

Interim Report

For the period January – September 2013 • October 28, 2013



January–September 2013

Compared to January–September 2012

- Net operating profit improved by EUR 12.1 M to EUR 7.4 M (-4.7).
- Profit for the period attributable to shareholders improved by EUR 7.9 M to EUR 4.5 M (-3.4).
- Net interest income decreased by 2 per cent to EUR 30.8 M (31.3).
- Net commission income increased by 26 per cent to EUR 29.6 M (23.5).
- Total expenses decreased by 2 per cent to EUR 67.5 M (68.9).
- Impairment losses on loans (including recoveries) amounted to EUR 2.6 M (3.4), equivalent to a loan loss level of 0.11 (0.16) per cent.
- Return on equity after taxes (ROE) amounted to 3.4 per cent (-2.6).
- Earnings per share amounted to EUR 0.31 (-0.24).
- The core Tier 1 capital ratio calculated without transitional rules amounted to 10.5 per cent (December 31, 2012: 10.9 per cent).

The third quarter of 2013

Compared to the second quarter of 2013

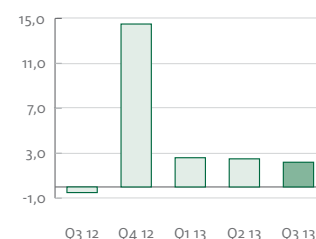
- Net operating profit amounted to EUR 2.2 M (2.5).
- Profit for the period attributable to shareholders amounted to EUR 0.9 M (1.6).
- Net interest income increased by 10 per cent to EUR 11.2 M (10.2).
- Net commission income increased by 5 per cent to EUR 10.4 M (9.9).
- Total expenses decreased by 9 per cent to EUR 21.1 M (23.2).
- Impairment losses on loans (including recoveries) amounted to EUR 1.6 M (net reversal of 0.5), equivalent to a loan loss level of 0.21 per cent (-0.06).

“During the third quarter we passed a milestone in building up our Swedish operations. For the first time, we are reporting a positive net operating profit for the Sweden business area. In our other business areas, too, we can see the positive impact of our work with measures to improve earnings. Looking ahead, these measures will lead to an acceptable profitability level, despite the challenges posed by low interest rates.”

Peter Wiklöf, Managing Director

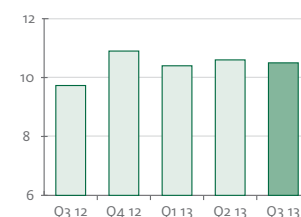
Net operating profit

EUR M



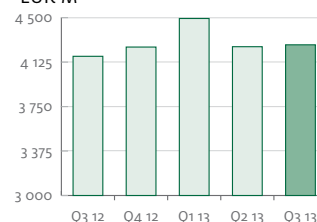
Core Tier 1 ratio

Per cent



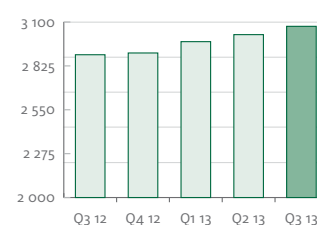
Managed assets

EUR M



Lending

EUR M



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 seven offices in the Åland Islands, six offices elsewhere in Finland and 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.

Financial summary

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Income								
Net interest income	11.2	10.2	10	10.2	10	30.8	31.3	-2
Net commission income	10.4	9.9	5	7.7	35	29.6	23.5	26
Net income from financial items at fair value	-0.3	1.4		0.6		5.5	1.5	
Other income	3.7	3.8	-3	3.6	3	11.6	11.4	2
Total income	25.0	25.3	-1	22.0	13	77.4	67.6	14
Total expenses								
Staff costs	-11.7	-13.2	-11	-12.4	-6	-38.0	-38.7	-2
Other expenses	-7.4	-8.2	-10	-7.2	2	-23.7	-24.7	-4
Depreciation/amortisation	-2.1	-1.9	12	-2.0	7	-5.8	-5.5	6
Total expenses	-21.1	-23.2	-9	-21.6	-2	-67.5	-68.9	-2
Profit before impairment losses	3.8	2.1	86	0.4		10.0	-1.3	
Impairment losses on loans and other commitments	-1.6	0.5		-1.0	68	-2.6	-3.4	-23
Net operating profit	2.2	2.5	-13	-0.5		7.4	-4.7	
Income taxes	-1.0	-0.6	69	0.3		-2.1	1.6	
Profit for the report period	1.2	1.9	-38	-0.3		5.3	-3.0	
Attributable to:								
Non-controlling interests	0.3	0.3	-8	0.2	89	0.8	0.4	
Shareholders in Bank of Åland Plc	0.9	1.6	-44	-0.4		4.5	-3.4	
Volume								
Lending to the public	3,073	3,021	2	2,895	6			
Deposits from the public ¹	2,487	2,516	-1	2,557	-3			
Managed assets	4,271	4,255	0	4,174	2			
Equity capital	182	179	2	173	5			
Balance sheet total	3,867	3,787	2	3,615	7			
Risk-weighted assets	1,479	1,451	2	1,420	4			
Financial ratios								
Return on equity after taxes, % (ROE) ²	2.1	3.7		-0.9		3.4	-2.6	
Expenses/income ratio ³	0.85	0.92		0.98		0.87	1.02	
Loan loss level, % ⁴	0.21	-0.06		0.14		0.11	0.16	
Gross non-performing receivables, % ⁵	0.60	0.51		0.86				
Level of provisions for doubtful receivables, % ⁶	86	90		67				
Core funding ratio, % ⁷	105	102		106				
Equity/assets ratio, % ⁸	4.7	4.7		4.8				
Tier 1 capital ratio, without transitional rules, % ⁹	10.5	10.8		9.7				
Earnings per share before dilution, % ¹⁰	0.06	0.11	-44	-0.03		0.31	-0.24	
Equity capital per share, EUR ¹¹	12.40	12.20	2	11.83	5			
Market price per Series A share, EUR	12.50	10.50	19	10.04	25			
Market price per Series B share, EUR	8.50	7.68	11	7.77	9			
Number of shares outstanding (not own shares) thousands	14,395	14,395	0	14,395	0			
Working hours re-calculated to full-time equivalent positions	622	609	2	633	-2	612	653	-6

¹ Deposits from the public and public sector entities, including certificates of deposit, index bonds and debentures issued to the public
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 receivables more than 90 days / Lending to the public including provisions for impairment losses
⁶ Provisions for impairment losses / 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. This has continued to adversely affect the Finnish and Swedish economies and means that record-low interest rates stubbornly persist. Meanwhile signs of recovery have been visible in other parts of the world economy, especially the United States. Long-term market yields have begun to rise. Share prices rose by 26 per cent on the Nasdaq OMX Helsinki (OMXHPI) exchange and by 20 per cent on the Nasdaq OMX Stockholm (OMXSPI) during the 12 months to September 30, 2013.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q3 2013	Q2 2012	Q3 2012
Euribor 3 mo	0.22	0.21	0.36
Euribor 12 mo	0.54	0.51	0.89
Stibor 3 mo	1.21	1.22	1.95

	Jan-Sep 2013	Jan-Sep 2012
Euribor 3 mo	0.21	0.70
Euribor 12 mo	0.54	1.28
Stibor 3 mo	1.21	2.18

The average value of the Swedish krona in relation to the euro was 2 per cent higher in January-September than during the corresponding period of last year. Compared to its year-end 2012 position, the krona was 1 per cent weaker. 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.

