

Interim Report

For the period January – September 2010 • November 1, 2010, 9.00 a.m.



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

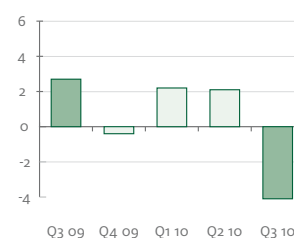
- Consolidated net operating profit excluding negative goodwill decreased to 0.2 million euros (January–September 2009: EUR 7.8 M).
- Net interest income decreased by 6 per cent to EUR 27.8 M (29.4)
- Commission income increased by 32 per cent to EUR 29.7 M (22.5)
- Total income increased by 12 per cent to EUR 72.0 M (64.1)
- Expenses rose by 23 per cent to EUR 66.5 M (54.2)
- Impairment losses on loans amounted to EUR 5.5 M (2.4)
- Lending volume increased by 5 per cent to EUR 2,547 M (September 2009: 2,437)
- Deposits increased by 4 per cent to EUR 2,459 M (September 2009: 2,375)
- Managed assets increased by 37 per cent to EUR 3,853 M (September 2009: 2,811)
- The total capital ratio in compliance with Basel 2 amounted to 12.5 per cent (12.9)
- Compared to the second quarter of 2009, consolidated net operating profit (excluding negative goodwill) amounted to EUR 2.1 M (April-June 2009: -1.2)
- The Group's operational earnings in 2010, excluding non-recurring income, are expected to be substantially lower than in 2009. One of the reasons for this is that the Bank of Åland recognised an impairment loss of EUR 5.0 M when a corporate customer in Finland was declared bankrupt. The Group's operational earnings for the last quarter of 2010 is projected to be at the same level as in the first two quarters of the year.

"The Bank of Åland's third quarter earnings do not provide a correct picture of the Bank's earnings potential. We foresee a continued good influx of money into our asset management operations, and the rising interest rates that the market is expecting will begin to benefit our traditional banking operations."

Peter Wiklöf, Managing Director

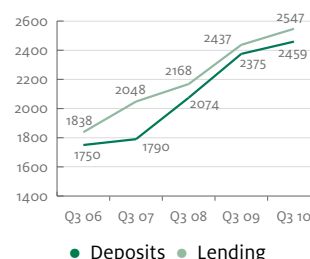
Net operating profit

EUR M

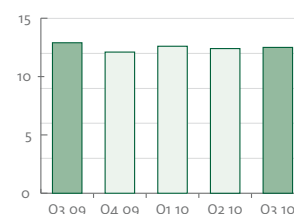


Deposits and lending

EUR M

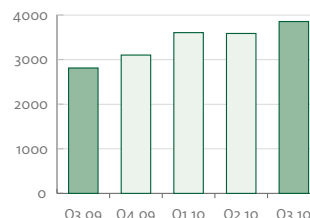


Capital adequacy %



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 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.

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

The consolidated earnings of the Bank of Åland Group during the first nine months of 2010 were slightly positive, despite the fact that the Bank of Åland recognised a loan impairment loss of EUR 5.0 M during the period because a corporate customer in Finland was declared bankrupt. The Group's managed assets continued to show very good growth, climbing to EUR 3.9 billion. Lending and deposit volume increased moderately. Net interest income fell due to low market interest rates and a continued squeeze on margins, but the trend reversed during the second and third quarters of 2010. 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. Third quarter earnings were weighed down by a dependence on commission income in Swedish operations.

During January-September 2010, the consolidated net operating profit of the Bank of Åland Group – excluding negative goodwill – decreased to EUR 0.2 M (Jan-Sep 2009: 7.8). During the second quarter of 2009, the Group recognised negative goodwill of EUR 23.1 M as income, due to its purchase of Kaupthing Bank Sverige AB.

