BASE PROSPECTUS **22 February 2023**

ÅLANDSBANKEN

ÅLANDSBANKEN ABP

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

EUR 2,000,000,000

Senior Preferred Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme

Under this EUR 2,000,000,000 Senior Preferred Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme (the **Programme**), Ålandsbanken Abp (**Ålandsbanken** or the **Issuer**) may from time to time issue (i) senior preferred notes (**Senior Preferred Notes**); (ii) covered bonds under the Finnish Act on Mortgage Credit Banks and Covered Bonds (*laki kiinnitysluottopankeista ja katetuista joukkolainoista*, 151/2022) (as amended or as replaced) (the **CBA**) (**CBA Covered Bonds**) (iii) subject to fulfilment of the specific requirements set out in the CBA, issue further covered bonds (**MCBA Covered Bonds**) under the repealed Finnish Act on Mortgage Credit Bank Operations (*laki kiinnitysluottopankkitoiminnasta*, 688/2010) (as amended) (the **MCBA**); to be consolidated and form a single series with covered bonds issued prior to 8 July 2022 having the same terms and conditions (except for the first payment of interest on them, the issue price and/or the minimum subscription amount thereof) as the covered bonds issued prior to 8 July 2022 under the Issuer's previous base prospectuses and the related general terms and conditions which are specified as "Category FIN Covered Bonds" in the applicable Final Terms (as defined below) and to which the provisions of the CBA do not apply (**Tap Issue**); (iv) tier 2 notes (**Tier 2 Notes**); and (v) additional tier 1 capital notes (the **AT1 Notes**), each as defined in the General Terms and Conditions of the Notes (Senior Preferred Notes, CBA Covered Bonds, MCBA Covered Bonds, Tier 2 Notes and AT1 Notes together the **Notes**). The Notes may be denominated in EUR or SEK as specified in the final terms (the **Final Terms**).

The Programme provides that the Notes may be listed on the Helsinki Stock Exchange maintained by Nasdaq Helsinki Ltd (the **Helsinki Stock Exchange**) as specified in the Final Terms of the relevant series of Notes (each a **Series**). Each Series of Notes may comprise one or more tranches of Notes (each a **Tranche**). The Issuer may also issue unlisted Notes.

This base prospectus (the **Base Prospectus**) should be read and construed together with any supplement or update hereto and with any other information incorporated by reference herein and, with the applicable Final Terms for the relevant Notes (see "*Information Incorporated by Reference*").

Besides filing this Base Prospectus with the Finnish Financial Supervisory Authority (the **FIN-FSA**) for the purposes of facilitating a potential listing of Notes on the Helsinki Stock Exchange, the Issuer has not taken any action, nor will it take any action, to render the public offer of the Notes or their possession, or the distribution of this Base Prospectus or any other documents relating to the Notes admissible in any jurisdiction requiring special measures to be taken for the purpose of a public offer.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (as amended) (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. This Base Prospectus or the Final Terms are not to be distributed to the United States or in any other jurisdiction where it would be unlawful.

An investment in the Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

The Issuer has been assigned a long-term credit rating of BBB+ by Standard & Poor's Credit Market Services Europe Limited (**S&P**). S&P is established in the European Union (the **EU**) and is registered under Regulation (EC) No. 1060/2009 (as amended or as replaced) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The Notes issued under the Programme may be rated by S&P or unrated or by some other credit rating agency. Where a Series of Notes is rated, such rating will be disclosed in the Final Terms. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.**

Arranger

ÅLANDSBANKEN

IMPORTANT INFORMATION

In this Base Prospectus, the terms **Ålandsbanken** and the **Issuer** refer to Ålandsbanken Abp, the term **Group** refers to Ålandsbanken and its consolidated subsidiaries, the term **Arranger** refers to Ålandsbanken Abp in its capacity as the arranger of the Programme and the term **Dealer** refers to any bank acting as dealer in relation to a Tranche of Notes. The term **Noteholder** refers to the holders of the Notes from time to time. Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in section "*General Terms and Conditions of the Notes*" or any other section of this Base Prospectus.

This Base Prospectus has been prepared in accordance with Regulation (EU) 2017/1129 (as amended) (the **Prospectus Regulation**), the Commission Delegated Regulation (EU) 2019/980 (as amended), in application of Annexes 7 and 15 thereof, the Finnish Securities Market Act (*arvopaperimarkkinalaki*, 2012/746) (as amended) and the regulations and guidelines of the FIN-FSA, if applicable. The FIN-FSA, which is the competent authority for the purposes of the Prospectus Regulation in Finland, has approved this Base Prospectus (journal number FIVA/2023/256). The FIN-FSA has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, but assumes no responsibility for the correctness of the information contained herein. Such approval shall not be considered as an endorsement of the Issuer or of the qualities of any Notes issued under this Base Prospectus.

Investors should make their own assessment as to the suitability of investing in securities.

Without prejudice to any obligation of Ålandsbanken to publish a supplement to prospectus pursuant to applicable rules and regulations, neither the delivery of this Base Prospectus nor any sale or delivery made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Ålandsbanken since the date of the Base Prospectus or that the information herein is correct as of any time subsequent to the date of this Base Prospectus. The Base Prospectus is valid for one year from 22 February 2023 and is thus expiring on 22 February 2024. **The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Base Prospectus is no longer valid.** This Base Prospectus replaces the Issuer's previous base prospectus dated 31 October 2022.

No Dealer has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Dealer.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any of the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor any Dealer represents that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any Dealer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus may come should inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (the **EEA**), Australia, Canada, Great Britain, Hong Kong, Japan and Singapore (see "*Selling Restrictions*"). The Notes are governed by Finnish law, except for the registration of Notes in Euroclear Sweden, which shall be governed by Swedish law, and any disputes relating to the Notes shall be settled by Finnish courts in accordance with Finnish law.

This Base Prospectus has been prepared in English only. In accordance with an exemption set out in Article 7(1) of the Prospectus Regulation, no summary has been prepared.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

Issuer:	Ålandsbanken Abp
Issuer's LEI:	7437006WYM821IJ3MN73
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes (including certain risks specific to the CBA Covered Bonds, MCBA Covered Bonds, Tier 2 Notes and AT1 Notes) issued under the Programme, certain market risks and risks relating to the illiquidity of the Notes. All of these are set out under "*Risk Factors*".
Description:	Senior Preferred Note, CBA Covered Bond, MCBA Covered Bond, Tier 2 Note and AT1 Note Programme
Arranger:	Ålandsbanken Abp
Dealers:	Specified in the applicable Final Terms.
Issuer and Paying Agent:	Specified in the applicable Final Terms.
Programme size:	Up to EUR 2,000,000,000. The Issuer may increase the maximum amount.
Distribution:	Notes may be distributed outside the United States to, or for the account or benefit of, persons other than U.S. Persons (as such term is defined in Regulation S under the Securities Act) by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	EUR or SEK.
Term of the Notes:	Term of the Notes is for Senior Preferred Notes, CBA Covered Bonds and MCBA Covered Bonds a minimum of one (1) year, for Tier 2 Notes a minimum of five (5) years and AT1 Notes will not have any scheduled maturity date.
Extendible obligation:	An Extended Maturity Date may apply to a Series of CBA Covered Bonds or MCBA Covered Bonds, as specified in the applicable Final Terms.
Extended Maturity Date in relation to CBA Covered Bonds:	If "Extended Maturity" is specified as applicable in the applicable Final Terms, it enables the Issuer, at the latest on the fifth (5th) Business Day before the Maturity Date, to apply for the approval of the FIN-FSA that the Maturity Date of the Covered Bonds and the date on which the Covered Bonds will be due and repayable for the purposes of the General Terms and Conditions be extended by the Issuer up to but no later than the Extended Maturity Date. The FIN-FSA shall grant the

	approval for the extension of maturity if the following conditions are met: (i) the Issuer is unable to obtain long-term financing from ordinary sources; (ii) the Issuer is unable to meet the liquidity requirement set out in the CBA if it makes payments towards the principal and interest of the maturing Covered Bonds; and (iii) the extension of maturity of the Covered Bonds does not affect the sequence in which the Issuer's Covered Bonds from the same Cover Asset Pool are maturing. In the event of a bankruptcy or liquidation of the Issuer, the bankruptcy administrator and the liquidator in the liquidation have, pursuant to the CBA, at the request or with the consent of the supervisor, the right to apply for the approval of the FIN-FSA to extend the Maturity Date up to but no later than the Extended Maturity Date.
Extended Maturity Date in relation to MCBA Covered Bonds:	If "Extended Maturity" is specified as applicable in the applicable Final Terms and the Issuer does not redeem all of the MCBA Covered Bonds in full on the Maturity Date or within two (2) Business Days thereafter, the maturity of the MCBA Covered Bonds and the date on which the MCBA Covered Bonds will be due and repayable for the purposes of the Conditions will be automatically extended up to but no later than the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the nominal amount outstanding of the MCBA Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided in the applicable Final Terms.
Issue price:	Notes may be issued at an issue price which is fixed or floating, as specified in the applicable Final Terms.
Form of Notes:	The Notes will be issued in book-entry form in the book-entry system of Euroclear Finland or Euroclear Sweden, as specified in the applicable Final Terms.
Interest:	The Notes may be issued as fixed interest rate, floating interest rate or zero coupon Notes, or a combination of any of the foregoing. Zero coupon Notes will be offered and sold at a discount, at par or premium to their nominal amount and will not bear interest.
Interest Cancellation:	Any payment of the interest on the AT1 Notes can only take place from the Issuer's Distributable Items and may be cancelled at the Issuer's discretion or mandatorily as required by Applicable Banking Regulation.
Use of Benchmark:	Amounts payable under the Notes are calculated by reference to EURIBOR or STIBOR to the extent floating rate interest is applicable according to the Final Terms. As at the date of this Base Prospectus, the administrator of EURIBOR is the European Money Market Institute (**EMMI**). EMMI is registered in the register of administrators and benchmarks

	maintained by European Securities and Market Authority (**ESMA**) pursuant to Article 36 of the Regulation (EU) no 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the **Benchmarks Regulation, BMR**). EURIBOR is now considered compliant according to the Benchmarks Regulation and has been added to the European Securities and Markets Authority's (**ESMA**) Benchmark Register. The administrator of STIBOR is the Swedish Financial Benchmark Facility (SFBF), a wholly-owned subsidiary of Swedish Bankers' Association. As at the date of this Base Prospectus, the SFBF is not included in the European Securities and Markets Authority's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, STIBOR may continue to be used while the Swedish Financial Supervisory Authority (**SWE-FSA**) evaluates an application from SFBF to SWE-FSA on 27 December 2021 to become an authorised administrator in accordance with the BMR.
Categories of covered bonds:	CBA Covered Bonds are secured by the CBA Cover Asset Pool and MCBA Covered Bonds are secured by the MCBA Cover Asset Pool.
Liquidity reserve:	Under the CBA, the Issuer is required to ensure that a cover asset pool continuously contains certain types of liquid funds in an amount which covers the maximum net outflow relating to covered bonds over the coming 180 days' period. The requirement for matching maturities in the MCBA is not included in the CBA. The CBA allows for using an extended maturity date in the determination of net liquidity outflow. In respect of MCBA Covered Bond(s), the Issuer is committed to maintain a liquidity buffer covering 180 days of contractual maximum net outflows from the MCBA Covered Bonds issued until there are no more such outstanding MCBA Covered Bonds. The liquidity buffer consists of contractual inflows and liquid assets in the MCBA Cover Asset Pool.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer upon giving not less than 30 days' but not more than 60 days' notice to the Noteholders, prior to such stated maturity. Early redemption of Tier 2 Notes and redemption of AT1 Notes is subject to the Conditions to Redemption, including the approval of the Competent Authority, set out in Condition 6.11. The redemption amount will be specified in the applicable Final Terms.
Denomination of Notes:	The minimum denomination of each Note will be EUR 100,000 (or, if the Notes are denominated in SEK, the equivalent amount in SEK).

Taxation:	All payments in respect of the Notes (other than Tier 2 Notes and AT1 Notes) and interest payments in respect of Tier 2 Notes and AT1 Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 17. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 17, be required to pay additional amounts to cover the amounts so deducted.
Negative pledge:	None.
Cross default:	The terms of the Senior Preferred Notes (but not the CBA Covered Bonds and the MCBA Covered Bonds, Tier 2 Notes and AT1 Notes) will contain a cross default provision as further described in Condition 13.
Status of the Senior Preferred Notes:	The Senior Preferred Notes will constitute direct, unconditional, unsubordinated, unsecured and unguaranteed obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by mandatory law) equally with all other unconditional, unsubordinated, unsecured and unguaranteed obligations of the Issuer, from time to time outstanding.
Status of the MCBA Covered Bonds:	The MCBA Covered Bonds rank *pari passu* among themselves and with Derivative Transactions and Bankruptcy Liquidity Loans in respect of the statutory right of preference to assets registered in the MCBA Cover Asset Pool in accordance with the MCBA. To the extent that claims of Noteholders in relation to the MCBA Covered Bonds are not met out of the MCBA Cover Asset Pool, the residual claims of such Noteholders will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer including but not limited to the obligations under the Senior Preferred Notes.
Status of the CBA Covered Bonds:	The CBA Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and with all other obligations of the Issuer which benefit from the same priority right in accordance with the CBA. To the extent that claims of the Noteholders in relation to the CBA Covered Bonds and claims of other creditors having the same priority in accordance with the CBA are not fully met out of the assets of the Issuer that are covered in accordance with the CBA, the residual claims of the Noteholders of the CBA Covered Bonds will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer including but not limited to the obligations under the Senior Preferred Notes.
Status of the Tier 2 Notes:	The Tier 2 Notes constitute direct and unsecured obligations of the Issuer. In the event of voluntary or involuntary liquidation or bankruptcy of the Issuer, the rights and claims (if any) of the Noteholders to payments of the Outstanding Principal Amount and any other amounts in respect of the Tier 2 Notes (including any accrued and unpaid interest amount or damages awarded

for breach of any obligations under these Conditions, if any are payable) shall, at all times:

(i) be subordinated to the claims of all senior creditors of the Issuer; and

(ii) rank at least *pari passu* with the claims of all Tier 2 Notes of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the Tier 2 Notes; and

(iii) rank senior to any AT1 Notes, Parity Securities or any other obligations of the Issuer ranking, or expressed to rank, junior to the Tier 2 Notes of the Issuer.

The Tier 2 Notes can be calculated into the Tier 2 Capital as set out in Article 63 of the CRR, provided that the requirements set out in the Applicable Banking Regulation are fulfilled.

No Noteholder of Tier 2 Notes shall be entitled to exercise any right of set-off, netting or counterclaim against amounts owed by the Issuer in respect of the Tier 2 Notes held by it.

Status of the AT1 Notes:

The AT1 Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall, at all times rank:

(i) *pari passu* without any preference among themselves;

(ii) *pari passu* with (a) any existing AT1 Instruments of the Issuer and (b) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the AT1 Notes on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital and any other amounts in respect of the AT1 Notes (including any accrued but unpaid interest and other payments, if any are payable) on a liquidation or bankruptcy of the Issuer;

(iii) senior to holders of the Issuer's CET1 Instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the AT1 Notes on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital and any other amounts in respect of the AT1 Notes (including any accrued but unpaid interest and other payments, if any are payable) on a liquidation or bankruptcy of the Issuer;

(iv) junior to present or future claims of (a) unsubordinated creditors of the Issuer and (b) subordinated creditors of the Issuer including Noteholders of Tier 2 Notes other than the present or future claims of creditors that rank or are expressed to rank *pari passu* with or junior to the AT1 Notes; and

(v) in accordance with Section 6(1), item 4 of the Finnish Act on the Order of Priority of the Creditors (*laki velkojien maksunsaantijärjestyksestä*, 1578/1992) (as amended or as replaced) and Chapter 1, Section 4 a (1), item 5 of the Finnish Act on Credit Institutions

	(*laki luottolaitostoiminnasta*, 610/2014) (as amended or as replaced). The AT1 Notes can be calculated into the Tier 1 Capital as set out in Article 52 of the CRR, provided that the requirements set out in the Applicable Banking Regulation are fulfilled. No Noteholder of AT1 Notes shall be entitled to exercise any right of set-off, netting or counterclaim against amounts owed by the Issuer in respect of the AT1 Notes held by it.
Loss absorption mechanism of Tier 2 Notes and AT1 Notes:	The Tier 2 Notes and AT1 Notes may be permanently written down upon a Trigger Event pursuant to Conditions 14 or 15.
Substitution and variation:	The Issuer may substitute or vary the terms of the Tier 2 Notes or AT1 Notes as provided in Condition 7 if so specified in the relevant Final Terms.
Green Bonds:	The Final Terms relating to any specific Tranche of Notes may provide that the Issuer will apply the proceeds from the issue of the Notes to finance or refinance projects and activities that purport to satisfy certain eligibility requirements determined by Issuer, promote climate resilient and sustainable economies or environmental and climate-friendly improvements or to other environmental and sustainable purposes (Green Assets and thereto related Notes, Green Bonds).
Authorisation:	The Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 22 February 2023.
Rating:	A Series of Notes may be rated or unrated. If a Series of Notes to be issued under the Programme is to be rated, the rating will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the applicable Final Terms. As at the date of this Base Prospectus, the Issuer has been assigned a long-term credit rating of BBB+ by S&P. The Issuer's MCBA Covered Bonds are, and it is expected that its CBA Covered Bonds are, rated AAA by S&P. There is no guarantee that the rating of the Issuer or the Covered Bonds assigned by S&P will be maintained following the date of this Base Prospectus or that any other rating of any Series of Notes will be obtained or maintained. The Issuer may seek to obtain ratings from other credit rating agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.
Further issues:	The Issuer may from time to time, without the consent of the Noteholders create and issue further Notes and other debt securities having the same terms and conditions as any Notes in all respects.

Listing:	The Notes may be applied for listing on the Helsinki Stock Exchange. Unlisted Notes can also be issued.
Governing law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, Finnish law, except for the registration of Notes in Euroclear Sweden, which shall be governed by, and construed in accordance with, Swedish law.
Selling restrictions:	There are restrictions on the offer, sale and transfer of the Notes, see "*Selling Restrictions*".

RESPONSIBILITY REGARDING THE BASE PROSPECTUS

Ålandsbanken Abp has prepared the Base Prospectus and Ålandsbanken accepts responsibility regarding the information contained in the Base Prospectus. To the best of the knowledge of Ålandsbanken the information contained in the Base Prospectus is in accordance with the facts and that the Base Prospectus makes no omission likely to affect its import.

Ålandsbanken Abp
Mariehamn, Finland

RISK FACTORS

Investing in Notes involves risk, some of which may be significant. When purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. However, the Issuer believes that the factors described below represent the principal material risks inherent in investing in the Notes currently known to the Issuer.

The risk factors are presented below in the following categories:

- *A. Risks relating to macroeconomic conditions*
- *B. Risks related to the Issuer´s business activities and industry*
- *C. Regulatory risks*
- *D. Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme*
- *E. Risks related to the CBA Covered Bonds and MCBA Covered Bonds*
- *F. Risks related to the Tier 2 Notes and AT1 Notes*
- *G. Additional risks related to the AT1 Notes*
- *H. Risks related to Green Bonds*
- *I. Risks related to the Notes generally*
- *J. Risks related to the market generally*

While the categories are not presented in any order of materiality, within each risk category the most material risks, in the assessment of the Issuer, taking into account the negative impact on the Issuer and the probability of their occurrence, are presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialization.

Should one or more of the risk factors described herein materialise, it may have a material adverse effect on the Issuer's business and financial condition, and thereby, on the Issuer's ability to fulfil its obligations under the Notes as well as the market price and value of the Notes. As a result, investors may lose part of or all of their investment.

A. Risks relating to macroeconomic conditions

Russia's invasion of Ukraine, macroeconomic conditions and development in Finland, Sweden and globally can adversely affect the Group's banking business, results of operations and liquidity

The single largest risk and uncertainty factors are Russia's war of invasion in Ukraine and the related geopolitical risks, together with record-high inflation. The Group's performance is significantly influenced by macroeconomic conditions and developments in Finland, Sweden and globally. Relevant macroeconomic factors to the Group are, without limitations, housing and commercial properties' market development in Finland and Sweden, unemployment ratios in both countries, development of interest rates and development of households' disposable income and development of global and domestic economic and financial markets. The uncertainty relating to the financial markets may create economic and financial disruptions and even a financial crisis. As the interest rates are increasing and state debt levels remain high and continue to increase in some countries, including Finland, it is possible that the global economy will fall into a recession, which could be deeper and last longer than the one experienced in 2008 and 2009.

During 2022 inflation in Finland and in the eurozone area continued to increase. Inflation was fuelled e.g. by the rapid surge in aggregate demand in the aftermath of the coronavirus pandemic as well as supply chain constrains affecting aggregate supply. The Russia's illegal and unprovoked invasion in Ukraine and the subsequent significant increase in energy prices further fuelled inflation. Inflation levels affect all sectors of the economy. Acceleration in global, European and Nordic inflation levels have led to central banks to take action in form of interest rate hikes. In 2022 the European Central Bank ("ECB") decided to raise the key interest rates in July, September, October and December. The ECB is expected to continue to hike the policy rates until they are sufficiently restrictive. These actions have a delayed effect on the economy and the interest rate hikes have so far only a limited effect on the economy.

In recent years, housing and residential property values outside domestic, both Finland and Sweden, growth centres have declined. Although the majority of the housing and residential property collateral of the mortgage loans granted by the Issuer is located in major cities and growth centres, where housing and residential property values have not, in general,

severely declined in recent years, the value of housing and residential property located in growth centres may in the future generally decline, or certain residential areas or districts may become less attractive leading to a decline in the values of the housing and residential property in such areas thereby reducing the value of the collateral of the Issuer. Centralization of the property could also constitute a problem if values on the growth centres would reduce. Macroeconomic adverse changes could affect debtors' economic situation and, consequently, their ability to fulfil their credit obligations towards the Issuer. It could also have an adverse effect on the development on the residential markets and commercial real estate markets, which form majority of the securities for the Issuer's credits.

In general, Russia's invasion of Ukraine and the EU's sanctioning of Russia lead to a more volatile and unpredictable global economy and financial market. The effects of these geopolitical developments are likely to affect Finland considerably, due to the close geographical proximity between Finland and Russia and due to the significant trade share Finland holds with Russia. Sanctions and countersanctions affect Finnish industry and exports considerably, once again putting pressure on national and global productions chains. Finland and Sweden are both in the application process for full membership of the North Atlantic Treaty Organisation (NATO). Application to NATO is presumed to entail a heightened security risk for both Finland and Sweden although security assurances have been issued by some NATO members for the duration of the application process. Additionally, since the timeline for the application process is uncertain, the length of the increased security risk level is difficult to determine. Receiving full NATO membership could affect bilateral relations with Russia adversely, but the effects of this substantial change in foreign policy on the national security and economic situation are not yet known.

The deterioration of the general security situation in Europe due to Russia's invasion of Ukraine and the associated increasing financial uncertainty may lead to adverse effects on the general economic situation of both Europe and Finland, which in turn could lead to an increasing number of defaults and credit losses, and a decrease in demand for the Group's banking services and financial products, potentially effecting the Group's results and financing costs adversely. Market fluctuations and volatility may also adversely affect the Issuer's commission income from asset management. Interest income could also decrease in the event of a deteriorating general economic and security situation.

Macroeconomic adverse changes could affect debtors' economic situation and, consequently, their ability to fulfil their credit obligations towards the Issuer. It could also have an adverse effect on the development on the residential markets and commercial real estate markets, which form majority of the securities for the Issuer's credits.

Adverse changes in the macroeconomic conditions and more specifically on the housing markets and commercial properties could have an adverse effect on the Issuer's cover asset pools. Under the CBA and the MCBA, the CBA Covered Bonds and the MCBA Covered Bonds shall be covered at all times by a specific pool of qualifying assets. The Issuer has two (2) separate cover asset pools in place, one for the CBA Covered Bonds issued under this Programme and in accordance with the CBA (the **CBA Cover Asset Pool**) and one for the MCBA Covered Bonds issued under the MCBA (the **MCBA Cover Asset Pool**) (see *"Overview of the Issuer's Cover Asset Pools" and "Characteristics of the Cover Asset Pool").* The cover asset pools include loans mostly secured by housing properties located in Finland. Accordingly, the credit quality of the cover asset pools could be adversely affected by adverse developments especially in the housing markets of Finland. If the market values of housing properties decrease significantly, the loan to value ratios in the cover asset pools, the past due loan volumes as well as the amount of impaired loans can rise. If one or more of these occur, the over-collateralization requirement applied by any relevant rating agency in respect of the cover asset pools or covered bonds of the Issuer could be increased. See also *"Credit risk relating to housing loans and corporations"*.

B. Risks related to the Issuer's business activities and industry

Credit risk related to housing loans and loans to corporations

Credit risk is the risk that the Issuer will incur losses due to its borrowers' inability to meet their obligations to the Issuer as they fall due. Adverse changes in the creditworthiness of the Issuer's borrowers or any reduction in the value of collateral or other security obtained by the Issuer may have an adverse impact on the Issuer's financial results. Credit risks may also adversely impact the Issuer´s creditworthiness.

In the year ended 31 December 2022, 37 per cent of the Group's income constitutes of its net interest income, strongly affected by Group's lending business. The Issuer mainly provides credits to private individuals with sound financial status who often are entrepreneurs and business owners and who value personal service from the Issuer. Loans in general are not granted as a stand-alone product, but mainly as part of a long-term customer relationship and to support the Issuer's financial investment business. As far as possible, loans shall be secured by either a real estate or securities and it is always required that there are steady cash flows that ensure the customer's ability to repay the debt.

The credit risk of the Group is comprised primarily of claims against private individuals. As at 31 December 2022, the Group's total lending was EUR 4,303 million, of which approximately 76 per cent constituted loans to private individuals or households. The Group therefore has significant exposure to individuals and households. Individuals' and households' creditworthiness are affected by a variety of factors such as the state of the economy in general, adverse changes in the level of employment and real estate values. As at 31 December 2022, total lending in Sweden was EUR 1,431 million, or approximately 33 per cent of the total lending of the Group, with the remaining balance of lending being in Finland. The exposure of the Group is, therefore, also particularly concentrated in Finland and Sweden.

Any economic downturn in the Group's core markets of Finland and Sweden, with falls in house and property prices and increases in unemployment, could adversely affect the Group's home loans portfolio and generate increases in impairment losses. In addition, the effects of declining property values on the wider economy are also likely to contribute to higher default rates and impairment losses on the Group's loans.

As at 31 December 2022, the Group's total lending to corporate and other institutional customers was EUR 1,041 million. The Group's exposure to corporate and other institutional customers is subject to adverse changes in their credit quality, whether as a result of the global financial crisis or the European sovereign debt crisis or for other reasons.

The Group monitors the impact of the on-going war in Ukraine as well as developments regarding Covid-19 and how they affect the quality in lending operations.

The Issuer is exposed to credit concentration risks

Because of the customer target group, the Issuer has selected private individuals with sound financial status who are often entrepreneurs and business owners, the Issuer's credit exposure to individual customer entities can be relatively large in relation to its capital base. In rapidly deteriorating economic environment combined with declining prices on real estate and securities, the default of one or more of the largest credit customers could lead to material credit losses.

Within its corporate lending segment, the Issuer has a large concentration in the real estate segment in Finland and Sweden. Specifically, lending towards the Swedish commercial real estate segment is considered to be an increased credit concentration risk. In its Finnish credit portfolio, lending towards the shipping industry is also viewed as a risk segment with historic increased credit provisioning during recent years.

The Group is exposed to the risk of increased credit provisioning

Amount of credit losses vary over the business cycle and there is a risk of increased credit losses in the current economic environment. As European markets remain challenging, credit risk associated with certain borrowers and counterparties in these markets remains increased.

The Group's accrued net impairment loss on loans and other commitments was EUR 6.2 million as at 31 December 2022 as compared to EUR 4.9 million in the year ended 31 December 2021. The Group had as at 31 December 2022 EUR 20.0 million in impairment loss provisions as compared to EUR 14.6 million as at 31 December 2021. The Group maintains allowances for loan losses to cover estimated probable incurred credit impairments inherent in its loan portfolio. The Group's calculation of the allowance for losses on loans is based on, among other things, its analysis of current and historical delinquency rates and loan management, its customers' likely repayment capacity and the valuation of the underlying assets, as well as numerous other management assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance.

Any material increase in impairment loss on loans and other commitments could have a material adverse effect on the Group's operations, and, thereby, on the Issuer's ability to fulfil its obligations under the Programme as well as the market price and value of the Notes. The Group now calculates an expected credit loss figure for all assets within its lending and treasury operations according to IFRS9 and regulatory expected loss according to internal credit risk models (IRB). In addition to increased impairments for defaulted receivables deteriorating creditworthiness of not yet defaulted receivables could lead to increased credit provisioning. The risk is considered to be material since the calculations of expected credit losses covers a large part of the balance sheet.

Credit risk related to counterparties

Within its treasury operations, the Issuer has large exposures against its financial counterparties on a regular basis. The Issuer applies a strict policy regarding it's accepted counterparties and to certain extent relies on external credit judgments (i.e. external credit ratings) when assessing credit risks. Any failure in these external assessments to adequately capture the credit risk could lead to material credit losses.

The Issuer routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, funds and other institutional and corporate clients. Many of these transactions expose the Issuer to the risk that the Issuer's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults on its obligations prior to maturity when the Issuer has an outstanding claim against that counterparty. Due to the increased volatility in foreign exchange and fixed income markets in recent years, this risk has increased. This credit risk may also be exacerbated when the collateral held by the Issuer cannot be realised or is liquidated at prices not sufficient to recover the full amount of the counterparty exposure.

Risk relating to the assets managed by the Issuer

The amount of managed assets was as at 31 December 2022 EUR 8,637 million. If the value of the assets that are managed by the Issuer in the mutual funds or in the asset management decreased substantially due to the market conditions, if the development of the value of the assets was unsatisfactory or if success of the Issuer´s asset management deteriorated, there could be a risk that clients decrease their investments or transfer their assets to another service provider and that the Issuer could not acquire new clients or more assets from its present clients. This could lead to decreased provisions from asset management and adverse development of the asset management business. Negative value development or adverse success of asset management could have an adverse effect on the Issuer's results.

Materialised liquidity risk would cause inability to meet payment obligations

The Group is exposed to the risk of not being able to meet its obligations as they fall due or only being able to meet its liquidity commitments at an increased cost.

Liquidity risk consists of refinancing risk and market liquidity risk. Refinancing risk is the risk of not being able to fulfil payment obligations on the maturity date without a substantial increase in the cost of obtaining the means of payment. Market liquidity risk refers to the risk of not being able to sell positions at expected market prices, in situation where the market is not liquid enough or is not functioning due to disruptions.

Since the Issuer strives not to rely on other funding sources than customer deposits and covered bonds, a substantial part of the Group's liquidity and funding requirements are met through reliance on customer deposits, as well as ongoing access to wholesale lending markets, including issuance of long-term debt market instruments such as covered bonds.

As of 31 December 2022, deposits from the public accounted for 77 per cent of the Group's external funding sources (aside from equity capital). Should the Group encounter a significant outflow of deposits, the Group's funding structure would change substantially, and its average cost of funding would most likely increase. The volume of long-term funding may be constrained during periods of liquidity stress. Turbulence in the global financial markets and economy may adversely affect the Group's liquidity and the willingness of certain counterparties and customers to do business with the Group.

This might jeopardise the Group's liquidity, and the Group could be unable to meet its current and future cash flow and collateral needs, both expected and unexpected. Such events or a general decline in the Group's liquidity may adversely affect the availability and price of the Group's funding and, as a consequence, have a material adverse effect on the Group's operations, thereby, on the Issuer's ability to fulfil its obligations under the Programme as well as the market price and value of the Notes.

In order to ensure access to liquidity even during periods without external borrowing opportunities, the Issuer has a liquidity reserve and a well-diversified instrument and maturity structure on its borrowing. The quality of the Issuer's liquidity reserve and liquidity position is measured with the key ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As at 31 December 2022, the LCR amounted to 138 per cent and the NSFR to 108 per cent

Materialised market risk could cause possible write-downs and result in financial losses

Market risk is the risk of losses due to changes in interest rates, foreign exchange rates and equity prices. The Group's market risk is mainly represented in terms of interest rate risk due to differences in the interest rate refixing periods and repricing dates between its lending and funding and its treasury operations in which it holds investment and liquidity portfolios for its own account. The Issuer does not trade for its own account.

Like all banking groups, the Group earns interest from loans and other assets, and pays interest to its depositors and other creditors. The net effect of changes to the Group's net interest income depends on the relative levels of assets and liabilities that are affected by changes in interest rates. The Group is exposed to structural interest income risk when there is a mismatch between the interest rate re-pricing periods, volumes or reference rates of its assets, liabilities and derivatives.

