



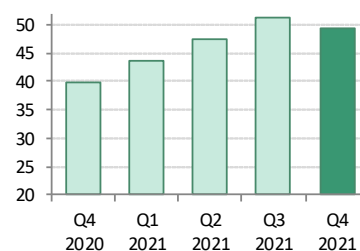
## January – December 2021

Compared to January – December 2020

- Net operating profit increased by 24 per cent to EUR 49.2 M (39.7).
- Net interest income increased by 6 per cent to EUR 62.2 M (58.9).
- Net commission income increased by 19 per cent to EUR 79.0 M (66.3).
- Total expenses increased by 15 per cent to EUR 121.9 M (105.6).
- Net impairment losses on financial assets (including recoveries) totalled EUR 4.9 M (4.9), equivalent to a loan loss level of 0.12 (0.11) per cent.
- Return on equity after taxes (ROE) increased to 14.0 (11.6) per cent.
- Earnings per share increased by 26 per cent to EUR 2.55 (2.02).
- The common equity Tier 1 capital ratio decreased to 12.1 per cent (14.3 per cent on December 31, 2020).
- Dividend: The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.55 per share for the 2021 financial year, equivalent to a 61 per cent payout ratio, plus an extra dividend of EUR 0.45 per share.
- Future outlook: The Bank of Åland expects its net operating profit in 2022 to be about the same as in 2021.

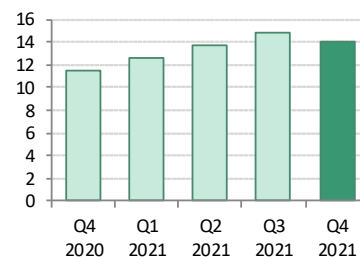
4-quarter moving net operating profit

EUR M



4-quarter moving ROE

Percent



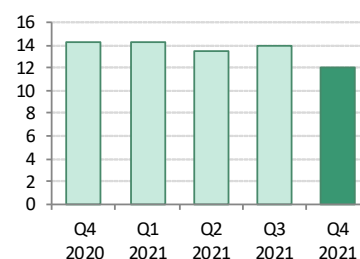
## The fourth quarter of 2021

Compared to the fourth quarter of 2020

- Net operating profit decreased by 17 per cent to EUR 10.2 M (12.3).
- Net interest income increased by 9 per cent to EUR 16.2 M (14.9).
- Net commission income increased by 16 per cent to EUR 21.5 M (18.5).
- Total expenses increased by 17 per cent to EUR 32.5 M (27.8).
- Net impairment losses on financial assets (including recoveries) totalled EUR 3.5 M (0.0), equivalent to a loan loss level of 0.30 (-0.04) per cent.
- Return on equity after taxes (ROE) decreased to 10.6 (13.6) per cent.
- Earnings per share decreased by 19 per cent to EUR 0.51 (0.63).

Common equity Tier 1 ratio

Percent



*"We can report yet another year of strong volume growth: deposits +13 per cent and lending +9 per cent. The investments we manage for our customers grew during the year by 32 per cent to EUR 9,826 M. A strong net inflow of new customer volume contributed EUR 840 M. Our net operating profit also improved sharply: +24 per cent to EUR 49.2 M.*

*"Because of the improvement in earnings, combined with our new financial targets, we are proposing a 55 per cent increase in the dividend to EUR 1.55 per share plus an extra dividend of EUR 0.45 per share due to the divestment of most of our Swedish mortgage portfolio.*

*"We have a continued strong momentum, and during 2021 we were also pleased to be ranked as number 1 in Private Banking in Finland, when Prospera reported its yearly customer survey."*

Peter Wiklöf, Managing Director and Chief Executive

The Bank of Åland is a bank with strong customer relationships and personalised 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 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.

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# Financial summary

Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
<b>Income</b>								
Net interest income	16.2	15.5	5	14.9	9	62.2	58.9	6
Net commission income	21.5	19.1	13	18.5	16	79.0	66.3	19
Net income from financial items at fair value	1.5	-1.7		0.4		-0.4	1.8	
Other income	7.0	12.3	-43	6.3	11	35.2	23.1	52
<b>Total income</b>	<b>46.2</b>	<b>45.2</b>	<b>2</b>	<b>40.1</b>	<b>15</b>	<b>176.0</b>	<b>150.1</b>	<b>17</b>
<b>Total expenses</b>								
Staff costs	-18.0	-17.1	5	-16.9	7	-71.1	-62.9	13
Other expenses	-10.3	-8.3	25	-7.9	31	-36.5	-30.3	20
Depreciation/amortisation	-4.1	-4.3	-5	-3.1	34	-14.3	-12.3	16
<b>Total expenses</b>	<b>-32.5</b>	<b>-29.8</b>	<b>9</b>	<b>-27.8</b>	<b>17</b>	<b>-121.9</b>	<b>-105.6</b>	<b>15</b>
<b>Profit before impairment losses</b>	<b>13.8</b>	<b>15.4</b>	<b>-11</b>	<b>12.3</b>	<b>12</b>	<b>54.1</b>	<b>44.6</b>	<b>21</b>
Impairment losses on financial assets, net	-3.5	-0.8		0.0		-4.9	-4.9	1
<b>Net operating profit</b>	<b>10.2</b>	<b>14.6</b>	<b>-30</b>	<b>12.3</b>	<b>-17</b>	<b>49.2</b>	<b>39.7</b>	<b>24</b>
Income taxes	-2.3	-2.5	-9	-2.5	-10	-9.3	-8.2	14
<b>Profit for the report period</b>	<b>7.9</b>	<b>12.1</b>	<b>-34</b>	<b>9.8</b>	<b>-19</b>	<b>39.9</b>	<b>31.5</b>	<b>27</b>
<b>Attributable to:</b>								
<b>Shareholders in Bank of Åland Plc</b>	<b>7.9</b>	<b>12.1</b>	<b>-34</b>	<b>9.8</b>	<b>-19</b>	<b>39.8</b>	<b>31.5</b>	<b>27</b>
<b>Volume</b>								
Lending to the public	4,788	4,591	4	4,378	9			
Deposits from the public	4,070	3,836	6	3,605	13			
Actively managed assets <sup>1</sup>	9,826	8,922	10	7,436	32			
Equity capital	332	322	3	292	14			
Balance sheet total	6,635	6,353	4	6,035	10			
Risk exposure amount	1,976	1,884	5	1,671	18			
<b>Financial ratios</b>								
Return on equity after taxes, % (ROE) <sup>2</sup>	10.6	16.7		13.6		14.0	11.6	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	14.0	14.8		11.6				
Expense/income ratio <sup>3</sup>	0.70	0.66		0.69		0.69	0.70	
Loan loss level, % <sup>4</sup>	0.30	0.07		-0.04		0.12	0.11	
Gross share of loans in Stage 3, % <sup>5</sup>	1.23	1.19		0.89				
Liquidity coverage ratio (LCR), % <sup>6</sup>	152	149		159				
Net stable funding ratio (NSFR), % <sup>7</sup>	109	109		106				
Loan/deposit ratio, % <sup>8</sup>	118	120		121				
Common equity Tier 1 capital ratio, % <sup>9</sup>	12.1	13.5		14.3				
Tier 1 capital ratio, % <sup>10</sup>	13.6	15.1		14.3				
Total capital ratio, % <sup>11</sup>	15.4	16.2		16.5				
Leverage ratio, % <sup>12</sup>	4.3	4.8		4.2				
Earnings per share, EUR <sup>13</sup>	0.51	0.77	-34	0.63	-19	2.55	2.02	26
Earnings per share, EUR, moving 12-month average to end of report period	2.55	2.67	-4	2.02	26			
Equity capital per share, EUR <sup>14</sup>	19.39	18.74	3	18.76	3			
Working hours re-calculated to full-time equivalent positions	817	836	-2	770	6	815	751	9

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

<sup>3</sup> Expenses / Income

<sup>4</sup> Impairment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period

<sup>5</sup> Share of loans in Stage 3 / Gross lending to the public

<sup>6</sup> LCR, assets at levels 1 and 2 / 30-day net cash outflow

<sup>7</sup> Available stable funding / Stable funding requirement

<sup>8</sup> Lending to the public / Deposits from the public

<sup>9</sup> Common equity Tier 1 capital / Risk exposure amount

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

<sup>11</sup> Own funds / Risk exposure amount

<sup>12</sup> Tier 1 capital / Total exposure metric

<sup>13</sup> Shareholders' portion of the profit for the period / Average number of shares

<sup>14</sup> Shareholders' portion of equity capital / Number of shares on closing day

# Comments

## MACRO SITUATION

The COVID-19 (coronavirus) pandemic dominated 2021 as well. The pandemic initially faded in our area of operations and most restrictions were lifted, but late in the year the Omicron variant struck with great force, with new restrictions as a consequence.

