

## Interim Report

For the period January – March 2010 • May 3, 2010



### The report period in brief

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. The Group's earnings and financial ratios for Q1 2010 are thus not comparable to the corresponding data for Q1 2009.

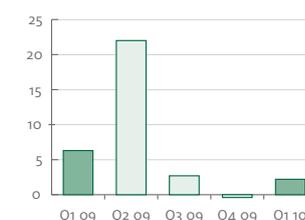
- Consolidated net operating profit decreased by 66 per cent to 2.2 million euros (January–March 2009: EUR 6.3 M). Ålandsbanken Sverige AB pulled down earnings for the report period by EUR 3.0 M.
- Net interest income increased by 6 per cent to EUR 9.7 M (9.1)
- Commission income increased by 83 per cent to EUR 9.1 M (5.0)
- Total income increased by 15 per cent to EUR 23.5 M (20.4)
- Expenses rose by 54 per cent to EUR 21.3 M (13.8)
- Impairment losses on loans amounted to EUR 0.1 M (0.4)
- Lending volume increased by 6 per cent to EUR 2,549 M (March 2009: 2,416)
- Deposits increased by 2 per cent to EUR 2,408 M (March 2009: 2,354)
- Mutual fund assets under management increased by 71 per cent to EUR 927 M (542)
- Return on equity after taxes (ROE) was 1.9 per cent (13.1)
- The expense/income ratio amounted to 91 (69) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.6 per cent (12.4)
- Earnings per share amounted to EUR 0.06 (1.37)
- 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

"A sharp increase in managed assets and rising earnings at Crosskey are two of several phenomena that enable us to view the future with some optimism, even though uncertainty and risks in our industry remain great."

Peter Wiklöf, Managing Director

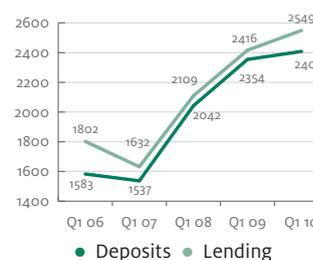
#### Net operating profit

EUR M

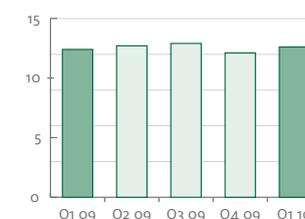


#### Deposits and lending

EUR M

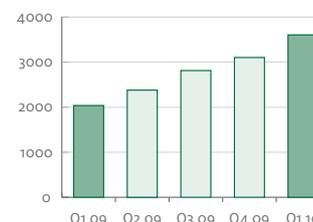


#### Capital adequacy %



#### 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 Interim Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting".

## EARNINGS SUMMARY FOR THE REPORT PERIOD

Early 2010 represented a continued improvement of income from asset management and private banking operations, while low marginal interest rates and depressed deposit margins pulled down net interest income in traditional banking operations. The Bank of Åland Group's managed assets showed very encouraging growth as a consequence of both net influx and an upturn in values, while lending and deposit volume increased moderately. Crosskey Banking Solutions Ab Ltd's operations expanded during the period, contributing to higher "Other operating income". During the period, the operations of Ålandsbanken Sverige AB were loss-making, even though managed assets showed very positive growth.

During January-March 2010, the consolidated net operating profit of the Bank of Åland Group decreased by 66\* per cent to EUR 2.2 M (Jan-Mar 2009: 6.3).

Income increased by 15 per cent to EUR 23.5 M (20.4), while expenses rose by 54 per cent to EUR 21.3 M (13.8). Return on equity after taxes (ROE) decreased to 1.9 (13.1) per cent, and earnings per share to EUR 0.06 (0.37).

Ålandsbanken Sverige AB (encompassing Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A.) 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 the first quarter of 2009 did not include effects generated in Ålandsbanken Sverige AB. This affects comparability between the periods. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, newly acquired operations" on page 9.

