

# Bank of Åland

Investor presentation

September 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
- A3 rating with stable outlook from Moody's
- 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
- One Cover Pool from April 22, 2024 onwards. All new issuances are secured by the CBA Cover Asset Pool, which consists of 100 % Finnish and the Åland Island's residential mortgages
- Clear concentration to the growth centres and the wealthiest parts of Finland
- Aaa rating from Moody's on CBA Covered Bond Program

# Financial Scorecard

June 30, 2024

## Capital

CET1  
Capital Ratio  
14.0 %

- Very strong capital position
- IRB approach used in Finland, standardised approach used in Sweden
- On March 26, 2024, the AGM approved the distribution of a dividend of EUR 2.65 per share for the financial year 2023, consisting of a regular dividend of EUR 2.40 plus an extra dividend of EUR 0.25
- Capital requirements applicable are CET1 capital ratio 9.3 %, Tier 1 capital ratio 11.0 % and Total capital ratio 13.3 %
- Bank of Åland has an ample capital surplus: CET1 capital ratio +4.7 pp, Tier 1 capital ratio +4.7 pp and Total capital ratio +4.3 pp

## Liquidity and Funding

- Loan/deposit ratio of 102 %
- Liquidity reserve at 20 % of total assets
- LCR at 157 %
- NSFR at 122 %
- A3 rating with stable outlook from Moody's
- Aaa rating from Moody's on Covered Bonds

Aaa  
Rating on  
Covered  
Bonds from  
Moody's

## Risk Management

Loan Loss  
Level  
0.08 %

- Long history of low loan loss levels. Loan loss level of 0.08 % in H1 2024 (0.06 % in H1 2023)
- 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 32.5 M in H1 2024 (EUR 22.5 M in H1 2023)
- ROE 18.2 % in H1 2024 (12.8 % in H1 2023)
- Unchanged Future Outlook: The Bank of Åland expects its net operating profit in 2024 to be about the same as in 2023

Return on  
Equity  
18.2 %

# A3 Long-Term Deposit Ratings by Moody's

Category	Moody's Rating
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)

## Credit Strengths

- Long and solid track record
- Diversified earnings from banking, investment and wealth management services
- Improving profitability
- Low reliance on market funding

On March 15, 2024, Moody's Ratings assigned first time long- and short-term deposit ratings to Bank of Åland

- "The A3 long-term deposit ratings reflect Bank of Åland's strong private banking franchise in Finland and Sweden, reflected in the baa2 BCA, and two notches of uplift due to the large volumes of junior depositors sharing losses in the case of a failure"
- "Bank of Åland's capitalisation is strong with a tangible common equity to risk weighted assets of 16.2 % at end of December 2023, up from 13.9 % at the end of 2022, largely due to the transfer of SEK 5.8 billion of Swedish mortgages to Borgo in September 2023"
- "Bank of Åland has diversified revenue streams due to its strategic diversification, both geographically and across product lines, with higher interest rates supporting strong profitability"
- "The stable outlook on the long-term deposit ratings reflects Moody's view that during the coming 12 to 18 months, Bank of Åland's fundamentals will remain strong, with limited deterioration in asset quality, a slight strengthening in capitalisation as Swedish mortgages are transferred to Borgo, and a stable profitability while funding structure and liquidity improve moderately"

## 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

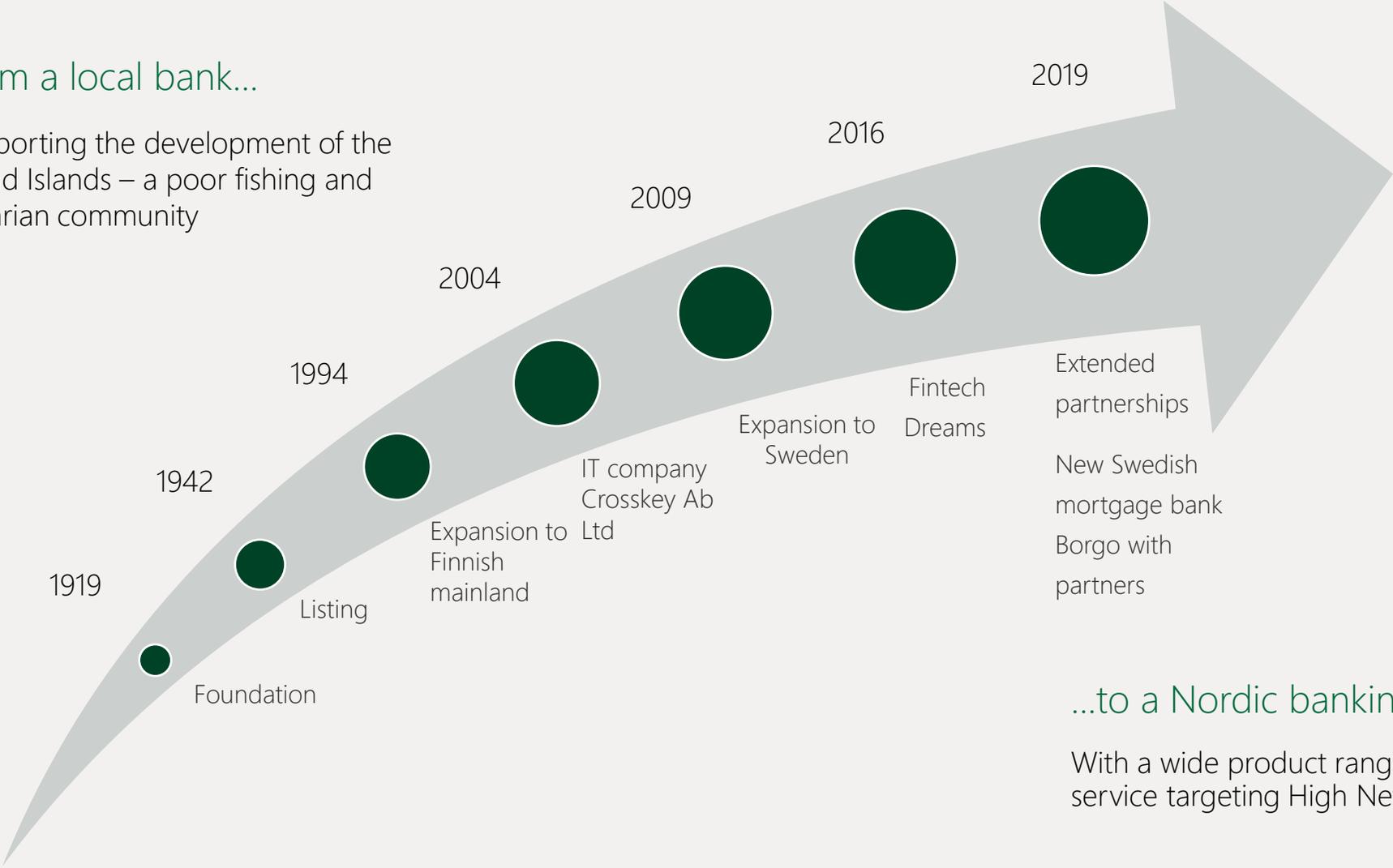
- 3 offices in Sweden’s largest cities, market share < 1 %
- Full product range offered but “bread and butter” services only as a complement to Private Banking and Premium Banking service offerings
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**



# 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

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

NUMBER OF USERS* <b>700M</b>	NUMBER OF CLIENTS <b>100+</b>
	NUMBER OF MARKETS <b>35+</b>

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

LEADING PARTNERS

UNFCCC WWF BCG mastercard S&P Global

# Other Strategic Fintech Partners

## BORGO IN BRIEF THE BORGO ECO-SYSTEM

### 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

#### Lån & SparBank

Digital bank with loans, savings and credit card offerings. Established in Denmark 1880

