

Interim Report

For the period January–June 2015 • July 24, 2015



January–June 2015

Compared to January–June 2014

- Net operating profit improved by EUR 9.4 M to EUR 17.3 M (7.9).
- Profit for the period attributable to shareholders improved by EUR 8.6 M to EUR 14.0 M (5.4).
- Net interest income increased by 7 per cent to EUR 25.6 M (23.9).
- Net commission income increased by 17 per cent to EUR 24.7 M (21.2).
- Total expenses decreased by 7 per cent to EUR 45.3 M (48.7).
- Net impairment losses on loans (including recoveries) decreased by 49 per cent to EUR 0.5 M (1.0), equivalent to a loan loss level of 0.03 (0.06) per cent.
- Return on equity after taxes (ROE) increased to 14.2 per cent (6.0).
- Earnings per share amounted to EUR 0.92 (0.38).
- The core Tier 1 capital ratio amounted to 11.1 per cent (December 31, 2014: 10.9 per cent).

The second quarter of 2015

Compared to the second quarter of 2014

- Net operating profit improved by 41 per cent to EUR 7.8 M (5.5).
- Profit for the period attributable to shareholders improved by 56 per cent to EUR 6.2 M (4.0).
- Net interest income increased by 7 per cent to EUR 12.9 M (12.1).
- Net commission income increased by 13 per cent to EUR 11.9 M (10.5).
- Total expenses decreased by 7 per cent to EUR 22.5 M (24.1).
- Net impairment losses on loans (including recoveries) increased to EUR 0.3 M (0.1), equivalent to a loan loss level of 0.04 (0.01) per cent.
- Return on equity after taxes (ROE) increased to 12.5 per cent (8.8).
- Earnings per share amounted to EUR 0.41 (0.28).

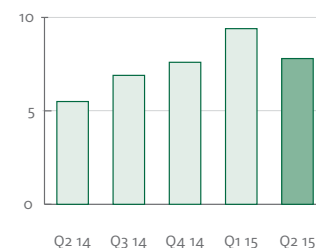
“During the first half of 2015, we saw stable and very satisfactory volume growth in our Private Banking and Premium Banking operations. This growth enables us to maintain strong net commission income and rising net interest income, despite falling market interest rates.

“The market turbulence in Europe caused by the Greek debt crisis seems to have calmed down temporarily, but financial markets are very likely to be characterised by high volatility and underlying worries during the foreseeable future.”

Peter Wiklöf, Managing Director

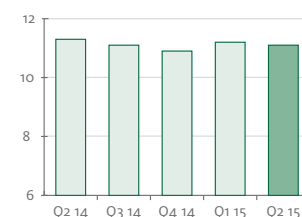
Net operating profit

EUR M



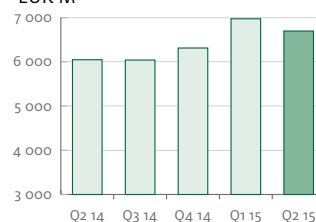
Core Tier 1 ratio

Per cent



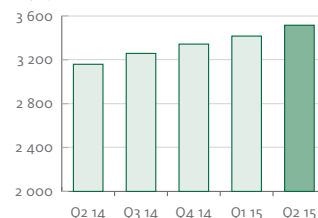
Investment volume

EUR M



Lending

EUR M



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

Financial summary

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M								
Income								
Net interest income	12.9	12.7	2	12.1	7	25.6	23.9	7
Net commission income	11.9	12.9	-7	10.5	13	24.7	21.2	17
Net income from financial items at fair value	1.6	2.4	-33	1.5	9	4.1	2.6	54
Other income	4.1	4.5	-8	5.7	-28	8.6	9.8	-12
Total income	30.6	32.4	-6	29.8	3	63.0	57.5	10
Total expenses								
Staff costs	-14.1	-13.7	3	-13.3	6	-27.8	-26.6	4
Other expenses	-6.7	-7.2	-8	-8.8	-24	-13.9	-17.8	-22
Depreciation/amortisation	-1.7	-1.9	-10	-2.0	-17	-3.6	-4.3	-16
Total expenses	-22.5	-22.8	-2	-24.1	-7	-45.3	-48.7	-7
Profit before impairment losses	8.1	9.6	-16	5.6	44	17.8	8.8	
Impairment losses on loans and other commitments	-0.3	-0.2	65	-0.1		-0.5	-1.0	-49
Net operating profit	7.8	9.4	-17	5.5	41	17.3	7.9	
Income taxes	-1.6	-1.7	-5	-1.3	28	-3.3	-1.7	93
Profit for the report period	6.2	7.7	-20	4.3	45	14.0	6.1	
Attributable to:								
Non-controlling interests	0.0	0.0		0.3		0.0	0.7	
Shareholders in Bank of Åland Plc	6.2	7.7	-20	4.0	56	14.0	5.4	
Volume								
Lending to the public	3,515	3,416	3	3,159	11			
Deposits from the public ¹	2,755	2,507	10	2,492	11			
Investment volume ²	6,696	6,973	-4	6,047	11			
Equity capital	200	203	-1	187	7			
Balance sheet total	4,851	4,418	10	4,041	20			
Risk exposure amount	1,619	1,599	1	1,469	10			
Financial ratios								
Return on equity after taxes, % (ROE) ³	12.5	15.9		8.8		14.2	6.0	
Expense/income ratio ⁴	0.73	0.70		0.81		0.72	0.85	
Loan loss level, % ⁵	0.04	0.02		0.01		0.03	0.06	
Gross non-performing receivables, % ⁶	0.65	0.61		1.07				
Level of provisions for doubtful receivables, % ⁷	43	68		47				
Core funding ratio, % ⁸	93	103		100				
Equity/assets ratio, % ⁹	4.1	4.6		4.6				
Tier 1 capital ratio, % ¹⁰	11.1	11.2		11.3				
Earnings per share, EUR ¹¹	0.41	0.54	-24	0.28	48	0.92	0.38	
Earnings per share after dilution, EUR	0.41	0.54	-24	0.28	48	0.92	0.38	
Equity capital per share, EUR ¹²	13.18	14.04	-6	12.63	4			
Equity capital per share after dilution, EUR	13.15	14.01	-6	12.63	4			
Market price per Series A share, EUR	15.50	15.10	3	10.27	51			
Market price per Series B share, EUR	15.75	14.15	11	8.45	86			
Number of shares outstanding (not own shares), 000s	15,178	14,415	5	14,398	5			
Number of shares outstanding (not own shares), after dilution, 000s	15,278	14,515	5	14,398	6			
Working hours re-calculated to full-time equivalent positions	672	645	4	642	5	658	639	3

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

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

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

⁴ Expenses / Income

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

⁶ Non-performing receivables more than 90 days / Lending to the public before provisions for impairment losses

⁷ Provisions for individual impairment losses / 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/ Number of shares adjusted for share issue

¹² Equity capital/Number of shares on closing day

Comments

MACRO SITUATION AND REGULATORY REQUIREMENTS

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

BENCHMARK INTEREST RATES, QUARTERLY AVERAGES, PER CENT

	Q2 2015	Q1 2015	Q2 2014
Euribor 3 mo	-0.01	0.05	0.30
Euribor 12 mo	0.17	0.26	0.57
Stibor 3 mo	-0.19	0.07	0.89

During the first half of 2015, share prices on the Nasdaq OMX Helsinki (OMXHPI) and on the Nasdaq OMX Stockholm (OMXSPI) rose by 7 per cent.

