

Year-end Report

For the period January–December 2015 • February 12, 2016



January–December 2015

Compared to January–December 2014

- Net operating profit improved by 35 per cent to EUR 30.3 M (22.4).
- Profit for the period attributable to shareholders improved by 51 per cent to EUR 24.3 M (16.1).
- Net interest income increased by 9 per cent to EUR 54.0 M (49.3).
- Net commission income increased by 1 per cent to EUR 46.5 M (46.2).
- Total expenses decreased by 5 per cent to EUR 91.6 M (96.4).
- Net impairment losses on loans (including recoveries) increased by 73 per cent to EUR 3.0 M (1.8), equivalent to a loan loss level of 0.09 (0.06) per cent.
- Return on equity after taxes (ROE) increased to 12.0 (8.7) per cent.
- The core Tier 1 capital ratio amounted to 11.9 per cent (10.9).
- Earnings per share increased by 43 per cent to EUR 1.60 (1.12).
- The Board of Directors proposes a dividend of EUR 0.60 (0.40) per share.

The fourth quarter of 2015

Compared to the fourth quarter of 2014

- Net operating profit fell by 13 per cent to EUR 6.6 M (7.6).
- Profit for the period attributable to shareholders fell by 6 per cent to EUR 5.3 M (5.6).
- Net interest income increased by 17 per cent to EUR 14.8 M (12.6).
- Net commission income decreased by 23 per cent to EUR 11.2 M (14.5).
- Total expenses decreased by 5 per cent to EUR 24.7 M (25.8).
- Net impairment losses on loans (including recoveries) increased to EUR 1.1 M (0.5), equivalent to a loan loss level of 0.13 (0.06) per cent.
- Return on equity after taxes (ROE) decreased to 9.9 (11.7) per cent.
- Earnings per share decreased to EUR 0.35 (0.39).

“We delivered our strongest net operating profit ever, EUR 30.3 M, and we improved our profit attributable to shareholders by 51 per cent.

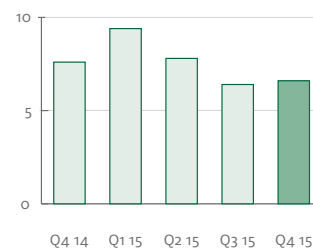
“Growing customer volume in all business areas created strong net interest income (+ 9 per cent) and higher net commission income from financial investment operations on behalf of our customers (+ 10 per cent). The positive volume and income trend, combined with falling total expenses (- 5 per cent), made 2015 a successful year.

“Late in 2015, we received further confirmation that our high level of service is appreciated when Prospera's customer survey named the Bank of Åland the best bank among Private Banking customers in Finland.”

Peter Wiklöf, Managing Director

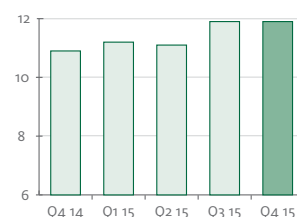
Net operating profit

EUR M



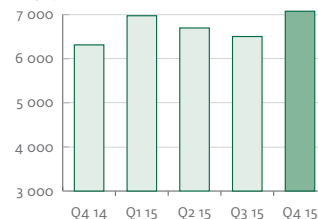
Core Tier 1 ratio

Per cent



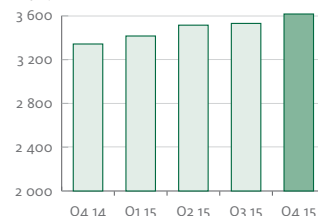
Investment volume

EUR M



Lending

EUR M



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has extensive financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has 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	Q4 2015	Q3 2015	%	Q4 2014	%	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
Income								
Net interest income	14.8	13.6	9	12.6	17	54.0	49.3	9
Net commission income	11.2	10.5	6	14.5	-23	46.5	46.2	1
Net income from financial items at fair value	2.5	1.5	69	2.2	12	8.0	6.8	19
Other income	4.0	3.8	6	4.6	-13	16.4	18.3	-10
Total income	32.4	29.4	10	34.0	-5	124.9	120.6	4
Staff costs	-15.1	-13.2	14	-14.5	4	-56.0	-53.1	6
Other expenses	-8.0	-6.7	19	-9.3	-14	-28.7	-34.9	-18
Depreciation/amortisation	-1.6	-1.7	-6	-2.0	-22	-6.9	-8.4	-18
Total expenses	-24.7	-21.6	14	-25.8	-5	-91.6	-96.4	-5
Profit before impairment losses	7.8	7.8	-1	8.1	-5	33.3	24.2	38
Impairment losses on loans and other commitments	-1.1	-1.4	-19	-0.5		-3.0	-1.8	73
Net operating profit	6.6	6.4	3	7.6	-13	30.3	22.4	35
Income taxes	-1.3	-1.3	2	-1.6	-15	-6.0	-4.8	25
Profit for the report period	5.3	5.1	4	6.1	-13	24.3	17.6	38
Attributable to:								
Non-controlling interests	0.0	0.0		0.4		0.0	1.5	-100
Shareholders in Bank of Åland Plc	5.3	5.1	4	5.6	-6	24.3	16.1	51
Volume								
Lending to the public	3,617	3,531	2	3,343	8			
Deposits from the public ¹	2,675	2,611	2	2,391	12			
Investment volume ²	7,076	6,502	9	6,312	12			
Equity capital	213	208	2	196	9			
Balance sheet total	4,602	4,499	2	4,292	7			
Risk exposure amount	1,581	1,558	1	1,554	2			
Financial ratios								
Return on equity after taxes, % (ROE) ³	9.9	9.9		11.7		12.0	8.7	
Expense/income ratio ⁴	0.76	0.73		0.76		0.73	0.80	
Loan loss level, % ⁵	0.13	0.16		0.06		0.09	0.06	
Gross non-performing receivables, % ⁶	0.87	0.80		0.65				
Level of provisions for doubtful receivables, % ⁷	34	35		66				
Core funding ratio, % ⁸	100	99		105				
Equity/assets ratio, % ⁹	4.6	4.6		4.6				
Tier 1 capital ratio, % ¹⁰	11.9	11.9		10.9				
Earnings per share, EUR ¹¹	0.35	0.33	4	0.39	-11	1.60	1.12	43
Earnings per share after dilution, EUR	0.34	0.33	3	0.39	-12	1.59	1.12	42
Equity capital per share, EUR ¹²	14.00	13.66	2	13.49	4			
Equity capital per share after dilution, EUR	13.94	13.60	2	13.46	4			
Market price per Series A share, EUR	16.40	17.48	-6	11.27	46			
Market price per Series B share, EUR	15.60	16.40	-5	10.87	44			
Number of shares outstanding (not own shares), 000s	15,208	15,208	0	14,398	6			
Number of shares outstanding (not own shares), after dilution, 000s	15,411	15,338	0	14,498	6			
Working hours re-calculated to full-time equivalent positions	667	667	0	643	4	663	644	3

