

# Interim Report

For the period January–September 2012 • October 29, 2012, 4.00 pm



## The third quarter of 2012

### Compared to the second quarter of 2012

- Net operating profit amounted to EUR -0.5 M (-3.0), but an impairment loss of EUR -0.8 M was charged to earnings for the quarter when the recognised value of the Bank's shareholding in the equities-trading platform Burgundy was changed to zero.
- Profit for the period attributable to shareholders was EUR -0.3 M (-2.2).
- Net interest income increased by 7 per cent to EUR 10.2 M (9.6).
- Net commission income increased by 1 per cent to EUR 7.7 M (7.6).
- Total expenses decreased by 9 per cent to EUR 21.5 M (23.7).
- Net loan losses were EUR 1.0 M (1.5), equivalent to a loan loss level of 0.14 (0.21) per cent.
- Earnings per share amounted to EUR -0.02 (-0.05).

## January–September 2012

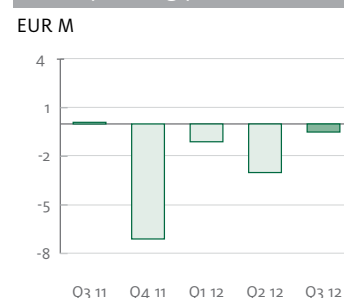
### Compared to January–September 2011

- Net operating profit amounted to EUR -4.5 M (1.4).
- Profit for the period attributable to shareholders was EUR -3.3 M (-1.7).
- Net interest income increased by 1 per cent to EUR 31.3 M (31.0).
- Net commission income decreased by 23 per cent to EUR 23.5 M (30.4).
- Total expenses decreased by 7 per cent to EUR 68.8 M (73.8).
- Net loan losses were EUR 3.4 M (0.9), equivalent to a loan loss level of 0.16 (0.05) per cent.
- Earnings per share amounted to EUR -0.23 (-0.14).
- The Tier 1 capital ratio increased to 9.7 per cent (8.4 per cent on December 31, 2011), mainly because the capital requirement for credit risks is now calculated according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio.
- Record-low interest rates in the euro zone and uncertain stock market performance are weighing down earnings. The Group will implement income-raising measures and is continuing to review its measures to improve efficiency. The Bank will report sizeable capital gains from divestments of assets. These are higher than previously estimated. The Group will also incur further expenses related to staff cutbacks. If loan losses remain within forecasted limits, these circumstances and expectations will together lead the Group to report a positive operating profit in 2012 (the forecast has been changed).

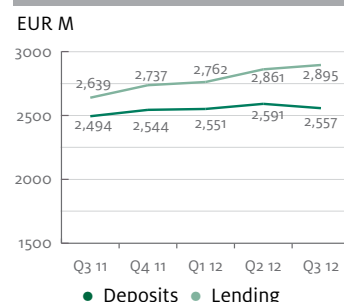
“During the third quarter, we carried out our first covered bond issue and our Malmö office in Sweden reached break-even. The third quarter showed that our measures to improve profitability are beginning to have an impact. Earnings were clearly better than in the preceding quarter. Right now the conditions for conducting banking operations in the euro zone are unusually challenging, and we must take further steps – both on the income side and the expense side – to ensure acceptable profitability in this extreme low-interest environment.”

Peter Wiklöf, Managing Director

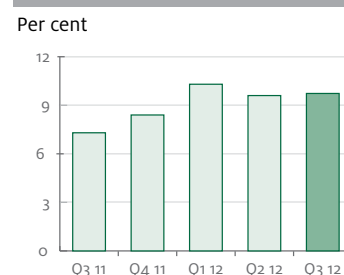
### Net operating profit



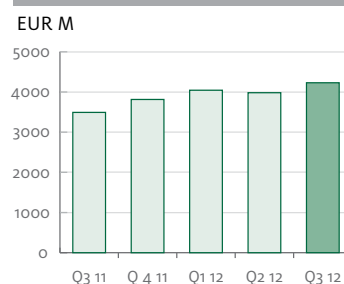
### Deposits and lending



### Tier 1 capital ratio



### Managed assets



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 eight 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.

# Earnings and profitability

## MACRO SITUATION AND REGULATORY REQUIREMENTS

The euro zone debt crisis has continued to dominate economic developments. The 3-month Euribor benchmark interest rate fell from 1.55 per cent to a record-low 0.22 per cent in one year. Since the 3-month Euribor determines a large proportion of customer lending rates, while the Bank's borrowing cost is not at all affected to the same extent by lower benchmark interest rates, this squeezes the Bank's net interest income. Regulatory requirements such as higher capital adequacy ratios, larger liquidity buffers and increased administration of risk management and reporting also squeeze profitability – the latter especially in small banks. The Bank of Åland, like other banks, must therefore find new models for pricing its loans – models that enable adjustments when conditions change.

During the latest period, we have seen a clear tendency towards wider lending margins in Finland. We expect lending margins to widen further from their current levels.

## BENCHMARK RATES, QUARTERLY AVERAGES, PER CENT

	Q3 2012	Q2 2012	Q3 2011
Euribor 3 mo	0.36	0.70	1.56
Euribor 12 mo	0.89	1.28	2.11
Stibor 3 mo	1.95	2.16	2.55
Stibor 12 mo	2.40	2.66	2.92

During the first nine months of 2012, the value of the Swedish krona in relation to the euro averaged 3 per cent higher than during the equivalent period of last year. Compared to its year-end 2011 position, the krona appreciated more than 5 per cent by September 30, 2012. This represents a continued strong krona in historical terms. When translating the income statement of the Bank of Åland's Swedish operations to 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 AT THE BANK

So far during 2012, there have been a number of important events that will provide a foundation for the Bank of Åland's improvement in earnings.

- Completion of restructuring in Sweden, which means that Swedish operations are now being pursued in the form of the Swedish branch of the parent Bank
- Credit rating and issuance of covered bonds
- Approval of the right to calculate the capital requirement using the IRB approach
- Reorganisation and extensive efficiency-raising measures to reduce expenses
- Awards and continued strong management earnings in asset management operations

In September the Bank initiated new co-determination negotiations at the subsidiary Crosskey Banking Solutions and at the Swedish branch. At Crosskey, a cutback of about 20 positions is expected and at the Swedish branch about 10 positions during the fourth quarter. The measures that are planned will lower operating expenses by about EUR 2 M per year, all other conditions being equal.

On September 26, the Bank of Åland signed an agreement to sell all shares in the Swedish subsidiary, which had been emptied of operations. The new owner took possession of the company on October 26. This divestment gives the Bank of Åland a capital gain of about EUR 6 M, as well as realising translation differences of about EUR 7 M. The impact on earnings is thus expected to total about EUR 13 M. The effects of the divestment will be reported in the fourth quarter financial statements.

In September, the Bank of Åland issued covered bonds for the first time. Covered bonds have provided the Bank of Åland with access to a new, efficient funding source. The covered bond market is liquid and is the portion of the capital market that has functioned best throughout the financial crisis. The interest cost is substantially lower than for non-covered bonds. By issuing covered bonds, the Bank of Åland increases its long-term funding as a share of total funding, which is in line with the new capital adequacy regulations.

The Bank of Åland has received a BBB/A-3, i.e. investment grade credit rating with a stable outlook for its long-term and short-term borrowing from the rating agency Standard & Poor's. The Bank's covered bonds received an AA credit rating from Standard & Poor's.

