

Bank of Åland

Investor Presentation
August 2021

Table of Contents

1. Bank of Åland in Brief	3
2. Strategy and Market Position	7
3. Sustainability	12
4. Performance and Capital	15
5. Asset Quality	21
6. Liquidity and Funding	23
7. Contact Details	26
8. Appendix	28

An aerial photograph of a rugged, rocky coastline at night. The scene is dramatically lit from below, highlighting the textures and colors of the dark rocks. The water is dark and turbulent, with white foam from waves crashing against the shore. The overall mood is mysterious and powerful.

1. Bank of Åland in Brief

ÅLANDSBANKEN

Bank of Åland in Brief

Bank of Åland Plc

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

The Vision

- Create value for ambitious individuals and companies that appreciate relations:
 - Private Banking since 1982
 - IT services by Crosskey Banking Solutions since 2004
 - Premium Banking since 2004
 - Partnership Banking since 2016
- Delivering a large bank's range of services with a small bank's thoughtfulness and good sense
- Bank's customer surveys show that also during the Covid-19 pandemic 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 in SEK and EUR since 2012
- Two Cover Pools: Cover Pool SWE consists of 100 % Prime Swedish residential mortgages and Cover Pool FIN consists of 100 % Finnish and the Åland Islands' residential mortgages
- Clear concentration to the growth centres and the wealthiest parts of Sweden and Finland
- Published commitment to a strong over-collateralization and six months liquidity
- AAA (stable) rating from S&P on both Cover Pool SWE and Cover Pool FIN

Scorecard June 30, 2021

Capital

**CET1
capital ratio**
13.4 %

- Strong capital position
- Standardised approach used in Sweden
- Dividends for 2019 and 2020 EUR 31.2 M approved and distributed under H1 2021, subtracted from the Bank's CET1 capital ratio on December 31, 2020

Liquidity and Funding

- Loan/ deposit ratio of 119 %
- Liquidity reserve at 19 % of total assets
- LCR at 152 %
- NSFR at 110 %
- BBB bank rating with positive outlook

**AAA
Rating with
Stable
Outlook on
Covered
Bonds**

Risk Management

**Loan loss
level**
0.05 %

- Long history of having the lowest loan loss level of all Finnish banks. Loan loss level at 0.05 % in Q2 2021 (0.08 % in Q2 2020). EUR 2.0 M Covid-19 provision during 2020
- 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

- Positive earnings trend
- Challenging interest rate environment
- Net operating profit of EUR 13.6 M in Q2 2021 (EUR 9.8 M in Q2 2020)
- ROE 16.4 % in Q2 2021 (11.8 % in Q2 2020)

ROE
16.4 %

Standard & Poor's Rating on Bank of Åland

Finnish banks	A-	
Business position	-2	
- Despite some geographic diversification, concentrated business focus on retail and Private Banking makes it vulnerable to cyclical swings in the segments		
Capital and earnings	+1	
- Strong capital position - Strong earnings		
Risk position	-1	
- Small customer base with concentration risks - Moderate geographic diversity		
Liquidity and funding	0	
- Stable core deposit base		
The Bank of Åland standalone rating	BBB	<i>positive</i>
Cover Pool FIN, Cover Pool SWE	+9	
- Very low credit losses and stable loan base - Commitment to strong over-collateralization - Commitment to six months liquidity buffer		
The Bank of Åland Covered Bonds rating	AAA	<i>stable</i>

S&P, December 15, 2020:

- “We expect the joint venture will further diversify Bank of Åland's revenue base and give growth opportunities in Sweden”

S&P, January 22, 2021 and July 15, 2021:

- “We could raise the rating if Bank of Åland's capitalization improves, as indicated by a sustained increase of its RAC ratio beyond 15 % over the next 24 months, after the establishment of the joint mortgage platform”

S&P, July 15, 2021:

- “Bank of Åland's RAC ratio may exceed our 15 % threshold for a very strong capital and earnings assessment once the Swedish mortgage loan book is carved out”
- “Bank of Åland has delivered solid results over the past several years and, in addition to issuing capital instruments, has succeeded in building its capital base through earnings retention”
- “Once the Borgo platform is finalized and we have full data transparency, we will analyze whether the RAC ratio can sustainably exceed 15 %”

A photograph of a rocky cave interior. The walls are dark and textured, with some greenish moss or algae. A prominent feature is a circular opening in the rock wall, which is illuminated from within, showing a red interior. The lighting is dramatic, highlighting the textures of the rock and the glow from the opening.

2 Strategy and Market Position

Three Markets – Two Strategies

The Åland Islands

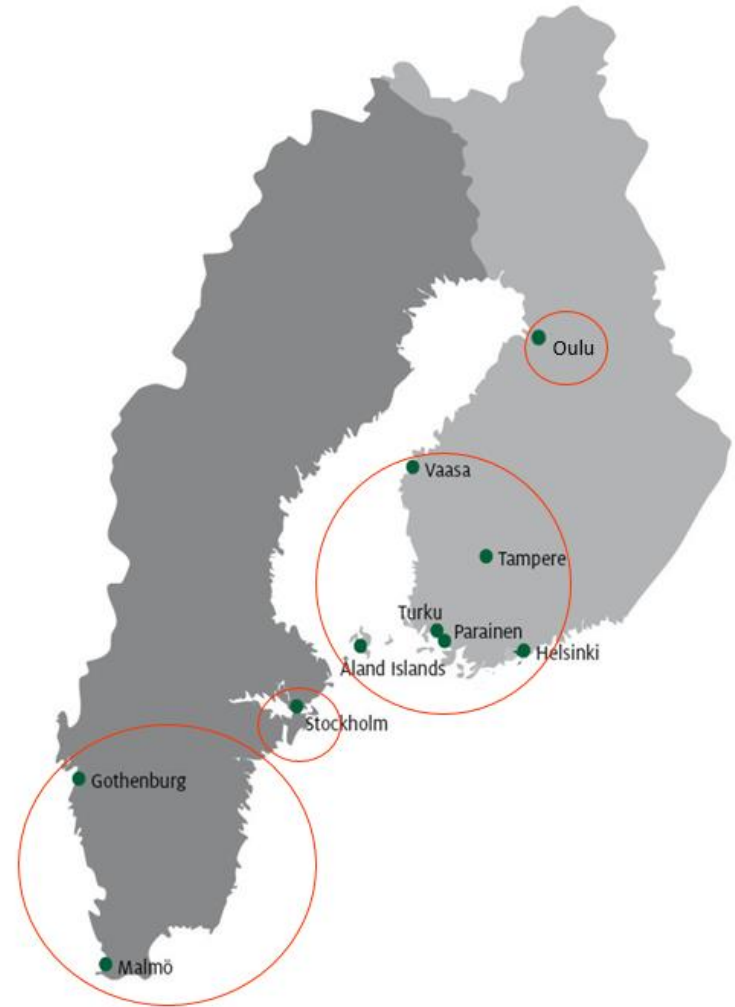
- 2 offices, market share > 50 %
- Full product range offered
- **The Bank for everyone**

