

BANK OF ÅLAND

INTERIM REPORT for the period January – March 2006

The report period in brief

- Consolidated net operating profit climbed 32.2 per cent to 6.4 million euros (Jan–Mar 2005: EUR 4.8 M)
- Net interest income rose by 5.0 per cent to EUR 8.1 M (7.7)
- Commission income rose by 22.0 per cent to EUR 4.4 M (3.6)
- Expenses rose by 6.8 per cent to EUR 9.3 M (8.7)
- Loan losses were EUR 0.0 M (0.0)
- Lending volume rose by 13.5 per cent to EUR 1,802 M (Mar 2005: 1,588)
- Deposit accounts rose by 1.1 per cent to EUR 1,211 M (Mar 2005: 1,198)
- Mutual fund capital under management rose to EUR 278 M (230)
- Return on equity after taxes (ROE) was 17.2 per cent (14.1)
- The total capital ratio amounted to 11.0 per cent (11.5)
- Earnings per share after taxes amounted to EUR 0.41 (0.33)

Suomen Osuuskauppojen Keskuskunta (SOK), the central organisation of Finland's consumer co-operative retailing societies, has decided to start its own bank, S-Banken Ab. Its banking system will be developed and maintained by the Bank of Åland's subsidiary Crosskey Banking Solutions.

In September 2005, SOK and Crosskey signed a contract to renew SOK's financial services account system. The contract included an option for SOK to later expand the functionality of the system to handle additional financial services. Due to its decision to start S-Banken, SOK has chosen to take advantage of this option.

The expanded contract between S-Banken and Crosskey includes a user licence for Crosskey's basic banking system and Internet bank. The contract also includes implementation, adaptation and integration of the banking system to SOK's existing financial services account system. Under the contract, Crosskey will take overall responsibility for operation of the new system.

It is a multi-year contract worth more than EUR 2 million per year.

The Bank of Åland Plc (Ålandsbanken Abp) is a successful, modern Finnish commercial bank that is participating actively in the development of future financial services. Aside from the autonomous Swedish-speaking Åland Islands, the Bank has offices in the Finnish mainland cities of Helsinki, Espoo, Turku, Parainen, Tampere and Vaasa. Ålandsbanken Fondbolag Ab, Ålandsbanken Asset Management Ab, Crosskey Banking Solutions Ab Ltd and Allcap Ab are part of the Bank of Åland Group.

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EARNINGS AND PROFITABILITY

This Interim Report has been prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union, as well as in compliance with IAS 34, "Interim Financial Reporting".

Earnings

During the first quarter of 2006, consolidated net operating profit amounted to EUR 6.4 M (4.8). This was an increase of 32.2 per cent¹ compared to the corresponding period of 2005. Return on equity after taxes (ROE) was 17.2 per cent (14.1).

The main reasons for the positive trend of earnings were increased commission income from asset management and from providing investment products, as well as increased revenue from the computer systems sales and development business area (Crosskey Banking Solutions Ab Ltd).

Net interest income

Net interest income amounted to EUR 8.1 M (7.7). As a result of higher interest rates as well as larger lending volume, net interest income rose by 5.0 per cent despite the continued narrowing of customer margins.

Other income

Commission income rose by 22.0 per cent to EUR 4.4 M (3.6). Income from asset management and from providing investment products rose the most.

Net income from securities trading for the Bank's own account was EUR 0.5 M (-0.1). Net income from dealing in the foreign exchange market amounted to EUR 0.3 M (0.2).

Net income from financial assets available for sale was EUR 0.3 M (1.2). The divestment of the Bank's shareholding in the Åland-based food processing company Chips Abp during the first quarter of 2005 yielded a capital gain of EUR 1.2 M. Net income from investment properties amounted to EUR 0.0 M (0.2).

Other operating income totalled EUR 2.3 M (0.9), chiefly due to a sharp increase in revenue from the development and sale of computer systems.

Total income rose by 16.0 per cent to EUR 15.5 M (13.3).

Expenses

Staff costs rose by 10.2 per cent to EUR 5.3 M (4.9). Increased fair value of assets in Ålandsbanken Abp:s Pensionsstiftelse, the Bank's pension fund, reduced staff costs by EUR 0.5 M (0.2).

Other administrative expenses (office costs, marketing, telecommunications and computer costs) amounted to EUR 1.9 M (1.9). Production for own use amounted to EUR 0.1 M and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation rose to EUR 1.0 M (0.9).

