

Ålandsbanken Annual Financial Statement Year-end report for the period January - December 2006

27.02.2007

Bank of Åland Plc STOCK EXCHANGE RELEASE 27.02.2007 09.00 hrs Year-end report for the period January - December 2006 The year in brief -Consolidated net operating profit rose by 13 per cent to 21.1 million euros (2005: EUR -18.7 M) -Net interest income increased by 4 per cent to EUR 32.7 M (31.4) -Commission income increased by 14 per cent to EUR 18.4 M (16.1) -Other operating income climbed 167 per cent to EUR 9.4 M (3.5) -Lending volume increased by 6 per cent to EUR 1,912 M (1,796) -Deposits decreased by 2 per cent to EUR 1,599 M (1,631) -Mutual fund capital under management rose by 32 percent to EUR 355 M (269) -Return on equity after taxes (ROE) was 13.3 per cent (12.5) -The total capital ratio amounted to 11.4 per cent (11.3) -Earnings per share after taxes amounted to EUR 1.29 (1.24) -The Board of Directors proposes a dividend of EUR 1.00 (1.00) per share

EARNINGS AND PROFITABILITY This Year-end Report has been reported according to the International Financial Reporting Standards (IFRSs) approved by the European Union, as well as in compliance with IAS 34, "Interim Financial Reporting". Summary of 2006 results The Bank of Åland Group had a successful year in 2006, with strong performance in its asset management and information technology (IT) operations. The Group's earnings were its best ever. Consolidated net operating profit rose by 13 per cent to EUR 21.1 M (18.7). Income rose by 18 per cent to EUR 61.6 M (52.0), while expenses rose to EUR 40.9 M (33.2). Return on equity after taxes (ROE) rose to 13.3 (12.5) per cent, and earnings per share after taxes rose to EUR 1.29 (1.24). Income Net interest income amounted to EUR 32.7 M (31.4). Increased lending volume as well as higher interest rates contributed to the improvement, while continued pressure on margins had an offsetting effect. Commission income rose by 14 per cent to EUR 18.4 M (16.1). Most of the increase in income came from asset management and from providing capital market products. Net income from securities trading for the Bank's own account was EUR 1.2 M (0.6). Net income from dealing in the foreign exchange market amounted to EUR 1.0 M (0.9). Net income from financial assets available for sale was EUR 0.3 M (1.1). Comparability is affected by a capital gain of EUR 1.2 M from the divestment of the Bank's holding in the Åland-based food processing company Chips Abp during 2005. Net income from investment properties amounted to EUR 0.2 M, which arose from divestment of properties. Other operating income rose by 167 per cent to EUR 9.4 M, compared to EUR 3.5 M the preceding year. The increase mainly came from higher revenue in the Group's IT operations. Total income rose by 18 per cent to EUR 61.6 M (52.0). Expenses Staff costs rose by 27 per cent to EUR 22.5 M (17.8). Most of the increase was due to new recruitments at Crosskey Banking Solutions Ab Ltd. Changes in pension liabilities and fair value in the Bank's pension fund, Ålandsbanken Abps Pensionsstiftelse, reduced staff costs by EUR 0.2 M (2.4). Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose to EUR 9.4 M (8.5). Production for own use amounted to EUR 0.5 M (1.1) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation rose to EUR 4.0 M (3.9). Other operating expenses amounted to EUR 5.4 M (4.2). Total expenses, including planned depreciation/amortisation, rose by 23 per cent to EUR 40.9 M (33.2). Impairment loss on loans and other commitments Net impairment losses on loans and other commitments amounted to EUR 0.0 M (0.3) Earnings structure -----

Bank of Åland Group	2006	2005	Banking operations	IT operations	Other (treasury, portfolio management)	Net operating profit
EUR M	15.2	17.1	4.2	1.6	-0.3	21.1
						18.7

----- Balance sheet total The balance sheet total rose to EUR 2,189 M (2,170). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 437 during 2006 (411). This represented an increase of 26 positions, compared to 2005. -----

	2006	2005
Bank of Åland Plc	295	298
Crosskey Banking Solutions Ab Ltd	117	93
Ålandsbanken Asset Management Ab	13	12
Ålandsbanken Fondbolag Ab	7	5
Ålandsbanken Kapitalmarknadstjänster Ab	5	3
Total number of employees:	437	411

----- Profit margin Profit margin calculated as net operating profit minus standard tax as a percentage of total income. The profit margin of the Bank of Åland Group fell to 24.5 per cent from 25.5 per cent. Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively: -----

	2006	2005
Bank of Åland Group		
including loan losses	0.66	0.64
excluding loan losses	0.66	0.64

