

Interim Report

For the period January–September 2015 • October 27, 2015



January–September 2015

Compared to January–September 2014

- Net operating profit improved by 60 per cent to EUR 23.6 M (14.8).
- Profit for the period attributable to shareholders improved by 81 per cent to EUR 19.0 M (10.5).
- Net interest income increased by 7 per cent to EUR 39.2 M (36.7).
- Net commission income increased by 11 per cent to EUR 35.3 M (31.7).
- Total expenses decreased by 5 per cent to EUR 66.9 M (70.6).
- Net impairment losses on loans (including recoveries) increased by 53 per cent to EUR 1.9 M (1.2), equivalent to a loan loss level of 0.08 (0.05) per cent.
- Return on equity after taxes (ROE) increased to 12.7 per cent (7.6).
- Earnings per share increased to EUR 1.25 (0.73).
- The core Tier 1 capital ratio amounted to 11.9 per cent (December 31, 2014: 10.9 per cent).

The third quarter of 2015

Compared to the third quarter of 2014

- Net operating profit fell by 8 per cent to EUR 6.4 M (6.9).
- Profit for the period attributable to shareholders fell by 1 per cent to EUR 5.1 M (5.1).
- Net interest income increased by 7 per cent to EUR 13.6 M (12.7).
- Net commission income increased by 1 per cent to EUR 10.5 M (10.5).
- Total expenses decreased by 1 per cent to EUR 21.6 M (21.9).
- Net impairment losses on loans (including recoveries) increased to EUR 1.4 M (0.3), equivalent to a loan loss level of 0.16 (0.03) per cent.
- Return on equity after taxes (ROE) decreased to 9.9 per cent (10.9).
- Earnings per share decreased to EUR 0.33 (0.35).

“During the first nine months of 2015, net operating profit improved by 60 per cent to EUR 23.6 per cent.

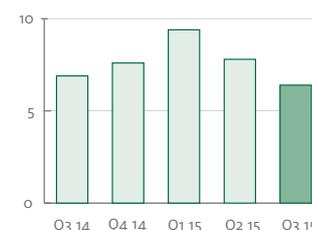
“During the third quarter, we saw continued negative market interest rates and a relatively large downward correction in the stock market. In spite of this, the Bank of Åland Group had a stable income trend, with net interest income showing especially strong performance. Net impairment provisions of EUR 1.4 million, related to a very limited number of customers, were charged to third quarter earnings.

“We are seeing a continued good influx of customers in all our business areas.”

Peter Wiklöf, Managing Director

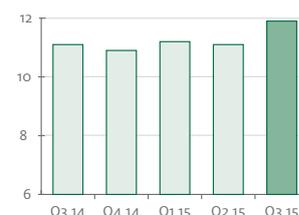
Net operating profit

EUR M



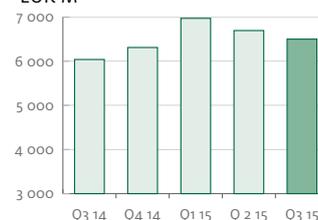
Core Tier 1 ratio

Per cent



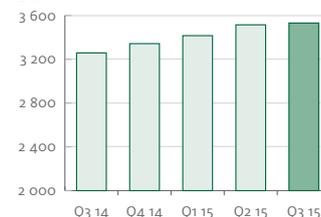
Investment volume

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

Financial summary

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	%	Jan-Sep 2015	Jan-Sep 2014	%
EUR M								
Income								
Net interest income	13.6	12.9	5	12.7	7	39.2	36.7	7
Net commission income	10.5	11.9	-11	10.5	1	35.3	31.7	11
Net income from financial items at fair value	1.5	1.6	-11	1.9	-23	5.5	4.5	22
Other income	3.8	4.1	-9	4.0	-5	12.4	13.7	-10
Total income	29.4	30.6	-4	29.1	1	92.4	86.6	7
Expenses								
Staff costs	-13.2	-14.1	-6	-12.0	10	-40.9	-38.6	6
Other expenses	-6.7	-6.7	0	-7.8	-14	-20.6	-25.6	-19
Depreciation/amortisation	-1.7	-1.7	-2	-2.1	-19	-5.3	-6.4	-17
Total expenses	-21.6	-22.5	-4	-21.9	-1	-66.9	-70.6	-5
Profit before impairment losses	7.8	8.1	-4	7.2	8	25.6	16.0	60
Impairment losses on loans and other commitments	-1.4	-0.3		-0.3		-1.9	-1.2	53
Net operating profit	6.4	7.8	-18	6.9	-8	23.6	14.8	60
Income taxes	-1.3	-1.6	-19	-1.5	-12	-4.6	-3.2	44
Profit for the report period	5.1	6.2	-18	5.4	-6	19.0	11.6	64
Attributable to:								
Non-controlling interests	0.0	0.0		0.3	-99	0.0	1.1	-100
Shareholders in Bank of Åland Plc	5.1	6.2	-18	5.1	-1	19.0	10.5	81
Volume								
Lending to the public	3,531	3,515	0	3,258	8			
Deposits from the public ¹	2,611	2,755	-5	2,482	5			
Investment volume ²	6,502	6,696	-3	6,040	8			
Equity capital	208	200	4	193	8			
Balance sheet total	4,499	4,851	-7	4,183	8			
Risk exposure amount	1,558	1,619	-4	1,532	2			
Financial ratios								
Return on equity after taxes, % (ROE) ³	9.9	12.5		10.9		12.7	7.6	
Expense/income ratio ⁴	0.73	0.73		0.75		0.72	0.82	
Loan loss level, % ⁵	0.16	0.04		0.03		0.08	0.05	
Gross non-performing receivables, % ⁶	0.80	0.65		0.54				
Level of provisions for doubtful receivables, % ⁷	35	43		47				
Core funding ratio, % ⁸	99	93		107				
Equity/assets ratio, % ⁹	4.6	4.1		4.6				
Tier 1 capital ratio, % ¹⁰	11.9	11.1		11.1				
Earnings per share, EUR ¹¹	0.33	0.41	-18	0.35	-6	1.25	0.73	72
Earnings per share after dilution, EUR	0.33	0.41	-18	0.35	-6	1.25	0.72	72
Equity capital per share, EUR ¹²	13.66	13.18	4	13.14	4			
Equity capital per share after dilution, EUR	13.60	13.15	3	13.11	4			
Market price per Series A share, EUR	17.48	15.50	13	11.32	54			
Market price per Series B share, EUR	16.40	15.75	4	9.63	70			
Number of shares outstanding (not own shares), 000s	15,208	15,178	0	14,398	6			
Number of shares outstanding (not own shares), after dilution, 000s	15,338	15,278	0	14,498	6			
Working hours re-calculated to full-time equivalent positions	667	672	-1	656	2	661	645	3

¹ Deposits from the public and public sector entities, including certificates of deposit, index bonds and debentures issued to the public

² Investment volume encompasses actively managed assets (the Group's own mutual funds, discretionary and advisory managed assets) plus other securities volume in brokerage accounts

³ Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital

⁴ Expenses / Income

⁵ Impairment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period

⁶ Non-performing receivables more than 90 days / Lending to the public before provisions for impairment losses

⁷ Provisions for individual impairment losses / Doubtful receivables

⁸ Lending to the public / Deposits including certificates of deposit, index bonds and debentures issued to the public plus covered bonds issued

⁹ Equity capital / Balance sheet total

¹⁰ (Core Tier 1 capital / Capital requirement) x 8 %

¹¹ Shareholders' portion of earnings for the period/ Number of shares adjusted for share issue

¹² Equity capital/Number of shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

The central banks in Europe are continuing their expansionary monetary policies in the form of asset purchases and low key interest rates. In a number of countries, negative interest rates are a reality. Sweden's Riksbank has lowered its key rate three times during 2015 to -0.35 per cent, while the European Central Bank (ECB) key rate has remained unchanged at 0.05 per cent. Low interest rates squeeze the net interest income of banks and increase the risks of asset bubbles in national economies.

