ÅLANDSBANKEN

Year-end Report

For the period January–December 2016 • February 14, 2017

January - December 2016

Compared to January – December 2015

- Net operating profit decreased by 17 per cent to EUR 25.1 M (30.3).
- Profit for the period attributable to shareholders decreased by 19 per cent to EUR 19.7 M (24.3).
- Net interest income increased by 2 per cent to EUR 55.1 M (54.0).
- Net commission income decreased by 3 per cent to EUR 44.9 M (46.5).
- Total expenses decreased to EUR 91.3 M (91.6).
- Net impairment losses on loans (including recoveries) amounted to EUR 4.1 M (3.0), equivalent to a loan loss level of 0.11 (0.09) per cent.
- Return on equity after taxes (ROE) amounted to 9.1 (12.0) per cent.
- Earnings per share amounted to EUR 1.29 (1.60).
- The core Tier 1 capital ratio not taking into account transitional rules, amounted to 11.8 per cent (12.0).

The fourth quarter of 2016

Compared to the fourth quarter of 2015

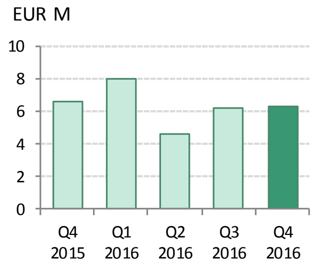
- Net operating profit decreased by 4 per cent to EUR 6.3 M (6.6).
- Profit for the period attributable to shareholders fell by 7 per cent to EUR 4.9 M (5.3).
- Net interest income decreased by 5 per cent to EUR 14.0 M (14.8).
- Net commission income increased by 9 per cent to EUR 12.2 M (11.2).
- Total expenses decreased by 3 per cent to EUR 23.8 M (24.7).
- Net impairment losses on loans (including recoveries) amounted to EUR 1.0 M (1.1), equivalent to a loan loss level of 0.11 (0.13) per cent.
- Return on equity after taxes (ROE) amounted to 8.9 (9.9) per cent.
- Earnings per share amounted to EUR 0.32 (0.35).

“We achieved a stable net operating profit for the year (EUR 25.1 M), defending our net interest income well despite falling market interest rates. Late in 2016 we also saw a high activity level among our investment customers, resulting in higher brokerage commission income and a rising volume of actively managed assets.

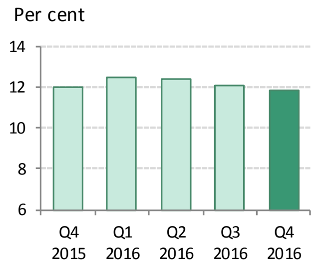
“The Bank of Åland grew and became stronger during the 2016 financial year. In spite of this, our earnings did not reach the previous year’s record level. This was mainly due to lower income from our treasury operations, where net income from financial items was EUR 3.8 M lower than in 2015.”

Peter Wiklöf, Managing Director

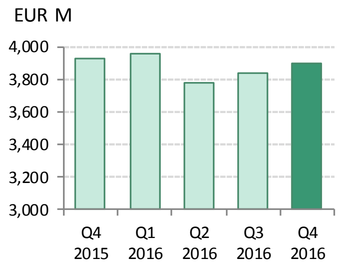
Net operating profit



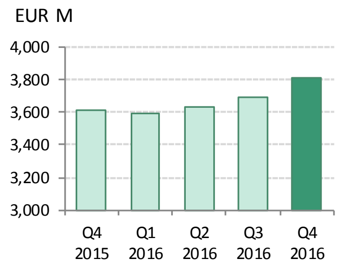
Core Tier 1 ratio



Actively managed assets



Lending



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

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Financial summary

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
Income								
Net interest income	14.0	13.7	2	14.8	-5	55.1	54.0	2
Net commission income	12.2	10.6	15	11.2	9	44.9	46.5	-3
Net income from financial items at fair value	0.3	0.5	-42	2.5	-88	4.2	8.0	-48
Other income	4.7	3.8	25	4.0	18	16.2	16.4	-1
Total income	**31.2**	**28.5**	**9**	**32.4**	**-4**	**120.4**	**124.9**	**-4**
Staff costs	-14.8	-13.3	12	-15.1	-2	-57.0	-56.0	2
Other expences	-7.5	-6.7	12	-8.0	-6	-28.3	-28.7	-1
Depreciation/amortisation	-1.5	-1.5	1	-1.6	-7	-5.9	-6.9	-14
Total expenses	**-23.8**	**-21.5**	**11**	**-24.7**	**-3**	**-91.3**	**-91.6**	**0**
Profit before impairment losses	**7.4**	**7.1**	**4**	**7.8**	**-5**	**29.2**	**33.3**	**-12**
Impairment losses on loans and other commitments	-1.0	-0.9	17	-1.1	-9	-4.1	-3.0	33
Net operating profit	**6.3**	**6.2**	**2**	**6.6**	**-4**	**25.1**	**30.3**	**-17**
Income taxes	-1.4	-1.2	16	-1.3	6	-5.4	-6.0	-9
Profit for the report period	**4.9**	**5.0**	**-1**	**5.3**	**-7**	**19.7**	**24.3**	**-19**
Attributable to:								
Shareholders in Bank of Åland Plc	**4.9**	**5.0**	**-1**	**5.3**	**-7**	**19.7**	**24.3**	**-19**
Volume								
Lending to the public	3,808	3,692	3	3,617	5			
Deposits from the public [1]	3,100	2,897	7	2,675	16			
Actively managed assets [2]	3,900	3,837	2	3,927	-1			
Equity capital	222	217	2	213	4			
Balance sheet total	5,137	4,909	5	4,602	12			
Risk exposure amount	1,576	1,538	2	1,581	0			
Financial ratios								
Return on equity after taxes, % (ROE) [3]	8.9	9.2		9.9		9.1	12.0	
Expences/income ratio [4]	0.76	0.75		0.76		0.76	0.73	
Loan loss level, % [5]	0.11	0.10		0.13		0.11	0.09	
Gross non-performing receivables, % [6]	0.57	0.90		0.87				
Level of provisions for doubtful receivables, % [7]	50	39		34				
Core funding ratio, % [8]	89	90		100				
Equity/assets ratio, % [9]	4.3	4.4		4.6				
Tier 1 capital ratio, % [10]	11.8	12.1		12.0				
Earnings per share, EUR [11]	0.32	0.33	-1	0.35	-7	1.29	1.60	-19
Earnings per share after dilution, EUR	0.32	0.32	-1	0.34	-7	1.28	1.59	-20
Equity capital per share, EUR [12]	14.50	14.20	2	14.00	4			
Equity capital per share after dilution, EUR	14.37	14.07	2	13.94	3			
Market price per Series A share, EUR	14.84	14.10	5	16.40	-14			
Market price per Series B share, EUR	14.38	13.58	6	15.60	-13			
Number of shares outstanding (not own shares), 000s	15,299	15,299	0	15,208	1			
Number of shares outstanding (not own shares), after dilution, 000s	15,572	15,540	0	15,411	1			
Working hours re-calculated to full-time equivalent positions	685	690	-1	667	3	683	663	3

1 Deposits from the public and public sector enteties, including certificates of deposit, index bonds and debentures issued to the public
2 Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume.
3 Profit for the report period attributable to shareholders / Average shareholders´portion of equity capital
4 Expenses / Income
5 Impaiment 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 / Avarage number of shares
12 Shareholders' portion of equity capital / Number of shares less own shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

The central banks in Europe are continuing their expansionary monetary policies in the form of asset purchases and low key interest rates in the hope of generating economic growth and inflation. During 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. Late in the year, after the American presidential election, there was a turnaround in the trend of long-term yields, which rose. 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 2016	Q3 2016	Q4 2015
Euribor 3 mo	-0.31	-0.30	-0.09
Euribor 12 mo	-0.07	-0.05	0.09
Stibor 3 mo	-0.57	-0.54	-0.36

	2016	2015
Euribor 3 mo	-0.26	-0.02
Euribor 12 mo	-0.03	0.17
Stibor 3 mo	-0.49	-0.19

The year began with falling share prices and low share trading activity by customers. During the second half of 2016, share prices rebounded, with both the Nasdaq Helsinki (OMXHPI) index and the Nasdaq Stockholm (OMXSPI) index rising by about 13 per cent. In 2016 as a whole, the Helsinki and Stockholm indices rose by about 6 per cent.

