ÅLANDSBANKEN

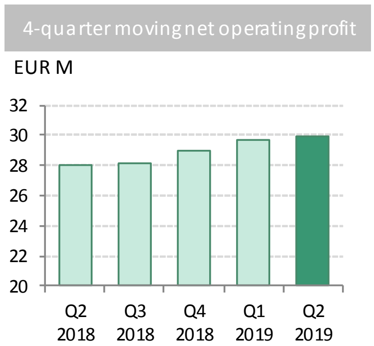
Half-Year Financial Report

For the period January-June 2019 • July 18, 2019

January–June 2019

Compared to January - June 2018

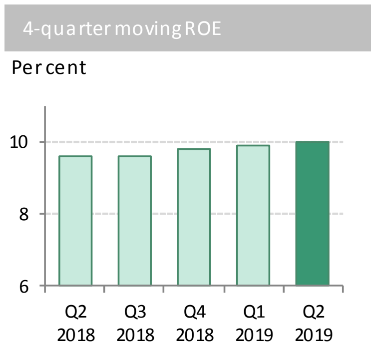
- Net operating profit increased by 7 per cent to EUR 14.5 M (13.6).
- Profit for the period attributable to shareholders rose by 8 per cent to EUR 11.5 M (10.6).
- Net interest income decreased by 5 per cent to EUR 26.5 M (27.9).
- Net commission income increased by 1 per cent to EUR 27.9 M (27.7).
- Total expenses decreased by 3 per cent to EUR 49.4 M (51.1).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.6 M (0.7), equivalent to a loan loss level of 0.03 (0.03) per cent.
- Return on equity after taxes (ROE) amounted to 9.6 (9.3) per cent.
- Earnings per share increased to EUR 0.74 (0.69).
- The common equity Tier 1 ratio amounted to 13.3 per cent (13.0 on December 31, 2018).
- Unchanged future outlook: The Bank of Åland expects its net operating profit in 2019 to be at about the same level as in 2018.

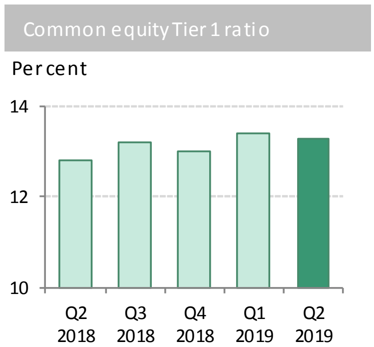


The second quarter of 2019

Compared to the second quarter of 2018

- Net operating profit increased by 4 per cent to EUR 8.7 M (8.4).
- Profit for the period attributable to shareholders rose by 5 per cent to EUR 6.9 M (6.6).
- Net interest income decreased by 3 per cent to EUR 13.4 M (13.8).
- Net commission income increased by 3 per cent to EUR 13.8 M (13.4).
- Total expenses decreased by 1 per cent to EUR 23.4 M (23.6).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.2 M (0.5), equivalent to a loan loss level of 0.01 (0.05) per cent.
- Return on equity after taxes (ROE) amounted to 11.5 (11.5) per cent.
- Earnings per share amounted to EUR 0.45 (0.43).





"In terms of earnings, one of our best quarters ever. Net commission income and total expenses developed satisfactorily. Net interest income decreased due to a lower risk level, where we actively downweighted high-margin lending for commercial properties in favour of lending to private individuals. Net commission income has now surpassed net interest income in size, which shows our ability to generate income from less capital-intensive operations."

Peter Wiklöf, Managing Director and Chief Executive

The Bank of Åland is a bank with strong customer relationships and personalised 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.

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Business Identity Code: 0145019-3. Telephone: +358 204 29 011. Website: www.alandsbanken.fi

Financial summary

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
Income								
Net interest income	13.4	13.2	2	13.8	-3	26.5	27.9	-5
Net commission income	13.8	14.1	-2	13.4	3	27.9	27.7	1
Net income from financial items at fair value	0.8	0.4	85	0.9	-18	1.2	1.3	-12
Other income	4.3	4.6	-6	4.4	-1	8.9	8.5	5
Total income	**32.3**	**32.3**	**0**	**32.5**	**-1**	**64.6**	**65.4**	**-1**
Staff costs	-14.5	-14.5	0	-14.5	0	-29.0	-29.5	-2
Other expences	-6.0	-8.7	-31	-7.3	-18	-14.8	-17.9	-17
Depreciation/amortisation	-2.8	-2.8	-1	-1.8	54	-5.7	-3.7	54
Total expenses	**-23.4**	**-26.0**	**-10**	**-23.6**	**-1**	**-49.4**	**-51.1**	**-3**
Profit before impairment losses	**8.9**	**6.2**	**43**	**8.9**	**0**	**15.1**	**14.3**	**6**
Impairment losses on financial assets, net	-0.2	-0.4	-62	-0.5	-64	-0.6	-0.7	-9
Net operating profit	**8.7**	**5.8**	**51**	**8.4**	**4**	**14.5**	**13.6**	**7**
Income taxes	-1.8	-1.2	47	-1.8	-2	-3.0	-2.9	2
Profit for the report period	**6.9**	**4.6**	**51**	**6.6**	**5**	**11.5**	**10.6**	**8**
Attributable to:								
Shareholders in Bank of Åland Plc	**6.9**	**4.6**	**52**	**6.6**	**5**	**11.5**	**10.6**	**8**
Volume								
Receivables from the public and public sector	4,001	4,017	0	3,963	1			
Deposits from the public and public sector	3,225	3,107	4	3,095	4			
Actively managed assets [1]	5,637	5,476	3	5,650	0			
Equity capital	242	247	-2	229	5			
Balance sheet total	5,514	5,542	-1	5,301	4			
Risk exposure amount	1,577	1,548	2	1,575	0			
Financial ratios								
Return on equity after taxes, % (ROE) [2]	11.5	7.6		11.5		9.6	9.3	
Return on equity after taxes, % (ROE), moving 12-month average to end of report period	10.0	9.9		9.4				
Expense/income ratio [3]	0.72	0.81		0.73		0.77	0.78	
Loan loss level, % [4]	0.01	0.05		0.05		0.03	0.03	
Liquidity coverage ratio (LCR), % [5]	165	171		135				
Loan/deposit ratio, % [6]	124	129		128				
Core funding ratio, % [7]	89	90		90				
Equity/assets ratio, % [8]	4.4	4.5		4.3				
Common equtiy Tier 1 capital ratio, % [9]	13.3	13.4		12.7				
Earnings per share, EUR [10]	0.45	0.30	51	0.43	5	0.74	0.69	8
Earnings per share after dilution, EUR	0.45	0.30	51	0.42	5	0.74	0.68	8
Earnings per share, EUR, moving 12-month average to end of report period	1.54	1.52	1	1.40	10			
Equity capital per share, EUR [11]	15.59	15.91	-2	14.85	5			
Equity capital per share after dilution, EUR	15.54	15.86	-2	14.75	5			
Market price per Series A share, EUR	14.60	15.10	-3	14.50	1			
Market price per Series B share, EUR	14.55	14.20	2	13.50	8			
Number of shares outstanding, 000s	15,525	15,525		15,448	1			
Number of shares outstanding, after dilution, 000s	15,595	15,595	0	15,586	0			
Working hours re-calculated to full-time equivalent positions	702	683	3	693	1	694	686	1

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

Comments

MACRO SITUATION

The first half of 2019 continued to be dominated by uncertainty connected to trade policy, Brexit and economic performance. Inflation pressures remain subdued, and growth has cooled globally. The Finnish economy keeps expanding, but its growth rate is slowing. The European Central Bank announced that no key interest hike will occur during 2019. Long-term market yields have fallen substantially. German 10-year government bond yields are now negative. In the United States, the spread between 1-year and 10-year Treasury yields has almost completely disappeared.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q2 2019	Q1 2019	Q2 2018
Euribor 3 mo	-0.32	-0.31	-0.33
Euribor 12 mo	-0.15	-0.11	-0.19
Stibor 3 mo	-0.02	-0.07	-0.37

After a shaky ending to 2018, the world's stock markets have been dominated by a powerful recovery so far in 2019. During the first half of this year, share prices according to the Nasdaq Helsinki (OMXHPI) equity index rose by 6 per cent and according to the Nasdaq Stockholm (OMXSPI) index by 17 per cent.

