



January – December 2020

Compared to January – December 2019

- Net operating profit increased by 20 per cent to EUR 39.7 M (33.2).
- Net interest income increased by 9 per cent to EUR 58.9 M (53.9).
- Net commission income increased by 14 per cent to EUR 66.3 M (58.0).
- Total expenses increased by 8 per cent to EUR 105.6 M (97.5).
- Net impairment losses on financial assets (including recoveries) totalled EUR 4.9 M (3.2), equivalent to a loan loss level of 0.11 (0.08) per cent.
- Return on equity after taxes (ROE) increased to 11.6 (10.7) per cent.
- Earnings per share increased by 19 per cent to EUR 2.02 (1.69).
- The common equity Tier 1 ratio rose to 14.3 per cent (13.4).
- Future outlook: The Bank of Åland expects its net operating profit in 2021 to be at about the same level as in 2020.
- Dividend: The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.00 per share for the 2020 financial year.

The fourth quarter of 2020

Compared to the fourth quarter of 2019

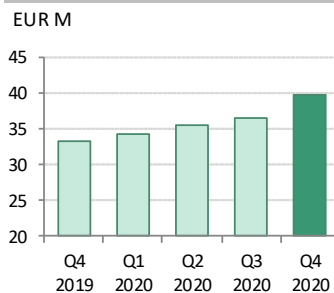
- Net operating profit increased by 35 per cent to EUR 12.3 M (9.1).
- Net interest income increased by 6 per cent to EUR 14.9 M (14.0).
- Net commission income increased by 13 per cent to EUR 18.5 M (16.3).
- Total expenses increased by 9 per cent to EUR 27.8 M (25.5).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.0 M (1.8), equivalent to a loan loss level of -0.04 (0.18) per cent.
- Return on equity after taxes (ROE) increased to 13.6 (11.4) per cent.
- Earnings per share increased by 35 per cent to EUR 0.63 (0.46).

"We followed up the record year 2019 by increasing our net operating profit by another 20 per cent to EUR 39.7 M in 2020. We did this during a year with very special conditions. I am proud of the skill our organisation showed when it quickly repositioned itself and adapted to the prevailing circumstances."

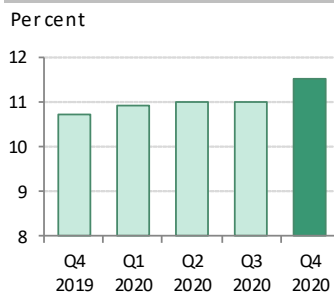
"During the fourth quarter, we generated a return on equity of 13.6 per cent and our best-ever quarterly net operating profit, EUR 12.3 M. Because of continued inflows of assets under management during the quarter, volume increased by 17 per cent during 2020 to EUR 7,436 M. We can thus report record volumes on every line, since both our deposits (EUR 3,605 M) and our lending (EUR 4,378 M) grew by 7 per cent during the year."

Peter Wiklöf, Managing Director and Chief Executive

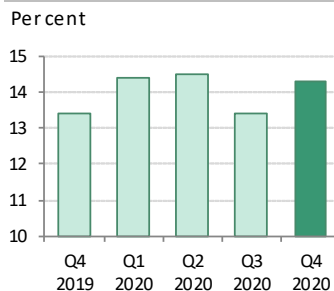
4-quarter moving net operating profit



4-quarter moving ROE



Common equity Tier 1 ratio



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

Financial summary

Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Income								
Net interest income	14.9	14.7	1	14.0	6	58.9	53.9	9
Net commission income	18.5	15.2	21	16.3	13	66.3	58.0	14
Net income from financial items at fair value	0.4	0.6	-33	1.1	-61	1.8	3.9	-53
Other income	6.3	5.3	21	5.0	26	23.1	18.1	27
Total income	40.1	35.8	12	36.4	10	150.1	133.9	12
Expenses								
Staff costs	-16.9	-15.3	10	-14.6	15	-62.9	-57.0	10
Other expenses	-7.9	-6.4	24	-7.6	4	-30.3	-28.7	6
Depreciation/amortisation	-3.1	-3.1	-1	-3.3	-8	-12.3	-11.8	4
Total expenses	-27.8	-24.8	12	-25.5	9	-105.6	-97.5	8
Profit before impairment losses	12.3	11.0	12	10.9	13	44.6	36.4	22
Impairment losses on financial assets, net	0.0	-0.3		-1.8		-4.9	-3.2	51
Net operating profit	12.3	10.7	15	9.1	35	39.7	33.2	20
Income taxes	-2.5	-2.2	17	-1.9	32	-8.2	-6.9	20
Profit for the report period	9.8	8.5	14	7.2	36	31.5	26.3	20
Attributable to:								
Shareholders in Bank of Åland Plc	9.8	8.5	15	7.2	36	31.5	26.3	20
Volume								
Receivables from the public and public sector	4,378	4,221	4	4,110	7			
Deposits from the public and public sector	3,605	3,459	4	3,368	7			
Actively managed assets ¹	7,436	6,547	14	6,343	17			
Equity capital	292	280	4	258	13			
Balance sheet total	6,035	5,726	5	5,607	8			
Risk exposure amount	1,671	1,693	-1	1,583	6			
Financial ratios								
Return on equity after taxes, % (ROE) ²	13.6	12.3		11.4		11.6	10.7	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	11.6	11.0		10.7				
Expense/income ratio ³	0.69	0.69		0.70		0.70	0.73	
Loan loss level, % ⁴	-0.04	0.03		0.18		0.11	0.08	
Liquidity coverage ratio (LCR), % ⁵	159	138		139				
Loan/deposit ratio, % ⁶	121	122		122				
Core funding ratio, % ⁷	96	96		90				
Equity/assets ratio, % ⁸	4.8	4.9		4.6				
Common equity Tier 1 capital ratio, % ⁹	14.3	13.4		13.4				
Earnings per share, EUR ¹⁰	0.63	0.55	15	0.46	35	2.02	1.69	19
Earnings per share after dilution, EUR	0.63	0.55	15	0.46	36	2.02	1.69	19
Earnings per share, EUR, moving 12-month average to end of report period	2.02	1.86	9	1.69	19			
Equity capital per share, EUR ¹¹	18.76	17.95	4	16.61	13			
Equity capital per share after dilution, EUR	18.76	17.95	5	16.59	13			
Market price per Series A share, EUR	21.60	18.80	15	17.00	27			
Market price per Series B share, EUR	20.90	18.80	11	16.55	26			
Number of shares outstanding, 000s	15,586	15,586		15,551	0			
Number of shares outstanding, after dilution, 000s	15,634	15,598	0	15,601	0			
Working hours re-calculated to full-time equivalent positions	770	773	0	700	10	751	700	7

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

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

³ Expenses / Income

⁴ Impairment losses on loan portfolio and other commitments / Receivables from the public and public sector at the beginning of the period

⁵ Liquidity coverage ratio (LCR) = liquid assets, level 1 and 2 / 30-day net outflow

⁶ Receivables from the public and public sector / Deposits from the public and public sector

⁷ 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

⁸ Equity capital / Balance sheet total

⁹ Common equity Tier 1 capital / Risk exposure amount

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

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

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

In many ways, 2020 was a special year. The SARS-cov-2 coronavirus – which causes the disease known as COVID-19 – has spread from country to country, with devastating effects on both public health and economic health. Many countries that managed to show a downward trend in the number of new infections this past summer were hit by a second wave during the autumn, causing them to face difficult choices regarding the reintroduction of social restrictions and prohibitions.

