The background image shows a dramatic aerial view of a lighthouse perched on a dark, craggy rock formation. The lighthouse has a red lantern room and a dark tower. Below the cliff, the dark blue sea is visible. The sky above the cliff is bright and clear.

Bank of Åland

Investor Presentation
February 2023

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1. Bank of Åland in Brief

Bank of Åland in Brief

Bank of Åland Plc

- Established in 1919 on the Åland Islands, listed since 1942 on NASDAQ OMX Helsinki
- A Finnish bank targeting high net worth and affluent individuals
- Operations on the Åland Islands, Finnish mainland and Sweden
- Top-ranked in customer loyalty
- A long-standing tradition of stability and very low credit losses
- BBB+ rating with a stable outlook from S&P

The Vision

- Create value for ambitious individuals and companies that appreciate relations:
 - Private Banking since 1982
 - IT services by Crosskey Banking Solutions since 2004
 - Premium Banking since 2004
 - Partnership Banking since 2016
- Delivering a large bank's range of services with a small bank's thoughtfulness and good sense
- Bank's customer surveys show that customers continue to appreciate Bank's expertise, personalized service, high ethical standards and sustainability work

Covered Bonds

- The Bank of Åland has been active in the covered bond market since 2012
- Two Cover Asset Pools: CBA Cover Asset Pool which was established in November 2022 and MCBA Cover Asset Pool established in September 2012. Covered Bonds issued prior to 8 July 2022 or associated Tap Issues after 8 July 2022 are secured by the MCBA Cover Asset Pool. Both pools consist of 100 % Finnish and the Åland Islands' residential mortgages
- Clear concentration to the growth centres and the wealthiest parts of Finland
- Published commitment to a strong over-collateralization and six months liquidity
- AAA (stable) rating from S&P on MCBA Cover Asset Pool and preliminary AAA (stable) rating from S&P on CBA Cover Asset Pool

Financial Scorecard

December 31, 2022

<p>CET1 Capital Ratio 12.0 %</p> <p>Capital</p> <ul style="list-style-type: none">• Strong capital position• IRB approach used in Finland, standardised approach used in Sweden• The Board of Directors proposes a dividend of EUR 31.3 M for 2022, consisting of a regular dividend of EUR 1.60 per share plus an extra dividend of EUR 0.45 per share, subtracted from the Bank's CET1 capital ratio on December 31, 2022• Capital requirements applicable are CET1 capital ratio 8.1 %, Tier 1 capital ratio 9.8 % and Total capital ratio 12.0 %• Bank of Åland has an ample capital surplus: CET1 capital ratio +3.9 pp, Tier 1 capital ratio +3.8 pp and Total capital ratio +3.1 pp	<p>Liquidity and Funding</p> <ul style="list-style-type: none">• Loan/deposit ratio of 103 %• Liquidity reserve at 21 % of total assets• LCR at 138 %• NSFR at 108 %• BBB+ bank rating with stable outlook from S&P• AAA rating with stable outlook on MCBA Covered Bonds from S&P• Preliminary AAA rating with stable outlook on CBA Covered Bonds from S&P <p>Preliminary AAA Rating with Stable Outlook on CBA Covered Bonds from S&P</p>
<p>Loan Loss Level 0.14 %</p> <p>Risk Management</p> <ul style="list-style-type: none">• Long history of low loan loss levels. Loan loss level of 0.14 % in 2022 (0.12 % in 2021)• No trading positions or complex financial instruments• Strict limits on exposures to financial institutions. Bulk of the exposure is to highly rated Nordic entities	<p>Profitability</p> <ul style="list-style-type: none">• Operating profit in level with previous high, despite a very turbulent year• Net operating profit of EUR 46.1 M in 2022 (EUR 49.2 M in 2021)• ROE 12.8 % in 2022 (14.0 % in 2021)• Future Outlook: The Bank of Åland expects its net operating profit in 2023 to be significantly better than in 2022 <p>Return on Equity 12.8 %</p>

Stable Outlook on BBB+ Issuer Credit Rating by Standard & Poor's

<u>Issuer Credit Rating</u>	BBB+/Stable/A-2
<u>Stand-alone credit profile</u>	BBB+
<u>Anchor</u>	
• Business operations in economically robust regions in Finland and Sweden	A-
<u>Business position</u>	
• Despite some geographic and business diversification, concentrated focus on retail and private banking increases vulnerability to cyclical swings	Constrained -2
<u>Capital and earnings</u>	
• Strong risk-adjusted capitalization, earnings growth and low credit losses	Very Strong +2
<u>Risk position</u>	
• Geographic and business focus create some concentration risk	Moderate -1
<u>Funding</u>	
• Funding position supported by stable customer deposits	Adequate o
<u>Liquidity</u>	Adequate o
<u>Comparable ratings analysis</u>	o
<u>Support</u>	o
<u>Additional loss-absorbing capacity support</u>	o
<u>Government-related entity support</u>	o
<u>Group support</u>	o
<u>Sovereign support</u>	o
<u>Additional factors</u>	o

On July 13, 2022, S&P Global Ratings raised its long-term issuer credit rating on Bank of Åland to BBB+ from BBB

- The rationale behind the upgrade was forecasted strengthened capitalization, expectations of a significant improvement of the RAC ratio to 16 % by 2024, improved return on average common equity just below 15 % over 2022-2024 and a steady earnings generation supporting capital build-up

In S&P Global Ratings' latest research update on January 13, 2023, the outlook remained stable and reflects Standard & Poor's expectations that the Bank will maintain a sound financial profile and continue to make progress in building its capital base through earnings

- "Bank of Åland's retail private banking services will be the primary revenue driver, complemented by fees from asset management operations, and Crosskey"
- "We project Bank of Åland's risk-adjusted capital (RAC) to be 15-16 % over the next two to three years following the carve-out of the Swedish mortgage portfolio to Borgo"
- "We expect core customer deposits to be the primary funding source for the bank"

Source: [S&P Global Ratings Research Update](#) Jan 13, 2023

An aerial photograph of a coastal area. The water is a deep blue-green color, with patches of bright green algae covering the rocks and shallow areas. A single white bird is visible in flight near the center-left of the frame. The overall scene is a mix of natural textures and colors.

2. Strategy and Market Position

Three Markets – Two Strategies

The Åland Islands

- 2 offices, market share > 50 %
- Full product range offered
- **The Bank for everyone**

Finland

- 6 offices in affluent parts of Finland, market share > 1 %
- Full product range offered but “bread and butter” services only as a complement to Private Banking and Premium Banking service offerings
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**

Sweden

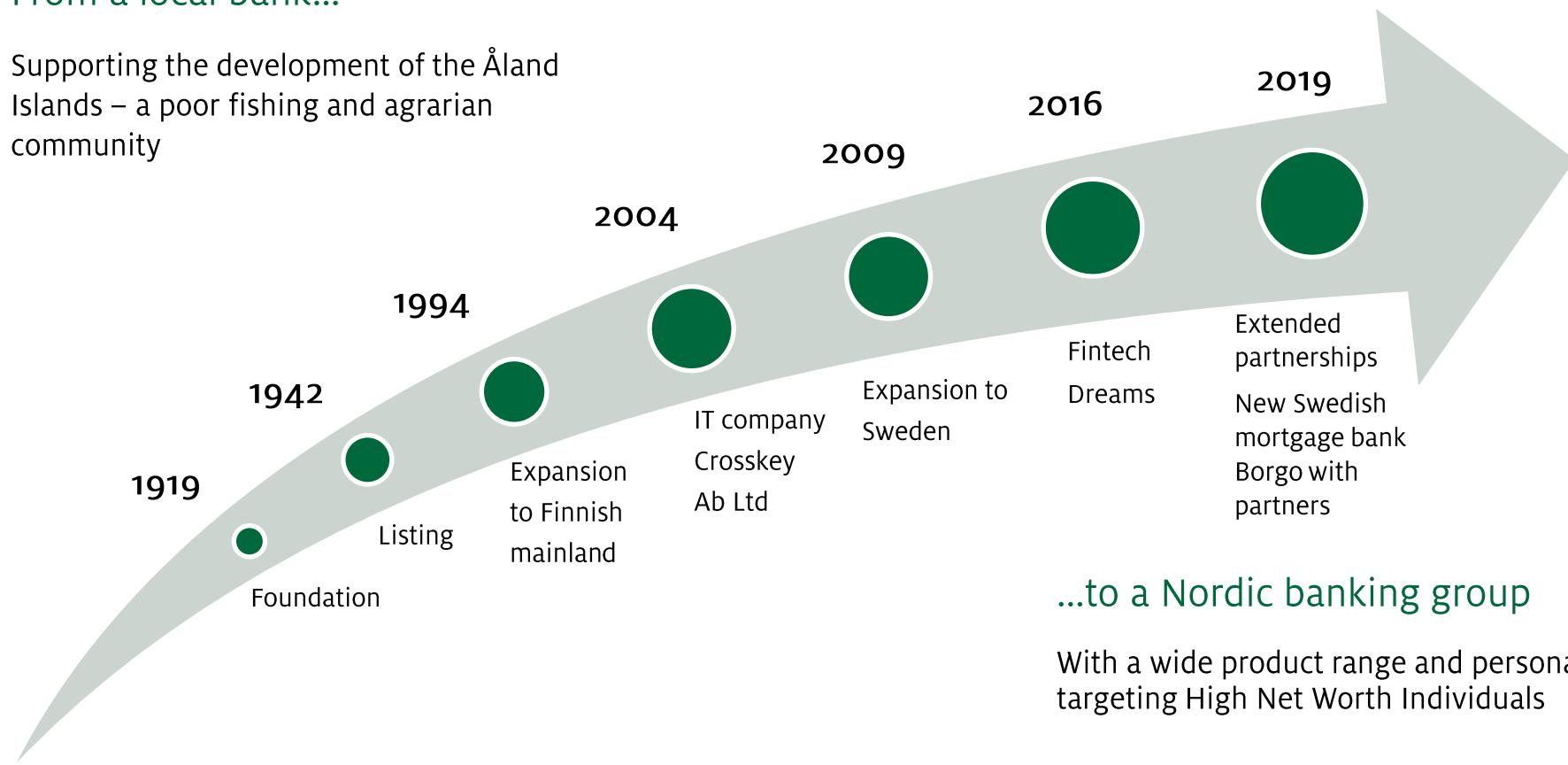
- 3 offices in Sweden's largest cities, market share < 1 %
- Full product range offered but “bread and butter” services only as a complement to Private Banking and Premium Banking service offerings
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**



Bank of Åland History of Strategic Decisions

From a local bank...

Supporting the development of the Åland Islands – a poor fishing and agrarian community



...to a Nordic banking group

With a wide product range and personal service targeting High Net Worth Individuals

Åland Index – Global Market Leader in Spend Based Calculations

Doconomy.