The average value of the Swedish krona in relation to the euro was 4 per cent lower during the first half of 2015 than in the same period of 2014. On June 30, 2015, the krona was 2 per cent stronger than at the end of 2014. When translating the income statement of the Bank of Åland's Swedish operations into euros, the average exchange rate for the period has been used, while the balance sheet has been translated at the exchange rate prevailing on the closing day.

IMPORTANT EVENTS

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

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

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

The Standard & Poor's rating agency has raised its credit rating on

covered bonds issued by the Bank of Åland to AAA with a stable outlook.

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

EARNINGS FOR THE SECOND QUARTER OF 2015

Profit for the period attributable to shareholders amounted to EUR 6.2 M (4.0). This was an improvement of EUR 2.2 M or 56 per cent compared to the second quarter of 2014. Net operating profit improved by EUR 2.3 M or 41 per cent to EUR 7.8 M (5.5).

Return on equity after taxes amounted to 12.5 (8.8) per cent. For the fourth quarter in a row, the Bank of Åland thus achieved its long-term target of having a return on equity after taxes of at least 10 per cent.

Total income increased by EUR 0.8 M or 3 per cent to EUR 30.6 M, mainly due to increased commission income and higher net interest income.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 0.8 M or 7 per cent to EUR 12.9 M despite the negative effect of lower market interest rates.

Net commission income rose by EUR 1.4 M or 13 per cent to EUR 11.9 M, mainly due to higher income from financial investment operations.

Net income on financial items at fair value rose by EUR 0.1 M or 9 per cent to EUR 1.6 M.

Information technology (IT) income decreased by EUR 0.7 M or 15 per cent to EUR 4.2 M.

Total expenses decreased by EUR 1.6 M or 7 per cent to EUR 22.5 M, among other things because of lower deposit guarantee and banking tax and higher capitalised production for own use.

Impairment losses on loans amounted to EUR 0.3 M, equivalent to a loan loss level of 0.04 per cent, compared to EUR 0.1 M and 0.01 per cent in the year-earlier quarter.

EARNINGS FOR JANUARY-JUNE 2015

Profit for the period attributable to shareholders amounted to EUR 14.0 M (5.4). This was an improvement of EUR 8.6 M compared to the first half of 2014. Net operating profit improved by EUR 9.4 M to EUR 17.3 M (7.9).

Return on equity after taxes increased to 14.2 (6.0) per cent.

Total income increased by EUR 5.5 M or 10 per cent to EUR 63.0 M.

Due to re-pricing in the loan portfolio, lower funding costs and volume growth, net interest income increased by EUR 1.7 M or 7 per cent to EUR 25.6 M despite the negative effect of lower market interest rates.

Net commission income rose by EUR 3.5 M or 17 per cent to EUR 24.7 M, mainly due to higher income from financial investment operations.

Net income on financial items at fair value rose by EUR 1.5 M or 54 per cent to EUR 4.1 M, among other things due to higher net income from foreign exchange dealing and net income from assets available for sale.

Information technology (IT) income decreased by EUR 0.3 M or 4 per cent to EUR 8.5 M.

Total expenses decreased by EUR 3.4 M or 7 per cent to EUR 45.3 M, among other things because of lower deposit guarantee and banking tax expenses and higher production for own use. The first half of last year also included restructuring expenses in the Finnish Mainland business area of about EUR 0.4 M and corporate strategic expenses of about EUR 1.0 M. Production for own use refers to largely capitalised development expenses for the Bank's new securities platform, which is being developed by its IT subsidiary Crosskey.

Impairment losses on loans amounted to EUR 0.5 M, equivalent to a loan loss level of 0.03 per cent, compared to EUR 1.0 M and 0.06 per cent in the year-earlier period.

Tax expense amounted to EUR 3.3 M, equivalent to an effective tax rate of 19.2 (21.8) per cent.

Profit attributable to non-controlling interests amounted to EUR 0.0 M (0.7), since Compass Card is now a wholly owned subsidiary and Ålandsbanken Asset Management has merged with the parent Bank.

STRATEGIC BUSINESS AREAS

The Group's net operating income improved by EUR 9.4 M to EUR 17.3 M during the first half of 2015, allocated as follows:

• Private Banking	+5.0	(higher income, especially net commission income)
• Premium Banking	+3.4	(lower expenses)
• Asset Management	-0.1	(higher expenses)
• IT	-0.5	(higher expenses)
• Corporate units incl. eliminations	+1.6	(higher Treasury income, higher Compass Card earnings, lower strategic expenses and negative elimination effect of major IT projects)

Operations in Sweden reported a profit for the eighth consecutive quarter and showed a continued positive trend. Operations in Åland and on the Finnish mainland also had a continued positive trend.

BUSINESS VOLUME

Investment volume increased by EUR 384 M or 6 per cent during the first half of 2015 and amounted to EUR 6,696 M (6,312). Actively managed assets increased by EUR 371 M or 11 per cent during the first half and amounted to EUR 3,856 M (3,485), which was the

highest-ever figure. Managed assets in the Bank of Åland Group's own mutual funds rose by EUR 122 M or 11 per cent to EUR 1,210 M (1,088). There was continued heavy interest in Bostadsfonden, a housing mutual fund. Net inflow into Bostadsfonden was EUR 66 M during the first half. The net assets of Bostadsfonden amounted to EUR 244 M on June 30. Assets under discretionary management rose by EUR 169 M or 10 per cent to EUR 1,876 M (1,707).

Deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public – increased by EUR 364 M or 15 per cent during the first half and amounted to EUR 2,755 M (2,391).

Lending to the public totalled EUR 3,515 M (3,343). This represented an increase of EUR 172 M or 5 per cent during the first half. The increase in lending was primarily related to loans secured by residential properties in the Swedish market.

CREDIT QUALITY

Lending to private individuals comprises nearly two thirds of the loan portfolio. Home mortgage loans account for about 70 per cent of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprise the second-largest type of lending to private individuals. Loan-to-value ratios are conservative. Historically, the Bank of Åland has 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.

Gross doubtful receivables increased by EUR 1.2 M to EUR 22.9 M (21.7) during the first half of 2015. As a share of lending to the public, doubtful receivables remained at 0.65 per cent (0.65). The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 43 per cent compared to 66 per cent at year-end 2014.

The Bank of Åland Group had EUR 11.0 M (15.8) in impairment loss provisions, of which individual impairments totalled EUR 9.8 M (14.3) and group impairments EUR 1.2 M (1.5).