The coronavirus pandemic led to changes in official regulations. Banking customers were offered the possibility of postponing loan principal payments. Minimum requirements for the capital adequacy and liquidity of banks were revised. The ability of banks to pay dividends to their shareholders was curtailed. The Finnish Financial Supervision Authority (FIN-FSA) announced that the risk weight floor on mortgage loans that was introduced in Finland on June 27, 2017 – and that went into effect in 2018 – would disappear as of January 1, 2021.

Public officials launched both fiscal and monetary stimulus measures in an effort to soften the economic impact of the crisis. Concurrently, the world's central banks launched massive stimulus programmes to ensure market liquidity and stability, in order to help both businesses and employees.

On March 3 the US Federal Reserve (Fed) cut its key interest 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. As expected, at its December policy meeting the Fed left the key rate unchanged. Nor did it make any changes in the current pace and direction of its asset purchases.

Since early 2016 the European Central Bank (ECB) has kept its key rate at 0.00 per cent. At its latest interest rate policy meeting in December, it announced that the key rate will remain unchanged. Meanwhile the ECB is continuing with its stimulus programmes.

During the first quarter of 2020, Sweden's Riksbank hiked its most important key interest rate from -0.25 per cent to 0.00 per cent and has subsequently left this rate unchanged and repeated that it is expected to remain at this level for the next few years. At its latest interest rate policy meeting, the Riksbank announced that its asset purchases are being extended and their limit is being expanded.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q4 2020	Q3 2020	Q4 2019
Euribor 3 mo	-0.52	-0.47	-0.40
Euribor 12 mo	-0.48	-0.35	-0.28
Stibor 3 mo	-0.08	0.01	0.01

BENCHMARK INTEREST RATES, ANNUAL AVERAGES, PER CENT

	2020	2019
Euribor 3 mo	-0.43	-0.36
Euribor 12 mo	-0.30	-0.22
Stibor 3 mo	0.08	-0.03

During the first quarter of 2020, share prices on the world's stock exchanges fell sharply as a reaction to the global pandemic, but during the year as a whole the Nasdaq Helsinki (OMXHPI) equity index rose by 10 per cent and the Nasdaq Stockholm (OMXSPI) index rose by 13 per cent.

The average value of the Swedish krona (SEK) in relation to the euro (EUR) was 1 per cent higher during 2020 than in 2019 and 4 per cent stronger 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 during 2020 were replaced by digital meetings. A majority of staff members worked remotely.

Customers are adversely affected by social lockdowns in all of our geographic markets. 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 individual customers with sound finances, wealthy families and entrepreneurs. 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 have designed concrete support programmes together with our Åland 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.

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 445,000 to several projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 2.7 M to various environmentally related projects.

In May the Bank of Åland launched a new equity fund called Ålandsbanken Nordiska Småbolag. The fund invests in Nordic small and medium sized enterprises that we classify as "quality companies" – firms with stable balance sheets, strong cash flows, high profitability and good growth potential. The fund complies with the Bank's general rules and guidelines concerning responsible investments and is also completely free of weapon- and fossil fuel-related companies. The fund has attracted great interest.

In November the Bank of Åland further strengthened its position in sustainable investments by launching Finland's first special placement fund for investing in wind power – Ålandsbanken Vindkraft (the Ålandsbanken Wind Power Fund). The fund invests in wind power projects that have all the required permits to begin construction, or in already active wind farms in Finland and other Nordic countries. By investing in wind power, the Bank's customers can contribute to a climate-neutral society, while the fund is expected to generate attractive returns.

For the seventh consecutive year, the Bank of Åland (Ålandsbanken) Euro Bond Fund was named the best Nordic fund in its category and received the Refinitiv Lipper Nordics Fund Award. The Fund won the award for all management periods that were analysed: 3, 5 and 10 years. 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. This demonstrates the Fund's success in relation to its reference group and benchmark indices.

The Bank of Åland's global equity fund Ålandsbanken Global Aktie became the second fund in the Bank's asset management range to be granted the Nordic Swan Ecolabel. Together with the bond fund Ålandsbanken Green Bond ESG, which was granted the Nordic Swan Ecolabel in the autumn of 2019, the new equity fund is an important part of the Bank's long-term commitment to sustainability. To earn the Nordic Swan Ecolabel, a fund must meet 25 mandatory requirements dealing with exclusions, inclusions, transparency and impacts.

The Annual General Meeting (AGM) on April 2, 2020 re-elected the Board of Directors 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.

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 – DECEMBER 2020

Net operating profit rose by EUR 6.5 M or 20 per cent to EUR 39.7 M (33.2). This was the highest profit in the Bank's history.

Profit for the period attributable to shareholders increased by EUR 5.2 M or 20 per cent to EUR 31.5 M (26.3).

Return on equity after taxes (ROE) increased to 11.6 per cent (10.7).

Total income rose by EUR 16.2 M or 12 per cent to EUR 150.1 M (133.9).

Net interest income rose by EUR 5.0 M or 9 per cent to EUR 58.9 M (53.9). The increase 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 8.3 M or 14 per cent to EUR 66.3 M (58.0), mainly due to higher income from the Bank's asset management business.

Net income on financial items fell by EUR 2.1 M to EUR 1.8 M (3.9), mainly due to lower capital gains.

Information technology (IT) income rose by EUR 4.5 M or 25 per cent to EUR 21.9 M (17.5). Crosskey's new subsidiary Model IT is part of its operations this year. This was one explanation for the increase, alongside higher project income.

Total expenses increased by EUR 8.1 M or 8 per cent to EUR 105.6 M (97.5). About half of the increase in expenses was attributable to the subsidiary Crosskey and its acquisition Model IT. Another contributing factor was that the stability fee to Finland's Resolution Fund increased by EUR 0.8 M or 50 per cent to EUR 2.6 M (1.8).

Model-driven impairment losses on financial assets increased because of the expected effects of the coronavirus pandemic. During the first quarter of 2020, the Bank made a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio. During the fourth quarter, this group provision was absorbed into the model for expected losses and distributed at the loan level, with the largest share allocated to corporate loans. Total net impairment losses on financial assets increased by EUR 1.7 M to EUR 4.9 M (3.2), equivalent to a loan loss level of 0.11 (0.08) per cent.

Tax expense amounted to EUR 8.2 M (6.9), equivalent to an effective tax rate of 20.7 (20.7) per cent.

EARNINGS FOR THE FOURTH QUARTER OF 2020

Net operating profit rose by EUR 3.2 M or 35 per cent to EUR 12.3 M (9.1). Excluding nonrecurring items, this was the highest quarterly profit in the Bank's history.

