SUPPLEMENT 1 dated 22 November 2021

ÅLANDSBANKEN ABP

(*incorporated with limited liability in the Republic of Finland*)

EUR 3,000,000,000

Medium Term Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme

This supplement (the **Supplement**) comprises a supplement for Ålandsbanken Abp (the **Issuer**) to the Base Prospectus to the Medium Term Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme (the **Programme**) dated 12 March 2021. This Supplement should be read in conjunction with the Programme.

1. Information Incorporated by Reference

1.1. The following information is added into the list of documents on page 99 as new subclause (e)

"e) the unaudited consolidated financial statements for the nine months ended 30 September 2021 as set out on pages 8 to 29 (inclusive) and the financial summary set out on page 2 of the Issuer´s interim report for the nine months ended 30 September 2021 https://www.alandsbanken.ax/uploads/pdf/result/en_resultat_jan-sep_21.pdf"

The document is available on the Issuer's website at https://www.alandsbanken.com/about-us/financial-information/financial-reports

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

2. Other amendments to the Base Prospectus

2.1. To the chapter "**RISK FACTORS"** following amendments:

2.1.1. To the list of categories of risk factors on page 11 a new category of risk factor is added and following language is added to the list*:*

"K. Risk relating to the Borgo Transaction"

2.1.2. To the section "***C. Regulatory risks***", page 18 is added the following information with a new heading ***"The Finnish legislation implementing the EU Covered Bond Directive 2019/2162"*** before the heading ***"Regulatory changes may adversely affect the Group, and the Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks"***

"On 18 December 2019, Directive 2019/2162/EU on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the **Covered Bond**

Directive) was published in the Official Journal of the European Union. Member States shall adopt and publish, by 8 July 2021, the laws, regulations and administrative provisions necessary to comply with the Covered Bond Directive and they shall apply those measures at the latest from 8 July 2022. The Covered Bond Directive requires the implementing law to enter into force on 8 July 2022, however, it is not certain that Finland will be able to implement the law by the required date. At the date of this Supplement, the Covered Bond Directive has not been implemented in Finland. A government bill (HE 203/2021) has been issued in Finland for the implementation of the Covered Bond Directive **(**the **Proposal**).

The licenses of existing mortgage banks and other credit institutions licensed to issue covered bonds do not as such meet the authorization requirement of the Covered Bond Directive. According to the Proposal, the existing mortgage banks and other credit institutions currently licensed to issue covered bonds would need to update their licenses in order to meet new requirements set by the implementing law for the license for the covered bond issues, as the implementing law would enter into force. Any failure by Ålandsbanken in the process to update its license for the covered bond issues or to be compliant with the regulation set by the law implementing the Covered Bond Directive in Finland may have an adverse effect on the business of Ålandsbanken (see "*Summary of the Finnish Legislation regarding Covered Bonds*")."

2.1.3. To the section "***H. Risks related to Green Bonds****",* page 30 the following amendments:

The following sentence is added into the first paragraph between the first and the second sentence:

"Green Assets can be used as collateral in the Issuer's cover pools although they can be financed with other instruments than the Issuer's covered bonds."

The following language is added at the end of the second paragraph:

"Payments of principal and interest on the Green Notes shall not depend on the performance of the relevant eligible assets. Failure by the issuer to provide or publish any reporting, any (impact) assessment or to obtain any (third) opinion or certification will not constitute an event of default under the notes or give rise to any obligation or liability of the issuer or other claim of noteholders against the issuer."

A new paragraph is added as paragraph three to the section:

"The Green classification of a note does not affect the status of the notes in terms of subordination, loss absorbency features and regulatory classification as own funds or eligible liabilities instruments. Green T2 Notes are available to absorb losses incurred not only on Green Assets but also on all types of assets in the balance sheet of the Issuer. Green T2 Notes are fully subject to the application of the CRR eligibility criteria and BRRD requirements for own funds and eligible liabilities instruments and related risks as loss-absorbing instruments. The lack of Green Assets has no consequence on the instruments' permanence and loss absorbency. CRR provisions ensure that in an event of bail-in, the own funds and eligible liabilities instruments function following the creditor's hierarchy according to national insolvency law. This principle is upheld regardless of whether the bonds are labelled Green or not."

