	
Total liabilities	**5,749,443**	**13,396**		**5,929,932**	**2,193**	
Total equity capital	317,271			308,147		
Total liabilities and equity capital	**6,066,714**			**6,238,079**		
of which interest according to the effective interest method		13,026			1,894	
Net interest income		**68,217**			**62,229**	
Interest margin			1.16			1.04
Investment margin			1.12			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 13 end-of-month figures.

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

G8. Net commission income

	2022	2021
Deposits	1,440	1,179
Lending	3,429	2,394
Payment intermediation	11,882	11,253
Mutual fund commissions	60,477	59,694
Asset management commissions	16,630	15,885
Securities brokerage	13,125	16,489
Legal services	673	737
Guarantee commissions	302	567
Other commissions	3,481	2,238
Total commission income	**111,438**	**110,436**
Payment commission expenses	−4,183	−3,931
Mutual fund commission expenses	−24,650	−22,724
Asset management commission expenses	−1,127	−1,015
Securities brokerage commission expenses	−2,241	−3,051
Other commission expenses	−806	−671
Total commission expenses	**−33,006**	**−31,391**
Net commission income	**78,432**	**79,044**

G9. Net income from financial items carried at fair value

	2022			2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Valuation category fair value via the income statement ("profit and loss")						
Derivative instruments	0	−7	−7	728	23	751
Other financial items	−149	1,817	1,669	−662	−1,430	−2,092
Valuation category fair value via the income statement ("profit and loss")	**−149**	**1,810**	**1,661**	**66**	**−1,407**	**−1,341**
Valuation category fair value via other comprehensive income						
Realised changes in value	1,587		1,587	551		551
Expected loan losses		−69	−69		224	224
Total, valuation category fair value via other comprehensive income	**1,587**	**−69**	**1,518**	**551**	**224**	**775**
Hedge accounting						
of which hedging instruments	79	−3,881	−3,803	−1,298	−2,835	−4,133
of which hedged item	0	4,467	4,467	1,443	2,860	4,303
Hedge accounting	**79**	**585**	**664**	**145**	**25**	**170**
Valuation category accrued cost						
Loans	9,519	−18	9,501	0	−27	−27
Debt securities	63		63	202		202
Total, valuation category accrued cost	**9,582**	**−18**	**9,564**	**202**	**−27**	**174**
Foreign currency revaluation	**0**	**−593**	**−593**	**0**	**−220**	**−220**
Total	**11,099**	**1,716**	**12,815**	**964**	**−1,406**	**−442**

G10. Other income

	2022	2021
Income from equity capital investments	38	81
Income in conjunction with transfer of assets		6,263
Net income from investment properties	4	102
Rental income on properties	79	63
Miscellaneous income	500	3,745
Total	**622**	**10,254**
Specification of net income from investment properties		
Rental income	20	27
Capital gains		95
Other income	1	
Other expenses	−16	−21
Total	**4**	**102**

G11. Staff costs

	2022	2021
Salaries and fees	58,381	54,915
Compensation in the form of shares in Bank of Åland Plc	305	666
Pension expenses	10,285	9,141
Other social security expenses	6,492	6,392
Total	**75,463**	**71,115**
of which variable staff costs	3,308	3,805
of which staff outplacement expenses	190	109

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

	2022	2021
Salaries and fees		
Boards of Directors	397	345
Senior executives	3,052	3,417
Others	55,236	51,820
Total	**58,686**	**55,582**

"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.

Salaries and fees to senior executives						
Salaries and fees			2,794			2,862
Share-based payment			258			555
Total			**3,052**			**3,417**
Pension expenses						
Managing Director			85			89
Senior executives			458			530
Others			9,742			8,523
Total			**10,285**			**9,141**
Pension expenses						
Defined benefit plan			784			864
Defined contribution plan			9,500			8,277
Total			**10,285**			**9,141**
	Men	Women	Total	Men	Women	Total
Number of employees						
Åland	273	258	531	277	250	527
Finnish Mainland	137	117	254	124	116	240
Sweden	127	67	194	109	72	181
Total	**537**	**442**	**979**	**510**	**438**	**948**
Hours worked, recalculated to full-time equivalent positions						
Bank of Åland Plc			499			481
Crosskey Banking Solutions Ab Ltd			317			298
Ålandsbanken Fondbolag Ab			37			35
Total number of positions, recalculated from hours worked			**854**			**815**
	Men	Women		Men	Women	
Gender breakdown, %						
Board of Directors	57	43		67	33	
Senior executives	69	31		75	25	

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

	2022				2021			
	Managing Director	Senior executives	Other risk-takers	Others	Managing Director	Senior executives	Other risk-takers	Others
Total compensation								
Fixed compensation earned	385	2,009	1,393	52,183	353	1,954	5,616	44,521
Provisions for pensions	85	458	225	9,517	89	530	1,044	7,479
Variable compensation earned	135	523	31	2,026	235	875	745	1,284
Total	**605**	**2,990**	**1,650**	**63,726**	**677**	**3,359**	**7,404**	**53,283**
of which postponed variable compensation	54	152	0	246	94	350	185	88
of which variable compensation paid	81	371	31	1,779	141	525	560	1,196
Number of persons who received only fixed compensation	0	3	16	1,011	0	4	44	896
Number of persons who received both fixed and variable compensation	1	9	4	110	1	7	22	88
Total	**1**	**12**	**20**	**1,121**	**1**	**11**	**66**	**984**
Postponed variable compensation, January 1	231	763	595	88	176	492	523	0
Variable compensation postponed during the year	54	152	0	246	94	350	185	88
Disbursed during the year	–31	–50	0	–122	–38	–22	–111	0
Adjusted during the year	0	–10	–595	534	0	–57	–1	0
Postponed variable compensation, December 31	**255**	**855**	**0**	**746**	**231**	**763**	**595**	**88**

Share savings programmes	2022
2022–2023 programme	
Recognised expense related to payment in the form of shares in the Bank of Åland Abp	139
Recognised expense for social security fees related to share-based portion	11
Total recognised expense	**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 2022 Annual General Meeting to the end of the 2023 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 31,000. He also receives free automobile benefits and is entitled to the employee benefits that are generally applicable at the Bank. During 2022, the Managing Director was paid compensation totalling EUR 570,227 including fringe benefits and variable compensation. Of the variable compensation paid in 2022, EUR 85,968 was paid in cash and EUR 86,939 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 65.

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

Earnings-based compensation for risk-takers[1] is paid in its entirety when the compensation is set, if the actual compensation sum for a single individual amounts to a maximum of EUR 50,000K. If the compensation exceeds EUR 50,000, disbursal of at least 40 per cent of earnings-based compensation shall be postponed by at least three years (vesting period). If the earnings-based compensation for an individual amounts to an especially large percentage of total fixed and earnings-based compensation, the disbursal of at least 60 per cent of the earnings-based compensation is postponed in a similar way. 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. Since Ålandsbanken Fondbolag Ab is a fund management company, at least 50 per cent of variable compensation to risk-takers must 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 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, 2022–2023

During 2022, 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 July 2022, and 69 per cent of the number of employees in the Group chose to participate. In January and August 2023, they obtain savings shares (Series B shares) in the Bank through a new share issue. The date of issue of the savings shares mark 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 2026. 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.

[1] "Risk-takers" in the Bank's compensation policy documents refers to staff members who are regarded as having a significant impact on the Bank's risk profile. During 2022 the number of risk-takers decreased due to changes in current regulations. The number of risk-takers on December 31, 2021 totalled 78, while the corresponding figure on December 31, 2021 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.

G12. Other expenses

G12. Other expenses	2022	2021
IT expenses (excluding market data)	17,649	18,226
Rents	1,384	1,076
Other costs of premises and property	2,367	1,422
Marketing expenses	2,944	2,560
Information services	2,850	2,513
Staff-related expenses	2,853	2,429
Travel expenses	819	273
Purchased services	4,710	4,188
Other expenses	8,467	6,847
Production for own use	−4,336	−5,749
Total	**39,706**	**36,543**
Fees paid to auditors		
Auditing fees paid	434	464
Fees according to the Auditing Act, Chapter 1, Section 1, Point 2	25	8
Consulting fees paid		
Tax matters	65	77
Other	487	280
Total	**1,010**	**829**

These amounts include value-added tax (VAT).
Fees paid to KPMG OY Ab for expenses other than auditing totalled EUR 283 K (301).

G13. Statutory fees

G13. Statutory fees	2022	2021
Guarantee fee [1]	10	5
Stability fee	3,430	2,753
Total	**3,440**	**2,757**

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

	2022	2021
Fees to the Finnish Financial Stability Authority		
Deposit guarantee fee	2,135	1,505
Paid by the old Deposit Guarantee Fund	−2,135	−1,505
Stability fee	3,430	2,753
Administration fee	28	24
Total	**3,458**	**2,776**

Given the 2022 fee level, the Bank has prepaid deposit guarantee fees for about five years.

G14. Expected credit (loan) losses

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	0	0	0	−274
Debt securities	174	−174	0	0	0	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**

	2021					
	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	12,264	−7,121	−2,343	2,714	−441	5,073
Off-balance sheet obligations	263	−351	0	0	0	−89
Debt securities	147	−226	0	0	0	−78
Total expected loan losses	**12,674**	**−7,698**	**−2,343**	**2,714**	**−441**	**4,906**
Expected loss from financial assets recognised at fair value via other comprehensive income						
Debt securities	108	−332				−224
Total expected loan losses via other comprehensive income	**108**	**−332**	**0**	**0**	**0**	**−224**

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

	2022				2021			
	Reserve for individually assessed lending to the public	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 to the public	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	14,654	318	114	15,087	11,884	409	193	12,486
New and increased individual impairment losses	18,253	393	174	18,820	12,264	263	147	12,674
Net changes due to revisions in estimation method	−1,698	−259		−1,956	0	0		0
Recovered from earlier provisions	−10,112	−408	−174	−10,694	−7,121	−351	−226	−7,698
Utilised for actual losses	−651	0	0	−651	−2,343	0	0	−2,343
Exchange rate differences and other adjustments	−411	−1		−413	−30	−2		−32
Reserve on December 31	**20,036**	**42**	**114**	**20,192**	**14,654**	**318**	**114**	**15,087**
Receivables with forbearance measures								
Lending to the public								
Receivables without past-due amounts and receivables with past-due amounts <=30 days				7 007				14,635
Defaulted receivables				18 372				17,214
Gross carrying amount				**25 380**				**31,849**

"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. The carrying amount refers to gross exposures and includes not only restructured loans but also other loans in a customer entity.

G15. Income taxes

	2022	2021
Income statement		
Taxes related to prior years	7	389
Current taxes	11,201	7,093
Changes in deferred taxes	−1,894	1,867
Total	**9,314**	**9,348**
Nominal tax rate in Finland, %	20.0	20.0
Non-taxable income/deductible expenses, %	0.0	−1.7
Swedish tax rate, %	0.3	0.4
Taxes related to prior years, %	0.0	0.3
Other, %	−0.1	0.0
Effective tax rate, %	**20.2**	**19.0**
Other comprehensive income		
Current taxes	−257	−176
Changes in deferred taxes	−206	982
Total	**−463**	**806**

The tax rate in Sweden was 20.6%.

G16. Earnings per share	2022	2021
Profit for the period attributable to shareholders	**36,778**	**39,849**
Average number of shares before dilution	15,526,114	15,599,454
Average number of shares after dilution	15,537,418	15,599,454
Earnings per share, EUR	**2,37**	**2,55**
Earnings per share after dilution, EUR	**2,37**	**2,55**

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

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 and 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
Deposits from the public						168,911	4,134,026	4,302,937	4,265,224
Debt securities issued					48,810			48,810	48,810
Derivative instruments							6,790	6,790	6,790
Subordinated liabilities	7,142	19,495						26,637	26,637
Accrued interest expenses							15,445	15,445	15,445
Liabilities on mutual fund settlement proceeds							8,213	8,213	8,213
Other liabilities			7,275					7,275	7,275
Total financial liabilities	**7,142**	**19,495**	**7,275**	**16,451**	**713,865**	**168,911**	**4,867,509**	**5,800,649**	**5,739,513**
Non-financial liabilities								97,070	
Total liabilities								**5,897,719**	

[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 and central banks							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.

	2021								
	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 and central banks							893,719	893,719	893,719
Debt securities				27,377	368,240		322,247	717,864	717,768
Lending to credit institutions							64,353	64,353	64,353
Deposits from the public						167,204	4,620,641	4,787,845	4,805,360
Debt securities issued					15,049			15,049	15,049
Derivative instruments							14,603	14,603	14,603
Subordinated liabilities	3,331	9,696						13,027	13,027
Accrued interest expenses							12,735	12,735	12,735
Liabilities on mutual fund settlement proceeds							10,748	10,748	10,748
Other liabilities			4,962					4,962	4,962
Total financial liabilities	**3,331**	**9,696**	**4,962**	**27,377**	**383,289**	**167,204**	**5,939,056**	**6,534,905**	**6,552,324**
Non-financial liabilities								99,733	
Total liabilities								**6,634,639**	

[1] The interest component in the contract is subject to hedge accounting.

	2021								
	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 and central banks							867,491	867,491	863,471
Deposits from the public							4,070,112	4,070,112	4,070,209
Debt securities issued						643,865	552,670	1,196,535	1,196,338
Derivative instruments	4,090	2,733						6,824	6,824
Subordinated liabilities							36,343	36,343	36,629
Accrued interest expenses							3,684	3,684	3,684
Liabilities on mutual fund settlement proceeds							7,685	7,685	7,685
Other liabilities							18,718	18,718	18,718
Total financial liabilities	**4,090**	**2,733**	**0**	**0**	**0**	**643,865**	**5,556,703**	**6,207,392**	**6,203,558**
Non-financial liabilities								95,328	
Total liabilities								**6,302,720**	

[1] The interest component in the contract is subject to hedge accounting.

G18. Measurement of financial assets and liabilities carried at fair value

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 liabilities 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**

2021	Level 1	Level 2	Level 3	Total
Debt securities	395,617			395,617
Lending to the public		167,204		167,204
Shares and participations	1,021		14,028	15,049
Derivative instruments		13,027		13,027
Other assets			4,962	4,962
Total financial liabilities carried at fair value	**396,638**	**180,231**	**18,990**	**595,859**
Debt securities issued		643,865		643,865
Derivative instruments		6,824		6,824
Total financial liabilities carried at fair value	**0**	**650,689**	**0**	**650,689**

	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets and liabilities recognised at amortised cost					
Assets					
Cash and deposits with central banks	893,719		893,719		893,719
Debt securities	322,247	322,152			322,152
Lending to credit institutions	64,353		64,353		64,353
Shares in associated companies	14,603			14,603	14,603
Lending to the public	4,620,641		4,638,156		4,638,156
Total financial assets at amortised cost	**5,915,563**	**322,152**	**5,596,227**	**14,603**	**5,932,982**
Liabilities					
Liabilities to credit institutions	867,491		863,471		863,471
Deposits from the public	4,070,112		4,070,209		4,070,209
Debt securities issued	552,670		552,473		552,473
Subordinated liabilities	36,343		36,629		36,629
Total financial liabilities at amortised cost	**5,526,616**	**0**	**5,522,782**	**0**	**5,522,782**

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

	2022	2021
	Shares and participations	Shares and participations
Change in Level 3 holdings		
Carrying amount on January 1	14,028	12,026
New purchases/reclassification	25,568	2,482
Divested/reached maturity during the year	−26	−50
Realised change in value	−4	25
Change in value recognised in other comprehensive income	8,082	−455
Carrying amount on December 31	**47,648**	**14,028**

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	2022				
	EUR	SEK	USD	Others	Total
Cash and cash equivalents	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	42,581
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	134,791				134,791
Total assets	**4,020,890**	**1,828,536**	**43,103**	**5,186**	**5,897,715**
Liabilities to credit institutions and central banks	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	0	31,434			31,434
Other items not allocated by currency, including equity capital	433,787				433,787
Total liabilities and equity capital	**4,396,842**	**1,372,509**	**105,855**	**22,510**	**5,897,715**
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

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.

