ÅLANDSBANKEN

Interim Report

For the period January-March 2019 • April 25, 2019

January – March 2019

Compared to January – March 2018

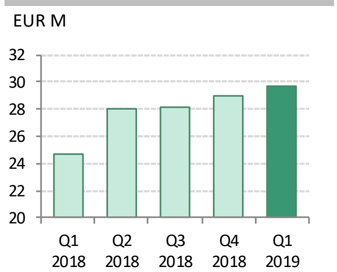
The full-year estimated stability fee of EUR 2.3 M (2.6) has been charged to the first quarters.

- Net operating profit increased by 12 per cent to EUR 5.8 M (5.2).
- Profit for the period attributable to shareholders increased by 14 per cent to EUR 4.6 M (4.0).
- Net interest income decreased by 6 per cent to EUR 13.2 M (14.1).
- Net commission income decreased by 1 per cent to EUR 14.1 M (14.3).
- Total expenses decreased by 5 per cent to EUR 26.0 M (27.5).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.4 M (0.2), equivalent to a loan loss level of 0.05 (0.02) per cent.
- Return on equity after taxes (ROE) amounted to 7.6 (7.0) per cent.
- Earnings per share increased to EUR 0.30 (0.26).
- The common equity Tier 1 ratio amounted to 13.4 per cent (13.0 on December 31, 2018).
- Unchanged future outlook: The Bank of Åland expects its net operating profit in 2019 to be at about the same level as in 2018.

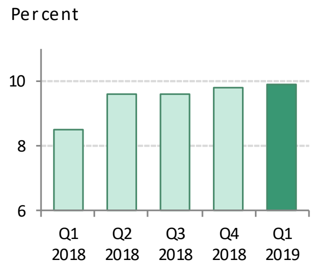
"We began our 100th year in business with a stable quarter and satisfactory earnings performance."

Peter Wiklöf, Managing Director and Chief Executive

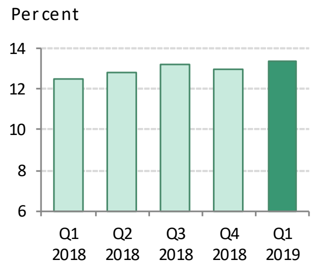
4-quarter moving net operating profit



4-quarter moving ROE



Common equity Tier 1 ratio



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Financial summary

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
Income					
Net interest income	13.2	13.3	-1	14.1	-6
Net commission income	14.1	13.9	2	14.3	-1
Net income from financial items at fair value	0.4	0.2	83	0.4	0
Other income	4.6	4.9	-5	4.1	12
Total income	**32.3**	**32.3**	**0**	**32.9**	**-2**
Staff costs	-14.5	-14.3	1	-15.1	-4
Other expences	-8.7	-8.5	2	-10.6	-17
Depreciation/amortisation	-2.8	-1.8	57	-1.9	53
Total expenses	**-26.0**	**-24.6**	**6**	**-27.5**	**-5**
Profit before impairment losses	**6.2**	**7.7**	**-18**	**5.4**	**16**
Impairment losses on financial assets, net	-0.4	0.1		-0.2	
Net operating profit	**5.8**	**7.7**	**-25**	**5.2**	**12**
Income taxes	-1.2	-1.5	-20	-1.1	9
Profit for the report period	**4.6**	**6.2**	**-26**	**4.0**	**14**
Attributable to:					
Shareholders in Bank of Åland Plc	**4.6**	**6.2**	**-26**	**4.0**	**14**
Volume					
Receivables from the public and public sector	4,017	4,022	0	4,020	0
Deposits from the public and public sector	3,107	3,304	-6	3,098	0
Actively managed assets [1]	5,476	5,177	6	5,575	-2
Equity capital	247	242	2	235	5
Balance sheet total	5,542	5,558	0	5,495	1
Risk exposure amount	1,548	1,578	-2	1,611	-4
Financial ratios					
Return on equity after taxes, % (ROE) [2]	7.6	10.3		7.0	
Expence/income ratio [3]	0.81	0.76		0.84	
Loan loss level, % [4]	0.05	0.00		0.02	
Liquidity coverage ratio (LCR), % [5]	171	120		148	
Loan/deposit ratio, % [6]	129	122		130	
Core funding ratio, % [7]	90	90		90	
Equity/assets ratio, % [8]	4.5	4.4		4.3	
Common equtiy Tier 1 capital ratio, % [9]	13.4	13.0		12.4	
Earnings per share, EUR [10]	0.30	0.40	-26	0.26	13
Earnings per share after dilution, EUR	0.30	0.40	-26	0.26	14
Equity capital per share, EUR [11]	15.91	15.67	2	15.22	5
Equity capital per share after dilution, EUR	15.86	15.58	2	15.11	5
Market price per Series A share, EUR	15.10	13.30	14	15.80	-4
Market price per Series B share, EUR	14.20	13.10	8	14.75	-4
Number of shares outstanding, 000s	15,525	15,472	0	15,447	1
Number of shares outstanding, after dilution, 000s	15,595	15,590	0	15,585	0
Working hours re-calculated to full-time equivalent positions	683	692	-1	671	2

1 Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume.
2 Profit for the report period attributable to shareholders / Average shareholders´portion of equity capital
3 Expenses / Income
4 Impairment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period
5 Liquidity coverage ratio (LCR) = liquid assets, level 1 and 2 / 30-day net outflow
6 Receivables from the public and public sector / Deposits from the public and public sector
7 Receivables from the public and public sector / Deposits including certificates of deposit, index bonds and debentures issued to the public and public sector plus covered bonds issued
8 Equity capital / Balance sheet total
9 Common equity Tier 1 capital / Risk exposure amount
10 Shareholders' portion of earnings for the period / Avarage number of shares
11 Shareholders' portion of equity capital / Number of shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

The first quarter of 2019 was dominated by continued uncertainty connected to trade policy, Brexit and economic performance. Inflation pressures remain subdued, and growth has cooled globally. The Finnish economy keeps expanding, but its growth rate is slowing. The European Central Bank has announced that it will not raise its key interest rate during 2019. Long-term market yields have fallen substantially. German 10-year government bond yields are now negative. In the United States, short-term Treasury yields are higher than long-term ones.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q1 2019	Q4 2018	Q1 2018
Euribor 3 mo	-0.31	-0.32	-0.33
Euribor 12 mo	-0.11	-0.14	-0.19
Stibor 3 mo	-0.07	-0.40	-0.44

The world's stock markets have recovered after a shaky ending to 2018. During the first quarter of 2019, share prices according to the Nasdaq Helsinki (OMXHPI) equity index rose by 7 per cent and according to the Nasdaq Stockholm (OMXSPI) index by 12 per cent.

