

# Interim report for the period January - June 2005

23.08.2005

Bank of Åland Plc STOCK EXCHANGE RELEASE 23.8.2005 09.00 hrs Interim report for the period January - June 2005 The report period in brief . Consolidated net operating profit rose by more than 20 per cent and amounted to 8.8 million euros (Jan-Jun 2004: EUR 7.3 M) . Net interest income rose by 6.2 per cent to EUR 15.3 M (14.4) . Commission income rose by 23.7 per cent to EUR 7.7 M (6.2) . Expenses rose by 6.1 per cent to EUR 17.3 M (16.3) . Return on equity after taxes (ROE) was 12.4 (9.5) per cent . Lending volume amounted to EUR 1,650 M (Jun 2004: 1,473) . Deposit accounts totalled EUR 1,219 M (Jun 2004: 1,102) . The total capital ratio amounted to 11.7 per cent (12.0) . Earnings per share after taxes amounted to EUR 0.60 (0.46) . The Bank has applied the IFRS reporting and valuation principles THE GROUP In preparing this Interim Report, the Bank of Åland has applied the accounting and valuation principles prescribed by International Financial Reporting Standards (IFRS). The Group's Annual Report for 2005 will be prepared according to the IFRS standards approved by the European Union. Comparative figures and financial ratios for last year have been recalculated according to the above- mentioned standards. However, in accordance with IFRS 1, the Bank has taken advantage of the opportunity to present the comparative figures related to financial instruments according to previously applied accounting principles, which affects their comparability to some extent. Earnings During the first half of 2005, consolidated net operating profit amounted to EUR 8.8 M (7.3). This was an improvement of more than 20 per cent compared to the corresponding period of 2004. Net interest income Despite the continued narrowing of customer margins, larger total deposit and lending volumes led to an increase in net interest income by 6.2 per cent to EUR 15.3 M (14.4). Other income Commission income rose by a full 23.7 per cent to EUR 7.7 M (6.2). Income from asset management and from providing investment products rose the most. However, net income from securities trading for the Bank's own account represented a loss of EUR 0.4 M (+0.4), which was essentially explained by changes in valuation principles. Net income from dealing in the foreign exchange market amounted to the year- earlier level, that is, EUR 0.4 M (0.4). Other operating income totalled EUR 2.0 M, compared to EUR 2.6 M in the corresponding period last year, of which EUR 1.0 M consisted of nonrecurring revenue. The divestment of the Bank's shareholding in the Åland-based food processing company Chips Abp yielded a capital gain of EUR 1.2 M. Total income rose by 6.5 per cent to EUR 26.0 M (24.4). Expenses Staff costs rose by 16.1 per cent to EUR 10.3 M (8.9). Last year's figures are not comparable due to reversals of provisions and refunds from Ålandsbanken Abps pension sstiftelse, the Bank's pension fund. Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose to EUR 4.4 M (3.9). Production for own use amounted to EUR 0.9 M (0.0) and was related to computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation decreased to EUR 1.7 M (1.8), while other operating expenses decreased somewhat to EUR 1.8 M. Total expenses including planned depreciation/amortisation rose by EUR 1 M or 6.1 per cent to EUR 17.3 M (16.3). Impairment loss on loans and other receivables Net loan losses were EUR 0.01 M (0.57). Deposits Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to June 30, 2005 by 15 per cent to EUR 1,578 M (1,372). Deposit accounts rose by 10.6 per cent to EUR 1,219 M (1,102). During the first half of 2005, deposits rose by EUR 42 M or 2.7 per cent. During the first half, the Group floated bond issues with a nominal value of EUR 31.8 M. Lending During the 12 months to June 30, 2005, the Bank's volume of lending to the public increased by 12 per cent to EUR 1,650 M (1,473). Most of the increase went towards residential financing. During the first half of 2005, total lending rose by EUR 19 M or 1.1 per cent. Private households accounted for 69.0 (68.3) per cent of the Group's total lending. Personnel At the end of June 2005, the number of employees in the Group - recalculated as full-time equivalents -