LIQUIDITY AND BORROWING

During May, the Bank of Åland issued EUR 250 M in covered bonds with a 5-year maturity. Because of the bond issue along with the good increase in deposits during the first half of 2015, the Bank's liquidity reserve was at a record-high level on June 30. 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 1,137 M on June 30, 2015 (December 31, 2014: 646). This was equivalent to 23 (15) per cent of total assets and 33 (19) per cent of lending to the public. Given the Bank's ability to issue further covered bonds, there is an additional unutilised liquidity reserve.

During the third quarter of 2015, about EUR 180 M in long-term funding will mature.

The average remaining maturity on outstanding bonds was about 3.4 years at the end of the period (December 31, 2014: 3.3).

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 93 per cent at the end of the period (December 31, 2014: 105).

The liquidity coverage ratio (LCR) amounted to 145 per cent (December 31, 2014: 97).

RATING

The Bank of Åland has a credit rating from the Standard & Poor's rating agency of BBB/A-3 with a negative outlook for its long- and short-term borrowing. Covered bonds issued by the Bank of Åland have a credit rating of AAA with a stable outlook.

EQUITY AND CAPITAL ADEQUACY

Equity capital including non-controlling interests changed in the amount of total income for the period, EUR 12.2 M; the net effect of the acquisition of minority holdings in Ålandsbanken Asset Management including payment with newly issued shares and the merger of the company with the Bank of Åland Plc, EUR -1.3 M; a transfer of the Bank's own shares, EUR 0.2 M; the share savings programme, EUR 0.1 M; dividend payments, EUR 5.8 M; and the dividends paid to non-controlling interests in subsidiaries, EUR 1.3 M. On June 30, 2015, equity capital totalled EUR 200.0 M (December 31, 2014: 195.9). Other comprehensive income included re-measurements of defined-benefit pension plans by EUR 1.2 M after taxes, in compliance with IAS 19.

Core Tier 1 capital increased by EUR 10.0 M during the first half of 2015 to EUR 180.0 M (170.0).

The risk exposure amount increased by EUR 65 M or 4 per cent during the first half to EUR 1,619 M (1,554), mainly due to increased lending and the higher liquidity reserve. The operational risk exposure amount, calculated using a three-year rolling average of the Group's income, increased by EUR 11 M.

The core Tier 1 capital ratio increased to 11.1 per cent (December 31, 2014: 10.9). Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio.

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

During June, the Bank of Åland became the first bank in Finland to issue subordinated debentures (supplementary capital) with a write-down clause. The subordinated debentures, which were issued with 3.75 per cent fixed interest, have a maturity of 20 years with a possible early redemption after five years. In the event that

the Bank of Åland's core Tier 1 capital ratio falls below 7 per cent, the principal is written down by 25 per cent. The issue volume was EUR 8.6 M.

The total capital ratio amounted to 12.3 (12.1) per cent.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

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

RISKS AND UNCERTAINTIES

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

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

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

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

FUTURE OUTLOOK

In a stock exchange release dated July 10, 2015, the Bank of Åland revised its future outlook. The revised outlook is as follows:

The Bank of Åland expects its net operating profit in 2015 to be substantially better than in 2014.

The Bank of Åland is especially dependent on the performance of the fixed income and stock markets. There are clear concerns regarding economic performance in several important markets as well as geopolitical worries, especially due to developments in Greece, Ukraine and the Middle East. For this reason, there is uncertainty in the current forecast for the future.

FINANCIAL INFORMATION

The Interim Report for January–September 2015 will be published on Tuesday, October 27, 2015.

Mariehamn, July 24, 2015
THE BOARD OF DIRECTORS

Table of contents, financial information

Summary income statement	7
Summary statement of other comprehensive income.....	8
Income statement by quarter	9
Summary balance sheet	10
Statement of changes in equity capital.....	11
Summary cash flow statement.....	12

NOTES

1. Corporate information	13
2. Basis for preparation of the interim report and essential accounting principles	13
3. Segment report	14
4. Changes in Group structure	16
5. Net interest income	16
6. Net commission income	16
7. Net income from financial items at fair value	17
8. Other expenses	17
9. Impairment losses on loans and other commitments	18
10. Lending to the public and public sector by purpose.....	18
11. Doubtful receivables and impairment losses	19
12. Deposits from the public and public sector, including bonds and certificates of deposit issued.....	20
13. Debt securities issued	20
14. Derivative instruments	21
15. Financial instruments at fair value	22
16. Off-balance sheet commitments.....	23
17. Offsetting of financial assets and liabilities	23
18. Assets pledged	24
19. Capital adequacy.....	24

Summary income statement

Bank of Åland Group	Note	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M									
Net interest income	5	12.9	12.7	2	12.1	7	25.6	23.9	7
Net commission income	6	11.9	12.9	-7	10.5	13	24.7	21.2	17
Net income from financial items at fair value ¹	7	1.6	2.4	-33	1.5	9	4.1	2.6	54
IT income		4.2	4.3	-3	4.9	-15	8.5	8.8	-4
Other operating income		0.0	0.2		0.8		0.1	0.9	-85
Total income		30.6	32.4	-6	29.8	3	63.0	57.5	10
Staff costs		-14.1	-13.7	3	-13.3	6	-27.8	-26.6	4
Other expenses	8	-6.7	-7.2	-8	-8.8	-24	-13.9	-17.8	-22
Depreciation/amortisation		-1.7	-1.9	-10	-2.0	-17	-3.6	-4.3	-16
Total expenses		-22.5	-22.8	-2	-24.1	-7	-45.3	-48.7	-7
Profit before impairment losses		8.1	9.6	-16	5.6	44	17.8	8.8	
Impairment losses on loans and other commitments	9	-0.3	-0.2	65	-0.1		-0.5	-1.0	-49
Net operating profit		7.8	9.4	-17	5.5	41	17.3	7.9	
Income taxes ¹		-1.6	-1.7	-5	-1.3	28	-3.3	-1.7	93
Profit for the period		6.2	7.7	-20	4.3	45	14.0	6.1	
Attributable to:									
Non-controlling interests		0.0	0.0		0.3		0.0	0.7	
Shareholders in Bank of Åland Plc		6.2	7.7	-20	4.0	56	14.0	5.4	
Earnings per share, EUR		0.41	0.54	-24	0.28	48	0.92	0.38	

¹ Under Q1 2014, a correction has been made concerning realisation of surplus values in the Bank's liquidity portfolio. This affects the period January-June 2014. The correction also affects the estimated income tax for the period.

