

ÅLANDSBANKEN

ÅLANDSBANKEN ABP

(incorporated with limited liability in the Republic of Finland)

SEK 200,000,000

Floating Rate Subordinated Callable Notes due 2038

Under this listing prospectus (the **Listing Prospectus**), Ålandsbanken Abp (**Ålandsbanken** or the **Issuer**) issues subordinated callable notes in the maximum aggregate nominal amount of SEK 200,000,000 (the **Subordinated Notes**). The Subordinated Notes will be denominated in SEK and the denomination of each book-entry unit of the Subordinated Notes shall be SEK 2,000,000. The Subordinated Notes constitute debentures in accordance with Section 34 Subsection 2 of the Finnish Promissory Notes Act (*Lag om skuldebrev* 622/1947).

The Listing Prospectus provides that Subordinated Notes may be listed on the Helsinki Stock Exchange maintained by Nasdaq Helsinki Ltd (the **Helsinki Stock Exchange**) as specified in the Terms and Conditions of the Subordinated Notes.

This Listing Prospectus should be read and construed together with any information incorporated by reference herein and with the Terms and Conditions of the Subordinated Notes (see "*Information Incorporated by Reference*").

Besides filing this Listing Prospectus with the Finnish Financial Supervisory Authority (the **FIN-FSA**) for the purposes of facilitating the contemplated listing of the Subordinated Notes on the Helsinki Stock Exchange, the Issuer has not taken any action, nor will it take any action, to render the public offer of the Subordinated Notes or their possession, or the distribution of this Listing Prospectus or any other documents relating to the Subordinated Notes admissible in any jurisdiction requiring special measures to be taken for the purpose of a public offer.

The Subordinated Notes have not been and will not be registered under the U.S. Securities Act of 1933 (as amended) (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

An investment in the Subordinated Notes involves certain risks. For a discussion of these risks, see "*Risk Factors*".

The Issuer has been assigned a long-term credit rating of BBB by Standard & Poor's Credit Market Services Europe Limited (**S&P**). S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The Subordinated Notes issued under the Listing Prospectus are unrated. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.**

Arranger

Nordea Bank AB (publ)

Dealer

Nordea Bank AB (publ)

IMPORTANT INFORMATION

IMPORTANT – EEA RETAIL INVESTORS: The Subordinated Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of the Markets in Financial Instruments Directive 2014/65/EU (as amended) (**MiFID II**); (ii) a customer within the meaning of the Insurance Mediation Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive 2003/71/EC (as amended) (the **Prospectus Directive**). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended) (the **PRIIPs Regulation**) for offering or selling the Subordinated Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Subordinated Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and eligible contract participants (ECPs) only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Subordinated Notes has led to the conclusion that: (i) the target market for the Subordinated Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Subordinated Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Subordinated Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Subordinated Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In this Listing Prospectus, the terms **Ålandsbanken** and the **Issuer** refer to Ålandsbanken Abp, the term **Group** refers to Ålandsbanken and its consolidated subsidiaries, the term **Arranger** refers to Nordea Bank AB (publ) in its capacity as the arranger of the issue of Subordinated Notes and the term **Dealer** refers to Nordea Bank AB (publ) acting as dealer in relation to the Subordinated Notes. The term **Noteholder** refers to a holder of the Subordinated Notes. Capitalised terms which are used but not defined in any particular section of this Listing Prospectus will have the meaning attributed thereto in section "*Terms and Conditions of the Subordinated Notes*" or any other section of this Listing Prospectus. The ISIN code of the Subordinated Notes is SE0011116037.

This Listing Prospectus has been prepared in accordance with the Finnish Securities Markets Act (*Värdepappersmarknadslag* 746/2012) (as amended) (the **Securities Markets Act**), the Finnish Ministry of Finance's Decree on prospectuses referred to in Chapters 3 to 5 of the Securities Markets Act (1019/2012), the Commission Regulation (EC) No. 809/2004 (as amended) (the **Prospectus Regulation**) in application of Annexes IX and XIII thereof, and the regulations and guidelines of the FIN-FSA. The FIN-FSA, which is the competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Finland, has approved this Listing Prospectus (journal number FIVA 17/02.05.04/2018), but assumes no responsibility for the correctness of the information contained herein.

Ålandsbanken will, as deemed necessary, supplement this Listing Prospectus with updated information pursuant to Chapter 4, Section 14 of the Securities Markets Act. Otherwise, neither the delivery of this Listing Prospectus nor the offering, sale or delivery of any Subordinated Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the offering or listing of the Subordinated Notes is correct as of any time subsequent to the date indicated in the document containing the same.

Neither the Arranger nor the Dealer have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealer as to the accuracy or completeness of the information contained or incorporated in this Listing Prospectus or any other information provided by the Issuer in connection with the issue of the Subordinated Notes. Neither the Arranger nor the Dealer accept any liability in relation to the information contained or incorporated by reference in this Listing Prospectus or any other information provided by the Issuer in connection with the issue of Subordinated Notes.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Listing Prospectus or any other information supplied in connection with the Subordinated Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or the Dealer.

Neither this Listing Prospectus nor any other information supplied in connection with the Subordinated Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or the Dealer that any recipient of this Listing Prospectus or any other information supplied in connection with the Listing Prospectus or any Subordinated Notes should purchase any Subordinated Notes. Each investor contemplating purchasing Subordinated Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer.

This Listing Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Subordinated Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Listing Prospectus and the offer or sale of Subordinated Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor the Dealer represents that this Listing Prospectus may be lawfully distributed, or that any Subordinated Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available

thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealer which is intended to permit a public offering of any Subordinated Notes or distribution of this Listing Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Subordinated Notes may be offered or sold, directly or indirectly, and neither this Listing Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Listing Prospectus may come must inform themselves about, and observe, any such restrictions on the distribution of this Listing Prospectus and the offering and sale of Subordinated Notes. In particular, there are restrictions on the distribution of this Listing Prospectus and the offer or sale of Subordinated Notes in the United States and the EEA (including the United Kingdom), Australia, Canada, Hong Kong, Japan and Singapore (see “*Selling Restrictions*”).

Use of Benchmark

Amounts payable under the Subordinated Notes are calculated by reference to STIBOR. As at the date of this Listing Prospectus, the administrators of STIBOR are not included in the European Securities and Market Authority’s register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmark Regulation**). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulations apply, such that the administrators are not currently required to obtain authorizations or registration.

TABLE OF CONTENTS

Risk Factors.....	5
Important Notices to Prospective Investors.....	18
Terms and Conditions of the Subordinated Notes.....	20
Use of Proceeds.....	33
Description of Ålandsbanken.....	34
Management.....	38
Taxation.....	43
Information Incorporated by Reference.....	45
Selling Restrictions.....	46
General Information.....	48
Additional Information on the Issue of the Subordinated Notes.....	50

RISK FACTORS

Investing in the Subordinated Notes involves risks, some of which may be significant. Investors considering investment in the Subordinated Notes should carefully review the information contained in this Listing Prospectus and, in particular, the risk factors described below and in the stock exchange releases to be published by the Issuer after the Listing. Factors possibly affecting the investment decision are also discussed elsewhere in this Listing Prospectus. Should one or more of the risks described herein, or any other risk, materialise, it may have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects and, thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes. The following description is a summary of certain risk factors that may affect the Issuer's ability to fulfil its obligations under the Subordinated Notes or that are material in order to assess the market risk associated with the Subordinated Notes. This description is based on the information known and assessed at the time of preparing this Listing Prospectus, and, therefore, the description of the risk factors is not necessarily exhaustive and the sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. All investors should make their own evaluations of the risks associated with an investment in the Subordinated Notes and consult with their own professional advisers if they consider it necessary.

Factors that may affect the Issuer's ability to fulfil its obligations under the Subordinated Notes

General economic conditions and circumstances in the financial markets

Disruptions and volatility in the global financial markets may adversely impact the Group

In recent years, the global financial markets have experienced significant disruptions and volatility as a result of, among other things, concerns regarding the overall stability of the euro area, fears related to a slowdown of the Chinese economy and uncertainty relating to the timing of monetary policy changes in the United States. In Europe, the continued modest GDP growth and low inflation have raised concerns, as evidenced by the quantitative easing programme introduced by the ECB in January 2015 and its subsequent extension to at least September 2018, and the uncertainty over the continued weak economic development of certain countries in the euro area, in particular Greece and Italy, and their remaining a member in the euro area has continued. The market conditions have also been, and are likely to continue to be, affected by the slower economic growth and increased debt levels in China, the prospect of additional interest rate hikes in the United States and the low and volatile global oil prices. Geopolitical events, such as continued tensions in the Middle East, eastern Ukraine and the Korean Peninsula, the United Kingdom's decision to withdraw from the EU, recent changes in certain policy goals of the U.S. government as well as terrorist acts, war and other hostilities, have also caused, and are likely to continue to cause, uncertainty in the markets and concern about the development of the global economy. There can also be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries will not lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. Risks related to the economic development in Europe have also had and, despite the recent periods of moderate stabilisation, may continue to have, a negative impact on global economic activity and the financial markets. These types of events and responses to these events may create economic and political uncertainties which could have a negative impact on Finnish, Swedish, European and international economic conditions generally and, more specifically, could interrupt the Group's business and result in substantial losses, which could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Credit risk

The Group is exposed to declining values on the housing and residential property collateral supporting residential lending, which is by far the most important form of collateral for the Group

As at 31 March 2018, the Group's total lending was EUR 4,020 million, of which approximately 71 per cent. constituted loans to private individuals or households. The exposure of the Group is therefore concentrated to individuals and households in Finland and Sweden. Individuals' and households' creditworthiness is affected by a variety of factors such as the state of the economy in general, adverse changes in the level of employment and housing and residential property values.

Housing and residential property values are affected by a number of factors including interest rates, inflation, economic growth, business environment, availability of credit, property taxation, unemployment, demographical factors and level of construction activity. The value of housing and residential property collateral of the mortgage loans granted by the Issuer may decline rapidly in the event of a general downturn in the Finnish or Swedish housing market. The recent turmoil of the Swedish housing market could adversely affect the value of residential property, including in growth centres, which in turn could rapidly reduce the value of the residential property collateral of the mortgage loans granted by the Group. There can be no assurance that the recent turmoil of the Swedish housing market is not aggravated or that the Finnish housing and residential property markets would not be affected by similar turmoil.

In addition, the value of housing and residential property may in the future generally decline, or certain residential areas or districts may become less attractive leading to a decline in the values of the housing and residential property in such areas, thereby reducing the value of the collateral of the Group. The value of other collateral, including but not limited to financial status of a guarantor, may change negatively in the course of time.

Materialisation of any of the risks described above could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

The Group is exposed to the risk of its borrowers and counterparties failing to meet their obligations towards the Group

Credit risk is the risk that the Group will incur losses because of its counterparties' or borrowers' inability to meet their obligations to the Group as they fall due or the inadequacy of collateral or other security obtained by the Group from its counterparties and borrowers. Adverse changes in the creditworthiness of the Group's counterparties and borrowers or any reduction in the value of collateral or other security obtained by the Group may have an adverse impact on the Group's financial results and creditworthiness.

As at 31 March 2018, the Group's total lending to corporate and other institutional customers was EUR 1,169 million, or approximately 29 per cent. of the total lending of the Group. The Group's exposure to corporate and other institutional customers is subject to adverse changes in their credit quality, whether as a result of the global financial crisis or the European sovereign debt crisis or for other reasons.

Credit losses vary over the business cycle and there is a risk of heightened credit losses in the current economic environment. As European markets remain challenging in the aftermath of the latest financial crisis, credit risk associated with certain borrowers and counterparties in these markets remains heightened.

The Group routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, funds and other institutional and corporate clients. Many of these transactions expose the Group to the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults on its obligations prior to maturity when the Group has an outstanding claim against that counterparty. Due to the increased volatility in foreign exchange and fixed income markets in recent years, this risk has increased. This credit risk may also be exacerbated when the collateral held by the Group cannot be realised or is liquidated at prices not sufficient to recover the full amount of the counterparty exposure.

Any of the foregoing can lead to material credit losses, which could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

The Group is exposed to the risk of increased credit provisioning

The Group maintains allowances for loan losses to cover estimated probable incurred credit impairments inherent in its loan portfolio. The Group's calculation of the allowance for losses on loans is based on, among other things, its analysis of current and historical delinquency rates and loan management, its customers' likely repayment capacity and the valuation of the underlying assets, as well as numerous other management assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance.

The Group's accrued impairment loss on loans and other commitments was EUR 0.2 million as at 31 March 2018 as compared to EUR 0.5 million in the first quarter of 2017 ended 31 March 2017, and EUR 2.1 million as at 31 December 2017 as compared to EUR 4.1 million in the year ended 31 December 2016. Any material increase in impairment loss on loans and other commitments could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

On July 24, 2014, the International Accounting Standards Board (IASB) published the standard IFRS 9, "Financial instruments" which from 1 January 2018 replaces IAS 39, "Financial instruments: Recognition and Measurement". IFRS 9, "Financial instruments" includes a new model for classification and measurement of financial instruments, a forward-looking "expected credit loss" impairment model and simplified conditions for hedge accounting. The expected loss principle increased the loan loss reserve by EUR 2.4 million when the new rules came into effect on 1 January 2018.