On June 1, the Bank of Åland transferred all banking and asset management operations from its subsidiary in Sweden to the Bank of Åland Plc (Finland), Swedish branch. This new, simplified corporate structure means more efficient capital utilisation and a more efficient tax situation, as well as more cost-effective corporate governance.

The Bank of Åland received the 2012 Morningstar Funds Award as the best fixed interest fund manager in Finland. The Bank earned the award for its three euro-denominated fixed income funds: Ålandsbanken Cash Manager, a short-term fixed income fund; Ålandsbanken Euro Bond, a medium-term fixed income fund; and Ålandsbanken Euro High Yield, a fixed income fund with higher potential return and risk than traditional fixed income funds.

On April 19, 2012, the Annual General Meeting elected Folke Husell, Anders Å Karlsson and Annika Wijkström as new members of the Bank's Board of Directors. Board members Kaj-Gustaf Bergh, Agneta Karlsson and Anders Wiklöf were re-elected. At the statutory meeting of the Board the same day, Kaj-Gustaf Bergh was elected Chairman and Folke Husell was elected Vice Chairman of the Board.

After the completion of co-determination negotiations on February 27, 2012, about 50 employees left the Group, 30 of them in the Åland Islands, 10 on the Finnish mainland and 10 in Sweden. The number of offices in Åland was reduced from 16 to eight plus two representative offices. On the Finnish mainland, institutional equities trading operations were closed. Extensive changes occurred in the corporate units of the Group. These efficiency-raising measures will result in an annual expense reduction of about EUR 4 M. Including measures approved during 2011, gross expenses will fall by an estimated EUR 8 M annually when these measures have their full effect by the end of 2012.

On February 13, 2012, the Finnish Financial Supervisory Authority approved the Bank's application to be allowed to calculate the capital requirement for credit risk according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio. The tran-

sition from the standardised approach to the IRB approach for the Finnish household portfolio temporarily reduced the Bank's risk-weighted assets by EUR 355 M. The Bank is continuing its efforts to implement the IRB approach in the Finnish corporate portfolio and the Swedish loan portfolio as well.

#### **EARNINGS FOR THE THIRD QUARTER OF 2012**

Net operating profit in the third quarter amounted to EUR -0.5 M, compared to EUR -3.0 M in the preceding quarter. An impairment loss of EUR 0.8 M on the Bank's shareholding in the equities-trading platform Burgundy was charged to earnings for the quarter. After this impairment loss, the holding in Burgundy has a recognised value of EUR 0. Excluding this nonrecurring item, the quarter was profitable. Lower activity during the summer months usually has an adverse effect on commission income from securities transactions and Crosskey's project income. At the same time, the expense level is lower.

Excluding the impairment loss on the Bank's shareholding in the equities-trading platform Burgundy, total income increased by EUR 0.5 M or 2 per cent to EUR 22.8 M. The Bank was able to offset the effects of falling benchmark interest rates by adjusting its lending prices. Interest payments on older problem loans also made a positive contribution. Overall net interest income increased by EUR 0.6 M or 7 per cent from the preceding quarter to EUR 10.2 M. Net commission income increased by 1 per cent to EUR 7.7 M.

Total expenses were EUR 22.5 M, which was 9 per cent lower than in the second quarter. In addition to seasonal variations, the impact of cost-saving programmes was also noticeable.

Loan losses decreased to EUR 1.0 M (1.5).

#### **EARNINGS FOR JANUARY-SEPTEMBER 2012**

Net operating profit during the first nine months of 2012 amounted to EUR -4.5 M, compared to EUR 1.4 M in the year-earlier period. Excluding restructuring expenses of EUR 2.9 M in 2011 and this year's impairment loss on Burgundy, net operating profit deteriorated by EUR 8.0 M. Net operating profit deteriorated in the Åland and Finnish Mainland business areas, as well as in Crosskey Banking Solutions. Earnings in the Sweden business area improved but were still negative, because the Gothenburg office, Premium Banking in Stockholm and Asset Management were loss-making. As early as 2011, Private Banking in Stockholm reported a surplus, which the Malmö office also did so during the first nine months of 2012.

Total income amounted to EUR 67.6 M, which was EUR 8.2 M or 11 per cent lower than in the year-earlier period. Of this decrease, EUR -0.8 M consisted of an impairment loss on the Bank's shareholding in Burgundy. The decline in income was largest in net commission income, which fell by EUR 6.9 M or 23 per cent. Of this decrease, EUR 5.7 M was related to income from securities transactions, among other things due to the closure of institutional equities trading operations, which showed an income of EUR 2.1 M in the year-earlier period. Mutual fund commissions decreased by EUR 1.6 M and management commissions by EUR 1.3 M. Net interest income increased by EUR 0.3 M or 1 per cent to EUR 31.3 M. In the Sweden business area, net interest income increased by EUR 2.4 M or 41 per cent, while falling Euribor rates squeezed net interest income in the Åland and Finnish Mainland business areas.

Total expenses amounted to EUR 68.8 M. Adjusted for restructuring expenses in 2011, this was a decrease of EUR 2.1 M or 3 per cent. Excluding exchange rate effects, this was a decrease of EUR 2.1 M or 3 per cent.

Net loan losses were EUR 3.7 M or 5 per cent. The loan loss level

was 0.16 per cent, compared to 0.05 per cent in the year-earlier period.

The tax effect was positive and amounted to EUR 1.6 M. In the year-earlier period, the effective tax rate was 154 per cent. The tax situation improved because Swedish banking operations now take place in the form of a branch of the Parent Company. In addition, Finnish corporate tax has been lowered from 26 to 24.5 per cent. Profit for the period attributable to shareholders was EUR -3.4 M, compared to EUR -1.7 M in the corresponding period of 2011.

#### **BUSINESS VOLUME**

Managed assets increased by EUR 416 M or 11 per cent during the first nine months of 2012 and amounted to EUR 4,230 M (3,814). Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 81 M or 11 per cent during the first nine months to EUR 838 M (757). Assets under discretionary management increased by EUR 145 M or 8 per cent to EUR 1,943 M (1,798). Assets under advisory management rose by EUR 189 M or 15 per cent to EUR 1,449 M (1,260). Of total managed assets, the Sweden business area accounted for EUR 2,445 M or 58 per cent.

Deposits from the public – including certificates of deposit, index bonds and debentures issued to retail customers – increased by EUR 13 M during the first nine months to EUR 2,557 M (2,544). In Sweden, the Åland Account continued to attract new customers. During a nine-month period, Åland Account and fixed interest rate deposits increased by EUR 78 M.

Lending to the public totalled EUR 2,895 M (2,737). This represented an increase of EUR 158 M or 6 per cent during the nine months of 2012. 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 nine months of 2012, gross non-performing loans (more than 90 days) increased by EUR 5.7 M to EUR 25.0 M (19.3). As a share of lending to the public, non-performing loans rose from 0.70 per cent to 0.86 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 60 per cent compared to 62 per cent at year-end 2011. Including group impairment losses, the level of provisions amounted to 67 per cent, compared to 71 per cent at year-end 2011. The Bank of Åland Group had EUR 10.8 M in impairment loss provisions, including individual impairments of EUR 9.7 M and group impairment losses of EUR 1.1 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 470 M on September 30, 2012. This was equivalent to 13 per cent of total assets (12 per cent at year-end 2011) and 16 (15) per cent of lending to the public. Given

the Bank's ability to issue high-quality covered bonds, there is an additional unutilised liquidity reserve, since the Bank can issue at least an additional EUR 300 M within the framework of its current permit from the Financial Supervisory Authority.

