

Bank of Åland

Debt Investor Presentation
July 2017

Table of Contents

| | |
|---|----|
| 1. Bank of Åland in Brief | 3 |
| 2. Bank of Åland – Strategy and Market Position | 5 |
| 3. Earnings and Capital | 14 |
| 4. Asset Quality | 25 |
| 5. Liquidity and Funding | 29 |
| 6. Contact Details | 36 |
| 7. Appendix | 38 |



1. Bank of Åland in Brief

Bank of Åland in brief

- Bank of Åland Plc
 - A Finnish bank targeting high net worth and affluent individuals
 - Top ranked in customer loyalty
 - Tradition of stability and very low credit losses
 - BBB (stable) rating from S&P
- Covered bonds program
 - EUR 2 bn combined covered bond/senior Medium Term Note program updated in 2016
 - Two cover pools: Cover Pool FIN and Cover Pool SWE
 - Issuance under Finnish Covered Bond Legislation
 - Legal LTV cap at 70% and minimum 2% over-collateralization
 - Published commitment to a strong over-collateralization and six months liquidity in the program
 - AAA (stable) rating from S&P on both Pool FIN and Pool SWE covered bonds



2. Bank of Åland Strategy and Market Position

Three Markets – Two Strategies

The Åland Islands

- 5 offices + 2 rep offices, market share 55-60 %
- Full product range offered
- **A bank for everyone**

Finland

- 5 offices in affluent parts of Finland, market share 1 - 2 %
- Full product range offered but “bread and butter” services only as complement to Private Banking and Premium Banking services offering
- **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 complement to Private Banking and Premium Banking services offering
- **Targeted segment: High Net Worth / Affluent Individuals and their companies**



Bank of Åland – a relationship bank with focus on Private Banking and Premium Banking customers

- Established in 1919 on Åland Islands
- Listed since 1942 on NASDAQ OMX Helsinki

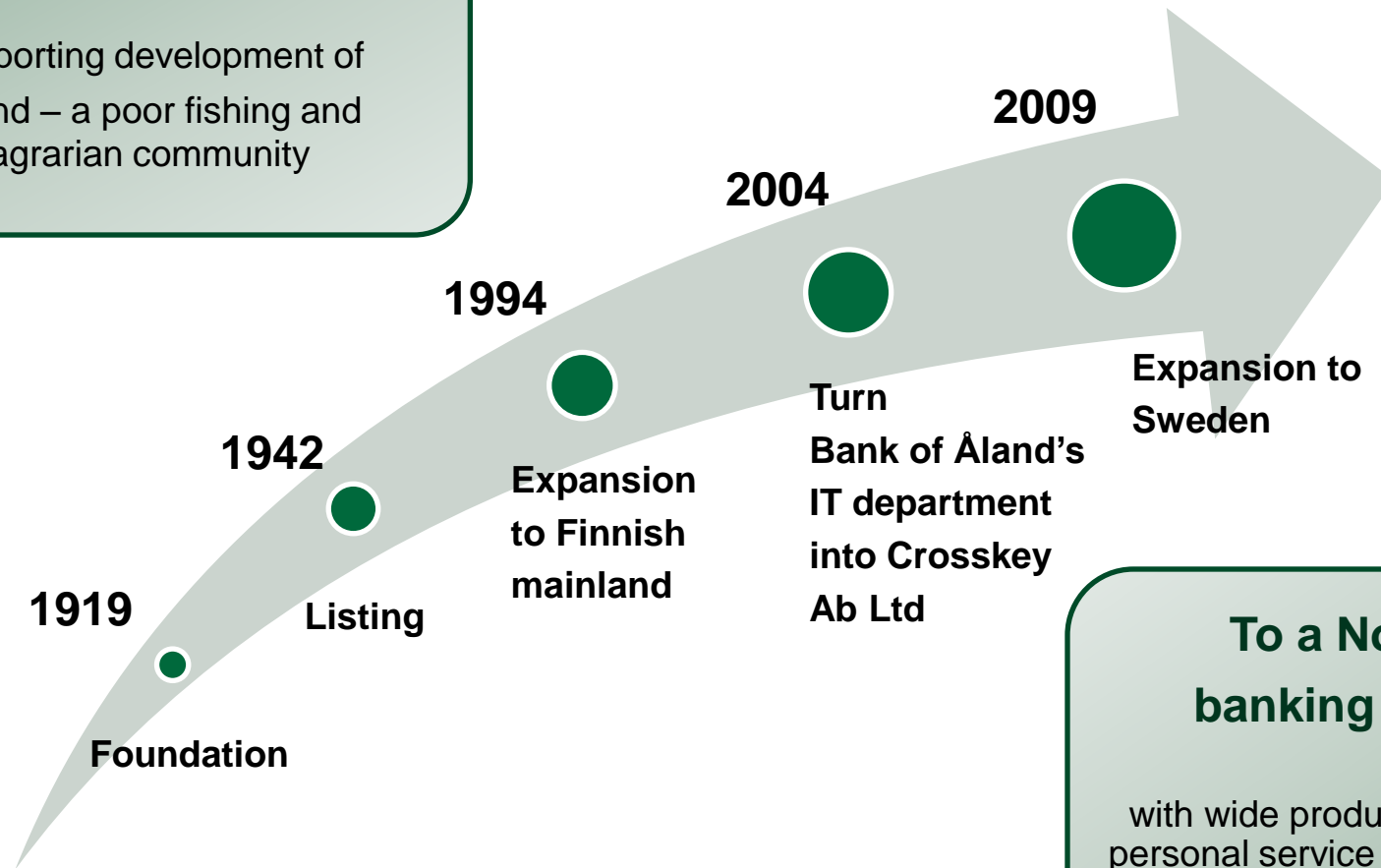
- Total assets of EUR 5 263 M, as of Jun 30, 2017
- Actively managed assets of EUR 5 475 M, as of Jun 30, 2017
- Approximately 680 employees

- Operations in the Åland Islands, Finnish mainland and Sweden
- More than 100,000 customers and top-ranked in customer loyalty
- A long-standing tradition of stability and very low credit losses
- At the forefront for introducing new products in Finland

Bank of Åland History of Strategic Decisions

From a local bank

supporting development of Åland – a poor fishing and agrarian community



To a Nordic banking group

with wide product range and personal service targeting high net worth individuals

Bank of Åland vision

We create value for ambitious individuals and companies that appreciate relations

