

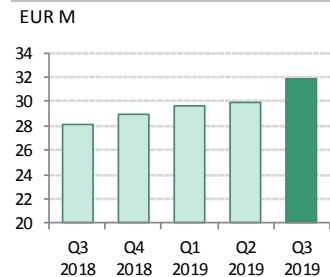


## January–September 2019

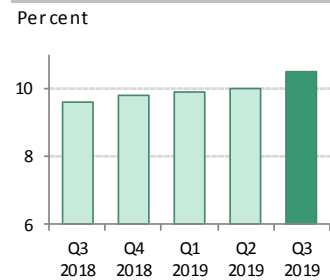
Compared to January - September 2018

- Net operating profit increased by 13 per cent to EUR 24.1 M (21.3).
- Profit for the period attributable to shareholders rose by 14 per cent to EUR 19.1 M (16.7).
- Net interest income decreased by 3 per cent to EUR 39.9 M (41.2).
- Net commission income increased by 3 per cent to EUR 41.7 M (40.4).
- Total expenses decreased by 2 per cent to EUR 72.0 M (73.2).
- Net impairment losses on financial assets (including recoveries) totalled EUR 1.4 M (0.9), equivalent to a loan loss level of 0.05 (0.03) per cent.
- Return on equity after taxes (ROE) amounted to 10.5 (9.6) per cent.
- Earnings per share increased to EUR 1.23 (1.08).
- The common equity Tier 1 ratio amounted to 13.3 per cent (13.0 on December 31, 2018).
- Revised future outlook: The Bank of Åland expects its net operating profit in 2019 to be better than or at about the same level as in 2018.

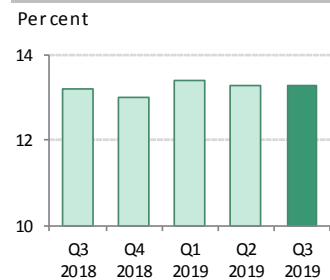
4-quarter moving net operating profit



4-quarter moving ROE



Common equity Tier 1 ratio



## The third quarter of 2019

Compared to the third quarter of 2018

- Net operating profit increased by 24 per cent to EUR 9.5 M (7.7).
- Profit for the period attributable to shareholders rose by 25 per cent to EUR 7.6 M (6.1).
- Net interest income was at an unchanged level and amounted to EUR 13.3 M (13.3).
- Net commission income increased by 9 per cent to EUR 13.8 M (12.7).
- Total expenses increased by 2 per cent to EUR 22.5 M (22.1).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.8 M (0.3), equivalent to a loan loss level of 0.08 (0.03) per cent.
- Return on equity after taxes (ROE) amounted to 12.3 (10.3) per cent.
- Earnings per share amounted to EUR 0.49 (0.39).

*"After a good first half of 2019 we have now added a strong third quarter, in which our net operating profit was the highest ever for a single quarter. During this quarter, we continued our effort to provide sustainable products and services by launching Finland's first bond fund to be granted the Nordic Swan Ecolabel. In addition, the Bank of Åland signed a cooperation agreement with ICA Bank, Söderberg & Partners and Ikano Bank to create a new joint mortgage company in Sweden. The Bank of Åland and our subsidiary Crosskey will supply the platform solution for the new mortgage company and contribute our existing knowledge about home mortgage loan management"*

Peter Wiklöf, Managing Director and Chief Executive

The Bank of Åland is a bank with strong customer relationships and personalised 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 three offices in the Åland Islands, five offices elsewhere in Finland and three offices in Sweden. A total of two subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

# Financial summary

| Group  | Q3<br>2019   | Q2<br>2019   | %         | Q3<br>2018   | %         | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %         |
|--|--------------|--------------|-----------|--------------|-----------|-----------------|-----------------|-----------|
| <b>EUR M</b>   |              |              |           |              |           |                 |                 |           |
| <b>Income</b>  |              |              |           |              |           |                 |                 |           |
| Net interest income  | 13.3         | 13.4         | 0         | 13.3         | 0         | 39.9            | 41.2            | -3        |
| Net commission income  | 13.8         | 13.8         | 0         | 12.7         | 9         | 41.7            | 40.4            | 3         |
| Net income from financial items at fair value  | 1.6          | 0.8          |           | -0.1         |           | 2.8             | 1.3             |           |
| Other income   | 4.2          | 4.3          | -3        | 4.1          | 3         | 13.1            | 12.5            | 5         |
| <b>Total income</b>  | <b>32.9</b>  | <b>32.3</b>  | <b>2</b>  | <b>30.0</b>  | <b>10</b> | <b>97.5</b>     | <b>95.4</b>     | <b>2</b>  |
| Staff costs  | -13.4        | -14.5        | -8        | -13.2        | 1         | -42.4           | -42.8           | -1        |
| Other expenses   | -6.3         | -6.0         | 5         | -7.0         | -10       | -21.1           | -24.9           | -15       |
| Depreciation/amortisation  | -2.9         | -2.8         | 1         | -1.8         | 57        | -8.5            | -5.5            | 55        |
| <b>Total expenses</b>  | <b>-22.5</b> | <b>-23.4</b> | <b>-4</b> | <b>-22.1</b> | <b>2</b>  | <b>-72.0</b>    | <b>-73.2</b>    | <b>-2</b> |
| <b>Profit before impairment losses</b>   | <b>10.4</b>  | <b>8.9</b>   | <b>16</b> | <b>7.9</b>   | <b>31</b> | <b>25.5</b>     | <b>22.2</b>     | <b>15</b> |
| Impairment losses on financial assets, net   | -0.8         | -0.2         |           | -0.3         |           | -1.4            | -0.9            | 56        |
| <b>Net operating profit</b>  | <b>9.5</b>   | <b>8.7</b>   | <b>9</b>  | <b>7.7</b>   | <b>24</b> | <b>24.1</b>     | <b>21.3</b>     | <b>13</b> |
| Income taxes   | -1.9         | -1.8         | 9         | -1.6         | 22        | -5.0            | -4.5            | 9         |
| <b>Profit for the report period</b>  | <b>7.6</b>   | <b>6.9</b>   | <b>9</b>  | <b>6.1</b>   | <b>25</b> | <b>19.1</b>     | <b>16.7</b>     | <b>14</b> |
| <b>Attributable to:</b>  |              |              |           |              |           |                 |                 |           |
| <b>Shareholders in Bank of Åland Plc</b>   | <b>7.6</b>   | <b>6.9</b>   | <b>9</b>  | <b>6.1</b>   | <b>25</b> | <b>19.1</b>     | <b>16.7</b>     | <b>14</b> |
| <b>Volume</b>  |              |              |           |              |           |                 |                 |           |
| Receivables from the public and public sector  | 3,985        | 4,001        | 0         | 3,978        | 0         |                 |                 |           |
| Deposits from the public and public sector   | 3,288        | 3,225        | 2         | 3,085        | 7         |                 |                 |           |
| Actively managed assets <sup>1</sup>   | 5,788        | 5,637        | 3         | 5,849        | -1        |                 |                 |           |
| Equity capital   | 247          | 242          | 2         | 237          | 4         |                 |                 |           |
| Balance sheet total  | 5,555        | 5,514        | 1         | 5,484        | 1         |                 |                 |           |
| Risk exposure amount   | 1,571        | 1,577        | 0         | 1,565        | 0         |                 |                 |           |
| <b>Financial ratios</b>  |              |              |           |              |           |                 |                 |           |
| Return on equity after taxes, % (ROE) <sup>2</sup>                                     | 12.3         | 11.5         |           | 10.3         |           | 10.5            | 9.6             |           |
| Return on equity after taxes, % (ROE), moving 12-month average to end of report period | 10.5         | 10.0         |           | 9.4          |           |                 |                 |           |
| Expense/income ratio <sup>3</sup>  | 0.69         | 0.72         |           | 0.74         |           | 0.74            | 0.77            |           |
| Loan loss level, % <sup>4</sup>  | 0.08         | 0.01         |           | 0.03         |           | 0.05            | 0.03            |           |
| Liquidity coverage ratio (LCR), % <sup>5</sup>   | 163          | 165          |           | 131          |           |                 |                 |           |
| Loan/deposit ratio, % <sup>6</sup>   | 121          | 124          |           | 129          |           |                 |                 |           |
| Core funding ratio, % <sup>7</sup>   | 88           | 89           |           | 91           |           |                 |                 |           |
| Equity/assets ratio, % <sup>8</sup>  | 4.4          | 4.4          |           | 4.3          |           |                 |                 |           |
| Common equity Tier 1 capital ratio, % <sup>9</sup>                                     | 13.3         | 13.3         |           | 13.2         |           |                 |                 |           |
| Earnings per share, EUR <sup>10</sup>  | 0.49         | 0.45         | 9         | 0.39         | 24        | 1.23            | 1.08            | 14        |
| Earnings per share after dilution, EUR   | 0.49         | 0.45         | 10        | 0.39         | 25        | 1.23            | 1.08            | 14        |
| Earnings per share, EUR, moving 12-month average to end of report period               | 1.63         | 1.54         | 6         | 1.42         | 15        |                 |                 |           |
| Equity capital per share, EUR <sup>11</sup>  | 15.86        | 15.59        | 2         | 15.30        | 4         |                 |                 |           |
| Equity capital per share after dilution, EUR   | 15.83        | 15.54        | 2         | 15.22        | 4         |                 |                 |           |
| Market price per Series A share, EUR   | 14.70        | 14.60        | 1         | 14.70        |           |                 |                 |           |
| Market price per Series B share, EUR   | 14.85        | 14.55        | 2         | 13.85        | 7         |                 |                 |           |
| Number of shares outstanding, oos  | 15,551       | 15,525       | 0         | 15,472       | 1         |                 |                 |           |
| Number of shares outstanding, after dilution, oos                                      | 15,587       | 15,595       | 0         | 15,580       | 0         |                 |                 |           |
| Working hours re-calculated to full-time equivalent positions                          | 713          | 702          | 2         | 702          | 2         | 698             | 689             | 1         |

<sup>1</sup> Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume.

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

<sup>3</sup> Expenses / Income

<sup>4</sup> Impairment losses on loan portfolio and other commitments / Receivables from the public and public sector at the beginning of the period

<sup>5</sup> Liquidity coverage ratio (LCR) = liquid assets, level 1 and 2 / 30-day net outflow

<sup>6</sup> Receivables from the public and public sector / Deposits from the public and public sector

<sup>7</sup> Receivables from the public and public sector / Deposits including certificates of deposit, index bonds and debentures issued to the public and public sector plus covered bonds issued

<sup>8</sup> Equity capital / Balance sheet total

<sup>9</sup> Common equity Tier 1 capital / Risk exposure amount

<sup>10</sup> Shareholders' portion of earnings for the period / Average number of shares

<sup>11</sup> Shareholders' portion of equity capital / Number of shares on closing day

# Comments

## MACRO SITUATION

The year has been dominated by uncertainty connected to trade policy, Brexit and economic performance. Inflation pressures remain subdued, and growth has cooled globally. Long-term market yields have fallen substantially. The European Central Bank lowered the interest rate on its deposit facility by 10 basis points to -0.50 per cent on September 12, announcing at the same time that it is resuming net purchases within its asset purchase programme at a monthly pace of EUR 20 billion. Negative interest rates and yields thus appear likely to persist during the foreseeable future. The expectation is that the ECB's key interest rate will remain at current or lower levels until the inflation outlook approaches 2 per cent.

### BENCHMARK INTEREST RATES, AVERAGES, PER CENT

|               | Q3<br>2019 | Q2<br>2019 | Q3<br>2018 |
|---------------|------------|------------|------------|
| Euribor 3 mo  | -0.40      | -0.32      | -0.32      |
| Euribor 12 mo | -0.33      | -0.15      | -0.17      |
| Stibor 3 mo   | -0.03      | -0.02      | -0.37      |

After a shaky ending to 2018, the world's stock markets have been dominated by a powerful recovery so far in 2019. During the first nine months of this year, share prices according to the Nasdaq Helsinki (OMXHPI) equity index rose by 9 per cent and share prices according to the Nasdaq Stockholm (OMXSPI) index by 19 per cent.

During the report period, the average value of the Swedish krona (SEK) in relation to the euro (EUR) was 3 per cent lower than in the first nine months of 2018, and 4 per cent lower than at year-end 2018. When converting 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 converted at the exchange rate prevailing on the closing day of the report period.

## IMPORTANT EVENTS

On September 19, 2019, the Bank of Åland – together with ICA Bank, Ikano Bank, Söderberg & Partners and Borgo – signed an agreement on establishing a joint mortgage company in the Swedish market. As one element of establishing the new mortgage company, the Bank of Åland, ICA Bank, Ikano Bank and Söderberg & Partners are acquiring a majority of the shares in Borgo AB. Borgo's management will have operational responsibility for coordinating and establishing the new mortgage company. The Bank of Åland, together with its information technology subsidiary Crosskey, will supply platform solutions for the new mortgage company, as well as contributing their existing knowledge about mortgage management.

