

# Year-end Report

For the period January–December 2022 • February 1, 2023



## January–December 2022

Compared to January–December 2021

- Net operating profit decreased by 6 per cent to EUR 46.1 M (49.2).
- Core income in the form of net interest income, net commission income and IT income increased by 3 per cent to EUR 170.1 M (165.7).
- Other income, which included certain nonrecurring items, increased by 35 per cent to EUR 14.0 M (10.3).
- Total expenses increased by 8 per cent to EUR 131.8 M (121.9).
- Net impairment losses on financial assets (including recoveries) totalled EUR 6.2 M (4.9), equivalent to a loan loss level of 0.14 (0.12) per cent.
- Return on equity after taxes (ROE) decreased to 12.8 (14.0) per cent.
- Earnings per share decreased by 7 per cent to EUR 2.37 (2.55).
- The common equity Tier 1 capital ratio decreased to 12.0 per cent (12.1).
- Dividend: The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.60 (1.55) per share for the 2022 financial year, equivalent to a 68 (61) per cent payout ratio, plus an extra dividend of EUR 0.45 (0.45) per share.
- Future outlook: The Bank of Åland expects its net operating profit in 2023 to be significantly better than in 2022.

## The fourth quarter of 2022

Compared to the fourth quarter of 2021

- Net operating profit increased by 4 per cent to EUR 10.6 M (10.2).
- Core income in the form of net interest income, net commission income and IT income increased by 1 per cent to EUR 44.3 M (44.1).
- Other income increased by 24 per cent to EUR 2.7 M (2.2).
- Total expenses increased by 5 per cent to EUR 34.1 M (32.5).
- Net impairment losses on financial assets (including recoveries) totalled EUR 2.2 M (3.5), equivalent to a loan loss level of 0.20 (0.30) per cent.
- Return on equity after taxes (ROE) increased to 11.9 (10.6) per cent.
- Earnings per share increased by 9 per cent to EUR 0.55 (0.51).

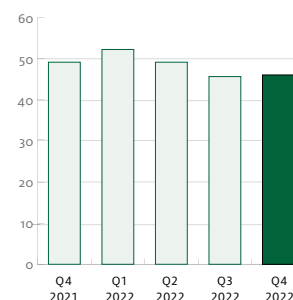
“We are closing a very turbulent year, during which both the stock and fixed income markets fell, while war and rapid inflation affected us all. In spite of this, we can report a net operating profit of EUR 46.1 M, almost the same level as our previous high.

“It is pleasing that for the second straight year, we were ranked as the best Private Banking market player in Prospera’s Finnish customer survey. During 2022 we saw more than half a billion euros in net inflows into our financial investment services. Because of this continued customer inflow, combined with high interest rates – which benefit our net interest income – we look forward to 2023 with confidence and expect a significantly better operating profit than during 2022.”

Peter Wiklöf, Managing Director

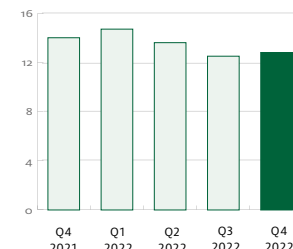
4-quarter moving net operating profit

EUR M



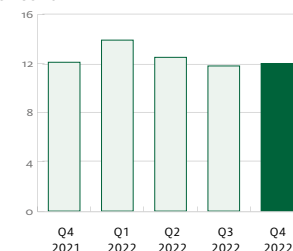
4-quarter moving ROE

Per cent



Common equity Tier 1 ratio

Per cent



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange) since 1942.

The Bank of Åland’s Head Office is in Mariehamn. The Bank has two offices in the Åland Islands, six offices elsewhere in Finland and three offices in Sweden. Two subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

# Financial summary

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
<b>EUR M</b>								
<b>Income</b>								
Net interest income	19.7	18.9	4	16.2	21	68.2	62.2	10
Net commission income	18.4	18.6	-1	21.5	-14	78.4	79.0	-1
IT income	6.2	5.0	23	6.3	-3	23.5	24.4	-4
Other income	2.7	0.2		2.2	24	14.0	10.3	35
<b>Total income</b>	<b>47.0</b>	<b>42.7</b>	<b>10</b>	<b>46.2</b>	<b>2</b>	<b>184.1</b>	<b>176.0</b>	<b>5</b>
<b>Total expenses</b>								
Staff costs	-19.6	-17.9	10	-18.0	9	-75.5	-71.1	6
Other expenses	-11.3	-9.3	22	-10.3	9	-39.7	-33.8	18
Statutory fees	0.0	0.0	-54	0.0		-3.4	-2.8	25
Depreciation/amortisation	-3.3	-3.3	-2	-4.1	-21	-13.2	-14.3	-7
<b>Total expenses</b>	<b>-34.1</b>	<b>-30.5</b>	<b>12</b>	<b>-32.5</b>	<b>5</b>	<b>-131.8</b>	<b>-121.9</b>	<b>8</b>
<b>Profit before impairment losses</b>	<b>12.9</b>	<b>12.2</b>	<b>5</b>	<b>13.8</b>	<b>-6</b>	<b>52.3</b>	<b>54.1</b>	<b>-3</b>
Impairment losses on financial assets, net	-2.2	-1.1	95	-3.5	-37	-6.2	-4.9	26
<b>Net operating profit</b>	<b>10.6</b>	<b>11.1</b>	<b>-4</b>	<b>10.2</b>	<b>4</b>	<b>46.1</b>	<b>49.2</b>	<b>-6</b>
Income taxes	-2.1	-2.2	-6	-2.3	-8	-9.3	-9.3	0
<b>Profit for the period</b>	<b>8.5</b>	<b>8.9</b>	<b>-4</b>	<b>7.9</b>	<b>7</b>	<b>36.8</b>	<b>39.9</b>	<b>-8</b>
Attributable to:								
<b>Shareholders in Bank of Åland Plc</b>	<b>8.5</b>	<b>8.9</b>	<b>-4</b>	<b>7.9</b>	<b>7</b>	<b>36.8</b>	<b>39.8</b>	<b>-8</b>
<b>Volume</b>								
Lending to the public	4,303	4,241	1	4,788	-10			
Deposits from the public	4,182	4,207	-1	4,070	3			
Actively managed assets <sup>1</sup>	8,637	8,212	5	9,826	-12			
Managed mortgage loans <sup>2</sup>	1,304	1,195	9	2				
Equity capital	316	312	2	332	-5			
Balance sheet total	5,898	6,145	-4	6,635	-11			
Risk exposure amount	1,938	1,967	-1	1,976	-2			
<b>Financial ratios</b>								
Return on equity after taxes, % (ROE) <sup>3</sup>	11.9	12.4		10.6		12.8	14.0	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	12.8	12.5		14.0				
Expense/income ratio <sup>4</sup>	0.73	0.71		0.70		0.72	0.69	
Loan loss level, % <sup>5</sup>	0.20	0.11		0.30		0.14	0.12	
Gross share of loans in Stage 3, % <sup>6</sup>	1.61	1.62		1.23				
Liquidity coverage ratio (LCR), % <sup>7</sup>	138	138		139				
Net stable funding ratio (NSFR), % <sup>8</sup>	108	110		109				
Loan/deposit ratio, % <sup>9</sup>	103	101		118				
Common equity Tier 1 capital ratio, % <sup>10</sup>	12.0	11.8		12.1				
Tier 1 capital ratio, % <sup>11</sup>	13.6	13.3		13.6				
Total capital ratio, % <sup>12</sup>	15.2	15.0		15.4				
Leverage ratio, % <sup>13</sup>	4.3	4.1		4.3				
Earnings per share, EUR <sup>14</sup>	0.55	0.57	-3	0.51	9	2.37	2.55	-7
Earnings per share, EUR, moving 12-month average to end of report period	2.37	2.32	2	2.55	-7			
Equity capital per share, EUR <sup>15</sup>	18.82	18.17	4	19.39	-3			
Working hours re-calculated to full-time equivalent positions	862	882	-2	817	5	854	815	5

<sup>1</sup> Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume plus external funds with contractual earnings

<sup>2</sup> Total mortgage loan volume in Borgo AB that the Bank of Åland manages through various services

<sup>3</sup> Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital

<sup>4</sup> Expenses / Income

<sup>5</sup> Impairment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period

<sup>6</sup> Share of loans in Stage 3 / Gross lending to the public

<sup>7</sup> LCR, assets at levels 1 and 2 / 30-day net cash outflow

<sup>8</sup> Available stable funding / Stable funding requirement

<sup>9</sup> Lending to the public / Deposits from the public

<sup>10</sup> Common equity Tier 1 capital / Risk exposure amount

<sup>11</sup> Tier 1 capital / Risk exposure amount

<sup>12</sup> Own funds / Risk exposure amount

<sup>13</sup> Tier 1 capital / Total exposure metric

<sup>14</sup> Shareholders' portion of profit for the period / Average number of shares

<sup>15</sup> Shareholders' portion of equity capital / Number of shares on closing day

# Comments

## MACRO SITUATION

The year 2022 will probably go down in history as one of the most dramatic years in modern times. After the COVID-19 (coronavirus) pandemic had finally begun to release its two-year long grip in Finland and Sweden, on February 24 Russia began a full-scale war of invasion against its neighbouring country of Ukraine. The changing security situation in Europe has been accompanied by soaring energy prices and an inflation shock.

During 2022, the European Central Bank and Sweden's Riksbank both hiked their key interest rates by a total of 2.50 percentage points, and both have declared their intention to implement further key rate hikes aimed at combating inflation. The Bank of Åland has substantial positive net interest income sensitivity to rising short-term market interest rates.

