ÀLANDSBANKEN

Ålandsbanken Quarterly report Interim report for the period January - June 2007

23.07.2007

Bank of Åland Plc STOCK EXCHANGE RELEASE 23.07.2007 09.00 hrs Interim report for the period January - June 2007 The report period in brief -Consolidated net operating profit rose by 42 per cent to 15.6 million euros (Jan ' Jun 2006: EUR 11.0) -Net interest income increased by 19 per cent to EUR 18.9 M (15.9) -Commission income increased by 14 per cent to EUR 10.6 M (9.3) -Expenses increased by 14 per cent to EUR 22.1 M (19.4) -Loan losses were EUR 0.4 M (recovery of 0.1) -Lending volume increased by 11 per cent to EUR 1,996 M (Jun 2006: 1,797) -Deposits increased by 13 per cent to EUR 1,726 M (Jun 2006: 1,531) -Mutual fund capital under management rose by 42 percent to EUR 425 M (300) -Return on equity after taxes (ROE) was 18.6 per cent (14.7) -The expense/income ratio improved to 59 (64) per cent -The total capital ratio in compliance with Basel 2 amounted to 12.7 per cent -Earnings per share after taxes amounted to EUR 0.95 (0.71) EARNINGS AND PROFITABILITY This Interim Report has been prepared in compliance with the International Financial Reporti ng Standards (IFRSs) approved by the European Union, as well with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Earnings summary for the first half During the first half of 2007, consolidated net operating profit rose by 42 per cent to EUR 15.6 M (11.0). The main factors behind the increase in profit were a continued rise in net interest income thanks to higher interest rates, improved income from information technology (IT) operations and higher commission income from mutual fund and asset management. Income increased by 25 per cent to EUR 37.8 M (30.1), while expenses rose by 14 per cent to EUR 22.1 M (19.4). Return on equity after taxes (ROE) increased to 18.6 (14.7) per cent, and earnings per share after taxes increased to EUR 0.95 (0.71). Net interest income During the report period, net interest income improved by 19 per cent to EUR 18.9 M (15.9). Rising interest rates improved net interest income on deposits, while smaller customer lending margins were offset to some extent by higher volume. Lending volume increased by 11 per cent to EUR 1,996 M (1,797). Other income Commission income rose by 14 p er cent to EUR 10.6 M (9.3). This increase largely consisted of higher income on mutual fund and asset management and securities brokerage. Net income from securities trading for the Bank's own account was EUR 2.1 M (0.8). Net income from dealing in the foreign exchange market amounted to EUR 0.5 M (0.5). Net income from financial assets available for sale was EUR 0.8 M (0.2). Net income from investment properties increased to EUR 0.6 M (0.0). Other operating income also increased, to EUR 5.3 M (4.3), due to rising income from the sale and development of computer systems. The Group's total income rose by 25 per cent to EUR 37.8 M (30.1). Expenses Staff costs increased by 17 per cent to EUR 12.7 M (10.9), mostly due to efforts under way in the Group's IT operations. This cost was also affected by the allocation of EUR 0.3 M to the Group's Personnel Fund during the first half of 2007, while higher fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, reduced staff costs by EUR 0.2 M (0.7). Other administrative expenses (office, marketing, telecommunications and IT) decreased to EUR 4.3 M (4.5) due to lower IT expenses. Production for own use totalled 0.2 M (0.2) and was related to expense s for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation increased to EUR 2.4 M (2.0). Other operating expenses amounted to EUR 2.9 M (2.3). The largest increases in expenses were attributable to rents and property expenses. The Group's total expenses rose by 14 per cent to EUR 22.1 M (19.4). Expense/income ratio The expense/income ratio decreased during the report period to 59 per cent, compared to 64 per cent during the first half of 2006. During the full year 2006, the expense/income ratio was 66 per cent. Impairment loss on loans and other commitments Loan losses amounted to EUR 0.4 M (recovery of 0.1). Second quarter of 2007 Compared to the second quarter of 2006, the Group's net operating

