

Year-end report

For the period January – December 2010 • February 21, 2011, 9.00 a.m



The report period in brief

“In terms of earnings, it was a weak year. The reasons were the build-up of our Swedish operations, a single loan impairment loss and very low interest rates that squeezed our net interest income. Despite these circumstances, our Finnish business showed better operational income in 2010 than in 2009.

“During 2010, the Bank of Åland was very successful in attracting new and existing customers to our financial investment services, which is clearly visible in our volume growth. Customer loyalty is the highest in Finland and, combined with good results in our investment advisory services, strongly contributed to this growth.

“In Sweden, since last autumn we have seen clearly higher customer activity and expect a clearly lower loss level in 2011. Overall this means that we expect significantly better earnings in 2011.”

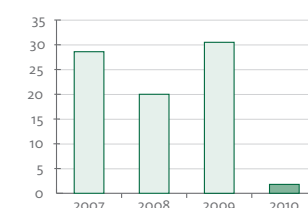
Peter Wiklöf, Managing Director

- Consolidated net operating profit decreased to 1.8 million euros (January–December 2009: EUR 7.4 M, excluding negative goodwill)
- The income of the Group's operations in Finland totalled EUR 16.4 M, which was 6 per cent better than the previous year (15.4, excluding negative goodwill)
- Net interest income fell by 6 per cent to EUR 36.8 M (39.1)
- Commission income increased by 35 per cent to EUR 43.7 M (32.5)
- Total income increased by 14 per cent to EUR 99.7 M (87.2)
- Expenses rose by 19 per cent to EUR 92.2 M (77.2)
- Impairment losses on loans amounted to EUR 5.9 M (2.9)
- Lending volume increased by 1 per cent to EUR 2,573 M (December 2009: 2,546)
- Deposits increased by 8 per cent to EUR 2,600 M (December 2009: 2,411)
- Assets under management increased by 38 per cent to EUR 4,276 M (December 2009: 3,101)
- Fund assets under management increased by 25 per cent to EUR 998 M (801)
- The expense/income ratio amounted to 98 (72) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.0 per cent (12.3)
- The Board of Directors proposes a dividend of EUR 0.00 (0.70) per share
- Taking into consideration that we expect operations in Sweden to have a clearly lower loss level during 2011 and that the Group's earnings in 2010 were pulled down by a sizeable impairment loss on a loan, the Group's earnings in 2011 are expected to be significantly better than in 2010

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. During Q2 2009, the Bank of Åland Group recognised EUR 23.1 M in negative goodwill as income. Consolidated earnings and financial ratios for 2010 are thus not comparable to the corresponding data for 2009.

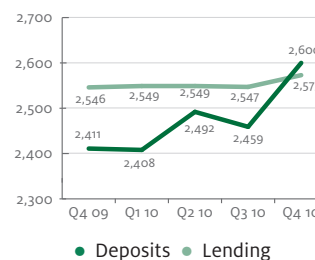
Net operating profit

EUR M

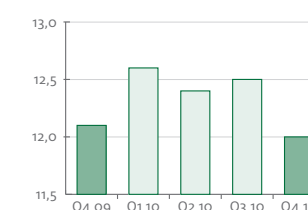


Deposits and lending

EUR M

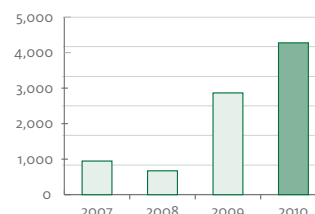


Capital adequacy %



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 nine 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

During 2010, the consolidated net operating profit of the Bank of Åland Group totalled EUR 1.8 M despite large strategic investments in Sweden, historically low interest rates and the fact that the Bank of Åland recognised a loan impairment loss of EUR 5.0 M during the year because a corporate customer in Finland was declared bankrupt. Managed assets rose by EUR 1.2 billion to EUR 4.3 billion during the year, which was a growth rate that exceeded plans. Lending and deposit volume increased moderately, as planned. Despite successful efforts to raise lending margins, net interest income was lower due to low market interest rates and rising expenses for long-term refinancing. Crosskey Banking Solutions Ab Ltd's operations expanded during the year, contributing to higher "Other operating income". During the year, the operations of Ålandsbanken Sverige AB continued to be loss-making. The Group's operations in Finland showed an income of EUR 16.4 M, which was 6 per cent better than the previous year (15.4, excluding negative goodwill).