2.1.4. A new section "***K. Risk relating to the Borgo Transaction***" is added after section "***J. Risks related to the market generally***", page 32

"K. Risk relating to the Borgo Transaction

EachThe Issuer is subject to risks relating to management and execution of the contemplated Borgo Transaction

The Borgo Transaction is a material project for each the Issuer's business and operating structure. Each The Issuer is expecting the new business model where Ålandsbanken and the other Industrial Investors distribute mortgages from Borgo's balance sheet to provide long-term benefits and stability to its businesses, and also to provide a possibility to offer mortgage loans on competitive terms to its customers. In addition to the actions of each the Issuer, the Borgo Transaction is dependent on third parties to which each of the Issuers haves limited or no control. Participation in, and preparations for, the Borgo Transaction involves risks, such as cost overruns or delays, as well as non-achievement of the economic targets set for the project and the contemplated business. For more information on the project, see "*Borgo Transaction*".

There is no certainty that the synergies and other efficiencies sought by the Borgo Transaction will eventually be achieved

Ålandsbanken and Borgo are expecting the new business model to provide long-term benefits and stability to their businesses and a possibility to offer mortgage loans on competitive terms.

The Industrial Investors (as defined below under "*Borgo Transaction*") see the establishment of Borgo as an opportunity to operate on the mortgage market in a competitive way. However, if Borgo is not able to offer mortgage loans with competitive terms and conditions, it could have an adverse effect on Borgo's results.

Ålandsbanken and its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd will supply platform solutions to Borgo. In addition, the co-operation with Borgo is an important way for Ålandsbanken to implement its strategy of partner co-operation as it is delivering all back-office services to Borgo's platform. A potential inability by Ålandsbanken to adequately provide the solutions and services may lead to delays and contractual breaches which may have an adverse effect on Borgo's operations and financial results.

Borgo's management has operational responsibility for establishing and running Borgo. A potential failure in execution of Borgo's strategy or false management decisions may have an adverse effect Borgo's operations and results.

Borgo intends to receive cost efficiency through scale of the operations. Funding costs and administrative costs, measured as basis points of mortgage volumes, are strongly linked to the size of the operations. The bigger the volume, the lower the cost in terms of basis points. The cost of capital is also indirectly linked to volume, since internal ratings-based models for calculating the capital requirement, with a current risk weight floor of 25 per cent. instead of a risk weight of 35 per cent. with the standard approach, is granted only to large actors. There is a possibility that Borgo does not reach the necessary business volumes needed for economies of scale which could have an adverse effect on Borgo's funding costs, capital requirements and results.

Ålandsbanken, being also a platform solution provider to Borgo, expects Borgo to reach scale benefits in different business areas, which will further benefit also Ålandsbanken's traditional banking and IT business. If these expectations of Ålandsbanken concerning Borgo do not realize, could this have an adverse effect on the results of Ålandsbanken."

2.2. To the chapter "**IMPORTANT NOTICES TO PROSPECTIVE INVESTORS**" following amendment:

The following wording shall be added as a new last sentence at the end of the existing last paragraph under section "**Use of benchmarks**", page 35:

"The Swedish Financial Benchmark Facility is in the process for seeking authorisation from the SWE-FSA to operate as an approved administrator under Benchmark Regulation and intends to submit a formal application for authorisation during 2021."

2.3. To the chapter "**FORM OF FINAL TERMS**", page 39 following amendment:

Under the "**PROVISIONS RELATING TO REDEMPTION**" the following language is deleted:

"Issuer Call:	[Applicable][Not Applicable]
Early redemption amount:	[ ] of the relevant proportion of the nominal amount being redeemed in accordance with Condition 6.4]
First Call Date:	[[●] subject to Condition 7.2.][Not Applicable]"

and replaced with the following language:

"Issuer Call:	[Applicable][Not Applicable]
Early redemption amount:	[ ] of the relevant proportion of the nominal amount being redeemed in accordance with Condition 6.4 or 7.2]
First Call Date:	[[●] subject to Condition 6.4 or 7.2.][Not Applicable]"

