

# Interim Report

For the period January – June 2008

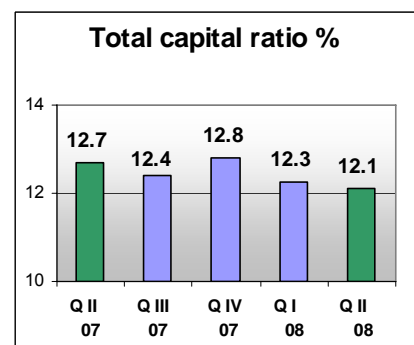
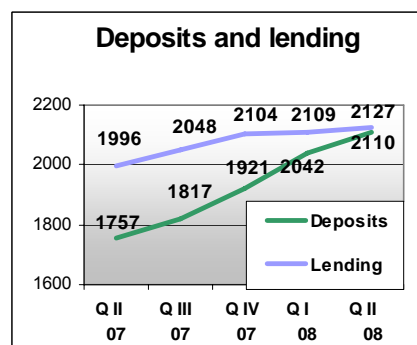
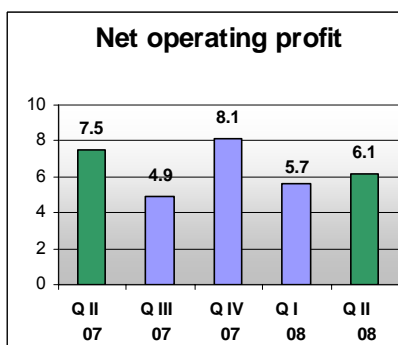
August 25, 2008

## The report period in brief

- Consolidated net operating profit decreased by 24 per cent to 11.8 million euros (January – June 2007: EUR 15.6 M)
- Net interest income increased by 11 per cent to EUR 20.9 M (18.9)
- Commission income decreased by 4 per cent to EUR 10.2 M (10.6)
- Total income decreased by 2 per cent to EUR 37.1 M (37.8)
- Expenses increased by 15 per cent to EUR 25.3 M (22.1)
- Loan losses amounted to EUR 0.2 M (0.4)
- Lending volume increased by 7 per cent to EUR 2,127 M (June 2007: 1,956)
- Deposits increased by 24 per cent to EUR 2,110 M (June 2007: 1,695)
- Mutual fund capital under management decreased by 25 per cent to EUR 318 M (425)
- Return on equity after taxes (ROE) was 13.0 (18.6) per cent
- The expense/income ratio deteriorated to 68 (59) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.1 (12.7) per cent
- Earnings per share after taxes amounted to EUR 0.71 (0.95)

“The market situation will be very challenging to all financial market players during the foreseeable future. At the same time, we are reporting one of the best quarterly results ever.”

Peter Wiklöf,  
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 Interim 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

During January-June 2008, the consolidated net operating profit of the Bank of Åland Group decreased by 24<sup>1</sup> per cent to EUR 11.8 M (15.6). During the report period, the Group's net interest income showed positive growth, while earnings were adversely affected by lower commission income and higher operating expenses.

Income decreased by 2 per cent to EUR 37.1 M (37.8), while expenses increased by 15 per cent to EUR 25.3 M (22.1). Return on equity after taxes (ROE) fell to 13.0 (18.6) per cent, and earnings per share to EUR 0.71 (0.95).

### Net interest income

Due to higher interest rates and larger volume of both deposits and lending, consolidated net interest income rose by 11 per cent to EUR 20.9 M (18.9) during the report period. Margins on deposits decreased compared to the year-earlier period, while margins on lending were stable. Lending volume increased by 7 per cent to EUR 2,127 M (1,996), and deposit volume increased by 24 per cent to EUR 2,110 M (1,695).

### Other income

Commission income fell by 4 per cent to EUR 10.2 M (10.6). Income on securities brokerage rose, while decreased managed assets meant lower income on mutual fund and asset management.

Net income from securities trading for the Bank's own account was EUR 0.5 M (2.1). Net income from dealing in the foreign exchange market was unchanged at EUR 0.5 M (0.5). Net income from financial assets available for sale was EUR 0.1 M (0.8), and net income from investment properties was EUR 0.2 M (0.6).