## NET INTEREST INCOME

During the report period, consolidated net interest income increased by 6 per cent to EUR 9.7 M (9.1). Ålandsbanken Sverige AB had net interest income of EUR 1.9 M. Despite increasing lending volume, low interest rates depressed net interest income during the period. Margins on lending showed a rising trend during the period, while the prevailing market situation led to depressed deposit margins and higher refinancing costs. Lending volume rose by 6 per cent to EUR 2,549 M (2,416). Deposit volume increased by 2 per cent to EUR 2,408 M (2,354).

## OTHER INCOME

Commission income rose by 83 per cent to EUR 9.1 M (5.0). The Group's focus on private banking and the good stock market trend increased income from securities and mutual funds as well as asset management. Commission income at Ålandsbanken Sverige AB amounted to EUR 3.9 M.

Net income from securities trading for the Bank's own account was EUR 1.7 M (2.7). Valuation and realisation of value increases in interest rate hedging derivatives (the Bank of Åland does not apply hedge accounting) resulted in a positive effect of EUR 1.6 M. Net income from dealing in the foreign exchange market decreased to EUR 0.3 M (0.5). Net income from financial assets available for sale was EUR 0.1 M (0.0), and net income from investment properties decreased to 0.1 M (0.2). Other operating income increased to EUR 4.2 M (3.4) as a consequence of higher income from the sale and development of information technology (IT) systems.

The Group's total income increased by 15 percent to EUR 23.5 M (20.4).

## EXPENSES

Staff costs rose by 69 per cent to EUR 12.9 M (7.6) 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 4.4 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach reduced staff costs by EUR 0.1 M (0.0).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 3.8 M (2.9). Production for own use totalled EUR 1.0 M (0.2) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 2.0 M (1.4). Other operating expenses amounted to EUR 3.6 M (2.0), of which EUR 1.8 M arose at Ålandsbanken Sverige AB.

The Group's total expenses rose by 54 per cent to EUR 21.3 M (13.8).

## IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS

Impairment losses on loans amounted to EUR 0.1 M (0.4). All of these were individually targeted impairment losses.

## BALANCE SHEET TOTAL AND OFF-BALANCE SHEET OBLIGATIONS

At the end of the report period, the Group's balance sheet total was EUR 3,572 M (3,104). During the period, the Group issued debenture loan 1/2010 in the amount of EUR 11 M. Off-balance sheet obligations rose to EUR 296 M (257).

## ASSETS UNDER MANAGEMENT

The Group's managed assets rose to EUR 3,604 M (2,036) during the report period. Management of mutual fund units rose by 71 per cent to EUR 927 M (542), while assets under discretionary management increased by 71 per cent to EUR 1,408 M (822).

\* All percentages are calculated on the basis of exact values.

## PERSONNEL

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 683 (492) positions, which represented an increase by 201 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.

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009
Bank of Åland Plc	303	305
Ab Compass Card Oy Ltd	6	6
Crosskey Banking Solutions Ab Ltd	188	154
Ålandsbanken Asset Management Ab	22	16
Ålandsbanken Fondbolag Ab	6	6
Ålandsbanken Equities Ab	10	5
Ålandsbanken Sverige Ab	151	0
Total number of full-time equivalent positions, recalculated from hours worked	683	492

## EXPENSE/INCOME RATIO

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

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009
Including loan losses	0.91	0.69
Excluding loan losses	0.91	0.67

## 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 March 2010 was 12.6 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. An application requesting approval for the use of Basel 2's Internal Ratings Based (IRB) approach for calculating the capital adequacy requirement for credit risk was submitted to the Finnish Financial Supervision Authority during the report period.

