

# Annual Report 2024

Going our own way

**ÄLANDSBANKEN**



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## Financial calendar

The Bank of Åland will publish the following Interim Reports during the 2025 financial year:

- January–March Interim Report April 29, 2025
- January–June Half-Year Financial Report July 18, 2025
- January–September Interim Report October 24, 2025

The Annual Report and all Interim Reports will be published on the Bank's website: [www.alandsbanken.fi](http://www.alandsbanken.fi)

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 2024, the middle rate for EUR 1 was USD 1.0389 and SEK 11.4590.

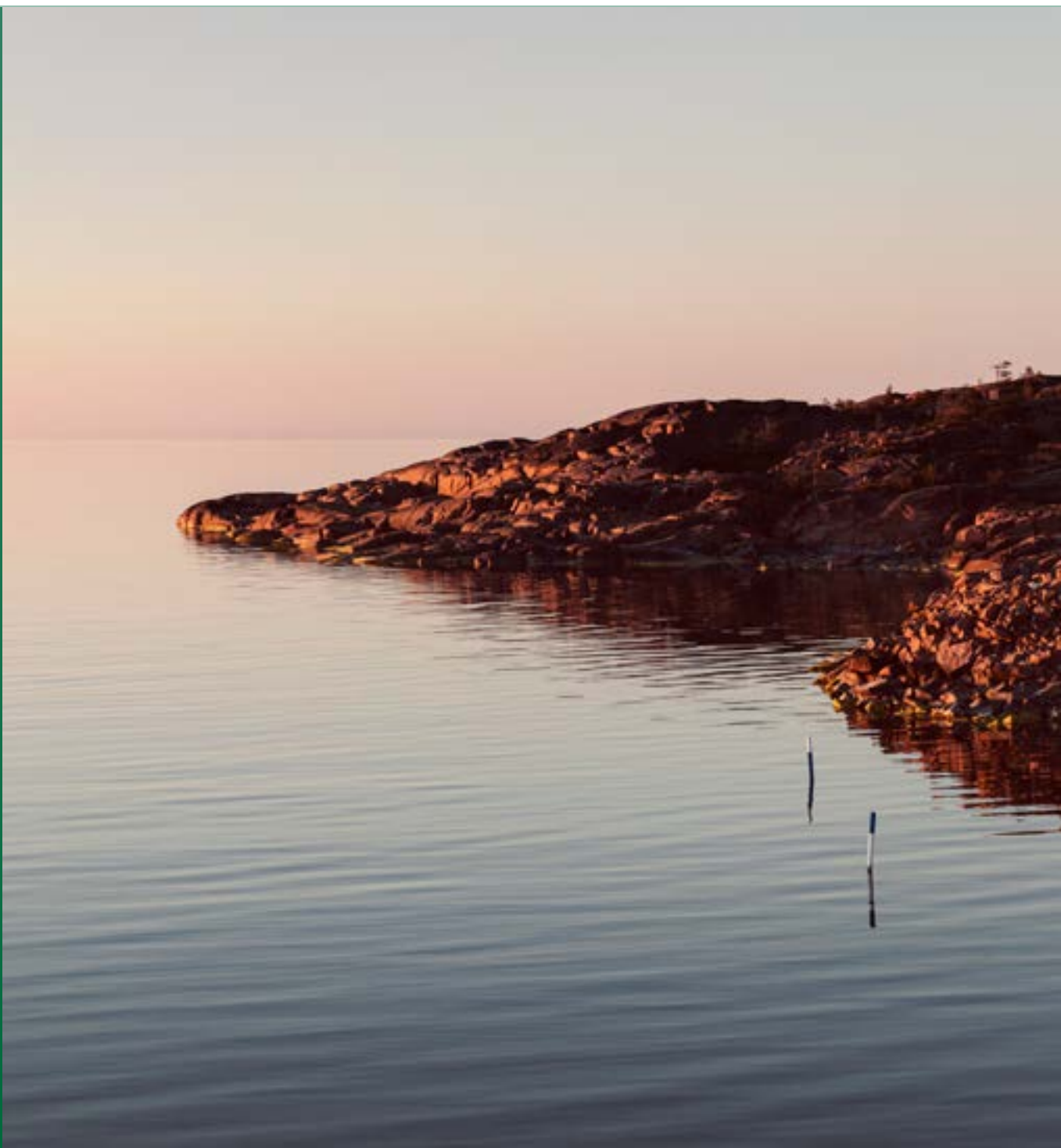
“The Bank” refers to the Bank of Åland Plc (Ålandsbanken Abp), Parent Company of the Bank of Åland Group. Amounts have generally been rounded off to millions or thousands, but percentage figures, totals, ratios etc. are calculated on the exact amounts. The abbreviation M refers to million(s), and K means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

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



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# The Bank of Åland

- The Bank of Åland (Ålandsbanken) was founded in 1919 as Ålands Aktiebank and has 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 elsewhere in Finland: Helsinki, Tampere, Vaasa, Oulu, Turku and Parainen. In Sweden, the Bank has offices in Stockholm, Gothenburg and Malmö.
- The Group includes two subsidiaries: the fund management company Ålandsbanken Fondbolag Ab and the information technology (IT) company Crosskey Banking Solutions Ab Ltd.
- Åland, the Bank of Åland is 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 has a niche strategy targeted to entrepreneurs, wealthy families and individual customers with sound finances. We offer two concepts: Private Banking and Premium Banking.
- Over the years, the Bank of Åland has established itself as an innovative pioneer in the financial services sector. Our Premium Banking concept was launched in 2004 and has developed into a model followed by our competitors in the Nordic countries. In 2016, with the Åland Index, we created an international standard for measuring the climate impact of private consumption.
- The Bank of Åland has business partnerships with various financial technology (fintech) companies. We also supply services to companies in the financial services sector. The Bank is a shareholder in several of our partner companies.
- The Bank of Åland offers its customers financial products that benefit them economically, but at the same time contribute to sustainable development. The Baltic Sea Account is a good example. Including the 2024 total, the Baltic Sea Account has contributed nearly EUR 5 million over the years to projects that improve and protect the environment.





# Financial summary

Bank of Åland Group	2024	2023	2022	2021	2020
EUR M					
Income					
Net operating profit	65.0	61.7	46.1	49.2	39.7
Profit for the year attributable to shareholders	52.3	48.7	36.8	39.9	31.5
Volume					
Lending to the public	3,576	3,859	4,303	4,788	4,378
Deposits from the public	3,521	3,585	4,182	4,070	3,605
Actively managed assets	10,616	9,776	8,637	9,826	7,436
Managed mortgage loans	3,080	2,716	1,304	2	
Equity capital	336	335	317	332	292
Risk exposure amount	1,643	1,774	1,938	1,976	1,671
Financial ratios					
Return on equity after taxes (ROE), %	17.9	17.2	12.8	14.0	11.6
Expense/income ratio	0.68	0.68	0.72	0.69	0.70
Loan loss level, %	0.10	0.05	0.14	0.12	0.11
Gross share of loans in Stage 3, %	1.63	1.61	1.61	1.23	0.89
Liquidity coverage ratio (LCR), %	169	156	138	139	159
Loan/deposit ratio, %	102	107	103	118	121
Common equity Tier 1 capital ratio, %	14.5	13.7	12.1	12.1	14.3
Tier 1 capital ratio, %	16.3	15.3	13.6	13.6	14.3
Total capital ratio, %	18.1	17.1	15.2	15.4	16.5
Working hours re-calculated to full-time equivalent positions	977	906	854	815	751
Earnings per share, EUR	3.41	3.18	2.37	2.55	2.02
Equity capital per share, EUR	19.95	19.98	18.85	19.39	18.76
Dividend per share, EUR	2.75 <sup>1</sup>	2.65	2.05	2.00	1.00

<sup>1</sup> Proposed by the Board of Directors for approval by the Annual General Meeting.



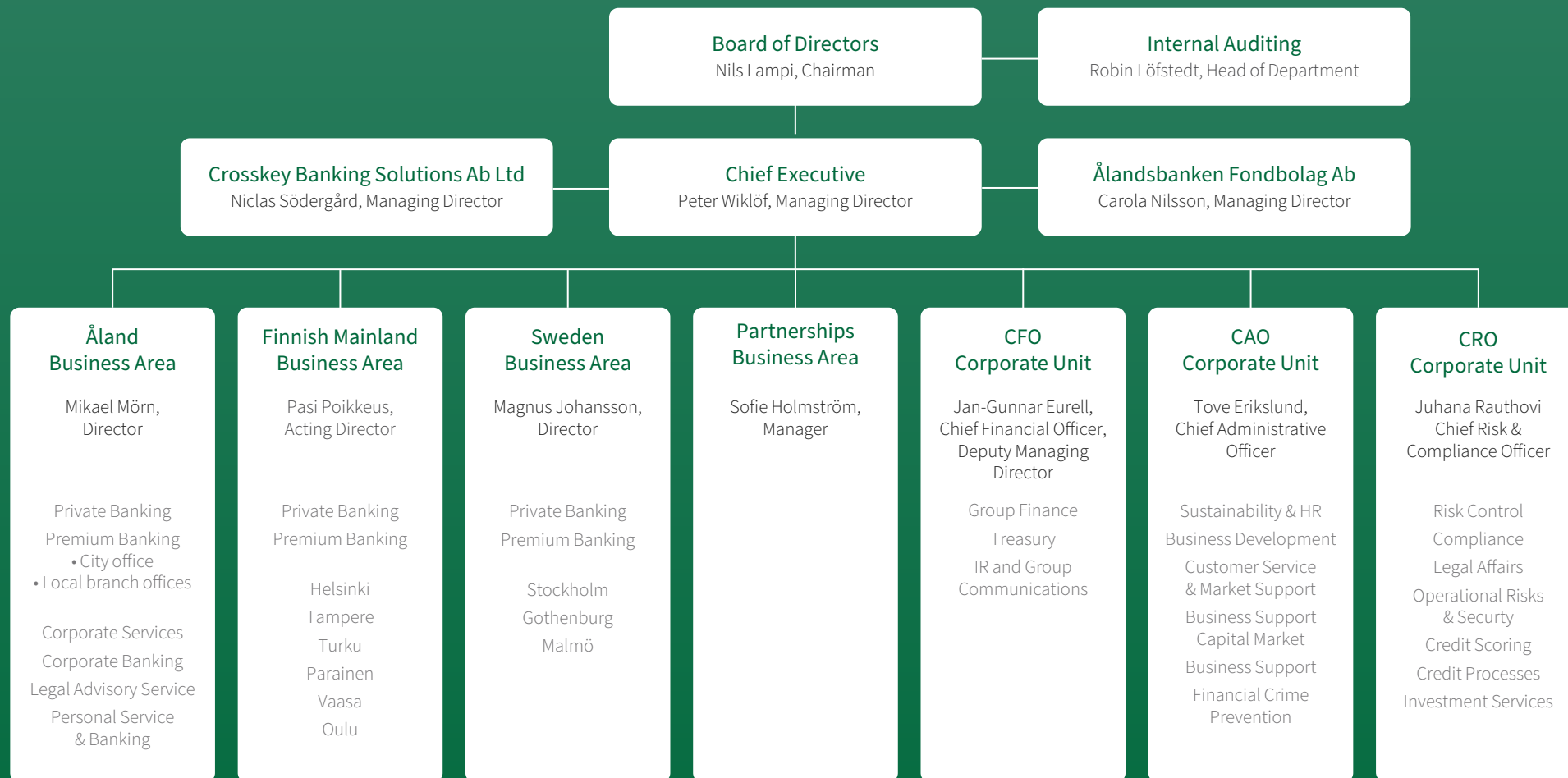
# Legal group structure



For further details on group structure, see Note G40.



# Organisational chart

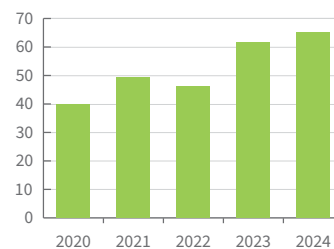


# The year 2024 in brief

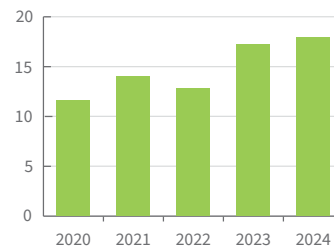
## Financial summary of 2024

- Net operating profit increased by 5 per cent and amounted to EUR 65.0 M (61.7).
- Earnings per share increased by 7 per cent to EUR 3.41 (3.18).
- Return on equity after taxes (ROE) increased to 17.9 per cent (17.2).
- Core income in the form of net interest income, net commission income and IT income increased by 5 per cent to EUR 215.6 M (205.2).
- Total expenses increased by 6 per cent to EUR 147.3 M (138.4).
- Net impairment losses on financial assets (including recoveries) totalled EUR 4.0 M (2.2), equivalent to a loan loss level of 0.10 per cent (0.05).
- Actively managed assets increased by 9 per cent to EUR 10,616 M (9,776).
- Deposits fell by 2 per cent to EUR 3,521 M (3,595).
- Lending fell by 7 per cent to EUR 3,576 M (3,859).
- Home mortgage loans under management increased to EUR 3,080 M (2,716).
- The common equity Tier 1 capital ratio increased to 14.5 per cent (13.7).
- The Board of Directors proposed a dividend of EUR 2.75 per share (2.65), of which EUR 2.40 per share as a regular dividend (2.40) plus EUR 0.35 per share as an extra dividend (0.25).

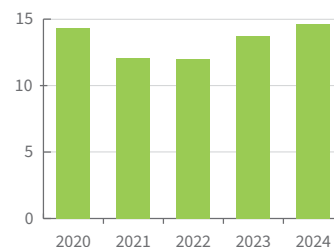
Net operating profit  
EUR M



Return on equity after taxes (ROE)  
Per cent



Common equity Tier 1  
capital ratio  
Per cent







## Milestones during 2024

### Q1

#### First quarter

- The Bank of Åland issued 21,809 Series B shares to fulfil the Bank's obligations under the 2023/2024 employee share savings programme.
- In addition, 14,411 Series B shares were issued as a result of the Bank's commitment under the employee incentive programme.
- For the first time, Moody's Ratings gave the Bank of Åland a credit rating. This rating was higher than the one from S&P Global Ratings.
- The Annual General Meeting (AGM) on March 26, 2024 approved the distribution of a dividend of EUR 2.65 per share for the financial year 2023 (a regular dividend of EUR 2.40 plus an extra dividend of EUR 0.25). This was equivalent to an amount of EUR 40.7 M.
- The AGM elected Malin Lombardi as a new member of the Board of Directors and re-elected Board members Nils Lampi, Christoffer Taxell, Mirel Leino-Haltia, Anders Å Karlsson, Ulrika Valassi and Anders Wiklöf. At the statutory meeting of the Board on the same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board.

### Q2

#### Second quarter

- The Bank of Åland chose to have Moody's as its sole rating agency. S&P Global Ratings (S&P) thus withdrew all its ratings of the Bank of Åland.
- The third and final transfer of Swedish home mortgage loans from the Bank of Åland to Borgo was completed on June 10. The nominal amount of the mortgage portfolio that was transferred was SEK 3.0 billion. The transfer had no significant effect on the Bank of Åland's earnings, but it freed up liquidity and capital.
- The Bank of Åland's Ålandsbanken Kort Företagsränta, a short-term corporate bond fund, was named the best Nordic fund in its category by Refinitiv Lipper for the second year in a row.
- The Baltic Sea Project contributed EUR 574,000 to various projects that promote the health of the Baltic Sea.

### Q3

#### Third quarter

- For the fifth time in the past six years, the Bank of Åland reported a new record net operating profit after nine months. Quarterly net operating profit was the best of the year, with a return on equity after taxes of 19.0 percent.

### Q4

#### Fourth quarter

- For the fourth year in a row, the Bank of Åland was named Finland's best Private Banking operator in Kantar Prospera's Private Banking Finland survey.
- Ålandsbanken Fondbolag (the Bank's asset management subsidiary) launched the Ålandsbanken Norden Dividend mutual fund. This is a unique, actively managed equity fund that invests in Nordic quality companies with reasonable valuations and with good, stable dividend yields.
- The Bank of Åland issued 22,912 Series B shares to fulfil the Bank's obligations under the 2023/2024 employee share savings programme.



# Statement by the Bank of Åland's Managing Director: Our best net operating profit ever, EUR 65 million

During 2024, we saw central banks change their stance. Having fought high inflation in 2023 by raising their key interest rates, they switched to a more stimulative policy by cutting their key rates. They also shifted their focus to getting economic growth moving again after inflation seemed defeated, at least in the short term.

Even though the Ukraine war was entering its third year, while Israel and Hamas continued their war in the Middle East, we could see optimism in the world's stock markets. One of the few exceptions, again, was the Finnish stock exchange, which fell by 6 per cent during 2024 while the Stockholm exchange rose by the same percentage. The American stock market soared by over 20 per cent, largely driven by the seven stocks widely known as the "magnificent seven".

Short-term market interest rates, which began 2024 at around 4 per cent, fell to just above 2.5 per cent by the end of the year. One consequence of falling market interest rates was that we began to see shrinking interest margins among Swedish and Finnish banks. The Bank of Åland was no exception here.

Despite falling market interest rates, there was still little appetite in Finland for new

borrowing, either among home mortgage loan customers or businesses. In Sweden, risk appetite among mortgage borrowers seemed a little higher, but the mood there was still relatively cautious.

The Swedish krona remained weak throughout 2024, hovering at just below SEK 11.50 per EUR. A weak Swedish krona is unfavourable to the Bank of Åland's earnings and volume growth, since our financial reporting is in euros.

## Continued growth in assets under management but a smaller balance sheet

During 2024, we saw a continued inflow of new customers to the Bank. Thanks to a mainly positive performance in the world's equity markets and a net inflow of EUR 240 M into our financial investment products, we were able to close the year at a new record level of EUR 10.6 billion in



Peter Wiklöf, Managing Director.



terms of actively managed capital. This was 9 per cent higher than our 2023 record figure.

Overall income from asset management in our financial investment services was very good during 2024, and we can clearly demonstrate the added value we can offer our customers. One exception was our Housing Fund, which had to struggle with a weak residential real estate market. We saw that this also happened to our competitors' corresponding funds.

### Lending decreased as planned

Our lending decreased by 7 per cent to EUR 3,576 M. The main reason for this shrinking volume was that as planned, we carried out our third migration of Swedish home mortgage loans to the mortgage company Borgo, which we own together with ICA Bank, Ikano Banken, Söderberg & Partners and Sparbanken Syd. During the summer, we handed over mortgage loans with a total value of SEK 3.0 billion. If we disregard this migration, we had a slightly higher lending volume, but it was clear that customers were still hesitant to take out new loans.

The volume that we handle for Borgo (managed mortgages) – with our subsidiary Crosskey managing its IT operations while the Bank of Åland's corporate units handle most of Borgo's other day-to-day transactions – increased by 13 per cent during the year to EUR 3,080 M.

The Bank of Åland does not bear any credit risk in this collaboration but is only a service provider.

### Deposits remained at previous levels

Deposits ended 2024 at EUR 3,521 M, which was marginally lower than one year earlier. Early in

2024, we continued to see many customers choosing to use their deposits to pay down their loans, which now had clearly higher interest rates than they had had in previous years. In the fourth quarter, however, we saw rising deposit volume.

### Increased total income

During 2024, total income increased by 7 per cent to EUR 216.4 M. Higher market interest rates contributed to better margins and a 5 per cent higher net interest income than in 2023. Towards the end of the year, however, we saw falling market interest rates beginning to have a negative impact on margins.

Net commission income remained at the previous year's level of EUR 76.4 million. In 2023, our commission income benefited from performance-related income of EUR 4 million. In 2024, we did not have any corresponding income. This means that underlying commission income increased primarily thanks to higher customer activity on the financial investment side and higher customer volume in actively managed assets.

Our IT income rose by 22 per cent to EUR 35.1 M. New customers at Crosskey and several significant projects led to a clear increase in project income. Crosskey's order book looks good all the way into 2026.

### Also increased total expenses

During 2024, total expenses increased by 6 per cent to EUR 147.3 M, which was in keeping with our expectations. We continued to invest in more employees. Converted into full-time equivalent hours, our headcount increased by 71 positions or 8 per cent to 977. Staff costs rose by 8

per cent to EUR 87.9 M. We are now seeing a decreasing need for new services both in the corporate units and in our business, since we have already recruited employees to enable us to handle rising customer volume.

Other expenses increased by 13 per cent to EUR 47.1 M. One reason for rising expenses in this area was costs related to customers who were exposed to various types of telephone and SMS fraud. The Bank of Åland has invested in both information campaigns and improved opportunities to offer customers additional security measures.

During 2024, our statutory fees fell to zero from EUR 3.2 million in the previous year, since the stability funds collected from banks at the EU level have now reached their target amounts.

### Record-high earnings

We closed 2024 with a net operating profit of EUR 65.0 million, which was 5 per cent better than in 2023. Over the past six years, the Bank of Åland has delivered a net operating profit that has set new records on five occasions. During this year, it was our net interest income and IT income that took big steps in the right direction. In our previous record-setting years, it was usually our net commission income that gave us higher earnings despite a negative interest rate environment, due to rising asset management volume.

Our ability to generate record earnings regardless of the interest rate environment or turbulent times demonstrates that the Bank has a smoothly functioning and well-diversified business model today.

The Bank's long-term financial target is to generate a return on equity after taxes (ROE) exceeding 15 per cent. In 2024, we achieved a return of 17.9 per cent. We have also announced that we expect ROE to continue to exceed our long-term target of 15 per cent in 2025.

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

We usually describe what we do with the words:



We deliver a large bank's range of services with a smaller bank's thoughtfulness and good sense.

Living up to this description requires knowledgeable employees. The knowledge they need to possess not only applies to how our services work or how markets and regulations work but must also include a large portion of soft values, such as knowing how to adapt to a customer's needs and how to fit into our ever-expanding team at the Bank of Åland.

To support each other in this effort, we work continuously with corporate cultural issues that guide us on the path we choose. On December 20, we moved into our completely renovated Head Office in Mariehamn, which has gained two



more floors – the so-called Copper Building. For about 18 months, our employees had been relocated to various places in Mariehamn, but now we are able to move back in together. This will facilitate our team building and continued corporate cultural work.

As we consciously work with these issues, it was especially gratifying to take part in Kantar Prospera's customer survey, where we were named Finland's best Private Bank for the fourth year in a row. Two of the categories that customers value the most, according to the survey – willingness to provide service and personalised contact – were categories that we won. In addition, the Bank of Åland was the bank that customers were most likely to recommend. Of the thirteen categories measured, we came out as number one in nine categories. With this type of award, we feel even more convinced that we should continue to operate as a bank that cultivates long-term relationships.

During the year, we were also able to see continued high customer satisfaction figures in our own surveys within our Premium customer segment.

Among our employees, we regularly monitor many different areas, but one metric that summarises large parts of this is our commitment index. It was gratifying to see the average score climb during 2024.

### Sustainability issues – an increasingly clear part of our everyday lives

Since 1997, the Bank of Åland has worked together with our customers on sustainability issues. This shows that we are not doing so just

because the authorities are now beginning to demand action from all banks, but we are doing it out of our own conviction.

This is natural at a bank that thinks long-term, and we wish to contribute to meeting the United Nations sustainable development goals.

During 2024, we worked our way deeper into the various dimensions of sustainability issues. We have clear targets and are measuring our impact in more and more areas. Through our double materiality analysis, we have a good insight into both our direct impact as a company and the indirect impacts caused by our services and products. In some areas, it must be noted that the answers that emerge are not always exact, but they do provide us with guidance.

During the year, extensive work was done to enable us to comply with the requirements of the European Union's new Corporate Sustainability Reporting Directive (CSRD). A direct consequence of this extensive effort is our new sustainability report, which comprises a total of 117 pages.

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

### Continuing on our chosen path

When we look at the trust that more and more customers choose to give us, combined with the fact that it is demonstrably possible to run a

relationship bank in a profitable way, we are increasingly convinced that we should continue along our chosen path without the need for major changes. Meanwhile, we know that there are many areas where we can still improve, and that is where we will exert our efforts in the coming years.

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

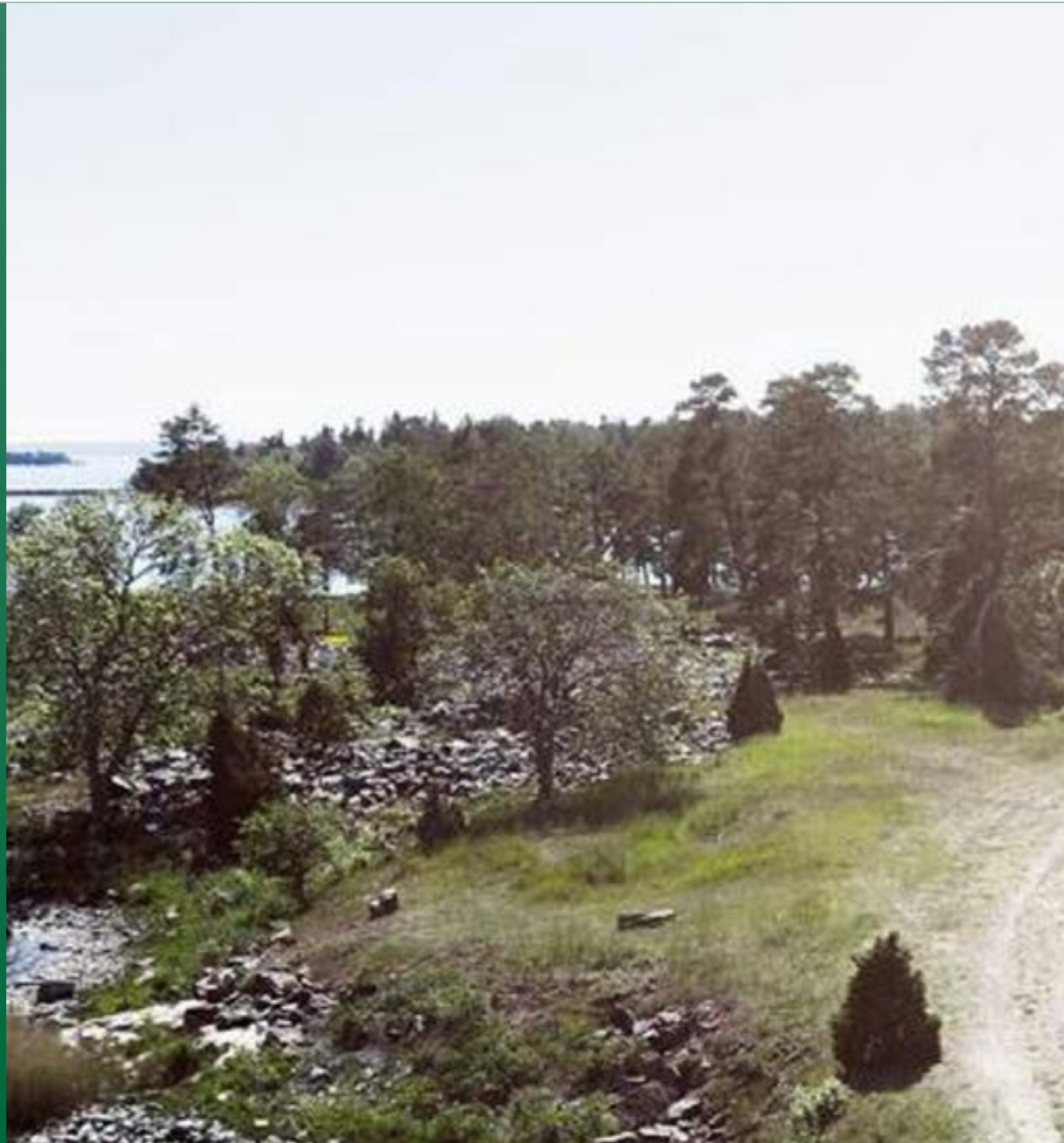
Peter Wiklöf  
Managing Director



# Strategy and value creation

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## Daring to go our own way

In an era when large banks are increasing their investments in digitisation and AI, in order to provide mass service to more customers with fewer physical contacts, a new need arises – the need for a bank where every customer feels seen, heard and appreciated. The Bank of Åland has a century behind it as an independent, innovative and customer-oriented bank. We believe that in-person meetings are crucial for building solid long-term relationships. 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 our 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 Åland, on the Finnish mainland and in Sweden.
- We offer Banking as a Service (BaaS). Our target group is companies that want to offer their customers banking services under their own brand.
- We offer IT as a Service (ITaaS). Our target group is financial service companies that need IT services to enable them to deal with their own customers.

### Our vision

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

### Our position

The Bank of Åland is a bank for investors, with financing know-how.





We generate 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 are seeing a clear desire by customers to meet their personal contact at the Bank and preserve physical meetings. The Bank of Åland is growing within its 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. As a testament to our efforts and our customers' appreciation, we were named Finland's best Private Banking operator in 2024 for the fourth year in a row.

### Customer relationships and trust

All long-term, sustainable banking business is based on trust. This is especially evident in the way 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.

### Growth

The Bank of Åland has a growth strategy, with the ambition to grow our asset management operations and banking operations as well as our IT operations.

### Good service via all channels

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, personalised 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 and our mobile banking app give customer a clear overview and enable them seamlessly manage their everyday finances.

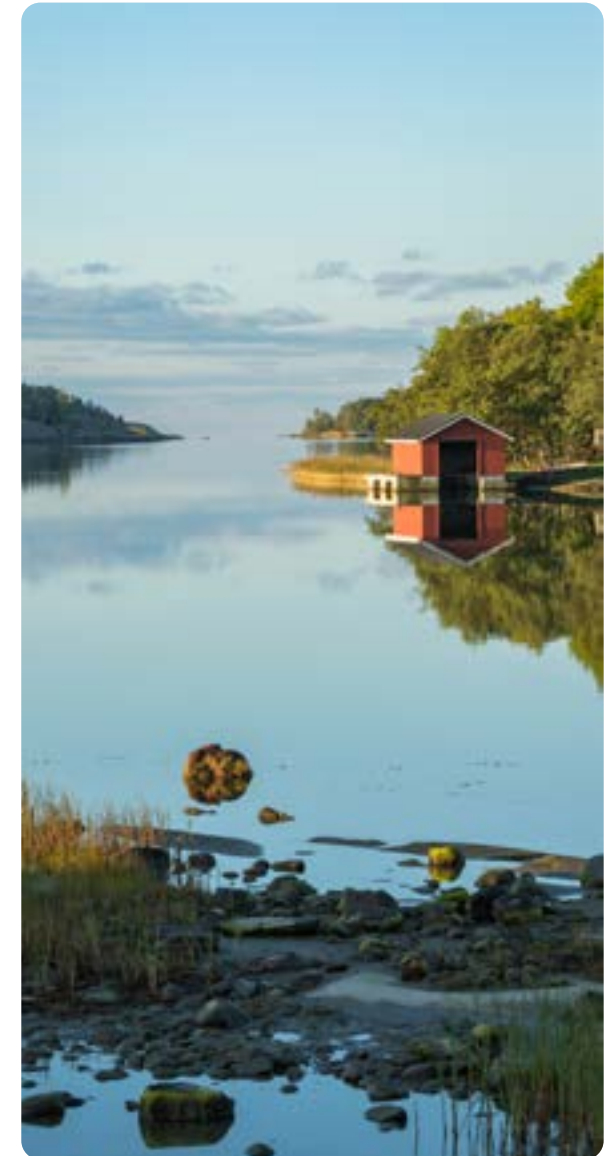
### An ever-broadening range of partnerships

For a long time, we have collaborated with other market players within the IT field via our subsidiary Crosskey Banking Solutions. Over the years, our offering has expanded. Today we have 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.

### Sustainability is a central element of our identity

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

Our long-term target is to become a climate-neutral group and to achieve net-zero emissions of greenhouse gases no later than 2050, in line with the Paris Agreement. In the social sustainability area, we work actively with targets and metrics to ensure the commitment and well-being of our employees. In a broader societal context, we work to safeguard a healthy culture related to risks and ethics, while using all available means to thwart every kind of financial crime.





# Overall targets and outcomes

Our operational governance is based on a balanced perspective – where our customers, employees, shareholders and other stakeholders are given the opportunity to generate long-term value over time. During 2024, we updated our operational governance to meet the new requirements set out in the European Union’s Corporate Sustainability Reporting Directive (CSRD) and our double materiality analysis. Our financial governance model was supplemented with sustainability targets and key performance indicators that guide us towards our target of becoming a climate-neutral bank, with continued

good profitability. We have embarked on a long journey, where access to data is one of the biggest challenges. Our operational governance will thus evolve as more data become available.

Our management by objectives begins with the Board of Directors, together with the Managing Director and the rest of 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 2024, we worked towards the following targets:

## 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. To track how well we are succeeding, every year, the Bank of Åland conducts a survey among our Private Banking customers in which we use a Customer Satisfaction Index (CSI), as well as measuring customer loyalty among our Premium Banking customers using a Net Promoter Score (NPS).

In 2024, the Bank of Åland was named Finland’s best Private Banking operator for the fourth year in

a row. At the same time, our customers’ willingness to recommend the Bank of Åland remained high.

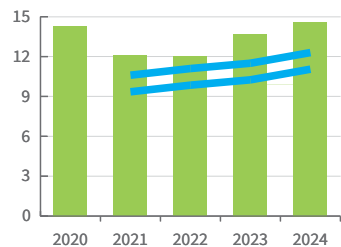
The Bank’s result according to the customer satisfaction index, CSI<sup>1</sup>: Our target was 1, and the outcome was 1.

The Bank’s result according to the Net Promoter Score, NPS<sup>2</sup>: Our target was more than 50, and the outcome was 53.

## Social responsibility

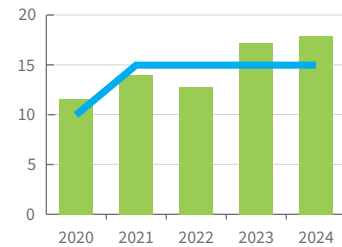
The Bank of Åland’s objective as an employer is to have motivated, committed and healthy employees who are constantly learning.

**Common equity Tier 1 capital ratio**  
Per cent



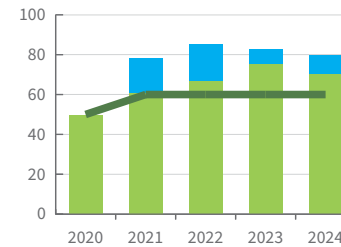
- Common equity Tier 1 capital ratio
- Target range

**Return on equity after taxes (ROE)**  
Per cent



- Return on equity after taxes (ROE)
- Target: Shall exceed 15 per cent over time

**Dividend payout ratio**  
Per cent



- Payout ratio, regular dividend
- Payout ratio, extra dividend
- Target: 60 per cent of profit for the year, or higher, provided that capital adequacy does not fall below target

<sup>1</sup> Official results are not available for the Bank’s Swedish operations.

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





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.

- Employee commitment metric: Target 7.7, outcome 7.5<sup>1</sup>.
- eNPS (employee willingness to recommend the Bank as an employer): Target 26, outcome 18.
- Leadership index: Target 8.1, outcome 7.8<sup>1</sup>.

### Financial targets

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

- Return on equity after taxes (ROE) shall exceed 15 per cent over time. The outcome was 17.9 per cent.

- The common equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75–3.0 percentage points. The outcome was 5.1 percentage points above this requirement.
- The dividend payout ratio shall be 60 per cent of profit for the year, or higher, provided that capital adequacy does not fall below target. The Board's proposal is to distribute 70 per cent of profit for the year as a regular dividend.

### Environmental and climate-related targets

Climate change remains a high priority area for our operations, where the major impacts are in the value chain, mainly downstream.

Based on our most recent materiality analysis, we have identified the circular economy – with a focus on resource efficiency – as the

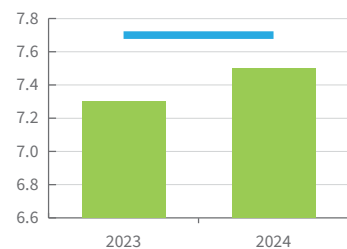
second significant impact area in our lending to individuals and companies. Our objective covers loans that have a high resource consumption and thus also a large impact on the environment and climate, such as projects in the real estate sector. In these areas, there is a great need for transition to a circular economy in order to save as much natural resources as possible. During 2025, we will continue our work to establish a baseline with associated targets. (Our climate-related targets are presented in the sustainability report under E1-4).

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

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

- For mortgage loans, our target is to reduce financed emission intensity (CO<sub>2</sub>e/m<sup>2</sup>) by 26 per cent compared to the base year 2021. The Bank of Åland's total emissions in 2024 were equivalent to an increase of 21 per cent compared to the base year. For home mortgage loans, emission intensity increased by 1 per cent compared to the base year.

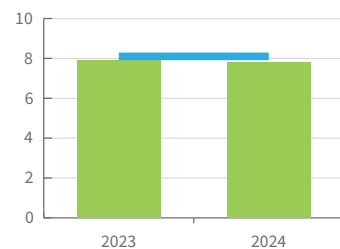
**Employee commitment**  
7.5, compared to target 7.8



● Employee commitment ● Target<sup>1</sup>

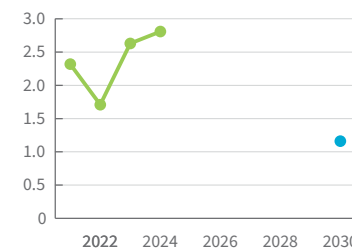
<sup>1</sup> The Bank of Åland's target is for the outcome to exceed the industry index. Maximum outcome 10.

**Leadership index**  
7.8 compared to target 8.1



● Leadership index ● Target<sup>1</sup>

**Greenhouse gases<sup>2</sup>**  
Million tonnes of CO<sub>2</sub>e



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

<sup>2</sup> A small part of the increase is due to our own operational activities, where we see an increase in greenhouse gas emissions driven by purchased goods and services. Much of these increased purchases were attributable to the renovation of the Head Office in Mariehamn. Overall, however, the increase is driven by customers' financial investments, which are in Scope 3 downstream in Category 15. A strong contributing factor here is the fact that the quantity of holdings has increased, with the knock-on effect that greenhouse gas emissions also increase. Data availability is also increasing, as other companies expand their reporting. We believe that comparability between years for these greenhouse gas emissions is still hard to assess, since the quality of Scope 3 data is generally low. There is also a large variation in the extent of reported emissions data between different companies, which means that the data on exposures are not accurate enough to be used for comparisons. To some extent, we are seeing improvements in the reporting from companies we invest in, and a larger percentage of companies are reporting Scope 3. This development is positive, even though the increased amount of data means that our emission figures are rising.



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# Strong growth and exceptional customer loyalty

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

In order to deliver Private Banking service, we provide a team of employees specialising in wealth management, advisory services, 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 business operations on the Finnish mainland and in Sweden.

During 2024, Private Banking continued to attract new customers in our three geographic markets. The fastest growing customer segment is very wealthy customers.

The year was characterised by a cautious attitude in the stock market, which was reflected in commission income. Meanwhile, higher market interest rates in our operations created significantly better conditions for net interest income. However, the net inflow of actively managed capital remained high, despite the turbulent international situation. Including changes in market value, actively managed capital increased by 9 per cent to EUR 10,616 million.

For the fourth year in a row, the Bank of Åland was named Finland's best Private Banking

operator in Kantar Prospera's Private Banking survey. The 2024 survey showed that customers appreciate the Bank's long-term work with customer relationships, wealth planning and sustainability. Our overall performance and customers' willingness to recommend the Bank of Åland were very high, confirming a high level of trust and loyalty among our customers.

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

## Asset management

Ålandsbanken Fondbolag is responsible for the asset management activities of the Bank of Åland Group and conducts its operations in Helsinki, Stockholm and Mariehamn. The fund management company offers a wide range of investment products, also available



From the left: Mikael Mörn, Director of the Åland Business Area; Magnus Johansson, Director of the Sweden Business Area; Carola Nilsson, Managing Director of Ålandsbanken Fondbolag; and Pasi Poikkeus, Acting Director of the Finnish Mainland Business Area.



on platforms other than the Bank of Åland's Private and Premium Banking. The largest volume outside the Bank of Åland is found within the framework of the Swedish premium pension system. However, a procurement process is underway in Sweden, where the number of funds that will be available to Swedish pension savers will be severely limited.

At the end of 2024, assets under management totalled EUR 10.6 billion. Ålandsbanken Fondbolag manages approximately EUR 5 billion in so-called Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs). Operations are conducted in Finland and Sweden.

Environmental, social and governance (ESG) aspects are today fully integrated into the investment process.

In 2024, the market was characterised by continued geopolitical turmoil and two-speed economic growth, with a US economy that kept expanding while China and Europe continued to face headwinds. Despite high volatility, our asset allocation generated positive returns during the year, mainly due to our high exposure to risk assets.

Most of our actively managed mutual funds outperformed their benchmark indices during the year. The Nordic small cap fund Ålandsbanken Nordisk Småbolag and the Ålandsbanken Global fund showed strong returns. European stock markets were challenging, and the equity fund Ålandsbanken Europa Aktie performed slightly below its benchmark index.

The Bank of Åland's fixed income funds performed well, especially those that invested in the short-term fixed income market. Ålandsbanken Kort Företagsränta, a short-term fund focusing on corporate bonds, was named by LSEG Lipper as the best fund in its category in the Nordic region for the second year in a row.

The decline in values in the Finnish housing market, due to weak demand for homes, led to a negative annual return for Ålandsbanken Bostadsfond, a fund that specialises in residential real estate. On the other hand, Ålandsbanken Tomtfond, which specialises in housing sites, managed to achieve the best annual return in its operating history.

Since its inception on December 31, 2020, the average annual return of the specialised mutual fund Ålandsbanken Vindkraft (Wind Power) has been around 9.5 per cent, depending on the fund unit series. Although some hydrogen projects have been delayed, the transmission system operator Fingrid estimates that electricity demand in Finland will increase by more than 50 per cent by as early as 2030. This will generate continued good business potential for the wind power fund in the future.

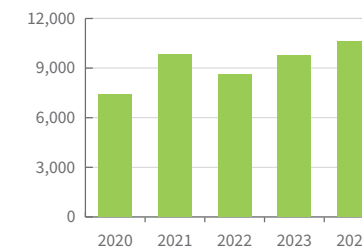
During 2024, Ålandsbanken Fondbolag launched Ålandsbanken Norden Dividend, a new mutual fund that invests in quality companies on Nordic stock exchanges, with a focus on regular dividends. The fund was introduced in the Swedish and Finnish markets during the fourth quarter and had assets under management of EUR 94 million at year-end.

Ålandsbanken Fondbolag also introduced new unit classes in its UCITS funds to attract institutional and professional investors.

In 2025, we expect an investment environment in which inflationary pressures gradually ease, interest rates continue to normalise and economic activity gradually improves. At the end of 2024, our management portfolios had a clear overweight in equities and corporate loans, which reflected an optimistic market view.

Our investment philosophy is based on active ownership of quality companies with reasonable valuations, and we believe that during 2025 this philosophy will continue to have good potential to generate added value for our customers and fund unit holders.

**Actively managed assets**  
EUR M





# Increased customer satisfaction and a strong inflow of new customers

In the Premium Banking business segment, we report all individual and corporate customers who are not Private Banking customers. Put a bit simply, the business segment consists of three customer categories: Premium Banking customers; corporate customers in Åland; and miscellaneous customers, who often have a relationship with other Premium Banking customers.

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

The number of Premium Banking customers grew during 2024. The Finnish Mainland Business Area benefited from the closure of Swedish-based Svenska Handelsbanken's in Finland and attracted many new full-service customers from there but also managed to bring in customers from other banks.

During 2024, the Baltic Sea Account increased sharply in popularity as an attractive and sustainable deposit alternative.

Customer surveys continue to confirm that our customers appreciate the personalised

service we offer. Customer satisfaction increased from 2023, when it was already at a high level. Our customers are highly willing to recommend us to their friends.

We continuously invest in skills enhancement, with our employees participating in both internal and external training during the year.

Our Corporate Services unit is the market leader in Åland and offers a wide range of services and products that are adapted to Åland-based companies.

Our Corporate Banking unit handles large corporate groups with an international focus that are domiciled in the Åland islands. In addition, it offers advanced financing services to existing and potential Private Banking customers on the Finnish mainland and in Sweden. During 2024, interest in the Bank of Åland's Corporate Banking offering increased. Especially pleasing were the financing packages that were devised together with entrepreneurs who also selected us for their financial investment activities.



## Economies of scale for the Bank through external service deliveries

**The Bank of Åland's partnerships mainly include the provision of services to financial service companies with their own operating licences. In addition, there are partnerships with the fintech companies Doconomy and Dreams. We also have ownership stakes in the four partner companies Dreams, Doconomy, Borgo and Plusius.**

The business concept for the Bank of Åland's partnerships can be summarised as achieving economies of scale by using existing resources to a greater extent. The same IT, process and knowledge resources can be used by more people, thereby broadening their benefits. The business area has a wide product range, including business volume for deposits, lending, actively managed assets as well as intermediated payments and mortgages. During 2024, we conducted a customer survey that yielded high scores and showed that our employees are appreciated by and available to our partner organisations, which would be highly likely to recommend partnering with the Bank of Åland to others.

In 2024, the investment climate was tough for companies that need capital to achieve profitability. The number of newly started fintech companies has decreased, while the existing players have had to work hard to fund their

activities. Fortunately, last spring the Bank of Åland's partner Doconomy was nevertheless able to secure SEK 400 million in a funding round with investors such as UBS in Switzerland, Mastercard and US-based Clearvision Ventures. Today, Doconomy is the clear market leader in sustainability calculations for the financial service sector. The Åland Index, which was developed by the Bank of Åland, reaches over 100 banks in more than 30 countries worldwide. This means that more than 850 million people have access to services made possible by the Åland Index.

The challenging investment climate has persuaded the fintech company Dreams, which since 2016 has offered an app for people who want to improve their everyday finances, to focus on both cost savings and adjustments in its strategy in order to continue serving its customer base of over half a million people in Sweden and Norway. In 2025, the Bank of Åland



Sofie Holmström, Manager of the Partnerships Business Area.



will end its collaboration with Dreams, since we see that the company's continued strategy better matches other banking players who want to offer a strong expansion of consumer loan activity.

During 2024, service delivery to Borgo was supplemented with products such as lending for houses and tenant-owned apartments during their construction phase. In June, we made a final transfer of home mortgage loans totalling SEK 3.0 billion from the Bank of Åland's balance sheet to Borgo. After last summer, increased activity in the Swedish mortgage market was noted, and the Bank's lending service to Borgo had about SEK 35 billion in mortgages under management by year-end. The Bank also manages accounts and payment intermediation as well as Treasury, finance and government reporting, including data storage, for Borgo. During the year, another mortgage broker joined Borgo: Lån & Spar, which complements the existing group of intermediaries consisting of ICA Bank, Ikano Bank, Söderberg & Partners, Sparbanken Syd and the Bank of Åland's Swedish operations.

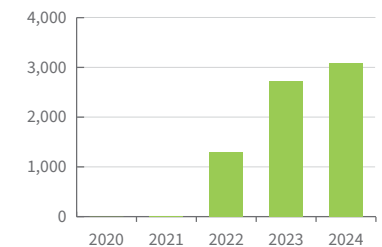
Service deliveries are also available in the area of payments. Licensed operators that offer flexible payment solutions to the market can be offered the use of the Bank of Åland's existing payments infrastructure both in Sweden (in Swedish kronor) and elsewhere in Europe (in euros). In 2024, the number of intermediated payments totalled around 12 million. Commission income from our established partnerships is therefore significant and growing.

During 2025, we expect continued growth, primarily through an increase in mortgage loans

under management and payment intermediation to external actors. This growth will benefit the Bank and provides ever-improving economies of scale as new revenues become increasingly connected to existing services and their associated costs.

In some of the companies that the Bank of Åland collaborates with, we have chosen to take on an ownership role parallel with our supplier role. At the end of 2024, we had ownership stakes in four partner companies: Dreams, Doconomy, Borgo and Plusius.

**Mortgage loans under management**  
EUR M





# We make people's everyday lives and dreams possible

At Crosskey, we are proud that our solutions are used by one-sixth of Finland's population and by a growing proportion in Sweden. For us, it is not just about technology and transactions, but also about the people behind every transaction. Through our banking, card and asset management platforms and solutions, we enhance security and accessibility in people's everyday lives. During 2024, we continued to invest in security solutions and processes to meet increasing cyber-threats and regulatory requirements.

## Focus on stability and security

Crosskey's customers have many end customers who trust us to deliver stable and secure systems every day. Cyber-threats are becoming more and more numerous, and in 2024 we continued to invest in security solutions and processes to ensure the security of our customers. For us, it is about more than just technology – it is about building trust.

Safety and security are fields in which we are determined to continue investing in the years to come, because the safety of our customers is our top priority. We are also seeing how legal requirements are increasing, including the EU's Digital Operational Resilience Act (DORA) and Network and Information System 2 (NIS2), which are driving our entire industry towards stronger focus on security.

Crosskey successfully completed its Payment Card Industry Data Security Standard (PCI-DSS) certification for the twelfth year in a row.

## Milestones in 2024

In 2024, we focused on the implementation project for the POP Bank, a Finnish financial group consisting of 21 cooperative banks, where we plan to go into full production in 2025. At the same time, we successfully completed the migration of Handelsbanken's Finnish retail customer base to S-Bank and assisted our parent company, the Bank of Åland, in migrating its mortgages to Borgo for a third time.

In May 2024, we celebrated another milestone when we migrated the institutional brokerage firm Mangold to our capital markets platform. This platform is now well established in the Swedish market.

The payments field has undergone exciting growth in the Nordic region and in Europe for many years. We have continued with our implementation of the Single European Payments Area's SEPA Instant system and now also the Riksbank's Swedish instant settlement service RIX-INST.



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





### Our employees – the key to success

We strive to build a corporate culture that focuses on knowledge and strong relationships – both with our employees and our customers. During 2024, we welcomed new employees whose skills and commitment will contribute to our shared journey. Today, 412 dedicated employees, an increase of 30, are working to ensure our company’s future.

Crosskey celebrated its 20th anniversary as a company during 2024. It is great to see that so many employees have chosen to stay with us since the start, and it is equally gratifying to see that a number of Crosskey’s customers have been with us for an equally long time – proof that strong relationships are important in a business context.

### Crosskey and AI

Artificial intelligence (AI) has become an important part of our development work. It is an area that is evolving at a furious pace, full of opportunities but also challenges. During 2024, we took our AI development pilot project and expanded it to a larger scale, which means that we are now seeing concrete results from our work. We will continue this exciting journey and look forward to discovering how AI can help us further improve our services in the coming years.

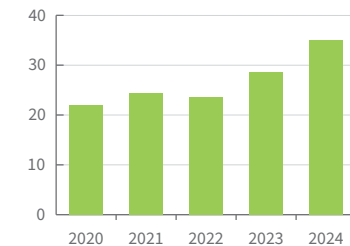
### Sustainability

Sustainability work is an integral part of what we do. For many years, we have ensured that our technical solutions are powered by green electricity, which not only reduces our climate

impact but also ensures a sustainable future.

As for social sustainability, we strive to create a healthy long-term work environment, where work-life balance is crucial – something we promote through flexible hybrid working solutions. We have also expanded our sustainability work and are actively working to increase our reuse of hardware in order to further reduce our environmental footprint.

Non-Group IT revenues, Crosskey  
EUR M



# Corporate units

**The Bank of Åland has three corporate units with a total of 290 employees in Mariehamn, Helsinki, Vaasa and Stockholm.**

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

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

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

## **The corporate units as service providers**

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

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

Borgo is the single largest external collaboration partner. The Bank of Åland's corporate units, together with Crosskey, provide Borgo with turnkey service and related systems – among other things connected to mortgage servicing, certain payment services, deposit services, Treasury services, accounting services and regulatory reporting services.

## **Process efficiency improvement and IT development**

In many areas, the Bank of Åland has



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



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

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

During 2024, development projects focused on reducing operating and licensing costs for IT systems, as well as improving system backup and processes for both customer advisors and the back office. To support this work, we continued to use automation technology in the form of Robotic Process Automation (RPA) and data warehousing.

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

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

in recent years to reduce dependence on consultants and drive development efforts.

In the fields of payments, customers, accounts and financial investments, 2024 was another development-intensive year. This work mainly dealt with adapting the Bank's operations to market and regulatory changes. These changes include everything from increased know-your-customer (KYC) and risk management requirements to major infrastructure reforms – especially in the payments field.

Fraud against our customers remains a challenge that we see in our operations. We work continuously to mitigate the risk of fraudsters exploiting our customers and our systems. By implementing enhanced security measures both in our digital systems and at the product level, refining our monitoring work and educating our customers, we aim to create a safer environment where we can more quickly identify and counteract fraud.

There is still a lot of pressure from the authorities related to payments and the fields of Anti-Money Laundering – Combating the Financing of Terrorism (AML-CFT) and fraud. This is evident in the form of several regulatory and market requirements that will go into effect during 2025–2026. In light of this, we established our Financial Crime Prevention department in late 2024. The department will create even better organisational conditions for effective efforts to combat money laundering, fraud and terrorist financing.

To improve and enhance the customer experience, during 2024 the Bank of Åland continued to digitise customer mailings, with the main

focus on capital market-related mailings.

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 2024 the Group's corporate units worked to define service promises and standard offerings.

In the lending field, during 2024 the agenda was dominated by new regulatory requirements and implementation, including the introduction of a positive credit register in Finland, Basel IV, the development of new credit risk models and process improvements for our partnerships.

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

During 2025, development work by the Bank's corporate units will be dominated by regulatory adjustments to operations. Initiatives to boost efficiency and strengthen the customer experience are being pursued as prioritised development projects and are continuing alongside our ongoing improvement efforts. In the field of capital markets, we also plan to take the next step towards further harmonising systems and processes, so that we will eventually have the same system in Sweden and Finland.

Customer Service volume increased from 10,500 cases per month during 2023 to an average of 11,800 cases per month during 2024. Customers can contact the Bank's Customer

Service by phone and via the Internet Office and the Mobile Bank, as well as by email and online chat. The customer survey that we conducted showed that Customer Service maintains high quality in its customer encounters. Customers rated their overall satisfaction at 88 on a scale of 0–100. Our target was to achieve a rating of 90.

During 2024, the Human Resources department implemented a so-called Learning Management System (LMS), KeyCourse, with the aim of creating conditions for continuous learning and efficient processes as well as transparency within the system. In order to lay the groundwork for good leadership and employee empowerment, one focus area has been corporate cultural and core value issues.

Commitment, motivation and leadership are measured and followed up continuously. The trend was still positive in 2024.

The Legal Affairs Department has had a strong focus on the implementation of a number of sustainability-related EU regulations. These regulations have had a significant impact on the Bank's way of informing and reporting on its relationship with customers. The regulations are complex and span several sectors, which makes them extra challenging to implement concretely and correctly.

### Liquidity and funding

The Treasury department is directly responsible for approximately one quarter of the Bank of Åland's balance sheet and indirectly for the entire balance sheet in terms of interest rate risk and foreign exchange risk. Treasury plays a major role in the Bank's profitability. In the task



of liquidity management and interest rate risk management, first rapidly rising and then falling market interest rates have required new solutions in order to achieve high returns in the Treasury portfolio and at the same time manage market risks. The internal rate of return model has also been updated.

During 2024 one covered bond loan totalling EUR 300 million fell due for payment. During 2025 no covered bonds will fall due.

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

### Second line of defence

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

For Risk Control, the 2024 financial year was dominated by new regulatory requirements and a changing international situation. Among other things, the department participated in the implementation of a new regulatory framework

for calculating interest rate risk in the banking book (IRRBB), as well as the new so-called Basel IV rules that are being introduced in the EU through an updated Capital Requirements Regulation (CRR3). The update includes changing the method for calculating capital requirements according to the standardised approach and the implementation of a so-called output floor. The department has also applied for permission from the Financial Supervisory Authority for changes in credit risk models according to the internal ratings-based (IRB) approach.

During 2024, the Compliance department had a strong focus on compliance in the provision of investment services. In addition, it independently monitored and supported the Bank's financial investment business but also provided compliance-related services to the Group's fund management companies. The department continuously monitored measures to prevent money laundering and terrorist financing. It provided support and advice to the Group's first line of defence on implementation of new regulatory requirements within AML-CFT.

The focus of the Operational Risks & Security department during 2024 was on project work to further develop the Bank's records of processing activities under the EU's General Data Protection Regulation (GDPR), studying what the EU's Digital Operational Resilience Act (DORA) regulations entail, performing cyber-security work and providing support for process development related to releases of new systems. The department assists the Bank by supplying expertise in operational risks and security.

### Third line of defence

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

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



# Our commitments

**Sustainability work at the Bank of Åland has a clear direction through our strategic documents, which support us in the continuous development and integration of sustainability into our operations. We have a sustainability strategy and a climate strategy that provide support and guide us in our daily work.**

Our sustainability strategy is Group-wide and was updated early in 2024. One revision was to clarify how the Bank of Åland Group strives to work on the basis of the UN Principles for Responsible Banking, which we have undertaken to follow. As another source of guidance in our efforts to integrate the most important sustainability areas and help achieve the United Nations Sustainable Development Goals, the Bank has joined five international initiatives. In Åland, our climate target also supports Goal 6 of the Bärkraft initiative for a sustainable Åland: Greatly reduced climate impact.

## 1. UN Principles for Responsible Investment (UNPRI)

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

## 2. UN Principles for Responsible Banking (UNEP FI)

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

- Alignment
- Impact and target setting
- Clients and customers
- Stakeholders
- Governance and culture
- Transparency and accountability

During 2024, our focus continued to be largely on the second principle, impact and target setting. Since previous results of our analytical work on impacts showed the circular economy as a priority area, during the year we created a work plan for further development efforts in 2025.

## 3. Net-Zero Banking Alliance (NZBA)

The Bank of Åland was one of the first members of the NZBA association, whose goal since 2021 has been to accelerate the transition of the global economy to net-zero emissions. Each member commits to strive for net-zero greenhouse gas emissions no later than 2050.

For our part, 2024 brought continued development of the Bank's climate work, including a focus on developing an initial climate transition plan for one of the sector goals for climate. Work on our climate transition plans will continue in 2025.

## 4. Climate Action 100+

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

## 5. Science Based Target Initiative (SBTi)

SBTi helps companies reduce their climate impact by setting scientifically based climate targets in accordance with the Paris Agreement.

## The road to 2030 and halving emissions

During 2024, we worked intensively to define even more clearly the steps we need to take to realise the goal of halving CO<sub>2</sub>e emissions compared to our base year of 2021.

Our work on sector targets for climate impact and scientific targets is part of the Bank of Åland's commitment within the Net-Zero Banking Alliance. During the year, we developed an initial climate transition plan with a focus on one of our targets in lending: our sectoral target for mortgages. The creation of this initial plan gives us a good basis for further developing, broadening and deepening our development work by adding more climate transition plans in the future.

Our commitment to scientifically formulated emission targets in keeping with the Science Based Targets initiative (SBTi) continued in 2024. During the fourth quarter, SBTi approved and validated our climate targets. These SBTi targets

include our own operational activities, our mutual funds and discretionary management mandates that follow model portfolios as well as parts of our loan portfolio.

We see further opportunities to reduce our climate impact in the value chain by expanding our work on the circular economy. Increased circularity can also help reduce climate impacts through conscious measures and strategic choices. During 2024, we began work on formulating goals and establishing a work plan. In 2025, we will focus primarily on analysing our loan portfolio from a circular perspective in order to begin the work of establishing a baseline.

We are also aware of the complexity that concerns the entire area of climate compensation or climate finance. Our decisions on this matter are based on great caution and an awareness that extensive changes can probably be expected in this field.

## Expanded sustainability reporting

During 2024, the Bank of Åland worked on producing an updated and expanded sustainability report that complies with the European Union's new legal requirements for sustainability reporting. Our report in compliance with the Corporate Sustainability Reporting Directive (CSRD) can be found in the Sustainability Report section.

# Sustainability strategy

During 2024, the Bank of Åland continued efforts to integrate sustainability into our business strategy. Our financial governance model was supplemented with new sustainability-related key performance indicators (KPIs). We also took another step to integrate sustainability into our annual forward-looking planning process. As part of the Bank's second line of defence, the Risk Control department increased its monitoring of acute, chronic and transitional risks connected to climate change.

The Bank of Åland's business strategy is based on operating sustainably and with a long-term perspective – financially, environmentally, socially and in terms of regulations. Our commitments to sustainability principles and targets, together with current regulations, create the framework for our work. Our double materiality analysis is a central point of reference, where we identify our positive and negative impact areas, our stakeholders and our own resilience in withstanding external impact factors. Based on this analysis, we set both short-term and long-term targets, with the aim of generating shareholder value while contributing to a more sustainable future.

See the Sustainability Report and its chapter entitled “ESRS 2 General disclosures” for further information on our materiality analysis.

Our sustainability strategy has four focus areas: responsible investment, responsible lending and liquidity management, environmental responsibility and social responsibility.





# Responsible investments

**The Bank of Åland's investment philosophy is based on the four fundamental principles that portfolio management should be active, long-term, analysis-driven and responsible. We work proactively to decide what we choose, and what we avoid, when we invest our own and our customers' money.**

As early as 2010, Ålandsbanken Fondbolag signed the UN Principles for Responsible Investment (UNPRI). All fund management companies whose funds we recommend have signed the UNPRI. Our goal is to ensure that as savers, our customers should be able to invest their assets in a safe, long-term manner, focusing on customer goals and values. At the end of 2024, Ålandsbanken Fondbolag had assets under management in its own mutual funds amounting to EUR 5.0 billion. Total managed assets on behalf of customers, including discretionary and advisory portfolios, was EUR 10.6 billion.

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

Our offering includes:

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

## Sustainability risks and opportunities

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

We also factor in social risks, such as risks connected to human rights violations, labour rights and non-compliance with good governance, including corruption, abuse or lack of processes within a business. We also strive to identify the risk of greenwashing by portfolio companies as a sustainability risk.

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

Our climate strategy also forms the basis for deciding which companies the Bank of Åland either chooses or excludes from its investments. During 2024 we focused on developing tools and processes for identifying and measuring to what

extent the operations of our portfolio companies are in line with the Paris Agreement.

To achieve our established targets, we are working to ensure that companies have or will develop science-based climate targets in line with the Science Based Targets initiative (SBTi). During the year, we measured how many companies had applied for validation or validated their targets. By the end of 2024, we had increased the percentage of companies that had established a science-based climate target by 10 points compared to one year earlier.

## The Bank of Åland's investment process

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

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

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

## Which ones we choose

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

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

## Which ones we avoid

We review all products included in the Bank of Åland's offering twice a year, both our own mutual funds and external funds. In this way,

we ensure that everyone complies with international conventions and guidelines, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights or the ILO's Core Conventions on Labour Standards.

If a company in our investment portfolios were to violate any of the above agreements and not show a willingness to change, the company would be excluded from all our portfolios within two years. During the two-year period, we pursue a dialogue with the company in question, and our ambition is to bring about a positive change.

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

In order to ensure positive changes in the companies included in the Bank of Åland's standardised financial investment products, we pursue an active dialogue with them. At present, ESG issues are a self-evident part of the agenda in the shareholder dialogue we pursue.

As for its financial investment operations, Ålandsbanken Fondbolag 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
- Climate Action 100+

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

### Our climate footprint

Since 2019, we have been calculating and monitoring the carbon intensity of all Bank of Åland mutual funds. The availability of Scope 3 has increased at most of the companies we have invested in, but the quality is still variable.

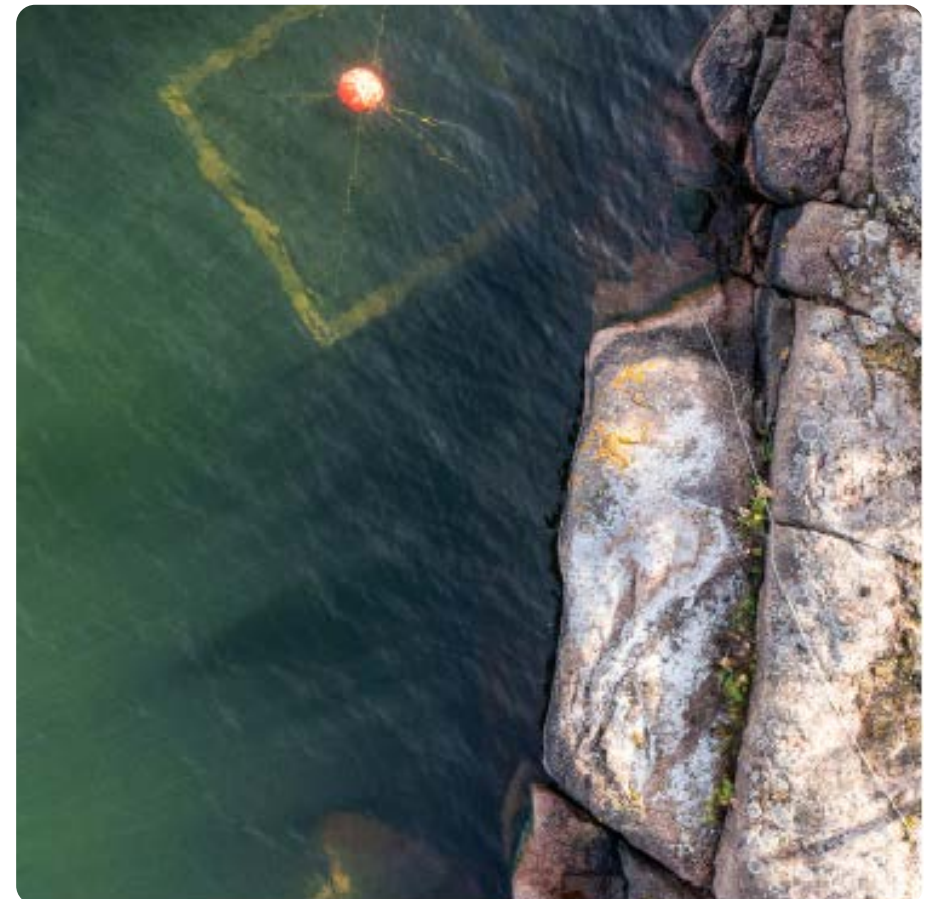
The majority of companies included in our fund offering have either already joined the SBTi or have clearly communicated how they intend to achieve the goals of the Paris Agreement.

We continuously analyse developments within individual companies, with a focus on sectors that account for the largest emissions. Based on reports from companies and the initiatives they have taken to reduce their emissions, our assessment is that these companies will show a gradual improvement in their emissions data, including Scope 3, in the coming years. Despite improved data quality, we expect emission levels for individual companies and whole sectors to vary quite a bit from year to year. This will depend in part on the economic

cycle and capacity utilisation in more cyclical industries.

When we look at the performance of our managed assets, Scope 1 and Scope 2 carbon intensity has decreased by 46 per cent

compared to our base year 2021. The same trend is apparent when we compare emissions in absolute terms. Compared to our base year, we have reduced our Scope 1 and Scope 2 carbon dioxide emissions by 29 per cent.







# Responsible lending and liquidity management

**Our financing product range is a strong complement to our financial investment product range. We offer flexible home mortgage loans, personal loans, securities loans, corporate financing, project financing and real estate financing. We have a strong ambition to contribute to the green transition. We encourage our corporate customers to comply with international policies and guidelines for sustainable development, while climate-smart management of the Treasury portfolio will gradually contribute to reduced emissions and our target of achieving net-zero emissions.**

The Bank of Åland has a sound attitude towards risk, which means that in our lending we always monitor the customer's repayment capacity and changed behaviour as well as new regulatory requirements. By continuously measuring and reporting CO<sub>2</sub>e emissions from our loan portfolio, we increase our knowledge and understanding of how we affect our surroundings as well as the risks and opportunities that arise. These will form the basis for the creation of a green asset register, which in turn will enable us to offer green debt financing in the future.

The task of implementing the Bank's climate strategy in the loan portfolio is still ongoing. During 2024, we focused on further analysing the CO<sub>2</sub>e emissions of the portfolio and what actions will best reduce our carbon footprint. The reduction in carbon dioxide emissions will primarily come from companies in "climate-intensive" sectors. The Bank's ambition is to work together with customers in their green transition.

The Bank previously established the following two sectoral targets for 2030:

- For home mortgage loans, the target is to reduce financed emission intensity (gCO<sub>2</sub>e/m<sup>2</sup>) by 26 per cent compared to the base year 2021.
- The Bank also wishes to share a documented climate ambition with its customers. For financing of companies and businesses, the target is that 100 per cent of our customers classified as emission-intensive<sup>1</sup> shall have signed an "ambition agreement" that shares the same target as the Bank of Åland. This means that customers undertake to establish a sustainability plan including activities that support the Bank's target of reducing carbon footprint by at least 50 per cent no later than 2030. At least 90 per cent of the Bank's lending to companies shall be covered by such an ambition agreement.

## Emissions related to our lending

The Bank of Åland's lending to the public forms the basis for our calculation, which includes Scope 1 and 2 for the loan portfolio.

The total quantity of emissions via our lending operations in 2024 was 196,937 tonnes of

CO<sub>2</sub>e (compared to 258,301 tonnes in 2023 and 310,261 tonnes in 2021), which was 37 per cent less than in the base year 2021, when our calculations began. The Bank's reduced emissions were mainly due to a change in the sectoral distribution of corporate lending, changes in emission intensities and a decrease in mortgage lending volume due to the transfer of Swedish loans to the mortgage company Borgo.

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

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

The Bank's target is to reduce the amount of carbon dioxide emissions by 50 per cent from 2021 to 2030. During 2024, the loan portfolio's CO<sub>2</sub>e emissions thus shifted in the right direction in relation to one of our climate targets. We still

have a long way to go, but we look forward to this important challenge with confidence. See under E1-6 on gross GHG emissions in the Sustainability Report for detailed figures.

## Responsible liquidity management

During 2024, the Treasury department's climate work continued to focus on climate and related regulatory requirements as part of the EU Taxonomy and CSRD. In particular, its work with the CSRD has required recording and analysis of impact areas and existing processes but has also provided a good overview of what our development work should look like in the coming years.

In keeping with the Bank's climate strategy, climate criteria are applied to all new financial investment decisions, with the criteria indicating whether the issuer has taken steps or intends to take steps to reduce its emissions. Using such climate criteria, Treasury can ensure that its portfolio's emissions are reduced at the rate required to achieve our established targets. In 2024, Treasury was also able to divest some emission-intensive holdings from the portfolio.

<sup>1</sup> Climate-intensive sectors have been defined as: construction; transport and storage; agriculture, forestry and fishing; real estate; wholesale and retail trade (repair of motor vehicles and motorcycles); manufacturing; electricity, gas, steam and air conditioning supply; and water supply (sewage treatment, waste management).



## Green bonds

The Bank of Åland's Treasury department also contributes to the promotion of long-term sustainability development by issuing green bonds in accordance with the Bank's green finance framework. This framework underwent an update during 2024, so that the qualification criteria now materially contribute to the EU Taxonomy's environmental targets<sup>1</sup>. Sustainable transport was added as a new green asset class, beyond the existing categories of renewable energy and green buildings. As earlier, the framework has been established in accordance with International Capital Market Association (ICMA) standards for green bonds. The updated green framework has been independently reviewed by Moody's Investors Service, which has concluded that the framework is consistent with ICMA green bond standards and that the framework contributes significantly to sustainability. The framework has received a rating of "Very Good".

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.

Treasury publishes a yearly environmental impact report, which describes what projects the green instrument has funded as well as the amount of carbon dioxide emissions saved by this funding.

These emission savings are calculated in different ways, depending on the green asset class. For renewable energy projects, emissions are compared to a baseline scenario of conventional energy supply. For green buildings, energy performance is compared with performance required by national building codes. For sustainable transport, emissions are compared with emissions for an average petrol-powered vehicle. The Environmental Impact Report for 2024 is expected to be published in February 2025.

<sup>1</sup> Taxonomy alignment cannot be established at this stage, since data on criteria for not causing significant harm to the other environmental targets and compliance with minimum social protection measures are limited.



# Environmental responsibility

**Given its vulnerable location in the middle of the Baltic Sea, the Bank of Åland has a long history of protecting the environment and our immediate area. Understanding our environmental impact and how we can possibly contribute to the green transition is a guiding principle for us.**

Initiatives such as the Baltic Sea Project, the Baltic Sea Card and Åland Index Solutions have helped us to spread environmental awareness to our customers. Through the Baltic Sea Account, we also ensure that the contributions we make to the Baltic Sea have a tangible and positive environmental impact. During 2024, we continued to improve our materiality analysis to increase our understanding of the impact our own business operations on water, biodiversity and ecosystems, among other things. Read more about our materiality analysis in chapter of the Sustainability Report entitled “ESRS 2 General disclosures”.

Because we have defined our climate targets, environmental awareness has also increased within the Group. There is a general commitment to helping achieve our climate targets and an interest in understanding how to do so. During 2024, employees contributed in many ways to a better environment by participating in various activities such as campaigns for sustainable modes of transport. In order to improve our environmental work and achieve the Bank of Åland’s environmental targets, we know that it is crucial that our employees continuously take part in skills development on sustainability issues.

## Our own emissions

In keeping with the GHG Protocol, we report emissions in three scopes. Scope 1 includes fuel for company cars, Scope 2 includes our energy consumption and Scope 3 upstream includes supplier-related emissions from our purchases. In addition, the Bank makes estimates regarding Scope 3 downstream, which covers indirect emissions via lending in the loan and Treasury portfolios and our customers’ financial investments. Read more about this in the Sustainability Report under E1-6, which presents greenhouse gas emissions.

Greenhouse gas emissions from the Bank’s own operations account for a relatively small share of our carbon footprint, since the main impacts are visible downstream via the credit portfolio and customers’ financial investments. Emissions from our own Scope 1 and Scope 2 operations are very small. The reason for this is that we have a limited number of cars, several of which are electric, and that we buy electricity from renewable sources for our offices. Reported emissions in Scope 3 upstream increased significantly in 2024 due to the renovation and expansion of the Head Office in Mariehamn.

## Climate financing

In recent years, the Bank of Åland has provided climate financing for the portion of CO<sub>2</sub>e emissions that corresponds to its own operational activities. The Bank will also provide climate financing for 2024, since this is an important part of the strategy and the method for achieving our targets, but it is not yet clear what format this climate compensation will assume.

However, a decision has been made to move away from the tonne-for-tonne approach, which is no longer completely reliable, and to focus instead on achieving the most climate benefit from the money invested.

A decision regarding 2024 is expected to be made in 2025.



# Social responsibility

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

## Inclusiveness, diversity and equality

For the Bank of Åland, it is self-evident to work with gender equality and diversity. We want to create an inclusive culture and a working environment where differences are a strength. In the recruitment process, we work with competency-based recruitment, which means that candidate assessment must be carried out objectively on the basis of an established requirement profile. The recruitment process also reflects our values and corporate culture, and we strive to attract candidates whose values are in line with ours. Our recruitment practices help us to ensure good quality and equal treatment, which also helps create a good experience for job candidates.

Through our work, we help ensure that the Bank of Åland will be as an attractive employer. Our policy for gender equality and diversity places particular emphasis on ensuring that:

- All employees have equal rights and opportunities in terms of work and professional development opportunities.
- Both women's and men's experiences and knowledge are utilised and represented in all areas, roles and positions in our operations.

- No one feels harassed, abused or bullied in the workplace. Harassment or bullying is unacceptable and shall be actively combated.
- Gender pay gaps do not occur. Nor should other terms of employment be different based on gender. Salaries and allowances shall be determined on objective grounds.
- Working conditions, salaries, benefits and other terms of employment are designed in such a way that all employees have the same opportunities to combine work, private life and parenthood.
- We continuously measure perceptions of inclusiveness, diversity and gender equality at the Bank of Åland using an in-house index in our employee surveys.

All employees should have the same opportunities for a successful career within the Group, regardless of such factors as gender, age, ethnicity, beliefs, religion or disability. In 2024, we put a lot of effort into completing job evaluations of all roles. Job evaluations help create uniformity that opens up career paths and creates a common platform for organisational structure. During the year, we clarified the Bank's salary policies in order to create a clear framework for

managers and other employees on how salaries should be set and changed within the organisation. The aim is for these policies to help the Bank attract, recruit, develop and retain the right expertise to achieve its targets and visions. Crosskey is in the early stages of the job evaluation task and will complete this task during the coming year.

## Learning and commitment

At the Bank of Åland, we are convinced that continuous learning, professional development and knowledge-sharing are crucial to our success. By investing in learning, we strengthen our competitiveness and prepare for changes in the world around us. We see learning as a strategic issue and a long-term investment. A need for more learning programmes has been identified. As part of our employees' skills enhancement and personal development, the Group has introduced a new learning platform. It expands the availability of internal training, enables greater participation by employees in courses and streamlines internal training management, creating a more dynamic way of working with training. We measure the number of completed

courses and internal and external training hours that employees have participated in.

The Bank of Åland is committed to a good physical and mental working environment and a high level of commitment among all employees. We continuously measure factors that affect the working environment through questions relating to employee well-being, commitment, motivation and loyalty. By measuring, analysing and following up the results of the key performance indices eNPS, Commitment and Temperature, we follow development trends over time.

The scores help us identify strengths and areas for improvement connected to the working environment at the Bank. Our long-term goal is to exceed industry indices. During 2024, we had a positive improvement trend and approached the industry index level. As earlier, the scores show that the Bank is perceived by our employees as having an attractive corporate culture and being a reliable employer. We care about well-being, and 2024 was characterised by efforts to strengthen the culture and values of the Bank. During the year, we conducted a number of workshops related to corporate culture and the working environment.



The Bank is committed to providing a good work-life balance. We thus offer employees various opportunities including remote work, a wellness allowance and occupational health care in order to create better conditions for a sustainable working and private life and good health.

During 2024 the Bank ended its one-year share savings programme, in which 58 per cent of regular employees chose to participate. The objective of the programme is to further strengthen employees' motivation, sense of participation and long-term affinity with the Group by offering them an opportunity to subscribe for shares in the Bank of Åland on favourable terms.

### Leadership

The Bank of Åland regards leadership as a strategically important area for achieving our employee commitment and well-being goals. We continuously monitor the results of our leadership index. The trend during 2024 showed that we are approaching the industry index, which is our long-term target.

During 2024, our leadership programme focused on the Bank's corporate culture and core values, as in recent years. We launched a guide aimed at describing this culture and the importance of continuity in keeping cultural dialogues alive over time. We also launched a digital corporate culture school for new and existing managers. This school will strengthen self-leadership among our employees through cultural dialogues and reflection about behaviour patterns we would like to strengthen and promote over time.

### 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.

As part of our long-term commitment to sustainable development, we take great responsibility for contributing to an inclusive and prosperous community. Through financial education in schools, grants for scholarships and our support for local sports and cultural associations, we not only promote physical and mental health, but also contribute to social cohesion, equality and development. We focus on the well-being of children and young people and on ensuring a vibrant, sustainable community. We are making an investment for the future.

As part of our recruitment efforts, we work to attract talent to Åland, which we believe will benefit the Åland community. We also collaborate with schools and educational organisations. During 2024, the Bank proactively offered internships to students who had shown a great interest in the Bank as an employer. The Bank creates opportunities for language trainees to improve their Swedish through integration into the business community. We also collaborated with educational initiatives such as Grit:Lab, which has resulted in a number of hires in the tech area.





# The Baltic Sea Project – EUR 5 M for the well-being of the Baltic Sea

**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 has already supported important projects totalling about EUR 5 M.**

The Bank of Åland's Baltic Sea Project works for a healthier sea by funding good ideas, encouraging action and raising awareness of the state of the Baltic Sea. A fragile ecosystem like the Baltic Sea benefits from a vibrant diversity of species. The Baltic Sea Project funds scientific research and practical activities that maintain biodiversity. Its various projects to combat climate change can have a positive impact on the biodiversity of the entire planet. Biodiversity loss and climate change are closely linked.

Interest in the project is growing steadily. During 2024, the number of applications was as many as twice as many as in 2023, and we distributed EUR 574,000. The funded projects were mainly about environmental education, biodiversity and water purification.

Project Björkskär – a joint project run by the Swedish energy company OX2, Nemo Seafarms and Under Ytan (Under the Surface) – received project funding of EUR 70,000 for the second time. The project investigates various underwater cultivation conditions and how different material surfaces promote fouling, especially by

algae. The research carried out on the island of Björkskär contributes to our understanding of how offshore wind farm infrastructure could be used to increase biodiversity in the Baltic Sea, reducing the nutrient load with the help of aquaculture.

SansOx Ab's project tackles the problem of wastewater and shows how ozone treatment can reduce both pharmaceutical residues in wastewater and eliminate harmful microbes from it.

The short film *My Sea*, aimed at young people, is meant to inspire them to start a maritime hobby and create a personal relationship with the Baltic Sea. *My Sea* will be available to schoolchildren on the streaming service Koulukino. *My Sea* was awarded EUR 32,000 from the Baltic Sea Project.

Summer camps are a natural way for children and young people to build a relationship with the sea and nature. The Baltic Sea Project therefore supports the popular and tar-scented sailing camp of the Puosu Sailing Association in Helsinki. The purpose of this support is to enable children from low-income families to participate.

Rotary's Baltic Sea Regional Action Network (BASRAN) also organises a camp. It brings together young adults aged 18–30 from all Baltic Sea countries, and together the participants seek solutions to the challenges posed by climate change in the Baltic Sea.

Residents and local organisations are invited to take action by the Kimitoön Nature Association's project "700 hectares of environmental action for the Baltic Sea". Such actions may include the creation of new nature conservation areas, restoration of habitats, decisions on land use changes or management of traditional and archipelago biotopes. The Kimitoön Nature Association received EUR 9,000 from the Baltic Sea project.

Safeguarding biodiversity is one of the pillars of the Baltic Sea Project. Among the projects focusing on the vitality of species, the Baltic Sea Project funded the Swedish-based BalticWater Foundation's small cod project, as well as Linnaeus University Professor Emeritus Kjell Larsson's eider duck project. BalticWater aims to revive the collapsed cod stocks in the Baltic Sea

by planting around one million small cod in the southern Gulf of Bothnia.

The eider project investigates the vitality and population development of the species by calculating reproductive success – i.e. the proportion of chicks in the population – by analysing photos of flying flocks. The project produces information for the implementation of measures in accordance with the international African-Eurasian Migratory Waterbird Agreement (AEWA). The European population of long-tailed ducks winters in the Baltic Sea, and the majority of these ducks rest in Åland waters in April-May before moving to their breeding grounds in the Arctic.

In addition to helping finance individual projects, the Bank of Åland's Baltic Sea Project aims to support long-term partners and well-established Baltic Sea actors that have a large impact. The Baltic Sea Action Group, the John Nurminen Foundation, Race For The Baltic, WWF and the Keep the Archipelago Tidy project will together receive a total of EUR 270,000 from the Baltic Sea Project.



# Report of the Directors

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# Report of the Directors

## Macro situation

The year 2024 was marked by continued geopolitical turmoil. Global economic expansion was uneven, with the US economy continuing to grow while China and Europe faced continued headwinds.

Key interest rate cuts announced during the year were 1.00 percentage points by the European Central Bank and 1.50 percentage points by Sweden's Riksbank. This was a change of direction from 2022–2023, when the ECB raised its key rate by a total of 4.50 percentage points and the Riksbank by 4.00 percentage points.

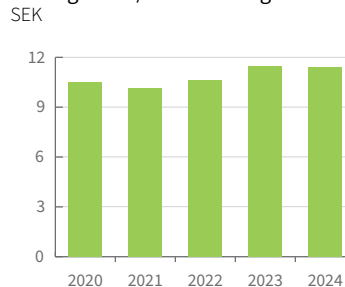
Financial markets expect that further interest rate cuts will follow. There are many indications that inflation has now been defeated.

Benchmark interest rates, per cent	2024	2023
Euribor 3 mo	3.57	3.43
Euribor 12 mo	3.27	3.86
Stibor 3 mo	3.52	3.70

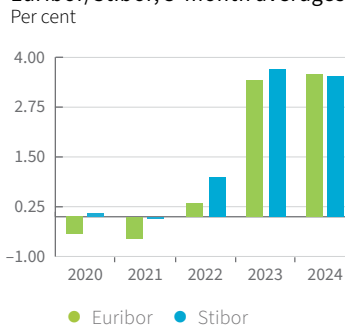
During the year, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 6 per cent, while the Nasdaq Stockholm stock exchange's OMXSPI index gained 6 per cent.