Until the new mortgage company has been established in Sweden, the Bank of Åland has a distribution agreement with ICA Bank, under which ICA Bank will distribute home mortgage loans in the Bank of Åland balance sheet.

The wholly owned subsidiary Compass Card was merged with the Bank of Åland, since an independent subsidiary is no longer needed in order to carry out the Bank of Åland's card business. Compass Card was established in 2006 as a company jointly owned by the Bank of Åland and Tapiola Bank for the issuance of credit and debit cards. In 2014 Compass Card became a wholly owned subsidiary of the Bank of Åland, after S-Bank (S-

Pankki) had acquired Tapiola Bank and S-Bank had taken over the card business handled by Compass Card on behalf of Tapiola Bank's customers.

Efforts to foster a sustainable environment are continuing. In April, the Bank was included for the first time in Europe's largest brand study on sustainability, the Sustainable Brand Index. Statistics for 2018 now show that the Bank of Åland decreased its carbon footprint by about 14 per cent compared to the preceding year. The Bank thereby exceeded its target, which was a decrease of 10 per cent.

Together with its customers, the Bank of Åland is continuing its commitment to a cleaner Baltic Sea. This year the Baltic Sea Project contributed EUR 300,000 to a number of projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 2.3 M to various environmentally related projects.

As part of its responsible investment strategy, the Bank of Åland has launched a new sustainable bond fund, Ålandsbanken Green Bond ESG. The fund has been granted the Nordic Swan Ecolabel, making it the first Finnish bond fund to carry this label. The fund invests in green bonds and in bonds issued by companies with the best sustainability ratings. The aim of the fund's operations is to offer an opportunity for fund investors to earn a competitive fixed income return in an environmentally sound and sustainable manner.

For the sixth 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.

The Annual General Meeting (AGM) on April 3, 2019 re-elected the Board of Directors consisting of Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å. Karlsson, Göran Persson, Ulrika Valassi and Anders Wiklöf. 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. Göran Persson resigned from the Board on April 29, however, in light of his nomination as Chairman of the Board of Swedbank AB (publ).

So far during 2019 the number of Series B shares outstanding has increased by 79,813 as a result of the Bank's obligations within the framework of its incentive and share savings programmes.

## EARNINGS FOR JANUARY – SEPTEMBER 2019

Profit for the period attributable to shareholders increased by EUR 2.4 M or 14 per cent to EUR 19.1 M (16.7).

In accordance with the prevailing regulator-based reporting interpretations, and in line with other Finnish banks, starting in 2019 the Bank of Åland has chosen to recognise the entire annual cost of the stability fee in the first quarter, when liability for this fee arises, instead of applying a straight-line accrual of this cost over the four quarters of the year. The estimated annual cost in the first quarter amounted to EUR 2.3 M. During the second quarter, the final fee was set at EUR 1.8 M. The Bank of Åland's earnings will thus show greater seasonal variations, with weaker first quarter earnings. Historical periods have been

restated for the sake of comparability. If there had been a straight-line accrual of the estimated stability fee, profit for the period attributable to shareholders would have amounted to EUR 19.5 M (17.2).

Net operating profit increased by EUR 2.8 M or 13 per cent to EUR 24.1 M (21.3).

Return on equity after taxes (ROE) increased to 10.5 per cent (9.6). If there had been a straight-line accrual of the stability fee, ROE would have amounted to 10.7 (9.9) per cent.

Total income rose by EUR 2.1 M or 2 per cent to EUR 97.5 M (95.4). The weaker Swedish krona explained EUR 0.9 M of the decrease in income when converted to euros.

Net interest income fell by EUR 1.3 M or 3 per cent to EUR 39.9 M (41.2). The decrease primarily came from Swedish operations, with the depreciation of the krona together with a narrower lending margin – due to a reweighting towards lower risk in the portfolio – adversely affecting net interest income. In addition, because of IFRS 16, leases are now recognised as an estimated interest expense plus an estimated depreciation, instead of as an operating expense.

Net commission income increased by EUR 1.3 M or 3 per cent to EUR 41.7 M (40.4), mainly as a consequence of higher mutual fund commissions.

Net income on financial items increased by EUR 1.5 M to EUR 2.8 M (1.3), mainly thanks to higher capital gains in the liquidity portfolio.

Information technology (IT) income rose by EUR 0.6 M or 6 per cent to EUR 12.6 M (12.0), primarily due to increased project income at Crosskey, the Bank's IT subsidiary.

Total expenses fell by EUR 1.2 M or 2 per cent to EUR 72.0 M (73.2). The stability fee decreased by EUR 0.8 M or 31 per cent to EUR 1.8 M (2.6). Staff costs fell by EUR 0.4 M or 1 per cent, mainly thanks to lower severance pay expenses. IT expenses decreased by EUR 0.7 M or 7 per cent, principally because of lower project expenses. Depreciation rose by a full EUR 3.0 M or 55 per cent, which was largely explained by reclassification of lease expenses in compliance with IFRS 16. Amortisation of intangible assets also increased. If the SEK/EUR exchange rate had been unchanged, total expenses would have decreased by EUR 0.4 M or 1 per cent.

Net impairment losses on financial assets increased by EUR 0.5 M to EUR 1.4 M (0.9), equivalent to a loan loss level of 0.05 per cent (0.03).

Tax expense amounted to EUR 5.0 M (4.5), equivalent to an effective tax rate of 20.6 (21.3) per cent.

#### **EARNINGS FOR THE THIRD QUARTER 2019**

Profit for the period attributable to shareholders amounted to EUR 7.6 M (6.1), which was an increase of EUR 1.5 M or 25 per cent from the third quarter of 2018. Net operating profit increased by EUR 1.8 M or 24 per cent to EUR 9.5 M (7.7).

Return on equity after taxes (ROE) amounted to 12.3 (10.3) per cent.

Total income increased by EUR 2.9 M or 10 per cent to EUR 32.9 M (30.0). If the SEK/EUR exchange rate had been unchanged, total income would have increased by EUR 3.2 M.

Net interest income was at an unchanged level and amounted to EUR 13.3 M (13.3).

Net commission income increased by EUR 1.1 M or 9 per cent to EUR 13.8 M (12.7), mainly as a consequence of higher mutual fund commissions.

Net income on financial items increased by EUR 1.7 M to EUR 1.6 M (-0.1), mainly thanks to higher capital gains in the liquidity portfolio.

IT income rose by EUR 0.2 M or 5 per cent to EUR 4.0 M (3.8), primarily due to higher project income.

Total expenses increased by EUR 0.4 M or 2 per cent to EUR 22.5 M (22.1). The weaker Swedish krona resulted in EUR 0.3 M lower expenses than in the same period of 2018.

Net impairment losses on financial assets amounted to EUR 0.8 M (0.3), equivalent to a loan loss level of 0.08 per cent (0.03).

#### **STRATEGIC BUSINESS AREAS**

The Group's EUR 2.8 M increase in net operating profit to EUR 24.1 M was allocated as follows:

- Private Banking 0.0 (unchanged level)
- Premium Banking -0.9 (higher net impairment losses)
- IT +0.6 (higher project income)
- Corporate Units & Eliminations +3.1 (higher capital gains)

#### **BUSINESS VOLUME**

Actively managed assets on behalf of customers increased by EUR 611 M or 12 per cent compared to year-end 2018 and amounted to EUR 5,788 M (5,177). The increase was due to both positive net flows and higher market values.

Deposits from the public were essentially unchanged compared to year-end 2018 and amounted to EUR 3,288 M (3,304).

Receivables from the public were essentially unchanged compared to year-end 2018 and amounted to EUR 3,985 M (4,022).

#### **CREDIT QUALITY**

Lending to private individuals comprised 73 per cent of the loan portfolio. Home mortgage loans accounted for 77 per cent of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to 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 retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

Stage 3 loans increased during the report period by EUR 17.6 M to EUR 37.3 M. Stage 3 loans as a share of gross lending to the public totalled 0.93 per cent (0.49 on December 31, 2018). The level of provisions for Stage 3 loans amounted to 25 (47) per cent. Most of these loans have good collateral.

The Bank of Åland Group had EUR 11.0 M (11.3 on December 31, 2018) in impairment loss provisions, of which EUR 0.7 M (0.9) in Stage 1; EUR 1.1 M (1.2) in Stage 2 and EUR 9.2 M (9.3) in Stage 3.

## LIQUIDITY AND BORROWING

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 1,227 M on September 30, 2019 (1,195 on December 31, 2018). This was equivalent to 22 (22) per cent of total assets and 31 (30) per cent of receivables from the public.

Starting on October 30, 2019, the European Central Bank is introducing a two-tiered deposit rate in its deposit facility, where banks will receive 0.0 per cent interest instead of -0.50 per cent on balances up to six times the "minimum reserve requirement". In the Bank of Åland's case, this represents about EUR 150 M with a zero interest rate instead of a negative interest rate.

In March, the Bank of Åland issued EUR 300 M in covered bonds with a five-year maturity. In March, SEK 1,000 M in covered bonds matured. In June, EUR 100 M in covered bonds matured. In December, a further SEK 750 M in covered bonds will mature. On September 30, the average remaining maturity of bonds outstanding was about 2.7 (2.7) years.

On September 30 the Bank of Åland's core funding ratio, defined as receivables from the public divided by deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public, as well as covered bonds issued – amounted to 88 (90) per cent.

The loan/deposit ratio amounted to 121 (122) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 64 (64) per cent and covered bonds issued accounted for 24 (22) per cent.

The liquidity coverage ratio (LCR) amounted to 163 (120) per cent.

The net stable funding ratio (NSFR) amounted to 117 (113) per cent.

## RATING

The Bank of Åland has a credit rating from the Standard & Poor's Global Ratings agency of BBB/A-2 with a positive 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

During the report period, equity capital changed in the amount of profit for the period, EUR 19.1 M; other comprehensive income, EUR -4.5 M; the issuance of new shares as part of the incentive programme, EUR 0.4 M; EUR 0.1 M related to the share savings programme; and payment to shareholders of a dividend totalling EUR -10.9 M. On September 30, 2019, equity capital amounted to EUR 246.7 M (242.4).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -3.2 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 4.8 M or 2 per cent during the first nine months of 2019 to EUR 209.2 M (204.4), mainly thanks to comprehensive income for the period.

The risk exposure amount was at an unchanged level and amounted to EUR 1,571 M (1,578). IFRS 16 led to an increase in

the risk exposure amount by EUR 14 M. The risk exposure amount for credit risk, excluding the risk weight floor for mortgage loans and IFRS 16, decreased by EUR 32 M, while the risk exposure amount for the risk weight floor related to mortgage loans increased by EUR 4 M. The operational risk exposure amount, calculated using a three-year moving average of the Group's income, increased by EUR 7 M.

The common equity Tier 1 capital ratio increased to 13.3 (13.0) per cent. Since the Bank of Åland has no hybrid capital, its common equity Tier 1 capital ratio is the same as its Tier 1 capital ratio.

The total capital ratio increased to 15.6 (15.4) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0-2.5 per cent. For Finnish exposures, the requirement is currently 0.0 per cent. For Swedish exposures, the requirement was raised from 2.0 per cent to 2.5 per cent starting on September 19, 2019.

The Finnish FSA has identified systemically important institutions in Finland and has imposed individual buffer requirements for them. The Bank of Åland is not included in the buffer requirements for systemically important institutions.

Because of Nordea's move of its head office from Sweden to Finland, the Board of the Finnish FSA has decided that starting on July 1, 2019 it is introducing a systemic risk buffer for all credit institutions. The purpose of the buffer is to strengthen the risk tolerance of all credit institutions to structural systemic risks. For the Bank of Åland, a buffer requirement of 1.0 per cent applies. This requirement must be covered by common equity Tier 1 capital.

The Finnish FSA has established a buffer requirement related to Pillar 2 capital adequacy regulations totalling 1.5 per cent of the Group's risk exposure amount (REA). This requirement is related to credit concentration risk (1.0 per cent of REA) and interest rate risk in the balance sheet (0.5 per cent of REA). The requirement, which must be covered by common equity Tier 1 capital, went into effect starting in the third quarter of 2018.

When all these buffer requirements are taken into account, the minimum levels for the Bank of Åland will be:

|                                    |               |
|------------------------------------|---------------|
| Common equity Tier 1 capital ratio | 10.7 per cent |
| Tier 1 capital ratio               | 12.2 per cent |
| Total capital ratio                | 14.2 per cent |

In relation to the above buffer requirements, the Bank of Åland has a substantial capital surplus:

|                                    |               |
|------------------------------------|---------------|
| Common equity Tier 1 capital ratio | +2.6 per cent |
| Tier 1 capital ratio               | +1.1 per cent |
| Total capital ratio                | +2.3 per cent |

The Bank of Åland has no minimum requirement for own funds and eligible liabilities (MREL) under European Union regulations.

## IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

No important events have occurred since the close of the report period.