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

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

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

⁴ Expenses / Income

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

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

⁷ Provisions for individual impairment losses / Gross doubtful receivables

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

⁹ Equity capital / Balance sheet total

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

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

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

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

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

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q4 2015	Q3 2015	Q4 2014
Euribor 3 mo	-0.09	-0.03	0.08
Euribor 12 mo	0.09	0.16	0.33
Stibor 3 mo	-0.36	-0.27	0.32

	2015	2014
Euribor 3 mo	-0.02	0.21
Euribor 12 mo	0.17	0.48
Stibor 3 mo	-0.19	0.66

During 2015 share prices rose by about 11 per cent on the Nasdaq OMX Helsinki (OMXHPI) and by about 7 per cent on the Nasdaq OMX Stockholm (OMXSPI).

The average value of the Swedish krona in relation to the euro was 3 per cent lower during 2015 than in 2014. On December 31, 2015, the krona was worth 2 per cent more than one year earlier. 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 2015

In the strategic advisory firm TNS Sifo Prospera's latest survey of Private Banking market participants in Finland, the Bank of Åland received the highest score among all participants from the customers who were interviewed. The Bank's integrity, service-mindedness and personal advisors attracted particular mention.

During the fourth quarter of 2015, the Bank of Åland's Board of Directors launched a new share savings programme for all Group employees. Sixty per cent of employees signed up to participate in the programme. Employees can save a maximum of five per cent of their monthly salary in order to subscribe for twice-yearly targeted issues of Series B shares. The savings period began on January 1, 2016 and the first share issue is planned in August 2016. The programme runs for one year. Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own the shares that were issued.

Employees will be offered the opportunity to subscribe for Series B shares at a price that is 10 per cent below the average price during the calendar month before each respective share issue. The sav-

ings amount for the Group employees who have signed up for the programme is about EUR 0.8 million, which would be equivalent to about 60,000 Series B shares, based on the average price in January 2016 and including a 10 per cent discount. The maximum number of matching shares to be distributed is thus 60,000. The maximum number of shares that employees may receive as part of the share savings programme is 120,000. Based on the above-mentioned conditions, shares issued as part of the 2016 share savings programme can result in an ownership stake of 0.8 per cent and a voting power of 0.1 per cent.

In August, the Bank issued 30,174 Series B shares for the fulfilment of the Bank's commitments as part of the Bank of Åland's 2015 share savings programme for employees.

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

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

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

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

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

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

EARNINGS FOR THE FOURTH QUARTER OF 2015

Profit for the period attributable to shareholders amounted to EUR 5.3 M (5.6). Net operating profit fell by EUR 1.0 M or 13 per cent to EUR 6.6 M (7.6).

Return on equity after taxes amounted to 9.9 (11.7) per cent.

Total income decreased by EUR 1.6 M or 5 per cent to EUR 32.4 M (34.0), mainly due to lower commission income.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 2.2 M or 17 per cent to EUR 14.8 M (12.6) despite the negative effect of lower market interest rates.

Net commission income fell by 3.3 per cent or 23 per cent to EUR 11.2 M (14.5), mainly due to a single lending commission of EUR 2.8 M and performance-related management fees in the fourth quarter of 2014.

Net income on financial items at fair value increased by EUR 0.3 M or 12 per cent to EUR 2.5 M (2.2), among other things due to higher foreign exchange income.

Information technology (IT) income decreased by EUR 0.8 M or 18 per cent to EUR 3.9 M (4.7).

Total expenses decreased by EUR 1.1 M or 5 per cent to EUR 24.7 M (25.8), among other things because of lower deposit guarantee expenses and the abolished banking tax. Last year this item also included restructuring expenses of SEK 0.6 M related to changes in the asset management organisation.

Impairment losses on loans amounted to EUR 1.1 M, equivalent to a loan loss level of 0.13 per cent, compared to EUR 0.5 M and 0.06 per cent in the year-earlier quarter. The impairment losses were mainly related to a small number of corporate loans on the Finnish mainland.

EARNINGS FOR JANUARY-DECEMBER 2015

Profit for the period attributable to shareholders amounted to EUR 24.3 M (16.1). This was an improvement of EUR 8.2 M or 51 per cent. Net operating profit improved by EUR 7.9 M or 35 per cent to EUR 30.3 M (22.4). This was the highest net operating profit in the Bank of Åland's history aside from 2009, when net operating profit of EUR 30.5 M nevertheless included negative goodwill of EUR 23.1 M.

Return on equity after taxes increased to 12.0 (8.7) per cent.

Total income increased by EUR 4.3 M or 4 per cent to EUR 124.9 M (120.6), mainly due to higher net interest income.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 4.7 M or 9 per cent to EUR 54.0 M (49.3) despite the negative effect of lower market interest rates.

Net commission income rose by EUR 0.3 M or 1 per cent to EUR 46.5 M (46.2), mainly due to higher income from financial investment operations. Lending commissions decreased by EUR 3.0 M, of which EUR 2.8 M originated from a single transaction.

Net income on financial items at fair value rose by EUR 1.2 M or 19

per cent to EUR 8.0 M (6.8).

Information technology (IT) income decreased by EUR 1.3 M or 8 per cent to EUR 16.0 M (17.3).

Total expenses decreased by EUR 4.8 M or 5 per cent to EUR 91.6 M, among other things because of lower deposit guarantee and banking tax expenses totalling EUR 2.7 M as well as higher production for own use amounting to EUR 2.6 M. Production for own use refers largely to capitalised development expenses for the Bank's new securities platform, which is being developed by its IT subsidiary Crosskey. Last year this item also included restructuring expenses of EUR 1.0 M and corporate strategic expenses of EUR 1.0 M. Staff costs excluding restructuring expenses increased by EUR 3.5 M, among other things due to an increased number of employees and salary increases.

