



January – March 2021

Compared to January – March 2020

- Net operating profit increased by 56 per cent to EUR 10.8 M (6.9).
- Net interest income increased by 5 per cent to EUR 15.2 M (14.5).
- Net commission income increased by 16 per cent to EUR 19.6 M (16.9).
- Total expenses increased by 12 per cent to EUR 30.5 M (27.2).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.1 M (3.8), equivalent to a loan loss level of 0.02 (0.37) per cent.
- Return on equity after taxes (ROE) increased to 12.5 (8.4) per cent.
- Earnings per share increased by 58 per cent to EUR 0.55 (0.35).
- The common equity Tier 1 ratio capital decreased to 14.2 per cent (14.3 per cent on December 31, 2020).
- Unchanged future outlook: The Bank of Åland expects its net operating profit in 2021 to be at about the same level as in 2020.

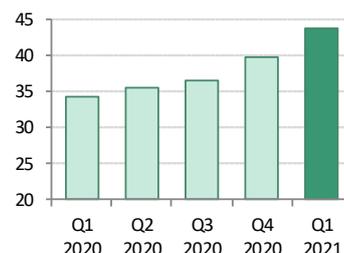
“We are starting 2021 with continued good growth, where the inflow of new customers and volume in our asset management operations has been especially strong. The quarterly net operating profit of EUR 10.8 M (6.9) was the best-ever start of a year for us. This was also true of our return on equity after taxes, which ended up at 12.5 (8.4) per cent.”

“We are continuing to invest in additional employees and IT, which raises our total expenses, but this will also make us prepared for further growth. Our credit quality remains good, and we are not yet seeing any rising volumes of non-performing loans due to the pandemic.”

Peter Wiklöf, Managing Director and Chief Executive

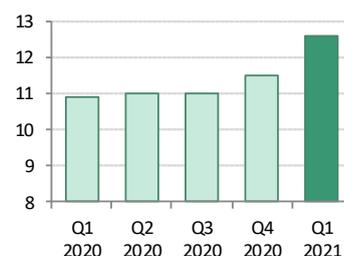
4-quarter moving net operating profit

EUR M



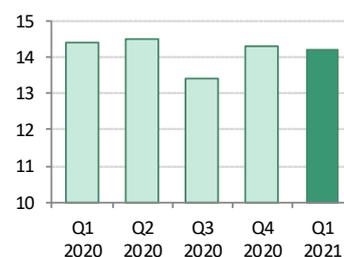
4-quarter moving ROE

Per cent



Common equity Tier 1 ratio

Per cent



The Bank of Åland is a bank with strong customer relationships and personalised service. The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) since 1942.

The Bank of Åland's Head Office is in Mariehamn. The Bank has two offices in the Åland Islands, six offices elsewhere in Finland and three offices in Sweden.

Two subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

Bank of Åland Plc. Registered office: Mariehamn Address: Nygatan 2, AX-22100 Mariehamn, Åland, Finland
Business Identity Code: 0145019-3. Telephone: +358 204 29 011. Website: www.alandsbanken.fi

Financial summary

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Income					
Net interest income	15.2	14.9	2	14.5	5
Net commission income	19.6	18.5	6	16.9	16
Net income from financial items at fair value	0.4	0.4	-13	0.7	-51
Other income	6.2	6.3	-2	5.8	7
Total income	41.4	40.1	3	37.9	9
Total expenses					
Staff costs	-17.4	-16.9	3	-15.2	15
Other expenses	-10.2	-7.9	29	-9.0	13
Depreciation/amortisation	-2.9	-3.1	-5	-3.1	-5
Total expenses	-30.5	-27.8	10	-27.2	12
Profit before impairment losses	10.9	12.3	-12	10.7	1
Impairment losses on financial assets, net	-0.1	0.0		-3.8	-98
Net operating profit	10.8	12.3	-12	6.9	56
Income taxes	-2.2	-2.5	-14	-1.5	45
Profit for the report period	8.6	9.8	-12	5.4	58
Attributable to:					
Shareholders in Bank of Åland Plc	8.6	9.8	-12	5.4	58
Volume					
Lending to the public	4,419	4,378	1	4,076	8
Deposits from the public	3,529	3,605	-2	3,409	4
Actively managed assets ¹	7,808	7,436	5	5,431	44
Equity capital	298	292	2	258	15
Balance sheet total	6,089	6,035	1	5,599	9
Risk exposure amount	1,688	1,670	1	1,589	6
Financial ratios					
Return on equity after taxes, % (ROE) ²	12.5	13.6		8.4	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	12.6	11.6		10.9	
Expense/income ratio ³	0.74	0.69		0.72	
Loan loss level, % ⁴	0.02	-0.04		0.37	
Gross share of loans in Stage 3, % ⁵	0.92	0.89		0.85	
Liquidity coverage ratio (LCR), % ⁶	165	159		146	
Net stable funding ratio (NSFR), % ⁷	106	106		119	
Loan/deposit ratio, % ⁸	125	121		120	
Common equity Tier 1 capital ratio, % ⁹	14.2	14.3		14.4	
Tier 1 capital ratio, % ¹⁰	15.9	14.3		14.4	
Total capital ratio, % ¹¹	18.1	16.5		16.6	
Leverage ratio, % ¹²	4.7	4.2		4.0	
Earnings per share, EUR ¹³	0.55	0.63	-12	0.35	58
Earnings per share, EUR, moving 12-month	2.22	2.02	10	1.75	27
Equity capital per share, EUR ¹⁴	17.19	18.76	-8	16.54	4
Working hours re-calculated to full-time equivalent positions	790	770	3	720	10

¹ Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume.

² Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital

³ Expenses / Income

⁴ Impairment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period

⁵ Share of loans in Stage 3 / Gross lending to the public

⁶ LCR, assets at levels 1 and 2 / 30-day net cash outflow

⁷ Available stable funding / Stable funding requirement

⁸ Lending to the public / Deposits from the public

⁹ Common equity Tier 1 capital / Risk exposure amount

¹⁰ Tier 1 capital / Risk exposure amount

¹¹ Own funds / Risk exposure amount

¹² Tier 1 capital / Total exposure metric

¹³ Shareholders' portion of profit for the period / Average number of shares

¹⁴ Shareholders' portion of equity capital / Number of shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

The COVID-19 pandemic has continued to plague the earth's inhabitants. So far, vaccination campaigns have proceeded more slowly in Europe than observers had hoped at the beginning of 2021, but more and more people now think they see the light at the end of the tunnel, thanks to effective vaccines. Most restrictions will probably be lifted gradually. Fiscal and monetary stimulus measures remain very large. There is thus a belief that economic activity should recover rather quickly.

Long-term market yields have begun to move higher. Central banks are expected to keep their key interest rates unchanged for a long time to come.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q1 2021	Q4 2020	Q1 2020
Euribor 3 mo	-0.52	-0.52	-0.41
Euribor 12 mo	-0.48	-0.48	-0.27
Stibor 3 mo	-0.03	-0.08	0.19

During the first quarter of 2021, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index rose by 5 per cent while the Nasdaq Stockholm's OMXSPI index rose by 14 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 5 per cent higher during the first quarter of 2021 than in the year-earlier period and 2 per cent lower than at year-end 2020. When converting the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been converted at the exchange rate prevailing on the closing day of the report period.