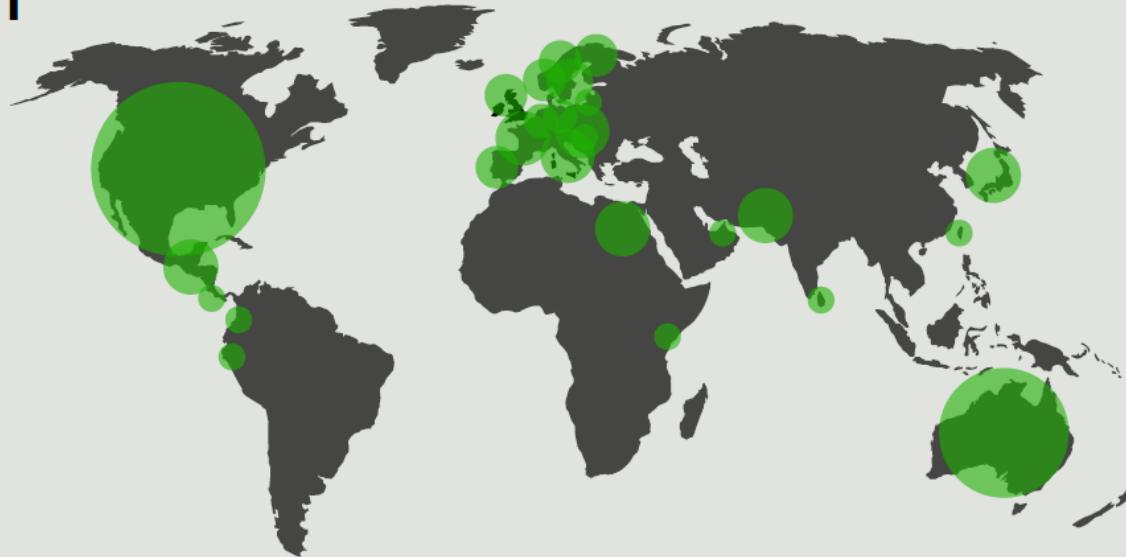
Introduction to Doconomy

Private & Confidential

12.01.2023

Geographic reach ensures a global standard

- 68 clients
- ◆ 22 markets
- Client reach: 850+ million consumers



Selected Clients



Other Strategic Fintech Partners

BORGO IN BRIEF

STRONG DISTRIBUTION NETWORKS JOINING FORCES

Distribution with track-record



SBAB historical mortgage provider and discontinued given capital constraints at the state-owned bank



Short term both Skandia and Bluestep Bank act as mortgage providers, but not perceived as sustainable long term

ÅLANDSBANKEN

Has been offering own mortgages in the Swedish market since 2009, expected to benefit from the ability scale up in the partnership, funding wise and operationally

Sparbanken Syd

Full-service bank, established in 1827, with existing distribution through SBAB and own balance sheet

Proven historical distribution capacity

Fully operational company

Seasoned management team and organisation

With a vision to transform the mortgage market by creating a new financial institution, combining modern technology with responsible lending principles – managing cost of funding, efficient capital structure, credit and liquidity risk

Financially strong partners, investors and experienced board of directors

Supporting the company financially and through industrial experience with a long-term perspective

Pure-play mortgage company with distribution, access to capital market funding and organisation in place

Scalable platform

Modern platform with high degree of automation

Allowing Borgo to build economies of scale and distributors to focus on sales, customer relationships and service

Partnerships with distributors and service providers

Proven IT-systems, payment services, credit administration processes and treasury support – at variable cost based on mortgage volume

Legacy-free and scalable platform with benefits from outsourced back- and front-end

Borgo



Dreams
Technology

Products

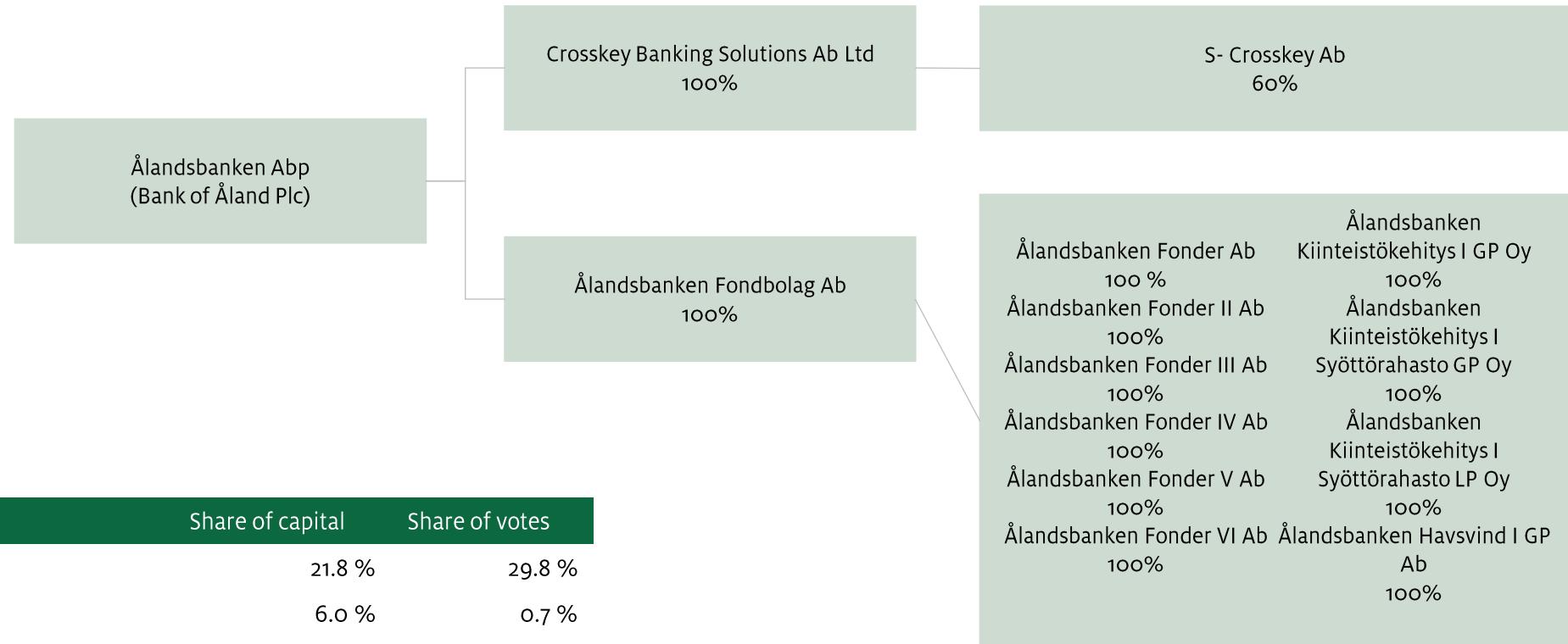
Solutions

Expertise

Engagement banking powered by behavioural science

Make banking emotional to drive engagement
and revenue in your digital applications

Bank of Åland Group Legal and Ownership Structures



Major owners as of December 30, 2022	Share of capital	Share of votes
Wiklöf Anders with companies	21.8 %	29.8 %
The Family Kamprad Foundation	6.0 %	0.7 %
Alandia Insurance	5.3 %	11.0 %
Fennogenes Investment S.A. (Family Ehrnrooth)	5.1 %	9.0 %
Pensionsförsäkringsaktiebolaget Veritas	2.6 %	2.0 %

Approximately 13,200 shareholders in total, half of them from the Åland Islands

3. Sustainability

Bank of Åland's Sustainability Journey



Sustainability Strategy – Our Four Areas of Sustainability

Responsible Investments



- Considering ESG factors in all investment decisions
- Providing green investment products, such as the Green Bond ESG Fund and the Wind Power Fund
- Engaging in discussions through membership in Investment Forums Finsif & Swesif
- Measuring our funds' CO₂ intensity and strive for gradually declining levels

Responsible Lending



- Offering financing solutions that corresponds to the customer's repayment capacity and needs
- Supporting local entrepreneurship by granting EIF Innov Fin-guaranteed financing and demanding increased transparency in sustainability issues
- Promote green lending such as loans towards renewable energy projects

Environmental Responsibility



- Striving to reduce carbon dioxide emissions
- Increasing global awareness to carbon dioxide emissions through the Åland Index
- Contributing to a cleaner Baltic Sea by supporting good initiatives through the Baltic Sea Project

Social Responsibility



- Engaging in the Åland business community and driving development towards a more sustainable society through projects, donations and sponsorships
- Creating a work culture embracing diversity, inclusion and equality through actions such as ensuring gender balance in leadership positions, salary models, workshops and weekly measurements of engagement

UN SDGs & Stakeholders



Materiality analysis



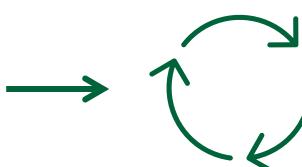
Identify areas for sustainable development



Setting targets

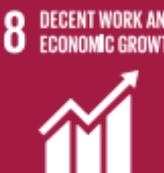


Follow-up



Our Sustainability Strategy is Focused on Seven UN SDGs

We selected seven of the seventeen SDGs based on their importance and relevance to our operations



We will begin to measure the water-intensity of our investments. Using the Åland Index, our customers will gain access to reports on their water consumption. As one of the founders, we are contributing to the annual awarding of the Stockholm Water Prize

We give preference to green investment products and offer our customers investment products that benefit environment characteristics. With our Wind Power Fund, we are increasing the proportion of renewable energy in the Nordic countries

We work actively to promote social sustainability – an inclusive society, equal worth, sound values and broad community involvement, as well as following regulations and requirements to help combat corruption, money laundering and other criminal activities

Our Code of conduct helps us and our suppliers to act responsibly and ethically. Our products offer customers the opportunity to make their own environmentally friendly choices



**Doconomy
360,000,000**

Bank customers worldwide can monitor the carbon footprint of their card purchases via Åland Index Solutions

ÖSTERSJÖPROJEKTET
BALTICSEAPROJECT
ITÄMERIPROJEKTI

€ 3,800,000

funding good ideas for the environment since 1997.



We calculate CO₂ emissions from our own operations, our customers' financial investment portfolios, our loan portfolio and treasury portfolio. A compensation portfolio has been developed to offset emissions from our own operations. We offer Eco-labelled funds and intend to continue to expand our product range

Through the Baltic Sea Project and the Baltic Sea Account, we and our customers work together to help reduce pollution in the Baltic Sea

Through the Åland Index, we are increasing our employees' and customers awareness of their own carbon footprint. At the same time, we are working to reduce our CO₂ emissions. Our employees are trained and committed to sustainability and environmental work, for example through local "keep nature clean" projects

Our Sustainability Governance Structure

Sustainability is a natural element of the Bank of Åland's business strategy

Based on their specific roles, all executives and employees are responsible for ensuring that the Bank of Åland develops in a sustainable way. Among the tools of this work are directives, guidelines and plans that concretize the strategy in each area of sustainability