During the year, the average value of the Swedish krona (SEK) in relation to the euro (EUR) was nearly unchanged compared to 2023. On December 31, 2024, the SEK exchange rate was 3 per cent weaker than at year-end 2023. 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.

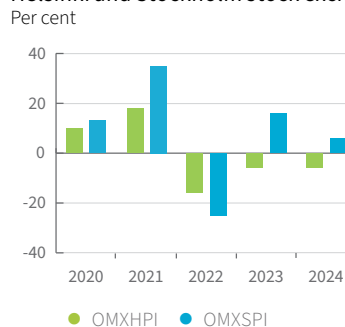
Average EUR/SEK exchange rate



Euribor/Stibor, 3-month averages



Helsinki and Stockholm stock exchanges







## Important events

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

During the fourth quarter, Ålandsbanken Fondbolag (the Bank's asset management subsidiary) launched the Ålandsbanken Norden Dividend mutual fund. The fund is a unique, actively managed equity fund that invests in Nordic quality companies with reasonable valuations and with good, stable dividend yields. The portfolio focuses on approximately 20–25 holdings with broad sectoral exposure, including companies in the Nordic countries that have different strengths.

The Ålandsbanken Kort Företagsränta, a short-term corporate bond fund, was named the best Nordic fund in its category by LSEG Lipper for the second straight year.

The third and final transfer of Swedish home mortgage loans from the Bank of Åland to Borgo was completed on June 10. The nominal amount of the mortgage portfolio that was transferred was SEK 3.0 billion. The transfer had no significant effect on the Bank of Åland's earnings, but it freed up liquidity and capital.

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 574,000 to various projects that promote the health of the Baltic Sea. Since 1997

the Bank of Åland has awarded nearly EUR 5 M to various environmentally related projects. Interest in the Baltic Sea Project is growing steadily. This year the number of applications for funding was 140, which was twice as many as last year.

On March 26, 2024, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.65 per share for the financial year 2023 (a regular dividend of EUR 2.40 plus an extra dividend of EUR 0.25). This represented an amount of EUR 40.7 M.

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

During 2024, the Bank of Åland issued 44,721 Series B shares to fulfil its commitments as part of the 2023/2024 share savings programme. In addition, 14,411 Series B shares were issued to fulfil the Bank's commitments as part of its employee incentive programme.

## Earnings

Net operating profit increased by EUR 3.3 M or 5 per cent to EUR 65.0 M (61.7). This net operating profit was the Bank of Åland's highest-ever yearly earnings.

Profit for the period attributable to shareholders increased by EUR 3.6 M or 7 per cent to EUR 52.3 M (48.7).

Return on equity after taxes (ROE) increased to 17.9 (17.2) per cent.

Core income in the form of net interest income, net commission income and IT income increased by EUR 10.4 M or 5 per cent to EUR 215.6 M (205.2).

Net interest income rose by EUR 4.5 M or 5 per cent to EUR 104.1 M (99.7). A wider interest margin was the main explanation.

Net commission income fell by EUR 0.6 M or 1 per cent and amounted to EUR 76.4 M (77.0). The year did not include any performance-related income, which totalled EUR 4.0 M in 2023.

Information technology (IT) income rose by EUR 6.4 M or 22 per cent to EUR 35.1 M (28.6). The increase was mainly due to higher project income.

Other income, including net income on financial items, increased by EUR 3.7 M to EUR 0.7 M (–3.0).

Total expenses increased by EUR 9.0 M or 6 per cent and amounted to EUR 147.3 M (138.4). During the first quarter of 2023, statutory fees amounted to EUR 3.2 M. In 2024, no stability fee was paid, because the European Stability Fund has reached its target level. Other expenses increased, especially staff costs and IT expenses.

Net impairment losses on financial assets amounted to EUR 4.0 M (2.2), equivalent to a loan loss level of 0.10 (0.05) per cent.

Tax expenses amounted to EUR 12.8 M (13.1), equivalent to an effective tax rate of 19.6 (21.2) per cent.

## Operating segments

The Group's increase of EUR 3.3 M in full-year net operating profit to EUR 65.0 M was allocated as follows:

- **Private Banking –5.7**  
(lower income, higher impairment losses)
- **Premium Banking +5.5**  
(higher net interest income)
- **IT –0.3**
- **Corporate Units & Eliminations +3.8**  
(higher income)

## Business volume

Actively managed assets on behalf of customers increased by EUR 840 M or 9 per cent compared to year-end 2023 and amounted to EUR 10,616 M (9,776).

Deposits from the public fell by EUR 73 M or 2 per cent compared to year-end 2023 and amounted to EUR 3,521 M (3,595).

Lending to the public decreased by EUR 283 M or 7 per cent compared to year-end 2023 and totalled EUR 3,576 M (3,859).

Managed mortgage loans increased by EUR 365 M or 13 per cent compared to year-end 2023 and totalled EUR 3,080 M (2,716).

## Balance sheet total and off-balance sheet items

During 2024 the Group's balance sheet decreased by EUR 417 M or 8 per cent to EUR 4,925 M (5,342). The decrease was primarily explained by the Swedish mortgage loan portfolio that was transferred to Borgo.

The Bank's most important intangible assets are our employees, our brand and our reputation. In terms of the balance sheet, the Bank's largest intangible asset is internally developed software, where the assets are expected to have a significant financial benefit and where future income is estimated to exceed investment costs.



Off-balance-sheet commitments fell by EUR 316 M or 38 per cent to EUR 522 M (838). The decrease was related to lines of credit.

### Credit quality

Lending to private individuals comprised 73 per cent of the loan portfolio. Home mortgage loans accounted for 73 per cent of this. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

The Bank of Åland had EUR 12.5 M in impairment loss provisions on December 31, 2024 (20.2), of which EUR 0.5 M (0.6) in Stage 1, EUR 1.4 M (1.9) in Stage 2 and EUR 10.6 M (17.7) in Stage 3. Stage 3 loans as a share of gross lending to the public totalled 1.63 per cent (1.61). The level of provisions for Stage 3 loans amounted to 18 (28) per cent. Most of these loans have good collateral.

As of December 31, 2024, the Bank of Åland had no remaining impairment provisions in Stage 3 for the Swedish credit commitment where customers have been sentenced to prison for this and similar credit fraud. The loans have now nearly been written off. The Bank still hopes that its crime insurance will be able to provide compensation when the case is tried in the Turku Court of Appeal in 2026.

### Liquidity and borrowing

In January, the Bank of Åland issued a new covered bond totalling EUR 300 M with a 3½ year maturity. In March, a covered bond totalling EUR 300 M fell due for payment.

The Bank of Åland's liquidity reserve in the form of cash and deposits with central banks, account balances and investments with other banks and liquid interest-bearing securities amounted to EUR 1,077 M on December 31, 2024 (1,039). This was equivalent to 22 (19) per cent of

total assets and 30 (29) per cent of lending to the public. In addition to the liquidity reserve, there was EUR 250 M (225) consisting of holdings of unencumbered covered bonds issued by the Bank.

The loan/deposit ratio amounted to 102 (107) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 80 (75) per cent and covered bonds issued accounted for 13 (11) per cent.

The liquidity coverage ratio (LCR) amounted to 169 (156) per cent, and the net stable funding ratio (NSFR) amounted to 118 (109) per cent, which exceeded regulatory requirements by a solid margin.

On December 31, 2024, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.9 (1.0) years.

### Rating

In March 2024, for the first time the Moody's

Ratings agency assigned credit ratings to the Bank of Åland. The ratings were A3/P-2 for long- and short-term deposits. A stable outlook was assigned to the long-term deposit rating.

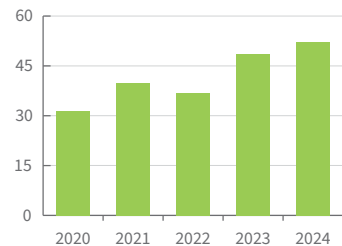
In April, Moody's assigned a credit rating of Aaa for the Bank of Åland's covered bonds.

The Bank of Åland has chosen to have Moody's Ratings (Moody's) as its sole rating agency. S&P Global Ratings (S&P) thus withdrew all its ratings of the Bank of Åland on April 30.

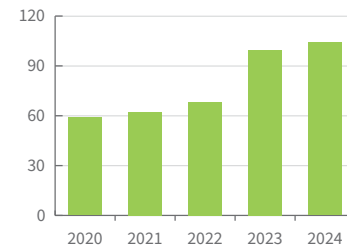
### Equity and capital adequacy

During the report period, equity capital changed in the amount of profit for the period, EUR 52.3 M; other comprehensive income, EUR -11.4 M; issuance of new shares as part of the incentive programme, EUR 0.5 M, and the share savings programme, EUR 1.9 M; a dividend of EUR 40.7 M distributed to shareholders; and dividends of EUR 2.0 M distributed to holders of additional Tier 1 (AT1) capital instruments. On December

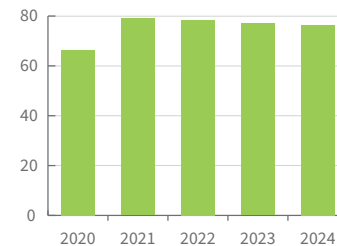
**Profit attributable to shareholders**  
EUR M



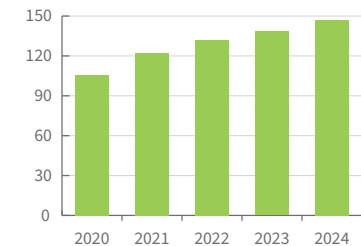
**Net interest income**  
EUR M



**Net commission income**  
EUR M



**Total expenses**  
EUR M





31, 2024, equity capital amounted to EUR 336 M (335.3).

Other comprehensive income was affected by changes in market values of certain strategic shareholdings and changes in market interest rates and totalled EUR -11.4 M (0.8) after taxes.

Common equity Tier 1 capital decreased by EUR 5.1 M during 2024 to EUR 237.7 M (242.8).

The risk exposure amount decreased by EUR 131 M or 7 per cent during 2024 and totalled EUR 1,643 (1,774). The credit risk exposure amount fell by EUR 116 M or 11 per cent. The operational risk exposure amount rose by EUR 31 M or 11 per cent. The creditworthiness adjustment risk exposure amount decreased negligibly.

The common equity Tier 1 (CET1) capital ratio increased to 14.5 (13.7) per cent. The Tier 1 (T1) capital ratio increased to 16.3 (15.3) per

cent. The total capital ratio increased to 18.1 (17.1) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0–2.5 per cent. For Finnish exposures, the requirement remains 0.0 per cent. For Swedish exposures, the amount of the countercyclical buffer has been 2.0 per cent since June 2023. In Finland, a systemic risk buffer of 1.0 per cent applies to the Bank of Åland as of April 1, 2024.

The Bank of Åland's Pillar 2-related buffer requirement amounts to 1.0 per cent.

The minimum levels currently applicable to the Bank of Åland as of December 31, 2024 were:

- Common equity Tier 1 capital ratio 9.3 per cent
- Tier 1 capital ratio 11.0 per cent
- Total capital ratio 13.3 per cent

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

- Common equity Tier 1 capital ratio +5.1 percentage points
- Tier 1 capital ratio +5.2 percentage points
- Total capital ratio +4.9 percentage points

As of March 31, 2024 the Bank of Åland is subject to an indicative additional capital requirement (Pillar 2 guidance, P2G) of 0.75 per cent. This indicative additional capital requirement is not included in minimum levels but is instead included as a subset in the Bank of Åland's capital surplus, where the Bank's long-term financial

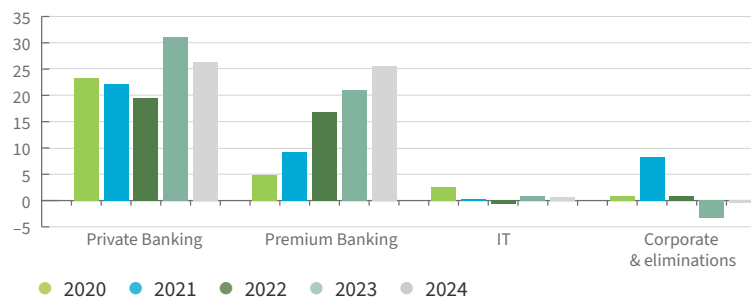
target is that its common equity Tier 1 capital ratio shall exceed FIN-FSA's minimum requirement by 1.75–3.0 percentage points.

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

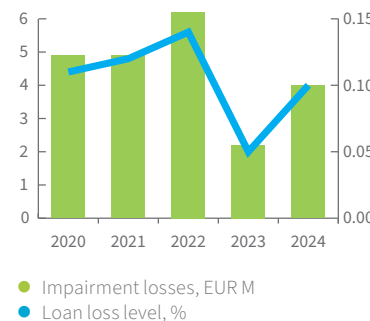
### Sustainability information

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

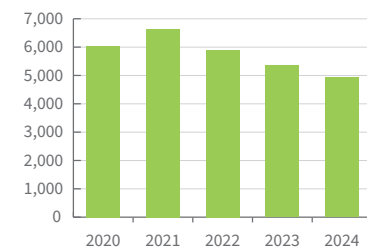
Profit attributable to shareholders, by segment  
EUR M



Impairment losses and loan loss level  
EUR M / %



Balance sheet total  
EUR M





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

To follow up its climate targets, the Bank of Åland applies the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. Total emissions from the Bank's own business operations during 2024 were 10,566 tonnes of carbon dioxide equivalents (CO<sub>2</sub>e), which was an increase of 121 per cent compared to 2023. The increase was explained primarily by higher emissions from purchased goods and services, where a large proportion of the increase in purchases was attributable to the renovation and expansion of the Head Office.

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

The Bank of Åland pays climate financing on a yearly basis for estimated emissions from its own business operations.

Aside from information on emissions from its own business operations, the Bank is also providing information about indirect downstream Scope 3 Category 15 emissions. On December 31, 2024, estimated emissions from the loan portfolio were 196,937 tonnes of CO<sub>2</sub>e (Scope 1 and 2), from the Treasury portfolio 13,720 tonnes of CO<sub>2</sub>e (Scope 1, 2 and 3) and from customers' financial investment portfolios 2,586,529 tonnes of CO<sub>2</sub>e (Scope 1, 2 and 3).

### Employees

The Bank of Åland's employees are its most valuable asset and its most important competitive

advantage. During the fourth quarter of 2024, the number of full-time equivalent positions averaged 1,000. This was 88 full-time equivalents or 6 per cent more than during the same quarter of 2023.

The goal of the Bank of Åland's social sustainability work is motivated, committed and healthy employees who achieve continuous professional development. During 2024 the Bank worked with the following six focus areas: Inclusiveness, diversity and equality, health and well-being, skills development, leadership, community involvement and ethical conduct.

By continuously measuring and monitoring employee motivation and working conditions, the Bank of Åland can ensure a healthy and efficient organisation. The fourth quarter 2024 employee commitment score was 7.6, which was higher than the score of 7.3 reported during the fourth quarter of 2023.

### Customers

The Bank of Åland continues to retain existing customers and attract new ones in all its various geographic markets and through business partnerships.

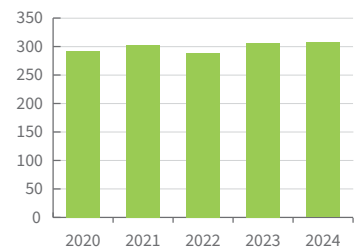
For the fourth year in a row, the Bank of Åland was named Finland's best Private Banking operator in the yearly customer survey. The Bank's Premium Banking customers also continue to be very satisfied and express great willingness to recommend the Bank of Åland.

### Community involvement

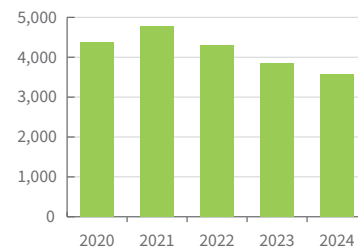
Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. Since 1997 the Bank of Åland has awarded nearly EUR 5 M to various environmentally related projects.

Aside from paying income and value added taxes to the Finnish government, the Bank of

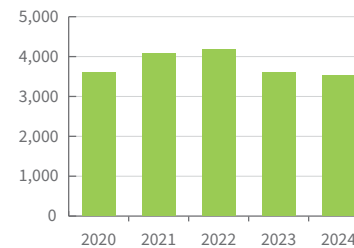
**Equity capital attributable to shareholders**  
EUR M



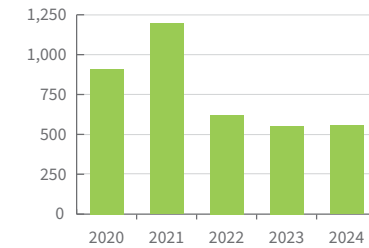
**Lending**  
EUR M



**Deposits**  
EUR M



**Covered bonds**  
EUR M





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 (AGM) approve payment of a regular dividend of EUR 2.40 per share for the 2024 financial year, for a total amount of EUR 36.9 M. The dividend is equivalent to a payout ratio of 70 per cent.

In addition, the Board of Directors proposes that the AGM approve payment of an extra dividend of EUR 0.35 per share. This extra dividend is connected to the final transfer of Swedish mortgage banking operations to Borgo. The overall proposed dividend amounts to EUR 42.3 M, or EUR 2.75 per share.

### Important events after close of report period

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

### Risks and uncertainties

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

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

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

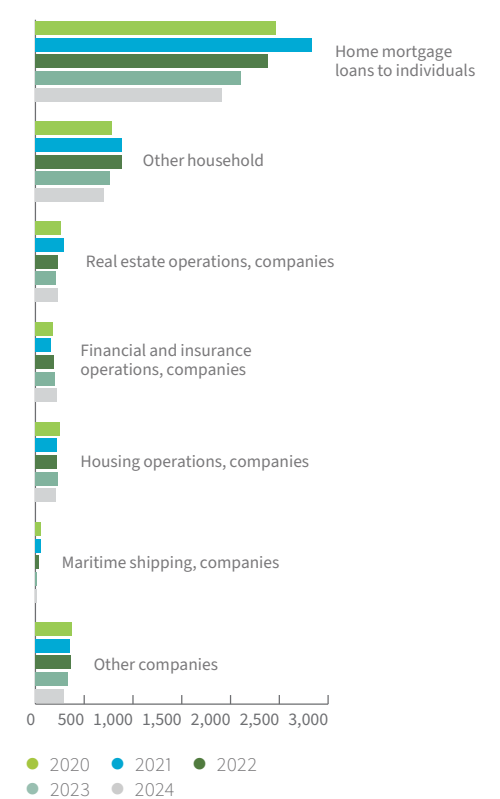
### Future outlook

The Bank of Åland expects its return on equity after taxes (ROE) to continue to exceed its long-term financial target of 15 per cent during 2025

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.

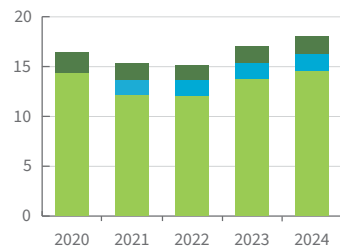
### Lending by economic sector

EUR M



### Capital ratios

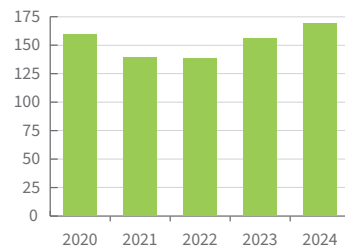
Per cent



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

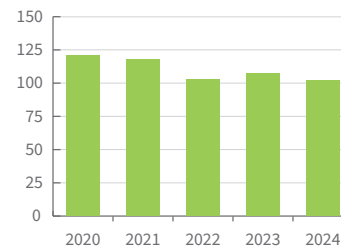
### Liquidity coverage ratio

Per cent



### Loan/deposit ratio

Per cent





# Sustainability report

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# Sustainability report prepared in compliance with the CSRD and ESRS

**The Bank of Åland is preparing a sustainability report for 2024 in compliance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).**

The CSRD, which is an abbreviation for the Corporate Sustainability Reporting Directive ((EU) 2022/2464), is an EU directive that regulates sustainability reporting by companies and involves increased transparency with regard to sustainability in their annual reports. This reporting is intended to provide stakeholders with information by showing both the company's impact on sustainability matters and informing stakeholders about how sustainability matters affect the company's development and future operations. The details of designing the report are specified in the European Sustainability Reporting Standards (ESRS) (Delegated Regulation (EU) 2023/2772).

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

The ESRS reporting standards are based on two overarching standards, with general disclosures in which the Bank's basis for preparing the sustainability report is presented, together with a description of governance, strategy and management of impacts, risks and opportunities, as well as ten thematic standards in the main areas of the environment, social sustainability and business conduct. In the long term, sector-specific standards will also be developed with more niche reporting guidelines for different industries, but at present reporting is done according to a materiality assessment of each company. Reporting is done on the disclosure requirements described in the chapters that are relevant based on the matters identified as significant impact areas, material risks or significant opportunities in the Company's double materiality analysis.

The Bank of Åland is part of the first group of companies to start applying the changes in national legislation that the CSRD entails.



# ESRS 2 General disclosures

## Disclosure Requirement BP-1 – General basis for preparation of the sustainability statement

The Bank of Åland's sustainability report has been prepared on a consolidated basis common to the entire Group. The data are consolidated according to the same principles as the financial statements. Consolidated ESG data include the parent company Bank of Åland Plc (Ålandsbanken Abp) and subsidiaries controlled by the Bank of Åland Plc. Associates and joint ventures are not included in the consolidated ESG data points. The sustainability statement covers the Bank's own operations but also the impacts that are visible in the next step in the value chain, including the Bank's individual customers, corporate customers and the activities covered by it within the framework of its Treasury portfolio as well as its customers' financial investments. In a few cases, the Bank of Åland omits specific information in the sustainability report because it is deemed to be confidential or of a sensitive nature. The Bank has not utilised the option of exemptions for matters that are under negotiation pursuant to Chapter 7, Section 19, sub-section 5 of the Finnish Accounting Act.

## Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances

### Time horizons

The Bank of Åland has not deviated from the medium- or long-term time horizons defined in ESRS 1, section 6.4 when the double materiality analysis has been completed. However, the climate-related risk assessments that have been carried forward into the double materiality analysis have been implemented on the basis of other time horizons, where short-term corresponds to less than three years, medium-term three to five years, and long-term five to thirty years. The reason for this is the specific risk analysis that

has been carried out according to a previously established method that was in place before the implementation of ESRS. This is described in more detail in the IRO-1 disclosure requirement.

### Value chain estimation

Most of the metrics include data on the value chain rather than the Bank's own operations, especially in the climate change area. This is because much of the identified impacts occur either upstream or downstream in the value chain.

Calculations of greenhouse gas emissions for the Bank's own Scope 1 and Scope 3 upstream are done through the spend method, since there is no access to concrete information about emissions from the suppliers from whom the purchases are made. Emissions from the Bank's own operating activities are calculated using emission factors and the Åland Index and are based on expensed activities in the income statement. The method of calculation is described under disclosure requirements E1-6.

Calculations of Scope 3 GHG emissions downstream in the value chain, in Category 15 through lending in the loan portfolio, Treasury and customers' financial investments are estimated in cases where there is no information from the companies concerned. Since the majority of lending goes to private individuals and small businesses, the percentage of companies that publicly report greenhouse gas emissions is limited, so the value chain's greenhouse gas emissions are estimated in cases where information is lacking. For Treasury and customers' financial investments, which are exposed to a greater extent to larger companies with publicly disclosed accounts, available data is used, but estimates are made when information is lacking. However, the quality of public Scope 3 data is generally low. There is also a large variation in the extent of reported emission data between different

companies. The method for calculation and estimation is described under disclosure requirement E1-6.

### Sources of estimation and outcome uncertainty

One quantitative measure that is subject to a high degree of uncertainty is the GHG emissions reported under E1 Climate Change.

For GHG emissions in the Bank's own operational activities, estimates are made according to the spend method related to Scope 1 and Scope 3 upstream. In Scope 3 downstream Category 15 *Investments*, there is a high dependency on information from other companies downstream in the value chain to be able to compile data. Access to such data is extremely limited, and the quality of the available information is also varied, since it can be assumed that a large proportion consists of estimates. When there is no access to data from other companies, estimates are made. Estimates are made to varying degrees based on the loan portfolio's lending, Treasury and customers' financial investments. The method for calculating and estimating greenhouse gas emissions is described under disclosure requirement E1-6.

A lot of information about the greenhouse gas calculations for Scope 3 downstream Category 15 *Investments* consists of other companies' greenhouse gas calculations that can be found in their respective public reports. Since these, in turn, are dependent on the companies' own estimates and access to information, one consequence is that the information compiled by the Bank of Åland regarding these companies is, in turn, also based on estimated data. This information is also changeable by its very nature. As more data become available and the quality of existing data increases, both current and historical data continuously change over time.





## Changes in preparation or presentation of sustainability information

2024 is the first year for which the sustainability report is being prepared in compliance with ESRS, which entails major changes in content, appearance and scope compared to previous years' sustainability reports.

To provide a true and fair picture of developments, comparative figures for historical periods are restated using the latest available data. For adjustments to financial figures, we follow the financial statements. For adjustments to ESG data, we make an assessment of whether adjustments should be made. Comparative figures and previously published sustainability information are not certified by the sustainability auditor.

The information that has been restated for the 2024 Annual Report compared to the 2023 Annual Report is primarily found in the GHG emission report, which is described under disclosure requirement E1-6.

As access to data from other companies expands, comparative figures for historical periods are recalculated using the latest available data.

Regarding the greenhouse gas calculations for Scope 3 downstream Category 15 Investments, the historical comparative figures have been updated according to new information as other companies have published updated GHG calculations in their respective published reports. The comparative figures for the base year 2021 are also recalculated to create the opportunity for continuous follow-up. The updated historical comparative figures are described under disclosure requirement E1-6 next to each respective table.

Because of new data on the Bank of Åland's own electricity consumption, historical figures on electricity consumption have been recalculated. This will also have knock-on effects on the Scope 2 greenhouse gas emission figures. The updated historical comparative figures are reported under disclosure requirements E1-5 and E1-6, next to each respective table.

## Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies

The members of the Board of Directors are appointed by the shareholders at the Annual General Meeting (AGM). The term of office of the Board ends at the close of the next AGM following the election. According to the Articles of Association, the Board shall consist of a minimum of five and a maximum of eight regular members. In 2024, the Board consisted of seven regular members as of the AGM on 26 March 2024, when Malin Lombardi was elected. During early 2024, the Board consisted of a total of six regular members. The Managing Director/Chief Executive may not be a member of the Board.

The number of executive members of the Board is 0, and the number of Non-Executive Members is 7. The Bank of Åland's Managing Director is not a member of the Board.

The Board of Directors of the Bank of Åland does not include any representation of employees or other Bank workers. The Managing Director is employed by the Bank of Åland.

## Experience of the Board and Managing Director relevant to the company's sectors, products and geographic locations

### The Board members have the following experience:

#### **Nils Lampi, Chairman, Bachelor of Economic Sciences**

*Background:* Wiklöf Holding, CEO (1992–); Wiklöf Holding Ab, Managing Director (1990–1991); AW Line Ab, Deputy Managing Director (1988–1989); Föreningsbanken i Finland, Head of Åland Corporate Department (1986–1987); Helsingfors Aktiebank, Director (1980–1985).

*Other assignments:* Aktia Bank Abp, Aktia Abp, member of the Board of Directors (2010–2013); Åland Post Ab, Chairman of the Board of Directors (2011–2020); Nordea, Member of the Delegation (2005–2009); Best-Hall Oy, Chairman of the Board of Directors (1997–); Ab ME Group Oy Ltd, Chairman of the Board of Directors (1990–); Ab Mathias Eriksson / Ab Mariehamns Parti, Chairman of the Board of Directors (1990–2019, member of the Board of Directors (2019–); Skärgårdshavets Helikoptertjänst Ab, Chairman of the Board of Directors (1990–2019); Hotell Arkipelag Ab,

Chairman of the Board of Directors (1989–2015); Ålandsdelegationen, Member (1983–); Scandinavian Air Ambulance Ab, Member of the Board of Directors (2008–2010)

#### **Christoffer Taxell, Vice Chairman of the Board of Directors, Master of Laws**

*Background:* Partek Oyj Abp, President and Chief Executive Officer (1990–2002); Swedish People's Party of Finland, Leader (1985–1990); Minister of Education (1987 – 1990); Minister of Justice (1979–1987); Member of Parliament (1975–1991)

*Other assignments:* Partek Oyj Abp, Member of the Board of Directors (1984–2002); Åbolands Skärgårdsstiftelse sr, Member of the Board of Directors (2017–); Rettig Group Ab, Member of the Board of Directors (2012–2017); Luvata Oy, Member of the Board of Directors (2005–2014); Föreningen Konstsamfundet, Chairman of the Board of Directors, (2004–2017), Member of the Board of Directors (1996–2003); Svenska litteratursällskapet, member of the Financial Affairs Council (1982–2016); Åbo Akademi University Foundation, Chairman of the Delegation (2013–2018), Chairman of the Board of Directors (2003–2012); Member of the Foundation's Board of Directors (1988–2012); Sampo Abp, Member of the Board of Directors (1998–2013); Finnair Abp, Member of the Board of Directors (2003–2011); Stockmann Oyj Abp, Chairman of the Board of Directors (2007–2014), Member of the Board of Directors (1985–2014)

#### **Anders Å Karlsson, Bachelor of Commerce**

*Background:* Chips Abp, CFO and Deputy Managing Director (1987–2009); Plasto Ab, Financial Manager (1983–1987).

*Other assignments:* Alandia Försäkring Abp, Member of the Board of Directors (2021–); Ålands Skogsindustrier Ab, Member of the Board of Directors (2015–); Ålands Skogsägare Andelslag, Member of the Board of Directors (2010–2017); Ålands Ömsesidiga Försäkringsbolag, Member of the Board of Directors (2011–2017); Ålands Penningautomatförening (PAF), Member of the Board of Directors (2010–2018); Ålands Bygg Ab, Member of the Board of Directors (2010–2021); Ålands Bygg Fastighets Ab, Member of the



Board of Directors (2010–2021); Fastighets Ab Norragatan 17, Member of the Board of Directors (2010–); Ålands Centralandelslag, Member of the Board of Directors (2010–2016); Ålands Skogsägarförbund Andelslag, Member of the Board of Directors (2010–2017); Ab Skogen, Member of the Board of Directors (2010–2016); Chips Abp, Member of the Board of Directors (2005–2009); Ålands Tidnings-Tryckeri Ab, Member of the Board of Directors (1990–2003); Authorised Public Accountant for various companies (1987–2003)

#### **Mirel Leino-Haltia, PhD (Econ.), CFA**

*Background:* Professor of Practice (Accounting), Aalto University (2019–); Partner PwC Finland (2009–2018); PwC Finland (2000–2009)

*Other assignments:* Sitowise Plc, Member of the Board of Directors (2021–), Chair of the Audit Committee (2022–); Teleste Plc, Member of the Board of Directors and Chair of the Audit Committee (2020–); LocalTapiola Mutual Life Insurance, Member of the Board of Directors (2019–); Euroclear Finland Ltd. Member of the Board of Directors and Chair of the Audit Committee (2018–2023, ) Chair of the Audit Committee (2023–); Nixu Certification Ltd. Member of the Board of Directors (2022–2023); Indufor Ltd. Chair of the Board of Directors (2019–); Finnish Association of Authorised Public Accountants, Member of the Board of Directors (2021–)

#### **Ulrika Valassi, Master of Business Administration**

*Background:* Au Management AB, Founder (2013–); DBT Capital AB, Credit & Risk Function (2017–2022); Transcendent Group AB, Risk (2015–2017); Landshypotek Bank, Stockholm, Credit Manager (2011–2013); SEB, Stockholm & New York – Credits, Risk Control (1994–2011); Öhring Revisionsbyrå, Assistant Auditor (1993–1994). *Other assignments:* Fastighetsbolaget Emilshus AB, Member of the Board of Directors and Member of the Audit Committee (2024–); Pamica Group AB, Member of the Board of Directors (2023–); Insatt AB, Member of the Board of Directors (2023–); Wellstreet, Advisory board member (2023–); Niam Credits, Advisory board

member (2023–); Swedencare AB, Member of the Board of Directors and Member of the Audit Committee (2022–); Sparbanken Sjuhärad, Member of the Board of Directors and Member of the Audit Committee (2022–); DBT Capital AB, Member of the Board of Directors (2022–2023); Hemfosa Fastigheter AB, Member of the Board of Directors (2014–2019); Hypoteket Bolån Sverige AB, Member of the Board of Directors (2017–2019); Intrum Justitia AB, Member of the Board of Directors (2016–2017); Qliro AB, Member of the Board of Directors (2015–2016); Dreams Securities AB, Member of the Board of Directors (2019–2021)

#### **Anders Wiklöf, Doctor of Economics (Honorary), Commercial Counsellor**

*Background:* Business owner

*Other assignments:* Bank of Åland, Chairman of the Board of Governors (2001–2003), Member of the Board of Governors (1983–2003); Ålands Ömsesidiga Försäkringsbolag, Board of Governors (1991–2011); Wiklöf Holding Ab, Chairman of the Board of Directors (1987–); Åland Foundation for the Future of the Baltic Sea, Member of the Delegation (1989–)

#### **Malin Lombardi, Master of Laws**

*Background:* BoardClic, Stockholm, Co-founder and Governance Director (2018–); Lagercrantz Associates, Stockholm, Partner and Board Adviser (2015–2022); Roschier Attorneys Ltd, Stockholm, Senior Associate (2006–2015)

*Other assignments:* Quoted Companies Alliance, Member of the Corporate Governance Expert Group (2023)

#### **The Managing Director has the following experience relevant to the Bank's sectors, products and geographic locations**

##### **Peter Wiklöf, Master of Laws, Managing Director and Chief Executive**

*Background:* Crosskey Banking Solutions Ab Ltd, Managing Director (2004–2008); Bank of Åland Plc, General Manager, Business Development (2000–2004); Regular Management

Assistant, Branch Office Division (1996–1999), Management Assistant (1995–1996); Head of Customer Advisory Service Division (1995–1995), Acting Head of Customer Advisory Services Division (1994–1994), Acting Counsel (1992–1994); Åland Police Authority, Superintendent of the Criminal Investigation Division (1991–1992)

*Other assignments:* Försäkringsaktiebolaget Alandia, Member of the Board of Directors (2017–); Viking Line Abp, Member of the Board of Directors (2017–); Ålands Ömsesidiga Försäkringsbolag, Member of the Supervisory Board (2009–2021); Crosskey Banking Solutions Ab Ltd, Chairman of the Board (2008–); Ålandsbanken Fondbolag Ab, Chairman of the Board (2008–2015); Åland Chamber of Commerce, Chairman of the Board (2011–); Groupement Européen de Banques (GEB), Member of the Board of Directors (2008–)

#### **Gender distribution of the Board of Directors**

For the financial year 2024, the members of the Board have collectively achieved the variation in education, experience and abilities required for their assignment, and both genders are represented on the Board. The gender distribution on December 31, 2024 was 43 per cent women and 57 per cent men. Up to and including the AGM on March 26, 2024, the distribution was 33 per cent women and 67 per cent men. Thus, the average distribution during 2024 was 38 per cent women and 62 per cent men.

#### **Percentage of independent Board members**

According to the assessment of the independence of the Board members in the Report of the Directors, 100 per cent of Board members are independent of the Bank of Åland and 57 per cent of Board members are independent of significant shareholders.

#### **Roles and responsibilities of the Board and the Managing Director regarding sustainability**

Defining administrative, management and supervisory bodies as corresponding to the Board of Directors and the Managing



Director of the Bank of Åland, these bodies exercise partial supervision of impacts, risks and opportunities. The Board of Directors supervises impacts, risks and opportunities by being informed about sustainability work. The Board of Directors has the ultimate responsibility for the management of sustainability work and establishes the Group's sustainability strategy and climate strategy. Follow-up of the sustainability strategy takes place through the adoption of annual and quarterly sustainability reports. In 2024, the Board of Directors was informed of and approved the identified significant impact areas, risks and opportunities. The Audit Committee of the Board of Directors monitors the progress of sustainability reporting work with regard to impacts, risks and opportunities and supervises the progress of the work in this respect. Overall sustainability work is administered by the Executive Team's Sustainability Committee.

The responsibility of the Board and the Managing Director for sustainability-related impacts, risks and opportunities is not currently written into any relevant directives or policy documents at the Bank of Åland but is instead part of their existing strategic and operational responsibility.

### **Management's role in monitoring, managing and overseeing impacts, risks and opportunities**

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's Managing Director, together with the Executive Team, is responsible for implementing the decisions on strategic direction made by the Board of Directors. Supervision of this is exercised by the Board by informing them about sustainability work at the twice-yearly review.

The Bank's Managing Director together with the rest of the Executive Team, the Sustainability Manager and the Managing Director of Ålandsbanken Fondbolag comprise the Bank of Åland's Sustainability Committee. The Sustainability Committee carries out the Bank'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 Sustainability Committee directs the Bank's overall sustainability work and creates the conditions and structure for development, implementation and follow-up within the framework of sustainability. The Sustainability Committee has participated in a workshop on deciding about material impacts, risks and opportunities for the Bank of Åland and is the body that decides on a final list based on material produced by the relevant employees.

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

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

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

If necessary, information from the Sustainability Committee is reported to the Board of Directors regarding matters that are currently relevant. The Board is informed twice yearly about the Bank's sustainability work and commitments related to both legal and voluntary arrangements.

No specific controls and procedures are applied to the management of impacts, risks and opportunities.

The Executive Team has approved the Bank of Åland's climate targets. The targets established for material impacts, risks and opportunities are developed by each area of responsibility and presented to the Sustainability Committee, which makes decisions on establishing targets. Progress towards these targets is monitored through a quarterly update of sectoral targets, with each area of responsibility also presenting a briefing on its topic to the Sustainability Committee if necessary.

### **The Board's sustainability-related skills**

Regarding skills and expertise on sustainability matters, there is no member of the Board of Directors with such deep targeted expertise. The Board or the Managing Director ensures that appropriate skills and expertise are available by making certain that there are individuals employed by the Bank with relevant expertise who work with sustainability-related issues. The Audit Committee has been informed continuously during the year about the development of ESRS-compliant sustainability reporting. The Board has not participated in any external training regarding sustainability but has continuously received information from the Managing Director and has been involved by approving the Bank's double materiality analysis. At the Bank of Åland, there are a number of people who are employed to work with sustainability-related issues, both overall and in specific areas of activity. If necessary, outside experts on these issues are also consulted. A training course on one material impact area – the circular economy – was provided during 2024 to the Sustainability Committee. The course was held in October 2024 in collaboration with the West Sweden Chamber of Commerce and the consulting company 2050 and presented basic information on the topic of the circular economy.

### **Responsibilities of the Board of Directors and Managing Director regarding business conduct**

The Bank of Åland's Board of Directors, Managing Director and Executive Team shall jointly establish and promote a healthy corporate and risk culture. The Board is responsible for establishing ethical standards, principles and approaches that shall apply to all operations, in order to ensure responsible business conduct, thereby maintaining a high level of trust in the Bank and its employees. The Board establishes these principles primarily through the Bank's ethical conduct policy, which is applied by the Board and all employees. Furthermore, the Board adopts the Bank's policy for internal governance and control, with overall principles for organisation and responsibility aimed at ensuring a



good corporate and risk culture, while preventing, detecting and remedying undesired events.

The Board also adopts the Bank's principles for prevention of financial and economic crime through policy documents on the prevention of and measures against market abuse and on the prevention of money laundering and terrorist financing.

The Bank applies these policy documents along with supplementary internal guidelines and regulations, the most relevant of which are its Code of Conduct, its guideline for identification and combating bribery and corruption and its guideline for whistleblowing.

The Bank maintains internal controls for regulatory compliance, which are laid down in its policy for internal governance and control. According to this document, internal control is maintained through an organisation with three lines of defence, where the first includes operational activities, the second includes the Risk Control, Compliance and the Operational Risk & Security departments and the third includes the Internal Auditing department. Controls are carried out in all these lines of defence, such as ongoing reviews of employees' outside activities and trade registers for private transactions, complemented by risk-based controls. The Board is also ultimately responsible for training in the field of ethical conduct and money laundering, which is carried out by departments within the first and second lines of defence.

#### **Expertise of the Board of Directors and Managing Director regarding business conduct**

All members of the Bank of Åland's Board of Directors and senior executives undergo a suitability assessment in connection with new appointments, in the event of significant events that warrant verification of continued suitability, and at least every three years (reassessment). The suitability assessment was established by the Board through Bank's suitability policy, which specifies that the suitability assessment shall include a review of the person's knowledge, skills, experience, reputation, honesty and integrity. A basic criterion is that the person must have sufficient knowledge, skills

and experience in the Bank's area of activity to be able to exercise sound and responsible business management.

To meet the suitability requirements, Board members and senior executives must have qualifications, experience and knowledge in the following areas: financial markets, business strategy and business models, the corporate governance system, risk management and compliance processes, Finnish/Swedish and European regulations and regulatory requirements affecting the financial market, as well as accounting and auditing. In addition, the Bank of Åland's internal regulations regarding responsible business conduct and ethical principles also apply to Board members as appropriate.

#### **Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies**

The Board of Directors is informed about the Bank's sustainability work and commitments regarding both legal and voluntary arrangements twice yearly, since the Sustainability Manager presents this work according to the yearly calendar. The Board has also been informed of the material areas of impacts, risks and opportunities identified in the double materiality analysis and has adopted the results of the double materiality analysis. The Audit Committee was informed continuously during 2024 about the development of ESRS-compliant sustainability reporting. The Managing Director has the opportunity to convey relevant information from the Executive Team's Sustainability Committee to the Board as needed.

The Sustainability Committee, which consists of the Bank's Managing Director, all other members of the Executive Team, the Sustainability Manager and the Managing Director of Ålandsbanken Fondbolag, meets monthly or as needed, and current sustainability matters are discussed. The Sustainability Committee is informed by relevant employees as needed. The Sustainability Committee approves the double materiality

analysis when it is completed, addressing impacts, risks and opportunities.

A due diligence analysis is part of the project model. Due diligence regarding sustainability must be included in the overall risk analysis that is carried out at the start of projects. Prioritised projects are discussed by the Group's Executive Team, which includes the Managing Director. The team has access to information about the overall risk analysis that has been carried out. The Board of Directors is informed regarding projects of a critical nature.

Information is provided to the Board and the Chief Executive on the results of the effectiveness of policies, measures, metrics and targets as necessary. They receive information through presentations of this material by relevant employees.

The Board of Directors and Managing Director oversee the Bank's strategy through the business plan and associated follow-up meetings that take place during the year. By doing so, they take into account identified significant impacts, risks and opportunities by addressing these in the business plan at an overall level while awaiting more concrete long-term measures.

#### **Material impacts, risks and opportunities addressed by the Board and Managing Director or their relevant committees during 2024**

Since the Sustainability Committee, which includes of the Executive Team and the Managing Director of Ålandsbanken Fondbolag, approved the identified material impacts, risks and opportunities, they thereby discussed all of these during 2024. In addition, they also specifically discussed the Bank's climate strategy and targets as well as the circular economy and the transition plan related to climate change. The Board of Directors has reviewed the progress of sustainability work and has made decisions on the material impacts, risks and opportunities identified in the double materiality analysis. During 2024, the Audit Committee discussed the ongoing task of preparing the Sustainability Report.

At the Bank of Åland, the Board and the Executive Team together focus on overall strategic goals, while the Executive



Team is solely responsible for operational implementation and more detailed targets. The Bank's Sustainability Committee, which consists of the Bank of Åland's Managing Director, the rest of the Executive Team, the Sustainability Manager and the Managing Director of Ålandsbanken Fondbolag, is responsible for overall sustainability work.

The Board is informed about sustainability issues twice a year and, as needed necessary, at other times through its contact with the Managing Director.

### Disclosure Requirement GOV-3 – Integration of sustainability-related performance in incentive schemes

The remuneration paid to the Board of Directors and the Managing Director of the Bank of Åland is not linked to sustainability-related results or targets, either with regard to variable or fixed remuneration. The Board of Directors has a fixed fee and no variable remuneration.

The target parameters of the Group's Executive Team, excluding the Managing Director, include a link to indices related to internal metrics: the commitment index, the leadership index, eNPS and temperature, which reflects employees' opinions about their employer. The Executive Team also includes customer satisfaction metrics in its target parameters. The indices are weighted and included in the overall assessment without making up a specific percentage. The Bank's incentive systems are approved by the Board.

Climate-related considerations are not factored into the remuneration of members of the administrative, management and supervisory bodies, and their performance has not been assessed against greenhouse gas emission reduction targets. 0 per cent of the remuneration of members of the administrative, management and supervisory bodies is linked to climate-related considerations. One reason for this is the lack of quality-assured data and quality-assured measurement methods.



## Disclosure Requirement GOV-4 – Statement on due diligence

### A chart indicating where the due diligence process is provided in the sustainability statement

Core elements of due diligence	Paragraphs in the sustainability statement
a) Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2 Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model
b) Engaging with affected stakeholders in all key steps of due diligence	ESRS 2 GOV-2 Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies ESRS 2 SBM-2 Interests and views of stakeholders ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities ESRS 2 MDR-P Minimum disclosure requirements – MDR-P policies – Policies adopted to manage material sustainability matters, which are found in the following chapters: E1-2 Policies related to climate change mitigation and adaptation, E2-1 Policies related to pollution, E4-2 Policies related to biodiversity and ecosystems, E5-1 Policies related to resource use and circular economy, S1-1 Policies related to own workforce, S2-1 Policies related to value chain workers, S4-1 Policies related to consumers and end-users, G1-1 Business conduct policies and corporate culture plus company-specific chapter on the Baltic Sea Project – Policies and company-specific chapter on local community involvement in Åland – Policies Topical ESRS: To reflect the different phases and objectives of stakeholder involvement throughout the due diligence process: ESRS 2 SBM-2 Interests and views of stakeholders, sub-headings relating to customers and employees.
c) Identifying and assessing adverse impacts	ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks, and opportunities ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model



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d) Taking actions to address those adverse impacts

ESRS 2 MDR-A Minimum disclosure requirements – MDR-A actions – Actions and resources in relation to material sustainability matters, which are found in the following chapters:

E1-3 Actions and resources in relation to climate change policies

E2-2 Actions and resources related to pollution

E4-3 Actions and resources related to biodiversity and ecosystems

S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

Topical ESRS: reflecting the range of actions, including transition plans through which impacts are addressed, which are set out in the above-listed the MDR-A chapters.

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e) Tracking the effectiveness of these efforts and communicating

ESRS 2 MDR-M Minimum disclosure requirements – MDR-M metrics – Metrics in relation to material sustainability matters, which are found in the following chapters:

E2-4 Pollution of air, water and soil

E4-5 Impact metrics related to biodiversity and ecosystems change

ESRS 2 MDR-T Minimum disclosure requirements – MDR-T targets – Tracking effectiveness of policies and actions through targets, which are found in the following chapters:

E1-4 Targets related to climate change mitigation and adaptation

E2-3 Targets related to pollution

E4-4 Targets related to biodiversity and ecosystems

S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Topical ESRS: in terms of metrics and targets, those listed in the above listed chapters for MDR-M and MDR-T as well as:

E1-5 Energy consumption and mix

E1-6 Gross Scopes 1, 2, 3 and total GHG emissions

S1-6 Characteristics of the undertaking's employees

S1-8 Collective bargaining coverage and social dialogue

S1-9 Diversity metrics

S1-11 Social protection

S1-13 Training and skills development metrics

S1-14 Health and safety metrics

S1-16 Remuneration metrics (pay gap and total remuneration)

G1-4 Incidents of corruption or bribery



### Disclosure Requirement GOV-5 – Risk management and internal controls over sustainability reporting

The Sustainability Report is prepared for inclusion as part of the Bank of Åland Group's Annual Report. During the 2024 financial year, the Bank began the task of building a process for sustainability reporting within the framework of the CSRD. The Bank's sustainability reporting process can be divided into three main parts that together constitute one process, consisting of the double materiality analysis presented in ESRS 2 IRO-1, a gap analysis where the Bank identifies current challenges regarding accounting data according to ESRS and the compilation of the formal sustainability statement, which includes data collection and third-party review of the sustainability statement. Since the establishment of a new process for sustainability reporting, including underlying analyses and compilation of the sustainability report, is an extensive effort, the Bank has built up an initial process in 2024 that is expected to be improved in the coming years.

The Bank has conducted a gap analysis regarding ESRS's reporting requirements, in which the difference between reporting requirements for the sustainability report and existing processes within the Bank's operations has been commented upon and ranked by magnitude. The risks related to sustainability reporting have been highlighted by presenting the gap analysis to the Bank's Executive Team and the Audit Committee.

The main risks identified regarding the process for compiling the sustainability report plus associated analyses and materials consist of the general lack of access to qualitative data for reporting, especially regarding actors downstream in the value chain, as well as a lack of systems support since this has not yet been developed, the lack of industry-specific standards for reporting and knowledge challenges to employee resources, given the extensive new regulations. A large number of differences between the material impacts, risks and opportunities identified in the double materiality analysis and their related reporting points have also been identified. Since the process for producing the double materiality analysis is also new, there is also some

uncertainty in the assessments. This is an area for continued effort in the coming years. Since these risks have relatively recently been identified in connection with the development of the sustainability reporting process, the Bank has not yet established its strategy for mitigating the identified risks. The control function that is in place is a report to the Audit Committee on the sustainability reporting development process.

The Sustainability Report is compiled by Group Finance, but the actual underlying groundwork must be integrated into the rest of the Bank's operations. The identified gaps between existing activity and reporting requirements should thus be addressed by each respective business area of the Bank. Data gathering for the sustainability report is done through interviews with business areas and activities, combined with collection of underlying internal documentation. Because a lot of information regarding impacts relates to activities downstream in the value chain through lending and investments, data are also gathered via each company's published sustainability information, to the extent that this is available.

During the implementation phase of preparing the first sustainability report according to the CSRD and ESRS, there has been ongoing reporting of the implementation process and timetable to the Audit Committee, which is one of the Board's regular committees.

### Disclosure Requirement SBM-1 – Strategy, business model and value chain

The Bank of Åland offers a wide range of banking and asset management services. Under our own brand, we target private individuals and businesses in selected geographic areas in Åland, on the Finnish mainland and in Sweden. We offer Banking as a Service (BaaS), where our target group is companies that want to offer their customers banking services under their own brand.

### The Bank of Åland's significant product areas are Daily banking services including deposits

The Bank of Åland offers daily banking services in the form of bank accounts, cards, payments, digital services and insurance, as well as savings. Customers are offered two concepts: Private Banking or Premium Banking. Savings are offered through both share savings accounts and custody accounts as well as savings accounts.

The Bank's savings account, the Baltic Sea Account, donates up to 0.2 per cent of its deposits annually to nature conservation and environmental projects around the Baltic Sea through the Baltic Sea Project. For bank customers, there are both debit cards and credit cards, which are also called Baltic Sea cards. The Baltic Sea Card is the world's first bank card made of environmentally friendly material that is linked to an environmental impact index called the Åland Index. With the Åland Index, the Bank helps its customers estimate the carbon footprint of their card purchases.

### Financing services

The Bank offers lending to private individuals and companies. Loans to private individuals consists largely of mortgages, but loans are also provided for other purposes, such as securities lending, and in Åland and elsewhere in Finland also study loans. Loans to businesses consist of working-capital financing in Åland, while on the Finnish mainland and in Sweden the focus is on investment loans. The Bank also carries out liquidity management through its Treasury department, including the issuance of bonds, among them green bonds.

### Financial investment services

The Bank provides discretionary asset management, non-independent financial investment advisory services, execution and forwarding of orders in financial instruments, as well as ancillary services referred to in the Investment Services Act, such as custody of financial instruments. We have a wide range of products and services, with environmental, social and governance (ESG) aspects fully integrated into our investment processes.





The Bank measures and reports the Science Based Targets Initiative (SBTi) status of all Bank of Åland mutual funds, and we have a minimum percentage of sustainable investments for all model portfolios and Bank of Åland mutual funds. The Bank offers two Article 9 products, Vindkraftsfonden (the Wind Power Fund) and Green Bond.

### IT services

IT services consist of Crosskey Banking Solutions Ab Ltd's operations. Crosskey, on its own or together with the Bank of Åland, offers financial IT service. We offer IT as a Service (ITaaS), where our target group is financial companies that need IT services to be able to manage their customers.

During the 2024 financial year, no changes have been made to significant product areas.

### The Bank of Åland's operational area

Under our own brand, we target private individuals and businesses in selected geographic areas in the Åland Islands of Finland, on the Finnish mainland and in Sweden. The Bank of Åland operates in Åland, on the Finnish mainland and in Sweden. In Åland, the Bank of Åland is a bank for all residents and is 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 has a niche strategy targeted to entrepreneurs, wealthy families and individual customers with sound finances.

The Bank of Åland's primary segments are Private Banking, Premium Banking and IT.

During the 2024 financial year, no changes have been made to significant product areas.

### The Bank of Åland's employees

On December 31, 2024, the Bank had 1,131 employees, divided into three regions: In Åland there were 582 employees, on the Finnish mainland 319 employees and in Sweden 230 employees.

### The Bank of Åland's exposure to specific industries

#### The fossil fuel sector

The Bank is not active in the fossil fuel sector on the basis of its own operations.

The Bank has exposure through its loan portfolio, in the form of lending to companies operating in fossil fuels. A further investigation is required to be able to specify potential directly related income, which it was not possible to carry out during 2024.

Through its Treasury operations, the Bank has no holdings that are active in fossil fuels.

Through its customers' financial investments, the Bank has exposure to companies operating in fossil fuels. This is described in more detail in the 2023 Sustainability Finance Disclosure Regulation (SFDR) report, "Statement of the main negative impacts of investment decisions on sustainability factors (the Principal Adverse Impact statement)", where PAI indicator 4 table 1 in Annex I describes the metric. This exposure is also reflected in the EU Taxonomy tables regarding fossil gas-related activities. The Bank does not invest in operations that extract thermal coal. Since these financial investments do not relate to the Bank's own money, but to customers' financial investments, the Bank has not been able to identify any income of its own that can be specifically traced to this exposure.

#### Chemical production

The Bank of Åland is not active in chemical production based on its own operations.

Downstream in the value chain through the loan portfolio, there is exposure through companies active in chemical production. A further investigation is required to be able to specify potential direct-related revenues, which it was not possible to carry out during 2024.

Through its Treasury operations, the Bank has no holdings that are active in chemical production.

The Bank has an exposure to chemical production through its customers' financial investments. Since these are not related to

the Bank's own financial investments, but to customers' financial investments, the Bank has not been able to identify any income of its own that can be specifically traced to this exposure.

#### Controversial weapons

The Bank of Åland is not active in controversial weapons based on its own operations.

The Bank of Åland has no exposure to controversial weapons based on lending in its loan portfolio or Treasury operations.

The Bank of Åland has no direct exposure to companies active in controversial weapons based on its customers' investments. However, through its customers' investments, the Bank of Åland has a small exposure to companies that in turn have exposure to controversial weapons. In the 2023 SFDR report, "Statement of principal adverse impacts of investment decisions on sustainability factors" (PAI statement), PAI indicator 14 Table 1 is included in Annex I, which describes the metric. Since this is not related to the Bank of Åland's own financial investments, but to customers' financial investments, the Bank of Åland has not been able to identify any income of its own that can be specifically traced to this exposure.

#### Cultivation and production of tobacco

The Bank of Åland is not active in the cultivation and production of tobacco based on its own operations. The Bank of Åland has no exposure to the cultivation and production of tobacco based on its loan portfolio, Treasury operations or customers' financial investments.

#### Sustainability-related goals in terms of significant groups of products and services, customer categories, geographical areas and relationships with stakeholders

The Bank of Åland has established a number of sustainability-related goals, some of which are specifically linked to significant groups of products, services, customer categories, geographic areas or relationships with stakeholders.



The Bank has an overall climate target and a number of sectoral targets that are presented in their respective chapters. The Bank's overall climate target of reducing CO<sub>2</sub>e emissions, which is described in more detail under E1-4, apply to its operations as a whole, without being related to specific products or services. There are sectoral objectives related to:

### Financing services

*The following targets have been set for the loan portfolio's products or customer categories:*

The Bank of Åland wishes to share a documented climate ambition with its customers. For the financing of companies and business activities, this means that 100 per cent of customers classified as emission-intensive must agree to a climate ambition with the Bank in which they undertake to establish a sustainability plan with activities that support the Bank's goal of reducing its carbon dioxide emissions by at least 50 per cent no later than 2030. In all, at least 90 per cent of corporate lending volume must have agreed to a climate ambition with the Bank. Further details about the target and outcomes are found under E1-4.

The target is to reduce the emission intensity of Bank-financed mortgages (gCO<sub>2</sub>e/m<sup>2</sup>) by 26 per cent no later than 2030 compared to the base year 2021. Further details about the target and outcomes are found under E1-4.

The Bank undertakes to continue to offer financing of electricity production only for renewable energy, until 2030. Further details about the target and outcomes are found under E1-4.

### Financial investment services

Financial investments of customer money in the Bank's asset management operations will follow a course in line with the goals of the Paris Agreement, with 2021 as a base year. Further details about the target and outcomes are found under E1-4.

### Relationships with stakeholders

With regard to its own operations, there is an ambition to

persuade suppliers to commit to climate targets with the same level of ambition as the Bank of Åland.

With regard to relationships with stakeholders, the Bank measures customer satisfaction (Customer Satisfaction Index, CSI) and customers' propensity to recommend the Bank (Net Promoter Score, NPS). The Bank's goal is to be the best market player in the Nordic region, with the most satisfied customers in the Private Banking and Premium Banking segments.

### An assessment of the Bank's current significant products and services in relation to its sustainability-related goals

In many areas, the Bank of Åland's operations mainly have an indirect effect. One of the Bank's clearest areas of impact on sustainability is through indirect climate impacts downstream in the value chain through lending and customers' financial investments. While this area is important for the fulfilment of sustainability targets, it faces major challenges in terms of access to data. Regarding our own loan customers, the majority consisting of private individuals and entrepreneurs for whom there is no access to published information on carbon dioxide emissions or other sustainability work, which creates a major challenge for following up targets.

### Financing services

The Bank of Åland has established three targets related to the loan portfolio's products or customer categories, which were presented in the above section:

The Bank of Åland wants to share a documented climate ambition with its customers. In which 100 per cent of customers classified as emission-intensive must agree with the Bank that they undertake to establish a sustainability plan with activities that support the Bank's goal of reducing its carbon dioxide emissions by at least 50 per cent no later than 2030.

A climate ambition document was produced during 2024. Work on implementation is expected to begin in the coming financial year.

As for home mortgages, the target is to reduce their emission intensity (gCO<sub>2</sub>e/m<sup>2</sup>) by 26 per cent no later than 2030 compared to the base year 2021.

A transition plan with a focus on home mortgages was developed during 2024, as described under E1-1, and implementation is expected to begin in the coming financial year, which means that the effect of the plan is expected to become visible further in the future. Further details about the target and outcomes related to Bank-financed emission intensity are found under E1-4.

The Bank will continue to offer financing of electricity generation only for renewable energy until 2030. Further details about the target and outcomes are found under E1-4.

### Treasury's Green debt financing

The Bank of Åland's Treasury department further contributes to promoting long-term sustainability by issuing green bonds in compliance with the Bank's green framework.

The green framework was updated in 2024, so that the qualification criteria now contribute significantly to the EU Taxonomy's environmental objectives. Taxonomy alignment cannot be established at this stage, since data on criteria for not causing significant harm to the other environmental targets and compliance with minimum social protection measures are limited. In the updated green framework, a new green asset category – sustainable transport – has been added to the existing green asset categories: renewable energy and green buildings. The framework has been established in compliance with the green bond principles of the International Capital Market Association (ICMA).

The updated green framework has been independently reviewed by Moody's Investors Service, which has made the assessment that the framework is consistent with ICMA's green bond principles and that the framework contributes significantly to sustainability. The framework has received a rating of "Very Good". For the time being, the Bank of Åland has an outstanding green T2 (supplementary capital) instrument totalling SEK 150 million, for which the Treasury maintains a green asset register.



### Financial investments of customers' money in the Bank's asset management operations will follow a course in line with the goals of the Paris Agreement, with a base year of 2021

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

The Bank of Åland measures and reports the percentage of the Bank's mutual fund holdings that have Science Based Targets Initiative (SBTi) status and has a minimum percentage of sustainable investments for all model portfolios and Bank mutual funds. The target related to SBTi status and the outcome are presented in more detail under E1-4. The Bank has two Article 9 products, the Wind Power Fund and the Green Bond. In addition to measuring the percentage of fund holdings that have signed the SBTi, the Bank also measures the percentage of funds evaluated according to the Principles for Responsible Investment (PRI). Ålandsbanken Fondbolag also screens fund assets based on ESG criteria and monitors the number of companies that violate international agreements.

#### The proportion of sustainable investments referred to in Articles 9, 8 and 6

Percentage of total investments	2024	2023
Sustainable investments, Article 9	8	9
Investments, Article 8	86	83
Investments, Article 6	6	8

Our customers' financial investments account for the largest proportion of the Bank of Åland's emissions, with emissions in Scope 3 Category 15 increasing as companies' own reporting expands in scope. We believe that comparability between different years for these emissions is still difficult to assess, as the quality of Scope 3

data is generally low. There is also major variation in the scale of reported emissions data between different companies, which means that data on exposures are not accurate enough to be used for comparisons. To some extent, we are seeing that reporting from the companies we invest in has improved, and a larger proportion of companies are reporting Scope 3. This trend is positive, although the increased amount of data means that our emission figures are rising.

#### Relationships with stakeholders

With regard to its own operations, there is an ambition to persuade suppliers to commit to climate goals with the same level of ambition as the Bank of Åland. In its Code of Conduct for Suppliers and Partners, the Bank encourages suppliers to work actively to minimise the negative environmental impact of their operations in line with the initiatives supported by the Bank.

With regard to relationships with stakeholders, the Bank measures customer satisfaction (Customer Satisfaction Index, CSI) and customers' propensity to recommend the Bank (Net Promoter Score, NPS). The Bank's goal is to be the best market player in the Nordic region, with the most satisfied customers in the Private Banking and Premium Banking segments.

The Bank of Åland conducts customer satisfaction surveys every year in the Private Banking and Premium Banking segments. In 2024, the Bank was named Finland's best Private Banking player for the fourth year in a row.

#### Daily banking services including deposits

The services that the Bank of Åland offers its customers that are related to sustainability issues are:

*The Baltic Sea Account:* The Bank's savings account, the Baltic Sea Account, donates up to 0.2 per cent of deposits annually to nature conservation and environmental projects around the Baltic Sea through the Baltic Sea Project.

*The Baltic Sea Card:* The Baltic Sea Card is the world's first bank card made of environmentally friendly material that is linked to an

index for environmental impact, the Åland Index. With the Åland Index, we help our customers estimate the carbon footprint of their card purchases.

#### Sustainability issues in the Bank's strategy and the main challenges ahead

The Bank's sustainability strategy focuses on climate issues in the form of reducing greenhouse gas emissions, while its business strategy focuses on strong growth. This is a challenge for the entire financial services industry, if not the whole world, and not just for the Bank of Åland. To achieve our sustainability goals, we need to increase the share of sustainable alternatives in our range of products, services and investments while remaining competitive.

As mentioned above, access to information and data as a basis for target-setting is a major challenge in all areas, not least in terms of both lending and investments. Access to information is very limited in relation to the loan portfolio, in which lending to private individuals and corporate customers consists mainly of small or medium-sized companies or even smaller businesses with limited reporting obligations regarding sustainability-related data. The production of published sustainability information is also still undergoing improvement among large companies, which means that qualitative data is in very short supply.

The Bank of Åland has begun the task of integrating sustainability management into its operational management, among other things by initiating the implementation of LEVA and ZOE during 2024 as key performance indicators (KPIs) at recurrent sustainability meetings with its business areas. These metrics correspond to carbon-adjusted return on equity (ROE) and economic value-added (EVA) and are under development to create a follow-up of how business operations affect progress towards climate goals. The Bank has also begun the task of introducing systems support to incorporate the sustainability aspect into its accounting system.

#### The Bank of Åland's business model

The Bank of Åland is a banking group that includes an IT subsidiary.



The Bank's vision is basically to deliver a large bank's range of services with a smaller bank's thoughtfulness and good sense. The Bank values personal meetings with customers and views this as one of its main competitive advantages. In Åland, it is 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. It offers two concepts: Private Banking and Premium Banking. The focus areas for its banking operations are responsible financial investments and responsible lending.

The Group's subsidiaries include the fund management company Ålandsbanken Fondbolag Ab and the information technology (IT) company Crosskey Banking Solutions Ab Ltd. The Bank of Åland cooperates with several fintech enterprises and also delivers services to various companies in the financial industry. The Bank is also a part-owner of a number of companies with which it collaborates.

Ålandsbanken Fondbolag Ab manages the Bank of Åland's mutual funds, offering a range of funds adapted to the investment needs of the Bank's customers. In addition to operating ordinary mutual funds (UCITS), the company is also authorised as a manager of alternative investment funds (AIFs).

Crosskey's business strategy is based on four focus areas: growing step by step, building strong personal relationships, offering stable and secure systems and services, and advocating sustainable development. Crosskey develops, delivers and manages system and service solutions for companies operating in the Finnish and Swedish financial and capital markets. Crosskey's area of operations is in banking, payment and card solutions and capital market operations.

### **The Bank of Åland's value chain**

As a bank supplemented by a fund management company and an IT company, rather than a manufacturing company, the Bank of Åland's value chain looks as follows. It may be a bank with a

potential impact on its surroundings and exposed to all the risks and opportunities that the world offers, but it is still a relatively small market player.

### **Upstream in the value chain**

Flowing into the Bank's operations are small purchases of materials but especially purchases of services, as well as the regulations and risks that we carry through the rest of our activities. There is often little access to information from suppliers, and information on climate impacts based on purchases is calculated using the spend method.

### **The Bank's own operations**

The Bank of Åland Group's operations are based on banking activities, Crosskey's IT services and Ålandsbanken Fondbolag's asset management services. These comprise the core of the Group's own operational activities. Its full range of services includes deposits, loans, debit and credit cards, transactions, Treasury operations, insurance, legal services, marketing and a wide range of asset management services. Through Crosskey, the Group sells IT services to companies. The Bank also has a responsibility as a major employer, which is reflected in its broader materiality analysis. Expected benefits for customers, as well as for investors and other stakeholders, are that the Bank will offer its customers financial products that benefit them financially but at the same time do not thwart sustainable development.

### **Downstream in the value chain**

The Group's operations are supplemented downstream, among other things by its relationship with the customers that use our services, since we provide both businesses and individuals with access to financial and legal services and, through Crosskey, we offer IT services specifically for companies.

Downstream in the value chain is where we see the main indirect impacts, through lending, Treasury and customers' financial investments. Information about the large companies we invest in

is obtained from their published information. This applies specifically to the customers' financial investments and the Treasury department's investments.

Information about small businesses is more difficult to access. Since a majority of the Bank's customers as well as most of its associated companies are small and medium-sized enterprises (SMEs) or often even smaller, there is no published information. No direct information is available locally from these companies, since the gathering of sustainability data is new and still under development. Access to data is one of the bigger fundamental problems. It is something the Bank is aware of and will work on in the long term.

We are also involved in various partnerships through such companies as Borgo, Doconomy, Dreams, Alandia Holding, Plusius, Mäklarhuset Åland and holdings in wind power companies.

In addition to this, we are involved in the community by being a large employer in a small town and by supporting culture, sports and studies, especially in Åland. The Baltic Sea Project also contributes to community involvement by funding good ideas and raising awareness of the state of the Baltic Sea.

### **Disclosure Requirement SBM-2 – Interests and views of stakeholders**

As demands for transparency and external communication around companies' sustainability work increase, the Bank of Åland's stakeholders have also taken on a more significant role in our sustainability work. A close dialogue with our stakeholders – both internal and external – is an important part of our development work, enabling us to better understand our impact from different perspectives. To understand the needs and driving forces that are important to our stakeholders, we conduct ongoing qualitative and quantitative stakeholder dialogues through various channels. These include customer and brand surveys as well as industry forums where current issues and trends are addressed. These dialogues are initiated both by the Bank and by stakeholders.



The Bank of Åland's stakeholders are:

- Customers
- Shareholders
- Debt investors
- Employees
- Authorities (regulations)
- Rating agencies
- Resellers
- Suppliers
- Partner organisations
- Special interest organisations
- Media
- The environment, including the local environment in the Baltic Sea

However, dialogue takes place primarily with our key stakeholders, i.e. the Bank's customers, shareholders and employees, whose overall views have been included in the materiality assessment process. In many cases, the topics that arise are already known and have been implemented as part of the Bank's general business strategy for many years, such as interest in the environment and social impact on the Åland community. The Board of Directors is given relevant information as needed.

### Customers

All sound banking operations are based on trust, and the Bank of Åland wishes to have long-term relationships with its customers. The Bank has a business model that focuses on personalised advisory services. As part of this, the Bank is keen on maintaining personal contact with its customers and considers it important that customers should have the opportunity to receive personalised service. For this reason, the Bank still has various local branches that customers are welcome to visit. Dialogue with customers thus takes place mainly through face-to-face meetings at Bank branches, but also via digital channels, at customer events and through information on the Bank's website. The Bank also conducts annual surveys to gather information about customers' opinions on various issues, of which sustainability is one of many.

The Customer Satisfaction Index (CSI) is measured and specified under disclosure requirement S4-5 as a customer-related target.

### Shareholders

Dialogue with shareholders largely takes place at the Annual General Meeting, but the Bank of Åland has also conducted a specific stakeholder dialogue with selected major shareholders to discuss sustainability. Our major shareholders understand that the Bank has an obvious responsibility for the green transition, a key role in preventing economic crime and money laundering, and an important role in the Åland community. Shareholders also emphasise the importance of ensuring that the Bank safeguards the needs and best interests of its customers.

### Employees

The Bank of Åland's employees are its most valuable asset and most important competitive advantage. Dialogue with employees is continuous, both on a daily basis and through recurring employee surveys. By continuously measuring and following up on employees' motivation and working conditions, the Bank can ensure a healthy and efficient organisation. The results of the 2024 employee commitment survey are described in greater detail under disclosure requirement S1-5 on page 140. Employee representatives also participate in an ongoing dialogue with the Bank to ensure that employees' perspectives are taken into account, in accordance with Finland's Cooperation Act (1333/2021). The connection to the Bank's strategy and business models is through the social sustainability area in its sustainability strategy.

### Workers in the value chain

The Bank of Åland has identified a potential indirect material impact on workers in the value chain through its financial investments downstream in the value chain. The Bank ensures a sustainable minimum level through its choice of financial investments and carries out basic assessments before an investment is made. The Bank's strategic focus on financial investments in the Nordic

region is expected to create the basic conditions for sustainable employment conditions in the value chain, due to the statutory labour rights that exist in the countries in question..

### Community involvement

The Bank of Åland has a strong commitment to the Åland community and contributes primarily by supporting culture, sports and studies. This interest in local involvement has also led to the Bank's work with the Baltic Sea Fund, through which the Bank – together with its customers – donates money to various environmentally related projects.

## Disclosure Requirement SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

### The Bank of Åland's material impacts, risks and opportunities

#### E1 Climate change

Climate change is an important impact area for the Bank of Åland and has been identified as material for a number of years. Through our own operations, we have a certain impact, but we see the major impact downstream in the value chain (Scope 3 Category 15 investments) through our lending to companies and individuals, the Treasury portfolio and customers' financial investments. Here we see a concrete indirect impact on climate change adaptation, mitigation and energy consumption.

In the area of climate, we have also identified various risks through our risk assessment process. The most significant risk driver in the short, medium and long term appears to be climate risks. Climate risks affect the Bank of Åland in all the areas where there are existing risk management processes. The Bank's strategy is thus to integrate climate risks as a natural element of the risk areas that the Bank is already working with. Long-term identified material climate-related risks include physical risk in the form of flood risk as well as transition risk in the form of regulation of the energy performance of buildings. Looking at this transition



risk, we also see an opportunity to be part of the transition through transition credits. The impact of climate change includes the risk of flooding in the communities where the Bank's customers live. Since many of its customers have mortgages with the Bank, it takes into account that assets pledged as collateral could be damaged or depreciate in value.

Long-term effects of climate change on the financial market also include such transition risks as falling share prices of companies affected by either climate events or climate policy measures, as well as a liquidity risk if investors choose to invest primarily in green bonds, causing the market for non-green bonds to become less liquid due to fewer buyers.

Read more under E1 Climate change.

## E2 Pollution

The Bank of Åland sees no impact on pollution from its own operations, but there are indirect impacts downstream in the value chain, through the companies whose operations are financed through our corporate lending and our customers' financial investments.

Based on the financial investment portfolio, the Bank sees a concrete impact on emissions to water. Although the data availability is small, its assessment is that this area is likely to be regarded as material. The area is monitored and factored into the assessment of principal adverse sustainability impacts as part of the investment process.

The Bank also sees a significant impact on pollution through substances of concern from most sectors it lends money to, simply because it is so common in most forms of manufacturing and most other sectors for this risk to be found in most companies. The area has recently been identified, and no actions have yet been taken.

Read more under E2 Pollution.

## The Baltic Sea Project

Given its location in the middle of the Baltic Sea, Åland is closely

associated with water. Through the Baltic Sea Project, the Bank of Åland and its customers donate money to various projects. In the short term, the Baltic Sea project and the financial products closely associated with it – such as the Baltic Sea Account and the Baltic Sea Card – are both a financial opportunity and an opportunity to potentially influence customers and investors to invest in a cleaner Baltic Sea.

Read more in the company-specific chapter on the Baltic Sea Project.

## E4 Biodiversity and ecosystems

Biodiversity and ecosystems are an area where the Bank of Åland, with its mainly office-based operations, only sees indirect material impacts downstream in the value chain from corporate lending and customers' financial investments. The visible impacts are direct drivers that lead to biodiversity loss and, in the long term, affect the state of ecosystems, through the activities of the companies whose operations are financed through our corporate lending and customers' financial investments. Biodiversity is thus not something that the Bank has a direct impact on through its own office operations, but instead it is a matter of how companies that fund their operations with the help of money from the Bank affect the environment and people in their vicinity through their business activities, such as where they operate and what they do.

Since these impacts are indirect downstream in the value chain, their effects on the Bank's strategy and business model are mainly through investment decisions and corporate lending criteria. As for investments, their principal adverse sustainability impacts are taken into account as part of the investment process. Via the Bank's financial investment operations, this is also monitored through PAI indicator 7, where the Bank scrutinises the proportion of investments in entities with locations/projects located in or near biodiversity sensitive areas where the activities of investment entities have an adverse impact on these areas. Since there is currently low data availability for such information, the Bank's review methodology is used to support the

precautionary principle with regard to environmental risks, in keeping with the UN Global Compact's Principle No. 7. The Bank monitors improvements in data availability, and existing data is used when assessing investment-related opportunities and risks.

Since the impacts are not seen from the perspective of the Bank's own operations but are instead seen downstream in the value chain through other companies – from which concrete sustainability data on biodiversity are limited – the Bank has not detected any material negative impacts in terms of land degradation, desertification or soil sealing. The Bank of Åland itself does not carry out any operations affecting endangered species.

Read more under E4 Biodiversity and ecosystems.

## E5 Resource use and circular economy

The circular economy has been identified as a significant impact area for the Bank of Åland since 2023, when it was granted priority based on the Bank's lending for home mortgages and property construction. In 2024, we continued to identify this area as indirect but significant, with a focus on the loan portfolio, in addition to impacts via Treasury portfolio investments on resource flows both inwards and outwards, and in the case of customers' financial investments, impacts through waste generated by the companies that are invested in. Circular economy is thus not something on which the Bank has a direct impact through its own branch operations. Instead, today it is a matter of monitoring how companies that fund their operations with the help of money from the Bank affect the environment through their business activities.

Since this impact is seen downstream in the value chain, its effect on the Bank's strategy and business model is mainly through investment decisions and lending criteria. As for investments, their principal adverse sustainability impacts are taken into account as part of the investment process. Via the Bank's investment operations, this is also monitored through PAI indicator 9. Since there is currently low data availability for such information, the Bank's review methodology is used to support the



precautionary principle with regard to environmental risks, in keeping with the UN Global Compact's Principle No. 7. The Bank monitors improvements in data availability, and existing data is used when assessing investment-related opportunities and risks. The circular economy area has recently been identified, and how its impact via the loan portfolio should be managed is something that the Bank is working to develop. First the Bank will improve its level of knowledge, so that it can then develop a baseline and establish relevant targets.

Read more under E5 Resource use and circular economy.

### **S1 Own workforce**

As a large employer, especially in Åland, the Bank of Åland has an obvious impact on its own workforce, both in terms of its own employees and the consultants it hires. For this reason, the entire workforce, both employees and consultants, is included in chapter S1 Own workforce. The Bank's impact includes working conditions related to secure employment, working hours, freedom of association, collective agreements for employees, health and safety with a focus on stress, the right to equal treatment including gender equality and equal pay and skills development.

The risks and opportunities identified in relation to the Bank's own workforce are largely linked to these areas of impact. Since its workforce is the Bank's main resource and competitive advantage, all personnel issues naturally entail potential operational costs in the event that problems need to be addressed. For this reason, the risk of short-term stress is identified as material for the Bank as a whole, just as employee skills development poses both a risk and an opportunity in the short or medium term. The Bank has also begun to examine the potential for artificial intelligence (AI) to take over certain tasks in the future and considers it essential to manage this in relation to employees.

Because the Bank of Åland operates in the Nordic region with its own workforce in Åland, on the Finnish mainland and in Sweden, this area is largely regulated by laws that ensure certain minimum standards. This means that the focus is on positive and

preventive work that is done based on an awareness of its employees' working environment. Since a majority of the employees work in offices, the impact, risks and opportunities that the Bank has identified are classically associated with office work and are considered relevant to everyone.

All these areas were identified many years ago and are part of existing work within the Bank's sustainability strategy, in which social responsibility is one of four focus areas. The Bank wishes to be an attractive employer and remain competitive in the market. It thus takes steps to ensure a good physical and mental working environment, a high level of commitment among all employees and giving all employees the same opportunities for a successful career within the Group. Given the Bank's previously established focus area of social responsibility to employees, there is a connection to the Bank's sustainability strategy.

Read more under S1 Own workforce.

### **S2 Workers in the value chain**

The Bank of Åland does not itself have any immediate impact on workers in the value chain, but we see indirect impacts on workers downstream in the value chain through the companies that customers invest in as well as through the Treasury portfolio. The impact on workers downstream in the value chain thus relates to the people who work in companies in which the Bank and its customers invest, i.e. workers employed downstream in the Bank's value chain. The material impact does not apply to employees who work at the Bank's facilities but who are not part of its own workforce, nor to employees who work upstream in the Bank's value chain, nor to employees working in joint ventures of which the Bank is a part, nor to specifically identified groups of employees who are particularly affected by adverse impacts either because of group affiliation or any particular context.

What originally started as identifying a positive impact by financing the activities of these companies and thereby creating basic conditions for secure employment has evolved into an understanding that the Bank's impact is mainly a matter of mitiga-

ting potential adverse impacts on the fundamental work-related rights of workers in the value chain, such as preventing child labour and forced labour, as well as ensuring that workers have basic protections and rights in place.

Avoiding negative impacts on workers in the value chain is an important element of the Bank's sustainability strategy and is maintained through the investment choices that are made. The Bank ensures a minimum level of sustainability through its choice of investments and carries out basic assessments before a financial investment is made. With regard to financial investments, the main negative sustainability impacts are taken into account as part of the investment process, which aims to ensure that portfolio companies comply with norms and guidelines. The Bank takes into account the impact of the portfolio company on human rights, the UN Global Compact and the OECD Guidelines through the main negative impacts on sustainability indicators number 9 (No human rights policy), indicator 10 (Violations of the UN Global Compact and OECD Guidelines for Multinational Enterprises) and indicator number 11 in Table 1 (No processes and compliance mechanisms to monitor compliance with the UN: Global Compact and OECD Guideline for Multinational Enterprises). The Bank's strategic focus on investments in the Nordic countries is regarded as creating basic prerequisites for sustainable employment conditions in the value chain, due to the statutory labour rights that exist in these countries. At present, the Bank has not identified any specific areas where there is a significant risk of child labour or forced labour among workers in the value chain. The Bank of Åland has not identified specific main types of workers in the value chain who would be at greater risk of injury and thus cannot state the consequences for specific groups, rather than for all workers in the value chain.

Read more under S2 Workers in the value chain.

### **Company-specific local community impact**

The Bank of Åland is an important actor in Åland and feels a great local social responsibility. As one of the largest employers and a



key player in the business community, the Bank generally has a material impact through its mere presence in Åland. For example, through its choice of suppliers it has an opportunity to support local small businesses. The Bank's local community involvement also includes donations to various causes, including culture, sports and studies, as well as the Baltic Sea Project.

Read more in the company-specific chapter on local community involvement in Åland.

#### **S4 Consumers and end-users**

The Bank of Åland and Ålandsbanken Fondbolag sell financial services to private individuals. Crosskey, as an information technology company, sells IT services to financial companies that in turn have customers. For this reason, the Bank's impact on consumers and end-users is significant as a whole. Since access to banking services is important to enable people to participate in society, access to goods and services in the form of bank accounts, cards, loans and investment services is an area where the Bank has a material impact on all its customers. At the same time, access to quality information is also important to customers in the long term, for example in connection with investment and lending services, to ensure that customers receive the right advice for their own financial position, specifically because the Bank has a business model that focuses on personalised advisory services. These impact areas are important to all private individuals who are customers, but certain customer categories need clearer information. In addition to this, the Bank also realises the importance of personal privacy, because in addition to working with IT solutions of various kinds, it is subject to both the General Data Protection Regulation (GDPR) and bank secrecy. It is important that the Bank can ensure the security of all customers' personal banking information.

When lending to private individuals, one cannot ignore the risk of over-indebtedness in the long term, but the Bank of Åland mitigates this by also looking at opportunities of responsible sustainable lending, which is one of the Bank's focus areas.

Unfortunately, fraud against customers occurs and there is a clear risk that both customers and the Bank will be affected by it. Fraud is unfortunately common in the banking industry, especially scams targeting older customers. Such an incident can have a financial impact both on the customer and the Bank of Åland. However, the Bank sees opportunities to work preventively against fraud to protect both its own business and its customers.

IT security for the Bank's customers is another important area, and the risk that IT delivery may not work as it should is an area where vigilance is critical. Preventive work is of great importance and something that Crosskey works with – see under G1 Business conduct.

Read more under S4 Consumers and end-users.

#### **G1 Business conduct**

As a corporate group consisting of a bank, a fund management company and an IT company, responsible business conduct is the very foundation on which the Bank of Åland's operations should rest in order to conduct safe and successful business activities that ensure good service delivery to customers. The Bank sees a significant impact through its corporate culture, whistleblower protection and preventive work against corruption and bribery, as well as money laundering and financial crime. All of these areas are important to the Bank, and conscious efforts to deal with such matters have been part of its general strategy for many years.

Read more under G1 Business conduct.

#### **Effects of material impacts, risks and opportunities on business model and strategy**

Identified material impacts, risks and opportunities regarding sustainability were addressed in the business plan in 2024 on an overall level, pending more concrete long-term actions.

Climate change has an impact on the world at large and so do the Bank of Åland's activities. To try to counteract its effects, the Bank has created a sustainability strategy and a climate strategy and has established targets for reducing greenhouse gas

emissions. At the same time as we wish to reduce greenhouse gas emissions from our operations, the Bank also needs growth to be able to continue operating in the long term. Since the greatest impacts occur indirectly at other companies, our ability to influence them directly is limited and mostly consists of incentives. One possibility is to stop providing financing to various economic sectors, but instead the Bank wishes to be part of the transition by financing the transition of companies. Rather than stopping its lending or investing in other companies, we would like to be better at monitoring how the money is used, since investments in sustainable projects may lead to improvements in the long run. By increasing its efforts to follow up on intended use of funds, the Bank can steer money towards more concrete activities. There are data quality challenges. It is currently difficult to measure or follow up on concrete activities at other companies, which limits the Bank's potential for monitoring impacts.

