

Interim Report

For the period January – March 2012 • April 30, 2012, 9.00 am



January–March 2012

Compared to January–March 2011

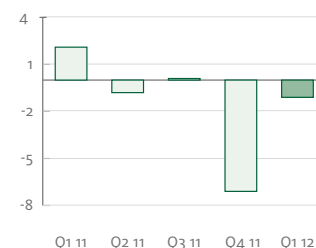
- Net operating profit amounted to EUR -1.1 M (2.1).
- Profit for the period attributable to shareholders was EUR -0.8 M (1.0).
- Net interest income increased by 21 per cent to EUR 11.5 M (9.5).
- Net commission income decreased by 21 per cent to EUR 8.0 M (10.1).
- Total expenses decreased by 2 per cent to EUR 23.5 M (24.0).
- Net loan losses were EUR 0.9 M (0.0), equivalent to a loan loss level of 0.12 (0.00) per cent.
- The Tier 1 capital ratio increased to 10.3 per cent (8.4 per cent on December 31, 2011), due to the fact that the capital requirement for credit risks is now calculated according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio.
- The efficiency-raising measures that have been implemented are expected to lower the Group's expense level by EUR 8 M per year when they achieve their full effect, which is expected to occur by the end of 2012. The effect in 2012 is estimated at about EUR 7 M. The Group's expenses in 2012 are expected to be lower than in 2011. The Bank also expects income from divestments of certain assets during during 2012. If loan losses remain within forecasted limits, these circumstances and assumptions will together lead the Group to report a positive net operating profit in 2012.

“The earnings that were reported for the first quarter do not reflect the Bank of Åland's long-term earnings potential. During the quarter, we carried out the most extensive efficiency-raising programme in the Bank of Åland's history. The influx of new customers remained high, including 800 new customers in Sweden. The effects of this will be visible in future earnings reports. Meanwhile our profitability is being squeezed by the lingering effects of the financial crisis, especially in the form of low and falling market interest rates.”

Peter Wiklöf, Managing Director

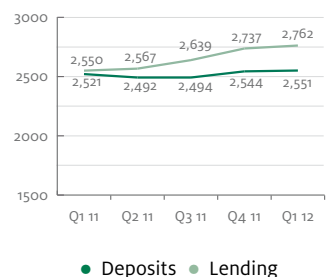
Net operating profit

EUR M



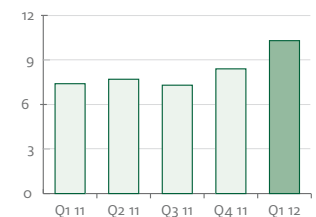
Deposits and lending

EUR M



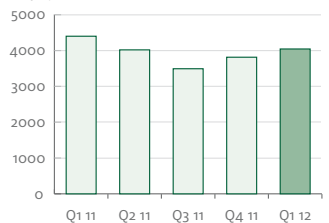
Tier 1 capital ratio

Per cent



Managed assets

EUR M



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has extensive 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 nine offices in the Åland Islands and eight offices elsewhere in Finland. The Bank has three offices in Sweden. A total of seven subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group.

Earnings and profitability

MARKET OVERVIEW

The euro zone debt crisis continued to dominate economic developments early in 2012. The weak economic outlook in Europe has led to falling short-term market interest rates. Euribor rates are now lower than one year ago, while Swedish interest rates have climbed somewhat. Due to the European Central Bank's offer of long-term funding at a favourable interest rate, liquidity has been added to the European banking system. The credit market has thus begun to function better and better.

BENCHMARK INTEREST RATES, AVERAGES, PER CENT

	Q1 2012	Q4 2011	Q1 2011
Euribor 3 mo	1.04	1.50	1.09
Euribor 12 mo	1.67	2.05	1.74
Stibor 3 mo	2.45	2.61	2.21
Stibor 12 mo	2.78	2.80	2.67

The stock market has performed favourably. The OMXHPI share index on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange) rose by 13 per cent during the first quarter. The OMXSPI index on the Nasdaq OMX Stockholm (Stockholm Stock Exchange) rose by 10 per cent. Despite this upturn, however, the share index was 20 per cent lower in Helsinki and 7 per cent lower in Stockholm than one year earlier.

The value of the Swedish krona in relation to the euro has been about the same as during the equivalent period of last year and at year-end 2011. This implies a continued strong krona in historical terms. When translating the income statement of the Bank of Åland's Swedish operations to euros, average exchange rates for the period are used, while the balance sheet is translated at the exchange rate prevailing on the closing day.

A situation with relatively low share prices, low market interest rates and a weak economic outlook has an adverse effect on the Bank of Åland's income.

IMPORTANT EVENTS AT THE BANK

After the completion of co-determination negotiations on February 27, 2012, about 50 employees left the Group, 30 of them in the Åland Islands, 10 on the Finnish mainland and 10 in Sweden. The number of offices in Åland was reduced from 16 to nine. On the Finnish mainland, institutional equities trading operations were closed. Extensive changes occurred in the corporate units of the Group. The Executive Team was halved. These efficiency-raising measures will result in an annual expense reduction of about EUR 4 M. Including measures approved earlier, gross expenses will fall by an estimated EUR 8 M annually when these measures have their full effect.

On February 13, 2012, the Finnish Financial Supervisory Authority approved the Bank's application to be allowed to calculate the capital requirement for credit risk according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio. Approval of the IRB approach for the Finnish corporate portfolio is expected during the fourth quarter of 2012. The transition from the stand-

ardised approach to the IRB approach for the Finnish household portfolio reduces the Bank's risk-weighted assets by EUR 355 M as of March 31, 2012.