### BENCHMARK INTEREST RATES, QUARTERLY AVERAGES, PER CENT

	Q4 2022	Q3 2022	Q4 2021
Euribor 3 mo	1.77	0.47	-0.57
Euribor 12 mo	2.83	1.49	-0.49
Stibor 3 mo	2.22	1.37	-0.09

### BENCHMARK INTEREST RATES, ANNUAL AVERAGES, PER CENT

	2022	2021
Euribor 3 mo	0.34	-0.55
Euribor 12 mo	1.09	-0.49
Stibor 3 mo	1.00	-0.04

During the year, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index fell by 16 per cent, while the Nasdaq Stockholm's OMXSPI index fell by 25 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 5 per cent lower during 2022 than during the prior year, and at year-end 2022 it was 8 per cent lower than at the end of 2021. When converting the income statement of the Bank's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been converted at the exchange rate prevailing on the closing day of the report period.

## IMPORTANT EVENTS

Finland's POP Bank chose the Bank of Åland's subsidiary Crosskey as its central banking system partner. On January 4, 2022 POP Bank signed a cooperation agreement with Crosskey on the renewal of its core banking system. POP Bank anticipates that it will introduce the new core banking system during 2025.

On February 14, the Bank of Åland transferred most of its Swedish mortgage loans and related previously issued covered bonds to Borgo AB (publ), in which the Bank of Åland's ownership stake amounts to 19 per cent. The nominal amount of the mortgage loan portfolio that was transferred was SEK 10.4 billion. The nominal amount of the previously issued covered bonds, which now have Borgo as their issuer, was SEK 7.5 billion. A smaller mortgage loan portfolio will be transferred later. The transaction had a nonrecurring positive effect in the Bank of Åland's income

statement of SEK 9.8 M. At the same time, this will mean a smaller loan portfolio in the Bank of Åland's own balance sheet and thus a lower current net interest income. The Bank of Åland will instead receive distribution fees for brokered loans and platform revenues for maintaining various services to Borgo. However, ICA Bank and Söderberg & Partners continued to use the Bank of Åland's balance sheet for certain types of new mortgage loans, which will be transferred to Borgo during 2023.

On March 30, 2022, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.00 per share for the financial year 2021 (a regular dividend of EUR 1.55 plus an extra dividend of EUR 0.45).

The AGM also decided to authorise the Board to approve acquisitions of no more than 1,500,000 of the Bank of Åland's Series B shares, which is equivalent to about 10 per cent of all shares in the Company and about 17 per cent of all Series B shares in the Company.

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

During 2022, the Bank of Åland bought back and annulled 361,281 of its own Series B shares. The Bank also issued 12,825 new Series B shares due to its obligations as part of the employee incentive programme.

The Bank of Åland launched a new share savings programme for all Group employees. Employees can save a maximum of five per cent of their monthly salary in order to subscribe for twice-yearly targeted issues of Series B shares. The savings period began in July 2022. The programme will run for one year. Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own the shares that were issued. Employees will be offered the opportunity to subscribe for Series B shares at a price that is 10 per cent below the average price during the calendar month before each respective share issue. By the end of the application period, 69 per cent of the number of Group employees had joined the share savings programme. The savings amount for those who have joined the programme is about EUR 1.5 M, which would be equivalent to about 44,000 Series B shares, based on the average share price in December 2022 including a 10 per cent discount. The number of matching Series B shares is estimated at 38,000. The projected number of shares that employees may receive as part of the share savings programme is about 83,000.

In November 2021 the Bank of Åland's mutual fund company Ålandsbanken Fondbolag and its Swedish wind power partner OX2 signed a memorandum of understanding for an offshore wind power project in the Baltic Sea south of Åland. This collaboration was expanded in May 2022 to include an additional project north

of Åland. In September the parties signed a binding agreement. Because the task of analysis and environmental impact assessment has begun, the project is included in OX2's development portfolio. The projects, known as Noatun South and Noatun North, are being run via two joint ventures in which OX2 is the developer and Ålandsbanken Fondbolag is a long-term shareholder via its mutual funds. In addition to offshore wind farms in the Åland maritime zone, the Noatun projects also include a grid solution for the distribution of electricity to Åland, Sweden, the Finnish mainland and Estonia.

#### EARNINGS FOR JANUARY–DECEMBER 2022

Net operating profit decreased by EUR 3.1 M or 6 per cent to EUR 46.1 M (49.2). About EUR 10 M of net operating profit for the report period was attributable to nonrecurring items, compared to about EUR 5.0 M in the previous year.

Profit for the period attributable to shareholders decreased by EUR 3.0 M or 8 per cent to EUR 36.8 M (39.8).

Return on equity after taxes (ROE) decreased to 12.8 per cent (14.0).

Total income rose by EUR 8.1 M or 5 per cent to EUR 184.1 M (176.0). Core income in the form of net interest income, net commission income and information technology (IT) income increased by EUR 4.4 M or 3 per cent to EUR 170.1 M (165.7).

Net interest income rose by EUR 6.0 M or 10 per cent to EUR 68.2 M (62.2). A higher interest margin – with market interest rates shifting from being negative to being positive – offset lower lending volume. Lending volume was lower because on February 14, the Bank of Åland transferred most of its Swedish mortgage loans to Borgo.

Net commission income fell by EUR 0.6 M or 1 per cent to EUR 78.4 M (79.0). Income from the Bank's asset management business was lower, while income from distributed mortgage loans as well as platform income for managed mortgage loans contributed to higher commission income.

IT income fell by EUR 0.9 M or 4 per cent to EUR 23.5 M (24.4). The decrease mainly came from lower project income.

Other income, including net income on financial items, increased by EUR 3.7 M or 35 per cent to EUR 14.0 M (10.3), mainly thanks to a capital gain of EUR 9.6 M from the transfer of most of the Bank's Swedish mortgage loans. Capital gains from the liquidity portfolio also helped increase other income. The 2021 amount included positive nonrecurring income connected to associated companies and the divestment of intellectual property (IP) rights.

Total expenses increased by EUR 9.9 M or 8 per cent and amounted to EUR 131.8 M (121.9). Higher staff costs and expenses for premises and property, consultants and business travel – plus a substantially higher stability fee to Finland's Resolution Fund – were the main reasons. Production for own use also decreased. Among costs of premises and property was an allocation of EUR 0.6 M for a new office in Helsinki.

Net impairment losses on financial assets amounted to EUR 6.2 M (4.9), equivalent to a loan loss level of 0.14 (0.12) per cent. These impairment losses were mainly due to a small number of individual loans. Due to lower risk of future loan losses related to the coronavirus pandemic, the Bank withdrew its entire previous coronavirus reserve during 2022.

Tax expense amounted to EUR 9.3 M (9.3), equivalent to an effective tax rate of 20.2 (19.0) per cent.

#### EARNINGS FOR THE FOURTH QUARTER OF 2022

Net operating profit increased by EUR 0.4 M or 4 per cent to EUR 10.6 M (10.2).

Profit for the period attributable to shareholders increased by EUR 0.6 M or 7 per cent to EUR 8.5 M (7.9).

Return on equity after taxes (ROE) increased to 11.9 per cent (10.6).

Total income increased by EUR 0.8 M or 2 per cent and amounted to EUR 47.0 M (46.2). Core income in the form of net interest income, net commission income and IT income increased by EUR 0.3 M or 1 per cent to EUR 44.3 M (44.0).

Net interest income rose by EUR 3.5 M or 21 per cent and amounted to EUR 19.7 M (16.2). Substantially higher market interest rates far more than compensated for lower lending volume following the transfer of the Swedish mortgage loan portfolio.

Net commission income fell by EUR 3.1 M or 14 per cent to EUR 18.4 M (21.5). Lower income from the Bank's asset management business was not fully offset by higher income from the distributed and managed mortgage loan business.

IT income fell by EUR 0.1 M or 3 per cent and amounted to EUR 6.2 M (6.3). The decrease mainly came from lower project income.

Other income, including net income on financial items, rose by EUR 0.5 M or 23 per cent to EUR 2.7 M (2.2), mainly thanks to higher capital gains from the liquidity portfolio.

Total expenses increased by EUR 1.6 M or 5 per cent and amounted to EUR 34.1 M (32.5). Substantially lower depreciation/amortisation was offset by higher staff costs and other expenses.

Net impairment losses on financial assets decreased by EUR 1.3 M to EUR 2.2 M (3.5), equivalent to a loan loss level of 0.20 (0.30) per cent.

Tax expense amounted to EUR 2.1 M (2.3), equivalent to an effective tax rate of 19.9 (22.4) per cent.

#### OPERATING SEGMENTS

The Group's decrease of EUR 3.1 M in full-year net operating profit to EUR 46.1 M was allocated as follows:

• Private Banking	-3.4	(higher impairment loss provisions)
• Premium Banking	+9.7	(divested mortgage loan portfolio, higher net interest income)
• IT	-1.3	(lower project income)
• Corporate units & eliminations	-8.1	(nonrecurring effects)

#### BUSINESS VOLUME

Actively managed assets on behalf of customers decreased by EUR 1,188 M or 12 per cent compared to year-end 2021, despite continued strong net inflows from customers, and amounted to EUR 8,637 M (9,826). The decrease was due to a negative market effect.

Deposits from the public rose by EUR 112 M or 3 per cent compared to year-end 2021 and amounted to EUR 4,182 M (4,070).

Lending to the public decreased by EUR 484 M or 10 per cent compared to year-end 2021 and totalled EUR 4,303 M (4,788). The

transferred Swedish mortgage loan portfolio was the reason for this big change. Underlying lending grew by EUR 530 M.

Starting in 2022, the Bank of Åland is reporting a new business volume item in the form of managed mortgage loans. On December 31, 2022, managed mortgage loans totalled EUR 1,304 M. This business volume item generates continuous commission and IT income.