Consolidated net operating profit decreased to EUR 1.8 M (January–December 2009: EUR 7.4 M, excluding negative goodwill). During the second quarter of 2009, the Group recognised EUR 23.1 M in negative goodwill as income, due to its purchase of Kaupthing Bank Sverige AB in Sweden.

Income, excluding negative goodwill, increased by 14¹ per cent to EUR 99.7 M (87.2), while expenses rose by 19 per cent to EUR 99.2 M (87.2). Return on equity after taxes (ROE) decreased to -1.0 (17.8) per cent, and earnings per share to EUR -0.20 (2.27).

The loss at Ålandsbanken Sverige AB during 2010 totalled EUR 13.3 M. The subsidiary group Ålandsbanken Sverige AB 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 2009 did not include effects generated in Ålandsbanken Sverige AB during the first quarter of 2009. This affects comparability between the periods. There are thus no comparative figures for Ålandsbanken Sverige AB in the presentation below, as regards the full year. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, operations in Finland and Sweden" on page 10.

NET INTEREST INCOME

During 2010, consolidated net interest income fell by 6 per cent to EUR 36.8 M (39.1). Ålandsbanken Sverige AB had net interest income of EUR 5.3 M. Rising lending margins had a positive impact, while shrinking deposit margins and higher refinancing costs depressed the Group's net interest income. The Group reclassified valuations from "Net interest income" to "Net income from securi-

ties transactions and foreign exchange dealing" to ensure comparability between periods. This reclassification amounted to EUR 0.6 M in the first quarter and EUR 1.0 M in the second quarter. The reclassification had no impact on earnings and thus did not affect earnings per share.

OTHER INCOME

Commission income rose by 35 per cent to EUR 43.7 M (32.5). Due to rising volume of managed assets and a good stock market trend, income from securities transactions as well as mutual fund and asset management increased. Commission income at Ålandsbanken Sverige AB amounted to EUR 18.7 M, which did not match our expectations.

Net income from securities trading for the Bank's own account was EUR 1.4 M (2.2). Net income from dealing in the foreign exchange market improved to EUR 3.4 M (1.8). Net income from financial assets available for sale was EUR 1.5 M (0.5), and net income from investment properties increased to 1.6 M (0.2). Other operating income increased to EUR 18.2 M (15.4) as a consequence of higher income from the sale and development of information technology (IT) systems.

The Group's total income (excluding negative goodwill) increased by 14 per cent to EUR 99.7 M (87.2)

EXPENSES

Staff costs rose by 20 per cent to EUR 53.7 M (44.6) 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 19.4 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach reduced staff costs by EUR 0.5 M (0.1).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 18.0 M (16.7). Production for own use totalled EUR 3.7 M (1.9) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 8.3 M (6.4). Other operating expenses amounted to EUR 15.9 M (11.4), of which EUR 7.4 M arose at Ålandsbanken Sverige AB.

The Group's total expenses rose by 19 per cent to EUR 92.2 M (77.2).

IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS

Impairment losses on loans amounted to EUR 5.9 M (2.9). All of these were individually targeted impairment losses. Of the individually targeted impairment losses, EUR 5.0 M consisted of final actual loan losses. The Group's balance sheet contains individual impairment losses of EUR 4.6 M (3.7) and group impairment losses of EUR 2.5 M (2.5).

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

FOURTH QUARTER OF 2010

In the fourth quarter, the Group's net operating profit amounted to EUR 1.6 M (Q4 2009: -0.4).

Income

Total income increased by 20 per cent to EUR 27.7 M (23.2). Low interest rates combined with increased competition for household deposits led to a decrease in net interest income of 7 per cent to EUR 9.0 M (9.7). Lending volume and margins were higher than during the corresponding period of 2009.

Commission income improved by 40 per cent and amounted to EUR 14.0 M (10.0). The increase was attributable to increased volume of managed assets, due to the focus on private banking, increased market activity and increased management commissions at Ålandsbanken Sverige AB. Net income from securities trading and foreign exchange operations increased to EUR 1.6 M (-0.4). Other operating income fell to EUR 4.9 M (5.0). Most of this income was from the Group's IT operations.

Expenses

Total expenses during the quarter rose 12 per cent to EUR 25.7 M (23.0). During the quarter, staff costs amounted to EUR 14.9 M (13.4). Other administrative expenses decreased to EUR 4.5 M (5.0) in the fourth quarter. Due to increased property rents, other operating expenses rose to EUR 4.1 M (3.8). Depreciation/amortisation during the period amounted to EUR 3.1 M (1.6).