The Bank of Åland received the 2012 Morningstar Funds Award as the best fixed interest fund manager in Finland. The Bank earned the award for its three euro-denominated fixed income funds: Ålandsbanken Cash Manager, a short-term fixed income fund; Ålandsbanken Euro Bond, a medium-term fixed income fund; and Ålandsbanken Euro High Yield, a fixed income fund with higher potential return and risk than traditional fixed income funds.

On April 19, 2012, the Annual General Meeting elected Folke Husell, Anders Å Karlsson and Annika Wijkström as new members of the Bank's Board of Directors. Board members Kaj-Gustaf Bergh, Agneta Karlsson and Anders Wiklöf were re-elected. At the statutory meeting of the Board the same day, Kaj-Gustaf Bergh was elected Chairman and Folke Husell was elected Vice Chairman of the Board.

EARNINGS FOR THE PERIOD

Net operating profit in the first quarter amounted to EUR -1.1 M, compared to EUR -7.1 M in the preceding quarter and EUR 2.1 M in the year-earlier period. Items affecting comparability totalling EUR -5.5 M were charged to earnings in the preceding quarter, in the form of restructuring expenses of EUR 2.8 M, an impairment loss of EUR 1.1 M on a shareholding and a change in the timing of income accrual amounting to EUR 1.6 M.

Total income amounted to EUR 23.3 M. This was EUR 2.3 M lower than in the preceding quarter, adjusted for items affecting comparability, and EUR 2.8 M lower than in the first quarter of 2011. The decline in total income compared to the same period of last year was attributable to valuation income from financial management as well as net commission income.

Net interest income decreased by EUR 0.6 M or 5 per cent from the preceding quarter, primarily driven by lower Euribor rates. Compared to the first quarter of 2011, net interest income was EUR 2.0 M or 21 per cent higher, mainly due to increased lending in Sweden.

Net commission income decreased by EUR 0.9 M or 11 per cent from the preceding quarter, adjusted for items affecting comparability, and by EUR 2.1 M or 21 per cent from the first quarter of 2011. The decline compared to the same period of last year was due to a lower percentage of equity investments in asset management, lower managed asset volume due to the negative stock market trend and the closing of institutional equities trading operations in Sweden and in Finland.

Total expenses amounted to EUR 23.5 M, which was 11 per cent or EUR 3.0 M lower than the preceding quarter, adjusted for restructuring expenses. However, expenses are always seasonally higher in the fourth quarter. Only a small fraction of the efficiency-raising programme announced in December 2011 had time to impact first quarter expenses. Compared to the first quarter of 2011, total expenses fell by EUR 0.5 M or 2 per cent.

The number of full-time equivalent positions, recalculated from working hours, decreased to 679 from 697 in the preceding quarter and 687 one year earlier.

Net loan losses were EUR 0.9 M and were affected, among other things, by provisions for claims in the shipping industry. The loan loss level was 0.12 per cent, compared to 0.12 per cent in the preceding quarter and 0.00 per cent in the year-earlier period.

Tax expense was positive and amounted to EUR 0.4 M. In the year-earlier period, the effective tax rate was 50 per cent. The tax situation improved because Swedish banking operations now take place in the form of a branch of the Parent Company. In addition, Finnish corporate tax has been lowered from 26 to 24.5 per cent.

Profit for the period attributable to shareholders was EUR -0.8 M, compared to EUR 1.0 M in the first quarter of 2011.

BUSINESS VOLUME

Managed assets increased by EUR 230 M or 6 per cent during the first quarter of 2012, partly as a consequence of an increase in the market value of equity-related investments, and amounted to EUR 4,044 M (3,814). Managed assets in the Group's own mutual funds rose by EUR 43 M or 6 per cent during the first quarter to EUR 800 M (757). Assets under discretionary management rose by EUR 47 M or 3 per cent to EUR 1,845 M (1,798). Assets under advisory management increased by EUR 139 M or 11 per cent to EUR 1,399 M (1,260). Of total managed assets, the Sweden business area accounted for EUR 2,307 M or 57 per cent.

Despite significant outflows from deposit accounts into securities investments, deposits from the public – including certificates of deposit, index bonds and debentures issued to retail customers – increased by EUR 5 M during the first quarter to EUR 2,551 M (2,544). In Sweden, the Åland Account continued to attract new customers. During a six-month period, Åland Account and fixed interest rate deposits increased by EUR 69 M.

Lending to the public totalled EUR 2,762 M (2,737). This represented an increase of EUR 25 M or 1 per cent during the first quarter. The lending increase was primarily related to the Swedish market.

CREDIT QUALITY

Lending to private individuals comprises nearly two thirds of the loan portfolio. Home mortgage loans account for about two thirds of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprise the second-largest type of lending to private individuals. Loan-to-value figures are conservative. Historically, the Bank of Åland has never had any substantial loan losses on this type of lending. The corporate portfolio has a close affinity with the household portfolio, since many of the companies are owned by customers who, as individuals, are also Private Banking customers.

During the first quarter of 2012, gross non-performing loans (more than 90 days) decreased by EUR 1.7 M or 9 per cent to EUR 17.5 M (19.3). As a share of lending to the public, non-performing loans fell from 0.70 per cent to 0.63 per cent during the period.

