

An aerial photograph of a small, rocky island in the middle of a dark blue sea. On the island stands a lighthouse with a red and black striped body and a red lantern room. The island is surrounded by shallow water, and the overall scene is captured from a high angle.

# Bank of Åland

Investor Presentation  
November 2021

# Transaction Overview

## Key Investment Highlights

Sound and successful  
business model

Solid asset quality with  
large share of household  
mortgages

Strong capitalization

Healthy funding and  
liquidity profile, stable  
deposit base



CICERO  
Medium Green



## Transaction Rationale

# ÅLANDSBANKEN

## Inaugural Green SEK Tier 2

- Next step on the Bank of Åland's sustainability journey
- The net proceeds will be used to finance a loan portfolio of new and existing renewable energy projects and green buildings
- Optimize and strengthen the capital position

# Table of Contents

1. Bank of Åland in Brief	4
2. Strategy and Market Position	8
3. Sustainability	13
4. Financial Performance	24
5. Asset Quality	29
6. Liquidity and Funding	32
7. Capital Position	35
8. Proposed T2 Transaction	42
9. Appendix	44



An aerial night photograph of a rugged, rocky coastline. The rocks are illuminated from below, creating a dramatic, high-contrast scene with deep shadows and bright highlights. The water is dark, with some white foam visible near the shore. The overall mood is mysterious and dramatic.

# 1. Bank of Åland in Brief

**ÅLANDSBANKEN**



# Bank of Åland in Brief

## Bank of Åland Plc

- Established in 1919 on the Åland Islands, listed since 1942 on NASDAQ OMX Helsinki
- A Finnish bank targeting high net worth and affluent individuals
- Operations on the Åland Islands, Finnish mainland and Sweden
- Top-ranked in customer loyalty
- A long-standing tradition of stability and very low credit losses
- BBB rating with a positive outlook from S&P

## The Vision

- Create value for ambitious individuals and companies that appreciate relations:
  - Private Banking since 1982
  - IT services by Crosskey Banking Solutions since 2004
  - Premium Banking since 2004
  - Partnership Banking since 2016
- Delivering a large bank's range of services with a small bank's thoughtfulness and good sense
- Bank's customer surveys show that also during the Covid-19 pandemic customers continue to appreciate Bank's expertise, personalized service, high ethical standards and sustainability work

# Financial Scorecard

September 30, 2021

<p><b>Capital</b></p> <p><b>CET1 Capital Ratio</b> <b>13.9 %</b></p> <ul style="list-style-type: none"><li>• Strong capital position</li><li>• Standardised approach used in Sweden</li><li>• Dividends for 2019 and 2020 EUR 31.2 M distributed during H1 2021, subtracted from the Bank's CET1 capital ratio on December 31, 2020</li><li>• Capital requirements applicable are CET1 capital ratio 7.6 %, Tier 1 capital ratio 9.3 % and Total capital ratio 11.5 %</li></ul>	<p><b>Liquidity and Funding</b></p> <ul style="list-style-type: none"><li>• Loan/ deposit ratio of 120 %</li><li>• Liquidity reserve at 19 % of total assets</li><li>• LCR at 149 %</li><li>• NSFR at 109 %</li><li>• BBB bank rating with positive outlook</li></ul> <p><b>AAA Rating with Stable Outlook on Covered Bonds</b></p>
<p><b>Risk Management</b></p> <p><b>Loan Loss Level</b> <b>0.05 %</b></p> <ul style="list-style-type: none"><li>• Long history of having the lowest loan loss level of all Finnish banks. Loan loss level 9M 2021 at 0.05 % (0.16 %). EUR 2.0 M Covid-19 provision during 2020</li><li>• No trading positions or complex financial instruments</li><li>• Strict limits on exposures to financial institutions. Bulk of the exposure is to highly rated Nordic entities</li></ul>	<p><b>Profitability</b></p> <ul style="list-style-type: none"><li>• Positive earnings trend</li><li>• Challenging interest rate environment</li><li>• Net operating profit 9M 2021 of EUR 39.0 M (EUR 27.4 M)</li><li>• ROE 9M 2021, 15.1 % (10.8 %)</li></ul> <p><b>ROE</b> <b>15.1 %</b></p>



# Positive Outlook on BBB Rating by Standard & Poor's

<b>Finnish banks</b>	<b>A-</b>	
<b>Business position</b>	<b>-2</b>	
<ul style="list-style-type: none"> <li>Despite some geographic diversification, concentrated business focus on retail and Private Banking makes it vulnerable to cyclical swings in the segments</li> </ul>		
<b>Capital and earnings</b>	<b>+1</b>	
<ul style="list-style-type: none"> <li>Strong capital position</li> <li>Strong earnings</li> </ul>		
<b>Risk position</b>	<b>-1</b>	
<ul style="list-style-type: none"> <li>Small customer base with concentration risks</li> <li>Moderate geographic diversity</li> </ul>		
<b>Liquidity and funding</b>	<b>0</b>	
<ul style="list-style-type: none"> <li>Stable core deposit base</li> </ul>		
<b>The Bank of Åland standalone rating</b>	<b>BBB</b>	<i>positive</i>
<b>Cover Pool FIN, Cover Pool SWE</b>	<b>+9</b>	
<ul style="list-style-type: none"> <li>Very low credit losses and stable loan base</li> <li>Commitment to strong over-collateralization</li> <li>Commitment to six months liquidity buffer</li> </ul>		
<b>The Bank of Åland Covered bonds rating</b>	<b>AAA</b>	<i>stable</i>

## S&P, December 15, 2020:


- “We expect the joint venture will further diversify Bank of Åland's revenue base and give growth opportunities in Sweden”

## S&P, January 22, 2021 and July 15, 2021:

- “We could raise the rating if Bank of Åland's capitalization improves, as indicated by a sustained increase of its RAC ratio beyond 15 % over the next 24 months, after the establishment of the joint mortgage platform”

## S&P, July 15, 2021:

- “Bank of Åland's RAC ratio may exceed our 15 % threshold for a very strong capital and earnings assessment once the Swedish mortgage loan book is carved out”
- “Bank of Åland has delivered solid results over the past several years and, in addition to issuing capital instruments, has succeeded in building its capital base through earnings retention”
- “Once the Borgo platform is finalized and we have full data transparency, we will analyze whether the RAC ratio can sustainably exceed 15 %”

A photograph of a rocky coastline. In the upper right, a red and black structure, possibly a lighthouse or marker, is mounted on a rock. The rocks are dark and jagged, with some green moss or algae. The background is a dark, starry sky.

## 2. Strategy and Market Position



# Three Markets – Two Strategies

## The Åland Islands

- 2 offices, market share > 50 %
- Full product range offered
- **The Bank for everyone**

## Finland

- 6 offices in affluent parts of Finland, market share > 1 %
- Full product range offered but “bread and butter” services only as complement to Private Banking and Premium Banking services offering
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**

## Sweden

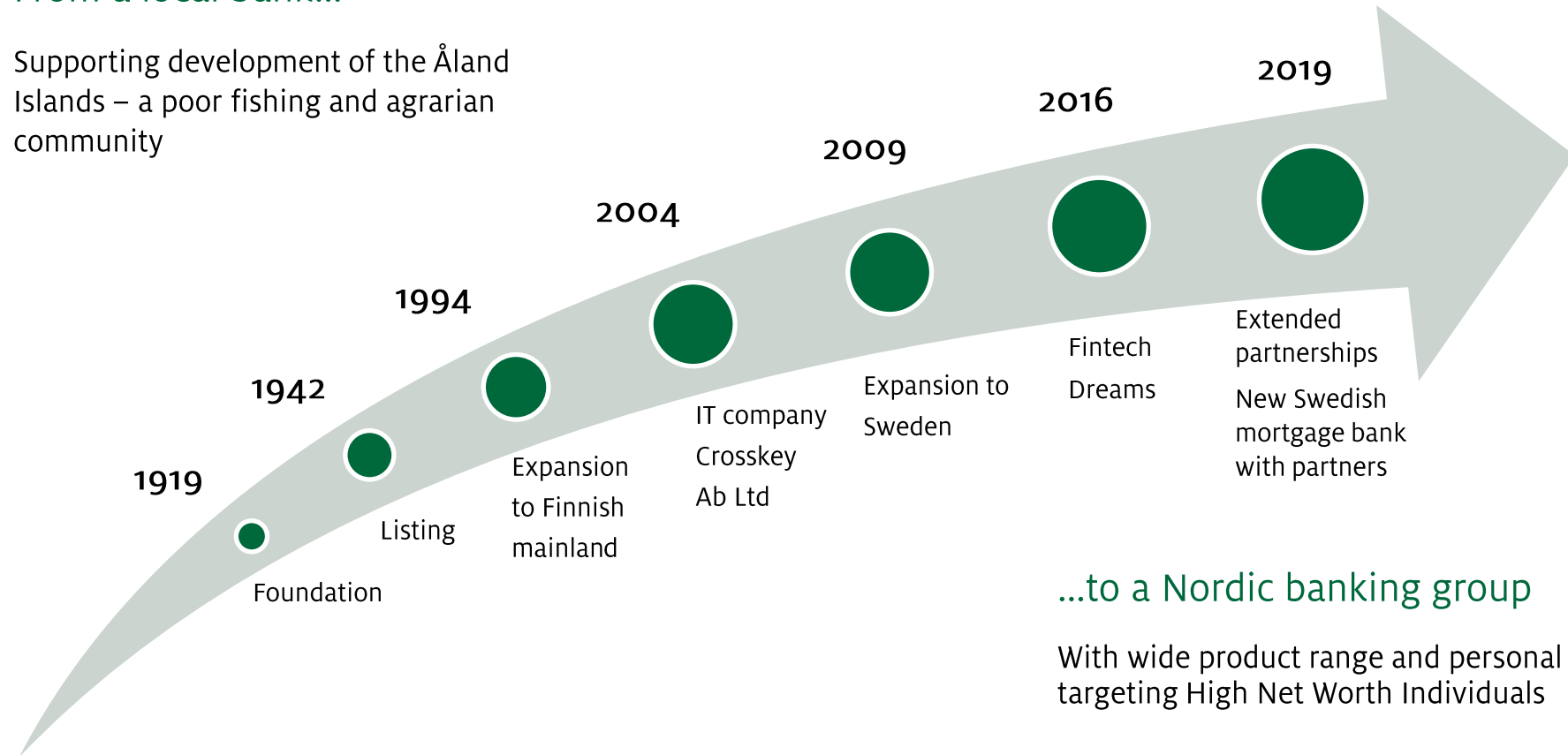
- 3 offices in Sweden’s largest cities, market share < 1 %
- Full product range offered but “bread and butter” services only as complement to Private Banking and Premium Banking services offering
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**



# Bank of Åland History of Strategic Decisions

From a local bank...