	2021				
	EUR	SEK	USD	Others	Total
Cash and cash equivalents	579,971	313,518	92	138	893,719
Debt securities	331,690	316,720	69,455	0	717,864
Lending to credit institutions	25,006	12,407	20,899	6,041	64,353
Lending to the public	2,870,276	1,896,199	21,371	0	4,787,845
Shares and participations	1,380	13,665	2	2	15,049
Derivative instruments	11,308	1,719	0	1	13,027
Other items not allocated by currency	142,782				157,831
Total assets	**3,962,412**	**2,554,227**	**111,816**	**6,180**	**6,634,639**
Liabilities to credit institutions and central banks	336,656	530,126	491	219	867,491
Deposits from the public	2,826,612	1,131,338	95,534	16,627	4,070,112
Debt securities issued	846,934	349,602	0	0	1,196,535
Derivative instruments	4,313	2,510	0	0	6,824
Subordinated liabilities	2,266	34,077	0	0	36,343
Other items not allocated by currency, including equity capital	457,333				457,333
Total liabilities and equity capital	**4,474,115**	**2,047,652**	**96,026**	**16,846**	**6,634,639**
Other assets and liabilities allocated by currency as well as off-balance sheet items		−374,777	−14,994	11,139	
Net position in currencies (EUR)		131,798	798	475	133,070

G20. Holdings of debt securities

	2022			2021		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Debt securities eligible for refinancing with central banks						
Government bonds	444,191	434,340	48	56,389	56,918	10
Covered mortgage bonds	174,066	171,763	14	242,372	246,694	16
Debt securities issued by credit institutions	77,239	75,347	14	91,120	92,004	16
Other debt securities						
Holdings at amortised cost						
Government bonds	69,310	69,785	8	85,059	85,868	40
Covered mortgage bonds	180,183	179,382	34	146,493	148,744	24
Debt securities issued by credit institutions	56,923	56,881	15	72,576	72,544	31
Other debt securities						
Total debt securities eligible for refinancing with central banks	**1,001,911**	**987,497**	**133**	**694,008**	**702,773**	**137**

The entire holding consists of publicly listed debt securities.

	2022			2021		
Other debt securities						
Holdings at accrued cost						
Corporate bonds	12,405	12,480	57	15,000	15,091	19
Total other debt securities	**12,405**	**12,480**	**57**	**15,000**	**15,091**	**19**
Total debt securities	**1,014,316**	**999,977**	**190**	**709,008**	**717,864**	**156**

G21. Lending to credit institutions

	2022				2021			
	Repayable on demand	Other	Provision for expected loss	Total	Repayable on demand	Other	Provision for expected loss	Total
Finnish credit institutions	4,413	0	0	4,413	2,573	0	0	2,573
Foreign banks and credit institutions	38,170	0	0	38,170	61,780	0	0	61,780
Total	**42,583**	**0**	**0**	**42,583**	**64,353**	**0**	**0**	**64,353**

G22. Lending to the public

	2022			2021		
	Gross carrying amount	Provision for expected loss	Net carrying amount	Gross carrying amount	Provision for expected loss	Net carrying amount
Companies	545,623	−1,508	544,115	627,353	−2,721	624,632
Public sector entities	8,303	−9	8,294	8,770	−7	8,763
Households	2,005,231	−6,593	1,998,638	2,073,680	−7,268	2,066,412
Household interest organisations	18,128	−1	18,126	19,351	−17	19,335
Outside Finland	1,745,688	−11,924	1,733,764	2,073,345	−4,641	2,068,704
Total	**4,322,973**	**−20,036**	**4,302,937**	**4,802,500**	**−14,654**	**4,787,845**
of which subordinated receivables			1,704			262

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross lending to the public	**4,027,320**	**225,944**	**69,781**	**4,323,044**	**4,603,546**	**139,919**	**59,035**	**4,802,500**
Provisions for expected losses								
Balance on January 1	2,110	842	11,693	14,645	2,508	1,047	8,328	11,883
Increases due to issuance and acquisitions	641	8	4,375	5,024	446	2	79	527
Reduction due to removals from the balance sheet	−754	71	−4,433	−5,116	−531	22	−1,158	−1,667
Reduction due to impairment losses	0	0	51	51	0	0	17	17
Transfer to Stage 1	621	−617	−4	0	431	−430	−1	0
Transfer to Stage 2	−1,067	1,435	−368	0	−538	900	−361	0
Transfer to Stage 3	−29	−379	409	0	−15	−232	247	0
Net changes due to change in credit risk	494	45	7,004	7,544	−189	−464	4,564	3,912
Net changes due to changes in estimation method	−1,521	−132	−44	−1,698	0	0	0	0
Exchange rate differences and other adjustments	−15	−31	−369	−414	−1	−3	−21	−25
Balance on December 31	**480**	**1,241**	**18,315**	**20,036**	**2,110**	**842**	**11,693**	**14,645**
Net lending to the public	**4,026,840**	**224,703**	**51,465**	**4,303,008**	**4,601,425**	**139,076**	**47,342**	**4,787,845**

	Dec 31, 2022	Dec 31, 2021
Loan losses IFRS 9 – Key ratios, %		
Total coverage ratio, lending to the public	0.46	0.30
Coverage ratio, Stage 1, lending to the public	0.01	0.05
Coverage ratio, Stage 2, lending to the public	0.55	0.60
Coverage ratio, Stage 3, lending to the public	26.25	19.81
Share of lending to the public in Stage 3	1.61	1.23

G23. Shares and participations

G23. Shares and participations	2022	2021
Listed	1,162	1,021
Unlisted	47,648	14,028
Total shares and participations	**48,810**	**15,049**

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	2022	2021
Carrying amount on January 1	**14,603**	**1,449**
Share of profit for the year	544	531
Acquisitions	1	5,669
Divestments/Reclassifications	−8,286	−2
Shareholder contributions	0	7,029
Dividends	−73	−73
Carrying amount on December 31	**6,790**	**14,603**

The following associated companies and joint ventures were consolidated according to the equity method of accounting on December 31, 2022:

	Registered office	Ownership, %
Mäklarhuset Åland Ab	Mariehamn	35
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

During 2022, the shareholding in Borgo AB was reclassified from an associated company to a holding that is recognised at fair value via other comprehensive income.

Combined financial information about these associated companies:

	2022	2021
Assets	42,373	273,566
Liabilities	17,846	221,064
Sales	1,206	1,357
Profit for the year	3,693	6,965

G25. Derivative instruments

G25. Derivative instruments	Nominal amount/maturity			2022			2021		
	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			6,060	6,060	294	433	12,060	1,612	1,580
Currency-related contracts									
Currency forward contracts	678,060			678,060	6,858	5,237	549,016	1,719	2,510
Total	**678,060**	**0**	**6,060**	**684,120**	**7,151**	**5,669**	**561,076**	**3,331**	**4,090**
Derivatives for fair value hedges									
Interest-related contracts									
Interest rate swaps	354,300	431,271	45,600	831,171	19,486	17,967	824,421	9,696	2,733
Total	**354,300**	**431,271**	**45,600**	**831,171**	**19,486**	**17,967**	**824,421**	**9,696**	**2,733**
Derivatives for cash flow hedges									
Interest-related contracts									
Interest rate and currency swaps	359,654			359,654					
Total	**359,654**	**0**	**0**	**359,654**	**0**	**0**	**0**	**0**	**0**
Total derivative instruments	**1,392,014**	**431,271**	**51,660**	**1,874,945**	**26,637**	**23,636**	**1,385,497**	**13,027**	**6,824**
of which cleared OTC									
of which cleared	713,954	431,271	48,630	1,193,855	19,495	18,407	830,451	9,696	4,313

Derivatives are recognised together with their associated accrued interest.

G26. Intangible assets	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**

"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 2022 outcome. A negative 1 per cent change in growth, the profitability trend and the discount factor did not result in any impairment losses.

	2021				
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	30,764	22,395	2,932	7,478	63,569
Cost of intangible assets added	5,740	429	0	0	6,168
Impairment losses for the year	−238	0	0	0	−238
Divestments and disposals	−282	−1,149	0	0	−1,431
Exchange rate effect	−68	−60	0	0	−128
Cost on December 31	**35,916**	**21,615**	**2,932**	**7,478**	**67,940**
Accumulated amortisation and impairment losses on January 1	−18,725	−18,537	−30	−1,889	−39,181
Divestments and disposals	282	1,149	0	0	1,431
Amortisation for the year	−3,010	−1,190	0	−2,833	−7,032
Impairment losses for the year	−163	−1	0	0	−164
Exchange rate effect	44	48	0	0	92
Accumulated amortisation and impairment losses on December 31	**−21,571**	**−18,532**	**−30**	**−4,722**	**−44,854**
Residual value on December 31	**14,345**	**3,084**	**2,901**	**2,757**	**23,086**

G27. Tangible assets	2022	2021
Investment properties	300	307
Properties for own use	12,889	13,244
Other tangible assets	5,838	5,278
Right-of-use assets	16,816	15,750
Total	**35,843**	**34,578**

	2022			2021		
	Investment properties	Properties for own use	Other tangible assets	Investment properties	Properties for own use	Other tangible assets
Cost on January 1	476	35,953	33,528	483	36,354	31,535
New acquisitions	0	1,784	1,529	0	368	1,956
Divestments and disposals	–7	–2,725	–1,558	–7	–292	–248
Transfer between items	0	–1,009	1,009	0	–470	470
Exchange rate effects	0	–23	–684	0	–6	–185
Cost on December 31	**469**	**33,979**	**33,824**	**476**	**35,953**	**33,528**
Accumulated depreciation on January 1	–169	–22,709	–28,250	–169	–21,652	–26,801
Depreciation for the year	0	–1,042	–1,887	0	–1,199	–1,807
Impairment losses for the year	0	–94	–5	0	–156	–10
Divestments and disposals	0	2,734	1,495	0	292	190
Exchange rate effects	0	21	661	0	6	178
Accumulated depreciation on December 31	**–169**	**–21,090**	**–27,986**	**–169**	**–22,709**	**–28,250**
Carrying amount	**300**	**12,889**	**5,838**	**307**	**13,244**	**5,278**
of which buildings	0	10,934		0	11,287	
of which land and water	0	1,820		0	1,820	
of which shares in real estate companies	300	135		307	138	

The carrying amount of investment properties was the same as their market value.

	2022		2021	
	Properties for own use	Other tangible assets	Properties for own use	Other tangible assets
Right-of-use assets				
Cost on January 1	20,092	1,794	19,713	7,856
New acquisitions	4,480	41	5,182	1,701
Divestments and disposals	–923	0	–3,545	–7,757
Assessments and modifications	200	0	–1,538	–6
Exchange rate effects	–883	–6	280	1
Cost on December 31	**22,966**	**1,829**	**20,092**	**1,794**
Accumulated depreciation on January 1	–5,875	–262	–6,860	–7,282
Depreciation for the year	–2,977	–368	–3,111	–558
Divestments and disposals	1,156	0	2,907	7,577
Assessments and modifications	0	0	1,174	2
Exchange rate effects	345	2	17	0
Accumulated depreciation on December 31	**–7,351**	**–628**	**–5,875**	**–262**
Carrying amount	**15,615**	**1,201**	**14,217**	**1,532**

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.

	2022	2021
Amounts recognised in the income statement		
Depreciation of right-to-use assets	–3,345	–3,669
Interest expenses for lease liabilities	–553	–443
Expenses attributable to short-term leases	–1,350	–956
Expenses attributable to low-value leases	–38	–117
Income from subleasing right-of-use assets	99	91

Total cash flow related to leases during 2022 was EUR 3,363 K (4,038).

G28. Deferred tax assets and liabilities	2022	2021
Deferred tax assets		
Provisions	248	79
Intangible assets	2,504	2,166
Pension liabilities	6	1,256
Impairment loss, financial liability		520
Income received in advance	144	110
Other	633	469
Financial assets measured via other comprehensive income		
Debt securities	2,554	176
Cash flow hedge	390	
Total deferred tax assets	**6,479**	**4,777**
Deferred tax liabilities		
Taxable temporary differences		
Untaxed reserves	29,000	30,606
Intangible assets	1,554	1,499
Tangible assets	1,492	1,547
Pension assets	90	
Financial assets measured via other comprehensive income		
Debt securities		1
Shares and participations	2,561	917
Total deferred tax liabilities	**34,697**	**34,571**
Net deferred taxes	**–28,218**	**–29,794**

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**

2021	Dec 31, 2020	Recognised in income statement	Recognised in other comprehensive income	Exchange rate effects	Dec 31, 2021
Changes in deferred taxes, 2021					
Provisions	0	79			79
Intangible assets	819	–146		–7	666
Pension liabilities	2,445	92	–1,256	–25	1,256
Impairment loss, financial liability	0	520			520
Income received in advance	222	–111			110
Untaxed reserves	–28,155	–2,451			–30,606
Tangible assets	–1,534	62		–69	–1,541
Debt securities measured via other comprehensive income	–12		187		176
Shares and participations measured via other comprehensive income	–970		53		–917
Other	376	89			465
Total	**–26,809**	**–1,867**	**–1,016**	**–100**	**–29,793**

G29. Other assets	2022	2021
Payment intermediation receivables	5,273	2,798
Receivables on mutual fund settlement proceeds	8,213	10,748
Accounts receivable	6,032	12,029
Receivable in conjunction with transfer of assets	7,275	4,962
Other	1,861	3,774
Total	**28,653**	**34,311**

G30. Accrued income and prepayments	2022	2021
Accrued interest income	15,445	12,735
Commissions receivable	6,944	7,286
Other accrued income	7,306	7,665
Other prepaid expenses	5,477	3,600
Total	**35,172**	**31,285**

G31. Liabilities to credit institutions	2022			2021		
	Repayable on demand	Other	Total	Repayable on demand	Other	Total
Central banks		400,000	400,000		609,674	609,674
Finnish credit institutions	54	0	54	207	0	207
Foreign credit institutions	34,102		34,102	60,078	197,532	257,610
Total	**34,156**	**400,000**	**434,156**	**60,285**	**807,206**	**867,491**

G32. Deposits from the public	2022	2021
Companies	1,143,823	1,271,343
Public sector entities	92,914	73,032
Households	1,405,729	1,365,573
Household interest organisations	66,499	65,313
Outside Finland	1,473,103	1,294,851
Total	**4,182,068**	**4,070,112**

G33. Debt securities issued	2022		2021	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Certificates of deposit	171,334	170,608		
of which at amortised cost	171,334	170,608		
Covered bonds	640,000	622,026	1 186 325	1 196 535
of which at amortised cost	0	0	546,325	552,670
of which fair value hedge	640,000	622,026	640,000	643,865
Total	**811,334**	**792,634**	**1,186,325**	**1,196,535**

"Fair value hedge" refers to hedge accounting of the interest component in the debt security.