*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*



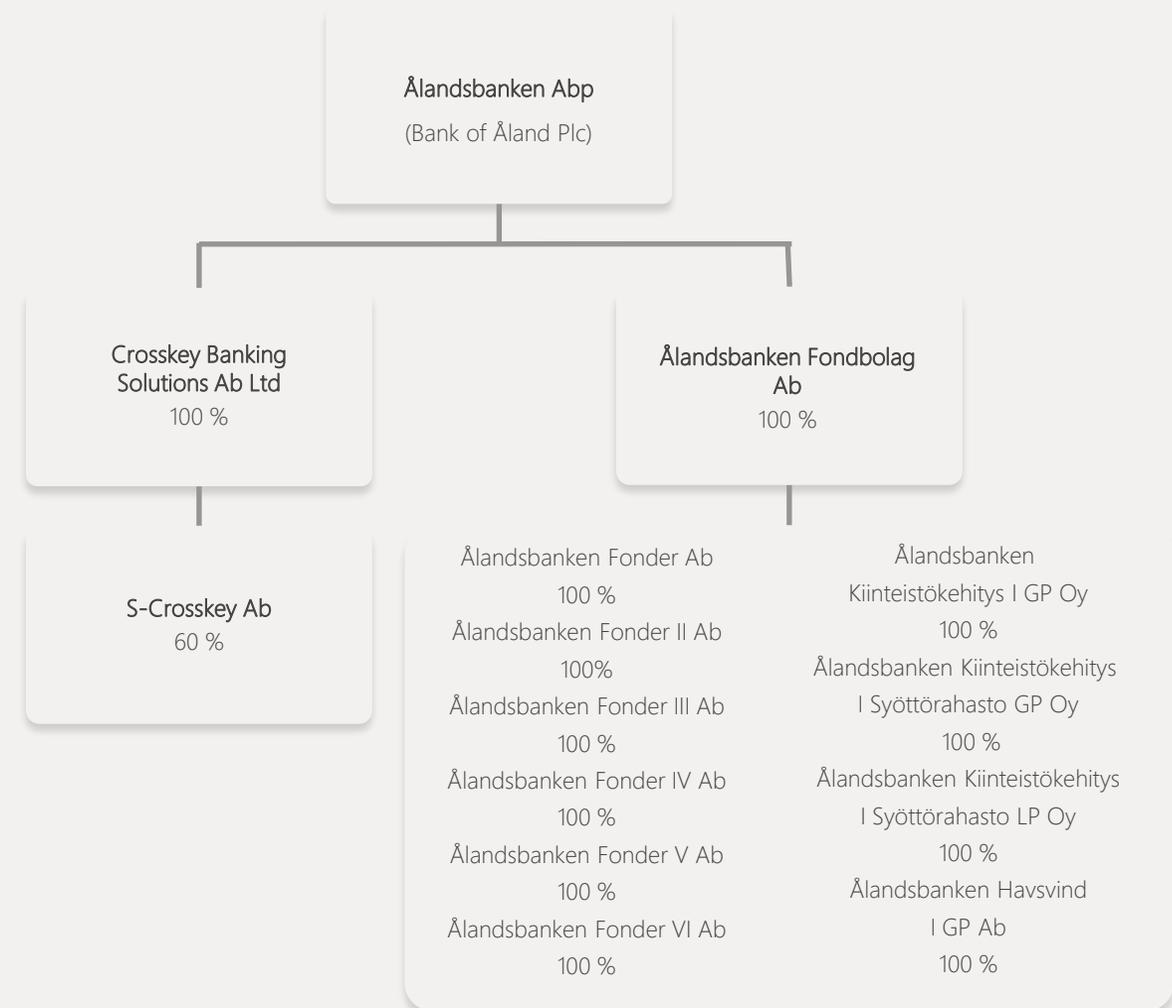
Products Solutions Expertise

# 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

10 Largest Shareholders as of June 28, 2024	Share of capital	Share of votes
Wiklöf Anders with companies	21.68 %	29.77 %
The Family Kamprad Foundation	6.02 %	0.68 %
Alandia Försäkring Abp	5.26 %	10.95 %
Fennogens Investments S.A. (Family Ehrnrooth)	5.10 %	9.03 %
Pensionsförsäkringsaktiefbolaget Veritas	2.54 %	1.98 %
Chilla Capital	1.81 %	4.01 %
Lundqvist Ben Hugo	1.78 %	3.96 %
Oy Etra Invest Oy	1.47 %	0.16 %
Svenska Litteratursällskapet i Finland r.f.	1.36 %	3.02 %
Nordea Henkivakuutus Suomi Oy	1.15 %	0.13 %



Approximately 14,600 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

# 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

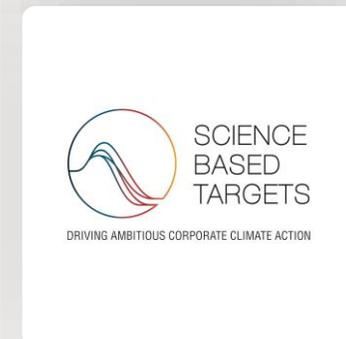


## Net-zero emissions by 2050

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
- ✓ SBTi (Science Based Targets initiative) 2023



# Our Focus on the 17 UN Global Sustainable Development Goals

In 2023 we decided to focus on 8 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 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 14: Life below water
- Goal 15: Life on land



