



## January-March 2020

Compared to January-March 2019

- Net operating profit increased by 19 per cent to EUR 6.9 M (5.8).
- Profit for the period attributable to shareholders rose by 19 per cent to EUR 5.4 M (4.6).
- Net interest income increased by 10 per cent to EUR 14.5 M (13.2).
- Net commission income increased by 20 per cent to EUR 16.9 M (14.1).
- Total expenses increased by 4 per cent to EUR 27.2 M (26.0).
- Net impairment losses on financial assets (including recoveries) totalled EUR 3.8 M (0.4), equivalent to a loan loss level of 0.37 (0.05) per cent.
- Return on equity after taxes (ROE) increased to 8.4 (7.6) per cent.
- Earnings per share increased by 18 per cent to EUR 0.35 (0.30).
- The common equity Tier 1 ratio increased to 14.4 per cent (13.4).
- Revised future outlook: Due to low visibility and high volatility in the market, until further notice the Bank of Åland has decided to refrain from issuing any outlook for 2020.

*“The Bank of Åland began this year with higher income. Net interest income of EUR 14.5 M was 10 per cent better and net commission income of EUR 16.9 M was 20 per cent better than in the corresponding period of 2019. The Bank’s operating profit before impairment losses was 72 per cent better than in the same period last year.*”

*“Everyone knows that the coronavirus pandemic will lead to a far-reaching economic downturn, but no one knows how long and deep it will be. The Bank of Åland is preparing itself for this economic downturn by significantly increasing its model-driven impairment loss reserves and taking a total of EUR 3.8 M in impairment losses (EUR 0.4 M in Q1 2019).*”

*“The net operating profit of the Bank in the first quarter of 2020 rose by 19 per cent to EUR 6.9 M, which is satisfactory under the prevailing circumstances.”*

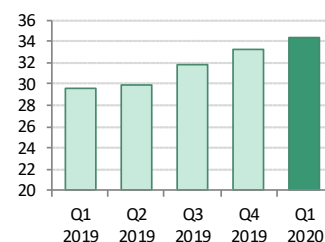
Peter Wiklöf, Managing Director and Chief Executive

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, five offices elsewhere in Finland and three offices in Sweden. A total of two subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

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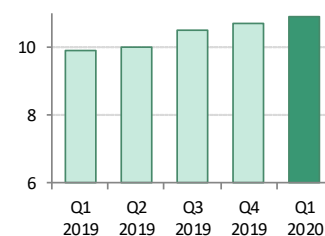
4-quarter moving net operating profit

EUR M



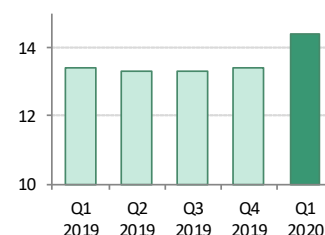
4-quarter moving ROE

Percent



Common equity Tier 1 ratio

Percent



# Financial summary

Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
<b>Income</b>					
Net interest income	14.5	14.0	3	13.2	10
Net commission income	16.9	16.3	4	14.1	20
Net income from financial items at fair value	0.7	1.1	-32	0.4	80
Other income	5.8	5.0	15	4.6	26
<b>Total income</b>	<b>37.9</b>	<b>36.4</b>	<b>4</b>	<b>32.3</b>	<b>18</b>
<b>Total expenses</b>					
Staff costs	-15.2	-14.6	4	-14.5	5
Other expenses	-9.0	-7.6	18	-8.7	3
Depreciation/amortisation	-3.1	-3.3	-8	-2.8	8
<b>Total expenses</b>	<b>-27.2</b>	<b>-25.5</b>	<b>7</b>	<b>-26.0</b>	<b>4</b>
<b>Profit before impairment losses</b>	<b>10.7</b>	<b>10.9</b>	<b>-2</b>	<b>6.2</b>	<b>72</b>
Impairment losses on financial assets, net	-3.8	-1.8		-0.4	
<b>Net operating profit</b>	<b>6.9</b>	<b>9.1</b>	<b>-24</b>	<b>5.8</b>	<b>19</b>
Income taxes	-1.5	-1.9	-22	-1.2	23
<b>Profit for the report period</b>	<b>5.4</b>	<b>7.2</b>	<b>-24</b>	<b>4.6</b>	<b>18</b>
<b>Attributable to:</b>					
<b>Shareholders in Bank of Åland Plc</b>	<b>5.4</b>	<b>7.2</b>	<b>-24</b>	<b>4.6</b>	<b>19</b>
<b>Volume</b>					
Receivables from the public and public sector	4,076	4,110	-1	4,017	1
Deposits from the public and public sector	3,409	3,368	1	3,107	10
Actively managed assets <sup>1</sup>	5,431	6,343	-14	5,476	-1
Equity capital	258	258	0	247	4
Balance sheet total	5,599	5,607	0	5,542	1
Risk exposure amount	1,589	1,583	0	1,548	3
<b>Financial ratios</b>					
Return on equity after taxes, % (ROE) <sup>2</sup>	8.4	11.4		7.6	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	10.9	10.7		9.9	
Expense/income ratio <sup>3</sup>	0.72	0.70		0.81	
Loan loss level, % <sup>4</sup>	0.37	0.18		0.05	
Liquidity coverage ratio (LCR), % <sup>5</sup>	146	139		171	
Loan/deposit ratio, % <sup>6</sup>	120	122		129	
Core funding ratio, % <sup>7</sup>	89	90		90	
Equity/assets ratio, % <sup>8</sup>	4.6	4.6		4.5	
Common equity Tier 1 capital ratio, % <sup>9</sup>	14.4	13.4		13.4	
Earnings per share, EUR <sup>10</sup>	0.35	0.46	-25	0.30	18
Earnings per share after dilution, EUR	0.35	0.46	-24	0.30	18
Earnings per share, EUR, moving 12-month	1.75	1.69	3	1.52	15
Equity capital per share, EUR <sup>11</sup>	16.54	16.61	0	15.91	4
Equity capital per share after dilution, EUR	16.54	16.59	0	15.86	4
Market price per Series A share, EUR	17.00	17.00		15.10	13
Market price per Series B share, EUR	15.70	16.55	-5	14.20	11
Number of shares outstanding, oocs	15,586	15,551	0	15,525	0
Number of shares outstanding, after dilution, ooc	15,600	15,601	0	15,595	0
Working hours re-calculated to full-time equivalent positions	720	705	2	683	5

<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> Liquidity coverage ratio (LCR) = liquid assets, level 1 and 2 / 30-day net outflow

<sup>6</sup> Receivables from the public and public sector / Deposits from the public and public sector

<sup>7</sup> Receivables from the public and public sector / Deposits including certificates of deposit, index bonds and debentures issued to the public and public sector plus covered bonds issued

<sup>8</sup> Equity capital / Balance sheet total

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

<sup>10</sup> Shareholders' portion of earnings for the period / Average number of shares

<sup>11</sup> Shareholders' portion of equity capital / Number of shares on closing day

# Comments

## MACRO SITUATION

Nothing is the same as before. The world has largely come to a halt since China reported in December 2019 about problems with a virus outbreak. During the first quarter of 2020 the SARS-cov-2 coronavirus, also known as COVID-19, spread from country to country with devastating effects on both public health and economic health. Finland has been under a state of emergency since mid-March. Large public gatherings have been banned, and the country's schools have been kept closed while border controls have been tightened.