- Private Banking since 1982
- Premium banking since 2004

Service

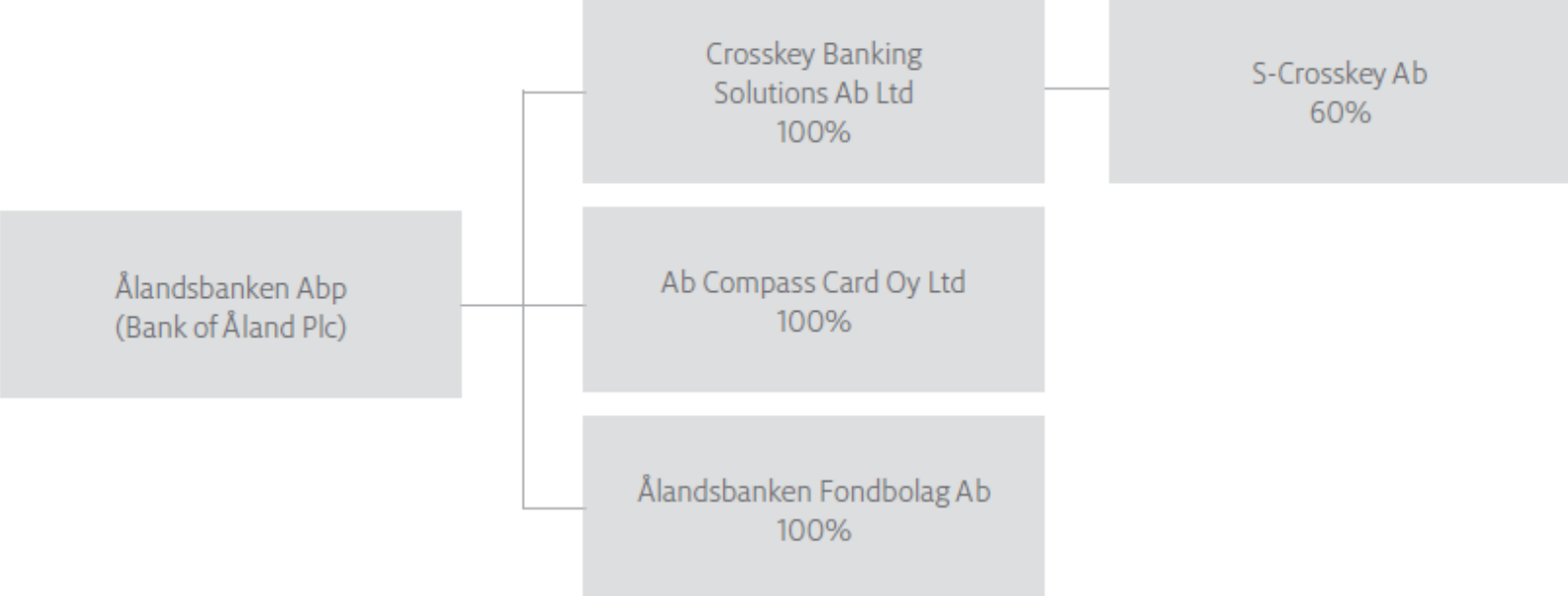
Finance



Lifestyle

Safety

Bank of Åland group legal structure



Ownership structure

| Major owners | Share of capital | Share of votes |
|---|-------------------------|-----------------------|
| Anders Wiklöf with companies | 19,1 % | 24,2 % |
| Alandia-Bolagen | 8,6 % | 13,6 % |
| The Family Kamprad Foundation | 6,0 % | 0,7 % |
| Ålands Ömsesidiga försäkringsbolag | 5,9 % | 11,6 % |
| Fennogens Investments S.A. (Family Ehrnrooth) | 4,1 % | 7,0 % |
| | 43,7 % | 56,9 % |
| Other owners | | |
| Svenska Litteratursällskapet | 1,4 % | 3,0 % |
| Föreningen Konstsamfundet | 0,5 % | 1,1 % |

Approximately 9,500 shareholders in total, mostly from the Åland Islands.

Standard & Poor's rating on Bank of Åland

Finnish banks **A-**

Business position **-2**

- Niche bank with geographical concentration to Finland and Sweden

Capital and earnings **+1**

- Strong capital position
- Strong equity to assets ratio

Risk position **-1**

- Geographical concentration to Finland and Sweden
- Small customer base with concentration risks

Liquidity and funding **0**

- Above average with very strong deposit base

Bank of Åland stand alone rating **BBB**

Cover Pool FIN, Cover Pool SWE **+9**

- Very low credit losses and stable loan base
- Commitment to strong overcollateralization
- Commitment to six month liquidity buffer

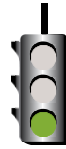
Bank of Åland covered bonds rating **AAA**

Scorecard



Capital

- S&P rating uplift for strong capital position
- Common Equity Tier 1 capital ratio 12.5 percent as of Jun 30, 2017
- IRB method for credit risk capital requirement not yet approved for the Swedish credit portfolio



Liquidity and Funding

- Core funding ratio of 92 percent as of Jun 30, 2017
- Liquidity reserve at 19 percent of total assets as of Jun 30, 2017
- LCR at 97 percent as of Jun 30, 2017
- NSFR at 128 percent as of Jun 30, 2017
- AAA rating on covered bonds



Risk Management

- Long history of having the lowest loan loss level of all Finnish banks. Loan loss level was 0.05 percent Q1 2017.
- No trading positions or complex financial instruments
- No exposure to GIIPS countries, Russia or Ukraine
- Strict limits on exposure to financial institutions. Bulk of the exposure is to highly rated Nordic entities



Profitability

- Challenging interest rate environment
- Positive earnings trend, with Swedish business area now on positive figures for several years
- Net operating profit of EUR 5.0 M Q2 2017
- Return on equity 7.0 percent Q2 2017

3. Earnings & Capital

Long-term financial targets

Return on equity after taxes (ROE) shall exceed 10 per cent.

- As a bank for investors, with financing knowhow, the Bank of Åland has a business model that shall generate most earnings from operations with limited capital requirements. The Bank of Åland's earnings will benefit from higher interest rates

The Bank's capital adequacy, primarily defined as the core tier 1 capital ratio under the Basel regulations, shall clearly exceed all regulatory requirements.

The payout ratio shall eventually amount to 50 per cent.

- This payout ratio target is subject to the condition that the capital adequacy target continues to be achieved. At present, the Bank of Åland is prioritising balanced growth.

H1 2017 in summary

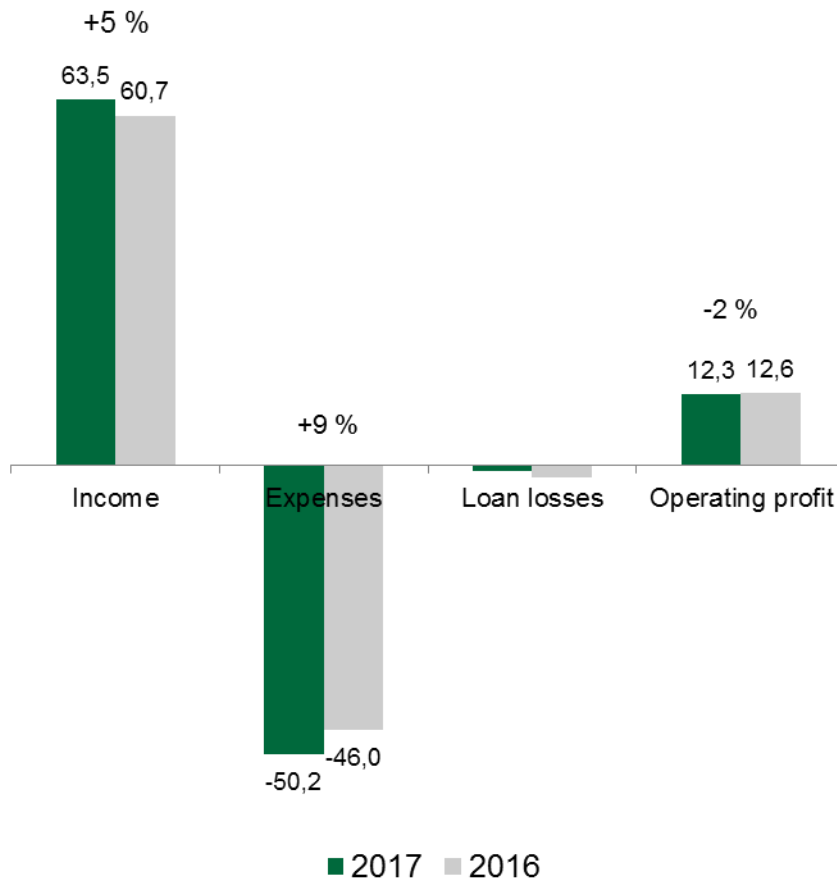
- Net operating profit EUR 12.3 M (12.6 M H1 2016)
- Return on Equity after tax (ROE) 8.8 percent (9.2 H1 2016)
- Take over of EUR 1 300 M pension assets in the Swedish pension system (former Allra funds)
- Continued heavy interest in the Bank of Åland's housing-related mutual funds.
- Green banking: Baltic sea card and Åland index widely recognized
- Digitalization and new service channels: Dreams with over 30.000 clients