The Bank has no significant long-term borrowing maturities before 2014.

Seventy-nine per cent of the Bank of Åland's funding comes from deposits from the public, including certificates of deposit, index bonds and subordinated debentures. The Bank of Åland thus has a relatively small need for borrowing in the capital market. Of deposits from the public, EUR 158 M (155) consisted of time deposits, index bonds and debentures with a maturity of more than one year. Although the remainder consisted of sight deposits or has contractually shorter maturities than 1 year, this funding can largely be regarded as stable, based on historical customer behaviour.

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 106 per cent on September 30, 2012 (108 per cent on December 31, 2011).

#### **EQUITY AND CAPITAL ADEQUACY**

Equity capital changed in the amount of total profit for the period, EUR -2.8 M, to EUR 177.5 M. The equity/assets ratio decreased to 4.9 per cent from a 5.3 per cent position at the end of 2011. Core Tier 1 capital as defined in capital adequacy regulations amounted to EUR 138.3 M. The main differences between this and reported equity are that unrealised/unqualified gains may not be included (EUR 3.3 M) and that intangible assets (11.9) plus half of expected losses in accordance with the IRB approach (3.4) are deducted. Translation differences (7.3), the fair value reserve (2.9) and other IFRS transition effects (7.8) are classified as supplementary capital.

On February 13, 2012, the Finnish Financial Supervisory Authority approved the Bank's application to be allowed to calculate the capital requirement for credit risk according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio. Risk-weighted assets decreased by EUR 309 M or 17 per cent during the first nine months of 2012 and amounted to EUR 1,420 M (1,729). Risk-weighted assets attributable to credit risks decreased by EUR 293 M or 19 per cent despite the increase in lending, since the IRB approach is being used instead of the standardised approach for the Finnish household portfolio.

The Tier 1 capital ratio increased to 9.7 (8.4) per cent. 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 15.2 (12.8) per cent.

In accordance with the 2011 Annual General Meeting's decision on purchases of the Bank's own shares for the purpose of implementing a share-based compensation programme for senior executives, the Bank has purchased its own shares. On September 30, 2012 this holding amounted to 25,000 Series B shares.

#### **CHANGES IN GROUP STRUCTURE**

The Bank of Åland Plc has initiated a procedure to merge with the wholly owned subsidiary Ålandsbanken Equities Research Ab. The aim is to complete this merger during the fourth quarter of 2012.

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

Co-determination negotiations at Crosskey Banking Solutions and the Swedish branch were completed in October. The Group is

eliminating about 30 full-time positions, of which 20 at Crosskey. Restructuring expenses of about EUR 1 M will be charged to the fourth quarter financial statements. The Group's gross expense level is expected to decrease by about EUR 2 M per year as a consequence of the efficiency-raising measures that have been implemented.

As planned, on October 26 the new owner took possession of the the Swedish subsidiary, which had been emptied of operations. This divestment gave the Bank of Åland a capital gain of about EUR 13 M.

#### **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 exposure to the "GIIPS" countries (Greece, Italy, Ireland, Portugal and Spain).

The poorer economic outlook has adversely affected the shipping industry, among others. The risk of loan losses from this industry has thus increased. We are focusing especially on these customers. The Bank of Åland's total lending to companies in the shipping industry represents about 3 per cent of its overall lending volume.

Based on the positive future expectations at Compass Card, a deferred tax asset of EUR 0.9 M was recognised. If the conditions affecting the company should change dramatically, in such a way that the company will not achieve a profit, the value of this asset may need to be re-assessed.

#### **FUTURE OUTLOOK**

Due to macroeconomic developments in Europe – including record-low interest rates, uncertain stock market performance, weak economic prospects and changes in regulatory requirements – it has become more difficult for the Bank to earn profits. Compared to the situation at the beginning of 2012, market conditions have deteriorated significantly.

The weak economic situation affects the payment capacity of customers, which increases the risk of loan losses. This is especially clear in the shipping industry.

The efficiency-raising measures that have been implemented and planned will mean about EUR 10 M in lower annual expenses compared to a year ago – once they achieve their full effect, which is expected to occur by the end of 2012. Their effect in 2012 is estimated at about EUR 7 M, excluding restructuring expenses. This expense reduction will be partly offset by contractual pay hikes and other increases in expenses. In EUR terms, the appreciation of the Swedish krona increases the reported expenses in Swedish operations. Restructuring expenses in the range of EUR 1 M will be charged to the fourth quarter financial statements.

The Bank expects capital gains from divestments of assets. These include EUR 13 M from the divestment of the Swedish company. The Bank also intends to adjust certain interest rate terms in such a way that they better reflect prevailing market conditions.

If loan losses remain within forecasted limits, these circumstances and expectations will together lead the Group to report a positive net operating profit in 2012 (the forecast has been changed).

#### **FINANCIAL INFORMATION**

The Year-end Report for 2012 will be published on February 15, 2013.

