

Interim Report

For the period January – March 2013 • April 29, 2013



January–March 2013

Compared to January–March 2012

- Net operating profit improved to EUR 2.6 M (-1.2).
- Profit for the period attributable to shareholders was EUR 1.9 M (-0.9).
- Net interest income decreased by 18 per cent to EUR 9.4 M (11.5).
- Net commission income increased by 16 per cent to EUR 9.3 M (8.0).
- Total expenses decreased by 2 per cent to EUR 23.1 M (23.6).
- Impairment losses on loans were EUR 1.4 M (0.9), equivalent to a loan loss level of 0.19 (0.12) per cent.
- Return on equity after taxes (ROE) amounted to 4.4 per cent (-1.7).
- Earnings per share amounted to EUR 0.13 (-0.05).
- The core Tier 1 capital ratio amounted to 10.4 per cent (December 31, 2012: 10.9 per cent).
- The Bank's earnings performance is determined to a significant degree by external factors that are difficult to predict. Since new securities legislation removes the explicit obligation in an interim report to provide an account of probable developments during the current financial period, the Bank of Åland is choosing to refrain from providing earnings forecasts in its interim reports. In accordance with legislative requirements, the future outlook is presented in the Bank's Annual Report.
- The Bank of Åland intends to seek a long-term strategic business partner for the wholly owned subsidiary Crosskey Banking Solutions. Possible forms of collaboration may also include a reduction in the Bank of Åland's ownership. New regulations make banks less suitable as owners of IT companies. The growth of Crosskey has been rapid and has occurred with good profitability since the Bank of Åland's IT operations were turned into a limited liability company in 2004. Today Crosskey accounts for nearly one third of the number of employees in the Bank of Åland Group.

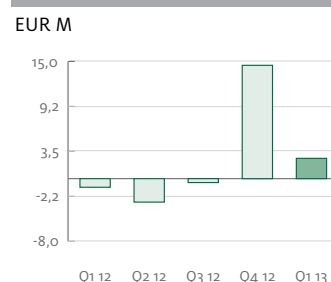
"The first quarter of 2013 was our third straight quarter of improved profit before impairment losses and nonrecurring items, but our earnings performance going forward will be challenged by low market interest rates and cost increases due to the new banking tax.

"Yet several bright spots should be mentioned. Our operations in Sweden continued to grow. Our new Bostadsfond – the first housing investment fund in the Finnish market – was very well received, with subscriptions of no less than EUR 41 M during the fund's first quarter. In a recently conducted customer survey, our customers again confirm that they are very pleased with the personalised approach and the financial services we offer. A full 88 per cent of our Premium Banking customers responded that they would recommend to others that they become Bank of Åland customers."

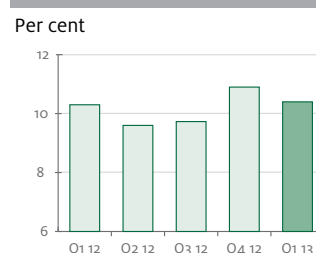
Peter Wiklöf, Managing Director

The Bank of Åland is a bank with strong customer relationships and personal 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 OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has eight offices in the Åland Islands and seven offices elsewhere in Finland. The Bank has three offices in Sweden. A total of seven subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

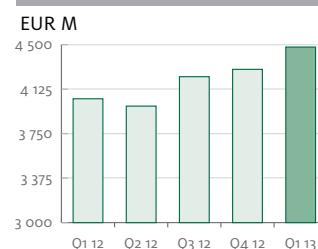
Net operating profit



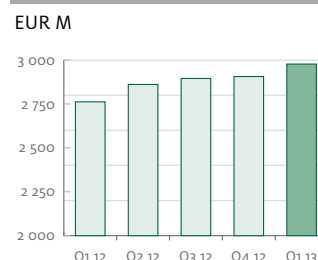
Core Tier 1 ratio



Managed assets



Deposits and lending



Financial summary

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Income					
Net interest income	9.4	9.9	-5	11.5	-18
Net commission income	9.3	9.2	1	8.0	16
Net income from financial items at fair value	4.4	19.3	-77	0.0	
Other income	4.0	4.3	-7	3.8	5
Total income	27.1	42.7	-37	23.3	16
Total expenses					
Staff costs	-13.1	-13.7	-5	-13.3	-2
Other expenses	-8.1	-8.9	-9	-8.6	-5
Depreciation/amortisation	-1.9	-2.6	-28	-1.7	10
Total expenses	-23.1	-25.3	-9	-23.6	-2
Profit before impairment losses	4.1	17.4	-77	-0.3	
Impairment losses on loans and other commitments	-1.4	-3.1	-54	-0.9	65
Net operating profit	2.6	14.4	-82	-1.2	
Income taxes	-0.5	0.6		0.4	
Profit for the report period	2.2	15.0	-86	-0.8	
Attributable to:					
Non-controlling interests	-0.2	-0.2	-10	-0.1	
Shareholders in Bank of Åland Plc	1.9	14.8	-87	-0.9	
Volume					
Lending to the public	2,977	2,906	2	2,762	8
Deposits from the public ¹	2,446	2,447	0	2,552	-4
Managed assets	4,480	4,292	4	4,044	11
Equity capital	179	181	-1	177	1
Balance sheet total	3,743	3,631	3	3,549	5
Risk-weighted assets	1,472	1,402	5	1,374	7
Financial ratios					
Return on equity after taxes, % (ROE) ²	4.4	34.2		-1.7	
Expenses/income ratio, % ³	85	59		101	
Loan loss level, % ⁴	0.19	0.42		0.12	
Gross non-performing loans, % ⁵	0.58	0.64		0.63	
Level of provisions for doubtful receivables, % ⁶	98	108		67	
Core funding ratio, % ⁷	102	104		108	
Equity/assets ratio, % ⁸	4.8	5.0		5.0	
Tier 1 capital ratio, without transitional rules, % ⁹	10.4	10.9		10.3	
Earnings per share before dilution, % ¹⁰	0.13	1.04		-0.05	
Equity capital per share, EUR ¹¹	12.27	12.36		12.07	
Market price per Series A share, EUR	12.50	10.04		14.25	
Market price per Series B share, EUR	8.14	7.10		9.15	
Number of shares outstanding (not own shares) thousands	14,395	14,395		14,395	
Working hours re-calculated to full-time equivalent positions	604	626		679	

¹ Deposits from the public and public sector entities, including bond loans and certificates of deposit

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

³ Expenses / Income

⁴ Impairment losses on loan portfolio and other commitments / lending to the public

⁵ Non-performing loans more than 90 days) / lending to the public

⁶ Impairment loss provisions / doubtful receivables

⁷ Lending to the public / Deposits including certificates of deposit, index bonds and debentures issued to the public and covered bonds issued

⁸ Equity capital / Balance sheet total

⁹ (Core Tier 1 capital / Capital requirement) x 8 %

¹⁰ Shareholders' portion of earnings for the period/ Number of shares adjusted for share issue

¹¹ Equity capital/Number of shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

The European debt crisis is still far from over. The events of this spring – including nationalisation of the fourth largest bank in the Netherlands, rapid liquidation of Anglo Irish Bank in Ireland, the election in Italy and the bail-out loan to Cyprus – have clearly illustrated this. The situation elsewhere in Europe is adversely affecting the Finnish and Swedish economies, as record-low interest rates stubbornly persist. Meanwhile there have been signs of recovery from other parts of the world economy, especially the United States and Asia. Share prices rose by 6 per cent on the Nasdaq OMX Helsinki (OMXHPI) exchange and by 9 per cent on the Nasdaq OMX Stockholm (OMXSPI) during the first quarter.

