

# Year-end report for the period January - December 2005

13.02.2006

Bank of Åland Plc STOCK EXCHANGE RELEASE 13.02.2006 09.00 hrs Year-end report for the period January - December 2005 The year in brief . Consolidated net operating profit climbed 34.5 per cent to 18.7 million euros (2004: EUR 13.9 M) . Net interest income rose by 4.5 per cent to EUR 31.4 M (30.0) . Commission income rose by 25.7 per cent to EUR 16.1 M (12.8) . Expenses declined by 1.3 per cent to EUR 33.2 M (33.7) . Loan losses were EUR 0.3 M (0.7) . Lending volume rose by 9.9 per cent to EUR 1,796 M (Jan. 1,2005: 1,634) . Deposits rose by 6.8 per cent to EUR 1,640 M (Jan. 1,2005: 1,535) . Mutual fund capital under management rose by 66 per cent to EUR 269 M (162) . Return on equity after taxes (ROE) was 13.9 per cent (10.9) . The total capital ratio amounted to 11.4 per cent (11.8) . Earnings per share after taxes amounted to EUR 1.21 (0.91) . The Board of Directors proposes a dividend of EUR 1.00 (1.00) per share . The consolidated financial statements were prepared according to International Financial Reporting Standards (IFRS) THE GROUP The Group's Annual Report for 2005 has been prepared according to the IFRS standards approved by the European Union. Comparative figures and financial ratios for the previous year have been recalculated according to the above- mentioned standards. However, in accordance with IFRS 1, the Group has taken advantage of the opportunity to present the comparative figures related to financial instruments according to previously applied accounting principles, which affects comparability to some extent. Earnings During 2005, consolidated net operating profit amounted to EUR 18.7 M (13.9). This was an improvement of 34.5 per cent compared to the year before. Return on equity after taxes (ROE) was 13.9 (10.9) per cent. The main reasons for the improvement in earnings during 2005 were increased commission income from mutual funds (unit trusts) and asset management, improved net interest income as well as reduced pension liabilities due to changed legislation. Changed accounting principles concerning capitalisation of the costs of computer software produced for the Group's own use lowered expenses and affected comparability. The profitability of the Group improved in a very satisfactory way, even adjusted for nonrecurring items and items affecting comparability. Net interest income Net interest income amounted to EUR 31.4 M (30.0). Despite the continued narrowing of customer margins, larger total deposit and lending volumes led to an increase in net interest income by 4.5 per cent. Other income Commission income rose by a 25.7 per cent to EUR 16.1 M (12.8). Income from asset management and from providing investment products rose the most. Net income from securities trading for the Bank's own account was EUR 0.7 M (0.3). Net income from dealing in the foreign exchange market amounted to EUR 0.9 M (0.9). For the first time, the Group is applying the IFRS fair value option. Income in 2005 amounted to EUR -0.1 M. The effect on retained earnings in the opening balance on January 1, 2005 was EUR 2.5 M. Net income from financial assets available for sale was EUR 1.1 M (0.2). The divestment of the Bank's shareholding in the Åland-based food processing company Chips Abp during the first quarter of 2005 yielded a capital gain of EUR 1.2 M. Net income from investment properties amounted to EUR 0.3 M, of which EUR 0.2 M came from divestment of properties. Other operating income totalled EUR 3.5 M, compared to EUR 4.4 M last year, with EUR 1.0 M consisting of nonrecurring revenue. Total income rose by 7.8 per cent to EUR 52.0 M (48.3). Expenses Staff costs declined by 3.0 per cent to EUR 17.8 M (18.4). Reduced pension liability after changes in legislation and increased fair value of assets in Ålandsbanken Abp:s Pensionsstiftelse, the Bank's pension fund, decreased staff costs by EUR 2.4 M (-1.1). Other administrative expenses (office costs, marketing, telecommunications and computer costs) fell by 1.2 per cent to EUR 8.5 M (8.6). Production for own use amounted to EUR 1.1 M (0.0) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation rose to EUR

