

Interim Report

For the period January–September 2016 • October 25, 2016



January - September 2016

Compared to January – September 2015

- Net operating profit decreased by 21 per cent to EUR 18.8 M (23.6).
- Profit for the period attributable to shareholders decreased by 22 per cent to EUR 14.8 M (19.0).
- Net interest income increased by 5 per cent to EUR 41.1 M (39.2).
- Net commission income decreased by 7 per cent to EUR 32.7 M (35.3).
- Total expenses increased by 1 per cent to EUR 67.4 M (66.9).
- Net impairment losses on loans (including recoveries) amounted to EUR 3.0 M (1.9), equivalent to a loan loss level of 0.11 (0.08) per cent.
- Return on equity after taxes (ROE) amounted to 9.2 (12.7) per cent.
- Earnings per share amounted to EUR 0.92 (1.25).
- The core Tier 1 capital ratio, not taking into account transitional rules, amounted to 12.1 per cent (12.0 on December 31, 2015).

The third quarter of 2016

Compared to the third quarter of 2015

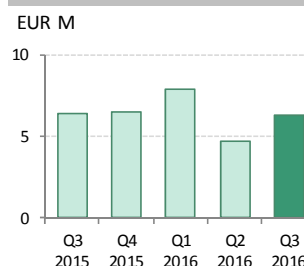
- Net operating profit decreased by 3 per cent to EUR 6.2 M (6.4).
- Profit for the period attributable to shareholders decreased by 2 per cent to EUR 5.0 M (5.1).
- Net interest income amounted to EUR 13.7 M (13.6).
- Net commission income amounted to EUR 10.6 M (10.5).
- Total expenses decreased by 1 per cent to EUR 21.5 M (21.6).
- Net impairment losses on loans (including recoveries) amounted to EUR 0.9 M (1.4), equivalent to a loan loss level of 0.10 (0.16) per cent.
- Return on equity after taxes (ROE) amounted to 9.2 (9.9) per cent.
- Earnings per share amounted to EUR 0.33 (0.33).

“During the third quarter of 2016, we delivered a stable net operating profit of EUR 6.2 M. Thanks to our rising deposit and lending volumes, we managed to defend our net interest income despite a continued decline in market interest rates. We also clearly saw our housing and property-related mutual funds continue to attract new investors.

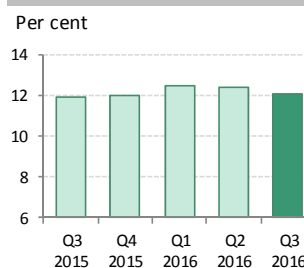
“After the summer, we launched our new debit and credit card, the Baltic Sea Card. This card is biodegradable, but our bank is also the first in the world to enable users to see the carbon footprint created by their own consumption. The Baltic Sea Card and its characteristics have received worldwide attention.”

Peter Wiklöf, Managing Director

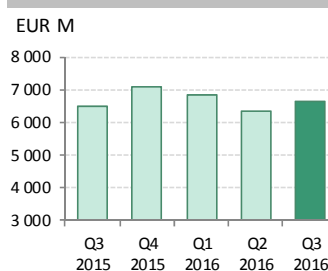
Net operating profit



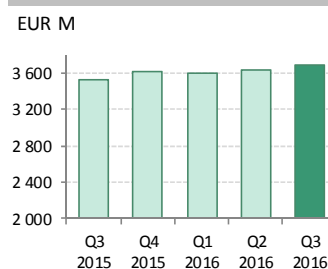
Core Tier 1 ratio



Investment volume



Lending



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 Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has five 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 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
Income								
Net interest income	13.7	13.5	1	13.6	0	41.1	39.2	5
Net commission income	10.6	10.8	-2	10.5	0	32.7	35.3	-7
Net income from financial items at fair value	0.5	1.9	-71	1.5	-64	3.9	5.5	-30
Other income	3.8	3.9	-3	3.8	0	11.5	12.4	-8
Total income	28.5	30.1	-5	29.4	-3	89.2	92.4	-3
Total expenses								
Staff costs	-13.3	-14.7	-10	-13.2	1	-42.2	-40.9	3
Other expenses	-6.7	-7.7	-12	-6.7	0	-20.8	-20.6	1
Depreciation/amortisation	-1.5	-1.5	-2	-1.7	-14	-4.5	-5.3	-16
Total expenses	-21.5	-23.8	-10	-21.6	-1	-67.4	-66.9	1
Profit before impairment losses	7.1	6.3	13	7.8	-9	21.8	25.6	-15
Impairment losses on loans and other commitments								
	-0.9	-1.7	-48	-1.4	-37	-3.0	-1.9	58
Net operating profit	6.2	4.6	35	6.4	-3	18.8	23.6	-21
Income taxes								
	-1.2	-1.1	11	-1.3	-6	-4.0	-4.6	-13
Profit for the report period	5.0	3.5	43	5.1	-2	14.8	19.0	-22
Attributable to:								
Shareholders in Bank of Åland Plc	5.0	3.5	43	5.1	-2	14.8	19.0	-22
Volume								
Lending to the public	3,692	3,629	2	3,531	5			
Deposits from the public ¹	2,897	2,894	0	2,611	11			
Investment volume ²	6,634	6,328	5	6,502	2			
Equity capital	217	212	2	208	5			
Balance sheet total	4,909	4,718	4	4,499	9			
Risk exposure amount	1,538	1,500	3	1,558	-1			
Financial ratios								
Return on equity after taxes, % (ROE) ³	9.2	6.5		9.9		9.2	12.7	
Expences/income ratio ⁴	0.75	0.79		0.73		0.76	0.72	
Loan loss level, % ⁵	0.10	0.19		0.16		0.11	0.08	
Gross non-performing receivables, % ⁶	0.90	0.65		0.80				
Level of provisions for doubtful receivables, % ⁷	39	51		35				
Core funding ratio, % ⁸	90	94		99				
Equity/assets ratio, % ⁹	4.4	4.5		4.6				
Tier 1 capital ratio, % ¹⁰	12.1	12.4		11.9				
Earnings per share, EUR ¹¹	0.33	0.23	43	0.33	-3	0.92	1.25	-26
Earnings per share after dilution, EUR	0.32	0.23	42	0.33	-3	0.92	1.25	-27
Equity capital per share, EUR ¹²	14.20	13.90	2	13.66	4			
Equity capital per share after dilution, EUR	14.07	13.81	2	13.60	3			
Market price per Series A share, EUR	14.10	13.86	2	17.48	-19			
Market price per Series B share, EUR	13.58	13.74	-1	16.40	-17			
Number of shares outstanding (not own shares), oos	15,299	15,267	0	15,208	1			
Number of shares outstanding (not own shares), after dilution, oos	15,540	15,477	0	15,338	1			
Working hours re-calculated to full-time equivalent positions	690	690	0	667	3	682	661	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 encompassed 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 Gross doubtful receivables / Lending to the public before provisions for impairment losses

⁷ Provisions for individual impairment losses / Gross 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 / Average number of shares

¹² Equity capital / Number of shares less own 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 the hope of generating economic growth and inflation. During the first nine months of 2016, Sweden's Riksbank lowered its key rate by 15 basis points to -0.50 per cent, while the European Central Bank (ECB) lowered its key rate by 5 points to 0.00 per cent and its deposit rate for banks by 10 points to -40 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, AVERAGES, PER CENT

	Q3 2016	Q2 2016	Q3 2015
Euribor 3 mo	-0.30	-0.26	-0.03
Euribor 12 mo	-0.05	-0.02	0.16
Stibor 3 mo	-0.54	-0.46	-0.27

During the third quarter of 2016, share prices rebounded in such a way that the Nasdaq Helsinki (OMXHPI) index was unchanged and the Nasdaq Stockholm (OMXSPI) index was about 3 per cent higher on September 30 than at the end of 2015.

