

YEAR-END REPORT

For the period January – December 2007

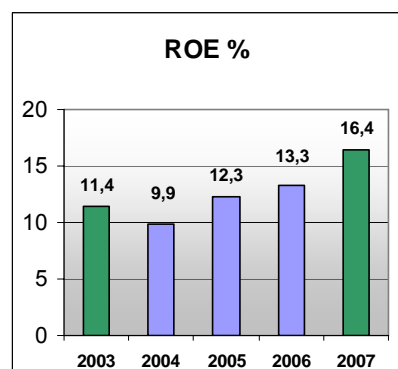
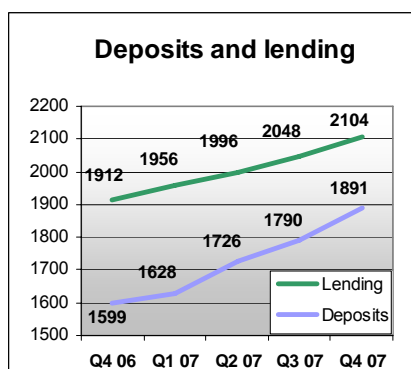
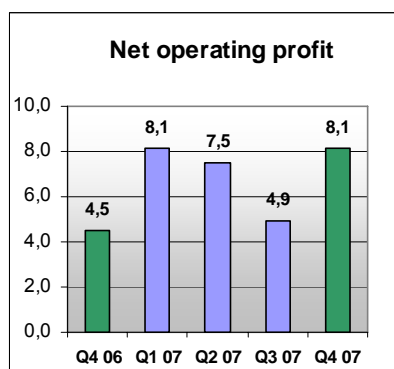
March 3, 2008

The report period in brief

- Consolidated net operating profit rose by 36 per cent to 28.6 million euros (Jan – December 2006: EUR 21.1)
- Net interest income increased by 20 per cent to EUR 39.3 M (32.7)
- Commission income increased by 10 per cent to EUR 20.3 M (18.4)
- Total income increased by 22 per cent to EUR 75.4 M (61.6)
- Expenses increased by 13 per cent to EUR 46.0 M (40.9)
- Loan losses amounted to EUR 1.0 M (0.0)
- Lending volume increased by 10 per cent to EUR 2,104 M (December 2006: 1,912)
- Deposits increased by 18 per cent to EUR 1,891 M (December 2006: 1,599)
- Mutual fund capital under management increased by 8 per cent to EUR 385 M (355)
- Return on equity after taxes (ROE) was 16.4 per cent (13.3)
- The expense/income ratio improved to 62 (66) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.8 (13.8) per cent
- Earnings per share after taxes amounted to EUR 1.75 (1.29)
- The Board of Directors proposes a dividend of EUR 1.00 (1.00) per share

"It was a very successful year for the Bank of Åland Group, with good earnings and a positive balance sheet trend, despite prevailing turbulence in financial markets during the second half of 2007. The Group has no direct risks related to the sub-prime mortgage crisis prevailing in the financial market, and the capital adequacy assessment that will be published for the first time in this year's Report of the Directors demonstrates that the Group has a sound balance sheet structure."

Peter Grönlund, Managing Director



BANK OF ÅLAND

The Bank of Åland Plc (Ålandsbanken Abp) is a successful, modern Finnish commercial bank that is participating actively in the development of future financial services. Aside from the autonomous, Swedish-speaking Åland Islands, the Bank has offices in the Finnish mainland cities of Helsinki, Espoo, Turku, Parainen, Tampere and Vaasa. Ab Compass Card Oy Ltd, Crosskey Banking Solutions Ab Ltd, Ålandsbanken Asset Management Ab, Ålandsbanken Fondbolag Ab and Ålandsbanken Veranta Ab are part of the Bank of Åland Group.

EARNINGS AND PROFITABILITY

This Year-end 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

Strong growth in traditional banking operations, combined with continued success in asset management and mutual fund operations, are the reasons behind the Group's best-ever earnings.