2.4. To the chapter "**GENERAL TERMS AND CONDITIONS OF THE NOTES**" following amendments:

2.4.1. The first paragraph of condition "**6.4 Redemption of the MTNs, Covered Bonds and Tier 2 Notes at the option of the Issuer**", page 60 is deleted and replaced with following language:

"If redemption at the option of the Issuer (Issuer Call) is specified as applying to a Series of Notes issued as MTNs, Covered Bonds or Tier 2 Notes in the applicable Final Terms, the Issuer may, having given not less than 30 days' nor more than 60 days' notice to the Noteholders in accordance with Condition 14, redeem all or some only of the then outstanding Notes on the First Call Date (as defined in the Final Terms) or, if specified in the Final Terms, on any subsequent Interest Payment Date thereafter. The early redemption amount shall be specified in the applicable Final Terms and shall be paid together with, if applicable, interest accrued to (but excluding) the First Call Date (as defined in the Final Terms) or, if specified in the Final Terms, on any subsequent Interest Payment Date thereafter."

To the second paragraph, in condition "**6.4 Redemption of the MTNs, Covered Bonds and Tier 2 Notes at the option of the Issuer**", page 60 the following language is added after the sentence "Tier 2 Notes may only be redeemed subject to the approval of the Competent Authority and no earlier than five years from the Issue Date.":

"The Issue shall be replaced by an issue of an equivalent or stronger instrument prior to the early redemption."

2.4.2. The following amendments to condition "**7.2 Conditions for call, redemption, repayment or repurchase**", page 62:

The condition 7.2.1 is deleted and replaced with following language:

"**7.2.1 Issuer's Call Option**

Subject to the Condition for call, redemption, repayment or repurchase, the Issuer may elect, in its sole discretion, to redeem all, but not some only (Early Redemption Amount), of the AT1 Notes on the First Call Date (as defined in the Final Terms) or on any subsequent Interest Payment Date thereafter at their Redemption Price."

The condition 7.2.2 is deleted and replaced with following language:

"**7.2.2. Redemption Due to Taxation**

In case of a Tax Event the Issuer may, subject to the Conditions for call, redemption, repayment or repurchase above, at any time redeem, some or all (Early Redemption Amount), of the AT1 Notes at their Redemption Price on the relevant date fixed for redemption."

The condition 7.2.3 is deleted and replaced with following language:

"**7.2.3 Redemption for Regulatory Purposes**

In case of a Capital Event the Issuer may, subject to the Conditions for call, redemption, repayment or repurchase above, at any time redeem all, but not some only (Early Redemption Amount), of the AT1 Notes at their Redemption Price on the relevant date fixed for redemption."

2.5. To the chapter "**USE OF PROCEEDS**" page 75 following amendment:

From the definition of "Eligible Sectors" the following language is deleted:

"● Clean Transportation
● Sustainable Management of Living Natura Resources
● Pollution Prevention and control"

2.6. To the chapter **"DESCRIPTION OF ÅLANDSBANKEN"** following amendments:

2.6.1. Section "**Share capital and shareholders"**

The fourth paragrah and the table under section "**Share capital and shareholders",** page 78 are deleted and replaced with following:

"As at 30 September 2021, there were eight shareholders in Ålandsbanken holding more than two (2) per cent. of the share capital or the votes, as shown in the table below. The list below also includes companies within each shareholder's group as well as other companies controlled by each shareholder. Table presenting the eight biggest shareholders is amended by the following table:

Shareholder	Series A shares	Series B shares	Total	% of shares	% of votes
1. Wiklöf Anders (and Wiklöf controlled companies)	1,993,534	1,332,961	3,326,495	21.32%	29.72%
2. Alandia Group (insurance group)	754,908	302,632	1,057,540	6.78%	11.11%
3. Nominee registered shareholders in OP Corporate Bank	2,088	927,114	929,202	5.96%	0.70%
4. Fennogens Investments S.A.	616,764	165,467	782,231	5.01%	9.02%
5. Veritas Pension Insurance Company	123,668	265,754	389,422	2.50%	1.98%
6. Chilla Capital	277,500	0	277,500	1,78%	4,00%
7. Lundqvist Ben Hugo	253,574	0	253,574	1,63%	3,66%
8. Oy Etra Invest Ab	0	225,000	225,000	1,44%	0,16%
9. Svenska Litteratur-sällskapet i Finland	208,750	0	208,750	1,34%	3,01%”

2.6.2. Section **“Business activities”**

The following two paragraphs are added to the section **“Business activities”,** page 79 after the first paragraph:

“Crosskey Banking Solutions Ab Ltd is offering a full range of IT services to financial service providers in Finland and Sweden, Ålandsbanken being its largest customer. The number of customers is growing in capital markets systems as well as in core banking solutions.