**RISK 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.

**REVISED FUTURE OUTLOOK**

In a stock exchange release dated October 8, 2019, the Bank of Åland revised its future outlook. The revised outlook is as follows:

The Bank of Åland expects its net operating profit in 2019 to be better than or at about the same level as in 2018.

The Bank of Åland is especially dependent on developments in the fixed income and stock markets. There is concern about the economic trends in various important markets. For this reason, there is some uncertainty in the Bank's current forecast of the future.

**FINANCIAL INFORMATION**

The Year-end Report for 2019 will be published on February 7, 2020.

Mariehamn, October 23, 2019  
THE BOARD OF DIRECTORS

# Table of contents, financial information

|  |    |
|--|----|
| Summary income statement.....                        | 8  |
| Summary statement of other comprehensive income..... | 9  |
| Income statement by quarter.....                     | 10 |
| Summary balance sheet.....                           | 11 |
| Statement of changes in equity capital.....          | 12 |
| Summary cash flow statement.....                     | 13 |

## Notes

|   |    |
|---|----|
| 1. Corporate information.....   | 14 |
| 2. Basis for preparation of the Interim Report and essential accounting principles.....                 | 14 |
| 3. Transition to IFRS 16.....   | 15 |
| 4. Segment report.....  | 16 |
| 5. Changes in Group structure.....  | 18 |
| 6. Net interest income.....   | 18 |
| 7. Net commission income.....   | 19 |
| 8. Net income from financial items at fair value.....   | 19 |
| 9. Other expenses.....  | 20 |
| 10. Net impairment losses on financial assets.....  | 20 |
| 11. Receivables from the public and public sector entities by purpose.....                              | 21 |
| 12. Receivables from the public and public sector entities by stage.....                                | 22 |
| 13. Deposits from the public and public sector, including bonds and certificates of deposit issued..... | 22 |
| 14. Debt securities issued.....   | 23 |
| 15. Derivative instruments.....   | 23 |
| 16. Financial instruments measured at fair value.....   | 24 |
| 17. Off-balance sheet commitments.....  | 25 |
| 18. Offsetting of financial assets and liabilities.....   | 26 |
| 19. Assets pledged.....   | 26 |
| 20. Capital adequacy.....   | 27 |

# Summary income statement

| Group  | Note | Q3<br>2019   | Q2<br>2019   | %         | Q3<br>2018   | %         | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %         |
|--|------|--------------|--------------|-----------|--------------|-----------|-----------------|-----------------|-----------|
| <b>EUR M</b>   |      |              |              |           |              |           |                 |                 |           |
| Net interest income  | 6    | 13.3         | 13.4         | 0         | 13.3         | 0         | 39.9            | 41.2            | -3        |
| Net commission income  | 7    | 13.8         | 13.8         | 0         | 12.7         | 9         | 41.7            | 40.4            | 3         |
| Net income from financial items at fair value                            | 8    | 1.6          | 0.8          |           | -0.1         |           | 2.8             | 1.3             |           |
| IT income  |      | 4.0          | 4.1          | -2        | 3.8          | 5         | 12.6            | 12.0            | 6         |
| Other operating income   |      | 0.1          | 0.2          | -33       | 0.2          | -41       | 0.5             | 0.6             | -18       |
| <b>Total income</b>  |      | <b>32.9</b>  | <b>32.3</b>  | <b>2</b>  | <b>30.0</b>  | <b>10</b> | <b>97.5</b>     | <b>95.4</b>     | <b>2</b>  |
| Staff costs  |      | -13.4        | -14.5        | -8        | -13.2        | 1         | -42.4           | -42.8           | -1        |
| Other expenses   | 9    | -6.3         | -6.0         | 5         | -7.0         | -10       | -21.1           | -24.9           | -15       |
| Depreciation/amortisation  |      | -2.9         | -2.8         | 1         | -1.8         | 57        | -8.5            | -5.5            | 55        |
| <b>Total expenses</b>  |      | <b>-22.5</b> | <b>-23.4</b> | <b>-4</b> | <b>-22.1</b> | <b>2</b>  | <b>-72.0</b>    | <b>-73.2</b>    | <b>-2</b> |
| <b>Profit before impairment losses</b>                                   |      | <b>10.4</b>  | <b>8.9</b>   | <b>16</b> | <b>7.9</b>   | <b>31</b> | <b>25.5</b>     | <b>22.2</b>     | <b>15</b> |
| Impairment losses on financial assets, net                               | 10   | -0.8         | -0.2         |           | -0.3         |           | -1.4            | -0.9            | 56        |
| <b>Net operating profit</b>  |      | <b>9.5</b>   | <b>8.7</b>   | <b>9</b>  | <b>7.7</b>   | <b>24</b> | <b>24.1</b>     | <b>21.3</b>     | <b>13</b> |
| Income taxes   |      | -1.9         | -1.8         | 9         | -1.6         | 22        | -5.0            | -4.5            | 9         |
| <b>Profit for the period</b>   |      | <b>7.6</b>   | <b>6.9</b>   | <b>9</b>  | <b>6.1</b>   | <b>25</b> | <b>19.1</b>     | <b>16.7</b>     | <b>14</b> |
| Attributable to:   |      |              |              |           |              |           |                 |                 |           |
| Non-controlling interests  |      | 0.0          | 0.0          |           | 0.0          | 13        | 0.0             | 0.0             | -78       |
| <b>Shareholders in Bank of Åland Plc</b>                                 |      | <b>7.6</b>   | <b>6.9</b>   | <b>9</b>  | <b>6.1</b>   | <b>25</b> | <b>19.1</b>     | <b>16.7</b>     | <b>14</b> |
| Earnings per share, EUR  |      | 0.49         | 0.45         | 9         | 0.39         | 24        | 1.23            | 1.08            | 14        |
| Earnings per share after dilution, EUR                                   |      | 0.49         | 0.45         | 10        | 0.39         | 25        | 1.23            | 1.08            | 14        |
| Earnings per share, EUR, moving 12-month average to end of report period |      | 1.63         | 1.54         | 6         | 1.42         | 15        |                 |                 |           |



# Summary statement of other comprehensive income

| Group  | Q3<br>2019  | Q2<br>2019  | %          | Q3<br>2018 | %          | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %         |
|--|-------------|-------------|------------|------------|------------|-----------------|-----------------|-----------|
| <b>EUR M</b>   |             |             |            |            |            |                 |                 |           |
| <b>Profit for the period</b>   | <b>7,6</b>  | <b>6,9</b>  | <b>9</b>   | <b>6,1</b> | <b>25</b>  | <b>19,1</b>     | <b>16,7</b>     | <b>14</b> |
| Cash flow hedge  |             |             |            |            |            |                 |                 |           |
| Changes in valuation at fair value   |             |             |            |            |            |                 | 1,7             | -100      |
| Transferred to the income statement  |             |             |            |            |            |                 | -1,6            | -100      |
| Assets measured via other comprehensive income                               |             |             |            |            |            |                 |                 |           |
| Changes in valuation at fair value   | 0,4         | 1,5         | -75        | -0,1       |            | 3,5             | -0,8            |           |
| Realised change in value   |             |             |            |            |            |                 | 0,0             | -100      |
| Transferred to the income statement  | -1,5        | -0,3        |            | 0,0        |            | -2,1            | -0,7            |           |
| Translation differences  |             |             |            |            |            |                 |                 |           |
| Gains/Losses arising during the period                                       | -0,7        | -0,9        | -16        | 0,8        |            | -2,4            | 0,4             |           |
| <i>of which hedging of net investment in foreign operations</i>              |             |             |            |            |            |                 | 2,6             | -100      |
| Taxes on items that have been or may be reclassified to the income statement | 0,2         | -0,2        |            | 0,0        |            | -0,3            | -0,2            | 16        |
| <i>of which cash flow hedges</i>   |             |             |            |            |            |                 | 0,0             | -100      |
| <i>of which assets measured via other comprehensive income</i>               | 0,2         | -0,2        |            | 0,0        |            | -0,3            | 0,3             |           |
| <i>of which hedging of net investments in foreign operations</i>             |             |             |            |            |            |                 | -0,5            | -100      |
| <b>Items that have been or may be reclassified to the income statement</b>   | <b>-1,6</b> | <b>0,1</b>  |            | <b>0,7</b> |            | <b>-1,3</b>     | <b>-1,2</b>     | <b>7</b>  |
| Changes in value of equity instruments                                       | 0,0         | 0,0         | 5          | 0,0        | -80        | 0,0             | -0,1            |           |
| Re-measurements of defined benefit pension plans                             | -1,4        | -1,4        |            | 0,7        |            | -4,0            | 0,5             |           |
| Taxes on items that may not be reclassified to the income statement          | 0,3         | 0,3         | 0          | -0,1       |            | 0,8             | -0,1            |           |
| <i>of which changes in value of equity instruments</i>                       | 0,0         | 0,0         | 5          | 0,0        | -80        | 0,0             | 0,0             |           |
| <i>of which re-measurements of defined-benefit pension plans</i>             | 0,3         | 0,3         |            | -0,1       |            | 0,8             | -0,1            |           |
| <b>Items that may not be reclassified to the income statement</b>            | <b>-1,2</b> | <b>-1,2</b> | <b>0</b>   | <b>0,6</b> |            | <b>-3,2</b>     | <b>0,3</b>      |           |
| <b>Other comprehensive income</b>  | <b>-2,8</b> | <b>-1,1</b> |            | <b>1,2</b> |            | <b>-4,5</b>     | <b>-0,9</b>     |           |
| <b>Total comprehensive income for the period</b>                             | <b>4,8</b>  | <b>5,9</b>  | <b>-18</b> | <b>7,3</b> | <b>-34</b> | <b>14,6</b>     | <b>15,8</b>     | <b>-8</b> |
| Attributable to:   |             |             |            |            |            |                 |                 |           |
| Non-controlling interests  | 0,0         | 0,0         |            | 0,0        | 13         | 0,0             | 0,0             | -78       |
| Shareholders in Bank of Åland Plc  | <b>4,8</b>  | <b>5,9</b>  | <b>-18</b> | <b>7,3</b> | <b>-34</b> | <b>14,6</b>     | <b>15,8</b>     | <b>-8</b> |

## Income statement by quarter

| Group  | Q3<br>2019   | Q2<br>2019   | Q1<br>2019   | Q4<br>2018   | Q3<br>2018   |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>EUR M</b>                                   |              |              |              |              |              |
| Net interest income                            | 13.3         | 13.4         | 13.2         | 13.3         | 13.3         |
| Net commission income                          | 13.8         | 13.8         | 14.1         | 13.9         | 12.7         |
| Net income from financial items at fair value  | 1.6          | 0.8          | 0.4          | 0.2          | -0.1         |
| IT income                                      | 4.0          | 4.1          | 4.5          | 4.4          | 3.8          |
| Other operating income                         | 0.1          | 0.2          | 0.1          | 0.4          | 0.2          |
| <b>Total income</b>                            | <b>32.9</b>  | <b>32.3</b>  | <b>32.3</b>  | <b>32.3</b>  | <b>30.0</b>  |
| Staff costs                                    | -13.4        | -14.5        | -14.5        | -14.3        | -13.2        |
| Other expenses                                 | -6.3         | -6.0         | -8.7         | -8.5         | -7.0         |
| Depreciation/amortisation                      | -2.9         | -2.8         | -2.8         | -1.8         | -1.8         |
| <b>Total expenses</b>                          | <b>-22.5</b> | <b>-23.4</b> | <b>-26.0</b> | <b>-24.6</b> | <b>-22.1</b> |
| <b>Profit before impairment losses</b>         | <b>10.4</b>  | <b>8.9</b>   | <b>6.2</b>   | <b>7.7</b>   | <b>7.9</b>   |
| Net impairment losses on financial assets, net | -0.8         | -0.2         | -0.4         | 0.1          | -0.3         |
| <b>Net operating profit</b>                    | <b>9.5</b>   | <b>8.7</b>   | <b>5.8</b>   | <b>7.7</b>   | <b>7.7</b>   |
| Income taxes                                   | -1.9         | -1.8         | -1.2         | -1.5         | -1.6         |
| <b>Profit for the period</b>                   | <b>7.6</b>   | <b>6.9</b>   | <b>4.6</b>   | <b>6.2</b>   | <b>6.1</b>   |
| Attributable to:                               |              |              |              |              |              |
| Non-controlling interests                      | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Shareholders in Bank of Åland Plc</b>       | <b>7.6</b>   | <b>6.9</b>   | <b>4.6</b>   | <b>6.2</b>   | <b>6.1</b>   |