During January-December 2007, consolidated net operating profit of the Bank of Åland Group rose by 36¹ per cent to EUR 28.6 M (21.1). This positive earnings trend was due to sharply improved net interest income and higher income from mutual fund and asset management. Also affecting the year's earnings were capital gains and increases in the value of financial assets as well as repayment from the Security Fund of the Commercial Banks.

Income increased by 22 per cent to EUR 75.4 M (61.6), while expenses increased by 13 per cent to EUR 46.0 M (40.9). Return on equity after taxes (ROE) rose to 16.4 (13.3) per cent, and earnings per share after taxes increased to EUR 1.75 (1.29).

Net interest income

During the report period, consolidated net interest income increased by 20 per cent to EUR 39.3 M (32.7). Higher interest rates and larger volume of both deposits and lending improved net interest income, even though the lending margin continued its negative trend during 2007. Lending volume increased by 10 per cent to EUR 2,104 M (1,912), and deposit volume increased by 18 per cent to EUR 1,891 M (1,599).

Other income

Commission income rose by 10 per cent to EUR 20.3 M (18.4). Income on mutual fund and asset management as well as securities brokerage increased due to higher trading volume and larger managed assets.

Net income from securities trading for the Bank's own account was EUR 3.3 M (1.2). Net income from dealing in the foreign exchange market was unchanged at EUR 1.0 M (1.0). Net income from financial assets available for sale was EUR 1.1 M (0.3), and net income from investment properties rose to EUR 0.6 M (0.2).

Other operating income also increased, to EUR 11.9 M (9.4), due to rising income from the sale and development of information technology (IT) systems. Other operating income also improved due to a repayment of EUR 1.4 M from the Security Fund of the Commercial Banks.

The Group's total income rose by 22 percent to EUR 75.4 M (61.6).

Expenses

Staff costs rose by 16 per cent to EUR 26.2 M (22.5), due to employee recruitment and salary increases as well as spending on proficiency-enhancement programmes in the Group. The changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach, reduced staff costs by EUR 0.4 M (0.2). During the report period, the Group allocated EUR 0.2 M for distribution to the Bank of Åland Personnel Fund (0.0).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 10.3 M (9.4). Production for own use totalled EUR 1.0 M (0.5) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 4.9 M (4.0). Other operating expenses amounted to EUR 5.6 M (5.4).

The Group's total expenses rose by 13 per cent to EUR 46.0 M (40.9).

Impairment losses on loans and other commitments

Loan losses amounted to EUR 1.0 M (0.0).

¹ All percentages are calculated on the basis of exact values.

Earnings structure

Bank of Åland Group	2007	2006
EUR M		
Banking operations	21.7	17.1
IT operations	2.9	4.2
Other (treasury, portfolio management)	3.9	-0.3
Net operating profit	28.6	21.1

Fourth quarter of 2007

Consolidated net operating profit increased by 82 per cent compared to the corresponding quarter of 2006, reaching EUR 8.1 M (4.5).

Income

Total income rose by 25 per cent to EUR 21.0 M (16.8). Higher interest rates combined with larger lending volume improved net interest income by 23 per cent to EUR 10.5 M (8.6). This improvement was reduced by lower lending margins than in the year-earlier period.

Commission income improved despite market turbulence and amounted to EUR 5.1 M (4.9). The increase consisted of higher commission income on management of mutual fund assets, while securities trading commissions fell. Net income from securities trading and foreign exchange operations rose to EUR 1.5 M (0.8). Repayment of the Bank of Åland's portion of the Security Fund of the Commercial Banks increased other operating income to EUR 4.2 M (2.8).