More than five years after the onset of the financial crisis, the new post-crisis regulations and reporting rules have not yet been finally approved by all the requisite bodies. However, the European Parliament has approved the 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. The rules will officially enter into force through legislation, starting in 2014, but these rules have set the standard for the banking industry for a long time. However, the new regulations are resulting in additional costs to banks of 0.6-1.0 percentage points, calculated on the basis of 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 of Åland'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, as most other European countries have done, lending margins have been raised even more on new loans in Finland.

IMPORTANT EVENTS

Two of the Bank of Åland's three wholly owned mutual fund (unit trust) companies, Alpha Management Company S.A. (Luxembourg) and Ålandsbanken Fonder AB (Sweden), were emptied of business operations and are under liquidation, after the administration of these companies' funds were transferred to an external party in

Luxembourg. The change that has been implemented will mean a cost reduction of more than EUR 0.5 M annually.

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 has decreased by EUR 1.3 M as a consequence of this.

An Extraordinary General Meeting in Mariehamn on March 5, 2013, 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. After that, a legal action was initiated against the Bank of Åland, in which the plaintiff claimed that this provision of the Bank's Articles of Association is discriminatory and thus illegal. On September 23, the District Court rejected the plaintiff's case on grounds that the Bank of Åland is not the correct respondent.

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

The Bank of Åland intends to seek a long-term strategic business partner for the wholly owned subsidiary Crosskey Banking Solutions Ab Ltd. Possible forms of collaboration may 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 THE THIRD QUARTER OF 2013

Profit for the period attributable to shareholders amounted to EUR 0.9 M. This was EUR 0.7 M lower than during the preceding quarter. The third quarter has a seasonally somewhat lower level of activity due to the summer holiday period. A provision of EUR 1.5 M was charged to earnings for a possible reduction in purchase price due to a re-examination by the tax authority of older tax returns for the Swedish subsidiary that was sold in October 2012. The tax authority's decision has been appealed. Excluding this nonrecurring item, earnings were EUR 0.8 M better than in the preceding quarter. Return on equity after taxes was 2.1 per cent, and excluding the provision for the reduction in purchase price, it was 5.4 (3.7) per cent.

Net interest income increased by EUR 1.0 M or 10 per cent compared to the preceding quarter, to EUR 11.2 M. Both increased volume and higher margins contributed to this. The quarter also included non-recurring interest income of EUR 0.4 M. The investment margin – defined as net interest income expressed as a percentage of the average balance sheet total – improved to 1.17 (1.08) per cent.

Net commission income increased by EUR 0.5 M or 5 per cent to EUR 10.4 M, mainly due to lending commissions.

Net income on financial items at fair value amounted to EUR -0.3 M, compared to EUR 1.4 M in the preceding quarter. This deterioration was mostly due to the EUR 1.5 M provision for a possible reduction in purchase price, attributable to the Swedish subsidiary that was sold.

Information technology (IT) income from Crosskey's operations was EUR 3.6 M. This was about the same as in the preceding quarter.

Total expenses were EUR 21.1 M. This was EUR 2.1 M or 9 per cent lower than during the preceding quarter. Third quarter expenses are seasonally always the lowest of the four quarters. Compared to the same quarter of last year, expenses were EUR 0.5 M or 2 per cent lower.

Impairment losses on loans amounted to EUR 1.6 M, compared to a net reversal of EUR 0.5 M in the preceding quarter. The gross impairment loss reserve for individual commitments increased by EUR 0.9 M (1.4). Reversals of no longer necessary individual impairment loss reserves and recoveries of earlier impairment losses amounted to EUR 0.1 M (2.5). The group impairment loss reserve attributable to the shipping industry increased by EUR 0.8 M (0.5).

Net operating profit amounted to EUR 2.2 M and, excluding the non-recurring item, EUR 3.7 M (2.5). The Åland business area improved its net operating profit by EUR 0.5 M to EUR 1.1 M. Net operating profit in the Finnish Mainland business area deteriorated by EUR 1.5 M, since the preceding quarter included recoveries of EUR 2.5 M in earlier impairment losses. Reported net operating profit was EUR 0.3 M. The Sweden business area, excluding nonrecurring items, reported an improvement of EUR 1.3 M and a net operating profit of EUR 0.1 M. This was its first quarter with a positive net operating profit, excluding nonrecurring items, since the Bank of Åland entered the Swedish market in 2009.

EARNINGS FOR JANUARY-SEPTEMBER 2013

Profit for the report period attributable to shareholders amounted to EUR 4.5 M. This represented an improvement of EUR 7.9 M compared to the corresponding period of 2012. Return on equity after taxes totalled 3.4 (-2.6) per cent.

Nonrecurring items in 2013 consisted of the EUR 1.5 M provision for possible reduction in purchase price due to the tax authority's re-examination of older tax returns in the Swedish subsidiary that was sold. Nonrecurring items in 2012 consisted of EUR 0.8 M in impairment loss on shares in the equities-trading platform Burgundy. Excluding these items, the improvement in earnings was EUR 8.6 M.

Total income increased by EUR 9.8 M or 14 per cent from the year-earlier period, to EUR 77.4 M.

Re-pricing in the loan portfolio and volume growth enabled the Bank to partly limit the adverse impact of sharply falling money market rates on net interest income. However, net interest income decreased by EUR 0.5 M or 2 per cent to EUR 30.8 M compared to the year-earlier period. The falling trend in net interest income has ended, having bottomed out in the first quarter of 2013.

Net commission income increased by EUR 6.1 M or 26 per cent to EUR 29.6 M, mainly due to higher income from investment and brokerage services.

Net income on financial items at fair value rose by EUR 4.0 M to EUR 5.5 M, mainly thanks to higher income from the Treasury unit's liquidity portfolio. Non-recurring items attributable to a possible purchase price reduction in 2013 as well as an impairment loss on shares in Burgundy in 2012 are included in reported net income on financial items at fair value.

IT income was essentially unchanged at a level of EUR 10.9 M.

Total expenses decreased by EUR 1.4 M or 2 per cent to EUR 67.5 M, despite salary increases of about EUR 0.7 M as provided by collective agreements, a new banking tax expense of more than EUR 1.2 M and higher recognised expenses in euros of more than EUR 0.4 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 41 positions or 6 per cent to 612 (653).

