

ÅLANDSBANKEN

ÅLANDSBANKEN ABP

(incorporated with limited liability in the Republic of Finland)

EUR 3,000,000,000

Medium Term Note, Covered Bond and Tier 2 Note Programme

This supplement (the **Supplement**) comprises a supplement for Ålandsbanken Abp (the **Issuer**) to the Base Prospectus to the Medium Term Note, Covered Bond and Tier 2 Note Programme (the **Programme**) dated 10 March 2020. This Supplement should be read in conjunction with the Programme.

1. Risk Factors

(i) Risk relating to COVID-19 pandemic, supplemented to the prospectus by a supplement number 2

Last paragraph of the risk is amended by the following language:

“Model-driven impairment losses on financial assets increased because of the expected effects of the coronavirus pandemic. Provisions related to healthy loans (Stage 1 and Stage 2) increased by EUR 2.1 M or 150 per cent from EUR 1.4 M to EUR 3.5 M. Total net impairment losses on financial assets increased by EUR 1.7 M to EUR 4.9 M (3.2 M in 2019), equivalent to a loan loss level of 0.11 (0.08 in 2019) per cent.”

(ii) Credit risk related to housing loans and loans to corporations, page 11

Fourth paragraph under the heading is amended by following language:

“The credit risk of the Group is comprised primarily of claims against private individuals. As at 31 December 2020, the Group’s total lending was EUR 4,378 million, of which approximately 74 per cent. constituted loans to private individuals or households. The Group therefore has significant exposure to individuals and households. Individuals’ and households’ creditworthiness are affected by a variety of factors such as the state of the economy in general, adverse changes in the level of employment and real estate values. As at 31 December 2020, total lending in Sweden was EUR 1,559 million, or approximately 36 per cent. of the total lending of the Group, with the balance of lending being in Finland. The exposure of the Group is, therefore, also particularly concentrated in Finland and Sweden.”

Last paragraph, first sentence is amended by the following language:

“As at 31 December 2020, the Group’s total lending to corporate and other institutional customers was EUR 1,078 million.”

(iii) The Group is exposed to the risk of increased credit provisioning, page 12

The two first sentences of the second paragraph are amended by following language:

“The Group’s accrued net impairment loss on loans and other commitments was EUR 4.9 million as at 31 December 2020 as compared to EUR 3.2 million in the year ended 31 December 2019 and EUR 0.8 million in the year ended 31 December 2018. The Group had as at 31 December 2020 EUR 11.9 million in impairment loss provisions as compared to EUR 12.4 million as at 31 December 2019 and EUR 11.3 million as at 31 December 2018.”

(iv) Risk relating to the assets managed by the Issuer, page 13

The first sentence of the first paragraph is amended by the following language:

“The amount of managed assets was on December 2020 EUR 7,436 million.”

(v) Liquidity risk, page 13

The first sentence of third paragraph is amended as follows:

“As at 31 December 2020, deposits accounted for 64 per cent. of the Group’s funding.”

The last sentence of the last paragraph is amended by the following language:

“As of December 2020, the LCR amounted to 159 % and the NSFR to 106 %.”

2. Description of Ålandsbanken

(i) General Information, page 61

Third paragraph is amended by the following language:

“As at 31 December 2020, Ålandsbanken had total assets of EUR 6,035 million, total equity of EUR 292 million and net operating profit of EUR 39.7 million (1 January – 31 December 2020). As at 31 December 2019, Ålandsbanken had total assets of approximately EUR 5,607 million, total equity of EUR 258 million and net operating profit of EUR 33.2 million (1 January – 31 December 2019). As at 31 December 2018, Ålandsbanken had total assets of EUR 5,558 million, total equity of EUR 242 million and a net operating profit of EUR 29.0 million (1 January – 31 December 2018). As at 31 December 2020, the Group had 751 employees (based on hours worked, recalculated to full-time equivalent positions)

(ii) Share capital and shareholders, page 62

Table presenting the six biggest shareholders is amended by the following table:

As at 5 January 2021, there were six shareholders in Ålandsbanken holding more than two (2) per cent. of the share capital, as shown in the table below. The list below also includes companies within each shareholder's group as well as other companies controlled by each shareholder.

