

## Interim Report

For the period January–March 2016 • April 26, 2016



### January–March 2016

Compared to January–March 2015

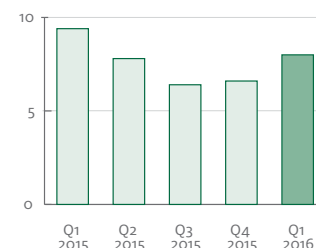
- Net operating profit decreased by 15 per cent to EUR 8.0 M (9.4).
- Profit for the period attributable to shareholders decreased by 18 per cent to EUR 6.3 M (7.7).
- Net interest income increased by 10 per cent to EUR 13.9 M (12.7).
- Net commission income decreased by 12 per cent to EUR 11.3 M (12.9).
- Total expenses decreased by 3 per cent to EUR 22.2 M (22.8).
- Net impairment losses on loans (including recoveries) increased to EUR 0.4 M (0.2), equivalent to a loan loss level of 0.05 (0.02) per cent.
- Return on equity after taxes (ROE) decreased to 11.7 (15.9) per cent.
- Earnings per share decreased by 23 per cent to EUR 0.41 (0.54).
- The core Tier 1 capital ratio increased to 12.5 per cent (12.0 on December 31, 2015).

“Strong quarterly earnings, but we are seeing negative market interest rates squeezing our net interest income. During the first quarter, our deposits rose sharply (8 per cent) and we had a continued positive inflow to our financial investment services. Our customers’ actively managed assets thus grew by 1 per cent despite falling stock markets during the quarter.”

Peter Wiklöf, Managing Director

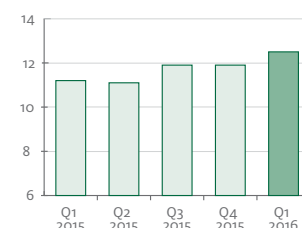
#### Net operating profit

EUR M



#### Core Tier 1 ratio

Per cent



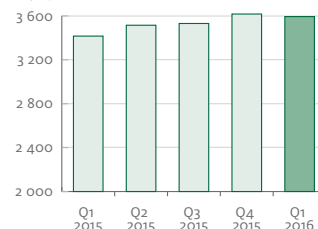
#### Investment volume

EUR M



#### Lending

EUR M



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland’s Head Office is in Mariehamn. The Bank has five offices in the Åland Islands, five offices elsewhere in Finland and three offices in Sweden. A total of three subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

# Financial summary

| Bank of Åland Group   | Q1<br>2016   | Q4<br>2015   | %          | Q1<br>2015   | %          |
|---|--------------|--------------|------------|--------------|------------|
| EUR M   |              |              |            |              |            |
| Income  |              |              |            |              |            |
| Net interest income   | 13.9         | 14.8         | -6         | 12.7         | 10         |
| Net commission income   | 11.3         | 11.2         | 1          | 12.9         | -12        |
| Net income from financial items at fair value                       | 1.5          | 2.5          | -40        | 2.4          | -39        |
| Other income  | 3.8          | 4.0          | -5         | 4.5          | -15        |
| <b>Total income</b>   | <b>30.6</b>  | <b>32.4</b>  | <b>-6</b>  | <b>32.4</b>  | <b>-6</b>  |
| Expenses  |              |              |            |              |            |
| Staff costs   | -14.2        | -15.1        | -6         | -13.7        | 4          |
| Other expenses  | -6.4         | -8.0         | -20        | -7.2         | -11        |
| Depreciation/amortisation   | -1.5         | -1.6         | -2         | -1.9         | -19        |
| <b>Total expenses</b>   | <b>-22.2</b> | <b>-24.7</b> | <b>-10</b> | <b>-22.8</b> | <b>-3</b>  |
| <b>Profit before impairment losses</b>                              | <b>8.4</b>   | <b>7.8</b>   | <b>8</b>   | <b>9.6</b>   | <b>-13</b> |
| Impairment losses on loans and other commitments                    | -0.4         | -1.1         | -64        | -0.2         |            |
| <b>Net operating profit</b>   | <b>8.0</b>   | <b>6.6</b>   | <b>21</b>  | <b>9.4</b>   | <b>-15</b> |
| Income taxes  | -1.7         | -1.3         | 24         | -1.7         | -2         |
| <b>Profit for the report period</b>                                 | <b>6.3</b>   | <b>5.3</b>   | <b>20</b>  | <b>7.7</b>   | <b>-18</b> |
| Attributable to:  |              |              |            |              |            |
| Non-controlling interests   | 0.0          | 0.0          | -77        | 0.0          |            |
| <b>Shareholders in Bank of Åland Plc</b>                            | <b>6.3</b>   | <b>5.3</b>   | <b>20</b>  | <b>7.7</b>   | <b>-18</b> |
| Volume  |              |              |            |              |            |
| Lending to the public   | 3,594        | 3,617        | -1         | 3,416        | 5          |
| Deposits from the public <sup>1</sup>                               | 2,896        | 2,675        | 8          | 2,507        | 16         |
| Investment volume <sup>2</sup>                                      | 6,815        | 7,076        | -4         | 6,973        | -2         |
| Equity capital  | 219          | 213          | 3          | 203          | 8          |
| Balance sheet total   | 4,715        | 4,602        | 2          | 4,418        | 7          |
| Risk exposure amount  | 1,542        | 1,581        | -2         | 1,599        | -4         |
| Financial ratios  |              |              |            |              |            |
| Return on equity after taxes, % (ROE) <sup>3</sup>                  | 11.7         | 9.9          |            | 15.9         |            |
| Expense/income ratio <sup>4</sup>                                   | 0.73         | 0.76         |            | 0.70         |            |
| Loan loss level, % <sup>5</sup>                                     | 0.05         | 0.13         |            | 0.02         |            |
| Gross non-performing receivables, % <sup>6</sup>                    | 0.79         | 0.87         |            | 0.61         |            |
| Level of provisions for doubtful receivables, % <sup>7</sup>        | 37           | 34           |            | 68           |            |
| Core funding ratio, % <sup>8</sup>                                  | 93           | 100          |            | 103          |            |
| Equity/assets ratio, % <sup>9</sup>                                 | 4.6          | 4.6          |            | 4.6          |            |
| Tier 1 capital ratio, % <sup>10</sup>                               | 12.5         | 12.0         |            | 11.4         |            |
| Earnings per share, EUR <sup>11</sup>                               | 0.41         | 0.35         | 20         | 0.54         | -23        |
| Earnings per share after dilution, EUR                              | 0.41         | 0.34         | 20         | 0.54         | -23        |
| Equity capital per share, EUR <sup>12</sup>                         | 14.36        | 14.00        | 3          | 14.04        | 2          |
| Equity capital per share after dilution, EUR                        | 14.26        | 13.94        | 2          | 14.01        | 2          |
| Market price per Series A share, EUR                                | 16.19        | 16.40        | -1         | 15.10        | 7          |
| Market price per Series B share, EUR                                | 15.30        | 15.60        | -2         | 14.15        | 8          |
| Number of shares outstanding (not own shares), 000s                 | 15,267       | 15,208       | 0          | 14,415       | 6          |
| Number of shares outstanding (not own shares), after dilution, 000s | 15,478       | 15,411       | 0          | 14,515       | 7          |
| Working hours re-calculated to full-time equivalent positions       | 667          | 658          | 1          | 661          | 1          |

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

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

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

<sup>4</sup> Expenses / Income

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

<sup>6</sup> Gross doubtful receivables / Lending to the public before provisions for impairment losses

<sup>7</sup> Provisions for individual impairment losses / Gross doubtful receivables

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

<sup>9</sup> Equity capital / Balance sheet total

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

<sup>11</sup> Shareholders' portion of earnings for the period / Average number of shares

<sup>12</sup> Equity capital / Number of shares less own shares on closing day

# Comments

## MACRO SITUATION AND REGULATORY REQUIREMENTS

The central banks in Europe are continuing their expansionary monetary policies in the form of asset purchases and low key interest rates. During the first quarter of 2016, Sweden's Riksbank lowered its key rate by 15 basis points to -0.50 per cent, while the European Central Bank (ECB) lowered its key rate by 5 points to 0.00 per cent and its deposit rate for banks by 10 points to -0.40 per cent. Low interest rates squeeze the net interest income of banks and increase the risks of asset bubbles in national economies.

## BENCHMARK INTEREST RATES, AVERAGES, PER CENT

|               | Q1 2016 | Q4 2015 | Q1 2015 |
|---------------|---------|---------|---------|
| Euribor 3 mo  | -0.19   | -0.09   | 0.05    |
| Euribor 12 mo | 0.01    | 0.09    | 0.26    |
| Stibor 3 mo   | -0.40   | -0.36   | 0.07    |

During the first quarter of 2016, share prices fell by about 7 per cent on the Nasdaq Helsinki (OMXHPI) and by about 4 per cent on the Nasdaq Stockholm (OMXSPI).

The average value of the Swedish krona in relation to the euro was at the same level during the quarter as in the corresponding quarter last year. Compared to its position on December 31, 2015, the value of the krona was essentially unchanged. When translating the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been translated at the exchange rate prevailing on the closing day.

## IMPORTANT EVENTS

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

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

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

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

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

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

The number of Series B shares outstanding increased by 59,267. In February, the Bank of Åland issued 33,582 Series B shares to fulfil the Bank's obligations within the framework of its 2015 share savings programme for employees. In March, the Bank of Åland divested 5,394 Series B shares that had been in the Bank's possession and issued 20,291 new Series B shares for the implementation of its incentive programme.

## EARNINGS FOR JANUARY-MARCH 2016

Profit for the period attributable to shareholders amounted to EUR 6.3 M (7.7), which was a decrease of EUR 1.4 M or 18 per cent from the year-earlier period. Net operating profit fell by EUR 1.4 M or 15 per cent to EUR 8.0 M (9.4). However, first quarter 2015 earnings were the highest in the Bank of Åland's history, aside from quarters with large nonrecurring items.

Return on equity after taxes amounted to 11.7 (15.9) per cent.

Total income decreased by EUR 1.8 M or 6 per cent to EUR 30.6 M (32.4) despite higher net interest income.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 1.2 M or 10 per cent to EUR 13.9 M (12.7), but the effect of negative central bank interest rates is beginning to be increasingly noticeable.

Net commission income fell by EUR 1.6 M or 12 per cent to EUR 11.3 M (12.9), mainly due to lower income from financial investment operations in the form of brokerage commissions and performance-related fund management fees.