Mariehamn, October 29, 2012

THE BOARD OF DIRECTORS

# Financial summary

Bank of Åland Group	Q3 2012	Q2 2011	%	Q3 2011	%	Jan-Sep 2012	Jan-Sep 2011	%
EUR M								
Income								
Net interest income	10.2	9.6	7	11.4	-11	31.3	31.0	1
Net commission income	7.7	7.6	1	9.7	-21	23.5	30.4	-23
Other income	4.1	5.1	-18	2.3	83	12.9	14.7	-13
<b>Total income</b>	<b>22.0</b>	<b>22.3</b>	<b>-1</b>	<b>23.4</b>	<b>-6</b>	<b>67.6</b>	<b>76.2</b>	<b>-11</b>
Expenses								
Staff costs	-12.3	-13.0	-5	-12.8	-4	-38.6	-43.3	-11
Other expenses	-9.2	-10.7	-14	-9.8	-6	-30.2	-30.6	-1
<b>Total expenses</b>	<b>-21.5</b>	<b>-23.7</b>	<b>-9</b>	<b>-22.6</b>	<b>-5</b>	<b>-68.8</b>	<b>-73.8</b>	<b>-7</b>
<b>Profit before loan losses etc.</b>	<b>0.5</b>	<b>-1.4</b>		<b>0.8</b>	<b>-33</b>	<b>-1.1</b>	<b>2.4</b>	
Impairment losses on loans and other commitments	-1.0	-1.5	-36	-0.7	43	-3.4	-0.9	
<b>Net operating profit</b>	<b>-0.5</b>	<b>-3.0</b>	<b>-84</b>	<b>0.1</b>		<b>-4.5</b>	<b>1.4</b>	
Income taxes	0.3	0.9	-70	-0.6		1.6	-2.2	
<b>Profit for the report period</b>	<b>-0.2</b>	<b>-2.0</b>	<b>-91</b>	<b>-0.5</b>	<b>-63</b>	<b>-2.9</b>	<b>-0.8</b>	
Attributable to:								
Non-controlling interests	0.2	0.1	11	0.1	80	0.4	1.0	-61
Shareholders in Bank of Åland Plc	-0.3	-2.2	-84	-0.6	-43	-3.3	-1.7	88
Volume								
Lending to the public	2,895	2,861	1	2,639	10			
Deposits from the public <sup>1</sup>	2,557	2,591	-1	2,494	3			
Managed assets	4,230	3,982	6	3,492	21			
Equity capital	178	177	0	158	13			
Balance sheet total	3,620	3,580	1	3,338	8			
Risk-weighted assets	1,420	1,445	0	1,689	-14			
Financial ratios								
Return on equity after taxes, % (ROE) <sup>2</sup>	-0.4	-4.5		-1.5		-2.2	-1.5	
Expenses/income ratio, % <sup>3</sup>	98	106		97		102	97	
Loan loss level, % <sup>4</sup>	0.14	0.21		0.10		0.16	0.05	
Gross non-performing loans, % <sup>5</sup>	0.86	0.88		1.09		0.86	1.09	
Level of provisions for doubtful receivables, % <sup>6</sup>	67	73		82		67	82	
Core funding ratio (Lending/deposits), % <sup>7</sup>	106	110		106		106	106	
Equity/assets ratio, % <sup>8</sup>	4.9	5.0		4.7		4.9	4.7	
Tier 1 capital ratio, % <sup>9</sup>	9.7	9.6		7.3		9.7	7.3	
Earnings per share before dilution, % <sup>10,13</sup>	-0.02	-0.15		-0.05		-0.23	-0.14	
Equity capital per share, EUR <sup>11,13</sup>	12.12	12.13		12.45		12.12	12.45	
Market price per Series A share, EUR	10.04	10.90		16.00		10.04	16.00	
Market price per Series B share, EUR	7.77	7.58		10.50		7.77	10.50	
Price per A share, adjusted for share issue, EUR	10.04	10.90		16.00		10.04	16.00	
Price per B share, adjusted for share issue, EUR	7.77	7.58		10.50		7.77	10.50	
Number of shares outstanding (not own shares) thousands <sup>12</sup>	14,395	14,395		12,374		14,395	12,374	
Working hours re-calculated to full-time equivalent positions	633	651		678		654	677	

<sup>1</sup> Deposits from the public and public sector entities, including bond loans and certificates of deposit

<sup>2</sup> (Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital) x 100

<sup>3</sup> (Expenses / Income) x 100

<sup>4</sup> (Impairment losses on loan portfolio / loan portfolio) x 100

<sup>5</sup> (Non-performing loans more than 90 days) / loan portfolio) x 100

<sup>6</sup> (Impairment loss provisions / doubtful receivables) x 100

<sup>7</sup> (Lending volume / Deposits including certificates of deposit, index bonds and debentures issued to the public and covered bonds) x 100

<sup>8</sup> (Equity capital / Balance sheet total) x 100

<sup>9</sup> (Core capital / Capital requirement) x 8 % x 100

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

<sup>11</sup> Equity capital/Registered shares on closing day

<sup>12</sup> Number of shares adjusted for share issue - number of own shares. A total of 5,180,910 A shares has been adjusted by a coefficient of 1.08 and a total of 6,355,212 B shares by 1.06.

<sup>13</sup> Due to discovery of a formula error, earlier periods have been corrected.



# Summary statement of financial position

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Sep 30, 2011	%
EUR M					
Assets					
Cash	55	66	-17	34	63
Debt securities eligible for refinancing with central banks	279	125		125	
Claims on credit institutions	184	129	42	127	45
Claims on the public and public sector entities	2,895	2,737	6	2,639	10
Debt securities	27	198	-86	243	-89
Shares and participations	5	3	60	4	21
Shares and participations in associated companies	1	1	1	1	-5
Derivative instruments	24	20	17	19	29
Intangible assets	12	11	4	11	10
Tangible assets	33	32	3	34	-2
Other assets	71	46	55	76	-6
Accrued income and prepayments	31	26	20	22	43
Deferred tax assets	3	4	-22	3	-5
<b>Total assets</b>	<b>3,620</b>	<b>3,400</b>	<b>7</b>	<b>3,338</b>	<b>9</b>
Liabilities and equity capital					
Liabilities to credit institutions	379	230	65	208	82
Liabilities to the public and public sector entities	2,242	2,147	4	2,117	6
Debt securities issued	595	659	-10	669	-11
Derivative instruments	18	14	30	13	33
Other liabilities	87	60	45	60	44
Accrued expenses and prepaid income	42	33	26	33	26
Subordinated liabilities	63	58	10	57	11
Deferred tax liabilities	17	20	-17	22	
<b>Total liabilities</b>	<b>3,443</b>	<b>3,220</b>	<b>7</b>	<b>3,181</b>	<b>9</b>
Equity capital and minority interest					
Share capital	29	29	0	23	25
Share issue	0	0	0	3	-100
Share premium account	33	33	0	33	0
Reserve fund	25	25	0	25	0
Fair value reserve	10	10	1	8	19
Unrestricted equity capital fund	24	24	0	0	0
Own shares	0	0	0	0	0
Retained earnings	53	56	-6	62	-14
Shareholders' interest in equity capital	175	178	-2	154	33
Minority interest in capital	3	3	14	4	-16
<b>Total equity capital</b>	<b>178</b>	<b>181</b>	<b>-2</b>	<b>158</b>	<b>13</b>
<b>Total liabilities and equity capital</b>	<b>3,620</b>	<b>3,400</b>	<b>6</b>	<b>3,338</b>	<b>8</b>

# Summary income statement

Bank of Åland Group	Q3 2012	Q2 2012	%	Q3 2011	%	Jan-Sep 2012	Jan-Sep 2011	%
<b>EUR M</b>								
Net interest income	10.2	9.6	7	11.4	-11	31.3	31.0	1
Net commission income	7.7	7.6	1	9.7	-21	23.5	30.4	-23
Net income from securities transactions and foreign exchange dealing	1.1	0.7	51	-0.8		1.7	1.2	44
Net income from financial assets available for sale	-0.6	0.2		-0.1		-0.2	0.7	
Net income from investment properties	0.0	0.0	-90	0.0	-94	0.0	0.1	-100
IT income	3.5	3.6	-3	3.2	10	10.8	11.3	-4
Other operating income	0.1	0.5	-79	0.1	71	0.6	1.5	-63
<b>Total income</b>	<b>22.0</b>	<b>22.3</b>	<b>-1</b>	<b>23.4</b>	<b>-6</b>	<b>67.6</b>	<b>76.2</b>	<b>-11</b>
Staff costs	-12.3	-13.0	-5	-12.8	-4	-38.6	-43.3	-11
Other administrative expenses	-4.3	-5.7	-23	-4.4	-2	-15.2	-15.2	0
Production for own use	0.3	0.5	-36	0.4	-18	1.1	1.4	-18
Depreciation/amortisation	-2.0	-1.8	8	-1.7	16	-5.5	-4.9	12
Other operating expenses	-3.2	-3.7	-13	-4.0	-21	-10.6	-11.8	-10
<b>Total expenses</b>	<b>-21.5</b>	<b>-23.7</b>	<b>-9</b>	<b>-22.6</b>	<b>-5</b>	<b>-68.8</b>	<b>-73.8</b>	<b>-7</b>
<b>Profit before loan losses etc.</b>	<b>0.5</b>	<b>-1.4</b>		<b>0.8</b>	<b>-33</b>	<b>-1.1</b>	<b>2.4</b>	<b>-147</b>
Impairment losses on loans and other commitments	-1.0	-1.5	-36	-0.7	43	-3.4	-0.9	
<b>Net operating profit</b>	<b>-0.5</b>	<b>-3.0</b>	<b>-84</b>	<b>0.1</b>		<b>-4.5</b>	<b>1.4</b>	
Income taxes	0.3	0.9	-70	-0.6		1.6	-2.2	
<b>Profit for the period</b>	<b>-0.2</b>	<b>-2.0</b>	<b>-91</b>	<b>-0.5</b>	<b>-63</b>	<b>-2.9</b>	<b>-0.8</b>	
Attributable to:								
Non-controlling interests	0.2	0.1	11	0.1	80	0.4	1.0	-61
Shareholders in Bank of Åland Plc	-0.3	-2.2	-84	-0.6	-43	-3.3	-1.7	88
Earnings per share								
Earnings per share before dilution, EUR <sup>1</sup>	-0.02	-0.15		-0.05		-0.23	-0.15	
Earnings per share after dilution, EUR <sup>2</sup>	-0.02	-0.15		-0.05		-0.23	-0.15	

