

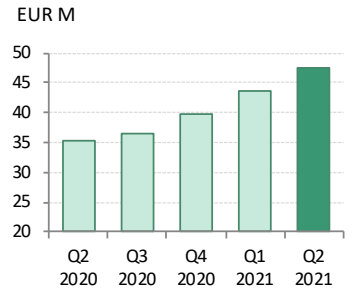


### January - June 2021

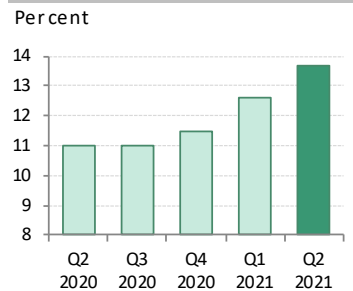
Compared to January - June 2020

- Net operating profit increased by 46 per cent to EUR 24.4 M (16.7).
- Net interest income increased by 4 per cent to EUR 30.5 M (29.3).
- Net commission income increased by 18 per cent to EUR 38.5 M (32.6).
- Total expenses increased by 13 per cent to EUR 59.7 M (53.0).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.6 M (4.6), equivalent to a loan loss level of 0.03 (0.22) per cent.
- Return on equity after taxes (ROE) increased to 14.4 (10.1) per cent.
- Earnings per share increased by 50 per cent to EUR 1.27 (0.85).
- The common equity Tier 1 ratio capital decreased to 13.4 per cent (14.3 per cent on December 31, 2020).
- Revised future outlook: The Bank of Åland expects its net operating profit in 2021 to be substantially better than in the record-breaking year 2020: that is, substantially better than EUR 39.7 M.

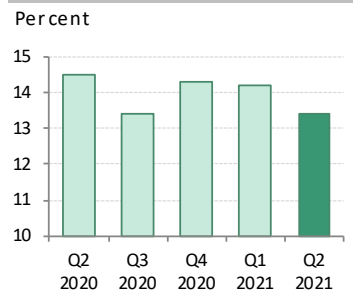
4-quarter moving net operating profit



4-quarter moving ROE



Common equity Tier 1 ratio



### The second quarter of 2021

Compared to the second quarter of 2020

- Net operating profit increased by 39 per cent to EUR 13.6 M (9.8).
- Net interest income increased by 3 per cent to EUR 15.2 M (14.8).
- Net commission income increased by 21 per cent to EUR 18.9 M (15.7).
- Total expenses increased by 13 per cent to EUR 29.2 M (25.8).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.5 M (0.8), equivalent to a loan loss level of 0.05 (0.08) per cent.
- Return on equity after taxes (ROE) increased to 16.4 (11.8) per cent.
- Earnings per share increased by 45 per cent to EUR 0.72 (0.50).

*“During the first half of 2021, we had a continued strong influx of new investment customers, especially in our Private Banking segment. The net flow of new actively managed assets during the period exceeded half a billion euros and total volume of actively managed assets rose to more than EUR 8.5 billion, which was 40 per cent higher than on the corresponding date last year.*

*“Because of the strong start to the year, our net operating profit (EUR 24.4 M) was 46 per cent better than in the first half of 2020. Our expectations about this year’s earnings have consequently risen, and we now believe that net operating profit in 2021 will substantially exceed last year’s record figure of EUR 39.7 M.”*

Peter Wiklöf, Managing Director and Chief Executive

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.

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# Financial summary

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
<b>Income</b>								
Net interest income	15.2	15.2	0	14.8	3	30.5	29.3	4
Net commission income	18.9	19.6	-3	15.7	21	38.5	32.6	18
Net income from financial items at fair value	-0.6	0.4		0.0		-0.3	0.8	
Other income	9.7	6.2	57	5.7	69	15.9	11.5	38
<b>Total income</b>	<b>43.2</b>	<b>41.4</b>	<b>4</b>	<b>36.3</b>	<b>19</b>	<b>84.6</b>	<b>74.2</b>	<b>14</b>
Staff costs	-18.5	-17.4	7	-15.6	19	-36.0	-30.7	17
Other expenses	-7.7	-10.2	-24	-7.1	8	-17.9	-16.1	11
Depreciation/amortisation	-2.9	-2.9	0	-3.1	-5	-5.8	-6.1	-5
<b>Total expenses</b>	<b>-29.2</b>	<b>-30.5</b>	<b>-4</b>	<b>-25.8</b>	<b>13</b>	<b>-59.7</b>	<b>-53.0</b>	<b>13</b>
<b>Profit before impairment losses</b>	<b>14.1</b>	<b>10.9</b>	<b>29</b>	<b>10.6</b>	<b>33</b>	<b>25.0</b>	<b>21.3</b>	<b>17</b>
Impairment losses on financial assets, net	-0.5	-0.1		-0.8	-38	-0.6	-4.6	-88
<b>Net operating profit</b>	<b>13.6</b>	<b>10.8</b>	<b>26</b>	<b>9.8</b>	<b>39</b>	<b>24.4</b>	<b>16.7</b>	<b>46</b>
Income taxes	-2.4	-2.2	8	-2.0	17	-4.5	-3.5	29
<b>Profit for the report period</b>	<b>11.2</b>	<b>8.6</b>	<b>30</b>	<b>7.8</b>	<b>45</b>	<b>19.8</b>	<b>13.2</b>	<b>50</b>
<b>Attributable to:</b>								
<b>Shareholders in Bank of Åland Plc</b>	<b>11.2</b>	<b>8.6</b>	<b>30</b>	<b>7.8</b>	<b>45</b>	<b>19.8</b>	<b>13.2</b>	<b>50</b>
<b>Volume</b>								
Lending to the public	4,518	4,419	2	4,188	8			
Deposits from the public	3,801	3,529	8	3,459	10			
Actively managed assets <sup>1</sup>	8,541	7,808	9	6,107	40			
Equity capital	311	298	5	271	15			
Balance sheet total	6,261	6,089	3	5,708	10			
Risk exposure amount	1,812	1,688	7	1,661	9			
<b>Financial ratios</b>								
Return on equity after taxes, % (ROE) <sup>2</sup>	16.4	12.5		11.8		14.4	10.1	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	13.7	12.6		11.0				
Expense/income ratio <sup>3</sup>	0.67	0.74		0.71		0.71	0.71	
Loan loss level, % <sup>4</sup>	0.05	0.02		0.08		0.03	0.22	
Gross share of loans in Stage 3, % <sup>5</sup>	1.01	0.92		0.81				
Liquidity coverage ratio (LCR), % <sup>6</sup>	152	165		142				
Net stable funding ratio (NSFR), % <sup>7</sup>	110	106		114				
Loan/deposit ratio, % <sup>8</sup>	119	125		121				
Common equity Tier 1 capital ratio, % <sup>9</sup>	13.4	14.2		14.5				
Tier 1 capital ratio, % <sup>10</sup>	15.1	15.9		14.5				
Total capital ratio, % <sup>11</sup>	16.6	18.1		16.7				
Leverage ratio, % <sup>12</sup>	4.8	4.7		4.1				
Earnings per share, EUR <sup>13</sup>	0.72	0.55	31	0.50	45	1.27	0.85	50
Earnings per share, EUR, moving 12-month average to end of report period	2.45	2.22	10	1.80	36			
Equity capital per share, EUR <sup>14</sup>	18.09	17.19	5	17.41	4			
Working hours re-calculated to full-time equivalent	825	790	4	744	11	807	734	10

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

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

<sup>3</sup> Expenses / Income

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

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

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

<sup>7</sup> Available stable funding / Stable funding requirement

<sup>8</sup> Lending to the public / Deposits from the public

<sup>9</sup> Common equity Tier 1 capital / Risk exposure amount

<sup>10</sup> Tier 1 capital / Risk exposure amount

<sup>11</sup> Own funds / Risk exposure amount

<sup>12</sup> Tier 1 capital / Total exposure metric

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

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

# Comments

## MACRO SITUATION AND REGULATORY REQUIREMENTS

The COVID-19 (coronavirus) pandemic has continued, but vaccination campaigns have begun to have a significant positive impact on our societies. More and more restrictions are now being lifted gradually. Fiscal and monetary stimulus measures remain very large. The economic recovery is expected to be strong.