----- Capital adequacy Capital adequacy rules require that the capital base in the form of equity capital and reserves total at least 8 per cent of risk-weighted receivables and contingent liabilities. At the end of 2006, the Group's capital adequacy according to the Credit Institutions Act was 11.4 (11.3) per cent. To strengthen the capital base in the form of supplementary capital, risk debenture loans totalling EUR 11.4 M were issued during the year. -----

	Dec 31	Dec 31
Bank of Åland Group		
EUR thousand unless otherwise stated	2006	2005

Core capital	91,596	83,783
- Of which unrealised gains on investment properties	2,426	1,759
and financial assets and liabilities carried via		
the income statement		
Supplementary capital	55,081	51,346
- Of which unrealised gains due to the fair value	9,283	9,454
reserve and recognition of unrealised gains		
directly in equity capital upon transition to IFRS		
Capital requirement for market risks	9	5
Total capital base	146,677	135,129
Risk-weighted receivables, investments and	1,289,492	1,192,697
off-balance sheet obligations		
Total capital ratio, %	11.37	11.33
Core capital as a percentage of risk-weighted	7.10	7.02

Recognised equity capital	122,168	113,336
Difference between capital base and recognised	24,509	21,794
equity capital		

----- The main reasons for the difference between the capital base and recognised equity capital are that subordinated liabilities may be counted in the capital base and that the proposed dividend may not be included in the capital base. Standardised approach, Basel II According to preliminary calculations, the total capital ratio will rise by about two percentage points when the capital requirement for credit risk is calculated according to the standardised approach in Pillar 1. Cash flow statement -----

	Jan-Dec	Jan-Dec
Bank of Åland Group		
EUR M	2006	2005
Cash and cash equivalents, January 1	217.4	252.2
Cash flow from operating activities		
Net operating profit	21.1	18.7

Adjustment for net operating profit items not affecting cash flow	6.5	6.7
Gains from investing activities	-1.1	-3.5
Income taxes paid	-5.0	-3.5
Changes in assets and liabilities in operating activities	-125.0	-103.5
Cash flow from investing activities	-2.0	0.5
Cash flow from financing activities	18.4	134.9
Cash and cash equivalents, December 31	130.2	217.4

Deposits During 2006, deposits from the public including bonds issued and certificates of deposit decreased by 2.0 per cent to EUR 1,599 M (1,631). Deposit accounts decreased by 3.2 per cent to EUR 1,259 M (1,300). Time deposits as a share of total deposit accounts rose to 21 (18) per cent. Bonds and certificates of deposit issued to the public rose by 2.7 per cent to EUR 340 M (331). Lending During 2006, the volume of lending to the public rose by 6.5 per cent to EUR 1,912 M (1,796). Most of the increase went towards residential financing. Lending to private households rose by 9.0 per cent to EUR 1,347 M (1,236). Private households accounted for 70.5 (68.8) per cent of the Group's total lending. Lending for business and professional activities rose by 0.9 per cent to EUR 538 M (533). Lending to the public sector and non-profit organisations decreased somewhat. Changes in Group structure During 2006, the Bank of Åland Plc established the subsidiary Ab Compass Card Oy Ltd, of which it holds 66 per cent ownership. The company's field of operations is the issuance of credit and debit cards to individual and institutional customers. Important events after the close of the financial year No important events have occurred after the close of the financial year. Proposed distribution of profit The Board of Directors proposes that the Annual General Meeting approve a dividend of EUR 1.00 per share, which is equivalent to a total amount of EUR 11.5 M. Outlook for 2007 The potential for an earnings improvement during 2007 is considered good. 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. Long-term financial targets The Board of Directors of the Bank of Åland has adopted the following long-term financial targets for the Group: The Bank of Åland endeavours to earn a return on equity that will exceed the unweighted average of a defined group of Nordic banks. The total capital ratio shall amount to at least 10 per cent, and core capital shall amount to at least 7 per cent of risk-weighted volume. In a medium-term perspective, the Bank's income/expense ratio shall continuously improve to 2 (expense/income ratio 0.5). The Bank of Åland endeavours to pursue a dividend policy in which an increasing percentage of after-tax profit is retained in the Bank, in order to safeguard its sound business development. This is expected to result in a dividend that approaches the industry standard for Nordic banks as a percentage of earnings. It implies a dividend which, in a medium-term perspective, on average will remain at today's level in euro terms. 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 132 employees and offices in Mariehamn, Turku, Helsinki and Stockholm. Ålandsbanken Asset Management Ab

- Staff costs	-22.5	-17.8						Other administrative expense	-9.4	-8.5					
Production for own use	0.5	1.1													
Depreciation/amortisation	-4.0	-3.9													
Other operating expenses	-5.4	-4.2													
Total expenses	-40.9	-33.2													
								Loan and guarantee losses	0.0	-0.3					
								Share of income in associated companies	0.3	0.2					
								Net operating profit	21.1	18.7					
								Income taxes	-5.4	-4.6					
Minority share of profit for the year	-1.0	-0.5													
Profit for the year	14.7	13.6													