During the report period, the average value of the Swedish krona (SEK) in relation to the euro (EUR) was 2 per cent lower than in the first quarter of 2018 and 3 per cent lower than at year-end 2018. When converting the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been converted at the exchange rate prevailing on the closing day of the report period.

IMPORTANT EVENTS

It was decided that the wholly owned subsidiary Compass Card will be merged with the Bank of Åland, since an independent subsidiary is no longer needed in order to carry out the Bank of Åland's card business. According to plans, the merger will occur during the third quarter 2019. Compass Card was established in 2006 as a company jointly owned by the Bank of Åland and Tapiola Bank for the issuance of credit and debit cards. In 2014 Compass Card became a wholly owned subsidiary of the Bank of Åland, after S-Bank (S-Pankki) had acquired Tapiola Bank and S-Bank had taken over the card business handled by Compass Card on behalf of Tapiola Bank's customers.

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

The Bank of Åland is continuing its commitment to a cleaner Baltic Sea, together with its customers. So far in 2019 the Baltic Sea Project has contributed EUR 300,000 to a number of projects that promote the health of the Baltic Sea. Since 1997 the Bank of Åland has awarded EUR 2.3 M to various environmentally related projects.

So far during 2019 the number of Series B shares outstanding has increased by 53,422 as a result of the Bank's obligations within the framework of its incentive and share savings programmes.

EARNINGS FOR JANUARY – MARCH 2019

Profit for the period attributable to shareholders increased by EUR 0.6 M or 14 per cent to EUR 4.6 M (4.0).

In accordance with the prevailing regulator-based reporting interpretations, and in line with other Finnish banks, starting in 2019 the Bank of Åland has chosen to recognise the entire annual cost of the stability fee in the first quarter, when responsibility for the fee arises, instead of a straight-line accrual of this cost over the four quarters of the year. The Bank of Åland's earnings will thus show greater seasonal variations, with weaker first quarter earnings. Historical periods have been restated for the sake of comparability. If there had been a straight-line accrual of the estimated stability fee, profit for the period attributable to shareholders would have amounted to EUR 6.0 M (5.8).

Net operating profit increased by EUR 0.6 M or 12 per cent to EUR 5.8 M (5.2). If the SEK/EUR exchange rate had been unchanged, the increase in profit would have been a further EUR 0.1 M. If there had been a straight-line accrual of the estimated stability fee, net operating profit would have amounted to EUR 7.5 M (7.4).

Return on equity after taxes (ROE) increased to 7.6 per cent (7.0). If there had been a straight-line accrual of the estimated stability fee, ROE would have amounted to 9.8 (10.1) per cent.

Total income decreased by EUR 0.6 M or 2 per cent to EUR 32.3 M (32.9). The weaker Swedish krona explained EUR 0.5 M of the decrease in income when converted to euros.

Net interest income fell by EUR 0.9 M or 6 per cent to EUR 13.2 M (14.1). The decrease primarily came from Swedish operations, with the depreciation of the krona together with a narrower lending margin – due to a reweighting towards lower risk in the portfolio – adversely affecting net interest income. In addition, because of IFRS 16 leases are now recognised as an estimated interest expense plus an estimated depreciation, instead of as an operating expense.

Net commission income decreased by EUR 0.2 M or 1 per cent to EUR 14.1 M (14.3), mainly as a consequence of lower securities brokerage commissions.

Net income on financial items was at an unchanged level of EUR 0.4 M (0.4).

Information technology (IT) income rose by EUR 0.5 M or 12 per cent to EUR 4.5 M (4.0), primarily due to increased project income at Crosskey, the Bank's IT subsidiary.

Total expenses decreased by EUR 1.5 M or 5 per cent to EUR 26.0 M (27.5). Staff costs fell by EUR 0.6 M or 4 per cent, mainly thanks to lower severance pay expenses. IT expenses decreased by EUR 0.4 M or 15 per cent, principally because of lower project expenses. Depreciation increased by EUR 0.9 M or 53 per cent, which was largely explained by reclassification of rent expenses in compliance with IFRS 16. Amortisation of intangible assets also increased. If the SEK/EUR exchange rate had been unchanged, total expenses would have decreased by EUR 1.1 M or 4 per cent.

Net impairment losses on financial assets increased by EUR 0.2 M to EUR 0.4 M (0.2), equivalent to a loan loss level of 0.05 per cent (0.02).

Tax expense amounted to EUR 1.2 M (1.1), equivalent to an effective tax rate of 21.0 (21.7) per cent.

STRATEGIC BUSINESS AREAS

The Group's EUR 0.6 M increase in net operating profit to EUR 5.8 M was allocated as follows:

• Private Banking	-0.3 (higher loan losses)
• Premium Banking	+0.0
• IT	+0.8 (higher project income)
• Corporate Units & Eliminations	+0.1

BUSINESS VOLUME

Actively managed assets increased by EUR 299 M or 6 per cent compared to year-end 2018, primarily thanks to higher market values, and amounted to EUR 5,476 M (5,177). Net inflow of actively managed assets totalled EUR 43 M (65).

Deposits from the public fell by EUR 196 M or 6 per cent from year-end 2018 and amounted to EUR 3,107 M (3,304). The decrease was primarily related to deposits from financial companies.

Receivables from the public were essentially unchanged compared to year-end 2018 and amounted to EUR 4,017 M (4,022).

CREDIT QUALITY

Lending to private individuals comprised 73 per cent of the loan portfolio. Home mortgage loans accounted for 78 per cent of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprised the second-largest type of lending to individuals. Loan-to-value ratios are conservative. Historically, the Bank of Åland has not had any substantial loan losses on this type of lending. The corporate portfolio has a close affinity with the retail portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

Stage 3 loans increased during the report period by EUR 0.7 M to EUR 20.4 M. Stage 3 loans as a share of gross lending to the public totalled 0.51 per cent (0.49 on December 31, 2018). The level of provisions for Stage 3 loans amounted to 45 (47) per cent.

The Bank of Åland Group had EUR 11.1 M (11.3 on December 31, 2018) in impairment loss provisions, of which EUR 0.7 M (0.9) in Stage 1; EUR 1.2 M (1.2) in Stage 2 and EUR 9.2 M (9.3) in Stage 3.

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,195 M on March 31, 2019 (1,195 on December 31, 2018). This was equivalent to 22 (22) per cent of total assets and 30 (30) per cent of receivables from the public.

In March, the Bank of Åland issued EUR 300 M in covered bonds with a five-year maturity. In March, SEK 1,000 M in covered bonds also matured. During 2019, a further EUR 100 M in covered bonds will mature in June and SEK 750 M in covered bonds in December. On March 31, the average remaining maturity of bonds outstanding was about 3.1 (2.7) years.