Since the beginning of 2021, 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

	Q2 2021	Q1 2021	Q2 2020
Euribor 3 mo	-0.54	-0.52	-0.30
Euribor 12 mo	-0.48	-0.48	-0.11
Stibor 3 mo	-0.03	-0.03	0.20

During the first half of 2021, share prices according to the Nasdaq Helsinki stock exchange's OMXHPI index rose by 14 per cent while the Nasdaq Stockholm's OMXSPI index rose by 19 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 1 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 report period, the number of Series B shares outstanding increased by 16,249 as a result of the Bank's obligations within the framework of its employee incentive programmes.

During the period, 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.

For the eighth consecutive year, the Bank of Åland (Ålandsbanken) Euro Bond Fund was named the best Nordic fund in its category. The Morningstar investment research company, which compares fund data and funds in their respective classes, assigned the Bank of Åland Euro Bond Fund its highest rating – five stars – in all its review cycles.

On June 30 Alandia Holding completed its acquisition of Rettig Group's entire stake (24.9 per cent) in the marine insurance company Alandia Försäkring. Alandia Holding is a company created by the Bank of Åland, 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 for the purpose of acquiring this shareholding in Alandia Försäkring. Alandia Holding is an associated company of the Bank of Åland.

## EARNINGS FOR JANUARY – JUNE 2021

Net operating profit rose by EUR 7.7 M or 46 per cent to EUR 24.4 M (16.7). About EUR 2 M of net operating profit for the report period was attributable to nonrecurring items.

Profit for the period attributable to shareholders increased by EUR 6.6 M or 50 per cent to EUR 19.8 M (13.2).

Return on equity after taxes (ROE) increased to 14.4 per cent (10.1).

Total income rose by EUR 10.3 or 14 per cent to EUR 84.6 M (74.2).

Net interest income rose by EUR 1.2 M or 4 per cent to EUR 30.5 M (29.3). The increase came from higher lending volume and lower costs of deposits and capital market borrowing.

Net commission income rose by EUR 5.9 M or 18 per cent to EUR 38.5 M (32.6), mainly due to higher income from the Bank's asset management business.

Net income on financial items fell by EUR 1.1 M to EUR -0.3 M (0.8), mainly due to lower capital gains and re-measurement of a liability attributable to an earn-out (contingent consideration) related to the purchase price of Crosskey's subsidiary Model IT.

Information technology (IT) income rose by EUR 1.7 M or 15 per cent to EUR 12.7 M (11.0). The increase came from higher project income.

Other income included nonrecurring positive effects related to associated companies.

Total expenses increased by EUR 6.7 M or 13 per cent and totalled EUR 59.7 M (53.0). Higher staff costs and IT expenses were the main reasons.

Total net impairment losses on financial assets decreased by EUR 4.0 M to EUR 0.6 M (4.6), equivalent to a loan loss level of 0.03 (0.22) 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 4.5 M (3.5), equivalent to an effective tax rate of 18.6 (21.1) per cent.

#### EARNINGS FOR THE SECOND QUARTER OF 2021

Net operating profit rose by EUR 3.8 M or 39 per cent to EUR 13.6 M (9.8). About EUR 2 M of net operating profit for the report period was attributable to nonrecurring items.

Profit for the period attributable to shareholders increased by EUR 3.4 M or 45 per cent to EUR 11.2 M (7.8).

Return on equity after taxes (ROE) increased to 16.4 per cent (11.8).

Total income rose by EUR 6.9 or 19 per cent to EUR 43.2 M (36.3).

Net interest income rose by EUR 0.4 M or 3 per cent to EUR 15.2 M (14.8). The increase came from higher lending volume and lower costs of deposits and capital market borrowing.

Net commission income rose by EUR 3.2 M or 21 per cent to EUR 18.9 M (15.7), mainly due to higher income from the Bank's asset management business.

Net income on financial items fell by EUR 0.6 M to EUR -0.6 M (0.0), mainly due to lower capital gains and re-measurement of a liability attributable to an earn-out related to the purchase price of Crosskey's subsidiary Model IT. IT income rose by EUR 1.3 M or 24 per cent to EUR 6.7 M (5.4). The increase came from higher project income.

Other income included nonrecurring positive effects related to associated companies.

Total expenses increased by EUR 3.4 M or 13 per cent and totalled EUR 29.2 M (25.8). Higher staff costs and IT expenses were the main reasons.

Total net impairment losses on financial assets decreased by EUR 0.3 M to EUR 0.5 M (0.8), equivalent to a loan loss level of 0.05 (0.08) per cent.

Tax expense amounted to EUR 2.4 M (2.0), equivalent to an effective tax rate of 17.4 (20.7) per cent.

#### STRATEGIC BUSINESS AREAS

The Group's EUR 7.7 M increase in net operating profit to EUR 24.4 M was allocated as follows:

- Private Banking +3.6 (higher income)
- Premium Banking +2.6 (lower impairment provisions)
- IT -1.4 (higher expenses and earn-out)
- Corporate Units & Eliminations +2.9 (nonrecurring effects)

#### BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 1,105 M or 15 per cent compared to year-end 2020 and amounted to EUR 8,541 M (7,436). The increase was due to both positive net inflows and a positive market effect.

Deposits from the public rose by 5 per cent compared to year-end 2020 and amounted to EUR 3,801 M (3,605).

Lending to the public increased by 3 per cent compared to year-end 2020 and totalled EUR 4,518 M (4,378).

All these business volume figures were the highest recorded in the Bank of Åland's history.

#### CREDIT QUALITY

Lending to private individuals comprised 75 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 in this lending segment. 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 12.2 M in impairment loss provisions on June 30, 2021 (11.9 on December 31, 2020), of which EUR 2.2 M (2.5) in Stage 1, EUR 1.1 M (1.0) in Stage 2 and EUR 8.9 M (8.3) in Stage 3. During the first half of 2021, Stage 3 loans increased by EUR 6.4 M to EUR 37.0 M. Stage 3 loans as a share of gross lending to the public totalled 1.01 per cent (0.89). The level of provisions for Stage 3 loans amounted to 19 (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 1,166 M on June 30, 2021 (1,175 on December 31, 2020). This was equivalent to 19 (19) per cent of total assets and 26 (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 June 30, 2021, the average remaining maturity of the Bank of Åland's bonds outstanding was about 2.2 (2.5) years. The loan/deposit ratio amounted to 119 (121) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 67 (64) per cent and covered bonds issued accounted for 16 (16) per cent.

The liquidity coverage ratio (LCR) amounted to 152 (159) per cent.

The net stable funding ratio (NSFR) amounted to 110 (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 19.8 M; other comprehensive income, EUR 0.8 M; the issuance of new shares as part of the incentive programme, EUR 0.4 M; distributed dividends totalling EUR 31.2 M to shareholders; distributed dividends of EUR 0.3 M to holders of additional Tier 1 (AT1) capital instruments; and issuance of AT1 capital, EUR 29.4 M. On June 30, 2021, equity capital amounted to EUR 311.4 M (292.4 on December 31, 2020).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 1.9 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 5.2 M during the report period to EUR 243.7 M (238.5).