3.9 M (3.6). Other operating expenses amounted to EUR 4.2 M (3.1). In accordance with the standard of the Finnish Financial Supervision Authority, the Bank's expense for the Deposit Guarantee Fund, EUR 0.6 M, was reported under "Other operating expenses" instead of a reduction in interest income as previously. Total expenses, including planned depreciation/amortisation, declined by EUR 0.5 M or 1.3 per cent to EUR 33.2 M (33.7). Impairment loss on loans and other receivables Net loan losses amounted to EUR 0.3 M (0.7). Changes in equity capital Bank of Åland Share Share Reserve Fair Profit Minority Total Group capital premium fund value brought interest account reserve forward Equity capital, Jan. 1, 2004 22,086 24,966 25,129 0 34,935 389 107,506 Dividend to shareholders -10,960 -10,960 Conversion of subordinated loan 49 316 365 Subscription by exercising warrants 29 181 210 Change in minority interest in equity capital 143 143 Profit for the year 10,506 10,506 Equity capital, Dec. 31, 2004 22,164 25,463 25,129 0 34,481 532 107,769 Introduction of IAS 39 incl. fair value option1 536 1,147 1,646 3,329 Equity capital, Jan. 1, 2005 22,164 25,999 25,129 1,147 36,127 532 111,099 Dividend to shareholders -10,986 -10,986 Conversion of subordinated loan 10 64 74 Change in fair value -776 -776 Change in minority interest in equity capital 347 347 Profit for the year 13,578 13,578 Equity capital, Dec. 31, 2005 22,174 26,063 25,129 371 38,719 880 113,336 1 The fair value option influences earlier published effects of the transition to IFRS. Balance sheet total The balance sheet total rose by 8.7 per cent to EUR 2,170 M (1,995). Personnel Hours worked in the Group, recalculated as full-time position equivalents, totalled 411 during 2005 (392). This represented an increase of 19 positions, compared to 2004. 2005 2004 Bank of Åland Plc 298 293 Crosskey Banking Solutions Ab Ltd 93 86 Ålandsbanken Asset Management Ab 12 9 Ålandsbanken Fondbolag Ab 5 4 Ålandsbanken Kapitalmarknadstjänster A b 3 0 Total number of employees 411 392 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 rose from 20.6 per cent to 25.5 per cent in 2005. Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively: Bank of Åland Group 2005 2004 including loan losses 0.64 0.71 excluding loan losses 0.64 0.70 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 2005, the Group's capital adequacy according to the Credit Institutions Act was 11.4 (11.8) per cent. To strengthen the capital base in the form of supplementary capital, risk debenture loans totalling EUR 14.8 M were issued during the year. Bank of Åland Group Dec 31 Jan 1 Dec 31 2005 2005 2004 Capital base, EUR M Core capital 84.2 84.4 82.8 Supplementary capital 51.6 43.2 42.0 Total capital base 135.7 127.6 124.8 Risk-weighted volume, EUR M 1,192.7 1,064.7 1,062.4 Total capital ratio, % 11.38 11.99 11.75 Core capital as a percentage of risk-weighted volume 7.06 7.93 7.79 Profit for 2005 is not included in the capital base. Cash flow statement Bank of Åland Group Jan-Dec Jan-Dec 2005 2004 Liquid funds, January 1, 2005 252,230 278,276 Cash flow from operating activities -170,221 -77,305 Cash flow from investing activities 488 -7,776 Cash flow from financing activities 134,911 59,034 Liquid funds, December 31, 2005 217,407 252,230 Deposits Deposits from the public, including bonds issued and certificates of deposit, rose during 2005 by 6.8 per cent to EUR 1,640 M (1,535). Deposit accounts rose by 4.4 per cent to EUR 1,300 M (1,244). Bonds and certificates of deposit issued to the public rose by 16.8 per cent to EUR 340 M (291). The introduction of the fair value option affected deposit accounts by EUR 0.3 M (-0.2 on Jan. 1, 2005) and bonds by EUR 0.7 M (1.3 on Jan. 1, 2005). Lending During 2005, the volume of lending to the public increased by 9.9 per cent to EUR 1,796 M (1,634). Most of the increase went towards residential financing. Lending to private households rose by 12.6 per cent to EUR 1,236 M (1,098). Private households accounted for 68.8 (67.2) per cent of the Group's total lending. Lending for business and professional activities rose by 4.9 per cent to EUR 533 M (508). Lending to the public sector and non-profit organisations was unchanged at EUR 28 M, The introduction of the fair value option according to IFRS affected lending by EUR -1.1 M (2.3 on Jan. 1, 2005). Crosskey Banking Solutions Ab Ltd Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland. 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 and support contracts for its deliveries. Crosskey currently works with three banks: Tapiola Bank, Den Norske Bank and the Bank of Åland. During the report period, Crosskey Banking Solutions AB and the Finnish consumer co-operative organisation SOK signed a contract to renew the S Group's financial services account system. This contract did not affect earnings during 2005, but will have a positive impact on 2006 earnings. During the autumn, Crosskey also expanded its range of services by deciding to establish a SWIFT service bureau for intermediation of foreign payments.

Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offer discretionary and consultative asset management services to institutional investors, non-profit organisations, private individuals and public sector organisations. The company currently has about 250 customers, EUR 529 M in managed assets and strong growth.

Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. The strategy of Ålandsbankens Fondbolag Ab is that its mutual funds should be competitive and adapted to the investment needs of Bank of Åland customers. On December 31, 2005, the number of unit holders totalled 9,443 (Dec 31, 2004: 6,480), which represented an increase of 2,963 or about 46 per cent. The total assets under management amounted to EUR 269 M (162.5), an increase of EUR 106.5 M or 66 per cent during the year.