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	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
Capital base, EUR M			
Core capital	127.8	127.0	129.3
Supplementary capital	80.9 <sup>1</sup>	70.2 <sup>2</sup>	72.4
Total capital base	208.7	197.2	201.7
Capital requirement for credit risks	113.2	109.7	113.9
Capital requirement for operational risks	2.9	0.5	2.2
Capital requirement for market risks	16.4	16.7	14.9
Total capital requirement	132.5	126.9	130.9
Total capital ratio, %	12.6	12.4	12.3
Core capital ratio, %	7.7	8.0	7.9

1 Profit for the period is not included.

2 Includes preliminary negative goodwill and profit for the period minus estimated dividend paid to shareholders.

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 2 per cent to EUR 2,408 M (2,354), of which EUR 328 M consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 4 per cent to EUR 2,023 M (1,946). Bonds and certificates of deposit issued to the public decreased by 5 per cent to EUR 385 M (407).

## LENDING

The volume of lending to the public increased by 6 per cent and amounted to EUR 2,549 M (2,416). The volume of lending at Ålandsbanken Sverige AB was EUR 204 M. Lending to households increased by 4 per cent to EUR 1,733 M (1,663). Households accounted for 68 (69) per cent of the Group's total lending volume. Lending to companies rose by 8 per cent to EUR 788M (727).

#### **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. Read more at [www.alandsbanken.fi](http://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

#### **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](http://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 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.

#### **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 eleven 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, 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. Read more at [www.alandsbanken.se](http://www.alandsbanken.se).

#### **CORPORATE GOVERNANCE REPORT**

The Corporate Governance Report has been published in Swedish

and Finnish on the Bank of Åland website, [www.alandsbanken.fi](http://www.alandsbanken.fi).

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Bank of Åland on April 19, 2010 approved the proposal of the Board of Directors for a dividend to the shareholders of EUR 0.50 per share plus an anniversary dividend of EUR 0.20 per share. The dividend was paid on April 29, 2010.

The Meeting unanimously elected Sven-Harry Boman, Kent Janér, Agneta Karlsson, Göran Lindholm, Leif Nordlund, Teppo Taberman and Anders Wiklöf as members of the Board of Directors.

#### **IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD**

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

#### **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.

The Bank of Åland plans to implement a streamlining of its organisation. The Bank has convened co-determination negotiations in Finland concerning a need to reduce by 24 the number of positions on the Finnish mainland and in Group units in Åland.

A review is being made of the cost structure at Ålandsbanken Sverige AB for the purpose of increasing efficiency while continuing to offer customers the same capacity and service.

The Executive Team has identified potential efficiency improvements equivalent to an annual cost reduction of about EUR 3 M, of which half the potential is found at Ålandsbanken Sverige AB. Nonrecurring costs associated with these measures are expected to total about EUR 0.5 M during 2010.

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.

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 nonrecurring income, are expected to be at least at the same level as in 2009.

#### **INTERIM REPORTS WILL BE PUBLISHED AS FOLLOWS DURING 2010.**

January-June 2010	Monday, August 2, 2010
January-September 2010	Monday, November 1, 2010

Mariehamn, April 30, 2010  
THE BOARD OF DIRECTORS

## Financial ratios etc.

Bank of Åland Group	Jan-Mar 2010	Jan-Mar 2009	Full year 2009
Earnings per share before dilution, EUR <sup>1</sup>	0.06	0.37	2.27
Earnings per share after dilution, EUR <sup>2</sup>	0.06	0.37	2.27
Market price per share at end of period, EUR			
Series A shares	32.40	25.00	33.90
Series B shares	24.78	19.00	24.50
Equity capital per share, EUR <sup>3</sup>	14.32	11.78	13.97
Return on equity after taxes, % (ROE) <sup>4</sup>	1.9	13.1	17.8
Return on total assets, % (ROA) <sup>5</sup>	0.1	0.6	0.9
Equity/assets ratio, % <sup>6</sup>	4.7	4.4	4.8
Total lending volume, EUR M	2,549	2,416	2,546
Total deposits from the public, EUR M	2,408	2,354	2,411
Equity capital, EUR M	166	137	162
Balance sheet total, EUR M	3,572	3,104	3,379
Expense/income ratio			
Including loan losses	0.91	0.69	0.72
Excluding loan losses	0.91	0.67	0.70

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

<sup>2</sup> Profit for the period after dilution / (Average number of shares + shares outstanding)