Liquidity risk

The Group is exposed to the risk of not being able to meet its obligations as they fall due or only being able to meet its liquidity commitments at an increased cost

A substantial part of the Group's liquidity and funding requirements are met through reliance on customer deposits, as well as ongoing access to wholesale lending markets, including issuance of long-term debt market instruments such as covered bonds. The volume of these funding sources, in particular long-term funding, may be constrained during periods of liquidity stress. Turbulence in the global financial markets and economy may adversely affect the Group's liquidity and the willingness of certain counterparties and customers to do business with the Group. As at 31 March 2018, deposits accounted for 62 per cent. of the Group's funding. Should the Group encounter a significant outflow of deposits, the Group's funding structure would change substantially and its average cost of funding would increase. Furthermore, this might jeopardise the Group's liquidity, and the Group could be unable to meet its current and future cash flow and collateral needs, both expected and unexpected.

Such events or a general decline in the Group's liquidity may adversely affect the availability and price of the Group's funding and, as a consequence, have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Market risk

Changes in interest rates or other market prices could adversely affect the Group

The Group's customer-driven trading operations (where positions, within certain defined limits, are taken) and its treasury operations (where the Issuer holds investment and liquidity portfolios for its own account) are the key contributors to market price risk for the Group.

To the extent volatile market conditions persist or recur, the fair value of the Group's assets could fall substantially and cause the Issuer or other members of the Group to record write-downs. In addition, because the Group's investment income from assets held in its liquidity portfolio depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Group's investment income, or result in a loss.

Like all banking groups, the Group earns interest from loans and other assets, and pays interest to its depositors and other creditors. The net effect of changes to the Group's net interest income depends on the relative levels of assets and liabilities that are affected by changes in interest rates. The Group is exposed to structural interest income risk when there is a mismatch between the interest rate re-pricing periods, volumes or reference rates of its assets, liabilities and derivatives. This mismatch in any given period in the event of changes in interest rates could lead to significant losses or protracted periods of low profitability or losses. Adverse movements in interest rates or other market prices could therefore have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

The Group is exposed to foreign exchange risks

A substantial portion of the Group's assets are denominated in SEK. The Group is therefore exposed to adverse exchange rate movements between SEK and EUR. A significant movement in the SEK and EUR exchange rate could have a material adverse effect on the Group's balance sheet positions.

Operational risk

Losses as a result of inappropriate or inadequate internal routines, human error, defective systems or external events could adversely affect the Group

Although the Group has implemented risk controls and taken other actions to mitigate exposures and/or losses, there can be no assurance that such procedures will be effective in controlling each of the operational risks faced by the Group, or that the Group's reputation will not be damaged by the occurrence of any operational risks.

As a part of its banking and asset management activities, the Group provides its clients with investment advice and access to internally, as well as externally, managed funds. In the event of losses incurred by the Group's clients due to such investment advice, or an investment in such funds, the Group's clients may seek compensation from the Group, which may result in losses for the Group. Such compensation might be sought even if the Group has no direct exposure to such risks, or has not recommended such counterparties to its customers.

Operational risks, if realised, could lead to impairment or other losses, or increased costs or expenses, which could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Business risks

The Group faces competition in all markets

There is competition for the types of banking and other products and services that the Group provides and there can be no assurances that the Group can maintain its competitive position. For example, a key success factor in the Group's strategy to be a bank for investors is the provision of high service levels to its Premium and Private Banking clients. The Group faces competition in this market in both Sweden and Finland from several smaller specialised firms as well as large Nordic banks. As large Nordic banks possess greater resources, they may have better opportunities to respond to different market changes. Such market changes may relate to, among others, regulation or clients' demands. In addition, the financial services market may face significant changes due to the development of digital banking and changes in consumer behaviour as well as regulatory developments, such as the implementation of the Revised Payment Services Directive 2015/2366/EU, as well as new operators entering the market.

If the Group is unable to provide competitive product and service offerings, it may fail to attract new customers and/or retain existing customers, experience decreases on its interest, fee and commission income, and/or lose market share. In addition, the mortgage loan business in Finland and Sweden is competitive. Lenders advertise extensively and use targeted marketing and loyalty schemes in an effort to expand their presence in the market and compete for customers.

Competition may adversely impact the Group's position in the market for mortgage business and Premium and Private Banking services and there can be no assurance that the business strategy adopted by the Group will be successful. If the Group's strategy proves unsuccessful, it could lead to a decrease in market share, protracted periods of low profitability or losses and a deterioration of its financial condition.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Regulatory changes may adversely affect the Group, and the Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks

The Group is subject to financial services laws, regulations, administrative actions and policies in Finland, Sweden and the EU. The Group must meet the requirements set forth in the regulations regarding, *inter alia*, minimum capital and capital adequacy, reporting with respect to financial information and financial condition, marketing and selling practices, advertising, terms of business and permitted investments, liabilities and payment of dividends. In addition, certain decisions made by the Group may require approval or notification to the relevant authorities in advance.

Changes in supervision and regulation, particularly in Finland, could materially affect the Group's business, the products and services offered or the value of its assets. Such changes in regulation and supervision may, for example, expose the Group to additional costs and liabilities and require it to change how it conducts business. These changes may include:

- changes in regulatory requirements, such as prudential rules relating to the capital adequacy framework and the imposition of onerous compliance obligations;
- changes in laws and regulations or changes in regulatory regimes that may significantly influence investor decisions, in particular in the markets in which the Group operates, or may increase the costs of doing business in those markets; and
- changes in the monetary, interest rate, capital adequacy and other policies of central banks and regulatory authorities.

Although the Group works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be adverse and unpredictable and are beyond the control of the Group.

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. As a result, the Group may become involved in various disputes and legal proceedings in Finland, Sweden and other jurisdictions, including litigation and regulatory investigations. These disputes and legal proceedings are subject to many uncertainties, and their outcomes are often difficult to predict. Adverse regulatory action or adverse judgments in litigation could result in fines or in restrictions or limitations on the Group's operations, any of which could result in a material adverse effect on the Group's reputation or financial condition. In addition, any determination by local regulators that the Group has not complied with applicable local laws in a particular market, or any failure to develop effective working relationships with local regulators, could have a significant and negative effect not only on the Group's businesses in that market, but also on its reputation generally. The Group's strategy is to be a bank for investors that builds and maintains customer relationships. Regulatory risks, along with their potential impact on the Group's reputation, can adversely impact the Group's ability to successfully implement its strategy. For example, adverse regulatory action or non-compliance with rules relating to the Group's custody of its client's assets, or procedures relating thereto, could have a material adverse effect on its reputation or financial condition.

Regulatory changes and issues could therefore have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Changes in taxation may increase the Group's tax burden

The Group's business is conducted in accordance with the Group's interpretation of applicable tax laws, regulations and administrative practices. There can, however, be no assurance that the Group's interpretation of applicable laws, regulations or administrative practices is correct, or that such are not changed, possibly with retroactive effect. Changes in tax laws and regulations or their interpretation or application could significantly increase the Group's tax burden. A failure to manage such risks could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Increased capital requirements may adversely affect the Group

The Capital Requirements Directive 2013/36/EU (as amended) (the **CRD IV**) and the Capital Requirements Regulation (EU) No. 575/2013 (as amended) (the **CRR**) have replaced the European Capital Requirements Directive (comprising Directives 2006/48/EC and 2006/49/EC). The CRR came into force on 28 June 2013 and the CRD IV on 17 July 2013, both with substantial transition periods. The CRR has been directly applicable in the European Union as of 1 January 2014. Detailed rules on liquidity coverage ratio (**LCR**) set out in the CRR entered into force on 1 October 2015 with a three-year phase-in period as follows: 60 per cent. in 2015, 70 per cent. in 2016, 80 per cent. in 2017 and 100 per cent. in 2018. The Finnish Act on Credit Institutions (*Kreditinstitutuslag* 610/2014) (as amended), as currently in effect, comprises implementations of CRD IV and Basel III requirements. CRD IV and Basel III requirements have also been implemented into Finnish legislation and regulation by, among others, regulations and guidelines of the Finnish Ministry of Finance and the FIN-FSA.

The FIN-FSA has established buffer requirements related to Pillar 2 capital adequacy regulations totaling 1.5 per cent. of the Group's risk exposure amount. This requirement is related to credit concentration risk (1.0 per cent) and interest rate risk in the balance sheet (0.5 per cent). The requirement, which must be covered by common equity Tier 1 capital, goes into effect starting in the third quarter of 2018.

The new regulations mean more stringent criteria for Tier 1 capital as well as a number of technical changes in calculations, which will have an adverse effect on the Group's Tier 1 capital base. For the Issuer, the principal changes relate to deductions from the Tier 1 capital base for (i) expected losses in the Issuer's credit portfolio as calculated in accordance with the internal ratings based (**IRB**) approach, (ii) unrealised gains from investments held in the "available-for-sale" portfolio measured at fair value no longer being recognised as Tier 1 capital and (iii) minority holdings of the Issuer.

The Issuer is also subject to more stringent capital requirements on debt held in its liquidity portfolio as the "sovereign method" (under which national supervisory authorities had the possibility of basing risk weights on the public ratings of the counterparties' home countries instead of the counterparties' own external ratings) for institutions exposure class is abolished in the new regulations. Also, there is an additional capital charge for OTC-instruments cleared outside central counterparty clearing.

These and other changes to capital adequacy and liquidity requirements imposed on the Issuer may require the Issuer to raise Additional Tier 1, Core Tier 1 and Tier 2 capital by way of further issuances of securities and could result in existing Tier 1 and Tier 2 securities ceasing to count towards the Issuer's regulatory capital, either at the same level as at present or at all. Any failure by the Issuer to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on the Group's, business, financial condition and results of operations and may also have other effects on the Issuer's financial performance and on the pricing of the Subordinated Notes, both with or without the intervention by regulators or the imposition of sanctions.

Recent changes in capital requirement regulations

As of 1 January 2018, the existing international accounting regulation IAS 39 was replaced by IFRS 9, "Financial Instruments". Under IFRS 9, banks apply a forward-looking approach to impairments by estimating expected credit losses based on each bank's view of the market. Banks will achieve this by employing statistical methods to calculate impairments to essentially all credit risk-bearing assets, thus also including loans that have not yet defaulted. This will lead to an increase in provision amounts, which may affect the banks' capital adequacy ratios. For banks that apply IRB and have a substantial surplus of regulatory expected losses, the effect on the capital base is expected to be limited, since the surplus has already been subtracted from the capital base today. The EU has decided on an optional 5-year phase-in of the effect of IFRS 9 on the capital base, with a gradually declining recovery to the capital base. During 2018, 95 per cent. of expected impairment losses may be restored to common equity Tier 1 capital in the capital adequacy assessment. In practise, for Ålandsbanken this will only include those exposures that are handled according to the standardised approach, since IRB exposures have a substantial surplus of regulatory expected loss.

In 2017, the FIN-FSA announced a macroprudential supervisory decision to introduce a 15 per cent. risk weight floor for home mortgage loans. This minimum level applies to banks that use internal ratings-based (IRB) models in their capital requirement calculations for mortgage loans. The requirement went into effect on 1 January 2018 and will be in effect for two years. Given the situation on 31 December 2017, the new risk weight floor implied an extra capital requirement of EUR 5.3 million.

The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Subordinated Notes.

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the firm to meet its repayment obligations; (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims to equity or other instruments of ownership (the **general bail-in tool**), which equity or other instruments could also be subject to any future cancellation, transfer or dilution. Relevant claims for the purposes of the bail-in tool would include the claims of the holders in respect of any Subordinated Notes issued.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

Under the BRRD, an institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

The Finnish resolution legislation implementing the BRRD could materially affect the value of any Subordinated Notes

The BRRD Directive was implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (*Lag om resolution av kreditinstitut och värdepappersföretag* 1194/2014, as amended) (the **Resolution Act**) and the Act on Financial Stability Authority (*Lag om myndigheten för finansiell stabilitet* 1195/2014, as amended), together the **Finnish Resolution Laws**. Both acts entered into force on 1 January 2015. The latter regulates the Finnish Financial Stability Authority (the **Stability Authority**), which is the national resolution authority having counterparts in all EU member states. Among its key tasks, the Stability Authority draws up resolution plans for institutions, decides whether a failing institution is placed under resolution and applies the necessary resolution tools to an institution under resolution.

