

Interim Report for the period January - June 2011

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Ålandsbanken
Interim report

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"During the first half of 2011, we improved our profit before loan losses and nonrecurring expenses by 24 per cent, adjusted for exchange rate effects, with continued major success in Private Banking, both in Finland and Sweden. Given our new issue of equity capital during the autumn plus permission to issue covered bonds, the financial prerequisites are in place to continue expanding our operations in Finland and Sweden, in keeping with our strategy. Return on equity is approaching 15 per cent in our Finnish operations. The restructuring of our Swedish operations now being carried out under new management - including closure of the institutional equities trading unit and a transition to branch status - will make a faster improvement in earnings possible."

Peter Wiklöf, Managing Director

January'June 2011 compared to January'June 2010

- Net operating profit excluding restructuring expenses increased by 20 per cent, adjusted for exchange rate effects, to EUR 4.3 M (3.5)
- Profit for the period attributable to shareholders decreased to EUR -1.2 M (2.0), mainly due to EUR 2.9 M in restructuring expenses in Sweden
- Earnings per share totalled EUR -0.10 (0.17)
- Net interest income increased by 6 per cent to EUR 19.6 M (18.4)
- Net commission income increased by 20 percent to EUR 20.8 M (17.3)
- Based on our assessment of external factors and taking into consideration that operations in Sweden will have a smaller negative impact on earnings than last year, the Group's profit before loan losses is expected to be better in 2011 than in 2010. Loan losses are expected to be low during 2011. Taken together, this means that the Group's after-tax profit attributable to shareholders in 2011 will be significantly better than in 2010.

The second quarter of 2011 compared to the first quarter of 2011

- Net operating profit excluding restructuring expenses was unchanged at EUR 2.1 M
- Profit for the period attributable to shareholders decreased to EUR -2.2 M (1.0), mainly due to EUR 2.9 M in restructuring expenses in Sweden
- Earnings per share totalled EUR -0.19 (0.09)
- Net interest income increased by 6 per cent to EUR 10.1 M (9.5)
- Net commission income increased by 5 percent to EUR 10.7 M (10.1)
- Net loan losses totalled EUR 0.3 M (0.0), equivalent to a loan loss level of 0.04 percent
- The Tier 1 capital ratio was 7.7 (December 31, 2011: 7.3) per cent

Financial summary

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Bank of Åland Group Q2 Q1 % Q1 % Jan-Ju Jan-Ju % 2011 2011 2010 n 2011 n 2010									
EUR M									
Income									
Net interest income	10.1	9.5	6	9.3	9	19.6	18.4	6	
Net commission income	10.7	10.1	5	9.9	8	20.8	17.3	20	
Other income	5.9	6.6	-10	6.3	-5	12.5	13.3	-6	
Total income	26.7	26.1	2	25.4	5	52.8	49.0	8	
Staff costs	-16.5	-13.9	19	-13.6	22	-30.4	-26.4	15	
Other expenses	-10.6	-10.1	5	-9.8	9	-20.8	-18.2	14	
Total expenses	-27.2	-24.0	13	-23.4	16	-51.2	-44.7	15	
Profit before loan losses etc.	-0.5	2.1	-123	2.1	-124	1.6	4.3	-63	

Impairment losses on -0.3 0.0 0.0 -0.3 -0.1 144
loans and other
commitments

Operating income -0.8 2.1 -136 2.0 -138 1.4 4.2 -68

Income taxes -0.6 -1.1 -48 -0.4 33 -1.6 -1.8 -9

Profit for the report -1.3 1.0 -227 1.6 -181 -0.3 2.4 -112
period

Attributable to:

Non-controlling 0.9 0.0 0.4 103 0.9 0.5 92
interests

Shareholders in Bank -2.2 1.0 1.2 -1.2 2.0 -160
of Åland Plc

VOLUME

Lending to the public 2,567 2,550 1 2,549 1

Deposits from the 2,492 2,521 -1 2,492 0
public

Managed assets 4,019 4,347 -8 3,507 15

Equity capital 155 155 0 160 -3

Balance sheet total 3,403 3,398 0 3,617 -6

Risk-weighted assets 1,591 1,645 -3 1,657 -4

FINANCIAL RATIOS

Return on equity after -3.4 2.7 4.0 -1.5 1.6
taxes, % (ROE) 2

Expenses/income ratio, 103 92 92 97 91
%

Loan loss level, % 0.04 0.00 0.01 0.02 0.01

Gross non-performing 1.04 0.89 0.70 1.04 0.70
assets, %

Level of provisions 75 72 78 75 78
for doubtful
receivables, %

Core funding ratio 103 101 102 103 102
(Lending/deposits), %

Equity/assets ratio, % 4.6 4.6 4.4 4.6 4.4

Tier 1 capital ratio, 7.7 7.4 7.6 7.7 7.6
%

Earnings per share -0.19 0.09 0.11 -0.10 0.17
before dilution, %

Equity capital per 13.15 13.41 13.72 13.15 13.72
share, EUR

Market price per 25.98 25.50 27.95 25.98 27.95
Series A share, EUR

Market price per 16.50 17.00 20.85 16.50 20.85
Series B share, EUR

Working hours 699 687 690 693 701
re-calculated to
full-time equivalent
positions

Ålandsbanken follows the disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision Authority and hereby publishes its Interim Report for January-June 2011 enclosed to this stock exchange release. Ålandsbanken's Interim Report for January-June 2011 is attached to this release in pdf format and is also available on the company's web site at www.alandsbanken.fi.

Mariehamn, July 29, 2011

THE BOARD OF DIRECTORS

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