The average value of the Swedish krona in relation to the euro was the same during the first nine months of 2016 as in the corresponding period of 2015. Compared to its position at the end of 2015, the value of the krona on September 30, 2016 was 4.5 per cent lower. 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

The Bank of Åland is launching a completely new type of biodegradable credit card – the Baltic Sea Card – which allows its users to see how much carbon dioxide emissions their purchases result in, on average. Baltic Sea Card users receive an estimate of the environmental impact of their consumption via the Bank's Internet Office or mobile app. When it is time to pay the bill, the customer also has the opportunity to donate money to various environmental projects. By making clear how consumers influence the environment, the Bank of Åland hopes to enable them to make conscious decisions in their everyday lives. The environmental accounting they receive is based on the unique Åland Index, developed by the Bank of Åland. During the third quarter, the Bank started to gradually replace its existing cards on the Finnish mainland and in Åland with the new Baltic Sea Cards. The cards will soon be issued in Sweden as well.

The mutual fund management subsidiary Ålandsbanken Fondbolag sold the Bank of Åland LCR Income Fund to United Bankers' fund management company. This sale is a result of United Bankers' acquisition of Optium Oy, which was a partner company involved in the distribution of the LCR Fund to local cooperative banks, which are the main investors in the Fund. The LCR Fund's total assets on the sale date in September were EUR 57 M.

In April the Swedish-based financial technology (fintech) company Dreams, in collaboration with the Bank of Åland, launched an app that focuses on healthy personal finances and the realisation of dreams through saving. On September 30, the Bank of Åland had about 4,000 customers with Dreams accounts.

The Annual General Meeting (AGM) on April 14, 2016 elected Åsa Ceder as a new member of the Board of Directors. The AGM re-elected Board members Nils Lampi, Christoffer Taxell, Anders Å. Karlsson, Göran Persson, Ulrika Valassi, Anders Wiklöf and Dan-Erik Woivalin. At the statutory meeting of the Board the same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board. The AGM approved the payment of a dividend of EUR 0.60 per share for the financial year 2015.

The number of Series B shares outstanding increased by 91,305. In February, the Bank of Åland issued 33,582 Series B shares to fulfil the Bank's obligations within the framework of its 2015 share savings programme for employees. In March, the Bank of Åland divested 5,394 Series B shares that had been in the Bank's possession and issued 20,291 new Series B shares for the implementation of its incentive programme. In September, the Bank of Åland issued 32,038 Series B shares within the framework of its 2016 share savings programme for employees.

As part of the Bank of Åland's Baltic Sea Project, nine good environmental ideas were able to share EUR 113,000.

The information technology (IT) subsidiary Crosskey and the Swedish-based savings bank card company Sparbankernas Kort AB entered into a long-term business relationship, in which Crosskey together with Compass Card will provide comprehensive service for the card business of Sparbankernas Kort AB.

S-Bank, which is one of Finland's largest card issuers, began using Crosskey's card system in March.

Crosskey's data migration project, which merged the banking systems of S-Bank (S-Pankki). LocalTapiola (LähiTapiola) Bank och FIM during 2013-2015, won the Best IT Project of the Year award at Management Events' Executive IT event in Helsinki.

For the third 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.

Early in 2016 Ålandsbanken Fondbolag launched a new specialised mutual fund, Tomtfonden, which is the first of its kind in Finland. The fund invests in housing sites intended for leasing. The sites are leased out to construction companies and limited liability housing companies. The fund invests in growth regions of Finland with a well-functioning property market.

EARNINGS FOR THE THIRD QUARTER OF 2016

Profit for the period attributable to shareholders amounted to EUR 5.0 M (5.1), which was a decrease of EUR 0.1 M or 2 per cent from the year-earlier quarter. Net operating profit fell by EUR 0.2 M or 3 per cent to EUR 6.2 M (6.4).

Return on equity after taxes amounted to 9.2 (9.9) per cent.

Total income decreased by EUR 0.9 M or 3 per cent to EUR 28.5 M (29.4) despite somewhat higher net interest income and commission income.

Net interest income increased marginally to EUR 13.7 M (13.6).

Net commission income increased marginally to EUR 10.6 M (10.5). Mutual fund and management commissions increased, while income from brokerage commissions and card-related income from Compass Card were lower.

Net income on financial items at fair value decreased by EUR 1.0 M or 64 per cent to EUR 0.5 M (1.5), mainly due to lower capital gains in the liquidity portfolio.

Information technology (IT) income fell by EUR 0.1 M or 1 per cent to EUR 3.6 M (3.7).

Total expenses decreased by EUR 0.1 M or 1 per cent to EUR 21.5 M (21.6).

Impairment losses on loans amounted to EUR 0.9 M, equivalent to a loan loss level of 0.10 per cent, compared to EUR 1.4 M and 0.16 per cent in the year-earlier quarter.

EARNINGS FOR JANUARY – SEPTEMBER 2016

Profit for the period attributable to shareholders amounted to EUR 14.8 M (19.0), which was a decrease of EUR 4.2 M or 22 per cent from the year-earlier period. Net operating profit fell by EUR 4.8 M or 21 per cent to EUR 18.8 M (23.6). The main explanations for the lower net operating profit were:

- Lower brokerage commission income (EUR 1.9 M)
- Lower net income on financial items at fair value (EUR 1.6 M)
- Higher impairment losses on loans (EUR 1.1 M)
- Lower card business-related income from Compass Card (EUR 0.7 M)
- The nonrecurring effect of the final purchase price reduction (EUR 0.5 M) related to the Swedish subsidiary that was sold in 2012

Return on equity after taxes amounted to 9.2 (12.7) per cent.

Total income decreased by EUR 3.2 M or 3 per cent to EUR 89.2 M (92.4) despite higher net interest income.

Net interest income rose by EUR 1.9 M or 5 per cent to EUR 41.1 M (39.2). Due to re-pricing in the loan portfolio, lower funding costs and volume growth, it proved possible to partly offset the effect of negative central bank interest rates.

Net commission income fell by EUR 2.6 M or 7 per cent to EUR 32.7 M (35.3), mainly due to lower income from brokerage commissions and lower card-related income from Compass Card. Lower card-related income from Compass Card was partly due to lower interchange fees in compliance with new EU rules but primarily to the end of collaboration with S-Bank as agreed earlier.

Net income on financial items at fair value fell by EUR 1.6 M or 30 per cent to EUR 3.9 M (5.5), mainly due to lower net income on foreign exchange dealing and lower capital gains in the liquidity portfolio.

IT income fell by EUR 1.8 M or 14 per cent to EUR 10.4 M (12.2) due to lower project income.

Total expenses increased by EUR 0.5 M or 1 per cent to EUR 67.4 M (66.9). These expenses included EUR 0.5 M as a finally determined reduction in purchase price related to the Swedish subsidiary that was sold in 2012. Staff costs rose by EUR 1.3 M or 3 per cent. Total expenses were favourably affected by lower depreciation and amortisation as well as higher production for own use. Production for own use largely refers to capitalised development expenses for the Bank's new securities platform, which is being developed by Crosskey.