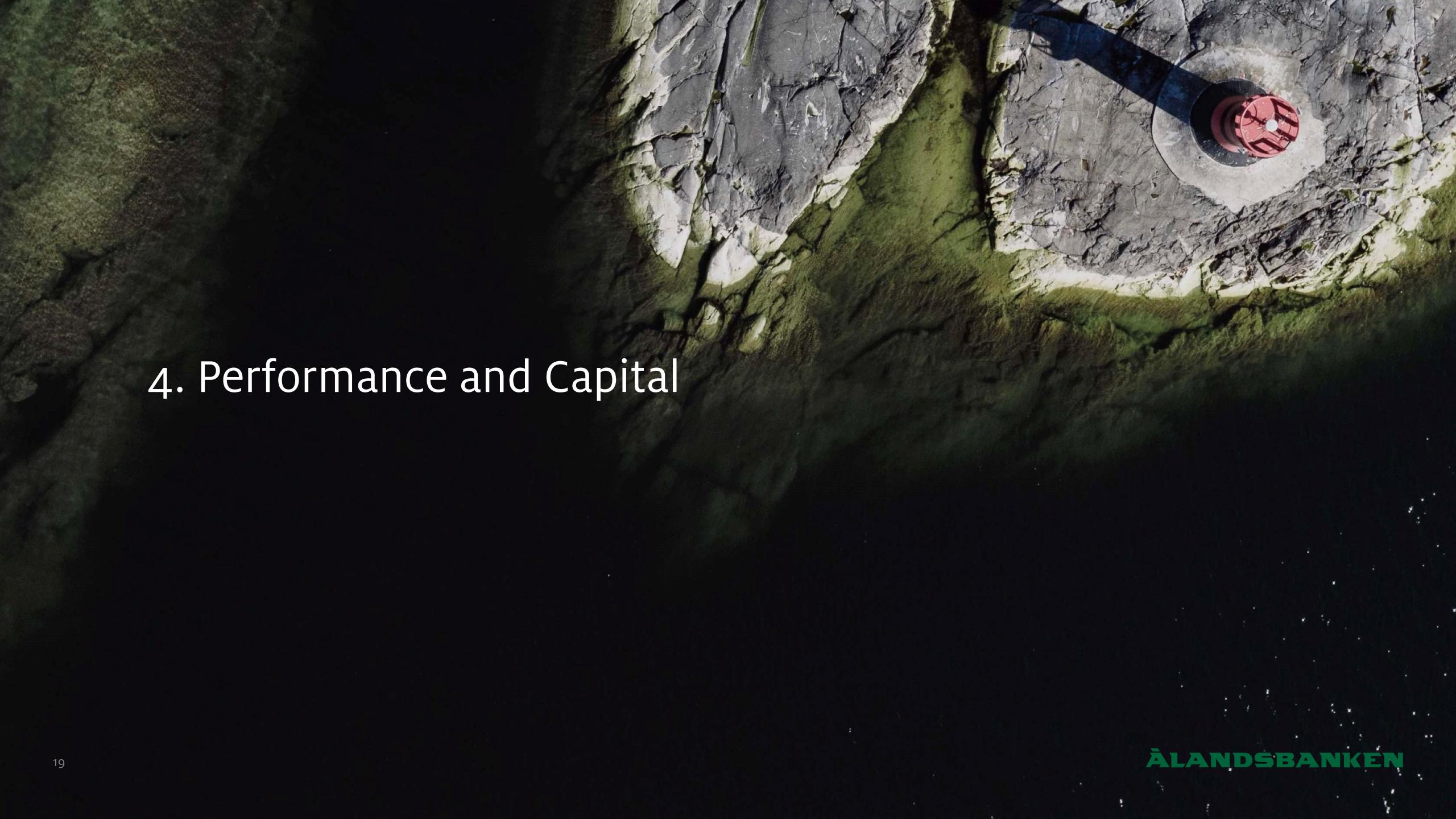
Board of Directors	Having the ultimate responsibility for governance of the Bank's sustainability work and adopting the Bank's sustainability strategy every two years
Executive Team	The Chief Executive is responsible for implementing the strategy. The Executive team is responsible for strategic sustainability work based on a yearly materiality analysis and the Bank's sustainability strategy
Sustainability Team	Carrying out the Bank's overall sustainability work and acting as a forum for questions and decisions. The team consists of four people: our sustainability manager, sustainability strategist, sustainability developer and responsible investment manager
ESG Committee	Monitoring global events, overseeing developments in sustainable investments and ensuring that strategies and guidelines for sustainable investments are being followed
Regulatory Group	Compiling all global monitoring results and also maintaining a list of regulations that must be implemented
Project Organization	Carrying out those development and implementation projects which are related to sustainability
The Chief Credit Officer	Ensuring that the Bank's lending complies with its sustainability goals and the regulations
Risk Control Department	Managing the Bank's climate risks

Climate Targets

- In 2021 we established the Group's climate targets, which support the Paris Agreement and its important goal in the fight against climate change: that the global temperature increase should be kept well below 2 degrees and that efforts should be made to limit it to 1.5 degrees
- Climate calculations form the basis for our ability to develop a climate strategy that tells us how, and at what pace, we should reduce our greenhouse gas emissions in order to achieve the established climate targets. This strategy has been completed in 2022
- We have developed a compensation portfolio that offsets emissions from our own operations. The portfolio was developed in collaboration with the Finnish non-profit Compensate, which offers companies and individuals easy access to high-quality greenhouse gas emission compensation

2030 Target 1 Reducing CO ₂ e emissions by 50 per cent no later than 2030, compared to 2021	2035 Target 2 Being a climate-neutral organization no later than 2035, in line with Finland's climate policy decision	2050 Target 3 Achieving net-zero emissions by 2050
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The background image shows an aerial perspective of a rugged, light-colored rock cliff. A red and white lighthouse stands prominently on the right side of the cliff, its dark cylindrical body and red top contrasting with the surrounding stone. The base of the cliff is covered in patches of green moss and low-lying vegetation. The ocean is visible at the bottom, appearing dark and textured.

4. Performance and Capital

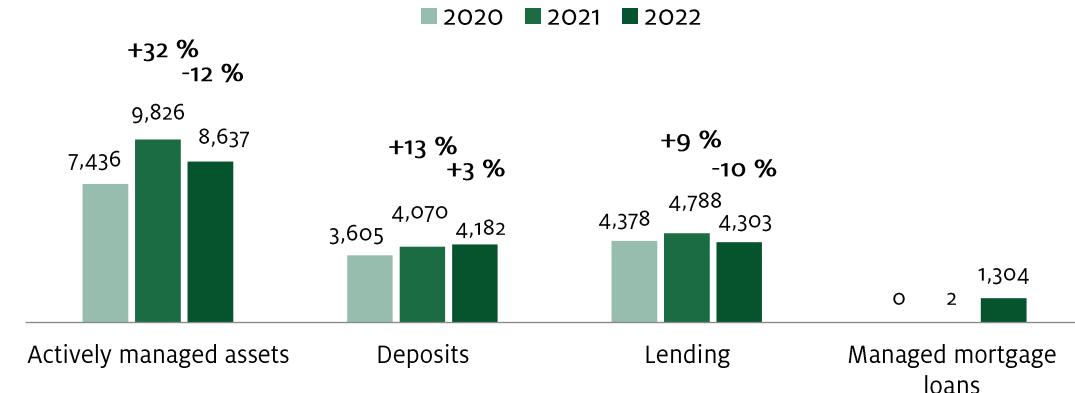
Long-Term Financial Targets

Profitability	Return on equity after taxes (ROE) shall exceed 15 per cent over time
Capitalization	The Common Equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75-3.0 percentage points
Payout ratio	The payout ratio shall be 60 per cent of shareholders' interest in profit or higher, provided that capital adequacy does not fall below the target

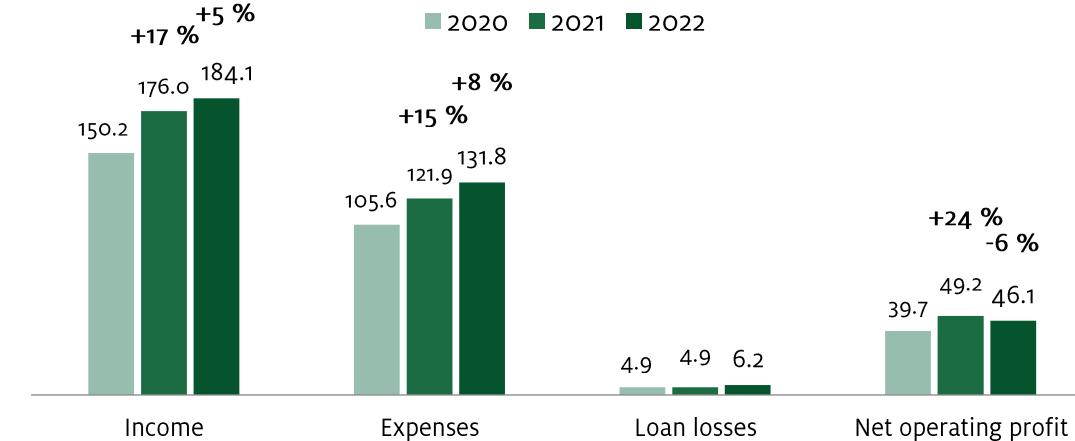
2022 in Summary

- 2022 was turbulent: with war in Ukraine, high inflation, rising interest rates and bond yields as well as plunging stock markets
- Russia's invasion of Ukraine has no direct impact on the Bank of Åland's credit portfolio. However, the Bank of Åland is affected by the changing macroeconomic conditions. The Bank has substantial positive net interest income sensitivity to rising short-term market interest rates
- In February, the Bank of Åland transferred most of its Swedish mortgage loans (SEK 10.4 billion) and related previously issued Covered Bonds (SEK 7.5 billion) to Borgo, in which the Bank of Åland is one of the main shareholders. The transaction had a nonrecurring positive effect in the Bank of Åland's income statement of EUR 9.8 M. An additional mortgage portfolio in SEK will be transferred to Borgo later
- Of the Bank of Åland's Stage 3 impairment loss provisions, EUR 6.0 M is related to a case in Sweden caused by credit fraud, where the customers were sentenced to prison terms for this crime. The Bank of Åland has the requisite insurance against crime and has filed a damage claim with its insurance company. The insurance company has not completed its damage investigation
- Finland's POP Bank has chosen the Bank of Åland's subsidiary Crosskey as its central banking system partner
- For the second year in a row, the Bank of Åland was named Finland's best Private Banking player in Kantar Prospera's survey
- Bank of Åland has acquired and annulled a total of 361,281 own Series B shares for a total amount of EUR 12.1 M
- A new share savings program was launched for all employees in the Group

Volumes, EUR M



Net operating profit, EUR M



Q4 and 2022 Results

Q4 Results

- Net operating profit Q4, EUR 10.6 M (10.2 M in Q4 2021), +4 %
- ROE Q4, 11.9 % (10.6 % in Q4 2021)

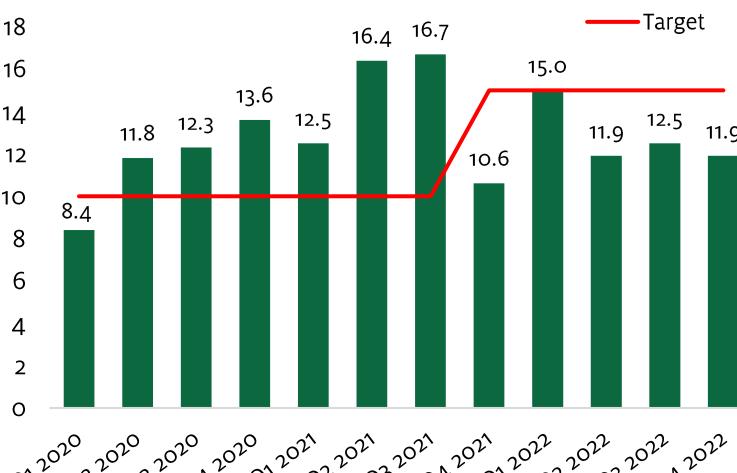
2022 Results

- Net operating profit 2022, EUR 46.1 M (49.2 M in 2021), -6 %
- ROE 2022, 12.8 % (14.0 % in 2021)
- Earnings per share 2022, EUR 2.37 (2.55 in 2021), -7 %

Future Outlook

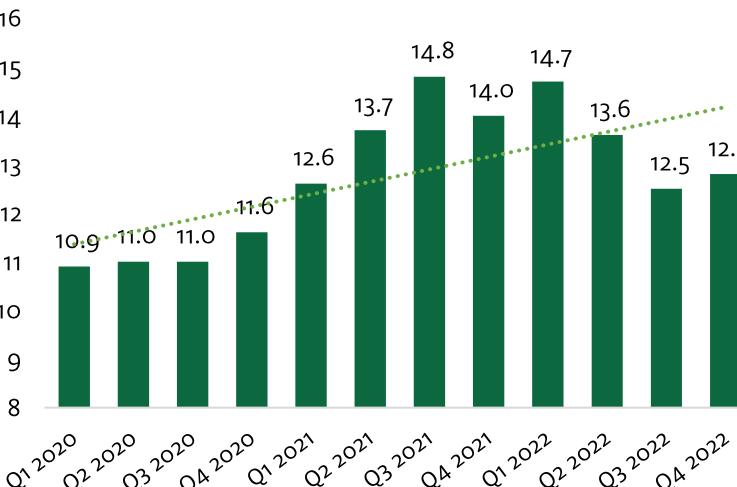
- The Bank of Åland expects its net operating profit in 2023 to be significantly better than in 2022
 - Dependent on the performance of the fixed income- and stock markets
 - Some uncertainty about the Bank's current forecast due to concerns about economic development in a number of important markets