The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 59 per cent compared to 62 per cent at year-end 2011. Including group impairment losses, the level of provisions amounted to 67

per cent, compared to 71 per cent at year-end 2011. The Group had EUR 9.3 M in impairment loss provisions, including individual impairments of EUR 8.2 M and group impairment losses of EUR 1.1 M.

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve, in the form of cash, account balances and investments with other banks plus liquid interest-bearing securities, amounted to EUR 446 M on March 31, 2012. This was equivalent to 13 per cent of total assets (12 per cent at year-end 2011) and 16 (15) per cent of lending to the public.

Eighty per cent of the Bank of Åland's funding comes from deposits from the public, including certificates of deposit, index bonds and subordinated debentures. Of deposits from the public, EUR 151 M (155) consisted of time deposits, index bonds and debentures with a maturity of more than one year. Although the remainder consisted of sight deposits or has contractually shorter maturities than 1 year, this funding can largely be regarded as stable, based on historical customer behaviour.

EQUITY AND CAPITAL ADEQUACY

Equity capital changed in the amount of total profit for the period, EUR -0.9 M, to EUR 180 M. The equity/assets ratio decreased to 5.1 per cent from 5.3 per cent at the end of 2011. The Bank of Åland's equity/assets ratio was one of the highest among European banks.

Tier 1 capital as defined in capital adequacy regulations amounted to EUR 141.0 M. The main differences between this and reported equity are that unrealised/unqualified gains may not be included (EUR 5.9 M) and that intangible assets (11.7) plus half of expected losses in accordance with the IRB approach (3.6) are deducted. In addition, the IFRS transition effect (8.0), the fair value reserve (1.9) and translation differences (7.7) are classified as supplementary capital.

On February 13, 2012, the Finnish Financial Supervisory Authority approved the Bank's application to be allowed to calculate the capital requirement for credit risk according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio. Risk-weighted assets decreased by EUR 355 M or 21 per cent during the first quarter and amounted to EUR 1,374 M (1,729). Risk-weighted assets attributable to credit risks decreased by EUR 342 M or 22 per cent, since the IRB approach is being used instead of the standardised approach for the Finnish household portfolio.

The Tier 1 capital ratio increased to 10.3 (8.4) per cent. Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio. The total capital ratio was 15.3 (12.8) per cent.

According to the new international capital adequacy rules, capital adequacy requirements for all banks are being tightened substantially. The core Tier 1 capital ratio – equity capital excluding various forms of hybrid capital that may be classified as Tier 1 capital – is the focus of attention. The minimum level of the core Tier 1 capital ratio, including the capital conservation buffer, will be 7.0 per cent. The minimum level for the Tier 1 capital ratio will be 8.5 per cent. The minimum level for the total capital ratio will be 10.5 per cent, including a capital conservation buffer of 2.5 per cent. The new minimum levels will fully enter into force in 2019, after several years of gradual adjustment.

The Swedish Financial Supervisory Authority, the Ministry of Finance and the Riksbank are advocating stricter standards for major Swedish banks than the new Basel regulations will require. The purpose is to create more stable banks, which is the best way to prevent future crises and thereby reduce the risks to Swedish taxpayers. Four major banks – Handelsbanken, Nordea, SEB and Swedbank – must have at least 10 per cent in core Tier 1 capital ratios starting on January 1, 2013 and 12 per cent starting on January 1, 2015. Like the Basel 3 regulations, these levels include a capital conservation buffer of 2.5 per cent, but no counter-cyclical capital buffer.

In accordance with the 2011 Annual General Meeting's decision on purchases of the Bank's own shares for the purpose of implementing a share-based compensation programme for senior executives, the Bank has purchased its own shares. On March 31, 2012 this holding amounted to 25,000 Series B shares.

IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

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

RISKS AND UNCERTAINTIES

The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates, share prices and exchange rates as well as in the competitive situation. The Group aims at achieving operations with reasonable and carefully considered risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk.

The Bank does not engage in trading for its own account.

The Bank of Åland has no exposure to the "GIIPS" countries (Greece, Italy, Ireland, Portugal and Spain).

The poorer economic outlook has adversely affected the shipping industry, among others. The risk of loan losses from this industry has thus increased. We are focusing especially on these customers. The Bank of Åland's total lending to companies in the shipping industry represents about 2 per cent of its overall lending volume.

Based on the positive trend and positive future expectations at Compass Card, a deferred tax asset of EUR 0.9 M was recognised. If the conditions affecting the company should change dramatically, in such a way that the company will not achieve a profit, the value of this asset may need to be re-assessed.

FUTURE OUTLOOK

Market conditions that include low interest rates, low share prices and uncertain economic prospects are not favourable to the trend of earnings.

The weak economic situation affects the payment capacity of corporate customers. This is especially clear in the shipping industry.

The efficiency-raising measures that have been implemented are expected to lower the Group's expense level by EUR 8 M per year when they achieve their full effect, which is expected to occur by the end of 2012. The effect in 2012 is estimated at about EUR 7 M. The Group's expenses in 2012 are expected to be lower than in 2011. The Bank also expects income from divestments of certain assets during 2012. If loan losses remain within forecasted limits, these circumstances and assumptions will together lead the Group to report a positive net operating profit in 2012.

FINANCIAL INFORMATION

The Interim Report for January–June 2012 will be published on July 30, 2012.

The Interim Report for January–September 2012 will be published on October 29, 2012.