For many years, Ålandsbanken has collaborated with other market actors within the IT field via its subsidiary Crosskey Banking. Nevertheless, Ålandsbanken has the ability and the potential to offer products and services to other market actors within a substantially broader field than IT services alone. In fintech, today Ålandsbanken is already a versatile and capable partner with the capacity to deliver solutions to companies in most financial service areas.”

2.6.3. Section **”Organisational structure”**

The following new paragraph is added under section **”Organisational structure”**, page 79

”Ålandsbanken became a co-owner of the new company Alandia Holding 30 June 2021. The other co-owners are the pension insurance company Veritas Pensionsförsäkring, the cruise ferry company Viking Line, Föreningen Konstsamfundet (an association that supports the arts in Swedish-speaking Finland), Lundquist Shipping Company and Wiklöf Holding. Alandia Holding owns 24.9 per cent. of the insurance company Alandia Försäkring. Ålandsbanken owns 27.5 per cent. of Alandia Holding.”

2.6.4. The section **”The Issuer, Ica Bank, Ikano Bank, Söderberg & Partners and Borgo have signed an agreement on establishing a joint mortgage platform in Swedish market”** and the following two paragraphs on page 80 are deleted and replaced with a new section **”Borgo Transaction”** between sections **”Organisational structure”** and ”**Distribution of the dividend”**

"Borgo Transaction

On 27 June 2019, Ålandsbanken, ICA Banken, Ikano Bank and Söderberg & Partners signed a letter of intent to form a new Swedish mortgage company.

On 19 September 2019, the Industrial Investors (as defined below) and Borgo signed an agreement on establishing a new mortgage company and joint mortgage platform on the Swedish market.

The Industrial Investors have long experience of distributing mortgage loans. Ålandsbanken has a long experience of running full scale mortgage operations. Borgo, the fifth partner in the collaboration, is a digital start up mortgage company, which has been acquired by the Industrial Investors. Borgo’s management has operational responsibility for establishing and running the new mortgage company.

Ålandsbanken and its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd will supply platform solutions to Borgo. The platform solutions consist of four main services - treasury, payments, credits and accounting. A ten year-agreement has initially been signed.

The Industrial Investors will distribute Borgo’s mortgage loans and receive commission from Borgo in return. Each Industrial Investor will set its own price, apply relevant discounts and following origination, handle first line customer support.

As a first phase in the co-operation, Ålandsbanken signed a distribution agreement with ICA Banken on 30 August 2019. This collaboration enabled ICA Banken to start offering mortgage products to its customers from Ålandsbanken’s balance sheet. Söderberg & Partners has later signed a similar distribution agreement. These mortgage loans will be transferred to Borgo in connection with the Borgo Transaction (as defined below). On 5 February 2021 it was made public that Sparbanken Syd had signed a Letter of Intent with Borgo with the ambition to finance their current mortgage loan portfolio as well as distributing mortgage loans. On 27 August 2021, Sparbanken Syd, Borgo, the Industrial Investors, IISÅ Holdco AB and Borgo Holding AB entered into a binding investment agreement whereby Sparbanken Syd committed to make an investment in Borgo and to enter into final and binding agreements regarding the acquisition by Borgo of Sparbanken Syd’s mortgage loan portfolio. The transaction is conditional upon certain conditions being fulfilled, one being the completion of the New Issue.

On 11 March 2021, Borgo was granted a license by the SWE-FSA to act as a credit market company and to issue covered bonds.