ROE %, 2020-2022

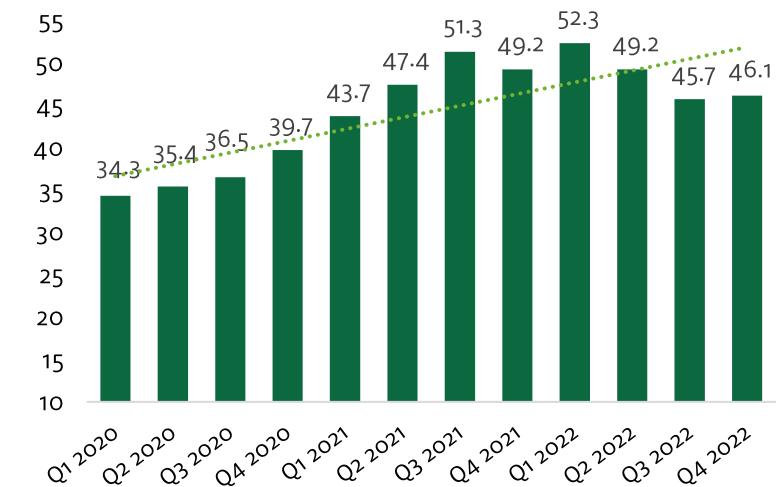


Statutory fees: EUR 2.0 M (Q1 2020), EUR 0.6 M (Q2 2020), EUR 2.8 M (Q1 2021), EUR -0.1 M (Q2 2021), EUR 3.6 M (Q1 2022) and EUR -0.1 M (Q2 2022)

ROE, Rolling 12 Months, %

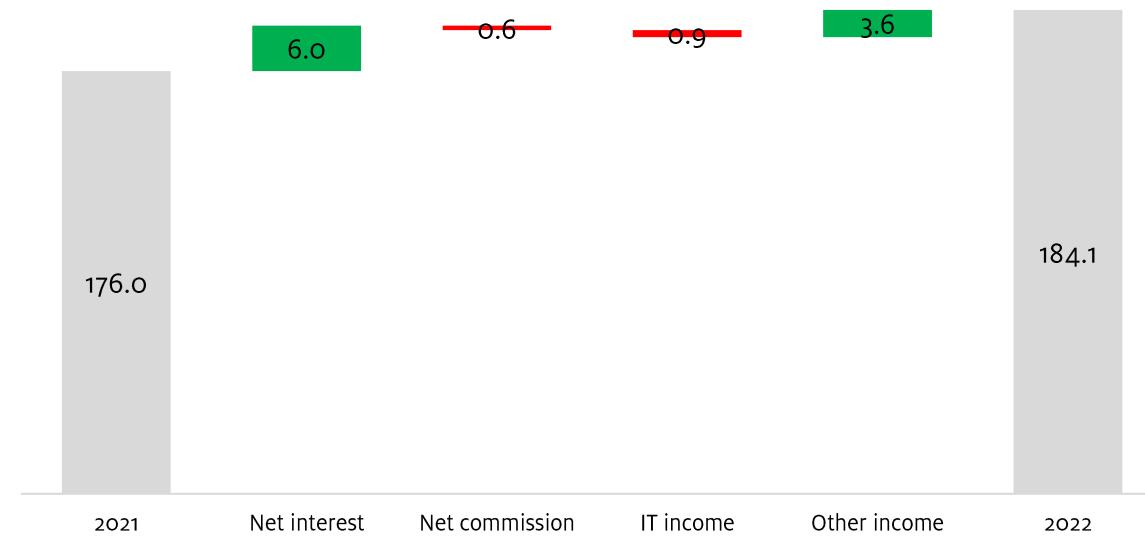


Net Operating Profit, Rolling 12 Months, EUR M

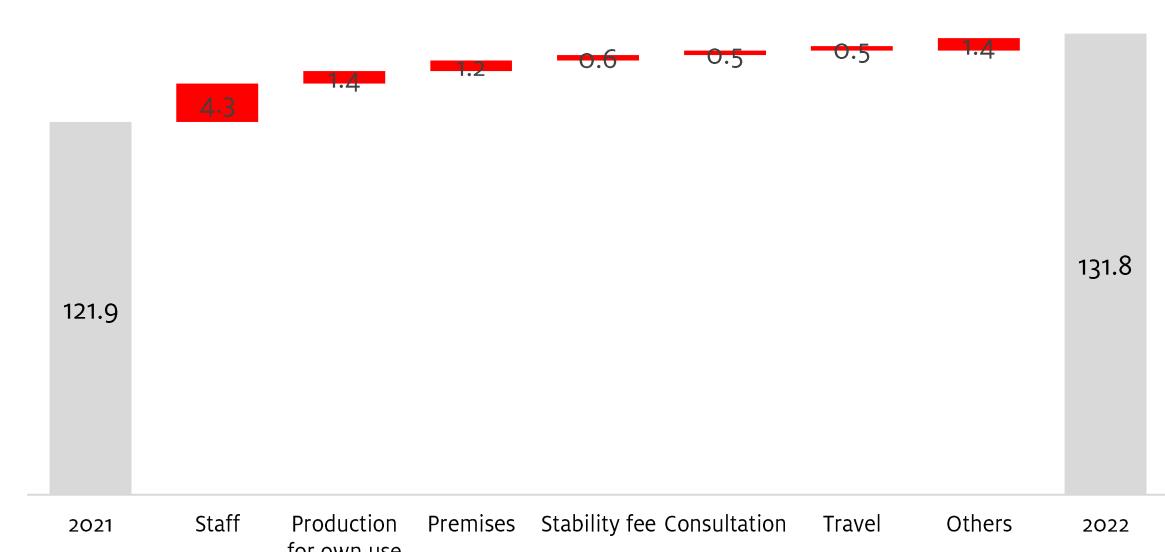


Higher Income and Expenses

Income 2022, EUR M

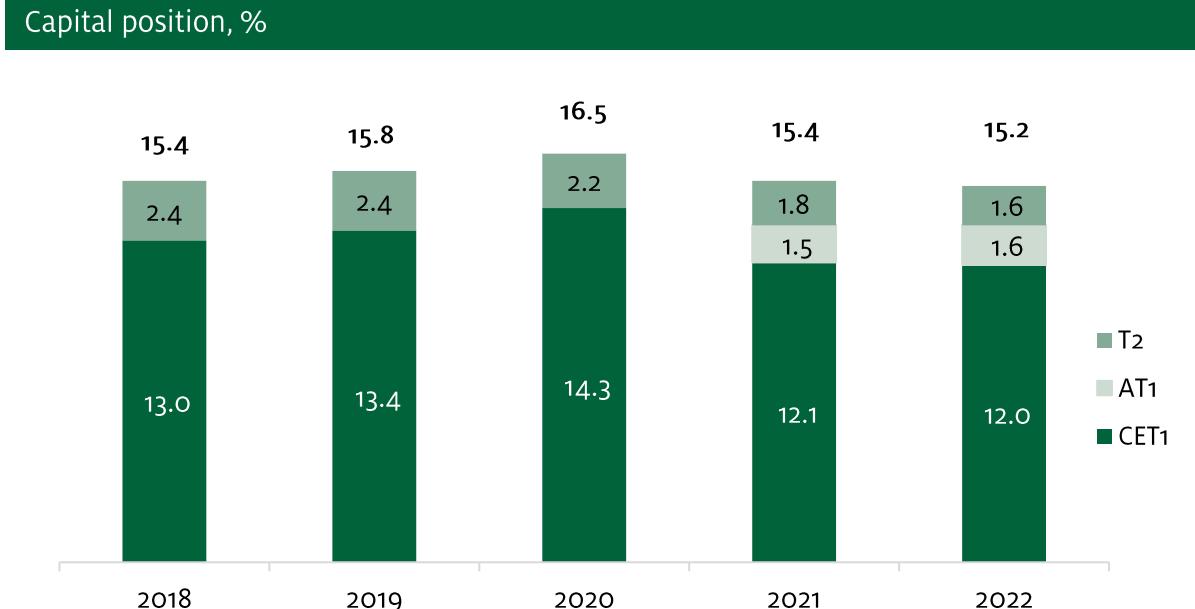


Expenses 2022, EUR M



Committed to Maintaining a Strong Capital Ratio

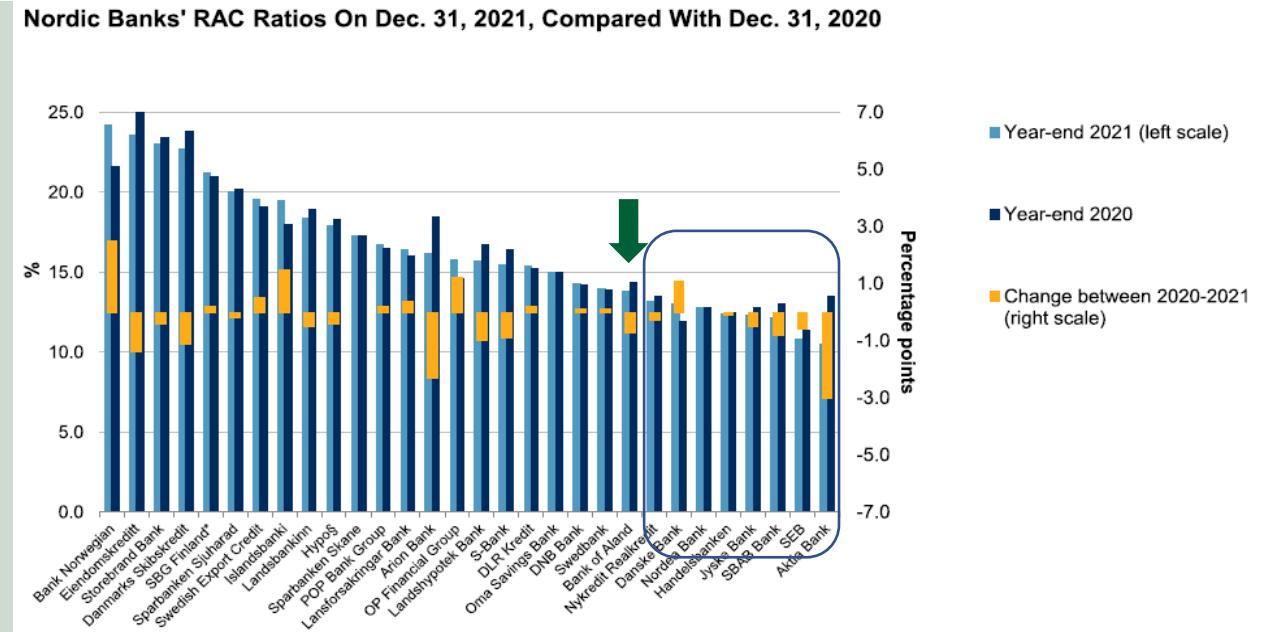
- The Bank of Åland is committed to a strong capital ratio
- The Bank will continue to build up its capital base, improve and diversify earnings, and uphold a sound approach to risk
- Conservative pay-out policy is to safeguard the capital position
- As of 2022, the standardised 26.5 per cent upward adjustment in the risk exposure amount, calculated according to the current IRB approach while awaiting an updated approach, was raised to 45.5 per cent for the retail portfolio
- A new risk exposure amount of EUR 7 M was added due to an increased strategic foreign exchange position in Swedish kronor after the transfer of most of the Swedish mortgage loan portfolio to Borgo AB (publ)
- At year-end 2021, there was unutilised permission from the Finnish FSA for buy-backs of the Bank's own shares totalling up to EUR 10.5 M. This amount was fully deductible item in the capital base (own funds) even when these buy-backs had not occurred. As of December 31, 2022 there was no similar unutilised permission, as buy-backs had already been carried out
- The Board of Directors proposes a dividend of EUR 31.3 M for 2022, consisting of a regular dividend of EUR 1.60 per share plus an extra dividend of EUR 0.45 per share, subtracted from the Bank's CET1 capital ratio on December 31, 2022
- CET1 capital ratio for a small bank like the Bank of Åland is not comparable to larger banks with IRB methods