This mismatch in any given period in the event of changes in interest rates could lead to significant losses or protracted periods of low profitability or losses. Adverse movements in interest rates or other market prices could therefore have a material adverse effect on the Group's results of operations and, thereby, on the Issuer's ability to fulfil its obligations under the Programme as well as the market price and value of the Notes.

To the extent volatile market conditions persist or recur, the fair value of the Group's assets could fall substantially and cause the Issuer or other members of the Group to write-down values. In addition, because the Group's investment income from assets held in its liquidity portfolio depends to a great extent on the performance of financial markets, volatile market conditions could result in a significant decline in the Group's investment income or result in a loss.

The Issuer is exposed to foreign exchange risk

The Issuer´s operations occur mainly in its two (2) base currencies, euros and Swedish kronor, but a limited proportion of its lending and deposits occurs in other currencies, creating a certain foreign exchange risk. To control the foreign exchange risk exposure, measured as the aggregated net position (sum of the absolute amounts for each individual net position), limits are set out by the Issuer's Board of Directors.

The Issuer also has a structural foreign exchange risk in Swedish kronor, since the Issuer's financial accounts are prepared in euros while the reporting currency of its Swedish branch is Swedish kronor. The structural foreign exchange risk exposures arise due to accrued profits/losses in the branch as well as the branch's endowment capital in Swedish kronor. The Issuer is therefore exposed to adverse exchange rate movements between SEK and EUR. A significant movement in the SEK and EUR exchange rate could have a material adverse effect on the Issuer's balance sheet positions.

Materialisation of operational risks could result in financial losses

The Group has defined tolerance levels for realised operational risks and the events and losses are reported monthly to the Group's Executive Management. The most critical functions are regularly assessing their operational risks and the most essential risks are presented to the Issuer's Executive Management at least yearly. The operational risk losses have historically been low in the Group.

The Group depends on information technology to manage critical business processes. IT development is an ongoing process and most of the development is done by the Group's subsidiary Crosskey Banking Solutions Ab Ltd. There is a risk for disruptions or failure due to implementation of systems which may cause errors and therefore, possible losses.

Although the Group has implemented risk controls and taken other actions to mitigate exposures and/or losses, there can be no assurance that such procedures will be effective in controlling each of the operational risks faced by the Group, or that the Group's reputation will not be damaged by the occurrence of any operational risks. Business expansion, mainly by forming new partnerships in different areas of business, increases the importance of documented and functioning internal routines.

As a part of its banking and asset management activities, the Group provides its clients with investment advice and access to internally, as well as externally, managed funds. In the event of losses incurred by the Group's clients due to such of investment advice, or an investment in such funds, such Group's clients may seek compensation from the Group, which may result in losses for the Group. Such compensation might be sought even if the Group has no direct exposure to such risks or has not recommended such counterparties to its customers.

Risk of losing key persons could have an adverse effect on the Group's operations

Financial markets are highly dependent on competent people and there is high demand for such people. Risk relating to losing key personnel or not being able to employ new competent people is identified within the Group being active in many different areas of business. The Issuer is a relatively small bank and many functions and tasks are performed by less personnel than in larger banks. Losing certain people with specific skills could constitute a risk for the bank's operations.

Materialisation of system risks could have an adverse effect on the Issuer's operations

Due to the dependences in the domestic and international financing, securities and capital markets the financial difficulties of one market participant can cause difficulties also to the other participants and to the whole market. This system risk could have adverse effect on the financial markets in general and consequently, on the Issuer.

Reputational risk may have an adverse effect on the Group's business

The Group's reputation is one of its most important assets. Reputational risk, including the risk to earnings and capital from negative public opinion, is inherent in the financial services business. Negative public opinion can result from any number of causes, including misconduct by employees, the activities of business partners over which the Group has limited or no control, severe or prolonged financial losses, or uncertainty about the Group's financial soundness or reliability. Negative public opinion may adversely affect the Group's ability to keep and attract customers, depositors and investors, as well as its relationships with regulators and the general public. The Group cannot ensure that it will be successful in avoiding damage to its business from reputational risk. The Group's strategy is to be a bank for investors that builds and maintains customer relationships. Negative public opinion and reputational risks are likely to have particularly adverse effect on the Group's ability to implement that strategy, which could have an adverse effect on the Group's business.

The Group faces competition in all markets

There is competition for the types of banking and other products and services that the Group provides and there can be no assurances that the Group can maintain its competitive position.

A key success factor in the Group's strategy to be a bank for investors is the provision of high service levels to its Premium and Private Banking clients. The Group faces competition in this market in both Sweden and Finland from several smaller specialised firms as well as large Nordic banks. There can be no assurance that the business strategy adopted by the Group will be successful. If the Group's strategy proves unsuccessful, it could lead to a decrease in market share, protracted periods of low profitability or losses and a deterioration of its financial condition.

The financial services market may face significant changes due to the development of digital banking solutions, changes in consumer behaviour, regulatory reforms as well as new operators entering the market. The mortgage loan business in Finland is also competitive. Lenders advertise extensively and use targeted marketing and loyalty schemes in an effort to expand their presence in the market and compete for customers. If the Group is unable to provide competitive product and service offerings, it may fail to attract new customers, retain existing customers, experience decreases on its interest, fee and commission income, and/or lose market share. Competition may adversely impact the Group's position in the Premium and Private Banking segments and the mortgage loan business.

Any of these factors could have a material adverse effect on the Group's business, and, thereby, on the Issuer's ability to fulfil its obligations under the Programme as well as the market price and value of the Notes.

The Group faces risk relating to its partner co-operations strategy

Ålandsbanken and its information technology providing subsidiary Crosskey Banking Solutions Ab Ltd supplies platform solutions to Borgo AB, a Swedish mortgage company (**Borgo**), focusing on the financing and origination of mortgage loans. Borgo is jointly owned by ICA Banken, Ikano, Söderberg & Partners, Sparbanken Syd and Ålandsbanken. In addition, the co-operation with Borgo is an important way for Ålandsbanken to implement its strategy of partner co-operation as it is delivering all back-office services to Borgo's platform. A potential inability by Ålandsbanken to adequately provide the solutions and services may lead to delays and contractual breaches which may have an adverse effect on Borgo's operations and financial results.

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

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

Ålandsbanken, being also a platform solution provider to Borgo, expects Borgo to reach scale benefits in different business areas, which will further benefit also Ålandsbanken's traditional banking and IT business. If these expectations of Ålandsbanken concerning Borgo do not materialise, it could have an adverse effect on the results of Ålandsbanken. In addition, as for all shareholders, there is a risk that the market value of Borgo decreases or the profits of the shareholder decreases.

C. Regulatory risks

Regulatory changes may adversely affect the Group, and the Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks

The Group is subject to financial services laws, regulations, administrative actions and policies in Finland, Sweden and the EU. The Group must meet the requirements set forth in the regulations regarding, *inter alia*, minimum capital and capital adequacy, reporting with respect to financial information and financial condition, marketing and selling practices, advertising, terms and conduct of business and permitted investments, liabilities and payment of dividends. In addition, certain decisions made by the Group may require approval or notification to the relevant authorities in advance.

Changes in supervision and regulation, particularly in Finland, could materially affect the Group's business, the products and services offered or the value of its assets. Such changes in regulation and supervision may, for example, expose the Group to additional costs and liabilities and require it to change how it conducts business. The Group faces the risk that regulators may find it has failed to comply with applicable regulations or has not undertaken corrective action as required. Regulatory proceedings could result in adverse publicity for, or negative perceptions regarding, the Group, as well as diverting management's attention away from the day-to-day management of the business. A significant regulatory action brought by any relevant authority, such as the FIN-FSA, against the Group, could have a material adverse effect on the business of the Group, its results of operations and/or financial condition. This may affect the ability of the Issuer to meet its obligations under the Notes.

Increased capital requirements may adversely affect the Group

The Group must comply with numerous capital requirements and standards, see "*Regulatory environment - Capital requirements and standards*". Any failure by the Issuer to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on the Group's, business, financial condition and results of operations and may also have other effects on the Issuer's financial performance and on the pricing of the Notes, both with or without the intervention by regulators or the imposition of sanctions.

Finland has implemented a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. If any such action would be taken in respect of Ålandsbanken, it may result in the Noteholders losing some or all of their investment

The Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**). The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD was implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (*laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta*, 1194/2014) (as amended) (the **Resolution Act**) and the Act on Financial Stability Authority (*laki rahoitusvakausviranomaisesta*, 1195/2014) (as amended), together the **Finnish Resolution Laws**.

Pursuant to the Resolution Act, a failing financial institution could be subject to a number of resolution tools that has been granted to the Finnish Financial Stability Authority (the **Stability Authority**). The Stability Authority has the right to mandatory write-down the nominal value of liabilities and convert liabilities into regulatory capital instruments (bail-in), sale of business, bridge institution and asset separation. To continue the operations of the institution, the Stability Authority has the power to decide upon covering losses of the institution by reducing the value of the institution's share capital or cancelling its shares.

The Stability Authority has set the minimum requirement in accordance with the Resolution Act for own funds and eligible liabilities that can be written down (**MREL requirement**) for the Issuer. The MREL requirement is 9 per cent of total risk-weighted assets (the **TREA**) and 3 per cent of leverage ratio exposures (LRE) based on TREA. The requirement entered into force on 1 January 2022. There can be no assurance that the Issuer would be able to raise owns funds and eligible liabilities to meet any MREL requirement in the required timeframe or at sustainable prices. Any failure by the Issuer to maintain any increased regulatory capital requirements or MREL requirement or to comply with any other requirements introduced by any regulator could result in intervention by regulators and/or the imposition of penalties, which may have a material adverse impact on the Issuer's business and results of operations.

The exercise of any resolution power or any suggestion of any such exercise could have a material adverse effect on the value of the Notes and could lead to Noteholders losing some or all of the value of their investment in the Notes. In

particular, the exercise of the bail-in tool in respect of the Issuer and/or any instrument eligible to count towards the Issuer's minimum requirement of eligible liabilities or any suggestion of any such exercise could materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to the Noteholders losing some or all of the value of their investment in the Notes. The actual effect on Noteholders depends, among other things, on the nature and severity of the crisis. For more information on the Finnish Resolution Laws, see "*Regulatory environment – Resolution laws*".

A possible breach of personal data legislation may have a material adverse effect on the Group's business and results of operations

Processing of personal data (such as customer data) is part of the daily business of the Issuer. Such processing is regulated by the European Union's General Data Protection Regulation (EU) No 2016/679 (the **GDPR**) and national laws providing strict confidentiality obligations and sector-specific data protection rules applicable to financial institutions.

Privacy issues and the protection of personal data, in particular the protection of data relating to the Issuer's customers and employees, are of the essence to the Issuer. However, although the Group has assessed its data protection processes and practices and issued related internal guidelines, it may not be able to prevent intentional or unintentional misuse of its systems containing personal data. Such personal data breaches may be attributable, for instance, to human error or faults in ICT systems or software and they may result in identity frauds or other types of misuse of personal data if, for instance, customer data is leaked outside the Group.

A breach of data protection legislation by the Group (or its supplier) could result in administrative sanctions, claims for damages and/or loss of reputation and customers. The GDPR includes an extensive sanction mechanism, according to which breaches of the GDPR can result in administrative fines of up to 4 per cent of the worldwide annual turnover or 20 million euros (whichever is higher). A breach of personal data legislation could, therefore, have a material adverse effect on the Group's business and results of operations.

D. Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

An optional redemption feature of Notes is likely to limit the market value of the Notes

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes, thus exposing the investor to the risk that it may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the redeemed Notes.

If the Issuer has the right to convert the interest rate on any Notes from a fixed interest rate to a floating interest rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/floating interest rate Notes are Notes which may bear interest at a rate that converts from a fixed interest rate to a floating interest rate, or from a floating interest rate to a fixed interest rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed interest rate to a floating interest rate in such circumstances, the spread on the fixed/floating interest rate Notes may be less favourable than then prevailing spreads on comparable floating interest rate Notes tied to the same reference rate. In addition, the new floating interest rate at any time may be lower than the interest rates on other Notes. If the Issuer converts from a floating interest rate to a fixed interest rate in such circumstances, the fixed interest rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as zero-coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

E. Risks related to the CBA Covered Bonds and MCBA Covered Bonds

No events of default in covered bonds

The terms and conditions of the CBA Covered Bonds do not include any events of default relating to the Issuer and therefore, the Noteholders are not able to accelerate the CBA Covered Bonds. As such, it is envisaged that the Noteholders will only be paid the scheduled interest payments under the CBA Covered Bonds as and when they fall due under the General Terms and Conditions. The same applies to the MCBA Covered Bonds.

In the event of a failure of the CBA Cover Asset Pool and/or the MCBA Cover Asset Pool to meet the matching requirements, Noteholders of the CBA Covered Bonds and/or the MCBA Covered Bonds may receive payments according to a schedule that is different from that contemplated by the terms of the relevant CBA Covered Bond and/or MCBA Covered Bond

The Issuer is required under the CBA to comply with certain matching requirements as long as there is any CBA Covered Bond outstanding. Under the CBA, if the assets in the CBA Cover Asset Pool do not fulfil the requirements provided for in the CBA, the FIN-FSA may set a time limit within which the Issuer shall place more collateral in compliance with the CBA and the conditions of the CBA Covered Bonds. If these requirements are not complied with, the Issuer's license for mortgage credit bank operations may be withdrawn. If the Issuer is placed in liquidation or declared bankrupt, and the requirements for the total amount of collateral of the CBA Covered Bonds in Section 24 of the CBA are not fulfilled, a supervisor appointed by the FIN-FSA may demand that the Issuer's bankruptcy administrator declare the CBA Covered Bonds due and payable and sell the assets in the CBA Cover Asset Pool. This could result in the Noteholders of CBA Covered Bonds receiving payment according to a schedule that is different from that contemplated by the terms of the CBA Covered Bonds (with accelerations as well as delays). The same applies to the MCBA Covered Bonds issued in accordance with the MCBA. See "*Finnish Covered Bond Act*".

If any relevant claims in respect of CBA Covered Bonds are not met out of the CBA Cover Asset Pool, any remaining claims will subsequently rank pari passu with the Issuer's obligations under the Senior Preferred Notes and other unsecured and unsubordinated obligations of the Issuer

In the event of liquidation or the bankruptcy of the Issuer, the Noteholders of CBA Covered Bonds and MCBA Covered Bonds are given statutory priority in relation to the assets entered into the register of covered bonds that the Issuer is required to maintain in respect of the relevant cover bonds (**Register**). In calculating the total value of the CBA Cover Asset Pool, the following limitations apply under the CBA: 1) at most 80 per cent of the underlying value of the shares or the real estate securing each housing loan; and 2) the principal of other receivables. Under the MCBA, the limitations are as follows: 1) at most 70 per cent of the underlying value of the shares or the real estate securing each housing loan; and 2) the principal of the substitute collateral. If the proceeds from the assets in the cover asset pool are not sufficient to discharge the relevant covered bonds in full, the Noteholders of the relevant covered bonds will be general creditors in the Issuer's bankruptcy or liquidation with no priority as to the shortfall. In such circumstances, the Noteholders of the relevant covered bonds may not be paid in full. See "*Finnish Covered Bond Act – Quality of the Cover Pool Assets*" and "*Finnish Act on Mortgage Credit Bank Activity – Quality of the Cover Pool Assets*".

Transfer of MCBA Covered Bonds and the MCBA Cover Asset Pool in bankruptcy

In bankruptcy, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a MCBA Covered Bond and the corresponding collateral to a mortgage credit bank, deposit bank or credit entity that has acquired a license to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the MCBA unless the terms of the MCBA Covered Bond provide otherwise. The Noteholders of MCBA Covered Bonds may not affect the entity that administers the liability for a MCBA Covered Bond and the corresponding collateral and if the transferee does not fulfil its obligations, it may have an adverse effect on the value of MCBA Covered Bonds. See "*Finnish Act on Mortgage Credit Bank Activity*".

The CBA Covered Bonds or MCBA Covered Bonds may have different priority due to the existing differences between the CBA and MCBA

The Issuer will have two different cover asset pools – one in accordance with the CBA and one in accordance with the MCBA – due to the existing differences between the laws. The Cover Asset Pool under the CBA does not operate as a cover asset pool for the MCBA Covered Bonds and the cover asset pool under the MCBA does not operate as a cover asset pool for the Covered Bonds. The MCBA Covered Bonds under the MCBA and the CBA Covered Bonds under the CBA are treated differently in respect of their priority, liquidity requirements and the extension of maturity depending on the applicable legislation. The co-existence of two sets of covered bonds and two cover asset pools that are subject to

differing regulatory treatment may increase ambiguity for investors in terms of treatment and status of the Noteholder in the Issuer's insolvency. The Issuer may make additional tap issues to the MCBA Covered Bonds issued under the MCBA in accordance with the transitory provisions of the CBA (see "*Finnish Covered Bond Act – Transitory Provisions*").

No market for collateral in Finland after an insolvency of the Issuer

There is no assurance that there will be a trading market for the collateral in the CBA Cover Asset Pool or MCBA Cover Asset Pool or an eligible transferee to take over the obligations relating to the MCBA Covered Bonds and the corresponding collateral after an insolvency of the Issuer. A limited number of eligible transferees may affect adversely the liquidity of the collateral and consequently, the value of MCBA Covered Bonds.

Liquidity post Issuer bankruptcy

It is believed that neither an insolvent issuer nor its bankruptcy estate would have the ability to issue CBA Covered Bonds or make further issues of MCBA Covered Bonds. Under the CBA, the bankruptcy administrator (upon the demand or the consent of a supervisor appointed by the FIN-FSA) may, however, raise liquidity through the sale of mortgage loans and other assets in the CBA Cover Asset Pool to fulfil the obligations relating to the CBA Covered Bonds. Further, the bankruptcy administrator (upon the demand or the consent of the supervisor appointed by the FIN-FSA) may take out bankruptcy liquidity loans and enter into other agreements for the purpose of securing liquidity of the CBA Cover Asset Pool. Under the MCBA, the counterparties in such transactions will rank pari passu with Noteholders of the MCBA Covered Bonds and existing derivative counterparties with respect to assets in the MCBA Cover Asset Pool, whereas under the CBA, the Noteholders of the CBA Covered Bonds enjoy the first priority position. Pursuant to Section 44 of the CBA, providers of bankruptcy liquidity loans have a right to receive payment from the cover asset pool after the creditors specified in Section 20 of the CBA. However, there can be no assurance as to the actual ability of the bankruptcy estate to raise post-bankruptcy liquidity, which may result in a failure by the Issuer to make full and timely payments to Noteholders of CBA Covered Bonds and existing derivative counterparties registered in the CBA Cover Asset Pool. The same applies to MCBA Covered Bonds issued in accordance with the MCBA save for priority of the claims of the providers of bankruptcy liquidity loans.

Collection of mortgage loans and default by borrowers

The mortgage loans which secure the CBA Covered Bonds and MCBA Covered Bonds will comprise loans secured on property. A borrower may default on its obligation under such mortgage loan. Defaults may occur for a variety of reasons. Defaults under mortgage loans are subject to credit, liquidity and interest rate risks and rental yield reduction (in the case of investment properties). Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climates, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors relating to borrowers' individual, personal or financial circumstances may affect the ability of the borrowers to repay the mortgage loans. Loss of earnings, illness, divorce, weakening of financial conditions or the results of business operations and other similar factors may lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the mortgage loans. In addition, the ability of a borrower or the Issuer to sell a property given as security for a mortgage loan at a price sufficient to repay the amounts outstanding under that mortgage loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time. The registered value of a property in the relevant cover asset pool may be higher than the price for which such property can actually be sold on any given day.

Reliance on Swap Providers

To provide a hedge against possible variances in the rates of interest receivable on the mortgage loans and other assets from time to time held by the Issuer (which may, for instance, include variable rates of interest, discounted rates of interest, fixed interest rates of interest or rates of interest which track a base rate) and the interest rate(s) under the CBA Covered Bonds and MCBA Covered Bonds, the Issuer may from time to time enter into Swap Agreements (see "*Derivative Transactions*").

If any swap counterparty defaults on its obligations to make payments under the relevant Swap Agreement, the Issuer will be exposed to changes in the relevant rates of interest. Unless one or more replacement Interest Rate Swap Agreements are entered into, the Issuer may not have sufficient funds to make payments under the relevant covered bonds.

Obligations may be extended

The Final Terms applicable to a Series of MCBA Covered Bonds may provide that the maturity of the nominal amount outstanding of the MCBA Covered Bonds will automatically extend up to but not later than 12 months from the Maturity Date (the **Extended Maturity Date**). The extension of the maturity of the nominal amount outstanding of the MCBA Covered Bonds from the Maturity Date to the Extended Maturity Date will not result in any right of the Noteholders to accelerate payments or take action against the Issuer, and no payment will be payable to the Noteholders in that event other than as set out in the conditions as completed by the applicable Final Terms. In these circumstances, failure by the Issuer to make payment in respect of the redemption amount on the Maturity Date shall not constitute a default in payment by the Issuer. If the Issuer has the right to convert the interest rate on any MCBA Covered Bonds from a fixed interest rate to a floating interest rate in connection with extension of maturity, this may affect the secondary market and the market value of the MCBA Covered Bonds concerned. See also " *– D. Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme – If the Issuer has the right to convert the interest rate on any Notes from a fixed interest rate to a floating interest rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*".

Pursuant to Section 32 of the CBA, the terms and conditions of a covered bond may include a provision that enables the issuer to extend the maturity of a covered bond subject to certain conditions, including the approval of the FIN-FSA. In addition, the conditions for extension of maturity include, among others, that the issuer is unable to obtain long-term financing from ordinary sources, the issuer is unable to meet the liquidity requirement set out in the CBA if it makes payments towards the principal and interest of the maturing covered bond and that the extension of maturity does not affect the sequence in which the issuer's covered bonds from the same cover asset pool are maturing. If the FIN-FSA determines that the conditions for extension have been fulfilled and it gives its approval to the extension, its resolution shall indicate the applied extended maturity date of such covered bonds which shall be a date on or before the final extended maturity date specified in the general terms and conditions.

If "Extended Maturity" is specified as being applicable in respect of a Series of CBA Covered Bonds, the maturity date of the relevant CBA Covered Bonds may be extended subject to certain conditions, including approval of the FIN-FSA, specified in Condition 6.9 of the General Terms and Conditions. In the event of such extension, the Issuer may redeem all or any part of the nominal amount outstanding of the CBA Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The extension of the maturity of the outstanding principal amount of the CBA Covered Bonds to a date falling after the Maturity Date will not result in any right of the Noteholders of CBA Covered Bonds to accelerate payments on such CBA Covered Bonds and no payment will be payable to the Noteholders of CBA Covered Bonds in that event other than as set out in the General Terms and Conditions.

F. Risks related to the Tier 2 Notes and AT1 Notes

The Tier 2 Notes and AT1 Notes are subordinated to most of the Issuer's liabilities

In case the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of its senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of more subordinated debt) in full before it can make any payments on the relevant Tier 2 Notes or AT1 Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Tier 2 Notes or AT1 Notes. Any Tier 2 Notes rank prior to AT1 Notes. The ranking of different classes of Notes is more fully described in Condition 3 of the General Terms and Conditions of the Notes.

According to item 4 of Subsection 1 of Section 6 of the Finnish Act on Order of Priority of Claims (*laki velkojien maksunsaantijärjestyksestä*, 1578/1992) (the **Finnish Priority Act**), a claim subordinated by contract to the claims of all other creditors in liquidation and bankruptcy of the debtor will, in each case, rank in priority to the payment to holders of equity interests in the debtor but junior in right of payment to the claims in respect of all unsubordinated indebtedness and other classes of subordinated indebtedness of the debtor. Pursuant to Subsection 2 of Section 6 of the Finnish Priority Act, claims falling within the same category shall have equal priority unless otherwise agreed in respect of claims set forth in item 4 of Subsection 1 of Section 6 of the Finnish Priority Act.

In the liquidation or bankruptcy of the Issuer claims under the Tier 2 Notes would be expected to be treated with priority to claims under any AT1 Notes given that the contractual intention has been to create such a subordination, which should be recognised pursuant to the Finnish Act on Credit Institutions (*laki luottolaitostoiminnasta,* 610/2014) (as amended). However, as domestic regulatory practice concerning the new ranking order has not yet developed, there can be no assurances that this would be the case.

The Tier 2 Notes may be subject to permanent write-down

If the common equity tier 1 (**CET1**) ratio of the Issuer or the Group falls below 7 per cent, the Issuer shall permanently write down 50 per cent of the Tier 2 Notes as well as the entire accrued and unpaid interest as described in the General Terms and Conditions of the Notes (see Condition 14). Therefore, a Noteholder will permanently lose the part of the nominal amount of the Tier 2 Notes that has been subject to Write-Down. After the date of the write-down, the interest will be calculated for the remaining nominal amount of the Tier 2 Notes and therefore the Noteholder will also lose the entire accrued and unpaid interest as well as the interest in respect of the part of the Tier 2 Notes that has been subject to write-down and has not fallen due as at the date of the write-down. The Tier 2 Notes may only be subject to write-down once.

In case the Issuer were to face severe financial difficulties and become subject to resolution measures under the EU bank resolution mechanism, the Tier 2 Notes may become subject to write-down, in which case a Noteholder may lose the entire or part of the principal as well as the accrued and unpaid interest.

An early redemption of Tier 2 Notes or AT1 Notes is likely to limit their market value

Subject to Condition 6.11 of the General Terms and Conditions of the Notes, including the approval of the Competent Authority, the Issuer may redeem the Tier 2 Notes in case of (i) an Issuer's call option (Condition 6.5), (ii) a Capital Event (Condition 6.8), (iii) a Withholding Tax Event (Condition 6.6) and (iv) a Tax Event (Condition 6.7), each as defined in the General Terms and Conditions of the Notes.

The Issuer may also call, redeem, repay or repurchase the AT1 Notes in case of an Issuer's call option (Condition 6.5), a Capital Event (Condition 6.8) or a Tax Event (Condition 6.7), each as specified in the General Terms and Conditions of the Notes and subject to Condition 6.11, including, among other things, the approval of the Competent Authority.

At those times, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Tier 2 Notes or AT1 Notes being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

Under certain circumstances, the Issuer's ability to redeem or repurchase the Tier 2 Notes or AT1 Notes may be limited

The rules under CRD IV (as defined in the General Terms and Conditions of the Notes) prescribe certain conditions for the granting of permission by the Competent Authority (or, as the case may be, another competent authority) to a request by the Issuer to redeem or repurchase the Tier 2 Notes or AT1 Notes. In this respect, the CRR provides that the Competent Authority shall grant permission to a redemption or repurchase of the Tier 2 Notes or AT1 Notes provided that either of the following conditions is met:

(i) on or before such redemption or repurchase of the Tier 2 Notes or AT1 Notes, the Issuer replaces the Tier 2 Notes or AT1 Notes (as applicable) with capital instruments of an equal or higher quality on terms that are sustainable for its income capacity (however, Condition 6.11 specifies in relation to Tier 2 Notes that the replacement must have occurred before such redemption or repurchase); or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Authority or the Resolution Authority (as applicable) that its Tier 1 Capital and Tier 2 Capital would, following such redemption or repurchase, exceed the capital ratios required under CRD IV by a margin that the Competent Authority or the Resolution Authority (as applicable) may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution.

In addition, the rules under CRD IV provide that the Competent Authority may only permit the Issuer to redeem the Tier 2 Notes or AT1 Notes before five years after the Issue Date of the Tier 2 Notes or AT1 Notes (as applicable) if:

(a) the conditions listed in paragraphs (i) or (ii) above are met; and

(b) in the case of redemption due to the occurrence of a Capital Event, (i) the Competent Authority considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the Capital Event was not reasonably foreseeable at the time of the issuance of the Tier 2 Notes or AT1 Notes (as applicable); or

(c) in the case of redemption due to the occurrence of a Withholding Tax Event or a Tax Event, the Issuer demonstrates to the satisfaction of the Competent Authority that such Withholding Tax Event or Tax Event is material and was not reasonably foreseeable at the time of issuance of the Tier 2 Notes or AT1 Notes (as applicable).

Thus, the regulatory landscape sets certain limitations for the Issuer to redeem and/or repurchase the Tier 2 Notes or AT1 Notes which may have an adverse effect on the Group's financial position and on the Noteholders' possibilities to get repayment from their investments in the Tier 2 Notes or AT1 Notes. The regulatory conditions described herein are further specified in respect of the Tier 2 Notes and AT1 Notes in Condition 6.11 of the General Terms and Conditions.

Remedies in case of default on the Tier 2 Notes and AT1 Notes are severely limited

The Tier 2 Notes and AT1 Notes will contain limited enforcement events relating to:

(i) non-payment by the Issuer of any amounts due under the Tier 2 Notes and AT1 Notes. In such circumstances, as described in more detail in the General Terms and Conditions of the Notes and subject as provided below, the Noteholder may institute proceedings in Finland or elsewhere for the Issuer to be declared bankrupt or its winding-up or liquidation and prove or claim in the bankruptcy or liquidation of the Issuer; and

(ii) the bankruptcy or the winding-up or liquidation of the Issuer, whether in Finland or elsewhere. In such circumstances, as described in more detail in the General Terms and Conditions of the Notes, a Noteholder may declare its Tier 2 Notes and AT1 Notes (as applicable) to be due and payable at their Outstanding Principal Amount, and prove or claim in the bankruptcy or liquidation of the Issuer.

However, in each case, the Noteholder may claim payment in respect of the Tier 2 Notes and AT1 Notes only in the winding-up or liquidation or, as the case may be, bankruptcy or liquidation of the Issuer.

Under Finnish law, a creditor may not institute proceedings for the liquidation of the debtor, except under the following limited circumstances: (i) the debtor has no registered and competent board of directors; (ii) the debtor has no registered representative within the meaning of the Act on the Freedom of Enterprise Act (in Finnish *laki elinkeinon harjoittamisen oikeudesta 122/1919*); (iii) despite the request of the register authority, the debtor has not filed its annual accounts for registration within one year from the end of the financial period; or (iv) the debtor has been declared bankrupt and the bankruptcy has expired due to the lack of funds.

The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Tier 2 Notes or AT1 Notes

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to the Tier 2 Notes or AT1 Notes or on the amount of securities that it may issue that rank *pari passu* with the Tier 2 Notes or AT1 Notes. The issue of any such debt or securities may reduce the amount recoverable by the Noteholders in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer.

In addition, the Issuer reserves the right to issue other securities counting as additional Tier 1 Capital or Tier 2 Capital of the Issuer in the future, provided, however, that any such obligations may not in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer rank prior to AT1 Notes (in case of additional Tier 1 Capital) or Tier 2 Notes (in case of Tier 2 Capital).

The Issuer's gross-up obligation under the Tier 2 Notes and AT1 Notes is limited

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of (i) Series of Tier 2 Notes and (ii) any Series of AT1 Notes applies only to payments of interest due and paid under such Notes and not to payments of principal (which term, for these purposes, includes any premium, final redemption amount, early redemption amount, optional redemption amount and any other amount (other than interest) which may from time to time be payable in respect of such Notes).

As such, the Issuer would not be required to pay any additional amounts under the terms of any Series of Tier 2 Notes and or any Series of AT1 Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Series of Tier 2 Notes and or any such Series of AT1, such Noteholders would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld.

Therefore, Noteholders may receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

The Issuer could, in certain circumstances, substitute or vary the terms of the Tier 2 Notes and AT1 Notes

To the extent that any Series of Notes contains provisions relating to the substitution or variation of the Notes, in certain circumstances, such as if a Capital Event or a Tax Event, or in the case of Tier 2 Notes, Withholding Tax Event, has occurred and is continuing, the Issuer may, in accordance with Applicable Banking Regulations and without the consent or approval of the Noteholders, substitute the Notes or vary the terms and conditions of the Notes in order to ensure such substituted or varied Notes continue to qualify towards the Issuer's and/or the Group's Tier 2 Capital (in case of Tier 2 Notes) or Tier 1 Capital (in case of AT1 Notes) in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations to at least the same extent as the Notes prior to the relevant Capital Event or Tax Event or in the case of Tier 2 Notes, Withholding Tax Event. While the Issuer cannot make changes to the terms of the Notes that are materially less favourable to a Noteholder of such Notes, there can be no assurances as to whether any of these changes will negatively affect any particular Noteholder. In addition, there is no certainty to the tax consequences of such substitution or variation. Substitution or variation could impose negative tax consequences to a Noteholder.

G. Additional risks related to the AT1 Notes

AT1 Notes are of perpetual nature

AT1 Notes have no fixed final redemption date and Noteholders have no rights to call for the redemption of such Notes. Although the Issuer may redeem such Notes in certain circumstances, there are limitations on its ability to do so. Therefore, Noteholders of AT1 Notes should be aware that they may be required to bear the financial risks of an investment in such Notes for an indefinite period of time.

