

Ålandsbanken Interim report Interim report for the period January - September 2009

26.10.2009

Bank of Åland Plc STOCK EXCHANGE RELEASE 26.10.2009 09.00 hrs Interim report for the period January - September 2009 The report period in brief - Consolidated net operating profit increased by 89 per cent to 30.9 million euros (January - September 2008: EUR 16.3 M) - Recognition of negative goodwill from the purchase of Ålandsbanken Sverige AB improved income by EUR 23.1 M, while operational earnings at Ålandsbanken Sverige AB pulled down consolidated income by EUR 4.7 M - Net interest income fell by 6 per cent to EUR 29.4 M (31.4) - Commission income increased by 61 per cent to EUR 22.5 M (14.0) - Net income from securities transactions and foreign exchange dealing rose to EUR 4.4 M (1.0) - Total income increased by 19 per cent to EUR 64.1 M (54.0) - Expenses rose by 45 per cent to EUR 54.2 M (37.5) - Impairment losses amounted to EUR 2.4 M (0.5) - Lending volume increased by 12 per cent to EUR 2,437 M (September 2008: 2,168) - Deposits increased by 15 per cent to EUR 2,375 M (September 2008: 2,074) - Mutual fund assets under management amounted to EUR 717 M (284) - Return on equity after taxes (ROE) was 36.5 per cent (11.8) - The expense/income ratio including negative goodwill was 65 (70) per cent - The total capital ratio in compliance with Basel 2 amounted to 12.9 (12.2) per cent - Earnings per share amounted to EUR 2.35 (0.99) 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 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 September 30, 2009 and its earnings during the period April 1 - September 30, 2009 have been included in the consolidated financial statements. This affects comparability with the corresponding period of 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 9. During January-September 2009, the consolidated net operating profit of the Bank of Åland Group increased by 89 per cent to EUR 30.9 M (16.3 in the corresponding period of 2008). During the report period, the Group recognised EUR 23.1 M in negative goodwill as income, due to its purchase of Kaupthing Bank Sverige AB in Sweden. The Group's net interest income was lower than in the corresponding period last year because of falling interest rates. Consolidated commission income, net income from securities transactions and other operating income were higher than in the year-earlier period. Income (excluding negative goodwill) increased by 19 per cent to EUR 64.1 M (54.0), while expenses rose by 45 per cent to EUR 54.2 M (37.5). Return on equity after taxes (ROE) increased to 36.5 (11.8) per cent, and earnings per share to EUR 2.35 (0.99). Net interest income During the report period, consolidated net interest income fell by 6 per cent to EUR 29.4 M (31.4), due to lower interest rates. During the period, margins on lending showed a positive trend. Ålandsbanken Sverige AB had net interest income of EUR 2.3 M. Lending volume rose by 12 per cent to EUR 2,437 M (2,168), while deposit volume increased by 15 per cent to EUR 2,375 M (2,074). Other income Commission income rose by 61 per cent to EUR 22.5 M (14.0). Income from securities, mutual fund and asset management commissions rose during the report period. Commission income at Ålandsbanken Sverige AB amounted to EUR 7.5 M. Net income from securities trading for the Bank's own account was EUR 2.9 M (0.2). 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 during the first quarter. Net income from dealing in the foreign exchange market increased to EUR 1.5 M (0.7). Net income from financial assets available for sale was EUR 0.3 M (0.1), and net income from

investment properties was EUR 0.2 M (0.1). Other operating income increased to EUR 10.4 M (8.9) as a consequence of higher income from the sale and development of information technology (IT) systems. During the report period, 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 showed 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 12. The Group's total income (excluding negative goodwill) increased by 19 percent to EUR 64.1 M (54.0). Expenses Staff costs rose by 49 per cent to EUR 31.2 M (21.0) as a consequence of the acquisition of Ålandsbanken Sverige AB plus salary hikes as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB amounted to EUR 8.5 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 (0.1). Other administrative expenses (office, marketing, communications and IT) increased to EUR 11.7 M (7.9). Production for own use totalled EUR -1.1 M (-0.3) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised.