Summary statement of other comprehensive income

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M								
Profit for the period	6.2	7.7	-20	4.3	45	14.0	6.1	
Cash flow hedge								
Gains/Losses arising during the period	-2.1	-1.9	11	6.4		-3.9	9.8	
Transferred to the income statement	2.0	1.8	14	-6.6		3.7	-9.7	
Assets available for sale								
Gains/Losses arising during the period	-4.9	2.6		1.5		-2.3	3.2	
Transferred to the income statement	0.0	-1.6	-99	-0.2	-95	-1.6	-1.3	23
Translation differences								
Gains/Losses arising during the period	0.0	0.1	-99	0.0		0.1	0.3	-56
<i>of which hedging of net investment in foreign operations</i>	-0.3	-0.2	52	1.5		-0.5	0.9	
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	1.1	-0.1		-0.5		1.0	-0.6	
<i>of which cash flow hedges</i>	0.0	0.0	-37	0.0	-71	0.0	0.0	
<i>of which assets available for sale</i>	1.0	-0.2		-0.3		0.8	-0.4	
<i>of which hedging of net investment in foreign operations</i>	0.1	0.1	52	-0.3		0.2	-0.2	
Items that have been or may be reclassified to the income statement	-3.8	0.9		0.6		-2.9	1.7	
Re-measurements of defined benefit pension plans	2.3	-0.8		-0.5		1.5	-2.1	
Taxes on items that may not be reclassified to the income statement	-0.5	0.2		0.1		-0.3	0.4	
Items that may not be reclassified to the income statement	1.8	-0.7		-0.4		1.2	-1.7	
Other comprehensive income	-2.0	0.2		0.2		-1.8	0.0	
Total comprehensive income for the period	4.2	8.0	-47	4.5	-6	12.2	6.2	98
Attributable to:								
Non-controlling interests	0.0	0.0		0.3		0.0	0.7	
Shareholders in Bank of Åland Plc	4.2	8.0	-47	4.2	0	12.2	5.4	

Income statement by quarter

Bank of Åland Group	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
EUR M					
Net interest income	12.9	12.7	12.6	12.7	12.1
Net commission income	11.9	12.9	14.5	10.5	10.5
Net income from financial items at fair value	1.6	2.4	2.2	1.9	1.5
IT income	4.2	4.3	4.7	3.8	4.9
Other operating income	0.0	0.2	-0.1	0.1	0.8
Total income	30.6	32.4	34.0	29.1	29.8
Staff costs	-14.1	-13.7	-14.5	-12.0	-13.3
Other expenses	-6.7	-7.2	-9.3	-7.8	-8.8
Depreciation/amortisation	-1.7	-1.9	-2.0	-2.1	-2.0
Total expenses	-22.5	-22.8	-25.8	-21.9	-24.1
Profit before impairment losses	8.1	9.6	8.1	7.2	5.6
Impairment losses on loans and other commitments	-0.3	-0.2	-0.5	-0.3	-0.1
Net operating profit	7.8	9.4	7.6	6.9	5.5
Income taxes	-1.6	-1.7	-1.6	-1.5	-1.3
Profit for the period	6.2	7.7	6.1	5.4	4.3
Attributable to:					
Non-controlling interests	0.0	0.0	0.4	0.3	0.3
Shareholders in Bank of Åland Plc	6.2	7.7	5.6	5.1	4.0

Summary balance sheet

Bank of Åland Group	Note	Jun 30, 2015	Dec 31, 2014	% Jun 30, 2014	%
EUR M					
Assets					
Cash and balances with central banks		249	86	94	
Debt securities eligible for refinancing with central banks		827	625	32	382
Lending to credit institutions		149	129	16	278
Lending to the public and public sector entities	10, 11	3,515	3,343	5	3,159
Debt securities		0	0	-1	21
Shares and participations		1	3	-44	3
Participations in associated companies		1	1	-4	1
Derivative instruments	14	19	24	-22	20
Intangible assets		9	8	12	8
Tangible assets		25	27	-5	28
Investment properties		0	0	-16	1
Current tax assets		0	0		0
Deferred tax assets		5	5	3	5
Other assets		26	16	60	19
Accrued income and prepayments		25	25	-4	23
Total assets		4,851	4,292	13	4,041
Liabilities					
Liabilities to credit institutions		365	422	-14	360
Liabilities to the public and public sector entities	12	2,575	2,201	17	2,238
Debt securities issued	12, 13	1,549	1,312	18	1,087
Derivative instruments	14	28	34	-16	30
Current tax liabilities		0	1	-80	0
Deferred tax liabilities		16	14	16	12
Other liabilities		42	35	21	44
Provisions		0	1	-34	0
Accrued expenses and prepaid income		30	29	3	33
Subordinated liabilities	12	46	50	-8	49
Total liabilities		4,651	4,096	14	3,853
Equity capital and non-controlling interests					
Share capital		41	29	42	29
Share premium account		33	33	0	33
Reserve fund		25	25	0	25
Fair value reserve		-1	2		3
Own shares		0	0	-74	0
Unrestricted equity capital fund		25	25	0	24
Retained earnings		77	81	-5	70
Shareholders' portion of equity capital		200	194	3	184
Non-controlling interests' portion of equity capital		0	2	-99	3
Total equity capital		200	196	2	187
Total liabilities and equity capital		4,851	4,292	13	4,041

Statement of changes in equity capital

Bank of Åland Group

EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation difference	Own shares	Unrestricted equity capital fund	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, Dec 31, 2013	29.1	32.7	25.1	-0.4	1.1	0.5	-0.2	24.5	68.1	180.5	3.5	184.1
Comprehensive income for the period				0.1	1.5	0.1			3.7	5.4	0.7	6.2
Transfer of own shares							0.0			0.0		0.0
<i>Transactions with Group shareholders</i>												
Dividend paid									-2.2	-2.2	-1.0	-3.1
Equity capital, Jun 30, 2014	29.1	32.7	25.1	-0.3	2.6	0.6	-0.2	24.5	69.7	183.8	3.3	187.1
Comprehensive income for the period				-0.2	0.1	-0.5			10.7	10.1	0.7	10.8
Subscription options								0.1		0.1		0.1
<i>Transactions with Group shareholders</i>												
Acquisitions from non-controlling interests									0.2	0.2	-2.4	-2.2
Equity capital, Dec 31, 2014	29.1	32.7	25.1	-0.5	2.7	0.0	-0.2	24.6	80.6	194.2	1.7	195.9
Comprehensive income for the period				-0.1	-3.1	0.3			15.1	12.2	0.0	12.2
Transfer of own shares							0.2			0.2		0.2
Share savings programme									0.1	0.1		0.1
<i>Transactions with Group shareholders</i>												
Dividend paid									-5.8	-5.8	-1.3	-7.1
Acquisitions from non-controlling interests ¹	12.3								-13.2	-0.9	-0.4	-1.3
Equity capital, Jun 30, 2015	41.4	32.7	25.1	-0.6	-0.4	0.3	-0.1	24.6	76.8	200.0	0.0	200.0

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

Summary cash flow statement

Bank of Åland Group	Jan–Jun 2015		Jan–Dec 2014		Jan–Jun 2014	
EUR M						
Cash flow from operating activities						
Net operating profit	17.3		22.4		7.9	
Adjustment for net operating profit items not affecting cash flow	5.3		13.8		8.5	
Gains/losses from investing activities	0.0		-0.2		-0.2	
Income taxes paid	-1.3		-1.6		-0.8	
Changes in assets and liabilities in operating activities	-84.1	-62.9	-151.7	-117.2	98.5	113.8
Cash flow from investing activities		-2.0		-3.7		-2.8
Cash flow from financing activities		238.5		141.5		57.5
Exchange rate differences in cash and cash equivalents		0.8		-2.3		-1.4
Change in cash and cash equivalents		174.4		18.2		167.2
Cash and cash equivalents at beginning of period		211.8		193.6		193.6
Cash and cash equivalents at end of period		386.2		211.8		360.8
Change in cash and cash equivalents		174.4		18.2		167.2

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 14 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–June 30, 2015 was approved by the Board of Directors on July 23, 2015.

