

Ålandsbanken Financial Statement Release Year-end report for the period January - December 2008

27.02.2009

Bank of Åland Plc STOCK EXCHANGE RELEASE 27.02.2009 14.30 hrs Year-end report for the period January - December 2008 The report period in brief -Consolidated net operating profit decreased by 30 per cent to 20.0 million euros (January - December 2007: EUR 28.6 M) -Net interest income increased by 7 per cent to EUR 42.1 M (39.3) -Commission income fell by 8 per cent to EUR 18.6 M (20.3) -Total income decreased by 2 per cent to EUR 74.2 M (75.4) -Expenses rose by 13 per cent to EUR 52.1 M (46.0) -Impairment losses amounted to EUR 2.3 M (1.0) -Lending volume increased by 4 per cent to EUR 2,193 M (December 2007: 2,104) -Deposits increased by 11 per cent to SEK 2,126 M (December 2007: 1,921) -Mutual fund assets under management decreased by 38 per cent to EUR 236 M (377) -Return on equity after taxes (ROE) was 10.7 (16.4) per cent -The expense/income ratio amounted to 73 (62) per cent -The total capital ratio in compliance with Basel 2 amounted to 12.6 (12.8) per cent -Earnings per share after taxes amounted to EUR 1.22 (1.75) -The Board of Directors proposes a dividend of EUR 0.50 (1.00) per share -Consolidated earnings in 2009 are expected to be better than during 2008 EARNINGS AND PROFITABILITY This Year-end 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 This past year brought major challenges as a consequence of the international financial crisis. The Bank of Åland Group experienced a positive trend in traditional banking operations but was affected by reduced income from capital market operations due to the decrease in activity and managed assets. Information technology (IT) operations were adversely affected by a labour dispute and internal restructuring measures. During January-December 2008, the consolidated net operating profit of the Bank of Åland Group decreased by 301 per cent to EUR 20.0 M (28.6). Net operating profit decreased as a result of lower income from capital market products and securities trading for the Bank's own account as well as higher operating expenses. In addition, 2007 earnings were affected by capital gains and increases in the value of financial assets, as well as a repayment from the Security Fund of the Commercial Banks. Income decreased by 2 per cent to EUR 74.2 M (75.4), while expenses increased by 13 per cent to EUR 52.1 M (46.0). Return on equity after taxes (ROE) fell to 10.7 (16.4) per cent and earnings per share to EUR 1.22 (1.75). Net interest income During 2008, consolidated net interest income rose by 7 per cent to EUR 42.1 M (39.3). Higher interest rates and larger volume for both deposits and lending improved net interest income. Lending volume increased by 4 per cent to EUR 2,193 M (2,104). Deposit volume increased by 11 per cent to EUR 2,126 M (1,921). Other income Commission income fell by 8 per cent to EUR 18.6 M (20.3). Income on mutual fund and other asset management decreased due to smaller trading volume and lower managed assets, while securities brokerage commissions increased. Net income from securities trading for the Bank's own account was EUR 2.4 M (3.3). Net income from dealing in the foreign exchange marked was unchanged at EUR 1.0 M (1.0). Net income from financial assets available for sale was EUR -0.1 M (1.1), and net income from investment properties decreased to EUR 0.1 M (0.6). Other operating income increased to EUR 12.4 M (11.9) as a consequence of rising income from the sale and development of IT systems. During 2007, other operating income improved because of a repayment of EUR 1.4 M from the Security Fund of the Commercial Banks. The Group's total income fell by 2 per cent to EUR 74.2 M (75.4). Expenses Staff costs rose by 8 per cent to EUR 28.3 M (26.2) due to employee recruitment and salary hikes as provided by collective agreements. Changes in the net assets of the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, using the corridor approach affected staff costs in the amount of EUR 0.2 M (0.4). Other administrative expenses (office,

marketing, communications and IT) increased to EUR 11.0 M (10.3). Production for own use totalled EUR 0.5 M (1.0) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 5.9 M (4.9). Other operating expenses amounted to EUR 7.4 M (5.6), due to higher expenses for outside services and discontinuation of capitalised IT projects. The Group's total expenses rose by 13 per cent to SEK 52.1 M (46.0). Impairment losses on loans and other commitments Impairment losses on loans amounted to EUR 2.3 M (1.0). Of these, EUR 1.3 M are targeted individual loss impairments and EUR 1.0 M a group impairment loss targeted to the shipping industry. Of the targeted individual impairment losses, EUR 0.4 M were final actual loan losses. Earnings structure -----