2016 in summary

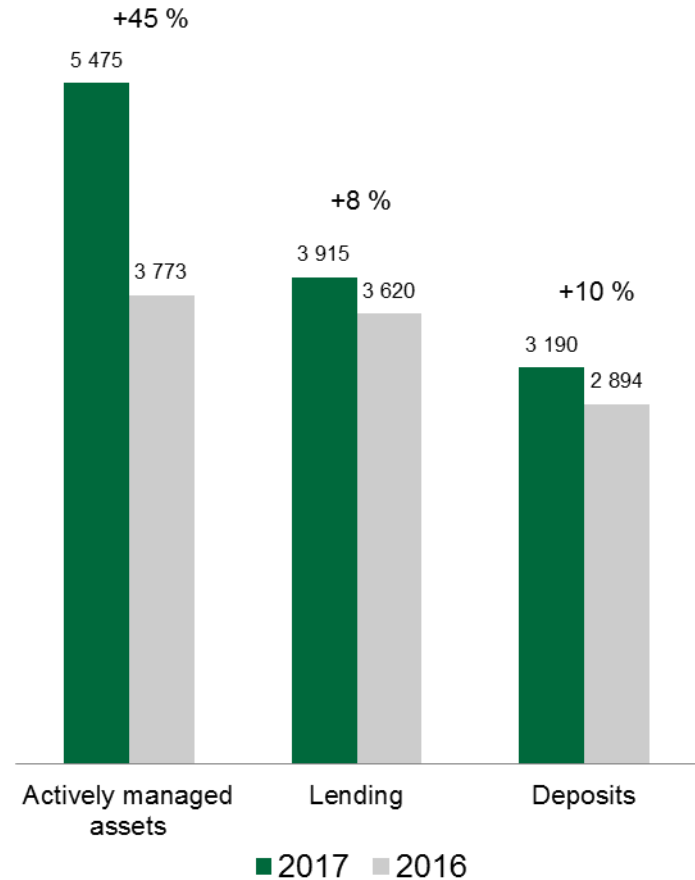
- Net operating profit EUR 25.1 M (30.3 M 2015)
- Return on Equity after tax (ROE) 9.1 percent (12.0 2015)
- Improved credit ratings from Standard & Poors
- Again a top ranking from Private Banking clients in TNS Sifo Prospera survey
- Continued heavy interest in the Bank of Åland's housing-related mutual funds. Net inflow into Bostadsfonden and Tomtfonden was EUR 190 M 2016.
- Green banking: Baltic sea –card introduced
- Digitalization and new service channels: Dreams with over 10.000 clients
- Implementation of Crosskeys card system with Sparbankernas Kort in Sweden