Other operating income increased to EUR 5.7 M (5.3), however, as a consequence of higher income from the sale and development of information technology (IT) systems.

The Group's total income decreased by 2 per cent to EUR 37.1 M (37.8).

### Expenses

Staff costs rose by 12 per cent to EUR 14.2 M (12.7), due to employee recruitment and salary hikes as provided by collective agreements. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach, affected staff costs in the amount of EUR -0.1 M (-0.2).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 5.5 M (4.3). This was mainly because of higher IT expenses due to increased customer volume at Crosskey. Production for own use totalled EUR -0.2 M (-0.2) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 2.8 M (2.4). Other operating expenses amounted to EUR 3.0 M (2.9).

The Group's total expenses rose by 15 per cent to EUR 25.3 M (22.1).

### Impairment losses on loans and other commitments

Loan losses amounted to EUR 0.2 M (0.4).

<sup>1</sup> All percentages are calculated on the basis of exact values.

## Second quarter of 2008

Compared to the second quarter of 2007, the Group's net operating profit fell by 18 per cent to EUR 6.1 M (Q II 2007: 7.5).

### Income

Total income decreased by 2 per cent to EUR 19.0 M (19.3). Higher deposit and lending volume and higher interest rates resulted in an increase in net interest income of 11 per cent to EUR 10.7 M (9.7).

Commission income deteriorated slightly, amounting to EUR 5.1 M (5.2). The decrease consisted of lower commissions on mutual funds and asset management. However, commissions on securities brokerage rose somewhat. Net income from securities trading and foreign exchange operations fell to EUR 0.4 M (1.7). Other operating income increased to EUR 3.1 M (2.5) as a consequence of higher income from IT operations.

### Expenses

Total expenses during the quarter increased by 9 per cent to EUR 12.8 M (11.7). During the quarter, staff costs amounted to EUR 7.1 M (6.7). The number of employees in the Group increased, and salary hikes were implemented as provided by collective agreements. Other administrative expenses increased to EUR 2.9 M (2.4) during the second quarter, primarily caused by higher computer expenses. Due to increased property expenses and rents, other operating expenses rose to EUR 1.6 M (1.5).

## Balance sheet total and off-balance sheet obligations

At the end of the report period, the Group's balance sheet total was EUR 2,768 M (2,432). During the period, the Group issued bond loans to the public in the nominal amount of EUR 16 M.

Off-balance sheet obligations decreased to EUR 176 M (191).

## Personnel

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 499 (451) during January–June 2008. This represented an increase of 48 positions compared to the year-earlier period.

Bank of Åland Group	Jun 30 2008	Jun 30 2007
Bank of Åland Plc	328	300
Ab Compass Card Oy Ltd	6	3
Crosskey Banking Solutions Ab Ltd	137	122
Ålandsbanken Asset Management Ab	14	12
Ålandsbanken Fondbolag Ab	6	8
Ålandsbanken Kapitalmarknadstjänster Ab, until September 30, 2007	0	5
Ålandsbanken Veranta Ab	8	0
Total number of full-time equivalent positions, recalculated from hours worked	499	451

## Expense/income ratio

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

Bank of Åland Group	Jun 30 2008	Jun 30 2007
Including loan losses	0.68	0.59
Excluding loan losses	0.68	0.58

## 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 June 2008 was 12.1 per cent. The capital requirement for credit risks has been calculated according to the standardised approach, and the capital requirement for operational risks has been calculated according to the basic indicator approach in the Basel 2 regulations.

## Capital adequacy

Bank of Åland Group	Jun 30 2008	Jun 30 2007	Dec 31 2007
Capital base, EUR M			
Core capital	104.0	92.7	103.3
Supplementary capital	50.0	51.7	51.3
Total capital base	154.0	144.4	154.6
Capital requirement for credit risks	92.6	83.2	88.5
Capital requirement for operational risks	9.3	8.0	8.0
Total capital requirement	101.9	91.1	96.5
Total capital ratio, %	<b>12.1</b>	<b>12.7</b>	<b>12.8</b>
Core capital ratio, %	8.2	8.1	8.6

## Deposits

Deposits from the public, including bonds and certificates of deposit issued, increased during the 12 months to June 30, 2008 by 24 per cent to EUR 2,110 M (1,695). Deposit accounts increased by 25 per cent to EUR 1,720 M (1,379). Bonds and certificates of deposit issued to the public increased by 23 per cent to EUR 390 M (316).