Five years after the onset of the financial crisis, new post-crisis regulations and reporting rules have not yet been approved by all the requisite bodies. The European Union's new Capital Requirements Directive (CRD IV), based on the Basel 3 regulations – which embodies rules on stricter capital requirements, larger liquidity buffer requirements, longer maturity requirements on borrowings by banks etc. – was never formally adopted as legislation as intended before January 1, since the EU countries failed to reach agreement on time about all the details. For some time, however, these new regulations have set the standards for the banking sector.

The aim of the new regulations is to create a more stable global banking system, which is praiseworthy. However, the new regulatory requirements are resulting in additional costs to banks equivalent to a 0.6-1.0 percentage point increase, based on lending volume. Starting in 2013, Finland also introduced a banking tax amounting to 0.125 per cent of risk-weighted assets, which further increases the Bank's lending costs. Since Finnish regulatory authorities have been very unwilling to let banks pass on these additional costs to existing loans of individual customers, which has occurred in most other European countries, lending margins have been raised even more on new loans in Finland.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q1 2013	Q4 2012	Q1 2012
Euribor 3 mo	0.21	0.19	1.04
Euribor 12 mo	0.57	0.60	1.67
Stibor 3 mo	1.22	1.45	2.45

The value of the Swedish krona in relation to the euro has continued to rise. During the first quarter of 2013, the krona exchange rate averaged 4 per cent higher than in the same period of last year. Compared to its year-end 2012 position, the krona gained 3 per cent. When translating the income statement of the Bank of Åland's Swedish operations into euros, average exchange rates for the period are used, while the balance sheet is translated at the exchange rate prevailing on the closing day.

IMPORTANT EVENTS

The Bank of Åland has decided to close two wholly owned mutual fund (unit trust) companies, Alpha Management Company S.A. (Luxembourg) and Ålandsbanken Fonder AB (Sweden). This deci-

sion will mean a cost reduction of more than EUR 0.5 M per year. Just as before, the Bank of Åland's Swedish funds will be managed by the Bank's Swedish-based Asset Management team, but the administration of these funds is being transferred to an external party in Luxembourg. The existing Bank of Åland SICAV funds (Brig 6, Nordic Growth, Swedish Bond och Swedish Growth) and Ålandsbanken Global Products SICAV II (EME Emerging Europe, Commodity and Defined Risk 12) have been administered by an external party since March 2013. Alpha Management thus no longer has any operations. During May, the Catamaran, China Growth and Money Market funds from Ålandsbanken Fonder AB will transition to the same structure.

The Bank of Åland has been granted permission by the Finnish Financial Supervisory Authority to calculate the capital requirement for operational risks according to the standardised approach, instead of the basic indicator approach, starting on June 30, 2013. The capital requirement is expected to decrease by about EUR 1 M as a consequence of this.

An Extraordinary General Meeting in Mariehamn on March 5 did not give a sufficient voting majority to the proposal of the Board of Directors to remove the section of the Articles of Association stating that a person who has reached the age of 67 may not be elected as a Board member. Since then, a legal action has been initiated against the Bank of Åland, in which the plaintiff claims that this provision of the Bank's Articles of Association is discriminatory and thus illegal.

The Bank of Åland intends to seek a long-term strategic business partner for the wholly owned subsidiary Crosskey Banking Solutions. Possible forms of collaboration may also include a reduction in the Bank of Åland's ownership. New regulations make banks less suitable as owners of IT companies. The growth of Crosskey has been rapid and has occurred with good profitability since the Bank of Åland's IT operations were turned into a limited liability company in 2004. Today Crosskey accounts for nearly one third of the number of employees in the Bank of Åland Group.

EARNINGS FOR JANUARY-MARCH 2013

Profit for the report period attributable to shareholders amounted to EUR 1.9 M. This represented an improvement of EUR 2.8 M from the corresponding period of last year (Q1/2012). The improvement in earnings was primarily attributable to the Sweden business area and financial asset management.

Total income increased by EUR 3.8 M or 16 per cent to EUR 27.1 M. Re-pricing in the loan portfolio and volume growth enabled the Bank to partly offset the adverse impact of sharply falling money market rates on net interest income. However, net interest income decreased by EUR 2.1 M or 18 per cent to EUR 9.4 M compared to the year-earlier period. Net commission income increased by EUR 1.3 M or 16 per cent to EUR 9.3 M as a consequence of higher securities brokerage, fund and asset management commissions. Thanks to successful financial asset management, net income on financial items at fair value increased by EUR 4.4 M to EUR 4.4 M. Information technology (IT) income was unchanged.

Total expenses decreased by EUR 0.5 M or 2 per cent to EUR 23.1 M, despite salary increases of more than EUR 0.2 M as provided by collective agreements, a banking tax expense of more than EUR 0.4 M and higher recognised expenses in euros of more than EUR 0.3 M due to a strengthening of the Swedish krona. The impact of the efficiency-raising measures that have been implemented by the Bank is thus clearly apparent. Hours worked, recalculated to the number of full-time equivalent positions, decreased by 75 or 11 per cent from 679 in the first quarter of last year to 604.

Impairment losses on loans amounted to EUR 1.4 M, equivalent to a loan loss level of 0.19 per cent, compared to EUR 0.9 M and 0.12 per cent in the year-earlier period. These impairment losses were primarily related to corporate loans in the Finnish Mainland business area.

Return on equity after taxes amounted to 4.4 (-1.7) per cent.

BUSINESS AREAS

The year's customer survey among Premium Banking customers in the Åland and Finnish Mainland business areas again resulted in very high marks. A full 88 per cent of customers responded that they were very satisfied and would recommend the Bank of Åland to others.

The Åland business area took its next step in its collaboration with Åland Post in the archipelago, also initiating collaboration in Brändö. Åland Post had already served as the banking representative of the Bank of Åland in Kumlinge and Kökar. In Brändö, the Bank of Åland is in charge of the collaboration.

In the Finnish Mainland business area, the Bank closed its Munkkiniemi office in Helsinki, whose customers are now being served by the office in Espoo-Tapiola or the Bulevardi office in Helsinki.

The Sweden business area initiated an increased focus on retirement savings, with the Bank serving as an affiliated agent of the Folksam insurance company. Business volume growth remained high, especially in Private Banking.

Earnings improved in the Sweden business area and in corporate units (primarily financial asset management and Compass Card), while earnings deteriorated in the Åland and Finnish Mainland business areas as well as in Crosskey Banking Solutions.

BUSINESS VOLUME

Managed assets increased by EUR 188 M or 4 per cent during the first quarter of 2013 and amounted to EUR 4,480 M (4,292). Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 38 M or 4 per cent during the quarter to EUR 905 M (867). The new Bostadsfonden, a housing mutual fund which was launched at the turn of the year, was very well received. Net inflow into Bostadsfonden until March 31 was EUR 41 M. Assets under discretionary management rose by EUR 96 M or 5 per cent to EUR 2,087 M (1,991), which was the highest figure ever. Assets under advisory management rose by EUR 55 M or 4 per cent to EUR 1,488 M (1,433). Of total managed assets, the Sweden business area accounted for EUR 2,519 M or 56 (56) per cent.

Deposits from the public – including certificates of deposit, index bonds and debentures issued to the public – decreased by EUR 1 M during the first quarter of 2013 and amounted to EUR 2,446 M (2,447). Because of increased risk appetite among customers together with low interest rates, customers reduced their account

deposits to a greater extent and shifted to other investment alternatives.