S&P Views Bank of Åland's Capital Position to be a Credit Strength

S&P highlights that Bank of Åland's strong capital position is a credit strength

- Key strengths according to S&P
 - Strong risk-adjusted capitalization
 - Low credit losses
- The upgrade on the Bank's long-term issuer credit rating from BBB to BBB+ reflects S&P's forecast that Bank of Åland's capitalization will strengthen sustainably through 2024. S&P expects that the Bank's RAC ratio will improve to 15-16 % over the next two years from 14.5 % as of June 30, 2022

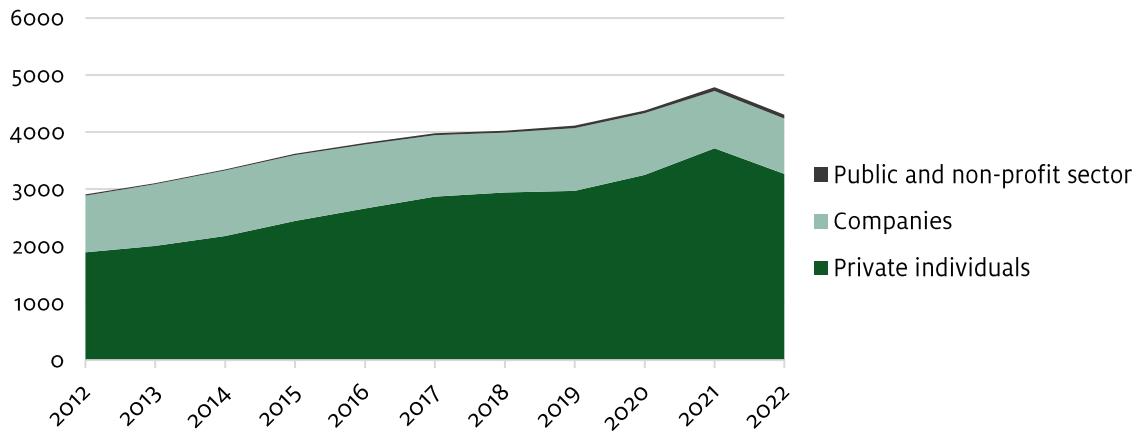


5. Asset Quality

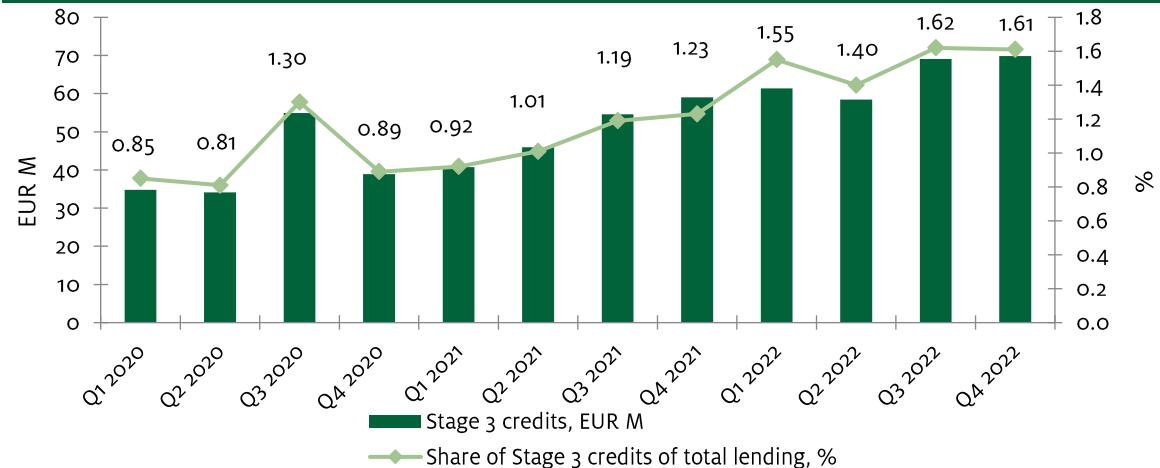
Lending Strategy Focused on Balanced Credit Growth

- The Bank of Åland is a relationship bank with the primary focus on customers with investment needs in the Private Banking and Premium Banking segments
 - Selective lending to high quality, affluent clients, where asset quality is prioritised over lending volume growth and higher returns
- The Bank of Åland is not granting credits as a standalone product to mass market clients or corporate clients
- Balanced growth in lending versus deposits in every business area
- Residential mortgages or property as collateral in at least half of the lending
- Many small loans are preferred to a few large
- Loan loss level of 0.14 % in 2022 (0.12 % in 2021)

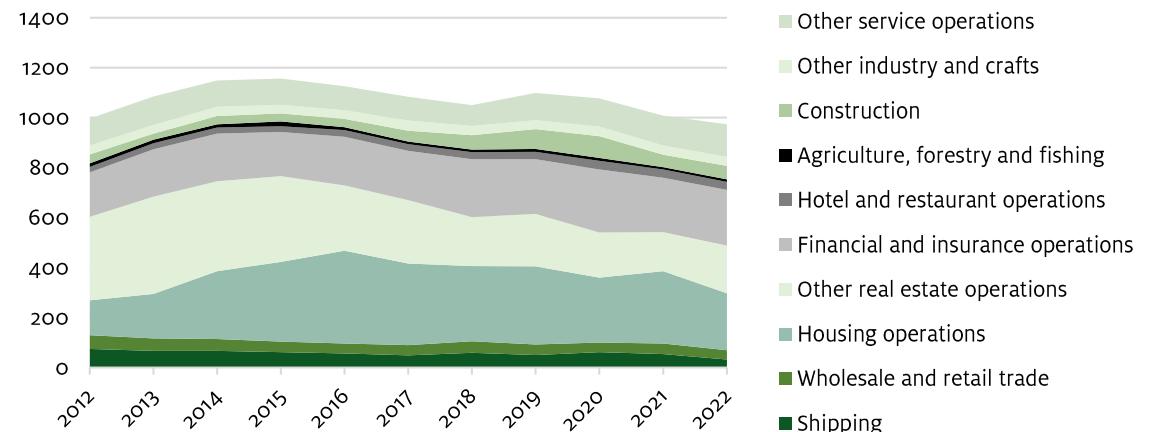
Lending to the Public, EUR M



Stage 3 Credits 2020-2022



Lending to Companies, EUR M

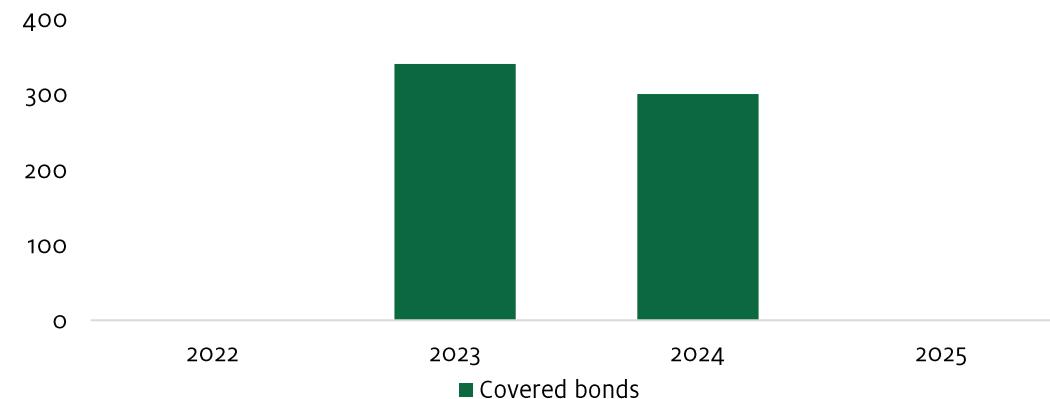


6. Liquidity and Funding

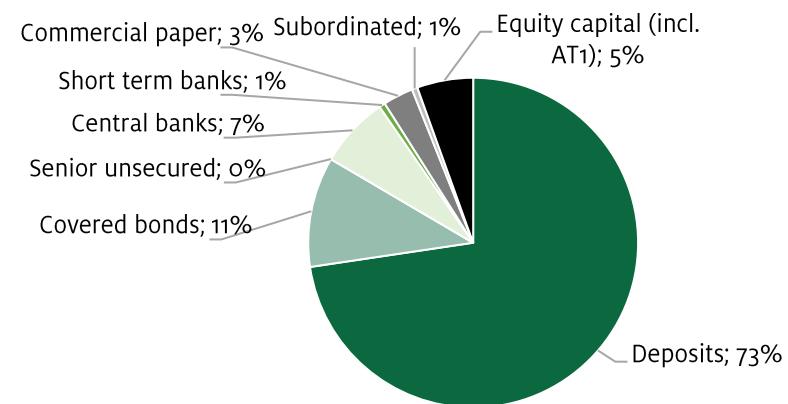
Group Funding and Liquidity Management

- Demand deposits and time deposits from core private customers and their companies are the main funding sources
- Covered Bonds, the main long-term funding source today, were introduced in early 2012 in order to diversify the funding mix and to form a reliable and cost-efficient funding channel
- Loans from central banks have grown from 2 % → 7 % since the start of the pandemic
- A balanced funding mix is maintained with a diversity of funding sources
- Well-diversified maturity profile with limited exposure to short-term wholesale funding

Maturing Long-Term Funding* December 31, 2022, EUR M



Group Funding Profile December 31, 2022



Themes 2023

- After the transfer of SEK Covered Bonds to Borgo, the share of customer deposits is high, above 70 % of the funding
- In adverse market conditions it has been a reasonable strategy to issue retained Covered Bonds and use those as collateral for funding from the central banks
- Demand conditions and the market situation favour issuance in Covered Bonds
- The balanced funding mix is maintained
- Effective on January 1, 2022, the Finnish FSA has given the Bank of Åland a formal MREL requirement under European Union regulations. The requirement consists of a minimum of 9 % total capital requirement and a minimum of 3 % leverage ratio. The MREL requirements have no material effect on the funding of the Bank

Liquidity Reserve

- Very high quality in liquidity reserves
 - The most liquid and tradable assets
 - LCR and NSFR targets reached
- Coordinated cash pools between Finland and Sweden
- Conservative approach to market risk within liquidity reserves
 - Assets with short duration
 - Well diversified counterparty risk profile