To date we have supported environmental work with almost 5 000 000 €

ÖSTERSJÖPROJEKTET  
BALTICSEAPROJECT  
ITÄMERIPROJEKTI

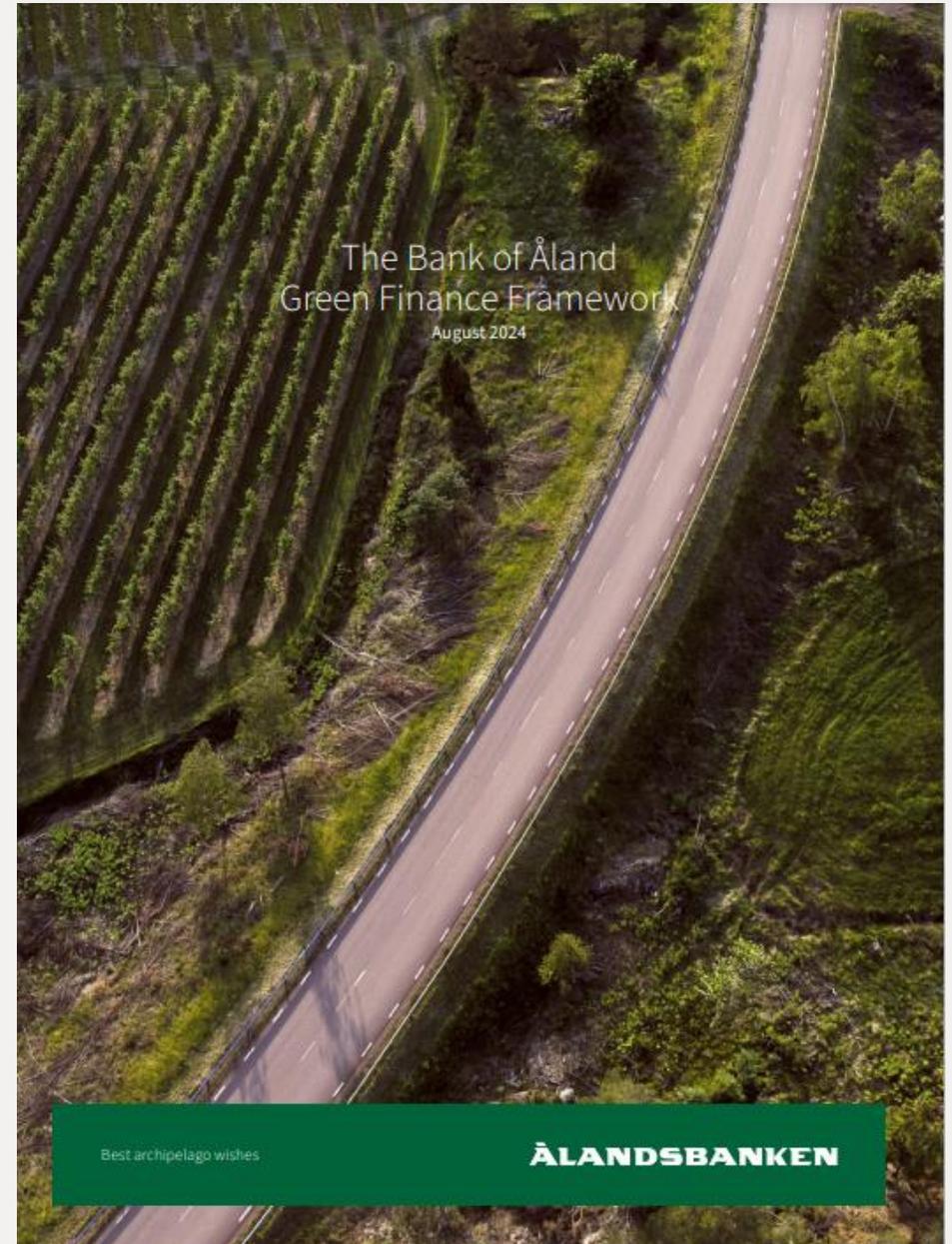


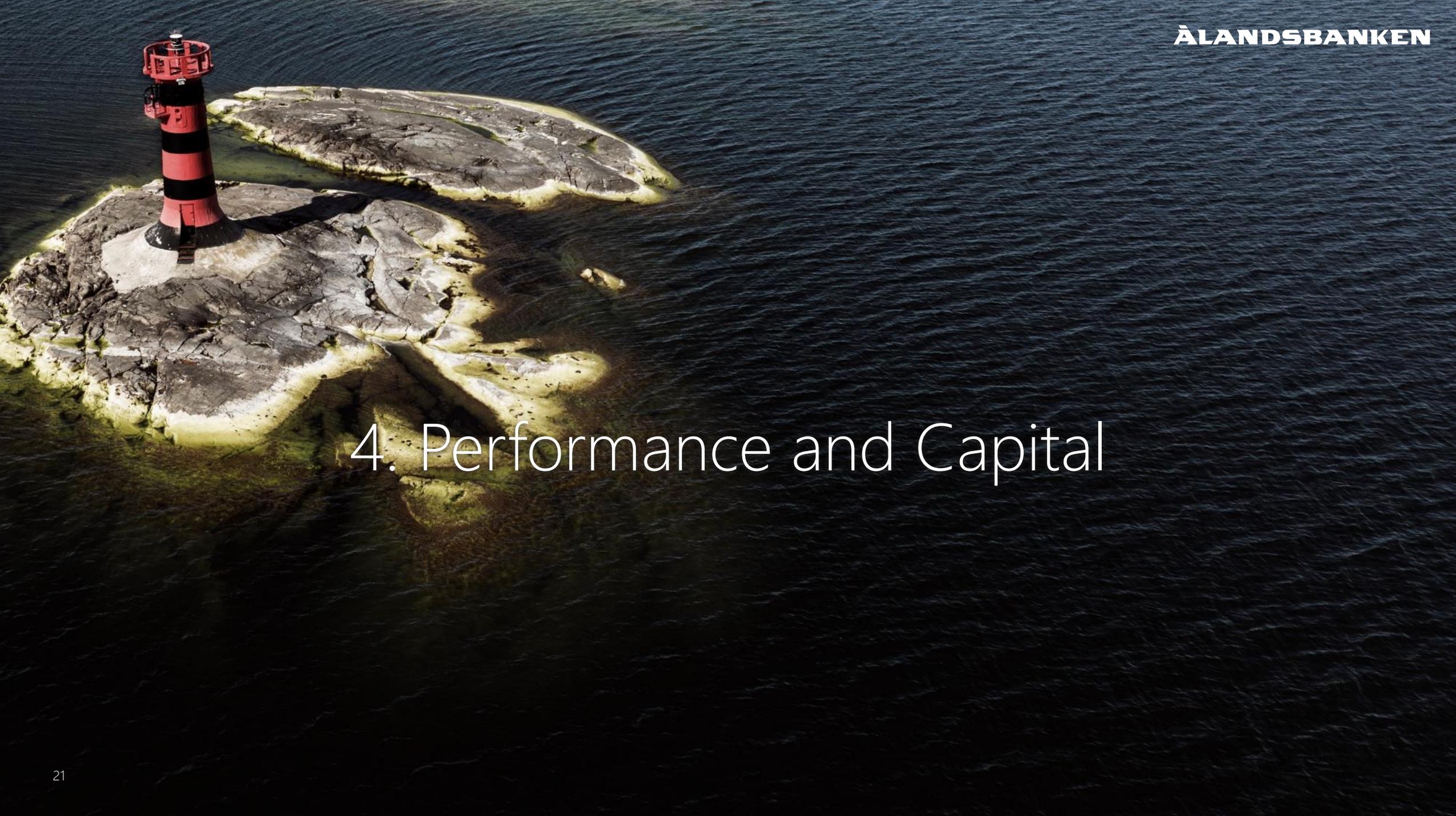
Some of the funding recipients through the Baltic Sea Project:



# Bank of Åland Green Finance Framework

- The Bank of Åland Green Finance Framework was published in September 2021 and updated in August 2024
- The Framework is based on the Green Bond Principles (GBP), published by ICMA
- The Bank of Åland has received a Second Opinion from Moody's Investors Service on the Bank's August 2024 Green Finance Framework. The Green Finance Framework has received the Sustainability Quality Score SQS2 (Very Good)
- Eligible green project types are renewable energy, green buildings and clean transportation
- An impact report is published annually. Total annual emissions avoided amounted to 5,921 tonnes CO<sub>2</sub>e in 2023. The weighted impact of tonnes CO<sub>2</sub>e per EUR M was 438
- The Bank of Åland has one outstanding green bond in the form of a Green SEK Tier 2 instrument amounting to SEK 150 M



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 water is dark and textured with small waves. The overall scene is serene and isolated.

# 4. Performance and Capital

# Long-Term Financial Targets

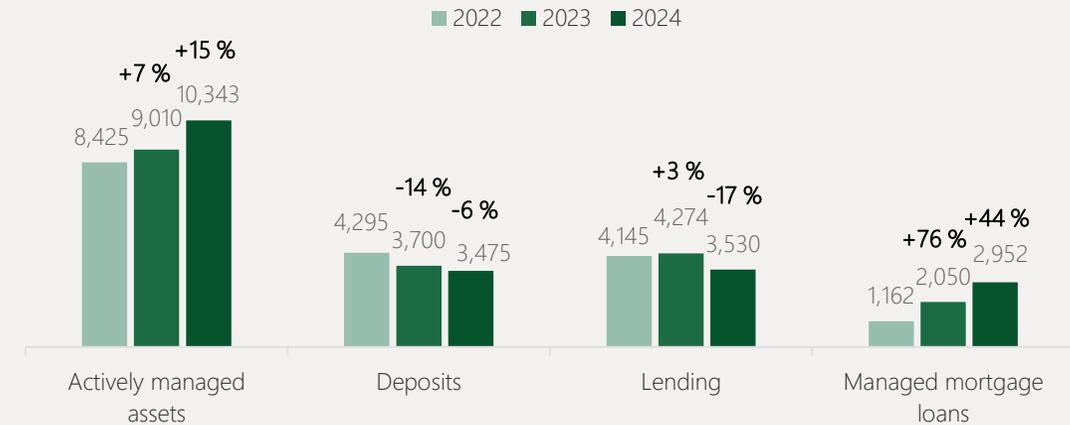
The current long-term targets were updated by the Board of Directors in September 2021 to better reflect the strategy and business model as well as the experienced growth. The previous targets had been in effect since 2013

<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>

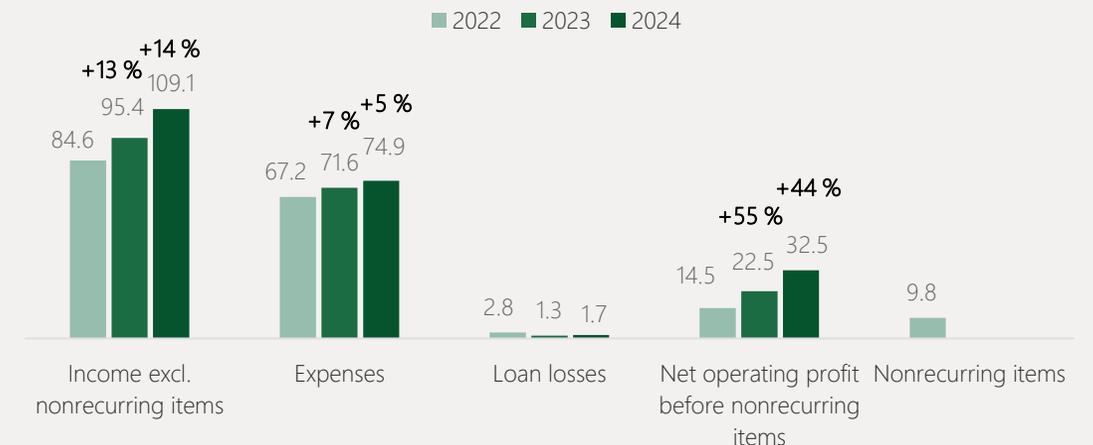
# H1 2024 in Summary

- We had a strong first half in terms of earnings, with a net operating profit of EUR 32.5 million (22.5) and with a return on equity after taxes of 18.2 per cent (12.8). The investment money we manage for our customers reached a new record level of more than EUR 10.3 billion
- During the second quarter, we completed the third and final migration (SEK 3 billion) of Swedish mortgages from our balance sheet to our partly owned mortgage company Borgo. We thus have a very strong capital and liquidity situation, which means that we are ready for future growth as the demand for loans now hopefully starts to pick up
- The level of global geopolitical turmoil remains high. Inflation-fighting efforts are now showing clear signs of success. During the second quarter of 2024, both the European Central Bank and Sweden's Riksbank therefore cut their key interest rates by 25 basis points. The financial markets expect further interest rate cuts during the year, which will be reflected in falling market interest rates
- The AGM elected Malin Lombardi as a new member of the Board of Directors. It re-elected Anders Å Karlsson, Nils Lampi, Mirel Leino-Haltia, Christoffer Taxell, Ulrika Valassi and Anders Wiklöf as Board members
- In January, the Bank of Åland issued a new covered bond totalling EUR 300 M with a 3½ year maturity. In March, a covered bond totalling EUR 300 M fell due for payment
- In March 2024, for the first time the Moody's Ratings agency assigned credit ratings to the Bank of Åland. The ratings were A3/P-2 for long- and short-term deposits. A stable outlook was assigned to the long-term deposit rating. In April, Moody's assigned a credit rating of Aaa for the Bank of Åland's covered bonds. The Bank of Åland has chosen to have Moody's Ratings (Moody's) as its sole rating agency. S&P Global Ratings (S&P) thus withdrew all its ratings of the Bank of Åland on April 30