G34. Other liabilities	2022	2021
Payment intermediation liabilities	5,520	5,925
Liabilities on mutual fund settlement proceeds	8,407	7,685
Trade payables	4,335	3,387
Lease liabilities	17,683	16,118
Other	10,621	16,730
Total	**46,566**	**49,844**
Lease liabilities		
Short-term	3,497	3,085
Long-term	14,185	13,033
Total	**17,683**	**16,118**

G35. Provisions

	2022				2021			
	Provisions for restructuring reserves	Provision for off-balance sheet obligations	Other provisions	Total	Provisions for restructuring reserves	Provision for off-balance sheet obligations	Other provisions	Total
Provisions on December 31 of the previous year	0	318	46	363	0	409	0	409
Provisions made during the year		134	1,870	2,004		263	50	313
Amounts utilised		0	−750	−750			−4	−4
Unutilised amounts recovered		−408		−408		−351		−351
Exchange rate changes		−1	−2	−3		−2	0	−2
Provisions on December 31	**0**	**42**	**1,165**	**1,207**	**0**	**318**	**45**	**363**

The provisions for restructuring reserves were related to both Finland and Sweden. These provisions included both staff costs and other expenses, but primarily consisted of staff costs. ”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.

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 will appeal the Administrative Court’s negative ruling of December 2021. A provision for half the amount was made as a tax expense in the 2021 financial accounts.

G36. Accrued expenses and prepaid income

	2022	2021
Accrued interest expenses	4,420	3,684
Other accrued expenses	20,460	18,516
Commission liabilities	5,268	6,087
Pension liabilities	1,121	7,321
Prepaid income	894	757
Total	**32,164**	**36,365**

G37. Subordinated liabilities

	2022			2021		
	Nominal amount	Carrying amount	Amount in own funds	Nominal amount	Carrying amount	Amount in own funds
Debenture loan 1/2017				2,266	2,266	2,266
Debenture loan 1/2018	17,983	17,973	17,983	19,512	19,476	19,512
Green Floating Rate Tier 2 Note 2021	13,487	13,461	13,487	14,634	14,601	14,634
Total	**31,470**	**31,434**	**31,470**	**36,411**	**36,343**	**36,411**

	Interest rate:	Repayment:
Debenture loan 1/2018	3-month Stibor +2.40%	May 15, 2038
Green Floating Rate Tier 2 Note	3-month Stibor +2.15%	December 16, 2041

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.

Debenture loan 1/2018 was 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%, the loan principal is written down by 50%.

G38. Specification of changes in equity capital

	2022	2021
Change in hedge reserve		
Hedge reserve on January 1	0	
Unrealised changes in value during the year	−1,561	
Hedge reserve on December 31	−1,561	
Change in fair value reserve		
Fair value reserve on January 1	2,990	4,129
Divested or reached maturity during the year	−48	−336
Unrealised change in market value for remaining and new holdings	−2,835	−804
Fair value reserve on December 31	**107**	**2,990**
Change in translation differences		
Translation differences on January 1	−141	2,133
Change in translation differences attributable to branches	−7,668	−2,093
Change in translation differences due to subsidiaries	−10	14
Change in translation differences attributable to additional Tier 1 capital	−2,293	−250
Other changes	87	55
Translation differences on December 31	**−10,025**	**−141**

Change in paid-up unrestricted equity capital fund		
Paid-up unrestricted equity capital fund on January 1	27,994	27,611
Share-based payment, incentive programme	460	383
Paid-up unrestricted equity fund on December 31	**28,455**	**27,994**
Retained earnings		
Retained earnings on January 1	171,744	158,589
Shareholders' portion of profit for the accounting period	36,778	39,849
Dividend paid	−31,130	−31,188
Re-measurement of defined benefit pension plans	5,662	5,081
Share savings programmes	139	
Buy-backs of own shares	−12,072	
Dividend on additional Tier 1 capital incl. tax effect	−985	−671
Other	1	85
Retained earnings on December 31	**170,137**	**171,744**
Other Tier 1 capital		
Other Tier 1 capital on January 1	29,424	0
New issue of Tier 1 capital		29,424
Other Tier 1 capital on December 31	**29,424**	**29,424**

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.

The fair value fund 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%.

Changes in number of shares	2022		2021	
	Series A shares	Series B shares	Series A shares	Series B shares
Number of shares on January 1	6,476,138	9,126,165	6,476,138	9,109,916
Buy-backs and annulments of own shares		−361,821		
Shares issued, incentive programme		12,825		16,249
Number of shares on December 31	**6,476,138**	**8,777,169**	**6,476,138**	**9,126,165**

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 82,584 K (66,141), interest paid of EUR 14,777 K (7,898) and dividend income received of EUR 38 K (81).

Reconciliation of liabilities attributable to funding activities:

			Changes not affecting cash flows			
	Dec 31, 2021	Cash flow from funding activities	Effect of exchange rate changes	Accrual of surplus/deficit value	Other	Dec 31, 2022
Subordinated debenture loans	36,343	−2,266	−2,676	32		31,434
Lease liabilities	16,118	−3,363	−598		5,526	17,683
Total liabilities attributable to funding activities	**52,462**	**−5,629**	**−3,274**	**32**	**5,526**	**49,117**

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 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 4.0 billion.

Shares in associated companies and joint ventures	Registered office	Field of operations	Ownership, %
Mäklarhuset Åland Ab	Finland/Mariehamn	Estate agents	35
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

During 2022, the shareholding in Borgo AB was reclassified from an associated company to a holding that is recognised at fair value via other comprehensive income.

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	2022	2021
Mutual fund management	4,023,986	4,298,456
Discretionary asset management	2,488,957	2,654,831
Advisory asset management	2,010,186	2,724,115
External mutual funds	114,248	148,256
Total	**8,637,377**	**9,825,659**
of which own mutual funds in discretionary and advisory asset management	794,489	832,019

G42. Assets pledged

G42. Assets pledged	2022	2021
Collateral pledged for own liabilities		
Lending to credit institutions	22,863	18,604
Government securities and bonds	46,207	262,123
Lending to the public	1,250,830	2,085,371
Other	3,686	3,664
Total assets pledged for own liabilities	**1,323,586**	**2,369,762**

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	56,130	51,093
Other	593	7,621
Total other assets pledged	**56,723**	**58,714**

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	2022	2021
Guarantees	22,896	43,767
Unutilised overdraft limits	326,473	311,889
Unutilised credit card limits	88,570	88,116
Unutilised credit facilities	700,120	559,674
Other commitments	28,060	41,846
Total	**1,166,120**	**1,045,293**
Provision for expected loss	42	363

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 10 (15) years and in Sweden 13 (23) years.

	2022	2021
Carrying amount in the income statement		
Current service costs	258	262
Interest expenses	77	73
Administrative expenses	141	184
Expenses (+)/revenue (–) recognised in the income statement	**476**	**519**
Restatement of defined benefit pension plans in "Other comprehensive income"		
Actuarial gain (+)/loss (–), demographic assumptions	0	–7
Actuarial gain (+)/loss (–), financial assumptions	9,261	2,819
Actuarial gain (+)/loss (–), experience-based	–557	891
Actuarial gain (+)/loss (–) on plan assets	–1,626	2,648
Other comprehensive income	**7,078**	**6,351**
Total	**6 602**	**5,832**
Carrying amount in the balance sheet		
Pension obligations	21,206	30,580
Fair value of plan assets	21,626	24,262
Net pension assets (+)/pension liabilities (–)	**420**	**–6,318**
Net pension assets (+)/pension liabilities (–) in Finland	450	–4,055
Net pension assets (+)/pension liabilities (–) in Sweden	–30	–2,263
	420	**–6,318**
Net change in pension assets		
January 1	–6,318	–12,264
Income	–476	–519
Other comprehensive income	7,078	6,351
Premium payments	54	59
Exchange rate effects	82	55
On December 31	**420**	**–6,318**
Pension obligations		
January 1	30,580	34,995
Current service costs	258	262
Interest expenses	332	192
Benefits paid	–927	–1,040
Exchange rate effect	–334	–126
Actuarial gains (+)/losses (–)	–8,704	–3,703
Pension obligations on December 31	**21,206**	**30,580**
Plan assets		
January 1	24,262	22,731
Interest income	256	119
Premium payments	54	59
Benefits paid	–927	–1,040
Actuarial gains (+)/losses (–)	–1,626	2,648
Exchange rate effects	–252	–71
Administrative expenses	–141	–184
Plan assets on December 31	**21,626**	**24,262**
Breakdown of plan assets		
Listed shares and participations	6,698	7,979
Listed mutual fund units	4,523	4,465
Listed interest-bearing securities	6,950	8,037
Properties	2,372	2,427
Other plan assets	1,187	1,354
Total plan assets	**21,730**	**24,262**

Plan assets included shares in the Bank of Åland Plc with a market value of EUR 48 K (41) and bank accounts worth EUR 532 K (696).

	Outcome, 2022	Forecast, 2023
Future cash flows		
Benefits paid	54	58

	2022		2021	
	Finland, %	Sweden, %	Finland, %	Sweden, %
Assumptions				
Discount rate	3.85	4.40	0.95	1.45
Increase in salary expenses	2.35	2.40	1.90	2.00
Pension index increase	2.35	2.40	1.90	2.00

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	−572	2,390
Expected increase in salaries	0.5	343	−406
Expected increase in pensions	0.5	1,043	−1,152

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 sensitivity analysis for the defined benefit plan in Sweden has been calculated using a discount rate and an expected pay increase.

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	2022			2021		
Financial lease liabilities will be paid as follows:	Minimum rents	Interest	Present value	Minimum rents	Interest	Present value
Under 1 year	4,077	579	3,497	3,526	441	3,085
1–5 years	13,199	1,316	11,883	11,937	955	10,981
Over 5 years	2,386	84	2,302	2,154	102	2,052
Total	**19,661**	**1,979**	**17,683**	**17,616**	**1,498**	**16,118**

G46. Disclosures about related parties

	2022			2021		
	Board and Executive Team	Related companies	Associated companies	Board and Executive Team	Related companies	Associated companies
Assets						
Lending to the public	15,046	13,345	0	17,174	11,558	1,051
Other assets					1	
Accrued income and prepayments		58			68	
Total	**15,046**	**13,403**	**0**	**17,174**	**11,627**	**1,051**
Liabilities						
Deposits from the public	6,385	87,405	412	4,126	8,958	97,645
Total	**6,385**	**87,405**	**412**	**4,126**	**8,958**	**97,645**
Income and expenses						
Interest income	67	420		47	230	116
Interest expenses	−5	−338		0	−11	
Commission income	6	141	1	6	138	1
Other income		9			10	
Total	**68**	**232**	**1**	**52**	**367**	**117**

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 0.25 (0.25) per cent on December 31, 2022.

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

	2022	2021
Salaries and other short-term compensation[1]	2,446	2,053
Share-based compensation	225	225
Total	**2,671**	**2,278**

"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

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Financial assets and liabilities that are subject to offsetting, netting agreements or similar agreements				
Gross amount	26,637	63,995	13,027	53,857
Offset amounts				
Total	**26,637**	**63,995**	**13,027**	**53,857**
Related amounts not offset				
Financial instruments, netting agreements	−7,610	−7,610	−4,338	−4,338
Financial instruments, collateral		−39,831		−39,478
Cash, collateral		−3,333	0	−9,752
Total amounts not offset	**−7,610**	**−50,775**	**−4,338**	**−53,568**
Net amount	**19,027**	**13,220**	**8,689**	**288**

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

As part of the share savings programme, the Bank issued 22,057 new Series B shares in January 2023.

Parent Company income statement

(EUR K)

Parent Company	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Interest income		84,597	69,370
Interest expenses		−17,047	−7,596
Net interest income	P2	**67,551**	**61,775**
Commission income		51,082	51,556
Commission expenses		−9,214	−8,989
Net commission income	P3	**41,868**	**42,567**
Net income from financial items carried at fair value	P4	13,091	297
Income from equity capital investments	P5	15,111	18,654
Other income	P6	13,830	20,527
Total income		**151,451**	**143,819**
Staff costs	P7	−44,105	−42,781
Other expenses	P8	−44,270	−39,066
Statutory fees	P9	−3,440	−2,757
Depreciation/amortisation and impairment losses on tangible and intangible assets	P19, P20	−6,951	−10,165
Total expenses		**−98,766**	**−94,770**
Profit before loan losses		**52,685**	**49,049**
Expected loan losses from financial assets recognised at amortised cost	P10	−6,208	−4,983
Expected loan losses from other financial assets and impairment losses	P10	0	78
Net operating profit		**46,476**	**44,145**
Appropriations		8,000	−12,087
Income taxes	P11	−8,098	−2,615
Net profit for the accounting period		**46,379**	**29,443**

Parent Company balance sheet

(EUR K)

Parent Company	Note	Dec 31, 2022	Dec 31, 2021
Assets			
Cash and deposits with central banks		341,983	893,719
Debt securities eligible for refinancing with central banks	P14	987,497	702,753
Lending to credit institutions	P15	42,013	63,363
Lending to the public	P16	4,304,559	4,788,149
Debt securities	P14	12,480	15,111
Shares and participations	P17	48,810	15,049
Shares and participations in associated companies	P17	3,054	11,340
Shares and participations in Group companies	P17	3,346	3,346
Derivative instruments	P18	26,637	13,027
Intangible assets	P19	13,960	15,558
Tangible assets	P20	13,753	13,092
Other assets	P21	23,859	28,132
Accrued income and prepayments	P22	37,244	34,806
Deferred tax assets	P23	3,348	1,094
Total assets		**5,862,543**	**6,598,538**
Liabilities			
Liabilities to credit institutions and central banks	P24	434,103	867,432
Deposits from the public	P25	4,199,092	4,089,014
Debt securities issued	P26	792,634	1,196,535
Derivative instruments	P18	23,636	6,824
Other liabilities	P27	27,194	31,738
Provisions	P28	43	364
Accrued expenses and prepaid income	P29	21,560	20,444
Subordinated liabilities	P30	58,348	65,532
Deferred tax liabilities	P22	2,561	918
Total liabilities		**5,559,171**	**6,278,800**
Appropriations			
General loan loss reserve[1]		144,488	152,488
Total appropriations		**144,488**	**152,488**
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		107	2,990
Translation reserve		−8,310	−750
Unrestricted equity capital fund		28,651	28,190
Retained earnings		40,103	36,926
Total equity capital		**158,884**	**167,250**
Total liabilities and equity capital		**5,862,543**	**6,598,538**
Off-balance sheet obligations	P38		
Obligations to a third party on behalf of customers			
Guarantees		24,123	46,024
Irrevocable commitments given on behalf of customers		1,120,345	966,197

[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	Unrestricted equity capital fund	Retained earnings	Totalt
Equity capital, Dec 31, 2020	**42,029**	**32,736**	**25,129**	**0**	**4,129**	**1,285**	**0**	**27,807**	**38,592**	**171,707**
Profit for the period									29,443	29,443
Change in fair value					−1,139				85	−1,055
Translation difference						−2,035				−2,035
Dividend payments									−31,188	−31,188
Incentive programme								383		383
Other									−5	−5
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**

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, 2022	Jan 1–Dec 31, 2021
Cash flow from operating activities		
Net operating profit	46,476	44,145
Adjustment for net operating profit items not affecting cash flow		
Depreciation/amortisation and impairment losses on intangible and tangible assets	6,951	10,165
Impairment losses on loans and other commitments	6,473	5,345
Unrealised changes in value	−1,993	1,329
Accrued surpluses/deficits on debt securities and bonds issued	7,116	6,653
Income from investing activities	−1	−2,641
Dividends from associated companies and subsidiaries	−15,073	−8,573
Income taxes paid	−7,018	−4,490
Increase (−) or decrease (+) in receivables from operating activities		
Debt securities eligible for refinancing with central banks	−300,634	50,762
Lending to credit institutions	1,345	−12,164
Lending to the public	310,914	−451,624
Other assets	−14,890	−6,774
Increase (+) or decrease (−) in liabilities from operating activities		
Liabilities to credit institutions	−354,873	369,391
Deposits from the public	200,346	492,521
Debt securities issued	−379,457	−232,783
Other liabilities	−5,500	−21,410
Total cash flow from operating activities	**−499,819**	**239,851**
Cash flow from investing activities		
Investment in shares and participations	−9,574	−2,432
Divestment of shares and participations	27	135
Investment in shares of associated companies and subsidiaries		−10,060
Divestment of shares in associated companies and subsidiaries		764
Dividends received from associated companies and subsidiaries	15,073	8,573
Investment in tangible assets	−1,901	−455
Divestment of tangible assets	51	21
Investment in intangible assets	−3,945	−4,618
Total cash flow from investing activities	**−270**	**−8,072**
Cash flow from financing activities		
Share issue	460	383
Buy-backs of own shares	−12,072	
Increase in subordinated debentures		44,044
Decrease in subordinated debentures	−2,266	−14,776
Dividend paid	−31,130	−31,188
Total cash flow from financing activities	**−45,008**	**−1,537**
Exchange rate differences in cash and cash equivalents	−25 818	−1 796
Change in cash and cash equivalents	**−570 915**	**228 447**
Cash and cash equivalents at beginning of year	899,357	670,911
Cash flow from operating activities	−499,819	239,851
Cash flow from investing activities	−270	−8,072
Cash flow from financing activities	−45,008	−1,537
Exchange rate differences in cash and cash equivalents	−25,818	−1,796
Cash and cash equivalents at end of year	**328,442**	**899,357**
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	309,819	862,154
Lending to credit institutions that is repayable on demand	18,623	37,203
Total	**328,442**	**899,357**

"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 82,665 K (68,540), interest paid of EUR 15,506 K (8,725) and dividend income received of EUR 38 K (81).

