

# Bank of Åland

Investor presentation

January 2024



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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 low credit losses
- BBB+ rating from S&P
- For the third year in a row, the Bank of Åland has been named Finland's best Private Banking actor in Kantar Prospera's Private Banking 2023 Finland survey

## 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 and aims to be in the euro covered bond market on a regular basis
- Two Cover Pools: CBA Cover Asset Pool which was established in November 2022 and MCBA Cover Asset Pool established in September 2012. All new issuances are secured by the CBA 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 AAA (stable) rating from S&P on CBA Cover Asset Pool

# Financial Scorecard

September 30, 2023

## Capital

CET1  
Capital Ratio  
14.0 %

- Very strong capital position
- IRB approach used in Finland, standardised approach used in Sweden
- On March 29, 2023, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.05 per share for the financial year 2022 (a regular dividend of EUR 1.60 plus an extra dividend of EUR 0.45)
- Capital requirements applicable are CET1 capital ratio 8.5 %, Tier 1 capital ratio 10.2 % and Total capital ratio 12.5 %
- The Bank of Åland has an ample capital surplus: CET1 capital ratio +5.5 pp, Tier 1 capital ratio +5.5 pp and Total capital ratio +4.9 pp

## Liquidity and Funding

- Loan/deposit ratio of 106 %
- Liquidity reserve at 24 % of total assets
- LCR at 156 %
- NSFR at 110 %
- BBB+ bank rating from S&P
- AAA rating on Covered Bonds from S&P

AAA  
Rating on  
Covered  
Bonds from  
S&P

## Risk Management

Loan Loss  
Level  
0.06 %

- Long history of low loan loss levels. Loan loss level of 0.06 % in 9M 2023 (0.12 % in 9M 2022)
- No trading positions or complex financial instruments
- Strict limits on exposures to financial institutions. Bulk of the exposure is to highly rated Nordic entities

## Profitability

- Net operating profit EUR 41.5 M in 9M 2023 (EUR 35.5 M in 9M 2022), +17 %
- ROE 15.7 % in 9M 2023 (13.1 % in 9M 2022)
- Unchanged Future Outlook: The Bank of Åland expects its net operating profit in 2023 to be significantly better than in 2022

Return on  
Equity  
15.7 %

# BBB+ Issuer Credit Rating by Standard & Poor's

Issuer Credit Rating	BBB+/Negative/A-2
Stand-alone credit profile	BBB+
Anchor	
• Business operations in economically robust regions in Finland and Sweden	A-
Business position	
• Despite some geographic and business diversification, concentrated focus on retail and private banking increases vulnerability to cyclical swings	Constrained -2
Capital and earnings	
• Strong capitalization, solid earnings and low credit losses	Strong +1
Risk position	
• Geographic and business focus create some concentration risk	Moderate -1
Funding	
• Funding position supported by stable customer deposits	Adequate 0
Liquidity	Adequate
Comparable ratings analysis	+1
Support	0
Additional loss-absorbing capacity support	0
Government-related entity support	0
Group support	0
Sovereign support	0
Additional factors	0

Source: [S&P Global Ratings Research Update](#) June 29, 2023

On June 29, 2023, S&P Global Ratings revised its outlook on Bank of Åland to negative from stable

At the same time, S&P Global Ratings affirmed 'BBB+/A-2' long-term and short-term issuer credit ratings on the Bank

The background to this change in outlook is S&P Global Ratings' own model for calculating capital strength, the risk-adjusted capital (RAC) ratio, which diverges significantly from the official capital adequacy regulations that apply to European banks

"As of year-end 2022, Bank of Åland's RAC ratio was 12.9 %, compared with our forecast of above 15 %"

"Assuming sustained solid earnings and a RAC ratio that moves much closer to 15%, we see the bank's 'BBB+' stand-alone credit profile as comparatively well-positioned"

## 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

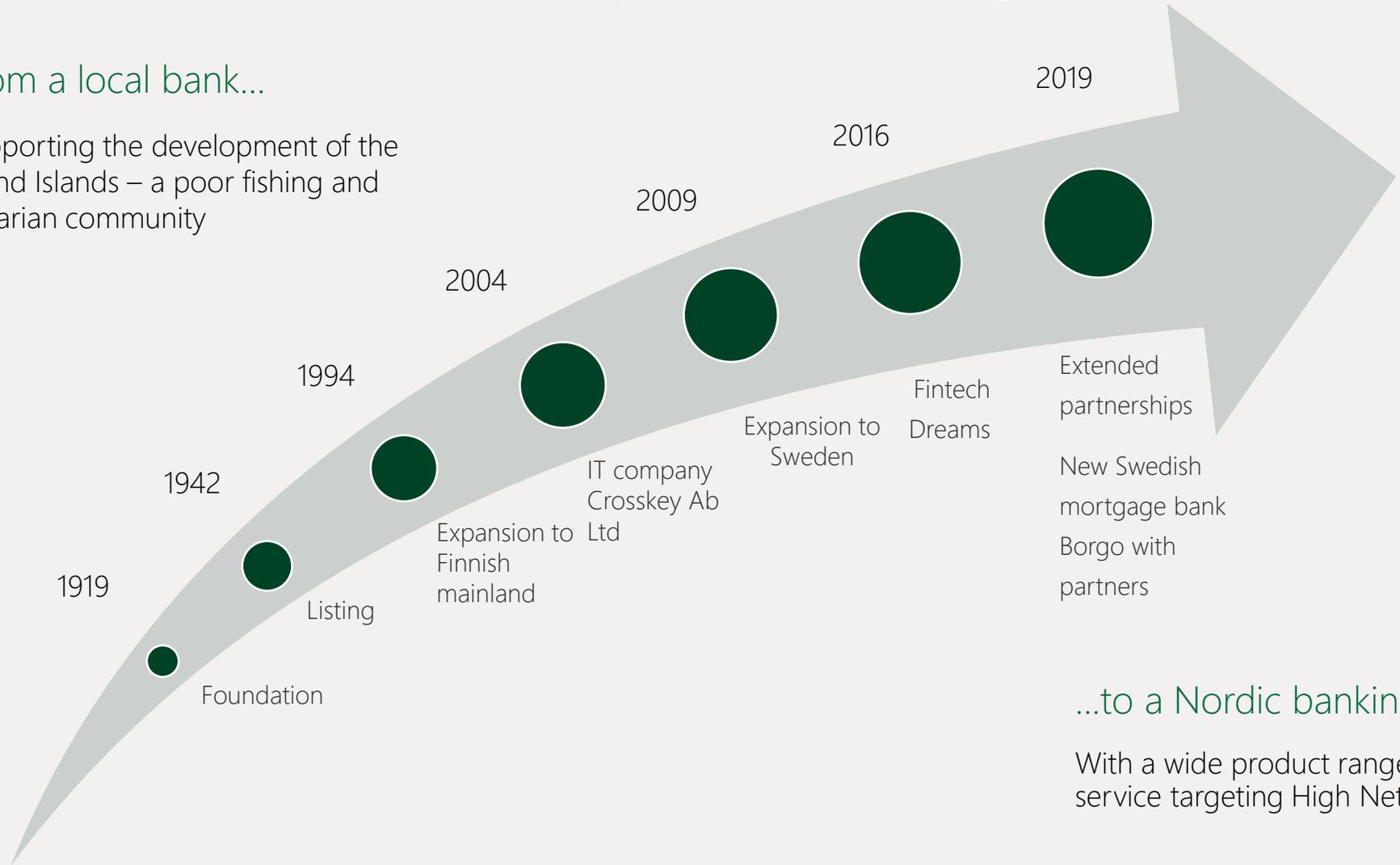
- 3 offices in Sweden’s largest cities, market share < 1 %
- Full product range offered but “bread and butter” services only as a complement to Private Banking and Premium Banking service offerings
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**



# Bank of Åland History of Strategic Decisions

From a local bank...