<sup>3</sup> Equity capital – minority interest in capital / Number of shares on balance sheet date

<sup>4</sup> (Net operating profit – taxes) / Average equity capital

<sup>5</sup> (Net operating profit – taxes) / Average balance sheet total

<sup>6</sup> Equity capital / Balance sheet total

# Summary statement of financial position

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
EUR M			
<b>ASSETS</b>			
Cash	139	44	33
Debt securities eligible for refinancing with central banks	177	132	186
Claims on credit institutions	214	246	264
Claims on the public and public sector entities	2,549	2,416	2,545
Debt securities	303	97	188
Shares and participations	23	27	23
Shares and participations in associated companies	2	1	1
Derivative instruments	27	17	20
Intangible assets	8	5	6
Tangible assets	37	36	38
Other assets	70	57	50
Accrued income and prepayments	22	24	22
Deferred tax assets	2	1	2
<b>Total assets</b>	<b>3,572</b>	<b>3,104</b>	<b>3,379</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>			
Liabilities to credit institutions	371	89	263
Liabilities to the public and public sector entities	2024	1947	2,040
Debt securities issued to the public	787	692	743
Derivative instruments	9	12	8
Other liabilities	94	81	57
Accrued expenses and prepaid income	30	68	27
Subordinated liabilities	69	60	59
Deferred tax liabilities	22	20	21
<b>Total liabilities</b>	<b>3,406</b>	<b>2,967</b>	<b>3,217</b>
<b>Equity capital and minority interest</b>			
Share capital	23	23	23
Share premium account	33	33	33
Reserve fund	25	25	25
Fair value reserve	9	2	6
Retained earnings	75	52	74
Shareholders' interest in equity capital	165	136	161
Minority interest in capital	1	1	1
<b>Total equity capital</b>	<b>166</b>	<b>137</b>	<b>162</b>
<b>Total liabilities and equity capital</b>	<b>3,572</b>	<b>3,104</b>	<b>3,379</b>

# Summary statement of comprehensive income

Bank of Åland Group	Jan-Mar 2010	Jan-Mar 2010	Full year 2009
EUR M			
Net interest income	9.7	9.1	39.1
Income from equity instruments	0.0	0.0	0.0
Commission income	9.1	5.0	32.5
Commission expenses	-1.7	-0.5	-4.4
Net income from securities transactions and foreign exchange dealing	2.0	3.1	4.0
Net income from financial assets available for sale	0.1	0.0	0.5
Net income from investment properties	0.1	0.2	0.2
Other operating income	4.2	3.4	15.4
<b>Total income</b>	<b>23.5</b>	<b>20.4</b>	<b>87.2</b>
Staff costs	-12.9	-7.6	-44.6
Other administrative expenses	-3.8	-2.9	-16.7
Production for own use	1.0	0.2	1.9
Depreciation/amortisation	-2.0	-1.4	-6.4
Other operating expenses	-3.6	-2.0	-11.4
<b>Total expenses</b>	<b>-21.3</b>	<b>-13.8</b>	<b>-77.2</b>
Impairment losses on loans and other commitments	-0.1	-0.4	-2.9
Share of profit/loss in associated companies	0.0	0.1	0.2
Negative goodwill	0.0	0.0	23.1
<b>Net operating profit</b>	<b>2.2</b>	<b>6.3</b>	<b>30.5</b>
Income taxes	-1.4	-1.8	-3.7
<b>Profit for the period</b>	<b>0.8</b>	<b>4.5</b>	<b>26.8</b>
Other comprehensive income			
Assets available for sale	0.4	0.6	0.2
Valuation differences	2.9	0.0	3.7
Income tax on other comprehensive income	-0.1	-0.2	-0.1
<b>Total comprehensive income for the period</b>	<b>4.0</b>	<b>5.0</b>	<b>30.7</b>
Profit for the period attributable to owners of the parent	0.7	4.3	26.2
Profit for the period attributable to minority interests	0.0	0.2	0.7
<b>Total</b>	<b>0.8</b>	<b>4.5</b>	<b>26.8</b>
Total comprehensive income for the period attributable to owners of the parent	4.0	4.7	30.0
Total comprehensive income for the period attributable to minority interests	0.0	0.2	0.7
<b>Total</b>	<b>4.0</b>	<b>5.0</b>	<b>30.7</b>
Earnings per share			
Earnings per share before dilution, EUR <sup>1</sup>	0.06	0.37	2.27
Earnings per share after dilution, EUR <sup>2</sup>	0.06	0.37	2.27