The Swedish mortgage market has historically been characterized by high profitability and low risk. However, a prerequisite for high profitability is the scale. The five main cost components in mortgage banking are the costs of 1) funding; 2) capital; 3) administration; 4) distribution; and 5) credit risk. The advantage of scale is most obvious when it comes to cost of funding and cost of administration. The cost of capital is also indirectly linked to volume, since internal ratings-based models for calculating the capital requirement, with a current risk weight floor of 25 per cent. instead of a risk weight of 35 per cent. with the standard approach, is granted only to large actors.

A co-operation between ICA Banken, Ikano Bank, Söderberg & Partners and Ålandsbanken through Borgo enables necessary scale of mortgage operations and enables them to provide mortgage loans to their customers with more beneficial terms and conditions than what has been possible earlier. Owning a large-scale mortgage company is also a business opportunity.

Borgo's ownership and funding structure

Borgo has four initial industrial shareholders: Ålandsbanken, ICA Banken, Ikano Bank and Söderberg & Partners. Each of Borgo's initial industrial shareholder currently owns 24.95 per cent. each of Borgo (all together referred as the Industrial Investors).

Borgo's funding will partly come from covered bonds which will be issued under its yet to be established covered bonds program. This will provide Borgo an access to a proven, cost-efficient and liquid funding source. Other capital market funding sources such as certificates of deposits and senior unsecured bonds will also be used. Deposits from the public is expected to be the second most important funding source of Borgo.

Since Borgo's balance sheet is expected to grow during the next five years, in particular with the transfer of the Swedish mortgage loan portfolio from Ålandsbanken to Borgo's balance sheet in the first half of the calendar year 2022, new equity capital contributions will constantly be needed. In order to secure capital contributions the Industrial Investors have signed an investment agreement. In addition, discussions are being held with potential financial investors.

Since entering into an agreement to purchase the shares in Borgo in September 2019, the Industrial Investors have been funding operational activities and project related costs, investing a substantial amount in Borgo.

The Industrial Investors are committed to support continued development of Borgo and have also undertaken to cover certain additional unforeseen project or operating costs related to the launch and initial phase of Borgo (subject to decision by Board of Directors and certain limitations). Each Industrial Investors has, for the purposes of establishing Borgo and to finance and capitalise the initial phase of Borgo's operations, committed to make investments in Borgo of no less than SEK 100 million. The indicative total combined maximum amounts available among the Industrial Investors to capitalise and support Borgo is SEK 1,430 million.

Borgo Transaction

Ålandsbanken and Borgo intend to enter into an agreement, according to which Ålandsbanken will transfer its Swedish mortgage loans, SEK-denominated covered bonds it has issued and SEK-denominated bonds from its liquidity portfolio to Borgo (the Borgo Transaction). Based on mortgage loan stock on 30 June 2021, the mortgage loans to be transferred are expected to be SEK 12,500 million and estimated to be consisting of around 6,800 loans split by around 4,300 households with an average loan size of SEK 2,900 thousand per household. Based on the estimation the portfolio is expected to be of high quality with an expected average LTV of 54 % and 83 % of the loans have an LTV below 70 %. A large part of the portfolio (90 %) is estimated to be on a floating rate (0-3 months) and 10 % is on a fixed interest period (more than 1 year). The portfolio is estimated to be dominated by exposures in the Stockholm region with 60 % of the total mortgage portfolio. These estimates are based on Ålandsbanken´s view on the development of the mortgage loan stock.

The size of the liquidity portfolio to be transferred is expected be 25 per cent. of the size of the mortgage loans to be transferred. Mortgage loans which will be transferred to Borgo consist of loans to Ålandsbanken's own customers and loans which ICA Banken and Söderberg & Partners have distributed but which have been granted from Ålandsbanken's balance sheet.

The transfer of Ålandsbanken's mortgage loans for its own customers will be done at a market price determined by the parties. Loans which ICA Banken and Söderberg & Partners have distributed will be transferred to Borgo at nominal value.

Simultaneously with the mortgage loans, Ålandsbanken will transfer two Covered Bonds to Borgo, a SEK 2,000,000,000 Covered Bond issued in May 2020 and a SEK 5,500,000,000 Covered Bond issued in connection with this Listing Prospectus. Covered Bonds will be transferred at a market price agreed between Ålandsbanken and Borgo.