INCOME STATEMENT BY QUARTER 1
Bank of Åland Group | Q IV | Q III | Q II | Q I | Q IV |
(EUR M) | 2006 | 2006 | 2006 | 2006 |

2005												
	Net interest income	8.6	8.2	7.8	8.1	7.9						
	Income from equity	0.0	0.0	0.0	0.0	0.0	instruments					
							Commission income	4.9	4.3	4.9	4.4	4.4
							Commission expenses	-0.5	-0.4	-0.4	-0.4	-0.6
							Net income from	0.8	0.1	0.6	0.7	0.4
							securities transactions					
							and foreign exchange					
							Net income from	0.1	0.0	-0.1	0.3	-0.4
							financial assets					
							available for sale					
							Net income from	0.2	0.1	0.0	0.0	0.0
							investment properties					
							Other operating income	2.8	2.4	2.0	2.3	1.0
							Total income	16.8	14.6	14.6	15.5	12.7
							Staff costs	-6.5	-5.2	-5.6	-5.3	-3.1
							Other administrative	-3.1	-1.8	-2.5	-1.9	-2.1
							expenses					
							Production for own use	0.1	0.1	0.1	0.1	-0.2
							Depreciation/amortisation	-1.0	-1.0	-1.0	-1.0	-1.3
							n					
							Other operating expenses	-1.9	-1.2	-1.2	-1.1	-1.1
							Total expenses	-12.4	-9.1	-10.2	-9.3	-7.7
							Loss impairment on loans	-0.1	0.0	0.1	0.0	0.0
							and other commitments					
							Share of income in	0.1	0.0	0.1	0.1	-0.1
							associated companies					
							Net operating profit	4.5	5.6	4.6	6.4	4.9

1 Quarterly figures for 2005 have been adjusted for the effect of the "fair value option" introduced in Q IV 2005.

-- CHANGES IN EQUITY CAPITAL											Bank of Åland									
	Shar	Share	Share	Legal	Fair	Retai	Minor	Total	Group	e	issue	premi	reser							
	value	ned	ity		capi	um	ve	reser	earni	inter		tal	accou	ve	ngs	est		nt		
												EUR M								
		Equity	22.2	0.0	25.5	25.1	0.0	34.5	0.5	107.8	capital									
													December							

31, | | | | | | | | | | 2004 | | | | | | | | | | ----- |
Introduction | | | 0.5 | | 1.1 | 1.6 | 0.0 | 3.3 | | of IAS 39 | | | | | | | | | | incl. fair | | | | | | | | | | value option
| | | | | | | | | | ----- | Equity | 22.2 | 0.0 | 26.0 |
25.1 | 1.1 | 36.1 | 0.5 | 111.1 | | capital, | | | | | | | | | | January 1, | | | | | | | | | | 2005 | | | | | | | | | | -----
----- | Dividend to | | | | | | | | | | -11.0 | | -11.0 | |
shareholders | | | | | | | | | | ----- | Conversion of |
0.0 | | 0.1 | | | | | 0.1 | | capital loan | | | | | | | | | | -----
----- | Change in | | | | | | | | | | -0.8 | | | | | -0.8 | | fair value | | | | | | | | | | -----
----- | Change in | | | | | | | | | | 0.3 | 0.3 | | minority | | | | | | | | | | interest of | | | | | | | | | |
equity | | | | | | | | | | capital | | | | | | | | | | ----- |
Profit for | | | | | | | | | | 13.6 | | 13.6 | | the year | | | | | | | | | | -----
----- | Equity | 22.2 | 0.0 | 26.1 | 25.1 | 0.4 | 38.7 | 0.9 | 113.3 | | capital, | | | | | | | | | | December
31, | | | | | | | | | | 2005 | | | | | | | | | | ----- |
Dividend to | | | | | | | | | | -11.0 | | -11.0 | | shareholders | | | | | | | | | | 1 | | | | | | | | | | -----
----- | Conversion of | 0.5 | 0.3 | 3.1 | | | | | 3.9 | | capital loan | | | | | | | | | |
| 2 | | | | | | | | | | ----- | Change in | | | | | | 0.0 | | | |
0.0 | | fair value | | | | | | | | | | ----- | Change in | | |
| | | | | 1.2 | 1.2 | | minority | | | | | | | | | | interest of | | | | | | | | | | equity | | | | | | | | | | capital | | | | | | | | | |
| ----- | Profit for | | | | | | | | | | 14.7 | | 14.7 | | the year
| | | | | | | | | | ----- | Equity | 22.7 | 0.3 | 29.2 |
25.1 | 0.4 | 42.4 | 2.1 | 122.2 | | capita l, | | | | | | | | | | December 31, | | | | | | | | | | 2006 | | | | | | | | | | -----