Pursuant to the Resolution Act, the Stability Authority shall draw up and adopt a resolution plan for the institutions subject to its powers, including the Issuer. The resolution plan is ready for execution in the event that the institution in question has to be placed into a resolution process. The Resolution Act vests the Stability Authority with resolution powers and tools as provided in the BRRD. To be able to use the other resolution tools the Stability Authority shall first place the institution in a resolution process. During the process, the institution could be subject to a number of resolution tools: the Stability Authority has the right to mandatory write-down the nominal value of liabilities and convert liabilities into regulatory capital instruments (bail-in), sale of business, bridge institution and asset separation. To continue the operations of the institution, the Stability Authority has the power to decide upon covering losses of the institution by reducing the value of the institution's share capital or cancelling its shares. This (as well as bail-in) is a precondition for any support from a newly established resolution fund administered by the Stability Authority.

The aim of the Finnish Resolution Laws is to provide authorities with a broad range of powers and instruments to address failing financial institutions in order to safeguard financial stability and minimise tax payers' exposure to losses. The regime imposes amongst others an obligation on the resolution authority and financial institutions to prepare resolution and recovery plans, authorises the resolution authority to assess the resolvability of a financial institution, and to address or remove impediments to resolvability. In the event that a financial institution becomes distressed, the new regime allows competent authorities, (in Finland, the FIN-FSA), to intervene and take early intervention measures with respect to the financial institution where the FIN-FSA considers that it is likely that the institution will not be able to meet the conditions of its authorisation or its other liabilities or infringes its capital adequacy requirements. Such measures include the power to require the financial institution to take measures referred to in its recovery plan and, if necessary, require the institution to convene its general meeting to approve any such measures requested by the FIN-FSA, require the institution to prepare a plan on the reorganisation of its debts as instructed by the FIN-FSA, and to require the institution to change its strategy, and/or the legal or administrative structure of the institution.

The resolution authority is vested with the power to implement resolution measures with respect to a financial institution where the resolution authority considers that the financial institution in question is failing or likely to fail, and where there is no reasonable prospect that any measures could be taken to prevent the failure of the institution and that the taking of the resolution measures is necessary to protect the significant public interest.

The powers set out in the Finnish Resolution Laws will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Noteholders may be subject to the application of the general bail-in tool, which may result in such holders losing some or all of their investment. Such application could also involve modifications to or the disapplication of provisions in the conditions of the Subordinated Notes, including alteration of the nominal amount or any interest payable on the Subordinated Notes, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. As a result, the exercise of any power under the Finnish Resolution Laws or any suggestion of such exercise could materially adversely affect the rights of Noteholders, the price or value of their investment in any Subordinated Notes and/or the ability of the Issuer to satisfy its obligations under any Subordinated Notes.

The BRRD and the Resolution Act introduced the requirement for credit institutions and investment firms to meet the minimum requirement for own funds and eligible liabilities (**MREL**), which is designed to ensure sufficient loss absorbing capacity to enable the continuity of critical functions without recourse to public funds. As at the date of this Listing Prospectus, a decision on MREL has not yet been given in relation to the Issuer.

The Group's guidelines and policies for risk management may prove inadequate for the risks faced by its businesses

The management of business, market, regulatory and legal risks requires, among other things, guidelines and policies for the accurate identification and control of a large number of transactions and events. Such guidelines and policies may not always be adequate. Risk management measures taken by the Group include entering into hedging transactions to manage market risks, issuing credit risk limits for each counterparty to which the Group is exposed in its lending business, requiring sufficient security for credits provided, and undertaking customary due diligence to manage legal risks. Some of these and other methods used by the Group to manage, estimate and measure risk, such as value-at-risk analyses and certain statistical methods for determining credit risk, are based on historic market behaviour. The methods may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by historic experience. Historical data may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages under consideration, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Group. Such information may not always be correct, updated or correctly evaluated.

Any failure on the part of the Group to adequately manage its risks could have a material adverse effect on its business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Financial services operations involve inherent reputational risk

The Group's reputation is one of its most important assets. Reputational risk, including the risk to earnings and capital from negative public opinion, is inherent in the financial services business. Negative public opinion can result from any number of causes, including misconduct by employees, the activities of business partners over which the Group has limited or no control, severe or prolonged financial losses, or uncertainty about the Group's financial soundness or reliability. Negative public opinion may adversely affect the Group's ability to keep and attract customers, depositors and investors, as well as its relationships with regulators and the general public. The Group cannot ensure that it will be successful in avoiding damage to its business from reputational risk. The Group's strategy is to be a bank for investors that builds and maintains customer relationships. Negative public opinion and reputational risks are likely to have a particularly adverse effect on the Group's ability to implement that strategy, which could have a material adverse effect on the Group's business, financial condition and results of operations, and thereby, on the Issuer's ability to fulfil its obligations under the Subordinated Notes as well as the market price and value of the Subordinated Notes.

Factors which are material for the purpose of assessing the risks associated with the Subordinated Notes

Risks related to the Subordinated Notes

The Subordinated Notes may not be a suitable investment for all investors

Each potential investor of the Subordinated Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

- a) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this Listing Prospectus;
- b) understand thoroughly the Terms and Conditions of the Subordinated Notes;
- c) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact such investment will have on its overall investment portfolio;
- d) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes; and

- e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The past development of the value of securities is not a guarantee of returns in the future. The investor alone is liable for the financial consequences of his or her investment decisions. Changes in the tax treatment of the Subordinated Notes and their return during the term of the Subordinated Notes may adversely affect the net returns received by the Noteholder.

The Issuer is a public limited liability company. A limited liability company is liable for its obligations with its own assets and therefore, shareholders have no personal liability for the company's obligations.

The Subordinated Notes are not subject to a deposit guarantee as referred to in the Finnish Act on Credit Institutions.

The Subordinated Notes have a lower priority in relation to other debts of the Issuer

The Subordinated Notes are debenture loans as referred to in section 34 subsection 2 of the Finnish Promissory Notes Act (*Lag om skuldebrev 622/1974*), which have a lower priority in relation to other debts of the Issuer, notwithstanding obligations that rank *pari passu* or lower than debenture loans in accordance with the terms and conditions of such obligations. Further, debenture loans are subordinated loans qualifying as tier 2 instruments (T2) as referred to in article 63 of the CRR provided that other requirements set forth in article 63 and the CRR are met. In the event of insolvency of the Issuer, the Subordinated Notes rank lower in priority than other obligations of the Issuer and therefore, a Noteholder may lose the invested principal and interest payable in part or wholly.

The Issuer has not given security in respect of the Subordinated Notes. Therefore, in the event of insolvency of the Issuer, other obligations of the Issuer have a higher priority in relation to its remaining assets and consequently, a Noteholder may lose the invested principal and interest payable in part or wholly.

The Issuer has not given a negative pledge commitment in the Terms and Conditions of the Subordinated Notes. Therefore, the Issuer has the right to give a security or pledge funds to other creditors. The Issuer has for example issued covered bonds under a Medium Term Note and Covered Bond Programme, and such covered bonds are secured by a significant part of the Issuer's total lending. The covered bonds issued by the Issuer rank higher in priority in respect of assets registered as collateral, and therefore there is an increased risk that in the event of insolvency of the Issuer, the Subordinated Notes will receive a smaller distribution or no distribution of assets.

The Subordinated Notes may be subject to write-down

If the common equity tier 1 (CET1) ratio of the Issuer or the Group falls below 7 per cent, the Issuer shall permanently write down 50 per cent. of the Subordinated Notes as well as the entire accrued and unpaid interest as described in the Terms and Conditions of the Subordinated Notes (see "*Terms and Conditions of the Subordinated Notes – Section 8, Loss Absorption Mechanism*"). Therefore, a Noteholder will permanently lose the part of the nominal amount of the Subordinated Notes that has been subject to write-down. After the date of the write-down, the interest will be calculated for the remaining nominal amount of the Subordinated Notes and therefore the Noteholder will also lose the entire accrued and unpaid interest as well as the interest in respect of the part of the Subordinated Notes that has been subject to write-down and has not fallen due as at the date of the write-down. The Subordinated Notes may only be subject to write-down once.

In case the Issuer were to face severe financial difficulties and become subject to resolution measures under the EU bank resolution mechanism, the Subordinated Notes may become subject to write-down, in which case a Noteholder may lose the entire or part of the principle as well as the accrued and unpaid interest.

An early redemption of Subordinated Notes is likely to limit their market value

Pursuant to the Terms and Conditions of the Subordinated Notes, the Issuer may redeem the Subordinated Notes subject to the FIN-FSA's consent in case of (i) a Capital Event, (ii) a Withholding Tax Event, (iii) a Tax Event, or (iv) a Rating Event, each as defined in the Terms and Conditions of the Subordinated Notes.

At those times, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Subordinated Notes being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

Under certain circumstances, the Issuer's ability to redeem or repurchase the Subordinated Notes may be limited

The rules under CRD IV prescribe certain conditions for the granting of permission by the FIN-FSA (or, as the case may be, another competent authority) to a request by the Issuer to redeem or repurchase the Subordinated Notes. In this respect, the CRR provides that the FIN-FSA shall grant permission to a redemption or repurchase of the Subordinated Notes provided that either of the following conditions is met:

- (i) on or before such redemption or repurchase of the Subordinated Notes, the Issuer replaces the Subordinated Notes with capital instruments of an equal or higher quality on terms that are sustainable for its income capacity; or
- (ii) the Issuer has demonstrated to the satisfaction of the FIN-FSA that its tier 1 capital and tier 2 capital would, following such redemption or repurchase, exceed the capital ratios required under CRD IV by a margin that the FIN-FSA may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution.

In addition, the rules under CRD IV provide that the FIN-FSA may only permit the Issuer to redeem the Subordinated Notes before five years after the Issue Date of the Subordinated Notes if:

- (a) the conditions listed in paragraphs (i) or (ii) above are met; and
- (b) in the case of redemption due to the occurrence of a Capital Event, (i) the FIN-FSA considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the FIN-FSA that the Capital Event was not reasonably foreseeable at the time of the issuance of the Subordinated Notes; or
- (c) in the case of redemption due to the occurrence of a Withholding Tax Event, a Tax Event or a Rating Event, the Issuer demonstrates to the satisfaction of the FIN-FSA that such Withholding Tax Event, Tax Event or Rating Event is material and was not reasonably foreseeable at the time of issuance of the Subordinated Notes.

The rules under CRD IV may be modified from time to time after the Issue Date of the Subordinated Notes.

Remedies in case of default on the Subordinated Notes are severely limited

The Subordinated Notes will contain limited enforcement events relating to:

- (i) non-payment by the Issuer of any amounts due under the Subordinated Notes. In such circumstances, as described in more detail in the Terms and Conditions of the Subordinated Notes and subject as provided below, the Noteholder may institute proceedings in Finland or elsewhere for the Issuer to be declared bankrupt or its winding-up or liquidation and prove or claim in the bankruptcy or liquidation of the Issuer; and
- (ii) the bankruptcy or the winding-up or liquidation of the Issuer, whether in Finland or elsewhere. In such circumstances, as described in more detail in the Terms and Conditions of the Subordinated Notes, a Noteholder may declare its Subordinated Notes to be due and payable at their Outstanding Principal Amount, and prove or claim in the bankruptcy or liquidation of the Issuer.

However, in each case, the Noteholder may claim payment in respect of the Subordinated Notes only in the winding-up or liquidation or, as the case may be, bankruptcy or liquidation of the Issuer.

Under Finnish law, a creditor may not institute proceedings for the liquidation (Swe: *likvidation*) of the debtor, except under the following limited circumstances: (i) the debtor has no registered board of directors, (ii) the debtor has no

representative within the meaning of the Act on the Right to Carry on Debt (Swe: *Lag angående rätt att idka näring* (122/1919)), (iii) despite the request of the register authority, the debtor has not filed its annual accounts for registration within one year from the end of the financial year, or (iv) the debtor has been declared bankrupt and the bankruptcy has expired due to the lack of funds.

The conditions of the Subordinated Notes contain provisions which may permit their modification without the consent of all Noteholders

The conditions of the Subordinated Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Modifications of the conditions of the Subordinated Notes and other resolutions made at the Noteholders' Meetings may not be in all Noteholders' interest.

The value of the Subordinated Notes could be adversely affected by a change in law or administrative practice

The terms and conditions of the Subordinated Notes are governed by Finnish law in effect as at the date of this Listing Prospectus, except for the registration of the Subordinated Notes in Euroclear Sweden, which will be governed by Swedish law. No assurance can be given as to the impact of any possible judicial decision or change to Finnish law or Swedish law or administrative practice after the date of this Listing Prospectus and any such change could materially adversely impact the value of any Subordinated Notes affected by it.

Risks related to taxation

The taxation and profit of the Subordinated Notes may be subject to changes during the loan period. Should the taxation of the Subordinated Notes increase during the loan period, the amount of net payments in respect of the Subordinated Notes or net gains realised on the sale or redemption of the Subordinated Notes will decrease. Information on tax considerations relating to the Subordinated Notes is included in section "Taxation" of this Listing Prospectus.

