

# Ålandsbanken Interim report Interim report for the period January - March 2010

03.05.2010

Bank of Åland Plc STOCK EXCHANGE RELEASE 3.5.2010 09.00 hrs Interim report for the period January - March 2010 The report period in brief Ålandsbanken Sverige AB was consolidated for the first time on March 31, 2009, which means that the company's balance sheet was included in the Bank of Åland Group, while its earnings for Q1 2009 were not. The Group's earnings and financial ratios for Q1 2010 are thus not comparable to the corresponding data for Q1 2009. • Consolidated net operating profit decreased by 66 per cent to 2.2 million euros (January-March 2009: EUR 6.3 M). Ålandsbanken Sverige AB pulled down earnings for the report period by EUR 3.0 M. • Net interest income increased by 6 per cent to EUR 9.7 M (9.1) • Commission income increased by 83 per cent to EUR 9.1 M (5.0) • Total income increased by 15 per cent to EUR 23.5 M (20.4) • Expenses rose by 54 per cent to EUR 21.3 M (13.8) • Impairment losses on loans amounted to EUR 0.1 M (0.4) • Lending volume increased by 6 per cent to EUR 2,549 M (March 2009: 2,416) • Deposits increased by 2 per cent to EUR 2,408 M (March 2009: 2,354) • Mutual fund assets under management increased by 71 per cent to EUR 927 M (542) • Return on equity after taxes (ROE) was 1.9 per cent (13.1) • The expense/income ratio amounted to 91 (69) per cent • The total capital ratio in compliance with Basel 2 amounted to 12.6 per cent (12.4) • Earnings per share amounted to EUR 0.06 (1.37) • Taking into consideration that the Group's earnings in 2009 included a sizeable nonrecurring income item, earnings in 2010 are expected to be substantially lower than in 2009 • The Group's operational earnings, excluding non-recurring income, are expected to be at least at the same level as in 2009 Earnings and profitability This Interim Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Earnings summary for the report period Early 2010 represented a continued improvement of income from asset management and private banking operations, while low marginal interest rates and depressed deposit margins pulled down net interest income in traditional banking operations. The Bank of Åland Group's managed assets showed very encouraging growth as a consequence of both net influx and an upturn in values, while lending and deposit volume increased moderately. Crosskey Banking Solutions Ab Ltd's operations expanded during the period, contributing to higher "Other operating income". During the period, the operations of Ålandsbanken Sverige AB were loss-making, even though managed assets showed very positive growth. During January-March 2010, the consolidated net operating profit of the Bank of Åland Group decreased by 66 per cent to EUR 2.2 M (Jan-Mar 2009: 6.3). Income increased by 15 per cent to EUR 23.5 M (20.4), while expenses rose by 54 per cent to EUR 21.3 M (13.8). Return on equity after taxes (ROE) decreased to 1.9 (13.1) per cent, and earnings per share to EUR 0.06 (0.37). Ålandsbanken Sverige AB (encompassing Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A.) was consolidated in the Bank of Åland Group for the first time on March 31, 2009. This meant that the company was included in the statement of financial position, while earnings for the first quarter of 2009 did not include effects generated in Ålandsbanken Sverige AB. This affects comparability between the periods. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, newly acquired operations". Net interest income During the report period, consolidated net interest income increased by 6 per cent to EUR 9.7 M (9.1). Ålandsbanken Sverige AB had net interest income of EUR 1.9 M. Despite increasing lending volume, low interest rates depressed net interest income during the period. Margins on lending showed a rising trend during the period, while the prevailing market situation led to depressed deposit margins and higher refinancing costs. Lending volume rose by 6 per cent to EUR 2,549 M (2,416). Deposit volume