Expenses

Total expenses during the quarter rose by 4 per cent to EUR 12.8 M (12.4). During the quarter, staff costs amounted to EUR 7.0 M (6.5). The increase was due to the higher number of Group employees and salaries hikes, while changes in pension liabilities and fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach reduced staff costs by EUR 0.6 M (3.1) in the fourth quarter. Production for own use increased to EUR 0.7 M (0.1). Depreciation/amortisation increased to EUR 1.3 M due to larger amortisation on production for own use. Other operating expenses decreased to EUR 1.4 M (1.9). Loan losses during the quarter were EUR 0.1 M (-0.1, recovery).

Balance sheet total and off-balance sheet obligations

At the end of 2007, the Group's balance sheet total amounted to EUR 2,592 M (2,189). During the report period, the Group issued bond loans to the public in a nominal amount of EUR 69 M.

Off-balance sheet obligations decreased to EUR 168 M (170).

Personnel

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 470 during 2007 (437). This represented an increase of 33 positions compared to the preceding year.

Bank of Åland Group	2007	2006
Bank of Åland Plc	308	295
Ab Compass Card Oy Ltd	4	0
Crosskey Banking Solutions Ab Ltd	130	117
Ålandsbanken Asset Management Ab	13	13
Ålandsbanken Fondbolag Ab	8	7
Ålandsbanken Kapitalmarknadstjänster Ab, until September 30, 2007	5	5
Ålandsbanken Veranta Ab	2	0
Total number of employees:	470	437

Expense/income ratio

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

Bank of Åland Group	2007	2006
including loan losses	0.62	0.66
excluding loan losses	0.61	0.66

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 December 2007 was 12.8 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. Risk management under Pillar 2 will be reported in the Annual Report for 2007.

Capital adequacy

Bank of Åland Group	Dec 31 2007	Dec 31 2006
Capital base, EUR M		
Core capital	103.3	88.3
Supplementary capital	51.3	53.4
Total capital base	154.6	141.7
Capital requirement for credit risks	88.5	74.9
Capital requirement for operational risks	8.0	7.3
Total capital requirement	96.5	82.2
Total capital ratio, %	12.8	13.8
Core capital ratio, %	8.6	8.6

The main reasons for the difference between the capital base and recognised equity capital are that subordinated liabilities may be counted in the capital base and that the proposed dividend may not be included in the capital base.

Deposits

Deposits from the public, including bonds and certificates of deposit issued, continued to increase during the 12 months to December 31, 2007 by 18 per cent to EUR 1,891 M (1,599). Deposit accounts increased by 22 per cent to EUR 1,532 M (1,259). Bonds and certificates of deposits issued to the public rose by 6 per cent to EUR 359 M (340). The increase in deposits exceeded the increase in lending by EUR 100 M and contributed to a much-improved balance sheet structure. The sharp increase in deposits shows that the market has great confidence in the Bank in troubled times.

Lending

The volume of lending to the public during the 12 months to December 31, 2007 rose by 10 per cent to EUR 2,104 M (1,912). Lending to households increased by 6 per cent to EUR 1,434 M (1,347). Households accounted for 68 (71) per cent of the Group's total lending. Lending to the service sector rose by 23 per cent to EUR 589 M (477), while lending to the production sector decreased by 8 per cent to EUR 55 M (60).

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 5 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. The company's sales rose during 2007 despite lower nonrecurring revenue. Among Crosskey's current customers are Tapiola Bank, DnB NOR, S-Bank, the Bank of Åland, eQ Bank and EGET. Crosskey currently has 149 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. During 2007, the company continued to perform favourably, with sharp increases in both the quantity of managed assets and the number of customers. Profitability thus exceeded the previous record profit from 2006. The financial investment year 2007 was dominated by the slide in US home prices and the subsequent global financial market crisis. In this challenging environment, the company's conservative investment strategy proved successful in the competition, which is attracting more customers to utilise the company's services. Assets of private individuals available for financial investment continue to grow. When the trend towards putting them under management also increases, the company will also enjoy good future prospects. The company now has about 350 customers and EUR 900 M in managed assets.