Profit for the period attributable to shareholders increased by EUR 2.6 M or 36 per cent to EUR 9.8 M (7.2).

Return on equity after taxes (ROE) increased to 13.6 (11.4) per cent.

Total income rose by EUR 3.7 M or 10 per cent to EUR 40.1 M (36.4).

Net interest income rose by EUR 0.9 M or 6 per cent to EUR 14.9 M (14.0), mainly due to higher lending volume.

Net commission income rose by EUR 2.2 M or 13 per cent to EUR 18.5 M (16.3), mainly due to higher income from the Bank's asset management business.

Net income on financial items decreased by EUR 0.7 M to EUR 0.4 M (1.1) because of lower capital gains.

Information technology (IT) income rose by EUR 1.2 M or 24 per cent to EUR 6.0 M (4.8). Crosskey's new subsidiary Model IT is part of its operations this year, which is one of the explanations for the increase. Higher project income also contributed.

Total expenses increased by EUR 2.3 M or 9 per cent to EUR 27.8 M (25.5). Model IT is one explanation for the increase. Higher staff costs in banking operations also contributed to the increase in total expenses.

Net impairment losses on financial assets totalled EUR 0.0 M (1.8), equivalent to a loan loss level of -0.04 (0.18) per cent. The "loan loss level" key ratio excludes impairment losses on off-balance sheet commitments and impairment losses on holdings in the liquidity portfolio, resulting in a negative loan loss level, which means net recoveries on receivables from the public.

STRATEGIC BUSINESS AREAS

The Group's EUR 6.5 M increase in net operating profit to EUR 39.7 M was allocated as follows:

- Private Banking +8.2 (higher income)
- Premium Banking -0.4 (higher impairment loss provisions)
- IT +0.2 (higher customer volume)
- Corporate Units -1.5
& Eliminations

BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 1,093 M or 17 per cent compared to year-end 2019 and amounted to EUR 7,436 M (6,343). The increase was due to both positive net inflows and a positive market effect.

Deposits from the public rose by 7 per cent compared to year-end 2019 and amounted to EUR 3,605 M (3,368).

Receivables from the public increased by 7 per cent compared to year-end 2019 and totalled EUR 4,378 M (4,110).

All business volumes represented the highest figure in the Bank of Åland's history.

CREDIT QUALITY

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

The Bank of Åland is not yet seeing any increase in non-performing loans due to the coronavirus crisis.

Model-driven impairment losses on financial assets in compliance with IFRS 9, in stages 1 and 2, increased sharply during 2020. So far it has not been necessary to utilise these provisions.

The Bank of Åland Group had EUR 11.9 M (12.4 on December 31, 2019) in impairment loss provisions, of which EUR 2.5 M (0.5) in Stage 1, EUR 1.0 M (0.9) in Stage 2 and EUR 8.3 M (11.1) in Stage 3.

Stage 3 loans increased during 2020 by EUR 5.3 M to EUR 38.9 M. Stage 3 loans as a share of gross receivables from the public totalled 0.89 per cent (0.81). The level of provisions for Stage 3 loans amounted to 21 (33) per cent. Most of these loans have good collateral.

Actual loan losses (EUR 5.6 M) increased mainly because individual corporate loans that had been listed as impairment losses during previous financial years were classified as final losses during the first quarter of the financial year.

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 1,175 M on December 31, 2020 (1,129 on December 31, 2019). This was equivalent to 19 (20) per cent of total assets and 27 (27) per cent of receivables from the public.

In March EUR 100 M in non-covered bonds was repaid, and in May a further EUR 250 M in covered bonds. As a replacement for the capital market borrowing that was repaid, the Bank of Åland took advantage of the funding programme that Sveriges Riksbank (Sweden's central bank) is offering, secured among other things by a new covered bond that was issued from the Swedish pool. On December 31, 2020, the average remaining maturity of bonds outstanding was about 2.5 (2.5) years.

On December 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 96 (90) per cent.

The loan/deposit ratio amounted to 121 (122) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 64 (65) per cent and covered bonds issued accounted for 16 (22) per cent.

The liquidity coverage ratio (LCR) amounted to 159 (139) per cent. The net stable funding ratio (NSFR) amounted to 106 (115) 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 negative outlook for its long- and short-term borrowing. The outlook was downgraded from positive to negative in May 2020 based on the ratings agency's revision in its future economic outlook for the country of Finland as a consequence of the coronavirus pandemic. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

The Bank of Åland's outlook was changed from negative to positive in January 2021.

EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 31.5 M; other comprehensive income, EUR 2.3 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 December 31, 2020, equity capital amounted to EUR 292.4 M (258.4 on December 31, 2019).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -2.2 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 27.0 M or 13 per cent during 2020 to EUR 238.5 M (211.5). Unlike the periods ending March 31 and June 30, the now-predicted dividend distribution for the 2019 financial year as well as the predicted dividend for the 2020 financial year have been subtracted from common equity Tier 1 capital. The Board approved the dividend for 2019 on January 1, 2021.

The risk exposure amount increased by 6 per cent during 2020 and totalled EUR 1,671 M (1,583). The risk exposure amount for credit risk rose by EUR 81 M or 6 per cent. 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 (CET1) capital ratio was increased to 14.3 (13.4) per cent. Since the Bank of Åland has no hybrid capital, its CET1 capital ratio is the same as its Tier 1 capital ratio.

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 0.5 M on December 31. There is also a mitigation measure for certain intangible assets that may also be added back to own funds. The amount totalled EUR 3.6 M on December 31, 2020. 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. Excluding all these mitigation measures, the Bank's CET1 ratio would have amounted to 13.7 per cent.

The total capital ratio increased to 16.5 (15.8) 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 4.2 per cent on December 31, 2020. Excluding the mitigation measure, it would have amounted to 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 exposures, the requirement remains 0.0 per cent. For Swedish exposures, the requirement was lowered from 2.5 per cent to 0.0 per cent.

FIN-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 FIN-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 an ample capital surplus:

- Common equity Tier 1 capital ratio +5.8 per cent
- Tier 1 capital ratio +4.3 per cent
- Total capital ratio +4.5 per cent

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

SUSTAINABILITY INFORMATION

Between 2019 and 2020, the Bank of Åland's carbon dioxide emissions from electricity consumption, travel and paper print-outs decreased by 208 tonnes or 60 per cent to 140 tonnes. Purchases of more green electricity starting in late 2019 significantly lowered carbon dioxide emissions. As a consequence of the coronavirus pandemic, nearly all business travel was suspended, which also significantly decreased carbon dioxide emissions.

DIVIDEND FOR 2019 AND 2020

The Board of Directors proposes that the Annual General Meeting approve payment of a regular dividend of EUR 1.00 per share for the 2020 financial year, equivalent to a total amount of EUR 15.6 M. The dividend is equivalent to a 50 per cent payout ratio.

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 December 18, 2020, FIN-FSA issued a new non-binding recommendation that – in practice – further extended its earlier limitation on dividends or share buy-backs until September 30, 2021. The Bank of Åland chose not to follow this recommendation.

