

Year-end report

For the period January – December 2009 • February 22, 2010



The report period in brief

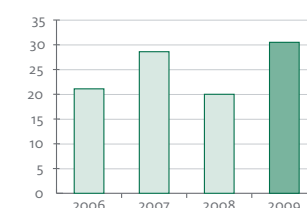
- Consolidated net operating profit increased by 52 per cent to 30.5 million euros (January–December 2008: EUR 20.0 M)
- Recognition of negative goodwill from the purchase of Ålandsbanken Sverige AB improved income by EUR 23.1 M, while operational earnings in Ålandsbanken Sverige AB pulled down consolidated income by EUR 8.0 M
- Net interest income fell by 7 per cent to EUR 39.1 M (42.1)
- Commission income increased by 75 per cent to EUR 32.5 M (18.6)
- Total income increased by 17 per cent to EUR 87.2 M (74.2)
- Expenses rose by 48 per cent to EUR 77.2 M (52.1)
- Impairment losses on loans amounted to EUR 2.9 M (2.3)
- Lending volume increased by 16 per cent to EUR 2,546 M (December 2008: 2,193)
- Deposits increased by 13 per cent to EUR 2,411 M (December 2008: 2,126)
- Mutual fund assets under management increased by 239 per cent to EUR 801 M (236)
- Return on equity after taxes (ROE) was 17.8 per cent (10.7)
- The expense/income ratio amounted to 72 (73) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.3 per cent (12.6)
- Earnings per share amounted to EUR 2.27 (1.22)
- The Board of Directors proposes a dividend of EUR 0.50 (0.50) per share plus an anniversary dividend of EUR 0.20 per share
- Taking into consideration that the Group's earnings in 2009 included a sizeable non-recurring 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

“We foresee a strong influx of new customers to our asset management services, while net interest income is being squeezed by low interest rates and intensive competition for deposits.”

Peter Wiklöf, Managing Director

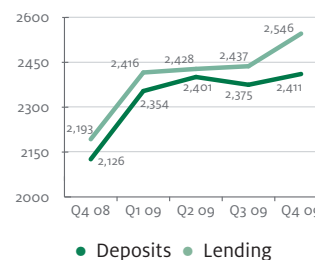
Net operating profit

EUR M

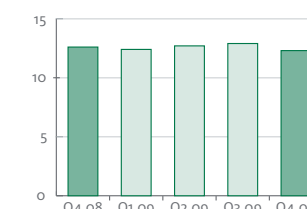


Deposits and lending

EUR M

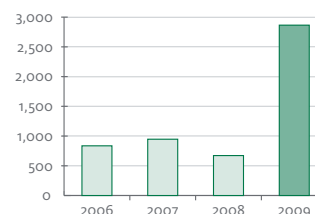


Capital adequacy %



Assets under management

EUR M



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has strong 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 OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has 17 offices in the Åland Islands and 8 offices elsewhere in Finland. Its subsidiary Ålandsbanken Sverige AB has three offices in Sweden. A total of 10 subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

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

Ålandsbanken Sverige AB (encompassing Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A.) was consolidated in the Bank of Åland Group in such a way that its balance sheet on December 31, 2009 and its earnings during the period April 1 – December 31, 2009 have been included in the consolidated financial statements. This affects comparability with last year. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, newly acquired operations" on page 10.

The year was characterised by the Group's investment in the Swedish market, increased focus on private banking services, instability in financial markets and low market interest rates. During January-December 2009, the consolidated net operating profit of the Bank of Åland Group increased by 521 per cent to EUR 30.5 M (20.0 in 2008). During the year, the Group recognised EUR 23.1 M in negative goodwill as income, due to its purchase of Kaupthing Bank Sverige AB in Sweden. In traditional banking operations, net interest income was adversely affected by low market interest rates, while the Group's strategic focus on private banking meant increased income from mutual funds, stock brokerage and asset management. Information technology (IT) operations performed favourably during the year, which increased "Other operating income". The task of integration with Ålandsbanken Sverige AB, related to both processes and computer systems, was intensive and led to increased expenses for the Group.

Income (excluding negative goodwill) increased by 17 per cent to EUR 87.2 M (74.2), while expenses rose by 48 per cent to EUR 77.2 M (52.1). Return on equity after taxes (ROE) increased to 17.8 (10.7) per cent, and earnings per share to EUR 2.27 (1.22).