Mariehamn, April 27, 2012

THE BOARD OF DIRECTORS

Financial summary

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
INCOME					
Net interest income	11.5	12.1	-5	9.5	21
Net commission income	8.0	8.3	-3	10.1	-20
Other income	3.8	2.6	43	6.6	-42
Total income	23.3	23.0	1	26.1	-11
Staff costs	-13.2	-16.7	-21	-13.9	-5
Other expenses	-10.3	-12.6	-18	-10.1	2
Total expenses	-23.5	-29.3	-20	-24.0	-2
Profit before loan losses etc.	-0.2	-6.3	-97	2.1	-110
Impairment losses on loans and other commitments	-0.9	-0.8	2	0.0	
Net operating profit	-1.1	-7.1	-85	2.1	-150
Income taxes	0.4	2.6	-86	-1.1	-133
Profit for the report period	-0.7	-4.5	-84	1.0	-168
Attributable to:					
Non-controlling interests	0.1	0.2	-52	0.0	483
Shareholders in Bank of Åland Plc	-0.8	-4.7	-83	1.0	-177
VOLUME					
Lending to the public	2,762	2,737	1	2,550	8
Deposits from the public ¹	2,551	2,544	0	2,521	1
Managed assets	4,044	3,814	6	4,400	-8
Equity capital	180	181	-1	155	16
Balance sheet total	3,553	3,400	4	3,398	5
Risk-weighted assets	1,374	1,729	-21	1,645	-16
FINANCIAL RATIOS					
Return on equity after taxes, % (ROE) ²	-1.6	-11.4		2.7	
Expenses/income ratio, % ³	105	127		92	
Loan loss level, % ⁴	0.12	0.12		0.00	
Gross non-performing loans, % ⁵	0.63	0.70		0.86	
Level of provisions for doubtful receivables, % ⁶	67	71		72	
Core funding ratio (Lending/deposits), % ⁷	108	108		101	
Equity/assets ratio, % ⁸	5.1	5.3		4.6	
Tier 1 capital ratio, % ⁹	10.3	8.4		7.4	
Earnings per share before dilution, % ¹⁰	-0.06	-0.34		0.09	
Equity capital per share, EUR ¹¹	12.26	12.34		13.41	
Market price per Series A share, EUR	14.25	14.15		25.50	
Market price per Series B share, EUR	9.15	8.68		17.00	
Price per A share, adjusted for share issue, EUR	14.25	14.15		23.75	
Price per B share, adjusted for share issue, EUR	9.15	8.68		15.83	
Working hours re-calculated to full-time equivalent positions	679	697		687	

¹ Deposits from the public and public sector entities, including bond loans and certificates of deposit

² (Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital) x 100

³ (Expenses / Income) x 100

⁴ (Impairment losses on loan portfolio / loan portfolio) x 100

⁵ (Non-performing loans more than 90 days) / loan portfolio) x 100

⁶ (Impairment loss provisions / doubtful receivables) x 100

⁷ (Lending volume / Deposits including certificates of deposit, index bonds and debentures issued to the public) x 100

⁸ (Equity capital / Balance sheet total) x 100

⁹ (Core capital / Capital requirement) x 8 % x 100

¹⁰ Shareholders' portion of earnings for the period / Number of shares adjusted for share issue

¹¹ Equity capital / Registered shares on closing day

Summary statement of financial position

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	%	Mar 31, 2011	%
EUR M					
ASSETS					
Cash	101	66	53	33	
Debt securities eligible for refinancing with central banks	196	125	56	149	32
Claims on credit institutions	149	129	15	186	-20
Claims on the public and public sector entities	2,762	2,737	1	2,579	7
Debt securities	183	198	-7	228	-19
Shares and participations	3	3	-12	5	-40
Shares and participations in associated companies	1	1	5	1	-15
Derivative instruments	23	20	11	25	-11
Intangible assets	12	11	2	11	11
Tangible assets	33	32	1	35	-8
Other assets	56	46	21	122	-54
Accrued income and prepayments	30	26	15	22	40
Deferred tax assets	5	4	21	2	119
Total assets	3,553	3,400	4	3,398	5
LIABILITIES AND EQUITY CAPITAL					
Liabilities to credit institutions	314	230	36	148	
Liabilities to the public and public sector entities	2,171	2,147	1	2,071	5
Debt securities issued	683	659	4	782	-13
Derivative instruments	14	14	1	8	70
Other liabilities	75	60	26	111	-32
Accrued expenses and prepaid income	41	33	23	30	37
Subordinated liabilities	56	58	-3	70	-20
Deferred tax liabilities	20	20	0	22	
Total liabilities	3,373	3,220	4	3,243	3
Equity capital and minority interest					
Share capital	29	29	0	23	25
Share premium account	33	33	0	33	0
Reserve fund	25	25	0	25	0
Fair value reserve	9	10	-2	9	12
Unrestricted equity capital fund	24	24	0		
Own shares	0	0			
Retained earnings	56	56	-2	64	-14
Shareholders' interest in equity capital	177	178	-1	155	14
Minority interest in capital	3	3	3	1	363
Total equity capital	180	181	-1	155	16
Total liabilities and equity capital	3,553	3,400	4	3,398	5