Supporting development of the Åland Islands – a poor fishing and agrarian community

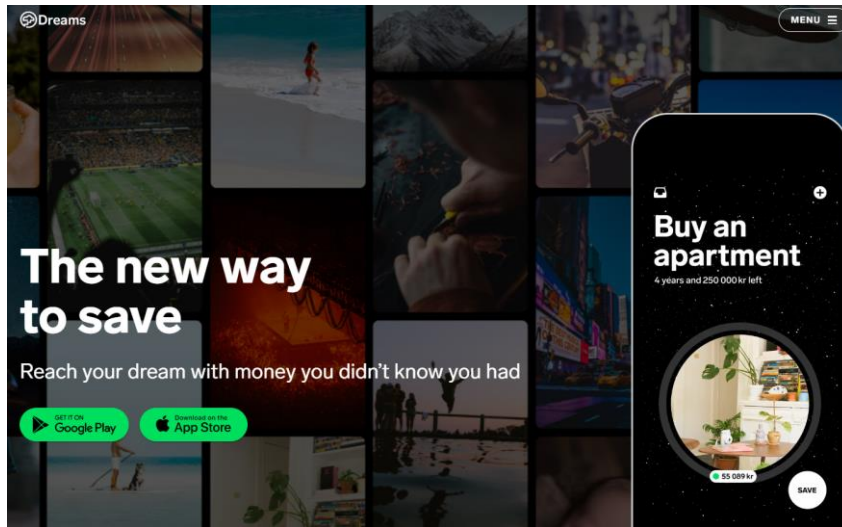


...to a Nordic banking group

With wide product range and personal service targeting High Net Worth Individuals



# Digitalization in Focus: Strategic Fintech Partners



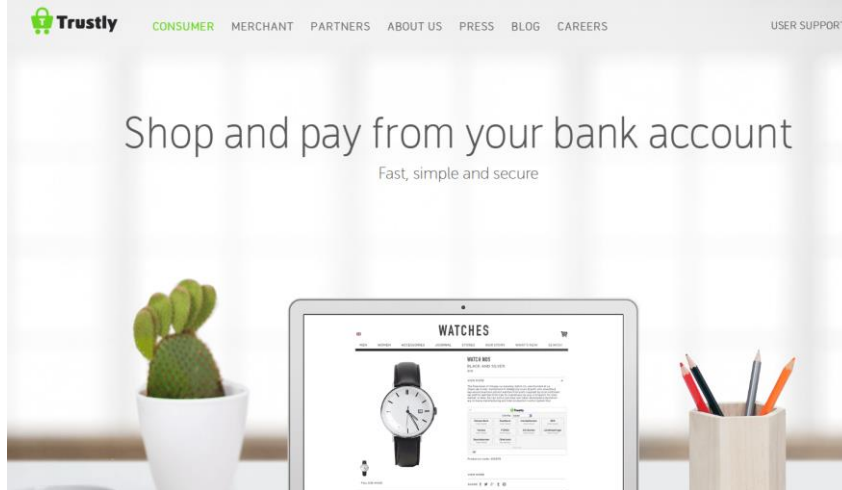
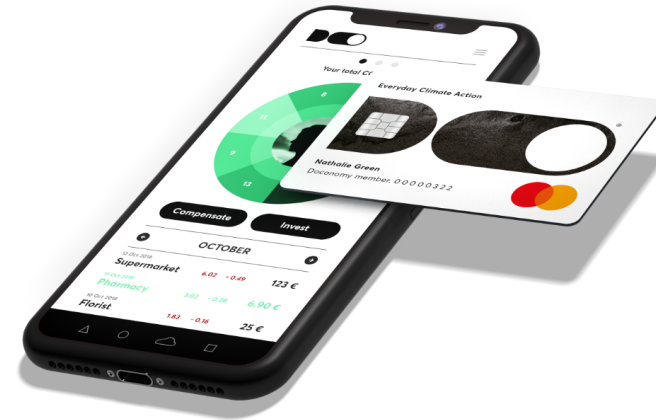
DO About us Press FAQ English

## A banking service for everyday climate action

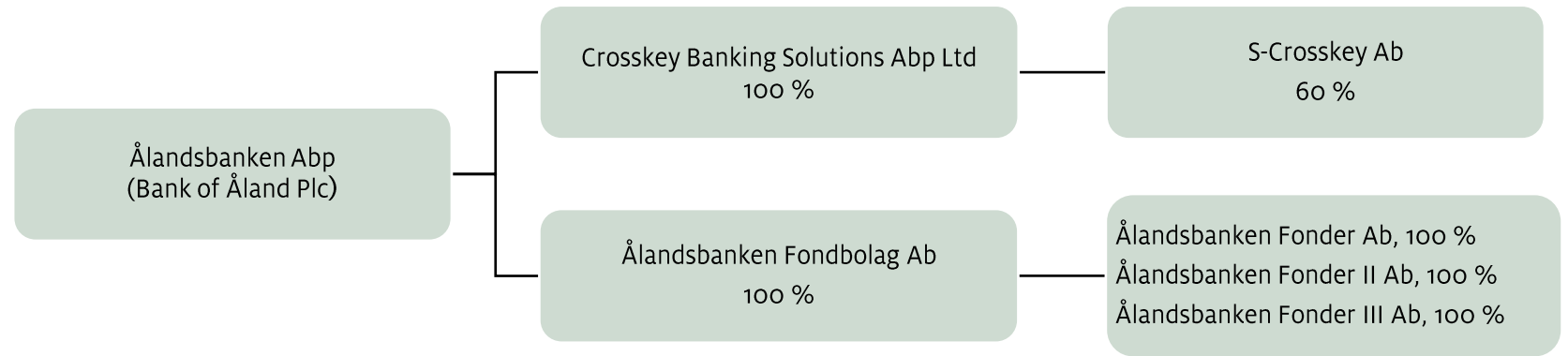
Use a free revolutionary mobile banking service to reduce your carbon emissions day by day.

Positive returns for both you and the planet.

Early sign-up!



# Bank of Åland Group Legal and Ownership Structures



Major owners as of September 30, 2021	Share of capital	Share of votes
Wiklöf Anders with companies	21.3 %	29.7 %
Alandia Insurance	6.8 %	11.1 %
The Family Kamprad Foundation	6.0 %	0.7 %
Fennogens Investment S.A. (Family Ehrnrooth)	5.0 %	9.0 %
Pensionsförsäkringsaktiebolaget Veritas	2.5 %	2.0 %


Approximately 10,500 shareholders in total, half of them from the Åland Islands





### 3. Sustainability


# Bank of Åland's Sustainability Journey


**1919**  
**ÅLANDSBANKEN**  
The Bank established on strong values as responsible actor


**2016**  
  
The Baltic Sea Card and the Åland Index are launched


**2019**  
  
The Bank of Åland signs the UN Principles for Responsible Banking and the Principles for Responsible Investment


**2020**  
  
The Bank of Åland launches the Nordic Region's first investment fund specializing exclusively in windpower


The Bank of Åland launches the Baltic Sea Project  
  
**2015**

Åland Index Solutions joint venture started with Doconomy  
  
**2018**

Ålandsbanken Green Bond ESG fund is the first Finnish bond fund to be granted the Nordic Swan Ecolabel  
  
**2019**

The Bank of Åland conducts materiality analysis based on UN SDGs  
  
**2020**

Ålandsbanken Global Equity fund was granted the Nordic Swan Ecolabel for its sustainable investment strategy  
  
**2020**

The Bank of Åland joins the UN Net-Zero Banking Alliance as a founding signatory  
  
**2021**



# Sustainability Strategy – Our Four Areas of Sustainability

## Responsible Investments



- Considering ESG factors in all investment decisions
- Providing green investment products, such as the Green Bond ESG Fund and the Wind Power Fund
- Engaging in discussions through membership in Investment Forums Finsif & Swesif
- Measuring our funds' CO2 intensity and strive for gradually declining levels

## Responsible Lending



- Offering financing solutions that corresponds to the customer's repayment capacity and needs
- Supporting local entrepreneurship by granting EIF Innov Fin-guaranteed financing and demanding increased transparency in sustainability issues
- Promote green lending such as loans towards renewable energy projects

## Environmental Responsibility



- Striving to reduce carbon dioxide emissions
- Increasing global awareness to carbon dioxide emissions through the Åland Index
- Contributing to a cleaner Baltic Sea by supporting good initiatives through the Baltic Sea Project

## Social Responsibility



- Engaging in the Åland business community and driving development towards a more sustainable society through projects, donations and sponsorships
- Creating a work culture embracing diversity, inclusion and equality through actions such as ensuring gender balance in leadership positions, salary models, workshops and weekly measurements of engagement

### UN SDGs & Stakeholders



### Materiality analysis



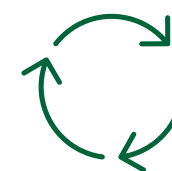
### Identify areas for sustainable development



### Setting targets



### Follow-up





# Our Sustainability Strategy is Focused on Four Prioritized SDGs

We selected four of the seventeen SDGs based on their importance and relevance to our operations

## Affordable and Clean Energy

7 AFFORDABLE AND CLEAN ENERGY



Our ambition is to raise awareness about carbon dioxide emissions

- WE PROVIDE GREEN INVESTMENT PRODUCTS
- WE INVEST IN WIND FARMS
- AT LEAST 90 % OF THE GROUP'S ENERGY CONSUMPTION FROM RENEWABLE SOURCES



## Decent Work and Economic Growth

8 DECENT WORK AND ECONOMIC GROWTH



We work actively to promote social sustainability, encompassing inclusion, equal worth, sound values and a strong commitment to the community, as well as following regulations and requirements to help combat corruption, money laundering and other criminal activities

- RESPONSIBLE LENDING
- INTEGRATION AND DIVERSITY
- EQUAL PAY FOR EQUAL WORK
- BUSINESS PARTNERSHIPS
- LOCAL AND GLOBAL COMMITMENT



## Climate Action

13 CLIMATE ACTION



We endeavour to continuously reduce our carbon dioxide emissions by means of sustainable consumption and production

- RESPONSIBLE INVESTMENTS
- REDUCED CARBON DIOXIDE EMISSIONS
- ÅLAND INDEX



Doconomy  
356,000,000

Bank customers worldwide can monitor the carbon footprint of their card purchases via Åland Index Solutions

## Life Below Water

14 LIFE BELOW WATER



Through the Baltic Sea Project and the Baltic Sea Account, we and our customers work together to help reduce pollution in the Baltic Sea

- BALTIC SEA PROJECT

ÖSTERSJÖPROJEKTET  
BALTICSEAPROJECT  
ITÄMERIPROJEKTI



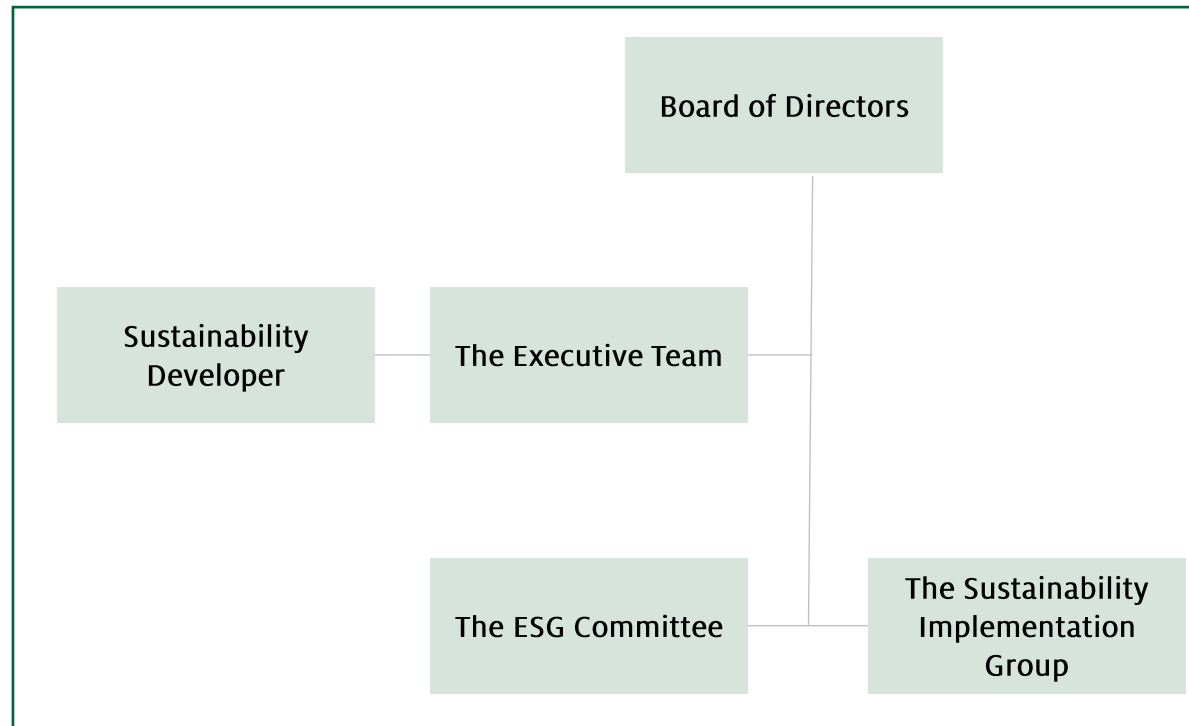
€ 3,300,000

funding good ideas for the environment since 1997.