The risk exposure amount increased by 8 per cent during the report period and totalled EUR 1,812 M (1,671). The risk exposure amount for credit risk rose by EUR 179 M or 13 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 75 M. The operational risk exposure amount fell by EUR 4 M.

The common equity Tier 1 (CET1) capital ratio decreased to 13.4 (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 15.1 (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 0.1 M on June 30, 2021. There is also a mitigation measure for certain intangible assets that may also be added back to own funds. The amount totalled EUR 2.9 M on June 30, 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 16.6 (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 4.8 (4.2) per cent on June 30, 2021. Excluding the mitigation measure, it would have amounted to 4.2 (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 AT1 capital and supplementary capital, respectively.

The new minimum levels applicable to the Bank of Åland starting on September 30, 2021 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 +5.8 percentage points
- Tier 1 capital ratio +5.8 percentage points
- Total capital ratio +5.1 percentage points

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

### **SUSTAINABILITY INFORMATION**

Between the first half of 2020 and the first half of 2021, the Bank of Åland's carbon dioxide emissions from electricity consumption, travel and paper print-outs decreased by 44 tonnes or 49 per cent to 45 tonnes. As a consequence of the coronavirus pandemic, nearly all business travel was suspended, which significantly decreased carbon dioxide emissions compared to the first half of 2020.

### **IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD**

No important events have occurred after the close of the report period.

### **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.

### **REVISED FUTURE OUTLOOK**

In a stock exchange release dated July 8, 2021, the Bank of Åland revised its future outlook. The revised future outlook is as follows:

The Bank of Åland expects its net operating profit in 2021 to be substantially better than 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 Interim Report for the period January–September 2021 will be published on Tuesday, October 26, 2021.

Mariehamn, July 20, 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 half of 2020.

Bank of Åland Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>Carbon dioxide emissions, kg</b>								
Paper	6,013	4,869	23	5,296	14	10,882	12,284	-11
Electricity	16,125	16,964	-5	21,804	-26	33,089	45,084	-27
Business travel	590	817	-28	175	237	1,407	31,652	-96
<b>Total carbon dioxide</b>	<b>22,728</b>	<b>22,650</b>	<b>0</b>	<b>27,275</b>	<b>-17</b>	<b>45,378</b>	<b>89,020</b>	<b>-49</b>

Bank of Åland Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
Paper consumption, kg	6,644	5,380	23	5,852	14	12,024	12,175	-1
Energy consumption, GWh	0.47	0.52	-10	0.45	4	0.99	0.99	0
<i>of which renewable</i>	0.40	0.44	-9	0.38	5	0.84	0.84	0
<i>of which other</i>	0.07	0.08	-13	0.07	0	0.15	0.15	0
Number of business trips	24	37	-35	23	4	61	863	-93
<i>of which aircraft</i>	12	17	-29	5	140	29	615	-95
<i>of which ship</i>	0	0	0	0	0	0	87	-100
<i>of which train</i>	12	20	-40	18	-33	32	161	-80

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# Summary income statement

Group	Note	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>									
Net interest income	5	15.2	15.2	0	14.8	3	30.5	29.3	4
Net commission income	6	18.9	19.6	-3	15.7	21	38.5	32.6	18
Net income from financial items at fair value	7	-0.6	0.4		0.0		-0.3	0.8	
IT income		6.7	6.0	11	5.4	24	12.7	11.0	15
Other operating income		3.0	0.2		0.4		3.2	0.5	
<b>Total income</b>		<b>43.2</b>	<b>41.4</b>	<b>4</b>	<b>36.3</b>	<b>19</b>	<b>84.6</b>	<b>74.2</b>	<b>14</b>
Staff costs		-18.5	-17.4	7	-15.6	19	-36.0	-30.7	17
Other expenses	8	-7.7	-10.2	-24	-7.1	8	-17.9	-16.1	11
Depreciation/amortisation		-2.9	-2.9	0	-3.1	-5	-5.8	-6.1	-5
<b>Total expenses</b>		<b>-29.2</b>	<b>-30.5</b>	<b>-4</b>	<b>-25.8</b>	<b>13</b>	<b>-59.7</b>	<b>-53.0</b>	<b>13</b>
<b>Profit before impairment losses</b>		<b>14.1</b>	<b>10.9</b>	<b>29</b>	<b>10.6</b>	<b>33</b>	<b>25.0</b>	<b>21.3</b>	<b>17</b>
Impairment losses on financial assets, net	9	-0.5	-0.1		-0.8	-38	-0.6	-4.6	-88
<b>Net operating profit</b>		<b>13.6</b>	<b>10.8</b>	<b>26</b>	<b>9.8</b>	<b>39</b>	<b>24.4</b>	<b>16.7</b>	<b>46</b>
Income taxes		-2.4	-2.2	8	-2.0	17	-4.5	-3.5	29
<b>Profit for the period</b>		<b>11.2</b>	<b>8.6</b>	<b>30</b>	<b>7.8</b>	<b>45</b>	<b>19.8</b>	<b>13.2</b>	<b>50</b>
Attributable to:									
Non-controlling interests		0.0	0.0		0.0		0.0	0.0	
<b>Shareholders in Bank of Åland Plc</b>		<b>11.2</b>	<b>8.6</b>	<b>30</b>	<b>7.8</b>	<b>45</b>	<b>19.8</b>	<b>13.2</b>	<b>50</b>
Earnings per share, EUR		0.72	0.55	31	0.50	45	1.27	0.85	50
Earnings per share, EUR, moving 12-month average to end of report period		2.45	2.22	10	1.80	36			

# Summary statement of other comprehensive income

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
<b>Profit for the period</b>	<b>11.2</b>	<b>8.6</b>	<b>30</b>	<b>7.8</b>	<b>45</b>	<b>19.8</b>	<b>13.2</b>	<b>50</b>
Assets measured via other comprehensive income								
Changes in valuation at fair value	0.2	-0.8		3.0	-94	-0.6	1.9	
Transferred to the income statement	0.0	-0.2	-83	-0.4	-89	-0.3	-1.4	-80
Translation differences								
Gains/Losses arising during the period	1.2	-1.8		3.5	-67	-0.6	-0.3	
Taxes on items that have been or may be reclassified to the income statement	0.0	0.2		-0.5	-94	0.2	-0.1	
<i>of which assets measured via other comprehensive income</i>	0.0	0.2		-0.5	-94	0.2	-0.1	
<b>Items that have been or may be reclassified to the income statement</b>	<b>1.3</b>	<b>-2.6</b>		<b>5.5</b>	<b>-77</b>	<b>-1.3</b>	<b>0.1</b>	
Changes in value of equity instruments	0.2	-0.2		0.5	-59	0.0	-0.1	-79
Translation differences	0.5	-0.3				0.2		
Re-measurements of defined benefit pension plans	1.2	1.3	-10	-0.3		2.4	-0.5	
Taxes on items that may not be reclassified to the income statement	-0.3	-0.2		0.0		-0.5	0.1	
<i>of which changes in value of equity instruments</i>	0.0	0.0		-0.1	-59	0.0	0.0	-79
<i>of which translation differences</i>	-0.1	0.1				0.0		
<i>of which re-measurements of defined-benefit pension plans</i>	-0.2	-0.3	-10	0.1		-0.5	0.1	
<i>of which taxes on dividends to holders of T1 capital instrument</i>	0.1	0.0				0.1		
<b>Items that may not be reclassified to the income statement</b>	<b>1.5</b>	<b>0.6</b>		<b>0.2</b>		<b>2.1</b>	<b>-0.5</b>	
<b>Other comprehensive income for the period</b>	<b>2.8</b>	<b>-2.0</b>		<b>5.7</b>	<b>-51</b>	<b>0.8</b>	<b>-0.5</b>	
<b>Total comprehensive income for the period</b>	<b>14.0</b>	<b>6.6</b>		<b>13.5</b>	<b>4</b>	<b>20.6</b>	<b>12.7</b>	<b>62</b>
Attributable to:								
Non-controlling interests	0.0	0.0		0.0		0.0	0.0	
<b>Shareholders in Bank of Åland Plc</b>	<b>14.0</b>	<b>6.6</b>		<b>13.5</b>	<b>4</b>	<b>20.6</b>	<b>12.7</b>	<b>62</b>