Table of contents, notes to the Parent Company financial statements

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	2022	2021
Lending to credit institutions and central banks	3,601	3,164
Lending to the public	74,516	64,575
Debt securities	4,224	377
Derivative instruments	1,590	1,089
Other interest income	667	166
Total interest income	**84,597**	**69,370**
of which interest according to the effective interest method	84,229	68,937
Liabilities to credit institutions and central banks	2,035	1,115
Deposits from the public	6,608	2,454
Debt securities	3,586	769
Subordinated liabilities	2,368	1,744
Derivative instruments	2,446	1,479
Other interest expenses	4	36
Total interest expenses	**17,047**	**7,596**
of which interest according to the effective interest method	16,822	7,375
Net interest income	**67,551**	**61,775**

Interest income received from Group companies was EUR 72K (93).

Interest expenses paid to Group companies were EUR 5 K (0).

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.

P3. Net commission income	2022	2021
Deposits	1,440	1,179
Lending	3,431	2,395
Payment intermediation	11,882	11,124
Mutual fund commissions	932	885
Asset management commissions	16,982	15,885
Securities brokerage	13,125	16,489
Legal services	673	737
Guarantee commissions	339	623
Other commissions	2,279	2,238
Total commission income	**51,082**	**51,556**
Payment intermediation commission expenses	−4,636	−4,212
Asset management commission expenses	−1,127	−1,015
Securities brokerage commission expenses	−2,593	−3,051
Other commission expenses	−857	−711
Total commission expenses	**−9,214**	**−8,989**
Net commission income	**41,868**	**42,567**

P4. Net income from financial items carried at fair value	2022			2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Valuation category fair value via the income statement (“profit and loss”)						
Derivative instruments	0	−7	−7	728	23	751
Other financial items	−149	1,817	1,669	0	−1,430	−1,430
Valuation category fair value via the income statement (“profit and loss”)	**−149**	**1,810**	**1,661**	**728**	**−1,407**	**−679**
Valuation category fair value via other comprehensive income						
Realised changes in value	1,587		1,587	551		551
Expected loan losses		−69	−69		224	224
Total, valuation category fair value via other comprehensive income	1,587	−69	1,518	551	224	775
Hedge accounting						
of which hedging instruments	79	−3,881	−3,803	−1,298	−2,835	−4,133
of which hedged item	0	4,467	4,467	1,443	2,860	4,303
Hedge accounting	**79**	**585**	**664**	**145**	**25**	**170**
Valuation category accrued cost						
Loans	**9,519**	**−18**	**9,501**	**0**	**−27**	**−27**
Debt securities	**63**		**63**	**202**		**202**
Total, valuation category accrued cost	**9,582**	**−18**	**9,564**	**202**	**−27**	**174**
Foreign currency revaluation	**0**	**−317**	**−317**	**0**	**−144**	**−144**
Total	**11,099**	**1,991**	**13,091**	**1,626**	**−1,329**	**297**

P5. Income from equity instruments	2022	2021
Holdings recognised at fair value via other comprehensive income	38	81
Associated companies	73	73
Group companies, dividend paid	15,000	18,500
Total	**15,111**	**18,654**

P6. Other income	2022	2021
Rental income on properties	79	82
Intra-Group services	10,914	10,902
Income from acquired contracts	500	1,500
Income in conjunction with transfer of assets	0	3,629
Miscellaneous income	2,337	4,414
Total	**13,830**	**20,527**
Net income from investment properties		
Rental income	20	27
Capital gains	0	95
Other income	1	
Other expenses	−16	−21
Total	**4**	**102**

P7. Staff costs	2022	2021
Salaries and fees	33,624	32,529
Compensation in the form of shares in Bank of Åland Plc	305	666
Pension expenses	5,952	5,323
Other social security expenses	4,224	4,263
Total	**44,105**	**42,781**
Number of employees		
Permanent full-time employees	510	469
Permanent part-time employees	12	15
Temporary employees	58	75
Total	**580**	**559**

P8. Other expenses	2022	2021
IT expenses (excluding market data)	19,215	17,204
Rents	3,221	3,294
Other costs of premises and property	2,011	1,186
Marketing expenses	2,732	2,334
Market data	1,864	1,745
Staff-related expenses	1,898	1,555
Travel expenses	416	188
Purchased services	4,241	4,003
Other expenses	8,672	7,556
Total	**44,270**	**39,066**
Fees paid to auditors		
Auditing fees paid	283	281
In compliance with Finnish Auditing Act, Ch. 1, Sec. 1, Par. 2	25	8
Consulting fees paid		
Tax matters	65	63
Other	425	213
Total	**797**	**566**

These amounts include value-added tax (VAT).

Fees paid to KPMG OY Ab for expenses other than auditing totalled EUR 223 K (221).

P9. Statutory fees	2022	2021
Guarantee fee[1]	10	5
Stability fee	3,430	2,753
Total	**3,440**	**2,757**

[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	2,135	1,505
Paid by the old Deposit Guarantee Fund	−2,135	−1,505
Stability fee	3,430	2,753
Administration fee	28	24
Total	**3,458**	**2,776**

Given the 2022 fee level, the Bank has prepaid deposit guarantee fees for about five years.

P10. Expected credit (loan) losses	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	0	0	−274
Debt securities	174	−174	0	0	0	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**

	2021					
	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	12,266	−7,123	−2,343	2,714	−441	5,073
Off-balance sheet obligations	266	−355	0	0	0	−90
Debt securities	147	−226	0	0	0	−78
Total expected loan losses	**12,679**	**−7,704**	**−2,343**	**2,714**	**−441**	**4,905**
Expected losses from financial assets recognised at fair value via other comprehensive income						
Debt securities	108	−332				−224
Total	**108**	**−332**	**0**	**0**	**0**	**−224**

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

	2022				2021			
	Reserve for individually assessed receivables from the public sector and public sector entities	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 receivables from the public sector and public sector entities	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	14,654	318	114	15,087	11,884	410	193	12,486
New and increased individual impairment losses	18,259	397	174	18,830	12,266	266	147	12,679
Net changes due to revisions in estimation method	−1,698	−259		−1,956	0	0		0
Recovered from earlier provisions	−10,115	−412	−174	−10,701	−7,123	−355	−226	−7,704
Utilised for actual losses	−651	0	0	−651	−2,343	0	0	−2,343
Exchange rate differences	−411	−1		−413	−29	−2		−31
Reserve on December 31	**20,039**	**43**	**114**	**20,196**	**14,654**	**318**	**114**	**15,087**

P11. Income taxes	2022	2021
Income statement		
Taxes related to prior years	0	314
Current taxes	7,584	2,849
Changes in deferred taxes	513	−548
Total	**8,098**	**2,615**
Nominal tax rate in Finland, %	20,0	20.0
Non-taxable income/deductible expenses, %	−5.4	−12.7
Swedish tax rate 22%	0.3	0.6
Taxes related to prior years, %	0.0	0.3
Other, %	0.0	0.0
Effective tax rate, %	**14.9**	**8.2**

Deferred tax assets and liabilities were calculated according to a 20.0% tax rate, which went into effect on January 1, 2014.
The tax rate in Sweden was 20.6%.

Notes to the balance sheet

P12. Fair values and carrying amounts of financial assets, liabilities and fair value levels	2022		2021	
	Total carrying amount	Fair value	Total carrying amount	Fair value
Cash and accounts with central banks	341,983	341,983	893,719	893,719
Debt securities eligible for refinancing with central banks	987,497	965,231	702,753	702,405
Lending to credit institutions	42,013	42,013	63,363	63,363
Lending to the public	4,304,559	4,266,846	4,788,149	4,805,663
Debt securities	12,480	11,322	15,111	15,363
Shares and participations	48,810	48,810	15,049	15,049
Shares and participations in associated companies	3,054	3,054	11,340	11,340
Shares in subsidiaries	3,346	3,346	3,346	3,346
Derivative instruments	26,637	26,637	13,027	13,027
Total financial assets	**5,770,378**	**5,709,242**	**6,505,856**	**6,523,274**
Liabilities to credit institutions	434,103	430,797	867,432	863,412
Deposits from the public	4,199,092	4,198,014	4,089,014	4,089,111
Debt securities issued	792,634	792,642	1,196,535	1,196,338
Derivative instruments	23,636	23,636	6,824	6,824
Subordinated liabilities	58,348	56,373	65,532	66,296
Subordinated liabilities	**5,507,813**	**5,501,462**	**6,225,336**	**6,221,980**

	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**

	2021			
	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	395,617			395,617
Lending to the public		167,204		167,204
Shares and participations	1,021		14,028	15,049
Derivative instruments		13,027		13,027
Total	**396,638**	**180,231**	**14,028**	**590,897**
Liabilities				
Debt securities issued		643,865		643,865
Derivative instruments		6,824		6,824
Total	**0**	**650,689**	**0**	**650,689**

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

	2022	2021
	Shares and participations	Shares and participations
Change in Level 3 holdings		
Carrying amount on January 1	14,028	12,026
New purchases	25,568	2,482
Divested/reached maturity during the year	−26	−50
Unrealised foreign exchange valuation	−4	25
Realised change in value	8,082	−455
Carrying amount on December 31	**47,648**	**14,028**

No transfer occurred between Level 1 and Level 2.

P13. Assets and liabilities by currency

	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	0	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.

2021	EUR	SEK	USD	Others	Total
Cash and cash equivalents	579,971	313,518	92	138	893,719
Debt securities eligible for refinancing with central banks	316,579	316,720	69,455		702,753
Lending to credit institutions	25,006	11,417	20,899	6,041	63,363
Lending to the public	2,870,580	1,896,199	21,371		4,788,149
Debt securities	15,111				15,111
Shares and participations	1,380	13,665	2	2	15,049
Derivative instruments	11,308	1,719		1	13,027
Other items not allocated by currency	107,368				107,368
Total assets	**3,927,302**	**2,553,237**	**111,817**	**6,182**	**6,598,538**
Liabilities to credit institutions and central banks	336,596	530,126	491	219	867,432
Deposits from the public	2,839,448	1,137,404	95,534	16,627	4,089,014
Debt securities issued	846,934	349,602			1,196,535
Derivative instruments	4,313	2,510		0	6,824
Subordinated liabilities	2,266	63,266			65,532
Other items not allocated by currency, including equity capital	373,202				373,202
Total liabilities and equity capital	**4,402,760**	**2,082,907**	**96,026**	**16,846**	**6,598,538**
Other assets and liabilities allocated by currency as well as off-balance sheet items		−367,900	−15,732	11,221	
Net position in currencies (EUR)		102,430	60	556	103,047

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

	2022			2021		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Debt securities eligible for refinancing with central banks						
Government bonds	444,191	434,340	48	56,389	56,918	10
Covered mortgage bonds	174,066	171,763	14	242,372	246,694	16
Debt securities issued by credit institutions	77,239	75,347	14	91,120	92,004	16
Other debt securities						
Holdings at amortised cost						
Government bonds	69,310	69,785	8	85,059	85,868	40
Covered mortgage bonds	180,183	179,382	34	146,493	148,744	24
Debt securities issued by credit institutions	56,923	56,881	15	72,576	72,544	31
Other debt securities						
Total debt securities eligible for refinancing with central banks	**1,001,911**	**987,497**	**133**	**694,008**	**702,773**	**137**

The entire holding consists of publicly listed debt securities.

	2022			2021		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Other debt securities						
Holdings at accrued cost						
Corporate bonds	12,405	12,480	57	15,000	15,091	19
Total other debt securities	**12,405**	**12,480**	**57**	**15,000**	**15,091**	**19**
Total debt securities	**1,014,316**	**999,977**	**190**	**709,008**	**717,864**	**156**

P15. Lending to credit institutions

	2022				2021			
	Repayable on demand	Other	Provision for expected loss	Total	Repayable on demand	Other	Provision for expected loss	Total
Finnish credit institutions	4,413	0	0	4,413	2,573	0	0	2,573
Foreign banks and credit institutions	37,599	0	0	37,599	60,789	0	0	60,789
Total	**42,013**	**0**	**0**	**42,013**	**63,363**	**0**	**0**	**63,363**

P16. Lending to the public	2022			2021		
	Gross carrying amount	Provision for expected loss	Net carrying amount	Gross carrying amount	Provision for expected loss	Net carrying amount
Companies	547,249	–1,512	545,736	627,658	–2,722	624,936
Public sector entities	8,303	–9	8,294	8,770	–7	8,763
Households	2,005,231	–6,593	1,998,638	2,073,680	–7,268	2,066,412
Household interest organisations	18,128	–1	18,126	19,351	–17	19,335
Outside Finland	1,745,688	–11,924	1,733,764	2,073,345	–4,641	2,068,704
Total	**4,324,598**	**–20,040**	**4,304,559**	**4,802,804**	**–14,655**	**4,788,149**
of which subordinated receivables			1,704			262

P17. Shares and participations	2022	2021
Holdings recognised at fair value via other comprehensive income		
Listed	1,162	1,021
Unlisted	47,648	14,028
Total	**48,810**	**15,049**
Shares and participations in associated companies	3,054	11,340
Shares and participations in Group companies	3,346	3,346
Total shares and participations	**55,209**	**29,735**

During 2022, the shareholding in Borgo AB was reclassified from an associated company to a holding that is recognised at fair value via other comprehensive income.

