

# Ålandsbanken Interim report Interim report January - March 2008

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Bank of Åland Plc STOCK EXCHANGE RELEASE 28.04.2008 09.00 hrs Interim report January - March 2008 The report period in brief -Consolidated net operating profit decreased by 30 per cent to 5.7 million euros (January - March 2007: EUR 8.1 M). The reason for most of the decrease was that positive nonrecurring items during 2007 were replaced by negative ones during the first quarter of 2008 -Net interest income increased by 10 per cent to EUR 10.1 M (9.2) -Commission income decreased by 5 per cent to EUR 5.1 M (5.4) -Total income decreased by 2 per cent to EUR 18.1 M (18.5) -Expenses increased by 21 per cent to EUR 12.5 M (10.4) -Loan losses amounted to EUR 0.0 M (0.1) -Lending volume increased by 8 per cent to EUR 2,109 M (March 2007: 1,956) -Deposits increased by 24 per cent to EUR 2,042 M (March 2007: 1,652) -Mutual fund capital under management decreased by 14 per cent to EUR 340 M (395) -Return on equity after taxes (ROE) was 12.1 (19.8) per cent -The expense/income ratio deteriorated to 69 (56) per cent -The total capital ratio in compliance with Basel 2 amounted to 12.3 per cent (13.5) -Earnings per share after taxes amounted to EUR 0.34 (0.50) 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 During January-March 2008, the consolidated net operating profit of the Bank of Åland Group decreased by 30 per cent to EUR 5.7 M (8.1). Net interest income was higher than in the corresponding period last year, but earnings were weighed down by increased expenses, diminished commission income, the fact that positive nonrecurring items during 2007 were replaced by negative ones and reduced invoicing at Crosskey due to a labour dispute. Income decreased by 2 per cent to EUR 18.1 M (18.5), while expenses increased by 21 per cent to EUR 12.5 M (10.4). Return on equity after taxes (ROE) fell to 12.1 (19.8) per cent, and earnings per share to EUR 0.34 (0.50). Net interest income During the report period, consolidated net interest income increased by 10 per cent to EUR 10.1 M (9.2) as a result of higher interest rates and larger volume of both deposits and lending. During the period, margins showed a negative trend. Lending volume increased by 8 per cent to EUR 2,109 M (1,956), and deposit volume increased by 24 per cent to EUR 2,042 M (1,652). Other income Commission income fell by 5 per cent to EUR 5.1 M (5.4). Income on securities brokerage increased, while decreased managed assets meant lower income on mutual fund and asset management. Net income from securities trading for the Bank's own account was EUR 0.4 M (0.7). Net income from dealing in the foreign exchange market was unchanged at EUR 0.3 M (0.3). Net income from financial assets available for sale was EUR 0.0 M (0.5), and net income from investments properties was unchanged at EUR 0.1 M (0.1). Other operating income also decreased, to EUR 2.6 M (2.9), due to lower income from the sale and development of information technology (IT) systems. The Group's total income decreased by 2 per cent to EUR 18.1 M (18.5). Expenses Staff costs rose by 19 per cent to EUR 7.1 M (6.0), due to employee recruitment and salary increases as well as continued spending on proficiency-enhancement programmes in the Group. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach, affected staff costs in the amount of EUR -0.0 M (-0.3). Other administrative expenses (office, marketing, communications and IT) increased to EUR 2.7 M (1.9). Production for own use totalled EUR -0.2 M (-0.1) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 1.5 M (1.3). Other operating expenses amounted to EUR 1.4 M (1.3). The Group's total expenses rose by 21 per cent to EUR 12.5 M (10.4). Impairment losses on loans and other commitments Loan losses amounted to EUR 0.0 M (0.1). Balance sheet total and

off-balance sheet obligations At the end of the report period, the Group's balance sheet total amounted to EUR 2,732 M (2,272). During the report period, the Group issued bond loans to the public in a nominal amount of EUR 7 M. Off-balance sheet obligations decreased to EUR 170 M (183).

Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 486 during January-March 2008 (435). This represented an increase of 51 positions compared to the same period last year.