Net income on financial items at fair value decreased by EUR 0.9 M or 39 per cent to EUR 1.5 M (2.4), mainly due to lower capital gains in the liquidity portfolio.

Information technology (IT) income fell by EUR 1.1 M or 27 per cent to EUR 3.2 M (4.3) due to lower project income.

Total expenses decreased by EUR 0.6 M or 3 per cent to EUR 22.2 M (22.8), among other things because of lower depreciation and amortisation as well as higher production for own use. Production for own use largely refers to capitalised development expenses for the Bank's new securities platform, which is being developed by its IT subsidiary Crosskey.

Impairment losses on loans amounted to EUR 0.4 M, equivalent to a loan loss level of 0.05 per cent, compared to EUR 0.2 M and 0.02 per cent in the year-earlier quarter. Of these impairment losses, EUR 0.2 M (0.1) was related to Compass Card lending.

Tax expense amounted to EUR 1.7 M (1.7), equivalent to an effective tax rate of 20.8 (18.0) per cent.

## STRATEGIC BUSINESS AREAS

The change of EUR 1.4 M in the Group's net operating income to EUR 8.0 M in the first quarter of 2016 was allocated as follows:

- Private Banking -0.3 (lower brokerage commissions)
- Premium Banking +/- 0
- Asset Management -0.5 (lower income)
- IT -0.3 (lower income)
- Corporate units -0.3 (lower Treasury income)

## BUSINESS VOLUME

Financial investment volume decreased by EUR 261 M or 4 per cent during the first quarter and amounted to EUR 6,815 M on March 31, 2016 (7,076 on December 31, 2015). Actively managed assets increased by EUR 32 M or 1 per cent and amounted to EUR 3,990 M (3,958). Assets under discretionary management fell by EUR 36 M or 2 per cent to EUR 1,834 M (1,870). Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 93 M or 7 per cent to EUR 1,365 M (1,272). There was continued heavy interest in the Bank of Åland's housing-related mutual funds. Net inflow into Bostadsfonden, a housing mutual fund, and Tomtfonden, a housing site mutual fund, was EUR 60 M.

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 221 M or 8 per cent during the first quarter of 2016 and amounted to EUR 2,896 M (2,675).

Lending to the public totalled EUR 3,594 M (3,617).

## CREDIT QUALITY

Lending to private individuals comprises more than two thirds of the loan portfolio. Home mortgage loans account for 71 per cent of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprise the second-largest type of lending to private individuals. Loan-to-value ratios are conservative. Historically, the Bank of Åland has not had any substantial loan losses on this type of lending. The corporate portfolio has a close affinity with the household portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

Gross doubtful receivables decreased by EUR 3.0 M to EUR 28.4 M (31.4) during the first quarter of 2016. As a share of lending to the public, doubtful receivables decreased to 0.79 per cent (0.87) during the period. The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 37 per cent compared to 34 per cent at year-end 2015.

The Bank of Åland Group had EUR 11.9 M (11.8) in impairment loss provisions, of which individual impairments totalled EUR 10.6 M (10.6) and group impairments EUR 1.3 M (1.2).

## LIQUIDITY AND BORROWING

During the first quarter about EUR 80 M in unsecured bonds – which did not need to be refinanced – reached maturity. This is the year's only maturity of an external long-term debt.

The Bank of Åland's liquidity reserve in the form of cash, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 920 M on March 31, 2016 (805 on December 31, 2015). This was equivalent to 20 (18) per cent of total assets and 26 (22) per cent of lending to the public. Given the Bank's ability to issue further covered bonds, there is an additional unutilised liquidity reserve.

The average remaining maturity on outstanding bonds was about 3.3 years (3.3).

The Bank of Åland's core funding ratio, defined as lending to the public divided by deposits from the public including certificates of deposit, index bonds and subordinated debentures issued to the public, plus covered bonds issued, amounted to 93 (100) per cent.

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

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

## RATING

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

## EQUITY AND CAPITAL ADEQUACY

Equity capital changed in the amount of total comprehensive income for the period, EUR 5.4 M; the transfer of own shares and the issuance of new shares within the framework of incentive programmes, EUR 0.4 M, and the share savings programme, EUR 0.6 M. After this, on March 31, 2016, equity capital totalled EUR 219.2 M (212.9 on December 31, 2015).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -1.8 M after taxes, in compliance with IAS 19.

Core Tier 1 capital increased by EUR 3.0 M or 2 per cent during the first quarter of 2016 to EUR 192.5 M (189.5).

The risk exposure amount decreased by EUR 39 M or 2 per cent during the first quarter of 2016 to EUR 1,542 M (1,581), mainly due to decreased lending. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 16 M.

The core Tier 1 capital ratio increased to 12.5 per cent (12.0). Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio.

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

The total capital ratio amounted to 13.4 (12.9) per cent.

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

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

The AGM approved the payment of a dividend of EUR 0.60 per share for the financial year 2015.

In April the Swedish-based financial technology (fintech) company Dreams, in collaboration with the Bank of Åland, launched an app that focuses on healthy personal finances and the realisation of dreams through saving.

#### **RISKS AND UNCERTAINTIES**

The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates, share prices and exchange rates, along with higher expenses due to regulatory decisions and directives as well as the competitive situation.

The Group aims at achieving operations with reasonable and carefully considered risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk.

The Bank does not engage in trading for its own account.

The Bank of Åland has no direct exposure to the "GIIPS" countries (Greece, Italy, Ireland, Portugal and Spain) or to Cyprus, Russia or Ukraine.

#### **FUTURE OUTLOOK**

The future outlook is unchanged and was presented in the Annual Report, which was published on March 17, 2016.

#### **FINANCIAL INFORMATION**

The Interim Report for January–June 2016 will be published on Friday, July 22, 2016.

The Interim Report for January–September 2016 will be published on Tuesday, October 25, 2016

Mariehamn, April 26, 2016  
THE BOARD OF DIRECTORS

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# Summary income statement

| Bank of Åland Group                              | Note | Q1<br>2016   | Q4<br>2015   | %          | Q1<br>2015   | %          |
|--|------|--------------|--------------|------------|--------------|------------|
| <b>EUR M</b>                                     |      |              |              |            |              |            |
| Net interest income                              | 5    | 13.9         | 14.8         | -6         | 12.7         | 10         |
| Net commission income                            | 6    | 11.3         | 11.2         | 1          | 12.9         | -12        |
| Net income from financial items at fair value    | 7    | 1.5          | 2.5          | -40        | 2.4          | -39        |
| IT income  |      | 3.2          | 3.9          | -18        | 4.3          | -27        |
| Other operating income                           |      | 0.6          | 0.1          |            | 0.2          |            |
| <b>Total income</b>                              |      | <b>30.6</b>  | <b>32.4</b>  | <b>-6</b>  | <b>32.4</b>  | <b>-6</b>  |
| Staff costs                                      |      | -14.2        | -15.1        | -6         | -13.7        | 4          |
| Other expenses                                   | 8    | -6.4         | -8.0         | -20        | -7.2         | -11        |
| Depreciation/amortisation                        |      | -1.5         | -1.6         | -2         | -1.9         | -19        |
| <b>Total expenses</b>                            |      | <b>-22.2</b> | <b>-24.7</b> | <b>-10</b> | <b>-22.8</b> | <b>-3</b>  |
| <b>Profit before impairment losses</b>           |      | <b>8.4</b>   | <b>7.8</b>   | <b>8</b>   | <b>9.6</b>   | <b>-13</b> |
| Impairment losses on loans and other commitments | 9    | -0.4         | -1.1         | -64        | -0.2         |            |
| <b>Net operating profit</b>                      |      | <b>8.0</b>   | <b>6.6</b>   | <b>21</b>  | <b>9.4</b>   | <b>-15</b> |
| Income taxes                                     |      | -1.7         | -1.3         | 24         | -1.7         | -2         |
| <b>Profit for the period</b>                     |      | <b>6.3</b>   | <b>5.3</b>   | <b>20</b>  | <b>7.7</b>   | <b>-18</b> |
| Attributable to:                                 |      |              |              |            |              |            |
| Non-controlling interests                        |      | 0.0          | 0.0          | -77        | 0.0          |            |
| <b>Shareholders in Bank of Åland Plc</b>         |      | <b>6.3</b>   | <b>5.3</b>   | <b>20</b>  | <b>7.7</b>   | <b>-18</b> |
| Earnings per share, EUR                          |      | 0.41         | 0.35         | 20         | 0.54         | -23        |

# Summary statement of other comprehensive income

| Bank of Åland Group  | Q1 2016     | Q4 2015     | %         | Q1 2015     | %          |
|--|-------------|-------------|-----------|-------------|------------|
| EUR M  |             |             |           |             |            |
| <b>Profit for the period</b>   | <b>6.3</b>  | <b>5.3</b>  | <b>20</b> | <b>7.7</b>  | <b>-18</b> |
| Cash flow hedge  |             |             |           |             |            |
| Gains/Losses arising during the period                                       | 0.8         | -4.6        |           | -2.7        |            |
| Transferred to the income statement  | -0.8        | 4.8         |           | 2.6         |            |
| Assets available for sale  |             |             |           |             |            |
| Gains/Losses arising during the period                                       | 2.2         | 0.4         |           | 2.6         | -14        |
| Transferred to the income statement  | -0.8        | -0.9        | -3        | -1.6        | -46        |
| Translation differences  |             |             |           |             |            |
| Gains/Losses arising during the period                                       | 0.0         | 0.0         |           | 0.1         | -66        |
| <i>of which hedging of net investment in foreign operations</i>              | 0.4         | -0.9        |           | -0.2        |            |
| Transferred to the income statement  | 0.0         | 0.0         |           | 0.0         |            |
| Taxes on items that have been or may be reclassified to the income statement | -0.4        | 0.4         |           | -0.1        |            |
| <i>of which cash flow hedges</i>   | 0.0         | 0.0         |           | 0.0         | -42        |
| <i>of which assets available for sale</i>                                    | -0.3        | 0.1         |           | -0.2        | 38         |
| <i>of which hedging of net investment in foreign operations</i>              | -0.1        | 0.3         |           | 0.1         |            |
| <b>Items that have been or may be reclassified to the income statement</b>   | <b>0.9</b>  | <b>0.1</b>  |           | <b>0.9</b>  | <b>6</b>   |
| Re-measurements of defined benefit pension plans                             | -2.3        | -0.4        |           | -0.8        |            |
| Taxes on items that may not be reclassified to the income statement          | 0.5         | 0.1         |           | 0.2         |            |
| <b>Items that may not be reclassified to the income statement</b>            | <b>-1.8</b> | <b>-0.3</b> |           | <b>-0.7</b> |            |
| <b>Other comprehensive income</b>  | <b>-0.9</b> | <b>-0.2</b> |           | <b>0.2</b>  |            |
| <b>Total comprehensive income for the period</b>                             | <b>5.4</b>  | <b>5.1</b>  | <b>7</b>  | <b>8.0</b>  | <b>-32</b> |
| Attributable to:   |             |             |           |             |            |
| Non-controlling interests  | 0.0         | 0.0         | -77       | 0.0         |            |
| <b>Shareholders in Bank of Åland Plc</b>                                     | <b>5.4</b>  | <b>5.1</b>  | <b>7</b>  | <b>8.0</b>  | <b>-32</b> |