The impact seen through lending and customers' financial investments, which thus occurs indirectly downstream in the value chain, affects the Bank's strategy and business model primarily through investment decisions and criteria regarding corporate lending. The main negative sustainability impacts are considered as part of the investment process. Read more about these briefly under each area of impact above and in their associated chapters.

The Baltic Sea Project and the financial products closely associated with it, such as the Baltic Sea Account and the Baltic Sea Card, are an established part of the Bank of Åland's existing business model.

All impact areas related to the Bank's own workforce were identified many years ago and are part of existing work within the Bank's sustainability strategy, in which social responsibility is one of four focus areas. The Bank wishes to be an attractive employer and remain competitive in the market. It thus takes steps to ensure a good physical and mental working environment, a high level of commitment among all employees and giving all employees the same opportunities for a successful career within the Group.





Since it is part of the Bank's business model to create long-term relationships with its customers, it has worked for many years in impact areas related to consumers and end-customers, as described under Chapter S4.

Responsible business conduct has been part of the Bank's general strategy for many years. In addition, Crosskey's sustainability strategy focuses on ensuring that its activities are managed sustainably, with a focus on operational stability and cybersecurity.

### **Current financial impact of the identified material risks and opportunities**

At present, no current material financial effects of the identified material risks and opportunities have been identified. Nor has any significant risk of a material adjustment of the carrying amounts of assets and liabilities within next year's reporting period been identified at present. During 2025, the Bank will continue its efforts to integrate material financial risks from its double materiality analysis with business plan processes and its internal capital adequacy and liquidity assessment. As for customer fraud, it cannot be ruled out that the Bank may suffer significant costs next year as well.

### **Resilience of the undertaking's strategy and business model regarding material impacts, risks and opportunities**

The Bank of Åland has not conducted a resilience analysis regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities. The Bank has not conducted any resilience analysis regarding climate change. However, the Bank conducts a separate capital adequacy assessment of ESG risks at least every two years, and more often when necessary. Its outcome provides the basis for which ESG risks are to be included in the internal capital adequacy and liquidity evaluation. Climate risks are viewed as the most material risk driver in the short, medium and long term, which led to a strong focus on climate- and environment-related risk drivers in the year's capital adequacy assessment. For details on time horizons, see disclosure requirements BP-2 and IRO-1. Climate risks affect the Bank in

all the areas where there are existing risk management processes. The Bank's strategy is therefore to integrate climate risks as a natural part of the risk areas that it is already working with. The Bank's lending shall be made on a sustainable basis, and an assessment of climate-related physical risks and transition risks shall be regarded as part of credit risk and included in the monitoring of risk appetite.

Since biodiversity is a complex area where we cannot yet see the Bank's impact in detail, because we realise that it is only found downstream in the value chain through the various operations of other companies, it has not yet been possible to carry out any deep resilience analysis regarding dependencies on biodiversity, transition risks, physical risks or systemic risks. Due to low data availability, the potential for investigations is currently limited, but published information from other companies is monitored to create better awareness and thereby enable the Bank to make more concrete strategic decisions in the long term.

The impacts, risks and opportunities that the Bank of Åland has identified relatively recently at this stage will need to form the basis for future strategic planning. As for its perceived impact on climate change, as well as most other areas, the Bank faces the same challenge as many other financial service companies, namely that its impact is visible mainly downstream in the value chain – i.e. through other companies and their activities. The Bank's own short-term ability to exercise a major influence and make a difference is thus limited, while at the same time it bears a major responsibility in its role as a financier of the so-called green transition. The resilience of its strategy and business model is also closely connected to the fact that a certain amount of growth is required to ensure its own long-term viability. In practical terms, the current focus is on creating knowledge and gathering information about what is happening downstream in the value chain, to enable the Bank to make well-founded business decisions in the long term.

### **Changes in material impacts, risks and opportunities compared to the previous reporting period**

Material impacts, risks and opportunities were identified for the first time in the first double materiality analysis conducted by the Bank in 2023. In 2024, a review of the analysis was carried out, which resulted in several minor changes. Since this is the first year that these are being presented in this way in compliance with ESRS, everything can be described as new. Meanwhile there have been no significant changes since 2023.

### **Disclosure Requirement IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities**

To identify the sustainability impacts, risks and opportunities that are material for the Bank of Åland to focus on, we conducted a double materiality analysis. In 2023, such a double materiality analysis was carried out for the first time, and in 2024 a review was performed to verify its content. Based on the Group's value chain, we identified the areas in which we have the greatest impact on society, people, the environment and the climate. Furthermore, we identified the risks and opportunities we see ourselves facing in these areas and how they may affect our business. While a classic materiality analysis shows how a company's operations affect the outside world, a double materiality analysis also enables us to see how the outside world affects the company's operations from a financial perspective.

The double materiality analysis was based on discussions with experts in the Bank's various fields of activity in order to create as comprehensive and accurate a picture of its operations as possible. These discussions were based on the different areas covered by the European Sustainability Reporting Standards (ESRS) and span the environmental and social areas as well as business conduct.

The double materiality analysis is based on the Bank's operations and the closest steps in the value chain. The Group's operations centre on banking operations, Crosskey's IT services and Ålandsbanken Fondbolag's asset management services.



These entities form the core of our own operational activities and are supplemented downstream, among other things by our relationships with the customers who use our services, the investments we and our customers make, the partnerships in which we are engaged and our community involvement. The Bank also has a responsibility in its role as a large employer, which is reflected in the broader materiality analysis.

### Input through an impact analysis based on lending and financial investments

Grasping the extent of the impacts from outside a corporate group with a broad area of activity is an extensive process. As a banking group with an IT subsidiary and office-based operations of its own, the Bank of Åland can see that its impacts largely take place indirectly in the value chain, through the other activities it finances in various ways, rather than from its own direct operations. To create a picture of the potential impacts that may occur in the value chain due to financing of other companies, the Bank has used UNEP FI's impact analysis tool. UNEP FI is the United Nations Principles for Responsible Banking. Having adopted the UN Principles for Responsible Banking (PRB), the Bank is committed to its six principles. UNEP FI also provides tools for impact analysis, and to support its analytical efforts the Bank has used these tools to conduct a comprehensive impact analysis. These include a tool for lending to individuals (the Consumer Banking module) and one for lending to businesses (the Institutional Banking module). The Bank has made use of both of these in recent years. There are also tools for analysing impacts due to customers' financial investments (Investment Portfolio Impact Analysis Tool). The Bank used the latter for the first time in 2023, after which its results have been taken into account.

As for lending to private individuals, lending to consumers as well as their savings has been analysed in Åland, on the Finnish mainland and in Sweden by loan type, based on the balance at the time. Since the categories in the UNEP FI tool do not fully

correspond to the Bank of Åland's financing services, not all lending is necessarily included. Corporate lending has also been analysed in Åland, in Sweden and on the Finnish mainland based on lending to the 20 largest sectors in each geographic area. UNEP FI's impact analysis shows a result in the form of potential positive or negative impacts based on the UN's global goals, after which the Bank has been able to draw conclusions and choose to focus on priority areas based on this material.

The tool was used in 2023 on the Bank's loan portfolios for both private individuals and companies, as well as the Treasury portfolio and our customers' financial investments via Ålandsbanken Fondbolag's product range. While the information regarding the Treasury portfolio and financial investments should be regarded as indicative, it does point to potential areas for consideration, making it worth taking into account. Based on the UNEP FI analysis, we can say that at an overall level, our most significant positive impact lies in the social sustainability area. One conclusion is that the Bank is a major enabler of financial inclusion that creates opportunities for a prosperous society, benefiting both individuals and the business community. The Bank's most significant negative impact is in the climate and environmental areas. This is because we lend to and invest in sectors that, by their nature, have negative impacts on these areas. Since UNEP FI's impact analysis itself is based on a different perspective than the ESRS impact areas that have been the focus of the Bank's double materiality analysis, UNEP FI's translation list to ESRS, its UNEP FI ESRS Conversion Tool, was applied in 2024 to the results of the impact analysis for 2023. The areas already identified as material in this impact analysis have also been included as material in the double materiality analysis and supplemented with information on other relevant areas.

This analysis forms the basis for identifying and assessing material impacts downstream in the value chain based on lending and customers' financial investments in the areas of pollution, biodiversity and ecosystems, resource use and circular economy.

Read more under the following sections: *Assessment of material*

*influence on pollution, Assessment of material influence on biodiversity and ecosystems and Assessment of material influence on resource use and circular economy.*

### Impact assessment in the double materiality analysis

The Bank of Åland's operations have been matched against ESRS's list of sustainability areas, which has formed the basis for continued analysis. Starting with these operations, relevant impact areas have then been identified and evaluated – depending on whether the impact is positive or negative, actual or potential, and within what time span the impact may occur. An assessment has then been made according to the degree of severity, scope, whether the impact is irreversible or possible to remedy and the probability that the event will occur. An estimate of probability has only been made when the impact is potential. The Bank grades these factors according to a scale of 1–6. Adverse impacts have been summarised based on an average of estimated severity, scope, degree of irreversibility and probability in cases where they are not deemed to have already occurred. Positive impacts have been summarised based on an average of severity, scope and probability in cases where they are not deemed to have already occurred. If an impact has been deemed material to the Bank's stakeholders, it has been classified as material. The threshold for what is considered a material impact has been drawn at values that are 3.5 and higher. Based on these factors, the Sustainability Committee has decided which impact areas can be considered material. A workshop was conducted in which the Committee had the opportunity to go through all impact areas that have been subject to assessments, after which decisions were made.

### Assessment of risks and opportunities in the double materiality analysis

Sustainability-related risks and opportunities that could potentially have an impact on the Bank of Åland's operations have also been identified. Information on potential risks has been collected



internally, based on a combination of ordinary risk assessment and through self-assessment in relevant parts of the operations to pick up as wide a spectrum of ESG risks as possible. Risks related to social sustainability and corporate governance have been listed and assessed based on this method. Many impact areas are connected to risks that have been included in the assessment. The Bank has internally listed the potential risks and opportunities that we identify based on our value chain regarding the relevant ESRS areas and other potential sustainability-related areas. These have then been evaluated based on whether they are likely to occur in the short, medium or long term, and what financial impact they are likely to have. In compiling the double materiality analysis, the Bank has not diverged from the medium- or long-term time horizons defined in ESRS 1, section 6.4. The Bank grades the probability and the financial impact according to a scale of 1–6, and a summary is made with an average. For risks and opportunities, the materiality threshold is assessed as 4.5. The Bank integrates ESG-related aspects into its overall business model and strategy, and ESG-related risks are integrated into financial risks.

As for climate-related risks, the Risk Control department has carried out an evaluation whose results have been included in the double materiality analysis. For a more detailed description of this, see the section Capital adequacy assessment of climate-related sustainability risks below. Risks and opportunities have been evaluated according to the probability of their occurrence and the financial impact they could have on the business. This valuation has been used to identify the most material risks and opportunities. The climate-related risk assessments that have been included in the double materiality analysis have been carried out based on different time horizons than those defined in ESRS 1 section 6.4. In these assessments, short-term corresponds to less than three years, medium-term three to five years, and long-term five to thirty years. The reason for this is that this specific risk analysis was carried out according to a previously established method that was in place before the implementation of ESRS.

Read more about the results of the double materiality analysis under *SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model*, which presents material impact areas, risks and opportunities.

### **Capital adequacy assessment of climate-related sustainability risks**

The Bank of Åland conducts a special capital adequacy assessment of ESG risks at least every two years, and more often when necessary. This forms the basis for the Bank's management of ESG risks. The purpose of the special capital adequacy assessment is to identify potential risk drivers due to climate change or society's transition to a sustainable economy, so-called physical and transition risks. No specific climate-related scenario analysis has been carried out.

The Bank's Risk Control department is responsible for carrying out the special capital adequacy assessment, but several different departments within the CRO and CFO corporate units are included in the working groups. The capital adequacy assessment is conducted by means of a risk analysis in the following three steps:

1. Identification of relevant climate- and environment-related risk drivers for the Bank's operations and geographic vicinity based on external sources,
2. Materiality assessment of identified risk drivers relating to the Bank's established financial and non-financial risk areas,
3. Risk analysis assessing the impact of identified material risks on the respective financial and non-financial risks.

Each identified risk is assessed on the basis of its probability of occurrence (the time when an event can be expected to occur) and the impact when it occurs based on the climate risk driver in question, the transmission channel, the time horizon, the Bank's risk exposure and existing risk management.

The results of the special capital adequacy evaluation form the basis for determining what ESG risks are to be included in the Bank's internal capital adequacy assessment and internal liquidity evaluation. The results are also included in the double materiality analysis.

Viewed as the most significant risk driver in the short, medium and long term is climate risks. This led to a strong focus on climate- and environment-related risk drivers in the 2024 capital adequacy assessment. Climate risks affect the Bank of Åland in all the areas where there are existing risk management processes. The Bank's strategy is thus to integrate climate risks as a natural element of the risk areas that the Bank is already working with.

### **ESG risks integrated into credit risk**

At present, the Bank believes that the ESG risks that have been integrated into credit risk have the greatest impact on the Bank's operations. In the credit risk area, the primary transmission channels are households and small and medium-sized enterprises, as these are the customer categories in the Bank's loan portfolio.

The Bank's lending shall be provided on a sustainable basis, and an assessment of climate-related physical risks and transition risks shall be factored into credit risk and the monitoring of risk appetite. Identified material climate-related risks consist of physical risk in the form of flood risk as well as transition risk in the form of regulation of energy performance for properties where there are locked-in greenhouse gas emissions and risks in corporate lending to climate-intensive sectors. When granting loans, climate-regulated risks must be taken into account as part of the risk classification process and the process of assessing collateral. These aspects are included in the determination of whether the credit risk level is low, reasonable or high and are included in the assessment of the risk appetites that have been established for credit risk.

Physical risks in the form of flood risk are mainly driven by the geographic location of the assets that have been pledged as collateral for loans. A mapping of geographic location is thus carried out in connection with lending to assess and manage flood risk connected to the collateral. Flood risk can affect the value of the collateral and is thus evaluated on an ongoing basis during the life of the loan.



### ESG risks integrated into other types of risk

The capital adequacy assessment has also taken into account the transmission channels that affect other risks, which include counterparty credit risk, market risk, liquidity risk, IT risk, employee risk and external risk factors, compliance risk, and money laundering and terrorist financing risk.

Of these risks, it is primarily liquidity risk that has an elevated identified climate risk. These primarily include risks related to the Bank's funding potential. The risk drivers of climate-related liquidity risks are extreme weather events, disease outbreaks, forest fires, floods, energy security and biodiversity loss, all of which are considered important. However, the liquidity risk level is not considered as high as credit risk in the short, medium or long term. Governance and management of ESG risks have thus focused on climate risks included in credit risk during the year.

No identified integrated ESG risks for the other types of risk are considered material. If circumstances change and integrated ESG risks increase in materiality, an updated capital adequacy assessment for ESG risks will be carried out immediately to ensure an up-to-date risk picture for the Bank at any given time.

### Assessment of material impacts on climate change

Since 2021, the Bank of Åland has measured its carbon footprint and sees a general material impact from all its activities. A small percentage of its carbon footprint is due to its own operational activities including company cars in Scope 1, energy consumption in Scope 2 and indirect emissions via suppliers through purchases upstream in Scope 3 and, above all, downstream in Scope 3 Category 15 regarding indirect emissions via lending, Treasury and customers' financial investments. The greenhouse gas emissions presented under E1-6 form the basis for the decision that climate change is a significant area of impact for the Bank. The climate-related risks are described above. Since the Bank's operations are mainly office-based, the examination of its activities to identify actual sources of greenhouse gas emissions mainly consists of an

inventory of financial amounts which have then been used to calculate greenhouse gas emissions together with emission coefficients. It has not been possible to carry out any other screening of operations, since the impacts are seen out in the value chain, partly upstream but mainly downstream. Potential future sources of greenhouse gas emissions are believed to be similar in nature to those seen today.

### Assessment of material impacts on pollution

The impact analysis in UNEP FI's tool, including supplementary ESRS conversion tools, shows an indirect impact on pollution downstream in the value chain through the use of substances of concern in the operations of the Bank's corporate loan customers. The use of such substances is generally assumed to occur in most sectors we lend money to. Since the area has been highlighted as material in this analysis, it has been referred onward to the double materiality analysis for further examination based on the accompanying assessment criteria. In this valuation, the Bank has established that corporate lending shows an impact through substances of concern.

Since the impacts have been identified as downstream in the value chain, the Bank has not examined its premises and business operations to identify actual and potential environmental pollution-related impacts, risks and opportunities in its own operations. To assess impact materiality downstream in the value chain related to customers' financial investments, an examination has been made based on knowledge of the existing financial investments and the indications seen through the PAI indicators. Based on the PAI indicators, we see an actual impact on emissions to water from our customers' financial investments, in which production further down the value chain leads to various forms of emissions to water. Although the data availability is small, our assessment is that this area is likely to be regarded as material. Because the impacts have been identified as downstream in the value chain, the Bank has not carried out consultations with affected communities.

### Assessment of material impacts on biodiversity and ecosystems

Since the Bank of Åland's own operational activities are office-based, with premises in predominantly urban environments, its assessment is that the Bank does not have any material impact on biodiversity, but that the area which it is relevant to analyse is downstream in the value chain, based on the Bank's lending and customers' financial investments.

The impact analysis in UNEP FI's tool, including supplementary ESRS conversion tools, shows an indirect impact on biodiversity and ecosystems downstream in the value chain through the operations of the Bank's corporate loan customers. Since this area has been highlighted as material in this analysis, it has been referred onward to the double materiality analysis for further examination based on the accompanying assessment criteria. In this valuation, the Bank of Åland has established that there is an impact due to corporate lending.

To assess impact materiality downstream in the value chain related to financial investments, an examination has been made using knowledge of the existing financial investments and the indications seen through the PAI indicators. Based on the PAI indicators, we see an actual impact on biodiversity from our customers' financial investments, in which production further down the value chain leads to various forms of emissions to water. Although the data availability is small, our assessment is that this area is likely to be regarded as material.

Biodiversity is a complex area where we cannot yet see our impact in detail with certainty, although we see that it is downstream in the value chain and due to various activities. For this reason, it has not been possible to carry out a deeper analysis of dependencies, transition risks, physical risks or systemic risks. The information that is available is public information provided by companies in which the Bank of Åland invests. As data availability potentially expands in the future, it will be possible to carry out a more concrete analysis. Based on the Bank's own



operational activities, it has not been found necessary to take any specific actions to limit the loss of biodiversity. Instead, the actions that will be relevant are related to future decisions regarding guidelines for lending and financial investments.

Because the impacts have been identified as downstream in the value chain, the Bank has not carried out consultations with affected communities regarding its sustainability assessment of shared biological resources and ecosystems.

Since the Bank's own operational activities are office-based with premises in primarily urban environments, the Bank does not have facilities in or near areas with sensitive biodiversity. Furthermore, because the impacts have been identified as downstream in the value chain, it has not been found necessary to implement actions to limit biodiversity loss.

### **Material impact assessment on resource use and circular economy**

Since the Bank of Åland's own operational activities are office-based, it has made the assessment that the Bank thus has no material impact on resource use and circular economy, but that the area that it is relevant to analyse is downstream in the value chain, based on the Bank's lending and customers' financial investments.

The impact analysis in UNEP FI's tool, including supplementary ESRS conversion tools, shows an indirect impact on resource use and circular economy downstream in the value chain through the Bank's lending operations. Since this area has been highlighted as material in this analysis and was also identified in previous years as a focus area, it has been referred onward to the double materiality analysis for further examination based on the accompanying assessment criteria. The large proportion of home mortgages granted to private individuals and lending to companies in the construction sector have weighed heavily in the valuation of impact materiality related to resource inflows, resource outflows and waste.

Through the initial analysis of the Treasury portfolio that was carried out using UNEP FI's analysis tool, an impact on resource efficiency downstream in the value chain via the Bank of Åland's holdings was also noted.

Since the material impact has been identified as downstream in the value chain, it has not been relevant for the Bank to examine its premises and business operations to identify actual and potential impacts, risks and opportunities in its own operations. Because impacts have been identified as downstream in the value chain, the Bank has not conducted consultations with affected communities.

To assess impact materiality downstream in the value chain related to customers' financial investments, an examination has been made based on knowledge of the existing investments and the indications seen through the PAI indicators. Based on the PAI indicators, we see an actual impact on resource use from financial investments, in which production further down the value chain leads to various forms of hazardous waste. Although the data availability is small, our assessment is that this area is likely to be regarded as material.

### **Assessment of material impacts, risks and opportunities related to business conduct**

As a banking group with an IT subsidiary, the Bank of Åland has carried out an assessment of material impacts, risks and opportunities related to responsible business conduct through an examination based on the fundamental statutory requirements that exist for the financial service industry and the expectations of customers and other stakeholders regarding the Bank. Based on the provisions of ESRS regarding corporate culture, protection of whistleblowers and efforts to prevent bribery and corruption, we have then supplemented them with industry-specific relevant areas such as money laundering, financial crime and IT security. These are such well-established areas in the banking sector that they are considered material from the start.

### **Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statement**

#### **List of disclosure requirements the Bank of Åland follows when preparing its sustainability statement**

The Bank of Åland has determined what material information shall be provided in relation to the impacts, risks and opportunities that have been assessed as material through a relevance analysis. The relevance analysis was carried out in EFRAG's data point list, where the disclosure requirements with their associated data points were reviewed point by point, and a discussion was undertaken regarding the relevance of these points to the material impact, risk or opportunity that was identified.

See the disclosure requirements table on the next page.



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### List of datapoints in the Sustainability Report derived from other EU legislation

Below is a list of all data points in the sustainability report that are derived from other EU legislation, with information about where they are located in the sustainability report, or with information that the data point is not material for the Bank of Åland.

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ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex I				Non-material
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ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		N/A 2024
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk.			N/A 2024
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral			N/A 2024
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		N/A 2024



Disclosure Requirement and related datapoint (ESRS)	Reference in the Sustainable Finance Disclosure Regulation <sup>1</sup>	Pillar 3 reference <sup>2</sup>	Benchmark Regulation reference <sup>3</sup>	EU Climate Law reference <sup>4</sup>	Page Number/ Non-material
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex I Indicator number 2 Table #2 of Annex I Indicator number 1 Table #2 of Annex I Indicator number 3 Table #2 of Annex I				Non-material
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex I				Non-material
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex I				Non-material
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex I				Non-material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex I				Non-material
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex I				Non-material
ESRS 2- SBM 3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex I				62
ESRS 2- SBM 3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex I				62
ESRS 2- SBM 3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex I				62
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex I				127
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex I				127
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex I				127
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex I				Non-material
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex I				Non-material
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Non-material
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Non-material
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				135



Disclosure Requirement and related datapoint (ESRS)	Reference in the Sustainable Finance Disclosure Regulation <sup>1</sup>	Pillar 3 reference <sup>2</sup>	Benchmark Regulation reference <sup>3</sup>	EU Climate Law reference <sup>4</sup>	Page Number/ Non-material
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		135
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				135
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				137
ESRS S1-3 Grievance/ complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				138
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		148
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				N/A 2024
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		148
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				148
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				Non-material
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Non-material
ESRS 2 –SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and 13 Table #3 of Annex I				63
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex I				149
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator numbers 11 and 4 Table #3 of Annex I				149
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		149
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		149
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex I				150



Disclosure Requirement and related datapoint (ESRS)	Reference in the Sustainable Finance Disclosure Regulation <sup>1</sup>	Pillar 3 reference <sup>2</sup>	Benchmark Regulation reference <sup>3</sup>	EU Climate Law reference <sup>4</sup>	Page Number/ Non-material
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex I and Indicator number 11 Table #1 of Annex I				Non-material
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Non-material
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex I				Non-material
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				151-152
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		151
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex I				154
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex I				161
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex I				161-162
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II)		164
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex I				163-164

<sup>1</sup> Sustainability Disclosure Regulation. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainability Disclosure Regulation) (OJ L 317, 9.12.2019, p. 1).

<sup>2</sup> Reference in the third pillar. Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation, CRR) (Text with EEA relevance) (OJ L 176, 27.6.2013, p. 1).

<sup>3</sup> Reference in the Benchmarks Regulation. Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks for financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

<sup>4</sup> Reference in the EU Climate Law. Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (European Climate Law) (OJ L 243, 9.7.2021, p. 1).



# Environment and climate

## EU Taxonomy reporting

The EU Taxonomy Regulation ((EU) 2020/852) is a tool for classifying what economic activities are environmentally sustainable, thus helping investors identify, compare and direct capital towards sustainable investments.

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

The Taxonomy Regulation so far consists of six environmental objectives:

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

### The EU Taxonomy: Principles and implementation

The following report describes the green asset ratio (taxonomy-aligned assets) in the Bank of Åland's assets according to the EU Taxonomy's criteria. According to the enhanced reporting requirements that came into force for the 2023 financial year, the standardised templates under Delegated Regulation (EU)

2021/2178 are being applied to this reporting. The proportion of green assets is presented through the key figure GAR (Green Asset Ratio) derived from these standardised table templates.

The EU Taxonomy is a regulatory framework that aims to categorise how green a company's assets are and to enable investors to compare environmentally sustainable investments through screening criteria for different activities. The reporting is organised according to the structural principles of taxonomy eligibility and taxonomy alignment. If an exposure is considered to be eligible for the taxonomy, this means that there are criteria for assessing whether it is environmentally sustainable. In a first step, the assets are assessed to identify whether they are eligible for the EU Taxonomy and its six environmental objectives, after which these are analysed to see to what extent they are aligned with the environmental objectives.

In order for the assets to be taxonomy-aligned, it is required that:

1. Their underlying activities contribute substantially to one or more environmental objectives according to the Taxonomy's screening criteria.
2. They do no significant harm (DNSH) to any of the other environmental objectives.
3. And that the operations comply with minimum safeguards to ensure good governance and protection of human rights.

For 2024, eligibility is reported for all six environmental objectives, but alignment only with the first two environmental objectives, Climate Change Mitigation and Climate Change Adaptation.

### Taxonomy-eligible and non-eligible assets

In general, the Green Asset Ratio (GAR) is calculated as a ratio of a numerator and a denominator, which are specified in detail in the tables in this note.

The assets eligible for the EU Taxonomy and included in the numerator for the Bank of Åland are lending, debt securities and equity capital instruments relating to large public-interest entities (also known as Non-Financial Reporting Directive or NFRD companies) and lending to private individuals, mainly consisting of home mortgage loans. The Bank's assets eligible for the EU Taxonomy are mainly loans to private individuals, primarily mortgage loans, loans to a few large companies and investments made in the Bank's Treasury operations. In addition, the Bank has customer assets under management and financial guarantees that are off-balance-sheet and are thus calculated as a separate item.

The fact that an asset is not eligible for the EU Taxonomy or included in the numerator does not mean it cannot possibly be sustainable, but only that for various reasons it falls outside the established criteria for classification, and it thus cannot be assessed according to the taxonomy framework. Since the Bank of Åland's corporate lending is mainly in the small and medium-sized enterprise segment or even smaller so-called microenterprises, which are neither eligible according to the Taxonomy's assessment criteria nor for inclusion in the numerator, they cannot be part of the Green Asset Ratio. This has an impact on the Bank's potential GAR.



The assets covered by the denominator consist of all of the above items that appear in the numerator plus exposures to smaller companies that are not classified as NFRDs, non-EU counterparties that do not have a taxonomy-reporting obligation, plus derivatives, cash and other assets.

The only things that are excluded from both the numerator and the denominator are exposures to sovereigns, supranational issuers and central banks.

### Households

Lending to households in the form of mortgages to private individuals accounts for a significant proportion of the Bank of Åland's assets eligible for the EU Taxonomy. As for lending to private individuals, mortgage loans and loans for renovations and automobile financing are relevant for the EU Taxonomy. The portion of the Bank's lending activities covered by the EU Taxonomy is described in category 7. Construction and real estate activities and the economic activities associated therewith: 7.7 Acquisition and ownership of buildings and 7.1 Construction of new buildings (residential lending) and 7.2 Renovation of existing buildings (renovation loans) and 6.3 Urban and suburban transport, road passenger transport (car financing). These categories are set out in Delegated Regulation (EU) 2021/2139, which includes screening criteria for the taxonomy's environmental objectives 1 and 2.

Regarding the valuation of the taxonomy-alignment of the Bank's mortgage loan portfolio, an evaluation of the energy efficiency of the properties that serve as collateral for the mortgages has been initiated as a first step. In order for a property to live up to the requirement to make a significant contribution to objective 1, Climate Change Mitigation, an A-rated energy performance certificate is required. In addition to this, an assessment must also be made of whether the activity does any significant harm to other environmental objectives, especially objective 2, Climate Change Adaptation. In this case, such criteria consist of adaptation of the property to withstand the kinds of events that may be associated with climate change in the area in question. The properties that

form the basis of the collateral behind the mortgages in the Bank's residential loan portfolio are all located in the Nordic region, where such events can be expected to occur to varying degrees depending on the local area. As for the Bank's mortgage loan portfolio, there are properties with an A-rated energy certificate, but studies of adaptation to local climate change are still in their infancy, since they involve extensive information-gathering from private individuals. For this reason, the Bank makes the assessment that even if the entire mortgage loan portfolio is taxonomy-eligible, and exposures corresponding to EUR 13.6 million are covered by A-rated energy certificates, zero can be said to be taxonomy-aligned with the EU Taxonomy's requirements for green assets.

As for renovation and auto loans, they are also considered not to be aligned with the EU Taxonomy's requirements for green assets, even though they are Taxonomy-eligible. There is also potential for improved information gathering in this area.

### Corporate lending

For the Bank of Åland, whose lending focus is on private individuals and small and medium-sized enterprises or even smaller so-called microenterprises, the proportion of corporate lending covered by the EU Taxonomy is limited. The corporate lending covered by the EU Taxonomy consists of loans extended to large companies of public interest, so-called NFRD companies. Since the number of such corporate customers at the Bank is limited, only a very small amount of information is gathered and analysed. Most corporate customers are small enterprises not covered by the EU Taxonomy, whose potential improvements in the area of sustainability are currently not captured within the EU Taxonomy's standardised format.

### Exposures to other companies – restrictions on access to information

For a financial service company such as the Bank of Åland, most taxonomy reporting consists of gathering information from other

companies' taxonomy reporting. This is because a large proportion of the Bank's financial assets is connected with exposures to other companies. The same also applies to our customers' assets under management and off-balance sheet financial guarantees. The Bank's taxonomy reporting is thus largely based on each respective company's published taxonomy reporting. During the implementation phase of expanded taxonomy reporting, this results in a lack of available information.

The data that the Bank of Åland is reporting for both non-financial service companies and financial service companies refer to 2023, since this is the latest available taxonomy reporting. Financial service companies reported under the enhanced requirements for the first time during 2024. For most financial service companies, access to data was limited at that time. The shortage of data that was apparent when compiling the Bank's 2023 Annual Report is also reflected for 2024, since it will take time for the flow of information to catch up at all levels. Even if companies produced taxonomy reports for the 2023 financial year, in a few cases there is a lack of information at the detailed level required by the taxonomy tables that have been developed. In cases where data points were missing from the respective company's taxonomy reporting, zero is reported.

Reporting is limited to first-hand data and thus does not contain any estimates or derivations. When the lack of first-hand data has meant that the taxonomy-eligible exposure could not be either defined or quantified, zero is reported.

### Developments over time

Since 2023 was the first reporting year for these tables, 2024 is the first year when historical data can be presented to enable comparisons with developments over time. However, due to the lack of data for 2023, in many cases the existing comparative figures are zero. In the coming years, we will follow up on the development of the business with regard to taxonomy alignment.

Regarding the taxonomy eligibility of targets 3–6, the results are deduced from each company's taxonomy reporting.



Since reporting requirements only refer to taxonomy eligibility, not taxonomy alignment, 0 is reported in the table when information is not available. Our expectation is that as companies gradually update their taxonomy reporting, there should be more information for future reporting years.

## Product design and contact with customers

### Lending

The Bank of Åland is evaluating the potential for developing financing products that take sustainability aspects into account, in order to improve the collection of data necessary to assess the taxonomy alignment of its operations. The development of mortgage products that take into account energy certificates for the property that is the collateral behind the loan is one element of the initial climate change transition plan that the Bank is presenting under disclosure requirement E1-1.

### Asset management

The Bank of Åland has a strategy of offering responsible investment products and thus taking into account sustainability factors, such as taxonomy alignment, in its asset management-related investment decisions. For 2024, Ålandsbanken Fondbolag established a binding commitment that the Bank's own mutual funds shall contain a taxonomy alignment of 1.5 per cent or higher. In the Wind Power Fund, the minimum share of taxonomy alignment is 70 per cent and in Green Bond ESG 6 per cent. During 2024 the Bank also established a minimum proportion of taxonomy alignment, 0.5–1.5 per cent, for its model portfolios that contain only direct shareholdings. The Bank will evaluate the minimum percentage of taxonomy alignment for its products yearly, and we expect the proportion of taxonomy alignment to increase as taxonomy data become more complete and the taxonomy expands into more sectors and activities. We also look forward to an expansion of the taxonomy for social objectives.

### Investment advisory services

The Bank of Åland gathers information on its customers' sustainability preferences as part of its investment advisory services and portfolio management. In connection with this, customers can express any preferences regarding taxonomy alignment.

## The importance of financing taxonomy-aligned economic activities

### Lending

Most Bank of Åland customers are not NFRD companies, but are in the small enterprise category. Regardless of the information that may be gathered about them, they are not included in the numerator for calculating GAR.

The portion of the Bank's operations that is taxonomy-eligible is loans to households, where it may be relevant to provide information about the energy classification of properties that serve as collateral for mortgage loans and for renovation loans aimed at upgrading a property's energy efficiency. The Bank's goal is to begin gathering energy classifications for new customers over time.

### Asset management

Taxonomy reporting will be one of several tools that we use for sustainability analysis in asset management. For example, through the EU's new Green Bond Standard, taxonomy alignment in activities will become increasingly important in investment decisions and in calculating the proportion of sustainable investments. However, there are continued challenges to the establishment of strategies, related to low data volume and the taxonomy's limited scope of activities, as well as the fact that private equity and companies in markets outside the EU are not eligible.

### Investment advisory services

The Bank of Åland is continuously evaluating the need to increase the proportion of taxonomy alignment in its investment products in order to meet the sustainability preferences expressed by

customers in connection with the Bank's investment advisory services and portfolio management.

### Treasury

The Treasury department's holdings include asset classes that fall outside the scope of taxonomy reporting, including sovereign and supranational issuers, central bank exposures as well as non-NFRD and non-EU holdings, but also debt instruments issued by companies and financial institutions that are affected by the EU Taxonomy Regulation. This year we are seeing expanded taxonomy reporting for financial institutions, which for the first time are also reporting on taxonomy alignment for the 2023 financial year.



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## Taxonomy reporting, tables

### 0. Summary of KPIs regarding the green asset ratio (GAR)

		Total environmentally sustainable assets, MEUR	KPI, % <sup>1</sup>	KPI, % <sup>2</sup>	% coverage (over total assets) <sup>3</sup>	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
		Main KPI	Green asset ratio (GAR) stock	13.7	0.3	0.3	93
Additional KPIs		Total environmentally sustainable activities, MEUR	KPI, % <sup>4</sup>	KPI, % <sup>5</sup>	% coverage (over total assets) <sup>7</sup>	% of assets excluded from the numerator of the GAR <sup>8</sup>	% of assets excluded from the denominator of the GAR <sup>9</sup>
	GAR (flow) <sup>6</sup>	5.2	0.1	0.1	19	7	0.7
	Trading book <sup>10</sup>	N/A	N/A	N/A			
	Financial guarantees <sup>11</sup>	0.0	0.0	0.0			
	Assets under management <sup>12</sup>	163.6	2.2	3.6			
	Fees and commissions income <sup>13</sup>	N/A för 2024	N/A	N/A			

The greyed-out cells should not be filled in.

<sup>1</sup> The Green Asset Ratio (GAR) is calculated on the basis of the counterparty's turnover indicator. GAR stock is calculated as the sum of taxonomy-aligned exposures divided by the sum of total covered assets.

<sup>2</sup> GAR is calculated on the basis of the counterparty's capital expenditure (CapEx) indicator. GAR stock is calculated as the sum of taxonomy-aligned exposures divided by the sum of total covered assets.

<sup>3</sup> % of assets covered by the calculation of the KPI divided by banks' total assets.

<sup>4</sup> GAR is calculated on the basis of the counterparty's turnover indicator.

<sup>5</sup> GAR is calculated on the basis of the counterparty's CapEx indicator.

<sup>6</sup> Assuming that the KPI GAR (flow) is calculated as the sum of taxonomy-aligned exposures within the flow for 2024 for turnover and capital expenditure, respectively, divided by the sum of total covered assets.

<sup>7</sup> Assuming that the % coverage of the KPI GAR (flow) is calculated as the sum of total relevant covered assets in respect of loans, debt investments, shareholdings and derivatives for the 2024 flow, divided by total assets.

<sup>8</sup> Assuming that the percentage of assets excluded from the numerator in the GAR calculation for the flow is calculated as the sum of excluded assets in the flow in 2024 divided by total assets. Due to a lack of quality and coverage in the available data, zero is reported for underlying data points regarding this year's taxonomy-defined flow of cash and cash-related assets as well as certain categories of other assets. This affects the sum of flow-related assets excluded from the numerator in the calculation of flow-related GAR, resulting in a lower percentage of excluded assets than would otherwise be the case. It has no impact on flow-related GAR because the total assets are used as the denominator.

<sup>9</sup> Assuming that the percentage of assets excluded from the denominator in the GAR calculation for the flow is calculated as the sum of excluded assets in the flow in 2024 divided by total assets. Due to a lack of quality and coverage in the available data, zero is reported for underlying data points regarding this year's taxonomy-defined flow of central banks exposure. This affects the sum of flow-related assets excluded from the denominator in the calculation of flow-related GAR, resulting in a lower percentage of excluded assets than would otherwise be the case. It has no impact on flow-related GAR because this category of assets is entirely excluded from the calculation.

<sup>10</sup> The KPI GAR Trading Book is not applicable to the Bank of Åland's operations.

<sup>11</sup> Assuming that the KPI GAR Financial Guarantees is calculated as the sum of Taxonomy-aligned exposures, for turnover and CapEx, respectively, divided by the total amount of financial guarantees.

<sup>12</sup> Assuming that the KPI GAR Assets under management is calculated as the sum of taxonomy-aligned exposures in direct holdings, divided by Total assets under management (AuM) in respect of funds and model portfolios, excluding government securities.

<sup>13</sup> KPIs for fee and commission income shall only apply from 2026 onwards. No reporting is required for 2024.











## 2. GAR sector information – Turnover

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB		
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD			
		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount			
		Mn EUR	Of which environmentally sustainable (CCM) <sup>3</sup>	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA) <sup>3</sup>	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)
1	C28.2.2 Manufacture of lifting and handling equipment	0.6	0.1			0.0	0.0			0.0	0.0			0.2	0.0			0.0	0.0			0.0	0.0			0.8	0.1				
2	H50.2.0 Sea and coastal freight water transport	0.5	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.5	0.0				
3	L68.2.0 Renting and operating of own or leased real estate	0.8	0.1			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.8	0.1				
4	N82.9.9 Other business support service activities n.e.c.	0.0	0.0			0.0	0.0			0.0	0.0			0.8	0.0			0.0	0.0			0.0	0.0			0.8	0.0				

The greyed-out cells should not be filled in.

<sup>1</sup> NACE code chosen according to the issuer's/borrower's main place of business.

<sup>2</sup> The amount provided for taxonomy eligibility is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2023 taxonomy reporting.

<sup>3</sup> The amount provided for taxonomy alignment is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of turnover-based data. Taxonomy data based on companies' respective 2023 taxonomy reporting.

<sup>4</sup> Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

## 2. GAR sector information – CapEx

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB		
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD			
		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount		[Gross] carrying amount <sup>2</sup>		[Gross] carrying amount			
		Mn EUR	Of which environmentally sustainable (CCM) <sup>3</sup>	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA) <sup>3</sup>	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO) <sup>3,4</sup>	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)
1	C28.2.2 Manufacture of lifting and handling equipment	0.3	0.1			0.0	0.0			0.0	0.0			0.2	0.0			0.0	0.0			0.0	0.0			0.4	0.1				
2	H50.2.0 Sea and coastal freight water transport	0.5	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.5	0.0				
3	L68.2.0 Renting and operating of own or leased real estate	0.9	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.0	0.0			0.9	0.0				
4	N82.9.9 Other business support service activities n.e.c.	0.2	0.0			0.0	0.0			0.0	0.0			0.8	0.0			0.0	0.0			0.0	0.0			1.0	0.0				
-																															

The greyed-out cells should not be filled in.

<sup>1</sup> NACE code chosen according to the issuer's/borrower's main place of business.

<sup>2</sup> The amount provided for taxonomy eligibility is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2023 taxonomy reporting.

<sup>3</sup> The amount provided for taxonomy alignment is calculated as a holding or exposure multiplied by the reported percentage in each company's report, with the percentage of CapEx-based data. Taxonomy data based on companies' respective 2023 taxonomy reporting.

<sup>4</sup> Since taxonomy alignment reporting requirements for environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

















## 5. KPI off-balance sheet exposures, GAR stock, Turnover

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	
		2024																														
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)						
% (compared to total eligible off-balance sheet assets) <sup>1</sup>		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>						
			Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		
1	Financial guarantees (FinGuar KPI)	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.6	0.0	0.0	0.0	0.0
2	Assets under management (AuM KPI) <sup>3</sup>	8.5	2.2	0.0	0.5	1.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.4	2.2	0.0	0.5	1.0	

The greyed-out cells should not be filled in.

<sup>1</sup> Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 for turnover-based data, for taxonomy eligibility and taxonomy alignment, divided by the sum of financial guarantees or total assets under management (AuM), respectively. The underlying amounts for the numerator of the percentage calculation, consists of the amounts shown in Table 1. The amounts are calculated as exposures multiplied by the stated percentage in each company's report, with the percentage of turnover-based data. Taxonomy data are based on companies' respective 2023 taxonomy reporting.

<sup>2</sup> Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

<sup>3</sup> Reported assets under management are based on direct holdings of funds and discretionary portfolios. Other funds, ETFs, commercial paper, derivatives and unlisted securities are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. No specific voluntary reporting is made according to estimates for investee companies that are not NFRD companies. Depending on the ownership structure of the companies, taxonomy data may be missing for the company because its owners are not active in the EU.

## 5. KPI off-balance sheet exposures, GAR stock, CapEx

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE
		2024																													
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
% (compared to total eligible off-balance sheet assets) <sup>1</sup>		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>					
			Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling	
1	Financial guarantees (FinGuar KPI)	52.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.6	0.0	0.0	0.0	0.0
2	Assets under management (AuM KPI) <sup>3</sup>	11.6	3.5	0.0	0.6	1.3	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.1	3.6	0.0	0.6	1.3

The greyed-out cells should not be filled in.

<sup>1</sup> Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 for capital expenditure-based data for taxonomy eligibility and alignment, divided by the sum of financial guarantees or total assets under management (AuM), respectively. The underlying amounts for the numerator of the percentage calculation, consists of the amounts reported in Table 1. The amounts are calculated as exposures multiplied by the percentage stated in each company's report, with the percentage of capital expenditure-based data. Taxonomy data are based on companies' respective 2023 taxonomy reporting.

<sup>2</sup> Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

<sup>3</sup> Reported assets under management are based on direct holdings of funds and discretionary portfolios. Other funds, ETFs, commercial paper, derivatives and unlisted securities are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. No specific voluntary reporting is made according to estimates for investee companies that are not NFRD companies. Depending on the ownership structure of the companies, taxonomy data may be missing for the company because its owners are not active in the EU.

**5. KPI off-balance sheet exposures, GAR flow, Turnover**

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE		
		2024																															
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)							
% (compared to total eligible off-balance sheet assets) <sup>1</sup>		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)							
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>							
			Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Assets under management (AuM KPI) <sup>3</sup>	3.1	0.8	0.0	0.2	0.4	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4	0.9	0.0	0.2	0.4		

<sup>1</sup> The flow is defined as new in the reporting year 2024 and having a book value on December 31, 2024. Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 within the 2024 flow of turnover-based data on taxonomy eligibility and alignment, divided by the sum of financial guarantees or total assets under management (AuM), respectively. The assumption is made that the denominator is not limited to the flow but is based on the total covered assets. The underlying amounts for the numerator in the percentage calculation, consists of the flow amounts for the reporting year. The amounts are calculated as exposures multiplied by the percentage stated in each company's report, with the percentage of turnover-based data. Taxonomy data are based on companies' respective 2023 taxonomy reporting.

<sup>2</sup> Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

<sup>3</sup> Reported assets under management are based on direct holdings of funds and discretionary portfolios. Other funds, ETFs, commercial paper, derivatives and unlisted securities are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. No specific voluntary reporting is made according to estimates for investee companies that are not NFRD companies. Depending on the ownership structure of the companies, taxonomy data may be missing for the company because its owners are not active in the EU.

**5. KPI off-balance sheet exposures, GAR flow, CapEx**

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD	AE	
		2024																														
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)						
% (compared to total eligible off-balance sheet assets) <sup>1</sup>		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned) <sup>2</sup>						
			Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional
1	Financial guarantees (FinGuar KPI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	Assets under management (AuM KPI) <sup>3</sup>	4.6	1.3	0.0	0.2	0.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.9	1.3	0.0	0.2	0.5	

<sup>1</sup> The flow is defined as new in the reporting year 2024 and having a book value on December 31, 2024. Assuming that % (compared to total eligible off-balance sheet assets) is calculated as the corresponding amount in Table 1 within the 2024 flow of CapEx-based data on taxonomy eligibility and alignment, divided by the sum of financial guarantees or total assets under management (AuM), respectively. The assumption is made that the denominator is not limited to the flow but is based on the total covered assets. The underlying amounts for the numerator in the percentage calculation, consists of the flow amounts for the reporting year. The amounts are calculated as exposures multiplied by the percentage stated in each company's report, with the percentage of CapEx-based data. Taxonomy data are based on companies' respective 2023 taxonomy reporting.

<sup>2</sup> Since taxonomy alignment reporting requirements with environmental objectives 3, 4, 5 and 6 have not yet entered into force for credit institutions, zero is reported.

<sup>3</sup> Reported assets under management are based on direct holdings of funds and discretionary portfolios. Other funds, ETFs, commercial paper, derivatives and unlisted securities are excluded. Amounts only include exposures to NFRD companies, which have been selected as companies that have reported 0% or more in terms of taxonomy eligibility. No specific voluntary reporting is made according to estimates for investee companies that are not NFRD companies. Depending on the ownership structure of the companies, taxonomy data may be missing for the company because its owners are not active in the EU.



## Taxonomy reporting on nuclear energy and fossil gas-related activities

The following tables present taxonomy reporting for nuclear energy and fossil gas-related activities under Article 8 of (EU) 2021/2178, Annex XII. The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.

### 1. Nuclear and fossil gas related activities

Row	Nuclear energy related activities	YES/NO
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO



## 2. Taxonomy-aligned economic activities (denominator) regarding Turnover <sup>1</sup>

Row	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	13.4	56.8	13.4	56.8	0.0	0.0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	10.0	40.7	10.0	40.7	0.0	0.0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	<b>1.2</b>	<b>2.5</b>	<b>1.2</b>	<b>2.5</b>	<b>0.0</b>	<b>0.0</b>
8	<b>Total applicable KPI</b>	<b>24.6</b>	<b>100</b>	<b>24.6</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.





## 2. Taxonomy-aligned economic activities (denominator) regarding CapEx<sup>1</sup>

Row	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	19.1	74.6	19.1	74.6	0.0	0.0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	3.7	14.5	3.7	14.5	0.0	0.0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	<b>2.8</b>	<b>10.9</b>	<b>2.8</b>	<b>10.9</b>	<b>0.0</b>	<b>0.0</b>
8	<b>Total applicable KPI</b>	<b>25.6</b>	<b>100</b>	<b>25.6</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



### 3. Taxonomy-aligned economic activities (numerator) regarding Turnover<sup>1</sup>

Row	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	13.5	48.9	13.5	48.9	0.0	0.0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	11.2	40.6	11.2	40.6	0.0	0.0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	<b>2.9</b>	<b>10.5</b>	<b>2.9</b>	<b>10.5</b>	<b>0.0</b>	<b>0.0</b>
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	<b>27.7</b>	<b>100</b>	<b>100</b>	<b>27.7</b>	<b>100</b>	<b>0.0</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



### 3. Taxonomy-aligned economic activities (numerator) regarding CapEx <sup>1</sup>

Row	Economic activities	Amount and proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	19.1	69.2	19.1	69.2	0.0	0.0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	3.9	14.1	3.9	14.1	0.0	0.0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	<b>4.6</b>	<b>16.7</b>	<b>4.6</b>	<b>16.7</b>	<b>0.0</b>	<b>0.0</b>
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	<b>27.6</b>	<b>100</b>	<b>100</b>	<b>27.6</b>	<b>100</b>	<b>0.0</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



#### 4. Taxonomy-eligible but not taxonomy-aligned economic activities regarding Turnover <sup>1</sup>

Row	Economic activities	Proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.1	16.9	0.1	16.9	0.0	0.0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	<b>0.3</b>	<b>83.1</b>	<b>0.3</b>	<b>83.1</b>	<b>0.0</b>	<b>0.0</b>
8	<b>Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	<b>0.3</b>	<b>100</b>	<b>0.3</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



#### 4. Taxonomy-eligible but not taxonomy-aligned economic activities regarding CapEx <sup>1</sup>

Row	Economic activities	Proportion					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount, MEUR	%	Amount, MEUR	%	Amount, MEUR	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	4.2	0.0	4.2	0.0	0.0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0	0.0	0.0	0.0	0.0
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	<b>0.5</b>	<b>95.8</b>	<b>0.5</b>	<b>95.8</b>	<b>0.0</b>	<b>0.0</b>
8	<b>Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	<b>0.5</b>	<b>100</b>	<b>0.5</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



## 5. Taxonomy non-eligible economic activities regarding Turnover <sup>1</sup>

Row	Economic activities	Amount, MEUR	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	1.0
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI<sup>1</sup></b>	<b>2.9</b>	<b>99.0</b>
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	<b>3.0</b>	<b>100</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



## 5. Taxonomy non-eligible economic activities regarding CapEx<sup>1</sup>

Row	Economic activities	Amount, MEUR	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.2	7.1
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.6
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.0	0.0
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI'</b>	<b>3.0</b>	<b>92.3</b>
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	<b>3.2</b>	<b>100</b>

<sup>1</sup> The reporting only refers to NFRD companies with operations in fossil gas and nuclear energy. Reported data are derived from each company's own reporting.



## E1 Climate change

Material impacts, risks and opportunities						
Impact / Risk / Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Climate change adaptation		X			Downstream in the value chain through the loan portfolio and Treasury	Sustainability strategy, climate strategy
Climate change adaptation		X			Downstream in the value chain through customers' financial investments	Sustainability strategy, climate strategy, sustainability risk policy
Climate change mitigation		X			Downstream in the value chain through the loan portfolio and Treasury	Sustainability strategy, climate strategy
Climate change mitigation		X			Own operational activities	Sustainability strategy, climate strategy, guideline for business travel
Climate change mitigation		X			Downstream in the value chain through customers' financial investments	Sustainability strategy, climate strategy, sustainability risk policy
Energy		X			Own operational activities and downstream in the value chain through the loan portfolio, treasury, customers' financial investments	Sustainability strategy, climate strategy
Flooding damages asset collateral			X		Downstream in the value chain through the loan portfolio	Financial risk policy, risk appetite framework, guideline for credit risk management and monitoring, guideline for internal capital adequacy and internal liquidity adequacy assessment
Transition, Stricter energy efficiency requirements for private customers' homes			X	X	Downstream in the value chain through the loan portfolio	Financial risk policy, risk appetite framework, guideline for credit risk management and monitoring, guideline for internal capital adequacy and internal liquidity assessment
Share prices may be affected by climate events or climate policy actions			X		Own operational activities	Financial risk policy, risk appetite framework, guideline for credit risk management and monitoring, guideline for internal capital adequacy and internal liquidity assessment
Liquidity risk			X		Own operational activities	Financial risk policy, risk appetite framework, guideline for credit risk management and monitoring, guideline for internal capital adequacy and internal liquidity assessment

Although we see some impact based on the Bank of Åland's own operations, the main impacts take place downstream in the value chain, based on the Bank's lending and customers' financial investments.

### Disclosure requirements E1-1 – Transition plan for climate change mitigation

The Bank of Åland has established climate targets for the reduction of greenhouse gas emissions in line with the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius and the decisions made by Finland and Sweden. The Bank of Åland's three climate goals are:

- The Bank of Åland shall reduce its CO<sub>2</sub>e emissions by 50 per cent no later than 2030, compared to 2021.
  - 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.
- More information about the Bank of Åland's climate targets can be found under E1-4.

The Bank of Åland has developed an initial climate transition plan based on the sector target for mortgages within the loan portfolio and its indirect impact downstream in the value chain:

For mortgages, the target is to reduce the financed emission intensity (gCO<sub>2</sub>e/m<sup>2</sup>) by 26 per cent no later than 2030, compared to the base year 2021. The target for financed emission intensity is not compatible with limiting global warming to 1.5°C. More information about the targets can be found under E1-4. The initial climate transition plan has been prepared in compliance with the Bank of Åland's commitment as a member of the Net-Zero Banking Alliance (NZBA).

Since the greatest impacts on climate change in the form of carbon dioxide emissions occur in the value chain rather than within the Bank of Åland's own office operations, climate change mitigation actions largely concern managing its relationships with customers and other companies, and in doing so working with various types of requirements and delimitations in each relevant area. One example is that the Bank can require that companies we





invest in or that we finance have an established climate target. The focus of the transformation in financial investment activities is an integration of ESG perspectives into investment decisions, combined with active choices and expansion of the Bank's range of sustainable investment products. Such actions are presented under disclosure requirement E1-3.

Based on the established target related to mortgages, the decarbonisation lever identified by the Bank is improving the energy efficiency of the properties that serve as collateral for its loans. Depending on the age and condition of buildings, these challenges generally vary. Older residential buildings often belong to a poorer energy class, with a lower energy efficiency rating. Appropriate renovation measures play an important role in this regard to increase energy efficiency and thus reduce climate impact. In new homes, energy efficiency is usually better. On the other hand, the greatest climate impact from buildings often occurs during the construction phase, when new materials need to be produced, shipped and then used. It is thus important to consider not only energy efficiency, but also the extent to which new materials are used in residential buildings. To meet this challenge in the best possible way, the Bank has also identified the circular economy as a significant area of impact.

The actions that have been implemented continuously during 2024 are described under E1.3. Their focus is on improving data quality for the calculation of carbon dioxide emissions by collecting energy certificates for the properties.

One element of the transition plan is that the Bank intends to include green mortgages in its future lending. In addition to diversifying the mortgage portfolio from a risk perspective, this will also help promote sustainable investments while improving the Bank's ESG profile. Our objective is for green mortgages to be offered to borrowers who invest in energy-efficient properties or new construction or who carry out energy-efficient renovations that reduce the property's climate impact and operating costs. The criteria for green mortgages will be based on international standards.

As described under disclosure requirement E1-3 regarding climate change mitigation measures, so far, the Bank has not allocated any actual operating or capital expenditures specifically to be able to work with special key measures for the implementation of the transition plan.

Locked-in greenhouse gas emissions related to mortgages and thus the energy consumption of buildings refer to future emissions tied to energy use in an existing building and the lifetime of the building, if no major improvements are made. A specific analysis regarding potentially locked-in greenhouse gases has not been made, but since the life of mortgages is often long, the transition time is accordingly long. Because green mortgages are targeted to properties that meet specific environmental criteria, such as energy class A or B according to national energy certification schemes, the potential target group is limited since the share of properties with energy class A is still limited in the Åland and Finnish mainland markets, where the Bank issues most of its mortgages. In the event of a potential long-term expansion of the transition plan to also include financing of green renovations of homes, which are then improved and thus achieve energy class A or B, the scope of customers who can be covered by this type of loan will grow. Because there is a lack of data in the form of energy certificates for properties, since many properties still have no energy certificates, improved data access is also a factor in our ability to measure progress.

### **The EU Taxonomy – objectives and plans to align activities with the criteria**

As described in the section on the EU Taxonomy (see page 77), most taxonomy reporting for a financial service company like the Bank of Åland consists of extracting information from other companies' taxonomy reporting. The reason for this is that a large proportion of the Bank's financial assets relate to exposures to other companies. The same also applies to our customers' assets under management and off-balance-sheet financial guarantees. The Bank's taxonomy reporting is thus largely based on each respective

company's published taxonomy reporting and, to a limited extent, on its own operational activities. Within the Bank's loan portfolio, corporate lending is mainly focused on non-*CSRD* companies that are not subject to the *EU Taxonomy Regulation*.

As for lending to private individuals, it is primarily lending to households in the form of mortgages to individuals that is relevant to the *EU taxonomy*. These loans make up a significant proportion of the Bank's assets covered by the *EU taxonomy*, with a focus on energy certificates for the properties that serve as collateral for the mortgages. When it comes to estimating the taxonomy alignment of the Bank of Åland's mortgage portfolio, the Bank has initiated an evaluation of the energy efficiency of the properties that serve as collateral for mortgages as a first step. As for the loan portfolio, the Bank is evaluating the potential for developing financing products that take sustainability aspects into account, in order to develop the data gathering necessary to assess the taxonomy alignment of its operations. The development of mortgage products that take into account the energy performance certificate of the property that serves as the collateral behind the loan is part of the Bank's initial transition plan.

With regard to its asset management operations, the Bank has a strategy of offering responsible financial investment products and thus to take sustainability factors, such as taxonomy alignment, into account in the investment decisions of its asset management operations. In 2024 Ålandsbanken Fondbolag Ab, the Bank's fund management company, made a binding commitment to ensure that its own funds will include a minimum taxonomy alignment of 1.5 per cent or higher. In the Wind Power Fund, the minimum share of taxonomy compatibility is 70 per cent and in Green Bond ESG 6 per cent. In 2024 the Bank also established a 0.5 – 1.5 per cent minimum proportion of taxonomy alignment for the model portfolios that include only direct shareholdings. The Bank will evaluate the minimum taxonomy alignment rate for these products annually, and we expect this rate to increase as taxonomy data become more complete. Read more in the chapter on the *EU Taxonomy*.



The Bank made no significant capital expenditure in coal, oil and gas-related economic activities during 2024.

The Bank is not excluded from the EU benchmarks for alignment with the Paris Agreement.

The Bank's transition plan has been adapted to its overall business strategy, since the Bank has an identified action enabling it to offer its customers green products aimed at supporting environmentally friendly housing investments. These products will promote sustainable choices by giving mortgage customers access to financing that benefits properties with energy-saving and climate-adapted solutions.

The initial climate transition plan has not yet been approved by the Board of Directors, but it has been approved by the Sustainability Committee.

The main progress made by the Bank in implementing its transition plan for mortgages has been to establish the plan, which it did during 2024. Since the initial transition plan was recently developed, there has not yet been enough time to put it into practice.

The Bank of Åland does not currently have a transition plan that takes us all the way to its targets of climate neutrality by 2035 or net zero by 2050. During the autumn of 2024 there was an ongoing effort to develop an initial transition plan that only includes mortgages in the loan portfolio. Since this initial transition plan was completed only in December 2024, the timetable for a possible expansion of the plan has not been established. However, efforts to expand it into a more comprehensive climate transition plan will continue during 2025.

## Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation

### The sustainability strategy

The Bank of Åland's sustainability strategy deals with climate change mitigation by setting climate targets. The purpose of the sustainability strategy is to describe the Bank's role and ambition in the transition to a sustainable society, by establishing climate targets. Based on this, the Bank has made global commitments

related to principles and initiatives. Together with current regulations and a survey of operations, these create the framework for its sustainability work. The strategy has four focus areas: Responsible investments, responsible lending and liquidity management, environmental responsibility and social responsibility. These four focus areas form the basis for our long-term work to ensure sustainable financial growth. The Bank's sustainability strategy does not specifically address energy efficiency. The monitoring process can be part of the Sustainability Committee's overall sustainability work.

The sustainability strategy covers the Bank of Åland and Ålandsbanken Fondbolag in their entirety. Crosskey Banking Solutions is covered to the extent that it exercises social and environmental responsibility. The strategy document covers what the Bank should do on the basis of its own operational activities and how this relates to the downstream value chain but does not include the value chain itself.

The Board of Directors has the ultimate responsibility for the governance of sustainability work and establishes the Group's sustainability strategy and climate strategy, while the Executive Team implements overall sustainability work.

The sustainability strategy sets out the following adopted principles and initiatives:

- The United Nations Principles for Responsible Investment (UNPRI): UNPRI promotes sustainable investment by incorporating environmental, social and governance (ESG) considerations into the assessment of the companies in which we and our customers invest.
- The UN Principles for Responsible Banking (UNEP FI): Having adopted a member of the UN Principles for Responsible Banking (PRB), the Bank of Åland is committed to following the framework's six principles for responsible banking:
  1. Alignment
  2. Impact and target setting
  3. Clients and customers
  4. Stakeholders

5. Governance and culture

6. Transparency and accountability

- The Net-Zero Banking Alliance (NZBA): The Bank of Åland was one of the first members of the NZBA Association, whose goal since 2021 is 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.
- The Science Based Targets initiative (SBTi), which is a scientific framework for how different businesses can lower their emissions in order to be in line with the Paris Agreement. This means that the Bank of Åland is committing itself to setting science-based climate targets to reduce greenhouse gas emissions in its operations in compliance with the Paris Agreement, where one explicit goal is to limit climate change to 1.5°C by 2030.
- Climate Action+, which is an initiative to support and ensure that companies with the highest global greenhouse gas emissions take the necessary action against climate change.

Our stakeholders and their input are important to us. Gaining and retaining stakeholder trust is a cornerstone of our business. The sustainability strategy is published on the Bank of Åland's website and is thus accessible to all stakeholders. The strategy document is also internally available to all employees via the intranet.

### Climate strategy

The Bank's sustainability strategy is supplemented by its climate strategy, which includes the commitments that each focus area has made to mitigate climate change, where impacts are primarily visible downstream in the value chain. This climate strategy rests on three parts that form the basis for the focus areas' commitments: Data and calculation models, application of a criteria structure, and target setting and follow-up.

The commitments made in this document are:  
*Responsible investments:* Indirect impacts are visible through customers' investments downstream in the value chain. The Bank requires new companies to have established or be in the process



of applying for a Science Based Target (SBTi), if they are in sectors where SBTi is available. Existing companies that do not have SBTi are encouraged through dialogue to work towards setting a target within three years. The Bank also excludes companies involved in the production of controversial weapons, pornography, gambling, tobacco and thermal coal and is selective about its holdings in companies producing alcoholic beverages.

*Responsible lending:* Indirect impacts are visible downstream in the value chain through the loan portfolio. The Bank does not finance activities that produce non-renewable energy. The financing of companies in carbon-intensive sectors is limited to a maximum of 15 per cent of lending.

*Treasury:* Indirect impacts are visible downstream in the value chain through the Bank's asset management and financial investments. The Bank evaluates new limits, investments and current holdings based on criteria that indicate whether the issuer has taken steps to reduce emissions, and the issuer should meet one of the criteria for Treasury to invest in it or set a new limit. These criteria shall be based on scientific objectives (e.g. Science Based Targets) or ensure that the issuer has committed to following global guidelines for reducing emissions. In addition to these criteria, the issuer may also be evaluated on the basis of its CO<sub>2</sub>e intensity. For pre-existing holdings, one of these criteria must be met within three years.

*Own operational activities:* The Group provides information to its major suppliers about the Code of Conduct according to which suppliers are expected to work towards minimising the adverse environmental impact of their operations. The climate strategy does not specifically address energy efficiency.

The climate targets for each area are followed up by the Sustainability Committee on a quarterly basis. The strategy covers the Bank of Åland and Ålandsbanken Fondbolag in their entirety, i.e. responsible investment, responsible lending and Treasury operations and how they relate to the downstream value chain. Crosskey Banking Solutions is covered to the extent that it accounts for the Group's own operational emissions.

Strategic responsibility for implementation lies with the Executive Team and the Sustainability Committee, while operational responsibility for implementation lies with the respective departments.

Since the climate strategy is a complement to the sustainability strategy, the interests and input of stakeholders are also important to the Bank in the adoption of its climate strategy. Gaining and maintaining the trust of stakeholders is a cornerstone of the Bank's operations. The climate strategy is internally public and is available to employees on the intranet.

### **Guideline for business travel**

Regarding climate change mitigation in the Bank's operational activities, there is a guideline that regulates the impact of business travel. This guideline, which is internally available to all employees and applies to the entire Bank of Åland, describes the factors to be considered in order to reduce greenhouse gas emissions from business travel. Responsibility for implementation rests with everyone who travels, and the person's immediate supervisor must check that the guideline is being followed.

### **Policy for the integration of sustainability risks in investment decisions and in investment and insurance advisory services**

There is a Group-wide policy for the integration of sustainability risks in investment decisions and in investment and insurance advisory services (the sustainability risk policy). This policy includes impact areas for climate change mitigation and adaptation relevant to Chapter E1 Climate change, as well as significant impact areas identified in chapters E2 Pollution, E4 Biodiversity and ecosystems, E5 Resource use and circular economy and S2 Workers in the value chain. The policy is aimed at regulating the integration of sustainability risks into investment decision-making processes and investment and insurance advisory services at the Bank of Åland. It is also aimed at regulating principles for responsible financial and other investments at the Bank.

The Bank chooses to invest in quality companies that are audited from a sustainability perspective according to the responsible investment process described in this policy. Initially, activities that are not considered sustainable and/or have significantly adverse sustainability impacts will be excluded. In addition to exclusions, the Bank integrates sustainability factors into its investment decisions regarding the financial instruments selected for managed model portfolios and funds. For direct financial investments, we identify which sustainability risks are material and then assess the likelihood of a sustainability risk occurring as part of our investment process. In the area of sustainability risks, we have identified physical risks caused by extreme weather conditions, such as floods and/or extreme heat. In addition, we consider transition risks, i.e. the increased likelihood of risks that may occur in businesses due to changes in legislation or technology during the transition to a low-carbon economy.

The Bank also takes into account social risks, risks linked to violations of human rights, labour rights and risks linked to non-compliance with good corporate governance, including corruption, abuse or lack of processes within the business. As a rule, the Bank of Åland considers the Principal Adverse Impacts (PAIs) of its investment decisions on sustainability factors as part of its investment process. For sustainable investments, this means ensuring that financial investments do not harm any environmental or social objective.

The Bank of Åland does not invest in companies more than 5 per cent of whose turnover includes the extraction of thermal coal, the production of controversial weapons, pornography, gambling and the production of tobacco (including cannabis). Additional exclusions are applied for specific products. The Bank is selective in its choice of financial investments in companies with the production of alcoholic beverages. The Bank only invests in companies that comply with the UN Global Compact, the UN Guiding Principles on Business & Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. To ensure that we achieve our climate targets, the



Bank reviews which companies have signed the Science-Based Targets initiative (SBTi). As for investment activities, Ålandsbanken Fondbolag has signed and supports the following international agreements and initiatives, among others:

- The UN Guiding Principles on Business and Human Rights
- The ILO's Core Conventions on Labour Standards
- The OECD Guidelines for Multinational Enterprises (Principle 6)
- The United Nations Principles for Responsible Investment (UNPRI)
- The UN Global Compact

The highest level within the organisation responsible for implementing the policy is the Managing Director of each company. The Managing Director of Ålandsbanken Fondbolag is responsible for that company's mutual funds and the Managing Director of the Bank of Åland is responsible for discretionary mandates and investment advisory services. This policy is available in its entirety to the public by being published on the Bank of Åland's website, as it is aimed at customers who have an interest in following how the Bank's asset management operations take sustainability risks into account.

The Bank's sustainability risk policy ensures that violations of international norms and guidelines will not be found in our financial investment portfolios. Our goal is to ensure that the adverse impacts we can identify through screening are eliminated from our investment products. Targets are followed up internally on a quarterly basis and reported to the Bank's ESG Committee. They are followed up per product in our SFDR ex-post reporting, where a sustainability indicator states the proportion of companies in the product that have committed violations during the reporting year.

### **The governing documents that exist within the ESG risk area are:**

#### **The financial risk policy**

The financial risk policy sets out the Bank of Åland's principles for

managing financial risks throughout its banking operations. This policy includes all financial risks, including ESG risks, that do not constitute a separate risk area but act as drivers within various financial risk areas where existing risks can be amplified or where the risk area can be expanded in scope as a result of new drivers. The Bank may be affected by ESG risks both directly and indirectly through its transmission channels, such as customers and partners, as well as through the Bank's internal operations. ESG risks are identified and assessed by area in the risk identification process and are integrated into the Bank's internal capital and liquidity assessment process.

The Board of Directors establishes the Bank's financial risk policy, and more operational work is detailed in guidelines established by the Managing Director. The Risk Control department then ensure compliance with policies and guidelines through various types of monitoring and follow-up.

#### **The risk appetite framework**

The risk appetite framework describes the levels of risk that the Bank of Åland is willing to accept in order to achieve its strategic targets. The framework covers the material financial and non-financial risks identified by the Bank. The framework is established by the Bank's Board of Directors and is used to oversee and monitor risk management at the Bank. ESG risks are included as risk drivers among financial and non-financial risks, which means that ESG risks may amplify or expand existing risk areas.

#### **Guideline for credit risk management and monitoring**

The guideline for credit risk management and monitoring describes detailed principles for credit risk management and monitoring at the Bank of Åland. The guideline describes the management of ESG risks, which are identified as a material risk driver for the Bank's credit exposures. The guideline is adopted by the Managing Director.

#### **Guideline for internal capital adequacy and liquidity adequacy assessment processes**

The guideline for internal capital adequacy and liquidity adequacy assessment describes detailed principles for the implementation of ICAAP and ILAAP. Among other things, the guideline deals with how ESG risks should be assessed within the framework of these processes. The guideline is adopted by the Managing Director.

The Bank of Åland has no policy document that specifically addresses energy efficiency.

#### **Disclosure Requirement E1-3 – Actions and resources in relation to climate change policies**

The measures that the Bank has taken with regard to climate change are the development of a sustainability strategy and a climate strategy, which in turn describe how responsibility is allocated among the various areas, which themselves create a structure for their actions. The main action taken so far has been an effort to gather data and develop emission calculations in order to facilitate further efforts. Most actions are described in the climate strategy, and current actions are listed below, divided into four main areas.

#### **The Bank of Åland's own operational activities**

In order to limit climate change due to energy consumption, since 2023 the Bank of Åland has purchased 100 per cent of the electricity for the entire Group from renewable sources. The outcome of this has been that the Bank's Scope 2 emissions related to electricity consumption according to a market-based method fell to 0 CO<sub>2</sub>e. This action will continue until further notice. No significant financial resources for implementation of the action have been allocated, since it has been part of day-to-day activities for some years.

One key action that was ongoing during 2023 and 2024 was an effort to establish science-based targets for the Group in order to



carry out the commitments on climate impact mitigation made in the Bank's sustainability strategy and climate strategy. The action plan primarily includes formulating targets that include both the Bank's own operations and indirect impacts visible downstream in the value chain through lending, customers' financial investments and Treasury operations. During 2024, an effort to formulate science-based emission targets in compliance with the Science Based Target initiative (SBTi) continued, focusing on the Bank's application to have its targets validated, which happened in December 2024 (see the targets under E1-4). The Bank has not allocated significant financial resources to implement the action plan.

### Loan portfolio

Work is underway in the lending area to develop appropriate measures to manage indirect impacts on climate change that are visible downstream in the value chain, based on our lending to companies and individuals. Since most of the Bank's customers are private individuals and very small companies, at present the main opportunity for influencing them is to encourage them to make a transition in the future. However, exactly how this will be implemented is a challenge.

The Bank wants to be part of the financing of the green transition and cannot stop lending money to small entrepreneurs who may need financing to be able to change their operations. In 2024, the Bank worked to develop a climate ambition to encourage corporate customers to reduce their emissions.

In addition, corporate lending officers have also developed certain climate strategy criteria about which sectors they will finance, taking the position that the Bank does not finance activities that produce non-renewable energy and limiting the Bank's financing of carbon-intensive sectors to a maximum of 15 per cent of lending.

As for lending to private individuals, mortgages account for a large proportion of identified climate impact, based on the energy consumption required to heat homes. We also see this in the criteria for the EU Taxonomy, where energy consumption for heating buildings is the main assessment criterion for working towards the

goal of limiting climate change. For this reason, the Bank of Åland is working to collect energy certificates for customers' mortgages. This is mainly done for new mortgages, but the Bank has also checked to see whether such certificates are available for older mortgages, although this is relatively unusual. This information is needed both for calculating greenhouse gas emissions, but also as an initial test to assess alignment with the EU Taxonomy's environmental objectives. Work is underway to increase the alignment ratio to better assess the existing restructuring risks in the granting of loans where real estate serves as collateral. Since we foresee potential long-term regulation of energy efficiency improvements in real estate, more information is also necessary to assess the situation for the mortgage portfolio as a whole. Read more about this under the EU Taxonomy on page 77.

Another key action during 2024 was the Bank's efforts to develop an initial transition plan focusing on impacts downstream in the value chain through the loan portfolio's mortgages. Part of the Bank's initial transition plan is its intention to include green mortgages in future lending. In addition to diversifying the mortgage portfolio from a risk perspective, this will also help promote sustainable investments while improving the Bank's ESG profile. The objective is for green mortgages to be offered to borrowers who invest in energy-efficient properties or new construction or who carry out energy efficiency-improving renovations that reduce a property's climate impact and operating costs. One element of this is also to work on providing advice and information to customers and training customer service staff.

The purpose of these actions is to help achieve the Bank's main climate targets. They are expected to continue in the coming years. Significant financial resources have not been specifically allocated for these actions.

### Financial investments

An action plan to take sustainability into account when financial investments are included in the Bank's sustainability risk policy. Sustainability risks and opportunities are part of our investment

strategy, and this includes climate and transition risks. For each holding, we make an assessment of the existing sustainability risks. Sustainability risks and opportunities are documented and updated annually for all holdings through a third-party data provider (MSCI). The proportion of SBTi and carbon intensity are reported at the product level to customers.

Companies involved in activities related to thermal coal are excluded from financial investments. Two of the Bank's UCITS funds exclude all fossil fuels. Ålandsbanken Fondbolag also requires companies it invests in to have established targets in compliance with the Science Based Targets initiative or to be in the process of applying for this.

To ensure that we achieve our climate targets, the Bank reviews which companies have signed the Science-Based Targets initiative (SBTi). The SBTi is a scientific framework for how different businesses can reduce their emissions to be in line with the Paris Agreement. We encourage companies that have not signed the SBTi to join the initiative. We do this when we meet company representatives in person and at general meetings and other forums.

In order to monitor reduction of carbon dioxide emissions related to financial investments, the Bank carries out emission calculations for all equities, bonds and real estate investments included in its own funds and model portfolios and where the Bank has access to data. We collect short-, medium- and long-term climate strategies to estimate emission trajectories and assess what actions we need to take in order to achieve our emission reduction targets. We are focusing especially on emission-intensive sectors and following developments in these sectors, since their impact on our emissions can be significant.

### Treasury portfolio

The Bank's Treasury department has implemented climate criteria in its financial investment decisions. This means that new limits and investments are evaluated using climate criteria that indicate whether the issuer has taken or intends to take steps to reduce its emissions. The criteria are based either on scientific objectives



such as SBTi or commitment to initiatives such as net-zero targets or other greenhouse gas reduction targets. In addition to these criteria, the carbon intensity of issuers is also taken into account in the decision-making process. For holdings issued by sovereigns or local authorities, the above criteria are not applicable, but the government in question needs to have signed the Paris Agreement in order to be considered a suitable investment issuer. The issuer should meet one of these criteria before Treasury will invest in its securities or set a new limit. For pre-existing holdings, one of these criteria must be met within 3 years.

Treasury also conducts an overall risk analysis of its portfolio holdings by tracking the ESG ratings of individual holdings on a quarterly basis in order to identify any ESG risks. To produce this rating, a risk analysis is carried out based on a company's exposure and management of significant ESG issues. The final score consists of the aggregate unmanaged ESG risks of the company and provides an indication of how well the company is adapting to and managing climate change.

Reducing emissions also implies divesting emission-intensive holdings. As the scope of reported emissions data still varies drastically between issuers, Treasury has not yet decided to exclude issuers with higher emissions, as this may be due to the issuer in question providing more comprehensive reporting than other similar companies. Reporting is expected to be harmonised between issuers after the Corporate Sustainability Reporting Directive (CSRD) enters into force in 2025. Exceptions are emission-intensive sectors, where a decision has already been made to divest these sectors entirely within the specified maximum loss limits or wait until they mature no later than 2028.

Treasury has identified liquidity and financing risks associated with climate change. Liquidity risks may arise if the market for non-green bonds becomes less liquid, which may have an impact on the liquidation value and liquidation potential of the liquidity reserve. Treasury conducts stress testing of the liquidity reserve on a regular basis, at least twice yearly, testing how well the valuation of the assets in the liquidity reserve corresponds to the liquidation value of these

assets and how long it takes to liquidate or repurchase the assets in the liquidity reserve. It will also be possible to identify liquidity risks posed by climate change through this regular stress testing.

Climate change also gives rise to financing risks, where investors' preferences for green bonds may make it more difficult to borrow money with non-green bonds or make it necessary to do so at a high cost. The Bank of Åland currently has an outstanding green capital instrument amounting to SEK 150 million. To be able to issue green instruments in larger volumes and numbers, a larger green asset registry will be required, but also systems development. The risk has been identified as potential in the longer term and is managed by taking into account future developments at the Bank, but concrete actions have not yet been decided.

During the 2024 financial year, the Bank of Åland did not allocate significant operating or capital expenditures specifically to be able to work on special key actions to combat climate change. The actions taken by the Bank during 2024 were part of its day-to-day operations. No plan for significant operating or capital expenditures to implement special actions was thus specified.

Since the Bank reports the EU Taxonomy according to the tables established for financial service companies, mainly focusing on mortgages and data from other companies in which the Bank has financial investments, any operating or capital expenditure relating to the above actions will not be relevant to the Bank's taxonomy reporting, and no synchronisation between the two is currently applicable.

### Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation

The Bank of Åland's climate targets are

- The Bank of Åland shall reduce its CO<sub>2</sub>e emissions by 50 per cent no later than 2030 compared to 2021.
- The Bank of Åland shall be a climate-neutral organisation no later than 2035 in line with Finland's climate policy decision.
- The Bank of Åland shall achieve net-zero emissions by 2050.

These targets are designed to address the significant impact

that the Bank sees through the impact areas of climate change mitigation within its own operational activities and indirectly downstream in the value chain. They apply to the entire Bank regarding Scope 1, 2 and 3 including Scope 3 Category 15 regarding investments. Since the climate target is a large overall target, it is not divided into the respective scopes but is viewed as a whole. The base year for the climate target is 2021, and nothing in the following years has shown that 2021 itself would not be normative. However, due to changes in methodology and increased access to data from other actors downstream in the value chain, the baseline value has been updated on several occasions over the years to be comparable to the current year and to provide a true and fair picture of developments. The baseline value for 2021 is 2,317,762 tonnes of CO<sub>2</sub>e. The recalculations of the baseline value that have been made are presented together with an account of the Bank's carbon dioxide emissions under disclosure requirements E1-6. The target was not developed according to a specific method.

It was set to be in line with the Paris Agreement's goal of limiting global warming to 1.5°C, as well as to be in line with both Finland's and Sweden's climate policy decisions, making it science-based. The net-zero target was also set as part of the Bank's membership in the Net-Zero Banking Alliance (NZBA), where each member commits to aiming at net-zero greenhouse gas emissions by 2050. This target is not externally assured or derived from any specific sector development. The Bank's stakeholders have not actively participated in setting the targets.

#### The Bank of Åland's climate targets

tonnes of CO <sub>2</sub> e	2024	2021	%
Greenhouse gas emissions	2,807,752	2,317,762	21

The majority of the Bank of Åland's greenhouse gas emissions occur indirectly downstream in the value chain and not within its own office operations, which account for a small proportion of



total emissions. As for impacts downstream in the value chain, greenhouse gas emissions depend on the activities of other companies and are not something that the Bank can directly control, other than through choices made through purchasing, lending and financial investing. The phase-out of fossil fuels is something that needs to be done by other companies. The existing drivers for phasing out fossil fuels are the work that is under way on choosing guidelines for the loan portfolio and for financial investments. For the Bank's operations, it is thus not relevant to adopt new technology to achieve its greenhouse gas emission reduction target.

The target is monitored and reviewed through an estimation and reporting of the Bank's greenhouse gas emissions, which are presented under disclosure requirement E1-6. In 2024, greenhouse gas emissions were 21 per cent higher than during the base year 2021. A small part of this increase was due to our own operational activities, where we saw an increase in greenhouse gas emissions driven by purchased goods and services, with a large part of the increased purchases originating from the renovation of the Head Office in Mariehamn. However, the overall increase was driven by customers' financial investments, which are in Scope 3 downstream in Category 15. One strong contributing factor here is that the amount of holdings has increased, which has the knock-on effect of also increasing greenhouse gas emissions. Data availability is also increasing, as other companies expand their reporting. We believe that comparability between different years for these GHG emissions is still hard to assess, since the quality of Scope 3 data is generally low. There are also major variations between companies in the extent of their reported emissions data, which means that data on exposures are not accurate enough to be used for comparisons. To some extent, we are seeing improvements in the reporting from companies we invest in, and a larger percentage of companies are reporting Scope 3. This development is positive, even though the increased amount of data means that our emission figures are rising.

As for our target of achieving carbon neutrality by 2035, it is based on the Finnish climate policy framework, as well as Finnish climate legislation. There are currently no established data on the level of emissions for the Bank of Åland that is the recommended level in order to achieve climate neutrality. The Bank's climate strategy currently focuses primarily on the target for 2030, but as the strategy develops, it will also affect the target for 2035 in more detail. The same also applies to the net-zero target for 2050.

### Own operational activities

The Bank of Åland shall reduce absolute Scope 1 and 2 emissions of CO<sub>2</sub>e by 51 per cent no later than 2030, compared to the base year 2021.

#### SBTi targets for scope 1 and 2

tonnes of CO <sub>2</sub> e	2024	2021	%
Reduction of greenhouse gas and biogenic emissions, Scope 1 and 2	330	511	-35

This target is designed to address the material impact that the Bank of Åland sees in its own operational activities through the impact areas of climate change mitigation and adaptation and the related area of energy. The target is within Scope 1 and 2 and is not allocated among the respective scopes but views them as a whole. The target also includes biogenic emissions. The base year for the target is 2021, and nothing in subsequent years has shown that 2021 itself would not be normative. However, due to increased availability of data regarding electricity consumption, Scope 2 has been updated on several occasions over the years to be comparable to the current year. The baseline value for 2021 is 511 tonnes of CO<sub>2</sub>e. The recalculations of Scope 2 that have been made are presented together with an account of the Bank's carbon dioxide emissions under disclosure requirement E1-6. The target was

developed according to the Absolute Contraction Approach (ACA), which aims to reduce absolute greenhouse gas emissions. The target was set to be scientifically based and consistent with the limitation of global warming to 1.5°C and has been externally assured by a validation from SBTi. The Bank's stakeholders have not actively participated in setting the target. The target is monitored and reviewed through an estimation and reporting of the Bank's greenhouse gas emissions, which are presented under disclosure requirement E1-6. In 2024, Scope 1 and 2 greenhouse gas emissions were 35 per cent lower than during 2021.

In order to limit climate change through energy consumption, since 2023 the Bank has purchased 100 per cent of its electricity from renewable sources for the entire Group. The outcome of this has been that the Bank's Scope 2 emissions related to electricity consumption according to a market-based method fell to 0 CO<sub>2</sub>e.

### Loan portfolio

#### Climate targets related to home mortgage loans

For mortgages, the target is to reduce the Bank-financed emission intensity (gCO<sub>2</sub>e/m<sup>2</sup>) by 26 per cent no later than 2030 compared to the base year 2021.