----- | Bank of Åland Group | 2008 | 2007 | -----
 ----- | EUR M | | | -----

----- | Banking operations | 13.9 | 21.7 | -----

----- | IT operations | 0.7 | 2.9 | -----

----- | Other (treasury, portfolio management) | 5.4 | 3.9 | -----

----- | Net operating profit | 20.0 | 28.6 | -----

----- Fourth quarter of 2008 Consolidated net operating profit fell by 55 per cent compared to the corresponding quarter of 2007, amounting to SEK 3.7 M (8.1). Income Total income decreased by 4 per cent to EUR 20.3 M (21.0). Higher interest rates combined with larger lending volume improved net interest income by 2 per cent to EUR 10.7 M (10.5). This improvement was hampered by lower lending margins than in the year-earlier period. Commission income deteriorated due to lower capital under management in mutual funds and asset management, amounting to EUR 4.6 M (5.1). Net income from securities trading and foreign exchange operations rose to EUR 2.4 M (1.5) due to valuation of interest rate hedged derivatives (the Bank of Åland Group does not apply hedge accounting). Other operating income fell by 18 per cent to EUR 3.4 M (4.2). Repayment of the Bank of Åland's portion of the Security Fund of the Commercial Banks increased other operating income during 2007 by EUR 1.4 M. Expenses Total expenses during the quarter rose by 14 per cent to EUR 14.6 M (12.8). During the quarter, staff costs amounted to EUR 7.4 M (7.0). The increase was due to the higher number of Group employees and salary hikes, while changes in pension liabilities employing the corridor approach and fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, reduced staff costs by EUR 0.1 M (0.2) during the quarter. Other administrative expenses decreased to EUR 3.1 M (3.9) in the fourth quarter. Production for own use declined to EUR 0.2 M (0.7). Depreciation/amortisation increased to EUR 1.5 M. Other operating expenses rose to EUR 2.9 M (1.4). Impairment losses during the quarter were EUR 1.9 M (0.1), of which EUR 1 M was a group impairment loss targeted to loans in the shipping industry. Balance sheet total and off-balance sheet obligations At the end of 2008, the Group's balance sheet total amounted to EUR 2,770 M (2,592). Off-balance sheet obligations decreased to EUR 165 M (168). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 487 (470), which represented an increase of 17 positions compared to the preceding year. -----

Bank of Åland Group | 2008 | 2007 | ----- | Bank

of Åland Plc | 318 | 308 | ----- | Ab Compass

Card Oy Ltd | 6 | 4 | ----- | Crosskey Banking

Solutions Ab Ltd | 134 | 130 | ----- |

Ålandsbanken Asset Management Ab | 15 | 13 | -----

----- | Ålandsbanken Fondbolag Ab | 6 | 8 | ----- |

Ålandsbanken Kapitalmarknadstjänster Ab, until | 0 | 5 | | September 30, 2007 | | | -----