# Summary balance sheet

| Group   | Note   | Sep 30, 2019 | Dec 31, 2018 | %        | Sep 30, 2018 | %        |
|---|--------|--------------|--------------|----------|--------------|----------|
| <b>EUR M</b>  |        |              |              |          |              |          |
| <b>Assets</b>   |        |              |              |          |              |          |
| Cash and balances with central banks                        |        | 397          | 507          | -22      | 569          | -30      |
| Debt securities eligible for refinancing with central banks |        | 968          | 815          | 19       | 692          | 40       |
| Receivables from credit institutions                        |        | 63           | 80           | -22      | 120          | -48      |
| Receivables from the public and public sector               | 11, 12 | 3,985        | 4,022        | -1       | 3,978        | 0        |
| Shares and participations                                   |        | 4            | 3            | 47       | 2            | 57       |
| Participations in associated companies                      |        | 0            | 0            | 5        | 0            | 25       |
| Derivative instruments                                      | 15     | 26           | 15           | 72       | 16           | 68       |
| Intangible assets   |        | 21           | 22           | -4       | 17           | 24       |
| Tangible assets   | 3      | 33           | 22           | 47       | 23           | 44       |
| Investment properties                                       |        | 0            | 0            | 4        | 0            | 4        |
| Current tax assets  |        | 1            | 1            | -5       | 2            | -44      |
| Deferred tax assets   |        | 6            | 5            | 13       | 5            | 15       |
| Other assets  |        | 30           | 44           | -32      | 35           | -14      |
| Accrued income and prepayments                              |        | 21           | 21           | 0        | 25           | -15      |
| <b>Total assets</b>   |        | <b>5,555</b> | <b>5,558</b> | <b>0</b> | <b>5,484</b> | <b>1</b> |
| <b>Liabilities</b>  |        |              |              |          |              |          |
| Liabilities to credit institutions                          |        | 195          | 250          | -22      | 215          | -9       |
| Liabilities to the public and public sector                 | 13     | 3,288        | 3,304        | 0        | 3,085        | 7        |
| Debt securities issued                                      | 13, 14 | 1,653        | 1,588        | 4        | 1,761        | -6       |
| Derivative instruments                                      | 15     | 12           | 8            | 51       | 12           | -1       |
| Current tax liabilities                                     |        | 3            | 2            | 8        | 2            | 33       |
| Deferred tax liabilities                                    |        | 30           | 28           | 8        | 27           | 10       |
| Other liabilities   | 3      | 56           | 57           | -2       | 64           | -12      |
| Provisions  |        | 0            | 0            | -72      | 1            | -91      |
| Accrued expenses and prepaid income                         |        | 35           | 31           | 11       | 33           | 4        |
| Subordinated liabilities                                    | 13     | 36           | 47           | -24      | 47           | -24      |
| <b>Total liabilities</b>                                    |        | <b>5,308</b> | <b>5,315</b> | <b>0</b> | <b>5,247</b> | <b>1</b> |
| <b>Equity capital and non-controlling interests</b>         |        |              |              |          |              |          |
| Share capital   |        | 42           | 42           | 0        | 42           | 0        |
| Share premium account                                       |        | 33           | 33           |          | 33           |          |
| Reserve fund  |        | 25           | 25           |          | 25           |          |
| Fair value reserve  |        | -2           | -1           |          | 0            |          |
| Unrestricted equity capital fund                            |        | 27           | 27           | 1        | 27           | 1        |
| Retained earnings   |        | 121          | 116          | 4        | 110          | 10       |
| <b>Shareholders' portion of equity capital</b>              |        | <b>247</b>   | <b>242</b>   | <b>2</b> | <b>237</b>   | <b>4</b> |
| Non-controlling interests' portion of equity capital        |        | 0            | 0            | 3        | 0            | -6       |
| <b>Total equity capital</b>                                 |        | <b>247</b>   | <b>242</b>   | <b>2</b> | <b>237</b>   | <b>4</b> |
| <b>Total liabilities and equity capital</b>                 |        | <b>5,555</b> | <b>5,558</b> | <b>0</b> | <b>5,484</b> | <b>1</b> |

# Statement of changes in equity capital

| Group                                       |               |                       |              |                 |                    |                        |                                  |                   |   |  |              |
|---|---------------|-----------------------|--------------|-----------------|--------------------|------------------------|----------------------------------|-------------------|---|--|--------------|
| EUR M                                       | Share capital | Share premium account | Reserve fund | Hedging reserve | Fair value reserve | Translation difference | Unrestricted equity capital fund | Retained earnings | Shareholders' portion of equity capital | Non-controlling interests' portion of equity capital | Total        |
| <b>Equity capital, Dec 31, 2017</b>         | <b>41.9</b>   | <b>32.7</b>           | <b>25.1</b>  | <b>0.0</b>      | <b>1.8</b>         | <b>-0.6</b>            | <b>26.9</b>                      | <b>105.7</b>      | <b>233.6</b>                            | <b>0.0</b>   | <b>233.6</b> |
| Adjustment for application of IFRS 9        |               |                       |              |                 | 0.1                |                        |                                  | -3.2              | -3.1                                    |  | -3.1         |
| <b>Equity capital, Jan 1, 2018</b>          | <b>41.9</b>   | <b>32.7</b>           | <b>25.1</b>  | <b>0.0</b>      | <b>1.9</b>         | <b>-0.6</b>            | <b>26.9</b>                      | <b>102.5</b>      | <b>230.5</b>                            | <b>0.0</b>   | <b>230.5</b> |
| Profit for the period                       |               |                       |              |                 |                    |                        |                                  | 16.7              | 16.7                                    | 0.0  | 16.7         |
| Other comprehensive income                  |               |                       |              | 0.0             | -1.2               | -0.1                   |                                  | 0.4               | -0.9                                    |  | -0.9         |
| <i>Transactions with the Group's owners</i> |               |                       |              |                 |                    |                        |                                  |                   |   |  |              |
| Dividends paid                              |               |                       |              |                 |                    |                        |                                  | -10.0             | -10.0                                   |  | -10.0        |
| Incentive programme                         | 0.0           |                       |              |                 |                    |                        | 0.1                              | 0.0               | 0.2                                     |  | 0.2          |
| Share savings programme                     |               |                       |              |                 |                    |                        |                                  | 0.3               | 0.3                                     |  | 0.3          |
| <b>Equity capital, Sep 30, 2018</b>         | <b>42.0</b>   | <b>32.7</b>           | <b>25.1</b>  |                 | <b>0.7</b>         | <b>-0.7</b>            | <b>27.1</b>                      | <b>109.8</b>      | <b>236.8</b>                            | <b>0.0</b>   | <b>236.8</b> |
| Profit for the period                       |               |                       |              |                 |                    |                        |                                  | 6.2               | 6.2                                     | 0.0  | 6.2          |
| Other comprehensive income                  |               |                       |              |                 | -0.9               | 0.3                    |                                  | -0.1              | -0.7                                    |  | -0.7         |
| <i>Transactions with the Group's owners</i> |               |                       |              |                 |                    |                        |                                  |                   |   |  |              |
| Share savings programme                     |               |                       |              |                 |                    |                        |                                  | 0.1               | 0.1                                     |  | 0.1          |
| <b>Equity capital, Dec 31, 2018</b>         | <b>42.0</b>   | <b>32.7</b>           | <b>25.1</b>  |                 | <b>-0.1</b>        | <b>-0.4</b>            | <b>27.1</b>                      | <b>116.0</b>      | <b>242.4</b>                            | <b>0.0</b>   | <b>242.4</b> |
| Profit for the period                       |               |                       |              |                 |                    |                        |                                  | 19.1              | 19.1                                    | 0.0  | 19.1         |
| Other comprehensive income                  |               |                       |              |                 | 1.1                | -2.4                   |                                  | -3.2              | -4.5                                    |  | -4.5         |
| <i>Transactions with the Group's owners</i> |               |                       |              |                 |                    |                        |                                  |                   |   |  |              |
| Dividends paid                              |               |                       |              |                 |                    |                        |                                  | -10.9             | -10.9                                   |  | -10.9        |
| Incentive programme                         | 0.1           |                       |              |                 |                    |                        | 0.3                              | 0.0               | 0.4                                     |  | 0.4          |
| Share savings programme                     |               |                       |              |                 |                    |                        |                                  | 0.1               | 0.1                                     |  | 0.1          |
| <b>Equity capital, Sep 30, 2019</b>         | <b>42.0</b>   | <b>32.7</b>           | <b>25.1</b>  |                 | <b>1.0</b>         | <b>-2.8</b>            | <b>27.4</b>                      | <b>121.2</b>      | <b>246.6</b>                            | <b>0.0</b>   | <b>246.7</b> |

# Summary cash flow statement

| Group   | Jan-Sep 2019 |               | Jan-Dec 2018 |              | Jan-Sep 2018 |             |
|---|--------------|---------------|--------------|--------------|--------------|-------------|
| <b>EUR M</b>  |              |               |              |              |              |             |
| Cash flow from operating activities                               |              |               |              |              |              |             |
| Net operating profit  | 24.1         |               | 29.0         |              | 21.3         |             |
| Adjustment for net operating profit items not affecting cash flow | 15.6         |               | 12.6         |              | 9.5          |             |
| Gains/losses from investing activities                            | 0.0          |               | -0.1         |              | 0.0          |             |
| Income taxes paid   | -2.6         |               | -1.1         |              | -1.3         |             |
| Changes in assets and liabilities in operating activities         | -250.3       | -213.3        | -124.4       | -84.0        | -152.6       | -123.1      |
| Cash flow from investing activities                               |              | -5.3          |              | -11.9        |              | -5.7        |
| Cash flow from financing activities                               |              | 78.0          |              | 54.3         |              | 202.2       |
| Exchange rate differences in cash and cash equivalents            |              | -5.3          |              | -3.7         |              | -4.2        |
| <b>Change in cash and cash equivalents</b>                        |              | <b>-146.0</b> |              | <b>-45.3</b> |              | <b>69.2</b> |
| Cash and cash equivalents at beginning of period                  |              | 541.0         |              | 586.4        |              | 586.4       |
| Cash and cash equivalents at end of period                        |              | 395.1         |              | 541.0        |              | 655.6       |
| <b>Change in cash and cash equivalents</b>                        |              | <b>-146.0</b> |              | <b>-45.3</b> |              | <b>69.2</b> |

# 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 11 offices in the Åland Islands, elsewhere in Finland and in Sweden. 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 period January 1–September 30, 2019 was approved by the Board of Directors on October 22, 2019.

## 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, 2019 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standard IAS 34, "Interim Financial Reporting", which have been adopted by the European Union.

The Interim Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2018.

Tables show correct rounded-off figures on each line, but this does not mean that rounded-off figures add up to the correct total. In cases where rounded-off figures add up to zero, they are shown as "0" in the tables, while a lack of figures is shown as an empty space.

### ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles that have been used in preparing this Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2018, except for the application of IFRS 16, "Leases", which is being applied going forward starting on January 1, 2019 and went into service during the first quarter of 2019.

IFRS 16, "Leases" replaces the IAS 17 standard and related interpretations. IFRS 16 removes the requirement that lessees must distinguish between finance and operational leases and requires lessees to report a "right-of-use" asset and a lease liability for most leases in the balance sheet. In the income statement, rent expenses are replaced by depreciation of the assets and interest expenses for the lease liability.

This accounting model resembles the previous treatment of finance leases according to IAS 17. The Bank of Åland has chosen to apply the exemption found in IFRS 16, under which leases running for 12 months or less or leases of low-value assets will be recognised as expenses in the income statement. The lessor's accounting is essentially equivalent to the previous treatment according to IAS 17.

Due to the introduction of IFRS 16, tangible assets related to right-of-use increased by EUR 14 M and the risk exposure amount increased by the equivalent amount. For an account of the transitional effects, see Note 3. The Bank of Åland is applying the

modified retrospective approach. No comparative figures have been restated.

The most significant effect of IFRS 16 is that the Bank of Åland is reporting new assets and liabilities for its operational leases related to banking and office premises. Lease liabilities are initially being calculated upon the transition to the present value of future lease payments discounted using the incremental borrowing rate on the introductory date of January 1, 2019. Right-of-use assets are initially being recognised at an amount equal to the lease liability.

In accordance with the prevailing regulator-based reporting interpretations, and in line with other Finnish banks, starting in 2019 the Bank of Åland has chosen to recognise the entire annual cost of the stability fee in the first quarter, when responsibility for the fee arises, instead of a straight-line accrual of this cost over the four quarters of the year. The Bank of Åland's earnings will thus show greater seasonal variations, with weaker first quarter earnings. Historical periods have been restated.

The Bank of Åland is changing its reporting of foreign exchange commissions connected to customers' payments and securities trading. The Bank of Åland has previously reported these under net income from financial items, but starting in 2019 it will report them as payment intermediation commissions and securities brokerage commissions under net commission income. Historical periods have been restated.

For further information, see the Stock Exchange Release that was published on April 23, 2019.

### 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.

The substantial accounting assessments that have been made when applying the Group's accounting principles are primarily related to the application of the new impairment model and accounting of financial instruments. As for recognition of leases, estimates have been made in establishing the lease period and the choice of discount rate.