#### Emission intensity, mortgage loans

gCO <sub>2</sub> e/m <sup>2</sup>	2024	2021	%
Financed emission intensity	6.0	5.9	1

This target is designed to address the material impact that the loan portfolio sees indirectly downstream in the value chain through customers' mortgages, via the impact areas of climate change mitigation and adaptation and the related area of energy. The target is within Scope 3, Category 15 and relates to mortgage customers' properties downstream in the value chain. The target is part of the transition plan presented under disclosure



requirement E1-1. The target of reducing energy consumption in the properties used as collateral for mortgages is also part of managing the transition risk that is seen through customers' properties.

The base year for the measurement is 2021. The target has been developed on the basis of energy consumption in the mortgage loan portfolio at that time, as well as a vision on upgrading the energy class level. It was not derived from the trajectory of any specific sector. It was not science-based, nor was it compatible with the limitation of global warming to 1.5°C or externally assured. The Bank's stakeholders have not actively participated in setting the targets.

The mortgage calculations are based on those mortgage loans where at least one residential property has been pledged as collateral. In cases where several housing collateral properties are connected to one loan, an estimate is made using the primary dwelling and based on the allocation of collateral distribution in the capital coverage; this property is selected for the calculations. Loans where no collateral or only other types of collateral have been provided are excluded from the calculations. Calculated emissions are based on an estimate of the home's energy consumption, which is estimated as the size of the home in square metres multiplied by estimated energy consumption based on the home's energy certificate, to the extent that data is available. Where information on square metre size or energy certificates is missing, average square metres are used for the part of the portfolio where data is known, and an average value for energy consumption for all energy classifications. Where information on square metre size or energy certificates is missing, an average area is used for the portion of the portfolio where data is available, or an average for energy consumption for all energy classifications.

During 2022–2024, a significant percentage of the Bank's Swedish housing loans were transferred to the mortgage

company Borgo, which specialises in housing loans. For the Bank, this meant that its total volume of lending decreased, since many long-term mortgages disappeared from our retail banking portfolio. At the same time, the Bank's mortgage loan structure changed, which led to a deterioration in key performance indicators connected to sustainability and efficiency. This can be explained by the fact that Swedish homes have lower estimated emissions than Finnish homes. The decrease in the volume of credit paradoxically resulted in increased intensity due to this migration.

#### Targets related to climate ambition

The Bank of Åland wishes to have a documented climate ambition that it shares with its customers. For the financing of companies and businesses, this means that 100 per cent of customers classified as emission-intensive<sup>1</sup> must sign off on a climate ambition in which they commit to establishing a sustainability plan with activities that support the Bank's target of reducing its carbon dioxide emissions by at least 50 per cent no later than 2030. In total, at least 90 per cent of the corporate lending volume must have signed off on a climate ambition from the Bank.

A climate ambition document was produced in 2024. Work on implementation is expected to begin in the coming financial year.

The target is designed to address the material impact that the loan portfolio sees indirectly downstream in the value chain through corporate lending, via the impact areas of climate change mitigation and adaptation and the related area of energy. The target is within Scope 3, Category 15, and refers to the loan portfolio's downstream customers. Its base year is 2021. It was not derived from the trajectory of any specific sector. It is not of such a nature that it can be assessed as compatible with limiting global warming to 1.5°C, but the methodology used to develop the target was a discussion about relevant opportunities to create incentives for customers. It is not science-based, nor is it externally assured. The Bank's stakeholders have not actively participated in setting the target.

#### Climate targets related to corporate lending

The Bank of Åland has committed itself to ensuring that 37 per cent of its corporate loan portfolio, based on loan value, will have set SBTi-validated targets by 2028, compared to the base year 2021.

This target is designed to address the material impact that the credit portfolio sees indirectly downstream in the value chain through its corporate lending, via the impact areas of climate change mitigation and adaptation and the related area of energy. The target is within Scope 3, Category 15, refers to CSRD companies downstream in the value chain and includes the corporate loan portfolio's CSRD corporate customers, based on loan value. The baseline value as of the base year 2021 was that 0 per cent of the corporate loan portfolio at that time had signed the SBTi.

The target has been developed using the Portfolio Coverage Approach (PCA). Portfolio coverage means that on a specified date, the Bank checks what percentage (measured in loan value in the corporate loan portfolio) of companies have set SBTi-validated targets. The lending which the target affects is in different economic sectors and the target was thus not derived from any specific sector's trajectory. The target is meant to be science-based and consistent with limiting global warming to 1.5°C and is externally assured through validation by SBTi. The Bank's stakeholders have not actively participated in setting the targets. The outcome for 2024 was that 0 per cent of the corporate loan portfolio has signed a SBTi agreement. The reason for this is partly that the scope of the target is only corporate loan customers that are Corporate Sustainability Reporting Directive (CSRD) companies, and that in 2024 the Bank of Åland had a very limited number of such active customers in the loan portfolio.

#### Lending for electricity generation

The Bank of Åland undertakes to continue providing electricity generation project financing only for renewable energy through 2030.

<sup>1</sup> Emission-intensive sectors include: construction; transport and storage; agriculture, forestry and fisheries; real estate; wholesale and retail trade (repair of motor vehicles and motorcycles); manufacturing; supply of electricity, gas, heating, cooling and water supply (sewage, waste management and remediation activities).





During 2024, the outcome of the target was that the Bank had no financing of electricity generation projects of any kind other than renewable energy.

The target is designed to address the material impact that the credit portfolio sees indirectly downstream in the value chain through lending to corporates, via the impact areas of climate change mitigation and adaptation and the related area of energy. The target is within Scope 3, Category 15, refers to companies downstream in the value chain and includes the corporate loan portfolio. The base year for the target is 2021, and the baseline value was 0 as defined by the Science Based Targets initiative. The methodology used to set the target is the Sector Decarbonisation Approach (SDA). SDA is a methodology within the Science Based Targets initiative (SBTi) that helps the Bank set climate targets in line with sector-specific emission reduction trajectories and the targets of the Paris Agreement. The Bank has started by identifying the sector (electricity generation) and analysed our financed baseline emissions as well as relevant key indicators. The target is designed to be science-based and consistent with the limitation of global warming to 1.5°C. It is externally ensured through validation from SBTi. The Bank's stakeholders have not actively participated in setting the target.

### Financial investments

The Bank of Åland commits to ensuring that 58 per cent of issuers of equities and corporate bonds in its mutual funds and discretionary mandates set SBTi-validated targets by 2028 and 100 per cent by 2040. This target covers 90 per cent of listed equities and 53 per cent of corporate bonds in these funds and discretionary mandates.

#### SBTi targets, financial investments

	2024	2021
Percentage of shares and corporate bonds under management that have signed the SBTi	56	23

This target has been set to address the material impact that asset managers see indirectly downstream in the value chain through customers' financial investments, via the impact areas of climate change mitigation and adaptation and the related area of energy. The target is within Scope 3, Category 15, refers to companies downstream in the value chain and includes UCITS funds and the discretionary mandates that follow our theoretical model portfolios.

The base year for measurement is 2021. The target has been developed using the Portfolio Coverage Approach (PCA) method. Portfolio coverage means that on a given date, the Bank checks how large a percentage (measured in market value of the holding) of the companies have set SBTi-validated targets. The holdings to which the target relates are in different economic sectors, and the target is thus not derived from the trajectory of any specific sector. It is intended to be science-based and consistent with limiting global warming to 1.5°C and is externally assured through validation from SBTi. The target for 2040 is not directly dependent on the trend of future sales volume or fluctuations in customer wishes and demands. These factors may nevertheless affect the Bank's potential for achieving the target, but the target will remain in effect in any event. The Bank's stakeholders have not actively participated in setting the target. The Bank of Åland's managed equities and corporate bonds in mutual funds and discretionary mandates are well aligned to reach the target of 58 per cent by 2028.

Ålandsbanken Fondbolag measures and takes into account the carbon dioxide emissions of its investment holdings through an indicator of principal adverse impacts on sustainability factor number 4 (Investments in companies without carbon reduction initiatives) in Table 2. The datapoint was included in the Bank's statement on principal adverse impacts of investment decisions for the reporting year 2023, and as the number of reference periods increases, developments can be analysed. At the investment product level, 2023 SFDR ex-post reports included a sustainability indicator for the percentage of portfolio companies that are in the

process of signing or have validated targets in compliance with the SBTi.

### Treasury portfolio

The Bank of Åland has committed itself to ensuring that 38 per cent of its corporate bond portfolio will have set SBTi-validated targets:

#### SBTi targets, Treasury

	2024	2021
Percentage of the corporate bond portfolio that has signed a SBTi agreement	19	1

This target has been designed to address the material impacts that are visible indirectly downstream in the value chain through the financial investments of the Treasury portfolio, via the impact areas of climate change mitigation and adaptation and the related area of energy. It is within Scope 3, Category 15 and refers to companies downstream in the value chain. The target has been limited to asset categories that are mandatory according to the SBTi, which means that only non-covered and corporate bonds are included. Bonds issued by sovereigns, municipalities and other public entities, covered bonds and cash are thus not included, since these asset classes are voluntary or not applicable according to SBTi.

The base year for the measurement is 2021. The target has been designed in such a way that reduction of greenhouse gas emissions is in line with the level that science indicates is necessary to limit global warming to well below 2°C, aiming for 1.5°C, compared to global temperatures in pre-industrial times. It is externally assured through validation by SBTi. The target has been developed using Portfolio Coverage Approach (PCA) method. Portfolio coverage means that on a specified date, the Bank checks how large a percentage (measured in market value of the holding) of the companies have set SBTi-validated targets.



The holdings to which the target relates are in different economic sectors, and the target is thus not derived from the trajectory of any specific sector. Although the portfolio coverage target does not indicate the reduction in greenhouse gas emissions among holdings in absolute terms, it does ensure that these holdings set sufficient reduction targets to be in line with the level that science indicates is necessary to limit global warming. To enable the Bank to reduce indirect emissions in its Treasury portfolio, reduction of greenhouse gas emissions by its holdings is crucial. We thus need to see an increase in the percentage of holdings that set emission targets, and especially science-based targets. For those holdings that are not affected by the SBTi target, climate criteria including SBTi-validated targets are applied to ensure that the holdings have taken reduction action. In case reduction actions by holdings are not sufficient, reallocation will need to be made to other holdings. Stakeholders have not been involved in setting the target.

#### Transition risk

There is currently no target for transition risk in the Bank's management of liquidity and financing risks due to climate change, in which the market for non-green bonds would become less liquid or investors' preferences for green instruments would make it difficult to issue non-green instruments or would increase the cost of doing so. As such, these risks have been identified and will be taken into account in future work, but it is not relevant to set targets in this area. Instead of targeting, follow-up is carried out in the form of stress testing and monitoring of the percentage of green bonds in the Treasury portfolio. The Bank of Åland does not usually comment on future issues and for that reason does not wish to set a public target regarding green bond issues.

#### Physical risks

The Bank of Åland has not set specific targets connected to the physical climate-related risks that have been identified. The Bank of Åland has not yet set specific targets connected to the flood risk inherent in a loan for which real property serves as collateral. However, identified flood risks need to be taken into account as part of risk assessment, and overall risk assessment must not be higher than the permitted risk appetite. The Bank is currently working to gather data on flood risks and is evaluating external data providers. As the availability and quality of data increases, the Bank will also set targets and sub-targets for physical risks to ensure that its climate targets can be met.

## Disclosure Requirement E1-5 – Energy consumption and mix

Energy consumption and mix				
	2024		2023	
	MWh	Per-centage	MWh	Per-centage
<b>Total fossil energy consumption</b>	0	0	0	0
<b>Consumption from nuclear sources</b>	0	0	0	0
Fuel consumption for renewable sources, including biomass	0	0	0	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	1,876	99	1,738	99
The consumption of self-generated non-fuel renewable energy <sup>1</sup>	12	1	11	1
<b>Total renewable energy consumption</b>	<b>1,888</b>	<b>100</b>	<b>1,750</b>	<b>100</b>
<b>Total energy consumption</b>	<b>1,888</b>		<b>1,750</b>	

<sup>1</sup> The Bank of Ålands production of the renewable energy consists of solar panels for its own use.

Production of renewable and non-renewable energy		
MWh	2024	2023
Renewable energy <sup>2</sup>	12	11
Non-renewable energy	0	0

<sup>2</sup> The Bank of Åland is not an energy producer and does not produce non-renewable energy. The Bank's renewable energy production consists of solar panels for its own use.

Electricity consumption is based on actual consumption at the offices where the Bank of Åland is responsible for the electricity contract and is thus familiar with the consumption. An estimate is only made in cases where information for individual periods is missing. The metrics relating to the Bank's total energy consumption have not been validated by any external body other than its assurance provider.



## Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions

Greenhouse gas emissions in tonnes of carbon dioxide equivalents (CO <sub>2</sub> e)								
GHG emissions in tonnes of CO <sub>2</sub> e	Retrospective				Milestones and target years <sup>1</sup>			
	2021	2023	2024	% 2024 vs 2023	2030	2035	2050	% 2024 vs 2021
<b>Scope 1 GHG emissions</b>								
Gross Scope 1 GHG emissions	5	5	6	12				29
Percentage of Scope 1 GHG emissions from regulated emission trading schemes,% <sup>2</sup>	0	0	0					
<b>Scope 2 GHG emissions<sup>3</sup></b>								
Gross location-based Scope 2 GHG emissions	213	175	179	2				-16
Gross market-based Scope 2 GHG emissions	166	54	49	-10				-71
<b>Significant Scope 3 GHG emissions<sup>4</sup></b>								
Total Gross indirect Scope 3 emissions	2,317,591	2,629,965	2,807,698	7				21
1 Purchased goods and services	1,617	3,482	9,321					
2 Capital goods	70	66	36	-46				-49
3 Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	12	11	10	-10				-19
4 Upstream transport and distribution	221	294	300	2				36
5 Waste generated in operations	2	3	4	41				96
6 Business travel	148	675	722	7				
7 Employee commuting								
8 Upstream leased assets	118	187	119	-36				1
9 Downstream transportation								
10 Processing of sold products								
11 Use of sold products								
12 End-of-life treatment of sold products								
13 Downstream leased assets								
14 Franchises								
15 Investments	2,315,404	2,625,247	2,797,186	7				21
<b>Total GHG emissions</b>								
<b>Total GHG emissions (location-based)</b>	<b>2,317,809</b>	<b>2,630,145</b>	<b>2,807,883</b>	<b>7</b>				<b>21</b>
<b>Total GHG emissions (market-based)</b>	<b>2,317,762</b>	<b>2,630,024</b>	<b>2,807,752</b>	<b>7</b>	<b>1,158,881</b>			<b>21</b>

<sup>1</sup> The Bank of Åland has established an overall climate target for emission reduction, which is described in disclosure requirement E1-4. The Bank of Åland shall reduce CO<sub>2</sub>e emissions by 50 per cent no later than 2030 compared to 2021. The Bank shall be carbon neutral by 2035 at the latest, in line with Finland's climate policy decision. The Bank shall achieve net-zero emissions by 2050. Since the climate target is a larger overall target, it is not divided into each scope but sees them as a whole. For this reason, the target per scope is not specified in the table. Regarding the target of achieving carbon neutrality by 2035, this target is based on the Finnish climate policy framework, as well as Finnish climate legislation. There are currently no established data on the level of emissions for the Bank that is the recommended level to reach climate neutrality. The Bank's climate strategy is currently focusing primarily on the target for 2030, but as the strategy evolves to include the target for 2035 to a more detailed extent, the Bank will also be able to deliver more detailed data. The same also applies to the net-zero target for 2050.

<sup>2</sup> Emissions trading scheme is not applicable to the Bank of Åland because it is a credit institution and thus does not operate in the manufacturing, incinerator, aviation or shipping sectors.

<sup>3</sup> Historical comparative figures have been recalculated, since new information on electricity consumption became available during the financial year. To enable comparisons between years, comparative figures are recalculated. Gross market-based Scope 2 GHG emissions in 2021 were converted from 133 to 166 tonnes of CO<sub>2</sub>e and location-based Scope 2 GHG emissions from 153 to 213 tonnes of CO<sub>2</sub>e for 2021. Gross location-based Scope 2 GHG emissions were converted from 199 to 175 tonnes of CO<sub>2</sub>e in 2023.

<sup>4</sup> The calculation method was updated, with improved methods and improved capture of data, after which comparative figures were recalculated. To be able to compare years, base year 2021 emissions were recalculated retroactively according to the updated method, which means that estimated Scope 3 downstream emissions in 2021 were recalculated from the original 2,281,834 to 2,315,404 tonnes of CO<sub>2</sub>e. Scope 3 downstream emissions in 2023 were recalculated from 2,174,204 to 2,625,247 tonnes of CO<sub>2</sub>e. The conversion also affects the total amount of greenhouse gases, which was recalculated from 2,284,159 to 2,317,762 tonnes of CO<sub>2</sub>e in 2021 and from 2,178,981 to 2,630,024 tonnes of CO<sub>2</sub>e in 2023.



The Bank of Åland calculates GHG emissions for the consolidated group. The Bank does not include indirect GHG emissions by associated companies, joint ventures, non-consolidated subsidiaries or joint ventures. The reason is that an assessment has been made that the Bank has no operational control over any of its associated companies and that most of these companies are very small and not yet obliged to report, which makes information scarce. Their GHG emissions should be relatively small compared to the Group's existing figures, and it is thus not relevant to make an estimate.

### GHG emissions per full-time equivalent employee <sup>1</sup>

Tonnes of CO <sub>2</sub> e	2024	2023	% 2024 vs 2023	2021	% 2024 vs 2021
Total CO <sub>2</sub> emissions per FTE (tonnes of CO <sub>2</sub> e)	2,837	2,867	-1	2,857	-1

<sup>1</sup> Historical comparative figures were recalculated due to recalculation of underlying GHG emissions. Total CO<sub>2</sub>e emissions per FTE were revised from 2,815 to 2,857 tonnes CO<sub>2</sub>e in 2021 and from 2,378 to 2,867 tonnes CO<sub>2</sub>e in 2023.



## Scope 3 downstream, greenhouse gas emissions

Loan portfolio					
Tonnes of CO <sub>2</sub> e	2024	2023	% 2024 vs 2023	2021	% 2024 vs 2021
Scope 1 and 2	196,937	258,301	-24	310,261	-37
Scope 3 <sup>1</sup>	0	0	0	0	0
<b>Total, loan portfolio, tonnes of CO<sub>2</sub>e</b>	<b>196,937</b>	<b>258,301</b>	<b>-24</b>	<b>310,261</b>	<b>-37</b>
Total, allocated by sectors					
Private individuals					
Home loans	11,052	14,478	-24	16,183	-32
Investment loans	31,562	34,420	-8	65,405	-52
Other purposes	12,771	13,682	-7	14,388	-11
<b>Total, private individuals</b>	<b>55,385</b>	<b>62,580</b>	<b>-11</b>	<b>95,976</b>	<b>-42</b>
Companies					
Other service activities	867	915	-5	1,505	-42
Construction	31,094	75,281	-59	69,429	-55
Real estate activities	14,809	13,736	8	14,219	4
Financial and insurance activities	6,793	7,417	-8	7,416	-8
Electricity, gas, steam and air conditioning supply	1,279	2,473	-48	3,769	-66
Wholesale and retail trade; repair of motor vehicles and motorcycles	8,093	7,389	10	8,379	-3
Hotel and restaurant activities	16,553	15,822	5	17,207	-4
Information and communication	198	234	-15	303	-34
Agriculture, forestry and fishing	16,682	23,180	-28	22,367	-25
Arts, entertainment and recreation	1,180	1,420	-17	1,591	-26
Business activities, private individuals	9,793	11,002	-11	12,746	-23
Public administration and defence; compulsory social security	2,158	1,819	19	1,687	28
Manufacturing	9,840	7,090	39	6,499	51
Transport and storage	14,338	18,616	-23	38,780	-63
Education	15	18	-18	18	-14
Rentals, real estate services, travel services and other supportive services	3,955	4,291	-8	3,226	23
Water supply, sewerage, waste management and remedial activities	989	1,483	-33	1,339	-26
Legal, financial, scientific and technical activities	1,902	2,253	-16	2,387	-20
Human health and social work activities	1,013	1,282	-21	1,419	-29
<b>Total, companies</b>	<b>141,552</b>	<b>195,721</b>	<b>-28</b>	<b>214,285</b>	<b>-34</b>
<b>Total, loan portfolio exposures</b>	<b>196,937</b>	<b>258,301</b>	<b>-24</b>	<b>310,261</b>	<b>-37</b>

<sup>1</sup> Scope 3 data unavailable, thus zero is reported.

Loan portfolio, intensity metrics					
Tonnes of CO <sub>2</sub> e/EUR M	Intensity 2024	Intensity 2023	Difference, Intensity 2024 vs 2023	Intensity 2021	Difference, Intensity 2024 vs 2021
Scope 1 and 2	55	67	-12	66	-11
Scope 3 <sup>2</sup>	0	0	0	0	0
<b>Total loan portfolio, intensity</b>	<b>55</b>	<b>67</b>	<b>-12</b>	<b>66</b>	<b>-11</b>

<sup>1</sup> Scope 3 data unavailable, thus zero is reported.



## Financial investments

Tonnes of CO <sub>2</sub> e	2024	2023	% 2024 vs 2023	2021	% 2024 vs 2021
Scope 1	125,744	103,430	22	184,363	-32
Scope 2	36,253	30,530	19	42,319	-14
Scope 3	2,424,532	2,202,224	10	1,749,579	39
<b>Total, financial investments<sup>1</sup></b>	<b>2,586,529</b>	<b>2,336,184</b>	<b>11</b>	<b>1,976,261</b>	<b>31</b>
Total, allocated by sectors					
Corporate exposures					
Other service activities	23,833	12		455	
Construction	23,800	14,853	60	30,678	-22
Real estate activities	8,322	10,399	-20	4,547	83
Financial and insurance activities	74,749	21,851		4,090	
Electricity, gas, steam and air conditioning supply	159,919	271,310	-41	231,091	-31
Wholesale and retail trade; repair of motor vehicles and motorcycles	146,789	91,728	60	76,525	92
Hotel and restaurant activities	3,627	623		6,563	-45
Information and communication	10,748	11,930	-10	6,320	70
Agriculture, forestry and fishing	818	653	25	16	
Arts, entertainment and recreation	48	562	-92	33	45
Public administration and defence; compulsory social security	0	0		0	73
Manufacturing	1,945,504	1,762,115	10	1,398,581	39
Transport and storage	62,815	61,618	2	16,632	
Education	1	12	-95	3	-81
Extraction of minerals	34,823	27,781	25	72,375	-52
Rentals, real estate services, travel services and other supportive services	0	31,386	-100		
Water supply, sewerage, waste management and remediation activities	15,793	13,526	17	334	
Legal, financial, scientific and technical activities	1,283	191		1,985	-35
Operations at international organisations, foreign embassies etc.	0	0		0	
Human health and social work activities	2,233	1,380	62	312	
Other assets	71,424	14,254		125,720	-43
<b>Total, financial investments</b>	<b>2,586,529</b>	<b>2,336,184</b>	<b>11</b>	<b>1,976,261</b>	<b>31</b>

<sup>1</sup> Emission calculations for financial investments include equities, bonds, mutual funds, physical properties and wind turbines. Cash, derivative contracts, commercial paper and land are excluded from the emission calculations. The emissions of the invested issuers are share-weighted per holding as of December 31, 2024. Emissions are calculated as the owned share of the respective carbon dioxide emissions of portfolio companies reported as of December 31, 2023. Emissions data retrieved from Bloomberg show marginal differences when emissions are calculated as a total per scope (1, 2, 3) individually, compared to when emissions are calculated as a total of all scopes directly. As of December 31, 2024, the difference amounted to 86.21 tCO<sub>2</sub>e and this difference was adjusted by subtracting the figure corresponding to the difference from individual Scope 3 emissions in order for total reported emissions per sector to be consistent relative to total emissions per scope. In 2024, emission calculations for the Bank's Housing Fund were refined and for the Bank's Wind Power Fund, emission calculations were included. Due to these changes, comparative figures were restated. Historical comparative figures are based on total owned share of portfolio companies' respective carbon emissions reported as of December 31, 2023 where available, otherwise on estimates. If third-party estimated values do not meet the Bank's established requirements, reported data from previous years can be used. Emissions in 2023 have been recalculated several times. A total of 1,903,523 tonnes of CO<sub>2</sub>e in 2023 were revised to 2,336,184 tonnes. Emissions in 2021 (base year) were recalculated from 1,953,815 to 1,976,261 tonnes of CO<sub>2</sub>e.

Financial investments, intensity metrics<sup>2</sup>

Tonnes of CO <sub>2</sub> e/EUR M	Intensity 2024	Intensity 2023	Difference, intensity 2024 vs 2023	Intensity 2021	Difference, intensity 2024 vs 2021
Scope 1	22	22	1	44	-21
Scope 2	7	7	0	10	-3
Scope 3	433	465	-32	414	19
<b>Total, financial investments</b>	<b>461</b>	<b>493</b>	<b>-32</b>	<b>467</b>	<b>-6</b>

<sup>2</sup> Due to changes in the range and availability of data, comparative periods were recalculated. Intensity, tonnes of CO<sub>2</sub>e/EUR M for financial investments was converted from 497 to 493 tonnes of CO<sub>2</sub>e/EUR M in 2023. In these figures for 2023, Scope 1 was converted from 30 to 22 tonnes of CO<sub>2</sub>e/EUR M and Scope 3 from 460 to 465 tonnes of CO<sub>2</sub>e/EUR M. Intensity, tonnes of CO<sub>2</sub>e/EUR M for investments was converted from 538 to 467 tonnes of CO<sub>2</sub>e/EUR M in 2021. In these figures for 2021, Scope 1 was revised from 50 to 44 tonnes of CO<sub>2</sub>e/EUR M and Scope 3 from 478 to 414 tonnes of CO<sub>2</sub>e/EUR M.

**Scope 3 downstream, greenhouse gas emissions**

Treasury portfolio <sup>1</sup>					
Tonnes of CO <sub>2</sub> e	2024	2023	% 2024 vs 2023	2021	% 2024 vs 2021
Scope 1	2,028	7,948	-74	4,243	-52
Scope 2	547	416	31	523	5
Scope 3	11,145	22,398	-50	24,116	-54
<b>Total, Treasury portfolio</b>	<b>13,720</b>	<b>30,762</b>	<b>-55</b>	<b>28,882</b>	<b>-52</b>
Total, allocated by sectors					
Construction	0	18	-100	20	-100
Real estate activities	589	893	-34	644	-8
Financial and insurance activities	5,027	3,256	54	4,513	11
Electricity, gas, steam and air conditioning supply	0	4,729	-100	6,136	-100
Public administration and defence; compulsory social security	4,139	16,431	-75	6,691	-38
Manufacturing	2,127	4,909	-57	8,057	-74
Transport and storage	282	234	20	403	-30
Rentals, real estate services, travel services and other supportive services	233	265	-12	2,419	-90
Operations at international organisations, foreign embassies etc.	1,322	26		1	
<b>Total, Treasury portfolio</b>	<b>13,720</b>	<b>30,762</b>	<b>-55</b>	<b>28,882</b>	<b>-52</b>

<sup>1</sup> Emission calculations for the Treasury portfolio include cash positions at central banks and bonds. The emissions of the invested issuers are share-weighted per holdings owned by the Bank as of December 31, 2024. Updates were made during 2024 to historical comparative figures due to a new method and updating of primary data. Treasury updated the calculation method for its portfolio's emissions to comply with PCAF. Emission calculations were also recalculated for comparative periods according to the updates made retroactively by issuers in their emission calculations. These updates are due to corrections of previously reported figures or expanded calculation procedures. Since the 2023 Annual Report, emissions for 2023 have been recalculated from 12,381 to 13,794 tonnes of CO<sub>2</sub>e and then to 30,762 tonnes of CO<sub>2</sub>e. Emissions in 2021 (base year) have been revised from 17,758 to 28,882 tonnes of CO<sub>2</sub>e.

Treasury portfolio, intensity metric <sup>2</sup>					
Tonnes of CO <sub>2</sub> e/EUR M	Intensity 2024	Intensity 2023	Difference, intensity 2024 vs 2023	Intensity 2021	Difference, intensity 2024 vs 2021
Scope 1	2	7	-5	3	-1
Scope 2	1	0	0	0	0
Scope 3	10	19	-9	15	-5
<b>Total, Treasury portfolio, intensity</b>	<b>13</b>	<b>26</b>	<b>-14</b>	<b>18</b>	<b>-5</b>

<sup>2</sup> Updates were made during 2024 in historical comparative figures, due to a new method and updating of primary data. Treasury updated the calculation method for its portfolio's emissions to be consistent with PCAF. Emission calculations were also recalculated for comparative periods according to updates made retroactively by the issuers in their emission calculations. Updates relate to corrections of previously reported figures or expanded calculation procedures. The intensity of Treasury operations was revised from 11 to 18 tonnes of CO<sub>2</sub>e/EUR M in 2021 (base year). In these figures for 2021, Scope 1 was revised from 1 to 3 tonnes of CO<sub>2</sub>e/EUR M and Scope 3 from 10 to 15 tonnes of CO<sub>2</sub>e/EUR M. The intensity of Treasury operations was converted from 11 to 26 tonnes of CO<sub>2</sub>e/EUR M in 2023. In these figures for 2023, Scope 1 was revised from 1 to 7 tonnes of CO<sub>2</sub>e/EUR M and Scope 3 from 9 to 19 tonnes of CO<sub>2</sub>e/EUR M.



## Reporting principles for metrics

### Significant changes during 2024

During 2024, there were no significant changes to the definition of what constitutes the reporting company and its upstream or downstream value chain in relation to its own operations, financial investments, loan portfolio or Treasury operations.

### Calculation methods, significant assumptions and emission factors

The Bank of Åland's climate calculation of emissions in the form of carbon dioxide equivalents (CO<sub>2</sub>e) is compiled in compliance with the Greenhouse Gas (GHG) Protocol and includes Scope 1, 2 and 3. Scope 1 includes fuel for company cars. Scope 2 includes energy use at the Bank's own premises. Scope 3 upstream includes indirect supplier-related emissions caused by the purchase of goods and services. Emissions from the Bank's own operating activities are calculated by the spend method using emission factors and the Åland Index and are based on expensed activities in the income statement. Exceptions to the spend method can be found in the calculation of Scope 2, where purchased electricity is offset to zero CO<sub>2</sub>e emissions for environmentally certified electricity according to the market-based method, and district heating, where CO<sub>2</sub>e emissions are calculated on the basis of actual district heating use. Electricity consumption is based on the actual consumption of the offices where the Bank is responsible for the electricity contract and is thus familiar with the consumption. An estimate is only made in cases where information for the previous month is missing. For district heating, greenhouse gas emissions are calculated based on actual district heating consumption for the Bank's offices in its own properties, information from the energy supplier and emission coefficients from the Heating Market Committee (VMK). These are also supplemented by related emissions in Scope 3 in the category "Fuel and energy-related activities", which are also calculated based on actual district heating consumption.

Information on emissions from our own operating activities is supplemented with information on indirect emissions in Scope 3

Category 15 downstream related to investments, which include emissions from the loan portfolio, Treasury operations and our customers' financial investments in our asset management solutions. To improve the opportunity for comparisons between different areas, we specify Scope 3 Category 15 in separate tables, which are also shown divided into their respective Scopes 1, 2 and 3 viewed from their perspective. What is presented is an up-to-date picture of the situation based on the value of holdings and loans at year-end. However, available data for all impact areas of the loan portfolio (Scope 3 downstream from the perspective of the loan portfolio) are still missing.

As part of emission calculations, biogenic emissions are calculated for Scope 1 and 2. Scope 1 biogenic emissions are calculated using a standard based on the type of vehicle and the average bio-share of the fuel (distribution obligation) in Finland, where data are obtained from the Finnish Energy Authority. Scope 2 biogenic emissions are calculated using on a standard based on the greenhouse gas emissions calculation for district heating consumption, where biogenic emissions are based on the share of biomass according to the energy supplier. The Bank has not considered it essential to identify indirect biogenic emissions in Scope 3.

The calculation of the Bank's greenhouse gas emissions has not been validated by any external body other than its assurance provider.

### Time lag in access to data from underlying companies' publicly reported emission figures

To calculate Scope 3 downstream GHG emissions in Category 15, information on emission data is collected from the published information of relevant companies to the extent possible. For the loan portfolio, no such information is available, since corporate lending is mainly made to companies that have not yet published emission data. However, with regard to the Treasury portfolio and customers' financial investments, emission data for the Bank's greenhouse gas calculations are obtained from published information. This information usually covers the previous financial year, since companies only tend to publish emission data

annually. The underlying companies in the portfolios have not had time to publish their emissions for the current year to any great extent, which means that there is a lag in reported figures. Since the Bank's is calculating its greenhouse gas emissions in connection with the publication of its annual report for 2024, this means that emission data for financial investments and Treasury are largely based on the underlying companies' emissions in 2023.

Our own and our customers' financial investments account for the largest share of the Bank's emissions, with Scope 3 emissions increasing as companies' own reporting expands. We believe that comparability between years for these emissions is still difficult to achieve, since the quality of Scope 3 data is generally low. There is also a large variation between companies in the range of reported emissions data, which means that data on exposures are not accurate enough to be used for comparisons. To some extent, we are seeing improvements in the reporting from companies we invest in, and a larger proportion of these companies are reporting Scope 3. This development is positive, although the increased amount of data means that our emission figures are rising. As the availability of data continuously improves, so do the methods for calculating emissions. To provide a true picture of developments, comparative figures for historical periods are recalculated using the latest available data and methodology.

For Treasury operations, emission calculations have been revised for comparative periods based on updates made retroactively by the issuers in their emission calculations. Updates relate to corrections of previously reported figures or expanded calculation procedures. The recalculations that have been implemented are described in footnotes to each table.

### Percentage and type of contractual instruments for buying and selling electricity

The Bank of Åland buys 100 per cent of its energy from renewable sources, 0 per cent of its energy in the form of fossil fuels and 0 per cent of its energy in the form of nuclear power.



**Biogenic emissions<sup>1</sup>**

Tonnes of CO <sub>2</sub> e	2024	2023	% 2024 vs 2023	2021
Biogenic emissions, Scope 1	0.6	0.6	12	0.7
Biogenic emissions, Scope 2	274	306	-10	339
Biogenic emissions, Scope 3				

<sup>1</sup> As part of Scope 1 and 2 emission calculations, biogenic emissions are calculated. Scope 1 biogenic emissions derive from the operating costs of the Bank's own company cars and Scope 2 derives from purchased district heating, limited to the Bank's offices in its own properties. The Bank has not considered it material to identify indirect biogenic emissions in Scope 3.

**Access to primary data related to Scope 3**

The Bank of Åland's share of primary data in Scope 3 upstream is 0 per cent, since access to data from suppliers is limited. In Scope 3 category 15, an average of 64 per cent of greenhouse gas emissions data for the loan portfolio, Treasury operations and financial investments consists of primary data from companies downstream in the value chain. For Treasury and financial investments, there is greater access to published data than there is for the loan portfolio. For Treasury, the share of primary data is 95 per cent and for financial investments, the share of primary data is 98 per cent. From the perspective of the loan portfolio, there is no access to data because the majority of our corporate customers are too small to have any published information.

**List of significant categories of greenhouse gas emissions in Scope 3**

	Included	Excluded	Reason for exclusion
1 Purchased goods and services	X		
2 Capital goods	X		
3 Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	X		
4 Upstream transport and distribution	X		
5 Waste generated in operations	X		
6 Business travel	X		
7 Employee commuting		X	The Bank of Åland is evaluating options for data collection and does not yet have appropriate practices in place for reliable measurement.
8 Upstream leased assets	X		
9 Downstream transportation		X	Since the sale of physical products is not part of the Bank of Åland's operations, this category is not relevant to the Bank.
10 Processing of sold products		X	Since the sale of physical products is not part of the Bank of Åland's operations, this category is not relevant to the Bank.
11 Use of sold products		X	Since the sale of physical products is not part of the Bank of Åland's operations, this category is not relevant to the Bank.
12 End-of-life treatment of sold products		X	Since the sale of physical products is not part of the Bank of Åland's operations, this category is not relevant to the Bank.
13 Downstream leased assets		X	The Bank is not a lessor, and this category is thus not relevant.
14 Franchises		X	The Bank has no franchising operations, and the category is thus not relevant.
15 Investments	X		



### Calculation methods and reporting limits for Scope 3

#### *Scope 3 for own operating activities, upstream*

The Bank of Åland has chosen to focus on a number of significant categories in scope 3 downstream, in keeping with the assessment in the table listing significant categories of material greenhouse gas emissions in Scope 3. The spend method is used to calculate the emissions in the relevant Scope 3 upstream categories, since access to input data from suppliers is extremely limited. The calculation of CO<sub>2</sub>e emissions for the renovation of the head office in Mariehamn employs a standard estimate based on the approximate quantity of materials purchased.

For Scope 3 Category 15, various calculation methods are used to estimate greenhouse gas emissions for different areas within the loan portfolio, Treasury operations and financial investments. It is still difficult to compare Scope 3 emissions during different years, since the quality of Scope 3 data is generally low and reporting in this area does not include all emissions. There is wide variation between companies in the range of reported emissions data, which means that data on exposures are not accurate enough to be used for comparison with other banks.

#### Calculation methods for greenhouse gas emissions from the loan portfolio

The Bank of Åland's ambition is to calculate emissions from its lending in compliance with the GHG Protocol, which is applied to the extent that the data quality of the loan portfolio allows. This model includes its own estimates and the task of improving the data quality in these calculations is constantly ongoing. In the event of a change in the calculation method, CO<sub>2</sub>e emissions during earlier periods are recalculated retroactively using the updated method to the extent that data are available for the earlier period. Where updated data have only become available during later reporting periods, these are also used in recalculating prior years. Since data are not available for all impact areas in the loan portfolio, greenhouse gas emissions are calculated for the loan portfolio's Scope 1 and 2 downstream from its own

perspective, but not Scope 3 downstream from the loan portfolio's perspective. Intensity measures are calculated as tonnes of carbon dioxide equivalents divided by the volume of the loan portfolio used for the calculation, in millions of euros.

#### *The mortgage portfolio*

Calculations for home mortgage loans are based on those loans where at least one residential property has been pledged as collateral. In cases where more than one collateral property is connected to a loan, the primary residence is used for the estimate. Loans where no collateral or only other types of collateral have been provided are excluded from the calculations. In 2024, mortgage loans worth EUR 20 M have been excluded from the calculations. Calculated emissions are based on an estimate of the home's energy consumption based on its size in square metres and its energy certificates, to the extent that data are available. Where data is missing, an average is applied. The Bank of Åland estimates that 20 per cent of its mortgage loan portfolio's emission calculations are equivalent to a PCAF data quality rating at level 3, while the other 80 per cent are equivalent to level 4. To calculate emissions for estimated energy consumption in the homes, an average emission factor is applied to this energy consumption. The emission factor is calculated separately for Finland and Sweden, respectively, as well as for detached houses and blocks of flats. The average emission factor is a weighted average of emission factors for different heating methods weighted by each heating period's share of heating methods for each type of home and country. Statistics on heating methods for detached houses and blocks of flats come from Statistics Finland and the Swedish Energy Authority. The emission factors used are obtained from the Association of Issuing Bodies, Motiva Oy and Swedenergy. To calculate the emissions in the Bank's mortgage portfolio, a loan-to-value ratio (LTV) is applied to total estimated emissions. As a result of improvements in calculation methodology, the actual LTV of the loan is mainly used. Where LTV is missing, the volume-weighted average LTV of the mortgage portfolio is used as an estimate.

#### *Corporate loans*

CO<sub>2</sub>e emissions for corporate loans are based on sector-specific estimates using loan volume, since actual emissions data for the Bank's corporate customers is generally not available. These estimates are based on sector-specific published average issuance factors from the Åland Index and Statistics Sweden, as well as the outstanding loan volume. Loan volume refers to the loan amount in the balance sheet as of December 31 of each year. Because overall sector-specific emission factors are applied to all customers and there is some uncertainty about the information on customers' sectoral affiliation, estimated emissions from the corporate loan portfolio should be regarded as indicative.

#### *Loans for financial investments and private consumption*

Emissions from loans for financial investments and other private consumption employ estimates based on loan volume and emission factors. In the case of loans for financial investments, average issuance factors from the Bank's mutual funds are used, and for private consumption, the Åland Index issuance factor is used.

#### Calculation method for emissions from financial investments

Emission calculations for financial investments include equities, bonds, mutual funds, physical properties and wind turbines. In these calculations, cash, derivative contracts, commercial paper, residential real estate that do not have energy certification and plots of land have been excluded. The emissions of the invested issuers are share-weighted per holding as of December 31, 2024. Emissions in 2024 are calculated as an ownership share of each portfolio company's reported carbon dioxide emissions as of December 31, 2023. Reported emission data have been used first, and secondly estimated emission data. Intensity metrics are calculated as tonnes of carbon dioxide equivalents divided by the volume of investments used for the calculation in millions of euros.

#### *Equities and bonds*

First, each company's reported emissions data are used, through



data from Bloomberg. Estimated data are used secondarily. The unit is tonnes of CO<sub>2</sub>e, and the formula for calculating exposure to companies' total emissions is as follows: Scope (1, 2 or 3) per EVIC x the market value of our position. Bloomberg estimates that are in line with PCAF are used. Bloomberg's model for Scope 1, 2 and 3 emissions employs estimates created using a machine learning method.

In our equity and fixed income investments, our ambition is to use company-reported emission data as much as possible. However, the data that the companies have officially reported may in turn be based on estimated emissions.

#### ***The Housing Fund (Bostadsfonden)***

The method for calculating emissions from the Housing Fund is based on the energy certificates that have been collected. To calculate the fund's carbon dioxide emissions, the e-number and square metres on each energy certificate are multiplied by a coefficient based on carbon dioxide emissions from electricity and district heating. The energy consumption of homes by energy class is based on the E number on energy certificates. To calculate emissions for the estimated energy consumption in homes, an average emission factor is applied to energy consumption. For the Bank's Housing Fund, emissions have only been calculated within the framework of Scope 2. In 2024, emission calculations for the Housing Fund were refined, which led to recalculation of historical comparative figures, as described in the table.

#### ***The Wind Power Fund (Vindkraftsfonden)***

The method for calculating emissions from the Wind Power Fund is based on estimated emissions arising from the construction of wind farms, the period when the wind farms are operational and when they are decommissioned. This is based on their total emissions over their entire estimated lifetime, which are distributed based on allocation quotas for the specific phases of their lifetime. For the Bank's Wind Power Fund, emissions have only been calculated within Scope 3. Estimated greenhouse gas emissions

from the Bank's Wind Power Fund Special Investment Fund were included as of December 31, 2024. As a result, historical comparative figures for the base year were also updated.

#### **Calculation method for greenhouse gas emissions from the Treasury portfolio**

Emission calculations for the Treasury portfolio include cash positions in central banks and bonds. Emissions in the invested issuers are ownership interest-weighted per holdings in the Bank's Treasury portfolio on the reporting date. Emissions data are obtained from the issuers' annual and sustainability reports and cover Scope 1, 2 and 3. In cases where data are not available from the issuer, estimates have been used. The majority of the collected emission data is expressed in tonnes of carbon dioxide equivalents, but in some cases only information on carbon dioxide emissions is available. This applies to holdings of government securities and estimates using economic activity-based emission factors. For issuers for which emission figures are only available at group level, the group's emission figures have been adjusted to the share of the issuing entity according to the comparison principle. Intensity measures are calculated as tonnes of carbon dioxide equivalents divided by the volume of holdings used for the calculation, in millions of euros.

If an issuer revises its emission figures for previous years, a corresponding revision is made in the Treasury's emission calculation basis to ensure that emission figures are comparable between different reporting dates.

For companies in the Treasury portfolio, there is greater access to published data and only those parts where information is missing are estimated. During 2024, Treasury updated the calculation methods for its portfolio's emissions to comply with PCAF. The biggest changes took place in calculation methods for central and local government securities and in the production of estimates. The calculation procedure is somewhat different depending on asset category. For corporate bonds, covered bonds and bonds issued by financial institutions and public sector entities,

emissions from the Bank's financial investments are calculated by dividing the outstanding amount of the holding by either enterprise value including cash (EVIC) in the case of a public company or by total equity plus debt in the case of a privately held company. This employs an allocation factor that is multiplied by the company's emissions to calculate the Bank's share of the issuer's emissions.

For government-issued holdings, the Bank's portion of emissions is calculated by dividing the outstanding amount of the holding by GDP, adjusted for purchasing power parities. This results in an allocation factor that is multiplied by the government's emissions to calculate the Bank's share of the issuer's emissions.

PCAF does not provide any calculation method for holdings issued by municipalities, so here the calculation method for central government-issued holdings has been adapted to be applied to municipalities. This custom calculation procedure is used by MuniFin (Kuntarahoitus). For municipalities, the Bank's portion of emissions is calculated by dividing the amount outstanding by estimates of GDP adjusted for purchasing power parities at the municipal level. This allocation factor is then multiplied by the municipality's emissions to calculate the Bank of Åland's share of these emissions.

In cases where emissions data cannot be obtained from published sources, Treasury has produced estimates according to PCAF's proposed method, where estimates are made on the basis of economic activity data. This means that an emission factor for the sector is obtained per unit of revenue and multiplied by the issuer's revenues for which the estimate is made. The Bank's share of the issuer's emissions is calculated by dividing the amount outstanding by the issuer's total equity plus debt. Treasury is continuously working to ensure data quality and to increase the proportion of actual emissions data instead of using estimates. This change is occurring as standardised calculation models are developed and as issuers expand their sustainability reporting.

Treasury's emission reporting is mainly based on emission data obtained from the issuers' annual and sustainability reports,



which are ownership-weighted according to the holdings in the Treasury portfolio on the reporting date. Emission data gathered from annual and sustainability reports is thus considered reliable. However, there is some uncertainty in the emissions data reported by the companies, since we can see large differences in emissions between companies of the same size and with operations in the same sector. This could mean that the companies currently reporting very low emissions are not reporting all their emissions.

For some issuers in which Treasury has invested, emission data is only available at the group level, and emission figures have thus had to be adjusted to the issuing entity's share according to the comparability principle. This means that group figures have been multiplied by the issuing entity's share of the group's balance sheet. This adjustment may give an incorrect picture of the issuing entity's share of total emissions.

In cases where emission data cannot be obtained from public sources, Treasury has produced estimates according to PCAF's proposed method, where estimates are made on the basis of economic activity data. This means that an emission factor for the sector is obtained per unit of revenue and multiplied by the issuer's revenue for which the estimate is made. The Bank's share of the issuer's emissions is calculated by dividing the amount outstanding by the issuer's total equity plus debt. Sectoral emission factors per unit of revenue have mainly been obtained from the IMF Climate Data Dashboard, published in 2018. These estimates include an uncertainty factor, since the emission factors are six years old and are based on a kind of sector average that does not necessarily correspond to the actual emissions of the issuer for which the estimate is made. In one case, a separate emission factor has been created based on emission data from companies operating in the same sector, since it was obvious that the estimate produced using the IMF emission factor significantly underestimated emissions.

### GHG intensity based on net revenue

GHG intensity per net revenue		
Tonnes of CO <sub>2</sub> e/EUR M	2024	2023
Total greenhouse gas emissions (location-based) per net revenue	12,978	13,003
Total greenhouse gas emissions (market-based) per net revenue	12,978	13,002

Net revenue <sup>1</sup>		
EUR M	2024	2023
Net revenue used to calculate GHG intensity	216	202
Net revenue (other)	0	0
Total net revenue (in financial statements)	216	202

<sup>1</sup> Net revenue used for calculating GHG intensity can be connected to a group's income statement and the "total revenue" item.

### Disclosure Requirement E1-7 – GHG removals and GHG mitigation projects financed through carbon credits

The Bank of Åland does not engage in greenhouse gas removals in any form.

Greenhouse gas mitigation projects financed by carbon credits are interpreted in the Bank of Åland's operations as carbon off-sets, or climate finance as the Bank has called it since a change of method in 2023. In recent years, the Bank has climate-financed the portion of CO<sub>2</sub>e emissions that corresponds to its own operational activities. The Bank will also provide climate finance for 2024, since this is an important element of its strategy and method for achieving its targets, but it is not yet clear what form this climate compensation will assume. However, a decision has been made to move away from the tonne-for-tonne method, since that method is no longer completely reliable. The focus going forward will instead be on getting the most climate benefit from the money invested. A decision regarding 2024 is expected to be made during 2025.



## E2 Pollution

### Material impacts, risks and opportunities

Impact / Risk / Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the	Policy
Pollution of water		X			Downstream in the value chain via customers' financial investments	Sustainability risk policy
Substances of concern		X			Downstream in the value chain through the loan portfolio's corporate lending	

### Disclosure requirement E2-1 – Policies related to pollution

#### Financial investments

The Bank of Åland has no specific policy for dealing with pollution of water in its asset management operations. For financial investments, it applies its policy for the integration of sustainability risks within its investment decisions and its financial investment and insurance advisory services (the sustainability risk policy) as described under disclosure requirement E1-2 (see page 107). The purpose of this sustainability risk policy is to regulate the Bank's general working methods for all asset classes to ensure responsible financial investments and integration of sustainability risks into the investment decision-making processes and the financial investment and insurance advisory services at the Bank.

The sustainability risk policy includes identifying sustainability risks, considering indicators of principal adverse impacts on sustainability factors and ensuring that portfolio companies comply with the norms and guidelines of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. The Bank reduces its negative impacts on pollution by factoring in sustainability risks and indicator number 8 for main negative impacts on sustainability factors, as well as by reviewing

and following up compliance with the international principles. The Bank's impact on pollution of water has been identified downstream in the value chain, and the management of potential incidents in portfolio companies is described under measures in E2-2.

#### Loan portfolio

In 2024, the Bank of Åland identified a material indirect negative impact on pollution, focusing on substances of concern, downstream in the value chain through the granting of loans to corporate customers. Most forms of manufacturing use various types of components, substances and materials that may potentially include substances of concern.

The Bank of Åland has no specific policy regarding pollution by substances of concern. Because this impact area was identified during 2024, the Bank has not yet developed a specific policy for lending to companies with activities that use substances of concern. To develop this impact area further, the next step is to acquire knowledge about how the impact area can be related to the Bank of Åland's lending. Because this impact was identified during the 2024 financial year downstream in the value chain, the Bank has not worked on the issues regarding substitution and minimisation of the use of substances of concern by corporate customers.

### Disclosure Requirement E2-2 – Actions and resources related to pollution

#### Financial investments

The Bank of Åland's investment strategy is to invest in quality companies that are well positioned to meet the challenges of the future in sustainability-related impact areas. In connection with the financial analysis of investment classes (equities, bonds or mutual funds), the Bank analyses the sustainability-related opportunities and risks that a given investment may entail. The Bank of Åland's method for reviewing whether portfolio companies maintain such a base level for the avoidance of pollution that serious harmful impacts are avoided is to identify violations of the OECD Guidelines for Multinational Enterprises and the UN Global Compact. This is a continuous review, which the Bank performed during the 2024 financial year. Ålandsbanken Fondbolag, the Bank's fund management company, screens compliance with these principles on a quarterly basis via the third-party supplier MSCI (model portfolios, UCITS funds and external mutual funds which Bank of Åland recommends). Among other things, this screening includes toxic emissions into water, air and soil as well as oil spills.

If any existing company holdings are red listed for violating these norms and guidelines and do not show a willingness to change, the holding will be divested within a period of 2 years after the event was noted. These form the basis for advocacy dialogues and possible exclusions in case of serious violations of these principles and guidelines. The Group's process when violations are detected is to report them to its ESG committee, which deals with the matter and takes a position on whether the company's actions to rectify the matter are sufficient, whether an advocacy dialogue should be initiated or whether the holding should be divested.

During the 2024 financial year, the Bank of Åland did not take any key actions or added significant operating or capital



expenditures specifically to work towards preventing pollution from occurring at its portfolio companies. The Bank's employees work with financial investments as part of day-to-day business operations. Since such actions relate to preventive work that is part of day-to-day operations, significant operating or capital expenditure to implement a specific key action plan has not been specified.

Ålandsbanken Fondbolag is starting the task of producing documentation for indicators of principal adverse impacts to sustainability factors so that it can carry out targeted advocacy work in the future. The company plans to focus its environmental advocacy work on those companies that have a material negative impact according to indicators 7, 8 and 9 in an effort to reduce this negative impact. Indicator 8 measures emissions to water and thus has a direct link to our area of material impact, but the indicator had low data availability during the year. The expectation is that data availability will increase in the coming years, but a general time frame for further advocacy work is difficult to define, since this is an ongoing effort related to different companies that face different conditions.

### Loan portfolio

During the financial year 2024, the Bank of Åland did not take any key actions or added significant operating or capital expenditures to be able to implement an action plan regarding the impact area of substances of concern from a loan granting perspective. Since the downstream impact area in the value chain was identified during 2024, the next step is to create understanding and expertise about the area and its connection to the Bank's lending to enable the Bank to take appropriate action in the future.

The corporate customers in the Bank's loan portfolio consist mainly of non-CSR companies with limited legal obligations to report sustainability-related data. For this reason, the availability of information about these companies is limited. To develop this area, set targets and take action, more knowledge about the area is needed.

### Disclosure Requirement E2-3 – Targets related to pollution

#### Financial investments

The Bank of Åland has established no specific target concerning pollution. The Bank's related objective is to ensure that violations of international norms and guidelines will not be found in its financial investment products. Our target is thus to ensure that a negative impact we can identify by screening is eliminated from our financial investment products in this area. This target is followed up internally on a quarterly basis in reporting to the Group's ESG Committee. The target is also followed up per product category in Sustainable Finance Disclosure Regulation (SFDR) ex-post reporting, where a sustainability indicator states the percentage of companies in a product category that have committed violations during the reporting year.

The Bank of Åland has not established a specific target concerning water pollution. One reason is that the data quality and coverage for indicator 8 (emissions to water) in reporting on the principal adverse impacts of investment decisions on sustainability factors are still too low to allow for specific targets to be set. There are additional voluntary indicators for principal adverse impacts on sustainability factors for environmental pollutants in air, water and soil that Ålandsbanken Fondbolag may consider taking into account when data coverage increases.

#### Loan portfolio

The Bank of Åland has not yet set any specific targets concerning the impact of corporate lending on pollution by substances of concern. This impact area was identified in 2024, and the next step is to create an understanding of the area. The corporate customers in the Bank's loan portfolio consist largely of companies that are not covered by CSR reporting requirements and thus provide limited reporting of sustainability-related data (non-CSR companies), and for this reason access to information about the companies is limited. To develop this area, set targets and take action, more knowledge and understanding of the area is needed, which will take time.

### Disclosure Requirement E2-4 – Pollution of air, water and soil

#### Financial investments

Ålandsbanken Fondbolag measures and takes into account emissions to water by its investment entities via the mandatory indicator 8 for principal adverse impacts on sustainability factors. There are additional voluntary indicators for principal adverse impacts on sustainability factors for pollution of air, water and soil that the company may begin to apply when data quality and coverage increase.



## E4 Biodiversity and ecosystems

Material impacts, risks and opportunities						
Impact / Risk / Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Direct impact drivers of biodiversity loss		X			Downstream in the value chain through the loan portfolio's corporate lending	
Direct impact drivers of biodiversity loss		X			Downstream in the value chain through customers' financial investments	Sustainability risk policy
Impacts on the extent and condition of ecosystems		X			Downstream in the value chain through the loan portfolio's corporate lending	
Impacts on the extent and condition of ecosystems		X			Downstream in the value chain through customers' financial investments	Sustainability risk policy

### Disclosure Requirement E4-2 – Policies related to biodiversity and ecosystems

#### Financial investments

The Bank of Åland does not yet have a specific policy for biodiversity and ecosystems in its asset management operations. For financial investments, the policy for integration of sustainability risks within investment decisions and financial investment and insurance advisory services (sustainability risk policy) applies as described under disclosure requirement E1-2 (see page 107).

The purpose of the sustainability risk policy is to regulate the Bank's working methods for responsible financial investments and the integration of sustainability risks into investment decision-making processes as well as into financial investment and insurance advisory services at the Bank.

The Bank's sustainability risk policy includes identifying sustainability risks, considering indicators of principal adverse impacts on sustainability factors and ensuring that portfolio companies comply with the norms and guidelines of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. Adverse impacts on biodiversity and ecosystems in

financial investment products are reduced by taking into account sustainability risks and indicator 7 (Activities negatively affecting biodiversity-sensitive areas) for principal adverse impacts on sustainability factors, and by reviewing and following up compliance with the international principles. However, there is not yet a specific policy for biodiversity. The Bank will make the development of a biodiversity strategy for financial investments a prioritised activity during the 2025 financial year.

#### Loan portfolio

Biodiversity is a development area in which the Bank of Åland has a journey ahead in acquiring knowledge and ensuring data quality. The Bank has identified impacts downstream in the value chain through lending to corporate customers, and since this development work is at a very early stage, there is no policy regarding how biodiversity and ecosystems should be managed in the lending process.

Since the impacts are not seen in its own operational activities but are seen downstream in the value chain through corporate lending and financial investments, the Bank does not have a specific policy to counteract deforestation or to promote ocean

sustainability or sustainable land and agricultural practices, or for the protection of biodiversity and ecosystems that includes operational facilities owned, leased or managed in or near a biodiversity-sensitive area.

### Disclosure Requirement E4-3 – Actions and resources related to biodiversity and ecosystems

#### Financial investments

The Bank of Åland's investment strategy is to invest in quality companies that are well positioned to meet the challenges of the future in sustainability-related impact areas. In connection with the financial analysis of investment classes (equities, bonds or mutual funds), the Bank analyses the sustainability-related opportunities and risks that a given investment may entail. The Bank of Åland's method for ongoing review during 2024 was to monitor whether portfolio companies maintain such a base level for the avoidance of pollution that serious harmful impacts are avoided was to identify violations of the OECD Guidelines for Multinational Enterprises and the UN Global Compact. Ålandsbanken Fondbolag, the Bank's fund management company, screens the compliance of these holdings (model portfolios, UCITS funds and external funds that we recommend) with these principles on a quarterly basis via third-party supplier MSCI. The screening includes, among other things, impacts on biodiversity and endangered species as well as ocean-based biodiversity.

If any existing holdings are red listed for violating these norms and guidelines and do not show a willingness to change, the holding will be divested within a period of 2 years after the event was noted. These form the basis for advocacy dialogues and possible exclusions in case of serious violations of these principles and guidelines. Our process when violations are detected is to report them to the ESG committee, which deals with the matter and



takes a position on whether the company's actions to rectify the matter are sufficient, whether an advocacy dialogue should be initiated or whether the holding should be divested.

The Bank's employees work with financial investments as part of their day-to-day operations. Since such actions relate to preventive work that is part of day-to-day operations, the Bank has not dedicated significant operating or capital expenditure to implement a specific key action plan to counteract negative impacts on biodiversity and ecosystems caused by our portfolio companies

Ålandsbanken Fondbolag is starting the task of producing documentation for indicators of principal adverse impacts to sustainability factors to be able to conduct targeted advocacy work in the future. The company plans to focus its environmental advocacy work on those companies that have a material negative impact according to indicators 7, 8 and 9 in order to reduce this negative impact. Indicator 7 measures activities that adversely impact biodiversity-sensitive areas and thus have a direct link to our material impact area, but the indicator had low data availability during the year. The expectation is that data availability will increase in the coming years, but a general time frame for further advocacy work is difficult to define, since this is an ongoing effort related to different companies that have different conditions.

Key actions planned for the future are to develop an analysis during 2025 to identify adverse impacts to biodiversity downstream in the value chain through financial investments as well as to create a biodiversity policy.

### Loan portfolio

Since impacts on biodiversity and ecosystems through corporate lending have been identified relatively recently, the Bank of Åland has not taken key measures or added significant operating or capital expenditures to enable it to implement measures regarding impacts on the extent and condition of the ecosystem or direct impact drivers that lead to biodiversity loss.

The Bank of Åland has identified a connection to biodiversity through its "circular economy" focus area, in which the Bank has a work plan including an ongoing project to expand knowledge and eventually be able to take relevant actions. This circular economy work plan focuses on lending. Read more under E5, Resource use and circular economy on page 129.

### Disclosure Requirement E4-4 – Targets related to biodiversity and ecosystems

#### Financial investments

The Bank of Åland has no specific target for biodiversity in its asset management operations. The Bank's related goal is to ensure that violations of international norms and guidelines will not be found in its financial investment products. Our target is thus to ensure that the adverse impacts we can identify by screening are eliminated in our financial investment products in this area. This target is followed up internally on a quarterly basis in reporting to the Group's ESG Committee. The target is also followed up by product category in Sustainable Finance Disclosure Regulation (SFDR) ex-post reporting, where a sustainability indicator states the percentage of companies in the product category that have committed violations during the reporting year.

Ålandsbanken Fondbolag has not set a specific target related to negative impacts on biodiversity. One reason is that the data quality and coverage for the mandatory indicator 7 (activities that adversely impact biodiversity sensitive areas) in reporting on the principal adverse impacts of investment decisions on sustainability factors are still too low to allow for specific targets to be set. There are additional voluntary indicators for principal adverse impacts on sustainability factors related to biodiversity that Ålandsbanken Fondbolag may consider taking into account when data coverage increases.

Ålandsbanken Fondbolag has not set a specific quantitative target, but one qualitative goal is to continuously reduce negative impacts.

### Loan portfolio

The Bank of Åland has not set any specific measurable targets related to biodiversity in its corporate lending operations. Since its biodiversity-related work is at a very early stage, there are no goals or metrics in the area. The Bank believes that it is important to develop knowledge and then work with concrete targets to be able to follow up on impacts in this area in the future.

### Disclosure Requirement E4-5 – Impact metrics related to biodiversity and ecosystems change

#### Financial investments

Ålandsbanken Fondbolag measures and considers the impact of investments on biodiversity via the mandatory indicator for principal adverse impacts on sustainability factors number 7 (activities that adversely impact biodiversity sensitive areas). There are additional voluntary indicators for main negative impacts on sustainability factors related to biodiversity in SFDR annex I Table 2-3 that the company may start applying when data quality and coverage increase.

### The loan portfolio

The Bank of Åland has identified impacts downstream in the value chain through lending operations and its corporate loan portfolio. For the loan portfolio, there are no metrics at present.





## E5 Resource use and circular economy

Material impacts, risks and opportunities						
Impact /Risk /Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Resource outflows related to products and services		X			Downstream in the value chain through lending in the loan portfolio and the Treasury portfolio's asset management and financial investments	
Resource inflows, including resource use		X			Downstream in the value chain through lending in the loan portfolio and the Treasury portfolio's asset management and financial investments	
Waste		X			Downstream in the value chain through the loan portfolio's corporate lending	
Waste		X			Downstream in the value chain through customers' financial investments	Sustainability risk policy

### Disclosure Requirement E5-1 – Policies related to resource use and circular economy

#### Loan portfolio

The Bank of Åland has identified indirect impacts downstream in the value chain through its lending to private and corporate customers. During 2023, the Bank identified the circular economy with a focus on resource efficiency as a second target area. It has thus begun work on the circular economy, with an initial focus on lending. Since the circular economy is a new target area for the Bank, it is in a development phase. In order to develop the impact area further, knowledge and familiarity with the circular economy and how it relates to the Bank's operations are needed. Since development work in this area is at an early stage, at present there is no circular economy policy regarding the loan portfolio, but there is a structured work plan for how the Bank will develop targets related to the circular economy.

#### Treasury portfolio

The Bank's Treasury department does not have a policy regarding

resource use or the circular economy. In Treasury's case, resource use and the circular economy are mainly evident in the corporate bond portfolio, where there are sectors with high resource use, mainly in the form of energy use and materials. Here, Treasury has identified a material adverse impact on resource efficiency. However, the Bank has decided to divest this portfolio in its entirety within specified limits for maximum losses or to wait for them to mature. Treasury will thus make no new investments in these sectors, and then the department will need to evaluate how and to what extent resource use and the circular economy should be taken into account in its operations and financial investment strategy.

#### Financial investments

The Bank of Åland has no policy on waste in its asset management operations. As for financial investments, the Bank applies its policy for the integration of sustainability risks within investment decisions and investment and insurance advisory services (the sustainability risk policy) as described under disclosure requirement E1-2 (see page 107). The purpose of the sustainability risk

policy is to regulate the Bank's working methods for responsible investments and the integration of sustainability risks into investment decision-making processes for all asset classes as well as into investment and insurance advisory services within the Bank.

The policy includes identifying sustainability risks, considering indicators of principal adverse impacts on sustainability factors and ensuring that portfolio companies comply with the norms and guidelines of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. Adverse impacts from wastes in the Bank's financial investment products are reduced by taking into account sustainability risks and indicator 9 for principal adverse impacts on sustainability factors, and by reviewing and following up compliance with the international principles. However, there is not yet a specific policy for waste.

The Bank's impact is seen downstream in the value chain, and the sustainability risk policy therefore takes into account activities related to companies downstream in the value chain. This means that sustainable procurement, use of renewable resources or transition to the use of renewable resources are not relevant for the policy to address explicitly, since the policy takes into account the Bank's relationship with other portfolio companies, not its own operations.

### Disclosure Requirement E5-2 – Actions and resources in relation to resource use and circular economy

#### Loan portfolio

During 2024, a work plan was developed for the circular economy related to lending. It was then adopted by the Sustainability Committee. The work plan was designed according to both what is recommended and required through the Bank's commitment and obligation to adhere to the Principles of Responsible Banking



(PRB). According to the circular economy work plan, the Bank's ambition is to set relevant measurable circular economy targets specifically related to its future lending operations.

To establish measurable circular economy targets for lending operations, we must first increase our level of knowledge and develop good internal expertise and familiarity with what a circular economy means and how it can be specifically connected to the Bank's lending operations. This is part of the first stage of the work plan, and one concrete key action during the 2024 financial year was to organise circular economy training for the Executive Team and other key employees, mainly in the Bank's lending operations. The next stage is to develop a baseline for the circular economy. Stage three is to identify risks and opportunities and then formulate targets for the Bank that are directly connected to the circular economy.

The Bank of Åland does development work related to the circular economy in accordance with its above-described work plan. The Bank has not allocated significant operating or capital expenditures to implement the action plan.

### Treasury portfolio

The Bank of Åland's Treasury department has not taken any action or added significant operating or capital expenditures for actions related to resource use and the circular economy. In Treasury's case, resource use and the circular economy are mainly evident in the corporate bond portfolio, where there are sectors with high resource use, mainly in the form of energy use and materials. Here, Treasury has identified a material adverse impact on resource efficiency. However, the Bank of Åland has decided to divest this portfolio in its entirety within specified limits for maximum loss or to wait for them to mature. Treasury will thus make no new investments in these sectors, and then the Bank of Åland will need to evaluate how and to what extent resource use and the circular economy should be taken into account in its operations and financial investment strategy.

### Financial investments

The Bank of Åland's investment strategy is to invest in quality companies that are well positioned to meet the challenges of the future in sustainability-related impact areas. In connection with the financial analysis of investments (such as equities, bonds or mutual funds), the Bank analyses the sustainability-related opportunities and risks that a given investment may entail. The Bank's method is to examine whether portfolio companies maintain such a base level for managing waste that serious harmful impacts are avoided, identifying violations of the OECD Guidelines for Multinational Enterprises and the UN Global Compact. This is a continuous review, which was carried out during 2024.

Ålandsbanken Fondbolag, the Bank's fund management company, screens the compliance of these holdings (model portfolios, UCITS funds and external funds that we recommend) with these principles on a quarterly basis via the third-party supplier MSCI.

If any existing holdings are red listed for violating these norms and guidelines and do not show a willingness to change, the holding will be divested within a period of 2 years after the event was noted. These form the basis for advocacy dialogues and possible exclusions in case of serious violations of these principles and guidelines. Our process when violations are detected is to report them to its ESG committee, which deals with the matter and takes a position on whether the company's actions to rectify the matter are sufficient, whether an advocacy dialogue should be initiated or whether the holding should be sold off.

The Bank's employees work with financial investments as part of day-to-day operations. Since such actions relate to preventive work that is part of day-to-day operations, during 2024 the Bank did not take any key actions or add significant operating or capital expenditures specifically to work with a plan for key actions to prevent adverse impacts from waste caused by its portfolio companies.

Ålandsbanken Fondbolag is starting the task of producing documentation for indicators of principal adverse impacts to sustainability factors to be able to conduct targeted advocacy work in

the future. The company plans to focus its environmental advocacy work on those companies that have a material negative impact according to indicators 7, 8 and 9 in order to reduce this negative impact. Indicator 9 measures hazardous waste and radioactive waste and thus has a direct link to the Bank's material impact area, but the indicator had low data availability during the year. The expectation is that data availability will increase in the coming years, but a general time frame for further advocacy work is difficult to define, since this is an ongoing effort related to different companies that have different conditions.

### Disclosure Requirement E5-3 – Targets related to resource use and circular economy

#### Loan portfolio

The Bank of Åland has no specific goal regarding the circular economy in its lending operations. The circular economy is a relatively complicated field, and general familiarity with this field is also affected by how society at large works with the issue: both through legislation and with other incentives and focuses. Since the Bank's customers are mainly non-CSR companies with limited sustainability reporting, it is challenging to obtain relevant data. The Bank's circular economy work plan, described above under E5-2, is aimed at establishing circular economy targets through a planned work process.

#### Treasury portfolio

The Bank of Åland's Treasury unit has not set any specific measurable target for resource use or the circular economy, and in the absence of targets, policies and actions, there is currently no specific follow-up of them. Treasury recently identified resource efficiency as a material adverse impact, but since it has decided to divest these holdings or wait for them to mature, as well as to refrain completely from investing in these sectors in the future, Treasury needs to assess how and to what extent resource use and the circular economy should be taken into account in its operations and financial investment strategy. For the above reasons,



neither its level of ambition nor any qualitative or quantitative indicators have been defined.

### Financial investments

The Bank of Åland has no specific target related to waste in asset management operations. The Bank's related target is to ensure that violations of international norms and guidelines will not be found in our financial investment products. The Bank's target is thus to ensure that the adverse impacts we can identify by screening are eliminated in our financial investment products in this area. This target is followed up internally on a quarterly basis in reporting to the Group's ESG Committee. The target is also followed up per product category in Sustainable Finance Disclosure Regulation (SFDR) ex-post reporting, where a sustainability indicator states the percentage of companies in the product category that have committed violations during the reporting year.

Ålandsbanken Fondbolag has not set a specific target related to waste. One reason is that the data quality and coverage for the mandatory indicator 9 (hazardous waste and radioactive waste) in reporting on the principal adverse impacts of investment decisions on sustainability factors is still too low to allow for specific targets to be set. There are additional voluntary indicators for principal adverse impacts on sustainability factors related to biodiversity that Ålandsbanken Fondbolag may consider taking into account when data coverage increases.

### Disclosure Requirement E5-5 – Resource outflows

#### Financial investments

Ålandsbanken Fondbolag measures and considers the impact of investments due to waste via the mandatory indicator for principal adverse impacts on sustainability factors number 9 (hazardous waste and radioactive waste). There are additional voluntary indicators for main negative impacts on sustainability factors related to waste in SFDR annex I Table 2–3 that the company may start applying when data quality and coverage increase.



## Baltic Sea Project – Company-specific chapter

### Introduction

The Bank of Åland has identified an opportunity through its work with the Baltic Sea Project and the donations made as part of its social impact with the help of customers' deposits in Baltic Sea Accounts. The Baltic Sea Project is the Bank's initiative to encourage people to develop ideas to improve the situation of the Baltic Sea, through grants to various actors. The Project was launched in 2014 and since then has contributed financially towards improving the well-being of the Baltic Sea. The Project funds both scientific research and practical activities that maintain biodiversity.

The Bank of Åland's connection to the Baltic Sea is a natural basis for the sustainability work that is part of the Bank's core values. The aim of the Baltic Sea Project is to work for a healthier sea by funding development ideas and raising awareness of the state of the Baltic Sea. The Bank strives to increase environmental awareness through the Baltic Sea Project, the Baltic Sea Account and the Baltic Sea Card. Through the Baltic Sea Account, we also ensure that the contributions given to the Baltic Sea have a positive environmental impact. With this starting point and the goodwill that it generates, the Baltic Sea Project is one of the opportunities open to the Bank and is an important part of its business strategy.

With the Baltic Sea Project, the Bank of Åland contributes to the UN's Sustainable Development Goal 6 *Clean water and sanitation*, 14 *Life below water* and 15 *Life on land*. Through the Baltic Sea Account and the Baltic Sea Project, the Bank and its customers help to reduce pollution in the Baltic Sea by supporting companies and volunteer organisations and offering them the opportunity to receive funds to realise their ideas for a healthier sea.

### Policies for the Baltic Sea Project

The Baltic Sea Project is the Bank of Åland's initiative to encourage people to develop ideas that can improve the situation in the Baltic Sea, through grants to various actors. The Project's grants are not governed by any specific policy, but the Bank has an unofficial framework that governs approval for the applications that are received and the handling of donations. Assessments of the various applications are made by a professional jury that makes decisions through discussions based on the individual applications. The jury decides who will be granted funding and in what amount. Each grant is disbursed after the project has been completed and a final report has been submitted.

Funding for various projects that contribute to improving the situation in the Baltic Sea is divided into five different categories and can be applied for by private individuals, companies, foundations and research projects that aim at concrete results. The categories are presented below. The Baltic Sea Project finances both scientific research and practical activities related to the Baltic Sea. Thus, the applicant does not need to be an established actor in the sector. Those whose funding applications are approved have two years to implement their work after approval. The organisation must then submit a final report, after which the grant is disbursed following completion of the project work.

### Concrete kilograms project

Projects with a clear measurable impact. They must include an innovative element, such as a product, method, solution, business idea or technology that is promising or works and is new.

### Projects that involve

Projects that aim at changing attitudes or behaviours by means of environmental education, information, communication or the like.

### Local water protection projects

Projects with a clear local focus, containing concrete elements for water protection (so-called grassroots projects). We view it as a plus if the project involves different actors in the area, such as the business community, schools, non-profit organisations, local authorities, etc., and creates new collaborations.

### The jury's mission aimed at children and young people

The aim is to find an innovative, "outside-the-box" solution that gets people to move from words to action.

### Digital innovations

The Digital Innovations category promotes a sustainable lifestyle, sustainable industry and a sustainable food market that leads to a healthier environment in the Baltic Sea and surrounding areas. Digital innovation means that the digitisation of an innovation or project brings added value that would not otherwise be achievable.

### Actions and resources related to the Baltic Sea Project

Every year, the Project disburses grants to projects that promote the health of the Baltic Sea. These grants are the key actions taken by the Project. The development projects funded by the Bank of Åland via the Project are nature conservation and environmental projects connected to improving the health of the Baltic Sea. These grants are financed by customers' deposits in Baltic Sea Accounts, where a portion of the interest goes to the Baltic Sea Project. The amount corresponds to up to 0.2 per cent of a deposit in the Baltic Sea Account.

During 2024, applications were accepted between January 1 and February 29. The companies or individuals that were granted future funding and were presented in June are listed below in the



table under *Forward-looking grants approved*. Biodiversity and water quality were well-represented among the projects that were approved during the year for funding. Those whose funding applications are approved have two years to implement their work after approval. They must then submit a final report, after which the grant is disbursed following completion of the project work. Because the grants are disbursed after the completion of projects and the submission of final reports, a number of payments were made in 2024 which are listed below in the table under the heading *Results – Projects completed in 2024*. There are also various long-term partners that receive support every year. They are listed in the Long-term partners section below. Continued support for long-term partnerships will have a greater impact and provide a long-term perspective on efforts to promote a healthier Baltic Sea.

Summary of the Baltic Sea Project, 2024	
Projects	Amount (EUR)
<b>Forward-looking funding granted in 2024 but not yet disbursed</b>	
10 actors granted forward-looking financing, to be disbursed after completion of projects	304,000
<b>Long-term partners where payment has been made in 2024</b>	
Baltic Sea Action Group (BSAG) The Living Baltic Sea project focuses on protecting the Baltic Sea's biodiversity by creating marine protected areas (MPAs). The Baltic Sea Project has been involved since the Living Baltic Sea project's inception in 2019. This project focuses on identifying and preserving sensitive underwater environments, often in shallow coastal waters owned by private individuals, in order to preserve the marine biodiversity of the Baltic Sea. One important pilot project within this framework is the protection of a 4,800-hectare sea area around the island of Gullkrona in the archipelago south of Turku, Finland, which is home to several key species such as bladderwrack seaweed and blue mussels. In 2024, the project achieved its goal of protecting an area in the Ingå archipelago near the island of Stora Fagerö, which is owned by Inkoo Parish. The area covers 262 hectares and is particularly important for the protection of eelgrass meadows ( <i>Zostera marina</i> ), a key species for the Baltic Sea ecosystem. Protective measures include restrictions on activities such as dredging and the extraction of sea sand, in order to preserve the sensitive seabed and counter eutrophication (buildup of excessive nutrients).	85,000
John Nurminen Foundation The Bank of Åland supports the John Nurminen Foundation's activities as its main partner. During 2024, these activities focused on the following areas: <ul style="list-style-type: none"> <li>• Improving water quality protection in forestry through water purification solutions in forest drainage areas</li> <li>• Reducing phosphorus load from agriculture by spreading gypsum on fields and recycling fertiliser nutrients</li> <li>• Combating the loss of biodiversity in the Baltic Sea by planting seaweed</li> <li>• Removing nutrients already present in the sea through harvesting and processing of reeds</li> <li>• Seeking solutions for emissions from manure haulage by loading and unloading of manure loads</li> <li>• Preventing harmful substances from reaching the sea by purifying the tank washing water of chemical tanker vessels</li> </ul>	80,000
Race For The Baltic (R4TB) Reducing nutrient leakage in fertiliser production. Reducing nutrient leakage from agricultural land using gypsum. Coordinating a reed harvesting and nutrient circulation project.	50,000
Keep the Archipelago Tidy Association As part of the Association's Clean Beach project, participants from schools and other organisations can get involved in taking care of their local environment. The aim of the project is to clean beaches with the help of volunteers while collecting data on the condition of the beaches and littering. In addition to organising clean-up events, the project aims to inform the public about litter, how it spreads and its impact on the environment, as well as about the results of the organisation's cleaning efforts.	30,000
World Wide Fund for Nature (WWF) WWF influences maritime policy in the European Union including Finland, works to counter eutrophication and demands the protection of underwater nature. The organisation has worked systematically to maintain and train voluntary oil spill response teams that assist the authorities in the event of oil spills. WWF works actively as an expert resource to reduce the use of plastic and counteract littering in the Baltic Sea. Another focus is on encouraging sustainable food choices and promoting sustainable fishing.	25,000
<b>Total, long-term partners where payment has been made in 2024</b>	<b>270,000</b>
<b>Results in 2024 – Projects that have been completed, with funds disbursed in 2024</b>	
Hailia – The project focuses on exploiting underutilised fish species, such as Baltic herring less than 15 cm in length, in food production. The purpose of the project is to replace imported fish with domestic alternatives, while reducing the nutrient load in the Baltic Sea. The project aims at producing innovative and healthy fish products that meet the needs of consumers. In the initial phase, the project will enable the removal of at least 5 million kg of algae from the Baltic Sea annually, and the impact will increase as the business grows.	60,000
P2X Solutions The project explored the creation of low-carbon value chains in ports around the Baltic Sea region. Large-scale introduction of e-fuels in port areas requires a comprehensive assessment of port infrastructure. Hydrogen and e-fuels could also be used to power energy-intensive port vehicles.	60,000
Project Björkskär This joint project run by the Swedish energy company OX2, Nemo Seafarms and Under Ytan (Under the Surface) investigates various underwater cultivation conditions and surfaces, especially for algae. The research carried out on the island of Björkskär contributes to our understanding of how offshore wind farm infrastructure could be used to increase biodiversity in the Baltic Sea, reducing the nutrient load with the help of aquaculture.	70,000
A 45-minute film about the Baltic Sea that inspires young people to start a maritime hobby. The film, <i>My Sea</i> , will be available to schoolchildren on the streaming service Koulukino.	32,000
<b>Total amount paid out in 2024 for projects that have been completed</b>	<b>222,000</b>

The above-listed disbursements and accruals in 2024 were the Bank of Åland's main expenses related to the Baltic Sea Project. They are not of such a nature that they can be defined as significant operating or capital expenditures.



### The objective of the Baltic Sea project

The purpose of the Bank's Baltic Sea project is to increase awareness and create incentives for action by supporting projects that contribute to the well-being of the Baltic Sea. The Bank has no other specific measurable time-bound targets for the Baltic Sea Project.

Since the Baltic Sea Project by its nature consists of grants to other actors, we do not consider it appropriate for the Bank itself to establish measurable targets related to the project, but assessments are made case-by-case, based on the individual applications. The actual objective is to carry out the ambitions of others. These goals related to the Baltic Sea Project were established as part of the Bank's voluntary initiative to run the Baltic Sea Project.

The purpose of the applications for funding of development projects related to the Baltic Sea Project should remain within the framework of the five different application categories linked to Baltic Sea improvement efforts. As described earlier, projects that receive approval of their application for funding have two years to carry out their work after approval. The organisation must then submit a final report, after which it will receive its grant upon completion of the project work. The follow-up consists of this submission of the final report and the subsequent disbursement of the grant. This is also used as a metric for assessing the results and appropriateness of the project. The metric is not validated by any external body. Payments disbursed during 2024 are listed in the above table.

The objective of increasing public awareness of the Baltic Sea Project is monitored as part of the Bank's customer survey. Monitoring of awareness of the Project among customers shows that Premium Banking customers have a good knowledge of the Baltic Sea Project:

#### Awareness of the Baltic Sea project among Premium customers <sup>1</sup>

%	2024	2023
Finnish Mainland business area	94	95
Åland business area	89	90
Sweden business area	87	78

<sup>1</sup> The figures refer to percentages of those who responded to the customer survey. In 2024, the response rate was 18 per cent on the Finnish mainland, 14 per cent in Åland and 13 per cent in Sweden. No response rate for 2023 is available. The metric is not validated by any external body.



# Social sustainability

## S1 Own workforce

Material impacts, risks and opportunities						
Impact/Risk/Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Gender equality and equal pay for work of equal value	X				Own operational activities	Gender Equality and Diversity Policy, Ethical Conduct Policy, Code of Conduct, Compensation Policy
Training and skills development	X		X	X	Own operational activities	Guideline for Knowledge and Skills, Guideline on Learning and Skills
Collective bargaining, including percentage of workers covered by collective agreements	X				Own operational activities	Regulated in collective agreements
Freedom of association, the existence of works councils and the information, consultation and participation rights of workers	X				Own operational activities	Regulated by law
Health and safety with a focus on stress	X	X	X		Own operational activities	Occupational safety and health guideline
Working time	X	X			Own operational activities	Regulated by law
Secure employment	X				Own operational activities	Regulated by law
AI can take over certain tasks				X	Own operational activities	AI Directive

The Bank of Åland includes its entire workforce, i.e. both its employees and co-workers in the form of consultants, in chapter S1 Own workforce. In cases where different terms and conditions exist, this is specified in the text.

### Disclosure requirement S1-1 – Policies related to own workforce

The Bank of Åland operates in the Åland Islands of Finland, on the Finnish mainland and in Sweden and complies with local legislation. Since Sweden and Finland have incorporated the UN Universal Declaration of Human Rights as well as other protections for workers into their legislation, the Bank complies with these through

compliance with the law. The Bank has also established several policy documents relating to its own workforce and is examining the extent to which these are compatible with the UN Guiding Principles on Business and Human Rights. The topics of trafficking in human beings, forced labour and child labour are not explicitly addressed in any policies for its own workforce but these practices are regarded as being avoided through compliance with the law.

### Ethical conduct policy

The aim of the Bank of Åland's ethical conduct policy is to establish ethical standards and approaches that shall apply to all activities conducted by the Bank of Åland and shall help maintain a high level of trust in the Bank. By establishing basic guidelines for ethical conduct, the Bank wishes to ensure that its actions maintain a high ethical level in compliance with external laws and regulations as well as sound financial market practices. The policy is described in more detail under disclosure requirement G1-1 Business conduct policies and corporate culture. Since the policy document has been drawn up in line with legal requirements in Finland and Sweden, which have incorporated the UN Universal Declaration of Human Rights in their legislation, it is deemed consistent with internationally recognised human rights principles.