AT1 Notes are deeply subordinated obligations

AT1 Notes are unsecured, deeply subordinated obligations of the Issuer and are currently the most junior debt instruments of the Issuer, ranking behind claims of depositors of the Issuer, other unsubordinated creditors of the Issuer and subordinated creditors of the Issuer in respect of subordinated indebtedness other than Parity Securities, *pari passu* with other securities of the Issuer which are recognised as Additional Tier 1 Capital of the Issuer, from time to time by the Competent Authority and currently in priority only to all classes of ordinary share capital of the Issuer. In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the rights and claims (if any) of the Noteholders of any AT1 Notes to payments will be subordinated in full to the payment in full of the unsubordinated creditors of the Issuer and any other subordinated creditors of the Issuer that are senior in priority of payment to the claims of the Noteholders of AT1 Notes.

Interest payments on AT1 Notes may be cancelled by the Issuer (in whole or in part) at any time and, in certain circumstances, the Issuer will be required to cancel such interest payments

Interest on any AT1 Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date on AT1 Notes. Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Conditions 5.8 or 5.9 of the General Terms and Conditions of the Notes. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

The Issuer may cancel (in whole or in part) any interest payment on any AT1 Notes at its discretion and may pay dividends on its ordinary or preference shares notwithstanding such cancellation. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

Subject to the extent permitted in the following paragraph in respect of partial interest payments, the Issuer shall not make an interest payment on any AT1 Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other own funds instruments of the Issuer paid or required to be paid in the then financial year.

Although the Issuer may, in its sole discretion, elect to make a partial interest payment on the AT1 Notes on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restriction in the preceding paragraph.

If and to the extent that such payment would cause a breach of any regulatory restriction or prohibition on payments on AT1 Notes pursuant to Applicable Banking Regulations (including, without limitation, any such restrictions or prohibitions relating to circumstances where the maximum distributable amount (if any), determined in accordance with Article 141 of the CRD IV Directive applies to the Issuer, no payments will be made on the AT1 Notes (whether by way of principal, interest or otherwise). The maximum distributable amount is a complex concept, and its determination is subject to considerable uncertainty and may change over time. See also " *– Increased capital requirements may adversely affect the Group*" above.

Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the General Terms and Conditions of the Notes, shall constitute a default in payment or otherwise under the relevant AT1 Notes.

Any actual or anticipated cancellation of interest on the AT1 Notes will likely have an adverse effect on the market price of the AT1 Notes. In addition, as a result of the interest cancellation provisions of the AT1 Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Moreover, any indication that the CET1 Ratio (as defined in the General Terms and Conditions of the Notes) of either the Issuer or the Group (as the case may be) is trending towards the minimum applicable combined buffer may have an adverse effect on the market price of the Notes, and in particular the AT1 Notes.

Holders will bear the risk of changes in the CET1 Ratio

The market price of the AT1 Notes is expected to be affected by changes in the CET1 Ratio. Changes in the CET1 Ratio may be caused by changes in the amount of CET1 Capital and/or risk weighted asset ratio, as well as changes to their respective definition and interpretation under the Applicable Banking Regulations.

The Issuer only publicly reports the CET1 Ratio quarterly as of the period end, and therefore during the quarterly period there is no published updating of the CET1 Ratio and there may be no prior warning of adverse changes in the CET1 Ratio. However, any indication that the CET1 Ratio is moving towards the level of a Trigger Event or a breach of the maximum distributable amount may have an adverse effect on the market price of the AT1 Notes. A decline or perceived decline in the CET1 Ratio may significantly affect the trading price of the Notes, in particular AT1 Notes. The Issuer's CET1 Ratio was 12.0 per cent as at 31 December 2022. Pursuant to Condition 15.1 of the General Terms and Conditions, a Trigger Event occurs when the CET1 Ratio of the Issuer on a solo basis or the Group on a consolidated basis is below 7.125 per cent.

In addition, the Competent Authority, as part of its supervisory activity, may instruct the Issuer to calculate such ratio as at any time, including if the Issuer and/or the Group is subject to recovery and resolution actions by the relevant resolution authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion at any time. Moreover, the relevant resolution authority is likely to allow a Trigger Event to occur rather than to resort to the use of public funds.

The circumstances surrounding a Trigger Event are unpredictable, and there are a number of factors that could affect the Issuer's or the Group's CET1 Ratio and, more generally, their overall capital position

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, including those discussed in greater detail in the following paragraphs, any of which may be outside the Issuer's control.

The calculation of the Issuer's or the Group's CET1 Ratio, and, more generally, their overall capital position, could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting the Group's earnings, dividend payments by the Issuer, regulatory changes (including changes to definitions and calculations of regulatory capital ratios and their components, including CET1 Capital and risk weighted assets and the Group's ability to manage risk weighted assets in both its ongoing businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the balance sheet value of foreign currency denominated capital resources and risk weighted assets. As a result, the Issuer's or the Group's respective CET1 Ratios (and their overall capital position) are exposed to foreign currency movements.

The calculation of the CET1 Ratio (and the overall capital position) may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Competent Authority could require the Issuer to reflect such changes in any particular calculation of the CET1 Ratio. Accordingly, accounting changes or regulatory changes

may have a material adverse impact on the Group's calculations of regulatory capital, including CET1 Capital and risk weighted assets, and the CET1 Ratio. The calculation of the CET1 Ratio and its constituent elements (and the overall capital position) and the levels at which the Trigger Level is set may continue to vary from time to time.

Because of the inherent uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, a Write-Down may occur. Accordingly, the trading behaviour of the AT1 Notes is not necessarily expected to follow the trading behaviour of other types of security. Any indication that a Trigger Event may occur can be expected to have a material adverse effect on the market price of the AT1 Notes.

In addition, any of the factors that affect the Group's overall capital position, including those mentioned above, may in turn affect the Group's capital, leverage and/or MREL resources and the maximum distributable amount, see "*Regulatory environment – Capital requirements and standards*".

The CET1 Ratio will be affected by the Issuer's business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the Noteholders

As discussed, the CET1 Ratio could be affected by a number of factors. It will also depend on the Group's decisions relating to its businesses and operations, as well as the management of its capital position. The Issuer will have no obligation to consider the interests of the Noteholders in connection with the strategic decisions of the Group, including in respect of capital management. The Noteholders will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Group, including its capital position and the amount of CET1 Instruments of the Group, regardless of whether they result in the occurrence of a Trigger Event and therefore in a Write-Down of the AT1 Notes. Such decisions could cause Noteholders to lose all or part of the value of their investment in the AT1 Notes.

The principal amount of the AT1 Notes may be reduced to absorb losses

If a Trigger Event has occurred, then the Issuer shall write down the Principal Amount of each AT1 Note by writing down Principal Amount on the Write-Down Date in accordance with Condition 15 of the General Terms and Conditions of the Notes. Noteholders may lose all of their investment as a result of a Write-Down.

Any future outstanding junior securities of the Issuer might not include write-down or similar features with triggers comparable to those of the AT1 Notes and/or the write-down or conversion features of other loss absorbing instruments may not be fully effective in all circumstances. As a result, it is possible that the AT1 Notes will be subject to a Write-Down, while junior securities (including equity securities) remain outstanding and continue to receive payments and, as such, Noteholders of AT1 Notes may be subject to losses ahead of holders of junior securities (including equity securities). It is also possible that Noteholders of AT1 Notes may be subject to greater losses if the write-down or conversion features of other loss absorbing instruments are not fully effective.

There is uncertainty regarding the tax treatment of the AT1 Notes

There are unpublished tax rulings supporting the interpretation that AT1 Notes are treated as loans in the Issuer's taxation and that the possible Write-Down of AT1 Notes would not generate taxable income for the Issuer when the Write-Down corresponds to the amount considered to be without value. Similarly, any revaluation in the value of the Notes would not be treated as deductible cost in Issuer's taxation. However, as there are no tax rulings that directly concern the Issuer and the AT1 Notes in question, there can be no assurance on the tax treatment of the AT1 Notes in the Issuer's taxation. Thus, possible adverse changes or interpretations in the tax treatment of the AT1 Notes in the Issuer's taxation may result in them being redeemed by the Issuer pursuant to the occurrence of a Tax Event or otherwise have an unfavourable effect on the Issuer's results of operations or the amount of tax on its income.

H. Risks related to Green Bonds

The net proceeds of the issue of the Notes of the Green Bonds will be allocated or reallocated from time to time to the financing and/or refinancing, in whole or in part, of Green Assets as defined in the Final Terms and further described in the Ålandsbanken's Green Finance Framework. Green Assets can be used as collateral in the Issuer's cover asset pool although they can be financed with other instruments than the Issuer's covered bonds. Pending the allocation or reallocation, as the case may be, of the net proceeds of the Notes to Green Assets, the Issuer will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalent and/or other liquid marketable instruments. The Issuer will use its best efforts to substitute any redeemed loans, any other form of financing that is no longer financed or refinanced by the net proceeds, and/or any such loans or any other form of financing which cease to be Green Assets, as soon as practicable once an appropriate substitution option has been identified. There is no assurance that the Issuer will

be able to invest all the net proceeds in Green Assets. Failure in investing to other than Green Assets does not constitute an event of default or an obligation for the issuer to redeem the Notes.

No assurance can be given to investors that any projects or uses the subject of, or related to, any Green Assets will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Assets. Failure to meet "green", "sustainable" or other equivalently labelled performance objectives or occurrence of any adverse environmental, social and/or other impacts does not constitute an event of default or an obligation for the issuer to redeem the Notes.

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

The Green classification of a note does not affect the status of the notes in terms of subordination, loss absorbency features and regulatory classification as own funds or eligible liabilities instruments. Green Tier 2 Notes are available to absorb losses incurred not only on Green Assets but also on all types of assets in the balance sheet of the Issuer. Green Tier 2 Notes are fully subject to the application of the CRR eligibility criteria and BRRD requirements for own funds and eligible liabilities instruments and related risks as loss-absorbing instruments. The lack of Green Assets has no consequence on the instruments' permanence and loss absorbency. CRR provisions ensure that in an event of bail-in, the own funds and eligible liabilities instruments function following the creditor's hierarchy according to national insolvency law. This principle is upheld regardless of whether the bonds are labelled Green or not.

I. Risks related to the Notes generally

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Modifications of the conditions of the Notes and other resolutions made at the Noteholders' Meetings may not be in all Noteholders' interest.

Reliance on Euroclear Finland's and Euroclear Sweden's procedures

The Notes are issued in book-entry form in the book-entry system of Euroclear Finland or Euroclear Sweden, as specified in the applicable Final Terms. The Notes will not be evidenced by any physical note or document of title other than statements of account made by Euroclear Finland or Euroclear Sweden, as applicable, or account operators. The Notes are uncertificated and dematerialised securities and title to the Notes is recorded and transfers of the Notes are affected only through the relevant entries in the relevant book-entry system and registers maintained by Euroclear Finland or Euroclear Sweden, as applicable, and account operators. Therefore, timely and successful completion of transactions relating to the Notes, including but not limited to transfers of, and payments made under, the Notes, depend on the relevant book-entry system being operational and that the relevant parties, including but not limited to the payment transfer bank and the account operators of the Noteholders, are functioning when transactions are executed.

Consequently, in order to affect such entries, Noteholders must establish a book-entry account through a credit institution or a securities firm acting as an account operator with Euroclear Finland or Euroclear Sweden, as applicable.

The value of the Notes could be adversely affected by a change in law or administrative practice

The terms and conditions of the Notes are governed by Finnish law in effect as at the date of this Base Prospectus, except for the registration of Notes in Euroclear Sweden, which will be governed by Swedish law. No assurance can be given as to the impact of any possible judicial decision or change to Finnish law or Swedish law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

The regulation and reform of "benchmarks" may adversely affect the value of the Notes linked to such "benchmarks"

The Euro Interbank offered Rate (**EURIBOR**), the Stockholm Interbank Offered Rate (**STIBOR**) and other indices which are deemed to be "benchmarks" are the subject of recent international, national and other regulatory guidance and

proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and came into force on 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed to be equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Such factors that may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

The assets comprising the cover asset pools do not form part of the general assets of the Issuer that would be available to Noteholders of Senior Preferred Notes in the case of bankruptcy or liquidation of the Issuer

In the event of a liquidation or bankruptcy of the Issuer, the Noteholders of CBA Covered Bonds and MCBA Covered Bonds (along with counterparties to related Derivative Transactions and providers of Bankruptcy Liquidity Loans) have the benefit of priority to the assets in the relevant cover asset pool. Noteholders of Senior Preferred Notes do not have the same benefit. In the bankruptcy or liquidation of the Issuer, Noteholders of Senior Preferred Notes will therefore be subordinated in right of payment to Noteholders of CBA Covered Bonds and MCBA Covered Bonds and rank *pari passu* with other unsecured obligations of the Issuer in respect of the Issuer's remaining assets and may lose, in full or in part, the invested nominal amount and interest payable on such Notes.

J. Risks related to the market generally

An active secondary market in respect of the Notes may never be established or the secondary market may be illiquid and this would adversely affect the value at which an investor could sell its Notes

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the currency of the relevant Notes specified in the Final Terms. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the currency of the relevant Notes. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency of the Notes or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency of the Notes would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings assigned to the Issuer, the Cover Asset Pool or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Notes, the Issuer or the Cover Asset Pool. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by its assigning credit rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

IMPORTANT NOTICES TO PROSPECTIVE INVESTORS

Each prospective investor in the Notes should determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the prospective investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Restriction on marketing and sales to retail investors

The AT1 Notes discussed in this Base Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the AT1 Notes to retail investors.

For example, MiFID II sets out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities. Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the AT1 Notes (or any beneficial interests therein).

The Dealers (and/or their respective affiliates) are required to comply with some or all of the laws, regulations or regulatory guidance with respect to any resale of the AT1 Notes (or a beneficial interest therein). By purchasing, or making or accepting an offer to purchase, any AT1 Notes (or a beneficial interest in such AT1 Notes) from the Issuer and/or the Dealers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Dealers that:

(a) it is not a retail client (as defined in MiFID II);
(b) it will not
    (i) sell or offer the AT1 Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or
    (ii) communicate (including the distribution of the Base Prospectus or approve an invitation or inducement to participate in, acquire or underwrite AT1 Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (as defined in MiFID II); and
(c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the AT1 Notes (or any beneficial interests therein), including (without limitation) MiFID II and other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the AT1 Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any AT1 Notes (or any beneficial interests therein) from the Issuer and/or the Dealers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Cautionary statement regarding forward-looking statements

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of Ålandsbanken*" and other sections of this Base Prospectus. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

Use of benchmarks

Amounts payable under the Notes are calculated by reference to EURIBOR or STIBOR. As at the date of this Base Prospectus, the administrator of EURIBOR is EMMI (European Money Market Institute). EMMI is registered in the register of administrators and benchmarks maintained by European Securities and Market Authority (ESMA) pursuant to Article 36 of the Regulation (EU) no 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the Benchmarks Regulation). EURIBOR is now considered compliant according to the Benchmarks Regulation and has been added to the European Securities and Market Authority's (ESMA) Benchmark Register.

As at the date of this Base Prospectus, the administrator of STIBOR is the Swedish Financial Benchmark Facility (SFBF), a wholly-owned subsidiary of Swedish Bankers' Association. As at the date of this Base Prospectus, the SFBF is not included in ESMAs register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, STIBOR may continue to be used while SWE-FSA evaluates an application from SFBF to SWE-FSA on 27 December 2021 to become an authorised administrator in accordance with the BMR.

Presentation of financial and certain other information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuer has been derived from the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2021 and 31 December 2022. The Issuer's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Notes which are issued with a specific use of proceeds, such as a Green Bond, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The Notes may provide that it will be the Issuer's intention to apply the net proceeds from an issue of those Notes whether directly or indirectly, to finance or refinance projects and activities that purport to satisfy certain eligibility requirements determined by Issuer, promote climate resilient and sustainable economies or environmental and climate-friendly improvements or to other environmental and sustainable purposes (Green Assets and thereto related Notes, Green Bonds). Prospective investors should have regard to the information set out in the relevant Final Terms regarding such use of proceeds and should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Green Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-

laws or governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Assets.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be available in connection with the issue of any Notes and in particular with any Green Assets to fulfil any environmental, sustainability social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date of that opinion was initially issued. Prospective investors should determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission to trading satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Assets. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specific for Green Assets in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Assets will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green Assets. Nor can there be any assurance that such Green Assets will be completed within any specific period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.
Any such event or failure to apply the proceeds of any issue of Notes for any Green Assets as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any such Notes which are intended to finance Green Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

OVERVIEW OF THE ISSUER'S COVER ASSET POOLS

The Issuer has two (2) different cover asset pools in place. CBA Covered Bonds issued under the Programme will have the benefit of one (1) pool of qualifying assets that has been established by the Issuer in accordance with the CBA and the MCBA Covered Bonds issued under the Programme prior to 8 July 2022 or issued as a Tap Issue to the MCBA Covered Bonds after 8 July 2022 will have the benefit of one (1) pool of qualifying assets that has been established by the Issuer in accordance with the MCBA, as follows:

- the CBA Cover Asset Pool, which was established in November 2022 and which comprises primarily of residential mortgages granted to debtors in Finland. CBA Covered Bonds are secured by the CBA Cover Asset Pool.

- the MCBA Cover Asset Pool, which was established in September 2012 and which comprises primarily of residential mortgages granted to debtors in Finland. The MCBA Covered Bonds that are issued prior to 8 July 2022 or issued as a Tap Issue to the MCBA Covered Bonds after 8 July 2022 are secured by the MCBA Cover Asset Pool.

The Issuer will maintain separate registers for both cover asset pools in accordance with the CBA and MCBA.

FORM OF FINAL TERMS

ÅLANDSBANKEN ABP

Issue of [ ] [ ]
under the EUR 2,000,000,000
Senior Preferred Note, Covered Bond, Tier 2 Note and AT1 Note Programme

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or as replaced) (**MiFID II**); (ii) a customer within the meaning of Directive 2016/97 (as amended or as replaced), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in point e) of Article 2 of Regulation (EU) 2017/1129 (as amended or as replaced) (the **Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended or as replaced) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][**MiFID II**]; [and] (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate [and (iii) the negative target market for the Notes is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile]. Any person subsequently offering, selling or recommending the Notes (a **Distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

[UK MIFIR product governance / Professional investors and ECPs only target market Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); or (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any [person subsequently offering, selling or recommending the Notes (a **distributor)/distributor**] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the base prospectus regarding the programme for the issuance of notes by Ålandsbanken Abp (the **Issuer**) dated [ ] 2023 [and the supplement[s] to it dated [ ] [and [ ]] (the **Base Prospectus**) (the **Programme**) which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation, including but not limited to, the General Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus. Full information on the Issuer and the offer of

the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions.

The Base Prospectus [and the supplement[s] to it dated [ ] [and [ ]] and the Final Terms are available at the website of the Issuer at [https://www.alandsbanken.com/about-us/debt-investors/debt-programme] and upon request from the Issuer or at the subscription places specified herein.

Issuer:	Ålandsbanken Abp
Type of Notes:	[Senior Preferred Notes][Covered Bonds][Tier 2 Notes][AT1 Notes]
Series number:	[ ]
Tranche number:	[ ][Not Applicable]
[Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*insert description of relevant Series of Notes*] on the Issue Date][Not Applicable]]
Dealer(s)	[*insert name and address*][Not Applicable]
Subscription place(s)	[*insert name and address*][Not Applicable]
Issuer Agent	[*insert name and address*][The Issuer acts as the Issuer Agent]
Paying Agent	[*insert name and address*][The Issuer acts as the Paying Agent][Not Applicable]
Calculation Agent	[*insert name and address*][The Issuer acts as the Calculation Agent][Not Applicable]
Currency:	[EUR][SEK]
Aggregate nominal amount:	
(a) Series:	[ ]
(b) Tranche:	[ ]
Denomination of each book-entry unit:	[EUR] [ ]][SEK [ ]]
Number of book-entry units:	[ ]
Form of the Notes:	[Book-entry securities of Euroclear Finland's Infinity book-entry system][Book-entry securities registered in a register (Sw. *avstämningsregister*) of Euroclear Sweden]
Minimum subscription amount:	[EUR] [ ]][SEK [ ]]
Subscription fee:	[The Dealer(s) [and potential other subscription places] do not charge the costs relating to the issue and offering to the Noteholders][[ ] charges [ ] to the Noteholders as a cost relating to the issue and offering]
Payment of subscription:	[Subscriptions shall be paid for as instructed in connection with the subscription][The subscription shall be paid at the time of subscription]

Issue price:	[The issue price is fixed and is [ ] per cent of the aggregate nominal amount][The issue price is floating and will not exceed [ ]]
Issue Date:	[ ]
Commencement of first Interest Period:	[Issue Date][ ]
Rate of interest:	[Fixed interest rate [ ] per cent] [Floating interest rate [ ] months [EURIBOR][STIBOR] + margin of [ ]] [Zero coupon] [*specify details of changes(s) in rate of interest and the relevant Interest Periods to which the change(s) in interest rate applies, if applicable*] (further particulars specified below)
Change of rate of interest	[*Specify the date when any change occurs*][Not Applicable]
Redemption amount:	The Notes will be redeemed at [ ] per cent of their aggregate nominal amount
Manner of redemption:	[The Notes will be redeemed in one instalment.][The Notes will be redeemed in several instalments [*insert details on the amounts and redemption dates of each instalmen*t]]
Substitution and variation:	[Applicable][Not Applicable]
Maturity Date:	[ ] [The Notes have no scheduled maturity date]
(a) Extended Maturity:	[Applicable][Not Applicable]
(b) Extended Maturity Date:	[*Insert date*] [In accordance with Condition 6.9, if the Issuer, at the latest on the fifth (5th) Business Day before the Maturity Date, applies for the approval of the FIN-FSA that the Maturity Date of the Covered Bonds and the date on which the Covered Bonds will be due and repayable for the purposes of the Conditions is extended up to but no later than the Extended Maturity Date due to the reason that (i) the Issuer is unable to obtain long-term financing from ordinary sources, (ii) the Issuer is unable to meet the liquidity requirement set out in the CBA if it makes payments towards the principal and interest of the maturing Covered Bonds and (iii) the extension of maturity of the Covered Bonds does not affect the sequence in which the Issuer's Covered Bonds from the same Cover Asset Pool are maturing, and, if the FIN-FSA determines that the conditions for extension of the Maturity Date of the Covered Bonds have been fulfilled and it gives its approval to the extension, its resolution shall confirm the extended Maturity Date of the Covered Bonds and the date on which the Covered Bonds will then be due and repayable for the

	purposes of the Conditions. In that event, the Issuer may redeem all or any part of the nominal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, all in accordance with Condition 6.9.]
	[Not Applicable]
Delivery of book-entry securities:	The time when the book-entry securities are recorded in the book-entry accounts specified by the subscribers is estimated to be [ ]
ISIN code of the Series of Notes:	[ ]
Registrar:	[Euroclear Finland Ltd][Euroclear Sweden AB]

PROVISIONS RELATING TO INTEREST

Fixed interest rate provisions:	[Applicable][Not Applicable]
(a) Interest Payment Date(s):	[ ]
(b) Day Count Fraction:	[Actual/Actual (ICMA)][Actual/Actual (ISDA)] [Actual/365][Actual/360][30E/360][30/360] [Not Applicable]
(c) Business Day Convention:	[Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Not Applicable]
Floating interest rate provisions:	[Applicable][Not Applicable]
(a) Interest Payment Date(s):	[ ]
(b) Minimum rate of interest:	[[ ] per cent per annum][Not Applicable]
(c) Maximum rate of interest:	[[ ] per cent per annum][Not Applicable]
(d) Day Count Fraction:	[Actual/Actual (ICMA)][Actual/Actual (ISDA)] [Actual/365][Actual/360][30E/360][30/360] [Not Applicable]
(e) Business Day Convention:	[Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Not Applicable]
Extended Maturity interest provisions:	[Applicable from (and including) the Maturity Date to (but excluding) the Extended Maturity Date][Not Applicable][Applicable from (but excluding) the Maturity Date to (and including) the Extended Maturity Date]
(a) Rate of interest:	[Fixed interest rate [ ] per cent] [Floating interest rate [ ] months EURIBOR][STIBOR] + margin of [ ]] [Zero coupon] [Not Applicable]
(b) Interest Payment Date(s)	[ ][Not applicable]

(c) Minimum rate of interest:	[[ ] per cent per annum][Not Applicable]
(d) Maximum rate of interest:	[[ ] per cent per annum][Not Applicable]
(e) Day Count Fraction:	[Actual/Actual (ICMA)][Actual/Actual (ISDA)] [Actual/365][Actual/360][30E/360][30/360] [Not Applicable]
(f) Business Day Convention:	[Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention] [Not Applicable]

PROVISIONS RELATING TO REDEMPTION

Early Redemption for tax reasons:	[Applicable][Not Applicable]
[Early Redemption Amount:]	[Nominal amount of the Notes] [ ]
Issuer Call:	[Applicable][Not Applicable]
Early redemption amount:	[ ] of the relevant proportion of the nominal amount being redeemed in accordance with Condition 6.5]
First Call Date:	[[●] [and any subsequent Interest Payment Date] subject to Condition 6.5.][Not Applicable]

OTHER INFORMATION

Decisions and authority pursuant to which the Notes are issued:	[Based on the authorisation dated [ ] of the Issuer's Board of Directors][Based on the resolution of the Issuer's Board of Directors dated [ ]]
Subscription period:	[ ]
Conditions for issue:	[ ][Not Applicable]
Indication of yield (fixed interest rate Notes with fixed issue price only):	[ ][Not Applicable] The yield is calculated on the Issue Date based on the issue price. It is not an indication of future yield.] [Not Applicable]
Europeisk säkerställd obligation (premium) / Eurooppalainen katettu joukkolaina (premium) / European Covered Bond (Premium):	[Yes/No/Not Applicable]
Credit rating:	[ ][Not Applicable] [The Notes are expected to be rated [insert rating] by [*insert credit agency legal name and other information to CRA regulation*]
Listing:	The Issuer [will][will not] apply for the Notes to be listed [on the Helsinki Stock Exchange]
Use of Proceeds:	[The net proceeds from the issue of the Notes will be applied by the Issuer for its general corporate purposes,

	which include making a profit.] [The net proceeds of the issue of the Notes will be allocated or reallocated from time to time to the financing and/or refinancing, in whole or in part, of Green Assets as defined in Use of Proceeds of the Base Prospectus.]
Estimated time of listing:	[ ][Not Applicable]
Estimate of total expenses related to listing:	[ ][Not Applicable]
Interests of natural and legal persons involved in the issue	[Save for any fees payable to the Dealer(s), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue. The Dealer(s) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business] / [*insert details of other interests that may be material to the issue*].

In [*insert place*], on [*insert date*]

ÅLANDSBANKEN ABP

GENERAL TERMS AND CONDITIONS OF THE NOTES

*The following General Terms and Conditions (the **Conditions**) of the Programme must be read in their entirety together with the applicable Final Terms for the relevant Notes.*

Words and expressions defined in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

1. DEFINITIONS

In these Conditions the following expressions have the following meaning:

Additional Tier 1 Capital means additional tier 1 capital for the purposes of the Applicable Banking Regulations.

Administrative Action means any judicial decision, official administrative pronouncement, and regulatory procedure affecting taxation.

Applicable Banking Regulation means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity then in effect in the jurisdiction in which the Issuer is incorporated including, without limitation to the generality of the foregoing, the Capital Regulations, CRD IV, the SRM Regulation, BRRD and those regulations, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liability and/or loss absorbing capacity adopted by the Competent Authority, the Resolution Authority or any other national or European authority from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group).

AT1 Instruments has the meaning given to it in the Capital Regulations.

BRRD means Directive 2014/59/EU as amended by Directive (EU) 2019/879 of 20 May as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC, and as may be further amended or replaced from time to time.

Capital Event is deemed to have occurred if, after consultation with the Competent Authority, the Issuer determines that there is a change in the regulatory classification of the Tier 2 Notes or the AT1 Notes, as the case may be, under the Capital Regulations and that would be likely to result in their exclusion in full or in part from the Issuer's own funds or in reclassification as a lower quality form of the Issuer's own funds.

Capital Regulations means any requirements of Finnish law or contained in the relevant rules of EU law that are then in effect at the Issue Date in Finland relating to capital adequacy and applicable to the Issuer, including but not limited to the CRR, national laws and regulations implementing the CRD IV Directive and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority, as amended from time to time, or such other acts as may come into effect in place thereof.

CDR means Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing the CRR with regard to the RTS for Own Funds requirements for institutions (Capital Delegated Regulation), as amended from time to time.

CET1 Ratio means, with respect to the Issuer, at any time, the Common Equity Tier 1 Capital as of such time expressed as a percentage of the total risk exposure amount of the Issuer.

CET1 Instruments has the meaning given to it in the Capital Regulations.

Common Equity Tier 1 Capital has the meaning given to it in Article 50 of the CRR complemented by the transitional provisions of Part Ten of the CRR as implemented in Finland.

Competent Authority means the Finnish Financial Supervisory Authority (the **FIN-FSA**) or such other or successor authority that is responsible for prudential supervision and/or empowered by national law to supervise the Issuer as part of the supervisory system in operation in Finland.

CRD IV means the legislative package consisting of the CRD IV Directive, the CRR and any CRD IV Implementing Measures.

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directive 2006/48/EC and 2006/49/EC, amended from time to time, or such other directive as may come into effect in place thereof.

CRD IV Implementing Measures means any regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer or the Group and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer or the Group (on a solo or consolidated basis, as the case may be) to the extent required by the CRD IV Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof).

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, amended from time to time, or such other regulation as may come into effect in place thereof (including as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, to the extent then in application).

Distributable Items means the amount of the profits at the end of the latest financial year, plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments (excluding, for the avoidance of doubt, any Tier 2 Instruments), minus any losses brought forward, profits that are non-distributable pursuant to provisions in Finland's legislation or the Issuer's articles of association, and sums placed to non-distributable reserves in accordance with applicable Finnish law or the Issuer's articles of association, those losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of the (sub)consolidated accounts.

Maximum Distributable Amount means any maximum distributable amount required to be calculated in accordance with Article 141 of the CRD IV Directive or analogous restrictions arising from the requirement to meet capital buffers under Applicable Banking Regulations as transposed or implemented into the laws of Finland and in accordance with the Applicable Banking Regulations.

Noteholders means the holders of the Notes from time to time.

Parity Securities means any (i) subordinated and undated debt instruments or securities of the Issuer which are recognised as additional Tier 1 Capital of the Issuer, from time to time by the Competent Authority and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a liquidation or bankruptcy of the Issuer, *pari passu* with the AT1 Notes.

Relevant Capital means, in respect of any Tier 2 Notes, Tier 2 Capital and, in the respect of AT1 Notes, Tier 1 Capital.

Relevant Distributions means the sum of (i) any distributions on the Notes made or scheduled to be made by the Issuer in the then current financial year of the Issuer and (ii) any distributions made or scheduled to be made by the Issuer on other CET1 Instruments or AT1 Instruments in the then current financial year of the Issuer.

SRM Regulation means Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

Tax Event means

(i) any amendment to, or clarification of, or change in the laws or treaties (or any regulations promulgated thereunder) of the Tax Jurisdiction or any political subdivision or tax authority thereof or therein affecting taxation;

(ii) any Administrative Action; or

(iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position (in each case) by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment,

clarification or change is effective, or which pronouncement or decision is announced, on or after the Issue Date,

and, in any such case, where this changes the applicable tax treatment of the Notes.

For the avoidance of doubt, changes in the assessment of the Competent Authority regarding tax effects are not considered as a Tax Event.

Tier 1 Capital means tier 1 capital for the purposes of the Applicable Banking Regulations.

Tier 2 Capital means tier 2 capital for the purposes of the Applicable Banking Regulations.

Tier 2 Instruments has the meaning given to it in the Capital Regulations.

2. FORM, DENOMINATION AND ISSUANCE

The Notes are issued by the Issuer pursuant to the Programme.

The Notes are issued in a series (each a **Series**) of either as

1) senior preferred notes (**Senior Preferred Notes**);

2) covered bonds (Fi. *katetut joukkolainat*) (**Covered Bonds**) under the Finnish Act on Mortgage Credit Banks and Covered Bonds (Fi. *laki kiinnitysluottopankeista ja katetuista joukkolainoista* (151/2022) (as amended or as replaced) (the **CBA**), as specified in the applicable Final Terms.

3) tier 2 notes (**Tier 2 Notes**), which serve the purpose of being regulatory Tier 2 Capital to fulfil capital requirement rules for the Issuer, provided that the requirements set out in the Applicable Banking Regulations are fulfilled; or

4) tier 1 notes (**AT1 Notes**), which serve the purpose of being regulatory Tier 1 Capital to fulfil capital requirement rules for the Issuer, provided that the requirements set out in the Applicable Banking Regulations are fulfilled.