### 3. Transition to IFRS 16

Effects on assets and liabilities in connection with the transition to IFRS 16.

| Group                            | Dec 31, 2018 | Restatement to<br>IFRS 16 | Jan 1, 2019 |
|----------------------------------|--------------|---------------------------|-------------|
| <b>EUR M</b>                     |              |                           |             |
| Assets                           |              |                           |             |
| Tangible assets                  | 22           | 14                        | 37          |
| <b>Total effect, assets</b>      | <b>22</b>    | <b>14</b>                 | <b>37</b>   |
| Liabilities                      |              |                           |             |
| Miscellaneous liabilities        | 57           | 14                        | 71          |
| <b>Total effect, liabilities</b> | <b>57</b>    | <b>14</b>                 | <b>71</b>   |

Reconciliation between disclosure of operating leases according to IAS 17 and recognised lease liability according to IFRS 16.

|   |             |
|---|-------------|
| <b>Operating lease obligation on December 31, 2018</b>                          | <b>7.0</b>  |
| Effect of discounting by the incremental borrowing rate                         | -0.8        |
| Finance lease liabilities on December 31, 2018                                  | 1.5         |
| Utilisation of extension and termination options                                | 8.4         |
| Exemptions:   |             |
| - Short-term leases   | -0.2        |
| - Low asset-value leases  | 0.0         |
| <b>Recognised lease liability in opening balance sheet,<br/>January 1, 2019</b> | <b>15.9</b> |

When transitioning to IFRS 16, the Bank of Åland recognised an additional EUR 14,336 K in right-of-use assets, bringing its lease liability to EUR 15,876 K on January 1, 2019. Lease liabilities are initially being calculated upon the transition to the present value of future lease payments, discounted using the incremental borrowing rate on the introductory date of January 1, 2019. The weighted average rate being used is about 3 per cent.

#### 4. 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, in Sweden and Asset Management (Ålandsbanken Fondbolag Ab, Ålandsbanken Fonder Ab and Ålandsbanken Fonder II Ab). "Premium Banking" encompasses operations in all customer segments excluding private banking in Åland, on the Finnish mainland, in Sweden and Asset Management. "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 external partner collaborations. Until August, the subsidiary Ab Compass Card Oy Ltd was part of "Corporate and Other". Starting in September, when Ab Compass Card Oy Ltd was merged with the parent company, the Bank of Åland's card business is included in Private Banking and Premium Banking, while card business with external partner collaborations is included in "Corporate and Other".

For further information concerning new accounting principles for segment reporting, see the Stock Exchange Release that was published on April 23, 2019.

| Group  |                 | Jan-Sep 2019    |              |                     |              |              |
|--|-----------------|-----------------|--------------|---------------------|--------------|--------------|
| EUR M  | Private Banking | Premium Banking | IT           | Corporate and Other | Eliminations | Total        |
| Net interest income  | 17.4            | 19.5            | 0.0          | 3.0                 | 0.0          | 39.9         |
| Net commission income  | 30.3            | 9.2             | 0.0          | 1.9                 | 0.4          | 41.7         |
| Net income from financial items at fair value                                  | 0.0             | 0.1             | 0.0          | 2.7                 | 0.0          | 2.8          |
| IT income  |                 |                 | 24.3         |                     | -11.6        | 12.6         |
| Other income   | 0.0             | 0.0             | 0.7          | 0.7                 | -1.0         | 0.5          |
| <b>Total income</b>  | <b>47.7</b>     | <b>28.8</b>     | <b>24.9</b>  | <b>8.2</b>          | <b>-12.2</b> | <b>97.5</b>  |
| Staff costs  | -11.1           | -4.8            | -12.3        | -14.2               |              | -42.4        |
| Other expenses   | -6.3            | -3.4            | -8.6         | -12.7               | 9.9          | -21.1        |
| Depreciation/amortisation  | -0.6            | -0.2            | -1.9         | -7.2                | 1.5          | -8.5         |
| Internal allocation of expenses  | -15.2           | -13.3           |              | 28.6                |              | 0.0          |
| <b>Total expenses</b>  | <b>-33.2</b>    | <b>-21.7</b>    | <b>-22.8</b> | <b>-5.6</b>         | <b>11.4</b>  | <b>-72.0</b> |
| <b>Profit before impairment losses</b>   | <b>14.5</b>     | <b>7.1</b>      | <b>2.1</b>   | <b>2.6</b>          | <b>-0.8</b>  | <b>25.5</b>  |
| Net impairment losses on financial assets, net                                 | 0.0             | -1.2            |              | -0.3                | 0.0          | -1.4         |
| <b>Net operating profit</b>  | <b>14.5</b>     | <b>5.9</b>      | <b>2.1</b>   | <b>2.4</b>          | <b>-0.8</b>  | <b>24.1</b>  |
| Income taxes   | -3.0            | -1.2            | -0.4         | -0.3                |              | -5.0         |
| <b>Profit for the period attributable to shareholders in Bank of Åland Plc</b> | <b>11.5</b>     | <b>4.7</b>      | <b>1.7</b>   | <b>2.0</b>          | <b>-0.8</b>  | <b>19.1</b>  |
| <b>Business volume</b>   |                 |                 |              |                     |              |              |
| Receivables from the public and public sector                                  | 1,754           | 2,218           |              | 14                  |              | 3,985        |
| Deposits from the public and public sector                                     | 1,639           | 1,609           |              | 61                  | -20          | 3,288        |
| Actively managed assets  | 5,414           | 370             |              | 3                   |              | 5,788        |
| Risk exposure amount   | 695             | 602             | 36           | 238                 |              | 1,571        |
| Equity capital   | 98              | 88              | 13           | 48                  |              | 247          |
| <b>Financial ratios etc.</b>   |                 |                 |              |                     |              |              |
| Return on equity after taxes, % (ROE)  | 16.3            | 7.2             | 17.5         | 5.5                 |              | 10.5         |
| Expense/income ratio   | 0.70            | 0.75            | 0.91         | 0.68                |              | 0.74         |



| Group  | Jan-Sep 2018    |                 |              |                     |              |              |
|--|-----------------|-----------------|--------------|---------------------|--------------|--------------|
| EUR M  | Private Banking | Premium Banking | IT           | Corporate and Other | Eliminations | Total        |
| Net interest income  | 18.8            | 19.8            | 0.0          | 2.7                 | 0.0          | 41.2         |
| Net commission income  | 30.1            | 9.1             | 0.0          | 1.1                 | 0.2          | 40.4         |
| Net income from financial items at fair value                                  | 0.0             | 0.0             | 0.0          | 1.3                 | 0.0          | 1.3          |
| IT income  |                 |                 | 23.7         |                     | -11.8        | 12.0         |
| Other income   | 0.0             | 0.1             | 0.4          | 0.8                 | -0.7         | 0.6          |
| <b>Total income</b>  | <b>48.9</b>     | <b>29.0</b>     | <b>24.0</b>  | <b>5.9</b>          | <b>-12.3</b> | <b>95.4</b>  |
| Staff costs  | -11.6           | -4.9            | -11.7        | -14.6               | 0.0          | -42.8        |
| Other expenses   | -6.2            | -3.8            | -8.5         | -16.8               | 10.4         | -24.9        |
| Depreciation/amortisation  | -0.2            | -0.3            | -2.3         | -4.1                | 1.3          | -5.5         |
| Internal allocation of expenses  | -16.5           | -12.7           |              | 29.1                |              | 0.0          |
| <b>Total expenses</b>  | <b>-34.5</b>    | <b>-21.7</b>    | <b>-22.5</b> | <b>-6.3</b>         | <b>11.7</b>  | <b>-73.2</b> |
| <b>Profit before impairment losses</b>   | <b>14.4</b>     | <b>7.3</b>      | <b>1.5</b>   | <b>-0.4</b>         | <b>-0.6</b>  | <b>22.2</b>  |
| Net impairment losses on financial assets, net                                 | 0.0             | -0.4            |              | -0.5                | 0.0          | -0.9         |
| <b>Net operating profit</b>  | <b>14.5</b>     | <b>6.8</b>      | <b>1.5</b>   | <b>-0.9</b>         | <b>-0.6</b>  | <b>21.3</b>  |
| Income taxes   | -3.0            | -1.4            | -0.3         | 0.1                 |              | -4.5         |
| <b>Profit for the period attributable to shareholders in Bank of Åland Plc</b> | <b>11.5</b>     | <b>5.4</b>      | <b>1.2</b>   | <b>-0.8</b>         | <b>-0.6</b>  | <b>16.7</b>  |
| <b>Business volume</b>   |                 |                 |              |                     |              |              |
| Receivables from the public and public sector                                  | 1,713           | 2,260           |              | 25                  | -20          | 3,978        |
| Deposits from the public and public sector                                     | 1,610           | 1,449           |              | 46                  | -19          | 3,085        |
| Actively managed assets  | 5,478           | 371             |              | 1                   |              | 5,849        |
| Risk exposure amount   | 671             | 650             | 43           | 201                 |              | 1,565        |
| Equity capital   | 84              | 90              | 14           | 49                  |              | 237          |
| <b>Financial ratios etc.</b>   |                 |                 |              |                     |              |              |
| Return on equity after taxes, % (ROE)  | 18.0            | 8.0             | 13.0         | -2.5                |              | 9.6          |
| Expense/income ratio   | 0.71            | 0.75            | 0.94         | 1.07                |              | 0.77         |

## 5. Changes in Group structure

During the third quarter, the Bank of Åland's subsidiary Ab Compass Card Oy Ltd was merged with the parent company.

## 6. Net interest income

| Group  | Q3<br>2019  | Q2<br>2019  | %        | Q3<br>2018  | %         | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %         |
|--|-------------|-------------|----------|-------------|-----------|-----------------|-----------------|-----------|
| <b>EUR M</b>   |             |             |          |             |           |                 |                 |           |
| Receivables from credit institutions and central banks | 0.0         | -0.1        | -79      | -0.2        | -87       | -0.1            | -0.7            | -79       |
| <i>of which negative interest</i>                      | -0.2        | -0.3        | -41      | -0.3        | -40       | -0.6            | -0.8            | -24       |
| Receivables from the public and public sector entities | 15.3        | 15.3        | 0        | 15.3        | 0         | 45.8            | 47.0            | -3        |
| <i>of which negative interest</i>                      | -0.1        | -0.0        |          | -0.0        |           | -0.0            | -0.0            | -92       |
| Debt securities  | 0.1         | 0.2         | -35      | 0.2         | -14       | 0.5             | 0.5             | -7        |
| <i>of which negative interest</i>                      | -0.3        | -0.1        | 79       |             |           | -0.5            |                 |           |
| Derivatives  | 0.2         | 0.2         | 14       | 0.1         | 60        | 0.6             | 0.5             | 17        |
| Other interest income                                  | 0.0         | 0.0         |          | 0.0         |           | 0.0             | 0.0             |           |
| <b>Total interest income</b>                           | <b>15.6</b> | <b>15.6</b> | <b>0</b> | <b>15.4</b> | <b>1</b>  | <b>46.7</b>     | <b>47.3</b>     | <b>-1</b> |
| <i>of which negative interest</i>                      | -0.4        | -0.4        | 0        | -0.3        | 44        | -1.1            | -0.9            | 35        |
| Liabilities to credit institutions and central banks   | -0.1        | -0.1        | -1       | -0.1        | -2        | -0.4            | -0.4            | -5        |
| <i>of which negative interest</i>                      | -0.1        | -0.1        | 2        | -0.1        | 0         | -0.4            | -0.4            | -1        |
| Liabilities to the public                              | 1.0         | 0.7         | 29       | 0.9         | 2         | 2.7             | 2.7             | 2         |
| <i>of which negative interest</i>                      | -0.1        | -0.0        | 39       | -0.1        | -45       | -0.1            | -0.2            | -41       |
| Debt securities issued                                 | 0.8         | 1.0         | -14      | 0.7         | 14        | 2.7             | 2.1             | 30        |
| <i>of which negative interest</i>                      | -0.2        | -0.1        | 47       | -0.1        | 52        | -0.4            | -0.4            | 17        |
| Subordinated liabilities                               | 0.3         | 0.3         | -9       | 0.3         | -9        | 1.0             | 0.9             | 13        |
| Derivatives  | 0.3         | 0.3         | 13       | 0.2         | 64        | 0.8             | 0.8             | -5        |
| Other interest expenses                                | 0.0         | 0.0         | -11      | 0.0         |           | 0.1             | 0.0             |           |
| <b>Total interest expenses</b>                         | <b>2.3</b>  | <b>2.2</b>  | <b>4</b> | <b>2.1</b>  | <b>11</b> | <b>6.9</b>      | <b>6.1</b>      | <b>13</b> |
| <i>of which negative interest</i>                      | -0.4        | -0.3        | 26       | -0.4        | 6         | -1.0            | -1.1            | -4        |
| <b>Net interest income</b>                             | <b>13.3</b> | <b>13.4</b> | <b>0</b> | <b>13.3</b> | <b>0</b>  | <b>39.9</b>     | <b>41.2</b>     | <b>-3</b> |
| Interest margin, per cent                              | 0.99        | 1.00        |          | 1.01        |           | 0.99            | 1.05            |           |
| Investment margin, per cent                            | 0.96        | 0.97        |          | 0.98        |           | 0.96            | 1.02            |           |

Interest from derivative instruments is recognised together with the item that they hedge within the framework of hedge accounting (fair value hedging and cash flow hedging).