### Code of Conduct

In the Bank of Åland Group's Code of Conduct, we describe how we embrace human rights in compliance with the UN Guiding Principles on Business and Human Rights to ensure equal value and freedom for all. Read more about the Åland's Code of Conduct in chapter G1 Business conduct.

### Gender equality and diversity policy

The Bank of Åland has a Group-wide gender equality and diversity policy that covers all employees, including part-time and fixed-term employees and temporary agency workers whose tasks are



similar to those of employees. The purpose of this policy is to regulate how gender equality and diversity are to be conducted at the Bank in order to create an inclusive work culture where differences are viewed as an asset and to ensure that the Bank is an attractive employer. The policy is aimed at removing all obstacles that contribute to preventing employees from utilising their full potential and at ensuring that all employees have equal opportunities for a successful career at the Bank regardless of gender, age, ethnic origin, language, sexual orientation, religion or faith, opinions, political views, trade union activity, family circumstances, state of health or disability. However, the Bank does not make any specific commitments in its policies regarding groups in its own workforce that are particularly vulnerable.

The policy emphasises respect and dignity for all employees, equal treatment in recruitment, and equal pay for equal work. The policy is based on legal requirements for cooperation in Sweden and Finland and includes a guideline for dealing with discrimination and harassment.

The Managing Director, together with the heads of business areas and corporate units, is responsible for how operations are planned, managed and followed up, as well as for ensuring compliance with legal requirements in each geographic area and ensuring that goals are met. In Finland and Sweden, every employer has a general obligation to promote equality in a targeted and systematic manner. The employer must have an action plan and strategies for measures needed to promote equal treatment. Promotion measures and their impact are to be reviewed in consultation with staff or their representatives. Employees are encouraged to report any irregularities, which are then investigated and rectified according to established procedures. Follow-up also takes place through performance appraisals and employee dialogue to pick up on any risks or opportunities at an early stage. Discrimination is also prevented through tools for working environment reporting, job evaluation, salary surveys and salary reviews. The policy is available internally on the Bank's intranet, so that all employees will have access to it, which is

important because all employees have a shared responsibility to comply with the policy.

### Compensation policy

The Bank of Åland has a Group-wide compensation policy that applies to compensation for all employees, including members of the Bank's Board of Directors. The policy does not apply to commission payments that are not connected to future risk commitments which may affect the Bank's income statement or balance sheet. The purpose of the compensation policy is to establish the principles that shall apply to compensation for employees of the Bank. The compensation policy constitutes a minimum requirement for everyone in Group companies. The Board of Directors shall review and adopt this policy annually.

### Guideline for knowledge and skills

The Bank of Åland and its fund management company Ålandsbanken Fondbolag each ensure that their own respective workforce has the right knowledge and skills to be able to properly perform their tasks and assignments in accordance with current external regulations. This is clarified in the Bank's guideline for knowledge and skills, which applies to all employees, including part-time and fixed-term employees and temporary agency workers whose tasks are similar to those of employees. The aim of the guideline is to ensure that the entire workforce will be properly equipped to meet the requirements of their position.

The heads of the Bank's business areas and corporate units have the overall responsibility for ensuring that the employees have sufficient knowledge and skills to fulfil their obligations. The Bank's Swedish branch is affiliated with Swedsec Licensiering AB and thereby undertakes to comply with the regulations established by Swedsec, whose purpose is to ensure a high level of knowledge, regulatory compliance and good ethics among employees in the Swedish financial market. Regarding banking operations in Åland and Finland, employees working in tasks related to investment services are required to pass a relevant APV

examination for financial advisors and specialists, which is provided through Finance Finland. The Bank has published the guideline internally on its intranet.

### Guideline on learning and skills

The Bank of Åland has a Group-wide guideline on learning and skills that clarifies how the Bank works with and ensures opportunities for learning and professional development of its own workforce aimed at creating good conditions for improving its operations. The purpose of the guideline is to ensure that the entire workforce has the right qualifications to meet the requirements of their position and that all employees have the opportunity for professional development and on-the-job learning. The guideline on knowledge and skills is applicable to all employees, including part-time and fixed-term employees and temporary agency workers whose tasks are similar to those of employees. The Group's Executive Team and the heads of business areas are responsible for strategies related to learning and skills. The guideline sets out the Bank's strategies to promote professional development and learning among its employees. Promotion measures and their impact are to be reviewed in consultation with the staff or their representatives.

The Bank has published the guideline internally on its intranet to make it available to employees.

### AI directive

At the Bank of Åland's subsidiary Crosskey, there is an AI directive aimed at establishing guidelines for the ethical and responsible use of artificial intelligence (AI). The directive outlines principles to ensure that AI is used in a way that is consistent with our values and describes opportunities to improve the company's products, services and operations in a responsible and ethical manner. The Bank as a whole currently has no policy in this field. Crosskey's directive covers all its employees, including part-time and fixed-term employees as well as temporary workers whose tasks are similar to those of employees. The potential of AI affects





customers, business partners and society at large. Heads of business areas and the Managing Director are responsible for operations and are tasked with planning, leading and following up to ensure that directives are followed and our goals are met. Employees are responsible for using AI responsibly. The directive sets out Crosskey's strategies to promote the use of AI. Promotion measures and their impact are to be examined in consultation with the staff or their representatives. Crosskey has published the directive internally on the intranet.

### **Working conditions regulated by law and collective agreements**

A number of areas that are essential for the Bank of Åland's own workforce are regulated within the Bank's geographical areas of operations. For this reason, there are no specific policy documents, but rather references to laws and other regulated documentation, such as collective agreements and cooperation agreements.

The Bank of Åland regulates job security and working hours, as well as freedom of association, in compliance with the laws of Finland and Sweden. The Bank applies collective agreements covering all employees, including part-time and fixed-term employees, to ensure healthy working conditions with regard to such matters as working hours and correct remuneration for hours worked. However, consultants are not covered by collective agreements. Collective bargaining takes place between the respective employers' and employee organisations at the Bank. Negotiations that can be conducted locally under collective agreements take place between the employer and appointed employee representatives. This ensures that the interests of employees are safeguarded and met through negotiations. Collective agreements cover all negotiations that regulate terms of employment in the Group in all its geographic areas. This includes cooperation agreements which ensure that the interests of employees are safeguarded and met in the context of reform and development efforts. Cooperation between employers and

employees takes place through representatives appointed by employees in all geographic areas. The Bank's human resources (HR) organisation is responsible for ensuring that collective and cooperation agreements are followed and implemented correctly, while the Managing Director is ultimately responsible. When negotiating local agreements in accordance with a collective agreement, employee and employer interests are handled by the appointed representatives. Information about collective agreements and how the organisation works on these issues is available to employees on the intranet. Collective agreements are available externally.

### **Guideline for working environment**

The Bank of Åland has a guideline for the working environment aimed at regulating and clarifying how working environment management is to be conducted at the Bank. Working environment encompasses all factors and conditions in a workplace that affect occupational health and safety. The guideline thus includes workplace accident prevention. The overall goal of working environment management is to systematically promote health factors and prevent risks at work. This includes both the physical and the social and organisational working environment. The guideline covers all employees, including part-time and fixed-term employees, but not consultants. It is also supplemented by a guideline for remote work that regulates how employees, not consultants, enjoy an opportunity to exert a greater influence on their working environment. The purpose is to promote better work-life balance. All employees are expected to actively contribute positively to the working climate, follow established routines, and to be aware of shortcomings in the working environment or colleagues who do not seem to be feeling well, and each manager is responsible for being aware of routines and processes and for being proactive. HR is responsible for ensuring that the guideline is followed and implemented correctly. The guideline embodies the Bank's strategies to promote employee health and the working environment. These strategies are drawn up in consultation with employees or

their representatives. The Bank has published the guideline internally on the intranet to make it accessible to employees.

### **Disclosure requirement S1-2 – Processes for engaging with own workers and workers' representatives about impacts**

The statutory cooperation ensures that employees' perspectives are taken into account in various cooperation bodies, such as the Coordination Council, the Salary Committee and the Working Environment Committee. Employees appoint representatives who participate in these bodies. Employees appoint representatives to represent them, which is the primary point of contact between employers and employees. However, consultants are not represented by the appointed employee representatives.

Contact with representatives takes place as early as possible in matters related to working environment, employment and organisation. HR is responsible for contacts with employee representatives, while the Group's Executive Team is responsible for ensuring that decisions are implemented with different perspectives in mind.

This cooperation complies with Finland's Cooperation Act and also includes policies and action plans on diversity, gender equality, harassment and bullying as well as the Group's Code of Conduct, which covers human rights in accordance with the UN Guiding Principles on Business and Human Rights. Global framework agreements with employee representatives regarding the Bank's own workforce are not relevant for the Bank, since its operations are limited to Åland, the Finnish mainland and Sweden. The Bank has an ongoing dialogue with employee representatives about the composition of the various cooperation bodies and how their processes will ensure that employees' perspectives are taken into account. In compliance with the Cooperation Act, the two sides establish how their cooperation is to take place and what issues are to be covered. In addition, the Bank conducts ongoing individual performance appraisals and employee surveys where employees can give their views on different areas and



situations. Through this dialogue, the Bank expects to gather the views and perspectives of its employees, including those who could be at risk of impacts. HR is responsible for pursuing specific issues, and the Group's Executive Team is responsible for the decisions that are implemented and for ensuring that they take different perspectives into account.

### Training and skills development

Annual performance and development discussions between employees and their respective immediate supervisor record and document each employee's goals and skills development. Individual conversations between each employee and his/her immediate supervisor, among other things to ensure sufficient skills and professional development, take place at least monthly. The Bank provides information to newly hired employees and on an ongoing basis during their employment about processes for learning and professional development on the intranet and by other means. In addition, the Bank conducts ongoing surveys in which employees can present their views on their own skills development and anonymously engage in a dialogue with the Bank. Contacts with representatives via the Collaboration Council regarding issues related to training and skills development take place at least annually. HR is responsible for the Bank's contacts with employee representatives, while the Group's Executive Team is responsible for ensuring that decisions are implemented with different perspectives in mind. Managers are responsible for ensuring that performance reviews, development dialogues and individual discussions are held and assessing the need for individual professional development. The management of processes related to skills development is covered by established policies and guidelines that ensure equal opportunities for skills development and career development for all employees. Through annual statistics, the Bank monitors the implementation of skills-enhancement initiatives with respect to gender, with the aim of minimising the risk of inequality in this area.

### Collective bargaining

The Bank of Åland applies collective agreements, and collective bargaining takes place between the respective employers' and employees' organisations. Negotiations that can be conducted locally under collective agreements take place between the Bank and appointed employee representatives. This ensures that the interests of employees are safeguarded and met during negotiations. Collective agreements cover all negotiations that regulate the terms of employment of Group employees in all geographical areas. Employees appoint representatives who are the primary point of contact between the Bank and its employees. Consultants are not represented by these designated employee representatives.

### Disclosure Requirement S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns

The Bank of Åland has no specifically established remediation procedures but works in compliance with law. The Bank has implemented various systems and tools to ensure a safe and inclusive working climate. This includes statutory cooperation bodies in areas such as occupational safety, a Salary Committee and a Working Environment Committee, which serve as channels for drawing attention to any problems. The Bank also has a guideline for the working environment, which is described in more detail under S1-1. The overall goal of work environment management is to systematically promote health factors and prevent risks at work. This task includes both the physical and the social and organisational working environment. The Bank's occupational health service, which is operated by a third party, serves as an independent channel for employees to report situations that require action. The Bank has recurrent performance appraisals with employees, not including consultants, which forwards questions to the appropriate forum for further action in order to prevent similar problems from arising and thereby improve its procedures. The Bank's employee survey, which does not include

consultants, continuously identifies issues related to the work situation, such as stress, bullying and harassment, as well as issues relating to the physical working environment, which are discussed at employee level and then reported and followed up by various cooperation and decision-making bodies in order to prevent similar problems from arising, thereby improving the Bank's procedures. Cooperation bodies and employee representatives act as channels for employees to call attention to needs. We do not carry out a systematic evaluation of our cooperation channels for remediation, but we work on continuous improvements in our procedures based on situations that have arisen.

The Bank of Åland has an incident reporting system for its employees, and the Group has a whistleblower system available to the entire workforce, which is managed by an external party to ensure impartiality. The protection of employee representatives and whistleblowers is regulated by company guidelines, the Cooperation Act and collective agreements. The whistleblowing system is outlined under G1-1, which also describes the Bank's whistleblowing guideline. HR is responsible for ensuring that employees are informed about these channels and for following up on issues that arise through employee surveys and other systems. Information on these processes is available on the Bank's intranet, and HR works closely with the occupational health service and employee representatives to identify and address any issues.

### Disclosure Requirement S1-4 – Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

During 2024 the Bank of Åland took the following actions to manage significant impacts, risks and opportunities that were identified in relation to its own workforce. In this area, such actions are often of an ongoing and preventive nature, in order to maintain a baseline level and ensure that adverse incidents are avoided.



## Ongoing activities during the year regarding regulated areas

The Bank of Åland is regulated in most of the significant impact areas by laws and collective agreements, and these were maintained on a continuous basis during 2024. Collective agreements and legislation regulating collective bargaining, freedom of association, working hours and job security were in place during 2024, as in previous years.

## Gender equality and equal pay for work of equal value

During 2024, the Bank of Åland implemented a new job evaluation system to ensure fair and equal pay, and Crosskey is in the process of implementing the same system. Job evaluation work helps ensure equal treatment of employees within the framework of job requirements. The newly implemented job evaluation system covers Bank employees but does not include consultants.

The Group works systematically to conduct salary surveys, draw up action plans and carry out salary reviews to ensure that the Bank is a gender-equal and attractive employer. Salary surveys and reviews are a statutory systematic tool for potential actions and cover all employees of the Group. The Bank's systematic salary survey is also regulated in a collective agreement. The results of systematic management of salary surveys and reviews give us a picture of any unreasonable differences related to pay and gender equality. On this basis, the Bank draws up action plans that enable it to correct any such differences. Feedback on the outcomes of salary surveys and reviews is processed on an ongoing basis in compliance with law and collective agreements in various cooperation bodies and in the respective management teams. Every year, the Bank's Internal Auditing department carries out a review to ensure that variable compensation takes gender equality into account. The Salary Committee serves as a forum for managing the objectivity of salary surveys and reviews. Employees can contact this committee regarding perceived inappropriate salaries. The Salary Committee investigates these cases and takes action if necessary. According to

collective agreements, salary surveys and reviews are carried out for all employees in the Group. The Bank manages any rectification of unfair pay gaps should they occur, but specific resources are not allocated for this purpose.

During 2024, a new testing tool has been introduced in connection with the Bank of Åland's recruitment work. The aim is to ensure the objectivity of the job requirement profiles developed by the Bank. The recruitment testing tool will apply to Group employees as well as potential employees.

## Training and skills development

During 2024 the Bank of Åland improved its systematic supply of skills by implementing a learning platform to ensure continuous learning and professional development as well as efficient management of these processes. The system is available to both Group employees and consultants. The introduction of the new learning platform was carried out in stages during the year, with the final launch for the Bank's own workforce in December. The launch of the learning platform will generally help ensure that employees have equal opportunities for internal skills development. The Bank works systematically with processes, such as performance and development reviews and central training initiatives, to ensure sufficient job skills and professional development. During the year, the Group worked continuously with the onboarding process to ensure that new employees were introduced to their jobs in an inclusive way and with good working conditions. The task of improving the Group's new learning platform by adding appropriate content and functionality will remain a priority area over the next few years.

How employees perceive their own opportunities for learning and professional development is regularly measured by the Group's employee survey. To ensure correct and relevant skills and to keep employees committed and motivated, performance reviews and development discussions are also held during the year for Group employees. Training sessions take place continuously during the year, with a special focus on new employees, in

addition to the annual plan for training initiatives. Information and knowledge are systematically provided to managers and employees through training sessions and via the intranet.

Skills development within the Group is monitored at least annually as a key performance indicator. Participation in mandatory internal training aimed at maintaining strong skill sets in each work speciality as well as regulations and safety is followed up annually, and deviations are noted. Statistics produced annually in the skills development field are followed up and reported to the respective management teams. Completion of skills development connected to regulatory compliance is monitored regularly. HR conducts continuous monitoring to ensure sufficient knowledge and skills for a job's knowledge requirements, and any action plan is followed up with the appropriate manager. Information based on this data is analysed at Group level, and steps can be taken if necessary to ensure well-functioning training and skills development processes.

## Health and safety as well as stress

During 2024 the Bank of Åland adopted a guideline for the working environment with the aim of supporting systematic efforts to promote health factors and prevent risks at work. To achieve this purpose and the Group's objectives in this area, the Group works systematically with processes, e.g. regular health examinations and workplace visits in accordance with the occupational health care plan, regular Working Environment Committee meetings, active leadership efforts in the Group and measurement of perceived working environment and stress in the employee survey. The occupational health service and the employee survey are available to all employees, but not to consultants. Consultants are also not represented in the Working Environment Committee.

During the year, the Bank of Åland worked on leadership and improvements in management support on matters including health aspects, such as developing a process for early support in the event of short-term absences. The Bank has also initiated workshops at team level connected to the results of the employee



survey, such as employees' perceptions of their own work situation and stress. Ongoing work with employee surveys and workplace visits enables the Group to continuously take action based on the results shown. During the next few years, in addition to the annual processes in this area, the Bank will, among other things, continue to expand its proactive occupational health efforts.

Where applicable, in the event of any negative impact for an employee, the Group provides support including contact with the occupational health care service, accident insurance, sick pay and adjustments upon the employee's return to work in compliance with laws and collective agreements.

The Group continuously monitors changes in key figures in its employee surveys, including questions related to commitment and leadership, as well as illness statistics, which are followed up and reported on an ongoing basis. The Group's ambition in monitoring wellness factors and health in the ongoing employee survey as well as through work environment management and the structured dialogue between employees and managers is to continuously pick up on improvement needs and develop measures to reduce sick leave, accidents and the perception of poor health.

Annually generated statistics in this area are followed up and reported to the respective management teams. Employee dialogue and any action plans are followed up by HR and the appropriate manager. When analysing data from statistics and employee surveys, necessary actions are identified in order to ensure well-functioning processes.

The Bank of Åland's efforts in the field of working environment, health and safety are largely regulated by law and collective agreements that ensure that processes are maintained. Employee health is identified as a priority area and may become a material financial risk, which the Group is aware of. We work continuously to evaluate our offering in this area and ensure a resource-efficient way of working that leads to results in line with the Group's objectives. During 2024, an external party evaluated the Group's offering related to occupational health care.

## Secure employment

In order to track employees' motivation and working conditions, the Bank of Åland conducts a recurrent employee survey. This survey, which includes Group employees, but not hourly employees and consultants, takes place continuously during the year, including weekly questions that provide real-time transparency. The results of employee surveys are followed up on an ongoing basis to see what possible actions need to be taken.

During 2024, the Bank also implemented a leadership programme to strengthen managers in their role in leading motivated employees. Since 2019, the Bank has focused on working with its corporate culture to ensure a good working environment where employees can contribute and develop professionally. The leadership programme covers all managers employed by the Bank. The programme is revised annually and consists of various activities that take place continuously during the year, for example through joint training sessions and improvements in day-to-day work. Corporate culture work is a given element of leadership and is carried out jointly by managers and employees at the Bank. Employee surveys, leadership programs and corporate cultural work are developed and continuous over time. Leadership programmes and corporate culture work are evaluated annually, with the aim of developing and addressing any areas that need to be strengthened.

No material impacts occurred during 2024, so no key actions in response to damage were taken.

During 2024, the Bank of Åland focused on the area of transparency, while Crosskey focused on the work situation as a direct action in response to improvement needs indicated by the employee survey. Monitoring of outcomes occurs with the help of the recurrent employee survey and is reported on an ongoing basis to the Group's Executive Team. The recurrent employee survey, working environment management and structured dialogue between employees and managers enable the Bank to identify improvement needs.

## AI

Artificial intelligence (AI) is a newly identified impact area for the Bank of Åland and because of this, there are currently no objectives in this area. During the next few years, the Bank's ambition is to develop internal knowledge and awareness about AI and an understanding of what positive opportunities AI can contribute and how they relate to the Bank's social sustainability efforts.

## Disclosure requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

### Targets related to employees' working conditions

In order to follow up on employees' motivation and working conditions, the Bank of Åland monitors the following key figures:

- The leadership index must be on a par with industry indices. The outcome in 2024 was 7.8, compared to our target of 8.1 to be equivalent to financial service industry indices.
- Employee commitment must be on par with industry indices. The outcome in 2024 was 7.5, compared to our target of 7.7, which is equivalent to financial service industry indices.
- Employees' willingness to recommend the Bank of Åland as an employer (eNPS) must be on a par with industry indices. The outcome in 2024 was 18, compared to our target of 26, which is equivalent to financial service industry indices.

The conditions affecting these targets are variable, and it is thus not appropriate to set a time for them. For this reason, no baseline value, base year or target date has been set. Outcomes are monitored through the Bank's recurrent employee survey, the results of which are reported continuously to the Executive Team. The recurrent employee survey, working environment management and structured dialogue between employees and managers enable the Bank to identify improvement needs.



### Gender equality and equal pay for work of equal value

To promote gender equality, the Bank aims for a gender balance of at least 40/60 per cent between employees in the long term, with at least 40 per cent women at all levels of the organisation. In 2024, 45 per cent of the Bank's employees were women and 55 per cent men. Gender balance is measured annually to monitor progress towards this target.

The Bank of Åland has no Group-wide target for equal pay, but follow-up takes place within each company. The area of equal pay for equal work is regulated by law and collective agreements, which provide the basis for the Bank's level of ambition. A systematic pay survey ensures that we can spot any inappropriate pay differences and take steps through action plans to approach our level of ambition for gender equality. Using a Group-wide method for job evaluation creates greater potential for relevant comparison.

All of these targets apply to Group employees, not consultants.

Equal pay for equal work is an area regulated by laws and collective agreements, which form the basis for the Bank's ambition level. There is no deadline for achieving these objectives, since conditions are variable and it is not appropriate to set a time limit. For this reason, no baseline value, base year or target date have been established. However, the Bank's target is important in order to pursue its long-term ambition. This objective was established years ago, based on the provisions of laws and collective agreements rather than on direct dialogue with employees. Systematic pay surveys (in accordance with collective agreements) ensure that we can identify any unjustifiable salary gaps and take steps to move closer to the target of gender equality through action plans. Monitoring of salary survey and salary review outcomes occurs on an ongoing basis, in compliance with laws and collective agreements and is handled by various cooperation bodies and the respective management teams. In connection with this, discussions are under way about the introduction of various actions based on the results. At the same time, the Bank is reviewing whether targets need to be adjusted.

### Training and skills development

The target of training and skills development at the Bank of Åland is 100 per cent participation in the internal training that is provided to employees on an ongoing basis during the year.

Targets and ambitions in this area refer to Group employees. The target is measured annually, since conditions are variable, and the base year is consequently the current year while a baseline value is missing. It is not considered appropriate to set a more exact date for achieving the target. Instead, the main thing is to pursue the Bank's long-term ambition. To reduce any negative impacts, strengthen positive impacts and manage risks and opportunities in training and skills development, the Group has targets and ambitions for, among other things, participation in mandatory training and performance appraisals, employees' perception of opportunities for personal development and a good job introduction, as well as gender-equal opportunities for career development. The employees have not been involved in setting the targets, but reporting on these targets and ambitions is communicated annually to the employee representatives in the Collaboration Council and to the respective management teams. In this context, discussions are under way on the introduction of various measures based on the results. Meanwhile, the Bank is reviewing whether its targets need to be adjusted. HR is responsible for following up on target-setting and thus making suggestions for any adjustments to target formulation.

The result for 2024 was an average participation level of 96 per cent in the internal training courses that were provided to employees during the year, connected to regulations and regulatory requirements. This was not in line with the Bank's target of 100 per cent completion.

This result was partly due to circumstances that are not taken into account, such as long-term absences from work that prevent employees from completing their training. The Bank is working to improve the follow-up process for such circumstances. Participation in compulsory training is followed up on an ongoing basis. In case of uncompleted compulsory training for reasons

other than the above, the Bank will continue with follow-up and support for the organisation, with the ambition of achieving a higher completion rate in the long term.

In addition to the above target, the Bank of Åland also has the following ambitions regarding training and skills development:

- Ensure that all employees have the competencies and skills required to perform their tasks efficiently and appropriately and in compliance with current regulations
- Promote a learning culture that stimulates innovation, collaboration and continuous learning
- Support each individual's personal and professional development
- Support the organisation in being able to meet changing conditions in the outside world.

The Bank of Åland's ambition in its work with learning and skills development is to ensure that all employees have the knowledge and skills required to perform their tasks effectively and in compliance with current regulations, to promote a learning culture that stimulates innovation, collaboration and continuous learning, to support each individual's personal and professional development, and to adapt the Group's skills development strategy to meet its targets and respond to changing conditions in the outside world. By means of continuous measurements using its employee survey tool, the Group monitors whether it is achieving its aim of supporting the personal and professional development of its employees and providing a culture of learning. The Group regularly monitors whether employees possess sufficient knowledge and skills, and it takes action accordingly. Through comprehensive annual training plans, the Group ensures the appropriateness of the actions taken to adapt its skills development strategy.

The Bank's ambitions in this area are followed up through recurrent employee surveys, a structured process for performance appraisals and ongoing follow-ups and monitoring of the training provided.



### Impact areas regulated by collective agreements and/or laws

All Bank employees are covered by collective agreements, which means that it is not appropriate at present to establish targets in the areas of collective agreements and freedom of association. The same applies to the areas of working hours and secure employment, which are regulated in accordance with the laws of Finland and Sweden. Statutory cooperation as well as the collective agreement ensure that employees' perspectives are taken into account in various cooperation bodies and that laws and regulations are complied with.

### AI

Artificial intelligence (AI) is a newly identified impact area for the Bank of Åland. Because of this, there are currently no targets in the AI area. Over the next few years, the Bank's ambition is to develop internal knowledge and awareness about AI, an understanding of what positive opportunities AI can contribute and how they relate to the Bank's social sustainability efforts.

### Disclosure requirement S1-6: Characteristics of the undertaking's employees

#### Number of employees, gender distribution <sup>1</sup>

	2024	2023
	Number of employees (head count)	Number of employees (head count)
Gender		
Male	618	563
Female	513	475
Other	N/A	N/A
Not reported	0	0
<b>Total employees</b>	<b>1,131</b>	<b>1,038</b>

<sup>1</sup> The gender of employees is reported as male, female and not reported. The category "Other" is not applicable according to existing statistics, since in the jurisdictions where the Bank of Åland operates it is not possible to register as belonging to a third gender.

#### Number of employees by country

	2024	2023
	Number of employees (head count)	Number of employees (head count)
Country		
Finland (including Åland)	901	835
Sweden	230	203
<b>Total</b>	<b>1,131</b>	<b>1,038</b>

#### Number of employees by region

	2024	2023
	Number of employees (head count)	Number of employees (head count)
Åland Islands	582	566
Finnish mainland	319	269
Sweden	230	203
<b>Total</b>	<b>1,131</b>	<b>1,038</b>



### Number of employees by contract type, broken down by gender

	2024					2023				
	Female	Male	Other <sup>1</sup>	Not disclosed	Total	Female	Male	Other <sup>1</sup>	Not disclosed	Total
Number of employees	513	618	N/A	0	1,131	475	563	N/A	0	1,038
Number of permanent employees	468	558	N/A	0	1,026	436	511	N/A	0	947
Number of temporary employees	15	18	N/A	0	33	19	14	N/A	0	33
Number of non-guaranteed hours employees	30	42	N/A	0	72	20	38	N/A	0	58
Number of full-time employees	472	569	N/A	0	1,041	440	521	N/A	0	961
Number of part-time employees	41	49	N/A	0	90	35	42	N/A	0	77

<sup>1</sup> Gender as reported by employees themselves. The gender of employees is reported as male, female and not disclosed. The category "Other" is not applicable according to existing statistics, since in the jurisdictions where the Bank of Åland operates it is not possible to register as belonging to a third gender.

### Number of employees by contract type, broken down by region

	2024				2023			
	Åland	Finnish mainland	Sweden	Total	Åland	Mainland	Sweden	Total
Number of employees	582	319	230	1,131	566	269	203	1,038
Number of permanent employees	538	276	212	1,026	517	239	191	947
Number of temporary employees	18	10	5	33	27	4	2	33
Number of non-guaranteed hours employees	26	33	13	72	22	26	10	58
Number of full-time employees	547	280	214	1,041	532	238	191	961
Number of part-time employees	35	39	16	90	34	31	12	77

During 2024, 93 people ended their regular employment with the Group. This included were 16 retirements. As a share of the average number of full-time equivalent positions (FTE = 995), this equalled a turnover of 9 per cent in 2024 (9 per cent in 2023). The calculation of employee turnover is based on the total number of employees who have left their jobs voluntarily plus the number who have been dismissed, retired or died (numerator), divided by average FTE (denominator). Individuals who have retired but moved to limited-term hourly employment are treated as having ended their regular employment with the Group and are thus included in the numerator.

The above-reported figures refer to the number of people as of December 31.

The information on the number of employees is also reported in note G11 to the consolidated financial statements.

### Total number of employees who left the Bank and employee turnover

	2024	2023
Number of employees who left the Bank during the report period	93	85
Employee turnover during the report period, per cent	9	9

**Disclosure requirement S1-8 – Collective bargaining coverage and social dialogue****Percentage of employees covered by collective agreements**

%

Percentage of employees covered by collective agreements 98

**Collective bargaining coverage and social dialogue**

	Collective bargaining coverage		Social dialogue
	Employees in European Economic Area	Employees outside EEA	Workplace representatives (EEA only)
	(for countries with >50 employees, representing >10% of the total number of employees)	(estimate for regions with >50 employees, representing >10% of the total number of employees)	(for countries with >50 employees, representing >10% of the total number of employees)
Coverage rate, %			
0–19		N/A	
20–39		N/A	
40–59		N/A	
60–79		N/A	
80–100	Sweden and Finland	N/A	Finland

**Information on collective agreement coverage:**

The percentage of employees covered by collective agreements is compiled from internal systems. These collective agreements specify a few roles that are not covered, but otherwise all other employees are covered. The Executive Team and Human Relations Manager of the Company are not covered by collective agreements, in compliance with the scope of the collective agreements. The percentage is calculated from these data.

**Information on social dialogue agreements**

Under Finnish law, all employees must have occupational safety and health representatives. The coverage rate is thus stated as 100 per cent of employees. In Sweden, labour unions appoint safety representatives on behalf of union members. As an employer, we are not allowed to document whether an employee is affiliated with a labour union and thus cannot specify the percentage of employees covered in Sweden.

The provisions on the European Works Council in the Act on Cooperation in Finnish Business Groups and Community-Scale Groups of Undertakings (335/2007) do not apply to the Bank of Åland, and the Bank thus has no agreement with employees on representation in a European Works Council. The Bank is not a European company (SE) or a European cooperative society (SCE) and thus has no agreement with employees on representation in a works council.

The calculations regarding collective bargaining coverage and social dialogue have not been validated by any external body other than the Bank's assurance provider.





## Disclosure requirement S1-9 – Diversity metrics

### Gender breakdown at the highest management level

	2024		2023	
	Number	%	Number	%
Senior executives				
Women	7	39	7	39
Men	11	61	11	61
<b>Total</b>	<b>18</b>		<b>18</b>	

“The highest management level” is defined at the Bank of Åland as senior executives, which refers to the Group’s Executive Team as well as the Managing Director and Deputy Managing Director of subsidiaries. The figure that is stated refers to the composition of senior executives as of December 31 of each year.

### Supplementary statistics on gender breakdown at the Bank of Åland and on Boards of Directors

	2024		2023	
	Number	%	Number	%
Managers and supervisors (excluding senior executives)				
Women	60	45	58	46
Men	74	55	69	54
<b>Total</b>	<b>134</b>		<b>127</b>	
Employees excluding managers, supervisors and senior executives				
Women	446	46	410	46
Men	533	54	483	54
<b>Total</b>	<b>979</b>		<b>893</b>	
Total workforce excluding Board of Directors				
Women	513	45	475	46
Men	618	55	563	54
<b>Total</b>	<b>1,131</b>		<b>1,038</b>	
Board of Directors				
Women	4	31	3	23
Men	9	69	10	77
<b>Total</b>	<b>13</b>		<b>13</b>	

“Board of Directors” refers to all members of the Board of each company in the Group. The figure that is stated refers to the composition of these boards as of December 31 of each year. The Group’s goal is a balanced gender breakdown (at least 40/60). Among managers and supervisors, the distribution was 45/55, and total gender breakdown in the Group was 45/55 at year-end 2024. At board level, the breakdown was 31 per cent women and 69 per cent men.



## Age breakdown, number of employees

	2024		2023	
	Number	%	Number	%
<30	197	17	194	19
30–50	623	55	567	55
>50	311	27	277	27
<b>Total</b>	<b>1,131</b>	<b>100</b>	<b>1,038</b>	<b>100</b>

## Supplementary statistics on age breakdown at Bank of Åland and Boards of Directors

	2024		2023	
	Number	%	Number	%
<b>Managers/supervisors (excluding senior executives)</b>				
<30	6	4	6	5
30–50	86	64	84	66
>50	42	31	37	29
<b>Total</b>	<b>134</b>		<b>127</b>	
<b>Senior executives</b>				
<30	0	0	0	0
30–50	8	44	8	44
>50	10	56	10	56
<b>Total</b>	<b>18</b>		<b>18</b>	
<b>Employees excluding managers/supervisors and senior executives</b>				
<30	191	20	188	21
30–50	529	54	475	53
>50	259	26	230	26
<b>Total</b>	<b>979</b>		<b>893</b>	
<b>Board of Directors</b>				
<30	0	0	0	0
30–50	2	15	2	15
>50	11	85	11	85
<b>Total</b>	<b>13</b>		<b>13</b>	

## Disclosure requirement S1-11 – Social protection

### Social protection against loss of employee earnings in each region

	Finland including Åland	Sweden
Illness	Yes	Yes
Unemployment, where the protection applies from the date the employee starts working for the Bank	Yes	Yes
Occupational injuries and acquired disability	Yes	Yes
Parental leave	Yes	Yes
Pension	Yes	Yes

In both Finland and Sweden, employees are covered by social protection against loss of income through laws, collective agreements and insurance.

## Disclosure requirement S1-13 – Training and skills development metrics

### Percentage of employees who participated in regular performance and career development reviews

%	Employees
Employees	57
<i>of which women</i>	29
<i>of which men</i>	29

Statistics on performance and career development reviews are produced from internal systems and consolidated at Group level. The performance and career development review process takes place around the turn of the year (November 2024-February 2025), so conversations may take place during either year. Statistics are based on documented conversations during 2024. The result of the number of performance and career development review conversations in 2024 was affected by the following factors, among others:

- For hourly employees, no reviews take place, but they are included in the number of employees.
- For employees who are on lengthy leaves of absence, no reviews generally take place, but they are included in the number of employees.
- For employees at Crosskey, no formal reviews take place with those who have been with the company for less than 6 months.

### Training hours per employee

	2024			2023		
	Total training hours <sup>1</sup>	Number of employees	Average per individual	Total training hours <sup>1</sup>	Number of employees	Average per individual
Managers/supervisors and senior executives						
<i>of which women</i>	705	67	11	416	65	6
<i>of which men</i>	1,252	85	15	877	80	11
<b>Total</b>	<b>1,957</b>	<b>152</b>	<b>13</b>	<b>1,293</b>	<b>145</b>	<b>9</b>
Employees excluding managers/supervisors and senior executives						
<i>of which women</i>	4,964	446	11	3,926	410	10
<i>of which men</i>	8,931	533	17	4,797	483	10
<b>Total</b>	<b>13,896</b>	<b>979</b>	<b>14</b>	<b>8,723</b>	<b>893</b>	<b>10</b>
Employees						
<i>of which women</i>	5,669	513	11	4,342	475	9
<i>of which men</i>	10,183	618	16	5,674	563	10
<b>Grand total</b>	<b>15,852</b>	<b>1,131</b>	<b>14</b>	<b>10,016</b>	<b>1,038</b>	<b>10</b>

<sup>1</sup> Including introductory training for new employees.

“Training hours” consist of hours reported in our internal learning platforms as well as manual reporting of internal and external training programmes. Statistics are taken from internal systems and consolidated at Group level.

On average, an employee at the Bank of Åland participated in 14 hours of training in 2024, and 47 per cent of all training hours were in the areas of regulatory requirements and safety focus.

Calculations related to training and skills development have not been validated by any external body other than the Bank’s assurance provider.



### Disclosure requirement S1-14 – Health and safety metrics

#### Percentage of own workforce covered by the Bank's occupational health and safety system due to legal requirements and/or recognised standards or guidelines

In 2024, 100 per cent of the Bank of Åland's 1,131 employees were covered by its occupational health and safety system.

#### Number of deaths caused by work-related injuries and work-related ill health

During 2024, 0 deaths among Bank of Åland employees were caused by work-related injuries or work-related ill health.

#### Number of work-related accidents and frequency of accidents

During 2024, 19 work-related accidents that had to be registered occurred at the Bank of Åland. The accident rate for 2024 is 10 per cent, seen as the number of cases per million hours worked. Work-related accidents include both accidents at work and while travelling to and from the workplace, since both are included by law in the employer's liability in the jurisdictions where the Bank operates.

### Disclosure Requirement S1-16 – Remuneration metrics (pay gap and total remuneration)

#### Gender pay gap

%	Pay gap
Difference between average pay levels of female and male employees, expressed as a percentage of the average pay level of male employees (total for the whole Group)	13

The result for the Group's gender pay gap reflects both the financial service and IT sectors.

Gender pay gap is calculated as the gross average hourly earnings of male employees minus the gross average hourly earnings of female employees, divided by the gross average earnings of male employees, multiplied by 100.

#### Gender pay gap by Group company

%	Pay gap
Bank of Åland, Finland	17
Bank of Åland, Swedish branch	30
Ålandsbanken Fondbolag, Finland	-3
Ålandsbanken Fondbolag, Sweden	-
Crosskey, Finland	4
Crosskey Sweden	0

Gender pay gap is presented separately by company and country. The difference between the average pay levels of female and male employees, expressed as a percentage of the average pay level of male employees according to the same formula as in the calculation for the Group above, but here by individual subsidiary. For Ålandsbanken Fondbolag in Finland, the pay gap is negative because the average hourly wage of women is higher than that of men. For Ålandsbanken Fondbolag in Sweden, the number of women is too low to be able to present results.

#### Annual total remuneration ratio

%	Remuneration ratio
Annual total remuneration ratio of the highest-paid individual as a percentage of the median annual total remuneration of all employees (excluding the highest-paid individual)	1,281

The annual total remuneration ratio is calculated as the total annual salary of the company's highest-paid employee, divided by the total median annual salary of employees (excluding the highest-paid employee). The total amount of annual salaries includes total direct compensation to employees, excluding tax-free benefits such as wellness and lunch benefits in Finland. The median salary is calculated at Group level as all employees' annual salaries for 2024 and the median salary of the total sum. In addition to full-time employees during the entire year, the median value also includes hourly, part-time and seasonal employees. In addition, employees who have joined or left the Group during the year and those who have been absent for part of the year are covered. Currency volatility may also have an impact, since some of the Group's salaries are paid in Swedish kronor rather than in euros.

Calculations relating to the gender pay gap and the annual total remuneration ratio have not been validated by any external body other than the Bank's assurance provider.

Comparative figures are not available for previous years.



## S2 Workers in the value chain

Material impacts, risks and opportunities						
Impact/Risk/Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Secure employment	X				Downstream in the value chain through customers' financial investments	Sustainability risk policy
Secure employment	X				Downstream in the value chain through the Treasury portfolio	

### Disclosure Requirement S2-1 – Policies related to value chain workers

#### Financial Investments

The Bank of Åland has no specific policy for value chain workers regarding financial investments. For financial investments, the Bank applies its policy for integration of sustainability risks in investment decisions and financial investment and insurance advisory services (sustainability risk policy) as described under disclosure requirement E1-2 (see page 107). This policy aims to generally regulate our working methods for responsible financial investments and integration of sustainability risks in investment decision-making processes and financial investment and insurance advisory services in the Bank.

The policy includes identifying sustainability risks, considering indicators of principal adverse impacts on sustainability factors and ensuring that portfolio companies comply with the norms and guidelines of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. The international principles set out the minimum standard of behaviour that we believe all portfolios should reflect. If any existing company holdings are red listed for violation of these norms and guidelines, and do not show a willingness to change, the

holding will be divested within a period of two years after the event was noted. These form the basis for advocacy dialogues as well as possible exclusions in the event of serious violations of these principles and guidelines. Our process for detected violations is that violations are reported to the Group's ESG Committee, which deals with the matter and takes a position on whether the company's actions to rectify the matter are sufficient, whether an advocacy dialogue should be initiated or whether the holding should be divested. Information on how we ensure compliance with sustainability risk policies related to child and forced labour, human rights, discrimination and general working conditions can be found under disclosure requirement S2-4.

The Bank of Åland takes into account the impact of its investments on human rights, the UN Global Compact and the OECD Guidelines through the principal adverse impacts on sustainability indicators number 9 (no human rights policy), indicator 10 (violations of the UN Global Compact and OECD Guidelines for Multinational Enterprises) and indicator number 11 in Table 1 (no processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guideline for Multinational Enterprises) in the SFDR report.

The Bank has no direct contact with value chain workers on issues relating to secure employment, but we review our holdings to enable us to take principal adverse impacts into account and

ensure that portfolio companies comply with global norms and guidelines.

The policy states that we shall take into account social risks, risks linked to human rights violations, labour rights and risks linked to non-compliance with good governance, which includes corruption, abuse or lack of processes within the business.

#### Treasury

The Bank of Åland's Treasury department has no policy regarding the impact area of workers in the value chain. Treasury relatively recently identified secure employment as a material impact area. For Treasury, impacts on value chain workers are mainly evident in its portfolio of corporate and non-covered bonds. For these holdings, the Treasury has identified both a positive and negative impact. The Bank has decided to divest the corporate bond portfolio in its entirety within specified limits for maximum loss or wait until these bonds mature. The Bank also does not actively invest in non-covered bonds. If the Bank nevertheless invests in non-covered bonds, it needs to assess how and to what extent value chain workers should be taken into account in its operations and investment strategy. The majority of holdings are located in European countries where strict labour laws are in place, in addition to the minimum labour protection requirements established by the EU.

### Disclosure Requirement S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

#### Financial investments

Ålandsbanken Fondbolag's method for reviewing and ensuring



that portfolio companies meet a minimum level of commitments to uphold human rights and basic labour protections is to consider the mandatory indicators for principal adverse impacts number 10 (violation of the UN Global Compact and OECD Guidelines for Multinational Enterprises), 11 (no processes and mechanisms to monitor compliance with the UN Global Compact for Multinational Enterprises) and the voluntary indicator number 9 (no human rights policy) in SFDR Annex 1, Table 3. Via the third-party provider MSCI, we screen our holdings (model portfolios, UCITS funds and external funds that we recommend) on a quarterly basis regarding their compliance with the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. This screening includes general working conditions, discrimination, human trafficking, forced labour and child labour.

The international principles set out the minimum level of behaviour that we believe all portfolios should reflect. If any existing company holdings are red listed for violation of these norms and guidelines, and do not show a willingness to change, the holding will be divested within a period of two years after the event was noted. These form the basis for advocacy dialogues and possible exclusions in the event of serious violations of these principles and guidelines.

Our process for violations that have been detected is that they are reported to the Group's ESG Committee, which deals with the matter and takes a position on whether the company is doing enough to rectify the matter, whether an advocacy dialogue should be initiated or whether the holding should be divested.

During the 2024 financial year, Ålandsbanken Fondbolag did not take any key actions or add any significant operating or capital expenditures to ensure that its financial investments contribute to secure employment. Since the Bank of Åland does not have a specific fixed-term target related to value chain workers, the Bank cannot assess the effectiveness of any key measures (see S2-5, page 150).

Since we do not have data available to measure positive impacts on secure employment, we believe it will be difficult to establish a strategy for this area in the future as well. However, our sustainability work has focused on avoiding harmful impacts by identifying sustainability risks and violations of international principles, and in this area we can develop methods.

Ålandsbanken Fondbolag identified a serious human rights-related incident in 2024. The related position was divested in February 2024. However, the data provider (MSCI) subsequently changed its classification from "red flag" to "under observation".

### Treasury portfolio

The Treasury department has not taken any key actions or add any significant operating or capital expenditures related to value chain workers, since it relatively recently identified this as a relevant area of impact. The Bank has decided to divest the corporate bond portfolio in its entirety within specified limits for maximum loss or wait until these bonds mature.

The Bank also does not actively invest in non-covered bonds. If it nevertheless invests in non-covered bonds, it needs to assess how and to what extent value chain workers should be taken into account in its operations and investment strategy. The majority of holdings are located in European countries where strict labour laws are in place, in addition to the minimum labour protection requirements established by the EU.

### Disclosure Requirement S2-5 – Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities

#### Financial investments

The Bank of Åland has no specific fixed-term target set for value chain workers. Rather than a target, we work with restrictions. The Bank works to ensure that violations of international norms and guidelines will not be found in our financial investment products. The Bank of Åland also aims to ensure that any negative

impacts we can identify through our screening are eliminated from our financial investment products in this area. This metric is followed up internally on a quarterly basis in reporting to the Group's ESG Committee. It is also followed up per product in SFDR retrospective reporting, where a sustainability indicator indicates the percentage of companies in each product that have committed violations during the reporting year.

Ålandsbanken Fondbolag has not set a specific fixed-term target for impacts in the area of value chain workers. One reason for this is that we do not have data available to measure positive impacts in this area. A large proportion of our investments are located in the Nordic countries, which have a high level of protection for employees in labour law. This means that we believe that standards concerning working conditions, equal opportunities for all and other work-related rights are met if our portfolio companies comply with national legislation. The fund management company's investment strategy is analysis-driven, with a focus on long-term sustainable returns. This requires that our portfolio companies show good governance principles and a high level of regulatory compliance.

### Treasury portfolio

The Bank of Åland has not set any targets for value chain workers related to its Treasury portfolio. The Bank has decided to divest the corporate bond portfolio in its entirety within specified limits for maximum loss or wait until these bonds mature. The Bank also does not actively invest in non-covered bonds. If it nevertheless invests in non-covered bonds, needs to assess how and to what extent value chain workers should be taken into account in its operations and investment strategy. The majority of holdings are located in European countries where strict labour laws are in place, in addition to the minimum labour protection requirements established by the EU.



## S4 Consumers and end-users

Material impacts, risks and opportunities						
Impact/Risk/Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Access to quality information	X				Downstream in the value chain towards customers based on own operational activities	Ethical conduct policy, code of conduct, guideline for development of marketing, policy for investment services and products as well as insurance distribution, sustainability risk policy
Access to products and services	X				Downstream in the value chain towards customers based on own operational activities	Ethical conduct policy, code of conduct, policy for handling claims and complaints, policy for investment services and products as well as insurance distribution, sustainability risk policy
Privacy		X			Downstream in the value chain towards customers based on own operational activities	External privacy policy, policy for processing personal data
Sustainable lending and over-indebtedness			X	X	Downstream in the value chain towards customers based on own operational activities	Policy for granting loans
Fraud against customers and prevention efforts			X	X	Downstream in the value chain towards customers based on own operational activities	Operational risk policy

### Disclosure Requirements S4-1 - Policies related to consumers and end-users

The Bank of Åland sees as one of its most important positive impact areas the area of access to products and services, by offering its customers a wide range of financial services that enable them to manage their everyday financial lives and participate in society. There are regulatory requirements, with all private individuals who are legal residents of the European Economic Area being entitled to basic banking services such as cards, accounts and digital services, but in addition, the Bank offers a wide range of other financial services to its customers. However, the Bank of Åland is a niche bank that is selective in its choice of customers

when lending to ensure the customer's repayment ability.

The Bank wants to create a customer relationship that is sustainable in the long term, and there is no specific policy that regulates access to financial services. Instead, the Bank carries out individual assessments of its customers' needs and situations as part of its personalised advisory services. One important element of this is ensuring that customers receive accurate and qualitative information about financial services, whether it concerns a home mortgage or a financial investment service. In addition to complying with legal regulations and the importance of devoting ourselves to responsible lending and financial investments, we also wish to ensure that customers receive the advice they need to meet their own needs.

The Bank of Åland has several policy documents that cover topics relevant to impacts, risks and opportunities for consumers and end-users. Since Sweden and Finland have incorporated the UN Universal Declaration of Human Rights into their legislation, the Bank of Åland respects internationally recognised norms by complying with Finnish and Swedish regulatory requirements. The Bank is examining the extent to which these policies are compatible with the UN Guiding Principles on Business and Human Rights. During 2024, the Bank was not aware of any reported cases of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises involving the Bank's consumers and/or end-users downstream in the value chain.

### Ethical conduct policy

The Bank of Åland's fundamental values include pursuing long-term relationships with our customers and treating them fairly and correctly, which are included in the ethical conduct policy described under G1-1. This policy is consistent with internationally recognised human rights standards.

### Code of Conduct

The Bank of Åland cares about its customer relationships and respects the rights of its customers. The Code of Conduct describes how the Bank embraces human rights in compliance with the UN Guiding Principles on Business and Human Rights to ensure equal value and freedom for all. The Bank's Code of Conduct is described under G1-1 and is also published on our website to be available to our customers.



### Operational risk policy

The Bank of Åland has an operational risk policy that governs information security, continuity and preparedness, as well as security at the Bank. This policy is described under G1-1.

### Privacy

The Bank of Åland processes personal data in order to provide its services. The Bank also processes information about its customers' banking transactions, which must be protected under banking secrecy. Ensuring this processing is important in day-to-day operations as well as in the prevention of money laundering, terrorist financing and financial crime, but also to ensure the privacy of customers.

### External privacy policy

The Bank of Åland has a privacy policy specifically aimed at its customers and published on its website, where the Bank describes its processing of personal data and how customer data is to be protected in compliance with the General Data Protection Regulation (GDPR).

### Policy for processing personal data

The Bank of Åland has a policy for the processing of personal data, which is presented under G1-1.

### Guideline for development of marketing

The Bank of Åland has a guideline for the development of marketing. Its purpose is to regulate the marketing development process at the Bank and to ensure that all marketing is designed in compliance with sound marketing practices. The message to the recipient must be correct, clear and concise, as well as well-justified and not providing false associations. The end-product of marketing must be approved by each respective marketing and communications manager to ensure sound marketing practices. Available marketing material on financial products and services should be produced in accordance with the marketing guideline.

### Policy for handling claims and complaints

The Bank of Åland has a policy for handling claims and complaints, which is described under G1-1.

### Guideline for whistleblowing

The Bank of Åland has a whistleblowing system through which employees and customers as well as other external parties can draw attention to irregularities. The Bank's whistleblowing system and its associated guideline for whistleblower protection are presented under disclosure requirement G1-1 (see page 161).

### Investment services

There are special rules for information and marketing related to financial investment services and products. Investor protection is largely regulated by law to ensure customers' rights, including through the Markets in Financial Instruments Directive (MiFID), which aims to strengthen investor protection and competition in the European securities market, and the Sustainable Finance Disclosure Regulation (SFDR), which is intended to create transparency for customers regarding the sustainability of financial investment products. The Bank of Åland also has a fiduciary responsibility towards its customers and must guarantee their best interests. The Bank's website contains the information about investment products required by law. Customers have access to the documents "Information about the Bank of Åland and its securities services" and "Information about customer classification". Available marketing material on investment products should be produced in accordance with the marketing guideline.

### Policy for investment services and products as well as insurance distribution

The Bank of Åland has a policy for investment services and products, the main purpose of which is to regulate the provision of financial investment services and products. The Managing Director is responsible for ensuring compliance with this policy.

### Sustainability risk policy

The Bank of Åland has a Group-wide policy for the integration of sustainability risks into investment decisions and into financial investment and insurance advisory services, which is described under E1-2.

The Bank's method for reviewing and ensuring that its portfolio companies meet a minimum level of commitments, and any exclusions are presented under E1. To review and ensure that portfolio companies meet a minimum level of commitments for maintaining human rights and fundamental labour protection, the Bank takes into account indicators of principal adverse impacts number 10 (Violations of the UN Global Compact and OECD Guidelines for Multinational Enterprises), 11 (No processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guideline for Multinational Enterprises) and 9 (No human rights policy).

### Policy for granting loans

Within its sustainability strategy, one of the Bank of Åland's focus areas is responsible lending. Lending shall be conducted in accordance with the Bank's policy for granting loans and subsequent guidelines. The Bank's lending strategy includes the sustainability strategy and responsible lending, which takes into account the community's development and growth needs related to sound entrepreneurship. There is a focus on assessing a customer's repayment ability, and the Bank puts particular emphasis on safeguarding consumer protection aspects. The Bank's lending shall be conducted in compliance with generally accepted lending practices. Its policy for granting loans is supplemented by guidelines that deal with more concrete impacts and actions. The Managing Director is responsible for ensuring compliance with the policy.





### Disclosure Requirement S4-2 – Processes for engaging with consumers and end-users about impacts

All sound banking is based on trust, and it takes time and dedication to build trust with new customers and to retain it with existing customers. The Bank of Åland strives for long-term customer relationships and for customers to always feel that they are receiving good service, regardless of the communication channel. The Bank is committed to personal contact with its customers and considers it important that customers have the opportunity to receive personalised service throughout their time as customers of the Bank. Dialogue with customers takes place primarily through physical meetings at our offices, but also via our digital channels, at various customer events and through our website. The Bank has a heavily used Internet Office, where many day-to-day banking services are carried out, but to a great extent it also has local branches that customers are welcome to visit. The Customer Service department is dedicated to handling incoming contacts with customers through the Bank's various communication channels. Regardless of channel, our customers should always feel that they are receiving good service. Our relationships should be equally strong in each channel, but we also take into account the special strengths that different channels possess. For advisory services, personal meetings are best, while the Internet Office and the Mobile Bank application give customers a clear overview and the opportunity to manage their day-to-day finances smoothly.

The Bank ensures that customers receive correct documentation when signing agreements by providing them with copies of the agreements, related terms and conditions as well as other relevant documents.

There are extensive legal requirements for information to customers regarding investments. The Bank of Åland ensures that customers can access this information on the website, both statutory documents and more marketing-oriented product descriptions. When signing an agreement, the customer receives a copy of the agreements, related terms and conditions as well as other relevant documents.

The Bank conducts customer surveys to monitor the appropriateness of its contacts with customers. Among other things, these surveys measure customer satisfaction. Read more about this under disclosure requirement S4-5.

### Disclosure Requirement S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

The Bank of Åland has established and implemented procedures to manage and, if necessary, remedy negative impacts on consumers and end-users that may arise as a result of its operations. Cases are initially handled at the operational level through contact with the responsible administrator or the relevant Bank office. For situations that cannot be resolved at this stage, there is a formal escalation process, which includes the opportunity to submit written complaints to the Bank's Complaints Office.

Complaints are processed according to established procedures with the aim of providing a response within two weeks. In case of continued dissatisfaction, the Bank offers external channels to provide help. For example, consumers can turn to the Insurance and Finnish Financial Ombudsman Bureau (FINE) or the Consumer Disputes Board for advice or recommended solution. The case can be adjudicated in court as a last resort.

Information on the handling of comments and complaints as well as the fundamental rights of customers is available on the Bank's website. The Bank has a policy for handling claims and complaints, as described under G1-1.

The Bank of Åland has a whistleblowing system through which customers and employees as well as other external parties can draw attention to irregularities. The Bank's whistleblowing system and associated guideline for whistleblower protection are presented under G1-1 (see page 161).

The Bank of Åland has appointed a Data Protection Officer. Data subjects, including consumers and end-users, may contact the Data Protection Officer on any matter related to the processing of their personal data and the exercise of their

rights under the GDPR. The Bank's privacy policy is available on its website.

### Disclosure Requirement S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

#### Access to quality information, products and services

The Bank of Åland's strategy includes long-term sustainable customer relationships and ensures that customers receive accurate and qualitative information about financial services. In addition to complying with regulations specified by law, the Bank also wishes to ensure that customers receive the advisory services required to meet their needs. The actions taken during 2024 to ensure that customers received accurate and quality information and access to appropriate financial services were of a preventive nature and involved providing concrete and clear information to customers as part of day-to-day operations.

The Bank's activities include offering its customers various banking and financial services. Information about financial services is available on the Bank's website and customers receive written information when an agreement is signed, in compliance with current regulations.

The Bank engages in responsible lending in accordance with the lending policy described under disclosure requirement S4-1. This area is largely regulated by legislation regarding risk assessments and controls as well as industry practices in the banking sector.

The Bank of Åland's website provides the information about investment products required by law. Customers have access to the documents "Information about the Bank of Åland and its securities services" and "Information about customer classification". In compliance with the MiFID framework, investment customers are classified under the categories non-professional, professional or eligible counterparty in order to adapt investor protection and the Bank's obligations to customers according to the individual



customer's circumstances. When the Bank provides investment advisory services, the customer receives documentation of the advice provided and on why it is appropriate for the customer, as well as detailed information on the costs associated with the relevant investment services. In addition, customers are informed about how sustainability risks are integrated into investment decisions in accordance with the SFDR and are asked to provide information on their sustainability preferences. During 2024, the Bank did not take any other specific key actions connected to any specific action plan. The actions taken by the Bank were of an ongoing nature and the same as during previous financial years.

The Bank of Åland's marketing of financial services shall be conducted in accordance with the guideline described under S4-1, follow sound practices and not provide false associations. The Bank did not take any other additional actions whose main objective would be to contribute to better social impacts for consumers and end-users.

The Bank has established and implemented procedures to manage and, if necessary, remedy negative impacts to consumers and end-users that may arise as a result of its operations. This is described under disclosure requirement S4-3 and is done in compliance with the policy for handling claims and complaints described under disclosure requirement G1-1.

Customer satisfaction and propensity to recommend the Bank of Åland is measured and is regarded as a yardstick for how well the Bank lives up to customers' expectations in general and how well the Bank handles the impact areas that have been identified. This is measured by the customer surveys that the Bank conducts.

In order to ensure that the Bank of Åland's business practices do not cause or contribute to negative impacts on customers, the Bank shall carry out its marketing in compliance with the guideline described under S4-1, follow sound practices and not provide false associations.

In its preparations for this sustainability disclosure, the Bank of Åland has not identified any reports regarding serious human rights issues and incidents related to consumers or end-users.

The Bank's employees work to ensure access to financial

products and services and ensure that customers receive accurate information as part of day-to-day operations, and the Bank's Customer Service department is dedicated to working with incoming contacts with customers. Since these actions relate to preventive work that is part of day-to-day operations, no significant operational expenditure or capital expenditure for the implementation of a specific action plan has been specified.

### Privacy

The Bank of Åland primarily protects the privacy of its customers through preventive measures, which are largely regulated by legislation regarding personal data. As a preventive measure, during 2024 employees at the Bank and its fund management subsidiary Ålandsbanken Fondbolag received mandatory training on data protection. This digital training focused on the basic principles of personal data processing, the rights of the data subject and data protection work. The purpose of such training is to provide an overview of how personal data is processed within the Bank to meet the requirements of GDPR and other data protection regulations.

When implementing new projects in which personal data processing may occur, procedures are in place to prevent negative impacts. Since new processing of personal data is likely to result in high risk to data subjects, the Bank conducts a data protection impact assessment to measure the impacts on data subjects and the proportionality of the processing and to ensure protection and security processes.

The Bank regulates personal data processing in compliance with the personal data processing policy described under G1-1. In the event of a personal data breach, a notification should be prepared and delivered to the Data Protection Officer. The Data Protection Officer plays a key role in preparing for incident management by advising the responsible employees at the Bank and by monitoring compliance with the General Data Protection Regulation (GDPR). Complaints from customers are dealt with according to established procedures, which are described under disclosure requirement S4-3.

Since these actions relate to preventive work that is part of day-to-day operations, no significant operational expenditure or capital expenditure for the implementation of a specific action plan has been specified.

### Responsible lending

Because it provides loans to private individuals, the Bank of Åland sees a general risk that individuals could potentially be affected by over-indebtedness, which would then be negative both for the Bank as a lender and for the customer on a personal level. While aware of this potential risk, the Bank sees an opportunity to engage in sustainable lending to strengthen the resilience of both the customer and the Bank.

Such sustainable lending is a matter of continuous preventive and maintenance work rather than specific targeted actions. The key actions taken during the reporting year were the same as in previous years and those planned for future years and relate to responsible lending to customers as part of responsible banking in compliance with industry practices. During the financial year 2024, the Bank did not take any specific key actions regarding sustainable lending or over-indebtedness linked to the lending policy or to any specific action plan.

Long-term sustainable customer relationships are part of the Bank's strategy. This includes engaging in responsible lending and avoiding customer over-indebtedness. This area is largely regulated by law regarding risk assessments and controls as well as industry practices in the banking sector. The Bank's marketing of loans shall comply with the guideline described under S4-1, follow sound practices and not provide false associations.

Avoiding over-indebtedness and engaging in responsible lending are two sides of the same coin. To ensure responsible lending, the Bank's lending shall be conducted in accordance with generally accepted lending practices. Before a loan is granted to a private individual, an assessment is made of the customer's repayment ability. The overall picture of the customer's financial situation that is established is an action to prevent the customer



from becoming over-indebted. The Bank conducts a credit assessment in all business areas to ensure the repayment ability and creditworthiness of each customer. To do this, it uses the credit assessment mechanisms available in our business areas. In Sweden, a credit check is carried out. In Finland, the Bank uses the positive credit register. Similar to the Swedish credit check, the purpose of this register is to combat household over-indebtedness, improve a lender's ability to assess the creditworthiness of loan applicants, help individuals manage their finances and facilitate the follow-up and monitoring of the credit market.

To assess a customer's repayment ability, the Bank creates an individual budget and performs a stress test of the customer's ability to handle a higher interest rate than the current lending rate as a preventive measure. In Sweden, the Bank carries out a so-called Remain-To-Live-On Calculation (KALP), and in Finland it performs a corresponding budget assessment.

The Bank monitors the intended use of all loans and has restrictions on what purposes loans are granted for. It also reduces credit risk by establishing collateral for loans, for example properties as collateral for mortgages.

Since the Bank of Åland is a relationship bank that tries to find solutions, it works with customers who encounter financial difficulties, primarily to help them take steps to resolve these and secondarily to liquidate its exposure. Potential deferrals in the event of financial difficulties are regulated in compliance with the Bank's guideline for lending.

Lending is monitored internally through risk processes governed by regulations and managed by departments set up for this purpose at the Bank. Bank employees work with credit and risk assessment as part of their day-to-day business operations.

Since these actions relate to preventive work that is part of day-to-day operations, no significant operating cost or capital expenditure for the implementation of a specific action plan has been specified. The Bank of Åland has established and implemented procedures to manage and, if necessary, remediate negative impacts on consumers and end-users that may arise as a

result of its operations. These procedures are similar for all cases. See the process described under S4-3.

### **Fraud against customers and fraud prevention efforts**

In recent years, there has unfortunately been a risk that customers may be exposed to attempted fraud. Aside from posing a risk to the Bank of Åland and society at large, this is also negative for individual customers. There are ongoing efforts to prevent and stop attempted fraud. Fraud is often used to finance other criminal activities, and as a bank, we work to combat money laundering and terrorist financing through previously established monitoring, detection and prevention processes.

Since fraud affects a customer's trust in the Bank of Åland, preventive work is necessary. It may also offer an opportunity to avoid costly expenses. The main focus of the Bank's action plan regarding fraud is on reducing its negative impact by limiting damage and, if possible, preventing it completely. During 2024, the Bank's fraud prevention efforts focused on continuous development of detection solutions. The Bank always tries to make customers more aware of fraud scenarios by means of communication through various channels and employee training on fraud issues. Communication related to prevention efforts is an important part of combating fraud. Our customers are broadly informed about how best to protect themselves to avoid fraud. The Bank posts information on its website and on the log-in page of its Internet Office. It also organises informational sessions and participates in mailings to the public in cooperation with the police. These key actions are targeted to customers. All these actions were implemented in 2024, and the Bank intends to continue these efforts going forward. It has dedicated employees to work with this area. Since these actions relate to preventive work that is part of day-to-day operations, no significant operational expenditure or capital expenditure for the implementation of a specific action plan has been specified.

The Bank of Åland has established and implemented procedures to manage and, if necessary, remediate negative impacts on

consumers and end-users that may arise as a result of its operations. These procedures are similar for all cases. See the process described under disclosure requirement S4-3.

### **Disclosure Requirement S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities**

*Customer satisfaction index, CSI:* The target is 1, and the outcome for 2024 was 1. The Bank of Åland's Customer Satisfaction Index (CSI) reports the Bank's actual ranking in the Kantar Prospera survey. This customer survey includes various questions that summarise how satisfied customers are with the Bank's overall service offering. The results show the overall ranking in the survey, with a low number corresponding to higher customer satisfaction. The index represents Finnish operations. Official results are not available for the Swedish operations.

*Net Promoter Score, NPS:* The target is an NPS higher than 50. The outcome for 2024 was 53.

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

Customer satisfaction and the willingness of customers to recommend the Bank of Åland are measured and are regarded as a yardstick for how well the Bank lives up to customers' expectations in general and how well the Bank manages the impact areas that have been identified. The Bank's target is to be the best market player in the Nordic region, with the most satisfied customers in the Private Banking and Premium Banking segments. The conditions affecting this target are variable, and it is thus not appropriate to set dates for them. This target is established with customers in mind, and the Bank conducts customer satisfaction surveys every year 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 2024, the Bank of Åland was named Finland's best Private Banking market player for the fourth year in a row. At the same time, customers' interest in recommending the Bank of Åland remained high. The Bank takes note of the results of the survey.

### **Privacy**

At present, the Bank of Åland lacks a measurable target related to privacy, but the Bank continuously strives to prevent negative impacts on individuals. It follows from the Bank's policy for the processing of personal data that all such processing at the Bank should be lawful and fair and carried out in a manner that is beneficial to people. The Bank shall actively ensure good processing of and a high level of protection for personal data. This will reduce the risk of privacy violations affecting individuals, while strengthening their trust in the Bank.

### **Over-indebtedness and sustainable lending**

The Bank of Åland's objective is to ensure good credit risk management and lending structure. Lending must be conducted in accordance with generally accepted practices. Due to the sensitive nature of such information, we do not publish a specific measurable target related to over-indebtedness for private individuals, but we analyse and follow up this matter internally in compliance with established risk management processes.

### **Fraud prevention efforts and fraud against customers**

The Bank of Åland works continuously to reduce the number of fraud cases. Due to the sensitive nature of the information, we do not publish a specific target related to fraud, but we analyse and monitor various types of statistics internally. The Bank has a zero vision regarding fraud, and its preventive efforts is focused on ensuring that this goal is achieved.



## Local community involvement in Åland – Company-specific chapter

### Introduction

One significant impact identified for the Bank of Åland is a company-specific social impact that goes beyond the scope of S3 Affected communities but instead refers to a local social impact on Åland based on how large the Bank is locally compared to other actors. There is a general opportunity to create an impact through the company's very activities and existence. There is an opportunity to create an impact through its choice of which suppliers to buy from, and there is an opportunity to support small local businesses. The Bank is also a major local employer, but this is described in greater detail under S1 Own workforce. Local social impact in Åland is an important area for our stakeholders and has been highlighted as important to our customers, shareholders and employees. While relatively small in comparison with other impact areas, it is nevertheless significant because it is an area that is seen as an important part of the Bank's sustainability work.

Ever since the Bank of Åland was founded in 1919, our involvement in the development of the Åland community has been important to us. The Bank has a clear mission in the Åland community, which includes promoting developmental activities for children and young people. At the same time, we want to support actors who create sustainable employment for young people and actors who increase Åland's attractiveness. Our intention is that the sponsorship should be characterised by openness and that the applicant should feel confident that it is managed in the best possible way.

The Bank also creates an impact on the local community through its involvement in the Baltic Sea Project, which is described in greater detail in the Baltic Sea Project section.

### Community involvement policies

#### Sponsorship instruction

A large part of the Bank's impact on the local community assumes the form of sponsorships. The Bank's Åland business area has an instruction document that describes the framework for these sponsorships, which take place downstream in the value chain. This document is also aimed at interested parties that are seeking sponsorship and is published on the Bank's website. The focus is on sponsoring umbrella organisations for various leisure activities that conduct locally based programmes in Åland, where the Bank would also like them to run programmes of activities for children and young people. Another ambition is to support community and cultural events, since culture contributes to healthier residents, provides a higher quality of life and is available to everyone. Events sponsored by the Bank should contribute to strengthening Åland's attractiveness in the long term and provide a positive image of Åland. The instruction document also describes a number of areas that are excluded from the possibility of sponsorship, including discriminatory activities contrary to the Bank's values, political or religious activities or activities with excessively high risk to the safety of participants or visitors. The Director of the Åland business area is responsible for sponsorships.

#### Purchasing guideline

Since part of the Bank of Åland's local community involvement in Åland consists of the use of local companies, this is included in its purchasing guideline, a document that aims to clarify the process for purchasing by the Bank. These actions take place upstream in the value chain. The guideline is adopted by the Managing Director. The basic rule for all procurement is competition on equal terms. Procurement must be carried out in an appropriate

manner from an economic and sustainability perspective. Deviations from this basic rule may be allowed if their purpose is to protect the Åland economy and/or if deliveries from other areas have a larger environmental impact due to Åland's geographic position.

### Community involvement actions

The Bank of Åland is deeply involved in the Åland community and contributes to it by supporting culture, sports and studies, among other things. Through this we are involved in creating meaningful leisure activities, especially for children and young people. These actions take place downstream in the value chain, and their purpose is to contribute to the local community and to voluntary organisations, especially for children and young people. The Bank's sponsorships can be divided into the areas of sports and cultural sponsorships, other grants, scholarships and digital training. Sports sponsorships are mainly for children's and youth activities. During 2024, cultural sponsorships included grants to local cultural organisations. Other grants were provided to various voluntary organisational activities. Scholarships are awarded to students in the school system. Digital training includes financial education for ninth graders as well as courses for older people on how to avoid being the victim of fraud. The Bank also works on the Baltic Sea Project, which is described in the Baltic Sea Project section.

The Bank is a significant employer, especially in its home market of Åland. It provides more than 500 jobs in Åland, which makes us the second largest private local employer. The Bank is an active player in the Åland economy. During the 2024 financial year, it offered internships to students who showed a great interest in the Bank as an employer. The Bank of Åland also regularly organises



information sessions on current topics, which are open to the public. We broadened our community involvement during the year by proactively exploring the potential for new energy solutions, both offshore and onshore in Åland.

Another ongoing action is the Purchasing Committee's decisions regarding the selection of suppliers. One example of selecting local suppliers is the renovation of the Bank's Head Office in Mariehamn that was completed during the 2024 financial year. The Purchasing Committee had previously decided to engage locally based Åland main contractors.

The Bank's actions connected to Åland are important to ensure a vibrant community, and the actions described in this section are related to the Bank's vision that people should want to move to, remain in and return to Åland. Through the Bank's employees, we participate actively in numerous community functions that are important to our home province.

Since the actions described here are ongoing actions rather than specific key actions, during the financial year 2024 the Bank did not allocate significant operating or capital expenditures especially related to community involvement in Åland.

### Targets and monitoring related to community involvement

The Bank has no specific measurable time-bound target that assesses its impact on the Åland community. Its target can instead be expressed as a vision that everything we do should be beneficial to the Åland community. The Bank's vision is to contribute to a vibrant Åland community that people want to remain in, move to and return to.

The Bank has no standardised metrics in the form of key performance indicators, but it internally reports informally how sponsorship money has been distributed during the year. In 2024, EUR 235,000 was distributed in sponsorship funding. This included grants to 16 sports clubs with youth activities. We can also note that according to voluntary organisations in Åland, 3,860 young people participated in their activities.



# Corporate governance

## G1 Business conduct

Material impacts, risks and opportunities						
Impact/Risk/Opportunity	Positive impact	Negative impact	Risk	Opportunity	Identified place in the value chain	Policy
Corporate culture	X	X			Own operational activities	Ethical conduct policy, code of conduct, policy for internal governance and control, market abuse prevention and response policy, policy for the processing of personal data, policy for complaints and complaint handling, Crosskey's sustainability strategy and corporate culture
Bribery and corruption, including incidents and related topics such as anti-money laundering, terrorist financing and financial crime		X			Own operational activities	Policy for anti-money laundering and countering the financing of terrorism, guideline on the identification and combating of bribery and corruption, guideline for whistleblowing
Protection of whistleblowers	X				Own operational activities	Guideline for whistleblowing
Cybersecurity				X	Own operational activities	Policy for operational risks and guidelines for information security

### Disclosure Requirement G1-1 – Business conduct policies and corporate culture

Consolidated sustainability information includes the parent company Bank of Åland Plc (Ålandsbanken Plc) and subsidiaries controlled by the Bank of Åland Plc. The Bank of Åland Group consists mainly of the Bank of Åland, Crosskey and Ålandsbanken Fondbolag. The corporate culture of the Group is described in a consolidated manner, but in some cases separately when differences in operations or governance make it relevant. Ålandsbanken Fondbolag is a separate limited liability company with its own licences and its own Board of Directors that makes decisions

regarding the Group policies that are adopted. Crosskey also has its own Board of Directors that makes decisions regarding the Group policies that are adopted.

### The Bank of Åland's corporate culture

The Bank of Åland's three watchwords are ambitious, personal and responsible. Employees should perform their duties with the requisite skill, care and diligence. An employee's work shall be characterised by professionalism and high ethical standards, and the Group shall actively advocate a high level of ethical conduct for all employees through information and training. Every

employee shall keep in mind that their conduct, both at work and privately, can affect the public's view of the Bank. Employees of the Bank shall behave in such a way as to maintain public trust in the Bank and the financial market. The Bank's values and ethical rules of conduct are an expression of a shared approach and shall permeate its operations and provide the basis for its day-to-day work. Its operations must be conducted sustainably in a long-term manner – financially, socially and environmentally.

The Bank of Åland has a corporate culture training course for managers, where they are informed about the Bank's values and leadership, supplemented by a corporate culture guide. To evaluate and promote corporate culture, the Bank has a leadership programme focused on strengthening leadership through training, workshops and other ongoing management information forums. The 2024 leadership programme focused on the interaction between corporate culture and the Bank's values connected to behaviour. At our annual leadership forums, issues such as corporate culture and values have been on the agenda, and these are themes we will continue to work on in the coming years. To follow up on our corporate culture and employee well-being, employee surveys are conducted on an ongoing basis. The Bank measures and analyses the well-being and commitment of its employees over time. In annual performance and development discussions between employees and their respective immediate supervisor, each employee's goals and skills development are examined and discussed. For more information on how the Bank promotes its



corporate culture in relation to its staff, see under disclosure requirements S1-1 and S1-2 (see page 135 and 137).

The Bank of Åland's internal controls, which are carried out via three lines of defence, aim to identify deviations and actions that violate external or internal regulations. Controls includes systemic controls and manual controls. There are no other established plans for how to detect actions that violate the law, the Bank's Code of Conduct or similar internal rules. If an employee notices a deviation, in compliance with the above-mentioned policies he or she must report it to their immediate supervisor or via the Bank's deviation reporting system or file a whistleblower report. External parties may also file a whistleblower report.

Training in business ethics areas takes place annually, but with different themes from year to year. Training in business ethics is not regulated in a separate policy, but there is only a general guideline for training and skills development. The ethics policy states that the Bank's Compliance department must provide ethics policy training.

The Bank has carried out a risk analysis to assess where in its operations the risk of bribery and corruption is greatest. This analysis assesses the risk of bribery and corruption in different situations. For example, a higher risk has been identified in outsourcing, purchasing, among counterparty managers, in recruitment (by managers), in contacts with the public sector and in tasks related to sponsorship/charity.

### **Crosskey's sustainability strategy and corporate culture**

Crosskey Banking Solutions is covered by the Bank of Åland's sustainability strategy to the extent that it deals with social and environmental responsibility, but since Crosskey is active in the information technology (IT) industry rather than its parent company's banking operations, it has its own sustainability strategy regarding how to deal with responsible business conduct. The purpose of this policy is to ensure that the company is managed in a sustainable manner, where Crosskey's focus areas are operational

stability and cybersecurity. As a systems supplier to financial institutions, Crosskey bears a fundamental responsibility to offer stable and secure systems and services and to ensure sustainable management of the life cycle of technical equipment. Delivering stable services is critical to maintaining customer trust, which is why there is a clear focus on cybersecurity and data security. The highest level at Crosskey responsible for implementing this policy is the Managing Director.

Crosskey's four watchwords are knowledgeable, positive, helpful and thorough. Crosskey values extensive knowledge and deep specialist expertise in the financial industry combined with IT know-how, with a focus on delivering secure and stable solutions that support long-term, sustainable customer relationships. This solution-focused and positive working environment, which prioritises results and well-being, strengthens employees' commitment and their ability to deliver high quality. A flat organisation encourages collaboration and collegial support, creating an inclusive and sustainable corporate culture where everyone can make their voice heard. Integrity is the key to everything Crosskey does. To offer the safe and reliable services that the financial service industry demands, information and training are important to enable employees to deliver correct solutions down to the smallest details. Crosskey's values and the Group's ethical conduct rules are an expression of a common approach that should permeate the company's operations and provide a basis for its day-to-day work.

### **Ethical conduct policy**

The Bank of Åland's ethical conduct policy aims to establish ethical standards and approaches that shall apply to all its activities and help maintain a high level of trust in the Bank. By establishing basic guidelines for ethical conduct, the Bank wishes to ensure that its actions maintain a high ethical level in compliance with external laws and regulations as well as sound financial market practices. This policy addresses the material impact areas of corporate culture, bribery and corruption, as well as whistleblowing.

Fundamental values also include customer service, where the Bank strives for long-term relationships with customers and must treat them fairly and correctly. The ethical conduct policy shall be applied by all employees of the Bank and, where appropriate, by members of the Board of Directors. The Board adopts the ethical conduct policy, but responsibility for ensuring that day-to-day operations are conducted in accordance with regulations rests with the respective department heads and the managing directors of subsidiaries.

### **Code of Conduct**

The Bank of Åland has a Code of Conduct, which is posted on its website. The Code of Conduct is based on applicable external and internal rules, regulations, guidelines and international standards for responsible business, such as the UN Global Compact and the Finnish Corporate Governance Code. The purpose of the Code of Conduct is to clarify the Bank's way of working and how we manage our business and relationships to help us act responsibly. Every employee is expected to be familiar with the Code of Conduct and to follow its provisions. The Code of Conduct applies to the entire workforce at the Bank of Åland, from employees to the Executive Team and the Board of Directors. The Code of Conduct applies to our actions as an employer and as employees, and to our relationships with customers, shareholders, investors, suppliers and partners. The Code includes internal rules and principles on responsibility, compliance and obligations, including with regard to the material impact areas of corruption, bribery and whistleblowing, but also with regard to customer-related areas such as data protection, confidentiality and customer complaints. The Code also includes the Bank's watchwords, which are strongly associated with its corporate culture. Our values and ethical guidelines are an expression of a shared approach. The Bank's conduct as a responsible market player is based on our values, applicable regulations and our commitment to various global initiatives such as:





- The United Nations Principles for Responsible Investment (UNPRI)
- The UN Principles for Responsible Banking (UNEP FI)
- The Net-Zero Banking Alliance
- Climate Action 100+

The Managing Director of the Bank of Åland is responsible for producing instructions in specific areas and sectors, as necessary, and for ensuring sufficient structure within the organisation to enable the Bank's Code of Conduct to be implemented in practice.

### Internal governance and control policy

The Bank's internal governance and control policy describes overall principles for organisation, responsibility and reporting structure aimed at promoting a sound corporate and risk culture, while preventing, detecting and remedying undesirable incidents. Through this policy, the Board of Directors shall ensure that employees have the requisite skills, are suitable for their tasks, are committed and understand the importance of internal controls. The Bank shall maintain a risk management framework that covers all material risks, including operational risks; IT and reputational risks; legal risks; conduct risks; compliance risks related to money laundering, terrorist financing and other financial crime; as well as environmental, social and governance risks. The policy regulates how risks in the Bank's operations are to be monitored and clarifies the division of responsibilities and roles in this work to ensure that these are managed and that applicable regulations are complied with. The Bank must have clear and easily accessible internal policies, guidelines and work instructions to support its operations and provide reporting channels. The Group must ensure that employees are provided with training and information regarding internal regulations. Employees are required to know, understand, and comply with policies and procedures related to their duties and responsibilities. Internal regulations are an important part of the framework for internal governance and control. The Bank shall also be organised based on the principle of

three lines of defence, which is the starting point for how responsibility linked to internal governance and control is distributed in the organisation. This means that appropriate and independent control functions are maintained that review, ensure and report whether the internal management and control is well-functioning and effective, and that laws and regulations are followed. This policy covers the entire Group and is established by the Board of Directors. The Managing Director is responsible for implementation.

### Market abuse prevention and response policy

This policy document sets out how the Bank of Åland promotes public trust in the market and prevents market abuse by regulating how insider registers for investment firms and fund management companies are to be administered at the Bank; how Bank employees, certain contractors, financial investment officers, individuals discharging managerial responsibilities, insiders and related parties can trade in financial instruments; how the Bank stores information on private transactions carried out by the aforementioned persons; and how the Bank detects and reports suspected market abuse through monitoring of trade orders and transactions. The policy covers the entire Group and is established by the Board of Directors. The Managing Director is responsible for implementation.

### Policy for anti-money laundering and combating the financing of terrorism

This policy sets out a strategy and overall operating principles for preventing the Bank of Åland from being used for money laundering and terrorist financing, as well as ensuring compliance with national and international sanctions decisions. The Bank's strategy and objective for such risk management is to identify and assess risks, then take action aimed at counteracting, preventing and reducing the risk of being exploited for financial crime, money laundering or terrorist financing. With the support of an internal

regulatory framework and several model methods, we can counteract, prevent and reduce the risk of the Bank being used for money laundering and terrorist financing. To assess and manage the risk of money laundering and terrorist financing, the Bank identifies its customers, counterparties and representatives in order to ensure that customer due diligence is achieved and that relevant know-your-customer (KYC) risk factors are identified. The Bank complies with international and national sanction decisions. We prevent funds from being transferred or made available to persons or organisations that are on a sanctions list. This policy covers the entire Group and is established by the Board of Directors. The Managing Director is responsible for implementation.

### Guideline on the identification and combating of bribery and corruption

The Bank of Åland's guideline for combating bribery and corruption sets out the task of identifying, counteracting and combating bribery and corruption. It includes practical rules of conduct that apply to Bank employees. The Bank respects the UN Convention against Corruption and Bribery by complying with regulatory requirements in Finland and Sweden. Employees and contractors may not give or receive gifts or benefits that exceed certain established thresholds. Acceptable gifts and benefits are characterised by being handed over and received openly and without any related obligations or expectations. The guideline sets thresholds for the value of acceptable and unacceptable gifts and benefits. It also advises employees on how to assess various situations and provides information on how to report any suspicions of violations. The Bank's Compliance department is responsible for implementing the guideline. Any irregularities are reported in accordance with the guideline for whistleblowing.

### Guideline for whistleblowing

The Bank of Åland works proactively to detect and prevent serious breaches of internal and external regulations or serious



misconduct in its operations in order to promote good corporate governance principles and maintain a high standard of business ethics. Preventive work is viewed as a fundamental issue of trust in the Bank. As part of its proactive work, and in compliance with legal requirements, the Bank maintains a reporting channel to draw attention to irregularities, so-called whistleblowing. This is described in the Bank's guideline for whistleblowing. The purpose of the whistleblowing guideline is to describe the procedure for reporting irregularities through the Group's whistleblowing channel. Employees and others working for the Bank can report any suspicions of regulatory violations or serious misconduct in the Group company's operations. In order for employees to feel confidence in the whistleblowing system, the process ensures privacy and freedom from liability, as well as providing protection against retaliation. The guideline for whistleblowing shall be established and updated regularly by the Managing Director, but responsibility for implementation of the guideline rests with the Bank's Internal Auditing department. Reports of irregularities received through the external system are handled by an internal investigation team. The composition of this team is intended to ensure independence and objectivity. Internal Auditing may, if necessary and while respecting confidentiality, turn to other individuals whose expertise and information are deemed necessary for the investigation of a case.

