

Interim Report

For the period January–September 2014 • October 28, 2014



January–September 2014

Compared to January–September 2013

- Net operating profit improved by EUR 8.0 M to EUR 14.8 M (6.8).
- Profit for the period attributable to shareholders improved by EUR 7.6 M to EUR 11.2 M (3.6).
- Net interest income increased by 19 per cent to EUR 36.7 M (30.8).
- Net commission income increased by 7 per cent to EUR 31.7 M (29.6).
- Total expenses increased by 2 per cent to EUR 70.6 M (68.9).
- Net impairment losses on loans (including recoveries) decreased by 52 per cent to EUR 1.2 M (2.6), equivalent to a loan loss level of 0.05 (0.12) per cent.
- Return on equity after taxes (ROE) amounted to 7.6 per cent (2.8).
- Earnings per share amounted to EUR 0.73 (0.25).
- The core Tier 1 capital ratio, excluding the Basel I floor effect, amounted to 11.1 per cent (December 31, 2013: 10.8 per cent).

The third quarter of 2014

Compared to the third quarter of 2013

- Net operating profit improved by EUR 5.0 M to EUR 6.9 M (1.9).
- Profit for the period attributable to shareholders improved by EUR 4.6 M to EUR 5.1 M (0.5).
- Net interest income increased by 14 per cent to EUR 12.7 M (11.2).
- Net commission income increased by 1 per cent to EUR 10.5 M (10.4).
- Total expenses decreased by 3 per cent to EUR 21.9 M (22.6).
- Net impairment losses on loans (including recoveries) amounted to EUR 0.3 M (1.6), equivalent to a loan loss level of 0.04 (0.23) per cent.
- Return on equity after taxes (ROE) increased to 10.9 per cent (1.2).
- Earnings per share increased to EUR 0.35 (0.04).

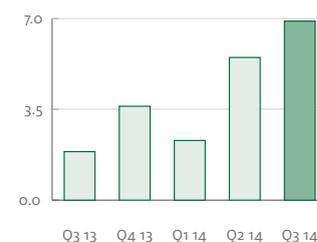
“All business areas are continuing to improve their net operating profit. Over a two-year period, we have continuously improved the Bank of Åland Group’s earnings, and I am very pleased that this quarter we generated a return on equity after taxes (ROE) of 10.9 per cent.

“We have nevertheless seen the operating conditions for the banking business become more difficult after the summer as market interest rates have fallen to historical lows. Stock markets have also plummeted. We are seeing a persistently positive influx of customers, but the above-mentioned market conditions will make it challenging to continue our positive trend of earnings quarter by quarter.”

Peter Wiklöf, Managing Director

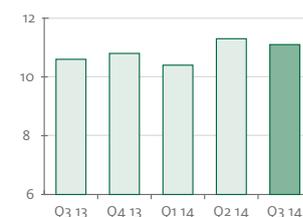
Net operating profit

EUR M



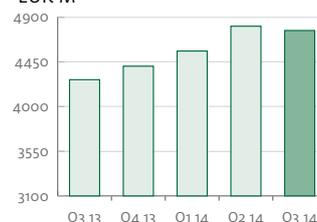
Core Tier 1 ratio

Per cent



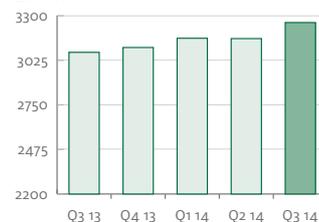
Managed assets

EUR M



Lending

EUR M



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

Financial summary

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
Income								
Net interest income	12.7	12.1	6	11.2	14	36.7	30.8	19
Net commission income	10.5	10.5	0	10.4	1	31.7	29.6	7
Net income from financial items at fair value	1.9	1.5	26	0.8		4.5	6.4	-28
Other income	4.0	5.7	-31	3.7	7	13.7	11.6	19
Total income	29.1	29.8	-2	26.1	11	86.6	78.3	11
Expenses								
Staff costs	-12.0	-13.3	-10	-11.7	3	-38.6	-37.9	2
Other expenses	-7.8	-8.8	-11	-8.9	-12	-25.6	-25.2	2
Depreciation/amortisation	-2.1	-2.0	1	-2.1	-1	-6.4	-5.8	9
Total expenses	-21.9	-24.1	-9	-22.6	-3	-70.6	-68.9	2
Profit before impairment losses	7.2	5.6	27	3.5		16.0	9.4	71
Impairment losses on loans and other commitments	-0.3	-0.1		-1.6	-83	-1.2	-2.6	-52
Net operating profit	6.9	5.5	25	1.9		14.8	6.8	
Income taxes	-1.5	-1.3	18	-1.1	41	-3.4	-2.3	38
Profit for the report period	5.4	4.3	27	0.8		11.6	4.4	
Attributable to:								
Non-controlling interests	0.3	0.3	10	0.3	13	1.1	0.8	30
Shareholders in Bank of Åland Plc	5.1	4.0	28	0.5		10.5	3.6	
Volume								
Lending to the public	3,258	3,159	3	3,074	6			
Deposits from the public ¹	2,482	2,492	0	2,485	0			
Managed assets	4,770	4,810	-1	4,271	12			
Equity capital	193	187	3	179	8			
Balance sheet total	4,183	4,041	4	3,871	8			
Risk-weighted assets	1,532	1,469	4	1,479	4			
Financial ratios								
Return on equity after taxes, % (ROE) ²	10.9	8.8		1.2		7.6	2.8	
Expense/income ratio ³	0.75	0.81		0.87		0.82	0.88	
Loan loss level, % ⁴	0.04	0.01		0.23		0.05	0.12	
Gross non-performing receivables, % ⁵	0.54	0.38		0.60				
Level of provisions for doubtful receivables, % ⁶	47	47		59				
Core funding ratio, % ⁷	107	100		105				
Equity/assets ratio, % ⁸	4.6	4.6		4.6				
Tier 1 capital ratio, excluding Basel 1 floor effect, % ⁹	11.2	11.3		10.5				
Earnings per share, EUR ¹⁰	0.35	0.28	28	0.04		0.73	0.25	
Earnings per share after dilution, EUR	0.35					0.72		
Equity capital per share, EUR ¹¹	13.14	12.77	3	12.20	8			
Equity capital per share after dilution, EUR	13.11							
Market price per Series A share, EUR	11.32	10.27	10	12.50	-9			
Market price per Series B share, EUR	9.63	8.45	14	8.50	13			
Number of shares outstanding (not own shares), 000s	14,398	14,398	0	14,395	0			
Number of shares outstanding (not own shares), after dilution, 000s	14,498							
Working hours re-calculated to full-time equivalent positions	656	642	2	622	5	645	612	5

¹ Deposits from the public and public sector entities, including certificates of deposit, index bonds and debentures issued to the public
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 on January 1
⁵ Non-performing receivables more than 90 days / Lending to the public before provisions for impairment losses
⁶ Provisions for individual impairment losses / Doubtful receivables

⁷ Lending to the public / Deposits including certificates of deposit, index bonds and debentures issued to the public plus covered bonds issued
⁸ Equity capital / Balance sheet total
⁹ (Core Tier 1 capital / Capital requirement) x 8 %
¹⁰ Shareholders' portion of earnings for the period / Number of shares adjusted for share issue
¹¹ Equity capital / Number of shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

Low interest rates are likely to remain in place for an extended period in Europe. This will continue to squeeze the net interest income of banks and increase the risks of macroeconomic asset bubbles. In September, the European Central Bank (ECB) lowered its already record-low key interest rate by another 10 basis points to 0.05 per cent. Early in July, Sweden's Riksbank lowered its key interest rate by 50 basis points to a record-low 0.25 per cent. Long-term market yields have also fallen sharply.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q3 2014	Q2 2014	Q3 2013
Euribor 3 mo	0.16	0.30	0.22
Euribor 12 mo	0.44	0.57	0.54
Stibor 3 mo	0.51	0.89	1.21

At the end of the third quarter this year, share prices on the Nasdaq OMX Helsinki (OMXHPI) had risen by about 4 per cent since the turn of the year and prices on the Nasdaq OMX Stockholm (OMX-SPI) by about 5 per cent.

The average value of the Swedish krona in relation to the euro was 5 per cent lower during the first nine months of 2014 than in the year-earlier period. On September 30, the krona was 3 per cent weaker than at the end of 2013. When translating the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period have been used, while the balance sheet has been translated at the exchange rate prevailing on the closing day.

New calculation methods and disclosure requirements for capital adequacy went into effect on January 1, 2014 in compliance with the European Union's Capital Requirements Regulation (CRR).

IMPORTANT EVENTS

As part of efforts to further strengthen its asset management offering, the Bank of Åland has hired an experienced four-person management team. These individuals began their employment in mid-September.

The Bank of Åland (Ålandsbanken) Euro Bond Fund was named the best Nordic fund in its category for management periods of 3.5 and 10 years and received the prestigious Lipper Fund Award Nordic for 2014.

Managed assets in the Bank of Åland's own mutual funds have surpassed EUR 1,000 M, amounting to EUR 1,048 M on September 30.