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

IMPORTANT EVENTS

During the second quarter of 2019, the Bank of Åland signed a declaration of intent to form a new Swedish mortgage company. The declaration of intent was also signed by a number of other parties, and the aim is to conclude a binding agreement early in the autumn. The Bank of Åland's subsidiary Crosskey Banking Solutions has been chosen as the IT systems supplier and integrator for the mortgage company. The other participating parties will be announced when an agreement is finally concluded.

Efforts to foster a sustainable environment are continuing. In April, the Bank was included for the first time in Europe's largest brand study on sustainability, the Sustainable Brand Index. Statistics for 2018 now show that the Bank of Åland decreased its carbon footprint by about 14 per cent compared to the preceding year. The Bank thereby exceeded its target, which was a decrease of 10 per cent.

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

As part of its responsible investment strategy, the Bank of Åland has launched a new sustainable bond fund, Ålandsbanken Green Bond ESG. The fund invests in green bonds and in bonds issued by companies with the best sustainability ratings. The aim of the fund's operations is to offer an opportunity for fund investors to earn a competitive fixed income return in an environmentally sound and sustainable manner.

The Annual General Meeting (AGM) on April 3, 2019 re-elected the Board of Directors consisting of Nils Lampi, Christoffer Taxell, Åsa Ceder, Anders Å. Karlsson, Göran Persson, Ulrika Valassi and Anders Wiklöf. At the statutory meeting of the Board the same day, Nils Lampi was elected as Chairman and Christoffer Taxell as Deputy Chairman of the Board. On April 29, Göran Persson resigned from the Board in light of his nomination as Chairman of the Board of Swedbank AB (publ). The election of a new Board member is being postponed until the next AGM.

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

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

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

EARNINGS FOR JANUARY – JUNE 2019

Profit for the period attributable to shareholders increased by EUR 0.9 M or 8 per cent to EUR 11.5 M (10.6).

In accordance with the prevailing regulator-based reporting interpretations, and in line with other Finnish banks, starting in 2019 the Bank of Åland has chosen to recognise the entire annual cost of the stability fee in the first quarter, when liability for this fee arises, instead of applying a straight-line accrual of this cost over the four quarters of the year. The estimated annual cost in the first quarter amounted to EUR 2.3 M. During the second quarter, the final fee was set at EUR 1.8 M. The Bank of Åland's earnings will thus show greater seasonal variations, with weaker first quarter earnings. Historical periods have been restated for the sake of comparability. If there had been a straight-line accrual of the stability fee, profit for the period attributable to shareholders would have amounted to EUR 12.2 M (11.7).

Net operating profit increased by EUR 0.9 M or 7 per cent to EUR 14.5 M (13.6).

Return on equity after taxes (ROE) increased to 9.6 per cent (9.3). If there had been a straight-line accrual of the stability fee, ROE would have amounted to 10.2 per cent (10.2).

Total income fell by EUR 0.8 M or 1 per cent to EUR 64.6 M (65.4). The weaker Swedish krona explained EUR 0.7 M of the decrease in income when converted to euros.

Net interest income fell by EUR 1.4 M or 5 per cent to EUR 26.5 M (27.9). The decrease primarily came from Swedish operations, with the depreciation of the krona together with a narrower lending margin – due to a reweighting towards lower risk in the portfolio – adversely affecting net interest income. In addition, because of IFRS 16, leases are now recognised as an estimated interest expense plus an estimated depreciation, instead of as an operating expense.

Net commission income increased by EUR 0.2 M or 1 per cent to EUR 27.9 M (27.7), mainly as a consequence of higher mutual fund commissions.

Net income on financial items was at an unchanged level, amounting to EUR 1.2 M (1.3).

Information technology (IT) income rose by EUR 0.5 M or 6 per cent to EUR 8.6 M (8.1), primarily due to increased project income at Crosskey, the Bank's IT subsidiary.

Total expenses fell by EUR 1.7 M or 3 per cent to EUR 49.4 M (51.1). The stability fee decreased by EUR 0.8 M or 31 per cent to EUR 1.8 M. Staff costs fell by EUR 0.5 M or 2 per cent, mainly thanks to lower severance pay expenses. IT expenses decreased by EUR 0.5 M or 7 per cent, principally because of lower project expenses. Depreciation rose by a full EUR 2.0 M or 54 per cent, which was largely explained by reclassification of lease expenses in compliance with IFRS 16. Amortisation related to intangible assets also increased. If the SEK/EUR exchange rate had been unchanged, total expenses would have decreased by EUR 1.1 M or 2 per cent.

Net impairment losses on financial assets decreased by EUR 0.1 M to EUR 0.6 M (0.7), equivalent to a loan loss level of 0.03 per cent (0.03).

Tax expense amounted to EUR 3.0 M (2.9), equivalent to an effective tax rate of 20.7 (21.7) per cent.

EARNINGS FOR THE SECOND QUARTER 2019

Profit for the period attributable to shareholders amounted to EUR 6.9 M (6.6), which was an increase of EUR 0.3 M or 5 per cent from the second quarter of 2018. Net operating profit increased by EUR 0.3 M or 4 per cent to EUR 8.7 M (8.4).

Return on equity after taxes (ROE) amounted to 11.5 (11.5) per cent.

Total income decreased by EUR 0.2 M or 1 per cent to EUR 32.3 M (32.5). If the SEK/EUR exchange rate had been unchanged, total income would have increased by EUR 0.1 M.

Net interest income fell by EUR 0.4 M or 3 per cent to EUR 13.4 M (13.8), which is primarily explained by the krona depreciation in Swedish operations, together with a narrower lending margin.

Net commission income increased by EUR 0.4 M or 3 per cent to EUR 13.8 M (13.4), mainly as a consequence of higher mutual fund commissions.

Net income on financial items was at an unchanged level, amounting to EUR 0.8 M (0.9).

IT income was unchanged and amounted to EUR 4.1 M (4.1).

Total expenses fell by EUR 0.2 M or 1 per cent to EUR 23.4 M (23.6). The stability fee was finally set during the second quarter, which contributed a decrease of EUR 0.5 M in expenses. The weaker Swedish krona resulted in EUR 0.3 M lower expenses than in the same period of 2018.

Net impairment losses on financial assets amounted to EUR 0.2 M (0.5), equivalent to a loan loss level of 0.01 per cent (0.05).

STRATEGIC BUSINESS AREAS

The Group's EUR 0.9 M increase in net operating profit to EUR 14.5 M was allocated as follows:

- Private Banking -0.3 (higher loan losses)
- Premium Banking +0.4 (lower expenses)
- IT +0.5 (higher project income)
- Corporate Units & Eliminations +0.3 (lower expenses)

BUSINESS VOLUME

Actively managed assets on behalf of customers increased by EUR 460 M or 9 per cent compared to year-end 2018, primarily thanks to higher market values, and amounted to EUR 5,637 M (5,177).

Deposits from the public fell by EUR 78 M or 2 per cent from year-end 2018 and amounted to EUR 3,225 M (3,304). The decrease was primarily related to deposits from financial companies.

