

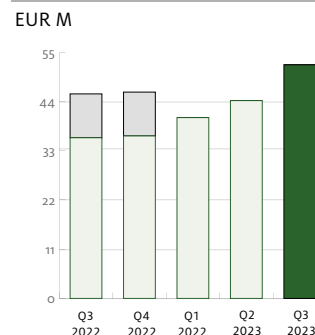


“We delivered a very strong third quarter, where net operating profit climbed by 72 per cent to EUR 19.1 M from the corresponding quarter of last year. The improvement in earnings was driven primarily by rising net interest income.

“We expect that the upturn in interest rates that has benefited our net interest income in recent quarters will now fade and that we will see a stabilisation in interest rates. Despite rising interest rates, we are not yet seeing any deterioration in the quality of our loan portfolio.”

Peter Wiklöf, Managing Director and Chief Executive

4-quarter moving net operating profit



● Communicated nonrecurring income

January–September 2023

Compared to January–September 2022

- Net operating profit increased by 17 per cent to EUR 41.5 M (35.5). Excluding a divestment gain in the year-earlier period, net operating profit increased by 62 per cent to EUR 41.5 M (25.7).
- Core income in the form of net interest income, net commission income and IT income increased by 16 per cent to EUR 146.4 M (125.8).
- Other income, which included a divestment gain in the year-earlier period, decreased by 98 per cent to EUR 0.3 M (11.3).
- Total expenses increased by 6 per cent to EUR 103.1 M (97.7).
- Net impairment losses on financial assets (including recoveries) totalled EUR 2.0 M (4.0), equivalent to a loan loss level of 0.06 per cent (0.12).
- Return on equity after taxes (ROE) increased to 15.7 per cent (13.1, but 9.8 excluding a divestment gain).
- Earnings per share decreased by 17 per cent to EUR 2.13 (1.82).
- The common equity Tier 1 capital ratio increased to 14.0 per cent (12.0 on December 31, 2022).
- Unchanged future outlook: The Bank of Åland expects its net operating profit in 2023 to be significantly better than in 2022.

The third quarter of 2023

Compared to the third quarter of 2022

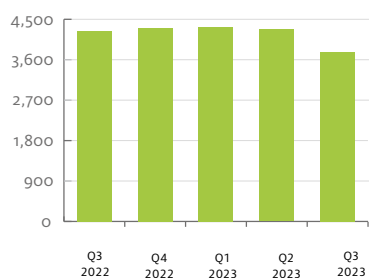
- Net operating profit increased by 72 per cent to EUR 19.1 M (11.1).
- Core income in the form of net interest income, net commission income and IT income increased by 23 per cent to EUR 52.1 M (42.5).
- Other income, including negative net income on financial items, amounted to EUR -0.9 M (0.2).
- Total expenses increased by 3 per cent to EUR 31.5 M (30.5).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.7 M (1.1), equivalent to a loan loss level of 0.06 per cent (0.11).
- Return on equity after taxes (ROE) increased to 21.6 per cent (12.4).
- Earnings per share increased by 73 per cent to EUR 0.99 (0.57).

Financial summary

Group	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
EUR M								
Income								
Net interest income	27.9	24.2	15	18.9	47	71.8	48.5	48
Net commission income	17.8	18.2	-3	18.6	-4	54.3	60.0	-9
IT income	6.4	7.7	-16	5.0	28	20.2	17.3	17
Other income	-0.9	0.0		0.2		0.3	11.3	-98
Total income	51.2	50.1	2	42.7	20	146.6	137.1	7
Total expenses								
Staff costs	-19.4	-20.4	-5	-17.9	8	-60.4	-55.8	8
Other expenses	-8.9	-11.5	-22	-9.3	-3	-30.4	-28.4	7
Statutory fees	0.0	0.0		0.0		-3.2	-3.4	-6
Depreciation/amortisation	-3.1	-3.0	5	-3.3	-6	-9.0	-10.0	-9
Total expenses	-31.5	-34.9	-10	-30.5	3	-103.1	-97.7	6
Profit before impairment losses	19.8	15.2	30	12.2	61	43.5	39.4	10
Impairment losses on financial assets, net	-0.7	-1.0	-31	-1.1	-39	-2.0	-4.0	-49
Net operating profit	19.1	14.2	34	11.1	72	41.5	35.5	17
Income taxes	-4.0	-2.9	34	-2.2	76	-8.9	-7.2	24
Profit for the period	15.1	11.3	34	8.9	71	32.6	28.3	15
Attributable to:								
Shareholders in Bank of Åland Plc	15.1	11.3	34	8.9	71	32.6	28.2	15
Volume								
Lending to the public	3,777	4,274	-12	4,241	-11			
Deposits from the public	3,553	3,700	-4	4,207	-16			
Actively managed assets	8,982	9,010	0	8,212	9			
Managed mortgage loans	2,600	2,050	27	1,195				
Equity capital	318	296	7	312	2			
Balance sheet total	5,196	5,701	-9	6,145	-15			
Risk exposure amount	1,741	1,882	-7	1,967	-11			

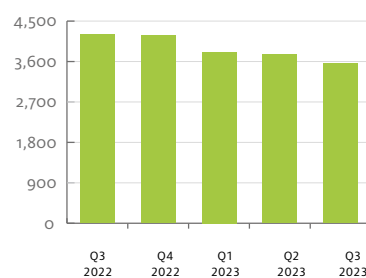
Lending to the public

EUR M



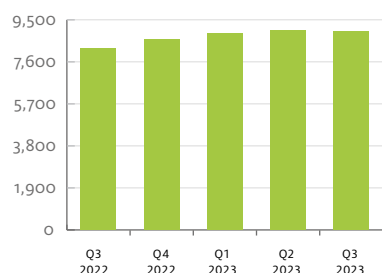
Deposits from the public

EUR M



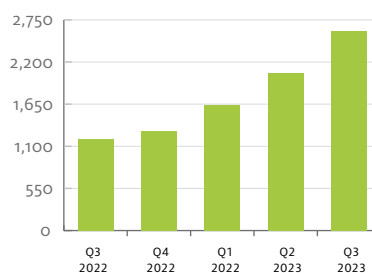
Actively managed assets

EUR M



Managed mortgage loans

EUR M

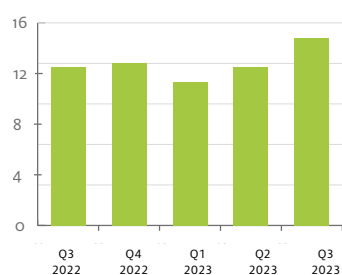


Financial ratios

Group	Q3 2023	Q2 2023	%	Q3 2022	Jan-Sep 2023	Jan-Sep 2022	%
Profitability							
Return on equity after taxes, % (ROE)	21.6	17.0		12.4	15.7	13.1	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	14.8	12.5		12.5			
Capital strength							
Common equity Tier 1 capital ratio, %	14.0	12.3		11.8			
Common equity Tier 1 capital ratio, surplus compared to minimum requirement, %	5.5	3.7		3.8			
Lending/deposit ratio, %	5.1	4.5		4.1			
Liquidity and funding							
Liquidity coverage ratio (LCR), %	156	148		138			
Net stable funding ratio (NSFR), %	110	108		108			
Lending/deposit ratio, %	106	116		103			
Credit quality							
Loan loss level, %	0.06	0.09		0.11	0.06	0.12	
Gross share of loans in Stage 3, %	1.58	1.39		1.62			
Employees							
Working hours re-calculated to full-time equivalent positions	935	912	2	882	6	903	850
Employee commitment index ¹	7.3	7.3			7.3		
Leadership index ²	7.9	7.9			7.8		
Customers							
Customer Satisfaction Index (CSI) ³					92	96	
Net Promoter Score (NPS) ⁴					56	58	
Climate							
CO ₂ e emissions per EUR M of income (tonnes/EUR M)	14.1	17.6	-20	18.4	-23	18.1	20.3
Data on Bank of Åland shares							
Earnings per share, EUR	0.99	0.74	34	0.57	73	2.13	1.82
Earnings per share, EUR, moving 12-month average to end of report period	2.69	2.27	18	2.32	16		
Equity capital per share, EUR	18.83	17.47	8	18.17	4		

4-quarter moving ROE

percent



For definitions of financial ratios, see page 31, "Definitions".

¹ The Bank of Åland's target is >7. There is no comparative figure for 2022, since the entire Group was not included in the calculation at that time.

² The Bank of Åland's target is to achieve a score above the industry average. There is no comparative figure for 2022, since the entire Group was not included in the calculation at that time.

³ The Bank of Åland has created its own index, where first and last place in the customer survey are equivalent to a score of 100 and 0, respectively. The customer survey includes a number of questions that summarise how satisfied customers are with the Bank's overall service offering. To calculate the total outcome, the score in each geographic business segment is weighted in relation to total business volume (actively managed assets as well as lending to and deposits from the public). Our target is 100. Customer surveys are conducted once a year, during the second half.

⁴ To calculate the total outcome, the score in each geographic business segment is weighted in relation to total business volume (actively managed assets as well as lending to and deposits from the public). Our target is more than 50.