Impairment losses on loans (including recoveries) amounted to EUR 2.6 M, equivalent to a loan loss level of 0.11 per cent, compared to EUR 3.4 M and 0.16 per cent in the year-earlier period.

Net operating income improved by EUR 12.1 M to EUR 7.4 M. The earnings improvement was allocated as follows:

• Corporate units	+4.6 (mainly Treasury)
• Sweden	+3.8 (business volume growth and greater cost efficiency: EUR +4.5 M excluding nonrecurring items)
• Åland	+2.1 (higher commission income and greater cost efficiency)
• Finnish Mainland	+1.5 (higher commission income and lower impairment losses)
• Crosskey	+0.1 (lower expenses)

BUSINESS AREAS

The year's customer surveys gave continued high marks to the Bank of Åland. A full 88 per cent of both Private Banking and Premium Banking customers in the Åland and Finnish Mainland business areas responded that they were very satisfied and would recommend the Bank of Åland to others. Customers in Sweden also confirmed that they are highly pleased with the Bank of Åland.

In all business areas, 2013 has been characterised by extensive customer activities, aimed at existing customers and their needs as well as new and potential customers.

The Åland business area continued to expand its collaboration with Åland Post in the archipelago, also initiating collaboration in Brändö. For some time, Åland Post has 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. The office in Kyrkby has been closed.

In the Finnish Mainland business area, the Bank closed its Munkkiniemi and Aleksanterinkatu offices 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. The Gothenburg office moved to new premises. Business volume growth remained very high, especially in Private Banking.

Crosskey signed an agreement with a new customer in Sweden, Marginalen Bank.

BUSINESS VOLUME

Managed assets increased by EUR 19 M during the first nine months of 2013 and amounted to EUR 4,271 M (4,252). Higher market valuations offset net outflows from discretionary mandates, which included the end of a large assignment in Sweden during the third quarter. Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 69 M or 8 per cent during the first nine months of 2013 to EUR 936 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 September 30 was EUR 68 M. Assets under discretionary management decreased by EUR 150 M or 8 per cent to EUR 1,641 M (1,791). Assets under advisory management rose by EUR 101 M or 6 per cent to EUR 1,694 M (1,593). Of total managed assets, the Sweden business area accounted for EUR 2,325 M or 54 (56) per cent.

Deposits from the public – including certificates of deposit, index bonds and debentures issued to the public – increased by EUR 40 M or 2 per cent during the first nine months of 2013, amounting to EUR 2,487 M (2,447) on September 30, 2013. Despite increased risk appetite among customers, together with low interest rates, this means that they reduced their account deposits to a greater extent and shifted to other investment alternatives.

Lending to the public totalled EUR 3,073 M (2,906). This represented an increase of EUR 167 M or 6 per cent during the first nine months of 2013. The lending increase was primarily related to 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 2013, non-performing loans (more than 90 days) decreased by EUR 0.1 M to EUR 18.5 M (18.6). As a share of lending to the public, non-performing receivables fell from 0.64 per cent to 0.60 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 62 per cent compared to 83 per cent at year-end 2012. Including group impairment losses, the level of provisions amounted to 86 per cent, compared to 108 per cent at year-end 2012. The Bank of Åland Group had EUR 14.8 M in impairment loss provisions, comprising individual impairments of EUR 10.4 M and group impairments of EUR 4.4 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 525 M on September 30, 2013 (December 31, 2012: 483). This was equivalent to 14 per cent of total assets (13) and 17 (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. During 2014, about EUR 200 M in borrowing will mature. The average remaining maturity of outstanding bonds was about 3.2 years at the end of the third quarter (year-end 2012: 3 years). During the first quarter, the Bank of Åland issued EUR 100 M in covered bonds with a 10-year maturity. During the second quarter, the Bank of Åland issued SEK 500 M in non-covered bonds with an 18-month maturity. During the third quarter, the Bank of Åland issued SEK 750 M in non-covered bonds with a 2-year maturity. During the third quarter, the Bank of Åland also issued EUR 17 M in subordinated debentures with a 5-year maturity and 20 per cent annual principal repayment.

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 105 per cent at the end of the third quarter (104).

RATING

The Bank of Åland has a BBB/A-3 credit rating for long-term and 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 increased in the amount of total income for the period, EUR 3.7 M, and decreased by the dividend paid to Bank of Åland shareholders, EUR 2.2 M, and the dividend paid to non-controlling shareholders in subsidiaries, EUR 0.7 M. On September 30, 2013 equity capital totalled EUR 181.8 M (December 31, 2012: 181.0). Other comprehensive income included re-calculations of defined-benefit pension plans by EUR 1.4 M, in compliance with IAS 19. The equity/assets ratio decreased to 4.7 per cent, compared to 5.0 per cent at year-end 2012.

Core Tier 1 capital as defined in capital adequacy regulations increased during the first nine months of 2013 by EUR 2.9 M to EUR 155.8 (152.9). The unrealised increases in the value of the fair value reserve that existed at year-end 2012 were largely realised during the first nine months of 2013, which contributed to the increase.

Risk-weighted assets increased by EUR 77 M or 5 per cent during the first nine months of 2013 to EUR 1,479 M (1,402), mainly due to increased lending in Sweden. Starting on June 30, 2013, the capital requirement for operational risks is being calculated according to the standardised approach instead of the basic indicator approach as earlier. This lowered the capital requirement by EUR 1.3 m, corresponding to risk-weighted assets of EUR 16 M.

The core Tier 1 capital ratio decreased to 10.5 (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 fell to 15.2 (16.1) per cent.

IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

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

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 thus remains high. We are focusing especially on these customers. The Bank of Åland's lending to companies in the shipping industry represents 2.2 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 choosing to refrain from providing earnings forecasts in interim reports. In accordance with legislative requirements, a statement on the Bank's future outlook was presented in the Annual Report, which was published on March 20, 2013.

FINANCIAL INFORMATION

The Year-end Report for January–December 2013 will be published on February 14, 2013.

The Annual Report for 2013 will be published on March 14, 2014.