DEPOSITS

Deposits from the public, including bonds and certificates of deposit issued, increased by 8 per cent to EUR 2,600 M (2,411), of which EUR 457 M (337) consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 5 per cent to EUR 2,140 M (2,039). Bonds and certificates of deposit issued to the public increased by 24 per cent to EUR 460 M (372).

LENDING

The volume of lending to the public increased by 1 per cent and amounted to EUR 2,573 M (2,546). The volume of lending at Ålandsbanken Sverige AB was EUR 247 M (190). Lending to households increased by 1 per cent to EUR 1,751 M (1,734). Households accounted for 68 (68) per cent of the Group's total lending volume. Lending to companies rose by 1 per cent to EUR 791 M (787).

BALANCE SHEET TOTAL AND OFF-BALANCE SHEET OBLIGATIONS

At the end of 2010, the Group's balance sheet total was EUR 3,475 M (3,379). During the year, the Group issued debenture loans 1/2010 and 2/2010 totalling EUR 29 M. Off-balance sheet obligations fell to EUR 301 M (306).

PERSONNEL

Hours worked in the Group during the fourth quarter, recalculated to full-time equivalent positions, totalled 676 (692) positions, which represented a decrease of 16 positions compared to the preceding year. Hours worked decreased at the Bank of Åland Plc and Ålandsbanken Sverige AB, while Crosskey Banking Solutions Ab Ltd continued to expand. The number of employees at Ålandsbanken Sverige AB on December 31, 2010 was 150 (176).

Bank of Åland Group	Q4 2010	Q4 2009
Bank of Åland Plc	290	310
Ab Compass Card Oy Ltd	6	5
Crosskey Banking Solutions Ab Ltd	199	167
Ålandsbanken Asset Management Ab	23	18
Ålandsbanken Fondbolag Ab	5	6
Ålandsbanken Equities Ab	8	7
Ålandsbanken Sverige AB	145	180
Total number of full-time equivalent positions, recalculated from hours worked	676	692

EXPENSE/INCOME RATIO

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

Bank of Åland Group	2010	2009
Including negative goodwill		
Including loan losses	0.98	0.72
Excluding loan losses	0.92	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 2010 was 12.0 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 2010. 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 during 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, 2010	Dec 31, 2009
Capital base, EUR M		
Core capital	122.1	129.3
Supplementary capital	78.4	72.4
Total capital base	200.5	201.7
Capital requirement for credit risks	114.4	113.9
Capital requirement for operational risks	1.9	2.2
Capital requirement for market risks	16.8	14.9
Total capital requirement	133.1	130.9
Total capital ratio, %	12.0	12.3
Core capital ratio, %	7.3	7.9

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.

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 9 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 issues debit cards and will issue credit cards to private and institutional customers. Compass Card was founded in 2007 and has offices in Helsinki and Mariehamn.

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. 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.

ÅLANDSBANKEN EQUITIES AB

Ålandsbanken Equities Ab is a wholly owned 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. On May 31, 2010, the Bank of Åland Plc acquired the minority interest in Ålandsbanken Equities Ab. After the transaction it owns 100 per cent of Ålandsbanken Equities Ab.

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.

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 and stock brokerage. 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. Read more at www.alandsbanken.se.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report will be published in Swedish and Finnish concurrently with the Annual Report for 2010 on the Bank of Åland website, www.alandsbanken.fi.

CHANGES IN GROUP STRUCTURE

On May 31, 2010, the Bank of Åland Plc acquired the minority interest in Ålandsbanken Equities Ab. After this transaction, the Bank owns 100 per cent of Ålandsbanken Equities Ab. A merger was completed as per January 1, 2011.

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

According to the financial statements of the Bank of Åland Plc, distributable profit is EUR 8,473,380.09, of which profit for the financial year is EUR 8,130,941.01. No significant changes in the financial position of the Company have occurred since the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that there be no dividend and that distributable funds be carried forward in the accounts as retained earnings.

FUTURE OUTLOOK, RISKS AND UNCERTAINTIES IN 2011

Most observers expect a continued gradual recovery in the general economy and in the financial system during 2011. Finland and Sweden are expected to have a stable situation. Assessments of economic conditions are still uncertain, however, especially in the euro zone, where several countries are regarded as having major government financial difficulties.