<sup>1</sup> Profit for the period before dilution / Average number of shares

<sup>2</sup> Profit for the period after dilution / (Average number of shares + shares outstanding)



# Summary statement of other comprehensive income

Bank of Åland Group	Q3 2012	Q2 2011	%	Q3 2011	%	Jan-Sep 2012	Jan-Sep 2011	%
EUR M								
<b>Profit for the period</b>	<b>-0.2</b>	<b>-2.0</b>	<b>-91</b>	<b>-0.5</b>	<b>-63</b>	<b>-2.9</b>	<b>-0.8</b>	
Assets available for sale	1.1	0.3		1.1	3	1.5	0.1	
Valuation differences	-0.6	-0.2		-0.3	61	-1.1	-1.2	-13
Income tax on other comprehensive income	-0.3	-0.1		-0.3	-3	-0.4	0.0	
<b>Other comprehensive income</b>	<b>0.3</b>	<b>0.0</b>		<b>0.4</b>	<b>-39</b>	<b>0.1</b>	<b>-1.2</b>	
<b>Total comprehensive income for the period</b>	<b>0.1</b>	<b>-2.1</b>		<b>-0.1</b>	<b>-226</b>	<b>-2.8</b>	<b>-2.0</b>	<b>44</b>
Attributable to:								
Non-controlling interests	0.1	0.1	0	0.1	62	0.4	1.0	-61
Shareholders in Bank of Åland Plc	-0.1	-2.2	-97	-0.1	-63	-3.2	-2.9	9

# Income statement by quarter

Bank of Åland Group	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
EUR M					
Net interest income	10.2	9.6	11.5	12.1	11.4
Net commission income	7.7	7.6	8.0	8.3	9.7
Net income from securities transactions and foreign exchange dealing	1.1	0.7	-0.2	0.7	-0.8
Net income from financial assets available for sale	-0.6	0.2	0.2	-1.3	-0.1
Net income from investment properties	0.0	0.0	0.0	0.8	0.0
IT income	3.5	3.6	3.7	2.2	3.2
Other operating income	0.1	0.5	0.1	0.3	0.1
<b>Total income</b>	<b>22.0</b>	<b>22.3</b>	<b>23.3</b>	<b>23.0</b>	<b>23.4</b>
Staff costs	-12.3	-13.0	-13.2	-16.7	-12.8
Other administrative expenses	-4.3	-5.7	-5.2	-5.8	-4.4
Production for own use	0.3	0.5	0.4	0.4	0.4
Depreciation/amortisation	-2.0	-1.8	-1.7	-1.8	-1.7
Other operating expenses	-3.2	-3.7	-3.8	-5.5	-4.0
<b>Total expenses</b>	<b>-21.5</b>	<b>-23.7</b>	<b>-23.5</b>	<b>-29.3</b>	<b>-22.6</b>
<b>Profit before loan losses etc.</b>	<b>0.5</b>	<b>-1.4</b>	<b>-0.2</b>	<b>-6.3</b>	<b>0.8</b>
Impairment losses on loans and other commitments	-1.0	-1.5	-0.9	-0.8	-0.7
<b>Net operating profit</b>	<b>-0.5</b>	<b>-3.0</b>	<b>-1.1</b>	<b>-7.1</b>	<b>0.1</b>
Income taxes	0.3	0.9	0.4	2.6	-0.6
<b>Profit for the period</b>	<b>-0.2</b>	<b>-2.0</b>	<b>-0.7</b>	<b>-4.5</b>	<b>-0.5</b>
Attributable to:					
Non-controlling interests	0.2	0.1	0.1	0.2	0.1
Shareholders in Bank of Åland Plc	-0.3	-2.2	-0.8	-4.7	-0.6

# Statement of changes in equity capital

Bank of Åland Group												
EUR M	Share capital	Share issue	Share premium account	Reserve fund	Fair value reserve	Translation difference	Unrestricted equity capital fund	Own shares	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
<b>Equity capital, Dec 31, 2010</b>	<b>23.3</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>1.3</b>	<b>8.0</b>	<b>0.0</b>	<b>0.0</b>	<b>62.9</b>	<b>153.8</b>	<b>0.6</b>	<b>154.5</b>
Comprehensive income for the period					0.0	-1.2			-1.7	-2.9	1.0	-2.0
Dividend paid									0	0.0	0.0	0.0
Other changes in equity capital attributable to minority interests										0.0	2.0	2.0
Share issue		2.6								2.6	0.0	2.6
<b>Equity capital, Sep 30, 2011</b>	<b>23.3</b>	<b>2.6</b>	<b>33.3</b>	<b>25.1</b>	<b>1.3</b>	<b>6.8</b>	<b>0.0</b>	<b>0.0</b>	<b>61.1</b>	<b>153.5</b>	<b>3.6</b>	<b>157.1</b>
Comprehensive income for the period					0.4	1.0			-4.7	-3.2	0.2	-3.1
Dividend paid									0.0	0.0	-1.1	-1.1
Share issue	5.8	-2,6					24.5			27.7	0.0	27.7
Purchases of own shares								-0.1		-0.1	0.0	-0.1
<b>Equity capital, Dec 31, 2011</b>	<b>29.1</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>1.8</b>	<b>7.8</b>	<b>24.5</b>	<b>-0.1</b>	<b>56.4</b>	<b>177.9</b>	<b>2.6</b>	<b>180.6</b>
Comprehensive income for the period					1.2	-1.1			-3.3	-3.2	0.4	-2.8
Dividend paid									0.0	0.0	0.0	0.0
Purchases of own shares								-0.2		-0.2		-0.2
<b>Equity capital, Sep 30, 2012</b>	<b>29.1</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>2.9</b>	<b>6.8</b>	<b>24.5</b>	<b>-0.2</b>	<b>53.1</b>	<b>174.5</b>	<b>3.0</b>	<b>177.5</b>

# Summary cash flow statement

Bank of Åland Group	Jan–Sep 2012		Jan–Sep 2011	
EUR M				
Cash flow from operating activities				
Net operating profit	-4.5		1.4	
Adjustment for net operating profit items not affecting cash flow	9.6		8.7	
Gains/losses from investing activities	-0.7		-0.1	
Income taxes paid	-1.6		-0.9	
Changes in assets and liabilities in operating activities	51.5	54.2	-22.6	-13.5
Cash flow from investing activities		-6.7		-2.3
Cash flow from financing activities		-3.1		-64.8
Exchange rate differences in cash and cash equivalents		3.3		-3.8
<b>Change in cash and cash equivalents</b>		<b>47.7</b>		<b>-84.5</b>
Cash and cash equivalents, January 1		184.7		306.2
Cash and cash equivalents, September 30		232.5		221.8

# Notes to the consolidated interim report

## 1. Corporate information

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public limited company, organised in compliance with Finnish legislation and with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 20 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–September 30, 2012 was approved by the Board of Directors on October 29, 2012.