As payment for its mortgage loans and covered bonds transferred to Borgo, Ålandsbanken will receive partly shares in Borgo and partly cash. Simultaneously other Industrial Investors will subscribe and it is intended that financial investors subscribe for new shares at the same price. Maximum number of shares to be issued to Ålandsbanken will correspond to SEK 230 million and the total investment amount received by Borgo from all its investors is expected to be SEK 400 million during the first half year of calendar year 2022.

The Borgo Transaction is expected to take place during the first half year of calendar year 2022, but the completion is subject to several conditions precedent. The main conditions for the completion are: (i) the FIN-FSA having approved the removal of the housing loans from Ålandsbanken's cover pool and to transfer them to Borgo in accordance with Section 12 subsection 2 of the Finnish Covered Bond Act, (ii) Borgo receiving the planned financing with respect to the Borgo Transaction, (iii) establishment of a programme for the issue of bonds for Borgo, (iv) a resolution of the shareholders of Borgo in respect of a share issue, change of Borgo's articles of association and company form to a public limited company, (v) certain agreements being concluded between, inter alia, the Industrial Investors and Borgo including a shareholders' agreement and an investment agreement; (vi) Borgo having received a rating from a rating agency; and (vii) any other necessary licenses, approvals and permits from authorities having been obtained."

2.6.5. Section **Capital adequacy**

In the section "**Capital adequacy**", page 82 amendments as follows:

The last sentence in the first paragraph is deleted and replaced with the following wording:

"The Group's total capital ratio as at 30 September 2021, 31 December 2020 and 31 December 2019 were 16.7 per cent., 16.5 per cent. and 15.8 per cent., respectively."

The last sentence in the fourth paragraph is deleted and replaced with the following wording:

"However, due to the outbreak of the Covid-19 pandemic, the FIN-FSA made a decision on 6 April 2020 to remove the systemic risk buffer from certain credit institutions, including Ålandsbanken, in order to support credit institutions' ability to provide credit and ease the funding conditions for households and businesses during the Covid-19 pandemic."

The last sentence in the fifth paragraph is deleted and replaced with the following wording:

"The Group's total common equity Tier 1 capital ratio as at 30 September 2021, 31 December 2020 was 13.9 per cent. and 14.3 per cent., respectively."

2.6.6. **Recent events**

The following information is added as a new section "**Recent events**" after section **"Capital adequacy"**, page 82**.**

"Recent events

Consent solicitation for the floating interest rate notes due 2022

On 17 August 2021, Ålandsbanken announced a consent solicitation for its outstanding up to SEK 2,500,000,000 floating interest rate notes issued by it on 22 November 2017 with maturity date of 22 November 2022 and the ISIN code SE0010598474, to solicit consents, waivers and decisions to amend the terms and conditions of the notes. Ålandsbanken commenced a consent solicitation process and initiated the procedure in writing for the noteholders to vote for or against the proposal to amend the terms and conditions of the notes by adding a call option according to which Ålandsbanken may redeem all, but not some only, of the outstanding notes in full any time prior to the final maturity date of the notes at an amount equal to 100.800 per cent. of the nominal amount together with accrued but unpaid interest.

On 25 August 2021, Ålandsbanken announced certain amendments to the proposal made in the procedure in writing, including, *inter alia*, an increase in the call price to 100.900 per cent.

On 27 August 2021, Ålandsbanken announced that the noteholders have voted to approve the proposal made in the procedure in writing.

On 1 September 2021, Ålandsbanken announced that it will, subject to the issue of the Covered Bonds, redeem all outstanding notes in full. On 2 September 2021, Ålandsbanken further announced that the redemption of the notes is no longer conditional, and it shall redeem all notes on 10 September 2021.

Divestment of Åland Index Solutions AB

Ålandsbanken has on 27 August 2021 sold its share of 50 % of Åland Index Solutions AB to Doconomy AB. The transaction was made as a part of Doconomy AB's capitalisation enabling expansion of Åland Index Solutions AB. Ålandsbanken has together with Doconomy AB launched Åland Index on a global scale. Åland Index enables card customers to calculate the carbon footprint their create via purchases paid with the card.