## Income statement by quarter

Group	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
<b>EUR M</b>					
Net interest income	15.2	15.2	14.9	14.7	14.8
Net commission income	18.9	19.6	18.5	15.2	15.7
Net income from financial items at fair value	-0.6	0.4	0.4	0.6	0.0
IT income	6.7	6.0	6.0	4.9	5.4
Other operating income	3.0	0.2	0.3	0.4	0.4
<b>Total income</b>	<b>43.2</b>	<b>41.4</b>	<b>40.1</b>	<b>35.8</b>	<b>36.3</b>
Staff costs	-18.5	-17.4	-16.9	-15.3	-15.6
Other expenses	-7.7	-10.2	-7.9	-6.4	-7.1
Depreciation/amortisation	-2.9	-2.9	-3.1	-3.1	-3.1
<b>Total expenses</b>	<b>-29.2</b>	<b>-30.5</b>	<b>-27.8</b>	<b>-24.8</b>	<b>-25.8</b>
<b>Profit before impairment losses</b>	<b>14.1</b>	<b>10.9</b>	<b>12.3</b>	<b>11.0</b>	<b>10.6</b>
Net impairment losses on financial assets	-0.5	-0.1	0.0	-0.3	-0.8
<b>Net operating profit</b>	<b>13.6</b>	<b>10.8</b>	<b>12.3</b>	<b>10.7</b>	<b>9.8</b>
Income taxes	-2.4	-2.2	-2.5	-2.2	-2.0
<b>Profit for the period</b>	<b>11.2</b>	<b>8.6</b>	<b>9.8</b>	<b>8.5</b>	<b>7.8</b>
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Shareholders in Bank of Åland Plc</b>	<b>11.2</b>	<b>8.6</b>	<b>9.8</b>	<b>8.5</b>	<b>7.8</b>

# Summary balance sheet

Group	Note	Jun 30, 2021	Dec 31, 2020	% Jun 30, 2021	% Dec 31, 2020
<b>EUR M</b>					
<b>Assets</b>					
Cash and balances with central banks		749	665	13	12
Debt securities		717	778	-8	7
Lending to credit institutions		67	51	31	79
Lending to the public	10, 11	4,518	4,378	3	8
Shares and participations		13	13	0	34
Participations in associated companies		8	1		1
Derivative instruments	13	14	25	-43	-34
Intangible assets		25	24	4	3
Tangible assets		32	33	-1	-8
Investment properties		0	0	0	-3
Current tax assets		0	0		
Deferred tax assets		5	5	-4	-3
Other assets		87	36		
Accrued income and prepayments		25	25	-1	17
<b>Total assets</b>		<b>6,261</b>	<b>6,035</b>	<b>4</b>	<b>10</b>
<b>Liabilities</b>					
Liabilities to credit institutions		730	509	43	45
Deposits from the public		3,801	3,605	5	10
Debt securities issued	12	1,209	1,441	-16	-8
Derivative instruments	13	7	15	-53	-43
Current tax liabilities		3	5	-42	5
Deferred tax liabilities		33	32	2	5
Other liabilities		98	57	71	46
Provisions		0	0	-10	0
Accrued expenses and prepaid income		39	40	-2	6
Subordinated liabilities		28	37	-24	-22
<b>Total liabilities</b>		<b>5,949</b>	<b>5,743</b>	<b>4</b>	<b>9</b>
<b>Equity capital and non-controlling interests</b>					
Share capital		42	42		
Share premium account		33	33		
Reserve fund		25	25		
Fair value reserve		5	6	-19	2
Unrestricted equity capital fund		28	28	1	1
Retained earnings		149	159	-6	5
<b>Shareholders' portion of equity capital</b>		<b>282</b>	<b>292</b>	<b>-4</b>	<b>4</b>
Non-controlling interests' portion of equity capital		0	0	0	16
Additional Tier 1 capital holders		29			
<b>Total equity capital</b>		<b>311</b>	<b>292</b>	<b>6</b>	<b>15</b>
<b>Total liabilities and equity capital</b>		<b>6,261</b>	<b>6,035</b>	<b>4</b>	<b>10</b>

# 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
<b>Equity capital, Dec 31, 2019</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>3.1</b>	<b>-1.3</b>	<b>27.4</b>	<b>129.3</b>	<b>258.3</b>	<b>0.0</b>		<b>258.4</b>
Profit for the period							13.2	13.2	0.0		13.2
Other comprehensive income				0.3	-0.3		-0.4	-0.5			-0.5
<i>Transactions with owners</i>											
Incentive programme						0.2		0.2			0.2
Share savings programme							0.0	0.0			0.0
<b>Equity capital, Jun 30, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>3.3</b>	<b>-1.6</b>	<b>27.6</b>	<b>142.1</b>	<b>271.3</b>	<b>0.0</b>		<b>271.3</b>
Profit for the period							18.3	18.3	0.0		18.3
Other comprehensive income				0.8	3.8		-1.8	2.8			2.8
<b>Equity capital, Dec 31, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>4.1</b>	<b>2.1</b>	<b>27.6</b>	<b>158.6</b>	<b>292.4</b>	<b>0.0</b>		<b>292.4</b>
Profit for the period							19.8	19.8	0.0		19.8
Other comprehensive income				-0.7	-0.5		2.0	0.8			0.8
<i>Transactions with owners</i>											
Additional Tier 1 capital issue										29.4	29.4
Tier 1 capital instrument dividends							-0.3	-0.3			-0.3
Dividends paid							-31.2	-31.2			-31.2
Incentive programme						0.4		0.4			0.4
<b>Equity capital, Jun 30, 2021</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>3.4</b>	<b>1.6</b>	<b>28.0</b>	<b>149.0</b>	<b>281.9</b>	<b>0.0</b>	<b>29.4</b>	<b>311.4</b>