The Bank of Åland has decided to improve the efficiency of its IT support and back office processes for asset management and securities processing. This change effort is expected to take about three years. The Bank of Åland has chosen Crosskey Banking Solution Ab Oy's new capital market concept, "Capital Markets from the Tap", after evaluating several alternative IT suppliers. The new Capital Markets system is a holistic solution that integrates several existing systems into a single platform.

The Bank of Åland and the mutual insurance company Ålands Ömsesidiga Försäkringsbolag (Ömsen) have intensified their partnership in Åland related to insurance and financing solutions, aimed at raising the level of service and financial security when buying a home. This collaboration is based on offering a financial security

package for customers taking out home mortgage loans. The offer includes Ömsen's insurance protection and damage prevention programme and products as well as a range of services from the Bank of Åland, among them legal advisory services, construction advisory services, financing and the Åland Premium Banking service. Together with Ömsen, the Bank of Åland has become a part-owner of the newly established Mäklarhuset Åland Ab estate agency.

The Bank of Åland has restructured and streamlined its operations in the Helsinki region. This has included closing the office in the suburb of Tapiola, Espoo. These measures will lower costs by about EUR 0.5 M on an annual basis. Restructuring expenses totalled about EUR 0.4 M and were charged to first quarter earnings.

The Bank of Åland is continuing to augment its product range in the Swedish market in such a way that customers in Sweden will not need any other bank. E-invoicing, BankID, credit cards and mortgage loan protection have been launched.

Crosskey developed Marginalen Bank's new Internet banking service, which has been launched in the Swedish market.

In June, the Bank of Åland issued covered bonds with Swedish mortgage loans as collateral for the first time. The issue amount was SEK 1 billion. The issue was oversubscribed. The Bank of Åland's Swedish collateral pool currently totals about SEK 4 billion.

During the first half of 2014, about EUR 70,000 from the Bank of Åland's Environmental Account was distributed to selected environmental projects. The Bank received fifty applications for project grants, which is a new record.

The Annual General Meeting on April 10, 2014 re-elected the Board of Directors consisting of Nils Lampi, Christoffer Taxell, Agneta Karlsson, Anders Å. Karlsson, Annika Wijkström, Anders Wiklöf and Dan-Erik Woivalin. The Annual General Meeting also approved the removal of the stipulation in the Bank's Articles of Association that a person who has reached the age of 67 is not eligible for election to the Board.

The Bank of Åland's Board of Directors has decided to launch a share savings programme for all Group employees. This programme will enable employees to save a portion of their monthly salary to invest in the Bank of Åland's Series B shares. Participation in the programme will be voluntary.

Employees will be able to save a maximum of five per cent of their monthly salary in order to subscribe for twice-yearly targeted issues of Series B shares. The savings period will begin on January 1, 2015 and the first share issue is planned for August 2015. The programme runs for one year. Three years after each respective share issue, the Bank of Åland will distribute one free matching share for each share that has been acquired in the targeted share issues to those who have participated in the share issues and who are still employed by the Group and own the shares that were issued. Employees will be offered the opportunity to subscribe for Series B shares at a price that is 10 per cent below the average price during the calendar month before each respective share issue.

The maximum savings amount for all Group employees is about EUR 1.4 million, which would be equivalent to about 154,000 Series B shares based on the average price in August 2014 including

a 10 per cent discount. The maximum number of matching shares to be distributed will thus be 154,000. The maximum number of shares that employees may receive as part of the share savings programme will be 308,000.

Based on the above-mentioned conditions, shares acquired as part of the share savings programme may give rise to a maximum ownership stake of 2.1 per cent and 0.2 per cent of voting power.

As authorised by the Annual General Meeting on April 10, 2014, the Bank of Åland's Board of Directors decided on September 30 to carry out a targeted issue of 100,000 option rights to key individuals at the Bank, as part of the implementation of the Bank's incentive programme. These option rights will entitle holders to subscribe for the Bank's Series B shares. The redemption date of the option rights is December 29, 2017.

EARNINGS FOR THE THIRD QUARTER OF 2014

Profit for the period attributable to shareholders amounted to EUR 5.1 M (0.5). This was an improvement of EUR 4.6 M compared to the third quarter of 2013. Net operating profit improved by EUR 5.0 M to EUR 6.9 M (1.9). Earnings were the best for a single quarter since 2007, excluding nonrecurring items. The trend of earnings remained positive in all business segments.

Return on equity after taxes improved to 10.9 (1.2) per cent.

Total income increased by EUR 3.0 M or 11 per cent to EUR 29.1 M. All types of income rose.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 1.5 M or 14 per cent to EUR 12.7 M. This was the sixth consecutive quarter of rising net interest income.

Net commission income rose by EUR 0.1 M or 1 per cent to EUR 10.5 M, mainly due to higher mutual fund commissions.

Net income on financial items at fair value rose by EUR 1.1 M to EUR 1.9 M, mainly due to realised increases in value in the liquidity portfolio.

Information technology (IT) income increased by EUR 0.2 M or 6 per cent to EUR 3.8 M, among other things due to income from new Crosskey customers.

Total expenses decreased by EUR 0.7 M or 3 per cent to EUR 21.9 M. During the third quarter of 2013, total expenses included nonrecurring expenses of EUR 1.5 M related to a possible reduction in purchase price due to a re-examination by the Swedish tax authority of older tax returns for the Swedish subsidiary that was sold in October 2012.

Impairment losses on loans amounted to EUR 0.3 M, equivalent to a loan loss level of 0.04 per cent. In the corresponding quarter of last year, the Bank reported impairment losses of EUR 1.6 M, equivalent to a loan loss level of 0.23 per cent.

EARNINGS FOR JANUARY-SEPTEMBER 2014

Profit for the period attributable to shareholders amounted to EUR 10.5 M (3.6). This was an improvement of EUR 6.9 M compared to the same period of 2013. Net operating profit improved by EUR 8.0 M to EUR 14.8 M (6.8).

Return on equity after taxes improved to 7.6 (2.8) per cent.

Total income increased by EUR 8.5 M or 11 per cent to EUR 86.6 M. All types of income rose, except for net income on financial items at fair value.

Net interest income rose by EUR 5.9 M or 19 per cent to EUR 36.7 M. The Finnish Mainland business area accounted for EUR 3.0 M of the improvement, the Sweden business area for EUR 2.9 M, the Åland business area for EUR 0.6 M and other segments for EUR -0.6 M. Improved net interest income was due to higher lending volume as well as wider interest margins in the loan portfolio and lower funding costs.

Net commission income rose by EUR 2.1 M or 7 per cent to EUR 31.7 M, mainly due to higher mutual fund commissions. The Finnish Mainland business area accounted for EUR 1.8 M of this improvement, the Åland business area for EUR 0.5 M, Sweden business area for EUR -0.8 M and other segments for EUR 0.6 M.

Net income on financial items at fair value fell by EUR 1.9 M or 28 per cent to EUR 4.5 M, mainly due to lower net income from financial assets available for sale.

IT income increased by EUR 1.7 M or 16 per cent to EUR 12.6 M, among other things due to income from new Crosskey customers.

Total expenses increased by EUR 1.7 M or 2 per cent to EUR 70.6 M, mainly due to restructuring expenses in the Finnish Mainland business area of about EUR 0.4 M, corporate strategic expenses of about EUR 1.0 M and lower production for own use totalling about EUR 0.5 M. During the third quarter of 2013, total expenses also included nonrecurring expenses of EUR 1.5 M related to a possible reduction in purchase price due to a re-examination by the Swedish tax authority of older tax returns for the Swedish subsidiary that was sold in October 2012.

Impairment losses on loans amounted to EUR 1.2 M, equivalent to a loan loss level of 0.05 per cent. This was substantially lower than in the corresponding period of last year, when impairment losses on loans totalled EUR 2.6 M, equivalent to a loan loss level of 0.12 per cent. Tax expense amounted to EUR 3.2 M, equivalent to an effective tax rate of 21.6 (34.3) per cent. The high effective tax rate in 2013 is explained primarily by the reduction in purchasing price, which was not tax-deductible.

BUSINESS AREAS

The Group's net operating income improved by EUR 8.0 M to EUR 14.8 M, allocated as follows:

• Finnish Mainland	+6.0	(higher income, especially net interest income)
• Sweden	+2.3	(business volume growth and higher income, especially net interest income)
• Åland	+1.1	(higher income)
• Crosskey	+0.9	(higher income)
• Corporate units including eliminations	-3.2	(lower Treasury income and higher strategic expenses)
• Nonrecurring items	+1.1	(restructuring expenses, reduction in purchase price)

BUSINESS VOLUME

Managed assets increased by EUR 363 M or 8 per cent during the first nine months of 2014 and amounted to EUR 4,770 M (4,407). Excluding the exchange rate effect when translating managed assets in Sweden, the increase was 10 per cent.

Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 88 or 9 per cent to EUR 1,048 M (960) during the first nine months of 2014. There was continued heavy interest in Bostadsfonden, a housing mutual fund.

Net inflow into Bostadsfonden was about EUR 42 M during the January-September period. Assets under discretionary management rose by EUR 4 M to EUR 1,689 M (1,685), in spite of a decrease of about EUR 140 M in a large institutional mandate in Sweden during the third quarter. Assets under advisory management rose by EUR 270 M or 15 per cent to EUR 2,032 M (1,762). Of total managed assets, the Sweden business area accounted for EUR 2,698 M or 57 (54) per cent.