Regulatory authorities have classified all banks in Finland, except the two largest, as "less significant institutions". This implies that the Bank of Åland and the other banks in this category are not expected to be rescued by the government in case of any future crisis. For more than a century the Bank of Åland has acted with a long-term perspective and responsibly, which we also intend to do in the future.

The regulatory recommendations challenge the prerequisites for long-term shareholders to invest in banks. For "less significant institutions", it is vital to have long-term shareholders and for them to be there if any future crisis should require their input.

For this reason, the Bank of Åland's Board believes that the long-term risks to the Bank may be larger if – based on our current level of earnings and risks – we choose to follow the regulatory recommendation than if we also begin to take the Bank's other important stakeholder groups into account.

One of these stakeholder groups is the Bank's approximately 5,300 shareholders in the Åland Islands, who own about 56 per cent of the Bank. In the Board's assessment, the Åland community has a substantially greater need for these dividends than the Bank of Åland has.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

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.

In January the Standard & Poor's Global Ratings agency changed the outlook for the Bank of Åland's credit rating from negative to positive. The outlook was upgraded based on the ratings agency's revision in its future economic outlook for the country of Finland and because the agency expects that the Bank of

Åland's risk-adjusted capitalisation (RAC) will improve significantly over the next two years.

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.

FUTURE OUTLOOK

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

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

FUTURE CAPITAL ADEQUACY

The approved dividend distribution for the 2019 financial year and the proposed dividend distribution for the 2020 financial year were subtracted from the Bank's common equity Tier 1 capital ratio on December 31, 2020. Implementation of dividend distribution will thus not affect the Bank's important capital adequacy ratios.

A previously planned capital market issue of additional Tier 1 (AT1) capital during the first half of 2021 will further strengthen the Bank of Åland's already strong capital adequacy ratios when it is implemented.

LONG-TERM FINANCIAL TARGETS

During 2021 the Bank of Åland will review its long-term financial targets, which are currently:

- Return on equity after taxes (ROE) shall exceed 10 per cent.
- The Bank's capital adequacy, primarily defined as the common equity Tier 1 capital ratio under the Basel regulations, shall clearly exceed all regulatory requirements.
- The payout ratio shall eventually amount to 50 per cent. The payout ratio target presupposes that the capital adequacy target can be maintained.

The Bank of Åland has had these long-term financial targets since 2013, with only minor adjustments in their language.

One point to be proposed for approval by the Annual General Meeting on March 30 will be to authorise repurchases of Series B shares up to a maximum of 10 per cent of the total number of shares outstanding.

GENERAL MEETING

The Annual General Meeting (AGM) will be held on March 30, 2021.

FINANCIAL INFORMATION CALENDER

The Annual Report for 2020 will be published on Friday, February 26, 2021. The corporate governance report is included in the Annual Report, while the risk report (Pillar 3) will be published separately at the same time as the Annual Report.

The Interim Report for the period January–March 2021 will be published on Tuesday, April 27, 2021.

The Half-year Financial Report for the period January–June 2020 will be published on Tuesday, July 20, 2021.

The Interim Report for the period January–September 2020 will be published on Tuesday, October 26, 2021.

This Year-end Report is unaudited.

Mariehamn, February 5, 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.

Our target for 2020 was to reduce carbon dioxide emissions by 18 per cent compared to our 2019 outcome. Purchases of more green electricity starting in late 2019 greatly reduced our carbon dioxide emissions. Due to the coronavirus pandemic, the Bank suspended nearly all business travel, which also greatly reduced carbon dioxide emissions. For these reasons, we exceeded our target for 2020.

Bank of Åland Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
Carbon dioxide emissions, kg								
Paper	3,834	2,880	33	4,068	-6	18,998	21,586	-12
Electricity	21,742	20,642	5	28,158	-23	87,468	202,042	-57
Business travel	742	1,294	-43	36,817	-98	33,688	124,548	-73
Total carbon dioxide	26,318	24,816	6	69,043	-62	140,154	348,176	-60

Bank of Åland Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
Paper consumption, kg	4,236	3,182	33	4,500	-6	19,593	22,304	-12
Energy consumption, GWh	0.53	0.54	-2	0.58	-9	2.06	2.27	-9
<i>of which renewable</i>	0.46	0.47	-2	0.48	-4	1.78	1.63	9
<i>of which other</i>	0.07	0.07	0	0.09	-22	0.29	0.63	-54
Number of business trips	47	51	-8	1,072	-96	961	3,741	-74
<i>of which aircraft</i>	25	30	-17	801	-97	670	2,587	-74
<i>of which ship</i>	2	4	-50	67	-97	93	570	-84
<i>of which train</i>	20	17	18	204	-90	198	584	-66

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Summary income statement

Group	Note	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M									
Net interest income	5	14.9	14.7	1	14.0	6	58.9	53.9	9
Net commission income	6	18.5	15.2	21	16.3	13	66.3	58.0	14
Net income from financial items at fair value	7	0.4	0.6	-33	1.1	-61	1.8	3.9	-53
IT income		6.0	4.9	24	4.8	24	21.9	17.5	25
Other operating income		0.3	0.4	-19	0.2	63	1.2	0.7	80
Total income		40.1	35.8	12	36.4	10	150.1	133.9	12
Staff costs		-16.9	-15.3	10	-14.6	15	-62.9	-57.0	10
Other expenses	8	-7.9	-6.4	24	-7.6	4	-30.3	-28.7	6
Depreciation/amortisation		-3.1	-3.1	-1	-3.3	-8	-12.3	-11.8	4
Total expenses		-27.8	-24.8	12	-25.5	9	-105.6	-97.5	8
Profit before impairment losses		12.3	11.0	12	10.9	13	44.6	36.4	22
Impairment losses on financial assets, net	9	0.0	-0.3		-1.8		-4.9	-3.2	51
Net operating profit		12.3	10.7	15	9.1	35	39.7	33.2	20
Income taxes		-2.5	-2.2	17	-1.9	32	-8.2	-6.9	20
Profit for the period		9.8	8.5	14	7.2	36	31.5	26.3	20
Attributable to:									
Non-controlling interests		0.0	0.0		0.0		0.0	0.0	49
Shareholders in Bank of Åland Plc		9.8	8.5	15	7.2	36	31.5	26.3	20
Earnings per share, EUR		0.63	0.55	15	0.46	35	2.02	1.69	19
Earnings per share after dilution, EUR		0.63	0.55	15	0.46	36	2.02	1.69	19
Earnings per share, EUR, moving 12-month average to end of report period		2.02	1.86	9	1.69	19			