2017 in summary

Operating profit, EUR M

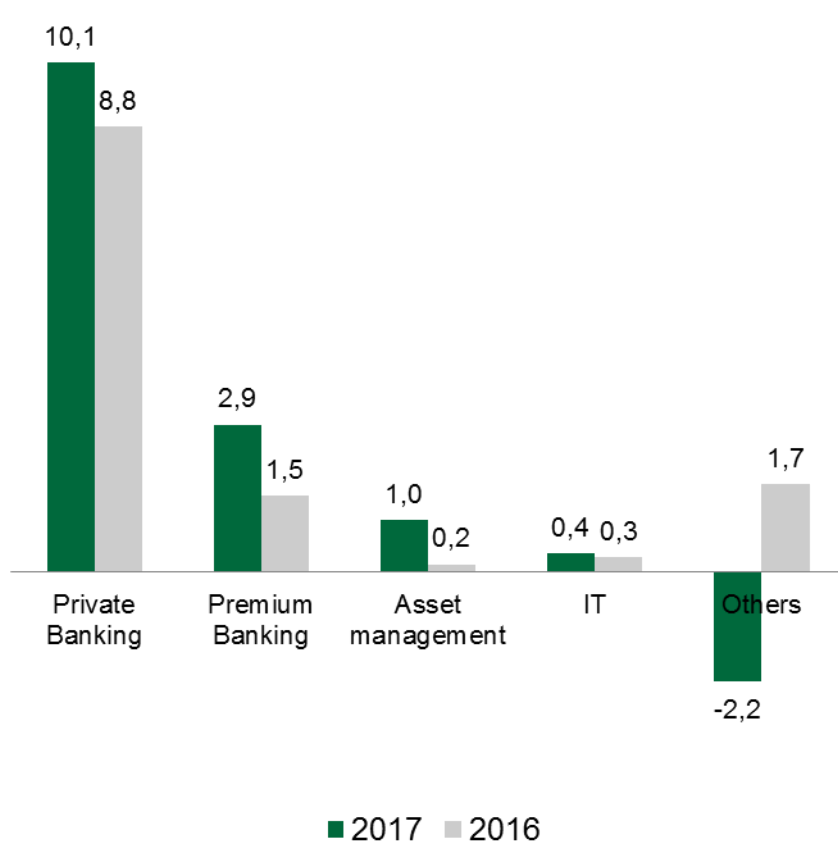


Volumes, EUR M

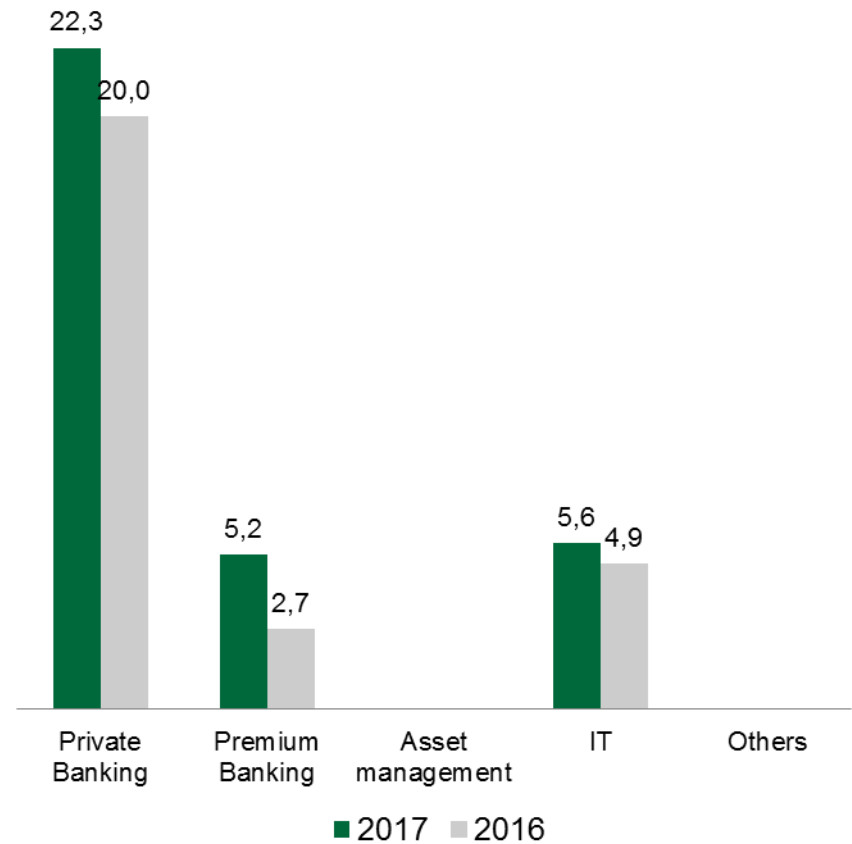


Bank of Åland business segments

Operating profit, EUR M



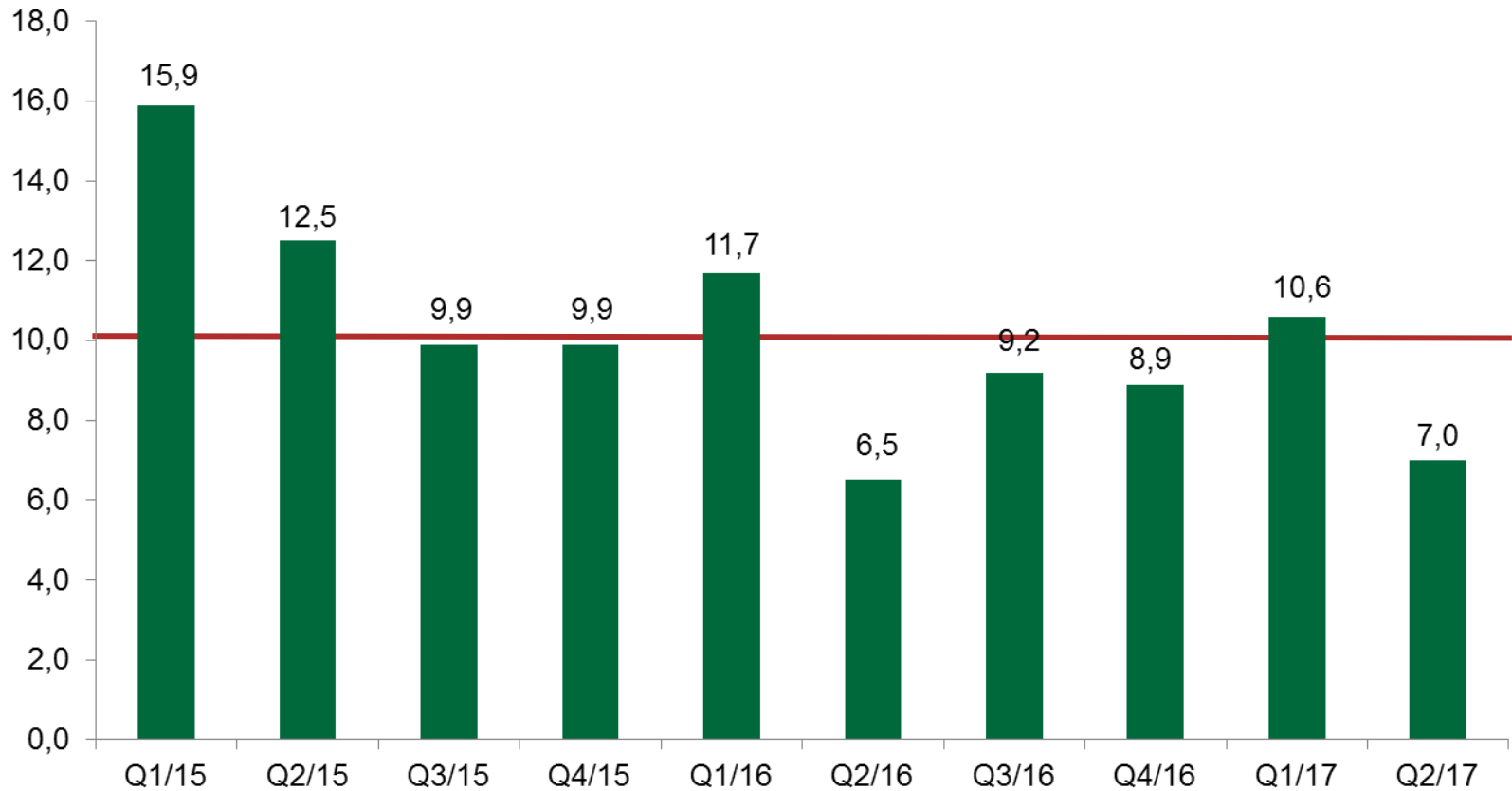
ROE, %



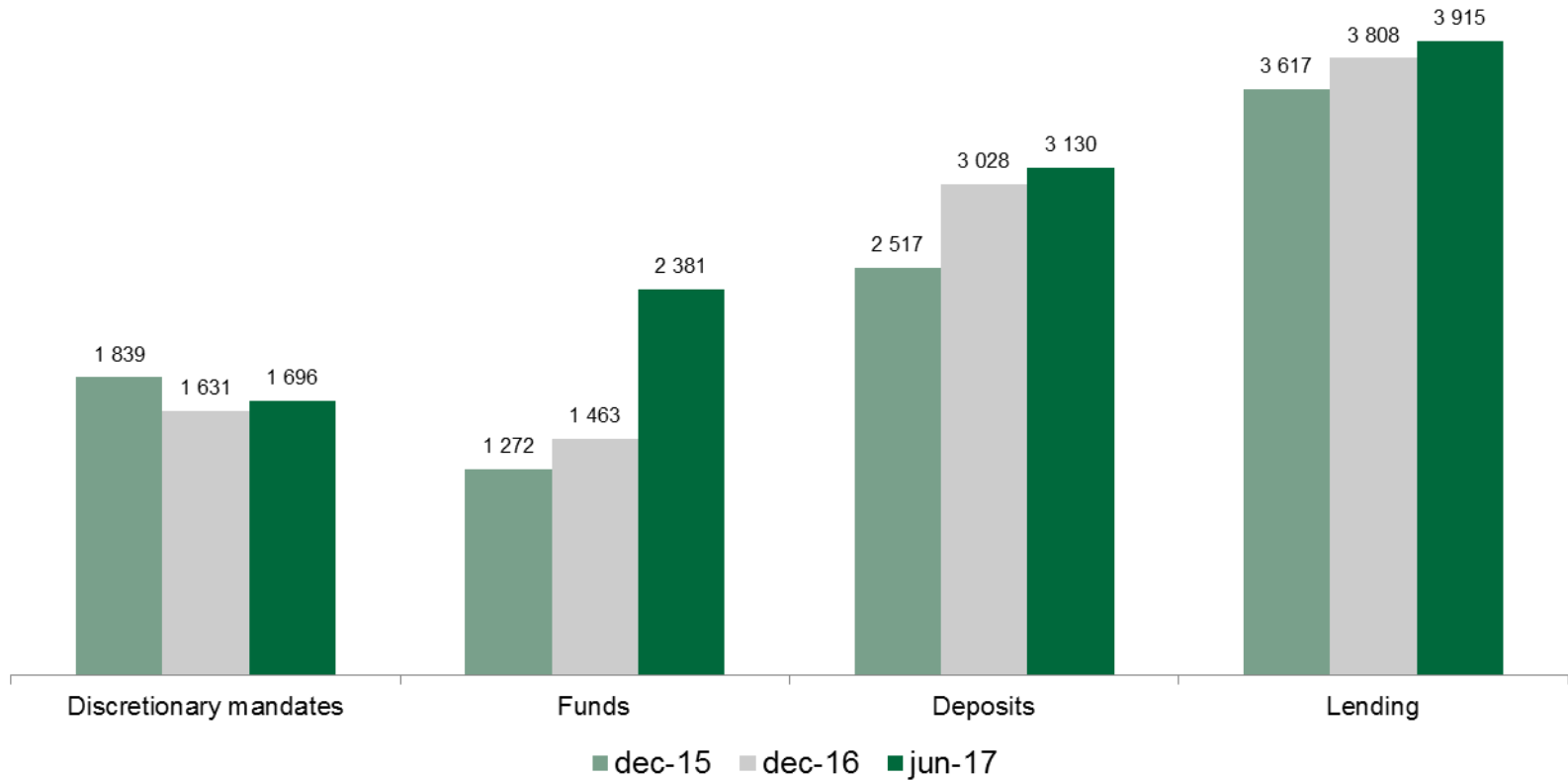
Income statement

| EUR M | Q2 | Q1 | % | Q2 | % | H1 | H1 | % |
|--|--------------|--------------|------------|--------------|------------|--------------|--------------|------------|
| | 2017 | 2017 | | 2016 | | 2017 | 2016 | |
| Net interest income | 13,6 | 13,9 | -2 | 13,5 | 1 | 27,5 | 27,5 | 0 |
| Net comission income | 12,8 | 12,1 | 6 | 10,8 | 19 | 24,9 | 22,1 | 13 |
| Net gains and losses on financial items | -0,6 | 0,9 | | 1,9 | | 0,3 | 3,4 | -92 |
| IT income | 4,4 | 5,2 | -15 | 3,7 | 21 | 9,7 | 6,8 | 41 |
| Other income | 0,2 | 0,9 | -78 | 0,2 | -7 | 1,1 | 0,9 | 27 |
| TOTAL INCOME | 30,5 | 32,9 | -7 | 30,1 | 1 | 63,5 | 60,7 | 5 |
| Staff expenses | -14,9 | -15,9 | -6 | -14,7 | 2 | -30,9 | -28,9 | 7 |
| Other expenses | -8,4 | -7,7 | 10 | ,7,7 | 10 | -16,1 | -14,1 | 14 |
| Depreciation | -1,7 | -1,6 | 8 | -1,5 | 15 | -3,3 | -3,0 | 8 |
| TOTAL EXPENSES | -25,1 | -25,1 | 0 | -23,8 | 5 | -50,2 | -46,0 | 9 |