## 2. Basis for preparation and essential accounting principles

### BASIS FOR PREPARATION

The Interim Report for the period January 1–September 30, 2012 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, 2011.

### ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as the essential accounting principles used in preparing the financial statements for the year ending December 31, 2011, except for the introduction of new standards and interpretations, which are described below. The introduction of new standards and interpretations has not materially affected the Group's results or financial position.

New accounting norms and standards that apply starting in 2012 (not approved by the EU):

IAS 1, "Presentation of Financial Statements"

IAS 19, "Employee Benefits"

IFRS 1, "First-time Adoption of International Financial Reporting Standards"

IFRS 7, "Financial Instruments – Disclosures" (Approved by the EU)

IFRS 10, "Consolidated Financial Statements" concerning subsidiaries

IFRS 11, "Joint Arrangements"

IFRS 12, "Disclosures of Interests in Other Entities" related to holdings in subsidiaries, associated companies, joint arrangements etc.

## 3. 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.

#### 4. Capital adequacy

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	Sep 30, 2011
EUR M			
Tier 1 capital <sup>1</sup>	138.3	145.5	123.8
Supplementary capital	77.9	75.3	73.0
<b>Total capital base</b>	<b>216.1</b>	<b>220.7</b>	<b>196.7</b>
Capital requirement for credit risks	99.5	123.0	120.0
Capital requirement for operational risks	14.1	14.1	14.0
Capital requirement for market risks	0.0	1.4	1.2
<b>Total capital requirement</b>	<b>113.6</b>	<b>138.5</b>	<b>135.2</b>
Total capital ratio, %	15.2	12.8	11.6
Tier 1 capital ratio, %	9.7	8.4	7.3
<b>Core Tier 1 capital ratio, %</b>	<b>9.7</b>	<b>8.4</b>	<b>7.3</b>

<sup>1</sup> Including profit for the period.

On February 13, 2012, the Finnish Financial Supervisory Authority approved the Bank's application to be allowed to calculate the capital requirement for credit risk according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio. Comparative figures are calculated according to the standardised approach. The calculation for the IRB approach did not apply the 80 per cent floor rule. Taking this transitional rule into account, the total capital ratio was 13.2 per cent and the Tier 1 capital ratio 8.4 per cent.

## 5. 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 and equities trading operations in Mariehamn. "Finnish Mainland" includes office operations on the Finnish mainland, Ålandsbanken Asset Management Ab and equities trading operations on the Finnish mainland, including Ålandsbanken Equities Research Ab. The "Sweden" business area includes the operating units Ålandsbanken Abp Sverige Filial (the Swedish branch of the Bank of Åland Plc), Ålandsbanken Asset Management AB 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–Sep 2012				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	9.1	13.5	8.4	-0.1	0.3	31.3
Commission income	4.7	9.6	7.8	0.0	1.4	23.5
Other income	0.4	0.3	0.8	20.5	-8.3	13.7
	0.0	0.0	-0.8	0.0	0.0	-0.8
<b>Total income</b>	<b>14.3</b>	<b>23.4</b>	<b>16.2</b>	<b>20.4</b>	<b>-6.6</b>	<b>67.6</b>
Staff costs	-3.1	-6.5	-9.3	-10.2	-9.4	-38.6
Other expenses	-3.0	-5.6	-5.4	-8.6	-7.7	-30.2
Internal allocation of expenses	-5.5	-9.1	-8.1	0.0	22.7	0.0
<b>Total expenses</b>	<b>-11.6</b>	<b>-21.1</b>	<b>-22.7</b>	<b>-18.8</b>	<b>5.6</b>	<b>-68.8</b>
<b>Profit before loan losses etc.</b>	<b>2.6</b>	<b>2.3</b>	<b>-6.6</b>	<b>1.6</b>	<b>-1.0</b>	<b>-1.1</b>
Impairment losses on loans and other commitments	-1.5	-1.8	0.2	0.0	-0.3	-3.4
<b>Net operating profit</b>	<b>1.1</b>	<b>0.5</b>	<b>-6.3</b>	<b>1.6</b>	<b>-1.4</b>	<b>-4.5</b>

Bank of Åland Group		Jan–Sep 2011				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	10.6	14.4	5.9	0.0	0.1	31.0
Net commission income	4.8	13.3	10.7	0.0	0.7	29.4
Other income	0.5	0.1	1.9	22.7	-9.5	15.8
<b>Total income</b>	<b>15.9</b>	<b>27.8</b>	<b>18.5</b>	<b>22.7</b>	<b>-8.7</b>	<b>76.2</b>
Staff costs	-3.2	-7.2	-10.3	-9.9	-9.8	-40.3
Restructuring costs			-2.9			-2.9
Other expenses	-2.2	-5.4	-7.0	-9.7	-6.2	-30.6
Internal allocation of expenses	-6.8	-11.2	-8.9	0.0	26.9	0.0
<b>Total expenses</b>	<b>-12.2</b>	<b>-23.9</b>	<b>-29.1</b>	<b>-19.6</b>	<b>10.9</b>	<b>-73.8</b>
<b>Profit before loan losses etc.</b>	<b>3.7</b>	<b>3.9</b>	<b>-10.5</b>	<b>3.0</b>	<b>2.3</b>	<b>2.4</b>
Impairment losses on loans and other commitments	0.4	-1.3	0.1	0.0	-0.1	-0.9
<b>Net operating profit</b>	<b>4.1</b>	<b>2.6</b>	<b>-10.5</b>	<b>3.0</b>	<b>2.2</b>	<b>1.4</b>



## 6. Managed assets

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Sep 30, 2011	%
EUR M					
Fund unit management	838	757	11	724	16
Discretionary asset management	1,943	1,798	8	1,686	15
Other asset management	1,449	1,260	15	1,082	34
<b>Total managed assets</b>	<b>4,230</b>	<b>3,814</b>	<b>11</b>	<b>3,492</b>	<b>21</b>
Of which own funds in discretionary and other asset management	-355	-338	5	-310	15

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

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Sep 30, 2011	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	1,694	1,568	8	1,612	5
Time deposits	549	579	-5	504	9
<b>Total deposit accounts</b>	<b>2,242</b>	<b>2,146</b>	<b>0</b>	<b>2,116</b>	<b>0</b>
Bonds and subordinated debentures <sup>1</sup>	205	189	104	181	113
Certificates of deposit issued to the public <sup>1</sup>	109	208	-48	197	-45
<b>Total bonds and certificates of deposit</b>	<b>314</b>	<b>397</b>	<b>24</b>	<b>378</b>	<b>31</b>
<b>Total deposits</b>	<b>2,557</b>	<b>2,544</b>	<b>8</b>	<b>2,494</b>	<b>10</b>

<sup>1</sup>This item does not include debt securities subscribed by credit institutions.  
The item "Liabilities to the public and public sector entities" also includes intermediated loans.