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–June 30, 2015 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards, IAS 34, Interim Financial Reporting, which have been adopted by the European Union.

The figures for the period January–June 2014 have been restated due to a correction in recognition of income from assets available for sale.

ESSENTIAL ACCOUNTING PRINCIPLES

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

COMING CHANGES

On July 24, 2014, the International Accounting Standards Board (IASB) published the final standard IFRS 9, Financial instruments, which will replace IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9, *Financial instruments* includes a model for classification and measurement of financial instruments, a forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The classifications of financial assets contained in IAS 39 are being replaced by two classifications, with measurement taking place at fair value or amortised cost. It will still be possible to apply the fair value option specified in IAS 39. Changes in fair value must be recognised in the income statement (“through profit and loss”), except for changes in value of equity instruments not held for trading and for which an initial choice is made to recognise changes in value under “Other comprehensive income”. Most of the portions of IFRS 9 concerning financial liabilities coincide with the earlier rules in IAS 39.

The new impairment model will require more timely accounting

for expected credit losses, from the date when the asset is first recognised. Among other things, the new hedge accounting rules simplify effectiveness testing and increase the scope of eligible hedging instruments and hedged items. According to the IASB, the standard will become compulsory starting on January 1, 2018, but it has not yet been adopted by the EU. Earlier application is allowed. The Bank of Åland is evaluating its impact on financial reporting, the consolidated balance sheet, the income statement and capital adequacy.

IFRS 15, *Revenue from contracts with customers* has not yet been approved by the EU. 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. The revenue standard also includes expanded disclosure requirements. IFRS 15 will go into effect in 2017, and earlier application is allowed, provided that the EU has adopted the standard. The Bank of Åland is still evaluating its impact on the Group’s financial reports.

Other new and amended IFRSs are not expected to have any significant effect on the Bank of Åland’s financial reports.

- Amended IAS 1, *Presentation of financial statements: Disclosure initiative* *
- Amended IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture* *
- Amended IFRS 11, *Joint arrangements: Accounting for acquisitions of interests in joint operations* *
- IFRS 14, *Regulatory deferral accounts* *
- Amended IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation* *
- Amended IAS 19, *Employee benefits: Defined benefit plans – Employee contributions*
- IAS 1 and IAS 27, *Consolidated and separate financial statements: Equity method in separate financial statements* *
- Annual improvements to IFRSs (2010–2012), (2011–2013), (2012–2014) *

(* Has not yet been approved by the EU)

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 the Bank of Åland Group's asset management organisation in Finland and Sweden including Ålandsbanken Fondbolag Ab and Ålandsbanken Fonder AB (until its liquidation in May 2014). "IT" encompasses the subsidiary Crosskey Banking Solutions Ab Ltd including S-Crosskey Ab. "Corporate and Other" encompasses all central corporate units in the Group, including Treasury and the subsidiary Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan-Jun 2015					
EUR M	Private Banking	Premium Banking	Asset management	IT	Corporate and Other	Eliminations	Total
Net interest income	12.8	11.6	0.0	0.0	1.1	0.1	25.6
Net commission income	13.4	5.6	4.9	0.0	0.9	0.0	24.7
Net income from financial items at fair value	0.3	0.4	0.0	0.0	3.5	0.0	4.1
IT income	0.0	0.0	0.0	16.1	0.0	-7.6	8.5
Other income	0.0	0.0	0.1	0.0	0.1	-0.2	0.1
Total income	26.6	17.6	5.0	16.0	5.5	-7.7	63.0
Staff costs	-5.5	-3.4	-2.4	-8.0	-8.4	0.0	-27.8
Other expenses	-2.1	-2.0	-1.1	-5.3	-9.2	5.8	-13.9
Depreciation/amortisation	-0.1	-0.4	0.0	-1.7	-2.3	0.9	-3.6
Internal allocation of expenses	-8.3	-8.5	-0.9	0.0	17.6	0.0	0.0
Total expenses	-16.0	-14.2	-4.4	-15.1	-2.3	6.7	-45.3
Profit before impairment losses	10.5	3.4	0.7	0.9	3.3	-1.0	17.8
Impairment losses on loans and other commitments	0.3	-0.6	0.0	0.0	-0.1	0.0	-0.5
Net operating profit	10.8	2.8	0.7	0.9	3.1	-1.0	17.3
Income taxes	-2.2	-0.6	-0.1	-0.2	-0.2	0.0	-3.3
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period attributable to shareholders	8.6	2.2	0.5	0.7	2.9	-1.0	14.0
Business volume							
Lending to the public	1,573	1,912	0	0	49	-19	3,515
Deposits from the public	1,429	1,202	7	0	124	-7	2,755
Investment volume	4,850	758	3,596	0	5	-2,514	6,696
Risk exposure amount	691	615	12	41	261	0	1,619
Allocated equity capital	65	81	2	9	43	0	200
Financial ratios etc.							
Return on equity after taxes, % (ROE)	23.6	5.5		15.2	18.3		14.2
Expense/income ratio	0.60	0.81	0.87	0.94	0.41		0.72
Gross non-performing receivables, %	0.07	1.97			2.05		1.13
Loan loss level, %	-0.04	0.07			0.53		0.03
Lending/deposits, %	110	159			39		128