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

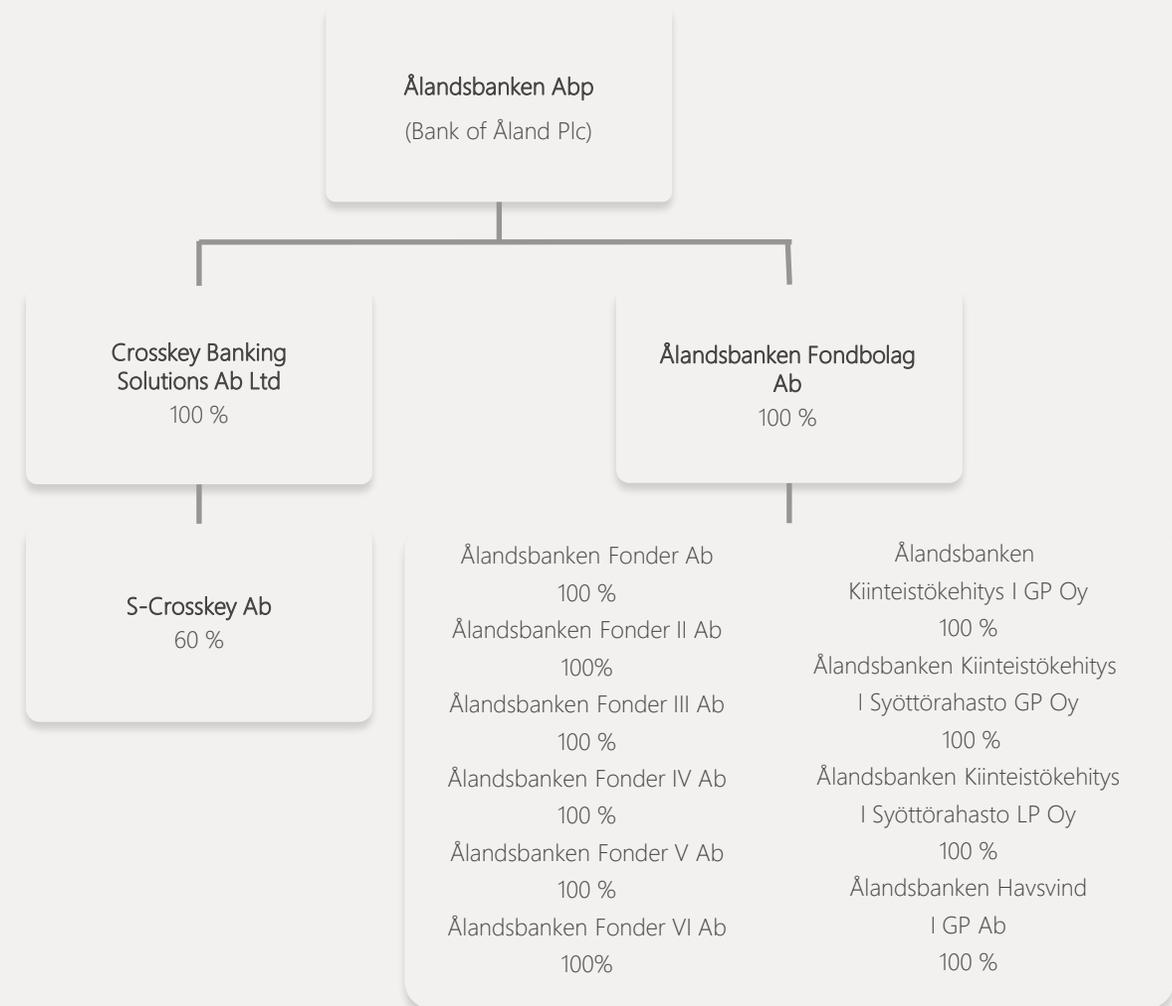


...to a Nordic banking group

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

# Bank of Åland Group Legal and Ownership Structures

10 Largest Shareholders as of December 29, 2023	Share of capital	Share of votes
Wiklöf Anders with companies	21.73 %	29.78 %
The Family Kamprad Foundation	6.02 %	0.68 %
Alandia Försäkring Abp	5.28 %	10.95 %
Fennogens Investments S.A. (Family Ehrnrooth)	5.11 %	9.04 %
Pensionsförsäkringsaktiebolaget Veritas	2.54 %	1.98 %
Chilla Capital	1.81 %	4.01 %
Lundqvist Ben Hugo	1.79 %	3.96 %
Oy Etra Invest Oy	1.47 %	0.16 %
Svenska Litteratursällskapet i Finland r.f.	1.37 %	3.02 %
Nordea Henkivakuutus Suomi Oy	1.16 %	0.13 %



Approximately 14,000 shareholders in total, half of them from the Åland Islands

# 3. Sustainability

# Bank of Åland's Sustainability Journey

1919

ÅLANDSBANKEN

The Bank established on strong values as a responsible actor

1997

The Bank unveils the world's first Environmental Account

2016



The Baltic Sea Card, Baltic Sea Account and the Åland Index are launched. Every year, the Bank donates an amount equivalent to up to 0.2 per cent of deposits in Baltic Sea Accounts for environmental work

2019



The Bank of Åland signs the UN Principles for Responsible Banking and the Principles for Responsible Investment

2020



The Bank of Åland launches the Nordic Region's first investment fund specializing exclusively in wind power

2021



The Bank of Åland joins the UN Net-Zero Banking Alliance as a founding signatory

The Bank of Åland launches the Baltic Sea Project



2015

The Bank of Åland conducts materiality analysis based on UN SDGs



2017

Åland Index Solutions joint venture started with Doconomy



2018

Ålandsbanken Green Bond ESG fund is the first Finnish bond fund to be granted the Nordic Swan Ecolabel



2019

Ålandsbanken Global Equity fund was granted the Nordic Swan Ecolabel for its sustainable investment strategy



2020

The Bank of Åland establishes its first climate targets according to the Paris Agreement and decides to become climate-neutral in keeping with Finland's climate policy decision

2021

The Bank of Åland has started the process of setting its own science-based target



2022

# Our Focus on the 17 UN Global Sustainable Development Goals

In 2022 we focused on 7 of the UN's 17 Global Sustainable Development Goals:

- Goal 6: Clean water and sanitation
- Goal 7: Affordable and clean energy
- Goal 8: Decent work and economic growth
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 14: Life below water
- Goal 15: Life on land



An aerial photograph of a small, rocky island in the middle of a dark blue sea. On the island stands a lighthouse with a red and black striped tower and a red lantern room. The surrounding water is dark and textured with small waves. The overall scene is serene and isolated.

# 4. Performance and Capital

# Long-Term Financial Targets

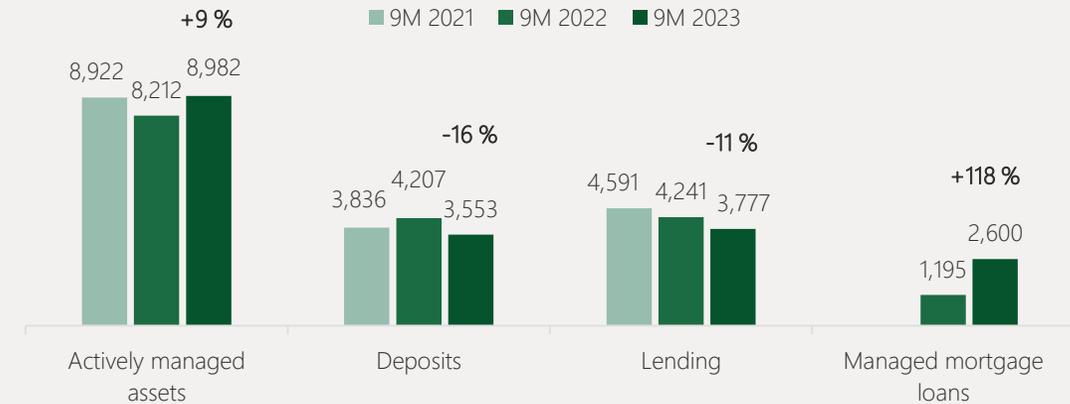
The current long-term targets were updated by the Board of Directors in September 2021 to better reflect the strategy and business model as well as the experienced growth. The previous targets had been in effect since 2013

<p><b>Profitability</b></p>	<p>Return on equity after taxes (ROE) shall exceed 15 per cent over time</p>
<p><b>Capitalization</b></p>	<p>The Common Equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75-3.0 percentage points</p>
<p><b>Payout ratio</b></p>	<p>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</p>

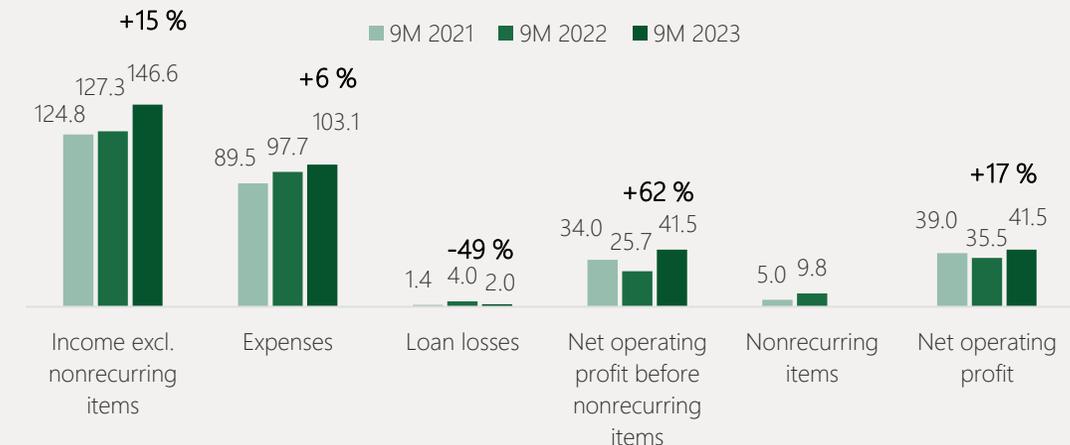
# 9M 2023 in Summary

- This year has been dominated by continued geopolitical and inflation-related concerns as well as some international banking sector turmoil in the beginning of the year
- The Bank of Åland has no direct exposure to Ukraine, Belarus or Russia. The direct impact of the war on the Bank's credit risk is thus limited. Rising oil and other energy prices, inflation pressures, rising interest rates/bond yields and falling share prices may affect the repayment capacity of customers and the value of pledged collateral
- In February, the Bank of Åland issued a new T2 (supplementary capital) instrument totalling SEK 200 M. In March, the Bank issued a new covered bond totalling EUR 250 M with a 3-year maturity
- Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. During 2023 the Baltic Sea Project has contributed EUR 615,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 4.4 M to various environmentally related projects
- The Bank of Åland's *Ålandsbanken Kort Företagsränta*, a short-term corporate bond fund, was named the best Nordic fund in its category by Refinitiv Lipper
- The previously announced transfer of Swedish home mortgage loans from the Bank of Åland to Borgo AB was completed on September 11th. The nominal amount of the mortgage portfolio that was transferred was SEK 5.8 billion. The transfer did not have any significant effect on the Bank of Åland's earnings, but it freed up liquidity and capital. A third transfer to Borgo of a smaller mortgage portfolio is planned to take place during 2024