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 December 31, 2007, the total number of unit holders was 14,679 (12,508 on December 31, 2006). This represented an increase of 17 per cent. Assets under management totalled EUR 385 M (355 on December 31, 2006), an increase of 8 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 4 employees and an office in Helsinki.

Changes in Group structure

In order to further strengthen the Bank of Åland's position in the capital market segment in Åland, Ålandsbanken Kapitalmarknadstjänster Ab has been merged with the Bank of Åland Plc. This merger was completed on October 1, 2007

During 2007, the Bank of Åland Plc acquired 84 per cent of the estate agency company Veranta Oy Helsinki. The new name of the company is Ålandsbanken Veranta Ab.

New Managing Director

On December 21, 2007, the Board of Directors of the Bank of Åland Plc selected Peter Wiklöf, Master of Laws, age 41, as the Bank's new Managing Director. He assumes his new position on March 1, 2008. Mr Wiklöf succeeds Peter Grönlund, who is retiring.

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 11.5 M. This is consistent with the Bank's financial policy, in which the dividend as a percentage of Group earnings is determined in such a way that, over time, it is in line with the industry standard for other Nordic banks. The purpose is to ensure that the profits retained are sufficient to enable continued growth in the Group's business, which requires that equity capital should increase at about the same pace as business operations grow. The Group's total capital ratio is expected to fall somewhat over the coming years but remain good. This is a strength factor in an uncertain market climate.

Outlook for 2008

The Group's financial planning assumes unchanged interest rates compared to 2007, a continued positive trend in business volume – especially in asset management operations – and good 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 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 somewhat 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.

Annual General Meeting and financial information in 2008

The Annual General Meeting will be held in Mariehamn, Åland, Finland on Thursday, April 10, 2008.

The Annual Report will be published in its official Swedish version on March 10, 2008 and in Finnish and English soon afterward.

Interim reports will be published as follows during 2008.

January-March 2008	April 28, 2008
January-June 2008	August 25, 2008
January-September 2008	October 27, 2008

The figures in this Year-end Report are unaudited.

Mariehamn, February 29, 2008

THE BOARD OF DIRECTORS

FINANCIAL RATIOS ETC

Bank of Åland Group	Jan-Dec 2007	Jan-Dec 2006
Earnings per share before dilution, EUR ¹	1.75	1.29
Earnings per share after dilution, EUR ²	1.75	1.29
Year-end market price per share, EUR		
Series A	37.00	26.50
Series B	27,80	24.50
Equity capital per share, EUR ³	11.54	10.68
Return on equity after taxes, % (ROE) ⁴	16.4	13.3
Return on total assets (ROA), % ⁵	0.9	0.7
Equity/assets ratio, % ⁶	5.2	5.6
Total lending volume, EUR M	2,104	1,912
Total deposits from the public, EUR M	1,891	1,599
Equity capital, EUR M	135	122
Balance sheet total, EUR M	2,592	2,189
Expense/income ratio		
Including loan losses	0.62	0.66
Excluding loan losses	0.61	0.66

¹ Profit for the year before dilution / Average number of shares

² Profit for the year after dilution / (Average number of shares + shares outstanding)

³ Equity capital – minority interest in 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 / Balance sheet total