Finland

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

Sweden

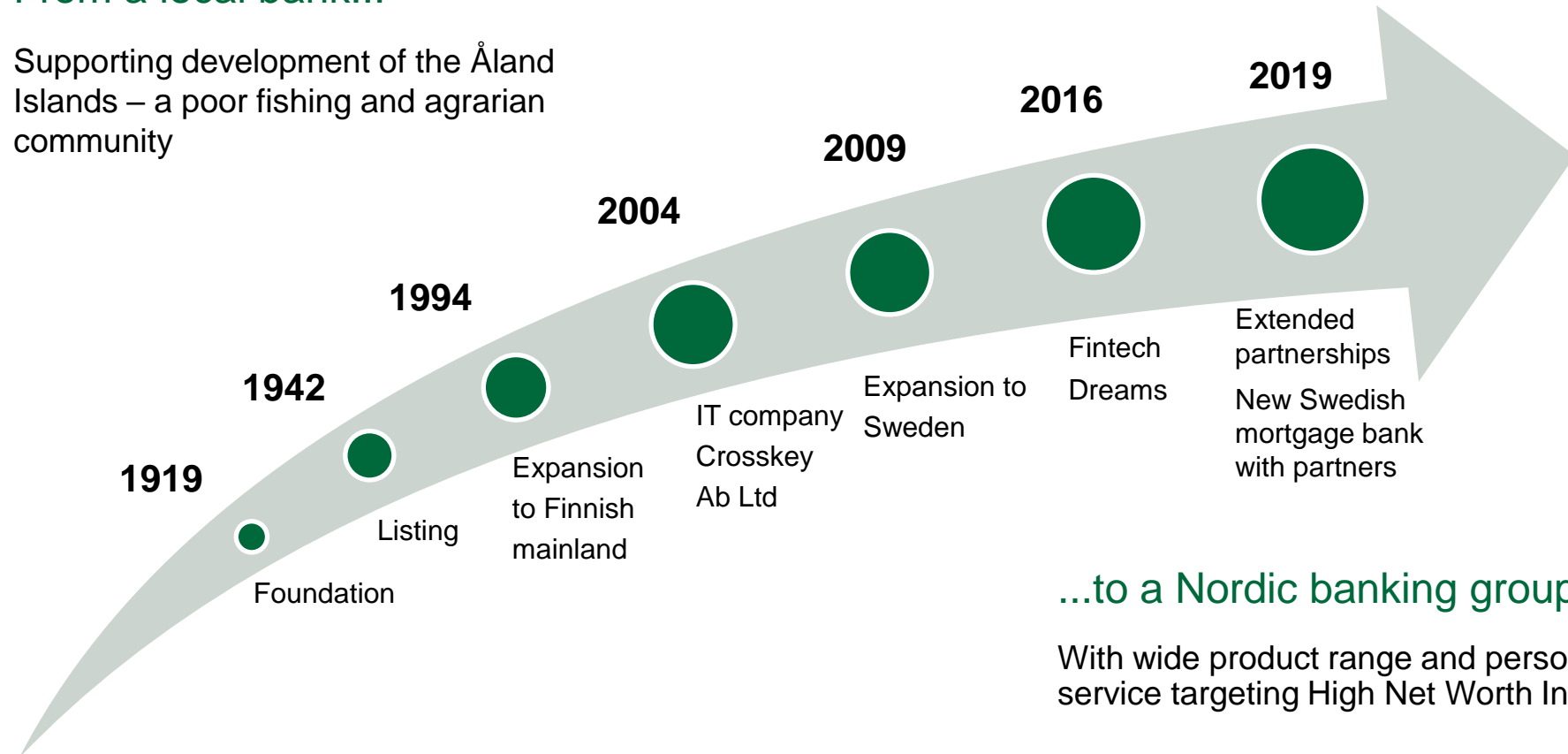
- 3 offices in Sweden’s largest cities, market share < 1 %
- Full product range offered but “bread and butter” services only as complement to Private Banking and Premium Banking services offering
- **Targeted segment: High Net Worth/ Affluent Individuals and their companies**



Bank of Åland History of Strategic Decisions

From a local bank...

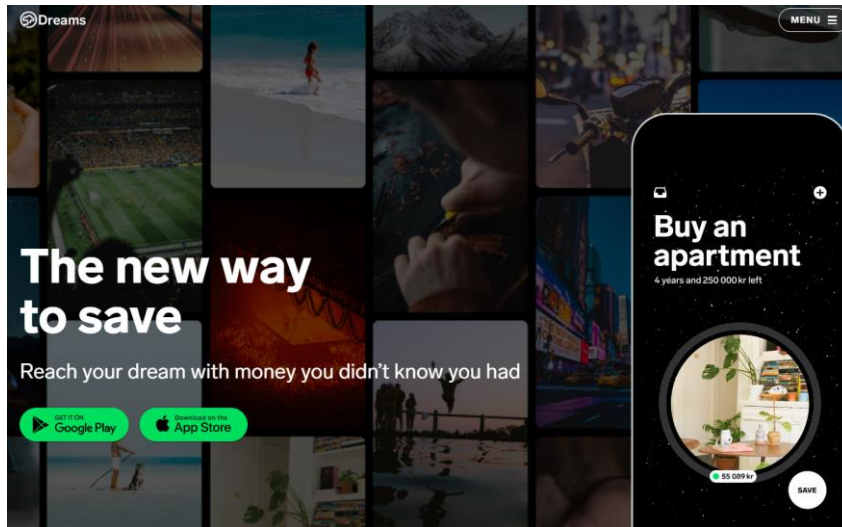
Supporting development of the Åland Islands – a poor fishing and agrarian community