## Volumes, EUR M



## Net operating profit, EUR M



# 9M 2023 Results

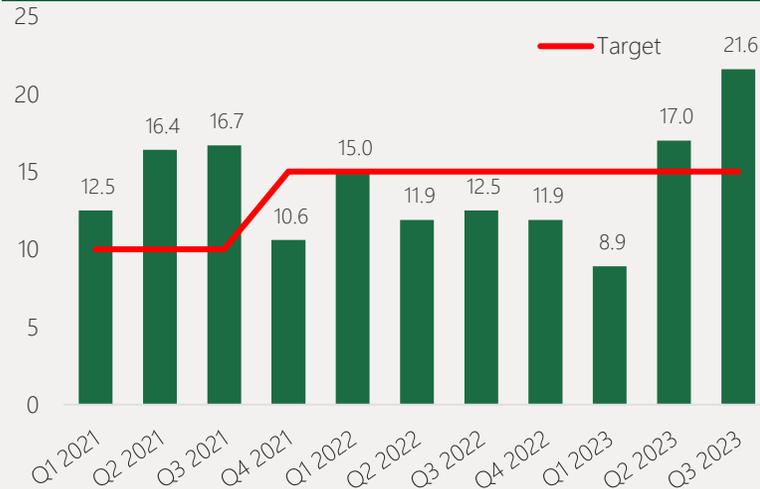
## Results

- Net operating profit EUR 41.5 M (EUR 35.5 M in 9M 2022), +17 %
- ROE 15.7 % (13.1 % in 9M 2022)
- Earnings per share, 2.13 (1.82 in 9M 2022)

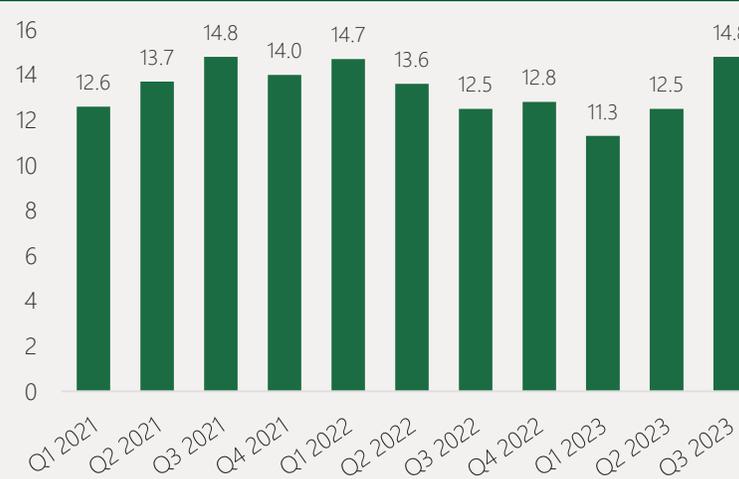
## Unchanged Future Outlook

- 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

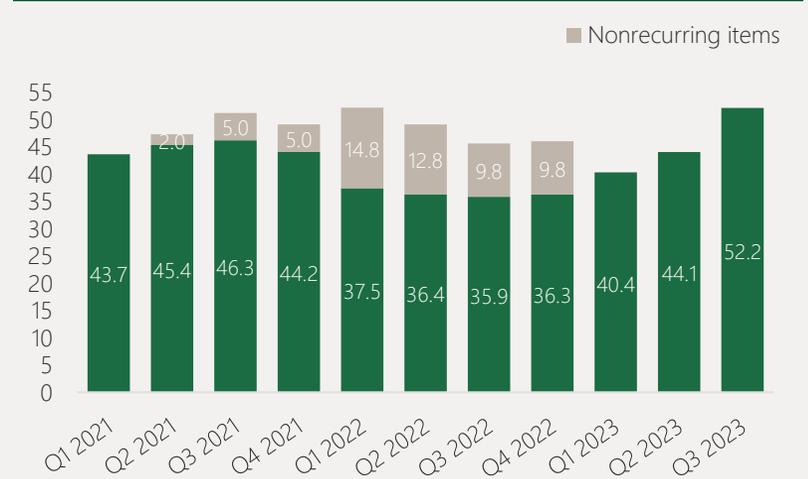
ROE %, 2021-2023



ROE, Rolling 12 Months, %



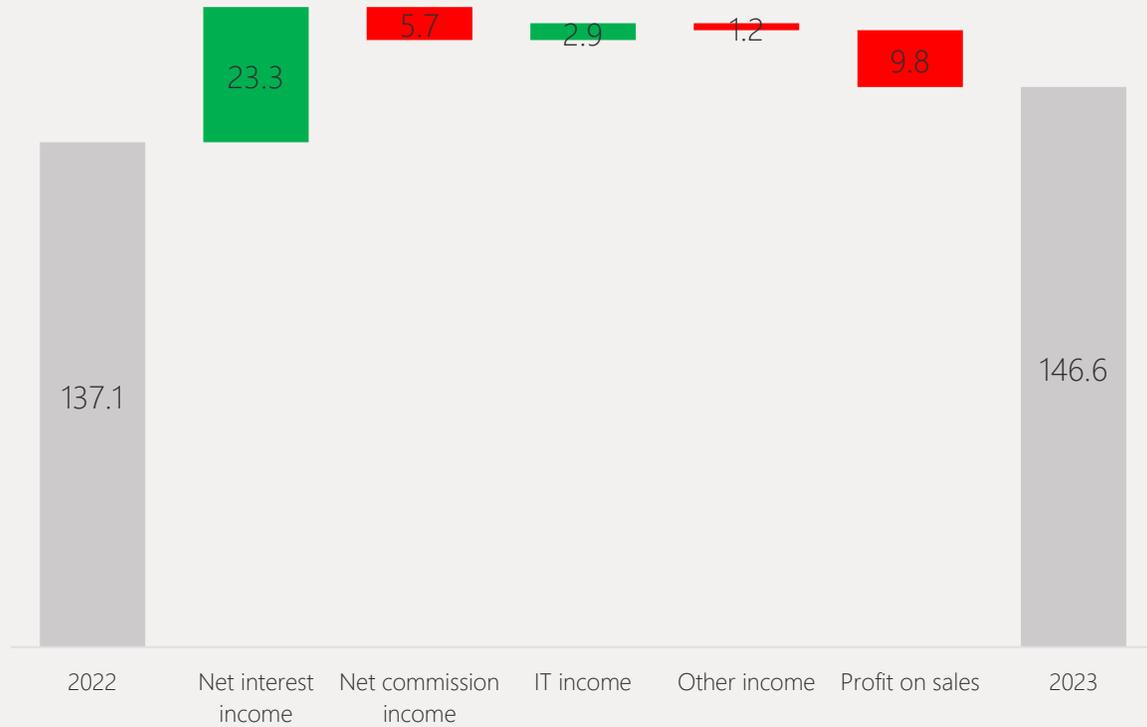
Net Operating Profit, Rolling 12 Months, EUR M



Statutory fees: 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), EUR 3.2 M (Q1 2023)