Income excluding negative goodwill increased by 12* per cent to EUR 72.0 M (64.1), while expenses rose by 23 per cent to EUR 66.5 M (54.2). Return on equity after taxes (ROE) decreased to -1.7 (36.5) per cent, and earnings per share to EUR -0.22 (2.35).

The loss at Ålandsbanken Sverige AB during the report period totalled EUR 11.1 M. The subsidiary group Ålandsbanken Sverige AB was consolidated in the Bank of Åland Group for the first time on March 31, 2009. This meant that the company was included in the statement of financial position, while earnings for 2009 did not include effects generated in Ålandsbanken Sverige AB during the first quarter of 2009. This affects comparability between the periods. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, operations in Finland and Sweden" on page 10.

NET INTEREST INCOME

During the report period, consolidated net interest income increased by 6 per cent to EUR 27.8 M (29.4). Ålandsbanken Sverige AB had net interest income of EUR 3.8 M. Rising margins and higher lending volume had a positive impact, while shrinking deposit margins and higher refinancing costs depressed the Group's net interest income. The Group reclassified valuations from "Net interest income" to "Net income from securities transactions and foreign exchange dealing" to ensure comparability between periods. This reclassification amounted to EUR 0.6 M in the first quarter and EUR 1.0 M in the second quarter. The reclassification had no impact on earnings and thus did not affect earnings per share.

Lending volume rose by 5 per cent to EUR 2,547 M (2,428). Deposit volume increased by 4 per cent to EUR 2,459 M (2,375).

OTHER INCOME

Commission income rose by 32 per cent to EUR 29.7 M (22.5). Income from securities transactions as well as mutual fund and asset management continued to increase sharply due to the Group's focus on private banking and the good stock market trend. Commission income at Ålandsbanken Sverige AB amounted to EUR 11.5 M.

Net income from securities trading for the Bank's own account was EUR 0.6 M (2.9). Net income from dealing in the foreign exchange market improved to EUR 2.6 M (1.5). Net income from financial assets available for sale was EUR 1.3 M (0.3), and net income from investment properties increased to EUR 1.6 M (0.2). Other operating income increased to EUR 13.3 M (10.4) as a consequence of higher income from the sale and development of information technology (IT) systems.

The Group's total income, excluding negative goodwill, increased by 12 percent to EUR 72.0 M (64.1).

EXPENSES

Staff costs rose by 24 per cent to EUR 38.8 M (31.2) as a consequence of employee recruitments at Crosskey Banking Solutions Ab Ltd plus salary hikes as provided by collective agreements. Changes in the Bank's pension fund, Ålandsbanken Ab:s Pensionsstiftelse, according to the corridor approach reduced staff costs by EUR 0.3 M (0.1).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 13.5 M (11.7). Production for own use totalled EUR 2.9 M (1.1) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 5.2 M (4.8). Other operating expenses amounted to EUR 11.9 M (7.6), of which EUR 5.4 M arose at Ålandsbanken Sverige AB.

The Group's total expenses rose by 23 per cent to EUR 66.5 M (54.2).

IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS

Impairment losses on loans rose to EUR 5.5 M (2.4). The increase was due to an impairment loss of EUR 5.0 M targeted to a corporate customer in Finland. All impairment losses were individually targeted. The Group's impairment losses during the year amounted to 0.21 per cent of its loan portfolio, which is below average for the Finnish commercial banking industry.

THIRD QUARTER OF 2010

Compared to the third quarter of 2009, the Group's net operating profit (excluding negative goodwill) declined to EUR -4.1 M (Q3 2009: 2.7).

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

Income

Total income (excluding negative goodwill) increased by 7 per cent to EUR 23.1 M (21.6). Net interest income decreased by 8 per cent to EUR 9.4 M (10.2) due to wider margins on deposits and higher refinancing expenses.

Commission income amounted to EUR 9.1 M (9.4). Commission income on mutual funds and asset management improved during the period, while commission income from securities trading, lending and payment intermediation decreased. Net income from securities transactions and foreign exchange dealing increased to EUR 0.5 M (0.4). Other operating income increased to EUR 4.3 M (3.1) as a consequence of higher income from IT operations.