Impairment losses on loans amounted to EUR 3.0 M, equivalent to a loan loss level of 0.11 per cent, compared to EUR 1.9 M and 0.08 per cent in the year-earlier period. Most of these impairment losses were related to further provisions for two corporate commitments at the Special Funding unit in Helsinki.

Tax expenses amounted to EUR 4.0 M (4.6), equivalent to an effective tax rate of 21.3 (19.5) per cent.

STRATEGIC BUSINESS AREAS

The decrease in the Group's net operating income by EUR 4.8 M to EUR 18.8 M in the first nine months of 2016 was allocated as follows:

- Private Banking -2.5 (lower brokerage commissions, higher expenses)
- Premium Banking -0.7 (impairment losses)
- Asset Management +0.1 (lower expenses)
- IT -0.4 (lower income)
- Corporate units & Eliminations -1.3 (Compass Card, Treasury, purchase price reduction)

BUSINESS VOLUME

Financial investment volume decreased by EUR 442 M or 6 per cent during the first nine months and amounted to EUR 6,634 M on September 30, 2016 (7,076 on December 31, 2015). The net inflow into actively managed assets amounted to EUR 73 M during the first nine months, but due to a fund transfer and the trend of market values, actively managed assets decreased by EUR 121 M or 3 per cent and amounted to EUR 3,837 M (3,958). Assets under discretionary management fell by EUR 197 M or 11 per cent to EUR 1,673 M (1,870). Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 97 M or 8 per cent to EUR 1,369 M (1,272), despite the sale of the Bank of Åland LCR Income Fund, with its EUR 57 M in managed assets. There was continued heavy interest in the Bank of Åland's housing-related mutual funds. Net inflow into Bostadsfonden and Tomtfonden was EUR 130 M.

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 222 M or 8 per cent during the first nine months of 2016 and amounted to EUR 2,897 M (2,675).

Lending to the public increased by EUR 75 M or 2 per cent to EUR 3,692 M (3,617).

All volume figures were adversely affected by the 4.5 per cent depreciation of the Swedish krona against the euro during the first nine months of 2016.

CREDIT QUALITY

Lending to private individuals comprises more than two thirds of the loan portfolio. Home mortgage loans account for 72 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 not 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 decreased by EUR 1.9 M or 6 per cent to EUR 33.3 M (31.4) during the first nine months of 2016. As a share of lending to the public, doubtful receivables increased to 0.90 per cent (0.87) during the period. The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 39 per cent compared to 34 per cent at year-end 2015.

The Bank of Åland Group had EUR 14.5 M (11.8) in impairment loss provisions, of which individual impairments totalled EUR 12.9 M (10.6) and group impairments EUR 1.6 M (1.2).

LIQUIDITY AND BORROWING

During September, the Bank of Åland issued EUR 250 M in covered bonds with a maturity of 7 years.

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 903 M on September 30, 2016 (805 on December 31, 2015). This was equivalent to 18 (18) per cent of total assets and 24 (22) per cent of lending to the public.

On September 30, 2016, the average remaining maturity on outstanding bonds was about 3.6 years (3.3).

During the first quarter about EUR 80 M in unsecured bonds reached maturity. This is the year's only maturity of an external long-term debt. During 2017, about EUR 105 M in covered bonds will mature in June and about EUR 89 M in unsecured bonds will mature in November.

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 90 (100) per cent.

The liquidity coverage ratio (LCR) amounted to 119 (91) per cent.

The net stable funding ratio (NSFR) amounted to 110 (108) per cent.

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 changed in the amount of total comprehensive income for the period, EUR 12.0 M; the share savings programme, EUR 1.2 M; the transfer of own shares and the issuance of new shares within the framework of incentive programmes, EUR 0.4 M; plus the payment of EUR 9.2 M in dividends to shareholders. On September 30, 2016, equity capital totalled EUR 217.3 M (212.9 on December 31, 2015).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -3.4 M after taxes, in compliance with IAS 19.

Starting on June 30, 2016 the Bank of Åland's corporate portfolio is being recognised according to the internal ratings-based (IRB) approach in the capital adequacy report. On the transition date, this credit risk exposure amounted to EUR 472 M. Compared to the standardised approach, this represented a decrease of EUR 14 M in the risk exposure amount, while expected losses beyond recognised losses increased by EUR 5.8 M. The probability of default (PD) and loss given default (LGD) risk parameters that are used in calculating the expected loss and the risk exposure amount include cyclical as well as safety margin add-ons plus corrections for limited underlying data. These add-ons were determined by the Finnish Financial Supervisory Authority (FSA). The transition from the standardised approach to the IRB approach lowered the Bank of Åland's core Tier 1 capital ratio by 0.3 percentage points.

According to the simplified model, 0.1 per cent of the value of assets and liabilities was carried at fair value on the reduced capital base on the closing day. This decreased the Bank of Åland's core Tier 1 capital by EUR 1.3 M.

Core Tier 1 capital decreased by EUR 4.1 M or 2 per cent during the first nine months of 2016 to EUR 185.4 M (189.5), mainly due to the transition to the IRB approach for the corporate portfolio in Finland and the related deduction of expected losses beyond recognised losses as well as the additional adjustment in the value of assets to fair value. Before negative items, core Tier 1 capital rose by EUR 7.9 M.

The risk exposure amount fell by EUR 43 M or 3 per cent during the first nine months of 2016 to EUR 1,538 M (1,581). The credit risk exposure amount fell by EUR 59 M. Of this, the transition to the IRB approach for the Finnish corporate portfolio represented a decrease of EUR 14 M. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 16 M.

The core Tier 1 capital ratio increased to 12.1 per cent (12.0). 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 imposed a requirement of 1.5 per cent of Swedish exposures starting in June 2016. The Finnish FSA has identified systemically important institutions in Finland and has imposed individual buffer requirements for them. These requirements went into effect at the beginning of 2016. The Bank of Åland is not included in the buffer requirements for systemically important institutions.

During the third quarter of 2016, the Bank of Åland issued subordinated debentures (supplementary capital) with a write-down clause. These 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 50 per cent. The issue volume was EUR 6.1 M.

The total capital ratio amounted to 13.3 (12.9) per cent.

One of the Bank of Åland's three long-term financial targets is that its capital adequacy, primarily defined as the core Tier 1 capital ratio, shall clearly exceed all regulatory requirements. This target remains unchanged. Considering the prevailing uncertainty about the effects of new accounting rules as well as new capital adequacy requirements, the Bank of Åland is choosing to continue not interpreting what this target may mean in the future in terms of an exact percentage figure. Given its core Tier 1 capital ratio of 12.1 per cent on September 30, the Bank of Åland clearly exceeds all regulatory requirements and will thus retain its one-step upgrade on the Standard & Poor's credit rating scale.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

No important events have occurred after the close of the 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 21, 2016, the Bank of Åland presented its future outlook. The revised outlook is as follows:

The Bank of Åland expects its net operating profit in 2016 to be about the same or lower than in 2015.

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 the Middle East. For this reason, there is significant uncertainty in the current forecast for the future.

FINANCIAL INFORMATION

The Year-end Report for 2016 will be published on February 14, 2017.