#### CREDIT QUALITY

Lending to private individuals comprised 76 per cent of the loan portfolio. Home mortgage loans accounted for 73 per cent of this. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to individuals. Historically, the Bank of Åland has not had any significant loan losses on this lending segment. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

The Bank of Åland Group had EUR 20.0 M in impairment loss provisions on September 30, 2022 (14.6 on December 31, 2021), of which EUR 0.5 M (2.1) in Stage 1, EUR 1.2 M (0.8) in Stage 2 and EUR 18.3 M (11.7) in Stage 3. Stage 3 loans as a share of gross lending to the public totalled 1.61 per cent (1.23). The level of provisions for Stage 3 loans amounted to 26 (20) per cent. Most of these loans have good collateral.

Of the Bank of Åland's Stage 3 impairment loss provisions, EUR 6.0 M is related to a case in Sweden caused by credit fraud, where the customers were sentenced to prison terms for this crime. The Bank of Åland has the requisite insurance against crime and has filed a damage claim with its insurance company. The insurance company has not completed its damage investigation.

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

#### LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with central banks, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,226 M on December 31, 2022 (1,320 on December 31, 2021). This was equivalent to 21 (20) per cent of total assets and 28 (28) per cent of lending to the public.

The Bank of Åland's balance sheet structure has changed as a result of the transfer of its Swedish mortgage banking business to Borgo AB. Because of this transaction, its funding structure has changed in such a way that deposits from the public now account for a larger proportion of the Bank of Åland's funding. There are no longer any Swedish covered bonds.

On December 31, 2022, the average remaining maturity of the Bank of Åland's bonds outstanding was about 1.3 (3.1) years.

The loan/deposit ratio amounted to 103 (118) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 77 (66) per cent and covered bonds issued accounted for 11 (19) per cent.

The liquidity coverage ratio (LCR) amounted to 138 (139) per cent.

The net stable funding ratio (NSFR) amounted to 108 (109) per cent.

#### RATING

On July 12, Standard & Poor's Global Ratings agency raised its credit rating of the Bank of Åland's for long-term borrowing to BBB+ with a stable outlook, from BBB with a positive outlook. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

#### EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 36.8 M; other comprehensive income, EUR -8.4 M; issuance of new shares as part of the incentive programme, EUR 0.5 M, and the share savings programme, EUR 0.1 M; buy-backs of the Bank's own shares, EUR 12.1 M; a dividend of EUR 31.1 M distributed to shareholders; and dividends of EUR 1.2 M distributed to holders of additional Tier 1 (AT1) capital instruments. On December 31, 2022, equity capital amounted to EUR 316.4 M (331.9 on December 31, 2021).

Other comprehensive income was affected by rising market interest rates and yields, a weaker Swedish krona and increased market value of certain strategic shareholdings. It totalled EUR -8.4 M after taxes, divided into the following balance sheet items. The portion of the Treasury portfolio that is carried at fair value via comprehensive income had other comprehensive income of EUR -9.4 M after taxes. The structural foreign exchange position in Swedish kronor, which ensures a common equity Tier 1 capital ratio with both a numerator and a denominator in Swedish kronor, had other comprehensive income of EUR -7.8 M after taxes. A cash flow hedge had other comprehensive income of EUR -1.6 M after taxes. AT1 instruments in Swedish kronor contributed EUR -1.8 M to other comprehensive income. Strategic shareholdings in Swedish kronor made a net contribution of EUR 6.6 M after taxes to other comprehensive income. Defined-benefit pension plans in compliance with IAS19 benefited from lower pension liability due to rising market rates and made a net contribution to other comprehensive income of EUR 5.7 M after taxes.

Common equity Tier 1 capital fell by EUR 5.7 M during 2022 to EUR 233.0 M (239.0). At year-end 2021, there was unutilised permission from the Finnish Financial Supervisory Authority for buy-backs of the Bank's own shares totalling up to EUR 10.5 M. This amount was a fully deductible item in the capital base (own funds) even when these buy-backs had not occurred. As of December 31, 2022 no similar unutilised permission was in force, since the buy-backs had been implemented in accordance with this permission.

The risk exposure amount decreased by 2 per cent during 2022 and totalled EUR 1,938 M (1,976). The risk exposure amount for credit risk fell by EUR 66 M or 4 per cent. The main reason was the reduced Swedish mortgage loan portfolio in the Bank's balance sheet. Starting in the first quarter, the standardised 26.5 per cent upward adjustment in the risk exposure amount, calculated according to the current IRB approach while awaiting an updated and approved approach, was raised to 45.5 per cent for the retail portfolio. The operational risk exposure amount rose by EUR 21 M. A new risk exposure amount of EUR 7 M was added due to an increased strategic foreign exchange position in Swedish kronor after the transfer of most of the Swedish mortgage loan portfolio to Borgo AB (publ).

The common equity Tier 1 (CET1) capital ratio decreased to 12.0



(12.1) per cent. The Tier 1 (T1) capital ratio was unchanged at 13.6 (13.6) per cent. The total capital ratio decreased to 15.2 (15.4) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. Due to the coronavirus crisis, several of these buffer requirements have been lowered. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0-2.5 per cent. For Finnish exposures, the requirement remains 0.0 per cent. For Swedish exposures the amount of the countercyclical buffer was raised to 1.0 per cent starting in September 2022. A further increase to 2.0 per cent has been announced in Sweden starting in June 2023.

The Finnish Financial Supervisory Authority (FIN-FSA) has also set the buffer requirement related to Pillar 2 capital adequacy regulations at 1.0 per cent of the Bank's risk exposure amount (REA).

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

•Common equity Tier 1 capital ratio	8.1 per cent
•Tier 1 capital ratio	9.8 per cent
•Total capital ratio	12.0 per cent

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

•Common equity Tier 1 capital ratio	+3.9 percentage points
•Tier 1 capital ratio	+3.8 percentage points
•Total capital ratio	+3.1 percentage points

Effective on January 1, 2022, Finland's Financial Stability Authority has given the Bank of Åland a formal minimum requirement for eligible liabilities (MREL) under European Union regulations, but in practice this does not represent any extra capital requirement beyond the already existing minimum requirements related to the Bank's total capital ratio and leverage ratio.

## SUSTAINABILITY INFORMATION

The Bank of Åland applies the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. The GHGP is a global standard for measuring, managing and reporting greenhouse gas emissions. In addition to carbon dioxide, it includes six greenhouse gases identified according to the Kyoto Protocol. Total emissions are measured and reported in tonnes of carbon dioxide equivalent, CO<sub>2</sub>e. These emissions are reported in three scopes, where the Bank of Åland's climate estimate initially encompasses Scope 1 and 2 plus supplier-related (upstream) emissions from purchases in Scope 3.

Total emissions from the Bank's own business operations during 2022 totalled 666 tonnes of carbon dioxide equivalents, which was an increase of 287 tonnes or 76 per cent compared to 2021. This increase was primarily explained by increased business travel.

During 2022, environmentally certified electricity rose from 85 per cent to 94 per cent of total purchases compared to 2021. During the fourth quarter of 2022, environmentally certified electricity accounted for 100 per cent of total purchases.

The Bank of Åland paid climate compensation for estimated emissions from its own business operations. Emissions from its own business operations are also being supplemented with information about downstream Scope 3 emissions, which include the impact

from the loan portfolio, Treasury operations and investments via the mutual fund subsidiary Ålandsbanken Fondbolag. What is new in 2022 in that estimates were developed for these areas, which means that a larger share of their emissions is being reported in 2022 compared to prior years.

## EMPLOYEES

The Bank of Åland's employees are its most important asset and competitive advantage. The Bank's growth strategy implies that its workforce will increase. In 2022 the number of full-time equivalent positions, re-calculated on the basis of hours worked, was 854. This was 39 full-time equivalents or 5 per cent more than the previous year and 155 full-time positions or 22 per cent more than in 2019.

By continuously measuring and monitoring employee motivation and working conditions, the Bank of Åland can ensure a healthy and efficient organisation. The employee commitment score was 7.2 (target >7). During 2022, the Bank has focused its efforts, among other things, on putting in place various dynamic work solutions to ensure that it will continue to be an attractive employer.

The Bank of Åland's action plan for equality and diversity places particular emphasis on ensuring that all employees enjoy equal rights. Within the Bank's operations, creating a culture in which differences are viewed as an asset is a self-evident goal. In order to remain competitive in the market, the right skills and training are a strategic issue and a long-term investment, and the Bank continuously invests in skill-upgrading programmes.

## CUSTOMERS

The Bank of Åland continues to attract new customers in all its various geographic markets and through business partnerships. The number of asset management customers increased by 8 per cent during the year.

Customer surveys continue to confirm that our customers appreciate the personalised service we offer. Customer satisfaction was at a record high and customers were very willing to recommend us. For the second year in a row, the Bank of Åland was named Finland's best Private Banking market player in Kantar Prospera's survey.

## SOCIAL RESPONSIBILITY

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. This year the Baltic Sea Project contributed EUR 550,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 3.8 M to various environmentally related projects.

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

## DIVIDEND

The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.60 per share for the 2022 financial year, equivalent to a total amount of EUR 24.4 M. The dividend is equivalent to a 68 per cent payout ratio.

The Board also proposes that the AGM approve payment of an extra dividend of EUR 0.45 per share. This extra dividend is connected to the final transfer of Swedish mortgage banking operations to Borgo during 2023. The total proposed dividend amounts to EUR 31.3 M or EUR 2.05 per share.

#### **IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD**

As part of the share savings programme, in January the Bank issued 22,057 Series B shares.

#### **RISKS AND UNCERTAINTIES**

The single largest risk and uncertainty factors are Russia's war of invasion in Ukraine and the related geopolitical risks, together with record-high inflation. The consequences of the war and inflation are difficult to assess.