Based on this assessment, and taking into consideration that the Group's earnings in 2010 included a sizeable nonrecurring expense due to an impairment loss on a loan, earnings in 2011 are expected to be significantly better than in 2010.

The Group's assessment of the outlook for 2011 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 general economic conditions are factors that the Group cannot influence. The Group aims at achieving operations with reasonable and carefully considered risks. Its profitability is dependent on the ability of the organization to identify, manage and price risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk.

**ANNUAL GENERAL MEETING AND FINANCIAL
INFORMATION IN 2011**

The Annual General Meeting will be held in Mariehamn, Åland, Finland on Thursday, April 14, 2011.

The Annual Report will be published in its official Swedish and Finnish version on Monday, March 14, 2011, and in English soon afterward.

**INTERIM REPORTS WILL BE PUBLISHED
AS FOLLOWS DURING 2011.**

January – March 2011	Friday, April 29, 2011
January – June 2011	Monday, August 1, 2011
January – September 2011	Monday, October 31, 2011

The figures in this Year-end Report are unaudited.

Mariehamn, February 18, 2011
THE BOARD OF DIRECTORS

Financial ratios etc.

Bank of Åland Group	Full year 2010	Full year 2009	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Net interest income	36.8	39.1	9.0	9.4	9.3	9.1	9.7
Other income	62.9	48.1	18.7	13.7	16.1	14.3	13.4
Total income	99.7	87.2	27.7	23.1	25.4	23.5	23.2
Total expenses	-92.2	-77.2	-25.7	-21.8	-23.4	-21.3	-23.0
Net operating profit before impairment losses	7.7	33.4	2.0	1.3	2.1	2.2	0.2
Impairment losses	-5.9	-2.9	-0.4	-5.4	0.0	-0.1	-0.6
Net operating profit/loss	1.8	30.5	1.6	-4.1	2.1	2.2	-0.4
Earnings per share before dilution, EUR ¹	-0.20	2.27	0.02	-0.39	0.11	0.06	-0.08
Earnings per share after dilution, EUR ²	-0.20	2.27	0.02	-0.39	0.11	0.06	-0.08
Year-end market price per share, EUR							
Series A shares	29.50	33.90	29.50	28.50	27.95	32.40	33.90
Series B shares	19.93	24.50	19.93	19.29	20.85	24.78	24.50
Equity capital per share, EUR ³	13.39	13.97	13.39	13.35	13.72	14.32	13.97
Return on equity after taxes, % (ROE) ⁴	-1.0	17.8	1.0	-11.2	4.0	1.9	-1.7
Return on total assets, % (ROA) ⁵	0.0	12.3	12.0	12.5	12.4	12.6	12.3
Equity/assets ratio, % ⁶	4.5	4.8	4.5	4.5	4.4	4.7	4.8
Total lending volume, EUR M	2,573	2,546	2,573	2,547	2,549	2,549	2,546
Total deposits from the public, EUR M	2,600	2,411	2,600	2,459	2,492	2,408	2,411
Equity capital, EUR M	155	162	155	156	160	166	162
Balance sheet total, EUR M	3,475	3,379	3,475	3,492	3,617	3,572	3,379
Expense/income ratio							
Including negative goodwill							
Including loan losses	0.92	0.70	0.92	0.94	0.92	0.91	0.99
Excluding loan losses	0.98	0.72	0.94	1.18	0.92	0.91	1.02
Total capital ratio, %	12.0	12.3	12.0	12.5	12.4	12.6	12.3
Core capital ratio, %	7.3	7.9	7.3	7.6	7.6	7.6	7.9

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, 2010	Dec 31, 2009
EUR M		
ASSETS		
Cash	61	33
Debt securities eligible for refinancing with central banks	168	186
Claims on credit institutions	127	264
Claims on the public and public sector entities	2,677	2,545
Debt securities	266	188
Shares and participations	5	23
Shares and participations in associated companies	1	1
Derivative instruments	35	20
Intangible assets	10	6
Tangible assets	36	38
Other assets	58	50
Accrued income and prepayments	27	22
Deferred tax assets	2	2
Total assets	3,475	3,379
LIABILITIES		
Liabilities to credit institutions	191	263
Liabilities to the public and public sector entities	2,141	2,040
Debt securities issued to the public	790	743
Derivative instruments	10	8
Other liabilities	67	57
Accrued expenses and prepaid income	27	27
Subordinated liabilities	73	59
Deferred tax liabilities	22	21
Total liabilities	3,320	3,217
Equity capital and minority interest		
Share capital	23	23
Share premium account	33	33
Reserve fund	25	25
Fair value reserve	9	6
Retained earnings	63	74
Shareholders' interest in equity capital	154	161
Minority interest in capital	1	1
Total equity capital	155	162
Total liabilities and equity capital	3,475	3,379