# Income and Expenses 9M 2022-2023

Income 9M 2023, EUR M



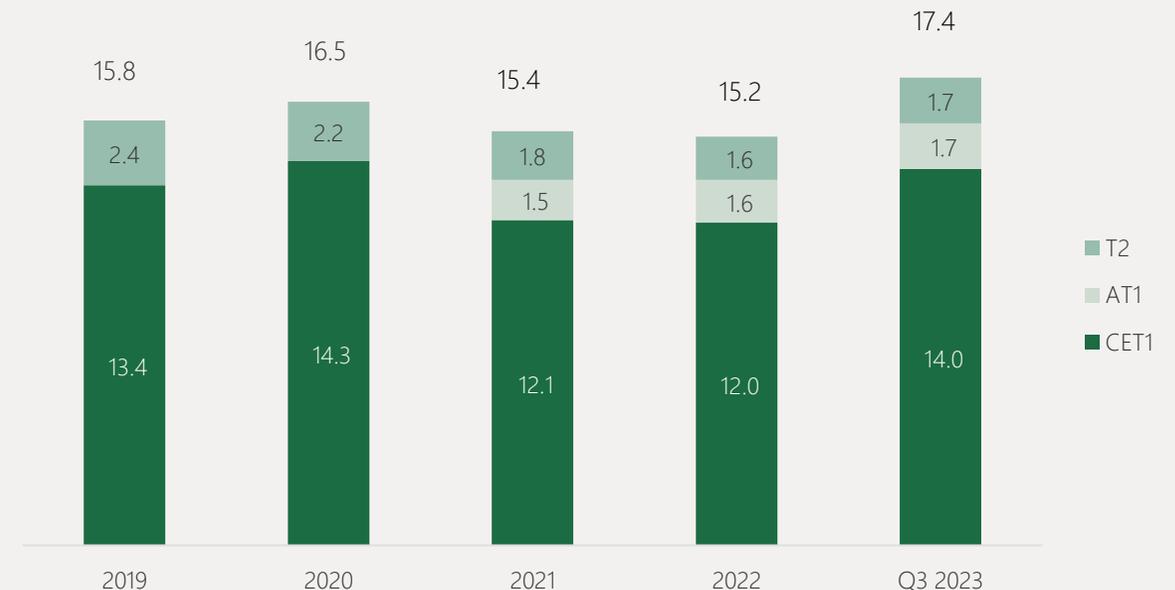
Expenses 9M 2023, EUR M



# Committed to Maintaining a Strong Capital Ratio

- The Bank of Åland is committed to a strong capital ratio. The Common Equity Tier 1 capital ratio shall exceed the FIN-FSA's minimum requirement by 1.75-3.0 percentage points
- The Bank will continue to build up its capital base, improve and diversify earnings, and uphold a sound approach to risk
- 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
- For Swedish exposures, the amount of the countercyclical buffer is 2.0 per cent, effective from June 2023. In Finland, a systemic risk buffer of 1.0 per cent will be re-imposed starting on April 1, 2024
- On March 29, 2023, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 2.05 per share for the financial year 2022 (a regular dividend of EUR 1.60 plus an extra dividend of EUR 0.45), 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

Capital position, %

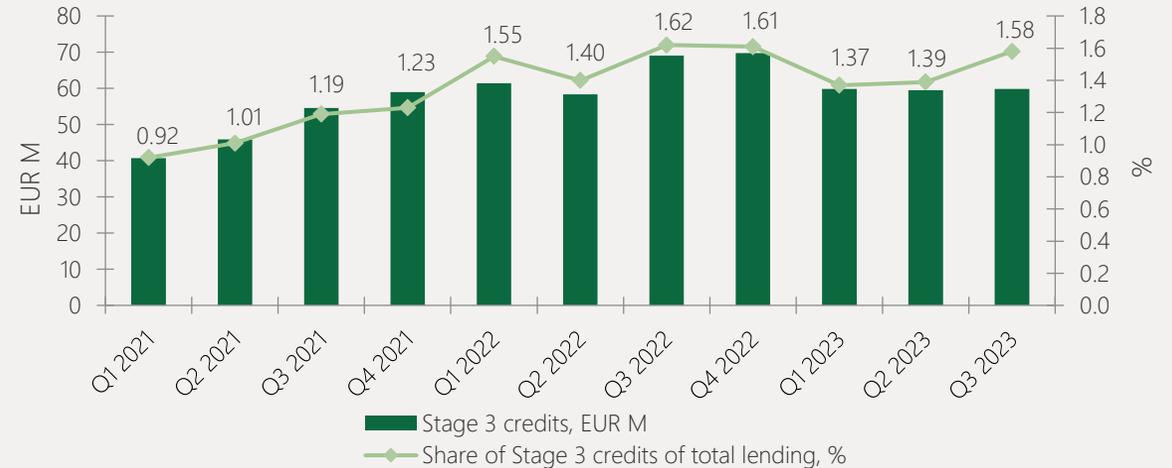


# 5. Asset Quality

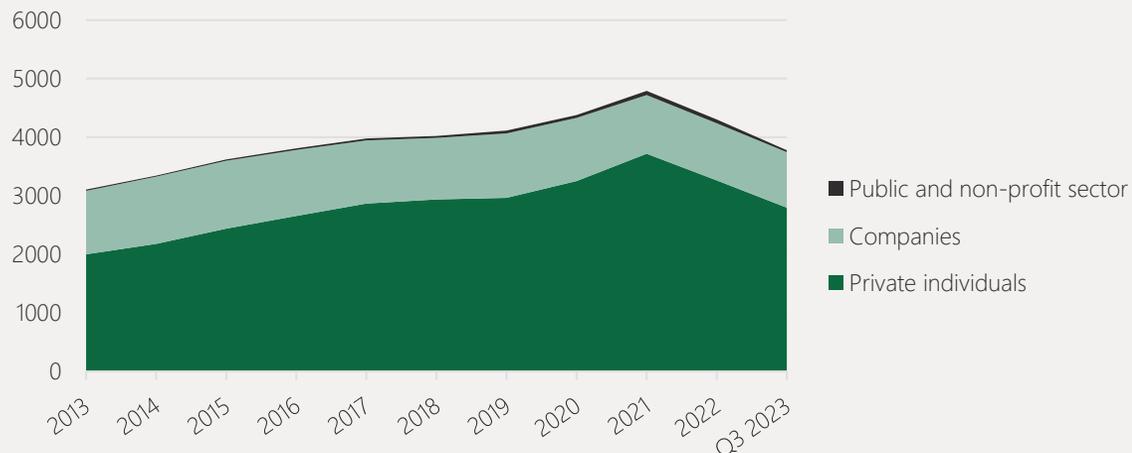
# Lending Strategy Focused on Balanced Credit Growth

- 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 0.06 % in 9M 2023 (0.12 % in 9M 2022)

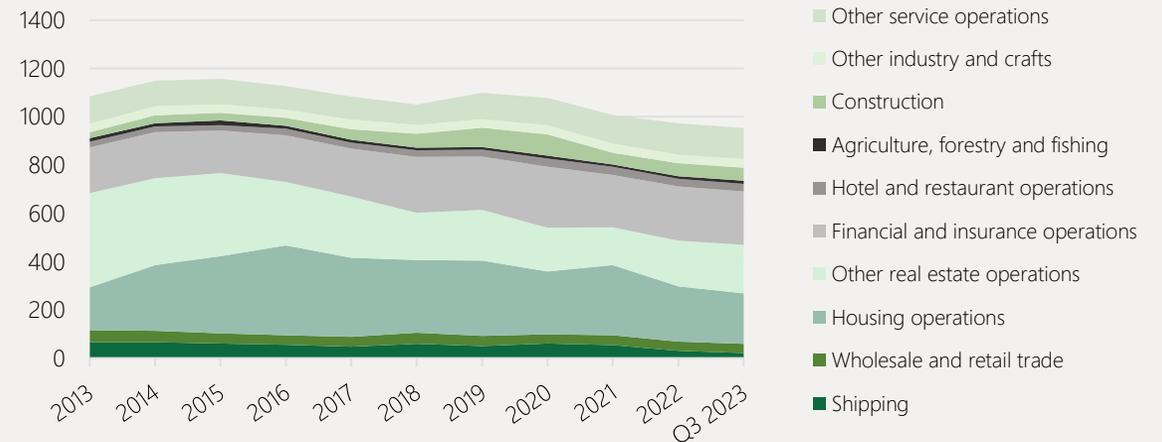
## Stage 3 Credits 2021-2023



## Lending to the Public, EUR M



## Lending to Companies, EUR M

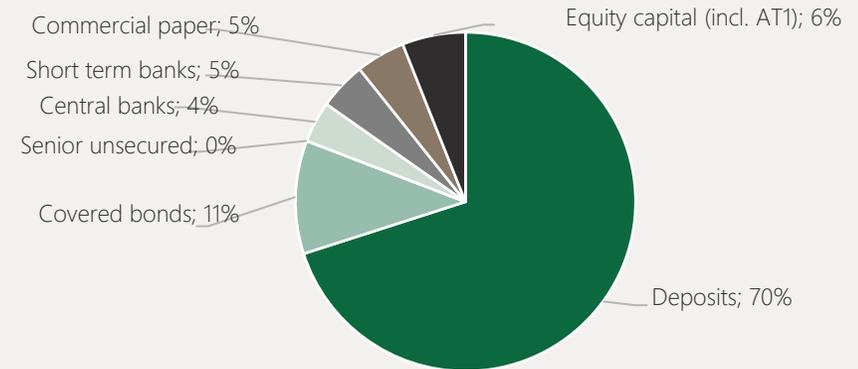


## 6. Liquidity and Funding

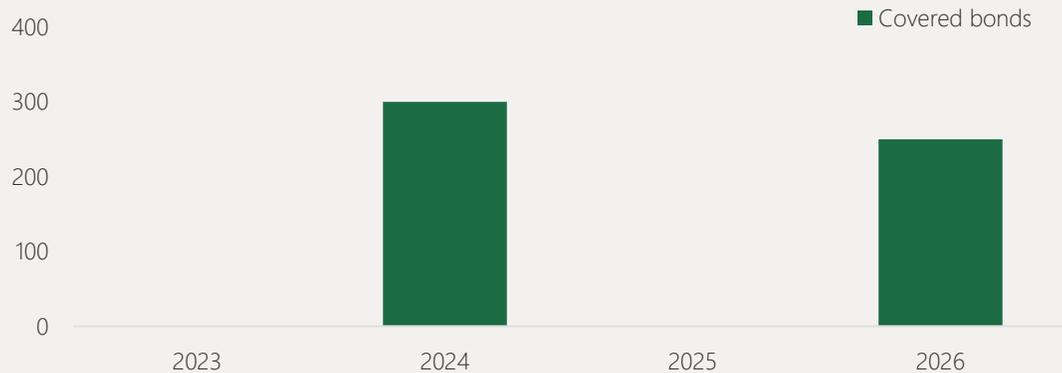
# Group Funding and Liquidity Management