Comments

MACRO SITUATION

This year has been dominated by continued geopolitical concerns and inflation-fighting as well as some international banking sector turmoil last spring. So far in 2023, the European Central Bank has raised its key interest rate by a total of 2.00 percentage points and Sweden's Riksbank by 1.50 points. During 2022 and 2023, the ECB has raised its key rate by 4.50 points and the Riksbank by 4.00.

BENCHMARK INTEREST RATES, QUARTERLY AVERAGES, PER CENT

	Q3 2023	Q2 2023	Q3 2022
Euribor 3 mo	3.78	3.36	0.47
Euribor 12 mo	4.12	3.88	1.49
Stibor 3 mo	3.99	3.64	1.37

During the first nine months of 2023, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 13 per cent, while the Nasdaq Stockholm's OMXSPI index rose by 2 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 8 per cent lower during the first half of 2023 than in the corresponding period of 2022 and 3 per cent lower than at year-end 2022. When converting the income statement of the Bank's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been converted at the exchange rate prevailing on the closing day of the report period.

IMPORTANT EVENTS

The previously announced transfer of Swedish home mortgage loans from the Bank of Åland to Borgo was completed on September 11. The nominal amount of the mortgage portfolio that was transferred was SEK 5.8 billion. The portfolio consisted of home mortgage loans mediated by ICA Banken and Söderberg & Partners Bolån. The transfer did not have any significant effect on the Bank of Åland's earnings, but it freed up liquidity and capital. A third transfer to Borgo of a smaller mortgage portfolio is planned to take place during 2024.

The Bank of Åland launched a new share savings programme for all Group employees, starting in September. The programme gives employees the opportunity to save part of their monthly salary to invest in Bank of Åland Series B shares. Participation in the share savings programme will take place on a voluntary basis. Employees can save a maximum of five per cent of their monthly salary in order to subscribe for twice-yearly targeted issues of Series B shares. The programme will run for one year. Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own the shares that were issued. Employees are offered an opportunity to subscribe for Series B shares at a price that is 10 per cent below the average stock market price during the month prior to the issue. At the end of the application period, 62 per cent of the number of regular Group employees had joined the share savings programme.

The savings amount for those who have joined the programme is about EUR 1.4 M, which would be equivalent to about 49,000 Series B shares, based on the average share price in September 2023 including a 10 per cent discount. The number of matching Series B shares is estimated at 41,000. The projected number of shares that employees may receive as part of the share savings programme is about 90,000.

During the first nine months of 2023, the Bank of Åland issued 47,069 Series B shares to fulfil its commitments as part of the 2022/2023 share savings programme. In addition, 6,974 Series B shares were issued to fulfil the Bank's commitments as part of its employee incentive programme.

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. This year the Baltic Sea Project contributed EUR 615,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 4.4 M to various environmentally related projects.

The 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.

The Finnish Financial Supervisory Authority (FIN-FSA) imposed an administrative fine of EUR 60,000 on the Bank of Åland, based on inadequacies in the Bank's reporting of derivative contracts that it had entered into during the period 2016-2021. The inadequacies relate to an obligation to report all derivative contracts to a trade repository in accordance with European Union's European Market Infrastructure Regulation (EMIR). The Bank had hired a clearing agent to handle this reporting on behalf of the Bank. However, the clearing agent has not reported all derivative contracts to the trade repository. The inadequacies were corrected when the Bank became aware of them.

On March 29, 2023, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.05 per share for the financial year 2022 (a regular dividend of EUR 1.60 plus an extra dividend of EUR 0.45).

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

EARNINGS FOR JANUARY–SEPTEMBER 2023

Net operating profit increased by EUR 6.0 M or 17 per cent to EUR 41.5 M (35.5). Excluding a divestment gain of EUR 9.8 M in the year-earlier period, net operating profit increased by EUR 15.8 M or 62 per cent.

Profit for the period attributable to shareholders increased by EUR 4.4 M or 15 per cent to EUR 32.6 M (28.2).

Return on equity after taxes (ROE) increased to 15.7 per cent (13.1, but 9.8 excluding a divestment gain).

Core income in the form of net interest income, net commission income and IT income increased by EUR 20.6 M or 16 per cent to EUR 146.4 M (125.8). Due to the weaker Swedish krona, core income converted to euros decreased by EUR 4.7 M compared to the first nine months of 2022.

Net interest income rose by EUR 23.3 M or 48 per cent to EUR 71.8 M (48.5). A higher interest margin, when market rates had gone from being negative to being positive, was the main explanation.

Net commission income fell by EUR 5.7 M or 9 per cent to EUR 54.3 M (60.0). Income from the Bank's asset management business was lower, mainly due to lower activity and lower performance-related mutual fund management fees, while income from distributed mortgage loans and platform income for managed mortgage loans contributed to higher net commission income.

Information technology (IT) income rose by EUR 2.9 M or 17 per cent to EUR 20.2 M (17.3). The increase mainly came from higher project and licence income.

Other income, including net income on financial items, fell by EUR 11.0 M or 98 per cent to EUR 0.3 M (11.3), mainly due to a capital gain of EUR 9.8 M from the divestment of most of the Bank's Swedish mortgage loans to Borge in February 2022.

Total expenses increased by EUR 5.4 M or 6 per cent and amounted to EUR 103.1 M (97.7). Higher staff costs and costs for a few operational losses were the main explanation.

Net impairment losses on financial assets amounted to EUR 2.0 M (4.0), equivalent to a loan loss level of 0.06 (0.12) per cent.

Tax expenses amounted to EUR 8.9 M (7.2), equivalent to an effective tax rate of 21.5 (20.3) per cent.

EARNINGS FOR THE THIRD QUARTER OF 2023

Net operating profit increased by EUR 8.0 M or 72 per cent to EUR 19.1 M (11.1). This was the second highest quarterly earnings level in the Bank of Åland's history.

Profit for the period attributable to shareholders increased by EUR 6.2 M or 71 per cent to EUR 15.1 M (8.9).

Return on equity after taxes (ROE) increased to 21.6 (12.4) per cent.

Core income in the form of net interest income, net commission income and IT income increased by EUR 9.6 M or 23 per cent to EUR 52.1 M (42.5). Due to the weaker Swedish krona, core income converted to euros decreased by EUR 1.5 M compared to the third quarter of 2022.

Net interest income rose by EUR 9.0 M or 47 per cent and amounted to EUR 27.9 M (18.9), primarily thanks to a wider interest margin.

Net commission income fell by EUR 0.8 M or 4 per cent to EUR 17.8 M (18.6), mainly due to lower income from the Bank's asset management business.

IT income rose by EUR 1.4 M or 28 per cent and amounted to EUR 6.4 M (5.0), mainly thanks to higher project and licence income.

Other income, including net income on financial items, decreased and amounted to EUR -0.9 M (0.2).

Total expenses increased by EUR 1.0 M or 3 per cent and amounted to EUR 31.5 M (30.5). Higher staff costs were the main explanation.

Net impairment losses on financial assets decreased by EUR 0.4 M or 39 per cent and amounted to EUR 0.7 M (1.1), equivalent to a loan loss level of 0.06 (0.11) per cent.

Tax expenses amounted to EUR 4.0 M (2.2), equivalent to an effective tax rate of 20.7 (20.2) per cent.

OPERATING SEGMENTS

The Group's increase of EUR 15.8 M in net operating profit to EUR 41.5 M, excluding last year's divestment gain, was allocated as follows:

• Private Banking	+8.6	(higher net interest income, lower impairment losses)
• Premium Banking	+6.7	(higher net interest income)
• IT	+0.8	(higher income)
• Corporate Units & Eliminations	-0.3	(lower income)

BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 345 M or 4 per cent compared to year-end 2022 and amounted to EUR 8,982 M (8,637).

Deposits from the public fell by EUR 629 M or 15 per cent compared to year-end 2022 and amounted to EUR 3,553 M (4,182).

Lending to the public decreased by EUR 526 M or 12 per cent compared to year-end 2022 and totalled EUR 3,777 M (4,303).

Managed mortgage loans increased by EUR 1,296 M or 99 per cent compared to year-end 2022 and totalled EUR 2,600 M (1,304).

CREDIT QUALITY

Lending to private individuals comprised 74 per cent of the loan portfolio. Home mortgage loans accounted for 72 per cent of this. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to individuals. Historically, the Bank of Åland has not had any significant loan losses on this lending segment. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

The Bank of Åland Group had EUR 21.3 M in impairment loss provisions on September 30, 2023 (20.0 on December 31, 2022), of which EUR 0.6 M (0.5) in Stage 1, EUR 1.5 M (1.2) in Stage 2 and EUR 19.1 M (18.3) in Stage 3. Stage 3 loans as a share of gross lending to the public totalled 1.58 per cent (1.61). The level of provisions for Stage 3 loans amounted to 32 (26) per cent. Most of these loans have good collateral.

The Bank of Åland has no direct exposure to Ukraine, Belarus or Russia. The direct impact of the Russian war of invasion on the Bank's credit risk is thus limited. Rising oil and other energy prices, inflation pressures, rising interest rates/bond yields and falling share prices and real estate prices may affect the repayment capacity of customers and the value of pledged collateral.