Bank of Åland Group		Jan-Jun 2014					
EUR M	Private Banking	Premium Banking	Asset management	IT	Corporate and Other	Eliminations	Total
Net interest income	11.2	11.5	0.1	-0.1	1.1	0.1	23.9
Net commission income	10.7	4.9	4.8	0.0	0.8	0.0	21.2
Net income from financial items at fair value	0.2	0.4	0.0	0.0	2.1	0.0	2.6
IT income	0.0	0.0	0.0	15.4	0.0	-6.6	8.8
Other income	0.2	0.1	0.1	0.0	1.0	-0.4	0.9
Total income	22.3	16.8	4.9	15.4	5.0	-6.9	57.5
Staff costs	-5.6	-3.5	-2.3	-7.4	-7.7	0.0	-26.5
Other expenses	-3.2	-3.3	-1.2	-4.7	-11.8	6.5	-17.6
Depreciation/amortisation	-0.1	-0.4	0.0	-1.9	-2.7	1.0	-4.2
Internal allocation of expenses	-7.6	-8.9	-0.7	0.0	17.2	0.0	0.0
Total expenses	-16.5	-16.5	-4.2	-14.0	-5.0	7.5	-48.7
Profit before impairment losses	5.8	0.2	0.8	1.4	0.0	0.6	8.8
Impairment losses on loans and other commitments	0.0	-0.8	0.0	0.0	-0.1	0.0	-1.0
Net operating profit	5.8	-0.6	0.8	1.4	-0.1	0.6	7.9
Income taxes	-1.2	0.1	-0.2	-0.3	-0.2	0.0	-1.7
Non-controlling interests	0.0	0.0	-0.7	0.0	0.0	0.0	-0.7
Profit for the period attributable to shareholders	4.6	-0.5	-0.1	1.1	-0.4	0.6	5.4
Business volume							
Lending to the public	1,330	1,792	0	0	52	-15	3,159
Deposits from the public	1,294	1,064	12	0	132	-10	2,492
Investment volume	4,269	690	3,234	0	7	-2,153	6,047
Risk exposure amount	597	586	12	36	239	0	1,469
Allocated equity capital	66	78	1	9	29	0	184
Financial ratios etc.							
Return on equity after taxes, % (ROE)	12.5	-1.1		24.6	5.2		6.0
Expense/income ratio	0.74	0.99	0.85	0.91	0.99		0.85
Gross non-performing receivables, %	0.18	1.08			1.82		0.72
Loan loss level, %	0.00	0.09			0.62		0.06
Lending/deposits, %	103	168			39		127

4. Changes in Group structure

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

5. Net interest income

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M								
Interest income								
Credit institutions and central banks	0.0	0.0	-46	0.3	-92	0.1	0.5	-86
The public and public sector entities	17.4	17.6	-1	18.4	-5	35.0	36.5	-4
Debt securities	0.7	0.8	-14	0.9	-20	1.5	1.9	-22
Other interest income	0.1	0.1	-6	0.2	-51	0.2	0.5	-53
Total interest income	18.2	18.6	-2	19.8	-8	36.8	39.4	-6
Interest expenses								
Credit institutions and central banks	-0.3	-0.5	-35	-0.9	-67	-0.8	-1.8	-58
<i>of which negative interest income¹</i>	<i>-0.1</i>	<i>0.0</i>		<i>0.0</i>		<i>-0.1</i>	<i>0.0</i>	
The public and public sector entities	-2.0	-2.2	-9	-3.4	-41	-4.2	-6.6	-36
Debt securities issued	-2.6	-2.9	-10	-3.0	-14	-5.4	-6.0	-10
Subordinated liabilities	-0.2	-0.2	-3	-0.3	-11	-0.5	-0.5	-9
Other interest expenses	-0.2	-0.2	33	-0.2	0	-0.4	-0.5	-22
Total interest expenses	-5.3	-5.9	-10	-7.7	-31	-11.2	-15.4	-27
Net interest income	12.9	12.7	2	12.1	7	25.6	23.9	7
Investment margin, per cent ²	1.12	1.16		1.19		1.13	1.20	

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

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

6. Net commission income

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M								
Deposits	0.2	0.2	1	0.2	-1	0.4	0.4	-3
Lending	1.1	1.2	-8	1.3	-19	2.2	2.4	-9
Payment intermediation	2.3	2.2	3	2.2	3	4.5	4.3	5
Mutual fund commissions	4.8	5.0	-4	3.6	36	9.9	6.8	46
Management commissions	2.7	2.3	18	2.2	24	5.1	4.1	23
Securities commissions	2.9	3.7	-21	2.2	30	6.5	5.8	12
Insurance commissions	0.1	0.0	44	0.0		0.1	0.0	
Other commission income	0.8	0.6	37	0.7	17	1.4	1.2	17
Total commission income	14.9	15.2	-2	12.4	20	30.1	25.1	20
Payment commission expenses								
Mutual fund commission expenses	-0.6	-0.3		-0.1		-0.9	-0.4	
Management commission expenses	-0.5	-0.2		-0.2		-0.7	-0.4	90
Securities commission expenses	-0.5	-0.5	-7	-0.3	79	-0.9	-0.5	99
Other commission expenses	-0.3	-0.3	-20	-0.3	-20	-0.6	-0.7	-14
Total commission expenses	-3.0	-2.4	26	-1.9	54	-5.4	-3.9	38
Net commission income	11.9	12.9	-7	10.5	13	24.7	21.2	17

7. Net income from financial items at fair value

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2015	%
EUR M								
Valuation category fair value via the income statement ("profit and loss")								
Debt securities	-0.1	0.0		0.2		-0.1	0.4	
Shares and participations	0.0	0.1	-92	0.0		0.1	0.1	
Derivative instruments	0.8	0.3		0.0		1.1	0.1	
Loan receivables	-0.4	-0.4	-1	-0.2	94	-0.7	-0.5	
Valuation category fair value via the income statement ("profit and loss")	0.3	0.1		0.1		0.4	0.0	
Hedge accounting								
<i>of which hedging instruments</i>	-6.8	1.0		4.6		-5.8	9.1	
<i>of which hedged item</i>	7.1	-1.4		-4.5		5.7	-9.4	
Hedge accounting	0.3	-0.4		0.1		-0.1	-0.3	-71
Net income from foreign exchange dealing	1.0	1.1	-11	1.2	-14	2.1	1.7	27
Net income from financial assets available for sale	0.0	1.6	-99	0.2	-95	1.6	1.2	28
Total	1.6	2.4	-33	1.5	9	4.1	2.6	54

8. Other expenses

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M								
IT expenses (excluding information services)	2.7	2.5	9	2.5	8	5.2	4.4	18
Premises and property expenses	1.3	1.3	-1	1.3	-2	2.6	2.7	-3
Marketing expenses	0.7	0.7	7	0.5	30	1.4	1.2	15
Information services	0.6	0.6	8	0.5	16	1.2	1.1	9
Staff-related expenses	0.5	0.6	-18	0.6	-16	1.1	1.2	-1
Travel expenses	0.4	0.3	17	0.4	4	0.7	0.7	2
Purchased services	0.4	0.8	-51	0.9	-56	1.1	2.5	-55
Deposit guarantee fee	0.0	0.0		0.3	-99	0.0	0.6	-99
Banking tax	0.0	0.0		0.4	-100	0.0	0.9	-100
Other expenses	1.4	1.5	-11	1.6	-17	2.9	3.4	-13
Production for own use	-1.3	-1.0	20	-0.3		-2.3	-0.7	
Total	6.7	7.2	-8	8.8	-24	13.9	17.8	-22