increased by 2 per cent to EUR 2,408 M (2,354). Other income Commission income rose by 83 per cent to EUR 9.1 M (5.0). The Group's focus on private banking and the good stock market trend increased income from securities and mutual funds as well as asset management. Commission income at Ålandsbanken Sverige AB amounted to EUR 3.9 M. Net income from securities trading for the Bank's own account was EUR 1.7 M (2.7). Valuation and realisation of value increases in interest rate hedging derivatives (the Bank of Åland does not apply hedge accounting) resulted in a positive effect of EUR 1.6 M. Net income from dealing in the foreign exchange market decreased to EUR 0.3 M (0.5). Net income from financial assets available for sale was EUR 0.1 M (0.0), and net income from investment properties decreased to 0.1 M (0.2). Other operating income increased to EUR 4.2 M (3.4) as a consequence of higher income from the sale and development of information technology (IT) systems. The Group's total income increased by 15 percent to EUR 23.5 M (20.4). Expenses Staff costs rose by 69 per cent to EUR 12.9 M (7.6) as a consequence of the acquisition of Ålandsbanken Sverige AB, employee recruitments at Crosskey Banking Solutions Ab Ltd plus salary hikes as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB amounted to EUR 4.4 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach reduced staff costs by EUR 0.1 M (0.0). Other administrative expenses (office, marketing, communications and IT) increased to EUR 3.8 M (2.9). Production for own use totalled EUR 1.0 M (0.2) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 2.0 M (1.4). Other operating expenses amounted to EUR 3.6 M (2.0), of which EUR 1.8 M arose at Ålandsbanken Sverige AB. The Group's total expenses rose by 54 per cent to EUR 21.3 M (13.8). Impairment losses on loans and other commitments Impairment losses on loans amounted to EUR 0.1 M (0.4). All of these were individually targeted impairment losses. Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 3,572 M (3,104). During the period, the Group issued debenture loan 1/2010 in the amount of EUR 11 M. Off-balance sheet obligations rose to EUR 296 M (257). ASsets under management The Group's managed assets rose to EUR 3,604 M (2,036) during the report period. Management of mutual fund units rose by 71 per cent to EUR 927 M (542), while assets under discretionary management increased by 71 per cent to EUR 1,408 M (822). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 683 (492) positions, which represented an increase by 201 positions compared to the preceding year. The increase was due to the acquisition of Ålandsbanken Sverige AB as well as continued expansion of Crosskey Banking Solutions Ab Ltd.

	Bank of Åland Group	Mar 31, 2010	Mar 31, 2009
Bank of Åland Plc	303	305	
Ab Compass Card Oy Ltd	6	6	
Crosskey Banking Solutions Ab Ltd	188	154	
Ålandsbanken Asset Management Ab	22	16	
Ålandsbanken Fondbolag Ab	6	6	
Ålandsbanken Equities Ab	10	5	
Ålandsbanken Sverige Ab	151	0	
<b>Total number of full-time equivalent positions, recalculated from hours worked</b>	<b>683</b>	<b>492</b>	

	Bank of Åland Group	Mar 31, 2010	Mar 31, 2009
<b>Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively:</b>			
Including loan losses	0.91	0.69	
Excluding loan losses	0.91	0.67	

**Capital adequacy** The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. The Group's total capital ratio at the end of March 2010 was 12.6 per cent. The capital requirement for credit risks has been calculated according to the standardised approach, and the capital requirement for operational risks according to the basic

indicator approach in the Basel 2 regulations. Risk management under Pillar 2 will be reported in the Annual Report for 2009. The Bank of Åland will endeavour to begin applying an Internal Ratings Based (IRB) approach in compliance with Basel 2 to calculate its capital adequacy requirement for credit risk, starting on January 1, 2011. An application requesting approval for the use of Basel 2's Internal Ratings Based (IRB) approach for calculating the capital adequacy requirement for credit risk was submitted to the Finnish Financial Supervision Authority during the report period. Our assessment, according to the current regulations, is that this will substantially improve the Bank of Åland's capital adequacy.

		Bank of Åland Group		
		Mar 31, 2009	Mar 31, 2010	Mar 31, 2009
		2009	2010	2009
Capital base, EUR M		127.8	127.0	129.3
Core capital		80.9	70.2	72.4
Supplementary capital		80.9	70.2	72.4
Total capital base		208.7	197.2	201.7
Capital requirement for credit risks		113.2	109.7	113.9
Capital requirement for operational risks		2.9	0.5	2.2
Capital requirement for market risks		16.4	16.7	14.9
Total capital requirement		132.5	126.9	130.9
Total capital ratio, %		12.6	12.4	12.3
Core capital ratio, %		7.7	8.0	7.9