The average value of the Swedish krona in relation to the euro was 1 per cent lower during 2016 than in 2015. On December 31, 2016, the krona was worth 4 per cent less 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

Outstanding personal service, a broad range of services and top-quality investment advice won the Bank of Åland first place in TNS Sifo Prospera's survey of Private Banking market participants in Finland for the second consecutive year.

In the personal finance magazine *Privata Affärer*'s evaluation of Private Banking services in Sweden, which is conducted out every two years, the Bank of Åland came in at second place.

In November Standard & Poor's Global Ratings raised the Bank of Åland's credit rating for short-term borrowing from A-3 to A-2 on the basis of the Bank's improved liquidity and funding metrics. At the same time, it changed the Bank's outlook from negative to stable.

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

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

Joining the Baltic Sea Project's jury during the year were Ilkka Paananen, CEO of the gaming company Supercell, and Niklas Zennström, co-founder of Skype.

During 2016 the Ålandsbanken Euro High Yield bond fund received a fifth star from Morningstar, which is that company's highest rating. This is continued proof of a well-functioning asset management philosophy at the Bank's bond funds. The Ålandsbanken Cash Manager and Ålandsbanken Euro Bond funds also have five stars from Morningstar.

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

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

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

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

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

In April the Swedish-based financial technology (fintech) company Dreams, in collaboration with the Bank of Åland, launched an app that focuses on healthy personal finances and the realisation of dreams through saving. On December 31, the Bank of Åland had about 10,000 customers with Dreams accounts.

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

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

EARNINGS FOR THE FOURTH QUARTER OF 2016

Profit for the period attributable to shareholders amounted to EUR 4.9 M (5.3), which was a decrease of EUR 0.4 M or 7 per cent from the year-earlier quarter. Net operating profit fell by EUR 0.3 M or 4 per cent to EUR 6.3 M (6.6).

Return on equity after taxes amounted to 8.9 (9.9) per cent.

Total income decreased by EUR 1.2 M or 4 per cent to EUR 31.2 M (32.4).

Net interest income decreased by EUR 0.8 M or 5 per cent to EUR 14.0 M (14.8). Increase business volume could not fully offset the effect of negative central bank interest rates.

Net commission income rose by EUR 1.0 M or 9 per cent to EUR 12.2 M (11.2). This was mainly due to mutual fund and brokerage commissions, while card-related income from Compass Card was lower.

Net income on financial items at fair value decreased by EUR 2.2 M or 88 per cent to EUR 0.3 M (2.5), mainly due to lower capital gains in the liquidity portfolio.

Information technology (IT) income rose by EUR 0.6 M or 17 per cent to EUR 4.5 M (3.9) as a result of increased service and project income.

Total expenses decreased by EUR 0.9 M or 3 per cent to EUR 23.8 M (24.7).

Impairment losses on loans amounted to EUR 1.0 M, equivalent to a loan loss level of 0.11 per cent, compared to EUR 1.1 M and 0.13 per cent in the year-earlier quarter.

EARNINGS FOR JANUARY – DECEMBER 2016

Profit for the period attributable to shareholders amounted to EUR 19.7 M (24.3), which was a decrease of EUR 4.6 M or 19 per cent from the year-earlier period. Net operating profit fell by EUR 5.2 M or 17 per cent to EUR 25.1 M (30.3). The main explanations for the lower net operating profit were:

- Lower net income on financial items at fair value (EUR 3.8 M)
- Lower brokerage commission income (EUR 1.4 M)
- Higher impairment losses on loans (EUR 1.1 M)
- Lower card business-related income from Compass Card (EUR 0.7 M)
- The nonrecurring effect of the final purchase price reduction (EUR 0.5 M)

Return on equity after taxes amounted to 9.1 (12.0) per cent.

Total income decreased by EUR 4.5 M or 4 per cent to EUR 120.4 M (124.9) 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 1.1 M or 2 per cent to EUR 55.1 M (54.0), but the effect of negative central bank interest rates is increasingly making itself felt.

Net commission income fell by EUR 1.6 M or 3 per cent to EUR 44.9 M (46.5), mainly due to lower income from brokerage commissions and lower card-related income from Compass Card. Lower card-related income from Compass Card was partly due to lower interchange fees in compliance with new EU rules but primarily to the end of collaboration with S-Bank as agreed earlier. Mutual fund commission income increased thanks to the Bank's housing-related funds.

Net income on financial items at fair value fell by EUR 3.8 M or 48 per cent to EUR 4.2 M (8.0), mainly due to lower net income on foreign exchange dealing and lower capital gains in the liquidity portfolio.

IT income fell by EUR 1.1 M or 7 per cent to EUR 14.9 M (16.0) due to lower project income.

Total expenses decreased by EUR 0.3 M to EUR 91.3 M (91.6). These expenses included EUR 0.5 M as a finally determined reduction in purchase price related to the Swedish subsidiary that was sold in 2012. Staff costs rose by EUR 1.0 M or 2 per cent. Total expenses were favourably affected by lower depreciation and amortisation as well as higher production for own use. Production for own use largely refers to capitalised development expenses for the Bank's new securities platform, which is being developed by Crosskey.

Impairment losses on loans amounted to EUR 4.1 M, equivalent to a loan loss level of 0.11 per cent, compared to EUR 3.0 M and 0.09 per cent in the year-earlier period. Of these impairment losses, EUR 2.9 M was related to further provisions for two corporate commitments at the Special Funding unit in Helsinki.

Tax expenses amounted to EUR 5.4 M (6.0), equivalent to an effective tax rate of 21.5 (19.7) per cent.

STRATEGIC BUSINESS AREAS

The decrease in the Group's net operating income by EUR 5.2 M to EUR 25.1 M in 2016 was allocated as follows:

- Private Banking -2.4 (lower brokerage commissions, higher expenses)
- Premium Banking -0.1 (higher income, higher impairment losses on a few corporate loans)
- Asset Management +0.6 (lower expenses)
- IT +0.3 (lower expenses)
- Corporate Units & Eliminations -3.6 (Treasury, Compass Card, purchase price reduction)

BUSINESS VOLUME

Actively managed assets increased both in Private Banking and Premium Banking, but decreased overall in the Group by EUR 27 M or 1 per cent to EUR 3,900 M (3,927). Assets under discretionary management fell by EUR 208 M or 11 per cent to EUR 1,631 M (1,839). The main reason for the decrease is that a few large institutional customers in Sweden chose to end their management mandates. Meanwhile the Bank ended partnerships with external actors in Finland. Managed assets in the Group's own mutual funds increased by EUR 191 M or 15 per cent to EUR 1,463 M (1,272), despite the sale of the Bank of Åland LCR Income Fund, with its EUR 57 M in managed assets. There was continued heavy interest in the Bank of Åland's housing-related mutual funds. Net inflow into Bostadsfonden and Tomtfonden was EUR 190 M.