Mariehamn, October 25, 2016

THE BOARD OF DIRECTORS

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Summary income statement

Bank of Åland Group	Note	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M									
Net interest income	5	13.7	13.5	1	13.6	0	41.1	39.2	5
Net commission income	6	10.6	10.8	-2	10.5	0	32.7	35.3	-7
Net income from financial items at fair value	7	0.5	1.9	-71	1.5	-64	3.9	5.5	-30
IT income		3.6	3.7	-3	3.7	-3	10.4	12.2	-14
Other operating income		0.2	0.2	3	0.1	90	1.1	0.3	
Total income		28.5	30.1	-5	29.4	-3	89.2	92.4	-3
Staff costs		-13.3	-14.7	-10	-13.2	1	-42.2	-40.9	3
Other expenses	8	-6.7	-7.7	-12	-6.7	0	-20.8	-20.6	1
Depreciation/amortisation		-1.5	-1.5	-2	-1.7	-14	-4.5	-5.3	-16
Total expenses		-21.5	-23.8	-10	-21.6	-1	-67.4	-66.9	1
Profit before impairment losses		7.1	6.3	13	7.8	-9	21.8	25.6	-15
Impairment losses on loans and other commitments	9	-0.9	-1.7	-48	-1.4	-37	-3.0	-1.9	58
Net operating profit		6.2	4.6	35	6.4	-3	18.8	23.6	-21
Income taxes		-1.2	-1.1	11	-1.3	-6	-4.0	-4.6	-13
Profit for the period		5.0	3.5	43	5.1	-2	14.8	19.0	-22
Attributable to:									
Non-controlling interests		0.0	0.0	24	0.0	-62	0.0	0.0	-36
Shareholders in Bank of Åland Plc		5.0	3.5	43	5.1	-2	14.8	19.0	-22
Earnings per share, EUR		0.33	0.23	43	0.33	-3	0.92	1.25	-26

Summary statement of other comprehensive income

Bank of Åland Group	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
Profit for the period	5.0	3.5	43	5.1	-2	14.8	19.0	-22
Cash flow hedge								
Gains/Losses arising during the period	5.1	5.3	-4	-1.1		11.1	-5.8	
Transferred to the income statement	-5.0	-5.2	-5	1.1		-11.0	5.7	
Assets available for sale								
Gains/Losses arising during the period	0.3	0.9	-62	3.3	-90	3.4	1.0	
Transferred to the income statement	-0.1	-1.1	-93	-0.9	-92	-2.0	-2.5	-21
Translation differences								
Gains/Losses arising during the period	0.0	-0.1		-0.1		0.0	0.0	
<i>of which hedging of net investment in foreign operations</i>	0.9	0.3		0.5	78	1.5	0.0	
Transferred to the income statement	0.0	0.0	0	0.0	0	0.0	0.0	0
Taxes on items that have been or may be reclassified to the income statement	-0.4	-0.1		-0.7	-42	-0.8	0.3	
<i>of which cash flow hedges</i>	0.0	0.0	69	0.0	10	0.0	0.0	
<i>of which assets available for sale</i>	-0.1	0.0		-0.5	-89	-0.3	0.3	
<i>of which hedging of net investments in foreign operations</i>	-0.3	-0.1		-0.2	78	-0.5	0.0	
Items that have been or may be reclassified to the income statement	0.0	-0.3		1.7	-99	0.7	-1.2	
Re-measurements of defined benefit pension plans	-0.6	-1.4	-60	0.6		-4.3	2.0	
Taxes on items that may not be reclassified to the income statement	0.1	0.3	-60	-0.1		0.9	-0.4	
Items that may not be reclassified to the income statement	-0.5	-1.1	-60	0.5		-3.4	1.6	
Other comprehensive income	-0.5	-1.4	-69	2.2		-2.8	0.4	
Total comprehensive income for the period	4.5	2.1		7.2	-38	12.0	19.4	-38
Attributable to:								
Non-controlling interests	0.0	0.0	24	0.0	-62	0.0	0.0	-36
Shareholders in Bank of Åland Plc	4.5	2.1		7.2	-38	12.0	19.4	-38

Income statement by quarter

Bank of Åland Group	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
EUR M					
Net interest income	13.7	13.5	13.9	14.8	13.6
Net commission income	10.6	10.8	11.3	11.2	10.5
Net income from financial items at fair value	0.5	1.9	1.5	2.5	1.5
IT income	3.6	3.7	3.2	3.9	3.7
Other operating income	0.2	0.2	0.6	0.1	0.1
Total income	28.5	30.1	30.6	32.4	29.4
Staff costs	-13.3	-14.7	-14.2	-15.1	-13.2
Other expenses	-6.7	-7.7	-6.4	-8.0	-6.7
Depreciation/amortisation	-1.5	-1.5	-1.5	-1.6	-1.7
Total expenses	-21.5	-23.8	-22.2	-24.7	-21.6
Profit before impairment losses	7.1	6.3	8.4	7.8	7.8
Impairment losses on loans and other commitments	-0.9	-1.7	-0.4	-1.1	-1.4
Net operating profit	6.2	4.6	8.0	6.6	6.4
Income taxes	-1.2	-1.1	-1.7	-1.3	-1.3
Profit for the period	5.0	3.5	6.3	5.3	5.1
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	5.0	3.5	6.3	5.3	5.1

Summary balance sheet

Bank of Åland Group	Note	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M						
Assets						
Cash and balances with central banks		524	199		65	
Debt securities eligible for refinancing with central banks		493	633	-22	680	-28
Lending to credit institutions		83	45	84	62	33
Lending to the public and public sector entities	10, 11	3,692	3,617	2	3,531	5
Shares and participations		1	1	25	1	-20
Participations in associated companies		0	1	-91	1	-91
Derivative instruments	14	26	19	35	18	41
Intangible assets		14	10	42	9	58
Tangible assets		23	24	-2	25	-5
Investment properties		0	0	-2	0	-3
Current tax assets		1	1	26	0	
Deferred tax assets		5	4	8	5	0
Other assets		25	24	6	77	-67
Accrued income and prepayments		22	24	-9	25	-11
Total assets		4,909	4,602	7	4,499	9
Liabilities						
Liabilities to credit institutions		225	322	-30	377	-40
Liabilities to the public and public sector entities	12	2,808	2,517	12	2,438	15
Debt securities issued	12, 13	1,492	1,412	6	1,316	13
Derivative instruments	14	28	19	50	24	21
Current tax liabilities		0	1	-92	0	-51
Deferred tax liabilities		21	17	20	17	20
Other liabilities		49	33	48	48	2
Provisions		0	0	-100	0	-100
Accrued expenses and prepaid income		28	26	11	28	1
Subordinated liabilities	12	39	43	-8	43	-8
Total liabilities		4,692	4,389	7	4,292	9
Equity capital and non-controlling interests						
Share capital		42	42	0	42	0
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		2	1	57	1	73
Own shares		0	0	-100	0	-100
Unrestricted equity capital fund		26	25	4	25	4
Retained earnings		90	87	3	82	9
Shareholders' portion of equity capital		217	213	2	208	5
Non-controlling interests' portion of equity capital		0	0	14	0	0
Total equity capital		217	213	2	208	5
Total liabilities and equity capital		4,909	4,602	7	4,499	9

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, 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
Profit for the period									19.0	19.0	0.0	19.0
Other comprehensive income				-0.1	-1.2	0.1			1.6	0.4		0.4
Transfer of own shares							0.2			0.2		0.2
Dividends 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
Profit for the period									5.3	5.3	0.0	5.3
Other comprehensive income				0.2	-0.4	0.3			-0.3	-0.2		-0.2
Acquisitions from non-controlling interests ¹									0.1	0.1		0.1
Equity capital, Dec 31, 2015	41.5	32.7	25.1	-0.4	1.1	0.4	-0.1	25.0	87.4	212.9	0.0	212.9
Profit for the period									14.8	14.8		14.8
Other comprehensive income				0.1	1.1	-0.6			-3.4	-2.8		-2.8
Dividends paid									-9.2	-9.2		-9.2
Incentive programme	0.0						0.1	0.3	0.0	0.4		0.4
Share savings programme	0.1							0.7	0.3	1.2	0.0	1.2
Equity capital, Sep 30, 2016	41.7	32.7	25.1	-0.3	2.3	-0.1	0.0	26.0	89.9	217.3	0.0	217.3