NET INTEREST INCOME

During 2009, consolidated net interest income fell by 7 per cent to EUR 39.1 M (42.1). Ålandsbanken Sverige AB had net interest income of EUR 3.5 M. Despite increasing lending volume, low interest rates depressed net interest income during the year. Margins on lending showed a rising trend during 2009, while the prevailing market situation led to depressed deposit margins. Lending volume rose by 16 per cent to EUR 2,546 M (2,193). Deposit volume increased by 13 per cent to EUR 2,411 M (2,126).

OTHER INCOME

Commission income rose by 75 per cent to EUR 32.5 M (18.6). The Group's focus on private banking and the good stock market trend increased income from securities, mutual fund and asset management commissions. Commission income at Ålandsbanken Sverige AB amounted to EUR 11.9 M.

Net income from securities trading for the Bank's own account was EUR 2.2 M (2.4). Valuation and realisation of value increases in interest rate hedging derivatives (the Bank of Åland does not apply hedge accounting) resulted in a positive nonrecurring effect of EUR 2.4 M. Net income from dealing in the foreign exchange market improved to EUR 1.8 M (1.0). Net income from financial assets available for sale was EUR 0.5 M (-0.1), and net income from investment properties increased to 0.2 M (0.1). Other operating income increased to EUR 15.4 M (12.4) as a consequence of higher income from the sale and development of information technology (IT) systems. During 2009, the Bank of Åland Plc bought Kaupthing Bank Sverige AB in Sweden, now Ålandsbanken Sverige AB (encompassing Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Management Company S.A.).

The acquisition analysis shows that the net assets acquired after restructuring expenses amounted to EUR 57.2 M and the cost of the shares, including the purchase price and acquisition-related expenses, amounted to EUR 34.1 M. Negative goodwill of EUR 23.1 M was recognised as income in the Bank of Åland Group during the second quarter. For detailed information about the acquisition analysis, see Note 4 under "Notes to the consolidated interim report" on page 13.

The Group's total income (excluding negative goodwill) increased by 17 per cent to EUR 87.2 M (74.2).

EXPENSES

Staff costs rose by 57 per cent to EUR 44.6 M (28.3) 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 13.8 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach affected staff costs in the amount of EUR 0.1 M (0.2).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 16.7 M (11.0). Production for own use totalled EUR 1.9 M (0.5) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 6.4 M (5.9). Other operating expenses amounted to EUR 11.4 M (7.4), of which EUR 3.6 M arose at Ålandsbanken Sverige AB.

The Group's total expenses rose by 48 per cent to EUR 77.2 M (52.1).

IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS

Impairment losses on loans amounted to EUR 2.9 M (2.3). Of these, EUR 1.4 M were individually targeted impairment losses and EUR 1.5 M a group impairment loss targeted to the real estate industry. Of the targeted individual impairment losses, EUR 1.2 M consisted of final actual loan losses.

¹⁾ All percentages are calculated on the basis of exact values.

FOURTH QUARTER OF 2008

In the fourth quarter, the Group's net operating profit amounted to EUR -0.4 M (Q 4 2008: 3.7).

Income

Total income increased by 14 per cent to EUR 23.2 M (20.3). Lower interest rates combined with increased competition on deposit margins led to a decrease in net interest income of 9 per cent to EUR 9.7 M (10.7). Lending volume and margins were higher than during the corresponding period of 2008.

Commission income improved by 117 per cent and amounted to EUR 10.0 M (4.6). The increase was attributable to the focus on private banking, increased market activity and the purchase of Ålandsbanken Sverige AB. Commission income at Ålandsbanken Sverige AB totalled EUR 4.4 M. Net income from securities trading and foreign exchange operations decreased to EUR -0.4 M (2.4). Other operating income rose by 46 per cent to EUR 5.0 M (3.4), with most of the increase coming from the Group's IT operations.

Expenses

Total expenses during the quarter increased by 57 per cent and amounted to EUR 23.0 M (14.6). During the quarter, staff costs amounted to EUR 13.4 M (7.4). The number of employees in the Group increased as a consequence of the purchase of Ålandsbanken Sverige AB, while salary hikes were implemented as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB totalled EUR 5.2 M. Other administrative expenses increased to EUR 5.0 M (3.1) in the fourth quarter, primarily because of higher external computer expenses, communications and marketing. The task of integration with Ålandsbanken Sverige AB led to an increase in other operating expenses to EUR 3.8 M (2.9). Impairment losses during the period totalled EUR 0.6 M (1.9).

BALANCE SHEET TOTAL AND OFF-BALANCE SHEET OBLIGATIONS

At the end of 2009, the Group's balance sheet total was EUR 3,379 M (2,770). During the year, the Group issued debenture loans 1/2009 and 2/2009 totalling EUR 34 M. With the permission of the Finnish Financial Supervisory Authority and in compliance with the terms of the loan, the Group carried out an early redemption of debenture loan 2/2004, which it had issued on June 4, 2004. Off-balance sheet obligations rose to EUR 306 M (165).