Summary statement of comprehensive income

Bank of Åland Group	Full year 2010	Full year 2009
EUR M		
Net interest income	36.8	39.1
Income from equity instruments	0.0	0.0
Commission income	43.7	32.5
Commission expenses	-6.9	-4.4
Net income from securities transactions and foreign exchange dealing	4.8	4.0
Net income from financial assets available for sale	1.4	0.5
Net income from investment properties	1.6	0.2
Other operating income	18.2	15.4
Total income	99.7	87.2
Staff costs	-53.7	-44.6
Other administrative expenses	-18.0	-16.7
Production for own use	3.7	1.9
Depreciation/amortisation	-8.3	-6.4
Other operating expenses	-15.9	-11.4
Total expenses	-92.2	-77.2
Impairment losses on loans and other commitments	-5.9	-2.9
Share of profit/loss in associated companies	0.1	0.2
Negative goodwill	0.0	23.1
Net operating profit	1.8	30.5
Income taxes	-3.4	-3.7
Profit/loss for the year	-1.6	26.8
Other comprehensive income		
Assets available for sale	-0.8	0.2
Valuation differences	3.4	3.7
Income tax on other comprehensive income	1.1	-0.1
Total comprehensive income for the period	2.1	30.7
Profit for the period attributable to owners of the parent	-2.3	26.2
Profit for the period attributable to minority interests	0.6	0.7
Total	-1.6	26.8
Total comprehensive income for the period attributable to owners of the parent	1.5	30.0
Total comprehensive income for the period attributable to minority interests	0.6	0.7
Total	2.1	30.7
Earnings per share		
Earnings per share before dilution, EUR ¹	-0.20	2.27
Earnings per share after dilution, EUR ²	-0.20	2.27

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 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
EUR M					
Net interest income	9.0	9.4	9.3	9.1	9.7
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	14.0	9.1	11.5	9.1	10.0
Commission expenses	-2.0	-1.6	-1.6	-1.7	-1.3
Net income from securities transactions and foreign exchange dealing	1.6	0.5	0.1	2.6	-0.4
Net income from financial assets available for sale	0.2	0.4	0.8	0.1	0.1
Net income from investment properties	0.0	1.0	0.5	0.1	0.0
Other operating income	4.9	4.3	4.8	4.2	5.0
Total income	27.7	23.1	25.4	23.5	23.2
Staff costs	-14.9	-12.3	-13.6	-12.9	-13.4
Other administrative expenses	-4.5	-4.8	-4.9	-3.8	-5.0
Production for own use	0.8	0.7	1.1	1.0	0.8
Depreciation/amortisation	-3.1	-1.6	-1.6	-2.0	-1.6
Other operating expenses	-4.1	-3.8	-4.4	-3.6	-3.8
Total expenses	-25.7	-21.8	-23.4	-21.3	-23.0
Impairment losses on loans and other commitments	-0.4	-5.4	0.0	-0.1	-0.6
Share of profit/loss in associated companies	0.0	0.0	0.1	0.0	0.0
Net operating profit/loss	1.6	-4.1	2.1	2.2	-0.4