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 2016		Jan-Dec 2015		Jan-Sep 2015	
EUR M						
Cash flow from operating activities						
Net operating profit	18.5		30.3		23.6	
Adjustment for net operating profit items not affecting cash flow	13.5		17.6		12.1	
Gains/losses from investing activities	0.5		-0.1		0.0	
Income taxes paid	-2.0		-1.5		-1.5	
Changes in assets and liabilities in operating activities	179.9	210.3	-163.3	-116.9	-190.6	-156.4
Cash flow from investing activities		-9.8		-4.2		-2.9
Cash flow from financing activities		154.3		141.5		57.6
Exchange rate differences in cash and cash equivalents		-2.6		0.9		-0.1
Change in cash and cash equivalents		352.2		21.2		-101.8
Cash and cash equivalents at beginning of period		232.9		211.8		211.8
Cash and cash equivalents at end of period		585.2		232.9		109.9
Change in cash and cash equivalents		352.2		21.2		-101.8

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 13 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 Helsinki Oy (Helsinki Stock exchange).

The Interim Report for the financial period January 1–September 30, 2016 was approved by the Board of Directors on October 24, 2016.

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, 2016 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.

The Year-end 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, 2015.

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, 2015.

COMING CHANGES

On July 24, 2014, the International Accounting Standards Board (IASB) published the standard IFRS 9, “Financial instruments”, which will replace IAS 39, “Financial instruments: Recognition and Measurement”. IFRS 9, “Financial instruments” includes new approaches to classification and measurement of financial instruments, a forward-looking “expected loss” impairment model and simplified conditions for hedge accounting. The categories for financial assets contained in IAS 39 are being replaced by three categories, with measurement taking place either at amortised cost, fair value reported under “Other comprehensive income” or fair value reported via the income statement (“profit and loss”). The classification into these three categories is based on a company’s business model for the various holdings and the characteristics of the cash flows that result from the assets.

It will still be possible to apply the fair value option for debt instruments in cases where this eliminates or significantly reduces

an accounting mismatch. For equity instruments, measurement shall normally occur at fair value via the income statement, with an initial choice to instead recognise changes in the value of equity instruments not held for trading under “Other comprehensive income”. Most of the portions of IFRS 9 concerning financial liabilities coincide with the earlier rules in IAS 39, except with regard to financial liabilities voluntarily measured at fair value according to the “fair value option”. For these liabilities, the change in value is divided into changes attributable to the company’s own creditworthiness or to changes in a benchmark interest rate.

The new impairment model will require accounting for 12-month expected credit losses, from the date when the asset is first recognised. In case of a significant increase of credit risk, the impairment loss shall be equivalent to the credit losses that are expected to occur during the remaining life of the loan. Among other things, the new hedge accounting rules simplify effectiveness testing and expand the scope of eligible hedging instruments and hedged items. The standard will go into effect on January 1, 2018, and earlier application is allowed provided that the EU has adopted the standard. The Bank of Åland is still evaluating its impact on financial reporting, the consolidated balance sheet, the income statement and capital adequacy.

IFRS 15, “Revenue from contracts with customers”. 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. According to IFRS 15, companies shall recognise revenue in an amount that reflects the compensation to which the company expects to be entitled in exchange for transferring goods or services to a customer. The revenue standard also includes expanded disclosure requirements. IFRS 15 will go into effect on January 1, 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 IRFSs are not expected to have any significant effect on the Bank of Åland’s financial reports.

- Amended IFRS 11, “Joint arrangements: Accounting for acquisitions of interests in joint operations”
 - IFRS 14, “Regulatory deferral accounts” *
 - IFRS 16 “Leases” *
 - Amended IAS 1, “Presentation of financial statements: Disclosure initiative”. The amendment contains a clarification that the materiality of disclosures shall be the primary consideration in presenting financial statements.
 - Amended IAS 7, “Statement of cash flows: Disclosure Initiative” *. The amendment contains new disclosure requirements that help users to evaluate the financial effects of cash flows changes arising from financing activities.
 - Amended IAS 16 and IAS 38, “Clarification of acceptable methods of depreciation and amortisation”
 - Amended IAS 19, “Employee benefits: Defined benefit plans – Employee contributions”
- (* 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. "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 2016					
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	20.4	17.6	0.1	0.0	3.1	0.1	41.1
Net commission income	17.3	8.8	6.6	0.0	0.1	0.0	32.7
Net income from financial items at fair value	0.4	0.4	0.0	0.0	3.1	0.1	3.9
IT income				21.8		-11.4	10.4
Other income	0.1	0.1	0.1	0.2	2.1	-1.4	1.1
Total income	38.1	26.8	6.7	21.9	8.3	-12.7	89.2
Staff costs	-8.6	-5.3	-3.8	-11.1	-13.2	-0.2	-42.2
Other expenses	-3.9	-3.3	-1.5	-7.1	-15.5	10.9	-20.3
Depreciation/amortisation	-0.2	-0.5	0.0	-2.2	-2.2	0.7	-4.5
Internal allocation of expenses	-12.5	-12.4	-0.9	0.0	25.8	0.0	0.0
Nonrecurring items					-0.5		-0.5
Total expenses	-25.2	-21.4	-6.2	-20.4	-5.6	11.4	-67.4
Profit before impairment losses	12.9	5.4	0.5	1.5	2.7	-1.3	21.8
Impairment losses on loans and other commitments	0.0	-2.6			-0.4		-3.0
Net operating profit	13.0	2.8	0.5	1.5	2.3	-1.3	18.8
Income taxes	-2.7	-0.6	-0.1	-0.3	-0.4		-4.0
Profit for the period attributable to shareholders	10.3	2.2	0.4	1.2	1.9	-1.3	14.8
Business volume							
Lending to the public	1,614	2,059			39	-20	3,692
Deposits from the public	1,535	1,330	6		30	-4	2,897
Investment volume	4,899	790	3,837			-2,892	6,634
Risk exposure amount	674	613	12	41	198		1,538
Shareholder's portion of allocated equity capital	76	92	2	11	37		217
Financial ratios etc.							
Return on equity after taxes, % (ROE)	18.8	3.2		16.0	6.6		9.2
Expense/income ratio	0.66	0.80	0.93	0.93	0.68		0.76
Gross non-performing receivables > 90 days, %	0.06	1.05			0.00		0.61
Loan loss level, %	0.00	0.18			1.14		0.11

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	19.0	8.4	6.8	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				22.9		-10.7	12.2
Other income	0.0	0.1	0.1	0.0	0.3	-0.3	0.3
Total income	39.0	26.5	7.0	22.8	8.0	-10.8	92.4
Staff costs	-7.9	-5.1	-4.0	-11.0	-12.9		-40.9
Other expenses	-3.2	-3.1	-1.8	-7.3	-13.8	8.6	-20.6
Depreciation/amortisation	-0.1	-0.5	0.0	-2.6	-3.3	1.2	-5.3
Internal allocation of expenses	-12.6	-12.4	-0.7		25.7		0.0
Total expenses	-23.8	-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	-1.0	25.6
Impairment losses on loans and other commitments	0.3	-1.9			-0.3		-1.9
Net operating profit	15.5	3.5	0.4	1.9	3.4	-1.0	23.6
Income taxes	-3.1	-0.7	-0.1	-0.4	-0.3		-4.6
Profit for the period attributable to shareholders	12.3	2.8	0.3	1.5	3.1	-1.0	19.0
Business volume							
Lending to the public	1,568	1,933			49	-20	3,531
Deposits from the public	1,320	1,189	10		99	-6	2,611
Investment volume	4,707	746	3,686			-2,637	6,502
Risk exposure amount	665	622	12	41	219		1,558
Shareholder´s portion of allocated equity capital	63	81	2	9	53		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 > 90 days, %	0.30	2.30			2.56		1.43
Loan loss level, %	-0.02	0.14			0.83		0.08

4. Changes in Group structure

The Bank of Åland's ownership stake in Ålands Investerings Ab has been reduced from 36.17 to 19.97 per cent. The company is thus no longer recognised as an associated company.