BENCHMARK INTEREST RATES, QUARTERLY AVERAGES, PER CENT

	Q3 2015	Q2 2015	Q3 2014
Euribor 3 mo	-0.03	-0.01	0.16
Euribor 12 mo	0.16	0.17	0.44
Stibor 3 mo	-0.27	-0.19	0.51

During the third quarter, share prices fell sharply, essentially wiping out the entire increase earlier during 2015 on the Nasdaq OMX Helsinki (OMXHPI, -1 per cent) and on the Nasdaq OMX Stockholm (OMXSPI, +1 per cent).

The average value of the Swedish krona in relation to the euro was 2 per cent lower during the first nine months of 2015 than in the same period of 2014. On September 30, 2015, the krona was essentially unchanged compared to its position at the end of 2014. When translating the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been translated at the exchange rate prevailing on the closing day.

IMPORTANT EVENTS

In August, the Bank issued 30,174 Series B shares for the fulfilment of the Bank's commitments as part of the Bank of Åland's share savings programme for employees.

For the second consecutive year, the Bank of Åland (Ålandsbanken) Euro Bond Fund was named the best Nordic fund in its category and received the prestigious Lipper Fund Award Nordic. The Fund won the award for all management periods that were analysed: 3, 5 and 10 years.

Ålandsbanken Asset Management merged with the Bank of Åland on June 1, 2015. As consideration for the merger, the minority shareholders of Ålandsbanken Asset Management received 762,912 newly issued Series B shares in the Bank of Åland plus a cash portion equivalent to 10 per cent of the value of the newly issued shares.

A new Group-wide Asset Management organisation has been established with employees both in Finland and Sweden. Asset Management is responsible for management and sales support of the Bank of Åland's own mutual funds, discretionary asset management mandates and advisory asset management mandates. Asset Management is a support organisation for Private Banking and Premium Banking, which have direct customer responsibility. But Asset Management itself has customer responsibility for certain

large institutional customers, mutual fund platforms and insurance agents.

In light of changes in the organisation, starting with the second quarter of 2015 the Bank of Åland is changing its reporting of operating segments. The new segments being reported are Private Banking, Premium Banking, Asset Management, IT and Corporate and Other.

The Standard & Poor's rating agency has raised its credit rating on covered bonds issued by the Bank of Åland to AAA with a stable outlook.

The Annual General Meeting on April 16, 2015 elected Göran Persson and Ulrika Valassi as new members of the Board of Directors. Board members Nils Lampi, Christoffer Taxell, Agneta Karlsson, Anders Å Karlsson, Anders Wiklöf and Dan-Erik Woivalin were re-elected. The Meeting also approved amending the Articles of Association in such a way as to remove the theoretical preference element in Series B shares.

EARNINGS FOR THE THIRD QUARTER OF 2015

Profit for the period attributable to shareholders amounted to EUR 5.1 M (5.1). Net operating profit fell by EUR 0.5 M or 8 per cent to EUR 6.4 M (6.9). Return on equity after taxes amounted to 9.9 (10.9) per cent.

Total income increased by EUR 0.3 M or 1 per cent to EUR 29.4 M, mainly due to higher net interest income.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 0.9 M or 7 per cent to EUR 13.6 M despite the negative effect of lower market interest rates.

Net commission income rose by 1 per cent to EUR 10.5 M (10.5).

Net income on financial items at fair value decreased by EUR 0.4 M or 23 per cent to EUR 1.5 M, among other things due to lower capital gains from the liquidity portfolio.

Information technology (IT) income decreased by EUR 0.1 M or 4 per cent to EUR 3.7 M.

Total expenses decreased by EUR 0.3 M or 1 per cent to EUR 21.6 M, among other things because of lower deposit guarantee and banking tax expenses as well as higher capitalised production for own use.

Impairment losses on loans amounted to EUR 1.4 M, equivalent to a loan loss level of 0.16 per cent, compared to EUR 0.3 M and 0.03 per cent in the year-earlier quarter.

EARNINGS FOR JANUARY-SEPTEMBER 2015

Profit for the period attributable to shareholders amounted to EUR 19.0 M (10.5). This was an improvement of EUR 8.5 M or 81 per cent compared to January-September 2014. Net operating profit improved by EUR 8.8 M or 60 per cent to EUR 23.6 M (14.8). Return on equity after taxes increased to 12.7 (7.6) per cent.

Total income increased by EUR 5.8 M or 7 per cent to EUR 92.4 M.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 2.5 M or 7 per cent to EUR 39.2 M despite the negative effect of lower market interest rates.

Net commission income rose by EUR 3.6 M or 11 per cent to EUR 35.3 M, mainly due to higher income from financial investment operations.

Net income on financial items at fair value rose by EUR 1.0 M or 22 per cent to EUR 5.5 M.

Information technology (IT) income decreased by EUR 0.4 M or 4 per cent to EUR 12.2 M.

Total expenses decreased by EUR 3.7 M or 5 per cent to EUR 66.9 M, among other things because of lower deposit guarantee and banking tax expenses as well as higher production for own use. The same period of last year also included restructuring expenses in the Finnish Mainland business area of about EUR 0.4 M and corporate strategic expenses of about EUR 1.0 M. Production for own use refers to largely capitalised development expenses for the Bank's new securities platform, which is being developed by its IT subsidiary Crosskey.

Impairment losses on loans amounted to EUR 1.9 M, equivalent to a loan loss level of 0.08 per cent, compared to EUR 1.2 M and 0.05 per cent in the year-earlier period.

Tax expense amounted to EUR 4.6 M, equivalent to an effective tax rate of 19.5 (21.6) per cent.

Profit attributable to non-controlling interests amounted to EUR 0.0 M (1.1), since Compass Card is now a wholly owned subsidiary and Ålandsbanken Asset Management has merged with the parent Bank.

STRATEGIC BUSINESS AREAS

The Group's net operating income improved by EUR 8.8 M to EUR 23.6 M during January-September 2015, allocated as follows:

• Private Banking	+6.5	(higher income, especially net commission income)
• Premium Banking	+3.2	(lower expenses)
• Asset Management	-0.9	(lower income)
• IT	-0.6	(higher expenses)
• Corporate units incl. eliminations	+0.6	(higher Treasury income, higher Compass Card earnings, lower strategic expenses and negative elimination effect of major IT projects)

Operations in Sweden reported a profit for the ninth consecutive quarter and showed a continued positive trend. Operations in Åland and on the Finnish mainland also had a continued positive trend.

BUSINESS VOLUME

Financial investment volume increased by EUR 190 M or 3 per cent during the first nine months of 2015 and amounted to EUR 6,502 M (6,312). Actively managed assets increased by EUR 252 M or 7 per cent during the period and amounted to EUR 3,737 M (3,485).

Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 125 M or 12 per cent to EUR 1,213 M (1,088) during the period since year-end 2014. There was continued heavy interest in Bostadsfonden, a housing mutual fund. Net inflow into Bostadsfonden was EUR 85 M during the first nine months of 2015. The net assets of Bostadsfonden amounted to EUR 274 M on September 30. Assets under discretionary management rose by EUR 89 M or 5 per cent to EUR 1,786 M (1,707).

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 220 M or 9 per cent during the first nine months of 2015 and amounted to EUR 2,611 M (2,391).

Lending to the public totalled EUR 3,531 M (3,343). This represented an increase of EUR 188 M or 6 per cent during the first nine months. The increase in lending was primarily related to loans secured by residential properties in the Swedish market.

CREDIT QUALITY

Lending to private individuals comprises nearly two thirds of the loan portfolio. Home mortgage loans account for about 70 per cent 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.

Gross doubtful receivables increased by EUR 6.7 M to EUR 28.4 M (21.7) during the first nine months of 2015. As a share of lending to the public, doubtful receivables increased to 0.80 per cent (0.65). The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 35 per cent compared to 66 per cent at year-end 2014.