SUMMARY BALANCE SHEET

Bank of Åland Group (EUR M)	Dec.31 2007	Dec.31 2006
ASSETS		
Cash	39	65
Debt instruments eligible for refinancing with central banks	132	57
Claims on credit institutions	153	60
Claims on the public and public sector entities	2,104	1,912
Debt securities	50	0
Shares and participations	3	4
Shares and participations in associated companies	2	2
Derivative instruments	34	27
Intangible assets	6	5
Tangible assets	26	23
Other assets	21	17
Accrued income and prepaid expenses	21	16
Imputed taxes	1	1
TOTAL ASSETS	2,592	2,189
LIABILITIES AND EQUITY CAPITAL		
Liabilities to credit institutions	53	62
Liabilities to the public and public sector entities	1,534	1 261
Debt securities issued to the public	739	621
Derivative instruments	3	3
Other liabilities	39	35
Accrued expenses and prepaid income	21	12
Subordinated liabilities	52	60
Imputed taxes due	16	13
TOTAL LIABILITIES	2,457	2 066
EQUITY CAPITAL AND MINORITY INTEREST		
Share capital	23	23
Share issue	0	0
Share premium account	33	29
Reserve fund	25	25
Fair value reserve	0	0
Profit brought forward	51	42
Shareholders' interest in capital	133	120
Minority interest in capital	2	2
TOTAL EQUITY CAPITAL	135	122
TOTAL LIABILITIES AND EQUITY CAPITAL	2,592	2,189

SUMMARY INCOME STATEMENT

Bank of Åland Group (EUR M)	Jan-Dec 2007	Jan-Dec 2006
Net interest income	39.3	32.7
Income from equity instruments	0.0	0.0
Commission income	20.3	18.4
Commission expenses	-2.0	-1.7
Net income from securities trading and foreign exchange dealing	4.2	2.3
Net income from financial assets available for sale	1.1	0.3
Net income from investment properties	0.6	0.2
Other operating income	11.9	9.4
Total income	75.4	61.6
Staff costs	-26.2	-22.5
Other administrative expenses	-10.3	-9.4
Production for own use	1.0	0.5
Depreciation/amortisation	-4.9	-4.0
Other operating expenses	-5.6	-5.4
Total expenses	-46.0	-40.9
Impairment loss on loans and other commitments	-1.0	0.0
Share of profit/loss in associated companies	0.2	0.3
Net operating profit	28.6	21.1
Income taxes	-7.6	-5.4
Profit for the year	21.0	15.7
Shareholders' interest in profit for the year	20.2	14.7
Minority interest in profit for the year	0.8	1.0
Total	21.0	15.7
Earnings per share		
Earnings per share before dilution, EUR ¹	1.75	1.29
Earnings per share after dilution, EUR ²	1.75	1.29

¹ Profit for the period before dilution / Average number of shares

² Profit for the period after dilution / (Average number of shares + shares outstanding)

INCOME STATEMENT BY QUARTER

Bank of Åland Group EUR M	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	10.5	9.9	9.7	9.2	8.6
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	5.1	4.6	5.2	5.4	4.9
Commission expenses	-0.5	-0.5	-0.6	-0.5	-0.5
Net income from securities trading and foreign exchange dealing	1.5	0.1	1.7	0.9	0.8
Net income from financial assets available for sale	0.2	0.0	0.3	0.5	0.1
Net income from investment properties	0.1	0.0	0.5	0.1	0.2
Other operating income	4.2	2.3	2.5	2.9	2.8
Total income	21.0	16.5	19.3	18.5	16.8
Staff costs	-7.0	-6.5	-6.7	-6.0	-6.5
Other administrative expenses	-3.9	-2.1	-2.4	-1.9	-3.1
Production for own use	0.7	0.1	0.1	0.1	0.1
Depreciation/amortisation	-1.3	-1.3	-1.1	-1.3	-1.0
Other operating expenses	-1.4	-1.4	-1.5	-1.3	-1.9
Total expenses	-12.8	-11.1	-11.7	-10.4	-12.4
Loss impairment on loans and other commitments	-0.1	-0.6	-0.3	-0.1	-0.1
Share of profit/loss in associated companies	0.0	0.0	0.1	0.1	0.1
Net operating profit	8.1	4.9	7.5	8.1	4.5