Fiscal and monetary stimulus measures have been large. The economic recovery has been strong. For the local economy in the Åland Islands, the record-strong summer tourist season represented a welcome positive injection.

During 2021 long-term market yields began to move higher, but short-term market interest rates – which are more important to the Bank of Åland's net interest income – remained at record-low levels. Central banks in Europe are expected to keep their key interest rates unchanged for some time to come.

## BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q4 2021	Q3 2021	Q4 2020
Euribor 3 mo	-0.57	-0.55	-0.52
Euribor 12 mo	-0.49	-0.49	-0.48
Stibor 3 mo	-0.09	-0.02	-0.08

## BENCHMARK INTEREST RATES, ANNUAL AVERAGES, PER CENT

	2021	2020
Euribor 3 mo	-0.55	-0.43
Euribor 12 mo	-0.49	-0.30
Stibor 3 mo	-0.04	-0.03

During 2021 share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index rose by 18 per cent, while the Nasdaq Stockholm's OMXSPI index rose by 35 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 3 per cent higher during 2021 than in the year-earlier period and 2 per cent lower than at year-end 2020. 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

On January 1, 2021 the Board of Directors of the Bank of Åland approved the distribution of a dividend totalling EUR 1 per share (a regular dividend of EUR 0.80 and a 100th anniversary dividend of EUR 0.20) for the 2019 financial year, in compliance with the authorisation that the Board received from the Bank's Annual General Meeting on April 2, 2020.

On March 30, 2021, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 1.00 per share for the financial year 2020.

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. This is equivalent to about 10 per cent of all shares in the Company and about 16.4 per cent of all Series B shares in the Company. The Company's own shares may be acquired in order to change the Company's capital structure, to be used as consideration in acquisitions of companies or

sectoral reorganisations or as part of the Company's incentive programmes and may otherwise be transferred onward, be kept by the Company or be annulled. The shares may be acquired in one or more rounds.

The AGM re-elected the Board, consisting of Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å Karlsson, Ulrika Valassi and Anders Wiklöf. 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.

In March, for the first time ever the Bank of Åland issued an additional Tier 1 (AT1) capital instrument, totalling SEK 300 M. This is a perpetual financial instrument, with a possibility of early redemption after five years. For financial reporting purposes, the instrument is regarded as equity capital.

In December, for the first time ever the Bank of Åland issued a green Tier 2 (T2) supplementary capital instrument, totalling SEK 150 M. This instrument has a 20-year maturity, with a possibility of early redemption after five years. The proceeds of the instrument will be used for financing and refinancing wind power projects and mortgage loans for properties with high energy performance ratings.

During the report period, the number of Series B shares outstanding increased by 16,249 as a result of the Bank's obligations within the framework of its employee incentive programmes.

During the period, the Bank of Åland opened a new office in Oulu on the Finnish mainland.

In March 2021 Borgo AB, an associated company of the Bank of Åland, received permission from the Swedish Financial Supervisory Authority to operate a financing business and to issue covered bonds. In the fourth quarter, the company started its operations in Sweden. In September 2019 Borgo entered into a partnership with ICA Bank, Ikano Bank, Söderberg & Partners and the Bank of Åland (IISÅ Holdco AB) for the purpose of creating a new Swedish mortgage company. In August 2021 Sparbanken Syd (a southern Swedish savings bank) also signed a binding agreement with Borgo to join the partnership. Together with its information technology subsidiary Crosskey Banking Solutions, the Bank of Åland is supplying platform solutions for the new mortgage company and contributing its existing knowledge on mortgage loan management.

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 500,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 3.3 M to various environmentally related projects.

For the eighth consecutive year, the Bank of Åland (Ålandsbanken) Euro Bond Fund was named the best Nordic fund in its category by Refinitiv Lipper. The Morningstar investment research company, which compares fund data and funds in their respective classes, also assigned the Bank of Åland Euro Bond Fund its highest rating – five stars – in all its review cycles.

On June 30 Alandia Holding completed its acquisition of Rettig Group's entire stake (24.9 per cent) in the marine insurance company Alandia Försäkring. Alandia Holding is a company created by the Bank of Åland, 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 for the purpose of acquiring this shareholding in Alandia Försäkring. The express desire of the owners of Alandia Holding is to act as a long-term owner of Alandia Försäkring. Alandia Holding is an associated company of the Bank of Åland.

In August the Bank of Åland sold its shareholding in the company Åland Index Solution as well as intellectual property (IP) rights to the Åland Index to Doconomy, a Swedish-based fintech company. The Bank of Åland still has a significant ownership in Doconomy.

#### EARNINGS FOR JANUARY – DECEMBER 2021

Net operating profit rose by EUR 9.5 M or 24 per cent to EUR 49.2 M (39.7). About EUR 5.0 M of net operating profit for the report period was attributable to nonrecurring items.

Profit for the period attributable to shareholders increased by EUR 8.3 M or 27 per cent to EUR 39.8 M (31.5).

Return on equity after taxes (ROE) increased to 14.0 per cent (11.6).

Total income rose by EUR 25.8 or 17 per cent to EUR 176.0 M (150.1).

Net interest income rose by EUR 3.3 M or 6 per cent to EUR 62.2 M (58.9). The increase came from higher lending volume and lower costs of deposits and capital market borrowing.

Net commission income rose by EUR 12.7 M or 19 per cent to EUR 79.0 M (66.3), mainly due to higher income from the Bank's asset management business.

Net income on financial items fell by EUR 2.3 M to EUR -0.4 M (1.8), mainly due to lower capital gains and re-measurement of liabilities attributable to an earn-out (contingent consideration) related to the purchase price of an asset.

Information technology (IT) income rose by EUR 2.5 M or 14 per cent to EUR 24.4 M (21.9). The increase came from higher project income.

Other income included nonrecurring positive effects related to associated companies and divestment of IP rights.

Total expenses increased by EUR 16.3 M or 15 per cent and totalled EUR 121.9 M (105.6). Higher staff costs and IT expenses plus increased depreciation/amortisation were the main reasons.

Total net impairment losses on financial assets were unchanged and amounted to EUR 4.9 M (4.9), equivalent to a loan loss level of 0.12 (0.11) per cent. These impairment losses were mainly due to a small number of individual loans. In the first quarter of 2020, the Bank made sizeable model-driven provisions for impairment losses in compliance with the IFRS 9 international financial reporting standard, which have not yet been utilised.

Tax expense amounted to EUR 9.3 M (8.2), equivalent to an effective tax rate of 19.0 (20.7) per cent.

#### EARNINGS FOR THE FOURTH QUARTER OF 2021

Net operating profit fell by EUR 2.1 M or 17 per cent to EUR 10.2 M (12.3).

Profit for the period attributable to shareholders decreased by EUR 1.9 M or 19 per cent to EUR 7.9 M (9.8).

Return on equity after taxes (ROE) decreased to 10.6 per cent (13.6).

Total income rose by EUR 6.1 M or 15 per cent to EUR 46.2 M (40.1).

Net interest income rose by EUR 1.3 M or 9 per cent to EUR 16.2 M (14.9). The increase came from higher lending volume and lower costs of deposits and capital market borrowing.

Net commission income rose by EUR 3.0 M or 16 per cent to EUR 21.5 M (18.5), mainly due to higher income from the Bank's asset management business.

Net income on financial items rose by EUR 1.1 M to EUR 1.5 M (0.4), mainly due to re-measurement of an asset.

IT income rose by EUR 0.3 M or 5 per cent to EUR 6.3 M (6.0). The increase came from higher project income.

Other income included positive effects related to associated companies.

Total expenses increased by EUR 4.7 M or 17 per cent and totalled EUR 32.5 M (27.8). Higher staff costs and IT expenses plus increased depreciation/amortisation were the main reasons.

Total net impairment losses on financial assets increased by EUR 3.5 M to EUR 3.5 M (0.0), equivalent to a loan loss level of 0.30 (-0.4) per cent. These impairment losses were mainly due to a small number of individual loans.

Tax expense amounted to EUR 2.3 M (2.5), equivalent to an effective tax rate of 22.4 (20.6) per cent.

#### OPERATING SEGMENTS

The Group's EUR 9.5 M increase in net operating profit to EUR 49.2 M was allocated as follows:

- Private Banking -1.3 (higher impairment provisions)
- Premium Banking +5.3 (lower impairment provisions)
- IT -2.6 (higher expenses and earn-out)
- Corporate Units +8.1 (mainly nonrecurring effects) & Eliminations

#### BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 2,390 M or 32 per cent compared to year-end 2020 and amounted to EUR 9,826 M (7,436). The increase was due to both positive net inflows and a positive market effect.

Deposits from the public rose by 13 per cent compared to year-end 2020 and amounted to EUR 4,070 M (3,605).