The Bank of Åland's core funding ratio, defined as receivables from the public divided by deposits from the public including certificates of deposit, index bonds and subordinated debentures issued to the public, as well as covered bonds issued, amounted to 90 (90) per cent on March 31.

The loan/deposit ratio amounted to 129 (122) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 60 (64) per cent and covered bonds issued accounted for 26 (22) per cent.

The liquidity coverage ratio (LCR) amounted to 171 (120) per cent.

The net stable funding ratio (NSFR) amounted to 119 (113) per cent.

RATING

The Bank of Åland has a credit rating from the Standard & Poor's Global Ratings agency of BBB/A-2 with a positive outlook for its long- and short-term borrowing. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

EQUITY AND CAPITAL ADEQUACY

During the report period, equity capital changed in the amount of profit for the period, EUR 4.6 M; other comprehensive income, EUR -0.4 M; the issuance of new shares as part of the incentive programme, EUR 0.4 M; plus EUR 0.1 M related to the share savings programme. On March 31, 2019, equity capital amounted to EUR 247.0 M (242.4).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -0.6 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 3.3 M or 2 per cent during the first quarter of 2019 to EUR 207.7 M (204.4), mainly thanks to comprehensive income for the period and lower provisions for expected losses due to IFRS 9.

The risk exposure amount fell by EUR 30 M or 2 per cent during the first quarter of 2019 to EUR 1,548 M (1,578). IFRS 16 led to an increase in the risk exposure amount by EUR 14 M. The risk exposure amount for credit risk, excluding the risk weight floor for mortgage loans and IFRS 16, decreased by EUR 55 M, while the risk exposure amount for the risk weight floor related to mortgage loans increased by EUR 4 M. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 7 M.

The common equity Tier 1 capital ratio increased to 13.4 (13.0.9) per cent. Since the Bank of Åland has no hybrid capital, its common equity Tier 1 capital ratio is the same as its Tier 1 capital ratio.

The total capital ratio increased to 15.8 (15.4) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0-2.5 per cent.

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 has set the requirement at 2.5 per cent of Swedish exposures as of September 19, 2019. The Finnish FSA has identified systemically important institutions in Finland and has imposed individual buffer requirements for them. The Bank of Åland is not included in the buffer requirements for systemically important institutions.

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

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

When all these buffer requirements are taken into account as of September 19, 2019, the minimum levels for the Bank of Åland will be:

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

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

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

The Annual General Meeting on April 3, 2019 re-elected the Board of Directors consisting of Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å. Karlsson, Göran Persson, Ulrika Valassi and Anders Wiklöf. At the statutory meeting of the Board the same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board. The AGM approved the payment of a divided of EUR 0.70 per share for the financial year 2018.

RISK AND UNCERTAINTIES

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

The Group aims at achieving operations with reasonable and carefully considered risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk. The Bank does not engage in trading for its own account.

UNCHANGED FUTURE OUTLOOK

The Bank of Åland expects its net operating profit in 2019 to be at about the same level as in 2018.
The Bank of Åland is especially dependent on developments in the fixed income and stock markets. There is concern about the economic trends in various important markets. For this reason, there is significant uncertainty in the Bank's current forecast of the future.

FINANCIAL INFORMATION

The Half-year Financial Report for January–June 2019 will be published on Thursday, July 18, 2019.

The Interim Report for January–September 2018 will be published on Wednesday, October 23, 2019.

Mariehamn, April 25, 2019
THE BOARD OF DIRECTORS

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Notes

Summary income statement

Group	Note	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M						
Net interest income	6	13.2	13.3	-1	14.1	-6
Net commission income	7	14.1	13.9	2	14.3	-1
Net income from financial items at fair value	8	0.4	0.2	83	0.4	0
IT income		4.5	4.4	2	4.0	12
Other operating income		0.1	0.4	-75	0.1	48
Total income		**32.3**	**32.3**	**0**	**32.9**	**-2**
Staff costs		-14.5	-14.3	1	-15.1	-4
Other expenses	9	-8.7	-8.5	2	-10.6	-17
Depreciation/amortisation		-2.8	-1.8	57	-1.9	53
Total expenses		**-26.0**	**-24.6**	**6**	**-27.5**	**-5**
Profit before impairment losses		**6.2**	**7.7**	**-18**	**5.4**	**16**
Impairment losses on financial assets, net	10	-0.4	0.1		-0.2	
Net operating profit		**5.8**	**7.7**	**-25**	**5.2**	**12**
Income taxes		-1.2	-1.5	-20	-1.1	9
Profit for the period		**4.6**	**6.2**	**-26**	**4.0**	**14**
Attributable to:						
Non-controlling interests		0.0	0.0	-48	0.0	1
Shareholders in Bank of Åland Plc		**4.6**	**6.2**	**-26**	**4.0**	**14**
Earnings per share, EUR		0.30	0.40	-26	0.26	13
Earnings per share after dilution, EUR		0.30	0.40	-26	0.26	14

Summary statement of other comprehensive income

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
Profit for the period	**4.6**	**6.2**	**-26**	**4.0**	**14**
Cash flow hedge					
Changes in valuation at fair value				2.2	-100
Transferred to the income statement				-2.2	-100
Assets measured via other comprehensive income					
Changes in valuation at fair value	1.7	-1.0		-0.1	
Realised change in value				0.0	-100
Transferred to the income statement	-0.3	-0.2	94	0.0	
Translation differences					
Gains/Losses arising during the period	-0.8	0.3		0.6	
of which hedging of net investment in foreign operations				2.7	-100
Transferred to the income statement					
Taxes on items that have been or may be reclassified to the income statement	-0.3	0.2		-0.5	-48
of which cash flow hedges				0.0	-100
of which assets measured via other comprehensive income	-0.3	0.2		0.0	
of which hedging of net investments in foreign operations				-0.5	-100
Items that have been or may be reclassified to the income statement	**0.2**	**-0.6**		**-0.1**	
Changes in value of equity instruments	0.0	0.1	-69		
Re-measurements of defined benefit pension plans	-0.8	-0.1		0.4	
Taxes on items that may not be reclassified to the income statement	0.2	0.0		-0.1	
of which changes in value of equity instruments	0.0	0.0	-69		
of which re-measurements of defined-benefit pension plans	0.2	0.0		-0.1	
Items that may not be reclassified to the income statement	**-0.6**	**0.0**		**0.3**	
Other comprehensive income	**-0.4**	**-0.7**	**-38**	**0.2**	
Total comprehensive income for the period	**4.2**	**5.5**	**-25**	**4.3**	**-2**
Attributable to:					
Non-controlling interests	0.0	0.0	-48	0.0	1
Shareholders in Bank of Åland Plc	**4.2**	**5.6**	**-25**	**4.3**	**-2**