The denomination of each book-entry unit (Fi. *arvo-osuuden yksikkökoko*) relating to the Notes shall be at least EUR 100,000 (or, if the Notes are denominated in SEK, the equivalent amount in SEK). All Notes of the same Series shall have the same denomination. The minimum subscription amount shall be specified in the applicable Final Terms and shall be at least EUR 100,000 (or, if the Notes are denominated in SEK, the equivalent amount in SEK).

Each Series of Notes may comprise one or more tranches (each a **Tranche**) of Notes. The terms and conditions of a Tranche of Notes are formed by combining these Conditions and the applicable Final Terms.

The Notes shall be offered for subscription mainly to institutional investors.

The Notes will be issued in uncertificated and dematerialised form in:

(a) the Infinity book-entry system (Fi. *arvo-osuusjärjestelmä*) of Euroclear Finland Ltd (**Euroclear Finland**), incorporated in Finland with registration number 1061446-0 and having its registered address at Urho Kekkosen katu 5 C, FI-00100 Helsinki, Finland, in accordance with Finnish legislation governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules; or

(b) the register (Sw. *avstämningsregister*) held by Euroclear Sweden AB (**Euroclear Sweden**), incorporated in Sweden with registration number 556112-8074 and having its registered address at Klarabergsviadukten 63, P.O. Box 191, SE-101 23 Stockholm, Sweden, formed in accordance with the Swedish Financial Instruments Accounts Act 1998 (Sw. *lagen* (1998:1479) *om värdepapperscentraler och kontoföring av finansiella instrument*), other applicable Swedish legislation and the Euroclear Rules,

as specified in the applicable Final Terms.

The registrar in respect of the Notes will be Euroclear Finland or Euroclear Sweden, as specified in the applicable Final Terms.

The Issuer may appoint an issuer agent (Fi. *liikkeeseenlaskijan asiamies*; Sw. *emissionsinstitut*) (the **Issuer Agent**) referred to in the Euroclear Rules and applicable laws, a paying agent (the **Paying Agent**) for a Series of Notes or the Issuer may act as the Issuer Agent and/or Paying Agent, in each case as specified in the applicable Final Terms. The Issuer may appoint one or more dealers (the **Dealers**) for a Series of Notes or Tranche of Notes as specified in the applicable Final Terms. The Issuer may appoint a calculation agent (the **Calculation Agent**) for a Series of Notes or Tranche of Notes or the Issuer may act as the Calculation Agent, in each case as specified in the applicable Final Terms.

For the purposes of the Conditions, the **Euroclear Rules** means regulations, decisions and operating procedures applicable to and/or issued by Euroclear Finland or Euroclear Sweden, as applicable.

3. STATUS AND SECURITY

3.1 Senior Preferred Notes

If the Notes are issued as Senior preferred Notes as specified in the applicable Final Terms, the Notes constitute direct, unconditional, unsubordinated, unsecured and unguaranteed obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by mandatory law) equally with all other unconditional, unsubordinated, unsecured and unguaranteed obligations of the Issuer, from time to time outstanding.

3.2 Covered Bonds

If the Notes are issued as Covered Bonds as specified in the applicable Final Terms, the Notes are obligations issued in accordance with the CBA.

The Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and with all other obligations of the Issuer which benefit from the same priority right in respect of the statutory security in accordance with the CBA. To the extent that claims of the Noteholders in relation to the Covered Bonds and claims of other creditors having the same priority in accordance with the CBA are not fully met out of the assets of the Issuer that are covered in accordance with the CBA, the residual claims of the Noteholders of the Covered Bonds will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

No Noteholder shall in the liquidation or bankruptcy of the Issuer be entitled to exercise any right of set-off, netting or counterclaim against moneys owed under assets that are subject to the priority set out in Section 20 of the CBA in respect of any Covered Bond.

3.3 Tier 2 Notes

The Issuer expects the Tier 2 Notes to be Tier 2 Instruments of the Issuer. The Tier 2 Notes constitute direct, unsecured, unguaranteed and subordinated obligations of the Issuer. In the event of voluntary or involuntary liquidation or bankruptcy of the Issuer, the rights and claims (if any) of the Noteholders to payments of the Outstanding Principal Amount and any other amounts in respect of the Tier 2 Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Conditions, if any are payable) shall, at all times:

(i) be subordinated to the claims of all senior creditors of the Issuer;

(ii) rank at least *pari passu* with the claims of all Tier 2 Notes of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the Tier 2 Notes; and

(iii) rank senior to any AT1 Notes, Parity Securities or any other obligations of the Issuer ranking, or expressed to rank, junior to the Tier 2 Notes of the Issuer.

The Tier 2 Notes can be calculated into the Tier 2 Capital as set out in Article 63 of the CRR, provided that the requirements set out in the Applicable Banking Regulations are fulfilled. No Noteholder of Tier 2 Notes shall be entitled to exercise any right of set-off, netting or counterclaim against amounts owed by the Issuer in respect of the Tier 2 Notes held by it. Each Noteholder shall, by virtue of his holding of any Tier 2 Notes, be deemed to have waived all such rights of set-off, netting and counterclaim. If, notwithstanding the preceding sentence, any Noteholder receives or recovers any sum or the benefit of any sum in respect of any Tier 2 Notes by virtue of any such set-off, netting or counterclaim, it shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of liquidation (Fi. *selvitystila*) or bankruptcy (Fi. *konkurssi*) of the Issuer, to the liquidator or bankruptcy estate of the Issuer.

3.4 AT1 Notes

The Issuer expects the AT1 Notes to be AT1 Instruments of the Issuer. The AT1 Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall, at all times rank:

(i) *pari passu* without any preference among themselves;

(ii) *pari passu* with (a) any existing AT1 Instruments of the Issuer and (b) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the AT1 Notes on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital and any other amounts in respect of the AT1 Notes (including any accrued but unpaid interest and other payments, if any are payable) on a liquidation or bankruptcy of the Issuer;

(iii) senior to holders of the Issuer's CET1 Instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the AT1 Notes on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital and any other amounts in respect of the AT1 Notes (including any accrued but unpaid interest and other payments, if any are payable) on a liquidation or bankruptcy of the Issuer;

(iv) junior to present or future claims of (a) unsubordinated creditors of the Issuer and (b) subordinated creditors of the Issuer including holder of Tier 2 Notes other than the present or future claims of creditors that rank or are expressed to rank *pari passu* with or junior to the AT1 Notes; and

(v) in accordance with Section 6(1), item 4 of the Finnish Act on the Order of Priority of the Creditors (*laki velkojien maksunsaantijärjestyksestä 1578/1992*) (as amended or as replaced) and Chapter 1, Section 4a (1), item 5 of the Finnish Act on Credit Institutions (*laki luottolaitostoiminnasta 610/2014*) (as amended or as replaced).

The AT1 Notes can be calculated into the Tier 1 Capital as set out in Article 52 of the CRR, provided that the requirements set out in the Applicable Banking Regulations are fulfilled. No Noteholder of AT1 Notes shall be entitled to exercise any right of set-off, netting or counterclaim against amounts owed by the Issuer in respect of AT1 Notes held by it. Each Noteholder shall, by virtue of his holding of any AT1 Note, be deemed to have waived all such rights of set-off, netting and counterclaim. If, notwithstanding the preceding sentence, any Noteholder receives or recovers any sum or the benefit of any sum in respect of any AT1 Note by virtue of any such set-off, netting or counterclaim, it shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of liquidation (Fi. *selvitystila*) or bankruptcy (Fi. *konkurssi*) of the Issuer, to the liquidator or bankruptcy estate of the Issuer.

In liquidation (Fi. *selvitystila*) of the Issuer, for the purposes of determining whether the liabilities of the Issuer exceed the market value of its assets under Chapter 20, Section 7(2) of the Finnish Companies Act (*osakeyhtiölaki* 624/2006) (as amended or as replaced), the AT1 Notes shall not be regarded as liabilities of the Issuer.

4. NOMINAL AMOUNT AND CURRENCY

The aggregate nominal amount of Notes issued and outstanding under the Programme at any time can be a maximum of EUR 2,000,000,000. The Issuer may raise or lower the aggregate nominal amount.

The nominal amount and currency of a Series of Notes and each Tranche of Notes shall be specified in the applicable Final Terms. The Issuer may increase or decrease such nominal amount during the relevant subscription period.

Each Series of Notes will be numbered in numerical order. Each Tranche of Notes under a Series of Notes will be numbered in numerical order.

5. INTEREST

5.1 General

The Notes may be issued as fixed interest rate, floating interest rate or zero coupon Notes, or a combination of any of the foregoing, as specified in the applicable Final Terms.

5.2 Zero coupon

Zero coupon Notes will be offered and sold at a discount, at par or premium to their nominal amount and, subject to Condition 5.1, will not bear interest. The yield (which may be negative) of zero coupon Notes will be the difference between the redemption amount and the issue price. The redemption amount of a zero coupon Note is the nominal amount that the Issuer shall repay to the Noteholder of a zero coupon Note in accordance with Condition 6.2.

5.3 Fixed interest rate

Each Note to which a fixed rate of interest is applicable pursuant to the applicable Final Terms, bears interest at the rate per annum specified in the applicable Final Terms.

5.4 Floating interest rate

(a) Rate of interest

Each Note to which a floating rate of interest is applicable pursuant to the applicable Final Terms, bears interest at the rate per annum, consisting of a floating reference rate and a margin, each specified in the applicable Final Terms. The margin will be added to the reference rate.

The floating reference rate shall be EURIBOR where the issue has been made in EUR and STIBOR where the issue has been made in SEK.

EURIBOR is the rate for deposits in EUR and STIBOR is the rate for deposits in SEK, in each case, for a period corresponding to the Interest Period (as defined below) of the relevant Series of Notes quoted on the relevant Thomson Reuters page (or such replacement page on a service which displays the information) at or about 11.00 a.m. (Brussels time in relation to EURIBOR and Stockholm time in relation to STIBOR) two (2) Business Days prior to the commencement of the Interest Period. If the Interest Period does not correspond to any period of times shown on the relevant Thomson Reuters page (or such replacement page on a service which displays the information) for EUR or SEK, as applicable, the rate of interest for such Interest Period shall be interpolated on a linear basis from the rates of interest of the two (2) periods between which the relevant Interest Period falls.

A minimum rate and/or a maximum rate of interest may be specified in the applicable Final Terms.

(b) Benchmark replacement

Notwithstanding Condition 5.4 (a) (Rate of interest) above, if the Issuer (in consultation, to the extent practicable, with the Calculation Agent) determines that a Benchmark Event has occurred, then the following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate or, alternatively, if the Independent Adviser determines that there is no Successor Rate, an Alternative Reference Rate no later than three (3) Business Days prior to the relevant interest determination date relating to the next succeeding interest period (the "IA Determination Cut-off Date") for purposes of determining the Rate of Interest applicable to the Notes for all future interest periods (subject to the subsequent operation of this Condition 5.4(b));

(ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date in accordance with sub-paragraph (i) above, then the Issuer (in consultation, to the extent practicable, with the Calculation Agent and acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if the Issuer determines that there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest applicable to the Notes for all future interest periods (subject to the subsequent operation of this Condition 5.4(b); provided, however, that if this sub-paragraph (ii) applies and the Issuer is unable to determine a Successor Rate or an Alternative Reference Rate prior to the interest determination date (as referred to in the relevant Final Terms) relating to the next succeeding interest period in accordance with this sub-paragraph (ii), the Rate of Interest applicable to such interest period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of a preceding interest period (though substituting, where a different margin is to be applied to the relevant interest period from that which applied to the last preceding interest period, the margin relating to the relevant interest period, in place of the margin relating to that last preceding interest period);

(iii) if a Successor Rate or an Alternative Reference Rate is determined in accordance with the preceding provisions, such Successor Rate or Alternative Reference Rate shall be the floating reference rate interest for all future interest periods (subject to the subsequent operation of this Condition 5.4(b));

(iv) if the Independent Adviser (in consultation with the Issuer) or (if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine whether an Adjustment Spread should be applied) the Issuer (acting in good faith and in a commercially reasonable manner) determines (A) that an Adjustment Spread should be applied to the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Rate or Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine, prior to the interest determination date relating to the next succeeding interest period, the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;

(v) if the Independent Adviser or the Issuer (as the case may be) determines a Successor Rate or an Alternative Reference Rate or, in each case, any Adjustment Spread in accordance with the above provisions, the Independent Adviser (in consultation with the Issuer) or the Issuer (as the case may be), may also, following consultation, to the extent practicable, with the Calculation Agent, specify changes to the Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Interest Payment Date, Relevant Screen Page, Relevant Time, Relevant Financial Centre, Reference Banks and/or the definition of Reference Rate or Adjustment Spread applicable to the Notes (and, in each case, related provisions and definitions), and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to such Successor Rate or Alternative Reference Rate (as applicable), which changes shall apply to the Notes for all future interest periods (as applicable) (subject to the subsequent operation of this Condition 5.4). An Independent Adviser appointed pursuant to this Condition 5.4(b) shall (in the absence of bad faith, gross negligence and wilful misconduct) have no liability whatsoever to the Issuer, the Calculation Agent or Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.4(b). No Noteholder consent shall be required in connection with effecting the Successor Rate or the Alternative Reference Rate (as applicable), any Adjustment Spread or such other changes, including for the execution of any documents, amendments or other steps by the Issuer;

(vi) A Calculation Agent appointed for a Tranche of Notes shall (in the absence of bad faith, gross negligence and wilful misconduct) have no liability whatsoever to the Issuer, the Independent Adviser or Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.4(b); and

(vii) the Issuer shall promptly following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread give notice thereof and of any changes pursuant to sub-paragraph (v) above to the Calculation Agent and the Noteholders.

For the purposes of this Condition 5.4(b):

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines should be applied to the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable), as a result of the replacement of the Reference Rate with the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable), and is the spread, formula or methodology which:

i) in the case of a Successor Rate, is recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage for the purposes of determining floating rates of interest in respect of bonds denominated in euro, where such rate has been replaced by such Successor Rate or Alternative Reference Rate (as applicable); or

iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser in its discretion (in consultation with the Issuer) or the Issuer (acting in good faith and in a commercially

reasonable manner) in its discretion (as applicable) determines is most comparable to the Reference Rate;

"**Alternative Reference Rate**" means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser or the Issuer (as applicable) determines has replaced the Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of bonds denominated in euro or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser in its discretion (in consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner) in its discretion (as applicable) determines is most comparable to the Reference Rate;

"**Benchmark Event**" means: the Reference Rate

(i) has ceased to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or

(ii) a public statement by the administrator of the Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Reference Rate that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or

(v) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under Regulation (EU) 2016/1011, if applicable);

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these terms and conditions and/or the relevant Final Terms;

"**Reference Rate**" means EURIBOR or STIBOR;

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which such reference rate relates, or any other central bank or other supervisory authority which is responsible for supervising the administrator of such reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which such reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, (d) the International Swaps and Derivatives Association, Inc. or any part thereof, or (e) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser or (acting in good faith and in a commercially reasonable manner) the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate (for the avoidance of doubt, whether or not such Reference Rate has ceased to be available) which is recommended by any Relevant Nominating Body.

5.5 Interest period

Interest period (the **Interest Period**) means each period of time, for which the interest is calculated.

The first Interest Period shall begin on the Issue Date or on any other date as specified in the applicable Final Terms and end on the following Interest Payment Date specified in the applicable Final Terms. Each following Interest Period begins on the previous Interest Payment Date and ends on the following Interest Payment Date.

With respect to Notes registered with Euroclear Finland, interest shall accrue for each Interest Period from (and including) the first day of the Interest Period to (but excluding) the last day of such Interest Period on the nominal amount of the Notes outstanding from time to time. With respect to Notes registered with Euroclear Sweden, Interest shall accrue for each Interest Period from (but excluding) the first day of the Interest Period to (and including) the last day of such Interest Period on the nominal amount of the Notes outstanding from time to time.

The last Interest Period ends on the Maturity Date (or if applicable, the Extended Maturity Date).

5.6 Market conventions

(a) Day count fractions

Day Count Fractions of a Series of Notes shall be specified in the applicable Final Terms and means:

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by the number received when multiplying the actual number of days in the Interest Period with the number of Interest Periods within a year (subject to exceptions in relation to irregular Interest Periods);

(ii) if "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30E/360**" is specified in the applicable Final Terms, a year consists of 12 months of 30 days each (except in case where the last day of the last Interest Period is the last day of February, February shall not be deemed to be a 30-day month) divided by 360; or

(vi) if "**30/360**" is specified in the applicable Final Terms, a year consists of 12 months of 30 days each.

(b) Business day convention

The Business Day Convention shall be specified in the applicable Final Terms and (i) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (ii) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) the "Following Business Day Convention", such Interest Payment Date shall be postponed to the next day which is a Business Day;

(ii) the "Modified Following Business Day Convention", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iii) the "Preceding Business Day Convention", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

For the purposes of the Conditions, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in Helsinki or Stockholm, as applicable, and (in relation to payments in EUR), the Trans-European Automated Real-Time Gross Settlement Express (TARGET 2) System is open.

5.7 Payment of interest

Interest shall be paid on the dates (each an **Interest Payment Date**) specified in the applicable Final Terms in each year up to (and including) the Maturity Date (or if applicable, the Extended Maturity Date).

Payment of interest shall be made in accordance with Finnish or Swedish legislation, as applicable, governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Noteholder that is entitled to receive such payment according to the book-entry account information.

5.8 Discretionary cancellation of distributions on the AT1 Notes

The Issuer may, at its discretion, at any time elect to cancel, in whole or in part, any distributions on the AT1 Notes, which is scheduled to be paid on an Interest Payment Date for an unlimited period and on a non-cumulative basis. Upon the Issuer electing to cancel (in whole or in part) any distributions payment on the AT 1Notes, the Issuer shall give notice of such election to the Noteholders without undue delay and in any event no later than on the Interest Payment Date. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant distributions payment on the AT1 Notes that will be paid on the relevant Interest Payment Date.

5.9 Mandatory cancellation of distributions on the AT1 Notes

Without prejudice to i) such full discretion of the Issuer under Condition 5.8, discretionary cancellation of distributions on the AT1 Notes and ii) the prohibition to make payments on the AT1 Instruments pursuant to national legislation implementing Article 141 (2) of the CRD IV Directive, before the Maximum Distributable Amount is calculated, any payment of distributions on the Notes scheduled to be paid on any Interest Payment Date shall be cancelled, in whole or in part, if and to the extent that:

(i) the amount of such distributions payment on the Notes otherwise due, together with any further Relevant Distributions, any obligation referred to national legislation implementing Article 141(2) (b) of the CRD IV Directive in aggregate exceed the amount of Maximum Distributable Amount (if any); or

(ii) the payment of such distributions on the AT1 Notes would cause, when aggregated together with other Relevant Distributions the Distributable Items of the Issuer as at such Interest Payment Date then applicable to the Issuer to be exceeded; or

(iii) the Competent Authority orders the Issuer to cancel the relevant distributions payment on the AT1 Notes (in whole or in part) scheduled to be paid.

5.10 Distributions on the AT1 Notes non-cumulative

Any distributions on the Notes so cancelled, shall be cancelled definitively and shall not accumulate or be payable at any time thereafter.

Any accrued but unpaid distributions on the AT1 Notes up to (and including) a Trigger Event (whether or not such distributions have become due for payment) shall be automatically cancelled. For the avoidance of doubt, any accrued but unpaid distributions from the Trigger Event up to the Write-Down Date shall also be automatically cancelled even if no notice has been given to that effect.

5.11 No default

Any distributions payment on the AT1 Notes (or part thereof) so cancelled shall not constitute a default by the Issuer for any purpose, and the Noteholders shall have no right thereto, whether in the case of bankruptcy or liquidation of the Issuer or otherwise. Any such cancellation of distributions imposes no restrictions on the Issuer.

In the absence of any notice of cancellation referred to above being given, the fact of non-payment (in whole or in part) of the relevant distributions payment on the Notes on the relevant Interest Payment Date shall be evidence of the Issuer having elected or being required to cancel such distributions payment in whole or in part, as applicable.

6. MATURITY AND REDEMPTION

6.1 Term of the Notes

The term of the Senior Preferred Notes and Covered Bonds is at least one (1) year from the Issue Date.

The term of the Tier 2 Notes is at least five (5) years from the Issue Date.

The AT1 Notes are perpetual notes, which will not have any scheduled maturity date.

The principal of the Senior Preferred Notes and Covered Bonds is to be repaid on the Maturity Date as defined in the Final Terms or on, in case of the Covered Bonds, the Extended Maturity Date if an Extended Maturity Date has been specified in the applicable Final Terms and the maturity of the Covered Bonds has been extended in accordance with Condition 6.9. The principal of the notes is to be repaid in instalments if so defined in the Final Terms. The business day convention defined in Final Terms is applicable to the Maturity Date and the Extended Maturity Date. The redemption amount is the nominal amount of the principal.

6.2 Redemption at maturity

Each Note, other than AT1 Notes, will be redeemed by the Issuer on the maturity date (the **Maturity Date**) (or if applicable, the Extended Maturity Date) as specified in the applicable Final Terms. The redemption amount shall be specified in the applicable Final Terms. The applicable Final Terms may specify that the redemption amount shall be paid in instalments, in which case the final instalment shall be paid on the Maturity Date (or if applicable, the Extended Maturity Date).

Payment of the redemption amount will be made in accordance with Finnish or Swedish legislation, as applicable, governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Noteholder that is entitled to receive such payment according to the book-entry account information.

6.3 Perpetual notes

The AT1 Notes are securities which are not redeemable at the option of the Noteholders and have no fixed redemption date, and the Issuer shall have the right to call, redeem, repay or repurchase them only in accordance with and subject to the Conditions to Redemption set out in Condition 6.11.

The AT1 Notes shall become immediately due and payable only in the event of liquidation or bankruptcy of the Issuer, subject to the conditions on the status of the AT1 Notes as described in Condition 3.4.

6.4 Redemption of the Senior Preferred Notes and Covered Bonds for tax reasons

The Notes issued as Senior Preferred Notes or Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a floating interest rate Note) or on any Interest Payment Date (if this Note is a floating interest rate Note) at their nominal amount or a higher amount (the **Early Redemption Amount**), as specified in the applicable Final Terms, with interest accrued to (but excluding) the date of redemption, having given not less than 30 days' notice to the Noteholders in accordance with Condition 16, if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 17 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 17) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts in relation to a payment in respect of the Notes then due.

6.5 Redemption of the Senior Preferred Notes, Covered Bonds, Tier 2 Notes and AT1 Notes at the option of the Issuer

If redemption at the option of the Issuer (Issuer Call) is specified as applying to a Series of Notes issued as Senior Preferred Notes, Covered Bonds, Tier 2 Notes or AT1 Notes in the applicable Final Terms, the Issuer may, subject (in the case of Tier 2 Notes or AT1 Notes) to the Conditions to Redemption set out in Condition 6.11, having given not less than 30 days' nor more than 60 days' notice to the Noteholders in accordance with Condition 16, redeem all or some only of the then outstanding Notes on the First Call Date (as defined in the Final Terms) or, if specified in the Final Terms, on any subsequent Interest Payment Date thereafter. The early redemption amount shall be specified in the applicable Final Terms and shall be paid together with, if applicable, interest accrued to (but excluding) the First Call Date (as defined in the Final Terms) or, if specified in the Final Terms, on any subsequent Interest Payment Date thereafter.

Payment of the early redemption amount will be made in accordance with Finnish or Swedish legislation, as applicable, governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules, to the Noteholder that is entitled to receive such payment according to the book-entry account information.

No interest shall accrue on the nominal amount of the redeemed portion of the Notes after the First Call Date.

6.6 Early Redemption of the Tier 2 Notes for Withholding Tax Event

If:

(a) on the occasion of the next payment due under the Tier 2 Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 17 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 17) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a **Withholding Tax Event**); and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may, subject to the Conditions to Redemption set out in Condition 6.11, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 16, redeem all (but not some only) of the Tier 2 Notes at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

6.7 Early Redemption of the Tier 2 Notes or AT1 Notes for Tax Event

Upon the occurrence of a Tax Event and subject to the Conditions to Redemption set out in Condition 6.11, the Issuer may, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 16 redeem all (but not some only) of the Tier 2 Notes or AT1 Notes, as applicable, at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

6.8 Early Redemption of the Tier 2 Notes or AT1 Notes as a result of a Capital Event

Upon the occurrence of a Capital Event and subject to the Conditions to Redemption set out in Condition 6.11, the Issuer may, at its option, having given not less than 30 days' notice to the Noteholders in accordance with Condition 16, redeem all (but not some only) of the Tier 2 Notes or AT1 Notes, as applicable, at their Outstanding Principal Amount, together with interest accrued to (but excluding) the date of redemption.

6.9 Extension of Maturity up to Extended Maturity Date of the Covered Bonds

An Extended Maturity Date may apply to a Series of Covered Bonds, as specified in the applicable Final Terms.

If "Extended Maturity" is specified as applicable in the applicable Final Terms, it enables the Issuer, at the latest on the fifth (5th) Business Day before the Maturity Date, to apply for the approval of the FIN-FSA that the Maturity Date of the Covered Bonds and the date on which the Covered Bonds will be due and repayable for the purposes of these Conditions should be extended by the Issuer up to but no later than the Extended Maturity Date. The FIN-FSA shall grant the approval for the extension of maturity if (i) the Issuer is unable to obtain long-term financing from ordinary sources, (ii) the Issuer is unable to meet the liquidity requirement set out in the CBA if it makes payments towards the principal and interest of the maturing Covered Bonds and (iii) the extension of maturity of the Covered Bonds does not affect the sequence in which the Issuer's Covered Bonds from the same Cover Asset Pool are maturing. In the event of a bankruptcy or liquidation of the Issuer, the bankruptcy administrator and the liquidator in the liquidation have, pursuant to the CBA, at

the request or with the consent of the supervisor, the right to apply for the approval of the FIN-FSA to extend the Maturity Date up to but no later than the Extended Maturity Date.

If the FIN-FSA determines that the conditions for extension of the Maturity Date of the Covered Bonds have been fulfilled and it gives its approval to the extension, its resolution shall confirm the extended Maturity Date of the Covered Bonds and the date on which the Covered Bonds will then be due and repayable for the purposes of these Conditions, provided that the maturity of any Covered Bond may not be extended beyond the date falling twelve (12) months after the Maturity Date. In that event, the Issuer may redeem all or any part of the nominal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date.

The Issuer shall give notice to the Noteholders (in accordance with Condition 16) of (a) any resolution of the FIN-FSA to approve the extension of the maturity of the Covered Bonds as soon as practicable after any such resolution having been made and (b) its intention to redeem all or any of the nominal amount outstanding of the Covered Bonds in full at least three (3) Business Days prior to (i) the Maturity Date, where practicable for the Issuer to do so and otherwise as soon as practicable after the relevant decision to redeem the Covered Bonds (if any) is made or, as applicable (ii) the relevant Interest Payment Date or, as applicable (iii) the Extended Maturity Date.

Any failure by the Issuer to so notify such persons shall not affect the validity or effectiveness of any such extension of the maturity of the Notes or, as applicable, redemption by the Issuer on the Maturity Date or, as applicable, the relevant Interest Payment Date or, as applicable, the Extended Maturity Date or give rise to any such person having any rights in respect of any such redemption but such failure may result in a delay in payment being received by a Noteholder through Euroclear Finland or Euroclear Sweden, as applicable, (including on the Maturity Date where at least three Business Days' notice of such redemption is not given to the Noteholders (in accordance with Condition 16)) and Noteholders shall not be entitled to further interest or any other payment in respect of such delay.

In the case of Covered Bonds which are zero coupon notes up to (and including) the Maturity Date and for which an Extended Maturity Date is specified in the applicable Final Terms, for the purposes of this Condition 6.9, the nominal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with the Conditions.

Any extension of the maturity of the Covered Bonds under this Condition 6.9 shall be irrevocable. Where this Condition 6.9 applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of the Covered Bonds under this Condition 6.9 shall not constitute an event of default for any purpose or give any Noteholder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in the Conditions.

In the event of the extension of the maturity of the Covered Bonds under this Condition 6.9 interest rates and Interest Payment Dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined in accordance with the applicable Final Terms.

If the Issuer redeems part and not all of the nominal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across that Series of Covered Bonds and the nominal amount outstanding on those Covered Bonds shall be reduced by the level of that redemption.

If the maturity of the Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 6.9, subject as otherwise provided in the applicable Final Terms, for so long as any of the Covered Bonds remains outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further Covered Bonds are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds the maturity of which has been extended in accordance with this Condition 6.9.

This Condition 6.9 shall only apply to Covered Bonds for which "Extended Maturity" is specified as applicable in the applicable Final Terms and if the FIN-FSA gives its approval to the extension.

6.10 Repurchases

The Issuer or any subsidiary of the Issuer may at any time repurchase the Senior Preferred Notes, the Covered Bonds, the Tier 2 Notes and/or the AT1 Notes at any price in the open market or otherwise. The Senior Preferred Notes, the Covered Bonds, the Tier 2 Notes and/or the AT1 Notes may be held, reissued, resold or cancelled at the Issuer's discretion. However, the Tier 2 Notes and the AT1 Notes may only be repurchased subject to the Conditions to Redemption set out

in Condition 6.11. Any refusal by the Competent Authority to grant its approval will not constitute an event of default under the Tier 2 Notes and the AT1 Notes.

6.11 Conditions to Redemption and Repurchase

Other than a redemption of Tier 2 Notes at maturity in accordance with Condition 6.2, the Issuer may redeem or repurchase (and give notice thereof to the Noteholders) any Tier 2 Notes or AT1 Notes only if such redemption or repurchase is in accordance with the Applicable Banking Regulations and it has been granted the permission of the Competent Authority, in each such case, if such permission is then required under the Applicable Banking Regulations, and in addition:

(a) in the case of Tier 2 Notes, before, and, in the case of AT1 Notes, before or at the same time as such redemption or repurchase of the Notes, the Issuer replaces the Tier 2 Notes or AT1 Notes with own funds instruments of an equal or higher quality on terms that are sustainable for its income capacity; or

(b) the Issuer has demonstrated to the satisfaction of the Competent Authority, as the case may be, that its own funds and eligible liabilities would, following such redemption or repurchase, exceed the requirements under the Applicable Banking Regulations by a margin that the Competent Authority, considers necessary; and

(c) in the case of redemption or repurchase before five years after the issue date of the Tier 2 Notes or AT1 Notes:

  (i) only the conditions listed in paragraphs (a) or (b) above are met; and

  (ii) in the case of redemption due to the occurrence of a Capital Event, (i) the Competent Authority considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the Capital Event was not reasonably foreseeable at the time of the issuance of the relevant Notes; or

  (iii) in the case of redemption due to the occurrence of a Tax Event or (in the case of Tier 2 Notes) a Withholding Tax Event, the Issuer demonstrates to the satisfaction of the Competent Authority that such Tax Event or (in the case of Tier 2 Notes) Withholding Tax Event is material and was not reasonably foreseeable at the time of issuance of the relevant Tier 2 Notes or AT1 Notes; or

  (iv) in the case of Tier 2 Notes, before, and, in the case of AT1 Notes, before or at the same time of such redemption or repurchase, the Issuer replaces the Tier 2 Notes or AT1 Notes with own funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Competent Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

  (v) the Tier 2 Notes or AT1 Notes are repurchased for market making purposes,

(the "**Conditions to Redemption**").

The Issuer shall not give a notice of redemption in relation to the Tier 2 Notes or AT1 Notes if a Trigger Event has occurred in relation to Tier 2 Notes or AT1 Notes. If the Issuer has given a notice of redemption and, after giving such notice but prior to the relevant redemption date, a Trigger Event has occurred in relation to the Tier 2 Notes or AT1 Notes, the relevant redemption notice shall be automatically revoked and be null and void and the corresponding redemption shall not be made.

Any refusal by the Competent Authority to grant its approval as described above will not constitute an event of default under the terms and conditions of any Notes.

7. SUBSTITUTION AND VARIATION

This Condition 7 is applicable in relation to Notes specified in the applicable Final Terms as Tier 2 Notes and AT1 Notes and references to Notes in this Condition 7 shall be construed accordingly.