5. Net interest income

Bank of Åland Group	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
Interest income								
Credit institutions and central banks	0.0	0.0	10	0.0		0.2	0.1	
The public and public sector entities	16.3	16.5	-1	17.6	-7	49.9	52.6	-5
Debt securities	0.3	0.4	-27	0.8	-66	1.1	2.3	-52
Other interest income	0.1	0.1	7	0.1	7	0.2	0.3	-45
Total interest income	16.7	16.9	-1	18.4	-10	51.3	55.3	-7
Interest expenses								
Credit institutions and central banks	-0.5	-0.6	-19	-0.3	54	-1.4	-1.0	34
<i>of which negative interest income¹</i>	-0.4	-0.4	8	-0.1		-1.0	-0.3	
The public and public sector entities	-1.2	-1.3	-10	-1.9	-39	-4.1	-6.1	-33
Debt securities issued	-1.0	-1.2	-11	-2.2	-53	-3.5	-7.6	-53
Subordinated liabilities	-0.3	-0.2	5	-0.3	-4	-0.7	-0.7	-1
Other interest expenses	-0.1	-0.1	-1	-0.2	-31	-0.5	-0.6	-20
Total interest expenses	-3.0	-3.4	-10	-4.8	-37	-10.2	-16.1	-36
Net interest income	13.7	13.5	1	13.6	0	41.1	39.2	5
Investment margin, per cent ²	1.13	1.16		1.16		1.15	1.16	

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 percentage of the average balance sheet total.

6. Net commission income

Bank of Åland Group	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
Deposits	0.2	0.2	-3	0.2	-2	0.6	0.6	1
Lending	1.0	0.9	14	1.0	8	3.0	3.0	0
Payment intermediation	1.5	1.9	-22	2.2	-34	5.3	6.7	-20
Mutual fund commissions	5.2	4.9	6	4.8	8	15.1	14.7	2
Management commissions	2.4	2.5	-1	2.3	6	7.5	7.4	1
Securities commissions	1.9	2.3	-17	2.3	-17	6.9	8.8	-22
Insurance commissions	0.0	0.1	-62	0.1	-60	0.1	0.1	-26
Other commission income	0.7	0.8	-19	0.6	14	2.1	2.1	-1
Total commission income	12.9	13.5	-4	13.4	-3	40.6	43.5	-7
Payment commission expenses	-0.8	-1.1	-23	-1.3	-35	-3.1	-3.6	-12
Mutual fund commission expenses	-0.6	-0.7	-4	-0.6	10	-1.9	-1.4	33
Management commission expenses	-0.2	-0.2	-5	-0.3	-29	-0.7	-1.0	-28
Securities commission expenses	-0.4	-0.5	-11	-0.4	-5	-1.4	-1.4	-2
Other commission expenses	-0.2	-0.2	0	-0.2	2	-0.7	-0.8	-9
Total commission expenses	-2.3	-2.7	-12	-2.8	-18	-7.9	-8.2	-4
Net commission income	10.6	10.8	-2	10.5	0	32.7	35.3	-7

7. Net income from financial items at fair value

Bank of Åland Group	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
Valuation category fair value via the income statement ("profit and losses")								
Debt securities	0.0	0.0	74	0.0	30	-0.1	-0.1	0
Shares and participations	0.0	0.0		0.0		0.0	0.1	
Derivative instruments	0.1	-0.1		-0.1		-0.5	1.0	
Loan receivables	0.1	-0.1		0.1	-1	0.2	-0.6	
Valuation category fair value via the income statement ("profit and losses")	0.2	-0.2		-0.1		-0.4	0.4	
Hedge accounting								
<i>of which hedging instruments</i>	0.1	2.0	-97	3.9	-99	8.2	-1.9	
<i>of which hedged item</i>	-0.5	-1.4	-66	-3.7	-87	-7.7	2.0	
Hedge accounting	-0.4	0.6		0.1		0.5	0.0	
Net income from foreign exchange dealing	0.7	0.4	65	0.5	45	1.8	2.6	-30
Net income from financial assets available for sale	0.1	1.1	-93	0.9	-92	1.9	2.5	-25
Total	0.5	1.9	-71	1.5	-64	3.9	5.5	-30

8. Other expenses

Bank of Åland Group	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
IT expenses (excluding information services)	2.5	2.8	-13	2.2	10	8.0	7.4	7
Premises and property expenses	1.4	1.2	16	1.3	15	4.2	3.9	8
Marketing expenses	0.5	0.6	-19	0.5	7	1.7	1.9	-9
Information services	0.6	0.6	-6	0.6	-6	1.7	1.8	-1
Staff-related expenses	0.5	0.5	-11	0.4	4	1.5	1.6	-3
Travel expenses	0.2	0.4	-38	0.2	19	0.9	0.9	7
Purchased services	0.5	0.4	21	0.5	2	1.3	1.6	-17
Deposit guarantee fee	0.0	0.0		0.0		0.0	0.0	
Other expenses	1.5	2.2	-31	1.6	-7	5.4	4.6	19
Production for own use	-1.0	-1.2	-14	-0.6	62	-4.1	-2.9	40
Total	6.7	7.7	-12	6.7	0	20.8	20.6	1

9. Impairment losses on loans and other commitments

Bank of Åland Group	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
EUR M								
Impairment losses								
Actual losses for the period	0.1	0.2	-45	1.2	-91	0.8	6.6	-88
Recoveries of actual losses	-0.1	-0.2	-57	0.0		-0.3	-0.1	
Total	0.0	0.0		1.2	-98	0.4	6.5	-93
Specific provisions for individually valued receivables								
New and increased provisions	0.8	1.7	-54	1.3	-40	3.3	2.6	28
Reversals of earlier provisions	0.0	-0.1	-77	-0.1	-48	-0.9	-0.6	37
Utilised for actual losses	0.0	0.0	2	-1.0	-99	-0.2	-6.2	-97
Total	0.7	1.6	-52	0.3		2.2	-4.2	
Net provisions for the period, receivables valued by group	0.1	0.2	-33	0.0		0.4	-0.3	
Net provisions for the period, interest receivable	0.0	0.0		0.0		0.0	0.0	
Net loan losses	0.9	1.7		1.4	0	3.0	1.9	58
Loan loss level, %	0.10	0.19		0.16		0.11	0.08	