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 425 M or 16 per cent during 2016 and amounted to EUR 3,100 M (2,675).

Lending to the public rose by EUR 191 M or 5 per cent to EUR 3,808 M (3,617).

All volume figures were adversely affected by the 4 per cent depreciation of the Swedish krona against the euro during 2016.

CREDIT QUALITY

Lending to private individuals comprises about 70 per cent 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 9.7 M or 31 per cent to EUR 21.7 M (31.4) during 2016. As a share of lending to the public, doubtful receivables decreased to 0.57 (0.87) per cent during the period. The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 50 per cent compared to 34 per cent at year-end 2015.

The Bank of Åland Group had EUR 12.6 M (11.8) in impairment loss provisions, of which individual impairments totalled EUR 10.8 M (10.6) and group impairments EUR 1.8 M (1.2).

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 906 M on December 31, 2016 (805). This was equivalent to 18 (18) per cent of total assets and 24 (22) per cent of lending to the public.

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

On December 31, 2016, the average remaining maturity on outstanding bonds was about 3.4 years (3.3). During the first quarter, SEK 750 M in unsecured bonds reached maturity. During the third quarter EUR 100 M in covered bonds reached maturity. During 2017, SEK 1 billion in covered bonds will mature in June and SEK 850 M in unsecured bonds will mature in November.

The Bank of Åland's core funding ratio, defined as lending to the public divided by deposits from the public including certificates of deposit, index bonds and subordinated debentures issued to the public, plus covered bonds issued, amounted to 89 (100) per cent at the end of 2016.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 64 (59) per cent and covered bonds issued accounted for 25 (22) per cent on December 31, 2016.

The liquidity coverage ratio (LCR) amounted to 97 (91) per cent.

The net stable funding ratio (NSFR) amounted to 128 (108) per cent.

RATING

The Bank of Åland has a credit rating from the Standard & Poor's rating agency of BBB/A-2 with a stable 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 16.5 M; the share savings programme, EUR 1.3 M; the transfer of own shares and the issuance of new shares within the framework of incentive programmes, EUR 0.4 M; plus the payment of EUR 9.2 M in dividends to shareholders. On December 31, 2016, equity capital totalled EUR 221.8 M (212.9 on December 31, 2015).

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

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

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

Core Tier 1 capital decreased by EUR 3.5 M or 2 per cent during 2016 to EUR 186.0 M (189.5), mainly due to the transition to the IRB approach for the corporate portfolio in Finland and increased intangible assets. Before negative items, core Tier 1 capital rose by EUR 8.8 M.

The risk exposure amount fell by EUR 5 M during 2016 to EUR 1,576 M (1,581). The credit risk exposure amount fell by EUR 21 M. Of this, the transition to the IRB approach for the Finnish corporate portfolio represented a decrease of EUR 14 M. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 16 M.

The core Tier 1 capital ratio amounted to 11.8 per cent (12.0). Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio.

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

During the third quarter, the Bank of Åland issued 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 50 per cent. The issue volume was EUR 6.1 M.

The total capital ratio amounted to 13.0 (12.9) per cent.

One of the Bank of Åland's three long-term financial targets is that its capital adequacy, primarily defined as the core Tier 1 capital ratio, shall clearly exceed all regulatory requirements. As communicated earlier, for the time being the Bank of Åland is choosing not to interpret what this target may mean in the future in terms of an exact percentage figure, considering the prevailing uncertainty about the effects of new accounting rules as well as new capital adequacy requirements. Given its core Tier 1 capital ratio of 11.8 per cent on December 31, the Bank of Åland clearly exceeds all regulatory requirements and will thus receive a one-step upgrade on the Standard & Poor's credit rating scale.

DIVIDEND
The Board of Directors proposes that the Annual General Meeting approve the payment of a dividend of EUR 0.60 per share (0.60), equivalent to a total amount of EUR 9.2 M (9.2). The proposed dividend is equivalent to a 47 (38) per cent payout ratio.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD
Mikael Mörn was appointed as a new Executive Team member at the Bank of Åland because he assumed the position of Director of the Åland Business Area on February 1, 2017. Mörn has worked at the Bank of Åland for nearly 30 years and was previously responsible for its Private Banking operations in Åland. He replaced the Director of the Åland Business Area, Birgitta Dahlén, who resigned from the Executive Team at the Bank of Åland Plc due to her retirement.

Magnus Johansson was appointed as a new Executive Team member because he assumed the position of Director of the Sweden Business Area on January 16, 2017. Johansson has worked at the Bank of Åland since the Bank began its Swedish operations in 2009 and was previously responsible for its Private Banking operations in Sweden. He replaced the Director of the Sweden Business Area, Magnus Holm, who resigned from the Executive Team at the Bank of Åland Plc on January 16, 2017 because stepped down as Director of the Sweden Business Area.

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 9, 2017.

GENERAL MEETING
The Annual General Meeting will be held on Thursday, April 6, 2017.

FINANCIAL INFORMATION
The Annual Report for 2016 will be published on Thursday, March 9, 2017. The corporate governance statement and the risk report (Pillar 3) are included in the Annual Report.

The Interim Report for January–March 2017 will be published on Tuesday, April 25, 2017.

The Interim Report for January–June 2017 will be published on Thursday, July 20, 2017.

The Interim Report for January–September 2017 will be published on Tuesday, October 24, 2017.

This Year-end Report is unaudited.

Mariehamn, February 14, 2017

THE BOARD OF DIRECTORS

Table of contents, financial information

Notes

Summary income statement

Group	Note	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M									
Net interest income	5	14.0	13.7	2	14.8	-5	55.1	54.0	2
Net commission income	6	12.2	10.6	15	11.2	9	44.9	46.5	-3
Net income from financial items at fair value	7	0.3	0.5	-42	2.5	-88	4.2	8.0	-48
IT income		4.5	3.6	27	3.9	17	14.9	16.0	-7
Other operating income		0.2	0.2	-10	0.1	39	1.3	0.4	
Total income		**31.2**	**28.5**	**9**	**32.4**	**-4**	**120.4**	**124.9**	**-4**
Staff costs		-14.8	-13.3	12	-15.1	-2	-57.0	-56.0	2
Other expenses	8	-7.5	-6.7	12	-8.0	-6	-28.3	-28.7	-1
Depreciation/amortisation		-1.5	-1.5	1	-1.6	-7	-5.9	-6.9	-14
Total expenses		**-23.8**	**-21.5**	**11**	**-24.7**	**-3**	**-91.3**	**-91.6**	**0**
Profit before impairment losses		**7.4**	**7.1**	**4**	**7.8**	**-5**	**29.2**	**33.3**	**-12**
Impairment losses on loans and other commitments	9	-1.0	-0.9	17	-1.1	-9	-4.1	-3.0	33
Net operating profit		**6.3**	**6.2**	**2**	**6.6**	**-4**	**25.1**	**30.3**	**-17**
Income taxes		-1.4	-1.2	16	-1.3	6	-5.4	-6.0	-9
Profit for the period		**4.9**	**5.0**	**-1**	**5.3**	**-7**	**19.7**	**24.3**	**-19**
Attributable to:									
Non-controlling interests		0.0	0.0		0.0	-32	0.0	0.0	-45
Shareholders in Bank of Åland Plc		**4.9**	**5.0**	**-1**	**5.3**	**-7**	**19.7**	**24.3**	**-19**
Earnings per share, EUR		0.32	0.33	-1	0.35	-7	1.29	1.60	0