Lending to the public totalled EUR 2,977 M (2,096). This represented an increase of EUR 71 M or 2 per cent during the first quarter. The lending increase was primarily related to home mortgage loans in the Swedish market.

CREDIT QUALITY

Lending to private individuals comprises nearly two thirds of the loan portfolio. Home mortgage loans account for about two thirds of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprise the second-largest type of lending to private individuals. Loan-to-value ratios are conservative. Historically, the Bank of Åland has never had any substantial loan losses on this type of lending. The corporate portfolio has a close affinity with the household portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

During the first quarter of 2013, non-performing loans (more than 90 days) decreased by EUR 1.2 M to EUR 17.4 M (18.6). As a share of lending to the public, non-performing loans fell from 0.64 per cent to 0.58 per cent during the period. The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 73 per cent compared to 83 per cent at year-end 2012. Including group impairment losses, the level of provisions amounted to 98 per cent, compared to 108 per cent at year-end 2012. The Bank of Åland Group had EUR 12.1 M in impairment loss provisions, including individual impairments of EUR 9.0 M and group impairments of EUR 3.1 M.

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 536 M on March 31, 2013 (December 31, 2012: 483). This was equivalent to 14 per cent of total assets (13 and 18 (17) per cent of lending to the public. Given the Bank's ability to issue further covered bonds, there is an additional unutilised liquidity reserve.

The Bank has no significant long-term borrowing maturities during 2013. The average remaining maturity of outstanding bonds was about four years at the end of the first quarter. During the quarter, the Bank of Åland issued EUR 100 M in covered bonds with a 10-year maturity.

The Bank of Åland's core funding ratio, defined as lending to the public divided by deposits from the public including certificates of deposit, index bonds and subordinated debentures issued to the public, plus covered bonds issued, amounted to 102 per cent at the end of the quarter (104).

RATING

The Bank of Åland has a BBB/A-3 credit rating for short-term borrowing from the Standard & Poor's rating agency. The Bank's covered bonds received a Standard & Poor's credit rating of AA.

EQUITY AND CAPITAL ADEQUACY

Equity capital including non-controlling interests decreased in the amount of total profit for the period, EUR -1.6 M, to EUR 179.4 M (December 31, 2012: 181.0). The equity/assets ratio decreased to 4.8

per cent from a 5.0 per cent position at the end of 2012.

Core Tier 1 capital as defined in capital adequacy regulations was unchanged during the quarter at EUR 152.9 M (152.9)..

Risk-weighted assets increased by EUR 70.0 M or 5 per cent during the first quarter to EUR 1,472 M (1,402) due to increased lending in Sweden and the appreciation of the Swedish krona.

The core Tier 1 capital ratio decreased to 10.4 (10.9) per cent, without taking transitional rules into account. Since the bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio. The total capital ratio was 14.9 (16.1) per cent.

IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

On April 18, 2013, the Annual General Meeting elected Nils Lampi, Christoffer Taxell and Dan-Erik Woivalin as new members of the Board of Directors. Agneta Karlsson, Anders Å. Karlsson, Annika Wijkström and Anders Wiklöf were re-elected as Board members. At the statutory Board meeting the same day, Nils Lampi was elected Chairman and Christoffer Taxell as Deputy Chairman of the Board.

The Annual General Meeting elected Pauli Salminen, Birgitta Immerthal and Mari Suomela, Authorised Public Accountants (CGR) as new auditors and the firm of KPMG Oy Ab, Authorised Public Accountants, as the new deputy auditor with Kim Järvi, Authorised Public Accountant (CGR), as auditor in charge. The Meeting also approved the distribution of a dividend of EUR 0.15 per share to the shareholders for the 2012 financial year.

The Annual General Meeting approved the distribution of a dividend of EUR 0.15 per share for the financial year 2012.

RISKS AND UNCERTAINTIES

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.

The Bank of Åland has no direct exposure to the "GIIPS" countries (Greece, Italy, Ireland, Portugal and Spain or to Cyprus).

The poorer economic outlook has adversely affected the shipping industry, among others. The risk of loan losses from this industry is thus high. We are focusing especially on these customers. The Bank of Åland's lending to companies in the shipping industry represents about 2.5 per cent of its overall lending volume.

FUTURE OUTLOOK

Since new securities legislation removes the explicit obligation in an interim report to provide an account of probable developments during the current financial period, the Bank of Åland is henceforth choosing to refrain from providing earnings forecasts

in interim reports. In accordance with legislative requirements, the future outlook is presented in the Bank's Annual Report. The Annual Report, which was published on March 20, 2013, states the following:

The Bank's earnings performance is determined to a significant degree by external factors that are difficult to predict.

Income excluding nonrecurring items is expected to be higher in 2013 than in 2012 as a consequence of increased volume and margins, but income is strongly dependent on how the fixed income and stock markets perform and is thus difficult to forecast.

Because of the effect of the Finnish banking tax, higher pension expenses due to changes in accounting principles (IAS 19), salary increases as provided by collective agreements and the exchange rate effect of continued Swedish krona appreciation, the Group's overall reported expenses in 2013 will be at about the same level or slightly below their 2012 level, despite cost-saving effects of EUR 3 M.

Loan losses in 2013 are expected to be lower than in 2012 but nevertheless exceed the average expected loan loss level during an economic cycle.

Taken together, the result of these expectations is that in 2013 the Bank of Åland will report both a positive net operating profit and a positive after-tax profit attributable to the shareholders.

FINANCIAL INFORMATION

The Interim Report for January–June 2013 will be published on July 29, 2013.

The Interim Report for January–September 2013 will be published on October 28, 2013.

Mariehamn, April 29, 2013

THE BOARD OF DIRECTORS

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Summary income statement

Bank of Åland Group	Note	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M						
Net interest income	4	9.4	9.9	-5	11.5	-18
Net commission income	5	9.3	9.2	1	8.0	16
Net income from financial items at fair value	6	4.4	19.3	-77	0.0	
IT income		3.7	3.7	1	3.7	0
Other operating income		0.3	0.6	-48	0.1	
Total income		27.1	42.7	-37	23.3	16
Staff costs		-13.1	-13.7	-5	-13.3	-2
Other costs	7	-8.1	-8.9	-9	-8.6	-5
Depreciation/amortisation		-1.9	-2.6	-28	-1.7	10
Total expenses		-23.1	-25.3	-9	-23.6	-2
Profit before impairment losses		4.1	17.4	-77	-0.3	
Impairment losses on loans and other commitments	8	-1.4	-3.1	-54	-0.9	65
Net operating profit		2.6	14.4	-82	-1.2	
Income taxes	9	-0.5	0.6		0.4	
Profit for the period		2.1	15.0	-86	-0.8	
Attributable to:						
Non-controlling interests		0.2	0.2	-10	0.1	
Shareholders in Bank of Åland Plc		1.9	14.8	-87	-0.9	
Earnings per share, EUR		0.13	1.04		-0.05	