Expenses

Total expenses increased by 14 per cent to EUR 21.8 M (18.9). During the quarter, staff costs amounted to EUR 12.3 M (11.3). Other administrative expenses increased to EUR 4.8 M (4.2) during the third quarter, primarily because of higher external computer expenses. Due to increased property rents, other operating expenses rose to EUR 3.8 M (2.5).

DEPOSITS

Deposits from the public, including bonds and certificates of deposit issued, increased by 4 per cent to EUR 2,459 M (2,375), of which EUR 375 M (274) consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 2 per cent to EUR 2,030 M (1,999). Bonds and certificates of deposit issued to the public increased by 14 per cent to EUR 429 M (376).

LENDING

The volume of lending to the public increased by 5 per cent and amounted to EUR 2,547 M (2,437). The volume of lending at Ålandsbanken Sverige AB was EUR 206 M (133). Lending to households increased by 5 per cent to EUR 1,742 M (1,654). Households accounted for 68 (68) per cent of the Group's total lending volume. Lending to companies rose by 2 per cent to EUR 778 M (759).

BALANCE SHEET TOTAL AND OFF-BALANCE SHEET OBLIGATIONS

At the end of the report period, the Group's balance sheet total was EUR 3,492 M (3,321). During the period, the Group issued debenture loans 1/2010 and 2/2010 in the amount of EUR 29 M. Off-balance sheet obligations rose to EUR 342 M (340).

ASSETS UNDER MANAGEMENT

The Group's managed assets rose to EUR 3,853 M (2,811) during the report period. Management of mutual fund units rose by 29 per cent to EUR 923 M (716), while assets under discretionary management increased by 43 per cent to EUR 1,521 M (1,074).

PERSONNEL

Hours worked in the Group during the third quarter, recalculated to full-time equivalent positions, totalled 666 (678) positions, which represented a decrease by 12 positions compared to the preceding year.

Bank of Åland Group	Jul-Sep 2010	Jul-Sep 2009
Bank of Åland Plc	301	312
Ab Compass Card Oy Ltd	5	5
Crosskey Banking Solutions Ab Ltd	192	160
Ålandsbanken Asset Management Ab	25	19
Ålandsbanken Fondbolag Ab	7	6
Ålandsbanken Equities Ab	9	7
Ålandsbanken Sverige Ab	127	169
Total number of full-time equivalent positions, recalculated from hours worked	666	678

EXPENSE/INCOME RATIO

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

Bank of Åland Group	Sep 30, 2010	Sep 30, 2009
Excluding negative goodwill		
Including loan losses	1.00	0.88
Excluding loan losses	0.92	0.84

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 September 2010 was 12.5 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 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	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Capital base, EUR M			
Core capital	123.8	127.2 ¹	129.3
Supplementary capital	79.1	73.0	72.4
Total capital base	202.9	200.2	201.7
Capital requirement for credit risks	111.6	108.3	113.9
Capital requirement for operational risks	1.9	14.9	2.2
Capital requirement for market risks	16.7	0.9	14.9
Total capital requirement	130.1	124.1	130.9
Total capital ratio, %	12.5	12.9	12.3
Core capital ratio, %	7.6	8.2	7.9

¹ Includes profit for the period minus estimated dividend paid to shareholders.

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.

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.

ÅLANDSBANKEN ASSET MANAGEMENT AB

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

ÅLANDSBANKEN EQUITIES AB

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

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.

CHANGES IN GROUP STRUCTURE

On May 31, 2010, the Bank of Åland Plc acquired the minority interest in Ålandsbanken Equities Ab. After this transaction, the Bank owns 100 per cent of Ålandsbanken Equities Ab. A process has been initiated to merge Ålandsbanken Equities Ab with the Bank of Åland Plc, and this merger is expected to be completed during 2010.

