ÅLANDSBANKEN

Interim Report

For the period January–September 2017 • October 24, 2017

January–September 2017

Compared to January-September 2016

- Net operating profit increased by 4 per cent to EUR 19.5 M (18.8).
- Profit for the period attributable to shareholders increased by 5 per cent to EUR 15.5 M (14.8).
- Net interest income increased by 2 per cent to EUR 41.8 M (41.1).
- Net commission income rose by 13 per cent to EUR 37.1 M (32.7).
- Total expenses increased by 11 per cent to EUR 74.6 M (67.4).
- Net impairment losses on loans (including recoveries) totalled EUR 1.5 M (3.0), equivalent to a loan loss level of 0.05 (0.11) per cent.
- Return on equity after taxes (ROE) amounted to 9.2 (9.2) per cent.
- Earnings per share amounted to EUR 1.01 (0.97).
- The common equity Tier 1 capital ratio, not taking into account transitional rules, amounted to 12.6 per cent (11.8 on December 31, 2016).

The third quarter of 2017

Compared to the third quarter of 2016

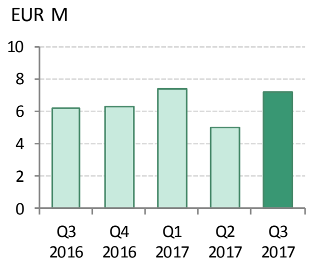
- Net operating profit increased by 16 per cent to EUR 7.2 M (6.2).
- Profit for the period attributable to shareholders increased by 16 per cent to EUR 5.8 M (5.0).
- Net interest income rose by 4 per cent to EUR 14.3 M (13.7).
- Net commission income rose by 15 per cent to EUR 12.2 M (10.6).
- Total expenses increased by 14 per cent to EUR 24.4 M (21.5).
- Net impairment losses on loans (including recoveries) totalled EUR 0.6 M (0.9), equivalent to a loan loss level of 0.06 (0.10) per cent.
- Return on equity after taxes (ROE) increased to 10.1 (9.2) per cent.
- Earnings per share amounted to EUR 0.38 (0.33).

"We created solid quarterly earnings, where our continued stable growth is now having a positive impact on our net interest and commission income. Managed assets in our own mutual funds rose past EUR 3 billion during the quarter.

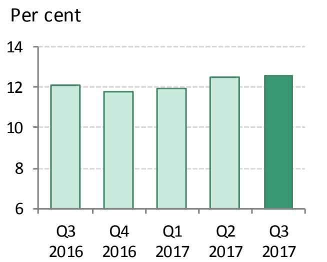
"The launch of our new capital market platform in the Bank's Swedish operations resulted in heightened project expenses."

Peter Wiklöf, Managing Director

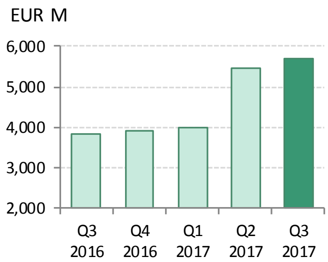
Net operating profit



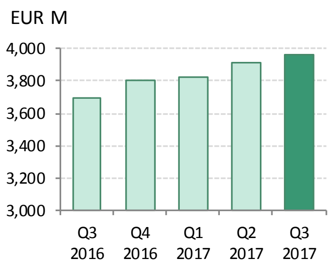
Common equity Tier 1 ratio



Actively managed assets



Lending



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

Bank of Åland Plc. Registered office: Mariehamn Address: Nygatan 2, AX-22100 Mariehamn, Åland, Finland
Business Identity Code: 0145019-3. Telephone: +358 204 29 011. Website: www.alandsbanken.fi

Financial summary

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
Income								
Net interest income	14.3	13.6	5	13.7	4	41.8	41.1	2
Net commission income	12.2	12.8	-5	10.6	15	37.1	32.7	13
Net income from financial items at fair value	1.8	-0.6		0.5		2.1	3.9	-46
Other income	3.9	4.6	-16	3.8	3	14.6	11.5	28
Total income	**32.2**	**30.5**	**5**	**28.5**	**13**	**95.6**	**89.2**	**7**
Staff costs	-14.1	-14.9	-6	-13.3	6	-45.0	-42.2	7
Other expences	-8.3	-8.4	-2	-6.7	23	-24.4	-20.8	17
Depreciation/amortisation	-2.0	-1.7	17	-1.5	37	-5.3	-4.5	17
Total expenses	**-24.4**	**-25.1**	**-3**	**-21.5**	**14**	**-74.6**	**-67.4**	**11**
Profit before impairment losses	**7.8**	**5.5**	**42**	**7.1**	**10**	**21.1**	**21.8**	**-3**
Impairment losses on loans and other commitments	-0.6	-0.5	11	-0.9	-36	-1.5	-3.0	-49
Net operating profit	**7.2**	**5.0**	**46**	**6.2**	**16**	**19.5**	**18.8**	**4**
Income taxes	-1.5	-1.0	40	-1.2	19	-4.0	-4.0	0
Profit for the report period	**5.8**	**3.9**	**47**	**5.0**	**16**	**15.5**	**14.8**	**5**
Attributable to:								
Shareholders in Bank of Åland Plc	**5.8**	**3.9**	**47**	**5.0**	**16**	**15.5**	**14.8**	**5**
Volume								
Lending to the public	3,967	3,915	1	3,692	7			
Deposits from the public [1]	3,286	3,190	3	2,897	13			
Actively managed assets [2]	5,690	5,475	4	3,837	48			
Equity capital	230	224	3	217	6			
Balance sheet total	5,356	5,263	2	4,909	9			
Risk exposure amount	1,553	1,537	1	1,538	1			
Financial ratios								
Return on equity after taxes, % (ROE) [3]	10.1	7.0		9.2		9.2	9.2	
Expences/income ratio [4]	0.76	0.82		0.75		0.78	0.76	
Loan loss level, % [5]	0.06	0.05		0.10		0.05	0.11	
Gross non-performing receivables, % [6]	0.66	0.68		0.90				
Level of provisions for doubtful receivables, % [7]	41	42		39				
Core funding ratio, % [8]	91	92		90				
Equity/assets ratio, % [9]	4.3	4.3		4.4				
Tier 1 capital ratio, % [10]	12.6	12.5		12.1				
Earnings per share, EUR [11]	0.38	0.26	47	0.33	15	1.01	0.97	5
Earnings per share after dilution, EUR	0.37	0.25	47	0.32	16	1.00	0.96	5
Equity capital per share, EUR [12]	14.98	14.60	3	14.20	5			
Equity capital per share after dilution, EUR	14.82	14.45	3	14.07	5			
Market price per Series A share, EUR	14.86	14.40	3	14.10	5			
Market price per Series B share, EUR	14.90	14.20	5	13.58	10			
Number of shares outstanding (not own shares), 000s	15,335	15,335	0	15,299	0			
Number of shares outstanding (not own shares), after dilution, 000s	15,588	15,590	0	15,540	0			
Working hours re-calculated to full-time equivalent positions	702	680	3	690	2	691	682	1

1 Deposits from the public and public sector enteties, including certificates of deposit, index bonds and debentures issued to the public
2 Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume.
3 Profit for the report period attributable to shareholders / Average shareholders´portion of equity capital
4 Expenses / Income
5 Impaiment losses on loan portfolio and other commitments / Lending to the public at the beginning of the period
6 Gross doubtful receivables / Lending to the public before provisions for impairment losses
7 Provisions for individual impairment losses / Gross doubtful receivables
8 Lending to the public / Deposits including certificates of deposit, index bonds and debentures issued to the public plus covered bonds issued
9 Equity capital / Balance sheet total
10 (Core Tier 1 capital / Capital requirement) x 8%
11 Shareholders' portion of earnings for the period / Avarage number of shares
12 Shareholders' portion of equity capital / Number of shares less own shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

A decade after the outbreak of the global financial crisis, it is still making itself felt – both through the flood of regulations that continues to pour over the banking industry and through negative interest rates. However, a turnaround is discernible in the United States, whose central bank (the Federal Reserve) has begun to hike its key interest rate and where long-term market yields have begun to climb. Meanwhile signals are coming from the new US administration that reduced financial market regulation is desirable. In Finland and Sweden, as elsewhere in Europe, the corresponding turnaround has not yet manifested itself, although long-term market yields have begun to climb.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q3 2017	Q2 2017	Q3 2016
Euribor 3 mo	-0.33	-0.33	-0.30
Euribor 12 mo	-0.16	-0.13	-0.05
Stibor 3 mo	-0.44	-0.48	-0.54

During the first nine months of 2017, share prices in Helsinki rose by about 8 per cent according to the Nasdaq Helsinki (OMXHPI) index and in Stockholm by about 10 per cent according to the Nasdaq Stockholm (OMXSPI) index.