CHANGES IN EQUITY CAPITAL

Bank of Åland Group	Share capital	Share issue	Share premium account	Legal reserve	Fair value reserve	Retained earnings	Minority interest	Total
EUR M								
Equity capital, December 31, 2005	22.2	0.0	26.1	25.1	0.4	38.7	0.9	113.3
Financial assets available for sale:								
- changes in fair value					0.2			0.2
- transferred to income statement					-0.2			-0.2
Profit for the year						14.7	1.0	15.7
Total recognised income and expenses during the year					0.0	14.7	1.0	15.7
Dividend to shareholders						-11.0	-0.5	-11.5
Conversion of capital loan	0.5	0.3	3.1					3.9
Other changes in minority interest in equity capital							0.7	0.7
Equity capital, December 31, 2006	22.7	0.3	29.2	25.1	0.4	42.4	2.1	122.2
Financial assets available for sale:								
- changes in fair value					0.1			0.1
- transferred to income statement					-0.2			-0.2
Profit for the year						20.2	0.8	21.0
Total recognised income and expenses during the year					-0.1	20.2	0.8	21.0
Dividend to shareholders ¹						-11.5	-0.8	-12.3
Conversion of capital loan ²	0.6	-0.3	4.1					4.4
Other changes in minority interest in equity capital							-0.3	-0.3
Equity capital, December 31, 2007	23.3	0.0	33.3	25.1	0.4	51.1	1.8	135.0

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 4.1 M.

NOTES TO THE CONSOLIDATED YEAR-END 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 2
AX-22100 Mariehamn, Åland, Finland

The Bank of Åland Plc is listed on the Helsinki Stock Exchange.

This Year-end Report for the financial period January 1-December 31, 2007 was approved by the Board of Directors on February 29, 2008.

2. BASIS FOR PREPARATION AND ESSENTIAL ACCOUNTING PRINCIPLES**Basis for preparation**

This Year-end Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union.

Essential accounting principles

The financial statements of the Bank of Åland Group have been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union. The consolidated financial statements are presented in millions of euro (EUR M) unless otherwise stated. The consolidated financial statements have been prepared according to original cost, if not otherwise stated in the accounting principles.

New accounting norms and standards in effect starting in 2007:

IAS 1, amendments

Amended as a consequence of IFRS 7, requiring the Group to provide disclosures that explain its capital management objectives and processes.

The Group is applying IAS 1 starting in 2007.

IFRS 7, "Financial Instruments: Disclosures"

A new standard containing disclosure requirements aimed at improving information about financial instruments in companies' financial reports and applying to all companies that possess financial instruments. The Group is applying IFRS 7 starting in 2007.

IFRIC 9, "Reassessment of Embedded Derivatives"

This interpretation clarifies certain aspects of the treatment of embedded derivatives in compliance with IAS 39. The Group already meets the criteria according to IFRIC 9.

IFRIC 10, "Interim Financing Reporting and Impairment"

This interpretation is the result of a contradiction between the standard on interim reports, IAS 34, and the one on impairments, IAS 36. IFRIC 10 clarifies that an impairment loss recognised in an interim report may not be reversed in a later interim or full year financial report. The Group is applying IFRIC 10 starting in 2007.

The Group is not affected by amendments to the following:

IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"

IFRIC 8, "Scope of IFRS 2 Share-based Payment"

New accounting norms and standards that did not enter into force in 2007 but may be applied in advance:

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 8 replaces IAS 14, "Segment Reporting". The Group will present its financial statements in compliance with the revised 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 already meets the criteria stated in IFRIC 14.

The Group is not affected by amendments to the following:

IAS 23, "Borrowing Costs"

IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions"

IFRIC 12, "Service Concession Arrangement"

IFRIC 13, "Customer Loyalty Programmes"

3. ESTIMATES AND JUDGEMENTS

Preparation of financial statements in compliance with IFRSs 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 business	Acquisition date	Proportion of share capital	Cost, EUR
Ålandsbanken Kapitalmarknadstjänster Ab	Asset management	April 12, 2007	30% ¹	792,480
Veranta Oy Helsinki	Estate agency	June 13, 2007	84%	200,000 ²

¹ After this additional acquisition, Ålandsbanken Kapitalmarknadstjänster is a wholly-owned subsidiary. It was merged with the Bank of Åland Plc as from October 1, 2007.