Mariehamn, October 28, 2013
THE BOARD OF DIRECTORS

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Summary income statement

Bank of Åland Group	Note	Q3 2013	Q2 2012	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M									
Net interest income	4	11.2	10.2	10	10.2	10	30.8	31.3	-2
Net commission income	5	10.4	9.9	5	7.7	35	29.6	23.5	26
Net income from financial items at fair value	6	-0.3	1.4		0.6		5.5	1.5	
IT income		3.6	3.6	0	3.5	3	10.9	10.8	1
Other operating income		0.1	0.3	-53	0.1	23	0.7	0.6	27
Total income		25.0	25.3	-1	22.0	13	77.4	67.6	14
Staff costs		-11.7	-13.2	-11	-12.4	-6	-38.0	-38.7	-2
Other costs	7	-7.4	-8.2	-10	-7.2	2	-23.7	-24.7	-4
Depreciation/amortisation		-2.1	-1.9	12	-2.0	7	-5.8	-5.5	6
Total expenses		-21.1	-23.2	-9	-21.6	-2	-67.5	-68.9	-2
Profit before impairment losses		3.8	2.1	86	0.4		10.0	-1.3	
Impairment losses on loans and other commitments	8	-1.6	0.5		-1.0	68	-2.6	-3.4	-23
Net operating profit		2.2	2.5	-13	-0.5		7.4	-4.7	
Income taxes	9	-1.0	-0.6	69	0.3		-2.1	1.6	
Profit for the period		1.2	1.9	-38	-0.3		5.3	-3.0	
Attributable to:									
Non-controlling interests		0.3	0.3	-8	0.2	89	0.8	0.4	
Shareholders in Bank of Åland Plc		0.9	1.6	-44	-0.4		4.5	-3.4	
Earnings per share, EUR		0.06	0.11	-44	-0.03		0.31	-0.24	

Summary statement of other comprehensive income

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Profit for the period	1.2	1.9	-38	-0.3		5.3	-3.0	
Cash flow hedge	0.4	-0.3		0.0		0.5	0.0	
Assets available for sale	1.1	-2.1		1.1	1	-4.6	1.5	
Translation differences	-0.3	0.6		-0.3	21	0.1	-0.7	
Income taxes	-0.3	0.4		-0.2	45	1.0	-0.2	
Items that have been or may be reclassified to the income statement	0.9	-1.4		0.6	45	-3.0	0.6	
Re-measurements of defined benefit pension plans	1.4	0.4		-0.9		1.8	-2.8	
Income taxes	-0.3	-0.1		0.2		-0.4	0.7	
Items that may not be reclassified to the income statement	1.1	0.3		-0.7		1.4	-2.1	
Other comprehensive income	1.9	-1.0		-0.1		-1.6	-1.5	12
Total comprehensive income for the period	3.1	0.9		-0.4		3.7	-4.5	
Attributable to:								
Non-controlling interests	0.3	0.3	-8	0.2	89	0.8	0.4	
Shareholders in Bank of Åland Plc	2.8	0.6		-0.6		2.8	-4.9	

Income statement by quarter

Bank of Åland Group	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
EUR M					
Net interest income	11.2	10.2	9.4	9.9	10.2
Net commission income	10.4	9.9	9.3	9.2	7.7
Net income from financial items at fair value	-0.3	1.4	4.4	19.3	0.6
IT income	3.6	3.6	3.7	3.7	3.5
Other operating income	0.1	0.3	0.3	0.6	0.1
Total income	25.0	25.3	27.1	42.7	22.0
Staff costs	-11.7	-13.2	-13.1	-13.7	-12.4
Other costs	-7.4	-8.2	-8.1	-8.9	-7.2
Depreciation/amortisation	-2.1	-1.9	-1.9	-2.6	-2.0
Total expenses	-21.1	-23.2	-23.1	-25.3	-21.6
Profit before impairment losses	3.8	2.1	4.1	17.4	0.4
Impairment losses on loans and other commitments	-1.6	0.5	-1.4	-3.1	-1.0
Net operating profit	2.2	2.5	2.6	14.4	-0.5
Income taxes	-1.0	-0.6	-0.5	0.6	0.3
Profit for the period	1.2	1.9	2.1	15.0	-0.3
Attributable to:					
Non-controlling interests	0.3	0.3	0.2	0.2	0.2
Shareholders in Bank of Åland Plc	0.9	1.6	1.9	14.8	-0.4

Summary balance sheet

Bank of Åland Group	Note	Sep 30, 2013	Dec 31, 2012	%	Sep 30, 2012	%
EUR M						
Assets						
Cash		136	133	3	55	
Debt securities eligible for refinancing with central banks		334	305	9	278	20
Lending to credit institutions		135	104	30	184	-27
Lending to the public and public sector entities	10, 11	3,073	2,906	6	2,895	6
Debt securities		65	45	44	27	
Shares and participations		6	7	-12	5	8
Shares and participations in associated companies		1	1	6	1	-34
Derivative instruments	14	17	20	-16	24	-28
Intangible assets		11	11	-3	12	-11
Tangible assets		31	33	-4	33	-5
Other assets		32	45	-29	71	-56
Accrued income and prepayments		24	20	20	26	-7
Deferred tax assets		2	3	-17	3	-26
Total assets		3,867	3,631	7	3,615	7
Liabilities						
Liabilities to credit institutions		372	375	-1	379	-2
Liabilities to the public and public sector entities	12	2,150	2,127	1	2,242	-4
Debt securities issued	12, 13	972	760	28	595	63
Derivative instruments	14	13	15	-8	18	-23
Other liabilities		72	67	7	87	-17
Provisions		0	1	-95	0	
Accrued expenses and prepaid income		28	28	2	42	-33
Subordinated liabilities	12	64	64	-1	63	1
Deferred tax liabilities		14	14	-2	15	-11
Total liabilities		3,685	3,450	7	3,441	7
Equity capital and non-controlling interests						
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		0	3	-98	10	-99
Unrestricted equity capital fund		24	24	0	24	0
Own shares		0	0	0	0	0
Retained earnings		67	63	6	48	39
Shareholders' interest in equity capital		178	178	0	170	5
Non-controlling interests' portion of equity capital		3	3	3	3	12
Total equity capital		182	181	0	173	5
Total liabilities and equity capital		3,867	3,631	7	3,615	7

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							1.2	-0.5	-6.1	-5.5	0.4	-5.1
Purchases of own shares						-0.2				-0.2		-0.2
<i>Transactions with Group shareholders</i>												
Dividend paid									0.0	0.0	0.0	0.0
Equity capital, Sep 30, 2012	29.1	24.5	33.3	25.1	0.0	-0.2	2.9	7.3	48.3	170.3	3.0	173.3
Comprehensive income for the period					-1.2		1.6	-7.6	15.2	8.0	0.2	8.3
Other			-0.5							-0.5		-0.5
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					0.4		-3.5	0.1	5.9	2.8	0.8	3.7
<i>Transactions with Group shareholders</i>												
Dividend paid									-2.2	-2.2	-0.7	-2.9
Equity capital, Sep 30, 2013	29.1	24.5	32.7	25.1	-0.8	-0.2	1.1	-0.2	67.2	178.4	3.3	181.8

Summary cash flow statement

Bank of Åland Group	Jan–Sep 2013		Jan–Dec 2012		Jan–Sep 2012	
EUR M						
Cash flow from operating activities						
Net operating profit	7.4		10.0		-4.7	
Adjustment for net operating profit items not affecting cash flow	4.7		16.5		9.7	
Gains/losses from investing activities	0.1		-16.8		-0.7	
Income taxes paid	-1.1		-2.3		-1.6	
Changes in assets and liabilities in operating activities	-116.1	-105.0	-96.3	-88.9	51.5	54.2
Cash flow from investing activities		3.2		2.3		-6.7
Cash flow from financing activities		95.7		144.8		-3.1
Exchange rate differences in cash and cash equivalents		-0.4		2.8		3.3
Change in cash and cash equivalents		-6.5		60.9		47.7
Cash and cash equivalents at beginning of period		245.6		184.7		184.7
Cash and cash equivalents at end of period		239.2		245.6		232.5
Change in cash and cash equivalents		-6.5		60.9		47.7

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 16 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, 2013 was approved by the Board of Directors on October 28, 2013.