PERSONNEL

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 641 (487) positions, which represented an increase by 154 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. The number of employees at Ålandsbanken Sverige AB on December 31, 2009 was 176.

Bank of Åland Group	2009	2008
Bank of Åland Plc	310	318
Ab Compass Card Oy Ltd	5	6
Crosskey Banking Solutions Ab Ltd	159	134
Ålandsbanken Asset Management Ab	18	15
Ålandsbanken Fondbolag Ab	6	6
Ålandsbanken Equities Ab	7	0
Ålandsbanken Sverige Ab	136	0
Ålandsbanken Veranta Ab	0	8
Total number of full-time equivalent positions, recalculated from hours worked	641	487

EXPENSE/INCOME RATIO

Efficiency measured as expenses divided by income, including and excluding loan losses, respectively:

Bank of Åland Group	2009	2008
Including negative goodwill		
Including loan losses	0.72	0.73
Excluding loan losses	0.70	0.70

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 December 2009 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 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. Our assessment, according to the current regulations, is that this will substantially improve the Bank of Åland's capital adequacy.

CAPITAL ADEQUACY

Bank of Åland Group	Dec 31, 2009	Dec 31, 2008
Capital base, EUR M		
Core capital	129.3	112.4
Supplementary capital	72.4	53.4
Total capital base	201.7	165.7
Capital requirement for credit risks	113.9	95.9
Capital requirement for operational risks	2.2	9.3
Capital requirement for market risks	14.9	0.0
Total capital requirement	130.9	105.1
Total capital ratio, %	12.3	12.6
Core capital ratio, %	7.9	8.6

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 13 per cent to EUR 2,411 M (2,126), of which EUR 337 M consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 16 per cent to EUR 2,039 M (1,757). Bonds and certificates of deposit issued to the public increased by 1 per cent to EUR 372 M (369).

LENDING

The volume of lending to the public increased by 16 per cent and amounted to EUR 2,546 M (2,193). The volume of lending at Ålandsbanken Sverige AB was EUR 190 M. Lending to households increased by 15 per cent to EUR 1,734 M (1,508). Households accounted for 68 (69) per cent of the Group's total lending volume. Lending to companies rose by 19 per cent to EUR 787 M (661).

BANK OF ÅLAND PLC (ÅLANDSBANKEN ABP)

The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has strong 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 OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has 17 offices in the Åland Islands and eight offices elsewhere in Finland. Its subsidiary Ålandsbanken Sverige AB has three offices in Sweden. A total of 10 subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group. The Group has 750 employees. Read more at www.alandsbanken.fi.

AB COMPASS CARD OY LTD

Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc. The company will issue credit and debit cards to private and institutional customers. Compass Card was founded in 2007 and has offices in Helsinki and Mariehamn. The company has six employees.

CROSSKEY BANKING SOLUTIONS AB LTD

Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc. The company develops, delivers and manages banking computer systems to financial market players, offering comprehensive solutions and efficient banking processes. Crosskey includes the subsidiary S-Crosskey Ab. Crosskey was founded in 2004 and has offices in Mariehamn, Helsinki, Turku and Stockholm. The company has 179 employees. Read more at www.crosskey.fi.

ÅLANDSBANKEN ASSET MANAGEMENT AB

Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers asset management services to institutions and private individuals. It manages the assets of the Bank of Åland's mutual funds registered in Finland. Asset Management was founded in 2000 and has an office in Helsinki. The company has 20 employees.

ÅLANDSBANKEN EQUITIES AB

Ålandsbanken Equities Ab is a subsidiary of the Bank of Åland Plc. The company offers equity analysis and stock brokerage services to institutional investors. It includes the wholly owned subsidiary Ålandsbanken Equities Research Ab. Equities was founded in 2008 and has an office in Helsinki. The company has eight employees.

ÅLANDSBANKEN FONDBOLAG AB

Ålandsbanken Fondbolag Ab is a wholly owned subsidiary of the Bank of Åland Plc. The company carries out mutual fund (unit trust) operations and manages 11 mutual funds registered in Finland. Ålandsbanken Fondbolag was founded in 1998 and has an office in Mariehamn. The company has seven employees.