1 Profit for the period is not included. 2 Includes preliminary negative goodwill and profit for the period minus estimated dividend paid to shareholders. The main reasons for the difference between the capital base and recognised equity capital are that subordinated liabilities may be counted in the capital base and that the proposed dividend may not be included in the capital base. Deposits Deposits from the public, including bonds and certificates of deposit issued, increased by 2 per cent to EUR 2,408 M (2,354), of which EUR 328 M consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 4 per cent to EUR 2,023 M (1,946). Bonds and certificates of deposit issued to the public decreased by 5 per cent to EUR 385 M (407). Lending The volume of lending to the public increased by 6 per cent and amounted to EUR 2,549 M (2,416). The volume of lending at Ålandsbanken Sverige AB was EUR 204 M. Lending to households increased by 4 per cent to EUR 1,733 M (1,663). Households accounted for 68 (69) per cent of the Group's total lending volume. Lending to companies rose by 8 per cent to EUR 788M (727). Corporate governance report The Corporate Governance Report has been published in Swedish and Finnish on the Bank of Åland website, [www.alandsbanken.fi](http://www.alandsbanken.fi). Annual general meeting The Annual General Meeting of the Bank of Åland on April 19, 2010 approved the proposal of the Board of Directors for a dividend to the shareholders of EUR 0.50 per share plus an anniversary dividend of EUR 0.20 per share. The dividend was paid on April 29, 2010. The Meeting unanimously elected Sven-Harry Boman, Kent Janér, Agneta Karlsson, Göran Lindholm, Leif Nordlund, Teppo T aberman and Anders Wiklöf as members of the Board of Directors. Important events after the close of the report period No important events have occurred after the close of the report period. Outlook for 2010 Most observers expect a continued gradual recovery in the general economy and in the financial system during 2010, but the economic situation will remain uncertain and there is thus great sensitivity. The Bank of Åland plans to implement a streamlining of its organisation. The Bank has convened co-determination negotiations in Finland concerning a need to reduce by 24 the number of positions on the Finnish mainland and in Group units in Åland. A review is being made of the cost structure at Ålandsbanken Sverige AB for the purpose of increasing efficiency while continuing to offer customers the same capacity and service. The Executive Team has identified potential efficiency improvements equivalent to an annual cost reduction of about EUR 3 M, of which half the potential is found at Ålandsbanken Sverige AB. Nonrecurring costs associated with these measures are expected to total about EUR 0.5 M

during 2010. The Group's assessment of the outlook for 2010 is based on its assumptions about future developments in the fixed income and financial markets. However, general interest rates, the demand for lending, the trend of the capital and financial markets and the competitive situation, as well as the general economic situation are factors that the Group cannot influence. Based on this assessment and taking into account that the Group's earnings in 2009 included sizeable non-recurring income attributable to negative goodwill from the acquisition of Kaupthing Bank Sverige AB, earnings in 2010 are expected to be substantially lower than in 2009. The Group's operational earnings, excluding nonrecurring income, are expected to be at least at the same level as in 2009. Interim reports will be published as follows during 2010. January-June 2010 Monday, August 2, 2010 January-September 2010 Monday, November 1, 2010 Mariehamn, April 30, 2010 THE BOARD OF DIRECTORS ---

	2010	2009	2009	2009	2009
Financial ratios etc.					
Bank of Åland Group	Jan-Mar	Jan-Mar	Full year		
Earnings per share before dilution, EUR 1	0.06	0.37	2.27		
Earnings per share after dilution, EUR 2	0.06	0.37	2.27		
Market price per share at end of period, EUR	32.40	25.00	33.90		
Series A shares	24.78	19.00	24.50		
Series B shares	14.32	11.78	13.97		
Equity capital per share, EUR 3	1.9	13.1	17.8		
Return on equity after taxes, %	0.1	0.6	0.9		
Return on total assets, %	4.7	4.4	4.8		
Equity/assets ratio, %	2,549	2,416	2,546		
Total lending volume, EUR M	2,408	2,354	2,411		
Total deposits from the public, EUR M	166	137	162		
Equity capital, EUR M	3,572	3,104	3,379		
Balance sheet total, EUR M					
Expense/income ratio	0.91	0.69	0.72		
Including loan losses	0.91	0.67	0.70		
Excluding loan losses					
Profit for the period before dilution / Average number of shares					
Profit for the period after dilution / (Average number of shares + shares outstanding)					
Equity capital ' minority interest in capital / Number of shares on balance sheet date					
(Net operating profit ' taxes) / Average equity capital					
(Net operating profit ' taxes) / Average balance sheet total					
Equity capital / Balance sheet total					
Summary statement of financial position					
Bank of Åland Group	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009		
EUR M					
Assets					
Cash	139	44	33		
Debt securities eligible for refinancing with central banks	177	132	186		
Claims on credit institutions	214	246	264		
Claims on the public and public sector entities	2,549	2,416	2,545		
Debt securities	303	97	188		
Shares and participations	23	27	23		
Shares and participations in associated companies	1	1			
Derivative instruments	27	17	20		
Intangible assets	8	5	6		
Tangible					