2. Basis for preparation of the interim report and essential accounting principles

BASIS FOR PREPARATION OF THE INTERIM REPORT

The Interim Report for the period January 1–September 30, 2013 has been prepared in compliance with the International Financial Reporting Standards (IFRS) and International Accounting Standards, 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.

Amendments to IFRS 7, "Financial instruments: Disclosures" and IAS

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 Group's summary balance sheet 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

32, "Financial Instruments: Presentation" are related to new disclosure requirements for offsetting financial assets and liabilities as well as clarification concerning when offsetting of financial assets and liabilities is allowed. The former amendment will be applied to the financial year beginning January 1, 2013 and the latter amendment to financial years beginning January 1, 2014 or later, with retroactive application. The amendment to IFRS 7 has not caused any material changes in the Group's Interim Report, and the Group has chosen not to apply the revised IAS 32 in advance.

IFRS 13 contains rules for defining fair value and specifies disclosure requirements. The new disclosure requirements are presented in this Interim Report, Note 15.

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.

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.

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 (Finland) svensk 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 Ltd 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 2013				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	8.4	11.3	9.6	-0.1	1.5	30.8
Commission income	5.7	12.3	10.0	-0.1	1.7	29.6
Net income from financial items	0.5	0.1	0.5	0.0	6.0	7.0
Other income	0.1	0.2	0.2	20.3	-9.2	11.6
Nonrecurring items	0.0	0.0	-1.5	0.0	0.0	-1.5
Total income	14.8	23.8	18.7	20.2	-0.1	77.4
Staff costs	-3.0	-6.9	-8.3	-9.8	-9.9	-38.0
Other expenses	-2.6	-5.5	-4.6	-6.0	-4.9	-23.7
Depreciation/amortisation	-0.2	-0.7	0.0	-2.6	-2.3	-5.8
Internal allocation of expenses	-5.0	-8.5	-9.0	0.0	22.5	0.0
Total expenses	-10.8	-21.6	-21.9	-18.4	5.4	-67.5
Profit before impairment losses	4.0	2.2	-3.2	1.8	5.3	10.0
Impairment losses on loans and other commitments	-1.3	-1.0	0.0	0.0	-0.3	-2.6
Net operating profit	2.7	1.2	-3.2	1.8	5.0	7.4
Income taxes	-0.7	-0.3	0.7	-0.4	-1.4	-2.1
Non-controlling interests	0.0	-0.8	0.0	0.0	-0.1	-0.8
Profit for the period attributable to shareholders	2.0	0.1	-2.5	1.3	3.5	4.5
Business volume						
Lending to the public	657	1,633	758	0	25	3,073
Deposits from the public	692	985	566	0	244	2,487
Managed assets	264	1,596	2,325	0	85	4,271
Risk-weighted assets	338	447	508	43	144	1,479
Allocated equity capital	41	56	61	6	19	182
Financial ratios etc.						
Return on equity after taxes, % (ROE)	4.4	0.2	-4.0	31.4	41.0	3.4
Expenses/income ratio	0.73	0.91	1.17	0.91		0.87
Non-performing receivables, %	0.44	0.83	0.17			0.60
Loan loss level, %	0.26	0.08	0.00			0.11
Lending/deposits, %	95	166	134			124
Full-time equivalent positions ¹	66	114	73	190	175	618

Bank of Åland Group		Jan–Sep 2012				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	8.6	12.6	7.9	0.0	2.2	31.3
Commission income	4.7	9.6	7.8	0.0	1.4	23.5
Net income from financial items	0.2	0.0	0.5	0.0	1.6	2.3
Other income	0.2	0.2	0.2	20.5	-9.7	11.4
Nonrecurring items	0.0	0.0	-0.8	0.0	0.0	-0.8
Total income	13.6	22.5	15.6	20.4	-4.5	67.6
Staff costs	-3.1	-6.5	-9.3	-10.2	-9.6	-38.7
Other expenses	-2.7	-5.0	-5.3	-6.3	-5.4	-24.7
Depreciation/amortisation	-0.2	-0.6	0.0	-2.3	-2.5	-5.5
Internal allocation of expenses	-5.5	-9.0	-8.2	0.0	22.7	0.0
Total expenses	-11.6	-21.1	-22.8	-18.8	5.3	-68.9
Profit before impairment losses	2.1	1.4	-7.2	1.7	0.7	-1.3
Impairment losses on loans and other commitments	-1.5	-1.8	0.2	0.0	-0.3	-3.4
Net operating profit	0.5	-0.4	-6.9	1.7	0.4	-4.7
Income taxes	-0.1	0.1	1.8	-0.4	0.3	1.6
Non-controlling interests	0.0	-0.5	0.0	0.0	0.1	-0.4
Profit for the period attributable to shareholders	0.5	-0.8	-5.2	1.2	0.8	-3.4
Business volume						
Lending to the public	661	1,643	565	0	26	2,895
Deposits from the public	786	1,110	463	0	197	2,557
Managed assets	275	1,442	2,389	0	69	4,174
Risk-weighted assets	334	452	452	46	137	1,420
Allocated equity capital	40	55	54	5	19	173
Financial ratios etc.						
Return on equity after taxes, % (ROE)	1.0	-1.1	-8.6	30.1	7.1	-2.6
Expenses/income ratio	0.85	0.94	1.46	0.92		1.02
Non-performing receivables, %	1.27	0.91	0.26			0.86
Loan loss level, %	0.30	0.14	-0.05			0.16
Lending/deposits, %	84	148	122			113
Full-time equivalent positions ¹	70	120	84	207	174	654

¹ Number of full-time-equivalent positions, defined as employment level excluding employees on parental and long-term sick leave.