## Volumes, EUR M



## Net operating profit, EUR M



# H1 2024 Results

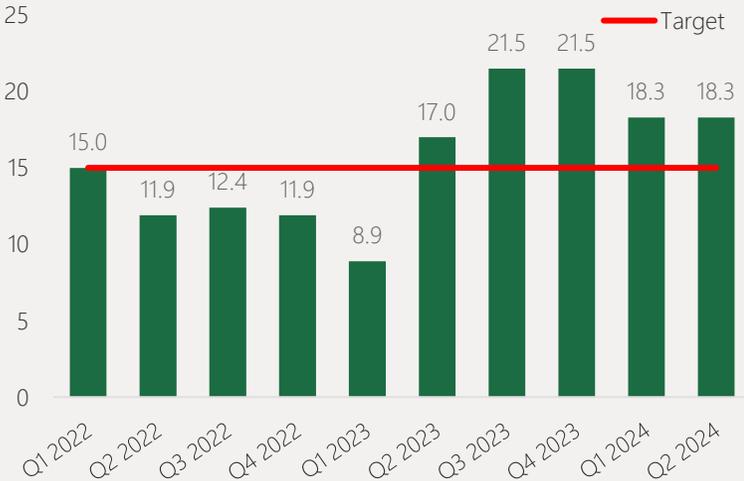
## Results

- Net operating profit EUR 32.5 M in H1 2024 (EUR 22.5 M in H1 2023), +45 %
- ROE 18.2 % in H1 2024 (12.8 % in H1 2023)
- Earnings per share, EUR 1.71 in H1 2024 (EUR 1.15 in H1 2023), +49 %

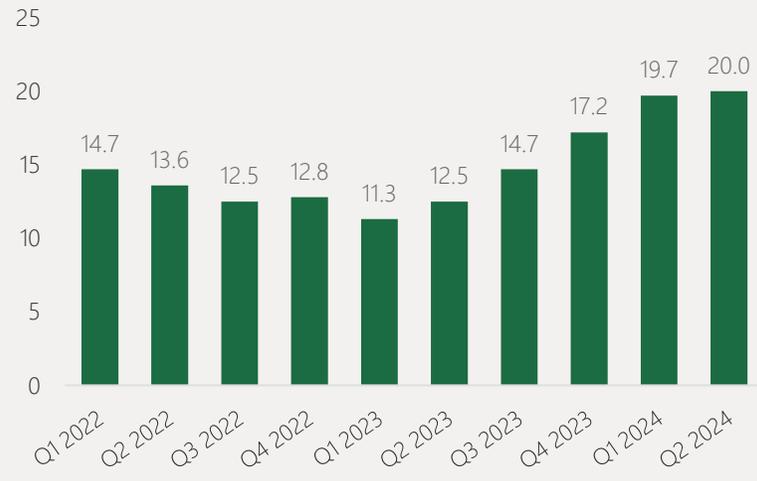
## Unchanged Future Outlook

- The Bank of Åland expects its net operating profit in 2024 to be about the same as in 2023
  - 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

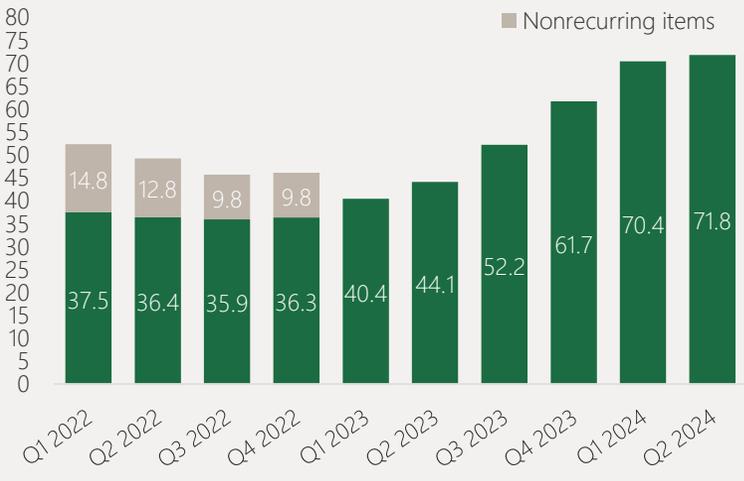
ROE %, 2022-2024



ROE, Rolling 12 Months, %



Net Operating Profit, Rolling 12 Months, EUR M



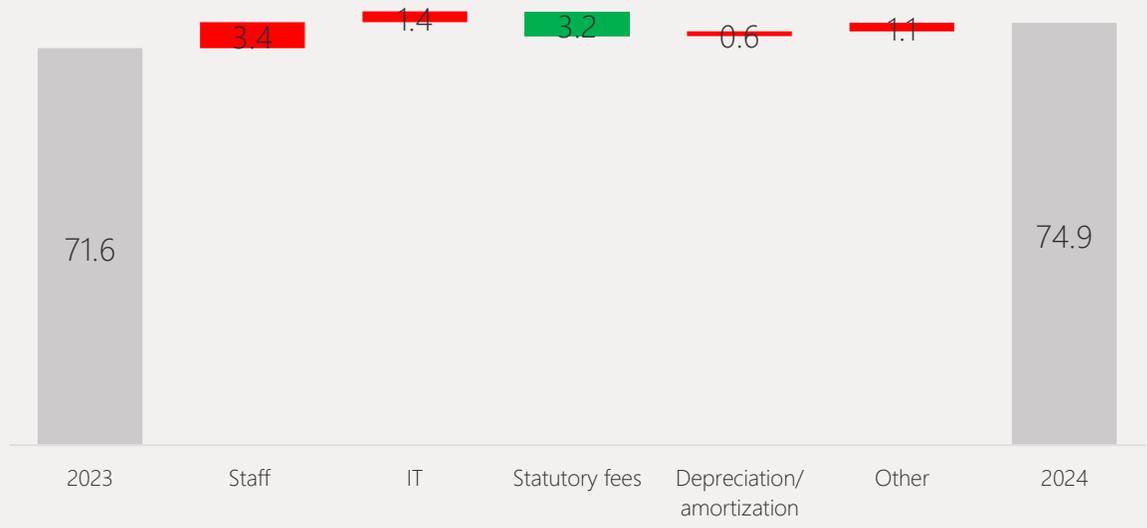
Statutory fees: EUR 3.6 M (Q1 2022) and EUR -0.1 M (Q2 2022), EUR 3.2 M (Q1 2023)