Depreciation/amortisation increased to EUR 4.8 M (4.4). Other operating expenses amounted to EUR 7.6 M (4.5). The Group's total expenses rose by 45 per cent to EUR 54.2 M (37.5). Impairment losses on loans and other commitments Impairment losses amount ed to EUR 2.4 M (0.5). Of these, EUR 0.9 M was individually targeted impairment losses and EUR 1.5 M a group impairment loss targeted to the real estate industry. Third quarter of 2009 Compared to the third quarter of 2008, the Group's net operating profit decreased by 42 per cent to EUR 2.7 M (Q III 2008: 4.5). Income Total income (excluding negative goodwill) increased by 28 per cent to EUR 21.6 M (16.9). Lower interest rates led to a decrease in net interest income of 3 per cent to EUR 10.2 M (10.5), despite higher deposit and lending volume. During the quarter, Ålandsbanken Sverige AB had net interest income of EUR 1.2 M. Commission income improved, amounting to EUR 9.4 M (3.8). Commission income on securities and asset management improved during the period. Commission income at Ålandsbanken Sverige AB totalled EUR 4.2 M. Net income from securities trading and foreign exchange operations increased to EUR 0.4 M (-0.1). Other operating income fell to EUR 3.1 M (3.2) as a consequence of lower income from real estate operations. Expenses Total expenses increased by 55 per cent to EUR 18.9 M (12.2). During the quarter, staff costs amounted to EUR 11.3 M (6.8). 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 1.6 M. Other administrative expenses increased to EUR 4.2 M (2.3) during the third quarter, primarily because of higher external computer expenses. Due to increased property expenses and rents, other operating expenses rose to EUR 2.5 M (1.5). Impairment losses during the quarter totalled EUR 0.2 M. Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 3,321 M (2,728). During the period, 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 340 M (165). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 617 (511) during January - September 2009. This repr esented an increase by 106 positions compared to the year-earlier period. The increase was due to the acquisition of Ålandsbanken Sverige AB. The number of employees at Ålandsbanken Sverige AB on September 30, 2009 was 166. -----

-----	Bank of Åland Group	Sep 30	Sep 30		2009
2008	-----	Ålandsbanken Abp	311	329	----
-----	Ab Compass Card Oy Ltd	5	6	-----	
-----	Crosskey Banking Solutions Ab Ltd	151	147	-----	

solutions and efficient banking solutions. Among Crosskey's current customers are DnB NOR, S-Bank, Tapiola Bank, the Bank of Åland and Ålands Penningautomatförening. The earnings trend was good in the first nine months of 2009. Crosskey currently has 178 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 asset management services to institutions and private individuals. The company also manages all of the Bank of Åland's mutual funds registered in Finland. The company currently has about 500 customers and EUR 900 M in managed assets. The company's customer portfolios have been successful during the turbulence of the past year, and its earnings in the first nine months of 2009 were higher than in the same period of last year.

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. The company has an office in Helsinki. In July, the subsidiary Ålandsbanken Equities Research Ab was established; it is in charge of equity analysis. 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 at present manages 11 mutual funds, all registered in Finland. Managed assets in the Bank of Åland's Finnish mutual funds rose by 35 per cent to EUR 319 M (from EUR 236 M on Dec. 31, 2008). During the period, the number of unit holders increased by 15 per cent to 16,194 (from 14,093 on Dec. 31, 2008). 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 Sverige AB has EUR 274 M in deposits from the public, EUR 133 M in lending volume and EUR 398 M in managed mutual fund assets.

