

Ålandsbanken Financial Statement Release Year-end report for the period January - December 2009

22.02.2010

Bank of Åland Plc STOCK EXCHANGE RELEASE 22.02.2010 09.00 hrs Year-end report for the period January - December 2009 The report period in brief: -Consolidated net operating profit increased by 52 per cent to 30.5 million euros (January-December 2008: EUR 20.0 M) -Recognition of negative goodwill from the purchase of Ålandsbanken Sverige AB improved income by EUR 23.1 M, while operational earnings in Ålandsbanken Sverige AB pulled down consolidated income by EUR 8.0 M -Net interest income fell by 7 per cent to EUR 39.1 M (42.1) -Commission income increased by 75 per cent to EUR 32.5 M (18.6) -Total income increased by 17 per cent to EUR 87.2 M (74.2) -Expenses rose by 48 per cent to EUR 77.2 M (52.1) -Impairment losses on loans amounted to EUR 2.9 M (2.3) -Lending volume increased by 16 per cent to EUR 2,546 M (December 2008: 2,193) -Deposits increased by 13 per cent to EUR 2,411 M (December 2008: 2,126) -Mutual fund assets under management increased by 239 per cent to EUR 801 M (236) -Return on equity after taxes (ROE) was 17.8 per cent (10.7) -The expense/income ratio amounted to 72 (73) per cent -The total capital ratio in compliance with Basel 2 amounted to 12.3 per cent (12.6) -Earnings per share amounted to EUR 2.27 (1.22) -The Board of Directors proposes a dividend of EUR 0.50 (0.50) per share plus an anniversary dividend of EUR 0.20 per share -Taking into consideration that the Group's earnings in 2009 included a sizeable nonrecurring 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 Earnings and profitability This Year-end Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Earnings summary for the report period Ålandsbanken Sverige AB (encompassing Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A.) was consolidated in the Bank of Åland Group in such a way that its balance sheet on December 31, 2009 and its earnings during the period April 1 - December 31, 2009 have been included in the consolidated financial statements. This affects comparability with last year. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, newly acquired operations" on page 10. The year was characterised by the Group's investment in the Swedish market, increased focus on private banking services, instability in financial markets and low market interest rates. During January-December 2009, the consolidated net operating profit of the Bank of Åland Group increased by 52 per cent to EUR 30.5 M (20.0 in 2008). During the year, the Group recognised EUR 23.1 M in negative goodwill as income, due to its purchase of Kaupthing Bank Sverige AB in Sweden. In traditional banking operations, net interest income was adversely affected by low market interest rates, while the Group's strategic focus on private banking meant increased income from mutual funds, stock brokerage and asset management. Information technology (IT) operations performed favourably during the year, which increased "Other operating income". The task of integration with Ålandsbanken Sverige AB, related to both processes and computer systems, was intensive and led to increased expenses for the Group. Income (excluding negative goodwill) increased by 17 per cent to EUR 87.2 M (74.2), while expenses rose by 48 per cent to EUR 77.2 M (52.1). Return on equity after taxes (ROE) increased to 17.8 (10.7) per cent, and earnings per share to EUR 2.27 (1.22). NET INTEREST INCOME During 2009, consolidated net interest income fell by 7 per cent to EUR 39.1 M (42.1). Ålandsbanken Sverige AB had net interest income of EUR 3.5 M. Despite increasing lending volume, low interest rates depressed net interest income during the year. Margins on lending showed a rising trend during 2009, while the prevailing market situation led to depressed deposit margins.