Income statement by quarter

Group	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
EUR M					
Net interest income	13.2	13.3	13.3	13.8	14.1
Net commission income	14.1	13.9	12.7	13.4	14.3
Net income from financial items at fair value	0.4	0.2	-0.1	0.9	0.4
IT income	4.5	4.4	3.8	4.1	4.0
Other operating income	0.1	0.4	0.2	0.2	0.1
Total income	**32.3**	**32.3**	**30.0**	**32.5**	**32.9**
Staff costs	-14.5	-14.3	-13.2	-14.5	-15.1
Other expenses	-8.7	-8.5	-7.0	-7.3	-10.6
Depreciation/amortisation	-2.8	-1.8	-1.8	-1.8	-1.9
Total expenses	**-26.0**	**-24.6**	**-22.1**	**-23.6**	**-27.5**
Profit before impairment losses	**6.2**	**7.7**	**7.9**	**8.9**	**5.4**
Net impairment losses on financial assets, net	-0.4	0.1	-0.3	-0.5	-0.2
Net operating profit	**5.8**	**7.7**	**7.7**	**8.4**	**5.2**
Income taxes	-1.2	-1.5	-1.6	-1.8	-1.1
Profit for the period	**4.6**	**6.2**	**6.1**	**6.6**	**4.0**
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	**4.6**	**6.2**	**6.1**	**6.6**	**4.0**

Summary balance sheet

Group	Note	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M						
Assets						
Cash and balances with central banks		626	507	24	422	49
Debt securities eligible for refinancing with central banks		690	815	-15	688	0
Lending to credit institutions		75	80	-7	166	-55
Receivables from the public and public sector	11, 12	4,017	4,022	0	4,020	0
Shares and participations		3	3	-1	1	
Participations in associated companies		0	0	-29	0	13
Derivative instruments	15	16	15	7	22	-25
Intangible assets		21	22	-1	17	24
Tangible assets	3	35	22	59	24	50
Investment properties		0	0		0	-3
Current tax assets		1	1	-6	1	-30
Deferred tax assets		5	5	0	6	-1
Other assets		27	44	-38	107	-74
Accrued income and prepayments		24	21	13	22	8
Total assets		**5,542**	**5,558**	**0**	**5,495**	**1**
Liabilities						
Liabilities to credit institutions		192	250	-23	236	-19
Liabilities to the public and public sector	13	3,107	3,304	-6	3,098	0
Debt securities issued	13, 14	1,804	1,588	14	1,647	10
Derivative instruments	15	9	8	12	27	-66
Current tax liabilities		2	2	-34	0	
Deferred tax liabilities		29	28	2	27	6
Other liabilities	3	70	57	23	157	-55
Provisions		0	0	-50	1	-93
Accrued expenses and prepaid income		38	31	23	37	3
Subordinated liabilities	13	44	47	-5	31	44
Total liabilities		**5,295**	**5,315**	**0**	**5,260**	**1**
Equity capital and non-controlling interests						
Share capital		42	42	0	42	0
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		0	-1	-49	1	
Unrestricted equity capital fund		27	27	1	27	1
Retained earnings		120	116	3	107	12
Shareholders´ portion of equity capital		**247**	**242**	**2**	**235**	**5**
Non-controlling interests´ portion of equity capital		0	0	-5	0	3
Total equity capital		**247**	**242**	**2**	**235**	**5**
Total liabilities and equity capital		**5,542**	**5,558**	**0**	**5,495**	**1**

Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation differance	Unrestricted equity capital fund	Retained earnings	Shareholders´ portion of equity capital	Non-controlling interests´ portion of equity capital	Total
Equity capital, Dec 31, 2017	**41.9**	**32.7**	**25.1**	**0.0**	**1.8**	**-0.6**	**26.9**	**105.7**	**233.6**	**0.0**	**233.6**
Adjustment for application of IFRS 9					0.1			-3.2	-3.1		-3.1
Equity capital, Jan 1, 2018	**41.9**	**32.7**	**25.1**	**0.0**	**1.9**	**-0.6**	**26.9**	**102.5**	**230.5**	**0.0**	**230.5**
Profit for the period								4.0	4.0	0.0	4.0
Other comprehensive income				0.0	-0.1	0.0		0.4	0.2		0.2
Transactions with the Group's owners											
Incentive programme	0.0						0.1	0.0	0.2		0.2
Share savings programme								0.1	0.1		0.1
Equity capital, Mar 31, 2018	**42.0**	**32.7**	**25.1**	**0.0**	**1.8**	**-0.6**	**27.1**	**107.0**	**235.0**	**0.0**	**235.1**
Profit for the period								18.9	18.9	0.0	18.9
Other comprehensive income				0.0	-2.0	0.2		-0.1	-1.8		-1.8
Transactions with the Group's owners											
Dividends paid								-10.0	-10.0		-10.0
Incentive programme	0.0						0.0	0.0	0.0		0.0
Share savings programme								0.2	0.2		0.2
Equity capital, Dec 31, 2018	**42.0**	**32.7**	**25.1**	**0.0**	**-0.1**	**-0.4**	**27.1**	**116.0**	**242.4**	**0.0**	**242.4**
Profit for the period								4.6	4.6	0.0	4.6
Other comprehensive income					1.1	-0.8		-0.7	-0.4		-0.4
Transactions with the Group's owners											
Incentive programme	0.1						0.3	0.0	0.4		0.4
Share savings programme								0.1	0.1		0.1
Equity capital, Mar 31, 2019	**42.0**	**32.7**	**25.1**	**0.0**	**1.0**	**-1.2**	**27.4**	**120.0**	**247.0**	**0.0**	**247.0**

Summary cash flow statement

Group	Jan-Mar 2019		Jan-Dec 2018		Jan-Mar 2018	
EUR M						
Cash flow from operating activities						
Net operating profit	5.8		29.0		5.2	
Adjustment for net operating profit items not affecting cash flow	3.8		12.6		3.2	
Gains/losses from investing activities	0.0		-0.1		0.0	
Income taxes paid	-1.4		-1.1		-0.4	
Changes in assets and liabilities in operating activities	-96.0	-87.8	-124.4	-84.0	-67.3	-59.3
Cash flow from investing activities		-1.5		-11.9		-1.4
Cash flow from financing activities		199.3		54.3		-3.5
Exchange rate differences in cash and cash equivalents		-1.8		-3.7		-4.0
Change in cash and cash equivalents		**108.3**		**-45.3**		**-68.2**
Cash and cash equivalents at beginning of period		541.0		586.4		586.4
Cash and cash equivalents at end of period		649.3		541.0		518.1
Change in cash and cash equivalents		**108.3**		**-45.3**		**-68.2**

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 11 offices. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium sized banks.