...to a Nordic banking group

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

Digitalization in Focus: Strategic Fintech Partners



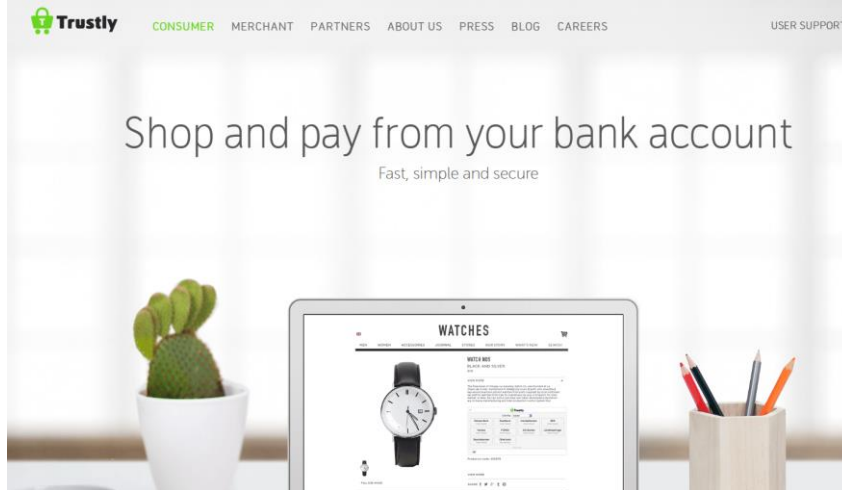
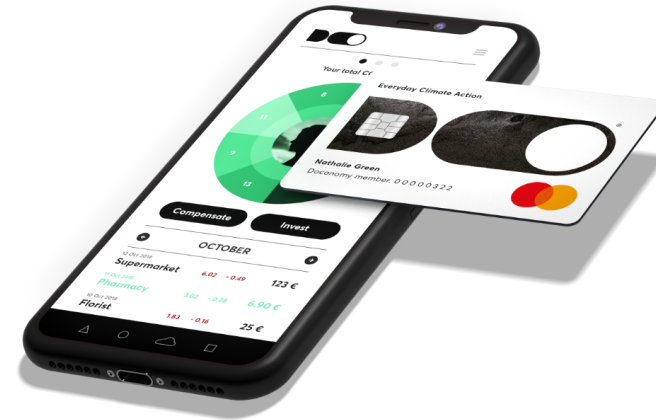
DO About us Press FAQ English

A banking service for everyday climate action

Use a free revolutionary mobile banking service to reduce your carbon emissions day by day.

Positive returns for both you and the planet.

Early sign-up!



Bank of Åland Group Legal and Ownership Structures



Major owners as of June 30, 2021	Share of capital	Share of votes
Wiklöf Anders with companies	21.3 %	29.7 %
Alandia Insurance	6.8 %	11.1 %
The Family Kamprad Foundation	6.0 %	0.7 %
Fennogens Investment S.A. (Family Ehrnrooth)	4.7 %	8.3 %
Pensionsförsäkringsaktiebolaget Veritas	2.5 %	2.0 %

Approximately 10,500 shareholders in total, half of them from the Åland Islands

3. Sustainability

Bank of Åland "World Champion" in Sustainability



THE UN SDGS AND OUR SUSTAINABILITY WORK



Our sustainability work is based upon the UN's 17 sustainability development goals, including its 169 sub-targets.



356,000,000

customers globally are able to track the CO₂ footprint of their purchases through Åland Index Solutions.



ÖSTERSJÖPROJEKTET
BALTICSEAPROJECT
ITÄMERIPROJEKTI

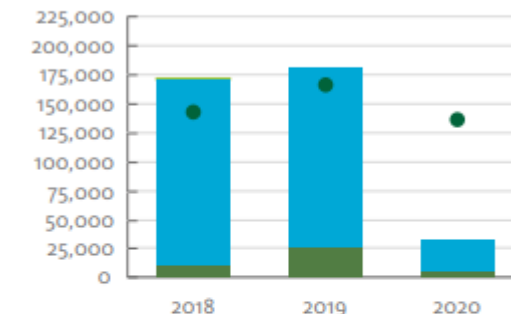


€ 3,300,000

funding good ideas for the environment since 1997.

Quantity of carbon dioxide emissions caused by travel

CO₂ in kg



- Train
- Aircraft
- Ship
- Our total target

Due to the coronavirus pandemic, business travel virtually halted during the second quarter. This, in turn, was reflected by total carbon dioxide emissions, which decreased significantly in 2020. Emissions from all business travel fell from 124,548 kg to 33,688 kg, a 73 per cent decline.



UNEP
FINANCE
INITIATIVE

PRINCIPLES FOR
RESPONSIBLE
BANKING



Principles for
Responsible
Investment

We have signed the UN Principles for Responsible Banking and the Principles for Responsible Investment.

An aerial photograph of a rocky coastline. The water is a deep, dark blue, and the rocks are dark and jagged. A single white bird is perched on a rock in the middle ground. The text '4. Performance and Capital' is overlaid in white on the left side of the image.

4. Performance and Capital

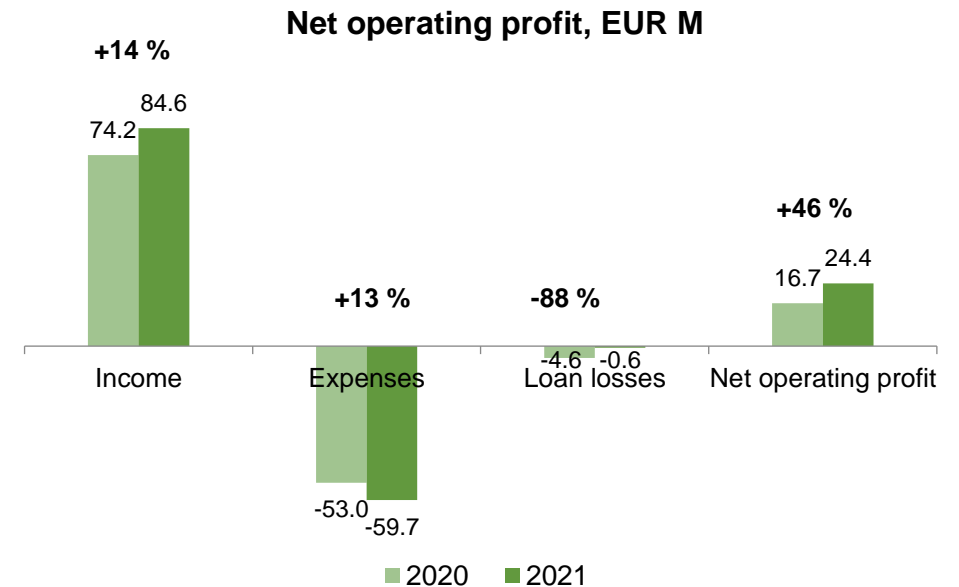
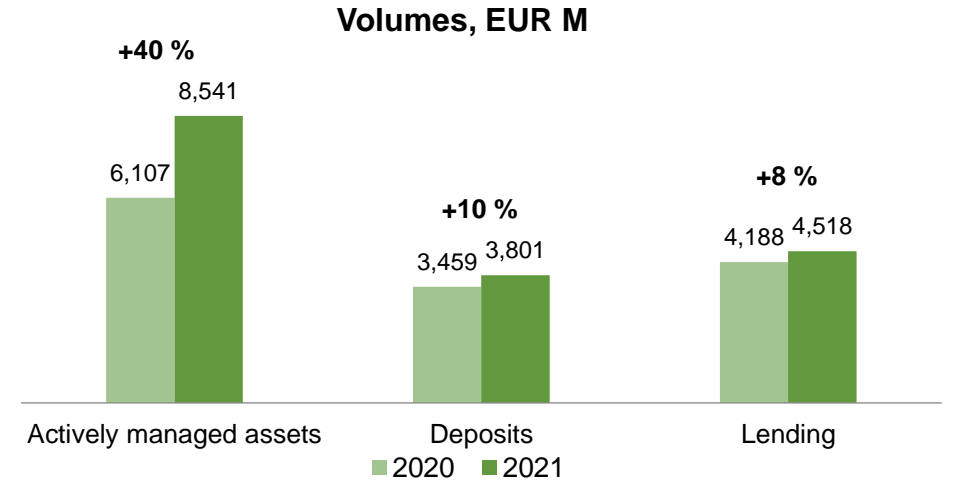
Long-Term Financial Targets*