was 398. This represented an increase of 12 positions, compared to the same date in 2004. 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 June, the Group's capital adequacy according to the Credit Institutions Act was 11.7 (12.0) per cent. The core capital ratio was 7.3 (8.3) per cent. To strengthen the capital base in the form of supplementary capital, risk debenture loans totalling EUR 11.7 M were issued during the report period. Profit during the report period is not included in the capital base. The capital base amounted to EUR 129.2 M. 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. On June 30, 2005, the number of unit holders totalled 7,953 (Jun 30, 2004: 5,991), which represented an increase of 33 per cent. The total assets under management amounted to EUR 263.3 M (Jun 30, 2004: 152.9), an increase of 72 per cent. Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The report period saw a large influx of new customers both with direct portfolios and via the Bank of Åland mutual funds. Asset management earnings for direct customers showed very positive growth. The Bank's mutual funds have performed well, when return is compared to the risk taken. 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. Those staff members who worked at the Bank of Åland with systems development, operation and maintenance were all transferred to Crosskey, a total of 95 employees. The Bank's systems development business was transferred to the new company late in 2004. Crosskey currently works with three banks: Tapiola Bank, Den Norske Bank and the Bank of Åland. Ålandsbanken Kapitalmarknadstjänster Ab Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a subsidiary of the Bank of Åland Plc. The company provides consulting services related to securities and financing. The company has applied for an asset management licence, which will probably be granted during the autumn. Outlook for the future Full year 2005 earnings will probably improve somewhat compared to earnings in 2004. However, valuation principles according to IFRS related to derivative instruments may lead to greater volatility in reported earnings.

Mariehamn, August 22, 2005 The Board of Directors Review report To the shareholders of the Bank of Åland Abp We have conducted a review of the Interim Report of the Bank of Åland Abp for the period January 1 - June 30, 2005. The Interim Report, which was issued by the Board of Directors and the Managing Director, includes the income statement, balance sheet and certain additional disclosures. After completing our assignment, we are issuing our statement of opinion about the Interim Report. Our review was conducted in accordance with the recommendations of the Finnish Institute of Authorised Public Accountants concerning reviews. A review is planned and carried out on a sufficient scope to confirm that the Interim Report does not contain essential errors or omissions. A review is mainly limited to interviews with the staff of the Bank and analytical examination measures. We have not conducted a complete audit and will thus not issue an audit report. On the basis of this review, to our knowledge no circumstances have emerged that would give reason to assume that the Interim Report has not been prepared essentially in accordance with the accounting and valuation principles of the IFRS standards approved by the EU as well as other Finnish rules and regulations concerning Interim Reports and that the Interim Report should not provide accurate and sufficient disclosures about the operating results and financial position of the Bank.

Mariehamn, August 22, 2005 Marja Tikka Authorised Public Accountant Leif Hermans Authorised Public Accountant Rabbe Nevelainen Authorised Public Accountant

FINANCIAL RATIOS ETC	Jan-Jun	Jan-Jun	Jan-Jun	Full year
Jan Bank of Åland Group	2005	2004	2004	2005
Earnings per share, EUR	1 0.60	0.46	0.96	Market price per share, end of period, EUR
Series A	19.60	19.00	19.62	Series B
18.61	17.60	19.04	Equity capital per share, EUR	
2 9.45	9.29	9.93	Return on equity after taxes, % (ROE)	
3 12.41	9.54	9.76	Total lending volume, EUR M	
1,650	1,473	1,632	Total deposits from the public, EUR M	
1,578				