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

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

The Interim Report for the period January 1–March 31, 2019 was approved by the Board of Directors on April 24, 2019.

2. Basis for preparation of the Interim Report and essential accounting principles

BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–March 31, 2019 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 Interim Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2018.

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

ESSENTIAL ACCOUNTING PRINCIPLES

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

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

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

Due to the introduction of IFRS 16, tangible assets related to right-of-use increased by EUR 14 M and the risk exposure amount increased by the equivalent amount. For an account of the transitional effects, see Note 3. The Bank of Åland is applying the modified retrospective approach. No comparative figures have been restated. The most significant identified effect is that the Bank of Åland is reporting new assets and liabilities for its operational leases related to banking and office premises. Lease liabilities are initially being calculated upon the transition to the present value of future lease payments discounted using the incremental borrowing rate on the introductory date of January 1, 2019. Right-of-use assets are initially being recognised at an amount equal to the lease liability.

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

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

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

ESTIMATES AND JUDGEMENTS

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

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

3. Transition to IFRS 16

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

Group	Dec 31, 2018	Restatement to IFRS 16	Jan 1, 2019
EUR M			
Assets			
Tangible assets	22	14	37
Total effect, assets	**22**	**14**	**37**
Liabilities			
Miscellaneous liabilities	57	14	71
Total effect, liabilities	**57**	**14**	**71**

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

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

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

4. Segment report

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

"Private Banking" encompasses Private Banking operations in Åland, on the Finnish mainland, in Sweden and Asset Management (Ålandsbanken Fondbolag Ab, Ålandsbanken Fonder Ab, Ålandsbanken Fonder II Ab). "Premium Banking" encompasses operations in all customer segments excluding private banking in Åland, on the Finnish mainland, in Sweden and Asset Management. "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd including S-Crosskey Ab. "Corporate and Other" encompasses all central corporate units in the Group, including Treasury and the subsidiary Ab Compass Card Oy Ltd.

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

Group			Jan-Mar 2019			
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	5.7	6.4	0.0	1.1	0.0	13.2
Net commission income	10.6	2.9	0.0	0.4	0.1	14.1
Net income from financial items at fair value	0.0	0.0	0.0	0.4	0.0	0.4
IT income			8.1		-3.6	4.5
Other income	0.0	0.0	0.2	0.2	-0.3	0.1
Total income	**16.3**	**9.3**	**8.3**	**2.2**	**-3.9**	**32.3**
Staff costs	-3.8	-1.6	-4.4	-4.7		-14.5
Other expenses	-2.9	-2.0	-2.8	-4.4	3.4	-8.7
Depreciation/amortisation	-0.2	-0.1	-0.7	-2.1	0.2	-2.8
Internal allocation of expenses	-5.0	-4.3		9.3	0.0	0.0
Total expenses	**-11.9**	**-8.0**	**-7.8**	**-1.9**	**3.5**	**-26.1**
Profit before impairment losses	**4.5**	**1.3**	**0.5**	**0.3**	**-0.3**	**6.2**
Net impairment losses on financial assets, net	-0.2	-0.1		-0.1		-0.4
Net operating profit	**4.2**	**1.2**	**0.5**	**0.2**	**-0.3**	**5.8**
Income taxes	-0.9	-0.3	-0.1	0.0		-1.2
Profit for the period attributable to shareholders	**3.4**	**1.0**	**0.4**	**0.2**	**-0.3**	**4.6**
Business volume						
Receivables from the public and public sector	1,749	2,268		21	-20	4,017
Deposits from the public and public sector	1,609	1,475		53	-30	3,107
Actively managed assets	5,123	351		2		5,476
Risk exposure amount	678	624	36	210		1,548
Equity capital	96	87	13	51		247
Financial ratios etc.						
Return on equity after taxes, % (ROE)	14.8	4.5	11.6	1.4		7.6
Expense/income ratio	0.73	0.86	0.94	0.87		0.81

Group			Jan-Mar 2018			
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	6.5	6.4	0.0	1.2	0.0	14.1
Net commission income	11.0	2.9	0.0	0.3	0.0	14.3
Net income from financial items at fair value	0.0		0.0	0.4	0.0	0.4
IT income			7.8		-3.8	4.0
Other income	0.0	0.0	0.1	0.2	-0.3	0.1
Total income	**17.6**	**9.3**	**7.9**	**2.1**	**-4.0**	**32.9**
Staff costs	-4.5	-1.7	-4.2	-4.8		-15.1
Other expenses	-2.9	-2.2	-3.2	-5.8	3.5	-10.6
Depreciation/amortisation	-0.1	-0.1	-0.7	-1.4	0.5	-1.9
Internal allocation of expenses	-5.6	-4.2		9.8	0.0	0.0
Total expenses	**-13.0**	**-8.2**	**-8.1**	**-2.2**	**4.0**	**-27.5**
Profit before impairment losses	**4.5**	**1.2**	**-0.3**	**0.0**	**-0.1**	**5.4**
Net impairment losses on financial assets, net	-0.1	0.0		-0.1		-0.2
Net operating profit	**4.5**	**1.2**	**-0.3**	**-0.1**	**-0.1**	**5.2**
Income taxes	-0.9	-0.2	0.0	0.0		-1.1
Profit for the period attributable to shareholders	**3.5**	**0.9**	**-0.2**	**-0.1**	**-0.1**	**4.0**
Business volume						
Receivables from the public and public sector	1,807	2,206		28	-21	4,020
Deposits from the public and public sector	1,673	1,402		41	-19	3,098
Actively managed assets	5,233	341		0		5,575
Risk exposure amount	705	656	43	207		1,611
Equity capital	86	91	14	44		235
Financial ratios etc.						
Return on equity after taxes, % (ROE)	17.0	4.1	-8.2	-1.2		7.0
Expense/income ratio	0.74	0.88	1.03	1.01		0.84

5. Changes in Group structure

There are no changes during the period to report.