The world's stock markets have plunged since the beginning of 2020, with high daily volatility. Public officials have launched both fiscal and monetary stimulus measures in an effort to soften the impact of the crisis. On March 3 the US Federal Reserve (Fed) cut its key rate by 50 basis points to 1.00-1.25 per cent, which was the first time since the global financial crisis that the Fed acted outside of its regular policy meetings. Less than two weeks later, the Fed slashed its key rate by another 100 points to 0-0.25 per cent.

Meanwhile the world's central banks – including the European Central Bank (ECB) and Sweden's Riksbank – launched massive supportive measures to ensure market liquidity and stability, in order to help both businesses and employees.

## BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q1 2020	Q4 2019	Q1 2019
Euribor 3 mo	-0.41	-0.40	-0.31
Euribor 12 mo	-0.27	-0.28	-0.11
Stibor 3 mo	0.19	0.01	-0.07

During the first quarter of 2020, share prices according to the Nasdaq Helsinki (OMXHPI) equity index fell by 22 per cent and according to the Nasdaq Stockholm (OMXSPI) index by 20 per cent.

During the same period, the average value of the Swedish krona (SEK) in relation to the euro (EUR) was 2 per cent lower than in the year-earlier period and 4 per cent lower than at year-end 2019. 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

The global pandemic caused by the coronavirus has dramatically changed conditions for carrying out banking operations. The Bank of Åland's services are socially essential. The Bank has done its utmost to maintain high accessibility and to proactively contact customers. As far as possible, physical meetings with customers have been replaced by digital meetings. Most staff members have transitioned to working remotely.

Customers are being adversely affected by the social lockdown in all of our geographic markets, but the role of the Bank of Åland in local society is different in Åland from its role on the Finnish mainland and in Sweden. On the Finnish mainland and in Sweden, the Bank has a niche strategy targeted to entrepreneurs, wealthy families and individual customers with

sound finances. In the Åland islands, the Bank of Åland is a bank for all residents and has both a market-dominating position and a desire to help develop the Åland of the future.

In Åland, the Bank is both able and willing to participate in operations aimed at supporting the business community. We are actively involved in various working groups and are now designing concrete support programmes together with our local provincial government, the Finnish state-owned financing company Finnvera, local interest organisations and other banks with an Åland presence. Together we have created a liquidity loan programme, in which the Åland government and Finnvera are guaranteeing 80 per cent of the liquidity loans that need to be taken out. In addition, the Åland government is providing 20 per cent of the loan amount as a direct grant to the businesses that take out liquidity loans.

During the report period, the number of Series B shares outstanding increased by 34,556 as a result of the Bank's obligations within the framework of its incentive and share savings programmes.

## EARNINGS FOR JANUARY – MARCH 2019

Profit for the period attributable to shareholders increased by EUR 0.8 M or 19 per cent to EUR 5.4 M (4.6).

Net operating profit increased by EUR 1.1 M or 19 per cent to EUR 6.9 M (5.8).

Return on equity after taxes (ROE) increased to 8.4 per cent (7.6).

Total income rose by EUR 5.6 M or 18 per cent to EUR 37.9 M (32.3).

Net interest income rose by EUR 1.3 M or 10 per cent to EUR 14.5 M (13.2). The increase primarily came from higher lending volume and higher Swedish market interest rates. In addition, the costs of deposits and capital market borrowing fell.

Net commission income rose by EUR 2.8 M or 20 per cent to EUR 16.9 M (14.1), mainly due to higher income from the Bank's asset management business.

Net income on financial items increased by EUR 0.3 M to EUR 0.7 M (0.4), mainly thanks to higher capital gains in the liquidity portfolio.

Information technology (IT) income rose by EUR 1.2 M or 26 per cent to EUR 5.7 M (4.5). Crosskey's new subsidiary Model IT is part of its operations this year, which is one explanation for the increase. Higher project income also contributed.

Total expenses increased by EUR 1.2 M or 4 per cent to EUR 27.2 M (26.0). Most of the increase in expenses was attributable to the subsidiary Crosskey and its new acquisition Model IT, which is now included in Crosskey's operations.

The Bank's stability fee was estimated at EUR 2.0 M. On the equivalent date last year, the stability fee was estimated at EUR 2.3 M. It was finally set at EUR 1.8 M during the second quarter.

Model-driven impairment losses on financial assets increased because of the expected effects of the coronavirus

pandemic. Provisions related to healthy loans (Stage 1 and Stage 2) increased by EUR 2.8 M or 200 per cent from EUR 1.4 M to EUR 4.2 M. This increase is explained in part by a general cyclical adjustment of EUR 0.8 M in the impairment loss model and in part by a group provision of EUR 2.0 M related to heightened risk of losses, mainly in the corporate loan portfolio. Total net impairment losses on financial assets increased by EUR 3.4 M to EUR 3.8 M (0.4), equivalent to a loan loss level of 0.37 (0.05) per cent.

Tax expense amounted to EUR 1.5 M (1.2), equivalent to an effective tax rate of 21.7 (21.0) per cent.

#### STRATEGIC BUSINESS AREAS

The Group's EUR 1.1 M increase in net operating profit to EUR 6.9 M was allocated as follows:

- Private Banking +1.7 (higher income)
- Premium Banking -0.8 (higher impairment losses)
- IT +0.1 (higher income)
- Corporate Units & Eliminations +0.1

#### BUSINESS VOLUME

Despite a strong net inflow of actively managed assets in the Swedish market, actively managed assets on behalf of customers decreased by EUR 912 M or 14 per cent compared to year-end 2019 and amounted to EUR 5,431 M (6,343). The decrease was due to lower market values.

Deposits from the public rose by 1 per cent compared to year-end 2019 and amounted to EUR 3,409 M (3,368).

Receivables from the public fell by 1 per cent compared to year-end 2019 and amounted to EUR 4,076 M (4,110).

#### CREDIT QUALITY

Lending to private individuals comprised 72 per cent of the loan portfolio. Home mortgage loans accounted for 76 per cent of lending to private individuals. 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 did not yet see any increase in non-performing loans due to the coronavirus crisis.

Model-driven impairment losses on financial assets in compliance with IFRS 9 increased significantly due to the coronavirus crisis and the expected economic downturn.

Stage 3 loans increased during the report period by EUR 1.3 M to EUR 34.8 M. Stage 3 loans as a share of gross lending to the public totalled 0.85 per cent (0.81). The level of provisions for Stage 3 loans amounted to 22 (33) per cent. Most of these loans have good collateral.

The Bank of Åland Group had EUR 12.0 M (12.4) in impairment loss provisions, of which EUR 0.8 M (0.5) in Stage 1, EUR 3.4 M (0.9) in Stage 2 and EUR 7.8 M (11.1) in Stage 3.

#### 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 1,129 M on March 31, 2020 (1,129 on December 31, 2019). This was equivalent to 20 (20) per cent of total assets and 28 (27) per cent of receivables from the public.