Profitability	ROE shall exceed 10 % As a Bank for investors, with financing know-how, 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
Capitalization	The Bank's capital adequacy, primarily defined as CET1 capital ratio under the Basel regulations, shall clearly exceed all regulatory requirements
Payout ratio	The payout ratio shall amount to 50 % This payout ratio target is subject to the condition that the capital adequacy target continues to be achieved

* During 2021 the Bank of Åland will review its long-term financial targets

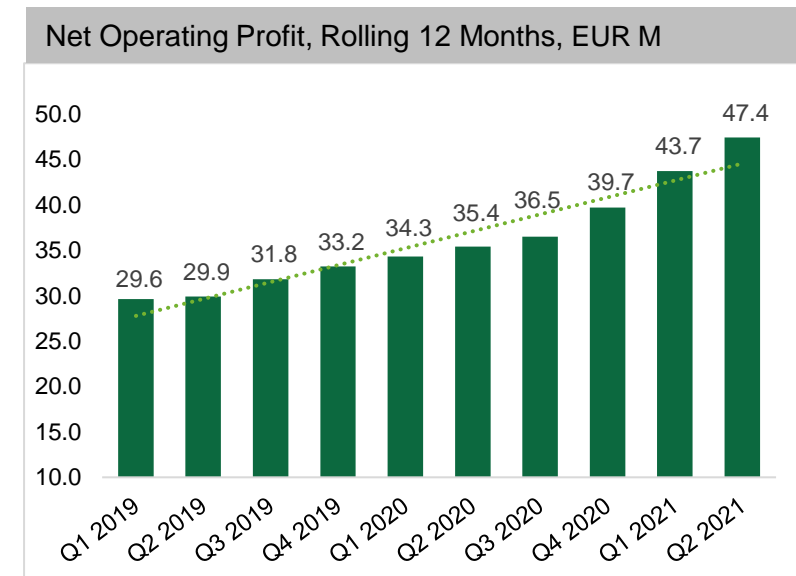
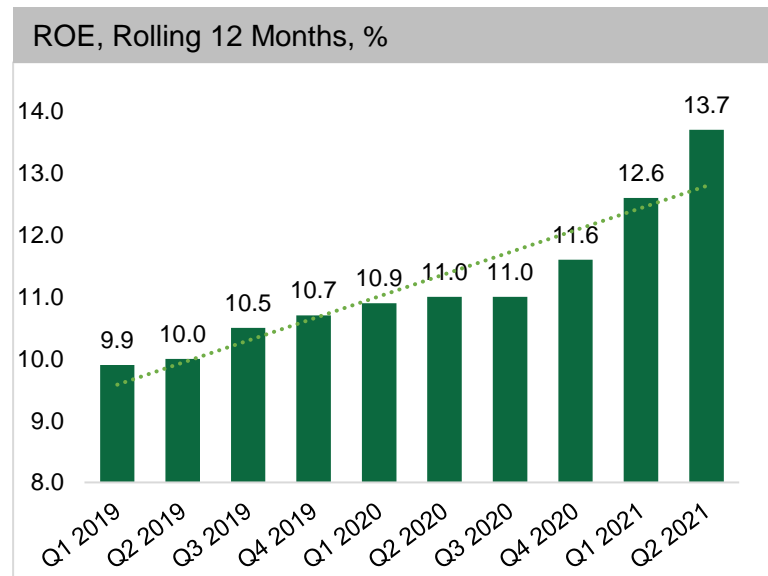
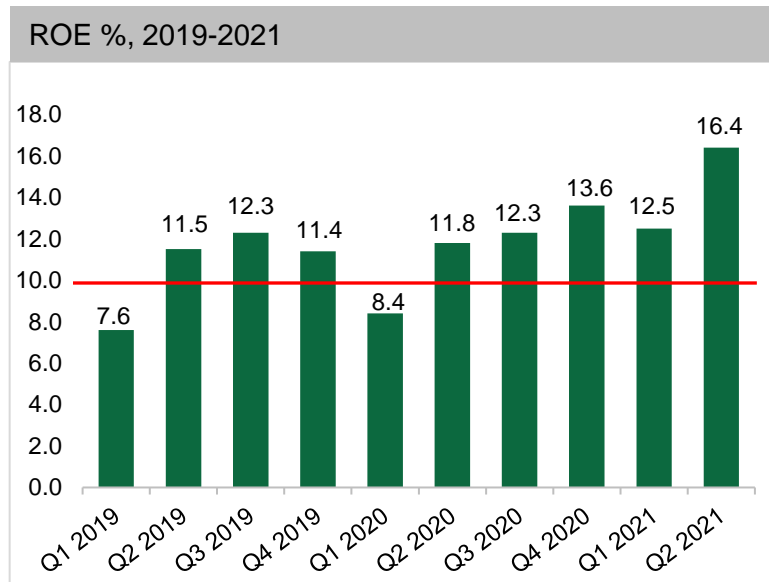
H1 2021 in Summary

