

Ålandsbanken Interim report Interim report January - March 2008

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Bank of Åland Plc STOCK EXCHANGE RELEASE 28.04.2008 09.00 hrs Interim report January - March 2008 The report period in brief -Consolidated net operating profit decreased by 30 per cent to 5.7 million euros (January - March 2007: EUR 8.1 M). The reason for most of the decrease was that positive nonrecurring items during 2007 were replaced by negative ones during the first quarter of 2008 -Net interest income increased by 10 per cent to EUR 10.1 M (9.2) -Commission income decreased by 5 per cent to EUR 5.1 M (5.4) -Total income decreased by 2 per cent to EUR 18.1 M (18.5) -Expenses increased by 21 per cent to EUR 12.5 M (10.4) -Loan losses amounted to EUR 0.0 M (0.1) -Lending volume increased by 8 per cent to EUR 2,109 M (March 2007: 1,956) -Deposits increased by 24 per cent to EUR 2,042 M (March 2007: 1,652) -Mutual fund capital under management decreased by 14 per cent to EUR 340 M (395) -Return on equity after taxes (ROE) was 12.1 (19.8) per cent -The expense/income ratio deteriorated to 69 (56) per cent -The total capital ratio in compliance with Basel 2 amounted to 12.3 per cent (13.5) -Earnings per share after taxes amounted to EUR 0.34 (0.50) 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 During January-March 2008, the consolidated net operating profit of the Bank of Åland Group decreased by 30 per cent to EUR 5.7 M (8.1). Net interest income was higher than in the corresponding period last year, but earnings were weighed down by increased expenses, diminished commission income, the fact that positive nonrecurring items during 2007 were replaced by negative ones and reduced invoicing at Crosskey due to a labour dispute. Income decreased by 2 per cent to EUR 18.1 M (18.5), while expenses increased by 21 per cent to EUR 12.5 M (10.4). Return on equity after taxes (ROE) fell to 12.1 (19.8) per cent, and earnings per share to EUR 0.34 (0.50). Net interest income During the report period, consolidated net interest income increased by 10 per cent to EUR 10.1 M (9.2) as a result of higher interest rates and larger volume of both deposits and lending. During the period, margins showed a negative trend. Lending volume increased by 8 per cent to EUR 2,109 M (1,956), and deposit volume increased by 24 per cent to EUR 2,042 M (1,652). Other income Commission income fell by 5 per cent to EUR 5.1 M (5.4). Income on securities brokerage increased, while decreased managed assets meant lower income on mutual fund and asset management. Net income from securities trading for the Bank's own account was EUR 0.4 M (0.7). Net income from dealing in the foreign exchange market was unchanged at EUR 0.3 M (0.3). Net income from financial assets available for sale was EUR 0.0 M (0.5), and net income from investments properties was unchanged at EUR 0.1 M (0.1). Other operating income also decreased, to EUR 2.6 M (2.9), due to lower income from the sale and development of information technology (IT) systems. The Group's total income decreased by 2 per cent to EUR 18.1 M (18.5). Expenses Staff costs rose by 19 per cent to EUR 7.1 M (6.0), due to employee recruitment and salary increases as well as continued spending on proficiency-enhancement programmes in the Group. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach, affected staff costs in the amount of EUR -0.0 M (-0.3). Other administrative expenses (office, marketing, communications and IT) increased to EUR 2.7 M (1.9). Production for own use totalled EUR -0.2 M (-0.1) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 1.5 M (1.3). Other operating expenses amounted to EUR 1.4 M (1.3). The Group's total expenses rose by 21 per cent to EUR 12.5 M (10.4). Impairment losses on loans and other commitments Loan losses amounted to EUR 0.0 M (0.1). Balance sheet total and

off-balance sheet obligations At the end of the report period, the Group's balance sheet total amounted to EUR 2,732 M (2,272). During the report period, the Group issued bond loans to the public in a nominal amount of EUR 7 M. Off-balance sheet obligations decreased to EUR 170 M (183).

Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 486 during January-March 2008 (435). This represented an increase of 51 positions compared to the same period last year.

	Bank of Åland Group	Bank of Åland Plc	Ab Compass Card Oy Ltd	Crosskey Banking Solutions Ab Ltd	Ålandsbanken Asset Management Ab	Ålandsbanken Fondbolag Ab	Ålandsbanken Kapitalmarknadstjänster Ab, until September 30, 2007	Ålandsbanken Veranta Ab
Mar 31 2008	318	290	5	2	138	118	13	12
Mar 31 2007	318	290	5	2	138	118	13	12
Total number of full-time equivalent positions, worked	486	435						

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

	Bank of Åland Group	Mar 31 2008	Mar 31 2007
Including loan losses	0.69	0.56	
Excluding loan losses	0.69	0.56	

Capital adequacy The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. According to Pillar 1 of Basel 2, the Group's total capital ratio at the end of March 2008 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 has been calculated according to the basic indicator approach in the Basel 2 regulations.