Summary statement of other comprehensive income

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
Profit for the period	**4.9**	**5.0**	**-1**	**5.3**	**-7**	**19.7**	**24.3**	**-19**
Cash flow hedge								
Gains/Losses arising during the period	-1.5	5.3		-3.6	-59	10.5	-15.8	
Transferred to the income statement	1.6	-5.2		3.8	-58	-10.3	16.0	
Assets available for sale								
Gains/Losses arising during the period	-0.8	0.3		0.3		2.5	1.3	96
Transferred to the income statement	0.2	-0.1		-0.8		-1.7	-3.3	-47
Translation differences								
Gains/Losses arising during the period	-0.1	0.0		0.0		-0.1	0.0	
of which hedging of net investment in foreign operations	0.8	0.9	-5	-0.9		2.3	-0.9	
Transferred to the income statement	0.0	0.0	0	0.0	0	0.0	0.0	0
Taxes on items that have been or may be reclassified to the income statement	0.0	-0.4	-98	0.4		-0.9	0.7	
of which cash flow hedges	0.0	0.0	67	0.0	-34	0.0	0.0	72
of which assets available for sale	0.1	-0.1		0.1	33	-0.2	0.4	
of which hedging of net investments in foreign operations	-0.1	-0.3	-66	0.3		-0.7	0.3	
Items that have been or may be reclassified to the income statement	**-0.6**	**0.0**		**0.1**		**0.0**	**-1.1**	
Re-measurements of defined benefit pension plans	0.2	-0.6		-0.4		-4.0	1.7	
Taxes on items that may not be reclassified to the income statement	0.0	0.1		0.1		0.8	-0.3	
Items that may not be reclassified to the income statement	**0.2**	**-0.5**		**-0.3**		**-3.2**	**1.3**	
Other comprehensive income	**-0.4**	**-0.5**	**-1**	**-0.2**		**-3.2**	**0.2**	
Total comprehensive income for the period	**4.5**	**4.5**	**-1**	**5.1**	**-12**	**16.5**	**24.5**	**-33**
Attributable to:								
Non-controlling interests	0.0	0.0		0.0	-32	0.0	0.0	-45
Shareholders in Bank of Åland Plc	**4.5**	**4.5**	**-1**	**5.1**	**-12**	**16.5**	**24.5**	**-33**

Income statement by quarter

Group	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
EUR M					
Net interest income	14.0	13.7	13.5	13.9	14.8
Net commission income	12.2	10.6	10.8	11.3	11.2
Net income from financial items at fair value	0.3	0.5	1.9	1.5	2.5
IT income	4.5	3.6	3.7	3.2	3.9
Other operating income	0.2	0.2	0.2	0.6	0.1
Total income	**31.2**	**28.5**	**30.1**	**30.6**	**32.4**
Staff costs	-14.8	-13.3	-14.7	-14.2	-15.1
Other expenses	-7.5	-6.7	-7.7	-6.4	-8.0
Depreciation/amortisation	-1.5	-1.5	-1.5	-1.5	-1.6
Total expenses	**-23.8**	**-21.5**	**-23.8**	**-22.2**	**-24.7**
Profit before impairment losses	**7.4**	**7.1**	**6.3**	**8.4**	**7.8**
Impairment losses on loans and other commitments	-1.0	-0.9	-1.7	-0.4	-1.1
Net operating profit	**6.3**	**6.2**	**4.6**	**8.0**	**6.6**
Income taxes	-1.4	-1.2	-1.1	-1.7	-1.3
Profit for the period	**4.9**	**5.0**	**3.5**	**6.3**	**5.3**
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	**4.9**	**5.0**	**3.5**	**6.3**	**5.3**

Summary balance sheet

Group	Note	Dec 31, 2016	Dec 31, 2015	%
EUR M				
Assets				
Cash and balances with central banks		513	199	
Debt securities eligible for refinancing with central banks		504	633	-20
Lending to credit institutions		201	45	
Lending to the public and public sector entities	10, 11	3,808	3,617	5
Shares and participations		1	1	-46
Participations in associated companies		0	1	-91
Derivative instruments	14	21	19	8
Intangible assets		16	10	63
Tangible assets		25	24	5
Investment properties		0	0	-2
Current tax assets		0	1	-67
Deferred tax assets		5	4	25
Other assets		20	24	-15
Accrued income and prepayments		23	24	-8
Total assets		**5,137**	**4,602**	**12**
Liabilities				
Liabilities to credit institutions		219	322	-32
Liabilities to the public and public sector entities	12	3,028	2,517	20
Debt securities issued	12, 13	1,452	1,412	3
Derivative instruments	14	33	19	75
Current tax liabilities		1	1	-66
Deferred tax liabilities		21	17	23
Other liabilities		96	33	
Provisions		0	0	-13
Accrued expenses and prepaid income		27	26	18
Subordinated liabilities	12	39	43	-8
Total liabilities		**4,915**	**4,389**	**12**
Equity capital and non-controlling interests				
Share capital		42	42	0
Share premium account		33	33	
Reserve fund		25	25	
Fair value reserve		1	1	2
Own shares		0	0	-100
Unrestricted equity capital fund		26	25	4
Retained earnings		95	87	6
Shareholders´ portion of equity capital		**222**	**213**	**3**
Non-controlling interests´ portion of equity capital		0	0	4
Total equity capital		**222**	**213**	**4**
Total liabilities and equity capital		**5,137**	**4,602**	**12**

Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation differance	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders´ portion of equity capital	Non-controlling interests´ portion of equity capital	Total
Equity capital, Dec 31, 2014	**29.1**	**32.7**	**25.1**	**-0.5**	**2.7**	**0.0**	**-0.2**	**24.6**	**80.6**	**194.2**	**1.7**	**195.9**
Profit for the period									24.3	24.3	0.0	24.3
Other comprehensive income				0.1	-1.6	0.4			1.3	0.2		0.2
Transfer of own shares							0.2			0.2		0.2
Dividends paid									-5.8	-5.8	-1.3	-7.1
Share savings programme	0.1							0.4	0.2	0.7		0.7
Acquisitions from non-controlling interests[1]	12.3								-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**
Profit for the period									19.7	19.7	0.0	19.7
Other comprehensive income				0.2	0.6	-0.8			-3.2	-3.2		-3.2
Dividends paid									-9.2	-9.2		-9.2
Incentive programme	0.0						0.1	0.3	0.0	0.4		0.4
Share savings programme	0.1							0.7	0.4	1.3	0.0	1.3
Equity capital, Dec 31, 2016	**41.7**	**32.7**	**25.1**	**-0.2**	**1.7**	**-0.4**	**0.0**	**26.0**	**95.1**	**221.8**	**0.0**	**221.8**

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

Summary cash flow statement

Group	Jan-Dec 2016		Jan-Dec 2015	
EUR M				
Cash flow from operating activities				
Net operating profit	25.1		30.3	
Adjustment for net operating profit items not affecting cash flow	7.3		17.6	
Gains/losses from investing activities	0.5		-0.1	
Income taxes paid	-2.0		-1.5	
Changes in assets and liabilities in operating activities	175.3	206.2	-163.3	-116.9
Cash flow from investing activities		-11.6		-4.2
Cash flow from financing activities		153.9		141.5
Exchange rate differences in cash and cash equivalents		-2.2		0.9
Change in cash and cash equivalents		**346.3**		**21.2**
Cash and cash equivalents at beginning of period		232.9		211.8
Cash and cash equivalents at end of period		579.2		232.9
Change in cash and cash equivalents		**346.3**		**21.2**

Notes to the consolidated year-end 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 Year-end Report for the financial period January 1–December 31, 2016 was approved by the Board of Directors on February 13, 2017.