Reliance on Euroclear Sweden's procedures

The Subordinated Notes are issued in book-entry form in the book-entry system of Euroclear Sweden, as specified in the Terms and Conditions of the Subordinated Notes. The Subordinated Notes will not be evidenced by any physical note or document of title other than statements of account made by Euroclear Sweden or account operators. The Subordinated Notes are uncertificated and dematerialised securities and title to the Subordinated Notes is recorded and transfers of the Subordinated Notes are effected only through the relevant entries in the relevant book-entry system and registers maintained by Euroclear Sweden and account operators. Therefore, timely and successful completion of transactions relating to the Subordinated Notes, including but not limited to transfers of, and payments made under, the Subordinated Notes, depend on the relevant book-entry system being operational and that the relevant parties, including but not limited to the payment transfer bank and the account operators of the holders of the Subordinated Notes, are functioning when transactions are executed.

Consequently, in order to effect such entries, Noteholders must establish a book-entry account through a credit institution or a securities firm acting as an account operator with Euroclear Sweden.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Subordinated Notes may never be established or the secondary market may be illiquid and this would adversely affect the value at which a Noteholder could sell its Subordinated Notes

Subordinated Notes may have no established trading market when issued, and one may never develop. If a market for the Subordinated Notes does develop, it may not be very liquid. Therefore, Noteholders may not be able to sell their Subordinated Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

If a Noteholder holds Subordinated Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Subordinated Notes could result in an investor not receiving payments on those Subordinated Notes

The Issuer will pay principal and interest on the Subordinated Notes in SEK. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than SEK. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency of the Subordinated Notes or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency of the Subordinated Notes would decrease (1) the Investor's Currency equivalent yield on the Subordinated Notes, (2) the Investor's Currency equivalent value of the principal payable on the Subordinated Notes and (3) the Investor's Currency equivalent market value of the Subordinated Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Subordinated Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of the Subordinated Notes may be adversely affected by movements in market interest rates

The Subordinated Notes bear floating interest rate, and hence the Subordinated Notes involve the a risk that subsequent changes in the market interest rates may decrease the market value of the Subordinated Notes until the date of the ongoing interest period in question.

Credit ratings assigned to the Issuer may not reflect all the risks associated with an investment in those Subordinated Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Subordinated Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by its assigning credit rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Listing Prospectus.

IMPORTANT NOTICES TO PROSPECTIVE INVESTORS

Each prospective investor in the Subordinated Notes must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this Listing Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including Subordinated Notes where the currency for principal or interest payments is different from the prospective investor's currency;
- understands thoroughly the terms of the Subordinated Notes and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (1) Subordinated Notes are legal investments for it, (2) Subordinated Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Subordinated Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Subordinated Notes under any applicable risk-based capital or similar rules.

Statement Regarding Information in this Listing Prospectus

Ålandsbanken is responsible for the information included in this Listing Prospectus and having taken all reasonable care to ensure that is the case, such information is, to the best knowledge of Ålandsbanken, in accordance with the facts and contains no omission likely to affect its import.

15 May 2018

Ålandsbanken Abp

Cautionary statement regarding forward looking statements

Some statements in this Listing Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Listing Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "Risk Factors" and "Description of Ålandsbanken" and other sections of this Listing Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Listing Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Listing Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

Any forward looking statements contained in this Listing Prospectus speak only as at the date of this Listing Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Listing Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

Publishing of the Listing Prospectus

This Listing Prospectus and the information incorporated into this Listing Prospectus will be published on the Issuer's website at <https://www.alandsbanken.com/about-us/financial-information/debt-programme> on or about 15 May 2018. This Listing Prospectus and the information incorporated into this Listing Prospectus will also be available free of charge at Ålandsbanken's head office at Nygatan 2, 22100 Mariehamn, Åland, Finland during the opening hours.

Presentation of financial and certain other information

Unless otherwise indicated, the financial information in this Listing Prospectus relating to the Issuer has been derived from (i) the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2016 (the **2016 Financial Statements**) and 31 December 2017 (the **2017 Financial Statements**) and (ii) the unaudited reviewed consolidated financial statements of the Issuer for the three month period ended 31 March 2018 (the **Interim Financial Statements** and, together with the 2016 Financial Statements and the 2017 Financial Statements, the **Financial Statements**). The Issuer's financial year ends on 31 December, and references in this Listing Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) as adopted by the European Union.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

ÅLANDSBANKEN ABP

SEK 200,000,000 Floating Rate Subordinated Callable Notes due 2038 ISIN: SE0011116037

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Subordinated Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended) (**MiFID II**); (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended) (the **Prospectus Directive**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Subordinated Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Subordinated Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and eligible counterparties only target market

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Subordinated Notes has led to the conclusion that: (i) the target market for the Subordinated Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**) and (ii) all channels for distribution of the Subordinated Notes to professional investors and eligible counterparties are appropriate. Any person subsequently offering, selling or recommending the Subordinated Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Subordinated Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Words and expressions defined in these Terms and Conditions of the Subordinated Notes shall have the same meanings where used in the Listing Prospectus unless the context otherwise requires or unless otherwise stated.

The term Noteholder refers to a holder of Subordinated Notes.

1. FORM, DENOMINATION AND ISSUANCE

The Board of Directors of Ålandsbanken Abp (the **Issuer**) has in its meeting on 24 April 2018 authorised the CEO to decide on the issue of subordinated debentures in accordance with Section 34 subsection 2 of the Promissory Notes Act (622/1947, as amended, the **Promissory Notes Act**), which have lower priority than other commitments of the Issuer (the **Subordinated Notes**).

The issue date of the Subordinated Notes is 15 May 2018 (the **Issue Date**).

The denomination of each book-entry unit relating to the Subordinated Notes shall be SEK 2,000,000. All Subordinated Notes shall have the same denomination. The maximum number of the Subordinated Notes is one hundred (100) or a higher number if the Issuer decides to increase the maximum principal amount of the Subordinated Notes. The Subordinated Notes shall only be offered for subscription to professional investors and eligible counterparties.

The Subordinated Notes will be issued in uncertificated and dematerialised form in the register (Sw. *avstämningsregister*) held by Euroclear Sweden AB (**Euroclear Sweden**), incorporated in Sweden with registration number 556112-8074 and having its registered address at Klarabergsviadukten 63, P.O. Box 191, SE-101 23 Stockholm, Sweden, formed in accordance with the Swedish Financial Instruments Accounts Act 1998 (Sw. *lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*), other

applicable Swedish legislation and the Euroclear Rules. The registrar in respect of the Subordinated Notes will be Euroclear Sweden.

The Issuer has appointed Nordea Bank AB (publ) as the issuer agent Sw. *emissionsinstitut*) (the **Issuer Agent**) referred to in the Euroclear Rules and applicable laws for the Subordinated Notes. The Issuer has appointed Nordea Bank AB (publ) as the dealer (the **Dealer**) and as the arranger for the Subordinated Notes. The Issuer acts as calculation agent (the **Calculation Agent**) for the Subordinated Notes.

For the purposes of these Terms and Conditions of the Subordinated Notes:

Applicable Banking Regulations means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy then in effect in Finland including, without limitation to the generality of the foregoing, CRD IV, BRRD, CRR and those regulations, requirements, guidelines and policies relating to capital adequacy adopted by the Finnish Financial Supervisory Authority (the **FIN-FSA**), from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and the Group);

CET1 Capital means, at any time, the sum of all amounts that constitute common equity tier 1 capital of the Issuer as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations applicable to the Issuer at such time (which calculation shall be binding on the Noteholders). For the purposes of this definition, “common equity tier 1 capital” shall have the meaning assigned to such term in the Applicable Banking Regulations then applicable to the Issuer;

CET1 Ratio means, at any time, the ratio of CET-1 Capital of the Issuer, as at such date, to the risk weighted assets of the Issuer, as at the same date, expressed as a percentage and, for the avoidance of doubt, on the basis that all measures used in such calculation shall be calculated in accordance with the Applicable Banking Regulations then applicable to the Issuer;

Euroclear Rules means regulations, decisions and operating procedures applicable to and/or issued by Euroclear Sweden;

Outstanding Principal Amount means the principal amount of the Subordinated Notes as issued on the Issue Date as reduced from time to time by any Write Down Amount;

Record Date means the fifth (5) Business Day prior to (i) the Final Maturity Date or (ii) a redemption date related to Condition 5.3, Condition 5.4, Condition 5.5, Condition 5.6 or Condition 5.7 below; and

Tier 2 Capital means tier 2 capital for the purposes of the Applicable Banking Regulations.

2. STATUS AND SECURITY

The Subordinated Notes constitute and will constitute direct, unsecured and unguaranteed obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves. In the event of liquidation or bankruptcy of the Issuer, the rights and claims (if any) of the Noteholders to payments of the Outstanding Principal Amount and any other amounts in respect of the Subordinated Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Terms and Conditions of the Subordinated Notes, if any are payable) shall (i) be subordinated to the claims of all senior creditors of the Issuer; and (ii) rank at least *pari passu* with the claims of all subordinated creditors of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the Subordinated Notes.

The Subordinated Notes can be calculated into the Tier 2 Capital as set out in Article 63 of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European

Parliament and of the Council of 26 June 2013 (as amended or replaced from time to time, the **CRR**), provided that the requirements set out in the CRR are fulfilled. The Subordinated Notes cannot be used to set off a counterclaim.

3. NOMINAL AMOUNT AND CURRENCY

The aggregate nominal amount of Subordinated Notes issued and outstanding under these Terms and Conditions of the Subordinated Notes is SEK 200,000,000. The Issuer may raise or lower the aggregate nominal amount.

4. INTEREST

4.1 Floating Rate Interest

The Subordinated Notes bear a floating rate of interest at the rate per annum, consisting of a floating reference rate and a margin of 2.40 per cent. per annum. The margin will be added to the reference rate.

The floating reference rate shall be 3-month STIBOR.

3-month STIBOR is the rate for deposits in SEK, for a period corresponding to the Interest Period (as defined below) of the Subordinated Notes quoted on the relevant Reuters page (or such replacement page on a service which displays the information) at or about 11.00 a.m. (Stockholm time in relation to 3-month STIBOR) two (2) Business Days prior to the commencement of the Interest Period. If the Interest Period does not correspond to any period of times shown on the relevant Reuters page (or such replacement page on a service which displays the information) for SEK, the rate of interest for such Interest Period shall be interpolated on a linear basis from the rates of interest of the two (2) periods between which the relevant Interest Period falls.

If 3-month STIBOR or a replacement quotation is not available, a reference rate of the nearest comparable maturity, as determined by the Issuer and the Dealer, as applicable, on the basis of the level of interest rates prevailing in Sweden shall be used.

4.2 Interest period

Interest period (the **Interest Period**) means each period of time, for which the interest is calculated.

The first Interest Period shall begin on the Issue Date and end on the following Interest Payment Date. Each following Interest Period begins on the previous Interest Payment Date and ends on the following Interest Payment Date.

Interest shall accrue for each Interest Period from (but excluding) the first day of the Interest Period to (and including) the last day of such Interest Period on the nominal amount of the Subordinated Notes outstanding from time to time.

The last Interest Period ends on the final maturity date, being 15 May 2038 (the **Final Maturity Date**).

4.3 Market conventions

(a) Day count fractions

The actual number of days in the Interest Period divided by 360 (actual/360-days basis).

(b) Business day convention

If:

- (i) there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur; or
- (ii) any Interest Payment Date would otherwise fall on a day which is not a Business Day, then such Interest Payment Date shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day (Modified Following Business Day Convention).

For the purposes of these Terms and Conditions of the Subordinated Notes, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in Stockholm.

4.4 Payment of interest

Interest shall be paid quarterly on the following interest payment dates (each an **Interest Payment Date**) 15 August, 15 November, 15 February and 15 May in arrears. The first Interest Payment Date occurs on 15 August 2018 and the last Interest Payment Date occurs on the Final Maturity Date 15 May 2038, unless the Subordinated Notes have been redeemed prior to the Final Maturity Date.

Payment of interest shall be made in accordance with Swedish legislation governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Noteholder that is entitled to receive such payment according to the book-entry account information.

5. MATURITY AND REDEMPTION

5.1 Term of the Subordinated Notes

The term of the Subordinated Notes is twenty (20) years from the Issue Date.

5.2 Redemption at maturity

Each Subordinated Note will be redeemed by the Issuer on the Final Maturity Date, to the extent the Issuer has not redeemed the Subordinated Notes in accordance with Condition 5.3, Condition 5.4, Condition 5.5, Condition 5.6 or Condition 5.7 below. Payment of the redemption amount will be made to the persons who are Noteholders on the Record Date in accordance with Swedish legislation governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Noteholder that is entitled to receive such payment according to the book-entry account information.