- Demand deposits and time deposits from core private customers and their companies are the main funding sources
- Covered Bonds, the main long-term wholesale 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 % → 4 % 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

## Group Funding Profile September 30, 2023



## Maturing Long-Term Funding\* September 30, 2023, EUR M



\* Excluding retained covered bonds

## Themes 2023

- After the transfer of SEK Covered Bonds to Borgo in 2022 and 2023, the share of customer deposits is high, over two thirds of the funding profile
- 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

### Key metrics

Liquidity reserve

24 %  
of total assets

Liquidity portfolio

EUR 1,248 M

LCR

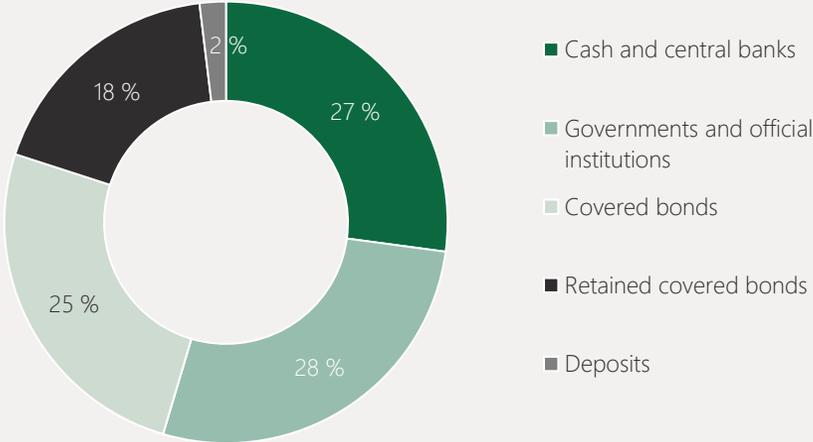
156 %

NSFR

110 %

- 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

Composition of the Liquidity Reserve September 30, 2023





# 7. CBA Cover Asset Pool

# CBA Cover Asset Pool Characteristics

## Key Characteristics of the CBA Cover Asset Pool September 30, 2023

Prime Finnish residential mortgages, %	100.0
Total nominal amount, EUR M	320.0
Weighted arithmetic average LTV, unindexed, %	57.6
Weighted average life, years	17.8
Weighted average loan seasoning, months	44.8
Number of unique loans	2,699
Number of borrowers	3,230
Average loan size, EUR k	122.4
Interest rate base, %	95.5 floating / 4.5 fixed
Impaired loans, %	0.0
Repayment type, %	21.9 interest only / 78.1 amortizing
Over-collateralization, %	actual 28.0*/ minimum committed 15.9

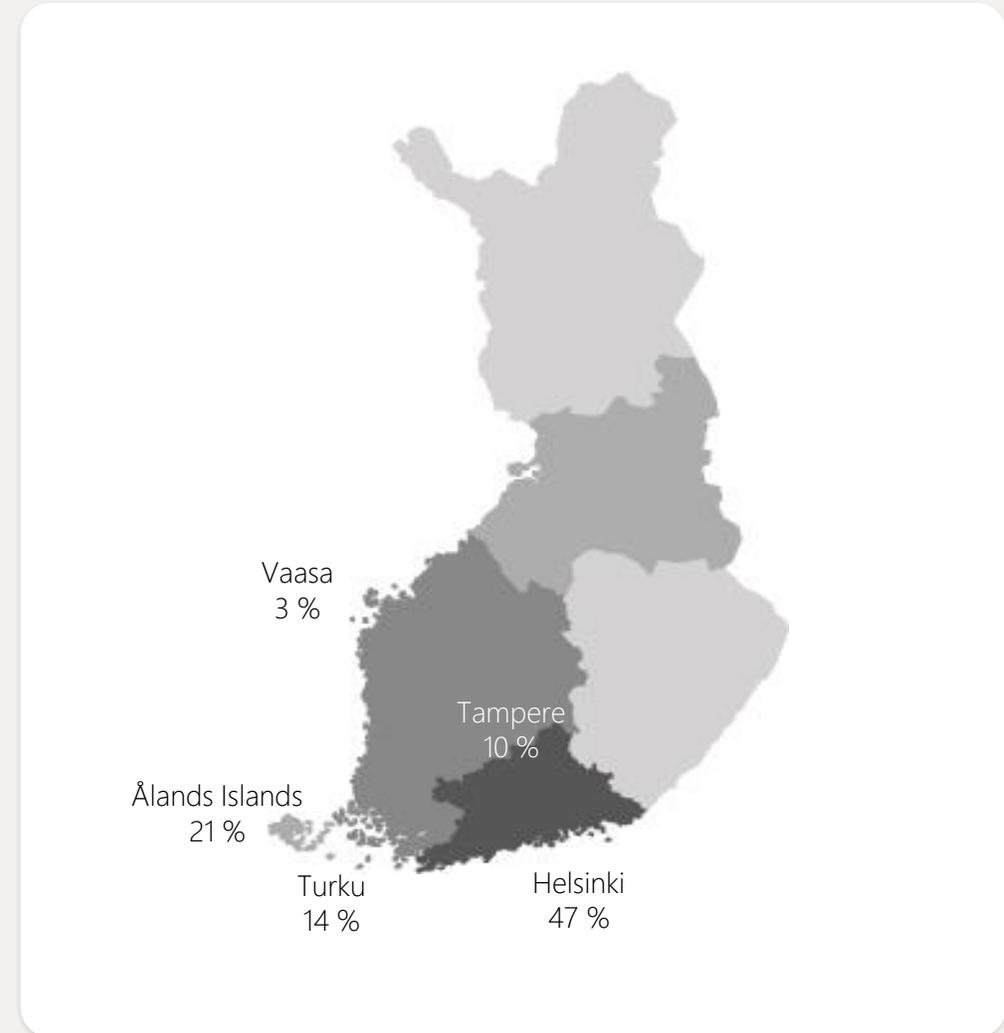
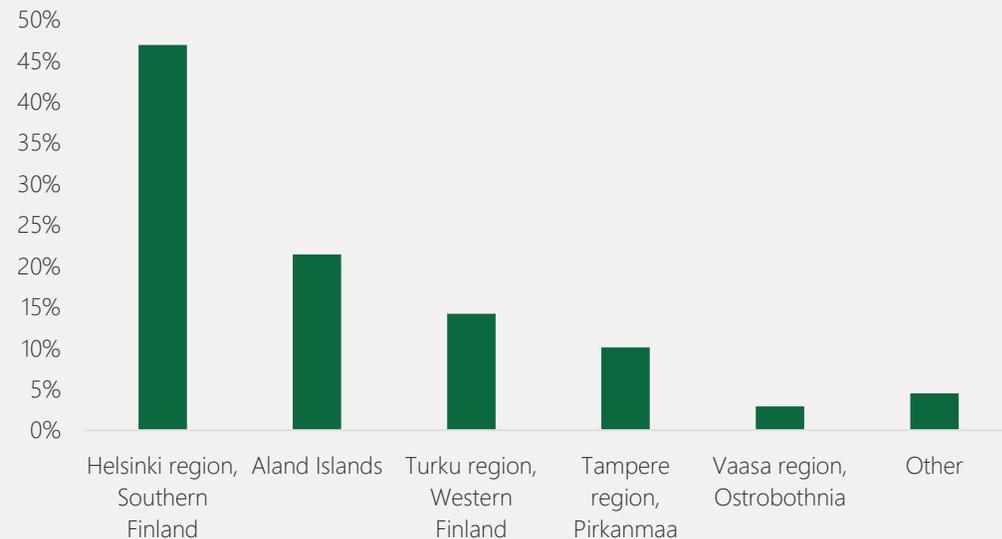
- Following the regulatory changes, the Bank of Åland now has two separate cover asset pools in place. The CBA Cover Asset Pool was established in November 2022 and is used for all the new issuances of the Bank of Åland
- S&P has assigned AAA ratings to the CBA Covered Bonds of the Bank of Åland with 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, the 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