2. Basis for preparation of the year-end Report and essential accounting principles

BASIS FOR PREPARATION OF THE YEAR-END REPORT

This Year-end Report for the period January 1–December 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.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are financial metrics of historical or future earnings developments, financial position or cash flow that have not been defined in applicable accounting regulations (IFRSs) or capital requirement directives (CRD/CRR). The Bank of Åland uses alternative performance measures when they are relevant in order to monitor and describe the Bank's financial situation, to facilitate comparability between periods and to provide additional usable information to the readers of its financial reports. These measures are not necessarily comparable to similar financial metrics that are presented by other companies.

COMING CHANGES

Amendments to IFRS 2, "Share-based payments – Classification and measurement of share-based payment transactions" (has not yet been approved by the European Union and will be applied to accounting periods that begin on January 1, 2018 or later). The amendments clarify the reporting of a certain type of transactions and affect three areas: the measurement of share-based payments that are classified as cash-settled payments, payments settled with equity instruments where a part consists of withholding tax that has been subtracted and modifications of share-based payments from cash-settled to equity-settled. The Bank of Åland is still evaluating the impact of the amendments on the Group's financial reporting.

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 new model for classification and measurement of financial instruments, a forward-looking "expected loss" impairment model and simplified conditions for hedge accounting. In addition, hedge accounting will follow the Group's internal risk management strategies to a greater extent.

An evaluation of the effects on the Bank of Åland's accounting and reporting once IFRS 9 begins to be applied is under way. It is being conducted in project form (the IFRS 9 project). This project was initiated during the autumn of 2015 with a preliminary study. During 2016, the Bank of Åland has done further work on evaluating and implementing solutions. The Bank cannot yet estimate the quantitative effect of applying IFRS 9. As a result, only a qualitative description of its effects can be provided at present. The projected effects described below are based on the information that is known or estimated today.

The financial asset categories 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. A review of the Bank of Åland's loan and liquidity portfolios is currently being implemented, first in order to identify contractual clauses to ensure that all clauses are allowed in a "solely payments of principal and interest" (SPPI) lending transaction that passes the SPPI test, and second to identify applicable business models. The clauses that are identified are analysed on a random sampling basis. During the spring of 2017, the Bank will assess whether a clause passes or fails the SPPI test of loan cash flows. At present there is no indication that any clause would not pass the SPPI test, but it is too early to make a final assessment about this.

The Bank of Åland believes that it is mainly identification of business models that may have an effect on the Group's financing reports. It is currently analysing liquidity investments in terms of what business model(s) are used. A preliminary assessment indicates that in the future, there may be two portfolios with different purposes: one for the purpose of holding the investments to collect contractual cash flows, and one with another purpose. Even today, when applying IAS 39 the Bank of Åland has two categories for its liquidity portfolio. Depending on what business model is identified for the portfolio that is still being studied, IFRS may cause a change in reporting, beyond the change in the classification process that has been identified.

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 in credit risk, the impairment loss shall be equivalent to the credit losses that are expected to occur during the remaining life of the loan. To the greatest possible extent, the Bank of Åland intends to use the existing models and processes that are already being used for risk management and risk monitoring, in order to ensure that a uniform picture of the Bank is presented for risk and financial reporting purposes. The Bank of Åland will apply a credit rating model

(PD x LGD x EAD) to the greatest possible extent, given data availability and importance. Data availability is currently being studied. Development of PD, LGD and EAD models has been under way since summer 2016 in order to ensure compliance with the principles of IFRS 9. Concurrently, development is under way of a model for estimating expected credit losses.

In addition, the Bank of Åland is working to identify the triggers that should be applied to assess whether a significant increase in credit risk has occurred, including PD developments, number of days in default, forbearance measures and other risk-increasing behaviour. Another focus area that the Bank of Åland is working with is to implement and improve existing and new processes including systems support to enable effect estimation and reporting of expected credit losses.

Among other things, the new hedge accounting rules simplify effectiveness testing and expand the scope of eligible hedging instruments and hedged items. The Bank of Åland has not yet decided whether to begin applying IFRS 9 or whether to continue applying IAS 39 for hedge accounting. During 2017, the Bank plans to evaluate the applicable alternatives for the Group, given the hedging strategies that are applied. Aspects that will be assessed in such an analysis are reporting (including volatility in the results), processes, documentation, effectiveness measurement and systems.

IFRS 9 has also resulted in changes in the disclosure requirements in IFRS 7, "Financial instruments: Disclosure" and in FINREP reporting to regulatory authorities, which will affect the disclosures that are provided. Analysis of the disclosure requirements in IFRS 7 and the EU's new financial reporting (FINREP) standards is currently under way, and the Bank has not yet finally determined the scale of effects of these changes.

The standard has been approved by the EU and will go into effect on January 1, 2018. The Bank of Åland will apply IFRS 9 from that date. During 2017, the Bank will continue to evaluate its impact on financial reporting, the consolidated balance sheet, the income statement and capital adequacy. The Bank has not yet been able to estimate its quantitative effects, but as they emerge in the course of the implementation project during 2017, these quantitative effects will be presented.

IFRS 15, "Revenue from contracts with customers". The new standard replaces the current IFRS revenue reporting standards: IAS 18 and IAS 11. 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 will go into effect on January 1, 2018, and earlier application is allowed. The European Commission approved the standard in 2016, and clarifications are expected to be approved in 2017. The Bank of Åland is still evaluating its impact on the Group's financial reports.

IFRS 16, "Leases (has not yet been approved by the EU and will be applied for accounting periods beginning January 1, 2019 or later): The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires lessees to report a lease liability and a "right-of-use" asset. This accounting model resembles the current treatment of financial leases according to IAS 17. There are two applicable exemptions: short-term leases running for 12 months or less or leases of "low value items", i.e. assets worth USD 5,000 or less. The lessor's accounting is essentially equivalent to the current treatment according to IAS 17. The Bank of Åland is still evaluating IFRS 16's impact on the Group's financial reports.

Other new and amended IRFSs to be applied in the future are not expected to have any significant effect on the Bank of Åland's financial reports.

- Amended IFRS 11, "Joint arrangements: Accounting for acquisitions of interests in joint operations"
- Amended IAS 1, "Presentation of financial statements: Disclosure initiative". The amendment contains a clarification of the materiality concept, certain disclosure requirements etc.
- Amended IAS 7, "Statement of cash flows: Disclosure initiative (has not yet been approved by the EU). The amendment adds new disclosure requirements that will help users assess the financial effects of changes in cash flows from financial operations.
- Amended IAS 16 and IAS 38, "Clarification of acceptable methods of depreciation and amortisation"
- Amended IAS 19, "Employee benefits: Defined benefit plans – Employee contributions"

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.