Lending to the public increased by 9 per cent compared to year-end 2020 and totalled EUR 4,788 M (4,378).

All these business volume figures were the highest recorded in the Bank of Åland's history.

## CREDIT QUALITY

Lending to private individuals comprised 78 per cent of the loan portfolio. Home mortgage loans accounted for 76 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 substantial loan losses on this type of lending. 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 14.9 M in impairment loss provisions on December 31, 2021 (11.9 on December 31, 2020), of which EUR 2.1 M (2.5) in Stage 1, EUR 0.8 M (1.0) in Stage 2 and EUR 11.7 M (8.3) in Stage 3. During 2021, Stage 3 loans increased by EUR 16.8 M to EUR 47.3 M.

Stage 3 loans as a share of gross lending to the public totalled 1.23 per cent (0.89). The level of provisions for Stage 3 loans amounted to 20 (21) per cent. Most of these loans have good collateral.

## LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,320 M on December 31, 2021 (1,175 on December 31, 2020). This was equivalent to 20 (19) per cent of total assets and 28 (27) per cent of lending to the public.

In September the Bank of Åland carried out an early redemption of SEK 2.5 billion in covered bonds from the Swedish pool with a final due date in November 2022. At the same time, the Bank issued new covered bonds in the amount of SEK 5.5 billion with a final due date in September 2026. The bond issue was unique, since these bonds carry contractual conditions that allow them to move from the Finnish to the Swedish legislative framework, and from the Bank of Åland as counterparty to Borgo as counterparty, when the Bank's Swedish mortgage loan portfolio is transferred to Borgo during the first half of 2022.

In September EUR 250 M in non-covered bonds also matured. The Bank chose not to renew them.

On December 31, 2021, the average remaining maturity of the Bank of Åland's bonds outstanding was about 3.1 (2.5) years.

The loan/deposit ratio amounted to 118 (121) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 66 (64) per cent and covered bonds issued accounted for 19 (16) per cent.

The liquidity coverage ratio (LCR) amounted to 152 (159) per cent.

The net stable funding ratio (NSFR) amounted to 109 (106) per cent.

## RATING

The Bank of Åland had a credit rating from the Standard & Poor's Global Ratings agency of BBB/A-2 with a positive outlook for its long- and short-term borrowing. 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 39.9 M; other comprehensive income, EUR 1.9 M; the issuance of new shares as part of the incentive programme, EUR 0.4 M; distributed dividends totalling EUR 31.2 M to shareholders; distributed dividends of EUR 0.8 M to holders of additional Tier 1 (AT1) capital instruments; and issuance of AT1 capital, EUR 29.4 M. On December 31, 2021, equity capital amounted to EUR 331.9 M (292.4 on December 31, 2020).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 5.1 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 0.5 M during the report period to EUR 239.0 M (238.5). The Finnish Financial Supervisory Authority has granted permission for buy-backs of the Bank's own shares. The maximum amount that may be used for buy-backs is EUR 10.5 M. The amount is a fully deductible item in the capital base (own funds) even when these buy-backs have not occurred.

The risk exposure amount increased by 18 per cent during the report period and totalled EUR 1,976 M (1,671). The risk exposure amount for credit risk rose by EUR 290 M or 22 per cent. The elimination of the risk weight floor for mortgage loans in Finland decreased the risk exposure amount by EUR 108 M. A 26.5 per cent standardised upward adjustment of the risk exposure amount, calculated according to the IRB approach while awaiting an updated, approved IRB approach, increased the risk exposure amount by EUR 129 M. The operational risk exposure amount fell by EUR 4 M.

The common equity Tier 1 (CET1) capital ratio decreased to 12.1 (14.3) per cent.

The Tier 1 (T1) capital ratio, which had previously always been identical with the CET1 capital ratio, rose due to the issuance of AT1 instruments totalling SEK 300 M in March 2021 and amounted to 13.6 (14.3) per cent.

The total capital ratio decreased to 15.4 (16.5) per cent.

A mitigation measure in the calculation of the leverage ratio has been introduced, exempting exposures to central banks with relevance for the transmission of monetary policy. The Bank of Åland has taken this into account in its calculation of the leverage ratio, which amounted to 4.3 (4.2) per cent on December 31, 2021. Excluding the mitigation measure, it would have amounted to 3.9 (3.9) 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 and Swedish exposures, the requirement remains 0.0 per cent. However, the Swedish Financial Supervisory Authority has decided to raise the amount of the countercyclical buffer to 1.0 per cent. The new buffer amount applies starting on September 29, 2021. The Swedish FSA is aiming at gradually raising the buffer amount to 2.0 per cent during 2022 if the economic recovery continues.

The buffer requirement established by the Finnish Financial Supervisory Authority (FIN-FSA) related to Pillar 2 capital adequacy regulations, totalling 1.5 per cent of the Group's risk exposure amount (REA), was lowered to 1.0 per cent starting on September 30, 2021. This buffer requirement was previously supposed to be covered only by CET1 capital. Starting in 2021, part of the Pillar 2 requirement may also be covered by AT1 capital and supplementary capital, respectively.

The new minimum levels applicable to the Bank of Åland starting on September 30, 2021 are:

- Common equity Tier 1 capital ratio 7.6 per cent
- Tier 1 capital ratio 9.3 per cent
- Total capital ratio 11.5 per cent

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

- Common equity Tier 1 capital ratio +4.5 percentage points
- Tier 1 capital ratio +4.3 percentage points
- Total capital ratio +3.9 percentage points

Effective on January 1, 2022, Finland's Financial Stability Authority has given the Bank of Åland a formal minimum requirement for own funds and 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.

Due to an interpretation error regarding a bank-specific regulatory requirement, the Bank of Åland reported inaccurate capital adequacy disclosures earlier during 2021. The corrected disclosures were presented in a stock exchange release on December 19.

#### ACQUISITIONS OF THE BANK'S OWN SHARES

Board of Directors of the Bank of Åland has decided to begin acquisitions of the Bank's own shares, as authorised by the Annual General Meeting (AGM) on March 30, 2021. 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 10.5 M. The Finnish Financial Supervisory Authority (FIN-FSA) has granted permission for the buy-back of the Bank's own shares.

The acquisition of shares will end at the latest on March 30, 2022. The shares will be acquired using unrestricted equity capital in public trading on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) in one or more rounds at a price determined in public trading on the Nasdaq Helsinki Oy on the day of the acquisition. The shares will be acquired and paid for according to the rules of Nasdaq Helsinki Oy.

The shares will be acquired in order to change the Bank of Åland's capital structure, to be used as consideration in acquisitions of companies or sectoral reorganisations or as part of the Bank of Åland's incentive programmes and may otherwise be transferred onward or kept by the Bank of Åland. There are thus weighty financial reasons to carry out a targeted acquisition.

No acquisitions of the Bank's own shares had been carried out yet on December 31, 2021, but the maximum buy-back amount of EUR 10.5 M is nevertheless fully deductible from the Bank of Åland's CET1 capital.

#### SUSTAINABILITY INFORMATION

During the fourth quarter of 2021, the Bank of Åland implemented the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. These emissions are reported in three scopes, where the Bank of Åland's climate estimate initially encompasses Scope 1 and 2 plus supplier-related emissions from purchases in Scope 3.

Emissions in 2021 totalled 775 tonnes of carbon dioxide equivalents, which was an increase of 3 tonnes compared to the preceding year. In its accounts, the Bank of Åland has set aside a cost of EUR 25,000, which is equivalent to full climate compensation for the estimated emissions.

#### DIVIDEND

The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.55 per share for the 2021 financial year, equivalent to a total amount of EUR 24.5 M. The dividend is equivalent to a 61 per cent payout ratio.

The Board also proposes that the AGM approve payment of an extra dividend of EUR 0.45 per share, on the condition that the planned transfer of most of the Bank's Swedish mortgage loan portfolio to Borgo is implemented.

#### IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

POP Bank has chosen 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.

The POP Bank Group is a Finnish financial group consisting of 21 cooperative banks, the digitally operating non-life insurance service P&C Insurance Ltd, the central credit institution Bonum Bank Plc, and the central institution POP Bank Centre coop.

On January 20 the Bank of Åland made the formal decision to carry out the transfer of the Bank's Swedish mortgage portfolio and previously issued Swedish covered bonds to the Swedish company Borgo, in which the Bank's ownership stake after the transaction will amount to 19.9 per cent.

The transaction will have a positive effect on the Bank of Åland's net operating profit in the first quarter but will subsequently mean a smaller loan portfolio in the Bank of Åland's own balance sheet and thus a lower current net interest income for the Bank. In the future, the Bank of Åland will instead receive distribution fees for brokered loans and platform revenues for maintaining its various services to Borgo. The total full-year effect on 2022 earnings is expected to be positive.