## Lending

The volume of lending to the public increased during the 12 months to June 30, 2008 by 7 per cent to SEK 2,127 M (1,996). Lending to households increased by 4 per cent to EUR 1,453 M (1,399). Households accounted for 68 (70) per cent of the Group's total lending. Lending to the service sector rose by 16 per cent to EUR 593 M (510), while lending to the production sector fell by 7 per cent to EUR 57 M (61).

## 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 2009. The company currently has 6 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. Among Crosskey's current customers are DnB NOR, S-Bank, Tapiola Bank, the Bank of Åland, eQ Bank and EGET. Crosskey currently has 155 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. The year 2008 began in the shadow of the global financial market crisis. The influx of new customers slowed significantly, and it was challenging to maintain portfolio values. However, due to the company's conservative investment strategy, disruptions in the investment environment primarily represented opportunities for buyers to take advantage of bargains in the markets. Despite the market situation, the company maintained the same level of profitability as the year before. The company currently has about 350 customers and EUR 900 M in managed assets. Assets of private individuals available for financial investment continue to grow. When the trend towards putting these assets under management also increases, the company will enjoy good future prospects.

## 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 June 30, 2008, the total number of unit holders was 14,236 (14,232 on June 30, 2007). Assets under management totalled EUR 318 M (425), a decrease of 25 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 10 employees and offices in Helsinki, Espoo and Tampere.

**Changes in Group structure**

On June 30, 2008 the Bank of Åland Plc subscribed for shares issued by Ålandsbanken Veranta Ab. As a result of payment the Bank of Åland's ownership stake is rising to 92.9 per cent.

**Important events after the close of the report period**

No important events have occurred after the close of the report period.

**Outlook for 2008**

The Group's financial planning assumes unchanged interest rates, a continued positive trend in business volume at low margins, especially on deposits, stable earnings in asset management operations and good growth in the Group's IT operations. Income from IT operations during the rest of the year is expected to be substantially better than during the first half. The cost level in the Group is expected to rise, due to increased regulatory requirements as well as investments in new skills. Competition in the banking market is expected to remain tough and to be affected by international financial market instability. However, the Bank is not expected to be affected by significant loan losses during 2008. Based on these factors, and taking into account that 2007 earnings included large nonrecurring items, the Group's operating income is expected to be lower than in 2007.

It should be added that at present there is great uncertainty in the global financial 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 the future 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.

**Financial information in 2008**

The Interim Report for the period January 1–September 30, 2008 will be published on October 27, 2008 3.00 p.m. Finnish time.

Mariehamn, August 25, 2008

THE BOARD OF DIRECTORS

## FINANCIAL RATIOS ETC

Bank of Åland Group	Jan-Jun 2008	Jan-Jun 2007	Jan-Dec 2007
Earnings per share before dilution, EUR <sup>1</sup>	0.71	0.95	1.75
Earnings per share after dilution, EUR <sup>2</sup>	0.71	0.95	1.75
Market price per share, end of period, EUR			
Series A	29.50	29.00	37.00
Series B	25.00	25.00	27.80
Equity capital per share, EUR <sup>3</sup>	11.18	10.90	11.54
Return on equity after taxes, % (ROE) <sup>4</sup>	13.0	18.6	16.4
Return on total assets, % (ROA) <sup>5</sup>	0.6	1.0	0.9
Equity/assets ratio, % <sup>6</sup>	4.7	5.2	5.2
Total lending volume, EUR M	2,127	1,996	2,104
Total deposits from the public, EUR M	2,110	1,695	1,921
Equity capital, EUR M	130	126	135
Balance sheet total, EUR M	2,768	2,432	2,592
Expense/income ratio			
Including loan losses	0.68	0.59	0.62
Excluding loan losses	0.68	0.58	0.61