Other operating expenses amounted to EUR 1.1 M (1.0).

Total expenses, including planned depreciation/amortisation, rose to EUR 9.3 M (8.7).

Impairment loss on loans and other commitments

Net loan losses were marginal during the report period, as during the corresponding period of 2005.

Personnel

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 404 (392) in the first quarter of 2006. This represented an increase of 12 positions compared to the same period last year. Most of the increase was due to new recruitments at Crosskey Banking Solutions Ab Ltd.

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

Expense/income ratio

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

Bank of Åland Group	Mar 31, 2006	Mar 31, 2005	Dec 31, 2005
including loan losses	0.59	0.64	0.64
excluding loan losses	0.59	0.64	0.64

Capital adequacy

Capital adequacy rules require that the capital base in the form of equity capital and reserves total at least 8 per cent of risk-weighted receivables and contingent liabilities. At the end of March, the Group's capital adequacy according to the Credit Institutions Act, was 11.0 per cent (11.5).

Bank of Åland Group	Mar 31, 2006	Mar 31, 2005	Dec 31, 2005
Capital base, EUR M			
Core capital	84.5	81.7	83.8
Supplementary capital	49.6	40.5	51.3
Total capital base	134.1	122.2	135.1
Risk-weighted volume, EUR M	1,224.1	1,060.4	1,192.7
Total capital ratio, %	11.0	11.5	11.3
Core capital as a percentage of risk-weighted volume	6.9	7.7	7.0

Profit for the report period is not included in the capital base.

Cash flow statement

Bank of Åland Group	Jan-Mar 2006	Jan-Mar 2005
Liquid assets, January 1	217.4	252.2
Cash flow from operating activities		
Net operating profit	6.4	4.8
Adjustment for net operating profit items not affecting cash flow	0.3	3.3
Profits/losses from investing activities	-0.2	-3.2
Income taxes paid	-1.4	-0.9
Change in assets and liabilities in operating activities	<u>-52.6</u>	<u>45.3</u>
	-47.5	49.3
Cash flow from investing activities	-0.2	4.8
Cash flow from financing activities	<u>-11.5</u>	<u>-11.2</u>
Liquid assets, March 31	158.2	295.1

Deposits

Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to March 31, 2006 by 4 per cent to EUR 1,583 M (1,522). Deposit accounts rose by 1.1 per cent to EUR 1,211 M (1,198). Bonds and certificates of deposit issued to the public rose by 17.6 per cent to EUR 371 M (324). During the report period, the Group floated bond issues with a nominal value of EUR 11.7 M.

Lending

The volume of lending to the public increased by 13.5 per cent to EUR 1,802 M (1,588) during the 12 months to March 31, 2006. Most of the increase went towards residential financing. Lending to private households rose by 12.0 per cent to EUR 1,233 M (1,101). Private households accounted for 68.4 (69.4) per cent of the Group's total lending.

Crosskey Banking Solutions Ab Ltd

Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mission of the company is to develop, sell and maintain banking computer systems – either as whole systems or in modules – to small and medium-sized banks in Europe, as well as sell operational and support contracts for its deliveries. Crosskey currently works with three banks: Tapiola Bank, DnB NOR and the Bank of Åland. During the report period, Crosskey signed a contract with Suomen Osuuskauppojen Keskuskunta (SOK), the central organisation of Finland's consumer co-operative retailing societies, concerning a user licence for Crosskey's basic banking and Internet banking systems for the new S-Banken.

Ålandsbanken Asset Management Ab

Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers discretionary and consultative asset management services to institutions and private individuals. The company currently has about 255 customers, EUR 565 M in managed assets and strong growth.

Ålandsbanken Fondbolag Ab

Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. On March 31, 2006, the number of unit holders totalled 10,605 (Dec 31, 2005: 9,443). This represented an increase of 1,162 or about 12 per cent during the report period. The total assets under management amounted to EUR 278.2 M (269), an increase of EUR 9.2 M or 3 per cent during the report period. New sales and the market price performance of the funds remained good, while a single major redemption of units substantially lowered the total net increase in managed assets.

Ålandsbanken Kapitalmarknadstjänster Ab

Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a subsidiary of the Bank of Åland Plc. The company provides discretionary asset management as well as consulting services related to securities and financing. The company currently has about 178 customers, EUR 398 M in managed assets.

Forecast for 2006

Full-year earnings in 2006 that are better than in 2005.