Group			Jan-Dec 2016				
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	27.5	23.4	0.1	-0.1	4.1	0.1	55.1
Net commission income	24.1	11.9	8.9	0.0	0.1	0.0	44.9
Net income from financial items at fair value	0.6	0.6	0.0	-0.1	3.1	0.1	4.2
IT income				30.5		-15.6	14.9
Other income	0.1	0.1	0.1	0.2	2.9	-2.1	1.3
Total income	**52.2**	**36.0**	**9.0**	**30.6**	**10.2**	**-17.6**	**120.4**
Staff costs	-11.5	-7.2	-4.9	-15.0	-18.2	-0.2	-57.0
Other expenses	-5.1	-4.5	-2.1	-10.3	-20.6	14.8	-27.8
Depreciation/amortisation	-0.2	-0.6	0.0	-2.9	-3.0	0.9	-5.9
Internal allocation of expenses	-17.1	-16.6	-1.2	0.0	34.9	0.0	0.0
Nonrecurring items					-0.5		-0.5
Total expenses	**-33.9**	**-29.0**	**-8.3**	**-28.2**	**-7.4**	**15.5**	**-91.3**
Profit before impairment losses	**18.4**	**7.0**	**0.7**	**2.4**	**2.8**	**-2.1**	**29.2**
Impairment losses on loans and other commitments	-0.1	-3.5			-0.5		-4.1
Net operating profit	**18.3**	**3.5**	**0.7**	**2.4**	**2.3**	**-2.1**	**25.1**
Income taxes	-3.7	-0.7	-0.2	-0.5	-0.3		-5.4
Profit for the period attributable to shareholders	**14.5**	**2.8**	**0.5**	**1.9**	**2.0**	**-2.1**	**19.7**
Business volume							
Lending to the public	1,700	2,099			35	-26	3,808
Deposits from the public	1,673	1,369	5		61	-8	3,100
Investment volume	2,556	465	3,900			-3,021	3,900
Risk exposure amount	678	638	11	41	207		1,576
Shareholder´s portion of allocated equity capital	71	91	2	11	47		222
Financial ratios etc.							
Return on equity after taxes, % (ROE)	21.3	3.3	28.2	18.5	4.1		9.1
Expense/income ratio	0.65	0.81	0.93	0.92	0.72		0.76
Gross non-performing receivables > 90 days, %	0.07	1.20			4.90		0.74
Loan loss level, %	0.01	0.18			1.02		0.11

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				30.8		-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		-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		35.5		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			-0.5		-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		-6.0
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			49	-21	3,617
Deposits from the public	1,459	1,183	3		35	-5	2,675
Investment volume	2,484	363	3,927			-2,847	3,927
Risk exposure amount	676	620	12	41	233		1,581
Shareholder´s portion of allocated equity capital	66	83	2	9	53		213
Financial ratios etc.							
Return on equity after taxes, % (ROE)	23.9	3.5	3.4	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 > 90 days, %	0.06	1.96			2.77		1.13
Loan loss level, %	-0.02	0.16			1.04		0.09

4. Changes in Group structure

The Bank of Åland's ownership stake in Ålands Investering Ab has during the year been reduced from 36.17 to 19.97 per cent.

5. Net interest income

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
Interest income								
Credit institutions and central banks	0.4	0.0		0.0		0.6	0.1	
of which negative interest[1]	0.3	0.0		0.0		0.3	0.0	
The public and public sector entities	16.3	16.3	0	18.0	-9	66.2	70.6	-6
Debt securities	0.3	0.3	-3	0.6	-56	1.4	2.9	-52
Other interest income	0.3	0.1		0.1		0.5	0.4	25
Total interest income	**17.3**	**16.7**	**4**	**18.7**	**-8**	**68.6**	**74.0**	**-7**
Interest expenses								
Credit institutions and central banks	-0.5	-0.5	12	-0.2		-1.9	-1.2	54
of which negative interest[1]	-0.5	-0.4	19	0.0		-1.5	-0.3	
The public and public sector entities	-1.2	-1.2	3	-1.7	-32	-5.3	-7.8	-33
Debt securities issued	-1.0	-1.0	-7	-1.6	-39	-4.5	-9.2	-51
Subordinated liabilities	-0.3	-0.3	6	-0.3	2	-1.0	-1.0	0
Other interest expenses	-0.4	-0.1		-0.2		-0.9	-0.7	19
Total interest expenses	**-3.3**	**-3.0**	**10**	**-3.9**	**-15**	**-13.5**	**-20.0**	**-32**
Net interest income	**14.0**	**13.7**	**2**	**14.8**	**-5**	**55.1**	**54.0**	**2**
Investment margin, per cent [2]	1.11	1.13		1.30		1.14	1.19	

1 Negative interest income from deposits with credit institutions and central banks is recognised as an interest expense, while negative interest received for liabilities is recognised as interest income.

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

6. Net commission income

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
Deposits	0.2	0.2	-6	0.2	0	0.8	0.8	0
Lending	1.0	1.0	-9	0.9	1	4.0	4.0	0
Payment intermediation	1.5	1.5	2	2.1	-31	6.8	8.8	-23
Mutual fund commissions	5.6	5.2	7	4.9	15	20.6	19.6	5
Management commissions	2.5	2.4	1	2.7	-9	9.9	10.1	-2
Securities commissions	3.3	1.9	74	3.0	11	10.2	11.8	-13
Insurance commissions	0.0	0.0	-10	0.0	-36	0.1	0.2	-28
Other commission income	0.7	0.7	10	0.6	15	2.8	2.8	3
Total commission income	**14.7**	**12.9**	**14**	**14.5**	**2**	**55.3**	**58.0**	**-5**
Payment commission expenses	-0.9	-0.8	6	-1.2	-27	-4.0	-4.8	-16
Mutual fund commission expenses	-0.6	-0.6	-3	-0.8	-22	-2.5	-2.2	14
Management commission expenses	-0.2	-0.2	5	-0.3	-24	-1.0	-1.3	-27
Securities commission expenses	-0.5	-0.4	30	-0.7	-26	-1.9	-2.1	-10
Other commission expenses	-0.2	-0.2	-5	-0.2	-11	-1.0	-1.1	-9
Total commission expenses	**-2.5**	**-2.3**	**7**	**-3.3**	**-24**	**-10.4**	**-11.5**	**-10**
Net commission income	**12.2**	**10.6**	**15**	**11.2**	**9**	**44.9**	**46.5**	**-3**

7. Net income from financial items at fair value

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
Valuation category fair value via the income statement ("profit and losses")								
Debt securities	-0.1	0.0	45	0.0		-0.1	-0.1	0
Shares and participations	0.0	0.0	-8	0.0	-96	0.0	0.2	
Derivative instruments	0.7	0.1		0.1		0.2	1.1	-83
Loan receivables	-0.5	0.1		0.4		-0.3	-0.2	20
Valuation category fair value via the income statement ("profit and losses")	**0.1**	**0.2**	**-31**	**0.5**	**-72**	**-0.2**	**0.9**	
Hedge accounting								
of which hedging instruments	-9.3	0.1		0.6		-1.1	-1.3	-19
of which hedged item	8.7	-0.5		-0.5		1.0	1.5	-35
Hedge accounting	**-0.6**	**-0.4**	**48**	**0.1**		**-0.1**	**0.2**	
Net income from foreign exchange dealing	**1.0**	**0.7**	**41**	**1.1**	**-9**	**2.8**	**3.7**	**-24**
Net income from financial assets available for sale	**-0.2**	**0.1**		**0.8**		**1.7**	**3.3**	**-48**
Total	**0.3**	**0.5**	**-42**	**2.5**	**-88**	**4.2**	**8.0**	**-48**