In March, EUR 100 M in non-covered bonds matured. During 2020 a further EUR 250 M in covered bonds will mature in May. On March 31, 2020, the average remaining maturity of bonds outstanding was about 2.4 (2.5) years.

On March 31, 2020, the Bank of Åland's core funding ratio, defined as receivables from the public divided by deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public, as well as covered bonds issued – amounted to 89 (90) per cent.

The loan/deposit ratio amounted to 120 (122) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 66 (65) per cent and covered bonds issued accounted for 22 (22) per cent.

The liquidity coverage ratio (LCR) amounted to 146 (139) per cent.

The net stable funding ratio (NSFR) amounted to 119 (115) per cent.

#### RATING

The Bank of Åland has 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 5.4 M; other comprehensive income, EUR -6.2 M; the issuance of new shares as part of the incentive programme, EUR 0.2 M, and EUR 0.0 M related to the share savings programme. On March 31, 2020, equity capital amounted to EUR 257.8 M (258.4).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -0.2 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 16.8 M or 8 per cent during the first quarter of 2020 to EUR 228.3 M (211.5). One important reason behind this large increase is that neither the previously predicted dividend distribution for the 2019 financial year nor any predicted dividend distribution for the 2020 financial year have now been subtracted from common equity Tier 1 capital, based on the decision made at the Annual General Meeting on April 2, 2020 in keeping with the recommendations issued by the Finnish Financial Supervisory Authority (FSA)

The risk exposure amount was at an unchanged level and totalled EUR 1,589 M (1,583). The risk exposure amount for credit risk was unchanged, while the operational risk exposure amount, calculated using a three-year moving average of the Group's income, increased by EUR 7 M.

The common equity Tier 1 capital ratio increased to 14.4 (13.4) per cent. Since the Bank of Åland has no hybrid capital, its common equity Tier 1 capital ratio is the same as its Tier 1 capital ratio.

The total capital ratio increased to 16.6 (15.8) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. In light of 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 exposures, the requirement remains 0.0 per cent. For Swedish exposures, the requirement was lowered raised from 2.5 per cent to 0.0 per cent.

The Finnish FSA has identified systemically important institutions in Finland and has imposed individual buffer requirements for them. The Bank of Åland is not included in the buffer requirements for systemically important institutions.

The systemic risk buffer of 1 per cent introduced by the Finnish FSA on July 1, 2019 due to Nordea's move of its head office from Sweden to Finland has now been lowered to 0.0 per cent.

The buffer requirement established by the Finnish FSA related to Pillar 2 capital adequacy regulations, totalling 1.5 per cent of the Group's risk exposure amount (REA), still applies. This requirement is related to credit concentration risk (1.0 per cent of REA) and interest rate risk in the balance sheet (0.5 per cent of REA).

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 8.5 per cent
- Tier 1 capital ratio 10.0 per cent
- Total capital ratio 12.0 per cent

In relation to the above buffer requirements, the Bank of Åland has a substantial capital surplus:

- Common equity Tier 1 capital ratio +5.9 percentage points
- Tier 1 capital ratio +4.4 percentage points
- Total capital ratio +4.6 percentage points

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

#### IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

The Annual General Meeting (AGM) on April 2, 2020 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.

The AGM approved a resolution to authorise the Board to decide on a maximum dividend of EUR 1.00 per share for the financial year 2019, to be distributed on one or more dates. This authorisation will be valid until the 2021 AGM. The Board intends to comply with the recommendation issued by the European Central Bank (ECB) and the Finnish FSA and to refrain from deciding any dividend on the basis of the authorisation before October 1, 2020. The Bank of Åland will publish any dividend decisions separately and simultaneously confirm the record date and the distribution date for the dividend. The 2021 AGM will decide on the allocation of profit for the financial year

2020, based on a proposal by the Board of Directors that is expected to be published during the first quarter of 2021.

#### 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 an ongoing dispute with the Swedish Tax Agency regarding value-added tax (VAT) for the financial year 2016. After the end of the report period, the Agency announced a decision in the matter in which it believes that the Bank should pay additional VAT. The Bank of Åland does not share the Agency's view and intends to pursue the matter further.

#### CHANGE IN FUTURE OUTLOOK

In its Year-end Report for 2019, which was published on February 7, 2020, the Bank of Åland announced the expectation that its net operating profit in 2020 would be better than in 2019, that is, better than EUR 33.2 M.

The significantly deteriorating macroeconomic outlook due to the coronavirus situation will have a negative impact on the Bank of Åland's net operating profit in 2020, primarily in the form of higher impairment loss provisions and lower income from the Bank's asset management business.

Due to low visibility and high volatility in the market, the Bank of Åland has decided to refrain from issuing any outlook for 2020.

#### GENERAL MEETING

The Annual General Meeting will be held on Thursday, April 2, 2020.

#### FINANCIAL INFORMATION

The Half-year Financial Report for the period January–June 2020 will be published on Friday, July 17, 2020.

The Interim Report for the period January–September 2020 will be published on Thursday, October 22, 2020.

Mariehamn, April 24, 2020  
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.

Our target for 2020 is to reduce carbon dioxide emissions by 18 per cent compared to our 2019 outcome. Purchases of more green energy since late 2019 have greatly decreased our carbon dioxide emissions.

Bank of Åland Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>Carbon dioxide emissions, kg</b>					
Paper	6,988	4,501	55	7,764	-10
Electricity	23,280	28,158	-17	74,806	-69
Business travel	31,477	36,817	-15	42,945	-27
<b>Total carbon dioxide</b>	<b>61,745</b>	<b>69,476</b>	<b>-11</b>	<b>125,515</b>	<b>-51</b>

Bank of Åland Group	Q1 2020	Q4 2019	%	Q1 2019	%
Paper consumption, kg	6,323	4,068	55	7,026	-10
Energy consumption, GwH	0.54	0.58	-5	0.56	-3
<i>of which renewable</i>	<i>0.47</i>	<i>0.48</i>	<i>-3</i>	<i>0.34</i>	<i>39</i>
<i>of which other</i>	<i>0.08</i>	<i>0.09</i>	<i>-17</i>	<i>0.22</i>	<i>-66</i>
Number of business trips	840	1,072	-22	1,125	-25
<i>of which aircraft</i>	<i>610</i>	<i>801</i>	<i>-24</i>	<i>887</i>	<i>-31</i>
<i>of which ship</i>	<i>87</i>	<i>67</i>	<i>30</i>	<i>67</i>	<i>30</i>
<i>of which train</i>	<i>143</i>	<i>204</i>	<i>-30</i>	<i>171</i>	<i>-16</i>