Mariehamn, April 24, 2006

THE BOARD OF DIRECTORS

Review report

To the shareholders of the Bank of Åland Abp

We have conducted a review of the Interim Report of the Bank of Åland Abp for the period January 1 – March 31, 2006. The Interim Report, which was issued by the Board of Directors and the Managing Director, includes condensed income statement, balance sheet, cash flow statement, changes in equity capital and certain additional disclosures. After completing our assignment, we are issuing our statement of opinion about the Interim Report.

Our review was conducted in accordance with the recommendations of the Finnish Institute of Authorised Public Accountants concerning reviews. A review is planned and carried out on a sufficient scope to confirm that the Interim Report does not contain essential errors or omissions. A review is mainly limited to interviews with the staff of the Bank and analytical examination measures. We have not conducted a complete audit and will thus not issue an audit report.

On the basis of this review, to our knowledge no circumstances have emerged that would give reason to assume that the Interim Report has not been prepared essentially in accordance with the accounting and valuation principles of the IFRS standards approved by the EU as well as other Finnish rules and regulations concerning Interim Reports and that the Interim Report should not provide accurate and sufficient disclosures about the operating results and financial position of the Bank.

Mariehamn, April 24, 2006

Marja Tikka
Authorised Public Accountant

Leif Hermans
Authorised Public Accountant

Rabbe Nevelainen
Authorised Public Accountant

FINANCIAL RATIOS ETC

Bank of Åland Group	Jan-Mar 2006	Jan-Mar 2005	Jan-Dec 2005
Earnings per share before dilution, EUR ¹	0.41	0,33	1.24
Earnings per share after dilution, EUR ²	0.40	0.32	1.21
Market price per share, end of period, EUR			
Series A	28.00	21.00	24.00
Series B	25.45	18.60	24.00
Equity capital per share, EUR ³	9.70	9.17	10.32
Return on equity after taxes, % (ROE) ⁴	17.2	14.1	12.5
Return on total assets (ROA), % ⁵	0.9	0.6	0.7
Equity/assets ratio, % ⁶	5.0	5.1	5.2
Total lending volume, EUR M	1,802	1,588	1,796
Total deposits from the public, EUR M	1,583	1,522	1,631
Equity capital, EUR M,	107	101	113
Balance sheet total, EUR M	2,143	1,986	2,170
Expense/income ratio			
Including loan losses	0.59	0.64	0.64
Excluding loan losses	0.59	0.64	0.64

¹ Profit for the period before dilution/ Average number of shares

² Profit for the period after dilution / Average number of shares + shares outstanding

³ Equity capital / Number of shares on balance sheet date

⁴ Net operating profit - taxes / Average equity capital

⁵ Net operating profit - taxes / Average balance sheet total

⁶ Profit for the period / Balance sheet total

SUMMARY BALANCE SHEET

Bank of Åland Group (EUR M)	Mar 31 2006	Mar 31 2005	Dec 31 2005
ASSETS			
Cash	50	24	78
Debt securities eligible for refinancing with central banks	47	174	96
Claims on credit institutions	146	119	128
Claims on the public and public sector entities	1,802	1,588	1,796
Debt securities	0	1	0
Shares and participations	4	5	5
Shares and participations in associated companies	1	0	2
Derivative instruments	20	10	15
Intangible assets	4	3	4
Tangible assets	24	24	24
Other assets	27	25	9
Accrued income and prepayments	16	12	14
Deferred tax assets	1	0	0
TOTAL ASSETS	2,143	1,986	2,170
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	75	19	73
Liabilities to the public and public sector entities	1,215	1,203	1,303
Debt securities issued to the public	594	530	558
Derivative instruments	20	11	15
Other liabilities	51	43	30
Accrued expenses and prepaid income	16	16	11
Subordinated liabilities	55	53	55
Deferred tax liabilities	12	10	12
TOTAL LIABILITIES	2,036	1,885	2,057
EQUITY CAPITAL AND MINORITY INTEREST			
Share capital	22	22	22
Share premium account	26	26	26
Reserve fund	25	25	25
Fair value reserve	0	0	0
Retained earnings	28	23	0
Profit for the period	5	4	25
Minority interest in capital	1	0	14
TOTAL EQUITY CAPITAL	107	101	112
TOTAL LIABILITIES AND EQUITY CAPITAL	2,143	1,986	2,170