## Income statement by quarter

| Bank of Åland Group                              | Q1 2016      | Q4 2015      | Q3 2015      | Q2 2015      | Q1 2015      |
|--|--------------|--------------|--------------|--------------|--------------|
| EUR M  |              |              |              |              |              |
| Net interest income                              | 13.9         | 14.8         | 13.6         | 12.9         | 12.7         |
| Net commission income                            | 11.3         | 11.2         | 10.5         | 11.9         | 12.9         |
| Net income from financial items at fair value    | 1.5          | 2.5          | 1.5          | 1.6          | 2.4          |
| IT income  | 3.2          | 3.9          | 3.7          | 4.2          | 4.3          |
| Other operating income                           | 0.6          | 0.1          | 0.1          | 0.0          | 0.2          |
| <b>Total income</b>                              | <b>30.6</b>  | <b>32.4</b>  | <b>29.4</b>  | <b>30.6</b>  | <b>32.4</b>  |
| Staff costs                                      | -14.2        | -15.1        | -13.2        | -14.1        | -13.7        |
| Other expenses                                   | -6.4         | -8.0         | -6.7         | -6.7         | -7.2         |
| Depreciation/amortisation                        | -1.5         | -1.6         | -1.7         | -1.7         | -1.9         |
| <b>Total expenses</b>                            | <b>-22.2</b> | <b>-24.7</b> | <b>-21.6</b> | <b>-22.5</b> | <b>-22.8</b> |
| <b>Profit before impairment losses</b>           | <b>8.4</b>   | <b>7.8</b>   | <b>7.8</b>   | <b>8.1</b>   | <b>9.6</b>   |
| Impairment losses on loans and other commitments | -0.4         | -1.1         | -1.4         | -0.3         | -0.2         |
| <b>Net operating profit</b>                      | <b>8.0</b>   | <b>6.6</b>   | <b>6.4</b>   | <b>7.8</b>   | <b>9.4</b>   |
| Income taxes                                     | -1.7         | -1.3         | -1.3         | -1.6         | -1.7         |
| <b>Profit for the period</b>                     | <b>6.3</b>   | <b>5.3</b>   | <b>5.1</b>   | <b>6.2</b>   | <b>7.7</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>6.3</b>   | <b>5.3</b>   | <b>5.1</b>   | <b>6.2</b>   | <b>7.7</b>   |

# Summary balance sheet

| Bank of Åland Group   | Note   | Mar 31, 2016 | Dec 31, 2015 | %        | Mar 31, 2015 | %        |
|---|--------|--------------|--------------|----------|--------------|----------|
| EUR M   |        |              |              |          |              |          |
| Assets  |        |              |              |          |              |          |
| Cash and balances with central banks                        |        | 335          | 199          | 68       | 138          |          |
| Debt securities eligible for refinancing with central banks |        | 619          | 633          | -2       | 566          | 9        |
| Lending to credit institutions                              |        | 59           | 45           | 31       | 175          | -66      |
| Lending to the public and public sector entities            | 10, 11 | 3,594        | 3,617        | -1       | 3,416        | 5        |
| Shares and participations                                   |        | 1            | 1            | 28       | 2            | -45      |
| Participations in associated companies                      |        | 0            | 1            | -97      | 1            | -97      |
| Derivative instruments                                      | 14     | 24           | 19           | 24       | 27           | -11      |
| Intangible assets   |        | 11           | 10           | 19       | 8            | 45       |
| Tangible assets   |        | 24           | 24           | -1       | 26           | -8       |
| Investment properties                                       |        | 0            | 0            | 0        | 0            | -20      |
| Current tax assets  |        | 1            | 1            | 21       | 0            |          |
| Deferred tax assets   |        | 4            | 4            | 1        | 5            | -14      |
| Other assets  |        | 20           | 24           | -16      | 30           | -34      |
| Accrued income and prepayments                              |        | 22           | 24           | -11      | 24           | -7       |
| <b>Total assets</b>   |        | <b>4,715</b> | <b>4,602</b> | <b>2</b> | <b>4,418</b> | <b>7</b> |
| Liabilities   |        |              |              |          |              |          |
| Liabilities to credit institutions                          |        | 285          | 322          | -11      | 357          | -20      |
| Liabilities to the public and public sector entities        | 12     | 2,734        | 2,517        | 9        | 2,321        | 18       |
| Debt securities issued                                      | 12, 13 | 1,324        | 1,412        | -6       | 1,346        | -2       |
| Derivative instruments                                      | 14     | 19           | 19           | 3        | 33           | -40      |
| Current tax liabilities                                     |        | 1            | 1            | 6        | 1            | 97       |
| Deferred tax liabilities                                    |        | 19           | 17           | 8        | 15           | 22       |
| Other liabilities   |        | 42           | 33           | 28       | 67           | -37      |
| Provisions  |        | 0            | 0            | -53      | 1            | -84      |
| Accrued expenses and prepaid income                         |        | 30           | 26           | 18       | 30           | 0        |
| Subordinated liabilities                                    | 12     | 40           | 43           | -5       | 45           | -11      |
| <b>Total liabilities</b>                                    |        | <b>4,496</b> | <b>4,389</b> | <b>2</b> | <b>4,215</b> | <b>7</b> |
| Equity capital and non-controlling interests                |        |              |              |          |              |          |
| Share capital   |        | 42           | 42           | 0        | 29           | 43       |
| Share premium account                                       |        | 33           | 33           | 0        | 33           | 0        |
| Reserve fund  |        | 25           | 25           | 0        | 25           | 0        |
| Fair value reserve  |        | 2            | 1            | 80       | 3            | -34      |
| Own shares  |        | 0            | 0            | -100     | 0            | -100     |
| Unrestricted equity capital fund                            |        | 26           | 25           | 3        | 25           | 4        |
| Retained earnings   |        | 92           | 87           | 5        | 88           | 5        |
| <b>Shareholders' portion of equity capital</b>              |        | <b>219</b>   | <b>213</b>   | <b>3</b> | <b>202</b>   | <b>8</b> |
| Non-controlling interests' portion of equity capital        |        | 0            | 0            | 3        | 0            | -97      |
| <b>Total equity capital</b>                                 |        | <b>219</b>   | <b>213</b>   | <b>3</b> | <b>203</b>   | <b>8</b> |
| <b>Total liabilities and equity capital</b>                 |        | <b>4,715</b> | <b>4,602</b> | <b>2</b> | <b>4,418</b> | <b>7</b> |

# Statement of changes in equity capital

Bank of Åland Group

| EUR M  | Share capital | Share premium account | Reserve fund | Hedging reserve | Fair value reserve | Translation difference | Own shares  | Unrestricted equity capital fund | Retained earnings | Shareholders' portion of equity capital | Non-controlling interests' portion of equity capital | Total        |
|--|---------------|-----------------------|--------------|-----------------|--------------------|------------------------|-------------|----------------------------------|-------------------|---|--|--------------|
| <b>Equity capital, Dec 31, 2014</b>                      | <b>29.1</b>   | <b>32.7</b>           | <b>25.1</b>  | <b>-0.5</b>     | <b>2.7</b>         | <b>0.0</b>             | <b>-0.2</b> | <b>24.6</b>                      | <b>80.6</b>       | <b>194.2</b>                            | <b>1.7</b>   | <b>195.9</b> |
| Profit for the period                                    |               |                       |              |                 |                    |                        |             |                                  | 7.7               | 7.7                                     |  | 7.7          |
| Other comprehensive income                               |               |                       |              | -0.1            | 0.8                | 0.2                    |             |                                  | -0.7              | 0.2                                     |  | 0.2          |
| Incentive programme                                      |               |                       |              |                 |                    |                        | 0.2         |                                  |                   | 0.2                                     |  | 0.2          |
| Dividend paid  |               |                       |              |                 |                    |                        |             |                                  |                   | 0.0                                     | -1.3   | -1.3         |
| Share savings programme                                  |               |                       |              |                 |                    |                        |             |                                  | 0.1               | 0.1                                     |  | 0.1          |
| <b>Equity capital, Mar 31, 2015</b>                      | <b>29.1</b>   | <b>32.7</b>           | <b>25.1</b>  | <b>-0.5</b>     | <b>3.5</b>         | <b>0.2</b>             | <b>-0.1</b> | <b>24.6</b>                      | <b>87.7</b>       | <b>202.4</b>                            | <b>0.4</b>   | <b>202.8</b> |
| Profit for the period                                    |               |                       |              |                 |                    |                        |             |                                  | 16.6              | 16.6                                    |  | 16.6         |
| Other comprehensive income                               |               |                       |              | 0.2             | -2.4               | 0.2                    |             |                                  | 2.0               | 0.0                                     |  | 0.0          |
| Dividend paid  |               |                       |              |                 |                    |                        |             |                                  | -5.8              | -5.8                                    |  | -5.8         |
| Share savings programme                                  | 0.1           |                       |              |                 |                    |                        |             | 0.4                              | 0.2               | 0.6                                     |  | 0.6          |
| Acquisitions from non-controlling interests <sup>1</sup> | 12.3          |                       |              |                 |                    |                        |             |                                  | -13.2             | -0.9                                    | -0.4   | -1.3         |
| <b>Equity capital, Dec 31, 2015</b>                      | <b>41.5</b>   | <b>32.7</b>           | <b>25.1</b>  | <b>-0.4</b>     | <b>1.1</b>         | <b>0.4</b>             | <b>-0.1</b> | <b>25.0</b>                      | <b>87.4</b>       | <b>212.9</b>                            | <b>0.0</b>   | <b>212.9</b> |
| Profit for the period                                    |               |                       |              |                 |                    |                        |             |                                  | 6.3               | 6.3                                     |  | 6.3          |
| Other comprehensive income                               |               |                       |              | 0.0             | 1.1                | -0.1                   |             |                                  | -1.8              | -0.9                                    |  | -0.9         |
| Incentive programme                                      | 0.0           |                       |              |                 |                    |                        | 0.1         | 0.3                              | 0.0               | 0.4                                     |  | 0.4          |
| Share savings programme                                  | 0.1           |                       |              |                 |                    |                        |             | 0.4                              | 0.1               | 0.6                                     | 0.0  | 0.6          |
| <b>Equity capital, Mar 31, 2016</b>                      | <b>41.6</b>   | <b>32.7</b>           | <b>25.1</b>  | <b>-0.4</b>     | <b>2.2</b>         | <b>0.3</b>             | <b>0.0</b>  | <b>25.6</b>                      | <b>92.0</b>       | <b>219.2</b>                            | <b>0.0</b>   | <b>219.2</b> |