----- | Ålandsbanken Veranta Ab | 8 | 2 | -----

----- | Total number of full-time equivalent positions, | 487 | 470 | |

recalculated from hours worked | | | -----

Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively: ----- | Bank of Åland

due to the extremely weak market situation during 2008, as well as redemptions of mutual fund units. The number of unit holders was 14,093 (14,542), a decrease of 3 per cent. The trend of the company's mutual fund assets largely corresponded to the overall Finnish mutual fund market, while the number of unit holders decreased less than in the market as a whole. Changes in Group structure During 2008, the Bank of Åland Plc formed the subsidiary Ålandsbanken Equities Ab. The Bank of Åland owns 82 per cent of the shares. The company's operations are stock brokerage and company analysis. After the close of the report period, the Bank of Åland Plc sold all its shares in the real estate company FAB Strandgatan 20. Important events after the close of the report period The Bank of Åland Plc has signed an agreement to acquire Kaupthing Bank Sverige, the Swedish unit of Iceland's Kaupthing Bank, with a balance sheet of SEK 5 billion. The purchase price amounts to SEK 414 M and is being paid in cash. As part of this agreement, the Bank of Åland is taking over Kaupthing Bank Sverige's operations in private banking, asset management and institutional equities trading. Most corporate lending operations and certain other assets, including the indirect exposure to Lehman Brothers, will be transferred to the Icelandic parent company, Kaupthing hf in connection with the closing of the transaction. The Bank of Åland will not be financially affected by any ongoing litigation concerning Kaupthing Bank Sverige. The rescue loan provided to Kaupthing Bank Sverige by the Riksbank, Sweden's central bank, will be repaid in full. The acquisition is expected to contribute positively to the Bank of Åland's 2009 earnings after restructuring expenses. Its impact on liquidity and capital adequacy is small. Proposed distribution of profit The Board of Directors proposes that the Annual General Meeting approve a dividend of EUR 0.50 per share, which is equivalent to a total amount of EUR 5.8 M. The purpose is to ensure that the profits retained are sufficient to enable continued growth in the Group's Finnish operations, while venturing into the Swedish market. The Group's core capital ratio is expected to fall somewhat during the coming year but to remain satisfactory. 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. Our assessment, according to the current regulations, is that this will substantially improve the Bank of Åland's capital adequacy. Outlook for 2009 Two thousand nine will be very challenging for all financial market players. The Bank of Åland expects its operating earnings to fall due to very low interest rates and continued low activity in capital markets. The acquisition of Kaupthing Bank Sverige will have a positive nonrecurring effect on Groups earnings during the first quarter. Overall, we expect consolidated earnings to be better than in 2008. It should again be emphasised that great uncertainty prevails in the global financial system. Combined with the acquisition of Kaupthing, this means that the outlook for the future is burdened by greater uncertainty than normal. The Group's assessment of the outlook for 2009 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.

Annual General Meeting and financial information in 2009 The Annual General Meeting will be held in Mariehamn, Åland, Finland on Thursday, March 26, 2009. The Annual Report will be published in its official Swedish version on March 16, 2009, and in Finnish and English soon afterward. Interim reports will be published as follows during 2009. January-March 2009 Monday, May 11, 2009 January-June 2009 Monday, August 24, 2009 January-September 2009 Monday, October 26, 2009 The figures in this Year-end Report are unaudited. Mariehamn, February 27, 2009

THE BOARD OF DIRECTORS ----- | FINANCIAL RATIOS ETC. | ----- - | Bank of Åland Group | Full year | Full year | ----- | | 2008 | 2007 | -----

-----				-----
-----		Earnings per share before dilution, EUR 1	1.22 1.75	-----
-----		Earnings per share after dilution, EUR 2	1.22 1.75	-----
-----		Year-end market price per share, EUR		-----
-----		Series A shares	26.60 37.00	-----