9. Impairment losses on loans and other commitments

Bank of Åland Group	Q2 2015	Q1 2015	%	Q2 2014	%	Jan-Jun 2015	Jan-Jun 2014	%
EUR M								
Impairment losses								
Actual losses for the period	5.1	0.3		0.1		5.4	0.2	
Recoveries of actual losses	-0.1	0.0		0.0		-0.1	0.0	
Total	5.0	0.2		0.1		5.3	0.2	
Specific provisions for individually valued receivables								
New and increased provisions	0.9	0.3		0.5	98	1.3	1.3	-4
Reversals of earlier provisions	-0.3	-0.2	50	-0.5	-26	-0.6	-0.6	-4
Utilised for actual losses	-5.0	-0.2		0.0		-5.2	0.0	
Total	-4.5	0.0		0.0		-4.5	0.7	
Net provisions for the period, receivables valued by group	-0.3	0.0		0.0		-0.3	0.1	
Net loan losses	0.3	0.2	65	0.1		0.5	1.0	-49

10. Lending to the public and public sector by purpose

Bank of Åland Group	Jun 30, 2015			Dec 31, 2014	%	Jun 30, 2014	%
	Lending before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
EUR M							
Private individuals							
Home loans	1,643	-3	1,641	1,539	7	1,451	13
Securities and other investments	338	0	338	320	6	313	8
Business operations	133	-1	132	125	6	133	-1
Other household purposes	197	-1	195	194	1	194	1
Total, private individuals	2,311	-5	2,306	2,178	6	2,091	10
Companies							
Shipping	65	-1	64	66	-3	65	-3
Wholesale and retail trade	52	-2	50	48	5	50	0
Housing operations	347	-1	347	271	28	215	61
Other real estate operations	325	-1	325	360	-10	328	-1
Financial and insurance operations	191	0	190	191	0	175	9
Hotel and restaurant operations	25	0	24	24	1	24	2
Other service operations	110	-2	109	105	4	93	16
Agriculture, forestry and fishing	13	0	13	13	-2	12	8
Construction	31	0	31	33	-7	41	-26
Other industry and crafts	38	0	38	38	-1	47	-20
Total, companies	1,196	-6	1,190	1,149	4	1,052	13
Public sector and non-profit organisations	19	0	19	17	9	16	14
Total, public sector and non-profit organisations	19	0	19	17	9	16	14
Total lending	3,526	-11	3,515	3,343	5	3,159	11

11. Doubtful receivables and impairment losses

Bank of Åland Group	Jun 30, 2015	Dec 31, 2014	%	Jun 30, 2014	%
EUR M					
Gross doubtful receivables	22.9	21.7	6	33.9	-33
of which private individuals	7.7	8.2	-6	5.9	30
of which companies	15.2	13.5	13	28.0	-46
Doubtful receivables as % of total	0.65	0.65	1	1.07	-40
Provisions for individually measured receivables	9.8	14.3	-31	15.9	-39
of which private individuals	4.1	4.2	-3	3.3	25
of which companies	5.7	10.1	-43	12.6	-55
Net doubtful receivables	13.1	7.4	77	18.0	-27
Level of provisions for doubtful receivables, %	43	66	-35	47	-9
Provisions for receivables measured by group	1.2	1.5	-19	1.3	-6
of which private individuals	0.9	1.1	-16	0.9	6
of which companies	0.3	0.4	-30	0.4	-33
Total level of provisions for doubtful receivables, %	48	73	-34	51	-5
Non-performing receivables > 90 days past due	39.9	29.4	35	22.7	75
of which private individuals	15.3	14.0	9	9.7	58
of which companies	24.4	15.5	57	13.1	86
Provisions for individually measured receivables	-9.5	-10.2	-7	-10.5	-9
Carrying amount after taking individual provisions into account	30.4	19.2	58	12.2	
Gross non-performing receivables > 90 days as % of total	1.13	0.88	29	0.72	58

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

Bank of Åland Group	Jun 30, 2015	Dec 31, 2014	%	Jun 30, 2014	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	2,289	1,817	26	1,854	23
Time deposits	286	384	-25	384	-25
Total deposit accounts	2,575	2,201	17	2,238	15
Certificates of deposit issued to the public ¹					
Index bonds (structured products)	52	65	-21	80	-36
Subordinated debentures	46	50	-8	49	-6
Total bonds and certificates of deposit	180	190	-6	255	-29
Total deposits	2,755	2,391	15	2,492	11

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

13. Debt securities issued

Bank of Åland Group	Jun 30, 2015	Dec 31, 2014	%	Jun 30, 2014	%
EUR M					
Certificates of deposit	291	292	0	135	
Covered bonds	1,044	795	31	654	60
Senior non-covered bonds	163	160	2	218	-25
Index bonds (structured products)	52	65	-21	80	-36
Total	1,549	1,312	18	1,087	43

14. Derivative instruments

Bank of Åland Group	Jun 30, 2015						Dec 31, 2014		
EUR M	Nominal amount/maturity			Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
	Under 1 yr	1–5 yrs	over 5 yrs						
Derivatives for trading									
Interest-related contracts									
<i>Interest rate swaps</i>	106	75	17	197	3	5	247	4	6
<i>Interest rate and currency swaps</i>	0	0	0	0	0	14	32	0	19
<i>Interest rate futures</i>	10	0	0	10	0	0	10	0	0
<i>Interest rate options – purchased</i>	11	2	0	13	0	0	12	0	0
<i>Interest rate options – sold</i>	9	0	0	9	0	0	12	0	0
Currency-related contracts									
<i>Currency forward contracts</i>	170	5	0	175	1	1	89	1	1
Equity-related contracts									
<i>Equity options – purchased</i>	27	10	0	38	4	0	52	4	0
<i>Equity options – written</i>	27	0	0	27	0	3	43	0	4
Equity forward contracts	0	0	0	0	0	0	1	0	0
Other derivative contracts	0	22	0	22	1	1	22	1	1
Total	361	114	17	491	8	24	519	11	31
Derivatives for market value hedge									
Interest-related contracts									
<i>Interest rate swaps</i>	0	400	100	500	10	3	252	14	1
Total	0	400	100	500	10	3	252	14	1
Derivatives for cash flow hedge									
Interest-related contracts									
<i>Interest rate and currency swaps</i>	81	163	0	244	0	2	213	0	2
Total	81	163	0	244	0	2	213	0	2
Derivatives for hedging of net investment in foreign operations									
Currency-related contracts									
<i>Currency swaps</i>	21	0	0	21	0	0	14	0	0
Total	21	0	0	21	0	0	14	0	0
Total derivative instruments	464	677	117	1,257	19	28	998	24	34
<i>of which cleared OTC</i>									
<i>of which cleared by other means</i>	10	0	0	10	0	0	10	0	0

15. Financial instruments at fair value

Bank of Åland Group		Jun 30, 2015		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	827			827
Lending to the public and public sector entities		71		71
Debt securities	0	0	0	0
Shares and participations	1	0	1	1
Derivative instruments	0	19		19
Total financial assets	828	90	1	919
Liabilities to the public and public sector entities		0		0
Debt securities issued		488		488
Derivative instruments	0	28		28
Subordinated liabilities		23		23
Total financial liabilities	0	539	0	539