profit rose by 62 per cent to EUR 7.5 M (Q II 2006: 4.6). Income Total income increased by 32 per cent to EUR 19.3 M (14.6). A combination of higher interest rates, higher lending volume and lower lending margins increased net interest income by 25 per cent to EUR 9.7 M (7.8). Lending volume increased to EUR 1,996 M (1,797). Commission income improved, amounting to EUR 5.2 M (4.9). The increase consisted of higher commission income on mutual funds and asset management. Net income from securities trading and foreign exchange operations rose to EUR 1.7 M (0.6). Other operating income increased to EUR 2.5 M (2.0) as a consequence of higher income from IT operations. Expenses Total expenses during the quarter increased by 15 per cent to EUR 11.7 M (10.2). During the guarter, staff costs amounted to EUR 6.7 M (5.6). This increase was a consequence of an increased number of Group employees, salary hikes in accordance with collective agreements and lower fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, during the quarter. Other administrative expenses decreased to EUR 2.4 M (2.5) during Q II 2007. Due to higher property expenses and rents, other operating expenses increased to EUR 1.5 M (1.2). Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 2,432 M (2,066). The increase was a consequence of both higher lending volume and higher deposit volume. During the period, the Group issued bond loans to the public in a nominal amount of EUR 34 M. As a consequence of higher obligations for guarantees and pledges, plus other obligations, off-balance sheet obligations increased to EUR 191 M (169). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 451 (434) during the first half of 2007. This represented an increase of 17 positions, compared to the year-earlier period. Most of the increase came from new recruitments at Crosskey Banking Solutions Ab Ltd. Capital adequacy For the first time, the Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. Risk management under Pillar 2 will be reported in the Annual Report for 2007. According to Pillar 1 of Basel 2, the Group's total capital ratio at the end of June 2007 was 12.7 per cent. The capital requirement for credit risks is being calculated according to the standardised approach, and the capital requirement for operational risks is being calculated according to the basic indicator approach in the Basel 2 regulations. Deposits Deposits from the public, including bonds and certificates of deposit issued, increased during the 12 months to June 30, 2007 by 13 per cent to EUR 1,726 M (1,531). Deposit accounts increased by 14 per cent to EUR 1,379 M (1,207). Bonds and certificates of deposits issued to the public increased by 7 per cent to EUR 347 M (324). Lending The volume of lending to the public increased during the 12 months to June 30, 2007 by 11 per cent to EUR 1,996 M (1,797). Most of the increase went towards residential financing. Lending to private households increased by 10 per cent to EUR 1,399 M (1,267). Households accounted for 70 (71) per cent of the Group's total lending. 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 begin its operations late in 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 147 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 discretionary and consultative asset management services to institutions and private individuals. The company also manages all of the Bank of Åland's mutual funds. The company currently has about 350 customers and EUR 900 M in managed assets. The company has strong growth. Alandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. At the end of the report period, the total number of unit holders was 14,232 (11,348). This represented an increase of 2,884 or 25 per cent. Total assets under management amounted to EUR

425 M (300), an increase of EUR 125 M or 42 per cent since 12 months earlier. Ålandsbanken Kapitalmarknadstjänster Ab Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a wholly-owned subsidiary of the Bank of Åland Plc. The company provides discretionary asset management as well as consulting services related to securities and financing. The value of discretionarily managed mandates totalled EUR 134 M at the end of the report period. The company has more than 200 customers, with an aggregate portfolio value of EUR 480 M. In order to further strengthen the Bank of Åland's position in the capital market segment in Åland, a process has been initiated to merge Allcap with the Bank of Åland Plc. This merger is expected to be completed during 2007. Ålandsbanken Veranta Ab Ålandsbanken Veranta Ab is a subsidiary of the Bank of Åland Plc. The company's operations include estate agency, appraisal and consulting business. Outlook for 2007 The Group predicts higher interest rates during the second half of 2007, a continued positive trend in the mutual fund and c apital markets as well as growth in the Group's IT operations. The cost level in the Group is expected to rise moderately. Competition in the banking market is expected to remain tough, which is reflected primarily in lending margins. Based on these factors, earnings in 2007 are expected to be substantially better than in the preceding year. The Group's assessment of the outlook for 2007 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. Mariehamn, July 23, 2007 THE BOARD OF DIRECTORS ------ | FINANCIAL RATIOS ETC | ------ | Bank of Åland Group | Jan-Jun | Jan-Jun | Jan-Dec | ------ | | 2007 | 2006 | 2006 | ---------- | Earnings per share before dilution, EUR 1 | 0.95 | 0.71 | 1.29 | ------------ | Earnings per share after dilution, EUR 2 | 0.95 | 0.68 | 1.29 | -----| Market price per share, end of period, | | | | | EUR | | | | ------ | Series A | 29.00 | 24.00 | 26.50 | ------ | Series B | 25.00 | 23.60 | 24.50 | --------| Equity capital per share, EUR 3 | 10.90 | 10.04 | 10.86 | ------ | Return on equity after taxes, % (ROE) 4 | 18.6 | 14.7 | 13.3 | ------ | Return on total assets, % (ROA) 5 | 1.0 | 0.8 | 0.7 | ------------ | Equity/assets ratio, % 6 | 5.2 | 5.4 | 5.6 | ------------- | Total lending volume, EUR M | 1,996 | 1,797 | 1,912 | ----------- | Total deposits from the public, EUR M | 1,726 | 1,531 | 1,599 | ------------- | Equity capital, EUR M | 126 | 111 | 122 | ----------- | Balance sheet total, EUR M | 2,432 | 2,066 | 2,189 | ------------| Expense/income ratio | | | | ------------- | Including loan losses | 0.59 | 0.64 | 0.66 | ------------ | Excluding loan losses | 0.58 | 0.64 | 0.66 | ------------ | 1 Profit for the period before dilut ion/ 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 Equity capital / Total assets | ------------| CAPITAL ADEQUACY | ------------| Bank of Åland Group | Jun 30 | Jun 30 | Dec 31 | -------| | 2007 | 2006 | 2006 | ------