6. Net interest income

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
Lending to credit institutions and central banks	0.0	-0.2		-0.2	
of which negative interest	-0.2	-0.3	-49	-0.2	-32
Lending to the public and public sector entities	15.2	14.9	2	15.9	-4
of which negative interest	0.0	0.0	-86		
Debt securities	0.2	0.2	-4	0.1	68
Derivatives	0.2	0.1	25	0.2	-12
Other interest income	0.0	0.0		0.0	
Total interest income	**15.5**	**15.0**	3	**15.9**	-2
of which negative interest	-0.2	-0.3	-51	-0.2	-31
Liabilities to credit institutions and the public	-0.1	-0.1	-23	-0.1	-10
of which negative interest	-0.1	-0.1	-2	-0.1	5
Liabilities to the public	1.0	0.6	63	0.8	22
of which negative interest	-0.1	-0.1	-60	-0.1	-39
Debt securities issued	0.9	0.7	30	0.5	77
of which negative interest	-0.1	-0.1	-12	-0.1	-8
Subordinated liabilities	0.3	0.3	-2	0.2	39
Derivatives	0.2	0.2	5	0.4	-50
Other interest expenses	0.0	0.0		0.0	
Total interest expenses	**2.4**	**1.7**	38	**1.9**	27
of which negative interest	-0.3	-0.4	-24	-0.3	-11
Net interest income	**13.2**	**13.3**	**-1**	**14.1**	**-6**
Interest margin, per cent	0.99	0.98		1.07	
Investment margin, per cent	0.97	0.95		1.03	

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

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

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

7. Net commission income

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
Deposits	0.2	0.2	2	0.2	2
Lending	0.6	0.8	-20	0.7	-9
Payment intermediation	2.4	2.5	-1	2.2	13
Mutual fund commissions	9.5	9.9	-4	10.5	-10
Management commissions	2.8	2.7	3	2.9	-2
Securities commissions	3.4	3.4	0	4.4	-24
Other commission income	0.8	1.1	-27	0.8	-2
Total commission income	**19.7**	**20.5**	**-4**	**21.6**	**-9**
Payment commission expenses	-1.0	-1.0	-1	-1.0	3
Mutual fund commission expenses	-3.8	-4.8	-21	-5.4	-29
Management commission expenses	-0.2	-0.2	-10	-0.2	-7
Securities commission expenses	-0.4	-0.4	16	-0.6	-29
Other commission expenses	-0.2	-0.2	-7	-0.2	4
Total commission expenses	**-5.6**	**-6.6**	**-15**	**-7.4**	**-24**
Net commission income	**14.1**	**13.9**	**2**	**14.3**	**-1**

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

8. Net income from financial items at fair value

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
Valuation category fair value via the income statement ("profit and losses")					
Debt securities				0.0	-100
Derivative instruments	0.0	0.0		0.0	-72
Loan receivables					
Valuation category fair value via the income statement ("profit and losses")	**0.0**	**0.0**		**-0.1**	**-95**
Hedge accounting					
of which hedging instruments	2.2	2.9	-24	-1.5	
of which hedged item	-2.2	-2.8	-20	1.9	
Hedge accounting	**0.0**	**0.2**		**0.4**	
Net income from foreign currency revaluation	**0.0**	**0.0**		**0.1**	**-53**
Net income from financial assets available for sale	**0.4**	**0.1**		**0.0**	
Total	**0.4**	**0.2**	**83**	**0.4**	**0**

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

9. Other expenses

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
IT expenses (excluding information services)	2.6	2.9	-12	3.0	-15
Premises and property expenses	0.5	1.3	-66	1.3	-66
Marketing expenses	0.4	0.7	-42	0.5	-27
Information services	0.6	0.6	-3	0.6	-5
Staff-related expenses	0.6	0.7	-13	0.6	-5
Travel expenses	0.3	0.4	-35	0.3	-12
Purchased services	0.6	0.8	-27	0.4	31
Deposit guarantee fee [1]		0.0	-100		
Stability fee	2.3	0.0		2.6	-11
Other expenses	1.8	2.0	-9	1.6	9
Production for own use	-0.7	-0.8	-10	-0.5	50
Total	**8.7**	**8.5**	**3**	**10.6**	**-17**

1. Guarantee fees include the deposit guarantee fee and investor compensation fund fee.

10. Net impairment losses on financial assets

Group	Q1 2019	Q4 2018	%	Q1 2018	%
EUR M					
Loan losses, Stage 1	-0.1	0.0		-0.1	-6
Loan losses, Stage 2	0.0	-0.1		0.1	-87
Net loan losses, Stages 1-2	**-0.1**	**-0.1**	**97**	**-0.1**	**79**
Loan losses, Stage 3					
New and increased individual provisions	1.3	1.0	31	1.1	18
Recovered from previous provisions	-0.9	-0.9	4	-0.9	6
Utilised for actual loan losses	-0.6	-0.1		-0.1	
Actual loan losses	0.7	0.1		0.2	
Recoveries of actual loan losses	-0.1	-0.2	-52	-0.1	42
Net group provisions	0.2				
Net loan losses, Stage 3	**0.6**	**0.0**		**0.3**	
Total loan losses	**0.4**	**-0.1**		**0.2**	
of which receivables from the public and public sector	0.4	0.0		0.2	
of which off-balance sheet commitments	0.0	-0.1	-91	0.0	
of which debt securities at amortised cost	0.0	0.0	-98	0.0	-91
Loan loss level, receivables from the public and public sector, %	0.05	0.00		0.02	

11. Receivables from the public and public sector by purpose

Group	Mar 31, 2019			Dec 31, 2018	%	Mar 31, 2018	%
EUR M	Receivables before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Private individuals							
Home loans	2,274	-4	2,271	2,287	-1	2,215	3
Securities and other investments	312	0	312	309	1	304	3
Business operations	110	-2	107	112	-4	118	-9
Other household purposes	232	-3	230	229	0	214	7
Total, private individuals	**2,929**	**-9**	**2,920**	**2,937**	**-1**	**2,851**	**2**
Companies							
Shipping	58	0	58	59	-1	46	25
Wholesale and retail trade	46	0	46	46	0	45	2
Housing operations	303	0	303	301	0	321	-6
Other real estate operations	194	-1	193	196	-2	245	-21
Financial and insurance operations	225	0	225	231	-3	264	-15
Hotel and restaurant operations	29	0	29	28	0	27	7
Other service operations	93	-1	92	84	10	96	-4
Agriculture, forestry and fishing	11	0	11	11	-1	11	1
Construction	65	0	65	57	13	45	45
Other industry and crafts	36	0	36	37	-1	40	-8
Total, companies	**1,059**	**-2**	**1,057**	**1,050**	**1**	**1,138**	**-7**
Public sector and non-profit organisations	40	0	40	35	16	31	27
Total, public sector and non-profit organisations	**40**	**0**	**40**	**35**	**16**	**31**	**27**
Total	**4,028**	**-11**	**4,017**	**4,022**	**0**	**4,020**	**0**