Receivables from the public were essentially unchanged compared to year-end 2018 and amounted to EUR 4,001 M (4,022).

CREDIT QUALITY

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

Stage 3 loans increased during the report period by EUR 1.3 M to EUR 21.0 M. Stage 3 loans as a share of gross lending to the public totalled 0.52 per cent (0.49 on December 31, 2018). The level of provisions for Stage 3 loans amounted to 43 (47) per cent.

The Bank of Åland Group had EUR 10.9 M (11.3 on December 31, 2018) in impairment loss provisions, of which EUR 0.7 M (0.9) in Stage 1; EUR 1.1 M (1.2) in Stage 2 and EUR 9.1 M (9.3) in Stage 3.

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve in the form of cash and deposits with the central bank, account balances and investments with other banks, liquid interest-bearing securities plus holdings of unencumbered covered bonds issued by the Bank amounted to EUR 1,171 M on June 30, 2019 (1,195 on

December 31, 2018). This was equivalent to 21 (22) per cent of total assets and 29 (30) per cent of receivables from the public.

In March, the Bank of Åland issued EUR 300 M in covered bonds with a five-year maturity. In March, SEK 1,000 M in covered bonds matured. In June, EUR 100 M in covered bonds matured. In December, a further SEK 750 M in covered bonds will mature. On June 30, the average remaining maturity of bonds outstanding was about 2.9 (2.7) years.

On June 30 the Bank of Åland's core funding ratio, defined as receivables from the public divided by deposits from the public – including certificates of deposit, index bonds and subordinated debentures issued to the public, as well as covered bonds issued – amounted to 89 (90) per cent.

The loan/deposit ratio amounted to 124 (122) per cent.

Of the Bank of Åland's external funding sources aside from equity capital, deposits from the public accounted for 63 (64) per cent and covered bonds issued accounted for 24 (22) per cent.

The liquidity coverage ratio (LCR) amounted to 165 (120) per cent.

The net stable funding ratio (NSFR) amounted to 117 (113) per cent.

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

EQUITY AND CAPITAL ADEQUACY
During the report period, equity capital changed in the amount of profit for the period, EUR 11.5 M; other comprehensive income, EUR -1.5 M; the issuance of new shares as part of the incentive programme, EUR 0.4 M; EUR 0.1 M related to the share savings programme; and payment to shareholders of a dividend totalling EUR -10.9 M. On June 30, 2019, equity capital amounted to EUR 242.0 M (242.4).

Other comprehensive income included re-measurements of defined-benefit pension plans by EUR -1.8 M after taxes, in compliance with IAS 19.

Common equity Tier 1 capital rose by EUR 5.5 M or 3 per cent during the first half of 2019 to EUR 209.9 M (204.4), mainly thanks to comprehensive income for the period.

The risk exposure amount was at an unchanged level and amounted to EUR 1,577 M (1,578). IFRS 16 led to an increase in the risk exposure amount by EUR 14 M. The risk exposure amount for credit risk, excluding the risk weight floor for mortgage loans and IFRS 16, decreased by EUR 17 M, while the risk exposure amount for the risk weight floor related to mortgage loans decreased by EUR 5 M. The operational risk exposure amount, calculated using a three-year moving average of the Group's income, increased by EUR 7 M.

The common equity Tier 1 capital ratio increased to 13.3 (13.0) per cent. Since the Bank of Åland has no hybrid capital, its common equity Tier 1 capital ratio is the same as its Tier 1 capital ratio.

The total capital ratio increased to 15.6 (15.4) per cent.

In addition to the basic capital requirement, various buffer requirements apply. These are mainly imposed by national regulatory authorities. The capital conservation buffer requirement, 2.5 per cent of common equity Tier 1 capital, applies in all European Union countries. The countercyclical capital buffer requirement may vary between 0-2.5 per cent. For Finnish exposures, 0.0 per cent currently applies. For Swedish exposures, the requirement will be raised from 2.0 per cent to 2.5 per cent starting on September 19, 2019.

The Finnish FSA has identified systemically important institutions in Finland and has imposed individual buffer requirements for them. The Bank of Åland is not included in the buffer requirements for systemically important institutions.

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

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

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

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

In relation to the above-mentioned buffer requirements, the Bank of Åland has a substantial capital surplus:

- Common equity Tier 1 capital ratio 2.6 per cent
- Tier 1 capital ratio 1.1 per cent
- Total capital ratio 1.4 per cent

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

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD
No important events have occurred since 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.

UNCHANGED FUTURE OUTLOOK

The Bank of Åland expects its net operating profit in 2019 to be at about the same level as in 2018.

The Bank of Åland is especially dependent on developments in the fixed income and stock markets. There is concern about the economic trends in various important markets. For this reason, there is significant uncertainty in the Bank's current forecast of the future.

FINANCIAL INFORMATION

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

Mariehamn, July 18, 2019
THE BOARD OF DIRECTORS

Table of contents, financial information

Notes

Summary income statement

Group	Note	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M									
Net interest income	6	13.4	13.2	2	13.8	-3	26.5	27.9	-5
Net commission income	7	13.8	14.1	-2	13.4	3	27.9	27.7	1
Net income from financial items at fair value	8	0.8	0.4	85	0.9	-18	1.2	1.3	-12
IT income		4.1	4.5	-8	4.1	0	8.6	8.1	6
Other operating income		0.2	0.1	83	0.2	-16	0.3	0.3	-1
Total income		**32.3**	**32.3**	**0**	**32.5**	**-1**	**64.6**	**65.4**	**-1**
Staff costs		-14.5	-14.5	0	-14.5	0	-29.0	-29.5	-2
Other expenses	9	-6.0	-8.7	-31	-7.3	-18	-14.8	-17.9	-17
Depreciation/amortisation		-2.8	-2.8	-1	-1.8	54	-5.7	-3.7	54
Total expenses		**-23.4**	**-26.0**	**-10**	**-23.6**	**-1**	**-49.4**	**-51.1**	**-3**
Profit before impairment losses		**8.9**	**6.2**	**43**	**8.9**	**0**	**15.1**	**14.3**	**6**
Impairment losses on financial assets, net	10	-0.2	-0.4	-62	-0.5	-64	-0.6	-0.7	-9
Net operating profit		**8.7**	**5.8**	**51**	**8.4**	**4**	**14.5**	**13.6**	**7**
Income taxes		-1.8	-1.2	47	-1.8	-2	-3.0	-2.9	2
Profit for the period		**6.9**	**4.6**	**51**	**6.6**	**5**	**11.5**	**10.6**	**8**
Attributable to:									
Non-controlling interests		0.0	0.0		0.0		0.0	0.0	
Shareholders in Bank of Åland Plc		**6.9**	**4.6**	**52**	**6.6**	**5**	**11.5**	**10.6**	**8**
Earnings per share, EUR		0.45	0.30	51	0.43	5	0.74	0.69	8
Earnings per share after dilution, EUR		0.45	0.30	51	0.42	5	0.74	0.68	8
Earnings per share, EUR, moving 12-month average to end of report period		1.54	1.52	1	1.40	10			