	2 Basel 1 Basel 2
Capital base, EUR M * 92.7 85.3 88.3	Core capital Supplementary Total capital
74.9	-Capital requirement for credit risks 83.2 96.9
Total capital requirement 91.1 96.9 82.2	
Core capital ratio, $\%$ 8.1 7.0 8.6	
·	capital base.
SUMMARY BALANCE SHEET	Bank of
	ASSETS
Debt securities eligible for refinancing 102	61 57 with central banks
16	- Accrued income and prepaid expenses 20 15 Deferred tax assets 1 1 1
	LIABILITIES Liabilities to Liabilities to Liabilities sector entities
	es 40 35 35 epaid income 21 15 12
Subordinated	liabilities 52 58 60
TOTAL LIABILITIES 2	ilities 13 12 13 ,307 1,955 2,066
CAPITAL AND MINORITY INTEREST	
Share capital 23 22 23	 Share issue Share premium account 33
	·

	Reserve fund 25 25 25
	Fair value reserve 1 0 0
	ned earnings 31 28 28
	eriod 11 8 15
	tal 2 1 2
	6 111 122
	•
	2,189
	SUMMARY INCOME
	Bank of Åland Group Jan-
	(EUR M) 2007
	st income 18.9 15.9 32.7
•	n equity instruments 0.0 0.0 0.0
· · · · · · · · · · · · · · · · · · ·	mission income 10.6 9.3 18.4
·	ssion expenses -1.0 -0.8 -1.7
·	ome from securities transactions 2.6 1.3 2.3
	Net
	railable for sale
	estment properties 0.6 0.0 0.2
Other	operating income 5.3 4.3 9.4
Total ii	ncome 37.8 30.1 61.6
	Staff
costs -12.7 -10.9 -22.5	•
administrative expenses -4.3 -4.5 -9.4	
Other operating expenses -2.9 -2.3 -5.4 -	
	2 0.3
	21.1
	Income taxes -4.1
	Profit for the period 11.5
8.3 15.7	
Shareholders' interes	t in profit for the 11.0 7.8 1.0 period
	Minority interest in profit for the 0.6 0.5
	Total 11.5 8.3
15.7	
	hare
·	EUR 1 0.95 0.71 1.29
	are after dilution, EUR 2 0.95 0.68 1.29
	- 1 Profit for the period before dilution / Average 2) Profit for the period
,	nares outstanding)
	INCOME
·	(EUR

	Net interest income 9.7 9.2 8.6 8.2 7.8
	Income from equity instruments 0.0 0.0
0.0 0.0 0.0	Commission income 5.2
5.4 4.9 4.3 4.9	Commission
expenses -0.6 -0.5 -0.5 -0.4 -0.4	
Net income from securities 1.7 0.9 0.8 0.1 0.0 dealing	6 transactions and foreign exchange Net income from financial
assets 0.3 0.5 0.1 0.0 -0.1 available for sal	
Net income from investment 0.	5 0.1 0.2 0.1 0.0 properties
2.0	Total income 19.3 18.5 16.8
Staff costs -	
Other adminis	
0.1	Depreciation/ amortisation -1.1
-1.3 -1.0 -1.0 -1.0	
expenses -1.5 -1.3 -1.9 -1.2 -1.2	
Total expenses -11.7 -10.4 -12.4 -9.1 -10.2 -	
loans and -0.3 -0.1 -0.1 0.0 0.1 other comm	
Share of profit in associat	
4.6	
CHANGES IN EQUITY CAPITAL	
	-
Shar Shar Lega Fair	·
ity capi issu prem rese reser earni inte	
acco unt	
Equit	ty capital, 22.2 0.0 26.1 25.1 0.4 38.7 0.9
113.3 December 31, 2005	
Financial assets	available for sale:
	- change in fair
value	- transferred to
-0.2 -0.2 income statement -	
Profit for the 7.8 0.5 8.3	
Total recognised	
expenses during the period	
	-11.5 shareholders
Conve	
0.0 0.0 minority interest in	
	capital, 22.3 0.0 27.2 25.1 0.1 35.5 0.9
111.2 June 30, 2006 Financial assets available for	
L chango i	n fair
- change i	
income statement	
the 6.9 0.5 7.4 period	Trone for
- 1 1 1 1 1 1 1	1