# Governance Structure

## *Sustainability is a natural element of the Bank of Åland's business strategy*

Based on their specific roles, all executives and employees are responsible for ensuring that the Bank of Åland develops in a sustainable way. Among the tools of this work are directives, guidelines and plans that concretize the strategy in each area of sustainability



- The **Board of Directors** oversees both the strategic sustainability objectives and the yearly monitoring
- The **Executive team** is in charge of the Bank's strategic sustainability work. It is responsible for target-setting and measures that need to be put in place to achieve set targets
- The **ESG Committee** is an advisory body that represents all business areas and monitors development in sustainable investments, global events, competitors, legislation and so on. It also monitors compliance with the existing policies and guidelines in the ESG field
- The **Sustainability Implementation Group** consists of dedicated employees and is responsible for developing targets in accordance with the SDG and Paris agreement. Also, it monitors our progress in order to ensure that we are moving in the right direction

# Sustainability Targets and Work Going Forward

## Reducing carbon dioxide emissions

We are continuously taking actions to reduce the carbon footprint from our own business in energy consumption, business travels and paper prints. Our target for 2021 is to emit no more than 176 000 kg CO<sub>2</sub>

## Increasing transparency and reporting

In 2021 we are taking actions in order to further develop our climate calculations in accordance with scope 1, scope 2 and scope 3 and include:

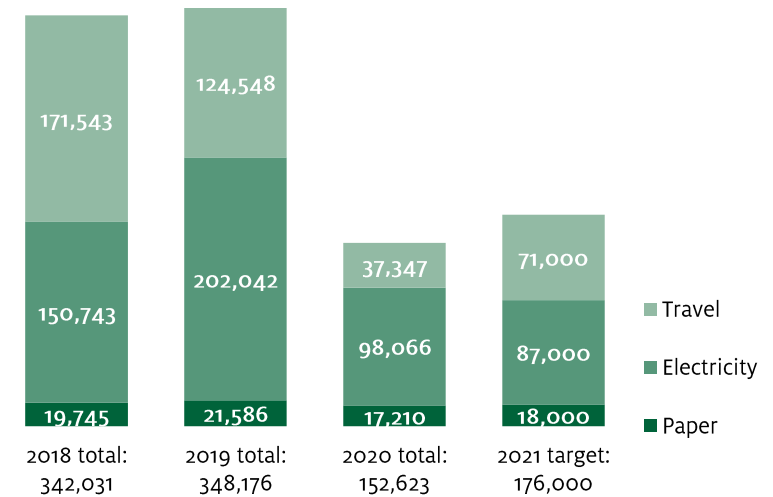
- Scope 1: Company cars
- Scope 3: Sanitation and water, postage, food, health and wellness, property management, office supplies and mobile phones

In 2021 we will also extend our calculation of CO<sub>2</sub> emissions to:

- Lending portfolio
- Liquidity portfolio
- Customers' asset management portfolios

With more extensive CO<sub>2</sub> calculations we will be able to set more explicit targets in terms of reducing our carbon footprint

## Implementing the ECB guidelines on climate-related risks and environmental risks

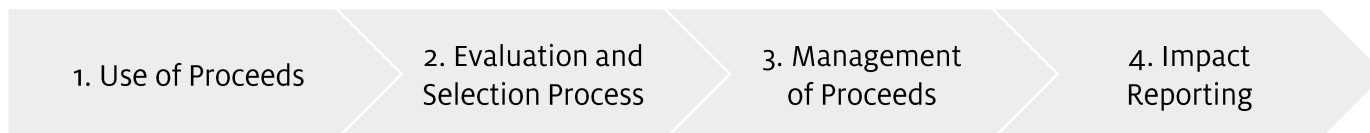




Our long-term objective is to become a climate neutral group



# Overview of the Framework

- The Green Finance Framework enables the Bank of Åland to issue notes in the form of green debt under its Medium Term Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme
- The Green Finance Framework is based upon the Green Bond Principles 2021 published by the International Capital Markets Association (ICMA)
- Second opinion provided by Cicero – **Medium Green Score** and a **Fair Governance Score**



Composition of Eligible Green Assets Portfolio			
Renewable Energy	28 %	Green Buildings	72 %
Wind Energy	28 %	Finland	56 %
		Sweden	44 %
			

Cicero:






“It is a strength that the issuer focuses on low-carbon solutions such as solar PV and wind farm projects. Investments in production of electricity from solar PV and farm are considered to contribute substantially to climate change mitigation and represent a key to a low-carbon transition”

“It is a strength that the bank’s intended types of temporary investment instruments for unallocated proceeds will be allocated temporarily to green bonds according to the Green Bond Principles”



# 1. Use of Proceeds

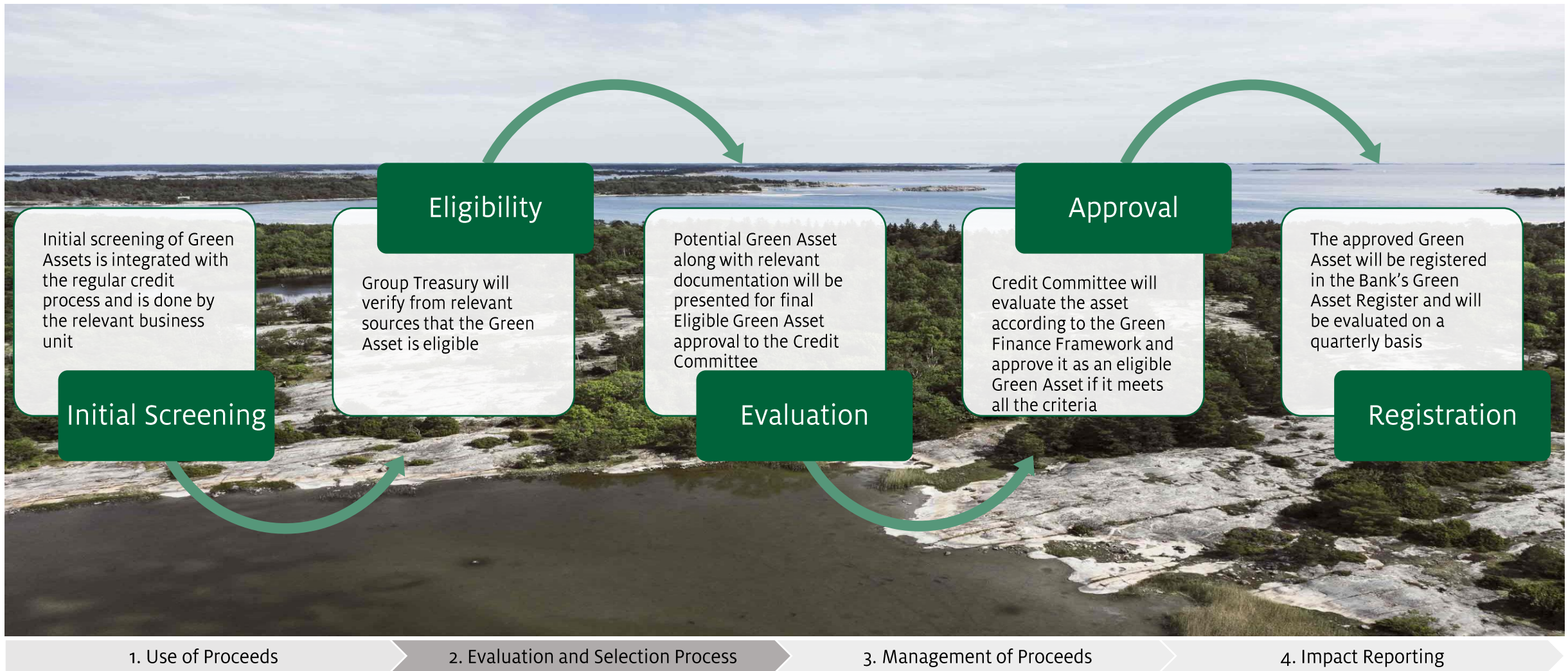
- The net proceeds of the Green Debt issued by the Bank of Åland will be used to finance or refinance the green assets selected and evaluated by the Bank according to the Green Finance Framework\*
- The eligible green assets will be attributed to the following categories:

Renewable Energy	Green Buildings
<div data-bbox="104 508 300 694">  </div> <div data-bbox="104 715 300 901">  </div> <p>Renewable energy projects, defined as renewable energy from the following sources:</p> <ul style="list-style-type: none"> <li>• Wind Energy               <ul style="list-style-type: none"> <li>• On-shore and off-shore</li> </ul> </li> <li>• Solar Energy               <ul style="list-style-type: none"> <li>• Standalone solar projects and rooftop installations</li> </ul> </li> </ul>	<div data-bbox="1302 508 1498 694">  </div> <div data-bbox="1302 715 1498 901">  </div> <div data-bbox="1302 922 1498 1108">  </div> <p>Green Buildings are defined as commercial or residential buildings which meet one of the following standards:</p> <ul style="list-style-type: none"> <li>• Finnish buildings built before 1 January 2018 and Swedish buildings built before 1 January 2021 with an Energy Performance Certificate (EPC)               <ul style="list-style-type: none"> <li>• issued by The Housing Finance and Development Centre of Finland (ARA) of at least level A or B</li> <li>• issued by The Swedish National Board of Housing, Building and Planning (Boverket) of at least level A, B or C</li> </ul> </li> <li>• Finnish buildings built from 1 January 2018 onwards and Swedish buildings built from 1 January 2021 onwards with an Energy Performance Certificate (EPC)               <ul style="list-style-type: none"> <li>• issued by The Housing Finance and Development Centre of Finland (ARA) of at least level A</li> <li>• issued by The Swedish National Board of Housing, Building and Planning (Boverket) of at least level A or B</li> </ul> </li> </ul>

\* New financing is defined as Green Projects financed after the Green Debt has been issued, and refinancing is defined as Green Projects financed before the Green Debt issuance



## 2. Evaluation and Selection Process





# 3. Management of Proceeds

- Net proceeds received by the Bank of Åland through the issuance of Green Debt will be managed in a portfolio approach
- Group Treasury monitors the green asset register on a quarterly basis, to ensure that all proceeds from green debt issuances are allocated to a corresponding amount of eligible green assets

## Supplemental Assets

- If there are no eligible green assets according to the Green Finance Framework available to include as a replacement for a divestment or maturity, proceeds will be invested in supplemental assets. Approved supplemental assets are green bonds that fulfills Group Treasury's internal frameworks and requirements for the liquidity reserves
- The supplemental assets will be replaced by eligible green asset according to the Green Finance Framework whenever available or within two months



1. Use of Proceeds

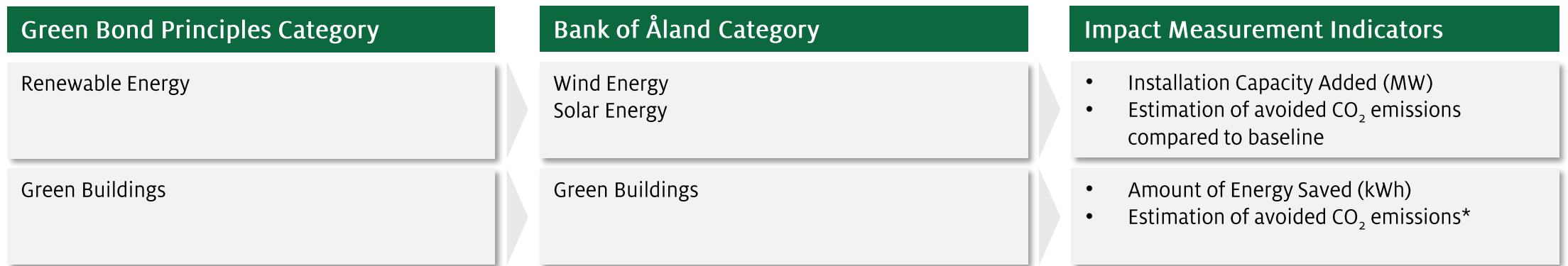
2. Evaluation and Selection Process

3. Management of Proceeds

4. Impact Reporting

# 4. Impact Reporting

- As long as there is Green Debt outstanding, the Bank of Åland commits to annually publishing a Green Impact Report
- The Bank of Åland commits to annually report:
  - The Eligible Green Assets financed or refinanced by the net proceeds and their relevant environmental impact indicators
  - The allocation of the Green Debt net proceeds to the Eligible Green Assets detailing the aggregate amount dedicated to each of the Eligible sectors
  - The balance of unallocated cash and/or cash equivalent and/or other liquid marketable instruments still held by the Bank of Åland



\*Avoided CO<sub>2</sub> emissions from green buildings will be disclosed as a net value compared to national building requirements





An aerial photograph of a rocky coastline. The water is a deep, dark blue, and the rocks are dark and jagged. A single white bird is perched on a rock in the middle ground. The text '4. Financial Performance' is overlaid on the left side of the image.