Summary statement of other comprehensive income

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
Profit for the period	**6.9**	**4.6**	**51**	**6.6**	**5**	**11.5**	**10.6**	**8**
Cash flow hedge								
Changes in valuation at fair value				-0.6	-100		1.7	-100
Transferred to the income statement				0.6	-100		-1.6	-100
Assets measured via other comprehensive income								
Changes in valuation at fair value	1.5	1.7	-10	-0.6		3.2	-0.7	
Realised change in value							0.0	-100
Transferred to the income statement	-0.3	-0.3	-10	-0.7	-52	-0.7	-0.7	1
Translation differences								
Gains/Losses arising during the period	-0.9	-0.8	8	-0.8	12	-1.7	-0.3	
of which hedging of net investment in foreign operations				0.0	-100		2.6	-100
Taxes on items that have been or may be reclassified to the income statement	-0.2	-0.3	-10	0.2		-0.5	-0.3	87
of which cash flow hedges				0.0	-100		0.0	-100
of which assets measured via other comprehensive income	-0.2	-0.3	-10	0.2		-0.5	0.3	
of which hedging of net investments in foreign operations				0.0	-100		-0.5	-100
Items that have been or may be reclassified to the income statement	**0.1**	**0.2**	**-71**	**-1.7**		**0.3**	**-1.8**	
Changes in value of equity instruments	0.0	0.0	-99	0.0		0.0	-0.1	
Re-measurements of defined benefit pension plans	-1.4	-0.8	73	-0.6		-2.3	-0.2	
Taxes on items that may not be reclassified to the income statement	0.3	0.2	78	0.1		0.5	0.1	
of which changes in value of equity instruments	0.0	0.0	-99	0.0		0.0	0.0	
of which re-measurements of defined-benefit pension plans	0.3	0.2	73	0.1		0.5	0.0	
Items that may not be reclassified to the income statement	**-1.2**	**-0.6**	**78**	**-0.5**		**-1.8**	**-0.2**	
Other comprehensive income	**-1.1**	**-0.4**		**-2.2**	**-50**	**-1.5**	**-2.0**	**-26**
Total comprehensive income for the period	**5.9**	**4.2**	**40**	**4.4**	**33**	**10.0**	**8.6**	**16**
Attributable to:								
Non-controlling interests	0.0	0.0		0.0		0.0	0.0	
Shareholders in Bank of Åland Plc	**5.9**	**4.2**	**40**	**4.4**	**33**	**10.0**	**8.6**	**16**

Income statement by quarter

Group	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
EUR M					
Net interest income	13.4	13.2	13.3	13.3	13.8
Net commission income	13.8	14.1	13.9	12.7	13.4
Net income from financial items at fair value	0.8	0.4	0.2	-0.1	0.9
IT income	4.1	4.5	4.4	3.8	4.1
Other operating income	0.2	0.1	0.4	0.2	0.2
Total income	**32.3**	**32.3**	**32.3**	**30.0**	**32.5**
Staff costs	-14.5	-14.5	-14.3	-13.2	-14.5
Other expenses	-6.0	-8.7	-8.5	-7.0	-7.3
Depreciation/amortisation	-2.8	-2.8	-1.8	-1.8	-1.8
Total expenses	**-23.4**	**-26.0**	**-24.6**	**-22.1**	**-23.6**
Profit before impairment losses	**8.9**	**6.2**	**7.7**	**7.9**	**8.9**
Net impairment losses on financial assets, net	-0.2	-0.4	0.1	-0.3	-0.5
Net operating profit	**8.7**	**5.8**	**7.7**	**7.7**	**8.4**
Income taxes	-1.8	-1.2	-1.5	-1.6	-1.8
Profit for the period	**6.9**	**4.6**	**6.2**	**6.1**	**6.6**
Attributable to:					
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Shareholders in Bank of Åland Plc	**6.9**	**4.6**	**6.2**	**6.1**	**6.6**

Summary balance sheet

Group	Note	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M						
Assets						
Cash and balances with central banks		395	507	-22	464	-15
Debt securities eligible for refinancing with central banks		887	815	9	656	35
Receivables from credit institutions		85	80	6	94	-10
Receivables from the public and public sector	11, 12	4,001	4,022	-1	3,963	1
Shares and participations		3	3	34	0	
Participations in associated companies		0	0	-17	0	27
Derivative instruments	15	24	15	54	18	33
Intangible assets		21	22	-2	17	25
Tangible assets	3	34	22	54	23	49
Investment properties		0	0		0	-3
Current tax assets		1	1	-5	1	-40
Deferred tax assets		6	5	6	6	4
Other assets		33	44	-24	37	-9
Accrued income and prepayments		23	21	8	22	3
Total assets		**5,514**	**5,558**	**-1**	**5,301**	**4**
Liabilities						
Liabilities to credit institutions		191	250	-24	203	-6
Liabilities to the public and public sector	13	3,225	3,304	-2	3,095	4
Debt securities issued	13, 14	1,668	1,588	5	1,591	5
Derivative instruments	15	12	8	43	15	-22
Current tax liabilities		2	2	-9	1	59
Deferred tax liabilities		30	28	6	27	10
Other liabilities	3	68	57	18	57	19
Provisions		0	0	-70	1	-93
Accrued expenses and prepaid income		33	31	8	32	4
Subordinated liabilities	13	44	47	-6	50	-12
Total liabilities		**5,272**	**5,315**	**-1**	**5,072**	**4**
Equity capital and non-controlling interests						
Share capital		42	42	0	42	0
Share premium account		33	33		33	
Reserve fund		25	25		25	
Fair value reserve		0	-1	-63	-1	-69
Unrestricted equity capital fund		27	27	1	27	1
Retained earnings		115	116	-1	103	11
Shareholders´ portion of equity capital		**242**	**242**	**0**	**229**	**5**
Non-controlling interests´ portion of equity capital		0	0	-16	0	-9
Total equity capital		**242**	**242**	**0**	**229**	**5**
Total liabilities and equity capital		**5,514**	**5,558**	**-1**	**5,301**	**4**

Statement of changes in equity capital

Group											
EUR M	Share capital	Share premium account	Reserve fund	Hedging reserve	Fair value reserve	Translation differance	Unrestricted equity capital fund	Retained earnings	Shareholders´ portion of equity capital	Non-controlling interests´ portion of equity capital	Total
Equity capital, Dec 31, 2017	**41.9**	**32.7**	**25.1**	**0.0**	**1.8**	**-0.6**	**26.9**	**105.7**	**233.6**	**0.0**	**233.6**
Adjustment for application of IFRS 9					0.1			-3.2	-3.1		-3.1
Equity capital, Jan 1, 2018	**41.9**	**32.7**	**25.1**	**0.0**	**1.9**	**-0.6**	**26.9**	**102.5**	**230.5**	**0.0**	**230.5**
Profit for the period								10.6	10.6	0.0	10.6
Other comprehensive income				0.0	-1.1	-0.9		-0.1	-2.0		-2.0
Transactions with the Group's owners											
Dividends paid								-10.0	-10.0		-10.0
Incentive programme	0.0						0.1	0.0	0.2		0.2
Share savings programme								0.2	0.2		0.2
Equity capital, Jun 30, 2018	**42.0**	**32.7**	**25.1**		**0.8**	**-1.5**	**27.1**	**103.2**	**229.5**	**0.0**	**229.5**
Profit for the period								12.3	12.3	0.0	12.3
Other comprehensive income					-1.0	1.1		0.4	0.5		0.5
Transactions with the Group's owners											
Share savings programme								0.1	0.1		0.1
Equity capital, Dec 31, 2018	**42.0**	**32.7**	**25.1**		**-0.1**	**-0.4**	**27.1**	**116.0**	**242.4**	**0.0**	**242.4**
Profit for the period								11.5	11.5	0.0	11.5
Other comprehensive income					2.0	-1.7		-1.8	-1.5		-1.5
Transactions with the Group's owners											
Dividends paid								-10.9	-10.9		-10.9
Incentive programme	0.1						0.3	0.0	0.4		0.4
Share savings programme								0.1	0.1		0.1
Equity capital, Jun 30, 2019	**42.0**	**32.7**	**25.1**		**1.9**	**-2.1**	**27.4**	**114.9**	**242.0**	**0.0**	**242.0**