during the period
Other change in 0.7 0.7 minority
interest in equity capital
Equity capital, 22.7 0.3 29.2 25.1 0.4 42.4 2.1 122.2 December 31,
- change in fair
Profit for the
Total recognised 0.3 11.0 0.6 11.8 income and expenses during
$ \hspace{.08cm} $
-11.5 -1.0 -12.6 shareholders 1
Conversion of 0.6 -0.3 4.1 4.4 capital loan 2
minority
Equity capital, 23.3 0.0 33.3 25.1 0.7 41.9 1.6 125.8 June 30, 2007
1 The dividend payment for Series A shares was EUR 5.2 M, and
for Series B shares, EUR 6.3 M. 2
During the report period, 309,801 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 0.6 M and an increase in the share premium account by EUR 4.1 M.
NOTES TO THE CONSOLIDATED INTERIM REPORT 1.
CORPORATE INFORMATION The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public company,
organised in compliance with Finnish legislation and with its Head Office in Mariehamn. The Bank of
Åland Plc is a commercial bank with a total of 25 offices. Through its subsidiary Crosskey Banking
Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for
small and medium-sized banks. The Head Office has the following address: Bank of Åland Plc Nygatan
3 AX-22100 Mariehamn, Åland, Finland The Bank of Åland Plc is listed on the Helsinki Stock Exchange.
The Interim Report for the financial period January 1-June 30, 2007 was approved by the Board of
Directors on July 20. 2. BASIS FOR PREPARATION AND ESSENTIAL ACCOUNTING PRINCIPLES Basis for
preparation The Interim Report for the period January 1-June 30, 2007 was prepared in compliance
with 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, 2006. Essential accounting principles The
essential accoun ting 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,
2006, 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. The following new standards and interpretations have been introduced: 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 already meets the criteria
stated in IFRIC 14. The Group is not affected by amendments to the following: IFRIC 13, "Customer
Loyalty Programmes" 3. ESTIMATES AND JUDGEMENTS Preparation of financial statements in
compliance with IFRS requires 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. ACQUISITIONS OF COMPANIES During the report period, the Group made the following acquisitions, which are reported in compliance with IFRS 3, "Business Combinations"
Name of company Line of Acquisition Proportion Cost, EUR business Date of share capital
Ålandsbanken Asset April 12, 30% 1 792,480 Kapitalmarknads- management 2007 tjänster Ab Veranta Oy Estate agency June 13, 84% 200,000 2 2007
wholly-owned subsidiary. 2 The cost consists of a capital contribution in the form of a targeted issue of new shares.
Cost breakdown Ålandsbanken Veranta Oy Kapitalmarknads- tjänster Ab
EUR
EUR Ålandsbanken Veranta Oy Kapitalmarknadstjänster Ab Fair Carrying Fair Carrying value
amount value amount Cash 334,875 334,875 13 13
Receivables 53,266 53,266 953 953
Intangible assets 0 0 655 655 Tangible assets 6,335 6,335 2,866 2,866
Liabilities 93,541 93,541 4,759 4,759
Net assets acquired 300,935 300,935 167,728 167,728
Goodwill -491,545 -491,545 -32,272
Ålandsbanken Kapitalmarknadstjänster Ab has earned a profit of EUR 0.2 M since this acquisition. Veranta Oy has earned a profit of EUR 0.0
M since this acquisition. The acquisitions did not affect the Group's total income or profit for the report period. Goodwill
EUR 2007 2006
Opening balance Gross 881,443 926,535 881,443 926,535
Goodwill recognised during the period 523,818 0 Impairment (write-down) 0 0

Renegotiation of purchase agreement (estimated 0 -45, 092 effect on opening balance)
5. CASH FLOW STATEMENT
Bank of Åland Group Jan-Jun Jan-Jun
(EUR M) 2007 2006
Cash and cash equivalents 130.2 217.4
Cash flow from operating activities
Net operating profit 15.6 11.0
Adjustment for net operating profit 2.4 1.9 items not affecting cash flow
Gains from investing activities -0.9 -0.2
Income taxes paid -2.6 -2.5
Changes in assets and liabilities in -2.0 12.4 -99.2
-89.1 operating activities
Cash flow from investing activities -4.6
activities 102.0 -7.1 Cash and cash
equivalents, June 30 240.1 120.0 6.
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 sup