Interest margin is interest on interest-bearing assets divided by the average balance of assets minus interest on interest-bearing liabilities divided by the average balance of liabilities. Average balance is calculated as the average of end-of-month figures for the period in question plus the opening balance for the period.

Investment margin is net interest income divided by the average balance sheet total.

## 7. Net commission income

| Group                            | Q3<br>2019  | Q2<br>2019  | %        | Q3<br>2018  | %          | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %          |
|----------------------------------|-------------|-------------|----------|-------------|------------|-----------------|-----------------|------------|
| <b>EUR M</b>                     |             |             |          |             |            |                 |                 |            |
| Deposits                         | 0.2         | 0.2         | 15       | 0.2         | 6          | 0.6             | 0.6             | 5          |
| Lending                          | 0.6         | 0.7         | -10      | 0.7         | -10        | 2.0             | 2.2             | -10        |
| Payment intermediation           | 2.7         | 2.3         | 14       | 2.2         | 21         | 7.4             | 6.5             | 14         |
| Mutual fund commissions          | 10.2        | 9.9         | 4        | 10.5        | -3         | 29.6            | 31.4            | -6         |
| Management commissions           | 2.8         | 2.7         | 4        | 3.0         | -5         | 8.4             | 8.5             | -2         |
| Securities commissions           | 2.3         | 3.0         | -25      | 2.3         | -1         | 8.6             | 9.9             | -13        |
| Other commission income          | 0.8         | 0.8         | -10      | 0.9         | -11        | 2.4             | 2.6             | -9         |
| <b>Total commission income</b>   | <b>19.6</b> | <b>19.7</b> | <b>0</b> | <b>19.8</b> | <b>-1</b>  | <b>59.0</b>     | <b>61.8</b>     | <b>-4</b>  |
| Payment commission expenses      | -0.9        | -1.0        | -8       | -1.0        | -4         | -3.0            | -3.0            | -1         |
| Mutual fund commission expenses  | -4.2        | -4.1        | 3        | -5.2        | -20        | -12.0           | -15.8           | -24        |
| Management commission expenses   | -0.2        | -0.2        | -18      | -0.3        | -42        | -0.6            | -0.7            | -15        |
| Securities commission expenses   | -0.4        | -0.4        | 0        | -0.4        | 5          | -1.3            | -1.5            | -14        |
| Other commission expenses        | -0.1        | -0.1        | -5       | -0.1        | -4         | -0.4            | -0.4            | -3         |
| <b>Total commission expenses</b> | <b>-5.8</b> | <b>-5.9</b> | <b>0</b> | <b>-7.1</b> | <b>-17</b> | <b>-17.3</b>    | <b>-21.4</b>    | <b>-19</b> |
| <b>Net commission income</b>     | <b>13.8</b> | <b>13.8</b> | <b>0</b> | <b>12.7</b> | <b>9</b>   | <b>41.7</b>     | <b>40.4</b>     | <b>3</b>   |

For further information concerning new accounting principles for foreign exchange commissions, see the Stock Exchange Release that was published on April 23, 2019.

## 8. Net income from financial items at fair value

| Group   | Q3<br>2019 | Q2<br>2019  | %         | Q3<br>2018  | %    | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %          |
|---|------------|-------------|-----------|-------------|------|-----------------|-----------------|------------|
| <b>EUR M</b>  |            |             |           |             |      |                 |                 |            |
| Valuation category fair value via the income statement ("profit and losses")        |            |             |           |             |      |                 |                 |            |
| Debt securities   |            |             |           | 0.0         | -100 |                 | -0.1            | -100       |
| Derivative instruments  | 0.0        | 0.0         |           | 0.0         |      | 0.0             | 0.0             | 52         |
| <b>Valuation category fair value via the income statement ("profit and losses")</b> | <b>0.0</b> | <b>0.0</b>  |           | <b>0.0</b>  |      | <b>0.0</b>      | <b>-0.1</b>     | <b>-90</b> |
| Hedge accounting  |            |             |           |             |      |                 |                 |            |
| <i>of which hedging instruments</i>   | 1.4        | 4.9         | -71       | -2.3        |      | 8.5             | -2.9            |            |
| <i>of which hedged item</i>   | -1.3       | -5.0        | -73       | 2.2         |      | -8.6            | 3.2             |            |
| <b>Hedge accounting</b>   | <b>0.1</b> | <b>-0.1</b> |           | <b>-0.1</b> |      | <b>0.0</b>      | <b>0.3</b>      |            |
| <b>Net income from foreign currency revaluation</b>                                 | <b>0.0</b> | <b>0.0</b>  |           | <b>0.1</b>  |      | <b>0.0</b>      | <b>0.4</b>      |            |
| <b>Net income from financial assets available for sale</b>                          | <b>1.6</b> | <b>0.9</b>  | <b>80</b> | <b>0.0</b>  |      | <b>2.9</b>      | <b>0.7</b>      |            |
| <b>Total</b>  | <b>1.6</b> | <b>0.8</b>  |           | <b>-0.1</b> |      | <b>2.8</b>      | <b>1.3</b>      |            |

For further information concerning new accounting principles for foreign exchange commissions, see the Stock Exchange Release that was published on April 23, 2019.

## 9. Other expenses

| Group                               | Q3<br>2019 | Q2<br>2019 | %        | Q3<br>2018 | %          | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %          |
|-------------------------------------|------------|------------|----------|------------|------------|-----------------|-----------------|------------|
| <b>EUR M</b>                        |            |            |          |            |            |                 |                 |            |
| IT expenses (excluding market data) | 2.3        | 2.5        | -7       | 2.5        | -9         | 7.3             | 8.0             | -9         |
| Premises and property expenses      | 0.4        | 0.5        | -11      | 1.2        | -64        | 1.4             | 3.9             | -64        |
| Marketing expenses                  | 0.4        | 0.5        | -26      | 0.4        | -2         | 1.3             | 1.5             | -9         |
| Market data                         | 0.7        | 0.6        | 10       | 0.6        | 5          | 1.8             | 1.8             | 2          |
| Staff-related expenses              | 0.6        | 0.7        | -22      | 0.4        | 30         | 1.8             | 1.5             | 27         |
| Travel expenses                     | 0.2        | 0.3        | -21      | 0.2        | 5          | 0.8             | 0.8             | -1         |
| Purchased services                  | 0.6        | 0.4        | 42       | 0.5        | 5          | 1.5             | 1.5             | 2          |
| Stability fee                       | 0.0        | -0.5       | -100     | 0.0        | -65        | 1.8             | 2.6             | -31        |
| Other expenses                      | 1.8        | 1.8        | 1        | 1.5        | 16         | 5.3             | 5.0             | 6          |
| Production for own use              | -0.6       | -0.7       | -19      | -0.5       | 21         | -2.0            | -1.5            | 31         |
| <b>Total</b>                        | <b>6.3</b> | <b>6.0</b> | <b>5</b> | <b>7.0</b> | <b>-10</b> | <b>21.1</b>     | <b>24.9</b>     | <b>-15</b> |

## 10. Net impairment losses on financial assets

| Group   | Q3<br>2019  | Q2<br>2019 | %         | Q3<br>2018  | %          | Jan-Sep<br>2019 | Jan-Sep<br>2018 | %          |
|---|-------------|------------|-----------|-------------|------------|-----------------|-----------------|------------|
| <b>EUR M</b>  |             |            |           |             |            |                 |                 |            |
| Loan losses, Stage 1  | 0.0         | 0.0        |           | -0.3        | -95        | -0.1            | -0.7            | -82        |
| Loan losses, Stage 2  | -0.1        | -0.1       | -23       | 0.0         | 59         | -0.1            | 0.1             |            |
| <b>Net loan losses, Stages 1-2</b>                                | <b>-0.1</b> | <b>0.0</b> | <b>56</b> | <b>-0.4</b> | <b>-81</b> | <b>-0.2</b>     | <b>-0.5</b>     | <b>-56</b> |
| Loan losses, Stage 3  |             |            |           |             |            |                 |                 |            |
| New and increased individual provisions                           | 2.0         | 0.8        |           | 1.4         | 45         | 4.0             | 3.6             | 12         |
| Recovered from previous provisions                                | -0.7        | -0.7       | 11        | -0.8        | -5         | -2.3            | -2.3            | -1         |
| Utilised for actual loan losses                                   | -1.1        | 0.0        |           | -0.1        |            | -1.7            | -2.0            | -14        |
| Actual loan losses  | 1.1         | 0.4        |           | 0.2         |            | 2.2             | 2.3             | -5         |
| Recoveries of actual loan losses                                  | -0.4        | -0.1       |           | -0.1        |            | -0.5            | -0.1            |            |
| Net group provisions  | 0.0         | -0.1       | -83       |             |            |                 |                 |            |
| <b>Net loan losses, Stage 3</b>                                   | <b>0.9</b>  | <b>0.2</b> |           | <b>0.6</b>  | <b>45</b>  | <b>1.7</b>      | <b>1.4</b>      | <b>16</b>  |
| <b>Total loan losses</b>  | <b>0.8</b>  | <b>0.2</b> |           | <b>0.3</b>  |            | <b>1.4</b>      | <b>0.9</b>      | <b>56</b>  |
| of which receivables from the public and public sector            | 0.8         | 0.1        |           | 0.3         |            | 1.4             | 0.9             | 53         |
| of which off-balance sheet commitments                            | 0.0         | 0.0        |           | 0.0         | -46        | 0.0             | 0.0             | -30        |
| of which debt securities at amortised cost                        | 0.0         | 0.0        | -88       | 0.0         | -87        | 0.0             | 0.0             | 35         |
| Loan loss level, receivables from the public and public sector, % | 0.08        | 0.01       |           | 0.03        |            | 0.05            | 0.03            |            |

## 11. Receivables from the public and public sector by purpose

| Group  | Sep 30, 2019                        |            |                             | Dec 31,<br>2018             | %         | Sep 30,<br>2018             | %         |
|--|-------------------------------------|------------|-----------------------------|-----------------------------|-----------|-----------------------------|-----------|
|  | Receivables<br>before<br>provisions | Provisions | Lending after<br>provisions | Lending after<br>provisions |           | Lending after<br>provisions |           |
| <b>EUR M</b>   |                                     |            |                             |                             |           |                             |           |
| Private individuals                                      |                                     |            |                             |                             |           |                             |           |
| Home loans   | 2,252                               | -3         | 2,249                       | 2,287                       | -2        | 2,254                       | 0         |
| Securities and other investments                         | 322                                 | 0          | 322                         | 309                         | 4         | 309                         | 4         |
| Business operations                                      | 105                                 | -2         | 103                         | 112                         | -9        | 112                         | -8        |
| Other household purposes                                 | 246                                 | -3         | 243                         | 229                         | 6         | 219                         | 11        |
| <b>Total, private individuals</b>                        | <b>2,925</b>                        | <b>-8</b>  | <b>2,917</b>                | <b>2,937</b>                | <b>-1</b> | <b>2,895</b>                | <b>1</b>  |
| Companies  |                                     |            |                             |                             |           |                             |           |
| Shipping   | 56                                  | -2         | 55                          | 59                          | -7        | 45                          | 22        |
| Wholesale and retail trade                               | 45                                  | 0          | 45                          | 46                          | -2        | 46                          | -3        |
| Housing operations                                       | 292                                 | 0          | 292                         | 301                         | -3        | 319                         | -8        |
| Other real estate operations                             | 200                                 | 0          | 199                         | 196                         | 2         | 199                         | 0         |
| Financial and insurance operations                       | 201                                 | 0          | 201                         | 231                         | -13       | 240                         | -16       |
| Hotel and restaurant operations                          | 28                                  | 0          | 28                          | 28                          | -3        | 28                          | -1        |
| Other service operations                                 | 91                                  | -1         | 91                          | 84                          | 9         | 80                          | 14        |
| Agriculture, forestry and fishing                        | 12                                  | 0          | 12                          | 11                          | 8         | 11                          | 6         |
| Construction   | 68                                  | 0          | 68                          | 57                          | 19        | 45                          | 50        |
| Other industry and crafts                                | 36                                  | 0          | 36                          | 37                          | -1        | 38                          | -4        |
| <b>Total, companies</b>                                  | <b>1,030</b>                        | <b>-3</b>  | <b>1,027</b>                | <b>1,050</b>                | <b>-2</b> | <b>1,051</b>                | <b>-2</b> |
| Public sector and non-profit organisations               | 41                                  | 0          | 41                          | 35                          | 19        | 32                          | 27        |
| <b>Total, public sector and non-profit organisations</b> | <b>41</b>                           | <b>0</b>   | <b>41</b>                   | <b>35</b>                   | <b>19</b> | <b>32</b>                   | <b>27</b> |
| <b>Total</b>   | <b>3,996</b>                        | <b>-11</b> | <b>3,985</b>                | <b>4,022</b>                | <b>-1</b> | <b>3,978</b>                | <b>0</b>  |