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## Summary income statement

Group	Note	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>						
Net interest income	5	14.5	14.0	3	13.2	10
Net commission income	6	16.9	16.3	4	14.1	20
Net income from financial items at fair value	7	0.7	1.1	-32	0.4	80
IT income		5.7	4.8	17	4.5	26
Other operating income		0.1	0.2	-42	0.1	-3
<b>Total income</b>		<b>37.9</b>	<b>36.4</b>	<b>4</b>	<b>32.3</b>	<b>18</b>
Staff costs		-15.2	-14.6	4	-14.5	5
Other expenses	8	-9.0	-7.6	18	-8.7	3
Depreciation/amortisation		-3.1	-3.3	-8	-2.8	8
<b>Total expenses</b>		<b>-27.2</b>	<b>-25.5</b>	<b>7</b>	<b>-26.0</b>	<b>4</b>
<b>Profit before impairment losses</b>		<b>10.7</b>	<b>10.9</b>	<b>-2</b>	<b>6.2</b>	<b>72</b>
Impairment losses on financial assets, net	9	-3.8	-1.8		-0.4	
<b>Net operating profit</b>		<b>6.9</b>	<b>9.1</b>	<b>-24</b>	<b>5.8</b>	<b>19</b>
Income taxes		-1.5	-1.9	-22	-1.2	23
<b>Profit for the period</b>		<b>5.4</b>	<b>7.2</b>	<b>-24</b>	<b>4.6</b>	<b>18</b>
Attributable to:						
Non-controlling interests		0.0	0.0		0.0	
<b>Shareholders in Bank of Åland Plc</b>		<b>5.4</b>	<b>7.2</b>	<b>-24</b>	<b>4.6</b>	<b>19</b>
Earnings per share, EUR		0.35	0.46	-25	0.30	18
Earnings per share after dilution, EUR		0.35	0.46	-24	0.30	18



# Summary statement of other comprehensive income

Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
<b>Profit for the period</b>	<b>5.4</b>	<b>7.2</b>	<b>-24</b>	<b>4.6</b>	<b>18</b>
Assets measured via other comprehensive income					
Changes in valuation at fair value	-1.1	-1.3	-21	1.7	
Realised change in value		-0.1	-100		
Transferred to the income statement	-1.1	-0.7	52	-0.3	
Translation differences					
Gains/Losses arising during the period	-3.8	1.5		-0.8	
Taxes on items that have been or may be reclassified to the income statement	0.4	0.4	4	-0.3	
<i>of which assets measured via other comprehensive income</i>	0.4	0.4	4	-0.3	
<b>Items that have been or may be reclassified to the income statement</b>	<b>-5.5</b>	<b>-0.3</b>		<b>0.2</b>	
Changes in value of equity instruments	-0.6	4.6		0.0	
Re-measurements of defined benefit pension plans	-0.2	1.3		-0.8	-71
Taxes on items that may not be reclassified to the income statement	0.2	-1.2		0.2	7
<i>of which changes in value of equity instruments</i>	0.1	-0.9		0.0	
<i>of which re-measurements of defined-benefit pension plans</i>	0.0	-0.3		0.2	-71
<b>Items that may not be reclassified to the income statement</b>	<b>-0.7</b>	<b>4.7</b>		<b>-0.6</b>	<b>7</b>
<b>Other comprehensive income</b>	<b>-6.2</b>	<b>4.5</b>		<b>-0.4</b>	
<b>Total comprehensive income for the period</b>	<b>-0.7</b>	<b>11.7</b>		<b>4.2</b>	
Attributable to:					
Non-controlling interests	0.0	0.0		0.0	
<b>Shareholders in Bank of Åland Plc</b>	<b>-0.7</b>	<b>11.7</b>		<b>4.2</b>	

## Income statement by quarter

Group	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>EUR M</b>					
Net interest income	14.5	14.0	13.3	13.4	13.2
Net commission income	16.9	16.3	13.8	13.8	14.1
Net income from financial items at fair value	0.7	1.1	1.6	0.8	0.4
IT income	5.7	4.8	4.0	4.1	4.5
Other operating income	0.1	0.2	0.1	0.2	0.1
<b>Total income</b>	<b>37.9</b>	<b>36.4</b>	<b>32.9</b>	<b>32.3</b>	<b>32.3</b>
Staff costs	-15.2	-14.6	-13.4	-14.5	-14.5
Other expenses	-9.0	-7.6	-6.3	-6.0	-8.7
Depreciation/amortisation	-3.1	-3.3	-2.9	-2.8	-2.8
<b>Total expenses</b>	<b>-27.2</b>	<b>-25.5</b>	<b>-22.5</b>	<b>-23.4</b>	<b>-26.0</b>
<b>Profit before impairment losses</b>	<b>10.7</b>	<b>10.9</b>	<b>10.4</b>	<b>8.9</b>	<b>6.2</b>
Net impairment losses on financial assets	-3.8	-1.8	-0.8	-0.2	-0.4
<b>Net operating profit</b>	<b>6.9</b>	<b>9.1</b>	<b>9.5</b>	<b>8.7</b>	<b>5.8</b>
Income taxes	-1.5	-1.9	-1.9	-1.8	-1.2
<b>Profit for the period</b>	<b>5.4</b>	<b>7.2</b>	<b>7.6</b>	<b>6.9</b>	<b>4.6</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>5.4</b>	<b>7.2</b>	<b>7.6</b>	<b>6.9</b>	<b>4.6</b>

# Summary balance sheet

Group	Note	Mar 31, 2020	Dec 31, 2019	%	Mar 31, 2019	%
<b>EUR M</b>						
<b>Assets</b>						
Cash and balances with central banks		508	490	4	626	-19
Debt securities		737	789	-7	690	7
Receivables from credit institutions		108	66	63	75	45
Receivables from the public and public sector	10, 11	4,076	4,110	-1	4,017	1
Shares and participations		9	9	-3	3	
Participations in associated companies		1	0	95	0	
Derivative instruments	13	28	21	31	16	69
Intangible assets		25	25	-2	21	16
Tangible assets		36	32	13	35	2
Investment properties		0	0		0	4
Current tax assets		0	0	19	1	-85
Deferred tax assets		5	5	7	5	0
Other assets		46	37	24	27	67
Accrued income and prepayments		21	22	-4	24	-15
<b>Total assets</b>		<b>5,599</b>	<b>5,607</b>	<b>0</b>	<b>5,542</b>	<b>1</b>
<b>Liabilities</b>						
Liabilities to credit institutions		201	210	-4	192	5
Liabilities to the public and public sector		3,409	3,368	1	3,107	10
Debt securities issued	12	1,543	1,604	-4	1,804	-14
Derivative instruments	13	19	12	57	9	
Current tax liabilities		2	3	-31	2	48
Deferred tax liabilities		31	31	0	29	8
Other liabilities		61	50	22	70	-13
Provisions		0	0	51	0	-39
Accrued expenses and prepaid income		40	35	16	38	5
Subordinated liabilities		35	36	-3	44	-21
<b>Total liabilities</b>		<b>5,341</b>	<b>5,349</b>	<b>0</b>	<b>5,295</b>	<b>1</b>
<b>Equity capital and non-controlling interests</b>						
Share capital		42	42		42	
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		-4	2		0	
Unrestricted equity capital fund		28	27	1	27	1
Retained earnings		135	129	4	120	12
<b>Shareholders' portion of equity capital</b>		<b>258</b>	<b>258</b>	<b>0</b>	<b>247</b>	<b>4</b>
Non-controlling interests' portion of equity capital		0	0	-21	0	-22
<b>Total equity capital</b>		<b>258</b>	<b>258</b>	<b>0</b>	<b>247</b>	<b>4</b>
<b>Total liabilities and equity capital</b>		<b>5,599</b>	<b>5,607</b>	<b>0</b>	<b>5,542</b>	<b>1</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	Total
<b>Equity capital, Dec 31, 2018</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>-0.1</b>	<b>-0.4</b>	<b>27.1</b>	<b>116.0</b>	<b>242.4</b>	<b>0.0</b>	<b>242.4</b>
Profit for the period							4.6	4.6	0.0	4.6
Other comprehensive income				1.1	-0.8		-0.7	-0.4		-0.4
<i>Transactions with the Group's owners</i>										
Incentive programme	0.1					0.3	0.0	0.4		0.4
Share savings programme							0.1	0.1		0.1
<b>Equity capital, Mar 31, 2019</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>1.0</b>	<b>-1.2</b>	<b>27.4</b>	<b>120.0</b>	<b>247.0</b>	<b>0.0</b>	<b>247.0</b>
Profit for the period							21.7	21.7	0.0	21.7
Other comprehensive income				2.1	-0.1		-1.6	0.4		0.4
<i>Transactions with the Group's owners</i>										
Dividends paid							-10.9	-10.9		-10.9
Share savings programme							0.1	0.1		0.1
<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							5.4	5.4	0.0	5.4
Other comprehensive income				-2.2	-3.8		-0.2	-6.2		-6.2
<i>Transactions with the Group's owners</i>										
Incentive programme						0.2		0.2		0.2
Share savings programme							0.0	0.0		0.0
<b>Equity capital, Mar 31, 2020</b>	<b>42.0</b>	<b>32.7</b>	<b>25.1</b>	<b>0.9</b>	<b>-5.1</b>	<b>27.6</b>	<b>134.6</b>	<b>257.8</b>	<b>0.0</b>	<b>257.8</b>