- New record level of actively managed assets, lending and deposits
- A new office opened in Oulu on the Finnish mainland
- Dividends for 2019 and 2020 EUR 31.2 M (15.6 + 15.6) approved and distributed
- In March 2021, for the first time the Bank of Åland issued additional Tier 1 (AT1) capital instruments, totalling SEK 300 M
- In March 2021 the Swedish Financial Supervisory Authority granted Borgo, the new jointly owned mortgage company, a permit as a credit market company and an issuer of covered bonds. Sparbanken Syd wants to join as a fifth partner
- Working hours re-calculated to full-time equivalent positions increased by 81 FTE Q2 2021 vs. Q2 2020



”Best Q2 2021 and H1 2021 results ever”

- Net operating profit Q2, EUR 13.6 M (9.8 M), +39 %
- ROE Q2, 16.4 % (11.8 %)
- Net operating profit H1, EUR 24.4 M (16.7 M), +46 %
- ROE H1, 14.4 % (10.1 %)
- Earnings per share H1, EUR 1.27 (0.85), +50 %

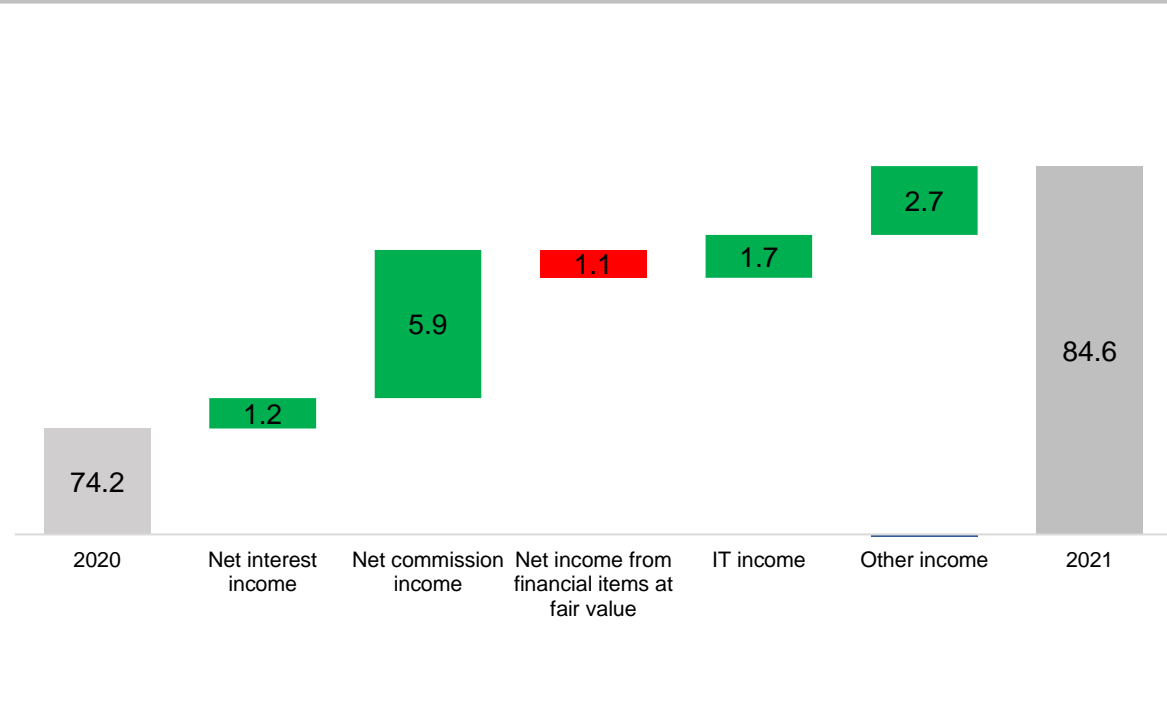


Stability fee: EUR 2.3 M (Q1 2019), EUR -0.5 M (Q2 2019), EUR 2.0 M (Q1 2020), EUR 0.6 M (Q2 2020), EUR 2.8 M (Q1 2021) and EUR -0.1 M (Q2 2021)

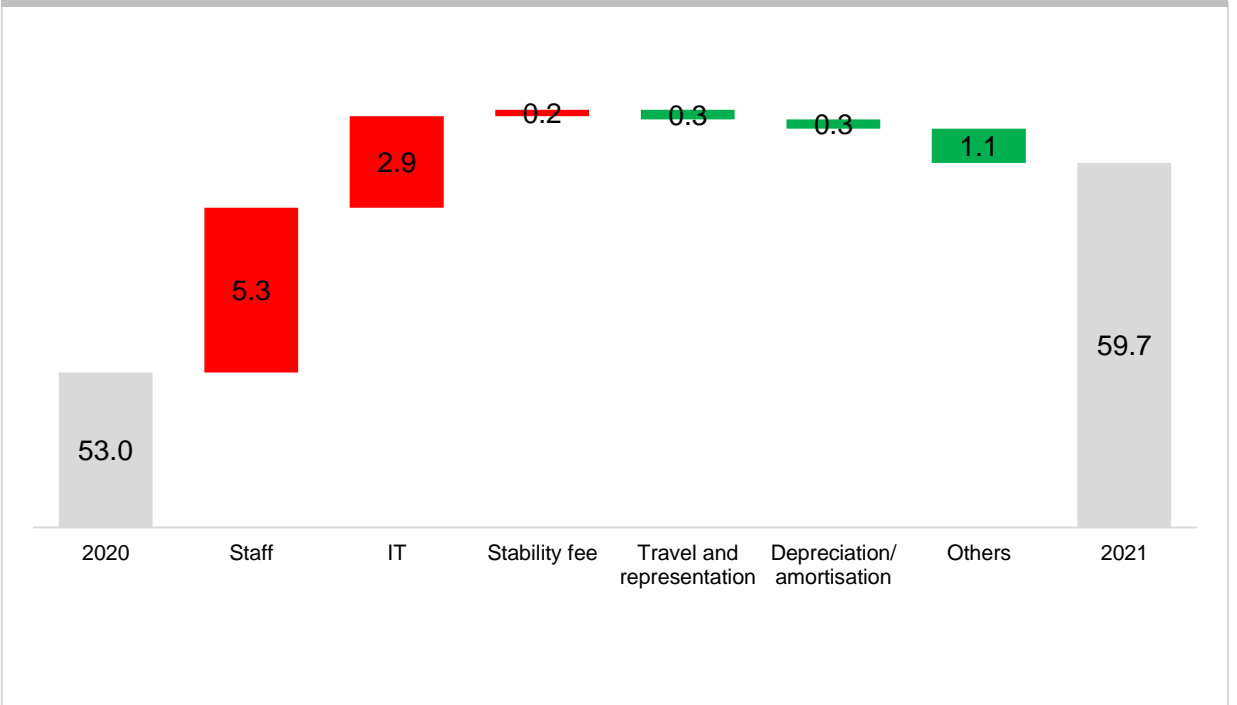
Higher Income and Expenses

- Total income rose by 14 % to EUR 84.6 M. Higher net commission income was the main reason
- Total expenses increased by 13 % to EUR 59.7 M. Higher staff costs and IT expenses were the main reasons