### **Policy for handling claims and complaints**

The Bank's policy for handling claims and complaints regulates how feedback and complaints from customers, prospective customers or former customers are to be dealt with in compliance with applicable legislation. In addition to the Bank's obligation to register and report expressions of dissatisfaction from customers, we believe that a good and fair response helps to maintain customers' trust in the Bank. This policy is applied at the Bank of Åland, excluding Crosskey and Ålandsbanken Fondbolag. With regard to claims, units appointed by the Managing Director are responsible for ensuring that the processes and procedures for handling claimed are followed.

Ålandsbanken Fondbolag has established its own policy for handling claims and complaints. The purpose of the policy is to regulate how claims and complaints from customers, prospective customers or former customers are to be dealt with at the fund management company. A good and fair response to claims and complaints from customers helps to promote and maintain customers' trust in Ålandsbanken Fondbolag. The company shall thus have effective procedures in place to be able to process complaints about fund operations correctly and as quickly as possible. The Board of Directors of Ålandsbanken Fondbolag establishes the policy on a regular basis and the company's Managing Director is responsible for its implementation and for compliance with the policy.

### **Cybersecurity**

The Bank of Åland's ability to protect itself against cyberthreats is based on an information security framework that consists of identifying, protecting, detecting, reacting and restoring. In addition to our own regulations, we comply with the rules of the Finnish and Swedish Financial Supervisory Authorities.

### **Operational risk policy**

The Bank of Åland's operational risk policy establishes principles for the management of operational risks at the Bank of Åland and Ålandsbanken Fondbolag. The policy includes, among other things, information security, continuity and preparedness, as well as security and management of risks based on external factors such as fraud. The Managing Director is responsible for establishing more detailed guidelines and responsibilities and ensuring that these companies have sufficient authority and resources to manage operational risks. The policy is supplemented by guidelines that set out procedures.

### **Information security guideline**

The Bank of Åland's information security guideline establishes procedures for ensuring information security at the Bank.

Responsibility for information security lies with the Managing Director of each respective company within the Group.

Crosskey has a separate guideline, whose purpose is to create direction and support for compliance with information security in keeping with both business and statutory requirements. The guideline covers all employees at Crosskey as well as external parties.

### **Personal data**

The Bank of Åland processes personal data in order to provide its services. The Bank also processes information about its customers' banking transactions, which must be protected under banking secrecy. Customer due diligence and the ability to ensure this processing are important in day-to-day operations as well as in the prevention of money laundering, terrorist financing and financial crime, but also to respect the personal privacy of customers.

### **Policy for processing personal data**

The purpose of this policy is to regulate the processing of personal data at the Bank of Åland and to ensure that the General Data Protection Regulation (GDPR) is complied with in its operations. All processing of personal data should be lawful and fair and be carried out in a way that benefits people. The underlying purpose of protecting individuals when processing their personal data is specified in the so-called fundamental principles set out in the General Data Protection Regulation (GDPR). By actively ensuring fair treatment and a high level of protection for personal data processing, the risk of violating individual privacy is reduced. This will also strengthen trust in the Bank. The principles must be complied with in all processing of personal data, and the Bank must also be able to show that the principles are followed in its operations. The Data Protection Officer monitors compliance and reports to management. The DPO conducts internal controls and holds regular training to ensure that the processing of personal data complies with GDPR and internal regulations. The Managing Director of each respective Bank of Åland company is responsible for compliance with the policy.



The Bank also has a privacy policy specifically aimed at its customers and published on its website, where the Bank describes its handling of personal data and how customer data is to be protected in compliance with the GDPR.

### Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery

Our work to identify, combat and counteract bribery and corruption at the Bank of Åland is laid down in an internal set of rules on, among other things, business entertainment, sponsorship and gifts. The Bank also follows industry-wide recommendations. Bribery and corruption are criminal acts, but our preventive work against bribery and corruption is in many cases also a matter of trust. As a player in the banking and financial service industry, we are responsible for maintaining a special trust from the public. The Bank's system for preventing and detecting corruption and bribery is based on its three lines of defence, supplemented by training and a whistleblowing system.

The first line of defence includes everyone at the Bank who is responsible for carrying out its day-to-day operational work, while the second line of defence is responsible for supporting the first line of defence in risk and regulatory compliance work, monitoring and challenging the outcome of the organisation's work, and continuously following up and evaluating regulatory compliance and risk exposure. The third line of defence includes the Internal Auditing department, which provides the Board of Directors and the Executive Team with objective, independent assessments of the Bank's activities, operational and management processes, and the Group's risk management, governance and controls.

The main preventive tool is training. A mandatory digital training course on bribery and corruption was held for all employees in all departments of the Bank of Åland and Ålandsbanken Fondbolag in 2023. Crosskey was not covered by this training, and at present there is no equivalent course at that company. The Group's Executive Team also underwent bribery and corruption training in 2023. Since all Bank employees were covered by

this bribery and corruption training, everyone has been covered regardless of the risk level in their operations. The digital training course was 30 minutes long and covered the topics of bribery and corruption in the Bank's operating environment, delimitation issues, preventive work, impacts and whistleblowing.

To detect potential incidents, monitoring takes place according to established internal rules, but there is no specific monitoring of gifts. There is an internal system for deviation reporting and a whistleblowing channel through which incidents detected by anyone can be reported.

To deal with detected incidents, there is a process for receiving Internal Auditing reports and an independent Internal Auditing investigation team including relevant external individuals.

Procedures for escalation of cases are documented in the Bank's internal auditing policy and guidelines for internal investigations. Investigation findings that reveal significant incidents must be reported without delay to the appropriate decision-maker by the head of the Internal Auditing department or the General Counsel.

The Bank of Åland publishes internal policies on the intranet, where employees have access to them. In the event of changes, employees are informed by a notification on the intranet that updates are available. There are also links to policy documents in the digital training course that is carried out.

### Preventive work related to crime-fighting and information security

We prevent and take measures to proactively keep 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 in combating all forms of financial crime.

The Bank of Åland's ability to protect itself against cyberthreats is based on an information security framework consisting of identifying, protecting, detecting, responding and restoring. We work

proactively to combat cyberthreats and raise awareness among employees. The Bank's Information Security Officer provides employees and systems owners with support and advice on security issues. In addition to our own regulations, we follow the rules of the Finnish and Swedish Financial Supervisory Authorities. An IT audit of the Bank's systems is conducted every year. The Bank also follows internal regulations on how we process personal data with a good level of security. We have processes in place to prevent access and unauthorised use of both personal data and the equipment used for data processing. During 2024, the focus was on digital operational resilience. The Bank continuously trains its employees in information security.

Crosskey works with cybersecurity on many levels – everything from training its employees, ensuring that our working methods support developments in a way that includes cyber-security and implementing various technical solutions. All these are continuously developed and updated, since cybersecurity is not a static position but requires continuous improvement.

In general, the Bank of Åland can be said to aim for a security level at the forefront of our industry to ensure functioning operations. Cyberattacks can lead to serious consequences for the Bank. The Bank wishes to minimise the risk of major financial losses and reputational damage while maintaining good customer protection.

### Disclosure Requirement G1-4 – Incidents of corruption or bribery

Due to the absence of officially reported incidents concerning the Bank of Åland's employees, information on measures, metrics and targets focuses on prevention. With regard to corruption and bribery, the Bank's main action is preventive work including employee training. The Bank's Compliance department has a plan specifying what training should be provided, which includes the area of ethics, including bribery and corruption. Training on corruption and bribery is provided regularly, and all employees of the Bank of Åland and Ålandsbanken Fondbolag are covered.



### Number of incidents, corruption and bribery

The number of convictions for violation of anti-corruption and anti-bribery laws	0
The amount in EUR of fines for violation of anti-corruption and anti-bribery laws	0

### Training in prevention of bribery and corruption, 2023

Number of people offered training	640
Number of people who completed training	622
Number of people who completed training, %	55
Type and duration of training	
Computer-based training (number of hours)	0.5
Frequency of training	Regularly
Topics covered	
How bribery and corruption are defined	X
Identifying bribery and corruption in operations	X
Internal regulations	X
Prevention work	X
How to report violations	X
Final test	X



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# Facts on Bank of Åland shares

## Share capital

The share capital of the Bank of Åland is EUR 42,029,289.89. The shares are divided into 6,476,138 Series A shares and 8,890,781 Series B shares. Each Series A share represents twenty (20) votes and each Series B share one (1) vote at shareholders' meetings. The Articles of Association stipulate that no representative at a General Meeting may vote for more than one fortieth of the number of votes represented at the Meeting.

In March 2024, the Annual General Meeting decided to authorise the Board of Directors to decide on the issuance of shares, option rights and other special rights entitling their holders to shares, as provided by the Finnish Companies Act, Chapter 10, Section 1. The authorisation concerns Series B shares. The total number of shares that may be issued with the support of the authorisation may not exceed 3,000,000 Series B shares. The authorisation covers one or more issues in exchange for payment or without payment and may also cover divestment of the Company's own shares. The authorisation replaces all of the Annual Meeting's earlier unused authorisations of shares, option rights and other special rights entitling their holders to shares. The Board's mandate is in force until March 26, 2029. So far, 22,912 shares (as of December 31, 2024) have been issued as authorised, and consequently an additional 2,977,088 Series B shares may be issued or divested on the basis of the authorisation.

## Shares as part of variable compensation programmes

Newly issued or purchased Series B shares in the Bank are paid as part of the Bank of Åland's incentive programmes. In the spring of 2024, the Bank disbursed 14,411 newly issued Series B shares. In March 2025, about 7,000 Class B shares will be disbursed. Another approximately 31,000 Series B shares will be disbursed as a deferred portion of incentive programmes during the years 2026–2029, provided that the criteria for disbursement are fulfilled. The number of shares will depend on the share price on the disbursement date.

## Share savings programme

The Board of Directors of the Bank of Åland approved two share savings programmes for all Group employees, the 2022/2023 and 2023/2024 share savings programmes. The share savings programmes gave employees the opportunity to save part of their monthly salary to invest in the Bank of Åland's Series B shares. Participation in the share savings programme was voluntary. Employees could 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 employees were offered the opportunity to subscribe for Series B share at a price that is 10 per cent lower than the average price during the calendar month prior to each respective share issue. The programmes ran for one

year. Three years after each issue, the Bank of Åland will distribute one matching share for each share acquired in the directed issues to those who have participated in the issues and who are still employed by the Group and who have the issued shares in their possession.

In 2024, the Bank of Åland issued 44,721 Series B shares to fulfil the Bank's commitments within the framework of the 2023/2024 share savings programme. The number of matching Series B shares to be issued in 2026 and 2027 is estimated at 86,000.

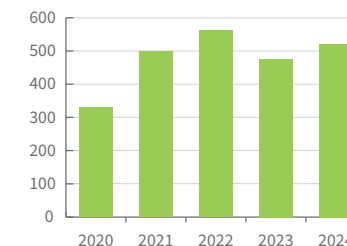
## Trading in the Bank's shares

During 2024, the volume of trading in the Bank's Series A on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) was EUR 4.5 M. Their average price was EUR 34.52. The highest quotation was EUR 39.60, and the lowest EUR 30.60. Trading in Series B shares totalled EUR 16.9 million at an average price of EUR 34.17. The highest quotation was EUR 38.20, the lowest EUR 30.90.

On December 31, 2024, the number of registered shareholders was 14,968, and they owned 14,058,435 shares. There was also a total of 1,308,484 shares registered in the names of nominees. The number of directly registered shareholders increased by 6 per cent during 2024.

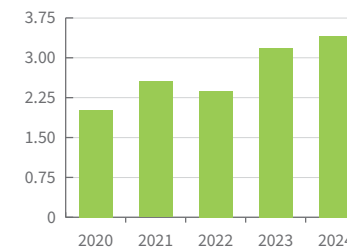
## Market capitalisation

EUR M



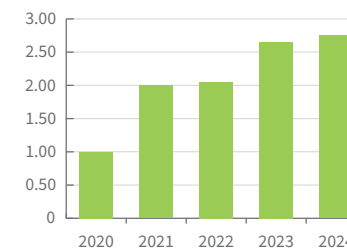
## Earnings per share

EUR



## Dividend per share

EUR



<sup>1</sup> Proposed by the Board of Directors for approval by the Annual General Meeting.



### Changes in share capital

	Share capital, EUR	Number of Series A shares	Number of Series B shares
2024	42,029,289.89	6,476,138	8,890,781
2023	42,029,289.89	6,476,138	8,831,649
2022	42,029,289.89	6,476,138	8,777,709
2021	42,029,289.89	6,476,138	9,126,165
2020	42,029,289.89	6,476,138	9,109,916

### The ten largest shareholders

	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	21.65	29.77
2 Nordea Bank Abp (nominee registered shares)	1,062	924,490	925,552	6.02	0.68
3 Alandia Försäkrings Abp (insurance company)	754,908	52,632	807,540	5.26	10.95
4 Fennogens Investments S.A.	616,764	165,467	782,231	5.09	9.03
5 Pensionsförsäkringsbolaget Veritas (pension insurance company)	123,668	265,754	389,422	2.53	1.98
6 Chilla Capital	277,500	0	277,500	1.81	4.01
7 Lundqvist Ben	273,795	0	273,795	1.78	3.96
8 Oy Etra Invest Ab (investment company)	0	225,000	225,000	1.46	0.16
9 Svenska Litteratursällskapet i Finland rf (literary society)	208,750	0	208,750	1.36	3.02
10 Nordea Life Assurance Finland Ltd	0	176,100	176,100	1.15	0.13

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

### Shareholders by size of holding

Number of shares	Number of shareholders	Total number of shares held	Average holding	Voting power, %
1–100	8,081	313,110	39	1.6
101–1,000	5,628	1,897,008	337	7.8
1,001–10,000	1,154	2,833,518	2,455	12.0
10,001– <i>of which nominee-registered</i>	105	10,323,283 <i>1,308,484</i>	98,317	78.6 <i>1.3</i>



## Shareholders by category

	Number of shares	% of shares
Private individuals	6,130,705	39.9
Companies	4,197,066	27.3
Financial institutions and insurance companies	1,780,977	11.6
Non-profit organisations	615,836	4.0
Government organisations	19,031	0.1
Foreign investors	1,314,820	8.6
Nominee-registered shares	1,308,484	8.5
<b>Total</b>	<b>15,366,919</b>	<b>100.0</b>

## Bank of Åland shares traded, Helsinki Stock Exchange

		Thousands of shares	Volume as % of shares	Price paid, EUR: highest/lowest	Average price, EUR
2024	A	129	2.0	39.60–30.60	34.52
2024	B	495	5.6	38.20–30.90	34.17
2023	A	166	2.6	41.70–30.30	34.17
2023	B	416	4.7	41.60–30.40	34.44
2022	A	283	4.4	40.40–27.30	33.21
2022	B	1,154	13.1	39.60–27.90	33.19
2021	A	321	5.0	33.20–22.40	28.42
2021	B	1,094	12.0	32.20–20.80	26.25
2020	A	198	3.1	21.80–14.90	18.71
2020	B	1,141	12.5	21.20–13.55	18.22





Bank of Åland share data	2024	2023	2022	2021	2020
Number of shares, thousands <sup>1</sup>	15,367	15,308	15,254	15,602	15,586
Number of shares after dilution, thousands	15,492	15,415	15,321	15,636	15,634
Average number of shares, thousands	15,341	15,292	15,526	15,559	15,579
Earnings per share, EUR <sup>2</sup>	3.41	3.18	2.37	2.55	2.02
Earnings per share after dilution, EUR	3.39	3.17	2.37	2.55	2.02
Regular dividend per share, EUR	2.40 <sup>3</sup>	2.40	1.60	1.55	1.00
Extra dividend per share, EUR	0.35 <sup>3</sup>	0.25	0.45	0.45	
Regular dividend as % of profit <sup>4</sup>	70.5	75.5	66.4	60.7	49.5
Extra dividend as % of profit <sup>4</sup>	10.3	7.9	18.7	17.6	
Equity capital per share, EUR <sup>5</sup>	19.95	19.98	18.85	19.39	18.76
Equity capital per share after dilution, EUR	19.87	19.97	18.92	19.41	18.76
Market price per share, closing day, EUR					
Series A	35.00	31.20	37.60	32.60	21.60
Series B	33.10	31.00	36.20	31.50	20.90
Price/earnings ratio <sup>6</sup>					
Series A	10.3	9.8	15.9	12.8	10.7
Series B	9.7	9.7	15.3	12.3	10.3
Effective dividend yield, % <sup>7</sup>					
Series A	7.9	8.5	5.5	6.1	4.6
Series B	8.3	8.5	5.7	6.3	4.8
Market capitalisation, EUR M	520.9	475.8	561.3	498.6	330.3

1	Number of registered shares minus own shares on closing day	4	Dividend per share	6	Share price on closing day
			Earnings per share		Earnings per share
			× 100		
2	Shareholders' interest in profit for the accounting period	5	Shareholders' portion of equity capital	7	Dividend
	Average number of shares		Number of shares on closing day		Share price on closing day
					× 100
3	Proposed by the Board of Directors for approval by the Annual General Meeting				



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## Consolidated income statement

Bank of Åland Group		2024	2023
EUR K	Note		
Interest income		204,091	195,096
Interest expenses		-99,941	-95,444
<b>Net interest income</b>	G7	<b>104,150</b>	<b>99,653</b>
Commission income		117,361	110,334
Commission expenses		-40,974	-33,376
<b>Net commission income</b>	G8	<b>76,386</b>	<b>76,958</b>
IT income		35,076	28,635
Net income from financial items carried at fair value	G9	-585	-2,950
Share of income in associated companies		745	-543
Other operating income	G10	581	520
<b>Total income</b>		<b>216,353</b>	<b>202,273</b>
Staff costs	G11	-87,872	-81,308
Other costs	G12	-47,137	-41,636
Statutory fees	G13	-5	-3,245
Depreciation/amortisation and impairment losses on tangible and intangible assets	G26, G27	-12,306	-12,177
<b>Total expenses</b>		<b>-147,319</b>	<b>-138,367</b>
<b>Profit before impairment losses</b>		<b>69,033</b>	<b>63,906</b>
Net impairment loss on financial assets	G14	-4,010	-2,161
<b>Net operating profit</b>		<b>65,023</b>	<b>61,745</b>
Income taxes	G15	-12,767	-13,070
<b>Net profit for the period</b>		<b>52,255</b>	<b>48,674</b>
Attributable to:			
Non-controlling interests		-2	2
<b>Shareholders in Bank of Åland Plc</b>		<b>52,257</b>	<b>48,672</b>
Earnings per share, EUR	G16	3.41	3.18
Earnings per share after dilution, EUR	G16	3.39	3.17

## Consolidated statement of comprehensive income

Bank of Åland Group		2024	2023
EUR K	Note		
<b>Profit for the accounting period</b>		<b>52,255</b>	<b>48,674</b>
Cash flow hedges			
Changes in valuation at fair value		1,008	1,952
Assets measured via other comprehensive income			
Realised changes in value		2,819	9,834
Transferred to the income statement		-1,123	-151
Translation differences			
Gains/losses arising during the period		-3,655	983
Taxes on items that have been or may be reclassified to the income statement	G15	-541	-2,327
<b>Items that have been or may be reclassified to the income statement</b>		<b>-1,491</b>	<b>10,291</b>
Changes in value of equity instruments		-12,787	-10,478
Translation differences		-1,071	78
Re-measurements of defined benefit pension plans	G44	963	-1,967
Taxes on items that may not be reclassified to the income statement	G15	2,981	2,860
<b>Items that may not be reclassified to the income statement</b>		<b>-9,914</b>	<b>-9,506</b>
<b>Other comprehensive income</b>		<b>-11,405</b>	<b>784</b>
<b>Total comprehensive income for the period</b>		<b>40,850</b>	<b>49,459</b>
Attributable to:			
Non-controlling interests		-2	2
<b>Shareholders in Bank of Åland Plc</b>		<b>40,853</b>	<b>49,457</b>



## Consolidated balance sheet

Bank of Åland Group		2024	2023
EUR K	Note		
<b>Assets</b>			
Cash and deposits with central banks		289,877	351,011
Debt securities	G20	804,441	826,043
Lending to credit institutions	G21	30,326	31,479
Lending to the public	G22	3,575,645	3,859,054
Shares and participations	G23	36,646	40,147
Shares in associated companies	G24	7,477	6,761
Derivative instruments	G25	21,462	27,258
Intangible assets	G26	21,227	20,932
Tangible assets	G27	45,337	36,702
Investment properties	G27	287	294
Current tax assets		1,391	2,362
Deferred tax assets	G28	6,828	4,759
Other assets	G29	32,522	81,713
Accrued income and prepayments	G30	51,362	52,993
<b>Total assets</b>		<b>4,924,829</b>	<b>5,341,507</b>
<b>Liabilities</b>			
Liabilities to credit institutions	G31	78,298	400,508
Deposits from the public	G32	3,521,392	3,594,757
Debt securities issued	G33	811,881	817,275
Derivative instruments	G25	4,258	15,414
Current tax liabilities		2,222	3,423
Deferred tax liabilities	G28	32,695	35,182
Other liabilities	G34	52,441	59,250
Provisions	G35	2,849	1,775
Accrued expenses and prepaid income	G36	52,318	47,097
Subordinated liabilities	G37	30,514	31,501
<b>Total liabilities</b>		<b>4,588,869</b>	<b>5,006,182</b>

Bank of Åland Group		2024	2023
EUR K	Note		
<b>Equity capital and non-controlling interests</b>			
Share capital	G38	42,029	42,029
Share premium account		32,736	32,736
Reserve fund		25,129	25,129
Hedge reserve		807	–
Fair value reserve		–9,402	–529
Translation differences		–13,491	–8,979
Unrestricted equity capital fund		32,121	30,184
Retained earnings		196,592	185,314
<b>Shareholders' portion of equity capital</b>		<b>306,522</b>	<b>305,885</b>
Non-controlling interests' portion of equity capital		14	16
Holder of additional Tier 1 capital		29,424	29,424
<b>Total equity capital</b>		<b>335,960</b>	<b>335,325</b>
<b>Total liabilities and equity capital</b>		<b>4,924,829</b>	<b>5,341,507</b>



## Statement of changes in equity capital

Bank of Åland Group												
EURK	Share capital	Share premium account	Reserve fund	Hedge reserve	Fair value reserve	Translation difference	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Noncontrolling interests' portion of equity capital	Holders of additional Tier 1 capital	Total
<b>Equity capital, Dec 31, 2022</b>	<b>42,029</b>	<b>32,736</b>	<b>25,129</b>	<b>-1,561</b>	<b>107</b>	<b>-10,025</b>	<b>28,455</b>	<b>170,727</b>	<b>287,597</b>	<b>14</b>	<b>29,424</b>	<b>317,035</b>
Profit for the period								48,672	48,672	2		48,674
Other comprehensive income				1,561	-636	1,046		-1,187	784			784
Transactions with owners												
Tier 1 capital instrument dividends								-1,924	-1,924			-1,924
Dividends paid to shareholders								-31,330	-31,330			-31,330
Incentive programme							271		271			271
Share savings programme							1,459	355	1,814			1,814
<b>Equity capital, Dec 31, 2023</b>	<b>42,029</b>	<b>32,736</b>	<b>25,129</b>	<b>0</b>	<b>-529</b>	<b>-8,979</b>	<b>30,184</b>	<b>185,314</b>	<b>305,885</b>	<b>16</b>	<b>29,424</b>	<b>335,325</b>
Profit for the period								52,257	52,257	-2		52,255
Other comprehensive income				807	-8,873	-4,511		1,172	-11,405			-11,405
Transactions with owners												
Tier 1 capital instrument dividends								-2,008	-2,008			-2,008
Dividends paid to shareholders								-40,662	-40,662			-40,662
Incentive programme							522		522			522
Share savings programme							1,416	517	1,933			1,933
<b>Equity capital, Dec 31, 2024</b>	<b>42,029</b>	<b>32,736</b>	<b>25,129</b>	<b>807</b>	<b>-9,402</b>	<b>-13,491</b>	<b>32,121</b>	<b>196,592</b>	<b>306,522</b>	<b>14</b>	<b>29,424</b>	<b>335,960</b>

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



## Consolidated cash flow statement

Bank of Åland Group	2024	2023
EUR K		
Cash flow from operating activities		
Net operating profit	65,023	61,745
Adjustment for net operating profit items not affecting cash flow		
<i>Depreciation/amortisation and impairment losses on intangible and tangible assets</i>	12,306	12,177
<i>Net impairment losses on financial assets</i>	4,243	2,406
<i>Unrealised changes in value</i>	1,733	4,533
<i>Accrued surpluses/deficits on debt securities and bonds issued</i>	2,481	7,773
<i>Defined benefit pension plans</i>	206	292
Income taxes paid	-13,264	-8,971
Increase (-) or decrease (+) in receivables from operating activities		
<i>Debt securities</i>	31,316	185,759
<i>Lending to credit institutions</i>	5,105	13,387
<i>Lending to the public</i>	247,839	453,813
<i>Other assets</i>	45,518	-73,288
Increase (+) or decrease (-) in liabilities from operating activities		
<i>Liabilities to credit institutions</i>	-317,361	-33,924
<i>Deposits from the public</i>	-42,072	-591,915
<i>Debt securities issued</i>	-20,903	-4,093
<i>Other liabilities</i>	-13,503	31,317
<b>Cash flow from operating activities</b>	<b>8,667</b>	<b>61,012</b>
Cash flow from investing activities		
Investment in shares and participations	-3,071	-1,811
Investment in tangible assets	-11,677	-4,098
Divestment of tangible assets	69	104
Investment in intangible assets	-4,214	-4,765
<b>Cash flow from investing activities</b>	<b>-18,893</b>	<b>-10,571</b>

Bank of Åland Group	2024	2023
EUR K		
Cash flow from funding activities		
Share issue	1,937	1,730
Payment of principal on lease liability	-5,412	-4,841
Increase in subordinated debentures	-	17,955
Decrease in subordinated debentures	-	-17,714
Dividend paid	-40,662	-31,330
Interest paid on Tier 1 capital instruments	-2,008	-1,924
<b>Total cash flow from financing activities</b>	<b>-46,145</b>	<b>-36,123</b>
Exchange rate differences in cash and cash equivalents	-1,390	101
<b>Change in cash and cash equivalents</b>	<b>-57,760</b>	<b>14,420</b>
Cash and cash equivalents at beginning of year	343,432	329,012
Cash flow from operating activities	8,667	61,012
Cash flow from investing activities	-18,893	-10,571
Cash flow from funding activities	-46,145	-36,123
Exchange rate differences in cash and cash equivalents	-1,390	101
<b>Cash and cash equivalents at end of year</b>	<b>285,672</b>	<b>343,432</b>
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	259,926	321,981
Lending to credit institutions that is repayable on demand	25,746	21,451
<b>Total cash and cash equivalents</b>	<b>285,672</b>	<b>343,432</b>

“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. “Funding activities” refers to items among equity capital and liabilities that fund operating activities. The analysis was prepared according to the indirect method.

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



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# Notes to the consolidated financial statements

(EUR K)

## G1. Corporate information

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

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

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

A copy of the consolidated financial statements can be obtained from the Head Office or from the Bank's website [www.alandsbanken.fi](http://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, 2024 were approved by the Board of Directors on February 25, 2025 and will be submitted to the 2025 Annual General Meeting for adoption. The Annual General Meeting has the opportunity to adopt or abstain from adopting the financial statements.

## G2. Accounting principles

### 1. Basis for the report

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

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

### 2. Changes in accounting principles

The essential accounting principles used in preparing the annual financial statements are the same as those used in preparing the financial statements for the year ending December 31, 2023.

Other changes in accounting rules adopted during 2024 have had no major effect on the Group's financial position, earnings, cash flow or disclosures.

#### 2.1. Accounting standards that have been issued but not yet applied

The International Accounting Standards Board (IASB) has published IFRS 18, "Presentation and disclosure in financial

statement"s, which is not yet applied by the Bank of Åland. The standard, which replaces IAS 1, will apply from January 1, 2027 and mainly introduces new requirements for the structure of the income statement and disclosures on certain performance measures. The impact on the Group's financial statements is currently being evaluated.

The IASB has published amendments related to the classification and measurement of financial instruments in IFRS 9 and IFRS 7. The amendments primarily provide guidance in the assessment of contractual cash flows in financial assets which include terms and conditions that are dependent on future events and related disclosure requirements. These amendments will apply from January 1, 2026. Their impact on the Group's financial statements is currently being evaluated.

#### 2.2 Upcoming changes in regulations

A number of new standards and interpretations will enter into force for financial years beginning after January 1, 2025. These upcoming changes in regulations are not expected to have any material effect on the Group's financial position, earnings or disclosures.

### 3. Significant accounting principles

#### 3.1 Presentation of financial reports

Financial statements consist of a balance sheet, an income statement, a statement of comprehensive income, a statement of changes in equity capital, a cash flow statement and notes. Their purpose is to provide information about the position, financial performance and cash flows of a company that is useful in making economic





decisions. Financial statements also present the results of the management team's administration of the resources entrusted to them.

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

### 3.2 Principles of consolidation

The consolidated financial statements are prepared in compliance with IFRS 10, "Consolidated financial statements" and encompass the Parent Company, the Bank of Åland Plc – including its Swedish branch, Ålandsbanken Abp (Finland), svensk filial – and all subsidiaries that the Parent Company controls. When assessing whether a controlling interest exists, potential voting rights are considered as well as whether de facto control exists. All intra-Group receivables, liabilities, income and expenses, including dividends and unrealised internal earnings, have been eliminated in the consolidated financial statements.

The proportion of equity capital and profit for the financial year in subsidiaries that is attributable to non-controlling interests are removed and shown as separate items in the Group's income statement and balance sheet. Losses attributable to non-controlling interests are also allocated in cases where non-controlling interests will be negative.

The consolidated financial statements include those associated companies in which the 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. When the Group's proportion of an associated company's losses equals or exceeds its holding in the associated company, including any receivables without collateral, the Group recognises no further losses, unless the Group has assumed legal or informal obligations or made payments on behalf of the associated company.

Joint operations and joint ventures are collaborative arrangements in which the Bank of Åland and one or more business partners are entitled to all economic benefits related to an operation's

assets and obligations for its liabilities. Mutual property and housing companies have been classified as joint operations. The Group recognises assets, liabilities, income and expenses based on its proportion of these. All intra-Group receivables, liabilities, income and expenses – including dividends and unrealised intra-Group profits – have been eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associated companies are eliminated to an extent equivalent to the Group's proportion of ownership in the company, but only to the extent that there is no impairment.

### 3.3 Items in foreign currencies

The consolidated financial statements are prepared in euros (EUR), which is the reporting and functional currency of the Parent Company, Bank of Åland Plc. The functional currency of the Group's operations outside Finland may diverge from the Group's reporting and functional currency. 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 are recognised in "Other comprehensive income". Non-monetary items that are recognised at fair value are translated according to the exchange rate when fair value was established. Other non-monetary items have been translated at the exchange rate on the transaction date.

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

operations are realised, at which time they are reclassified from the translation reserve in equity capital to the income statement.

### 3.4 Recognition of assets and liabilities in the balance sheet

The purchase and sale of shares, money and capital market instruments and derivatives in the spot market are recognised on the transaction date. Other financial assets and liabilities are normally recognised on the settlement date.

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.

Financial assets and liabilities are offset and recognised as a net amount in the balance sheet if the Bank has a contractual or legal right and intention to settle the items with a net amount or to simultaneously sell the asset and settle the liability. Further disclosures about offsetting of financial assets and liabilities are provided in Note G47.

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

### 3.5 Classification of financial assets and liabilities

#### 3.5.1 General financial assets

Financial instruments are classified in the balance sheet on different lines depending on who the counterparty is, for example the public or a credit institution. If the financial instrument has no specific counterparty, or when it is quoted in a market, these financial instruments are classified in the balance sheet as various types of securities. Financial liabilities where the creditor has a lower priority than others are classified in the balance sheet as "Subordinated liabilities".



### 3.5.2 Classification and measurement

Financial assets are classified on the basis of the business model that is used by the Bank of Åland to manage the assets and on the basis of their contractual cash flow qualities and are grouped into one of the following categories: measured at amortised cost or measured at fair value through the income statement.

Financial assets are measured at amortised cost when they are held within a business model for the purpose of collecting contractual cash flows and these cash flows are only principal payments and interest on the outstanding amount, such as lending that is part of the Bank of Åland's operational activities. Financial assets are measured at fair value through the income statement if they are kept within a business model for the purpose of both collecting contractual cash flows and sales. A breakdown of the classes of financial assets and liabilities reported in the balance sheet with respect to measurement category is presented in Note G17.

Derivatives are reported on separate lines in the balance sheet together with contractual accrued interest, either as an asset or as a liability depending on whether the contract has a positive or negative fair value. All derivatives are recognised at fair value in the balance sheet. Realised and unrealised gains or losses are recognised in the income statement on the line "Net gains and losses on financial items at fair value". Accounting principles for hedge accounting are applied where derivatives are identified as a hedging instrument. See section 3.8.

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

On the first recognition date, all financial assets and liabilities are recognised at fair value. For assets and liabilities at fair value

via the income statement, transaction costs are directly recognised in the income statement on the acquisition date.

For other financial instruments, transaction expenses according to the effective interest method are included in cost.

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

### 3.5.3 Financial assets recognised at amortised cost

Recognised in the category "Financial assets and liabilities recognised at amortised cost" are interest-bearing financial assets that the Group holds as part of a business model whose aim is to hold financial assets for the purpose of receiving contractual cash flows. On predetermined dates, the contractual terms for the financial asset give rise to cash flows that are only payments of capital amounts and interest on the capital amount outstanding. On the first recognition date, these assets are recognised at fair value, including transaction costs directly attributable to the acquisition of the financial asset. Fair value normally consists of the amount paid, including fees and commissions. The accrued cost is the amount at which the financial asset is recognised on the first recognition date minus repayments, plus accrued interest, plus or minus accumulated accruals using the effective interest method on any difference between the original amount and the amount at maturity adjusted for any loss reserve. See also section 3.7 Impairment losses on loans and accounts receivable.

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

Financial assets are measured at fair value through other comprehensive income if they are held under a business model whose objectives can be achieved both by obtaining contractual cash flows and by selling financial assets, and their contractual terms give rise at specified times to cash flows that are only principal payments and interest on the outstanding principal. This measurement category includes debt securities that are initially reported at cost in the balance sheet and are then measured at

fair value. The change in value is reported in other comprehensive income less deferred tax. In the event of divestment or write-down, the share of the accumulated profit that was previously reported in other comprehensive income is transferred to the income statement. Impairment testing of financial assets in this valuation category is carried out according to the model based on expected credit losses. See section 3.7. At the time of divestment, accumulated income previously recognised under other comprehensive income is reclassified to the income statement under "Net gains and losses on financial items at fair value".

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 – the fair value reserve – is transferred to retained earnings. Dividends are recognised in the income statement.

### 3.5.5 Financial assets recognised at fair value via the income statement

All financial assets that are not classified as measured at amortised cost or fair value via other comprehensive income are measured at fair value via the income statement.

### 3.5.6 Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include those that are not measured at fair value through the income statement. Such financial liabilities are recognised at fair value on the transaction date, including transaction costs directly attributable to the liabilities, and are thereafter measured at amortised cost calculated according to the effective interest method.



### 3.5.7 Reclassification of financial instruments

A financial liability is classified at fair value through the income statement if it is classified as a holding for trading purposes or as a derivative, or if it has been identified as such on the first date of recognition. In this category, the Bank of Åland reports derivatives that are not hedged. Financial liabilities measured at fair value through the income statement are recognised on the first accounting date, on the transaction date and in subsequent measurements at fair value and net gains and losses, including interest expenses, are recognised in the income statement. Interest expenses and foreign exchange gains and losses are recognised in the income statement. Gains or losses on removal from accounting are also recognised in the income statement.

### 3.5.8 Reclassification of financial instruments

Financial assets are generally not reclassified after the first date of recognition. The provisions of IFRS 9 only allow reclassification for certain financial assets and only in rare cases if the Bank of Åland should change its business model for the management of a portfolio of financial assets. No reclassification of financial assets took place during the 2024 financial year. Reclassification of financial liabilities is not permitted after the first date of recognition.

## 3.6 Principles for recognising financial assets and liabilities at fair value

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

The fair value of financial instruments that are traded in an active market is equal to the current market price. Such a market is regarded as active when listed prices are easily and regularly available in a regulated market, trading location, reliable news service or the equivalent, and where the price information received can easily be verified through regularly occurring transactions. As a rule, the current market price is equivalent to the current purchase price of financial assets or the current sale price of

financial liabilities. The current market price of groups of financial instruments that are managed on the basis of the Bank's net exposure to market risk equals the current market price that would be received or paid if the net position were divested.

In the case of financial assets for which reliable market price information is not available, fair value is determined with the help of measurement models. The measurement 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 measurement 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 section 4.3. Significant judgements and estimation uncertainty as well as note G18.

Day 1 gains or losses, that is, differences between transaction price and value according to a measurement model that arise on the first recognition date, are recognised in the income statement only in cases where the measurement model is based only on observable market data. Otherwise the difference is accrued over

the lifetime of the financial instrument. There were no Day 1 gains or losses during the accounting year.

### 3.6.1 Debt securities

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

### 3.6.2 Equity instruments

Shares listed in an active market are valued at market price. When measuring unlisted shares and participations, the choice of valuation model is determined by what is deemed suitable for that particular instrument. Holdings in unlisted shares mainly consist of shares with a connection to the Bank's business, such as strategic partnerships and holdings in land companies. As a rule, such holdings are valued at the Bank's proportion of net asset value in the company, which is regarded as constituting a reasonable estimate of fair value. In companies that have recently carried out a new share issue without preferential rights based on previous holdings, each share is valued at this issue price, with a deduction for share illiquidity.

### 3.6.3 Derivatives

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

## 3.7 Impairment losses on loans and accounts receivable

Impairment losses on loans and accounts receivable are



determined according to a model based on “expected credit loss” (ECL). This is based on changes in the credit risk of financial assets and consists of a three-stage model. Stage 1 consists of exposures that are performing without significantly higher credit risk being regarded as having occurred. Those exposures that 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 at least in Stage 2. Loans and accounts receivable that are defined as belonging to Stage 3 undergo impairment testing continuously and individually for each claim. 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.

Provisions for loan losses on financial assets that are measured at amortised cost are made in the balance sheet as a reduction in the recognised gross carrying amount of the asset. Provisions for guarantees issued and unutilised credit lines are recognised as liabilities. Impairment losses on loans and accounts receivable as well as realised loan losses are recognised in the income statement under “Net impairment loss on financial assets”. Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has expired or has been transferred and the Group has transferred virtually all risks and rewards associated with ownership to another party. An actual loss thus means that a loan or 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”.

### 3.7.1 Measurement of expected loan losses

For all exposures, the Group applies a credit rating model for calculating expected loan losses. These calculations are based on internally developed models (probability of default = PD, loss given default = LGD and expected exposure at default = EAD), which take into account both historical data and probability-weighted forward-looking scenarios. The Bank of Åland uses a macro model with three forecast scenarios – a base scenario that has a 50 per cent weighting, a negative scenario that has a 25 per cent weighting and a positive scenario that has a 25 per cent weighting. The forecast period in the scenario is three years. These forecasts are revised at least yearly. A 12-month probability of default (PD) indicates the probability that a given commitment will default within 12 months, while a lifetime PD (for the

remaining maturity) is equivalent to the probability that a given commitment will default during the entire remaining maturity of the financial asset. The PD model is based on historical data, the conditions that exist on the reporting date and future economic conditions that affect credit risk. Loss given default (LGD) is stated per commitment and is an estimate of the expected loss that the Group will incur assuming that the commitment defaults. The Group’s LGD model is based on historical data. Exposure at default ((EAD) refers to an estimated credit exposure at a future default date, taking into account expected changes in the credit exposure on the balance sheet date. The Group’s EAD model takes into account such factors as current contractual terms, assumptions about the honouring of guarantees, expected utilisation of credit limits and irrevocable off-balance sheet obligations.

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

### 3.7.2 Receivables with forbearance measures

“Receivables with forbearance measures” refers to loan receivables for which the Bank has granted the borrower concessions because of his/her obviously worsened financial situation, in order to avoid problems with the borrower’s repayment capacity and thereby maximise the repayment of the outstanding receivable. Concessions may include adjusted loan conditions, such as



postponed principal repayments, a reduced interest margin or an extended repayment period, or refinancing, which may mean that a loan has been fully repaid close to its original due date and in connection with this has been replaced with a new loan. When granting a concession on agreed loan conditions, the responsible decision maker shall assess the customer's financial situation. In case a concession is granted to the customer due to his/her deteriorating financial situation, the receivable shall always be transferred to Stage 2 (as long as there is no basis for divergent treatment due to statutory payment moratorium rules). When granting a concession, if it is deemed that full repayment of the receivables is unlikely unless the Group resorts to measures such as selling collateral or redeeming guarantees, the receivable is regarded as in default and is transferred to Stage 3. As long as it is only a matter of forbearance measures, i.e. the customer is not regarded as unlikely to make payments, the 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.

### 3.7.3 Judgements and estimates

The impairment model in compliance with IFRS 9 requires the Executive Team to make judgements and estimates and make assumptions that affect the application of accounting principles. See also section 4. Significant assessments and uncertainty in

estimates. The Bank of Åland uses expert adjustments to identify circumstances that are not fully covered by the risk models, and these can be done at both exposure and portfolio level. The expert adjustments to the credit loss provisions are still considered necessary and amounted to EUR 500 K (EUR 784 K as of December 31, 2023). The process for impairment testing for loans in stage 3 has not changed but instead follows the individual assessment procedure.

The Bank of Åland does not foresee a significant short- or medium-term 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.

## 3.8 Hedge accounting

The Bank of Åland applies hedge accounting in compliance with IFRS 9 and applies different hedging models depending on the purpose of the hedge.

### 3.8.1 Hedge accounting at fair value

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

measurable in a reliable way and is expected to remain and prove to have been very effective in offsetting changes in value during the reported periods.

### 3.8.2 Cash flow hedging

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

### 3.8.3 Hedging of net investments in foreign operations

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

Any ineffective portion is recognised in the income statement under "Net gains and losses on financial items at fair value". If a foreign operation is divested, the gain or loss that arises on the hedging instrument is reclassified from "Other comprehensive income" and recognised in the income statement. One prerequisite for applying hedge accounting is that the hedge is formally



identified and documented. Its effectiveness must be measurable in a reliable way and is expected to remain and prove to have been very effective in offsetting changes in value during the reported periods.

### 3.9 Intangible assets and goodwill

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

#### 3.9.1 Capitalisation of production for own use

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

#### 3.9.2 Amortisation

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

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

#### 3.9.3 Impairment losses

Assets are reviewed yearly to determine if there is any indication of impairment. If such an indication arises, the recoverable amount is determined as the asset's sale price or value in use, whichever is higher. Not yet completed development work is tested yearly for impairment, regardless of whether indications of loss of value have occurred. An impairment loss is recognised in

the income statement if the carrying amount exceeds net realisable value. A previously recognised impairment loss is reversed only if a significant change has occurred in the valuation basis for impairment testing. The carrying amount after reversal may not exceed the carrying amount before the impairment loss.

#### 3.9.4 Goodwill

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

### 3.10 Tangible assets

#### 3.10.1 For the Group's own use

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

#### 3.10.2 Depreciation

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

Buildings .....	40 years
Technical equipment in buildings .....	12 years
Renovation in rented customer premises .....	5 years
Renovation in other rented premises .....	10 years
Machinery and equipment .....	4–10 years
Other tangible assets .....	3–5 years
Right-of-use assets .....	1–9 years
Land is not depreciated.	

#### 3.11 Provisions

A provision is recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle

the obligation and when a reliable estimate of the amount can be made. The provision is calculated at the present value of estimated outflow. Provisions are tested on each closing day and adjusted as needed, so that they correspond to the current estimate of the value of obligations.

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

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

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

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

#### 3.12 Leases

IFRS 16 removes the lessor's requirement that lessees must distinguish between finance and operating leases and requires lessees to report a "right-of-use" asset and a lease liability for most leases in the balance sheet. 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.



### 3.12.1 Leases where the Bank of Åland is the lessee

When entering into a contract, the Bank determines whether the contract is, or includes, a lease – which is defined as an agreement that, during a certain period, transfers 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.

## 3.13 Revenue

### 3.13.1 Net interest income

Interest income and expenses on financial instruments are calculated according to the effective interest method. This method

recognises the income and expenses of the instruments evenly in relation to amounts outstanding during the period until the maturity date.

This calculation includes fees paid or received by the contractual parties that are part of effective interest, transaction costs and all other surpluses and deficits.

### 3.13.2 Net commission income

Income and expenses for various types of services are recognised in the income statement as “Commission income” and “Commission expenses”, respectively. Commission income is recognised when the service is performed, which occurs when control of the service is transferred to the customer and the Group fulfils its performance obligation. Reported as “Commission income” are brokerage commissions, various forms of asset management fees, payment intermediation commissions and debit card fees. Foreign exchange commissions connected to customers’ payments and securities trading are reported as payment intermediation commissions and securities commissions. Individual origination fees for loans and credit line commissions 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.

### 3.13.3 Net income from financial items at fair value

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

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

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

### 3.13.4 IT income and other income

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



expenditures will probably exceed total income for the project, the expected loss is immediately recognised as an expense. If the contract is cost- plus and based on price per hour, the income is recognised to the extent Crosskey is entitled to invoice the customer.

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

### 3.14 Employee benefits

#### 3.14.1 Pension liabilities

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

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

A defined benefit pension solution pays a pension based on salary and length of employment, which means that the employer bears essentially all risks in fulfilling the pension obligation. For a majority of its defined benefit pension plans, the Group has set

aside managed assets in pension funds or various kinds. Plan assets minus plan obligations in defined benefit pension plans are recognised in the balance sheet as a net asset. Actuarial gains and losses on pension obligations as well as returns that exceed the estimated returns on plan assets are recognised in “Other comprehensive income”.

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

### 3.15 Equity capital

#### 3.15.1 Holders of additional Tier 1 capital

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

### 3.16 Income tax

Income tax in the income statement includes current taxes for the Group based on taxable income for the year, together with tax adjustments for prior years plus changes in deferred (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.

### 3.17 Operating segments

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

### 3.18 Cash and cash equivalents

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

## 4. Significant judgements and estimation uncertainty

Preparation of financial statements in compliance with IFRSs requires the Executive Team to make judgements and estimates that affect the application of accounting principles and the recognised amounts of assets and liabilities, income and expenses as well as disclosures about commitments. Although these judgements and estimates are based on the best knowledge of the Executive Team about current events and measures at the time of





the judgement, the actual outcome may diverge from these judgements and estimates. Significant accounting judgements that were made when applying the Group's accounting principles were primarily related to impairment losses on loans and receivables. The sources of uncertainty which may lead to substantial adjustments in the following year's financial reports are described below.

#### 4.1 Measurement of loans and accounts receivable

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

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

#### 4.2 Actuarial calculations of pension obligations

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

#### 4.3 Financial instruments carried at fair value

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

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

#### 4.4 Measurement of goodwill

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

#### 4.5 Appraisal of investment properties and properties for own use

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

the assets are made by independent outside appraisers. For further information, see Note G27.

#### 4.6 Leases

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

#### 4.7 Measurement of deferred tax

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

#### 4.8 Share-based payment

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



## G3. The Group's risk management

### 1. Risks in the Bank's operations

#### 1.1 Risk profile and risk appetite

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

It is the responsibility of the Bank's Board of Directors and Executive Team to determine the appetite for all significant risks based on its overall business strategy. Risk appetite refers to the level of risk that can be accepted in order to achieve the Bank's strategic objectives. The Bank's risk appetite scale is low, medium and high.

##### 1.1.1 Profitability and capital risk

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

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

The Bank's appetite for profitability risk is medium. The Bank must focus its operations on markets and products where it is already active and that it is very familiar with. New markets and products can be entered into to a limited extent and, if desired, gradually expanded.

The Bank's appetite for capital risk is low. The Bank must hold sufficient equity capital to cover the risks that it may be exposed to and the losses that may occur if these risks materialise.

##### 1.1.2 Credit risk

*Credit risk* arises within the framework of lending operations and is a risk that the Bank chooses to take. Credit risk means the risk of losses because customers are unable to fulfil their commitments to the Bank and the collateral pledged for the exposure does not cover the Bank's claim.

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

The Bank's strategic direction, where the goal is to be a bank for all Åland residents and to actively contribute to the Åland community, means that the Bank accepts a higher risk profile in the Åland Business Area.

##### **Concentration risks in lending operations**

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

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

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

##### **Counterparty credit risk**

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

##### 1.1.3 Liquidity and funding risk

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

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



Table 1.1.1.1

## Risk profile by risk category

Risk type	Risk profile	Risk management
Profitability and capital risk	The Bank's operations are well-established and stable. New markets and products are introduced on a limited scale and then expanded over time. Costs due to changes in regulations and shifts in technology may affect the profitability of the Bank of Åland to a greater extent than that of other banks, since the Bank is a small market player. The Bank's appetite for capital risk is low. The Bank aims to maintain sufficient capital buffers to cover any risks that materialise.	The Board and Executive Team, as well as their respective committees, work continuously to identify and find suitable measures to manage business risk. Among other things, the Bank has entered various partnerships to diversify its sources of income and achieve cost allocation.
Credit risk	Credit risk, including integrated ESG risks, arises within the framework of lending activities. Credit risk means the risk of losses because a customer is unable to fulfil its obligation to the Bank and the collateral provided for the exposure does not cover the Bank's claim. Within the framework of lending operations, the Bank lends to both private individuals and companies. Corporate lending generally involves higher risk than lending to private individuals. The Bank's lending shall be made on a sustainable basis and an assessment of climate-related physical, and transition risks shall be taken into account as part of credit risk and of monitoring risk appetite. The Bank's strategic direction, with the goal of being a bank for all Åland residents and actively contribute to the Åland community, i.e. to assume its social responsibility, means that the Bank accepts a slightly higher risk profile in the Åland Business Area. In general, the Bank's appetite for credit risk is low.	The Board establishes the framework for lending and credit risk management. The size and risk level of the loan 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. The Bank's credit risk is also managed using limits established by the Board – for example, maximum exposure to certain economic sectors and counterparties. Counterparties (primarily financial institutions) are managed through an evaluation process that primarily focuses on the institution's credit rating and other relevant key figures, plus risk limits.
Liquidity and funding risk	Liquidity risk is a dynamic risk that may change rapidly. Since the Bank of Åland is a small market player, these changes may greatly affect its access to liquidity. The Bank endeavours not to be dependent on funding sources for its lending operations other than customer deposits and covered bonds, but it can utilise unsecured capital market funding when market prices make this appropriate.	The Board establishes the framework of liquidity and funding risk management. Day-to-day liquidity management occurs in the Bank's Treasury department. Liquidity and funding risk is managed primarily by means of a well-diversified borrowing structure and a liquidity reserve containing high-quality assets. The risk profile is also regulated using limits established by the Board.
Market risk	Interest rate risk in the banking book is structural in nature and is regarded as a significant but manageable risk. Foreign exchange risk is primarily of a structural nature and mainly occurs in Swedish kronor via the Bank's Swedish branch.	The Board establishes the framework of market risk management. Day-to-day market risk management occurs in the Treasury department. Interest rate risks are managed by using limits for net interest income risk and the risk of changes in value, as well as by using derivatives. Foreign exchange risks are limited primarily by matching and through limits.
Non-financial risk	The Bank of Åland's risk profile for non-financial risks aims to identify and manage these risks at a level that corresponds to the nature, risk appetite and capacity of the business, with the aim of minimising the likelihood of significant loss or reputational damage. The Bank's risk appetite for regulatory compliance, information security and business-critical processes and systems is low. No non-financial risk shall pose a threat to activities subject to official authorisation or threaten consumer protection for Bank customers.	The Bank of Åland shall aim for a high level of risk awareness and a healthy risk culture. The first line of defence has the main responsibility for risk management, while the second line of defence, consisting of the Operational Risks & Security and Compliance departments, provides backup through regulations and training. Continuity plans ensure the functioning of business operations in the event of disruptions, and the NPAP process is used in product development to avoid inadvertent risk-taking. The Bank's insurance policies protect it against risks that have materialised. Data protection and information security are adapted to current threat scenarios. The Executive Team and Board are briefed regularly to ensure an informed decision-making process and to maintain customers' trust.
ESG risk	ESG risk is identified as a material risk but does not constitute a separate risk area. Instead, it must be integrated into all risk management.	The task of improving ESG risk management is continuous and should be integrated into the relevant risk areas. The Bank has also set climate targets and has a climate strategy that was established by the Board.



### 1.1.4 Market risk

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

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

*Foreign exchange risk* refers to the risk of unfavourable value changes in assets and liabilities because of movements in the exchange rates of currencies to which the Bank is exposed. The Bank's appetite for foreign exchange risk is low. The Bank holds a structural currency position in Swedish krona, subject to official permission, which aims to protect the Bank's common equity Tier 1 capital ratio against exchange rate changes. This structural currency position, which originates from the operations of the Bank's Swedish branch, is long-term. Active decisions are taken to manage the risk.

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

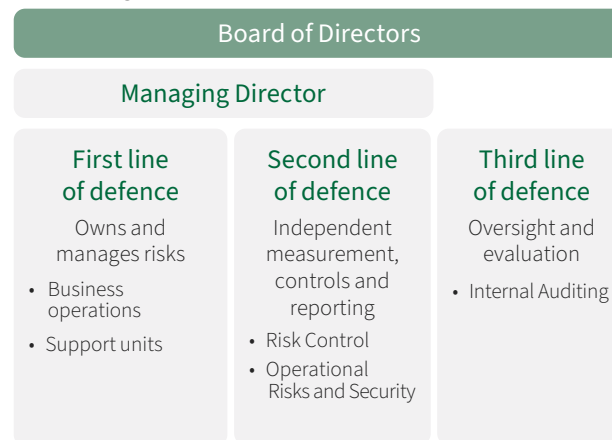
### 1.1.5 Operational risks

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

### 1.1.6 Climate risks

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

## 1.2 Risk organisation



### 1.2.1 The Board of Directors

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

### 1.2.2 The Managing Director and Executive Team

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

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

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

### 1.2.3 The three lines of defence

The Bank is organised according to the principle of three lines of defence, which is the starting point for how responsibility linked to internal governance and controls is distributed in the organisation. This means that the Bank maintains appropriate and independent control units that review, ensure and report whether internal governance and controls are well-functioning and effective, and that laws and regulations are being followed.

#### *The first line of defence*

The first line of defence includes everyone in the Bank's operations who is responsible for carrying out day-to-day operational work, i.e. risk owners in the Bank's business areas, Treasury and



associated support units in the Bank and in its respective subsidiaries. They are all responsible for the risk that arises in their own day-to-day operations, which means that risk-taking must comply with given frameworks and that there are processes for measurement and control.

### ***The second line of defence***

The second line of defence includes internal control units, comprising a risk control function and a regulatory compliance function. The second line of defence is responsible for providing backup to the first line of defence in its risk and regulatory compliance work, monitoring and challenging the outcome of the Bank's operations and continuously following up and evaluating regulatory compliance and risk exposure. The units that comprise the second line of defence functions must continuously report the overall risk situation and any identified deficiencies to the Executive Team and the Board.

The risk control unit consists of the Risk Control department, which monitors risks in the Bank's activities and is responsible for regularly producing reports on significant risks related to these activities. Risk Control must be independent in relation to the activities to be controlled and shall not participate in the management of the risks being controlled.

The regulatory compliance unit consists of the Compliance department, which must monitor and actively work to ensure regulatory compliance within the unit's areas of responsibility. Compliance must further identify and report what risks exist because the Bank does not fulfil its obligations according to applicable laws, rules, standards and regulations.

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

### ***The third line of defence***

The third line of defence consists of Internal Auditing, which is a central and Group-wide department directly subordinate to the Board of Directors. The purpose of internal auditing shall be to objectively provide the Board and Executive Team with independent assessments of the Bank's activities, operational and management processes, the Group's risk management, governance and controls. The Internal Auditing department must be independent of both the first and second line of defence's activities, units and departments.

## **1.3 Risk management model**

The Bank must have well-functioning risk management and controls that are on a par with the direction, range and complexity of the Bank's operations and its Risk Appetite Framework. Risk management and controls must also be compatible with laws and regulations.

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

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

## **2. Capital management**

### **2.1 Capital and capital requirements**

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

### **2.1.1 Capital**

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

More specifically, CET1 capital 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.

### **2.1.2 Capital needs**

The Bank's capital needs for credit risks from lending to the public are calculated according to the internal ratings-based (IRB) approach. For all other exposure categories, including equity exposures, the Bank uses the standardised approach to calculate the capital requirement. 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 arise from trading on behalf of customers. The Bank carries out no trading for its own account. The Bank applies the small trading book exemption,



since its trading book is below threshold values 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 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.

### 2.1.3 Capital requirements

Capital requirements are divided into Pillar 1 requirements, Pillar 2 requirements and combined buffer requirements.

According to the Pillar 1 requirements in Article 92 of the CRR, banks must have sufficient own funds to always fulfil the following requirements in relation to the risk exposure amount:

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

Aside from the Pillar 1 capital requirement, the Bank must hold additional capital to cover other risks that are not covered under Pillar 1. This constitutes the Bank's Pillar 2 capital requirement. The capital requirement according to Pillar 2 is assessed annually by the Bank through the Internal Capital Adequacy Assessment Process (ICAAP), the results of which are then determined or adjusted by the Financial Supervisory Authority through the Supervisory Review and Evaluation Process (SREP). In the SREP evaluation, national authorities can impose additional capital requirements on banks for these other risks. Three quarters of the Pillar 2 requirement must be covered by primary capital, of which three quarters by common equity Tier 1 (CET1) capital.

### 2.2 Combined buffer requirements

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

Since April 1, 2024, the Finnish Financial Supervisory Authority has applied a systemic risk buffer of 1.0 per cent.

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

### 2.3 Capital position

Considering the capital requirements according to Pillar 1, the most recently assessed capital requirements for Pillar 2 and the combined buffer requirement, the Bank of Åland's CET1 capital level as of December 31, 2024 must total at least 9.3 per cent for dividend restrictions not to occur. Corresponding minimum ratios regarding Tier 1 and total capital level were 11.0 and 13.3 per cent, respectively. Compared to the previous year, the Bank's minimum capital requirement has increased because of increased countercyclical buffer requirements.

At year-end, the Bank's CET1 capital ratio amounted to 14.5 per cent (13.7), which means that the Bank had a CET1 capital buffer of 5.1 percent (3.9), or EUR 84.5 M.

The Bank's total capital ratio increased from 17.1 to 18.1 per cent.

#### 2.3.1 Own funds

Compared to the previous year, the Bank's CET1 capital fell slightly, amounting to a total of EUR 237.7 M (242.7).

During the year, equity capital changed by the period's profit of EUR 52.3 M, other comprehensive income of EUR -11.4 M, issuance of new shares within the framework of incentive programmes of EUR 0.5 M and share savings programmes of EUR 1.9 M, a dividend paid to shareholders of EUR 40.7 M and a dividend paid on Tier 1 capital instruments of EUR 2.0 M. Equity capital amounted to EUR 336.0 M (335.3) as of December 31, 2024.

Unlike Common Equity Tier 1 capital, supplementary capital is not as available to cover losses under the regulatory framework. The Group's supplementary capital consists mainly of T2 instruments it has issued. At year-end, these amounted to EUR 30.5 M. Where applicable, supplementary capital may also include expected losses in excess of the book impairment of the IRB-approved portfolio, up to a maximum of 0.6 per cent of the risk exposure amount calculated in accordance with the IRB approach.

#### 2.3.2 Capital requirements

At year-end 2024, the Bank's total risk exposure amount was EUR 1,643 M, compared to EUR 1,774 M at the previous year-end. The risk exposure amount for credit risk decreased by EUR 131 M or 7.4 per cent.

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

The capital requirement for operational risk was EUR 23.7 M, compared to EUR 21.3 M at the end of 2023.

Table 2.3.2 shows the Group's capital adequacy position according to Pillar 1.



Table 2.3.1.1

Own funds	2024	2023
EUR K		
Equity capital according to the balance sheet	306,518	305,864
Foreseeable dividend	-42,259	-40,566
<b>Common equity Tier 1 capital before deductions</b>	<b>264,259</b>	<b>265,298</b>
Intangible assets	-15,602	-14,020
Non-controlling interests	-14	-16
Cash flow hedges	-807	0
Other items, net	-48	-89
Additional value adjustments	-575	-577
Expected losses according to the IRB in excess of book (deficit)	-9,519	-7,817
<b>Common equity Tier 1 capital</b>	<b>237,694</b>	<b>242,779</b>
Additional Tier 1 capital	29,424	29,424
<b>Tier 1 capital</b>	<b>267,118</b>	<b>272,203</b>
Tier 2 capital instruments	30,514	31,543
<b>Tier 2 capital</b>	<b>30,514</b>	<b>31,543</b>
<b>Total own funds</b>	<b>297,632</b>	<b>303,746</b>

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

Table 2.3.2.1

Capital adequacy	2024	2023
EUR K		
Common equity Tier 1 capital	237,694	242,779
Additional Tier 1 capital	29,424	29,424
Tier 2 capital	30,514	31,543
<b>Total own funds</b>	<b>297,632</b>	<b>303,746</b>
Capital requirement for credit risks according to IRB approach	37,657	37,963
Additional capital requirements, IRB approach	13,648	13,844
Capital requirements for credit risks according to the standardised approach	56,377	65,136
Capital requirements for market risks	0	3,651
Capital requirements for creditworthiness adjustment risk	51	70
Capital requirements for operational risks	23,703	21,258
<b>Total capital requirement</b>	<b>131,437</b>	<b>141,921</b>
<b>Risk exposure amount</b>	<b>1,642,956</b>	<b>1,773,827</b>
Capital ratios, %		
Common equity Tier 1 capital ratio	14.5	13.7
Tier 1 capital ratio	16.3	15.3
Total capital ratio	18.1	17.1
Capital buffer requirements, %		
Total common Equity Tier 1 capital requirement including buffer requirement	9.3	8.5
<i>Of which common equity Tier 1 capital requirement under Pillar 1</i>	<i>4.5</i>	<i>4.5</i>
<i>Of which common equity Tier 1 capital requirement under Pillar 2</i>	<i>0.6</i>	<i>0.6</i>
<i>of which capital conservation buffer requirement</i>	<i>2.5</i>	<i>2.5</i>
<i>of which countercyclical capital buffer requirement</i>	<i>0.8</i>	<i>0.9</i>
<i>Of which systemic risk buffer requirement</i>	<i>1.0</i>	<i>0.0</i>
<b>Common equity Tier 1 capital available to be used as a buffer</b>	<b>14.5</b>	<b>13.7</b>

Table 2.3.2.2

**Breakdown by exposure classes**

EUR K	Original exposure	Exposure at default	Risk weight, %	Risk exposure amount	Capital requirement
Credit risk, IRB approach					
Without own estimates of LGD					
Corporate – other large companies	198,463	171,998	57	97,862	7,829
Corporate – SMEs	285,047	258,095	51	131,149	10,492
Corporate – Specialised lending	0	0	0	0	0
With own estimates of LGD					
Retail – secured by real estate property (non-SMEs)	1,817,272	1,805,239	10	174,548	13,964
Retail – secured by real estate property (SMEs)	122,810	119,215	23	26,878	2,150
Retail – other, SMEs	32,648	32,024	19	6,162	493
Retail – other, not SMEs	330,636	268,872	13	34,119	2,730
<b>Total exposures, IRB approach</b>	<b>2,786,877</b>	<b>2,655,443</b>	<b>18</b>	<b>470,718</b>	<b>37,657</b>
Credit risk, standardised approach					
Central governments or central banks	310,135	387,264	0	0	0
Regional governments or local authorities	60,410	100,877	0	0	0
Public sector entities	28,217	28,204	0	0	0
Multilateral development banks	81,605	87,713	1	1,000	80
International organisations	4,007	4,007	0	0	0
Institutions	183,302	148,165	26	37,822	3,026
Corporate exposures	580,862	230,714	90	207,193	16,575
Retail exposures	247,501	77,192	73	56,219	4,497
Secured by mortgages on immovable property	518,147	517,958	32	165,890	13,271
Exposures in default	6,318	5,337	122	6,532	523
Covered bonds	546,542	546,491	10	56,727	4,538
Collective investments undertakings (CIU)	1,230	1,230	139	1,712	137
Equity exposures	42,304	42,304	174	73,509	5,881
Other items	107,928	107,928	91	98,109	7,849
<b>Total exposures, standardised approach</b>	<b>2,718,507</b>	<b>2,285,384</b>	<b>31</b>	<b>704,712</b>	<b>56,377</b>
<b>Total exposure</b>	<b>5,505,384</b>	<b>4,940,827</b>	<b>24</b>	<b>1,175,430</b>	<b>94,034</b>





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

### Leverage ratio

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

At year-end, the Bank's leverage ratio amounted to 5.3 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. T1 capital included profit for the period.

### 2.4 Profitability risk

The Bank's income is largely determined by volumes and customer margins for lending, deposits and assets under management. The greater its business volume and the higher its margins, the higher its income. The size of assets under management and related commission income is not determined solely by the net inflow of customers. Changes in the market value of customers' portfolios are also of great importance. Of the Bank's total expenses, staff costs make up just over half.

The Bank has a significant structural net interest income position, in which fixed interest rate lending and fixed interest rate bonds are funded by deposits and borrowing at variable interest

rates. Fixed interest rate lending is partly protected with the help of interest rate derivatives. The Bank's objective is not to achieve perfect protection against interest rate risk.

### 2.5 Internal capital adequacy assessment

The Internal Capital Adequacy Assessment Process (ICAAP) aims to analyse all risks in the Group's operations, and based on the results assess the capital requirement to ensure that the Group is sufficiently capitalised to cover all its risks, enabling it to conduct and expand its operations, both under normal and severely worsened business conditions. First, the process assesses whether the capital requirements under Pillar 1 are sufficient and, second, the level of the capital requirement for risks not covered under Pillar 1.

In the capital adequacy assessment that was performed based on the situation at year-end 2023, the Bank estimated the internally calculated capital requirement as EUR 24.9 M, equivalent to about 1.4 per cent of the risk exposure amount at year-end, compared to the P2R requirement which amounted to EUR 17.7 M.

In its latest review of the Bank's situation at the end of 2020, the Financial Supervisory Authority decided on additional capital requirements totalling 1.0 per cent. The reason why the Bank's internally assessed capital requirement is higher can largely be attributed to the significantly changed macroeconomic situation since the FSA made its assessment. Until further notice, the Bank will apply its internally assessed capital requirement as its total minimum capital requirement.

As part of ICAAP, the capital requirement is also examined by means of stress tests to ensure that capital ratios are maintained at a satisfactory level even in the event of an economic downturn.

## 3. Credit risk

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

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

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

### 3.1 Risk management

Loans be granted in a responsible manner and based on the customer's repayment capacity, i.e. ability to repay a debt in accordance with the agreed repayment plan. High interest rates or good collateral must not compensate for weak repayment capacity.

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

Credit decisions are made by individual decision-makers or bodies authorised to grant loans within a framework of established limits. The decision-making process is mainly governed by the total commitment of the customer or customer entity and any collateral deficit. The Credit Committee of the Executive Team makes decisions in credit matters where the total commitment of the customer entity is in the range of EUR 2–10 M. The Credit Committee includes, among others, the Managing Director, the Manager of the Åland

Table 2.3.3.1

Leverage ratio	2024	2023
EUR K		
Tier 1 capital	267,118	272,203
Total exposure metric	5,050,120	5,431,797
of which balance sheet items	4,969,714	5,310,008
of which off-balance sheet items	80,406	121,790
Leverage ratio, %	5.3	5.0



Business Area and the Bank's credit managers. The Bank's Board makes decisions in credit matters where the total commitment of the customer or customer entity exceeds the equivalent of EUR 10 M.

The Bank's Credit Scoring department makes sure that cases to be handled in a credit committee contain a comprehensive and accurate view of the customer's financial situation, future repayment capacity and the value of the collateral provided.

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

Credit risk control and reporting must be carried out independently of business operations. They are performed on an ongoing basis by the Bank's Risk Control department. Credit risk reporting at the Bank includes both reporting to the Bank's Executive Team and business units and the authorities.

### 3.1.1 Collateral management

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

Unsecured loans can be 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 conditions or covenants are established. These give the Bank extended rights to renegotiate or terminate the loan. Covenants may be financial or non-financial in nature. Financial covenants are generally based on various key financial figures, while non-financial ones may limit the customer's freedom of action.

Collateral can be provided as a pledged asset or a guarantee, but liens on real estate and financial collateral must mainly be used. Most loans granted to private individuals and companies have a home or other property as collateral.

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

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

### 3.1.2 Risk mitigation

Credit risk mitigation techniques in capital requirement calculation refer to the consideration of certain acceptable collateral that lowers the capital requirement for credit risk. The Bank of Åland regards residential real estate; guarantees issued by sovereigns, local authorities and institutions; deposits in the Bank or other banks; as well as financial collateral to be acceptable in the capital requirement calculation.

Residential real estate collateral used for credit risk mitigation must meet special requirements set by capital adequacy regulations to be accepted. This includes requiring regular independent appraisals of the collateral and requiring the value of the collateral to exceed the Bank's claim by a substantial amount.

For financial collateral, the Bank uses the comprehensive method. Eligible financial collateral according to capital adequacy regulations is volatility-adjusted as specified by the regulatory authority and affects the LGD parameter for exposures where the IRB approach is applied. For exposures where the capital

requirement is calculated according to the standardised approach, the exposure amount is instead reduced before exposures are risk-weighted.

By using guarantees issued by sovereigns 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 central 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 has also been granted permission to use guarantees issued by the European Investment Fund for a limited portfolio.

### 3.1.3 Credit concentration risk

Concentration risk includes risk resulting from large aggregate exposure to individual counterparties, industries, or geographic regions.

The Bank manages name and industry concentration risk in the loan portfolio by setting limits on individual counterparties and certain industries. For banks, statutory limits apply to concentrations of loans to individual customers or customer entities.

### 3.2 Risk measurement

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



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

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

### 3.2.1 Use of the internal approach for credit risk

The Bank applies the internal ratings-based (IRB) risk classification approach for calculating its regulatory capital requirement. This puts heavy demands on the Bank's management of credit risks and regulatory compliance, through the EU's Capital Requirements Regulation (CRR) and other regulations. All essential parts of the Bank's risk classification system and risk estimates must be approved by the Board or a committee appointed by the Board.

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

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

For companies in the retail portfolio, the official PD classification, comprising class number and class PD value, is determined based on a statistical regression model. For companies in the corporate portfolio, the official PD classification is determined through an annual qualitative assessment. It is based, among other things, on the PD classification proposed by the models.

For retail class exposures, the Bank makes its own LGD estimates (A-IRB), while for corporate class exposures it uses LGD values stated by regulators (F-IRB). The Bank's models for estimating LGD for these exposures are based on statistical analysis data on customers' repayment history.

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

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

The internal risk classification system is used, among other things, for pricing credit risk 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.

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

### 3.2.2 Use of the standardised approach for credit risk

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

Exposures managed according to the standardised approach are divided into exposure classes based on counterparty,

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

### 3.2.3 Credit risk according to IFRS 9

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

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

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

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

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

Generally, the Bank only uses specific and not group provisions.

### Default

Default occurs when an exposure or counterparty has either a confirmed probability of non-payment or a material past due



claim more than 90 days old. Probability of non-payment refers to a situation where it is unlikely that the debtor can fulfil its obligations towards the Bank, without the Bank needing to resort to measures such as selling collateral or collecting on guarantees.

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

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

#### **Forbearance**

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

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

#### **3.3 Credit risk exposure**

Table 3.3.1 shows lending to the public, distributed according to the economic sector and geographic location of the counterparty. The Bank has specifically identified lending to shipping and “other real estate” operations as segments within the loan portfolio that carry an increased credit risk. The Board has therefore set specific limits on lending to these segments.

Table 3.3.2 shows the credit quality of the Group’s credit risk exposures within lending to the public as well as off-balance sheet

items. Reported values before provisions or nominal amounts are distributed according to days past due and stage.

Receivables reported in Stage 3 in compliance with IFRS 9 at the end of 2024 were at a lower level than at the beginning of the year.

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

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

### **4. Counterparty credit risk**

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

Counterparty credit risk in Treasury operations mainly stems from the holding of bonds in the Bank’s liquidity portfolio. These are largely covered bonds and government bonds as well as securities issued by multilateral development banks. The Bank also holds a limited high yield portfolio consisting of securities issued by counterparties with lower or no credit ratings.

#### **4.1 Risk management**

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

The counterparties in the high yield portfolio have undergone an evaluation process with high quality requirements. For all counterparties, an estimate of creditworthiness is made on the basis of an analysis of the counterparty and its key financial

figures. The instruments mainly consist of debentures issued by companies in the European market. The high yield portfolio is subject to investment guidelines established by the Board.

Counterparty credit risk that arise from entering into derivative contracts is managed through netting agreements drawn up according to International Swaps and Derivatives Association (ISDA) standards, which allow receivables and liabilities under the same agreement with one counterparty to be offset against each other. In addition, Credit Support Annex (CSA) agreements are applied which regulate the exchange of collateral. To reduce credit risk exposure, central clearing is used for derivative instruments.

#### **4.2 Risk exposure**

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

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

The Group’s holdings of debt securities at the end of the year are also reported in note G20.

The Group’s derivative exposures at the end of the year are reported in note G25.

Table 3.3.1

**Credit risk exposure in lending to the public**  
**Gross exposure**

	2024			2023		
		of which counterparties in Finland	of which counterparties in Sweden		of which counterparties in Finland	of which counterparties in Sweden
EUR K						
Private individuals						
Housing	1,909,705	1,379,798	329,007	2,104,499	1,387,223	533,526
Securities and other financial investments	316,197	256,318	32,822	340,860	274,231	36,926
Business activities	61,511	52,319	667	77,148	68,736	726
Other household purposes	331,054	140,893	146,758	352,611	134,200	168,312
<b>Total private individuals</b>	<b>2,618,467</b>	<b>1,829,329</b>	<b>509,254</b>	<b>2,875,118</b>	<b>1,864,390</b>	<b>739,490</b>
Enterprises						
Shipping	16,470	2,961	13,493	20,190	4,731	15,074
Wholesale and retail trade	37,999	34,593	1,811	36,224	33,185	986
Housing operations	227,066	41,089	182,771	215,477	45,482	168,313
Other real estate operations	225,250	110,428	90,401	204,604	104,238	72,252
Financial and insurance operations	210,818	183,795	15,880	228,137	177,066	38,281
Hotel and restaurant operations	28,980	20,326	1,817	30,696	26,414	1,913
Agriculture, forestry and fishing	10,899	10,444	0	15,199	14,253	0
Construction	23,185	18,072	3,919	55,981	22,688	32,267
Other industrial operations	46,157	40,915	2,488	38,280	33,909	2,141
Other service operations	108,272	68,046	36,097	129,844	75,211	49,852
<b>Total enterprises</b>	<b>935,096</b>	<b>530,670</b>	<b>348,677</b>	<b>974,631</b>	<b>537,178</b>	<b>381,080</b>
Public sector and non-profit organisations	34,586	29,538	0	29,478	27,503	0
<b>Lending to the public</b>	<b>3,588,149</b>	<b>2,389,537</b>	<b>857,931</b>	<b>3,879,228</b>	<b>2,429,071</b>	<b>1,120,571</b>
Off-balance sheet commitments						
Unutilised lines of credit	499,544	216,869	252,110	801,295	185,084	572,559
Other commitments	22,582	17,378	5,203	36,983	20,631	16,052
<b>Total off-balance sheet commitments</b>	<b>522,125</b>	<b>234,248</b>	<b>257,313</b>	<b>838,277</b>	<b>205,715</b>	<b>588,611</b>



Table 3.3.2

Credit quality	2024			2023	
EUR K	Stage 1	Stage 2	Stage 3	Total	Total
Lending to the public					
Receivables without past-due amounts	3,177,657	234,067	29,588	3,441,313	3,740,246
Receivables with past-due amounts, 1–30 days	40,902	20,560	1,672	63,134	62,253
Receivables with past-due amounts, 31–60 days	40	6,359	1,003	7,402	5,830
Receivables with past-due amounts, 61–90 days	9	1,511	1,611	3,131	2,865
Receivables with past-due amounts, 90 days	46,676	1,924	24,568	73,169	68,033
<b>Gross balance sheet value</b>	<b>3,265,284</b>	<b>264,422</b>	<b>58,443</b>	<b>3,588,149</b>	<b>3,879,227</b>
Provision for expected loss	-545	-1,372	-10,587	-12,504	-20,174
<b>Net balance sheet value</b>	<b>3,264,739</b>	<b>263,050</b>	<b>47,856</b>	<b>3,575,645</b>	<b>3,859,053</b>
Unutilised lines of credit and guarantees					
Unutilised lines of credit	497,667	2,217	183	500,067	797,582
Guarantees	17,327	231	244	17,802	21,372
Other commitments	4,780	0	0	4,780	15,611
<b>Gross nominal value</b>	<b>519,773</b>	<b>2,448</b>	<b>427</b>	<b>522,649</b>	<b>834,565</b>
Provision for expected loss	-37	-1	-237	-276	-141
<b>Net balance sheet value (expected loss)</b>	<b>-37</b>	<b>-1</b>	<b>-237</b>	<b>-276</b>	<b>-141</b>

Table 3.3.3

Loans with forbearance measures	2024	2023
EUR K		
Lending to the public		
Receivables without past-due amounts and receivables with past-due amounts <= 30 days	38,955	41,436
Receivables with past-due amounts > 30 days	0	0
Defaulted receivables	22,361	19,738
<b>Gross balance sheet amount</b>	<b>61,316</b>	<b>61,174</b>



Table 3.3.4

Lending to the public by type of collateral				2024		2023	
EUR K	Stage 1	Stage 2	Stage 3	Total	Total		
Real estate	4,172,982	253,878	47,530	4,474,390	4,685,365		
Central and local government guarantees	122,547	15,679	3,462	141,689	143,023		
Other guarantees	5,575	1,451	583	7,609	40,253		
Financial collateral	717,700	23,015	5	740,720	847,440		
<b>Total</b>	<b>5,018,805</b>	<b>294,024</b>	<b>51,580</b>	<b>5,364,408</b>	<b>5,716,080</b>		

Table 4.2.1

Holdings of debt securities				2024		2023	
EUR K	Stage 1	Stage 2	Stage 3	Total	Total		
Debt securities recognised at accrued cost							
Gross balance sheet value	293,121	0	0	293,121	327,849		
Provision for expected loss	-25	-100	0	-125	-75		
<b>Net balance sheet value</b>	<b>293,095</b>	<b>0</b>	<b>0</b>	<b>292,995</b>	<b>327,774</b>		
Debt securities measured via other comprehensive income							
<b>Gross balance sheet value</b>	<b>511,446</b>	<b>0</b>	<b>0</b>	<b>511,446</b>	<b>475,723</b>		
<i>of which provision for expected losses</i>	<i>-60</i>	<i>0</i>	<i>0</i>	<i>-60</i>	<i>-82</i>		
<b>Net balance sheet value</b>	<b>511,446</b>	<b>0</b>	<b>0</b>	<b>511,446</b>	<b>475,723</b>		

The Group's holdings of debt securities at the end of the year are also reported in Note G19.

The Group's derivative exposures at the end of the year are reported in Note G24.



## 5. Market risk

### 5.1 Risk management

The 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 primarily of a structural nature. They are managed by the Bank's Treasury department. Positions are hedged when they enter the balance sheet and continuously in compliance with the principles established by Treasury. Decisions concerning equity risk are handled by the Board or by the Managing Director.

### 5.2 Risk measurement

#### 5.2.1 Interest rate risk

Interest rate risk arises primarily because interest-bearing assets and liabilities have different interest rate fixing periods and are thus repriced at different times. The Bank measures interest rate risk through sensitivity analyses of net interest income and the economic value of interest-bearing assets and liabilities in scenarios where the yield curve is stressed in different ways.

Table 5.2.1.1 shows interest-bearing assets and liabilities that fall due for a new interest rate refixing in each time interval, with the assumption that demand deposits mature on Day 1.

#### *Net interest income*

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

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 for the outcomes of the EBA stress scenarios.

#### *Economic value of equity*

EVE is measured as the sensitivity of the present value of all existing interest-bearing items. When calculating EVE, the Bank applies the same assumptions for the repricing period of demand deposits as for the NII model, according to EBA guidelines.

The repricing periods modelled according to the EBA guidelines are applied in the EBA supervisory outlier test, where the outcomes of its six stress scenarios are controlled in relation to the regulatory limit that is linked to the Bank's 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 calculates and limits an internal EVE model against comprehensive income at a +100 basis point shift.

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

#### 5.2.2 Foreign exchange risk

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

At year-end 2024, the Bank's foreign exchange exposure was EUR 0.8 M (2023: EUR 0.6 M). The bank also uses a statistical measure of risk in the Group's currency balance. Based on a VaR

analysis with a 95 percent confidence interval and a quarterly forecast horizon, the sensitivity as of year-end was approximately 14 thousand euros, compared to EUR 0.8 M of total currency risk exposure.

The bank holds a regulatory structural foreign exchange position in Swedish kronor, originating from its Swedish operations in branch form, aimed at protecting the Group's Common Equity Tier 1 (CET1) capital ratio against exchange rate fluctuations. The structural foreign exchange position in SEK is to be considered as Common Equity Tier 1 capital. The risk management strategy is based on hedging the Group's CET1 capital ratio by maintaining the CET1 capital ratio in SEK aligned with the Group's. The bank has obtained permission from the Finnish Financial Supervisory Authority (Finanssivalvonta) to exclude the structural foreign exchange position from the capital requirements calculation, up to a maximum open net position.

#### 5.2.3 Equity risk

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





Table 5.2.1.1

## Fixed interest periods for assets and liabilities

EUR K	December 31, 2024						Total	Total
	Up to 3 mo	3–6 mo	6–12 mo	1–5 yrs	Over 5 yrs	Other		
<b>Assets</b>								
Cash and balances with central banks	289,877	0	0	0	0	0	0	289,877
Debt securities	99,588	115,298	254,531	309,184	33,526	-7,685		804,441
Lending to credit institutions	28,255	0	0	0	0	2,071		30,326
Lending to the public	2,167,173	473,746	738,589	181,227	31,108	-16,201		3,575,643
<b>Total interest-bearing assets</b>	<b>2,584,893</b>	<b>589,044</b>	<b>993,120</b>	<b>490,411</b>	<b>64,634</b>	<b>-21,821</b>		<b>4,700,280</b>
<b>Liabilities</b>								
Liabilities to credit institutions	76,509	1,745	0	0	0	44		78,298
Deposits from the public	3,257,619	129,831	131,745	2,225	0	-28		3,521,392
Debt securities issued	142,358	93,361	22,000	550,000	0	4,162		811,881
Subordinated liabilities	30,544	0	0	0	0	-30		30,514
<b>Total interest-bearing liabilities</b>	<b>3,507,029</b>	<b>224,937</b>	<b>153,745</b>	<b>552,225</b>	<b>0</b>	<b>4,149</b>		<b>4,442,085</b>
Derivative instruments	-1,254,446	81,350	469,831	731,805	-28,100	0		440
<b>Difference between assets and liabilities</b>	<b>-2,176,582</b>	<b>445,456</b>	<b>1,309,207</b>	<b>669,990</b>	<b>36,534</b>	<b>-25,970</b>		<b>258,636</b>

Table 5.2.1.2

## Parallel shift in the yield curve

EUR K	December 31, 2024	
	Basis points +200	Basis points -200
NII	746	-8,370
EUR	-928	-4,054
SEK	1,673	-4,315
EVE	-9,401	-5,219
EUR	-13,485	3,410
SEK	4,084	-8,629



## 6. Liquidity and funding risk

### 6.1 Risk management

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

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

#### 6.1.1 Liquidity reserve

To ensure access to liquidity even during periods with no possibility of external borrowing, the Bank shall maintain a liquidity reserve that shall serve as an alternative source of liquidity at times of limited or non-existent opportunities to borrow money in the external capital market. The reserve must consist of short-term investments and investments in high-quality assets. The size of the reserve must be such that the Bank can withstand serious liquidity stress without having to change its business model and that the regulated Liquidity Coverage Ratio is complied with. See Table 6.1.1.1.