LIQUIDITY AND BORROWING

In February, the Bank of Åland issued a new T2 (supplementary capital) instrument totalling SEK 200 M. In March, the Bank issued a new covered bond totalling EUR 250 M with a 3-year maturity.

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

The Bank of Åland's liquidity reserve in the form of cash and deposits with central banks, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,248 M on September 30, 2023 (1,226 on December 31, 2022). This was equivalent to 24 (21) per cent of total assets and 33 (28) per cent of lending to the public. Of the liquidity reserve, EUR 225 M (0) consisted of holdings of unencumbered covered bonds issued by the Bank.

The loan/deposit ratio amounted to 106 (103) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 76 (77) per cent and covered bonds issued accounted for 12 (11) per cent.

The liquidity coverage ratio (LCR) amounted to 156 (138) per cent.

The net stable funding ratio (NSFR) amounted to 110 (108) per cent.

On September 30, 2023, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.3 (1.3) years.

RATING

The Bank of Åland's has a credit rating of BBB+ for long-term borrowing with a negative outlook and A-2 for short-term borrowing from the S&P Global Ratings agency. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

In June, S&P Global Ratings changed the outlook for the Bank of Åland from stable to negative. The background to this change in outlook is S&P Global Ratings' own model for calculating capital strength, the risk-adjusted capital (RAC) ratio, which diverges significantly from the official capital adequacy regulations that apply to European banks.

EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 32.6 M; other comprehensive income, EUR -0.6 M; issuance of new shares as part of the incentive programme, EUR 0.3 M, and the share savings programme, EUR 1.7 M; a dividend of EUR 31.3 M distributed to shareholders; and dividends of EUR 1.4 M distributed to holders of additional Tier 1 (AT1) capital instruments. On September 30, 2023, equity capital amounted to EUR 317.7 M (316.4 on December 31, 2022).

Other comprehensive income was affected by changes in market interest rates and yields, a weaker Swedish krona and changes in the market value of certain strategic shareholdings. It totalled EUR 0.6 M (-14.2) after taxes.

Common equity Tier 1 capital increased by EUR 10.0 M during the first nine months of 2023 to EUR 243,3 M (233.3).

The risk exposure amount decreased by 10 per cent during the first nine months of 2023 and totalled EUR 1,741 M (1,938). The risk exposure amount for credit risk fell by EUR 251 M or 15 per cent. The operational risk exposure amount rose by EUR 22 M or 9 per cent. The credit-worthiness adjustment risk and market risk exposure amounts increased by EUR 32 M.

The common equity Tier 1 (CET1) capital ratio increased to 14.0 (12.0) per cent. The Tier 1 (T1) capital ratio increased to 15.7 (13.6) per cent. The total capital ratio increased to 17.4 (15.2) 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 is 2.0 per cent, effective from June 2023. In Finland, a systemic risk buffer of 1.0 per cent will be re-imposed starting on April 1, 2024.

Based on the Bank of Åland's internal capital adequacy assessment process (ICAAP), the Finnish Financial Supervisory Authority (FIN-FSA) has set the buffer requirement related to Pillar 2 capital adequacy regulations at 1.1 per cent of the Bank's risk exposure amount (REA).

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

- Common equity Tier 1 capital ratio 8.5 per cent
- Tier 1 capital ratio 10.2 per cent
- Total capital ratio 12.5 per cent

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

- Common equity Tier 1 capital ratio +5.5 percentage points
- Tier 1 capital ratio +5.5 percentage points
- Total capital ratio +4.9 percentage points

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

SUSTAINABILITY INFORMATION

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

1. The Bank of Åland shall reduce its CO₂e 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 the period January-September 2023 were 2,659 tonnes of carbon dioxide equivalents (CO₂e), which was a decrease of 5 per cent compared to the same period of 2022. The decrease was explained primarily by reduced emissions from purchased

goods and services, with higher emissions in 2022 attributable to such events as the relocation of the Bank of Åland's Helsinki office. During the period January-September 2023, environmentally certified electricity accounted for 100 per cent of total purchases, in keeping with the established target.

The Bank of Åland paid climate compensation for estimated emissions from its own business operations.

Aside from information on emissions from its own business operations, the Bank is also providing information about indirect downstream Scope 3 emissions. On September 30, 2023, estimated emissions from the loan portfolio were 293,452 tonnes of CO₂e, from the Treasury portfolio 11,447 tonnes of CO₂e and from customers' investment portfolios 1,428,656 tonnes of CO₂e.

EMPLOYEES

The Bank of Åland's employees are its most important asset and competitive advantage. The Bank's growth strategy implies that its workforce will increase. During the third quarter of 2023, the number of full-time equivalent positions, re-calculated based on hours worked, was 935. This was 52 full-time equivalents or 6 per cent more than in the same quarter of 2022.

The goal of the Bank of Åland's social sustainability work is motivated, committed and healthy employees who achieve continuous professional development. During 2023 the Bank is working with the following goals and 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 employee commitment score during the third quarter of 2023 was 7.3, the same level as the second quarter score of 7.3.

CUSTOMERS

The Bank of Åland continues to retain existing customers and attract new ones in all its various geographic markets and through business partnerships. The number of asset management customers increased by 4 per cent compared to September 30, 2022.

Customer surveys continue to confirm that our customers appreciate the personalised service we offer.

SOCIAL RESPONSIBILITY

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 4.4 M to various environmentally related projects.

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

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

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

RISKS AND UNCERTAINTIES

The single largest risk and uncertainty factors are the war between Hamas and Israel as well as Russia's war of invasion in Ukraine and the related geopolitical risks, together with high inflation. The consequences of the wars and inflation are difficult to assess. The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates and bond yields, share prices and exchange rates, along with higher expenses due to regulatory decisions and directives as well as by the competitive situation.

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

UNCHANGED FUTURE OUTLOOK

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

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

FINANCIAL INFORMATION CALENDER

The Year-end Report for the period January-December 2023 will be published on Friday, February 2, 2024.

Mariehamn, October 24, 2023

THE BOARD OF DIRECTORS

Sustainability information

The Bank of Åland works towards an awareness and reduction of the organisation's resource consumption and environmental impact. We make an effort to achieve the sustainability targets we have established, and we include sustainability as a natural element of the dialogue with our suppliers and business partners.

The Bank of Åland's climate impact estimate of emissions in the form of carbon dioxide equivalents (CO₂e) is compiled in accordance with the Greenhouse Gas (GHG) Protocol and encompasses Scope 1, 2 and 3. Scope 1 includes fuel for business and company vehicles. Scope 2 includes energy use in the Bank of Åland's own premises. Scope 3 upstream includes indirect supplier-related emissions caused by purchases of goods and services. Emissions from the Bank's own business operations are calculated with the aid of emission factors and the Åland Index, based on activities in the income statement that are recognised as costs. The exception is purchased electricity, which is recognised in the note according to a market-based method where environmentally certified electricity is recognised as zero CO₂e emissions.

Since the method of calculation is continuously being developed and refined, the method has changed since last year, so comparative figures have also been recalculated in order to remain comparable. As a result, the Bank's previously implemented climate compensation no longer matches the recalculated figures.

Information on emissions from the Bank's own business operations is being supplemented with information regarding Scope 3 downstream emissions from the loan portfolio, Treasury operations and our customers' investments. What is presented is a picture of the current situation based on the value of holdings and loans at the end of the quarter. These figures can be equated with values at the annual level, since they represent financial assets and will thus not accumulate continuously throughout the year in the same way as emissions figures for the Bank's own business operations.

Group	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
Greenhouse gases, tonnes of CO₂e								
Scope 1								
Emissions from owned and controlled resources	1.7	1.5	12	0.9	80	4.0	3.3	21
Total Scope 1	1.7	1.5	12	0.9	80	4.0	3.3	21
Scope 2								
Energy-related emissions ¹	0.1	0.2	-33	4.2	-97	0.5	30.6	-98
<i>of which from electricity according to the market-based method</i>	<i>0.0</i>	<i>0.0</i>		<i>4.2</i>	<i>-100</i>	<i>0.0</i>	<i>30.0</i>	<i>-100</i>
Total Scope 2	0.1	0.2	-33	4.2	-97	0.5	30.6	-98
Scope 3 upstream								
Purchased goods and services	459.8	574.4	-20	470.0	-2	1,762.3	2,080.6	-15
Capital goods	18.1	20.5	-12	8.7		54.6	31.1	75
Transport and distribution	80.1	63.1	27	68.8	16	209.7	188.3	11
Waste generated by own operations	0.8	0.4	91	0.5	62	1.7	1.5	11
Business travel	129.0	176.5	-27	189.5	-32	478.2	345.2	39
Leased assets	33.6	47.2	-29	41.8	-20	148.3	104.9	41
Total Scope 3	721.4	882.1	-18	779.4	-7	2,654.7	2,751.5	-4
Total greenhouse gases, tonnes of CO₂e²	723.2	883.7	-18	784.5	-8	2,659.2	2,785.4	-5
Climate compensation ³						-2,659.2	-451.5	
Net greenhouse gases, tonnes of CO₂e						0.0	2,333.9	-100
¹ Emissions from electricity according to location-based method subtracted from Nordic Average Mix, tonnes of CO ₂ e	30.6	28.5	7	39.0	-21	87.7	115.5	-24
CO ₂ e emissions per employee (tonnes/average full-time equivalent)	3.0	3.9	-22	3.5	-13	3.9	4.3	-10
CO ₂ e emissions per EUR M of income (tonnes/EUR M)	14.1	17.6	-20	18.4	-23	18.1	20.3	-11

² The calculation method has been updated. Comparative figures from previous periods have thus also been restated. Emissions in Q3 2022 have been recalculated from 191.1 tonnes of CO₂e to 784.5 tonnes of CO₂e. Emissions in January-September 2022 have been recalculated from 451.5 tonnes of CO₂e to 2,785.4 tonnes of CO₂e.