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 trend towards rising interest rates is expected to start benefiting net interest income in traditional banking operations. The fourth quarter of the year traditionally has higher commission income than the third quarter, and this is expected to have a favourable impact on earnings.

The effect of cost-cutting measures in the Group's business operations in Sweden is projected to be significantly larger than the previously announced EUR 1.5 M. The reduction in expenses is expected to achieve its full impact from the beginning of 2011. A good influx of customers and increased customer activity in the Group's Swedish business operations are expected to result in rising commission income. Combined with lower expenses, this means that earnings in Sweden are expected to be significantly better than during the second and third quarter of 2010.

Due to these and other factors, the Group expects its net operating profit during the last quarter of 2010 to be at about the same level as its first and second quarter earnings.

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. One of the reasons for this is that the Bank of Åland recognised an impairment loss of EUR 5.0 M when a corporate customer in Finland was declared bankrupt. The Group's operational earnings for the last quarter of 2010 is projected to be at the same level as in the first two quarters of the year.

FINANCIAL INFORMATION.

The Year-end Report for the period January 1-December 31, 2010 will be published on Monday, February 21, 2011.

Mariehamn, October 29, 2010
THE BOARD OF DIRECTORS

Financial ratios etc.

Bank of Åland Group	Jan-Sep 2010	Jan-Sep 2009	Full year 2009
Earnings per share before dilution, EUR ¹	-0.22	2.35	2.27
Earnings per share after dilution, EUR ²	-0.22	2.35	2.27
Market price per share at end of period, EUR			
Series A shares	28.50	30.70	33.90
Series B shares	19.29	24.50	24.50
Equity capital per share, EUR ³	13.35	14.08	13.97
Return on equity after taxes, % (ROE) ⁴	-1.7	36.5	17.8
Return on total assets, % (ROA) ⁵	-0.1	1.8	0.9
Equity/assets ratio, % ⁶	4.5	4.9	4.8
Total lending volume, EUR M	2,547	2,437	2,546
Total deposits from the public, EUR M	2,459	2,375	2,411
Equity capital, EUR M	156	164	162
Balance sheet total, EUR M	3,492	3,321	3,379
Expense/income ratio			
Including loan losses	1.00	0.88	0.92
Excluding loan losses	0.92	0.84	0.88

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 – minority interest in capital / Number of shares on balance sheet date

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

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

⁶ Equity capital / Balance sheet total

Summary statement of financial position

Bank of Åland Group	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
EUR M			
ASSETS			
Cash	42	46	33
Debt securities eligible for refinancing with central banks	178	193	186
Claims on credit institutions	274	274	264
Claims on the public and public sector entities	2,547	2,437	2,546
Debt securities	271	198	188
Shares and participations	4	24	23
Shares and participations in associated companies	1	1	1
Derivative instruments	35	18	20
Intangible assets	10	6	6
Tangible assets	36	38	38
Other assets	68	65	50
Accrued income and prepayments	24	20	22
Deferred tax assets	3	2	2
Total assets	3,492	3,321	3,379
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	316	130	263
Liabilities to the public and public sector entities	2031	2000	2,040
Debt securities issued to the public	763	785	743
Derivative instruments	15	9	8
Other liabilities	85	121	57
Accrued expenses and prepaid income	30	34	27
Subordinated liabilities	73	59	59
Deferred tax liabilities	22	20	21
Total liabilities	3,336	3,157	3,217
Equity capital and minority interest			
Share capital	23	23	23
Share premium account	33	33	33
Reserve fund	25	25	25
Fair value reserve	9	6	6
Retained earnings	63	75	74
Shareholders' interest in equity capital	154	162	161
Minority interest in capital	2	1	1
Total equity capital	156	164	162
Total liabilities and equity capital	3,492	3,321	3,379