4. Net interest income

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Interest income								
Credit institutions	0.3	0.2	22	0.3	9	0.7	1.0	-28
The public and public sector entities	18.0	17.2	5	19.3	-7	51.7	59.3	-13
Debt securities	0.8	0.7	12	1.7	-50	2.6	5.6	-52
Other interest income	0.2	0.1		0.3	-26	0.3	1.4	-76
Total	19.3	18.2	6	21.5	-10	55.4	67.2	-18
Interest expenses								
Credit institutions	-1.1	-1.1	-5	-1.4	-23	-3.5	-4.4	-21
The public and public sector entities	-3.6	-3.8	-4	-6.2	-41	-11.6	-19.0	-39
Debt securities	-2.8	-2.6	7	-2.8	-1	-7.9	-9.7	-18
Subordinated liabilities	-0.3	-0.3	2	-0.4	-24	-1.0	-1.2	-23
Other interest expenses	-0.3	-0.2	17	-0.5	-43	-0.8	-1.7	-55
Total	-8.1	-8.1	0	-11.3	-28	-24.7	-36.0	-31
Net interest income	11.2	10.2	10	10.2	10	30.8	31.3	-2
Investment margin, per cent¹	1.17	1.08		1.14		1.09	1.18	

¹Investment margin is defined as net interest income expressed as a percentage of the average balance sheet total.

5. Commission income

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Deposits	0.2	0.2	4	0.2	9	0.6	0.6	8
Lending	1.3	1.0	35	0.6		2.9	2.2	31
Payment intermediation	2.1	2.1	1	1.9	10	6.1	5.6	9
Mutual fund commissions	3.0	3.2	-5	2.2	34	9.2	7.1	31
Management commissions	2.2	1.9	16	1.7	29	6.0	4.9	24
Securities commissions	2.9	2.8	4	2.0	45	9.0	7.1	27
Other commissions	0.5	0.7	-24	0.6	-12	1.7	1.7	2
Total	12.2	11.8	4	9.2	32	35.5	29.0	22
Payment commission expenses	-1.0	-0.9	10	-1.1	-9	-2.8	-3.3	-15
Mutual fund commission expenses ¹	-0.2	-0.3	-26	0.0		-1.0	0.0	
Management commission expenses ¹	-0.1	-0.1	-1	0.0		-0.5	0.0	
Securities commission expenses	-0.2	-0.3	-19	-0.3	-14	-0.8	-0.8	-8
Other commission expenses	-0.3	-0.3	-4	-0.2	32	-0.8	-1.4	-40
Commission expenses	-1.8	-1.9	-3	-1.6	19	-5.9	-5.5	7
Net commission income	10.4	9.9	5	7.7	35	29.6	23.5	26

¹Mutual fund commission expenses and management commission expenses were not reported separately during the 2012 financial year. Comparative figures for Q3 2012 and January-September 2012 are thus not shown.

6. Net income from financial items at fair value

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Debt securities	0.0	0.0	-13	-0.2		0.0	-0.2	-80
Shares and participations	0.5	0.0		0.3		0.4	0.3	27
Derivative instruments	0.2	0.4	-56	-0.2		1.3	-1.5	
Loan receivables according to the fair value option	-2.4	-1.5	61	1.7		-4.6	3.2	
Debt securities issued according to the fair value option	2.1	0.7		-0.8		3.2	-1.6	
Net income from securities transactions	0.4	-0.3		0.8	-42	0.3	0.2	65
Net income from foreign exchange dealing	0.7	0.9	-15	0.4	99	2.7	1.5	83
Net income from financial assets available for sale	-1.5	0.8		-0.6		2.4	-0.2	
Total	-0.3	1.4		0.6		5.5	1.5	

7. Other expenses

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
IT expenses (excluding information services)	1.9	2.2	-13	2.0	-2	6.3	6.0	5
Premises and property expenses	1.6	1.5	4	1.5	8	4.6	4.5	4
Marketing expenses	0.4	0.7	-43	0.4	-2	1.7	2.5	-31
Information services	0.6	0.5	8	0.6	0	1.6	1.8	-8
Staff-related expenses	0.4	0.5	-19	0.3	29	1.4	1.5	-2
Travel expenses	0.3	0.3	-16	0.2	36	0.8	0.9	-6
Purchased services	0.6	0.7	-23	0.6	-11	2.2	2.6	-17
Deposit guarantee	0.3	0.3	-3	0.3	11	1.0	0.9	8
Banking tax	0.4	0.4	3	0.0		1.2	0.0	
Other expenses	1.4	1.6	-11	1.7	-18	4.3	5.3	-19
Production for own use	-0.5	-0.6	-20	-0.3	58	-1.5	-1.1	31
Total	7.4	8.2	-10	7.2	2	23.7	24.7	-4

8. Impairment losses on loans and other commitments

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Individual impairment losses								
New and increased impairment losses	0.9	1.4	-34	0.1		2.4	2.2	8
Reversals of impairment losses	-0.1	-0.4	-66	0.0		-2.2	-0.2	
Actual loss	0.1	0.3	-57	0.9	-87	3.4	1.4	
Recoveries of actual losses	0.0	-2.2	-100	0.0	-34	-2.2	0.0	
Total	0.9	-1.0		1.0	-8	1.4	3.4	-60
Group impairment losses								
New and increased impairment losses	0.8	0.5	50	0.0		1.3	0.0	
Reversals of impairment losses	0.0	0.0		0.0		0.0	0.0	
Total	0.8	0.5	50	0.0		1.3	0.0	
Total	1.6	-0.5		1.0	68	2.6	3.4	-23

9. Income taxes

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	%	Jan-Sep 2013	Jan-Sep 2012	%
EUR M								
Taxes for the period and prior periods	0.5	0.1		0.8	-36	1.2	1.6	-23
Change in deferred tax assets/liabilities	0.5	0.4	9	-1.1		0.8	-3.2	
Income taxes	1.0	0.6	69	-0.3		2.1	-1.6	

10. Lending to the public and public sector by purpose

Bank of Åland Group	Sep 30, 2013	Dec 31, 2012	%	Sep 30, 2012	%
EUR M					
Companies					
Shipping	69	74	-7	78	-12
Wholesale and retail trade	57	55	3	56	1
Housing operations	156	140	11	130	20
Other real estate operations	394	334	18	335	17
Financial and insurance operations	196	178	10	187	5
Hotel and restaurant operations	23	22	3	21	8
Other service operations	113	108	5	107	6
Agriculture, forestry and fishing	14	14	0	15	-6
Construction	27	36	-24	35	-22
Other industry and crafts	35	35	0	36	-2
Total, companies	1,083	996	9	1,001	8
Private individuals					
Home loans	1,342	1,251	7	1,241	8
Securities and other investments	308	309	0	309	0
Business operations	138	126	10	122	13
Other household purposes	181	202	-10	201	-10
Total, households	1,969	1,889	4	1,872	5
Public sector and non-profit organisations					
	22	21	3	22	-2
Total, public sector and non-profit organisations	22	21	3	22	-2
Total lending	3,073	2,906	6	2,895	6