## 12. Receivables from the public and public sector by stage

| Group  | Jan 1, 2019 - Sep 30, 2019 |                |                |             | Jan 1, 2018 - Sep 30, 2018 |  |
|--|----------------------------|----------------|----------------|-------------|----------------------------|--|
|  | Stage 1                    | Stage 2        | Stage 3        | Total       | Total                      |  |
| <b>EUR M</b>   |                            |                |                |             |                            |  |
| Carrying amount, gross                                   |                            |                |                |             |                            |  |
| Opening balance, January 1                               | 3,847.5                    | 165.7          | 19.7           | 4,033.0     | 3,987.6                    |  |
| Closing balance, September 30                            | 3,804.6                    | 154.5          | 37.3           | 3,996.5     | 3,988.7                    |  |
| Provisions for expected losses                           |                            |                |                |             |                            |  |
| <b>Opening balance, January 1</b>                        | <b>0.9</b>                 | <b>1.2</b>     | <b>9.3</b>     | <b>11.3</b> | <b>12.5</b>                |  |
| Increases due to issuances and acquisitions              | 0.1                        | 0.0            | 0.1            | 0.3         | 0.3                        |  |
| Decrease due to removal from balance sheet               | -0.2                       | -0.5           | -0.6           | -1.2        | -0.5                       |  |
| Decrease due to write-offs                               | 0.0                        | 0.0            | -1.7           | -1.7        | -2.0                       |  |
| Transfer to Stage 1                                      | 0.5                        | -0.5           | 0.0            | 0.0         | 0.0                        |  |
| Transfer to Stage 2                                      | -0.1                       | 0.3            | -0.2           | 0.0         | 0.0                        |  |
| Transfer to Stage 3                                      | 0.0                        | -0.2           | 0.2            | 0.0         | 0.0                        |  |
| Net changes due to changed credit risk                   | -0.4                       | 0.6            | 2.1            | 2.4         | 1.6                        |  |
| Net changes due to changed estimation method             | -0.1                       | 0.1            | 0.0            | 0.0         | -0.6                       |  |
| Exchange rate differences and other adjustments          | 0.0                        | 0.0            | 0.0            | 0.0         | 0.0                        |  |
| <b>Closing balance, September 30</b>                     | <b>0.7</b>                 | <b>1.1</b>     | <b>9.2</b>     | <b>11.0</b> | <b>11.2</b>                |  |
| Carrying amount, net                                     |                            |                |                |             |                            |  |
| Opening balance, January 1                               | 3,846.7                    | 164.6          | 10.4           | 4,021.7     | 3,975.1                    |  |
| Closing balance, September 30                            | 3,803.9                    | 153.5          | 28.1           | 3,985.5     | 3,977.5                    |  |
|  | <b>Sep 30,</b>             | <b>Dec 31,</b> | <b>Sep 30,</b> |             |                            |  |
| Impairment losses, IFRS 9 - Financial ratios             | <b>2019</b>                | <b>2018</b>    | <b>2018</b>    |             |                            |  |
| Total provision ratio, receivables from the public, %    | 0.28                       | 0.28           | 0.28           |             |                            |  |
| Provision ratio, Stage 1, receivables from the public, % | 0.02                       | 0.02           | 0.02           |             |                            |  |
| Provision ratio, Stage 2, receivables from the public, % | 0.69                       | 0.71           | 0.77           |             |                            |  |
| Provision ratio, Stage 3, receivables from the public, % | 25                         | 47             | 40             |             |                            |  |
| Share of receivables from the public in Stage 3, %       | 0.93                       | 0.49           | 0.57           |             |                            |  |

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

| Group  | Sep 30, 2019 | Dec 31, 2018 | %         | Sep 30, 2018 | %         |
|--|--------------|--------------|-----------|--------------|-----------|
| <b>EUR M</b>                                   |              |              |           |              |           |
| Deposit accounts                               |              |              |           |              |           |
| Sight deposits                                 | 3,106        | 3,103        | 0         | 2,842        | 9         |
| Time deposits                                  | 182          | 200          | -9        | 243          | -25       |
| <b>Total deposit accounts</b>                  | <b>3,288</b> | <b>3,304</b> | <b>0</b>  | <b>3,085</b> | <b>7</b>  |
| Certificates of deposit                        |              |              |           |              |           |
| Index bonds (structured products)              | 25           | 1            |           | 2            |           |
| Subordinate debentures                         | 17           | 27           | -28       | 27           | -27       |
| <b>Total bonds and certificates of deposit</b> | <b>42</b>    | <b>29</b>    | <b>46</b> | <b>31</b>    | <b>33</b> |
| <b>Total deposits</b>                          | <b>3,330</b> | <b>3,332</b> | <b>0</b>  | <b>3,117</b> | <b>7</b>  |

#### 14. Debt securities issued

| Group                             | Sep 30, 2019 | Dec 31, 2018 | %        | Sep 30, 2018 | %         |
|-----------------------------------|--------------|--------------|----------|--------------|-----------|
| <b>EUR M</b>                      |              |              |          |              |           |
| Certificates of deposit           | 84           | 121          | -31      | 152          | -45       |
| Covered bonds                     | 1,217        | 1,117        | 9        | 1,259        | -3        |
| Senior non-covered bonds          | 352          | 350          | 1        | 349          | 1         |
| Index bonds (structured products) |              |              |          | 2            | -100      |
| <b>Total</b>                      | <b>1,653</b> | <b>1,588</b> | <b>4</b> | <b>1,761</b> | <b>-6</b> |

#### 15. Derivative instruments

| Group                               | Sep 30, 2019            |              |            |                | Dec 31, 2018           |                        |                |                        |                        |
|-------------------------------------|-------------------------|--------------|------------|----------------|------------------------|------------------------|----------------|------------------------|------------------------|
|                                     | Nominal amount/maturity |              |            | Nominal amount | Positive market values | Negative market values | Nominal amount | Positive market values | Negative market values |
| EUR M                               | Under 1 yr              | 1-5 yrs      | over 5 yrs |                |                        |                        |                |                        |                        |
| Derivatives for trading             |                         |              |            |                |                        |                        |                |                        |                        |
| Interest-related contracts          |                         |              |            |                |                        |                        |                |                        |                        |
| <i>Interest rate swaps</i>          | 1                       | 66           | 6          | 73             | 5                      | 5                      | 55             | 2                      | 3                      |
| Currency-related contracts          |                         |              |            |                |                        |                        |                |                        |                        |
| <i>Currency forward contracts</i>   | 650                     |              |            | 650            | 1                      | 1                      | 383            | 1                      | 1                      |
| <b>Total</b>                        | <b>651</b>              | <b>66</b>    | <b>6</b>   | <b>723</b>     | <b>5</b>               | <b>6</b>               | <b>438</b>     | <b>3</b>               | <b>3</b>               |
| Derivatives for fair value hedge    |                         |              |            |                |                        |                        |                |                        |                        |
| Interest-related contracts          |                         |              |            |                |                        |                        |                |                        |                        |
| <i>Interest rate swaps</i>          | 264                     | 1,079        | 42         | 1,385          | 21                     | 7                      | 1,053          | 12                     | 5                      |
| <b>Total</b>                        | <b>264</b>              | <b>1,079</b> | <b>42</b>  | <b>1,385</b>   | <b>21</b>              | <b>7</b>               | <b>1,053</b>   | <b>12</b>              | <b>5</b>               |
| <b>Total derivative instruments</b> | <b>914</b>              | <b>1,145</b> | <b>48</b>  | <b>2,108</b>   | <b>26</b>              | <b>12</b>              | <b>1,491</b>   | <b>15</b>              | <b>8</b>               |
| <i>of which cleared</i>             | 264                     | 1,142        | 45         | 1,451          | 23                     | 11                     | 1,102          | 13                     | 7                      |

## 16. Financial instruments measured at fair value

| Group   |  | Sep 30, 2019   |  |              |
|---|--|--|--|--------------|
|   | 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        |
| <b>EUR M</b>  |  |  |  |              |
| Debt securities eligible for refinancing with central banks | 742                                      |  |  | 742          |
| Receivables from the public and public sector entities      |  | 10.4   |  | 10.4         |
| Shares and participations                                   | 0  | 0  | 3  | 4            |
| Derivative instruments                                      |  | 26   |  | 26           |
| <b>Total financial assets</b>                               | <b>743</b>                               | <b>130</b>   | <b>3</b>   | <b>876</b>   |
| Debt securities issued                                      |  | 1,167  |  | 1,167        |
| Derivative instruments                                      |  | 12   |  | 12           |
| <b>Total financial liabilities</b>                          |  | <b>1,179</b>   |  | <b>1,179</b> |

| Group   |  | Dec 31, 2018   |  |            |
|---|--|--|--|------------|
|   | 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      |
| <b>EUR M</b>  |  |  |  |            |
| Debt securities eligible for refinancing with central banks | 626                                      |  |  | 626        |
| Receivables from the public and public sector entities      |  | 100  |  | 100        |
| Shares and participations                                   | 0  | 0  | 3  | 3          |
| Derivative instruments                                      |  | 15   |  | 15         |
| <b>Total financial assets</b>                               | <b>626</b>                               | <b>115</b>   | <b>3</b>   | <b>744</b> |
| Debt securities issued                                      |  | 953  |  | 953        |
| Derivative instruments                                      |  | 8  |  | 8          |
| Subordinated liabilities                                    |  | 2  |  | 2          |
| <b>Total financial liabilities</b>                          |  | <b>964</b>   |  | <b>964</b> |

| Changes in Level 3 holdings                                |                           | Jan 1-Sep 30, 2019 |
|--|---------------------------|--------------------|
| <b>EUR M</b>   |                           |                    |
|  | Shares and participations |                    |
| Carrying amount on January 1                               |                           | 2.5                |
| New purchases/reclassifications                            |                           | 0.8                |
| Currency revaluation effect                                |                           | -0.1               |
| Change in value recognised in "Other comprehensive income" |                           | 0.0                |
| <b>Carrying amount on September 30</b>                     |                           | <b>3.3</b>         |

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 tables on the previous page, 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 on the previous page.

### 17. Off-balance sheet commitments

| Group                         | Sep 30, 2019 | Dec 31, 2018 | %         | Sep 30, 2018 | %         |
|-------------------------------|--------------|--------------|-----------|--------------|-----------|
| <b>EUR M</b>                  |              |              |           |              |           |
| Guarantees                    | 8            | 43           | -81       | 44           | -81       |
| Unutilised overdraft limits   | 215          | 228          | -6        | 218          | -2        |
| Unutilised credit card limits | 79           | 76           | 4         | 78           | 1         |
| Lines of credit               | 145          | 131          | 11        | 135          | 7         |
| Other commitments             | 30           | 14           |           | 19           | 59        |
| <b>Total</b>                  | <b>477</b>   | <b>493</b>   | <b>-3</b> | <b>494</b>   | <b>-4</b> |
| Provision for expected loss   | 0            | 0            | -21       | 0            | -75       |

## 18. Offsetting of financial assets and liabilities

| Group   | Assets          |                 |           | Liabilities     |                 |            |
|---|-----------------|-----------------|-----------|-----------------|-----------------|------------|
|   | Sep 30,<br>2019 | Dec 31,<br>2018 | %         | Sep 30,<br>2019 | Dec 31,<br>2018 | %          |
| <b>EUR M</b>  |                 |                 |           |                 |                 |            |
| Financial assets and liabilities covered by offsetting, netting or similar agreements |                 |                 |           |                 |                 |            |
| Gross amount  | 26              | 15              | 72        | 56              | 39              | 44         |
| Offset amount   |                 |                 |           |                 |                 |            |
| <b>Total</b>  | <b>26</b>       | <b>15</b>       | <b>72</b> | <b>56</b>       | <b>39</b>       | <b>44</b>  |
| Related amounts not offset  |                 |                 |           |                 |                 |            |
| Financial instruments, netting agreements   | -11             | -7              | 55        | -11             | -7              | 55         |
| Financial instruments, collateral   |                 |                 |           | -14             | -14             | -4         |
| Cash, collateral  | 0               |                 |           | -30             | -15             |            |
| <b>Total amounts not offset</b>   | <b>-12</b>      | <b>-7</b>       | <b>56</b> | <b>-56</b>      | <b>-37</b>      | <b>51</b>  |
| <b>Net amount</b>   | <b>15</b>       | <b>8</b>        | <b>87</b> | <b>0</b>        | <b>2</b>        | <b>-77</b> |

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 that allow netting of obligations to counterparties in case of default. 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.