³ Climate compensation for earlier periods, based on then-estimated emissions. The underlying quantity of emissions has been restated, due to a change in calculation method.

Group	Sep 30, 2023	Jun 30, 2023 ⁴	% Sep 30, 2022 [*]	%
Scope 3, downstream, current situation on annual basis (CO ₂ e), tonnes				
Loan portfolio Scope 1 and 2 ¹	293,452	298,661	-2	
<i>of which Scope 1-2</i>	293,452	298,661	-2	
Investments Scope 1, 2 and 3 ²	1,428,656	1,408,081	1	
<i>of which Scope 1</i>	71,886	74,615	-4	
<i>of which Scope 2</i>	24,017	19,885	21	
<i>of which Scope 3</i>	1,332,753	1,313,581	1	
Treasury Scope 1, 2 and 3 ³	11,447	11,761	-3	
<i>of which Scope 1</i>	1,102	1,100	0	
<i>of which Scope 2</i>	171	172	0	
<i>of which Scope 3</i>	10,173	10,490	-3	
Total, Scope 3, downstream	1,733,555	1,718,503	1	

^{*} Comparative data for the period are missing.

¹ The emission calculations for the loan portfolio are based on the PCAF method to the extent that data are available. The calculations for mortgage loans are based on information on the size of the residential collateral, energy efficiency and average loan-to-value ratio. For estimated energy consumption, an average emission factor is applied. For other loans, emissions are estimated based on loan volume multiplied by an emission factor, using the Åland Index climate impact tool as well as published average emissions in Finland and Sweden. The Bank of Åland's model provides a rough estimate of the loan portfolio's CO₂e emissions. The model is not exact enough to be used for comparisons with other banks. Data for Scope 3 are not available, and zero is thus reported.

² The emission calculations for investments include shares, bonds and physical properties. Emissions by the issuers of investments are ownership-weighted per holding on September 30, 2023. Firstly, reported emission data have been used and secondly, estimated emission data. The estimated data used are third-party data, except for the housing mutual fund Ålandsbanken Bostadsfond, where the Bank has produced its own estimates. Calculations are made for Scope 1, Scope 2 and Scope 3 with the aim of achieving the highest possible coverage.

³ The emission calculations for the Treasury portfolio include cash positions in central banks as well as bonds. The emissions by the issuers of investments are ownership-weighted based on the Bank of Åland's holdings on September 30, 2023. Emission data have been obtained from the issuers' annual and sustainability reports and sustainability reports and include Scope 1, Scope 2 and Scope 3. In cases where data are not available from the issuer, estimates have been used. When estimating, a weighted average is calculated for the holdings in the portfolio that belong to the same industrial sector and are deemed to be relatively similar in terms of their operations. In cases where there are no similar issuers in the portfolio for estimating emission figures, emission figures from other issuers are used that are estimated to be equivalent to an industrial sector and its operations. For those issuers whose emission figures are only available at group level, the group's emission figures have been adjusted to the issuing entity's share according to the comparison principle.

⁴ Figures for investments are as of June 16, 2023.

Group	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
Paper consumption, tonnes	3.4	4.7	-28	3.0	14	13.3	14.2	-6
Energy consumption, GwH	0.44	0.41	7	0.56	-21	1.26	1.66	-24
<i>of which renewable, in per cent</i>	100	100		96	4	100	92	8
<i>of which other, in per cent</i>	0	0		4	-100	0	8	-100
Number of business trips	452	539	-16	615	-27	1,777	1,269	40
<i>of which aircraft, in per cent</i>	72	61	18	74	-2	62	61	1
<i>of which ship, in per cent</i>	8	10	-21	14	-43	16	18	-11
<i>of which train, in per cent</i>	20	28	-31	11	71	22	21	7

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Summary income statement

Group	Note	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
EUR M									
Net interest income	5	27.9	24.2	15	18.9	47	71.8	48.5	48
Net commission income	6	17.8	18.2	-3	18.6	-4	54.3	60.0	-9
IT income		6.4	7.7	-16	5.0	28	20.2	17.3	17
Net income from financial items at fair value	7	-1.0	0.2		-0.1		0.5	10.5	-95
Other operating income		0.2	-0.2		0.3	-53	-0.3	0.8	
Total income		51.2	50.1	2	42.7	20	146.6	137.1	7
Staff costs		-19.4	-20.4	-5	-17.9	8	-60.4	-55.8	8
Other expenses		-8.9	-11.5	-22	-9.3	-3	-30.4	-28.4	7
Statutory fees		0.0	0.0		0.0		-3.2	-3.4	-6
Depreciation/amortisation		-3.1	-3.0	5	-3.3	-6	-9.0	-10.0	-9
Total expenses		-31.5	-34.9	-10	-30.5	3	-103.1	-97.7	6
Profit before impairment losses		19.8	15.2	30	12.2	61	43.5	39.4	10
Impairment losses on financial assets, net	8	-0.7	-1.0	-31	-1.1	-39	-2.0	-4.0	-49
Net operating profit		19.1	14.2	34	11.1	72	41.5	35.5	17
Income taxes		-4.0	-2.9	34	-2.2	76	-8.9	-7.2	24
Profit for the period		15.1	11.3	34	8.9	71	32.6	28.3	15
Attributable to:									
Non-controlling interests		0.0	0.0		0.0		0.0	0.0	
Shareholders in Bank of Åland Plc		15.1	11.3	34	8.9	71	32.6	28.2	15
Earnings per share, EUR		0.99	0.74	34	0.57	73	2.13	1.82	17
Earnings per share, EUR, moving 12-month average to end of report period		2.69	2.27	18	2.32	16			

Summary statement of other comprehensive income

Group	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
EUR M								
Profit for the period	15.1	11.3	34	8.9	71	32.6	28.3	15
Cash flow hedges								
Changes in valuation at fair value	0.0	0.7	-100	-1.0	-100	2.0	-2.6	
Assets measured via other comprehensive income								
Changes in valuation at fair value	2.0	1.0		-3.5		5.2	-10.4	
Realised changes in value							0.0	-100
Transferred to the income statement	0.0	-0.1		0.0	-89	-0.2	-0.7	-77
Translation differences								
Gains/Losses arising during the period	2.5	-4.6		-1.6		-3.2	-5.8	-44
Taxes on items that have been or may be reclassified to the income statement	-0.4	-0.3	28	0.9		-1.4	2.7	
<i>of which cash flow hedges</i>	0.0	-0.1	-100	0.2	-100	-0.4	0.5	
<i>of which assets measured via other comprehensive income</i>	-0.4	-0.2		0.7		-1.0	2.2	
Items that have been or may be reclassified to the income statement	4.1	-3.3		-5.2		2.3	-16.7	
Changes in value of equity instruments	0.6	-2.3		-1.3		-3.0	-2.9	5
Translation differences	0.8	-1.5		-0.5		-1.5	-2.2	-31
Re-measurements of defined benefit pension plans	0.7	-0.2		0.2		0.5	8.0	-94
Taxes on items that may not be reclassified to the income statement	-0.3	0.9		0.4		1.1	-0.4	
<i>of which changes in value of equity instruments</i>	-0.1	0.5		0.3		0.6	0.6	5
<i>of which translation differences</i>	-0.2	0.3		0.1		0.3	0.4	-31
<i>of which re-measurements of defined-benefit pension plans</i>	-0.1	0.0		0.0		-0.1	-1.6	-94
<i>of which taxes on dividends to holders of T1 capital instruments</i>	0.1	0.1	7	0.1	52	0.3	0.2	59
Items that may not be reclassified to the income statement	1.7	-3.1		-1.3		-3.0	2.5	
Other comprehensive income for the period	5.8	-6.4		-6.5		-0.6	-14.2	-96
Total comprehensive income for the period	20.9	4.9		2.4		32.0	14.1	
Attributable to:								
Non-controlling interests	0.0	0.0		0.0		0.0	0.0	
Shareholders in Bank of Åland Plc	20.9	4.9		2.4		32.0	14.1	