Deposits from the public – including certificates of deposit, index bonds and debentures issued to the public – rose by EUR 21 M or 1 per cent during the first nine months and amounted to EUR 2,482 M (2,461). Excluding the exchange rate effect when translating deposits in Sweden, the increase was 2 per cent.

Lending to the public totalled EUR 3,258 M (3,104). This represented an increase of EUR 154 M or 5 per cent during the first nine months. Excluding the exchange rate effect when translating lending in Sweden, the increase was 6 per cent.

CREDIT QUALITY

Lending to private individuals comprises nearly two thirds of the loan portfolio. Home mortgage loans account for about two thirds 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 never 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.

Non-performing loans (more than 90 days) increased by EUR 2.0 M to EUR 17.6 M (15.6) during the first nine months of 2014. As a share of lending to the public, non-performing receivables rose from 0.50 per cent to 0.54 per cent. The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 47 per cent compared to 48 per cent at year-end 2013.

The Bank of Åland Group had EUR 17.4 M (16.5) in impairment loss provisions, comprising individual impairments of EUR 16.1 M (15.2) and group impairments of EUR 1.3 M (1.2).

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 547 M on September 30, 2014 (December 31, 2013: 569). This was equivalent to 13 (15) per cent of total assets and 17 (18) per cent of lending to the public. Given the Bank's ability to issue further covered bonds, there is an additional unutilised liquidity reserve.

Borrowing that is maturing in 2014, amounting to some EUR 200 M, has been refinanced. During the first quarter, the Bank of Åland issued SEK 750 M in non-covered bonds with a 2-year maturity. During the second quarter, the Bank issued SEK 1,000 M in covered bonds with a 5-year maturity. During the third quarter, the Bank issued EUR 150 M in covered bonds with a 4-year maturity, but the proceeds of the issue were not paid in until early October. The average remaining maturity on outstanding bonds was about 3.2 (3.1) years at the end of the period.

During the third quarter, the Bank of Åland issued certificates of deposit in Swedish kronor for the first time. The issue totalled SEK 1,480 M.

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 107 per cent at the end of the period (December 31, 2013: 103).

The liquidity coverage ratio (LCR) amounted to 83 per cent (December 31, 2013: 61).

RATING

The Bank of Åland has a BBB/A-3 credit rating with a negative outlook for long-term and short-term borrowing from the Standard & Poor's rating agency. The Bank's covered bonds received a Standard & Poor's credit rating of AA.

EQUITY AND CAPITAL ADEQUACY

Equity capital including non-controlling interests changed in the amount of total income for the period, EUR 11.7 M; option premiums of EUR 0.1 M for newly issued subscription options; and the dividends paid to shareholders in the Bank of Åland, EUR 2.2 M and to non-controlling interests in subsidiaries, EUR 1.0 M. On September 30, 2014, equity capital totalled EUR 192.8 M (December 31, 2013: 184.1). Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -1.9 M after taxes, in compliance with IAS 19.

Because the European Union's Capital Requirements Regulation (EU 575/2013, CRR) has gone into effect and has begun to be applied, for the sake of comparability the figures as at December 31, 2013 have been restated and presented both in compliance with the regulations that applied on December 31, 2013 and in compliance with the EU's Capital Requirements Regulation, which began to be applied on January 1, 2014 (see Note 22). The most significant changes for the Bank of Åland regarding the capital base are that 100 per cent instead of 50 per cent of expected losses according to the internal ratings based (IRB) approach in excess of recognised losses are subtracted directly from core Tier 1 capital and that the portion of excess capital that belongs to non-controlling interests in subsidiaries may not be counted as part of core Tier 1 capital, with a gradual phase-out over the next few years.

According to the Finnish Financial Supervisory Authority's interpretation, subordinated debentures that are repaid before the end of the first five years of their maturity as provided by Article 63 of the EU's Capital Requirements Regulation (EU 575/2013) are not included in the capital base to the extent that the institution has not had permanent access to this capital during the first five years. This interpretation significantly reduces the Bank of Åland's supplementary capital, since earlier Finnish practice has interpreted

the Act on Credit Institutions in such a way that subordinated debentures with a maturity of five years that are counted as supplementary capital may include a repayment plan. The interpretation does not apply to subordinated debentures issued on December 31, 2011 or earlier, according to the transitional rules in Article 484 of the Capital Requirements Regulation.

The calculation of the capital requirement is affected, above all, by the reduction in the capital requirement for the small and medium-sized enterprise (SME) supporting factor (September 30, 2014: EUR -3.5 M), higher capital requirements due to the transition to external credit rating for institutions (EUR +1.6 M) and the capital requirement for credit and debit valuation (CVA/DVA) adjustment risk in OTC contracts (EUR +1.2 M).

Core Tier 1 capital according to the definition in the new capital adequacy regulations increased by EUR 11.2 M during the first nine months of 2014 to EUR 171.1 M (159.9).

The risk exposure amount increased by EUR 57 M or 4 per cent to EUR 1,532 M (December 31, 2013: 1,475 using a comparable definition). Of this, the operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 4 M. The credit risk exposure amount rose by EUR 52 M, of which EUR 16 M consisted of a credit-worthiness adjustment for counterparty risk in derivative instruments. The risk profile in both the internal ratings based (IRB) Finnish household portfolio and in the loan portfolio for which the capital requirement is still based on the standardised approach has improved. Meanwhile the exchange rate effect has reduced the risk exposure amount in the Swedish loan portfolio.

The core Tier 1 capital ratio increased to 11.2 per cent (December 31, 2013: 10.8 using a comparable definition), excluding the Basel 1 floor effect. Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio.

The total capital ratio decreased to 12.4 (13.5) per cent.

CORRECTIONS

In its Interim Report for the period January-March 2014, the Bank of Åland reported "Net income from financial assets available for sale" totalling EUR 1.9 M, among other things after surplus values in the Bank's liquidity portfolio had been realised. A review has shown that according to IFRS regulations, income with a total effect on income of EUR 0.9 M should not have been moved from "Other comprehensive income" to "Net operating profit". According to the correct IFRS interpretation, the Bank of Åland's net operating profit and core Tier 1 capital for the periods January-March 2014 and January-June 2014 were thus reported as too high in the Bank's interim reports, but equity capital was correctly reported during the entire period. In this Interim Report, the Bank of Åland has corrected these historical periods, which means that net operating profit for the first quarter has been lowered by EUR 0.9 M and core Tier 1 capital has been reduced by EUR 0.7 M. Two financial ratios for the periods January-March 2014 and January-June 2014 – "return on equity after taxes (ROE)" and "earnings per share" – have been affected by this correction, along with the financial ratio "Core Tier 1 capital ratio" as of March 31, 2014 and June 30, 2014.

The securities that generated the changes in market value and that – according to IFRS regulations – the Bank of Åland incorrectly

reported as part of "Net operating profit" instead of under "Other comprehensive income" have been sold. As a result, the increase in value of EUR 0.9 M that was originally reported as part of net operating profit during the first quarter will be reported as part of net operating profit during the fourth quarter.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

The Standard & Poor's rating agency downgraded the sovereign credit rating for Finland from AAA to AA+ on October 10. However, S&P confirmed that the Bank of Åland's credit rating for long-term and short-term borrowing is not affected by this, but is unchanged at BBB with a negative outlook.

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 and Ukraine.

FUTURE OUTLOOK

In a stock exchange release dated July 10, the Bank of Åland revised its future outlook. The revised future outlook is as follows.

The Bank's earnings performance is determined to a significant degree by external factors that are difficult to predict.

Income is expected to be higher in 2014 than in 2013 as a consequence of both increased volume and margins, but income is strongly dependent on how the fixed income and stock markets perform and is thus difficult to forecast. Total expenses and impairment losses on loans in 2014 are expected to be lower than in 2013. Taken together, the result of these expectations is that in 2014 the Bank of Åland will report a substantially better net operating profit and after-tax profit attributable to the shareholders than in 2013.

FINANCIAL INFORMATION

The Year-end Report for 2014 will be published on Friday, February 13, 2015.