Income statement by quarter

Bank of Åland Group	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
EUR M					
Net interest income	9.4	9.9	10.2	9.6	11.5
Net commission income	9.3	9.2	7.7	7.6	8.0
Net income from financial items at fair value	4.4	19.3	0.6	1.0	0.0
IT income	3.7	3.7	3.5	3.6	3.7
Other operating income	0.3	0.6	0.1	0.5	0.1
Total income	27.1	42.7	22.0	22.3	23.3
Staff costs	-13.1	-13.7	-12.4	-13.1	-13.3
Other costs	-8.1	-8.9	-7.2	-8.9	-8.6
Depreciation/amortisation	-1.9	-2.6	-2.0	-1.8	-1.7
Total expenses	-23.1	-25.3	-21.6	-23.8	-23.6
Profit before impairment losses	4.1	17.4	0.4	-1.5	-0.3
Impairment losses on loans and other commitments	-1.4	-3.1	-1.0	-1.5	-0.9
Net operating profit	2.6	14.4	-0.5	-3.0	-1.2
Income taxes	-0.5	0.6	0.3	0.9	0.4
Profit for the period	2.1	15.0	-0.3	-2.1	-0.8
Attributable to:					
Non-controlling interests	0.2	0.2	0.2	0.1	0.1
Shareholders in Bank of Åland Plc	1.9	14.8	-0.4	-2.3	-0.9

Summary statement of other comprehensive income

Bank of Åland Group	Q1 2013	Q4 2012	% Q1 2012	%
EUR M				
Profit for the period	2.1	15.0	-86	-0.8
Cash flow hedge	-1.2	-1.6		
Assets available for sale	-3.5	2.1		0.2
Translation differences	-0.1	-6.7	-99	-0.3
Income taxes on other comprehensive income	1.2	-0.1		0.0
Items that have been or may be reclassified to the income statement	-3.7	-6.3	-41	-0.1
Re-measurements of defined benefit pension plans		-0.9		-0.9
Income taxes		0.2		0.2
Items that may not be reclassified to the income statement	0.0	-0.7		-0.7
Other comprehensive income	-3.7	-7.0	-47	-0.8
Total comprehensive income for the period	-1.6	8.0		-1.6 -4
Attributable to:				
Non-controlling interests	0.2	0.2	40	0.0
Shareholders in Bank of Åland Plc	-1.8	7.9		-1.6 9

Summary statement of financial position

Bank of Åland Group	Note	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M						
Assets						
Cash		67	133	-49	101	-34
Debt securities eligible for refinancing with central banks		296	305	-3	196	51
Claims on credit institutions		107	104	4	149	-28
Claims on the public and public sector entities	10, 11	2,977	2,906	2	2,762	8
Debt securities		130	45		183	-29
Shares and participations		6	7	-6	3	
Shares and participations in associated companies		1	1	1	1	-39
Derivative instruments	14	26	20	25	23	13
Intangible assets		11	11	-3	12	-9
Tangible assets		32	33	-2	33	-2
Other assets		63	45	40	56	13
Accrued income and prepayments		26	20	29	27	-3
Deferred tax assets		3	3	-5	5	-45
Total assets		3,743	3,631	3	3,549	5
Liabilities						
Liabilities to credit institutions		366	375	-2	314	17
Liabilities to the public and public sector entities	12	2,153	2,127	1	2,171	-1
Debt securities issued	13	853	760	12	683	25
Derivative instruments	14	14	15	-5	14	3
Other liabilities		72	67	9	77	-6
Provisions		0	1	-67	-2	
Accrued expenses and prepaid income		30	28	9	41	-26
Subordinated liabilities		62	64	-3	56	11
Deferred tax liabilities		13	14	-8	19	-34
Total liabilities		3,564	3,450	3	3,372	6
Equity capital and minority interest						
Share capital		29	29	0	29	0
Share premium account		33	33	0	33	-2
Reserve fund		25	25	0	25	0
Fair value reserve		1	3	-83	10	-95
Unrestricted equity capital fund		24	24	0	24	0
Own shares		0	0	0	0	0
Retained earnings		65	63	2	53	23
Shareholders' interest in equity capital		177	178	-1	174	1
Minority interest in capital		3	3	-15	3	1
Total equity capital		179	181	-1	177	1
Total liabilities and equity capital		3,743	3,631	3	3,549	5

Statement of changes in equity capital

Bank of Åland Group

EUR M	Share capital	Unre-stricted equity capital fund	Share premium account	Reserve fund	Cash flow hedge	Own shares	Fair value reserve	Transla-tion difference	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, Dec 31, 2011	29.1	24.5	33.3	25.1	0.0	-0.1	1.8	7.8	56.4	177.9	2.6	180.6
Adjustment for retroactive application									-2.0	-2.0		-2.0
Adjusted equity capital, Dec 31, 2011	29.1	24.5	33.3	25.1	0.0	-0.1	1.8	7.8	54.4	175.9	2.6	178.6
Comprehensive income for the period							0.1	-0.3	-1.5	-1.7	0.1	-1.6
Purchases of own shares						-0.2				-0.2		-0.2
Equity capital, Mar 31, 2012	29.1	24.5	33.3	25.1	0.0	-0.2	1.9	7.5	52.9	174.0	2.7	176.8
Comprehensive income for the period					-1.2		2.6	-7.8	10.1	3.7	0.5	4.3
Other			-0.5						0.5	0.0		0.0
Equity capital, Dec 31, 2012	29.1	24.5	32.7	25.1	-1.2	-0.2	4.5	-0.3	63.5	177.8	3.2	181.0
Comprehensive income for the period					1.4		-2.7	-1.3	1.4	-1.1	-0.5	-1.6
Equity capital, Mar 31, 2013	29.1	24.5	32.7	25.1	0.3	-0.2	1.9	-1.6	64.9	176.7	2.7	179.4

Summary cash flow statement

Bank of Åland Group	Jan–Mar 2013		Jan–Dec 2012		Jan–Mar 2012	
EUR M						
Cash flow from operating activities						
Net operating profit	2.6		10.0		-1.1	
Adjustment for net operating profit items not affecting cash flow	-0.1		16.5		4.3	
Gains/losses from investing activities	-1.6		-16.8		-0.2	
Income taxes paid	-0.8		-2.3		-0.5	
Changes in assets and liabilities in operating activities	-165.4	-165.2	-96.3	-88.9	65.9	68.4
Cash flow from investing activities		2.6		2.3		-1.6
Cash flow from financing activities		103.6		144.8		17.1
Exchange rate differences in cash and cash equivalents		2.8		2.8		0.5
Change in cash and cash equivalents		-56.2		60.9		84.3
Cash and cash equivalents, January 1		245.6		184.7		184.7
Cash and cash equivalents, December 31		189.4		245.6		269.0
Change in cash and cash equivalents		-56.2		60.9		84.3

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 18 offices. 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 OMX Helsinki Oy (Helsinki Stock Exchange).

The Interim Report for the financial period January 1–March 31, 2013 was approved by the Board of Directors on April 29, 2013.

2. Basis for preparation and essential accounting principles

BASIS FOR PREPARATION

The Interim Report for the period January 1–March 31, 2013 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and IAS 34, “Interim Financial Reporting,” that have been adopted by the European Union. The Interim Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2012.

Tables show correct rounded-off figures on each line, but this does not mean that rounded-off figures add up to the correct total.

ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2012.

New accounting norms and standards with material effects that are being applied starting in 2013 are IAS 19, “Employee Benefits” and IAS 1, “Presentation of Financial Statements”. As a consequence of the amendment to IAS 19, the option of accruing actuarial gains

and losses as part of the “corridor approach” or of recognising actuarial gains and losses directly in the income statement may not be applied. These items must be recognised immediately in other comprehensive income. In addition, the return on plan assets must henceforth be calculated using the same discount rate as pension liability. Comparative figures for 2012 have been restated. The effect is presented in the table below. The amendment to IAS 1 is related to the presentation of other comprehensive income. The amendment implies a change in the grouping of transactions that are recognised under “Other comprehensive income”. Items that will be reclassified to the income statement must be presented separately from those items that will not be reclassified to the income statement. This does not change the factual content in “Other comprehensive income”, only the way it is presented.