Income statement by quarter

Group	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
EUR M					
Net interest income	27.9	24.2	19.8	19.7	18.9
Net commission income	17.8	18.2	18.3	18.4	18.6
IT income	6.4	7.7	6.1	6.2	5.0
Net income from financial items at fair value	-1.0	0.2	1.3	2.3	-0.1
Other operating income	0.2	-0.2	-0.2	0.4	0.3
Total income	51.2	50.1	45.3	47.0	42.7
Staff costs	-19.4	-20.4	-20.5	-19.6	-17.9
Other expenses	-8.9	-11.5	-10.0	-11.3	-9.3
Statutory fees	0.0	0.0	-3.2	0.0	0.0
Depreciation/amortisation	-3.1	-3.0	-2.9	-3.3	-3.3
Total expenses	-31.5	-34.9	-36.7	-34.1	-30.5
Profit before impairment losses	19.8	15.2	8.5	12.9	12.2
Impairment losses on financial assets, net	-0.7	-1.0	-0.3	-2.2	-1.1
Net operating profit	19.1	14.2	8.2	10.6	11.1
Income taxes	-4.0	-2.9	-2.0	-2.1	-2.2
Profit for the period	15.1	11.3	6.2	8.5	8.9
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	15.1	11.3	6.2	8.5	8.9

Summary balance sheet

Group	Note	Sep 30, 2023	Dec 31, 2022	% Sep 30, 2022	%
EUR M					
Assets					
Cash and balances with central banks		339	342	-1	-35
Debt securities		796	1,000	-20	-22
Lending to credit institutions		36	43	-16	-65
Lending to the public	9, 10	3,777	4,303	-12	-11
Shares and participations		47	49	-4	32
Participations in associated companies		6	7	-10	-8
Derivative instruments	12	23	27	-15	-9
Intangible assets		21	21	2	-1
Tangible assets		37	36	4	2
Investment properties		0	0	-2	-2
Current tax assets		3	1		92
Deferred tax assets		5	6	-17	-11
Other assets		55	29	91	-42
Accrued income and prepayments		52	35	47	33
Total assets		5,196	5,898	-12	-15
Liabilities					
Liabilities to credit institutions and central banks		341	434	-21	-47
Deposits from the public		3,553	4,182	-15	-16
Debt securities issued	11	786	793	-1	6
Derivative instruments	12	13	24	-47	-51
Current tax liabilities		2	3	-18	46
Deferred tax liabilities		36	35	4	5
Other liabilities		64	47	38	-44
Provisions		2	1	43	0
Accrued expenses and prepaid income		51	32	59	63
Subordinated liabilities		30	31	-4	-6
Total liabilities		4,878	5,581	-13	-16
Equity capital and non-controlling interests					
Share capital		42	42		42
Share premium account		33	33		33
Reserve fund		25	25		25
Fair value reserve		-13	-11	11	-29
Own shares					0
Unrestricted equity capital fund		30	28	6	6
Retained earnings		171	170	0	0
Shareholders' portion of equity capital		288	287	0	2
Non-controlling interests' portion of equity capital		0	0	35	35
Additional Tier 1 capital holders		29	29		29
Total equity capital		318	316	0	2
Total liabilities and equity capital		5,196	5,898	-12	-15

Statement of changes in equity capital

Group													
EUR M	Share capital	Share premium account	Reserve fund	Hedge accounting	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Additional Tier 1 capital holders	Total
Equity capital, Dec 31, 2021	42.0	32.7	25.1	0.0	3.0	-0.1	0.0	28.0	171.7	302.5	0.0	29.4	331.9
Profit for the period									28.2	28.2	0.0		28.3
Other comprehensive income				-2.1	-11.1	-7.5			6.6	-14.2			-14.2
<i>Transactions with owners</i>													
Buy-backs of own shares							-3.0			-3.0			-3.0
Annulment of own shares							3.0		-3.0				0.0
Tier 1 capital instrument dividends									-0.9	-0.9			-0.9
Dividends paid to shareholders									-31.1	-31.1			-31.1
Incentive programme								0.5		0.5			0.5
Share savings programme									0.1	0.1			0.1
Equity capital, Sep 30, 2022	42.0	32.7	25.1	-2.1	-8.2	-7.6	0.0	28.5	171.7	282.2	0.0	29.4	311.6
Profit for the period									8.5	8.5	0.0		8.5
Other comprehensive income				0.5	8.3	-2.4			-0.7	5.8			5.8
<i>Transactions with owners</i>													
Buy-backs of own shares							-9.1			-9.1			-9.1
Annulment of own shares							9.1		-9.1				0.0
Tier 1 capital instrument dividends									-0.4	-0.4			-0.4
Share savings programme									0.1	0.1			0.1
Equity capital, Dec 31, 2022	42.0	32.7	25.1	-1.6	0.1	-10.0	0.0	28.5	170.1	287.0	0.0	29.4	316.4
Profit for the period									32.6	32.6	0.0		32.6
Other comprehensive income				1.6	1.6	-4.4			0.6	-0.6			-0.6
<i>Transactions with owners</i>													
Tier 1 capital instrument dividends									-1.4	-1.4			-1.4
Dividends paid to shareholders									-31.3	-31.3			-31.3
Incentive programme								0.3		0.3			0.3
Share savings programme								1.5	0.2	1.7			1.7
Equity capital, Sep 30, 2023	42.0	32.7	25.1	0.0	1.7	-14.5	0.0	30.2	170.9	288.2	0.0	29.4	317.7

Summary cash flow statement

Group	Jan–Sep 2023	Jan–Dec 2022	Jan–Sep 2022
EUR M			
Operating activities			
Net operating profit	41.5	46.1	35.5
Adjustment for net operating profit items not affecting cash flow	15.9	25.6	19.6
Profit from investing activities		0.0	0.0
Income taxes paid	-5.7	-11.8	-10.8
Changes in assets and liabilities from operating activities ¹	-4.7	-538.7	-301.7
Cash flow from operating activities	47.0	-478.7	-257.4
Investing activities			
Changes in shares	-0.9	-9.5	-15.2
Changes in tangible assets	-3.2	-3.5	-2.6
Changes in intangible assets	-3.6	-4.1	-3.0
Cash flow from investing activities	-7.7	-17.2	-20.8
Financing activities			
Share issue	1.7	0.5	0.5
Divestments/buy-backs of own shares	0.0	-12.1	-3.0
Subordinated debt issue/payments of principal	0.2	-2.3	-2.3
Payment of principal on lease liability	-3.6	-3.4	-2.6
Tier 1 capital instrument dividends	-1.4	-1.2	-0.9
Dividends paid to shareholders	-31.3	-31.1	-31.1
Cash flow from financing activities	-34.3	-49.6	-39.3
Cash and cash equivalents at beginning of period	329.0	900.3	900.3
Cash flow during the period	4.9	-545.5	-317.6
Exchange rate differences in cash and cash equivalents	-1.6	-25.8	-19.6
Cash and cash equivalents at end of period	332.4	329.0	563.2
Cash and cash equivalents consisted of the following items:			
Cash and deposits with central banks	308.1	309.8	487.3
Lending to credit institutions that is repayable on demand	24.3	19.2	75.9
Total cash and cash equivalents	332.4	329.0	563.2

¹ The change in 2022 can be attributed largely to restructuring after the transfer of the Swedish mortgage loan portfolio to Borgo AB (publ).

Notes to the consolidated Interim Report

1. Corporate information

The Bank of Åland is a Finnish public limited liability company with its Head Office in Mariehamn. It is a commercial bank with strong customer relationships and personalised service.

The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) since 1942.

The Bank of Åland's Head Office is located in Mariehamn. The Bank has a total of 11 offices: two offices in the Åland Islands, six offices elsewhere in Finland and three offices in Sweden. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is a supplier of modern banking computer systems for small and medium-sized banks.

The Group also includes the asset management company Ålandsbanken Fondbolag Ab and its wholly owned subsidiaries.

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

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

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

This Interim Report for the accounting period January 1–September 30, 2023 was approved by the Board of Directors on October 23, 2023.

2. Basis for preparation of the Interim Report and essential accounting principles

BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–September 30, 2023 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standard IAS 34, "Interim Financial Reporting", which have been adopted by the European Union.

The Interim Report does not contain all information and all notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2022.

Tables show correct rounded-off figures on each line, but this does not mean that rounded-off figures add up to the correct total. In cases where rounded-off figures add up to zero, they are shown as "0" in the tables, while a lack of figures is shown as an empty space.

ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2022.