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 company was granted its asset management licence during September.

Forecast for 2006 The goal is earnings in 2006 that are better than in the previous years.

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.
- 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 by 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 on today's level in euro terms.

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 11.0 M.

Annual General Meeting and financial information in 2006 The Annual General Meeting will be held at 3 p.m. on March 23 , 2006. The Annual Report will be published in the official Swedish and Finnish versions at 9 a.m. on March 6, 2006 and in English soon afterward.

Interim reports during 2006: January-March 2006 Monday, April 24, 2006, January-June 2006 Monday, July 24, 2006 January-September 2006 Monday, October 23, 2006. The figures in this Year-end Report are unaudited.

Mariehamn, February 13, 2006

THE BOARD OF DIRECTORS

FINANCIAL RATIOS ETC Bank of Åland Group

	Jan-Dec	Jan-Dec	Jan 1	2005	2004	2005
Earnings per share, EUR	1	1.21	0.91			
Market price per share, end of period, EUR	Series A	25.00	19.62	Series B	24.00	19.04
Equity capital per share, EUR	2	9.77	9.29	9.58		
Return on equity after taxes, % (ROE)	3	13.89	10.86			
Return on total assets (ROA)	4	0.69	0.47			
Equity/assets ratio, %	5	4.68	4.88			
Total lending volume, EUR M		1,796	1,632	1,634		
Total deposits from the public, EUR M		1,640	1,536	1,535		
Equity capital, EUR M		113	108	111		
Balance sheet total, EUR M		2,170	1,995	2,000		
Expense/income ratio Including loan losses		0.64	0.71			
Excluding loan losses		0.64	0.70	1		
Profit for the year after taxes / Average number of shares, adjusted for new issue	2					
Equity capital / Number of shares on balance sheet date, adjusted for new issue	3					
Profit for the year after taxes / Average equity capital minus average imputed tax liability	4					
Profit for the year after taxes / Average balance sheet total	5					

SUMMARY BALANCE SHEET Bank of Åland Group Dec 31 Dec 31 Jan 1 (EUR M) 2005 2004 2005 ASSETS