	Bank of Åland Group	Mar 31 2008	Mar 31 2007	Dec 31 2007
Capital base, EUR M				
Core capital	103.5	92.2	103.3	
Supplementary capital	49.6	54.4	51.3	
Total capital base	153.1	146.6	154.6	
Capital requirement for credit risks	90.6	78.6	88.5	
Capital requirement for operational risks	9.3	8.0	8.0	
Total capital requirement	99.8	86.6	96.5	
Total capital ratio, %	12.3	13.5	12.8	
Core capital ratio, %	8.3	8.5	8.6	

Deposits Deposits from the public, including bonds and certificates of deposit issued, continued to increase during the 12 months to March 31, 2008 by 24 per cent to EUR 2,042 M (1,652). Deposit accounts increased by 21 per cent to EUR 1,566 M (1,291). Bonds and certificates of deposit issued to the public rose by 32 per cent to EUR 476 M (361). Lending The volume of lending to the public during the 12 months to March 31, 2008 rose by 8 per cent to EUR 2,109 M (1,956). Lending to households increased by 4 per cent to EUR 1,434 M (1,379). Households accounted for 68 (71) per cent of the Group's total lending. Lending to the service sector rose by 22 per cent to EUR 597 M (492), while lending to the production sector fell by 9 per cent to EUR 53 M (59). Ab Compass Card Oy Ltd Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc. 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 begin its operations during 2008. The company currently has 6 employees and offices in Mariehamn and Helsinki. 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 DnB NOR, S-Bank, Tapiola Bank, the Bank of Åland, eQ Bank and EGET. Crosskey currently has 155 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. The year 2008 began in the shadow of the global financial market crisis. The influx of new customers slowed significantly, and it was challenging to maintain portfolio values. However, due to the company's conservative investment strategy, disruptions in the investment environment primarily represented opportunities for buyers to take advantage of bargains in the markets. Despite the market situation, the company maintained the same level of profitability as the year before. The company currently has about 350 customers and EUR 900 M in managed assets. Assets of private individuals available for financial investment continue to grow. When the trend towards putting these assets under management also increases, the company will also enjoy good future prospects. Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. All the mutual funds (unit trusts) that the company manages are registered in Finland. On March 31, 2008, the total number of unit holders was 14,344 (13,253 on March 31, 2007). This represented an increase of 8 per cent. Assets under management totalled EUR 340 M (395 on March 31, 2007), a decrease of 14 per cent. Ålandsbanken Veranta Ab Ålandsbanken Veranta Ab is a subsidiary of the Bank of Åland Plc. Its operations include estate agency, appraisal and consulting business. The company currently has 8 employees and offices in Helsinki and Tampere. Annual General Meeting The Annual General Meeting of Shareholders (AGM) of the Bank of Åland on April 10, 2008 approved the Board of Directors' proposal for the distribution of a dividend of EUR 1.00 per share for 2007. The record date for dividend payment was April 15, 2008. The dividend was distributed on April 22, 2008. The AGM unanimously re-elected Sven-Harry Boman, Kent Janér, Agneta Karlsson, Göran Lindholm, Leif Nordlund, Teppo Taberman and Anders Wiklöf as members of the Board of Directors. Important events after the close of the reporting period No important events have occurred after the close of the report period. Outlook for 2008 The Group's financial planning assumes unchanged interest rates compared to 2007, a continued positive trend in business volume at margins that do not shrink as sharply as before, stable earnings in asset management operations and good growth in the Group's IT operations. Income from IT operations during the rest of the year will be substantially better than during the first quarter. The cost level in the Group is expected to rise, due to increased regulatory requirements as well as investments in new skills. Competition in the banking market is expected to remain tough and to be affected by international financial market instability. Based on these factors, and taking into account that 2007 earnings included large nonrecurring items, the Group's operating income is expected to be lower than in 2007. It should be added that at present there is great uncertainty in the global financial system, especially as regards the international banking system. The Bank of Åland is not directly affected by this, but if the situation should deteriorate further the Bank may be affected indirectly, for example in case of a generally poorer economic situation. The outlook for 2008 is thus fraught with greater uncertainty than normal. The Group's assessment of the outlook for 2008 is based on its assumptions about future developments in the fixed income and financial markets. 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. Financial information in 2008 Interim Reports will be published as follows in 2008: January-June 2008 Monday, August 25, 2008 January-September 2008 Monday, October 27, 2008 Mariehamn, April 28, 2008