Key metrics

Liquidity reserve

21 %
of total assets

Liquidity portfolio

EUR 1,226 M

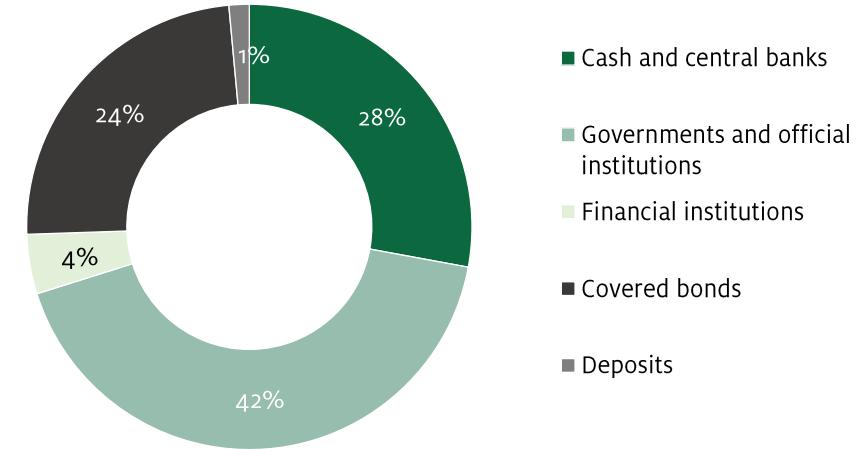
LCR

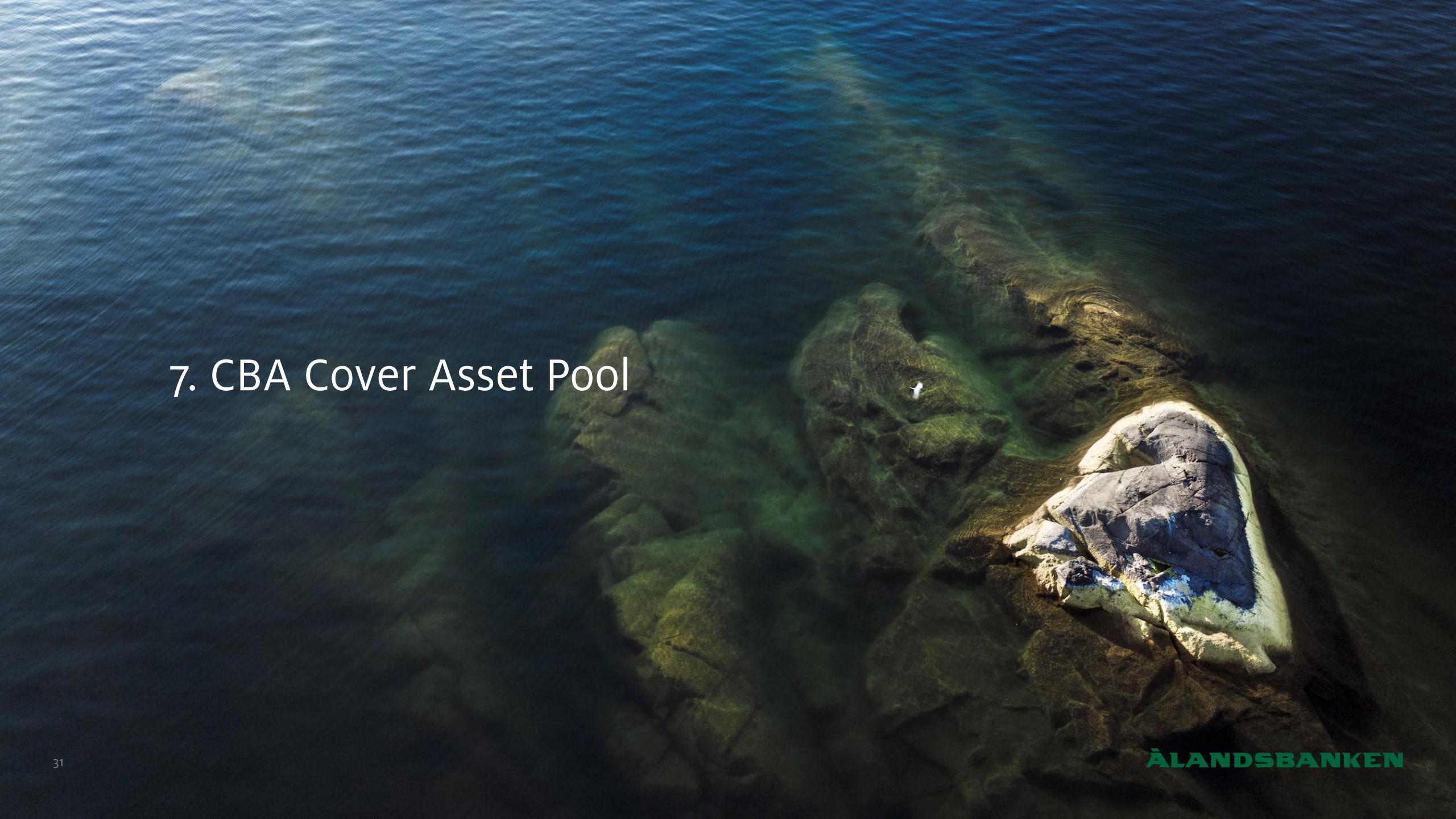
138 %

NSFR

108 %

Composition of the Liquidity Reserve December 31, 2022



An aerial photograph of a coastal area. The water is a deep blue-green color, with patches of bright green algae covering the rocks and shallow areas. A large, light-colored rock formation is visible in the lower right foreground. A single white bird is seen flying over the water near the rocks.

7. CBA Cover Asset Pool

The Finnish Economy and Housing Market

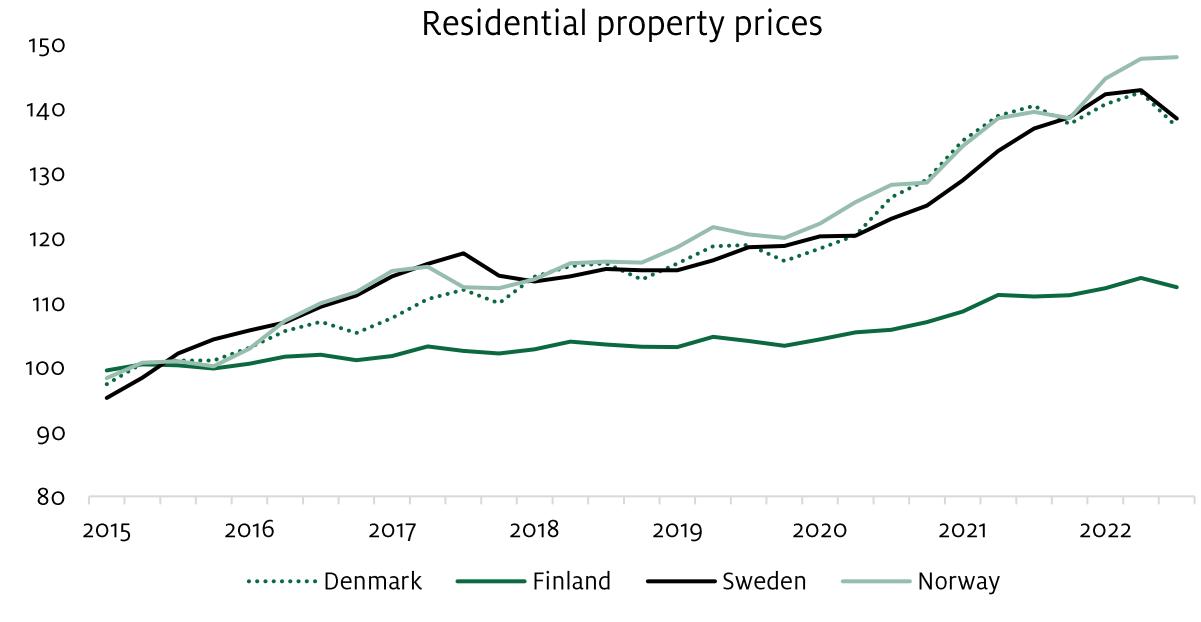
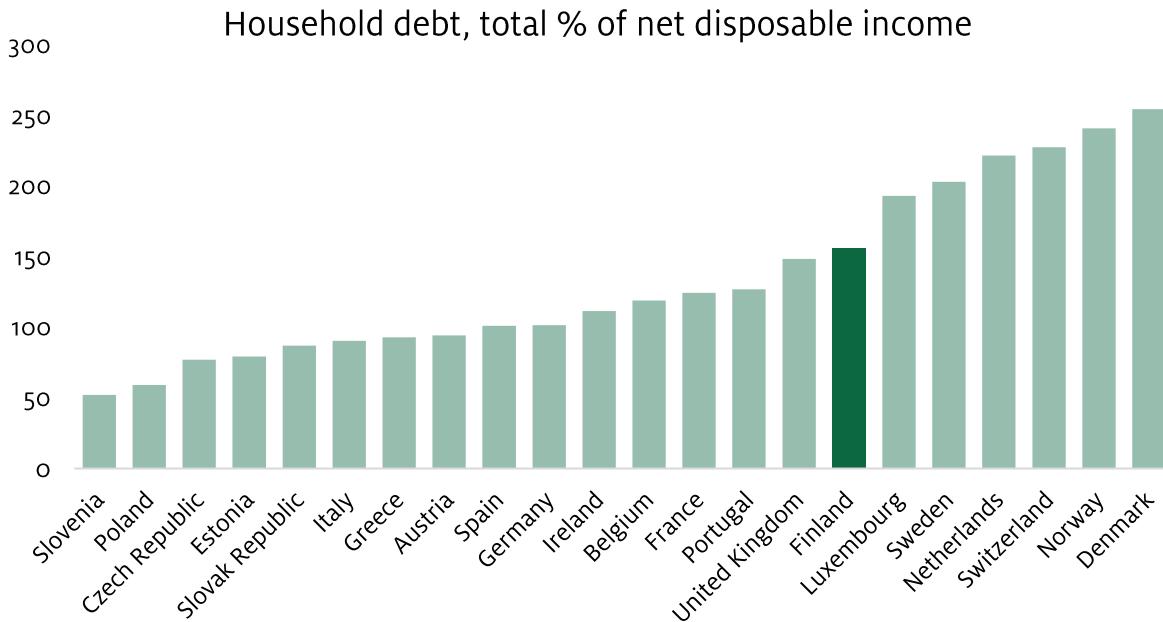
- Finland recovered rapidly from the pandemic, but growth stalled following Russia's war of aggression against Ukraine
- The war accentuated increases in energy prices that began late in 2021, pushing up inflation both directly and indirectly as higher energy and food prices fed into core inflation
- Souring inflation has reduced household disposable income
- The economy is expected to stall in 2023 but growth is expected to recover to 1.1 % in 2024:
 - Consumption is expected to weaken in response to falling real wages but subsequently recover as inflation moderates and wages rise
 - Export growth is expected to decline as a result of reduction in gas supplies from Russia, but to pick up as alternative sources are found
 - Business investments is expected to remain weak through 2023 owing to the economic downturn and more uncertain economic outlook caused by the war
- To rein in inflation, the European Central Bank has begun a tightening monetary policy and is expected to continue doing so through 2023

Source: [OECD](#)

		2020	2021	2022	2023	2024	Forecast
National account, % y/y							
GDP		-2.2	3.0	2.2	-0.3	1.1	
Private consumption		-4.0	3.7	2.3	-0.6	1.4	
Government consumption		0.3	2.9	2.8	-0.3	0.1	
Gross fixed capital formation		-0.9	1.5	3.0	-0.7	0.2	
Exports of goods and services		-6.8	5.4	-0.5	1.9	3.1	
Imports of goods and services		-6.0	6.0	9.0	1.2	2.3	
Net exports		-0.3	-0.2	-3.7	0.3	0.3	
Economic indicators		2020	2021	2022	2023	2024	
Harmonised index of consumer prices		0.4	2.1	7.0	5.3	3.1	
Harmonised index of core inflation		0.5	1.2	3.6	4.3	3.1	
Unemployment rate (%)		7.8	7.6	7.0	7.9	7.8	
Household savings ratio, net (% of disposable income)		4.7	2.0	-1.4	-1.2	-1.3	
General government financial balance (% of GDP)		-5.5	-2.7	-2.5	-3.9	-3.6	
General government debt, Maastricht definition (% of GDP)		74.8	72.4	72.2	74.5	76.2	
Current account balance (% of GDP)		0.7	0.6	-2.6	-2.2	-1.9	