# Income and Expenses H1 2023-2024

Income, EUR M



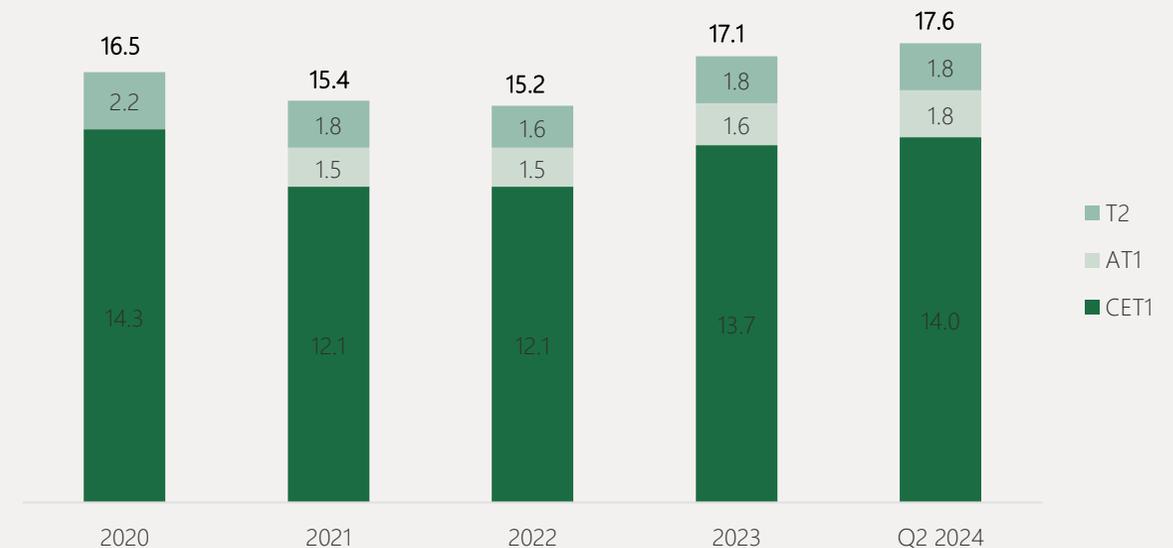
Expenses, EUR M



# 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
- Various buffer requirements apply. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0-2.5 per cent. For Finnish exposures, the requirement remains 0.0 per cent. For Swedish exposures, the amount of the countercyclical buffer is 2.0 per cent. In Finland, a systemic risk buffer of 1.0 per cent applies to the Bank of Åland as of April 1, 2024
- As of March 31, 2024 the Bank of Åland is subject to an indicative additional capital requirement (Pillar 2 guidance, P2G) of 0.75 per cent. This indicative additional capital requirement is not included in minimum levels but is instead included as a subset in the Bank of Åland’s capital surplus, where the Bank’s long-term financial target is that its common equity Tier 1 capital ratio shall exceed FIN-FSA’s minimum requirement by 1.75-3.0 percentage points
- On March 26, 2024, the AGM approved the distribution of a dividend of EUR 2.65 per share for the financial year 2023, consisting of a regular dividend of EUR 2.40 plus an extra dividend of EUR 0.25
- CET1 capital ratio for a small bank like the Bank of Åland is not comparable to larger banks with IRB methods

Capital position, %

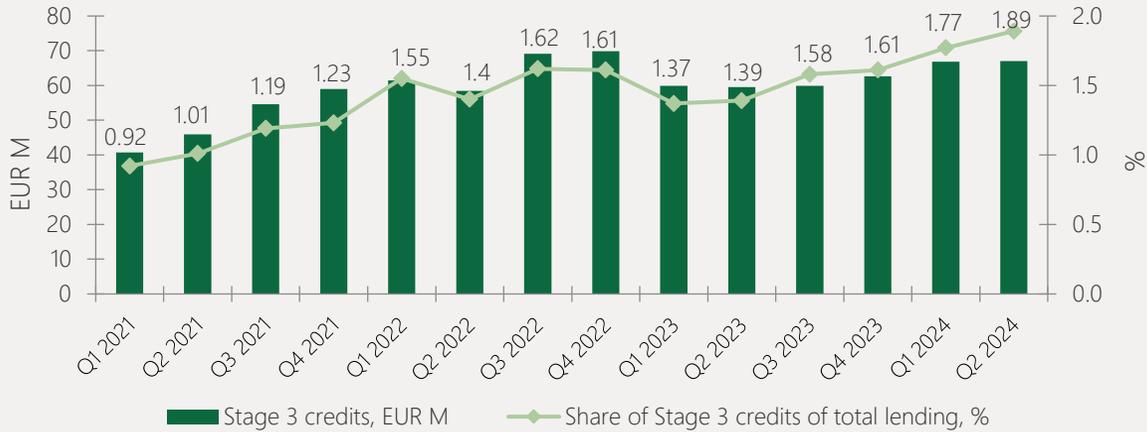


# 5. Asset Quality

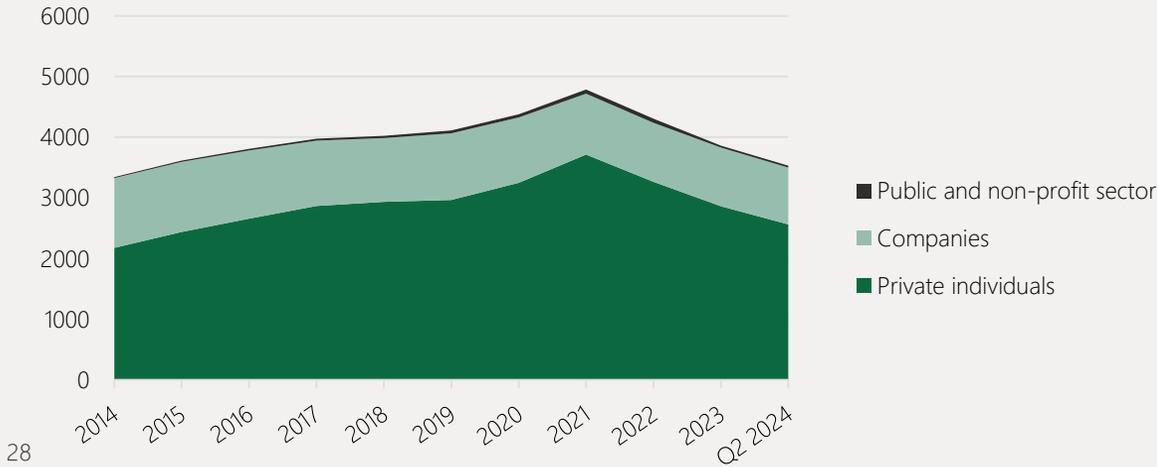
# Lending Strategy Focused on Balanced Credit Growth

- 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 0.08 % in H1 2024 (0.06 % in H1 2023)

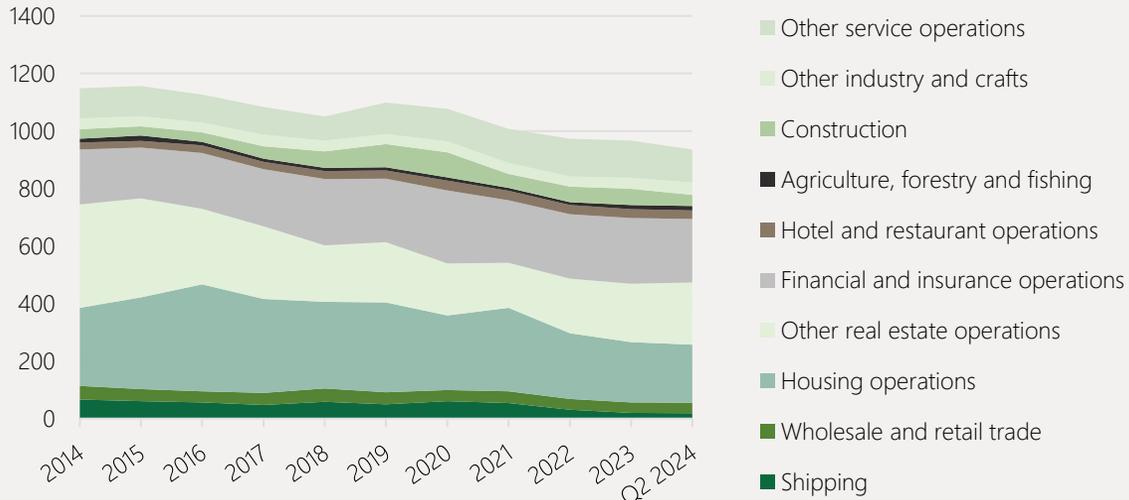
Stage 3 Credits 2021-2024



Lending to the Public, EUR M



Lending to Companies, EUR M

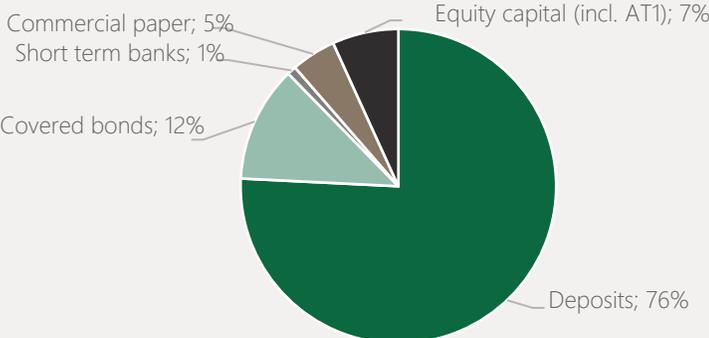


## 6. Liquidity and Funding

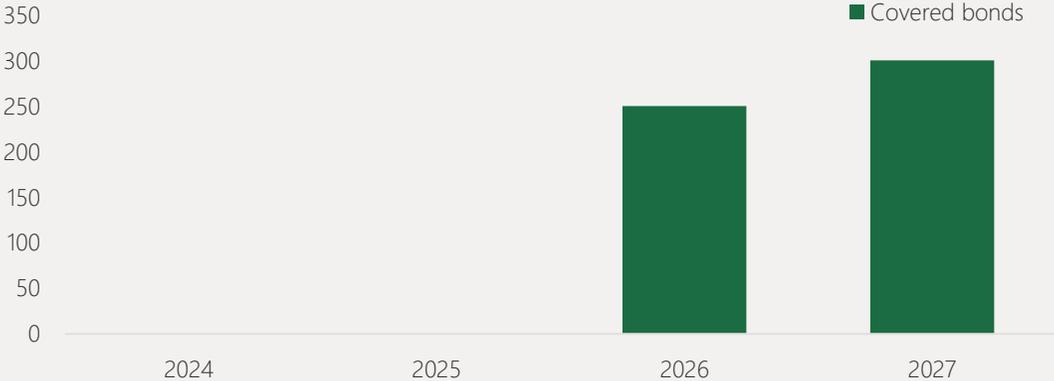
# Group Funding and Liquidity Management