Summary cash flow statement

Group	Jan-Jun 2019		Jan-Dec 2018		Jan-Jun 2018	
EUR M						
Cash flow from operating activities						
Net operating profit	14.5		29.0		13.6	
Adjustment for net operating profit items not affecting cash flow	8.7		12.6		6.1	
Gains/losses from investing activities	0.0		-0.1		0.0	
Income taxes paid	-1.9		-1.1		-0.6	
Changes in assets and liabilities in operating activities	-213.1	-191.8	-124.4	-84.0	-28.7	-9.6
Cash flow from investing activities		-4.0		-11.9		-2.6
Cash flow from financing activities		87.4		54.3		-43.6
Exchange rate differences in cash and cash equivalents		-3.8		-3.7		-5.4
Change in cash and cash equivalents		**-112.2**		**-45.3**		**-61.2**
Cash and cash equivalents at beginning of period		541.0		586.4		586.4
Cash and cash equivalents at end of period		428.9		541.0		525.1
Change in cash and cash equivalents		**-112.2**		**-45.3**		**-61.2**

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 in the Åland Islands, elsewhere in Finland and in Sweden. 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 Half-Year Financial Report for the period January 1–June 30, 2019 was approved by the Board of Directors on July 17, 2019.

2. Basis for preparation of the Half-Year Financial Report and essential accounting principles

BASIS FOR PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This Half-Year Financial Report for the period January 1–June 30, 2019 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and International Accounting Standard IAS 34, "Interim Financial Reporting", which have been adopted by the European Union.

The Half-Year Financial Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2018.

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

ESSENTIAL ACCOUNTING PRINCIPLES

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

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

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

Due to the introduction of IFRS 16, tangible assets related to right-of-use increased by EUR 14 M and the risk exposure amount increased by the equivalent amount. For an account of the transitional effects, see Note 3. The Bank of Åland is applying the modified retrospective approach. No comparative figures have been restated.

The most significant effect of IFRS 16 is that the Bank of Åland is reporting new assets and liabilities for its operational leases related to banking and office premises. Lease liabilities are initially being calculated upon the transition to the present value of future lease payments discounted using the incremental borrowing rate on the introductory date of January 1, 2019. Right-of-use assets are initially being recognised at an amount equal to the lease liability.

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

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

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

ESTIMATES AND JUDGEMENTS

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

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

3. Transition to IFRS 16

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

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

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

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

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

4. Segment report

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

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

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

Group	Jan-Jun 2019					
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	11.5	12.9	0.0	2.2	0.0	26.5
Net commission income	20.6	6.0	0.0	1.1	0.3	27.9
Net income from financial items at fair value	0.1	0.0	0.0	1.1	0.0	1.2
IT income			16.5		-7.9	8.6
Other income	0.0	0.0	0.5	0.5	-0.6	0.3
Total income	**32.3**	**18.9**	**16.9**	**4.8**	**-8.3**	**64.6**
Staff costs	-7.5	-3.2	-8.8	-9.5	0.0	-29.0
Other expenses	-4.4	-2.6	-5.7	-8.6	6.5	-14.8
Depreciation/amortisation	-0.4	-0.2	-1.3	-4.8	1.0	-5.7
Internal allocation of expenses	-10.2	-8.8		19.0	0.0	0.0
Total expenses	**-22.5**	**-14.8**	**-15.9**	**-3.8**	**7.5**	**-49.4**
Profit before impairment losses	**9.8**	**4.1**	**1.0**	**1.0**	**-0.8**	**15.1**
Net impairment losses on financial assets, net	-0.2	-0.1		-0.2		-0.6
Net operating profit	**9.5**	**4.0**	**1.0**	**0.7**	**-0.8**	**14.5**
Income taxes	-2.0	-0.8	-0.2	0.0		-3.0
Profit for the period attributable to shareholders in Bank of Åland Plc	**7.6**	**3.2**	**0.8**	**0.7**	**-0.8**	**11.5**
Business volume						
Receivables from the public and public sector	1,755	2,245		22	-20	4,001
Deposits from the public and public sector	1,635	1,553		60	-23	3,225
Actively managed assets	5,274	360		2		5,637
Risk exposure amount	685	623	36	234		1,577
Equity capital	95	88	13	46		242
Financial ratios etc.						
Return on equity after taxes, % (ROE)	16.5	7.3	12.7	3.0		9.6
Expense/income ratio	0.70	0.78	0.94	0.80		0.77

Group			Jan-Jun 2018			
EUR M	Private Banking	Premium Banking	IT	Corporate and Other	Eliminations	Total
Net interest income	12.8	13.0	0.0	2.1	0.0	27.9
Net commission income	21.0	5.9	0.0	0.6	0.1	27.7
Net income from financial items at fair value	0.0		0.0	1.4	-0.1	1.3
IT income			16.3		-8.1	8.1
Other income	0.0	0.1	0.2	0.5	-0.5	0.3
Total income	**33.9**	**19.0**	**16.4**	**4.6**	**-8.6**	**65.4**
Staff costs	-8.1	-3.3	-8.5	-9.7	0.0	-29.5
Other expenses	-4.6	-3.0	-5.9	-11.6	7.2	-17.9
Depreciation/amortisation	-0.1	-0.2	-1.5	-2.7	0.9	-3.7
Internal allocation of expenses	-11.2	-8.6		19.7		0.0
Total expenses	**-24.0**	**-15.1**	**-15.9**	**-4.3**	**8.1**	**-51.1**
Profit before impairment losses	**10.0**	**3.9**	**0.5**	**0.4**	**-0.5**	**14.3**
Net impairment losses on financial assets, net	-0.1	-0.4		-0.2	0.0	-0.7
Net operating profit	**9.9**	**3.6**	**0.5**	**0.1**	**-0.5**	**13.6**
Income taxes	-2.0	-0.7	-0.1	-0.1		-2.9
Profit for the period attributable to shareholders in Bank of Åland Plc	**7.9**	**2.8**	**0.5**	**0.0**	**-0.5**	**10.6**
Business volume						
Receivables from the public and public sector	1,700	2,256		27	-21	3,963
Deposits from the public and public sector	1,630	1,436		46	-16	3,095
Actively managed assets	5,287	363		1		5,650
Risk exposure amount	690	645	43	197		1,575
Equity capital	89	91	14	35		229
Financial ratios etc.						
Return on equity after taxes, % (ROE)	18.5	6.4	7.6	0.1		9.3
Expense/income ratio	0.71	0.79	0.97	0.92		0.78

5. Changes in Group structure

There are no changes during the period to report.