Summary statement of other comprehensive income

Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Profit for the period	9.8	8.5	14	7.2	36	31.5	26.3	20
Assets measured via other comprehensive income								
Changes in valuation at fair value	0.4	0.9	-61	-1.3		3.2	2.2	44
Realised change in value				-0.1	-100		-0.1	-100
Transferred to the income statement	-0.4	-0.2		-0.7	-39	-2.0	-2.8	-28
Translation differences								
Gains/Losses arising during the period	4.3	-0.5		1.5		3.5	-0.9	
Taxes on items that have been or may be reclassified to the income statement	0.0	-0.1		0.4	-96	-0.2	0.1	
<i>of which assets measured via other comprehensive income</i>	0.0	-0.1		0.4	-96	-0.2	0.1	
Items that have been or may be reclassified to the income statement	4.2	0.1		-0.3		4.4	-1.6	
Changes in value of equity instruments	0.4	-0.1		4.6	-91	0.2	4.6	-95
Re-measurements of defined benefit pension plans	-2.2	-0.1		1.3		-2.8	-2.7	4
Taxes on items that may not be reclassified to the income statement	0.4	0.0		-1.2		0.5	-0.4	
<i>of which changes in value of equity instruments</i>	-0.1	0.0		-0.9	-91	0.0	-0.9	-95
<i>of which re-measurements of defined-benefit pension plans</i>	0.4	0.0		-0.3		0.6	0.5	4
Items that may not be reclassified to the income statement	-1.4	-0.1		4.7		-2.1	1.6	
Other comprehensive income	2.8	0.0		4.5	-38	2.3	0.0	
Total comprehensive income for the period	12.6	8.5	48	11.7	8	33.8	26.3	29
Attributable to:								
Non-controlling interests	0.0	0.0		0.0		0.0	0.0	49
Shareholders in Bank of Åland Plc	12.6	8.5	48	11.7	8	33.8	26.3	29

Income statement by quarter

Group	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
EUR M					
Net interest income	14.9	14.7	14.8	14.5	14.0
Net commission income	18.5	15.2	15.7	16.9	16.3
Net income from financial items at fair value	0.4	0.6	0.0	0.7	1.1
IT income	6.0	4.9	5.4	5.7	4.8
Other operating income	0.3	0.4	0.4	0.1	0.2
Total income	40.1	35.8	36.3	37.9	36.4
Staff costs	-16.9	-15.3	-15.6	-15.2	-14.6
Other expenses	-7.9	-6.4	-7.1	-9.0	-7.6
Depreciation/amortisation	-3.1	-3.1	-3.1	-3.1	-3.3
Total expenses	-27.8	-24.8	-25.8	-27.2	-25.5
Profit before impairment losses	12.3	11.0	10.6	10.7	10.9
Net impairment losses on financial assets	0.0	-0.3	-0.8	-3.8	-1.8
Net operating profit	12.3	10.7	9.8	6.9	9.1
Income taxes	-2.5	-2.2	-2.0	-1.5	-1.9
Profit for the period	9.8	8.5	7.8	5.4	7.2
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	9.8	8.5	7.8	5.4	7.2

Summary balance sheet

Group	Note	Dec 31, 2020	Dec 31, 2019	%
EUR M				
Assets				
Cash and balances with central banks		665	490	36
Debt securities eligible for refinancing with central banks		778	789	-1
Lending to credit institutions		51	66	-23
Lending to the public and public sector entities	10, 11	4,378	4,110	7
Shares and participations		13	9	37
Participations in associated companies		1	0	
Derivative instruments	13	25	21	16
Intangible assets		24	25	-4
Tangible assets		33	32	3
Investment properties		0	0	-4
Current tax assets		0	0	31
Deferred tax assets		5	5	6
Other assets		36	37	-3
Accrued income and prepayments		25	22	18
Total assets		6,035	5,607	8
Liabilities				
Liabilities to credit institutions		509	210	
Liabilities to the public and public sector entities		3,605	3,368	7
Debt securities issued	12	1,441	1,604	-10
Derivative instruments	13	15	12	24
Current tax liabilities		5	3	58
Deferred tax liabilities		32	31	4
Other liabilities		57	50	15
Provisions		0	0	
Accrued expenses and prepaid income		40	35	14
Subordinated liabilities		37	36	2
Total liabilities		5,743	5,349	7
Equity capital and non-controlling interests				
Share capital		42	42	
Share premium account		33	33	
Reserve fund		25	25	
Fair value reserve		6	2	
Unrestricted equity capital fund		28	27	1
Retained earnings		159	129	23
Shareholders' portion of equity capital		292	258	13
Non-controlling interests' portion of equity capital		0	0	-9
Total equity capital		292	258	13
Total liabilities and equity capital		6,035	5,607	8

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
Equity capital, Dec 31, 2018	42.0	32.7	25.1	-0.1	-0.4	27.1	116.0	242.4	0.0	242.4
Profit for the period							26.3	26.3	0.0	26.3
Other comprehensive income				3.2	-0.9		-2.3	0.0		0.0
<i>Transactions with the Group's owners</i>										
Dividends paid							-10.9	-10.9		-10.9
Incentive programme	0.1					0.3	0.0	0.4		0.4
Share savings programme							0.2	0.2		0.2
Equity capital, Dec 31, 2019	42.0	32.7	25.1	3.1	-1.3	27.4	129.3	258.3	0.0	258.4
Profit for the period							31.5	31.5	0.0	31.5
Other comprehensive income				1.1	3.5		-2.2	2.3		2.3
<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
Equity capital, Dec 31, 2020	42.0	32.7	25.1	4.1	2.1	27.6	158.6	292.4	0.0	292.4

Summary cash flow statement

Group	Jan-Dec 2020		Jan-Dec 2019	
EUR M				
Cash flow from operating activities				
Net operating profit		39.7		33.2
Adjustment for net operating profit items not affecting cash flow		24.6		22.7
Gains/losses from investing activities				-0.1
Income taxes paid		-4.9		-2.1
Changes in assets and liabilities in operating activities		476.3	535.8	-88.7
Cash flow from investing activities			-9.5	-12.8
Cash flow from financing activities			-352.4	4.9
Exchange rate differences in cash and cash equivalents			2.5	-2.4
Change in cash and cash equivalents		176.5		-45.3
Cash and cash equivalents at beginning of period		495.7		541.0
Cash and cash equivalents at end of period		672.3		495.7
Change in cash and cash equivalents		176.5		-45.3

Notes to the consolidated Year-end 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).

This Year-end Report for the period January 1–December 31 2020 was approved by the Board of Directors on February 4, 2021.

2. Basis for preparation of the Year-end Report and essential accounting principles

BASIS FOR PREPARATION OF THE YEAR-END REPORT

This Year-end Report for the period January 1–December 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 Year-end 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 "0" 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 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.

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.

In the first quarter of 2020, the Executive Team concluded that a group provision should be made due to a heightened risk of losses, primarily in the corporate loan portfolio. Assumptions in the expected credit loss (ECL) model were updated during the fourth quarter, and the group provision was specified through assessments including sectoral and loan-specific circumstances. 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 amounts to EUR 180 M. This volume is recognised in Stage 1 if there are no other reasons besides the postponement of principal payments that justify another stage.