\*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

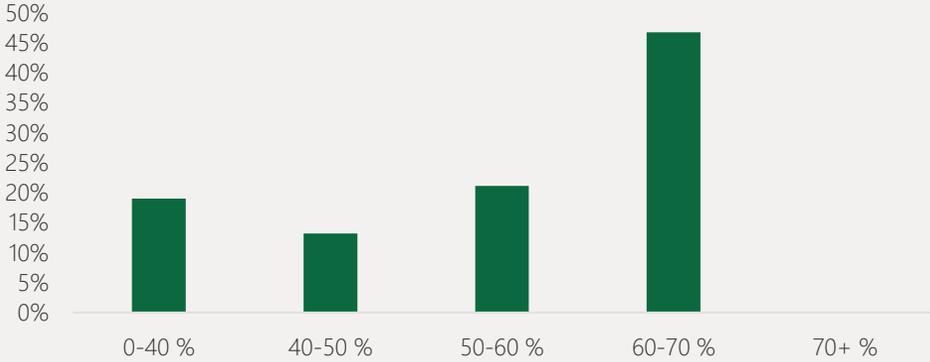
- Clear concentration to the growth centres, the wealthiest parts of Finland
- The Åland Islands are the growth area with the highest employment rate in Finland and the Nordics

Regional distribution

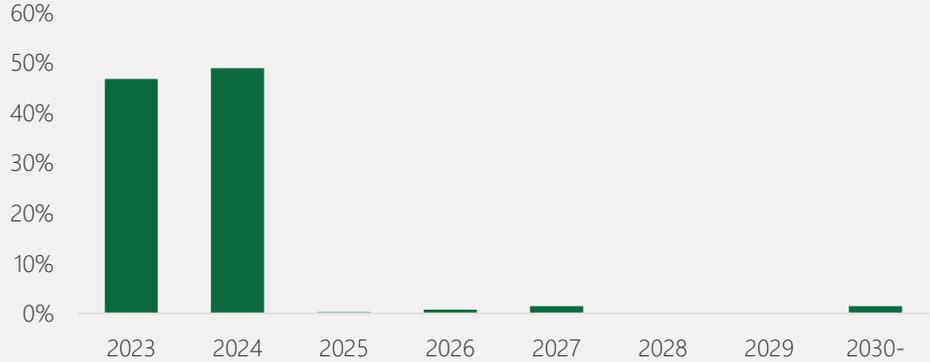


# CBA Cover Asset Pool Details

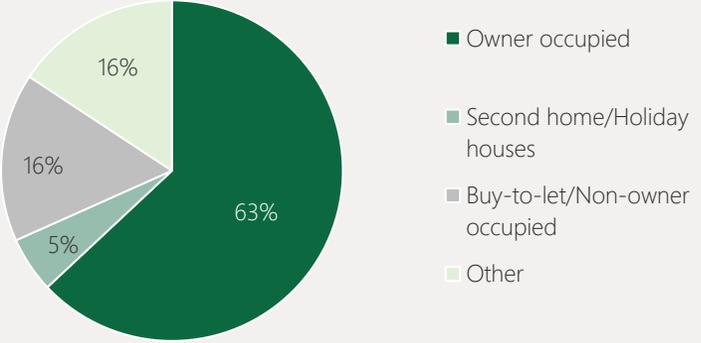
LTV, Unindexed



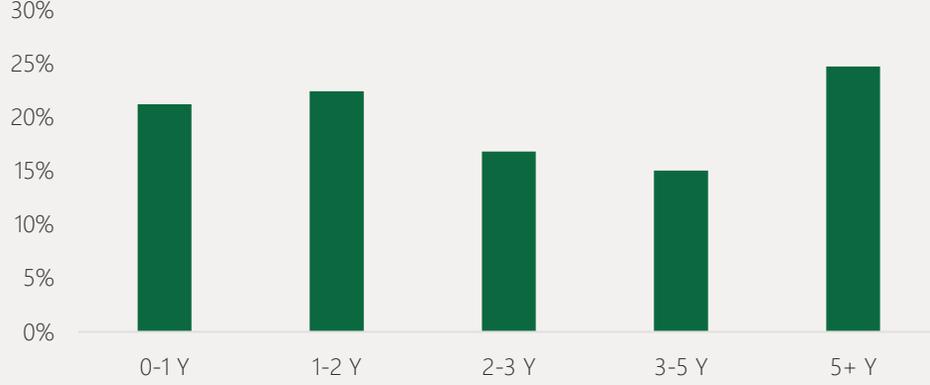
Interest Rate Reset



Breakdown by type



Seasoning



# 8. Finnish Economy and Housing Market

# Finnish Economy

- 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
- High inflation and rising mortgage rates are still a drag, albeit a fading one, on households' purchasing power
- Growth is expected to pick up gradually in 2024
- Consumer and business confidence remains depressed
- Unemployment is expected to slowly increase until mid-2024 before starting to decline, as the economy grows and employment growth gains momentum
- The continued tightening of monetary policy by the ECB is affecting lending conditions for households and businesses. Given the high share of variable- or adjustable-rate mortgages, interest rate increases make it harder to service household debt and could put additional pressure on house prices and consumption

Source: [OECD](#)

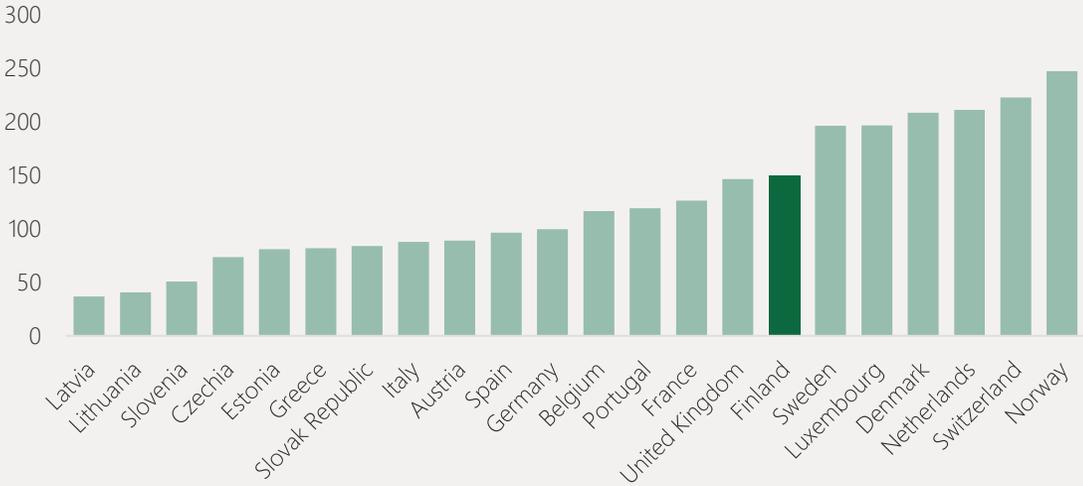
	Forecast				
National Account, % y/y	2021	2022	2023	2024	2025
GDP	3.2	1.6	0.0	0.9	1.8
Private consumption	3.5	1.7	-0.5	0.2	1.7
Government consumption	3.9	0.8	8.6	1.2	1.0
Gross fixed capital formation	1.0	3.2	-3.9	1.7	3.0
Exports of goods and services	5.8	3.7	0.1	2.8	3.1
Imports of goods and services	6.0	8.5	-4.7	2.0	3.3
Net exports	-0.1	-1.9	2.3	0.3	-0.1
Economic Indicators	2021	2022	2023	2024	2025
Harmonised index of consumer prices	2.1	7.2	4.5	2.2	2.3
Harmonised index of core inflation	1.2	3.6	4.2	2.8	2.3
Unemployment rate (%)	7.6	6.8	7.2	7.4	7.1
Household savings ratio, net (% of disposable income)	2.8	-0.9	0.1	2.2	1.7
General government financial balance (% of GDP)	-2.8	-0.8	-2.6	-3.4	-3.1
General government debt, Maastricht definition (% of GDP)	72.5	72.5	74.5	77.0	79.8
Current account balance (% of GDP)	-0.1	-2.4	-0.4	-0.1	-0.1

# Finnish Housing Market

- Household debt is 150 % of disposable income, mostly for housing loans, making households vulnerable to higher housing loan interest rates
- To curb rising household indebtedness, the FIN-FSA lowered the maximum loan-to-value by five percentage points<sup>1</sup> in summer 2021 and later issued a recommendation on a debt servicing-to-income limit<sup>2</sup> for mortgage lending. As the household indebtedness lately has declined, the loan-to-value restriction has been restored to pre-pandemic levels<sup>3</sup>