ÅLANDSBANKEN SVERIGE AB

Ålandsbanken Sverige AB is a wholly owned subsidiary of the Bank of Åland Plc. The company has operations in private banking, asset management, stock brokerage and institutional equities trading. Ålandsbanken Fonder AB and Alpha Management Company S.A. are wholly-owned subsidiaries of the company. Ålandsbanken Sverige was founded in 2009 and has offices in Stockholm, Gothenburg and Malmö, Sweden. The company has 176 employees. Read more at www.alandsbanken.se.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report has been updated and will be published concurrently with the Annual Report for 2009 on the Bank of Åland website, www.alandsbanken.fi.

CHANGES IN GROUP STRUCTURE

During 2009, the Bank of Åland Plc bought Kaupthing Bank Sverige AB, now Ålandsbanken Sverige AB (encompassing Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Management Company S.A.).

Ålandsbanken Veranta Ab merged with the Bank of Åland Plc on September 30, 2009. During the year, Bank of Åland Plc sold 8 per cent of the shares in Ålandsbanken Equities Ab. Ålandsbanken Equities Research Ab was founded during the year as a wholly owned subsidiary of Ålandsbanken Equities Ab.

IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

No important events have occurred after the close of the report period

PROPOSED DISTRIBUTION OF PROFIT

The Board of Directors proposes that the Annual General Meeting approve a dividend of EUR 0.50 (0.50) per share plus an anniversary dividend of EUR 0.20 per share, which is equivalent to a total amount of EUR 8.1 M.

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.

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 non-recurring income, is expected to be at least at the same level as in 2009.

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.

ANNUAL GENERAL MEETING AND FINANCIAL INFORMATION IN 2010

The Annual General Meeting will be held in Mariehamn, Åland, Finland on Monday, April 19, 2010.

The Annual Report will be published in its official Swedish and Finnish version on March 15, 2010, and in English soon afterward.

INTERIM REPORTS WILL BE PUBLISHED AS FOLLOWS DURING 2009.

January-March 2010	Monday, May 3, 2010
January-June 2010	Monday, August 2, 2010
January-September 2010	Monday, November 1, 2010

The figures in this Year-end Report are unaudited.

Mariehamn, February 19, 2010
THE BOARD OF DIRECTORS

Financial ratios etc.

Bank of Åland Group	Full year 2009	Full year 2008
Earnings per share before dilution, EUR ¹	2.27	1.22
Earnings per share after dilution, EUR ²	2.27	1.22
Year-end market price per share, EUR		
Series A shares	33.90	26.60
Series B shares	24.50	17.24
Equity capital per share, EUR ³	13.97	11.87
Return on equity after taxes, % (ROE) ⁴	17.8	10.7
Return on total assets, % (ROA) ⁵	0.9	0.5
Equity/assets ratio, % ⁶	4.8	5.0
Total lending volume, EUR M	2,546	2,193
Total deposits from the public, EUR M	2,411	2,126
Equity capital, EUR M	162	138
Balance sheet total, EUR M	3,379	2,770
Expense/income ratio		
Including negative goodwill		
Including loan losses	0.72	0.73
Excluding loan losses	0.70	0.70
Excluding negative goodwill		
Including loan losses	0.92	0.73
Excluding loan losses	0.88	0.70

¹ 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 statement of financial position

Bank of Åland Group	Dec 31, 2009	Dec 31, 2008
EUR M		
ASSETS		
Cash	33	79
Debt securities eligible for refinancing with central banks	186	146
Claims on credit institutions	264	123
Claims on the public and public sector entities	2,545	2,193
Debt securities	188	131
Shares and participations	23	3
Shares and participations in associated companies	1	1
Derivative instruments	20	15
Intangible assets	6	5
Tangible assets	38	36
Other assets	50	11
Accrued income and prepayments	22	25
Deferred tax assets	2	1
Total assets	3,379	2,770
LIABILITIES		
Liabilities to credit institutions	263	71
Liabilities to the public and public sector entities	2,040	1,758
Debt securities issued to the public	743	665
Derivative instruments	8	6
Other liabilities	57	41
Accrued expenses and prepaid income	27	18
Subordinated liabilities	59	53
Deferred tax liabilities	21	19
Total liabilities	3,217	2,631
Equity capital and minority interest		
Share capital	23	23
Share premium account	33	33
Reserve fund	25	25
Fair value reserve	6	2
Retained earnings	74	54
Shareholders' interest in equity capital	161	137
Minority interest in capital	1	2
Total equity capital	162	138
Total liabilities and equity capital	3,379	2,770