- 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
- 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 June 30, 2024



## Maturing Long-Term Funding\* June 30, 2024, EUR M



## Themes 2024

- After the third and final transfer of SEK mortgages to Borgo in Q2 2024, the share of customer deposits is high, over 70 per cent 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

\* Excluding retained covered bonds

# Liquidity Reserve

### Key metrics

Liquidity reserve

20 %  
of total assets

Liquidity portfolio

EUR 949 M

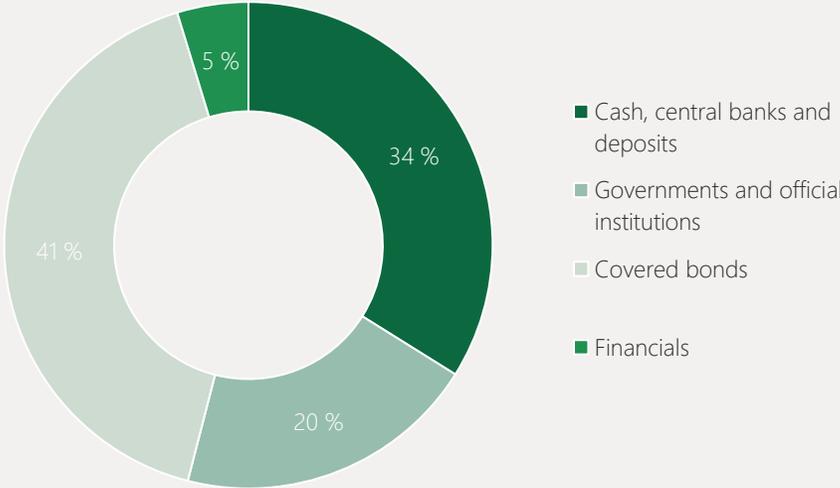
LCR

157 %

NSFR

122 %

Composition of the Liquidity Reserve June 30, 2024



- 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

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 body and a red lantern room. The surrounding water is dark and textured with small waves. The text '7. CBA Cover Asset Pool' is overlaid in white on the lower right portion of the image.

## 7. CBA Cover Asset Pool

# CBA Cover Asset Pool Characteristics

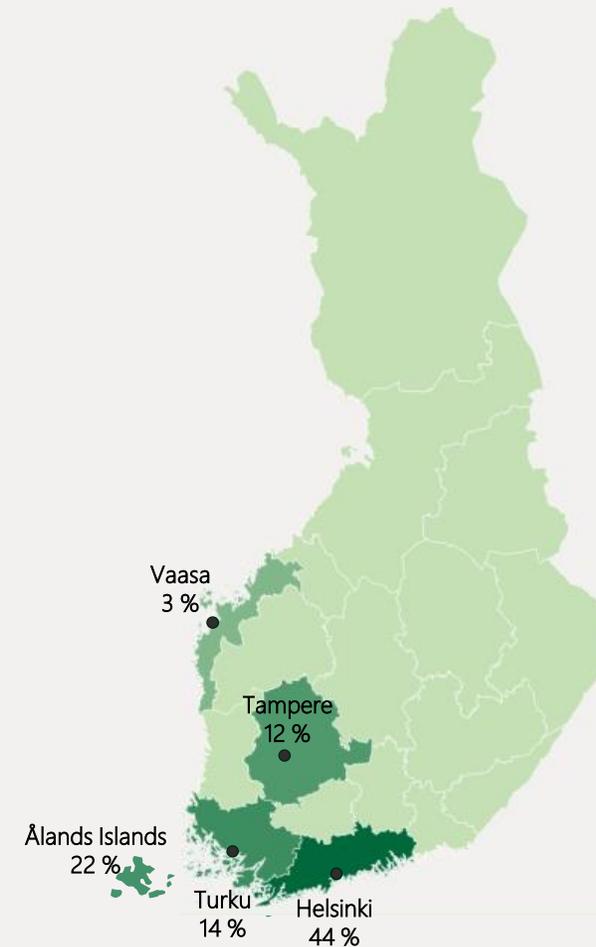
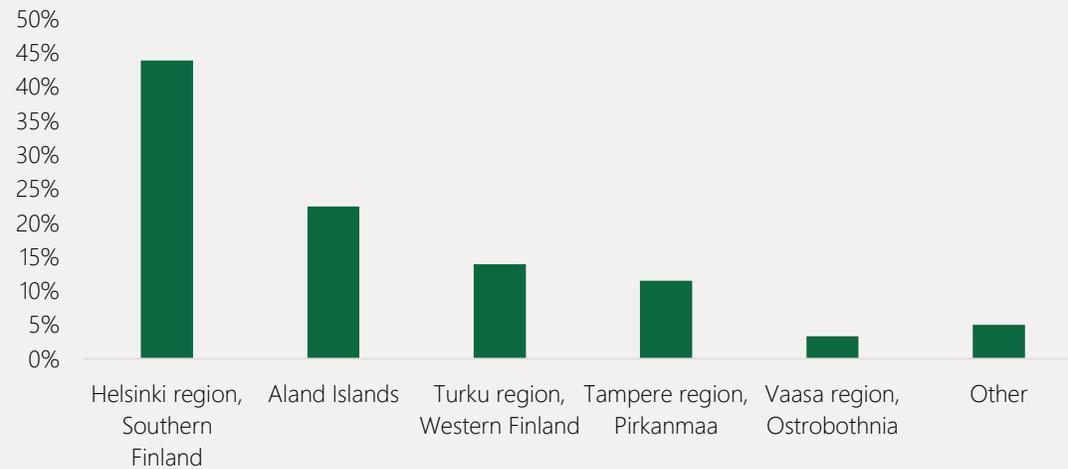
Key Characteristics of the CBA Cover Asset Pool June 30, 2024	
Prime Finnish residential mortgages, %	100.0
Total nominal amount, EUR M	1,199.0
Weighted arithmetic average LTV, unindexed, %	54.0
Weighted average life, years	8.5
Weighted average loan seasoning, years	5.33
Number of unique loans	12,444
Number of borrowers	10,871
Average loan size, EUR k	97.6
Interest rate base, %	96.0 floating / 4.0 fixed
Impaired loans, %	0.0
Repayment type, %	16.0 interest only / 84.0 amortizing
Over-collateralization, %	actual 26.2/ minimum committed 6.5

- One Cover Pool as of April 22, 2024. All new issuances are secured by the CBA Cover Asset Pool, which consists of 100 % Finnish and the Åland Island's residential mortgages
- On April 26, 2024, Moody's assigned Aaa ratings to the CBA Covered Bonds of the Bank of Åland
- The Bank of Åland is committed to keeping the CBA Covered Bond 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
- 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

# Geographical Distribution of the CBA Cover Asset Pool

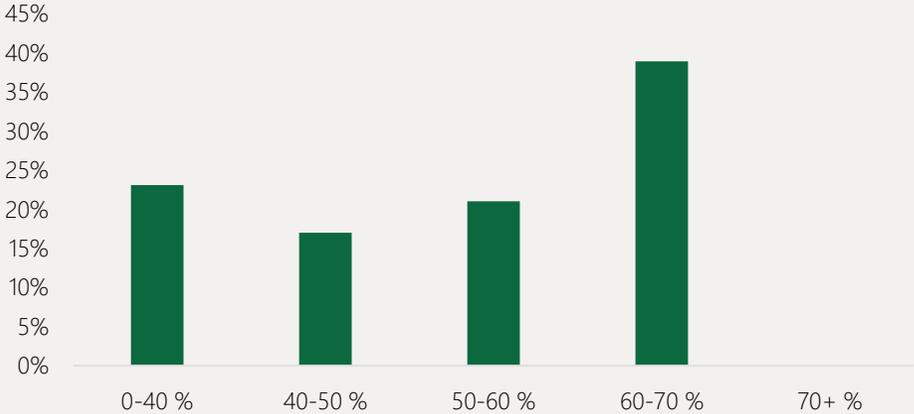
- Clear concentration to the growth centres, the wealthiest parts of Finland