Acquisitions of Issuer's own shares

The AGM that was held on March 30, 2021 authorised the Board of the Ålandsbanken to approve acquisitions of the Ålandsbanken's own shares. The Board of Directors of the Ålandsbanken has decided to begin acquisitions of the Ålandsbanken's own shares. The maximum number of shares that may be acquired on the basis of the Board's acquisition decision, in one or more rounds, is 375,000 Series B shares, which is equivalent to 4.1 per cent of the total number of Series B shares and 2.4 per cent the total number of shares. The maximum amount that may be used for the buy-back is EUR 10,500,000. The Finnish Financial Supervisory Authority (FIN-FSA) has granted permission for the buy-back of the Ålandsbanken's own shares."

2.7. To the chapter **"SUMMARY OF THE FINNISH LEGISLATION REGARDING COVERED BONDS"** following amendment:

The following information is added as a new section with heading "***Implementation of the EU Covered Bond Directive 2019/2162 in Finland"*** after the heading "**Management of the Cover Pool upon Liquidation or Bankruptcy of an Interbank Loan Debtor"**, page 92

*"**Implementation of the EU Covered Bond Directive 2019/2162 in Finland***

On 18 December 2019, Directive 2019/2162/EU on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the Covered Bond Directive) were published in the Official Journal of the European Union. Member States shall adopt and publish, by 8 July 2021, the laws, regulations and administrative provisions necessary to comply with the Covered Bond Directive and they shall apply those measures at the latest from 8 July 2022.

The main needs for change arising from the Covered Bond Directive in Finland relate to the license procedure for covered bond programmes, the liquidity requirement and the conditions for the postponement of the maturity of a covered bond (soft bullet). The Covered Bond Directive imposes additional conditions on the use of derivatives linked to covered bonds, particularly so that obligations arising from derivatives must be covered by the collaterals of the mortgage loans granted and that claims arising from such derivatives are covered by the collaterals of the mortgage loans granted. In other respects, the changes required by the Covered Bond Directive in Finland are mainly clarifying.

The Covered Bond Directive requires the implementing law to enter into force on 8 July 2022, however, it is not certain that Finland will be able to implement the law by the required date. At the date of this Supplement, the Covered Bond Directive has not been implemented in Finland but a government bill (HE 203/2021) has been issued in Finland for the implementation of the Covered Bond Directive **(**the **Proposal**).

In many respects, the Finnish Covered Bond Act already meets the requirements of the Covered Bond Directive. According to the Proposal, the main changes would be the increase of the collateral value of Residential Mortgages from 70 per cent. to 80 per cent. of the of the fair value of the residential property securing the Residential Mortgage, removal of the maturity restrictions on covered bonds, inclusion of the postponement of the maturity conditions (soft bullet) in the legislation, limitation of the use of Inter-Bank Loan financing arrangements to intra-group financing arrangements, allowance of the Inter-Bank Loan to a credit institution belonging to the same consolidation group located in the European Economic Area and the clarification of the obligation to assess the balance sheet commitments.

The proposed increase in the maximum collateral value the Residential Mortgages from 70 per cent. to 80 per cent. of the fair value of the residential property securing the Residential Mortgage would allow covered bond issuers to be able to make more comprehensive use of loans with higher credit ratios in collateral pools. The proposed change concerns the collateral value of mortgages only in cover pools, and the change as such would have no effect on the valuations of Residential Mortgages in credit institutions' risk management and lending practices.

According to the Proposal, a license procedure for covered bonds would be established. The Covered Bond Direct requires that in order to issue covered bonds under the Covered Bond Directive and to use the covered bond labels under the Covered Bond Directive (European Covered Bond and European Covered Bond (Premium)), the issuer must have the permission required by the Covered Bond Directive.

The licenses of existing mortgage banks and other credit institutions licensed to issue covered bonds do not as such meet the authorization requirement of the Covered Bond Directive. According to the Proposal, the existing mortgage banks and other credit institutions currently licensed to issue covered bonds would need to update their licenses in order to meet new requirements set by the implementing law for the license for the covered bond issues, as the implementing law would enter into force.”