Summary statement of comprehensive income

Bank of Åland Group	Jan–Sep 2010	Jan–Sep 2009	Full year 2009
EUR M			
Net interest income	27.8	29.4	39.1
Income from equity instruments	0.0	0.0	0.0
Commission income	29.7	22.5	32.5
Commission expenses	-4.9	-3.1	-4.4
Net income from securities transactions and foreign exchange dealing	3.2	4.4	4.0
Net income from financial assets available for sale	1.3	0.3	0.5
Net income from investment properties	1.6	0.2	0.2
Other operating income	13.3	10.4	15.4
Total income	72.0	64.1	87.2
Staff costs	-38.8	-31.2	-44.6
Other administrative expenses	-13.5	-11.7	-16.7
Production for own use	2.9	1.1	1.9
Depreciation/amortisation	-5.2	-4.8	-6.4
Other operating expenses	-11.9	-7.6	-11.4
Total expenses	-66.5	-54.2	-77.2
Impairment losses on loans and other commitments	-5.5	-2.4	-2.9
Share of profit/loss in associated companies	0.1	0.2	0.2
Negative goodwill	0.0	23.1	23.1
Net operating profit	0.2	30.9	30.5
Income taxes	-2.2	-3.4	-3.7
Profit/loss for the period	-2.0	27.5	26.8
Other comprehensive income			
Assets available for sale	-0.4	0.4	0.2
Valuation differences	3.1	3.9	3.7
Income tax on other comprehensive income	0.8	-0.1	-0.1
Total comprehensive income for the period	1.6	31.7	30.7
Profit/loss for the period attributable to owners of the parent	-2.5	27.1	26.2
Profit for the period attributable to minority interests	0.5	0.5	0.7
Total	-2.0	27.5	26.8
Total comprehensive income for the period attributable to owners of the parent	1.0	31.2	30.0
Total comprehensive income for the period attributable to minority interests	0.5	0.5	0.7
Total	1.6	31.7	30.7
Earnings per share			
Earnings per share before dilution, EUR ¹	-0.22	2.35	2.27
Earnings per share after dilution, EUR ²	-0.22	2.35	2.27

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

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

Income statement by quarter

Bank of Åland Group	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
EUR M					
Net interest income	9.4	9.3 ¹	9.1 ¹	9.7	10.2
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	9.1	11.5	9.1	10.0	9.4
Commission expenses	-1.6	-1.6	-1.7	-1.3	-1.7
Net income from securities transactions and foreign exchange dealing	0.5	0.1 ¹	2.6 ¹	-0.4	0.4
Net income from financial assets available for sale	0.4	0.8	0.1	0.1	0.2
Net income from investment properties	1.0	0.5	0.1	0.0	0.0
Other operating income	4.3	4.8	4.2	5.0	3.1
Total income	23.1	25.4	23.5	23.2	21.6
Staff costs	-12.3	-13.6	-12.9	-13.4	-11.3
Other administrative expenses	-4.8	-4.9	-3.8	-5.0	-4.2
Production for own use	0.7	1.1	1.0	0.8	0.8
Depreciation/amortisation	-1.6	-1.6	-2.0	-1.6	-1.6
Other operating expenses	-3.8	-4.4	-3.6	-3.8	-2.5
Total expenses	-21.8	-23.4	-21.3	-23.0	-18.9
Impairment losses on loans and other commitments	-5.4	0.0	-0.1	-0.6	-0.2
Share of profit/loss in associated companies	0.0	0.1	0.0	0.0	0.1
Net operating profit/loss	-4.1	2.1	2.2	-0.4	2.7

¹ The Group reclassified valuations from “Net interest income” to “Net income from securities transactions and foreign exchange dealing” to ensure comparability between periods. This reclassification amounted to EUR 0.6 M in the first quarter and EUR 1.0 M in the second quarter.