## 4. Financial Performance



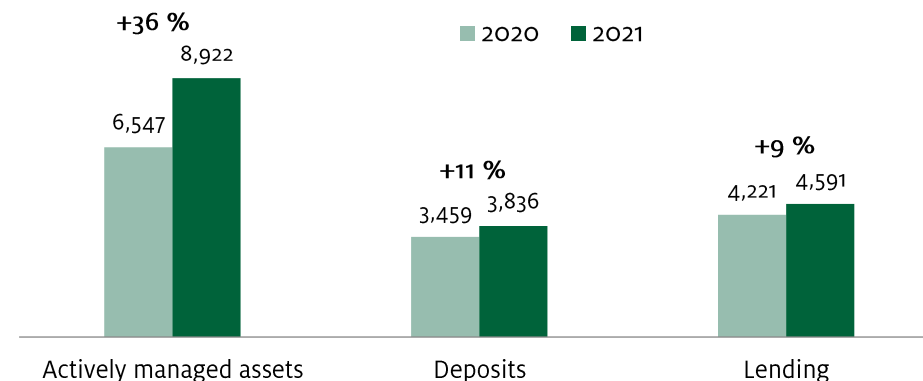
# Long-Term Financial Targets

Profitability	Return on equity after taxes (ROE) shall exceed 15 per cent over time
Capitalization	The Common Equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75-3.0 percentage points
Payout ratio	The payout ratio shall be 60 per cent of shareholders' interest in profit or higher, provided that capital adequacy does not fall below target

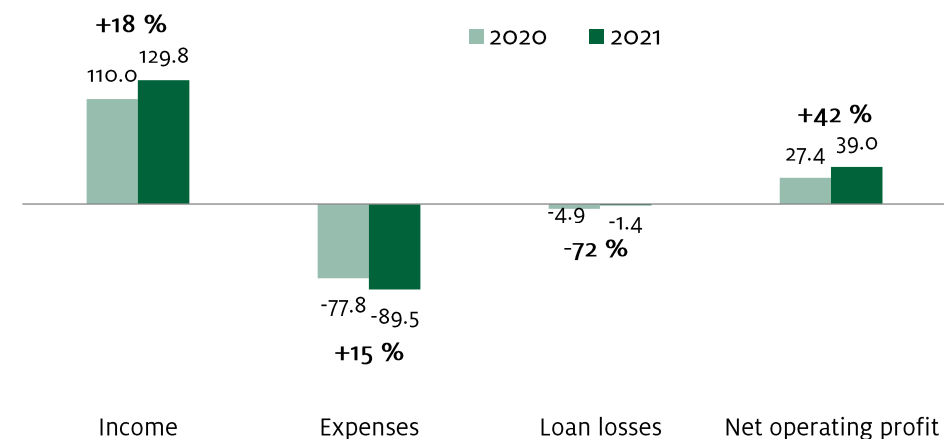
# 9M 2021 in Summary

- New record level of actively managed assets, lending and deposits
- A new office opened in Oulu on the Finnish mainland
- Dividends for 2019 and 2020 EUR 31.2 M (15.6 + 15.6) distributed to shareholders
- In March 2021, for the first time the Bank of Åland issued additional Tier 1 (AT1) capital instruments, totalling SEK 300 M
- The Swedish mortgage company Borgo, jointly owned together with ICA Banken, Ikano Bank and Söderberg & Partners has received the necessary permits from the Swedish Financial Supervisory Authority. Sparbanken Syd has joined as a fifth partner. Launch gradually started in Q4 2021
- In the fall of 2021, Bank of Åland repurchased a SEK 2,500 M covered bond maturing in 2022 and issued a new covered bond of SEK 5,500 M maturing in 2026, which will be transferred to Borgo during H1 2022
- Alandia Holding, an associated company of the Bank of Åland, completed its acquisition of Rettig Group's entire stake (24.9 %) in Alandia Insurance
- In August the Bank sold its shareholding in the company Åland Index Solutions as well as intellectual property (IP) rights to the Åland Index to Doconomy, a Swedish-based Fintech company

## Volumes, EUR M



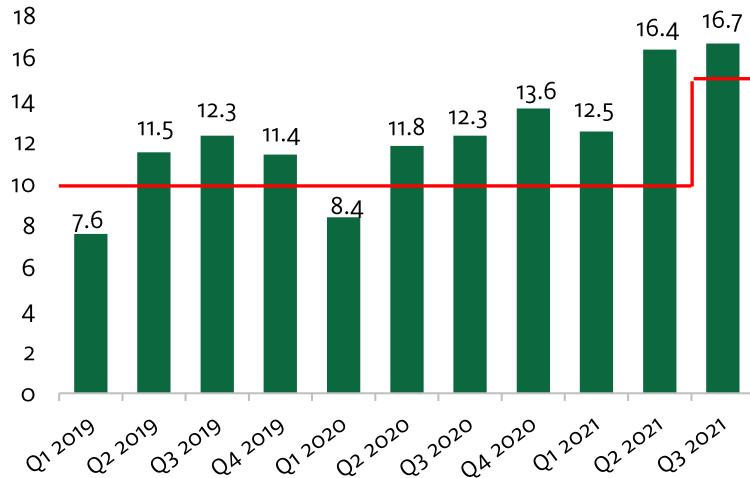
## Net operating profit, EUR M



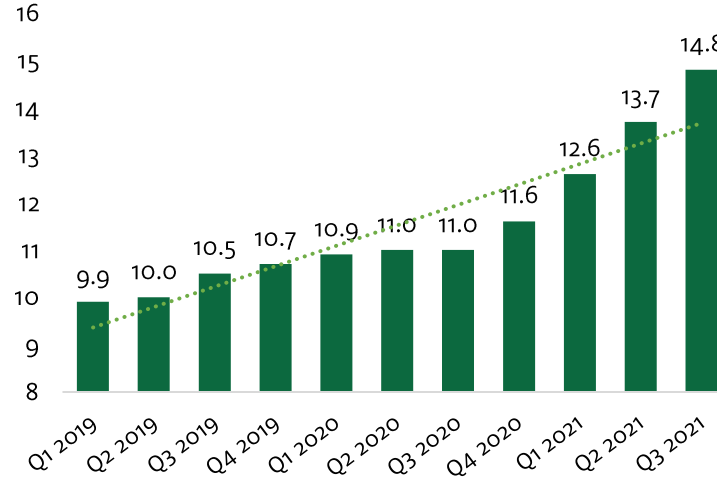
# ”Best Q3 2021 and 9M result ever – again!”

- Net operating profit Q3, EUR 14.6 M (10.7 M in Q3 2020), +36 %
- ROE Q3, 16.7 % (12.3 % in Q3 2020)
- Net operating profit 9M, EUR 39.0 M (27.4 M in 9M 2020), +42 %
- ROE 9M, 15.1 % (10.8 % in 9M 2020)
- Earnings per share 9M, EUR 2.05 (1.39 in 9M 2020), +47 %

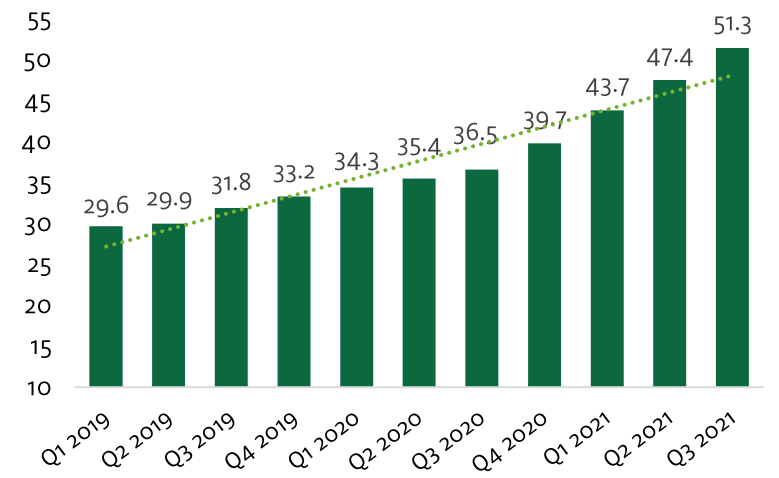
ROE %, 2019-2021



ROE, Rolling 12 Months, %



Net Operating Profit, Rolling 12 Months, EUR M



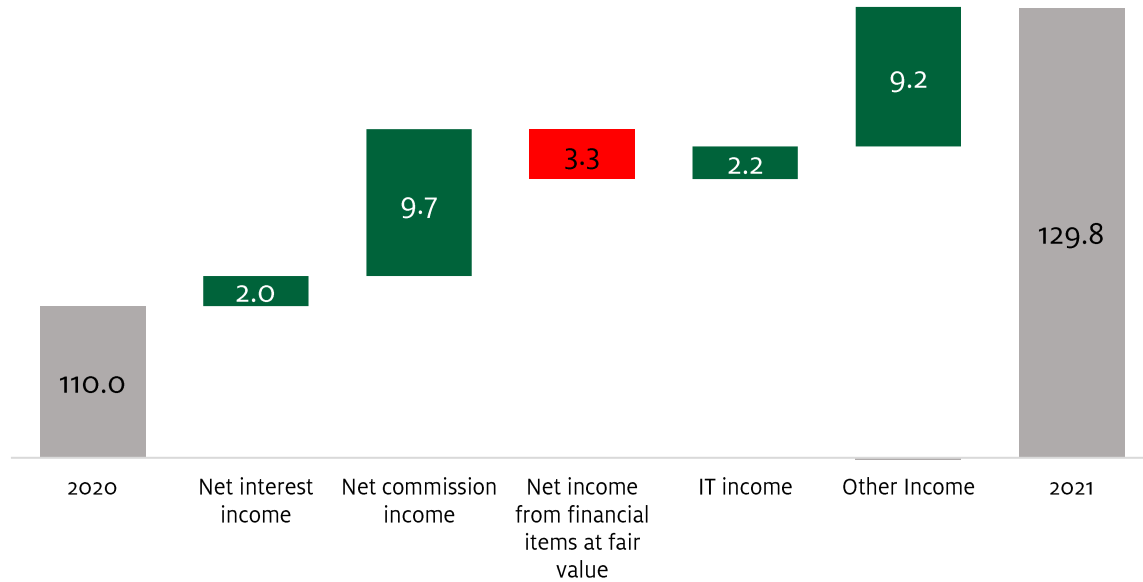
Stability fee: EUR 2.3 M (Q1 2019), EUR -0.5 M (Q2 2019), EUR 2.0 M (Q1 2020), EUR 0.6 M (Q2 2020), EUR 2.8 M (Q1 2021) and EUR -0.1 M (Q2 2021)