| PROFIT BEFORE LOAN LOSSES | 5,5 | 7,8 | -30 | 6,3 | -13 | 13,3 | 14,7 | -10 |
| Impairment losses on loans | -0,5 | -0,5 | 13 | -1,7 | -70 | -1,0 | -2,1 | -55 |
| OPERATING PROFIT | 5,0 | 7,4 | -33 | 4,6 | 8 | 12,3 | 12,6 | -2 |
| Income tax | -1,0 | -1,5 | -30 | -1,1 | -6 | -2,5 | -2,8 | -8 |
| Non-controlling interests | 0,0 | 0,0 | | 0,0 | | 0,0 | 0,0 | |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | 3,9 | 5,9 | -33 | 3,5 | 12 | 9,8 | 9,8 | 0 |

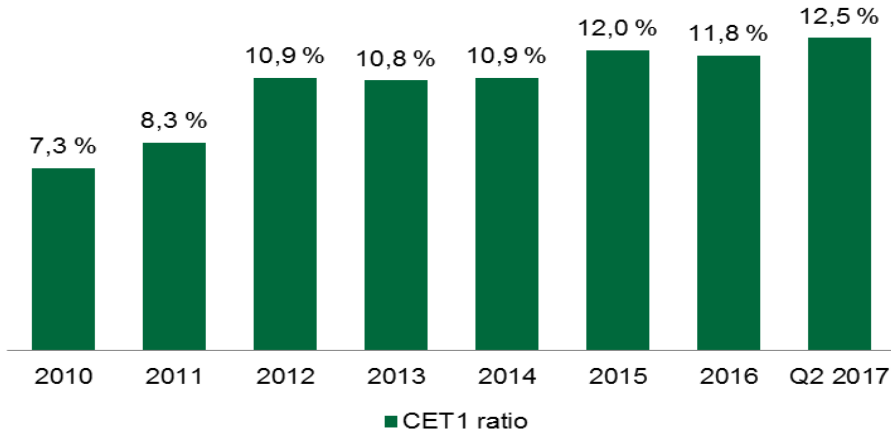
Bank of Åland 2014-2017 ROE, percent



Business volumes 2015-2017, EUR M

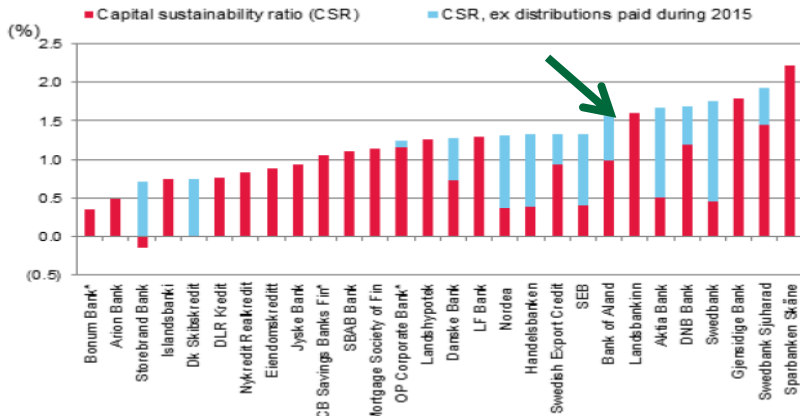


Commitment to strong capital ratio



- Bank of Åland is committed to a strong capital ratio.
- The core tier 1 capital ratio for a small bank like Bank of Åland is not comparable to larger banks with IRB methods. Standard & Poor's rating method considers Bank of Åland well capitalized, giving a rating uplift of one notch at the current CT1 ratio level.
- Conservative pay-out policy is to safeguard the capital position

Nordic Banks--Capital Sustainability Ratio Before And After Distributions 2015

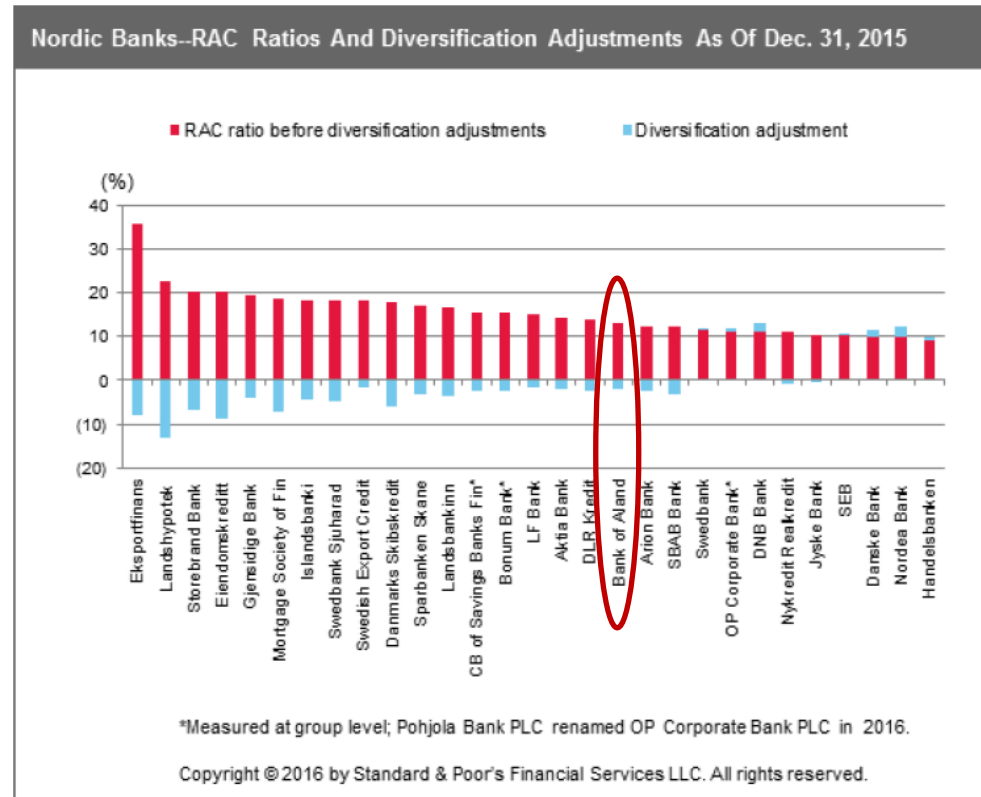


*Measured at group level. Eksportfinans excluded from chart due to rundown of operations.