The average value of the Swedish krona in relation to the euro was 2 per cent lower during the first nine months of the year than in the same period of 2016. Compared to its position at year-end 2016, the value of the krona was 1 per cent lower. When translating the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been translated at the exchange rate prevailing on the closing day of the period.

IMPORTANT EVENTS

On July 3, the Bank of Åland placed a new securities platform developed by its subsidiary Crosskey Banking Solutions in operation in Sweden. For the past five years, the Bank of Åland has worked systematically to create Group-wide, modern solutions in the securities field encompassing trading systems, custody systems, portfolio systems, back office processes and customer service via the Internet Office and mobile applications. The launch in Sweden was an important milestone in this journey. Certain development phases still remain in Sweden, especially connected to functionality via the Internet Office and mobile apps, as well as replacement of custody systems in Finland, before this large-scale development programme is completed.

In May the Bank's fund management subsidiary, Ålandsbanken Funds (Ålandsbanken Fondbolag), reached an agreement with the fund management company Allra to take over the holdings of its mutual funds, about EUR 1.3 billion, in the Swedish premium pension system. To begin with, the Bank of Åland took over management of the assets in Allra's funds. Later a controlled exchange of Allra's fund assets to the Bank of Åland's corresponding funds occurred.

For the fourth 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's work on behalf of the Baltic Sea is continuing to attract interest. For example Peter Wiklöf, Managing Director of the Bank of Åland, was invited to a meeting on climate change at the United Nations in New York during March. There he spoke about the Bank's Baltic Sea Card and the Åland Index, a digital tool that measures the environmental impact of your purchases. The Bank of Åland and the Swedish advertising agency RBK Communication received awards from various national and international marketing competitions for their insightful visualisation of the state of the Baltic Sea and for the concrete actions the Bank has taken to benefit the environment. These included Sweden's Golden Egg award and the Grand Prix at the Cannes Lions festival of creativity in France.

In the Åland Islands, the Bank of Åland joined with two locally based insurance companies – Ålandia Försäkring and Ålands Ömsesidiga Försäkringsbolag – in a partnership called AX3. Initially, AX3 is offering three basic packages of banking and insurance services. Two are targeted to young people up to age 25: the Study Package and the Moving from Home Package. The third package is aimed at helping those who are thinking about buying a home: the Home Buyer Package. These individual services already exist at the Bank of Åland, Alandia Försäkring and Ålands Ömsesidiga Försäkringsbolag. What is unique about AX3 is that the three companies are working together in providing their respective services, in order to make things simpler for Åland residents.

The Annual General Meeting on April 6, 2017 re-elected the Board consisting of Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å. Karlsson, Göran Persson, Ulrika Valassi, Anders Wiklöf and Dan-Erik Woivalin. At the statutory meeting of the Board the same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board. The AGM approved the payment of a divided of EUR 0.60 per share for the financial year 2016.

The number of Series B shares outstanding increased by 36,163. In February, the Bank of Åland issued 28,198 Series B shares to fulfil the Bank's obligations within the framework of its 2016 share savings programme for employees. In March the Bank of Åland issued 7,965 new Series B shares for the implementation of its incentive programme.

EARNINGS FOR THE THIRD QUARTER OF 2017

Profit for the period attributable to shareholders amounted to EUR 5.8 M (5.0), which was an increase of EUR 0.8 M or 16 per cent from the year-earlier quarter. Net operating profit rose by EUR 1.0 M or 16 per cent to EUR 7.2 M (6.2).

Return on equity after taxes amounted to 10.1 (9.2) per cent.

Total income increased by EUR 3.7 M or 13 per cent to EUR 32.2 M (28.5).

Net interest income rose by EUR 0.6 M or 4 per cent to EUR 14.3 M (13.7). The negative effect of falling and negative market interest rates was offset by an increase in business volume.

Net commission income rose by EUR 1.6 M or 15 per cent to EUR 12.2 M (10.6). Income from customers' investment transactions in the form of brokerage commissions as well as mutual fund and asset management commissions increased by a total of EUR 1.7 M or 21 per cent.

Net income on financial items at fair value rose by EUR 1.3 M to EUR 1.8 M (0.5), among other things due to valuation effects within the framework of hedge accounting.

Information technology (IT) income was essentially unchanged at EUR 3.6 M (3.6).

Total expenses increased by EUR 2.9 M or 14 per cent to EUR 24.4 M (21.5). Of the EUR 0.8 M increase in staff costs, EUR 0.3 M was related to increased severance pay. Fees for the new resolution fund totalled more than EUR 0.3 M for the quarter. Increased IT project expenses of EUR 0.5 M, lower production for own use (capitalisation of development expenses) totalling EUR 0.6 M and EUR 0.5 M higher depreciation and amortisation expenses were largely explained by the IT project to implement a new securities platform developed by the Bank's IT subsidiary, Crosskey.

Impairment losses on loans amounted to EUR 0.6 M, equivalent to a loan loss level of 0.06 per cent, compared to EUR 0.9 M and 0.10 per cent in the year-earlier quarter.

EARNINGS FOR JANUARY – SEPTEMBER 2017

Profit for the period attributable to shareholders increased by EUR 0.7 M or 5 per cent to EUR 15.5 M (14.8). Net operating profit rose by EUR 0.7 M or 4 per cent to EUR 19.5 M (18.8).

Return on equity after taxes amounted to 9.2 (9.2) per cent.

Total income increased by EUR 6.4 M or 7 per cent to EUR 95.6 M (89.2), mainly attributable to higher commission income from our customers' financial investment transactions and higher IT income.

Net interest income increased by EUR 0.7 M or 2 per cent to EUR 41.8 M (41.1). The negative effect of falling and negative market interest rates was offset by an increase in business volume.

Net commission income rose by EUR 4.4 M or 13 per cent to EUR 37.1 M (32.7). Income from customers' investment transactions in the form of brokerage commissions as well as mutual fund and asset management commissions increased by a total of EUR 4.8 M or 19 per cent. Lending and card-related commissions decreased. As for the lower card-related commissions from Compass Card, the downturn was explained by the end of collaboration with S-Bank in June 2016 as agreed earlier.

Net income on financial items at fair value fell by EUR 1.8 M or 46 per cent to EUR 2.1 M (3.9), mainly due to lower capital gains in the liquidity portfolio.

IT income rose by EUR 2.9 M or 28 per cent to EUR 13.3 M (10.4), due to increased project and service income from new customers as well as nonrecurring income from licence sales of Crosskey's card system in the Swedish market.

Total expenses increased by EUR 7.2 M or 11 per cent to EUR 74.6 M (67.4). In the same period of 2016, these expenses included EUR 0.5 M as a finally determined reduction in purchase price related to the Swedish subsidiary that was sold in 2012. Fees for the new resolution fund amounted to EUR 0.5 M. The increase of EUR 2.80 M in staff costs included EUR 1.7 M in severance pay.

Increased IT project expenses of EUR 1.5 M, a decline of EUR 2.0 M in production for own use (capitalisation of development expenses) and EUR 0.8 M in higher depreciation and amortisation expenses were largely explained by the Bank's IT project to implement a new securities platform developed by Crosskey.