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

3. Segment report

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

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

Group	Jan-Dec 2020					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	28.4	27.1	0.0	3.3	0.0	58.9
Net commission income	48.0	15.0	-0.1	3.2	0.3	66.3
Net income from financial items at fair value	0.0	0.0	-0.1	1.9	0.0	1.8
IT income			37.5	1.2	-16.7	21.9
Other income	0.0	0.0	0.9	1.5	-1.3	1.2
Total income	76.4	42.1	38.2	11.0	-17.7	150.1
Staff costs	-15.8	-6.7	-19.9	-20.4		-62.9
Other expenses	-8.8	-4.9	-12.4	-20.1	15.8	-30.3
Depreciation/amortisation	-0.9	-0.3	-2.8	-10.8	2.4	-12.3
Internal allocation of expenses	-21.2	-19.9		41.1		0.0
Total expenses	-46.7	-31.8	-35.1	-10.2	18.3	-105.6
Profit before impairment losses	29.7	10.3	3.1	0.8	0.6	44.6
Net impairment losses on financial assets	-0.4	-4.1		-0.3	0.0	-4.9
Net operating profit	29.3	6.2	3.1	0.5	0.6	39.7
Income taxes	-6.0	-1.3	-0.6	-0.3		-8.2
Profit for the period attributable to shareholders in Bank of Åland Plc	23.3	4.9	2.5	0.2	0.6	31.5
Business volume						
Receivables from the public and public sector	1,906	2,270		203	-1	4,378
Deposits from the public and public sector	1,708	1,851		59	-13	3,605
Actively managed assets	6,927	503		6		7,436
Risk exposure amount	668	592	75	336		1,671
Equity capital	88	92	26	87		292
Financial ratios etc.						
Return on equity after taxes, % (ROE)	24.2	5.0	10.3	0.4		11.6
Expense/income ratio	0.61	0.76	0.92	0.93		0.70

Group	Jan-Dec 2019					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	23.6	26.3	0.0	4.0	0.0	53.9
Net commission income	41.9	12.9	-0.1	2.8	0.5	58.0
Net income from financial items at fair value	0.0	0.1	0.0	3.8	0.0	3.9
IT income			33.3	0.1	-15.9	17.5
Other income	0.1	0.0	0.9	0.9	-1.3	0.7
Total income	65.7	39.3	34.1	11.6	-16.8	133.9
Staff costs	-14.8	-6.3	-17.0	-18.9	0.0	-57.0
Other expenses	-8.3	-4.7	-11.6	-18.1	14.0	-28.7
Depreciation/amortisation	-0.9	-0.3	-2.6	-10.4	2.4	-11.8
Internal allocation of expenses	-20.7	-18.4		39.1		0.0
Total expenses	-44.7	-29.7	-31.3	-8.3	16.4	-97.5
Profit before impairment losses	21.0	9.6	2.9	3.3	-0.4	36.4
Net impairment losses on financial assets	0.0	-3.0		-0.3		-3.2
Net operating profit	21.1	6.6	2.9	3.0	-0.4	33.2
Income taxes	-4.3	-1.4	-0.6	-0.6		-6.9
Profit for the period attributable to shareholders in Bank of Åland Plc	16.7	5.3	2.3	2.4	-0.4	26.3
Business volume						
Receivables from the public and public sector	1,876	2,221		14		4,110
Deposits from the public and public sector	1,710	1,621		51	-14	3,368
Actively managed assets	5,922	417		3		6,343
Risk exposure amount	704	604	36	239		1,583
Equity capital	107	98	21	33		258
Financial ratios etc.						
Return on equity after taxes, % (ROE)	16.8	5.2	16.7	7.6		10.7
Expense/income ratio	0.68	0.76	0.92	0.71		0.73

4. Changes in Group structure

During the second quarter, the Bank of Åland established the wholly owned subsidiary Kiinteistö Oy Espoon Koivurinne, which is in the property management business. In addition, Promodus Oy and Puiretti Oy were merged with Crosskey Banking Solutions Ab Ltd. These companies became part of the Group when Crosskey acquired Model IT Oy last year. In the fourth quarter, Borgo AB became a subsidiary of the Bank of Åland's associated company IISÅ Holding AB. Also in the fourth quarter, Ålandsbanken Fonder III Ab was established as a wholly owned subsidiary of Ålandsbanken Fondbolag Ab.

5. Net interest income

Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Receivables from credit institutions and central banks	-0.1	-0.1	33	0.0		-0.2	-0.1	52
Receivables from the public and public sector	16.3	16.3	0	15.5	5	65.1	61.3	6
Debt securities	0.0	0.1	-70	0.1	-50	0.3	0.6	-45
Derivatives	0.2	0.3	-4	0.4	-39	1.3	1.0	32
Other interest income	0.0	0.0	45	0.0	-47	0.0	0.0	-76
Total interest income	16.4	16.6	-1	16.0	3	66.5	62.7	6
<i>of which interest income according to the effective interest method</i>	<i>16.4</i>	<i>16.5</i>	<i>-1</i>	<i>15.9</i>	<i>3</i>	<i>66.1</i>	<i>62.5</i>	<i>6</i>
Liabilities to credit institutions and central banks	-0.1	0.0		-0.1	-1	-0.4	-0.5	-19
Liabilities to the public and public sector	0.6	0.5	5	0.7	-22	2.3	3.4	-33
Debt securities issued	0.5	0.8	-36	0.6	-7	2.7	3.3	-16
Subordinated liabilities	0.3	0.3	-2	0.3	1	1.1	1.3	-9
Derivatives	0.2	0.3	-8	0.4	-43	1.7	1.2	46
Other interest expenses	0.0	0.0		0.0	-6	0.1	0.1	-27
Total interest expenses	1.5	1.9	-20	1.9	-20	7.6	8.8	-13
<i>of which interest expenses according to the effective interest method</i>	<i>1.5</i>	<i>1.9</i>	<i>-22</i>	<i>1.8</i>	<i>-19</i>	<i>7.3</i>	<i>8.7</i>	<i>-17</i>
Net interest income	14.9	14.7	1	14.0	6	58.9	53.9	9
Interest margin, per cent	1.04	1.05		1.03		1.07	1.00	
Investment margin, per cent	1.01	1.01		1.00		1.03	0.98	

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	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Bank commissions	2.6	2.4	10	2.5	2	9.9	9.6	3
Asset management commissions	15.2	12.2	24	13.1	16	53.8	45.8	17
Other commissions	0.7	0.6	9	0.7	7	2.7	2.6	3
Net commission income	18.5	15.2	21	16.3	13	66.3	58.0	14

7. Net income from financial items at fair value

Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Valuation category fair value via the income statement ("profit and losses")								
Derivative instruments	0.0	0.0		0.0		0.0	0.0	39
Valuation category fair value via the income statement ("profit and losses")	0.0	0.0		0.0		0.0	0.0	39
Hedge accounting								
<i>of which hedging instruments</i>	-0.8	0.0		-5.5	-85	-0.2	3.0	
<i>of which hedged item</i>	0.8	0.0		5.7	-85	-0.1	-2.9	-97
Hedge accounting	0.0	0.0		0.1		-0.3	0.1	
Net income from foreign currency revaluation	0.1	0.0		0.2	-34	-0.3	0.2	
Modification results and expected credit losses	-0.1	0.0		0.1		0.0	0.1	
Net income from financial assets	0.4	0.6	-27	0.7	-39	2.5	3.5	-30
Total	0.4	0.6	-33	1.1	-61	1.8	3.9	-53