Copyright © 2016 by Standard & Poor's Financial Services LLC. All rights reserved.

S&P view: quality of the capital

- S&P regards Bank of Åland's capital position as "strong"
- Capital position is better than that of the large Scandinavian peers
- S&P RAC ratio makes an attempt to measure capital adequacy with regard to the **quality** of capital
- Bank of Åland has all of the capital in CET1 equity and retained earnings



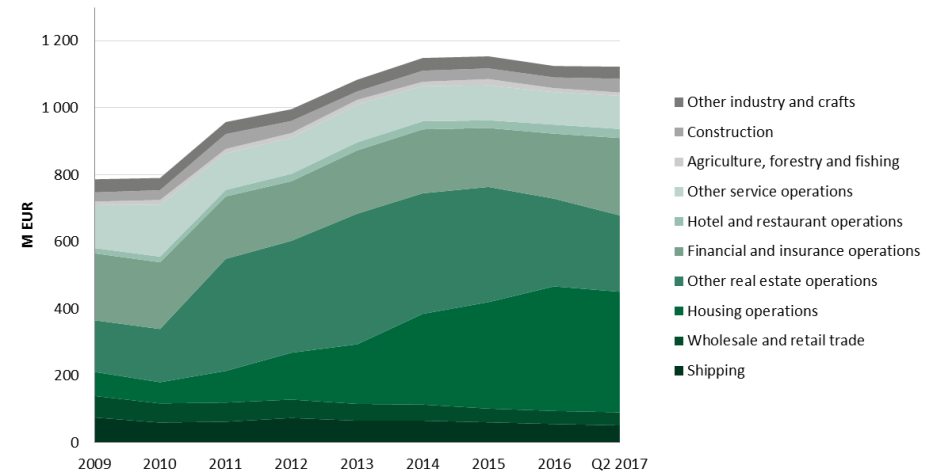
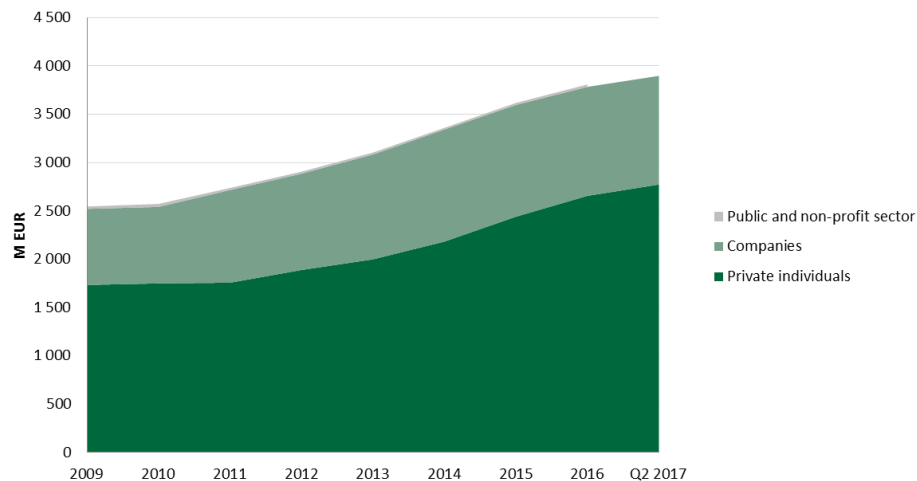
4. Asset Quality

Lending strategy

- Bank of Åland is a relationship bank with primary focus on customers with investment needs in the Private Banking and Premium Banking segments. Serving the core customers' credit needs are part of our commitment.
- Bank of Åland is not granting credits as a stand alone product to mass market clients or corporate clients.
- Every business area (Åland Islands, Finland and Sweden) should have a balanced growth in lending versus deposits.
- At least half of the lending in every business area should be residential mortgages or have residential property as collateral.
- Many small loans are preferred to few large loans.

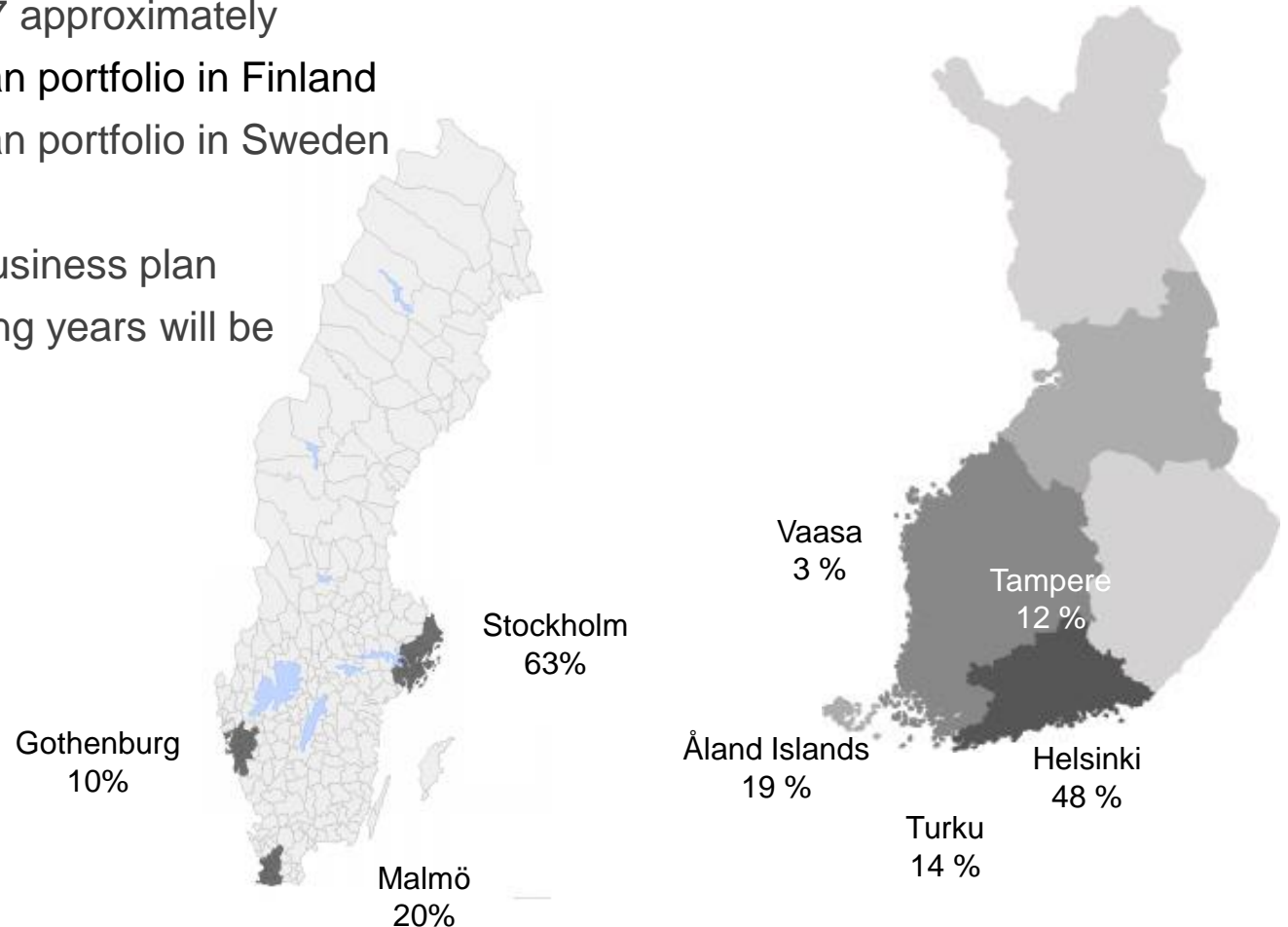
Balanced growth in the credit portfolio

- Total lending to the public was EUR 3 927 M 30 Jun 2017, an increase of 8 percent from a year ago
 - Selective lending to high quality borrowers
 - Asset quality prioritised over lending volume growth and higher returns
 - Lending must always be made in consideration of safeguarding Bank of Åland's strong brand and market reputation
- Loan loss level 0.05 percent in Q2 2017