Impairment losses on loans amounted to EUR 1.5 M, equivalent to a loan loss level of 0.05 per cent, compared to a loan loss of EUR 3 M and 0.11 per cent in the year-earlier period.

Tax expenses amounted to EUR 4.0 M (4.0), equivalent to an effective tax rate of 20.5 (21.3) per cent.

STRATEGIC BUSINESS AREAS

The increase in the Group's net operating income by EUR 0.7 M to EUR 19.5 M in the first nine months of 2017 was allocated as follows:

Private Banking	+1.4 (higher income on customer investments)
Premium Banking	+1.8 (higher income on customer investments, lower loan losses)
Asset Management	+0.9 (higher income on customer investments)
IT	-1.0 (higher project expenses)
Corporate Units & Eliminations	-2.4 (Treasury, severance pay, reduction in purchase price)

The Bank's core business in the form of Private Banking, Premium Banking and Asset Management thus improved its operating income by a full EUR 4.1 M. Operating income from IT business (Crosskey Banking Solutions) decreased, despite substantial nonrecurring licence sales income, because of expenses from the implementation of the Bank of Åland's new securities platform.

BUSINESS VOLUME

Actively managed assets increased by EUR 1,790 M or 46 per cent during the first nine months of 2017 to EUR 5,690 M (3,900). The Allra transaction, which was carried out in May, accounted for nearly EUR 1,300 M of this. Assets under discretionary management rose by EUR 119 M or 7 per cent to EUR 1,750 M (1,631). Managed assets in the Group's own mutual funds increased by EUR 1,619 M or 107 per cent to EUR 3,082 M (1,463).

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 186 M or 6 per cent during the first nine months of 2017 and amounted to EUR 3,286 M (3,100).

Lending to the public rose by EUR 159 M or 4 per cent during the first nine months to EUR 3,967 M (3,808).

CREDIT QUALITY

Lending to private individuals comprises more than 70 per cent of the loan portfolio. Home mortgage loans account for 78 per cent of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprise the second-largest type of lending to 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.

Gross doubtful receivables increased by EUR 4.4 M or 21 per cent to EUR 26.1 M (21.7) during the first nine months. As a share of lending to the public, doubtful receivables increased to 0.66 (0.57) per cent during the period. The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 41 per cent compared to 50 per cent at year-end 2016.

The Bank of Åland Group had EUR 12.5 M (12.6) in impairment loss provisions, of which individual impairments totalled EUR 10.8 M (10.8) and group impairments EUR 1.7 M (1.8).

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 929 M on September 30, 2017 (906 on December 31, 2016). This was equivalent to 17 (18) per cent of total assets and 23(24) per cent of lending to the public.

During June 2017, SEK 1,000 M in covered bonds matured. In November, SEK 850 M in non-covered bonds will mature. During March, the Bank of Åland issued EUR 100 M in non-covered bonds with a maturity of 3 years.

On September 30, 2017, the average remaining maturity on outstanding bonds was about 2.9 (3.4) years.

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, as well as covered bonds issued, amounted to 91 (89) per cent on September 30.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 65 (64) per cent and covered bonds issued accounted for 22 (25) per cent.

The liquidity coverage ratio (LCR) amounted to 109 (97) per cent.

The net stable funding ratio (NSFR) amounted to 123 (128) 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 stable outlook for its long- and short-term borrowing. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

EQUITY AND CAPITAL ADEQUACY

Equity capital changed in the amount of profit for the period, EUR 15.5 M; other comprehensive income, EUR 0.8 M; the issuance of new shares as part of the share savings programme, EUR 0.7 M; and within the framework of the incentive programme, EUR 0.1 M; as well as the payment of EUR 9.2 M in dividends to shareholders. On September 30, 2017, equity capital totalled EUR 229.7 M (221.8 on December 31, 2016).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 0.8 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital increased by EUR 9.7 M or 5 per cent during the first nine months of 2017 to EUR 195.7 M (186.0), mainly due to the comprehensive income for the period minus foreseeable dividend payments to shareholders.

The risk exposure amount fell by EUR 23 M or 1 per cent to EUR 1,553 M (1,576). The credit risk exposure amount fell by EUR 35 M. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 12 M.

The common equity Tier 1 capital ratio amounted to 12.6 (11.8) 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.

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 raised the requirement to 2.0 per cent of Swedish exposures starting in March 2017. 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.

The Finnish FSA has decided to introduce a 15 per cent risk weight floor for home mortgage loans from banks that use internal ratings-based (IRB) models in their capital requirement calculations. This requirement will come into effect in January 2018. The Finnish risk weight floor will be part of the Pillar 1 requirement, unlike its Swedish equivalent, for example, which is part of the Pillar 2 requirement.

The total capital ratio increased to 14.1 (13.0) per cent.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

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

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.

FUTURE OUTLOOK

The Bank's future outlook for 2017 was presented in the 2016 Annual Report.

FINANCIAL INFORMATION

The Year-end Report for 2017 will be published on February 13, 2018.

Mariehamn, October 23, 2017
THE BOARD OF DIRECTORS

Table of contents, financial information

NOTES

Summary income statement

Group	Note	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M									
Net interest income	5	14.3	13.6	5	13.7	4	41.8	41.1	2
Net commission income	6	12.2	12.8	-5	10.6	15	37.1	32.7	13
Net income from financial items at fair value	7	1.8	-0.6		0.5		2.1	3.9	-46
IT income		3.6	4.4	-18	3.6	2	13.3	10.4	28
Other operating income		0.3	0.2	35	0.2	22	1.3	1.1	26
Total income		**32.2**	**30.5**	**5**	**28.5**	**13**	**95.6**	**89.2**	**7**
Staff costs		-14.1	-14.9	-6	-13.3	6	-45.0	-42.2	7
Other expenses	8	-8.3	-8.4	-2	-6.7	23	-24.4	-20.8	17
Depreciation/amortisation		-2.0	-1.7	17	-1.5	37	-5.3	-4.5	17
Total expenses		**-24.4**	**-25.1**	**-3**	**-21.5**	**14**	**-74.6**	**-67.4**	**11**
Profit before impairment losses		**7.8**	**5.5**	**42**	**7.1**	**10**	**21.1**	**21.8**	**-3**
Impairment losses on loans and other commitments	9	-0.6	-0.5	11	-0.9	-36	-1.5	-3.0	-49
Net operating profit		**7.2**	**5.0**	**46**	**6.2**	**16**	**19.5**	**18.8**	**4**
Income taxes		-1.5	-1.0	40	-1.2	19	-4.0	-4.0	0
Profit for the period		**5.8**	**3.9**	**47**	**5.0**	**16**	**15.5**	**14.8**	**5**
Attributable to:									
Non-controlling interests		0.0	0.0		0.0	70	0.0	0.0	-4
Shareholders in Bank of Åland Plc		**5.8**	**3.9**	**47**	**5.0**	**16**	**15.5**	**14.8**	**5**
Earnings per share, EUR		0.38	0.26	47	0.33	15	1.01	0.97	5