- 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

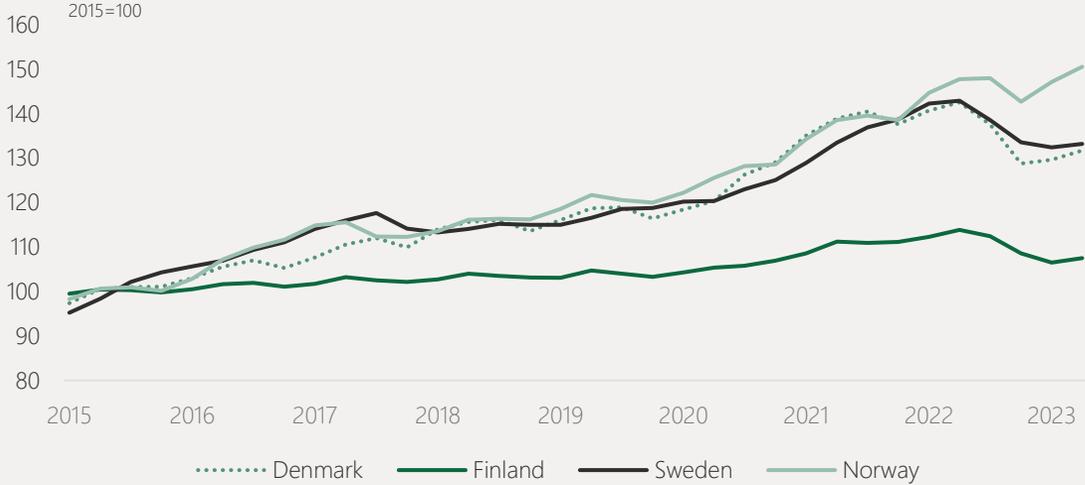
Household Debt, Total % of Net Disposable Income



Source: (1) [OECD](#), (2) [OECD](#), (3) [FIN-FSA](#)

<sup>1</sup> Maximum LTV 85% for others than first time home buyers. 95% for first-home loans  
<sup>2</sup> Total loan-servicing costs below 60 % of loan applicants net income under stress conditions  
<sup>3</sup> Maximum LTV 90 % for others than first time home buyers. 95 % for first-home loans

Residential Property Prices



Source: [Eurostat](#)

# 9. Transaction

# New Issue: Key Features

Issuer	Ålandsbanken Abp (Ticker: AABHFH)
Currency and Expected Deal size	EUR Sub-Benchmark
Expected Maturity	3.5 years (July 2027)
Coupon	Fixed Rate Notes
Denomination	EUR 100,000
Format	European Covered Bond (Premium), backed by 100 % prime Finnish residential mortgages, ECB repo & LCR 2A eligible, UCITS/CRR compliant
Exp. Issue Rating	AAA (S&P)
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	Danske Bank, DekaBank and Erste Group

# 10. Appendix

# 10.1 Contact Details

# Contact Details

Peter Wiklöf, CEO

✉ [peter.wiklof@alandsbanken.fi](mailto:peter.wiklof@alandsbanken.fi)

☎ +358 40 512 7505

Jan-Gunnar Eurell, CFO

✉ [jan-gunnar.eurell@alandsbanken.se](mailto:jan-gunnar.eurell@alandsbanken.se)

☎ +46 70 589 1209

Maria Rissanen, Head of Group Treasury

✉ [maria.rissanen@alandsbanken.fi](mailto:maria.rissanen@alandsbanken.fi)

☎ +358 50 538 8898

# 10.2 Partnerships

# Åland Index – Global Market Leader in Spend Based Calculations

Doconomy

Doconomy is a market-leading provider of innovative solutions that enable banks to accelerate the green transition.

NUMBER OF USERS\*

700M

\* Potential user reach based on connected bank and financial institutions

NUMBER OF CLIENTS

90+



NUMBER OF MARKETS

30+

LEADING PARTNERS



S&P Global

# 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



Products Solutions Expertise

Engagement banking powered by behavioural science

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

# 10.3 Sustainability

# Sustainability Strategy

## Our Four Areas of Sustainability



### Responsible Investments

Our ambition is to obtain a basic knowledge of the operations of the companies we invest in and, above all, to thoroughly examine the sustainability of these business operations



### Responsible Lending

Our main task shall be to finance housing for private individuals and to support our customers' savings and investment activities



### Social Responsibility

We work actively with social sustainability, which is about inclusion, equal worth, sound values and a deep involvement in the community as a company



### Environmental Responsibility

Our ambition is to raise awareness of our carbon dioxide emissions and to continuously reduce them

# Climate Targets

In 2021 we established the Group's climate targets, which support the Paris Agreement



## Reducing CO<sub>2</sub>e-emissions

Reducing CO<sub>2</sub>e emissions by 50 per cent no later than 2030, compared to 2021



## Climate-neutral by 2035

The Bank of Åland shall be a climate-neutral organisation no later than 2035



## Net-zero emissions by 2050

The Bank of Åland shall achieve net-zero emissions by 2050

# Our Global Commitments

- ✓ UNPRI  
(The UN Principles for Responsible Investment) 2010
- ✓ UNEP FI  
(The UN Principles for Responsible Banking) 2019
- ✓ NZBA  
(Net Zero Banking Alliance) 2021  
(Founding signatory, 1 out of 42 banks, UN initiative)
- ✓ Climate Action 100+ 2018



To date we have supported environmental work with 4 400 000 €

ÖSTERSJÖPROJEKTET  
BALTICSEAPROJECT  
ITÄMERIPROJEKTI

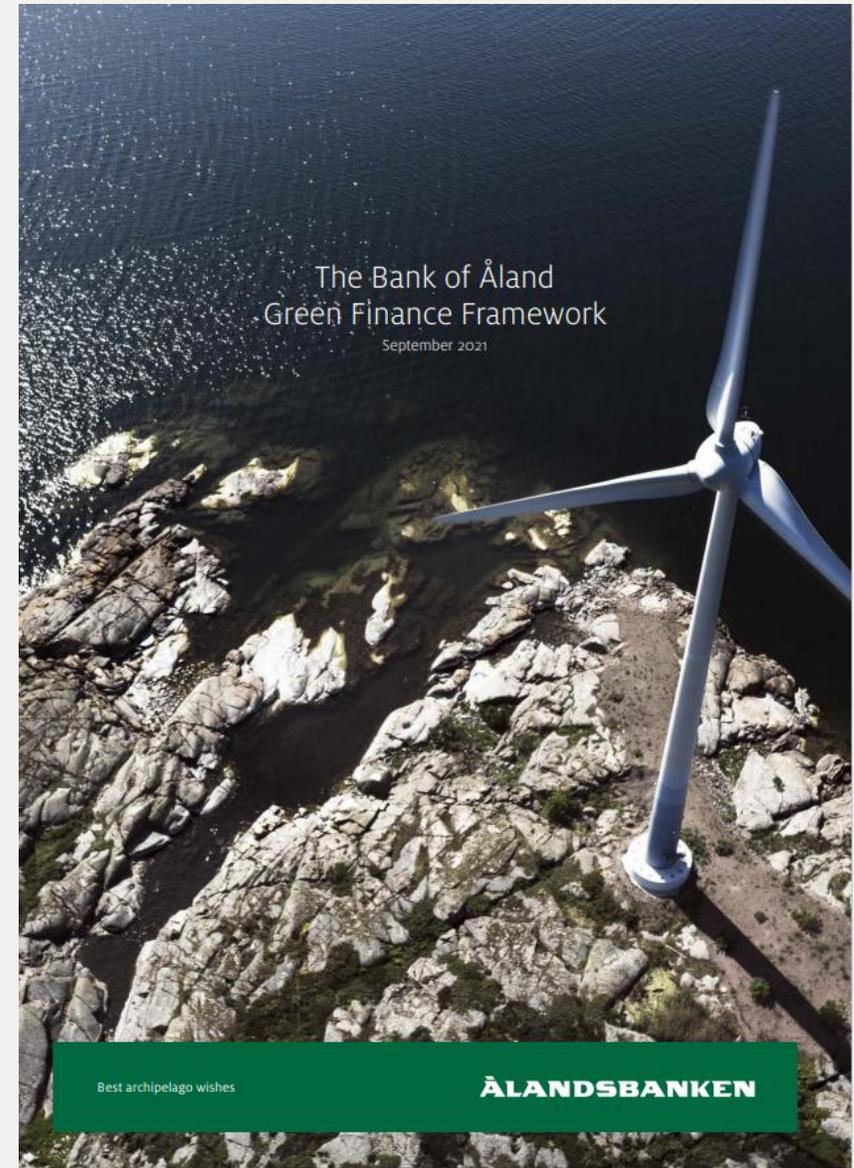


Some of the funding recipients through the Baltic Sea Project:



# Bank of Åland Green Finance Framework

- The Bank of Åland Green Finance Framework was published in September 2021
- The Framework is based on the Green Bond Principles (GBP), published by ICMA
- Cicero Shades of Green has provided the Bank of Åland with a Second Opinion. The Bank's Green Finance Framework received a medium green shading
- Eligible green project types are renewable energy and green buildings
- First Impact Report was published in February 2022. Total annual emissions avoided amounted to 4360 tonnes CO<sub>2</sub>e in 2022. The weighted impact of tonnes CO<sub>2</sub>e per EUR M was 323.3
- The Bank of Åland has one outstanding green bond in the form of a Green SEK Tier 2 instrument amounting to SEK 150 M