ESTIMATES AND JUDGEMENTS

Preparation of financial statements in compliance with IFRSs requires the Company’s Executive Team to make estimates and judgements that affect 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

In compliance with IAS 19 (2011), re-measurements of defined-benefit pension plans have been recognised in other comprehensive income for the period when they arise. According to the previous IAS 19, actuarial gains and losses were accrued as part of the “corridor approach”. This will lead to actuarial gains and losses being recognised faster than in the previous standard. In addition, the return on plan assets has been calculated using the same discount rate as pension liability. These gains and losses are no longer transferred via the income statement during later periods. The amended accounting principle has been applied retroactively, and its effects on the consolidated statement of financial position and the statement of comprehensive income are as follows:

Effect of IAS 19	Old accounting principle	New accounting principle	Change
EUR K			
Balance sheet, January 1, 2012			
Assets (-) / liabilities (+) recognised in the balance sheet	-6,880	-4,241	2,639
Deferred tax liabilities	1,686	1,039	-647
Retained earnings	-5,195	-3,202	1,992
Balance sheet, December 31, 2012			
Assets (-) / liabilities (+) recognised in the balance sheet	-7,182	-578	6,604
Deferred tax liabilities	1,759	142	-1,618
Retained earnings	-5,422	-436	4,986
Income statement, 2012			
Staff costs	-343	-113	230
Tax expenses	84	28	-56
Change in income	-259	-85	174
Other comprehensive income, 2012			
Change in actuarial gains/losses under “Other comprehensive income”	0	3,734	3,734
Change in taxes attributable to items recognised under “Other comprehensive income”	0	-915	-915
Change in comprehensive income for the year	0	2,819	2,819

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. In order to match the Bank of Åland's internal reporting to the Group's Executive Team, segment reporting has been changed. The comparative period has been correspondingly restated.

The "Åland" business area includes office operations in Åland. "Finnish Mainland" includes office operations on the Finnish mainland and Ålandsbanken Asset Management Ab. The "Sweden" business area includes the operating units Ålandsbanken Abp Sverige Filial (the Swedish branch of the Bank of Åland Plc) plus Ålandsbanken Fonder AB and Alpha Management Company S.A. The "Crosskey" business area includes Crosskey Banking Solutions Ab and S-Crosskey Ab. "Corporate and eliminations" include all central corporate units in the Group, intra-Group eliminations and the subsidiaries Ålandsbanken Fondbolag Ab and Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan–Mar 2013				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	2.6	3.7	2.7	0.0	0.5	9.4
Commission income	1.9	3.7	3.3	0.0	0.5	9.3
Other income	0.1	0.0	0.7	0.0	3.6	4.4
Nonrecurring income	0.1	0.0	0.1	6.5	-2.6	4.0
Total income	4.6	7.4	6.8	6.5	1.9	27.1
Staff costs	-1.0	-2.4	-2.9	-3.5	-3.3	-13.1
Other expenses	-0.9	-1.7	-1.6	-1.9	-2.0	-8.1
Depreciation/amortisation	-0.1	-0.2	0.0	-0.9	-0.8	-1.9
Internal allocation of expenses	-1.7	-2.8	-2.9	0.0	7.4	0.0
Total expenses	-3.6	-7.1	-7.4	-6.3	1.3	-23.1
Profit before impairment losses	0.9	0.3	-0.6	0.2	3.3	4.1
Impairment losses on loans and other commitments	0.0	-1.3	0.0	0.0	-0.1	-1.4
Net operating profit	0.9	-1.0	-0.6	0.2	3.2	2.6
Income taxes	-0.2	0.3	0.0	-0.1	-0.6	-0.5
Non-controlling interests	0.0	-0.2	0.0	0.0	0.0	-0.2
Profit for the period attributable to shareholders	0.7	-0.9	-0.6	0.1	2.6	1.9
Business volume						
Lending to the public	648	1,622	680	0	27	2,977
Deposits from the public	693	1,034	514	0	206	2,446
Managed assets	281	1,603	2,519	0	77	4,480
Risk-weighted assets	331	448	491	27	174	1,472
Allocated equity capital	40	55	59	6	20	179
Financial ratios etc.						
Return on equity after taxes, % (ROE)	7.3	-5.5	-4.1	10.4		4.4
Expenses/income ratio, %	0.80	0.96	1.09	0.97	-0.70	0.85
Non-performing loans, %	0.48	0.74	0.25			0.58
Loan loss level, %	0.00	0.33	-0.01		1.65	0.19
Lending/deposits, %	93	157	132		13	122
Full-time equivalent positions	64	113	72	188	169	606

Bank of Åland Group		Jan–Mar 2012				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	3.3	5.0	2.7	0.0	0.5	11.5
Commission income	1.7	3.2	2.7	0.0	0.5	8.0
Other income	0.1	0.0	0.1	7.2	-3.5	3.8
Total income	5.1	8.1	5.5	7.2	-2.5	23.3
Staff costs	-1.1	-2.3	-3.0	-3.7	-3.4	-13.3
Other expenses	-0.8	-1.6	-2.2	-2.0	-2.0	-8.6
Depreciation/amortisation	-0.1	-0.2		-0.7	-0.8	-1.7
Internal allocation of expenses	-2.0	-3.2	-2.8		8.0	0.0
Total expenses	-3.9	-7.2	-8.0	-6.4	1.9	-23.6
Profit before impairment losses	1.2	0.9	-2.5	0.8	-0.7	-0.3
Impairment losses on loans and other commitments	-0.4	-0.6	0.2	0.0	-0.1	-0.9
Net operating profit	0.8	0.3	-2.3	0.8	-0.8	-1.2
Income taxes	-0.2	-0.1	0.6	-0.2	0.3	0.4
Non-controlling interests		-0.2			0.1	-0.1
Profit for the period attributable to shareholders	0.6	0.0	-1.7	0.6	-0.4	-0.9
Business volume						
Lending to the public	647	1,629	475		11	2,762
Deposits from the public	728	1,156	397		271	2,552
Managed assets	267	1,403	2,307		67	4,044
Risk-weighted assets	220	576	431	27	120	1,374
Allocated equity capital	28	70	52	5	22	177
Financial ratios etc.						
Return on equity after taxes, % (ROE)	17.4	0.5	-26.3	53.9		-1.7
Expenses/income ratio, %	0.77	0.89	1.46	0.89	0.78	1.01
Gross non-performing loans, %	0.50	0.75	0.26			0.63
Loan loss level, %	0.24	0.15	-0.20		3.86	0.12
Lending/deposits, %	89	141	120		4	108
Full-time equivalent positions	68	122	84	205	160	639

4. Net interest income

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Interest income					
Credit institutions and central banks	0.2	0.3	-29	0.4	-51
The public and public sector entities	16.5	17.4	-5	20.6	-20
Debt securities	1.1	1.1	0	2.0	-46
Other interest income	0.0	0.0		0.7	-94
Total	17.8	18.9	-5	23.7	-25
Interest expenses					
Credit institutions and central banks	-1.3	-1.5	-13	-1.5	-13
The public and public sector entities	-4.2	-4.8	-14	-6.5	-36
Debt securities	-2.4	-2.0	22	-3.5	-31
Subordinated liabilities	-0.3	-0.4	-13	-0.4	-20
Other interest expenses	-0.3	-0.3	-4	-0.4	-35
Total	-8.5	-9.0	-5	-12.3	-31
Net interest income	9.4	9.9	-5	11.5	-18
Investment margin, per cent	1.02	1.09		1.32	