Summary statement of comprehensive income

Bank of Åland Group	Full year 2009	Full year 2008
EUR M		
Net interest income	39.1	42.1
Income from equity instruments	0.0	0.0
Commission income	32.5	18.6
Commission expenses	-4.4	-2.2
Net income from securities transactions and foreign exchange dealing	4.0	3.3
Net income from financial assets available for sale	0.5	-0.1
Net income from investment properties	0.2	0.1
Other operating income	15.4	12.4
Total income	87.2	74.2
Staff costs	-44.6	-28.3
Other administrative expenses	-16.7	-11.0
Production for own use	1.9	0.5
Depreciation/amortisation	-6.4	-5.9
Other operating expenses	-11.4	-7.4
Total expenses	-77.2	-52.1
Impairment losses on loans and other commitments	-2.9	-2.3
Share of profit/loss in associated companies	0.2	0.2
Negative goodwill	23.1	0.0
Net operating profit	30.5	20.0
Income taxes	-3.7	-5.4
Profit for the year	26.8	14.6
Other comprehensive income		
Assets available for sale	0.2	1.8
Valuation differences	3.7	0.0
Income tax on other comprehensive income	-0.1	-0.5
Total comprehensive income for the period	30.7	15.9
Profit for the period attributable to owners of the parent	26.2	14.0
Profit for the period attributable to minority interests	0.7	0.6
Total	26.8	14.6
Total comprehensive income for the period attributable to owners of the parent	30,0	15.3
Total comprehensive income for the period attributable to minority interests	0,7	0.6
Total	30,7	15.9
Earnings per share		
Earnings per share before dilution, EUR ¹	2.27	1.22
Earnings per share after dilution, EUR ²	2.27	1.22

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 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
EUR M					
Net interest income	9.7	10.2	10.1	9.1	10.7
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	10.0	9.4	8.1	5.0	4.6
Commission expenses	-1.3	-1.7	-0.9	-0.5	-0.6
Net income from securities transactions and foreign exchange dealing	-0.4	0.4	0.8	3.1	2.4
Net income from financial assets available for sale	0.1	0.2	0.1	0.0	-0.3
Net income from investment properties	0.0	0.0	0.0	0.2	0.0
Other operating income	5.0	3.1	3.9	3.4	3.4
Total income	23.2	21.5	22.1	20.4	20.3
Staff costs	-13.4	-11.3	-12.3	-7.6	-7.4
Other administrative expenses	-5.0	-4.2	-4.6	-2.9	-3.1
Production for own use	0.8	0.8	0.2	0.2	0.2
Depreciation/amortisation	-1.6	-1.6	-1.7	-1.4	-1.5
Other operating expenses	-3.8	-2.5	-3.0	-2.0	-2.9
Total expenses	-23.0	-18.9	-21.5	-13.8	-14.6
Impairment losses on loans and other commitments	-0.6	-0.2	-1.8	-0.4	-1.9
Share of profit/loss in associated companies	0.0	0.1	0.1	0.1	-0.1
Negative goodwill	0.0	0.0	23.1	0.0	0.0
Net operating profit	-0.4	2.7	22.0	6.3	3.7

Earnings, newly acquired operations

Bank of Åland Group	Apr–Dec 2009	Jan–Dec 2009	Jan–Dec 2009	Jan–Dec 2008
EUR M	Sweden	Finland	Total	Total
Net interest income	3.5	35.6	39.1	42.1
Income from equity investments	0.0	0.0	0.0	0.0
Commission income	11.9	20.6	32.5	18.6
Commission expenses	-2.3	-2.2	-4.4	-2.2
Net income from securities transactions and foreign currency dealing	0.2	3.7	4.0	3.3
Net income from financial assets available for sale	0.0	0.4	0.5	-0.1
Net income from investment properties	0.0	0.2	0.2	0.1
Other operating income	1.8	13.6	15.4	12.4
Total income	15.1	72.1	87.2	74.2
Staff costs	-13.8	-30.8	-44.6	-28.3
Other administrative expenses	-4.9	-11.8	-16.7	-11.0
Production for own use	0.0	1.9	1.9	0.5
Depreciation/amortisation	-0.7	-5.7	-6.4	-5.9
Other operating expenses	-3.6	-7.9	-11.4	-7.4
Total expenses	-22.9	-54.2	-77.2	-52.1
Impairment losses on loans and other commitments	-0.2	-2.7	-2.9	-2.3
Share of profit/loss in associated companies	0.0	0.2	0.2	0.2
Negative goodwill	0.0	23.1	23.1	0.0
Net operating profit	-8.0	38.5	30.5	20.0

¹As a result of the situation surrounding the purchase of Kaupthing Bank Sverige AB, negative goodwill arose at the Bank of Åland. For more information, see Note 4, "Business combinations" on page 13.