THE BOARD OF DIRECTORS									

FINANCIAL RATIOS ETC -----									

Bank of Åland Group Jan-Mar Jan-Mar Full year 2008 2007									
2007 -----									
Earnings per share before dilution,									
0.34 0.50 1.75 EUR 1 ----- Earnings									

per share after dilution, EUR	2	0.34	0.50	1.75	
Market price per share, end of period, EUR					
Series A	31.80	27.00	37.00		
Series B	26.06	25.00	27.80		
Equity capital per share, EUR	3	11.91	10.29	11.54	
Return on equity after taxes, % (ROE)	4	12.1	19.8	16.4	
Return on total assets (ROA), %	5	0.6	1.1	0.9	
Equity/assets ratio, %	6	5.1	5.3	5.2	
Total lending volume, EUR M		2,109	1,956	2,104	
Total deposits from the public, EUR M		2,042	1,652		
Equity capital, EUR M		138	120		
Balance sheet total, EUR M		2,732			
Expense/income ratio					
Including loan losses		0.69	0.56	0.62	
Excluding loan losses		0.69	0.56	0.61	
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 / 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 Profit for the period / Balance sheet total					
SUMMARY BALANCE SHEET					
Bank of Åland Group Mar 31 Mar 31 Dec 31 2008 2007 2007					
EUR M					
ASSETS					
Cash	38	64	39		
Debt securities eligible for refinancing with central banks	177	76	132		
Claims on credit institutions	214	69	153		
Claims on the public and public sector entities	2,109	1,956	2,104		
Debt securities	87	0	50		
Shares and participations	3	3	3		
Shares and participations in associated companies	1	2	2		
Derivative instruments	21	27	34		
Intangible assets	6	5	6		
Tangible assets	28	25	26		
Other assets	24	25	21		
Accrued income and prepayments	23	18	21		
Deferred tax assets	1	1	1		
TOTAL ASSETS	2,732	2,272	2,592		
LIABILITIES					
Liabilities to credit institutions	52	66	53		
Liabilities to the public and public sector entities	1,567	1,293	1,534		
Debt securities issued to the public	811	644	739		
Derivative instruments	2	3	3		
Other liabilities	66	57	39		
Accrued expenses and prepaid income	26	20	21		
Subordinated liabilities	52	56	52		
Deferred tax liabilities	16	13	16		

Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting". 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, 2007. 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, 2007, 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. New accounting standards and interpretations in effect starting in 2008: IAS 1, "Presentation of Financial Statements" The standard has been revised in order to provide better information for analysis and comparison of companies. The Group will present its financial statements in compliance with the revised IAS 1 no later than for the financial period that begins on January 1, 2009. IFRS 8, "Operating Segments" The standard requires that a company provide financial and descriptive disclosures about its operating segments. IFRS replaces IAS 14, "Segment Reporting". The Group will present its financial statements in compliance with IFRS 8 no later than for the financial period that begins on January 1, 2009. IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" This interpretation clarifies the limit on asset value in case of a pension plan surplus, as well as how minimum pension plan funding requirements affect this value. The Group is applying IFRIC 14 beginning on January 1, 2008. The Group is not affected by amendments to the following: IAS 23, "Borrowing Costs" IFRIC 12, "Service Concession Arrangement" IFRIC 13, "Customer Loyalty Programmes" 3. ESTIMATES AND JUDGEMENTS Preparation of financial statements in compliance with IFRSs requirements 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 these estimates. 4. SEGMENT REPORT The Bank of Åland Group reports the various business segments as primary segments. A business segment is a group of departments and companies that supply products or services that have risks and returns that diverge from other business segments. Intra-Group transactions occur at market prices. The Bank of Åland Group does not report geographic segments as secondary segments, since all operations occur in Finland.

		Bank of Åland		Jan-Mar 2008		Group			
		EUR M		Banking		Information		Other	
				Eliminated		Total			
				operations		technology		operations	
						External income		13.8 2.5	
						Internal income		-0.1 2.6	
						Total income		13.7 5.1 1.7	
						Costs including		-8.6 -4.8	
						depreciation etc.			
						Loan losses		0.0 0.0	
						Share of profit in		0.1 0.1	
						associated companies			
						Net operating profit		5.0 0.2 0.4 0 5.7	
						Assets			
						Liabilities			
						Equity capital		138.5	
						External income		13.9 2.8 1.9 18.5	
						Internal			

income	0.2	2.6		-2.8	0.0	-----					Total							
income	14.1	5.4	1.9	-2.8	18.5	-----												
Costs including	-8.1	-3.9	-1.2	2.8	-10.4	depreciation etc. -----												
	-----					Loan losses	-0.1				-0.1	-----						
	-----					Share of profit in			0.1		0.1	associa ted companies -----						
	-----					Net operating	5.8		1.5		0.8		0.0		8.1		profit	

	-----					Assets	1,959.2		8.8		304.7		-1.0		2,271.7	-----		
	-----					Liabilities	-1,914.0		-4.7		-233.1		0.4		-2,151.4	-----		
	-----					Equity capital					120.3	-----						

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, Ålandsbanken Kapitalmarknadstjänster Ab and Ålandsbanken Veranta Ab. Reported in "IT operations" are Crosskey Banking Solutions Ab Ltd and S-Crosskey Ab, which supply modern banking comput