## Summary cash flow statement

Group	Jan-Mar 2020		Jan-Dec 2019		Jan-Mar 2019	
<b>EUR M</b>						
Cash flow from operating activities						
Net operating profit	6.9		33.2		5.8	
Adjustment for net operating profit items not affecting cash flow	8.1		22.7		3.8	
Gains/losses from investing activities			-0.1		0.0	
Income taxes paid	-2.4		-2.1		-1.4	
Changes in assets and liabilities in operating activities	141.9	154.4	-88.7	-35.0	-96.0	-87.8
Cash flow from investing activities			-1.7		-12.8	
Cash flow from financing activities			-108.0		199.3	
Exchange rate differences in cash and cash equivalents			-3.4		-2.4	
<b>Change in cash and cash equivalents</b>	<b>41.3</b>		<b>-45.3</b>		<b>108.3</b>	
Cash and cash equivalents at beginning of period	495.7		541.0		541.0	
Cash and cash equivalents at end of period	537.0		495.7		649.3	
<b>Change in cash and cash equivalents</b>	<b>41.3</b>		<b>-45.3</b>		<b>108.3</b>	

# 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. It is a commercial bank with a total of 10 offices in the Åland Islands, elsewhere in Finland 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 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 period January 1–March 31, 2020 was approved by the Board of Directors on April 23, 2020.

## 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, 2020 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, 2019.

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, 2019.

### ESTIMATES AND JUDGEMENTS

Preparation of this Year-end 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.

Model-driven impairment losses on financial assets in compliance with IFRS 9 greatly increased due to an expected economic downturn. In the prevailing situation, with the

ongoing coronavirus crisis, the Bank of Åland has also analysed selected economic sectors and types of loans that it believes will be affected most by the crisis. This assessment is based on the expectation that the communities where the Bank operates will gradually be re-opened during the summer months. The Executive Team has concluded that a group provision should be made due to a heightened risk of losses, primarily in the corporate loan portfolio. This provision is related to all selected economic sectors, which for the Bank of Åland mainly refers to sectors classified as service operations. Customers who, under the prevailing circumstances, 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 without having been moved to Stage 2 amounts to EUR 171 M.

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, in Sweden and Asset Management (Ålandsbanken Fondbolag Ab, Ålandsbanken Fonder Ab and Ålandsbanken Fonder II 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 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
<b>Total income</b>	<b>19.5</b>	<b>10.7</b>	<b>9.5</b>	<b>2.4</b>	<b>-4.2</b>	<b>37.9</b>
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
<b>Total expenses</b>	<b>-12.1</b>	<b>-8.3</b>	<b>-8.9</b>	<b>-2.1</b>	<b>4.3</b>	<b>-27.2</b>
<b>Profit before impairment losses</b>	<b>7.4</b>	<b>2.3</b>	<b>0.6</b>	<b>0.3</b>	<b>0.1</b>	<b>10.7</b>
Net impairment losses on financial assets	-1.5	-2.0		-0.3		-3.8
<b>Net operating profit</b>	<b>5.9</b>	<b>0.4</b>	<b>0.6</b>	<b>0.0</b>	<b>0.1</b>	<b>6.9</b>
Income taxes	-1.2	-0.1	-0.2	0.0		-1.5
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>4.7</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>0.1</b>	<b>5.4</b>
<b>Business volume</b>						
Receivables from the public and public sector	1,796	2,230		49		4,076
Deposits from the public and public sector	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
<b>Financial ratios etc.</b>						
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

Group		Jan-Mar 2019				
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	5.7	6.4	0.0	1.1	0.0	13.2
Net commission income	10.6	2.9	0.0	0.4	0.1	14.1
Net income from financial items at fair value	0.0	0.0	0.0	0.4	0.0	0.4
IT income			8.1		-3.6	4.5
Other income	0.0	0.0	0.2	0.2	-0.3	0.1
<b>Total income</b>	<b>16.3</b>	<b>9.3</b>	<b>8.3</b>	<b>2.1</b>	<b>-3.8</b>	<b>32.3</b>
Staff costs	-3.8	-1.6	-4.4	-4.7		-14.5
Other expenses	-2.9	-2.0	-2.8	-4.0	3.0	-8.7
Depreciation/amortisation	-0.2	-0.1	-0.7	-2.4	0.5	-2.8
Internal allocation of expenses	-5.0	-4.3		9.3		0.0
<b>Total expenses</b>	<b>-11.9</b>	<b>-8.0</b>	<b>-7.8</b>	<b>-1.9</b>	<b>3.5</b>	<b>-26.0</b>
<b>Profit before impairment losses</b>	<b>4.4</b>	<b>1.3</b>	<b>0.5</b>	<b>0.3</b>	<b>-0.3</b>	<b>6.2</b>
Net impairment losses on financial assets	-0.2	-0.1		-0.1		-0.4
<b>Net operating profit</b>	<b>4.2</b>	<b>1.2</b>	<b>0.5</b>	<b>0.2</b>	<b>-0.3</b>	<b>5.8</b>
Income taxes	-0.9	-0.3	-0.1	0.0		-1.2
<b>Profit for the period attributable to shareholders in Bank of Åland Plc</b>	<b>3.3</b>	<b>1.0</b>	<b>0.4</b>	<b>0.2</b>	<b>-0.3</b>	<b>4.6</b>
<b>Business volume</b>						
Receivables from the public and public sector	1,749	2,268		21	-20	4,017
Deposits from the public and public sector	1,609	1,475		53	-30	3,107
Actively managed assets	5,123	351		2		5,476
Risk exposure amount	678	624	36	210		1,548
Equity capital	99	102	13	33		247
<b>Financial ratios etc.</b>						
Return on equity after taxes, % (ROE)	14.3	4.0	11.6	1.7		7.6
Expense/income ratio	0.73	0.86	0.94	0.87		0.81



#### 4. Changes in Group structure

There were no changes to report during the period.