Changes in equity capital

Bank of Åland Group									
EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	Retained earnings	Total before minority interest	Minority interest	Total
Equity capital, Dec 31, 2007	23.3	33.3	25.1	0.4	0.0	51.1	133.1	1.8	135.0
Comprehensive income for the period				1.3		14.0	15.3	0.6	15.9
Dividend paid						-11.5	-11.5	-1.0	-12.5
Other changes in equity capital attributable to minority interests								-0.1	-0.1
Equity capital, Dec 31, 2008	23.3	33.3	25.1	1.7	0.0	53.6	136.9	1.6	138.5
Comprehensive income for the period				0.2	3.7	26.2	30.0	0.7	30.7
Dividend paid						-5.8	-5.8	-1.7	-7.5
Other changes in equity capital attributable to minority interests							0.0	0.5	0.5
Equity capital, Dec 31, 2009	23.3	33.3	25.1	1.8	3.7	74.0	161.2	1.0	162.2

¹ Dividend payment for Series A shares EUR 5.2 M and for Series B shares EUR 6.3 M.

Cash flow statement

Bank of Åland Group	Jan–Dec 2009		Jan–Dec 2008	
EUR M				
Cash flow from operating activities				
Net operating profit		30.5		20.0
Adjustment for net operating profit items not affecting cash flow		-11.9		9.8
Gains/losses from investing activities		-0.5		-0.2
Income taxes paid		-3.5		-3.2
Changes in assets and liabilities in operating activities		-52.1	-37.5	98.3
				124.7
Cash flow from investing activities			24.0	-14.9
Cash flow from financing activities			39.8	-41.3
Exchange rate differences in cash and cash equivalents			4.3	0.0
Change in cash and cash equivalents			30.6	68.5
Cash and cash equivalents, January 1			323.5	255.0
Cash and cash equivalents, December 31			354.1	323.5

Disbursed for the purchase of Kaupthing Bank Sverige AB, EUR 34.1 M. Cash and cash equivalents in Kaupthing Bank Sverige AB amounted to EUR 63.5 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 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

A copy of the consolidated financial statements can be obtained from the Head Office or from the website www.alandsbanken.fi.

The shares of the Bank of Åland Plc are traded on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange).

The consolidated financial statements for the financial year ending on December 31, 2009 were approved by the Board of Directors on February 19, 2010 and will be submitted to the Annual General Meeting for adoption. The Annual General Meeting has the opportunity to adopt or abstain from adopting the financial statements.

2. Basis for preparation and essential accounting principles

BASIS FOR PREPARATION

The Year-end Report for the period January 1-December 31, 2009 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union.

ESSENTIAL ACCOUNTING PRINCIPLES

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.

Translation of operations outside Finland to the Group's reporting currency

In the consolidated financial statements, the income statements and cash flow statements of operations outside Finland have been translated to euros according to the average exchange rates for the report period. The translation of balance sheet items to euros is performed using the exchange rates on the balance sheet date. The translation differences that arise are recognised separately in "Other comprehensive income".

New accounting standards and norms 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 is

presenting its financial statements in compliance with the revised IAS 1 for the financial period that begins on January 1, 2009.

IFRS 7, "Financial Instruments: Disclosures"

The amendments are based on requiring more disclosures, among other things on how the fair value of financial instruments has been calculated and what information has been used. The Group is presenting its financial statements in compliance with the amended IFRS 7 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 8 replaces IAS 14, "Segment Reporting". The Group is presenting its financial statements in compliance with IFRS 8 for the financial period that begins on January 1, 2009.

Improvements to International Financial Reporting Standards (2008)

The standard was published as part of the International Accounting Standards Board's (IASB's) recently introduced process whose purpose is to deal with minor amendments to existing standards, known as the annual improvements project. The Group is presenting its financial statements in compliance with the standard for the financial period that begins on January 1, 2009.

The Group is not currently affected by amendments to the following:

IFRS 2, "Share-based Payments"

IAS 23, "Borrowing Costs"

IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation"

IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39, "Financial Instruments: Recognition and Measurement" – Embedded Derivatives

IFRIC 13, "Customer Loyalty Programmes"

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. Business combinations

During the report period, the Bank of Åland Group made the following acquisitions of companies, which are reported in compliance with IFRS 3, "Business Combinations".