Mariehamn, October 28, 2014
THE BOARD OF DIRECTORS

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Summary income statement

Bank of Åland Group	Note	Q3 2014	Q2 2014	%	Restated Q3 2013	%	Restated Jan-Sep 2014	Restated Jan-Sep 2013	%
EUR M									
Net interest income	5	12.7	12.1	6	11.2	14	36.7	30.8	19
Net commission income	6	10.5	10.5	0	10.4	1	31.7	29.6	7
Net income from financial items at fair value	7	1.9	1.5	26	0.8		4.5	6.4	-28
IT income		3.8	4.9	-22	3.6	6	12.6	10.9	16
Other operating income		0.1	0.8	-82	0.1	19	1.1	0.7	52
Total income		29.1	29.8	-2	26.1	11	86.6	78.3	11
Staff costs		-12.0	-13.3	-10	-11.7	3	-38.6	-37.9	2
Other expenses	8	-7.8	-8.8	-11	-8.9	-12	-25.6	-25.2	2
Depreciation/amortisation		-2.1	-2.0	1	-2.1	-1	-6.4	-5.8	9
Total expenses		-21.9	-24.1	-9	-22.6	-3	-70.6	-68.9	2
Profit before impairment losses		7.2	5.6	27	3.5		16.0	9.4	71
Impairment losses on loans and other commitments	9	-0.3	-0.1		-1.6	-83	-1.2	-2.6	-52
Net operating profit		6.9	5.5	25	1.9		14.8	6.8	
Income taxes	10	-1.5	-1.3	18	-1.1	41	-3.2	-2.3	38
Profit for the period		5.4	4.3	27	0.8		11.6	4.4	
Attributable to:									
Non-controlling interests		0.3	0.3	10	0.3	13	1.1	0.8	30
Shareholders in Bank of Åland Plc		5.1	4.0	28	0.5		10.5	3.6	
Earnings per share, EUR		0.35	0.28	28	0.04		0.73	0.25	

Summary statement of other comprehensive income

Bank of Åland Group	Q3 2014	Q2 2014	%	Restated Q3 2013	%	Jan-Sep 2014	Restated Jan-Sep 2013	%
EUR M								
Profit for the period	5.4	4.3	27	0.8		11.6	4.4	
Cash flow hedge	-0.1	-0.2	-43	0.4		0.0	0.5	-93
Assets available for sale	0.6	1.3	-54	1.1	-44	2.5	-4.6	
Translation differences	0.0	0.0	83	0.0	78	0.2	0.2	33
<i>of which hedging of net investment in foreign operations</i>	<i>0.0</i>	<i>1.5</i>		<i>0.8</i>		<i>0.9</i>	<i>0.5</i>	<i>93</i>
Taxes on items that have been or may be reclassified to the income statement	-0.1	-0.5	-81	-0.6	-83	-0.7	0.9	
<i>of which cash flow hedge</i>	<i>0.0</i>	<i>0.0</i>	<i>-43</i>	<i>-0.1</i>		<i>0.0</i>	<i>-0.1</i>	
<i>of which assets available for sale</i>	<i>-0.1</i>	<i>-0.3</i>	<i>-54</i>	<i>-0.3</i>	<i>-54</i>	<i>-0.5</i>	<i>1.1</i>	
<i>of which hedging of net investment in foreign operations</i>	<i>0.0</i>	<i>-0.3</i>		<i>-0.2</i>		<i>-0.2</i>	<i>-0.1</i>	
Items that have been or may be reclassified to the income statement	0.4	0.6	-39	0.9	-62	2.1	-3.0	
Re-measurements of defined benefit pension plans	-0.3	-0.5	-40	1.4		-2.4	1.8	
Taxes on items that may not be reclassified to the income statement	0.1	0.1	-40	-0.3		0.5	-0.4	
Items that may not be reclassified to the income statement	-0.2	-0.4	-40	1.1		-1.9	1.4	
Other comprehensive income	0.1	0.2	-37	2.0	-94	-0.1	-1.7	
Total comprehensive income for the period	5.6	4.5	24	2.8	99	11.7	2.8	
Attributable to:								
Non-controlling interests	0.3	0.3	10	0.3	0	1.1	0.8	30
Shareholders in Bank of Åland Plc	5.2	4.2	25	2.5		10.7	2.0	

Income statement by quarter

Bank of Åland Group	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
EUR M					
Net interest income	12.7	12.1	11.9	11.6	11.2
Net commission income	10.5	10.5	10.7	12.8	10.4
Net income from financial items at fair value ¹	1.9	1.5	1.1	1.0	0.8
IT income	3.8	4.9	3.9	3.9	3.6
Other operating income	0.1	0.8	0.1	0.3	0.1
Total income	29.1	29.8	27.7	29.7	26.1
Staff costs	-12.0	-13.3	-13.3	-13.6	-11.7
Other expenses ¹	-7.8	-8.8	-9.1	-8.8	-8.9
Depreciation/amortisation	-2.1	-2.0	-2.2	-2.2	-2.1
Total expenses	-21.9	-24.1	-24.6	-24.6	-22.6
Profit before impairment losses	7.2	5.6	3.2	5.1	3.5
Impairment losses on loans and other commitments	-0.3	-0.1	-0.9	-1.5	-1.6
Net operating profit	6.9	5.5	2.3	3.6	1.9
Income taxes ²	-1.5	-1.3	-0.5	-0.4	-1.1
Profit for the period	5.4	4.3	1.8	3.3	0.8
Attributable to:					
Non-controlling interests	0.3	0.3	0.4	0.2	0.3
Shareholders in Bank of Åland Plc	5.1	4.0	1.4	3.1	0.5

¹ Net income from financial assets available for sale related to the divestment of the Swedish subsidiary has been reclassified from "Net income from financial items at fair value" to "Other expenses", which had an impact on Q3 2013 above.

² Under Q1 2014, a correction has been made concerning surplus values in the Bank's liquidity portfolio. This correction also affects the estimated income tax for that quarter. For more about the correction, see page 6.

Summary balance sheet

Bank of Åland Group	Note	Sep 30, 2014	Dec 31, 2013	%	Restated Sep 30, 2013	%
EUR M						
Assets						
Cash and balances with central banks		104	50		136	-24
Debt securities eligible for refinancing with central banks		459	428	7	334	37
Lending to credit institutions		226	131	73	135	68
Lending to the public and public sector entities	11, 12	3,258	3,104	5	3,074	6
Debt securities		0	64	-100	65	-100
Shares and participations		2	2	-2	6	-62
Participations in associated companies		1	1	-8	1	-10
Derivative instruments	15	23	15	55	17	35
Intangible assets		8	9	-11	9	-13
Tangible assets		28	30	-8	30	-9
Investment properties		1	1	-3	1	-35
Current tax assets		0	0	-5	1	-85
Deferred tax assets		5	6	-14	7	-28
Other assets		45	19		33	36
Accrued income and prepayments		23	28	-16	22	4
Total assets		4,183	3,887	8	3,871	8
Liabilities						
Liabilities to credit institutions		436	347	26	372	17
Liabilities to the public and public sector entities	13	2,244	2,177	3	2,150	4
Debt securities issued	13, 14	1,135	1,012	12	970	17
Derivative instruments	15	28	27	4	21	32
Current tax liabilities		0	0	38	0	
Deferred tax liabilities		12	11	10	12	1
Other liabilities		52	36	43	72	-28
Provisions		0	1	-70	0	
Accrued expenses and prepaid income		32	29	11	30	4
Subordinated liabilities	13	50	64	-22	64	-22
Total liabilities		3,991	3,703	8	3,692	8
Equity capital and non-controlling interests						
Share capital		29	29	0	29	0
Share premium account		33	33	0	33	0
Reserve fund		25	25	0	25	0
Fair value reserve		3	1		0	
Own shares		0	0	-12	0	-12
Unrestricted equity capital fund		25	24	0	24	0
Retained earnings		75	68	10	64	17
Shareholders' portion of equity capital		189	181	5	176	8
Non-controlling interests' portion of equity capital		4	4	3	3	9
Total equity capital		193	184	5	179	8
Total liabilities and equity capital		4,183	3,887	8	3,871	8

Statement of changes in equity capital

Bank of Åland Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, Dec 31, 2012	29.1	32.7	25.1	-1.2	4.5	-0.2	-0.2	24.5	61.4	175.8	3.2	179.0
Comprehensive income for the period				0.4	-3.5	0.1			5.0	2.0	0.8	2.8
<i>Transactions with Group shareholders</i>												
Dividend paid									-2.2	-2.2	-0.7	-2.9
Equity capital, Sep 30, 2013	29.1	32.7	25.1	-0.8	1.1	-0.1	-0.2	24.5	64.3	175.6	3.3	179.0
Comprehensive income for the period				0.4	0.0	0.6			3.8	4.9	0.2	5.1
Equity capital, Dec 31, 2013	29.1	32.7	25.1	-0.4	1.1	0.5	-0.2	24.5	68.1	180.5	3.5	184.1
Comprehensive income for the period				0.0	2.0	0.0			8.6	10.7	1.1	11.7
Transfer of own shares							0.0			0.0		0.0
Subscription options								0.1		0.1		0.1
<i>Transactions with Group shareholders</i>												
Dividend paid									-2.2	-2.2	-1.0	-3.1
Equity capital, Sep 30, 2014	29.1	32.7	25.1	-0.4	3.1	0.5	-0.2	24.6	74.5	189.2	3.6	192.8

Summary cash flow statement

Bank of Åland Group	Jan–Sep 2014		Jan–Dec 2013		Jan–Sep 2013	
EUR M						
Cash flow from operating activities						
Net operating profit	14.8		10.4		6.8	
Adjustment for net operating profit items not affecting cash flow	9.6		16.5		5.3	
Gains/losses from investing activities	-0.2		0.7		0.1	
Income taxes paid	-1.2		-0.9		-1.1	
Changes in assets and liabilities in operating activities	160.4	183.4	-407.4	-380.5	-116.1	-105.0
Cash flow from investing activities		-3.0		-5.2		3.2
Cash flow from financing activities		-40.0		335.0		95.7
Exchange rate differences in cash and cash equivalents		-1.3		-1.3		-0.4
Change in cash and cash equivalents		139.1		-52.0		-6.5
Cash and cash equivalents at beginning of period		193.6		245.6		245.6
Cash and cash equivalents at end of period		332.8		193.6		239.2
Change in cash and cash equivalents		139.1		-52.0		-6.5

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

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

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

The Interim Report for the financial period January 1–September 30, 2014 was approved by the Board of Directors on October 27, 2014.