#### RISK AND UNCERTAINTIES

The single largest risk and uncertainty factor is still the global coronavirus pandemic.

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, share prices and exchange rates, along with higher expenses due to regulatory decisions and directives as well as 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 will appeal the Administrative Court's negative ruling of December 2021. A provision for half the amount has been made as a tax expense in the financial accounts.

#### **FUTURE OUTLOOK**

The Bank of Åland expects its net operating profit in 2021 to about the same as in 2021.

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.

#### **LONG-TERM FINANCIAL TARGETS**

The Board of Directors approved on October 26, 2021 the following updated long-term financial targets:

- Return on equity after taxes (ROE) shall exceed 15 per cent over time.
- The common equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75-3.0 percentage points.
- The payout ratio shall be 60 per cent or higher, provided that capital adequacy does not fall below target.

The previous targets, which the Bank of Åland had since 2013 with only minor adjustments in their language, were:

- Return on equity after taxes (ROE) shall exceed 10 per cent.
- The Bank's capital adequacy, primarily defined as the common equity Tier 1 capital ratio under the Basel regulations, shall clearly exceed all regulatory requirements.
- The payout ratio shall eventually amount to 50 per cent. The payout ratio target presupposes that the capital adequacy target can be maintained.

The Bank of Åland has a strategy and business model which implies that a growing proportion of earnings will come from asset management operations, IT operations and business partnerships that require comparatively limited equity capital. Combined with the growth that the Bank has experienced, this justifies raising the profitability target – expressed as return on equity after taxes – from 10 to 15 per cent.

The newly quantified target of a common equity Tier 1 capital ratio that is at least 1.75 percentage points above the minimum required by regulatory authorities indicates a slightly higher minimum than is customary in the banking sector. This reflects the Bank of Åland's conservative approach to risk.

As long as the capital adequacy target is achieved, at least 60 per cent of profit for the year shall be distributed to shareholders. In order to ensure efficient use of capital, share repurchases will also be employed.

#### **GENERAL MEETING**

The Annual General Meeting (AGM) will be held on March 30, 2022.

#### **FINANCIAL INFORMATION CALENDAR**

The Annual Report for 2021 will be published on Wednesday, February 23, 2022. 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 2022 will be published on Tuesday, April 26, 2022.

The Half-year Financial Report for the period January–June 2022 will be published on Tuesday, July 19, 2022.

The Interim Report for the period January–September 2022 will be published on Tuesday, October 25, 2022.

This Year-end Report is unaudited.

#### **THE BOARD OF DIRECTORS**

Mariehamn, February 2, 2022

# 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 pursue a dialogue about sustainability and environmental responsibility 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.

Due to the coronavirus pandemic, the Bank suspended nearly all business travel, which greatly reduced carbon dioxide emissions compared to 2020.

The Bank of Åland applies the Greenhouse Gas Protocol (GHGP) to estimate and report its greenhouse gas emissions. This protocol is a global standard for measuring, managing and reporting greenhouse gas emissions. Aside from carbon dioxide it includes the six greenhouse gases that were identified according to the Kyoto Protocol. Total emissions are measured in tonnes of carbon dioxide equivalent, CO<sub>2</sub>e.

GHGP is based on five principles: relevance, completeness, consistency, transparency and accuracy. As its assessment boundary, the Bank of Åland has chosen the control approach, in which only emissions from business activities and operations over which the Company has direct operational control are included. 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 Bank of Åland's climate impact estimate encompasses Scope 1, 2 and 3. 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.

Bank of Åland Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>Greenhouse gases, tonnes of CO<sub>2</sub>e</b>								
<b>Scope 1</b>								
Emissions from owned and controlled resources	1.2	2.9	-58	0.5	141	5.9	4.7	26
<b>Scope 2</b>								
Energy-related emissions <sup>1</sup>	69.5	46.5	49	57.1	22	286.1	240.1	19
<i>of which from electricity according to the market-based method</i>	32.7	21.6	51	21.7	51	106.2	87.5	21
<b>Scope 3<sup>*</sup></b>								
Purchased goods and services	24.1	20.2	20	28.6	-16	89.2	88.6	1
Capital goods	1.8	1.8	1	2.0	-8	7.9	8.2	-3
Transport and distribution	21.4	22.2	-3	18.5	16	98.4	83.6	18
Waste generated by own operations	50.5	43.1	17	45.2	12	185.6	183.0	1
Business travel	66.3	17.3	0	9.7	0	97.9	160.5	-39
Leased assets	1.1	0.9	21	1.0	17	4.3	3.7	15
<b>Total Scope 3</b>	<b>165.3</b>	<b>105.5</b>	<b>57</b>	<b>104.9</b>	<b>58</b>	<b>483.3</b>	<b>527.6</b>	<b>-8</b>
<b>Total greenhouse gases, tonnes of CO<sub>2</sub>e</b>	<b>236.0</b>	<b>155.0</b>	<b>52</b>	<b>162.5</b>	<b>45</b>	<b>775.2</b>	<b>772.4</b>	<b>0</b>
Climate compensation	-775.2	0.0		0.0	0	-775.2	0.0	
<b>Net greenhouse gases, tonnes of CO<sub>2</sub>e</b>	<b>-539.2</b>	<b>155.0</b>	<b>0</b>	<b>162.5</b>	<b>0</b>	<b>0.0</b>	<b>772.4</b>	<b>0</b>
<sup>1</sup> Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO <sub>2</sub> e	219.2	200.9	9	189.6	16	803.6	738.0	9

\* Supplier-related emissions from purchases

Bank of Åland Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
Paper consumption, tonnes	4.1	3.6	14	4.2	-3	19.7	19.0	4
Energy consumption, GWh	0.60	0.55	9	0.56	7	2.20	2.18	1
<i>of which renewable</i>	0.50	0.48	4	0.46	9	1.86	1.85	1
<i>of which other</i>	0.10	0.07	47	0.10	3	0.34	0.33	3
Number of business trips	348	169		47		578	1,004	-42
<i>of which aircraft</i>	230	94		25		353	717	-51
<i>of which ship</i>	79	47	68	2		126	89	42
<i>of which train</i>	39	28	39	20	95	99	198	-50



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# Summary income statement

Group	Note	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>									
Net interest income	5	16.2	15.5	5	14.9	9	62.2	58.9	6
Net commission income	6	21.5	19.1	13	18.5	16	79.0	66.3	19
Net income from financial items at fair value	7	1.5	-1.7		0.4		-0.4	1.8	
IT income		6.3	5.4	18	6.0	5	24.4	21.9	11
Other operating income		0.7	6.9	-90	0.3		10.8	1.2	
<b>Total income</b>		<b>46.2</b>	<b>45.2</b>	<b>2</b>	<b>40.1</b>	<b>15</b>	<b>176.0</b>	<b>150.1</b>	<b>17</b>
Staff costs		-18.0	-17.1	5	-16.9	7	-71.1	-62.9	13
Other expenses	8	-10.3	-8.3	25	-7.9	31	-36.5	-30.3	20
Depreciation/amortisation		-4.1	-4.3	-5	-3.1	34	-14.3	-12.3	16
<b>Total expenses</b>		<b>-32.5</b>	<b>-29.8</b>	<b>9</b>	<b>-27.8</b>	<b>17</b>	<b>-121.9</b>	<b>-105.6</b>	<b>15</b>
<b>Profit before impairment losses</b>		<b>13.8</b>	<b>15.4</b>	<b>-11</b>	<b>12.3</b>	<b>12</b>	<b>54.1</b>	<b>44.6</b>	<b>21</b>
Impairment losses on financial assets, net	9	-3.5	-0.8		0.0		-4.9	-4.9	1
<b>Net operating profit</b>		<b>10.2</b>	<b>14.6</b>	<b>-30</b>	<b>12.3</b>	<b>-17</b>	<b>49.2</b>	<b>39.7</b>	<b>24</b>
Income taxes		-2.3	-2.5	-9	-2.5	-10	-9.3	-8.2	14
<b>Profit for the period</b>		<b>7.9</b>	<b>12.1</b>	<b>-34</b>	<b>9.8</b>	<b>-19</b>	<b>39.9</b>	<b>31.5</b>	<b>27</b>
Attributable to:									
Non-controlling interests		0.0	0.0		0.0	-74	0.0	0.0	
<b>Shareholders in Bank of Åland Plc</b>		<b>7.9</b>	<b>12.1</b>	<b>-34</b>	<b>9.8</b>	<b>-19</b>	<b>39.8</b>	<b>31.5</b>	<b>27</b>
Earnings per share, EUR		0.51	0.77	-34	0.63	-19	2.55	2.02	26
Earnings per share, EUR, moving 12-month average to end of report period		2.55	2.67	-4	2.02	26			