2009			
EUR M	Sector	Date of acquisition	Cost
Kaupthing Bank Sverige AB	Asset manager	March 27, 2009	
Kaupthing Fonder AB	Mutual fund manager	March 27, 2009	
Alpha Management Company S.A.	Mutual fund manager	March 27, 2009	
Kaupthing Bank Sverige			34.1
ALLOCATION OF COST			Kaupthing Bank Sverige
Cash			35.2
Direct acquisition-related expenses			3.7
Purchase price settlement			-4.8
			34.1
NET ASSETS ACQUIRED			Kaupthing Bank Sverige
		Fair value	Carrying amount
Claims on credit institutions		84.9	84.9
Claims on the public		208.4	208.9
Shares and participations		24.6	24.6
Other assets		42.2	42.2
Liabilities		303.0	303.0
Net assets acquired		57.2	
Negative goodwill		23.1	

Ålandsbanken Sverige AB earned income of EUR -8.0 M after being acquired. The negative goodwill that arose was reported as income in the Bank of Åland Group's income statement on the line "Negative goodwill". The Bank of Åland was contacted in 2008 concerning the purchase of Kaupthing Bank Sverige AB. As a result of the situation surrounding the purchase, negative goodwill arose at the Bank of Åland. During Q 4 the acquisition analysis established this amount as EUR 23.1 M. If Ålandsbanken Sverige AB had been part of the Bank of Åland Group from January 1, 2009, the Group's earnings would have been EUR 5.1 M lower.

2009				
EUR M	Mar 31	Utilised	Withdrawn	Dec 31
RESTRUCTURING RESERVE				
Staff costs	6.2	-4.5	-0.2	1.4
Rent for premises	2.7	-0.9	-1.2	0.6
IT	0.7	-0.4	0.0	0.4
Total	9.7	-5.8	-1.4	2.4

2009		2008	
EUR M			
GOODWILL			
Opening balance			
Gross		1.4	1.4
Goodwill recognised during the report period		0.0	0.0
Impairment		0.0	-0.1
Closing balance		1.4	1.4

5. 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. In each operating segment, "Other staff costs" are recognised as staff costs while in the external financial statements they are recognised as "Other administrative expenses" and IT depreciation/amortisation is recognised as "Other expenses" while in the external financial statements they are recognised as "Depreciation/amortisation"

Bank of Åland Group		Jan–Dec 2009				
EUR M	Finland	Sweden	Crosskey	Eliminations	Total	
Deposits, lending and portfolio management	35.3	1.5	0.0	0.0	36.8	
of which impairment losses, loans	-2.7	-0.2	0.0	0.0	-2.9	
Capital market products/services	15.1	10.0	0.0	0.0	25.1	
Other income	7.0	3.5	25.8	-13.7	22.6	
Staff costs	-21.2	-14.4	-10.8	0.0	-46.4	
Other expenses	-17.5	-7.8	-9.8	10.0	-25.1	
Depreciation/amortisation	-4.7	-0.7	-0.9	0.7	-5.6	
Negative goodwill	23.1	0.0	0.0	0.0	23.1	
NET OPERATING PROFIT	37.2	-8.0	4.2	-2.9	30.5	
Assets	2,870.2	544.8	10.6	-46.3	3,379.3	
Liabilities	2,725.5	490.5	5.8	-4.7	3,217.1	
Equity capital	144.7	54.4	4.8	-41.7	162.2	

Bank of Åland Group		Jan–Dec 2008				
EUR M	Finland	Sweden	Crosskey	Eliminations	Total	
Deposits, lending and portfolio management	44.3	0.0	0.0	-0.1	44.2	
of which impairment losses, loans	-2.3	0.0	0.0	0.0	-2.3	
Capital market products/services	11.4	0.0	0.0	0.0	11.4	
Other income	5.1	0.0	21.9	-10.6	16.4	
Staff costs	-20.4	0.0	-9.4	0.0	-29.8	
Other expenses	-16.0	0.0	-11.0	9.7	-17.3	
Depreciation/amortisation	-4.7	0.0	-0.7	0.5	-4.9	
Negative goodwill	0.0	0.0	0.0	0.0	0.0	
NET OPERATING PROFIT	19.7	0.0	0.7	-0.4	20.0	
Assets	2,768.9	0.0	7.9	-7.0	2,769.7	
Liabilities	2,628.8	0.0	4.3	-1.9	2,631.2	
Equity capital	140.0	0.0	3.6	-5.1	138.5	

6. Income taxes

Bank of Åland Group		Dec 31, 2009	Dec 31, 2008
EUR M			
Taxes for the year and prior years		2.7	2.5
Change in deferred tax assets/liabilities		0.9	2.9
Income taxes		3.7	5.4

7. Dividend

Bank of Åland Group	2009	2008
EUR		
Proposed dividend for 2009: EUR 0.50 per share	5,768,061	
Proposed anniversary dividend for 2009: EUR 0.20 per share	2,307,224	
Final dividend for 2008: EUR 0.50 per share		5,768,061

Distributable profit on December 31, 2009 before the dividend amounted to EUR 8,435,889.