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

BASIS FOR PREPARATION OF THE INTERIM REPORT

This Interim Report for the period January 1–September 30, 2014 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards, IAS 34, *Interim Financial Reporting*, that 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, 2013.

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.

Comparative figures were corrected in conjunction with the 2013 financial statements. The effect of these corrections can be seen in the tables on pages 32–37 of the Year-end Report that was published on February 14, 2014.

In addition to the above corrections, clarifications have been made in the income statement, statement of other comprehensive income and balance sheet which affect their presentation and comparative figures, as well as those in the accompanying notes.

The figures for the period January–March 2014 have also been restated due to a correction in recognition of income from assets available for sale. The effect of this correction is described on page 6 of this Interim Report.

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, 2013.

Starting with the financial year 2014, IFRS 10, *Consolidated financial statements*; IFRS 11, *Joint arrangements*; and IFRS 12, *Disclosure of interests* in other entities went into effect for application in the European Union. Under the new rules, the current regulations about when a company shall be consolidated in the Group's financial statements in IAS 27 and SIC 12 are being replaced by a number of criteria for assessing when a controlling interest in another company exists. The application of the new rules does not affect the balance sheet, the income statement and the capital adequacy of the Group.

IFRS 10, *Consolidated financial statements* and amendments that have been made to it include a model to be used in assessing whether or not a controlling interest exists for all investments that a company has, including what are today called special-purpose entities (SPEs) and are regulated in SIC 12. The standard does not affect the Group significantly.

IFRS 11, *Joint arrangements* and amendments that have been made to it will mainly result in two changes compared to IAS 31, *Interests in joint ventures*. An investment is deemed to be a joint operation or a joint venture depending on what type of investment it is, and there are different reporting rules for these. A joint venture must be reported according to the equity method, and the proportional consolidation method will not be allowed. The standard will not affect the Group significantly.

IFRS 12, *Disclosure of interests in other entities* for disclosures on investments in subsidiaries, *joint arrangements*, associated companies and unconsolidated structured entities. The standard will result in new disclosures on the Group's holdings in other companies or investments.

Amended IAS 28, *Investments in associates and joint ventures*. The amendment deals with what reporting method to use when holdings change and significant influence or joint control ceases or not. The amendment does not affect the Group significantly.

IFRIC 21, *Levies*. The interpretation includes rules about various forms of levies that public authorities impose on companies and on what date an obligating event occurs that leads to the recognition of a liability. The interpretation will not affect the Group significantly.

Starting with the financial year 2014, clarifications in IAS 32, *Financial instruments: Presentation* also apply when offsetting of financial assets and liabilities is allowed. Due to an amendment to IAS 39, *Financial instruments: Recognition and measurement*, under certain conditions it will be possible to continue applying hedge accounting when the counterparty in a derivatives contract has changed due

to legislation. The disclosure requirements in IAS 36, *Impairment of assets* have been amended with regard to recoverable amounts of impaired non-financial assets. The application of these amendments has not affected the balance sheet, income statement or capital adequacy of the Group.

COMING CHANGES

On July 24, the International Accounting Standards Board (IASB) published the final standard IFRS 9, *Financial instruments*, which will replace IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9, *Financial instruments* will lead to changes related to classification and measurement, impairment losses and hedge accounting. According to IASB, the standard will be compulsory starting on January 1, 2018, but it has not yet been approved by the EU. The Bank of Åland will evaluate its impact on financial reporting, the consolidated balance sheet, the income statement and capital adequacy.

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.

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.

The "Åland" business area includes office operations in Åland. "Finnish Mainland" includes office operations on the Finnish mainland and Ålandsbanken Asset Management Ab. The "Sweden" business area includes the operating units Ålandsbanken Abp (Finland) svensk filial (the Swedish branch of the Bank of Åland Plc) plus Ålandsbanken Fonder AB (until its liquidation in May 2014) and Alpha Management Company S.A. (until its liquidation in November 2013). The "Crosskey" business area includes Crosskey Banking Solutions Ab Ltd and S-Crosskey Ab. "Corporate" includes all central corporate units in the Group, encompassing Treasury and the subsidiaries Ålandsbanken Fondbolag Ab and Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan-Sep 2014					
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate	Eliminations	Total
Net interest income	9.0	14.3	12.5	-0.1	0.8	0.2	36.7
Net commission income	6.2	14.1	9.2	0.0	2.2	0.0	31.7
Net income from financial items	0.6	0.1	0.8	0.0	3.2	0.0	4.5
Other income	0.1	0.1	0.2	22.6	1.2	-10.5	13.7
Total income	15.9	28.6	22.7	22.5	7.3	-10.3	86.6
Staff costs	-2.9	-7.2	-8.1	-10.2	-10.1	0.0	-38.5
Other expenses	-2.7	-4.8	-4.9	-6.9	-16.4	10.2	-25.4
Depreciation/amortisation	-0.2	-0.6	0.0	-2.9	-2.9	0.4	-6.3
Internal allocation of expenses	-5.7	-8.4	-9.2	0.0	23.2	0.0	0.0
Nonrecurring items	0.0	-0.4	0.0	0.0	0.0	0.0	-0.4
Total expenses	-11.6	-21.3	-22.1	-20.0	-6.2	10.5	-70.6
Profit before impairment losses	4.3	7.3	0.6	2.5	0.9	0.3	14.8
Impairment losses on loans and other commitments	-0.5	-0.6	0.0	0.0	-0.2	0.0	-1.2
Net operating profit	3.8	6.7	0.6	2.5	1.7	0.3	15.6
Income taxes	-0.8	-1.3	-0.1	-0.5	-0.4	0.0	-3.2
Non-controlling interests	0.0	-0.9	0.0	0.0	-0.1	0.0	-1.1
Profit for the period attributable to shareholders	3.1	4.4	0.5	2.0	0.3	0.3	10.5
Business volume							
Lending to the public	669	1,684	878	0	42	-15	3,258
Deposits from the public	815	986	564	0	122	-5	2,482
Managed assets	311	1,788	2,698	0	764	-792	4,770
Risk exposure amount	338	383	549	36	226	0	1,532
Allocated equity capital	40	52	60	6	32	0	189
Financial ratios etc.							
Return on equity after taxes, % (ROE)	10.5	11.7	1.1	44.5	0.0		7.6
Expense/income ratio	0.73	0.74	0.97	0.89	0.85		0.82
Gross non-performing receivables, %	0.70	0.69	0.03		2.24		0.54
Loan loss level, %	0.09	0.05	0.00		0.67		0.05
Lending/deposits, %	82	171	156		34		131
Full-time equivalent positions ¹	65	111	66	199	186		628

EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate	Eliminations	Total
Net interest income	8.4	11.3	9.6	-0.1	1.2	0.3	30.8
Net commission income	5.7	12.3	10.0	-0.1	1.7	0.0	29.6
Net income from financial items	0.5	0.1	0.5	0.0	5.3	0.0	6.4
Other income	0.0	0.2	0.0	20.3	1.2	-10.1	11.6
Total income	14.7	23.8	20.1	20.2	9.3	-9.8	78.3
Staff costs	-3.0	-6.9	-8.3	-9.8	-9.8	-0.1	-37.9
Other expenses	-2.6	-5.5	-4.6	-6.0	-14.7	9.7	-23.7
Depreciation/amortisation	-0.2	-0.7	0.0	-2.6	-2.8	0.4	-5.8
Internal allocation of expenses	-4.9	-8.5	-8.8	0.0	22.3	-0.1	0.0
Nonrecurring items	0.0	0.0	-1.5	0.0	0.0	0.0	-1.5
Total expenses	-10.7	-21.6	-23.3	-18.4	-5.0	10.1	-68.9
Profit before impairment losses	4.0	2.2	-3.2	1.8	4.4	0.3	9.4
Impairment losses on loans and other commitments	-1.3	-1.0	0.0	0.0	-0.3	0.0	-2.6
Net operating profit	2.7	1.2	-3.2	1.8	4.1	0.3	6.8
Income taxes	-0.7	-0.3	0.7	-0.4	-1.6	0.0	-2.3
Non-controlling interests	0.0	-0.8	0.0	0.0	-0.1	0.0	-0.8
Profit for the period attributable to shareholders	2.0	0.1	-2.5	1.3	2.4	0.3	3.6
Business volume							
Lending to the public	657	1,633	758	0	39	-14	3,074
Deposits from the public	692	985	566	0	244	-2	2,485
Managed assets	264	1,596	2,325	0	629	-544	4,271
Risk exposure amount	338	447	508	43	144	0	1,479
Allocated equity capital	41	56	61	6	13	0	176
Financial ratios etc.							
Return on equity after taxes, % (ROE)	6.8	0.3	-5.9	31.4	0.0		2.8
Expense/income ratio	0.73	0.91	1.16	0.91	0.53		0.88
Gross non-performing receivables, %	0.44	0.83	0.17		2.26		0.60
Loan loss level, %	0.27	0.08	0.00		1.00		0.12
Lending/deposits, %	95	166	134		16		124
Full-time equivalent positions ¹	66	114	73	190	175		618

¹ Number of full-time-equivalent positions, defined as employment level excluding employees on parental and long-term sick leave.