# Summary cash flow statement

Group	Jan-Jun 2021	Jan-Dec 2020	Jan-Jun 2020
<b>EUR M</b>			
Operating activities			
Net operating profit	24.4	39.7	16.7
Adjustment for net operating profit items not affecting cash flow	7.7	24.6	14.7
Income taxes paid	-6.2	-4.9	-3.7
Changes in assets and liabilities from operating activities	87.2	128.7	198.9
<b>Cash flow from operating activities</b>	<b>113.1</b>	<b>188.2</b>	<b>226.6</b>
Investing activities			
Changes in shares	-3.7	-4.4	-0.7
Changes in tangible assets	-1.5	-1.3	-0.6
Changes in intangible assets	-3.3	-3.8	-1.8
<b>Cash flow from investing activities</b>	<b>-8.4</b>	<b>-9.5</b>	<b>-3.1</b>
Financing activities			
Additional Tier 1 capital issue	29.4		
Share issue	0.4	0.2	0.2
Subordinated debt issue/payments of principal	-8.6		0.0
Payment of principal on lease liability	-2.1	-4.9	-2.5
Tier 1 capital instrument dividends	-0.3		
Dividends paid	-31.2		
<b>Cash flow from financing activities</b>	<b>-12.3</b>	<b>-4.7</b>	<b>-2.3</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>672.3</b>	<b>495.7</b>	<b>495.7</b>
Cash flow during the period	92.3	174.0	221.2
Exchange rate differences in cash and cash equivalents	-0.6	2.5	-0.3
<b>Cash and cash equivalents at end of period</b>	<b>763.9</b>	<b>672.3</b>	<b>716.6</b>
<b>Cash and cash equivalents consisted of the following items:</b>			
Cash and deposits with central banks	718.1	635.6	693.1
Lending to credit institutions that is repayable on demand	45.8	36.7	23.5
<b>Total cash and cash equivalents</b>	<b>763.9</b>	<b>672.3</b>	<b>716.6</b>

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 Half-Year Financial Report for the accounting period January 1 – June 30, 2021 was approved by the Board of Directors on July 19, 2021.

## 2. Basis for preparation of the Half-Year Financial Report and essential accounting principles

### BASIS FOR PREPARATION OF THE INTERIM REPORT

This Half-Year Financial Report for the period January 1–June 30, 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 Half-Year Financial 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 Half-Year Financial 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. AT1 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.

### COMING CHANGES

During the second quarter of 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued a new

agenda decision on accounting for development costs in cases where development involves software systems that an entity does not exercise control over, but instead buys as a service. In such cases the entity is no longer allowed to capitalise the costs as an intangible asset, but must instead expense them on a yearly basis. This decision is not expected to have any significant impact on the Bank of Åland's financial reports.

### 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 110 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 collaboration.

Group	Jan-Jun 2021					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	14.1	13.9	0.0	2.4	0.0	30.5
Net commission income	28.6	8.0	0.0	1.9	0.1	38.5
Net income from financial items at fair value	0.0	0.0	-0.7	0.5	0.0	-0.3
IT income			21.8	0.3	-9.4	12.7
Other income	0.0	0.0	0.5	3.3	-0.6	3.2
<b>Total income</b>	<b>42.7</b>	<b>21.9</b>	<b>21.5</b>	<b>8.5</b>	<b>-9.9</b>	<b>84.6</b>
Staff costs	-9.0	-3.4	-12.2	-11.4	0.0	-36.0
Other expenses	-5.0	-3.3	-7.5	-9.6	7.6	-17.9
Depreciation/amortisation	-0.4	-0.1	-1.5	-4.9	1.2	-5.8
Internal allocation of expenses	-11.5	-10.3		21.8		0.0
<b>Total expenses</b>	<b>-25.9</b>	<b>-17.1</b>	<b>-21.2</b>	<b>-4.2</b>	<b>8.8</b>	<b>-59.7</b>
<b>Profit before impairment losses</b>	<b>16.8</b>	<b>4.7</b>	<b>0.2</b>	<b>4.3</b>	<b>-1.1</b>	<b>25.0</b>
Net impairment losses on financial assets	-0.2	-0.5		0.1		-0.6
<b>Net operating profit</b>	<b>16.6</b>	<b>4.3</b>	<b>0.2</b>	<b>4.4</b>	<b>-1.1</b>	<b>24.4</b>
Income taxes	-3.4	-0.9	-0.2	-0.1		-4.5
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>13.2</b>	<b>3.4</b>	<b>0.1</b>	<b>4.3</b>	<b>-1.1</b>	<b>19.8</b>
<b>Business volume</b>						
Lending to the public	1,914	2,278		329	-3	4,518
Deposits from the public	1,831	1,927		65	-21	3,801
Actively managed assets	7,958	574		9		8,541
Risk exposure amount	692	560	75	485		1,812
Equity capital	92	94	27	99		311
<b>Financial ratios etc.</b>						
Return on equity after taxes, % (ROE)	29.9	7.4	0.5	12.4		14.4
Expense/income ratio	0.61	0.78	0.99	0.49		0.71



Group

Jan-Jun 2020

EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	14.2	13.6	0.0	1.6	0.0	29.3
Net commission income	23.7	7.2	0.0	1.7	0.2	32.6
Net income from financial items at fair value	0.0	0.0	0.0	0.8	0.0	0.8
IT income			18.8	0.6	-8.4	11.0
Other income	0.0	0.0	0.5	0.7	-0.7	0.5
<b>Total income</b>	<b>37.8</b>	<b>20.8</b>	<b>19.2</b>	<b>5.3</b>	<b>-8.9</b>	<b>74.2</b>
Staff costs	-7.7	-3.3	-10.2	-9.5	0.0	-30.7
Other expenses	-5.0	-3.1	-6.1	-9.7	7.8	-16.1
Depreciation/amortisation	-0.4	-0.1	-1.3	-5.3	1.1	-6.1
Internal allocation of expenses	-10.3	-9.7		20.0	0.0	0.0
<b>Total expenses</b>	<b>-23.4</b>	<b>-16.3</b>	<b>-17.6</b>	<b>-4.5</b>	<b>8.9</b>	<b>-53.0</b>
<b>Profit before impairment losses</b>	<b>14.4</b>	<b>4.5</b>	<b>1.6</b>	<b>0.8</b>	<b>0.0</b>	<b>21.3</b>
Net impairment losses on financial assets	-1.4	-2.9		-0.3		-4.6
<b>Net operating profit</b>	<b>13.0</b>	<b>1.7</b>	<b>1.6</b>	<b>0.5</b>	<b>0.0</b>	<b>16.7</b>
Income taxes	-2.7	-0.3	-0.4	-0.1		-3.5
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>10.3</b>	<b>1.3</b>	<b>1.2</b>	<b>0.4</b>	<b>0.0</b>	<b>13.2</b>
<b>Business volume</b>						
Lending to the public	1,870	2,241		78	-1	4,188
Deposits from the public	1,709	1,714		55	-19	3,459
Actively managed assets	5,688	413		5		6,107
Risk exposure amount	698	621	75	267		1,661
Equity capital	95	99	25	52		271
<b>Financial ratios etc.</b>						
Return on equity after taxes, % (ROE)	21.4	2.7	10.9	1.6		10.1
Expense/income ratio	0.62	0.78	0.92	0.86		0.71

#### 4. Changes in Group structure

On June 30 Alandia Holding completed its acquisition of Rettig Group's entire stake (24.9 per cent) in the marine insurance company Alandia Försäkring. Alandia Holding is a company created by the Bank of Åland, 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 for the purpose of acquiring this shareholding in Alandia Försäkring. Alandia Holding is an associated company of the Bank of Åland.