The Finnish Economy and Housing Market

- Household debt is 150 % of disposable income, mostly for housing loans, making households vulnerable to rising housing loan interest rates
- To curb rising household indebtedness, the FIN-FSA has returned loan-to-value restrictions to the pre-pandemic level and issued a recommendation on a debt servicing-to-income limit for mortgage lending
- Growth in residential property prices has been moderate in Finland compared to its Nordic peers
- Recent slowdown in the Nordic real estate market has been modest in Finland



The Finnish Covered Bond Act

- The Finnish covered bond legislation recently underwent some changes following the implementation of the Covered Bond Directive (EU) 2019/2162
- The Finnish Covered Bond Act (CBA) repealed the Finnish Act on Mortgage Credit Bank Activity (MCBA) on 8 July 2022
- The most significant changes are the introduction of a cover pool liquidity buffer covering net outflows over the next 180 days, restrictions on extending maturity (“soft bullets”), new levels of regulative overcollateralization 2-5%, the excess collateral must also cover the estimated write-down costs related to the covered bonds, increase of cover pool value of residential mortgages from 70 % to 80 % of the mortgage collateral’s net value and updated criteria for substitute collateral
- Following the regulatory changes, Bank of Åland now has two separate cover asset pools in place. The CBA Cover Asset Pool which was established in November 2022 and the MCBA Cover Asset Pool established in September 2012. Covered Bonds issued prior to 8 July 2022 or associated Tap Issues after 8 July 2022 are secured by the MCBA Cover Asset Pool. Both pools consist of 100 % Finnish and the Åland Islands’ residential mortgages
- Separate registers are maintained for both cover asset pools in accordance with the CBA and MCBA

CBA Cover Asset Pool Characteristics

Key characteristics of the CBA Cover Asset Pool December 31, 2022

Prime Finnish residential mortgages, %	100.0
Total nominal amount, EUR M	300.1
Weighted arithmetic average LTV, unindexed, %	59.2
Weighted average life, years	17.1
Weighted average loan seasoning, months	41.5
Number of unique loans	2,578
Number of borrowers	2,805
Average loan size, EUR k	121
Interest rate base, %	95.0 floating / 5.0 fixed
Impaired loans, %	0.0
Repayment type, %	24.3 interest only / 75.7 amortizing
Over-collateralization, %	actual 20.0*/ minimum committed 14.8

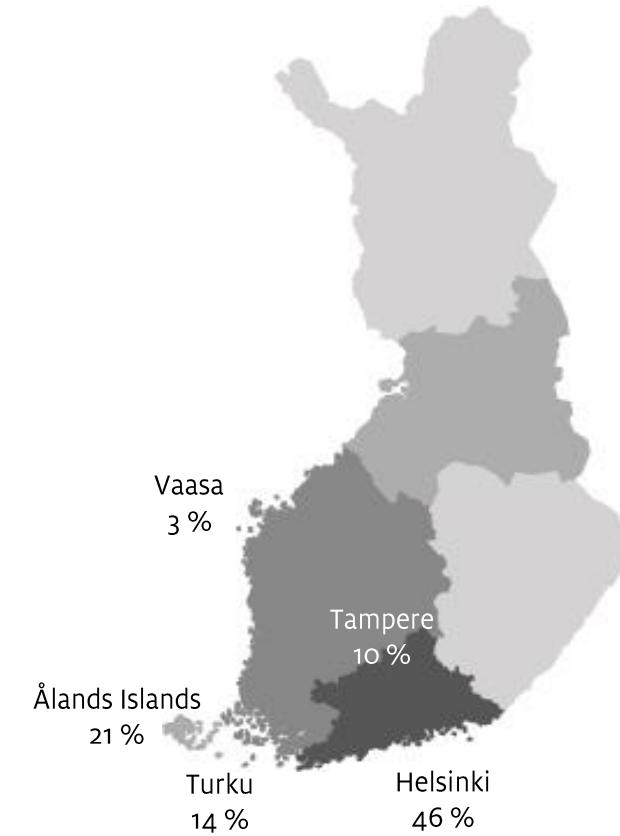
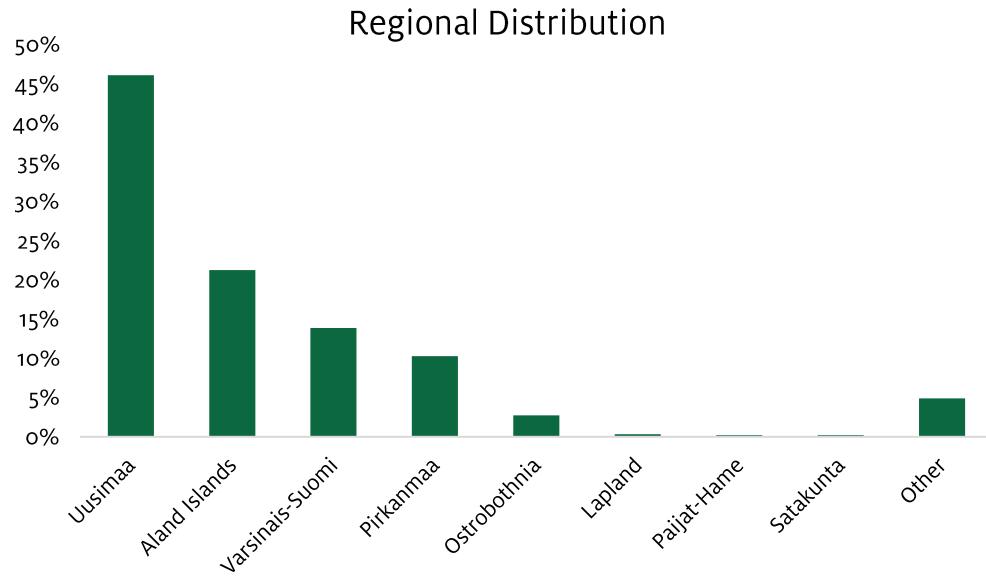
* According to the expected issue size of EUR 250 M

- S&P has assigned preliminary AAA ratings to the CBA Covered Bonds of the Bank of Åland with a stable outlook
- The Bank of Åland is committed to keeping the CBA Covered Bond rating at the AAA level through an over-collateralization clearly over the legislative minimum of 2 %. In excess of 2 %, the excess collateral must also cover the estimated write-down costs related to the Covered Bonds. Overcollateralization is kept on a level that allows the maximum uplift of 4 notches of collateral-based uplift in S&P rating framework* or an AAA rating on the CBA Covered Bonds
- Under the CBA, Bank of Åland is required to ensure that the CBA Cover Asset Pool continuously contains certain types of liquid funds in an amount which covers the maximum net outflow relating to CBA Covered Bonds over the coming 180 days' period
- Even though the statutory liquidity buffer requirement does not apply to Covered Bonds to which the MCBA applies, Bank of Åland is committed to maintain a liquidity buffer covering 180 days contractual outflows from the Covered Bonds issued under the MCBA. The liquidity buffer consists of contractual inflows and liquid assets in the MCBA Cover Asset Pool

*S&P Global Ratings: "Covered Bonds Criteria, published on Dec. 9, 2014, and "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015

Geographical Distribution of the CBA Cover Asset Pool

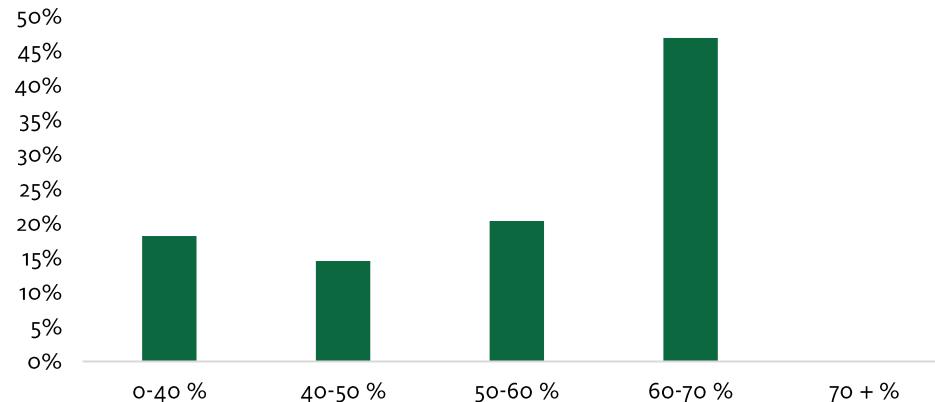
- Clear concentration to the growth centres, the wealthiest parts of Finland



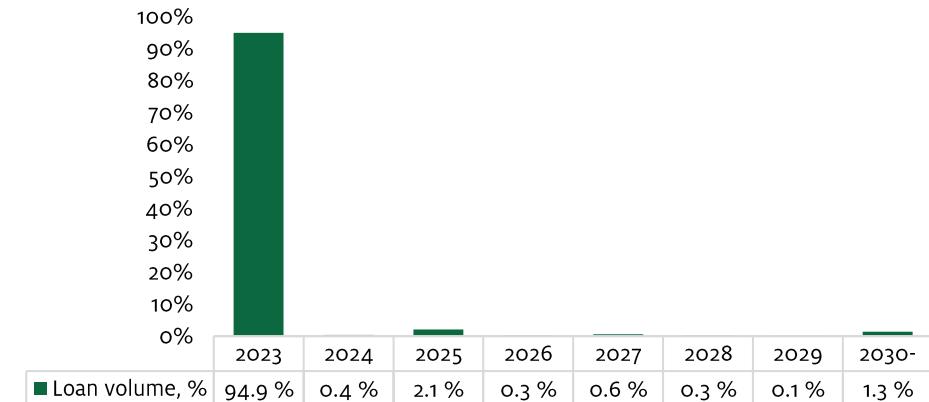
Geographical distribution according to CBA Cover Asset Pool December 31, 2022