8. Other expenses

Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Stability fee	0.0	0.0		0.0		2.6	1.8	50
Other administrative expenses	7.9	6.4	24	7.6	4	27.7	26.9	3
Total	7.9	6.4	24	7.6	4	30.3	28.7	6

9. Net impairment losses on financial assets

Group	Q4 2020	Q3 2020	%	Q4 2019	%	Jan-Dec 2020	Jan-Dec 2019	%
EUR M								
Impairment losses, Stage 1	2.3	-0.1		-0.2		2.4	-0.4	
Impairment losses, Stage 2	-2.0	-0.1		-0.2		0.2	-0.3	
Net impairment losses, Stages 1-2	0.4	-0.3		-0.5		2.6	-0.7	
Impairment losses, Stage 3								
New and increased individual provisions	0.6	1.9	-70	2.7	-79	5.2	6.8	-23
Recovered from previous provisions	-0.7	-1.4	-47	-0.7	7	-3.0	-3.0	0
Utilised for actual loan losses	-0.2	-0.2	-2	-0.2	-21	-5.0	-2.0	
Actual loan losses	0.3	0.3	17	0.5	-29	5.6	2.7	
Recoveries of actual loan losses	-0.4	-0.1		-0.1		-0.6	-0.6	3
Net impairment losses, Stage 3	-0.4	0.6		2.2		2.2	3.9	-43
Total impairment losses	0.0	0.3		1.8		4.9	3.2	51
of which receivables from the public and public sector	-0.4	0.3		1.8		4.4	3.2	39
of which off-balance sheet commitments	0.4	0.0		0.0		0.4	0.0	
of which debt securities at amortised cost	0.0	0.0		0.0	-33	0.1	0.1	-2
Loan loss level, receivables from the public and public sector, %	-0.04	0.03		0.18		0.11	0.08	

Provisions increased during the first quarter of 2020 due to a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio, which was recognised in Stage 2. Due to an update in the fourth quarter of assumptions in the expected credit loss (ECL) model, the group provision was specified through assessments including sectoral and loan-specific circumstances, and the group provision was distributed at the loan level. Most of this provision is now in Stage 1.

10. Receivables from the public and public sector by purpose

Group	Dec 31, 2020			Dec 31, 2019	
EUR M	Receivables before provisions	Provisions	Receivables after provisions	Receivables after provisions	%
Private individuals					
Home loans	2,469	-3	2,466	2,266	9
Securities and other investments	388	0	388	325	19
Business operations	103	-1	101	108	-6
Other household purposes	298	-3	295	267	11
Total, private individuals	3,258	-8	3,250	2,966	10
Companies					
Shipping	62	-1	61	50	21
Wholesale and retail trade	39	0	38	42	-8
Housing operations	261	0	260	312	-17
Other real estate operations	182	-1	181	210	-13
Financial and insurance operations	254	0	253	220	15
Hotel and restaurant operations	35	-1	34	29	19
Agriculture, forestry and fishing	12	0	12	11	1
Construction	87	0	87	80	8
Other industry and crafts	38	0	38	36	4
Other service operations	114	0	113	109	4
Total, companies	1,082	-4	1,078	1,100	-2
Public sector and non-profit organisations	49	0	49	44	11
Total, public sector and non-profit organisations	49	0	49	44	11
Total	4,390	-12	4,378	4,110	7

The Bank of Åland is not yet seeing any increase in non-performing loans due to the prevailing coronavirus crisis. Provisions increased in Q1 2020 due to a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio, which was recognised in Stage 2. Due to an update in the fourth quarter of assumptions in the expected credit loss (ECL) model, the group provision was specified through assessments including sectoral and loan-specific circumstances, and the group provision was distributed at the loan level. Most of this provision is now in Stage 1.

11. Receivables from the public and public sector by stage

Group	Jan 1, 2020 - Dec 31, 2020				Jan 1, 2019 - Dec 31, 2019
	Stage 1	Stage 2	Stage 3	Total	Total
EUR M					
Carrying amount, gross					
Opening balance, January 1	3,972.5	116.4	33.5	4,122.5	4,033.0
Closing balance, December 31	4,197.4	153.5	38.9	4,389.8	4,122.5
Provisions for expected losses					
Opening balance, January 1	0.5	0.9	11.1	12.4	11.3
Increases due to issuances and acquisitions	0.2	0.0	0.0	0.3	0.3
Decrease due to removal from balance sheet	-0.1	0.2	-1.6	-1.5	-1.5
Decrease due to write-offs	0.0	0.0	-3.4	-3.4	-2.0
Transfer to Stage 1	0.7	-0.7	0.0	0.0	0.0
Transfer to Stage 2	-0.4	0.8	-0.4	0.0	0.0
Transfer to Stage 3	0.0	-0.6	0.6	0.0	0.0
Net changes due to changed credit risk	-0.4	0.4	2.0	2.0	4.4
Net changes due to changed estimation method	2.0	0.1	0.0	2.1	-0.2
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
Closing balance, December 31	2.5	1.0	8.3	11.9	12.4
Carrying amount, net					
Opening balance, January 1	3,972.0	115.5	22.5	4,110.0	4,021.7
Closing balance, December 31	4,194.9	152.4	30.6	4,377.9	4,110.0
	Dec 31,	Dec 31,			
Impairment losses, IFRS 9 - Financial ratios	2020	2019			
Total provision ratio, receivables from the public, %	0.27	0.30			
Provision ratio, Stage 1, receivables from the public, %	0.06	0.01			
Provision ratio, Stage 2, receivables from the public, %	0.68	0.74			
Provision ratio, Stage 3, receivables from the public, %	21	33			
Share of receivables from the public in Stage 3, %	0.89	0.81			

Provisions increased during the first quarter of 2020 due to a group provision of EUR 2.0 M related to heightened risk of losses in the corporate loan portfolio, which was recognised in Stage 2. Due to an update in the fourth quarter of assumptions in the expected credit loss (ECL) model, the group provision was specified through assessments including sectoral and loan-specific circumstances, and the group provision was distributed at the loan level. Most of this provision is now in Stage 1.