6. Net interest income

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
Receivables from credit institutions and central banks	-0.1	0.0		-0.3	-45	-0.1	-0.5	-75
of which negative interest	-0.3	-0.2	66	-0.3	-2	-0.5	-0.5	-16
Receivables from the public and public sector entities	15.3	15.2	1	15.8	-3	30.5	31.6	-4
of which negative interest	-0,0	-0,0	-84	-0,0		-0,0	-0,0	-88
Debt securities	0.2	0.2	35	0.2	15	0.4	0.4	-4
of which negative interest	-0.1	-0.1	12	-0.1	7	-0.3	-0.3	3
Derivatives	0.2	0.2	8	0.2	17	0.4	0.4	1
Other interest income	0.0	0.0	-99	0.0	-56	0.0	0.0	
Total interest income	**15.6**	**15.5**	**0**	**15.9**	**-2**	**31.1**	**31.9**	**-2**
of which negative interest	-0.4	-0.3	42	-0.4	-2	-0.7	-0.8	-12
Liabilities to credit institutions and central banks	-0.1	-0.1	39	-0.1	-3	-0.2	-0.2	-6
of which negative interest	-0.1	-0.1	1	-0.2	-9	-0.3	-0.3	-2
Liabilities to the public	0.7	1.0	-26	0.9	-18	1.8	1.7	2
of which negative interest	-0,0	-0.1	-27	-0.1	-39	-0.1	-0.1	-39
Debt securities issued	1.0	0.9	5	0.7	33	1.9	1.3	40
of which negative interest	-0.1	-0.1	21	-0,0		-0.2	-0.2	59
Subordinated liabilities	0.3	0.3	3	0.3	16	0.7	0.5	27
Derivatives	0.3	0.2	36	0.2	15	0.5	0.6	-25
Other interest expenses	0.0	0.0	-15	0.0		0.1	0.0	
Total interest expenses	**2.2**	**2.4**	**-7**	**2.0**	**9**	**4.6**	**4.0**	**15**
of which negative interest	-0.3	-0.3	3	-0.3	-10	-0.6	-0.7	-10
Net interest income	**13.4**	**13.2**	**2**	**13.8**	**-3**	**26.5**	**27.9**	**-5**
Interest margin, per cent	1.00	0.99		1.06		0.99	1.09	
Investment margin, per cent	0.97	0.97		1.03		0.97	1.06	

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

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

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

7. Net commission income

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
Deposits	0.2	0.2	-2	0.2	6	0.4	0.4	4
Lending	0.7	0.6	13	0.8	-10	1.3	1.5	-10
Payment intermediation	2.3	2.4	-4	2.2	9	4.8	4.3	11
Mutual fund commissions	9.9	9.5	4	10.4	-5	19.4	20.9	-7
Management commissions	2.7	2.8	-3	2.7	1	5.5	5.6	-1
Securities commissions	3.0	3.4	-10	3.2	-7	6.4	7.7	-17
Other commission income	0.8	0.8	10	1.0	-12	1.6	1.7	-8
Total commission income	**19.7**	**19.7**	**0**	**20.4**	**-3**	**39.4**	**42.0**	**-6**
Payment commission expenses	-1.0	-1.0	2	-1.0	-2	-2.0	-2.0	0
Mutual fund commission expenses	-4.1	-3.8	6	-5.1	-21	-7.9	-10.5	-25
Management commission expenses	-0.2	-0.2	5	-0.2	22	-0.4	-0.4	6
Securities commission expenses	-0.4	-0.4	-2	-0.5	-13	-0.9	-1.1	-21
Other commission expenses	-0.1	-0.1	0	-0.2	-8	-0.3	-0.3	-3
Total commission expenses	**-5.9**	**-5.6**	**5**	**-7.0**	**-16**	**-11.5**	**-14.3**	**-20**
Net commission income	**13.8**	**14.1**	**-2**	**13.4**	**3**	**27.9**	**27.7**	**1**

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

8. Net income from financial items at fair value

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
Valuation category fair value via the income statement ("profit and losses")								
Debt securities				0.0	-100		-0.1	-100
Derivative instruments	0.0	0.0		0.0		0.0	0.0	
Valuation category fair value via the income statement ("profit and losses")	**0.0**	**0.0**		**0.0**	**-65**	**0.0**	**-0.1**	**-85**
Hedge accounting								
of which hedging instruments	4.9	2.2		0.9		7.1	-0.6	
of which hedged item	-5.0	-2.2		-0.9		-7.2	1.0	
Hedge accounting	**-0.1**	**0.0**		**0.0**		**-0.1**	**0.3**	
Net income from foreign currency revaluation	**0.0**	**0.0**	**-96**	**0.2**	**-99**	**0.0**	**0.3**	**-86**
Net income from financial assets available for sale	**0.9**	**0.4**		**0.7**	**20**	**1.3**	**0.8**	**68**
Total	**0.8**	**0.4**	**85**	**0.9**	**-18**	**1.2**	**1.3**	**-12**

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

9. Other expenses

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
IT expenses (excluding market data)	2.5	2.6	-4	2.5	-2	5.0	5.5	-9
Premises and property expenses	0.5	0.5	10	1.3	-61	1.0	2.6	-64
Marketing expenses	0.5	0.4	34	0.5	4	0.9	1.1	-12
Market data	0.6	0.6	6	0.6	7	1.1	1.1	1
Staff-related expenses	0.7	0.6	20	0.4	70	1.3	1.0	25
Travel expenses	0.3	0.3	24	0.3	4	0.6	0.6	-4
Purchased services	0.4	0.6	-30	0.5	-24	0.9	0.9	1
Stability fee	-0.5	2.3		0.0		1.8	2.6	-31
Other expenses	1.8	1.8	0	1.8	-3	3.5	3.5	2
Production for own use	-0.7	-0.7	2	-0.6	24	-1.4	-1.1	35
Total	**6.0**	**8.7**	**-31**	**7.3**	**-18**	**14.8**	**17.9**	**-17**

10. Net impairment losses on financial assets

Group	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
EUR M								
Loan losses, Stage 1	0.0	-0.1		-0.2		-0.1	-0.3	-70
Loan losses, Stage 2	-0.1	0.0		0.1		-0.1	0.2	
Net loan losses, Stages 1-2	**0.0**	**-0.1**	**-61**	**-0.1**	**-51**	**-0.2**	**-0.2**	**3**
Loan losses, Stage 3								
New and increased individual provisions	0.8	1.3	-41	1.1	-34	2.1	2.2	-8
Recovered from previous provisions	-0.7	-0.9	-28	-0.7	-4	-1.6	-1.5	1
Utilised for actual loan losses	0.0	-0.6	-93	-1.8	-98	-0.7	-2.0	-65
Actual loan losses	0.4	0.7	-48	1.9	-80	1.1	2.1	-48
Recoveries of actual loan losses	-0.1	-0.1	-3	0.0		-0.2	0.0	
Net group provisions	-0.1	0.2				0.0		
Net loan losses, Stage 3	**0.2**	**0.6**	**-62**	**0.6**	**-62**	**0.8**	**0.8**	**-7**
Total loan losses	**0.2**	**0.4**	**-62**	**0.5**	**-64**	**0.6**	**0.7**	**-9**
of which receivables from the public and public sector	0.1	0.4	-71	0.5	-73	0.6	0.7	-14
of which off-balance sheet commitments	0.0	0.0		0.0		0.0	0.0	39
of which debt securities at amortised cost	0.0	0.0		0.0		0.0	0.0	
Loan loss level, receivables from the public and public sector, %	0.01	0.05		0.05		0.03	0.03	

11. Receivables from the public and public sector by purpose

Group	Jun 30, 2019			Dec 31, 2018	%	Jun 30, 2018	%
EUR M	Receivables before provisions	Provisions	Lending after provisions	Lending after provisions		Lending after provisions	
Private individuals							
Home loans	2,263	-4	2,259	2,287	-1	2,233	1
Securities and other investments	316	0	316	309	2	308	3
Business operations	108	-2	105	112	-6	116	-9
Other household purposes	242	-3	239	229	5	215	11
Total, private individuals	**2,928**	**-9**	**2,920**	**2,937**	**-1**	**2,871**	**2**
Companies							
Shipping	57	0	56	59	-4	46	22
Wholesale and retail trade	45	0	45	46	-2	47	-5
Housing operations	282	0	282	301	-6	316	-11
Other real estate operations	193	-1	192	196	-2	230	-16
Financial and insurance operations	221	0	221	231	-4	223	-1
Hotel and restaurant operations	29	0	29	28	0	29	0
Other service operations	90	-1	90	84	7	79	13
Agriculture, forestry and fishing	12	0	12	11	8	12	2
Construction	77	0	77	57	35	39	98
Other industry and crafts	37	0	37	37	0	38	-3
Total, companies	**1,043**	**-2**	**1,041**	**1,050**	**-1**	**1,060**	**-2**
Public sector and non-profit organisations	41	0	41	35	18	32	27
Total, public sector and non-profit organisations	**41**	**0**	**41**	**35**	**18**	**32**	**27**
Total	**4,012**	**-11**	**4,001**	**4,022**	**-1**	**3,963**	**1**