Regional Distribution

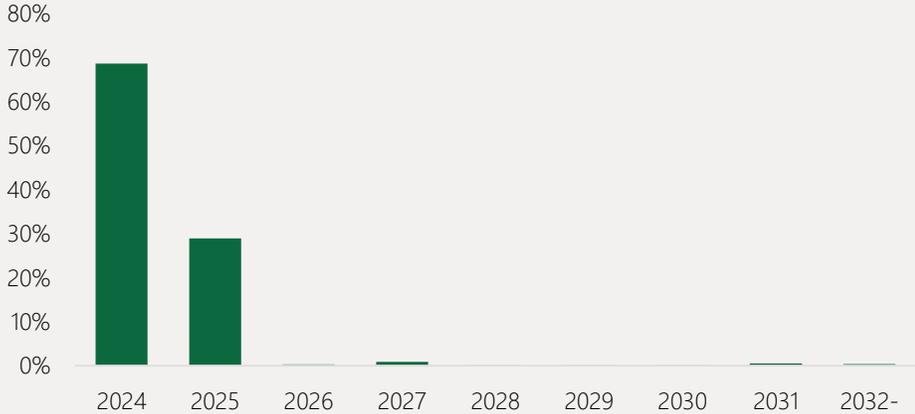


# CBA Cover Asset Pool Details

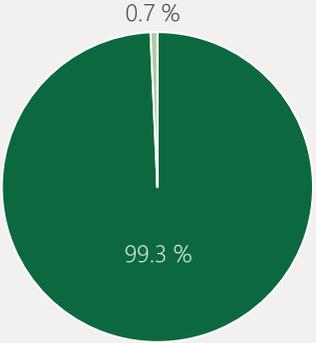
LTV, Unindexed



Interest Rate Reset

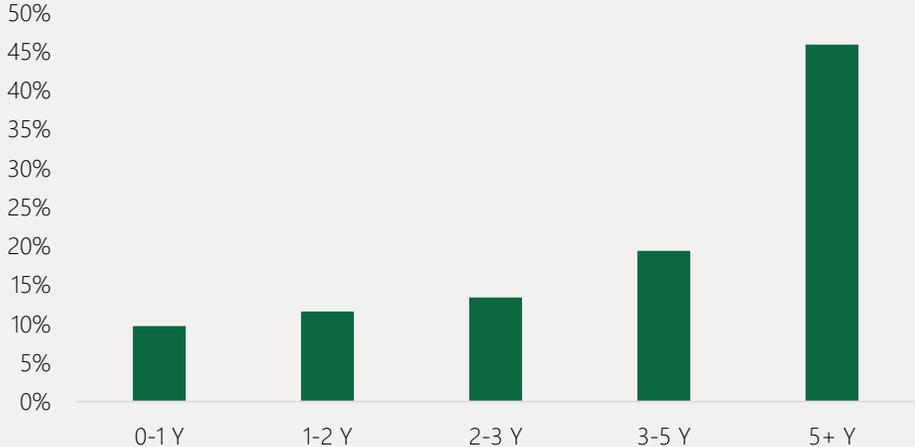


Cover Pool Composition



■ Residential Assets ■ Substitute Assets

Seasoning



# 8. Finnish Economy and Housing Market

# Finnish Economy

- The Finnish economy contracted by 1 % in 2023, with weakness carrying over into a further year-average of 0.4 % decline in 2024. A slow recovery is expected, and growth is projected to reach 1.9 % in 2025
- Elevated interest rates will continue to weigh on private consumption and residential investment in the short term, given the high share of variable- or adjustable-rate mortgages
- Inflation is falling quickly, due to lower commodity prices and weak demand, and is expected to drop further in 2024
- Unemployment will rise in 2024, reflecting weaker labour demand, especially in construction, but edge down in 2025
- Russia's ongoing war of aggression against Ukraine is straining the economy by undermining confidence, increasing import costs and affecting foreign tourism. Finland is vulnerable to any further escalations in the region
- Consumer and business confidence remain muted
- Fiscal deficit expanded in 2023 and is expected to widen further in 2024. The government announced a medium-term fiscal plan to raise tax revenues by increasing the standard VAT rate by 1.5 percentage points to 25.5 % and reduce social security benefits, of which some have already been implemented and some further reductions await

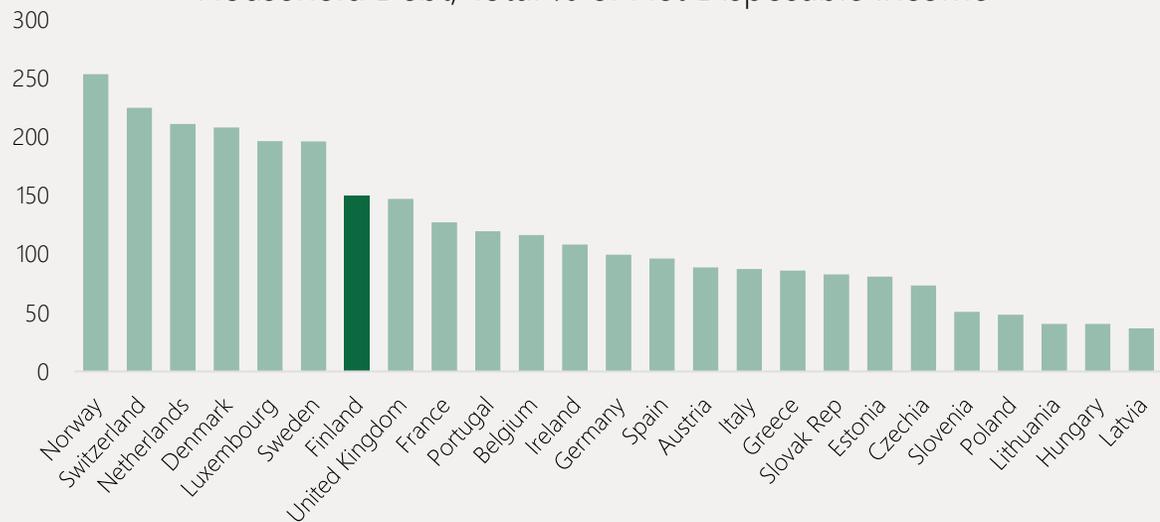
	Forecast				
National Account, % y/y	2021	2022	2023	2024	2025
GDP	2.8	1.3	-1.0	-0.4	1.9
Private consumption	3.2	1.8	0.4	0.6	2.2
Government consumption	3.9	-1.0	4.5	-0.1	1.0
Gross fixed capital formation	1.0	2.5	-4.2	-0.2	3.1
Exports of goods and services	6.2	3.6	-1.7	-1.2	2.7
Imports of goods and services	6.1	8.4	-7.1	-1.5	3.4
Net exports	0.0	-1.9	2.6	0.1	-0.3
Economic Indicators	2021	2022	2023	2024	2025
Harmonised index of consumer prices	2.1	7.2	4.3	1.1	1.8
Harmonised index of core inflation	1.2	3.6	4.1	2.0	1.7
Unemployment rate (%)	7.6	6.8	7.2	8.0	7.7
Household savings ratio, net (% of disposable income)	2.6	-1.6	-0.8	1.2	-0.4
General government financial balance (% of GDP)	-2.8	-0.4	-2.7	-4.3	-3.4
General government debt, Maastricht definition (% of GDP)	72.6	73.5	75.8	78.8	80.0
Current account balance (% of GDP)	-0.1	-2.5	-1.2	-1.3	-1.5

# 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
- Nominal house prices were down by 4.5 % in late 2023 from a year earlier and by 11.2 % from their peak in mid-2022, further weakening the incentive to build

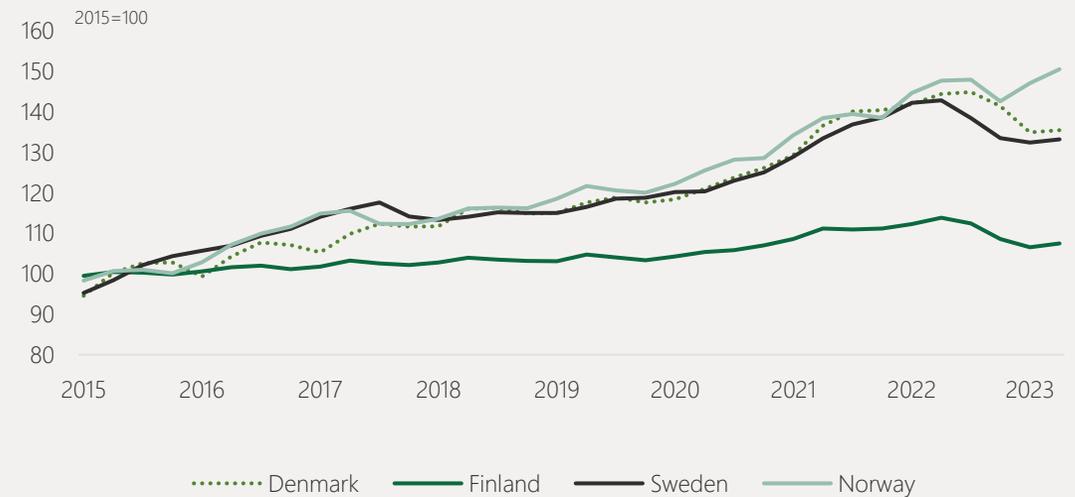
Household Debt, Total % of Net Disposable Income