CBA Cover Asset Pool Details

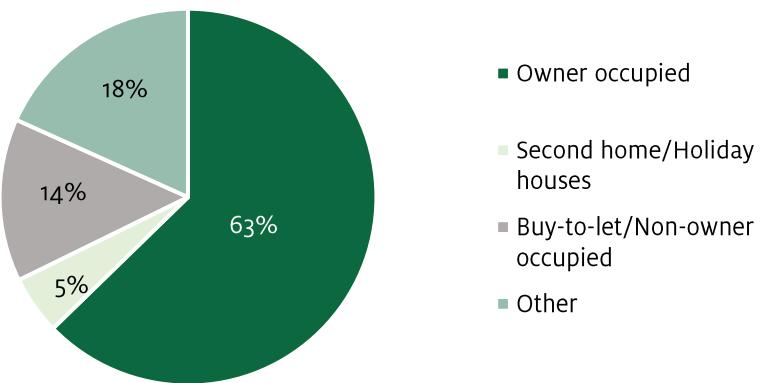
LTV, Unindexed



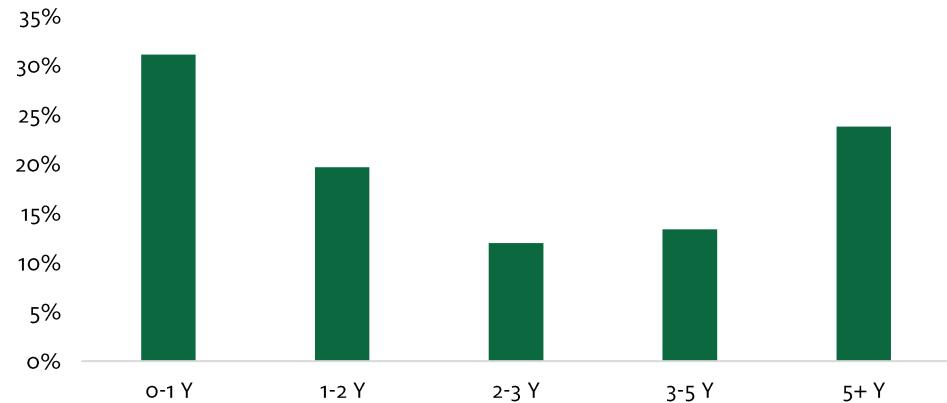
Interest Rate Reset

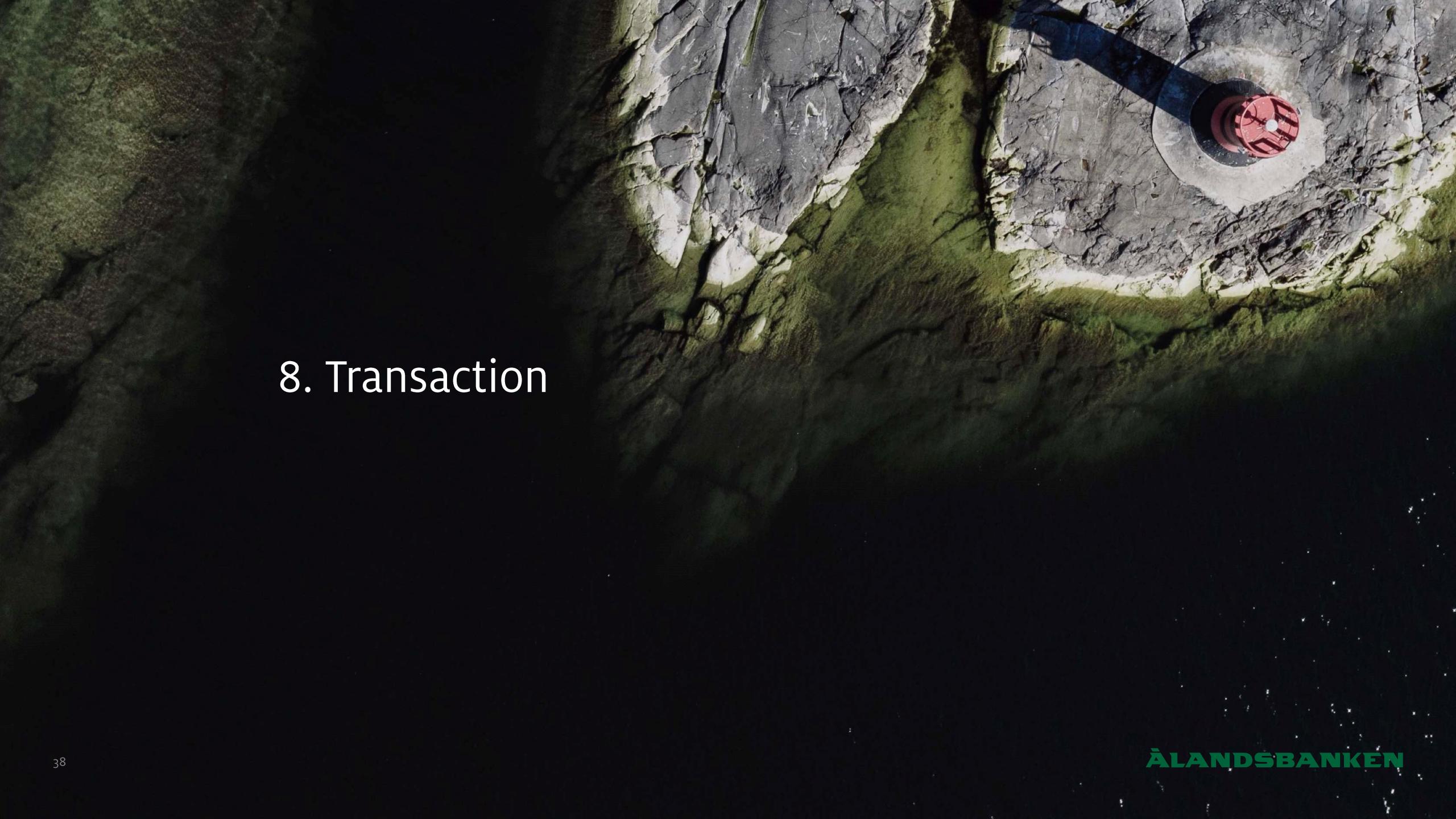


Breakdown by Type



Seasoning



The background image shows a dramatic aerial view of a dark, craggy cliff face. A small, red and white lighthouse stands prominently on the right side, mounted on a dark metal pole. The cliff's surface is textured with various shades of grey and black, with patches of bright green moss or algae growing in some of the crevices. The ocean below is a deep, dark blue.

8. Transaction

New Issue: Key Features

Issuer	Ålandsbanken Abp (Ticker: AABHFH)
Currency and Expected Deal size	EUR 250 M
Expected Maturity	3-5 years
Coupon	Fixed Rate Notes
Denomination	EUR 100,000
Format	Mortgage Covered Bond / Reg S Bearer, backed by 100 % prime Finnish residential mortgages, ECB repo & LCR 2A eligible, UCITS compliant, CRR compliant, European Covered Bond (Premium)
Preliminary Issue Rating	The issue will be rated by S&P, the preliminary rating is AAA
Timing	March 2023
Documentation	Under the Issuer's EUR 2,000,000,000 Senior Preferred Note, Covered Bond, Tier 2 Note and Additional Tier 1 Capital Note Programme dated February 22, 2023
Governing Law	The governing law is Finnish law
Listing	Nasdaq Helsinki Ltd (the Helsinki Stock Exchange)
Target Market	MiFID II professionals / eligible counterparties only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA or the UK
Joint Lead Managers	Swedbank, Nordea, LBBW

9. Appendix

Contact Details

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Key Figures

	Q4 2022	Q4 2021	2022	2021	2020	2019	2018
ROE, %	11.9	10.6	12.8	14.0	11.6	10.7	9.8
Expense/ income ratio, %	73	70	72	69	70	73	77
Loan loss level, %	0.20	0.30	0.14	0.12	0.11	0.08	0.02
CET1 capital ratio, %	12.0	12.1	12.0	12.1	14.3	13.4	13.0
Total capital ratio, %	15.2	15.4	15.2	15.4	16.5	15.8	15.4
Earnings per share, EUR	0.55	0.51	2.37	2.55	2.02	1.69	1.48
Equity capital per share, EUR	18.82	19.39	18.82	19.39	18.76	16.61	15.67
Lending to the public, EUR M	4,303	4,788	4,303	4,788	4,378	4,110	4,022
Deposits from public, EUR M	4,182	4,070	4,182	4,070	3,605	3,368	3,304
Equity capital, EUR M	316	332	316	332	292	258	242
Risk exposure amount, EUR M	1,938	1,976	1,938	1,976	1,671	1,583	1,578
FTE	862	817	854	815	751	700	691

Income Statement

EUR M	Q4 2022	Q4 2021	2022	2021	2020	2019	2018
Net interest income	19.7	16.2	68.2	62.2	58.9	53.9	54.5
Net commission income	18.4	21.5	78.4	79.0	66.3	58.0	54.3
Other income	8.9	8.5	37.5	34.8	24.9	22.0	18.8
Total income	47.0	46.2	184.1	176.0	150.1	133.9	127.6
Staff costs	-19.6	-18.0	-75.5	-71.1	-62.9	-57.0	-57.1
Other expenses	-14.6	-14.4	-56.3	-50.8	-42.6	-40.5	-40.7
Total expenses	-34.1	-32.5	-131.8	-121.9	-105.6	-97.5	-97.8
Profit before impairment losses	12.9	13.8	52.3	54.1	44.6	36.4	29.8
Net impairment loss on financial assets	-2.2	-3.5	-6.2	-4.9	-4.9	-3.2	-0.8
Net operating profit	10.6	10.2	46.1	49.2	39.7	33.2	29.0
Income taxes	-2.1	-2.3	-9.3	-9.3	-8.2	-6.9	-6.1
Net profit for the period	8.5	7.9	36.8	39.9	31.5	26.3	22.9
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	8.5	7.9	36.8	39.8	31.5	26.3	22.9

Balance Sheet

Bank of Åland Group	Dec 31, 2022	Dec 31, 2021		Dec 31, 2022	Dec 31, 2021
Assets			Liabilities		
Cash and balances with central banks	342	894	Liabilities to credit institutions and central banks	434	867
Debt securities	1,000	718	Deposits from the public	4,182	4,070
Lending to credit institutions	43	64	Debt securities issued	793	1,197
Lending to the public	4,303	4,788	Derivative instruments	24	7
Shares and participations	49	15	Current tax liabilities	3	4
Participations in associated companies	7	15	Deferred tax liabilities	35	35
Derivative instruments	27	13	Other liabilities	47	50
Intangible assets	21	23	Provisions	1	0
Tangible assets	36	34	Accrued expenses and prepaid income	32	36
Investment properties	0	0	Subordinated liabilities	31	36
Current tax assets	1	0	Total liabilities	5,581	6,303
Deferred tax assets	6	5			
Other assets	29	34	<i>Equity capital and non-controlling interests</i>		
Accrued income and prepayments	35	31	Share capital	42	42
Total assets	5,898	6,635	Share premium account	33	33
			Reserve fund	25	25
			Fair value reserve	-11	3
			Unrestricted equity capital fund	28	28
			Retained earnings	170	172
			Shareholders' portion of equity capital	287	302
			Non-controlling interests' portion of equity capital	0	0
			Additional Tier 1 capital holders	29	29
			Total equity capital	316	332
			Total liabilities and equity capital	5,898	6,635

Outstanding Long-Term Funding* December 31, 2022

MCBA Cover Asset Pool

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
XSo876678391	90 000 000	30-01-2013	30-01-2023	2.75	EUR	90 000 000	0.08
XS1496878742	250 000 000	29-09-2016	29-09-2023	0	EUR	250 000 000	0.75
FI4000375241	300 000 000	19-03-2019	19-03-2024	0.125	EUR	300 000 000	1.22
						640 000 000	0.87

* Excluding retained Covered Bonds

Sustainability Information

Bank of Åland Group	Q4 2022	Q3 2022	%	Q4 2021	%	1.1 – 31.12 2022	1.1 – 31.12 2021	%
Greenhouse gases, tonnes of CO₂e								
Scope 1								
Emissions from owned and controlled resources	2.3	2.7	-13	3.2	-28	7.0	5.9	20
Scope 2								
Energy-related emissions	0.2	4.2	-96	21.7	-99	30.7	73.0	-58
<i>of which from electricity according to market-based method¹</i>	0.0	4.2	-100	21.6	-100	30.0	72.5	-59
Scope 3*								
Purchased goods and services	23.0	22.5	2	27.5	-16	116.5	89.2	31
Capital goods	1.6	1.0	63	1.8	-11	5.1	7.9	-36
Transport and distribution	35.4	30.7	15	21.4	65	119.5	98.4	21
Waste generated by own operations	0.5	0.5	8	0.5	11	2.1	1.8	13
Business travel	143.1	127.9	12	63.6	125	378.5	97.9	287
Leased assets	2.5	1.5	70	1.1	121	6.2	4.3	45
Total scope 3	206.2	184.1	12	115.9	78	627.8	299.5	110
Total greenhouse gases, tonnes of CO₂e	208.7	191.0	9	140.9	48	665.5	378.4	76
Climate compensation	-208.7	-191.0	9	-775.2		-665.5	-775.2	-14
Net greenhouse gases, tonnes of CO₂e	0.0	0.0				0.0		
1) Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO ₂ e	171.1	204.6	-16	219.2	-22	784.9	803.6	-2
*Supplier-related emissions from purchases								
Emissions per employee (tonnes/average full-time equivalent)	0.95	0.84		0.69		0.77	0.47	
Emissions per EUR M earned (tonnes/EUR M)	4.44	4.47		3.05		3.61	2.15	

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