	Series B shares	17.24 27.80						
	Equity capital per share, EUR	3 11.87 11.54						
	Return on equity after tax es, % (ROE)	4 10.7 16.4						
	Return on total assets, % (ROA)	5 0.5 0.9						
	Equity/assets ratio, %	6 5.0 5.2						
	Total lending volume, EUR M	2,193 2,104						
	Total deposits from the public, EUR M	2,126 1,921						
	Equity capital, EUR M	138 135						
	Balance sheet total, EUR M	2,770 2,592						
	Expense/income ratio							
	Including loan losses	0.73 0.62						
	excluding loan losses	0.70 0.61						
	Profit for the year before dilution / Average number of shares							
-	2 Profit for the year after dilution / (Average number of shares + shares outstanding)							
	3 Equity capital ' minority interest in 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 Equity capital / Balance sheet total							
SUMMARY BALANCE SHEET	--		Bank of Åland Group Dec 31 Dec 31					
2008 2007			EUR M					
	ASSETS							
	Cash	79 39	Debt securities eligible for refinancing with central banks					
	Claims on credit institutions	146 132						
	Claims on the public and public sector entities	123 153						
	Debt securities	2,193 2,104						
	Shares and participations	131 50						
	Shares and participations in associated companies	3 3						
	Derivative instruments	1 2						
	Intangible assets	15 34						
	Tangible assets	5 6	Other assets					
	Accrued income and prepayments	36 26						
	Deferred tax assets	11 21						
	TOTAL ASSETS	25 21						
	LIABILITIES							
	Liabilities to credit institutions	1 1	Debt securities issued to the public					
	Liabilities to the public and public sector entities	665 739						
	Derivative instruments	6 3	Other liabilities					
	Accrued expenses and prepaid income	41 39						
	Subordinated liabilities	18 21						
	Deferred tax liabilities	53 52						
	TOTAL LIABILITIES	19 16	2,631					
2,457								

----- EQUITY CAPITAL AND MINORITY INTEREST -----			
----- Share capital 23 23 -----			
----- Share premium account 33 33 -----			
----- Reserve fund 25 25 -----			
----- Fair value reserve 2 0 -----			
----- Retained earnings 54 51 -----			
----- Shareholders' interest in equity capital 137 133 -----			
----- Minority interest in capital 2 2 -----			
----- TOTAL EQUITY CAPITAL 138 135 -----			
----- TOTAL LIABILITIES AND EQUITY CAPITAL 2,770 2,592 -----			

SUMMARY INCOME STATEMENT | ----- | Bank of Åland Group | Full year | Full year | ----- | EUR M | 2008 | 2007 | ----- | | | -----

----- Net interest income 42.1 39.3 -----			
----- Income from equity instruments 0.0 0.0 -----			
----- Commission income 18.6 20.3 -----			
----- Commission expenses -2.2 -2.0 -----			
----- Net income from securities transactions and dealing 3.3 4.2 foreign exchange -----			
----- Net income from financial assets available for sale -0.1 1.1 -----			
----- Net income from investment properties 0.1 0.6 -----			
----- Other operating income 12.4 11.9 -----			
----- Total income 74.2 75.4 ----- -----			
----- Staff costs -28.3 -26.2 -----			
----- Other administrative expenses -11.0 -10.3 -----			
----- Production for own use 0.5 1.0 -----			
----- Depreciation/amortisation -5.9 -4.9 -----			
----- Other operating expenses -7.4 -5.6 -----			
----- Total expenses -52.1 -46.0 -----			
----- Impairment losses on loans and other commitments -2.3 -1.0 -----			
----- Share of profit/loss in associated companies 0.2 0.2 -----			
----- Net operating profit 20.0 28.6 -----			
----- ----- Income taxes -5.4 -7.6 -----			
----- Profit for the year 14.6 21.0 -----			
----- Shareholders' interest in profit for the year 14.0 20.2 -----			
----- Minority interest in profit for the year 0.6 0.8 -----			
----- Total 14.6 21.0 -----			
----- Earnings per share -----			
----- Earnings per share before dilution, EUR 1 1.22 1.75 -----			
----- Earnings per share after dilution, EUR 2 1.22 1.75 -----			
----- 1 Profit for the year before dilution / Average number of shares -----			
----- 2 Profit for the year after dilution / (Average number of shares + shares outstanding) -----			

- | INCOME STATEMENT BY QUARTER | ----- | Bank of Åland Group | Q4 | Q3 | Q2 | Q1 | Q4 | ----- | EUR M | 2008 | 2008 | 2008 | 2008 | 2007 | -----

[illegible]

