

Bank of Åland Plc

Compensation report for 2020 financial year

ÅLANDSBANKEN

Compensation report for 2020 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 2020 financial year.

The report is drawn up in compliance with the reporting instructions in the Finnish Corporate Governance Code of 2020. The Bank of Åland's 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 2020. 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

	2016	2017	2018	2019	2020
Board of Directors	302,917	343,250	311,917	296,167	305,500
Managing Director	405,737	356,765	405,116	504,098	450,188
Employees of the Bank of Åland Plc and its Swedish branch	28,194,866	26,926,116	26,396,511	26,735,516	28,127,687
Net operating profit (Group), EUR M	25.1	26.0	29.0	33.2	39.7
Return on equity after taxes, %	9.1	9.1	9.8	10.7	11.6

Compensation to the Board of Directors during the 2020 financial year

Board member	Annual fee	Fee for attending Board meetings	Fee for attending Audit Committee meetings	Fee for attending Compensation Committee meetings	Total
Lampi Nils, Chairman	30,000.00	19,000.00	8,250.00	4,500.00	61,750.00
Taxell Christoffer, Vice Chairman	28,000.00	16,250.00	-	4,500.00	48,750.00
Ceder Åsa	26,000.00	15,750.00	8,250.00	-	50,000.00
Karlsson Anders Å	26,000.00	15,750.00	8,250.00	-	50,000.00
Valassi Ulrika	26,000.00	15,750.00	11,000.00	-	52,750.00
Wiklöf Anders	26,000.00	14,250.00	-	-	40,250.00
Karlsson Agneta*	-	-	-	13,500.00	13,500.00

*co-opted member, Chairman of the Compensation Committee

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

Compensation to the Managing Director and the Deputy Managing Director for the 2020 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 2020		
Fixed annual salary	350,800	274,778
Fringe benefits	12,420	7,921
VARIABLE COMPENSATION that was paid in 2020 *		
Variable compensation in cash	46,242	27,648
Variable compensation in shares	40,726	22,388
TOTAL COMPENSATION	450,188	332,734
DEFERRED established VARIABLE COMPENSATION that will be paid after 2020**		
Deferred variable compensation in cash	133,316	87,127
Deferred variable compensation in shares	133,316	87,127
TOTAL DEFERRED VARIABLE COMPENSATION	266,632	174,255

* Refers to 2019 variable compensation and deferred 2016 variable compensation paid in March 2020. Shares according to amount of taxed fringe benefits.

** Refers to 2020 variable compensation (allocated variable compensation) that will be paid in 2021, deferred 2017 variable compensation that will be paid in 2021, deferred 2018 compensation that will be paid in 2022, deferred 2019 variable compensation that will be paid in 2023 and deferred 2020 variable compensation that will be paid in 2024.

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. Half of the 2020 incentive payment for the Managing Director and the Deputy Managing Director is based on Group profitability and half 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 March 31, 2020, the Managing Director subscribed for 530 and the Deputy Managing Director for 430 Series B shares in the Bank of Åland. The subscriptions were based on the distribution of free matching shares in the 2016 share savings programme for all Group employees. The share savings programme gave employees the opportunity to save part of their monthly salary to invest in the Bank's Series B shares. Participation in the share savings programme was on a voluntary basis. Employees could save a maximum of five per cent of their monthly salary to subscribe for Series B shares in twice-yearly targeted issues. The programme ran for one year. Three years after each respective issue, the Bank distributed a free matching share for each share acquired in the targeted share issues to those who participated in these issues, remained employed in the Group and still owned the shares that had been issued. In the share savings program, employees were offered the opportunity to subscribe for Series B shares at a price that was 10 per cent less than the average price during the calendar month before each respective issue.

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

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