4. Changes in Group structure

In 2014 the Bank of Åland Plc acquired 25 per cent of the shares in Mäklarhuset Åland Ab, an estate agency. The total investment amounted to about EUR 0.1 M. The holding is reported according to the equity method.

On May 19, 2014 the liquidation of the Swedish-based mutual fund company Ålandsbanken Fonder AB was completed and final distribution of assets and liabilities occurred.

5. Net interest income

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
Interest income								
Credit institutions and central banks	0.2	0.3	-41	0.3	-38	0.6	0.7	-12
The public and public sector entities	18.6	18.4	1	18.0	3	55.0	51.7	6
Debt securities	0.9	0.9	0	0.8	5	2.8	2.6	6
Other interest income	0.2	0.2	0	0.1	70	0.8	0.3	
Total interest income	19.8	19.8	0	19.3	3	59.2	55.4	7
Interest expenses								
Credit institutions and central banks	-0.7	-0.9	-17	-1.1	-32	-2.5	-3.5	-27
The public and public sector entities	-2.8	-3.4	-17	-3.6	-22	-9.4	-11.6	-19
Debt securities issued	-3.2	-3.0	6	-2.8	11	-9.2	-7.9	17
Subordinated liabilities	-0.3	-0.3	-2	-0.3	-14	-0.8	-1.0	-17
Other interest expenses	-0.1	-0.2	-33	-0.2	-34	-0.6	-0.7	-12
Total interest expenses	-7.1	-7.7	-8	-8.1	-12	-22.5	-24.6	-8
Net interest income	12.7	12.1	6	11.2	14	36.7	30.8	19
Investment margin, per cent ¹	1.24	1.19		1.17		1.21	1.09	

¹Investment margin is defined as net interest income expressed as a percentage of the average balance sheet total.

6. Net commission income

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
Deposits	0.2	0.2	9	0.2	9	0.6	0.6	8
Lending	1.0	1.3	-25	1.3	-24	3.4	2.9	18
Payment intermediation	2.2	2.2	-1	2.1	6	6.5	6.1	6
Mutual fund commissions	4.2	3.6	19	3.0	39	11.0	9.3	18
Management commissions	2.1	2.2	-7	2.1	-4	6.2	5.9	4
Securities commissions	2.2	2.2	-1	2.9	-25	8.0	9.0	-10
Other commission income	0.6	0.7	-19	0.5	8	1.8	1.7	5
Total commission income	12.5	12.4	0	12.2	2	37.5	35.5	6
Payment commission expenses								
Mutual fund commission expenses	-0.2	-0.1	70	-0.2	-2	-0.6	-1.0	-41
Management commission expenses	-0.2	-0.2	-13	-0.1	27	-0.5	-0.5	9
Securities commission expenses	-0.2	-0.3	-3	-0.2	14	-0.7	-0.8	-7
Other commission expenses	-0.3	-0.3	-1	-0.3	17	-1.0	-0.8	20
Total commission expenses	-2.0	-1.9	2	-1.8	7	-5.9	-5.9	0
Net commission income	10.5	10.5	0	10.4	1	31.7	29.6	7

7. Net income from financial items at fair value

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
Valuation category fair value via the income statement ("profit and loss")								
Debt securities	0.1	0.2	-38	0.0		0.5	0.0	
Shares and participations	0.0	0.0		0.3	-98	0.1	0.3	-76
Derivative instruments	0.0	0.0	-92	0.8	-100	0.1	2.7	-98
Loan receivables	-0.4	-0.2		-0.6	-32	-0.9	-3.1	
Valuation category fair value via the income statement ("profit and loss")	-0.3	0.1		0.5		-0.3	-0.1	
Hedge accounting								
<i>of which hedging instruments</i>	3.4	4.6	-26	-0.4		12.5	-2.7	
<i>of which hedged item</i>	-3.4	-4.5	-25	0.3		-12.8	2.4	
Hedge accounting	0.0	0.1		-0.1	-76	-0.3	-0.2	42
Net income from foreign exchange dealing	0.9	1.2	-22	0.4		2.6	2.7	-5
Net income from financial assets available for sale	1.3	0.2		0.0		2.5	4.0	-36
Total	1.9	1.5	26	0.8		4.5	6.4	-28

8. Other expenses

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
IT expenses (excluding information services)	2.2	2.5	-13	1.9	13	6.6	6.3	5
Premises and property expenses	1.3	1.3	1	1.6	-15	4.0	4.6	-13
Marketing expenses	0.5	0.5	-4	0.4	24	1.7	1.7	0
Information services	0.5	0.5	2	0.6	-3	1.6	1.6	0
Staff-related expenses	0.5	0.6	-21	0.4	18	1.6	1.4	14
Travel expenses	0.2	0.4	-33	0.3	-8	0.9	0.8	13
Purchased services	0.7	0.9	-14	0.6	33	3.3	2.2	50
Deposit guarantee fee	0.2	0.3	-8	0.3	-28	0.8	1.0	-14
Banking tax	0.4	0.4	-1	0.4	4	1.3	1.2	4
Other expenses	1.4	1.6	-15	2.9	-52	4.8	5.9	-19
Production for own use	-0.3	-0.3	-10	-0.5	-41	-1.0	-1.5	-34
Total	7.8	8.8	-11	8.9	-12	25.6	25.2	2

9. Impairment losses on loans and other commitments

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
Impairment losses								
Actual losses for the period	0.1	0.1	39	0.2	-10	0.3	3.5	-91
Recoveries of actual losses	0.0	0.0	2	0.0		0.0	-2.2	-98
Total	0.1	0.1	44	0.2	-17	0.3	1.3	-78
Specific provisions for individually valued receivables								
New and increased provisions	1.6	0.5		0.9	80	2.9	3.6	-18
Reversals of earlier provisions	-1.4	-0.5		-0.1		-2.0	-3.5	-43
Utilised for actual losses	0.0	0.0	9	0.0		-0.1	0.0	
Total	0.1	0.0		0.7	-80	0.9	0.0	
Net provisions for the period, receivables valued by group	0.0	0.0		0.8		0.1	1.3	-91
Net loan losses	0.3	0.1		1.6	-83	1.2	2,6	-52

10. Income taxes

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
EUR M								
Taxes for the period and prior periods	0.5	0.5	4	0.5	-6	1.4	1.2	15
Change in deferred tax assets/liabilities	1.0	0.8	26	0.5	86	1.8	1.1	64
Income taxes	1.5	1.3	18	1.1	41	3.2	2.3	38

11. Lending to the public and public sector by purpose

Bank of Åland Group	Sep 30, 2014			Dec 31, 2013	%	Sep 30, 2013	%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Companies							
Shipping	72	-6	67	66	1	69	-2
Wholesale and retail trade	52	-1	51	50	2	57	-11
Housing operations	234	-1	233	178	29	156	19
Other real estate operations	346	-2	344	390	-12	394	-13
Financial and insurance operations	199	0	199	189	5	196	2
Hotel and restaurant operations	24	0	24	24	-2	23	4
Other service operations	118	-1	117	113	4	113	3
Agriculture, forestry and fishing	14	0	14	14	-3	14	0
Construction	35	-2	33	25	29	27	19
Other industry and crafts	38	0	38	35	8	35	7
Total, companies	1,131	-13	1,118	1,084	3	1,083	3
Private individuals							
Home loans	1,498	-2	1,495	1,383	8	1,342	11
Securities and other investments	316	0	316	305	4	308	2
Business operations	122	-1	121	126	-4	138	-13
Other household purposes	193	-1	191	185	3	181	6
Total, private individuals	2,128	-5	2,123	1,999	6	1,969	8
Public sector and non-profit organisations	17	0	17	21	-20	22	-21
Total, public sector and non-profit organisations	17	0	17	21	-20	22	-21
Total lending	3,276	-17	3,258	3,104	5	3,074	6

12. Doubtful receivables and impairment losses

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	% Sep 30, 2013		%
EUR M					
Gross doubtful receivables	34.0	31.7	7	17.7	92
of which private individuals	7.2	5.7	26	7.1	0
of which companies	26.8	26.0	3	10.6	
Doubtful receivables as % of total	1.04	1.02	2	0.58	81
Provisions for individually valued receivables	16.1	15.2	6	10.5	53
Net doubtful receivables	17.9	16.5	9	7.2	
Level of provisions for doubtful receivables, %	47	48	-2	59	-20
Provisions for receivables valued by group	1.3	1.2	9	4.8	-73
of which private individuals	0.9	0.9	0	0.5	88
of which companies	0.4	0.3	35	4.3	-90
Total level of provisions for doubtful receivables, %	51	52	-1	86	-41
Non-performing receivables > 90 days past due	17.6	15.6	13	18.5	-5
of which private individuals	10.0	9.6	4	12.0	-17
of which companies	7.6	6.0	26	6.5	17
Gross non-performing receivables > 90 days as % of total	0.54	0.50	7	0.60	-10