SUMMARY INCOME STATEMENT

Bank of Åland Group (EUR M)	Jan-Mar 2006	Jan-Mar 2005	Jan-Dec 2005
Net interest income	8.1	7.7	31.4
Income from equity instruments	0.0	0.0	0.1
Commission income	4.4	3.6	16.1
Commission expenses	-0.4	-0.4	-2.0
Net income from securities transactions and foreign exchange dealing	0.7	0.1	1.5
Net income from financial assets available for sale	0.3	1.2	1.1
Net income from investment properties	0.0	0.2	0.3
Other operating income	2.3	0.9	3.5
Total income	15.5	13.3	52.0
Staff costs	-5.3	-4.9	-17.8
Other administrative expenses	-1.9	-1.9	-8.5
Production for own use	0.1	0.0	1.1
Depreciation/amortisation	-1.0	-0.9	-3.9
Other operating expenses	-1.1	-1.0	-4.2
Total expenses	-9.3	-8.7	-33.2
Impairment losses on lending and other commitments	0.0	0.0	-0.3
Share of profit/loss in associated companies	0.1	0.1	0.2
Net operating profit	6.4	4.8	18.7
Income taxes	-1.6	-1.1	-4.6
Minority share of profit for the period	-0.2	-0.1	-0.5
Profit for the report period	4.5	3.7	13.6

INCOME STATEMENT BY QUARTER

Bank of Åland Group (EUR M)	Q I 2006	Q IV 2005	Q III 2005	Q II 2005	Q I 2005
Net interest income	8.1	7.9	7.9	7.9	7.7
Income from equity instruments	0.0	0.0	0.0	0.1	0.0
Commission income	4.4	4.4	3.9	4.3	3.6
Commission expenses	-0.4	-0.6	-0.5	-0.5	-0.4
Net income from securities transactions and foreign exchange dealing	0.7	0.4	0.6	0.4	0.1
Net income from financial assets available for sale	0.3	-0.4	0.0	0.3	1.2
Net income from investment properties	0.0	0.0	0.0	0.0	0.2
Other operating income	2.3	1.0	0.7	0.9	0.9
Total income	15.5	12.7	12.6	12.8	13.3
Staff costs	-5.3	-3.1	-4.5	-5.4	-4.9
Other administrative expenses	-1.9	-2.1	-2.0	-2.5	-1.9
Production for own use	0.1	-0.2	0.4	0.9	0.0
Depreciation/amortisation	-1.0	-1.3	-0.9	-0.8	-0.9
Other operating expenses	-1.1	-1.1	-1.0	-1.1	-1.0
Total expenses	-9.3	-7.7	-7.9	-8.9	-8.7
Loss impairment on loans and other commitments	0.0	0.0	-0.3	0.0	0.0
Share of profit/loss in associated companies	0.1	-0.1	0.1	0.1	0.1
Net operating profit	6.4	4.9	4.5	4.5	4.8

CHANGES IN EQUITY CAPITAL

Bank of Åland Group	Share capital	Share premium account	Legal reserve	Fair value reserve	Retained earnings	Minority interest	Total
EUR M							
Equity capital, January 1, 2005	22.2	26.0	25.1	1.1	36.1	0.5	111.1
Dividend to shareholders					-11.0		-11.0
Conversion of capital loan	0.0	0.1					0.1
Change in fair value				-0.8			-0.8
Change in minority interest of equity capital						-0.1	-0.1
Profit for the period					3.6		3.6
Equity capital, March 31, 2005	22.2	26.1	25.1	0.3	28.8	0.4	102.8
Conversion of capital loan	0.0	0.0					0.0
Change in fair value				0.1			0.1
Change in minority share of equity capital						0.5	0.5
Profit for the period					10.0		10.0
Equity capital, December 31, 2005	22.2	26.1	25.1	0.4	38.7	0.9	113.3
Dividend to shareholders ¹					-11.0		-11.0
Conversion of capital loan	0.0	0.3					0.3
Change in fair value				-0.2			-0.2
Change in minority share of equity capital						-0.3	-0.3
Profit for the period					4.5		4.5
Equity capital, March 31, 2006	22.2	26.4	25.1	0.2	32.2	0.6	106.8

¹ Dividend payment for Series A shares EUR 5.2 M and for Series B shares EUR 5.8 M.