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

# Summary cash flow statement

| Bank of Åland Group   | Jan–Mar 2016 |              | Jan–Dec 2015 |             | Jan–Mar 2015 |             |
|---|--------------|--------------|--------------|-------------|--------------|-------------|
| EUR M   |              |              |              |             |              |             |
| Cash flow from operating activities                               |              |              |              |             |              |             |
| Net operating profit  | 8.0          |              | 30.3         |             | 9.4          |             |
| Adjustment for net operating profit items not affecting cash flow | 3.9          |              | 17.6         |             | 4.6          |             |
| Gains/losses from investing activities                            | 0.0          |              | -0.1         |             | 0.0          |             |
| Income taxes paid   | -0.2         |              | -1.5         |             | -0.3         |             |
| Changes in assets and liabilities in operating activities         | 219.1        | 230.8        | -163.3       | -116.9      | 44.7         | 58.4        |
| Cash flow from investing activities                               |              | -3.1         |              | -4.2        |              | -0.2        |
| Cash flow from financing activities                               |              | -84.4        |              | 141.5       |              | -3.1        |
| Exchange rate differences in cash and cash equivalents            |              | -0.2         |              | 0.9         |              | 0.4         |
| <b>Change in cash and cash equivalents</b>                        |              | <b>143.0</b> |              | <b>21.2</b> |              | <b>55.6</b> |
| Cash and cash equivalents at beginning of period                  |              | 232.9        |              | 211.8       |              | 211.8       |
| Cash and cash equivalents at end of period                        |              | 376.0        |              | 232.9       |              | 267.3       |
| <b>Change in cash and cash equivalents</b>                        |              | <b>143.0</b> |              | <b>21.2</b> |              | <b>55.6</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 13 offices. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium-sized banks.

The Head Office of the Parent Company has the following address:  
Bank of Åland Plc  
Nygatan 2  
AX-22100 Mariehamn, Åland, Finland

The shares of the Bank of Åland Plc are traded on the Nasdaq Helsinki Oy (Helsinki Stock Exchange).

The Interim Report for the financial period January 1–March 31, 2016 was approved by the Board of Directors on April 25, 2016.

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

### BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–March 31, 2016 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards, IAS 34, “Interim Financial Reporting”, which have been adopted by the European Union.

The Year-end Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2015.

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

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

### ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2015.

### COMING CHANGES

On July 24, 2014, the International Accounting Standards Board (IASB) published the standard IFRS 9, “Financial instruments”, which will replace IAS 39, “Financial instruments: Recognition and Measurement”. IFRS 9, “Financial instruments” includes new approaches to classification and measurement of financial instruments, a forward-looking “expected loss” impairment model and simplified conditions for hedge accounting. The categories for financial assets contained in IAS 39 are being replaced by three categories, with measurement taking place either at amortised cost, fair value reported under “Other comprehensive income” or fair

value reported via the income statement (“profit and loss”). The classification into these three categories is based on a company’s business model for the various holdings and the characteristics of the cash flows that result from the assets.

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

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

IFRS 15, “Revenue from contracts with customers”. The purpose of a new revenue standard is to have a single principle-based standard for all industries, which can replace existing standards and statements on revenue. According to IFRS 15, companies shall recognise revenue in an amount that reflects the compensation to which the company expects to be entitled in exchange for transferring goods or services to a customer. The revenue standard also includes expanded disclosure requirements. IFRS 15 will go into effect on January 1, 2018, and earlier application is allowed provided that the EU has adopted the standard. The Bank of Åland is still evaluating its impact on the Group’s financial reports.

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

- Amended IAS 1, “Presentation of financial statements: Disclosure initiative”. The amendment contains a clarification that the materiality of disclosures shall be the primary consideration in presenting financial statements.
  - Amended IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture” \*
  - Amended IFRS 11, “Joint arrangements: Accounting for acquisitions of interests in joint operations”
  - IFRS 14, “Regulatory deferral accounts” \*
  - Amended IAS 16 and IAS 38, “Clarification of acceptable methods of depreciation and amortisation”
  - Amended IAS 19, “Employee benefits: Defined benefit plans – Employee contributions”
  - Annual improvements to IFRSs (2012-2014)
- (\* Has not yet been approved by the EU)

## ESTIMATES AND JUDGEMENTS

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

## 3. Segment report

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

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

| Bank of Åland Group                                       |                 | Jan-Mar 2016    |                  |             |                     |              |              |
|---|-----------------|-----------------|------------------|-------------|---------------------|--------------|--------------|
| EUR M   | Private Banking | Premium Banking | Asset Management | IT          | Corporate and Other | Eliminations | Total        |
| Net interest income                                       | 6.9             | 6.0             | 0.0              | 0.0         | 0.9                 | 0.0          | 13.9         |
| Net commission income                                     | 6.2             | 2.8             | 2.2              | 0.0         | 0.0                 | 0.0          | 11.3         |
| Net income from financial items at fair value             | 0.1             | 0.1             | 0.0              | 0.0         | 1.2                 | 0.1          | 1.5          |
| IT income   | 0.0             | 0.0             | 0.0              | 7.0         | 0.0                 | -3.9         | 3.2          |
| Other income  | 0.0             | 0.0             | 0.0              | 0.0         | 1.0                 | -0.4         | 0.6          |
| <b>Total income</b>                                       | <b>13.3</b>     | <b>9.0</b>      | <b>2.3</b>       | <b>7.0</b>  | <b>3.1</b>          | <b>-4.1</b>  | <b>30.6</b>  |
| Staff costs   | -2.8            | -1.8            | -1.2             | -4.0        | -4.4                | 0.0          | -14.2        |
| Other expenses  | -1.4            | -1.1            | -0.5             | -2.1        | -5.1                | 3.8          | -6.4         |
| Depreciation/amortisation                                 | 0.0             | -0.2            | 0.0              | -0.8        | -0.7                | 0.2          | -1.5         |
| Internal allocation of expenses                           | -4.4            | -4.2            | -0.3             | 0.0         | 8.8                 | 0.0          | 0.0          |
| <b>Total expenses</b>                                     | <b>-8.6</b>     | <b>-7.2</b>     | <b>-2.0</b>      | <b>-6.9</b> | <b>-1.4</b>         | <b>4.0</b>   | <b>-22.2</b> |
| <b>Profit before impairment losses</b>                    | <b>4.7</b>      | <b>1.8</b>      | <b>0.2</b>       | <b>0.1</b>  | <b>1.7</b>          | <b>-0.1</b>  | <b>8.4</b>   |
| Impairment losses on loans and other commitments          | 0.0             | -0.2            | 0.0              | 0.0         | -0.2                | 0.0          | -0.4         |
| <b>Net operating profit</b>                               | <b>4.7</b>      | <b>1.6</b>      | <b>0.2</b>       | <b>0.1</b>  | <b>1.5</b>          | <b>-0.1</b>  | <b>8.0</b>   |
| Income taxes  | -1.0            | -0.3            | 0.0              | 0.0         | -0.3                | 0.0          | -1.7         |
| Non-controlling interests                                 |                 |                 |                  | 0.0         |                     |              | 0.0          |
| <b>Profit for the period attributable to shareholders</b> | <b>3.7</b>      | <b>1.3</b>      | <b>0.2</b>       | <b>0.1</b>  | <b>1.2</b>          | <b>-0.1</b>  | <b>6.3</b>   |
| Business volume   |                 |                 |                  |             |                     |              |              |
| Lending to the public                                     | 1,578           | 1,991           |                  |             | 47                  | -21          | 3,594        |
| Deposits from the public                                  | 1,507           | 1,316           | 11               |             | 76                  | -14          | 2,896        |
| Investment volume   | 4,939           | 749             | 3,990            |             | 0                   | -2,863       | 6,815        |
| Risk exposure amount                                      | 659             | 611             | 3                | 44          | 225                 | 0            | 1,542        |
| Shareholder's portion of allocated equity capital         | 68              | 88              | 2                | 10          | 51                  | 0            | 219          |
| Financial ratios etc.                                     |                 |                 |                  |             |                     |              |              |
| Return on equity after taxes, % (ROE)                     | 21.4            | 5.7             |                  | 3.5         | 10.2                |              | 11.7         |
| Expense/income ratio                                      | 0.65            | 0.80            | 0.91             | 0.98        | 0.45                |              | 0.73         |
| Gross non-performing receivables > 90 days, %             | 0.05            | 1.63            |                  |             | 3.21                |              | 0.97         |
| Loan loss level, %  | 0.00            | 0.05            |                  |             | 1.88                |              | 0.05         |