#### 6.1.2 Funding

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

One long-term goal is to ensure that deposits from the public account for more than 50 per cent of funding financing excluding equity capital. At the end of 2024, deposits made up roughly 80 per cent of the funding structure.

To manage concentration risks in the Bank's maturity structure, the Board has established a limit on maturing long-term capital market borrowing within a six-month period.

### 6.2 Liquidity risk measurement

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

#### 6.2.1 Liquidity coverage ratio and net stable funding ratio

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

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.

#### 6.2.2 Encumbered assets

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

In addition to home mortgage loans, the Bank has provided collateral for its own liabilities, payment systems, brokerage

operations and clearing in the form of government securities and bonds, mainly to central banks and credit institutions.

### 6.3 Internal liquidity assessment

Each year, the Bank conducts an internal liquidity assessment to ensure that its existing liquidity buffers are sufficient to ensure uninterrupted operations even during periods of stress. This is done through stress tests that are based on various scenarios to assess the effects these have on the Bank's liquidity assets and funding needs.

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

The internal liquidity assessment, which was carried out based on the situation in 2023, shows that the Bank has an optimised liquidity management system, but in the event of disturbances in the market the Bank may have to use new funding.



Table 6.1.1.1

Liquidity reserve	2024	2023
EUR K		
Cash and balances with central banks	289,877	351,011
Debt securities issued by sovereigns and public authorities	178,873	251,456
Covered bonds (minimum rating AA-)	535,649	449,268
Lending to credit institutions	22,068	21,451
Debt securities issued by financial companies	50,946	
<b>Total</b>	<b>1,077,413</b>	<b>1,073,185</b>
<i>of which LCR-qualified</i>	<i>930,809</i>	<i>1,012,181</i>

Since March 31, 2024, holdings of own covered bonds have no longer been part of the Bank's liquidity reserve.

Table 6.2.1.1

Liquidity coverage ratio (LCR)	2024	2023
EUR K		
Liquid assets, level 1	859,934	933,530
Liquid assets, level 2	70,875	78,651
<b>Total liquid assets</b>	<b>930,809</b>	<b>1,012,181</b>
Deposits from the public	150,406	147,410
Capital market funding	389,787	488,625
Other cash flows	267,926	117,650
<b>Cash outflows</b>	<b>808,119</b>	<b>753,684</b>
Inflows from fully performing exposures	45,165	67,376
Other cash inflows	213,706	37,614
<b>Total cash inflows</b>	<b>258,870</b>	<b>104,990</b>
Net cash outflow	549,249	648,694
Liquidity coverage ratio (LCR), %	169	156



Table 6.2.1

## Remaining maturity

EUR K	Undiscounted contractual cash flows December 31, 2024							Not classified by maturity	Total
	Repayable on demand	<3 mo	3–6 mo	6–12 mo	1–5 yrs	5–10 yrs	>10 yrs		
<b>Assets</b>									
Cash and deposits with central banks	289,877								289,877
Debt securities eligible for refinancing with central banks		50,524	177,224	182,657	356,813	31,673			798,891
Lending to credit institutions	30,326								30,326
Lending to the public	47,498	277,594	121,064	180,299	1,263,054	602,861	1,083,276		3,575,645
Other debt securities					5,550				5,550
Shares and participations								44,124	44,124
Derivative instruments		978	1,456	3,365	12,528	2,670	466		21,462
Intangible assets								21,227	21,227
Tangible assets								45,337	45,337
Investment properties								287	287
Other assets								92,103	92,103
<b>Total assets</b>	<b>367,701</b>	<b>329,095</b>	<b>299,744</b>	<b>366,320</b>	<b>1,637,945</b>	<b>637,205</b>	<b>1,083,742</b>	<b>203,078</b>	<b>4,924,829</b>
<b>Liabilities</b>									
Liabilities to credit institutions	39,900	36,652	1,745						78,298
Deposits from the public	2,978,886	278,705	129,831	131,745	2,225				3,521,392
Debt securities in issued		146,520	93,361	22,000	550,000				811,881
Derivative instruments		532	1,410	134	1,403	335	445		4,258
Other liabilities								142,526	142,526
Subordinated liabilities							30,514		30,514
Equity capital								335,960	335,960
<b>Total liabilities and equity</b>	<b>3,018,787</b>	<b>462,409</b>	<b>226,347</b>	<b>153,878</b>	<b>553,628</b>	<b>335</b>	<b>30,959</b>	<b>478,486</b>	<b>4,924,829</b>



Table 6.2.1.2

Net stable net financing ratio (NSFR)	2024	2023
EUR K		
Required stable funding (RSF) items		
High-quality liquid assets (HQLA)	78,288	110,017
Other liquid assets	0	1,288
Other securities	43,885	7,669
Performing loans and other receivables	2,651,161	2,652,022
Derivatives	19,848	38,650
Other assets	249,079	240,333
Off-balance sheet items	21,326	22,342
<b>Total required stable funding</b>	<b>3,063,586</b>	<b>3,072,321</b>
Available stable funding (ASF) items		
Own funds	324,197	325,671
Deposits from the public	2,166,619	2,199,869
of which stable deposits	1,361,135	1,360,236
of which less stable deposits	805,484	839,632
Deposits from other counterparties	574,322	561,351
Capital market funding	550,000	250,000
Other liabilities	0	0
<b>Total available stable funding</b>	<b>3,615,138</b>	<b>3,336,890</b>
Net stable funding ratio, %	<b>118</b>	109

Table 6.2.2.1

Encumbered assets			
EUR K	Emcumbered assets	Unencumbered assets	Total assets
Debt securities	31,316	773,125	804,441
Lending to the public	1,000,220	2,575,425	3,575,645
Other assets	6,553	379,236	385,789
Assets not eligible for encumbering		158,954	158,954
<b>Total</b>	<b>1,038,089</b>	<b>3,886,740</b>	<b>4,924,829</b>
Per cent of total assets	21	79	100

## ESG risks

ESG risks are those driven by environmental, social and governance factors. ESG risk is a risk driver in various financial areas where existing risks can be amplified or expanded in scope because of new risk drivers.

ESG risk refers to risks related to the environment, social responsibility and corporate governance, with climate risks deemed the most material risk driver in the short, medium and long term. ESG risk is addressed not as a separate risk type, but as a risk driver that should be integrated naturally into all risk management. ESG risks thus require that we develop our existing risk management framework to address the emerging risk drivers that climate change brings with it. Climate-related risks can primarily be divided into two categories: physical risks and risks related to societal transition.

*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 cause damage to properties 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, which implies longer-term changes such as altered precipitation patterns, increased average temperatures or rising sea levels.

*Transition risk* refers to risks that arise as a result of actions taken to achieve a transition to a sustainable economy. These can manifest themselves in many areas, but the main risk drivers are regulatory, technological or market-related. In general, actors whose operations are harmful to the climate will presumably have a higher exposure to transition risk. Actors that can quickly transition to sustainable production may benefit economically from this, while other actors are penalised for not having been able to adjust as quickly.

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



Forecasts about when climate-related risks may materialise vary for different actors. Transition-related risks may materialise relatively quickly, especially if the world is to succeed in achieving the established climate goals, while the risk of climate change becomes more significant if the transition to a sustainable economy has not been strict enough.

### 7.1 Credit risk

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

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

The Bank's corporate lending is allocated across different economic sectors and is mainly concentrated among businesses in Åland, on the Finnish mainland and in Sweden, but the Bank does not conduct any actual banking activities targeting companies on the Finnish mainland and in Sweden. Loans granted to companies in these geographic markets are usually closely connected to these companies' owners, who are Private Banking customers. Lending to these companies often funds financial and other investments in securities or real estate. Banking operations focusing on companies are conducted in Åland. The sectoral codes used in official statistics are inexact, making it hard to assess the

risk exposure of companies based on these codes alone. Companies also make different choices about their business investments and supply chains, which means they may be more exposed or less exposed to climate-related risks compared to other market players. A large proportion of risk exposure may be found elsewhere in the supply chain, for example in factories and during transport from developing countries.

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

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

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

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

Service sectors will presumably be less affected by climate change. One potential problem might be that buildings or facilities

are located where they are relatively often affected by heat waves or cold spells.

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

### 7.2 Market risk

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 implemented, this may impact share prices of companies that are expected to be affected. The price picture may also be affected as rating agencies consider more climate risk factors in their assessments.

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

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

### 7.3 Liquidity risk

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



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

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

#### 7.4 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 do 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 improving the Bank's performance from a sustainability perspective.

#### 7.5 Operational risk

Climate change may have an impact on the level of operational risk, for example in the event that extreme weather may force office closures or damage key resources such as data centres. Extreme weather may also make it difficult for individual

employees to travel to their workplace. Operational risks are identified by the Bank's operating 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 Non-financial risk

### 8.1 Risk management

The management of non-financial risks must ensure that significant non-financial risks are identified and managed at a sufficient level in relation to risk appetite and capacity. The likelihood of unforeseen significant losses or threats to reputation must be minimised.

Risk management mainly takes place in the first line of defence. The second line of defence provides backup to operations, among other things through internal training and internal regulations related to the management of operational risks and regulatory compliance. The Operational Risks & Security and Compliance departments form the Bank's second line of defence with respect to non-financial risks.

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

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

At Group level, insurance policies have been taken out to reduce the consequences of risks that have materialised. There are insurance policies for Board and Executive Team liability (Directors & Officers), operational liability (Professional Liability) and against criminal acts (Crime). In addition to these insurance policies, the companies in the Group have taken out company-specific insurance coverage.

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

The Executive Team and the Board are regularly informed about operational risks in the business so that this can be considered when making decisions. Adequate management of non-financial risks is important to secure trust in the Bank's operations, especially from the customer's point of view.

### 8.2 Risk mapping

Every year, the first line of defence maps its own ICT, process and employee risks as well as risks based on external factors (operational risks) through self-evaluation. Self-evaluations assess the probability and consequences if operational risks should materialise.

Operational risks that the second line of defence also deems high or very high 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. Operational action plans are followed up continuously.

At least once a year, Anti Money Laundering – Combating the Financing of Terrorism (AML-CFT) risk analyses are carried out. The results are reported to the Executive Team and the Board.

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



### 8.3 Non-financial risks

The Bank's Risk Appetite Framework describes the risk taxonomy for financial and non-financial risks. Non-financial risks are divided into ICT risk, process risk, employee risk, risks based on external factors, compliance risk and money laundering and terrorist financing risk.

#### 8.3.1 ICT risk

Information and communication technology (ICT) risk refers to risks related to the operability, performance, availability, resilience (including cyber), testing, release and data storage vulnerabilities and technology-related planning of both the Bank and third-party systems.

Information security risk refers to risks related to the confidentiality, integrity and availability of information. The Bank has implemented the EU's Digital Operational Resilience Act (DORA) regulatory framework that went into effect on January 17, 2025 and has thus developed processes and procedures to strengthen digital resilience.

#### 8.3.2 Employee risk

Employee risk refers to the application of employment contract regulation, inadequate employment relationships and inadequate safety at the workplace. The Bank is a small player with a wide range of services, which means that dependency on key personnel easily arises. Since there are many manual processes, the consequences of key person dependency increase. Structured recruitment processes and succession planning ensure continuity and minimise operational disruptions.

#### 8.3.3 Process risk

Process risk refers to risks connected to errors in process design, process implementation, process control and faulty project management. Process risk includes model risk, and this refers to design errors, implementation errors and errors in the use of the

model. By ensuring well-executed implementation, control and documentation of new and changed processes, process risk is reduced.

#### 8.3.4 Risks based on external factors

The category "risks based on external factors" includes outside risks to which the Bank is exposed. Risks based on external factors include fraud, natural disasters and geopolitical instability. The Bank performs work in the areas of continuity, information security, monitoring and cooperation with reliable partners. By integrating these efforts, the Bank can manage external risks such as fraud, technological threats and geopolitical changes.

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

#### 8.3.5 Third party risks

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

#### 8.3.6 Compliance risks

The Bank is subject to numerous regulations that make

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

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

Internal risk-mapping must always include compliance risks.

## 9. Coming changes in capital adequacy regulations

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

These changes include an amended standardised approach for credit risk that is more risk-sensitive, for example when it comes to exposures to households and real estate lending. The standardised risk weights for exposures secured by residential real estate will change from a uniform level of 35 per cent to a differentiated risk weight depending on the exposure to value (ETV) ratio. With generally low ETV values, the Bank's risk weights for loans with residential property as collateral, which are handled according to the standardised approach, are expected to decrease significantly.

A floor level (output floor) is being introduced for risk-weighted assets, which limits the ability of banks to lower their capital requirement through internal models. The output floor rule means that risk-weighted assets calculated on the basis of internal models are limited to at least the equivalent of 72.5 per cent of risk-weighted assets calculated on the basis of standardised approaches. The Group believes that its total risk exposure amount will not be affected by the output floor.





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

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

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

The changes also includes rules on managing and monitoring ESG risks in line with the EU's sustainable development strategy. It will require banks to systematically identify, publicise and manage ESG risks as part of their risk management. This includes recurrent climate stress testing, which will be conducted by both regulatory authorities and banks. The proposed measures will 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.

## 10. Further information

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



## G4. Segment report

2024

	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
Net interest income	42,684	57,206	-170	4,463	-34	104,150
Net commission income	53,369	16,675	-72	5,740	674	76,386
IT income			53,357	1,225	-19,506	35,076
Net income from financial items carried at fair value	172	139	-56	-843	2	-585
Other income	26	13	1,272	1,597	-1,582	1,326
<b>Total income</b>	<b>96,251</b>	<b>74,033</b>	<b>54,332</b>	<b>12,182</b>	<b>-20,446</b>	<b>216,353</b>
Staff costs	-21,739	-7,559	-30,085	-28,488		-87,872
Other expenses	-13,032	-4,887	-19,583	-26,746	17,111	-47,137
Statutory fees				-5		-5
Depreciation/amortisation	-361	-147	-4,004	-10,513	2,719	-12,306
Internal allocation of expenses	-26,585	-26,714		53,299		0
<b>Total expenses</b>	<b>-61,716</b>	<b>-39,307</b>	<b>-53,677</b>	<b>-12,449</b>	<b>19,830</b>	<b>-147,319</b>
<b>Profit before impairment losses</b>	<b>34,535</b>	<b>34,726</b>	<b>655</b>	<b>-267</b>	<b>-617</b>	<b>69,033</b>
Net impairment losses on financial assets	-1,256	-2,635		-119		-4,010
<b>Net operating profit</b>	<b>33,279</b>	<b>32,091</b>	<b>655</b>	<b>-386</b>	<b>-617</b>	<b>65,023</b>
Income taxes	-6,840	-6,579	37	614		-12,767
Non-controlling interests			2			2
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>26,439</b>	<b>25,512</b>	<b>694</b>	<b>228</b>	<b>-617</b>	<b>52,257</b>

2024

	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
Net commission income						
Deposits	199	937		177	0	1,313
Lending	521	1,704		19	0	2,243
Payment intermediation	1,673	7,040		3,466	-7	12,171
Mutual fund commissions	63,164	5,545		257	-5,654	63,313
Asset management commissions	17,568	1,447		-3	-188	18,825
Securities brokerage	11,424	922		1,065	0	13,411
Other commissions	192	2,493		3,429	-31	6,084
<b>Total commission income</b>	<b>94,742</b>	<b>20,087</b>	<b>0</b>	<b>8,412</b>	<b>-5,880</b>	<b>117,361</b>
Commission expenses	-41,373	-3,412	-72	-2,672	6,554	-40,974
<b>Total net commission income</b>	<b>53,369</b>	<b>16,675</b>	<b>-72</b>	<b>5,740</b>	<b>674</b>	<b>76,386</b>
Business volume, December 31						
Lending to the public	1,625,243	1,956,287		-2,501	-3,383	3,575,645
Deposits from the public	1,540,208	1,937,358		55,921	-12,094	3,521,392
Actively managed assets	9,755,009	848,974		12,111		10,616,094
Managed mortgage loans				3,080,348		3,080,348
Risk exposure amount	675,322	541,624	75,000	351,010		1,642,956
Equity capital	108,091	92,517	31,209	104,142		335,959
Financial ratios etc.						
Return on equity (ROE), %	26.9	31.3	2.5	0.3		17.9
Expense/income ratio	0.64	0.53	0.99	1.02		0.68



## G4. Segment report

2023

	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
Net interest income	45,161	48,743	-65	5,841	-26	99,653
Net commission income	54,181	17,019	-68	5,246	580	76,958
IT income			46,971	1,077	-19,414	28,635
Net income from financial items carried at fair value	51	-49	-80	-2,848	-24	-2,950
Other income	130	34	1,210	104	-1,501	-23
<b>Total income</b>	<b>99,522</b>	<b>65,747</b>	<b>47,968</b>	<b>9,421</b>	<b>-20,384</b>	<b>202,273</b>
Staff costs	-20,245	-6,954	-26,284	-27,825		-81,308
Other expenses	-12,865	-4,257	-16,933	-24,701	17,119	-41,636
Statutory fees	-1,397	-1,632		-217		-3,245
Depreciation/amortisation	-295	-167	-3,764	-10,695	2,743	-12,177
Internal allocation of expenses	-25,835	-23,970		49,805		0
<b>Total expenses</b>	<b>-60,637</b>	<b>-36,979</b>	<b>-46,981</b>	<b>-13,632</b>	<b>19,862</b>	<b>-138,367</b>
<b>Profit before impairment losses</b>	<b>38,887</b>	<b>28,768</b>	<b>986</b>	<b>-4,212</b>	<b>-524</b>	<b>63,906</b>
Net impairment losses on financial assets	115	-2,174		-102		-2,161
<b>Net operating profit</b>	<b>39,002</b>	<b>26,594</b>	<b>986</b>	<b>-4,314</b>	<b>-524</b>	<b>61,745</b>
Income taxes	-7,991	-5,448	-88	458		-13,070
Non-controlling interests			-2		0	-2
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>31,011</b>	<b>21,146</b>	<b>896</b>	<b>-3,856</b>	<b>-523</b>	<b>48,672</b>

2023

	Private Banking	Premium Banking	IT	Corporate and other	Eliminations	Total
<b>Net commission income</b>						
Deposits	213	969		216	0	1,398
Lending	691	1,938		16	-3	2,642
Payment intermediation	1,665	6,967		3,025	0	11,657
Mutual fund commissions	60,834	5,595		939	-6,363	61,005
Asset management commissions	15,935	1,589		11	-216	17,319
Securities brokerage	9,148	751		943	0	10,842
Other commissions	213	2,491		2,798	-31	5,470
<b>Total commission income</b>	<b>88,699</b>	<b>20,300</b>	<b>0</b>	<b>7,947</b>	<b>-6,613</b>	<b>110,334</b>
Commission expenses	-34,519	-3,281	-68	-2,701	7,193	-33,376
<b>Total net commission income</b>	<b>54,181</b>	<b>17,019</b>	<b>-68</b>	<b>5,246</b>	<b>580</b>	<b>76,958</b>
<b>Business volume, December 31</b>						
Lending to the public	1,749,942	1,984,315		126,890	-2,093	3,859,054
Deposits from the public	1,556,701	1,995,346		53,768	-11,059	3,594,757
Actively managed assets	9,037,867	727,323		11,203		9,776,392
Managed mortgage loans				2,715,628		2,715,628
Risk exposure amount	728,343	542,210	75,000	428,274		1,773,827
Equity capital	113,187	89,419	30,266	102,454		335,325
<b>Financial ratios etc.</b>						
Return on equity (ROE), %	30.0	26.9	3.4	-5.2		17.2
Expense/income ratio	0.61	0.56	0.98	1.45		0.68

The Bank of Åland Group reports operating segments in compliance with IFRS 8, which means that operating segments reflect the information that the Group's Executive Team receives. "Private Banking" encompasses Private Banking operations in Åland, on the Finnish mainland and in Sweden, as well as asset management (Ålandsbanken Fondbolag Ab and its wholly owned subsidiaries).

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



## G5. Product areas

2024

	Daily banking services incl. deposits	Financing services	Investment services	IT services	Other	Total
Net interest income	65,229	36,364		-318	2,875	104,150
Net commission income	10,907	5,439	60,073	-72	39	76,386
IT income				35,076	0	35,076
Net income from financial items carried at fair value		-660		-56	131	-585
Other income				0	1,326	1,326
<b>Total income</b>	<b>76,136</b>	<b>41,143</b>	<b>60,073</b>	<b>34,630</b>	<b>4,371</b>	<b>216,353</b>

2023

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

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

2024

2023

	Finland	Sweden	Total	Finland	Sweden	Total
Net interest income	69,151	34,999	104,150	58,162	41,490	99,653
Net commission income	57,680	18,707	76,386	59,251	17,707	76,958
IT income	25,586	9,490	35,076	19,849	8,786	28,635
Net income from financial items carried at fair value	-308	-277	-585	-1,551	-1,399	-2,950
Other income	1,215	111	1,326	-189	166	-23
<b>Total income</b>	<b>153,324</b>	<b>63,028</b>	<b>216,353</b>	<b>135,522</b>	<b>66,751</b>	<b>202,273</b>
Staff costs	-67,081	-20,791	-87,872	-62,050	-19,259	-81,308
Other expenses	-26,743	-20,398	-47,142	-23,065	-21,816	-44,881
Depreciation/amortisation	-11,583	-722	-12,306	-11,517	-660	-12,177
<b>Total expenses</b>	<b>-105,408</b>	<b>-41,912</b>	<b>-147,319</b>	<b>-96,632</b>	<b>-41,735</b>	<b>-138,367</b>
<b>Profit before impairment losses</b>	<b>47,916</b>	<b>21,117</b>	<b>69,033</b>	<b>38,890</b>	<b>25,016</b>	<b>63,906</b>
Net impairment losses on financial assets	-2,935	-1,075	-4,010	-2,631	469	-2,161
<b>Net operating profit</b>	<b>44,981</b>	<b>20,042</b>	<b>65,023</b>	<b>36,259</b>	<b>25,485</b>	<b>61,745</b>
Income taxes	-8,832	-3,935	-12,767	-7,676	-5,395	-13,070
Non-controlling interests	2		2	-2		-2
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>36,151</b>	<b>16,106</b>	<b>52,257</b>	<b>28,582</b>	<b>20,091</b>	<b>48,672</b>
<b>Business volume, December 31</b>						
Lending to the public	2,729,763	845,882	3,575,645	2,745,611	1,113,443	3,859,054
Deposits from the public	2,610,442	910,950	3,521,392	2,562,227	1,032,529	3,594,757
Actively managed assets	5,822,947	4,793,146	10,616,094	5,467,339	4,309,054	9,776,392
Risk exposure amount	1,258,948	384,009	1,642,956	1,264,854	508,973	1,773,827
Allocated equity capital	282,752	53,209	335,960	266,289	69,036	335,325
<b>Financial ratios etc.</b>						
Return on equity (ROE), %	15.5	27.2	17.9	14.3	24.3	17.2
Expense/income ratio	0.69	0.66	0.68	0.71	0.63	0.68



G7. Net interest income	2024			2023		
	Average balance	Interest	Average interest rate, %	Average balance	Interest	Average interest rate, %
Lending to credit institutions and central banks	352,934	11,346	3.21	314,137	11,068	3.52
Lending to the public	3,643,581	172,142	4.72	4,146,376	168,444	4.06
Debt securities	786,792	18,991	2.41	912,959	12,897	1.41
<b>Interest-bearing assets</b>	<b>4,783,306</b>	<b>202,479</b>	<b>4.23</b>	<b>5,373,473</b>	<b>192,409</b>	<b>3.58</b>
Derivative instruments	18,700	536		26,724	1,079	
Other assets	225,517	1,067		241,100	1,586	
<b>Total assets</b>	<b>5,027,523</b>	<b>204,083</b>		<b>5,641,297</b>	<b>195,074</b>	
<i>of which interest according to the effective interest method</i>		203,542			194,393	
Liabilities to credit institutions	193,610	6,869	3.55	483,480	16,223	3.36
Deposits from the public	3,446,329	53,898	1.56	3,740,905	41,472	1.11
Debt securities issued	848,079	35,107	4.14	901,141	32,172	3.57
Subordinated liabilities	30,613	2,093	6.84	34,629	2,187	6.32
<b>Interest-bearing liabilities</b>	<b>4,518,630</b>	<b>97,966</b>	<b>2.17</b>	<b>5,160,155</b>	<b>92,054</b>	<b>1.78</b>
Derivative instruments	8,833	1,160		18,352	3,133	
Other liabilities	178,195	807		150,431	235	
<b>Total liabilities</b>	<b>4,705,658</b>	<b>99,933</b>		<b>5,328,938</b>	<b>95,422</b>	
Total equity capital	321,865			312,358		
<b>Total liabilities and equity capital</b>	<b>5,027,523</b>			<b>5,641,297</b>		
<i>of which interest according to the effective interest method</i>		99,597			95,049	
<b>Net interest income</b>		<b>104,150</b>			<b>99,653</b>	
Interest margin			2.06			1.80
Investment margin			2.07			1.77

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	2024	2023
Deposits	1,313	1,398
Lending	2,243	2,642
Payment intermediation	12,171	11,657
Mutual fund commissions	63,313	61,005
Asset management commissions	18,825	17,319
Securities brokerage	13,411	10,842
Other commissions	6,084	5,470
<b>Total commission income</b>	<b>117,361</b>	<b>110,334</b>
Payment commission expenses	-4,446	-4,202
Mutual fund commission expenses	-32,043	-25,337
Asset management commission expenses	-1,386	-994
Securities brokerage commission expenses	-2,133	-1,998
Other commission expenses	-966	-844
<b>Total commission expenses</b>	<b>-40,974</b>	<b>-33,376</b>
<b>Net commission income</b>	<b>76,386</b>	<b>76,958</b>



## G9. Net income from financial items carried at fair value

	2024			2023		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Measurement category fair value via the						
income statement (“profit and loss”)		17	17		-19	-19
Derivative instruments	-184	-1,135	-1,320		-2,992	-2,992
Measurement category fair value via the income statement (“profit and loss”)	-184	-1,118	-1,302	0	-3,011	-3,011
Fair value via other comprehensive income						
Realised changes in value	1,123		1,123	151		151
Expected loan losses		24	24		15	15
<b>Total, measurement category fair value via other comprehensive income</b>	<b>1,123</b>	<b>24</b>	<b>1,147</b>	<b>151</b>	<b>15</b>	<b>166</b>
Hedge accounting						
<i>of which hedging instruments</i>	905	785	1,690	2,793	9,093	11,886
<i>of which hedged item</i>		-1,090	-1,090		-9,901	-9,901
<b>Hedge accounting</b>	<b>905</b>	<b>-305</b>	<b>600</b>	<b>2,793</b>	<b>-807</b>	<b>1,985</b>
Measurement category accrued cost						
Loans	-653	-21	-674	-1,484	-38	-1,521
Debt securities	-42		-42	123		123
<b>Total, measurement category amortised cost</b>	<b>-695</b>	<b>-21</b>	<b>-716</b>	<b>-1,360</b>	<b>-38</b>	<b>-1,398</b>
Foreign currency revaluation	0	-313	-313	0	-692	-692
<b>Total</b>	<b>1,148</b>	<b>-1,733</b>	<b>-585</b>	<b>1,583</b>	<b>-4,533</b>	<b>-2,950</b>

## G10. Other income

	2024	2023
Income from equity capital investments	12	69
Net income from investment properties	1	7
Rental income on properties	114	81
Miscellaneous income	454	362
<b>Total</b>	<b>581</b>	<b>520</b>
Specification of net income from investment properties		
Rental income	37	23
Other expenses	-37	-15
<b>Total</b>	<b>1</b>	<b>7</b>



G11. Staff costs	2024	2023
Salaries and fees	68,862	62,700
Compensation in the form of shares in Bank of Åland Plc	437	864
Pension expenses	11,721	11,058
Pension expenses	6,853	6,687
<b>Other social security expenses</b>	<b>87,872</b>	<b>81,308</b>
<i>of which variable staff costs</i>	<i>3,379</i>	<i>4,133</i>
<i>of which staff outplacement expenses</i>	<i>137</i>	<i>309</i>

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

Salaries and fees		
Boards of Directors	415	371
Senior executives	3,688	4,095
Others	65,196	59,098
<b>Total</b>	<b>69,299</b>	<b>63,563</b>

“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 Director of subsidiaries

Salaries and fees to senior executives		
Salaries and fees	3,251	3,284
Share-based payment	437	811
<b>Total</b>	<b>3,688</b>	<b>4,095</b>
Pensionskostnader		
Managing Director	109	126
Senior executives	574	587
Others	11,038	10,345
<b>Total</b>	<b>11,721</b>	<b>11,058</b>
Pension expenses		
Defined benefit plan	560	789
Defined contribution plan	11,161	10,269
<b>Total</b>	<b>11,721</b>	<b>11,058</b>

	2024			2023		
	Men	Women	Total	Men	Women	Total
Number of employees						
Åland	306	276	582	292	274	566
Finnish Mainland	164	155	319	139	130	269
Sweden	148	82	230	132	71	203
<b>Total</b>	<b>618</b>	<b>513</b>	<b>1,131</b>	<b>563</b>	<b>475</b>	<b>1,038</b>
Hours worked, recalculated to full-time equivalent positions						
Bank of Åland Plc			563			527
Crosskey Banking Solutions Ab Ltd			368			335
Ålandsbanken Fondbolag Ab			46			45
<b>Total</b>			<b>977</b>			<b>906</b>
Gender breakdown, %	Men	Women		Men	Women	
Board of Directors	57	43		67	33	
Senior executives	62	38		67	33	
	Managing Director	Senior executives	Others	Managing Director	Senior executives	Others
Total compensation						
Fixed compensation earned	431	2,337	63,695	402	2,048	57,402
Provisions for pensions	109	574	11,038	126	587	10,345
Variable compensation earned	191	728	1,916	313	1,332	2,067
<b>Total</b>	<b>731</b>	<b>3,640</b>	<b>76,648</b>	<b>840</b>	<b>3,968</b>	<b>69,813</b>
<i>of which postponed variable compensation</i>	<i>76</i>	<i>273</i>	<i>178</i>	<i>188</i>	<i>786</i>	<i>293</i>
<i>of which variable compensation paid</i>	<i>114</i>	<i>455</i>	<i>1,738</i>	<i>125</i>	<i>547</i>	<i>1,774</i>
Number of persons who received only fixed compensation	0	4	1,125	0	2	1,005
Number of persons who received both fixed and variable compensation	1	9	129	1	10	114
<b>Total</b>	<b>1</b>	<b>13</b>	<b>1,254</b>	<b>1</b>	<b>12</b>	<b>1,119</b>
Postponed variable compensation, January 1	396	1,521	564	255	855	746
Variable compensation postponed during the year	76	273	178	188	786	293
Disbursed during the year	-61	-194	-93	-46	-115	-95
Adjusted during the year	0	-8	46	0	-5	-380
<b>Postponed variable compensation, December 31</b>	<b>412</b>	<b>1,592</b>	<b>696</b>	<b>396</b>	<b>1,521</b>	<b>564</b>

Further information on key employees in senior positions and risk takers (Pillar 3, Capital Requirements Regulation, Article 450) will be published at the same time as the annual report in a separate report on the Bank of Åland’s website.



Share savings programmes	2024	2023
<b>2023 programme</b>		
Recognised expense related to payment in the form of shares in the Bank of Åland Abp	278	278
Recognised expense for social security fees related to share-based portion	13	7
<b>2024 programme</b>		
Recognised expense related to payment in the form of shares in the Bank of Åland Abp	239	80
Recognised expense for social security fees related to share-based portion	7	5
<b>Total recognised expense</b>	<b>537</b>	<b>370</b>

## 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 structured 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 other senior executives. 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 2024 Annual General Meeting to the end of the 2025 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 37,000 and the Deputy Chairman receives an annual fee of EUR 31,500. Other Board members each receive an annual fee of EUR 29,000. 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 33,585. He also receives free automobile benefits and is entitled to the employee benefits that are generally applicable at the Bank. During 2024, the Managing Director was paid compensation totalling EUR 628,254 including fringe benefits and variable

compensation. Of the variable compensation paid in 2024, EUR 92,854 was paid in cash and EUR 92,854 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.

### Other senior executives

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





### Payment of variable compensation to non-risk-takers

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

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

Deferred variable compensation may be paid either at the end of the deferral period or on several occasions during the deferral period. The first deferred portion may be disbursed no earlier than 12 months after the start of the deferral period. In the case of a deferral period of, for example, four years, the variable compensation may be paid at a rate of one-fourth at the end of years n+1, n+2, n+3 and n+4 respectively, where n is the date of payment of the portion of the allocated variable compensation that is paid directly. If the variable compensation exceeds EUR 100,000, the rules for risk-takers apply to the entire remuneration.

### Payment of variable compensation to risk-takers<sup>1</sup>

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

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

Deferred variable remuneration may be paid either at the end of the deferral period or on several occasions during the deferral period. The first deferred portion can be paid no earlier than 12

months after the start of the deferral period. In the case of a deferral period of, for example, four years, the variable compensation may be disbursed at the rate of one quarter at the end of years N+1, N+2, N+3 and N+4 respectively, where N is the date of payment of the portion of the allocated variable compensation that is paid directly.

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

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

### Share savings programme, 2023–2024

During 2023, the Board of Directors of the Bank of Åland decided to launch a share savings programme for all Group employees. The one-year savings period began in September 2023, and 62 per cent of the number of employees in the Group chose to participate. In March and September 2024, they obtained savings shares (Series B shares) in the Bank through a new share issue. The date of issue of the savings shares marked the beginning of a three-year qualification period. At the end of this period, matching

shares will be distributed to those participants who still have their savings shares in an earmarked custody account. The programme will end when the last matching shares have been distributed in 2027. The objective of the programme is to further strengthen employee motivation, participation and long-term affinity with the Group by offering all employees the opportunity to obtain shares in the Bank on favourable terms.

<sup>1</sup> "Risk-takers" in the Bank's compensation policy documents refers to employees who are regarded as having a significant impact on the Bank's risk profile. On December 31, 2024, the number of risk-takers totalled 51, while the corresponding figure on December 31, 2023 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	2024	2023
IT expenses (excluding market data)	20,513	18,052
Rents	661	877
Other costs of premises and property	1,704	1,951
Marketing expenses	3,649	3,189
Information services	3,827	3,377
Staff-related expenses	3,505	2,990
Telecoms, postage	2,227	2,364
Travel expenses	1,141	996
Purchased services	4,833	3,996
Other expenses	9,247	8,528
Production for own use	-4,169	-4,683
<b>Total</b>	<b>47,137</b>	<b>41,636</b>
Fees paid to auditors		
Auditing fees paid	508	443
Fees according to the Auditing Act, Chapter 1, Section 1, Point 2	260	14
Consulting fees paid		
<i>Tax matters</i>	<i>1</i>	<i>35</i>
<i>Other</i>	<i>209</i>	<i>130</i>
<b>Total</b>	<b>978</b>	<b>622</b>

These amounts include value-added tax (VAT).

Fees paid to KPMG OY Ab for expenses other than auditing totalled EUR 170 K (130).

G13. Statutory fees	2024	2023
Guarantee fee <sup>1</sup>	5	5
Stability fee		3,240
<b>Total</b>	<b>5</b>	<b>3,245</b>
Fees to the Finnish Financial Stability Authority		
Deposit guarantee fee	2,031	2,310
Paid by the old Deposit Guarantee Fund	-2,031	-2,310
Stability fee		3,240
Administration fee	44	41
<b>Total</b>	<b>44</b>	<b>3,281</b>

<sup>1</sup> The guarantee fee includes the deposit guarantee fee and the fee for the Investors' Compensation Fund.

Given the 2024 fee level, the Bank has prepaid deposit guarantee fees for about three years.



## G14. Expected credit (loan) losses

2024

	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	11,548	-12,990	-6,067	11,568	-233	3,826
Off-balance sheet obligations	387	-253				134
Debt securities	193	-142				51
<b>Total expected loan losses</b>	<b>12,128</b>	<b>-13,385</b>	<b>-6,067</b>	<b>11,568</b>	<b>-233</b>	<b>4,010</b>
Expected loss from financial assets recognised at fair value via other comprehensive income						
Debt securities	334	-358				-24
<b>Total expected loan losses via other comprehensive income</b>	<b>334</b>	<b>-358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-24</b>

2023

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

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



	2024				2023			
	Reserve for expected lending losses	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total	Reserve for expected lending losses	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total
Change in impairment loss reserve								
Reserve on January 1	20,174	142	75	20,391	20,036	42	114	20,192
New and increased individual impairment losses	11,548	387	193	12,128	11,470	240	90	11,801
Net changes due to revisions in estimation method					500			500
Recovered from earlier provisions	-12,990	-253	-142	-13,385	-9,956	-141	-130	-10,227
Utilised for actual losses	-6,067			-6,067	-1,837			-1,837
Exchange rate differences and other adjustments	-160			-161	-40	0		-40
<b>Reserve on December 31</b>	<b>12,504</b>	<b>276</b>	<b>125</b>	<b>12,906</b>	<b>20,174</b>	<b>142</b>	<b>75</b>	<b>20,391</b>

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



G15. Taxes	2024	2023
Income statement		
Taxes related to prior years	-272	197
Current taxes	15,792	10,496
Changes in deferred taxes	-2,753	2,378
<b>Total</b>	<b>12,767</b>	<b>13,070</b>
Nominal tax rate in Finland, %	20.0	20.0
Non-taxable income/deductible expenses, %	-0.2	0.3
Swedish tax rate, %	0.2	0.3
Taxes related to prior years, %	-0.4	0.3
Other, %	0.0	0.3
Effective tax rate, %	<b>19.6</b>	<b>21.2</b>
Other comprehensive income		
Current taxes	-402	-387
Changes in deferred taxes	-2,038	-146
<b>Total</b>	<b>-2,440</b>	<b>-533</b>

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

The tax rate in Sweden was 20.6 per cent.

G16. Earnings per share	2024	2023
<b>Profit for the period attributable to shareholders</b>	<b>52,257</b>	<b>48,672</b>
Average number of shares before dilution	15,341,102	15,292,261
Average number of shares after dilution	15,428,638	15,342,017
<b>Earnings per share, EUR</b>	<b>3.41</b>	<b>3.18</b>
<b>Earnings per share after dilution, EUR</b>	<b>3.39</b>	<b>3.17</b>

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

(EUR K)

	G17. Classification of financial assets and liabilities								2024	
	Measured at fair value via income statement			Measurement via other comprehensive income		Measurement at amortised cost		Total carrying amount	Fair value	
	Held for trading	Hedge accounting	Other	Hedge accounting <sup>1</sup>	Other	Hedge accounting <sup>1</sup>	Other			
Cash and balances with central banks							289,877	289,877	289,878	
Debt securities				5,593	505,852		292,995	804,441	797,593	
Lending to credit institutions							30,326	30,326	30,326	
Lending to the public						168,087	3,407,558	3,575,645	3,617,375	
Shares and participations					36,646			36,646	36,646	
Shares in associated companies							7,477	7,477	7,477	
Derivative instruments	2,775	18,687						21,462	21,462	
Accrued interest income							18,631	18,631	18,631	
Assets from mutual fund settlement proceeds							9,282	9,282	9,282	
Other assets			3,771				1,025	4,796	4,796	
<b>Total financial assets</b>	<b>2,775</b>	<b>18,687</b>	<b>3,771</b>	<b>5,593</b>	<b>542,499</b>	<b>168,087</b>	<b>4,057,173</b>	<b>4,798,585</b>	<b>4,833,468</b>	
Non-financial assets								126,244		
<b>Total assets</b>								<b>4,924,829</b>		
Liabilities to credit institutions							78,298	78,298	78,318	
Deposits from the public							3,521,392	3,521,392	3,509,160	
Debt securities issued						556,152	255,728	811,881	812,336	
Derivative instruments	2,289	1,969						4,258	4,258	
Subordinated liabilities							30,514	30,514	31,284	
Accrued interest expenses							16,517	16,517	16,517	
Liabilities on mutual fund settlement proceeds							8,639	8,639	8,639	
Other liabilities							17,962	17,962	17,962	
<b>Total financial liabilities</b>	<b>2,289</b>	<b>1,969</b>				<b>556,152</b>	<b>3,929,050</b>	<b>4,489,461</b>	<b>4,478,474</b>	
Non-financial liabilities								99,408		
<b>Total liabilities</b>								<b>4,588,869</b>		

<sup>1</sup> The interest component in the contract is subject to hedge accounting.



## 2023

	Measured at fair value via income statement			Measurement via other comprehensive income		Measurement at amortised cost		Total carrying amount	Fair value
	Held for trading	Hedge accounting	Other	Hedge accounting <sup>1</sup>	Other	Hedge accounting <sup>1</sup>	Other		
Cash and balances with central banks							351,011	351,011	351,011
Debt securities				22,546	475,723		327,774	826,043	812,724
Lending to credit institutions							31,479	31,479	31,479
Lending to the public						184,397	3,674,657	3,859,054	3,865,929
Shares and participations					40,147			40,147	40,147
Shares in associated companies							6,761	6,761	6,761
Derivative instruments	8,743	18,515						27,258	27,258
Accrued interest income							22,969	22,969	22,969
Assets from mutual fund settlement proceeds							61,839	61,839	61,839
Other assets			4,519				4,352	8,871	8,871
<b>Total financial assets</b>	<b>8,743</b>	<b>18,515</b>	<b>4,519</b>	<b>22,546</b>	<b>515,870</b>	<b>184,397</b>	<b>4,480,841</b>	<b>5,235,431</b>	<b>5,228,987</b>
Non-financial assets								106,076	
<b>Total assets</b>								<b>5,341,507</b>	
Liabilities to credit institutions							400,508	400,508	400,701
Deposits from the public							3,594,757	3,594,757	3,580,459
Debt securities issued						551,905	265,370	817,275	817,562
Derivative instruments	8,614	6,800						15,414	15,414
Subordinated liabilities							31,501	31,501	31,619
Accrued interest expenses							14,868	14,868	14,868
Liabilities on mutual fund settlement proceeds							16,891	16,891	16,891
Other liabilities							17,798	17,798	17,798
<b>Total financial liabilities</b>	<b>8,614</b>	<b>6,800</b>				<b>551,905</b>	<b>4,341,693</b>	<b>4,909,012</b>	<b>4,895,312</b>
Non-financial liabilities								97,170	
<b>Total liabilities</b>								<b>5,006,182</b>	

<sup>1</sup> The interest component in the contract is subject to hedge accounting.



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

	2024				
	Level 1	Level 2	Level 3	Total	
Debt securities	501,596	9,850		511,446	
Lending to the public		168,087		168,087	
Shares and participations	1,240		35,406	36,646	
Derivative instruments		21,462		21,462	
Other assets			4,796	4,796	
<b>Total financial assets carried at fair value</b>	<b>502,836</b>	<b>199,399</b>	<b>40,203</b>	<b>742,437</b>	
Debt securities issued		556,450		556,450	
Derivative instruments		4,258		4,258	
<b>Total financial liabilities carried at fair value</b>	<b>0</b>	<b>560,708</b>	<b>0</b>	<b>560,708</b>	
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets and liabilities recognised at amortised cost					
Assets					
<i>Cash and deposits with central banks</i>	289,877		289,878		289,878
<i>Debt securities</i>	292,995	286,148			286,148
<i>Lending to credit institutions</i>	30,326		30,326		30,326
<i>Shares in associated companies</i>	7,477			7,477	7,477
<i>Lending to the public</i>	3,407,558		3,449,288		3,449,288
<b>Total financial assets at amortised cost</b>	<b>4,028,234</b>	<b>286,148</b>	<b>3,769,492</b>	<b>7,477</b>	<b>4,063,117</b>
Liabilities					
<i>Liabilities to credit institutions</i>	78,298		78,318		78,318
<i>Deposits from the public</i>	3,521,392		3,509,160		3,509,160
<i>Debt securities issued</i>	255,430		255,886		255,886
<i>Subordinated liabilities</i>	30,514		31,284		31,284
<b>Total financial liabilities at amortised cost</b>	<b>3,885,634</b>	<b>0</b>	<b>3,874,648</b>	<b>0</b>	<b>3,874,648</b>

	2023				
	Level 1	Level 2	Level 3	Total	
Debt securities	498,269			498,269	
Lending to the public		184,397		184,397	
Shares and participations	1,292		38,855	40,147	
Derivative instruments		27,258		27,258	
Other assets			8,871	8,871	
<b>Total financial assets carried at fair value</b>	<b>499,561</b>	<b>211,655</b>	<b>47,726</b>	<b>758,942</b>	
Debt securities issued		551,905		551,905	
Derivative instruments		15,414		15,414	
<b>Total financial liabilities carried at fair value</b>	<b>0</b>	<b>567,319</b>	<b>0</b>	<b>567,319</b>	
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets and liabilities recognised at amortised cost					
Assets					
<i>Cash and deposits with central banks</i>	351,011		351,011		351,011
<i>Debt securities</i>	327,774	314,455			314,455
<i>Lending to credit institutions</i>	31,479		31,479		31,479
<i>Shares in associated companies</i>	6,761			6,761	6,761
<i>Lending to the public</i>	3,674,657		3,681,532		3,681,532
<b>Total financial assets at amortised cost</b>	<b>4,391,682</b>	<b>314,455</b>	<b>4,064,022</b>	<b>6,761</b>	<b>4,385,238</b>
Liabilities					
<i>Liabilities to credit institutions</i>	400,508		400,701		400,701
<i>Deposits from the public</i>	3,594,757		3,580,459		3,580,459
<i>Debt securities issued</i>	265,370		265,658		265,658
<i>Subordinated liabilities</i>	31,501		31,619		31,619
<b>Total financial liabilities at amortised cost</b>	<b>4,292,137</b>	<b>0</b>	<b>4,278,437</b>	<b>0</b>	<b>4,278,437</b>
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				





	2024	2023
	Shares and participations	Shares and participations
Change in Level 3 holdings		
Carrying amount on January 1	38,855	47,648
New purchases/reclassification	9,284	1,816
Change in value recognised in other comprehensive income	-12,732	-10,609
<b>Carrying amount on December 31</b>	<b>35,406</b>	<b>38,855</b>

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

2024

	EUR	SEK	USD	Övrigt	Totalt
Cash and cash equivalents	190,998	98,613	48	218	289,877
Debt securities	600,076	134,707	69,658		804,441
Lending to credit institutions	12,641	6,145	2,397	9,144	30,326
Lending to the public	2,717,461	845,882	12,302		3,575,645
Shares and participations	1,880	34,758	3	6	36,646
Derivative instruments	19,186	2,163	111	2	21,462
Other items not allocated by currency	166,432				166,432
<b>Total assets</b>	<b>3,708,675</b>	<b>1,122,269</b>	<b>84,517</b>	<b>9,368</b>	<b>4,924,829</b>
Liabilities to credit institutions	18,262	58,268	502	1,267	78,298
Deposits from the public	2,509,332	864,794	129,105	18,160	3,521,392
Debt securities issued	660,090	151,791			811,881
Derivative instruments	1,917	2,341			4,258
Subordinated liabilities		30,514			30,514
Other items not allocated by currency, including equity capital	478,486				478,486
<b>Total liabilities and equity capital</b>	<b>3,668,087</b>	<b>1,107,709</b>	<b>129,606</b>	<b>19,427</b>	<b>4,924,829</b>
Other assets and liabilities allocated by currency as well as off-balance sheet items		69,209	45,151	10,746	
<b>Net position in currencies (EUR)</b>		<b>83,769</b>	<b>62</b>	<b>686</b>	<b>84,517</b>

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.

2023

	EUR	SEK	USD	Others	Total
Cash and cash equivalents	315,927	34,774	89	221	351,011
Debt securities	566,627	232,624	26,793		826,043
Lending to credit institutions	21,134	3,297	3,918	3,130	31,479
Lending to the public	2,731,764	1,113,443	13,847		3,859,054
Shares and participations	1,758	38,384	2	3	40,147
Derivative instruments	18,838	8,354	66		27,258
Other items not allocated by currency	206,516				206,516
<b>Total assets</b>	<b>3,862,563</b>	<b>1,430,876</b>	<b>44,714</b>	<b>3,354</b>	<b>5,341,507</b>
Liabilities to credit institutions	273,587	126,326	257	338	400,508
Deposits from the public	2,482,585	974,047	123,571	14,554	3,594,757
Debt securities issued	735,159	82,116			817,275
Derivative instruments	6,780	8,634			15,414
Subordinated liabilities		31,501			31,501
Other items not allocated by currency, including equity capital	482,052				482,052
<b>Total liabilities and equity capital</b>	<b>3,980,163</b>	<b>1,222,624</b>	<b>123,828</b>	<b>14,892</b>	<b>5,341,507</b>
Other assets and liabilities allocated by currency as well as off-balance sheet items		-62,615	79,140	11,929	
<b>Net position in currencies (EUR)</b>		<b>145,637</b>	<b>25</b>	<b>391</b>	<b>146,054</b>



G20. Holdings of debt securities	2024			2023		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Debt securities eligible for refinancing with central banks						
Holdings at fair value through other comprehensive income						
<i>Treasury bills</i>	10,000	9,850	1			
<i>Government bonds</i>	125,540	122,770	23	201,056	196,361	52
<i>Covered mortgage bonds</i>	340,743	339,530	36	266,372	263,300	28
<i>Debt securities issued by credit institutions</i>	39,421	39,194	2	39,587	38,574	4
Holdings at amortised cost						
<i>Government bonds</i>	43,680	43,691	8	48,142	48,385	11
<i>Covered mortgage bonds</i>	207,074	203,755	15	225,170	221,344	26
<i>Debt securities issued by credit institutions</i>	40,125	40,100	1	47,125	47,092	4
<b>Total debt securities eligible for refinancing with central banks</b>	<b>806,583</b>	<b>798,891</b>	<b>85</b>	<b>827,451</b>	<b>815,056</b>	<b>126</b>
Other debt securities						
Holdings at accrued cost						
<i>Corporate bonds</i>	5,543	5,550	101	10,943	10,987	34
<b>Total other debt securities</b>	<b>5,543</b>	<b>5,550</b>	<b>101</b>	<b>10,943</b>	<b>10,987</b>	<b>34</b>
<b>Total debt securities</b>	<b>812,126</b>	<b>804,441</b>	<b>186</b>	<b>838,394</b>	<b>826,043</b>	<b>159</b>

The entire holding consists of publicly listed debt securities.



G21. Lending to credit institutions	2024				2023			
	Repayable on demand	Other	Provision for expected loss	Total	Repayable on demand	Other	Provision for expected loss	Total
Finnish credit institutions	903			903	453			453
Foreign banks and credit institutions	29,423			29,423	31,025			31,025
<b>Total</b>	<b>30,326</b>	<b>0</b>	<b>0</b>	<b>30,326</b>	<b>31,479</b>	<b>0</b>	<b>0</b>	<b>31,479</b>

G22. Lending to the public	2024			2023		
	Gross carrying amount	Provision for expected loss	Net carrying amount	Gross carrying amount	Provision for expected loss	Net carrying amount
Companies	525,243	-2,004	523,239	529,253	-2,335	526,918
Public sector entities	10,532	-77	10,455	8,703	-25	8,678
Households	1,838,387	-8,716	1,829,671	1,883,171	-7,403	1,875,768
Household interest organisations	15,621	-1	15,620	17,038	-3	17,034
Outside Finland	1,198,366	-1,706	1,196,661	1,441,064	-10,409	1,430,655
<b>Total</b>	<b>3,588,149</b>	<b>-12,504</b>	<b>3,575,645</b>	<b>3,879,228</b>	<b>-20,174</b>	<b>3,859,054</b>
<i>of which subordinated receivables</i>			92			6,049



	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross lending to the public</b>	<b>3,265,284</b>	<b>264,422</b>	<b>58,443</b>	<b>3,588,149</b>	<b>3,582,998</b>	<b>233,652</b>	<b>62,577</b>	<b>3,879,228</b>
Provisions for expected losses								
Balance on January 1	634	1,878	17,662	20,174	480	1,241	18,315	20,036
Increases due to issuance and acquisitions	282	4	162	448	314	2	88	403
Reduction due to removals from the balance sheet	-149	-382	-6,430	-6,962	-150	-507	-2,977	-3,634
Transfer to Stage 1	573	-572	-2	0	790	-789	-1	0
Transfer to Stage 2	-723	1,806	-1,083	0	-864	1,669	-805	0
Transfer to Stage 3	-61	-473	534	0	-52	-186	238	0
Net changes due to change in credit risk	-7	-880	-109	-996	115	-46	2,840	2,909
Net changes due to changes in estimation method				0	0	500	0	500
Exchange rate differences and other adjustments	-4	-10	-146	-160	1	-5	-36	-40
<b>Balance on December 31</b>	<b>545</b>	<b>1,372</b>	<b>10,587</b>	<b>12,504</b>	<b>634</b>	<b>1,878</b>	<b>17,662</b>	<b>20,174</b>
<b>Net lending to the public</b>	<b>3,264,739</b>	<b>263,050</b>	<b>47,856</b>	<b>3,575,645</b>	<b>3,582,364</b>	<b>231,775</b>	<b>44,915</b>	<b>3,859,054</b>

Loan losses IFRS 9 – Key ratios, %	2024	2023
Total coverage ratio, lending to the public	0.35	0.52
Coverage ratio, Stage 1, lending to the public	0.02	0.02
Coverage ratio, Stage 2, lending to the public	0.52	0.80
Coverage ratio, Stage 3, lending to the public	18.11	28.22
Share of lending to the public in Stage 3	1.63	1.61



## G23. Shares and participations

	2024	2023
Listed	1,240	1,292
Unlisted	35,406	38,855
<b>Total shares and participations</b>	<b>36,646</b>	<b>40,147</b>

The entire holding is classified as financial assets at fair value via other comprehensive income

## G24. Shares in associated companies

	2024	2023
<b>Carrying amount on January 1</b>	<b>6,761</b>	<b>7,379</b>
Share of profit for the year	745	-543
Acquisitions/shareholder contributions	6	9
Dividends	-35	-85
<b>Carrying amount on December 31</b>	<b>7,477</b>	<b>6,761</b>

The following associated companies and joint ventures were consolidated according to the equity method of accounting on December 31, 2024:

	Registered office	Ownership, %
Mäklarhuset Åland Ab	Mariehamn	32
Alandia Holding Ab	Mariehamn	28
Helen ÅB Tuulipuistohallinnointiyhtiö Oy	Helsinki	40
Leilisuo Oy	Simo	50
Riitamaa-Nurmesneva GP Oy	Helsinki	50
Uusimo GP Oy	Helsinki	50
Noatun Vindpark Norra Ab	Mariehamn	40
Noatun Vindpark Södra Ab	Mariehamn	40

Combined financial information about these associated companies:

Assets	41,894	38,013
Liabilities	14,735	15,693
Sales	1,275	1,278
Profit for the year	6,405	-1,988



G25. Derivative instruments	Nominal amount/maturity			2024			2023		
	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									
<i>Interest rate swaps</i>			6,060	6,060	455	433	6,060	415	395
Interest rate swaps									
<i>Currency forward contracts</i>	618,350			618,350	2,320	1,856	488,196	8,328	8,219
<b>Total</b>	<b>618,350</b>		<b>6,060</b>	<b>624,410</b>	<b>2,775</b>	<b>2,289</b>	<b>494,256</b>	<b>8,743</b>	<b>8,614</b>
Derivatives for fair value hedges									
Interest-related contracts									
<i>Interest rate swaps</i>	28,719	648,195	28,100	705,014	15,678	1,878	712,318	18,515	6,800
<b>Total</b>	<b>28,719</b>	<b>648,195</b>	<b>28,100</b>	<b>705,014</b>	<b>15,678</b>	<b>1,878</b>	<b>712,318</b>	<b>18,515</b>	<b>6,800</b>
Derivatives for cash flow hedges									
Interest-related contracts									
<i>Interest rate swaps</i>	490,000	280,000		770,000	3,009	91			
<b>Total</b>	<b>490,000</b>	<b>280,000</b>		<b>770,000</b>	<b>3,009</b>	<b>91</b>			
<b>Total derivative instruments</b>	<b>1,137,069</b>	<b>928,195</b>	<b>34,160</b>	<b>2,099,424</b>	<b>21,462</b>	<b>4,258</b>	<b>1,206,574</b>	<b>27,258</b>	<b>15,414</b>
<i>of which cleared OTC</i>									
<i>of which cleared</i>	518,719	928,195	31,130	1,478,044	18,687	2,414	715,348	18,515	7,208

Derivatives are recognised together with their associated accrued interest.



G26. Intangible assets		2024				
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total	
Cost on January 1	44,314	21,769	2,932	7,478	76,493	
Cost of intangible assets added	4,168	336			4,504	
Amortisation for the year	-1				-1	
Exchange rate effect	-126	-56			-182	
<b>Cost on December 31</b>	<b>48,355</b>	<b>22,049</b>	<b>2,932</b>	<b>7,478</b>	<b>80,814</b>	
Accumulated amortisation and impairment losses on January 1	-27,902	-20,230	-30	-7,399	-55,562	
Amortisation for the year	-3,397	-697		-79	-4,172	
Exchange rate effect	93	53			147	
<b>Accumulated amortisation and impairment losses on December 31</b>	<b>-31,206</b>	<b>-20,873</b>	<b>-30</b>	<b>-7,478</b>	<b>-59,588</b>	
<b>Residual value on December 31</b>	<b>17,149</b>	<b>1,176</b>	<b>2,901</b>	<b>0</b>	<b>21,227</b>	

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 2024 outcome. A negative 1 per cent change in growth, the profitability trend and the discount factor did not result in any impairment losses.

		2023				
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total	
Cost on January 1	39,704	21,394	2,932	7,478	71,508	
Cost of intangible assets added	4,691	371			5,062	
Amortisation for the year	-89				-89	
Exchange rate effect	9	4			13	
<b>Cost on December 31</b>	<b>44,314</b>	<b>21,769</b>	<b>2,932</b>	<b>7,478</b>	<b>76,493</b>	
Accumulated amortisation and impairment losses on January 1	-24,344	-19,255	-30	-7,257	-50,887	
Amortisation for the year	-3,541	-966		-142	-4,648	
Exchange rate effect	-17	-9			-26	
<b>Accumulated amortisation and impairment losses on December 31</b>	<b>-27,902</b>	<b>-20,230</b>	<b>-30</b>	<b>-7,399</b>	<b>-55,562</b>	
<b>Residual value on December 31</b>	<b>16,412</b>	<b>1,539</b>	<b>2,901</b>	<b>79</b>	<b>20,932</b>	





G27. Tangible assets	2024			2023		
	Investment properties	Properties for own use	Other tangible assets	Investment properties	Properties for own use	Other tangible assets
Investment properties			287			294
Properties for own use			20,531			14,050
Other tangible assets			7,975			6,023
Right-of-use assets			16,831			16,628
<b>Total</b>			<b>45,625</b>			<b>36,996</b>
Cost on January 1	464	35,465	35,322	469	33,979	33,824
New acquisitions		7,801	4,124		2,182	2,254
Divestments and disposals	-7	-91	-5,817	-6	-681	-792
Transfer between items		-195	195		-17	17
Exchange rate effects		-14	-275		1	19
<b>Cost on December 31</b>	<b>457</b>	<b>42,967</b>	<b>33,548</b>	<b>464</b>	<b>35,465</b>	<b>35,322</b>
Accumulated depreciation on January 1	-169	-21,414	-29,299	-169	-21,090	-27,986
Depreciation for the year		-1,042	-2,269		-1,005	-2,020
Impairment losses for the year		11	5,750		682	731
Divestments and disposals		9	244		-1	-23
<b>Accumulated depreciation on December 31</b>	<b>-169</b>	<b>-22,436</b>	<b>-25,573</b>	<b>-169</b>	<b>-21,414</b>	<b>-29,299</b>
<b>Carrying amount</b>	<b>287</b>	<b>20,531</b>	<b>7,975</b>	<b>294</b>	<b>14,050</b>	<b>6,023</b>
<i>of which buildings</i>		18,334			11,850	
<i>of which land and water</i>		2,066			2,066	
<i>of which shares in real estate companies</i>	287	131		294	134	

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

	2024		2023	
	Properties for own use	Other tangible assets	Properties for own use	Other tangible assets
Right-of-use assets				
Cost on January 1	26,550	1,788	22,966	1,829
New acquisitions	2,360	155	2,686	55
Divestments and disposals	-621	-26	-791	-98
Assessments and modifications	2,843	14	1,628	2
Exchange rate effects	-420	-4	60	0
<b>Cost on December 31</b>	<b>30,711</b>	<b>1,927</b>	<b>26,550</b>	<b>1,788</b>
Accumulated depreciation on January 1	-10,762	-948	-7,351	-628
Depreciation for the year	-4,456	-367	-4,052	-363
Divestments and disposals	481	26	771	43
Assessments and modifications			-53	
Exchange rate effects	219	1	-76	-1
<b>Accumulated depreciation on December 31</b>	<b>-14,518</b>	<b>-1,289</b>	<b>-10,762</b>	<b>-948</b>
<b>Carrying amount</b>	<b>16,193</b>	<b>638</b>	<b>15,788</b>	<b>840</b>

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.

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.

	2024	2023
Amounts recognised in the income statement		
Depreciation of right-to-use assets	-4,824	-4,415
Interest expenses for lease liabilities	-720	-725
Expenses attributable to short-term leases	-596	-742
Expenses attributable to low-value leases	-76	-129
Income from subleasing right-of-use assets	152	103

Total cash flow related to leases during 2024 was EUR 5,412 K (4,841).



## G28. Deferred tax assets and liabilities

	2024	2023
Deferred tax assets		
Provisions	576	349
Intangible assets	2,745	2,624
Pension liabilities	217	373
Income received in advance	136	85
Other	787	713
Financial assets measured via other comprehensive income		
<i>Debt securities</i>	275	614
<i>Shares and participations</i>	2,093	
<b>Total deferred tax liabilities</b>	<b>6,828</b>	<b>4,759</b>
Deferred tax liabilities		
Taxable temporary differences		
<i>Untaxed reserves</i>	29,690	31,789
<i>Intangible assets</i>	1,424	1,493
<i>Tangible assets</i>	1,380	1,436
<i>Pension assets</i>	202	
Financial assets measured via other comprehensive income		
<i>Shares and participations</i>		465
<b>Total deferred tax liabilities</b>	<b>32,695</b>	<b>35,182</b>
<b>Net deferred taxes</b>	<b>-25,867</b>	<b>-30,424</b>

## 2024

	Dec 31, 2023	Recognised in income statement	Recognised in other comprehensive income	Exchange rate effects	Dec 31, 2024
Changes in deferred taxes, 2024					
Provisions	349	227			576
Intangible assets	1,131	195		-5	1,321
Pension liabilities	373	44	-193	-8	217
Income received in advance	85	51			136
Untaxed reserves	-31,789	2,099			-29,690
Tangible assets	-1,259	50		-2	-1,211
Debt securities measured via other comprehensive income	614		-339		275
Shares and participations measured via other comprehensive income	-465		2,557		2,093
Cash flow hedge	0		-202		-202
Other	537	87		-5	619
<b>Total</b>	<b>-30,424</b>	<b>2,753</b>	<b>1,824</b>	<b>-20</b>	<b>-25,867</b>

## 2023

	Dec 31, 2022	Recognised in income statement	Recognised in other comprehensive income	Exchange rate effects	Dec 31, 2023
Changes in deferred taxes, 2023					
Provisions	248	101			349
Intangible assets	950	176		5	1,131
Pension liabilities	-84	58	399	0	373
Income received in advance	144	-59			85
Untaxed reserves	-29,000	-2,788			-31,789
Tangible assets	-1,380	120		1	-1,259
Debt securities measured via other comprehensive income	2,554		-1,940		614
Shares and participations measured via other comprehensive income	-2,561		2,096		-465
Cash flow hedge	390		-390		0
Other	523	13		1	537
<b>Total</b>	<b>-28,218</b>	<b>-2,378</b>	<b>165</b>	<b>8</b>	<b>-30,424</b>



G29. Other assets	2024	2023
Payment intermediation receivables	4,940	4,896
Receivables on mutual fund settlement proceeds	9,282	61,839
Accounts receivable	9,606	7,110
Receivable in conjunction with transfer of assets	3,771	4,519
Other	4,922	3,350
<b>Total</b>	<b>32,522</b>	<b>81,713</b>

G30. Accrued income and prepayments	2024	2023
Accrued interest income	18,631	22,969
Commissions receivable	18,713	14,805
Other accrued income	9,216	9,653
Other prepaid expenses	4,801	5,566
<b>Total</b>	<b>51,362</b>	<b>52,993</b>

G31. Liabilities to credit institutions	2024			2023		
	Repayable on demand	Other	Total	Repayable on demand	Other	Total
Central banks			0		200,000	200,000
Finnish credit institutions	553		553	7,717		7,717
Foreign credit institutions	39,347	38,398	77,745	82,669	110,123	192,792
<b>Total</b>	<b>39,900</b>	<b>38,398</b>	<b>78,298</b>	<b>90,386</b>	<b>310,123</b>	<b>400,508</b>

G32. Deposits from the public	2024	2023
Companies	945,343	991,931
Public sector entities	174,280	83,229
Households	1,339,686	1,326,858
Household interest organisations	49,239	55,953
Outside Finland	1,012,844	1,136,786
<b>Total</b>	<b>3,521,392</b>	<b>3,594,757</b>

G33. Debt securities issued	2024		2023	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Certificates of deposit	257,718	255,728	267,913	265,370
<i>of which at amortised cost</i>	<i>257,718</i>	<i>255,728</i>	<i>267,913</i>	<i>265,370</i>
Covered bonds	550,000	556,152	550,000	551,905
<i>of which fair value hedge</i>	<i>550,000</i>	<i>556,152</i>	<i>550,000</i>	<i>551,905</i>
<b>Total</b>	<b>807,718</b>	<b>811,881</b>	<b>817,913</b>	<b>817,275</b>

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

G34. Other liabilities	2024	2023
Payment intermediation liabilities	2,007	4,642
Liabilities on mutual fund settlement proceeds	8,639	16,891
Trade payables	5,075	5,064
Lease liabilities	17,962	17,798
Other	18,759	14,854
<b>Total</b>	<b>52,441</b>	<b>59,250</b>
Lease liabilities		
Short-term	4,695	4,296
Long-term	13,267	13,502
<b>Total</b>	<b>17,962</b>	<b>17,798</b>



G35. Provisions	2024			2023		
	Provision for off-balance sheet obligations	Other provisions	Total	Provision for off-balance sheet obligations	Other provisions	Total
Provisions on December 31 of the previous year	142	1,633	1,775	42	1,165	1,207
Provisions made during the year	387	1,092	1,478	240	1,588	1,828
Amounts utilised		-98	-98		-1,173	-1,173
Unutilised amounts recovered	-253		-253	-141		-141
Exchange rate changes	0	-53	-54		54	54
<b>Provisions on December 31</b>	<b>275</b>	<b>2,573</b>	<b>2,849</b>	<b>142</b>	<b>1,633</b>	<b>1,775</b>

“Provision for off-balance sheet obligations” refers to expected loan losses related to guarantees issued and unutilised credit lines. “Other provisions” consist of severance pay and operational losses.

G36. Accrued expenses and prepaid income	2024		2023	
	Accrued interest expenses		16,517	
Other accrued expenses		25,151		22,841
Commission liabilities		7,272		5,749
Pension liabilities		2,336		3,030
Prepaid income		1,041		609
<b>Total</b>		<b>52,318</b>		<b>47,097</b>

G37. Subordinated liabilities	2024			2023		
	Nominal amount	Carrying amount	Amount in own funds	Nominal amount	Carrying amount	Amount in own funds
Green Floating Rate Tier 2 Note 2021	13,090	13,077	13,090	13,518	13,499	13,518
Floating Rate Callable Tier 2 2023	17,454	17,437	17,454	18,025	18,002	18,025
<b>Total</b>	<b>30,544</b>	<b>30,514</b>	<b>30,544</b>	<b>31,543</b>	<b>31,501</b>	<b>31,543</b>
			Interest rate:			Repayment:
Green Floating Rate Tier 2 Note			3-month Stibor +2.15%			December 16, 2041
Floating Rate Callable Tier 2 2023			3-month Stibor +3.65%			March 2, 2043

The loans may be repurchased in advance, but this is possible only with the permission of the Finnish Financial Supervisory Authority. In case the Bank is dissolved, the loans are subordinate to the Bank's other obligations.

Subordinated liabilities were issued with a write-down clause. In the event that the Bank of Åland's or the Group's common equity Tier 1 (CET1) capital ratio falls below 7 per cent, the loan principal is written down by 50 per cent.



## G38. Specification of changes in equity capital

	2024	2023
Change in hedge reserve		
Hedge reserve on January 1		-1,561
Unrealised changes in value during the year	807	1,561
<b>Hedge reserve on December 31</b>	<b>807</b>	<b>0</b>
Change in fair value reserve		
Fair value reserve on January 1	-529	107
Divested or reached maturity during the year	2,054	3,958
Unrealised change in market value	-10,927	-4,594
<b>Fair value reserve on December 31</b>	<b>-9,402</b>	<b>-529</b>
Change in translation differences		
Translation differences on January 1	-8,979	-10,025
Change in translation differences attributable to branches	-3,697	999
Change in translation differences due to subsidiaries	-5	
Change in translation differences attributable to additional Tier 1 capital	-856	63
Other changes	46	-17
<b>Translation differences on December 31</b>	<b>-13,491</b>	<b>-8,979</b>
Change in paid-up unrestricted equity capital fund		
Unrestricted equity capital fund on January 1	30,184	28,455
Shares issued, share savings programme	1,416	1,459
Shares issued, incentive programme	522	271
<b>Paid-up unrestricted equity capital fund on December 31</b>	<b>32,121</b>	<b>30,184</b>

## Retained earnings

	2024	2023
Retained earnings on January 1	185,314	170,727
Shareholders' portion of profit for the accounting period	52,257	48,672
Dividend paid	-40,662	-31,330
Re-measurement of defined benefit pension plans	770	-1,573
Share savings programmes	517	358
Buy-backs of own shares		-3
Dividend on additional Tier 1 capital incl. tax effect	-1,606	-1,537
<b>Retained earnings on December 31</b>	<b>196,592</b>	<b>185,314</b>

## Items under "Equity capital"

"Share premium account" includes amounts that were paid at the time of new share issues for shares in addition to their nominal value before September 1, 2006.

"Reserve fund" includes components transferred from equity capital in compliance with the Articles of Association or a decision of a General Meeting.

"Hedge reserve" comprises the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

"Fair value reserve" includes accumulated net change in fair value of debt instruments and equity instruments carried at fair value via other comprehensive income, until the asset is derecognised from the balance sheet.

For debt instruments, the realised gain from a divestment is shown in the income statement. When equity instruments are sold, the revaluation amount of the instrument is transferred to retained earnings without affecting either income or other comprehensive income.

"Translation differences" comprises all exchange rate differences that arise when translating financial reports from foreign operations that have drawn up their financial reports in a currency other than the currency in which the Group's financial reports are presented.

"Unrestricted equity capital fund" comprises amounts that were paid at the time of new share issues for shares in addition to their nominal value starting on September 1, 2006.

## Changes in number of shares

	2024		2023	
	Series A shares	Series B shares	Series A shares	Series B shares
Number of shares on January 1	6,476,138	8,831,649	6,476,138	8,777,709
Annulments of own shares				-103
Shares issued, share savings programme		44,721		47,069
Shares issued, incentive programme		14,411		6,974
<b>Number of shares on December 31</b>	<b>6,476,138</b>	<b>8,890,781</b>	<b>6,476,138</b>	<b>8,831,649</b>

See the "Facts on Bank of Åland shares" section for more detailed information.



## Other notes

(EUR K)

### G39. Cash flow statement, specifications

“Operating activities” included interest received of EUR 207,911 K (184,445), interest paid of EUR 100,979 K (83,018) and dividend income received of EUR 12 K (69).

Reconciliation of liabilities attributable to funding activities:

	Dec 31, 2023	Cash flow from funding activities	Effect of exchange rate changes	Acquisitions	Dec 31, 2024
Subordinated debenture loans	31,501		-987		30,514
Lease liabilities	17,798	-5,412	172	5,404	17,962
<b>Total liabilities attributable to funding activities</b>	<b>49,299</b>	<b>-5,412</b>	<b>-815</b>	<b>5,404</b>	<b>48,476</b>



## 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, %
<b>Subsidiaries</b>			
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 Syöttörahassto GP Oy	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Kiinteistökehitys I Syöttörahassto LP Oy	Finland/Helsinki	Mutual fund management	100
Ålandsbanken Havsvind 1 Matarfond GP Ab	Finland/Mariehamn	Mutual fund management	100
Ålandsbanken Havsvind 1 Matarfond LP Ab	Finland/Mariehamn	Mutual fund management	100
Ålandsbanken Havsvind I GP Ab	Finland/Helsinki	Mutual fund management	100
Crosskey Banking Solutions Ab Ltd	Finland/Mariehamn	IT	100
S-Crosskey Ab	Finland/Mariehamn	IT	60

The Bank of Åland has no holdings of structured entities. Ålandsbanken Fondbolag Ab manages mutual funds and alternative investment funds with a total value of EUR 5.0 billion.

	Registered office	Field of operations	Ownership, %
<b>Shares in associated companies and joint ventures</b>			
Mäklarhuset Åland Ab	Finland/Mariehamn	Estate agents	32
Alandia Holding Ab	Finland/Mariehamn	Holding company	28
Helen ÅB Tuulipuistohallinnointiyhtiö Oy	Finland/Helsinki	Financial support operations	40
Leilisuo GP Oy	Finland/Simo	Wind power	50
Riitamaa-Nurmesneva GP Oy	Finland/Helsinki	Wind power	50
Uusimo GP Oy	Finland/Helsinki	Wind power	50
Noatun Vindpark Norra Ab	Finland/Mariehamn	Wind power	40
Noatun Vindpark Södra Ab	Finland/Mariehamn	Wind power	40

### Holdings in real estate companies

The Group holds participations in one property for its own use and ten investment properties, of which some are consolidated as follows.

	Registered office	Field of operations	Ownership, %
<b>Properties for own use</b>			
Fastighets Ab Godbycenter	Finland/Finström	Joint operation	11
<b>Investment properties</b>			
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	2024	2023
Mutual fund management	4,962,774	4,372,617
Discretionary asset management	2,936,963	2,701,934
Advisory asset management	2,591,561	2,583,828
External mutual funds	124,796	118,014
<b>Total</b>	<b>10,616,094</b>	<b>9,776,392</b>
<i>of which own mutual funds in discretionary and advisory asset management</i>	920,675	871,748

G42. Assets pledged	2024	2023
Collateral pledged for own liabilities		
Lending to credit institutions	2,001	9,500
Debt securities		57,282
Lending to the public	1,000,220	1,180,175
Other	3,960	3,827
<b>Total assets pledged for own liabilities</b>	<b>1,006,181</b>	<b>1,250,784</b>

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		
Debt securities	31,316	48,231
Other	592	594
<b>Total other assets pledged</b>	<b>31,909</b>	<b>48,824</b>

Assets pledged 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	2024	2023
Guarantees	17,802	21,372
Unutilised overdraft limits	345,620	359,115
Unutilised credit card limits	85,466	92,525
Unutilised credit facilities	68,458	349,655
Other commitments	4,780	15,611
<b>Total</b>	<b>522,125</b>	<b>838,277</b>
<i>Provision for expected loss</i>	322	142



#### 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 service 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 (11) years and in Sweden 13 (14) years.

	2024	2023
Carrying amount in the income statement		
Current service costs	161	309
Interest expenses	58	-3
Administrative expenses	150	182
<b>Expenses (+)/revenue (-) recognised in the income statement</b>	<b>369</b>	<b>488</b>
Restatement of defined benefit pension plans in “Other comprehensive income”		
Actuarial gain (+)/loss (-), financial assumptions	534	-2,148
Actuarial gain (+)/loss (-), experience-based	106	-809
Actuarial gain (+)/loss (-) on plan assets	323	990
<b>Other comprehensive income</b>	<b>963</b>	<b>-1,967</b>
<b>Totalt</b>	<b>594</b>	<b>-2,455</b>

Carrying amount in the balance sheet		
Pension obligations	22,714	23,791
Fair value of plan assets	21,631	21,924
<b>Net pension assets (+)/pension liabilities (-)</b>	<b>-1,083</b>	<b>-1,867</b>
Net pension assets (+)/pension liabilities (-) in Finland	-753	-984
Net pension assets (+)/pension liabilities (-) in Sweden	-330	-883
<b>Total pension assets (+)/pension liabilities (-)</b>	<b>-1,083</b>	<b>-1,867</b>
Net change in pension assets		
January 1	-1,867	420
Income	-369	-488
Other comprehensive income	963	-1,967
Premium payments	163	197
Exchange rate effects	27	-28
<b>On December 31</b>	<b>-1,083</b>	<b>-1,867</b>
Pension obligations		
January 1	23,791	21,206
Current service costs	161	309
Interest expenses	756	296
Benefits paid	-1,231	-1,017
Exchange rate effect	-122	40
Actuarial gains (+)/losses (-)	-640	2,957
<b>On December 31</b>	<b>22,714</b>	<b>23,791</b>
Plan assets		
January 1	21,924	21,626
Interest income	697	299
Premium payments	163	197
Benefits paid	-1,231	-1,017
Actuarial gains (+)/losses (-)	323	990
Exchange rate effects	-95	12
Administrative expenses	-150	-182
<b>On December 31</b>	<b>21,631</b>	<b>21,924</b>

Breakdown of plan assets			
Listed shares and participations		5,248	4,683
Listed mutual fund units		4,247	4,310
Listed interest-bearing securities		2,619	6,727
Properties		6,141	2,198
Other plan assets		3,376	4,006
<b>Total plan assets</b>		<b>21,631</b>	<b>21,924</b>

Plan assets included shares in the Bank of Åland Plc with a market value of EUR 44 K (40) and bank accounts worth EUR 3,185 K (3,468).

	Outcome 2024	Forecast 2025
Future cash flows		
Benefits paid	163	116

	2024		2023	
	Finland, %	Sweden, %	Finland, %	Sweden, %
Assumptions				
Discount rate	3.25	3.35	3.20	3.15
Increase in salary expenses	2.00	2.10	2.25	2.20
Pension index increase	2.20	2.10	2.25	2.20

### Sensitivity of defined benefit obligations to changes in significant assumptions

	Change in assumptions, %	Increase in assumption	Decrease in assumption
Discount rate			
Expected increase in salaries	0.5	-1,331	1,471
Expected increase in pensions	0.5	252	-239
Förväntad pensionsökning	0.5	875	-831

The sensitivity analysis is based on a change in one assumption, while all other assumptions remain constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method is used as when calculating the pension liabilities recognised in the balance sheet.

The Bank is exposed to a number of risks because of its defined benefit plans. The most significant risks are described below.

#### Asset volatility

Pension liabilities are calculated with the help of a discount rate based on corporate bonds with good credit ratings. If plan assets generate returns worse than the discount rate, this will cause a deficit. Plan assets include a sizeable percentage of equities, which in the long term are expected to provide a higher return than the discount rate, while providing higher volatility and risk in the short term. Because of the long-term nature of pension liabilities, the Bank believes that a continued high percentage of equities is suitable for managing the plans in an effective way.

#### Changes in bond yields

In case the yields on corporate bonds fall, this leads to an increase in pension obligations. Partly offsetting this is the fact that the value of the bonds that are included in plan assets will increase

#### Inflation risk

Pension obligations are connected to inflation. Higher inflation will lead to increased pension obligations. Plan assets are not affected by inflation to any great extent, which means that if inflation increases, this will lead to an increased deficit in pension plans.

#### Life expectancy

Pension plans generate pensions that extend through the lifetimes of employees. This means that if life expectancy increases, pension obligations will increase.



G45. Lease liabilities		2024			2023		
	Minimum rents	Interest	Present value	Minimum rents	Interest	Present value	
Financial lease liabilities will be paid as follows:							
Under 1 year	5,324	629	4,695	4,881	585	4,296	
1–5 years	13,594	1,116	12,478	13,210	1,056	12,155	
Over 5 years	804	15	789	1,385	38	1,347	
<b>Total</b>	<b>19,722</b>	<b>1,760</b>	<b>17,962</b>	<b>19,477</b>	<b>1,679</b>	<b>17,798</b>	

G46. Disclosures about related parties		2024			2023		
	Board and Executive Team	Related companies	Associated companies	Board and Executive Team	Related companies	Associated companies	
Assets							
Lending to the public	13,020	12,904		15,325	13,531		
Accrued income and prepayments		59			61		
<b>Total</b>	<b>13,020</b>	<b>12,962</b>		<b>15,325</b>	<b>13,592</b>		
Liabilities							
Deposits from the public	7,781	18,414	169	6,514	106,180	268	
<b>Total</b>	<b>7,781</b>	<b>18,414</b>	<b>169</b>	<b>6,514</b>	<b>106,180</b>	<b>268</b>	
Income and expenses							
Interest income	189	834		171	893		
Interest expenses	-7	-1,834		-16	-2,538		
Commission income	6	213	2	5	131	1	
Other income		59			10		
<b>Total</b>	<b>188</b>	<b>-729</b>	<b>2</b>	<b>160</b>	<b>-1,504</b>	<b>1</b>	

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 of the Bank of Åland Plc, 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 2.50 (3.50) per cent on December 31, 2024.

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		2024		2023	
Salaries and other short-term compensation <sup>1</sup>		2,600		2,193	
Share-based compensation		394		233	
<b>Total</b>		<b>2,994</b>		<b>2,426</b>	

“Senior executives” refers to the Executive Team including the Managing Director.

<sup>1</sup> Includes salary, benefits and variable compensation paid in cash.