Summary statement of other comprehensive income

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
Profit for the period	**5.8**	**3.9**	**47**	**5.0**	**16**	**15.5**	**14.8**	**5**
Cash flow hedge								
Gains/Losses arising during the period	0.2	4.4	-96	5.3	-97	4.3	12.0	-64
Transferred to the income statement	-0.2	-4.3	-96	-5.2	-97	-4.1	-11.9	-65
Assets available for sale								
Gains/Losses arising during the period	0.4	-0.3		0.3	30	0.0	3.3	-99
Transferred to the income statement	0.0	0.0		-0.1		0.0	-1.9	-100
Translation differences								
Gains/Losses arising during the period	-0.1	0.0		-0.1	-50	0.0	-0.3	-88
of which hedging of net investment in foreign operations	0.1	0.6	-88	0.6	-89	0.5	1.3	-59
Transferred to the income statement	0.0	0.0		0.0		0.0	0.0	
Taxes on items that have been or may be reclassified to the income statement	-0.1	-0.1	50	-0.2	-48	-0.2	-0.6	-73
of which cash flow hedges	0.0	0.0		0.0		0.0	0.0	
of which assets available for sale	-0.1	0.1		-0.1	64	0.0	-0.3	-97
of which hedging of net investments in foreign operations	0.0	-0.1	-88	-0.1	-90	-0.1	-0.2	-55
Items that have been or may be reclassified to the income statement	**0.3**	**-0.3**		**0.0**		**0.0**	**0.6**	**-95**
Re-measurements of defined benefit pension plans	-0.4	1.1		-0.6	-25.0	0.9	-4.3	
Taxes on items that may not be reclassified to the income statement	0.1	-0.2		0.1	-25.0	-0.2	0.9	
Items that may not be reclassified to the income statement	**-0.3**	**0.9**		**-0.5**	**-25.0**	**0.8**	**-3.4**	
Other comprehensive income	**-0.1**	**0.7**		**-0.4**	**-82**	**0.8**	**-2.8**	
Total comprehensive income for the period	**5.7**	**4.6**	**24**	**4.5**	**25**	**16.3**	**12.0**	**36**
Attributable to:								
Non-controlling interests	0.0	0.0		0.0	70	0.0	0.0	-4
Shareholders in Bank of Åland Plc	**5.7**	**4.6**	**24**	**4.5**	**25**	**16.3**	**12.0**	**36**

Income statement by quarter

Group	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
EUR M					
Net interest income	14.3	13.6	13.9	14.0	13.7
Net commission income	12.2	12.8	12.1	12.2	10.6
Net income from financial items at fair value	1.8	-0.6	0.9	0.3	0.5
IT income	3.6	4.4	5.2	4.5	3.6
Other operating income	0.3	0.2	0.9	0.2	0.2
Total income	**32.2**	**30.5**	**32.9**	**31.2**	**28.5**
Staff costs	-14.1	-14.9	-15.9	-14.8	-13.3
Other expenses	-8.3	-8.4	-7.7	-7.5	-6.7
Depreciation/amortisation	-2.0	-1.7	-1.6	-1.5	-1.5
Total expenses	**-24.4**	**-25.1**	**-25.1**	**-23.8**	**-21.5**
Profit before impairment losses	**7.8**	**5.5**	**7.8**	**7.4**	**7.1**
Impairment losses on loans and other commitments	-0.6	-0.5	-0.5	-1.0	-0.9
Net operating profit	**7.2**	**5.0**	**7.4**	**6.3**	**6.2**
Income taxes	-1.5	-1.0	-1.5	-1.4	-1.2
Profit for the period	**5.8**	**3.9**	**5.9**	**4.9**	**5.0**
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	**5.8**	**3.9**	**5.9**	**4.9**	**5.0**

Summary balance sheet

Group	Note	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M						
Assets						
Cash and balances with central banks		361	513	-30	524	-31
Debt securities eligible for refinancing with central banks		669	504	33	493	36
Lending to credit institutions		149	201	-26	83	81
Lending to the public and public sector entities	10, 11	3,967	3,808	4	3,692	7
Shares and participations		1	1	-2	1	-57
Participations in associated companies		0	0	27	0	32
Derivative instruments	14	21	21	2	26	-19
Intangible assets		17	16	7	14	22
Tangible assets		25	25	-3	23	5
Investment properties		0	0		0	
Current tax assets		1	0		1	61
Deferred tax assets		5	5	-8	5	-4
Other assets		113	20		25	
Accrued income and prepayments		27	23	21	22	24
Total assets		**5,356**	**5,137**	**4**	**4,909**	**9**
Liabilities						
Liabilities to credit institutions		215	219	-2	225	-5
Liabilities to the public and public sector entities	12	3,230	3,028	7	2,808	15
Debt securities issued	12, 13	1,457	1,452	0	1,492	-2
Derivative instruments	14	24	33	-29	28	-17
Current tax liabilities		0	1	-74	0	63
Deferred tax liabilities		24	21	16	21	19
Other liabilities		110	96	15	49	
Provisions		1	0		0	
Accrued expenses and prepaid income		32	27	19	28	12
Subordinated liabilities	12	33	39	-16	39	-16
Total liabilities		**5,126**	**4,915**	**4**	**4,692**	**9**
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		1	1	2	2	-33
Own shares		0	0		0	
Unrestricted equity capital fund		26	26	2	26	2
Retained earnings		102	95	8	90	14
Shareholders´ portion of equity capital		**230**	**222**	**4**	**217**	**6**
Non-controlling interests´ portion of equity capital		0	0	13	0	3
Total equity capital		**230**	**222**	**4**	**217**	**6**
Total liabilities and equity capital		**5,356**	**5,137**	**4**	**4,909**	**9**

Statement of changes in equity capital

Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation differance	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders´ portion of equity capital	Non-controlling interests´ portion of equity capital	Total
Equity capital, Dec 31, 2015	**41.5**	**32.7**	**25.1**	**-0.4**	**1.1**	**0.4**	**-0.1**	**25.0**	**87.4**	**212.9**	**0.0**	**212.9**
Profit for the period									14.8	14.8	0.0	14.8
Other comprehensive income				0.1	1.1	-0.6			-3.4	-2.8		-2.8
Dividends paid									-9.2	-9.2		-9.2
Incentive programme	0.0						0.1	0.3	0.0	0.4		0.4
Share savings programme	0.1							0.7	0.3	1.2		1.2
Equity capital, Sep 30, 2016	**41.7**	**32.7**	**25.1**	**-0.3**	**2.3**	**-0.1**	**0.0**	**26.0**	**89.9**	**217.2**	**0.0**	**217.3**
Profit for the period									4.9	4.9	0.0	4.9
Other comprehensive income				0.1	-0.5	-0.2			0.2	-0.4		-0.4
Incentive programme							0.0			0.0		0.0
Share savings programme	0.0							0.0	0.1	0.1		0.1
Equity capital, Dec 31, 2016	**41.7**	**32.7**	**25.1**	**-0.2**	**1.7**	**-0.4**	**0.0**	**26.0**	**95.1**	**221.8**	**0.0**	**221.8**
Profit for the period									15.5	15.5	0.0	15.5
Other comprehensive income				0.1	0.0	-0.1			0.8	0.8		0.8
Dividends paid									-9.2	-9.2		-9.2
Incentive programme	0.0						0.0	0.1	0.0	0.1		0.1
Share savings programme	0.1							0.3	0.3	0.7		0.7
Equity capital, Sep 30, 2017	**41.7**	**32.7**	**25.1**	**0.0**	**1.8**	**-0.5**	**0.0**	**26.4**	**102.4**	**229.7**	**0.0**	**229.7**

Summary cash flow statement

Group	Jan-Sep 2017		Jan-Dec 2016		Jan-Sep 2016	
EUR M						
Cash flow from operating activities						
Net operating profit	19.5		25.1		18.5	
Adjustment for net operating profit items not affecting cash flow	8.7		17.9		13.5	
Gains/losses from investing activities	0.0		0.5		0.5	
Income taxes paid	-2.1		-2.0		-2.0	
Changes in assets and liabilities in operating activities	-120.2	-94.1	163.8	205.4	179.9	210.3
Cash flow from investing activities		-5.7		-11.6		-9.8
Cash flow from financing activities		-18.0		154.7		154.3
Exchange rate differences in cash and cash equivalents		-1.0		-2.2		-2.6
Change in cash and cash equivalents		**-118.8**		**346.3**		**352.2**
Cash and cash equivalents at beginning of period		579.2		232.9		232.9
Cash and cash equivalents at end of period		460.5		579.2		585.2
Change in cash and cash equivalents		**-118.8**		**346.3**		**352.2**

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–September 30, 2017 was approved by the Board of Directors on October 23, 2017.

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, 2017 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, 2016.

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

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

ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as those used in preparing the financial statements for the year ending December 31, 2016.