5. Commission income

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Deposits	0.2	0.2	5	0.2	8
Lending	0.6	0.7	-19	0.6	-4
Payment intermediation	1.9	2.0	-4	1.8	7
Mutual fund commissions	3.0	2.8	8	2.5	20
Management commissions	1.9	2.3	-18	1.5	23
Securities commissions	3.2	2.6	25	3.0	8
Other commissions	0.5	0.5	-2	0.6	-7
Total	11.3	11.1	2	10.2	12
Commission expenses	-2.0	-1.9	5	-2.1	-5
Net commission income	9.3	9.2	1	8.0	16

6. Net income from financial items at fair value

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Debt securities	0.0	0.0	-6	0.0	-
Shares and participations	-0.1	7.5		0.1	
Derivative instruments	0.7	0.1	4	-1.0	-1
Loan receivables according to the fair value option	-0.7	-0.3	1	0.6	-2
Debt securities issued according to the fair value option	0.3	-0.1	-4	-0.5	-1
Net income from securities transactions	0.2	7.2	-97	-0.9	
Net income from foreign exchange dealing	1.1	8.6	-87	0.7	57
Net income from financial assets available for sale	3.1	3.5	11	0.1	
Total	4.4	19.3	-77	0.0	

7. Other expenses

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
IT expenses (excluding information services)	2.1	2.8	-25	2.5	-14
Premises and property expenses	1.6	2.0	-20	1.4	9
Marketing expenses	0.6	0.7	-21	1.0	-43
Information services	0.6	0.4	26	0.5	9
Staff-related expenses	0.5	0.5	14	0.6	-10
Travel expenses	0.2	0.4	-35	0.3	-24
Purchased services	0.9	0.9	-3	1.1	-17
Deposit guarantee	0.3	0.3	5	0.3	1
Banking tax	0.4	0.0		0.0	
Other expenses	1.4	1.3	6	1.3	5
Production for own use	-0.5	-0.3	42	-0.4	15
Total	8.1	8.9	-9	8.6	-5

8. Impairment losses on loans and other commitments

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Individual impairment losses					
New and increased impairment losses	1.4	1.1	27	0.7	
Reversals of impairment losses	-3.0	-0.1		-0.2	
Actual losses/reversals	3.0	0.1		0.4	
Total	1.4	1.1	34	0.9	65
Group impairment losses					
New and increased impairment losses	0.0	2.0		0.0	
Reversals of impairment losses	0.0	0.0		0.0	
Total	0.0	2.0		0.0	
Total	1.4	3.1	-54	0.9	65

9. Income taxes

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Taxes for the period and prior periods	-0.6	-0.7	-17	-0.5	20
Change in deferred tax assets/liabilities	0.1	1.4	-93	0.8	-88
Income taxes	-0.5	0.6		0.4	

10. Lending to the public and public sector by purpose

Bank of Åland Group	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M					
Companies					
Shipping	73	74	-1	64	14
Wholesale and retail trade	55	55	1	56	-1
Housing operations	145	140	4	113	28
Other real estate operations	348	334	4	322	8
Financial and insurance operations	189	178	6	181	5
Hotel and restaurant operations	23	22	5	21	10
Other service operations	118	108	9	110	7
Agriculture, forestry and fishing	13	14	-9	12	7
Construction	37	36	2	42	-13
Other industry and crafts	35	35	1	36	-1
Total, companies	1,037	996	4	957	8
Private individuals					
Home loans	1,268	1,251	1	1,172	8
Securities and other investments	314	309	2	303	4
Business operations	133	126	5	118	13
Other household purposes	205	202	1	190	8
Total, households	1,919	1,889	2	1,783	8
Public sector and non-profit organisations	21	21	0	21	0
Total, public sector and non-profit organisations	21	21	0	21	0
Total lending	2,977	2,906	2	2,762	8

11. Doubtful receivables and impairment losses

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Non-performing receivables > 90 days past due	17.4	18.6	-6	17.5	-1
Non-performing receivables as % of total	0.58	0.64		0.63	
Gross doubtful receivables	12.4	12.7	-3	13.7	-10
Doubtful receivables as % of total	0.42	0.44		0.50	
Individual impairment losses	9.0	10.6	-15	8.2	10
Group impairment losses	3.1	3.1	0	1.1	
Net doubtful receivables	0.3	-1.1		4.5	-94
Level of provisions for doubtful receivables, %	98	108		67	
Breakdown of non-performing receivables > 90 days past due					
Private individuals	12.6	12.9	-3	11.0	14
Real estate operations	0.1	0.0		2.1	-97
Housing operations	0.2	0.2		0.0	
Shipping	0.0	2.0		0.3	
Financial and insurance operations	0.8	0.8	3	0.8	3
Other categories	3.8	2.6	47	3.3	14
Total	17.4	18.6	-6	17.5	0
Breakdown of individual impairment losses					
Private individuals	2.8	3.1	-10	2.6	6
Real estate operations	0.2	2.1	-91	0.1	49
Housing operations	1.0	1.9	-45	0.5	
Shipping	0.7	0.8	-11	0.7	8
Financial and insurance operations	0.1	1.8	-94	0.0	
Other categories	4.2	0.9		4.2	-1
Total	9.0	10.6	-15	8.2	10
Breakdown of group impairment losses					
Private individuals	0.0	0.0		0.0	
Real estate operations	0.6	0.6		0.6	
Housing operations	0.0	0.0		0.0	
Shipping	2.5	2.5		0.5	
Financial and insurance operation	0.0	0.0		0.0	
Other	0.0	0.0		0.0	
Total	3.1	3.1		1.1	

12. Deposits from the public and public sector, including bonds and certificates of deposit issued

Bank of Åland Group	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	1,686	1,652	2	1,623	4
Time deposits	467	475	-2	547	-15
Total deposit accounts	2,153	2,127	1	2,171	-1
Certificates of deposit issued to the public ¹	111	134	-17	186	-40
Index bonds (structured products) ¹	120	122	-2	139	-13
Subordinated debentures ¹	62	64	-3	56	11
Total bonds and certificates of deposit	293	320	-8	380	-23
Total deposits	2,446	2,447	0	2,551	-4

¹This item does not include debt securities subscribed by credit institutions.

13. Debt securities issued

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
EUR M					
Certificates of deposit	176	188	-6	215	-18
Covered bonds	461	354	30		
Senior non-covered bonds	97	95	2	329	-71
Index bonds (structured products)	120	122	-2	139	-13
Totalt	854	760	12	683	25

14. Derivative instruments

Bank of Åland Group	Mar 31, 2013		Mar 31, 2012	
EUR M	Positive market value	Negative market value	Positive market value	Negative market value
Interest rate derivatives				
<i>Interest rate forward contracts</i>				
<i>Interest rate swap contracts</i>	12.6	10.4	7.2	11.6
<i>Interest rate ceiling contracts</i>				
<i>Interest rate option contracts</i>				
<i>Purchased</i>	0.0	0.0	0.0	0.0
<i>Written</i>	0.0	0.0	0.0	0.0
Currency derivatives				
<i>Forward contracts</i>	2.2	2.9	2.9	1.8
<i>Interest rate and currency swap contracts</i>	0.0	0.0	0.1	0.7
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	10.1	0.0	9.6	0.0
Other derivatives	0.7	0.7	0.6	0.6
Closing balance	25.5	14.0	20.4	14.7

The equity derivatives that were purchased hedge option structures that are embedded in bonds issued to the public.