If substitution and variation is specified as applicable in the applicable Final Terms, at any time following the occurrence of a Capital Event or a Tax Event, or in the case of Tier 2 Notes, Withholding Tax Event, the Issuer may, subject to the Applicable Banking Regulations and (to the extent applicable) it has been granted the permission of the Competent Authority and having given not less than 30 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable), at any time, either:

(a) substitute all (but not some only) of the relevant Notes for new Notes, which are Qualifying Securities, or

(b) vary the terms of the relevant Notes so that they remain or, as appropriate, become, Qualifying Securities,

provided that, in each case, (i) such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities and (ii) such variation or substitution would not itself directly lead to a downgrade in any of the credit ratings (if any) of the relevant Notes as assigned to such Notes by any credit rating agency immediately prior to such variation or substitution and (iii) such variation or substitution is not materially less favourable to Noteholders. For the avoidance of doubt, any such substitution or variation shall not be deemed to be a modification or amendment for the purposes of Condition 18.

Any refusal by the Competent Authority to grant its approval as described above will not constitute an event of default under the terms and conditions of any Notes.

For the purposes of this Condition 7:

A variation or substitution shall be "materially less favourable to Noteholders" if such varied or substituted securities do not:

(i) include a ranking at least equal to that of the relevant Notes pursuant to Conditions 3.3 and 3.4, as applicable;
(ii) have the same interest rate and the same interest payment dates as those from time to time applying to the relevant Notes;
(iii) have equivalent redemption rights (if any) as the relevant Notes;
(iv) have the same currency of payment, maturity (if any), denomination and original aggregate outstanding nominal amount as the relevant Notes prior to such variation or substitution;
(v) in the case of Tier 2 Notes, preserve any existing rights under the relevant Notes to any accrued interest which has not been paid in respect of the period from (and including) the interest payment date last preceding the date of substitution or variation; or
(vi) have a listing on a recognised stock exchange if the relevant Notes were listed immediately prior to such variation or substitution; and

"**Qualifying Securities**" means securities issued directly or indirectly by the Issuer that contain terms which at such time result in such securities being eligible to qualify towards the Issuer's and/or the Group's Tier 2 Capital (in the case of Tier 2 Notes) or Tier 1 Capital (in the case of AT1 Notes) in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations to at least the same extent as the Notes prior to the relevant Capital Event or Tax Event or in case of Tier 2 Notes, Withholding Tax Event.

8. SUBSCRIPTION OF THE NOTES

8.1 Method of subscription and payment

Each Series of Notes is offered for subscription at the subscription places during the subscription period, each specified in the applicable Final Terms. The Issuer may shorten or lengthen the subscription period.

The subscription amount equals the nominal amount of the Notes being subscribed for multiplied by the issue price, each specified in the applicable Final Terms. When subscription takes place after the Issue Date, accrued interest (if any) for the subscribed Notes in accordance with the applicable Final Terms for the period between the Issue Date and date when payment in respect of the Notes subscribed for is effected, must also be paid.

When subscription takes place on a day other than an Interest Payment Date, but following the first Interest Payment Date, accrued interest (if any) for the subscribed Notes in accordance with the applicable Final Terms for the period

between the commencement of the current Interest Period and date when payment in respect of the Notes subscribed for is effected, must also be paid.

Payment in respect of Notes subscribed for shall be effected as instructed in connection with the subscription or at the time of the subscription, as specified in the applicable Final Terms.

The Issuer shall accept the subscriptions and may, at its sole discretion, reject a subscription in part or in whole. Approved subscriptions are confirmed after the relevant subscription period has ended.

The Issuer will not charge the subscriber for costs relating to the issue or offering of the Notes. The Dealer(s) and potential other subscription places may charge such costs pursuant to the agreement between the relevant subscriber and Dealer or potential other subscription place. Such costs (if any) will be specified in the applicable Final Terms.

8.2 Oversubscription and undersubscription

In the event of oversubscription or undersubscription, as applicable, in relation to a Series of Notes, the Issuer is entitled to increase or decrease the nominal amount of the relevant Series of Notes during the subscription period, discontinue the subscription or cancel the issue of such Series of Notes. The applicable Final Terms may specify that the issue of a certain Series of Notes requires a specified minimum amount of subscriptions or fulfilment of other conditions.

If the issue is cancelled or the subscriptions are decreased due to oversubscription, the Issuer shall refund the price paid to the account notified by the relevant subscriber within five (5) Business Days from the date of the decision concerning the cancellation or decrease.

8.3 Issue price

Notes may be issued at an issue price which is fixed or floating, as specified in the applicable Final Terms. If the issue price is floating, the Issuer will determine the issue price on a daily basis throughout the subscription period subject to a maximum issue price specified in the applicable Final Terms.

8.4 Cancellation of subscription and interruption of the subscription period in certain circumstances

If the Issuer, during the subscription period of the Notes, or before the Notes have been admitted for public trading, supplements the Base Prospectus due to an error or deficiency contained therein or due to material new information arising after the approval of the Base Prospectus or publishes an updated Base Prospectus during the above-mentioned period, a subscriber, who has made a subscription before the publication of the supplement or the updated Base Prospectus, is entitled to cancel the subscription within two (2) Business Days from the publication of the supplement or updated Base Prospectus. However, the cancellation right only exists if the error, deficiency or material new information arose or was noted before the delivery of the Notes to the subscribers in accordance with Condition 9.

The supplemented or updated Base Prospectus and information on the time limit and procedure for cancellation will be available at the subscription places specified in the applicable Final Terms and on the Issuer's website at https://www.alandsbanken.com/about-us/financial-information/debt-programme.

The Issuer is entitled to interrupt a subscription period immediately if the Base Prospectus needs to be supplemented. Such discontinuance will be announced at the subscription places and on the Issuer's website at https://www.alandsbanken.com/about-us/financial-information/debt-programme.

9. DELIVERY OF NOTES

Notes subscribed and paid for shall be entered to the respective book-entry accounts of the subscribers on a date set out in the applicable Final Terms in accordance with Finnish or Swedish legislation, as applicable, governing the book-entry system, clearing operations and book-entry accounts as well as the Euroclear Rules.

Each Note is freely transferable after it has been registered into the respective book-entry account.

10. FORCE MAJEURE

The Issuer, the Issuer Agent, the Paying Agent, the Calculation Agent, any Dealer, subscription place or account operator shall not be responsible for any loss arising from:

(a) an act of an authority, war or threat of war, revolt, civil disturbance, or any act of terror;

(b) disturbance in postal or telephone traffic, electronic communication, or supply of electricity that is beyond the control of, and that has an essential impact on, the operations of the Issuer, the Issuer Agent, the Paying Agent, the Calculation Agent, any Dealer, subscription place or account operator;

(c) interruption or delay of action or measure of the Issuer, the Issuer Agent, the Paying Agent, the Calculation Agent, any Dealer, subscription place or account operator that is caused by fire or equivalent accident;

(d) strike or other industrial action which has an essential impact to the operations of the Issuer, the Issuer Agent, the Paying Agent, the Calculation Agent, any Dealer, subscription place or account operator, even when it only affects part of the personnel of the aforementioned entities and irrespective of whether the aforementioned entities are involved in it or not;

(e) an act of God (such as, but not limited to, fires, explosions, earthquakes, drought, tidal waves and floods); or

(f) other equivalent force majeure or any similar reason that causes unreasonable difficulty for the operations of the Issuer, the Issuer Agent, the Paying Agent, the Calculation Agent, any Dealer, subscription place or account operator.

11. ENFORCEMENT EVENTS

In the event that:

(i) the Issuer shall in respect of any Tier 2 Notes or AT1 Notes, default for a period of 7 days in the payment of any amount that has become due and payable in accordance with the Conditions; or

(ii) an order is made or an effective resolution is passed for the liquidation (Fi. *selvitystila*) of the Issuer (except for the purpose of a merger, reconstruction or amalgamation under which any continuing entity effectively assumes the entire obligations of the Issuer under the Securities) or the Issuer is otherwise declared bankrupt (Fi. *konkurssi*) or put into liquidation (Fi. *selvitystila*), in each case, by a court or agency or supervisory authority in Finland or elsewhere having jurisdiction in respect of the same,

then the Noteholder may, to the extent permitted by applicable law:

(a) (in the case of (i) above) institute proceedings for the Issuer to be declared bankrupt (Fi. *konkurssi*) or put into liquidation (Fi. *selvitystila*) in each case, in Finland and not elsewhere, and prove or claim in the bankruptcy (Fi. *konkurssi*) or liquidation (Fi. *selvitystila*) of the Issuer; and/or

(b) (in the case of (ii) above) prove or claim in the bankruptcy (Fi. *konkurssi*) or liquidation (Fi. *selvitystila*) of the Issuer, whether in the Republic of Finland or elsewhere and instituted by the Issuer itself or by a third party,

but (in either case) the Noteholder may claim payment in respect of the Tier 2 Notes or AT1 Notes only in the bankruptcy (Fi. *konkurssi*) or liquidation (Fi. *selvitystila*) of the Issuer. For the avoidance of doubt, a Noteholder may not claim payment in respect of the Tier 2 Notes or AT1 Notes in the resolution or moratorium under the national laws implementing BRRD.

In any of the events or circumstances described in (ii) above, the Noteholder of the Tier 2 Notes or AT1 Notes may, by notice to the Issuer, declare such the Tier 2 Notes or AT1 Notes to be due and payable, and such the Tier 2 Notes or AT1 Notes shall accordingly become due and payable at its prevailing outstanding amount, but subject to such Noteholder only being able to claim payment in respect of the Tier 2 Notes or AT1 Notes in the bankruptcy (Fi. *konkurssi*) or liquidation (Fi. *selvitystila*) of the Issuer and provided that where any such event occurs after the date on which a Trigger Event occurs but before the relevant Write-Down Date, the Noteholder of any such Tier 2 Notes or AT1 Notes may only declare such Tier 2 Notes or AT1 Notes to be due and payable to the extent of its prevailing outstanding amount (if any) as reduced by the relevant Write-Down Amount in respect of such Trigger Event.

The Noteholder of any Tier 2 Notes or AT1 Notes may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Tier 2 Notes or AT1 Notes (other than, without prejudice to the above, any obligation for the payment of any principal or interest in

respect of the Tier 2 Notes or AT1 Notes) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it, except with the prior approval of the Competent Authority.

No remedy against the Issuer, other than as provided above shall be available to the Noteholders of the Tier 2 Notes or AT1 Notes, whether for the recovery of amounts owing in respect of the Tier 2 Notes or AT1 Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Tier 2 Notes or AT1 Notes. For the avoidance of doubt, the failure to pay any amount that has become due and payable in respect of Tier 2 Notes or AT1 Notes in accordance with the Conditions shall not constitute an event of default.

12. PRESCRIPTION

In case any payment which has fallen due under the Senior Preferred Notes, Covered Bonds, Tier 2 Notes or AT1 Notes has not been claimed by the relevant Noteholder entitled to such payment within three (3) years from the original due date thereof, the right to such payment shall become forfeited by the relevant Noteholder and the Issuer shall be permanently free from such payment.

13. EVENTS OF DEFAULT RELATING TO SENIOR PREFERRED NOTES

This Condition 13 only applies to Notes which are specified as Senior Preferred Notes in the applicable Final Terms.

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to any Note any Noteholder may, by written notice to the Issuer, effective upon the date of receipt thereof, declare any Note held by it to be due and payable at the earliest on the tenth (10^{th}) day from the date such notice was presented, provided that an Event of Default is continuing on the date of receipt of the notice and on the early maturity date specified in such notice. An Event of Default is **continuing** if it has not been remedied or waived.

(a) **Non-payment**: Any amount of principal or interest due in respect of Notes has not been paid within seven (7) Business Days from the relevant due date, unless the failure to pay is caused by administrative or technical error.

(b) **Breach of other obligations**: The Issuer fails to perform or observe any of its other obligations under the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied.

(c) **Cross default**: (i) Any Indebtedness of the Issuer is declared due or repayable prematurely by reason of an event of default (howsoever described); (ii) the Issuer fails to make any payment in respect of Indebtedness on the relevant due date, as extended by any originally applicable grace period; (iii) any security given by the Issuer in respect of Indebtedness becomes enforceable; (iv) the Issuer defaults in making any payment on the relevant due date, as extended by any originally applicable grace period, under any guarantee in relation to Indebtedness.

No Event of Default will occur under this sub-condition (c) if the aggregate amount of such Indebtedness or other liability is less than EUR 10,000,000 or its equivalent in any other currency.

A Noteholder shall not be entitled to demand repayment under this sub-condition (c) if the Issuer has bona fide disputed the existence of the occurrence of an Event of Default under this sub-condition (c) in the relevant court or in arbitration as long as such dispute has not been finally and adversely adjudicated against the Issuer.

(d) **Cessation of business**: The Issuer ceases to carry on its current business in its entirety.

(e) **Winding-up**: An order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer.

(f) **Insolvency**: (i) The Issuer becomes insolvent or is unable to pay its debts as they fall due; (ii) the Issuer makes a general assignment or an arrangement or composition with or for the benefit of its creditors; or (iii) an application is filed for it being subject to bankruptcy or re-organisation proceedings, or for the appointment of an administrator or liquidator of any of the Issuer's assets and such application is not discharged within 45 days.

For the purposes of the Conditions, **Indebtedness** means indebtedness (whether being principal, premium, interest or other amounts) in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit of the Issuer.

14. LOSS ABSORPTION MECHANISM OF TIER 2 NOTES

14.1 Definitions for the purposes of this clause

Outstanding Principal Amount means the principal amount of the Tier 2 Notes as issued on the Issue Date and as reduced by any Write-Down Amount.

Write-Down means the permanent write-down of the Outstanding Principal Amount of each Tier 2 Note by writing down the Outstanding Principal Amount by the Write-Down Amount in accordance with the Write-Down Procedure and "Written Down" shall be construed accordingly.

Write-Down Amount means the amount by which the Outstanding Principal Amount of each Tier 2 Note is to be Written Down on the Write-Down Date, which amount shall be 50 per cent of the Outstanding Principal Amount.

Write-Down Date means the date on which the Write-Down shall take place, or has taken place, as applicable.

Write-Down Notice means the notice to be delivered by the Issuer to the Noteholders in accordance with Condition 16 specifying (i) that a Trigger Event has occurred and (ii) the Write-Down Date or the expected Write-Down Date.

Write-Down Procedure means the procedures set out in Condition 14.2.1.

a **Trigger Event** shall occur if the Issuer's or the Group's CET1 Ratio falls below 7 per cent Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority and such calculation shall be binding on the Noteholders.

Loss Absorbing Instrument means at any time any Tier 2 Instrument (other than the Tier 2 Notes) of the Issuer which may have all or some of its principal amount written-down on the occurrence or as a result of a Trigger Event.

Original Principal Amount means the principal amount (which, for these purposes, is equal to the nominal amount) of the Tier 2 Notes at the Issue Date without having regard to any subsequent Write-Down.

14.2 Permanent Write-Down upon a Trigger Event

When Trigger Event has occurred at any time, the Issuer shall write down the Outstanding Principal Amount of each Tier 2 Note with the Write-Down Amount on the Write-Down Date in accordance with the Write-Down Procedure. Under no circumstances shall such Written Down Outstanding Principal Amount be reinstated. The Write-Down shall occur without delay (and within one month or such shorter period as the Competent Authority may require at the latest) upon the occurrence of a Trigger Event.

Upon the occurrence of a Trigger Event, the Issuer shall immediately inform the Competent Authority and shall deliver to the Noteholders notice in accordance with Condition 16 specifying (i) that a Trigger Event has occurred and (ii) the Write-Down Date or expected Write-Down Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such Write-Down, or give Noteholders any rights as a result of such failure.

Following a Write-Down, no Noteholder will have any rights against the Issuer with respect to the repayment of any principal amount to the extent so Written Down or the payment of interest on any principal amount that has been so Written Down or any other amount on or in respect of any principal amount that has been so Written Down.

To the extent that the Write-Down or conversion of any Loss Absorbing Instruments is not effective for any reason the ineffectiveness of any such write-down or conversion shall not prejudice the requirement to effect a Write-Down of the Tier 2 Notes.

A Write-Down of the Tier 2 Notes shall not constitute an event of default or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not, of itself, entitle the Noteholder to petition for the insolvency or dissolution of the Issuer or otherwise.

No Write-Down of the Tier 2 Notes shall occur prior to all AT1 Instruments (including the AT1 Notes) of the Issuer have been Written-Down.

14.2.1 Write-Down Procedure

Write-Down Notice

If a Trigger Event has occurred at any time, the Issuer shall deliver a Write-Down Notice to the Noteholders, as soon as reasonably practicable, and in any event not more than five (5) Business Days after such determination.

The Write-Down Notice shall be sufficient evidence of the occurrence of such Trigger Event and will be conclusive and binding on the Noteholders.

Write-Down

On the Write-Down Date, the Issuer shall write down an aggregate principal amount of each Tier 2 Note equivalent to the Write-Down Amount of each Tier 2 Note by writing down the Outstanding Principal Amount of each Tier 2 Note by the Write-Down Amount. The Tier 2 Note may only be subject to one (1) Write-Down.

15. LOSS ABSORPTION MECHANISM OF AT1 NOTES

15.1 Definitions for the purposes of this clause

Trigger Event means at any time that the CET1 Ratio of the Issuer or the Group is below 7.125 per cent Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority and such calculation shall be binding on the Noteholders.

Write-Down means a reduction of the Current Principal Amount of each Note to zero on a permanent basis with no possibility of reinstatement (in whole or in part) of the Original Principal Amount or the then Current Principal Amount of the AT1 Notes at any time and the written down shall be construed accordingly.

Original Principal Amount means, the principal amount (which, for these purposes, is equal to the nominal amount) of the Notes at the relevant Issue Date.

Current Principal Amount means (i) with respect to the AT1 Notes or an AT1 Note (as the context requires), the principal amount thereof calculated on the basis of the original principal amount, as such amount may be reduced on one or more occasions pursuant to the application of the loss absorption mechanism pursuant to conditions in 'Consequences of a Trigger Event' respectively; or (ii) with respect to any other Loss Absorbing Instrument, the principal amount thereof (or amount analogous to a principal amount) calculated on a basis analogous to the calculation of the Current Principal Amount of the AT1 Notes.

Redemption Price means, in respect of each AT1 Note, the then Current Principal Amount thereof together with any accrued but unpaid distributions on the AT1 Notes (if any).

Loss Absorbing Instrument means at any time any AT1 Instrument (other than the AT1 Notes) of the Issuer which may have its principal amount written-down on the occurrence or as a result of the Issuer or the Group CET1 Ratio failing below a certain trigger level.

15.2 Consequences of a Trigger Event

If a Trigger Event occurs at any time, all of the following shall apply:

(i) The Issuer shall immediately inform the Competent Authority of the occurrence of the Trigger Event;

(ii) The Issuer shall notify the Noteholders of the AT1 Notes, in an irrevocable manner, that the Trigger Event has occurred ("**Trigger Event Notice**");

(iii) The Issuer shall without delay irrevocably and mandatorily operate a Write-Down of the AT1 Notes.

The Write-Down of the AT1 Notes shall occur without delay and in any event not later than one month (or such shorter period as the Competent Authority may then require) from the occurrence of the relevant Trigger Event (such date being a "**Write-Down Date**").

To the extent that the Write-Down or conversion of any Loss Absorbing Instruments is not effective for any reason the ineffectiveness of any such write-down or conversion shall not prejudice the requirement to affect a Write-Down of the AT1 Notes.

Any Write-Down of the Notes shall not constitute an event of default or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not entitle Noteholders to petition for the insolvency or dissolution of the Issuer.

Any failure or delay by the Issuer to comply with its notification obligation under (ii) above shall not prejudice a Write-Down of the AT1 Notes.

16. NOTICES AND RIGHT TO INFORMATION

Noteholders shall be advised of matters relating to the Notes by a stock-exchange release, a notice published on the Issuer's website at https://www.alandsbanken.com/about-us/financial-information/debt-programme or a notice published in Helsingin Sanomat or any other major Finnish national daily newspaper selected by the Issuer. The Issuer may and shall, if required by the Euroclear Rules or applicable laws, also deliver notices relating to the Notes in writing directly to the Noteholders at the address appearing on the list of the Noteholders provided by Euroclear Finland or Euroclear Sweden, as applicable, in accordance with the below paragraph (or through Euroclear Finland's or Euroclear Sweden, as applicable, book-entry system or account operators of the relevant book-entry system).

Any notice relating to the Notes shall be deemed to have been received by the Noteholders when published or delivered in accordance with this Condition 16.

Notwithstanding any secrecy obligation, the Issuer shall, subject to the Euroclear Rules and applicable laws, be entitled to obtain information of the Noteholders from Euroclear Finland or Euroclear Sweden, as applicable, and Euroclear Finland or Euroclear Sweden, as applicable, shall be entitled to provide such information to the Issuer. Furthermore, the Issuer shall, subject to the Euroclear Rules and applicable laws, be entitled to acquire from Euroclear Finland or Euroclear Sweden, as applicable, a list of Noteholders, provided that it is technically possible for Euroclear Finland or Euroclear Sweden, as applicable, to maintain such a list. The Issuer shall at the request of the Issuer Agent pass on such information to the Issuer Agent.

The address for notices to the Issuer is:

Ålandsbanken Abp
Nygatan 2
PB 3
AX-22101 Mariehamn, Åland, Finland

17. TAXATION

All payments in respect of the Notes (however, in relation to Tier 2 Notes and AT1 Notes, any payments of interest only) by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Tax Jurisdiction, unless such withholding or deduction is required by law.

In such event, and in relation to Tier 2 Notes and AT1 Notes, any payment of interest only, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

(a) presented for payment in Finland;

(b) the Noteholder of which is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Business Day.

In respect of the AT1 Notes, no such additional amounts shall be payable to the extent that such additional payments would exceed the Distributable Items.

For the purposes of the Conditions:

Tax Jurisdiction means the Republic of Finland or any political subdivision or any authority thereof or therein having power to tax; and

Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16.

18. MEETINGS OF NOTEHOLDERS AND PROCEDURE IN WRITING

The Issuer may convene a meeting of Noteholders (the **Noteholders' Meeting**) or request a procedure in writing among the Noteholders (the **Procedure in Writing**) to decide on amendments of the Conditions or other matters as specified below. Euroclear Finland or Euroclear Sweden, as applicable, must be notified of the Noteholders' Meeting or a Procedure in Writing by the Issuer in accordance with the Euroclear Rules and applicable laws. Any modification or waiver of the Conditions which affects AT1 Notes or Tier 2 Notes may only be effected in accordance with CRR and other Applicable Banking Regulations and with the prior notifications to and consultation with the Competent Authority.

Notice of a Noteholders' Meeting and the initiation of a Procedure in Writing shall be provided to the Issuer Agent and the Noteholders in accordance with Condition 16 at least ten (10) Business Days prior to the Noteholders' Meeting or the last day for replies in the Procedure in Writing, and shall include information on the date, place and agenda of the Noteholders' Meeting or the last day and address for replies in the Procedure in Writing (or if the voting is to be made electronically, instructions for such voting) as well as instructions as to any action required on the part of a Noteholder to attend the Noteholders' Meeting or to participate in the Procedure in Writing. No matters other than those referred to in the notice of the Noteholders' Meeting or initiation of the Procedure in Writing may be resolved upon at the Noteholders' Meeting or the Procedure in Writing.

Only those who, according to the register kept by Euroclear Finland or Euroclear Sweden, as applicable, in accordance with the Euroclear Rules and applicable laws, in respect of the Notes, were registered as Noteholders on the fifth (5th) Business Day prior to the Noteholders' Meeting or the last day for replies in the Procedure in Writing on the list of Noteholders to be provided by Euroclear Finland or Euroclear Sweden, as applicable, in accordance with Condition 16, or proxies authorised by such Noteholders, shall, if holding any of the nominal amount of the relevant Series of Notes at the time of the Noteholders' Meeting or the last day for replies in the Procedure in Writing, be entitled to vote at the Noteholders' Meeting or in the Procedure in Writing and shall be recorded in the list of the Noteholders present at the Noteholders' Meeting or participating in the Procedure in Writing.

The Noteholders' Meeting must be held in Helsinki and the chairman of the meeting shall be appointed by the Board of Directors of the Issuer.

A Noteholders' Meeting or a Procedure in Writing shall constitute a quorum only if two (2) or more Noteholders present hold or represent at least 50 per cent or one (1) Noteholder holding one hundred 100 per cent of the nominal amount of the relevant Series of Notes outstanding attends the Noteholders' Meeting or provides replies in the Procedure in Writing.

If, within 30 minutes after the time specified for the start of a Noteholders' Meeting, a quorum is not present, any consideration of the matters to be dealt with at the meeting may, at the request of the Issuer, be adjourned for consideration at a meeting to be convened on a date no earlier than 14 calendar days and no later than 28 calendar days after the original meeting, at a place to be determined by the Issuer. Correspondingly, if by the last day for replies in the Procedure in Writing a quorum is not constituted, the time for replies may be extended as determined by the Issuer.

The quorum for an adjourned Noteholders' Meeting or extended Procedure in Writing will be at least 25 per cent of the nominal amount of the relevant Series of Notes outstanding.

Notice of an adjourned Noteholders' Meeting or in relation to a Procedure in Writing, information regarding the extended time for replies, shall be given in the same manner as notice of the original Noteholders' Meeting or the Procedure in Writing. The notice shall also state the requirements for the constitution of a quorum.

Voting rights of Noteholders shall be determined according to the nominal amount of the Notes held. The Issuer and any Group companies shall not hold voting rights at any Noteholders' Meeting or Procedure in Writing.

Resolutions shall be carried by a majority of more than 50 per cent of the votes cast. A representative of the Issuer and a person authorised to act for the Issuer may attend and speak at a Noteholders' Meeting.

A Noteholders' Meeting or a Procedure in Writing is entitled to make the following decisions that are binding upon all Noteholders:

(i) change the Final Terms, including approval of any proposal by the Issuer for any modification, abrogation, variation or compromise of the Final Terms or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;

(ii) waive any breach or consent to any proposed breach by the Issuer of its obligations under or in respect of the Notes;

provided, however, that consent of at least 75 per cent of the aggregate nominal amount of the relevant Series of Notes outstanding is required to:

(a) change any date fixed for payment of principal or interest in respect of the Notes;

(b) decrease the nominal amount of, or interest payable on, a Series of Notes;

(c) extend the term of Notes;

(d) alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payments;

(e) change the currency of any payment under the Notes;

(f) impair the right to institute suit for the enforcement of the Noteholder of any payment under the Notes;

(g) amend the requirements for the constitution of a quorum at a Noteholders' Meeting or Procedure in Writing; or

(h) amend the majority requirements of the Noteholders' Meeting or Procedure in Writing.

The consents can be given at a Noteholders' Meeting, in the Procedure in Writing or by other verifiable means in writing.

When consent from the Noteholders representing the requisite majority has been received in the Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired, provided that the Noteholders representing such requisite majority are registered as Noteholders on the list of Noteholders provided by Euroclear Finland or Euroclear Sweden, as applicable, in accordance with Condition 16 on the date when such requisite majority is reached.

The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take necessary action to enforce the decisions of the Noteholders' Meeting or the Procedure in Writing.

Resolutions passed at a Noteholders' Meeting or in the Procedure in Writing shall be binding on all Noteholders of the relevant Series of Notes irrespective of whether they have been present at the Noteholders Meeting or participated in the Procedure in Writing. A Noteholder is considered to have become aware of a resolution of a Noteholders' Meeting and a Procedure in Writing when, with respect to Notes registered with Euroclear Finland, a decision has been recorded in the issue account (Fi. *liikkeeseenlaskutili*) of the relevant Notes and, with respect to Notes registered with Euroclear Sweden, when received by the Noteholders in accordance with Condition 16. In addition, Noteholders are obligated to inform subsequent transferees of Notes of resolutions made at a Noteholders' Meeting and in a Procedure in Writing. A Noteholders' Meeting's resolutions must also be notified to the Issuer Agent as well as Euroclear Finland or Euroclear Sweden, as applicable, in accordance with the Euroclear Rules and applicable laws.

Any resolution at a Noteholders' Meeting or in a Procedure in Writing, which extends or increases the obligations of the Issuer, or limits, reduces or extinguishes the rights or benefits of the Issuer, shall be subject to the consent of the Issuer.

Notwithstanding anything to the contrary in the Conditions, the Issuer is entitled to, without the consent of the Noteholders to make appropriate changes to the Final Terms if such changes do not weaken the position of the Noteholders. Any such changes shall be binding upon the Noteholders. The Issuer shall notify the Noteholders of such changes in accordance with Condition 16 above.

19. FURTHER ISSUES

The Issuer may from time to time without the consent of, or notice to, the Noteholders create and issue further notes having the same terms and conditions as the Notes (or the same in all respects save for the amount and date of the first payment of interest thereon, the issue price, the minimum subscription amount and the date from which interest starts to accrue) and so that the same may be consolidated and form a single Series with the outstanding Notes.

20. GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Notes and any non-contractual obligations arising out of or in connection herewith, are and shall be governed by, and construed in accordance with, Finnish law, except for the registration of Notes in Euroclear Sweden, which shall be governed by, and construed in accordance with, Swedish law.

20.2 Submission to jurisdiction

Any disputes relating to the Notes shall be settled in the first instance at the District Court of Helsinki (Fi. *Helsingin käräjäoikeus*).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit, unless otherwise specified in the relevant Final Terms.

In particular, if so specified in the applicable Final Terms, the Issuer will apply the net proceeds from such issue of the Notes in whole or in part to finance or refinance Green Assets. Such Notes may also be referred to as **Green Bonds**. The criteria for the Green Assets to be financed or refinanced will be described in the Ålandsbanken's Green Finance Framework from time to time, to be made available prior to the issue of Green Bonds. Ålandsbanken's Green Finance Framework will be available on https://www.alandsbanken.com/about-us/debt-investors. Pending the allocation or reallocation, as the case may be, of the net proceeds of the Notes to Green Assets, the Issuer will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalent and/or other liquid marketable instruments. The Issuer will use its best efforts to substitute any redeemed loans, any other form of financing that is no longer financed or refinanced by the net proceeds, and/or any such loans or any other form of financing which cease to be Green Assets, as soon as practicable once an appropriate substitution option has been identified. The Issuer will monitor the use of the net proceeds of the Notes via its internal information systems.

For the avoidance of doubt, payment of principal and interest in respect of the Notes will be made from general funds of the Issuer and will not be directly or indirectly linked to the performance of the Green Assets.

Green Assets means any existing, ongoing and/or future loans or any other form of financing from Eligible Sectors selected by the Issuer, which meet the Eligibility Criteria, all in accordance with the Ålandsbanken Green Finance Framework.

Eligible Sectors means the following sectors (all as more fully described in the Ålandsbanken Green Finance Framework:

- Renewable Energy
- Energy Efficiency.

Eligibility Criteria means the criteria with which any loan or any other form of financing should comply, at any time, in order to be considered as an Green Asset (as such criteria may be amended, from time to time, by the Issuer, subject to external review by third parties, as the case may be, as per the Ålandsbanken Green Finance Framework). As part of the application of the Eligibility Criteria, the Issuer will assess the potential environmental, social and governance risks of the relevant assets, in line with its framework for managing such risks, including specific risk assessment tools. The selection of the Green Assets in accordance with the Eligibility Criteria will then be verified by external third parties, as per the Ålandsbanken Green Finance Framework. As long as any Notes are outstanding, the Issuer is expected to provide a report, at least annually, on (i) the Eligible Green Assets financed or refinanced by the net proceeds and their relevant environmental impact indicators, (ii) the allocation of the net proceeds of the Notes to Eligible Green Assets detailing the aggregate amount dedicated to each of the Eligible Sectors and (iii) the balance of unallocated cash and/or cash equivalent and/or other liquid marketable instruments still held by the Issuer, as further described in the Ålandsbanken Green Finance Framework. The report will be published by the Issuer on https://www.alandsbanken.com/about-us/debt-investors/debt-programme.

Pursuant to the Ålandsbanken Green Finance Framework, a second party opinion will be obtained from an appropriate second party opinion provider and the Issuer will mandate an appropriate external independent auditor to provide an assurance report. The opinion and assurance report will be available on https://www.alandsbanken.com/about-us/debt-investors/debt-programme.

DESCRIPTION OF ÅLANDSBANKEN

General information

Ålandsbanken was established on 3 December 1919. Ålandsbanken is a public limited liability company, registered in the Finnish Trade Register. The Issuer's registration number in the Finnish Patent and Registration Office is 0145019-3 and its domicile is in Mariehamn in the autonomous Finnish Province of Åland. Ålandsbanken is incorporated under the laws of Finland. Its legal entity identifier (LEI) number is 7437006WYM821IJ3MN73. The Issuer's parallel tradename is the Bank of Åland Plc. The Issuer's accounting period is one (1) calendar year. According to article 2 of its articles of association, the Issuer engages in business operations of a commercial bank set out in the Credit Institutions Act (*laki luottolaitostoiminnasta*, 610/2014) (as amended). The Issuer also provides investment services and ancillary services as defined in Chapter 1 Section 15 and Chapter 2 Section 3 of the Investment Services Act (*sijoituspalvelulaki*, 747/2012) (as amended or as replaced). In addition, the Issuer also conducts mortgage banking activities in accordance with the MCBA. Its registered address and phone number is as follows:

Ålandsbanken Abp
Nygatan 2
22 100 Mariehamn
Tel. +358 (0) 204 29 011

The Issuer's website is www.alandsbanken.fi. The information on the website does not form part of the Base Prospectus unless that information is incorporated by reference into the Base Prospectus. Any supplements to the Base Prospectus on the website are also part of the Base Prospectus.