P18. Derivative instruments	Nominal amount/maturity			2022			2021		
	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	359,654		6,060	365,714	294	270	12,060	1,612	1,580
Currency-related contracts									
Currency forward contracts	678,060		0	678,060	6,858	5,237	549,016	1,719	2,510
Total	**1,037,714**	**0**	**6,060**	**1,043,774**	**7,151**	**5,507**	**561,076**	**3,331**	**4,090**
Derivatives for fair value hedges									
Interest-related contracts									
Interest rate swaps	354,300	431,271	45,600	831,171	19,486	17,967	824,421	9,696	2,733
Total	**354,300**	**431,271**	**45,600**	**831,171**	**19,486**	**17,967**	**824,421**	**9,696**	**2,733**
Derivatives for cash flow hedges									
Interest-related contracts									
Interest and currency swaps	359,654			359,654		162			
Total	**359,654**	**0**	**0**	**359,654**	**0**	**162**	**0**	**0**	**0**
Total derivative instruments	**1,392,014**	**431,271**	**51,660**	**1,874,945**	**26,637**	**23,636**	**1,385,497**	**13,027**	**6,824**
of which cleared OTC									
of which cleared	713,954	431,271	48,630	1,193,855	19,495	18,407	830,451	9,696	4,313

Derivatives are recognised together with their associated accrued interest.

P19. Intangible assets	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**

	2021				
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	1,455	37,483	31,584	7,278	77,800
Cost of intangible assets added	0	4,430	0	0	4,430
Impairment losses for the year	−576	0	0	0	−576
Divestments and disposals	0	−1,840	0	0	−1,840
Exchange rate effects	−7	−137	−381	0	−526
Cost on December 31	**1,448**	**39,360**	**31,203**	**7,278**	**79,289**
Accumulated amortisation and impairment losses on January 1	−728	−25,337	−29,872	−1,842	−57,779
Divestments and disposals	0	1,840	0	0	1,840
Amortisation for the year	−207	−3,230	−1,648	−2,793	−7,878
Impairment losses for the year	−401	−1	0	0	−402
Exchange rate effects	4	122	362	0	488
Accumulated amortisation and impairment losses on December 31	**−931**	**−27,007**	**−31,158**	**−4,635**	**−63,731**
Residual value on December 31	**517**	**12,353**	**45**	**2,643**	**15,558**

"Other intangible assets" include acquired contracts.

P20. Tangible assets	2022	2021
Investment properties	402	402
Properties for own use	10,478	10,530
Other tangible assets	2,873	2,161
Total	**13,753**	**13,092**

	2022 Investment properties	2022 Properties for own use	2022 Other tangible assets	2021 Investment properties	2021 Properties for own use	2021 Other tangible assets
Cost on January 1	571	20,790	15,932	571	21,185	15,529
New acquisitions	0	1,784	133	0	368	277
Divestments and disposals	0	−2,723	−1,557	0	−291	−199
Transfer between items	0	−1,009	1,009	0	−470	470
Exchange rate effects	0	−6	−527	0	−2	−145
Cost on December 31	**571**	**18,836**	**14,990**	**571**	**20,790**	**15,932**
Accumulated depreciation on January 1	−169	−15,550	−13,771	−169	−14,831	−13,756
Depreciation for the year	0	−730	−349	0	−845	−299
Impairment losses for the year	0	−94	−5	0	−156	−10
Divestments and disposals	0	2,723	1,495	0	281	154
Exchange rate effects	0	4	513	0	1	140
Accumulated depreciation on December 31	**−169**	**−13,647**	**−12,117**	**−169**	**−15,550**	**−13,771**
Revaluations on January 1		5,289			5,289	
Accumulated revaluations on December 31		**5,289**			**5,289**	
Carrying amount	**402**	**10,478**	**2,873**	**402**	**10,530**	**2,161**
of which buildings	0	10,244		0	10,295	
of which land and water	0	134		0	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	2022	2021
Payment intermediation receivables	5,273	2,798
Receivables on mutual fund settlement proceeds	8,213	10,748
Accounts receivable	1,274	5,871
Receivables in conjunction with transfer of assets	7,275	4,962
Other	1,825	3,753
Total	**23,859**	**28,132**

P22. Accrued income and prepayments	2022	2021
Accrued interest income	15,445	12,735
Other accrued income	9,378	9,804
Anticipated dividend	10,000	10,000
Other prepaid expenses	2,421	2,268
Total	**37,244**	**34,806**

P23. Deferred tax assets and liabilities	2022	2021
Deferred tax assets		
Provisions	15	79
Unused tax depreciation	178	141
Impairment loss, financial liability		520
Income received in advance	144	110
Debt securities measured via other comprehensive income	2,554	176
Cash flow hedge	390	
Other	68	68
Total deferred tax assets	**3,348**	**1,093**
Deferred tax liabilities		
Financial assets measured via other comprehensive income		
Shares and participations	2,560	917
Total deferred tax liabilities	**2,560**	**917**
Net deferred taxes	**787**	**176**

Accumulated appropriations included a deferred tax liability of EUR 28,898 K (30,498).

	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**

	2021			
	Dec 31, 2020	Recognised in income statement	Recognised in other comprehensive income	Dec 31, 2021
Changes in deferred taxes				
Provisions	0	79		79
Unused tax depreciation	102	39		141
Measurement, financial liability	0	520		520
Income received in advance	222	−111		110
Debt securities measured via other comprehensive income	−12		187	176
Shares and participations measured via other comprehensive income	−970		53	−917
Other	46	22		68
Total	**−613**	**548**	**240**	**176**

P24. Liabilities to credit institutions	2022			2021		
	Repayable on demand	Other	Total	Repayable on demand	Other	Total
Central banks		400,000	400,000		609,674	609,674
Finnish credit institutions	1	0	1	148	0	148
Foreign banks and credit institutions	34,102	0	34,102	60,078	197,532	257,610
Total	**34,103**	**400,000**	**434,103**	**60,226**	**807,206**	**867,432**

P25. Deposits from the public	2022	2021
Companies	1,160,847	1,290,245
Public sector entities	92,914	73,032
Households	1,405,729	1,365,573
Household interest organisations	66,499	65,313
Outside Finland	1,473,103	1,294,851
Total	**4,199,092**	**4,089,014**

P26. Debt securities issued	2022		2021	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Certificates of deposit	171,334	170,608		
of which at amortised cost	171,334	170,608		
Covered bonds	640,000	622,026	1,186,325	1,196,535
of which at amortised cost	0	0	546,325	552,670
of which fair value hedge	640,000	622,026	640,000	643,865
Total	**811,334**	**792,634**	**1,186,325**	**1,196,535**

"Fair value hedge" refers to hedge accounting of the interest component in the debt security.

P27. Other liabilities	2022	2021
Payment intermediation liabilities	5,520	5,935
Fund settlement liabilities	8,407	7,685
Trade payables	3,966	2,481
Other	9,301	15,637
Total	**27,194**	**31,738**

P28. Provisions	2022				2021			
	Provisions for restructuring reserves	Provision for off-balance sheet obligations	Other provisions	Total	Provisions for restructuring reserves	Provision for off-balance sheet obligations	Other provisions	Total
Provisions on December 31 of the previous year	0	318	45	364	0	410	0	410
Provisions during the year		138	612	750		266	50	316
Amounts utilised		0	−656	−656			−4	−4
Unutilised amounts recovered		−412		−412		−355		−355
Exchange rate changes		−1	−2	−3		−2	0	−2
Provisions on December 31	**0**	**43**	**0**	**43**	**0**	**319**	**45**	**364**

The provisions for restructuring reserves were related to both Finland and Sweden. These provisions included both staff costs and other expenses, but primarily consisted of staff costs. "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.

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 will appeal the Administrative Court's negative ruling of December 2021. A provision for half the amount was made as a tax expense in the 2021 financial accounts.

P29. Accrued expenses and prepaid income	2022	2021
Accrued interest expenses	4,444	3,699
Other accrued expenses	13,622	13,547
Accrued taxes	2,592	1,929
Prepaid income	902	1,271
Total	**21,560**	**20,444**

P30. Subordinated debentures	2022			2021		
	Nominal amount	Carrying amount	Amount in own funds	Nominal amount	Carrying amount	Amount in own funds
Debenture loan 1/2017				2,266	2,266	2,266
Debenture loan 1/2018	17,983	17,973	17,983	19,512	19,476	19,512
Green Floating Rate Tier 2 Note 2021	13,487	13,461	13,487	14,634	14,601	14,634
Additional Tier 1 capital						
Floating Rate Perpetual AT1 Note 2021	26,974	26,914	26,974	29,267	29,188	29,267
Total	**58,444**	**58,348**	**58,444**	**65,679**	**65,532**	**65,679**

	Interest rate:	Repayment:
Debenture loan 1/2018	3-month Stibor +2.40 %	May 15, 2038
Green Floating Rate Tier 2 Note	3-month Stibor +2.15%	December 16, 2041
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.

Debenture loan 1/2018 was 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

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 and central banks	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**

	2021								
	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	893,719								893,719
Debt securities eligible for refinancing with central banks		89,799	31,710	60,446	475,903	44,895			702,753
Lending to credit institutions	63,363								63,363
Lending to the public	33,160	348,909	126,865	204,690	1,560,831	837,181	1,666,534	9,979	4,788,149
Other debt securities					12,548	2,566			15,111
Shares and participations								29,735	29,735
Derivative instruments		117	1,622		8,960	777	1,551		13,027
Intangible assets								15,558	15,558
Tangible assets								13,092	13,092
Other assets								64,032	64,032
Total	**990,241**	**438,825**	**160,197**	**265,135**	**2,058,243**	**885,418**	**1,668,085**	**132,396**	**6,598,538**
Liabilities									
Liabilities to credit institutions and central banks	59,664	452,263	38,505	117,000	200,000				867,432
Deposits from the public	3,645,571	414,998	16,456	10,826	1,163				4,089,014
Debt securities issued					1,196,535				1,196,535
Derivative instruments		909	1,633	33	2,230	498	1,521		6,824
Other liabilities								53,464	53,464
Subordinated liabilities				2,266			63,266		65,532
Equity capital and appropriations								319,738	319,738
Total	**3,705,235**	**868,171**	**56,593**	**130,125**	**1,399,927**	**498**	**64,787**	**373,202**	**6,598,538**

P32. Claims on Group companies	2022	2021
Lending to the public	1,626	
Other assets	12,310	226
Accrued income and prepayments	2,829	2,753
Total	**16,766**	**2,979**

P33. Liabilities to Group companies	2022	2021
Deposits from the public	16,973	19,155
Other liabilities	2,109	1,243
Accrued expenses and prepaid income	1,266	1,709
Total	**20,349**	**22,107**

Notes concerning staff, Board of Directors and Executive Team

P34. Salaries/fees paid to the Board of Directors and Executive Team	2022	2021
Lampi, Nils	67	63
Taxell, Christoffer	50	48
Ceder, Åsa	45	46
Karlsson, Anders Å	53	50
Valassi, Ulrika	56	52
Wiklöf, Anders	42	43
Leino-Haltia Mirel[1]	38	
Board members	349	301
Managing Director	570	495
Other members of the Executive Team	2,101	1,784

[1] New Board member, 2022

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.

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	2022	2021
Assets pledged for own liabilities		
Lending to credit institutions	22,863	18,604
Government securities and bonds	46,207	262,123
Lending to the public	1,250,830	2,085,371
Other	3,686	3,664
Total assets pledged for own liabilities	**1,323,586**	**2,369,762**

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	56,130	51,093
Other	593	7,621
Total other assets pledged	**56,723**	**58,714**

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	2022	2021
Guarantees	24,123	46,024
Unutilised overdraft limits	333,043	318,407
Unutilised credit card limits	88,570	88,116
Unutilised credit lines	700,120	559,674
Other commitments	28,060	41,846
Total	**1,173,916**	**1,054,067**
Provision for expected loss	42	363
Guarantees for subsidiaries	5,723	2,257
Unutilised overdraft limits for subsidiaries	2,074	7,273
Unutilised credit facilities for subsidiaries	0	0

P39. Rental obligations	2022	2021
Rental payments due		
Under 1 year	3,617	2,882
More than 1 and less than 5 years	10,770	7,958
More than 5 years	937	294
Total	**15,323**	**11,134**

Rental obligations were equivalent to the rental expenses that would arise upon termination of all rental agreements.

P40. Subsidiaries and associated companies		2022	
	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	
Total			**3,346**
Associated companies			
Mäklarhuset Åland Ab	Mariehamn	35	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	
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	2022	2021
Retained earnings	40,103	36,926
Unrestricted equity capital fund	28,651	28,190
Capitalised development expenditures	–305	–517
Total	**68,450**	**64,599**

Table of contents, sustainability notes

SUSTAINABILITY NOTES, BANK OF ÅLAND

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 the Bank's company cars and their fuel; Scope 2, which consists of energy use; and finally, supplier-related emissions from purchases in Scope 3 upstream. The Bank of Åland pays climate compensation for 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 downstream, which is the impact of general operations. For the Bank of Åland, this refers to investments, such as the impact of the loan portfolio, treasury operations and financial investments via the Bank's fund management subsidiary. New for this year is that the calculations for these areas have been refined and improved, which means that a larger proportion of their emissions are visible in 2022 than in previous years. Because of these improved calculations, there was a clear increase from the previous year. But impact data for some areas of the loan portfolio (Scope 3 downstream from the loan portfolio's perspective) are still lacking. To enable comparisons between the different areas, these are shown divided into their respective Scopes 1, 2 and 3, seen from their perspective. The comparative figures for 2021 were restated according to the new models, to provide a better view of the overall situation.

Own emissions[1], greenhouse gases

tonnes of CO_2e	2022	2021	%	Intensity, tonnes of CO_2e/EUR M 2022	Intensity, tonnes of CO_2e/EUR M 2021	Difference in intensity, 2022 vs 2021
Scope 1						
Emissions from owned and controlled sources	7	6	20	38	38	0
Total Scope 1	**7**	**6**	**20**	**38**	**38**	**0**
Scope 2						
Energy-related emissions	31	73	−58	20	20	0
Total Scope 2	**31**	**73**	**−58**	**20**	**20**	**0**
Scope 3 upstream						
Purchased goods and services	116	89	31	30	30	1
Capital goods	5	8	−36	35	35	0
Transport and distribution	119	98	21	86	86	0
Waste generated by own operations	2	2	13	20	20	0
Business travel	378	98	287	592	577	15
Leased assets	6	4	45	14	14	0
Total Scope 3 upstream	**628**	**300**	**110**	**95**	**58**	**37**
Total, own emissions	**666**	**378**	**76**	**91**	**51**	**40**
Climate compensation	−666	−775[2]				
Scope 3 downstream (see specification on next page)						
Loan portfolio	217,391	255,343	−15			
Financial investments	1,587,742	1,723,125	−8			
Treasury	13,756	17,758	−23			
Total Scope 3 downstream	**1,818,889**	**1,996,226**	**−9**			
Total greenhouse gases	**1,819,554**	**1,996,604**[3]	**−9**			

[1] Emissions are calculated using emission factors and the Åland Index, and are based on expensed activities in the income statement. The exception is purchased electricity, which in the note is deducted according to a market-based method where environmentally certified electricity is deducted to zero CO_2e emissions, as is the share of district heating that comes from renewable sources. However, 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. To ensure comparable figures between the years, 2021 emissions were restated retroactively according to this methodology for calculation of energy consumption, causing 2021 estimated emissions to fall from 775.2 tonnes of CO_2e to 378.4 tonnes of CO_2e.