#### 5. Net interest income

Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
Receivables from credit institutions and central banks	0.0	0.0		0.0	66
Receivables from the public and public sector entities	16.1	15.5	4	15.2	6
Debt securities	0.0	0.1	-44	0.2	-76
Derivatives	0.4	0.4	4	0.2	
Other interest income	0.0	0.0	-93	0.0	-97
<b>Total interest income</b>	<b>16.6</b>	<b>16.0</b>	<b>4</b>	<b>15.5</b>	<b>7</b>
<i>of which interest income according to the effective interest method</i>	<b>16.6</b>	<b>15.9</b>	<b>4</b>	<b>15.5</b>	<b>7</b>
Liabilities to credit institutions and central banks	-0.1	-0.1	6	-0.1	53
Liabilities to the public	0.6	0.7	-11	1.0	-35
Debt securities issued	0.6	0.6	7	0.9	-31
Subordinated liabilities	0.3	0.3	0	0.3	-14
Derivatives	0.7	0.4	61	0.2	
Other interest expenses	0.0	0.0	-38	0.0	-34
<b>Total interest expenses</b>	<b>2.1</b>	<b>1.9</b>	<b>10</b>	<b>2.4</b>	<b>-10</b>
<i>of which interest expenses according to the effective interest method</i>	<b>2.0</b>	<b>1.8</b>	<b>13</b>	<b>2.3</b>	<b>-10</b>
<b>Net interest income</b>	<b>14.5</b>	<b>14.0</b>	<b>3</b>	<b>13.2</b>	<b>10</b>
Interest margin, per cent	1.11	1.03		0.99	
Investment margin, per cent	1.04	1.00		0.97	

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 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
Bank commissions	2.4	2.5	-5	2.3	7
Asset management commissions	13.9	13.1	6	11.2	24
Other commissions	0.6	0.7	-4	0.6	1
<b>Net commission income</b>	<b>16.9</b>	<b>16.3</b>	<b>4</b>	<b>14.1</b>	<b>20</b>

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

Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
Valuation category fair value via the income statement ("profit and losses")					
Debt securities					
Derivative instruments	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>0.0</b>	
Hedge accounting					
<i>of which hedging instruments</i>	0.6	-5.5		2.2	-75
<i>of which hedged item</i>	-0.7	5.7		-2.2	-71
<b>Hedge accounting</b>	<b>-0.1</b>	<b>0.1</b>		<b>0.0</b>	
<b>Net income from foreign currency revaluation</b>	<b>-0.3</b>	<b>0.2</b>		<b>0.0</b>	
<b>Modification results and expected credit losses</b>	<b>0.0</b>	<b>0.1</b>	<b>-65</b>	<b>0.0</b>	<b>-28</b>
<b>Net income from financial assets</b>	<b>1.1</b>	<b>0.7</b>	<b>52</b>	<b>0.3</b>	
<b>Total</b>	<b>0.7</b>	<b>1.1</b>	<b>-32</b>	<b>0.4</b>	<b>80</b>

## 8. Other expenses

Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
Stability fee	2.0	0.0		2.3	-12
Other administrative expenses	7.0	7.6	-8	6.4	9
<b>Total</b>	<b>9.0</b>	<b>7.6</b>	<b>18</b>	<b>8.7</b>	<b>3</b>

## 9. Net impairment losses on financial assets

Group	Q1 2020	Q4 2019	%	Q1 2019	%
<b>EUR M</b>					
Loan losses, Stage 1	0.3	-0.2		-0.1	
Loan losses, Stage 2	2.5	-0.2		0.0	
<b>Net loan losses, Stages 1-2</b>	<b>2.9</b>	<b>-0.5</b>		<b>-0.1</b>	
Loan losses, Stage 3					
New and increased individual provisions	0.9	2.7	-69	1.3	-34
Recovered from previous provisions	-0.3	-0.7	-58	-0.9	-68
Utilised for actual loan losses	-3.9	-0.2		-0.6	
Actual loan losses	4.2	0.5		0.7	
Recoveries of actual loan losses	0.0	-0.1	-66	-0.1	-75
Net group provisions	0.2			0.2	-10
<b>Net loan losses, Stage 3</b>	<b>0.9</b>	<b>2.2</b>	<b>-59</b>	<b>0.6</b>	<b>65</b>
<b>Total loan losses</b>	<b>3.8</b>	<b>1.8</b>		<b>0.4</b>	
of which receivables from the public and public sector	3.7	1.8		0.4	
of which off-balance sheet commitments	0.0	0.0		0.0	
of which debt securities at amortised cost	0.0	0.0	65	0.0	
Loan loss level, receivables from the public and public sector, %	0.37	0.18		0.05	

Provisions related to Stage 1 and Stage 2 loans increased during the first quarter of 2020, partly due to a general economic cycle adjustment of EUR 0.8 M and partly due to a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio, which is recognised in Stage 2.

## 10. Receivables from the public and public sector by purpose

Group	Mar 31, 2020			Dec 31, 2019	%	Mar 31, 2019	%
	Receivables before provisions	Provisions	Receivables after provisions	Receivables after provisions		Receivables after provisions	
<b>EUR M</b>							
Private individuals							
Home loans	2,255	-3	2,253	2,266	-1	2,271	-1
Securities and other investments	327	0	327	325	1	312	5
Business operations	108	-2	107	108	-1	107	-1
Other household purposes	261	-3	258	267	-3	230	12
<b>Total, private individuals</b>	<b>2,952</b>	<b>-8</b>	<b>2,944</b>	<b>2,966</b>	<b>-1</b>	<b>2,920</b>	<b>1</b>
Companies							
Shipping	64	0	64	50	27	58	11
Wholesale and retail trade	43	0	43	42	2	46	-7
Housing operations	290	0	289	312	-7	303	-4
Other real estate operations	176	-1	176	210	-16	193	-9
Financial and insurance operations	247	0	247	220	13	225	10
Hotel and restaurant operations	29	0	29	29	2	29	2
Agriculture, forestry and fishing	12	0	12	11	4	11	8
Construction	91	0	91	80	14	65	41
Other industry and crafts	37	0	37	36	1	36	1
Other service operations	103	-3	100	109	-9	92	9
<b>Total, companies</b>	<b>1,093</b>	<b>-4</b>	<b>1,088</b>	<b>1,100</b>	<b>-1</b>	<b>1,057</b>	<b>3</b>
Public sector and non-profit organisations	43	0	43	44	-3	40	8
<b>Total, public sector and non-profit organisations</b>	<b>43</b>	<b>0</b>	<b>43</b>	<b>44</b>	<b>-3</b>	<b>40</b>	<b>8</b>
<b>Total</b>	<b>4,088</b>	<b>-12</b>	<b>4,076</b>	<b>4,110</b>	<b>-1</b>	<b>4,017</b>	<b>1</b>

The Bank of Åland is not yet seeing any increase in non-performing loans due to the prevailing coronavirus crisis, but in light of an expected economic downturn the Bank has decided to set aside EUR 2.0 M in a group provision related to heightened risk of losses, primarily in the corporate loan portfolio. This group provision is recognised above as part of "Other service operations".