Geographical distribution of mortgage lending

- Clear concentration to the wealthiest parts of Finland and Sweden
- As of Jun 30, 2017 approximately
 - 70 % of the loan portfolio in Finland
 - 30 % of the loan portfolio in Sweden
- According to the business plan growth in the coming years will be mainly in Sweden

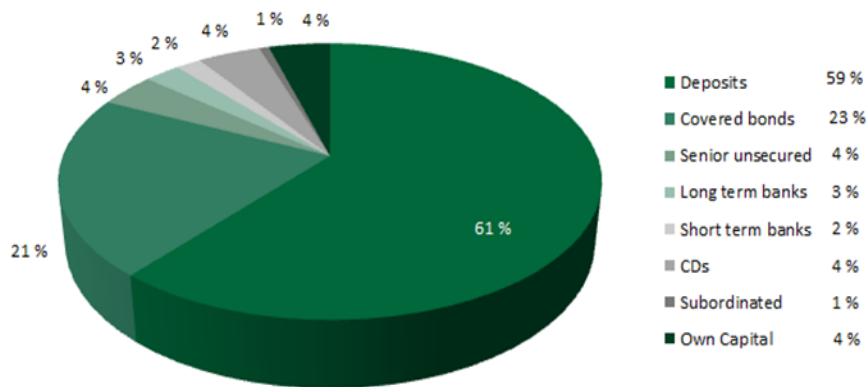


5. Liquidity and Funding

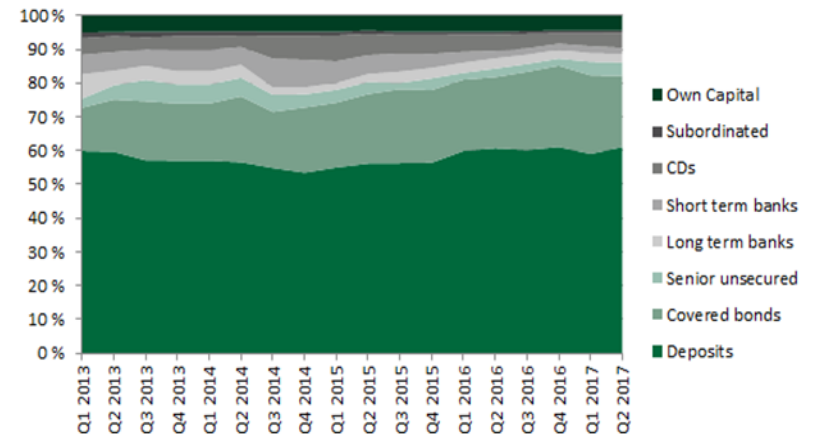
Group funding profile Jun 30, 2017

- Demand deposits, time deposits and certificates of deposits from core private customers and their companies are the main funding sources
- Strong capitalization
- Covered bonds are the main long term funding instrument

Funding profile Jun 30, 2017



Development in the funding profile 2013-2017



Funding strategy

- Covered bond programme was created in early 2012 in order to diversify funding sources and to form a reliable and cost effective funding channel
- Since the launch of the programme both EUR- and SEK- denominated covered bonds have been issued totalling EUR 1 083 M outstanding
- During 2012-2014 Bank of Åland built a credit curve 2-10 years in covered bonds
- Bank of Åland has also issued in SEK senior unsecured to maintain a balanced funding mix

- Themes 2017-2018
 - Demand conditions and the market situation favour issuance in covered bonds
 - Issuance in Senior unsecured depends on market conditions and upcoming MREL-guidelines

Long term funding Jun 30, 2017

Cover Pool FIN

| ISIN | Nominal Amt | Settlement date | Maturity date | Coupon | Currency | EUR eq amt | Time to maturity |
|--------------|-------------|-----------------|---------------|----------------------|----------|--------------------|------------------|
| XS0862155941 | 500 000 000 | 12.12.2012 | 12.6.2018 | QUARTLY STIB + 110,0 | SEK | 51 868 296 | 0,95 |
| XS1117564572 | 150 000 000 | 8.10.2014 | 8.10.2018 | 0,5 | EUR | 150 000 000 | 1,27 |
| XS0999478372 | 100 000 000 | 3.12.2013 | 3.6.2019 | 1,55 | EUR | 100 000 000 | 1,93 |
| XS1238023813 | 250 000 000 | 26.5.2015 | 26.5.2020 | 0,375 | EUR | 250 000 000 | 2,91 |
| XS0876678391 | 100 000 000 | 30.1.2013 | 30.1.2023 | 2,75 | EUR | 100 000 000 | 5,59 |
| XS1496878742 | 250 000 000 | 29.9.2016 | 29.9.2023 | 0 | EUR | 250 000 000 | 6,25 |
| | | | | | | 901 868 296 | 3,64 |

Cover Pool SWE

| ISIN | Nominal Amt | Settlement date | Maturity date | Coupon | Currency | EUR eq amt | Time to maturity |
|--------------|---------------|-----------------|---------------|---------------------|----------|----------------------|------------------|
| XS1077864905 | 1 000 000 000 | 23.6.2014 | 25.3.2019 | QUARTLY STIB + 55,0 | SEK | 103 736 592 | 1,73 |
| XS1155041004 | 750 000 000 | 16.12.2014 | 16.12.2019 | QUARTLY STIB + 50,0 | SEK | 77 802 444 | 2,46 |
| | | | | | | 1 750 000 000 | 2,05 |

Senior unsecured

| ISIN | Nominal Amt | Settlement date | Maturity date | Coupon | Currency | EUR eq amt | Time to maturity |
|--------------|-------------|-----------------|---------------|-------------------|----------|--------------------|------------------|
| XS1326511596 | 850 000 000 | 27.11.2015 | 27.11.2017 | QUARTLY STIB + 90 | SEK | 88 176 103 | 0,41 |
| XS1585198879 | 100 000 000 | 24.3.2017 | 24.3.2020 | QUARTLY EUR + 63 | EUR | 100 000 000 | 2,73 |
| | | | | | | 188 176 103 | 1,65 |