ALTERNATIVE PERFORMANCE MEASURES

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

COMING CHANGES

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

On July 24, 2014, the International Accounting Standards Board (IASB) published the standard IFRS 9, "Financial instruments", which will replace IAS 39, "Financial instruments: Recognition and Measurement". IFRS 9, "Financial instruments" includes a new model for classification and measurement of financial instruments, a forward-looking "expected loss" impairment model and simplified conditions for hedge accounting. In addition, hedge accounting will follow the Group's internal risk management strategies to a greater extent.

An evaluation of the effects on the Bank of Åland's accounting and reporting once IFRS 9 begins to be applied is under way. It is being conducted in project form (the IFRS 9 project). This project was initiated during the autumn of 2015 with a preliminary study. During 2017, the Bank of Åland has done further work on evaluating and implementing solutions. The Bank cannot yet estimate the quantitative effect of applying IFRS 9. As a result, only a qualitative description of its effects can be provided at present. The projected effects described below are based on the information that is known or estimated today.

The financial asset categories contained in IAS 39 are being replaced by three categories, with measurement taking place either at amortised cost, fair value reported under "Other comprehensive income" or fair value reported via the income statement ("profit and loss"). The classification into these three categories is based on a company's business model for the various holdings and the characteristics of the cash flows that result from the assets. A review of the Bank of Åland's loan and liquidity portfolios is currently being implemented, first in order to identify contractual clauses to ensure that all clauses are allowed in a "solely payments of principal and interest" (SPPI) lending transaction that passes the SPPI test, and second to identify applicable business models. The clauses that are identified are analysed on a random sampling basis. The Bank will assess whether a clause passes or fails the SPPI test of loan cash flows. At present there is no indication that any clause would not pass the SPPI test, but it is too early to make a final assessment about this.

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

The new impairment model will require accounting for 12-month expected credit losses, from the date when the asset is first recognised. In case of a significant increase in credit risk, the impairment loss shall be equivalent to the credit losses that are expected to occur during the remaining life of the loan. To the greatest possible extent, the Bank of Åland intends to use the existing models and processes that are already being used for risk management and risk monitoring, in order to ensure that a uniform picture of the Bank is presented for risk and financial reporting purposes. The Bank of Åland will apply a credit rating model (PD x

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

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

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

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

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

IFRS 15, "Revenue from contracts with customers". The new standard replaces the current IFRS revenue reporting standards: IAS 18 and IAS 11. The purpose of a new revenue standard is to have a single principle-based standard for all industries, which can replace existing standards and statements on revenue. According to IFRS 15, companies shall recognise revenue in an amount that reflects the compensation to which the company expects to be entitled in exchange for transferring goods or services to a customer. The revenue standard also includes expanded disclosure requirements. IFRS will go into effect on January 1, 2018, and earlier application is allowed. The European Commission approved the standard in 2016, and clarifications are expected to be approved in 2017. The Bank of Åland is still evaluating its impact on the Group's financial reports.

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

Other new and amended IRFSs to be applied in the future are not expected to have any significant effect on the Bank of Åland's financial reports.
- Amended IFRS 11, "Joint arrangements: Accounting for acquisitions of interests in joint operations"

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.

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

Group	Jan-Sep 2017						
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	20.3	18.0	0.0	-0.1	3.6	0.0	41.8
Net commission income	20.2	9.7	7.3	-0.1	-0.1	0.1	37.1
Net income from financial items at fair value	0.5	0.5	0.0	0.0	1.1	0.0	2.1
IT income				24.1		-10.8	13.3
Other income	0.1	0.0	0.0	0.3	4.6	-3.7	1.3
Total income	**41.1**	**28.1**	**7.4**	**24.3**	**9.2**	**-14.5**	**95.6**
Staff costs	-8.3	-5.5	-3.6	-12.0	-15.7	0.0	-45.0
Other expenses	-3.8	-3.2	-1.4	-9.2	-18.9	12.2	-24.4
Depreciation/amortisation	-0.2	-0.5	0.0	-2.6	-3.0	1.1	-5.3
Internal allocation of expenses	-14.6	-12.5	-1.0	0.0	28.1	0.0	0.0
Total expenses	**-26.8**	**-21.7**	**-6.0**	**-23.8**	**-9.5**	**13.3**	**-74.6**
Profit before impairment losses	**14.3**	**6.4**	**1.4**	**0.5**	**-0.3**	**-1.2**	**21.1**
Impairment losses on loans and other commitments	0.1	-1.8			0.2		-1.5
Net operating profit	**14.4**	**4.6**	**1.4**	**0.5**	**-0.2**	**-1.2**	**19.5**
Income taxes	-3.0	-1.0	-0.3	-0.1	0.3		-4.0
Profit for the period attributable to shareholders	**11.4**	**3.7**	**1.1**	**0.4**	**0.1**	**-1.2**	**15.5**
Business volume							
Lending to the public	1,780	2,176			32	-21	3,967
Deposits from the public	1,644	1,600	1		48	-7	3,286
Actively managed assets	2,829	551	5,690			-3,380	5,690
Risk exposure amount	652	627	11	44	219		1,553
Equity capital	73	89	2	11	55		230
Financial ratios etc.							
Return on equity after taxes, % (ROE)	20.9	5.4	86.7	4.7	0.4		9.2
Expense/income ratio	0.65	0.77	0.81	0.98	1.04		0.78
Gross non-performing receivables > 90 days, %	0.01	0.93			5.46		0.57
Loan loss level, %	-0.01	0.11			-0.57		0.05

Group			Jan-Sep 2016				
EUR M	Private Banking	Premium Banking	Asset Management	IT	Corporate and Other	Eliminations	Total
Net interest income	20.4	17.6	0.1	0.0	3.1	0.1	41.1
Net commission income	17.3	8.8	6.6	0.0	0.1	0.0	32.7
Net income from financial items at fair value	0.4	0.4	0.0	0.0	3.1	0.1	3.9
IT income				21.8		-11.4	10.4
Other income	0.0	0.1	0.1	0.2	2.1	-1.4	1.1
Total income	**38.1**	**26.8**	**6.7**	**21.9**	**8.4**	**-12.7**	**89.2**
Staff costs	-8.4	-5.3	-3.8	-11.1	-13.4	-0.2	-42.2
Other expenses	-3.8	-3.3	-1.5	-7.1	-15.6	10.9	-20.3
Depreciation/amortisation	-0.2	-0.5	0.0	-2.2	-2.2	0.7	-4.5
Internal allocation of expenses	-12.8	-12.4	-0.9		26.0		0.0
Nonrecurring items	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5
Total expenses	**-25.1**	**-21.4**	**-6.2**	**-20.4**	**-5.7**	**11.4**	**-67.4**
Profit before impairment losses	**12.9**	**5.4**	**0.5**	**1.5**	**2.7**	**-1.3**	**21.8**
Impairment losses on loans and other commitments	0.0	-2.6			-0.4		-3.0
Net operating profit	**13.0**	**2.8**	**0.5**	**1.5**	**2.3**	**-1.3**	**18.8**
Income taxes	-2.7	-0.6	-0.1	-0.3	-0.4		-4.0
Profit for the period attributable to shareholders	**10.3**	**2.2**	**0.4**	**1.2**	**1.9**	**-1.3**	**14.8**
Business volume							
Lending to the public	1,614	2,059			39	-20	3,692
Deposits from the public	1,535	1,330	6		30	-4	2,897
Actively managed assets	2,471	421	3,837			-2,892	3,837
Risk exposure amount	670	618	11	41	198		1,538
Equity capital	76	92	2	11	37		217
Financial ratios etc.							
Return on equity after taxes, % (ROE)	18.8	3.2	30.3	16.0	6.6		9.2
Expense/income ratio	0.66	0.80	0.93	0.93	0.68		0.76
Gross non-performing receivables > 90 days, %	0.07	2.07			3.88		1.23
Loan loss level, %	0.00	0.18			1.14		0.11

4. Changes in Group structure

There are no changes during the period to report.