Impairment losses on loans amounted to EUR 3.0 M, equivalent to a loan loss level of 0.09 per cent, compared to EUR 1.8 M and 0.06 per cent in the year-earlier period.

Tax expense amounted to EUR 6.0 M (4.8), equivalent to an effective tax rate of 19.7 (21.3) per cent.

Profit attributable to non-controlling interests amounted to EUR 0.0 M (1.5), since Compass Card is now a wholly owned subsidiary and Ålandsbanken Asset Management has merged with the parent Bank.

STRATEGIC BUSINESS AREAS

The Group's net operating income improved by EUR 7.9 M to EUR 30.3 M during 2015, allocated as follows:

• Private Banking	+6.5	(higher income)
• Premium Banking	+3.4	(higher commission income, lower expenses, higher loan losses)
• Asset Management	-2.0	(lower income)
• IT	-0.6	(higher expenses)
• Corporate units	-0.6	(higher Treasury income, lower strategic expenses and negative elimination effect of major IT projects)

The positive trend continued in all our geographic home markets: Åland, the Finnish mainland and Sweden.

BUSINESS VOLUME

Financial investment volume increased by EUR 764 M or 12 per cent during 2015 and amounted to EUR 7,076 M (6,312). Actively managed assets increased by EUR 473 M or 14 per cent and amounted to EUR 3,958 M (3,485). Assets under discretionary management rose by EUR 163 M or 10 per cent to EUR 1,870 M (1,707). Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 184 M or 17 per cent to EUR 1,272 M (1,088). There was continued heavy interest in Bostadsfonden, a housing mutual fund. Net inflow into Bostadsfonden was EUR 128 M. The net assets of Bostadsfonden amounted to EUR 317 M on December 31.

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 284 M or 12 per cent during 2015 and amounted to EUR 2,675 M (2,391).

Lending to the public totalled EUR 3,617 M (3,343). This represented

an increase of EUR 274 M or 8 per cent during 2015. The increase in lending was primarily related to loans secured by residential properties in the Swedish market.

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 increased by EUR 9.7 M to EUR 31.4 M (21.7) during 2015. As a share of lending to the public, doubtful receivables increased to 0.87 per cent (0.65). The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 34 per cent compared to 66 per cent at year-end 2014.

The Bank of Åland Group had EUR 11.8 M (15.8) in impairment loss provisions, of which individual impairments totalled EUR 10.6 M (14.3) and group impairments EUR 1.2 M (1.5).

LIQUIDITY AND BORROWING

During the third quarter, about EUR 180 M in long-term Bank of Åland borrowing fell due for repayment. These maturities had already been funded during the second quarter, when the Bank issued EUR 250 M in covered bonds with a 5-year maturity. During the fourth quarter, the Bank of Åland issued EUR 850 M in senior unsecured debt with a 2-year maturity.

During 2016, there will be only one maturity of an external long-term debt totalling about EUR 80 M in the first quarter.

The Bank of Åland's liquidity reserve in the form of cash, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 805 M on December 31, 2015 (646). This was equivalent to 18 (15) per cent of total assets and 22 (19) per cent of lending to the public. Given the Bank's ability to issue further covered bonds, there is an additional unutilised liquidity reserve.

The average remaining maturity on outstanding bonds was about 3.3 years (3.3) at the end of 2015. 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 100 (105) per cent at the end of the year.

The liquidity coverage ratio (LCR) amounted to 91 (97) 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 including non-controlling interests changed in the amount of total comprehensive income for the period, EUR 24.5 M; the net effect of the acquisition of minority holdings in Ålandsbanken Asset Management including payment with newly issued shares and the merger of the company with the Bank of Åland Plc, EUR -1.3 M; a transfer of the Bank's own shares, EUR 0.2 M; the share savings programme, EUR 0.7 M; dividend payments, EUR 5.8 M; and the dividends paid to non-controlling interests in subsidiaries, EUR 1.3 M. On December 31, 2015, equity capital totalled EUR 212.9 M (195.9).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 1.3 M after taxes, in compliance with IAS 19.

Core Tier 1 capital increased by EUR 17.6 M or 10 per cent during 2015 to EUR 187.6 M (170.0).

The risk exposure amount increased by EUR 28 M or 2 per cent during 2015 to EUR 1,581 M (1,554), mainly due to increased lending. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 11 M.

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

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

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

The total capital ratio amounted to 12.9 (12.1) per cent.

DIVIDEND

The Board of Directors proposes that the Annual General Meeting approve the payment of a dividend of EUR 0.60 per share (0.40), equivalent to a total amount of EUR 9.1 M (5.7). The proposed dividend is equivalent to a 38 (36) per cent payout ratio.

A clarification related to the Bank of Åland's long-term financial targets is that the payout ratio shall eventually amount to 50 per cent. This payout ratio target is subject to the condition that the capital adequacy target continues to be achieved. At present, the Bank of Åland is prioritising growth.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

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

RISKS AND UNCERTAINTIES

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

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

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

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

FUTURE OUTLOOK

A statement on the Bank's future outlook will be presented in the Annual Report, which will be published on Thursday, March 17, 2016.

GENERAL MEETING

The Annual General Meeting will be held on Thursday, April 14, 2016.

FINANCIAL INFORMATION

The Annual Report for 2015 will be published on Thursday, March 17, 2016. The corporate governance statement and the risk report (Pillar 3) are included in the Annual Report.

The Interim Report for January–March 2016 will be published on Tuesday, April 26, 2016.

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.

This Year-end Report is unaudited.