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

<sup>2</sup> Profit for the period after dilution / (Average number of shares + shares outstanding)

# Income statement by quarter

Bank of Åland Group	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
EUR M					
Net interest income	9.7	9.7	10.2	10.1	9.1
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	9.1	10.0	9.4	8.1	5.0
Commission expenses	-1.7	-1.3	-1.7	-0.9	-0.5
Net income from securities transactions and foreign exchange dealing	2.0	-0.4	0.4	0.8	3.1
Net income from financial assets available for sale	0.1	0.1	0.2	0.1	0.0
Net income from investment properties	0.1	0.0	0.0	0.0	0.2
Other operating income	4.2	5.0	3.1	3.9	3.4
<b>Total income</b>	<b>23.5</b>	<b>23.2</b>	<b>21.5</b>	<b>22.1</b>	<b>20.4</b>
Staff costs	-12.9	-13.4	-11.3	-12.3	-7.6
Other administrative expenses	-3.8	-5.0	-4.2	-4.6	-2.9
Production for own use	1.0	0.8	0.8	0.2	0.2
Depreciation/amortisation	-2.0	-1.6	-1.6	-1.7	-1.4
Other operating expenses	-3.6	-3.8	-2.5	-3.0	-2.0
<b>Total expenses</b>	<b>-21.3</b>	<b>-23.0</b>	<b>-18.9</b>	<b>-21.5</b>	<b>-13.8</b>
Impairment losses on loans and other commitments	-0.1	-0.6	-0.2	-1.8	-0.4
Share of profit/loss in associated companies	0.0	0.0	0.1	0.1	0.1
Negative goodwill	0.0	0.0	0.0	23.1	0.0
<b>Net operating profit</b>	<b>2.2</b>	<b>-0.4</b>	<b>2.7</b>	<b>22.0</b>	<b>6.3</b>

## Earnings, newly acquired operations

Bank of Åland Group	Jan–Mar 2010	Jan–Mar 2010	Jan–Mar 2010	Jan–Mar 2009	Jan–Dec 2009
EUR M	Sweden	Finland	Total	Total	Total
Net interest income	1.9	7.9	9.7	9.1	39.1
Income from equity investments	0.0	0.0	0.0	0.0	0.0
Commission income	3.9	5.2	9.1	5.0	32.5
Commission expenses	-1.1	-0.6	-1.7	-0.5	-4.4
Net income from securities transactions and foreign currency dealing	0.0	2.0	2.0	3.1	4.0
Net income from financial assets available for sale	0.0	0.1	0.1	0.0	0.5
Net income from investment properties	0.2	-0.1	0.1	0.2	0.2
Other operating income	0.6	3.7	4.2	3.4	15.4
<b>Total income</b>	<b>5.5</b>	<b>18.0</b>	<b>23.5</b>	<b>20.4</b>	<b>87.2</b>
Staff costs	-4.4	-8.5	-12.9	-7.6	-44.6
Other administrative expenses	-2.3	-1.5	-3.8	-2.9	-16.7
Production for own use	0.0	1.0	1.0	0.2	1.9
Depreciation/amortisation	0.0	-2.0	-2.0	-1.4	-6.4
Other operating expenses	-1.8	-1.8	-3.6	-2.0	-11.4
<b>Total expenses</b>	<b>-8.5</b>	<b>-12.7</b>	<b>-21.3</b>	<b>-13.8</b>	<b>-77.2</b>
Impairment losses on loans and other commitments	0.1	-0.2	-0.1	-0.4	-2.9
Share of profit/loss in associated companies	0.0	0.0	0.0	0.1	0.2
Negative goodwill	0.0	0.0	0.0	0.0	23.1
<b>Net operating profit</b>	<b>-3.0</b>	<b>5.1</b>	<b>2.2</b>	<b>6.3</b>	<b>30.5</b>