----- | 1 Dividend payment for Series A shares EUR 5.2 M and for Series B shares | | EUR 5.8 M.
| ----- | 2 During 2006, 239,649 new Series B
shares subscribed in exchange for | | convertible loan certificates were recorded in the Finnish Trade
Registry. | | This was equivalent to an increase in equity capital of EUR 0.5 M and an | | increase in the
share premium account by EUR 2.8 M. | | During the period December 1-31, 2006, an additional
19,869 Series B shares | | were subscribed in exchange for convertible loan certificates. This was | |
equivalent to an increase in recognised equity capital of EUR 0.04 M and an | | increase in the share
premium account by EUR 0.3 M. During the period | | January 1-31, 2007, 289,932 more Series B
shares were subscribed in exchange | | for convertible loan certificates. This was equivalent to an
increase in | | equity capital of EUR 0.6 M and an increase in the share premium account by | | EUR 3.8
M. | -----

| SEGMENT REPORT | ----- |

Bank of Åland Group | 2006 | ----- | EUR M |
Bankin | Informa | Other | Eliminat | Total | | | g | tion | | | ions | | | | operat | technol | | | | | ions | ogy |
| | | | | | operati | | | | | | ons | | | | -----
----- | External income | 49.4 | 8.5 | 3.8 | 0.0 | 61.6 | ----
----- | Internal income | 0.8 | 9.9 | 0.0 | -10.7 | 0.0 |
----- | Total income | 50.2 | 18.3 | 3.8 | -10.7 |
61.6 | ----- | Costs incl. depreciation | -33.1 |
-14.1 | -4.4 | 10.7 | -40.9 | | etc. | | | | | | ----- |
Loan losses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ----- |
Share of income in | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 | | associated companies | | | | | | -----
----- | Net operating profit | 17.1 | 4.2 | -0.3 | 0.0 | 21.1 | -----

| Assets | 1,915 | 8 | 270 | -2 | 2,191 | ----- |
Liabilities | -1,858 | -5 | -206 | 0 | -2,069 | ----- |
Equity capital | | | | 122 | ----- | | | | | | | | | | -----
----- | Depreciation/amortisation | 3 | 1 | 0 | 0 | 4 | -----

		Increases in tangible and		3	2	0	0	5	
intangible assets									
		Bank of Åland Group		2005					
		EUR M		Bankin	Informa	Other	Eliminat	Total	g tion ions
operat		technol				ions ogy		operati ons	
		External							
income		44.1	3.1	4.8	0.0	52.0			
Internal income		0.9	10.6	0.0	-11.5	0.0			
--- Total income		45.0	13.8	4.8	-11.5	52.0			
----- Costs incl. depreciation		-29.5	-12.2	-3.1	11.5	-33.2	etc.		
----- Loan losses		-0.3	0.0	0.0	0.0	-0.3			
----- Share of income in		0.0	0.0	0.2	0.0	0.2	associated		
companies				Net operating profit					
15.2		1.6	1.9	0.0	18.7				
		Assets		1,799	5	368	-2	2,170	
		Liabilities		-1,861	-3	-194	1	-2,057	
		Equity capital				113			
Depreciation/amortisation		3	1	0	0	4			
Increases in tangible and		4	1	0	0	5	intangible assets		
		LENDING TO							
THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE									
		Bank of Åland Group		Dec.31		Dec.31			
		(EUR M)		2006		2005			
BUSINESS AND PROFESSIONAL ACTIVITIES									
----- Service sector				Shipping		60			
60		Hotels, restaurants, tourist cottages		etc.		12		11	
47		Wholesale and retail trade		47		46			
		Housing corporations		54		40			
		Real estate operations		96		95			
		Financial operations		126		137			
		Other service business		83		78			
		477		467					
--- Production sector				Agriculture.					
forestry and fishing		20	21	Food					
processing etc		7	9	Construction		22			
27		Other industry and crafts		11		9			
		60		66					
		HOUSEHOLDS							
Home loans		1,063	977	Studies		14			
13		Other purposes		271		246			
		1,347		1,236					
				PUBLIC					
SECTOR AND NON-PROFIT ORGANISATIONS		27		28					
				TOTAL LENDING		1,912			
1,796		DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES,							
		including bonds issued and certificates of deposit							
		Bank of Åland Group		Dec.31		Dec.31			
		(EUR M)		2006		2005			

-----	Deposit accounts from the public and public			sector entities	
	-----	Demand deposit accounts	180	187	
-----	Current accounts	199	197	-----	
-----	Environmental and Savings Accounts	99	109	-----	
-----	Prime Accounts	445	494	-----	
-----	Time deposits	268	228	-----	