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

<sup>2</sup> Profit for the period after dilution / Average number of shares + shares outstanding

<sup>3</sup> Equity capital – minority share of capital / Number of shares on balance sheet date

<sup>4</sup> Net operating profit – taxes / Average equity capital

<sup>5</sup> Net operating profit – taxes / Average balance sheet total

<sup>6</sup> Equity capital / Balance sheet total

## SUMMARY BALANCE SHEET

Bank of Åland Group EUR M	Jun 30 2008	Jun 30 2007	Dec 31 2007
<b>ASSETS</b>			
Cash	60	47	39
Debt securities eligible for refinancing with central banks	131	102	132
Claims on credit institutions	202	173	153
Claims on the public and public sector entities	2,127	1,996	2,104
Debt securities	131	4	50
Shares and participations	3	4	3
Shares and participations in associated companies	2	2	2
Derivative instruments	22	36	34
Intangible assets	6	5	6
Tangible assets	29	25	26
Other assets	31	17	21
Accrued income and prepayments	24	20	21
Deferred tax assets	1	1	1
<b>TOTAL ASSETS</b>	<b>2,768</b>	<b>2,432</b>	<b>2,592</b>
<b>LIABILITIES</b>			
Liabilities to credit institutions	82	67	53
Liabilities to the public and public sector entities	1,722	1,381	1,534
Debt securities issued to the public	683	730	739
Derivative instruments	4	4	3
Other liabilities	53	40	39
Accrued expenses and prepaid income	26	21	21
Subordinated liabilities	52	52	52
Deferred tax liabilities	16	13	16
<b>TOTAL LIABILITIES</b>	<b>2,637</b>	<b>2,307</b>	<b>2,457</b>
<b>EQUITY CAPITAL AND MINORITY INTEREST</b>			
Share capital	23	23	23
Share premium account	33	33	33
Reserve fund	25	25	25
Fair value reserve	0	1	0
Retained earnings	48	42	51
Shareholders' interest in equity capital	129	124	133
Minority interest in capital	1	2	2
<b>TOTAL EQUITY CAPITAL</b>	<b>130</b>	<b>126</b>	<b>135</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>2,768</b>	<b>2,432</b>	<b>2,592</b>

## SUMMARY INCOME STATEMENT

Bank of Åland Group EUR M	Jan-Jun 2008	Jan-Jun 2007	Jan-Dec 2007
Net interest income	20.9	18.9	39.3
Income from equity instruments	0.0	0.0	0.0
Commission income	10.2	10.6	20.3
Commission expenses	-1.1	-1.0	-2.0
Net income from securities transactions and foreign exchange dealing	1.0	2.6	4.2
Net income from financial assets available for sale	0.1	0.8	1.1
Net income from investment properties	0.2	0.6	0.6
Other operating income	5.7	5.3	11.9
<b>Total income</b>	<b>37.1</b>	<b>37.8</b>	<b>75.4</b>
Staff costs	-14.2	-12.7	-26.2
Other administrative expenses	-5.5	-4.3	-10.3
Production for own use	0.2	0.2	1.0
Depreciation/amortisation	-2.8	-2.4	-4.9
Other operating expenses	-3.0	-2.9	-5.6
<b>Total expenses</b>	<b>-25.3</b>	<b>-22.1</b>	<b>-46.0</b>
Loan and guarantee losses	-0.2	-0.4	-1.0
Share of profit/loss in companies consolidated according to the equity method	0.2	0.2	0.2
<b>Net operating profit</b>	<b>11.8</b>	<b>15.6</b>	<b>28.6</b>
Income taxes	-3.1	-4.1	-7.6
<b>Profit for the period</b>	<b>8.6</b>	<b>11.5</b>	<b>21.0</b>
Shareholders' interest in profit for the period	8.2	11.0	20.2
Minority interest in profit for the period	0.5	0.6	0.8
<b>Total</b>	<b>8.6</b>	<b>11.5</b>	<b>21.0</b>
<b>Earnings per share</b>			
Earnings per share before dilution, EUR <sup>1</sup>	0.71	0.95	1.75
Earnings per share after dilution, EUR <sup>2</sup>	0.71	0.95	1.75