5.3 Voluntary Total Redemption (Issuer Call Option)

The Issuer may, at any Interest Payment Date following five years from the Issue Date and subject to the approval by the FIN-FSA, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Subordinated Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

5.4 Early Redemption for Withholding Tax Event

If:

- (a) on the occasion of the next payment due under the Subordinated Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 13) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a **Withholding Tax Event**); and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may, subject to approval by the FIN-FSA, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Subordinated Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

5.5 Early Redemption for Tax Event

Upon the occurrence of a Tax Event and subject to approval by the FIN-FSA, the Issuer may, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Subordinated Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

“**Tax Event**” means the receipt by the Issuer of an opinion of counsel in the relevant Tax Jurisdiction (experienced in such matters) to the effect that, as a result of:

- (i) any amendment to, or change in, the laws or treaties (or any regulations thereunder) of the Tax Jurisdiction affecting taxation;
- (ii) any governmental action in the Tax Jurisdiction; or
- (iii) any amendment to, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Tax Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known,

which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date of the Subordinated Notes:

- (A) the Issuer is, or will be, subject to additional taxes, duties or other governmental charges which respect to the Subordinated Notes or is not, or will not be, entitled to claim a deduction in respect of payments in respect of the Subordinated Notes in computing its taxation liabilities (or the value of such deduction would be materially reduced); or
- (B) the treatment of any of the Issuer's items of income or expense with respect to the Subordinated Notes as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by the taxing authority in the Tax Jurisdiction, which subjects the Issuer to additional taxes, duties or other governmental charges.

5.6 Early Redemption as a result of a Capital Event

Upon the occurrence of a Capital Event and subject to approval by the FIN-FSA, the Issuer may, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Subordinated Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

“**Capital Event**” means the determination by the Issuer, after consulting with the FIN-FSA, that the Outstanding Principal Amount of the Subordinated Notes ceases or would be likely to cease to be included in whole or in any part, or count in whole or in any part, towards the Tier 2 Capital of the Issuer.

5.7 Early Redemption as a result of a Rating Event

To the extent permitted by the Applicable Banking Regulations, upon the occurrence of a Rating Event and subject to approval by the FIN-FSA, the Issuer may, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Subordinated Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

“**Rating Event**” means the determination by the Issuer, after consulting with Standard & Poor’s Ratings Services, that the Outstanding Principal Amount of the Subordinated Notes ceases or would be likely to cease to be included in whole or in any part, or count in whole or in any part, towards the “Intermediate” or a higher category of the Issuer’s total adjusted capital based on Standard & Poor’s Ratings Services rating criteria in force from time to time (or any category replacing the category “Intermediate” as defined in the “Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions” dated 29 January 2015).

6. SUBSCRIPTION OF THE SUBORDINATED NOTES

6.1 Method of subscription and payment

The Subordinated Notes are offered for subscription to institutional investors in a book-building procedure. The subscription period shall commence and end on 7 May 2018 (the **Subscription Date**).

Bids for subscription shall be submitted to Nordea Bank AB (publ), Smålandsgatan 17, SE-10571 Stockholm, Sweden during the Subscription Date and within regular business hours.

Subscriptions made are irrevocable. All subscriptions remain subject to the final acceptance by the Issuer. The Issuer may, in its sole discretion, reject a subscription in part or in whole. The Issuer shall decide on the procedure in the event of over-subscription. After the final allocation and acceptance of the subscriptions by the Issuer, each investor that has submitted a subscription shall be notified by the Dealer whether and, where applicable, to what extent such subscription is accepted.

Subscriptions shall be paid for as instructed in connection with the subscription. The Issuer shall accept the subscriptions and may, at its sole discretion, reject a subscription in part or in whole. Approved subscriptions are confirmed after the Subscription Date.

The Issuer will not charge the subscriber for costs relating to the issue or offering of the Subordinated Notes. The Dealer and potential other subscription places may charge such costs pursuant to the agreement between the relevant subscriber and Dealer or potential other subscription place.

6.2 Oversubscription and undersubscription

In the event of oversubscription or undersubscription, as applicable, in relation to the Subordinated Notes, the Issuer is entitled to increase or decrease the nominal amount of the of Subordinated Notes during the subscription period, discontinue the subscription or cancel the issue of the Subordinated Notes.

If the issue is cancelled or the subscriptions are decreased due to oversubscription, the Issuer shall refund the price paid to the account notified by the relevant subscriber within five (5) Business Days from the date of the decision concerning the cancellation or decrease.

6.3 Issue price

Subordinated Notes will be issued at an issue price which is fixed and is 100 per cent. of the aggregate nominal amount.

7. DELIVERY OF SUBORDINATED NOTES

Subordinated Notes subscribed and paid for shall be entered to the book-entry accounts of the subscribers on a date set out in accordance with Swedish legislation, as applicable, governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules.

Each Subordinated Note is freely transferable after it has been registered into the respective book-entry account.

8. LOSS ABSORPTION MECHANISM

8.1 Definitions

Write Down means the permanent write down of the Outstanding Principal Amount of each Subordinated Note by writing down the Outstanding Principal Amount by the Write Down Amount in accordance with the Write Down Procedure.

Write Down Amount means the amount by which the Outstanding Principal Amount of each Subordinated Note is to be written down on the Write Down Effective Date, which amount shall be 50 per cent. of the Outstanding Principal Amount.

Write Down Effective Date means the date on which the Write Down shall take place, or has taken place, as applicable.

Write Down Notice means the notice to be delivered by the Issuer to the Noteholders in accordance with Condition 12 specifying (i) that a Trigger Event has occurred and (ii) the Write Down Effective Date or the expected Write Down Effective Date.

Write Down Procedure means the procedures set out in Condition 8.3.

a **Trigger Event** shall occur if the Issuer's CET1 Ratio falls below 7 per cent.

8.2 Write Down Upon Trigger Event

If a Trigger Event has occurred at any time, the Issuer shall write down the Outstanding Principal Amount of each Subordinated Notes with the Write Down Amount on the Write Down Effective Date in accordance with the Write Down Procedure. Under no circumstances shall such written down Outstanding Principal Amount be reinstated. The Write Down shall occur without delay (and within one month or such shorter period as the FIN-FSA may require at the latest) upon the occurrence of a Trigger Event.

Upon the occurrence of a Trigger Event, the Issuer shall immediately inform the FIN-FSA and shall deliver to the Noteholders notice in accordance with Condition 12 specifying (i) that a Trigger Event has occurred and (ii) the Write Down Effective Date or expected Write Down Effective Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such Write Down, or give Noteholders any rights as a result of such failure.

Following a Write Down, no Noteholder will have any rights against the Issuer with respect to the repayment of any principal amount to the extent so written down or the payment of interest on any principal amount that has been so written down or any other amount on or in respect of any principal amount that has been so written down.

A Write Down of the Subordinated Notes shall not constitute an event of default or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not, of itself, entitle the Noteholder to petition for the insolvency or dissolution of the Issuer or otherwise.

8.3 Write Down Procedure

Write Down Notice

If a Trigger Event has occurred at any time, the Issuer shall deliver a Write Down Notice to the Noteholders, as soon as reasonably practicable, and in any event not more than five (5) Business Days after such determination.

The Write Down Notice shall be sufficient evidence of the occurrence of such Trigger Event and will be conclusive and binding on the Noteholders.

Write Down

On the Write Down Effective Date, the Issuer shall write down an aggregate principal amount of each Subordinated Note equivalent to the Write Down Amount of each Subordinated Note by writing down the Outstanding Principal Amount of each Subordinated Note by the Write Down Amount. The Subordinated Notes may only be subject to one (1) Write Down.

9. FORCE MAJEURE

The Issuer, the Issuer Agent, the Calculation Agent, the Dealer, subscription place or account operator shall not be responsible for any loss arising from:

- (a) an act of an authority, war or threat of war, revolt, civil disturbance, or any act of terror;
- (b) disturbance in postal or telephone traffic, electronic communication, or supply of electricity that is beyond the control of, and that has an essential impact on, the operations of the Issuer, the Issuer Agent, the Calculation Agent, any Dealer, subscription place or account operator;
- (c) interruption or delay of action or measure of the Issuer, the Issuer Agent, the Calculation Agent, any Dealer, subscription place or account operator that is caused by fire or equivalent accident;
- (d) strike or other industrial action which has an essential impact to the operations of the Issuer, the Issuer Agent, the Calculation Agent, the Dealer, subscription place or account operator, even when it only affects part of the personnel of the aforementioned entities and irrespective of whether the aforementioned entities are involved in it or not;
- (e) an act of God (such as, but not limited to, fires, explosions, earthquakes, drought, tidal waves and floods); or
- (f) other equivalent force majeure or any similar reason that causes unreasonable difficulty for the operations of the Issuer, the Issuer Agent, the Calculation Agent, the Dealer, subscription place or account operator.

10. PRESCRIPTION

In case any payment under the Subordinated Notes has not been claimed by the relevant Noteholder entitled to such payment within three (3) years from the original due date thereof, the right to such payment shall become forfeited by the relevant Noteholder and the Issuer shall be permanently free from such payment.

11. EVENTS OF DEFAULT

If:

- (i) the Issuer shall, in respect of the Subordinated Notes, default for a period of 14 days in the payment of interest due on the Subordinated Notes on an Interest Payment Date or any other date on which the payment of interest is compulsory;
- (ii) the Issuer shall, in respect of the Subordinated Notes, default for a period of seven (7) days in the repayment of the Subordinated Notes on the Final Maturity Date or an early redemption date notified by the Issuer (if any); or
- (iii) an order is made or an effective resolution is passed for the winding-up or liquidation of the Issuer (except for the purpose of a merger, reconstruction or amalgamation under which the continuing

entity effectively assumes the entire obligations of the Issuer under the Subordinated Notes) or the Issuer is otherwise declared bankrupt or put into liquidation, in each case, by a court or agency or supervisory authority in Finland or elsewhere having jurisdiction in respect of the same,

the Noteholder may:

- (a) (in the case of (i) and (ii) above) institute proceedings for the Issuer to be declared bankrupt or its winding-up or liquidation, in each case, in Finland or elsewhere, and prove or claim in the bankruptcy or liquidation of the Issuer; and/or
- (b) (in the case of (iii) above) prove or claim in the winding-up or liquidation or as the case may be, bankruptcy or liquidation of the Issuer, whether in Finland or elsewhere and instituted by the Issuer itself or a third party,

but (in either case) the Noteholder may claim payment in respect of the Subordinated Notes only in the winding-up or liquidation or as the case may be, bankruptcy or liquidation of the Issuer.

In any of the circumstances set out in (iii) above, a Noteholder may, by notice to the Issuer, declare its Subordinated Notes due and payable, and such Subordinated Notes shall accordingly become due and payable at their Outstanding Principal Amount together with accrued (and uncanceled) interest to the date of payment, but subject to such Noteholder only being able to claim payment in respect of the Subordinated Notes in the winding-up or liquidation or as the case may be, bankruptcy or liquidation of the Issuer and provided that, where any such event occurs after the date on which a Trigger Event occurs but before the relevant Write Down Effective Date, the Noteholder of a Subordinated Note may only declare the Subordinated Note to be due and payable to the extent of its Outstanding Principal Amount as reduced by the Write Down Amount in respect of the Trigger Event, together with accrued (and uncanceled) interest to the date of payment.

Any Noteholder may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Subordinated Notes (other than, without prejudice to Condition 11 (i), (ii) and (iii) or the above paragraph, any obligation for the payment of any principal or interest in respect of the Subordinated Notes) provided that the Issuer shall not by virtue of the institution or any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it, except with the prior written consent of the FIN-FSA.

No remedy against the Issuer, other than as provided above in this Condition 11 shall be available to the Noteholders, whether for the recovery of amount owing in respect of the Subordinated Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Subordinated Notes.

12. NOTICES AND RIGHT TO INFORMATION

Noteholders shall be advised of matters relating to the Subordinated Notes by a stock-exchange release, a notice published on the Issuer's website at <https://www.alandsbanken.com/about-us/financial-information/debt-programme> or a notice published in Helsingin Sanomat or any other major Finnish national daily newspaper selected by the Issuer. The Issuer may and shall, if required by the Euroclear Rules or applicable laws, also deliver notices relating to the Subordinated Notes in writing directly to the Noteholders at the address appearing on the list of the Noteholders provided by Euroclear Sweden in accordance with the below paragraph (or through Euroclear Sweden's book-entry system or account operators).

Any notice relating to the Subordinated Notes shall be deemed to have been received by the Noteholders when published or delivered in accordance with this Condition 12.

Notwithstanding any secrecy obligation, the Issuer shall, subject to the Euroclear Rules and applicable laws, be entitled to obtain information of the Noteholders from Euroclear Sweden, and Euroclear Sweden shall be entitled to provide such information to the Issuer. Furthermore, the Issuer shall, subject to the Euroclear Rules

and applicable laws, be entitled to acquire from Euroclear Sweden a list of Noteholders, provided that it is technically possible for Euroclear Sweden to maintain such a list. The Issuer shall at the request of the Issuer Agent pass on such information to the Issuer Agent.