Higher Income
EUR M

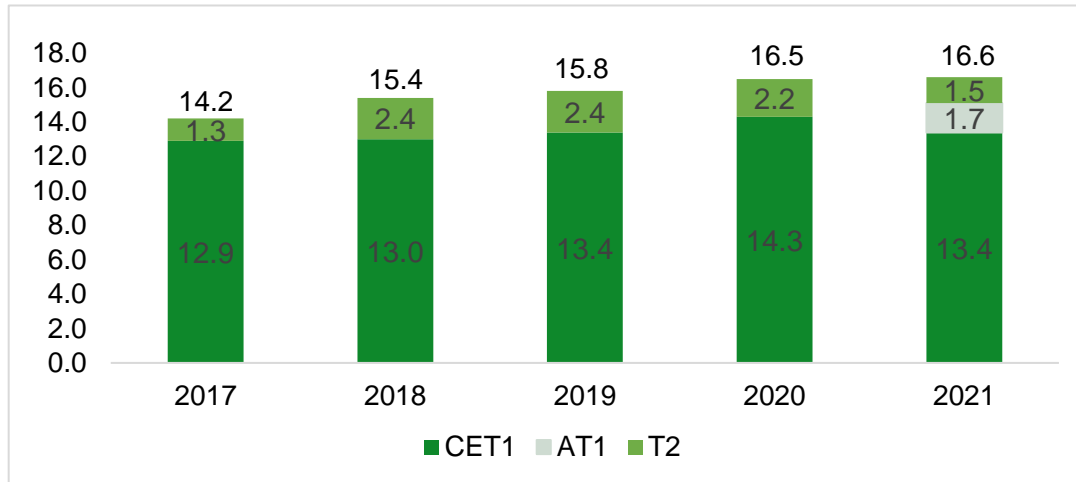


Higher Expenses
EUR M



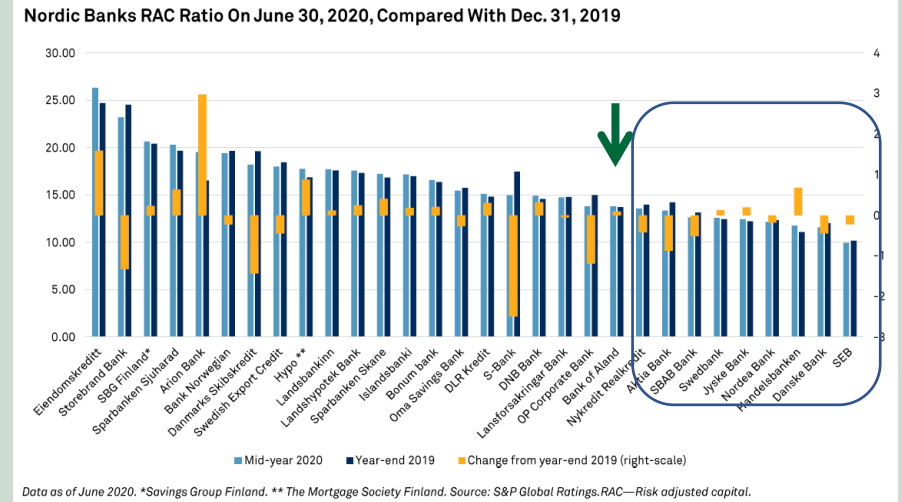
Commitment to a Strong Capital Ratio

- The Bank of Åland is committed to a strong capital ratio
- The Bank will continue to build up its capital base, improve and diversify earnings, and uphold a sound approach to risk
- In March 2021, for the first time the Bank of Åland issued additional Tier 1 (AT1) capital instruments, totalling SEK 300 M
- Conservative pay-out policy is to safeguard the capital position
- Dividends for 2019 and 2020 EUR 31.2 M approved and distributed under H1 2021, subtracted from the Bank's CET1 capital ratio on December 31, 2020
- CET1 capital ratio for a small bank like the Bank of Åland is not comparable to larger banks with IRB methods. Standard & Poor's rating method considers the Bank of Åland to have strong risk-adjusted capitalization



According to S&P the capital position of the Bank of Åland is strong

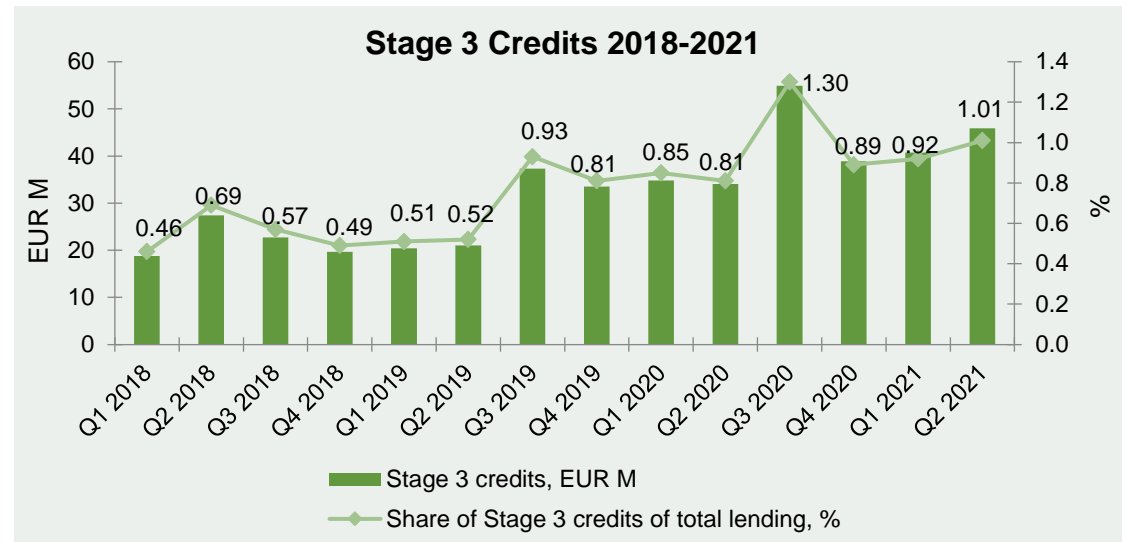
- Strong risk-adjusted capitalization
- Low credit losses
- RAC ratio 13.9 % (December 31, 2020) remains a rating strength to the Bank of Åland
- S&P (January 22, 2021 and again July 15, 2021) has indicated that they could raise the rating if the Bank of Åland's capitalization improves, as indicated by a sustained increase of its RAC ratio beyond 15 % threshold for a very strong capital and earnings over the next 24 months