[2] Climate compensation for 2021 in Q4 2021, based on then-estimated emissions of 775.2 tonnes of CO_2e. The underlying emission amount was restated to 378.3 tonnes of CO_2e in the summer of 2022 when the energy coefficient was changed.

[3] Total tonnes of CO_2e from 2021 has been recalculated in 2022 to reflect changed calculation methods and make it comparable to the total for 2022. The previously reported 1,519,8 K tonnes of CO_2e is now expanded to 1,996 K tonnes of CO_2e.

Scope 3, downstream, greenhouse gases

Loan portfolio[1]						
tonnes of CO_2e	2022	2021	%	Intensity, tonnes of CO_2e/EUR M 2022	Intensity, tonnes of CO_2e/EUR M 2021	Difference in intensity, 2022 vs 2021
Scope 1 and 2	217,391	255,021	–15	50	53	–3
Scope 3	0	0	0	0	0	0
Total, loan portfolio	217,391	255,021	–15	50	53	–3

Scope 3 data for the loan portfolio are not available and are thus reported as zero.

Total by industries						
Private individuals						
Home loans[2]	60,092	65,315	–8	25	23	2
Securities and other investments[3]	40,151	65,405	–39	92	149	–57
Other purposes	14,464	14,388	1	42	42	0
Total, private individuals	114,707	145,108	–21	36	40	–8
Companies						
Other service activities	1,009	1,505	–33	42	42	0
Construction	1,834	1,682	9	33	33	0
Real estate activities	14,150	14,252	–1	33	33	0
Financial and insurance activities	7,388	7,383	0	32	32	0
Electricity, gas, steam and air conditioning supply	2,404	3,769	–36	708	708	0
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,221	1,265	–3	31	31	0
Hotel and restaurant activities	9,702	10,130	–4	303	303	0
Information and communication	290	312	–7	32	32	0
Agriculture, forestry and fishing	22,973	22,367	3	1,509	1,509	0
Arts, entertainment and recreation	1,433	1,591	–10	83	83	0
Business activities, private individuals	11,832	13,224	–11	137	144	–8
Public administration and defence; compulsory social security	360	371	–3	42	42	0
Manufacturing	6,794	6,499	5	258	258	0
Transportation and storage	12,383	18,391	–33	303	303	0
Education	28	18	56	42	42	0
Rentals, real estate services, travel services and other supportive services	4,224	3,226	31	303	303	0
Water supply, sewerage, waste management and remediation activities	1,587	1,339	18	830	830	0
Legal, financial, scientific and technical activities	2,543	2,387	7	32	32	0
Human health and social work activities	530	525	1	33	33	0
Total companies[4]	**102,684**	**110,235**	**–7**	**90**	**94**	**–4**
			–15			
Total, loan portfolio exposures	**217,391**	**255,343**	**–15**	**50**	**53**	**–3**

[1] The Bank of Åland's ambition is to calculate the emissions from its lending operations in compliance with the GHG protocol, which is currently applied to those types of lending for which data are available, but the Bank still uses estimates for those areas where data are missing. In case of a change in calculation method, CO_2e emissions in previous periods are retroactively recalculated according to the updated method, to the extent that data are available for the previous period. As of December 31, 2022, reported emissions in 2021 have been restated for home mortgage loans due to a major change in the calculation method. In previous years, emissions were estimated using statistics for average household emissions. In 2002 the calculation was switched to a square metre-based method based on the Partnership for Carbon Accounting Financials (PCAF). This change in method means that the restated 2021 figure includes an increase in emissions for home mortgage loans of 5.3 tCO_2e (total emissions for mortgage loans published in 2021 were 60,200 tCO_2e). Emissions from corporate lending and lending for investments have also been restated due to a more exact sectoral classification and changes in the choice of emission factors that are applied. This change means that the restated 2021 figure for corporate lending includes a decrease of 8.5 tCO_2e (2021: 118,700 tCO_2e) and for investment loans an increase of 7.0 tCO_2e (2021: 58,400 tCO_2e). The change is also affected to some extent by the fact that lending volume for the 2021 CO_2 emission calculations has been corrected and thus increased by EUR 200 million.

[2] The calculations for home mortgages are based on loans for which a residential property was pledged as collateral. Loans for which no collateral or only other types of collateral were pledged are excluded from the calculations. Emission calculations are based on the size in square metres and the energy performance of the collateral property, to the extent data are available. Emissions are then calculated based on estimated energy consumption and emissions per square meter for each energy class and property type, according to data for each country in PCAF's emission factor database. For those collateral properties for which data on the actual size of the property and its energy class are missing, size is estimated by applying averages of known data for each property type from the portfolio. As an estimate of energy consumption, a factor from PCAF's emissions database is used. As an attribution factor, the Bank applies the average loan-to-value (LTV) ratio for collateral property from loans included in its covered bond. Figures for 2021 have been restated as of December 31, 2022 using the updated calculation method. The change from the emission figure in the previous period is solely due to this change and to a decrease in the home mortgage portfolio because of the migration of Swedish mortgage loans to another company. In 2023, the scope of information regarding the energy performance certificates of collateral properties is expected to increase, further improving the quality of the calculations.

[3] Emissions from loans for investments and other private consumption are calculated using estimates based on loan volume and average emission factors from the Bank of Åland's mutual funds and consumption from the Åland Index. No changes have been made in the method used during 2021. The change in the portfolio of loans for investments is driven by a lower emission factor compared to 2021. The emission factor is selected as an average of emission factors for the Ålandsbanken Fondbolag mutual funds on which sustainability reporting is done. The factor for the 2022 calculations is as of the fund management company's reporting on December 31, 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 sector-specific published average emission factors from the Åland Index and Statistics Sweden and the outstanding loan volume. Loan volume refers to the amount of loans on the balance sheet as of December 31. 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.
The change from the method used in 2021 consists primarily of a more detailed sectoral classification of corporate customers according to Nomenclature of Economic Activities (NACE) codes, a change in the choice of factors for estimating emissions and correction of the loan volume that forms the basis for the calculation.

Scope 3, downstream, greenhouse gases

Investments

tonnes of CO_2e	2022	2021	%	Intensity, tonnes of CO_2e/EUR M 2022	Intensity, tonnes of CO_2e/EUR M 2021	Difference in intensity, 2022 vs 2021
Scope 1	122,526	134,102	−9	42	45	−3
Scope 2	24,155	31,459	−23	7	9	−2
Scope 3	1,441,061	1,557,563	−7	505	528	−23
Total, investments	**1,587,742**	**1,723,124**	**−8**	**462**	**481**	**−19**
Total by sectors						
National governments, central banks and investment banks						
Corporate exposures						
Other service activities	15,789	5,940	166	789	459	330
Construction	10,741	16,612	−35	270	299	−28
Real estate activities	4,883	4,327	13	24	15	9
Financial and insurance activities	1,076	1,846	−42	1	3	−1
Electricity, gas, steam and air conditioning supply	207,872	214,150	−3	2,989	3,323	−334
Wholesale and retail trade; repair of motor vehicles and motorcycles	16,997	114,395	−85	112	447	−335
Hotel and restaurant activities	55	7,537	−99	61	255	−194
Information and communication	9,897	11,294	−12	39	32	6
Agriculture, forestry and fishing	2,480	2,695	−8	213	171	42
Arts, entertainment and recreation		11	−100		9	−9
Manufacturing	1,260,305	1,225,579	3	910	989	−79
Transportation and storage	44,934	21,780	106	589	302	287
Mineral extraction	12,589	95,794	−87	3,301	5,919	−2,618
Water supply, sewerage, waste management and remediation activities		129	−100		74	−74
Legal, financial, scientific and technical activities	125	864	−85	22	50	−28
Human health and social work activities		171	−100		35	−35
Total, investments[5]	**1,587,742**	**1,723,125**	**−8**	**462**	**481**	**−19**

[5] Emission calculations for investments include equities, bonds 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, 2022. The Bank primarily used reported emissions data and secondarily used estimated emission data. This estimated data consisted of third-party data, except for the housing fund Ålandsbanken Bostadsfond, for which the Bank produced its own estimates. Estimates are made for Scope 1, 2 and 3 with the aim of having as high a coverage as possible. Emission figures for 2021 were restated in 2022. Emissions totalling 1,266,2 K tonnes of CO_2e were originally reported, but this has now been recalculated to 1,723 K tonnes of CO_2e. The reasons for the increase were that coverage has increased, since the Bank's estimated share of emissions rose, and that we added Scope 2 to the calculations for the housing fund.

Scope 3, downstream, greenhouse gases

Treasury						
tonnes of CO_2e	2022	2021	%	Intensity, tonnes of CO_2e/EUR M 2022	Intensity, tonnes of CO_2e/EUR M 2021	Difference in intensity, 2022 vs 2021
Scope 1	1,334	1,914	−30	1.0	1.2	−0.2
Scope 2	278	340	−18	0.2	0.2	0.0
Scope 3	12,144	15,504	−22	9.3	9.7	−0.4
Total, treasury portfolio	13,756	17,758	−23	10.5,	11.1	−0.6
Total by industries						
Construction	0	0	−39	0.0	0.0	0.0
Real estate activities	18	24	−25	0.0	0.0	0.0
Financial and insurance activities	2,536	3,916	−35	1.9	2.4	−0.5
Electricity, gas, steam and air conditioning supply	4,257	5,713	−25	3.3	3.6	−0.3
Public administration and defence; compulsory social security	15	11	34	0.0	0.0	0.0
Manufacturing	6,272	7,062	−11	4.8	4.4	0.4
Transport and storage	285	586	−51	0.2	0.4	−0.1
Rentals, real estate services, travel services and other supportive services	373	447	−17	0.3	0.3	0.0
Operations at international organisations, foreign embassies etc.	1	1	26	0.0	0.0	0.0
Total, treasury portfolio[6]	**13,756**	**17,758**	**−23**	**10.5**	**11.1**	**−0.6**
Total, greenhouse gases	**1,819,554**	**1,996,604**	**−9**			

[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, 2022. 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.

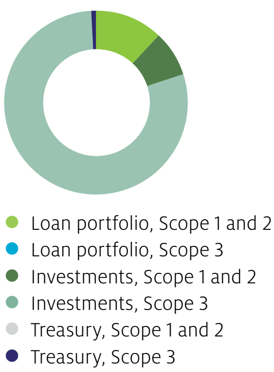
For issuers whose emission figures were only available at corporate group level, the group emission figures were adjusted to the issuing entity's proportion according to the comparative principle.

The emission figures for the treasury portfolio on December 31, 2021 were recalculated retrospectively to include Scope 3 emissions for all holdings and to employ the same data source for emission figures used in the year's emission calculations to ensure comparability between years. The recalculation also included emissions for central bank cash positions.

In the 2021 annual report, the Treasury department reported total emissions of 3,700 tonnes of CO_2e (Scope 1 and 2), using emissions data from an external provider that included both actual emissions figures reported by the companies but also high estimates for companies whose actual emission data were not provided. The corresponding recalculated figure for the treasury portfolio's total emissions in 2021 was 1,6 K tonnes of CO_2e (Scope 1 and 2), since emission data were obtained from the issuers' annual and sustainability reports.

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.

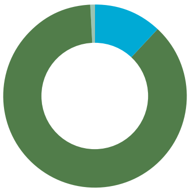
CO_2e impact, operations	2022	2021	%
Total tonnes of CO_2e emissions per full-time equivalent employee	2,101.1	2,461.9	−15
Total tonnes of CO_2e emissions per million euros of income	9,882.3	11,342.8	−13
Tonnes of CO_2e emissions from own operations per FTE employee	0.8	0.5	64
Tonnes of CO_2e emissions from own operations per million euros of income	3.6	2.1	68

Follow-up, climate target	2022	2021	
tonnes of CO_2e			%
The Bank of Åland shall reduce its CO_2e emissions by 50% by 2030 compared to 2021	1,819,554.2	1,996,604.3	−9

Consumption	2022	2021	%
Paper consumption, tonnes	19.0	19.7	−4
Paper consumption, tonnes/full-time equivalent employee	0.022	0.024	
Energy consomption, GWh	2.11	2.20	−4
of which renewable, per cent	94	85	
of which other, per cent	6	15	
Energy consumption, GWh/FTE employee	0.002	0.003	
Business trips, tonnes of CO_2e	378.5	97.9	287
Business trips, tonnes of CO_2e/FTE employee	0.4	0.1	
Number of business trips	2,057	578	
of which aircraft, per cent	58	61	
of which ship, per cent	19	22	
of which train, per cent	23	17	
Number of business trips/FTE employee	2.4	0.7	

Greenhouse gas emissions

tonnes of CO_2e

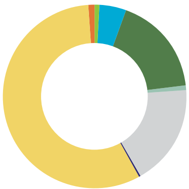


- Total, own emissions
- Loan portfolio
- Financial investments
- Treasury

The pie chart shows the Bank's upstream Scope 1, 2 and 3 emissions and downstream Scope 3 emissions. Data for the loan portfolio's own Scope 3 emissions are not available, however.

Emissions from the Bank´s own operations

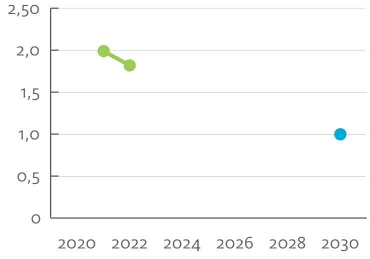
tonnes of CO_2e



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

Greenhouse gases, target and outcomes

Million tonnes of CO_2e



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

S2. Taxonomy reporting

Starting in 2021, the Bank of Åland has been reporting exposures in the balance sheet that are covered by the EU's Taxonomy for sustainable investments. If an exposure is regarded as covered by the Taxonomy, this means there are criteria for assessing whether it is environmentally sustainable. Reporting is limited to first-hand data and thus does not include estimates or derivations, for example from the EU's so-called NACE codes. This limitation means that only part of the Bank of Åland's exposures could be reported, since the lack of first-hand data meant that the extent of exposure to the Taxonomy could be neither defined nor quantified.

Taxonomy reporting, 2022

procent	Covered assets, % of total [7]	Covered assets, % of total
Assets included in reporting [1]		
Exposures to economic activities subject to the taxonomy [2]	52.4	40.7
Exposures to economic activities not subject to the taxonomy [3]	0.0	0.0
Exposures exempted from reporting [4]		
Derivatives	0.6	0.5
Exposures to companies not subject to NFRD [5]	17.7	13.7
On-demand interbank loans		
Exposures not included in covered assets [6]		
Exposures to central governments, central banks and supranational issuers		22.3
Trading portfolio		

[1] (EU) 2020/852 and (EU) 2021/2178 Article 10.3

[2] Home mortgages and housing-related loans to private individuals secured by underlying property as collateral, which are covered by technical screening criteria 7.1–7.7 in the European Commission's Delegated Regulation (EU) 2021/2139.

[3] For exposures not subject to the taxonomy, the Bank of Åland has chosen not to report anything since first-hand data were not available and an assessment of whether the exposure is subject to the taxonomy was not possible.

[4] Exposures excluded from the numerator in the Green Asset Ratio (GAR) and that are thus not assessed in the taxonomy.