# Summary statement of other comprehensive income

Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
<b>Profit for the period</b>	<b>7.9</b>	<b>12.1</b>	<b>-34</b>	<b>9.8</b>	<b>-19</b>	<b>39.9</b>	<b>31.5</b>	<b>27</b>
Assets measured via other comprehensive income								
Changes in valuation at fair value	-0.1	0.1		0.4		-0.6	3.2	
Realised change in value	0.1					0.1		
Transferred to the income statement	-0.1	-0.1	8	-0.4	-68	-0.6	-2.0	-73
Translation differences								
Gains/Losses arising during the period	-0.8	-0.5	56	4.3		-2.2	3.5	
Taxes on items that have been or may be reclassified to the income statement	0.0	0.0		0.0		0.2	-0.2	
<i>of which assets measured via other comprehensive income</i>	0.0	0.0		0.0		0.2	-0.2	
<b>Items that have been or may be reclassified to the income statement</b>	<b>-0.9</b>	<b>-0.5</b>	<b>77</b>	<b>4.2</b>		<b>-3.1</b>	<b>4.4</b>	
Changes in value of equity instruments	-0.1	-0.1	-35	0.4		-0.3	0.2	
Translation differences	-0.3	-0.2	41			0.0		
Re-measurements of defined benefit pension plans	4.7	-0.7		-2.2		6.4	-2.8	
Income taxes	-0.8	0.3		0.4		-1.0	0.5	
<i>of which changes in value of equity instruments</i>	0.0	0.0	-35	-0.1		0.1	0.0	
<i>of which translation differences</i>	0.1	0.0	41			0.0		
<i>of which re-measurements of defined-benefit pension plans</i>	-0.9	0.1		0.4		-1.3	0.6	
<i>of which taxes on dividends to holders of T1 capital instrument</i>	0.1	0.1	2			0.2		
<b>Items that may not be reclassified to the income statement</b>	<b>3.5</b>	<b>-0.8</b>		<b>-1.4</b>		<b>5.0</b>	<b>-2.1</b>	
<b>Other comprehensive income for the period</b>	<b>2.5</b>	<b>-1.4</b>		<b>2.8</b>	<b>-9</b>	<b>1.9</b>	<b>2.3</b>	<b>-16</b>
<b>Total comprehensive income for the period</b>	<b>10.5</b>	<b>10.7</b>	<b>-2</b>	<b>12.6</b>	<b>-17</b>	<b>41.8</b>	<b>33.8</b>	<b>24</b>
Attributable to:								
Non-controlling interests	0.0	0.0		0.0	-74	0.0	0.0	
Shareholders in Bank of Åland Plc	10.5	10.7	-2	12.6	-17	41.8	33.8	24

## Income statement by quarter

Group	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
<b>EUR M</b>					
Net interest income	16.2	15.5	15.2	15.2	14.9
Net commission income	21.5	19.1	18.9	19.6	18.5
Net income from financial items at fair value	1.5	-1.7	-0.6	0.4	0.4
IT income	6.3	5.4	6.7	6.0	6.0
Other operating income	0.7	6.9	3.0	0.2	0.3
<b>Total income</b>	<b>46.2</b>	<b>45.2</b>	<b>43.2</b>	<b>41.4</b>	<b>40.1</b>
Staff costs	-18.0	-17.1	-18.5	-17.4	-16.9
Other expenses	-10.3	-8.3	-7.7	-10.2	-7.9
Depreciation/amortisation	-4.1	-4.3	-2.9	-2.9	-3.1
<b>Total expenses</b>	<b>-32.5</b>	<b>-29.8</b>	<b>-29.2</b>	<b>-30.5</b>	<b>-27.8</b>
<b>Profit before impairment losses</b>	<b>13.8</b>	<b>15.4</b>	<b>14.1</b>	<b>10.9</b>	<b>12.3</b>
Net impairment losses on financial assets	-3.5	-0.8	-0.5	-0.1	0.0
<b>Net operating profit</b>	<b>10.2</b>	<b>14.6</b>	<b>13.6</b>	<b>10.8</b>	<b>12.3</b>
Income taxes	-2.3	-2.5	-2.4	-2.2	-2.5
<b>Profit for the period</b>	<b>7.9</b>	<b>12.1</b>	<b>11.2</b>	<b>8.6</b>	<b>9.8</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>7.9</b>	<b>12.1</b>	<b>11.2</b>	<b>8.6</b>	<b>9.8</b>

# Summary balance sheet

Group	Note	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>				
Assets				
Cash and balances with central banks		894	665	34
Debt securities		718	778	-8
Lending to credit institutions		64	51	26
Lending to the public	10, 11	4,788	4,378	9
Shares and participations		15	13	17
Participations in associated companies		15	1	
Derivative instruments	13	13	25	-47
Intangible assets		23	24	-5
Tangible assets		34	33	4
Investment properties		0	0	-2
Current tax assets		0	0	1
Deferred tax assets		5	5	-12
Other assets		34	36	-4
Accrued income and prepayments		31	25	23
<b>Total assets</b>		<b>6,635</b>	<b>6,035</b>	<b>10</b>
Liabilities				
Liabilities to credit institutions and central banks		867	509	70
Deposits from the public		4,070	3,605	13
Debt securities issued	12	1,197	1,441	-17
Derivative instruments	13	7	15	-54
Current tax liabilities		4	5	-17
Deferred tax liabilities		35	32	7
Other liabilities		50	57	-13
Provisions		0	0	-11
Accrued expenses and prepaid income		36	40	-9
Subordinated liabilities		36	37	-2
<b>Total liabilities</b>		<b>6,303</b>	<b>5,743</b>	<b>10</b>
Equity capital and non-controlling interests				
Share capital		42	42	
Share premium account		33	33	
Reserve fund		25	25	
Fair value reserve		3	6	-55
Unrestricted equity capital fund		28	28	1
Retained earnings		172	159	8
<b>Shareholders' portion of equity capital</b>		<b>302</b>	<b>292</b>	<b>3</b>
Non-controlling interests' portion of equity capital		0	0	16
Additional Tier 1 capital holders		29		
<b>Total equity capital</b>		<b>332</b>	<b>292</b>	<b>14</b>
<b>Total liabilities and equity capital</b>		<b>6,635</b>	<b>6,035</b>	<b>10</b>

# Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	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, 2019</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>3.1</b>	<b>-1.3</b>	<b>27.4</b>	<b>129.3</b>	<b>258.3</b>	<b>0.0</b>		<b>258.4</b>
Profit for the period							31.5	31.5	0.0		31.5
Other comprehensive income				1.1	3.5		-2.2	2.3			2.3
<i>Transactions with owners</i>											
Incentive programme						0.2		0.2			0.2
Share savings programme							0.0	0.0			0.0
<b>Equity capital, Dec 31, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>4.1</b>	<b>2.1</b>	<b>27.6</b>	<b>158.6</b>	<b>292.4</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>3.0</b>	<b>-0.1</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>

# Summary cash flow statement

Group	Jan-Dec 2021	Jan-Dec 2020
<b>EUR M</b>		
Operating activities		
Net operating profit	49.2	39.7
Adjustment for net operating profit items not affecting cash flow	28.1	24.6
Profit from investing activities	-1.9	
Income taxes paid	-8.2	-4.9
Changes in assets and liabilities from operating activities	190.9	128.7
<b>Cash flow from operating activities</b>	<b>258.1</b>	<b>188.2</b>
Investing activities		
Changes in shares	-13.1	-4.4
Changes in tangible assets	-2.7	-1.3
Changes in intangible assets	-5.9	-3.8
<b>Cash flow from investing activities</b>	<b>-21.7</b>	<b>-9.5</b>
Financing activities		
Additional Tier 1 capital issue	29.4	
Share issue	0.4	0.2
Subordinated debt issue/payments of principal	-0.2	
Payment of principal on lease liability	-4.0	-4.9
Tier 1 capital instrument dividends	-0.8	
Dividends paid	-31.2	
<b>Cash flow from financing activities</b>	<b>-6.4</b>	<b>-4.7</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>672.3</b>	<b>495.7</b>
Cash flow during the period	229.9	174.0
Exchange rate differences in cash and cash equivalents	-1.8	2.5
<b>Cash and cash equivalents at end of period</b>	<b>900.3</b>	<b>672.3</b>
<b>Cash and cash equivalents consisted of the following items:</b>		
Cash and deposits with central banks	862.2	635.6
Lending to credit institutions that is repayable on demand	38.2	36.7
<b>Total cash and cash equivalents</b>	<b>900.3</b>	<b>672.3</b>

Starting with the Interim Report for Q1 2021, cash flows from interest-bearing securities and certificates issued, excluding senior non-prioritised liabilities and subordinate liabilities, have been moved from financing activities to operating activities as securities issued. This change is being made to ensure consistency with the business model. Comparative figures have been recalculated.