## 8. Lending to the public and public sector by purpose

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Sep 30, 2011	%
EUR M					
Companies					
Shipping	78	63	24	60	30
Wholesale and retail trade	56	57	-2	58	-3
Housing operations	130	95	37	92	41
Other real estate operations	335	335	0	279	20
Financial and insurance operations	187	187	0	196	-5
Hotel and restaurant operations	21	19	6	19	8
Other service operations	107	109	-2	108	0
Agriculture, forestry and fishing	15	13	13	12	28
Construction	35	45	-21	37	-3
Other industry and crafts	36	36	1	36	0
<b>Total, companies</b>	<b>1,001</b>	<b>958</b>	<b>4</b>	<b>897</b>	<b>11</b>
Private individuals					
Home loans	1,241	1,161	7	1,137	9
Securities and other investments	309	294	5	297	4
Business operations	122	126	-3	115	6
Other household purposes	201	177	14	169	19
<b>Total, households</b>	<b>1,872</b>	<b>1,757</b>	<b>7</b>	<b>1,717</b>	<b>9</b>
Public sector and non-profit organisations	22	22	2	25	-9
<b>Total, public sector and non-profit organisations</b>	<b>22</b>	<b>22</b>	<b>2</b>	<b>25</b>	<b>-9</b>
<b>Total lending</b>	<b>2,895</b>	<b>2,737</b>	<b>6</b>	<b>2,639</b>	<b>10</b>

## 9. Impairment losses and doubtful receivables

Bank of Åland Group	Q3 2012	Q2 2012	%	Q3 2011	%
EUR M					
Individual impairment losses	1.0	1.5	-36	1.7	-42
Group impairment losses	0.0	0.0	0	-1.0	-100
Reversals	0.0	0.0	21	0.0	
<b>Recognised in income statement</b>	<b>1.0</b>	<b>1.5</b>	<b>-36</b>	<b>0.7</b>	<b>44</b>
Gross doubtful receivables	16.1	14.6	10	9.8	64
Individual impairment losses	9.7	9.6	1	7.0	39
Group impairment losses	1.1	1.1	0	1.1	0
Net doubtful receivables	5.3	3.9	36	1.8	
Level of provisions for doubtful receivables, %	67	73	-9	82	-18
Doubtful receivables as % of total	0.56	0.51	9	0.37	49
Of which > 90 days past due	25.0	25.1	-1	28.8	-13
Non-performing receivables as % of total	0.86	0.88	-2	1.09	-21

## 10. Off-balance sheet commitments

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Sep 30, 2011	%
EUR M					
Guarantees and pledges	17	19	-10	16	4
Other commitments	341	358	-5	283	20
<b>Total</b>	<b>358</b>	<b>377</b>	<b>-5</b>	<b>299</b>	<b>19</b>

## 11. Restructuring reserve

Bank of Åland Group	Sep 30, 2012	New reserve	Utilised	Withdrawn	Sep 30, 2011
EUR M					
Staff costs	0.7	2.7	-4.1	-0.2	2.2
Rent	0.1	0.5	-0.4	0.0	0.0
IT	0.1	0.1	0.0	0.0	0.0
<b>Total</b>	<b>0.9</b>	<b>3.4</b>	<b>-4.5</b>	<b>-0.2</b>	<b>2.3</b>

## 12. Goodwill

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Jun 30, 2011	%
EUR M					
Opening balance	1.4	1.4	0	1.4	0
<b>Closing balance</b>	<b>1.4</b>	<b>1.4</b>	<b>0</b>	<b>1.4</b>	<b>0</b>

## 13. Net interest income

Bank of Åland Group	Q3 2012	Q2 2012	%	Q3 2011	%
EUR M					
Interest income					
Credit institutions and central banks	0.3	0.3	-17	0.8	-66
The public and public sector entities	19.3	19.4	0	19.6	-2
Debt securities	1.7	1.9	-12	2.1	-22
Other interest income	0.3	0.4	-35	0.4	-28
<b>Total</b>	<b>21.5</b>	<b>22.0</b>	<b>-2</b>	<b>22.9</b>	<b>-6</b>
Interest expenses					
Credit institutions and central banks	-1.4	-1.5	-8	-0.5	193
The public and public sector entities	-6.2	-6.4	-3	-6.3	-2
Debt securities	-2.8	-3.3	-14	-3.8	-25
Subordinated liabilities	-0.4	-0.4	1	-0.5	-12
Other interest expenses	-0.5	-0.8	-41	-0.4	7
<b>Total</b>	<b>-11.3</b>	<b>-12.4</b>	<b>-9</b>	<b>-11.4</b>	<b>-1</b>
<b>Net interest income</b>	<b>10.2</b>	<b>9.6</b>	<b>7</b>	<b>11.4</b>	<b>-11</b>

## 14. Commission income

Bank of Åland Group	Q3 2012	Q2 2012	%	Q3 2011	%
EUR M					
Deposits	0.2	0.2	4	0.2	-1
Lending	0.6	0.8	-17	1.7	-63
Payment intermediation	1.8	1.9	-1	1.6	19
Mutual fund commissions	2.2	2.3	-1	2.6	-14
Management commissions	1.7	1.7	1	2.0	-16
Securities commissions	2.0	2.3	-12	3.1	-35
Other commissions	0.6	0.6	-5	0.6	-4
<b>Total</b>	<b>9.2</b>	<b>9.7</b>	<b>-5</b>	<b>11.8</b>	<b>-22</b>
<b>Commission expenses</b>	<b>-1.6</b>	<b>-2.0</b>	<b>-24</b>	<b>-2.2</b>	<b>-28</b>
<b>Net commission income</b>	<b>7.7</b>	<b>7.6</b>	<b>1</b>	<b>9.7</b>	<b>-21</b>

## 15. Income taxes

Bank of Åland Group	Q3 2012	Q2 2012	%	Q3 2011	%
EUR M					
Taxes for the period and prior periods	-0.8	-0.3		-0.8	0
Change in deferred tax assets/liabilities	1.1	1.4	-13	0.2	
<b>Income taxes</b>	<b>0.3</b>	<b>0.9</b>	<b>-70</b>	<b>-0.6</b>	

Starting on June 30, 2011 Bank of Åland has chosen to recognise deferred tax assets on reported losses in the subsidiary Compass Card, as a consequence of the company's positive income trend and future forecasts.

## 16. Dividend

Bank of Åland Group	2011	2010
EUR		
Final dividend for 2011: EUR 0.00 per share	0	
Final dividend for 2010: EUR 0.00 per share		0

The proposal that no dividend be distributed for 2011 was adopted by the Annual General Meeting on April 19, 2012.