Mariehamn, February 12, 2016
THE BOARD OF DIRECTORS

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Summary income statement

Bank of Åland Group	Note	Q4 2015	Q3 2015	%	Q4 2014	%	Jan-Dec 2015	Jan-Dec 2014	%
EUR M									
Net interest income	5	14.8	13.6	9	12.6	17	54.0	49.3	9
Net commission income	6	11.2	10.5	6	14.5	-23	46.5	46.2	1
Net income from financial items at fair value	7	2.5	1.5	69	2.2	12	8.0	6.8	19
IT income		3.9	3.7	5	4.7	-18	16.0	17.3	-8
Other operating income		0.1	0.1	23	-0.1		0.4	1.0	-60
Total income		32.4	29.4	10	34.0	-5	124.9	120.6	4
Staff costs		-15.1	-13.2	14	-14.5	4	-56.0	-53.1	6
Other expenses	8	-8.0	-6.7	19	-9.3	-14	-28.7	-34.9	-18
Depreciation/amortisation		-1.6	-1.7	-6	-2.0	-22	-6.9	-8.4	-18
Total expenses		-24.7	-21.6	14	-25.8	-5	-91.6	-96.4	-5
Profit before impairment losses		7.8	7.8	-1	8.1	-5	33.3	24.2	38
Impairment losses on loans and other commitments	9	-1.1	-1.4	-19	-0.5		-3.0	-1.8	73
Net operating profit		6.6	6.4	3	7.6	-13	30.3	22.4	35
Income taxes		-1.3	-1.3	2	-1.6	-15	-6.0	-4.8	25
Profit for the period		5.3	5.1	4	6.1	-13	24.3	17.6	38
Attributable to:									
Non-controlling interests		0.0	0.0		0.4		0.0	1.5	-100
Shareholders in Bank of Åland Plc		5.3	5.1	4	5.6	-6	24.3	16.1	51
Earnings per share, EUR		0.35	0.33	4	0.39	-11	1.60	1.12	43

Summary statement of other comprehensive income

Bank of Åland Group	Q4 2015	Q3 2015	%	Q4 2014	%	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
Profit for the period	5.3	5.1	4	6,1	-13	24.3	17.6	38
Cash flow hedge								
Gains/Losses arising during the period	-4.6	-1.1		6,5		-10.4	15.7	
Transferred to the income statement	4.8	1.1		-6,6		10.5	-15.8	
Assets available for sale								
Gains/Losses arising during the period	0.4	3.3	-88	1,2	-68	1.4	6.3	-78
Transferred to the income statement	-0.9	-0.9	-6	-1,7	-48	-3.4	-4.3	-21
Translation differences								
Gains/Losses arising during the period	0.0	-0.1		-0,1		0.0	0.1	-37
of which hedging of net investment in foreign operations	-0.9	0.5		0,6		-0.9	1.5	
Transferred to the income statement	0.0	0.0		0,0		0.0	0.0	
Taxes on items that have been or may be reclassified to the income statement	0.4	-0.7		-0,2		0.7	-0.9	
of which cash flow hedges	0.0	0.0		0,0		0.0	0.0	
of which assets available for sale	0.1	-0.5		0,1	1	0.4	-0.4	
of which hedging of net investment in foreign operations	0.3	-0.2		-0,3		0.3	-0.5	
Items that have been or may be reclassified to the income statement	0.1	1.7	-94	-1,0		-1.1	1.1	
Re-measurements of defined benefit pension plans	-0.4	0.6		0,3		1.7	-2.1	
Taxes on items that may not be reclassified to the income statement	0.1	-0.1		-0,1		-0.3	0.4	
Items that may not be reclassified to the income statement	-0.3	0.5		0,2		1.3	-1.7	
Other comprehensive income	-0.2	2.2		-0,8	-76	0.2	-0.6	
Total comprehensive income for the period	5.1	7.2	-30	5,3	-4	24.5	17.0	44
Attributable to:								
Non-controlling interests	0.0	0.0		0,4		0.0	1.5	-100
Shareholders in Bank of Åland Plc	5.1	7.2	-30	4,9	0	24.5	15.5	58

Income statement by quarter

Bank of Åland Group	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
EUR M					
Net interest income	14.8	13.6	12.9	12.7	12.6
Net commission income	11.2	10.5	11.9	12.9	14.5
Net income from financial items at fair value	2.5	1.5	1.6	2.4	2.2
IT income	3.9	3.7	4.2	4.3	4.7
Other operating income	0.1	0.1	0.0	0.2	-0.1
Total income	32.4	29.4	30.6	32.4	34.0
Staff costs	-15.1	-13.2	-14.1	-13.7	-14.5
Other expenses	-8.0	-6.7	-6.7	-7.2	-9.3
Depreciation/amortisation	-1.6	-1.7	-1.7	-1.9	-2.0
Total expenses	-24.7	-21.6	-22.5	-22.8	-25.8
Profit before impairment losses	7.8	7.8	8.1	9.6	8.1
Impairment losses on loans and other commitments	-1.1	-1.4	-0.3	-0.2	-0.5
Net operating profit	6.6	6.4	7.8	9.4	7.6
Income taxes	-1.3	-1.3	-1.6	-1.7	-1.6
Profit for the period	5.3	5.1	6.2	7.7	6.1
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.4
Shareholders in Bank of Åland Plc	5.3	5.1	6.2	7.7	5.6

Summary balance sheet

Bank of Åland Group	Note	Dec 31, 2015	Dec 31, 2014	%
EUR M				
Assets				
Cash and balances with central banks		199	86	
Debt securities eligible for refinancing with central banks		633	625	1
Lending to credit institutions		45	129	-65
Lending to the public and public sector entities	10, 11	3,617	3,343	8
Shares and participations		1	3	-64
Participations in associated companies		1	1	-5
Derivative instruments	14	19	24	-20
Intangible assets		10	8	25
Tangible assets		24	27	-10
Investment properties		0	0	-20
Current tax assets		1	0	,
Deferred tax assets		4	5	-10
Other assets		24	16	46
Accrued income and prepayments		24	25	-4
Total assets		4,602	4,292	7
Liabilities				
Liabilities to credit institutions		322	422	-24
Liabilities to the public and public sector entities	12	2,517	2,201	14
Debt securities issued	12, 13	1,412	1,312	8
Derivative instruments	14	19	34	-44
Current tax liabilities		1	1	132
Deferred tax liabilities		17	14	25
Other liabilities		33	35	-5
Provisions		0	1	-73
Accrued expenses and prepaid income		26	29	-11
Subordinated liabilities	12	43	50	-14
Total liabilities		4,389	4,096	7
Equity capital and non-controlling interests				
Share capital		42	29	43
Share premium account		33	33	0
Reserve fund		25	25	0
Fair value reserve		1	2	-49
Own shares		0	0	-74
Unrestricted equity capital fund		25	25	2
Retained earnings		87	81	8
Shareholders' portion of equity capital		213	194	10
Non-controlling interests' portion of equity capital		0	2	-99
Total equity capital		213	196	9
Total liabilities and equity capital		4,602	4,292	7

