

Compensation report for 2023 financial year

Bank of Åland Plc



ÅLANDSBANKEN

Compensation report for 2023 financial year, Bank of Åland Plc

Introduction

This compensation report presents the compensation and economic benefits that were paid to the Board of Directors, Managing Director and Deputy Managing Director of the Bank of Åland Plc (Ålandsbanken Abp) during the 2023 financial year.

The report is drawn up in compliance with the Finnish Securities Markets Act, the Finnish Ministry of Finance ordinance on the compensation policy and compensation reports of share issuers and the reporting instructions in the Finnish Corporate Governance Code of 2020. The Bank of Åland's 2020 Annual General Meeting dealt with the Bank's compensation policy ("Compensation Policy") and approved it.

The Bank of Åland followed this Compensation Policy in the payment of compensation to management during 2023. The Bank

did not diverge from the Compensation Policy or revoke any compensation.

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

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

	2019	2020	2021	2022	2023
Board of Directors	296,167	305,500	300,750	349,250	306,250
Managing Director	504,098	450,188	494,676	570,227	539,751
Employees of the Bank of Åland Plc and its Swedish branch	26,735,516	28 12,687	31,030,113	32,811,203	34,778,561
Net operating profit (Group), EUR M	33.2	39.7	49.2	46.1	61.7
Return on equity after taxes, %	10.7	11.6	14.0	12.8	17.2

Compensation to the Board of Directors during the 2023 financial year

Board member	Annual fee	Fee for attending Board meetings	Fee for attending Audit Committee meetings	Fee for attending Compensation Committee meetings	Total
Nils Lampi, Chairman	35,000	17,000	7,500	2,250	61,750
Christoffer Taxell, Deputy Chairman	30,000	12,750		2,250	45,000
Åsa Ceder ¹	7,000	4,500	-	-	11,500
Anders Å Karlsson	28,000	12,750	7,500	-	48,250
Ulrika Valassi	28,000	12,750	10,000	-	50,750
Anders Wiklöf	28,000	12,750	-	-	40,750
Leino-Haltia Mirel	28,000	12,750	7,500		48,250
Agneta Karlsson ²				9,500	9,500

¹ Resigned at the Annual General Meeting, March 29, 2023.

² Co-opted member, Chairman of the Compensation Committee.

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

Compensation to the Managing Director and Deputy Managing Director for the 2023 financial year

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

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

	Managing Director	Deputy Managing Director
Fixed compensation that was paid in 2023		
Fixed annual salary	401,539	301,082
Fringe benefits	11,460	7,162
Variable compensation that was paid in 2023 ¹		
Variable compensation in cash	63,376	47,187
Variable compensation in shares	63,376	47,187
Total compensation	539,751	402,618
Deferred established variable compensation that will be paid after 2023 ²		
Deferred variable compensation in cash	260,678	186,872
Deferred variable compensation in shares	260,678	186,872
Total deferred variable compensation	521,356	373,744

¹ Refers to 2022 variable compensation and deferred 2019 variable compensation paid in March 2023. Shares according to amount of taxed fringe benefits.

² Refers to 2023 variable compensation (allocated variable compensation) that will be paid in 2024, deferred 2020 variable compensation that will be paid in 2024, deferred 2021 compensation that will be paid in 2025, deferred 2022 variable compensation that will be paid in 2027 and deferred variable compensation that will be paid in 2028.

On March 17, 2023, the Managing Director subscribed for 1,633 and the Deputy Managing Director for 1,216 Series B shares in the Bank of Åland at a subscription price of EUR 38.80 per share as part of the Bank's incentive programme.

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

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

On July 10, 2023, the Managing Director subscribed for 319 and the Deputy Managing Director for 231 Series B shares in the Bank of Åland at a subscription price of EUR 29.25 per share within the share savings programme launched for all Group employees in 2022. 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 ran

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 these 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. In June 2023, the Bank of Åland decided to launch an additional one-year share savings programme with the same conditions as the previous share savings programme. The savings period began in September 2023, and the first issue of Series B shares as part of the new programme is planned for March 2024.

The Managing Director is not entitled to a supplementary pension in addition to the statutory public pension. For the Deputy Managing Director, premium-based supplementary pension insurance with a retirement age of 70 years has been purchased.

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