Ålandsbanken's core markets are the Åland Islands, mainland Finland and Sweden. Ålandsbanken's head office is located in Mariehamn on the Åland Islands. Ålandsbanken has two offices in the Åland Islands and six offices on the Finnish mainland, situated in Helsinki, Parainen, Tampere, Turku, Oulu and Vaasa. Ålandsbanken's Swedish branch has three offices in Sweden situated in Stockholm, Gothenburg and Malmö.

As at 31 December 2022, Ålandsbanken had total assets of EUR 5,898 million, total equity of EUR 316 million and net operating profit of EUR 46.1 million (1 January – 31 December 2022). As at 31 December 2021, Ålandsbanken had total assets of EUR 6,635 million, total equity of EUR 332 million and net operating profit of EUR 49.2 million (1 January – 31 December 2021). As at 31 December 2022, the Group had 862 employees based on hours worked, recalculated to full-time equivalent positions.

The focus of Ålandsbanken is on enhancing its role as a bank for investors while also seeking to offer good financing know-how and banking services. Its most important operational areas are Private Banking and Premium Banking. Ålandsbanken's Private Banking service provides individuals and corporate customers with banking, financial and advisory services. Premium Banking, which is offered mainly to individuals, is a concept that combines banking, financial and advisory services with security and lifestyle related services. As a relationship bank, Ålandsbanken seeks to generate value for individual clients and their companies by building, deepening and maintaining long-term personal client relationships.

For further information on the Group and the Group's financial position, please refer to the financial statements and capital and risk management reports incorporated by reference in this Base Prospectus.

Strategy of Ålandsbanken

Ålandsbanken is a well-diversified banking group with operations in Banking, Asset Management, IT and Partnership Banking in three (3) geographical markets - the Åland Islands, mainland Finland and Sweden.

Ålandsbanken generates value for individuals and companies by delivering a large bank's range of services with a smaller bank's thoughtfulness and sense of dedication. The aim is to be the self-evident bank for individuals with ambitions and companies that value relationships.

On the Finnish mainland and in Sweden, Ålandsbanken has a growth strategy as a unique, personal bank targeted to entrepreneurs, wealthy families and individual customers with sound finances. Ålandsbanken offers Private and Premium Banking concepts, where it focuses on administering its clients' financial investments profitably and on providing home financing solutions. In addition, Ålandsbanken offers asset management services to institutional investors.

In its third market, the Åland Islands, Ålandsbanken's strategy is to be the largest bank. As a major employer on the Åland Islands, Ålandsbanken has an important position in the society and a desire to participate in developing the future of the Åland Islands.

For many years, Ålandsbanken has collaborated with other market players within the IT field via its subsidiary Crosskey Banking Solutions Ab Ltd. In the future Ålandsbanken has the ability and the potential to offer products and services to other market players within a substantially broader field than IT services alone. In the field of financial technology, Ålandsbanken is a versatile and capable partner with the capacity to deliver solutions to companies in most financial service areas. Ålandsbanken is also the main service provider to the Swedish mortgage bank Borgo AB.

Given our close connection to the small community of Åland, located among thousands of islands in the middle of the Baltic Sea, sustainability work has been a natural element of our core values for a long time. Together with our customers, we have created products and services that both increase awareness and support concrete sustainability projects. Sustainability issues are an integral part of our usual operational management, where the Board of Directors, the Executive Team and all our employees have their role. Each quarter we transparently report our greenhouse gas emissions according to Greenhouse Gas Protocol (GHGP).

Share capital and shareholders

As at the date of this Base Prospectus, the share capital of Ålandsbanken was EUR 42,029,289.89. The number of Series A shares totals 6,476,138 (representing 129,522,760 votes) and the number of Series B shares totals 8,799,766 (representing 8,799,766 votes). Each Series A share represents 20 votes and each Series B share one (1) vote at the shareholders' meetings. The Articles of Association stipulate that no representative at the annual general meeting may vote for more than one fortieth (1/40) of the number of votes represented at the meeting.

On 3 April 2019, the Annual General Meeting of shareholders authorised the Board of Directors of Ålandsbanken to decide on the issuance of shares and option rights and other special rights entitling their holders to shares, as provided by the Finnish Companies Act (*osakeyhtiölaki*, 624/2006) (as amended). The authorisation covers one (1) or more issues in exchange for payment or without payment and may also cover divestment of the Issuer's own shares. The authorisation is in force for five (5) years from the resolution and a maximum of 3,000,000 Series B shares can be issued pursuant to the authorisation. So far, 77,196 Series B shares (as of 31 December 2021) have been issued or divested as authorised, and consequently an additional 2,922,804 Series B shares may be issued or divested on the basis of the authorisation.

As at 31 December 2022, there were eight (8) shareholders in Ålandsbanken holding more than two (2) per cent of the share capital or the votes, as shown in the table below. The list below also includes companies within each shareholder's group as well as other companies controlled by each shareholder.

The following table sets forth the eight largest shareholders of the Issuer as at 30 December 2022:

Shareholder	Series A shares	Series B shares	Total	% of shares	% of votes
1. Wiklöf Anders (and Wiklöf controlled companies)	1,993,534	1,332,961	3,326,495	21.81%	29.79%
2. Nominee registered shareholders in Nordea Bank Abp	1,109	919,758	920,867	6.04%	0.68%
3. Alandia Group (insurance group)	754,908	52,632	807,540	5.29%	10.95%
4. Fennogens Investments S.A.	616,764	165,467	782,231	5.13%	9.04%
5. Veritas Pension Insurance Company	123,668	265,754	389,422	2.55%	1.98%
6. Chilla Capital	277,500	0	277,500	1.82%	4.01%
7. Lundqvist Ben Hugo	251,574	0	251,574	1.65%	3.64%
8. Svenska Litteratursällskapet i Finland r.f.	208,750	0	208,750	1.37%	3.02%

As far as Ålandsbanken is aware there are no arrangements that may result in a change of control of Ålandsbanken.

Business activities

Ålandsbanken is a full-service bank primarily targeting customers needing financial investment and wealth management services. Corporate banking services are only offered to customers in the Åland islands.

Ålandsbanken Fondbolag Ab manages Ålandsbanken's investment funds. The range of funds is tailored to the investment needs of Ålandsbanken's customers. In addition to operating ordinary investment funds (UCITS), Ålandsbanken Fondbolag Ab is also authorised to manage alternative investment funds (AIF). Ålandsbanken Fondbolag Ab manages assets of approximately EUR 4.0 billion as at 31 December 2022.

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

Ålandsbanken has business partnerships with several financial technology companies and a Swedish mortgage company and supplies services to companies operating in the financial services sector. The Issuer is also a shareholder in a few of strategic partners, the main shareholdings being Borgo AB, Doconomy AB and Dreams AB.

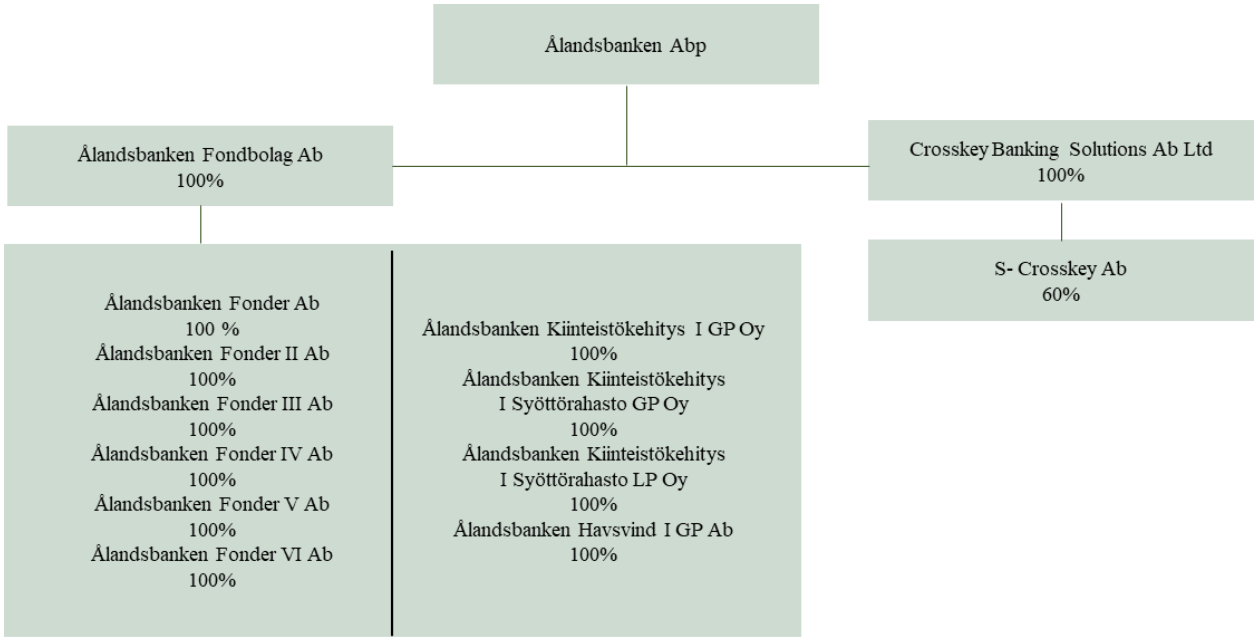
A significant proportion of the Group's lending activities is comprised of lending to private individuals and households. As at 31 December 2022, the Group's total lending was EUR 4,303 million, of which 76 per cent constituted loans to private individuals or households. The Group's total home loan lending as at 31 December 2021 was EUR 2,832 million and as at 31 December 2022 was EUR 2,380 million, or 59 per cent and 55 per cent of total lending, respectively. As at 31 December 2022, the total lending in Sweden was EUR 1,431 million, or 33 per cent of the total lending of the Group.

The audited financial statements for the year ended 31 December 2022 include certain statistical information on the Group's lending activities:

- ***Loan Portfolio***: for information in relation to the Group's loan portfolio, please see Notes G17. (*Classification of financial assets and liabilities*), G18. (*Measurement of financial assets and liabilities carried at fair value*), G19. (*Assets and liabilities by currency*), G20. (*Holdings of debt securities*), G21. (*Lending to credit institutions*) and G22. (*Lending to public*) in the 2022 Financial Statements and the chart entitled "*Remaining maturity*" on page 75 of the 2022 Financial Statements.
- ***Impaired Loans***: for information in relation to the Group's impaired loans, please see Note G14. In addition, for a discussion of the Group's loan origination and monitoring procedures, its customer concentrations, large exposures, institutional counterparty risk exposure and collateral policy, please see the "*Capital and risk management report*" (i.e. Pillar 3-report) as of the 31 December 2022.

Organisational structure

The following group chart presents the Group's structure as at the date of this Base Prospectus:



Associated companies consolidated in the Group: Mäklarhuset Åland Ab, 35%; Alandia Holding Ab, 28%; Helen AB Tuulipuistohallinnointiyhtiö Oy, 40%; Uusimo GP Oy, 50%; Riitamaa-Nurmesneva GP Oy, 50%; Leilisio GP Oy, 50%.

Ålandsbanken is the parent company of the Group.

Ålandsbanken has two wholly owned subsidiaries. The wholly owned subsidiaries are Ålandsbanken Fondbolag Ab and Crosskey Banking Solutions Ab Ltd.

Ålandsbanken Fondbolag Ab, domiciled in Mariehamn, is a fund management company pursuant to the Finnish Act on Investment Funds (*sijoitusrahastolaki*, *213*/2019) (as amended). Ålandsbanken Fondbolag Ab has an important role in the provision of the asset management services as it provides the services and products on which the Issuer's advisory service is based on.

Crosskey Banking Solutions Ab Ltd, domiciled in Mariehamn, develops, sells and supports banking systems to small and medium-sized banks primarily in the Nordic countries. The subsidiary of Crosskey Banking Solutions Ab Ltd, S-Crosskey Ab, is 60 per cent owned by Crosskey Banking Solutions Ab Ltd and is domiciled in Mariehamn. Crosskey Banking Solutions Ab Ltd provides the Issuer and the group banking systems and has thus an important role in the overall operations of the Issuer.

In Sweden, Ålandsbanken operates through its Swedish branch, Ålandsbanken Abp (Finland), svensk filial.

Ålandsbanken became a co-owner of the new company Alandia Holding Ab on 30 June 2021. The other co-owners are the pension insurance company Veritas Pension Insurance Comapany Ltd, the cruise ferry company Viking Line Abp, Föreningen Konstsamfundet r.f., which is an association that supports the arts in Swedish-speaking Finland, Lundquist Shipping Company Limited and Wiklöf Holding Ab. As at 31 December 2022, Alandia Holding Ab owned 24.9 per cent of the insurance company Alandia Försäkring Abp and Ålandsbanken owned 27.5 per cent of Alandia Holding Ab.

Borgo Transaction

In September 2019 Borgo AB entered into a partnership with ICA Banken Ab, Ikano Bank Ab, Söderberg & Partners and Ålandsbanken 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. The five industrial investors will distribute Borgo's mortgage loans and receive commission from Borgo in return. Each industrial investor will set its own price, apply relevant discounts and following origination, handle first line customer support.

Together with its information technology subsidiary Crosskey Banking Solutions Ab Ltd, Ålandsbanken is supplying platform solutions for the new mortgage company and contributing its existing knowledge on mortgage loan management.

In March 2021 Borgo 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.

On 14 February 2022, Ålandsbanken transferred most of its Swedish mortgage loans and related previously issued covered bonds to Borgo AB (publ). The nominal amount of the mortgage loan portfolio that was transferred was SEK 10.4 billion. The nominal amount of the previously issued covered bonds, which now have Borgo AB as their issuer, was SEK 7.5 billion. An additional mortgage loan portfolio will be transferred in 2023. The transaction in February 2022 had a nonrecurring positive effect in the Ålandsbanken income statement of EUR 9.8 million. At the same time, this will mean a smaller loan portfolio in Ålandsbanken's own balance sheet and thus a lower current net interest income. Ålandsbanken will instead receive distribution fees for brokered loans and platform revenues for maintaining various services to Borgo AB. The transaction also improved the Issuer's common equity Tier 1 (CET1) capital ratio on a pro forma basis by about 2.5 percentage points.

As at the date of this Base Prospectus, Ålandsbanken's ownership stake in Borgo AB is 14.0 per cent.

Authorisation for the Board of Directors to make decisions on acquisitions of the Issuer's own shares

In accordance with the proposal of the Board of Directors the Annual General Meeting has on 30 March 2022 authorised the Board of Directors to approve acquisitions of the Issuer's Series B shares as follows:

The number of Series B shares that may be acquired on the basis of the authorisation may total no more than 1,500,000, which is equivalent to about 10 per cent of all shares in the Issuer and about 17 per cent of all Series B shares in the Issuer. The Issuer's own shares may be acquired on the basis of the authorisation, other than in relation to shareholders' holdings (targeted acquisition) in case there are compelling reasons. The shares may be acquired using unrestricted equity capital at the price established in public trading on Nasdaq Helsinki Oy on the day of the acquisition. The shares may be acquired in one or more rounds.

The Issuer's own shares may be acquired in order to change the Issuer's capital structure, to be used as consideration in acquisitions of companies or sectoral reorganisations or as part of the Issuer's incentive programmes and may otherwise be transferred onward, be kept by the Issuer or be annulled.

The Board of Directors shall decide on all other conditions for the acquisition of the Issuer's own shares. The authorisation would be in force until the end of the next annual general meeting, but no longer than until 30 September 2023.

On 20 May 2022, the Issuer announced that the Board of Directors of Ålandsbanken has decided to begin acquisitions of the Bank's own shares, as authorised by the Annual General Meeting on 30 March 2022.

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 was, on 20 May 2022, equivalent to 4.1 per cent of the total number of Series B shares and 2.4 per cent the total number of shares. The maximum amount that may be used for the buy-back is EUR 10,500,000. The Finnish Financial Supervisory Authority (FIN-FSA) has granted approval for the buy-back of the Issuer's own shares. The acquisition of shares began on 25 May 2022 and the Board of Directors of Ålandsbanken decided to terminate the buyback programme on 13 December 2022. As of termination date, Ålandsbanken had acquired 311,281 shares of Series B shares amounting to EUR 10,300,000.

On 28 November 2022, the Issuer repurchased 250,000 of its own shares in a block transaction. The acquisition was carried out as part of the buy-back programme that is being handled by Skandinaviska Enskilda Banken AB (publ) Helsinki Branch and that began on 25 May 2022. The price per share was EUR 33.56, equivalent to a discount of one (1) per cent compared to the lowest price paid in public trading on the day of the acquisition and one (1) per cent compared to the volume-weighted average price of the Issuer's Series B share price during a period of seven (7) trading days from 17 November 2022 to 25 November 2022 (EUR 0.33 per share). The total acquisition price amounted to EUR 8,390,000. After this buy-back, Ålandsbanken's holding of its own shares amounts to 266,251 shares.

Significant or material change

There has been no significant change in the financial position or financial performance of the Group since 31 December 2022 and there has been no material adverse change in the prospects of the Issuer since 31 December 2022.

Capital adequacy

The size of the Issuer's capital requirement is stipulated in the Finnish Act on Credit Institutions (*laki luottolaitostoiminnasta*, 610/2014) (as amended or as replaced). The capital needs of banks are formulated in the regulations as capital requirements stating how much capital the banks need to maintain in relation to the risks found in their operations. These capital requirements are divided into Pillar 1 requirements, Pillar 2 requirements, combined buffer requirements. In addition to binding capital requirements, there is Pillar 2 guidance. Pillar 1 requirements are the same for all institutions, and Pillar 2 requirements are set individually for each institution by a regulatory authority. The regulator has not established Pillar 2 guidance for the Issuer.

According to the Pillar 1 requirements in Article 92 of the CRR, institutions must have a capital base that always fulfils the following requirements in relation to the risk exposure amount (REA):

- A common equity Tier 1 (CET1) capital ratio of at least 4.5 per cent;
- A Tier 1 capital ratio of at least 6 per cent; and
- A total capital ratio of at least 8 per cent

The Pillar 2 capital requirements are calculated by evaluating other risks that are not covered by Pillar 1 regulations. The Issuer assesses the capital requirements for these risks yearly by means of the internal capital adequacy assessment process. The requirements are then established or adjusted by FIN-FSA through a supervisory review and evaluation process. The FIN-FSA has established additional capital requirements of 1.0 per cent to be effective from the end of the third quarter of 2021. The requirement is valid for a maximum of three years, until 30 September 2024, or until FIN-FSA communicates a diverging requirement for the Issuer. Three fourths of the Pillar 2 requirement must be covered by Tier 1 capital, of which three fourths CET1 capital.

In addition to these requirements, institutions must also maintain capital in the form of combined buffer requirements against economic downturns. These combined buffer requirements are established in the CRD.

Ålandsbanken's capital requirement for credit risks is calculated according to the IRB approach in the Finnish retail lending portfolio. For the corporate exposure class, the Issuer applies the fundamental internal ratings based (F-IRB) approach. In Sweden and other countries, the capital requirement is calculated entirely using the standardised approach. For all other exposure categories, including equity exposures, the Issuer uses the standardised approach to calculate the capital requirement for credit risk. The capital requirement for operational risks is calculated according to the standardised approach.

For further information about the Group's risk and capital management, capital base and capital adequacy calculations, please see the Issuer's Capital and risk management report (i.e. Pillar 3-report) as of 31 December 2022.

Recent events

Share savings programme

As part of Ålandsbanken's share saving plan for employees, the first share issue to the employees comprising of 22,057 Series B shares was implemented in January 2023.

Dividend

The Board of Directors of the Issuer has proposed to the Annual General Meeting that the total dividend of the Issuer for the financial year ended 31 December 2022 amounts to EUR 31.3 million in aggregate or EUR 2.05 per share.

Litigation

Since 2017 the Issuer 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 Issuer must pay about EUR 0.5 million in VAT. The Issuer does not agree with the Tax Agency's assessment and has appealed the Administrative Court's negative ruling of December 2021. A provision for half the amount has been made as a tax expense in the financial accounts.

There are no nor have there been any governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened of which the Issuer is aware in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Material contracts

To the best of Ålandsbanken's knowledge, there are no material contracts entered into outside the ordinary course of Ålandsbanken's business, which could result in any group member being under an obligation or entitlement that is material to Ålandsbanken's ability to meet its obligation to security holders in respect of the securities being issued.

MANAGEMENT

The Board of Directors of Ålandsbanken has overall responsibility for the activities of the Group and decides on the nature of its business and its business strategies and goals.

The Managing Director supervises the business operations of Ålandsbanken in accordance with the Board of Director's instructions and is responsible for the day-to-day administration.

The Executive Team serves as an advisory team to the Managing Director.

The Board of Directors has instituted a nomination committee (the **Nomination Committee**), an audit committee (the **Audit Committee**) and a compensation committee (the **Compensation Committee**).

The Board of Directors

The members of the Board of Directors are annually elected by a simple majority of the shareholders' votes represented at the annual general meeting for a one-year term ending at close of the next annual general meeting.

The Board of Directors consists of six (6) directors which are presented below.

NILS LAMPI, Chairman of the Board of Directors, Bachelor of Economic Sciences, born 1948

Background

Wiklöf Holding, CEO (1992 –); Wiklöf Holding Ab, Managing Director (1990 – 1991); AW Line Ab, Deputy Managing Director (1988 – 1989); Föreningsbanken i Finland, Director (1986 – 1987); Helsingfors Aktiebank, Director (1980 – 1985); Ålands Landskapsstyrelse, Administrative Officer of the Province (1975 – 1979)

Membership in other Board of Directors and other positions of trust:

Aktia Bank Abp, Aktia Abp, member of the Board of Directors (2010 – 2013); Åland Post Ab, Chairman of the Board of Directors (2011 –2020); Nordea, Member of the Delegation (2005 – 2009); Best- Hall Oy, Chairman of the Board of Directors (1997 –); Ab ME Group Oy Ltd, Chairman of the Board of Directors (1990 –); Ab Mathias Eriksson / Ab Mariehamns Parti, Chairman of the Board of Directors (1990 –2019, member of the Board of Directors (2019-)); Skärgårdshavets Helikoptertjänst Ab, Chairman of the Board of Directors (1990 –2019); Hotell Arkipelag Ab, Chairman of the Board of Directors (1989 – 2015); Ålands delegationen, Member (1983 –); Scandinavian Air Ambulance Ab, Member of the Board of Directors (2008 – 2010)

CHRISTOFFER TAXELL, Vice Chairman of the Board of Directors, Master of Laws, Member, born 1948

Background

Partek Oyj Abp, President and Chief Executive Officer (1990 – 2002); Swedish People´s Party of Finland National Party, Leader (1985 – 1990); Minister of Education (1987 – 1990); Minister of Justice (1979 – 1987); Member of the Parliament (1975 – 1991)

Membership in other Board of Directors and other positions of trust:

Partek Oyj Abp, Member of the Board of Directors (1984 – 2002); Åbolands Skärgårdsstiftelse sr, Member of the Board of Directors (2017–); Rettig Group Ab, Member of the Board of Directors (2012 – 2017); Luvata Oy, Member of the Board of Directors (2005 – 2014); Föreningen Konstsamfundet, Chairman of the Board of Directors, (2004 – 2017), Member of the Board of Directors (1996 – 2003); Svenska litteratursällskapet, member of the Financial Affairs (1982 – 2016); Stiftelsen för Åbo Akademi, Chairman for the Delegation (2013–), Chairman of the Foundation´s Board of Directors (2003 – 2012); Member of the Foundation´s Board of Directors (1988 – 2012); Sampo Abp, Member of the Board of Directors (1998 –2013); Finnair Abp, Chairman of the Board of Directors (2003 – 2011); Stockmann Oyj Abp, Chairman of the Board of Directors (2007 – 2014), Member of the Board of Directors (1985 – 2014)

ÅSA CEDER, Master of Economic Sciences, born 1965

Background:

Alandia Försäkring, Managing Director of Försäkringsaktiebolaget Pensions-Alandia (2005 – 2018); Redarnas Ömsesidiga Försäkringsbolag, Försäkringsaktiebolaget Alandia, Chief Mathematician (2005 – 2019), Mathematician

(2002 – 2005); Insurance Supervisory Authority, Mathematician and Chief Supervisor (2000 – 2002); Hanken School of Economics in Helsinki, Chief Assistant in Finance and Investments, Assistant in Statistics (1994 – 2000)

Membership in other Board of Directors and other positions of trust:

Ålands Penningautomatförening (PAF), Chairman of the Board of Directors (2016 – 2018); Arbetspensionsförsäkrarna TELA rf, Member of the Board of Directors (2015 –); Ab Plasto Oy Ltd Member of the Board of Directors (2006 –2019), SHB Liv Försäkringsaktiebolag, Member of the Board of Directors (2020-2021)

ANDERS Å KARLSSON, Bachelor of Commerce, born 1959

Background:

Chips Abp, CFO and Deputy Managing Director (1987 – 2009); Plasto Ab, Financial Manager (1983 – 1987)

Membership in other Board of Directors and other positions of trust:

Alandia Försäkring Abp, Member of the Board of Directors (2021 -); Ålands Skogsindustrier Ab, Member of the Board of Directors (2015 –); Ålands Skogsägare Andelselag, Member of the Board of Directors (2010–2017); Ålands Ömsesidiga Försäkringsbolag, Member of the Board of Directors (2011 – 2017); Ålands Penningautomatförening (PAF), Member of the Board of Directors (2010 – 2018); Ålands Bygg Ab Member of the Board of Directors (2010 –2021); Ålands Bygg Fastighets Ab, Member of the Board of Directors (2010–2021); Fastighets Ab Norragatan 17, Member of the Board of Directors (2010–); Ålands Centralandelslag, Member of the Board of Directors (2010 – 2016); Ålands Skogsägarförbund Andelslag, Member of the Board of Directors (2010 – 2017); Ab Skogen, Member of the Board of Directors (2010 – 2016); Chips Abp, Member of the Board of Directors (2005 – 2009); Ålands Tidnings-Tryckeri Ab, Member of the Board of Directors (1990 – 2003); Authorised Accountant in different companies (1987 – 2003)

MIREL LEINO-HALTIA, PhD (Econ.), CFA, born 1971

Background:

PwC Finland (2000-2009); Partner PwC Finland (2009-2018); Professor of Practice, Aalto University (2019-)

Membership in other Board of Directors and other positions of trust:

Sitowise Plc, Member of the Board of Directors (2021 -) Chair of the Audit Committee (2022 -); Teleste Plc. Member of the Board of Directors and Chair of the Audit Committee (2020 -); LocalTapiola Mutual Life Insurance member of the Board of Directors (2019 -); Euroclear Finland Ltd. Member of the Board of Directors and Chair of the Audit Committee (2018 -); Nixu Certification Ltd. Member of the Board of Directors (2022 -); Indufor Ltd. Chair of the Board of Directors (2019 -); Finnish Association of Authorized Public Accountants Member of the Board of Directors (2021 -)

ULRIKA VALASSI, Bachelor of Business Administration, born 1967

Background:

DBT, Credit (2017–); Au Management AB, Founder (2013–); Landshypotek AB, Credit (2011 – 2013); SEB, Group´s Risk Control, Chief of NPA office (2008-2011), Project Leader (2007 – 2008); SEB Stockholm, Group´s Credit Function, Line Credit manager, Financials (2004 – 2006), Credit Manager, Nordöst, Midcorp (2002 – 2003); SEB New York, Credit Administration, Vice President, Head of Credit Administration (2000 –2002)

Membership in other Board of Directors and other positions of trust:

Dreams Securities AB (2019 -); Hemfosa Fastigheter AB, Member of the Board of Directors (2015 – 2019); Hypoteket Bolån Sverige AB (2019 –); Intrum Justitia AB, Member of the Board of Directors (2016 – 2017); Qliro AB (2015 - 2016)

ANDERS WIKLÖF, *Kommerseråd* Business owner, born 1946

Membership in other Board of Directors and other positions of trust:

Ålandsbanken Abp, Member of the Board of Directors (2006 –); Chairman of the Board of Governors (2001 – 2003); Member of the Board of Governors (1983 – 2003); Ålands Ömsesidiga Försäkringsbolag; Vice Chairman of the Board

of Governors (2003 – 2011); Chairman of the Board of Governors (1998 – 2002); Member of the Chairman of the Board of Governors (1991 – 2011); Wiklöf Holding Ab; Chairman of the Board of Directors (1987 –); Stiftelsen Ålandsfonden för Östersjöns framtid, Member of the Delegation

Nomination Committee

The Nomination Committee is responsible for the preparation of the election of the board members at the annual general meeting and for giving proposals regarding the compensation of the Board of Directors. The Nomination Committee has four members, consisting of the Chairman of the Board of Directors and one representative of each of the three shareholders with the largest number of voting shares as of 1 November each year. The Nomination Committee consists of the Chairman of the Board Nils Lampi, member of the Board Anders Wiklöf by virtue of his direct and indirect shareholding, Stefan Björkman a representative of Alandia Försäkring and Georg Ehrnrooth as a representative of Fennogens Investments S.A. Anders Wiklöf is the Chairman of the Nomination Committee.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its duties in overseeing the internal control and risk management systems, reporting, the audit process and observance of laws and regulations. In addition, before the annual general meeting the Audit Committee prepares proposals for the election of auditors and their fees. The Audit Committee consists of the board members Ulrika Valassi, Mirel Leino-Haltia, Anders Å Karlsson and Nils Lampi. Ulrika Valassi is the Chairman of the Audit Committee.

Compensation Committee

The Compensation Committee is responsible for the preparation of material compensation-related decisions and the evaluation of compensation policies and principles for variable compensation. The Compensation Committee decides on measures for monitoring the application of the principles for the compensation system and assesses their suitability and effect on the Group's risks and risk management. The Compensation Committee consist of the board members Nils Lampi and Christoffer Taxell as well as of Agneta Karlsson. Agneta Karlsson is the Chairman of the Compensation Committee.

The Managing Director and the Executive Team

The Board of Directors has adopted rules of procedures for the Group with internal guidelines regarding, among other matters, the work of the Managing Director and the Executive Team.

The Managing Director supervises the business operations of Ålandsbanken in accordance with the instructions of the Board of Directors and is responsible for the day-to-day administration of Ålandsbanken.

The Executive Team serves as an advisory team to the Managing Director and has decision making powers in any matters that the Board of Directors has delegated to it.

The Executive Team consists of seven (7) persons who are presented below.

PETER WIKLÖF Master of Laws Managing Director	Born 1966 Member of the Executive Team since 2008 Chairman
JAN-GUNNAR EURELL Master of Business Administration, Bachelor of Science (Economics) Chief Financial Officer Deputy Managing Director	Born 1959 Member of the Executive Team since 2011
MIKAEL MÖRN Diploma in business Director, Åland Business Area	Born 1965 Member of the Executive Team since 2017
TOVE ERIKSLUND Master of Business Administration Chief Administrative Officer	Born 1967 Member of the Executive Team since 2006
ANNE-MARIA SALONIUS Master of Laws (trained on the bench) Director, Finnish Mainland Business Area	Born 1964 Member of the Executive Team since 2010
MAGNUS JOHANSSON Master of Science in Business and Economics Director, Sweden Business Area	Born 1972 Member of the Executive Team since 2017
JUHANA RAUTHOVI Licentiate of Laws Master of Science (Economics) Master of Science (Technology) Master in International Management Chief Risk and Compliance Officer	Born 1975 Member of the Executive Team since 2012
SOFIE HOLMSTRÖM Master of Science in Engineering B.Sc. in Business Administration	Born 1985 Member of the Executive Team since 2021

General information on the management of Ålandsbanken

The Board of Directors has adopted and applies the Finnish Corporate Governance Code (the **Code**). The Code is applied according to the "comply or explain" principle, which means that departures from its recommendations must be disclosed and explained. Ålandsbanken departs from Recommendation 15, "Appointment of members to the committees", since the Nomination Committee may include members who are not members of the Board of Directors of Ålandsbanken and the Compensation Committee include a member who is not a member of the Board of Directors.

The business address of each member of the Board of Directors and the Executive Team is Ålandsbanken Abp, Post Box 3, AX-22101 Mariehamn, Finland.