## 17. Derivative contracts

Bank of Åland Group	Sep 30, 2012		Sep 30, 2011	
EUR M	For hedging purposes	Other	For hedging purposes	Other
Value of underlying property				
Interest rate derivatives				
<i>Forward contracts</i>	0	0	648	216
<i>Swap contracts</i>	372	42	445	28
<i>Option contracts</i>				
<i>Purchased</i>	16	10	15	10
<i>Written</i>	10	16	10	15
Currency derivatives				
<i>Forward contracts</i>	20	8	196	8
<i>Interest rate and currency swap contracts</i>	149	3	57	4
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	146	0	148	0
<i>Written</i>	0	0	0	0
Other	8	8	0	0
	<b>720</b>	<b>86</b>	<b>1521</b>	<b>280</b>

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

## 18. Maturity breakdown of claims and liabilities

Bank of Åland Group		Sep 30, 2012					
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	Total	
<b>Claims</b>							
Cash	55					55	
Debt securities eligible for refinancing with central banks	17	45	189	28		279	
Claims on credit institutions	184					184	
Claims on the public and public sector entities	355	323	1,363	854		2,895	
Debt securities		27				27	
Shares and participations					5	5	
Derivative instruments					24	24	
Intangible assets					12	12	
Tangible assets					33	33	
Other assets					71	71	
Accrued income and prepayments					31	31	
Deferred tax assets					3	3	
<b>Total claims</b>	<b>611</b>	<b>395</b>	<b>1,552</b>	<b>882</b>	<b>180</b>	<b>3,620</b>	
<b>Liabilities</b>							
Liabilities to credit institutions	169	50	130	30		379	
Liabilities to the public and public sector entities	1,975	264	4			2,242	
Debt securities issued	143	81	372			595	
Derivative instruments					18	18	
Other liabilities					87	87	
Accrued expenses and prepaid income					42	42	
Subordinated liabilities	5	3	36	19		63	
Deferred tax liabilities					17	17	
Equity capital					178	178	
<b>Total liabilities</b>	<b>2,292</b>	<b>398</b>	<b>542</b>	<b>49</b>	<b>340</b>	<b>3,620</b>	

Bank of Åland Group		Sep 30, 2011					
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	Total	
<b>Claims</b>							
Cash	34					34	
Debt securities eligible for refinancing with central banks	1	52	54	18		125	
Claims on credit institutions	127					127	
Claims on the public and public sector entities	588	330	900	821		2,639	
Debt securities	112	88	37	6		243	
Shares and participations					6	6	
Derivative instruments					19	19	
Intangible assets					11	11	
Tangible assets					34	34	
Other assets					76	76	
Accrued income and prepayments					22	22	
Deferred tax assets					3	3	
<b>Total claims</b>	<b>863</b>	<b>470</b>	<b>990</b>	<b>845</b>	<b>170</b>	<b>3,338</b>	
<b>Liabilities</b>							
Liabilities to credit institutions	178			30		208	
Liabilities to the public and public sector entities	1,832	260	26	0		2,117	
Debt securities issued	127	156	387			669	
Derivative instruments					13	13	
Other liabilities					60	60	
Accrued expenses and prepaid income					33	33	
Subordinated liabilities		11	29	17		57	
Deferred tax liabilities					22	22	
Equity capital					158	158	
<b>Total liabilities</b>	<b>2,137</b>	<b>426</b>	<b>441</b>	<b>47</b>	<b>286</b>	<b>3,338</b>	

No estimates of maturity dates have been made. Thus, for example, deposits payable on demand are found in the “< 3 months” category.

## 19. Interest rate refixing periods

Bank of Åland Group		Sep 30, 2012					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets	2,584	393	355	572	97	4,000	
Liabilities	2,623	472	207	581	26	3,910	
<b>Difference between assets and liabilities</b>	<b>-39</b>	<b>-79</b>	<b>147</b>	<b>-9</b>	<b>70</b>	<b>90</b>	

Bank of Åland Group		Sep 30, 2011					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets	2,614	535	449	414	58	4,071	
Liabilities	2,657	341	569	357	51	3,975	
<b>Difference between assets and liabilities</b>	<b>-43</b>	<b>194</b>	<b>-120</b>	<b>57</b>	<b>7</b>	<b>96</b>	

Shows the Bank's interest rate-related assets and liabilities, including derivatives at underlying value, according to the interest rate refixing date.

## 20. Hours worked, recalculated to full-time equivalent positions

Bank of Åland Group	Q3 2012	Q2 2012	%	Q3 2011	%
Bank of Åland Plc	387	393	-2	314	23
Crosskey Banking Solutions Ab Ltd	199	204	-2	207	-4
Ålandsbanken Sverige AB	0	9	-100	106	-100
Ålandsbanken Asset Management Ab	25	24	4	25	0
Ab Compass Card Oy Ltd	13	12	8	12	8
Ålandsbanken Fondbolag Ab	6	6	0	6	0
Ålandsbanken Fonder AB	3	3	0	3	0
Ålandsbanken Equities Research Ab	0	0	0	5	-100
<b>Total number of positions, recalculated from hours worked</b>	<b>633</b>	<b>651</b>	<b>-3</b>	<b>678</b>	<b>-7</b>

From December 1, 2011, most of the operations of Ålandsbanken Sverige AB were transferred to Ålandsbanken Abp (Finland) svensk filial, the Swedish branch of Bank of Åland Plc. From June 1, 2012 the remaining operations were transferred. This means that hours worked in the branch are reported as part of Bank of Åland Plc.

## 21. Related parties

No material changes in financial transactions with related parties have occurred compared to the disclosures in the financial statements dated December 31, 2011.

## 22. Assets pledged for covered bonds

Bank of Åland Group	Sep 30, 2012	Dec 31, 2011	%	Jun 30, 2011	%
EUR M					
Assets pledged for covered bonds	533	0		0	
<b>Total</b>	<b>533</b>	<b>0</b>		<b>0</b>	



## Review Report, Bank of Åland Plc Interim Report for January 1–September 30, 2012

### TO THE BOARD OF DIRECTORS OF THE BANK OF ÅLAND PLC

#### INTRODUCTION

We have reviewed the consolidated summary statement of financial position of the Bank of Åland Plc on September 30, 2012, the consolidated summary income statement, the consolidated summary statement of other comprehensive income, the statement showing changes in consolidated equity capital and the consolidated summary cash flow statement for the nine-month period ending on the above-mentioned date, as well as the summary of essential accounting principles and other disclosures in the notes. The Board of Directors and the Managing Director are responsible for preparing the Interim Report and for providing accurate and sufficient information in compliance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as well as in accordance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports.

#### SCOPE OF A REVIEW

This review was conducted in compliance with the standard on review engagements, Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Company". A review consists of making inquiries, primarily of persons chiefly responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit, which must be conducted in accordance with generally accepted auditing standards and recommendations. It is consequently not possible for us to gain confirmation that we are obtaining information about all those significant circumstances that might be identified in an audit. We are thus not issuing an audit report.

#### STATEMENT OF OPINION

On the basis of our review, to our knowledge no circumstances have emerged that would give us reason to believe that the Interim Report does not provide accurate and sufficient disclosures about the financial position of the Bank of Åland Group on September 30, 2012 and its operating results and cash flows during the nine-month period ending on that date, in compliance with IFRSs as adopted by the EU and in accordance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports.

Mariehamn/Helsinki, October 29, 2012

Bengt Nyholm  
Authorised Public Accountant (CGR)

Terhi Mäkinen  
Authorised Public Accountant (CGR)

Erika Sjölund  
Authorised Public Accountant (GRM)