The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates and bond yields, share prices and exchange rates, along with higher expenses due to regulatory decisions and directives as well as by the competitive situation.

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

Since 2017 the Bank of Åland has had a pending case with the Swedish Tax Agency concerning value-added tax (VAT) for the financial year 2016. The Tax Agency has announced a decision on the matter, in which it states that the Bank of Åland must pay about EUR 0.5 M in VAT. The Bank of Åland does not agree with the Tax Agency's assessment and has appealed the Administrative Court's negative ruling of December 2021. A provision for half the amount was made earlier as a tax expense in the financial accounts.

#### **FUTURE OUTLOOK**

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

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

#### **FINANCIAL INFORMATION CALENDER**

The Annual Report for 2021 will be published on February 22, 2023. The corporate governance report is included in the Annual Report, while the risk report (Pillar 3) will be published separately at the same time as the Annual Report.

The Interim Report for the period January–March 2023 will be published on Thursday, April 27, 2023.

The Half-year Financial Report for the period January–June 2023 will be published on Thursday, July 20, 2023.

The Interim Report for the period January–September 2023 will be published on Tuesday, October 24, 2023.

This Year-end Report is unaudited.

Mariehamn, January 31, 2023

THE BOARD OF DIRECTORS

# Sustainability information

The Bank of Åland works towards an awareness and reduction of the organisation's resource consumption and environmental impact. We make an active effort to achieve the established targets in the Group's environmental plan. We include sustainability as a natural element of the dialogue with our suppliers and business partners. By distributing funds yearly for environmental projects that promote a healthier Baltic Sea and providing climate compensation through other projects, we offset our resource consumption and environmental impact.

The Bank of Åland's climate impact estimate encompasses Scope 1, 2 and 3 of the Greenhouse Gas Protocol. Scope 1 includes direct emissions from resources owned or controlled by the Company. Scope 2 includes indirect emissions from the production of electricity, heating and cooling. Scope 3 encompasses indirect emissions that arise from sources that are not owned or controlled by the Bank of Åland. Emissions are estimated with the aid of emission factors and the Åland Index, based on activities in the income statement that are recognised as costs. The exception is purchased electricity, which is recognised in the note according to a market-based method where environmentally certified electricity is recognised at zero CO<sub>2</sub>e emissions. Since the method for estimating energy consumption was refined during 2022, emissions in 2021 have been recalculated.

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
<b>Greenhouse gases, tonnes of CO<sub>2</sub>e</b>								
Scope 1								
Emissions from owned and controlled resources	2.3	2.7	-13	3.2	-28	7.0	5.9	20
Scope 2								
Energy-related emissions <sup>1</sup>	0.2	4.2	-96	21.7	-99	30.7	73.0	-58
<i>of which from electricity according to the market-based method</i>	0.0	4.2	-100	21.6	-100	30.0	72.5	-59
Scope 3 *								
Purchased goods and services	23.0	22.5	2	27.5	-16	116.5	89.2	31
Capital goods	1.6	1.0	63	1.8	-11	5.1	7.9	-36
Transport and distribution	35.4	30.7	15	21.4	65	119.5	98.4	21
Waste generated by own operations	0.5	0.5	8	0.5	11	2.1	1.8	13
Business travel	143.1	127.9	12	63.6	125	378.5	97.9	287
Leased assets	2.5	1.5	70	1.1	121	6.2	4.3	45
<b>Total Scope 3</b>	<b>206.2</b>	<b>184.1</b>	<b>12</b>	<b>115.9</b>	<b>78</b>	<b>627.8</b>	<b>299.5</b>	<b>110</b>
<b>Total greenhouse gases, tonnes of CO<sub>2</sub>e</b>	<b>208.7</b>	<b>191.0</b>	<b>9</b>	<b>140.9</b>	<b>48</b>	<b>665.5</b>	<b>378.4</b>	<b>76</b>
Climate compensation	-208.7	-191.0	9	-775.2		-665.5	-775.2	-14
<sup>1</sup> Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO <sub>2</sub> e	171.1	204.6	-16	219.2	-22	784.9	803.6	-2

## \* Supplier-related emissions from purchases

Emissions per employee (tonnes/average full-time equivalent)	0.95	0.84		0.69		0.77	0.47	
Emissions per EUR M of income (tonnes/EUR M)	4.44	4.47		3.05		3.61	2.15	

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
Paper consumption, tonnes	4.9	3.0	64	4.1	20	19.0	19.7	-4
Energy consumption, GwH	0.46	0.55	-16	0.60	-23	2.11	2.20	-4
<i>of which renewable, in per cent</i>	100	96		83		94	85	
<i>of which other, in per cent</i>		4		17		6	15	
Number of business trips	787	615	28	348		2,057	578	
<i>of which aircraft, in per cent</i>	52	74		66		58	61	
<i>of which ship, in per cent</i>	20	15		23		19	22	
<i>of which train, in per cent</i>	28	11		11		23	17	



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# Summary income statement

Group	Note	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
<b>EUR M</b>									
Net interest income	5	19.7	18.9	4	16.2	21	68.2	62.2	10
Net commission income	6	18.4	18.6	-1	21.5	-14	78.4	79.0	-1
IT income		6.2	5.0	23	6.3	-3	23.5	24.4	-4
Net income from financial items at fair value	7	2.3	-0.1		1.5	55	12.8	-0.4	
Other operating income		0.4	0.3	7	0.7	-47	1.2	10.8	-89
<b>Total income</b>		<b>47.0</b>	<b>42.7</b>	<b>10</b>	<b>46.2</b>	<b>2</b>	<b>184.1</b>	<b>176.0</b>	<b>5</b>
Staff costs		-19.6	-17.9	10	-18.0	9	-75.5	-71.1	6
Other expenses		-11.3	-9.3	22	-10.3	9	-39.7	-33.8	18
Statutory fees		0.0	0.0	-54	0.0		-3.4	-2.8	25
Depreciation/amortisation		-3.3	-3.3	-2	-4.1	-21	-13.2	-14.3	-7
<b>Total expenses</b>		<b>-34.1</b>	<b>-30.5</b>	<b>12</b>	<b>-32.5</b>	<b>5</b>	<b>-131.8</b>	<b>-121.9</b>	<b>8</b>
<b>Profit before impairment losses</b>		<b>12.9</b>	<b>12.2</b>	<b>5</b>	<b>13.8</b>	<b>-6</b>	<b>52.3</b>	<b>54.1</b>	<b>-3</b>
Impairment losses on financial assets, net	8	-2.2	-1.1	95	-3.5	-37	-6.2	-4.9	26
<b>Net operating profit</b>		<b>10.6</b>	<b>11.1</b>	<b>-4</b>	<b>10.2</b>	<b>4</b>	<b>46.1</b>	<b>49.2</b>	<b>-6</b>
Income taxes		-2.1	-2.2	-6	-2.3	-8	-9.3	-9.3	0
<b>Profit for the period</b>		<b>8.5</b>	<b>8.9</b>	<b>-4</b>	<b>7.9</b>	<b>7</b>	<b>36.8</b>	<b>39.9</b>	<b>-8</b>
Attributable to:									
Non-controlling interests		0.0	0.0		0.0	-96	0.0	0.0	-23
<b>Shareholders in Bank of Åland Plc</b>		<b>8.5</b>	<b>8.9</b>	<b>-4</b>	<b>7.9</b>	<b>7</b>	<b>36.8</b>	<b>39.8</b>	<b>-8</b>
Earnings per share, EUR		0.55	0.57	-3	0.51	9	2.37	2.55	-7
Earnings per share, EUR, moving 12-month average to end of report period		2.37	2.32	2	2.55	-7			

# Summary statement of other comprehensive income

Group	Q4 2022	Q3 2022	%	Q4 2021	Jan-Dec %	Jan-Dec 2022	Jan-Dec 2021	%
EUR M								
<b>Profit for the period</b>	<b>8.5</b>	<b>8.9</b>	<b>-4</b>	<b>7.9</b>	<b>7</b>	<b>36.8</b>	<b>39.9</b>	<b>-8</b>
Cash flow hedges								
Changes in valuation at fair value	0.7	-1.0				-2.0		
Assets measured via other comprehensive income								
Changes in valuation at fair value	0.2	-3.5		-0.1		-10.2	-0.6	
Realised changes in value				0.1	-100	0.0	0.1	-98
Transferred to the income statement	-0.9	0.0		-0.1		-1.6	-0.6	
Translation differences								
Gains/Losses arising during the period	-2.1	-1.6	34	-0.8		-7.8	-2.2	
Taxes on items that have been or may be reclassified to the income statement	0.0	0.9	-98	0.0	-36	2.8	0.2	
<i>of which cash flow hedges</i>	-0.1	0.2				0.4		
<i>of which assets measured via other comprehensive income</i>	0.2	0.7	-78	0.0		2.4	0.2	
<b>Items that have been or may be reclassified to the income statement</b>	<b>-2.2</b>	<b>-5.2</b>	<b>-58</b>	<b>-0.9</b>		<b>-18.9</b>	<b>-3.1</b>	
Changes in value of equity instruments	11.1	-1.3		-0.1		8.2	-0.3	
Translation differences	-0.4	-0.5	-31	-0.3	27	-2.6	0.0	
Re-measurements of defined benefit pension plans	-0.9	0.2		4.7		7.1	6.4	11
Taxes on items that may not be reclassified to the income statement	-1.9	0.4		-0.8		-2.3	-1.0	
<i>of which changes in value of equity instruments</i>	-2.2	0.3		0.0		-1.6	0.1	
<i>of which translation differences</i>	0.1	0.1	-31	0.1	27	0.5	0.0	
<i>of which re-measurements of defined-benefit pension plans</i>	0.2	0.0		-0.9		-1.4	-1.3	11
<i>of which taxes on dividends to holders of T1 capital instruments</i>	0.1	0.1	22	0.1	39	0.3	0.2	46
<b>Items that may not be reclassified to the income statement</b>	<b>7.9</b>	<b>-1.3</b>		<b>3.5</b>		<b>10.5</b>	<b>5.0</b>	
<b>Other comprehensive income for the period</b>	<b>5.8</b>	<b>-6.5</b>		<b>2.5</b>		<b>-8.4</b>	<b>1.9</b>	
<b>Total comprehensive income for the period</b>	<b>14.3</b>	<b>2.4</b>		<b>10.5</b>	<b>37</b>	<b>28.4</b>	<b>41.8</b>	<b>-32</b>
Attributable to:								
Non-controlling interests	0.0	0.0		0.0	-96	0.0	0.0	-23
<b>Shareholders in Bank of Åland Plc</b>	<b>14.3</b>	<b>2.4</b>		<b>10.5</b>	<b>37</b>	<b>28.4</b>	<b>41.8</b>	<b>-32</b>