The address for notices to the Issuer is:

Ålandsbanken Abp

Nygatan 2

PB 3

AX-22101 Mariehamn

13. TAXATION

All payments of principal and interest in respect of the Subordinated Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (defined below) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Subordinated Notes, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to the Subordinated Notes:

- (a) presented for payment in Finland;
- (b) the holder of which is liable for such taxes or duties in respect of a Subordinated Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of a Subordinated Note; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Business Day.

For the purposes of these Terms and Conditions of the Subordinated Notes:

Tax Jurisdiction means the Republic of Finland or any political subdivision or any authority thereof or therein having power to tax; and

Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by Euroclear Sweden on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12.

14. NOTEHOLDERS' MEETING AND PROCEDURE IN WRITING

The Issuer may convene a meeting of Noteholders (**Noteholders' Meeting**) or request a procedure in writing among the Noteholders (**Procedure in Writing**) to decide on amendments of these Terms and Conditions of the Subordinated Notes or other matters as specified below. Euroclear Sweden must be notified of the Noteholders' Meeting or a Procedure in Writing by the Issuer in accordance with the Euroclear Rules and applicable laws.

Notice of a Noteholders' Meeting and the initiation of a Procedure in Writing shall be provided to the Issuer Agent and the Noteholders in accordance with Condition 12 at least ten (10) Business Days prior to the Noteholders' Meeting or the last day for replies in the Procedure in Writing, and shall include information on

the date, place and agenda of the Noteholders' Meeting or the last day and address for replies in the Procedure in Writing (or if the voting is to be made electronically, instructions for such voting) as well as instructions as to any action required on the part of a Noteholder to attend the Noteholders' Meeting or to participate in the Procedure in Writing. No matters other than those referred to in the notice of the Noteholders' Meeting or initiation of the Procedure in Writing may be resolved upon at the Noteholders' Meeting or the Procedure in Writing.

Only those who, according to the register kept by Euroclear Sweden, in accordance with the Euroclear Rules and applicable laws, in respect of the Subordinated Notes, were registered as Noteholders on the fifth (5th) Business Day prior to the Noteholders' Meeting or the last day for replies in the Procedure in Writing on the list of Noteholders to be provided by Euroclear Sweden in accordance with Condition 12, or proxies authorised by such Noteholders, shall, if holding any of the nominal amount of the Subordinated Notes at the time of the Noteholders' Meeting or the last day for replies in the Procedure in Writing, be entitled to vote at the Noteholders' Meeting or in the Procedure in Writing and shall be recorded in the list of the Noteholders present at the Noteholders' Meeting or participating in the Procedure in Writing.

The Noteholders' Meeting must be held in Helsinki and the chairman of the meeting shall be appointed by the Board of Directors of the Issuer.

A Noteholders' Meeting or a Procedure in Writing shall constitute a quorum only if two (2) or more Noteholders present hold or represent at least 50 per cent. or one (1) Noteholder holding one hundred 100 per cent. of the nominal amount of the Subordinated Notes outstanding attends the Noteholders' Meeting or provides replies in the Procedure in Writing.

If, within 30 minutes after the time specified for the start of a Noteholders' Meeting, a quorum is not present, any consideration of the matters to be dealt with at the meeting may, at the request of the Issuer, be adjourned for consideration at a meeting to be convened on a date no earlier than 14 calendar days and no later than 28 calendar days after the original meeting, at a place to be determined by the Issuer. Correspondingly, if by the last day for replies in the Procedure in Writing a quorum is not constituted, the time for replies may be extended as determined by the Issuer.

The quorum for an adjourned Noteholders' Meeting or extended Procedure in Writing will be at least 25 per cent. of the nominal amount of the Subordinated Notes outstanding.

Notice of an adjourned Noteholders' Meeting or in relation to a Procedure in Writing, information regarding the extended time for replies, shall be given in the same manner as notice of the original Noteholders' Meeting or the Procedure in Writing. The notice shall also state the requirements for the constitution of a quorum.

Voting rights of Noteholders shall be determined according to the nominal amount of the Subordinated Notes held. The Issuer and any Group companies shall not hold voting rights at any Noteholders' Meeting or Procedure in Writing.

Resolutions shall be carried by a majority of more than 50 per cent. of the votes cast. A representative of the Issuer and a person authorised to act for the Issuer may attend and speak at a Noteholders' Meeting.

A Noteholders' Meeting or a Procedure in Writing is entitled to make the following decisions that are binding upon all Noteholders:

- (a) change these Terms and Conditions of the Subordinated Notes, including approval of any proposal by the Issuer for any modification, abrogation, variation or compromise of these Terms and Conditions of the Subordinated Notes or any arrangement in respect of the obligations of the Issuer under or in respect of the Subordinated Notes;
- (b) waive any breach or consent to any proposed breach by the Issuer of its obligations under or in respect of

the Subordinated Notes;

provided, however, that consent of at least 75 per cent. of the aggregate nominal amount of the Subordinated Notes outstanding is required to:

- (a) decrease the nominal amount of, or interest payable on, the Subordinated Notes;
- (b) extend the term of Subordinated Notes;
- (c) amend the requirements for the constitution of a quorum at a Noteholders' Meeting or Procedure in Writing; or
- (d) amend the majority requirements of the Noteholders' Meeting or Procedure in Writing.

The consents can be given at a Noteholders' Meeting, in the Procedure in Writing or by other verifiable means in writing.

When consent from the Noteholders representing the requisite majority has been received in the Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired, provided that the Noteholders representing such requisite majority are registered as Noteholders on the list of Noteholders provided by Euroclear Sweden in accordance with Condition 12 on the date when such requisite majority is reached.

The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take necessary action to enforce the decisions of the Noteholders' Meeting or the Procedure in Writing.

Resolutions passed at a Noteholders' Meeting or in the Procedure in Writing shall be binding on all Noteholders of the Subordinated Notes irrespective of whether they have been present at the Noteholders Meeting or participated in the Procedure in Writing. A Noteholder is considered to have become aware of a resolution of a Noteholders' Meeting and a Procedure in Writing when received by the Noteholders in accordance with Condition 12. In addition, Noteholders are obligated to inform subsequent transferees of Subordinated Notes of resolutions made at a Noteholders' Meeting and in a Procedure in Writing. A resolution passed at the Noteholders' Meeting must also be notified to the Issuer Agent as well as Euroclear Sweden in accordance with the Euroclear Rules and applicable laws.

Any resolution at a Noteholders' Meeting or in a Procedure in Writing, which extends or increases the obligations of the Issuer, or limits, reduces or extinguishes the rights or benefits of the Issuer, shall be subject to the consent of the Issuer.

Notwithstanding anything to the contrary in these Terms and Conditions of the Subordinated Notes, the Issuer is entitled to, without the consent of the Noteholders, to make appropriate changes to these Terms and Conditions of the Subordinated Notes if such changes do not weaken the position of the Noteholders. Any such changes shall be binding upon the Noteholders. The Issuer shall notify the Noteholders of such changes in accordance with Condition 12 above.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of, or notice to, the Noteholders create and issue further notes having the same terms and conditions as the Subordinated Notes (or the same in all respects save for the amount and date of the first payment of interest thereon, the issue price, the minimum subscription amount and the date from which interest starts to accrue) by increasing the maximum principal amount or otherwise. For the avoidance of doubt, this Condition 15 shall not limit the Issuer's right to issue any other notes.

16. GOVERNING LAW AND JURISDICTION

16.1 Governing law

The Subordinated Notes and any non-contractual obligations arising out of or in connection herewith, are and shall be governed by, and construed in accordance with, Finnish law, except for the registration of Subordinated Notes in Euroclear Sweden, which shall be governed by, and construed in accordance with, Swedish law.

16.2 Submission to jurisdiction

Any disputes relating to the Subordinated Notes shall be settled in the first instance at the District Court of Helsinki (Fi. *Helsingin käräjäoikeus*).

USE OF PROCEEDS

The net proceeds from each issue of Subordinated Notes will be applied by the Issuer for its general corporate purposes, which include making a profit as well as to improve the capital adequacy of the Issuer.

DESCRIPTION OF ÅLANDSBANKEN

General information

Ålandsbanken is a public limited liability company with its registered office in Mariehamn in the autonomous Finnish Province of Åland. Ålandsbanken was incorporated on 3 December 1919 under the laws of Finland and registered with the Finnish Trade Register maintained by the Finnish Patent and Registration Office with registration number 0145019-3 and its registered address is as follows:

Ålandsbanken Abp
Nygatan 2
AX-22 100 Mariehamn

The telephone number of the Issuer is +358(0)204 29 011.

Ålandsbanken's core markets are the Åland Islands, mainland Finland and Sweden. Ålandsbanken's head office is located in Mariehamn on the Åland Islands. Ålandsbanken has a total of five offices plus two representative offices in the Åland Islands and five offices on the Finnish mainland, situated in Helsinki, Parainen, Tampere, Turku and Vaasa. Ålandsbanken's Swedish branch has three offices in Sweden situated in Stockholm, Gothenburg and Malmö. Ålandsbanken's shares (series A and B) are listed on Nasdaq Helsinki Ltd.

As at 31 March 2018, Ålandsbanken had total assets of EUR 5,497 million, total equity of EUR 237 million and net operating profit of EUR 7.4 million (1 January – 31 March 2018). As at 31 December 2017, Ålandsbanken had total assets of EUR 5,353 million, total equity of EUR 234 million and net operating profit of EUR 26.0 million (1 January – 31 December 2017). As at 31 December 2016, Ålandsbanken had total assets of EUR 5,137 million, total equity of EUR 223 million and a net operating profit of EUR 25.1 million (1 January – 31 December 2016). As at 31 December 2017, the Group had 691 employees (based on hours worked, recalculated to full-time equivalent positions). The Group has a total of three subsidiaries whose operations are connected in various ways with banking. They are Ålandsbanken Fondbolag Ab, Ab Compass Card Oy Ltd and Crosskey Banking Solutions Ab Ltd.

The focus of Ålandsbanken is on enhancing its role as a bank for investors while also seeking to offer good financing know-how and banking services. Its most important operational areas are Private Banking and Premium Banking. Ålandsbanken's Private Banking service provides individuals and corporate customers with banking, financial and advisory services. Premium Banking, which is offered mainly to individuals, is a concept that combines banking, financial and advisory services with security and lifestyle related services. As a relationship bank, Ålandsbanken seeks to generate value for individual clients and their companies by building, deepening and maintaining long-term personal client relationships.

For further information on the Group and the Group's financial position, please refer to the Financial Statements incorporated by reference in this Listing Prospectus.

Strategy of Ålandsbanken

Ålandsbanken's goal is to be a bank for investors that has financing know-how and that thrives in building and maintaining customer relationships. Ålandsbanken functions as one bank. In 2010, the banking operations were divided into three geographical business areas – the Åland Islands, mainland Finland and Sweden. The business areas are supported by common Group functions.

Ålandsbanken's strategy in its two growth markets, mainland Finland and Sweden, is to offer more personal and flexible services than the larger banks, while at the same time offering a broader portfolio of products and services than the smaller banking firms. On the Finnish mainland and in Sweden, Ålandsbanken's strategy is to be a unique, personal bank. Within its Private and Premium Banking concepts, it focuses on administering its clients' financial investments profitably and on providing mortgage financing solutions. In addition, Ålandsbanken offers asset management services to institutional investors.

In its third market, the Åland Islands, Ålandsbanken's strategy is to be the largest bank. As a major employer on the Åland Islands, Ålandsbanken has an important position in the society and a desire to participate in developing the future of the Åland Islands.

A key success factor in Ålandsbanken's strategy is the provision of high service levels to its Premium and Private Banking clients.

Share capital and shareholders

As at 15 May 2018, the share capital of Ålandsbanken was EUR 41,974,063.28.

The shares are divided into 6,476,138 Series A shares and 8,971,593 Series B shares. Each Series A share represents twenty votes and each Series B share one vote at the shareholders' meetings. The Articles of Association stipulate that no representative at the annual general meeting may vote for more than one fortieth of the number of votes represented at the meeting.

On 10 April 2014, the annual general meeting of shareholders authorised the Board of Directors of Ålandsbanken to issue shares and option rights. A maximum of 3,000,000 Series B shares can be issued pursuant to this authorisation. The Board of Directors has also launched a share savings programme for all Group employees. This voluntary programme enabled employees to save a portion of their monthly salary to invest in Ålandsbanken's Series B shares. From August 2015 until February 2017 Ålandsbanken issued in total 123,992 Series B shares under the share savings programme. Ålandsbanken is still, after three years from the original issuance, to issue a corresponding number of shares to the employees that are still employed by Ålandsbanken and own their original shares.

As at 8 May 2018, there were five shareholders in Ålandsbanken holding more than two (2) per cent. of the share capital, as shown in the table below. The list below also includes companies within each shareholder's group as well as other companies controlled by each shareholder.