Bank of Åland Group	Mar 31, 2013			
EUR M	Under 1 year	1–5 years	Over 5 years	Total
Interest rate derivatives				
<i>Interest rate forward contracts</i>				
<i>Interest rate swap contracts</i>	81.4	272.6	28.6	382.6
<i>Interest rate ceiling contracts</i>				
<i>Interest rate option contracts</i>				
<i>Purchased</i>	0.0	16.0	0.0	16.0
<i>Written</i>	0.0	16.7	0.0	16.7
Currency derivatives				
<i>Forward contracts</i>	80.0	1.5	0.0	81.6
<i>Interest rate and currency swap contracts</i>	52.7	122.3	57.9	232.9
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	30.3	85.5	0.0	115.8
Other derivatives	0.0	25.0	0.0	25.0
Closing balance	244.4	539.7	86.5	870.7

Bank of Åland Group		Dec 31, 2012		
EUR M	Under 1 year	1–5 years	Over 5 years	Total
Interest rate derivatives				
<i>Interest rate forward contracts</i>				
<i>Interest rate swap contracts</i>	48.5	311.0	27.7	387.2
<i>Interest rate ceiling contracts</i>				
<i>Interest rate option contracts</i>				
<i>Purchased</i>	1.3	20.5	0.0	21.8
<i>Written</i>	0.0	9.6	0.0	9.6
Currency derivatives				
<i>Forward contracts</i>	55.1	7.8	0.0	62.9
<i>Interest rate and currency swap contracts</i>	80.4	127.1	57.9	265.5
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	25.1	92.6	0.0	117.7
Other derivatives	0.0	15.8	9.2	25.0
Closing balance	210.3	584.5	94.9	889.7

15. Financial instruments at fair value

Bank of Åland Group		Mar 31, 2013		
EUR M	Instruments with quoted prices (Level 1)	Appraisal techniques based on observable market data (Level 2)	Appraisal techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks				
	296			296
Claims on the public and public sector entities				
		179		179
Debt securities				
		130		130
Shares and participations				
	5	0	1	6
Derivative instruments				
		26		26
Total financial assets	301	334	1	636
Liabilities to the public and public sector entities				
		0		0
Debt securities issued				
		200		200
Derivative instruments				
		14		14
Total financial liabilities	0	214	0	214

Bank of Åland Group		Dec 31, 2012		
EUR M	Instruments with quoted prices (Level 1)	Appraisal techniques based on observable market data (Level 2)	Appraisal techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks				
	305			305
Claims on the public and public sector entities				
		158		158
Debt securities				
	10	35		45
Shares and participations				
	5	0	1	7
Derivative instruments				
		20		20
Total financial assets	320	213	1	535
Liabilities to the public and public sector entities				
		0		0
Debt securities issued				
		99		99
Derivative instruments				
		15		15
Total financial liabilities	0	114	0	114

16. Off-balance sheet commitments

Bank of Åland Group	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M					
Guarantees and pledges	14	15	-7	18	-22
Unutilised overdraft limits	74	69	7	87	-15
Unutilised credit card limits	94	88	7	81	16
Lines of credit	194	195	0	186	4
Total	376	377	0	373	1

17. Assets pledged

Bank of Åland Group	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M					
Bonds as assets pledged	135	135			
Loan receivables constituting collateral (cover pool) for covered bonds	771	665	16		
Total	906	800	13		

18. Maturity breakdown of assets and liabilities

Bank of Åland Group	Mar 31, 2013					Total
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	
Assets						
Cash	67					67
Debt securities eligible for refinancing with central banks	16	15	189	76		296
Assets in credit institutions	107					107
Assets related to the public and public sector entities	336	375	1,096	1,170		2,977
Debt securities	30	100				130
Shares and participations					6	6
Shares and participations in associated companies					1	1
Derivative instruments					26	26
Intangible assets					11	11
Tangible assets					32	32

Other assets					63	63
Accrued income and prepayments					26	26
Deferred tax assets					3	3
Total assets	556	490	1,285	1,246	166	3,743
Liabilities						
Liabilities to credit institutions	153	52	160			366
Liabilities to the public and public sector entities	1,935	217	1			2,153
Debt securities issued	125	189	484	55		853
Derivative instruments					14	14
Other liabilities					72	72
Provisions					1	1
Accrued expenses and prepaid income					30	30
Subordinated liabilities	9		33	20		62
Deferred tax liabilities					13	13
Equity capital					179	179
Total liabilities	2,222	458	679	75	309	3,743

Bank of Åland Group		Dec 31, 2012				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	Total
Assets						
Cash	133					133
Debt securities eligible for refinancing with central banks	6	10	237	52		305
Claims on credit institutions	104					104
Claims on the public and public sector entities	279	393	1,512	722		2,906
Debt securities	25	20				45
Shares and participations					7	7
Derivative instruments					20	20
Intangible assets					11	11
Tangible assets					33	33
Other assets					45	45
Accrued income and prepayments					20	20

Deferred tax assets					3	3
Total assets	546	423	1,749	774	139	3,631
Liabilities						
Liabilities to credit institutions	147	52	175			375
Liabilities to the public and public sector entities	1,891	233	4			2,127
Debt securities issued	153	70	474	63		760
Derivative instruments					15	15
Other liabilities					67	67
Provisions					1	1
Accrued expenses and prepaid income					28	28
Subordinated liabilities		4	60	0	0	64
Deferred tax liabilities					14	14
Equity capital					181	181
Total liabilities	2,190	360	713	63	305	3,631

19. Interest rate refixing periods

Bank of Åland Group		Mar 31, 2013				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets						
Claims on credit institutions and central banks	169					169
Claims on the public	2,134	285	288	242	29	2,977
Debt securities	46	60	55	189	76	426
Total interest-bearing assets	2,348	345	343	431	105	3,572
Liabilities						
Liabilities to credit institutions	195	16	25	130		366
Deposits from the public	1,936	82	135	1		2,153
Debt securities	289	263	27	174	100	853
Subordinated liabilities	4	7	34	17		62

Total liabilities	2,424	367	221	322	100	3,434
Off-balance sheet items	-83	12	4	-18	85	
Difference between assets and liabilities	-159	-10	125	91	91	

Bank of Åland Group		Dec 31, 2012					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets							
Claims on credit institutions and central banks	236					236	
Claims on the public	1,999	284	366	228	29	2,906	
Debt securities	93	20	10	185	42	350	
Total interest-bearing assets	2,328	304	376	413	71	3,492	
Liabilities							
Liabilities to credit institutions	160	64	20	130		375	
Deposits from the public	1,922	75	130	1		2,127	
Debt securities	512	36	34	173	5	760	
Subordinated liabilities		4	7	53		64	
Total interest-bearing liabilities	2,594	179	191	357	5	3,326	
Off-balance sheet items	48	-40	8	-1	-16		
Difference between assets and liabilities	-218	85	192	56	51		

In the table, the interest rate refixing period for lending and sight deposits with the ÅAB Prime or ÅAB O/N benchmark interest rate, or with no benchmark interest rate, has been stated as < 3 months. The volume of deposits with such interest rate terms is sizeable. In the current low interest rate environment, the interest rate refixing period for these accounts is significantly longer in practice than the contractual period.