IMPORTANT EVENTS

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 March 30, 2021, the Annual General Meeting (AGM) approved the distribution of a dividend of EUR 1.00 per share for the financial year 2020.

The AGM also decided to authorise the Board to approve acquisitions of no more than 1,500,000 of the Bank of Åland's Series B shares. This is equivalent to about 10 per cent of all shares in the Company and about 16.4 per cent of all Series B shares in the Company. The Company's own shares may be acquired in order to change the Company's capital structure, to be used as consideration in acquisitions of companies or sectoral reorganisations or as part of the Company's incentive programmes and may otherwise be transferred onward, be kept by the Company or be annulled. The shares may be acquired in one or more rounds.

The AGM re-elected the Board, consisting of Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å Karlsson, Ulrika Valassi and Anders Wiklöf. At the statutory meeting of the Board the

same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board.

In March, for the first time the Bank of Åland issued additional Tier 1 (AT1) capital instruments, totalling SEK 300 M. This is a perpetual financial instrument, with a possibility of early redemption after five years. For financial reporting purposes, the instrument is regarded as equity capital. The issue was priced at 3-month Stibor + 3.75 per cent. It attracted heavy interest and was oversubscribed.

During the first quarter of 2021, the Bank of Åland opened a new office in Oulu on the Finnish mainland.

In March 2021 Borgo AB, a Swedish-based associated company of the Bank of Åland, received permission from the Swedish Financial Supervisory Authority to operate a financing business and to issue covered bonds. Other preparatory work is continuing ahead of launching operations. In September 2019 Borgo entered into a partnership with ICA Bank, Ikano Bank, Söderberg & Partners and the Bank of Åland (IISÅ Holdco AB) for the purpose of creating a new Swedish mortgage company. In January 2021 Sparbanken Syd (a southern Swedish savings bank) also signed a declaration of intent with Borgo to join the partnership. Together with its information technology subsidiary Crosskey Banking Solutions, the Bank of Åland is supplying platform solutions for the new mortgage company and contributing its existing knowledge on mortgage loan management.

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. This year the Baltic Sea Project contributed EUR 500,000 to various projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 3.3 M to various environmentally related projects.

EARNINGS FOR JANUARY – MARCH 2021

Net operating profit rose by EUR 3.9 M or 56 per cent to EUR 10.8 M (6.9).

Profit for the period attributable to shareholders increased by EUR 3.2 M or 58 per cent to EUR 8.6 M (5.4).

Return on equity after taxes (ROE) increased to 12.5 per cent (8.4).

Total income rose by EUR 3.5 M or 9 per cent to EUR 41.4 M (37.9).

Net interest income rose by EUR 0.7 M or 5 per cent to EUR 15.2 M (14.5). The increase came from higher lending volume and lower costs of deposits and capital market borrowing.

Net commission income rose by EUR 2.7 M or 16 per cent to EUR 19.6 M (16.9), mainly due to higher income from the Bank's asset management business.

Net income on financial items fell by EUR 0.4 M to EUR 0.4 M (0.7), mainly due to lower capital gains.

Information technology (IT) income rose by EUR 0.3 M or 6 per cent to EUR 6.0 M (5.7). The increase came from higher project income.

Total expenses increased by EUR 3.3 M or 12 per cent and totalled EUR 30.5 M (27.2). Higher staff costs, IT expenses and a higher stability fee to Finland's Resolution Fund were the main reasons behind these higher expenses. The estimated stability fee in the first quarter of 2021 amounted to EUR 2.8 M. Last year the stability fee was estimated at EUR 2.0 in the first quarter and was then set at EUR 2.6 M in the second quarter.

Total net impairment losses on financial assets decreased by EUR 3.7 M to EUR 0.1 M (3.8), equivalent to a loan loss level of 0.02 (0.37) per cent. In the first quarter of 2020, the Bank made sizeable model-driven provisions for impairment losses in compliance with the IFRS 9 international financial reporting standard.

Tax expense amounted to EUR 2.2 M (1.5), equivalent to an effective tax rate of 20.3 (21.7) per cent.

STRATEGIC BUSINESS AREAS

The Group's EUR 3.9 M increase in net operating profit to EUR 10.8 M was allocated as follows:

- Private Banking +2.2 (higher income)
- Premium Banking +1.4 (lower impairment loss provisions)
- IT -0.4 (higher expenses)
- Corporate Units +0.6
- & Eliminations

BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 372 M or 5 per cent compared to year-end 2020 and amounted to EUR 7,808 M (7,436). The increase was due to both positive net inflows and a positive market effect.

Deposits from the public fell by 2 per cent compared to year-end 2020 and amounted to EUR 3,529 M (3,605).

Lending to the public increased by 1 per cent compared to year-end 2020 and totalled EUR 4,419 M (4,378).

CREDIT QUALITY

Lending to private individuals comprised 74 per cent of the loan portfolio. Home mortgage loans accounted for 76 per cent of this. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to individuals. Historically, the Bank of Åland has not had any substantial loan losses on this type of lending. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

The Bank of Åland is not yet seeing any increase in non-performing loans due to the coronavirus crisis. Model-driven impairment losses on financial assets in compliance with IFRS 9, in stages 1 and 2, increased sharply during 2020. So far, it has not been necessary to utilise these provisions.

The Bank of Åland Group had EUR 11.8 M in impairment loss provisions on March 31, 2021 (11.9 on December 31, 2020), of which EUR 2.4 M (2.5) in Stage 1, EUR 1.1 M (1.0) in Stage 2 and EUR 8.4 M (8.3) in Stage 3. During the first quarter of 2021, Stage 3 loans increased by EUR 1.8 M to EUR 40.7 M. Stage 3 loans as a share of gross lending to the public totalled 0.92 per cent (0.89). The level of provisions for Stage 3 loans amounted to 21 (21) per cent. Most of these loans have good collateral.

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,178 M on March 31, 2021 (1,175 on December 31, 2020). This was equivalent to 19 (19) per cent of total assets and 27 (27) per cent of lending to the public.

In September 2021, EUR 250 M in non-covered bonds will mature. When remaining maturity is less than six months, long-term capital market borrowing is no longer counted in the net stable funding ratio (NSFR). For this reason, in March the Bank of Åland chose to take out a new targeted longer-term refinancing operation (TLTRO) loan of EUR 200 M from the European Central Bank.

On March 31, 2021, the average remaining maturity of the Bank of Åland's bonds outstanding was about 2.4 (2.5) years.

The loan/deposit ratio amounted to 125 (121) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 63 (64) per cent and covered bonds issued accounted for 16 (16) per cent.

The liquidity coverage ratio (LCR) amounted to 165 (159) per cent.

The net stable funding ratio (NSFR) amounted to 106 (106) per cent.

RATING

The Bank of Åland had a credit rating from the Standard & Poor's Global Ratings agency of BBB/A-2 with a positive outlook for its long- and short-term borrowing. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 8.6 M; other comprehensive income, EUR -2.0 M; the issuance of new shares as part of the incentive programme, EUR 0.4 M; approved and distributed dividends totalling EUR 31.2 M; and issuance of additional Tier 1 capital, EUR 29.4 M. On March 31, 2021, equity capital amounted to EUR 297.6 M (292.4 on December 31, 2020).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 1.0 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 1.1 M or 13 per cent during the report period to EUR 239.6 M (238.5).