| Bank of Åland Group                                       |                 | Jan-Mar 2015    |                  |             |                     |              |              |
|---|-----------------|-----------------|------------------|-------------|---------------------|--------------|--------------|
| EUR M   | Private Banking | Premium Banking | Asset Management | IT          | Corporate and Other | Eliminations | Total        |
| Net interest income                                       | 6.2             | 5.8             | 0.0              | 0.0         | 0.6                 | 0.1          | 12.7         |
| Net commission income                                     | 6.9             | 2.7             | 2.8              | 0.0         | 0.4                 | 0.0          | 12.9         |
| Net income from financial items at fair value             | 0.1             | 0.2             | 0.0              | 0.0         | 2.1                 | 0.0          | 2.4          |
| IT income   | 0.0             | 0.0             | 0.0              | 8.0         | 0.0                 | -3.6         | 4.3          |
| Other income  | 0.0             | 0.0             | 0.1              | 0.0         | 0.0                 | 0.0          | 0.2          |
| <b>Total income</b>                                       | <b>13.3</b>     | <b>8.7</b>      | <b>3.0</b>       | <b>7.9</b>  | <b>3.1</b>          | <b>-3.6</b>  | <b>32.4</b>  |
| Staff costs   | -2.6            | -1.7            | -1.5             | -3.9        | -3.9                | 0.0          | -13.7        |
| Other expenses  | -1.2            | -1.0            | -0.6             | -2.7        | -4.6                | 2.9          | -7.2         |
| Depreciation/amortisation                                 | 0.0             | -0.2            | 0.0              | -0.9        | -1.2                | 0.4          | -1.9         |
| Internal allocation of expenses                           | -4.4            | -4.2            | 0.0              | 0.0         | 8.6                 | 0.0          | 0.0          |
| <b>Total expenses</b>                                     | <b>-8.3</b>     | <b>-7.1</b>     | <b>-2.2</b>      | <b>-7.6</b> | <b>-1.1</b>         | <b>3.3</b>   | <b>-22.8</b> |
| <b>Profit before impairment losses</b>                    | <b>5.0</b>      | <b>1.7</b>      | <b>0.8</b>       | <b>0.4</b>  | <b>2.0</b>          | <b>-0.3</b>  | <b>9.6</b>   |
| Impairment losses on loans and other commitments          | 0.0             | -0.1            | 0.0              | 0.0         | -0.1                | 0.0          | -0.2         |
| <b>Net operating profit</b>                               | <b>5.0</b>      | <b>1.6</b>      | <b>0.8</b>       | <b>0.4</b>  | <b>2.0</b>          | <b>-0.3</b>  | <b>9.4</b>   |
| Income taxes  | -1.0            | -0.3            | -0.2             | -0.1        | -0.1                | 0.0          | -1.7         |
| Non-controlling interests                                 |                 |                 |                  | 0.0         |                     |              | 0.0          |
| <b>Profit for the period attributable to shareholders</b> | <b>3.9</b>      | <b>1.3</b>      | <b>0.7</b>       | <b>0.3</b>  | <b>1.9</b>          | <b>-0.3</b>  | <b>7.7</b>   |
| Business volume   |                 |                 |                  |             |                     |              |              |
| Lending to the public                                     | 1,516           | 1,871           |                  |             | 47                  | -17          | 3,416        |
| Deposits from the public                                  | 1,257           | 1,167           | 5                |             | 90                  | -12          | 2,507        |
| Investment volume   | 5,074           | 813             | 3,740            |             |                     | -2,654       | 6,973        |
| Risk exposure amount                                      | 669             | 608             | 8                | 49          | 266                 |              | 1,599        |
| Shareholder's portion of allocated equity capital         | 70              | 84              | 2                | 9           | 38                  |              | 202          |
| Financial ratios etc.                                     |                 |                 |                  |             |                     |              |              |
| Return on equity after taxes, % (ROE)                     | 20.7            | 6.2             |                  | 12.6        |                     |              | 15.9         |
| Expense/income ratio                                      | 0.63            | 0.81            | 0.72             | 0.95        | 0.34                |              | 0.70         |
| Gross non-performing receivables > 90 days, %             | 0.16            | 2.20            |                  |             | 2.09                |              | 1.31         |
| Loan loss level, %  | 0.00            | 0.02            |                  |             | 0.69                |              | 0.02         |

#### 4. Changes in Group structure

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

#### 5. Net interest income

| Bank of Åland Group                                   | Q1 2016     | Q4 2015     | %         | Q1 2015     | %          |
|---|-------------|-------------|-----------|-------------|------------|
| EUR M   |             |             |           |             |            |
| Interest income                                       |             |             |           |             |            |
| Credit institutions and central banks                 | 0.1         | 0.0         |           | 0.0         | 94         |
| The public and public sector entities                 | 17.1        | 18.0        | -5        | 17.6        | -3         |
| Debt securities                                       | 0.5         | 0.6         | -17       | 0.8         | -41        |
| Other interest income                                 | 0.0         | 0.1         | -47       | 0.1         | -65        |
| <b>Total interest income</b>                          | <b>17.7</b> | <b>18.7</b> | <b>-5</b> | <b>18.6</b> | <b>-5</b>  |
| Interest expenses                                     |             |             |           |             |            |
| Credit institutions and central banks                 | -0.4        | -0.2        | 99        | -0.5        | -14        |
| <i>of which negative interest income <sup>1</sup></i> | -0.3        | -0.0        |           | -0.0        |            |
| The public and public sector entities                 | -1.6        | -1.7        | -7        | -2.2        | -26        |
| Debt securities issued                                | -1.4        | -1.6        | -14       | -2.9        | -53        |
| Subordinated liabilities                              | -0.2        | -0.3        | -5        | -0.2        | 1          |
| Other interest expenses                               | -0.2        | -0.2        | 19        | -0.2        | 15         |
| <b>Total interest expenses</b>                        | <b>-3.8</b> | <b>-3.9</b> | <b>-3</b> | <b>-5.9</b> | <b>-36</b> |
| <b>Net interest income</b>                            | <b>13.9</b> | <b>14.8</b> | <b>-6</b> | <b>12.7</b> | <b>10</b>  |
| Investment margin, per cent <sup>2</sup>              | 1.18        | 1.30        |           | 1.16        |            |

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

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

#### 6. Net commission income

| Bank of Åland Group              | Q1 2016     | Q4 2015     | %          | Q1 2015     | %          |
|----------------------------------|-------------|-------------|------------|-------------|------------|
| EUR M                            |             |             |            |             |            |
| Deposits                         | 0.2         | 0.2         | 4          | 0.2         | 0          |
| Lending                          | 1.1         | 0.9         | 13         | 1.1         | -2         |
| Payment intermediation           | 2.0         | 2.1         | -5         | 2.2         | -9         |
| Mutual fund commissions          | 4.9         | 4.9         | 2          | 5.0         | -2         |
| Management commissions           | 2.6         | 2.7         | -5         | 2.3         | 10         |
| Securities commissions           | 2.8         | 3.0         | -7         | 3.7         | -25        |
| Insurance commissions            | 0.0         | 0.0         | -21        | 0.0         | -31        |
| Other commission income          | 0.6         | 0.6         | -5         | 0.7         | -7         |
| <b>Total commission income</b>   | <b>14.2</b> | <b>14.5</b> | <b>-2</b>  | <b>15.2</b> | <b>-7</b>  |
| Payment commission expenses      | -1.2        | -1.2        | -2         | -1.1        | 11         |
| Mutual fund commission expenses  | -0.6        | -0.8        | -22        | -0.3        |            |
| Management commission expenses   | -0.3        | -0.3        | -13        | -0.2        | 29         |
| Securities commission expenses   | -0.5        | -0.7        | -33        | -0.5        | -1         |
| Other commission expenses        | -0.3        | -0.2        | 10         | -0.3        | -16        |
| <b>Total commission expenses</b> | <b>-2.9</b> | <b>-3.3</b> | <b>-14</b> | <b>-2.4</b> | <b>20</b>  |
| <b>Net commission income</b>     | <b>11.3</b> | <b>11.2</b> | <b>1</b>   | <b>12.9</b> | <b>-12</b> |



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

| Bank of Åland Group   | Q1 2016     | Q4 2015    | %          | Q1 2015     | %          |
|---|-------------|------------|------------|-------------|------------|
| EUR M   |             |            |            |             |            |
| Valuation category fair value via the income statement ("profit and loss")        |             |            |            |             |            |
| Debt securities   | 0.0         | 0.0        |            | 0.0         |            |
| Shares and participations   | 0.0         | 0.0        |            | 0.1         |            |
| Derivative instruments  | -0.5        | 0.1        |            | 0.3         |            |
| Loan receivables  | 0.2         | 0.4        | -54        | -0.4        |            |
| <b>Valuation category fair value via the income statement ("profit and loss")</b> | <b>-0.3</b> | <b>0.5</b> |            | <b>0.1</b>  |            |
| Hedge accounting  |             |            |            |             |            |
| <i>of which hedging instruments</i>   | 6.1         | 0.6        |            | 1.0         |            |
| <i>of which hedged item</i>   | -5.8        | -0.5       |            | -1.4        |            |
| <b>Hedge accounting</b>   | <b>0.3</b>  | <b>0.1</b> |            | <b>-0.4</b> |            |
| <b>Net income from foreign exchange dealing</b>                                   | <b>0.8</b>  | <b>1.1</b> | <b>-29</b> | <b>1.1</b>  | <b>-34</b> |
| <b>Net income from financial assets available for sale</b>                        | <b>0.7</b>  | <b>0.8</b> | <b>-5</b>  | <b>1.6</b>  | <b>-53</b> |
| <b>Total</b>  | <b>1.5</b>  | <b>2.5</b> | <b>-40</b> | <b>2.4</b>  | <b>-39</b> |

## 8. Other expenses

| Bank of Åland Group                          | Q1 2016    | Q4 2015    | %          | Q1 2015    | %          |
|--|------------|------------|------------|------------|------------|
| EUR M  |            |            |            |            |            |
| IT expenses (excluding information services) | 2.7        | 2.7        | 0          | 2.5        | 8          |
| Premises and property expenses               | 1.5        | 1.4        | 8          | 1.3        | 14         |
| Marketing expenses                           | 0.5        | 0.8        | -28        | 0.7        | -18        |
| Information services                         | 0.6        | 0.5        | 14         | 0.6        | 6          |
| Staff-related expenses                       | 0.6        | 0.8        | -29        | 0.6        | -12        |
| Travel expenses                              | 0.3        | 0.5        | -27        | 0.3        | 7          |
| Purchased services                           | 0.5        | 0.8        | -39        | 0.8        | -39        |
| Deposit guarantee fee                        | 0.0        | 0.0        | -45        | 0.0        |            |
| Other expenses                               | 1.7        | 1.9        | -11        | 1.5        | 8          |
| Production for own use                       | -1.9       | -1.2       | 61         | -1.0       | 85         |
| <b>Total</b>                                 | <b>6.4</b> | <b>8.0</b> | <b>-20</b> | <b>7.2</b> | <b>-11</b> |

## 9. Impairment losses on loans and other commitments

| Bank of Åland Group   | Q1 2016     | Q4 2015    | %          | Q1 2015    | %         |
|---|-------------|------------|------------|------------|-----------|
| EUR M   |             |            |            |            |           |
| Impairment losses   |             |            |            |            |           |
| Actual losses for the period                                      | 0.5         | 0.6        | -13        | 0.3        | 84        |
| Recoveries of actual losses                                       | -0.1        | 0.0        |            | 0.0        |           |
| <b>Total</b>  | <b>0.4</b>  | <b>0.5</b> | <b>-22</b> | <b>0.2</b> | <b>71</b> |
| Specific provisions for individually valued receivables           |             |            |            |            |           |
| New and increased provisions                                      | 0.8         | 1.1        | -27        | 0.3        |           |
| Reversals of earlier provisions                                   | -0.7        | -0.2       |            | -0.2       |           |
| Utilised for actual losses  | -0.2        | -0.4       | -58        | -0.2       | 8         |
| <b>Total</b>  | <b>-0.1</b> | <b>0.6</b> |            | <b>0.0</b> | <b>52</b> |
| <b>Net provisions for the period, receivables valued by group</b> | <b>0.1</b>  | <b>0.1</b> | <b>58</b>  | <b>0.0</b> |           |
| <b>Net loan losses</b>  | <b>0.4</b>  | <b>1.1</b> | <b>-64</b> | <b>0.2</b> |           |