SEGMENT REPORT

Bank of Åland Group (EUR M)	March 31, 2006						Total
	Retail banking operations	Investment banking operations	Information technology operations	Treasury and portfolio management	Group staff units etc.	Eliminations	
External income	9.0	2.8	2.2	1.2	0.2	0.0	15.5
Internal income	0.4	-0.4	2.3	1.6	0.2	-4.1	0.0
Total income	9.4	2.4	4.6	2.8	0.4	-4.1	15.5
Costs incl. depreciation etc.	-3.2	-0.8	-3.2	-0.4	-5.6	4.1	-9.2
Loan losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of profit/loss in associated companies				0.1			0,1
Net operating profit	6.2	1.6	1.3	2.5	-5.3	0.0	6.4
Assets	1,852.6	30.1	3.6	53.6	218.1	-15.2	2,142.8
Liabilities	1,521.2	211.6	3.4	168.0	146.4	-14.5	2,036.0
Equity capital							106.8

SEGMENT REPORT

Bank of Åland Group (EUR M)	March 31, 2005						Total
	Retail banking operations	Investment banking operations	Information technology operations	Treasury and portfolio management	Group staff units etc.	Eliminations	
External income	8.6	1.9	0.8	2.2	-0.1	0.0	13.3
Internal income	0.2	-0.4	1.0	0.8	0.3	-2.0	0.0
Total income	8.9	1.5	1.8	3.0	0.2	-2.0	13.3
Costs incl. depreciation etc.	-3.1	-0.7	-2.8	-0.5	-3.5	2.0	-8.7
Loan losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of profit/loss in associated companies				0,1			0,1
Net operating profit	5.7	0.8	-1.1	2.7	-3.4	0.0	4.8
Assets	1,638.1	31,8	4.1	181.3	134.4	-3.7	1,986.0
Liabilities	1,370.7	252,8	2.7	166.4	94.2	-1.5	1,885.3
Equity capital							100.7

LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE

Bank of Åland Group (EUR M)	Mar 31 2006	Mar 31 2005	Dec 31 2005
BUSINESS AND PROFESSIONAL ACTIVITIES			
Service sector			
Shipping	61	67	60
Hotels, restaurants, tourist cottages etc.	12	12	11
Wholesale and retail trade	44	42	46
Housing corporations	40	34	40
Real estate activities	93	86	95
Financial activities	153	110	137
Other service business	75	59	78
	477	410	467
Production sector			
Agriculture, forestry and fishing	21	19	21
Food processing etc	8	10	9
Construction	27	12	27
Other industry and crafts	8	8	9
	64	50	66
HOUSEHOLDS			
Home loans	984	890	977
Studies	13	13	13
Other purposes	235	198	246
	1,233	1,101	1,236
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS	28	27	28
TOTAL LENDING	1,802	1,588	1,796

**DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES,
including bonds issued and certificates of deposit**

Bank of Åland Group (EUR M)	Mar 31 2006	Mar 31 2005	Dec 31 2005
Deposit accounts from the public and public sector entities			
Demand deposit accounts	170	173	187
Current accounts	187	209	197
Savings and Environmental Accounts	102	112	109
Prime Accounts	442	467	494
Time deposits	240	182	228
<i>Total deposit accounts in euros</i>	1,141	1,142	1,214
Deposit accounts in other currencies	70	56	85
Total deposit accounts	1,211	1,198	1,300
Bonds	182	168	174
Certificates of deposit issued to the public	189	156	157
Bonds and certificates of deposit	371	324	331
Total deposits	1,583	1,522	1,631

DERIVATIVE CONTRACTS

Bank of Åland Group (EUR M)	Mar 31, 2006		Mar 31, 2005	
	For hedging purposes	Other	For hedging purposes	Other
<i>Value of underlying property</i>				
Interest rate derivatives				
Option contracts				
Purchased	0.0	0.0	15.0	0.0
Written	0.0	0.0	0.0	15.0
Interest rate swap contracts	334.2	8.6	355.0	3.9
Currency derivatives				
Forward contracts	10.9	11.4	2.0	2.4
Interest rate and currency swap contracts	0.0	1.1	0.0	0.3
Equity derivatives				
Option contracts				
Purchased	160.7	0.0	133.0	0.7
Written	0.0	160.7	0.0	133.0
	505.8	181.8	505.0	155.3
Equivalent credit values of the contracts				
Interest rate derivatives	3.0		2.5	
Currency derivatives	0.5		0.1	
Equity derivatives	29.3		19.1	
	32.8		21.7	

OFF-BALANCE SHEET COMMITMENTS

Bank of Åland Group (EUR M)	Mar 31 2006	Mar 31 2005	Dec 31 2005
Guarantees and pledges	14	12	13
Other commitments	143	123	132
	158	135	145