#### 5. Net interest income

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
Receivables from credit institutions and central banks	-0.3	-0.1		-0.1		-0.4	0.0	
Receivables from the public and public sector	15.9	15.9	0	16.4	-3	31.8	32.5	-2
Debt securities	0.1	0.0		0.1	-14	0.1	0.2	-9
Derivatives	0.3	0.3	6	0.4	-25	0.5	0.8	-32
Other interest income				0.0	-100		0.0	-100
<b>Total interest income</b>	<b>15.9</b>	<b>16.1</b>	<b>-1</b>	<b>16.9</b>	<b>-5</b>	<b>32.1</b>	<b>33.5</b>	<b>-4</b>
<i>of which interest income according to the effective interest method</i>	<i>15.9</i>	<i>16.0</i>	<i>-1</i>	<i>16.7</i>	<i>-5</i>	<i>32.0</i>	<i>33.3</i>	<i>-4</i>
Liabilities to credit institutions and central banks	-0.8	-0.6	23	-0.1		-1.4	-0.2	
Liabilities to the public and public sector	0.5	0.5	5	0.5	-14	0.9	1.2	-23
Debt securities issued	0.3	0.4	-19	0.7	-55	0.7	1.4	-46
Subordinated liabilities	0.3	0.3	-10	0.3	-13	0.5	0.6	-7
Derivatives	0.4	0.3	19	0.5	-21	0.8	1.2	-38
Other interest expenses	0.0	0.0	79	0.0	-25	0.0	0.0	-47
<b>Total interest expenses</b>	<b>0.7</b>	<b>0.9</b>	<b>-19</b>	<b>2.0</b>	<b>-66</b>	<b>1.6</b>	<b>4.2</b>	<b>-63</b>
<i>of which interest expenses according to the effective interest method</i>	<i>0.6</i>	<i>0.8</i>	<i>-20</i>	<i>2.0</i>	<i>-68</i>	<i>1.4</i>	<i>4.0</i>	<i>-64</i>
<b>Net interest income</b>	<b>15.2</b>	<b>15.2</b>	<b>0</b>	<b>14.8</b>	<b>3</b>	<b>30.5</b>	<b>29.3</b>	<b>4</b>
Interest margin, per cent	1.06	1.06		1.11		1.05	1.11	
Investment margin, per cent	1.02	1.03		1.05		1.00	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	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
Bank commissions	2.6	2.6	0	2.5	2	5.2	4.9	5
Asset management commissions	15.6	16.3	-5	12.5	25	31.9	26.4	21
Other commissions	0.8	0.7	7	0.7	8	1.5	1.3	11
<b>Net commission income</b>	<b>18.9</b>	<b>19.6</b>	<b>-3</b>	<b>15.7</b>	<b>21</b>	<b>38.5</b>	<b>32.6</b>	<b>18</b>

## 7. Net income from financial items at fair value

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
Valuation category fair value via the income statement ("profit and losses")								
Derivative instruments	0.0	0.0	-12	0.0		0.0	0.0	
<b>Valuation category fair value via the income statement ("profit and losses")</b>	<b>0.0</b>	<b>0.0</b>	<b>-12</b>	<b>0.0</b>		<b>0.0</b>	<b>0.0</b>	
Hedge accounting								
<i>of which hedging instruments</i>	-1.5	-0.8		0.1		-2.3	0.7	
<i>of which hedged item</i>	1.5	0.8	83	-0.3		2.4	-1.0	
<b>Hedge accounting</b>	<b>0.0</b>	<b>0.1</b>	<b>-93</b>	<b>-0.2</b>		<b>0.1</b>	<b>-0.3</b>	
<b>Net income from foreign currency revaluation</b>	<b>0.0</b>	<b>-0.1</b>	<b>-69</b>	<b>-0.1</b>	<b>-68</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-53</b>
<b>Modification results and expected credit losses</b>	<b>0.0</b>	<b>0.2</b>	<b>-80</b>	<b>0.0</b>		<b>0.2</b>	<b>0.0</b>	
<b>Net income from financial assets and liabilities</b>	<b>-0.6</b>	<b>0.2</b>		<b>0.4</b>		<b>-0.4</b>	<b>1.4</b>	
<b>Total</b>	<b>-0.6</b>	<b>0.4</b>		<b>0.0</b>		<b>-0.3</b>	<b>0.8</b>	

## 8. Other expenses

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
Stability fee	-0.1	2.8		0.6		2.8	2.6	4
Other administrative expenses	7.8	7.4	6	6.5	20	15.2	13.5	13
<b>Total</b>	<b>7.7</b>	<b>10.2</b>	<b>-24</b>	<b>7.1</b>	<b>8</b>	<b>17.9</b>	<b>16.1</b>	<b>11</b>

## 9. Net impairment losses on financial assets

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>EUR M</b>								
Impairment losses, Stage 1	-0.2	-0.3	-36	-0.1	19	-0.5	0.2	
Impairment losses, Stage 2	0.0	0.1		-0.2	-95	0.1	2.3	-97
<b>Net impairment losses, Stages 1-2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-2</b>	<b>-0.4</b>	<b>-47</b>	<b>-0.4</b>	<b>2.5</b>	
Impairment losses, Stage 3								
New and increased individual provisions	1.2	0.7	57	1.7	-31	1.9	2.5	-25
Recovered from previous provisions	-0.5	-0.6	-10	-0.5	-3	-1.0	-0.8	31
Utilised for actual loan losses	-0.1	-0.2	-17	-0.7	-82	-0.3	-4.6	-94
Actual loan losses	0.2	0.3	-20	0.8	-73	0.5	5.0	-90
Recoveries of actual loan losses	-0.1	0.0		-0.1	-18	-0.1	-0.1	-2
Net group provisions				-0.1	-100		0.1	-100
<b>Net impairment losses, Stage 3</b>	<b>0.7</b>	<b>0.3</b>		<b>1.1</b>	<b>-41</b>	<b>0.9</b>	<b>2.0</b>	<b>-54</b>
<b>Total impairment losses</b>	<b>0.5</b>	<b>0.1</b>		<b>0.8</b>	<b>-38</b>	<b>0.6</b>	<b>4.6</b>	<b>-88</b>
of which lending to the public	0.5	0.2		0.8	-31	0.7	4.5	-84
of which off-balance sheet commitments	0.0	0.0		0.0		0.0	0.0	
of which debt securities at amortised cost	0.0	-0.1	-43	0.0		-0.1	0.1	
Loan loss level, receivables from the public and public sector, %	0.05	0.02		0.08		0.03	0.22	

## 10. Lending to the public by purpose

Group	Jun 30, 2021			Dec 31, 2020	%	Jun 30, 2020	%
	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
<b>EUR M</b>							
Private individuals							
Home loans	2,602	-3	2,599	2,466	5	2,310	13
Securities and other investments	395	0	395	388	2	331	19
Business operations	97	-2	96	101	-6	105	-9
Other household purposes	318	-4	315	295	7	271	16
<b>Total, private individuals</b>	<b>3,413</b>	<b>-8</b>	<b>3,405</b>	<b>3,250</b>	<b>5</b>	<b>3,017</b>	<b>13</b>
Companies							
Shipping	57	-1	56	61	-8	56	-1
Wholesale and retail trade	43	0	42	38	10	39	8
Housing operations	285	0	285	260	9	307	-7
Other real estate operations	158	-1	158	181	-13	188	-16
Financial and insurance operations	254	0	254	253	0	237	7
Hotel and restaurant operations	34	-1	33	34	-3	35	-5
Agriculture, forestry and fishing	12	0	12	12	0	11	9
Construction	54	0	54	87	-38	114	-53
Other industry and crafts	38	0	37	38	-1	37	1
Other service operations	119	0	119	113	5	101	18
<b>Total, companies</b>	<b>1,054</b>	<b>-4</b>	<b>1,050</b>	<b>1,078</b>	<b>-3</b>	<b>1,125</b>	<b>-7</b>
Public sector and non-profit organisations	64	0	63	49	29	46	37
<b>Total, public sector and non-profit organisations</b>	<b>64</b>	<b>0</b>	<b>63</b>	<b>49</b>	<b>29</b>	<b>46</b>	<b>37</b>
<b>Total</b>	<b>4,530</b>	<b>-12</b>	<b>4,518</b>	<b>4,378</b>	<b>3</b>	<b>4,188</b>	<b>8</b>