Summary income statement

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
Net interest income	11.5	12.1	-5	9.5	21
Net commission income	8.0	8.3	-3	10.1	-20
Net income from securities transactions and foreign exchange dealing	-0.2	0.7		1.2	
Net income from financial assets available for sale	0.2	-1.3		0.7	-75
Net income from investment properties	0.0	0.8		0.0	
IT income	3.7	2.2	71	4.1	-9
Other operating income	0.1	0.3	-60	0.6	-82
Total income	23.3	23.0	1	26.1	-11
Staff costs	-13.2	-16.7	-21	-13.9	-5
Other administrative expenses	-5.2	-5.8	-10	-5.3	-3
Production for own use	0.4	0.4	-2	0.6	-34
Depreciation/amortisation	-1.7	-1.8	-2	-1.6	7
Other operating expenses	-3.8	-5.5	-31	-3.8	1
Total expenses	-23.5	-29.3	-20	-24.0	-2
Profit before loan losses etc.	-0.2	-6.3	-97	2.1	
Impairment losses on loans and other commitments	-0.9	-0.8	2	0.0	
Net operating profit	-1.1	-7.1	-85	2.1	
Income taxes	0.4	2.6	-86	-1.1	
Profit for the period	-0.7	-4.5	-84	1.0	
Attributable to:					
Non-controlling interests	0.1	0.2	-52	0.0	
Shareholders in Bank of Åland Plc	-0.8	-4.7	-83	1.0	
Earnings per share					
Earnings per share before dilution, EUR ¹	-0.06	-0.34		0.09	
Earnings per share after dilution, EUR ²	-0.06	-0.34		0.09	

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

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

Summary statement of other comprehensive income

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
Assets available for sale	0.2	0.6	-68	-1.2	
Valuation differences	-0.3	1.0		0.2	
Income tax on other comprehensive income	0.0	-0.2	-61	0.3	
Other comprehensive income	-0.1	1.5		-0.7	-80
Total comprehensive income for the period	-0.9	-3.1	-73	0.3	
Attributable to:					
Non-controlling interests	0.1	0.2	-52	0.0	
Shareholders in Bank of Åland Plc	-0.9	-3.2	-74	0.3	

Income statement by quarter

Bank of Åland Group	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
EUR M					
Net interest income	11.5	12.1	11.4	10.1	9.5
Net commission income	8.0	8.3	9.7	10.7	10.1
Net income from securities transactions and foreign exchange dealing	-0.2	0.7	-0.8	0.8	1.2
Net income from financial assets available for sale	0.2	-1.3	-0.1	0.1	0.7
Net income from investment properties	0.0	0.8	0.0	0.1	0.0
IT income	3.7	2.2	3.2	4.1	4.1
Other operating income	0.1	0.3	0.1	0.8	0.6
Total income	23.3	23.0	23.4	26.7	26.1
Staff costs	-13.2	-16.7	-12.8	-16.5	-13.9
Other administrative expenses	-5.2	-5.8	-4.4	-5.4	-5.3
Production for own use	0.4	0.4	0.4	0.4	0.6
Depreciation/amortisation	-1.7	-1.8	-1.7	-1.6	-1.6
Other operating expenses	-3.8	-5.5	-4.0	-4.0	-3.8
Total expenses	-23.5	-29.3	-22.6	-27.2	-24.0
Profit before loan losses etc.	-0.2	-6.3	0.8	-0.5	2.1
Impairment losses on loans and other commitments	-0.9	-0.8	-0.7	-0.3	0.0
Net operating profit	-1.1	-7.1	0.1	-0.8	2.1
Income taxes	0.4	2.6	-0.6	-0.6	-1.1
Profit for the period	-0.7	-4.5	-0.5	-1.3	1.0
Attributable to:					
Non-controlling interests	0.1	0.2	0.1	0.9	0.0
Shareholders in Bank of Åland Plc	-0.8	-4.7	-0.6	-2.2	1.0

Statement of changes in equity capital

Bank of Åland Group

EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	Unrestricted equity capital fund	Own shares	Retained earnings	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, Dec 31, 2010	23.3	33.3	25.1	1.3	8.0	0.0	0.0	62.9	153.8	0.6	154.5
Comprehensive income for the period				-0.9	0.2			1.0	0.3	0.0	0.3
Dividend paid								0.0	0.0	0.0	0.0
Equity capital, Mar 31, 2011	23.3	33.3	25.1	0.4	8.2	0.0	0.0	63.9	154.2	0.6	154.7
Comprehensive income for the period				1.4	-0.4			-7.5	-6.5	1.1	-5.3
Dividend paid								0.0	0.0	-1.2	-1.2
Other changes in equity capital attributable to minority interests									0.0	2.0	2.0
Share issue	5.8					24.5			30.3	0.0	30.3
Purchases of own shares							-0.1		-0.1	0.0	-0.1
Equity capital, Dec 31, 2011	29.1	33.3	25.1	1.8	7.8	24.5	-0.1	56.4	177.9	2.6	180.6
Comprehensive income for the period				0.1	-0.3			-0.8	-0.9	0.1	-0.9
Dividend paid									0.0	0.0	0.0
Purchases of own shares							-0.2		-0.2		-0.2
Equity capital, Mar 31, 2012	29.1	33.3	25.1	1.9	7.5	24.5	-0.2	55.6	176.8	2.7	179.5

