

Compensation report for 2021 financial year

Bank of Åland Plc



ÅLANDSBANKEN

Compensation report for 2021 financial year, Bank of Åland Plc

Introduction

This compensation report presents the compensation and economic benefits that were paid to the Board of Directors, Managing Director and Deputy Managing Director of the Bank of Åland Plc (Ålandsbanken Abp) during the 2021 financial year.

The report is drawn up in compliance with the reporting instructions in the Finnish Corporate Governance Code of 2020. The Bank of Åland's 2021 Annual General Meeting dealt with the Bank's compensation policy ("Compensation Policy") and approved it.

The Bank of Åland followed this Compensation Policy in the payment of compensation to management during 2021. The Bank did not diverge from the Compensation Policy or revoke any compensation.

The Bank's compensation system is compatible with the Group's corporate strategy, goals and values and is compatible with and promotes good and efficient risk management. The compensation system is designed in such a way that it does not run counter to the Group's long-term interests. An analysis is performed about how the compensation system affects the financial risks to which the Bank is exposed and the management of these risks. There must be an appropriate balance between fixed and variable remuneration. The Group's total remuneration for a specific earnings period must not build up and reward risks that may jeopardise the Group's long-term interests.

Compensation to the Board and Managing Director, compared to overall employee compensation and financial developments in the Bank of Åland Group during the past five financial years

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------------|------------|------------|------------|------------|
| Board of Directors | 343,250 | 311,917 | 296,167 | 305,500 | 300,750 |
| Managing Director | 356,765 | 405,116 | 504,098 | 450,188 | 494,676 |
| Employees of the Bank of Åland Plc and its Swedish branch | 26,926,116 | 26,396,511 | 26,735,516 | 28,127,687 | 31,030,113 |
| Net operating profit (Group), EUR M | 26.0 | 29.0 | 33.2 | 39.7 | 49.2 |
| Return on equity after taxes, % | 9.1 | 9.8 | 10.7 | 11.6 | 14 |

Compensation to the Board of Directors during the 2021 financial year

| Board member | Annual fee | Fee for attending Board meetings | Fee for attending Audit Committee meetings | Fee for attending Compensation Committee meetings | Total |
|-------------------------------------|------------|----------------------------------|--|---|--------|
| Nils Lampi, ordförande | 33,750 | 20,000 | 6,750 | 2,250 | 62,750 |
| Christoffer Taxell, vice ordförande | 29,500 | 16,000 | | 2,250 | 47,750 |
| Åsa Ceder | 27,500 | 15,750 | 2,250 | | 45,500 |
| Anders Å Karlsson | 27,500 | 15,750 | 6,750 | | 50,000 |
| Ulrika Valassi | 27,500 | 15,750 | 9,000 | | 52,250 |
| Anders Wiklöf | 27,500 | 15,000 | | | 42,500 |
| Agneta Karlsson* | | | | 10,750 | 10,750 |

*co-opted member, Chairman of the Compensation Committee

No economic benefits related to employment or position were paid to Board members.

Compensation to the Managing Director and the Deputy Managing Director for the 2021 financial year

In accordance with the Bank of Åland's Compensation Policy, the Managing Director and the Deputy Managing Director receive fixed monthly compensation plus variable compensation from short-term

compensation programmes based on achieving Group profitability levels plus personal targets. Variable compensation may not exceed an amount equivalent to 12 months of salary.

| | Managing Director | Deputy Managing Director |
|---|-------------------|--------------------------|
| Fixed compensation that was paid in 2021 | | |
| Fixed annual salary | 352,800 | 275,801 |
| Fringe benefits | 12,420 | 6,483 |
| Variable compensation that was paid in 2021* | | |
| Variable compensation in cash | 64,728 | 34,287 |
| Variable compensation in shares | 64,728 | 34,287 |
| Total compensation | 494,676 | 350,857 |
| Deferred established variable compensation that will be paid after 2021** | | |
| Deferred variable compensation in cash | 186,188 | 143,069 |
| Deferred variable compensation in shares | 186,188 | 143,069 |
| Total deferred variable compensation | 372,376 | 286,138 |

* Refers to 2020 variable compensation and deferred 2017 variable compensation paid in March 2021. Shares according to amount of taxed fringe benefits.

** Refers to 2021 variable compensation (allocated variable compensation) that will be paid in 2022, deferred 2018 variable compensation that will be paid in 2022, deferred 2019 compensation that will be paid in 2023, deferred 2020 variable compensation that will be paid in 2024 and deferred variable compensation that will be paid in 2026.

On March 5, 2021, the Managing Director subscribed for 2,743 and the Deputy Managing Director for 1,453 Series B shares in the Bank of Åland at a subscription price of EUR 23.60 per share as part of the Bank's incentive programme.

Incentive payments for the Managing Director and the Deputy Managing Director are divided into a maximum of 2/3 based on Group profitability and 1/3 on personal targets.

Allocated shares must be held for at least 12 months, a so-called vesting period, before the recipient of this compensation may access them.

The Managing Director is not entitled to a supplementary pension in addition to the statutory public pension. For the Deputy Managing Director, premium-based supplementary pension insurance with a retirement age of 65 years has been purchased.

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