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

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	% Sep 30, 2013		%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	1,900	1,757	8	1,764	8
Time deposits	345	420	-18	386	-11
Total deposit accounts	2,244	2,177	3	2,150	4
Certificates of deposit issued to the public ¹	108	122	-11	162	-34
Index bonds (structured products)	80	97	-18	109	-27
Subordinated debentures	50	64	-22	64	-22
Total bonds and certificates of deposit	237	283	-16	335	-29
Total deposits	2,482	2,461	1	2,485	0

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

14. Debt securities issued

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	%	Sep 30, 2013	%
EUR M					
Certificates of deposit	279	134		182	53
Covered bonds	570	540	6	451	26
Senior non-covered bonds	207	241	-14	228	-9
Index bonds (structured products)	80	97	-18	109	-27
Total	1,135	1,012	12	970	17

15. Derivative instruments

Bank of Åland Group	Sep 30, 2014						Dec 31, 2013		
EUR M	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
	Under 1 yr	1-5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>	154	108	26	288	4	6	262	2	7
<i>Interest rate and currency swaps</i>	87	-82	0	5	0	0	11	0	0
<i>Interest rate futures</i>	10	0	0	10	0	0	10	0	0
<i>Interest rate options – purchased</i>	4	11	0	15	0	0	15	0	0
<i>Interest rate options – sold</i>	4	15	2	21	0	0	19	0	0
Currency-related contracts									
<i>Currency forward contracts</i>	132	8	0	140	1	0	98	1	1
Equity-related contracts									
<i>Equity options – purchased</i>	44	38	0	82	5	0	96	9	0
<i>Equity options – written</i>	38	33	0	71	0	5	94	0	8
Other derivative contracts	0	22	0	22	1	1	25	1	1
Total	474	153	28	654	12	13	630	13	18
Derivatives for market value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	0	152	100	252	11	1	322	2	2
Total	0	152	100	252	11	1	322	2	2
Derivatives for cash flow hedge									
Interest-related contracts									
<i>Interest rate and currency swaps</i>	0	246	0	246	0	14	254	0	6
Total	0	246	0	246	0	14	254	0	6
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
<i>Currency forward contracts</i>	14	0	0	14	0	0	33	0	1
Total	14	0	0	14	0	0	33	0	1
Total derivative instruments	487	551	128	1,166	23	28	1,239	15	27
<i>of which cleared OTC</i>									
<i>of which cleared by other means</i>	10	0	0	10	0	0	10	0	0

16. Financial instruments at fair value

Bank of Åland Group		Sep 30, 2014		
EUR M	Instruments with quoted prices (Level 1)	Appraisal techniques based on observable market data (Level 2)	Appraisal techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	459			459
Lending to the public and public sector entities		96		96
Debt securities	0	0	0	0
Shares and participations	2	0	1	2
Derivative instruments		23		23
Total financial assets	461	119	1	581
Liabilities to the public and public sector entities		0		0
Debt securities issued		266		266
Derivative instruments	0	28		28
Subordinated liabilities		25		25
Total financial liabilities	0	319	0	294

Bank of Åland Group		Dec 31, 2013		
EUR M	Instruments with quoted prices (Level 1)	Appraisal techniques based on observable market data (Level 2)	Appraisal techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	428			428
Lending to the public and public sector entities		127		127
Debt securities	13	51		64
Shares and participations	1	0	1	2
Derivative instruments	0	15		15
Total financial assets	442	193	1	636
Liabilities to the public and public sector entities		0		0
Debt securities issued		272		272
Derivative instruments		27		27
Subordinated liabilities		17		17
Total financial liabilities	0	316	0	316

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

In the above tables, financial instruments measured at fair value have been classified with regard to how they have been measured and the degree of market data used in this measurement on closing day. If the classification on closing day has changed, compared to the classification at the end of the previous year, the instrument has been moved between the levels in the table. During the period January-September 2014, 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-Sep 2014
EUR M	Shares and participations
Carrying amount on January 1	0.9
New purchases	
Divested/reached maturity during the year	0.0
Realised change of value in the income statement	0.0
Unrealised change of value in the income statement	0.0
Change in value recognised in "Other comprehensive income"	-0.3
Total	0.5

17. Off-balance sheet commitments

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	% Sep 30, 2013	%
EUR M				
Guarantees	24	24	0	24
Unutilised overdraft limits	85	76	12	1
Unutilised credit card limits	106	105	1	3
Lines of credit	201	176	14	11
Total	416	381	9	7

18. Offsetting of financial assets and liabilities

Bank of Åland Group	Sep 30, 2014		Dec 31, 2013	
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	23		15	
Gross amount of financial liabilities offset in the balance sheet				
Net amount of financial assets recognised in the balance sheet	23		15	
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-6		-5	
Financial collateral received	-8			
Net amount	9		10	
Financial liabilities that are offset or covered by offsetting agreements				
Gross amount of financial liabilities	28	11	27	13
Gross amount of financial assets offset in the balance sheet				
Net amount of financial liabilities recognised in the balance sheet	28	11	27	13
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-20		-14	
Financial collateral pledged	-2	-11	-2	-13
Net amount	6	0	10	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.

19. Assets pledged for own liabilities

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	% Sep 30, 2013	%
EUR M				
Bonds as assets pledged	298	212	41	40
Loan receivables constituting collateral (cover pool) for covered bonds	1,271	893	42	65
Total	1,569	1,104	42	59

20. Maturity breakdown of assets and liabilities

Bank of Åland Group	Sep 30, 2014										
EUR M	Payable on demand	< 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	> 5 years	Total cash flow	Carrying amount
Financial assets											
Cash and balances with central banks	104									104	104
Debt securities eligible for refinancing with central banks		7	22	2	10	11	139	188	93	471	459
Lending to credit institutions	156	70	0							226	226
Lending to the public	169	71	131	142	205	222	515	920	1,460	3,836	3,258
Debt securities		0									0
Total financial assets	429	148	153	144	215	233	654	1,109	1,553	4,638	4,048
Financial liabilities											
Liabilities to credit institutions	100	41	58	152	5		6	76		438	436
Liabilities to the public	1,901	92	61	95	49	48	2	1		2,249	2,244
Debt securities issued		119	37	87	73	219	118	424	111	1,188	1,135
Subordinated liabilities				5	8	4	10	26		53	50
Total financial liabilities	2,001	251	156	339	136	271	137	527	111	3,929	3,866
Derivative contracts											
Incoming cash flow		1	1	5	4	2	9	20	15	57	
Outgoing cash flow		-1	-2	-3	-2	-3	-6	-14	-13	-45	
		0	0	2	1	-1	3	5	1	12	
GAP	-1,572	-104	-3	-193	81	-39	521	586	1,443	720	

Bank of Åland Group		Dec 31, 2013									
EUR M	Payable on demand	< 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	> 5 years	Total cash flow	Carrying amount
Financial assets											
Cash and balances with central banks	50									50	50
Debt securities eligible for refinancing with central banks		16	10	18	5	22	48	279	48	446	428
Lending to credit institutions	51	76	4			0				132	131
Lending to the public	205	97	118	126	139	176	533	975	1,317	3,686	3,104
Debt securities		21	18	0	15	0	0	10		65	64
Total financial assets	306	211	150	143	159	199	581	1,265	1,365	4,379	3,776
Financial liabilities											
Liabilities to credit institutions	74	41	47	26	3	8	137	12		349	347
Liabilities to the public	1,764	129	103	93	48	43	2	1		2,181	2,177
Debt securities issued		67	119	59	125	73	224	456	215	1,339	1,012
Subordinated liabilities		20		12	4		14	17		68	64
Total financial liabilities	1,838	257	269	189	181	124	377	486	215	3,937	3,600
Derivative contracts											
Incoming cash flow		4	2	5	2	3	15	29	20	80	
Outgoing cash flow		-1	-2	-3	-4	-3	-12	-28	-23	-77	
		3	0	2	-1	-1	3	1	-4	3	
GAP	-1,531	-44	-120	-44	-24	73	207	780	1,147	445	

Sight deposits from the public, which are a significant source of funding, are contractually repayable on demand and are thus reported as having a maturity of <3 months. In practice they are a source of financing that, based on historical behaviour, has largely proved to have a long maturity.

21. Interest rate refixing periods

Bank of Åland Group		Sep 30, 2014					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets							
Lending to credit institutions	325					325	
Debt securities eligible for refinancing with central banks	274	5	14	112	54	459	
Lending to the public and public sector entities	1,987	415	639	165	52	3,258	
Debt securities	0					0	
Total interest-bearing assets	2,587	420	653	277	105	4,042	
Liabilities							
Liabilities to credit institutions and central banks	217	151	2	67		436	
Liabilities to the public and public sector entities	2,052	96	95	1	0	2,244	
Debt securities issued	605	82	204	143	100	1,135	
Subordinated liabilities	0	5	12	33	0	50	
Total interest-bearing liabilities	2,873	335	314	244	100	3,866	
Off-balance sheet items	-91	-82	-52	125	87		
Difference between assets and liabilities	-378	3	287	157	92		

Bank of Åland Group		Dec 31, 2013					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets							
Lending to credit institutions	175					175	
Debt securities eligible for refinancing with central banks	194	20	16	163	36	428	
Lending to the public and public sector entities	2,169	213	434	266	22	3,104	
Debt securities	39		15	10		64	
Total interest-bearing assets	2,576	233	464	440	58	3,771	
Liabilities							
Liabilities to credit institutions and central banks	158	46	13	130		347	
Liabilities to the public and public sector entities	1,993	92	91	1		2,177	
Debt securities issued	584	55	24	149	200	1,012	
Subordinated liabilities		19	29	16		64	
Total interest-bearing liabilities	2,734	213	157	295	200	3,600	
Off-balance sheet items	-43	-28	-7	-4	76		
Difference between assets and liabilities	-201	-8	301	141	-66		

In the table, the interest rate refixing period for lending and sight deposits with the ÅAB Prime or ÅAB O/N benchmark interest rate, or with no benchmark interest rate, has been stated as < 3 months. The volume of deposits with such interest rate terms is sizeable. In the current low interest rate environment, the interest rate refixing period for these accounts is significantly longer in practice than the contractual period.