The dividend for 2008 was adopted by the Annual General Meeting on March 26, 2009. The record date was March 31 and the distribution date was April 7.

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

Bank of Åland Group	Dec 31, 2009	Dec 31, 2008
EUR M		
Deposit accounts from the public and public sector		
Demand deposit accounts	385	140
Cheque accounts	397	301
Environmental and Savings Accounts	89	73
Prime Accounts	763	652
Time deposits	405	592
Total deposit accounts	2,039	1,757
Bonds and subordinated debentures ¹	231	224
Certificates of deposit issued to the public ¹	140	145
Total bonds and certificates of deposit	372	369
Total deposits	2,411	2,126

¹ This item does not include debt securities subscribed by credit institutions.

9. Lending to the public and public sector by purpose

Bank of Åland Group	Dec 31, 2009	Dec 31, 2008
EUR M		
COMPANIES		
Shipping	76	79
Wholesale and retail trade	64	59
Housing operations	72	64
Other real estate operations	154	113
Financial and insurance operations	200	190
Hotel and restaurant operations	16	14
Other service operations	128	79
Agriculture, forestry and fishing	11	7
Construction	27	23
Other industry and crafts	39	31
	787	661
PRIVATE INDIVIDUALS		
Home loans	1,144	1,083
Securities and other investments	334	249
Business operations	165	92
Other household purposes	90	84
	1,734	1,508
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS	25	25
TOTAL LENDING	2,546	2,193

10. Off-balance sheet commitments

Bank of Åland Group	Dec 31, 2009	Dec 31, 2008
EUR M		
Guarantees and pledges	19	16
Other commitments	287	149
	306	165

11. Derivative contracts

Bank of Åland Group EUR M	Dec 31, 2009		Dec 31, 2008	
	For hedging purposes	Other	For hedging purposes	Other
Value of underlying property				
Interest rate derivatives				
<i>Swap contracts</i>	502	10	422	7
<i>Option contracts</i>				
Purchased	52	6	0	0
Exercised	6	52	0	0
Currency derivatives				
<i>Forward contracts</i>	72	9	32	22
<i>Interest rate and currency swap contracts</i>	0	4	0	0
Equity derivatives				
<i>Option contracts</i>				
Purchased	168	7	163	0
	800	89	617	29

The equity derivatives that were purchased hedge option structures that are embedded in bonds issued to the public.

12. Maturity breakdown of claims and liabilities

Bank of Åland Group Claims	Dec 31, 2009				
	< 3 months	3 –12 months	1– 5 years	> 5 years	Total
Debt securities eligible for					
Refinancing in central banks	11	4	171	0	186
Credit institutions and central banks	286	0	0	0	286
The public and public sector entities	387	310	986	863	2,546
Other debt securities	50	110	28	0	188
	734	424	1,185	863	3,206
Liabilities					
Credit institutions and central banks	26	207	30	0	263
The public and public sector entities	1,852	145	43	0	2,040
Debt securities issued to the public	126	261	357	0	743
Subordinated liabilities	0	5	16	38	59
	2,003	619	445	38	3,104

Bank of Åland Group		Dec 31, 2008				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
Debt securities eligible for						
Refinancing in central banks	12	18	113	2	146	
Credit institutions and central banks	123	0	0	0	123	
The public and public sector entities	254	214	799	926	2 193	
Other debt securities	112	10	10	0	131	
	501	243	922	928	2,593	
Liabilities						
Credit institutions and central banks	34	17	20	0	71	
The public and public sector entities	1,590	166	2	0	1,758	
Debt securities issued to the public	149	179	337	0	665	
Subordinated liabilities	10	3	4	36	53	
	1,783	365	364	36	2,547	

No estimates of maturity dates have been made. Spot deposits, for example, are found in the category < 3 months.

13. Interest rate refixing periods

Bank of Åland Group		Dec 31, 2009				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,212	236	274	337	50	3,108
Liabilities	2,379	97	251	265	49	3,041
Difference between assets and liabilities	-168	138	23	73	1	67

Shows the Bank's interest rate-related assets and liabilities, including derivatives at underlying value, according to the interest rate refixing date as of December 31, 2009.

Bank of Åland Group		Dec 31, 2008				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,001.0	323.6	339.5	433.0	47.6	3,144.7
Liabilities	2,235.6	362.7	191.0	220.9	18.2	3,028.4
Difference between assets and liabilities	-234.6	-39.1	148.5	212.1	29.4	116.3

Shows the Bank's interest rate-related assets and liabilities, including derivatives at underlying value, according to the interest rate refixing date as of December 31, 2008.