Statement of changes in equity capital

Bank of Åland Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, Dec 31, 2013	29.1	32.7	25.1	-0.4	1.1	0.5	-0.2	24.5	68.1	180.5	3.5	184.1
Comprehensive income for the period				-0.1	1.6	-0.5			14.4	15.5	1.5	17.0
Transfer of own shares							0.0			0.0		0.0
Subscription options								0.1		0.1		0.1
<i>Transactions with Group shareholders</i>												
Dividend paid									-2.2	-2.2	-1.0	-3.1
Acquisitions from non-controlling interests									0.2	0.2	-2.4	-2.2
Equity capital, Dec 31, 2014	29.1	32.7	25.1	-0.5	2.7	0.0	-0.2	24.6	80.6	194.2	1.7	195.9
Comprehensive income for the period				0.1	-1.6	0.4			25.6	24.5	0.0	24.5
Transfer of own shares							0.2			0.2		0.2
<i>Transactions with Group shareholders</i>												
Dividend paid									-5.8	-5.8	-1.3	-7.1
Share savings programme	0.1							0.4	0.2	0.7		0.7
Acquisitions from non-controlling interests ¹	12.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.2	-0.9	-0.4	-1.3
Equity capital, Dec 31, 2015	41.5	32.7	25.1	-0.4	1.1	0.4	-0.1	25.0	87.4	212.9	0.0	212.9

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

Summary cash flow statement

Bank of Åland Group	Jan–Dec 2015		Jan–Dec 2014	
EUR M				
Cash flow from operating activities				
Net operating profit	30.3		22.4	
Adjustment for net operating profit items not affecting cash flow	17.6		13.8	
Gains/losses from investing activities	-0.1		-0.2	
Income taxes paid	-1.5		-1.6	
Changes in assets and liabilities in operating activities	-163.3	-116.9	-151.7	-117.2
Cash flow from investing activities		-4.2		-3.7
Cash flow from financing activities		141.5		141.5
Exchange rate differences in cash and cash equivalents		0.9		-2.3
Change in cash and cash equivalents		21.2		18.2
Cash and cash equivalents at beginning of period		211.8		193.6
Cash and cash equivalents at end of period		232.9		211.8
Change in cash and cash equivalents		21.2		18.2

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 OMX Helsinki Oy (Helsinki Stock Exchange).

The Interim Report for the financial period January 1–December 31, 2015 was approved by the Board of Directors on February 11, 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–December 31, 2015 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards, IAS 34, “Interim Financial Reporting”, which have been adopted by the European Union.

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, 2014.

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

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

ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2014.

COMING CHANGES

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

into these three categories is based on a company’s business model for the various holdings and the characteristics of the cash flows that result from the assets.

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

The new impairment model will require accounting for 12-month expected credit losses, from the date when the asset is first recognised. In case of a significant increase of credit risk, the impairment loss shall be equivalent to the credit losses that are expected to occur during the remaining life of the loan. Among other things, the new hedge accounting rules simplify effectiveness testing and expand the scope of eligible hedging instruments and hedged items. The standard will go into effect on January 1, 2018, and earlier application is allowed provided that the EU has adopted the standard. The Bank of Åland is 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 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 and Ålandsbanken Fonder AB (until its liquidation in May 2014). "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd including S-Crosskey Ab. "Corporate and Other" encompasses all central corporate units in the Group, including Treasury and the subsidiary Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan-Dec 2015					
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	26.9	23.6	0.1	-0.1	3.4	0.2	54.0
Net commission income	25.4	11.2	8.6	-0.1	1.4	0.0	46.5
Net income from financial items at fair value	0.5	0.7	0.1	0.0	6.8	0.0	8.0
IT income	0.0	0.0	0.0	30.8	0.0	-14.8	16.0
Other income	0.0	0.1	0.1	0.1	1.9	-1.8	0.4
Total income	52.8	35.5	8.9	30.7	13.4	-16.4	124.9
Staff costs	-10.4	-6.9	-5.2	-15.3	-18.2	0.0	-56.0
Other expenses	-4.4	-4.4	-2.5	-9.8	-20.7	13.1	-28.7
Depreciation/amortisation	-0.2	-0.7	0.0	-3.4	-4.1	1.5	-6.9
Internal allocation of expenses	-17.4	-17.0	-1.1	0.0	35.5	0.0	0.0
Total expenses	-32.3	-29.0	-8.8	-28.5	-7.4	14.6	-91.6
Profit before impairment losses	20.4	6.4	0.1	2.1	6.0	-1.8	33.3
Impairment losses on loans and other commitments	0.3	-2.9	0.0	0.0	-0.5	0.0	-3.0
Net operating profit	20.7	3.6	0.1	2.1	5.5	-1.8	30.3
Income taxes	-4.2	-0.7	0.0	-0.4	-0.6	0.0	-6.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period attributable to shareholders	16.5	2.9	0.1	1.7	5.0	-1.8	24.3
Business volume							
Lending to the public	1,616	1,973	0	0	49	-21	3,617
Deposits from the public	1,459	1,183	3	0	35	-5	2,675
Investment volume	5,206	784	3,958	0	7	-2,878	7,076
Risk exposure amount	676	620	12	41	233	0	1,581
Allocated equity capital	66	83	2	9	53	0	213
Financial ratios etc.							
Return on equity after taxes, % (ROE)	23.9	3.5		18.1	12.2		12.0
Expense/income ratio	0.61	0.82	0.99	0.93	0.55		0.73
Gross non-performing receivables, %	0.06	1.96			2.77		1.13
Loan loss level, %	-0.02	0.16			1.04		0.09