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

<sup>2</sup> Profit for the period / Average number of shares + shares outstanding



## INCOME STATEMENT BY QUARTER

Bank of Åland Group EUR M	Q II 2008	Q I 2008	Q IV 2007	Q III 2007	Q II 2007
Net interest income	10.7	10.1	10.5	9.9	9.7
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	5.1	5.1	5.1	4.6	5.2
Commission expenses	-0.6	-0.5	-0.5	-0.5	-0.6
Net income from securities transactions and foreign exchange dealing	0.4	0.7	1.5	0.1	1.7
Net income from financial assets available for sale	0.1	0.0	0.2	0.0	0.3
Net income from investment properties	0.1	0.1	0.1	0.0	0.5
Other operating income	3.1	2.6	4.2	2.3	2.5
<b>Total income</b>	<b>19.0</b>	<b>18.1</b>	<b>21.0</b>	<b>16.5</b>	<b>19.3</b>
Staff costs	-7.1	-7.1	-7.0	-6.5	-6.7
Other administrative expenses	-2.9	-2.7	-3.9	-2.1	-2.4
Production for own use	0.1	0.2	0.7	0.1	0.1
Depreciation/amortisation	-1.3	-1.5	-1.3	-1.3	-1.1
Other operating expenses	-1.6	-1.4	-1.4	-1.4	-1.5
<b>Total expenses</b>	<b>-12.8</b>	<b>-12.5</b>	<b>-12.8</b>	<b>-11.1</b>	<b>-11.7</b>
Impairment losses on loans and other commitments	-0.2	0.0	-0.1	-0.6	-0.3
Share of profit/loss in associated companies	0.1	0.1	0.0	0.0	0.1
<b>Net operating profit</b>	<b>6.1</b>	<b>5.7</b>	<b>8.1</b>	<b>4.9</b>	<b>7.5</b>

## CASH FLOW STATEMENT

Bank of Åland Group EUR M	Jan-Jun 2008	Jan-Jun 2007
Cash flow from operating activities		
Net operating profit	11.8	15.6
Adjustment for net operating profit items not affecting cash flow	4.0	2.4
Gains/losses from investing activities	-0.1	-0.9
Income taxes paid	-1.2	-2.6
Changes in assets and liabilities in operating activities	115.2	129.7
		-2.0
		12.4
Cash flow from investing activities	-5.5	-4.6
Cash flow from financing activities	-31.3	102.0
<b>Change in cash and cash equivalents</b>	<b>92.9</b>	<b>109.8</b>
Cash and cash equivalents, January 1	255.0	130.2
Cash and cash equivalents, June 30	347.9	240.1

## CHANGES IN EQUITY CAPITAL

Bank of Åland Group	Share capital	Share issue	Share premium account	Reserve fund	Fair value reserve	Retained earnings	Total before minority interest	Minority interest	Total
EUR M									
<b>Equity capital, Dec 31, 2006</b>	<b>22.7</b>	<b>0.3</b>	<b>29.2</b>	<b>25.1</b>	<b>0.4</b>	<b>42.4</b>	<b>120.1</b>	<b>2.1</b>	<b>122.2</b>
Financial assets available for sale:									
-changes in fair value					-0.2		-0.2		-0.2
-transferred to income statement					0.4		0.4		0.4
Profit for the period						11.0	11.0	0.6	11.5
<b>Total recognised income and expenses during the period</b>					<b>0.3</b>	<b>11.0</b>	<b>11.3</b>	<b>0.6</b>	<b>11.8</b>
Dividend to shareholders <sup>1</sup>						-11.5	-11.5	-0.8	-12.3
Conversion of capital loan	0.6	-0.3	4.1				4.4		4.4
Other change in minority share of equity capital								-0.3	-0.3
<b>Equity capital, Jun 30, 2007</b>	<b>23.3</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>0.7</b>	<b>41.9</b>	<b>124.2</b>	<b>1.6</b>	<b>125.8</b>
Financial assets available for sale:									
-changes in fair value					0.3		0.3		0.3
-transferred to income statement					-0.6		-0.6		-0.6
Profit for the period						9.2	9.2	0.3	9.5
<b>Total recognised income and expenses during the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>	<b>9.2</b>	<b>8.9</b>	<b>0.3</b>	<b>9.2</b>
Dividend to shareholders									
Other change in minority share of equity capital									
<b>Equity capital, Dec 31, 2007</b>	<b>23.3</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>0.4</b>	<b>51.1</b>	<b>133.1</b>	<b>1.8</b>	<b>135.0</b>
Financial assets available for sale:									
-changes in fair value					-1.2		-1.2		-1.2
-transferred to income statement					0.3		0.3		0.3
Profit for the period						8.2	8.2	0.5	8.6
<b>Total recognised income and expenses during the period</b>					<b>-0.8</b>	<b>8.2</b>	<b>7.3</b>	<b>0.5</b>	<b>7.8</b>
Dividend to shareholders						-11.5	-11.5	-1.0	-12.5
Other changes in minority share of equity capital							0.0		0.0
<b>Equity capital, Jun 30, 2008</b>	<b>23.3</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>-0.5</b>	<b>47.7</b>	<b>128.9</b>	<b>1.3</b>	<b>130.3</b>