² The cost consists of a capital contribution in the form of a targeted issue of new shares.

Cost breakdown

EUR	Ålandsbanken Kapitalmarknadstjänster Ab	Veranta Oy Helsinki
Cash	780,000	0
Capital contribution to the company	0	200,000
Directly attributable costs	12,480	0
	<u>792,480</u>	<u>200,000</u>

Net assets acquired

EUR	Ålandsbanken		Veranta Oy	
	Kapitalmarknadstjänster Ab		Helsinki	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash	334,875	334,875	13	13
Receivables	53,266	53,266	953	953
Share issue receivables				168,000
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	-32,272

Ålandsbanken Kapitalmarknadstjänster Ab earned a profit of EUR 0.5 M after this acquisition.

Ålandsbanken Veranta Ab earned a profit of EUR -0.1 M after this acquisition.

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 effect on opening balance)	0	-45,092
Closing balance	1,405,260	881,443

5. CASH FLOW STATEMENT

Bank of Åland Group	Jan-Dec		Jan-Dec	
EUR M	2007		2006	
Cash and cash equivalents		130.2		217.4
Cash flow from operating activities				
Net operating profit	28.6		21.1	
Adjustment for net operating profit items not affecting cash flow	6.6		6.5	
Gains from investing activities	-1.1		-1.1	
Income taxes paid	-6.0		-5.0	
Changes in assets and liabilities in operating activities	24.3	52.4	-125.0	-103.5
Cash flow from investing activities		-8.3		-2.0
Cash flow from financing activities		80.7		18.4
Cash and cash equivalents, Dec 31		255.0		130.2

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 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 Group EUR M	Banking operations	Information technology operations	Jan – Dec 2007		Total
			Other	Eliminations	
External income	57.4	9.8	8.3		75.4
Internal income	0.9	10.1		-10.9	0.0
Total income	58.2	19.9	8.3	-10.9	75.4
Costs incl. depreciation etc.	-35.5	-16.9	-4.5	10.9	-46.0
Loan losses	-1.0				-1.0
Share of profit in associated companies			0.2		0.2
Net operating profit	21.7	2.9	3.9	0.0	28.6
Assets	2,107.3	14.5	471.1	-0.8	2,592.0
Liabilities	-2,272.7	-17.6	-172.0	5.2	-2,457.1
Equity capital					135.0

Bank of Åland Group EUR M	Banking operations	IT operations	Jan – Dec 2006		Total
			Other	Eliminations	
External income	49.4	8.5	3.8	0.0	61.6
Internal income	0.8	9.9	0.0	-10.7	0.0
Total income	50.2	18.3	3.8	-10.7	61.6
Costs incl. depreciation etc.	-33.1	-14.1	-4.4	10.7	-40.9
Loan losses	0.0				0.0
Share of profit/loss in associated companies			0.3		0.3
Net operating profit	17.1	4.2	-0.3	0.0	21.1
Assets	1,914.6	8.1	267.5	-1.6	2,188.6
Liabilities	-1,858.4	-5.4	-202.8	0.2	-2,066.4
Equity capital					122.2

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 computer systems to small and medium-sized banks. Reported in "Other" are the results of Treasury and portfolio management as well as the Group's management and related corporate expenses.

7. INCOME TAXES

Bank of Åland Group EUR K	Dec 31 2007	Dec 31 2006
Taxes for the report period and earlier report periods	4,583	4,709
Change in deferred tax assets/liabilities	3,015	726
Income taxes	7,598	5,435

8. DIVIDEND

Bank of Åland Group	2007	2006
EUR		
Proposed dividend for 2007: EUR 1 per share	11,536,122	
Final dividend for 2006: EUR 1		11,536,122
The dividend for 2006 was adopted by the Annual General Meeting on March 23, 2007. The record date was March 27 and the distribution date was April 3.		