# 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				0.4		4.3	4.7	0.2	4.9
Dividend paid				0.0		-5.8	-5.8	-0.8	-6.6
Equity capital, Mar 31, 2009	23.3	33.3	25.1	2.1	0.0	52.1	135.8	1.0	136.8
Comprehensive income for the period				-0.2	3.7	21.9	25.3	0.5	25.8
Dividend paid					0.0	0.0	0.0	-0.8	-0.8
Other changes in equity capital attributable to minority interests								0.4	0.4
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				0.3	2.9	0.7	4.0	0.0	4.0
Equity capital, Mar 31, 2010	23.3	33.3	25.1	2.2	6.6	74.7	165.2	1.0	166.2

# Cash flow statement

Bank of Åland Group	Jan–Mar 2010		Jan–Mar 2009	
EUR M				
Cash flow from operating activities				
Net operating profit		2.2		6.3
Adjustment for net operating profit items not affecting cash flow		-3.8		3.7
Gains/losses from investing activities		-0.2		-0.2
Income taxes paid		-0.2		-1.1
Changes in assets and liabilities in operating activities		-15.6	-17.6	-8.7
				-0.1
Cash flow from investing activities			-2.2	30.0 <sup>1</sup>
Cash flow from financing activities			59.3	-17.3
Exchange rate differences in cash and cash equivalents			7.5	0.0
Change in cash and cash equivalents			46.9	12.6
Cash and cash equivalents, January 1			331.1	323.5
Cash and cash equivalents, March 31			378.0	336.1

<sup>1</sup> Disbursement for the purchase of Kaupthing Bank Sverige AB: EUR 34.1 M. Cash and cash equivalents in Kaupthing amounted to EUR 63.5 M.

# Notes to the consolidated interim 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

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

The Interim Report for the financial period January 1-March 31, 2010 was approved by the Board of Directors on April 30, 2010.

## 2. Basis for preparation and essential accounting principles

### BASIS FOR PREPARATION

The Interim Report for the period January 1-March 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 Interim Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2009.

### ESSENTIAL ACCOUNTING PRINCIPLES

The essential accounting principles used in preparing the Interim Report are the same as the essential accounting principles used

in preparing the financial statements for the year ending December 31, 2009, except for the introduction of new standards and interpretations, which are described below. The introduction of new standards and interpretations has not materially affected the Group's results or financial position.

New accounting 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. 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.

Bank of Åland Group		Jan–Mar 2010				
EUR M	Finland	Sweden	Crosskey	Eliminations	Total	
Deposits, lending and portfolio management	9.1	2.3	0.0	0.0	11.4	
of which impairment losses, loans	-0.2	0.1	0.0	0.0	-0.1	
Capital market products/services	3.9	2.5	0.0	0.0	6.4	
Other income	1.4	0.8	7.9	-4.5	5.6	
Staff costs	-5.5	-4.6	-3.3	0.0	-13.4	
Other expenses	-3.5	-3.9	-2.7	4.1	-6.0	
Depreciation/amortisation	-1.7	0.0	-0.3	0.2	-1.9	
<b>NET OPERATING PROFIT</b>	<b>3.6</b>	<b>-3.0</b>	<b>1.6</b>	<b>-0.1</b>	<b>2.2</b>	
Assets	2,948.3	662.6	19.8	-58.9	3,571.8	
Liabilities	2,800.6	608.3	13.9	-17.2	3,405.6	
Equity capital	147.7	54.3	5.9	-41.8	166.2	