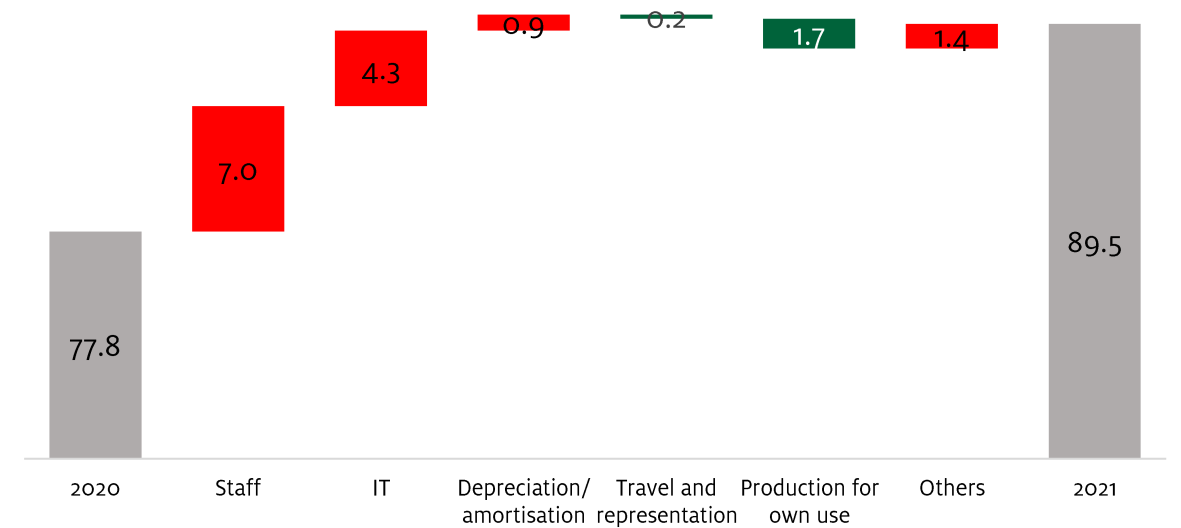
# Higher Income and Expenses

- Total income 9M rose by 18 % to EUR 129.8 M

## Higher Income, EUR M



## Higher Expenses, EUR M





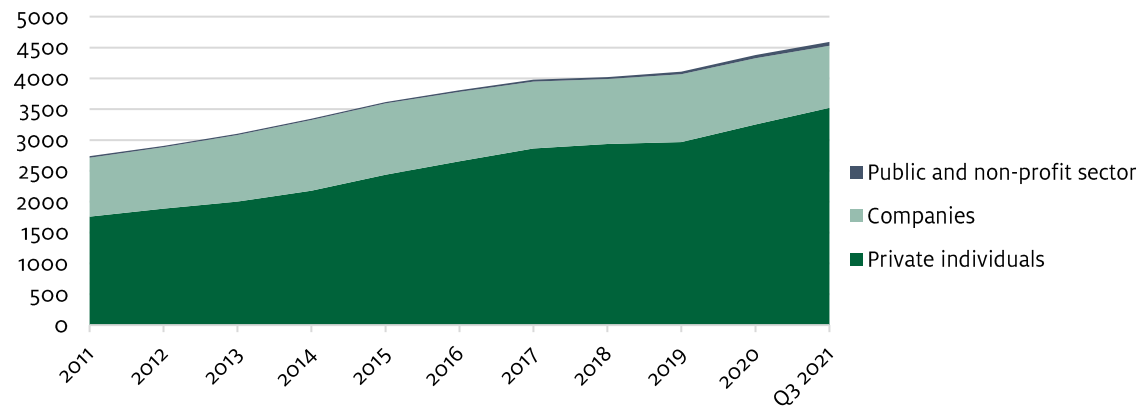
## 5. Asset Quality



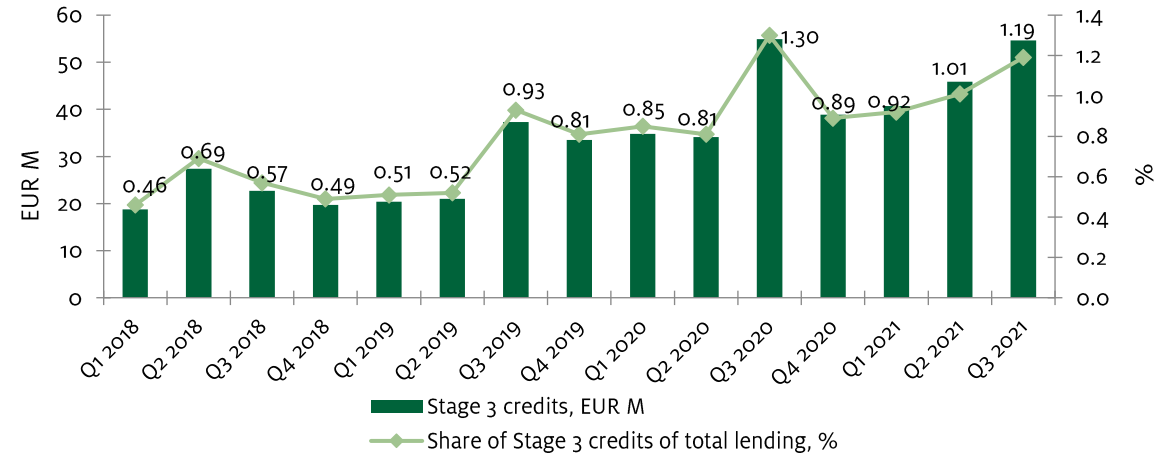
# Lending Strategy Focused on Balanced Credit Growth

- The Bank of Åland is a relationship Bank with primary focus on customers with investment needs in the Private Banking and Premium Banking segments
  - Selective lending to high quality, affluent clients, where asset quality prioritised over lending volume growth and higher returns
- The Bank of Åland is not granting credits as a standalone product to mass market clients or corporate clients
- Balanced growth in lending versus deposits in every business area
- Residential mortgages or property as collateral in at least half of the lending
- Many small loans are preferred to few large
- Loan loss level 9M 2021 at 0.05 % (0.16 % in 9M 2020)\*

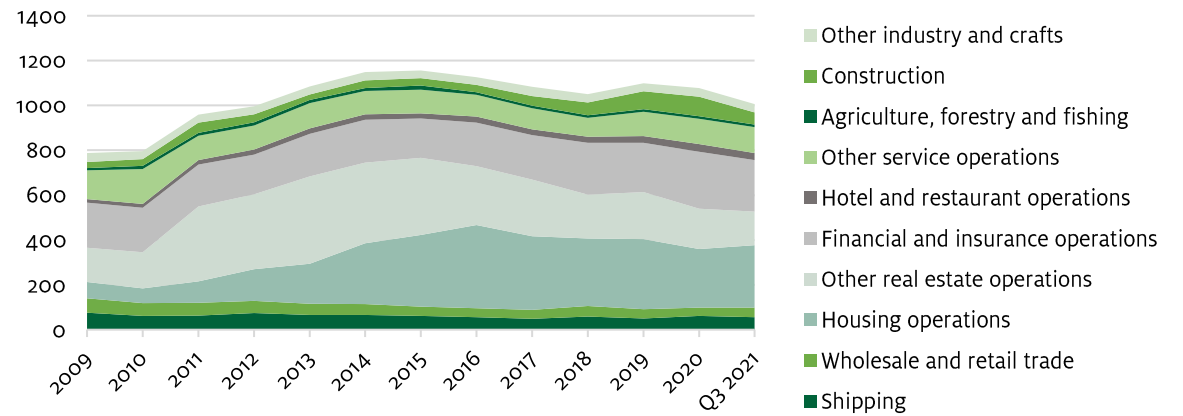
## Lending to the Public, EUR M



## Stage 3 Credits 2018-2021



## Lending to Companies, EUR M

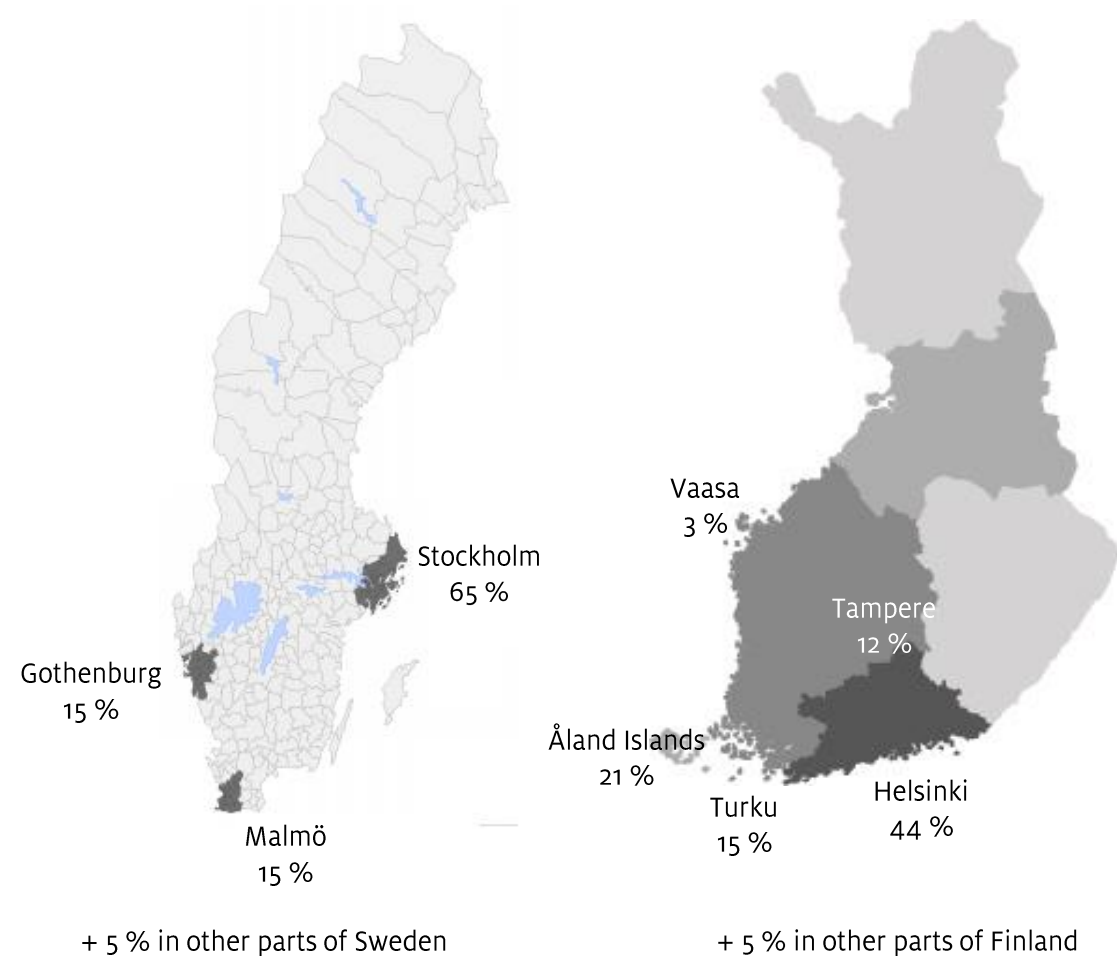


\* Model-driven impairment losses on financial assets increased because of the expected effects of the Covid-19 pandemic. During the first quarter of 2020, the Bank made a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio. So far it has not been necessary to utilize these provisions




# Geographical Distribution of Mortgage Lending

- Clear concentration to the prosperous parts of Finland and Sweden
- As of September 30, 2021 approximately
  - 55 % of the loan portfolio in Finland
  - 45 % of the loan portfolio in Sweden
- 30 % of mortgage lending in Sweden is distributed by ICA Bank