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: (1) [Eurostat](#), (2) [OECD](#)

# 9. Appendix

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# Key Figures

	H1 2024	H1 2023	2023	2022	2021	2020	2019
ROE, %	18.2	12.8	17.2	12.8	14.0	11.6	10.7
Expense/ income ratio, %	69	75	68	72	69	70	73
Loan loss level, %	0.08	0.06	0.05	0.14	0.12	0.11	0.08
CET1 capital ratio, %	14.0	12.3	13.7	12.1	12.1	14.3	13.4
Total capital ratio, %	17.6	15.5	17.1	15.2	15.4	16.5	15.8
Earnings per share, EUR	0.82	0.74	3.18	2.37	2.55	2.02	1.69
Equity capital per share, EUR	18.36	17.51	19.98	18.85	19.39	18.76	16.61
Lending to the public, EUR M	3,530	4,274	3,859	4,303	4,788	4,378	4,110
Deposits from public, EUR M	3,475	3,700	3,595	4,182	4,070	3,605	3,368
Equity capital, EUR M	311	297	335	317	332	292	258
Risk exposure amount, EUR M	1,681	1,882	1,774	1,938	1,976	1,671	1,583
FTE	972	912	906	854	815	751	700

# Income Statement

EUR M	H1 2024	H1 2023	2023	2022	2021	2020	2019
Net interest income	52.7	44.0	99.7	68.2	62.2	58.9	53.9
Net commission income	37.7	36.6	77.0	78.4	79.0	66.3	58.0
IT income	18.1	13.8	28.6	23.5	24.4	21.9	17.5
Other income	0.7	1.1	-3.0	14.0	10.4	3.0	4.5
<b>Total income</b>	<b>109.1</b>	<b>95.4</b>	<b>202.3</b>	<b>184.1</b>	<b>176.0</b>	<b>150.1</b>	<b>133.9</b>
Staff costs	-44.4	-41.0	-81.3	-75.5	-71.1	-62.9	-57.0
Other expenses	-30.5	-30.6	-57.0	-56.3	-50.8	-42.6	-40.5
<b>Total expenses</b>	<b>-74.9</b>	<b>-71.6</b>	<b>-138.4</b>	<b>-131.8</b>	<b>-121.9</b>	<b>-105.6</b>	<b>-97.5</b>
<b>Profit before impairment losses</b>	<b>34.2</b>	<b>23.8</b>	<b>63.9</b>	<b>52.3</b>	<b>54.1</b>	<b>44.6</b>	<b>36.4</b>
Net impairment loss on financial assets	-1.7	-1.3	-2.2	-6.2	-4.9	-4.9	-3.2
<b>Net operating profit</b>	<b>32.5</b>	<b>22.5</b>	<b>61.7</b>	<b>46.1</b>	<b>49.2</b>	<b>39.7</b>	<b>33.2</b>
Income taxes	-6.3	-5.0	-13.1	-9.3	-9.3	-8.2	-6.9
<b>Net profit for the period</b>	<b>26.2</b>	<b>17.5</b>	<b>48.7</b>	<b>36.8</b>	<b>39.9</b>	<b>31.5</b>	<b>26.3</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>26.2</b>	<b>17.5</b>	<b>48.7</b>	<b>36.8</b>	<b>39.8</b>	<b>31.5</b>	<b>26.3</b>

# Balance Sheet

Bank of Åland Group	June 30, 2024	December 31, 2023		June 30, 2024	December 31, 2023
<i>Assets</i>			<i>Liabilities</i>		
Cash and balances with central banks	297	351	Liabilities to credit institutions and central banks	42	401
Debt securities	691	826	Deposits from the public	3,475	3,595
Lending to credit institutions	39	31	Debt securities issued	757	817
Lending to the public	3,530	3,859	Derivative instruments	9	15
Shares and participations	37	40	Current tax liabilities	2	3
Participations in associated companies	7	7	Deferred tax liabilities	35	35
Derivative instruments	13	27	Other liabilities	61	59
Intangible assets	21	21	Provisions	3	2
Tangible assets	43	37	Accrued expenses and prepaid income	58	47
Investment properties	0	0	Subordinated liabilities	31	32
Current tax assets	4	2	<b>Total liabilities</b>	<b>4,471</b>	<b>5,006</b>
Deferred tax assets	6	5	<i>Equity capital and non-controlling interests</i>		
Other assets	41	82	Share capital	42	42
Accrued income and prepayments	52	53	Share premium account	33	33
<b>Total assets</b>	<b>4,782</b>	<b>5,342</b>	Reserve fund	25	25
			Fair value reserve	-21	-10
			Unrestricted equity capital fund	31	30
			Retained earnings	171	185
			<b>Shareholders' portion of equity capital</b>	<b>282</b>	<b>306</b>
			Non-controlling interests' portion of equity capital	0	0
			Additional Tier 1 capital holders	29	29
			<b>Total equity capital</b>	<b>311</b>	<b>335</b>
			<b>Total liabilities and equity capital</b>	<b>4,782</b>	<b>5,342</b>

# Outstanding Long-Term Funding\* June 30, 2024

CBA Cover Asset Pool

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
FI4000549548	250 000 000	16.03.2023	16.03.2026	3.875	EUR	250 000 000	1.96
FI4000566351	300 000 000	22.01.2024	22.07.2027	3.000	EUR	300 000 000	3.31
						550 000 000	2.70

\* Excluding retained covered bonds

# Sustainability Information

Group, own emissions	H1 2024	H1 2023	%
<b>Greenhouse gases, tonnes of CO<sub>2</sub>e</b>			
Emissions from owned and controlled resources	3.3	2.3	40
<b>Total Scope 1</b>	<b>3.3</b>	<b>2.3</b>	<b>40</b>
Energy-related emissions	31.5	31.4	0
<i>of which from electricity according to market-based method</i>	0.0	0.0	
<b>Total Scope 2</b>	<b>31.5</b>	<b>31.4</b>	<b>0</b>
Purchased goods and services	4,788.8	1,343.3	
Capital goods	18.5	36.5	-49
Fuel and energy-related activities	6.5	6.5	0
Transport and distribution	163.6	129.6	26
Waste generated by own operations	1.6	0.8	84
Business travel	361.5	349.1	4
Leased assets	70.4	114.7	-39
<b>Total scope 3 upstream</b>	<b>5,410.9</b>	<b>1,980.6</b>	
<b>Total greenhouse gases, own emissions</b>	<b>5,445.7</b>	<b>2,014.44</b>	
Climate financing			
<b>Net greenhouse gases, own emissions</b>			
<i>Emissions from electricity according to location-based method subtracted from Nordic Residual Mix, tonnes of CO<sub>2</sub>e</i>	64.5	57.8	12

# Sustainability Information

Group, scope 3, downstream	June 30, 2024	March 31, 2024	%	June 30, 2023	%
<b>Current situation on annual basis (CO<sub>2</sub>e), tonnes</b>					
Loan portfolio Scope 1 and 2	230,770	227,290	2	254,150	-9
<i>of which scope 1-2</i>	<i>230,770</i>	<i>227,290</i>	<i>2</i>	<i>254,150</i>	<i>-9</i>
Investments Scope 1, 2 and 3	2,377,580	2,073,619	15	2,358,002	1
<i>of which scope 1</i>	<i>128,538</i>	<i>97,224</i>	<i>32</i>	<i>98,373</i>	<i>31</i>
<i>of which scope 2</i>	<i>32,434</i>	<i>27,602</i>	<i>18</i>	<i>28,402</i>	<i>14</i>
<i>of which scope 3</i>	<i>2,216,607</i>	<i>1,948,793</i>	<i>14</i>	<i>2,231,227</i>	<i>-1</i>
Treasury Scope 1, 2 and 3	17,733	23,463	-24	13,414	32
<i>of which scope 1</i>	<i>528</i>	<i>1,251</i>	<i>-58</i>	<i>1,123</i>	<i>-53</i>
<i>of which scope 2</i>	<i>176</i>	<i>298</i>	<i>-41</i>	<i>181</i>	<i>-3</i>
<i>of which scope 3</i>	<i>17,028</i>	<i>21,914</i>	<i>-22</i>	<i>12,110</i>	<i>41</i>
<b>Total, Scope 3, downstream</b>	<b>2,626,082</b>	<b>2,272,768</b>	<b>13</b>	<b>2,625,566</b>	<b>0</b>

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