<sup>1</sup> Dividend payment for Series A shares EUR 5.2 M and for Series B shares EUR 6.3 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 2  
AX-22100 Mariehamn, Åland, Finland

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

This Interim Report for the financial period January 1–June 30, 2008 was approved by the Board of Directors on August 22, 2008.

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

The Interim Report for the period January 1–June 30, 2008 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”.

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, 2007.

**Essential accounting principles**

The essential accounting 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, 2007, 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.

*New accounting standards and interpretations in effect starting in 2008:*

**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 replaces IAS 14, “Segment Reporting”. The Group will present its financial statements in compliance with 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 is applying IFRIC 14 beginning on January 1, 2008.

*The Group is not affected by amendments to the following:*

IAS 23, “Borrowing Costs”

IFRIC 12, “Service Concession Arrangement”

IFRIC 13, “Customer Loyalty Programmes”

### 3. ESTIMATES AND JUDGEMENTS

Preparation of financial statements in compliance with IFRSs requirements 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. 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		Jan-Jun 2008			
EUR M	Banking operations	Information technology operations	Other	Eliminations	Total
External income	28.0	5.6	3.5		37.1
Internal income	-0.2	4.8		-4.5	0.0
<b>Total income</b>	<b>27.8</b>	<b>10.4</b>	<b>3.5</b>	<b>-4.5</b>	<b>37.1</b>
Costs including depreciation etc.	-18.1	-9.7	-2.1	4.5	-25.3
Loan losses	-0.2				-0.2
Share of profit in associated companies			0.2		0.2
<b>Net operating profit</b>	<b>9.4</b>	<b>0.7</b>	<b>1.6</b>	<b>0.0</b>	<b>11.8</b>
Assets	2,130.3	8.9	628.9	-0.5	2,767.7
Liabilities	-2,405.0	-7.7	-226.3	1.5	-2,637.4
Equity capital					130.3

Bank of Åland Group		Jan-Jun 2007			
EUR M	Banking operations	Information technology operations	Other	Eliminations	Total
External income	29.1	5.1	3.6		37.8
Internal income	0.4	5.1		-5.5	0.0
<b>Total income</b>	<b>29.5</b>	<b>10.2</b>	<b>3.6</b>	<b>-5.5</b>	<b>37.8</b>
Costs including depreciation etc.	-17.4	-7.9	-2.3	5.5	-22.1
Loan losses	-0.4				-0.4
Share of profit in associated companies			0.2		0.2
<b>Net operating profit</b>	<b>11.8</b>	<b>2.3</b>	<b>1.5</b>	<b>0.0</b>	<b>15.6</b>
Assets	1 998.8	8.4	425.6	-0.5	2 432.3
Liabilities	-2 079.7	-6.4	-221.7	1.2	-2 306.5
Equity capital					125.8

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 Until Sep 30, 2007) 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.