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

| Bank of Åland Group                                      | Mar 31, 2016              |            |                          | Dec 31, 2015              |            | % | Mar 31, 2015             |           |
|--|---------------------------|------------|--------------------------|---------------------------|------------|---|--------------------------|-----------|
| EUR M  | Lending before provisions | Provisions | Lending after provisions | Lending before provisions | Provisions |   | Lending after provisions | %         |
| Private individuals                                      |                           |            |                          |                           |            |   |                          |           |
| Home loans   | 1,765                     | -3         | 1,762                    | 1,736                     | 2          |   | 1,574                    | 12        |
| Securities and other investments                         | 374                       | 0          | 374                      | 371                       | 1          |   | 331                      | 13        |
| Business operations                                      | 135                       | -1         | 134                      | 134                       | 0          |   | 130                      | 3         |
| Other household purposes                                 | 199                       | -1         | 197                      | 199                       | -1         |   | 200                      | -1        |
| <b>Total, private individuals</b>                        | <b>2,473</b>              | <b>-5</b>  | <b>2,468</b>             | <b>2,440</b>              | <b>1</b>   |   | <b>2,236</b>             | <b>10</b> |
| Companies  |                           |            |                          |                           |            |   |                          |           |
| Shipping   | 59                        | 0          | 59                       | 61                        | -4         |   | 68                       | -14       |
| Wholesale and retail trade                               | 43                        | -1         | 42                       | 42                        | -1         |   | 48                       | -13       |
| Housing operations                                       | 289                       | -1         | 289                      | 319                       | -9         |   | 322                      | -10       |
| Other real estate operations                             | 332                       | -2         | 331                      | 344                       | -4         |   | 336                      | -2        |
| Financial and insurance operations                       | 172                       | 0          | 172                      | 176                       | -2         |   | 186                      | -8        |
| Hotel and restaurant operations                          | 24                        | 0          | 24                       | 23                        | 3          |   | 25                       | -5        |
| Other service operations                                 | 109                       | -3         | 106                      | 105                       | 1          |   | 101                      | 5         |
| Agriculture, forestry and fishing                        | 16                        | 0          | 16                       | 19                        | -16        |   | 12                       | 32        |
| Construction   | 32                        | 0          | 31                       | 32                        | -2         |   | 28                       | 12        |
| Other industry and crafts                                | 35                        | 0          | 35                       | 35                        | -1         |   | 37                       | -6        |
| <b>Total, companies</b>                                  | <b>1,110</b>              | <b>-7</b>  | <b>1,104</b>             | <b>1,156</b>              | <b>-5</b>  |   | <b>1,163</b>             | <b>-5</b> |
| Public sector and non-profit organisations               | 22                        | 0          | 22                       | 21                        | 7          |   | 17                       | 32        |
| <b>Total, public sector and non-profit organisations</b> | <b>22</b>                 | <b>0</b>   | <b>22</b>                | <b>21</b>                 | <b>7</b>   |   | <b>17</b>                | <b>32</b> |
| <b>Total lending</b>                                     | <b>3,606</b>              | <b>-12</b> | <b>3,594</b>             | <b>3,617</b>              | <b>-1</b>  |   | <b>3,416</b>             | <b>5</b>  |

## 11. Doubtful receivables and impairment losses

| Bank of Åland Group   | Mar 31, 2016 | Dec 31, 2015 | %   | Mar 31, 2015 | %   |
|---|--------------|--------------|-----|--------------|-----|
| EUR M   |              |              |     |              |     |
| Gross doubtful receivables                                      | 28.4         | 31.4         | -9  | 20.9         | 36  |
| of which private individuals                                    | 9.9          | 10.5         | -6  | 8.2          | 21  |
| of which companies  | 18.5         | 20.8         | -11 | 12.8         | 45  |
| Doubtful receivables as % of total                              | 0.79         | 0.87         |     | 0.61         |     |
| Provisions for individually measured receivables                | 10.6         | 10.6         | 0   | 14.3         | -26 |
| of which private individuals                                    | 4.0          | 4.1          | -2  | 4.1          | -3  |
| of which companies  | 6.6          | 6.6          | 0   | 10.2         | -35 |
| Net doubtful receivables  | 17.9         | 20.8         | -14 | 6.7          |     |
| Level of provisions for doubtful receivables, %                 | 37           | 34           |     | 68           |     |
| Provisions for receivables measured by group                    | 1.3          | 1.2          | 7   | 1.5          | -11 |
| of which private individuals                                    | 1.2          | 1.1          | 7   | 1.1          | 8   |
| of which companies  | 0.1          | 0.1          | 11  | 0.4          | -66 |
| Total level of provisions for doubtful receivables, %           | 42           | 38           |     | 75           |     |
| Non-performing receivables > 90 days past due                   | 34.8         | 41.1         | -15 | 44.9         | -23 |
| of which private individuals                                    | 15.2         | 19.4         | -22 | 18.3         | -17 |
| of which companies  | 19.6         | 21.7         | -9  | 26.6         | -26 |
| Provisions for individually measured receivables                | -9.7         | -9.2         | 6   | -10.3        | -6  |
| Carrying amount after taking individual provisions into account | 25.1         | 32.0         | -21 | 34.6         | -27 |
| Gross non-performing receivables > 90 days as % of total        | 0.97         | 1.13         |     | 1.31         |     |

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

| Bank of Åland Group                                       | Mar 31, 2016 | Dec 31, 2015 | %        | Mar 31, 2015 | %          |
|---|--------------|--------------|----------|--------------|------------|
| EUR M   |              |              |          |              |            |
| Deposit accounts from the public and public sector        |              |              |          |              |            |
| Sight deposits  | 2,542        | 2,330        | 9        | 2,033        | 25         |
| Time deposits   | 193          | 186          | 4        | 288          | -33        |
| <b>Total deposit accounts</b>                             | <b>2,734</b> | <b>2,517</b> | <b>9</b> | <b>2,321</b> | <b>18</b>  |
| Certificates of deposit issued to the public <sup>1</sup> | 82           | 69           | 20       | 77           | 8          |
| Index bonds (structured products)                         | 38           | 47           | -19      | 64           | -40        |
| Subordinated debentures                                   | 40           | 43           | -5       | 45           | -11        |
| <b>Total bonds and certificates of deposit</b>            | <b>161</b>   | <b>159</b>   | <b>2</b> | <b>186</b>   | <b>-13</b> |
| <b>Total deposits</b>                                     | <b>2,896</b> | <b>2,675</b> | <b>8</b> | <b>2,507</b> | <b>16</b>  |

<sup>1</sup>This item does not include debt securities subscribed by credit institutions.

## 13. Debt securities issued

| Bank of Åland Group               | Mar 31, 2016 | Dec 31, 2015 | %         | Mar 31, 2015 | %         |
|-----------------------------------|--------------|--------------|-----------|--------------|-----------|
| EUR M                             |              |              |           |              |           |
| Certificates of deposit           | 230          | 250          | -8        | 322          | -29       |
| Covered bonds                     | 964          | 959          | 0         | 799          | 21        |
| Senior non-covered bonds          | 92           | 156          | -41       | 161          | -43       |
| Index bonds (structured products) | 38           | 47           | -19       | 64           | -40       |
| <b>Total</b>                      | <b>1,324</b> | <b>1,412</b> | <b>-6</b> | <b>1,346</b> | <b>-2</b> |

## 14. Derivative instruments

| Bank of Åland Group   | Mar 31, 2016            |            |            |                |                        |                        | Dec 31, 2015   |                        |                        |
|---|-------------------------|------------|------------|----------------|------------------------|------------------------|----------------|------------------------|------------------------|
| EUR M   | Nominal amount/maturity |            |            | Nominal amount | Positive market values | Negative market values | Nominal amount | Positive market values | Negative market values |
|   | Under 1 yr              | 1-5 yrs    | over 5 yrs |                |                        |                        |                |                        |                        |
| Derivatives for trading   |                         |            |            |                |                        |                        |                |                        |                        |
| Interest-related contracts                                      |                         |            |            |                |                        |                        |                |                        |                        |
| <i>Interest rate swaps</i>                                      | 23                      | 64         | 24         | 111            | 3                      | 5                      | 130            | 2                      | 4                      |
| <i>Interest rate futures</i>                                    | 10                      |            |            | 10             | 0                      |                        | 10             |                        | 0                      |
| <i>Interest rate options – purchased</i>                        | 1                       | 1          |            | 2              |                        |                        | 11             |                        |                        |
| <i>Interest rate options – sold</i>                             |                         |            |            |                |                        |                        | 8              |                        |                        |
| Currency-related contracts                                      |                         |            |            |                |                        |                        |                |                        |                        |
| <i>Currency forward contracts</i>                               | 227                     | 2          |            | 229            | 0                      | 0                      | 184            | 1                      | 1                      |
| Equity-related contracts  |                         |            |            |                |                        |                        |                |                        |                        |
| <i>Equity options – purchased</i>                               | 28                      | 7          |            | 35             | 1                      |                        | 35             | 2                      |                        |
| <i>Equity options – written</i>                                 | 16                      | 6          |            | 23             |                        | 1                      | 23             |                        | 2                      |
| Equity forward contracts  |                         |            |            |                |                        |                        |                |                        |                        |
| Other derivative contracts                                      |                         | 21         |            | 21             | 1                      | 0                      | 21             | 1                      | 1                      |
| <b>Total</b>  | <b>305</b>              | <b>102</b> | <b>24</b>  | <b>431</b>     | <b>4</b>               | <b>7</b>               | <b>422</b>     | <b>5</b>               | <b>7</b>               |
| Derivatives for market value hedge                              |                         |            |            |                |                        |                        |                |                        |                        |
| Interest-related contracts                                      |                         |            |            |                |                        |                        |                |                        |                        |
| <i>Interest rate swaps</i>                                      | 10                      | 385        | 97         | 492            | 19                     | 1                      | 494            | 13                     | 1                      |
| <b>Total</b>  | <b>10</b>               | <b>385</b> | <b>97</b>  | <b>492</b>     | <b>19</b>              | <b>1</b>               | <b>494</b>     | <b>13</b>              | <b>1</b>               |
| Derivatives for cash flow hedge                                 |                         |            |            |                |                        |                        |                |                        |                        |
| Interest-related contracts                                      |                         |            |            |                |                        |                        |                |                        |                        |
| <i>Interest rate and currency swaps</i>                         |                         | 255        |            | 255            | 0                      | 12                     | 256            | 1                      | 11                     |
| <b>Total</b>  | <b>0</b>                | <b>255</b> | <b>0</b>   | <b>255</b>     | <b>0</b>               | <b>12</b>              | <b>256</b>     | <b>1</b>               | <b>11</b>              |
| Derivatives for hedging of net investment in foreign operations |                         |            |            |                |                        |                        |                |                        |                        |
| Currency-related contracts                                      |                         |            |            |                |                        |                        |                |                        |                        |
| <i>Currency swaps</i>   | 30                      |            |            | 30             |                        | 0                      | 26             | 0                      |                        |
| <b>Total</b>  | <b>30</b>               | <b>0</b>   | <b>0</b>   | <b>30</b>      | <b>0</b>               | <b>0</b>               | <b>26</b>      | <b>0</b>               | <b>0</b>               |
| <b>Total derivative instruments</b>                             | <b>345</b>              | <b>741</b> | <b>121</b> | <b>1,207</b>   | <b>24</b>              | <b>19</b>              | <b>1,198</b>   | <b>19</b>              | <b>19</b>              |
| <i>of which cleared OTC</i>                                     |                         |            |            |                |                        |                        |                |                        |                        |
| <i>of which cleared by other means</i>                          | 22                      | 261        | 3          | 286            | 5                      | 2                      | 10             | 0                      | 0                      |