12. Receivables from the public and public sector by stage

Group	Jan 1, 2019 - Mar 31, 2019				Jan 1, 2018-Mar 31, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
EUR M					
Carrying amount, gross					
Opening balance, January 1	3,847.5	165.7	19.7	4,033.0	3,987.6
Closing balance, March 31	3,827.7	179.9	20.4	4,028.0	4,033.0
Provisions for expected losses					
Opening balance, January 1	**0.9**	**1.2**	**9.3**	**11.3**	**12.5**
Increases due to issuances and acquisitions	0.1	0.0	0.1	0.1	0.1
Decrease due to removal from balance sheet	0.0	-0.2	-1.0	-1.2	-0.3
Decrease due to write-offs	0.0	0.0	-0.1	-0.1	-0.1
Transfer to Stage 1	0.2	-0.2	0.0	0.0	0.0
Transfer to Stage 2	-0.1	0.1	0.0	0.0	0.0
Transfer to Stage 3	0.0	0.0	0.0	0.0	0.0
Net changes due to changed credit risk	-0.1	0.3	0.9	1.1	0.4
Net changes due to changed estimation method	-0.1	0.0	0.0	-0.1	0.0
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
Closing balance, March 31	**0.7**	**1.2**	**9.2**	**11.1**	**12.5**
Carrying amount, net					
Opening balance, January 1	3,846.7	164.6	10.4	4,021.7	3,975.1
Closing balance, March 31	3,827.0	178.7	11.2	4,016.9	4,020.5

Impairment losses, IFRS 9 - Financial ratios	**Mar 31, 2019**	**Dec 31, 2018**	**Mar 31, 2018**
Total provision ratio, receivables from the public, %	0.28	0.28	0.31
Provision ratio, Stage 1, receivables from the public, %	0.02	0.02	0.04
Provision ratio, Stage 2, receivables from the public, %	0.66	0.71	0.49
Provision ratio, Stage 3, receivables from the public, %	45	47	53
Share of receivables from the public in Stage 3, %	0.51	0.49	0.46

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

Group	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M					
Deposit accounts					
Sight deposits	2,942	3,103	-5	2,748	7
Time deposits	166	200	-17	349	-53
Total deposit accounts	**3,107**	**3,304**	**-6**	**3,098**	**0**
Certificates of deposit	16	1		3	
Index bonds (structured products)				6	-100
Subordinate debentures	25	27	-7	31	-18
Total bonds and certificates of deposit	**42**	**29**	**45**	**39**	**6**
Total deposits	**3,149**	**3,332**	**-6**	**3,137**	**0**

14. Debt securities issued

Group	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M					
Certificates of deposit	138	121	13	232	-41
Covered bonds	1,316	1,117	18	1,309	1
Senior non-covered bonds	350	350	0	100	
Index bonds (structured products)				6	-100
Total	**1,804**	**1,588**	**14**	**1,647**	**10**

15. Derivative instruments

Group	Mar 31, 2019						Dec 31, 2018		
	Nominal amount/maturity								
EUR M	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		34	22	55	3	3	55	2	3
Currency-related contracts									
Currency forward contracts	553			553	2	2	383	1	1
Total	**553**	**34**	**22**	**609**	**5**	**6**	**438**	**3**	**3**
Derivatives for fair value hedge									
Interest-related contracts									
Interest rate swaps	103	1,186	62	1,351	12	3	1,053	12	5
Total	**103**	**1,186**	**62**	**1,351**	**12**	**3**	**1,053**	**12**	**5**
Total derivative instruments	**656**	**1,220**	**84**	**1,959**	**16**	**9**	**1,491**	**15**	**8**
of which cleared	103	1,216	81	1,399	13	6	1,102	13	7

16. Financial instruments measured at fair value

Group	Mar 31, 2019			
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	490			490
Receivables from the public and public sector entities		101		101
Shares and participations	0	0	3	3
Derivative instruments		16		16
Total financial assets	**490**	**118**	**3**	**610**
Debt securities issued		1,256		1,256
Derivative instruments		9		9
Subordinated liabilities				
Total financial liabilities		**1,265**		**1,265**

Group	Dec 31, 2018			
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	626			626
Receivables from the public and public sector entities		100		100
Shares and participations	0	0	3	3
Derivative instruments		15		15
Total financial assets	**626**	**115**	**3**	**744**
Liabilities to the public and public sector entities		953		953
Debt securities issued		953		953
Derivative instruments		8		8
Subordinated liabilities		2		2
Total financial liabilities		**964**		**964**

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.

Changes in Level 3 holdings	Jan-Mar 2019
EUR M	Shares and participations
Carrying amount on January 1	2.5
Currency revaluation effect	0.0
Change in value recognised in "Other comprehensive income"	0.0
Carrying amount on September 30	**2.5**

17. Off-balance sheet commitments

Group	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M					
Guarantees	12	43	-73	43	-73
Unutilised overdraft limits	217	228	-5	220	-2
Unutilised credit card limits	80	76	6	76	6
Lines of credit	118	131	-10	137	-14
Other commitments	18	14	25	17	6
Total	**445**	**493**	**-10**	**493**	**-10**
Provision for expected loss	0	0	-19	0	

18. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2019	Dec 31, 2018	%
EUR M						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	16	15	7	43	39	10
Offset amount						
Total	**16**	**15**	**7**	**43**	**39**	**10**
Related amounts not offset						
Financial instruments, netting agreements	-7	-7	-11	-7	-7	-11
Financial instruments, collateral				-14	-14	-1
Cash, collateral				-20	-15	34
Total amounts not offset	**-7**	**-7**	**-11**	**-41**	**-37**	**11**
Net amount	**10**	**8**	**24**	**2**	**2**	**-13**

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

19. Assets pledged

Group	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M					
Lending to credit institutions	25	23	11	68	-63
Debt securities	166	141	18	180	-8
Loan receivables constituting collateral (cover pool) for covered bonds	2,001	1,615	24	2,066	-3
Other assets pledged	3	3	-1	3	4
Total	**2,196**	**1,781**	**23**	**2,317**	**-5**