ESTIMATES AND JUDGEMENTS

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

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

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

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

3. Segment report

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

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

Group	Jan-Sep 2023					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	32.5	33.6	0.0	5.7	0.0	71.8
Net commission income	37.7	12.6	-0.1	3.7	0.4	54.3
IT income	0.0	0.0	34.1	0.8	-14.6	20.2
Net income from financial items at fair value	0.0	0.0	-0.1	0.6	0.0	0.5
Other income	0.1	0.0	0.9	-0.2	-1.1	-0.3
Total income	70.4	46.2	34.8	10.6	-15.3	146.6
Staff costs	-15.5	-5.2	-19.3	-20.4	0.0	-60.4
Other expenses	-9.8	-3.0	-12.4	-18.0	12.9	-30.4
Statutory fees	-1.4	-1.6	0.0	-0.2	0.0	-3.2
Depreciation/amortisation	-0.2	-0.1	-2.8	-7.7	1.8	-9.0
Internal allocation of expenses	-19.0	-17.5	0.0	36.5	0.0	0.0
Total expenses	-46.0	-27.5	-34.5	-9.8	14.7	-103.1
Profit before impairment losses	24.4	18.7	0.3	0.8	-0.6	43.5
Impairment losses on financial assets, net	0.0	-1.9	0.0	-0.2	0.0	-2.0
Net operating profit	24.4	16.9	0.3	0.6	-0.6	41.5
Income taxes	-5.0	-3.5	0.0	-0.5	0.0	-8.9
Profit for the year attributable to shareholders in Bank of Åland Plc	19.4	13.4	0.3	0.1	-0.6	32.6
Business volume						
Lending to the public	1,744	1,956	0	78	-1	3,777
Deposits from the public	1,567	1,945	0	53	-12	3,553
Actively managed assets	8,288	684	0	10	0	8,982
Managed mortgage loans	0	0	0	2,600	0	2,600
Risk exposure amount	744	517	75	404	0	1,741
Equity capital	114	88	30	86		318
Financial ratios etc.						
Return on equity after taxes, % (ROE)	25.0	22.9	1.5	0.3		15.7
Expense/income ratio	0.65	0.59	0.99	0.93		0.70

Bank of Åland Group		Jan-Sep 2022				
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	22.1	21.5	0.0	5.0	0.0	48.5
Net commission income	43.1	13.4	0.0	3.3	0.3	60.0
IT income	0.0	0.0	32.1	0.0	-14.8	17.3
Net income from financial items at fair value	2.9	5.5	-0.2	2.2	0.0	10.5
Other income	0.0	0.0	0.8	1.1	-1.1	0.8
Total income	68.2	40.4	32.7	11.5	-15.6	137.1
Staff costs	-14.7	-5.1	-17.9	-18.1	0.0	-55.8
Other expenses	-6.9	-2.9	-12.6	-19.0	13.0	-28.4
Statutory fees	-1.5	-1.7	0.0	-0.3	0.0	-3.4
Depreciation/amortisation	-1.9	-0.2	-2.7	-6.9	1.7	-10.0
Internal allocation of expenses	-18.6	-16.4	0.0	34.9	0.0	0.0
Total expenses	-43.6	-26.2	-33.2	-9.4	14.7	-97.7
Profit before impairment losses	24.5	14.1	-0.5	2.2	-0.9	39.4
Impairment losses on financial assets, net	-5.6	1.6	0.0	0.0	0.0	-4.0
Net operating profit	18.9	15.7	-0.5	2.2	-0.9	35.5
Income taxes	-3.9	-3.2	0.1	-0.2	0.0	-7.2
Profit for the year attributable to shareholders in Bank of Åland Plc	15.0	12.5	-0.4	2.0	-0.9	28.2
Business volume						
Lending to the public	1,900	2,022	0	320	-1	4,241
Deposits from the public	2,049	2,065	0	105	-13	4,207
Actively managed assets	7,581	622	0	9	0	8,212
Managed mortgage loans	0	0	0	1,195	0	1,195
Risk exposure amount	780	519	75	593	0	1,967
Equity capital	112	79	26	95		312
Financial ratios etc.						
Return on equity after taxes, % (ROE)	19.1	21.5	-2.1	3.4		13.1
Expense/income ratio	0.64	0.65	1.02	0.81		0.71

4. Changes in Group structure

There were no changes during January-September 2023 to report.

5. Net interest income

Group	Q3 2023	Q2 2023	%	Q3 2022	Jan-Sep %	Jan-Sep 2023	Jan-Sep 2022	%
EUR M								
Total interest income	54.6	48.2	13	22.0		140.8	52.1	
<i>of which interest income according to the effective interest method</i>	54.4	48.1	13	21.9		140.2	51.8	
Total interest expenses	26.8	24.0	11	3.1		69.0	3.6	
<i>of which interest expenses according to the effective interest method</i>	26.7	23.9	11	3.0		68.7	3.4	
Net interest income	27.9	24.2	15	18.9	47	71.8	48.5	48
Interest margin, per cent	1.97	1.70		1.29		1.71	1.09	
Investment margin, per cent	1.97	1.66		1.24		1.67	1.06	

Interest margin is interest on interest-bearing assets divided by the average balance of assets minus interest on interest-bearing liabilities divided by the average balance of liabilities. Average balance is calculated as the average of end-of-month figures for the period in question plus the opening balance for the period. Investment margin is net interest income divided by the average balance sheet total.

6. Net commission income

Group	Q3 2023	Q2 2023	%	Q3 2022	Jan-Sep %	Jan-Sep 2023	Jan-Sep 2022	%
EUR M								
Banking commissions	2.8	2.9	-4	3.3	-16	8.7	9.6	-9
Asset management commissions	13.9	14.3	-3	14.3	-3	42.5	48.0	-11
Other commissions	1.1	1.0	4	0.9	21	3.0	2.5	24
Net commission income	17.8	18.2	-3	18.6	-4	54.3	60.0	-9

7. Net income from financial items at fair value

Group	Q3 2023	Q2 2023	%	Q3 2022	Jan-Sep 2023	Jan-Sep 2022	%
EUR M							
Valuation category fair value via the income statement ("profit and loss")							
Shares	0.0	0.0		0.0	0.0	0.0	35
Derivatives	0.2	-0.2		0.0	0.0	0.0	25
Other financial items	0.0	0.0		0.0	0.2	0.4	-49
Total, valuation category fair value via the income statement ("profit and loss")	0.2	-0.2		0.0	0.2	0.4	-50
Valuation category fair value via other comprehensive income							
Realised changes in value	0.0	0.1	-100	0.0	0.2	0.7	-77
Expected loan losses	0.0	0.0	-31	0.0	0.0	0.0	
Total, valuation category fair value via other comprehensive income	0.0	0.2	-88	0.0	0.2	0.6	-70
Hedge accounting							
<i>of which hedging instruments</i>	3.8	0.7		-2.5	9.3	-4.9	
<i>of which hedged item</i>	-3.9	0.3		2.3	-7.1	5.2	
Hedge accounting	-0.1	1.0		-0.2	-63	2.2	0.2
Valuation category accrued cost							
Loans	-1.5	0.0		0.0	-1.5	9.6	
Debt securities	0.0	0.0	-1	0.0	0.0	0.0	
Total, valuation category accrued cost	-1.5	0.0		0.0	-1.5	9.6	
Foreign currency revaluation	0.4	-0.7		0.1	-0.5	-0.4	27
Total	-1.0	0.2		-0.1	0.5	10.5	-95

8. Net impairment losses on financial assets

Group	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
EUR M								
Impairment losses, Stage 1	0.0	0.2		0.2		0.2	-1.8	
Impairment losses, Stage 2	0.0	0.1	-75	0.0		0.3	0.0	
Net impairment losses, Stages 1-2	0.0	0.3		0.2		0.4	-1.8	
Impairment losses, Stage 3								
New and increased individual provisions	1.5	1.6	-3	1.3	15	4.6	9.7	-53
Recovered from previous provisions	-0.8	-1.2	-32	-0.9	-9	-2.9	-3.9	-25
Utilised for actual loan losses	0.0	0.2		-0.1	-80	-0.5	-0.4	10
Actual loan losses	0.1	0.1	-59	0.2	-67	0.6	0.7	-7
Recoveries of actual loan losses	-0.1	-0.1	33	0.4		-0.2	-0.2	4
Net impairment losses, Stage 3	0.7	0.7	-4	0.9	-24	1.6	5.8	-73
Total impairment losses	0.7	1.0	-31	1.1	-39	2.0	4.0	-49
of which lending to the public	0.6	1.0	-36	1.1	-44	1.9	4.3	-55
of which off-balance sheet commitments	0.1	0.0		0.0		0.1	-0.3	
of which debt securities at amortised cost	0.0	0.0		0.0		0.0	0.0	-17
Loan loss level, lending to the public, %	0.06	0.09		0.11		0.06	0.12	

9. Lending to the public by purpose

Group	Sep 30, 2023			Dec 31, 2022	%	Sep 30, 2022	%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Private individuals							
Home loans	2,028	-4	2,024	2,380	-15	2,291	-12
Securities and other investments	353	-1	352	433	-19	442	-20
Business operations	79	-1	78	84	-7	86	-9
Other household purposes	348	-8	340	365	-7	366	-7
Total, private individuals	2,808	-14	2,794	3,262	-14	3,184	-12
Companies							
Shipping	22	0	22	31	-30	43	-49
Wholesale and retail trade	38	0	38	38	-2	40	-7
Housing operations	212	-5	208	228	-9	258	-20
Other real estate operations	203	-1	202	190	6	167	21
Financial and insurance operations	221	0	220	224	-2	218	1
Hotel and restaurant operations	31	0	31	32	-3	31	0
Agriculture, forestry and fishing	14	0	14	10	38	11	31
Construction	54	0	54	54	0	53	3
Other industry and crafts	37	0	37	35	5	36	3
Other service operations	127	0	127	131	-3	132	-4
Total, companies	959	-7	952	973	-2	988	-4
Public sector and non-profit organisations ¹	31	0	31	68	-54	68	-54
Total, public sector and non-profit organisations	31	0	31	68	-54	68	-54
Total	3,798	-21	3,777	4,303	-12	4,241	-11

¹ A review of lending to the public sector and non-profit organisations during the first quarter of 2023 showed that several customers had been assigned the wrong sector code. This has been corrected. Comparative figures have not been recalculated.