20. Capital adequacy

Bank of Åland Group	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M					
Equity capital according to balance sheet	179.4	181.0	-1	176.8	2
Profit for the period not included in the capital base	-1.9	0.0		0.0	
Intangible assets	-10.6	-10.9	-3	-11.7	-9
Property revaluation upon transition to IFRSs	-7.7	-7.8	-1	-7.9	-3
Surplus value in pension liability according to IAS 19	-0.4	-0.4	-5	-2.4	-83
Fair value reserve	-1.9	-4.5	-59	-1.9	-3
Proposed dividends including subsidiaries	-2.2	-2.9	-25	-0.2	
50% of expected losses according to IRB approach in addition to those recognised	-3.3	-3.2	2	-3.6	-8
Deferred tax assets	-0.7	-0.6	4	-0.8	-18
Translation differences	1.6	0.3		-7.5	
Fair value of financial liabilities	0.8	0.8	0	0.5	79

Cash flow hedge	-0.3	1.2		0.0	
Core Tier 1 capital	152.9	152.9	0	141.1	8
Property revaluation upon transition to IFRSs	7.7	7.8	-1	7.9	-3
Fair value reserve	-0.7	4.5	-59	1.9	-3
Translation differences	1.0	-0.3		7.5	
Debenture loans	61.9	64.1	-3	56.0	11
50% of expected losses according to IRB approach in addition to those recognised	-3.3	-3.2	2	-3.6	-8
Supplementary capital	66.6	72.9	-9	69.8	-4
Total capital base	219.5	226.2	-3	210.9	4
Risk-weighted assets	1,471.9	1,402.0	5	1,373.8	7
Capital requirement for credit risks according to IRB approach	26.8	26.6	1	26.8	0
Capital requirement for credit risk according to standardised approach	76.6	71.5	11	69.0	15
Capital requirement for operational risks	14.4	14.1	2	14.1	2
Capital requirement	117.8	112.2	7	109.9	9
Additional amount according to transitional rules for IRB approach	11.2	11.7	-4	18.0	-38
Capital requirement including transitional rules	129.0	123.9	6	127.9	3
Core Tier 1 capital ratio, %	10.4	10.9	-7	10.3	-1
Capital adequacy, %	14.9	16.1	-9	15.3	-5
Core Tier 1 capital ratio using transitional rules, %	9.5	9.8	-5	8.8	5
Capital adequacy using transitional rules, %	13.6	14.6	-9	13.2	1

Exposure category	Mar 31, 2013				
	Gross exposure	Exposure at default	Risk weight %	Risk-weighted assets	Capital requirement
Credit risk according to the IRB approach					
Household exposures with property as collateral	1,448.0	1,444.3	15	211.7	16.9
Small and medium-sized companies classified as household exposures	157.3	156.3	52	80.8	6.5
Other household exposures	235.1	220.5	20	43.1	3.4
Total exposures according to the IRB approach	1,840.4	1,821.1	18	335.6	26.8
Credit risk according to the standardised approach					
Exposure to sovereigns and central banks	157.9	186.4	0	0.0	0
Institutional exposures	385.2	387.7	20	75.9	6.1

Corporate exposures	913.2	778.9	75	587.6	47
Household exposures with property as collateral	132.0	132.0	35	46.2	3.7
Small and medium-sized companies classified as household exposures	138.0	134.5	38	50.8	4.1
Qualifying revolving retail exposures	30.6	30.6	75	22.9	1.8
Other household exposures	191.0	165.7	69	114.2	9.1
Equity exposures	8.3	8.3	95	7.8	0.6
Other items	122.9	122.9	42	51.3	4.1
Total exposures according to the standardised approach	2,079.2	1,947.0	49	956.7	76.5
Total capital requirement for credit risk	3,919.6	3,768.1	34	1,292.4	103.4

Exposure category	Dec 31, 2012				
	EUR M	Gross exposure	Exposure at default	Risk weight %	Risk-weighted assets
Credit risk according to the IRB approach					
Household exposures with property as collateral	1,445.8	1,441.9	15	217.3	17.4
Small and medium-sized companies classified as household exposures	153.3	152.3	49	73.9	5.9
Other household exposures	237.5	223.2	18	41.1	3.3
Total exposures according to the IRB approach	1,836.6	1,817.4	18	332.3	26.6
Credit risk according to the standardised approach					
Exposure to sovereigns and central banks	283.2	312.4	0	0.0	0
Institutional exposures	372.8	375.1	16	60.4	4.8
Corporate exposures	887.0	741.6	76	561.6	44.9
Household exposures with property as collateral	116.6	116.6	35	40.8	3.3
Small and medium-sized companies classified as household exposures	121.8	118.8	37	44.4	3.6
Qualifying revolving retail exposures	31.4	31.4	75	23.5	1.9
Other household exposures	209.9	186.7	66	122.3	9.8
Equity exposures	7.3	7.3		7.3	0.6
Other items	88.4	88.4	38	33.3	2.6
Total exposures according to the standardised approach	2,118.4	1,978.3	45	893.6	71.5
Total capital requirement for credit risk	3,955.0	3,795.7	32	1,225.9	98.1

21. Managed assets

Bank of Åland Group	Mar 31, 2013	Dec 31, 2012	%	Mar 31, 2012	%
EUR M					
Fund unit management	905	867	4	800	13
Discretionary asset management	2,087	1,991	5	1,845	13
Other asset management	1,488	1,433	4	1,399	6
Total managed assets	4,480	4,292	4	4,044	11
Of which own funds in discretionary and other asset management	385	362	6	331	16

22. Hours worked, recalculated to full-time equivalent positions

Bank of Åland Group	Q1 2013	Q4 2012	%	Q1 2012	%
Bank of Åland Plc	375	381	-2	407	-8
Crosskey Banking Solutions Ab Ltd	181	199	-9	208	-13
Ålandsbanken Asset Management AB				15	
Ålandsbanken Asset Management Ab	27	26	5	24	14
Ab Compass Card Oy Ltd	12	12	0	13	-7
Ålandsbanken Fondbolag Ab	5	5	4	6	-13
Ålandsbanken Fonder AB	3	3	-3	3	-3
Ålandsbanken Equities Research Ab	0			3	
Total number of positions, recalculated from hours worked	604	626	-3	679	-11

From June 1, 2012, the operations of Ålandsbanken Asset Management AB (formerly Ålandsbanken Sverige AB) were transferred to Ålandsbanken Abp svensk filial (the Swedish branch of Bank of Åland Plc), which means that hours worked in the branch are reported as part of Bank of Åland Plc. Ålandsbanken Equities Research Ab merged with the Bank of Åland Plc during 2012.

Report on review of the interim report of Ålandsbanken Abp as of and for the three months period ending March 31, 2013

To the Board of Directors of the Bank of Åland Plc

INTRODUCTION

We have reviewed the summary statement of financial position as of 31 March 2013, the summary income statement, the summary statement of other comprehensive income, the statement of changes in equity capital and the cash flow statement of Ålandsbanken Abp group for the three-month period then ended, as well as a summary of significant accounting policies and 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 the International Financial Reporting Standards (IFRS), as adopted by the EU, 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 A REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report does not give a true and fair view of the consolidated financial position as at 31 March 2013 and the result of its operations and cash flows for the three-month period then ended, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, April 29, 2013

KPMG OY AB

Pauli Salminen
Authorised Public Accountant

Birgitta Immerthal
Authorised Public Accountant

Mari Suomela
Authorised Public Accountant