Summary cash flow statement

Bank of Åland Group	Jan–Mar 2012		Jan–Dec 2011		Jan–Mar 2011	
EUR M						
Cash flow from operating activities						
Net operating profit	-1.1		-5.7		2.1	
Adjustment for net operating profit items not affecting cash flow	4.3		15.7		1.1	
Gains/losses from investing activities	-0.2		-1.2		0.0	
Income taxes paid	-0.5		-3.5		0.4	
Changes in assets and liabilities in operating activities	65.9	68.4	-60.4	-54.9	-29.8	-26.2
Cash flow from investing activities		-1.6		-0.5		-0.6
Cash flow from financing activities		17.1		-66.8		-4.4
Exchange rate differences in cash and cash equivalents		0.5		0.7		0.4
Change in cash and cash equivalents		84.3		-121.5		-30.7
Cash and cash equivalents, January 1		184.7		306.2		306.2
Cash and cash equivalents, December 31		269.0		184.7		275.5

Notes to the consolidated interim report

1. Corporate information

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public limited 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 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, 2012 was approved by the Board of Directors on April 27, 2012.

2. Basis for preparation and essential accounting principles

BASIS FOR PREPARATION

The Interim Report for the period January 1–March 31, 2012 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, 2011.

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, 2011, 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 apply starting in 2012 (Not approved by the EU):

IAS 1, "Presentation of Financial Statements"

IAS 19, "Employee Benefits"

IFRS 1, "First-time Adoption of International Financial Reporting Standards"

IFRS 7, "Financial Instruments – Disclosures" (Approved by the EU)

IFRS 10, "Consolidated Financial Statements" concerning subsidiaries

IFRS 11, "Joint Arrangements"

IFRS 12, "Disclosures of Interests in Other Entities" related to holdings in subsidiaries, associated companies, joint arrangements etc.

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. Capital adequacy

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	Mar 31, 2011
EUR M			
Tier 1 capital ¹	141.1	145.5	121.7
Supplementary capital	69.8	75.3	77.4
Total capital base	210.9	220.7	199.1
Capital requirement for credit risks	95.6	123.0	115.8
Capital requirement for operational risks	14.1	14.0	14.0
Capital requirement for market risks	0.2	1.4	1.8
Total capital requirement	109.9	138.4	131.6
Total capital ratio, %	15.3	12.8	12.1
Tier 1 capital ratio, %	10.3	8.4	7.4

¹ Including profit for the period.

On February 13, 2012, the Finnish Financial Supervisory Authority approved the Bank's application to be allowed to calculate the capital requirement for credit risk according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio. Comparative figures are calculated according to the standardised approach. The calculation for the IRB approach did not apply the 80 per cent floor rule. Taking this transitional rule into account, the total capital ratio was 13.2 per cent and the Tier 1 capital ratio 8.8 per cent.

5. Segment report

The Bank of Åland Group reports operating segments in compliance with IFRS 8, which means that operating segments reflect the information that the Group's Executive Team receives. In order to match the Bank of Åland's internal reporting to the Group's Executive Team, segment reporting in the Year-end Report for the period January – March 2012 has been changed. The comparative period has been correspondingly restated.

The "Åland" business area includes office operations in Åland and equities trading operations in Mariehamn. "Finnish Mainland" includes office operations on the Finnish mainland, Ålandsbanken Asset Management Ab and equities trading operations on the Finnish mainland, including Ålandsbanken Equities Research Ab. The "Sweden" business area includes the operating units Ålandsbanken Abp Sverige Filial (the Swedish branch of the Bank of Åland Plc), Ålandsbanken Sverige AB (undergoing reorganisation to Ålandsbanken Asset Management AB) plus Ålandsbanken Fonder AB and Alpha Management Company S.A. The "Crosskey" business area includes Crosskey Banking Solutions Ab and S-Crosskey Ab. "Corporate and eliminations" include all central corporate units in the Group, intra-Group eliminations and the subsidiaries Ålandsbanken Fondbolag Ab and Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan–Mar 2012				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	3.1	5.3	2.6	0.0	0.4	11.5
Commission income	1.7	3.1	3.0	0.0	0.2	8.0
Other income	0.2	0.0	0.0	7.2	-3.5	3.8
Total income	4.9	8.4	5.6	7.2	-2.8	23.3
Staff costs	-1.1	-2.3	-2.9	-3.7	-3.3	-13.2
Other expenses	-0.8	-1.7	-2.2	-2.7	-2.9	-10.3
Internal allocation of expenses	-2.1	-3.2	-2.7	0.0	8.1	0.0
Total expenses	-4.0	-7.2	-7.8	-6.4	1.9	-23.5
Profit before loan losses etc.	0.9	1.2	-2.2	0.8	-0.9	-0.2
Impairment losses on loans and other commitments	-0.4	-0.6	0.2	0.0	-0.1	-0.9
Net operating profit	0.5	0.6	-1.9	0.8	-1.0	-1.1

Bank of Åland Group		Jan–Mar 2011				
EUR M	Åland	Finnish Mainland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	3.1	3.9	1.7	0.0	0.8	9.5
Net commission income	2.0	3.5	4.3	0.0	0.3	10.1
Other income	0.1	0.1	-0.1	8.4	-1.9	6.6
Total income	5.1	7.5	5.9	8.4	-0.8	26.1
Staff costs	-1.0	-2.4	-3.6	-3.6	-3.3	-13.9
Other expenses	-0.7	-1.8	-1.7	-3.4	-2.5	-10.1
Internal allocation of expenses	-2.1	-3.2	-3.6	0.0	8.9	0.0
Total expenses	-3.8	-7.4	-8.9	-6.9	3.1	-24.0
Profit before loan losses etc.	1.3	0.1	-3.0	1.5	2.2	2.1
Impairment losses on loans and other commitments	0.0	-0.1	0.1	0.0	0.0	0.0
Net operating profit	1.3	0.0	-2.9	1.5	2.2	2.1