Earnings, operations in Finland and Sweden

Bank of Åland Group	Jan–Dec 2010	Jan–Dec 2010	Jan–Dec 2010	Apr–Dec 2009	Jan–Dec 2009	Jan–Dec 2009
EUR M	Sweden	Finland	Total	Sweden	Finland	Total
Net interest income	5.3	31.6	36.8	3.5	35.6	39.1
Income from equity investments	0.0	0.0	0.0	0.0	0.0	0.0
Commission income	18.7	25.0	43.7	11.9	20.6	32.5
Commission expenses	-4.6	-2.3	-6.9	-2.3	-2.2	-4.4
Net income from securities transactions and foreign currency dealing	-0.2	5.0	4.8	0.2	3.7	4.0
Net income from financial assets available for sale	0.0	1.4	1.4	0.0	0.4	0.5
Net income from investment properties	0.0	1.6	1.6	0.0	0.2	0.2
Other operating income	1.9	16.3	18.2	1.8	13.6	15.4
Total income	21.1	78.6	99.7	15.1	72.1	87.2
Staff costs	-19.4	-34.3	-53.7	-13.8	-30.8	-44.6
Other administrative expenses	-8.5	-9.5	-18.0	-4.9	-11.8	-16.7
Production for own use	0.0	3.7	3.7	0.0	1.9	1.9
Depreciation/amortisation	-0.5	-7.8	-8.3	-0.7	-5.7	-6.4
Other operating expenses	-7.4	-8.5	-15.9	-3.6	-7.9	-11.4
Total expenses	-35.8	-56.4	-92.2	-22.9	-54.2	-77.2
Impairment losses on loans and other commitments	0.1	-6.0	-5.9	-0.2	-2.7	-2.9
Share of profit/loss in associated companies	0.0	0.1	0.1	0.0	0.2	0.2
Negative goodwill	0.0	0.0	0.0	0.0	23.1	23.1
Net operating profit/loss	-14.6	16.4	1.8	-8.0	38.5	30.5
Income taxes	1.3	-4.8	-3.4	0.1	-3.4	-3.4
Profit/loss for the year	-13.3	11.7	-1.6	-7.9	35.0	27.1

¹The table provides comparable figures for Finland during the corresponding period of 2010 and 2009, while earnings in Swedish operations during Q1 2009 are not included in comparative figures for 2009.

Statement of 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, 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
Comprehensive income for the period				-0.6	4.3	-2.3	1.5	0.6	2.1
Dividend paid						-8.1	-8.1	-1.1	-9.2
Other changes in equity capital attributable to minority interests						-0.2	-0.2	0.1	-0.1
Equity capital, Dec 31, 2010	23.3	33.3	25.1	1.3	8.0	63.4	154.4	0.6	155.0

Summary cash flow statement

Bank of Åland Group	Jan–Dec 2010	Jan–Dec 2009
EUR M		
Cash flow from operating activities		
Net operating profit	1.8	30.5
Adjustment for net operating profit items not affecting cash flow	19.6	-11.9
Gains/losses from investing activities	-1.0	-0.5
Income taxes paid	-4.2	-3.5
Changes in assets and liabilities in operating activities	-73.0	-52.1
	-56.8	-37.5
Cash flow from investing activities ¹		24.0
Cash flow from financing activities		39.8
Exchange rate differences in cash and cash equivalents		4.3
Change in cash and cash equivalents		30.6
Cash and cash equivalents, January 1		323.5
Cash and cash equivalents, December 31		354.1

¹ 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, 2010 were approved by the Board of Directors on February 18, 2011 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 consolidated financial statement for the period January 1 – December 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 consolidated financial statement 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 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.

As from April 1, 2010, the Bank of Åland Abp is applying hedge accounting in accordance with IAS 39, unlike what was stated in the Annual Report for 2009. Hedge accounting is used in order to hedge the foreign exchange risk on the Group's equity in Ålands-

banken Sverige AB. This means that the derivatives that protect this equity are recognised at fair value in the balance sheet in the same way as exchange rate changes in "Other comprehensive income". Hedge accounting is expected to provide a more true and fair picture of the Group's financial results

NEW ACCOUNTING STANDARDS AND NORMS IN EFFECT 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"

NEW ACCOUNTING NORMS AND STANDARDS THAT WILL APPLY STARTING IN 2011:

IAS 24, "Related Party Disclosures"
IAS 32, "Financial Instruments: Presentation", and IAS 1, "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation"
IFRIC 14, "Prepayments of a Minimum Funding Requirement"
IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

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 Equities Research 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–Dec 2010			
EUR M	Finland	Sweden	Crosskey	Eliminations	Total
Deposits, lending and portfolio management	28.2	1.4	0.0	0.1	29.6
of which impairment losses, loans	-6.0	0.1	0.0	0.0	-5.9
Capital market products/services	20.7	16.1	0.0	-0.1	36.7
Other income	13.7	3.7	32.9	-22.6	27.6
Staff costs	-22.0	-20.3	-13.6	0.0	-55.9
Other expenses	-21.5	-15.1	-12.0	15.2	-33.4
Depreciation/amortisation	-3.0	-0.5	-0.5	1.2	-2.8
NET OPERATING PROFIT/LOSS	16.1	-14.6	6.7	-6.3	1.8
Assets	2,868.1	644.1	14.2	-51.0	3,475.4
Liabilities	2,723.0	596.1	10.1	-8.8	3,320.4
Equity capital	145.1	48.0	4.1	-42.2	155.0