11. Doubtful receivables and impairment losses

Bank of Åland Group	Sep 30, 2013	Dec 31, 2012	% Sep 30, 2012		%
EUR M					
Non-performing receivables > 90 days past due	18.5	18.6	0	25.0	-26
Non-performing receivables as % of total	0.60	0.64	-5	0.86	-30
Gross doubtful receivables	17.7	12.7	39	16.1	10
Doubtful receivables as % of total	0.57	0.44	31	0.56	3
Individual impairment losses	10.9	10.6	3	9.7	13
Group impairment losses	4.4	3.1	40	1.1	
Net doubtful receivables	2.4	-1.1		5.3	-55
Level of provisions for doubtful receivables, %	86	108	-20	67	29
Breakdown of non-performing receivables > 90 days past due					
Private individuals	12.0	12.9	-7	12.6	-5
Real estate operations	1.3	0.0		1.8	-30
Housing operations	0.2	0.2	-27	0.0	
Shipping	1.4	2.0	-33	6.0	-77
Financial and insurance operations	0.2	0.8	-75	0.8	-75
Other categories	3.5	2.6	35	3.7	-6
Total	18.5	18.6	0	25.0	-26
Breakdown of individual impairment losses					
Private individuals	3.2	3.1	3	2.4	36
Real estate operations	0.3	2.1	-85	1.7	-81
Housing operations	2.0	1.9	6	1.9	6
Shipping	0.7	0.8	-11	0.8	-11
Financial and insurance operations	0.1	1.8	-96	1.4	-95
Other categories	4.1	0.9		1.3	
Total	10.4	10.6	-2	9.5	9
Breakdown of group impairment losses					
Private individuals	0.0	0.0		0.0	
Real estate operations	0.6	0.6	0	0.6	0
Housing operations	0.0	0.0		0.0	
Shipping	3.8	2.5	50	0.5	
Financial and insurance operations	0.0	0.0		0.0	
Other	0.0	0.0		0.0	
Total	4.4	3.1	40	1.1	

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

Bank of Åland Group	Sep 30, 2013	Dec 31, 2012	%	Sep 30, 2012	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	1,764	1,652	7	1,694	4
Time deposits	386	475	-19	549	-30
Total deposit accounts	2,150	2,127	1	2,242	-4
Certificates of deposit issued to the public ¹	162	134	21	109	49
Index bonds (structured products) ¹	110	122	-10	142	-22
Subordinated debentures ¹	64	64	-1	63	1
Total bonds and certificates of deposit	337	320	5	314	7
Total deposits	2,487	2,447	2	2,557	-3

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

13. Debt securities issued

Bank of Åland Group	Sep 30, 2013	Dec 31, 2012	%	Sep 30, 2012	%
EUR M					
Certificates of deposit	182	188	-3	151	21
Covered bonds	451	354	27	180	
Senior non-covered bonds	228	95		122	87
Index bonds (structured products)	110	122	-10	142	-22
Total	972	760	28	595	63

14. Derivative instruments

Bank of Åland Group	Sep 30, 2013		Dec 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>	4.5	9.1	7.2	11.6
<i>Interest rate option contracts</i>				
<i>Purchased</i>	0.0	0.0	0.0	0.0
<i>Sold</i>	0.0	0.0	0.0	0.0
Currency derivatives				
<i>Forward contracts</i>	0.8	0.6	2.9	1.8
<i>Interest rate and currency swap contracts</i>	1.1	1.4	0.1	0.7
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased¹</i>	9.9	0.0	9.6	0.0
<i>Written</i>	0.0	1.4	0.0	0.0
Other derivatives	0.9	0.9	0.6	0.6
Closing balance	17.2	13.5	20.4	14.7

¹The equity derivatives that were purchased hedge option structures that are embedded in bonds issued to the public.

Nominal value of underlying asset by remaining maturity:

Bank of Åland Group	Sep 30, 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>	84.5	210.0	136.6	431.1
<i>Interest rate option contracts</i>				
<i>Purchased</i>	0.0	9.6	0.0	9.6
<i>Sold</i>	0.0	12.3	1.2	13.5
Currency derivatives				
<i>Forward contracts</i>	46.0	3.3	0.0	49.3
<i>Interest rate and currency swap contracts</i>	0.0	257.5	0.0	257.5
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	28.1	80.0	0.0	108.1
<i>Written</i>	2.6	4.4	0.0	7.0
Other derivatives	0.0	25.0	0.0	25.0
Closing balance	161.2	602.1	137.8	901.1

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 option contracts</i>					
<i>Purchased</i>	1.3	20.5	0.0	21.8	
<i>Sold</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	
<i>Issued</i>	0.0	0.0	0.0	0.0	
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		Sep 30, 2013			Total
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)		
Debt securities eligible for refinancing with central banks	334				334
Claims on the public and public sector entities		130			130
Debt securities	10	55	0		65
Shares and participations	5	0	1		6
Derivative instruments		17			17
Total financial assets	349	202	1		551
Liabilities to the public and public sector entities					0
Debt securities issued		207			207
Derivative instruments		13			13
Total financial liabilities	0	220	0		220

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	Sep 30, 2013	Dec 31, 2012	% Sep 30, 2012	%
EUR M				
Guarantees and pledges	19	15	27	12
Unutilised overdraft limits	84	69	21	15
Unutilised credit card limits	102	88	16	19
Lines of credit	182	195	-7	0
Total	387	377	3	8

17. Assets pledged for own liabilities

Bank of Åland Group	Sep 30, 2013	Dec 31, 2012	% Sep 30, 2012	%
EUR M				
Bonds as assets pledged	213	191	12	45
Loan receivables constituting collateral (cover pool) for covered bonds	772	665	16	45
Total	985	856	15	45

18. Maturity breakdown of assets and liabilities

Bank of Åland Group		Sep 30, 2013					
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	Total	
Assets							
Cash	136					136	
Debt securities eligible for refinancing with central banks	10	24	253	47		334	
Lending to credit institutions	135					135	
Lending to the public and public sector entities	361	384	1,449	879		3,073	
Debt securities		55	10			65	
Shares and participations					6	6	
Shares and participations in associated companies					1	1	
Derivative instruments					17	17	
Intangible assets					11	11	
Tangible assets					31	31	
Other assets					32	32	
Accrued income and prepayments					24	24	
Deferred tax assets					2	2	
Total assets	643	462	1,712	926	124	3,867	
Liabilities							
Liabilities to credit institutions	185	36	151			372	
Liabilities to the public and public sector entities	1,959	189	1			2,150	
Debt securities issued	160	237	475	100		972	
Derivative instruments					13	13	
Other liabilities					72	72	
Provisions						0	
Accrued expenses and prepaid income					28	28	
Subordinated liabilities		33	30			64	
Deferred tax liabilities					14	14	
Equity capital					182	182	
Total liabilities	2,305	496	657	100	309	3,867	

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
Lending to credit institutions	104					104
Lending to 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

Sight deposits from the public, which are a significant source of funding, are contractually repayable on demand and are thus reported as having a maturity of <3 months. In practice they are a source of financing that, based on historical behaviour, has largely proved to have a long maturity.