# Sustainability Information

Group, own emissions	Q3 2023	Q2 2023	%	Q3 2022	%	1.1-30.9.2023	1.1-30.9.2022	%
<b>Greenhouse gases, tonnes of CO<sub>2</sub>e</b>								
Scope 1								
Emissions from owned and controlled resources	1.7	1.5	12	0.9	80	4.0	3.3	21
<b>Total Scope 1</b>	<b>1.7</b>	<b>1.5</b>	<b>12</b>	<b>0.9</b>	<b>80</b>	<b>4.0</b>	<b>3.3</b>	<b>21</b>
Scope 2								
Energy-related emissions <sup>1</sup>	0.1	0.2	-33	4.2	-97	0.5	30.6	-98
<i>of which from electricity according to market-based method</i>	0.0	0.0		4.2	-100	0.0	30	-100
<b>Total Scope 2</b>	<b>0.1</b>	<b>0.2</b>	<b>-33</b>	<b>4.2</b>	<b>-97</b>	<b>0.5</b>	<b>30.6</b>	<b>-98</b>
Scope 3 upstream								
Purchased goods and services	459.8	574.4	-20	470.0	-2	1,762.3	2,080.6	-15
Capital goods	18.1	20.5	-12	8.7		54.6	31.1	75
Transport and distribution	80.1	63.1	27	68.8	16	209.7	188.3	11
Waste generated by own operations	0.8	0.4	91	0.5	62	1.7	1.5	11
Business travel	129.0	176.5	-27	189.5	-32	478.2	345.2	39
Leased assets	33.6	47.2	-29	41.8	-20	148.3	104.9	41
<b>Total scope 3 upstream</b>	<b>721.4</b>	<b>882.1</b>	<b>-18</b>	<b>779.4</b>	<b>-7</b>	<b>2,654.7</b>	<b>2,751.5</b>	<b>-4</b>
<b>Total greenhouse gases, own emissions</b>	<b>723.2</b>	<b>883.7</b>	<b>-18</b>	<b>784.5</b>	<b>-8</b>	<b>2,659.2</b>	<b>2,785.4</b>	<b>-5</b>
Climate compensation <sup>2</sup>						-2,659.2	-451.5	
<b>Net greenhouse gases, own emissions</b>						<b>0.0</b>	<b>2,333.9</b>	<b>-100</b>
<sup>1</sup> Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO <sub>2</sub> e	30.6	28.5	7	39.0	-21	87.7	115.5	-24
Key Figures								
CO <sub>2</sub> e emissions per employee (tonnes/average full-time equivalent)	3.0	3.9	-22	3.5	-13	3.9	4.3	-10
CO <sub>2</sub> e emissions per EUR M earned (tonnes/EUR M)	14.1	17.6	-20	18.4	-23	18.1	20.3	-11

# Sustainability Information

Group, scope 3, downstream	September 30, 2023	June 30, 2023	%	September 30, 2022*	%
Current situation on annual basis (CO <sub>2</sub> e), tonnes					
Loan portfolio Scope 1 and 2	293,452	298,661	-2		
<i>of which scope 1-2</i>	<i>293,452</i>	<i>298,661</i>	<i>-2</i>		
Investments Scope 1, 2 and 3	1,428,656	1,408,081	1		
<i>of which scope 1</i>	<i>71,886</i>	<i>74,615</i>	<i>-4</i>		
<i>of which scope 2</i>	<i>24,017</i>	<i>19,885</i>	<i>21</i>		
<i>of which scope 3</i>	<i>1,332,753</i>	<i>1,313,581</i>	<i>1</i>		
Treasury Scope 1, 2 and 3	11,447	11,761	-3		
<i>of which scope 1</i>	<i>1,102</i>	<i>1,100</i>	<i>0</i>		
<i>of which scope 2</i>	<i>171</i>	<i>172</i>	<i>0</i>		
<i>of which scope 3</i>	<i>10,173</i>	<i>10,490</i>	<i>-3</i>		
<b>Total, Scope 3, downstream</b>	<b>1,733,555</b>	<b>1,718,503</b>	<b>1</b>		

\* Comparative data for the period is missing

# 10.4 Financial Figures

# Key Figures

	Q3 2023	Q3 2022	2022	2021	2020	2019	2018
ROE, %	21.6	12.4	12.8	14.0	11.6	10.7	9.8
Expense/ income ratio, %	70	71	72	69	70	73	77
Loan loss level, %	0.06	0.11	0.14	0.12	0.11	0.08	0.02
CET1 capital ratio, %	14.0	11.8	12.0	12.1	14.3	13.4	13.0
Total capital ratio, %	17.4	15.0	15.2	15.4	16.5	15.8	15.4
Earnings per share, EUR	0.99	0.57	2.37	2.55	2.02	1.69	1.48
Equity capital per share, EUR	18.83	18.17	18.82	19.39	18.76	16.61	15.67
Lending to the public, EUR M	3,777	4,241	4,303	4,788	4,378	4,110	4,022
Deposits from public, EUR M	3,553	4,207	4,182	4,070	3,605	3,368	3,304
Equity capital, EUR M	318	312	316	332	292	258	242
Risk exposure amount, EUR M	1,741	1,967	1,938	1,976	1,671	1,583	1,578
FTE	935	882	854	815	751	700	691

# Income Statement

EUR M	Q3 2023	Q3 2022	2022	2021	2020	2019	2018
Net interest income	27.9	18.9	68.2	62.2	58.9	53.9	54.5
Net commission income	17.8	18.6	78.4	79.0	66.3	58.0	54.3
IT income	6.4	5.0	23.5	24.4	21.9	17.5	16.4
Other income	-0.9	0.2	14.0	10.4	3.0	4.5	2.4
<b>Total income</b>	<b>51.2</b>	<b>42.7</b>	<b>184.1</b>	<b>176.0</b>	<b>150.1</b>	<b>133.9</b>	<b>127.6</b>
Staff costs	-19.4	-17.9	-75.5	-71.1	-62.9	-57.0	-57.1
Other expenses	-12.1	-12.6	-56.3	-50.8	-42.6	-40.5	-40.7
<b>Total expenses</b>	<b>-31.5</b>	<b>-30.5</b>	<b>-131.8</b>	<b>-121.9</b>	<b>-105.6</b>	<b>-97.5</b>	<b>-97.8</b>
<b>Profit before impairment losses</b>	<b>19.8</b>	<b>12.2</b>	<b>52.3</b>	<b>54.1</b>	<b>44.6</b>	<b>36.4</b>	<b>29.8</b>
Net impairment loss on financial assets	-0.7	-1.1	-6.2	-4.9	-4.9	-3.2	-0.8
<b>Net operating profit</b>	<b>19.1</b>	<b>11.1</b>	<b>46.1</b>	<b>49.2</b>	<b>39.7</b>	<b>33.2</b>	<b>29.0</b>
Income taxes	-4.0	-2.2	-9.3	-9.3	-8.2	-6.9	-6.1
<b>Net profit for the period</b>	<b>15.1</b>	<b>8.9</b>	<b>36.8</b>	<b>39.9</b>	<b>31.5</b>	<b>26.3</b>	<b>22.9</b>
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Shareholders in Bank of Åland Plc</b>	<b>15.1</b>	<b>8.9</b>	<b>36.8</b>	<b>39.8</b>	<b>31.5</b>	<b>26.3</b>	<b>22.9</b>

# Balance Sheet

Bank of Åland Group	September 30, 2023	September 30, 2022		September 30, 2023	September 30, 2022
<i>Assets</i>			<i>Liabilities</i>		
Cash and balances with central banks	339	520	Liabilities to credit institutions and central banks	341	648
Debt securities	796	1,018	Deposits from the public	3,553	4,207
Lending to credit institutions	36	102	Debt securities issued	786	739
Lending to the public	3,777	4,241	Derivative instruments	13	26
Shares and participations	47	35	Current tax liabilities	2	2
Participations in associated companies	6	7	Deferred tax liabilities	36	34
Derivative instruments	23	25	Other liabilities	64	114
Intangible assets	21	21	Provisions	2	0
Tangible assets	37	36	Accrued expenses and prepaid income	51	31
Investment properties	0	0	Subordinated liabilities	30	32
Current tax assets	3	2	<b>Total liabilities</b>	<b>4,878</b>	<b>5,834</b>
Deferred tax assets	5	6			
Other assets	55	94	<i>Equity capital and non-controlling interests</i>		
Accrued income and prepayments	52	39	Share capital	42	42
<b>Total assets</b>	<b>5,196</b>	<b>6,145</b>	Share premium account	33	33
			Reserve fund	25	25
			Fair value reserve	-13	-18
			Own shares	0	0
			Unrestricted equity capital fund	30	28
			Retained earnings	171	172
			<b>Shareholders' portion of equity capital</b>	<b>288</b>	<b>282</b>
			Non-controlling interests' portion of equity capital	0	0
			Additional Tier 1 capital holders	29	29
			<b>Total equity capital</b>	<b>318</b>	<b>312</b>
			<b>Total liabilities and equity capital</b>	<b>5,196</b>	<b>6,145</b>

# Outstanding Long-Term Funding\* September 30, 2023

## MCBA Cover Asset Pool

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
FI4000375241	300 000 000	19.03.2019	19.03.2024	0.125	EUR	300 000 000	0.47
						300 000 000	0.47

## CBA Cover Asset Pool

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
FI4000549548	250 000 000	16.3.2023	16.3.2026	3.875	EUR	250 000 000	2.46
						250 000 000	2.46

\* Excluding retained covered bonds

# 10.4 Finnish Covered Bond Legislation

# 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, the 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

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