Ålandsbanken Sverige AB currently has 166 employees and offices in Stockholm, Göteborg and Malmö, Sweden. Changes in Group structure Ålandsbanken Veranta Ab merged with the Bank of Åland Plc on September 30, 2009. Important events after the close of the report period No important events have occurred after the close of the report period. Outlook for 2009 The year two thousand nine has been very challenging for most financial market players. The Bank of Åland expects its operating results in Finland to fall as a consequence of further weakening of net interest income, due to very low interest rates. The acquisition of Kaupthing Bank Sverige AB will have a significant positive nonrecurring effect on the Group's earnings during 2009, but operational activities in Sweden will pull down the year's earnings. Overall, we expect consolidated earnings to be substantially better than in 2008. It should again be emphasised that great uncertainty prevails in the global financial system. Combined with the acquisition of Kaupthing Bank Sverige, this means that the outlook for the future is burdened with greater uncertainty than normal. 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. The Year-end Report for the period January 1 - December 31, 2009 will be published on Monday, February 22, 2010. Mariehamn, October 23, 2009 THE BOARD OF DIRECTORS -----

FINANCIAL RATIOS ETC.											
Bank of Åland Group											
	Jan-Sep	Jan-Sep	Full year		2009	2008	2008		2009	2008	2008
Earnings per share before dilution, EUR	2.35	0.99	1.22	EUR 1							
Earnings per share after dilution, EUR	2.35	0.99	1.22	EUR 2							
Market price per share, end of period, EUR											
Series A	30.70	28.25	26.60								
Series B	24.50	21.75	17.24								
Equity capital per share, EUR	3	14.08	11.53	11.87							
Return on equity after taxes, % (ROE)	4	36.5	11.8	10.7							
Return on total assets, % (ROA)	5	1.8	0.7	0.5							
Equity/assets ratio, %	6	4.9	4.9	5.0							

	2009	2008	2008	
Total lending volume, EUR M	2,437	2,168	2,193	
Total deposits from the public, EUR M	2,375	2,074	2,126	
Equity capital, EUR M	164	134	138	
Balance sheet total, EUR M	3,321	2,728	2,770	
Expense/income ratio				
Including negative goodwill				
Including loan losses	0.65	0.70		
Excluding loan losses	0.62	0.69		
Excluding negative goodwill				
Including loan losses	0.88	0.70		
Excluding loan losses	0.84	0.69		
1 Profit for the period before dilution / Average number of shares				2
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
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 Sep 30 Dec 31 2009 2008 2008 -----				
EUR M -----				
ASSETS -----				
Cash	46	84	79	
Debt securities eligible for refinancing with central banks	193	131	146	
Claims on credit institutions	274	135	123	
Claims on the public and public sector	2,437	2,168	2,193	
Debt securities	198	76	131	
Shares and participations	24	3	3	
Shares and participations in	1	2	1	
associated companies				
Derivative instruments	18	15	15	
Intangible assets	6	5	5	
Tangible assets	38	31	36	
Other assets	65	52	11	
Accrued income and prepayments	20	24	25	
Deferred tax assets	2	1	1	
TOTAL ASSETS	3,321	2,728	2,770	
LIABILITIES -----				
Liabilities to credit institutions	130	63	71	
Liabilities to the public and public sector	2,000	1,696	1,758	
Debt securities issued to the public	785	671	665	
Derivative instruments	9	4	6	
Other liabilities	121	62	41	
Accrued expenses and prepaid income	34	28	18	
Subordinated liabilities	59	54	53	
Deferred tax liabilities	20	16	19	
TOTAL LIABILITIES	3,157	2,594	2,631	
EQUITY CAPITAL AND MINORITY INTERESTS -----				
Share capital	23	23	23	

----- | Earning per share after dilution, EUR2 | 2.35 | 0.99 |
 1.22 | ----- | 1 Profit for the period before dilution / Average number of shares | ----- | 2 Profit for the period after dilution / (Average number of shares + shares | | outstanding) | -----

QUARTERLY DATA, EARNINGS | ----- | Bank of Åland Group | Q III | Q II | Q I | Q IV | Q III | | 2009 | 2009 | 2009 | 2008 | 2008 | -----

----- | EUR M | | | | | -----

----- | Net interest income | 10.2 | 10.1 | 9.1 | 10.7 | 10.5 | -----

----- | Income from equity investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -----