## 15. Financial instruments at fair value

| Bank of Åland Group   |  | Mar 31, 2016   |  |            |
|---|--|--|--|------------|
| EUR M   | Instruments with quoted prices (Level 1) | Measurement techniques based on observable market data (Level 2) | Measurement techniques based on non-observable market data (Level 3) | Total      |
| Debt securities eligible for refinancing with central banks | 575                                      |  |  | 575        |
| Lending to the public and public sector entities            |  | 43   |  | 43         |
| Shares and participations                                   | 0  | 0  | 1  | 1          |
| Derivative instruments                                      | 0  | 24   |  | 24         |
| <b>Total financial assets</b>                               | <b>575</b>                               | <b>67</b>  | <b>1</b>   | <b>643</b> |
| Liabilities to the public and public sector entities        |  | 0  |  | 0          |
| Debt securities issued                                      |  | 487  |  | 487        |
| Derivative instruments                                      | 0  | 19   |  | 19         |
| Subordinated liabilities                                    |  | 17   |  | 17         |
| <b>Total financial liabilities</b>                          | <b>0</b>                                 | <b>523</b>   | <b>0</b>   | <b>523</b> |

| Bank of Åland Group   |  | Dec 31, 2015   |  |            |
|---|--|--|--|------------|
| EUR M   | Instruments with quoted prices (Level 1) | Measurement techniques based on observable market data (Level 2) | Measurement techniques based on non-observable market data (Level 3) | Total      |
| Debt securities eligible for refinancing with central banks | 592                                      |  |  | 592        |
| Lending to the public and public sector entities            |  | 43   |  | 43         |
| Shares and participations                                   | 0  | 0  | 1  | 1          |
| Derivative instruments                                      | 0  | 19   |  | 19         |
| <b>Total financial assets</b>                               | <b>592</b>                               | <b>62</b>  | <b>1</b>   | <b>655</b> |
| Liabilities to the public and public sector entities        |  | 0  |  | 0          |
| Debt securities issued                                      |  | 489  |  | 489        |
| Derivative instruments                                      | 0  | 19   |  | 19         |
| Subordinated liabilities                                    |  | 19   |  | 19         |
| <b>Total financial liabilities</b>                          | <b>0</b>                                 | <b>527</b>   | <b>0</b>   | <b>527</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 above tables, financial instruments measured at fair value have been classified with regard to how they have been measured and the degree of market data used in this measurement on closing day. If the classification on closing day has changed, compared to the classification at the end of the previous year, the instrument has been moved between the levels in the table. During the period January-March 2016, no instruments were moved between Levels 1 and 2. Changes in Level 3 are presented in a separate table.

| Change in Level 3 holdings                                 | Jan-Mar 2016              |
|--|---------------------------|
| EUR M  | Shares and participations |
| Carrying amount on January 1                               | 0.9                       |
| New purchases/reclassification                             | 0.5                       |
| Divested/reached maturity during the year                  | 0.0                       |
| Realised change of value in the income statement           | 0.0                       |
| Unrealised change of value in the income statement         | -0.1                      |
| Change in value recognised in "Other comprehensive income" | -0.2                      |
| <b>Carrying amount on March 31</b>                         | <b>1.2</b>                |

## 16. Off-balance sheet commitments

| Bank of Åland Group           | Mar 31, 2016 | Dec 31, 2015 | %         | Mar 31, 2015 | %          |
|-------------------------------|--------------|--------------|-----------|--------------|------------|
| EUR M                         |              |              |           |              |            |
| Guarantees                    | 20           | 20           | -2        | 22           | -8         |
| Unutilised overdraft limits   | 74           | 76           | -3        | 78           | -5         |
| Unutilised credit card limits | 122          | 120          | 2         | 120          | 2          |
| Lines of credit               | 183          | 223          | -18       | 226          | -19        |
| <b>Total</b>                  | <b>398</b>   | <b>439</b>   | <b>-9</b> | <b>445</b>   | <b>-10</b> |

## 17. Offsetting of financial assets and liabilities

| Bank of Åland Group  | Mar 31, 2016 |  | Dec 31, 2015 |  |
|--|--------------|--|--------------|--|
| EUR M  | Derivatives  | Repurchasing agreements plus lending and borrowing of securities | Derivatives  | Repurchasing agreements plus lending and borrowing of securities |
| Financial assets that are offset or covered by offsetting agreements       |              |  |              |  |
| Gross amount of financial assets   | 24           |  | 19           |  |
| Gross amount of financial liabilities offset in the balance sheet          |              |  |              |  |
| <b>Net amount of financial assets recognised in the balance sheet</b>      | <b>24</b>    | <b>0</b>   | <b>19</b>    | <b>0</b>   |
| Related amounts not offset in the balance sheet                            |              |  |              |  |
| Financial instruments that do not meet offsetting criteria                 | -12          |  | -11          |  |
| Financial collateral received  | -4           |  | -4           |  |
| <b>Total amounts not offset in the balance sheet</b>                       | <b>-17</b>   | <b>0</b>   | <b>-15</b>   | <b>0</b>   |
| <b>Net amount</b>  | <b>7</b>     | <b>0</b>   | <b>4</b>     | <b>0</b>   |
| Financial liabilities that are offset or covered by offsetting agreements  |              |  |              |  |
| Gross amount of financial liabilities                                      | 19           | 1  | 19           | 1  |
| Gross amount of financial assets offset in the balance sheet               |              |  |              |  |
| <b>Net amount of financial liabilities recognised in the balance sheet</b> | <b>19</b>    | <b>1</b>   | <b>19</b>    | <b>1</b>   |
| Related amounts not offset in the balance sheet                            |              |  |              |  |
| Financial instruments that do not meet offsetting criteria                 | -12          |  | -12          |  |
| Financial collateral pledged   | 0            | -1   | 0            | -1   |
| <b>Total amounts not offset in the balance sheet</b>                       | <b>-13</b>   | <b>-1</b>  | <b>-12</b>   | <b>-1</b>  |
| <b>Net amount</b>  | <b>7</b>     | <b>0</b>   | <b>7</b>     | <b>0</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. The value of the collateral was limited to the related amount recognised in the balance sheet, so the excess value of collateral is not included. Amounts not offset in the balance sheet are presented as a reduction in the carrying amount of financial assets or liabilities in order to recognise the net exposure of the asset and liability.

## 18. Assets pledged

| Bank of Åland Group   | Mar 31, 2016 | Dec 31, 2015 | %        | Mar 31, 2015 | %         |
|---|--------------|--------------|----------|--------------|-----------|
| EUR M   |              |              |          |              |           |
| Lending to credit institutions  | 18           | 11           | 59       | 46           | -61       |
| Debt securities   | 119          | 123          | -3       | 81           | 46        |
| Loan receivables constituting collateral (cover pool) for covered bonds | 1,542        | 1,528        | 1        | 1,317        | 17        |
| Other assets pledged  | 3            | 1            |          | 3            | 7         |
| <b>Total</b>  | <b>1,682</b> | <b>1,664</b> | <b>1</b> | <b>1,447</b> | <b>16</b> |