Independence of directors

According to the Board of Directors' evaluation, all Board members are independent in relation to Ålandsbanken. The Board members Christoffer Taxell, Mirel Leino-Haltia, Ulrika Valassi and Åsa Ceder are independent in relation to significant shareholders. Nils Lampi represents Wiklöf Holding Ab which has significant holding in Ålandsbanken shares or total voting power and therefore Mr. Lampi is not independent in relation to significant shareholders. Anders Wiklöf personally and through his companies owns more than 20 per cent of Ålandsbanken's shares or total voting power and therefore is not independent in relation to significant shareholders. Anders Å Karlsson is member of the Board of Directors in Alandia Försäkring which is the second largest shareholder in Ålandsbanken and therefore is not independent in relation to significant shareholders of Ålandsbanken.

Conflicts of interests

There are no conflicts of interest between any duties of the members of the Board of Directors, Nomination Committee, Audit Committee, Compensation Committee or the Executive Team to Ålandsbanken and their private interests or duties.

REGULATORY ENVIRONMENT

The following is a summarized presentation of certain aspects of the banking regulatory environment in which the Issuer operates:

Capital requirements and standards

In December 2017, the finalised Basel III framework (the **Basel IV package**), was published by the Basel committee. The Basel IV package will according to the current expected timeline be implemented in 2025 at the earliest and includes revisions to capital requirements calculation of credit risk, operational risk and credit valuation adjustment (CVA) risk. The Basel IV package sets a minimum leverage ratio buffer for large and systemically important institutions and introduces a new output floor for banks using internal models. In addition, revisions to market risk (so called Fundamental Review of the Trading Book) was initially agreed in 2016 (a revision was published on 14 January 2019) and will be implemented together with the Basel IV package in 2025. On credit risk, the package includes revisions to both the IRB approach, where restrictions to the use of IRB for certain exposures are implemented, as well as to the standardised approach.

The output floor sets a minimum level for the risk weighted assets calculated according to the internal models. Output floor requires that the amount of risk weighted assets should be at least 72.5 per cent of the total Pillar 1 risk exposure amount calculated with the standardised approaches for credit-, market- and operational risk. Output floor is expected to be fully phased in over a period from 2025 to 2030. The output floor generally leads to higher capital requirements for banks using IRB approaches, especially for Nordic banks. Both the current updates to the CRR and the CRD as well as the Basel IV package could affect the Groups capital relations negatively. As of 1 January 2018, the international accounting regulation IAS 39, "Financial instruments: Recognition and Measurement" was replaced by IFRS 9, "Financial Instruments". Under IFRS 9, banks are required, *inter alia*, to apply a forward-looking approach to impairments by estimating expected credit losses based on each bank's view of the market. Banks may employ statistical methods to calculate loan loss provisions in respect of essentially all credit risk-bearing assets, thus also including loans that have not yet defaulted. This approach will lead to an increase in provision amounts, which may affect the banks' capital adequacy ratios. For banks that apply IRB and have a substantial surplus of regulatory expected losses to loan loss provisions, the effect on the capital base is limited, since the surplus has already been subtracted from the capital base today. In practice, Ålandsbanken has included only exposures that are handled according to the standardised approach, since the exposures calculated using the IRB approach have a substantial surplus of regulatory expected loss. Accordingly, the initial application of the expected credit loss impairment model increased the loan loss reserve by EUR 2.4 million as of 1 January 2018. The EU has provided an optional 5-year phase-in of the effect of IFRS 9 on the capital base, with a gradually declining recovery to the capital base beginning from 2018. To mitigate the potential impact of the Covid-19 pandemic on banks' lending capacity and capital ratios due to an increase in expected credit loss provisions, the EU decided to extend the transitional arrangements by two years to 2024 and to allow banks to fully add back any increases in ECL provisions for non-credit-impaired assets to their Common Equity Tier 1 capital during 2020 and 2021.The FIN-FSA has established buffer requirements related to Pillar 2 capital adequacy regulations totalling 1 per cent of the Group's risk exposure amount starting in the third quarter of 2021. The requirement is valid for a maximum of three years. The requirement must be covered by 0.56 percentage points of common equity Tier 1 Capital. Any updates to the Pillar 2 capital requirement by the FIN-FSA could affect the Group´s capital position negatively.

The FIN-FSA deactivated the systemic risk buffer requirement set for Finnish banks in spring 2020 to mitigate the effects of the Covid-19 pandemic. The FIN-FSA has announced that it is preparing to make a decision on a systemic risk buffer in early 2023 of no more than 1 per cent. These and other changes to capital adequacy and liquidity requirements imposed on the Issuer may require the Issuer to raise additional Tier 1, common equity Tier 1 and Tier 2 capital by way of further issuances of securities and could result in existing Tier 1 and Tier 2 securities ceasing to count towards the Issuer's regulatory capital, either at the same level as at present or at all.

Resolution Laws

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD was implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (*laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta*, 1194/2014) (as amended) (the **Resolution Act**) and the Act on Financial Stability Authority (*laki rahoitusvakausviranomaisesta*, 1195/2014) (as amended), together the **Finnish Resolution Laws**.

The Resolution Act contains resolution tools and powers which may be used alone or in combination where the Resolution Authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. One of these tools is bail-in - which gives the Resolution Authority the power to write down certain claims of unsecured creditors of a failing institution (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims to equity or other instruments of ownership (the **general bail-in tool**), which equity and other instruments could also be subject to any future cancellation, transfer or dilution. Relevant claims for the purposes of the bail-in tool would include the claims of the Noteholders in respect of any Notes issued under the Programme, although in the case of the CBA Covered Bonds and MCBA Covered Bonds, this would only be the case if and to the extent that the amounts payable in respect of the CBA Covered Bonds and MCBA Covered Bonds exceeded the value of the cover asset pool collateral against which payment of those amounts is secured.

The general bail-in tool power can be used to ensure that Tier 1 and Tier 2 Instruments fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken. The BRRD specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in power contains a specific safeguard with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity, however such safeguard may not be applicable to the statutory write-down and conversion power available to resolution authorities in connection with Tier 1 and Tier 2 Instruments.

The powers set out in the Finnish Resolution Laws will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The Notes could be subject to general bail-in tool and the AT1 and Tier 2 Notes could be subject to the statutory write-down power. The determination that all or a part of the principal amount of the Notes will be subject to the general bail-in tool, or in the case of AT1 and Tier 2 Notes, statutory write-down, is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. The application of the general bail-in tool with respect to the Notes, or in the case of AT1 and Tier 2, exercise of the statutory write-down power, may result in the cancellation of all or a portion of the principal amount of, or interest on, the Notes. Accordingly, potential investors in the Notes should consider the risk that the general bail-in tool and/or the statutory write-down power (as the case may be) may be applied in such a manner as to result in Noteholders losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes, which may be worth significantly less than the Notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the Resolution Authority may exercise its authority to apply the general bail-in tool and/or the statutory write-down power (as the case may be) without providing any advance notice to the Noteholders. Noteholders may also have limited or no rights to challenge any decision of the Resolution Authority to exercise the general bail-in tool and/or the statutory write-down power (as the case may be) or to have that decision reviewed by a judicial or administrative process or otherwise.

Application of the general bail-in tool could also involve modifications to or the disapplication of provisions in the conditions of the Notes, including alteration of the nominal amount or any interest payable on the Notes, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. As a result, the exercise of any power under the Finnish Resolution Laws or any suggestion of such exercise could materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

The BRRD and the Resolution Act introduced a requirement for credit institutions and investment firms to meet the minimum requirement for own funds and eligible liabilities (**MREL**) for the purposes of ensuring sufficient loss absorbing capacity to enable the continuity of critical functions without recourse to public funds. The Resolution Authority has given the Group a formal MREL requirement, which has been effective as of 1 January 2022.

FINNISH COVERED BOND ACT

The following is a brief summary of certain features of the CBA, through which the Covered Bond Directive (EU) 2019/2162 is implemented. The CBA repealed the Finnish Act on Mortgage Credit Bank Activity on 8 July 2022. In addition, the summary does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for covered bonds under the CBA. Please also refer to the "Risk Factors". The terms defined in this section apply in the context of this section only.

Background

In November 2019, the European Parliament and the Council adopted Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 (the **Covered Bond Directive**) and the Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019. The Covered Bond Directive and the aforementioned regulation came into effect on 7 January 2020. The Covered Bond Directive aims to provide for a common definition of Covered Bonds in the EU, defining the structural features of the instrument and identifying those high quality assets that can be considered eligible in the pool backing the debt obligations. The Covered Bond Directive also aims to establish a sound special public supervision for Covered Bonds and sets out the rules allowing the use of the 'European Covered Bonds' label.

In Finland, the CBA started to apply on 8 July 2022, repealing the MCBA.

Similarly to the MCBA, the CBA enables the issue of covered bonds (in Finnish: *katetut joukkolainat*) which are debt instruments secured by the cover asset pool. The CBA regulates which assets can be used as collateral for the covered bonds and the quality of such assets. They are issued by credit institutions (such as the Issuer) which are authorised to engage in mortgage banking activity (in Finnish: *kiinnitysluottopankkitoiminta*) (each an **issuer**).

Supervision

The FIN-FSA is responsible for supervising each issuer's compliance with the CBA and may issue regulations for risk management and internal control in respect of mortgage credit business operations. If an issuer does not comply with the provisions of the CBA or the conditions of the license granted by the FIN-FSA, the FIN-FSA shall lay down a period in which the issuer must fulfil any requirements set by the FIN-FSA. If such requirements are not fulfilled within the set period, the FIN-FSA may cancel the issuer's authorisation to engage in mortgage credit business.

Authorisation under the CBA

The issuing of covered bonds under the CBA requires that the issuer has a separate license for mortgage banking activity which is applied from the FIN-FSA. Issuers authorised under the MCBA were required to apply for the license under the CBA by 31 March 2022. Mortgage credit business is a line of banking business which involves the issuing of covered bonds collateralised by loans secured by residential property, shares in Finnish housing companies (apartments), commercial real estate or shares in real estate companies as well as the claims against public-sector bodies. A credit institution must fulfil certain requirements prescribed in the CBA in order to be able to obtain authorisation from the FIN-FSA to engage in mortgage credit business. The FIN-FSA shall grant the authorisation, if, based on the evidence obtained from the credit institution, it can be assured of, among other things, that the business plan presented by the issuer is sufficiently comprehensive, that the credit institution has in place suitable procedures and instruments for managing the risk entailed in holding the assets in the CBA Cover Asset Pool, that mortgage banking activity is being conducted in accordance with the CBA and the regulations given by virtue of it, and that the activity of the credit institution is stable and that its economic position and operational capability are sufficient to secure the repayment of covered bonds. Moreover, the FIN-FSA shall be assured that the register of covered bonds of the issuer fulfils the statutory requirements, and the issuer must have principles and policies for valuation of collateral and the expertise and professional skill required by mortgage banking activity. Additionally, the FIN-FSA may grant the authorisation only if it is not aware of anything, pursuant to which the liquidity, solvency, or the economic position otherwise or the risk management of the issuer would be jeopardised. In addition to credit institutions authorised separately to engage in mortgage credit business, also mortgage credit banks whose activities are exclusively restricted to carrying out mortgage credit business are entitled to issue covered bonds after receiving the authorisations referred to in Section 4 and Section 8 of the CBA.

Register for Covered Bonds

The CBA requires the issuer to maintain a register (the **Register for Covered Bonds**) for the covered bonds and the collateral which forms the assets in the CBA Cover Asset Pool for the CBA Covered Bonds. The actual entry of the covered bonds and relevant derivative contracts in the Register for Covered Bonds is necessary to confer the preferential

right in the CBA Cover Asset Pool. Further, only assets entered into the Register for Covered Bonds form part of the CBA Cover Asset Pool.

The Register for Covered Bonds must list, amongst other things, the covered bonds issued by the issuer and the assets in the CBA Cover Asset Pool and Derivative Transactions relating thereto along with any Bankruptcy Liquidity Loans entered into on behalf of the issuer. Furthermore, as the issuer is, pursuant to Section 29 of the CBA, entitled to use different cover asset pools for different covered bonds, the Register for Covered Bonds must also specify which cover asset pools constitute collateral for which covered bonds. In other words, the collateral shall be entered in the Register for Covered Bonds as collateral for specified covered bonds. Only the issuer is entitled to provide security to a covered bond. Moreover, after the commencement of a bankruptcy or a liquidation of the issuer, the funds accrued on the collateral shall be separated from other assets of the credit institution having given the collateral in question, and they shall be entered into the Register for Covered Bonds.

The FIN-FSA monitors the management of the Register for Covered Bonds, including the due and proper recording of assets. The information in the Register for Covered Bonds must be submitted to the FIN-FSA regularly.

Eligible cover pool assets

The covered bonds shall be covered at all times by a specific pool of qualifying assets, the Cover Asset Pool. Eligible assets which are permitted as collateral for covered bonds consist of Mortgage Loans, Public-Sector Loans and Substitute Collateral, each as defined in the CBA as follows:

Mortgage Loans are Housing Loans or Commercial Real Estate Loans.

Housing Loans are, provided that the requirements set out in Article 129 of the CRR are met, loans secured by (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*maakaari* 540/1995) (as amended); or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (*asunto-osakeyhtiölaki* 1599/2009) (as amended) or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.

Commercial Real Estate Loans are, provided that the requirements set out in Article 129 of the CRR are met, loans secured by (i) mortgageable real estate for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code; or (ii) shares of a housing company or a real estate company referred to in Chapter 28, Section 2 of the Finnish Act on Housing Companies entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.

Public-Sector Loans are loans (i) which have been granted to a state, municipality, central bank or other public-sector entity provided that such fulfils the requirements prescribed in Article 129, Paragraph 1, Subparagraph (a) or (b) of CRR or (ii) fully collateralised by a guarantee as for its own debt by a public-sector entity referred to in point (i).

Substitute Collateral may only be used for fulfilling the liquidity requirement and as collateral for covered bonds on a temporary basis and in the circumstances set out in the CBA (see "Substitute Collateral" below).

At most 10 per cent of the total nominal amount of collateral in a cover asset pool may consist of Commercial Real Estate Loans (unless otherwise agreed in the terms and conditions of the notes) and at most 20 per cent of the total nominal amount of collateral in a cover asset pool may consist of Substitute Collateral. However, assets which are used to cover the liquidity buffer requirement (see "*Requirements relating to liquidity*" below) shall not fall within the scope of the 20 per cent. restriction concerning Substitute Collateral. Substitute Collateral may only be used as collateral for covered bonds on a temporary basis and in the circumstances set out in the CBA (see "*Substitute Collateral*" below). The FIN-FSA may grant an exemption from the requirement in respect of Substitute Collateral.

Derivative Transactions concluded for hedging against risks related to covered bonds must be registered in the Register for Covered Bonds and therefore constitute part of the assets in the cover asset pool.

Quality of the cover pool assets

Mortgage lending limit and valuation

It is not possible to directly record collateral for an individual covered bond. Pursuant to the CBA, collateral shall be included in a cover asset pool and each covered bond can simultaneously only belong to one (1) cover asset pool. However, an issuer is entitled to cover several covered bonds with one cover asset pool. The Issuer has two (2) cover

asset pools in place, one (1) for the MCBA Covered Bonds and one (1) for the CBA Covered Bonds (see "*Overview of the Issuer's Cover Asset Pools*").

A Mortgage Loan entered into the cover asset pool as collateral for a covered bond may not exceed the current value of the shares, housing property or commercial real estate standing as collateral at the time of recording the asset into the cover asset pool. The **current value** shall be calculated using good property evaluation practice applicable to credit institutions in accordance with provisions on the management of capital adequacy and credit risk of credit institutions issued by the FIN-FSA. Pursuant to Section 16 of the CBA, an issuer shall ensure that the collateral of mortgage loans included in a cover asset pool is properly insured against damage risks. An insurance indemnity, which is in favour of the holder of the collateral and which relates to a loan claim collateralising a covered bond, shall be valid also for the benefit of the holders of a covered bond. The issuer is not obliged to remove a Mortgage Loan from the cover asset pool of a specific covered bond due to the collateral's future performance under the CBA. Pursuant to the preparatory works of the CBA, if the issuer technically executes the evaluation of the whole cover asset pool on a regular basis, the decisive point of time is considered to be the moment when the collateral was first technically recorded in the cover asset pool.

Requirements for matching cover

The CBA seeks to protect covered holders by requiring that there are at all times matching assets in the cover asset pool. This is achieved by Section 24 of the CBA which provides that (a) the total value of cover asset pool must always exceed the liabilities under the covered bonds and (b) the value of the cover asset pool must always be at least 2 per cent above the value of the liabilities under the covered bonds. Moreover, if the requirements prescribed in Article 129, Paragraph 3 a, Subparagraph 3 of CRR are not fulfilled, the value of the cover asset pool must be at least 5 per cent above the value of the liabilities. The value shall also cover the estimated costs in relation winding-down of the covered bonds. In calculating the total value of the cover asset pool, the following limitations apply:

1) the unpaid capital amount of any Housing Loan not exceeding 80 per cent of the current value of the shares or housing property placed as collateral for any Housing Loan;
2) an amount not exceeding 60 per cent of the current value of real estate for commercial or office purposes placed as collateral for any Commercial Real Estate Loan; and
3) the principal of the other receivables.

The value of the cover asset pool must be determined using a present value-based calculation method. For the calculation of the present value, payments of loan claims included in the cover asset pool must be taken into account in such proportion in which the principals of those loan claims are calculated in the total value of the cover asset pool. However, if the present value-based calculation produces a higher total value of the cover asset pool for the obligations arising from covered bonds compared to the nominal value-based calculation, the value of the cover asset pool must be determined on a nominal value basis.

In nominal value-based calculation, collateral included in a cover asset pool and obligations arising from covered bonds must be determined taking into account the impact of foreign exchange derivative contracts, whereas in present value-based calculation, derivative contracts must be determined on the basis of the present value at the time of assessment. Both the total value of a cover pool and obligations arising from covered bonds shall be determined using the same method.

Requirements relating to liquidity

Pursuant to Section 31 of the CBA, an issuer shall ensure that a cover asset pool continuously contains funds meeting the conditions laid down for substitute collateral in an amount which covers the maximum net outflow relating to covered bonds over the coming 180 days' period. If a covered bond contains a term according to which the maturity of the covered bond may be extended, the issuer may use the extended maturity date for the purpose of determining the net outflow.

Determination of requirements under Sections 23 and 31 of the CBA

To determine the **value** of the cover asset pool in order to provide the matching cover required by Sections 23 and 31 of the CBA, the issuer shall only take into account:

(1) the unpaid capital amount of any Housing Loan not exceeding 80 per cent of the current value of the shares or housing property placed as collateral for any Housing Loan;
(2) an amount not exceeding 60 per cent of the current value of real estate for commercial or office purposes placed as collateral for any Commercial Real Estate Loan; and
(3) the principal of the Substitute Collateral.

Derivative Transactions concluded in order to hedge the covered bonds and any assets provided as collateral for the covered bonds shall be taken into account in determining the value of the cover asset pool in accordance with Section 24 of the CBA.

Substitute Collateral

Up to 20 per cent. of the aggregate amount of the total nominal value of the cover asset pool may temporarily consist of substitute collateral. Substitute collateral may be used only temporarily in situations where mortgage loans or public-sector loans have not yet been granted or registered as collateral for the covered bonds or where the total value of the cover asset pool would not otherwise fulfil the provisions set out in Chapter 4 of the CBA.

For a particular reason, the FIN-FSA may permit derogating from the 20 per cent. restriction concerning substitute collateral for a set period. According to the preparatory works, such particular reason may be, for example, a disruption in the financial market, a fault in an IT system relating to the formation and supervision of a cover asset pool, or the liquidation of collateral of a covered bond in the event of a bankruptcy or liquidation of an issuer in assets qualifying as Substitute Collateral for the purpose of awaiting for the covered bond to fall due for payment.

Reporting

Chapter 8 of the CBA contains provisions on periodic disclosure obligations regarding covered bonds. In addition to what is prescribed elsewhere in law on the disclosure requirements of an issuer of a security, an issuer must display on its webpage the following information for at least for the current calendar year and for the five preceding calendar years:

(i) the total value of collateral and covered bonds issued;

(ii) international securities identification numbers (ISINs) of covered bonds;

(iii) the distribution of collateral by type, however in case of housing loans in a way that the information is presented as being separated into loans granted to natural persons, loans granted to housing companies, and other housing association loans;

(iv) the geographical distribution of the collateral of loan claims, account on valuation methods, and information on loan amounts of the loan claims;

(v) a description of the market risks associated with covered bonds, including interest rate risk and exchange rate risk, as well as of credit risks and liquidity risks;

(vi) information relating to the maturity of covered bonds, including any conditions for extending the maturity of a covered bond and the legal effects and other possible effects associated with the extension of the maturity date;

(vii) available collateral and the minimum level of collateral, including the minimum level of overcollateral set out in legislation, the overcollateral set out in the terms of a covered bond or a covered bond programme and the total value of a cover asset pool exceeding these; and

(viii) the proportion of those loan claims in the cover asset pool which either meet the requirements set out in Article 178 of the CRR or whose overdue principal or interest has otherwise been unpaid for at least 90 days.

In addition, an issuer must report to the FIN-FSA on a quarterly basis, and separately at the request of the FIN-FSA, information on issued covered bonds, the cover asset pool in order to assess that the cover asset pool complies with the conditions laid down in the CBA, the assessment of collateral for loan claims included in the cover asset pool, the covered bond register in order to assess that the collateral of the covered bond and items comparable to collateral are entered in the register in the manner laid down in the CBA, the collateral requirements and the calculation of the total amount of collateral, the fulfilment of the liquidity buffer requirement, and the contractual terms concerning the extension of maturity.

Extension of maturity (*soft bullet*)

Pursuant to Section 32 of the CBA, the terms and conditions of a covered bond may include a provision that enables the issuer to extend the maturity of a covered bond subject to certain conditions, including the approval of the FIN-FSA. In addition, the conditions for extension of maturity include, among others, that the issuer is unable to obtain long-term financing from ordinary sources, the issuer is unable to meet the liquidity requirement set out in the CBA if it makes

payments towards the principal and interest of the maturing covered bond and that the extension of maturity does not affect the sequence in which the issuer's covered bonds from the same cover asset pool are maturing. If the FIN-FSA determines that the conditions for extension have been fulfilled and it gives its approval to the extension, its resolution shall confirm the extended final maturity date of such covered bonds applied for by the issuer, which shall be a date on or before the final extended maturity date specified in the terms and conditions.

Transitory provisions

Pursuant to Section 51 of the CBA, any covered bonds issued in accordance with the MCBA will be governed by the provisions effect on the issue date of such covered bonds save for certain exceptions set out in Sections 9 and 36 of the CBA. However, an issuer may choose to apply the provisions of the CBA also in respect of such covered bonds if:

1) the terms and conditions of the covered bonds provide that the instruments are governed by the laws applicable from time to time to covered bonds;
2) the terms and conditions of the covered bonds allow a change in the applicable law; or
3) the issuer and the holders of the covered bonds specifically agree that the CBA applies to such covered bonds.

In case an issuer commences to apply the CBA to any covered bonds issued in accordance with the MCBA, it must give one-month prior notice to the FIN-FSA and make an announcement thereto including the date on which the issuer commences application of the CBA to such covered bonds.

Pursuant to Section 51, Subsection 3 of the CBA, the principal of any covered bonds issued during the MCBA can be increased through a further issue (tap issue) when the following requirements are met:

1) the tap issue is carried out during the first two (2) years after the CBA has come into force;
2) the covered bonds have been granted an ISIN code before 8 July 2022;
3) the covered bonds mature before 8 July 2027;
4) the tap issues carried out after the CBA has come into force do not exceed by twofold the principal of the covered bonds when the CBA started to apply;
5) the principal of the covered bonds calculated in respect of maturity does not exceed 6 billion; and
6) the real property being collateral for the credit receivables of the covered bonds is located in Finland.

Derivatives

The issuer may enter into Derivative Transactions to hedge against the risks relating to covered bonds or their underlying collateral. Details of any such derivatives must be entered in the Register for Covered Bonds.

Set-off

A creditor of the issuer may not, in the event of bankruptcy or liquidation of the issuer, set-off its claim against an asset included in the Cover Asset Pool.

Label

An issuer may use the label "Europeisk säkerställd obligation (premium)", "Eurooppalainen katettu joukkolaina (premium)" or "European Covered Bond (Premium)" and its language versions translated into the official languages of the European Union only for covered bonds which are issued in accordance with the CBA.

Prohibition on transfers, pledges, execution and precautionary measures

The issuer may not, without the permission of the FIN-FSA, assign or pledge Mortgage Loans or Public-Sector Loans which are included in the cover asset pool. An assignment or pledge violating such prohibition shall be void.

Any collateral securing covered bonds and recorded in the Register of Covered Bonds entered in the Register for Covered Bonds as collateral for a covered bond may not be taken in execution for a debt of an issuer, a deposit bank or a credit institution nor may precautionary measures be directed at it.

Preferential right in the event of liquidation or bankruptcy

Under Finnish law, *"selvitystila"* (or **liquidation** in English) means either a voluntary winding up of a company or a winding up pursuant to specific provisions of Finnish law and *"konkurssi"* (or **bankruptcy** in English) means the mandatory winding up of a company in the event of its insolvency.

Under Sections 20 and 39 of the CBA, notwithstanding the liquidation or bankruptcy of the issuer, a covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover asset pool of the covered bond before other claims. The same applies to Derivatives Transactions. In other words, covered bonds and liabilities under Derivative Transactions will not be deemed to have become due in the liquidation or

bankruptcy of the issuer. The funds accruing from collateral for covered bonds after the commencement of liquidation or bankruptcy proceedings against the issuer shall be entered in the Register for Covered Bonds as collateral for such covered bonds. In bankruptcy proceedings the bankruptcy administrator must ensure due maintenance of the Register for Covered Bonds. Under Section 43 of the CBA, the bankruptcy administrator in bankruptcy or the liquidator in liquidation have the right, upon demand or approval of the supervisor (defined below), to seek for permission to extend the maturity of the covered bond if the terms and conditions provide the possibility for extension of maturity in accordance with Section 32 explained above.

Collateral entered in the Register for Covered Bonds in accordance with the CBA may not be recovered pursuant to the Finnish Act on Recovery of Assets to a Bankruptcy Estate (in Finnish: *laki takaisinsaannista konkurssipesään*, 758/1991) (as amended) (the **Act on Recovery of Assets to a Bankruptcy Estate**).

Pursuant to Section 20 of the CBA, holders of covered bonds have a preferential right in insolvency to the entire amount of the Mortgage Loans.

What is set out above in respect of Section 20 of the CBA applies *mutatis mutandis* to the counterparties of the Derivative Transactions entered in the cover asset pool. The counterparties of the Derivative Transactions have an equal right with the holders of the covered bonds to payment from the funds, entered in the Register for Covered Bonds as collateral for the covered bonds, and from the payments relating to them, and accordingly, such Derivative Transactions rank *pari passu* with the covered bonds with respect to such assets in the cover asset pool. Pursuant to Section 44 of the CBA, the providers of loans securing liquidity for the issuer in liquidation or bankruptcy (each such loan being a **Bankruptcy Liquidity Loan**), have a right to receive payment after the creditors specified in Section 20 of the CBA and thus, enjoy a secondary priority position in relation to holders of the covered bonds and counterparties to the Derivative Transactions.

The bankruptcy administrator may, upon the demand or with the consent of the supervisor appointed by the FIN-FSA (see " – *Management of Cover Pool Assets during the liquidation or bankruptcy of the issuer*"), transfer collateral entered in the cover asset pool of the relevant covered bonds to the issuer's general bankruptcy estate, if the value and the net present value of the cover asset pool, as provided for in Section 45 of the CBA, considerably exceed the total amount of the covered bonds and it is apparent that the collateral to be transferred shall not be necessary to fulfil the obligations in respect of the covered bonds, Derivative Transactions and Bankruptcy Liquidity Loans and creditors of the management and settlement costs.

Management of Cover Pool Assets during the liquidation or bankruptcy of the issuer

When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 40 of the CBA and Section 29 of the Finnish Act on the Financial Supervisory Authority (*laki finanssivalvonnasta*, 878/2008) (as amended) (the **Act on the Financial Supervisory Authority**) to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard (a **supervisor**). The supervisor shall, in particular, supervise the management of the collateral for the covered bonds and their conversion into cash as well as the contractual payments to be made to the holders of the covered bonds. The person to be appointed as a supervisor shall have sufficient knowledge of financing and legal issues with regard to the nature and scope of the duties. The remuneration of the supervisor shall be decided by the FIN-FSA, and the issuer is responsible for the payment of the remuneration. The payment of the remuneration is secured by the cover asset pool. Should the FIN-FSA pay the remuneration on behalf of the issuer, the right to claim payment of the remuneration would be transferred to the FIN-FSA and the corresponding priority in respect of the cover asset pool would be preserved. The FIN-FSA shall always take steps to appoint an administrator, when the issuer has entered into liquidation or bankruptcy proceedings.

In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover asset pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders. Under Section 44 of the CBA, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, conclude Derivative Transactions necessary for hedging against risks relating to covered bonds and the relevant collateral as well as, where necessary, sell a sufficient amount of collateral for the covered bond in order to fulfil the obligations relating to the covered bond. In addition, pursuant to Section 42 of the CBA, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, have a right to conclude contractual arrangements to secure liquidity or take out Bankruptcy Liquidity Loans.

Funds which accrue on the collateral of covered bonds after the commencement of liquidation or bankruptcy of the issuer and the bank accounts related to the collateral and its income shall be entered in the Register for Covered Bonds under the relevant cover asset pool. Correspondingly, a Bankruptcy Liquidity Loan taken under Section 44 of the CBA and each bank account into which any such funds are deposited shall be entered in the Register for Covered Bonds.

If the matching cover requirements of the collateral of a covered bond cannot be fulfilled due to the issuer being in bankruptcy or liquidation, the bankruptcy administrator and the liquidator in liquidation shall, on the demand or approval of the supervisor, accelerate the covered bonds and sell the funds being collateral for each covered bond for their payment. The bankruptcy administrator or the liquidator in liquidation is entitled, upon demand or approval by the supervisor, to apply from the FIN-FSA for a permission to extend the maturity of a covered bond, if the covered bond includes a condition referred to in Section 32 of the CBA, pursuant to which the issuer can, on the permission granted by the FIN-FSA, extend the maturity of the covered bond upon fulfilment of the conditions included in Section 32 of the CBA.

A bankruptcy administrator has the right to terminate or transfer a Derivative Transaction to a third party on the demand or with the consent of the supervisor, provided that the collateral is transferred or converted into cash, or a right to transfer collateral to the counterparty in the Derivative Transaction when the interests of the holder of the covered bonds demands such and it is reasonable from the perspective of risk management.

If the requirements for the cover asset pool of the covered bonds, as provided for in Sections 23 and 31 of the CBA, cannot be fulfilled, the bankruptcy administrator must, upon the request or approval of the supervisor, accelerate the covered bonds and sell the cover asset pool assets in order to pay the covered bonds.

FINNISH ACT ON MORTGAGE CREDIT BANK ACTIVITY

The following is a brief summary of certain features, on the date of this Base Prospectus, of the MCBA, which was repealed by the CBA on 8 July 2022. The summary is provided because the Issuer may make further (tap) issues of the MCBA Covered Bonds in compliance with Section 51 of the CBA. The summary does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for covered bonds. Please also refer to "Risk Factors", "Finnish Covered Bond Act" and "*Overview of the Programme*"*. The terms defined in this section apply in the context of this section only.*

General

The MCBA entered into force on 1 August 2010. It enables the issue of covered bonds (in Finnish: *katetut joukkolainat*) which are debt instruments secured by a cover asset pool of qualifying assets, the cover asset pool. The MCBA regulates which assets can be used as collateral for the covered bonds and the quality of such assets. They are issued by credit institutions (such as the Issuer) which are authorised to engage in mortgage banking activity (in Finnish: *kiinnitysluottopankkitoiminta*) (each an **issuer**).

Supervision

The FIN-FSA is responsible for supervising each issuer's compliance with the MCBA and may issue regulations for risk management and internal control in respect of mortgage credit business operations. If an issuer does not comply with the provisions of the MCBA or the conditions of the license granted by the FIN-FSA, the FIN-FSA shall lay down a period in which the issuer must fulfil any requirements set by the FIN-FSA. If such requirements are not fulfilled within the set period, the FIN-FSA may cancel the issuer's authorisation to engage in mortgage credit business.

Authorisation under the MCBA

Mortgage credit business is a line of banking business which involves the issuing of covered bonds on the basis of loans secured by residential property, shares in Finnish housing companies (apartments), commercial real estate or shares in real estate companies as well as the claims against public-sector bodies. A credit institution must fulfil certain requirements prescribed in the MCBA in order to obtain authorisation from the FIN-FSA to engage in mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the assets in the cover asset pool and in issuing covered bonds and also prove that it intends to engage in mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organisational structure and resources into place. In addition to credit institutions authorised separately to engage in mortgage credit business, also mortgage credit banks whose activities are exclusively restricted to carrying out mortgage credit business are entitled to issue covered bonds.