The risk exposure amount increased by 1 per cent during the report period and totalled EUR 1,688 M (1,671). The risk exposure amount for credit risk rose by EUR 22 M or 2 per cent. The elimination of the risk weight floor for mortgage loans in Finland decreased the risk exposure amount by EUR 108 M. A 15 per cent standardised upward adjustment of the risk exposure amount, calculated according to the IRB approach while awaiting an updated, approved IRB approach, increased the risk exposure amount by EUR 76 M. The operational risk exposure amount fell by EUR 13 M.

The common equity Tier 1 (CET1) capital ratio decreased to 14.2 (14.3) per cent.

The Tier 1 (T1) capital ratio, which had previously always been identical with the CET1 capital ratio, rose due to the issuance of AT1 instruments totalling SEK 300 M in March 2021 and amounted to 15.9 (14.3) per cent.

Due to the coronavirus pandemic, regulatory authorities have introduced a number of mitigation measures in the calculation of capital adequacy. One of these is related to impairment losses in compliance with IFRS 9 for Stage 1 and Stage 2 loans. These losses may be added back to the capital base ("own funds") in their entirety during 2020-2021 and may then be phased out. This amount totalled EUR 0.2 M on March 31, 2021. There is also a mitigation measure for certain intangible assets that may also be added back to own funds. The amount totalled EUR 3.4 M on March 31, 2021. Another mitigation measure that has been introduced is a higher supporting factor for small and medium sized enterprises (SMEs), which means lower risk exposure amounts. When these mitigation measures began to be applied, the effect on the Bank's CET1 ratio was +0.6 percentage points.

The total capital ratio increased to 18.1 (16.5) per cent.

In addition to mitigation measures in the calculation of capital adequacy, mitigation measures in the calculation of the leverage ratio have been introduced. Exposures to central banks with relevance for the transmission of monetary policy are exempted. The Bank of Åland has taken this into account in its calculation of the leverage ratio, which amounted to 4.7 (4.2) per cent on March 31, 2021. Excluding the mitigation measure, it would have amounted to 4.3 (3.9) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. Due to the coronavirus crisis, several of these buffer requirements have been lowered. 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 and Swedish exposures, the requirement remains 0.0 per cent.

The buffer requirement established by the Finnish Financial Supervisory Authority (FIN-FSA) related to Pillar 2 capital adequacy regulations, totalling 1.5 per cent of the Group's risk exposure amount (REA), will be lowered to 1.0 per cent starting on September 30, 2021. This buffer requirement was previously supposed to be covered only by CET1 capital. Starting in 2021, part of the Pillar 2 requirement may also be covered by additional T1 capital and supplementary capital, respectively.

When all these buffer requirements are taken into account, the new minimum levels for the Bank of Åland are:

- | | |
|--------------------------------------|---------------|
| • Common equity Tier 1 capital ratio | 7.6 per cent |
| • Tier 1 capital ratio | 9.3 per cent |
| • Total capital ratio | 11.5 per cent |

In relation to the above buffer requirements, the Bank of Åland has an ample capital surplus:

- | | |
|--------------------------------------|---------------|
| • Common equity Tier 1 capital ratio | +6.6 per cent |
| • Tier 1 capital ratio | +6.6 per cent |
| • Total capital ratio | +6.6 per cent |

The Bank of Åland has no minimum requirement for own funds and eligible liabilities (MREL) under European Union regulations.

SUSTAINABILITY INFORMATION

Between the first quarter of 2020 and the first quarter of 2021, the Bank of Åland's carbon dioxide emissions from electricity consumption, travel and paper print-outs decreased by 39 tonnes or 63 per cent to 23 tonnes. As a consequence of the coronavirus pandemic, nearly all business travel was suspended, which significantly decreased carbon dioxide emissions.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

The Bank of Åland is a co-owner of the new company Alandia Holding. The other co-owners are the pension insurance company Veritas Pensionsförsäkring, the cruise ferry company Viking Line, Föreningen Konstsamfundet (an association that supports the arts in Swedish-speaking Finland), Lundquist Shipping Company and Wiklöf Holding. The company intends to acquire a shareholding equivalent to 24.9 per cent of the insurance company Alandia Försäkring. The acquisition of shares in Alandia Försäkring is conditional upon an ownership suitability assessment by the Finnish FSA.

RISK AND UNCERTAINTIES

The single largest risk and uncertainty factor right now is the impact of the global coronavirus pandemic.

The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates, share prices and exchange rates, along with higher expenses due to regulatory decisions and directives as well as the competitive situation.

The Group aims at achieving operations with reasonable and carefully considered risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk. The Bank does not engage in trading for its own account.

Since 2017 the Bank of Åland has had a pending case with the Swedish Tax Agency concerning value-added tax (VAT) for the financial year 2016. The Tax Agency has announced a decision on the matter, in which it states that the Bank of Åland must pay about EUR 0.5 M in VAT. The Bank of Åland does not agree with the Tax Agency's assessment and has appealed its decision to the Administrative Court. No provision has been made in the accounts for any expense.

UNCHANGED FUTURE OUTLOOK

The Bank of Åland expects its net operating profit in 2021 to be at about the same level as in 2020.

The Bank is especially dependent on the performance of the fixed income and stock markets. There are concerns about economic developments in a number of important markets. For this reason, there is some uncertainty about the Bank's current forecast.

FINANCIAL INFORMATION CALENDER

The Half-year Financial Report for the period January-June 2021 will be published on Tuesday, July 20, 2021.

The Interim Report for the period January-September 2021 will be published on Tuesday, October 26, 2021.

Mariehamn, April 27, 2021
THE BOARD OF DIRECTORS

Sustainability information

The Bank of Åland actively strives to lower the direct and indirect environmental impact caused by its operations.

The Bank of Åland works towards an awareness and reduction of the organisation's resource consumption and environmental impact. We make an active effort to achieve the established targets in the Group's environmental plan. By distributing funds yearly for environmental projects that promote a healthier Baltic Sea, we offset our resource consumption and environmental impact. We pursue a dialogue about sustainability and environmental responsibility with our suppliers and business partners.

Due to the coronavirus pandemic, the Bank suspended nearly all business travel, which greatly reduced carbon dioxide emissions compared to the first quarter of 2020.

Bank of Åland Group	Q1 2021	Q4 2020	%	Q1 2020	%
Carbon dioxide emissions, kg					
Paper	4,869	3,834	27	6,988	-30
Electricity	16,964	21,742	-22	23,280	-27
Business travel	817	742	10	31,477	-97
Total carbon dioxide	22,650	26,318	-14	61,745	-63
Bank of Åland Group	Q1 2021	Q4 2020	%	Q1 2020	%
Paper consumption, kg	5,380	4,236	27	6,323	-15
Energy consumption, GWh	0.52	0.53	-2	0.54	-4
<i>of which renewable</i>	<i>0.44</i>	<i>0.46</i>	<i>-4</i>	<i>0.47</i>	<i>-6</i>
<i>of which other</i>	<i>0.08</i>	<i>0.07</i>	<i>14</i>	<i>0.08</i>	<i>0</i>
Number of business trips	37	47	-21	840	-96
<i>of which aircraft</i>	<i>17</i>	<i>25</i>	<i>-32</i>	<i>610</i>	<i>-97</i>
<i>of which ship</i>		<i>2</i>	<i>-100</i>	<i>87</i>	<i>-100</i>
<i>of which train</i>	<i>20</i>	<i>20</i>		<i>143</i>	<i>-86</i>