10. Lending to the public by stage

Group	Jan 1, 2023 - Sep 30, 2023				Jan 1, 2022 - Sep 30, 2022
	Stage 1	Stage 2	Stage 3	Total	Total
EUR M					
Carrying amount, gross					
Opening balance, January 1	4,027.3	225.9	69.8	4,323.0	4,802.5
Closing balance, September 30	3,492.6	246.0	59.9	3,798.5	4,259.3
Provisions for expected losses					
Opening balance, January 1	0.5	1.2	18.3	20.0	14.6
Increases due to issuances and acquisitions	0.2	0.0	0.1	0.3	5.0
Decrease due to removal from balance sheet	-0.1	-0.5	-1.1	-1.6	-4.7
Decrease due to write-offs	0.0	0.0	0.0	0.0	0.0
Transfer to Stage 1	0.6	-0.6	0.0	0.0	0.0
Transfer to Stage 2	-0.7	1.0	-0.4	0.0	0.0
Transfer to Stage 3	0.0	-0.1	0.1	0.0	0.0
Net changes due to changed credit risk	0.1	-0.6	2.5	2.0	5.2
Net changes due to changed estimation method	0.0	0.5	0.0	0.5	-1.7
Exchange rate differences and other adjustments	0.0	0.5	-0.4	0.2	-0.2
Closing balance, September 30	0.6	1.5	19.1	21.3	18.2
Carrying amount, net					
Opening balance, January 1	4,026.8	224.7	51.5	4,303.0	4,787.8
Closing balance, September 30	3,491.9	244.5	40.7	3,777.2	4,241.0
	Sep 30, 2023	Dec 31, 2022	Sep 30, 2022		
Impairment losses, IFRS 9 - Financial ratios					
Total provision ratio, lending to the public, %	0.56	0.46	0.43		
Provision ratio, Stage 1, lending to the public, %	0.02	0.01	0.01		
Provision ratio, Stage 2, lending to the public, %	0.62	0.55	0.51		
Provision ratio, Stage 3, lending to the public, %	31.97	26.25	24.36		
Share of lending to the public in Stage 3, %	1.58	1.61	1.62		

11. Debt securities issued

Group	Sep 30, 2023	Dec 31, 2022	%	Sep 30, 2022	%
EUR M					
Certificates of deposit	242	171	42	117	
Covered bonds	544	622	-13	622	-13
Total	786	793	-1	739	6

12. Derivative instruments

Group	Sep 30, 2023						Dec 31, 2022		
	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
EUR M	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	0	3	6	9	0	0	6	0	0
Currency-related contracts									
Currency forward contracts	638	0	0	638	3	7	678	7	5
Total	638	3	6	647	4	7	684	7	6
Derivatives for market value hedge									
Interest-related contracts									
Interest rate swaps	321	338	38	697	19	6	831	19	18
Total	321	338	38	697	19	6	831	19	18
Derivatives for cash flow hedge									
Interest-related contracts									
Interest rate and currency swaps	0	0	0	0	0	0	360	0	0
Total	0	0	0	0	0	0	360	0	0
Total derivative instruments	959	341	45	1,344	22	13	1,875	27	24
<i>of which cleared</i>	321	335	41	698	19	6	1,194	19	18

13. Financial instruments measured at fair value

Group		Sep 30, 2023		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities	458			458
Lending to the public		164		164
Shares and participations	1		46	47
Derivative instruments		23		23
Other assets			11	11
Total financial assets	459	187	56	702
Debt securities issued		544		544
Derivative instruments		13		13
Total financial liabilities	0	556	0	556

Group		Dec 31, 2022		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities	682			682
Lending to the public		169		169
Shares and participations	1		48	49
Derivative instruments		27		27
Other assets			7	7
Total financial assets	683	195	55	933
Debt securities issued		622		622
Derivative instruments		24		24
Total financial liabilities	0	646	0	646

Changes in Level 3 holdings		Jan 1 - Sep 30, 2023	Jan 1 - Dec 31, 2022
EUR M		Shares and participations	Shares and participations
Carrying amount on January 1		47.6	14.0
New purchases/reclassifications		0.9	25.6
Divested/reached maturity during the year		0.0	0.0
Realised change of value in the income statement		0.0	0.0
Change in value recognised in "Other comprehensive income"		-3.0	8.1
Carrying amount at end of period		45.6	47.6

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 holdings essentially consist of unlisted shares related to strategic shareholdings. In order to estimate the non-

observable price, different methods are used depending on the type of data available. The primary method is based on the Bank's portion of the net asset value of the company, or based on completed transactions, for example in the form of new share issues, or prices of similar listed shares. If liquid price quotations are not available for shares at this level, the valuation is determined using significant input from the Bank of Åland's own internal assumptions. Unlisted shares are valued at fair value in "Other comprehensive income".

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

14. Off-balance sheet commitments

Group	Sep 30, 2023	Dec 31, 2022	% Sep 30, 2022		%
EUR M					
Guarantees	20	23	-11	23	-12
Unutilised overdraft limits	359	326	10	327	10
Unutilised credit card limits	93	89	5	88	5
Lines of credit	467	700	-33	851	-45
Other commitments	17	28	-40	28	-39
Total	956	1,166	-18	1,317	-27
Provision for expected loss	0	0		0	

15. Assets pledged

Group	Sep 30, 2023	Dec 31, 2022	% Sep 30, 2022		%
EUR M					
Lending to credit institutions	12	23	-50	26	-54
Debt securities	111	102	8	328	-66
Loan receivables constituting collateral (cover pool) for covered bonds	1,180	1,251	-6	1,095	8
Other assets pledged	4	4	-2	51	-93
Total	1,306	1,380	-5	1,500	-13

During the report period, no major changes took place regarding the quantity of financial assets and liabilities that were subject to offsetting, netting agreements or the like. Information about this type of agreements is included in the Annual Report of the Bank of Åland, Note G47.

16. Capital adequacy

Group	Sep 30, 2023	Dec 31, 2022	% Sep 30, 2022		%
EUR M					
Equity capital	288.2	287.0	0	282.1	2
Foreseeable dividend	-21.7	-31.3	-31	-17.2	26
Common equity Tier 1 capital before deductions	266.5	255.7	4	265.0	1
Intangible assets	-14.7	-14.3	3	-14.2	4
Deduction for excess value of pension assets	-0.6	-0.4	76	-1.1	-42
Permission for buy-backs and holdings of own shares				-9.3	
Non-controlling interests	0.0	0.0	35	0.0	35
Cash flow hedge		1.6	-100	2.1	-100
Net other items	0.0	-0.1	-78	-0.1	-39
Further adjustments in value	-0.5	-0.8	-31	-0.8	-33
Expected losses according to IRB approach beyond recognised losses (deficit)	-7.3	-8.7	-17	-8.8	-18
Adjustments due to transitional rules related to IFRS 9		0.3	-100	0.2	-100
Common equity Tier 1 capital	243.3	233.3	4	233.0	4
Tier 1 capital instruments	29.4	29.4	0	29.4	0
Additional Tier 1 capital	29.4	29.4	0	29.4	0
Tier 1 capital	272.8	262.7	4	262.4	4
Supplementary capital instruments	30.3	31.5	-4	32.1	-5
Supplementary capital	30.3	31.5	-4	32.1	-5
Total capital base (own funds)	303.1	294.2	3	294.5	3
Capital requirement for credit risk according to the IRB approach	38.2	39.0	-2	40.1	-5
Additional capital requirement, IRB approach	13.8	14.1	-2	14.4	-4
Capital requirement for credit risk according to standardised approach	62.8	81.9	-23	82.7	-24
Capital requirement for market risk	3.1	0.6		0.6	
Capital requirement for credit-worthiness adjustment risk	0.1	0.0	29	0.0	77
Capital requirement for operational risk	21.3	19.5	9	19.5	9
Capital requirement	139.3	155.1	-10	157.4	-11
Capital ratios					
Common equity Tier 1 capital ratio, %	14.0	12.0		11.8	
Tier 1 capital ratio, %	15.7	13.6		13.3	
Total capital ratio, %	17.4	15.2		15.0	
Risk exposure amount	1,741	1,938	-10	1,967	-11
of which % comprising credit risk	82	87		87	
of which % comprising market risk	2	0		0	
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	15	13		12	

Requirements related to capital buffers, %	Sep 30, 2023	Dec 31, 2022	Sep 30, 2022
Total common equity Tier 1 capital requirements including buffer requirements	8.5	8.1	8.1
of which common equity Pillar 1 capital requirement	4.5	4.5	4.5
of which common equity Pillar 2 capital requirement	0.6	0.6	0.6
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	0.9	0.5	0.5
of which systemic risk buffer requirement	0.0	0.0	0.0
Common equity Tier 1 capital available to be used as a buffer	14.0	12.0	11.8