Register of MCBA Covered Bonds

The MCBA requires the issuer to maintain a register (the **Register**) for the covered bonds and the collateral which forms the assets in the cover asset pool for the MCBA Covered Bonds. The actual entry of the covered bonds and relevant derivative contracts in the Register is necessary to confer the preferential right in the cover asset pool. Further, only assets entered into the Register form part of the cover asset pool.

The Register must list, amongst other things, the covered bonds issued by the issuer and the assets in the cover asset pool and Derivative Transactions relating thereto along with any Bankruptcy Liquidity Loans entered into on behalf of the issuer. All assets entered in the Register shall rank equally as collateral for the covered bonds, unless the collateral has been entered in the Register as collateral for specified covered bonds. If a Mortgage Loan, a Public-Sector or any Substitute Collateral (all as defined below) is placed on the Register as collateral for a particular covered bond, the Register must specify the covered bond which this collateral covers. Section 22 of the MCBA requires that the information shall be entered in the Register no later than on the first business day following the issue of the covered bond and information on the granting or acquisition of a Mortgage Loan or Public-Sector Loan or a Substitute Collateral (see *Substitute Collateral below*) which is placed as collateral for the covered bonds shall be entered in the Register no later than one day after granting or acquiring such collateral. Any changes in such information shall be entered in the Register without delay. A Mortgage Loan or a Public-Sector Loan shall be removed from the Register when it has been fully repaid by the relevant borrower. A loan shall also be removed from the Register if it can no longer be deemed to be an eligible asset. A Mortgage Loan, a Public-Sector Loan or any Substitute Collateral may also be removed from the Register, if, after its removal, the remaining Mortgage Loans, Public-Sector Loans and Substitute Collateral entered in the Register are sufficient to meet the requirements prescribed in the MCBA. Accordingly, the cover asset pool is dynamic in the sense that an issuer may supplement or substitute assets in the cover asset pool.

The FIN-FSA monitors the management of the Register, including the due and proper recording of assets. The information in the Register must be submitted to the FIN-FSA regularly.

Eligible cover pool assets

The covered bonds shall be covered at all times by a specific pool of qualifying assets. Eligible assets which are permitted as collateral for covered bonds consist of Mortgage Loans, Public-Sector Loans and Substitute Collateral, each as defined in the MCBA as follows:

Mortgage Loans are Housing Loans or Commercial Real Estate Loans.

Housing Loans are loans secured by (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*maakaari*, 540/1995) (as amended); or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (*asunto-osakeyhtiölaki*, 1599/2009) (as amended) or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.

Commercial Real Estate Loans are loans secured by (i) mortgageable real estate for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*maakaari*, 540/1995) (as amended); or (ii) shares of a housing company or a real estate company entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.

Public-Sector Loans are loans which have been granted to the Republic of Finland, a Finnish municipality or other public-sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012, be considered equivalent to the Finnish State or Finnish municipality or a credit which is fully collateralised by a guarantee granted by a public-sector entity or a claim on such entity.

At least 90 per cent of the total amount of collateral shall be Housing Loans or Public-Sector Loans or Substitute Collateral unless otherwise provided for in the terms and conditions of a covered bond.

Substitute Collateral may only be used as collateral for covered bonds on a temporary basis and in the circumstances set out in the MCBA (see *"Substitute Collateral"* below).

Derivative Transactions concluded for hedging against risks related to covered bonds must be registered in the Register and therefore constitute part of the assets in the cover asset pool.

Quality of the cover pool assets

Mortgage lending limit and valuation

A Mortgage Loan entered in the Register as collateral for a covered bond may not exceed the current value of the shares, housing property or commercial real estate standing as collateral. The **current value** shall be calculated using good property evaluation practice applicable to credit institutions in accordance with provisions on the management of capital adequacy and credit risk of credit institutions issued by the FIN-FSA. The issuer shall regularly monitor the value of the shares, housing property or commercial real estate entered as collateral for the covered bonds and revise the value of the collateral in accordance with provisions on the management of capital adequacy of credit institutions issued by the FIN-FSA.

Requirements for matching cover

The MCBA seeks to protect covered holders by requiring that the outstanding principal amount and net present value of the covered bonds must be covered at all times by matching assets in the cover asset pool. This is achieved by Section 16 of the MCBA which provides that (a) the total value of cover asset pool must always exceed the aggregate outstanding principal amount of the covered bonds and (b) the net present value of cover asset pool must always be at least two (2) per cent above the net present value of the liabilities under the covered bonds. In calculating the total value of the cover asset pool, the following limitations apply:

1) the unpaid capital amount of any Housing Loan not exceeding 70 per cent of the current value of the shares or housing property placed as collateral for any Housing Loan;
2) an amount not exceeding 60 per cent of the current value of real estate for commercial or office purposes placed as collateral for any Commercial Real Estate Loan; and

3) the principal of Substitute Collateral may be taken into account.

According to the preparatory works of the MCBA (HE 42/2010), the **net present value** means, in respect of (a) covered bonds and (b) Mortgage Loans, Public-Sector Loans and Substitute Collateral, the total value of the future discounted cashflows applying the market rate of interest, prevailing from time to time.

Requirements relating to liquidity

Under Section 17 of the MCBA, the issuer shall ensure that the average maturity date of the covered bonds does not exceed the average maturity date of the loans entered in the Register. Further, the issuer shall ensure that the total amount of interest accrued from the cover asset pool, during any 12-month period, is sufficient to cover the total amount payable to the holders of covered bonds as interest and to the counterparties of Derivative Transactions as payments under such Derivative Transactions.

Determination of requirements under Sections 16 and 17 of the MCBA

To determine the **value** of the cover asset pool in order to provide the matching cover required by Sections 16 and 17 of the MCBA, the issuer shall only take into account:

(1) the unpaid capital amount of any Housing Loan not exceeding 70 per cent of the current value of the shares or housing property placed as collateral for any Housing Loan;

(2) an amount not exceeding 60 per cent of the current value of real estate for commercial or office purposes placed as collateral for any Commercial Real Estate Loan; and

(3) the principal of Substitute Collateral.

Loans that have been entered in the Register and which must be booked as non-performing loans at the time of review of such loans in accordance with the regulations issued by the FIN-FSA, shall no longer be included as cover asset pool in calculating the matching cover.

Derivative Transactions concluded in order to hedge the covered bonds and any assets provided as collateral for the Derivative Transaction shall be taken into account for the purposes of Sections 16 and 17 of the MCBA.

Substitute Collateral

Up to 20 per cent of the aggregate amount of all assets constituting the statutory security for the covered bonds conferred by the MCBA may temporarily consist of Substitute Collateral, provided that receivables from credit institutions shall not exceed 15 per cent (or such larger amount as may be approved by the FIN-FSA on the application of the issuer for a specific reason and for a specified period of time), of the total amount of collateral. Substitute Collateral may include: (i) bonds and other debt obligations issued by a central government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the Issuer); (ii) guarantees granted by a public-sector entity or a credit institution referred to in (i) above; (iii) credit insurance given by an insurance company other than one belonging to the same "group", as defined in the Finnish Act on Supervision of Finance and Insurance Groups (in Finnish: *laki rahoitus- ja vakuutusryhmittymien* valvonnasta, 699/2004) (as amended), as the issuer; or (iv) assets of the issuer deposited in the Bank of Finland or a deposit bank; if the issuer is a deposit bank the deposit may not be in a deposit bank belonging to the same consolidated group as the issuer. Substitute Collateral may temporarily be used in situations where (i) Mortgage Loans or Public-Sector Loans have not yet been granted or registered as collateral for the covered bonds; or (ii) the total amount of collateral does not fulfil the provisions provided for in Sections 16 and 17 of the MCBA.

Derivatives

The issuer may enter into Derivative Transactions to hedge against the risks relating to covered bonds or their underlying collateral. Details of any such derivatives must be entered in the Register.

Set-off

A creditor of the issuer may not set-off its claim against a Mortgage Loan or a Public-Sector Loan entered in the Register if it is within the scope of the priority of payment of the holders of covered bonds as provided for in Section 25 of the MCBA.

Prohibition on transfers, pledges, execution and precautionary measures

The issuer may not, without the permission of the FIN-FSA, assign or pledge Mortgage Loans or Public-Sector Loans which are included in the cover asset pool. An assignment or pledge violating such prohibition shall be void.

A Mortgage Loan, a Public-Sector Loan or any Substitute Collateral entered in the Register as collateral for a covered bond may not be taken in execution for a debt of an issuer, a deposit bank or a credit institution nor may precautionary measures be directed at it.

Preferential right in the event of liquidation or bankruptcy

Under Section 25 of the MCBA, notwithstanding the liquidation or bankruptcy of the issuer, a covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover asset pool of the covered bond before other claims. The funds accruing from collateral for covered bonds after the commencement of liquidation or bankruptcy proceedings against the issuer shall be entered in the Register as collateral for such covered bonds. In bankruptcy proceedings the bankruptcy administrator must ensure due maintenance of the Register.

Collateral entered in the Register in accordance with the MCBA may not be recovered pursuant to Section 14 of the Act on Recovery of Assets to a Bankruptcy Estate.

In respect of each Mortgage Loan included in the cover asset pool for a covered bond, the priority of payment right in accordance with Section 25 is limited to a maximum amount which corresponds to 70 per cent in respect of Housing Loans and to 60 per cent in respect of Commercial Real Estate Loans of the current value of respective collateral for the loan as entered in the Register at the time of commencement of liquidation or bankruptcy proceedings against the issuer. The bankruptcy administrator shall assign the share of payments out of any Mortgage Loan exceeding the preferential right to the general bankruptcy estate. According to the preparatory works of the MCBA, payments deriving from loans to be booked as non-performing and proceeds from disposal of loans or enforcement of collateral shall nonetheless, firstly be used for payment of covered bonds up to their preferential portion.

What is set out above in respect of Section 25 of the MCBA applies *mutatis mutandis* to the counterparties of the Derivative Transactions entered in the Register and to Bankruptcy Liquidity Loans. These parties have an equal right with the holders of the covered bonds to payment from the funds, entered in the Register as collateral for the covered bonds, and from the payments relating to them, and accordingly, such Derivative Transactions and Bankruptcy Liquidity Loans rank *pari passu* with the covered bonds with respect to such assets in the cover asset pool.

The bankruptcy administrator may, upon the demand or with the consent of the supervisor appointed by the FIN-FSA (see " – *Management of Cover Pool Assets during the liquidation or bankruptcy of the issuer*"), transfer collateral entered in the Register of covered bonds to the issuer's general bankruptcy estate, if the value and the net present value of the cover asset pool, as provided for in Section 16 of the MCBA, considerably exceed the total amount of the covered bonds and it is apparent that the collateral to be transferred shall not be necessary to fulfil the obligations in respect of the MCBA Covered Bonds, Derivative Transactions and Bankruptcy Liquidity Loans.

Management of Cover Pool Assets during the liquidation or bankruptcy of the issuer

When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Act on the Financial Supervisory Authority to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard (a **supervisor**). The supervisor shall, in particular, supervise the management of the collateral for the covered bonds and their conversion into cash as well as the contractual payments to be made to the holders of the covered bonds. The person to be appointed as a supervisor shall have sufficient knowledge of financing and legal issues with regard to the nature and scope of the duties.

In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover asset pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders. Under Section 26 of the MCBA, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, conclude Derivative Transactions necessary for hedging against risks relating to covered bonds and the relevant collateral as well as, where necessary, sell a sufficient amount of collateral for the covered bond in order to fulfil the obligations relating to the covered bond. In addition, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, have a right to conclude contractual arrangements to secure liquidity or take out Bankruptcy Liquidity Loans.

Funds which accrue on the collateral of covered bonds after the commencement of liquidation or bankruptcy of the issuer and the bank accounts related to the collateral and its income shall be entered in the Register. Correspondingly, a Bankruptcy Liquidity Loan taken under Section 26 of the MCBA and each bank account into which any such funds are deposited shall be entered in the Register.

The bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to another mortgage credit bank, deposit bank or credit institution that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the MCBA unless the terms of the covered bond provide otherwise.

A bankruptcy administrator has the right to terminate or transfer a Derivative Transaction to a third party on the demand or with the consent of the supervisor, provided that the collateral is transferred or converted into cash, or a right to transfer collateral to the counterparty in the Derivative Transaction when the interests of the holder of the covered bonds demands such and it is reasonable from the perspective of risk management.

If the requirements for the cover asset pool of the covered bonds, as provided for in Sections 16 and 17 of the MCBA, cannot be fulfilled, the bankruptcy administrator must, upon the request or approval of the supervisor, accelerate the covered bonds and sell the cover asset pool assets in order to pay the covered bonds.

CHARACTERISTICS OF THE COVER ASSET POOL

The Issuer must ensure that the CBA Cover Asset Pool comprises only of cover pool assets within the limits set by the CBA (as summarised under "*Finnish Covered Bond Act*") and the terms and conditions of the CBA Covered Bonds. The Issuer will substitute assets that are no longer eligible to be included in the CBA Cover Asset Pool in accordance with the requirements of the CBA and such terms and conditions and supplement the CBA Cover Asset Pool with new Housing Loans or Substitute Collateral upon the existing Housing Loans or Substitute Collateral in the CBA Cover Asset Pool being repaid by the relevant borrower in respect of such assets. The Issuer continuously monitors that the current value of the CBA Cover Asset Pool exceeds the combined payment obligations resulting from the CBA Covered Bonds by at least five (5) per cent. Over-collateralisation must have a value of at least two (2) per cent If the requirements set out in Article 129, Paragraph 3 a, Subparagraph 3 of the CRR are not met, over-collateralisation must have a value of at least five (5) per cent. The over-collateralisation shall also cover the estimated costs in relation to the winding-down of the CBA Covered Bonds. In addition, the Issuer assesses the adequacy of the value and the quality of the CBA Cover Asset Pool by regular stress tests.

The Issuer has two (2) separate cover asset pools – one (1) in accordance with the CBA (CBA Cover Asset Pool) and one (1) in accordance with the MCBA (MCBA Cover Asset Pool).

The criteria that the Issuer applies in the selection of assets for the CBA Cover Asset Pool and the policies for granting loans are summarised below.

Origination Criteria for the Housing Loans and the Cover Asset Pool

All Housing Loans included in the CBA Cover Asset Pool are originated by the Issuer in Finland in accordance with the applicable lending criteria, which include, but are not limited to the following:

- verifying the identity of the borrower;
- verifying the borrower has legal capacity;
- assessing the creditworthiness of the borrower;
- assessing the borrower has sufficient repayment capability;
- verifying public payment defaults in Suomen Asiakastieto Oy's credit information register; and
- checking the borrowers previous loan payment behaviour in the Issuer's internal register.

The Issuer identifies the Housing Loans that are eligible for inclusion in the CBA Cover Asset Pool according to criteria set by the CBA and the Issuer. These criteria, in summary, include but are not limited to the following:

- the principal amount of the Mortgage must not exceed the fair value of the collateral securing the Housing Loan, that is, the loan-to-value ratio must be 100 per cent or lower;
- the Issuer must have security over the collateral securing the Housing Loan;
- the Housing Loan must not have been in arrears for more than 90 days;
- if several loans are secured by the same collateral, the group of loans is only eligible for the CBA Cover Asset Pool if the entire group meets the loan-to-value ratio requirement stated above. However, certain types of loans within such a group, such as currency loans and credit limits, are not eligible for inclusion (although they are included for the purpose of the loan-to-value ratio requirement);
- the Mortgage must be secured by eligible assets located or incorporated in Finland and must be denominated in EUR; and
- the terms and conditions of the pledge relating to the property that constitutes the collateral for the Housing Loan must contain a provision according to which the pledgor undertakes to maintain the fire insurance of the property.

The composition and characteristics of the CBA Cover Asset Pool will change over time.

All of the criteria set above apply also to the MCBA Cover Asset Pool.

DERIVATIVE TRANSACTIONS

Permitted Derivative Transactions

Under the CBA and MCBA, the Issuer may from time to time enter into one or more Derivative Transactions in order to hedge against risks relating to covered bonds and/or a series of covered bonds or the assets in the relevant cover asset pool. Such Derivative Transactions will be entered into the Register for Covered Bonds.

The Issuer may enter into one or more interest rate swap transactions to hedge the interest rate exposure arising as a result of Housing Loans and other assets in the relevant cover asset pool that carry floating rates of interest covering the relevant covered bonds that carry a fixed interest rate payment obligation for the Issuer. The Issuer may also enter into one or more interest rate swap transactions to hedge the interest rate exposure arising as a result of Housing Loans and other assets in the relevant cover asset pool that carry fixed rates of interest covering the relevant covered bonds that carry a floating interest rate payment obligation for the Issuer.

Documentation

The Issuer currently anticipates that Derivative Transactions entered into between the Issuer and a swap counterparty will be evidenced by a confirmation and such confirmation will supplement, form part of and be subject to an agreement between the Issuer and such swap counterparty in the form of a 1992 ISDA Master Agreement (Multicurrency – Cross Border) or an ISDA 2002 Master Agreement, as amended and supplemented from time to time, each as published by the International Swaps and Derivatives Association Inc. (ISDA) (each such agreement a **Swap Agreement**). All such Derivative Transactions will be terminable by a party if an Event of Default (as defined in the relevant Swap Agreement) occurs in respect of the other party or all or a group of Derivative Transactions will be terminable by one or both of the parties if a Termination Event (as defined in the relevant Swap Agreement) occurs.

Upon the early termination of one or more Derivative Transactions, the Issuer or the relevant swap counterparty may be liable to make a payment to the other party reflecting the value of the terminated Derivative Transaction(s).

The Issuer may also at its discretion use other types of instruments and transactions for the purposes described in this section "*Derivative Transactions*".

Bankruptcy or Liquidation of the Issuer

Under the CBA, obligations arising under a Derivative Transaction entered into the Register for the Cover Asset Pool shall continue to be fulfilled towards the Issuer in accordance with its terms notwithstanding a bankruptcy or liquidation of the Issuer unless otherwise provided in the terms of the Derivative Transaction. Counterparties to such Derivative Transactions (along with Noteholders of CBA Covered Bonds – and in the case of the MCBA, providers or Bankruptcy Liquidity Loans) are given a statutory priority in the liquidation or bankruptcy of the Issuer to the assets in the relevant cover asset pool. Accordingly, such counterparties to the Derivatives Transactions (and Noteholders of CBA Covered Bonds and MCBA Covered Bonds) have the statutory right to receive payment from the assets in the CBA Cover Asset Pool or MCBA Cover Asset Pool before all other holders of claims and this right remains for so long as the CBA Covered Bonds or MCBA Covered Bonds remain outstanding. Pursuant to Section 44 of the CBA, providers of Bankruptcy Liquidity Loans have a right to receive payment after the creditors specified in Section 20 of the CBA.

Under the CBA, the bankruptcy administrator is, upon the request of the supervisor appointed by the FIN-FSA, entitled to terminate a Derivative Transaction or to transfer a Derivative Transaction and security to a third party if it is deemed to be in the interest of the Noteholders of CBA Covered Bonds.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective investors of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

General

Prospective investors of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Unpublished tax rulings support the interpretation that AT1 Notes are treated as loans in Issuer's taxation. Consequently, the payments of the interests should be treated as interest in the taxation of the Noteholders. However, as there are no tax rulings concerning the Issuer and the Notes in question, there is no absolute certainty related to the tax treatment of the Notes and the income attached.

Finland

Taxation of Finnish resident individuals

Individual Noteholders who are resident in Finland for tax purposes, will be subject to Finnish tax on interest payments (including deemed interest for tax purposes through a discounted issue price) under the Notes and on gains realised on the disposal or redemption of the Notes in accordance with the Income Tax Act (1535/1992, as amended).

For individual Noteholders, interest income and capital gains are subject to tax at rate of 30 per cent or 34 per cent (for capital income exceeding EUR 30,000). A loss from a disposal or redemption of the Notes would constitute a deductible capital loss.

Taxation of Finnish resident corporate entities

As a general rule, any interest payments and income received from disposal or redemption of the Notes would constitute part of a Finnish corporate entity's taxable business income subject to a corporate income tax at the rate of 20 per cent The acquisition cost of the Notes and any sales related expenses are generally deductible for tax purposes upon sale or redemption. Any loss due to disposal or redemption of the Notes would be deductible from the taxable business income.

Taxation of Non-Finnish residents

Holders of Notes who are not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment in Finland will not be subject to Finnish taxes either on payments in respect of the Notes or gains realised on the sale or redemption of the Notes. Non-resident Noteholders who engage in trade or business through a permanent establishment in Finland will be subject to similar Finnish taxes on payments in respect of the Notes and gains realised on the sale or redemption of the Notes as Finnish resident Noteholders.

Transfer Tax

Transfers of the Notes are not subject to Finnish transfer tax.

Withholding Requirement

The Issuer or a paying agent are obliged to withhold tax at a rate of 30 per cent on interest payments (including deemed interest) and secondary market compensation to Finnish resident individuals and death estates as well as Finnish resident unregistered partnerships, associations and similar.

Reporting Requirements

Under Finnish law, the Issuer, or a paying agent, is obliged to report any interest payments and information necessary for computing capital gain under and in respect of the Notes to the Finnish tax authorities. The reported information is subject

to automatic exchange of information as regulated by the EU Directive on Administrative Cooperation 2011/16/EU (as amended) or other inter-governmental agreements.

Information on interest, secondary market compensation and possible capital gains or losses stated on the investor's pre-completed tax return must be reviewed and verified by the investor.

Sweden

The following summary outlines certain Swedish tax consequences relating to Noteholders. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not address, inter alia, situations where Notes are held in an investment savings account (Sw. *investeringssparkonto*), tax consequences of a write-down or conversion of the Notes, the existence of the ability of relevant regulatory authorities to effect such a write-down or conversion, any tax consequences following a variation or substitution (instead of redemption) of any Notes or the rules regarding reporting obligations for, among others, payers of interest. Further, the summary does not address credit of foreign taxes in Sweden. Investors should consult a professional tax adviser regarding the Swedish tax and other tax consequences (including the applicability and effect of tax treaties for the avoidance of double taxation) of acquiring, owning and disposing of Notes with respect to their particular circumstances.

Taxation of Swedish resident individuals

In general, private individual Noteholders (and estates of deceased individuals) who are resident in Sweden for tax purposes will be subject to Swedish tax on all capital income (for example, income which is considered to be interest for Swedish tax purposes and capital gains on Notes).

For individual Noteholders, interest income and capital gains are normally subject to a 30 per cent flat tax rate. A loss from a disposal or redemption of the Notes may normally constitute a fully or partially deductible capital loss under certain conditions.

If amounts that are deemed as interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, or a clearing institution within the EEA, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally also be withheld on other returns on Notes (however not capital gains), if the return is paid out together with such payment of interest as referred to above.

Taxation of Swedish resident corporate entities

As a general rule, Swedish corporate entity Noteholders with residence in Sweden for tax purposes will be subject to a corporate income tax rate of 20.6 per cent (as of 1 January 2021) on its taxable business income including all capital income (for example, income which is considered to be interest for Swedish tax purposes and received from the disposal or redemption of Notes). Specific tax consequences may be applicable to certain categories of corporations, for example financial institutions holding the Notes as inventory (Sw. *lagertillgångar*) and life insurance companies. A loss from a disposal or redemption of the Notes may normally constitute a deductible capital loss under certain conditions. Moreover, specific tax consequences may be applicable in relation to any currency exchange gains or losses.

Taxation of non-Swedish residents

Noteholders who are not resident in Sweden for tax purposes and who do not engage in trade or business through a permanent establishment in Sweden will generally not be taxable in Sweden for any amount which is considered to be interest for Swedish tax purposes or for gains on the disposal or redemption of the Notes.

Non-Swedish resident Noteholders who engage in trade or business through a permanent establishment in Sweden, which the Notes are effectively connected with, will normally be subject to similar Swedish taxes on payments in respect of the Notes and gains realised on the disposal or redemption of the Notes as Swedish resident Noteholders.

Transfer tax

Transfers of the Notes are not subject to Swedish transfer tax.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be incorporated in, and form part of, this Base Prospectus.

(a) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2021 of the Issuer set out on pages 49 to 128 (inclusive) of the Issuer's Annual Report for the year ended 31 December 2021;

https://www.alandsbanken.fi/uploads/pdf/result/arsredovisn2021en.pdf

(b) the unaudited Capital and Risk Management Report 2021;

https://www.alandsbanken.com/uploads/pdf/result/capital-and-risk-management-report_2021en.pdf

(c) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2022 of the Issuer set out on pages 50 to 159 (inclusive) of the Issuer's Annual Report for the year ended 31 December 2022;

https://www.alandsbanken.fi/uploads/pdf/result/arsredovisn2022en.pdf

(d) the unaudited Capital and Risk Management Report 2022;

https://www.alandsbanken.fi/uploads/pdf/result/capital-and-risk-management-report_2022en.xlsx

(e) the terms and conditions of the notes set out on pages 35 to 72 (inclusive) in the offering circular dated 30 September 2015 prepared by the Issuer in connection with its euro medium term note and covered bond programme;

https://www.alandsbanken.com/uploads/pdf/Offering_Circular_Alandsbanken_2015.pdf

(f) the terms and conditions of the notes set out on pages 31 to 52 (inclusive) in the base prospectus dated 5 October 2018 prepared by the Issuer in connection with its euro medium term note and covered bond programme;

https://www.alandsbanken.com/uploads/pdf/Offering_Circular_Alandsbanken_2018.pdf

(g) the terms and conditions of the notes set out on pages 32 to 59 (inclusive) in the base prospectus dated 10 March 2020 prepared by the Issuer in connection with its euro medium term note, covered bond and tier 2 note programme;

https://www.alandsbanken.com/uploads/pdf/Offering_Circular_Alandsbanken_2020.pdf

(h) the terms and conditions of the notes set out on pages 39 to 74 (inclusive) in the base prospectus dated 12 March 2021 prepared by the Issuer in connection with its euro medium term note, covered bond, tier 2 note and additional tier 1 note programme;

https://www.alandsbanken.com/uploads/pdf/Medium-Term-Note-Covered-Bond-Tier-2-Note-and-Additional-Tier-1-Capital-Note-Programme-2021.pdf;

(i) the terms and conditions of the notes set out on pages 40 to 77 (inclusive) in the base prospectus dated 31 October 2022 prepared by the Issuer in connection with its euro medium term note, covered bond, tier 2 note and additional tier 1 note programme; and

https://www.alandsbanken.com/uploads/pdf/Medium-Term-Note-Covered-Bond-Tier-2-Note-and-Additional-Tier-1-Capital-Note-Programme-2022.pdf;

(j) sections 2.3 and 2.4 of the supplement 1 dated 2 February 2023 to the base prospectus dated 31 October 2022 prepared by the Issuer in connection with its euro medium term note, covered bond, tier 2 note and additional tier 1 note programme;

https://www.alandsbanken.com/uploads/pdf/England/Alandsbanken_Supplement_1_to_Base_Prospectus_2022_02022023.pdf.

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

SELLING RESTRICTIONS

The United States, Australia, Japan, Canada, Hong Kong, South Africa, Singapore and Certain Other Jurisdictions

The Notes will not be offered to persons who are residents of the United States, Australia, Japan, Canada, Hong Kong, South Africa, Singapore or any jurisdiction in which such offering would be unlawful.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any State Securities Commission in the United States or any other regulatory authority in the United States nor have any of the foregoing authorities passed upon or endorsed the merits of the securities or the accuracy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Notes have not been, and will not be, registered under the US Securities Act of 1933 (as amended or as replaced), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into the United States except in transactions exempt from registration under the US Securities Act. The Notes are being offered and sold outside the United States in compliance with Regulation S.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**) (as amended or as replaced), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in point e) of Article 2 of Regulation (EU) 2017/1129 (as amended or as replaced) (the **Prospectus Regulation**).

The Arranger has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in or outside the European Economic Area. For the purposes of this provision:

a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

   (ii) a customer within the meaning of Insurance Distribution Directive (as amended or as replaced), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in the Prospectus Regulation; and

b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended or as replaced) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional

client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Each Dealer appointed for each issuance will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are subject of offering contemplated by this Base Prospectus, as completed by the Final Terms in relation thereto, to any retail investor in the UK. For the purposes of this provision:

a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA;

   (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or

   (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA; and

b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II Product Governance / Target Market

The Final Terms in respect of any Notes may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a Distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance / Target Market

The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a Distributor) should take into consideration the target market assessment; however, a distributor subject to UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Prohibition of sales to Russia and Belarus

Pursuant to Article 1 of the Council Decision (CFSP) 578/2022 of 8 April 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine and to Article 1 of the Council Decision (CFSP) 579/2022 of 8 April 2022 amending Decision 2012/642/CFSP concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russia aggression against Ukraine, it shall be prohibited to sell transferable securities denominated in any official currency of a Member State issued after 12 April 2022 or units in collective investment undertakings providing exposure to such securities to any Russian or Belarusian national or natural person residing in Russia or Belarus or any legal person, entity or body established in Russia or Belarus. The prohibition of sales to Russia and Belarus applies to the Notes issued under the Programme.

General

Each Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer or any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Issuer

Ålandsbanken Abp
Registration number: 0145019-3
Nygatan 2
PB 3
AX-22101 Mariehamn, Finland
Tel: 0204 29 011
Fax: 0204 291 228
info@alandsbanken.fi
www.alandsbanken.fi

Arranger

Ålandsbanken Abp
Nygatan 2
PB 3
AX-22101 Mariehamn, Finland

Auditors

The following auditors have audited the Issuer's accounts in accordance with the International Standards on Auditing for the financial year ended 31 December 2021.

Marcus Tötterman	Fredrik Westerholm	Henry Maarala
Authorised Public Accountant, KHT KPMG Oy Ab	Authorised Public Accountant, KHT KPMG Oy Ab	Authorised Public Accountant, KHT KPMG Oy Ab
Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The following auditors have audited the Issuer's accounts in accordance with the International Standards on Auditing for the financial year ended 31 December 2022.

Fredrik Westerholm	Henry Maarala	Sandra Eriksson
Authorised Public Accountant, KHT KPMG Oy Ab	Authorised Public Accountant, KHT KPMG Oy Ab	Authorised Public Accountant, KHT KPMG Oy Ab
Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland	Töölönlahdenkatu 3 A FI-00100 Helsinki, Finland

The auditors of the Issuer have no material interest in the Issuer.

The Annual General Meeting on 30 March 2022 re-elected Fredrik Westerholm, Authorised Public Accountants (KHT) and Henry Maarala, Authorised Public Accountant (KHT) as auditors for a term of office that shall run until the end of the next annual general meeting.

The Annual General Meeting on 30 March 2022 elected Sandra Eriksson, Authorised Public Accountant (KHT), for a term of office that shall run until the end of the next annual general meeting.

The Annual General Meeting on 30 March 2022 re-elected KPMG Oy Ab as deputy auditor for a term of office that shall run until the end of the next annual general meeting.

Documents available

For the period of 12 months following the date of this Base Prospectus, copies of the Issuer's articles of association, trade register extract and the information incorporated by reference (see "*Information Incorporated by Reference*") are available for inspection from the registered office of the Issuer.

This Base Prospectus is available at https://www.alandsbanken.com/about-us/financial-information/debt-programme.

Ålandsbanken's articles of association (in Swedish) are available during the period of validity of the Base Prospectus at https://www.alandsbanken.fi/meista/alandsbankenista/hyva-hallintotapa/yhtiojarjestys.

No incorporation of website information

This Base Prospectus and any supplement thereto will be published on Ålandsbanken's website at https://www.alandsbanken.com/about-us/financial-information/debt-programme. However, the contents of Ålandsbanken's website (excluding the Base Prospectus, any supplement thereto and the information incorporated by reference) or any other website do not form a part of this Base Prospectus, and prospective investors should not rely on such information in making their decision to invest in the Notes.

Information derived from third party sources

Where certain information contained in this Base Prospectus has been derived from third party sources, such sources have been identified herein. The Issuer confirms that such third party information has been accurately reproduced herein. In addition, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to fixed interest rate Notes issued at an issue price which is fixed, an indication of yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant issue price and will not be an indication of future yield.

Dealers transacting with the Issuer

Dealers appointed under the Programme and their affiliates may engage, in investment banking and/or commercial banking transactions with the Issuer and may perform services for the Issuer and its affiliates in the ordinary course of business.

ISSUER

Ålandsbanken Abp
Nygatan 2
AX-22 100 Mariehamn
Finland

AUDITOR

KPMG Oy Ab
Töölönlahdenkatu 3 A
FI-00100 Helsinki
Finland

ARRANGER

Ålandsbanken Abp
Nygatan 2
AX-22 100 Mariehamn
Finland