# 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, 2021 was approved by the Board of Directors on February 1, 2022.

## 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, 2021 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 Interim 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, 2020.

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 that have been used in preparing the Year-end Report are the same as those used in preparing the financial statements for the year ended December 31, 2020.

The Bank of Åland has issued additional Tier 1 (AT1) capital. These instruments are classified as equity capital, since the instruments do not include any requirement that the Bank of Åland must pay the principal amount or interest to the holders. The Bank of Åland treats payments on financial instruments classified as equity capital (i.e. AT1 capital) as distributions of profits, and such payments are thus reported as dividends. Payment is made on a quarterly basis and the interest rate is the 3-month Stibor plus 3.75 per cent.

### CHANGES DURING THE YEAR

During the second quarter of 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued a new agenda decision on accounting for development costs in cases

where development involves software systems that an entity does not exercise control over, but instead buys as a service. In such cases, the entity is no longer allowed to capitalise the costs. Instead such development costs need to be expensed on a yearly basis. The decision is not expected to have any major effect on the Bank of Åland’s financial reports.

### 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.

Customers who, during the prevailing coronavirus crisis, apply for postponement of loan principal payments are not automatically moved from Stage 1 to Stage 2, since the postponement of principal payments in itself does not represent a heightened risk of losses. For the Bank of Åland’s part, the loan volume that has been granted postponement of principal payments amounts to EUR 15 M. This volume is recognised in Stage 1 if there are no other reasons besides the postponement of principal payments that justify another stage. This approach was valid until March 31, 2021.

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

“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 six 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 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
Net income from financial items at fair value	0.0	0.0	-0.7	0.3	0.0	-0.4
IT income			42.8	0.3	-18.7	24.4
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	-18.6	-6.9	-22.9	-22.8		-71.1
Other expenses	-9.4	-5.2	-16.2	-21.1	15.4	-36.5
Depreciation/amortisation	-2.8	-0.4	-3.3	-11.2	3.4	-14.3
Internal allocation of expenses	-23.7	-21.3		45.0	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>
Net impairment losses on financial assets	-4.9	0.1		-0.1		-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		-9.3
<b>Profit for the period 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>
<b>Business volume</b>						
Lending to the public	1,966	2,320		502	0	4,788
Deposits from the public	1,960	2,064		64	-19	4,070
Actively managed assets	9,145	670		11		9,826
Risk exposure amount	753	582	75	566		1,976
Equity capital	82	88	28	134		332
<b>Financial ratios etc.</b>						
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

## Group

Jan-Dec 2020

EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	28.4	27.1	0.0	3.3	0.0	58.9
Net commission income	48.0	15.0	-0.1	3.2	0.3	66.3
Net income from financial items at fair value	0.0	0.0	-0.1	1.9	0.0	1.8
IT income			37.5	1.2	-16.7	21.9
Other income	0.0	0.0	0.9	1.5	-1.3	1.2
<b>Total income</b>	<b>76.4</b>	<b>42.1</b>	<b>38.2</b>	<b>11.0</b>	<b>-17.7</b>	<b>150.1</b>
Staff costs	-15.8	-6.7	-19.9	-20.4		-62.9
Other expenses	-8.8	-4.9	-12.4	-20.1	15.8	-30.3
Depreciation/amortisation	-0.9	-0.3	-2.8	-10.8	2.4	-12.3
Internal allocation of expenses	-21.2	-19.9		41.1		0.0
<b>Total expenses</b>	<b>-46.7</b>	<b>-31.8</b>	<b>-35.1</b>	<b>-10.2</b>	<b>18.3</b>	<b>-105.6</b>
<b>Profit before impairment losses</b>	<b>29.7</b>	<b>10.3</b>	<b>3.1</b>	<b>0.8</b>	<b>0.6</b>	<b>44.6</b>
Net impairment losses on financial assets	-0.4	-4.1		-0.3	0.0	-4.9
<b>Net operating profit</b>	<b>29.3</b>	<b>6.2</b>	<b>3.1</b>	<b>0.5</b>	<b>0.6</b>	<b>39.7</b>
Income taxes	-6.0	-1.3	-0.6	-0.3		-8.2
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>23.3</b>	<b>4.9</b>	<b>2.5</b>	<b>0.2</b>	<b>0.6</b>	<b>31.5</b>
<b>Business volume</b>						
Lending to the public	1,906	2,270		203	-1	4,378
Deposits from the public	1,708	1,851		59	-13	3,605
Actively managed assets	6,927	503		6		7,436
Risk exposure amount	668	592	75	336		1,671
Equity capital	88	92	26	87		292
<b>Financial ratios etc.</b>						
Return on equity after taxes, % (ROE)	24.2	5.0	10.3	0.4		11.6
Expense/income ratio	0.61	0.76	0.92	0.93		0.70

#### 4. Changes in Group structure

On June 30 Alandia Holding completed its acquisition of Rettig Group's entire stake (24.9 per cent) in the marine insurance company Alandia Försäkring. Alandia Holding is a company created by the Bank of Åland, 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 for the purpose of acquiring this shareholding in Alandia Försäkring. Alandia Holding is an associated company of the Bank of Åland.

During the third quarter of 2021, the subsidiary Kiinteistö Oy Espoon Koivurinne and the Bank's shareholding in the associated company Åland Index Solutions were divested. The business of Kiinteistö Oy Espoon Koivurinne was property management connected to a real estate holding taken over as collateral. In addition, Model IT was merged with its parent company Crosskey during the third quarter.

During the fourth quarter of 2021, Ålandsbanken Fonder IV, V and VI Ab were established. All three companies are wholly owned fund management subsidiaries of Ålandsbanken Fondbolag Ab.

#### 5. Net interest income

Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
Lending to credit institutions and central banks	-0.2	-0.3	-23	-0.1	86	-0.9	-0.2	
Lending to the public	16.0	15.9	0	16.3	-2	63.7	65.1	-2
Debt securities	0.1	0.1	-6	0.0		0.3	0.3	10
Derivatives	0.3	0.3	-6	0.2	3	1.1	1.3	-18
Other interest income	0.1	0.0		0.0		0.2	0.0	
<b>Total interest income</b>	<b>16.3</b>	<b>16.1</b>	<b>1</b>	<b>16.4</b>	<b>-1</b>	<b>64.4</b>	<b>66.5</b>	<b>-3</b>
<i>of which interest income according to the effective interest method</i>	<i>16.1</i>	<i>16.0</i>	<i>1</i>	<i>16.4</i>	<i>-2</i>	<i>64.0</i>	<i>66.1</i>	<i>-3</i>
Liabilities to credit institutions and central banks	-0.7	-0.8	-4	-0.1		-2.9	-0.4	
Deposits from the public	0.2	0.5	-56	0.6	-65	1.6	2.3	-31
Debt securities issued	0.1	0.3	-68	0.5	-84	1.1	2.7	-60
Subordinated liabilities	0.2	0.2	-8	0.3	-44	0.9	1.1	-25
Derivatives	0.3	0.4	-39	0.2	10	1.5	1.7	-15
Other interest expenses	0.1	0.0		0.0	70	0.1	0.1	1
<b>Total interest expenses</b>	<b>0.0</b>	<b>0.6</b>	<b>-92</b>	<b>1.5</b>	<b>-97</b>	<b>2.2</b>	<b>7.6</b>	<b>-71</b>
<i>of which interest expenses according to the effective interest method</i>	<i>-0.1</i>	<i>0.5</i>		<i>1.5</i>		<i>1.9</i>	<i>7.3</i>	<i>-74</i>
<b>Net interest income</b>	<b>16.2</b>	<b>15.5</b>	<b>5</b>	<b>14.9</b>	<b>9</b>	<b>62.2</b>	<b>58.9</b>	<b>6</b>
Interest margin, per cent	1.03	1.06		1.04		1.04	1.07	
Investment margin, per cent	1.00	1.02		1.01		1.00	1.03	

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 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
Bank commissions	3.0	2.7	10	2.6	15	10.9	9.9	10
Asset management commissions	17.8	15.7	13	15.2	17	65.3	53.8	21
Other commissions	0.7	0.7	9	0.7	4	2.9	2.7	7
<b>Net commission income</b>	<b>21.5</b>	<b>19.1</b>	<b>13</b>	<b>18.5</b>	<b>16</b>	<b>79.0</b>	<b>66.3</b>	<b>19</b>