5. Net interest income

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
Lending to credit institutions and central banks	-0.3	-0.4	-9	-0.3	-6	-0.9	-0.9	6
of which negative interest	-0.4	-0.4	-10	-0.4	-7	-1.1	-1.1	2
Lending to the public	16.1	15.7	2	16.3	-1	47.8	49.9	-4
of which negative interest	0.0	0.0	2	0.0		0.0	0.0	-35
Debt securities	0.2	0.3	-10	0.2	10	0.7	0.9	-22
Derivatives	0.2	0.2	16	0.1		0.8	0.2	
Other interest income	0.0	0.0		0.0		0.0	0.0	-57
Total interest income	**16.2**	**15.8**	**2**	**16.2**	**0**	**48.3**	**50.1**	**-4**
of which negative interest	-0.4	-0.4	-10	-0.4	-7	-1.1	-1.1	1
Liabilities to credit institutions and central banks	-0.2	-0.1	76	0.1		-0.5	0.3	
of which negative interest	-0.1	-0.1	1	0.0		-0.4	0.0	
Liabilities to the public	0.9	1.0	-3	1.1	-18	2.9	4.0	-28
of which negative interest	0.0	0.0	91	0.0		0.0	0.0	
Debt securities issued	0.8	0.9	-16	1.0	-23	2.6	3.5	-27
of which negative interest	-0.1	-0.1	3	0.0		-0.3	0.0	
Subordinated liabilities	0.2	0.3	-3	0.3	-4	0.7	0.7	1
Derivatives	0.2	0.2	15	0.1		0.7	0.2	
Other interest expenses	0.0	0.0	-11	0.0	84	0.1	0.0	67
Total interest expenses	**2.0**	**2.2**	-12	**2.6**	-24	6.5	8.9	-25
of which negative interest	-0.2	-0.2	2	0.0	-100	-0.7	0.0	
Net interest income	**14.3**	**13.6**	**5**	**13.7**	**4**	**41.8**	**41.1**	**2**
Interest margin, per cent	1.11	1.08		1.16		1.11	1.18	
Investment margin, per cent	1.06	1.05		1.13		1.06	1.15	

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) and the fair value option.

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.

6. Net commission income

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
Deposits	0.2	0.2	6	0.2	0	0.6	0.6	-3
Lending	0.8	1.1	-28	1.0	-27	2.6	3.0	-14
Payment intermediation	1.6	1.6	0	1.5	9	4.7	5.3	-12
Mutual fund commissions	10.8	6.2	74	5.2		22.2	15.1	47
Management commissions	2.7	2.7	-1	2.4	12	8.3	7.5	11
Securities commissions	2.5	3.0	-16	1.9	34	8.9	6.9	29
Insurance commissions	0.0	0.0	-12	0.0	-34	0.0	0.1	-56
Other commission income	0.8	0.9	-17	0.7	17	2.5	2.1	20
Total commission income	**19.4**	**15.8**	**23**	**12.9**	**50**	**49.8**	**40.6**	**23**
Payment commission expenses	-1.0	-1.0	-1	-0.8	15	-2.9	-3.1	-8
Mutual fund commission expenses	-5.4	-1.0		-0.6		-6.9	-1.9	
Management commission expenses	-0.2	-0.2	11	-0.2	-20	-0.5	-0.7	-31
Securities commission expenses	-0.5	-0.6	-12	-0.4	26	-1.7	-1.4	24
Other commission expenses	-0.2	-0.2	-13	-0.2	-14	-0.7	-0.7	-10
Total commission expenses	**-7.2**	**-2.9**		**-2.3**		**-12.7**	**-7.9**	**61**
Net commission income	**12.2**	**12.8**	**-5**	**10.6**	**15**	**37.1**	**32.7**	**13**

7. Net income from financial items at fair value

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
Valuation category fair value via the income statement ("profit and losses")								
Debt securities	0.0	0.0	-12	0.0	-26	-0.1	-0.1	67
Shares and participations	0.0	0.0	-100	0.0	-96	0.1	0.0	
Derivative instruments	0.1	0.4	-78	0.1	-23	0.8	-0.5	
Loan receivables	-0.1	-1.6	-93	0.1		-1.1	0.2	
Valuation category fair value via the income statement ("profit and losses")	**-0.1**	**-1.2**	**-95**	**0.2**		**-0.4**	**-0.4**	**26**
Hedge accounting								
of which hedging instruments	0.6	-2.3		0.1		-5.1	8.2	
of which hedged item	0.5	2.2	-78	-0.5		5.7	-7.7	
Hedge accounting	**1.1**	**-0.1**		**-0.4**		**0.5**	**0.5**	**2**
Net income from foreign exchange dealing	**0.8**	**0.8**	**12**	**0.7**	**25**	**2.0**	**1.8**	**10**
Net income from financial assets available for sale	**0.0**	**0.0**		**0.1**		**0.0**	**1.9**	**-100**
Total	**1.8**	**-0.6**		**0.5**		**2.1**	**3.9**	**-46**

8. Other expenses

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
IT expenses (excluding market data)	3.0	3.3	-10	2.5	21	9.5	8.0	18
Premises and property expenses	1.4	1.4	-2	1.4	-5	4.2	4.2	-1
Marketing expenses	0.4	0.5	-31	0.5	-28	1.5	1.7	-9
Market data	0.5	0.5	1	0.6	-4	1.6	1.7	-9
Staff-related expenses	0.5	0.6	-11	0.5	9	1.7	1.5	11
Travel expenses	0.3	0.3	-21	0.2	19	0.9	0.9	-1
Purchased services	0.6	0.5	6	0.5	13	1.6	1.4	15
Deposit guarantee fee	0.0	0.0	3	0.0	-81	0.0	0.0	-56
Stability fee	0.3	0.2		0.0		0.5	0.0	
Other expenses	1.7	1.7	3	1.5	15	4.9	5.4	-8
Production for own use	-0.4	-0.7	-38	-1.0	-57	-2.1	-4.1	-48
Total	**8.3**	**8.4**	**-2**	**6.7**	**23**	**24.4**	**20.8**	**17**

9. Impairment losses on loans and other commitments

Group	Q3 2017	Q2 2017	%	Q3 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
EUR M								
Impairment losses								
Actual losses for the period	0.9	1.1	-20	0.1		2.1	0.8	
Recoveries of actual losses	0.0	-0.4	-94	-0.1	-69	-0.5	-0.3	54
Total	**0.9**	**0.7**	**28**	**0.0**		**1.6**	**0.4**	
Specific provisions for individually valued receivables								
New and increased provisions	0.4	0.8	-49	0.8	-49	1.9	3.3	-44
Reversals of earlier provisions	0.0	-0.1	-84	0.0	-63	-0.2	-0.9	-77
Utilised for actual losses	-0.7	-0.9	-21	0.0		-1.6	-0.2	
Total	**-0.3**	**-0.2**	**64**	**0.7**		**0.0**	**2.2**	**-99**
Net provisions for the period, receivables valued by group	**0.0**	**0.0**	**16**	**0.1**	**-63**	**-0.1**	**0.4**	
Net provisions for the period, interest receivable	**0.0**	**0.0**		**0.0**		**0.0**	**0.0**	**-98**
Net loan losses	**0.6**	**0.5**	11	**0.9**	**-36**	**1.5**	**3.0**	**-49**
Loan loss level, %	0.06	0.05		0.10		0.05	0.11	

10. Lending to the public and public sector by purpose

Group	Sep 30, 2017			Dec 31, 2016	%	Sep 30, 2016	%
EUR M	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Private individuals							
Home loans[1]	2,202	-3	2,199	1,888	16	1,839	20
Securities and other investments[1]	291	0	291	434	-33	394	-26
Business operations	125	-2	124	142	-13	134	-7
Other household purposes	202	-2	200	191	5	186	8
Total, private individuals	**2,820**	**-6**	**2,814**	**2,656**	**6**	**2,552**	**10**
Companies							
Shipping	50	0	50	56	-12	57	-12
Wholesale and retail trade	41	0	41	39	4	40	3
Housing operations	358	0	358	372	-4	323	11
Other real estate operations	257	-2	256	262	-2	316	-19
Financial and insurance operations	206	0	206	194	6	180	15
Hotel and restaurant operations	26	0	26	27	-4	23	16
Other service operations	97	-3	94	97	-2	101	-7
Agriculture, forestry and fishing	10	0	10	12	-20	15	-32
Construction	44	0	44	33	32	31	42
Other industry and crafts	37	0	37	34	9	33	13
Total, companies	**1,128**	**-6**	**1,122**	**1,127**	**0**	**1,117**	**0**
Public sector and non-profit organisations	31	0	31	25	25	23	38
Total, public sector and non-profit organisations	**31**	**0**	**31**	**25**	**25**	**23**	**38**
Total lending	**3,980**	**-13**	**3,967**	**3,808**	**4**	**3,692**	**7**

1 Due to amended legislation, lending to private individuals related to investments in homes and housing company shares has been reclassified from "Securities and other investments" to "Home loans" during 2017.