Shareholder	Series A shares	Series B shares	Total	% of shares	% of votes
1. Wiklöf Anders (and Wiklöf controlled companies)	1,768,534	1,332,961	3,101,495	20.08%	26.50%
2. Alandia Group (insurance group)	754,908	402,432	1,157,340	7.49%	11.19%
3. Nominee registered shareholders* (OP Yrityspankki OYJ (Förvaltarregistrerat))	1,283	919,637	920,920	5.96%	0.68%
4. Aaland Mutual Insurance Company (and subsidiaries)	794,566	111,201	905,767	5.86%	11.55%
5. Fennogens Investments S.A.	474,264	152,088	626,352	4.05%	6.96%

*On 13 January 2012, Ålandsbanken received a notification that the total shareholding of Familjen Kamprads Stiftelse (the Kamprad Family Foundation) in Ålandsbanken's Series B shares has increased to 5.53% (representing 0.58% of votes) as at such date.

As far as Ålandsbanken is aware, there are no arrangements that may result in a change of control of Ålandsbanken.

Business activities

Ålandsbanken is focused on banking and securities operations, with the core concepts being Private Banking and Premium Banking. Ålandsbanken provides a wide range of financial services to private individuals, corporate clients and local governments. The Premium Banking service is offered mainly to private individuals by all of Ålandsbanken's offices. The Premium Banking full-service concept includes a broad array of personal banking, financing, lifestyle and security services. During 2010, it was expanded to include more sophisticated financial investment services. The Private

Banking service is offered to both private individuals and corporate customers who require more extensive financial advisory services. The service is focused on both discretionary and consultative asset management as well as wealth management with a focus on investments and tax issues. Ålandsbanken also offers a wide range of web-based services, providing its clients with an internet-based tool for monitoring their financial engagements with Ålandsbanken. In addition to the services described above, Ålandsbanken offers several other financial services through its subsidiaries, including the issuance of credit and debit cards and fund management.

A significant proportion of the Group's lending activities is comprised of lending to private individuals and households. As at 31 March 2018, the Group's total lending was EUR 4,020 million, of which 71 per cent. constituted loans to private individuals or households. As at 31 December 2017, the Group's total lending was EUR 3,979 million, of which 72 per cent. constituted loans to private individuals or households. The Group's total home loan lending as at 31 December 2017 was EUR 2,224 million and as at 31 December 2016 was EUR 1,888 million, or 56 per cent. and 50 per cent. of total lending, respectively. As at 31 December 2017, the total lending in Sweden was EUR 1,279 million, or 32 per cent. of the total lending of the Group.

The 2017 Financial Statements include certain statistical information on the Group's lending activities:

- **Loan Portfolio:** for information in relation to the Group's loan portfolio, please see Notes G15 (*Classification of financial assets and liabilities*), G16. (*Measurement of financial assets and liabilities at fair value*), G17. (*Assets and liabilities by currency*), G18. (*Holdings of debt securities*), G19. (*Lending to credit institutions*) and G20. (*Lending to the public*) in the 2016 Financial Statements and the chart entitled "Remaining maturity" on page 83 of the 2017 Financial Statements.
- **Impaired Loans:** for information in relation to the Group's impaired loans, please see Note G12. (*Impairment losses on loans and other commitments*) in the 2017 Financial Statements and the section entitled "Doubtful and non-performing receivables" on page 79 of the 2017 Financial Statements.

In addition, for a discussion of the Group's loan origination and monitoring procedures, its customer concentrations, large exposures, institutional counterparty risk exposure and collateral policy, please see the section entitled "Capital and risk management report" beginning on page 52 of the 2017 Financial Statements.

Organisational structure

Ålandsbanken is the parent company of the Group.

Ålandsbanken has three wholly-owned subsidiaries. They are Ålandsbanken Fondbolag Ab, Crosskey Banking Solutions Ab Ltd and Ab Compass Card Oy Ltd. Ålandsbanken Fondbolag Ab, domiciled in Mariehamn, is a fund management company pursuant to the Finnish Act on Investment Funds (*Lag om placeringsfonder* 48/1999) (as amended). Crosskey Banking Solutions Ab Ltd, domiciled in Mariehamn, develops, sells and supports banking systems to small and medium-sized banks primarily in the Nordic countries. The subsidiary of Crosskey Banking Solutions Ab Ltd., S-Crosskey Ab, is 60 per cent. owned by Crosskey Banking Solutions Ab Ltd. and is domiciled in Mariehamn.

Ab Compass Card Oy Ltd, domiciled in Mariehamn, offers credit and debit cards to private and institutional customers.

In Sweden, Ålandsbanken operates through its Swedish branch, Ålandsbanken Abp (Finland), svensk filial.

Recent events

The FIN-FSA has established buffer requirements related to Pillar 2 capital adequacy regulations totalling 1.5 per cent. of the Group's risk exposure amount. This requirement is related to credit concentration risk (1.0 per cent) and interest rate risk in the balance sheet (0.5 per cent). The requirement, which must be covered by common equity Tier 1 capital, goes into effect starting in the third quarter of 2018.

Future outlook

The Issuer has published the following information on its future outlook in its unaudited interim report for the three months ended 31 March 2018:

The Issuer expects operating profit in 2018 to be at about the same level as, or better than, in 2017. The Issuer is especially dependent on developments in the fixed income and stock markets. There is concern about the economic trends in various important markets. For this reason, there is significant uncertainty in the Issuer's current forecast of the future.

Significant or material change

There has been no significant change in the financial or trading position of the Group since 31 March 2018 and there has been no material adverse change in the prospects of the Issuer since 31 December 2017.

Capital adequacy

The Group is reporting capital adequacy in accordance with the Basel rules. During the first quarter of 2012, the FIN-FSA approved the Issuer's application to be allowed to calculate the capital requirement for credit risk according to the IRB approach for its Finnish household loan portfolio. During the second quarter of 2016, the FIN-FSA approved the Issuer's application to be allowed to calculate the capital requirement for credit risk according to the IRB approach for its Finnish corporate loan portfolio. The Group's total capital ratio as at 31 March 2018 was 13.7 per cent. and as at 31 December 2017 was 14.2 per cent. The capital requirement for credit risks has been calculated according to the IRB and standardised approach, and the capital requirement for operational risks according to the standardised approach. The 2018 figure is impacted by the IFRS 9 standard and the Finnish risk weight floor for mortgage loans.

During the third quarter of 2018, capital requirement for pillar 2 risks will come into effect. The requirement, which is to be met by common equity tier one capital, constitutes 1.5 per cent of total risk exposure amount. Ålandsbanken's pillar 2 requirement specifically addresses credit concentration risk (1 per cent) and interest rate risk in the banking book (0.5 per cent).

For further information about the Group's capital management, capital base and capital adequacy calculations, please see the section entitled "*Capital and risk management report*" beginning on page 52 of the 2017 Financial Statements.

MANAGEMENT

The Board of Directors of Ålandsbanken has overall responsibility for the activities of the Group and decides on the nature of its business and its business strategies and goals.

The Managing Director supervises the business operations of Ålandsbanken in accordance with the Board of Director's instructions and is responsible for the day-to-day administration.

The Executive Team serves as an advisory team to the Managing Director.

The Board of Directors has instituted a nomination committee (the **Nomination Committee**), an audit committee (the **Audit Committee**) and a compensation committee (the **Compensation Committee**).

The Board of Directors

The members of the Board of Directors are annually elected by a simple majority of the shareholders' votes represented at the annual general meeting for a one-year term ending at close of the next annual general meeting.

The Board of Directors consists of seven directors, which are presented below.

<p>NILS LAMPI Bachelor of Economic Sciences Managing Director of Wiklöf Holding Ab Chairman of the Board of Directors: Åland Post Ab Best- Hall Oy Ab ME Group Oy Ltd Ab Mathias Eriksson / Ab Mariehamns Parti Skärgårdshavets Helikoptertjänst Ab</p>	<p>Born 1948 Board member since 2013 Chairman</p>
<p>CHRISTOFFER TAXELL Master of Laws Member of the Board of Directors: Åbolands skärgårdsstiftelse</p>	<p>Born 1948 Board member since 2013 Vice Chairman</p>
<p>ÅSA CEDER Master of Economic Sciences Managing Director of Insurance Company Pensions- Alandia Chairman of the Board: Ålands Penningautomatförening (PAF) Member of the Board of Directors: Arbetspensionsförsäkrarna TELA rf Ab Plasto Oy Ltd</p>	<p>Born 1965 Board member since 2016</p>
<p>ANDERS Å KARLSSON Bachelor of Commerce Member of the Board of Directors: Ålands Skogsindustrier Ab Ålands Skogsägare Andelslag Ålands Penningautomatförening (PAF) Ålands Bygg Ab Ålands Bygg Fastighets Ab Fastighets Ab Norragatan 17</p>	<p>Born 1959 Board member since 2012</p>
<p>GÖRAN PERSSON Studies in Economic Sciences Chairman of the Board of Directors: LKAB Member of the Board of Directors: Wiklöf Holding Ab World Resource Institute Chairman: Think Forest vid European Forest Institute</p>	<p>Born 1949 Board member since 2015</p>
<p>ULRIKA VALASSI Master of Business Administration Credit manager at DBT Capital AB Member of Board of Directors: Hemfosa Fastigheter AB Founder: Au Management AB</p>	<p>Born 1967 Board member since 2015</p>
<p>ANDERS WIKLÖF Business owner Commercial Counsellor</p>	<p>Born 1946 Board member since 2006</p>

Chairman of the Board of Directors:
Wiklöf Holding Ab
Member of the Delegation:
Åland Foundation for the Future of the Baltic Sea

Nomination Committee

The Nomination Committee is responsible for the preparation of the election of the board members at the annual general meeting and for giving proposals regarding the compensation of the Board of Directors. The Nomination Committee has four members, consisting of the Chairman of the Board of Directors and one representative of each of the three shareholders with the largest number of voting shares as at 1 November each year. The Nomination Committee consists of the Chairman of the Board Nils Lampi, member of the Board Anders Wiklöf by virtue of his direct and indirect shareholding, Jan Hanses as a representative of Alandia Försäkring and Dan-Erik Woivalin as a representative of Ålands Ömsesidiga Försäkringsbolag. Anders Wiklöf is the Chairman of the Nomination Committee.

Audit Committee

The Audit Committee assists the Board of Directors 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 annual general meeting the Audit Committee prepares proposals for the election of auditors and their fees. The Audit Committee consists of the board members Ulrika Valassi, Åsa Ceder, Anders Å Karlsson and Nils Lampi. Ulrika Valassi is the Chairman of the Audit Committee.

Compensation Committee

The Compensation Committee is responsible for the preparation of material compensation-related decisions and the evaluation of compensation policies and principles for variable compensation. The Compensation Committee decides on measures for monitoring the application of the principles for the compensation system and assesses their suitability and effect on the Group's risks and risk management. The Compensation Committee consist of the board members Nils Lampi and Christoffer Taxell as well as of Agneta Karlsson. Agneta Karlsson is the Chairman of the Compensation Committee.

The Managing Director and the Executive Team

The Board of Directors has adopted rules of procedures for the Group with internal guidelines regarding, among other matters, the work of the Managing Director and the Executive Team.

The Managing Director supervises the business operations of Ålandsbanken in accordance with the instructions of the Board of Directors and is responsible for the day-to-day administration of Ålandsbanken.

The Executive Team serves as an advisory team to the Managing Director and has decision making powers in any matters that the Board of Directors has delegated to it.

The Executive Team consists of seven persons, which are presented below.

PETER WIKLÖF
Master of Laws
Managing Director
Chief Executive

Chairman of the Board of Directors:
Ab Compass Card Oy Ltd
Crosskey Banking Solutions Ab Ltd

Born 1966
Member of the Executive Team since 2008
Chairman

Ålands Näringsliv (Chamber of commerce)
The Groupement Européen de Banques (GEB)
Member of the Board of Directors:
Försäkringsaktiebolaget Alandia
Försäkringsaktiebolaget Liv-Alandia
Viking Line Abp
Member of the Supervisory Board:
Ålands Ömsesidiga Försäkringsbolag

JAN-GUNNAR EURELL
Master of Business Administration,
Bachelor of Science (Economics)
Chief Financial Officer
Deputy Managing Director
Member of the Board of Directors:
Ab Compass Card Oy Ltd

Born 1959
Member of the Executive Team since 2011

MIKAEL MÖRN
Director, Åland Business Area
Diploma in business

Born 1965
Member of the Executive Team since 2017

TOVE ERIKSLUND
Master of Business Administration
Chief Administrative Officer

Born 1967
Member of the Executive Team since 2006

ANNE-MARIA SALONIUS
Master of Laws (trained on the bench)
Director, Finnish Mainland Business Area

Born 1964
Member of the Executive Team since 2010

MAGNUS JOHANSSON
Master of Science in Business and Economics
Director, Sweden Business Area

Born 1972
Member of the Executive Team since 2017

JUHANA RAUTHOVI
Licentiate of Laws
Master of Science (Economics)
Master of Science (Technology)
Master in International Management
Chief Risk and Compliance Officer

Born 1975
Member of the Executive Team since 2012

General information on the management of Ålandsbanken

The Board of Directors has adopted and applies the Finnish Corporate Governance Code (the **Code**). The Code is applied according to the “comply or explain” principle, which means that departures from its recommendations must be disclosed and explained. Ålandsbanken departs from Recommendation 15, “Appointment of members to the committees”, since the Nomination Committee may include members who are not members of the Board of Directors of Ålandsbanken.