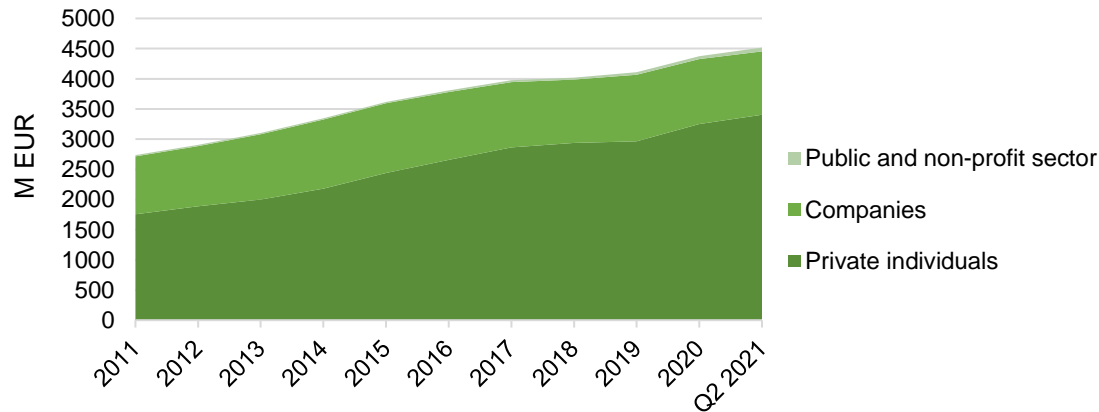
5. Asset Quality

Lending Strategy – Balanced Credit Growth

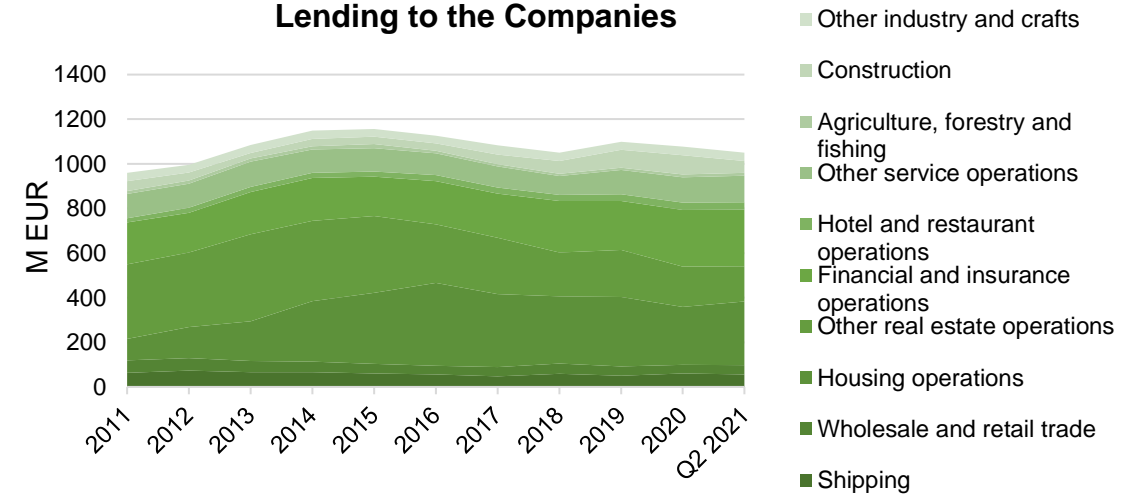
- The Bank of Åland is a relationship Bank with primary focus on customers with investment needs in the Private Banking and Premium Banking segments
 - Selective lending to high quality, affluent clients, where asset quality prioritised over lending volume growth and higher returns
- The Bank of Åland 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 few large
- Loan loss level 0.05 % in Q2 2021 and 0.08 % in Q2 2020*




Total Lending



Lending to the Companies



* Model-driven impairment losses on financial assets increased because of the expected effects of the Covid-19 pandemic. During the first quarter of 2020, the Bank made a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio. So far it has not been necessary to utilize these provisions

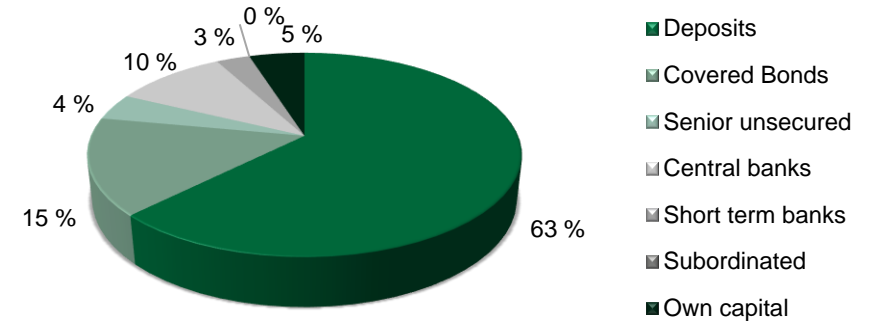


6. Liquidity and Funding

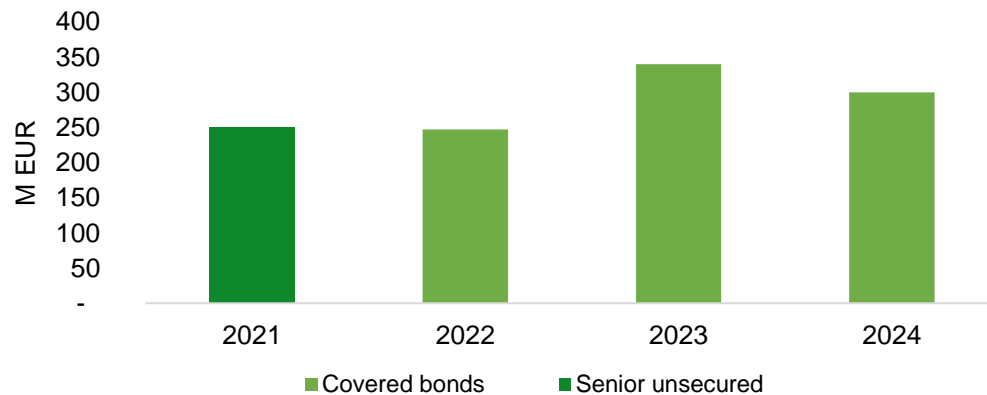
Group Funding and Liquidity Management

- Demand deposits and time deposits from core private customers and their companies are the main funding sources
- Covered Bonds, the main long-term funding tool, were introduced in early 2012 in order to diversify funding sources and to form a reliable and cost efficient funding channel
- Loans from central banks have grown during the time of Covid-19: 2 % → 10 %
- A balanced funding mix is maintained with diversity of funding sources
- Well-diversified maturity profile with limited exposure to short term wholesale funding