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Summary income statement

Group	Note	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M						
Net interest income	5	15.2	14.9	2	14.5	5
Net commission income	6	19.6	18.5	6	16.9	16
Net income from financial items at fair value	7	0.4	0.4	-13	0.7	-51
IT income		6.0	6.0	0	5.7	6
Other operating income		0.2	0.3	-42	0.1	63
Total income		41.4	40.1	3	37.9	9
Staff costs		-17.4	-16.9	3	-15.2	15
Other expenses	8	-10.2	-7.9	29	-9.0	13
Depreciation/amortisation		-2.9	-3.1	-5	-3.1	-5
Total expenses		-30.5	-27.8	10	-27.2	12
Profit before impairment losses		10.9	12.3	-12	10.7	1
Impairment losses on financial assets, net	9	-0.1	0.0		-3.8	-98
Net operating profit		10.8	12.3	-12	6.9	56
Income taxes		-2.2	-2.5	-14	-1.5	45
Profit for the period		8.6	9.8	-12	5.4	58
Attributable to:						
Non-controlling interests		0.0	0.0	-87	0.0	-89
Shareholders in Bank of Åland Plc		8.6	9.8	-12	5.4	58
Earnings per share, EUR		0.55	0.63	-12	0.35	58
Earnings per share, EUR, moving 12-month average to end of report period		2.22	2.02	10	1.75	27

Summary statement of other comprehensive income

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Profit for the period	8.6	9.8	-12	5.4	58
Assets measured via other comprehensive income					
Changes in valuation at fair value	-0.8	0.4		-1.1	-27
Realised change in value					
Transferred to the income statement	-0.2	-0.4	-44	-1.1	-77
Translation differences					
Gains/Losses arising during the period	-2.0	4.3		-3.8	-46
Taxes on items that have been or may be reclassified to the income statement	0.2	0.0		0.4	-52
<i>of which assets measured via other comprehensive income</i>	0.2	0.0		0.4	-52
Items that have been or may be reclassified to the income statement	-2.8	4.2		-5.5	-48
Changes in value of equity instruments	-0.2	0.4		-0.6	-63
Re-measurements of defined benefit pension plans	1.3	-2.2		-0.2	
Taxes on items that may not be reclassified to the income statement	-0.2	0.4		0.2	
<i>of which changes in value of equity instruments</i>	0.0	-0.1		0.1	-63
<i>of which re-measurements of defined-benefit pension plans</i>	-0.3	0.4		0.0	
Items that may not be reclassified to the income statement	0.8	-1.4		-0.7	
Other comprehensive income	-2.0	2.8		-6.2	-68
Total comprehensive income for the period	6.6	12.6	-47	-0.7	
Attributable to:					
Non-controlling interests	0.0	0.0	-87	0.0	-89
Shareholders in Bank of Åland Plc	6.6	12.6	-47	-0.7	

Income statement by quarter

Group	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
EUR M					
Net interest income	15.2	14.9	14.7	14.8	14.5
Net commission income	19.6	18.5	15.2	15.7	16.9
Net income from financial items at fair value	0.4	0.4	0.6	0.0	0.7
IT income	6.0	6.0	4.9	5.4	5.7
Other operating income	0.2	0.3	0.4	0.4	0.1
Total income	41.4	40.1	35.8	36.3	37.9
Staff costs	-17.4	-16.9	-15.3	-15.6	-15.2
Other expenses	-10.2	-7.9	-6.4	-7.1	-9.0
Depreciation/amortisation	-2.9	-3.1	-3.1	-3.1	-3.1
Total expenses	-30.5	-27.8	-24.8	-25.8	-27.2
Profit before impairment losses	10.9	12.3	11.0	10.6	10.7
Net impairment losses on financial assets	-0.1	0.0	-0.3	-0.8	-3.8
Net operating profit	10.8	12.3	10.7	9.8	6.9
Income taxes	-2.2	-2.5	-2.2	-2.0	-1.5
Profit for the period	8.6	9.8	8.5	7.8	5.4
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	8.6	9.8	8.5	7.8	5.4

Summary balance sheet

Group	Note	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
EUR M						
Assets						
Cash and balances with central banks		744	665	12	508	46
Debt securities		702	778	-10	737	-5
Lending credit institutions		71	51	39	108	-34
Lending to the public	10, 11	4,419	4,378	1	4,076	8
Shares and participations		13	13	-2	9	39
Participations in associated companies		2	1	40	1	
Derivative instruments	13	18	25	-26	28	-35
Intangible assets		25	24	2	25	1
Tangible assets		32	33	-3	36	-11
Investment properties		0	0	0	0	-4
Current tax assets		0	0		0	
Deferred tax assets		5	5	-3	5	-4
Other assets		34	36	-6	46	-26
Accrued income and prepayments		25	25	-3	21	19
Total assets		6,089	6,035	1	5,599	9
Liabilities						
Liabilities to credit institutions		717	509	41	201	
Deposits from the public		3,529	3,605	-2	3,409	4
Debt securities issued	12	1,356	1,441	-6	1,543	-12
Derivative instruments	13	10	15	-36	19	-49
Current tax liabilities		2	5	-53	2	7
Deferred tax liabilities		32	32	1	31	5
Other liabilities		68	57	19	60	13
Provisions		0	0	-11	0	
Accrued expenses and prepaid income		40	40	2	41	-2
Subordinated liabilities		37	37	-1	35	4
Total liabilities		5,792	5,743	1	5,341	8
Equity capital and non-controlling interests						
Share capital		42	42		42	
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		3	6	-48	-4	
Unrestricted equity capital fund		28	28	1	28	1
Retained earnings		137	159	-14	135	2
Shareholders' portion of equity capital		268	292	-8	258	4
Non-controlling interests' portion of equity capital		0	0	-3	0	12
Additional Tier 1 capital holders		29				
Total equity capital		298	292	2	258	15
Total liabilities and equity capital		6,089	6,035	1	5,599	9

Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Additional Tier 1 capital holders	Total
Equity capital, Dec 31, 2019	42.0	32.7	25.1	3.1	-1.3	27.4	129.3	258.3	0.0		258.4
Profit for the period							5.4	5.4	0.0		5.4
Other comprehensive income				-2.2	-3.8		-0.2	-6.2			-6.2
<i>Transactions with owners</i>											
Incentive programme						0.2		0.2			0.2
Share savings programme							0.0	0.0			0.0
Equity capital, Mar 31, 2020	42.0	32.7	25.1	0.9	-5.1	27.6	134.6	257.8	0.0		257.8
Profit for the period							26.1	26.1	0.0		26.1
Other comprehensive income				3.3	7.2		-2.0	8.5			8.5
Equity capital, Dec 31, 2020	42.0	32.7	25.1	4.1	2.1	27.6	158.6	292.4	0.0		292.4
Profit for the period							8.6	8.6	0.0		8.6
Other comprehensive income				-1.0	-2.0		1.0	-2.0			-2.0
<i>Transactions with owners</i>											
Additional Tier 1 capital issue										29.4	29.4
Dividends approved/paid							-31.2	-31.2			-31.2
Incentive programme						0.4		0.4			0.4
Equity capital, Mar 31, 2021	42.0	32.7	25.1	3.1	0.1	28.0	137.0	268.2	0.0	29.4	297.6

Summary cash flow statement

Group	Jan-Mar 2021	Jan-Dec 2020	Jan-Mar 2020
EUR M			
Operating activities			
Net operating profit	10.8	39.7	6.9
Adjustment for net operating profit items not affecting cash flow	4.4	24.6	8.1
Income taxes paid	-4.8	-4.9	-2.4
Changes in assets and liabilities from operating activities	71.9	128.7	34.8
Cash flow from operating activities	82.3	188.2	47.4
Investing activities			
Changes in shares	-0.6	-4.4	-0.7
Changes in tangible assets	-0.5	-1.3	0.0
Changes in intangible assets	-1.8	-3.8	-0.9
Cash flow from investing activities	-3.0	-9.5	-1.6
Financing activities			
Additional Tier 1 capital issue	29.4		
Share issue	0.4	0.2	0.2
Payment of principal on lease liability	-1.0	-4.9	-1.3
Dividends paid	-15.6		
Cash flow from financing activities	13.2	-4.7	-1.0
Cash and cash equivalents at beginning of period	672.3	495.7	495.7
Cash flow during the period	92.5	174.0	44.7
Exchange rate differences in cash and cash equivalents	-1.7	2.5	-3.4
Cash and cash equivalents at end of period	763.0	672.3	537.0
Cash and cash equivalents consisted of the following items:			
Cash and deposits with central banks	712.3	635.6	482.2
Lending to credit institutions that is repayable on demand	50.8	36.7	54.8
Total cash and cash equivalents	763.0	672.3	537.0

Starting with the Interim Report for Q1 2021, cash flows from interest-bearing securities and certificates issued, excluding senior non-prioritised liabilities and subordinate liabilities, have been moved from financing activities to operating activities as securities issued. This change is being made to ensure consistency with the business model. Comparative figures have been recalculated.

Notes to the consolidated Interim Report

1. Corporate information

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public limited company with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 11 offices in Åland, on the Finnish mainland and in Sweden. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium-sized banks.

The Head Office of the Parent Company has the following registered address:

Bank of Åland Plc
Nygatan 2
AX-22100 Mariehamn Åland, Finland

The shares of the Bank of Åland Plc are traded on the Nasdaq Helsinki Oy (Helsinki Stock Exchange).

The Interim Report for the accounting period January 1 – March 31, 2021 was approved by the Board of Directors on April 26, 2021.

2. Basis for preparation of the Interim Report and essential accounting principles

BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–March 31, 2021 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standard IAS 34, “Interim Financial Reporting”, which have been adopted by the European Union.

The Interim Report does not contain all information and all notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2020.

Tables show correct rounded-off figures on each line, but this does not mean that rounded-off figures add up to the correct total. In cases where rounded-off figures add up to zero, they are shown as “o” in the tables, while a lack of figures is shown as an empty space.

ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles that have been used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ended December 31, 2020.

The Bank of Åland has issued additional Tier 1 (AT1) capital. These instruments are classified as equity capital, since the instruments do not include any requirement that the Bank of Åland must pay the principal amount or interest to the holders. The Bank of Åland treats payments on financial instruments classified as equity capital (i.e. additional Tier 1 capital) as distributions of profits, and such payments are thus reported as dividends. Payment is made on a quarterly basis and the interest rate is the 3-month Stibor plus 3.75 per cent.

ESTIMATES AND JUDGEMENTS

Preparation of this Interim Report in compliance with IFRSs requires the Company’s Executive Team to make assessments, estimates and assumptions that affect the application of

accounting principles and the recognised amounts of assets and liabilities, income and expenses as well as disclosures about commitments. Although these estimates are based on the best knowledge of the Executive Team on current events and measures, the actual outcome may diverge from the estimates.

The substantial accounting assessments that have been made when applying the Group’s accounting principles are primarily related to the application of the new impairment model in compliance with IFRS 9 and accounting of financial instruments.

Customers who, during the prevailing coronavirus crisis, apply for postponement of loan principal payments are not automatically moved from Stage 1 to Stage 2, since the postponement of principal payments in itself does not represent a heightened risk of losses. For the Bank of Åland’s part, the loan volume that has been granted postponement of principal payments amounts to EUR 194 M. This volume is recognised in Stage 1 if there are no other reasons besides the postponement of principal payments that justify another stage. This approach was valid until March 31, 2021.

As for the recognition of leases in compliance with IFRS 16, estimates have been made in establishing the leasing period and the choice of discount rate.

3. Segment report

The Bank of Åland Group reports operating segments in compliance with IFRS 8, which means that operating segments reflect the information that the Group's Executive Team receives.

"Private Banking" encompasses Private Banking operations in Åland, on the Finnish mainland and in Sweden as well as Asset Management (Ålandsbanken Fondbolag Ab, Ålandsbanken Fonder Ab, Ålandsbanken Fonder II Ab and Ålandsbanken Fonder III Ab). "Premium Banking" encompasses operations in all customer segments excluding private banking in Åland, on the Finnish mainland, in Sweden and Asset Management. "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd including Model IT Oy and S-Crosskey Ab. "Corporate and Other" encompasses all central corporate units in the Group including Treasury and external partner collaborations.

Group	Jan-Mar 2021					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	7.0	6.9	0.0	1.4	0.0	15.2
Net commission income	14.6	3.9	0.0	1.0	0.1	19.6
Net income from financial items at fair value	0.0	0.0	0.0	0.4	0.0	0.4
IT income			10.2	0.2	-4.4	6.0
Other income	0.0	0.0	0.2	0.3	-0.3	0.2
Total income	21.6	10.7	10.4	3.3	-4.7	41.4
Staff costs	-4.4	-1.6	-5.9	-5.5		-17.4
Other expenses	-3.1	-2.4	-3.6	-4.8	3.6	-10.2
Depreciation/amortisation	-0.2	-0.1	-0.7	-2.5	0.6	-2.9
Internal allocation of expenses	-5.5	-5.0		10.5	0.0	0.0
Total expenses	-13.2	-9.1	-10.2	-2.2	4.3	-30.5
Profit before impairment losses	8.4	1.6	0.2	1.0	-0.4	10.9
Net impairment losses on financial assets	-0.3	0.1		0.1		-0.1
Net operating profit	8.1	1.8	0.2	1.1	-0.4	10.8
Income taxes	-1.7	-0.4	0.0	-0.1		-2.2
Profit for the period attributable to shareholders in Bank of Åland Plc	6.5	1.4	0.2	1.0	-0.4	8.6
Business volume						
Lending to the public	1,935	2,241		246	-3	4,419
Deposits from the public	1,677	1,809		63	-19	3,529
Actively managed assets	7,276	524		8		7,808
Risk exposure amount	675	561	75	376		1,688
Equity capital	87	93	26	91		298
Financial ratios etc.						
Return on equity after taxes, % (ROE)	29.8	6.1	2.5	5.5		12.5
Expense/income ratio	0.61	0.85	0.98	0.68		0.74

Group

Jan-Mar 2020

EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	7.2	6.9	0.0	0.4	0.0	14.5
Net commission income	12.4	3.7	0.0	0.8	0.1	16.9
Net income from financial items at fair value	-0.1	0.0	0.0	0.8	0.0	0.7
IT income			9.3	0.3	-4.0	5.7
Other income	0.0	0.0	0.2	0.2	-0.3	0.1
Total income	19.5	10.7	9.5	2.4	-4.2	37.9
Staff costs	-3.9	-1.6	-5.0	-4.7		-15.2
Other expenses	-2.9	-1.9	-3.2	-4.6	3.7	-9.0
Depreciation/amortisation	-0.2	-0.1	-0.7	-2.7	0.6	-3.1
Internal allocation of expenses	-5.1	-4.8		9.8		0.0
Total expenses	-12.1	-8.3	-8.9	-2.1	4.3	-27.2
Profit before impairment losses	7.4	2.3	0.6	0.3	0.1	10.7
Net impairment losses on financial assets	-1.5	-2.0		-0.3		-3.8
Net operating profit	5.9	0.4	0.6	0.0	0.1	6.9
Income taxes	-1.2	-0.1	-0.2	0.0		-1.5
Profit for the period attributable to shareholders in Bank of Åland Plc	4.7	0.3	0.5	-0.1	0.1	5.4
Business volume						
Lending to the public	1,796	2,230		49		4,076
Deposits from the public	1,735	1,644		51	-20	3,409
Actively managed assets	5,048	380		4		5,431
Risk exposure amount	664	597	75	253		1,589
Equity capital	91	97	24	45		258
Financial ratios etc.						
Return on equity after taxes, % (ROE)	19.2	1.2	8.3	-0.5		8.4
Expense/income ratio	0.62	0.78	0.93	0.89		0.72

4. Changes in Group structure

After the close of the report period, the Bank of Åland became a co-owner of the new company Alandia Holding. The other co-owners are the pension insurance company Veritas Pensionsförsäkring, the cruise ferry company Viking Line, Föreningen Konstsamfundet (an association that supports the arts in Swedish-speaking Finland), Lundquist Shipping Company and Wiklöf Holding. The company intends to acquire a shareholding equivalent to 24.9 per cent of the insurance company Alandia Försäkring. The acquisition of shares in Alandia Försäkring is conditional upon an ownership suitability assessment by the Finnish FSA. The company will become an associated company of the Bank of Åland.

5. Net interest income

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Lending to credit institutions and banks	-0.1	-0.1	-19	0.0	
Lending to the public	15.9	16.3	-2	16.1	-1
Debt securities	0.0	0.0	22	0.0	9
Derivatives	0.3	0.2	7	0.4	-38
Other interest income		0.0	-100	0.0	-100
Total interest income	16.1	16.4	-2	16.6	-3
<i>of which interest income according to the effective interest method</i>	16.0	16.4	-2	16.6	-3
Liabilities to credit institutions and central banks	-0.6	-0.1		-0.1	
Deposits from the public	0.5	0.6	-21	0.6	-30
Debt securities issued	0.4	0.5	-24	0.6	-35
Subordinated liabilities	0.3	0.3	-2	0.3	-1
Derivatives	0.3	0.2	40	0.7	-50
Other interest expenses	0.0	0.0	-77	0.0	-65
Total interest expenses	0.9	1.5	-44	2.1	-60
<i>of which interest expenses according to the effective interest method</i>	0.8	1.5	-46	2.0	-61
Net interest income	15.2	14.9	2	14.5	5
Interest margin, per cent	1.06	1.04		1.11	
Investment margin, per cent	1.03	1.01		1.04	

Interest from derivative instruments is recognised together with the item that they hedge within the framework of hedge accounting (fair value hedging and cash flow hedging). Interest margin is interest on interest-bearing assets divided by the average balance of assets minus interest on interest-bearing liabilities divided by the average balance of liabilities. Average balance is calculated as the average of end-of-month figures for the period in question plus the opening balance for the period. Investment margin is net interest income divided by the average balance sheet total.

6. Net commission income

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Bank commissions	2.6	2.6	0	2.4	7
Asset management commissions	16.3	15.2	7	13.9	17
Other commissions	0.7	0.7	2	0.6	14
Net commission income	19.6	18.5	6	16.9	16

7. Net income from financial items at fair value

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Valuation category fair value via the income statement ("profit and losses")					
Derivative instruments	0.0	0.0		0.0	26
Valuation category fair value via the income statement ("profit and losses")	0.0	0.0		0.0	26
Hedge accounting					
<i>of which hedging instruments</i>	-0.8	-0.8	-10	0.6	
<i>of which hedged item</i>	0.8	0.8	2	-0.7	
Hedge accounting	0.1	0.0		-0.1	
Net income from foreign currency revaluation	-0.1	0.1		-0.3	-45
Modification results and expected credit losses	0.2	-0.1		0.0	
Net income from financial assets	0.2	0.4	-44	1.1	-77
Total	0.4	0.4	-13	0.7	-51

8. Other expenses

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Stability fee	2.8	0.0		2.0	42
Other administrative expenses	7.4	7.9	-6	7.0	5
Total	10.2	7.9	29	9.0	13

9. Net impairment losses on financial assets

Group	Q1 2021	Q4 2020	%	Q1 2020	%
EUR M					
Impairment losses, Stage 1	-0.3	2.3		0.3	
Impairment losses, Stage 2	0.1	-2.0		2.5	-97
Net impairment losses, Stages 1-2	-0.2	0.4		2.9	
Impairment losses, Stage 3					
New and increased individual provisions	0.7	0.6	28	0.9	-13
Recovered from previous provisions	-0.6	-0.7	-25	-0.3	90
Utilised for actual loan losses	-0.2	-0.2	-19	-3.9	-96
Actual loan losses	0.3	0.3	-20	4.2	-93
Recoveries of actual loan losses	0.0	-0.4	-90	0.0	84
Net group provisions				0.2	-100
Net impairment losses, Stage 3	0.3	-0.4		0.9	-70
Total impairment losses	0.1	0.0		3.8	-98
of which receivables from the public leading to the public	0.2	-0.4		3.7	-94
of which off-balance sheet commitments	0.0	0.4		0.0	
of which debt securities at amortised cost	-0.1	0.0		0.0	
Loan loss level, lending to the public, %	0.02	-0.04		0.37	

10. Lending to the public by purpose

Group	Mar 31, 2021			Dec 31, 2020	%	Mar 31, 2020	%
	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
EUR M							
Private individuals							
Home loans	2,493	-3	2,490	2,466	1	2,253	11
Securities and other investments	393	0	393	388	1	327	20
Business operations	99	-1	98	101	-3	107	-8
Other household purposes	299	-3	296	295	0	258	15
Total, private individuals	3,284	-8	3,277	3,250	1	2,944	11
Companies							
Shipping	67	-1	67	61	9	64	4
Wholesale and retail trade	42	0	41	38	8	43	-3
Housing operations	260	0	260	260	0	289	-10
Other real estate operations	189	-1	189	181	4	176	7
Financial and insurance operations	248	0	248	253	-2	247	0
Hotel and restaurant operations	35	-1	34	34	1	29	17
Agriculture, forestry and fishing	11	0	11	12	-9	12	-12
Construction	88	0	88	87	1	91	-4
Other industry and crafts	37	0	37	38	-3	37	0
Other service operations	113	0	113	113	-1	100	13
Total, companies	1,090	-4	1,086	1,078	1	1,088	0
Public sector and non-profit organisations	56	0	56	49	14	43	30
Total, public sector and non-profit organisations	56	0	56	49	14	43	30
Total	4,431	-12	4,419	4,378	1	4,076	8

11. Lending to the public by stage

Group	Jan 1, 2021 - Mar 31, 2021				Jan 1, 2020 - Mar 31, 2020
	Stage 1	Stage 2	Stage 3	Total	Total
EUR M					
Carrying amount, gross					
Opening balance, January 1	4,197.4	153.5	38.9	4,389.8	4,122.5
Closing balance, March 31	4,232.7	157.4	40.7	4,430.8	4,087.5
Provisions for expected losses					
Opening balance, January 1	2.5	1.0	8.3	11.9	12.4
Increases due to issuances and acquisitions	0.3	0.0	0.0	0.4	0.0
Decrease due to removal from balance sheet	0.0	0.6	0.3	1.0	-0.1
Decrease due to write-offs	0.0	0.0	0.0	0.0	-3.9
Transfer to Stage 1	0.1	-0.1	0.0	0.0	0.0
Transfer to Stage 2	-0.5	0.8	-0.3	0.0	0.0
Transfer to Stage 3	0.0	-0.1	0.1	0.0	0.0
Net changes due to changed credit risk	-0.2	-1.2	-0.1	-1.5	3.6
Net changes due to changed estimation method	0.0	0.1	0.0	0.1	0.0
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
Closing balance, March 31	2.4	1.1	8.4	11.8	12.0
Carrying amount, net					
Opening balance, January 1	4,194.9	152.4	30.6	4,377.9	4,110.0
Closing balance, March 31	4,230.3	156.3	32.4	4,419.0	4,075.5
	Mar 31,	Dec 31,	Mar 31,		
Impairment losses, IFRS 9 - Financial ratios	2021	2020	2020		
Total provision ratio, receivables from the public, %	0.27	0.27	0.29		
Provision ratio, Stage 1, receivables from the public, %	0.06	0.06	0.02		
Provision ratio, Stage 2, receivables from the public, %	0.71	0.68	1.91		
Provision ratio, Stage 3, receivables from the public, %	21	21	22		
Share of receivables from the public in Stage 3, %	0.92	0.89	0.85		

12. Debt securities issued

Group	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
EUR M					
Certificates of deposit	202	280	-28	166	21
Covered bonds	903	910	-1	1,126	-20
Senior non-covered bonds	250	251	0	251	0
Total	1,356	1,441	-6	1,543	-12

13. Derivative instruments

Group	Mar 31, 2021						Dec 31, 2020		
	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
EUR M	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>		22	6	28	2	2	64	3	3
Currency-related contracts									
<i>Currency forward contracts</i>	630			630	4	3	420	6	6
Total	630	22	6	657	6	5	484	9	9
Derivatives for fair value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	252	815	35	1,102	12	5	1,118	16	6
Total	252	815	35	1,102	12	5	1,118	16	6
Total derivative instruments	881	837	41	1,759	18	10	1,602	25	15
<i>of which cleared</i>	252	834	38	1,123	13	7	1,176	17	9

14. Financial instruments measured at fair value

Group		Mar 31, 2021		
	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
EUR M				
Debt securities	415			415
Receivables from the public and public sector		133		133
Shares and participations	1		12	13
Derivative instruments		18		18
Total financial assets	416	151	12	578
Debt securities issued		899		899
Derivative instruments		10		10
Total financial liabilities		909		909

Group		Dec 31, 2020		
	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
EUR M				
Debt securities	478	13		491
Receivables from the public and public sector		130		130
Shares and participations	1		12	13
Derivative instruments		25		25
Total financial assets	479	167	12	658
Debt securities issued		901		901
Derivative instruments		15		15
Total financial liabilities		916		916

Changes in Level 3 holdings		Jan 1 - Mar 31, 2021	Jan 1 - Dec 31, 2020
EUR M	Shares and participations		Shares and participations
	Carrying amount on January 1	12.0	9.4
	New purchases/reclassification		2.5
	Change in value recognised in "Other comprehensive income"	-0.2	0.2
	Carrying amount at end of period	11.8	12.0

Financial instruments for which there is price information that is easily available and that represent actual and frequently occurring transactions are measured at current market price. For financial assets, the current purchase price is used. For financial liabilities, the current sale price is used. The current market price of groups of financial instruments that are managed on the basis of the Bank's net exposure to market risk equals the current market price that would be received or paid if the net position were divested.

In the case of financial assets for which reliable market price information is not available, fair value is determined with the help of measurement models. Such models may, for example, be based on price comparisons, present value estimates or option valuation theory, depending on the nature of the instrument. The models use incoming data in the form of market prices and other variables that are deemed to influence pricing. The models and incoming data on which the measurements are based are validated regularly to ensure that they are consistent with market practices and generally accepted financial theory.

The measurement hierarchy

Financial instruments that are measured according to quoted prices in an active market for identical assets/liabilities are categorised as Level 1. Financial instruments that are measured using measurement models that are, in all essential respects, based on market data are categorised as Level 2. Financial instruments that are measured with the help of models based on incoming data that cannot be verified with external market information are categorised in Level 3. These assets essentially consist of unlisted shares. Such holdings are generally measured as the Bank's portion of the net asset value of the company. In companies that have carried out a new share issue without preferential rights based on previous holdings, each share is valued at this issue price, with a deduction for share illiquidity. Unlisted shares are essentially classified as available for sale. The changes in the value of these holdings are reported in "Other comprehensive income".

In the tables on the previous page, financial instruments measured at fair value have been classified with regard to how they have been measured and the degree of market data used in this measurement on closing day. If the classification on closing day has changed, compared to the classification at the end of the previous year, the instrument has been moved between the levels in the table. During the period, no instruments were moved between Levels 1 and 2. Changes in Level 3 are presented in a separate table on the previous page.

15. Off-balance sheet commitments

Group	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
EUR M					
Guarantees	43	42	4	8	
Unutilised overdraft limits	257	276	-7	228	13
Unutilised credit card limits	86	86	0	82	5
Lines of credit	510	315	62	116	
Other commitments	34	32	7	29	16
Total	930	751	24	462	
Provision for expected loss	0	0	-11	0	

16. Assets pledged

Group	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
EUR M					
Lending to credit institutions	20	14	41	53	-62
Debt securities	328	299	10	167	96
Loan receivables constituting collateral (cover pool) for covered bonds	1,783	1,548	15	1,572	13
Other assets pledged	4	4	8	3	15
Total	2,135	1,864	15	1,795	19

The tables report financial instruments that were offset in the balance sheet in compliance with IAS 32 and those that were covered by legally binding master netting agreements or similar agreements not qualified for netting. The financial instruments consisted of derivatives, repurchase agreements (repos) and reverse repos, securities deposits and securities loans. Collateral consisted of financial instruments or cash received or paid for transactions covered by legally binding netting agreements or similar agreements that allow netting of obligations to counterparties in case of default. The value of the collateral was limited to the related amount recognised in the balance sheet, so the excess value of collateral is not included. Amounts not offset in the balance sheet are presented as a reduction in the carrying amount of financial assets or liabilities in order to recognise the net exposure of the asset and liability.

