

# Ålandsbanken Quarterly report Interim report for the period January - March 2007

23.04.2007

Bank of Åland Plc STOCK EXCHANGE RELEASE 23.04.2007 09.00 hrs Interim report for the period January - March 2007 The report period in brief -Consolidated net operating profit rose by 28 per cent to 8.1 million euros (Jan ' Mar 2006: EUR 6.4 M) -The profit increase was attributable to rising net interest income, higher IT income, improved commission income from mutual fund and asset management and nonrecurring items -Net interest income increased by 13 per cent to EUR 9.2 M (8.1) -Commission income increased by 21 per cent to EUR 5.4 M (4.4) -Expenses increased by 12 per cent to EUR 10.4 M (9.3) -Loan losses were EUR 0.1 M (0.0) -Lending volume increased by 9 per cent to EUR 1,956 M (Mar 2006: 1,802) -Deposits increased by 3 per cent to EUR 1,628 M (Mar 2006: 1,583) - Mutual fund capital under management rose by 42 percent to EUR 395 M (278) -Return on equity after taxes (ROE) was 19.8 per cent (17.2) -The expense/income ratio improved to 56 (59) per cent -The total capital ratio in compliance with Basel 2 amounted to 13.5 per cent -Earnings per share after taxes amounted to EUR 0.50 (0.41) EARNINGS AND PROFITABILITY This Interim Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) approved by the European Union, as well with IAS 34, "Interim Financial Reporting". Earnings summary During the first three months of 2007, consolidated net operating profit rose by 28 per cent to EUR 8.1 M (6.4). The increase in profit was primarily attributable to a continued rise in net interest income, higher income from information technology (IT) operations, improved commission income from mutual fund and asset management and to nonrecurring items. Income increased by 19 per cent to EUR 18.5 M (15.5), while expenses rose to EUR 10.4 M (9.3). Return on equity after taxes (ROE) increased to 19.8 (17.2) per cent, and earnings per share after taxes increased to EUR 0.50 (0.41). Net interest income During the report period, net interest income improved by 13 per cent to EUR 9.2 M (8.1). The increase was due to higher deposit margins as well as higher lending volume. Lending margins continued to fall. Other income Commission income rose by 21 per cent to EUR 5.4 M (4.4). This improvement was primarily due to higher mutual fund, asset management and securities commissions. Net income from securities trading for the Bank's own account was EUR 0.7 M (0.5). Net income from dealing in the foreign exchange market amounted to EUR 0.3 M (0.3). Net income from financial assets available for sale was EUR 0.5 M (0.3). Net income from investment properties increased to EUR 0.1 M (0.0), which consisted of capital gains from divestment of properties. Other operating income increased to EUR 2.9 M (2.3) due to higher income from the sale and development of computer systems. The Group's total income rose by 19 per cent to EUR 18.5 M (15.5). Expenses Staff costs increased by 12 per cent to EUR 6.0 M (5.3), most of which was due to efforts under way in the Group's IT operations. Higher fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, reduced staff costs by EUR 0.3 M (0.5). Other administrative expenses (office, marketing, telecommunications and computer costs) totalled EUR 1.9 M (1.9). Production for own use totalled 0.1 M (0.1) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation increased to EUR 1.3 M (1.0). Other operating expenses amounted to EUR 1.3 M (1.1). The largest increases in expenses were attributable to rents and property expenses. The Group's total expenses rose by 12 per cent to EUR 10.4 M (9.3). Expense/income ratio The expense/income ratio decreased during the report period to 56 per cent, compared to 59 per cent during the first quarter of 2006. During the full year 2006, the expense/income ratio was 66 per cent. Impairment loss on loans and other commitments Loan losses amounted to EUR 0.1 M (0.0). Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 2,277 M (2,143). The increase in the balance sheet total was a consequence of