6. Managed assets

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	%	Mar 31, 2011	%
EUR M					
Fund unit management	800	757	6	929	-14
Discretionary asset management	1,845	1,798	3	1,931	-4
Other asset management	1,399	1,260	11	1,540	-9
Total managed assets	4,044	3,814	6	4,400	-8
Of which own funds in discretionary and other asset management	-331	-338	-2	-368	-10

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

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	%	Mar 31, 2011	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	1,623	1,568	4	1,579	3
Time deposits	547	579	-5	491	11
Total deposit accounts	2,171	2,146	-2	2,070	5
Bonds and subordinated debentures ¹	195	189	0	209	-7
Certificates of deposit issued to the public ¹	186	208	-11	243	-24
Total bonds and certificates of deposit	380	397	-4	451	-16
Total deposits	2,551	2,544	0	2,521	1

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

The item "Liabilities to the public and public sector entities" also includes intermediated loans.

8. Lending to the public and public sector by purpose

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	%	Mar 31, 2011	%
EUR M					
COMPANIES					
Shipping	64	63	2	62	4
Wholesale and retail trade	56	57	-2	57	-2
Housing operations	113	95	19	59	90
Other real estate operations	322	335	-4	187	72
Financial and insurance operations	181	187	-3	203	-11
Hotel and restaurant operations	21	19	7	19	11
Other service operations	110	109	1	138	-20
Agriculture, forestry and fishing	12	13	-5	11	11
Construction	42	45	-5	30	39
Other industry and crafts	36	36	0	37	-3
Total, companies	957	958	0	803	19
PRIVATE INDIVIDUALS					
Home loans	1,172	1,161	1	1,136	3
Securities and other investments	303	294	3	336	-10
Business operations	118	126	-6	101	17
Other household purposes	190	177	8	149	27
Total, households	1,783	1,757	1	1,722	4
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS					
Total, public sector and non-profit organisations	21	22	-2	25	-14
Total lending	2,762	2,737	1	2,550	7

9. Impairment losses and doubtful receivables

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
Individual impairment losses	1.1	1.0	11	0.1	
Group impairment losses	0.0	0.0	0	0.0	
Reversals	-0.2	-0.1	64	-0.1	
Recognised in income statement	0.9	0.8	2	0.0	
Gross doubtful receivables	13.7	12.5	10	9.8	40
Individual impairment losses	8.2	7.7	6	4.6	78
Group impairment losses	1.1	1.1	0	2.5	-56
Net doubtful receivables	4.5	3.6	22	2.7	64
Level of provisions for doubtful receivables, %	67	71	-5	72.3	-7
Doubtful receivables as % of total	0.50	0.46	9	0.37	34
Of which > 90 days past due	17.3	19.3	-9	22.6	-23
Non-performing receivables as % of total	0.63	0.70		0.86	

10. Off-balance sheet commitments

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	%	Mar 31, 2011	%
EUR M					
Guarantees and pledges	18	19	-4	23	-21
Other commitments	355	358	-1	257	38
Total	373	377	-1	280	33

11. Restructuring reserve

Bank of Åland Group	Mar 31, 2012	New reserve	Utilised	Withdrawn	Mar 31, 2011
EUR M					
Staff costs	1.9	5.3	-3.7	-0.2	0.5
Rent	0.5	0.5	0.0	0.0	0.0
IT	0.0	0.1	-0.3	0.0	0.2
Total	2.4	5.9	-4.0	-0.2	0.7

12. Goodwill

Bank of Åland Group	Mar 31, 2012	Dec 31, 2011	%	Mar 31, 2011	%
EUR M					
Opening balance	1.4	1.4	0	1.4	0
Closing balance	1.4	1.4	0	1.4	0

13. Net interest income

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
Interest income					
Credit institutions and central banks	0.4	0.6	-31	0.7	-39
The public and public sector entities	20.6	20.8	-1	15.6	32
Debt securities	2.0	2.0	2	2.0	0
Other interest income	0.7	0.6	20	0.4	60
Total	23.8	24.0	-1	18.7	27
Interest expenses					
Credit institutions and central banks	-1.5	-0.8	85	-0.6	168
The public and public sector entities	-6.5	-6.3	2	-4.6	41
Debt securities	-3.5	-3.8	-10	-3.0	15
Subordinated liabilities	-0.4	-0.5	-6	-0.4	1
Other interest expenses	-0.4	-0.5	-15	-0.6	-34
Total	-12.3	-11.9	3	-9.3	33
Net interest income	11.5	12.1	-5	9.5	21

14. Commission income

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
Deposits	0.2	0.2	3	0.2	7
Lending	0.6	0.1		0.8	-20
Payment intermediation	1.8	1.8	-3	1.0	82
Mutual fund commissions	2.5	2.1	18	2.9	-12
Management commissions	1.5	2.2	-31	2.2	-29
Securities commissions	3.0	3.2	-9	4.2	-29
Other commissions	0.6	0.5	8	0.5	12
Total	10.2	10.3	-1	11.6	-12
Commission expenses	-2.1	-1.9	9	-1.5	41
Net commission income	8.0	8.3	-3	10.1	-20

15. Income taxes

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
EUR M					
Taxes for the period and prior periods	-0.5	0.1		-0.6	-16
Change in deferred tax assets/liabilities	0.8	2.5	-67	-0.5	
Income taxes	0.4	2.6	-84	-1.1	

Starting on June 30, 2011 Bank of Åland has chosen to recognise deferred tax assets on reported losses in the subsidiary Compass Card, as a consequence of the company's positive income trend and future forecasts.

