

Amendments with respect to the Bank of Åland's Series B shares

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The extensive provisions of the new regulatory framework being implemented in Europe in light of the recent financial crisis includes new rules that define how shares may be designed in order to be eligible for approval as part of a bank's capital base in its capital adequacy reporting. When the regulatory authorities interpret the requirements specified in Article 28.1 of the European Union's Capital Requirements Regulation (575/2013, CRR), they draw the conclusion that no preference elements are allowed for those shares that may be included in a bank's core Tier 1 capital. Since the Bank of Åland's Series B shares, according to the wording in the Articles of Association, have a theoretical preference element, the regulatory authorities have indicated that the Bank of Åland's Articles of Association should be amended on this point. Otherwise, Series B share capital may not be included in the Bank of Åland's core Tier 1 capital.

The Bank of Åland has argued before the EBA in Brussels that this amendment is unnecessary, since the preference element in our Series B shares has only theoretical implications and has never been applied.

In order to ensure that the Bank's reporting continues to correctly reflect the Bank's capital base, the Board proposes that Section 3 of the Articles of Association be amended at the Annual General Meeting on April 16 in Mariehamn.

Section 3. Series A and Series B shares (current wording)

The Bank's shares consist of Series A and Series B shares.

At a General Meeting of Shareholders, a Series A share carries 20 votes while a Series B share carries one vote.

Series B shares have a preferential right over Series A shares to receive an annual dividend from the Bank's distributable profit up to 6 per cent of the previous nominal value of the Series B shares. If a dividend distributed on Series A shares exceeds 6 per cent of the previous nominal value of Series A shares, Series A and Series B shares are entitled to the same dividend per share. The previous nominal value of the shares refers to 12 Finnish marks or the equivalent in euros (2.02). Section 3. Series A and Series B shares (proposed wording) The Bank's shares consist of Series A and Series B shares.

At a General Meeting of Shareholders, a Series A share carries 20 votes while a Series B share carries one vote.

Since a decision to amend the Articles of Association on this matter, aside from 2/3 of the votes cast and the shares represented at the Annual General Meeting, will also require 2/3 of Series A votes and 2/3 of Series B votes, the procedure is relatively extensive at the Meeting. Another requirement is that before the Meeting, Series B shareholders that control at least 50 per cent of all voting power within that series of shares must have given their written approval to the proposed amendment to the Articles of Association in order to allow a decision to be made.

Since the preference element in Series B shares has no value in practice, and since Series B shares have never had any higher or divergent dividend compared to Series A shares, Series B shareholders are not being offered anything in exchange for the removal of the theoretical preference element. Nor

have we been able to see anything in the stock market's pricing of Series B shares indicating that the theoretical preference element in Series B shares should be assigned any value compared to Series A shares, which lack this element.

For more information please contact:

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