\* Geographical distribution according to SW and FI cover pools





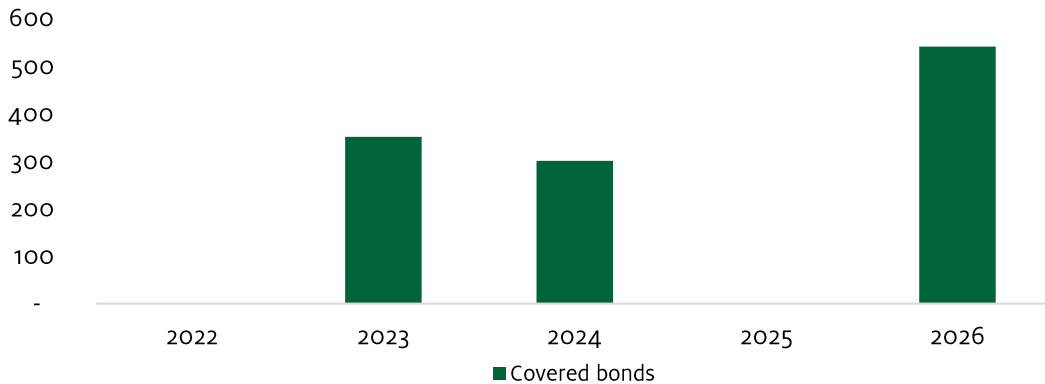
## 6. Liquidity and Funding



# Group Funding and Liquidity Management

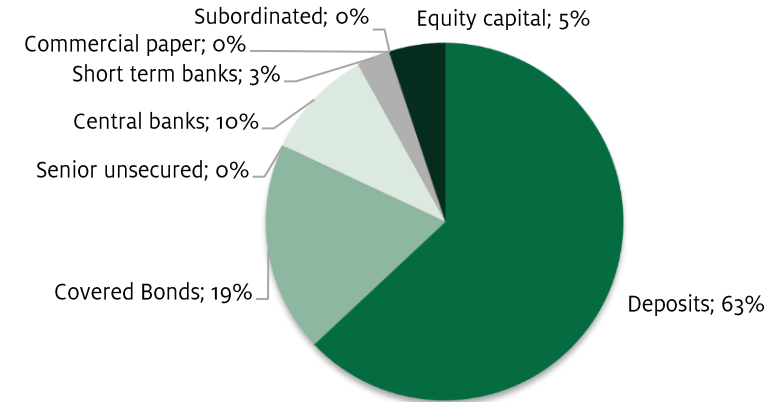
- Demand deposits and time deposits from core private customers and their companies are the main funding sources
- Covered bonds, the main long-term funding source today, were introduced in early 2012 in order to diversify the funding mix and to form a reliable and cost-efficient funding channel
- Loans from central banks have grown during the time of Covid-19: 2 % → 10 %
- A balanced funding mix is maintained with diversity of funding sources
- Well-diversified maturity profile with limited exposure to short-term wholesale funding

## Maturing Long-Term Funding\* September 30 2021, EUR M



\* Excluding retained covered bonds

## Group Funding Profile September 30, 2021



## Themes 2021

- Share of customer deposits will stay high on around 60 % of funding
- During the Covid-19 pandemic it has been a reasonable strategy to issue retained covered bonds and use those as collateral for funding from the central banks
- Demand conditions and the market situation favour issuance in covered bonds
- The balanced funding mix is maintained
- The Bank of Åland will receive an MREL requirement from the beginning of 2022. The requirement will consist of a minimum of 9 % total capital requirement and a minimum of 3 % leverage ratio. The MREL requirements have no material effect on the funding of the Bank



# Liquidity Reserve

- Very high quality in liquidity reserves
  - The most liquid and tradable assets
  - LCR and NSFR targets reached
- Coordinated cash pools between Finland and Sweden
- Conservative approach to market risk within liquidity reserves
  - Assets with short duration
  - Well diversified counterparty risk profile

## Key metrics

Liquidity reserve

**19 %**  
of total assets

Liquidity portfolio

**EUR 1,205 M**

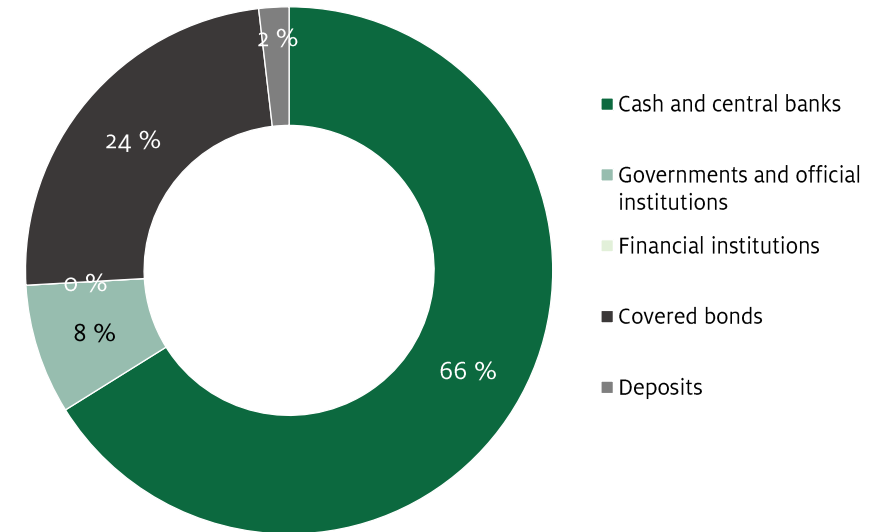
LCR

**149 %**

NSFR

**109 %**

Composition of the Liquidity Reserve September 30, 2021



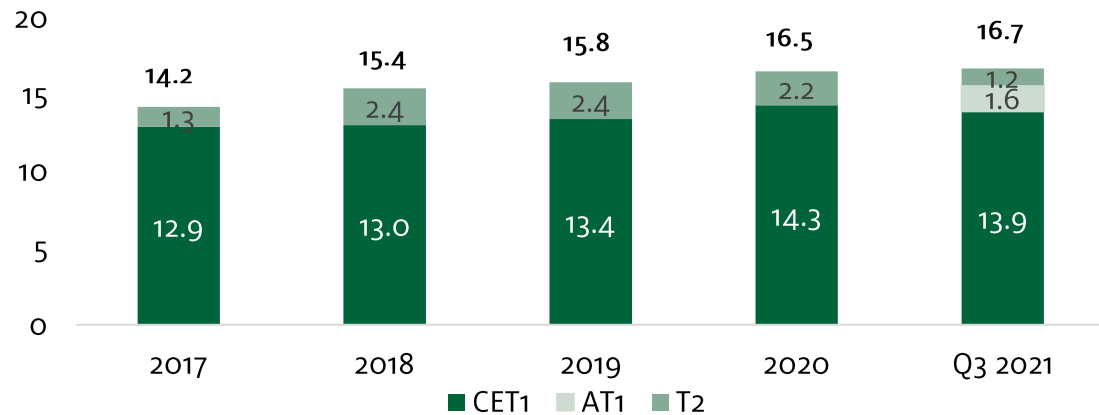
An aerial photograph of a rocky coastline. The water is a deep, dark blue, and the rocks are dark and jagged. A single white bird is perched on a rock in the middle ground. The text '7. Capital Position' is overlaid on the left side of the image.

## 7. Capital Position

# Committed to Maintaining a Strong Capital Ratio

- The Bank of Åland is committed to a strong capital ratio
- The Bank will continue to build up its capital base, improve and diversify earnings, and uphold a sound approach to risk
- In March 2021, for the first time the Bank of Åland issued additional Tier 1 (AT1) capital instruments, totalling SEK 300 M
- Conservative pay-out policy is to safeguard the capital position
- Dividends for 2019 and 2020 EUR 31.2 M distributed during H1 2021, subtracted from the Bank's CET1 capital ratio on December 31, 2020
- CET1 capital ratio for a small bank like the Bank of Åland is not comparable to larger banks with IRB methods

Capital position, EUR M



Percent	2019	2020	Q3 2021	Position Q3 2021
Pillar 1 requirement	4.50	4.50	4.50	
Capital conservation buffer	2.50	2.50	2.50	
Countercyclical buffer	1.20	0.00	0.00	
Systemic risk buffer	1.00	0.00	0.00	
Pillar 2 requirement	1.50	1.50	0.56	
<b>CET1 capital requirement</b>	<b>10.70</b>	<b>8.50</b>	<b>7.56</b>	<b>13.9</b>
Pillar 1 requirement	1.50	1.50	1.50	
Pillar 2 requirement			0.19	
<b>AT1 capital requirement</b>	<b>1.50</b>	<b>1.50</b>	<b>1.69</b>	<b>1.6</b>
<b>Tier 1 capital requirement</b>	<b>12.20</b>	<b>10.00</b>	<b>9.25</b>	<b>15.5</b>
Pillar 1 requirement	2.00	2.00	2.00	
Pillar 2 requirement			0.25	
<b>T2 capital requirement</b>	<b>2.00</b>	<b>2.00</b>	<b>2.25</b>	<b>1.2</b>
<b>Total capital requirement</b>	<b>14.20</b>	<b>12.00</b>	<b>11.50</b>	<b>16.7</b>
Leverage ratio requirement			3.00	4.8

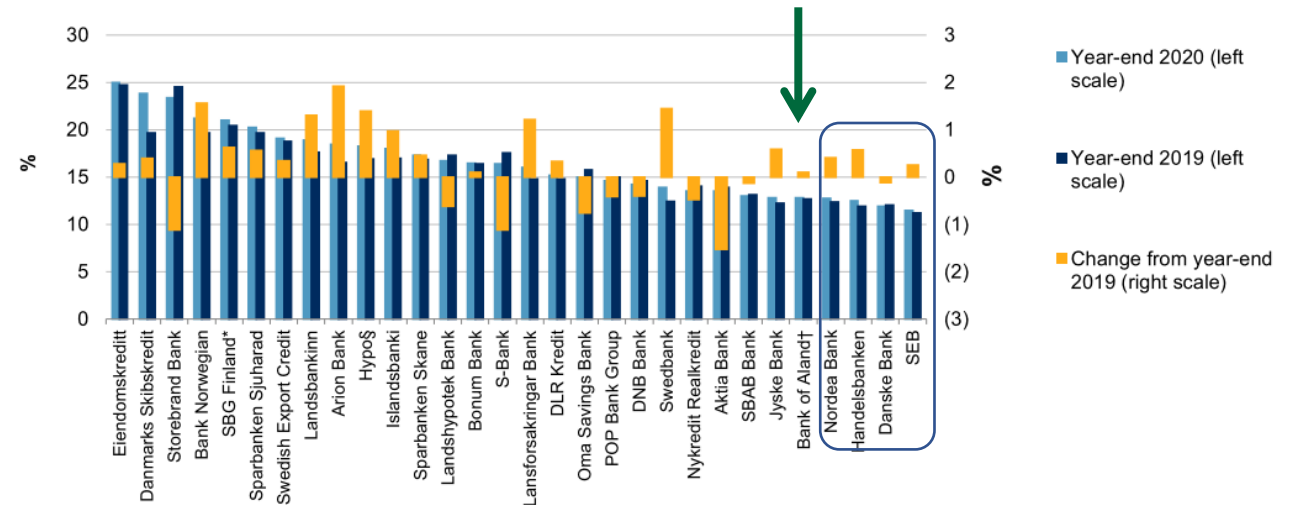


# S&P View Bank of Åland's Capital Position to be a Credit Strength

S&P highlights that Bank of Åland's strong capital position is a credit strength

- Key strengths according to S&P
  - Strong risk-adjusted capitalization
  - Low credit losses
- The RAC ratio at 13.6 % (June 30, 2021) remains a rating strength to the Bank of Åland
- S&P (January 22, 2021 and again July 15, 2021) has indicated that they could raise the rating if the Bank of Åland's capitalization improves, as indicated by a sustained increase of its RAC ratio beyond 15 % threshold for a very strong capital and earnings over the next 24 months

Nordic Banks' RAC Ratios On Dec. 31, 2020, Compared With Dec. 31, 2019



\*Savings Banks Group Finland. §The Mortgage Society of Finland. †Bank of Åland's pro-forma RAC as of YE2020 is ca 13.8% if incorporating the excluded T2 instrument, see the "Research Update: Bank of Åland Affirmed At 'BBB/A-2' On Correction Of Criteria Misapplication; Outlook Remains Positive" for further details. Eksportfinans had a RAC ratio of 126.2% at year-end 2020 and 110.2% at year-end 2019.