Lending volume rose by 16 per cent to EUR 2,546 M (2,193). Deposit volume increased by 13 per cent to EUR 2,411 M (2,126). OTHER INCOME Commission income rose by 75 per cent to EUR 32.5 M (18.6). The Group's focus on private banking and the good stock exchange trend increased income from securities, mutual fund and asset management commissions. Commission income at Ålandsbanken Sverige AB amounted to EUR 11.9 M. Net income from securities trading for the Bank's own account was EUR 2.2 M (2.4). Valuation and realisation of value increases in interest rate hedging derivatives (the Bank of Åland does not apply hedge accounting) resulted in a positive nonrecurring effect of EUR 2.4 M. Net income from dealing in the foreign exchange market improved to EUR 1.8 M (1.0). Net income from financial assets available for sale was EUR 0.5 M (-0.1), and net income from investment properties increased to 0.2 M (0.1). Other operating income increased to EUR 15.4 M (12.4) as a consequence of higher income from the sale and development of information technology (IT) systems. During 2009, the Bank of Åland Plc bought Kaupthing Bank Sverige AB in Sweden, now Ålandsbanken Sverige AB (encompassing Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Management Company S.A.). The acquisition analysis shows that the net assets acquired after restructuring expenses amounted to EUR 57.2 M and the cost of the shares, including the purchase price and acquisition-related expenses, amounted to EUR 34.1 M. Negative goodwill of EUR 23.1 M was recognised as income in the Bank of Åland Group during the second quarter. For detailed information about the acquisition analysis, see Note 4 under "Notes to the consolidated interim report" on page 13. The Group's total income (excluding negative goodwill) increased by 17 percent to EUR 87.2 M (74.2). EXPENSES Staff costs rose by 57 per cent to EUR 44.6 M (28.3) 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 13.8 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach affected staff costs in the amount of EUR 0.1 M (0.2). Other administrative expenses (office, marketing, communications and IT) increased to EUR 16.7 M (11.0). Production for own use totalled EUR 1.9 M (0.5) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 6.4 M (5.9). Other operating expenses amounted to EUR 11.4 M (7.4), of which EUR 3.6 M arose at Ålandsbanken Sverige AB. The Group's total expenses rose by 48 per cent to EUR 77.2 M (52.1). IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS Impairment losses on loans amounted to EUR 2.9 M (2.3). Of these, EUR 1.4 M were individually targeted impairment losses and EUR 1.5 M a group impairment loss targeted to the real estate industry. Of the targeted individual impairment losses, EUR 1.2 M consisted of final actual loan losses. FOURTH QUARTER OF 2009 In the fourth quarter, the Group's net operating profit amounted to EUR -0.4 M (Q 42008: 3.7). Income Total income increased by 14 per cent to EUR 23.2 M (20.3). Lower interest rates combined with increased competition on deposit margins led to a decrease in net interest income of 9 per cent to EUR 9.7 M (10.7). Lending volume and margins were higher than during the corresponding period of 2008. Commission income improved by 117 per cent and amounted to EUR 10.0 M (4.6). The increase was attributable to the focus on private banking, increased market activity and the purchase of Ålandsbanken Sverige AB. Commission income at Ålandsbanken Sverige AB totalled EUR 4.4 M. Net income from securities trading and foreign exchange operations decreased to EUR -0.4 M (2.4). Other operating income rose by 46 per cent to EUR 5.0 M (3.4), with most of the increase coming from the Group's IT operations. Expenses Total expenses during the quarter increased by 57 per cent and amounted to EUR 23.0 M (14.6). During the quarter, staff costs amounted to EUR 13.4 M (7.4). The number of employees in the Group increased as a consequence of the purchase of Ålandsbanken Sverige AB, while salary hikes were implemented as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB totalled EUR 5.2 M. Other administrative expenses increased to EUR 5.0 M (3.1) in the fourth quarter, primarily because of higher external computer expenses, communications and marketing. The task of integration with Å landsbanken Sverige AB led to an increase in other operating expenses to EUR 3.8 M (2.9). Impairment losses during the period totalled EUR 0.6 M (1.9).

BALANCE SHEET TOTAL AND OFF-BALANCE SHEET OBLIGATIONS At the end of 2009, the Group's balance sheet total was EUR 3,379 M (2,770). During the year, the Group issued debenture loans 1/2009 and 2/2009 totalling EUR 34 M. With the permission of the Finnish Financial Supervisory Authority and in compliance with the terms of the loan, the Group carried out an early redemption of debenture loan 2/2004, which it had issued on June 4, 2004. Off-balance sheet obligations rose to EUR 306 M (165). PERSONNEL Hours worked in the Group, recalculated to full-time equivalent positions, totalled 641 (487) positions, which represented an increase by 154 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. The number of employees at Ålandsbanken Sverige AB on December 31, 2009 was 176.

	Dec 31 2009	Dec 31 2008
Bank of Åland Group	310	318
Ålandsbanken Abp	5	6
Ab Compass Card Oy Ltd	159	134
Crosskey Banking Solutions Ab Ltd	18	15
Ålandsbanken Asset Management Ab	6	6
Ålandsbanken Fondbolag Ab	7	0
Ålandsbanken Equities Ab	136	0
Ålandsbanken Sverige AB	0	8
Ålandsbanken Veranta Ab	641	487
Total number of full-time equivalent positions, recalculated from hours worked		

EXPENSE/INCOME RATIO Efficiency measured as expenses divided by income, including and excluding loan losses, respectively:

	Dec 31 2009	Dec 31 2008
Bank of Åland Group		
Including negative goodwill	0.72	0.73
Including loan losses	0.70	0.70
Excluding loan losses		

CAPITAL ADEQUACY The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. The Group's total capital ratio at the end of December 2009 was 12.3 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. Our assessment, according to the current regulations, is that this will substantially improve the Bank of Åland's capital adequacy.