8. Other expenses

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
IT expenses (excluding information services)	3.1	2.5	25	2.7	15	11.1	10.1	9
Premises and property expenses	1.3	1.4	-8	1.4	-4	5.5	5.3	5
Marketing expenses	0.6	0.5	25	0.8	-15	2.3	2.6	-10
Information services	0.6	0.6	0	0.5	6	2.3	2.3	1
Staff-related expenses	0.7	0.5	40	0.8	-16	2.2	2.4	-7
Travel expenses	0.4	0.2	68	0.5	-15	1.3	1.3	0
Purchased services	0.6	0.5	12	0.8	-27	2.0	2.5	-19
Deposit guarantee fee	0.0	0.0		0.0		0.0	0.0	69
Other expenses	2.1	1.5	36	1.9	11	7.4	6.4	17
Production for own use	-1.7	-1.0	74	-1.2	45	-5.8	-4.1	42
Total	**7.5**	**6.7**	**12**	**8.0**	**-6**	**28.3**	**28.7**	**-1**

9. Impairment losses on loans and other commitments

Group	Q4 2016	Q3 2016	%	Q4 2015	%	Jan-Dec 2016	Jan-Dec 2015	%
EUR M								
Impairment losses								
Actual losses for the period	3.1	0.1		0.6		3.9	7.2	-45
Recoveries of actual losses	-0.2	-0.1		0.0		-0.6	-0.2	
Total	**2.9**	**0.0**		**0.5**		**3.4**	**7.0**	**-52**
Specific provisions for individually valued receivables								
New and increased provisions	0.6	0.8	-22	1.1	-45	3.9	3.7	6
Reversals of earlier provisions	-0.1	0.0		-0.2	-41	-1.0	-0.8	21
Utilised for actual losses	-2.6	0.0		-0.4		-2.8	-6.6	-57
Total	**-2.1**	**0.7**		**0.6**		**0.2**	**-3.7**	
Net provisions for the period, receivables valued by group	**0.2**	**0.1**	**87**	**0.1**		**0.6**	**-0.3**	
Net provisions for the period, interest receivable	**0.0**	**0.0**		**0.0**		**0.0**	**0.0**	
Net loan losses	**1.0**	**0.9**	17	**1.1**	**-9**	**4.1**	**3.0**	**33**
Loan loss level, %	0.11	0.10		0.13		0.11	0.09	

10. Lending to the public and public sector by purpose

Group	Dec 31, 2016			Dec 31, 2015			%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending before provisions	Provisions	Lending after provisions	
Private individuals							
Home loans	1,891	-3	1,888	1,739	-3	1,736	9
Securities and other investments	435	0	434	371	0	371	17
Business operations	143	-1	142	135	-1	134	6
Other household purposes	193	-2	191	200	-1	199	-4
Total, private individuals	**2,662**	**-6**	**2,656**	**2,445**	**-5**	**2,440**	**9**
Companies							
Shipping	57	0	56	61	0	61	-7
Wholesale and retail trade	40	-1	39	43	-1	42	-7
Housing operations	373	-1	372	320	-1	319	17
Other real estate operations	264	-2	262	345	-1	344	-24
Financial and insurance operations	194	0	194	176	0	176	10
Hotel and restaurant operations	27	0	27	24	0	23	16
Other service operations	99	-3	97	107	-3	105	-8
Agriculture, forestry and fishing	12	0	12	19	0	19	-36
Construction	34	0	33	32	0	32	6
Other industry and crafts	34	0	34	36	0	35	-4
Total, companies	**1,134**	**-7**	**1,127**	**1,162**	**-7**	**1,156**	**-2**
Public sector and non-profit organisations	25	0	25	21	0	21	18
Total, public sector and non-profit organisations	**25**	**0**	**25**	**21**	**0**	**21**	**18**
Total lending	**3,821**	**-13**	**3,808**	**3,629**	**-12**	**3,617**	**5**

11. Doubtful receivables and impairment losses

Group	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Gross doubtful receivables	21.7	31.4	-31
of which private individuals	8.1	10.5	-24
of which companies	13.6	20.8	-35
Doubtful receivables as % of total	0.57	0.87	-34
Provisions for individually measured receivables	10.8	10.6	1
of which private individuals	4.1	4.1	0
of which companies	6.7	6.6	2
Net doubtful receivables	10.9	20.8	-47
Level of provisions for doubtful receivables, %	50	34	47
Provisions for receivables measured by group	1.8	1.2	46
of which private individuals	1.5	1.1	35
of which companies	0.3	0.1	
Total level of provisions for doubtful receivables, %	58	38	54
Non-performing receivables > 90 days past due	28.2	41.1	-31
of which private individuals	16.7	19.4	-14
of which companies	11.5	21.7	-47
Provisions for individually measured receivables	-10.3	-9.2	13
Carrying amount after taking individual provisions into account	17.8	32.0	-44
Gross non-performing receivables > 90 days as % of total	0.74	1.13	-35

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

Group	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Deposit accounts from the public and public sector			
Sight deposits	2,782	2,330	19
Time deposits	246	186	32
Total deposit accounts	**3,028**	**2,517**	**20**
Certificates of deposit issued to the public [1]	18	69	-74
Index bonds (structured products)	16	47	-66
Subordinate debentures	39	43	-8
Total bonds and certificates of deposit	**73**	**159**	**-54**
Total deposits	**3,100**	**2,675**	**16**

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

13. Debt securities issued

Group	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Certificates of deposit	154	250	-39
Covered bonds	1,193	959	24
Senior non-covered bonds	89	156	-43
Index bonds (structured products)	16	47	-66
Total	**1,452**	**1,412**	**3**

14. Derivative instruments

Group	Dec 31, 2016						Dec 31, 2015		
EUR M	Nominal amount/maturity								
	Under 1 yr	1-5 yrs	over 5 yrs	Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	37	29	25	90	2	4	130	2	4
Interest rate futures	8	0	0	8	0	0	10	0	0
Interest rate options - purchased	1	0	0	1	0	0	11	0	0
Interest rate options - sold	0	0	0	0	0	0	8	0	0
Currency-related contracts									
Currency forward contracts	338	1	0	338	1	2	184	1	1
Equity-related contracts									
Equity options - purchased	2	5	0	7	1	0	35	2	0
Equity options - written	2	2	0	4	0	1	23	0	2
Other derivative contracts	12	8	0	20	0	0	21	1	1
Total	**400**	**44**	**25**	**468**	**5**	**8**	**422**	**5**	**7**
Derivatives for market value hedge									
Interest-related contracts									
Interest rate swaps	18	363	352	733	16	5	494	13	1
Total	**18**	**363**	**352**	**733**	**16**	**5**	**494**	**13**	**1**
Derivatives for cash flow hedge									
Interest-related contracts									
Interest rate and currency swaps	194	52	0	246	0	20	256	1	11
Total	**194**	**52**	**0**	**246**	**0**	**20**	**256**	**1**	**11**
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
Currency swaps	48	0	0	48	0	1	26	0	0
Total	**48**	**0**	**0**	**48**	**0**	**1**	**26**	**0**	**0**
Total derivative instruments	**659**	**460**	**377**	**1,495**	**21**	**33**	**1,198**	**19**	**19**
of which cleared OTC									
of which cleared by other means	11	258	266	535	4	6	10	0	0

15. Financial instruments at fair value

Group		Dec 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	414			414
Lending to the public and public sector entities		42		42
Shares and participations	0	0	0	1
Derivative instruments	0	21		21
Total financial assets	**414**	**63**	**0**	**477**
Liabilities to the public and public sector entities		0		0
Debt securities issued		712		712
Derivative instruments	0	33		33
Subordinated liabilities		13		13
Total financial liabilities	**0**	**758**	**0**	**758**

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

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

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

The measurement hierarchy

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

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

Changes in Level 3 are presented in a separate table.