11. Doubtful receivables and impairment losses

Group	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Gross doubtful receivables	26.1	21.7	21	33.3	-22
of which private individuals	10.5	8.1	30	8.6	22
of which companies	15.6	13.6	15	24.7	-37
Doubtful receivables as % of total	0.66	0.57	16	0.90	-27
Provisions for individually measured receivables	10.8	10.8	0	12.9	-16
of which private individuals	4.9	4.1	20	3.7	33
of which companies	5.9	6.7	-12	9.2	-36
Net doubtful receivables	15.4	10.9	41	20.5	-25
Level of provisions for doubtful receivables, %	41	50	-17	39	7
Provisions for receivables measured by group	1.7	1.8	-4	1.6	8
of which private individuals	1.5	1.5	-2	1.4	9
of which companies	0.3	0.3	-13	0.2	5
Total level of provisions for doubtful receivables, %	48	58	-17	43	10
Non-performing receivables > 90 days past due	22.5	28.2	-20	45.5	-51
of which private individuals	14.8	16.7	-11	18.6	-21
of which companies	7.8	11.5	-33	26.9	-71
Provisions for individually measured receivables	-10.0	-10.3	-3	-12.2	-18
Carrying amount after taking individual provisions into account	12.5	17.8	-30	33.3	-62
Gross non-performing receivables > 90 days as % of total	0.57	0.74	-23	1.23	-54

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

Group	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	2,849	2,782	2	2,562	11
Time deposits	381	246	55	246	55
Total deposit accounts	**3,230**	**3,028**	**7**	**2,808**	**15**
Certificates of deposit issued to the public [1]	10	18	-43	28	-64
Index bonds (structured products)	12	16	-22	22	-43
Subordinate debentures	33	39	-16	39	-16
Total bonds and certificates of deposit	**55**	**73**	**-24**	**89**	**-38**
Total deposits	**3,286**	**3,100**	**6**	**2,897**	**13**

13. Debt securities issued

Group	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Certificates of deposit	175	154	14	182	-4
Covered bonds	1,081	1,193	-9	1,199	-10
Senior non-covered bonds	188	89		88	
Index bonds (structured products)	12	16	-22	22	-43
Total	**1,457**	**1,452**	**0**	**1,492**	**-2**

14. Derivative instruments

Group	Sep 30, 2017						Dec 31, 2016		
	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	22	22	113	157	2	3	90	2	4
Interest rate futures	4	0	0	4	0	0	8	0	0
Interest rate options - purchased	0	0	0	0	0	0	1	0	0
Interest rate options - sold	0	0	0	0	0	0	0	0	0
Currency-related contracts									
Currency forward contracts	709	0	0	709	5	3	338	1	2
Equity-related contracts									
Equity options - purchased	3	1	0	5	1	0	7	1	0
Equity options - written	3	1	0	5	0	1	4	0	1
Other derivative contracts	6	8	0	14	0	0	20	0	0
Total	**748**	**32**	**113**	**893**	**8**	**7**	**468**	**5**	**8**
Derivatives for market value hedge									
Interest-related contracts									
Interest rate swaps	11	376	357	743	12	6	733	16	5
Total	**11**	**376**	**357**	**743**	**12**	**6**	**733**	**16**	**5**
Derivatives for cash flow hedge									
Interest-related contracts									
Interest rate and currency swaps	140	0	0	140	0	10	246	0	20
Total	**140**	**0**	**0**	**140**	**0**	**10**	**246**	**0**	**20**
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
Currency swaps	54	0	0	54	1	0	48	0	1
Total	**54**	**0**	**0**	**54**	**1**	**0**	**48**	**0**	**1**
Total derivative instruments	**953**	**408**	**469**	**1,830**	**21**	**24**	**1,495**	**21**	**33**
of which cleared OTC									
of which cleared by other means	32	395	466	893	13	9	535	4	6

15. Financial instruments at fair value

Group	Sep 30, 2017			
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	543			543
Lending to the public and public sector entities		85		85
Shares and participations	0	0	0	1
Derivative instruments	0	21		21
Total financial assets	**543**	**106**	**0**	**650**
Liabilities to the public and public sector entities		0		0
Debt securities issued		706		706
Derivative instruments	0	24		24
Subordinated liabilities		8		8
Total financial liabilities	**0**	**738**	**0**	**738**

Group	Dec 31, 2016			
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	414			414
Lending to the public and public sector entities		42		42
Shares and participations	0	0	0	1
Derivative instruments	0	21		21
Total financial assets	**414**	**63**	**0**	**477**
Liabilities to the public and public sector entities		0		0
Debt securities issued		712		712
Derivative instruments	0	33		33
Subordinated liabilities		13		13
Total financial liabilities	**0**	**758**	**0**	**758**

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 the classification at the end of the previous year, the instrument has been moved between the levels in the table. During the period, no instruments were moved between Levels 1 and 2.

Changes in Level 3 are presented in a separate table.

Change in Level 3 holdings	Jan-Sep 2017
EUR M	Shares and participations
Carrying amount on January 1	0.5
New purchases/reclassification	0.0
Divested/reached maturity during the year	0.0
Realised change of value in the income statement	0.0
Unrealised change of value in the income statement	0.0
Change in value recognised in "Other comprehensive income"	0.0
Carrying amount on December 31	**0.5**

16. Off-balance sheet commitments

Group	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Guarantees	40	12		13	
Unutilised overdraft limits	223	85		80	
Unutilised credit card limits	73	67	9	132	-45
Lines of credit	136	200	-32	193	-29
Other commitments	29	50	-43	21	39
Total	**500**	**415**	**21**	**438**	**14**

17. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2017	Dec 31, 2016	%
EUR M						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	21	21	2	78	199	-61
Offset amount						
Total	**21**	**21**	**2**	**78**	**199**	**-61**
Related amounts not offset						
Financial instruments, netting agreements	-12	-18	-29	-14	-19	-27
Financial instruments, collateral				-11	-42	-74
Cash, collateral	0	-2	-76	-46	-126	-64
Total amounts not offset	**-13**	**-19**	**-33**	**-71**	**-187**	**-62**
Net amount	**8**	**2**		**7**	**11**	**-38**

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.