1,372 1,536 Equity capital, EUR M 104 102 109 Balance sheet total, EUR M 2,017 1,846 1,997  
Income/expense ratio Including loan losses 1.51 1.48 1.45 Excluding loan losses 1.51 1.43 1.46 1  
Profit for the period / 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 period / Average equity capital  
CAPITAL ADEQUACY Jun 30 Jun 30 Jan 1 Bank of Åland Group 2005 2004 2005 Capital base, EUR M  
Core capital 81.0 83.6 82.4 Supplementary capital 48.4 37.0 43.2 Total capital base 129.4 120.6 125.6  
Risk-weighted volume, EUR M 1,109.1 1,004.2 1,062.4 Total capital ratio, % 11.7 12.0 11.8 Core  
capital as % of risk-weighted volume 7.3 8.3 7.8 Profit during the report period is not included in the  
capital base SUMMARY BALANCE SHEET Bank of Åland Group Jun 30 Jun 30 Jan 1 (EUR M) 2005 2004  
2005 ASSETS Liquid assets 37 60 72 Debt instruments eligible for refinancing with 142 177 112  
central banks Claims on credit institutions 119 54 110 Claims on the public and public sector entities  
1,650 1,473 1,632 Debt instruments 1 8 1 Shares and participations 4 9 10 Shares and participations  
in associated companies 2 1 Shares and participations in Group companies 1 0 Derivative instruments  
12 9 10 Intangible assets 4 2 3 Tangible assets 24 26 25 Other assets 11 16 11 Accrued income and  
prepaid expenses 10 10 11 1 0 TOTAL ASSETS 2,017 1,846 1,998 LIABILITIES AND EQUITY CAPITAL  
Liabilities to credit institutions 26 100 24 Liabilities to the public and public sector entities 1,223 1,108  
1,249 Debt instruments issued to the public 544 403 500 Derivative instruments 14 9 10 Other  
liabilities 31 52 30 Accrued expenses and prepaid income 14 13 12 Subordinated liabilities 51 49 54  
Imputed taxes due 10 11 10 TOTAL LIABILITIES 1,913 1,744 1,889 EQUITY CAPITAL AND MINORITY  
INTEREST Share capital 22 22 22 Share premium account 26 25 26 Fair value reserve 25 25 25 Profit  
for the period 23 24 24 Minority interest in capital 7 5 11 104 102 109 TOTAL LIABILITIES AND EQUITY  
CAPITAL 2,017 1,846 1,998 Off-balance sheet commitments Guarantees and pledges 12 9 13 Other  
commitments 118 117 97 130 126 110 SUMMARY INCOME STATEMENT Bank of Åland Group Jan-Jun  
Jan-Jun Full year (EUR M) 2005 2004 2004 Net interest income 15.3 14.4 29.4 Income from equity  
instruments 0.1 0.5 0.5 Commission income 7.7 6.2 12.4 Commission expenses -0.9 -0.7 -1.3 Net  
income from securities transactions and foreign exchange dealing 0.0 0.9 1.1 Net income from  
financial assets available for sale 1.5 0.3 0.2 Net income from investment properties 0.2 0.2 0.6 Other  
operating income 2.0 2.6 5.0 26.0 24.4 47.8 Staff costs -10.3 -8.9 -18.4 Other administrative expenses  
-4.4 -3.9 -7.4 Production for own use 0.9 0.0 0.0 Depreciation/amortisation -1.7 -1.8 -3.6 Other  
operating expenses -1.8 -1.9 -3.9 Total expenses -17.3 -16.3 -33.3 Loan and guarantee losses 0.0 -0.6  
-0.7 Share of profit/loss in associated companies 0.2 -0.2 0.0 Net operating profit 8.8 7.3 13.9 Profit  
before appropriations and taxes 8.8 7.3 13.9 Income taxes -2.0 -2.2 -3.2 Minority share of profit for  
the period -0.2 -0.1 -0.2 Profit for the period 6.6 5.0 10.5 INCOME STATEMENT BY QUARTER Q II Q I Q  
IV Q III Q II (EUR M) 2005 2005 2004 2004 2004 Net interest income 7.8 7.6 7.6 7.4 7.1 Income from  
equity instruments 0.1 0.0 0.0 0.0 0.4 Commission income 4.2 3.5 3.6 2.6 3.1 Commission expenses  
-0.5 -0.4 -0.4 -0.3 -0.4 Net income from securities transactions and foreign exchange dealing 0.0 0.0  
0.3 0.4 0.3 Net income from financial assets available for sale 0.3 1.2 -0.2 0.1 0.3 Net income from  
investment properties 0.0 0.2 0.0 0.4 0.0 Other operating income 1.0 1.1 1.1 0.9 1.0 Total income  
12.8 13.2 12.0 11.4 11.8 Staff costs -5.4 -4.9 -4.4 -5.1 -4.4 Other administrative expenses -2.5 -1.9  
-2.1 -1.4 -2.2 Production for own use 0.9 0.0 0.0 0.0 0.0 Depreciation/amortisation -0.8 -0.9 -1.0 -0.9  
-0.9 Other operating expenses -0.9 -0.9 -1.2 -0.8 -0.9 Total expenses -8.8 -8.5 -8.6 -8.3 -8.4 Loss  
impairment on loans and other commitments 0.0 0.0 -0.2 0.1 -0.6 Share of profit/loss in associated  
companies 0.1 0.1 0.1 0.1 -0.3 Net operating profit 4.1 4.7 3.2 3.3 2.5 LENDING TO THE PUBLIC AND  
PUBLIC SECTOR ENTITIES BY PURPOSE Jun 30 Jun 30 Dec 31 (EUR M) 2005 2004 2004 BUSINESS AND  
PROFESSIONAL ACTIVITIES Service sector Shipping 80 54 62 Transport and communications 4 13 13  
Hotels, restaurants, tourist cottages etc. 13 12 11 Wholesale and retail trade 42 40 47 Housing  
corporations 34 31 33 Real estate operations 88 76 87 Financial operations 101 112 139 Other service  
business 68 46 65 430 385 457 Production sector Agriculture, forestry and fishing 20 22 20 Food  
processing etc 10 11 11 Construction 15 11 12 Other industry and crafts 9 10 9 53 54 51  
HOUSEHOLDS Home loans 920 822 880 Studies 13 13 13 Other purposes 206 173 202 1,139 1,007