Earnings, operations in Finland and Sweden

Bank of Åland Group	Jan-Sep 2010	Jan-Sep 2010	Jan-Sep 2010	Apr-Sep 2009	Jan-Sep 2009	Jan-Sep 2009
EUR M	Sweden	Finland	Total	Sweden	Finland	Total
Net interest income	3.8	23.9	27.8	2.3	27.1	29.4
Income from equity instruments	0.0	0.0	0.0	0.0	0.0	0.0
Commission income	11.5	18.2	29.7	7.5	15.0	22.5
Commission expenses	-3.2	-1.7	-4.9	-1.6	-1.6	-3.1
Net income from securities transactions and foreign currency dealing	-0.4	3.6	3.2	0.9	3.5	4.4
Net income from financial assets available for sale	0.0	1.3	1.3	-0.1	0.4	0.3
Net income from investment properties	0.0	1.6	1.6	0.0	0.2	0.2
Other operating income	1.7	11.6	13.3	0.8	9.5	10.4
Total income	13.5	58.5	72.0	9.9	54.2	64.1
Staff costs	-13.8	-24.9	-38.8	-8.5	-22.7	-31.2
Other administrative expenses	-6.6	-6.9	-13.5	-3.4	-8.3	-11.7
Production for own use	0.0	2.9	2.9	0.0	1.1	1.1
Depreciation/amortisation	-0.2	-5.0	-5.2	-0.5	-4.3	-4.8
Other operating expenses	-5.4	-6.5	-11.9	-2.0	-5.5	-7.6
Total expenses	-26.0	-40.4	-66.5	-14.4	-39.7	-54.2
Impairment losses on loans and other commitments	0.1	-5.6	-5.5	-0.2	-2.2	-2.4
Share of profit/loss in associated companies	0.0	0.1	0.1	0.0	0.2	0.2
Negative goodwill	0.0	0.0	0.0	0.0	23.1	23.1
Net operating profit/loss	-12.4	12.6	0.2	-4.7	35.6	30.9
Income taxes	1.3	-3.5	-2.2	0.1	-3.4	-3.4
Profit/loss for the period	-11.1	9.1	-2.0	-4.6	32.1	27.5

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

Statement of changes in equity capital

Bank of Åland Group									
EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	Retained earnings	Total before minority interest	Minority interest	Total
Equity capital, Dec 31, 2008	23.3	33.3	25.1	1.7	0.0	53.6	136.9	1.6	138.5
Comprehensive income for the period				0.3	3.9	27.1	31.2	0.5	31.7
Dividend paid						-5.8	-5.8	-0.8	-6.6
Equity capital, Sep 30, 2009	23.3	33.3	25.1	2.0	3.9	74.9	162.4	1.2	163.6
Comprehensive income for the period				-0.2	-0.2	-0.9	-1.2	0.2	-1.0
Dividend paid								-0.9	-0.9
Other changes in equity capital attributable to minority interests								0.5	0.5
Equity capital, Dec 31, 2009	23.3	33.3	25.1	1.8	3.7	74.0	161.2	1.0	162.2
Comprehensive income for the period				-0.3	3.9	-2.5	1.0	0.5	1.6
Dividend paid						-8.1	-8.1	0.0	-8.1
Other changes in equity capital attributable to minority interests						-0.2	-0.2	0.1	-0.1
Equity capital, Sep 30, 2010	23.3	33.3	25.1	1.6	7.5	63.2	154.0	1.5	155.5

Summary cash flow statement

Bank of Åland Group	Jan–Sep 2010	Jan–Sep 2009
EUR M		
Cash flow from operating activities		
Net operating profit	0.2	30.9
Adjustment for net operating profit items not affecting cash flow	15.6	-11.8
Gains/losses from investing activities	-0.9	-0.5
Income taxes paid	-2.8	-3.9
Changes in assets and liabilities in operating activities	-29.8	-17.7
		-195.3
		-180.5
Cash flow from investing activities		-3.6
		32.6
Cash flow from financing activities		22.5
		76.9
Exchange rate differences in cash and cash equivalents		16.4
		4.4
Change in cash and cash equivalents		17.6
		-66.7
Cash and cash equivalents, January 1		331.1
		323.5
Cash and cash equivalents, September 30		348.7
		256.8

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 – September 30, 2010 was approved by the Board of Directors on October 29, 2010.