9. 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)	2007	2006
Deposit accounts from the public and public sector entities		
Demand deposit accounts	153	180
Current accounts	213	199
Savings and Environmental Accounts	84	99
Prime Accounts	566	445
Time deposits	449	268
<i>Total deposit accounts in euros</i>	1,465	1,191
Deposit accounts in other currencies	67	67
Total deposit accounts	1,532	1,259
Bonds and subordinated debentures *	196	180
Certificates of deposit issued to the public *	163	160
Bonds and certificates of deposit	359	340
Total deposits	1,891	1,599

* This item does not include debt securities subscribed by credit institutions.

10. LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE

Bank of Åland Group	Dec 31	Dec 31
(EUR M)	2007	2006
BUSINESS AND PROFESSIONAL ACTIVITIES		
<i>Service sector</i>		
Shipping	97	60
Hotels, restaurants, tourist cottages etc.	12	12
Wholesale and retail trade	57	47
Housing corporations	56	54
Real estate operations	113	96
Financial operations	169	126
Other service business	86	83
	589	477
<i>Production sector</i>		
Agriculture, forestry and fishing	20	20
Food processing etc	6	7
Construction	20	22
Other industry and crafts	10	11
	55	60
HOUSEHOLDS		
Home loans	1,113	1,063
Studies	13	14
Other purposes	308	271
	1,434	1,347
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS		
	25	27
TOTAL LENDING	2,104	1,912

11. OFF-BALANCE SHEET COMMITMENTS

Bank of Åland Group	Dec 31	Dec 31
EUR M	2007	2006
Guarantees and pledges	25	16
Other commitments	143	154
	168	170

12. DERIVATIVE CONTRACTS

Bank of Åland Group (EUR M)	Dec 31, 2007		Dec 31, 2006	
	For hedging purposes	Other	For hedging purposes	Other
<i>Value of underlying property</i>				
Interest rate derivatives	353	8	342	8
Interest rate swap contracts				
Currency derivatives				
Forward contracts	14	13	7	7
Interest rate and currency swap contracts	0	0	0	1
Equity derivatives				
Option contracts				
Purchased	184	0	151	0
	551	21	500	16

The equity derivatives purchased protect option structures embedded in bonds that have been issued.

Equivalent credit values of the contracts

Interest rate derivatives	6	4
Currency derivatives	1	0
Equity derivatives	43	35
	50	40

13. MATURITY BREAKDOWN OF CLAIMS AND LIABILITIES

Bank of Åland Group	Dec 31, 2007					Total
	EUR M	< 3 mo	3 - 12 mo	1 - 5 yrs	5 - 10 yrs	
Claims						
Debt securities eligible for refinancing with central banks	23	50	59	1	0	132
Credit institutions and central banks	153	0	0	0	0	153
The public and public sector entities	166	220	768	920	29	2,104
Other debt securities	50	0	0	0	0	50
	392	270	827	921	29	2,439
Liabilities						
Credit institutions and central banks	23	0	30	0	0	53
The public and public sector entities	1,446	80	8	1	0	1,534
Debt securities issued to the public	185	69	484	0	0	739
Subordinated liabilities	0	4	15	33	0	52
	1,654	153	537	34	0	2,378

No estimates of maturity dates have been made. Spot deposits, for example, are found in the category < 3 months.

14. INTEREST RATE REFIXING PERIODS

Bank of Åland Group	Dec 31, 2007					
EUR M	< 3 mo	3-6 mo	6-12 mo	1-5 yrs	> 5 yrs	Total
Assets	1,667.2	413.3	461.7	246.6	43.1	2,832.0
Liabilities	1,952.1	341.8	147.9	238.2	42.7	2,722.7
Difference between assets and liabilities	-284.8	71.6	313.7	8.4	0.4	109.2

Shows the Bank's interest rate-related assets and liabilities, including derivatives, according to the interest rate refixing date as of December 31, 2007.