Shareholder	Series A shares	Series B shares	Total	% of shares	% of votes
1. <i>Wiklöf Anders (and Wiklöf controlled companies)</i>	1,993,534	1,332,961	3,326,495	21.34%	29.72%
2. <i>Alandia Group (insurance group)</i>	754,908	302,632	1,057,540	6.79%	11.11%
3. <i>Nominee registered shareholders in OP Corporate Bank</i>	1,637	929,255	930,892	5.97%	0.69%
4. <i>Fennogens Investments S.A.</i>	569,264	165,467	734,731	4.71%	8.33%
5. <i>Veritas Pension Insurance Company</i>	123,668	265,754	389,422	2.50%	1.98%
6. <i>Lundqvist Ben Hugo</i>	253,574	0	253,574	1,63%	3,66%

(iii) Authorisation for the Board of Directors to decide on the distribution of the dividend by the 2020 Annual General Meeting, supplemented to the prospectus by supplement 2

The following information is added:

“On January 1, 2021 the Board of Directors of the Bank of Åland approved the distribution of a dividend totalling EUR 1 per share (a regular dividend of EUR 0.80 and a 100th anniversary dividend of EUR 0.20) for the 2019 financial year, in compliance with the authorisation that the Board received from the Bank’s Annual General Meeting on April 2, 2020.

On December 18, 2020, FIN-FSA issued a new non-binding recommendation that – in practice – further extended its earlier limitation on dividends or share buy-backs until September 30, 2021. The Bank of Åland chose not to follow this recommendation.

Regulatory authorities have classified all banks in Finland, except the two largest, as “less significant institutions”. This implies that the Bank of Åland and the other banks in this category are not expected to be rescued by the government in case of any future crisis. For more than a century

the Bank of Åland has acted with a long-term perspective and responsibly, which we also intend to do in the future.

The regulatory recommendations challenge the prerequisites for long-term shareholders to invest in banks. For “less significant institutions”, it is vital to have long-term shareholders and for them to be there if any future crisis should require their input.

For this reason, the Bank of Åland’s Board believes that the long-term risks to the Bank may be larger if – based on our current level of earnings and risks – we choose to follow the regulatory recommendation than if we also begin to take the Bank’s other important stakeholder groups into account.

One of these stakeholder groups is the Bank’s approximately 5,300 shareholders in the Åland Islands, who own about 56 per cent of the Bank. In the Board’s assessment, the Åland community has a substantially greater need for these dividends than the Bank of Åland has.

The Board of Directors has proposed to the Annual General Meeting 2021 to approve payment of a regular dividend of EUR 1.00 per share for the 2020 financial year.

The approved dividend distribution for the 2019 financial year and the proposed dividend distribution for the 2020 financial year were subtracted from the Bank’s common equity Tier 1 capital ratio on December 31, 2020. Implementation of dividend distribution will thus not affect the Bank’s important capital adequacy ratios.”

(iv) The Managing Director and the Executive Team, page 69

The following new member of the Executive Team is added:

“Sofie Holmström, 35, has been appointed as a new Executive Team member at the Bank of Åland Plc (Ålandsbanken Abp). Holmström holds degrees in engineering and business administration and has worked at the Bank of Åland since 2013 as manager of the Bank’s Partnerships business area. Holmström joined the Executive Team on January 1, 2021.”

(v) Business activities, page 63

Second paragraph is amended by the following language:

“A significant proportion of the Group’s lending activities is comprised of lending to private individuals and households. As at 31 December 2020, the Group’s total lending was EUR 4,378 million, of which 74 per cent. constituted loans to private individuals or households. The Group’s total home loan lending as at 31 December 2020 was EUR 2,466 million and as at 31 December 2019 was EUR 2,266 million, or 56 per cent. and 55 per cent. of total lending, respectively. As at 31 December 2020, the total lending in Sweden was EUR 1,559 million, or 36 per cent. of the total lending of the Group.

(vi) Capital adequacy, page 64

Second sentence of first paragraph is amended by the following language:

“During the second quarter of 2016, the FIN-FSA approved the Issuer’s application to be allowed to calculate the capital requirement for credit risk according to the IRB approach for its Finnish corporate loan portfolio. The Group’s total capital ratio as at 31 December 2020 and 31 December 2019 were 16.5 per cent. and 15.8 per cent., respectively.”

Paragraphs four is amended by the following language:

“Additional capital requirements according to the Capital Requirements Directive (CRD) currently comprises of a capital conservation buffer of 2.5 per cent of the risk weighted exposure amount. Taken into account Pillar 1, Pillar 2 and the combined buffer requirement the banks total common equity Tier 1 capital requirement per 31 December 2020 was 8.5 per cent. The revised Capital Requirements Directive, known as CRD V, was implemented at the end of 2020 and sets a lower minimum CET1 requirement for P2R. Under the CRD V the bank can fulfil Pillar 2 Requirements with a minimum 56.25% CET1 capital. Thus, setting the bank’s total common equity Tier 1 capital requirement to 7.8% in 2021. The Group’s total common equity Tier 1 capital ratio as at 31 December 2020 was 14.3 per cent.”

2. Information Incorporated by Reference, page 82

The following information is added to the list of documents as a new subclause (g)

“g) the unaudited consolidated financial statements for the twelve months ended 31 December 2020 as set out on pages 9 to 29 (inclusive) and the financial summary set out on page 2 of the Issuer’s interim report for the twelve months ended 31 December 2020”