Funding tools

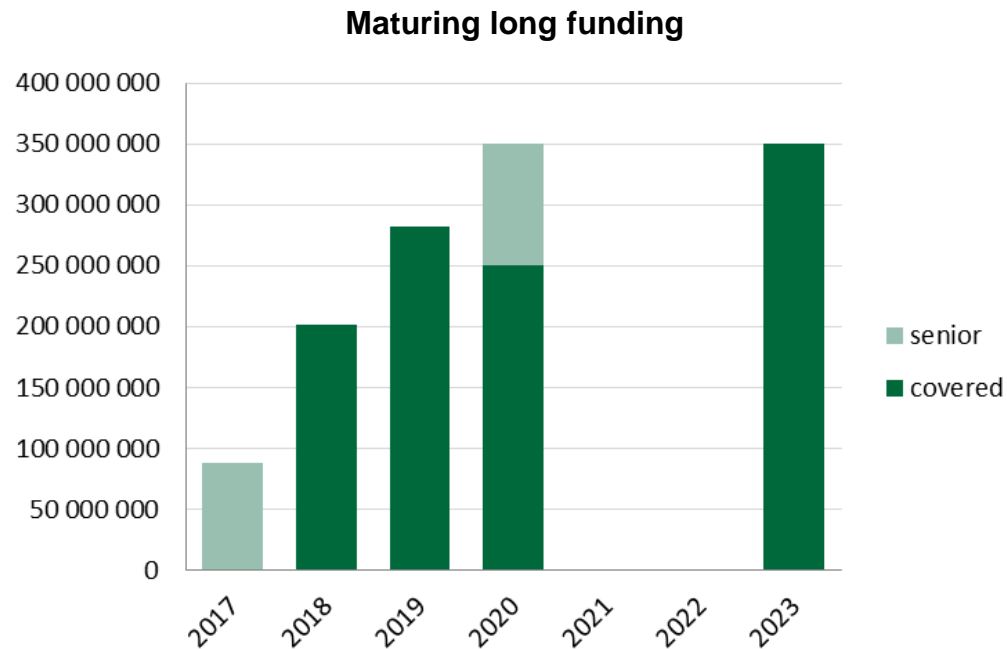
- EMTN-program (EUR 2 billion), English jurisdiction
 - Covered Bond, Senior debt and Subordinated debt
 - Tailored to institutional clients

- CD-program in Sweden (SEK 10 billion), Swedish jurisdiction

- Other
 - CD's in Finland
 - GMRA
 - Equity lending

Liquidity management

- Well-diversified maturity profile
- Limited exposure to short term funding
- Bank of Aland is committed to continuously cover the next 180 liquidity need for the program in the cover pools



Liquidity position

- Very high quality in liquidity reserves
 - The most liquid and tradable assets
 - LCR target reached
- Coordinated cash pools between Finland and Sweden
- Conservative approach to risk within liquidity reserves
 - Assets with short duration
 - Strict limits for counterparty
 - No exposure to GIIPS countries, Russia or Ukraine

Composition of the liquidity reserve

| | 30.6.2017 EUR M | 30.6.2017 of total | 31.12.2016 mEUR | 31.12.2016 of total |
|---|--------------------|-----------------------|--------------------|------------------------|
| Cash and central banks | 557,4 | 56 % | 513,0 | 57 % |
| Bonds issued by governments and official institutions | 96,1 | 10 % | 75,9 | 8 % |
| Bonds issued by financial institutions | 0,0 | 0 % | 0,0 | 0 % |
| Covered bonds | 248,4 | 25 % | 267,5 | 30 % |
| Deposits | 86,4 | 9 % | 49,7 | 5 % |
| | 988,3 | | 906,1 | |

6. Contact Details

Contact Details

Peter Wiklöf, CEO

peter.wiklof@alandsbanken.fi

+358 40 512 7505

Jan-Gunnar Eurell, CFO

jan-gunnar.eurell@alandsbanken.se

+46 70 589 1209

Heli Huhtala, Head of Group Treasury

heli.huhtala@alandsbanken.fi

+358 50 385 5190

7. Appendix

Key figures

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-------|-------|-------|-------|-------|-------|
| Return on equity (ROE), % | 9,1 | 12,0 | 8,7 | 3,8 | 6,6 | -3,9 |
| Cost/income ratio, % | 76 | 73 | 80 | 87 | 85 | 104 |
| Loan loss level, % | 0,11 | 0,09 | 0,06 | 0,14 | 0,22 | 0,07 |
| Share of non-performing loans, gross, % | 0,57 | 0,87 | 0,65 | 0,50 | 0,64 | 0,70 |
| Level of provisions for non-performing loans, % | 50 | 34 | 66 | 48 | 81 | 71 |
| Core funding ratio, % | 89 | 100 | 105 | 103 | 103 | 108 |
| Equity/assets ratio, % | 4,3 | 4,6 | 4,6 | 4,7 | 4,9 | 5,3 |
| Core Tier 1 capital ratio, % | 11,8 | 12 | 10,9 | 10,8 | 10,9 | 8,4 |
| Total capital ratio, % | 13,0 | 12,9 | 12,1 | 15,2 | 15,7 | 12,8 |
| Earnings per share, EUR | 1,29 | 1,6 | 1,12 | 0,46 | 0,79 | -0,54 |
| Equity per share, EUR | 14,37 | 13,99 | 13,46 | 12,54 | 12,21 | 12,34 |
| Lending to the public, EUR M | 3 808 | 3 617 | 3 343 | 3 104 | 2 905 | 2 737 |
| Deposits from the public, EUR M | 3 100 | 2 675 | 2 391 | 2 466 | 2 452 | 2 546 |
| Shareholders equity, EUR M | 222 | 213 | 196 | 184 | 179 | 181 |
| Risk-weighted assets, EUR M | 1 576 | 1 581 | 1 554 | 1 481 | 1 401 | 1 729 |
| FTE | 685 | 663 | 644 | 617 | 640 | 690 |

Income statement

| EUR M | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Net interest income | 55,1 | 54,0 | 49,3 | 42,4 | 41,2 | 43,1 | 36,8 |
| Net comission income | 44,9 | 46,5 | 46,2 | 42,4 | 32,7 | 38,7 | 36,8 |
| Other income | 20,4 | 24,4 | 25,1 | 23,2 | 36,5 | 17,4 | 25,5 |
| Total income | 120,4 | 124,9 | 120,6 | 108,0 | 110,4 | 99,2 | 99,1 |
| Staff costs | -57,0 | -56,0 | -53,1 | -51,5 | -52,4 | -60 | -53,7 |
| Other expenses | -34,2 | -35,6 | -43,3 | -42,0 | -41,7 | -43,1 | -38,5 |
| Total expenses | -91,3 | -91,6 | -96,4 | -93,5 | -94 | -103,1 | -92,2 |
| Profit before loan losses | 29,2 | 33,3 | 24,2 | 14,5 | 16,3 | -3,9 | 6,9 |
| Impairment losses on loans | -4,1 | -3,0 | -1,8 | -4,1 | -6,4 | -1,8 | -5,9 |
| Operating profit | 25,1 | 30,3 | 22,4 | 10,4 | 9,9 | -5,7 | 1,0 |
| Income taxes | -5,4 | -6,0 | -4,8 | -2,7 | 2,0 | 0,4 | -3,2 |
| Profit for the period | 19,7 | 24,3 | 17,6 | 7,7 | 11,9 | -5,3 | -2,2 |
| Non-controlling interests | 0 | 0 | -1,5 | -1,0 | -0,6 | -1,2 | -0,6 |
| Attributable to the shareholders in Bank of Åland | 19,7 | 24,3 | 16,1 | 6,7 | 11,3 | -6,5 | -2,9 |



Thank you!

Disclaimer

- The presentation was prepared by Bank of Åland Ltd for use in investor relations. This presentation is not intended for retail customers.
- This presentation has been prepared on the basis of publicly available information which Bank of Åland considers to be reliable.
- This presentation may contain forward-looking statements, which are subject to risks, uncertainties, and assumptions. This presentation is being presented solely for your information and is subject to change without notice. No representation or warranty, expressed or implied, is made and no reliance should be placed on the accuracy, actuality, fairness, or completeness of the information presented.
- This presentation does not constitute an offer or invitation to purchase or subscribe for any shares or debt instruments of the Company, and no part of this presentation shall form the basis of or be relied upon in connection with any contract or commitment.
- The contents of this presentation may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.