	Bank of Åland Group	Bank of Åland Plc	Ab Compass Card Oy Ltd	Crosskey Banking Solutions Ab Ltd	Ålandsbanken Asset Management Ab	Ålandsbanken Fondbolag Ab	Ålandsbanken Kapitalmarknadstjänster Ab, until September 30, 2007	Ålandsbanken Veranta Ab	Total number of full-time equivalent positions, worked	Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively:
	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	2008	2007
	318	290	5	2	138	118	13	12	486	435
									0.69	0.56
									0.69	0.56

Capital adequacy The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. According to Pillar 1 of Basel 2, the Group's total capital ratio at the end of March 2008 was 12.3 per cent. The capital requirement for credit risks has been calculated according to the standardised approach, and the capital requirement for operational risks has been calculated according to the basic indicator approach in the Basel 2 regulations.

	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group	Bank of Åland Group
	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31
	2008	2007	2007	2007	2007	2007	2007	2007	2007	2007
	103.5	92.2	103.3	49.6	54.4	51.3	153.1	146.6	154.6	90.6
	88.5	88.5	88.5	9.3	8.0	8.0	99.8	86.6	96.5	12.3
	8.3	8.5	8.6							

Deposits Deposits from the public, including bonds and certificates of deposit issued, continued to increase during the 12 months to March 31, 2008 by 24 per cent to EUR 2,042 M (1,652). Deposit accounts increased by 21 per cent to EUR 1,566 M (1,291). Bonds and certificates of deposit issued to the public rose by 32 per cent to EUR 476 M (361). Lending The volume of lending to the public during the 12 months to March 31, 2008 rose by 8 per cent to EUR 2,109 M (1,956). Lending to households increased by 4 per cent to EUR 1,434 M (1,379). Households accounted for 68 (71) per cent of the Group's total lending. Lending to the service sector rose by 22 per cent to EUR 597 M (492), while lending to the production sector fell by 9 per cent to EUR 53 M (59). Ab Compass Card Oy Ltd Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc. The mission of the company is to issue credit and debit cards to private and institutional customers. The company is in the start-up phase and is expected to begin its operations during 2008. The company currently has 6 employees and offices in Mariehamn and Helsinki. Crosskey Banking Solutions Ab Ltd Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc. The mission of the company is to develop, sell and



per share after dilution, EUR	2	0.34	0.50	1.75	
Market price per share, end of period, EUR					
Series A	31.80	27.00	37.00		
Series B	26.06	25.00	27.80		
Equity capital per share, EUR	3	11.91	10.29	11.54	
Return on equity after taxes, % (ROE)	4	12.1	19.8	16.4	
Return on total assets (ROA), %	5	0.6	1.1	0.9	
Equity/assets ratio, %	6	5.1	5.3	5.2	
Total lending volume, EUR M		2,109	1,956	2,104	
Total deposits from the public, EUR M		2,042	1,652		
Equity capital, EUR M		138	120		
Balance sheet total, EUR M		2,732			
Expense/income ratio					
Including loan losses		0.69	0.56	0.62	
Excluding loan losses		0.69	0.56	0.61	
1 Profit for the period before dilution/					
Average number of shares					
2 Profit for the period after dilution / (Average number of shares + shares outstanding)					
3 Equity capital / Number of shares on balance sheet date					
4 Net operating profit - taxes / Average equity capital					
5 Net operating profit - taxes / Average balance sheet total					
6 Profit for the period / Balance sheet total					
SUMMARY BALANCE SHEET					
Bank of Åland Group	Mar 31	Mar 31	Dec 31	2008	2007
	2007				
ASSETS					
Cash	38	64	39		
Debt securities eligible for refinancing with central banks	177	76	132		
Claims on credit institutions	214	69	153		
Claims on the public and public sector entities	2,109	1,956	2,104		
Debt securities	87	0	50		
Shares and participations	3	3	3		
Shares and participations in associated companies	1	2	2		
Derivative instruments	21	27	34		
Intangible assets	6	5	6		
Tangible assets	28	25	26		
Other assets	24	25	21		
Accrued income and prepayments	23	18	21		
Deferred tax assets	1	1	1		
TOTAL ASSETS	2,732	2,272	2,592		
LIABILITIES					
Liabilities to credit institutions	52	66	53		
Liabilities to the public and public sector entities	1,567	1,293	1,534		
Debt securities issued to the public	811	644	739		
Derivative instruments	2	3	3		
Other liabilities	66	57	39		
Accrued expenses and prepaid income	26	20	21		
Subordinated liabilities	52	56	52		
Deferred tax liabilities	16	13	16		







Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting". 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, 2007. 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, 2007, 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 standards and interpretations in effect starting in 2008: IAS 1, "Presentation of Financial Statements" The standard has been revised in order to provide better information for analysis and comparison of companies. The Group will present its financial statements in compliance with the revised IAS 1 no later than for the financial period that begins on January 1, 2009. IFRS 8, "Operating Segments" The standard requires that a company provide financial and descriptive disclosures about its operating segments. IFRS replaces IAS 14, "Segment Reporting". The Group will present its financial statements in compliance with IFRS 8 no later than for the financial period that begins on January 1, 2009. IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" This interpretation clarifies the limit on asset value in case of a pension plan surplus, as well as how minimum pension plan funding requirements affect this value. The Group is applying IFRIC 14 beginning on January 1, 2008. The Group is not affected by amendments to the following: IAS 23, "Borrowing Costs" IFRIC 12, "Service Concession Arrangement" IFRIC 13, "Customer Loyalty Programmes" 3. ESTIMATES AND JUDGEMENTS Preparation of financial statements in compliance with IFRSs requirements 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 these estimates. 4. SEGMENT REPORT The Bank of Åland Group reports the various business segments as primary segments. A business segment is a group of departments and companies that supply products or services that have risks and returns that diverge from other business segments. Intra-Group transactions occur at market prices. The Bank of Åland Group does not report geographic segments as secondary segments, since all operations occur in Finland.

Bank of Åland   Jan-Mar 2008     Group															
EUR M   Banking   Information   Other   Eliminated   Total     operatio															
technology     ons       ns   operations															
											External income	13.8	2.5		
1.7	18.1											Internal income	-0.1	2.6	
-2.4											Total income	13.7	5.1	1.7	
-2.4	18.1											Costs including	-8.6	-4.8	
-1.4	2.4	-12.5	depreciation etc.												
-	Loan losses   0.0       0.0										Share of				
profit in     0.1     0.1     associated           companies															
Net operating   5.0   0.2   0.4   0   5.7     profit															
Assets															
2,112.9	8.8	610.9	-0.5	2,732.0											
Liabilities															
-2,378.6	-14.1	-205.2	4.3	-2,593.6											
Equity capital         138.5															
Bank of Åland   Jan-Mar 2007     Group															
EUR M   Banking   Information   Other   Eliminated															
Total     operatio   technology     ons       ns   operations															
											External				
											income	13.9	2.8	1.9	18.5
											Internal				



income	0.2	2.6		-2.8	0.0	-----					Total							
income	14.1	5.4	1.9	-2.8	18.5	-----												
Costs including	-8.1	-3.9	-1.2	2.8	-10.4	depreciation etc.           -----												
	-----					Loan losses	-0.1				-0.1	-----						
	-----					Share of profit in			0.1		0.1	associa ted           companies           -----						
	-----					Net operating	5.8		1.5		0.8		0.0		8.1		profit	
				-----														
	-----					Assets	1,959.2		8.8		304.7		-1.0		2,271.7	-----		
	-----					Liabilities	-1,914.0		-4.7		-233.1		0.4		-2,151.4	-----		
	-----					Equity capital					120.3	-----						

The "Banking operations" segment includes banking and investment operations carried out at 25 bank offices plus the subsidiaries Ab Compass Card Oy Ltd, Ålandsbanken Asset Management Ab, Ålandsbanken Fondbolag Ab, Ålandsbanken Kapitalmarknadstjänster Ab and Ålandsbanken Veranta Ab. Reported in "IT operations" are Crosskey Banking Solutions Ab Ltd and S-Crosskey Ab, which supply modern banking comput