Bank of Åland Group		Jan–Mar 2009				
EUR M	Finland	Sweden	Crosskey	Eliminations	Total	
Deposits, lending and portfolio management	11.3	0.0	0.0	0.0	11.3	
of which impairment losses, loans	-0.4	0.0	0.0	0.0	-0.4	
Capital market products/services	4.2	0.0	0.0	0.0	4.2	
Other income	1.0	0.0	6.6	-3.3	4.4	
Staff costs	-5.2	0.0	-2.7	0.0	-7.9	
Other expenses	-4.3	0.0	-2.7	2.3	-4.8	
Depreciation/amortisation	-0.9	0.0	-0.2	0.2	-1.0	
<b>NET OPERATING PROFIT</b>	<b>6.1</b>	<b>0.0</b>	<b>1.0</b>	<b>-0.8</b>	<b>6.3</b>	
Assets	2,720.0	360.6	13.0	10.7	3,104.3	
Liabilities	2,697.3	303.0	9.2	-42.0	2,967.4	
Equity capital	41.8	57.6	3.8	33.6	136.8	

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

Bank of Åland group	Mar 31, 2009	Utilised	Withdrawn	Mar 31, 2010
EUR M				
Staff costs	6.2	-5.0	-0.2	0.9
Rent for premises	2.7	-1.0	-1.2	0.6
IT	0.7	-0.4	0.0	0.3
Total	9.7	-6.4	-1.4	1.8

## 6. Goodwill

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009
EUR M		
Opening balance	1.4	1.4
Closing balance	1.4	1.4

## 7. Income taxes

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009
EUR M		
Taxes for the period and prior periods	1.2	1.8
Change in deferred tax assets/liabilities	0.2	0.0
Income taxes	1.4	1.8

## 8. Dividend

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

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.

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

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
EUR M			
Deposit accounts from the public and public sector			
Demand deposit accounts	307	378	385
Cheque accounts	400	251	397
Environmental and Savings Accounts	86	74	89
Prime Accounts	693	723	763
Time deposits	537	520	405
<b>Total deposit accounts</b>	<b>2,023</b>	<b>1,946</b>	<b>2,039</b>
Bonds and subordinated debentures <sup>1</sup>	247	226	231
Certificates of deposit issued to the public <sup>1</sup>	139	181	140
<b>Total bonds and certificates of deposit</b>	<b>385</b>	<b>407</b>	<b>372</b>
<b>Total deposits</b>	<b>2,408</b>	<b>2,354</b>	<b>2,411</b>

<sup>1</sup> This item does not include debt securities subscribed by credit institutions.

## 10. Lending to the public and public sector by purpose

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
EUR M			
COMPANIES			
Shipping	76	83	76
Wholesale and retail trade	63	61	64
Housing operations	71	65	72
Other real estate operations	154	138	154
Financial and insurance operations	189	214	200
Hotel and restaurant operations	17	15	16
Other service operations	139	85	128
Agriculture, forestry and fishing	10	7	11
Construction	29	29	27
Other industry and crafts	39	32	39
	<b>788</b>	<b>727</b>	<b>787</b>
PRIVATE INDIVIDUALS			
Home loans	1,152	1 103	1,151
Securities and other investments	336	324	340
Business operations	118	111	119
Other household purposes	127	126	124
	<b>1,733</b>	<b>1,663</b>	<b>1,734</b>
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS	28	25	25
<b>TOTAL LENDING</b>	<b>2,549</b>	<b>2,416</b>	<b>2,546</b>

## 11. Off-balance sheet commitments

Bank of Åland Group	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
EUR M			
Guarantees and pledges	23	32	19
Other commitments	273	225	287
	296	257	306

## 12. Derivative contracts

Bank of Åland Group	Mar 31, 2010		Mar 31, 2009	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
Value of underlying property				
Interest rate derivatives				
<i>Forward contracts</i>	0	0	3	0
<i>Swap contracts</i>	521	11	592	7
<i>Option contracts</i>				
<i>Purchased</i>	1,558	6	67	24
<i>Exercised</i>	6	58	24	67
Currency derivatives				
<i>Forward contracts</i>	162	10	93	12
<i>Interest rate and currency swap contracts</i>	1	1	0	4
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	179	7	149	0
	2,428	94	928	114