----- | Commission income | 9.4 | 8.1 | 5.0 | 4.6 | 3.8 | -----

----- | Commission expenses | -1.7 | -0.9 | -0.5 | -0.6 | -0.5 | -----

----- | Net income from securities | 0.4 | 0.8 | 3.1 | 2.4 | -0.1 | | transactions and foreign | | | | | exchange dealing | | | | | -----

----- | Net income from financial assets | 0.2 | 0.1 | 0.0 | -0.3 | 0.0 | | available for sale | | | | | ----- | Net income from investment |

0.0 | 0.0 | 0.2 | 0.0 | 0.0 | | properties | | | | | -----

-- | Other operating income | 3.1 | 3.9 | 3.4 | 3.4 | 3.2 | -----

----- | Total income | 21.6 | 22.1 | 20.4 | 20.3 | 16.9 | -----

----- | Staff costs | -11.3 | -12.3 | -7.6 | -7.4 | -6.8 | -----

----- | Other administrative expenses | -4.2 | -4.6 | -2.9 | -3.1 | -2.3 | -----

----- | Production for own use | 0.8 | 0.2 | 0.2 | 0.2 | 0.1 | -----

----- | Depreciation/amortisation | -1.6 | -1.7 | -1.4 | -1.5 | -1.6 | ----- | Other operating expenses | -2.5 |

-3.0 | -2.0 | -2.9 | -1.5 | ----- | Total expenses |

-18.9 | -21.5 | -13.8 | -14.6 | -12.2 | ----- |

Impairment losses on loans and | -0.2 | -1.8 | -0.4 | -1.9 | -0.2 | | other commitments | | | | | -----

----- | Share of profit/loss in | 0.1 | 0.1 | 0.1 | -0.1 | 0.0 | |

associated companies | | | | | ----- | Negative goodwill | 0.0 | 23.1 | 0.0 | 0.0 | 0.0 | ----- | Net operating profit | 2.7 | 22.0 | 6.3 | 3.7 | 4.5 | -----

----- | EARNINGS, NEWLY ACQUIRED OPERATIONS | ----- | Bank of Åland Group | Apr-Sep | Jan-Sep | Jan-Sep | Jan-Sep | | 2009 | 2009 | 2009 | 2008 | -----

----- | EUR M | Sweden | Finland | Total | Total | -----

----- | Net interest income | 2.3 | 27.1 | 29.4 | 31.4 | | | | | -----

----- | Income from equity investments | 0.0 | 0.0 | 0.0 | 0.0 | -----

----- | Commission income | 7.5 | 15.0 | 22.5 | 14.0 | | | | | -----

----- | Commission expenses | -1.6 | -1.6 | -3.1 | -1.6 | -----

----- | Net income from securities | 0.9 |

3.5 | 4.4 | 1.0 | | transactions and foreign currency | | | | | dealing | | | | | -----

----- | Net income from financial assets | -0.1 | 0.4 | 0.3 | 0.1 | | available for sale | | | | | ----- | Net income from investment |

0.0 | 0.2 | 0.2 | 0.1 | | properties | | | | | ----- |

Other operating income | 0.8 | 9.5 | 10.4 | 8.9 | | | | | -----

----- | Total income | 9.9 | 54.2 | 64.1 | 54.0 | -----

----- | Staff costs | -8.5 | -22.7 | -31.2 | -21.0 | | | | | -----

----- | Other administrative expenses | -3.4 | -8.3 | -11.7 | -7.9 | | | | | -----