Liquid assets 78 72 72 Debt instruments eligible for refinancing with central banks 96 112 112 Claims on credit institutions 128 110 110 Claims on the public and public sector entities 1,796 1,632 1,634 Debt instruments 0 2 1 Shares and participations 5 9 10 Shares and participations in associated companies 2 1 1 Derivative instruments 15 8 10 Intangible assets 4 2 3 Tangible assets 24 25 25 Other assets 9 11 11 Accrued income and prepaid expenses 14 11 11 Imputed receivables 1 0 0 TOTAL ASSETS 2,170 1,995 2,000 LIABILITIES AND EQUITY CAPITAL Liabilities to credit institutions 73 24 24 Liabilities to the public and public sector entities 1,303 1,249 1,249 Debt instruments issued to the public 558 500 498 Derivative instruments 15 8 10 Other liabilities 30 30 30 Accrued expenses and prepaid income 11 12 12 Subordinated liabilities 55 54 54 Imputed taxes due 12 10 11 TOTAL LIABILITIES 2,057 1,888 1,889 EQUITY CAPITAL AND MINORITY INTEREST Share capital 22 22 22 Share premium account 26 25 26 Reserve fund 25 25 25 Fair value reserve 0 0 1 Profit brought forward 25 24 26 Profit for the period 14 11 11 Minority interest in capital 1 1 1 TOTAL EQUITY CAPITAL 113 108 111 TOTAL LIABILITIES AND EQUITY CAPITAL 2,170 1,995 2,000 SUMMARY INCOME STATEMENT Bank of Åland Group Jan-Dec Jan-Dec (EUR M) 2005 2004 Net interest income 31.4 30.0 Income from equity instruments 0.1 0.5 Commission income 16.1 12.8 Commission expenses -2.0 -1.5 Net income from securities transactions and foreign exchange dealing 1.5 1.2 Net income from financial assets that can be sold 1.1 0.2 Net income from managed properties 0.3 0.6 Other operating income 3.5 4.4 Total income 52.0 48.3 Staff costs -17.8 -18.4 Other administrative expenses -8.5 -8.6 Production for own use 1.1 0.0 Depreciation/amortisation -3.9 -3.6 Other operating expenses -4.2 -3.1 Total expenses -33.2 -33.7 Loan and guarantee losses -0.3 -0.7 Share of profit/loss in associated companies 0.2 0.0 Net operating profit 18.7 13.9 Profit before appropriations and taxes Profit for the period -4.6 -3.2 Minority share of profit for the period -0.5 -0.2 Profit for the year 13.6 10.5 INCOME STATEMENT BY QUARTER Bank of Åland Group Q 4 Q 3 Q 2 Q 1 Q 4 (EUR M) 2005 2005 2005 2005 2004 Net interest income 8.3 7.7 7.8 7.6 7.6 Income from equity instruments 0.0 0.0 0.1 0.0 0.0 Commission income 4.8 3.7 4.2 3.5 3.6 Commission expenses -0.6 -0.5 -0.5 -0.4 -0.4 Net income from securities transactions and foreign exchange dealing 0.7 0.8 0.0 0.0 0.3 Net income from financial assets that can be sold -0.4 0.0 0.3 1.2 -0.2 Net income from managed properties 0.0 0.0 0.0 0.2 0.0 Other operating income 0.6 0.9 1.0 1.1 1.1 Total income 13.4 12.6 12.8 13.2 12.0 Staff costs -3.1 -4.5 -5.4 -4.9 -4.4 Other administrative expenses -2.0 -2.1 -2.5 -1.9 -2.1 Production for own use -0.2 0.4 0.9 0.0 0.0 Depreciation/amortisation -1.3 -0.9 -0.8 -0.9 -1.0 Other operating expenses -1.6 -0.8 -0.9 -0.9 -1.2 Total expenses -8.1 -7.8 -8.8 -8.5 -8.6 Loss impairment on loans and other commitments 0.0 -0.3 0.0 0.0 -0.2 Share of profit/loss in associated companies -0.1 0.1 0.1 0.1 0.1 Net operating profit 5.2 4.7 4.1 4.7 3.2 SEGMENT REPORT Retail Inv- Infor- Treas- Group Elim- Total banking estimation and staff inat- operat- banking tech- portf- units ions ions operat- nology olio etc. ions operat- manag- ions ement External income 36.0 7.7 3.1 5.2 -0.1 52.0 Internal income 1.1 -0.8 10.6 1.4 1.7 -14.0 0.0 Total income 37.0 6.9 13.8 6.6 1.6 -14.0 52.0 Costs incl. depreciation etc. -13.5 -2.1 -12.2 -2.1 -15.7 12.4 -33.2 Loan losses -0.3 0.0 -0.3 Share of profit/loss in associated companies 0.2 0.2 Net operating 23.3 4.9 1.6 4.7 -14.1 -1.6 18.7 profit Assets 1,847 23 102 6 205 -11 2,170 Liabilities 1,604 300 3 168 5 -21 2,057 Equity capital 113 LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE Bank of Åland Group Dec 31 Dec 31 (EUR M) 2005 2004 BUSINESS AND PROFESSIONAL ACTIVITIES Service sector Shipping 60 62 Hotels, restaurants, tourist cottages etc. 11 11 Wholesale and retail trade 46 47 Housing corporations 40 33 Real estate operations 95 87 Financial operations 137 139 Other service business 78 77 467 457 Production sector Agriculture, forestry and fishing 21 20 Food processing etc. 9 11 Construction 27 12 Other industry and crafts 9 9 66 51 HOUSEHOLDS Home loans 977 883 Studies 13 13 Other purposes 246 202 1,236 1,098 PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS 28 28 Total lending 1,796 1,634 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) 2005 2004 Deposit accounts from the public and public sector entities Demand deposit accounts 187 187 Current accounts 197 194 Savings and Environmental Accounts 109 111 Prime Accounts 494

499 Time deposits 228 195 Total deposit accounts in euros 1,214 1,187 Deposit accounts in other currencies 85 57 Total deposit accounts 1,300 1,244 Bonds 174 162 Certificates of deposit issued to the public 166 129 Bonds and certificates of deposit 340 291 Total deposits 1,640 1,535 DERIVATIVE CONTRACTS Bank of Åland Group Dec 31, 2005 Dec 31, 2004 (EUR M) For Other For Other hedging hedging purposes purposes Value of underlying property Interest rate derivatives Option contracts Purchased 0.0 0.0 15.0 0.0 Written 0.0 0.0 0.0 15.0 Interest rate swap contracts 287.7 4.6 329.5 4.5 Currency derivatives Forward contracts 3.4 3.4 2.6 3.3 Interest rate and currency swap contracts 0.0 0.8 0.0 0.2 Equity derivatives Option contracts Purchased 147.2 0.0 125.1 0.7 Written 0.0 147.2 0.0 125.1 438.3 156.0 472.2 148.8 Equivalent credit values of the contracts Interest rate derivatives 1.9 2.5 Currency derivatives 0.2 0.1 Equity derivatives 24.6 18.3 26.7 20.9 OFF-BALANCE SHEET COMMITMENTS Bank of Åland Group Dec 31 Dec 31 (EUR M) 2005 2004 Guarantees and pledges 13 13 Other commitments 132 97 145 110