The Bank of Åland Group had EUR 11.3 M (15.8) in impairment loss provisions, of which individual impairments totalled EUR 10.1 M (14.3) and group impairments EUR 1.2 M (1.5).

LIQUIDITY AND BORROWING

During the third quarter, about EUR 180 M in long-term Bank of Åland borrowing fell due for repayment. These maturities had already been funded during the second quarter, when the Bank issued EUR 250 M in covered bonds with a 5-year maturity. The Bank has no further long-term borrowing maturities during 2015. During 2016, there will be only one maturity of an external long-term debt totalling about EUR 80 M in the first quarter.

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 679 M on September 30, 2015 (December 31, 2014: 646). This was equivalent to 14 (15) per cent of total assets and 19 (19) 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 average remaining maturity on outstanding bonds was about 3.7 years at the end of the period (December 31, 2014: 3.3).

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 99 per cent at the end of the period (December 31, 2014: 105).

The liquidity coverage ratio (LCR) amounted to 79 per cent (December 31, 2014: 97).

RATING

The Bank of Åland has a credit rating from the Standard & Poor's rating agency of BBB/A-3 with a negative outlook for its long- and short-term borrowing. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

EQUITY AND CAPITAL ADEQUACY

Equity capital including non-controlling interests changed in the amount of total comprehensive income for the period, EUR 19.4 M; the net effect of the acquisition of minority holdings in Ålandsbanken Asset Management including payment with newly issued shares and the merger of the company with the Bank of Åland Plc, EUR -1.3 M; a transfer of the Bank's own shares, EUR 0.2 M; the share savings programme, EUR 0.6 M; dividend payments, EUR 5.8 M; and the dividends paid to non-controlling interests in subsidiaries, EUR 1.3 M. On September 30, 2015, equity capital totalled EUR 207.7 M (December 31, 2014: 195.9).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 1.6 M after taxes, in compliance with IAS 19.

Core Tier 1 capital increased by EUR 14.6 M during the first nine months of 2015 to EUR 184.6 M (170.0).

The risk exposure amount increased by EUR 4 M or 0 per cent during the first nine months to EUR 1,558 M (1,554), mainly due to increased lending. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 11 M.

The core Tier 1 capital ratio increased to 11.9 per cent (December 31, 2014: 10.9). Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio.

In addition to the basic capital requirement, various buffer requirements are being introduced, mainly imposed by national regulatory authorities. The capital conservation buffer requirement, 2.5 per cent of core Tier 1 capital, applies in all European Union countries starting in 2015. The countercyclical capital buffer requirement may vary between 0-2.5 per cent. The decision concerning the size of a countercyclical capital buffer in Finland is made quarterly by the Board of the Financial Supervisory Authority (FSA) on the basis of a macroeconomic stability analysis. So far, the FSA has not imposed any countercyclical buffer requirement related to Finnish exposures. As for Sweden, the Swedish FSA has imposed a requirement of 1 per cent of Swedish exposures starting in September 2015 and 1.5 per cent starting in June 2016. The Finnish FSA has identified systemically important institutions in Finland and has imposed individual buffer requirements for them. These requirements will go into effect at the beginning of 2016. The Bank of Åland is not included in the buffer requirements for systemically important institutions.

During June, the Bank of Åland became the first bank in Finland to issue subordinated debentures (supplementary capital) with a write-down clause. The subordinated debentures, which were issued with 3.75 per cent fixed interest, have a maturity of 20 years with a possible early redemption after five years. In the event that the Bank of Åland's core Tier 1 capital ratio falls below 7 per cent, the principal is written down by 25 per cent. The issue volume was EUR 8.6 M.

The total capital ratio amounted to 13.0 (12.1) per cent.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

No important events have occurred after the close 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, Russia or Ukraine.

FUTURE OUTLOOK

In a stock exchange release dated July 10, 2015, the Bank of Åland revised its future outlook. The revised outlook is as follows:

The Bank of Åland expects its net operating profit in 2015 to be substantially better than in 2014.

The Bank of Åland is especially dependent on the performance of the fixed income and stock markets. There are clear concerns regarding economic performance in several important markets as well as geopolitical worries, especially due to developments in Greece, Ukraine and the Middle East. For this reason, there is uncertainty in the current forecast for the future.

FINANCIAL INFORMATION

The Year-end Report for 2015 will be published on February 12, 2016.

Mariehamn, October 27, 2015
THE BOARD OF DIRECTORS

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Summary income statement

Bank of Åland Group	Note	Q3 2015	Q2 2015	%	Q3 2014	%	Jan-Sep 2015	Jan-Sep 2014	%
EUR M									
Net interest income	5	13.6	12.9	5	12.7	7	39.2	36.7	7
Net commission income	6	10.5	11.9	-11	10.5	1	35.3	31.7	11
Net income from financial items at fair value	7	1.5	1.6	-11	1.9	-23	5.5	4.5	22
IT income		3.7	4.2	-12	3.8	-4	12.2	12.6	-4
Other operating income		0.1	0.0		0.1	-22	0.3	1.1	-77
Total income		29.4	30.6	-4	29.1	1	92.4	86.6	7
Staff costs		-13.2	-14.1	-6	-12.0	10	-40.9	-38.6	6
Other expenses	8	-6.7	-6.7	0	-7.8	-14	-20.6	-25.6	-19
Depreciation/amortisation		-1.7	-1.7	-2	-2.1	-19	-5.3	-6.4	-17
Total expenses		-21.6	-22.5	-4	-21.9	-1	-66.9	-70.6	-5
Profit before impairment losses		7.8	8.1	-4	7.2	8	25.6	16.0	60
Impairment losses on loans and other commitments	9	-1.4	-0.3		-0.3		-1.9	-1.2	53
Net operating profit		6.4	7.8	-18	6.9	-8	23.6	14.8	60
Income taxes		-1.3	-1.6	-19	-1.5	-12	-4.6	-3.2	44
Profit for the period		5.1	6.2	-18	5.4	-6	19.0	11.6	64
Attributable to:									
Non-controlling interests		0.0	0.0		0.3	-99	0.0	1.1	-100
Shareholders in Bank of Åland Plc		5.1	6.2	-18	5.1	-1	19.0	10.5	81
Earnings per share, EUR		0.33	0.41	-18	0.35	-6	1.25	0.73	72

Summary statement of other comprehensive income

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	%	Jan-Sep 2015	Jan-Sep 2014	%
EUR M								
Profit for the period	5.1	6.2	-18	5.4	-6	19.0	11.6	64
Cash flow hedge								
Gains/Losses arising during the period	3.3	-2.1		-0.6		0.6	9.2	-93
Transferred to the income statement	-3.2	2.0		0.5		-0.7	-9.2	-92
Assets available for sale								
Gains/Losses arising during the period	3.3	-4.9		1.9	70	1.0	5.1	-81
Transferred to the income statement	-0.9	0.0		-1.3	-30	-2.5	-2.6	-4
Translation differences								
Gains/Losses arising during the period	-0.1	0.0		0.0	90	0.0	0.2	-82
<i>of which hedging of net investment in foreign operations</i>	0.5	-0.3		0.0		0.0	0.9	
Transferred to the income statement	0.0	0.0		0.0		0.0	0.0	
Taxes on items that have been or may be reclassified to the income statement	-0.7	1.1		-0.1		0.3	-0.7	
<i>of which cash flow hedges</i>	0.0	0.0		0.0		0.0	0.0	
<i>of which assets available for sale</i>	-0.5	1.0		-0.1		0.3	-0.5	
<i>of which hedging of net investment in foreign operations</i>	-0.2	0.1		0.0		0.0	-0.2	
Items that have been or may be reclassified to the income statement	1.7	-3.8		0.4		-1.2	2.1	
Re-measurements of defined benefit pension plans	0.6	2.3	-75	-0.3		2.0	-2.4	
Taxes on items that may not be reclassified to the income statement	-0.1	-0.5	-75	0.1		-0.4	0.5	
Items that may not be reclassified to the income statement	0.5	1.8	-75	-0.2		1.6	-1.9	
Other comprehensive income	2.2	-2.0		0.1		0.4	0.1	
Total comprehensive income for the period	7.2	4.2	72	5.6	30	19.4	11.7	66
Attributable to:								
Non-controlling interests	0.0	0.0		0.3	-99	0.0	1.1	-100
Shareholders in Bank of Åland Plc	7.2	4.2	72	5.2	0	19.4	10.7	82