Change in Level 3 holdings	Jan-Dec 2016
EUR M	Shares and participations
Carrying amount on January 1	0.9
New purchases/reclassification	0.6
Divested/reached maturity during the year	-0.4
Realised change of value in the income statement	0.0
Unrealised change of value in the income statement	-0.6
Change in value recognised in "Other comprehensive income"	-0.1
Carrying amount on December 31	**0.5**

16. Off-balance sheet commitments

Group	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Guarantees	12	20	-41
Unutilised overdraft limits	85	76	12
Unutilised credit card limits	67	120	-44
Lines of credit	200	223	-10
Other commitments	50	8	
Total	**415**	**447**	**-7**

17. Offsetting of financial assets and liabilities

Group	Dec 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	21		19	
Gross amount of financial liabilities offset in the balance sheet				
Net amount of financial assets recognised in the balance sheet	**21**	**0**	**19**	**0**
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-18		-11	
Financial collateral received	-2		-4	
Total amounts not offset in the balance sheet	**-19**	**0**	**-15**	**0**
Net amount	**2**	**0**	**4**	**0**
Financial liabilities that are offset or covered by offsetting agreements				
Gross amount of financial liabilities	33	123	19	1
Gross amount of financial assets offset in the balance sheet				
Net amount of financial liabilities recognised in the balance sheet	**33**	**123**	**19**	**1**
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-19		-12	
Financial collateral pledged	-3	-123	0	-1
Total amounts not offset in the balance sheet	**-22**	**-123**	**-12**	**-1**
Net amount	**11**	**0**	**7**	**0**

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

18. Assets pledged

Group	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Lending to credit institutions	135	11	
Debt securities	167	123	35
Loan receivables constituting collateral (cover pool) for covered bonds	1,665	1,528	9
Other assets pledged	3	1	
Total	**1,969**	**1,664**	**18**

19. Capital adequacy

Group	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Equity capital according to balance sheet	221.8	212.9	4
Foreseeable dividend	-9.2	-9.1	1
Core Tier 1 capital before deductions	**212.6**	**203.8**	**4**
Intangible assets	-14.3	-8.8	62
Tax assets due to future profitability offset against tax liabilities within same tax category	0.0	-0.1	-100
Deduction of surplus value in pension assets	0.0	-0.5	-100
Non-controlling interests	0.0	0.0	4
Cash flow hedge	0.2	0.4	-50
Further adjustments in value	-1.3	0.0	
Expected losses according to IRB approach beyond recognised losses	-11.2	-5.2	
Core Tier 1 capital	**186.0**	**189.5**	**-2**
Additional Tier 1 capital	**0.0**	**0.0**	
Tier 1 capital	**186.0**	**189.5**	**-2**
Supplementary capital instruments	19.1	15.1	27
Supplementary capital	**19.1**	**15.1**	**27**
Total capital base	**205.2**	**204.6**	**0**
Capital requirement for credit risk according to the IRB approach	47.8	26.4	81
Capital requirement for credit risk according to standardised approach	61.9	84.9	-27
Capital requirement for credit-worthiness adjustment risk	1.2	1.3	-7
Capital requirement for operational risk	15.2	13.9	9
Capital requirement	**126.0**	**126.5**	**0**
Capital ratios			
Core Tier 1 capital ratio, %	11.8	12.0	
Tier 1 capital ratio, %	11.8	12.0	
Total capital ratio, %	13.0	12.9	
Risk exposure amount	1,576	1,581	0
of which % comprising credit risk	87	88	
of which % comprising credit-worthiness adjustment risk	1	1	
of which % comprising operational risk	12	11	

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

Requirements related to capital buffers, %	Dec 31, 2016	Dec 31, 2015
Total core Tier 1 capital requirements including buffer requirements	7.7	7.4
of which core Tier 1 capital requirement	4.5	4.5
of which capital conservation buffer requirement	2.5	2.5
of which countercyclical capital buffer requirement	0.7	0.4
Core Tier 1 capital available to be used as a buffer	11.8	12.0

Exposure category		Dec 31, 2016			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Companies - Miscellaneous large companies	168.8	148.7	50	74.6	6.0
Companies - Small and medium-sized companies	305.8	279.2	72	201.0	16.1
Companies - Special lending	10.7	10.7	77	8.2	0.7
Own LGD estimates					
Households with property as collateral (small and medium-sized companies)	119.0	106.2	36	38.5	3.1
Households with property as collateral (not small and medium-sized companies)	1,751.3	1,742.5	13	220.5	17.6
Households, other (small and medium-sized companies)	40.5	40.0	35	13.9	1.1
Households, other (not small and medium-sized companies)	278.7	252.8	16	41.0	3.3
Total exposures according to the IRB approach	**2,674.8**	**2,580.3**	**23**	**597.6**	**47.8**
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks[1]	585.2	639.8	0	0.0	0.0
Exposure to institutions	306.0	302.9	23	69.1	5.5
Corporate exposures	498.3	288.7	100	288.3	23.1
Household exposures	185.4	59.0	73	43.2	3.5
Exposures with real property mortgages as collateral	869.0	860.4	34	293.0	23.4
Past due exposures	1.1	1.1	101	1.1	0.1
Items associated with especially high risk	0.3	0.3	150	0.5	0.0
Covered bonds	333.0	333.0	10	33.3	2.7
Collective investment companies (funds)	0.0	0.0	0	0.0	0.0
Equity exposures	0.6	0.6	100	0.6	0.0
Other items	51.2	51.2	87	44.4	3.5
Total exposures according to the standardised approach	**2,830.2**	**2,537.0**	**30**	**773.4**	**61.9**
Total risk exposure amount, credit risk	**5,505.0**	**5,117.3**	**27**	**1,371.1**	**109.7**

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

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

Capital requirement according to transitional rules for Basel 1 floor	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Capital requirement adjusted according to Basel 1 floor rule	126.0	127.3	-1
Capital base according to Basel 1	216.4	209.8	3
Surplus capital according to transitional rules for Basel 1 floor	90.3	82.5	9
Ratio of capital base to capital requirement according to Basel 1 floor, %	171.7	164.8	4

Leverage ratio	Dec 31, 2016	Dec 31, 2015	%
EUR M			
Tier 1 capital	186.0	189.5	-2
Total exposure measure	5,232.9	4,841.6	8
of which balance sheet items	5,120.5	4,587.8	12
of which off-balance sheet items	112.4	253.8	-56
Leverage ratio, %	3.6	3.9	-9

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