1,095 PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS 28 27 28 Total lending 1,650 1,473 1,632  
 DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES, including bonds issued and certificates of  
 deposit Jun 30 Jun 30 Dec 31 (EUR M) 2005 2004 2004 Deposit accounts from the public and public  
 sector entities Demand deposit accounts 189 153 187 Current accounts 203 176 194 Savings and  
 Environmental Accounts 105 107 111 Prime Accounts 455 454 499 Time deposits 196 158 195 Total  
 deposit accounts in euros 1,147 1,048 1,187 Deposit accounts in other currencies 72 55 57 Total  
 deposit accounts 1,219 1,103 1,244 Bonds 180 162 163 Certificates of deposit issued to the public  
 179 107 129 Bonds and certificates of deposit 359 269 292 Total deposits 1,578 1,372 1,536  
 DERIVATIVE CONTRACTS Jun 30, 2005 Jun 30, 2004 For hedging Other For hedging Other (EUR M)  
 purposes purposes Value of underlying property Interest rate derivatives Option contracts Purchased  
 15.0 0.0 15.0 0.0 Written 0.0 15.0 0.0 15.0 Interest rate swap contracts 313.5 4.4 308.1 5.1 Currency  
 derivatives Forward contracts 1.9 2.0 1.4 1.9 Interest rate and currency swap contracts 0.0 0.5 0.2 0.0  
 Equity derivatives Option contracts Purchased 147.8 0.7 116.3 0.7 Written 0.0 147.8 0.0 116.3 478.1  
 170.5 440.9 138.9 Equivalent credit values of the contracts Interest rate derivatives 3.2 2.9 Currency  
 derivatives 0.1 0.1 Equity derivatives 21.9 18.0 25.2 21.0