higher lending volume and deposit volume. During the period, the Group issued bond loans in a nominal amount of EUR 46 M. Off-balance sheet obligations increased to EUR 183 M (158), as a consequence of higher obligations for guarantees and pledges, plus other obligations. Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 435 (423) during the first quarter of 2007. This represented an increase of 12 positions, compared to the year-earlier period. Most of the increase came from new recruitments at Crosskey Banking Solutions Ab Ltd. Capital adequacy For the first time, the Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. Risk management under Pillar 2 will be reported in the Annual Report for 2007. According to Pillar 1 of Basel 2, the Group's total capital ratio at the end of March 2007 was 13.5 per cent. The capital requirement for credit risks is being calculated according to the standardised approach, and the capital requirement for operational risks is being calculated according to the basic indicator approach in Basel 2. Deposits Deposits from the public, including bonds and certificates of deposit issued increased during the 12 months to March 31, 2007 by 3 per cent to EUR 1,628 M (1,583). Deposit accounts increased by 7 per cent to EUR 1,291 M (1,211). Bonds and certificates of deposits issued to the public decreased by 9 per cent to EUR 337 M (371). Lending The volume of lending to the public increased during the 12 months to March 31, 2007 by 9 per cent to EUR 1,956 M (1,802). Most of the increase went towards residential financing. Lending to private households increased by 12 per cent to EUR 1,379 M (1,233). Households accounted for 71 (68) per cent of the Group's total lending. Ab Compass Card Oy Ltd Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mission of the company is to issue credit and debit cards to private and institutional customers. The company is in the start-up phase and is expected to be in full operation by late 2007. Crosskey Banking Solutions Ab Ltd Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc. The mission of the company is to develop, sell and maintain banking computer systems ' either as whole systems or in modules ' to small and medium-sized banks in Europe, as well as sell operational services. Among Crosskey's current customers are Tapiola Bank, DnB NOR, S-Bank, the Bank of Åland, eQ Bank and EGET. Crosskey currently has 138 employees and offices in Mariehamn, Turku, Helsinki and Stockholm. Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers discretionary and consultative asset management services to institutions and private individuals. The company also manages all of the Bank of Åland's mutual funds. The company currently has about 300 customers and EUR 800 M in managed assets. The company has strong growth. Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. At the end of the report period, the total number of unit holders was 13,253 (10,605). This represented an increase of 2,648 or 25 per cent. Total assets under management amounted to EUR 395 M (278), an increase of EUR 117 M or 42 per cent since one year earlier. Ålandsbanken Kapitalmarknadstjänster Ab Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a subsidiary of the Bank of Åland Plc. The company provides discretionary asset management as well as consulting services related to securities and financing. The value of discretionarily managed mandates totalled EUR 130 M at the end of the report period. The company has more than 200 customers, with an aggregate portfolio value of EUR 470 M. Annual General Meeting The Annual General Meeting of Shareholders of the Bank of Åland (AGM) on March 23, 2007 approved the Board of Directors' proposal for the distribution of a dividend of EUR 1.00 per Series A and Series B share, respectively for 2006. The record date for the dividend distribution was March 27, 2007. The dividend was distributed on April 3, 2007. The AGM unanimously re-elected Sven-Harry Boman, Kent Janér, Agneta Karlson, Göran Lindholm, Leif Nordlund, Anders Wiklöf and Tom Palmberg as members of the Board of Directors, but in such a way that Mr Palmberg's term of office runs until June 30, 2007. The term of the other Board members runs until the end of the next AGM. For a term of office from July 1, 2007 until the end of the next AGM, the AGM unanimously elected Teppo Taberman. Events after the close of the report period The Bank of Åland Plc has decided to broaden its operations to also include

estate agency business by purchasing a shareholding in the residential estate agent company Veranta Oy Helsinki. The company, whose new name is Ålandsbanken Veranta Ab, is 84 per cent owned by the Bank of Åland Abp. In April 2007, the Bank of Åland reached an agreement to acquire all the outstanding shares in Ålandsbanken Kapitalmarknadstjänster Ab. As a result of this acquisition, the company is a wholly owned subsidiary of the Bank. The operations of the company will be moved to the Parent Company and employees of the company will be transferred to the Parent Company as "old employees". The acquisition of Ålandsbanken Kapitalmarknadstjänster Ab is an element in implementing the Board of Directors' strategy to create a competitive and unified centre of excellence for the Group's investment banking operations in the Åland market. Outlook for 2007 As earlier, the potential for an earnings improvement during 2007 is considered good. It should be noted, however, that the strong earnings during the first quarter were affected by nonrecurring items. The Group's assessment of the outlook for 2007 is based on its assumptions about future developments in the fixed-income and financial markets. The Group predicts continued tough competition in the market with regard to lending margins, a continued positive trend in the mutual fund and capital markets as well as growth in the Group's IT operations. The cost level in the Group is expected to rise moderately. General interest rates, the demand for lending, the trend of the capital and financial markets and the competitive situation are factors that the Group cannot influence. Mariehamn, April 23, 2007