Income statement by quarter

Bank of Åland Group	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
EUR M					
Net interest income	13.6	12.9	12.7	12.6	12.7
Net commission income	10.5	11.9	12.9	14.5	10.5
Net income from financial items at fair value	1.5	1.6	2.4	2.2	1.9
IT income	3.7	4.2	4.3	4.7	3.8
Other operating income	0.1	0.0	0.2	-0.1	0.1
Total income	29.4	30.6	32.4	34.0	29.1
Staff costs	-13.2	-14.1	-13.7	-14.5	-12.0
Other expenses	-6.7	-6.7	-7.2	-9.3	-7.8
Depreciation/amortisation	-1.7	-1.7	-1.9	-2.0	-2.1
Total expenses	-21.6	-22.5	-22.8	-25.8	-21.9
Profit before impairment losses	7.8	8.1	9.6	8.1	7.2
Impairment losses on loans and other commitments	-1.4	-0.3	-0.2	-0.5	-0.3
Net operating profit	6.4	7.8	9.4	7.6	6.9
Income taxes	-1.3	-1.6	-1.7	-1.6	-1.5
Profit for the period	5.1	6.2	7.7	6.1	5.4
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.4	0.3
Shareholders in Bank of Åland Plc	5.1	6.2	7.7	5.6	5.1

Summary balance sheet

Bank of Åland Group	Note	Sep 30, 2015	Dec 31, 2014	% Sep 30, 2014	%
EUR M					
Assets					
Cash and balances with central banks		65	86	-25	104
Debt securities eligible for refinancing with central banks		680	625	9	459
Lending to credit institutions		62	129	-52	226
Lending to the public and public sector entities	10, 11	3,531	3,343	6	3,258
Debt securities		0	0	1	0
Shares and participations		1	3	-44	2
Participations in associated companies		1	1	-6	1
Derivative instruments	14	18	24	-24	23
Intangible assets		9	8	12	8
Tangible assets		25	27	-8	28
Investment properties		0	0	-19	1
Current tax assets		0	0		0
Deferred tax assets		5	5	-3	5
Other assets		77	16		45
Accrued income and prepayments		25	25	-2	23
Total assets		4,499	4,292	5	4,183
Liabilities					
Liabilities to credit institutions		377	422	-11	436
Liabilities to the public and public sector entities	12	2,438	2,201	11	2,244
Debt securities issued	12, 13	1,316	1,312	0	1,135
Derivative instruments	14	24	34	-30	28
Current tax liabilities		0	1	-63	1
Deferred tax liabilities		17	14	26	12
Other liabilities		48	35	38	52
Provisions		0	1	-69	0
Accrued expenses and prepaid income		28	29	-3	32
Subordinated liabilities	12	43	50	-14	50
Total liabilities		4,292	4,096	5	3,991
Equity capital and non-controlling interests					
Share capital		42	29	43	29
Share premium account		33	33	0	33
Reserve fund		25	25	0	25
Fair value reserve		1	2	-54	3
Own shares		0	0	-74	0
Unrestricted equity capital fund		25	25	2	25
Retained earnings		82	81	2	75
Shareholders' portion of equity capital		208	194	7	189
Non-controlling interests' portion of equity capital		0	2	-99	4
Total equity capital		208	196	6	193
Total liabilities and equity capital		4,499	4,292	5	4,183

Statement of changes in equity capital

Bank of Åland Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, Dec 31, 2013	29.1	32.7	25.1	-0.4	1.1	0.5	-0.2	24.5	68.1	180.5	3.5	184.1
Comprehensive income for the period				0.0	2.0	0.0			8.6	10.7	1.1	11.7
Transfer of own shares							0.0			0.0		0.0
Subscription options								0.1		0.1		0.1
<i>Transactions with Group shareholders</i>												
Dividend paid									-2.2	-2.2	-1.0	-3.1
Equity capital, Sep 30, 2014	29.1	32.7	25.1	-0.4	3.1	0.5	-0.2	24.6	74.5	189.2	3.6	192.8
Comprehensive income for the period				-0.1	-0.4	-0.5			5.8	4.9	0.4	5.3
<i>Transactions with Group shareholders</i>												
Acquisitions from non-controlling interests									0.2	0.2	-2.4	-2.2
Equity capital, Dec 31, 2014	29.1	32.7	25.1	-0.5	2.7	0.0	-0.2	24.6	80.6	194.2	1.7	195.9
Comprehensive income for the period				-0.1	-1.2	0.1			20.7	19.4	0.0	19.4
Transfer of own shares							0.2			0.2		0.2
<i>Transactions with Group shareholders</i>												
Dividend paid									-5.8	-5.8	-1.3	-7.1
Share savings programme	0.1							0.4	0.2	0.6		0.6
Acquisitions from non-controlling interests ¹	12.3								-13.2	-0.9	-0.4	-1.3
Equity capital, Sep 30, 2015	41.5	32.7	25.1	-0.5	1.5	0.1	-0.1	25.0	82.4	207.7	0.0	207.7

¹ Refers to the merger between the Bank of Åland Plc and Ålandsbanken Asset Management Ab.

Summary cash flow statement

Bank of Åland Group	Jan–Sep 2015		Jan–Dec 2014		Jan–Sep 2014	
EUR M						
Cash flow from operating activities						
Net operating profit	23.6		22.4		14.8	
Adjustment for net operating profit items not affecting cash flow	12.1		13.8		9.6	
Gains/losses from investing activities	0.0		-0.2		-0.2	
Income taxes paid	-1.5		-1.6		-1.2	
Changes in assets and liabilities in operating activities	-190.6	-156.4	-151.7	-117.2	160.4	183.4
Cash flow from investing activities		-2.9		-3.7		-3.0
Cash flow from financing activities		57.6		141.5		-40.0
Exchange rate differences in cash and cash equivalents		-0.1		-2.3		-1.3
Change in cash and cash equivalents		-101.8		18.2		139.1
Cash and cash equivalents at beginning of period		211.8		193.6		193.6
Cash and cash equivalents at end of period		109.9		211.8		332.8
Change in cash and cash equivalents		-101.8		18.2		139.1

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 14 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, 2015 was approved by the Board of Directors on October 26, 2015.

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

BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–September 30, 2015 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards, IAS 34, Interim Financial Reporting, which have been adopted by the European Union.

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

The impact on earnings of the divestment of businesses and strategic shareholdings, as well as restructuring expenses in connection with major organisational changes and discontinuation of business operations, are defined as nonrecurring items.

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, 2014.

COMING CHANGES

On July 24, 2014, the International Accounting Standards Board (IASB) published the final standard IFRS 9, Financial instruments, which will replace IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9, *Financial instruments* includes a model for classification and measurement of financial instruments, a forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The classifications of financial assets contained in IAS 39 are being replaced by two classifications, with measurement taking place at fair value or amortised cost. It will still be possible to apply the fair value option specified in IAS 39. Changes in fair value must be recognised in the income statement (“through profit and loss”), except for changes in value of equity instruments not held for trading and for which an

initial choice is made to recognise changes in value under “Other comprehensive income”. Most of the portions of IFRS 9 concerning financial liabilities coincide with the earlier rules in IAS 39.