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

Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
Valuation category fair value via the income statement ("profit and losses")								
Derivative instruments	0.5	0.3	85	0.0		0.8	0.0	
<b>Valuation category fair value via the income statement ("profit and losses")</b>	<b>0.5</b>	<b>0.3</b>	<b>85</b>	<b>0.0</b>		<b>0.8</b>	<b>0.0</b>	
Hedge accounting								
<i>of which hedging instruments</i>	-0.9	-0.9	-4	-0.8	8	-4.1	-0.2	
<i>of which hedged item</i>	1.0	1.0	0	0.8	15	4.3	-0.1	
<b>Hedge accounting</b>	<b>0.1</b>	<b>0.0</b>		<b>0.0</b>		<b>0.2</b>	<b>-0.3</b>	
<b>Net income from foreign currency revaluation</b>	<b>0.0</b>	<b>0.0</b>		<b>0.1</b>		<b>-0.2</b>	<b>-0.3</b>	<b>-33</b>
<b>Modification results and expected credit losses</b>	<b>0.0</b>	<b>0.0</b>		<b>-0.1</b>		<b>0.2</b>	<b>0.0</b>	
<b>Net income from financial assets and liabilities</b>	<b>1.0</b>	<b>-2.0</b>		<b>0.4</b>		<b>-1.3</b>	<b>2.5</b>	
<b>Total</b>	<b>1.5</b>	<b>-1.7</b>		<b>0.4</b>		<b>-0.4</b>	<b>1.8</b>	

## 8. Other expenses

Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
Stability fee	0.0	0.0		0.0		2.8	2.7	4
Other administrative expenses	10.3	8.3	25	7.9	31	33.8	27.7	22
<b>Total</b>	<b>10.3</b>	<b>8.3</b>	<b>25</b>	<b>7.9</b>	<b>31</b>	<b>36.5</b>	<b>30.3</b>	<b>20</b>

## 9. Net impairment losses on financial assets

Group	Q4 2021	Q3 2021	%	Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
<b>EUR M</b>								
Impairment losses, Stage 1	0.0	-0.1	-94	2.3		-0.6	2.4	
Impairment losses, Stage 2	-0.1	-0.1	0	-2.0	-93	-0.2	0.2	
<b>Net impairment losses, Stages 1-2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-39</b>	<b>0.4</b>		<b>-0.8</b>	<b>2.6</b>	
Impairment losses, Stage 3								
New and increased individual provisions	4.7	1.9		0.6		8.5	5.2	63
Recovered from previous provisions	-0.9	-0.7	26	-0.7	27	-2.7	-3.0	-9
Utilised for actual loan losses	-2.1	0.0		-0.2		-2.3	-5.0	-53
Actual loan losses	2.1	0.1		0.3		2.7	5.6	52
Recoveries of actual loan losses	-0.2	-0.1	9	-0.4	-57	-0.4	-0.6	-27
<b>Net impairment losses, Stage 3</b>	<b>3.7</b>	<b>1.1</b>		<b>-0.4</b>		<b>5.7</b>	<b>2.2</b>	
<b>Total impairment losses</b>	<b>3.5</b>	<b>0.8</b>		<b>0.0</b>		<b>4.9</b>	<b>4.9</b>	<b>1</b>
of which lending to the public	3.5	0.8		-0.4		5.1	4.4	15
of which off-balance sheet commitments	0.0	0.0		0.4		-0.1	0.4	
of which debt securities at amortised cost	0.1	0.0		0.0		-0.1	0.1	
Loan loss level, lending to the public, %	0.30	0.07		-0.04		0.12	0.11	

## 10. Lending to the public by purpose

Group	Dec 31, 2021			Dec 31, 2020		
	EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions	%
Private individuals						
Home loans	2,835	-3	2,832	2,466	15	
Securities and other investments	440	-2	438	388	13	
Business operations	85	-1	84	101	-17	
Other household purposes	367	-4	363	295	23	
<b>Total, private individuals</b>	<b>3,726</b>	<b>-10</b>	<b>3,716</b>	<b>3,250</b>	<b>14</b>	
Companies						
Shipping	54	0	54	61	-12	
Wholesale and retail trade	41	0	41	38	6	
Housing operations	292	-2	290	260	11	
Other real estate operations	157	-1	157	181	-14	
Financial and insurance operations	217	0	217	253	-14	
Hotel and restaurant operations	33	-1	33	34	-4	
Agriculture, forestry and fishing	10	0	10	12	-16	
Construction	49	0	49	87	-43	
Other industry and crafts	38	0	38	38	0	
Other service operations	118	0	118	113	4	
<b>Total, companies</b>	<b>1,009</b>	<b>-5</b>	<b>1,004</b>	<b>1,078</b>	<b>-7</b>	
Public sector and non-profit organisations	67	0	67	49	37	
<b>Total, public sector and non-profit organisations</b>	<b>67</b>	<b>0</b>	<b>67</b>	<b>49</b>	<b>37</b>	
<b>Total</b>	<b>4,803</b>	<b>-15</b>	<b>4,788</b>	<b>4,378</b>	<b>9</b>	

## 11. Lending to the public by stage

Group	Jan 1, 2021 - Dec 31, 2021				Jan 1, 2020 - Dec 31, 2020
	Stage 1	Stage 2	Stage 3	Total	Total
<b>EUR M</b>					
Carrying amount, gross					
Opening balance, January 1	4,197.4	153.5	38.9	4,389.8	4,122.5
Closing balance, December 31	4,603.5	139.9	59.0	4,802.5	4,389.8
Provisions for expected losses					
<b>Opening balance, January 1</b>	<b>2.5</b>	<b>1.0</b>	<b>8.3</b>	<b>11.9</b>	<b>12.4</b>
Increases due to issuances and acquisitions	0.4	0.0	0.1	0.5	0.3
Decrease due to removal from balance sheet	-0.5	0.0	-1.2	-1.7	-1.5
Decrease due to write-offs	0.0	0.0	0.0	0.0	-3.4
Transfer to Stage 1	0.4	-0.4	0.0	0.0	0.0
Transfer to Stage 2	-0.5	0.9	-0.4	0.0	0.0
Transfer to Stage 3	0.0	-0.2	0.2	0.0	0.0
Net changes due to changed credit risk	-0.2	-0.5	4.6	3.9	2.0
Net changes due to changed estimation method	0.0	0.0	0.0	0.0	2.1
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
<b>Closing balance, December 31</b>	<b>2.1</b>	<b>0.8</b>	<b>11.7</b>	<b>14.6</b>	<b>11.9</b>
Carrying amount, net					
Opening balance, January 1	4,194.9	152.4	30.6	4,377.9	4,110.0
Closing balance, December 31	4,601.4	139.1	47.3	4,787.8	4,377.9
	<b>Dec 31,</b>	<b>Dec 31,</b>			
Impairment losses, IFRS 9 - Financial ratios	<b>2021</b>	<b>2020</b>			
Total provision ratio, lending to the public, %	0.30	0.27			
Provision ratio, Stage 1, lending to the public, %	0.05	0.06			
Provision ratio, Stage 2, lending to the public, %	0.60	0.68			
Provision ratio, Stage 3, lending to the public, %	20	21			
Share of lending to the public in Stage 3, %	1.23	0.89			

## 12. Debt securities issued

Group	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>			
Certificates of deposit		280	-100
Covered bonds	1,197	910	31
Senior non-covered bonds	0	251	-100
<b>Total</b>	<b>1,197</b>	<b>1,441</b>	<b>-17</b>

## 13. Derivative instruments

Group	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Dec 31, 2020		
	Under 1 yr	1-5 yrs	over 5 yrs				Nominal amount	Positive market values	Negative market values
<b>EUR M</b>									
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>	6		6	12	2	2	64	3	3
Currency-related contracts									
<i>Currency forward contracts</i>	549			549	2	3	420	6	6
<b>Total</b>	<b>555</b>		<b>6</b>	<b>561</b>	<b>3</b>	<b>4</b>	<b>484</b>	<b>9</b>	<b>9</b>
Derivatives for fair value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	10	763	51	824	10	3	1,118	16	6
<b>Total</b>	<b>10</b>	<b>763</b>	<b>51</b>	<b>824</b>	<b>10</b>	<b>3</b>	<b>1,118</b>	<b>16</b>	<b>6</b>
<b>Total derivative instruments</b>	<b>565</b>	<b>763</b>	<b>57</b>	<b>1,385</b>	<b>13</b>	<b>7</b>	<b>1,602</b>	<b>25</b>	<b>15</b>
<i>of which cleared</i>	13	763	54	830	10	4	1,176	17	9



#### 14. Financial instruments measured at fair value

Group		Dec 31, 2021		
	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
<b>EUR M</b>				
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>

Group		Dec 31, 2020		
	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
<b>EUR M</b>				
Debt securities	478	13		491
Lending to the public		130		130
Shares and participations	1		12	13
Derivative instruments		25		25
<b>Total financial assets</b>	<b>479</b>	<b>167</b>	<b>12</b>	<b>658</b>
Debt securities issued		901		901
Derivative instruments		15		15
<b>Total financial liabilities</b>		<b>916</b>		<b>916</b>

Changes in Level 3 holdings		Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
<b>EUR M</b>	Shares and participations		
	Carrying amount on January 1	12.0	9.4
	New purchases/reclassification	2.5	2.5
	Divested/reached maturity during the year	-0.1	
	Realised change of value	0.0	
	Change in value recognised in "Other comprehensive income"	-0.5	0.2
	<b>Carrying amount at end of period</b>	<b>14.0</b>	<b>12.0</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 assets essentially consist of unlisted shares. Such holdings are generally measured as the Bank's portion of the net asset value of the company. In companies that have carried out a new share issue without preferential rights based on previous holdings, each share is valued at this issue price, with a deduction for share illiquidity. Unlisted shares are essentially classified as available for sale. The changes in the value of these holdings are reported 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.