17. Capital adequacy

Group	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
EUR M					
Equity capital according to balance sheet	268.2	292.4	-8	257.8	4
Foreseeable dividend	-4.3	-31.2	-86		
Common equity Tier 1 capital before deductions	263.9	261.2	1	257.8	2
Intangible assets	-23.4	-22.9	2	-24.5	-4
Non-controlling interests	0.0	0.0	-3	0.0	-19
Net other items	0.0	0.0	-47	0.0	-19
Further adjustments in value	-0.4	-0.5	-15	-0.5	-17
Expected losses according to IRB approach beyond recognised losses (deficit)	-4.4	-3.7	18	-5.0	-12
Adjustments due to transitional rules related to IFRS 9	0.3	0.5	-29	0.5	-41
Mitigations due to COVID-19	3.6	4.0	-11		
Common equity Tier 1 capital	239.6	238.5	0	228.3	5
Tier 1 capital instrument	29.4				
Additional Tier 1 capital	29.4				
Tier 1 capital	269.0	238.5	13	228.3	18
Supplementary capital instruments	36.6	37.0	-1	35.1	4
Supplementary capital	36.6	37.0	-1	35.1	4
Total capital base	305.6	275.5	11	263.5	16
Capital requirement for credit risk according to the IRB approach	40.3	39.8	1	42.4	-5
Additional capital requirement, IRB approach	6.0	8.7	-30	7.6	-20
Capital requirement for credit risk according to standardised approach	70.9	67.0	6	58.9	20
Capital requirement for credit-worthiness adjustment risk	0.0	0.0	-43	0.0	6
Capital requirement for operational risk	17.8	18.2	-2	18.2	-2
Capital requirement	135.0	133.6	1	127.1	6
Capital ratios					
Common equity Tier 1 capital ratio, %	14.2	14.3		14.4	
Tier 1 capital ratio, %	15.9	14.3		14.4	
Total capital ratio, %	18.1	16.5		16.6	
Risk exposure amount	1,688	1,671	1	1,589	6
of which % comprising credit risk	87	86		86	
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	13	14		14	

Requirements related to capital buffers, %	Mar 31, 2021	Dec 31, 2020	Mar 31, 2020
Total common equity Tier 1 capital requirements including buffer requirements	8.5	8.5	8.5
of which common equity Pillar 1 capital requirement	4.5	4.5	4.5
of which common equity Pillar 2 capital requirement	1.5	1.5	1.5
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	0.0	0.0	0.0
of which systemic risk buffer requirement	0.0	0.0	0.0
Common equity Tier 1 capital available to be used as a buffer	14.2	14.3	14.4

Exposure class	Mar 31, 2021				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	241.8	190.5	58	110.6	8.8
Corporate, small and medium sized companies	327.9	296.6	53	158.2	12.7
Corporate, special lending	5.0	5.0	93	4.7	0.4
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,828.4	1,816.4	9	167.2	13.4
Retail with property as collateral (small and medium-sized companies)	119.5	117.5	21	24.4	2.0
Retail, other (small and medium-sized companies)	35.0	33.5	20	6.7	0.5
Retail, other	366.0	316.6	10	31.6	2.5
Total exposures according to IRB approach	2,923.6	2,775.9	18	503.5	40.3
Credit risk according to standardised approach					
Central government or central banks	768.7	880.1	0	0.0	0.0
Regional governments or local authorities	54.6	79.9	0	0.0	0.0
Multilateral development banks	40.3	46.7	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	292.6	246.4	20	49.7	4.0
Corporates	610.4	209.2	96	201.2	16.1
Retail	625.8	240.6	47	113.3	9.1
Secured by mortgages on immovable property	1,190.7	1,189.7	33	394.2	31.5
Exposures in default	2.6	2.4	123	3.0	0.2
Covered bonds	419.6	419.5	11	46.5	3.7
Equity exposures	14.7	14.7	100	14.7	1.2
Other exposures	87.6	87.6	73	63.8	5.1
Total exposures according to standardised approach	4,111.7	3,420.6	26	886.2	70.9
Total risk exposure amount, credit risk	7,035.3	6,196.5	22	1,389.7	111.2

Exposure class	Dec 31, 2020				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	183.0	144.9	50	73.1	5.8
Corporate, small and medium sized companies	397.7	352.5	53	187.0	15.0
Corporate, special lending	5.0	5.0	93	4.7	0.4
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,833.8	1,821.3	9	169.5	13.6
Retail with property as collateral (small and medium-sized companies)	118.6	117.7	21	24.5	2.0
Retail, other (small and medium-sized companies)	32.8	31.2	21	6.5	0.5
Retail, other	362.9	313.8	10	31.7	2.5
Total exposures according to IRB approach	2,933.8	2,786.3	18	497.0	39.8
Credit risk according to standardised approach					
Central government or central banks	700.5	812.8	0	0.0	0.0
Regional governments or local authorities	64.2	90.1	0	0.0	0.0
Public sector entities	11.7	11.7	0	0.0	0.0
Multilateral development banks	53.5	58.6	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	264.8	209.0	20	42.6	3.4
Corporates	555.6	195.5	95	185.2	14.8
Retail	549.5	207.6	43	90.1	7.2
Secured by mortgages on immovable property	1,158.2	1,155.5	33	382.9	30.6
Exposures in default	2.9	2.3	121	2.8	0.2
Covered bonds	470.8	470.6	11	51.7	4.1
Equity exposures	14.3	14.3	100	14.3	1.1
Other exposures	93.7	93.7	71	67.0	5.4
Total exposures according to standardised approach	3,853.7	3,325.9	25	836.7	67.0
Total risk exposure amount, credit risk	6,787.5	6,112.1	22	1,333.7	106.7

Leverage ratio	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
EUR M					
Tier 1 capital	269.0	238.5	13	228.3	18
Total exposure measure	5,784.8	5,624.8	3	5,670.2	2
of which balance sheet items	5,587.0	5,466.7	2	5,578.5	0
of which off-balance sheet items	197.8	158.1	25	91.8	
Leverage ratio, %*	4.7	4.2		4.0	

* Excluding mitigation due to COVID-19, the Bank of Åland's leverage ratio on March 31, 2021 would have been 4.3 per cent.

The leverage ratio is calculated according to the situation at the end of the period. Tier 1 capital includes profit for the period.

18. Share-related information

Group	Mar 31, 2021	Dec 31, 2020	%	Mar 31, 2020	%
thousands					
Number of Series A shares outstanding	6,476	6,476		6,476	
Number of Series B shares outstanding	9,126	9,110	0	9,110	0
Number of shares outstanding	15,602	15,586	0	15,586	0
Number of shares outstanding after dilution	15,617	15,634	0	15,600	0
Shareholders' portion of equity capital per share, EUR	17.19	18.76	-8	16.54	4
Closing price per Series A share, EUR	30.00	21.60	39	17.00	76
Closing price per Series B share, EUR	26.70	20.90	28	15.70	70
Market capitalisation, EUR M	438	330	33	253	73
Market capitalisation/shareholders' portion of equity capital, %	163	113		98	

Group	Q1 2021	Q4 2020	%	Q1 2020	%
thousands					
Average number of shares outstanding	15,591	15,579	0	15,559	0
Average number of shares outstanding after dilution	15,591	15,579	0	15,561	0
Earnings per share, EUR	0.55	0.63	-12	0.35	58
Earnings per share after dilution, EUR	0.55	0.63	-12	0.35	58
Earnings per share, rolling 12 months, EUR	2.22	2.02	10	1.75	27

Translation

Report on review of the Interim Report of Bank of Åland Plc for the accounting period January 1 – March 31, 2021

To the Board of Directors of Bank of Åland Plc

Introduction

We have reviewed the summary balance sheet as of March 31, 2021 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Bank of Åland Plc group for the three-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, April 27, 2021

Marcus Tötterman

Authorised Public Accountant, KHT

Fredrik Westerholm

Authorised Public Accountant, KHT

Henry Maarala

Authorised Public Accountant, KHT