The new impairment model will require more timely accounting for expected credit losses, from the date when the asset is first recognised. Among other things, the new hedge accounting rules simplify effectiveness testing and increase the scope of eligible hedging instruments and hedged items. According to the IASB, the standard will become compulsory starting on January 1, 2018, but it has not yet been adopted by the EU. Earlier application is allowed. The Bank of Åland is evaluating its impact on financial reporting, the consolidated balance sheet, the income statement and capital adequacy.

IFRS 15, *Revenue from contracts with customers* has not yet been approved by the EU. The purpose of a new revenue standard is to have a single principle-based standard for all industries, which can replace existing standards and statements on revenue. The revenue standard also includes expanded disclosure requirements. IFRS 15 will go into effect in 2018, and earlier application is allowed, provided that the EU has adopted the standard. The Bank of Åland is still evaluating its impact on the Group’s financial reports.

Other new and amended IFRSs are not expected to have any significant effect on the Bank of Åland’s financial reports.

- Amended IAS 1, *Presentation of financial statements: Disclosure initiative* *
- Amended IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture* *
- Amended IFRS 11, *Joint arrangements: Accounting for acquisitions of interests in joint operations* *
- IFRS 14, *Regulatory deferral accounts* *
- Amended IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation* *
- Amended IAS 19, *Employee benefits: Defined benefit plans – Employee contributions*
- IAS 1 and IAS 27, *Consolidated and separate financial statements: Equity method in separate financial statements* *
- Annual improvements to IFRSs (2010-2012), (2011-2013), (2012-2014) *

(* Has not yet been approved by the EU)

ESTIMATES AND JUDGEMENTS

Preparation of this interim report in compliance with IFRSs requires the Company’s Executive Team to make assessments, estimates and assumptions that affect the application of accounting principles and the recognised amounts of assets and liabilities, income and expenses as well as disclosures about commitments. Although these estimates are based on the best knowledge of the Executive Team on current events and measures, the actual outcome may diverge from the estimates.

3. Segment report

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

"Private Banking" encompasses Private Banking operations in Åland, on the Finnish mainland and in Sweden. "Premium Banking" encompasses operations in all customer segments excluding private banking in Åland, on the Finnish mainland and in Sweden. "Asset Management" encompasses the Bank of Åland Group's asset management organisation in Finland and Sweden including Ålandsbanken Fondbolag Ab and Ålandsbanken Fonder AB (until its liquidation in May 2014). "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd including S-Crosskey Ab. "Corporate and Other" encompasses all central corporate units in the Group, including Treasury and the subsidiary Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan-Sep 2015					
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	19.6	17.6	0.0	-0.1	1.9	0.1	39.2
Net commission income	19.1	8.4	6.7	0.0	1.2	0.0	35.3
Net income from financial items at fair value	0.4	0.5	0.0	0.0	4.7	0.0	5.5
IT income	0.0	0.0	0.0	22.9	0.0	-10.7	12.2
Other income	0.0	0.1	0.1	0.0	0.3	-0.3	0.3
Total income	39.1	26.5	6.9	22.8	8.0	-10.9	92.4
Staff costs	-8.2	-5.1	-3.5	-11.0	-13.1	0.0	-40.9
Other expenses	-3.3	-3.1	-1.6	-7.3	-13.9	8.6	-20.6
Depreciation/amortisation	-0.1	-0.5	0.0	-2.6	-3.3	1.2	-5.3
Internal allocation of expenses	-12.2	-12.4	-1.4	0.0	26.0	0.0	0.0
Total expenses	-23.9	-21.1	-6.5	-20.9	-4.3	9.8	-66.9
Profit before impairment losses	15.2	5.4	0.4	1.9	3.7	-1.1	25.6
Impairment losses on loans and other commitments	0.3	-1.9	0.0	0.0	-0.3	0.0	-1.9
Net operating profit	15.5	3.5	0.4	1.9	3.4	-1.1	23.6
Income taxes	-3.1	-0.7	-0.1	-0.4	-0.3	0.0	-4.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period attributable to shareholders	12.3	2.8	0.3	1.5	3.1	-1.1	19.0
Business volume							
Lending to the public	1,568	1,933	0	0	49	-20	3,531
Deposits from the public	1,320	1,189	10	0	99	-6	2,611
Investment volume	4,707	746	3,484	0	5	-2,440	6,502
Risk exposure amount	665	622	12	41	219	0	1,558
Allocated equity capital	63	81	2	9	53	0	208
Financial ratios etc.							
Return on equity after taxes, % (ROE)	23.4	4.6		21.0	11.4		12.7
Expense/income ratio	0.61	0.80	0.94	0.92	0.54		0.72
Gross non-performing receivables, %	0.30	2.30			2.56		1.43
Loan loss level, %	-0.02	0.14			0.83		0.08

Bank of Åland Group		Jan-Sep 2014					
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	17.5	17.7	0.1	-0.1	1.2	0.2	36.7
Net commission income	15.6	7.3	7.4	0.0	1.3	0.0	31.7
Net income from financial items at fair value	0.2	0.5	0.1	0.0	3.7	0.0	4.5
IT income	0.0	0.0	0.0	22.6	0.0	-9.9	12.6
Other income	0.2	0.1	0.1	0.0	1.2	-0.5	1.1
Total income	33.6	25.7	7.7	22.5	7.4	-10.2	86.6
Staff costs	-8.4	-5.2	-3.3	-10.2	-11.4	0.0	-38.5
Other expenses	-4.8	-4.6	-1.7	-6.9	-17.1	9.6	-25.4
Depreciation/amortisation	-0.1	-0.6	0.0	-2.9	-4.0	1.4	-6.3
Internal allocation of expenses	-11.4	-13.5	-1.3	0.0	26.2	0.0	0.0
Nonrecurring items	0.0	-0.4	0.0	0.0	0.0	0.0	-0.4
Total expenses	-24.6	-24.3	-6.4	-20.0	-6.4	11.1	-70.6
Profit before impairment losses	9.0	1.4	1.3	2.5	1.1	0.8	16.0
Impairment losses on loans and other commitments	0.0	-1.0	0.0	0.0	-0.2	0.0	-1.2
Net operating profit	9.0	0.3	1.3	2.5	0.9	0.8	14.8
Income taxes	-1.8	-0.1	-0.3	-0.5	-0.5	0.0	-3.2
Non-controlling interests	0.0	0.0	-0.9	0.0	-0.1	0.0	-1.1
Profit for the period attributable to shareholders	7.1	0.3	0.1	2.0	0.2	0.8	10.5
Business volume							
Lending to the public	1,406	1,815	0	0	53	-15	3,258
Deposits from the public	1,300	1,062	8	0	121	-10	2,482
Investment volume	4,335	736	3,139	0	7	-2,177	6,040
Risk exposure amount	648	611	12	36	225	0	1,532
Allocated equity capital	74	76	1	9	28	0	189
Financial ratios etc.							
Return on equity after taxes, % (ROE)	12.9	0.4		28.6	2.0		7.6
Expense/income ratio	0.73	0.95	0.83	0.89	0.86		0.82
Gross non-performing receivables, %	0.16	1.36			1.77		0.86
Loan loss level, %	0.00	0.08			0.57		0.05

4. Changes in Group structure

The Bank of Åland and Ålandsbanken Asset Management Ab merged on June 1, 2015. Since December 31, 2014, the Bank has owned 100 per cent of Ab Compass Card Oy Ltd.