assets	37	36	38		Other assets	70			
	57	50			Accrued income and				
prepayments	22	24	22		Deferred tax				
assets	2	1	2		Total assets	3,572			
	3,104	3,379							
					LIABILITIES AND EQUITY CAPITAL				
					Liabilities to credit	371	89	263	
					institutions				
					Liabilities to the public and	2024	1947	2,040	
					public sector entities				
					Debt securities				
					issued to the	787	692	743	
					public				
					Derivative instruments	9	12	8	
					Other liabilities	94	81	57	
					Accrued				
					expenses and prepaid	30	68	27	
					income				
					Subordinated liabilities	69	60	59	
					Deferred tax liabilities	22	20	21	
					Total liabilities	3,406	2,967	3,217	
					Equity capital and minority				
					interest				
					Share capital	23	23	23	
					Share premium account	33	33	33	
					Reserve fund	25	25	25	
					Fair value reserve	9	2	6	
					Retained earnings	75	52	74	
					Shareholders' interest in	165	136	161	
					equity capital				
					Minority interest in capital	1	1	1	
					Total equity capital	166	137	162	
					Total liabilities and equity	3,572	3,104	3,379	
					capital				
					Summary statement of comprehensive income				
					Bank of Åland Group				
					Jan-Mar 2010				
					Jan-Mar 2010				
					Full year				
					2009				
					EUR M				
					Net interest income	9.7	9.1	39.1	
					Income from equity instruments	0.0	0.0	0.0	
					Commission income	9.1	5.0	32.5	
					Commission expenses	-1.7	-0.5	-4.4	
					Net income from securities	2.0	3.1	4.0	
					transactions and foreign				
					exchange dealing				
					Net income				
					from financial	0.1	0.0	0.5	
					assets available for sale				
					Net income from investment	0.1	0.2	0.2	
					properties				
					Other operating income	4.2	3.4	15.4	
					Total income	23.5	20.4	87.2	
					Staff costs	-12.9	-7.6	-44.6	
					Other				
					administrative expenses	-3.8	-2.9	-16.7	
					Production for own use	1.0	0.2	1.9	
					Depreciation/amortisation	-2.0	-1.4	-6.4	
					Other operating expenses	-3.6	-2.0	-11.4	
					Total expenses	-21.3	-13.8	-77.2	
					Impairment losses on loans and				
					other commitments	-0.1	-0.4	-2.9	
					Share of profit/loss in	0.0	0.1	0.2	
					associated companies				

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Negative goodwill   0.0   0.0   23.1   -----					-----				
Net operating profit   2.2   6.3   30.5   -----					-----				
-----					Income taxes   -1.4				
-1.8   -3.7   -----		Profit for the period   0.8			-----		-----		
4.5   26.8   -----					-----				
-----					Other comprehensive income         -----				
-----					Assets available for sale   0.4   0.6   0.2   -----				
-----					Valuation differences   2.9   0.0   3.7   -----				
-----					Income tax on other   -0.1   -0.2   -0.1     comprehensive income         -----				
-----					Total comprehensive income for   4.0   5.0   30.7     the				
period         -----					-----				
-----					Profit for the period   0.7   4.3   26.2     attributable to owners of the				
parent         -----					Profit for the period   0.0				
0.2   0.7     attributable to minority         interests         -----					-----				
-----					Total   0.8   4.5   26.8   -----				
-----					Total comprehensive income for   4.0   4.7				
30.0     the period attributable to         owners of the parent         -----					-----				
-----					Total comprehensive income for   0.0   0.2   0.7     the period attributable to				
minority interests         -----					-----				
-----					Total   4.0				
5.0   30.7   -----					-----				
-----					Earnings per share         -----				
-----					Earnings per share before   0.06   0.37   2.27     dilution, EUR 1         -----				
-----					Earnings per share after   0.06   0.37   2.27     dilution, EUR 2				
-----					-----				
-----					1 Profit for the period before dilution / Average number of shares     2 Profit for the				
period after dilution / (Average number of shares + shares   outstanding)     -----					-----				
-----					Income				
statement by quarter   -----					Bank of Åland				
Group   Q1 2010   Q4 2009   Q3 2009   Q2 2009   Q1 2009   -----					-----				
-----					EUR M           -----				
-----					Net				
interest income   9.7   9.7   10.2   10.1   9.1   -----					-----				
-----					Income from equity   0.0   0.0   0.0   0.0   0.0     instruments           -----				
-----					Commission income   9.1   10.0   9.4   8.1   5.0   -----				
-----					Commission expenses   -1.7   -1.3   -1.7   -0.9   -0.5   -----				
-----					Net income from securities   2.0   -0.4   0.4   0.8   3.1				
transactions and foreign           exchange dealing           -----					-----				
-----					Net income from financial   0.1   0.1   0.2   0.1   0.0     assets available for sale				
-----					Net income from investment   0.1				
0.0   0.0   0.0   0.2     properties           -----					-----				
-----					Other operating income   4.2   5.0   3.1   3.9   3.4   -----				
-----					Total income   23.5   23.2   21.5   22.1   20.4   -----				
-----					Staff costs   -12.9				
-13.4   -11.3   -12.3   -7.6   -----					Other				
-----					administrative   -3.8   -5.0   -4.2   -4.6   -2.9     expenses           -----				
-----					Production for own use   1.0   0.8   0.8   0.2   0.2   -----				
-----					Depreciation/amortisation   -2.0   -1.6   -1.6   -1.7   -1.4   -----				
-----					Other operating expenses   -3.6   -3.8   -2.5   -3.0   -2.0				
-----					Total expenses   -21.3   -23.0   -18.9				
-21.5   -13.8   -----					-----				
-----					Impairment losses on loans   -0.1   -0.6   -0.2   -1.8   -0.4				