G47. Offsetting of financial assets and liabilities		2024		2023	
		Assets	Liabilities	Assets	Liabilities
Financial assets and liabilities that are subject to offsetting, netting agreements or similar agreements					
Gross amount		21,462	28,024	27,258	47,985
Offset amounts					
<b>Total</b>		<b>21,462</b>	<b>28,024</b>	<b>27,258</b>	<b>47,985</b>
Related amounts not offset					
Financial instruments, netting agreements		-3,189	-3,189	-7,683	-7,683
Financial instruments, collateral			-23,258		-32,043
Cash, collateral			-690	-7,232	-528
<b>Total amounts not offset</b>		<b>-3,189</b>	<b>-27,137</b>	<b>-14 915</b>	<b>-40 253</b>
<b>Net amount</b>		<b>18,273</b>	<b>887</b>	<b>12,343</b>	<b>7,731</b>

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

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



## Parent Company income statement

Parent Company		2024	2023
EUR K	Note		
Interest income		204,286	195,184
Interest expenses		-101,234	-96,660
<b>Net interest income</b>	P2	<b>103,051</b>	<b>98,524</b>
Commission income		51,529	48,132
Commission expenses		-9,639	-8,789
<b>Net commission income</b>	P3	<b>41,889</b>	<b>39,342</b>
Net income from financial items carried at fair value	P4	-589	-2,880
Income from equity capital investments	P5	9,947	10,904
Other income	P6	15,724	15,098
<b>Total income</b>		<b>170,022</b>	<b>160,988</b>
Staff costs	P7	-51,428	-49,138
Other expenses	P8	-49,854	-47,322
Statutory fees	P9	-5	-3,276
Depreciation/amortisation on tangible and intangible assets	P19, P20	-4,229	-4,698
<b>Total expenses</b>		<b>-105,515</b>	<b>-104,435</b>
<b>Profit before loan losses</b>		<b>64,507</b>	<b>56,553</b>
Final and expected loan losses	P10	-4,012	-2,177
<b>Net operating profit</b>		<b>60,495</b>	<b>54,376</b>
Appropriations		10,230	-14,000
Income taxes	P11	-12,537	-6,493
<b>Net profit for the accounting period</b>		<b>58,188</b>	<b>33,884</b>



## Parent Company balance sheet

Parent Company		2024	2023
EUR K	Note		
<b>Assets</b>			
Cash and deposits with central banks		289,877	351,011
Debt securities eligible for refinancing with central bank	P14	798,891	815,056
Lending to credit institutions	P15	30,085	31,395
Lending to the public	P16	3,579,007	3,861,127
Debt securities	P14	5,550	10,987
Shares and participations	P17	36,636	40,142
Shares and participations in associated companies	P17	3,054	3,054
Shares and participations in Group companies	P17	3,346	3,346
Derivative instruments	P18	21,462	27,258
Intangible assets	P19	13,837	13,566
Tangible assets	P20	22,805	14,892
Other assets	P21	24,798	75,507
Accrued income and prepayments	P22	48,003	48,441
Deferred tax assets	P23	3,350	1,284
<b>Total assets</b>		<b>4,880,701</b>	<b>5,297,067</b>
<b>Liabilities</b>			
Liabilities to credit institutions and central banks	P24	78,254	400,459
Deposits from the public	P25	3,533,602	3,605,841
Debt securities issued	P26	811,881	817,275
Derivative instruments	P18	4,258	15,414
Other liabilities	P27	32,842	37,968
Provisions	P28	2,765	1,768
Accrued expenses and prepaid income	P29	39,146	35,814
Subordinated liabilities	P30	56,671	58,496
Deferred tax liabilities	P23	202	465
<b>Total liabilities</b>		<b>4,559,621</b>	<b>4,973,500</b>

Parent Company		2024	2023
EUR K	Note		
<b>Appropriations</b>			
General loan loss reserve <sup>1</sup>		147,488	158,488
Difference between recorded and planned depreciation		770	
<b>Total appropriations</b>		<b>148,258</b>	<b>158,488</b>
<b>Equity capital</b>			
Share capital		42,029	42,029
Share premium account		32,736	32,736
Reserve fund		25,129	25,129
Hedge reserve		807	
Fair value reserve		-9,402	-529
Translation reserve		-10,975	-7,321
Unrestricted equity capital fund		32,318	30,380
Retained earnings		60,181	42,654
<b>Total equity capital</b>		<b>172,822</b>	<b>165,079</b>
<b>Total liabilities and equity capital</b>		<b>4,880,701</b>	<b>5,297,067</b>
<b>Off-balance sheet obligations</b>			
Obligations to a third party on behalf of customers	P38		
<i>Guarantees</i>		19,040	22,610
Irrevocable commitments given on behalf of customers		503,384	810,407

<sup>1</sup> Loan loss provisions in compliance with Finland's Business Income Tax Act, Section 46.



## Parent Company statement of changes in equity capital

Parent Company									
EUR K	Share capital	Share premium account	Reserve fund	Hedge reserve	Fair value reserve	Translation difference	Unrestricted equity capital fund	Retained earnings	Total
Equity capital, Dec 31, 2022	42,029	32,736	25,129	-1,561	107	-8,310	28,651	40,103	158,884
Profit for the period								33,884	33,884
Change in fair value				1,561	-636				925
Translation difference						989			989
Dividends paid								-31,330	-31,330
Incentive programme							271		271
Share savings programme							1,459		1,459
Equity capital, Dec 31, 2023	42,029	32,736	25,129	0	-529	-7 321	30,380	42,654	165,079
Profit for the period								58,188	58,188
Change in fair value				807	-8,873				-8,066
Translation difference						-3,654			-3,654
Dividends paid								-40,662	-40,662
Incentive programme							522		522
Share savings programme							1,416		1,416
Equity capital, Dec 31, 2024	42,029	32,736	25,129	807	-9,402	-10,975	32,318	60,181	172,822

For further disclosures, see Note P41 and the section entitled "Facts on Bank of Åland shares".

## Parent Company cash flow statement

Parent Company	2024	2023
EUR K		
Cash flow from operating activities		
Net operating profit	60,495	54,376
Adjustment for items not affecting cash flow		
<i>Depreciation/amortisation and impairment losses on intangible and tangible assets</i>	4,229	4,698
<i>Impairment losses on loans and other</i>	4,245	2,422
<i>Unrealised changes in value</i>	1,737	4,310
<i>Accrued surpluses/deficits on debt securities and bonds issued</i>	2,499	7,773
Dividends from associated companies and subsidiaries activities	-12,935	-12,835
Income taxes paid	-9,792	-4,276
Increase (-) or decrease (+) in receivables from operating activities		
<i>Debt securities</i>	31,316	185,759
<i>Lending to credit institutions</i>	5,105	13,387
<i>Lending to the public</i>	246,550	453,346
<i>Other assets</i>	49,373	-64,614
Increase (+) or decrease (-) in liabilities from operating activities		
<i>Liabilities to credit institutions</i>	-317,356	-33,920
<i>Deposits from the public</i>	-40,946	-597,855
<i>Debt securities issued</i>	-20,903	-4,093
<i>Other liabilities</i>	-16,586	29,204
<b>Total cash flow from operating activities</b>	<b>-12,970</b>	<b>37,683</b>
Cash flow from investing activities		
Investment in shares and participations	-3,071	-1,811
Dividends received from associated companies and subsidiaries	12,935	12,835
Investment in tangible assets	-9,091	-2,349
Divestment of tangible assets	70	104
Investment in intangible assets	-3,142	-2,915
<b>Total cash flow from investing activities</b>	<b>-2,298</b>	<b>5,864</b>

Parent Company	2024	2023
EUR K		
Cash flow from funding activities		
Share issue	1,937	1,730
Increase in subordinated debentures		17,974
Decrease in subordinated debentures		-17,714
Dividend paid to shareholders	-40,662	-31,330
<b>Total cash flow from funding activities</b>	<b>-38,724</b>	<b>-29,340</b>
Exchange rate differences in cash and cash equivalents	-1,390	101
<b>Change in cash and cash equivalents</b>	<b>-55,382</b>	<b>14,308</b>
Cash and cash equivalents at beginning of year	340,813	329,040
Cash flow from operating activities	-12,970	37,683
Cash flow from investing activities	-2,298	5,864
Cash flow from funding activities	-38,724	-29,340
Exchange rate differences in cash and cash equivalents	-1,390	101
<b>Cash and cash equivalents at end of year</b>	<b>285,431</b>	<b>343,348</b>
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	259,926	321,981
Lending to credit institutions that is repayable on demand	25,505	21,367
<b>Total cash and cash equivalents</b>	<b>285,431</b>	<b>343,432</b>

“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. “Funding 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 210.097 K (184,533), interest paid of EUR 102,519 K (84,229) and dividend income received of EUR 12 K (69).



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## Notes to the Parent Company financial statements

### 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". Reported here is the accumulated difference between depreciation/amortisation for tax purposes and depreciation/amortisation according to plan. Otherwise, please see the consolidated accounting principles.

## Notes to the income statement

(EUR K)

P2. Net interest income	2024	2023
Lending to credit institutions	11,348	11,077
Lending to the public	172,351	168,540
Debt securities	18,991	12,897
Derivative instruments	536	1,079
Other interest income	1,059	1,592
<b>Total interest income</b>	<b>204,286</b>	<b>195,184</b>
<i>of which interest according to the effective interest method</i>	<i>203,745</i>	<i>194,503</i>
Liabilities to credit institutions	6,877	16,234
Deposits from the public	53,902	41,490
Debt securities	35,107	31,629
Subordinated liabilities	4,101	4,122
Derivative instruments	1,160	3,133
Other interest expenses	87	53
<b>Total interest expenses</b>	<b>101,234</b>	<b>96,660</b>
<i>of which interest according to the effective interest method</i>	<i>101,046</i>	<i>96,469</i>
<b>Net interest income</b>	<b>103,051</b>	<b>98,524</b>

Interest income received from Group companies was EUR 209 K (94).

Interest expenses paid to Group companies were EUR 4 K (7).

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).



P3. Net commission income	2024	2023
Deposits	1,313	1,398
Lending	2,243	2,645
Payment intermediation	12,179	11,657
Mutual fund commissions	311	951
Asset management commissions	18,825	17,467
Securities brokerage	13,411	10,842
Other commissions	3,246	3,172
<b>Total commission income</b>	<b>51,529</b>	<b>48,132</b>
Payment intermediation commission expenses	-5,097	-4,757
Asset management commission expenses	-1,386	-994
Securities brokerage commission expenses	-2,133	-2,146
Other commission expenses	-1,023	-893
<b>Total commission expenses</b>	<b>-9,639</b>	<b>-8,789</b>
<b>Net commission income</b>	<b>41,889</b>	<b>39,342</b>

P4. Net income from financial items carried at fair value	2024			2023		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Measurement category fair value via the income statement ("profit and loss")						
Derivative instruments		17	17		-19	-19
Other financial items	-184	-1,135	-1,320		-2,992	-2,992
<b>Total, measurement category fair value via income statement ("profit and loss")</b>	<b>-184</b>	<b>-1,118</b>	<b>-1,302</b>	<b>0</b>	<b>-3,011</b>	<b>-3,011</b>
Fair value via other comprehensive income						
Realised changes in value	1,123		1,123	151		151
Expected loan losses		24	24		15	15
<b>Total, measurement category fair value via other comprehensive income</b>	<b>1,123</b>	<b>24</b>	<b>1,147</b>	<b>151</b>	<b>15</b>	<b>166</b>
Hedge accounting						
<i>of which hedging instruments</i>	905	785	1,690	2,793	9,093	11,886
<i>of which hedged item</i>		-1,090	-1,090		-9,901	-9,901
<b>Hedge accounting</b>	<b>905</b>	<b>-305</b>	<b>600</b>	<b>2,793</b>	<b>-807</b>	<b>1,985</b>
Measurement category accrued cost						
Loans	-653	-21	-674	-1,484	-38	-1,521
Debt securities	-42		-42	123		123
<b>Total, measurement category accrued cost</b>	<b>-695</b>	<b>-21</b>	<b>-716</b>	<b>-1,360</b>	<b>-38</b>	<b>-1,398</b>
Foreign currency revaluation		-317	-317	0	-622	-622
<b>Total</b>	<b>1,148</b>	<b>-1,737</b>	<b>-589</b>	<b>1,583</b>	<b>-4,463</b>	<b>-2,880</b>



P5. Income from equity instruments	2024	2023
Holdings recognised at fair value via other comprehensive income	12	69
Associated companies	35	85
Group companies, dividend paid	9,900	10,750
<b>Total</b>	<b>9,947</b>	<b>10,904</b>

P6. Other income	2024	2023
Rental income on properties	114	81
Intra-Group services	10,617	10,661
Miscellaneous income	4,992	4,356
<b>Total</b>	<b>15,724</b>	<b>15,098</b>

Net income from investment properties		
Rental income	37	23
Other expenses	-37	-15
<b>Total</b>	<b>1</b>	<b>7</b>

P7. Staff costs	2024	2023
Salaries and fees	39,728	37,161
Compensation in the form of shares in Bank of Åland Plc	437	864
Pension expenses	6,813	6,685
Other social security expenses	4,450	4,429
<b>Total</b>	<b>51,428</b>	<b>49,138</b>

Number of employees		
Permanent full-time employees	574	535
Permanent part-time employees	12	9
Temporary employees	78	71
<b>Total</b>	<b>664</b>	<b>615</b>

P8. Other expenses	2024	2023
IT expenses (excluding market data)	19,683	19,193
Rents	4,176	3,880
Other costs of premises and property	1,379	1,648
Marketing expenses	3,391	2,987
Market data	2,417	2,165
Staff-related expenses	2,240	1,895
Telecoms, postage	1,874	1,991
Travel expenses	566	506
Purchased services	4,229	3,576
Other expenses	9,900	9,482
<b>Total</b>	<b>49,854</b>	<b>47,322</b>

Fees paid to auditors		
Auditing fees paid	355	296
In compliance with Finnish Auditing Act, Ch. 1, Sec. 1, Par. 2	221	14
Consulting fees paid		
<i>Tax matters</i>	1	35
<i>Other</i>	182	78
<b>Total</b>	<b>759</b>	<b>423</b>

These amounts include value-added tax (VAT).

Fees paid to KPMG OY Ab for expenses other than auditing totalled EUR 143 K (78).

P9. Statutory fees	2024	2023
Guarantee fee <sup>1</sup>	5	5
Stability fee		3,272
<b>Total</b>	<b>5</b>	<b>3,276</b>

<sup>1</sup> 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	2,031	2,310
Paid by the old Deposit Guarantee Fund	-2,031	-2,310
Stability fee		3,272
Administration fee	44	41
<b>Total</b>	<b>44</b>	<b>3,312</b>

Given the 2024 fee level, the Bank has prepaid deposit guarantee fees for about three years.



## P10. Final and expected credit (loan) losses

2024

	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	11,575	-13,015	-6,067	11,568	-233	3,828
Off-balance sheet obligations	409	-275				134
Debt securities	193	-142				51
<b>Total expected loan losses</b>	<b>12,176</b>	<b>-13,432</b>	<b>-6,067</b>	<b>11,568</b>	<b>-233</b>	<b>4,012</b>
Expected losses from financial assets recognised at fair value via other comprehensive income						
Debt securities	334	-358				-24
<b>Total</b>	<b>334</b>	<b>-358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-24</b>

2023

	New and increased individual impairment losses	Recovered from earlier provisions	Utilised for actual losses	Actual losses	Recovery of actual losses	Total
Expected losses from financial assets recognised at amortised cost and from off-balance sheet obligations						
Lending to the public	12,021	-9,991	-1,837	2,168	-245	2,116
Off-balance sheet obligations	267	-166				101
Debt securities	90	-130				-39
<b>Total expected loan losses</b>	<b>12,379</b>	<b>-10,287</b>	<b>-1,837</b>	<b>2,168</b>	<b>-245</b>	<b>2,177</b>
Expected losses from financial assets recognised at fair value via other comprehensive income						
Debt securities	108	-123				-15
<b>Total</b>	<b>108</b>	<b>-123</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15</b>

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



	2024				2023			
	Reserve for expected losses on lending	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total	Reserve for expected losses on lending	Provision for expected losses on off-balance sheet obligations	Reserve for expected losses on debt securities recognised at amortised cost	Total
Change in impairment loss reserve								
Reserve on January 1	20,193	143	75	20,411	20,040	43	114	20,196
New and increased individual impairment losses	11,575	409	193	12,176	11,521	267	90	11,879
Net changes due to revisions in estimation method				0	500			500
Recovered from earlier provisions	-13,015	-275	-142	-13,432	-9,991	-166	-130	-10,287
Utilised for actual losses	-6,067			-6,067	-1,837			-1,837
Exchange rate differences	-160	0		-161	-40	0		-40
<b>Reserve on December 31</b>	<b>12,525</b>	<b>276</b>	<b>125</b>	<b>12,927</b>	<b>20,193</b>	<b>143</b>	<b>75</b>	<b>20,411</b>

P11. Income taxes	2024	2023
Income statement		
Taxes related to prior years		8
Current taxes		12,847
Changes in deferred taxes		-318
<b>Total</b>		<b>12,537</b>
Nominal tax rate in Finland, %		20.0
Non-taxable income/deductible expenses, %		-2.5
Swedish tax rate, %		0.2
Taxes related to prior years, %		0.0
Other, %		0.0
<b>Effective tax rate, %</b>		<b>17.7</b>

Deferred tax assets and liabilities were calculated according to a 20.0 per cent tax rate.

The tax rate in Sweden was 20.6 per cent.



## Notes to the balance sheet

(EUR K)

P12. Fair values and carrying amounts of financial assets, liabilities and fair value levels					
	2024		2023		
	Total carrying amount	Fair value	Total carrying amount	Fair value	
Cash and accounts with central banks	289,877	289,877	351,011	351,011	
Debt securities eligible for refinancing with central banks	798,891	792,463	815,056	802,529	
Lending to credit institutions	30,085	30,085	31,395	31,395	
Lending to the public	3,579,007	3,620,737	3,861,127	3,868,002	
Debt securities	5,550	5,131	10,987	10,195	
Shares and participations	36,636	36,636	40,142	40,142	
Shares in associated companies	3,054	3,054	3,054	3,054	
Shares in subsidiaries	3,346	3,346	3,346	3,346	
Derivative instruments	21,462	21,462	27,258	27,258	
<b>Total financial assets</b>	<b>4,767,907</b>	<b>4,802,790</b>	<b>5,143,376</b>	<b>5,136,932</b>	
Liabilities to credit institutions	78,254	78,274	400,459	400,651	
Deposits from the public	3,533,602	3,521,371	3,605,841	3,591,544	
Debt securities issued	811,881	812,336	817,275	817,562	
Derivative instruments	4,258	4,258	15,414	15,414	
Subordinated liabilities	56,671	57,992	58,496	58,656	
<b>Total financial liabilities</b>	<b>4,484,666</b>	<b>4,474,231</b>	<b>4,897,485</b>	<b>4,883,827</b>	



## P12. Fair values and carrying amounts of financial assets, liabilities and fair value levels

	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial instruments carried at fair value in the balance sheet								
Assets								
<i>Debt securities eligible for refinancing with central banks</i>	501,596	9,850		511,446	498,269			498,269
<i>Lending to the public</i>		168,087		168,087		184,397		184,397
<i>Shares and participations</i>	1,240		35,406	36,646	1,292		38,855	40,147
<i>Derivative instruments</i>		21,462		21,462		27,258		27,258
<b>Total</b>	<b>502,836</b>	<b>189,549</b>	<b>35,406</b>	<b>737,641</b>	<b>499,561</b>	<b>211,655</b>	<b>38,855</b>	<b>750,071</b>
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
<i>Debt securities issued</i>		556,450		556,450		551,905		551,905
<i>Derivative instruments</i>		4,258		4,258		15,414		15,414
<b>Total</b>	<b>0</b>	<b>560,708</b>	<b>0</b>	<b>560,708</b>	<b>0</b>	<b>567,319</b>	<b>0</b>	<b>567,319</b>
<b>Level 1</b>	Instruments with quoted market prices							
<b>Level 2</b>	Measurement techniques based on observable market data							
<b>Level 3</b>	Measurement techniques based on non-observable market data							
				Shares and participations				Shares and participations
Change in Level 3 holdings								
Carrying amount on January 1				38,855				47,648
New purchases/Reclassifications				9,284				1,816
Change in value recognised in other comprehensive income				-12,732				-10,609
<b>Carrying amount on December 31</b>				<b>35,406</b>				<b>38,855</b>

No transfer occurred between Level 1 and Level 2.



P13. Assets and liabilities by currency	2024				
	EUR	SEK	USD	Others	Total
Cash and accounts with central banks	190,998	98,613	48	218	289,877
Debt securities eligible for refinancing with central banks	594,526	134,707	69,658		798,891
Lending to credit institutions	12,439	6,106	2,397	9,144	30,085
Lending to the public	2,720,823	845,882	12,302		3,579,007
Debt securities	5,550				5,550
Shares and participations	1,870	34,758	3	6	36,636
Derivative instruments	19,186	2,163	111	2	21,462
Other items not allocated by currency	119,193				119,193
<b>Total assets</b>	<b>3,664,586</b>	<b>1,122,230</b>	<b>84,517</b>	<b>9,368</b>	<b>4,880,701</b>
Liabilities to credit institutions	18,217	58,268	502	1,267	78,254
Deposits from the public	2,514,493	871,844	129,105	18,160	3,533,602
Debt securities issued	660,090	151,791			811,881
Derivative instruments	1,917	2,341			4,258
Subordinated liabilities		56,671			56,671
Other items not allocated by currency, including equity capital	396,035				396,035
<b>Total liabilities and equity capital</b>	<b>3,590,752</b>	<b>1,140,916</b>	<b>129,606</b>	<b>19,427</b>	<b>4,880,701</b>
Other assets and liabilities allocated by currency as well as off-balance sheet items		78,005	45,151	10,744	
Net position in currencies (EUR)		59,319	62	686	60,067

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.

	2023				
	EUR	SEK	USD	Others	Total
Cash and accounts with central banks	315,927	34,774	89	221	351,011
Debt securities eligible for refinancing with central banks	555,640	232,624	26,793		815,056
Lending to credit institutions	21,129	3,218	3,918	3,130	31,395
Lending to the public	2,733,837	1,113,443	13,847		3,861,127
Debt securities	10,987				10,987
Shares and participations	1,753	38,384	2	3	40,142
Derivative instruments	18,838	8,354	66	0	27,258
Other items not allocated by currency	160,091				160,091
<b>Total assets</b>	<b>3,818,202</b>	<b>1,430,797</b>	<b>44,714</b>	<b>3,354</b>	<b>5,297,067</b>
Liabilities to credit institutions	273,537	126,326	257	338	400,459
Deposits from the public	2,487,097	980,619	123,571	14,554	3,605,841
Debt securities issued	735,159	82,116			817,275
Derivative instruments	6,780	8,634			15,414
Subordinated liabilities		58,496			58,496
Other items not allocated by currency, including equity capital	399,582				399,582
<b>Total liabilities and equity capital</b>	<b>3,902,156</b>	<b>1,256,191</b>	<b>123,828</b>	<b>14,892</b>	<b>5,297,067</b>
Other assets and liabilities allocated by currency as well as off-balance sheet items		-55,535	79,140	11,929	
Net position in currencies (EUR)		119,072	25	391	119,488





P14. Holdings of debt securities	2024			2023		
	Nominal amount	Carrying amount	Loss reserve	Nominal amount	Carrying amount	Loss reserve
Debt securities eligible for refinancing with central banks						
Holdings at fair value via other comprehensive income						
<i>Treasury bills</i>	10,000	9,850	1			
<i>Government bonds</i>	125,540	122,770	23	201,056	196,361	52
<i>Covered mortgage bonds</i>	340,743	339,530	36	266,372	263,300	28
<i>Debt securities issued by credit institutions</i>	39,421	39,194	2	39,587	38,574	4
Holdings at amortised cost						
<i>Government bonds</i>	43,680	43,691	8	48,142	48,385	11
<i>Covered mortgage bonds</i>	207,074	203,755	15	225,170	221,344	26
<i>Debt securities issued by credit institutions</i>	40,125	40,100	1	47,125	47,092	4
<b>Total debt securities eligible for refinancing with central banks</b>	<b>806,583</b>	<b>798,891</b>	<b>85</b>	<b>827,451</b>	<b>815,056</b>	<b>126</b>
Other debt securities						
Holdings at accrued cost						
<i>Corporate bonds</i>	5,543	5,550	101	10,943	10,987	34
<b>Total other debt securities</b>	<b>5,543</b>	<b>5,550</b>	<b>101</b>	<b>10,943</b>	<b>10,987</b>	<b>34</b>
<b>Total debt securities</b>	<b>812,126</b>	<b>804,441</b>	<b>186</b>	<b>838,394</b>	<b>826,043</b>	<b>159</b>

The entire holding consists of publicly listed debt securities.

P15. Lending to credit institutions	2024				2023			
	Repayable on demand	Other	Provision for expected loss	Total	Repayable on demand	Other	Provision for expected loss	Total
Finnish credit institutions	903			903	453			453
Foreign banks and credit institutions	29,181			29,181	30,942			30,942
<b>Total</b>	<b>30,085</b>	<b>0</b>	<b>0</b>	<b>30,085</b>	<b>31,395</b>	<b>0</b>	<b>0</b>	<b>31,395</b>



P16. Lending to the public	2024			2023		
	Gross carrying amount	Provision for expected loss	Net carrying amount	Gross carrying amount	Provision for expected loss	Net carrying amount
Companies	528,625	-2,025	526,600	531,345	-2,354	528,991
Public sector entities	10,532	-77	10,455	8,703	-25	8,678
Households	1,838,387	-8,716	1,829,671	1,883,171	-7,403	1,875,768
Household interest organisations	15,621	-1	15,620	17,038	-3	17,034
Outside Finland	1,198,366	-1,706	1,196,661	1,441,064	-10,409	1,430,655
<b>Total</b>	<b>3,591,532</b>	<b>-12,525</b>	<b>3,579,007</b>	<b>3,881,320</b>	<b>-20,193</b>	<b>3,861,127</b>
<i>of which subordinated receivables</i>			92			6,049

P17. Shares and participations	2024	2023
	Holdings recognised at fair value via other comprehensive income	
Listed	1,240	1,292
Unlisted	35,396	38,850
<b>Total shares and participations</b>	<b>36,636</b>	<b>40,142</b>
Shares and participations in associated companies	3,054	3,054
Shares and participations in Group companies	3,346	3,346
<b>Total shares and participations</b>	<b>43,036</b>	<b>46,542</b>



P18. Derivative instruments	Nominal amount/maturity			2024			2023		
	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									
<i>Interest rate swaps</i>			6,060	6,060	455	433	6,060	415	395
Currency-related contracts									
<i>Currency forward contracts</i>	618,350			618,350	2,320	1,856	488,196	8,328	8,219
<b>Total</b>	<b>618,350</b>		<b>6,060</b>	<b>624,410</b>	<b>2,775</b>	<b>2,289</b>	<b>494,256</b>	<b>8,743</b>	<b>8,614</b>
Derivatives for fair value hedges									
Interest-related contracts									
<i>Interest rate swaps</i>	28,719	648,195	28,100	705,014	15,678	1,878	712,318	18,515	6,800
<b>Total</b>	<b>28,719</b>	<b>648,195</b>	<b>28,100</b>	<b>705,014</b>	<b>15,678</b>	<b>1,878</b>	<b>712,318</b>	<b>18,515</b>	<b>6,800</b>
Derivatives for cash flow hedges									
Interest-related contracts									
<i>Interest and currency swaps</i>	490,000	280,000		770,000	3,009	91			
<b>Total</b>	<b>490,000</b>	<b>280,000</b>	<b>0</b>	<b>770,000</b>	<b>3,009</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total derivative instruments</b>	<b>1,137,069</b>	<b>928,195</b>	<b>34,160</b>	<b>2,099,424</b>	<b>21,462</b>	<b>4,258</b>	<b>1,206,574</b>	<b>27,258</b>	<b>15,414</b>
<i>of which cleared OTC</i>									
<i>of which cleared</i>	518,719	928,195	31,130	1,478,044	18,687	2,414	715,348	18,515	7,208

Derivatives are recognised together with their associated accrued interest.



P19. Intangible assets		2024			
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	1,422	45,410	29,854	7,278	83,964
Cost of intangible assets added		3,424			3,424
Impairment losses for the year		-3			-3
Exchange rate effects	-10	-175	-518		-703
<b>Cost on December 31</b>	<b>1,412</b>	<b>48,655</b>	<b>29,336</b>	<b>7,278</b>	<b>86,682</b>
Accumulated amortisation and impairment losses on January 1	-1,320	-31,991	-29,854	-7,232	-70,398
Amortisation for the year	-101	-2,976		-46	-3,122
Exchange rate effects	9	149	518		676
<b>Accumulated amortisation and impairment losses on December 31</b>	<b>-1,412</b>	<b>-34,818</b>	<b>-29,336</b>	<b>-7,278</b>	<b>-72,844</b>
<b>Residual value on December 31</b>	<b>0</b>	<b>13,837</b>	<b>0</b>	<b>0</b>	<b>13,837</b>
		2023			
	Software developed in-house	Other software	Goodwill	Other intangible assets	Total
Cost on January 1	1,421	42,415	29,816	7,278	80,931
Cost of intangible assets added		3,205			3,205
Impairment losses for the year		-222			-222
Exchange rate effects	1	11	38	0	50
<b>Cost on December 31</b>	<b>1,422</b>	<b>45,410</b>	<b>29,854</b>	<b>7,278</b>	<b>83,964</b>
Accumulated amortisation and impairment losses on January 1	-1,117	-28,907	-29,816	-7,130	-66,971
Amortisation for the year	-202	-3,068		-102	-3,371
Exchange rate effects	-2	-16	-38		-56
<b>Accumulated amortisation and impairment losses on December 31</b>	<b>-1,320</b>	<b>-31,991</b>	<b>-29,854</b>	<b>-7,232</b>	<b>-70,398</b>
<b>Residual value on December 31</b>	<b>102</b>	<b>13,640</b>	<b>0</b>	<b>46</b>	<b>13,566</b>



P20. Tangible assets	2024			2023		
Investment properties			402			402
Properties for own use			18,715			11,929
Other tangible assets			3,687			2,562
<b>Total</b>			<b>22,805</b>			<b>14,892</b>
	Investment properties	Properties for own use	Other tangible assets	Investment properties	Properties for own use	Other tangible assets
Cost on January 1	571	20,308	14,374	571	18,836	14,990
New acquisitions		7,801	1,383		2,169	145
Divestments and disposals		-88	-5,769		-680	-792
Transfer between items		-195	195		-17	17
Exchange rate effects		-7	-197			14
<b>Cost on December 31</b>	<b>571</b>	<b>27,819</b>	<b>9,986</b>	<b>571</b>	<b>20,308</b>	<b>14,374</b>
Accumulated depreciation on January 1	-169	-13,668	-11,812	-169	-13,647	-12,117
Depreciation for the year		-727	-376		-691	-414
Divestments and disposals			5,707		671	733
Exchange rate effects		3	183		-1	-14
<b>Accumulated depreciation on December 31</b>	<b>-169</b>	<b>-14,393</b>	<b>-6,298</b>	<b>-169</b>	<b>-13,668</b>	<b>-11,812</b>
Revaluations on January 1		5,289			5,289	
<b>Accumulated revaluations on December 31</b>	<b>0</b>	<b>5,289</b>	<b>0</b>	<b>0</b>	<b>5,289</b>	<b>0</b>
<b>Carrying amount</b>	<b>402</b>	<b>18,715</b>	<b>3,687</b>	<b>402</b>	<b>11,929</b>	<b>2,562</b>
<i>of which buildings</i>		18,235			11,449	
<i>of which land and water</i>		380			380	
<i>of which shares in property companies</i>	402	100		402	100	

The carrying amount for investment properties is the same as market value.



P21. Other assets	2024	2023
Payment intermediation receivables	4,940	4,896
Receivables on mutual fund settlement proceeds	9,282	61,839
Accounts receivable	1,924	969
Receivables in conjunction with transfer of assets	3,771	4,519
Other	4,881	3,285
<b>Total</b>	<b>24,798</b>	<b>75,507</b>

P22. Accrued income and prepayments	2024	2023
Accrued interest income	18,631	22,969
Other accrued income	21,817	13,046
Prepaid taxes		1,903
Anticipated dividend	5,000	8,000
Other prepaid expenses	2,554	2,524
<b>Total</b>	<b>48,003</b>	<b>48,441</b>



P23. Deferred tax assets and liabilities	2024	2023
Deferred tax assets		
Provisions	559	349
Unused tax depreciation	268	221
Income received in advance	136	85
Other	25	15
Financial assets measured via other comprehensive income		
<i>Debt securities</i>	270	614
<i>Shares and participations</i>	2,093	
<b>Total deferred tax assets</b>	<b>3,350</b>	<b>1,284</b>
Deferred tax liabilities		
Cash flow hedge	202	
Financial assets measured via other comprehensive income		
<i>Shares and participations</i>		465
<b>Total deferred tax liabilities</b>	<b>202</b>	<b>465</b>
<b>Net deferred taxes</b>	<b>3,149</b>	<b>819</b>

Accumulated appropriations included a deferred tax liability of EUR 29,498 K (31,698).

	Dec 31, 2023	Recognised in income statemnt	Recognised in other comprehensive income	Dec 31, 2024	Dec 31, 2022	Recognised in income statemnt	Recognised in other comprehensive income	Dec 31, 2023
Changes in deferred taxes								
Provisions	349	210		559	15	334		349
Unused tax depreciation	221	47		268	178	43		221
Income received in advance	85	51		136	144	-59		85
Debt securities measured via other comprehensive income	614		-344	270	2,554		-1,940	614
Shares and participations measured via other comprehensive income	-465		2,557	2,093	-2,560		2,096	-465
Cash flow hedge	0		-202	-202	390		-390	0
Other	15	10		25	68	-53		15
<b>Total</b>	<b>819</b>	<b>318</b>	<b>2,012</b>	<b>3,149</b>	<b>787</b>	<b>266</b>	<b>-234</b>	<b>819</b>



P24. Liabilities to credit institutions	2024			2023		
	Repayable on demand	Other	Total	Repayable on demand	Other	Total
Central banks			0		200,000	200,000
Finnish credit institutions	509		509	7,667		7,667
Foreign banks and credit institutions	39,347	38,398	77,745	82,669	110,123	192,792
<b>Total</b>	<b>39,856</b>	<b>38,398</b>	<b>78,254</b>	<b>90,336</b>	<b>310,123</b>	<b>400,459</b>

P25. Deposits from the public	2024		2023	
Companies		957,554		1,003,015
Public sector entities		174,280		83,229
Households		1,339,686		1,326,858
Household interest organisations		49,239		55,953
Outside Finland		1,012,844		1,136,786
<b>Total</b>		<b>3,533,602</b>		<b>3,605,841</b>

P26. Debt securities issued	2024		2023	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Certificates of deposit	257,718	255,728	267,913	265,370
<i>of which at amortised cost</i>	<i>257,718</i>	<i>255,728</i>	<i>267,913</i>	<i>265,370</i>
Covered bonds	550,000	556,152	550,000	551,905
<i>of which fair value hedge</i>	<i>550,000</i>	<i>556,152</i>	<i>550,000</i>	<i>551,905</i>
<b>Total</b>	<b>807,718</b>	<b>811,881</b>	<b>817,913</b>	<b>817,275</b>

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

P27. Other liabilities	2024		2023	
Payment intermediation liabilities		2,007		4,642
Fund settlement liabilities		8,639		16,891
Trade payables		4,045		2,996
Miscellaneous		18,921		13,439
<b>Total</b>		<b>33,612</b>		<b>37,968</b>





P28. Provisions	2024			2023		
	Provisions for restructuring reserves	Provision for off-balance sheet obligations	Total	Provisions for restructuring reserves	Provision for off-balance sheet obligations	Total
Provisions on December 31 of the previous year	143	1,624	1,767	43	0	43
Provisions during the year	409	1,007	1,416	267	1,580	1,846
Amounts utilised		-90	-90		-9	-9
Unutilised amounts recovered	-275		-275	-166		-166
Exchange rate changes	0	-53	-54		54	53
<b>Provisions on December 31</b>	<b>276</b>	<b>2,488</b>	<b>2,765</b>	<b>143</b>	<b>1,624</b>	<b>1,768</b>

“Provision for off-balance sheet obligations” refers to expected loan losses related to guarantees issued and unutilised credit lines. “Other provisions” consist of severance pay and operational losses.

P29. Accrued expenses and prepaid income	2024	2023
Accrued interest expenses	16,540	14,897
Other accrued expenses	19,345	17,020
Accrued taxes	2,214	3,291
Prepaid income	1,046	606
<b>Total</b>	<b>39,146</b>	<b>35,814</b>

P30. Subordinated liabilities	2024			2023		
	Nominal amount	Carrying amount	Amount in own funds	Nominal amount	Carrying amount	Amount in own funds
Debenture loan 1/2018						
Green Floating Rate Tier 2 Note	13,090	13,077	13,090	13,518	13,499	13,518
Floating Rate Callable Tier 2 2023	17,454	17,437	17,454	18,025	18,002	18,025
<i>Additional Tier 1 capital</i>						
Floating Rate Perpetual AT1 Note	26,180	26,157	26,180	27,037	26,995	27,037
<b>Total</b>	<b>56,724</b>	<b>56,671</b>	<b>56,724</b>	<b>58,580</b>	<b>58,496</b>	<b>58,580</b>

	Interest rate:	Repayment:
Green Floating Rate Tier 2 Note	3-month Stibor +2.15%	December 16, 2041
Floating Rate Callable Tier 2 2023	3-month Stibor +3.65%	March 2, 2043
Floating Rate Perpetual AT1 Note	3-month Stibor +3.75%	Perpetual

The loans may be repurchased in advance, but this is possible only with the permission of the Finnish Financial Supervisory Authority.

Subordinated liabilities were issued with a write-down clause. In the event that the Bank of Åland's or the Group's common equity Tier 1 (CET1) capital ratio falls below 7 per cent for Tier 2 instruments, and 7.125 per cent for the AT1 instrument, the loan principal is written down by 50 per cent.



## P31. Maturity breakdown of assets and liabilities

2024

	Undiscounted contractual cash flows							Not classified by maturity	Total
	Repayable on demand	<3 months	3–6 months	6–12 months	1–5 years	5–10 years	>10 years		
<b>Assets</b>									
Cash and accounts with central banks	289,877								289,877
Debt securities eligible for refinancing with central banks		50,524	177,224	182,657	356,813	31,673			798,891
Lending to credit institutions	30,085								30,085
Lending to the public	47,498	277,594	121,064	180,299	1,266,416	602,861	1,083,276		3,579,007
Other debt securities					5,550				5,550
Shares and participations								43,036	43,036
Derivative instruments		978	1,456	3,365	12,528	2,670	466		21,462
Intangible assets								13,837	13,837
Tangible assets								22,805	22,805
Other assets								76,152	76,152
<b>Total</b>	<b>367,459</b>	<b>329,095</b>	<b>299,744</b>	<b>366,320</b>	<b>1,641,306</b>	<b>637,205</b>	<b>1,083,742</b>	<b>155,830</b>	<b>4,880,701</b>
<b>Liabilities</b>									
Liabilities to credit institutions and central banks	39,856	38,398							78,254
Deposits from the public	2,991,096	278,705	129,831	131,745	2,225				3,533,602
Debt securities issued		146,520	93,361	22,000	550,000				811,881
Derivative instruments		532	1,410	134	1,403	335	445		4,258
Other liabilities								75,724	75,724
Subordinated liabilities							56,671		56,671
Equity capital and appropriations								320,310	320,310
<b>Total</b>	<b>3,030,953</b>	<b>464,154</b>	<b>224,602</b>	<b>153,878</b>	<b>553,628</b>	<b>335</b>	<b>57,116</b>	<b>396,035</b>	<b>4,880,701</b>



## 2023

	Undiscounted contractual cash flows							Not classified by maturity	Total
	Repayable on demand	<3 months	3–6 months	6–12 months	1–5 years	5–10 years	>10 years		
<b>Assets</b>									
Cash and accounts with central banks	351,011								351,011
Debt securities eligible for refinancing with central banks		92,738	109,003	121,973	462,153	29,189			815,056
Lending to credit institutions	31,395								31,395
Lending to the public	46,303	265,119	114,067	200,634	1,307,552	664,439	1,263,013		3,861,127
Other debt securities				1,814	9,173				10,987
Shares and participations								46,542	46,542
Derivative instruments		5,253	3,562	133	13,832	4,047	432		27,258
Intangible assets								13,566	13,566
Tangible assets								14,892	14,892
Other assets								125,233	125,233
<b>Total</b>	<b>428,709</b>	<b>363,111</b>	<b>226,633</b>	<b>324,553</b>	<b>1,792,710</b>	<b>697,675</b>	<b>1,263,444</b>	<b>200,233</b>	<b>5,297,067</b>
<b>Liabilities</b>									
Liabilities to credit institutions and central banks	90,336	310,123							400,459
Deposits from the public	2,662,854	504,176	128,019	308,993	1,799				3,605,841
Debt securities issued		457,096	101,179	9,000	250,000				817,275
Derivative instruments		10,497	3,545		732	231	409		15,414
Other liabilities								76,015	76,015
Subordinated liabilities							58,512		58,496
Equity capital and appropriations								323,567	323,567
<b>Total</b>	<b>2,753,190</b>	<b>1,281,891</b>	<b>232,743</b>	<b>317,993</b>	<b>252,531</b>	<b>231</b>	<b>58,920</b>	<b>399,582</b>	<b>5,297,067</b>



P32. Claims on Group companies	2024	2023
Lending to the public	3,383	2,093
Other assets	5,116	9,769
Accrued income and prepayments	13,816	5,500
<b>Total</b>	<b>22,315</b>	<b>17,362</b>

P33. Liabilities to Group companies	2024	2023
Deposits from the public	12,184	11,044
Other liabilities	3,142	2,037
Accrued expenses and prepaid income	1,988	1,647
<b>Total</b>	<b>17,314</b>	<b>14,729</b>

## Notes concerning staff, Board of Directors and Executive Team

(EUR K)

P34. Salaries/fees paid to the Board of Directors and Executive Team	2024	2023
Lampi, Nils	61	62
Taxell, Christoffer	46	45
Ceder, Åsa <sup>1</sup>		11
Lombardi, Malin <sup>2</sup>	32	
Karlsson, Anders Å	47	48
Valassi, Ulrika	49	51
Wiklöf, Anders	41	41
Leino-Haltia, Mirel	47	48
<b>Board members</b>	<b>321</b>	<b>306</b>
Managing Director	628	540
Other members of the Executive Team	2,365	1,886

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.

<sup>1</sup> Resigned from the Board of Directors on March 29, 2023.

<sup>2</sup> New Board member since April 1, 2024.

### 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

(EUR K)

P37. Assets pledged	2024	2023
Assets pledged for own liabilities		
Lending to credit institutions	2,001	9,500
Debt securities		57,282
Lending to the public	1,000,220	1,180,175
Other assets pledged for own liabilities	3,960	3,827
<b>Total assets pledged for own liabilities</b>	<b>1,006,181</b>	<b>1,250,784</b>

Assets pledged in the form of debt securities 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		
Debt securities	31,316	48,231
Other	592	594
<b>Total other assets pledged</b>	<b>31,909</b>	<b>48,824</b>

Assets pledged 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	2024	2023
Guarantees	19,040	22,610
Unutilised overdraft limits	348,937	368,228
Unutilised credit card limits	85,466	92,525
Unutilised credit lines	68,458	349,655
Other commitments	4,780	15,611
<b>Total</b>	<b>526,681</b>	<b>848,629</b>
<i>Provision for expected loss</i>	322	142
Guarantees for subsidiaries	1,238	1,238
Unutilised overdraft limits for subsidiaries	3,317	9,113
Unutilised credit facilities for subsidiaries	0	0



P39. Rental obligations	2024	2023
Rental payments due		
Under 1 year	4,463	4,113
More than 1 and less than 5 years	7,128	9,555
More than 5 years	252	245
<b>Total</b>	<b>11,842</b>	<b>13,912</b>

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



## Other notes

### P40. Subsidiaries and associated companies

	Registered office	Ownership, %	Carrying amount
<b>Subsidiaries</b>			
Crosskey Banking Solutions Ab Ltd	Mariehamn	100	2,505
<i>S-Crosskey Ab</i>	Mariehamn	60	
Ålandsbanken Fondbolag Ab	Mariehamn	100	841
<i>Ålandsbanken Fonder Ab</i>	Helsinki	100	
<i>Ålandsbanken Fonder II Ab</i>	Helsinki	100	
<i>Ålandsbanken Fonder III Ab</i>	Mariehamn	100	
<i>Ålandsbanken Fonder IV Ab</i>	Mariehamn	100	
<i>Ålandsbanken Fonder V Ab</i>	Helsinki	100	
<i>Ålandsbanken Fonder VI Ab</i>	Helsinki	100	
<i>Ålandsbanken Kiinteistökehitys I GP Oy</i>	Helsinki	100	
<i>Ålandsbanken Kiinteistökehitys I Syöttörahasto GP Oy</i>	Helsinki	100	
<i>Ålandsbanken Kiinteistökehitys I Syöttörahasto LP Oy</i>	Helsinki	100	
<i>Ålandsbanken Havsvind I GP Ab</i>	Helsinki	100	
<i>Ålandsbanken Havsvind I Matarfond GP Ab</i>	Mariehamn	100	
<i>Ålandsbanken Havsvind I Matarfond LP Ab</i>	Mariehamn	100	
<b>Total</b>			<b>3,346</b>
<b>Associated companies and joint ventures</b>			
Mäklarhuset Åland Ab	Mariehamn	32	20
Alandia Holding Ab	Mariehamn	28	3,034
Helen ÅB Tuulipuistohallinnointiyhtiö Oy	Helsinki	40	
Leilisuo GP Oy	Simo	50	
Riitamaa-Nurmesneve GP Oy	Helsinki	50	
Uusimo GP Oy	Helsinki	50	
Noatun Vindpark Norra Ab	Mariehamn	40	
Noatun Vindpark Södra Ab	Mariehamn	40	
<b>Total</b>			<b>3,054</b>

**P40. Subsidiaries and associated companies**

	Registered office	Ownership, %	Carrying amount
Housing and real estate companies			
Properties for the Group's own use			
<i>FAB Godby Center</i>	Finström	11	100
<b>Total</b>			<b>100</b>
Investment properties			
FAB Horsklint	Kökar	20	12
FAB Nymars	Sottunga	30	30
FAB Västernäs City	Mariehamn	50	300
<b>Total</b>			<b>342</b>

**P41. Distributable profit**

	2024	2023
Retained earnings	60,181	42,654
Unrestricted equity capital fund	32,318	30,380
Capitalised development expenditures		-102
<b>Total</b>	<b>92,498</b>	<b>72,933</b>





# Affirmation by the Board of Directors and the Managing Director plus proposed allocation of profit

Mariehamn, February 25, 2025

The Board of Directors and the Managing Director affirm that:

- the consolidated financial statements, which have been prepared in compliance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Parent Company's financial statements – prepared in compliance with the regulations in force in Finland on the preparation of financial statements – provide a true and fair view of the assets, liabilities, financial position, profits and losses of both the Company itself and the entities covered by the Company's consolidated financial statements
- the report of the Board of Directors includes an account that provides a truthful view of the development and performance of the Company's business operations, on the one hand, and the entirety of the companies covered by the consolidated financial statements, on the other hand, as well as a description of the most relevant risks and uncertainties and the Company's position in other respects
- the sustainability report included in the report of the Board of Directors has been prepared in accordance with the reporting standards referred to in Chapter 7 and in compliance with Article 8 of the Taxonomy Regulation.

Nils Lampi  
Chairman

Christoffer Taxell  
Deputy Chairman

Mirel Leino-Haltia

Malin Lombardi

Anders Å Karlsson

Ulrika Valassi

Ander Wiklöf

Peter Wiklöf  
Managing Director

According to the financial statements, distributable profit – after subtracting capitalised development expenses – including the unrestricted equity capital fund is EUR 92,498,231.81, of which the profit for the financial year is EUR 58,187,942.59. 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 92,498,231.81 be allocated as follows:

For Series A and Series B shares outstanding, a dividend of EUR 2.40 per share plus an extra dividend of EUR 0.35 per share from retained earnings,

totalling	42,259,027.25
To be carried forward as retained earnings	50,239,204.56

## Auditors' note

A report on the audit performed has been issued today.

Helsinki, February 25, 2025

KPMG Oy Ab

Henry Maarala



To the Annual General Meeting of Ålandsbanken Abp

# Auditor's 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.*

*Audit of the financial statements*

## 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, 2024. 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 significant information about 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 IFRS international financial reporting standards as adopted by the EU.
- the financial statements give a true and fair view of the Parent Company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion in this report is consistent with the contents of the supplementary report submitted to the Audit Committee.

## Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Parent Company and of the Group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined on the basis of 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, may 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, but 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.

In our audit we have also addressed the risk of management override of internal controls.

This has included consideration of whether there are indications that management was aware of this, which may represent a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters	How these matters were addressed in the audit
Measurement 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 3.6 billion. This comprises approximately 73 percent of the Group's total assets.
- The Bank of Åland has applied the IFRS 9 Financial Instruments standard to the calculation of expected credit losses. Calculation of expected credit losses involves assumptions, estimates and management judgment, for example, in respect to the probability and amount of the expected credit losses as well as the definition of a significant increase 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, measurement of lending to the public was addressed as a key audit matter.
- We reviewed the principles and controls attributable to approval, recognition and



monitoring of loans and evaluated the principles underlying risk assessment and the determination of impairment losses and credit loss provisions. 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.
- IFRS and financial instruments specialists from KPMG were involved in the audit.
- Furthermore, we considered the appropriateness of the notes provided by the Bank of Åland in respect of loans and other receivables and expected credit losses.

### Key audit matters

Key audit matters	How these matters were addressed in the audit
Net commission income and IT income (Accounting Principles and Notes G8 and P3)	

- The assets managed by the Bank of Åland entitle the Bank to fee and commission income on the basis of the agreements entered into with customers and cooperation partners. The Group's IT income is based on customer agreements. Commissions and IT income are a significant item in the Group's income statement.
- The calculation of mutual fund and financial management commissions as well as IT income includes manual phases, and the determination of the commission amount and revenue recog-

nitiation may involve management judgement.

- Due to the size of the income 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. We also evaluated 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 agreements and fund statutes where fees have been defined. We also performed analyses of the fees that were charged.

In the Parent Company's financial statements, we have not identified other key audit matters.

### 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 controls as they determine are 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 a 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 if 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 in 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 the Parent Company's or the Group's internal controls relevant to our 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 internal controls.
- Evaluate the appropriateness of accounting principles 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, as well as whether any 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 about the financial statements. 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 be unable to continue any longer 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 in such a way that the financial statements give a true and fair view.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the companies and business entities within the Group to provide the basis for expressing an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the auditing tasks performed for purposes of the Group audit. We are solely responsible for our audit opinion.

We communicate with those charged with the company's governance regarding, among

other matters, the planned scope, direction and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we have identified during our audit.

We also provide those charged with the company's 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 the Company's 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 laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *Other reporting requirements*

### **Information on our audit engagement**

We have served as auditors elected by the Annual General Meeting since the spring of 2013, representing an uninterrupted engagement of 12 years.

### **Other information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements or our auditors' report. We 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 this 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 the views we formed during 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 this report has been prepared in accordance with the applicable laws and regulations, with the exception of the disclosures about the Sustainability Report on which there are provisions in Chapter 7 of the Finnish Accounting Act and in the sustainability reporting standards.

In our opinion, the disclosures in the report of the Board of Directors and the financial statements are consistent and the report of the Board of Directors has been prepared in accordance with the regulations that must be followed in preparing such reports. Our opinion does not cover the disclosures related to the Sustainability Report on which there are provisions in Chapter 7 of the Finnish Accounting Act and in the sustainability reporting standards.

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 in this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 25, 2025  
KPMG Oy Ab

Henry Maarala  
Authorised Public Accountant, KHT

KPMG Oy Ab  
Töölönlahdenkatu 3 A  
00100 Helsinki



To the Annual General Meeting of Bank of Åland Plc

# Assurance Report on the Sustainability Report

*This document is an English translation of the Swedish-language Assurance Report on the Sustainability Report. Only the Swedish-language version of the report is legally binding.*

We have performed a limited assurance engagement on the Group sustainability report of Bank of Åland Plc (business identity code 0145019-3) that is referred to in Chapter 7 of the Accounting Act and that is included in the report of the Board of Directors for the financial year January 1–December 31, 2024.

## Opinion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Group sustainability report does not comply, in all material respects, with

1. the requirements laid down in Chapter 7 of the Accounting Act and the sustainability reporting standards (ESRS);
2. the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy).

Point 1 above also contains the process in which Bank of Åland Plc has identified the information for reporting in accordance with the sustainability reporting standards (double

materiality assessment) and the tagging of information as referred to in Chapter 7, Section 22 of the Accounting Act.

Our opinion does not cover the tagging of the group sustainability report with digital XBRL sustainability tags in accordance with Chapter 7, Section 22, Subsection 1(2), of the Accounting Act, because sustainability reporting companies have not had the possibility to comply with that provision in the absence of the ESEF regulation or other European Union legislation.

## Basis for opinion

We performed the assurance of the Group sustainability report as a limited assurance engagement in compliance with good assurance practice in Finland and with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Our responsibilities under this standard are further described in the *Responsibilities of the authorised group sustainability auditor* section of our report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other matters

We draw attention to the fact that the Group sustainability report of Bank of Åland Plc that is

referred to in Chapter 7 of the Accounting Act has been prepared and assurance has been provided for it for the first time for the financial year January 1–December 31, 2024. Our opinion does not cover the comparative information that has been presented in the Group sustainability report. Our opinion is not modified in respect of this matter.

## Authorised Group sustainability auditor's independence and quality management

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 engagement, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The authorised Group sustainability auditor applies the International Standard on Quality Management ISQM 1, which requires the authorised sustainability audit firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director of Bank of Åland Plc are responsible for:

- the Group sustainability report and for its preparation and presentation in accordance with the provisions of Chapter 7 of the Accounting Act, including the process that has been defined in the sustainability reporting standards and in which the information for reporting in accordance with the sustainability reporting standards has been identified as well as the tagging of information as referred to in Chapter 7, Section 22 of the Accounting Act and
- the compliance of the Group sustainability report with the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;
- such internal controls as the Board of Directors and the Managing Director determine are necessary to enable the preparation of a Group sustainability report that is free from material misstatement, whether due to fraud or error.

## Inherent limitations in the preparation of the sustainability report

Preparation of the sustainability report requires the Company to make a materiality assessment to identify relevant matters to report. This includes significant management judgements and choices. It is also characteristic of the sustainability report that reporting of this kind of information includes estimates and assumptions as well as



measurement and estimation uncertainty. Furthermore, when reporting forward-looking information, the Company should disclose assumptions related to potential future events and describe the Company's possible future actions in relation to these events. The actual outcome may differ, as forecasted events do not always occur as expected.

### Responsibilities of the authorised Group sustainability auditor

Our responsibility is to perform an assurance engagement to obtain limited assurance about whether the Group sustainability report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the decisions of users taken on the basis of the Group sustainability report.

Compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) requires that we exercise professional

judgement and maintain professional scepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement in the Group sustainability report, whether due to fraud or error, and obtain an understanding of internal controls relevant to the engagement in order to design assurance 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 controls.
- Design and perform assurance procedures responsive to those risks to obtain 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 controls.

### Description of the procedures that have been performed

The procedures performed in a limited assurance engagement vary in nature and timing

from, and are less in extent than for, a reasonable assurance engagement. The nature, timing and extent of assurance procedures selected depend on professional judgement, including the assessment of risks of material misstatement, whether due to fraud or error. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included, for example, the following:

- We interviewed the Group's management and persons responsible for the preparation and gathering of the sustainability information.
- We familiarised ourselves, via interviews, with the key processes related to collecting and consolidating the sustainability information.
- We familiarised ourselves with the internal directives and policies of significance to the sustainability information disclosed in the sustainability report.
- We familiarised ourselves with the background documentation and other records prepared by

the Group, as appropriate, and assessed how they support the information included in the sustainability report.

- In relation to the double materiality assessment process, we interviewed persons responsible for the process and familiarised ourselves with the process description and with other documentation and background materials.
- In relation to the EU taxonomy information, we interviewed persons in the management of the Group and persons with key roles in reporting taxonomy information to examine how taxonomy eligible and taxonomy aligned activities according to the EU taxonomy regulation have been identified, and we obtained evidence supporting the interviews and reconciled the reported EU taxonomy information with supporting documents and with bookkeeping, as applicable.
- We assessed how the application of the ESRS sustainability reporting standards have been implemented principles in the presentation of the sustainability information.

Helsinki February 25, 2025

KPMG Oy Ab

Authorized Sustainability Audit Firm

Henry Maarala

Authorized Sustainability Auditor, KRT

KPMG Oy Ab

Töölönlahdenkatu 3 A

00100 Helsinki



## Five-year Group summary

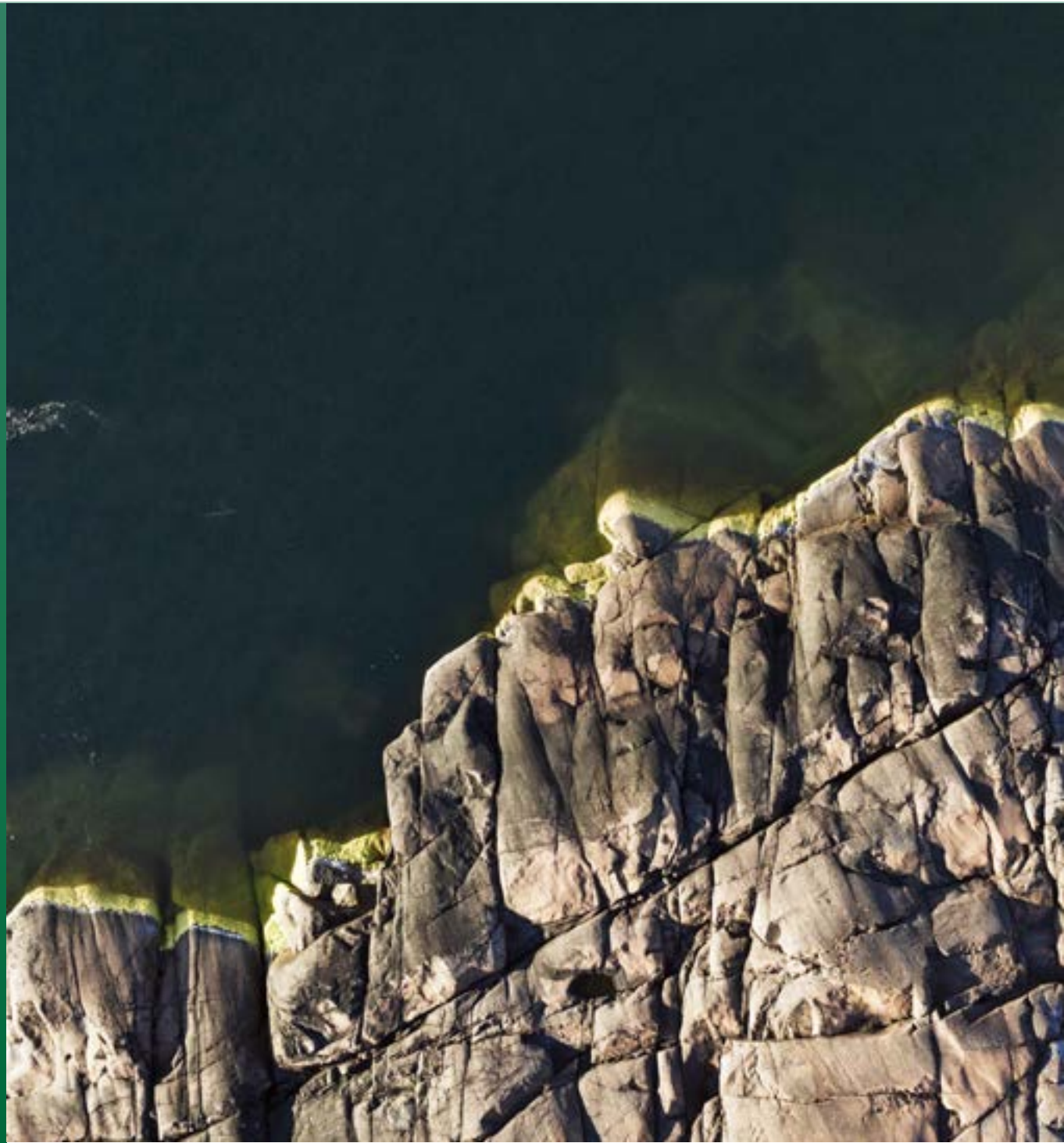
Bank of Åland Group	2024	2023	2022	2021	2020
EUR M					
Income					
Net operating profit	65.0	61.7	46.1	49.2	39.7
Profit for the year attributable to shareholders	52.3	48.7	36.8	39.9	31.5
Volume					
Lending to the public	3,576	3,859	4,303	4,788	4,378
Deposits from the public	3,521	3,585	4,182	4,070	3,605
Actively managed assets	10,616	9,776	8,637	9,826	7,436
Managed mortgage loans	3,080	2,716	1,304	2	
Equity capital	336	335	317	332	292
Risk exposure amount	1,643	1,774	1,938	1,976	1,671
Financial ratios					
Return on equity after taxes (ROE), %	17.9	17.2	12.8	14.0	11.6
Expense/income ratio	0.68	0.68	0.72	0.69	0.70
Loan loss level, %	0.10	0.05	0.14	0.12	0.11
Gross share of loans in Stage 3, %	1.63	1.61	1.61	1.23	0.89
Liquidity coverage ratio (LCR), %	169	156	138	139	159
Loan/deposit ratio, %	102	107	103	118	121
Common equity Tier 1 capital ratio, %	14.5	13.7	12.1	12.1	14.3
Tier 1 capital ratio, %	16.3	15.3	13.6	13.6	14.3
Total capital ratio, %	18.1	17.1	15.2	15.4	16.5
Working hours re-calculated to full-time equivalent positions	977	906	854	815	751
Earnings per share, EUR	3.41	3.18	2.37	2.55	2.02
Equity capital per share, EUR	19.95	19.98	18.85	19.39	18.76
Dividend per share, EUR	2.75 <sup>1</sup>	2.65	2.05	2.00	1.00

<sup>1</sup> Proposed by the Board of Directors for approval by the Annual General Meeting.



# Corporate governance

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Corporate Governance Statement for the Bank of Åland Plc, 2024

# Corporate Governance Statement

The Corporate Governance Statement is being issued as a separate report in conjunction with the Report of the Directors for 2024 and was prepared by the Audit Committee of the Board of Directors.

## Legislation and recommendations on corporate governance

The Finnish Corporate Governance Code 2025 (“the Code”), which is available on the website [www.cgfinland.fi](http://www.cgfinland.fi), is intended to be followed by companies listed on the Nasdaq OMX Helsinki (“Helsinki Stock Exchange”), among others. 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,

and is being issued again for 2024 as a separate report. In applying the Code, until the Annual General Meeting on March 26, 2024, the Bank departed from Recommendation 15, “Appointment of Members to a Committee”, since the Bank’s Compensation Committee included one co-opted member who was not a member of the Bank’s Board of Directors. The co-opted member was also Chairman of the Committee. The purpose of this departure was to broaden the Compensation Committee’s experience and expertise base on compensation matters. The need for outside expertise is assessed as no longer existing. On April 16, 2015, the Annual General Meeting of the Bank of Åland that as 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](http://www.alandsbanken.fi).

## Presentation of Board members and their shareholdings in the Bank

### Composition of the Board, 2024

Name, main occupation and education	Gender and year of birth Board members since what year Place of residence	Board members’ shareholdings in the Bank on December 31, 2024 <sup>1</sup>
Nils Lampi, Chairman CEO, Wiklöf Holding Ab Bachelor of Economic Sciences	Man Born 1948 Member since 2013 Mariehamn, Åland	Series A shares: 567 Series B shares: 5,867
Christoffer Taxell, Deputy Chairman Master of Laws	Man Born 1948 Member since 2013 Turku, Finland	Series A shares: 0 Series B shares: 1,833
Anders Å Karlsson Business owner Bachelor of Commerce	Man Born 1959 Member since 2012 Lemland, Åland	Series A shares: 3,000 Series B shares: 1,500
Malin Lombardi <sup>2</sup> Master of Laws	Woman Born 1980 Member since 2024 Mariehamn, Åland	Series A shares: 0 Series B shares: 0
Mirel Leino-Haltia PhD (Econ.), CFA	Woman Born 1971 Member since 2022 Helsinki, Finland	Series A shares: 0 Series B shares: 40
Ulrika Valassi Business owner Master of Business Administration	Woman 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	Man Born 1946 Member since 2006 Mariehamn, Åland	Series A shares: 1,993,534 Series B shares: 1,332,961

<sup>1</sup> Directly or via companies which the Board member controls.

There are no shareholdings in other Bank of Åland Group companies.

<sup>2</sup> Became a Board member in conjunction with the AGM on March 26, 2024.



## 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 2024, the Board consisted of six members up to and including the AGM on March 26, 2024, when Malin Lombardi became a member. During the rest of 2024, the Board comprised seven members. The Managing Director may not be a member of the Board.

### The Board's assessment of the independence of its members in relation to the Bank and major shareholders

In the assessment of the Board of Directors, the Chairman of the Board and all other Board members are independent of the Bank. Christoffer Taxell, Mirel Leino-Haltia and Ulrika Valassi are also independent in relation to major shareholders. Nils Lampi, Chairman of the Board, is deemed to be dependent in relation to a major shareholder since he is CEO of Wiklöf Holding, which is a major shareholder in the Bank. Anders Wiklöf is regarded as dependent in relation to a major shareholder due to his direct and indirect shareholdings 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 can also have 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 2024, the Board held 16 (16) meetings. The Board members' average attendance was 100 (100) per cent. During 2024, each Board member attended Board and committee meetings as shown in the table to the right.

### 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

### Attendance at Board meetings, 2024

Board member	Board meetings Total number: 16
Nils Lampi	16/16
Christoffer Taxell	16/16
Malin Lombardi <sup>1</sup>	12/12
Anders Å Karlsson	16/16
Mirel Leino-Haltia	16/16
Ulrika Valassi	16/16
Anders Wiklöf	16/16

<sup>1</sup> Became a Board member in conjunction with the AGM on March 26, 2024.



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. Up to and including the AGM on March 26, 2024, the allocation was 33 per cent women and 67 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 2024 the Nomination Committee met 2 (2) times. The average attendance of Committee members was 100 (100) per cent

### 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 2024 the Audit Committee met 9 (10) times.

The average attendance of Committee members was 100 (100) per cent.

### 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 2024 the Compensation Committee met 3 (3) times. The average attendance of Committee members was 100 (100) per cent.

### 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.

### Attendance at Nomination Committee meetings, 2024

Member	Nomination Committee meetings Total number: 2
Anders Wiklöf, Chairman of the Committee	2/2
Nils Lampi	2/2
Stefan Björkman	2/2
Georg Ehrnrooth	2/2

### Attendance at Audit Committee meetings, 2024

Member	Audit Committee meetings Total number: 9
Ulrika Valassi, Chairman of the Committee	9/9
Anders Å Karlsson	9/9
Mirel Leino-Haltia	9/9
Nils Lampi	9/9

### Attendance at Compensation Committee meetings, 2024

Member	Compensation Committee meetings Total number: 3
Agneta Karlsson <sup>1</sup> , Chairman of the Committee	1/1
Nils Lampi	3/3
Christoffer Taxell	3/3
Malin Lombardi <sup>2</sup>	2/2

<sup>1</sup> Until the AGM on March 26, 2024.

<sup>2</sup> Became a Board member in conjunction with the AGM on March 26, 2024.



## 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 be seen in the table below.

During 2024 the Executive Team met on 11 (11) occasions.

## 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 including sustainability reporting, 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,

## Disclosures about Executive Team members, including the Managing Director, and their shareholdings in the Bank

### The Group-wide Executive Team, 2024

Composition of the Executive Team and its members' areas of responsibility	Education Gender and year of birth Executive Team member since what year	Shareholdings in the Bank on December 31, 2024 (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 Man, born 1966 Member since 2008	Series A shares: 500 Series B shares: 41,771
Jan-Gunnar Eurell Chief Financial Officer Deputy Managing Director	Bachelor of Science (Economics) Master of Business Administration Man, born 1959 Member since 2011	Series A shares: 0 Series B shares: 39,686
Tove Erikslund Chief Administrative Officer	Master of Business Administration Woman, born 1967 Member since 2006	Series A shares: 0 Series B shares: 9,510
Sofie Holmström Manager, Partnerships Business Area	Master of Science in Engineering Bachelor of Arts in Economics Woman, born 1985 Member since 2021	Series A shares: 0 Series B shares: 1,333
Magnus Johansson Director, Sweden Business Area	Bachelor of Science (Economics) Man, born 1972 Member since 2017	Series A shares: 0 Series B shares: 21,687
Mikael Mörn Director, Åland Business Area	Associate of Arts in Commerce Man, born 1965 Member since 2017	Series A shares: 0 Series B shares: 7,887
Juhana Rauthovi Chief Risk & Compliance Officer	Licentiate in Laws, M.Sc. (Econ.), M.Sc. (Tech.) Master in International Management Man, born 1975 Member since 2012	Series A shares: 0 Series B shares: 16,012
Anne-Maria Salenius Director, Finnish Mainland Business Area	Master of Laws Attorney at Law Woman, born 1964 Member since 2010	Series A shares: 0 Series B shares: 12,616



as well as dealing with the observations of the external and internal auditors.

The Board of Directors deals with interim reports, the half-year financial report or the Annual Report every quarter and receives the Group's internal financial reporting every month. The Board also examines the auditors' reports, audit plans and conclusions of the external auditors concerning interim reports, the half-year financial report and the Annual Report. The Board meets with the external auditors at least quarterly.

### Risk management

The Group's ambition is to pursue its operations with reasonable and carefully considered risks. Its profitability directly depends on the ability of the organisation to identify, manage and price risks. The purpose of risk management is to reduce the probability of unforeseen losses and/or threats to the Group's reputation as well as contribute to higher profitability and shareholder value.

The Group is exposed to credit risk, counterparty risk, market risk, liquidity risk, operational risk and business risk. The latter is a consequence of the Group's strategy, competitiveness, ability to adapt to customer expectations, unfavourable business decisions and the environment and market the Group works in. Business risk is managed in conjunction with strategic planning. Credit risk, which is the Group's most significant risk, encompasses receivables from private individuals, companies, institutions and the public sector. These receivables mainly consist of loans, overdraft facilities and guarantees issued by the Bank.

The Board of Directors has overall responsibility for governance and monitoring, that is, for ensuring that risk management is sufficient and for establishing systems and regulations for monitoring and limiting the Bank's risk exposure. The Audit Committee assists the Board in handling these oversight tasks in internal control systems, risk management and reporting. The Managing Director oversees and supervises business operations in accordance with the Board's instructions, is responsible for day-to-day administration and for ensuring that the members of the Board receive sufficient information regularly about the Group's risk positions and the regulations that affect its operations.

The Bank works according to an allocation of responsibility between three different lines of defence, in which each part of its business operations within the first line of defence bears responsibility for its business and for managing its risks. Within the second line of defence, the Risk Office Corporate Unit is responsible for independent risk monitoring (financial risks) and operational risks (among other things compliance with regulations). The Risk Office Corporate Unit is also responsible for the credit approval process. This includes identifying, measuring, analysing and reporting all of the Group's significant risks as well as examining the loan matters presented to the Credit Committee of the Executive Team. The Risk Office is also responsible for data protection as well as informational and corporate security in the Group. In addition, the corporate unit ensures that risks and risk management live up to the Bank's risk appetite

and risk tolerance and that the management of the Bank regularly receives reports and analyses on the current situation. Within the third line of defence, the Risk Office is audited by the Internal Auditing Department, which evaluates risk management both in terms of sufficiency and compliance.

In addition to the regulations and instructions of the Finnish Financial Supervisory Authority and national legislation, the main foundations of the Group's risk management are numerous directives and regulations at the European Union level. For more detailed information on the Group's risk management, capital management, evaluation of capital requirements and capital adequacy information, see the Capital and Risk Management Report for 2024. The report is posted on the Bank's website, [www.alandsbanken.fi](http://www.alandsbanken.fi).

### Lending structure

At the Bank, the Private Banking and Premium Banking units in Åland, on the Finnish mainland and in Sweden always bear responsibility for lending via mandates. Those employees in these units 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 that is independent of business units 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 2023 and 2024 the Bank transferred to the mortgage company Borgo AB the majority of the mortgage portfolio that was built up via partnerships. The majority of the Bank's own mortgage loans were also transferred to Borgo AB.

### Compliance

The Group's independent Compliance department is responsible for the monitoring and assessment of regulatory compliance. Compliance shall actively promote compliance with a focus on customer protection in the provision of services, behaviour in the market, anti-money laundering and terrorist financing and compliance with sanctions regulations, as well as licensing 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 the Internal Auditing department is to strengthen the Bank of Åland Group's ability to generate, protect and maintain value by providing the Board and Executive Team with independent, risk-based and objective assurances, advice, insights and proactivity. The department provides the Board and Executive



Team with objective and independent assessments of operational activities, operational and management processes, the Group's risk management, governance and controls. Internal Auditing reports regularly to the Board, the Audit Committee and the Executive Team. The Board of Directors adopts a yearly plan for internal auditing. Internal Auditing conducts its work in compliance with the Global Internal Audit Standards, which were developed by the Institute of Internal Auditors. The work of the Internal Auditing department is subject to a quality evaluation at least every five years, which is carried out by an independent party.

### 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. 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, among others, 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 are guardians, as well as organisations in which people in management positions 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 one auditor and the necessary number of deputies for them. Auditors are appointed yearly at the AGM for the period up to the end of the next Annual General Meeting.

The 2024 AGM elected the authorised accounting firm KPMG Oy Ab as auditor, with Henry Maarala as auditor in charge.

During 2024, Group companies paid a total of EUR 507,591 (434,175) including value-added tax for auditing fees. In addition, they paid EUR 430,041 (143,629) 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 2024, has been published on the Bank's website, [www.alandsbanken.fi](http://www.alandsbanken.fi).



## Board of Directors



**Nils Lampi**

**Chairman**

CEO, Wiklöf Holding Ab  
Bachelor of Economic Sciences  
Born 1948  
Chairman of the Board since 2013  
Board member since 2013



**Christoffer Taxell**

**Deputy Chairman**

Master of Laws  
Born 1948  
Deputy Chairman of the Board since 2013  
Board member since 2013



**Anders Å Karlsson**

Business owner  
Bachelor of Commerce  
Born 1959  
Board member since 2012



**Malin Lombardi**

Master of Laws  
Born 1980  
Board member since 2024



**Mirel Leino-Haltia**

PhD (Econ.), CFA  
Born 1971  
Board member since 2022



**Ulrika Valassi**

Business owner  
Master of Business Administration  
Born 1967  
Board member since 2015

Further information in Swedish and Finnish about the members of the Board can be found on the Bank's website [www.alandsbanken.fi](http://www.alandsbanken.fi)





## Anders Wiklöf

Business owner  
Doctor of Economics (honorary)  
Commercial Counsellor  
Born 1946  
Board member since 2006

Further information in Swedish and Finnish about the members of the Board can be found on the Bank's website [www.alandsbanken.fi](http://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

Further information in Swedish and Finnish about the members of the Board can be found on the Bank's website [www.alandsbanken.fi](http://www.alandsbanken.fi)



### 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



### 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

Further information in Swedish and Finnish about the members of the Board can be found on the Bank's website [www.alandsbanken.fi](http://www.alandsbanken.fi)



### 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 Saloniuss

#### Director, Finnish Mainland Business Area

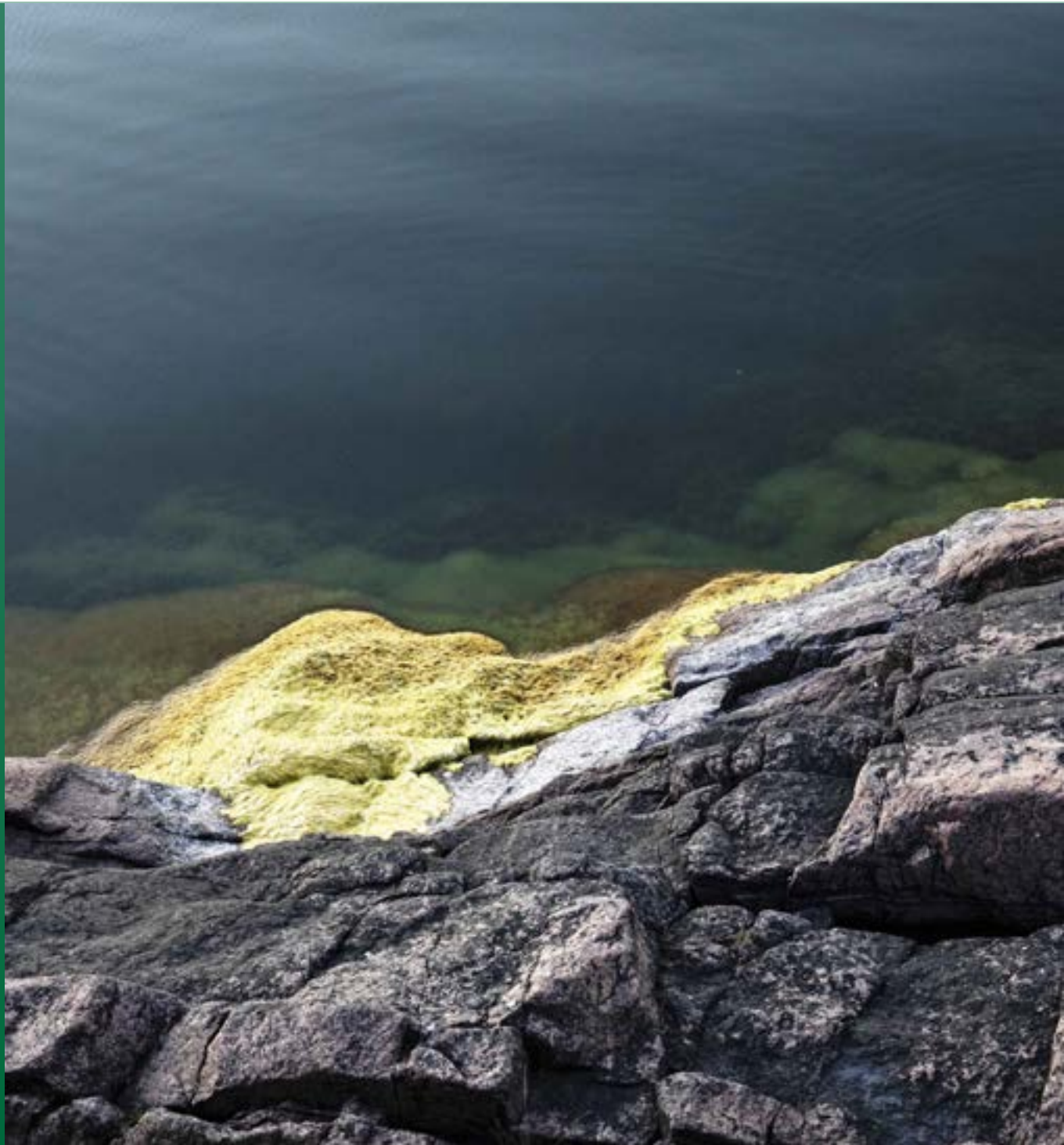
Master of Laws, Attorney at Law  
Born 1964  
Member of the Executive Team since 2010

Further information in Swedish and Finnish about the members of the Board can be found on the Bank's website [www.alandsbanken.fi](http://www.alandsbanken.fi)



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# 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<sub>2</sub>

Chemical designation for carbon dioxide.

## CO<sub>2</sub>e

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.

## CSRD

The Corporate Sustainability Reporting Directive ((EU) 2022/2464) is a European Union directive that regulates sustainability reporting for companies. Sustainability reporting must be produced in compliance with the ESRS reporting standard.

## Customer satisfaction index (CSI)

The Bank of Åland has created its own index where the highest level is 100 and the lowest level is 0 in the customer survey. The customer survey includes several questions that summarise how satisfied customers are with the Bank of Åland's overall service offering. In order to calculate the total score, the outcome for each geographic business segment is weighted against total business volume (actively managed capital and lending and deposits from the public).

## Double materiality analysis

A double materiality analysis shows both how a company's operations impact the outside world and how the outside world impacts the company's operations from a financial perspective. A double materiality analysis is an analysis that is done in sustainability reporting to identify impact areas in compliance with CSRD and ESRS as well as financial risks and opportunities. The areas

that are deemed material form the basis for the scope of the sustainability report in compliance with ESRS.

## Earnings per share

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

## Employee commitment index

A measure of employee motivation and loyalty at the Bank of Åland. Calculated on the basis of nine standard categories from our measurement tool that describe what employees need in order to remain committed and motivated.

## 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).

## ESRS

The European Sustainability Reporting Standards (Delegated Regulation (EU) 2023/2772) are the standards in accordance with which the CSRD sustainability report is prepared. ESRS is based on two overarching standards and ten thematic standards in the main areas of environment, social sustainability and business conduct. Reporting is done on the disclosure requirements described in the chapters that are relevant based on topics identified as areas of material impacts, risks or opportunities in a company's double materiality analysis. The disclosure requirements include minimum reporting requirements and specify data points to be reported.

**Equity capital per share**

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

**Expense/income ratio**

Total expenses divided by total income.

**GAR**

GAR stands for Green Asset Ratio and means the proportion of green assets according to the European Union's Taxonomy criteria. (EU Taxonomy Regulation (EU) 2020/852).

**GHG Protocol**

The Greenhouse Gas Protocol is a standard that companies can use for quantifying and reporting greenhouse gas emissions. Greenhouse gas emissions are divided into three different scopes, depending on their source.

**Gross share of 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.

**Leadership index**

A measure of employees' perception of leadership at the Bank of Åland. Calculated on the basis of questions about trust, cooperation, communication, feedback and support.

**Level of provisions for lending to the public in Stage 3**

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

**Leverage ratio**

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

**Liquidity coverage ratio (LCR)**

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

**Loan/deposit ratio**

Lending to the public divided by deposits from the public.

**Loan loss level**

Net impairment losses on loan portfolio and other commitments in lending to the public divided by lending to the public at the beginning of the period.

**Managed mortgage loans**

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

**Market capitalisation/Shareholders' portion of equity capital**

Market value at the end of the report period divided by shareholders' portion of equity capital on closing day.

**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.

**PCAF**

PCAF is an abbreviation for the GHG Accounting and Reporting

Standard for the Financial Industry from the Partnership for Carbon Accounting Financial. It is a standard for calculating greenhouse gas emissions that companies in the financial service industry can use and is based on the GHG Protocol.

**Return on equity after taxes (ROE)**

Profit for the report period attributable to shareholders divided by average shareholders' portion of equity capital.<sup>1</sup>

**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 1 capital ratio**

Tier 1 capital divided by the risk exposure amount.

**Tier 2 (supplementary) capital**

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

**Total capital ratio**

Own funds divided by the risk exposure amount.

<sup>1</sup> Average of 13 end-of-month figures.



The Bank of Åland Plc's list of stock exchange releases in 2024

## Stock exchange releases, 2024

### January

January 16, 2024 Information on the application for admission of securities to trading on a regulated market

### February

February 2, 2024 Year-end Report for the period January–December 2023  
February 21, 2024 The 2023 Annual Report of the Bank of Åland Plc has been published  
February 21, 2024 Notice to convene the Annual General Meeting

### March

March 13, 2024 Directed issue as part of the Bank of Åland's share savings programme for employees and for implementation of the variable compensation system for members of the Executive Team and key individuals  
March 15, 2024 Moody's assigns A3 long-term deposit ratings to Bank of Åland Plc  
March 15, 2024 Managers' transactions (Holmström)  
March 15, 2024 Managers' transactions (Eurell)  
March 18, 2024 Managers' transactions (Johansson)  
March 18, 2024 Managers' transactions (Rauthovi)  
March 18, 2024 Managers' transactions (Wiklöf)  
March 18, 2024 Managers' transactions (Erikslund)  
March 18, 2024 Managers' transactions (Salonius)  
March 18, 2024 Managers' transactions (Mörn)  
March 22, 2024 Ålandsbanken Abp (Bank of Åland) announces amendments to the terms and

March 26, 2024

### April

April 25, 2024

April 26, 2024

April 26, 2024

April 30, 2024

### June

June 10, 2024

### July

July 19, 2024

### August

August 20, 2024

### October

October 15, 2024

October 23, 2024

October 24, 2024

October 28, 2024

October 28, 2024

conditions of its covered bond due 2024  
Decisions at the 2024 Annual General Meeting  
Interim Report for the period January–March 2024  
Moody's assigns Aaa rating to Bank of Åland Plc's CBA Covered Bond programme and all the currently outstanding covered bonds under the programme  
Managers' transactions (Eurell)  
Bank of Åland Plc continues with Moody's as its sole rating agency

Transfer of Swedish mortgages from Bank of Åland Plc to Borgo AB completed

Half-year Financial Report for the period January–June 2024

Bank of Åland Plc to decrease prime rate

Bank of Åland Plc to decrease prime rate  
Targeted issue as part of the Bank of Åland's saving programme for employees  
Financial information and Annual General Meeting, 2025

Interim Report for the period January–September 2024

Managers' transactions (Wiklöf)

October 28, 2024

October 28, 2024

October 28, 2024

October 28, 2024

October 28, 2024

### November

November 18, 2024

November 18, 2024

### December

December 2, 2024

December 12, 2024

Managers' transactions (Eurell)  
Managers' transactions (Erikslund)  
Managers' transactions (Mörn)  
Managers' transactions (Rauthovi)  
Managers' transactions (Holmström)

Notification of an application for the delisting of a security in a regulated market

Notification of approved delisting application by Nasdaq Helsinki

Notification of an application for the admission of a security to trading in a regulated market

Bank of Åland Plc to decrease prime rate





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