2. Basis for preparation and essential accounting principles

BASIS FOR PREPARATION

The Interim Report for the period January 1 – September 30, 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.

As from April 1, 2010, the Bank of Åland Abp is applying hedge accounting in accordance with IAS 39, unlike what was stated in the Annual Report for 2009. Hedge accounting is used in order to hedge the foreign exchange risk on the Group's equity in Ålandsbanken Sverige AB. This means that the derivatives that protect this equity are recognised at fair value in the balance sheet in the same way as exchange rate changes in "Other comprehensive income". Hedge accounting is expected to provide a more true and fair picture of the Group's financial results.

New accounting norms and standards that 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–Sep 2010			
EUR M	Finland	Sweden	Crosskey	Eliminations	Total
Deposits, lending and portfolio management	21.1	0.8	0.0	-0.9	21.0
of which impairment losses, loans	-5.6	0.1	0.0	0.0	-5.5
Capital market products/services	15.3	10.3	0.0	0.0	25.6
Other income	6.5	2.5	23.9	-12.8	20.0
Staff costs	-16.2	-14.4	-9.7	0.0	-40.3
Other expenses	-15.9	-11.4	-8.5	11.6	-24.3
Depreciation/amortisation	-2.1	-0.2	-0.3	0.8	-1.9
NET OPERATING PROFIT	8.7	-12.4	5.4	-1.4	0.2
Assets	2,836.3	688.4	14.2	-47.1	3,491.8
Liabilities	2,695.7	639.1	6.5	-5.1	3,336.2
Equity capital	140.6	49.2	7.7	-42.0	155.5

Bank of Åland Group		Jan–Sep 2009			
EUR M	Finland	Sweden	Crosskey	Eliminations	Total
Deposits, lending and portfolio management	27.5	1.0	0.0	0.0	28.5
of which impairment losses, loans	-2.2	-0.2	0.0	0.0	-2.4
Capital market products/services	11.1	6.5	0.0	0.0	17.6
Other income	5.3	2.2	18.7	-10.4	15.8
Staff costs	-15.7	-8.9	-7.8	0.0	-32.5
Other expenses	-12.6	-5.0	-7.2	7.3	-17.5
Depreciation/amortisation	-3.6	-0.5	-0.7	0.6	-4.2
Negative goodwill	23.1	0.0	0.0	0.0	23.1
NET OPERATING PROFIT	35.0	-4.7	3.0	-2.4	30.9
Assets	2,910.7	447.8	11.5	-49.2	3,320.7
Liabilities	2,769.1	390.0	5.6	-7.5	3,157.1
Equity capital	141.6	57.8	5.9	-41.7	163.6

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	Sep 30, 2009	Utilised	Withdrawn	Sep 30, 2010
EUR M				
Staff costs	2.7	-1.7	-0.2	0.8
Rent for premises	1.1	-0.4	-0.5	0.2
IT	0.5	-0.3	0.0	0.2
Total	4.4	-2.4	-0.7	1.3

6. Goodwill

Bank of Åland Group	Sep 30, 2010	Sep 30, 2009
EUR M		
Opening balance	1.4	1.4
Closing balance	1.4	1.4

7. Income taxes

Bank of Åland Group	Sep 30, 2010	Sep 30, 2009
EUR M		
Taxes for the period and prior periods	1.9	3.6
Change in deferred tax assets/liabilities	0.3	-0.2
Income taxes	2.2	3.4