[5] In the case of the Bank of Åland, exposures not subject to the Non-Financial Reporting Directive (NFRD, 2014/95/EU) include companies with fewer than 500 employees, which mainly include Åland companies and entrepreneur-run companies on the Finnish mainland and in Sweden, as well as housing companies, tenant-owner associations and municipalities.

[6] Exposures that are excluded from both the numerator and the denominator of the Green Asset Ratio.

[7] Total assets minus assets to be excluded from both the numerator and the denominator of the GAR.

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).

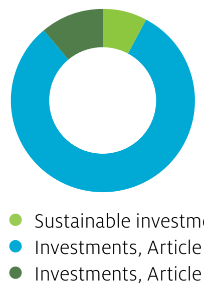
Classification and evaluation

EUR		% of total
Sustainable investments, Article 9[1,2]	319,023,387	7.9
Investments, Article 8[1,2]	3,271,851,667	81.2
Investments, Article 6[1,2]	437,564,374	10.9
Product range		
Percentage of funds evaluated according to PRI[2] (Principles for Responsible Investment)		100
Percentage of fund holdings that have joined SBTi[2]		36
Percentage of fund holdings that have begun the process of joining SBTi[2]		23
Percentage of fund holdings that have not yet begun the process of joining SBTi[2]		41

[1] The figures include Ålandsbanken Fondbolag's managed fund assets, allocated by SFDR classifications.

[2] Comparable data are not available for previous years.

Fund assets, allocated by SFDR classifications, Articles 6, 8 and 9.



Review of investments

Review of investments	2022	2021
		% of total
Percentage of fund assets that have been ESG screened	100	100
Percentage of companies that violate international agreements (breach of standards)	2	0

S4. Responsible lending

Lending to the public	2022	2021
per cent		
Percentage of lending to the public by region		
Finland	67	60
Sweden	33	40

Lending to companies[1]	2022	2021
EUR M		
Lending to companies, by sector		
Agriculture, forestry and fishing	15	15
Real estate activities	435	438
Transportation and storage	41	61
Hotel and restaurant activities	32	33
Financial and insurance activities	230	230
Electricity, gas, steam and air conditioning supply	3	5
Manufacturing	26	25
Rentals, real estate services, travel services and other supportive services	14	11
Legal, financial, scientific and technical activities	79	74
Construction	56	52
Water supply, sewerage, waste management and remediation activity	2	2
Arts, entertainment and recreation	17	19
Wholesale and retail trade, repair of motor vehicles and motorcycles	40	41
Other service activities	24	36
Human health and social work activities	16	16
Information and communication	9	10
Education	1	0
Public administration and defence, compulsory social security	9	9
Business activities, private individuals	87	92
Total lending to companies[1]	**1,136**	**1,168**

Mortgage loans	2022	2021
kg CO_2e/m^2		
CO_2e emissions from our mortgage loans per square metre[2]	23.6	23.5
of which Finland	24.3	24.3
of which Sweden	17.2	17.2

Green Bonds	2022	2021
per cent		
Green Bonds total	13.5	14.6
Renewable energy, %	18	28
Green properties, %	82	72
Emissions avoided (due to green bonds instead of others), tonnes of CO_2e[3]	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.

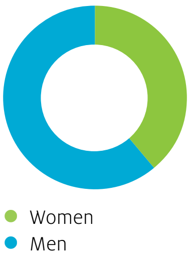
[3] Since this capital instrument was not issued until December 2021, there is no estimate of emissions avoided in 2021.

S5. Employees and human resources

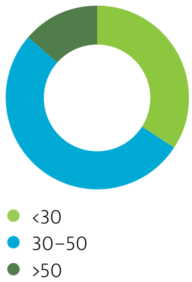
Employee mobility	2022	2021	2020
%			
Expansion, regular positions	16.1	18.6	14.4
Employee turnover	12.9	9.4	8.1

Expansion

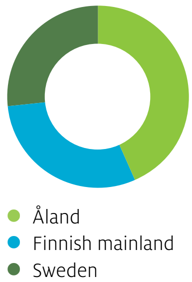
By gender



By age category



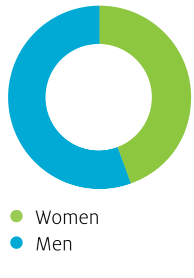
By region



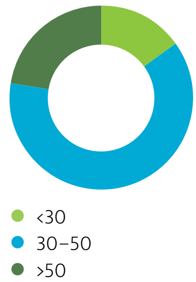
The Group hired 140 new regular employees during 2022. Expansion was 16.1 per cent compared to total full-time equivalent (FTE) employees, which was a decrease from 18.6 per cent in 2021.

Employee turnover:

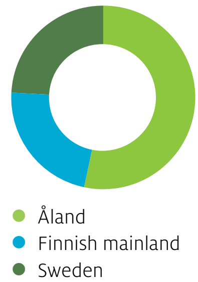
By gender



By age category



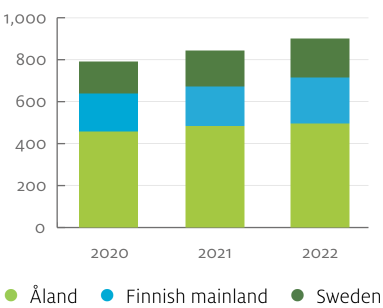
By region



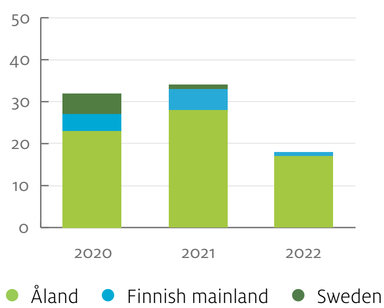
During 2022, 112 people ended their regular employment in the Bank of Åland Group. This included 17 retirements. As a percentage of average full-time equivalent employees, this was an emplyee turnover of 12.9 per cent, up from 9.4 per cent in 2021.

Employee contract type by region

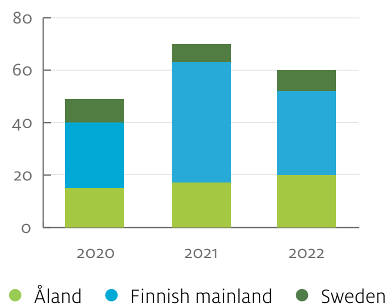
Regular



Temporary, monthly

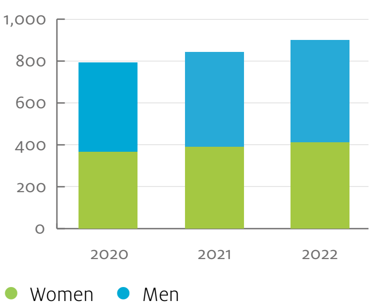


Temporary, hourly

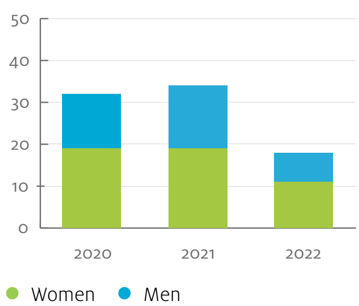


Employee contract type by gender

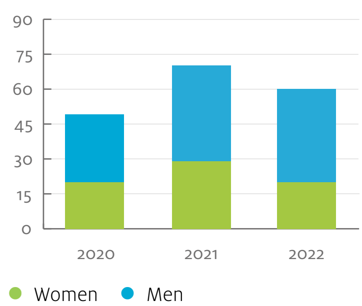
Regular



Temporary, monthly



Temporary, hourly



Part-time/full-time by gender and region

	Part-time	Full-time	Total
Åland			
Women	26	232	258
Men	23	250	273
Total	**49**	**482**	**531**
Finnish mainland			
Women	15	102	117
Men	25	112	137
Total	**40**	**214**	**254**
Sweden			
Women	5	62	67
Men	7	120	127
Total	**12**	**182**	**194**

Comparable data are not available for previous years.

The number of jobs in the Group totalled 979 at the end of 2022 (2021: 948). Among these 979 people, 901 (92 per cent) had regular employment contracts and 78 (8 per cent) had temporary contracts. Total gender representation in the Group was 45 per cent women and 55 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

	Hours
Absences due to illness, short-term	4,847
Absences due to illness, long-term	1,837
Absences due to illness, total	**6,684**
Absences due to illness, accidents	6

Comparable data are not available for previous years.

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 account for 73 per cent of the total, and long-term absences account for 27 per cent.

Gender equality

Gender breakdown

	Number	%
Managers and supervisors (excluding senior executives)		
Women	53	41
Men	77	59
Total	**130**	**100**
Senior executives		
Women	4	31
Men	9	69
Total	**13**	**100**
Employees excluding managers, supervisors and senior executives		
Women	385	46
Men	451	54
Total	**836**	**100**
Total workforce excluding the Board of Directors		
Women	442	45
Men	537	55
Total	**979**	**100**
Board of Directors		
Women	4	33
Men	8	67
Total	**12**	**100**

Comparable data are not available for previous years.

The Group's goal is a balanced gender breakdown (at least 40/60). Among managers and supervisors, the breakdown was 41/59. For the Group, the breakdown was 45/55 at year-end 2022. At the Board level, the breakdown was 33 per cent women and 67 per cent men.

Age breakdown

	Number	%
Managers/supervisors (excluding senior executives)		
<30	3	2
30–50	88	68
>50	39	30
Total	**130**	**100**
Senior executives		
<30	0	0
30–50	5	38
>50	8	62
Total	**13**	**100**
Employees excluding managers/ supervisors and senior executives		
<30	187	22,4
30–50	429	51,3
>50	220	26,3
Total	**836**	**100**
Total workforce excluding the Board of Directors		
<30	190	19,4
30–50	522	53,3
>50	267	27,3
Total	**979**	**100**
Board of Directors		
<30	0	0
30–50	1	8
>50	11	92
Total	**12**	**100**

Comparable data are not available for previous years.

"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

	Total training hours [1]	Number of employees	Average per person
Managers			
of which women	828	15	57
of which men	1,417	16	86
Total	**2,246**	**16**	**143**
Employees excluding managers/supervisors and senior executives			
of which women	3,915	10	385
of which men	5,394	12	451
Total	**9,309**	**11**	**836**

[1] Including introductory training for new employees.

Training completed, by category

Hours	
Introductory training	2,184
Markets, trends and global events	227
Changes in technology	215
Regulatory requirements and security	3,446
Product development	419
Enhancing professional skills	2,801
Changes in working methods	2,063
Other training	201
Total	**11,555**
Average hours per employee.	12

Commitment and leadership indices

Commitment Index (0–10)	7.2
eNPS (–100 – +100)	5
Leadership Index (0–10)	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 about 530 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 2022 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.

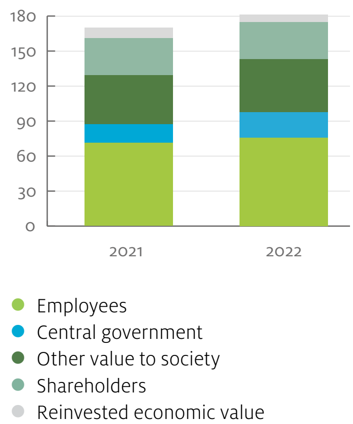
The Bank of Åland's attitude towards paying taxes

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	2022	2021
EUR M		
Total income minus impairment losses	177.9	171.1
Value-added generated by serving the Bank's customers	177.9	171.1
Employees		
Salaries	55.9	52.4
Social security and other staff costs	19.6	18.7
Total value to employees	**75.5**	**71.1**
To central government		
Income taxes	11.2	7.5
Non-deductible valure-added taxes	7.4	6.1
Deposit guarantee fees	0.0	0.0
Fees to government stability fund	3.4	2.8
Total value to central government	**22.1**	**16.2**
Other value to society		
Suppliers[1]	44.6	41.2
Sponsorships	0.9	0.7
Total other value to society	**45.5**	**42.0**
Transactions with shareholders		
Dividend paid	31.1	31.2
CET1 capital instrument, dividend	1.2	0.8
New share issue	−0.6	−0.4
Total transactions with shareholders	**31.8**	**31.7**
Remaining in the Bank		
Reinvested economic value	6.2	9.0

[1] Refers to miscellaneous administrative expenses and depreciation/amortisation

Economic value-added



Tax payments	2022			2021		
EUR M	Finland	Sweden	Total	Finland	Sweden	Total
Taxes and similar fees						
Income tax	6.1	5.1	11.2	4.4	3.1	7.5
Social security fees	9.3	7.3	16.7	8.3	7.2	15.5
Nondeductible value-added taxes	5.7	1.7	7.4	4.8	1.3	6.1
Deposit guarantee and government stability fund	3.4		3.4	2.8		2.8
Total	**24.6**	**14.2**	**38.8**	**20.2**	**11.6**	**31.8**

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.

Purchases and suppliers	2022	2021
EUR		
Suppliers		
Number of active suppliers[1]	261	220
Number of supplier dialogues[2]	14	18
Purchases, value by category:		
Information and communication	23,109,124	19,219,746
Financial and insurance activities	4,081,456	4,251,088
Legal, financial, scientific and technical activities	3,859,327	3,321,351
Real estate activities	2,804,798	2,702,511
Rentals, real estate services, travel services and other supportive services	2,770,686	1,949,243
Transportation and storage	1,430,362	1,225,193
Wholesale and retail trade	632,431	602,815
Other service activities	606,888	388,050
Hotel and restaurant activities	525,826	108,055
Electricity, gas, steam and air conditioning supply	307,622	187,475
Human health and social work activities	288,940	273,123
Public administration and defence; compulsory social security	250,528	24,216
Education	155,380	117,172
Manufacturing	106,689	183,110
Arts, entertainment and recreation	61,621	63,829
Construction	29,078	12,832
Water supply, sewerage, waste management and remediation activities	11,787	11,482
Purchases, value, EUR[3]	**41,032,543**	**36,461,291**

[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_2 emissions by 50 per cent no later than 2030 compared to 2021. Follow-up: 9 per cent reduction from 2021 to 2022
- 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. Carbon dioxide emissions from electricity consumption shall be maintained at the same level as in 2022. Our goal is 100 per cent energy from renewable sources, which we achieved in late 2022.	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. In November 2021 the Bank of Åland's mutual fund company and its Swedish wind power partner OX2 signed a memorandum of understanding to develop the Noatun offshore wind power project Noatun in the Baltic Sea south of Åland. OX2 will act as the project developer until the wind farm is completed, and Ålandsbankens Fondbolag will be the long-term owner of the project via its mutual funds. The Noatun project is still in an early phase and, when completed, 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: 12.8%. The common equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75–3.0 percentage points. Outcome: 3.9 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 68%. 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 2022: 45/55%.	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. Social responsibility: 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. Social responsibility: 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. Social responsibility: 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.

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. During 2022, we initiated a campaign about sustainable commuting, 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 Reduce carbon dioxide emissions from travel by 50 per cent no later than 2030, compared with the base year 2022. Outcome: A 287 per cent increase.	We calculate CO_2e emissions from our core business and our own operations in accordance with the GHG protocol. During 2022, we established our climate strategy, which describe how we will use clear targets on a yearly and long-term basis to reduce CO_2e emissions directly or indirectly caused by our operations and thereby achieve our climate targets. We will compensate for CO_2e emissions in 2022 from our own operations through a compensation portfolio. How we travel is very important to our climate impact. Our travel policy is thus part of our strategy to achieve the Bank of Åland’s climate targets. During 2022, we decided to develop scientifically based emission targets according to the Science Based Target initiative (SBTi). The Bank of Åland’s Treasury department is contributing further to promoting long-term sustainable development by issuing green bonds in keeping with the Bank’s green framework. In our work to combat climate change, we pursue close collaboration and a dialogue with UNEP FI and NZBA in our development efforts and work according to the principles we adopted as members in these international initiatives.