Exposure class	Sep 30, 2023				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	206.0	173.5	56	96.8	7.7
Corporate, small and medium sized companies	280.2	259.1	51	132.6	10.6
Corporate, special lending	4.8	4.8	71	3.4	0.3
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,817.3	1,806.5	9	160.7	12.9
Retail with property as collateral (small and medium-sized companies)	128.1	125.5	21	26.5	2.1
Retail, other (small and medium-sized companies)	32.4	31.1	19	5.9	0.5
Retail, other	352.5	294.3	18	51.7	4.1
Total exposures according to IRB approach	2,821.3	2,694.8	18	477.7	38.2
Credit risk according to standardised approach					
Central government or central banks	561.7	643.5	0	0.0	0.0
Regional governments or local authorities	60.8	95.8	0	0.0	0.0
Public sector entities	27.3	27.3	0	0.0	0.0
Multilateral development banks	33.4	40.6	4	1.8	0.1
International organisations	4.0	4.0	0	0.0	0.0
Institutions	228.5	163.7	25	40.8	3.3
Corporates	673.7	291.6	96	278.8	22.3
Retail	623.4	78.1	73	57.2	4.6
Secured by mortgages on immovable property	639.6	639.1	33	208.3	16.7
Exposures in default	12.9	5.5	136	7.5	0.6
Covered bonds	372.9	372.9	11	39.2	3.1
Collective investment undertakings	1.2	1.2	133	1.6	0.1
Equity exposures	51.6	51.6	157	81.1	6.5
Other exposures	103.2	103.2	66	68.6	5.5
Total exposures according to standardised approach	3,394.2	2,518.0	31	784.9	62.8
Total risk exposure amount, credit risk	6,215.4	5,212.9	24	1,262.6	101.0

Exposure class	Dec 31, 2022				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	216.9	185.1	54	100.7	8.1
Corporate, small and medium sized companies	302.2	281.2	48	134.2	10.7
Corporate, special lending	4.9	4.9	93	4.6	0.4
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,895.8	1,882.7	10	181.2	14.5
Retail with property as collateral (small and medium-sized companies)	129.0	126.6	21	26.1	2.1
Retail, other (small and medium-sized companies)	35.4	33.9	20	6.8	0.5
Retail, other	377.7	319.7	10	33.4	2.7
Total exposures according to IRB approach	2,961.8	2,834.1	17	486.9	39.0
Credit risk according to standardised approach					
Central government or central banks	641.8	721.9	0	0.0	0.0
Regional governments or local authorities	88.5	123.8	0	0.0	0.0
Public sector entities	35.1	35.1	0	0.0	0.0
Multilateral development banks	57.9	65.6	2	1.0	0.1
International organisations	39.8	39.8	0	0.0	0.0
Institutions	250.4	214.2	21	44.7	3.6
Corporates	814.2	323.2	96	310.2	24.8
Retail	795.2	286.4	51	147.1	11.8
Secured by mortgages on immovable property	943.8	942.9	33	314.0	25.1
Exposures in default	23.1	15.0	114	17.2	1.4
Covered bonds	352.5	352.4	11	38.8	3.1
Collective investment undertakings	1.2	1.2	113	1.3	0.1
Equity exposures	54.4	54.4	161	87.4	7.0
Other exposures	71.3	71.3	87	62.1	5.0
Total exposures according to standardised approach	4,169.3	3,247.1	32	1,023.8	81.9
Total risk exposure amount, credit risk	7,131.1	6,081.2	25	1,510.7	120.9

Leverage ratio	Sep 30, 2023	Dec 31, 2022	% Sep 30, 2022	
EUR M				
Tier 1 capital	272.8	262.7	4	4
Total exposure measure	5,310.3	6,132.5	-13	-17
of which balance sheet items	5,174.1	5,898.3	-12	-16
of which off-balance sheet items	136.2	234.2	-42	-48
Leverage ratio, %	5.1	4.3	4.1	

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

17. Share-related information

Group	Sep 30, 2023	Dec 31, 2022	%	Sep 30, 2022	%
thousands					
Number of Series A shares outstanding at beginning of period	6,476	6,476		6,476	
Number of Series B shares outstanding at beginning of period	8,778	9,126	-4	9,126	-4
Total shares outstanding at beginning of period	15,254	15,602	-2	15,602	-2
Number of Series B shares issued	54	13		13	
Number of Series B shares bought back and nullified	0	-361	-100	-91	-100
Total change in Series B shares	54	-348		-78	
Number of Series A shares outstanding at end of period	6,476	6,476		6,476	
Number of Series B shares outstanding at end of period	8,832	8,778	1	9,048	-2
Total shares outstanding at end of period	15,308	15,254	0	15,525	-1
Total shares outstanding at end of period after dilution	15,383	15,321	0	15,541	-1
Equity capital per share, EUR	18.83	18.82	0	18.17	4
Closing price per Series A share, EUR	34.20	37.60	-9	34.00	1
Closing price per Series B share, EUR	33.20	36.20	-8	31.30	6
Market capitalisation, EUR M	515	561	-8	503	2
Market capitalisation/shareholders' portion of equity capital, %	179	196		178	

Group	Q3 2023	Q2 2023	%	Q3 2022	%	Jan-Sep 2023	Jan-Sep 2022	%
thousands								
Average number of shares outstanding	15,287	15,277	0	15,562	-2	15,287	15,562	-2
Average number of shares outstanding after dilution	15,334	15,314	0	15,583	-2	15,334	15,583	-2
Earnings per share, EUR	0.99	0.74	34	0.57	73	2.13	1.82	17
Earnings per share after dilution, EUR	0.98	0.74	34	0.57	73	2.13	1.81	17
Earnings per share, rolling 12 months, EUR	2.69	2.27	18	2.32	16			

Definitions

ACTIVELY MANAGED ASSETS

Managed assets in the Bank's own mutual funds plus securities custodial accounts with discretionary and advisory asset management agreements and external funds with contractual earnings.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are financial metrics for the historical or future trend of earnings, financial position or cash flow that are not defined in the applicable International Financial Reporting Standards (IFRSs) or in the European Union's Capital Requirements Directive and Regulation (CRD/CRR).

The Bank of Åland uses alternative performance measures when they are relevant for monitoring and describing the Bank's financial situation, to facilitate comparability between periods and to provide further usable information to the users of its financial reports.

These metrics do not need to be comparable to similar performance measures that are presented by other companies

CAPITAL COVER RATIO

Own funds divided by risk exposure amount.

CO₂

Chemical designation for carbon dioxide.

CO₂e

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 CAPITAL RATIO, %

Common Equity Tier 1 (CET1) capital divided by risk exposure amount.

CUSTOMER SATISFACTION INDEX (CSI)

The Bank of Åland has created its own index where first and last place in the customer survey correspond to index values of 100 and 0, respectively. The customer survey includes various questions that summarise how satisfied customers are with the Bank of Åland's overall service offering. To calculate the total result, the outcome for each each geographic business segment is weighted according to its total business volume (actively managed capital as well as lending and deposits from the public).

EARNINGS PER SHARE, EUR

Shareholders' portion of earnings for the period divided by the average number of shares.

EMPLOYEE NET PROMOTER SCORE (eNPS)

Employees' propensity to recommend the Bank of Åland. Calculated on a scale of 0–10, where the percentage of negative responses (0–6) is subtracted from the percentage of positive responses (9–10).

EQUITY CAPITAL PER SHARE, EUR

Shareholders' portion of equity capital divided by the number of shares on closing day.

EXPENSE/INCOME RATIO

Total expenses divided by total income.

GROSS SHARE OF LOANS IN STAGE 3

Gross loans in Stage 3 as a percentage of the carrying amount of lending to the public before provisions for impairment losses.

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 net financial assets 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, %

Share price at the end of the reporting period as a percentage of shareholders' portion of equity capital on closing day.

NET PROMOTER SCORE (NPS)

The propensity to recommend the Bank of Åland. Calculated on a scale from 0-10 where the proportion of negative responses (0-6) is subtracted from the proportion 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.

RETURN ON EQUITY AFTER TAXES (ROE), %

Profit for the report period attributable to shareholders divided by average shareholder's portion of equity capital.

RISK EXPOSURE AMOUNT

Assets and off-balance sheet commitments, risk-weighted according to capital adequacy regulations for credit risk and market risk. Operational risks are calculated and expressed as risk exposure.

TIER 1 CAPITAL

Common equity Tier 1 (CET1) capital including certain loss-absorbing subordinated debentures ("additional Tier 1 capital").

TIER 2 (SUPPLEMENTARY) CAPITAL

Mainly subordinated debentures that do not meet requirements to be included as additional Tier 1 capital.

¹ Average of 13 end-of-month figures.

Translation

Report on review of the interim report of Bank of Åland Plc for the accounting period January 1 – September 30, 2023

To the Board of Directors of Bank of Åland Plc

INTRODUCTION

We have reviewed the summary balance sheet as of September 30, 2023 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Bank of Åland Plc group for the nine-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

Helsinki, October 24, 2023

KPMG OY AB

Henry Maarala
Authorised Public Accountant, KHT