## 5. INCOME TAXES

Bank of Åland Group EUR K	Jun 30 2008	Jun 30 2007
Taxes for the report period and earlier report periods	3,333	4,097
Change in deferred tax assets/liabilities	-189	-34
<b>Income taxes</b>	<b>3,144</b>	<b>4,063</b>

## 6. DIVIDEND

Bank of Åland Group EUR	2007	2006
Final dividend for 2007: EUR 1.00 per share	11,536,122	
Final dividend for 2006: EUR 1.00 per share		11,536,122

The dividend for 2007 was adopted by the Annual General Meeting on April 10, 2008. The record date was April 15 and the payment date was April 22.

## 7. DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR

### Including bonds and certificates of deposit issued

Bank of Åland Group EUR M	Jun 30 2008	Jun 30 2007	Dec 31 2007
<b>Deposit accounts from the public and public sector</b>			
Demand deposit accounts	170	171	153
Cheque accounts	238	217	213
Environmental and Savings Accounts	77	90	84
Prime Accounts	518	472	566
Time deposits	642	360	449
<i>Total deposit accounts in euros</i>	<i>1,644</i>	<i>1,311</i>	<i>1,465</i>
Deposit accounts in other currencies	76	68	67
<b>Total deposit accounts</b>	<b>1,720</b>	<b>1,379</b>	<b>1,532</b>
Bonds and subordinated debentures *	221	156	226
Certificates of deposit issued to the public *	168	160	163
<b>Total bonds and certificates of deposit</b>	<b>390</b>	<b>316</b>	<b>389</b>
<b>Total deposits</b>	<b>2,110</b>	<b>1,695</b>	<b>1,921</b>

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

## 8. LENDING TO THE PUBLIC AND PUBLIC SECTOR BY PURPOSE

Bank of Åland Group	Jun 30	Jun 30	Dec 31
EUR M	2008	2007	2007
<b>BUSINESS AND PROFESSIONAL ACTIVITIES</b>			
<i>Service sector</i>			
Shipping	85	69	97
Hotels, restaurants, tourist cottages etc.	15	13	12
Wholesale and retail trade	59	52	57
Housing corporations	64	50	56
Real estate operations	114	102	113
Financial operations	162	146	169
Other service business	94	78	86
	<b>593</b>	<b>510</b>	<b>589</b>
<i>Production sector</i>			
Agriculture, forestry and fishing	17	19	20
Food processing etc.	7	7	6
Construction	22	25	20
Other industry and crafts	10	10	10
	<b>57</b>	<b>61</b>	<b>55</b>
<b>HOUSEHOLDS</b>			
Home loans	1,112	1,093	1,113
Studies	13	14	13
Other household purposes	328	292	308
	<b>1,453</b>	<b>1,399</b>	<b>1,434</b>
<b>PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS</b>			
	<b>24</b>	<b>27</b>	<b>25</b>
<b>TOTAL LENDING</b>			
	<b>2,127</b>	<b>1,996</b>	<b>2,104</b>

## 9. OFF-BALANCE SHEET COMMITMENTS

Bank of Åland Group	Jun 30	Jun 30	Dec 31
EUR M	2008	2007	2007
Guarantees and pledges	18	29	25
Other commitments	158	163	143
	<b>176</b>	<b>191</b>	<b>168</b>

## 10. DERIVATIVE CONTRACTS

Bank of Åland Group EUR M	Jun 30, 2008		Jun 30, 2007	
	For hedging purpose	Other	For hedging purposes	Other
<i>Value of underlying property</i>				
Interest rate derivatives				
Interest rate swap contracts	333	7	340	9
Currency derivatives				
Forward contracts	32	23	3	3
Interest rate and currency swap contracts	0	0	0	0
Equity derivatives				
Option contracts				
Purchased	171	0	149	0
	536	30	493	12
Equivalent credit values of the contracts				
Interest rate derivatives	8		7	
Currency derivatives	1		0	
Equity derivatives	28		44	
	38		51	

The Group does not apply hedge accounting to derivative contracts.