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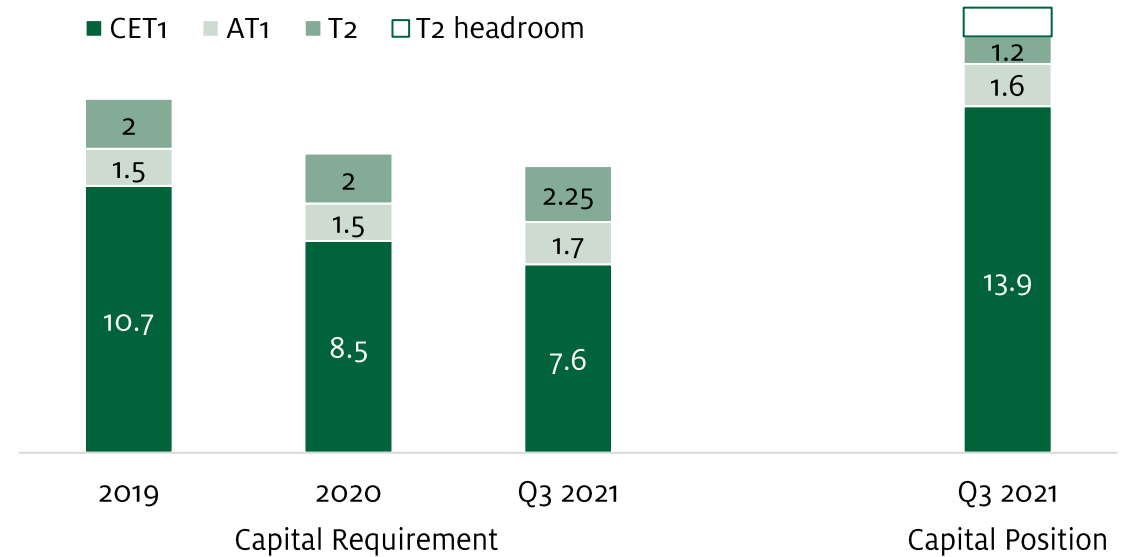
# Bank of Åland Begins Acquisitions of Its Own Shares

- The Annual General Meeting held on March 30, 2021 authorized the Board of the Bank of Åland to approve acquisitions of the Bank of Åland's own shares. This authorization is in force until the next Annual General meeting, but no longer than until September 30, 2022
- The Finnish Financial Supervisory Authority (FIN-FSA) has granted permission for the buy-back of the Bank's own shares
- The acquisition of shares will begin at the earliest on November 9, 2021 and will end at the latest on March 30, 2022
- The maximum number of shares that may be acquired based on the Board's acquisition decision, in one or more rounds, is 375,000 Series B shares, which is equivalent to 4.1 % of the total number of Series B shares and 2.4 % of the total number of shares. The maximum amount that may be used for the buy-back is EUR 10.5 M
- The shares will be acquired in order to change the Bank of Åland's capital structure, to be used as consideration in acquisitions of companies or sectoral reorganizations or as part of the Bank of Åland's incentive programmes and may otherwise be transferred onward or kept by the Bank of Åland. There are thus weighty financial reasons to carry out a targeted acquisition

# Bank of Åland has Unutilized Headroom for T2 Capital

- Bank of Åland is allowed to cover 2 percentage units of the 8 % risk-weighted Pillar 1 requirement with Tier 2 capital
- In addition, 25 % of the Pillar 2 requirement imposed by Finnish FSA can be met by Tier 2 capital. As of today, the Pillar 2 requirement for Bank of Åland is 1.0 %
- In total, the Bank of Åland therefore has a Tier 2 capital need of 2.25 % which in September 2021 was equal to EUR 41.4 M
- In September 2021, the Tier 2 capital position was EUR 21.9 M, which translates into 1.2 % of REA
- To optimize the bank's capital position, Bank of Åland is contemplating the issuance of SEK 150 M (exp.) Tier 2 capital

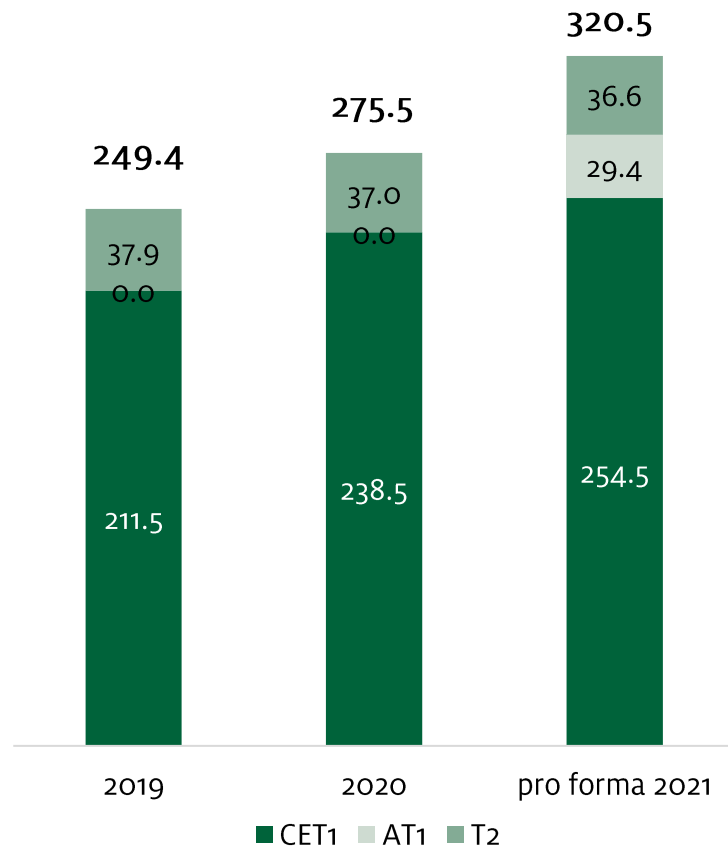
Bank of Åland is contemplating to issue Tier 2 capital to optimize the capital position



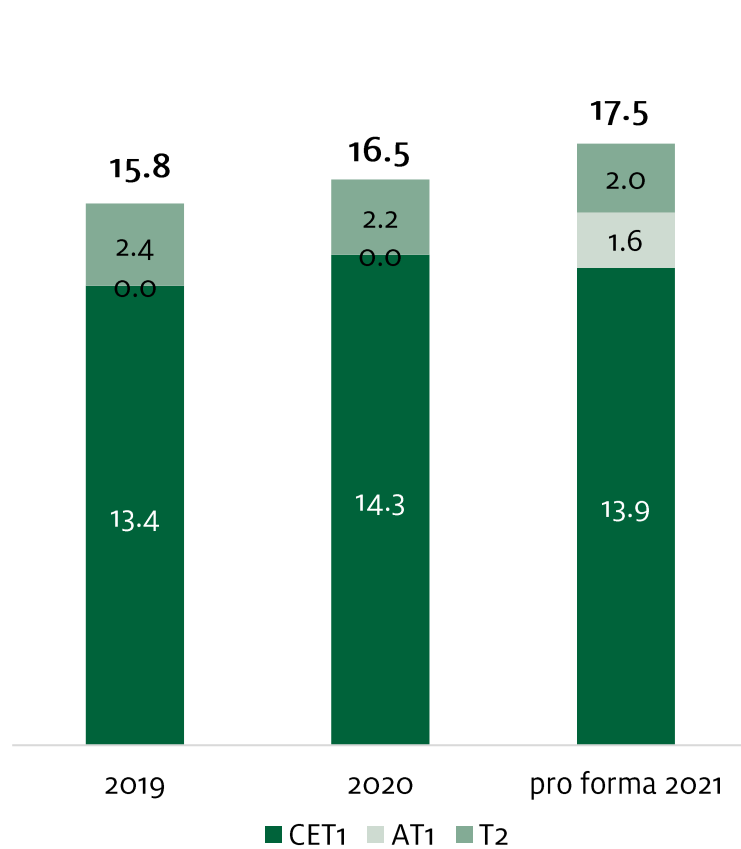
# Bank of Åland's Capital Position

EUR M and Capital Ratios in %

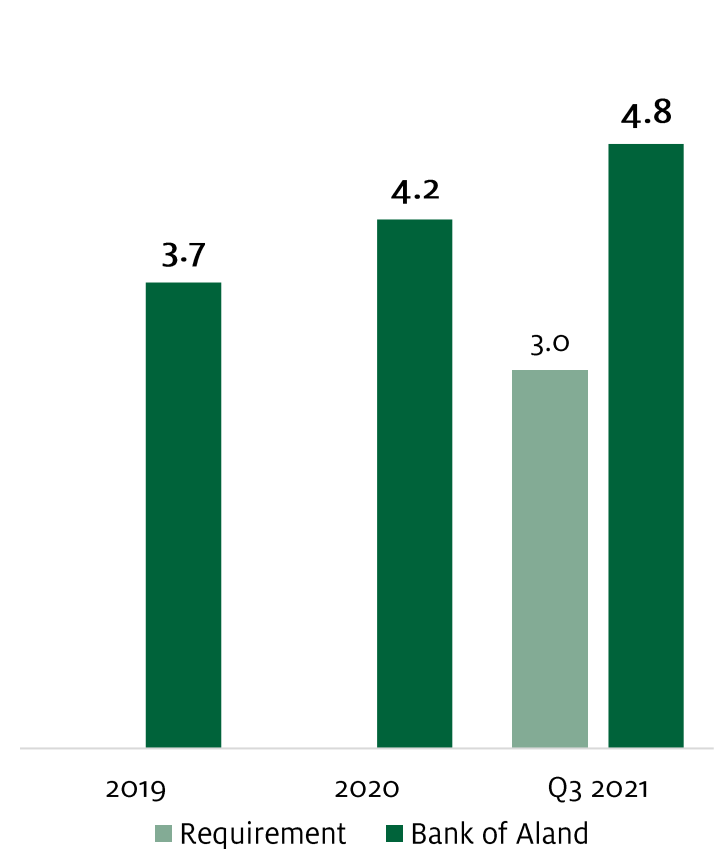
Capital base, EUR M



Capital ratios, %



Leverage ratio, %

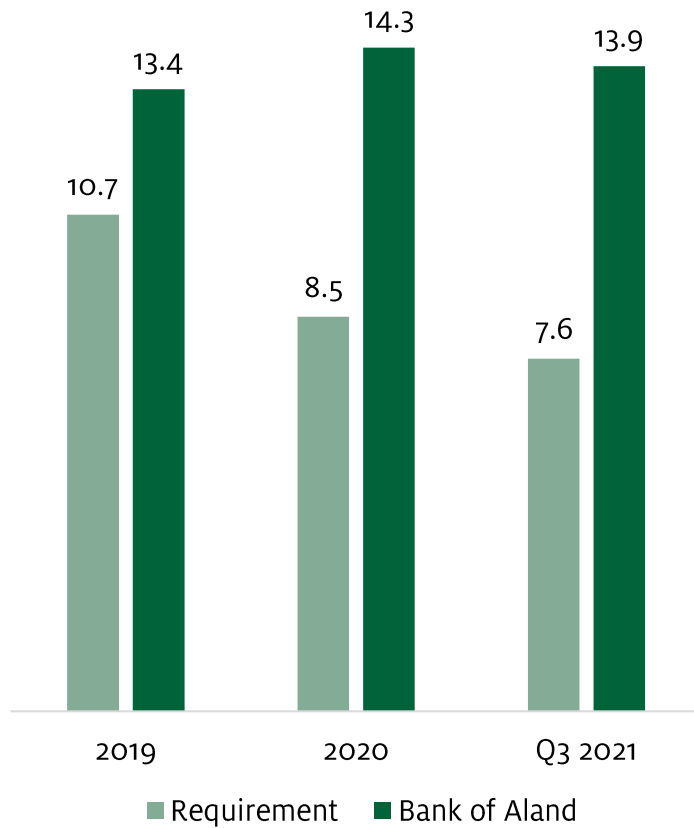




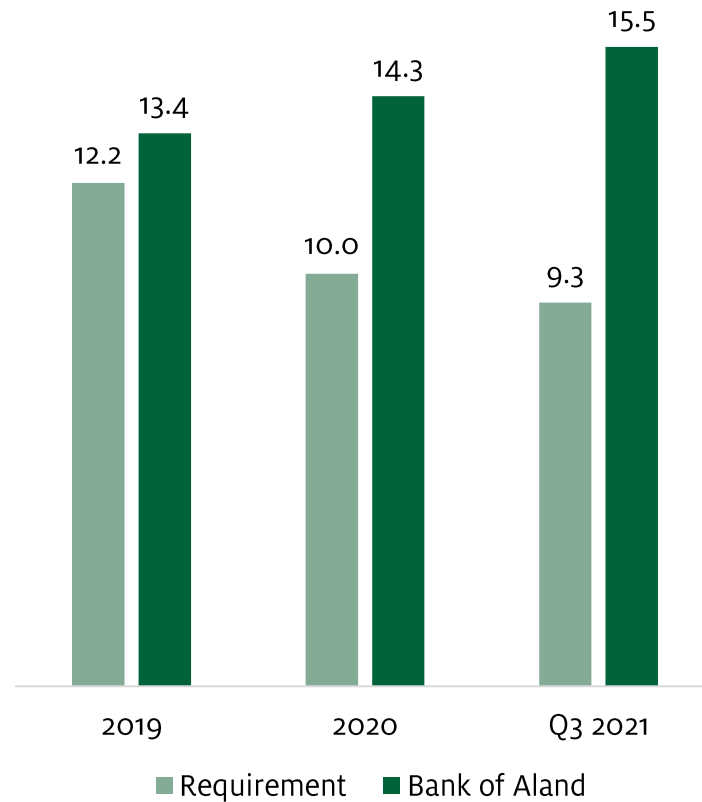
# Bank of Åland's Capital Position and Requirements