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

### 13. Maturity breakdown of claims and liabilities

Bank of Åland Group		Mar 31, 2010			
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total
<b>Claims</b>					
Debt securities eligible for refinancing in central banks	0	50	127	1	177
Credit institutions and central banks	343	0	0	0	343
The public and public sector entities	327	374	990	857	2,549
Other debt securities	92	181	30	0	303
	763	604	1,148	858	3,373
<b>Liabilities</b>					
Credit institutions and central banks	44	297	12	18	371
The public and public sector entities	1,783	221	19	0	2,024
Debt securities issued to the public	193	232	362	0	787
Subordinated liabilities	6	2	24	37	69
	2,026	752	417	55	3,251

Bank of Åland Group		Mar 31, 2009			
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total
<b>Claims</b>					
Debt securities eligible for refinancing in central banks	6	13	113	0	131
Credit institutions and central banks	246	0	0	0	246
The public and public sector entities	304	245	909	957	2,416
Other debt securities	70	22	6	0	97
	626	280	1,028	957	2,891
<b>Liabilities</b>					
Credit institutions and central banks	58	21	10	0	89
The public and public sector entities	1,789	156	1	0	1,947
Debt securities issued to the public	91	265	336	0	692
Subordinated liabilities	18	12	31	-1	60
	1,956	454	378	-1	2,787

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

## 14. Interest rate refixing periods

Bank of Åland Group		Mar 31, 2010				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,215	215	459	342	52	3,283
Liabilities	2,397	194	352	208	53	3,204
Difference between assets and liabilities	-182	20	107	134	0	79

Shows the Bank's interest rate-related assets and liabilities, including derivatives at underlying value, according to the interest rate refixing date as of March 31, 2010.

Bank of Åland Group		Mar 31, 2009				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,497	214	334	528	50	3,623
Liabilities	2,536	273	292	361	51	2,513
Difference between assets and liabilities	-40	-58	42	167	-1	110

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

## Review Report, Bank of Åland Plc Interim Report for January 1 – March 31, 2010 To the Board of Directors of the Bank of Åland Plc

### INTRODUCTION

We have reviewed the consolidated summary statement of financial position of the Bank of Åland Plc on March 31, 2010, the consolidated summary statement of comprehensive income, the summary statement showing changes in consolidated equity capital and the consolidated summary cash flow statements for the three-month period ending on the above-mentioned date, as well as the summary of essential accounting principles and other disclosures in the notes. The Board of Directors and the Managing Director are responsible for preparing the Interim Report and for providing accurate and sufficient information in compliance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as well as in accordance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports. On the basis of the review we have performed, at the request of the Board we are issuing our statement of opinion on the Interim Report in compliance with the Finnish Securities Markets Act, Chapter 2, Section 5a, Paragraph 7.

### SCOPE OF A REVIEW

This review was conducted in compliance with the standard on review engagements, Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Company". A review consists of making inquiries, primarily of persons chiefly responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit, which must be conducted in accordance with generally accepted auditing standards and recommendations. It is consequently not possible for us to gain confirmation that we are obtaining information about all those significant circumstances that might be identified in an audit. We are thus not issuing an audit report.

### STATEMENT OF OPINION

On the basis of our review, to our knowledge no circumstances have emerged that would give us reason to believe that the Interim Report does not provide accurate and sufficient disclosures about the financial position of the Bank of Åland Group on March 31, 2010 and its operating results and cash flows during the three-month period ending on that date, in compliance with IFRSs as adopted by the EU and in accordance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports.

Mariehamn/Helsinki, May 3, 2010

Leif Hermans  
Authorised Public Accountant

Terhi Mäkinen  
Authorised Public Accountant

Bengt Nyholm  
Authorised Public Accountant