### 15. Off-balance sheet commitments

Group	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>			
Guarantees	44	42	5
Unutilised overdraft limits	312	276	13
Unutilised credit card limits	88	86	3
Lines of credit	560	315	78
Other commitments	42	32	31
<b>Total</b>	<b>1,045</b>	<b>751</b>	<b>39</b>
Provision for expected loss	0	0	-11

### 16. Assets pledged

Group	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>			
Lending to credit institutions	26	14	26
Debt securities	313	299	6
Loan receivables constituting collateral (cover pool) for covered bonds	2,085	1,548	35
Other assets pledged	4	4	7
<b>Total</b>	<b>2,428</b>	<b>1,864</b>	<b>30</b>

### 17. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Dec 31, 2021	Dec 31, 2020	%	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	13	25	-47	54	56	-4
Offset amount						
<b>Total</b>	<b>13</b>	<b>25</b>	<b>-47</b>	<b>54</b>	<b>56</b>	<b>-4</b>
Related amounts not offset						
Financial instruments, netting agreements	-4	-9	-54	-4	-9	-54
Financial instruments, collateral				-39	-40	-2
Cash, collateral		-5	-100	-10	0	
<b>Total amounts not offset</b>	<b>-4</b>	<b>-14</b>	<b>-69</b>	<b>-54</b>	<b>-50</b>	<b>7</b>
<b>Net amount</b>	<b>9</b>	<b>11</b>	<b>-19</b>	<b>0</b>	<b>6</b>	<b>-95</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.

## 18. Capital adequacy

Group	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>			
Equity capital according to balance sheet	302.5	292.4	3
Foreseeable dividend	-31.2	-31.2	0
<b>Common equity Tier 1 capital before deductions</b>	<b>271.3</b>	<b>261.2</b>	<b>4</b>
Intangible assets	-15.0	-19.3	-22
Permission for repurchases of own shares	-10.5		
Non-controlling interests	0.0	0.0	16
Net other items		0.0	-100
Further adjustments in value	-0.4	-0.5	-17
Expected losses according to IRB approach beyond recognised losses (deficit)	-6.9	-3.7	84
Adjustments due to transitional rules related to IFRS 9	0.5	0.9	-44
<b>Common equity Tier 1 capital</b>	<b>239.0</b>	<b>238.5</b>	<b>0</b>
Tier 1 capital instruments	29.4		
<b>Additional Tier 1 capital</b>	<b>29.4</b>		
<b>Tier 1 capital</b>	<b>268.4</b>	<b>238.5</b>	<b>13</b>
Supplementary capital instruments	36.4	37.0	-2
<b>Supplementary capital</b>	<b>36.4</b>	<b>37.0</b>	<b>-2</b>
<b>Total capital base (own funds)</b>	<b>304.8</b>	<b>275.5</b>	<b>11</b>
Capital requirement for credit risk according to the IRB approach	38.8	39.8	-2
Additional capital requirement, IRB approach	10.3	8.7	19
Capital requirement for credit risk according to standardised approach	91.1	67.0	36
Capital requirement for credit-worthiness adjustment	0.1	0.0	
Capital requirement for operational risk	17.8	18.2	-2
<b>Capital requirement</b>	<b>158.1</b>	<b>133.6</b>	<b>18</b>
Capital ratios			
Common equity Tier 1 capital ratio, %	12.1	14.3	
Tier 1 capital ratio, %	13.6	14.3	
Total capital ratio, %	15.4	16.5	
Risk exposure amount	1,976	1,671	18
of which % comprising credit risk	89	86	
of which % comprising operational risk	11	14	

Requirements related to capital buffers, %	Dec 31, 2021	Dec 31, 2020
Total common equity Tier 1 capital requirements including buffer requirements	7.6	8.5
of which common equity Pillar 1 capital requirement	4.5	4.5
of which common equity Pillar 2 capital requirement	0.6	1.5
of which capital conservation buffer requirement	2.5	2.5
of which countercyclical capital buffer requirement	0.0	0.0
of which systemic risk buffer requirement	0.0	0.0
Common equity Tier 1 capital available to be used as a buffer	12.1	14.3

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>					
<b>Without own LGD estimates</b>					
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
<b>Using own LGD estimates</b>					
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
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>

Exposure class	Dec 31, 2020				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
<b>Without own LGD estimates</b>					
Corporate, other large companies	183.0	144.9	50	73.1	5.8
Corporate, small and medium sized companies	397.7	352.5	53	187.0	15.0
Corporate, special lending	5.0	5.0	93	4.7	0.4
<b>Using own LGD estimates</b>					
Retail with property as collateral (private individuals)	1,833.8	1,821.3	9	169.5	13.6
Retail with property as collateral (small and medium-sized companies)	118.6	117.7	21	24.5	2.0
Retail, other (small and medium-sized companies)	32.8	31.2	21	6.5	0.5
Retail, other	362.9	313.8	10	31.7	2.5
<b>Total exposures according to IRB approach</b>	<b>2,933.8</b>	<b>2,786.3</b>	<b>18</b>	<b>497.0</b>	<b>39.8</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	700.5	812.8	0	0.0	0.0
Regional governments or local authorities	64.2	90.1	0	0.0	0.0
Public sector entities	11.7	11.7	0	0.0	0.0
Multilateral development banks	53.5	58.6	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	264.8	209.0	20	42.6	3.4
Corporates	555.6	195.5	95	185.2	14.8
Retail	459.5	207.6	43	90.1	7.2
Secured by mortgages on immovable property	1,158.2	1,155.5	33	382.9	30.6
Exposures in default	2.9	2.3	121	2.8	0.2
Covered bonds	470.8	470.6	11	51.7	4.1
Equity exposures	14.3	14.3	100	14.3	1.1
Other exposures	93.7	93.7	71	67.0	5.4
<b>Total exposures according to standardised approach</b>	<b>3,853.7</b>	<b>3,325.9</b>	<b>25</b>	<b>836.7</b>	<b>67.0</b>
<b>Total risk exposure amount, credit risk</b>	<b>6,787.5</b>	<b>6,112.1</b>	<b>22</b>	<b>1,333.7</b>	<b>106.7</b>

Leverage ratio	Dec 31, 2021	Dec 31, 2020	%
<b>EUR M</b>			
Tier 1 capital	268.4	238.5	13
Total exposure measure	6,272.9	5,624.8	12
of which balance sheet items	6,052.0	5,466.7	11
of which off-balance sheet items	220.9	158.1	40
Leverage ratio, %*	4.3	4.2	

\* Excluding mitigation due to COVID-19, the Bank of Åland's leverage ratio on December 31, 2021 would have been 3.9 per cent.

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

## 19. Share-related information

Group	Dec 31, 2021	Dec 31, 2020	%
<b>thousands</b>			
Number of Series A shares outstanding	6,476	6,476	
Number of Series B shares outstanding	9,126	9,110	0
<b>Number of shares outstanding</b>	<b>15,602</b>	<b>15,586</b>	<b>0</b>
<b>Number of shares outstanding after dilution</b>	<b>15,636</b>	<b>15,634</b>	<b>0</b>
Shareholders' portion of equity capital per share, EUR	19.39	18.76	3
Closing price per Series A share, EUR	32.60	21.60	51
Closing price per Series B share, EUR	31.50	20.90	51
Market capitalisation, EUR M	499	330	51
Market capitalisation/shareholders' portion of equity capital, %	165	113	

Group	Q4 2021	Q3 2021	% Q4 2020	%	Jan-Dec 2021	Jan-Dec 2020	%	
<b>thousands</b>								
Average number of shares outstanding	15,602	15,602	15,586	0	15,599	15,577	0	
Average number of shares outstanding after dilution	15,602	15,602	15,586	0	15,599	15,577	0	
Earnings per share, EUR	0.51	0.77	-34	0.63	-19	2.55	2.02	26
Earnings per share after dilution, EUR	0.51	0.77	-34	0.63	-19	2.55	2.02	26
Earnings per share, rolling 12 months, EUR	2.55	2.67	-4	2.02	26			