----- | Production for own use | 0.0 | 1.1 | 1.1 | 0.3 | -----

----- | Depreciation/amortisation | -0.5 | -4.3 | -4.8 | -4.4 | | | | | |

----- | Other operating expenses | -2.0 | -5.5 |
-7.6 | -4.5 | | | | | | ----- | Total expenses | -14.4
| -39.7 | -54.2 | -37.5 | ----- | Impairment losses
on loans and | -0.2 | -2.2 | -2.4 | -0.5 | | other commitments | | | | | -----
----- | Share of profit/loss in associated | 0.0 | 0.2 | 0.2 | 0.3 | | companies | | | | | -----
----- | Negative goodwill | 0.0 | 23.11 | 23.1 | 0.0 | -
----- | Net operating profit | -4.7 | 35.6 | 30.9 |
16.3 | ----- | 1 As a result of the situation
surrounding the purchase of Kaupthing Bank | | Sverige AB, negative goodwill arose at the Bank of
Åland. During the third | | quarter of 2009, a more exact acquisition analysis was completed, including
| | the settlement of the purchase price and the expenses of implementing the | | transaction. Due to
the adjustment of the purchase price, negative goodwill | | increased by EUR 0.7 M in the second
quarter. | ----- SUMMARY CASH FLOW

STATEMENT

----- | Bank of Åland Group | Jan-
Sep | Jan-Sep | | | 2009 | 2008 | ----- | EUR M | | |
| | ----- | Cash flow from operating activities | | |
| | ----- | Net operating profit | 30.9 | | 16.3 | | --
----- | Adjustment for net operating profit | 11.4 | |
7.3 | | | items not affecting cash flow | | | | | -----
| Gains/losses from investing activities | -0.5 | | -0.3 | | -----
----- | Income taxes paid | -3.9 | | -2.4 | | -----
---- | Changes in assets and liabilities in | -218.4 | -180.5 | 36.7 | 57.6 | | operating activities | | | | | ----
----- | Cash flow from investing activities¹ | | 32.6 | | |
-8.9 | ----- | Cash flow from financing activities |
| 76.9 | | -39.4 | ----- | Exchange rate differences
in cash and | | 4.4 | | 0.0 | | cash equivalents | | | | | -----
----- | Change in cash and cash equivalents | | -66.7 | | 9.3 | -----
----- | Cash and cash equivalents, January 1 | | 323.5 | | 255.0 | -----
----- | Cash and cash equivalents, September 30 | | 256.8 | | 264.2 | -----

----- 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. ----- | STATEMENT OF CHANGES IN

EQUITY | ----- | Bank of Åland Group | -----
----- | EUR M | -----
----- | | Shar | Shar | Rese | Fair | Tran | Retai | Total | Mino | Total | | | e | e | rve | valu | slat
| ned | befor | rity | | | capi | prem | fund | e | ion | earni | e | inte | | | tal | ium | | rese | diff | ngs |
minor | rest | | | | acco | | rve | eren | | ity | s | | | | unt | | | ce | | inter | | | | | | | | ests | | | | -----
----- | Equity | 23.3 | 33.3 | 25.1 | 0.4 | 0.0 | 51.1 | 133.1
| 1.8 | 135.0 | | capital, | | | | | | Dec 31, | | | | | | 2007 | | | | | | -----
----- | Comprehens | | | 0.1 | | 11.5 | 11.5 | 0.5 | 12.0 | | ive income |
| | | | | | | | for the | | | | | | period | | | | | | -----
----- | Dividend | | | | -11.6 | -11.6 | -1.0 | -12.6 | | paid | | | | | | | -----
----- | Equity | 23.3 | 33.3 | 25.1 | 0.4 | 0.0 | 50.9 | 133.1 | 1.3 | 134.4 |
| capital, | | | | | | Sep 30, | | | | | | 2008 | | | | | | -----
----- | Comprehens | | | 1.2 | | 2.6 | 3.8 | 0.2 | 4.0 | | ive income | | | | | | | | for
the | | | | | | period | | | | | | ----- |
Dividend | | | | 0.0 | 0.0 | 0.0 | 0.0 | | paid | | | | | | | -----
----- | Other | | | | 0.0 | 0.1 | 0.1 | | changes in | | | | | | | | equity | | | | | | |
capital | | | | | | attributab | | | | | | le to | | | | | | minority | | | | | | | interests | |
| | | | | | ----- | Equity | 23.3 | 33.3 | 25.1 | 1.7