## 11. Lending to the public by stage

Group	Jan 1, 2021 - Jun 30, 2021				Jan 1, 2020 - Jun 30, 2020
	Stage 1	Stage 2	Stage 3	Total	Total
<b>EUR M</b>					
Carrying amount, gross					
Opening balance, January 1	4,197.4	153.5	38.9	4,389.8	4,122.5
Closing balance, June 30	4,328.9	155.0	45.9	4,529.8	4,200.2
Provisions for expected losses					
<b>Opening balance, January 1</b>	<b>2.5</b>	<b>1.0</b>	<b>8.3</b>	<b>11.9</b>	<b>12.4</b>
Increases due to issuances and acquisitions	0.4	0.0	0.0	0.5	0.1
Decrease due to removal from balance sheet	-0.3	0.0	-0.4	-0.7	-1.2
Decrease due to write-offs	0.0	0.0	0.0	0.0	-3.5
Transfer to Stage 1	0.2	-0.2	0.0	0.0	0.0
Transfer to Stage 2	-0.4	0.7	-0.3	0.0	0.0
Transfer to Stage 3	0.0	-0.2	0.2	0.0	0.0
Net changes due to changed credit risk	-0.3	-0.2	1.1	0.6	4.2
Net changes due to changed estimation method	0.0	0.0	0.0	0.0	0.0
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
<b>Closing balance, June 30</b>	<b>2.2</b>	<b>1.1</b>	<b>8.9</b>	<b>12.2</b>	<b>12.1</b>
Carrying amount, net					
Opening balance, January 1	4,194.9	152.4	30.6	4,377.9	4,110.0
Closing balance, June 30	4,326.7	153.9	37.0	4,517.6	4,188.1
	<b>Jun 30,</b>	<b>Dec 31,</b>	<b>Jun 30,</b>		
Impairment losses, IFRS 9 - Financial ratios	<b>2021</b>	<b>2020</b>	<b>2020</b>		
Total provision ratio, receivables from the public, %	0.27	0.27	0.29		
Provision ratio, Stage 1, receivables from the public, %	0.05	0.06	0.02		
Provision ratio, Stage 2, receivables from the public, %	0.72	0.68	1.92		
Provision ratio, Stage 3, receivables from the public, %	19	21	24		
Share of receivables from the public in Stage 3, %	1.01	0.89	0.81		

## 12. Debt securities issued

Group	Jun 30, 2021	Dec 31, 2020	%	Jun 30, 2020	%
<b>EUR M</b>					
Certificates of deposit	54	280	-81	159	-66
Covered bonds	905	910	-1	899	1
Senior non-covered bonds	250	251	0	251	0
<b>Total</b>	<b>1,209</b>	<b>1,441</b>	<b>-16</b>	<b>1,309</b>	<b>-8</b>

## 13. Derivative instruments

Group	Jun 30, 2021			Dec 31, 2020					
	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
	Under 1 yr	1-5 yrs	over 5 yrs						
<b>EUR M</b>									
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>	6	7	6	19	2	2	64	3	3
Currency-related contracts									
<i>Currency forward contracts</i>	633			633	1	1	420	6	6
<b>Total</b>	<b>639</b>	<b>7</b>	<b>6</b>	<b>652</b>	<b>3</b>	<b>3</b>	<b>484</b>	<b>9</b>	<b>9</b>
Derivatives for fair value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	252	815	45	1,111	11	4	1,118	16	6
<b>Total</b>	<b>252</b>	<b>815</b>	<b>45</b>	<b>1,111</b>	<b>11</b>	<b>4</b>	<b>1,118</b>	<b>16</b>	<b>6</b>
<b>Total derivative instruments</b>	<b>891</b>	<b>822</b>	<b>51</b>	<b>1,764</b>	<b>14</b>	<b>7</b>	<b>1,602</b>	<b>25</b>	<b>15</b>
<i>of which cleared</i>	255	822	48	1,124	11	6	1,176	17	9

#### 14. Financial instruments measured at fair value

Group		Jun 30, 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
<b>EUR M</b>				
Debt securities	426			426
Receivables from the public and public sector		146		146
Shares and participations	1		12	13
Derivative instruments		14		14
<b>Total financial assets</b>	<b>427</b>	<b>161</b>	<b>12</b>	<b>600</b>
Debt securities issued		897		897
Derivative instruments		7		7
<b>Total financial liabilities</b>		<b>904</b>		<b>904</b>

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
<b>EUR M</b>				
Debt securities	478	13		491
Receivables from the public and public sector		130		130
Shares and participations	1		12	13
Derivative instruments		25		25
<b>Total financial assets</b>	<b>479</b>	<b>167</b>	<b>12</b>	<b>658</b>
Debt securities issued		901		901
Derivative instruments		15		15
<b>Total financial liabilities</b>		<b>916</b>		<b>916</b>

Changes in Level 3 holdings	Jan 1 - Jun 30, 2021	Jan 1 - Dec 31, 2020
<b>EUR M</b>	<b>Shares and participations</b>	<b>Shares and participations</b>
Carrying amount on January 1	12.0	9.4
New purchases/reclassification		2.5
Change in value recognised in "Other comprehensive income"	-0.1	0.2
<b>Carrying amount at end of period</b>	<b>11.9</b>	<b>12.0</b>

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	Jun 30, 2021	Dec 31, 2020	%	Jun 30, 2020	%
<b>EUR M</b>					
Guarantees	43	42	2	41	3
Unutilised overdraft limits	283	276	2	265	6
Unutilised credit card limits	87	86	2	84	3
Lines of credit	627	315	99	267	
Other commitments	36	32	12	18	99
<b>Total</b>	<b>1,075</b>	<b>751</b>	<b>43</b>	<b>676</b>	<b>59</b>
Provision for expected loss	0	0	-11	0	

### 16. Assets pledged

Group	Jun 30, 2021	Dec 31, 2020	%	Jun 30, 2020	%
<b>EUR M</b>					
Lending to credit institutions	21	14	48	14	53
Debt securities	328	299	10	334	-2
Loan receivables constituting collateral (cover pool) for covered bonds	1,790	1,548	16	1,520	18
Other assets pledged	4	4	8	3	11
<b>Total</b>	<b>2,143</b>	<b>1,864</b>	<b>15</b>	<b>1,871</b>	<b>15</b>

During the report period, no major shift has taken place concerning the scale of financial assets and liabilities that are subject to offsetting, netting agreements or similar agreements. Information about this type of agreements is included in the Bank of Åland's Annual Report, Note G45.