BOARD OF DIRECTORS	FINANCIAL RATIOS		
ETC	Bank of Åland Group	Jan-Mar	Jan-Mar
Mar   Jan-Dec	2007	2006	2006
Earnings per share before dilution, EUR 1	0.50	0.41	1.29
Earnings per share after dilution, EUR 2	0.50	0.40	1.29
Market price per share, end of period, EUR	27.00	28.00	26.50
Series A	25.00	25.45	24.50
Series B	10.43	9.70	10.86
Equity capital per share, EUR 3	19.8	17.2	13.3
Return on equity after taxes, % (ROE) 4	1.1	0.9	0.7
Return on total assets (ROA), % 5	5.29	4.98	5.58
Equity/assets ratio, % 6	1,956	1,802	1,912
Total lending volume, EUR M	1,628	1,583	1,599
Total deposits from the public, EUR M	120	107	122
Equity capital, EUR M, 1	2,272	2,143	2,189
Balance sheet total, EUR M, 2			
Expense/income ratio 3	0.56	0.59	0.66
Including loan losses 4	0.56	0.59	0.66
Excluding loan losses 5			
Profit for the period before dilution/ Average number of shares 6			
Profit for the period after dilution / Average number of shares + shares outstanding 1			
Equity capital / Number of shares on balance sheet date 2			
Net operating profit - taxes / Average equity capital 3			
Net operating profit - taxes / Average balance sheet total 4			
Profit for the period / Balance sheet total 5			
CAPITAL ADEQUACY			
Bank of Åland Group	Mar 31	Mar 31	Dec 31
	2007	2006	2006
	Basel 2	Basel 1	Basel 2

Capital base, EUR M	92.2	84.5	88.3	
Supplementary capital	54.4	49.6	53.4	
Total capital base	146.6	134.1	141.7	
Capital requirement for credit risks	78.6	97.9	75.5	
Capital requirement for operational risks	8.0		7.3	
Total capital requirement	86.6	97.9	82.8	
Total capital ratio, %	13.5	11.0	13.7	
Core capital ratio, %	8.5	6.9	8.5	

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

Due to the introduction of new rules for calculating the total capital ratio (Basel 2), the figure for March 31, 2006 is not comparable to the other figures.

#### SUMMARY BALANCE SHEET

Bank of Åland Group | Mar.31 | Mar.31 | Dec.31 |  
(EUR M) | 2007 | 2006 | 2006 |

#### ASSETS

Liquid assets | 64 | 50 | 65 |

Debt securities eligible for refinancing | 76 | 47 | 57 | | with central banks | | | |

Claims on credit institutions | 69 | 146 | 60 |

Claims on the public and public sector |

1,956 | 1,802 | 1,912 | | entities | | | | Debt securities | 0 | 0 | 0 |

Shares and participations | 3 | 4 | 4 |

Shares and participations in associated | 2 | 1 | 2 | | companies | | | |

Derivative instruments | 27 | 20 | 27 |

Intangible assets | 5 | 4 | 5 |

Tangible assets | 25 | 24 | 23 |

Other assets | 25 | 27 | 17 |

Accrued income and prepaid expenses | 18 | 16 | 16 |

Deferred tax assets | 1 | 1 | 1 |

TOTAL ASSETS | 2,272 | 2,143 | 2,189 |

#### LIABILITIES AND EQUITY CAPITAL

Liabilities to credit institutions | 66 | 75 | 62 |

Liabilities to the public and public sector | 1,293 | 1,215 | 1,261 | | entities | | | |

Debt securities issued to the public | 621 | 594 |

597 | Derivative instruments | 26 | 20 | 26 |

Other liabilities | 57 | 51 | 35 |

Accrued expenses and prepaid income | 20 | 16 | 12 |

Subordinated liabilities | 56 | 55 | 60 |

Deferred tax liabilities | 13 | 12 | 13 |

TOTAL LIABILITIES | 2,151 | 2,036 | 2,066 |

#### EQUITY CAPITAL AND MINORITY INTEREST

Share capital | 23 | 22 | 23 |

Share issue | 0 | 0 | 0 |

Share premium











0.2	2.3	-2.6	0.0					Total income	
11.7	4.6	1.8	-2.6	15.5					Costs incl.
-7.8	-3.2	-0.8	2.6	-9.3	depreciation etc.				
				0.0	Loan losses				
				0.0	Share of profit/loss in associated companies				
				3.8	1.3	1.2	0.0	6.4	Net operating profit
									Assets
1,804.7	4.5	334.6	-0.9	2,142.8					
									Liabilities
-1,808.7	-5.4	-224.0	2.1	-2,036.0					
				106.8	Equity capital				

The "Banking operations" segment includes banking and investment operations carried out at 25 bank offices plus the subsidiaries Ab Compass Card Oy Ltd, Ålandsbanken Asset Management Ab, Ålandsbanken Fondbolag Ab and Ålandsbanken Kapitalmarknadstjänster Ab. Reported in "IT operations are Crosskey Banking Solutions Ab Ltd and S-Crosskey Ab, which supply modern banking computer systems to small and medium-sized banks. Reported in "Other" are the results of Treasury and portfolio management as well as management and related corporate expenses.

6. INCOME TAXES

				Bank of Åland Group		Mar 31	Mar 31
				(EUR K)		2007	2006
				Taxes for the report period and earlier report			
				2,091	1,480	periods	