5. Net interest income

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	%	Jan-Sep 2015	Jan-Sep 2014	%
EUR M								
Interest income								
Credit institutions and central banks	0.0	0.0	-39	0.2	-92	0.1	0.6	-88
The public and public sector entities	17.6	17.4	1	18.6	-5	52.6	55.0	-4
Debt securities	0.8	0.7	12	0.9	-10	2.3	2.8	-18
Other interest income	0.1	0.1	-49	0.2	-75	0.3	0.8	-60
Total interest income	18.4	18.2	1	19.8	-7	55.3	59.2	-7
Interest expenses								
Credit institutions and central banks	-0.3	-0.3	-1	-0.7	-60	-1.0	-2.5	-59
<i>of which negative interest income</i> ¹	<i>-0.1</i>	<i>-0.1</i>	<i>24</i>	<i>0.0</i>		<i>-0.3</i>	<i>0.0</i>	
The public and public sector entities	-1.9	-2.0	-5	-2.8	-33	-6.1	-9.4	-35
Debt securities issued	-2.2	-2.6	-15	-3.2	-31	-7.6	-9.2	-17
Subordinated liabilities	-0.3	-0.2	10	-0.3	-1	-0.7	-0.8	-7
Other interest expenses	-0.2	-0.2	-8	-0.1	37	-0.6	-0.6	-8
Total interest expenses	-4.8	-5.3	-9	-7.1	-32	-16.1	-22.5	-29
Net interest income	13.6	12.9	5	12.7	7	39.2	36.7	7
Investment margin, per cent ²	1.16	1.12		1.24		1.16	1.21	

¹ Negative interest income from deposits with credit institutions and central banks are reported as interest expenses.

² Investment margin is defined as net interest income expressed as a percentage of the average balance sheet total.

6. Net commission income

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	%	Jan-Sep 2015	Jan-Sep 2014	%
EUR M								
Deposits	0.2	0.2	3	0.2	-7	0.6	0.6	-4
Lending	1.0	1.1	-4	1.0	3	3.2	3.4	-5
Payment intermediation	2.2	2.3	-4	2.2	0	6.7	6.5	3
Mutual fund commissions	4.8	4.8	0	4.2	14	14.7	11.0	34
Management commissions	2.3	2.7	-15	2.1	14	7.4	6.2	20
Securities commissions	2.3	2.9	-22	2.2	3	8.8	8.0	9
Insurance commissions	0.1	0.1	10	0.0		0.1	0.1	
Other commission income	0.5	0.8	-34	0.6	-4	1.9	1.7	10
Total commission income	13.4	14.9	-10	12.5	8	43.5	37.5	16
Payment commission expenses	-1.3	-1.2	10	-1.0	27	-3.6	-3.0	18
Mutual fund commission expenses	-0.6	-0.6	-5	-0.2		-1.4	-0.6	
Management commission expenses	-0.4	-0.5	-23	-0.2		-1.1	-0.5	
Securities commission expenses	-0.4	-0.5	-5	-0.2	75	-1.4	-0.7	91
Other commission expenses	-0.2	-0.3	-12	-0.3	-29	-0.8	-1.0	-19
Total commission expenses	-2.9	-3.0	-3	-2.0	47	-8.3	-5.9	41
Net commission income	10.5	11.9	-11	10.5	1	35.3	31.7	11

7. Net income from financial items at fair value

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	Jan-Sep 2015	Jan-Sep 2014	%
EUR M							
Valuation category fair value via the income statement ("profit and loss")							
Debt securities	0.0	-0.1	-71	0.1	-0.1	0.5	
Shares and participations	0.0	0.0		0.0	0.1	0.1	60
Derivative instruments	-0.1	0.8		0.0	1.0	0.1	
Loan receivables	0.1	-0.4		-0.4	-0.6	-0.9	-37
Valuation category fair value via the income statement ("profit and loss")	-0.1	0.3		-0.3	-0.79	0.4	-0.3
Hedge accounting							
<i>of which hedging instruments</i>	3.9	-6.8		3.4	14	-1.9	12.5
<i>of which hedged item</i>	-3.7	7.1		-3.4	9	2.0	-12.8
Hedge accounting	0.1	0.3	-53	0.0	0.0	-0.3	
Net income from foreign exchange dealing	0.5	1.0	-54	0.9	-49	2.6	2.6
Net income from financial assets available for sale	0.9	0.0		1.3	-28	2.5	2.5
Total	1.5	1.6	-11	1.9	-23	5.5	4.5

8. Other expenses

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	Jan-Sep 2015	Jan-Sep 2014	%
EUR M							
IT expenses (excluding information services)	2.2	2.7	-17	2.2	3	7.4	6.6
Premises and property expenses	1.3	1.3	-3	1.3	-6	3.9	4.0
Marketing expenses	0.5	0.7	-32	0.5	-7	1.9	1.7
Information services	0.6	0.6	-3	0.5	10	1.8	1.6
Staff-related expenses	0.4	0.5	-13	0.5	-7	1.6	1.6
Travel expenses	0.2	0.4	-47	0.2	-18	0.9	0.9
Purchased services	0.5	0.4	25	0.7	-36	1.6	3.3
Deposit guarantee fee	0.0	0.0	8	0.2	-98	0.0	0.8
Banking tax	0.0	0.0		0.4	-100	0.0	1.3
Other expenses	1.6	1.4	20	1.4	18	4.6	4.8
Production for own use	-0.6	-1.3	-51	-0.3		-2.9	-1.0
Total	6.7	6.7	0	7.8	-14	20.6	25.6

9. Impairment losses on loans and other commitments

Bank of Åland Group	Q3 2015	Q2 2015	%	Q3 2014	Jan-Sep 2015	Jan-Sep 2014	%
EUR M							
Impairment losses							
Actual losses for the period	1.2	5.1	-76	0.1	6.6	0.3	
Recoveries of actual losses	0.0	-0.1	-66	0.0	-0.1	0.0	
Total	1.2	5.0	-76	0.1	6.5	0.3	
Specific provisions for individually valued receivables							
New and increased provisions	1.3	0.9	42	1.6	2.6	2.9	-12
Reversals of earlier provisions	-0.1	-0.3	-82	-1.4	-0.6	-2.0	-68
Utilised for actual losses	-1.0	-5.0	-80	0.0	-6.2	-0.1	
Total	0.3	-4.5		0.1	74	-4.2	0.9
Net provisions for the period, receivables valued by group	0.0	-0.3	-87	0.0	-0.3	0.1	
Net loan losses	1.4	0.3		0.3	1.9	1.2	53

10. Lending to the public and public sector by purpose

Bank of Åland Group	Sep 30, 2015			Dec 31, 2014	%	Sep 30, 2014	%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Private individuals							
Home loans	1,670	-3	1,667	1,539	8	1,495	12
Securities and other investments	351	0	351	320	10	316	11
Business operations	131	-1	130	125	4	121	8
Other household purposes	198	-1	197	194	2	191	3
Total, private individuals	2,350	-5	2,345	2,178	8	2,123	10
Companies							
Shipping	63	0	63	66	-5	67	-6
Wholesale and retail trade	53	-2	51	48	6	51	1
Housing operations	335	-1	335	271	24	233	44
Other real estate operations	301	-1	300	360	-17	344	-13
Financial and insurance operations	203	0	203	191	6	199	2
Hotel and restaurant operations	24	0	24	24	-1	24	1
Other service operations	106	-3	103	105	-2	117	-11
Agriculture, forestry and fishing	17	0	17	13	34	14	24
Construction	31	0	30	33	-8	33	-6
Other industry and crafts	38	0	38	38	-1	38	0
Total, companies	1,171	-6	1,165	1,149	1	1,118	4
Public sector and non-profit organisations	21	0	21	17	21	17	20
Total, public sector and non-profit organisations	21	0	21	17	21	17	20
Total lending	3,542	-11	3,531	3,343	6	3,258	8

11. Doubtful receivables and impairment losses

Bank of Åland Group	Sep 30, 2015	Dec 31, 2014	%	Sep 30, 2014	%
EUR M					
Gross doubtful receivables	28.4	21.7	31	34.0	-17
of which private individuals	9.6	8.2	17	7.2	34
of which companies	18.8	13.5	39	26.8	-30
Doubtful receivables as % of total	0.80	0.65	24	1.04	-23
Provisions for individually measured receivables	10.1	14.3	-30	16.1	-38
of which private individuals	3.8	4.2	-11	3.7	3
of which companies	6.3	10.1	-38	12.4	-49
Net doubtful receivables	18.3	7.4		17.9	2
Level of provisions for doubtful receivables, %	35	66	-46	47	
Provisions for receivables measured by group	1.2	1.5	-22	1.3	-9
of which private individuals	1.0	1.1	-8	0.9	16
of which companies	0.2	0.4	-59	0.4	-60
Total level of provisions for doubtful receivables, %	40	73	-46	51	-22
Non-performing receivables > 90 days past due	50.6	29.4	72	28.1	80
of which private individuals	22.1	14.0	59	13.6	63
of which companies	28.4	15.5	84	14.5	96
Provisions for individually measured receivables	-8.9	-10.2	-13	-10.5	-15
Carrying amount after taking individual provisions into account	41.7	19.2		17.6	
Gross non-performing receivables > 90 days as % of total	1.43	0.88	63	0.86	

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

Bank of Åland Group	Sep 30, 2015	Dec 31, 2014	%	Sep 30, 2014	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	2,206	1,817	21	1,900	16
Time deposits	232	384	-39	345	-33
Total deposit accounts	2,438	2,201	11	2,244	9
Certificates of deposit issued to the public ¹	79	75	5	108	-26
Index bonds (structured products)	51	65	-23	80	-37
Subordinated debentures	43	50	-14	50	-14
Total bonds and certificates of deposit	173	190	-9	237	-27
Total deposits	2,611	2,391	9	2,482	5

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

13. Debt securities issued

Bank of Åland Group	Sep 30, 2015	Dec 31, 2014	%	Sep 30, 2014	%
EUR M					
Certificates of deposit	236	292	-19	279	-15
Covered bonds	950	795	20	570	67
Senior non-covered bonds	80	160	-50	207	-61
Index bonds (structured products)	51	65	-23	80	-37
Total	1,316	1,312	0	1,135	16

14. Derivative instruments

Bank of Åland Group	Sep 30, 2015						Dec 31, 2014		
EUR M	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>	33	75	19	127	3	5	247	4	6
<i>Interest rate and currency swaps</i>	0	0	0	0	0	14	32	0	19
<i>Interest rate futures</i>	10	0	0	10	0	0	10	0	0
<i>Interest rate options – purchased</i>	9	2	0	12	0	0	12	0	0
<i>Interest rate options – sold</i>	9	0	0	9	0	0	12	0	0
Currency-related contracts									
<i>Currency forward contracts</i>	174	4	0	178	0	0	89	1	1
Equity-related contracts									
<i>Equity options – purchased</i>	27	10	0	38	3	0	52	4	0
<i>Equity options – written</i>	17	9	0	26	0	2	43	0	4
Equity forward contracts	0	0	0	0	0	0	1	0	0
Other derivative contracts	0	22	0	22	1	1	22	1	1
Total	280	122	19	421	6	21	519	11	31
Derivatives for market value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	0	397	100	497	12	1	252	14	1
Total	0	397	100	497	12	1	252	14	1
Derivatives for cash flow hedge									
Interest-related contracts									
<i>Interest rate and currency swaps</i>	0	159	0	159	0	2	213	0	2
Total	0	159	0	159	0	2	213	0	2
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
<i>Currency swaps</i>	24	0	0	24	0	0	14	0	0
Total	24	0	0	24	0	0	14	0	0
Total derivative instruments	303	678	119	1,100	18	24	998	24	34
<i>of which cleared OTC</i>									
<i>of which cleared by other means</i>	10	0	0	10	0	0	10	0	0

15. Financial instruments at fair value

Bank of Åland Group		Sep 30, 2015		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	680			680
Lending to the public and public sector entities		38		38
Debt securities	0	0	0	0
Shares and participations	1	0	1	1
Derivative instruments	0	18		18
Total financial assets	681	56	1	738
Liabilities to the public and public sector entities		0		0
Debt securities issued		491		491
Derivative instruments	0	23		24
Subordinated liabilities		19		19
Total financial liabilities	0	534	0	534

Bank of Åland Group		Dec 31, 2014		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	625			625
Lending to the public and public sector entities		93		93
Debt securities	0	0	0	0
Shares and participations	2	0	1	3
Derivative instruments	0	24		24
Total financial assets	627	118	1	745
Liabilities to the public and public sector entities		0		0
Debt securities issued		259		259
Derivative instruments	0	34		34
Subordinated liabilities		25		25
Total financial liabilities	0	317	0	317

Financial instruments for which there is price information that is easily available and that represent actual and frequently occurring transactions are measured at current market price. For financial assets, the current purchase price is used. For financial liabilities, the current sale price is used. The current market price of groups of financial instruments that are managed on the basis of the Bank's net exposure to market risk equals the current market price that would be received or paid if the net position were divested.

In the case of financial assets for which reliable market price information is not available, fair value is determined with the help of measurement models. Such models may, for example, be based on price comparisons, present value estimates or option valuation theory, depending on the nature of the instrument. The models use incoming data in the form of market prices and other variables that are deemed to influence pricing. The models and incoming data on which the measurements are based are validated regularly to ensure that they are consistent with market practices and generally accepted financial theory.

The measurement hierarchy

Financial instruments that are measured according to quoted prices in an active market for identical assets/liabilities are categorised as Level 1. Financial instruments that are measured using measurement models that are, in all essential respects, based on market data are categorised as Level 2. Financial instruments that are measured with the help of models based on incoming data that cannot be verified with external market information are categorised in Level 3. These assets essentially consist of unlisted shares. Such holdings are generally measured as the Bank's portion of the net asset value of the company. Unlisted shares are essentially classified as available for sale. The changes in the value of these holdings are reported in "Other comprehensive income".

In the above tables, financial instruments measured at fair value have been classified with regard to how they have been measured and the degree of market data used in this measurement on closing day. If the classification on closing day has changed, compared to the classification at the end of the previous year, the instrument has been moved between the levels in the table. During the period January-September 2015, no instruments were moved between Levels 1 and 2. Changes in Level 3 are presented in a separate table.

Change in Level 3 holdings	Jan-Sep 2015
EUR M	Shares and participations
Carrying amount on January 1	0.5
New purchases	0.0
Divested/reached maturity during the year	0.0
Realised change of value in the income statement	0.0
Unrealised change of value in the income statement	0.0
Change in value recognised in "Other comprehensive income"	0.4
Total	0.9

16. Off-balance sheet commitments

Bank of Åland Group	Sep 30, 2015	Dec 31, 2014	% Sep 30, 2014	%
EUR M				
Guarantees	21	22	-4	-12
Unutilised overdraft limits	78	82	-4	-8
Unutilised credit card limits	118	120	-2	11
Lines of credit	202	186	9	0
Total	420	410	2	1

17. Offsetting of financial assets and liabilities

Bank of Åland Group	Sep 30, 2015		Dec 31, 2014	
EUR M	Derivatives	Repurchasing agreements plus lending and borrowing of securities	Derivatives	Repurchasing agreements plus lending and borrowing of securities
Financial assets that are offset or covered by offsetting agreements				
Gross amount of financial assets	18		24	
Gross amount of financial liabilities offset in the balance sheet				
Net amount of financial assets recognised in the balance sheet	18		24	
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-12		-19	
Financial collateral received	-6		-5	
Net amount	0		0	
Financial liabilities that are offset or covered by offsetting agreements				
Gross amount of financial liabilities	24	13	34	1
Gross amount of financial assets offset in the balance sheet				
Net amount of financial liabilities recognised in the balance sheet	24	13	34	1
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-12		-19	
Financial collateral pledged	-4	-13	-2	-1
Net amount	7	0	12	0

The tables report financial instruments that were offset in the balance sheet in compliance with IAS 32 and those that were covered by legally binding master netting agreements or similar agreements not qualified for netting. The financial instruments consisted of derivatives, repurchase agreements (repos) and reverse repos, securities deposits and securities loans. Collateral consisted of financial instruments or cash received or paid for transactions covered by legally binding netting agreements or similar agreements. The value of the collateral was limited to the related amount recognised in the balance sheet, so the excess value of collateral is not included. Amounts not offset in the balance sheet are presented as a reduction in the carrying amount of financial assets or liabilities in order to recognise the net exposure of the asset and liability.