## 11. Receivables from the public and public sector by stage

Group	Jan 1, 2020 - Mar 31, 2020				Jan 1, 2019-
	Stage 1	Stage 2	Stage 3	Total	Mar 31, 2019
<b>EUR M</b>					
Carrying amount, gross					
Opening balance, January 1	3,972.5	116.4	33.5	4,122.5	4,033.0
Closing balance, March 31	3,876.2	176.5	34.8	4,087.5	4,028.0
Provisions for expected losses					
<b>Opening balance, January 1</b>	<b>0.5</b>	<b>0.9</b>	<b>11.1</b>	<b>12.4</b>	<b>11.3</b>
Increases due to issuances and acquisitions	0.0	0.0	0.0	0.0	0.1
Decrease due to removal from balance sheet	0.0	0.0	-0.1	-0.1	-1.2
Decrease due to write-offs	0.0	0.0	-3.9	-3.9	-0.1
Transfer to Stage 1	0.1	-0.1	0.0	0.0	0.0
Transfer to Stage 2	-0.1	0.1	0.0	0.0	0.0
Transfer to Stage 3	0.0	0.0	0.1	0.0	0.0
Net changes due to changed credit risk	0.3	2.6	0.7	3.6	1.1
Net changes due to changed estimation method	0.0	0.0	0.0	0.0	-0.1
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
<b>Closing balance, March 31</b>	<b>0.8</b>	<b>3.4</b>	<b>7.8</b>	<b>12.0</b>	<b>11.1</b>
Carrying amount, net					
Opening balance, January 1	3,972.0	115.5	22.5	4,110.0	4,021.7
Closing balance, March 31	3,875.3	173.2	27.0	4,075.5	4,016.9
	<b>Mar 31,</b>	<b>Dec 31,</b>	<b>Mar 31,</b>		
Impairment losses, IFRS 9 - Financial ratios	<b>2020</b>	<b>2019</b>	<b>2019</b>		
Total provision ratio, receivables from the public, %	0.29	0.30	0.28		
Provision ratio, Stage 1, receivables from the public, %	0.02	0.01	0.02		
Provision ratio, Stage 2, receivables from the public, %	1.91	0.74	0.66		
Provision ratio, Stage 3, receivables from the public, %	22	33	45		
Share of receivables from the public in Stage 3, %	0.85	0.81	0.51		

Provisions related to Stage 1 and Stage 2 loans increased during the first quarter of 2020, partly due to a general economic cycle adjustment of EUR 0.8 M and partly due to a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio, which is recognised in Stage 2.

## 12. Debt securities issued

Group	Mar 31, 2020	Dec 31, 2019	%	Mar 31, 2019	%
<b>EUR M</b>					
Certificates of deposit	166	108	54	138	21
Covered bonds	1,126	1,145	-2	1,316	-14
Senior non-covered bonds	251	351	-28	350	-28
<b>Total</b>	<b>1,543</b>	<b>1,604</b>	<b>-4</b>	<b>1,804</b>	<b>-14</b>

## 13. Derivative instruments

Group	Mar 31, 2020			Dec 31, 2019					
	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>	1	58	6	65	3	3	65	3	3
Currency-related contracts									
<i>Currency forward contracts</i>	751			751	11	11	716	4	5
<b>Total</b>	<b>752</b>	<b>58</b>	<b>6</b>	<b>816</b>	<b>14</b>	<b>14</b>	<b>781</b>	<b>7</b>	<b>8</b>
Derivatives for fair value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	261	1,073	34	1,367	14	5	1,356	14	4
<b>Total</b>	<b>261</b>	<b>1,073</b>	<b>34</b>	<b>1,367</b>	<b>14</b>	<b>5</b>	<b>1,356</b>	<b>14</b>	<b>4</b>
<b>Total derivative instruments</b>	<b>1,012</b>	<b>1,131</b>	<b>40</b>	<b>2,183</b>	<b>28</b>	<b>19</b>	<b>2,136</b>	<b>21</b>	<b>12</b>
<i>of which cleared</i>	261	1,128	37	1,425	15	8	1,414	16	7

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

Group		Mar 31, 2020		
EUR M	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
Debt securities	494			494
Receivables from the public and public sector entities		108		108
Shares and participations	0	0	9	9
Derivative instruments		28		28
<b>Total financial assets</b>	<b>494</b>	<b>135</b>	<b>9</b>	<b>638</b>
Debt securities issued		1,149		1,149
Derivative instruments		19		19
<b>Total financial liabilities</b>		<b>1,168</b>		<b>1,168</b>

Group		Dec 31, 2019		
EUR M	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
Debt securities	545			545
Receivables from the public and public sector entities		102		102
Shares and participations	0	0	9	9
Derivative instruments		21		21
<b>Total financial assets</b>	<b>545</b>	<b>123</b>	<b>9</b>	<b>677</b>
Debt securities issued		1,158		1,158
Derivative instruments		12		12
<b>Total financial liabilities</b>		<b>1,170</b>		<b>1,170</b>

Changes in Level 3 holdings		Mar 31, 2020
EUR M	Shares and participations	
Carrying amount on January 1		9.4
New purchases/reclassifications		0.4
Change in value recognised in "Other comprehensive income"		-0.7
<b>Carrying amount on March 31</b>		<b>9.1</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. 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, 2020	Dec 31, 2019	%	Mar 31, 2019	%
<b>EUR M</b>					
Obligations to a third party on behalf of customers	29	23	30	18	62
Irrevocable obligations on behalf of customers	433	421	3	426	2
<b>Total</b>	<b>462</b>	<b>444</b>	<b>4</b>	<b>445</b>	<b>4</b>
Provision for expected loss	0	0	48	0	

### 16. Assets pledged

Group	Mar 31, 2020	Dec 31, 2019	%	Mar 31, 2019	%
<b>EUR M</b>					
Lending to credit institutions	53	36	50	25	
Debt securities	167	175	-5	166	1
Loan receivables constituting collateral (cover pool) for covered bonds	1,572	1,584	-1	2,001	-21
Other assets pledged	3	3	17	3	1
<b>Total</b>	<b>1,795</b>	<b>1,797</b>	<b>0</b>	<b>2,196</b>	<b>-18</b>

During the 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.