20. Capital adequacy

Group	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M					
Equity capital according to balance sheet	247.0	242.4	2	235.1	5
Foreseeable dividend	-13.0	-10.8	20	-12.0	9
Common equity Tier 1 capital before deductions	**234.0**	**231.6**	**1**	**223.1**	**5**
Intangible assets	-20.8	-21.0	-1	-16.6	25
Non-controlling interests	0.0	0.0	-5	0.0	3
Cash flow hedge				0.0	-100
Net other items	0.0	0.0	90		
Further adjustments in value	-0.5	-0.6	-22	-0.5	-9
Expected losses according to IRB approach beyond recognised losses (deficit)	-5.6	-6.1	-8	-6.7	-17
Adjustments due to transitional rules related to IFRS 9	0.6	0.6	-2	0.8	-24
Common equity Tier 1 capital	**207.7**	**204.4**	**2**	**200.0**	**4**
Additional Tier 1 capital					
Tier 1 capital	**207.7**	**204.4**	**2**	**200.0**	**4**
Supplementary capital instruments	36.9	37.5	-2	19.3	91
Expected losses according to IRB approach beyond recognised losses (surplus)	0.1	0.4		1.1	
Supplementary capital	**36.9**	**37.9**	**-3**	**20.4**	**81**
Total capital base	**244.6**	**242.4**	**1**	**220.4**	**11**
Capital requirement for credit risk according to the IRB approach	40.6	42.4	-4	46.1	-12
Capital requirement for risk weighting floor, home mortgage loans	7.8	7.5		5.8	
Capital requirement for credit risk according to standardised approach	57.8	59.3	-3	59.8	-3
Capital requirement for credit-worthiness adjustment risk	0.0	0.0		0.0	91
Capital requirement for operational risk	17.6	17.1	3	17.1	3
Capital requirement	**123.8**	**126.2**	**-2**	**128.9**	**-4**
Capital ratios					
Common equity Tier 1 capital ratio, %	13.4	13.0		12.4	
Tier 1 capital ratio, %	13.4	13.0		12.4	
Total capital ratio, %	15.8	15.4		13.7	
Risk exposure amount	1,548	1,578	-2	1,611	-4
of which % comprising credit risk	86	86	-1	87	-1
of which % comprising credit-worthiness adjustment risk	0	0		0	99
of which % comprising operational risk	14	14	5	13	8

Requirements related to capital buffers, %	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Total common equity Tier 1 capital requirements including buffer requirements	9.5	9.5	7.9
of which common equity Tier 1 capital requirement	4.5	4.5	4.5
of which common equity Tier 2 capital requirement	1.5	1.5	
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	1.0	1.0	0.9
Common equity Tier 1 capital available to be used as a buffer	13.4	13.0	12.4

Exposure class	Mar 31, 2019				
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					
Corporate, other large companies	180.8	147.6	52	76.6	6.1
Corporate, small and medium sized companies	335.9	310.7	64	197.7	15.8
Corporate, special lending	5.3	5.3	88	4.6	0.4
Using own LGD estimates					
Retail with property as collateral (small and medium-sized companies)	1,803.8	1,793.5	9	163.1	13.0
Retail with property as collateral (private individuals)	120.4	119.9	25	30.0	2.4
Retail, other (small and medium-sized companies)	38.9	38.0	20	7.8	0.6
Retail, other	333.4	296.5	9	28.1	2.3
Total exposures according to IRB approach	**2,818.4**	**2,711.5**	**19**	**508.0**	**40.6**
Credit risk according to standardised approach					
Central government or central banks	675.5	749.8	0	0.0	0.0
Regional governments or local authorities	37.0	59.6	0	0.0	0.0
Public sector entities	5.0	5.0	0	0.0	0.0
Multilateral development banks	48.8	50.9	0	0.0	0.0
International organisations	22.2	22.2	0	0.0	0.0
Institutions	280.2	241.2	24	58.0	4.6
Corporates	426.1	187.7	98	184.4	14.8
Retail	164.4	83.3	72	60.4	4.8
Secured by mortgages on immovable property	963.2	962.5	33	314.7	25.2
Exposures in default	2.7	2.5	133	3.3	0.3
Items associated with particularly high risk	0.0	0.0	150	0.0	0.0
Covered bonds	395.8	395.7	10	39.6	3.2
Equity exposures	2.7	2.7	100	2.7	0.2
Other exposures	80.5	80.5	73	58.8	4.7
Total exposures according to standardised approach	**3,104.1**	**2,843.6**	**25**	**721.9**	**57.7**
Total risk exposure amount, credit risk	**5,922.6**	**5,555.0**	**22**	**1,229.9**	**98.4**

Exposure class	Dec 31, 2018				
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					
Corporate, other large companies	206.6	156.0	52	80.5	6.4
Corporate, small and medium sized companies	349.0	325.4	66	214.2	17.1
Corporate, special lending	5.3	5.3	88	4.6	0.4
Using own LGD estimates					
Retail with property as collateral (small and medium-sized companies)	109.6	108.9	23	25.4	2.0
Retail with property as collateral (private individuals)	1,802.9	1,792.7	9	166.7	13.3
Retail, other (small and medium-sized companies)	38.8	37.9	21	8.1	0.6
Retail, other	339.3	302.7	10	30.5	2.4
Total exposures according to IRB approach	**2,851.5**	**2,728.7**	**19**	**530.0**	**42.4**
Credit risk according to standardised approach					
Central government or central banks	546.7	610.2	0	0.0	0.0
Regional governments or local authorities	30.6	53.2	0	0.0	0.0
Public sector entities	5.0	5.0	0	0.0	0.0
Multilateral development banks	45.2	46.7	0	0.0	0.0
International organisations	42.2	42.2	0	0.0	0.0
Institutions	311.6	272.2	25	67.7	5.4
Corporates	440.5	195.2	98	191.9	15.4
Retail	177.7	88.7	72	64.3	5.1
Secured by mortgages on immovable property	963.8	963.0	33	315.9	25.3
Exposures in default	3.4	3.3	135	4.5	0.4
Items associated with particularly high risk	0.0	0.0	150	0.0	0.0
Covered bonds	492.9	492.8	10	49.3	3.9
Equity exposures	2.7	2.7	100	2.7	0.2
Other exposures	82.0	82.0	54	44.5	3.6
Total exposures according to standardised approach	**3,144.2**	**2,857.3**	**26**	**740.8**	**59.3**
Total risk exposure amount, credit risk	**5,995.7**	**5,586.0**	**23**	**1,270.8**	**101.7**

Leverage ratio	Mar 31, 2019	Dec 31, 2018	%	Mar 31, 2018	%
EUR M					
Tier 1 capital	207.7	204.4	2	200.0	4
Total exposure measure	5,615.5	5,635.9	0	5,596.0	0
of which balance sheet items	5,533.4	5,538.9	0	5,494.3	1
of which off-balance sheet items	82.1	97.0	-15	101.7	-19
Leverage ratio, %	3.7	3.6	2	3.6	3.5

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

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Translation

Report on review of the Interim Report of Bank of Åland Plc for the accounting period January 1 – March 31, 2019

To the Board of Directors of Bank of Åland Plc

Introduction

We have reviewed the summary balance sheet as of March 31, 2019 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Bank of Åland Plc group for the three-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, April 25, 2019

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Authorised Public Accountant, CGR

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DANIEL HAGLUND
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