18. Assets pledged

Bank of Åland Group	Sep 30, 2015	Dec 31, 2014	% Sep 30, 2014		%
EUR M					
Lending to credit institutions	17	4		3	
Debt securities	132	195	-33	298	-56
Loan receivables constituting collateral (cover pool) for covered bonds	1,519	1,312	16	1,271	19
Other assets pledged	7	3		11	-40
Total	1,675	1,514	11	1,583	6

19. Capital adequacy

Bank of Åland Group	Sep 30, 2015	Dec 31, 2014	% Sep 30, 2014		%
EUR M					
Equity capital according to balance sheet	207.7	195.9	6	192.8	8
Foreseeable dividend	-6.8	-5.8	18	-2.6	
Core Tier 1 capital before deductions	201.0	190.1	6	190.3	6
Intangible assets	-8.0	-7.2	10	-7.6	5
Property revaluation	-2.0	-2.1	-8	-2.2	-10
Tax assets due to future profitability offset against tax liabilities within same tax category	-0.3	-0.5	-31	-0.6	-43
Deduction of surplus value in pension assets	-0.8	0.0		0.0	
Non-controlling interests	0.0	-1.3	-99	-0.7	-98
Unrealised accumulated positive change in value	0.0	-4.5	-100	-3.9	-100
Cash flow hedge	0.5	0.5	16	0.4	48
Expected losses according to IRB approach beyond recognised losses	-5.8	-4.9	17	-5.2	11
Core Tier 1 capital	184.6	170.0	9	170.4	8
Additional Tier 1 capital	0.0	0.0		0.0	
Tier 1 capital	184.6	170.0		170.4	8
Supplementary capital instruments	15.8	11.0	43	13.2	19
Unrealised accumulated positive change in value	0.0	4.5	-100	3.9	
Property revaluation	2.0	2.1	-8	2.2	-10
Supplementary capital	17.8	17.7	1	19.3	-8
Total capital base	202.4	187.6	8	189.8	7
Capital requirement for credit risk according to the IRB approach	26.7	24.2	10	24.1	11
Capital requirement for credit risk according to standardised approach	82.8	85.7	-3	84.2	-2
Capital requirement for credit-worthiness adjustment risk	1.3	1.3		1.2	5
Capital requirement for operational risk	13.9	13.0	7	13.0	7
Capital requirement	124.6	124.3	0	122.5	2
Capital ratios					
Core Tier 1 capital ratio, %	11.9	10.9	8	11.1	6
Tier 1 capital ratio, %	11.9	10.9	8	11.1	6
Total capital ratio, %	13.0	12.1	8	12.4	5
Risk exposure amount	1,557.8	1,553.6	0	1,531.6	2
of which % comprising credit risk	88	89	-1	88	-1
of which % comprising credit-worthiness adjustment risk	1	1		1	
of which % comprising operational risk	11	11	6	11	5

Exposure category	Sep 30, 2015				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Households with property as collateral (small and medium-sized companies)	124.8	123.7	36	44.0	3.5
Households with property as collateral (not small and medium-sized companies)	1,657.0	1,649.8	14	238.3	19.1
Households, other (small and medium-sized companies)	37.0	36.2	31	11.3	0.9
Households, other (not small and medium-sized companies)	239.4	218.3	18	39.7	3.2
Total exposures according to the IRB approach	2,058.2	2,028.1	16	333.4	26.7
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks ¹	314.2	367.6	0	0.0	0.0
Exposures to institutions	244.8	238.8	24	56.9	4.6
Corporate exposures	868.5	570.4	96	550.3	44.0
Household exposures	303.6	102.0	69	70.2	5.6
Exposures with real property mortgages as collateral	742.8	738.4	34	248.9	19.9
Past due exposures	28.9	21.4	132	28.2	2.3
Items associated with especially high risk	0.8	0.8	150	1.1	0.1
Covered bonds	324.1	324.1	11	34.5	2.8
Collective investment companies (funds)	0.5	0.5	100	0.5	0.0
Equity exposures	1.6	1.6	114	1.8	0.1
Other items	59.9	59.9	70	42.1	3.4
Total exposures according to the standardised approach	2,889.6	2,425.5	43	1,034.6	82.8
Total risk exposure amount, credit risk	4,947.8	4,453.5	31	1,367.9	109.4

Exposure category	Dec 31, 2014				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Households with property as collateral (small and medium-sized companies)	122.2	121.1	36	43.4	3.5
Households with property as collateral (not small and medium-sized companies)	1,583.4	1,577.1	13	210.0	16.8
Households, other (small and medium-sized companies)	35.6	34.8	35	12.3	1.0
Households, other (not small and medium-sized companies)	225.8	206.9	18	36.9	3.0
Total exposures according to the IRB approach	1,966.9	1,939.9	16	302.6	24.2
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks ¹	319.8	359.8	0	0.0	0.0
Institutional exposures	341.8	336.1	31	105.1	8.4
Corporate exposures	935.4	662.1	94	621.8	49.7
Household exposures	137.4	66.5	74	49.1	3.9
Exposures with real property mortgages as collateral	620.8	617.7	35	213.3	17.1
Past due exposures	18.3	8.7	134	11.7	0.9
Items associated with especially high risk	0.3	0.3	150	0.4	0.0
Covered bonds	214.8	214.8	10	22.4	1.8
Collective investment companies (funds)	2.1	2.1	100	2.1	0.2
Equity exposures	1.2	1.2	102	1.2	0.1
Other items	52.8	52.8	85	44.7	3.6
Total exposures according to the standardised approach	2,644.7	2,322.1	46	1,071.8	85.7
Total risk exposure amount, credit risk	4,611.7	4,261.9	32	1,374.5	110.0

¹ This exposure category also includes regional self-government bodies, public sector entities, international organisations and multilateral development banks.

Capital requirement according to transitional rules for Basel 1 floor	Sep 30, 2015	Dec 31, 2014	%	Sep 30, 2014	%
EUR M					
Capital requirement adjusted according to Basel 1 floor rule	124.6	141.3	-12	138.5	-10
Capital base according to Basel 1	208.2	192.6	8	195.0	7
Surplus capital according to transitional rules for Basel 1 floor	83.5	51.3	63	56.5	48
Ratio of capital base to capital requirement according to Basel 1 floor, %	167.0	136.3	23	140.8	19

Leverage ratio	Sep 30, 2015	Dec 31, 2014	%
EUR M			
Tier 1 capital	183.9	171.8	7
Total exposure measure	4,884.3	4,516.9	8
of which balance sheet items	4,638.5	4,270.2	9
of which off-balance sheet items	245.8	246.8	0
Leverage ratio, %	3.8	3.8	-1

Leverage ratio is calculated as the arithmetic average of the monthly leverage ratios during a quarter. Tier 1 capital includes profit for the period.

Report on review of the interim report of Ålandsbanken Abp as of and for the nine-month period ending September 30, 2015

To the Board of Directors of Ålandsbanken Abp

INTRODUCTION

We have reviewed the summary balance sheet as of September 30, 2015, the summary income statement, the summary statement of other comprehensive income, the statement of changes in equity capital and the summary cash flow statement of the Ålandsbanken Abp 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 REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report does not give a true and fair view of the consolidated financial position as at September 30, 2015 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 27, 2015

Pauli Salminen
Authorised Public Accountant

Mari Suomela
Authorised Public Accountant

Oskar Orrström
Authorised Public Accountant