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	Jun 30, 2021	Dec 31, 2020	%	Jun 30, 2020	%
<b>EUR M</b>					
Equity capital according to balance sheet	281.9	292.4	-4	271.3	4
Foreseeable dividend	-9.8	-31.2	-68		
<b>Common equity Tier 1 capital before deductions</b>	<b>272.1</b>	<b>261.2</b>	<b>4</b>	<b>271.3</b>	<b>0</b>
Intangible assets	-23.9	-22.9	4	-24.4	-2
Non-controlling interests	0.0	0.0	0	0.0	16
Net other items		0.0	-100	0.0	-100
Further adjustments in value	-0.4	-0.5	-13	-0.4	4
Expected losses according to IRB approach beyond recognised losses (deficit)	-7.4	-3.7	99	-6.3	17
Adjustments due to transitional rules related to IFRS 9	0.3	0.5	-29	0.5	-34
Mitigations due to COVID-19	3.0	4.0	-26		
<b>Common equity Tier 1 capital</b>	<b>243.6</b>	<b>238.5</b>	<b>2</b>	<b>240.6</b>	<b>1</b>
Tier 1 capital instruments	29.4				
<b>Additional Tier 1 capital</b>	<b>29.4</b>				
<b>Tier 1 capital</b>	<b>273.1</b>	<b>238.5</b>	<b>14</b>	<b>240.6</b>	<b>14</b>
Supplementary capital instruments	28.2	37.0	-24	36.1	-22
<b>Supplementary capital</b>	<b>28.2</b>	<b>37.0</b>	<b>-24</b>	<b>36.1</b>	<b>-22</b>
<b>Total capital base</b>	<b>301.3</b>	<b>275.5</b>	<b>9</b>	<b>276.7</b>	<b>9</b>
Capital requirement for credit risk according to the IRB approach	40.4	39.8	2	43.7	-8
Additional capital requirement, IRB approach	6.1	8.7	-30	8.7	-30
Capital requirement for credit risk according to standardised approach	80.6	67.0	20	62.3	29
Capital requirement for credit-worthiness adjustment risk	0.0	0.0		0.0	
Capital requirement for operational risk	17.8	18.2	-2	18.2	-2
<b>Capital requirement</b>	<b>145.0</b>	<b>133.6</b>	<b>8</b>	<b>132.9</b>	<b>9</b>
Capital ratios					
Common equity Tier 1 capital ratio, %	13.4	14.3		14.5	
Tier 1 capital ratio, %	15.1	14.3		14.5	
Total capital ratio, %	16.6	16.5		16.7	
Risk exposure amount	1,812	1,671	8	1,661	9
of which % comprising credit risk	88	86		86	
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	12	14		14	

Requirements related to capital buffers, %	Jun 30, 2021	Dec 31, 2020	Jun 30, 2020
Total common equity Tier 1 capital requirements including buffer requirements	7.8	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	0.8	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	13.4	14.3	14.5

Exposure class	Jun 30, 2021				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>					
<b>Without own LGD estimates</b>					
Corporate, other large companies	235.1	175.2	53	93.5	7.5
Corporate, small and medium sized companies	344.0	312.0	55	171.8	13.7
Corporate, special lending	5.0	5.0	93	4.7	0.4
<b>Using own LGD estimates</b>					
Retail with property as collateral (private individuals)	1,831.5	1,818.2	9	166.2	13.3
Retail with property as collateral (small and medium-sized companies)	125.3	123.2	21	26.3	2.1
Retail, other (small and medium-sized companies)	34.8	33.4	20	6.8	0.5
Retail, other	382.3	331.6	11	35.8	2.9
<b>Total exposures according to IRB approach</b>	<b>2,957.9</b>	<b>2,798.5</b>	<b>18</b>	<b>505.1</b>	<b>40.4</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	773.8	860.5	0	0.0	0.0
Regional governments or local authorities	55.1	81.9	0	0.0	0.0
Multilateral development banks	40.5	47.7	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	292.4	252.6	22	54.5	4.4
Corporates	648.6	251.1	96	241.5	19.3
Retail	716.0	263.4	50	130.9	10.5
Secured by mortgages on immovable property	1,290.4	1,289.1	33	428.9	34.3
Exposures in default	7.1	6.3	139	8.7	0.7
Covered bonds	438.1	438.1	11	47.5	3.8
Collective investment undertakings	0.9	0.9	94	0.9	0.1
Equity exposures	19.7	19.7	158	31.0	2.5
Other exposures	140.3	140.3	46	64.1	5.1
<b>Total exposures according to standardised approach</b>	<b>4,426.9</b>	<b>3,655.5</b>	<b>28</b>	<b>1,008.0</b>	<b>80.6</b>
<b>Total risk exposure amount, credit risk</b>	<b>7,384.9</b>	<b>6,454.0</b>	<b>23</b>	<b>1,513.1</b>	<b>121.0</b>

Exposure class	Dec 31, 2020					
	EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
<b>Credit risk according to the IRB approach</b>						
<b>Without own LGD estimates</b>						
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	
<b>Using own LGD estimates</b>						
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	
<b>Total exposures according to IRB approach</b>	<b>2,933.8</b>	<b>2,786.3</b>	<b>18</b>	<b>497.0</b>	<b>39.8</b>	
<b>Credit risk according to standardised approach</b>						
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	459.5	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	
<b>Total exposures according to standardised approach</b>	<b>3,853.7</b>	<b>3,325.9</b>	<b>25</b>	<b>836.7</b>	<b>67.0</b>	
<b>Total risk exposure amount, credit risk</b>	<b>6,787.5</b>	<b>6,112.1</b>	<b>22</b>	<b>1,333.7</b>	<b>106.7</b>	

Leverage ratio	Jun 30,	Dec 31,	%	Jun 30,	%
	2021	2020		2020	
<b>EUR M</b>					
Tier 1 capital	273.1	238.5	15	240.6	14
Total exposure measure	5,742.4	5,624.8	2	5,809.7	-1
of which balance sheet items	5,516.8	5,466.7	1	5,681.5	-3
of which off-balance sheet items	225.6	158.1	43	128.2	76
Leverage ratio, %*	4.8	4.2		4.1	

\* Excluding mitigation due to COVID-19, the Bank of Åland's leverage ratio on June 30, 2021 would have been 4.2 per cent.

The leverage ratio was calculated according to the situation at the end of the report period. Tier 1 capital included profit for the period.

## 18. Share-related information

Group	Jun 30, 2021	Dec 31, 2020	%	Jun 30, 2020	%
<b>thousands</b>					
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
<b>Number of shares outstanding</b>	<b>15,602</b>	<b>15,586</b>	<b>0</b>	<b>15,586</b>	<b>0</b>
<b>Number of shares outstanding after dilution</b>	<b>15,618</b>	<b>15,634</b>	<b>0</b>	<b>15,599</b>	<b>0</b>
Shareholders' portion of equity capital per share, EUR	18.09	18.76	-4	17.41	4
Closing price per Series A share, EUR	27.40	21.60	27	17.30	58
Closing price per Series B share, EUR	25.90	20.90	24	16.85	54
Market capitalisation, EUR M	414	330	25	266	56
Market capitalisation/shareholders' portion of equity capital, %	147	113		98	

Group	Q2 2021	Q1 2021	%	Q2 2020	%	Jan-Jun 2021	Jan-Jun 2020	%
<b>thousands</b>								
Average number of shares outstanding	15,602	15,591	0	15,586	0	15,597	15,573	0
Average number of shares outstanding after dilution	15,602	15,591	0	15,586	0	15,597	15,573	0
Earnings per share, EUR	0.72	0.55	31	0.50	45	1.27	0.85	50
Earnings per share after dilution, EUR	0.72	0.55	31	0.50	45	1.27	0.85	50
Earnings per share, rolling 12 months, EUR	2.45	2.22	10	1.80	36			

*Translation*

# Report on review of the Half-Year Financial Report of Bank of Åland Plc for the accounting period January 1 – June 30, 2021

To the Board of Directors of Bank of Åland Plc

## Introduction

We have reviewed the summary balance sheet as of June 30, 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 six-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 the Half-Year Financial Report 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 Half-Year Financial Report based on our review.

## Scope of review

We conducted our review in accordance with the Standard on Review Engagements 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 Half-Year Financial Report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing Half-Year Financial Report reporting preparation in Finland.

Helsinki, July 20, 2021

Marcus Tötterman

*Authorised Public Accountant, KHT*

Fredrik Westerholm

*Authorised Public Accountant, KHT*

Henry Maarala

*Authorised Public Accountant, KHT*