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	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
EUR M			
Deposit accounts from the public and public sector			
Demand deposit accounts	422	350	385
Cheque accounts	430	410	397
Environmental and Savings Accounts	57	83	89
Prime Accounts	645	798	763
Time deposits	476	358	405
Total deposit accounts	2,030	1,999	2,039
Bonds and subordinated debentures ¹	262	224	231
Certificates of deposit issued to the public ¹	167	153	140
Total bonds and certificates of deposit	429	376	372
Total deposits	2,459	2,375	2,411

¹ 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	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
EUR M			
COMPANIES			
Shipping	63	83	76
Wholesale and retail trade	60	63	64
Housing operations	68	72	72
Other real estate operations	159	141	154
Financial and insurance operations	192	192	200
Hotel and restaurant operations	17	16	16
Other service operations	138	116	128
Agriculture, forestry and fishing	14	11	11
Construction	31	27	27
Other industry and crafts	37	39	39
	778	759	787
PRIVATE INDIVIDUALS			
Home loans	1,161	1,120	1,151
Securities and other investments	351	307	340
Business operations	99	138	119
Other household purposes	131	90	124
	1,742	1,654	1,734
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS	28	24	25
TOTAL LENDING	2,547	2,437	2,546

11. Off-balance sheet commitments

Bank of Åland Group	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
EUR M			
Guarantees and pledges	23	43	19
Other commitments	319	298	287
	342	340	306

12. Derivative contracts

Bank of Åland Group	Sep 30, 2010		Sep 30, 2009	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
Value of underlying property				
Interest rate derivatives				
<i>Swap contracts</i>	523	13	621	9
<i>Option contracts</i>				
<i>Purchased</i>	962	6	72	26
<i>Exercised</i>	906	62	26	72
Currency derivatives				
<i>Forward contracts</i>	335	11	45	8
<i>Interest rate and currency swap contracts</i>	1	1	0	5
<i>Option contracts</i>				
<i>Purchased</i>	50	0	0	0
<i>Exercised</i>	50	0	0	0
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	189	7	157	9
	3,017	102	921	129

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		Sep 30, 2010				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
Claims						
Debt securities eligible for refinancing in central banks	17	65	96	0	178	
Credit institutions and central banks	274	0	0	0	274	
The public and public sector entities	348	402	965	832	2,547	
Other debt securities	163	89	19	0	271	
	802	557	1,080	832	3,270	
Liabilities						
Credit institutions and central banks	154	132	30	0	316	
The public and public sector entities	1,846	161	25	0	2,031	
Debt securities issued to the public	179	161	422	0	763	
Subordinated liabilities	0	11	36	27	73	
	2,182	462	529	10	3,183	

Bank of Åland Group		Sep 30, 2009				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
Claims						
Debt securities eligible for refinancing in central banks	40	0	153	1	193	
Credit institutions and central banks	309	0	0	0	309	
The public and public sector entities	311	287	995	844	2,437	
Other debt securities	100	38	61	0	198	
	760	324	1,209	844	3,137	
Liabilities						
Credit institutions and central banks	60	70	0	0	130	
The public and public sector entities	1,859	102	38	0	1,999	
Debt securities issued to the public	254	239	291	0	785	
Subordinated liabilities	0	15	37	6	59	
	2,173	427	366	6	2,973	

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		Sep 30, 2010				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,637	456	333	377	34	3,836
Liabilities	2,889	401	141	267	37	3,735
Difference between assets and liabilities	-252	55	192	110	-3	102

Bank of Åland Group		Sep 30, 2009				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,617	223	298	582	50	3,771
Liabilities	2,907	229	97	381	50	3,664
Difference between assets and liabilities	-290	-6	201	201	0	107

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

Review Report, Bank of Åland Plc Interim Report for January 1–September 30, 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 September 30, 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 nine-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 September 30, 2010 and its operating results and cash flows during the nine-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, October 29, 2010

Leif Hermans
Authorised Public Accountant

Terhi Mäkinen
Authorised Public Accountant

Bengt Nyholm
Authorised Public Accountant