10. Lending to the public and public sector by purpose

Bank of Åland Group	Sep 30, 2016			Dec 31, 2015	%	Sep 30, 2015	%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Private individuals							
Home loans	1,841	-3	1,839	1,736	6	1,667	10
Securities and other investments	394	0	394	371	6	351	12
Business operations	135	-1	134	134	-1	130	3
Other household purposes	187	-2	186	199	-6	197	-6
Total, private individuals	2,557	-5	2,552	2,440	5	2,345	9
Companies							
Shipping	58	-1	57	61	-7	63	-10
Wholesale and retail trade	41	-1	40	42	-6	51	-22
Housing operations	323	-1	323	319	1	335	-4
Other real estate operations	318	-2	316	344	-8	300	5
Financial and insurance operations	180	0	180	176	2	203	-11
Hotel and restaurant operations	23	0	23	23	-3	24	-5
Other service operations	106	-4	101	105	-3	103	-2
Agriculture, forestry and fishing	15	0	15	19	-24	17	-17
Construction	31	0	31	32	-1	30	2
Other industry and crafts	33	0	33	35	-7	38	-13
Total, companies	1,126	-9	1,117	1,156	-3	1,165	-4
Public sector and non-profit organisations	23	0	23	21	6	21	10
Total, public sector and non-profit organisations	23	0	23	21	6	21	10
Total lending	3,706	-14	3,692	3,617	2	3,531	5

11. Doubtful receivables and impairment losses

Bank of Åland Group	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Gross doubtful receivables	33.3	31.4	6	28.4	17
of which private individuals	8.6	10.5	-18	9.6	-10
of which companies	24.7	20.8	18	18.8	31
Doubtful receivables as % of total	0.90	0.87	4	0.80	12
Provisions for individually measured receivables	12.9	10.6	21	10.1	28
of which private individuals	3.7	4.1	-10	3.8	-3
of which companies	9.2	6.6	40	6.3	46
Net doubtful receivables	20.5	20.8	-2	18.3	12
Level of provisions for doubtful receivables, %	39	34	14	35	9
Provisions for receivables measured by group	1.6	1.2	29	1.2	36
of which private individuals	1.4	1.1	21	1.0	35
of which companies	0.2	0.1		0.2	42
Total level of provisions for doubtful receivables, %	43	38	15	40	10
Non-performing receivables > 90 days past due	45.5	41.1	11	50.6	-10
of which private individuals	18.6	19.4	-4	22.1	-16
of which companies	26.9	21.7	24	28.4	-5
Provisions for individually measured receivables	-12.2	-9.2	33	-8.9	37
Carrying amount after taking individual provisions into account	33.3	32.0	4	41.7	-20
Gross non-performing receivables > 90 days as % of total	1.23	1.13	8	1.43	-14

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

Bank of Åland Group	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	2,562	2,330	10	2,206	16
Time deposits	246	186	32	232	6
Total deposit accounts	2,808	2,517	12	2,438	15
Certificates of deposit issued to the public ¹	28	69	-60	79	-65
Index bonds (structured products)	22	47	-54	51	-57
Subordinate debentures	39	43	-8	43	-8
Total bonds and certificates of deposit	89	159	-44	173	-49
Total deposits	2,897	2,675	8	2,611	11

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

13. Debt securities issued

Bank of Åland Group	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Certificates of deposit	182	250	-27	236	-23
Covered bonds	1,199	959	25	950	26
Senior non-covered bonds	88	156	-43	80	11
Index bonds (structured products)	22	47	-54	51	-57
Total	1,492	1,412	6	1,316	13

14. Derivative instruments

Bank of Åland Group		Sep 30, 2016					Dec 31, 2015		
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>	37	37	23	98	6	8	130	2	4
<i>Interest rate futures</i>	9	0	0	9	0	0	10	0	0
<i>Interest rate options - purchased</i>	2	0	0	2	0	0	11	0	0
<i>Interest rate options - sold</i>	0	0	0	0	0	0	8	0	0
Currency-related contracts									
<i>Currency forward contracts</i>	243	1	0	245	1	0	184	1	1
Equity-related contracts									
<i>Equity options - purchased</i>	6	5	0	10	1	0	35	2	0
<i>Equity options - written</i>	4	2	0	6	0	1	23	0	2
Other derivative contracts	0	21	0	21	0	0	21	1	1
Total	302	66	23	392	8	10	422	5	7
Derivatives for market value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	10	371	347	728	21	0	494	13	1
Total	10	371	347	728	21	0	494	13	1
Derivatives for cash flow hedge									
Interest-related contracts									
<i>Interest rate and currency swaps</i>	104	140	0	244	-3	18	256	1	11
Total	104	140	0	244	-3	18	256	1	11
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
<i>Currency swaps</i>	30	0	0	30	0	0	26	0	0
Total	30	0	0	30	0	0	26	0	0
Total derivative instruments	446	578	370	1,394	26	28	1,198	19	19
<i>of which cleared OTC</i>									
<i>of which cleared by other means</i>	11	260	253	523	5	1	10	0	0

15. Financial instruments at fair value

Bank of Åland Group		Sep 30, 2016		
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	409			409
Lending to the public and public sector entities		44		44
Shares and participations	0	0	1	1
Derivative instruments	0	26		26
Total financial assets	409	70	1	480
Liabilities to the public and public sector entities		0		0
Debt securities issued		723		723
Derivative instruments	0	28		28
Subordinated liabilities		13		13
Total financial liabilities	0	765	0	765

Bank of Åland Group		Dec 31, 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	592			592
Lending to the public and public sector entities		43		43
Shares and participations	0	0	1	1
Derivative instruments	0	19		19
Total financial assets	592	62	1	655
Liabilities to the public and public sector entities		0		0
Debt securities issued		489		489
Derivative instruments	0	19		19
Subordinated liabilities		19		19
Total financial liabilities	0	527	0	527

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, 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 2016
EUR M	Shares and participations
Carrying amount on January 1	0.9
New purchases/reclassification	0.5
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	-0.1
Change in value recognised in "Other comprehensive income"	-0.2
Carrying amount on June 30	1.2

16. Off-balance sheet commitments

Bank of Åland Group	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Guarantees	13	20	-38	21	-39
Unutilised overdraft limits	80	76	4	78	1
Unutilised credit card limits	132	120	11	118	12
Lines of credit	193	223	-13	202	-5
Total	418	439	-5	420	0

17. Offsetting of financial assets and liabilities

Bank of Åland Group	Sep 30, 2016		Sep 30, 2015	
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	26		19	
Gross amount of financial liabilities offset in the balance sheet				
Net amount of financial assets recognised in the balance sheet	26	0	19	0
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-18		-11	
Financial collateral received	-5		-4	
Total amounts not offset in the balance sheet	-22	0	-15	0
Net amount	4	0	4	0
Financial liabilities that are offset or covered by offsetting agreements				
Gross amount of financial liabilities	28	8	19	1
Gross amount of financial assets offset in the balance sheet				
Net amount of financial liabilities recognised in the balance sheet	28	8	19	1
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-19		-12	
Financial collateral pledged	-3	-8	0	-1
Total amounts not offset in the balance sheet	-22	-8	-12	-1
Net amount	6	0	7	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, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Lending to credit institutions	18	11	60	17	6
Debt securities	173	123	41	132	32
Loan receivables constituting collateral (cover pool) for covered bonds	1,662	1,528	9	1,519	9
Other assets pledged	3	1		7	-61
Total	1,856	1,664	12	1,675	11