		Equity		23.		33.		25.		1.8		3.7	
74.0	161.	1.0	162.	3	3	1	2	2	2	31,	2009		
		Comprehensive		0.3		2.9		0.7		4.0		0.0	
income for the		period											
		Equity		23.		33.		25.		2.2		6.6	
74.7		165.		1.0		166.		3		3		1	
31,		2010											
		Cash flow statement											
		Bank of Åland Group		Jan-Mar 2010		Jan-Mar 2009							
		EUR M											
		Cash flow from operating		activities									
		Net operating profit		2.2		6.3							
		Adjustment for net operating		-3.8		3.7							
		profit items not affecting cash											
		flow											
		Gains/losses from investing		-0.2		-0.2							
		activities											
		Income taxes paid		-0.2		-1.1							
		Changes in assets and											
		liabilities		-15.6		-17.6		-8.7		-0.1			
		in operating activities											
		Cash flow from											
		investing		-2.2		30.0		1					
		activities											
		Cash flow from financing		59.3		-17.3							
		activities											
		Exchange rate differences in cash		7.5		0.0							
		and cash equivalents											
		Change in cash and cash		46.9		12.6							
		equivalents											
		Cash and cash equivalents,		331.1		323.5		January 1					
		Cash and cash equivalents,		March		378.0							
		336.1		31									

1 Disbursement for the purchase of Kaupthing Bank Sverige AB: EUR 34.1 M. | Cash and cash equivalents in Kaupthing amounted to EUR 63.5 M. |

Notes to the consolidated interim report 1. Corporate information The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public company, organised in compliance with Finnish legislation and with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 28 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-March 31, 2010 was approved by the Board of Directors on April 30, 2010. 2. Basis for preparation and essential accounting principles Basis for preparation The Interim Report for the period January 1-March 31, 2010 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and IAS 34, "Interim Financial Reporting," that have been adopted by the European Union. The Interim Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2009. Essential accounting principles The essential accounting principles used in preparing the Interim Report are the same as the essential accounting principles used in preparing the financial statements for the year ending December 31, 2009, except for the introduction of new standards and interpretations, which are described below. The introduction of new standards and interpretations has not materially affected the Group's results or financial position. New accounting norms and standards that will apply starting in 2010: Improvements to International Financial Reporting Standards (2009) IFRS 2, "Share-based Payments" IFRS 3, "Business Combinations" IAS 27, "Consolidated and Separate Financial Statements" IAS 39 Financial instrument: Recognition and Measurement" - Eligible Hedged Items IFRIC 12, "Service Concession Arrangements" IFRIC 15,



“Agreements for the Construction of Real Estate” IFRIC 16, “Hedges of a Net Investment in a Foreign Operation” IFRIC 17, “Distributions of Non-cash Assets to Owners” IFRIC 18, “Transfers of Assets from Customers” 3. Estimates and judgements Preparation of financial statements in compliance with IFRSs requires the company's Executive Team to make estimates and judgements that affect 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. 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. The Finland segment includes the Bank of Åland Plc, Ab Compass Card Oy Ltd, Ålandsbanken Asset Management Ab, Ålandsbanken Equities Ab, Ålandsbanken Fondbolag Ab and Ålandsbanken Veranta Ab. The Sweden segment includes Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A. The Crosskey segment includes Crosskey Banking Solutions Ab and S-Crosskey Ab. -----

	Bank of Åland Group	Jan-Mar 2010	-----			
	EUR M	Finland	Sweden	Crosskey	Elimina	
Total	9.1	2.3	0.0	0.0	11.4	Deposits, lending and portfolio management
of which impairment losses	-0.2	0.1	0.0	0.0	-0.1	loans
Capital market products/services	3.9	2.5	0.0	0.0	6.4	Other income
	1.4	0.8	7.9	-4.5	5.6	