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. 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 68,449,688.44, of which the profit for the financial year is EUR 46,378,857.16. 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 68,449,688.44 be allocated as follows:

For Series A and Series B shares outstanding, a dividend of EUR 1.60 per share plus an extra dividend of EUR 0.45 per share from retained earnings,

totalling	31,315,603.20
To be carried forward as retained earnings	37,134,085.24

Mariehamn, February 22, 2023

Nils Lampi,
Chairman

Christoffer Taxell,
Deputy Chairman

Åsa Ceder

Anders Å Karlsson

Mirel Heino-Haltia

Ulrika Valassi

Anders Wiklöf

Peter Wiklöf,
Managing Director

Auditors' note

A report on the audit performed has been issued today.

Helsinki, February 22, 2023

Henry Maarala
KHT

Jessica Björkgren
KHT

Sandra Eriksson
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 accounting period January 1 – December 31, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity capital, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of changes in equity capital, cash flow 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 International Financial Reporting Standards (IFRS) 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 Auditors' 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.

To the best of our 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 G12 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 any 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, P16)	

- Lending to the public amounted to EUR 4.3 billion. This comprises approximately 73 per cent of the Group'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 material carrying amount, the complexity of the calculation models and the estimates by management concerning impairment losses that were included, valuation of lending to the public is addressed as a key audit matter.
- We have reviewed the principles and controls attributable to approval, recognition and monitoring of loans and have tested controls attributable to the process of calculating expected credit losses. In our examination of the loan portfolio, we also utilised data analyses.
- 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.
- Our IFRS and financial instruments specialists 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 International Financial Reporting Standards (IFRS) as 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 on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 auditors' 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 auditors' 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 auditors' 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

Employees of KPMG Oy Ab have served as auditors elected by the Annual General Meeting since the spring of 2013, representing an uninterrupted engagement of 10 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 in the Annual Report. We have obtained the report of the Board of Directors and the Annual Report prior to the date of this auditors' 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 auditors' 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 22, 2023

Henry Maarala	Sandra Eriksson	Jessica Björkgren
Authorised Public Accountant, KHT	Authorised Public Accountant, KHT	Authorised Public Accountant, KHT
KPMG Oy Ab	KPMG Oy Ab	KPMG Oy Ab
Töölönlahdenkatu 3 A	Töölönlahdenkatu 3 A	Töölönlahdenkatu 3 A
00100 Helsinki	00100 Helsinki	00100 Helsinki

Bank of Åland Group	2022	2021	2020	2019	2018
EUR M					
Net interest income	68.2	62.2	58.9	53.9	54.5
Net commission income	78.4	79.0	66.3	58.0	54.3
IT income	23.5	24.4	21.9	17.5	16.4
Net income from financial items carried at fair value	12.8	−0.4	1.8	3.9	1.5
Other income	1.2	10.8	1.2	0.7	1.0
Total income	**184.1**	**176.0**	**150.1**	**133.9**	**127.6**
Staff costs	−75.5	−71.1	−62.9	−57.0	−57.1
Other expenses	−39.7	−33.8	−30.3	−28.7	−33.4
Statutory fees	−3.4	−2.8	0.0	0.0	0.0
Derpreciation/amortisation and impairment losses on tangible and intangible assets	−13.2	−14.3	−12.3	−11.8	−7.3
Total expenses	**−131.8**	**−121.9**	**−105.6**	**−97.5**	**−97.8**
Profit before impairment losses	**52.3**	**54.1**	**44.6**	**36.4**	**29.8**
Impairment losses on loans and other commitments	−6.2	−4.9	−4.9	−3.2	−0.8
Net operating profit	**46.1**	**49.2**	**39.7**	**33.2**	**29.0**
Income taxes	−9.3	−9.3	−8.2	−6.9	−6.1
Profit for the report period	**36.8**	**39.9**	**31.5**	**26.3**	**22.9**
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	**36.8**	**39.9**	**31.5**	**26.3**	**22.9**
Volume					
Lending to the public	4,303	4,788	4,378	4,110	4,022
Deposits from the public	4,182	4,070	3,605	3,368	3,304
Actively managed assets [1]	8,637	9,826	7,436	6,343	5,177
Managed mortgage loans[2]	1,304	2			
Equity capital	316	332	292	258	242
Balance sheet total	5,898	6,635	6,035	5,607	5,558
Risk exposure amount	1,938	1,976	1,671	1,583	1,578
Financial ratios					
Return on equity after taxes (ROE), % [3]	12.8	14.0	11.6	10.7	9.8
Expense/income ratio[4]	0.72	0.69	0.70	0.73	0.77
Loan loss level, % [5]	0.14	0.12	0.11	0.08	0.02
Gross share of loans in stage 3, % [6]	1.61	1.23	0.89	0.81	0.47
Liquidity coverage ratio (LCR), % [7]	138	139	159	139	120
Net stable funding ratio (NSFR), %[8]	108	109	106	115	113
Loan/deposit ratio, % [9]	103	118	121	122	122
Common equity Tier 1 capital ratio, % [10]	12.0	12.1	14.3	13.4	13.0
Tier 1 capital ratio, % [11]	13.6	13.6	14.3	13.4	13.0
Total capital ratio, % [12]	15.2	15.4	16.5	15.8	15.4
Leverage ratio, %[13]	4.3	4.3	4.2	3.7	3.6
Working hours re-calculated to full-time equivalent positions	854	815	751	700	691
Earnings per share, EUR [14]	2.37	2.55	2.02	1.69	1.48
Equity capital per share, EUR [15]	18.82	19.39	18.76	16.61	15.67
Dividend per share, EUR [16]	2.05	2.00	1.00	1.00	0.70

[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 end of the 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] 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 2022 and was prepared by the Audit Committee of the Board of Directors.

Legislation and recommendations on corporate governance

The Finnish Corporate Governance Code ("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 2022, the Board consisted of seven 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, 2022

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, 2022 (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 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

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, Åsa Ceder, 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 2022, the Board held 22 (22) meetings. The Board members' average attendance was 97 (98) per cent. During 2022, each Board member attended Board and committee meetings as follows:

Attendance at Board meetings, 2022

Board member	Board meetings Total number: 22
Nils Lampi	21/22
Christoffer Taxell	22/22
Åsa Ceder	22/22
Anders Å Karlsson	22/22
Mirel Leino-Haltia	17/17[1]
Ulrika Valassi	22/22
Anders Wiklöf	21/22

[1] Board member since the AGM on March 30, 2022.

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 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 2022 the Nomination Committee met 2 (3) times. The average attendance of Committee members was 100 (100) per cent.

Attendance at Nomination Committee meetings, 2022

Member	Nomination Committee meetings Total number: 3
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 10 (10) times.

The average attendance of Committee members was 100 (100) per cent.

Attendance at Audit Committee meetings, 2022

Member	Audit Committee meetings Total number: 10
Ulrika Valassi, *Chairman of the Committee*	10/10
Anders Å Karlsson	10/10
Mirel Leino-Haltia	7/7[1]
Nils Lampi	10/10

[1] Member of the Audit Committee since the AGM on March 30, 2022.

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 2022 the Compensation Committee met 4 (3) times. The average attendance of Committee members was 100 (100) per cent.

Attendance at Compensation Committee meetings, 2022

Member	Audit Committee meetings Total number: 4
Agneta Karlsson, *Chairman of the Committee*	4/4
Nils Lampi	4/4
Christoffer Taxell	4/4

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 2022 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, 2022

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, 2022 (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: 36,365
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: 35,304
Tove Erikslund Chief Administrative Officer	Master of Business Administration Born 1967 Member since 2006	Series A shares: 0 Series B shares: 7,613
Sofie Holmström Manager, Partnerships Business Area	Master of Science, IT Management Bachelor of Commerce, Business Administration 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: 18,013
Mikael Mörn Director, Åland Business Area	Associate of Arts in Commerce Born 1965 Member since 2017	Series A shares: 0 Series B shares: 6,426
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: 13,698
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: 9,700

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. The corporate unit also 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 2022. 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 its Articles of Association, the Bank shall have at least three auditors and the necessary number of deputies for them. An auditor is appointed yearly at the Annual General Meeting (AGM) for the period up to the end of the next Annual General Meeting.

The latest AGM in 2022 re-elected Fredrik Westerholm, CGR, and Henry Maarala, CGR, as auditor. It also elected Sandra Eriksson, CGR, as auditor. The firm of KPMG Oy Ab was re-elected as deputy auditor.

During 2022, Group companies paid a total of EUR 434,175 (463,681) including value-added tax for auditing fees. In addition, they paid EUR 283,344 (301,442) 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 2022, 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

Åsa Ceder

Business owner
Master of Science in Economics
Actuary
Born 1965
Board member since 2016

Anders Å Karlsson

Business owner
Bachelor of Commerce
Born 1959
Board member since 2012

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

Mirel Leino-Haltia

PhD (Econ.), CFA
Born 1971
Board member since 2022

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, 2022

JANUARY

January 21, 2022	The Bank of Åland will transfer most of its Swedish mortgage portfolio to Borgo AB
January 27, 2022	Ålandsbanken Abp announces amendment of terms and conditions for its Covered Bonds due 2025

FEBRUARY

February 2, 2022	Bank of Åland Plc: Year-end Report for the period January–December 2021
February 3, 2022	Ålandsbanken Abp announces timeline and measures in conjunction with the issuer change of covered bonds
February 14, 2022	Bank of Åland Plc: The transfer of Swedish mortgage loans and covered bonds from the Bank of Åland Plc to Borgo AB has been implemented
February 23, 2022	The 2021 Annual Report of the Bank of Åland Plc has been published
February 26, 2021	Bank of Åland's targeted share issues for implementation of the variable compensation system for members of the Executive Team and key individuals

MARCH

March 16, 2022	Managers' Transactions (Erikslund)
March 16, 2022	Managers' Transactions (Eurell)
March 16, 2022	Managers' Transactions (Wiklöf)
March 16, 2022	Managers' Transactions (Rauthovi)
March 17, 2022	Managers' Transactions (Mörn)
March 17, 2022	Managers' Transactions (Salonius)
March 17, 2022	Managers' Transactions (Johansson)
March 18, 2022	Managers' Transactions (Holmström)
March 29, 2022	Bank of Åland Plc to annul own shares held by the Company
March 30, 2022	Bank of Åland Plc: Decisions at the 2022 Annual General Meeting of the Bank of Åland Plc (Ålandsbanken Abp)

APRIL

April 26, 2022	Bank of Åland Plc: Interim Report for the period January–March 2022
April 26, 2022	Bank of Åland Plc launches share savings programme for employees
April 27, 2022	Managers' Transactions (Eurell)

JUNE

June 16, 2022	Bank of Åland Plc to increase prime rate

JULY

July 13, 2022	Bank of Åland Plc: Standard & Poor's raises credit rating of Bank of Åland Plc
July 19, 2022	Bank of Åland Plc: Half-Year Financial Report for the period January–June 2022

SEPTEMBER

September 14, 2022	Bank of Åland Plc to increase prime rate
September 19, 2022	Managers' transactions (Lampi)

OCTOBER

October 19, 2022	Carola Nilsson new Managing Director of Ålandsbanken Fondbolag Ab
October 25, 2022	Bank of Åland Plc: Interim Report for the period January–September 2022
October 28, 2022	Managers' transactions (Lampi)
October 28, 2022	Bank of Åland Plc: Financial information and Annual General Meeting, 2023

NOVEMBER

November 14, 2022	Ålandsbanken Abp: Notification of an application for the admission of the second tranche of a security to trading in a regulated market
November 28, 2022	The Bank of Åland has repurchased 250,000 of its own shares

DECEMBER

December 14, 2022	Bank of Åland discontinues buy-backs of own shares
December 21, 2022	Bank of Åland Plc to annul own shares held by the Company

In addition, during the periods February 9–March 23 and May 25–December 13, 2022, the Bank carried out buy-backs of its own shares on a regular basis and published stock exchange releases about them, but not in English.

Address list

Bank of Åland Plc

Mariehamn
HEAD OFFICE
Street address: Nygatan 2
Postal address: PB 3
AX-22100 Mariehamn
Åland, Finland
Telephone +358 204 29 011
city@alandsbanken.ax

Finström
Von Knorringsvägen 1
AX-22410 Finström
Åland, Finland
Telephone +358 204 291 660
godby@alandsbanken.ax

Kumlinge
– cooperation with Åland Post
Kumlingeby
AX-22820 Kumlingeby
Åland, Finland
Telephone +358 18 636 772
aland@alandsbanken.ax

Kökar
– cooperation with Åland Post
Karlby
AX-22730 Karlby
Åland, Finland
Telephone +358 18 636 773
aland@alandsbanken.ax

info@alandsbanken.ax
www.alandsbanken.ax

Helsinki
Bulevardi 7
FI-00120 Helsinki, Finland
Telephone +358 204 293 600
bulevarden@alandsbanken.fi

PRIVATE BANKING
Bulevardi 7
FI-00120 Helsinki, Finland
Telephone +358 204 293 600
private.banking@alandsbanken.fi

Tampere
Hämeenkatu 8
FI-33100 Tampere, Finland
Telephone +358 204 293 200
tammerfors@alandsbanken.fi

Vaasa
Hovioikeudenpuistikko 11
FI-65100 Vaasa, Finland
Telephone +358 204 293 300
vasa@alandsbanken.fi

Turku
Hansakortteli
Eerikinkatu 17
FI-20100 Turku, Finland
Telephone +358 204 293 100
abo@alandsbanken.fi

Parainen
Kauppiaskatu 24
FI-21600 Parainen, Finland
Telephone +358 204 293 150
pargas@alandsbanken.fi

Oulu
Kirkkokatu 17B, 3rd floor
FI-90100 Oulu, Finland
Telephone +358 204 29 011
uleaborg@alandsbanken.fi

info@alandsbanken.fi
www.alandsbanken.fi

Stockholm
Stureplan 19
SE-107 81 Stockholm, Sweden
Telephone +46 8 791 48 00
bankkontoret@alandsbanken.se

Gothenburg
Kungsportsavenyen 1
SE-411 36 Gothenburg, Sweden
Telephone +46 31 333 45 00
goteborg@alandsbanken.se

Malmö
Carlsgatan 3
SE-211 20 Malmö, Sweden
Telephone +46 40 600 21 00
malmo@alandsbanken.se

info@alandsbanken.se
www.alandsbanken.se

ÅLANDSBANKEN FONDBOLAG AB

Mariehamn
PB 3
AX-22101 Mariehamn
Åland, Finland
Telephone +358 204 29 088
fond@alandsbanken.fi

CROSSKEY BANKING SOLUTIONS AB LTD

Mariehamn
HEAD OFFICE
Elverksgatan 10
AX-22100 Mariehamn
Åland, Finland
Telephone +358 204 29 022

Helsinki
Unioninkatu 13
FI-00130 Helsinki
Telephone +358 204 29 022

Turku
Lemminkäisenkatu 32
FI-20520 Turku, Finland
Telephone +358 204 29 022

information@crosskey.fi
www.crosskey.fi

Stockholm
Rådmansgatan 40
SE-113 58 Stockholm, Sweden
Telephone +46 8 791 49 00
information@crosskey.se
www.crosskey.se