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/LOSS	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

In the segment report, "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 it is recognised as "Depreciation/amortisation"

5. Restructuring reserve

EUR M	2010			
	Dec 31, 2009	Utilised	Withdrawn	Dec 31, 2010
Staff costs	1.4	-0.4	-0.3	0.8
Rent for premises	0.6	-0.4	-0.2	0.0
IT	0.4	-0.1	0.0	0.3
Total	2.4	-0.9	-0.5	1.0

6. Income taxes

Bank of Åland Group	Dec 31, 2010	Dec 31, 2009
EUR M		
Taxes for the year and prior years	2.8	2.7
Change in deferred tax assets/liabilities	0.6	0.9
Income taxes	3.4	3.7

7. Dividend

Bank of Åland Group	2010	2009
EUR		
Proposed dividend for 2010: EUR 0.00 per share	0	
Final dividend for 2009: EUR 0.70 per share		8,075,285

Distributable profit as of December 31, 2010 before the dividend amount to EUR 8,473,380.09.

The dividend for 2009 was adopted by the Annual General Meeting on April 19, 2010. The record date was April 22, 2010 and the distribution date was April 29, 2010.

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

Bank of Åland Group	Dec 31, 2010	Dec 31, 2009
EUR M		
Deposit accounts from the public and public sector		
Demand deposit accounts	444	385
Cheque accounts	431	397
Environmental and Savings Accounts	61	89
Prime Accounts	664	763
Time deposits	540	405
Total deposit accounts	2,140	2,039
Bonds and subordinated debentures ¹	235	231
Certificates of deposit issued to the public ¹	225	140
Total bonds and certificates of deposit	460	372
Total deposits	2,600	2,411

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, 2010	Dec 31, 2009
EUR M		
COMPANIES		
Shipping	60	76
Wholesale and retail trade	57	64
Housing operations	64	72
Other real estate operations	159	154
Financial and insurance operations	199	200
Hotel and restaurant operations	17	16
Other service operations	155	128
Agriculture, forestry and fishing	14	11
Construction	29	27
Other industry and crafts	36	39
	791	787
PRIVATE INDIVIDUALS		
Home loans	1,159	1,151
Securities and other investments	350	340
Business operations	102	119
Other household purposes	140	124
	1,751	1,734
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS	25	25
TOTAL LENDING	2,573	2,546

10. Off-balance sheet obligations

Bank of Åland Group	Dec 31, 2010	Dec 31, 2009
EUR M		
Guarantees and pledges	21	19
Other obligations	280	287
	301	306

11. Derivative contracts

Bank of Åland Group	Dec 31, 2010		Dec 31, 2009	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
Value of underlying property				
Interest rate derivatives				
<i>Swap contracts</i>	480	13	502	10
<i>Option contracts</i>				
Purchased	56	8	52	6
Exercised	8	56	6	52
Currency derivatives				
<i>Forward contracts</i>	271	12	72	9
<i>Interest rate and currency swap contracts</i>	1	1	0	4
Equity derivatives				
<i>Option contracts</i>				
Purchased	181	7	168	7
	997	96	800	89

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	Dec 31, 2010				
Claims	< 3 months	3 –12 months	1– 5 years	> 5 years	Total
Debt securities eligible for	48	26	84	10	168
Refinancing in central banks	179	0	0	0	179
Credit institutions and central banks	507	397	948	825	2,677
The public and public sector entities	129	116	20	0	266
Other debt securities	864	539	1,051	835	3,290
Liabilities					
Credit institutions and central banks	161	1	18	12	191
The public and public sector entities	1,970	133	38	0	2,141
Debt securities issued to the public	199	172	416	2	790
Subordinated liabilities	2	9	36	26	73
	2,332	314	508	40	3,195

Bank of Åland Group		Dec 31, 2009				
EUR M	< 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	

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, 2010				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,730	396	268	369	46	3,809
Liabilities	2,924	320	101	328	41	3,714
Difference between assets and liabilities	-194	76	167	41	5	95

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, 2010.

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.