The business address of each member of the Board of Directors and the Executive Team is Ålandsbanken Abp, Post Box 3, AX-22101 Mariehamn, Finland.

Independence of directors

According to the Board of Directors' evaluation, all Board members are independent in relation to Ålandsbanken. The Board members Christoffer Taxell, Göran Persson and Ulrika Valassi are independent in relation to significant shareholders. Nils Lampi represents Wiklöf Holding Ab and Anders Å Karlsson represents Aaland Mutual Insurance Company. Åsa Ceder represents Insurance Company Pensions-Alandia. These companies (or the group to which each of them belongs) own at least ten (10) per cent. of Ålandsbanken shares or total voting power and therefore Mrs. Ceder, Mr. Lampi and Mr. Karlsson are not independent in relation to significant shareholders. Anders Wiklöf personally and through his companies owns more than 20 per cent. of Ålandsbanken's shares or total voting power and therefore is not independent in relation to significant shareholders.

Conflicts of interests

There are no conflicts of interest between any duties of the members of the Board of Directors, Nomination Committee, Audit Committee, Compensation Committee or the Executive Team to Ålandsbanken and their private interests or duties.

TAXATION

The following is a general description of certain tax considerations relating to the Subordinated Notes. It does not purport to be a complete analysis of all tax considerations relating to the Subordinated Notes, whether in those countries or elsewhere. Prospective investors of Subordinated Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Subordinated Notes and receiving payments of interest, principal and/or other amounts under the Subordinated Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Listing Prospectus and is subject to any change in law that may take effect after such date.

General

Prospective investors of Subordinated Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Subordinated Notes, including, but not limited to, the consequences of receipt of payments under the Subordinated Notes and their disposal or redemption.

Finland

Taxation of Finnish residents

Under the present Finnish domestic tax law, holders of Subordinated Notes who are resident in Finland for tax purposes, will be subject to Finnish tax on interest payments (including deemed interest for tax purposes through a discounted issue price) under the Subordinated Notes and on gains realised on the sale or redemption of the Subordinated Notes.

Taxation of Non-Finnish residents

Holders of Subordinated Notes who are not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment in Finland will not be subject to Finnish taxes either on payments in respect of the Subordinated Notes or gains realised on the sale or redemption of the Subordinated Notes. Non-resident holders of Subordinated Notes who engage in trade or business through a permanent establishment in Finland will be subject to similar Finnish taxes on payments in respect of the Subordinated Notes and gains realised on the sale or redemption of the Subordinated Notes as Finnish resident holders of Subordinated Notes.

Transfer Tax

Transfers of the Subordinated Notes are not subject to Finnish transfer tax.

Withholding Requirement

The Issuer is obliged to withhold tax on interest payments (including deemed interest) to Finnish resident individuals and death estates as well as Finnish resident unregistered partnerships, associations and similar.

Reporting Requirements

Under Finnish law, the Issuer is obliged to report any interest payments and information necessary for computing capital gain under and in respect of the Subordinated Notes to the Finnish tax authorities. The reported information is subject to automatic exchange of information as regulated by the EU Directive on Administrative Cooperation 2011/16/EU (as amended) or other inter-governmental agreements.

Sweden

The following summary outlines certain Swedish tax consequences relating to Noteholders. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not address, inter alia, situations where Subordinated Notes are held in an investment savings account (Sw. *investeringsparkonto*), the tax consequences of a write-down or conversion of the Subordinated Notes, the existence of the ability of relevant regulatory authorities to effect such a write-down or conversion, any tax consequences following a variation or substitution (instead of redemption) of any Subordinated Notes or the rules regarding reporting obligations for, among others, payers of interest. Further, the summary does not address credit of foreign taxes in Sweden. Investors should consult a professional tax adviser regarding the Swedish tax and other tax consequences (including the applicability and effect of tax treaties for the avoidance of double taxation) of acquiring, owning and disposing of Subordinated Notes in their particular circumstances.

Noteholders tax resident in Sweden

In general, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (for example, income that is considered to be interest for Swedish tax purposes and capital gains on Subordinated Notes) will be taxable. Specific tax consequences may be applicable to certain categories of corporations, for example life insurance companies. Moreover, specific tax consequences may be applicable if, and to the extent that, a holder of Subordinated Notes realises a capital loss on the Subordinated Notes.

If amounts that are deemed as interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, or a clearing institution within the EEA, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally also be withheld on other returns on Subordinated Notes (but not capital gains), if the return is paid out together with such a payment of interest referred to above.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be incorporated in, and form part of, this Listing Prospectus:

- (a) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2016 of the Issuer set out on pages 41 to 154 (inclusive) of the Issuer's Annual Report for the year ended 31 December 2016;
- (b) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2017 of the Issuer as set out on pages 43 to 166 (inclusive) of the Issuer's Annual Report for the year ended 31 December 2017;
- (c) the auditors' review report and unaudited consolidated financial statements for the three months ended 31 March 2018 of the Issuer set out on pages 7 to 30 (inclusive) of the Issuer's interim report for the three months ended 31 March 2018 and the financial summary set out on page 2 of the Issuer's interim report for the three months ended 31 March 2018.

The documents are available on the Issuers website at <http://www.alandsbanken.com/about-us/financial-information/debt-programme>.

Any non-incorporated parts of a document referred to above are either deemed not relevant for an investor or are otherwise covered elsewhere in this Listing Prospectus.

SELLING RESTRICTIONS

The United States, Australia, Japan, Canada, Hong Kong, South Africa, Singapore and Certain Other Jurisdictions

The Subordinated Notes will not be offered to persons who are residents of the United States, Australia, Japan, Canada, Hong Kong, South Africa, Singapore or any jurisdiction in which such offering would be unlawful.

The Subordinated Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any State Securities Commission in the United States or any other regulatory authority in the United States nor have any of the foregoing authorities passed upon or endorsed the merits of the securities or the accuracy of this Listing Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Subordinated Notes have not been, and will not be, registered under the US Securities Act Act of 1933 (as amended), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Subordinated Notes may not be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into the United States except in transactions exempt from registration under the US Securities Act. The Subordinated Notes are being offered and sold outside the United States in compliance with Regulation S.

Public Offer Selling Restriction under the Prospectus Directive

The Arranger has represented and agreed, and the Dealer will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Subordinated Notes which are the subject of the offering contemplated by this Listing Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of the Markets in Financial Instruments Directive 2014/65/EU (as amended) (**MiFID II**); or
 - (ii) a customer within the meaning of the Insurance Mediation Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) if the Subordinated Notes have a denomination of less than EUR 100,000 (or its equivalent in another currency), not a qualified investor as defined in Prospectus Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the **Prospectus Directive**); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Subordinated Notes to be offered so as to enable an investor to decide to purchase or subscribe the Subordinated Notes.

United Kingdom

The Dealer will be required to represent and agree, that:

- (a) in relation to any Subordinated Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Subordinated Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Subordinated Notes would otherwise constitute the conduct

of a regulated activity in or from the United Kingdom in a contravention of Section 19 of the UK Financial Services and Markets Act 2000, as amended (the **FSMA**) by the Issuer.

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Subordinated Notes in circumstances in which Section 21(1) of the FSMA apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Subordinated Notes in, from or otherwise involving persons in the United Kingdom.

General

The Dealer will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Subordinated Notes or possesses or distributes this Listing Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Subordinated Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer or the Dealer represents that Subordinated Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Issuer

Ålandsbanken Abp
Registration number: 0145019-3
Nygatan 2
PB 3
AX-22101 Mariehamn, Finland
Tel: 0204 29 011
Fax: 0204 291 228
info@alandsbanken.fi
www.alandsbanken.fi

Arranger

Nordea Bank AB (publ)
Smålandsgatan 17SE-10471 Stockholm, Sweden

Dealer

Nordea Bank AB (publ)
Smålandsgatan 17 SE-10471 Stockholm, Sweden

Auditor of the Issuer

KPMG Oy Ab
Töölönlahdenkatu 3 A
FI-00100 Helsinki, Finland

Auditors

The following auditors have audited the Issuer's accounts in accordance with the International Standards on Auditing for the financial year ended 31 December 2016.

Marcus Tötterman Authorised Public Accountant, KHT	Mari Suomela Authorised Public Accountant, KHT	Jessica Björkgren Authorised Public Accountant, HT
KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The following auditors have audited the Issuer's accounts in accordance with the International Standards on Auditing for the financial year ended 31 December 2017.

Marcus Tötterman Authorised Public Accountant, KHT	Mari Suomela Authorised Public Accountant, KHT	Jessica Björkgren Authorised Public Accountant, HT
KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	KPMG Oy Ab Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The following auditors were elected as auditors on 5 April 2018 in the annual general meeting. The auditors' term of office covers the period until the end of the next annual general meeting.

Marcus Tötterman	Mari Suomela	Daniel Haglund
Authorised Public Accountant, KHT	Authorised Public Accountant, KHT	Authorised Public Accountant, HT
KPMG Oy Ab	KPMG Oy Ab	KPMG Oy Ab
Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The auditors of the Issuer have no material interest in the Issuer.

Documents available

This Listing Prospectus, copies of the Issuer's articles of association, trade register extract and the information incorporated by reference (see "*Information Incorporated by Reference*") are available for inspection from the registered office of the Issuer.

No incorporation of website information

This Listing Prospectus and any supplement thereto will be published on Ålandsbanken's website at <https://www.alandsbanken.com/about-us/financial-information/debt-programme>. However, the contents of Ålandsbanken's website (excluding the Listing Prospectus, any supplement thereto and the information incorporated by reference) or any other website do not form a part of this Listing Prospectus, and prospective investors should not rely on such information in making their decision to invest in the Subordinated Notes.

Information derived from third party sources

Where certain information contained in this Listing Prospectus has been derived from third party sources, such sources have been identified herein. The Issuer confirms that such third party information has been accurately reproduced herein. In addition, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Conditions for determining price

The price of the Subordinated Notes was determined by the Issuer and the Dealer through a book-building procedure.

Litigation

There are no nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Listing Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Material contracts

To the best of Ålandsbanken's knowledge, there are no material contracts entered into outside the ordinary course of Ålandsbanken's business, which could result in any group member being under an obligation or entitlement that is material to Ålandsbanken's ability to meet its obligation to security holders in respect of the securities being issued.

Dealers transacting with the Issuer

Dealers appointed and their affiliates may engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business.

ADDITIONAL INFORMATION ON THE ISSUE OF THE SUBORDINATED NOTES

Form of the Subordinated Notes:	Securities in book-entry form issued in the book-entry securities system maintained by Euroclear Sweden AB.
ISIN code of the Subordinated Notes:	SE0011116037
Depository and settlement system:	Euroclear Sweden AB, Klarabergsviadukten 63, 111 64 Stockholm, Sweden.
Decisions and authorisations:	Decision of the Board of Directors of the Issuer on 24 April 2018.
Effective yield of the Subordinated Notes:	At the issue price of 100%, the effective yield of the Subordinated Notes is 3-month STIBOR plus 2.40% per annum.
Rate of interest of the Subordinated Notes:	3-month STIBOR + 2.40%.
Issuing Agent:	Nordea Bank AB (publ)
Publication date and investors:	The result of the Offering was announced on 7 May 2018 and the Subordinated Notes were allocated mainly to institutional investors.
Listing:	Application has been made to have the Subordinated Notes listed on the Helsinki Stock Exchange.
Estimated time of Listing:	15 May 2018.
Interests of the participants of the Offering:	Interests of the Dealer and the Arranger: Business interest normal in the financial markets.
Estimated net amount of the proceeds:	The aggregate net proceeds to the Issuer from the issue of Subordinated Notes, after deduction of the fees and expenses payable by the Issuer, will be approximately SEK 199,400,000 million.
Estimated expenses related to the issue of Subordinated Notes:	The fees and expenses incurred in connection with the issue of Subordinated Notes and payable by the Issuer amount in aggregate to an estimated SEK 790,000.
Use of proceeds:	The net proceeds from each issue of Subordinated Notes will be applied by the Issuer for its general corporate purposes, which include making a profit as well as to improve the capital adequacy of the Issuer.

Date of the entry of the Subordinated Notes to the book-entry system: Subordinated Notes subscribed and paid for will be entered to the respective book-entry accounts of the subscribers on 15 May 2018 in accordance with the Swedish legislation governing book-entry system and book-entry accounts as well as regulations and decisions of Euroclear Sweden AB.

ISSUER

Ålandsbanken Abp
Nygatan 2
AX-22 100 Mariehamn
Finland

LEGAL ADVISER TO THE ISSUER

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