19. Interest rate refixing periods

Bank of Åland Group		Sep 30, 2013					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets							
Lending to credit institutions	272					272	
Lending to the public and public sector entities	2,017	392	375	269	19	3,073	
Debt securities	90	44	30	199	36	399	
Total interest-bearing assets	2 379	436	405	468	55	3,744	
Liabilities							
Liabilities to credit institutions	209	27	6	130	0	372	
Deposits from the public	1,960	104	86	1	0	2,150	
Debt securities	559	117	25	170	100	972	
Subordinated liabilities	0	19	29	16	0	64	
Total liabilities	2,728	267	146	317	100	3,558	
Off-balance sheet items	-74	10	-23	8	75		
Difference between assets and liabilities	-423	179	237	160	30		

Bank of Åland Group		Dec 31, 2012					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets							
Lending to credit institutions	236					236	
Lending to the public and public sector entities	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	Sep 30, 2013	Dec 31, 2012	% Sep 30, 2012		%
EUR M					
Equity capital according to balance sheet	181.8	181.0	0	173.3	5
Anticipated/proposed dividend including non-controlling interests	-2.2	-2.9	-24	-0.5	
Minus surplus pension assets	-1.7	-0.4		-1.0	69
Fair value reserve	-1.1	-4.5	-76	-2.9	-64
Translation differences	0.2	0.3	-25	-7.3	
Cash flow hedge	0.8	1.2	-32	0.0	
Unrealised changes in value of financial liabilities due to changes in own credit-worthiness	0.0	0.8	-100	0.7	-100
Intangible assets	-10.5	-10.9	-4	-11.9	-12
Property revaluation	-7.6	-7.8	-2	-7.8	-3
Deferred tax assets	-0.6	-0.6	-2	-0.8	-22
50% of expected losses according to IRB approach in addition to those recognised	-3.3	-3.2	3	-3.4	-3
Core Tier 1 capital	155.8	152.9	2	138.3	13
Fair value reserve	1.1	4.5	-76	2.9	-64
Translation differences	-0.2	-0.3	-25	7.3	
Property revaluation	7.6	7.8	-2	7.8	-3
Debenture loans	63.8	64.1	-1	63.2	1
50% of expected losses according to IRB approach in addition to those recognised	-3.3	-3.2	3	-3.4	-3
Supplementary capital	68.9	72.9	-6	77.9	-12
Total capital base	224.7	225.8	-1	216.1	4
Risk-weighted assets	1,479.3	1,402.5	5	1,420.3	4
Capital requirement for credit risks according to IRB approach	28.2	26.6	6	27.7	2
Capital requirement for credit risk according to standardised approach	77.1	71.5	8	71.8	7
Capital requirement for operational risks	13.0	14.1	-8	14.1	-8
Capital requirement	118.3	112.2	5	113.6	4
Additional amount according to transitional rules for IRB approach	10.5	11.7	-10	17.6	-40
Capital requirement including transitional rules	128.9	123.9	4	131.3	-2
Core Tier 1 capital ratio, %	10.5	10.9	-3	9.7	8
Capital adequacy, %	15.2	16.1	-6	15.2	0
Core Tier 1 capital ratio using transitional rules, %	9.7	9.9	-2	8.4	15
Capital adequacy using transitional rules, %	13.9	14.6	-4	13.2	6

Exposure category	Sep 30, 2013					
	EUR M	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		1,483.6	1,479.1	15	219.7	17.6
Small and medium-sized companies classified as household exposures		164.1	162.8	57	92.9	7.4
Other household exposures		226.8	211.2	19	40.0	3.2
Total exposures according to the IRB approach		1,874.5	1,853.1	19	352.6	28.2
Credit risk according to the standardised approach						
Exposure to sovereigns and central banks		299.1	306.4	0	0.0	0.0
Institutional exposures		419.7	406.1	17	67.2	5.4
Corporate exposures		920.1	716.4	86	615.0	49.2
Household exposures with property as collateral		178.1	152.1	41	62.0	5.0
Small and medium-sized companies classified as household exposures		173.6	170.4	35	59.4	4.8
Qualifying revolving retail exposures		33.8	33.8	75	25.4	2.0
Other household exposures		179.9	154.2	59	91.6	7.3
Equity exposures		6.8	6.8	73	5.0	0.4
Other items		79.4	79.4	48	38.1	3.0
Total exposures according to the standardised approach		2,328.5	2,063.6	47	964.2	77.1
Total capital requirement for credit risk		4,203.0	3,916.8	34	1,316.8	105.3

Exposure category	Dec 31, 2012					
	EUR M	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		1,445.8	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	100	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	Sep 30, 2013	Dec 31, 2012	%	Sep 30, 2012	%
EUR M					
Fund unit management	936	867	8	838	12
Discretionary asset management	1,641	1,791	-8	1,730	-5
Other asset management	1,694	1,593	6	1,606	5
Total managed assets	4,271	4,252	0	4,174	2
Of which own funds in discretionary and other asset management	419	362	16	355	18

The definition of managed assets in Sweden was harmonised with the Group's definition starting on June 30, 2013. Historical time series have been adjusted to achieve greater comparability.

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

Bank of Åland Group	Q3 2013	Q2 2013	%	Q3 2012	% Jan-Sep 2013	Jan-Sep 2012	%
Bank of Åland Plc	392	375	4	387	1	381	-4
Crosskey Banking Solutions Ab Ltd	186	186	0	199	-7	184	-9
Ålandsbanken Asset Management AB				0		5	
Ålandsbanken Asset Management Ab	27	27	-1	25	8	27	12
Ab Compass Card Oy Ltd	12	13	-4	13	-8	12	-4
Ålandsbanken Fondbolag Ab	5	5	9	6	-17	5	-18
Ålandsbanken Fonder AB		3		3		3	3
Ålandsbanken Equities Research Ab							
Total number of positions, recalculated from hours worked	622	609	2	633	-2	612	-6

From June 1, 2012, the operations of Ålandsbanken Asset Management AB (formerly Ålandsbanken Sverige AB) were transferred to Ålandsbanken Abp (Finland) 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.

Auditors' review report on the interim report of Ålandsbanken Abp for the period January 1 – September 30, 2013

TO THE BOARD OF DIRECTORS OF THE BANK OF ÅLAND PLC

INTRODUCTION

We have reviewed the Group's summary balance sheet as of September 30, 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 the Bank of Åland Group for the nine-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 Bank of Åland Group's financial position as of September 30, 2013 and the result of its operations and cash flows for the nine-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, October 28, 2013

Pauli Salminen
Authorised Public Accountant

Birgitta Immerthal
Authorised Public Accountant

Mari Suomela
Authorised Public Accountant