Group Funding Profile June 30, 2021



Maturing Long Funding* June 30, 2021



Themes 2021

- Share of customer deposits will stay high on around 60 % of funding
- During the Covid-19 it has been a reasonable strategy to issue retained Covered Bonds and use those as collateral for funding from the central banks
- Demand conditions and the market situation favour issuance in Covered Bonds
- The balanced funding mix is maintained
- The Bank of Åland will receive an MREL requirement from the beginning of 2022. The requirement will consist 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

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

Key metrics

Liquidity reserve

19 %

of total assets

Liquidity portfolio

EUR 1,166 M

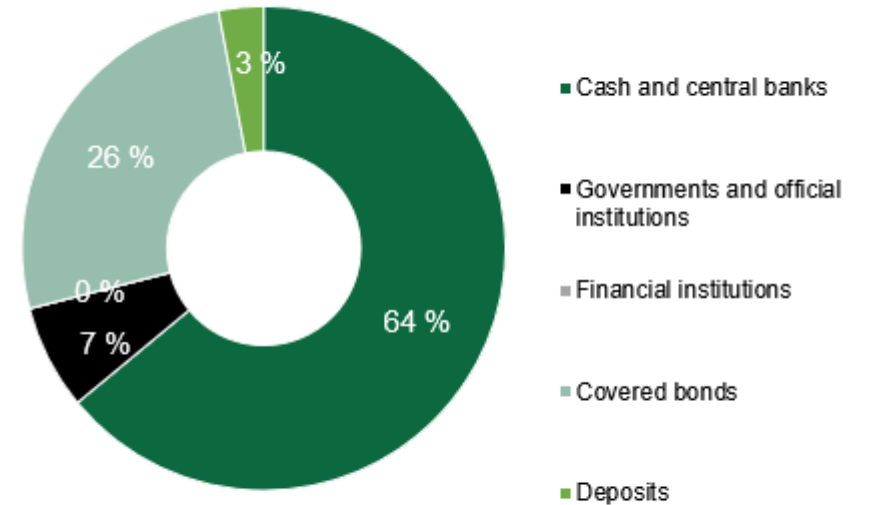
LCR

152 %

NSFR

110 %

Composition of the Liquidity Reserve June 30, 2021



7. 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

Maria Rissanen, Head of Group Treasury

maria.rissanen@alandsbanken.fi

+358 50 538 8898

8. Appendix

Key Figures

	H1 2021	H1 2020	2020	2019	2018	2017	2016
ROE, %	14.4	10.1	11.6	10.7	9.8	9.1	9.1
Expense/ income ratio, %	71	71	70	73	77	78	76
Loan loss level, %	0.03	0.22	0.11	0.08	0.02	0.06	0.11
CET1 capital ratio, %	13.4	14.5	14.3	13.4	13.0	12.9	11.8
Total capital ratio, %	16.6	16.7	16.5	15.8	15.4	14.2	13.0
Earnings per share, EUR	1.27	0.85	2.02	1.69	1.48	1.35	1.29
Equity capital per share, EUR	18.09	17.41	18.76	16.61	15.67	15.14	14.50
Lending to the public, EUR M	4,518	4,188	4,378	4,110	4,022	3,979	3,808
Deposits from public, EUR M	3,801	3,459	3,605	3,368	3,304	3,148	3,028
Equity capital, EUR M	311	271	292	258	242	234	222
Risk exposure amount, EUR M	1,812	1,661	1,671	1,583	1,578	1,538	1,576
FTE	825	744	751	700	691	691	683

Income Statement

EUR M	H1 2021	H1 2020	2020	2019	2018	2017	2016
Net interest income	30.5	29.3	58.9	53.9	54.5	55.9	55.1
Net commission income	38.5	32.6	66.3	58.0	54.3	52.9	48.0
Other income	15.6	12.3	24.9	22.0	18.8	19.2	17.3
Total income	84.6	74.2	150.1	133.9	127.6	128.0	120.4
Staff costs	-36.0	-30.7	-62.9	-57.0	-57.1	-59.8	-57.0
Other expenses	-23.7	-22.3	-42.7	-40.5	-40.7	-40.0	-34.3
Total expenses	-59.7	-53.0	-105.6	-97.5	-97.8	-99.8	-91.3
Profit before impairment losses	25.0	21.3	44.6	36.4	29.8	28.2	29.2
Net impairment loss on financial assets	-0.6	-4.6	-4.9	-3.2	-0.8	-2.1	-4.1
Net operating profit	24.4	16.7	39.7	33.2	29.0	26.0	25.1
Income taxes	-4.5	-3.5	-8.2	-6.9	-6.1	-5.3	-5.4
Net profit for the period	19.8	13.2	31.5	26.3	22.9	20.7	19.7
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	19.8	13.2	31.5	26.3	22.9	20.7	19.7

Outstanding Long-Term Funding* June 30, 2021

Cover Pool FIN

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
XS0876678391	90 000 000	30-01-2013	30-01-2023	2.75	EUR	90 000 000	1.59
XS1496878742	250 000 000	29-09-2016	29-09-2023	0	EUR	250 000 000	2.25
FI4000375241	300 000 000	19-03-2019	19-03-2024	0.125	EUR	300 000 000	2.72
						640 000 000	2.38

Cover Pool SWE

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
SE0010598474	2 500 000 000	22-11-2017	22-11-2022	QUARTLY STIB + 53.0	SEK	247 225 464	1.40
						247 225 464	1.40

Senior Unsecured

ISIN	Nominal Amt	Settlement date	Maturity date	Coupon	Currency	EUR eq amt	Time to maturity
FI4000348966	250 000 000	13-09-2018	13-09-2021	0.5	EUR	250 000 000	0.21
						250 000 000	0.21

* Excluding retained Covered Bonds

Disclaimer

- The presentation was prepared by Bank of Åland Plc 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 the 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