12. Receivables from the public and public sector by stage

Group	Jan 1, 2019 - Jun 30, 2019				Jan 1, 2018-Jun 30, 2018
	Stage 1	Stage 2	Stage 3	Total	Total
EUR M					
Carrying amount, gross					
Opening balance, January 1	3,847.5	165.7	19.7	4,033.0	3,987.6
Closing balance, June 30	3,824.6	166.7	21.0	4,012.3	3,973.7
Provisions for expected losses					
Opening balance, January 1	**0.9**	**1.2**	**9.3**	**11.3**	**12.5**
Increases due to issuances and acquisitions	0.1	0.0	0.1	0.2	0.2
Decrease due to removal from balance sheet	-0.1	-0.3	-0.5	-1.0	-0.4
Decrease due to write-offs	0.0	0.0	-0.7	-0.7	-2.0
Transfer to Stage 1	0.3	-0.3	0.0	0.0	0.0
Transfer to Stage 2	-0.1	0.2	-0.1	0.0	0.0
Transfer to Stage 3	0.0	-0.1	0.1	0.0	0.0
Net changes due to changed credit risk	-0.3	0.4	1.0	1.1	0.9
Net changes due to changed estimation method	-0.1	0.1	0.0	0.0	-0.2
Exchange rate differences and other adjustments	0.0	0.0	0.0	0.0	0.0
Closing balance, June 30	**0.7**	**1.1**	**9.1**	**10.9**	**11.1**
Carrying amount, net					
Opening balance, January 1	3,846.7	164.6	10.4	4,021.7	3,975.1
Closing balance, June 30	3,823.8	165.6	11.9	4,001.4	3,962.7

Impairment losses, IFRS 9 - Financial ratios	**Jun 30, 2019**	**Dec 31, 2018**	**Jun 30, 2018**
Total provision ratio, receivables from the public, %	0.27	0.28	0.28
Provision ratio, Stage 1, receivables from the public, %	0.02	0.02	0.03
Provision ratio, Stage 2, receivables from the public, %	0.67	0.71	0.52
Provision ratio, Stage 3, receivables from the public, %	43	47	31
Share of receivables from the public in Stage 3, %	0.52	0.49	0.69

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

Group	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M					
Deposit accounts					
Sight deposits	3,051	3,103	-2	2,856	7
Time deposits	175	200	-13	239	-27
Total deposit accounts	**3,225**	**3,304**	**-2**	**3,095**	**4**
Certificates of deposit	15	1		2	
Index bonds (structured products)				2	-100
Subordinate debentures	25	27	-9	31	-13
Total bonds and certificates of deposit	**40**	**29**	**40**	**35**	**15**
Total deposits	**3,266**	**3,332**	**-2**	**3,130**	**4**

14. Debt securities issued

Group	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M					
Certificates of deposit	98	121	-19	233	-58
Covered bonds	1,218	1,117	9	1,255	-3
Senior non-covered bonds	352	350	0	100	
Index bonds (structured products)				2	-100
Total	**1,668**	**1,588**	**5**	**1,591**	**5**

15. Derivative instruments

Group	Jun 30, 2019						Dec 31, 2018		
	Nominal amount/maturity								
EUR M	Under 1 yr	1-5 yrs	over 5 yrs	Nominal amount	Positive market values	Negative market values	Nominal amount	Positive market values	Negative market values
Derivatives for trading									
Interest-related contracts									
Interest rate swaps	1	66	6	73	4	4	55	2	3
Currency-related contracts									
Currency forward contracts	593			593	2	2	383	1	1
Total	**593**	**66**	**6**	**666**	**6**	**7**	**438**	**3**	**3**
Derivatives for fair value hedge									
Interest-related contracts									
Interest rate swaps	264	1,052	44	1,359	17	5	1,053	12	5
Total	**264**	**1,052**	**44**	**1,359**	**17**	**5**	**1,053**	**12**	**5**
Total derivative instruments	**857**	**1,118**	**50**	**2,024**	**24**	**12**	**1,491**	**15**	**8**
of which cleared	264	1,115	47	1,426	19	9	1,102	13	7

16. Financial instruments measured at fair value

Group		Jun 30, 2019		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	672			672
Receivables from the public and public sector entities		103		103
Shares and participations	0	0	3	3
Derivative instruments		24		24
Total financial assets	**673**	**126**	**3**	**802**
Debt securities issued		1,163		1,163
Derivative instruments		12		12
Total financial liabilities		**1,175**		**1,175**

Group		Dec 31, 2018		
EUR M	Instruments with quoted prices (Level 1)	Measurement techniques based on observable market data (Level 2)	Measurement techniques based on non-observable market data (Level 3)	Total
Debt securities eligible for refinancing with central banks	626			626
Receivables from the public and public sector entities		100		100
Shares and participations	0	0	3	3
Derivative instruments		15		15
Total financial assets	**626**	**115**	**3**	**744**
Debt securities issued		953		953
Derivative instruments		8		8
Subordinated liabilities		2		2
Total financial liabilities		**964**		**964**

Changes in Level 3 holdings	Jan 1-Jun 30, 2019
EUR M	Shares and participations
Carrying amount on January 1	2.5
New purchases/reclassifications	0.4
Currency revaluation effect	-0.1
Change in value recognised in "Other comprehensive income"	0.0
Carrying amount on June 30	**3.0**

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

17. Off-balance sheet commitments

Group	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M					
Guarantees	10	43	-78	44	-78
Unutilised overdraft limits	225	228	-2	220	2
Unutilised credit card limits	81	76	6	77	5
Lines of credit	133	131	1	156	-15
Other commitments	18	14	24	19	-6
Total	**465**	**493**	**-6**	**515**	**-10**
Provision for expected loss	0	0	-15	0	-76

18. Offsetting of financial assets and liabilities

Group	Assets			Liabilities		
	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2019	Dec 31, 2018	%
EUR M						
Financial assets and liabilities covered by offsetting, netting or similar agreements						
Gross amount	24	15	54	45	39	15
Offset amount						
Total	**24**	**15**	**54**	**45**	**39**	**15**
Related amounts not offset						
Financial instruments, netting agreements	-10	-7	30	-10	-7	30
Financial instruments, collateral				-14	-14	-2
Cash, collateral	-1			-19	-15	28
Total amounts not offset	**-10**	**-7**	**39**	**-43**	**-37**	**17**
Net amount	**13**	**8**	**68**	**2**	**2**	**-7**

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

19. Assets pledged

Group	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M					
Lending to credit institutions	28	23	22	33	-16
Debt securities	170	141	21	186	-8
Loan receivables constituting collateral (cover pool) for covered bonds	1,840	1,615	14	2,053	-10
Other assets pledged	3	3	-14	3	-14
Total	**2,041**	**1,781**	**15**	**2,275**	**-10**