18. Assets pledged

Group	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Lending to credit institutions	50	135	-63	18	
Debt securities	162	167	-3	173	-6
Loan receivables constituting collateral (cover pool) for covered bonds	1,660	1,665	0	1,662	0
Other assets pledged	3	3	24	3	26
Total	**1,875**	**1,969**	**-5**	**1,856**	**1**

19. Capital adequacy

Group	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Equity capital according to balance sheet	229.7	221.8	4	217.3	6
Foreseeable dividend	-7.3	-9.2	-21	-5.6	30
Common equity Tier 1 capital before deductions	**222.4**	**212.6**	**5**	**211.7**	**5**
Intangible assets	-15.3	-14.3	7	-12.5	22
Tax assets due to future profitability offset against tax liabilities within same tax category	0.0	0.0		0.0	
Deduction of surplus value in pension assets	0.0	0.0		0.0	-100
Non-controlling interests	0.0	0.0	13	0.0	
Cash flow hedge	0.0	0.2	-81	0.3	-89
Further adjustments in value	-1.5	-1.3	12	-1.3	13
Expected losses according to IRB approach beyond recognised losses (deficit)	-10.0	-11.2	-11	-12.7	-22
Common equity Tier 1 capital	**195.7**	**186.0**	**5**	**185.4**	**6**
Additional Tier 1 capital	**0.0**	**0.0**		**0.0**	
Tier 1 capital	**195.7**	**186.0**	**5**	**185.4**	**6**
Supplementary capital instruments	20.1	19.1	5	19.6	3
Expected losses according to IRB approach beyond recognised losses (surplus)	2.9	0.0	0	0.0	0
Supplementary capital	**23.0**	**19.1**	**20**	**19.6**	**18**
Total capital base	**218.7**	**205.2**	**7**	**204.9**	**7**
Capital requirement for credit risk according to the IRB approach	48.1	47.8	1	48.4	-1
Capital requirement for credit risk according to standardised approach	59.9	61.9	-3	58.1	3
Capital requirement for credit-worthiness adjustment risk	0.0	1.2	-98	1.4	-99
Capital requirement for operational risk	16.2	15.2	7	15.2	7
Capital requirement	**124.3**	**126.0**	**-1**	**123.1**	**1**
Capital ratios					
Common equity Tier 1 capital ratio, %	12.6	11.8		12.1	
Tier 1 capital ratio, %	12.6	11.8		12.1	
Total capital ratio, %	14.1	13.0		13.3	
Risk exposure amount	1,553	1,576	-1	1,538	1
of which % comprising credit risk	87	87	0	87	0
of which % comprising credit-worthiness adjustment risk	0	1	-98	1	-99
of which % comprising operational risk	13	12	9	12	6

Requirements related to capital buffers, %	Sep 30, 2017	Dec 31, 2016	Sep 30, 2016
Total common equity Tier 1 capital requirements including buffer requirements	7.9	7.7	7.7
of which common equity Tier 1 capital requirement	4.5	4.5	4.5
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	0.9	0.7	0.7
Common equity Tier 1 capital available to be used as a buffer	12.6	11.8	12.1

Exposure category	Sep 30, 2017				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Companies - Miscellaneous large companies	180.1	147.2	56	82.0	6.6
Companies - Small and medium-sized companies	337.4	315.7	67	210.6	16.9
Companies - Special lending	7.5	7.5	62	4.6	0.4
Own LGD estimates					
Households with property as collateral (small and medium-sized companies)	112.6	112.2	31	35.2	2.8
Households with property as collateral (not small and medium-sized companies)	1,780.0	1,770.4	12	210.1	16.8
Households, other (small and medium-sized companies)	38.8	38.3	28	10.8	0.9
Households, other (not small and medium-sized companies)	319.8	289.9	16	47.7	3.8
Total exposures according to the IRB approach	**2,776.0**	**2,681.2**	**22**	**601.2**	**48.1**
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks	454.1	503.7	0	0.0	0.0
Regional governments or local authorities	7.6	26.3	0	0.0	0.0
Public authorities	13.5	13.5	0	0.0	0.0
Multilateral development banks	46.3	46.4	0	0.0	0.0
International organisations	22.0	22.0	0	0.0	0.0
Exposure to institutions	323.8	323.3	23	75.9	6.1
Corporate exposures	525.2	218.2	96	210.2	16.8
Household exposures	235.3	79.3	73	57.5	4.6
Exposures with real property mortgages as collateral	964.3	960.6	33	313.1	25.0
Past due exposures	0.0	0.0	150	0.0	0.0
Items associated with especially high risk	1.6	1.6	150	2.3	0.2
Covered bonds	388.5	388.5	10	38.8	3.1
Collective investment companies (funds)	0.0	0.0	0	0.0	0.0
Equity exposures	0.6	0.6	100	0.6	0.0
Other items	127.6	127.6	40	50.5	4.0
Total exposures according to the standardised approach	**3,110.4**	**2,711.6**	**28**	**749.0**	**59.9**
Total risk exposure amount, credit risk	**5,886.4**	**5,392.8**	**25**	**1,350.2**	**108.0**

Exposure category		Dec 31, 2016			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Companies - Miscellaneous large companies	168.8	148.7	50	74.6	6.0
Companies - Small and medium-sized companies	305.8	279.2	72	201.0	16.1
Companies - Special lending	10.7	10.7	77	8.2	0.7
Own LGD estimates					
Households with property as collateral (small and medium-sized companies)	119.0	117.9	36	38.5	3.1
Households with property as collateral (not small and medium-sized companies)	1,751.3	1,742.5	13	220.5	17.6
Households, other (small and medium-sized companies)	40.5	40.0	35	13.9	1.1
Households, other (not small and medium-sized companies)	278.7	252.8	16	41.0	3.3
Total exposures according to the IRB approach	**2,674.8**	**2,591.9**	**23**	**597.6**	**47.8**
Credit risk according to the standardised approach					
Exposure to sovereigns or central banks	572.0	609.4	0	0.0	0.0
Regional governments or local authorities	8.1	25.3	0	0.0	0.0
Public authorities	5.1	5.1	0	0.0	0.0
Multilateral development banks	53.5	53.6	0	0.0	0.0
International organisations	4.1	4.1	0	0.0	0.0
Exposure to institutions	306.0	302.9	23	69.1	5.5
Corporate exposures	498.3	288.7	100	288.3	23.1
Household exposures	185.4	59.0	73	43.2	3.5
Exposures with real property mortgages as collateral	869.0	860.4	34	293.0	23.4
Past due exposures	1.1	1.1	101	1.1	0.1
Items associated with especially high risk	0.3	0.3	150	0.5	0.0
Covered bonds	333.0	333.0	10	33.3	2.7
Collective investment companies (funds)	0.0	0.0	0	0.0	0.0
Equity exposures	0.6	0.6	100	0.6	0.0
Other items	51.2	51.2	87	44.4	3.5
Total exposures according to the standardised approach	**2,887.7**	**2,594.7**	**30**	**773.4**	**61.9**
Total risk exposure amount, credit risk	**5,562.6**	**5,186.6**	**26**	**1,371.1**	**109.7**

Capital requirement according to transitional rules for Basel 1 floor	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Capital requirement adjusted according to Basel 1 floor rule	127.7	126.0	1	123.1	4
Capital base according to Basel 1	225.8	216.4	4	217.6	4
Surplus capital according to transitional rules for Basel 1 floor	98.1	90.3	9	94.6	4
Ratio of capital base to capital requirement according to Basel 1 floor, %	176.8	171.7	3	176.9	0

Leverage ratio	Sep 30, 2017	Dec 31, 2016	%	Sep 30, 2016	%
EUR M					
Tier 1 capital	195.7	186.0	5	185.4	6
Total exposure measure	5,461.1	5,232.9	4	5,057.9	8
of which balance sheet items	5,346.6	5,120.5	4	4,891.1	9
of which off-balance sheet items	114.5	112.4	2	166.7	-31
Leverage ratio, %	3.6	3.6	1	3.7	-2

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

KPMG Oy Ab
Töölönlahdenkatu 3 A
PB Box 1037
00101 Helsinki, FINLAND

Telephone+358 20 760 3000
www.kpmg.fi

TRANSLATION

Report on review of the Interim Report of Bank of Åland Plc as of and for the nine-month period ending September 30, 2017

To the Board of Directors of Bank of Åland Plc

Introduction

We have reviewed the summary balance sheet as of September 30, 2017 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 nine-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, October 23, 2017

KPMG OY AB

[Signed]	[Signed]	[Signed]
Marcus Tötterman	Mari Suomela	Tomi Liukkonen
Authorised Public Accountant, KHT	*Authorised Public Accountant, KHT*	*Authorised Public Accountant, KHT*