19. Capital adequacy

Bank of Åland Group	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Equity capital according to balance sheet	217.3	212.9	2	207.7	5
Foreseeable dividend	-5.6	-9.1	-39	-6.8	-18
Core Tier 1 capital before deductions	211.7	203.8	4	201.0	5
Intangible assets	-12.5	-8.8	42	-8.0	57
Tax assets due to future profitability offset against tax liabilities within same tax category	0.0	-0.1	-7	-0.3	-86
Deduction of surplus value in pension assets	0.0	-0.5	-100	-0.8	-100
Non-controlling interests	0.0	0.0	14	0.0	0
Cash flow hedge	0.3	0.4	-17	0.5	-45
Further adjustments in value	-1.3	0.0		0.0	
Expected losses according to IRB approach beyond recognised losses	-12.7	-5.2		-5.8	
Core Tier 1 capital	185.4	189.5	-2	186.6	-1
Additional Tier 1 capital	0.0	0.0		0.0	
Tier 1 capital	185.4	189.5	-2	186.6	-1
Supplementary capital instruments	19.6	15.1	30	15.8	24
Supplementary capital	19.6	15.1	30	15.8	24
Total capital base	204.9	204.6	0	202.4	1
Capital requirement for credit risk according to the IRB approach	48.4	26.4	83	26.7	82
Capital requirement for credit risk according to standardised approach	58.1	84.9	-32	82.8	-30
Capital requirement for credit-worthiness adjustment risk	1.4	1.3	9	1.3	6
Capital requirement for operational risk	15.2	13.9	9	13.9	9
Capital requirement	123.1	126.5	-3	124.6	-1
Capital ratios					
Core Tier 1 capital ratio, %	12.1	12.0		12.0	
Tier 1 capital ratio, %	12.1	12.0		12.0	
Total capital ratio, %	13.3	12.9		13.0	
Risk exposure amount	1,538	1,581	-3	1,558	-1
of which % comprising credit risk	87	88		88	
of which % comprising credit-worthiness adjustment risk	1	1		1	
of which % comprising operational risk	12	11		11	

Under previously applicable rules, the Bank of Åland subtracted an amount from core Tier 1 capital related to a property revaluation that was carried out when the Bank transitioned to IFRSs. According to the now-applicable rules, since January 1, 2015 this amount may no longer be subtracted. In the above table, comparative figures for 2015 have been adjusted accordingly. Because of this adjustment, a core Tier 1 capital ratio of 12.0 (11.9) per cent is recognised for the third quarter of 2015 and a core Tier 1 capital ratio of 12.0 (11.9) per cent is recognised for the last quarter of 2015. The total capital ratio is unchanged.

Requirements related to capital buffers, %	Sep 30, 2016	Dec 31, 2015	Sep 30, 2015
Total core Tier 1 capital requirements including buffer requirements	7.7	7.4	7.0
of which core Tier 1 capital requirement	4.5	4.5	4.5
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	0.7	0.4	0.0
Core Tier 1 capital available to be used as a buffer	12.1	12.0	12.0

Exposure category	Sep 30, 2016				
	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
EUR M					
Credit risk according to the IRB approach					
Without own LGD estimates					
Companies - Miscellaneous large companies	179.0	159.8	60	96.1	7.7
Companies - Small and medium-sized companies	299.9	277.7	65	180.8	14.5
Companies - Special lending	11.1	11.1	69	7.7	0.6
Own LGD estimates					
Households with property as collateral (small and medium-sized companies)	107.3	106.2	32	33.7	2.7
Households with property as collateral (not small and medium-sized companies)	1,717.0	1,708.2	14	233.3	18.7
Households, other (small and medium-sized companies)	38.1	37.5	37	13.8	1.1
Households, other (not small and medium-sized companies)	261.7	237.2	17	40.0	3.2
Total exposures according to the IRB approach	2,614.2	2,537.7	24	605.5	48.4
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks ¹	640.1	690.1	0	0.0	0.0
Exposure to institutions	204.5	200.0	27	53.0	4.2
Corporate exposures	417.9	276.6	98	271.4	21.7
Household exposures	253.8	65.2	73	47.7	3.8
Exposures with real property mortgages as collateral	815.9	811.4	34	274.1	21.9
Past due exposures	0.8	0.7	150	1.0	0.1
Items associated with especially high risk	0.7	0.7	150	1.1	0.1
Covered bonds	312.8	312.8	10	31.3	2.5
Collective investment companies (funds)	0.0	0.0	0	0.0	0.0
Equity exposures	1.3	1.3	115	1.4	0.1
Other items	60.0	60.0	75	44.7	3.6
Total exposures according to the standardised approach	2,707.7	2,418.8	30	725.8	58.1
Total risk exposure amount, credit risk	5,321.9	4,956.5	27	1,331.2	106.5

Exposure category		Dec 31, 2015			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Companies - Miscellaneous large companies					
Companies - Small and medium-sized companies					
Companies - Special lending					
Own LGD estimates					
Households with property as collateral (small and medium-sized companies)	126.1	125.1	33	41.8	3.3
Households with property as collateral (not small and medium-sized companies)	1,680.5	1,673.0	14	236.7	18.9
Households, other (small and medium-sized companies)	35.0	34.2	32	11.0	0.9
Households, other (not small and medium-sized companies)	243.6	221.5	18	40.7	3.3
Total exposures according to the IRB approach	2,085.2	2,053.8	16	330.1	26.4
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks ¹	364.3	416.8	0	0.0	0.0
Exposure to institutions	209.4	201.4	36	72.3	5.8
Corporate exposures	801.0	561.5	96	540.8	43.3
Household exposures	381.6	115.5	70	80.5	6.4
Exposures with real property mortgages as collateral	810.4	801.4	34	270.1	21.6
Past due exposures	22.6	15.0	126	18.9	1.5
Items associated with especially high risk	1.8	1.8	150	2.8	0.2
Covered bonds	334.4	334.4	10	33.4	2.7
Collective investment companies (funds)	0.0	0.0	0	0.0	0.0
Equity exposures	1.6	1.6	115	1.8	0.1
Other items	49.7	49.7	82	40.9	3.3
Total exposures according to the standardised approach	2,976.9	2,499.2	42	1,061.7	84.9
Total risk exposure amount, credit risk	5,062.1	4,553.0	31	1,391.8	111.3

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, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Capital requirement adjusted according to Basel 1 floor rule	123.1	127.3	-3	124.6	-1
Capital base according to Basel 1	217.6	209.8	4	208.2	5
Surplus capital according to transitional rules for Basel 1 floor	94.6	82.5	15	83.5	13
Ratio of capital base to capital requirement according to Basel 1 floor, %	176.9	164.8	7	167.0	6

Leverage ratio	Sep 30, 2016	Dec 31, 2015	%	Sep 30, 2015	%
EUR M					
Tier 1 capital	185.4	189.5	-2	186.6	-1
Total exposure measure	5,057.9	4,841.6	4	4,716.1	7
of which balance sheet items	4,891.1	4,587.8	7	4,486.3	9
of which off-balance sheet items	166.7	253.8	-34	229.8	-27
Leverage ratio, %	3.7	3.9	-6	4.0	-8

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

Report on review of the interim report of Ålandsbanken Abp as of and for the nine-month period ending September 30, 2016

To the Board of Directors of Ålandsbanken Abp

INTRODUCTION

We have reviewed the summary balance sheet as of September 30, 2016 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Ålandsbanken Abp group for the nine-month period then ended, as well as 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 IAS 34 Interim Financial Reporting 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, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, October 25, 2016

Marcus Tötterman
Authorized Public Accountant

Mari Suomela
Authorized Public Accountant