20. Capital adequacy

Group	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M					
Equity capital according to balance sheet	242.0	242.4	0	229.5	5
Foreseeable dividend	-5.5	-10.8	-49	-5.2	6
Common equity Tier 1 capital before deductions	**236.6**	**231.6**	**2**	**224.3**	**5**
Intangible assets	-20.6	-21.0	-2	-16.4	26
Non-controlling interests	0.0	0.0	-16	0.0	-9
Net other items	0.0	0.0	85		
Further adjustments in value	-0.7	-0.6	8	-0.5	37
Expected losses according to IRB approach beyond recognised losses (deficit)	-6.0	-6.1	-1	-7.4	-19
Adjustments due to transitional rules related to IFRS 9	0.6	0.6	-4	0.7	-14
Common equity Tier 1 capital	**209.9**	**204.4**	**3**	**200.7**	**5**
Additional Tier 1 capital					
Tier 1 capital	**209.9**	**204.4**	**3**	**200.7**	**5**
Supplementary capital instruments	36.2	37.5	-4	38.0	-5
Expected losses according to IRB approach beyond recognised losses (surplus)	0.1	0.4	-68		
Supplementary capital	**36.3**	**37.9**	**-4**	**38.0**	**-5**
Total capital base	**246.1**	**242.4**	**2**	**238.7**	**3**
Capital requirement for credit risk according to the IRB approach	41.8	42.4	-1	43.4	-4
Capital requirement for risk weighting floor, home mortgage loans	7.1	7.5	-5	7.4	-4
Capital requirement for credit risk according to standardised approach	59.6	59.3	1	58.2	3
Capital requirement for credit-worthiness adjustment risk	0.0	0.0		0.0	18
Capital requirement for operational risk	17.6	17.1	3	17.1	3
Capital requirement	**126.2**	**126.2**	**0**	**126.0**	**0**
Capital ratios					
Common equity Tier 1 capital ratio, %	13.3	13.0		12.7	
Tier 1 capital ratio, %	13.3	13.0		12.7	
Total capital ratio, %	15.6	15.4		15.2	
Risk exposure amount	1,577	1,578	0	1,575	0
of which % comprising credit risk	86	86		86	
of which % comprising credit-worthiness adjustment risk	0	0		0	
of which % comprising operational risk	14	14		14	

Requirements related to capital buffers, %	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Total common equity Tier 1 capital requirements including buffer requirements	9.5	9.5	7.9
of which common equity Tier 1 capital requirement	4.5	4.5	4.5
of which common equity Tier 2 capital requirement	1.5	1.5	
of which capital conservation buffer requirement	2.5	2.5	2.5
of which countercyclical capital buffer requirement	1.0	1.0	0.9
Common equity Tier 1 capital available to be used as a buffer	13.3	13.0	12.7

Exposure class	Jun 30, 2019				
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	181.0	150.4	53	79.3	6.3
Corporate, small and medium sized companies	330.3	306.2	63	194.0	15.5
Corporate, special lending	5.3	5.3	89	4.7	0.4
Using own LGD estimates					
Retail with property as collateral (small and medium-sized companies)	112.9	112.3	25	28.4	2.3
Retail with property as collateral (private individuals)	1,803.8	1,793.5	10	175.1	14.0
Retail, other (small and medium-sized companies)	35.9	35.3	26	9.1	0.7
Retail, other	333.4	296.5	11	32.3	2.6
Total exposures according to IRB approach	**2,802.6**	**2,699.4**	**19**	**522.8**	**41.8**
Credit risk according to standardised approach					
Central government or central banks	455.6	546.1	0	0.0	0.0
Regional governments or local authorities	36.4	59.7	0	0.0	0.0
Public sector entities	22.0	22.0	0	0.0	0.0
Multilateral development banks	48.5	51.4	0	0.0	0.0
International organisations	7.3	7.3	0	0.0	0.0
Institutions	359.8	317.2	22	69.6	5.6
Corporates	452.6	189.6	99	186.9	15.0
Retail	169.2	84.8	73	61.7	4.9
Secured by mortgages on immovable property	941.2	940.8	33	308.9	24.7
Exposures in default	2.9	2.8	124	3.4	0.3
Items associated with particularly high risk	0.0	0.0	150	0.0	0.0
Covered bonds	517.9	517.7	10	51.8	4.1
Collective investment undertakings	0.5	0.5	100	0.5	0.0
Equity exposures	3.1	3.1	100	3.1	0.2
Other exposures	85.8	85.8	69	59.4	4.7
Total exposures according to standardised approach	**3,103.0**	**2,828.8**	**26**	**745.2**	**59.6**
Total risk exposure amount, credit risk	**5,905.6**	**5,528.2**	**23**	**1,268.1**	**101.4**

Exposure class		Dec 31, 2018			
EUR M	Gross exposure	Exposure at default	Risk weight %	Risk exposure amount	Capital requirement
Credit risk according to the IRB approach					
Without own LGD estimates					
Corporate, other large companies	206.6	156.0	0	80.5	6.4
Corporate, small and medium sized companies	349.0	325.4	0	214.2	17.1
Corporate, special lending	5.3	5.3	0	4.6	0.4
Using own LGD estimates					
Retail with property as collateral (small and medium-sized companies)	109.6	108.9	0	25.4	2.0
Retail with property as collateral (private individuals)	1,802.9	1,792.7	9	166.7	13.3
Retail, other (small and medium-sized companies)	38.8	37.9	21	8.1	0.6
Retail, other	339.3	302.7	10	30.5	2.4
Total exposures according to IRB approach	**2,851.5**	**2,728.7**	**19**	**530.0**	**42.4**
Credit risk according to standardised approach					
Central government or central banks	546.7	610.2	0	0.0	0.0
Regional governments or local authorities	30.6	53.2	0	0.0	0.0
Public sector entities	5.0	5.0	0	0.0	0.0
Multilateral development banks	45.2	46.7	0	0.0	0.0
International organisations	42.2	42.2	0	0.0	0.0
Institutions	311.6	272.2	25	67.7	5.4
Corporates	440.5	195.2	98	191.9	15.4
Retail	177.7	88.7	72	64.3	5.1
Secured by mortgages on immovable property	963.8	963.0	33	315.9	25.3
Exposures in default	3.4	3.3	135	4.5	0.4
Items associated with particularly high risk	0.0	0.0	150	0.0	0.0
Covered bonds	492.9	492.8	10	49.3	3.9
Equity exposures	2.7	2.7	100	2.7	0.2
Other exposures	82.0	82.0	54	44.5	3.6
Total exposures according to standardised approach	**3,144.2**	**2,857.3**	**26**	**740.8**	**59.3**
Total risk exposure amount, credit risk	**5,995.7**	**5,586.0**	**23**	**1,270.8**	**101.7**

Leverage ratio	Jun 30, 2019	Dec 31, 2018	%	Jun 30, 2018	%
EUR M					
Tier 1 capital	209.9	204.4	3	200.7	5
Total exposure measure	5,579.1	5,635.9	-1	5,406.3	3
of which balance sheet items	5,494.6	5,538.9	-1	5,298.3	4
of which off-balance sheet items	84.6	97.0	-13	108.0	-22
Leverage ratio, %	3.8	3.6		3.7	

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

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Translation

Report on review of the Half-Year Financial Report of Bank of Åland Plc for the accounting period January 1 – June 30, 2019

To the Board of Directors of Bank of Åland Plc

Introduction

We have reviewed the summary balance sheet as of June 30, 2019 and the related summary income statement, summary statement of other comprehensive income, statement of changes in equity capital and summary cash flow statement of Bank of Åland Plc group for the six-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 the Half-Year Financial Report 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 Half-Year Financial 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 Half-Year Financial Report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing Half-Year Financial Report reporting preparation in Finland.

Helsinki, July 18, 2019

MARCUS TÖTTERMAN
Authorised Public Accountant, KHT

MARI SUOMELA
Authorised Public Accountant, KHT

DANIEL HAGLUND
Authorised Public Accountant, HT