**11. MATURITY BREAKDOWN OF CLAIMS AND LIABILITIES**

Bank of Åland Group		Jun 30, 2008				
EUR M	< 3 mo	3 - 12 mo	1 - 5 yrs	5 - 10 yrs	Over 10 yrs	Total
<b>Claims</b>						
Debt securities eligible for						
Refinancing in central banks	115	6	55	0		177
Credit institutions and central banks	214					214
The public and public sector entities	196	207	766	904	36	2,109
Other debt securities	87					87
	613	213	821	904	36	2,588
<b>Liabilities</b>						
Credit institutions and central banks	22		30			52
The public and public sector entities	1,455	107	5	0		1,567
Debt securities issued to the public	436	240	135			811
Subordinated liabilities	2	10	7	33		52
	1,915	357	177	33		2,483

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

Bank of Åland Group		Jun 30, 2007				
EUR M	< 3 mo	3 - 12 mo	1 - 5 yrs	5 - 10 yrs	Over 10 yrs	Total
<b>Claims</b>						
Debt securities eligible for						
refinancing in central banks	48	39	14	0	0	102
Credit institutions and central banks	173	0	0	0	0	173
The public and public sector entities	182	223	704	863	23	1,996
Other debt securities	4	0	0	0	0	4
	407	263	718	864	23	2,275
<b>Liabilities</b>						
Credit institutions and central banks	67	0	0	0	0	67
The public and public sector entities	1,277	90	13	1	0	1,381
Debt securities issued to the public	288	292	118	0	0	699
Subordinated liabilities	0	2	17	33	0	52
	1,632	384	148	33	0	2,198

**12. INTEREST RATE REFIXING PERIODS**

Bank of Åland Group		Jun 30, 2008				
EUR M	< 3 mo	3-6 mo	6-12 mo	1-5 yrs	> 5 yrs	Total
Assets	1,885	365	382	339	41	3,011
Liabilities	2,188	331	139	199	40	2,898
Difference between assets and liabilities	-303	33	242	140	1	114

Shows the Bank's interest rate-related assets and liabilities, including derivatives, according to the interest rate refixing date as of June 30, 2008.

Bank of Åland Group		Jun 30, 2007				
EUR M	< 3 mo	3-6 mo	6-12 mo	1-5 yrs	> 5 yrs	Total
Assets	1,159	663	441	218	34	2,515
Liabilities	1,302	623	134	236	34	2,329
Difference between assets and liabilities	-143	40	307	-18	0	186



**Review Report, Bank of Åland Plc Interim Report for January 1 – June 30, 2008****To the Board of Directors of the Bank of Åland Plc*****Introduction***

We have reviewed the consolidated summary balance sheet of the Bank of Åland Plc on June 30, 2008, the consolidated summary income statement, the summary statement showing changes in consolidated equity capital and the consolidated summary cash flow statements for the three-month period ending on the above-mentioned date, as well as the summary of essential accounting principles and other disclosures in the notes. The Board of Directors and the Managing Director and Chief Executive are responsible for preparing the Interim Report and for providing accurate and sufficient information in compliance with the prevailing laws and regulations in Finland concerning the preparation of interim reports. On the basis of the review we have performed, at the request of the Board we are issuing our statement of opinion on the Interim Report in compliance with the Finnish Securities Markets Act, Chapter 2, Section 5a, Paragraph 7.

***Scope of a review***

This review was conducted in compliance with the standard on review engagements, Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Company". A review consists of making inquiries, primarily of persons chiefly responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit, which must be conducted in accordance with generally accepted auditing standards and recommendations. On the basis of a review, it is consequently not possible for us to gain confirmation that we are obtaining information about all those significant circumstances that might be identified in an audit. We are thus not issuing an audit report.

***Statement of opinion***

On the basis of our review, to our knowledge no circumstances have emerged that would give us reason to believe that the Interim Report does not provide accurate and sufficient disclosures about the financial position of the Bank of Åland Group on June 30, 2008 and its operating results and cash flows during the three-month period ending on that date, in accordance with the prevailing laws and regulations in Finland concerning the preparation of interim reports.

Mariehamn/Helsinki, August 25, 2008

Ernst & Young Ab  
Authorised Public AccountantsLeif Hermans  
Authorised Public AccountantMarja Tikka  
Authorised Public AccountantTerhi Mäkinen  
Authorised Public Accountant