Bank of Åland Group		Jan-Dec 2014					
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	23.5	23.6	0.1	-0.1	1.9	0.3	49.3
Net commission income	23.8	9.9	10.8	-0.1	1.7	0.0	46.2
Net income from financial items at fair value	0.4	0.7	0.1	0.0	5.7	-0.1	6.8
IT income	0.0	0.0	0.0	30.7	0.0	-13.3	17.3
Other income	0.2	0.1	0.1	0.1	1.0	-0.6	1.0
Total income	47.9	34.4	11.1	30.5	10.3	-13.7	120.6
Staff costs	-10.3	-7.0	-5.3	-14.0	-15.9	0.0	-52.5
Other expenses	-6.0	-6.2	-2.6	-10.1	-22.7	12.8	-34.7
Depreciation/amortisation	-0.2	-0.8	0.0	-3.8	-5.6	2.1	-8.2
Internal allocation of expenses	-16.9	-18.7	-0.9	0.0	36.5	0.0	0.0
Nonrecurring items	0.0	-0.5	-0.2	0.0	-0.2	-0.1	-1.0
Total expenses	-33.4	-33.1	-9.0	-27.8	-7.9	14.8	-96.4
Profit before impairment losses	14.5	1.3	2.1	2.7	2.4	1.2	24.2
Impairment losses on loans and other commitments	-0.4	-1.2	0.0	0.0	-0.3	0.0	-1.8
Net operating profit	14.2	0.1	2.1	2.7	2.1	1.2	22.4
Income taxes	-2.9	0.0	-0.4	-0.5	-0.9	0.0	-4.8
Non-controlling interests	0.0	0.0	-1.3	0.0	-0.2	0.0	-1.5
Profit for the period attributable to shareholders	11.3	0.1	0.4	2.2	1.1	1.2	16.1
Business volume							
Lending to the public	1,475	1,840	0	0	44	-16	3,343
Deposits from the public	1,220	1,081	7	0	89	-6	2,391
Investment volume	4,564	738	3,420	0	6	-2,415	6,312
Risk exposure amount	661	602	12	36	243	0	1,554
Allocated equity capital	82	83	1	9	19	0	194
Financial ratios etc.							
Return on equity after taxes, % (ROE)	15.1	0.1		23.8			8.7
Expense/income ratio	0.70	0.96	0.81	0.91	0.77		0.80
Gross non-performing receivables, %	0.12	1.45			2.28		0.88
Loan loss level, %	0.03	0.06			0.52		0.06

During the autumn of 2015, an organisational unit for analysis and asset management was moved from Private Banking to Asset Management. Full-year comparative figures for 2015 and 2014 have been re-stated accordingly.

4. Changes in Group structure

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

5. Net interest income

Bank of Åland Group	Q4 2015	Q3 2015	%	Q4 2014	%	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
Interest income								
Credit institutions and central banks	0.0	0.0	52	0.1	-79	0.1	0.7	-86
The public and public sector entities	18.0	17.6	2	18.1	-1	70.6	73.2	-3
Debt securities	0.6	0.8	-26	0.8	-28	2.9	3.6	-20
Other interest income	0.1	0.1	37	0.2	-58	0.4	1.0	-60
Total interest income	18.7	18.4	1	19.3	-3	74.0	78.5	-6
Interest expenses								
Credit institutions and central banks	-0.2	-0.3	-33	-0.6	-69	-1.2	-3.2	-61
<i>of which negative interest income ¹</i>	<i>0.0</i>	<i>-0.1</i>	<i>-63</i>	<i>0.0</i>	<i>35</i>	<i>-0.3</i>	<i>0.0</i>	
The public and public sector entities	-1.7	-1.9	-8	-2.5	-30	-7.8	-11.9	-34
Debt securities issued	-1.6	-2.2	-28	-3.1	-48	-9.2	-12.3	-25
Subordinated liabilities	-0.3	-0.3	0	-0.3	-4	-1.0	-1.1	-6
Other interest expenses	-0.2	-0.2	-21	-0.2	-11	-0.7	-0.8	-9
Total interest expenses	-3.9	-4.8	-19	-6.6	-41	-20.0	-29.2	-31
Net interest income	14.8	13.6	9	12.6	17	54.0	49.3	9
Investment margin, per cent ²	1.30	1.16		1.19		1.19	1.20	

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

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

6. Net commission income

Bank of Åland Group	Q4 2015	Q3 2015	%	Q4 2014	%	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
Deposits	0.2	0.2	-7	0.2	1	0.8	0.8	-3
Lending	1.0	1.0	-1	3.9	-74	4.3	7.3	-42
Payment intermediation	2.1	2.2	-3	2.2	-5	8.8	8.7	1
Mutual fund commissions	4.9	4.8	1	4.3	14	19.6	15.3	28
Management commissions	2.7	2.3	16	3.1	-12	10.1	9.3	10
Securities commissions	3.0	2.3	31	2.5	17	11.8	10.6	11
Insurance commissions	0.0	0.1	-45	0.0	57	0.2	0.1	
Other commission income	0.6	0.5	7	0.6	-4	2.5	2.3	7
Total commission income	14.5	13.4	8	16.8	-14	58.0	54.3	7
Payment commission expenses	-1.2	-1.3	-5	-1.1	14	-4.8	-4.1	17
Mutual fund commission expenses	-0.8	-0.6	38	-0.2		-2.2	-0.8	
Management commission expenses	-0.3	-0.4	-16	-0.3	22	-1.4	-0.8	75
Securities commission expenses	-0.7	-0.4	67	-0.4	78	-2.1	-1.1	86
Other commission expenses	-0.2	-0.2	9	-0.3	-28	-1.1	-1.3	-21
Total commission expenses	-3.3	-2.9	14	-2.3	46	-11.6	-8.1	42
Net commission income	11.2	10.5	6	14.5	-23	46.5	46.2	1

7. Net income from financial items at fair value

Bank of Åland Group	Q4 2015	Q3 2015	%	Q4 2014	Jan-Dec %	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
Valuation category fair value via the income statement ("profit and loss")								
Debt securities	0.0	0.0		0.0	-18	-0.1	0.5	
Shares and participations	0.0	0.0		0.0	27	0.2	0.1	49
Derivative instruments	0.1	-0.1		0.4	-77	1.1	0.5	
Loan receivables	0.4	0.1		-0.5		-0.2	-1.5	-86
Valuation category fair value via the income statement ("profit and loss")	0.5	-0.1		0.0		0.9	-0.3	
Hedge accounting								
<i>of which hedging instruments</i>	0.6	3.9	-85	2.1	-71	-1.3	14.6	
<i>of which hedged item</i>	-0.5	-3.7	-87	-1.9	-75	1.5	-14.7	
Hedge accounting	0.1	0.1	-3	0.2	-26	0.2	-0.2	
Net income from foreign exchange dealing	1.1	0.5		0.4		3.7	3.0	22
Net income from financial assets available for sale	0.8	0.9	-17	1.7	-54	3.3	4.2	-22
Total	2.5	1.5	69	2.2	12	8.0	6.8	19

8. Other expenses

Bank of Åland Group	Q4 2015	Q3 2015	%	Q4 2014	Jan-Dec %	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
IT expenses (excluding information services)	2.7	2.2	20	2.9	-9	10.1	9.5	6
Premises and property expenses	1.4	1.3	10	1.5	-4	5.3	5.5	-4
Marketing expenses	0.8	0.5	56	0.6	23	2.6	2.3	12
Information services	0.5	0.6	-12	0.5	-4	2.3	2.2	6
Staff-related expenses	0.8	0.4	73	0.6	29	2.4	2.2	6
Travel expenses	0.5	0.2		0.5	-4	1.3	1.4	-3
Purchased services	0.8	0.5	59	0.8	-9	2.4	4.1	-42
Deposit guarantee fee	0.0	0.0	43	0.2	-98	0.0	1.0	-99
Banking tax	0.0	0.0		0.4	-100	0.0	1.7	-100
Other expenses	1.9	1.6	14	1.7	8	6.5	6.5	-1
Production for own use	-1.2	-0.6	95	-0.5		-4.1	-1.5	
Total	8.0	6.7	19	9.3	-14	28.7	34.9	-18

9. Impairment losses on loans and other commitments

Bank of Åland Group	Q4 2015	Q3 2015	%	Q4 2014	%	Jan-Dec 2015	Jan-Dec 2014	%
EUR M								
Impairment losses								
Actual losses for the period	0.6	1.2	-54	2.1	-74	7.2	2.5	
Recoveries of actual losses	0.0	0.0	-10	0.0	32	-0.2	-0.1	
Total	0.5	1.2	-55	2.1	-75	7.0	2.4	
Specific provisions for individually valued receivables								
New and increased provisions	1.1	1.3	-15	1.4	-22	3.7	4.4	-15
Reversals of earlier provisions	-0.2	-0.1		-1.2	-86	-0.8	-3.2	-75
Utilised for actual losses	-0.4	-1.0	-61	-2.1	-81	-6.6	-2.1	
Total	0.6	0.3		-1.8		-3.7	-1.0	
Net provisions for the period, receivables valued by group	0.1	0.0		0.2	-73	-0.3	0.3	
Net loan losses	1.1	1.4	-19	0.5		3.0	1.8	73

10. Lending to the public and public sector by purpose

Bank of Åland Group	Dec 31, 2015			Dec 31, 2014			%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending before provisions	Provisions	Lending after provisions	
Private individuals							
Home loans	1,739	-3	1,736	1,542	-3	1,539	13
Securities and other investments	371	0	371	320	0	320	16
Business operations	135	-1	134	126	-1	125	8
Other household purposes	200	-1	199	195	-1	194	2
Total, private individuals	2,445	-5	2,440	2,183	-5	2,178	12
Companies							
Shipping	61	0	61	70	-4	66	-7
Wholesale and retail trade	43	-1	42	49	-1	48	-12
Housing operations	320	-1	319	271	-1	271	18
Other real estate operations	345	-1	344	362	-2	360	-5
Financial and insurance operations	176	0	176	191	0	191	-8
Hotel and restaurant operations	24	0	23	24	0	24	-2
Other service operations	107	-3	105	107	-2	105	0
Agriculture, forestry and fishing	19	0	19	13	0	13	44
Construction	32	0	32	33	0	33	-5
Other industry and crafts	36	0	35	38	0	38	-6
Total, companies	1,162	-7	1,156	1,159	-10	1,149	1
Public sector and non-profit organisations	21	0	21	17	0	17	28
Total, public sector and non-profit organisations	21	0	21	17	0	17	28
Total lending	3,629	-12	3,617	3,359	-16	3,343	8

11. Doubtful receivables and impairment losses

Bank of Åland Group	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Gross doubtful receivables	31.4	21.7	45
of which private individuals	10.5	8.2	29
of which companies	20.8	13.5	54
Doubtful receivables as % of total	0.87	0.65	34
Provisions for individually measured receivables	10.6	14.3	-26
of which private individuals	4.1	4.2	-4
of which companies	6.6	10.1	-35
Net doubtful receivables	20.8	7.4	
Level of provisions for doubtful receivables, %	34	66	-49
Provisions for receivables measured by group	1.2	1.5	-18
of which private individuals	1.1	1.1	2
of which companies	0.1	0.4	-72
Total level of provisions for doubtful receivables, %	38	73	-48
Non-performing receivables > 90 days past due	41.1	29.4	40
of which private individuals	19.4	14.0	39
of which companies	21.7	15.5	40
Provisions for individually measured receivables	-9.2	-10.2	-10
Carrying amount after taking individual provisions into account	32.0	19.2	66
Gross non-performing receivables > 90 days as % of total	1.13	0.88	29

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

Bank of Åland Group	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Deposit accounts from the public and public sector			
Sight deposits	2,330	1,817	28
Time deposits	186	384	-51
Total deposit accounts	2,517	2,201	14
Certificates of deposit issued to the public ¹	69	75	-9
Index bonds (structured products)	47	65	-28
Subordinated debentures	43	50	-14
Total bonds and certificates of deposit	159	190	-17
Total deposits	2,675	2,391	12

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

13. Debt securities issued

Bank of Åland Group	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Certificates of deposit	250	292	-14
Covered bonds	959	795	21
Senior non-covered bonds	156	160	-2
Index bonds (structured products)	47	65	-28
Total	1,412	1,312	8