										Financial assets																																									
available for sale:																																																			
-changes										0.1	0.1	0.1	in fair value																																						
										-transfer										-0.2	-0.2	-0.2	red to																												
income statement																																																			
Profit										20.2	20.2	0.8	21.0	for the year																																					
										Total										-0.1	20.2	20.2	0.8	21.0	recognise																										
d income										and										expenses										during the year																					
																				Dividend										-11.5																					
-11.5										-0.8	-12.3	to										sharehold										ers1																			
										Conversio										0.6	-0.3	4.1	4.4	4.4	n of																										
capital										loan																																									
Other										-0.3	-0.3	change in										minority										share of																			
equity										capital																																									
Equity										23.3	0.0	33.3	25.1	0.4	51.1	133.1	1.8	135.0	capital, Dec 31,																																
										2007										Financial																															
assets										available for sale:																																									
										-changes										1.3	1.3	1.3	in fair value																												
																				-transfer										0.0	0.0	0.0																			
red to										income statement																																									
										Profit										14.0	14.0	0.6	14.6	for the year																											
																				Total										0.0	0.0	0.0	0.0	1.3	14.0																
15.3										0.6	15.9	recognise										d income										and										expenses									
										during the year																																									
										Dividend										-11.5	-11.5	-1.0	-12.5	to										sharehold																	
ers1																				Other										0.1																					
0.1										change in										minority										share of										equity											
capital																				Equity										23.3	0.0																				
33.3										25.1	1.7	53.6	136.9	1.6	138.5	capital, Dec 31,										2008																									
																				1 Dividend payment for Series A																															
shares EUR 5.2 M										and for Series B shares EUR										6.3 M.																															

----- NOTES TO THE CONSOLIDATED YEAR-END 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 25 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 has the following address: Bank of Åland Plc Nygatan 2 AX-22100 Mariehamn, Åland, Finland The Bank of Åland Plc is listed on the Nasdaq OMX Helsinki Oy (formerly Helsinki Stock Exchange). This Year-end Report for the financial period January 1-December 31, 2008 was approved by the Board of Directors on February 27, 2009. 2. BASIS FOR PREPARATION AND ESSENTIAL ACCOUNTING PRINCIPLES Basis for preparation This Year-end Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union. Essential accounting principles The financial statements of the Bank of Åland Group have been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union. The consolidated financial statements are presented in millions of euros (EUR M) unless otherwise stated. The consolidated financial statements have been prepared according to original cost, if not otherwise stated in the accounting principles. New accounting norms and standards in effect starting in 2008: IAS 39 / IFRS 7 The amendments mean that under particular circumstances, financial assets may be reclassified out of the “fair value through profit or loss” category if the assets are no longer being held for the purpose of sale or repurchase in the near

future. The Bank of Åland has not carried out any reclassifications as a result of the amendments. 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 . At present, this change has no substantial effect on earnings. The Group is applying IFRIC 14 beginning on January 1, 2008. The Group is not currently affected by amendments to the following: IFRIC 11, "Group and Treasury Share Transactions" IFRIC 12, "Service Concession Arrangement" New accounting standards and interpretations in effect starting in 2009: 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. IAS 27, "Consolidated and Separate Financial Statements" Among other things, the amendment means that profit or loss attributable to minority shareholders shall always be separately presented, even if this means that the minority holding is negative; that transactions with minority shareholders are always presented in equity capital; and that in cases where a parent company loses its controlling influence, any remaining holding shall be re-measured to fair value. The amendment will affect the recognition of future transactions. IFRS 8, "Operating Segments" The standard requires that a company provide financial and descriptive disclosures about its operating segments. IFRS 8 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. The Group is not currently affected by amendments to the following: IAS 23, "Borrowing Costs" IAS 32, "Financial Instruments: Presentation" IFRS 1, "First-time Adoption of International Financial Reporting Standards" IFRS 2, "Share-based Payments" IFRIC 13, "Customer Loyalty Programmes" IFRIC 15, "Agreements for the Construction of Real Estate" IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" 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