

# Interim Report for the period January–September 2016

25.10.2016

Bank of Åland Plc Interim report October 25, 2016, 9.00 p.m. Interim Report for the period January–September 2016 “During the third quarter of 2016, we delivered a stable net operating profit of EUR 6.2 M. Thanks to our rising deposit and lending volumes, we managed to defend our net interest income despite a continued decline in market interest rates. We also clearly saw our housing and property-related mutual funds continue to attract new investors. “After the summer, we launched our new debit and credit card, the Baltic Sea Card. This card is biodegradable, but our bank is also the first in the world to enable users to see the carbon footprint created by their own consumption. The Baltic Sea Card and its characteristics have received worldwide attention.” Peter Wiklöf, Managing Director January - September 2016 compared to January - September 2015 -- Net operating profit decreased by 21 per cent to EUR 18.8 M (23.6). -- Profit for the period attributable to shareholders decreased by 22 per cent to EUR 14.8 M (19.0). -- Net interest income increased by 5 per cent to EUR 41.1 M (39.2). -- Net commission income decreased by 7 per cent to EUR 32.7 M (35.3). -- Total expenses increased by 1 per cent to EUR 67.4 M (66.9). -- Net impairment losses on loans (including recoveries) amounted to EUR 3.0 M (1.9), equivalent to a loan loss level of 0.11 (0.08) per cent. -- Return on equity after taxes (ROE) amounted to 9.2 (12.7) per cent. -- Earnings per share amounted to EUR 0.92 (1.25). -- The core Tier 1 capital ratio, not taking into account transitional rules, amounted to 12.1 per cent (12.0 on December 31, 2015). The third quarter of 2016 compared to the third quarter of 2015 -- Net operating profit decreased by 3 per cent to EUR 6.2 M (6.4). -- Profit for the period attributable to shareholders decreased by 2 per cent to EUR 5.0 M (5.1). -- Net interest income amounted to EUR 13.7 M (13.6). -- Net commission income amounted to EUR 10.6 M (10.5). -- Total expenses decreased by 1 per cent to EUR 21.5 M (21.6). -- Net impairment losses on loans (including recoveries) amounted to EUR 0.9 M (1.4), equivalent to a loan loss level of 0.10 (0.16) per cent. -- Return on equity after taxes (ROE) amounted to 9.2 (9.9) per cent. -- Earnings per share amounted to EUR 0.33 (0.33). Financial summary Bank of Åland Group Q3 Q2 % Q3 % Jan-Se Jan-Se % 2016 2016 2015 p p 2015 2016 EUR M Income Net interest income 13.7 13.5 1 13.6 0 41.1 39.2 5 Net commission income 10.6 10.8 -2 10.5 0 32.7 35.3 -7 Net income from financial 0.5 1.9 -71 1.5 -64 3.9 5.5 -30 items at fair value Other income 3.8 3.9 -3 3.8 0 11.5 12.4 -8 Total income 28.5 30.1 -5 29.4 -3 89.2 92.4 -3 Staff costs -13.3 -14.7 -10 -13.2 1 -42.2 -40.9 3 Other expences -6.7 -7.7 -12 -6.7 0 -20.8 -20.6 1 Depreciation/amortisation -1.5 -1.5 -2 -1.7 -14 -4.5 -5.3 -16 Total expenses -21.5 -23.8 -10 -21.6 -1 -67.4 -66.9 1 Profit before impairment 7.1 6.3 13 7.8 -9 21.8 25.6 -15 losses Impairment losses on -0.9 -1.7 -48 -1.4 -37 -3.0 -1.9 58 loans and other commitments Net operating profit 6.2 4.6 35 6.4 -3 18.8 23.6 -21 Income taxes -1.2 -1.1 11 -1.3 -6 -4.0 -4.6 -13 Profit for the report 5.0 3.5 43 5.1 -2 14.8 19.0 -22 period Attributable to: Shareholders in Bank of 5.0 3.5 43 5.1 -2 14.8 19.0 -22 Åland Plc Volume Lending to the public 3,692 3,629 2 3,531 5 Deposits from the public 2,897 2,894 0 2,611 11 1 Investment volume 2 6,634 6,328 5 6,502 2 Equity capital 217 212 2 208 5 Balance sheet total 4,909 4,718 4 4,499 9 Risk exposure amount 1,538 1,500 3 1,558 -1 Financial ratios Return on equity after 9.2 6.5 9.9 9.2 12.7 taxes, % (ROE) 3 Expences/income ratio 4 0.75 0.79 0.73 0.76 0.72 Loan loss level, % 5 0.10 0.19 0.16 0.11 0.08 Gross non-performing 0.90 0.65 0.80 receivables, % 6 Level of provisions for 39 51 35 doubtful receivables, %7 Core funding ratio, % 8 90 94 99 Equity/assets ratio, % 9 4.4 4.5 4.6 Tier 1 capital ratio, % 12.1 12.4 11.9 10 Earnings per share, EUR 0.33 0.23 43 0.33 -3 0.92 1.25 -26 11 Earnings per share after 0.32 0.23 42 0.33 -3 0.92 1.25 -27 dilution, EUR Equity capital per share, 14.20 13.90 2 13.66 4 EUR 12 Equity capital per share 14.07 13.81 2 13.60 3 after dilution, EUR Market price per Series A 14.10 13.86 2 17.48 -19 share, EUR Market price per Series B 13.58 13.74 -1 16.40 -17 share, EUR Number of shares 15,299 15,267 0

15,208 1 outstanding (not own shares), 000s Number of shares 15,540 15,477 0 15,338 1 outstanding (not own shares), after dilution, 000s Working hours 690 690 0 667 3 682 661 3 re-calculated to full-time equivalent positions 1 Deposits from the public and public sector entities, including certificates of deposit, index bonds and debentures issued to the public 2 Investment volume encompassed 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 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 / Average number of shares 12 Equity capital / Number of shares less own shares on closing day The Bank of Åland (Ålandsbanken) follows the disclosure procedure stipulated in "Disclosure obligation of the issuer (7/2013)", published by the Finnish Financial Supervisory Authority and hereby publishes its Interim Report for the period January - September 2016, which is enclosed with this stock exchange release. The Bank's Interim Report for the period January - September 2016 is attached to this release in PDF format and is also available on the company's web site at [https://www.alandsbanken.com/uploads/pdf/result/en\\_resultat\\_jan-sep\\_16.pdf](https://www.alandsbanken.com/uploads/pdf/result/en_resultat_jan-sep_16.pdf) Mariehamn, October 25, 2016 THE BOARD OF DIRECTORS For more information please contact: Peter Wiklöf, Managing Director and Chief Executive, Bank of Åland, tel. + 358 (0)40 512 7505