	Dec 31 2009	Dec 31 2008
Bank of Åland Group		
Capital base, EUR M		
Core capital	12 9.3	112.4
Supplementary capital	72.4	53.4
Total capital base	201.7	165.7
Capital requirement for credit risks	113.9	95.9
Capital requirement for market risks	2.2	0.0
Capital requirement for operational risks	14.9	9.3
Total capital requirement	130.9	105.1
Total capital ratio, %	12.3	12.6
Core capital ratio, %	7.9	8.6

The main reason for the difference between the capital base and recognised equity capital is that subordinated liabilities may be counted in the capital base, while the proposed dividend may not be included.

DEPOSITS Deposits from the public, including bonds and certificates of deposit issued, increased by 13 per cent to EUR 2,411 M (2,126), of which EUR 337 M consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 16 per cent to EUR 2,039 M (1,757). Bonds and certificates of deposit issued to the public increased by 1 per cent to EUR 372 M (369). **LENDING** The volume of lending to the public increased by 16 per cent and amounted to EUR 2,546 M (2,193). The volume of lending at Ålandsbanken Sverige AB was EUR 190 M. Lending to households increased by 15 per cent to EUR 1,734 M (1,508). Households accounted for 68 (69) per cent of the Group's total lending volume. Lending to companies rose by 19 per cent to EUR 787 M (661). **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. The Group has 750 employees. Read more at www.alandsbanken.fi. **AB COMPASS CARD OY LTD** Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc. The company will issue credit and debit cards to private and institutional customers. Compass Card was founded in 2007 and has offices in Helsinki and Mariehamn. The company has six employees. **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. The company has 179 employees. 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. The company has 20 employees. **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. The company has eight employees. **ÅLANDSBANKEN FONDBOLAG AB** Ålandsbanken Fondbolag Ab is a wholly owned subsidiary of the Bank of Åland Plc. The company carries out mutual fund (unit trust) operations and manages 11 mutual funds registered in Finland. Ålandsbanken Fondbolag was founded in 1998 and has an office in Mariehamn. The company has seven employees. **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. The company has 176 employees. Read more at www.alandsbanken.se. **CORPORATE GOVERNANCE REPORT** The Corporate Governance Report has been updated and will be published concurrently with the Annual Report for 2009 on the Bank of Åland website, www.alandsbanken.fi. **CHANGES IN GROUP STRUCTURE** During 2009, the Bank of Åland Plc bought Kaupthing Bank Sverige AB, now Ålandsbanken Sverige AB (encompassing Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Management Company S.A.). Ålandsbanken Veranta Ab merged with the Bank of Åland Plc on September 30, 2009. During the year, Bank of Åland Plc sold 8 per cent of the shares in Ålandsbanken Equities Ab. Ålandsbanken Equities Research Ab was founded during the year as a wholly owned subsidiary of Ålandsbanken Equities Ab. **IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD** No important events have occurred after the close of the report period. **DISTRIBUTION OF PROFIT** The Board of Directors proposes that the Annual General Meeting approve a dividend of EUR 0.50 (0.50) per share plus an

anniversary dividend of EUR 0.20 per share, which is equivalent to a total amount of EUR 8.1 M.

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. 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 non-recurring income, is expected to be at least at the same level as in 2009. The Group's assessment of the outlook for 2009 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.

ANNUAL GENERAL MEETING AND FINANCIAL INFORMATION IN 2010 The Annual General Meeting will be held in Mariehamn, Åland, Finland on Monday, April 19, 2010. The Annual Report will be published in its official Swedish version on March 15, 2010, and in Finnish and English soon afterward.

INTERIM REPORTS DURING 2010 January-March 2010 Monday, May 3, 2010 January-June 2010 Monday, August 2, 2010 January-September 2010 Monday, November 1, 2010 The figures in this Year-end Report are unaudited. Mariehamn, February 19, 2010