# Income statement by quarter

Group	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
EUR M					
Net interest income	19.7	18.9	15.2	14.3	16.2
Net commission income	18.4	18.6	21.2	20.2	21.5
IT income	6.2	5.0	6.8	5.5	6.3
Net income from financial items at fair value	2.3	-0.1	-0.2	10.8	1.5
Other operating income	0.4	0.3	0.3	0.2	0.7
<b>Total income</b>	<b>47.0</b>	<b>42.7</b>	<b>43.3</b>	<b>51.1</b>	<b>46.2</b>
Staff costs	-19.6	-17.9	-19.1	-18.9	-18.0
Other expenses	-11.3	-9.3	-9.5	-9.7	-10.3
Statutory fees	0.0	0.0	0.1	-3.6	0.0
Depreciation/amortisation	-3.3	-3.3	-3.3	-3.4	-4.1
<b>Total expenses</b>	<b>-34.1</b>	<b>-30.5</b>	<b>-31.7</b>	<b>-35.5</b>	<b>-32.5</b>
<b>Profit before impairment losses</b>	<b>12.9</b>	<b>12.2</b>	<b>11.6</b>	<b>15.6</b>	<b>13.8</b>
Impairment losses on financial assets, net	-2.2	-1.1	-1.2	-1.7	-3.5
<b>Net operating profit</b>	<b>10.6</b>	<b>11.1</b>	<b>10.4</b>	<b>13.9</b>	<b>10.2</b>
Income taxes	-2.1	-2.2	-2.1	-2.9	-2.3
<b>Profit for the period</b>	<b>8.5</b>	<b>8.9</b>	<b>8.3</b>	<b>11.0</b>	<b>7.9</b>
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Shareholders in Bank of Åland Plc</b>	<b>8.5</b>	<b>8.9</b>	<b>8.3</b>	<b>11.0</b>	<b>7.9</b>

# Summary balance sheet

Group	Note	Dec 31, 2022	Dec 31, 2021	%
<b>EUR M</b>				
<b>Assets</b>				
Cash and balances with central banks		342	894	-62
Debt securities		1,000	718	39
Lending to credit institutions		43	64	-34
Lending to the public	9, 10	4,303	4,788	-10
Shares and participations		49	15	
Participations in associated companies		7	15	-54
Derivative instruments	12	27	13	
Intangible assets		21	23	-11
Tangible assets		36	34	4
Investment properties		0	0	-2
Current tax assets		1	0	
Deferred tax assets		6	5	36
Other assets		29	34	-16
Accrued income and prepayments		35	31	12
<b>Total assets</b>		<b>5,898</b>	<b>6,635</b>	<b>-11</b>
<b>Liabilities</b>				
Liabilities to credit institutions and central banks		434	867	-50
Deposits from the public		4,182	4,070	3
Debt securities issued	11	793	1,197	-34
Derivative instruments	12	24	7	
Current tax liabilities		3	4	-37
Deferred tax liabilities		35	35	0
Other liabilities		47	50	-7
Provisions		1	0	
Accrued expenses and prepaid income		32	36	-12
Subordinated liabilities		31	36	-14
<b>Total liabilities</b>		<b>5,581</b>	<b>6,303</b>	<b>-11</b>
<b>Equity capital and non-controlling interests</b>				
Share capital		42	42	
Share premium account		33	33	
Reserve fund		25	25	
Fair value reserve		-11	3	
Unrestricted equity capital fund		28	28	2
Retained earnings		170	172	-1
<b>Shareholders' portion of equity capital</b>		<b>287</b>	<b>302</b>	<b>-5</b>
Non-controlling interests' portion of equity capital		0	0	10
Additional Tier 1 capital holders		29	29	
<b>Total equity capital</b>		<b>316</b>	<b>332</b>	<b>-5</b>
<b>Total liabilities and equity capital</b>		<b>5,898</b>	<b>6,635</b>	<b>-11</b>

# Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Hedge accounting	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Additional Tier 1 capital holders	Total	
<b>Equity capital, Dec 31, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>4.1</b>	<b>2.1</b>	<b>0.0</b>	<b>27.6</b>	<b>158.6</b>	<b>292.4</b>	<b>0.0</b>	<b>0.0</b>	<b>292.4</b>	
Profit for the period									39.8	39.8	0.0		39.9	
Other comprehensive income					-1.1	-2.3			5.3	1.9			1.9	
<i>Transactions with owners</i>														
Additional Tier 1 capital issue													29.4	29.4
Tier 1 capital instrument dividends									-0.8	-0.8			-0.8	
Dividends paid									-31.2	-31.2			-31.2	
Incentive programme								0.4		0.4			0.4	
<b>Equity capital, Dec 31, 2021</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.0</b>	<b>3.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>28.0</b>	<b>171.7</b>	<b>302.5</b>	<b>0.0</b>	<b>29.4</b>	<b>331.9</b>	
Profit for the period									36.8	36.8	0.0		36.8	
Other comprehensive income				-1.6	-2.9	-9.9			5.9	-8.4			-8.4	
<i>Transactions with owners</i>														
Buy-backs of own shares							-12.1			-12.1			-12.1	
Annulment of own shares							12.1		-12.1	0.0			0.0	
Tier 1 capital instrument dividends									-1.2	-1.2			-1.2	
Dividends paid									-31.1	-31.1			-31.1	
Incentive programme								0.5		0.5			0.5	
Share savings programme									0.1	0.1			0.1	
<b>Equity capital, Dec 31, 2022</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>-1.6</b>	<b>0.1</b>	<b>-10.0</b>	<b>0.0</b>	<b>28.5</b>	<b>170.1</b>	<b>287.0</b>	<b>0.0</b>	<b>29.4</b>	<b>316.4</b>	



# Summary cash flow statement

Group	Jan–Dec 2022	Jan–Dec 2021
EUR M		
Operating activities		
Net operating profit	46.1	49.2
Adjustment for net operating profit items not affecting cash flow	25.6	28.1
Profit from investing activities	0.0	-1.9
Income taxes paid	-11.8	-8.2
Changes in assets and liabilities from operating activities <sup>1</sup>	-538.7	190.9
<b>Cash flow from operating activities</b>	<b>-478.7</b>	<b>258.1</b>
Investing activities		
Changes in shares	-9.5	-13.1
Changes in tangible assets	-3.5	-2.7
Changes in intangible assets	-4.1	-5.9
<b>Cash flow from investing activities</b>	<b>-17.2</b>	<b>-21.7</b>
Financing activities		
Additional Tier 1 capital issue		29.4
Share issue	0.5	0.4
Divestments/buy-backs of own shares	-12.1	
Subordinated debt issue/payments of principal	-2.3	-0.2
Payment of principal on lease liability	-3.4	-4.0
Tier 1 capital instrument dividends	-1.2	-0.8
Dividends paid	-31.1	-31.2
<b>Cash flow from financing activities</b>	<b>-49.6</b>	<b>-6.4</b>
Cash and cash equivalents at beginning of period	900.3	672.3
Cash flow during the period	-545.5	229.9
Exchange rate differences in cash and cash equivalents	-25.8	-1.8
<b>Cash and cash equivalents at end of period</b>	<b>329.0</b>	<b>900.3</b>
Cash and cash equivalents consisted of the following items:		
Cash and deposits with central banks	309.8	862.2
Lending to credit institutions that is repayable on demand	19.2	38.2
<b>Total cash and cash equivalents</b>	<b>329.0</b>	<b>900.3</b>

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

# Notes to the consolidated Year-end report

## 1. Corporate information

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public limited company with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 11 offices in Åland, on the Finnish mainland and in Sweden. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium-sized banks.

The Head Office of the Parent Company has the following registered address:  
Bank of Åland Plc  
Nygatan 2  
AX-22100 Mariehamn, Åland, Finland

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

The Year-end Report for the accounting period January 1–December 31, 2022 was approved by the Board of Directors on January 31, 2023.

## 2. Basis for preparation of the Year-end report and essential accounting principles

### BASIS FOR PREPARATION OF THE YEAR-END REPORT

This Year-end Report for the period January 1–December 31, 2022 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standard IAS 34, “Interim Financial Reporting”, which have been adopted by the European Union.

The Year-end Report does not contain all information and all notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2021.

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

### ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2021.

### CHANGE IN PRESENTATION OF STATUTORY FEES

During the second quarter of 2022, the Bank of Åland began to recognise the stability fee on the new “Statutory fees” line in the income statement. The earlier principle was to recognise this expense as part of “Other expenses”. The new presentation provides a clearer picture of the Bank of Åland’s underlying earnings and the effect of statutory fees.

## ESTIMATES AND JUDGEMENTS

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

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

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

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

### 3. Segment report

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

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

Group	Jan-Dec 2022					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	32.7	31.2	0.0	4.3	0.0	68.2
Net commission income	55.5	18.1	-0.1	4.4	0.5	78.4
IT income	0.0	0.0	43.6	0.2	-20.3	23.5
Net income from financial items at fair value	2.9	5.4	-0.2	4.7	0.0	12.8
Other income	0.1	0.0	1.1	1.6	-1.6	1.2
<b>Total income</b>	<b>91.3</b>	<b>54.7</b>	<b>44.3</b>	<b>15.3</b>	<b>-21.4</b>	<b>184.1</b>
Staff costs	-20.1	-6.8	-24.5	-24.1	0.0	-75.5
Other expenses	-10.3	-4.0	-17.2	-25.7	17.4	-39.7
Statutory fees	-1.5	-1.7	0.0	-0.3	0.0	-3.4
Depreciation/amortisation	-2.5	-0.2	-3.5	-9.3	2.3	-13.2
Internal allocation of expenses	-24.9	-22.1	0.0	47.1	0.0	0.0
<b>Total expenses</b>	<b>-59.3</b>	<b>-34.8</b>	<b>-45.2</b>	<b>-12.2</b>	<b>19.7</b>	<b>-131.8</b>
<b>Profit before impairment losses</b>	<b>32.0</b>	<b>19.9</b>	<b>-0.8</b>	<b>3.0</b>	<b>-1.8</b>	<b>52.3</b>
Impairment losses on financial assets, net	-7.5	1.4	0.0	-0.1	0.0	-6.2
<b>Net operating profit</b>	<b>24.5</b>	<b>21.3</b>	<b>-0.8</b>	<b>2.9</b>	<b>-1.8</b>	<b>46.1</b>
Income taxes	-5.0	-4.3	0.2	-0.2	0.0	-9.3
<b>Profit for the year attributable to shareholders in Bank of Åland Plc</b>	<b>19.5</b>	<b>16.9</b>	<b>-0.6</b>	<b>2.7</b>	<b>-1.8</b>	<b>36.8</b>
Business volume						
Lending to the public	1,898	1,995		412	-2	4,303
Deposits from the public	2,007	2,063		129	-17	4,182
Actively managed assets	7,944	684		10		8,637
Managed mortgage loans				1,304		1,304
Risk exposure amount	758	507	75	598		1,938
Equity capital	108	77	26	106		316
Financial ratios etc.						
Return on equity after taxes, % (ROE)	18.3	21.7	-2.3	3.6		12.8
Expense/income ratio	0.65	0.64	1.02	0.80		0.72

Bank of Åland Group		Jan-Dec 2021				
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	28.0	28.3	0.0	6.0	0.0	62.2
Net commission income	58.6	16.9	-0.1	3.3	0.3	79.0
IT income	0.0	0.0	42.8	0.3	-18.7	24.4
Net income from financial items at fair value	0.0	0.0	-0.7	0.3	0.0	-0.4
Other income	0.7	0.0	0.9	10.4	-1.2	10.8
<b>Total income</b>	<b>87.3</b>	<b>45.2</b>	<b>42.9</b>	<b>20.4</b>	<b>-19.7</b>	<b>176.0</b>
Staff costs	-18.3	-6.9	-22.9	-23.0	0.0	-71.1
Other expenses	-8.1	-3.8	-16.2	-21.1	15.4	-33.8
Statutory fees	-1.2	-1.5	0.0	-0.1	0.0	-2.8
Depreciation/amortisation	-2.8	-0.4	-3.3	-11.2	3.4	-14.3
Internal allocation of expenses	-24.1	-21.3	0.0	45.3	0.0	0.0
<b>Total expenses</b>	<b>-54.5</b>	<b>-33.7</b>	<b>-42.4</b>	<b>-10.1</b>	<b>18.8</b>	<b>-121.9</b>
<b>Profit before impairment losses</b>	<b>32.7</b>	<b>11.5</b>	<b>0.5</b>	<b>10.3</b>	<b>-0.9</b>	<b>54.1</b>
Impairment losses on financial assets, net	-4.9	0.1	0.0	-0.1	0.0	-4.9
<b>Net operating profit</b>	<b>27.8</b>	<b>11.6</b>	<b>0.5</b>	<b>10.2</b>	<b>-0.9</b>	<b>49.2</b>
Income taxes	-5.7	-2.4	-0.3	-0.9	0.0	-9.3
<b>Profit for the year attributable to shareholders in Bank of Åland Plc</b>	<b>22.1</b>	<b>9.2</b>	<b>0.2</b>	<b>9.2</b>	<b>-0.9</b>	<b>39.8</b>
Business volume						
Lending to the public	1,966	2,320		502		4,788
Deposits from the public	1,960	2,064		64	-19	4,070
Actively managed assets	9,145	670		11		9,826
Managed mortgage loans				2		2
Risk exposure amount	753	582	75	566		1,976
Equity capital	82	88	28	134		332
Financial ratios etc.						
Return on equity after taxes, % (ROE)	25.2	9.9	0.7	11.7		14.0
Expense/income ratio	0.62	0.75	0.99	0.50		0.69

#### 4. Changes in Group structure

During the first quarter of 2022, Borgo AB (publ) was reclassified in such a way that it is no longer an associated company. The Bank of Åland's ownership stake amounts to 19 per cent.

During the third quarter of 2022, Ålandsbanken Kiinteistökehitys I GP Oy, Ålandsbanken Kiinteistökehitys I Syöttörahasto GP Oy and Ålandsbanken Kiinteistökehitys I Syöttörahasto LP Oy were established. These three new real estate development funds are wholly owned subsidiaries of Ålandsbanken Fondbolag Ab.

During the fourth quarter of 2022, the offshore wind farm company Ålands Havsvind I GP Oy was established as a wholly owned subsidiary of Ålandsbanken Fondbolag Ab and the wind farm management company Helen ÅB Tuulipuistohallinnointiyhtiö Oy was established as a company that is 40 per cent owned by Ålandsbanken Fondbolag Ab.

#### 5. Net interest income

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
EUR M								
Lending to credit institutions and central banks	1.7	0.4		-0.2		1.6	-0.8	
Lending to the public	25.8	19.4	33	16.0	61	73.5	63.7	15
Debt securities	1.9	1.4	33	0.1		4.2	0.3	
Derivatives	-0.1	0.6		0.3		1.6	1.1	48
Other interest income	0.2	0.2	2	0.1	55	0.7	0.2	
<b>Total interest income</b>	<b>29.5</b>	<b>22.0</b>	<b>34</b>	<b>16.3</b>	<b>81</b>	<b>81.6</b>	<b>64.5</b>	<b>27</b>
<i>of which interest income according to the effective interest method</i>	29.4	21.9	35	16.2	81	81.2	64.2	27
Liabilities to credit institutions and central banks	1.1	0.4		-0.7		0.1	-2.9	
Deposits from the public	3.9	1.0		0.2		5.7	1.6	
Debt securities issued	3.6	0.5		0.1		4.0	1.1	
Subordinated liabilities	0.3	0.3	19	0.2		1.1	0.9	25
Derivatives	0.7	0.9	-22	0.3		2.4	1.5	65
Other interest expenses	0.0	0.0	10	0.1	-36	0.1	0.1	50
<b>Total interest expenses</b>	<b>9.8</b>	<b>3.1</b>		<b>0.1</b>		<b>13.4</b>	<b>2.3</b>	
<i>of which interest expenses according to the effective interest method</i>	9.6	3.0		0.0		13.0	2.0	
<b>Net interest income</b>	<b>19.7</b>	<b>18.9</b>	<b>4</b>	<b>16.2</b>	<b>21</b>	<b>68.2</b>	<b>62.2</b>	<b>10</b>
Interest margin, per cent	1.38	1.29		1.03		1.16	1.04	
Investment margin, per cent	1.31	1.24		1.00		1.12	1.00	

Interest from derivative instruments is recognised together with the item that they hedge within the framework of hedge accounting (fair value hedging and cash flow hedging). Interest margin is interest on interest-bearing assets divided by the average balance of assets minus interest on interest-bearing liabilities divided by the average balance of liabilities. Average balance is calculated as the average of end-of-month figures for the period in question plus the opening balance for the period. Investment margin is net interest income divided by the average balance sheet total.

#### 6. Net commission income

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
EUR M								
Banking commissions	3.3	3.3	-2	3.1	4	12.9	11.5	12
Asset management commissions	14.3	14.3	0	17.8	-20	62.2	65.3	-5
Other commissions	0.9	0.9	-1	0.6	52	3.3	2.3	45
<b>Net commission income</b>	<b>18.4</b>	<b>18.6</b>	<b>-1</b>	<b>21.5</b>	<b>-14</b>	<b>78.4</b>	<b>79.0</b>	<b>-1</b>

## 7. Net income from financial items at fair value

Group	Q4 2022	Q3 2022	%	Q4 2021	% Jan-Dec 2022	Jan-Dec 2021	%
EUR M							
Valuation category fair value via the income statement ("profit and loss")							
Derivatives	0.0	0.0	-60	0.5	0.0	0.8	
Other financial items	1.2	0.0		0.9	43	1.7	-2.1
<b>Total, valuation category fair value via the income statement ("profit and loss")</b>	<b>1.2</b>	<b>0.0</b>		<b>1.3</b>	<b>-7</b>	<b>1.7</b>	<b>-1.3</b>
Valuation category fair value via other comprehensive income							
Realised changes in value	0.9	0.0		0.1	1.6	0.6	
Expected loan losses	0.0	0.0		0.0	-0.1	0.2	
<b>Total, valuation category fair value via other comprehensive income</b>	<b>0.9</b>	<b>0.0</b>		<b>0.2</b>	<b>1.5</b>	<b>0.8</b>	<b>96</b>
Hedge accounting							
<i>of which hedging instruments</i>	1.1	-2.5		-0.9	-3.8	-4.1	-8
<i>of which hedged item</i>	-0.7	2.3		1.0	4.5	4.3	4
<b>Hedge accounting</b>	<b>0.4</b>	<b>-0.2</b>		<b>0.1</b>	<b>0.7</b>	<b>0.2</b>	
Valuation category accrued cost							
Loans	-0.1	0.0		0.0	9.5	0.0	
Debt securities	0.0	0.0	52	0.0	0.1	0.2	-69
<b>Total, valuation category accrued cost</b>	<b>-0.1</b>	<b>0.0</b>		<b>0.0</b>	<b>9.6</b>	<b>0.2</b>	
<b>Foreign currency revaluation</b>	<b>-0.2</b>	<b>0.1</b>		<b>0.0</b>	<b>-0.6</b>	<b>-0.2</b>	
<b>Total</b>	<b>2.3</b>	<b>-0.1</b>		<b>1.5</b>	<b>55</b>	<b>12.8</b>	<b>-0.4</b>



## 8. Net impairment losses on financial assets

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
EUR M								
Impairment losses, Stage 1	-0.1	0.2		0.0		-1.9	-0.6	
Impairment losses, Stage 2	0.4	0.0		-0.1		0.4	-0.2	
<b>Net impairment losses, Stages 1-2</b>	<b>0.3</b>	<b>0.2</b>	<b>76</b>	<b>-0.2</b>		<b>-1.5</b>	<b>-0.8</b>	<b>93</b>
Impairment losses, Stage 3								
New and increased individual provisions	2.8	1.3		4.7	-41	12.5	8.5	47
Recovered from previous provisions	-0.8	-0.9	-6	-0.9	-13	-4.7	-2.7	73
Utilised for actual loan losses	-0.3	-0.1		-2.1	-86	-0.7	-2.3	-69
Actual loan losses	0.3	0.2	64	2.1	-86	1.0	2.7	-65
Recoveries of actual loan losses	-0.1	0.4		-0.2	-57	-0.3	-0.4	-40
<b>Net impairment losses, Stage 3</b>	<b>1.9</b>	<b>0.9</b>	<b>99</b>	<b>3.7</b>	<b>-49</b>	<b>7.7</b>	<b>5.7</b>	<b>36</b>
<b>Total impairment losses</b>	<b>2.2</b>	<b>1.1</b>	<b>95</b>	<b>3.5</b>	<b>-37</b>	<b>6.2</b>	<b>4.9</b>	<b>26</b>
of which lending to the public	2.2	1.1	93	3.5	-38	6.5	5.1	28
of which off-balance sheet commitments	0.0	0.0		0.0	-100	-0.3	-0.1	
of which debt securities at amortised cost	0.0	0.0		0.1	-38	0.0	-0.1	-100
Loan loss level, lending to the public, %	0.20	0.11		0.30		0.14	0.12	

## 9. Lending to the public by purpose

Group	Dec 31, 2022			Dec 31, 2021	%
	Lending before provisions	Provisions	Lending after provisions	Lending after provisions	
EUR M					
Private individuals					
Home loans	2,384	-4	2,380	2,832	-16
Securities and other investments	433	0	433	438	-1
Business operations	85	-1	84	84	0
Other household purposes	372	-8	365	363	1
<b>Total, private individuals</b>	<b>3,275</b>	<b>-13</b>	<b>3,262</b>	<b>3,716</b>	<b>-12</b>
Companies					
Shipping	31	0	31	54	-43
Wholesale and retail trade	39	0	38	41	-5
Housing operations	233	-5	228	290	-21
Other real estate operations	191	-1	190	157	21
Financial and insurance operations	224	0	224	217	3
Hotel and restaurant operations	32	0	32	33	-2
Agriculture, forestry and fishing	10	0	10	10	5
Construction	54	0	54	49	10
Other industry and crafts	35	0	35	38	-7
Other service operations	131	0	131	118	11
<b>Total, companies</b>	<b>980</b>	<b>-7</b>	<b>973</b>	<b>1,004</b>	<b>-3</b>
Public sector and non-profit organisations	69	0	68	67	2
<b>Total, public sector and non-profit organisations</b>	<b>69</b>	<b>0</b>	<b>68</b>	<b>67</b>	<b>2</b>
<b>Total</b>	<b>4,323</b>	<b>-20</b>	<b>4,303</b>	<b>4,788</b>	<b>-10</b>

## 10. Lending to the public by stage

Group	Jan 1, 2022 - Dec 31, 2022				Jan 1, 2021 - Dec 31, 2021
	Stage 1	Stage 2	Stage 3	Total	Total
<b>EUR M</b>					
Carrying amount, gross					
Opening balance, January 1	4,603.5	139.9	59.0	4,802.5	4,389.8
Closing balance, December 31	4,027.3	225.9	69.8	4,323.0	4,802.5
Provisions for expected losses					
<b>Opening balance, January 1</b>	<b>2.1</b>	<b>0.8</b>	<b>11.7</b>	<b>14.6</b>	<b>11.9</b>
Increases due to issuances and acquisitions	0.6	0.0	4.4	5.0	0.5
Decrease due to removal from balance sheet	-0.8	0.1	-4.4	-5.1	-1.7
Decrease due to write-offs	0.0	0.0	0.1	0.1	0.0
Transfer to Stage 1	0.6	-0.6	0.0	0.0	0.0
Transfer to Stage 2	-1.1	1.4	-0.4	0.0	0.0
Transfer to Stage 3	0.0	-0.4	0.4	0.0	0.0
Net changes due to changed credit risk	0.5	0.0	7.0	7.5	3.9
Net changes due to changed estimation method	-1.5	-0.1	0.0	-1.7	0.0
Exchange rate differences and other adjustments	0.0	0.0	-0.4	-0.4	0.0
<b>Closing balance, December 31</b>	<b>0.5</b>	<b>1.2</b>	<b>18.3</b>	<b>20.0</b>	<b>14.6</b>
Carrying amount, net					
Opening balance, January 1	4,601.4	139.1	47.3	4,787.8	4,377.9
Closing balance, December 31	4,026.8	224.7	51.5	4,303.0	4,787.8
	<b>Dec 31,</b>	<b>Dec 31,</b>			
Impairment losses, IFRS 9 - Financial ratios	<b>2022</b>	<b>2021</b>			
Total provision ratio, lending to the public, %	0.46	0.30			
Provision ratio, Stage 1, lending to the public, %	0.01	0.05			
Provision ratio, Stage 2, lending to the public, %	0.55	0.60			
Provision ratio, Stage 3, lending to the public, %	26	20			
Share of lending to the public in Stage 3, %	1.61	1.23			

## 11. Debt securities issued

Group	Dec 31, 2022	Dec 31, 2021	%
EUR M			
Certificates of deposit	171		
Covered bonds	622	1,197	-48
<b>Total</b>	<b>793</b>	<b>1,197</b>	<b>-34</b>

## 12. Derivative instruments

Group	Dec 31, 2022						Dec 31, 2021		
	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
EUR M	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>			6	6	0	0	12	2	2
Currency-related contracts									
<i>Currency forward contracts</i>	678			678	7	5	549	2	3
<b>Total</b>	<b>678</b>	<b>0</b>	<b>6</b>	<b>684</b>	<b>7</b>	<b>6</b>	<b>561</b>	<b>3</b>	<b>4</b>
Derivatives for market value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	354	431	46	831	19	18	824	10	3
<b>Total</b>	<b>354</b>	<b>431</b>	<b>46</b>	<b>831</b>	<b>19</b>	<b>18</b>	<b>824</b>	<b>10</b>	<b>3</b>
Derivatives for cash flow hedge									
Interest-related contracts									
<i>Interest rate and currency swaps</i>	360			360					
<b>Total</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total derivative instruments</b>	<b>1,392</b>	<b>431</b>	<b>52</b>	<b>1,875</b>	<b>27</b>	<b>24</b>	<b>1,385</b>	<b>13</b>	<b>7</b>
<i>of which cleared</i>	714	431	49	1,194	19	18	830	10	4

### 13. Financial instruments measured at fair value

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

Group		Dec 31, 2021		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities	396			396
Lending to the public		167		167
Shares and participations	1		14	15
Derivative instruments		13		13
Other assets			5	5
<b>Total financial assets</b>	<b>397</b>	<b>180</b>	<b>19</b>	<b>596</b>
Debt securities issued		644		644
Derivative instruments		7		7
<b>Total financial liabilities</b>		<b>651</b>		<b>651</b>

Changes in Level 3 holdings	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
EUR M	Shares and participations	Shares and participations
Carrying amount on January 1	14.0	12.0
New purchases/reclassifications	25.6	2.5
Divested/reached maturity during the year	0.0	-0.1
Realised change of value in the income statement	0.0	0.0
Change in value recognised in "Other comprehensive income"	8.1	-0.5
<b>Carrying amount at end of period</b>	<b>47.6</b>	<b>14.0</b>

Financial instruments for which there is price information that is easily available and that represent actual and frequently occurring transactions are measured at current market price. For financial assets, the current purchase price is used. For financial liabilities, the current sale price is used. The current market price of groups of financial instruments that are managed on the basis of the Bank's net exposure to market risk equals the current market price that would be received or paid if the net position were divested.

In the case of financial assets for which reliable market price information is not available, fair value is determined with the help of measurement models. Such models may, for example, be based on price comparisons, present value estimates or option valuation theory, depending on the nature of the instrument. The models use incoming data in the form of market prices and other variables that are deemed to influence pricing. The models and incoming data on which the measurements are based are validated regularly to ensure that they are consistent with market practices and generally accepted financial theory.

#### The measurement hierarchy

Financial instruments that are measured according to quoted prices in an active market for identical assets/liabilities are categorised as Level 1. Financial instruments that are measured using measurement models that are, in all essential respects, based on market data are categorised as Level 2. Financial instruments that are measured with the help of models based on incoming data that cannot be verified with external market information are categorised in Level 3. These holdings essentially consist of unlisted shares related to strategic shareholdings. In order to estimate the non-observable price, different methods are used depending on the type of data available. The primary method is based on the Bank's portion of the

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

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

#### 14. Off-balance sheet commitments

Group	Dec 31, 2022	Dec 31, 2021	%
EUR M			
Guarantees	23	44	-48
Unutilised overdraft limits	326	312	4
Unutilised credit card limits	89	88	1
Lines of credit	700	560	25
Other commitments	28	42	-33
<b>Total</b>	<b>1,166</b>	<b>1,045</b>	<b>12</b>
Provision for expected loss	0	0	-88

#### 15. Assets pledged

Group	Dec 31, 2022	Dec 31, 2021	%
EUR M			
Lending to credit institutions	23	26	-11
Debt securities	102	313	-67
Loan receivables constituting collateral (cover pool) for covered bonds	1,251	2,085	-40
Other assets pledged	4	4	1
<b>Total</b>	<b>1,380</b>	<b>2,428</b>	<b>-43</b>

#### 16. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Dec 31, 2022	Dec 31, 2021	%	Dec 31, 2022	Dec 31, 2021	%
EUR M						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	27	13		64	54	19
Offset amount						
<b>Total</b>	<b>27</b>	<b>13</b>		<b>64</b>	<b>54</b>	<b>19</b>
Related amounts not offset						
Financial instruments, netting agreements	-8	-4	75	-8	-4	75
Financial instruments, collateral				-40	-39	1
Cash, collateral				-3	-10	-66
<b>Total amounts not offset</b>	<b>-8</b>	<b>-4</b>	<b>75</b>	<b>-51</b>	<b>-54</b>	<b>-5</b>
<b>Net amount</b>	<b>19</b>	<b>9</b>		<b>13</b>	<b>0</b>	

The tables report financial instruments that were offset in the balance sheet in compliance with IAS 32 and those that were covered by legally binding master netting agreements or similar agreements not qualified for netting. The financial instruments consisted of derivatives, repurchase agreements (repos) and reverse repos, securities deposits and securities loans. Collateral consisted of financial instruments or cash received or paid for transactions covered by legally binding netting agreements or similar agreements that allow netting of obligations to counterparties in case of default. The value of the collateral was limited to the related amount recognised in the balance sheet, so the excess value of collateral is not included. Amounts not offset in the balance sheet are presented as a reduction in the carrying amount of financial assets or liabilities in order to recognise the net exposure of the asset and liability.

## 17. Capital adequacy

Group	Dec 31, 2022	Dec 31, 2021	%
EUR M			
Equity capital	287.0	302.5	-5
Proposed dividend	-31.3	-31.2	0
<b>Common equity Tier 1 capital before deductions</b>	<b>255.7</b>	<b>271.3</b>	<b>-6</b>
Intangible assets	-14.3	-15.0	-5
Deduction for excess value of pension assets	-0.4		
Permission for buy-backs and holdings of own shares		-10.5	-100
Non-controlling interests	0.0	0.0	9
Cash flow hedge	1.6		
Net other items	-0.1		
Further adjustments in value	-0.8	-0.4	96
Expected losses according to IRB approach beyond recognised losses (deficit)	-8.7	-6.9	26
Adjustments due to transitional rules related to IFRS 9	0.3	0.5	-33
<b>Common equity Tier 1 capital</b>	<b>233.3</b>	<b>239.0</b>	<b>-2</b>
Tier 1 capital instruments	29.4	29.4	0
<b>Additional Tier 1 capital</b>	<b>29.4</b>	<b>29.4</b>	<b>0</b>
<b>Tier 1 capital</b>	<b>262.7</b>	<b>268.4</b>	<b>-2</b>
Supplementary capital instruments	31.5	36.4	-14
<b>Supplementary capital</b>	<b>31.5</b>	<b>36.4</b>	<b>-14</b>
<b>Total capital base</b>	<b>294.2</b>	<b>304.8</b>	<b>-3</b>
Capital requirement for credit risk according to the IRB approach	39.0	38.8	0
Additional capital requirement, IRB approach	14.1	10.3	37
Capital requirement for credit risk according to standardised approach	81.9	91.1	-10
Capital requirement for market risk	0.6		
Capital requirement for credit-worthiness adjustment risk	0.0	0.1	-14
Capital requirement for operational risk	19.5	17.8	9
<b>Capital requirement</b>	<b>155.1</b>	<b>158.1</b>	<b>-2</b>
Capital ratios			
Common equity Tier 1 capital ratio, %	12.0	12.1	
Tier 1 capital ratio, %	13.6	13.6	
Total capital ratio, %	15.2	15.4	
Risk exposure amount	1,938	1,976	-2
of which % comprising credit risk	87	89	
of which % comprising market risk	0		
of which % comprising credit-worthiness adjustment risk	0	0	
of which % comprising operational risk	13	11	



Requirements related to capital buffers, %	Dec 31, 2022	Dec 31, 2021
Total common equity Tier 1 capital requirements including buffer requirements	8.1	7.6
of which common equity Pillar 1 capital requirement	4.5	4.5
of which common equity Pillar 2 capital requirement	0.6	0.6
of which capital conservation buffer requirement	2.5	2.5
of which countercyclical capital buffer requirement	0.5	0.0
of which systemic risk buffer requirement	0.0	0.0
Common equity Tier 1 capital available to be used as a buffer	12.0	12.1

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

Exposure class	Dec 31, 2021				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
Without own LGD estimates					
Corporate, other large companies	275.5	207.7	48	100.7	8.1
Corporate, small and medium sized companies	305.4	274.1	51	139.4	11.2
Corporate, special lending	5.0	5.0	71	3.5	0.3
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,874.0	1,859.2	9	174.2	13.9
Retail with property as collateral (small and medium-sized companies)	129.9	127.4	22	27.5	2.2
Retail, other (small and medium-sized companies)	35.2	33.9	20	6.8	0.5
Retail, other	386.9	332.6	10	33.1	2.6
<b>Total exposures according to IRB approach</b>	<b>3,011.9</b>	<b>2,839.9</b>	<b>17</b>	<b>485.3</b>	<b>38.8</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	918.3	1,000.0	0	0.0	0.0
Regional governments or local authorities	66.4	101.1	0	0.0	0.0
Public sector entities	0.1	0.1	0	0.0	0.0
Multilateral development banks	53.9	61.0	2	1.0	0.1
International organisations	4.0	4.0	0	0.0	0.0
Institutions	301.7	262.5	22	57.5	4.6
Corporates	766.9	310.8	96	297.9	23.8
Retail	634.2	250.8	48	120.8	9.7
Secured by mortgages on immovable property	1,438.0	1,436.7	34	485.2	38.8
Exposures in default	13.9	11.1	118	13.1	1.1
Covered bonds	397.0	397.0	11	43.5	3.5
Collective investment undertakings	1.0	1.0	77	0.8	0.1
Equity exposures	28.6	28.6	143	41.1	3.3
Other exposures	89.9	89.9	87	78.0	6.2
<b>Total exposures according to standardised approach</b>	<b>4,714.2</b>	<b>3,954.7</b>	<b>29</b>	<b>1,138.8</b>	<b>91.1</b>
<b>Total risk exposure amount, credit risk</b>	<b>7,726.0</b>	<b>6,794.5</b>	<b>24</b>	<b>1,624.1</b>	<b>129.9</b>

Leverage ratio	Dec 31, 2022	Dec 31, 2021	%
EUR M			
Tier 1 capital	262.7	268.4	-2
Total exposure measure	6,132.5	6,272.9	-2
of which balance sheet items	5,898.3	6,052.0	-3
of which off-balance sheet items	234.2	220.9	5
Leverage ratio, %	4.3	4.3	

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

## 18. Share-related information

Group	Dec 31, 2022	Dec 31, 2021	%
thousands			
Number of Series A shares outstanding at beginning of period	6,476	6,476	
Number of Series B shares outstanding at beginning of period	9,126	9,110	0
<b>Total shares outstanding at beginning of period</b>	<b>15,602</b>	<b>15,586</b>	<b>0</b>
Number of Series B shares issued	13	16	-21
Number of Series B shares bought back and nullified	-361		
<b>Total change in Series B shares</b>	<b>-348</b>	<b>16</b>	
Number of Series A shares outstanding at end of period	6,476	6,476	
Number of Series B shares outstanding at end of period	8,778	9,126	-4
<b>Total shares outstanding at end of period</b>	<b>15,254</b>	<b>15,602</b>	<b>-2</b>
<b>Total shares outstanding at end of period after dilution</b>	<b>15,321</b>	<b>15,636</b>	<b>-2</b>
Shareholders' portion of equity capital per share, EUR	18.82	19.39	-3
Closing price per Series A share, EUR	37.60	32.60	15
Closing price per Series B share, EUR	36.20	31.50	15
Market capitalisation, EUR M	561	499	13
Market capitalisation/shareholders' portion of equity capital, %	196	165	

Group	Q4 2022	Q3 2022	%	Q4 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
thousands								
Average number of shares outstanding	15,526	15,562	0	15,602	0	15,526	15,599	0
Average number of shares outstanding after dilution	15,537	15,583	0	15,602	0	15,537	15,599	0
Earnings per share, EUR	0.55	0.57	-3	0.51	9	2.37	2.55	-11
Earnings per share after dilution, EUR	0.55	0.57	-2	0.51	9	2.37	2.55	-11
Earnings per share, rolling 12 months, EUR	2.37	2.32	2	2.55	-7			