14. Derivative instruments

Bank of Åland Group		Dec 30, 2015					Dec 31, 2014		
EUR M	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
	Under 1 yr	1–5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	42	64	24	130	2	4	247	4	6
Interest rate and currency swaps	0	0	0	0	0	0	32	0	19
Interest rate futures	10	0	0	10	0	0	10	0	0
Interest rate options – purchased	9	1	0	11	0	0	12	0	0
Interest rate options – sold	8	0	0	8	0	0	12	0	0
Currency-related contracts									
Currency forward contracts	181	4	0	184	1	1	89	1	1
Equity-related contracts									
Equity options – purchased	28	7	0	35	2	0	52	4	0
Equity options – written	16	7	0	23	0	2	43	0	4
Equity forward contracts	0	0	0	0	0	0	1	0	0
Other derivative contracts	0	21	0	21	1	1	22	1	1
Total	295	103	24	422	5	7	519	11	31
Derivatives for market value hedge									
Interest-related contracts									
Interest rate swaps	0	397	97	494	13	1	252	14	1
Total	0	397	97	494	13	1	252	14	1
Derivatives for cash flow hedge									
Interest-related contracts									
Interest rate and currency swaps	0	256	0	256	1	11	213	0	2
Total	0	256	0	256	1	11	213	0	2
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
Currency swaps	26	0	0	26	0	0	14	0	0
Total	26	0	0	26	0	0	14	0	0
Total derivative instruments	321	756	121	1 198	19	19	998	24	34
of which cleared OTC									
of which cleared by other means	10	0	0	10	0	0	10	0	0

15. Financial instruments at fair value

Bank of Åland Group		Dec 31, 2015		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	592			592
Lending to the public and public sector entities		43		43
Shares and participations	0	0	1	1
Derivative instruments	0	19		19
Total financial assets	592	62	1	655
Liabilities to the public and public sector entities		0		0
Debt securities issued		489		489
Derivative instruments	0	19		19
Subordinated liabilities		19		19
Total financial liabilities	0	527	0	527

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

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

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

The measurement hierarchy

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

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

Change in Level 3 holdings	Jan-Dec 2015
EUR M	Shares and participations
Carrying amount on January 1	0.5
New purchases	0.0
Divested/reached maturity during the year	0.0
Realised change of value in the income statement	0.0
Unrealised change of value in the income statement	-0.1
Change in value recognised in "Other comprehensive income"	0.5
Carrying amount on December 31	0.9

16. Off-balance sheet commitments

Bank of Åland Group	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Guarantees	20	22	-5
Unutilised overdraft limits	76	82	-7
Unutilised credit card limits	120	120	-1
Lines of credit	223	186	19
Total	439	410	7

17. Offsetting of financial assets and liabilities

Bank of Åland Group	Dec 31, 2015		Dec 31, 2014	
EUR M	Derivatives	Repurchasing agreements plus lending and borrowing of securities	Derivatives	Repurchasing agreements plus lending and borrowing of securities
Financial assets that are offset or covered by offsetting agreements				
Gross amount of financial assets	19		24	
Gross amount of financial liabilities offset in the balance sheet				
Net amount of financial assets recognised in the balance sheet	19	0	24	
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-10		-19	
Financial collateral received	-8		-5	
Net amount	1	0	0	
Financial liabilities that are offset or covered by offsetting agreements				
Gross amount of financial liabilities	19	1	34	1
Gross amount of financial assets offset in the balance sheet				
Net amount of financial liabilities recognised in the balance sheet	19	1	34	1
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-15		-19	
Financial collateral pledged	-2	-1	-2	-1
Net amount	3	0	12	0

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

18. Assets pledged

Bank of Åland Group	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Lending to credit institutions	11	4	
Debt securities	123	195	-37
Loan receivables constituting collateral (cover pool) for covered bonds	1,528	1,312	16
Other assets pledged	1	3	-65
Total	1,664	1,514	10

19. Capital adequacy

Bank of Åland Group	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Equity capital according to balance sheet	212.9	195.9	9
Foreseeable dividend	-9.1	-5.8	58
Core Tier 1 capital before deductions	203.8	190.1	7
Intangible assets	-8.8	-7.2	22
Property revaluation	-1.9	-2.1	-10
Tax assets due to future profitability offset against tax liabilities within same tax category	-0.1	-0.5	-89
Deduction of surplus value in pension assets	-0.5	0.0	
Non-controlling interests	0.0	-1.3	-99
Unrealised accumulated positive change in value	0.0	-4.5	-100
Cash flow hedge	0.4	0.5	-23
Expected losses according to IRB approach beyond recognised losses	-5.2	-4.9	6
Core Tier 1 capital	187.6	170.0	10
Additional Tier 1 capital	0.0	0.0	
Tier 1 capital	187.6	170.0	10
Supplementary capital instruments	15.1	11.0	37
Unrealised accumulated positive change in value	0.0	4.5	-100
Property revaluation	1.9	2.1	-10
Supplementary capital	17.0	17.7	-4
Total capital base	204.6	187.6	9
Capital requirement for credit risk according to the IRB approach	26.4	24.2	9
Capital requirement for credit risk according to standardised approach	84.9	85.7	-1
Capital requirement for credit-worthiness adjustment risk	1.3	1.3	-4
Capital requirement for operational risk	13.9	13.0	7
Capital requirement	126.5	124.3	2
Capital ratios			
Core Tier 1 capital ratio, %	11.9	10.9	8
Tier 1 capital ratio, %	11.9	10.9	8
Total capital ratio, %	12.9	12.1	7
Risk exposure amount	1,581.2	1,553.6	2
of which % comprising credit risk	88	89	-1
of which % comprising credit-worthiness adjustment risk	1	1	-6
of which % comprising operational risk	11	11	5

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

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

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

Capital requirement according to transitional rules for Basel 1 floor	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Capital requirement adjusted according to Basel 1 floor rule	127.3	141.3	-10
Capital base according to Basel 1	209.8	192.6	9
Surplus capital according to transitional rules for Basel 1 floor	82.5	51.3	61
Ratio of capital base to capital requirement according to Basel 1 floor, %	164.8	136.3	21

Leverage ratio	Dec 31, 2015	Dec 31, 2014	%
EUR M			
Tier 1 capital	187.1	171.8	9
Total exposure measure	4,778.2	4,516.9	6
of which balance sheet items	4,518.7	4,270.2	6
of which off-balance sheet items	259.5	246.8	5
Leverage ratio, %	3.9	3.8	3

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