Capital Ratios in %

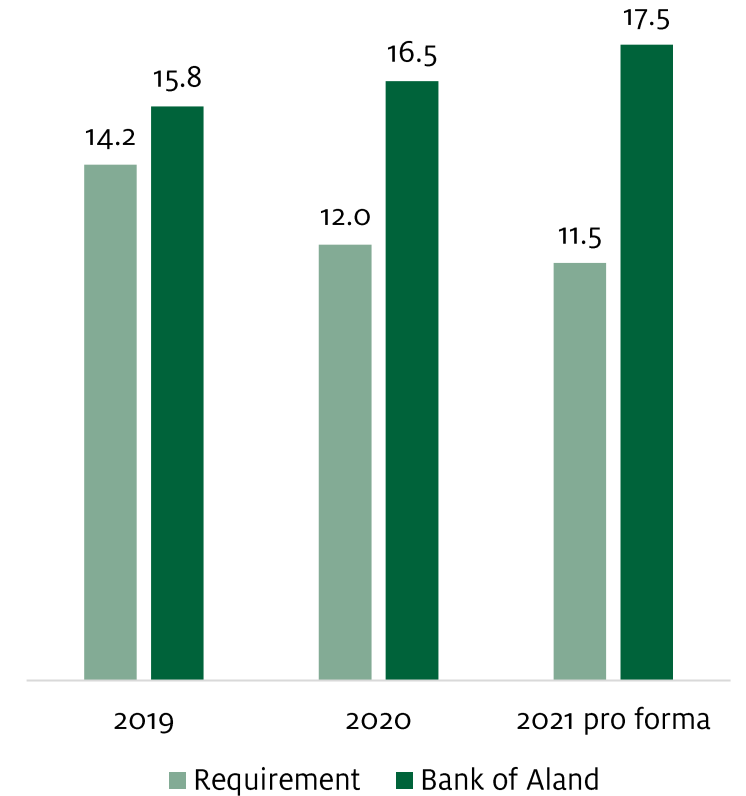
Common Equity Tier 1, %



Tier 1, %



Total Capital, %





## 8. Proposed T2 Transaction



# Indicative Term Sheet for Bank of Åland's proposed Green SEK Tier 2

<b>Issuer</b>	Alandsbanken Abp (Ticker: AABHFH)
<b>Issuer rating</b>	BBB (positive) by S&P
<b>Currency and Exp. Deal Size</b>	SEK 150 M
<b>Maturity</b>	20NC5
<b>First Call Date</b>	[ ] 2026 (5 year)
<b>Status</b>	Subordinated, Senior only to any AT1 Notes, Parity Securities or any other obligations of the Issuer ranking, or expressed to rank, junior to the Tier 2 Notes of the Issuer
<b>Format</b>	Subordinated note, Tier 2, green bond
<b>Use of Proceeds</b>	The net proceeds will be used to finance or refinance the green assets selected and evaluated by the Bank according to the Issuer's Green Finance Framework September 2021
<b>Optional Redemption Dates</b>	The Issuer may redeem all, but not some only, of the notes on the first call date (as defined in the Final Terms) or on any subsequent interest payment date thereafter at their redemption price subject to the Competent Authority approval
<b>Special Event Redemption</b>	Upon the occurrence of a Withholding Tax Event, Tax Event or Capital Event and subject to approval by the Competent Authority, the Issuer may, at its option, having given not less than 30 days' notice to the Noteholders redeem all (but not some only) of the Tier 2 Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption
<b>Loss Absorption Mechanism - Write-Down</b>	Permanent 50 % write-down upon breach of 7 % CET1 Ratio of the Issuer or the Group
<b>Coupon Structure/ Interest</b>	Floating Rate Notes/ Floating (quarterly)
<b>Governing Law</b>	Finnish Law
<b>Listing</b>	Helsinki Stock Exchange
<b>Clearing</b>	Euroclear Sweden
<b>Target Market</b>	MiFID II professionals/eligible counterparties only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA
<b>Denomination</b>	SEK 2,000,000
<b>Documentation</b>	Under the Issuer's EUR 3,000,000,000 Medium Term Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme dated 12 March 2021 and supplemented 22 November 2021



# 10. Appendix

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# Key Figures

	9M 2021	9M 2020	2020	2019	2018	2017	2016
ROE, %	15.1	10.8	11.6	10.7	9.8	9.1	9.1
Expense/ income ratio, %	69	71	70	73	77	78	76
Loan loss level, %	0.05	0.16	0.11	0.08	0.02	0.06	0.11
CET1 capital ratio, %	13.9	13.4	14.3	13.4	13.0	12.9	11.8
Total capital ratio, %	16.7	15.5	16.5	15.8	15.4	14.2	13.0
Earnings per share, EUR	2.05	1.39	2.02	1.69	1.48	1.35	1.29
Equity capital per share, EUR	18.74	17.95	18.76	16.61	15.67	15.14	14.50
Lending to the public, EUR M	4,591	4,221	4,378	4,110	4,022	3,979	3,808
Deposits from public, EUR M	3,836	3,459	3,605	3,368	3,304	3,148	3,028
Equity capital, EUR M	322	280	292	258	242	234	222
Risk exposure amount, EUR M	1,827	1,693	1,671	1,583	1,578	1,538	1,576
FTE	813	745	751	700	691	691	683



# Income Statement

EUR M	9M 2021	9M 2020	2020	2019	2018	2017	2016
Net interest income	46.0	44.0	58.9	53.9	54.5	55.9	55.1
Net commission income	57.6	47.9	66.3	58.0	54.3	52.9	48.0
Other income	26.3	18.2	24.9	22.0	18.8	19.2	17.3
<b>Total income</b>	<b>129.8</b>	<b>110.0</b>	<b>150.1</b>	<b>133.9</b>	<b>127.6</b>	<b>128.0</b>	<b>120.4</b>
Staff costs	-53.1	-46.1	-62.9	-57.0	-57.1	-59.8	-57.0
Other expenses	-36.4	-31.7	-42.7	-40.5	-40.7	-40.0	-34.3
<b>Total expenses</b>	<b>-89.5</b>	<b>-77.8</b>	<b>-105.6</b>	<b>-97.5</b>	<b>-97.8</b>	<b>-99.8</b>	<b>-91.3</b>
<b>Profit before impairment losses</b>	<b>40.4</b>	<b>32.3</b>	<b>44.6</b>	<b>36.4</b>	<b>29.8</b>	<b>28.2</b>	<b>29.2</b>
Net impairment loss on financial assets	-1.4	-4.9	-4.9	-3.2	-0.8	-2.1	-4.1
<b>Net operating profit</b>	<b>39.0</b>	<b>27.4</b>	<b>39.7</b>	<b>33.2</b>	<b>29.0</b>	<b>26.0</b>	<b>25.1</b>
Income taxes	-7.1	-5.7	-8.2	-6.9	-6.1	-5.3	-5.4
<b>Net profit for the period</b>	<b>31.9</b>	<b>21.7</b>	<b>31.5</b>	<b>26.3</b>	<b>22.9</b>	<b>20.7</b>	<b>19.7</b>
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Shareholders in Bank of Åland Plc</b>	<b>31.9</b>	<b>21.7</b>	<b>31.5</b>	<b>26.3</b>	<b>22.9</b>	<b>20.7</b>	<b>19.7</b>

# Balance Sheet

Bank of Åland Group	Sep 30, 2021	Sep 30, 2020		Sep 30, 2021	Sep 30, 2020
<i>Assets</i>			<i>Liabilities</i>		
Cash and balances with central banks	789	560	Liabilities to credit institutions and central banks	751	474
Debt securities	707	736	Deposits from the public	3,836	3,459
Lending to credit institutions	53	49	Debt securities issued	1,243	1,335
Lending to the public	4,591	4,221	Derivative instruments	7	13
Shares and participations	15	10	Current tax liabilities	3	3
Participations in associated companies	8	1	Deferred tax liabilities	34	32
Derivative instruments	14	23	Other liabilities	94	57
Intangible assets	24	24	Provisions	0	0
Tangible assets	31	34	Accrued expenses and prepaid income	41	37
Investment properties	0	0	<u>Subordinated liabilities</u>	<u>22</u>	<u>36</u>
Current tax assets	1	0	<b>Total liabilities</b>	<b>6,031</b>	<b>5,446</b>
Deferred tax assets	6	5			
Other assets	85	38	<i>Equity capital and non-controlling interests</i>		
<u>Accrued income and prepayments</u>	<u>28</u>	<u>25</u>	Share capital	42	42
<b>Total assets</b>	<b>6,353</b>	<b>5,726</b>	Share premium account	33	33
			Reserve fund	25	25
			Fair value reserve	4	2
			Unrestricted equity capital fund	28	28
			<u>Retained earnings</u>	<u>160</u>	<u>151</u>
			<b>Shareholders' portion of equity capital</b>	<b>292</b>	<b>280</b>
			Non-controlling interests' portion of equity capital	0	0
			Additional Tier 1 capital holders	29	
			<b>Total equity capital</b>	<b>322</b>	<b>280</b>
			<b>Total liabilities and equity capital</b>	<b>6,353</b>	<b>5,726</b>

# Outstanding Long-Term Funding\* September 30, 2021

## Cover pool FIN

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
XSo876678391	90,000,000	30-01-2013	30-01-2023	2.75	EUR	90,000,000	1.33
XS1496878742	250,000,000	29-09-2016	29-09-2023	0	EUR	250,000,000	2.00
Fl4000375241	300,000,000	19-03-2019	19-03-2024	0.125	EUR	300,000,000	2.47
						<b>640,000,000</b>	<b>2.13</b>

## Cover pool SWE

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
SE0013360419	5,500,000,000	10-09-2021	10-09-2026	QUARTLY STIB + 25	SEK	540,896,708	4.95
						<b>540,896,708</b>	<b>4.95</b>

\* Excluding retained covered bonds



# Sustainability Information

Bank of Åland Group	9M 2021	9M 2020	2020	2019
Carbon dioxide emissions, kg				
Paper	14,146	13,376	17,210	21,586
Electricity	72,466	67,148	98,066	202,042
Travel	8,042	36,605	37,347	124,548
Total carbon dioxide	94,654	117,129	152,623	348,176

Bank of Åland Group	9M 2021	9M 2020	2020	2019
Paper consumption, kg	15,631	14,780	19,016	22,304
Energy consumption, GwH	1.60	1.62	2.18	2.27
<i>of which renewable</i>	1.36	1.39	1.85	1.63
<i>of which other</i>	0.24	0.23	0.33	0.63
Number of business trips	230	957	1004	3,741
<i>of which aircraft</i>	123	692	717	2,587
<i>of which ship</i>	47	87	89	570
<i>of which train</i>	60	178	198	584

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