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

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

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

The measurement hierarchy

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

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

Change in Level 3 holdings	Jan-Jun 2015
EUR M	Shares and participations
Carrying amount on January 1	0.5
New purchases	0.0
Divested/reached maturity during the year	0.0
Realised change of value in the income statement	0.0
Unrealised change of value in the income statement	0.0
Change in value recognised in "Other comprehensive income"	0.4
Total	0.9

16. Off-balance sheet commitments

Bank of Åland Group	Jun 30, 2015	Dec 31, 2014	% Jun 30, 2014	%
EUR M				
Guarantees	21	22	-1	24
Unutilised overdraft limits	79	82	-3	4
Unutilised credit card limits	118	120	-2	12
Lines of credit	235	186	26	-4
Total	453	410	10	2

17. Offsetting of financial assets and liabilities

Bank of Åland Group	Jun 30, 2015		Dec 31, 2014	
EUR M	Derivatives	Repurchasing agreements plus lending and borrowing of securities	Derivatives	Repurchasing agreements plus lending and borrowing of securities
Financial assets that are offset or covered by offsetting agreements				
Gross amount of financial assets	19		24	
Gross amount of financial liabilities offset in the balance sheet				
Net amount of financial assets recognised in the balance sheet	19		24	
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-14		-19	
Financial collateral received	-5		-5	
Net amount	0		0	
Financial liabilities that are offset or covered by offsetting agreements				
Gross amount of financial liabilities	28	2	34	1
Gross amount of financial assets offset in the balance sheet				
Net amount of financial liabilities recognised in the balance sheet	28	2	34	1
Related amounts not offset in the balance sheet				
Financial instruments that do not meet offsetting criteria	-12		-19	
Financial collateral pledged	-6	-2	-2	-1
Net amount	10	0	12	0

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

18. Assets pledged

Bank of Åland Group	Jun 30, 2015	Dec 31, 2014	% Jun 30, 2014	%
EUR M				
Lending to credit institutions	12	4	18	-34
Debt securities	123	195	-37	-42
Loan receivables constituting collateral (cover pool) for covered bonds	1,586	1,312	21	30
Other assets pledged	1	3	-73	-96
Total	1,721	1,514	14	17

19. Capital adequacy

Bank of Åland Group	Jun 30, 2015	Dec 31, 2014	% Jun 30, 2014	%
EUR M				
Equity capital according to balance sheet	200.0	195.9	2	7
Foreseeable dividend	-5.0	-5.8	-14	-1.8
Core Tier 1 capital before deductions	195.0	190.1	3	5
Intangible assets	-8.0	-7.2	11	0
Property revaluation	-2.0	-2.1	-5	-10
Tax assets due to future profitability offset against tax liabilities within same tax category	-0.4	-0.5	-17	-41
Non-controlling interests	0.0	-1.3	-99	-98
Unrealised accumulated positive change in value	0.0	-4.5	-100	-100
Cash flow hedge	0.6	0.5	30	0.3
Expected losses according to IRB approach beyond recognised losses	-5.2	-4.9	5	-2
Core Tier 1 capital	180.0	170.0	6	9
Additional Tier 1 capital	0.0	0.0		0.0
Tier 1 capital	180.0	170.0	6	9
Supplementary capital instruments	16.5	11.0	49	30
Unrealised accumulated positive change in value	0.0	4.5	-100	3.3
Property revaluation	2.0	2.1	-5	-10
Supplementary capital	18.5	17.7	5	2
Total capital base	198.5	187.6	6	8
Capital requirement for credit risk according to the IRB approach	25.4	24.2	5	9
Capital requirement for credit risk according to standardised approach	89.2	85.7	4	10
Capital requirement for credit-worthiness adjustment risk	1.1	1.3		
Capital requirement for operational risk	13.9	13.0	7	7
Capital requirement	129.5	124.3	4	10
Capital ratios				
Core Tier 1 capital ratio, %	11.1	10.9	2	-1
Tier 1 capital ratio, %	11.1	10.9	2	-1
Total capital ratio, %	12.3	12.1	2	-2
Risk exposure amount	1,618.7	1,553.6	4	10
of which % comprising credit risk	89	89	0	-1
of which % comprising credit-worthiness adjustment risk	1	1		
of which % comprising operational risk	11	11	2	-3

Exposure category	Jun 30, 2015					
	EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach						
Households with property as collateral (small and medium-sized companies)		125.0	123.9	35	43.1	3.4
Households with property as collateral (not small and medium-sized companies)		1,639.4	1,632.3	14	225.7	18.1
Households, other (small and medium-sized companies)		36.3	35.5	33	11.8	0.9
Households, other (not small and medium-sized companies)		233.2	213.6	17	36.8	2.9
Total exposures according to the IRB approach		2,033.9	2,005.3	16	317.3	25.4
Credit risk according to the standardised approach						
Exposure to sovereigns or central banks ¹		620.7	668.3	0	0.0	0.0
Exposures to institutions		327.7	320.7	32	101.6	8.1
Corporate exposures		908.7	612.6	97	591.6	47.3
Household exposures		417.3	98.7	69	68.2	5.5
Exposures with real property mortgages as collateral		742.9	739.5	34	249.4	20.0
Past due exposures		23.4	18.2	130	23.6	1.9
Items associated with especially high risk		1.5	1.5	150	2.2	0.2
Covered bonds		304.7	304.7	10	30.5	2.4
Collective investment companies (funds)		0.6	0.6	100	0.6	0.0
Equity exposures		1.6	1.6	114	1.8	0.1
Other items		61.2	61.2	74	45.1	3.6
Total exposures according to the standardised approach		3,410.2	2,827.5	39	1,114.5	89.2
Total risk exposure amount		5,444.1	4,832.7	30	1,431.8	114.5

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

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

Capital requirement according to transitional rules for Basel 1 floor	Jun 30, 2015	Dec 31, 2014	%	Jun 30, 2014	%
EUR M					
Capital requirement adjusted according to Basel 1 floor rule	129.5	141.3	-8	133.5	-3
Capital base according to Basel 1	203.7	192.6	6	189.0	8
Surplus capital according to transitional rules for Basel 1 floor	74.2	51.3	45	55.5	34
Ratio of capital base to capital requirement according to Basel 1 floor, %	157.3	136.3	15	141.6	11

Leverage ratio	Jun 30, 2015	Dec 31, 2014	%
EUR M			
Tier 1 capital	180.5	171.8	4
Total exposure measure	4,980.5	4,516.9	3
of which balance sheet items	4,738.1	4,270.2	3
of which off-balance sheet items	242.5	246.8	-2
Leverage ratio, %	3.6	3.8	1

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

Report on review of the interim report of Ålandsbanken Abp as of and for the six month period ending June 30, 2015

To the Board of Directors of Ålandsbanken Abp

INTRODUCTION

We have reviewed the summary balance sheet as of June 30, 2015, 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 the Ålandsbanken Abp group for the six-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 consolidated financial position as at June 30, 2015 and the result of its operations and cash flows for the six-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, July 24, 2015

Pauli Salminen
Authorised Public Accountant

Mari Suomela
Authorised Public Accountant

Oskar Orrström
Authorised Public Accountant