12. Debt securities issued

Group	Dec 31, 2020	Dec 31, 2019	%
EUR M			
Certificates of deposit	280	108	
Covered bonds	910	1,145	-21
Senior non-covered bonds	251	351	-29
Total	1,441	1,604	-10

13. Derivative instruments

Group	Dec 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>		58	6	64	3	3	65	3	3
Currency-related contracts									
<i>Currency forward contracts</i>	420			420	6	6	716	4	5
Total	420	58	6	484	9	9	781	7	8
Derivatives for fair value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	262	823	33	1,118	16	6	1,356	14	4
Total	262	823	33	1,118	16	6	1,356	14	4
Total derivative instruments	682	881	39	1,602	25	15	2,136	21	12
<i>of which cleared</i>	262	878	36	1,176	17	9	1,414	16	7

14. Financial instruments measured at fair value

Group		Dec 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	478	13		491
Receivables from the public and public sector		130		130
Shares and participations	1		12	13
Derivative instruments		25		25
Total financial assets	479	167	12	658
Debt securities issued		901		901
Derivative instruments		15		15
Total financial liabilities		916		916

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		102		102
Shares and participations	0	0	9	9
Derivative instruments		21		21
Total financial assets	545	123	9	677
Debt securities issued		1,158		1,158
Derivative instruments		12		12
Total financial liabilities		1,170		1,170

Changes in Level 3 holdings	Jan 1 - Dec 31, 2020	Jan 1, 2019 - Dec 31, 2019
EUR M	Shares and participations	Shares and participations
Carrying amount on January 1	9.4	2.5
New purchases/reclassification	2.5	2.8
Divested/reached maturity during the year		-0.6
Realised change of value in the income statement income"	0.2	0.2
Carrying amount on December 31	12.0	9.4

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	Dec 31, 2020	Dec 31, 2019	%
EUR M			
Guarantees	42	9	
Unutilised overdraft limits	276	241	15
Unutilised credit card limits	86	79	8
Lines of credit	315	92	
Other commitments	32	23	42
Total	751	444	69
Provision for expected loss	0	0	

16. Assets pledged

Group	Dec 31, 2020	Dec 31, 2019	%
EUR M			
Lending to credit institutions	14	36	-60
Debt securities	299	175	71
Loan receivables constituting collateral (cover pool) for covered bonds	1,548	1,584	-2
Other assets pledged	4	3	25
Total	1,864	1,797	4

17. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Dec 31, 2020	Dec 31, 2019	%	Dec 31, 2020	Dec 31, 2019	%
EUR M						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	25	21	16	56	51	9
Offset amount						
Total	25	21	16	56	51	9
Related amounts not offset						
Financial instruments, netting agreements	-9	-8	20	-9	-8	20
Financial instruments, collateral				-40	-14	
Cash, collateral	-5	-2		0	-26	-99
Total amounts not offset	-14	-10	43	-50	-48	5
Net amount	11	11	-7	6	4	65

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.

18. Capital adequacy

Group	Dec 31, 2020	Dec 31, 2019	%
EUR M			
Equity capital according to balance sheet	292.4	258.4	13
Foreseeable dividend	-31.2	-15.6	
Common equity Tier 1 capital before deductions	261.2	242.8	8
Intangible assets	-22.9	-25.0	-8
Non-controlling interests	0.0	0.0	-9
Net other items	0.0	0.0	11
Further adjustments in value	-0.5	-0.6	-10
Expected losses according to IRB approach beyond	-3.7	-6.2	-40
Adjustments due to transitional rules related to IFRS 9	0.5	0.6	-18
Mitigations related to COVID-19	4.0		
Common equity Tier 1 capital	238.5	211.5	13
Additional Tier 1 capital			
Tier 1 capital	238.5	211.5	13
Supplementary capital instruments	37.0	36.2	2
Expected losses according to IRB approach beyond recognised losses (surplus)		1.7	-100
Supplementary capital	37.0	37.9	-2
Total capital base	275.5	249.4	10
Capital requirement for credit risk according to the IRB approach	39.8	40.8	-2
Capital requirement for risk weighting floor, home mortgage loans	8.7	8.0	8
Capital requirement for credit risk according to standardised approach	67.0	60.2	11
Capital requirement for credit-worthiness adjustment risk	0.0	0.0	62
Capital requirement for operational risk	18.2	17.6	3
Capital requirement	133.6	126.6	6
Capital ratios			
Common equity Tier 1 capital ratio, %*	14.3	13.4	
Tier 1 capital ratio, %	14.3	13.4	
Total capital ratio, %	16.5	15.8	
Risk exposure amount	1,671	1,583	6
of which % comprising credit risk	86	86	
of which % comprising credit-worthiness adjustment risk	0	0	
of which % comprising operational risk	14	14	

* Excluding mitigation due to COVID-19 and excluding a higher SME supporting factor, the Bank of Åland's common equity Tier 1 capital ratio on December 31, 2020 would have been 13.7 per cent.

Requirements related to capital buffers, %	Dec 31, 2020	Dec 31, 2019
Total common equity Tier 1 capital requirements including buffer requirements	8.5	10.7
of which common equity Pillar 1 capital requirement	4.5	4.5
of which common equity Pillar 2 capital requirement	1.5	1.5
of which capital conservation buffer requirement	2.5	2.5
of which countercyclical capital buffer requirement		1.2
of which systemic risk buffer requirement		1.0
Common equity Tier 1 capital available to be used as a buffer	14.3	13.4

Exposure class	Dec 31, 2020				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	183.0	144.9	50	73.1	5.8
Corporate, small and medium sized companies	397.7	352.5	53	187.0	15.0
Corporate, special lending	5.0	5.0	93	4.7	0.4
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,833.8	1,821.3	9	169.5	13.6
Retail with property as collateral (small and medium-sized companies)	118.6	117.7	21	24.5	2.0
Retail, other (small and medium-sized companies)	32.8	31.2	21	6.5	0.5
Retail, other	362.9	313.8	10	31.7	2.5
Total exposures according to IRB approach	2,933.8	2,786.3	18	497.0	39.8
Credit risk according to standardised approach					
Central government or central banks	700.5	812.8	0	0.0	0.0
Regional governments or local authorities	64.2	90.1	0	0.0	0.0
Public sector entities	11.7	11.7	0	0.0	0.0
Multilateral development banks	53.5	58.6	0	0.0	0.0
International organisations	4.0	4.0	0	0.0	0.0
Institutions	264.8	209.0	20	42.6	3.4
Corporates	555.6	195.5	95	186.0	14.9
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
Total exposures according to standardised approach	3,853.7	3,325.9	25	837.4	67.0
Total risk exposure amount, credit risk	6,787.5	6,112.1	22	1,334.4	106.8

Exposure class	Dec 31, 2019				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	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
Using own LGD estimates					
Retail with property as collateral (private individuals)	1,817.4	1,806.4	10	175.3	14.0
Retail with property as collateral (small and medium-sized companies)	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
Total exposures according to IRB approach	2,823.8	2,716.7	19	509.4	40.8
Credit risk according to standardised approach					
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
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
Total exposures according to standardised approach	3,245.1	2,856.5	26	752.9	60.2
Total risk exposure amount, credit risk	6,068.9	5,573.1	23	1,262.3	101.0

Leverage ratio	Dec 31, 2020	Dec 31, 2019	%
EUR M			
Tier 1 capital	238.5	211.5	13
Total exposure measure	5,624.8	5,663.4	-1
of which balance sheet items	5,466.7	5,581.4	-2
of which off-balance sheet items	158.1	82.0	93
Leverage ratio, %*	4.2	3.7	

* Excluding mitigation due to COVID-19, the Bank of Åland's leverage ratio on December 31, 2020 would have been 3.9 per cent.

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