22. Capital adequacy

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	%	Dec 31, 2013	%	Sep 30, 2013	%
EUR M		New rules ¹		Recognised		Recognised	
Equity capital according to balance sheet	192.8	184.1	5	184.1		181.8	
Anticipated/proposed dividend including non-controlling interests	-2.6	-3.1	-18	-3.1		-2.2	
Core Tier 1 capital before deductions	190.3	181.0	5	181.0		179.6	
Intangible assets	-7.6	-9.1	-16	-9.1		-10.5	
Property revaluation	-2.2	-2.4	-7	-2.4		-7.6	
Tax assets due to future profitability offset against tax liabilities within same tax category	-0.6	-0.5	16	-4.1		-0.6	
Surplus value in pension assets	0.0	-0.8	-100	-0.8		-1.7	
Non-controlling interests	-0.7	-0.7	3				
Unrealised accumulated positive change in value	-3.9	-2.1	90				
Fair value reserve				-1.1		-1.1	
Translation difference				-0.9		0.2	
Cash flow hedge	0.4	0.4	-7	0.4		0.8	
Expected losses according to IRB approach beyond recognised losses	-5.2	-6.0	-14	-3.1		-3.3	
Core Tier 1 capital	170.4	159.9	7	160.0		155.8	
Additional Tier 1 capital	0.0	0.0		0.0		0.0	
Tier 1 capital	170.4	159.9	7	160.0		155.8	
Supplementary capital instruments	13.2	35.7	-63	63.8		63.8	
Unrealised accumulated positive change in value	3.9	2.1	90				
Fair value reserve				1.1		1.1	
Translation difference				0.9		-0.2	
Property revaluation	2.2	2.4	-8	2.4		7.6	
Supplementary capital before deductions	19.3	40.2	-52	68.2		72.2	
Expected losses according to IRB approach in addition to recognised losses				-3.1		-3.3	
Supplementary capital	19.3	40.2	-52	65.1		68.9	
Total capital base	189.8	200.1	-5	225.1		224.7	
Capital requirement for credit risk according to the IRB approach	24.1	25.0	-3	26.0		28.2	
Capital requirement for credit risk according to standardised approach	84.2	80.4	5	79.9		77.1	
Capital requirement for credit-worthiness adjustment	1.2						
Capital requirement for operational risk	13.0	12.6	3	12.6		13.0	
Capital requirement	122.5	118.0	4	118.5		118.3	
Addition according to transitional rules for IRB approach	16.0	14.0	14	12.7		10.5	
Capital requirement including transitional rule for IRB approach	138.5	132.0	5	131.2		128.9	
Capital ratios excluding Basel I floor effect							
Core Tier 1 capital ratio, %	11.2	10.8	3	10.8		10.5	
Tier 1 capital ratio, %	11.2	10.8	3	10.8		10.5	
Total capital ratio, %	12.4	13.5	-8	15.2		15.2	

Capital ratios including Basel I floor effect					
Core Tier 1 capital ratio, %	9.8	9.7	2	9.8	9.7
Tier 1 capital ratio, %	9.8	9.7	2	9.8	9.7
Total capital ratio, %	11.0	12.1	-9	13.7	13.9
Risk exposure amount	1,531.6	1,475.1	4	1,481.5	1,479.3
of which % comprising credit risk	88	89	-1	89	89
of which % comprising credit-worthiness adjustment risk	1				
of which % comprising operational risk	11	11	-1	11	11

¹ For definition of new rules, see page 5.

Exposure category		Sep 30, 2014			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Households with property as collateral (small and medium-sized companies)	120.1	119.8	38	45.0	3.6
Households with property as collateral (not small and medium-sized companies)	1,566.1	1,563.7	13	205.7	16.5
Households, other (small and medium-sized companies)	36.2	35.5	35	12.3	1.0
Households, other (not small and medium-sized companies)	216.8	199.0	19	38.1	3.0
Total exposures according to the IRB approach	1,939.2	1,918.0	16	301.1	24.1
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks	277.5	315.3	0	0.0	0.0
Exposures to institutions	372.2	366.3	31	112.6	9.0
Corporate exposures	934.9	658.8	96	630.1	50.4
Household exposures	131.7	63.7	73	46.4	3.7
Exposures with real property mortgages as collateral	555.6	550.7	35	190.0	15.2
Past due exposures	21.6	9.5	131	12.5	1.0
Items associated with especially high risk	1.0	1.0	150	1.5	0.1
Covered bonds	94.0	94.0	10	9.4	0.8
Collective investment companies (funds)	1.6	1.6	100	1.6	0.1
Equity exposures	1.4	1.4	102	1.4	0.1
Other items	69.9	69.9	67	46.9	3.8
Total exposures according to the standardised approach	2,461.5	2,132.3	49	1,052.4	84.2
Total capital requirement for credit risk	4,400.6	4,050.2	33	1,353.5	108.3

Exposure category		Dec 31, 2013			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					

Households with property as collateral (small and medium-sized companies)	115.8	115.2	43	50.0	4.0
Households with property as collateral (not small and medium-sized companies)	1,495.3	1,490.5	14	209.8	16.8
Households, other (small and medium-sized companies)	37.3	36.7	45	16.5	1.3
Households, other (not small and medium-sized companies)	221.5	205.4	17	35.7	2.9
Total exposures according to the IRB approach	1,869.9	1,847.8	17	312.0	25.0
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks ¹	150.4	186.8	0	0.0	0.0
Institutional exposures	377.5	377.5	24	109.4	8.8
Corporate exposures	744.3	715.7	80	576.0	46.1
Household exposures	306.5	121.2	64	77.6	6.1
Exposures with real property mortgages as collateral	459.8	458.4	35	160.4	12.9
Past due exposures	33.1	21.3	145	31.0	2.5
Items associated with especially high risk	0.7	0.7	150	1.1	0.1
Covered bonds	131.1	131.1	10	13.1	1.0
Collective investment companies (funds)	0.0	0.0	0	0.0	0.0
Equity exposures	3.1	3.1	101	3.1	0.3
Other items	68.0	68.0	49	33.4	2.7
Total exposures according to the standardised approach	2,274.5	2,083.8	48	1,005.0	80.4
Total capital requirement for credit risk	4,144.4	3,931.6	33	1,317.0	105.4

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

23. Managed assets

Bank of Åland Group	Sep 30, 2014	Dec 31, 2013	%	Sep 30, 2013	%
EUR M					
Fund unit management	1,048	960	9	936	12
Discretionary asset management	1,689	1,685	0	1,641	3
Other asset management	2,032	1,762	15	1,694	20
Total managed assets	4,770	4,407	8	4,271	12
Of which own funds in discretionary and other asset management	489	456	7	419	17

24. Hours worked, recalculated to full-time equivalent positions

Bank of Åland Group	Q3 2014	Q2 2014	%	Q3 2013	%	Jan-Sep 2014	Jan-Sep 2013	%
Bank of Åland Plc	411	403	2	392	5	404	381	6
Crosskey Banking Solutions Ab Ltd	199	194	3	186	6	195	184	6
Ålandsbanken Asset Management Ab	29	27	6	27	6	28	27	3
Ab Compass Card Oy Ltd	11	11	-6	12	-11	11	12	-10
Ålandsbanken Fondbolag Ab	6	6	-3	5	14	6	5	14
Ålandsbanken Fonder AB								3
Total number of positions, recalculated from hours worked	656	642	2	622	5	645	612	5

TRANSLATION

Report on review of the interim report of Ålandsbanken Abp as of and for the nine-month period ending September 30, 2014

TO THE BOARD OF DIRECTORS OF THE BANK OF ÅLAND PLC

INTRODUCTION

We have reviewed the summary balance sheet as of September 30, 2014, the summary income statement, the summary statement of other comprehensive income, the statement of changes in equity capital and the summary cash flow statement of Ålandsbanken Abp group for the nine-month period then ended, as well as a summary of significant accounting policies and 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 the International Financial Reporting Standards (IFRS), as adopted by the EU, 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 does not give a true and fair view of the Ålandsbanken group's consolidated financial position as at September 30, 2014 and the consolidated result of the group's operations and cash flows for the nine-month period then ended, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki, October 28, 2014

Pauli Salminen
Authorised Public Accountant

Birgitta Immerthal
Authorised Public Accountant

Mari Suomela
Authorised Public Accountant