## 19. Capital adequacy

| Bank of Åland Group  | Mar 31, 2015 | Dec 31, 2015 | %         | Mar 31, 2015 | %         |
|--|--------------|--------------|-----------|--------------|-----------|
| EUR M  |              |              |           |              |           |
| Equity capital according to balance sheet  | 219.2        | 212.9        | 3         | 202.8        | 8         |
| Foreseeable dividend   | -11.5        | -9.1         | 27        | -8.5         | 36        |
| <b>Core Tier 1 capital before deductions</b>   | <b>207.7</b> | <b>203.8</b> | <b>2</b>  | <b>194.2</b> | <b>7</b>  |
| Intangible assets  | -10.4        | -8.8         | 19        | -7.3         | 43        |
| Tax assets due to future profitability offset against tax liabilities within same tax category | 0.0          | -0.1         | -55       | -0.5         | -91       |
| Deduction of surplus value in pension assets   | 0.0          | -0.5         | -100      |              |           |
| Non-controlling interests  | 0.0          | 0.0          |           | -0.1         | -89       |
| Cash flow hedge  | 0.4          | 0.4          | 1         | 0.5          | -19       |
| Expected losses according to IRB approach beyond recognised losses                             | -5.1         | -5.2         | -3        | -5.1         | -1        |
| <b>Core Tier 1 capital</b>   | <b>192.5</b> | <b>189.5</b> | <b>2</b>  | <b>181.8</b> | <b>6</b>  |
| <b>Additional Tier 1 capital</b>   | <b>0.0</b>   | <b>0.0</b>   |           | <b>0.0</b>   |           |
| <b>Tier 1 capital</b>  | <b>192.5</b> | <b>189.5</b> |           | <b>181.8</b> |           |
| Supplementary capital instruments  | 14.4         | 15.1         | -5        | 9.2          | 57        |
| <b>Supplementary capital</b>   | <b>14.4</b>  | <b>15.1</b>  | <b>-5</b> | <b>9.2</b>   | <b>57</b> |
| <b>Total capital base</b>  | <b>206.9</b> | <b>204.6</b> | <b>1</b>  | <b>191.0</b> | <b>8</b>  |
| Capital requirement for credit risk according to the IRB approach                              | 25.6         | 26.4         | -3        | 24.8         | 3         |
| Capital requirement for credit risk according to standardised approach                         | 81.5         | 84.9         | -4        | 87.9         | -7        |
| Capital requirement for credit-worthiness adjustment risk                                      | 1.0          | 1.3          | -23       | 1.3          | -23       |
| Capital requirement for operational risk   | 15.2         | 13.9         | 9         | 13.9         | 9         |
| <b>Capital requirement</b>   | <b>123.3</b> | <b>126.5</b> | <b>-3</b> | <b>127.9</b> | <b>-4</b> |
| Capital ratios   |              |              |           |              |           |
| Core Tier 1 capital ratio, %   | 12.5         | 12.0         |           | 11.4         |           |
| Tier 1 capital ratio, %  | 12.5         | 12.0         |           | 11.4         |           |
| Total capital ratio, %   | 13.4         | 12.9         |           | 11.9         |           |
| Risk exposure amount   | 1,541.7      | 1,581.2      | -2        | 1,599.1      | -4        |
| of which % comprising credit risk  | 87           | 88           |           | 88           |           |
| of which % comprising credit-worthiness adjustment risk  | 1            | 1            |           | 1            |           |
| of which % comprising operational risk   | 12           | 11           |           | 11           |           |

Under previously applicable rules, the Bank of Åland subtracted an amount from core Tier 1 capital related to a property revaluation that was carried out when the Bank transitioned to IFRSs. According to the now-applicable rules, since January 1, 2015 this amount may no longer be subtracted. In the above table, comparative figures for 2015 have been adjusted accordingly. Because of this adjustment, a core Tier 1 capital ratio of 11.4 (11.2) per cent is recognised for the first quarter of 2015 and a core Tier 1 capital ratio of 12.0 (11.9) per cent is recognised for the last quarter of 2015. The total capital ratio is unchanged.

| Requirements related to capital buffers, %                           | Mar 31, 2016 | Dec 31, 2015 | Mar 31, 2015 |
|--|--------------|--------------|--------------|
| Total core Tier 1 capital requirements including buffer requirements | 7.4          | 7.4          | 7.0          |
| of which core Tier 1 capital requirement                             | 4.5          | 4.5          | 4.5          |
| of which capital conservation buffer requirement                     | 2.5          | 2.5          | 2.5          |
| of which countercyclical capital buffer requirement                  | 0.4          | 0.4          | 0.0          |
| Core Tier 1 capital available to be used as a buffer                 | 12.5         | 12.0         | 11.4         |

| Exposure category   | Mar 31, 2016   |                     |               |                      |                     |
|---|----------------|---------------------|---------------|----------------------|---------------------|
| EUR M   | Gross exposure | Exposure at default | Risk weight % | Risk exposure amount | Capital requirement |
| Credit risk according to the IRB approach                                     |                |                     |               |                      |                     |
| Households with property as collateral (small and medium-sized companies)     | 117.5          | 116.5               | 34            | 39.9                 | 3.2                 |
| Households with property as collateral (not small and medium-sized companies) | 1,683.3        | 1,675.3             | 14            | 229.0                | 18.3                |
| Households, other (small and medium-sized companies)                          | 35.6           | 34.9                | 34            | 11.7                 | 0.9                 |
| Households, other (not small and medium-sized companies)                      | 247.5          | 225.0               | 18            | 40.0                 | 3.2                 |
| <b>Total exposures according to the IRB approach</b>                          | <b>2,083.9</b> | <b>2,051.6</b>      | <b>16</b>     | <b>320.6</b>         | <b>25.6</b>         |
| Credit risk according to the standardised approach                            |                |                     |               |                      |                     |
| Exposure to sovereigns or central banks <sup>1</sup>                          | 457.1          | 507.5               | 0             | 0.0                  | 0.0                 |
| Exposures to institutions   | 218.1          | 213.0               | 31            | 65.8                 | 5.3                 |
| Corporate exposures   | 772.7          | 526.4               | 97            | 508.1                | 40.7                |
| Household exposures   | 347.5          | 108.8               | 69            | 75.4                 | 6.0                 |
| Exposures with real property mortgages as collateral                          | 810.9          | 805.2               | 34            | 272.7                | 21.8                |
| Past due exposures  | 20.5           | 10.8                | 123           | 13.3                 | 1.1                 |
| Items associated with especially high risk                                    | 0.4            | 0.4                 | 150           | 0.6                  | 0.0                 |
| Covered bonds   | 376.2          | 376.2               | 10            | 37.6                 | 3.0                 |
| Collective investment companies (funds)                                       | 0.0            | 0.0                 | 0             | 0.0                  | 0.0                 |
| Equity exposures  | 1.2            | 1.2                 | 117           | 1.5                  | 0.1                 |
| Other items   | 49.8           | 49.8                | 88            | 43.9                 | 3.5                 |
| <b>Total exposures according to the standardised approach</b>                 | <b>3,054.5</b> | <b>2,599.4</b>      | <b>39</b>     | <b>1,018.9</b>       | <b>81.5</b>         |
| <b>Total risk exposure amount, credit risk</b>                                | <b>5,138.4</b> | <b>4,651.0</b>      | <b>29</b>     | <b>1,339.5</b>       | <b>107.2</b>        |

| Exposure category   | Dec 31, 2015 |                |                     |               |                      |                     |
|---|--------------|----------------|---------------------|---------------|----------------------|---------------------|
|   | EUR M        | Gross exposure | Exposure at default | Risk weight % | Risk exposure amount | Capital requirement |
| Credit risk according to the IRB approach                                     |              |                |                     |               |                      |                     |
| Households with property as collateral (small and medium-sized companies)     |              | 126.1          | 125.1               | 33            | 41.8                 | 3.3                 |
| Households with property as collateral (not small and medium-sized companies) |              | 1,680.5        | 1,673.0             | 14            | 236.7                | 18.9                |
| Households, other (small and medium-sized companies)                          |              | 35.0           | 34.2                | 32            | 11.0                 | 0.9                 |
| Households, other (not small and medium-sized companies)                      |              | 243.6          | 221.5               | 18            | 40.7                 | 3.3                 |
| <b>Total exposures according to the IRB approach</b>                          |              | <b>2,085.2</b> | <b>2,053.8</b>      | <b>16</b>     | <b>330.1</b>         | <b>26.4</b>         |
| Credit risk according to the standardised approach                            |              |                |                     |               |                      |                     |
| Exposure to sovereigns or central banks <sup>1</sup>                          |              | 364.3          | 416.8               | 0             | 0.0                  | 0.0                 |
| Institutional exposures   |              | 209.4          | 201.4               | 36            | 72.3                 | 5.8                 |
| Corporate exposures   |              | 801.0          | 561.5               | 96            | 540.8                | 43.3                |
| Household exposures   |              | 381.6          | 115.5               | 70            | 80.5                 | 6.4                 |
| Exposures with real property mortgages as collateral                          |              | 810.4          | 801.4               | 34            | 270.1                | 21.6                |
| Past due exposures  |              | 22.6           | 15.0                | 126           | 18.9                 | 1.5                 |
| Items associated with especially high risk                                    |              | 1.8            | 1.8                 | 150           | 2.8                  | 0.2                 |
| Covered bonds   |              | 334.4          | 334.4               | 10            | 33.4                 | 2.7                 |
| Collective investment companies (funds)                                       |              | 0.0            | 0.0                 |               | 0.0                  | 0.0                 |
| Equity exposures  |              | 1.6            | 1.6                 | 115           | 1.8                  | 0.1                 |
| Other items   |              | 49.7           | 49.7                | 82            | 40.9                 | 3.3                 |
| <b>Total exposures according to the standardised approach</b>                 |              | <b>2,976.9</b> | <b>2,499.2</b>      | <b>42</b>     | <b>1,061.7</b>       | <b>84.9</b>         |
| <b>Total risk exposure amount, credit risk</b>                                |              | <b>5,062.1</b> | <b>4,553.0</b>      | <b>31</b>     | <b>1,391.8</b>       | <b>111.3</b>        |

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

| Capital requirement according to transitional rules for Basel 1 floor      | Mar 31, 2016 | Dec 31, 2015 | %  | Mar 31, 2015 | %  |
|--|--------------|--------------|----|--------------|----|
| EUR M  |              |              |    |              |    |
| Capital requirement adjusted according to Basel 1 floor rule               | 126.3        | 127.3        | -1 | 127.9        | -1 |
| Capital base according to Basel 1  | 212.0        | 209.8        | 1  | 196.1        | 8  |
| Surplus capital according to transitional rules for Basel 1 floor          | 85.7         | 82.5         | 4  | 68.2         | 26 |
| Ratio of capital base to capital requirement according to Basel 1 floor, % | 167.8        | 164.8        |    | 153.3        |    |

| Leverage ratio                   | Mar 31, 2016 | Dec 31, 2015 | %   | Mar 31, 2015 | %   |
|----------------------------------|--------------|--------------|-----|--------------|-----|
| EUR M                            |              |              |     |              |     |
| Tier 1 capital                   | 192.5        | 189.5        | 2   | 181.8        | 6   |
| Total exposure measure           | 4,868.8      | 4,841.6      | 1   | 4,658.7      | 5   |
| of which balance sheet items     | 4,705.0      | 4,587.8      | 3   | 4,413.2      | 7   |
| of which off-balance sheet items | 163.8        | 253.8        | -35 | 245.4        | -33 |
| Leverage ratio, %                | 4.0          | 3.9          |     | 3.9          |     |

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

## Report on review of the interim report of Ålandsbanken Abp as of and for the three-month period ending March 31, 2016

### To the Board of Directors of Ålandsbanken Abp

#### INTRODUCTION

We have reviewed the summary balance sheet as of March 31, 2016 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Ålandsbanken Abp group for the three-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, April 26, 2016

Marcus Tötterman  
*Authorised Public Accountant*

Mari Suomela  
*Authorised Public Accountant*

Oskar Orrström  
*Authorised Public Accountant*