## 17. Capital adequacy

Group	Mar 31, 2020	Dec 31, 2019	%	Mar 31, 2019	%
<b>EUR M</b>					
Equity capital according to balance sheet	257.8	258.4	0	247.0	4
Foreseeable dividend		-15.6	-100	-13.0	-100
<b>Common equity Tier 1 capital before deductions</b>	<b>257.8</b>	<b>242.8</b>	<b>6</b>	<b>234.0</b>	<b>10</b>
Intangible assets	-24.5	-25.0	-2	-20.8	18
Non-controlling interests	0.0	0.0	-21	0.0	-22
Net other items	0.0	0.0	98	0.0	98
Further adjustments in value	-0.5	-0.6	-8	-0.5	4
Expected losses according to IRB approach beyond recognised losses (deficit)	-5.0	-6.2	-20	-5.6	-10
Adjustments due to transitional rules related to IFRS 9	0.5	0.6	0	0.6	-8
<b>Common equity Tier 1 capital</b>	<b>228.3</b>	<b>211.5</b>	<b>8</b>	<b>207.7</b>	<b>10</b>
<b>Additional Tier 1 capital</b>					
<b>Tier 1 capital</b>	<b>228.3</b>	<b>211.5</b>	<b>8</b>	<b>207.7</b>	<b>10</b>
Supplementary capital instruments	35.1	36.2	-3	36.9	-5
Expected losses according to IRB approach beyond recognised losses (surplus)		1.7	-100	0.1	-100
<b>Supplementary capital</b>	<b>35.1</b>	<b>37.9</b>	<b>-7</b>	<b>36.9</b>	<b>-5</b>
<b>Total capital base</b>	<b>263.5</b>	<b>249.4</b>	<b>6</b>	<b>244.6</b>	<b>8</b>
Capital requirement for credit risk according to the IRB approach	42.4	40.8	4	40.6	4
Capital requirement for risk weighting floor, home mortgage loans	7.6	8.0	-6	7.8	-3
Capital requirement for credit risk according to standardised approach	58.9	60.2	-2	57.8	2
Capital requirement for credit-worthiness adjustment risk	0.0	0.0	-13	0.0	-66
Capital requirement for operational risk	18.2	17.6	3	17.6	3
<b>Capital requirement</b>	<b>127.1</b>	<b>126.6</b>	<b>0</b>	<b>123.8</b>	<b>3</b>
<b>Capital ratios</b>					
Common equity Tier 1 capital ratio, %	14.4	13.4		13.4	
Tier 1 capital ratio, %	14.4	13.4		13.4	
Total capital ratio, %	16.6	15.8		15.8	
Risk exposure amount	1,589	1,583	0	1,548	3
of which % comprising credit risk	86	86		86	
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	14	14		14	

Requirements related to capital buffers, %	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
Total common equity Tier 1 capital requirements including buffer requirements	8.5	10.7	9.5
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		1.2	1.0
of which systemic risk buffer requirement		1.0	
Common equity Tier 1 capital available to be used as a buffer	14.4	13.4	13.4

Exposure class	Mar 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	137.1	125.6	57	71.3	5.7
Corporate, small and medium sized companies	354.4	329.1	62	203.0	16.2
Corporate, special lending	5.3	5.3	112	5.9	0.5
<b>Using own LGD estimates</b>					
Retail with property as collateral (small and medium-sized companies)	1,819.1	1,807.9	10	184.5	14.8
Retail with property as collateral (private individuals)	118.0	117.4	23	27.2	2.2
Retail, other (small and medium-sized companies)	34.7	34.3	21	7.3	0.6
Retail, other	351.6	308.1	10	30.7	2.5
<b>Total exposures according to IRB approach</b>	<b>2,820.3</b>	<b>2,727.6</b>	<b>19</b>	<b>529.9</b>	<b>42.4</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	524.0	627.1	0	0.0	0.0
Regional governments or local authorities	38.8	64.6	0	0.0	0.0
Public sector entities	0.0	0.0	0	0.0	0.0
Multilateral development banks	59.8	63.7	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	351.2	308.1	21	64.8	5.2
Corporates	504.3	180.8	99	179.2	14.3
Retail	263.8	83.4	73	61.0	4.9
Secured by mortgages on immovable property	957.6	956.3	33	312.6	25.0
Exposures in default	1.8	1.8	127	2.2	0.2
Covered bonds	461.0	460.9	10	47.7	3.8
Equity exposures	9.7	9.7	100	9.7	0.8
Other exposures	97.8	97.8	61	59.6	4.8
<b>Total exposures according to standardised approach</b>	<b>3,274.0</b>	<b>2,858.1</b>	<b>26</b>	<b>736.9</b>	<b>58.9</b>
<b>Total risk exposure amount, credit risk</b>	<b>6,094.2</b>	<b>5,585.7</b>	<b>23</b>	<b>1,266.8</b>	<b>101.3</b>

Exposure class	Dec 31, 2019				
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	143.9	130.5	57	75.0	6.0
Corporate, small and medium sized companies	352.6	313.6	60	189.6	15.2
Corporate, special lending	5.3	5.3	112	5.9	0.5
<b>Using own LGD estimates</b>					
Retail with property as collateral (small and medium-sized companies)	1,817.4	1,806.4	0	175.3	14.0
Retail with property as collateral (private individuals)	118.5	117.8	23	27.5	2.2
Retail, other (small and medium-sized companies)	35.6	35.1	21	7.2	0.6
Retail, other	350.6	308.0	9	29.0	2.3
<b>Total exposures according to IRB approach</b>	<b>2,823.8</b>	<b>2,716.7</b>	<b>19</b>	<b>509.4</b>	<b>40.8</b>
<b>Credit risk according to standardised approach</b>					
Central government or central banks	516.6	608.5	0	0.0	0.0
Regional governments or local authorities	45.2	69.9	0	0.0	0.0
Public sector entities	0.0	0.0	0	0.0	0.0
Multilateral development banks	28.8	31.9	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	325.7	276.6	22	60.4	4.8
Corporates	479.7	184.0	99	182.2	14.6
Retail	249.7	88.6	73	64.7	5.2
Secured by mortgages on immovable property	993.5	991.9	33	322.7	25.8
Exposures in default	3.0	2.3	124	2.8	0.2
Covered bonds	503.4	503.3	10	52.1	4.2
Equity exposures	9.7	9.7	100	9.7	0.8
Other exposures	85.8	85.8	68	58.4	4.7
<b>Total exposures according to standardised approach</b>	<b>3,245.1</b>	<b>2,856.5</b>	<b>26</b>	<b>752.9</b>	<b>60.2</b>
<b>Total risk exposure amount, credit risk</b>	<b>6,068.9</b>	<b>5,573.1</b>	<b>23</b>	<b>1,262.3</b>	<b>101.0</b>
<b>Leverage ratio</b>					
	Mar 31, 2020	Dec 31, 2019	%	Mar 31, 2019	%
<b>EUR M</b>					
Tier 1 capital	228.3	211.5	8	207.7	10
Total exposure measure	5,670.2	5,663.4	0	5,615.5	1
of which balance sheet items	5,578.5	5,581.4	0	5,533.4	1
of which off-balance sheet items	91.8	82.0	12	82.1	12
Leverage ratio, %	4.0	3.7		3.7	

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

*Translation*

# Report on review of the interim report of Bank of Åland Plc for the three months period ending March 31, 2020

To the Board of Directors of Bank of Åland Plc

## Introduction

We have reviewed the summary balance sheet as of March 31, 2020 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 24, 2020

Marcus Tötterman

*Authorised Public Accountant, KHT*

Fredrik Westerholm

*Authorised Public Accountant, KHT*

Jessica Björkgren

*Authorised Public Accountant, KHT*