## 19. Assets pledged

| Group   | Sep 30, 2019 | Dec 31, 2018 | %        | Sep 30, 2018 | %          |
|---|--------------|--------------|----------|--------------|------------|
| <b>EUR M</b>  |              |              |          |              |            |
| Lending to credit institutions  | 40           | 23           | 76       | 34           | 17         |
| Debt securities   | 161          | 141          | 15       | 185          | -13        |
| Loan receivables constituting collateral (cover pool) for covered bonds | 1,688        | 1,615        | 5        | 2,064        | -18        |
| Other assets pledged  | 3            | 3            | -15      | 3            | -16        |
| <b>Total</b>  | <b>1,892</b> | <b>1,781</b> | <b>6</b> | <b>2,287</b> | <b>-17</b> |

## 20. Capital adequacy

| Group  | Sep 30, 2019 | Dec 31, 2018 | %         | Sep 30, 2018 | %         |
|--|--------------|--------------|-----------|--------------|-----------|
| <b>EUR M</b>   |              |              |           |              |           |
| Equity capital according to balance sheet                                    | 246.7        | 242.4        | 2         | 236.8        | 4         |
| Foreseeable dividend   | -9.1         | -10.8        | -16       | -8.1         | 12        |
| <b>Common equity Tier 1 capital before deductions</b>                        | <b>237.6</b> | <b>231.6</b> | <b>3</b>  | <b>228.7</b> | <b>4</b>  |
| Intangible assets  | -20.6        | -21.0        | -2        | -16.2        | 27        |
| Non-controlling interests  | 0.0          | 0.0          | 3         | 0.0          | -6        |
| Net other items  | 0.0          | 0.0          | 36        | 0.0          | 19        |
| Further adjustments in value   | -0.8         | -0.6         | 20        | -0.5         | 44        |
| Expected losses according to IRB approach beyond recognised losses (deficit) | -7.6         | -6.1         | 25        | -6.1         | 24        |
| Adjustments due to transitional rules related to IFRS 9                      | 0.6          | 0.6          | -11       | 0.7          | -23       |
| <b>Common equity Tier 1 capital</b>  | <b>209.2</b> | <b>204.4</b> | <b>2</b>  | <b>206.5</b> | <b>1</b>  |
| <b>Additional Tier 1 capital</b>   |              |              |           |              |           |
| <b>Tier 1 capital</b>  | <b>209.2</b> | <b>204.4</b> | <b>2</b>  | <b>206.5</b> | <b>1</b>  |
| Supplementary capital instruments  | 35.7         | 37.5         | -5        | 37.9         | -6        |
| Expected losses according to IRB approach beyond recognised losses (surplus) |              | 0.4          | -100      | 0.3          | -100      |
| <b>Supplementary capital</b>   | <b>35.7</b>  | <b>37.9</b>  | <b>-6</b> | <b>38.2</b>  | <b>-6</b> |
| <b>Total capital base</b>  | <b>244.9</b> | <b>242.4</b> | <b>1</b>  | <b>244.7</b> | <b>0</b>  |
| Capital requirement for credit risk according to the IRB approach            | 41.0         | 42.4         | -3        | 42.8         | -4        |
| Capital requirement for risk weighting floor, home mortgage loans            | 7.8          | 7.5          | 5         | 7.5          | 4         |
| Capital requirement for credit risk according to standardised approach       | 59.3         | 59.3         | 0         | 57.7         | 3         |
| Capital requirement for credit-worthiness adjustment risk                    | 0.0          | 0.0          | -11       | 0.0          | -88       |
| Capital requirement for operational risk                                     | 17.6         | 17.1         | 3         | 17.1         | 3         |
| <b>Capital requirement</b>   | <b>125.7</b> | <b>126.2</b> | <b>0</b>  | <b>125.2</b> | <b>0</b>  |
| <b>Capital ratios</b>  |              |              |           |              |           |
| Common equity Tier 1 capital ratio, %  | 13.3         | 13.0         |           | 13.2         |           |
| Tier 1 capital ratio, %  | 13.3         | 13.0         |           | 13.2         |           |
| Total capital ratio, %   | 15.6         | 15.4         |           | 15.6         |           |
| Risk exposure amount   | 1,571        | 1,578        | 0         | 1,565        | 0         |
| of which % comprising credit risk  | 86           | 86           |           | 86           |           |
| of which % comprising credit-worthiness adjustment risk                      | 0            | 0            |           | 0            |           |
| of which % comprising operational risk                                       | 14           | 14           |           | 14           |           |

| Requirements related to capital buffers, %                                    | Sep 30,<br>2019 | Dec 31,<br>2018 | Sep 30,<br>2018 |
|---|-----------------|-----------------|-----------------|
| Total common equity Tier 1 capital requirements including buffer requirements | 10.7            | 9.5             | 7.9             |
| of which common equity Tier 1 capital requirement                             | 4.5             | 4.5             | 4.5             |
| of which common equity Tier 2 capital requirement                             | 1.5             | 1.5             |                 |
| of which capital conservation buffer requirement                              | 2.5             | 2.5             | 2.5             |
| of which countercyclical capital buffer requirement                           | 1.2             | 1.0             | 0.9             |
| of which systemic risk buffer requirement                                     | 1.0             |                 |                 |
| Common equity Tier 1 capital available to be used as a buffer                 | 13.3            | 13.0            | 13.2            |

| Exposure class  | Sep 30, 2019   |                     |               |                      |                     |
|---|----------------|---------------------|---------------|----------------------|---------------------|
| EUR M   | Gross exposure | Exposure at default | Risk weight % | Risk exposure amount | Capital requirement |
| <b>Credit risk according to the IRB approach</b>                      |                |                     |               |                      |                     |
| <b>Without own LGD estimates</b>                                      |                |                     |               |                      |                     |
| Corporate, other large companies                                      | 175.0          | 144.1               | 53            | 76.8                 | 6.1                 |
| Corporate, small and medium sized companies                           | 325.7          | 302.7               | 61            | 185.4                | 14.8                |
| Corporate, special lending  | 5.3            | 5.3                 | 112           | 5.9                  | 0.5                 |
| <b>Using own LGD estimates</b>  |                |                     |               |                      |                     |
| Retail with property as collateral (small and medium-sized companies) | 112.6          | 111.9               | 24            | 26.4                 | 2.1                 |
| Retail with property as collateral (private individuals)              | 1,817.9        | 1,806.8             | 10            | 179.6                | 14.4                |
| Retail, other (small and medium-sized companies)                      | 37.1           | 36.5                | 21            | 7.8                  | 0.6                 |
| Retail, other   | 338.1          | 296.9               | 10            | 30.3                 | 2.4                 |
| <b>Total exposures according to IRB approach</b>                      | <b>2,811.5</b> | <b>2,704.1</b>      | <b>19</b>     | <b>512.3</b>         | <b>41.0</b>         |
| <b>Credit risk according to standardised approach</b>                 |                |                     |               |                      |                     |
| Central government or central banks                                   | 413.6          | 496.2               | 0             | 0.0                  | 0.0                 |
| Regional governments or local authorities                             | 57.0           | 80.6                | 0             | 0.0                  | 0.0                 |
| Public sector entities  | 41.2           | 41.2                | 0             | 0.0                  | 0.0                 |
| Multilateral development banks  | 43.6           | 46.6                | 0             | 0.0                  | 0.0                 |
| International organisations   | 7.3            | 7.3                 | 0             | 0.0                  | 0.0                 |
| Institutions  | 341.4          | 298.0               | 21            | 62.7                 | 5.0                 |
| Corporates  | 471.5          | 186.3               | 99            | 184.8                | 14.8                |
| Retail  | 161.7          | 82.2                | 73            | 59.6                 | 4.8                 |
| Secured by mortgages on immovable property                            | 930.4          | 929.9               | 33            | 304.4                | 24.4                |
| Exposures in default  | 4.3            | 4.3                 | 119           | 5.1                  | 0.4                 |
| Items associated with particularly high risk                          | 0.0            | 0.0                 | 150           | 0.0                  | 0.0                 |
| Covered bonds   | 605.3          | 605.2               | 10            | 60.5                 | 4.8                 |
| Collective investment undertakings                                    | 0.5            | 0.5                 | 100           | 0.5                  | 0.0                 |
| Equity exposures  | 3.5            | 3.5                 | 100           | 3.5                  | 0.3                 |
| Other exposures   | 81.1           | 81.1                | 74            | 59.7                 | 4.8                 |
| <b>Total exposures according to standardised approach</b>             | <b>3,162.4</b> | <b>2,862.7</b>      | <b>26</b>     | <b>740.8</b>         | <b>59.3</b>         |
| <b>Total risk exposure amount, credit risk</b>                        | <b>5,973.9</b> | <b>5,566.9</b>      | <b>23</b>     | <b>1,253.1</b>       | <b>100.2</b>        |

| Exposure class  | Dec 31, 2018   |                     |               |                      |                     |
|---|----------------|---------------------|---------------|----------------------|---------------------|
| EUR M   | Gross exposure | Exposure at default | Risk weight % | Risk exposure amount | Capital requirement |
| <b>Credit risk according to the IRB approach</b>                      |                |                     |               |                      |                     |
| <b>Without own LGD estimates</b>                                      |                |                     |               |                      |                     |
| Corporate, other large companies                                      | 206.6          | 156.0               | 0             | 80.5                 | 6.4                 |
| Corporate, small and medium sized companies                           | 349.0          | 325.4               | 0             | 214.2                | 17.1                |
| Corporate, special lending  | 5.3            | 5.3                 | 0             | 4.6                  | 0.4                 |
| <b>Using own LGD estimates</b>  |                |                     |               |                      |                     |
| Retail with property as collateral (small and medium-sized companies) | 109.6          | 108.9               | 0             | 25.4                 | 2.0                 |
| Retail with property as collateral (private individuals)              | 1,802.9        | 1,792.7             | 9             | 166.7                | 13.3                |
| Retail, other (small and medium-sized companies)                      | 38.8           | 37.9                | 21            | 8.1                  | 0.6                 |
| Retail, other   | 339.3          | 302.7               | 10            | 30.5                 | 2.4                 |
| <b>Total exposures according to IRB approach</b>                      | <b>2,851.5</b> | <b>2,728.7</b>      | <b>19</b>     | <b>530.0</b>         | <b>42.4</b>         |
| <b>Credit risk according to standardised approach</b>                 |                |                     |               |                      |                     |
| Central government or central banks                                   | 546.7          | 610.2               | 0             | 0.0                  | 0.0                 |
| Regional governments or local authorities                             | 30.6           | 53.2                | 0             | 0.0                  | 0.0                 |
| Public sector entities  | 5.0            | 5.0                 | 0             | 0.0                  | 0.0                 |
| Multilateral development banks  | 45.2           | 46.7                | 0             | 0.0                  | 0.0                 |
| International organisations   | 42.2           | 42.2                | 0             | 0.0                  | 0.0                 |
| Institutions  | 311.6          | 272.2               | 25            | 67.7                 | 5.4                 |
| Corporates  | 440.5          | 195.2               | 98            | 191.9                | 15.4                |
| Retail  | 177.7          | 88.7                | 72            | 64.3                 | 5.1                 |
| Secured by mortgages on immovable property                            | 963.8          | 963.0               | 33            | 315.9                | 25.3                |
| Exposures in default  | 3.4            | 3.3                 | 135           | 4.5                  | 0.4                 |
| Items associated with particularly high risk                          | 0.0            | 0.0                 | 150           | 0.0                  | 0.0                 |
| Covered bonds   | 492.9          | 492.8               | 10            | 49.3                 | 3.9                 |
| Equity exposures  | 2.7            | 2.7                 | 100           | 2.7                  | 0.2                 |
| Other exposures   | 82.0           | 82.0                | 54            | 44.5                 | 3.6                 |
| <b>Total exposures according to standardised approach</b>             | <b>3,144.2</b> | <b>2,857.3</b>      | <b>26</b>     | <b>740.8</b>         | <b>59.3</b>         |
| <b>Total risk exposure amount, credit risk</b>                        | <b>5,995.7</b> | <b>5,586.0</b>      | <b>23</b>     | <b>1,270.8</b>       | <b>101.7</b>        |
| <b>Leverage ratio</b>   |                |                     |               |                      |                     |
|   | Sep 30, 2019   | Dec 31, 2018        | %             | Sep 30, 2018         | %                   |
| <b>EUR M</b>  |                |                     |               |                      |                     |
| Tier 1 capital  | 209.2          | 204.4               | 2             | 206.5                | 1                   |
| Total exposure measure  | 5,628.8        | 5,635.9             | 0             | 5,579.8              | 1                   |
| of which balance sheet items  | 5,531.8        | 5,538.9             | 0             | 5,478.2              | 1                   |
| of which off-balance sheet items                                      | 96.9           | 97.0                | 0             | 101.6                | -5                  |
| Leverage ratio, %   | 3.7            | 3.6                 |               | 3.7                  |                     |

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

*Translation*

# Report on review of the interim report of Bank of Åland Plc for the accounting period January 1 – September 30, 2019

To the Board of Directors of Bank of Åland Plc

## **Introduction**

We have reviewed the summary balance sheet as of September 30, 2019 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Bank of Åland Plc 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 23, 2019

MARCUS TÖTTERMAN  
*Authorised Public Accountant, KHT*

MARI SUOMELA  
*Authorised Public Accountant, KHT*

DANIEL HAGLUND  
*Authorised Public Accountant, HT*