16. Dividend

Bank of Åland Group	2011	2010
euro		
Final dividend for 2011: EUR 0.00 per share	0	
Final dividend for 2010: EUR 0.00 per share		0

The proposal that no dividend be distributed for 2011 was adopted by the Annual General Meeting on April 19, 2012.

17. Derivative contracts

Bank of Åland Group	Mar 31, 2012		Mar 31, 2011	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
Value of underlying property				
Interest rate derivatives				
<i>Forward contracts</i>	226	0	0	0
<i>Swap contracts</i>	396	39	403	11
<i>Option contracts</i>				
<i>Purchased</i>	15	10	60	16
<i>Written</i>	10	16	16	60
Currency derivatives				
<i>Forward contracts</i>	64	5	188	9
<i>Interest rate and currency swap contracts</i>	204	4	1	1
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	154	0	150	6
<i>Written</i>	0	154	0	0
	1,069	74	817	103

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

18. Maturity breakdown of claims and liabilities

Bank of Åland Group		Mar 31, 2012					
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	Total	
Claims							
Cash	101					101	
Debt securities eligible for refinancing with central banks		54	111	31		196	
Claims on credit institutions	149					149	
Claims on the public and public sector entities	362	301	1,252	847		2,762	
Debt securities	75	108				183	
Shares and participations					4	4	
Derivative instruments					23	23	
Intangible assets					12	12	
Tangible assets					33	33	
Other assets					56	56	
Accrued income and prepayments					30	30	
Deferred tax assets					5	5	
Total claims	687	463	1,363	878	162	3,553	
Liabilities							
Liabilities to credit institutions	175	9	130			314	
Liabilities to the public and public sector entities	1,796	371	4			2,171	
Debt securities issued	112	374	195	2		683	
Derivative instruments					14	14	
Other liabilities					75	75	
Accrued expenses and prepaid income					41	41	
Subordinated liabilities			32	18		56	
Deferred tax liabilities					20	20	
Equity capital					180	180	
Total liabilities	2,088	754	361	20	329	3,553	

Bank of Åland Group		Mar 31, 2011					
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Not classified by maturity	Total	
Claims							
Cash	33					33	
Debt securities eligible for refinancing with central banks	13	27	108			149	
Claims on credit institutions	186					186	
Claims on the public and public sector entities	420	416	919	825		2,579	
Debt securities	18	173	36			228	
Shares and participations					6	6	
Derivative instruments					25	25	
Intangible assets					11	11	
Tangible assets					35	35	
Other assets					122	122	
Accrued income and prepayments					22	22	
Deferred tax assets					2	2	
Total claims	670	616	1,064	825	223	3,398	
Liabilities							
Liabilities to credit institutions	67	51	30			148	
Liabilities to the public and public sector entities	1,711	341	20			2,072	
Debt securities issued	233	181	368			782	
Derivative instruments					8	8	
Other liabilities					111	111	
Accrued expenses and prepaid income					30	30	
Subordinated liabilities		10	50	11		70	
Deferred tax liabilities					22	22	
Equity capital					155	155	
Total liabilities	2,011	583	467	11	326	3,398	

19. Interest rate refixing periods

Bank of Åland Group		Mar 31, 2012					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets	2,567	592	257	294	79	3,788	
Liabilities	2,706	257	352	270	56	3,641	
Difference between assets and liabilities	-139	334	-95	24	23	147	

Bank of Åland Group		Mar 31, 2011					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets	2,665	419	339	354	34	3,810	
Liabilities	2,822	317	262	263	37	3,700	
Difference between assets and liabilities	-158	102	77	91	-3	110	

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

20. Hours worked, recalculated to full-time equivalent positions

Bank of Åland Group	Q1 2012	Q4 2011	%	Q1 2011	%
Bank of Åland Plc	410	340	21	298	38
Crosskey Banking Solutions Ab Ltd	208	217	-4	210	-1
Ålandsbanken Sverige AB	15	94	-84	138	-89
Ålandsbanken Asset Management Ab	24	24	0	23	4
Ab Compass Card Oy Ltd	13	12	8	8	63
Ålandsbanken Fondbolag Ab	6	6	0	5	20
Ålandsbanken Equities Research Ab	3	4	-25	5	-40
Total number of positions, recalculated from hours worked	679	697	-3	687	-1

From December 1, 2011, most of the operations of Ålandsbanken Sverige AB were transferred to Ålandsbanken Abp svensk filial (the Swedish branch of Bank of Åland Plc), which means that hours worked in the branch are reported as part of Bank of Åland Plc.

Review Report, Bank of Åland Plc Interim Report for January 1–March 31, 2012

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, 2012, the consolidated summary income statement, the consolidated summary statement of other comprehensive income, the statement showing changes in consolidated equity capital and the consolidated summary cash flow statement 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, 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, 2012 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, April 27, 2012

Bengt Nyholm
Authorised Public Accountant (CGR)

Terhi Mäkinen
Authorised Public Accountant (CGR)

Erika Sjölund
Authorised Public Accountant (GRM)