THE BOARD OF DIRECTORS		-----	
----- Financial ratios etc. -----		-----	
----- Bank of Åland Group	Full year	Full year	-----
	2009	2008	-----
----- Earnings per share before dilution, EUR1	2.27	1.22	-----
----- Earnings per share after dilution, EUR2	2.27	1.22	-----
----- Market price per share, end of period, EUR	33.90	26.60	-----
----- Series A	24.50	17.24	-----
----- Series B	13.97	11.87	-----
----- Equity capital per share, EUR3	17.8	10.7	-----
----- Return on equity after taxes, % (ROE)4	0.9	0.5	-----
----- Return on total assets, % (ROA)5	4.8	5.0	-----
----- Equity/assets ratio, %6	2,546	2,193	-----
----- Total lending volume, EUR M	2,411	2,126	-----
----- Total deposits from the public, EUR M	162	138	-----
----- Equity capital, EUR M	3,379	2,770	-----
----- Balance sheet total, EUR M			-----
----- Expense/income ratio			-----
----- Including negative goodwill			-----
----- Including loan losses	0.72	0.73	-----
----- Excluding loan losses	0.70	0.70	-----
----- Excluding negative goodwill			-----
----- Including loan losses	0.92	0.73	-----
----- Excluding loan losses	0.88	0.70	-----
----- 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 share of capital / Number of shares on balance sheet date			-----
----- 4 (Net operating profit - tax es) / Average equity capital			-----
----- 5 (Net operating profit - taxes) / Average balance sheet total			-----
----- 6 Equity capital / Balance sheet total			-----
----- Summary statement of financial position			-----
----- Bank of Åland Group Dec 31, 2009 Dec 31, 2008			-----
----- EUR M			-----

		ASSETS			
	Cash	33	79		Debt securities eligible for refinancing with
		186	146		central banks
	Claims on credit institutions	264	123		
	Claims on the public and public sector	2,545	2,193		entities
	Debt securities	188	131		
	Shares and participations	23	3		
	Shares and participations in associated	1	1		companies
	Derivative instruments	20	15		
	Intangible assets	6	5		
	Tangible assets	38	36		
	Other assets	50	11		
	Accrued income and prepayments	22	25		
	Deferred tax assets	2	1		Total assets
		3,379	2,770		
		LIABILITIES			
	Liabilities to credit institutions	263	71		
	Liabilities to the public and public sector	2,040	1,758		entities
	Debt securities issued to the public	743	665		
	Derivative instruments	8	6		
	Other liabilities	57	41		
	Accrued expenses and prepaid income	27	18		
	Subordinated liabilities	59	53		
	Deferred tax liabilities	21	19		
	Total liabilities	3,217	2,631		
	Equity capital and minority interests				
	Share capital	23	23		
	Share premium account	33	33		
	Reserve fund	25	25		
	Fair value reserve	6	2		
	Retained earnings	74	54		
	Equity capital attributable to the owners of	161	137		the parent
	Equity capital attributable to minority	1	2		interests
	Total equity capital	162	138		
	Total liabilities and equity capital	3,379	2,770		
		Summary statement of comprehensive income		Bank of Åland Group	
		Full year 2009		Full year 2008	
		EUR M			
	Net interest income	39.1	42.1		
	Income from equity investments	0.0	0.0		
	Commission income	32.5	18.6		
	Commission expenses	-4.4	-2.2		
	Net income from securities transactions and	4.0	3.3		foreign exchange dealing
	Net income from financial assets available	0.5	-0.1		for sale
	Net income from investment properties	0.2	0.1		
	Other operating income	15.4	12.4		
	Total income	87.2	74.2		
	Staff costs	-44.6			

		2009		2008		2007		2006		2005		
Other		-0.1	-0.1	changes in equity		capital		attributable to		minority interests		
Equity		23.3	33.3	25.1	1.7	0.0	53.6	136.9	1.6	138.	capital, 5 Dec 31, 2008	
Comprehensive income		0.2	3.7	26.2	30.0	0.7	30.7	for the period		Dividend paid		
Other		0.0	0.5	0.5	changes in equity		capital		attributable to		minority interests	
Equity		23.3	33.3	25.1	1.8	3.7	74.0	161.2	1.0	162.	capital, 2 Dec 31, 2009	
Summary cash flow statement												
Bank of Åland Group												
Full year 2009 Full year 2008 EUR M												
Cash flow from operating activities												
Net operating profit												
Adjustment for net operating profit												
Items not affecting cash flow												
Gains/losses from investing activities												
Income taxes paid												
Changes in assets and liabilities in operating activities												
Cash flow from investing activities ¹												
Cash flow from financing activities												
Exchange rate differences in cash and cash equivalents												
Change in cash and cash equivalents												
Cash and cash equivalents, January 1												
Cash and cash equivalents, December 31												

1 Disbursed for the purchase of Kaupthing Bank Sverige AB, EUR 34.1 M. Cash and cash equivalents in Kaupthing Bank Sverige AB amounted to EUR 63.5 M. Notes to the consolidated year-end report 1.

Corporate information The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public company, organised in compliance with Finnish legislation and with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 28 offices. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium-sized banks. The Head Office of the Parent Company has the following address: Bank of Åland Plc Nygatan 2 AX-22100 Mariehamn, Åland, Finland A copy of the consolidated financial statements can be obtained from the Head Office or from the website www.alandsbanken.fi. The shares of the Bank of Åland Plc are traded on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange).