

Interim Report

For the period January – June 2009

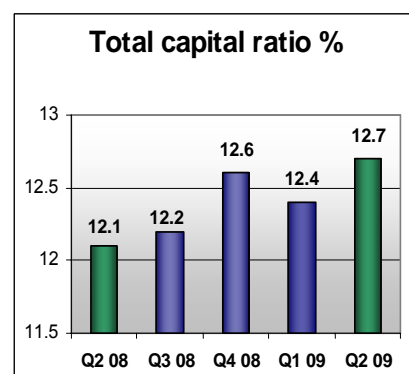
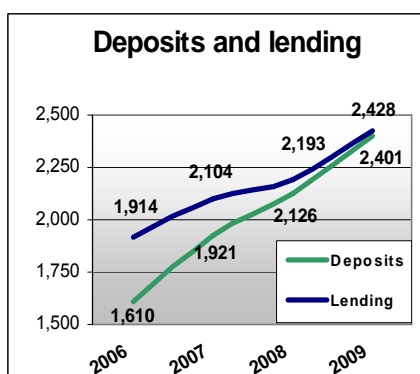
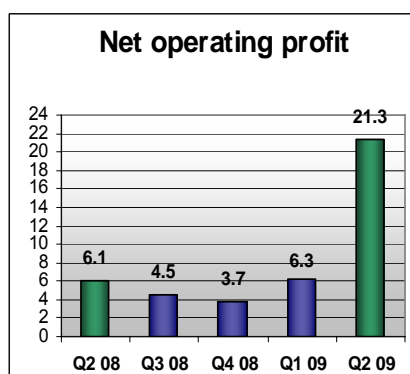
August 24, 2009

The report period in brief

- Consolidated net operating profit increased by 134 per cent to 27.6 million euros (January – June 2008: EUR 11.8 M)
- Recognition of negative goodwill from the purchase of Ålandsbanken Sverige AB improved income by EUR 22.5 M, while operational earnings at Ålandsbanken Sverige AB pulled down consolidated income by EUR 2.7 M
- Net interest income decreased by 8 per cent to EUR 19.2 M (20.9)
- Commission income increased by 28 per cent to EUR 13.0 M (10.2)
- Net income from securities transactions and foreign exchange dealing rose to EUR 3.9 M (1.0)
- Total income increased by 14 per cent to EUR 42.4 M (37.1)
- Expenses rose by 39 per cent to EUR 35.3 M (25.3)
- Loan losses amounted to EUR 2.2 M (0.2)
- Lending volume increased by 14 per cent to EUR 2,428 M (June 2008: 2,127)
- Deposits increased by 14 per cent to EUR 2,401 M (June 2008: 2,110)
- Mutual fund assets under management amounted to EUR 647 M (318)
- Return on equity after taxes (ROE) was 34.3 (13.0) per cent
- The expense/income ratio including negative goodwill was 58 (68) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.7 (12.1) per cent
- Earnings per share amounted to EUR 2.18 (0.71)

"During the period, the Group developed as planned. We look forward to introducing the Bank of Åland in Sweden and utilising our strengthened investment know-how to offer our customers more services."

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 Equities Ab, Ålandsbanken Fondbolag Ab and Ålandsbanken Sverige AB (the latter based in Sweden) 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 in compliance with International Accounting Standard (IAS) 34, "Interim Financial Reporting".

Earnings summary for the report period

Ålandsbanken Sverige AB (encompassing Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A. and based in Sweden) was consolidated in the Bank of Åland Group on June 30, 2009, and its earnings during the period April 1 – June 30, 2009 are included in the consolidated financial statements. This affects comparability with the corresponding period of last year. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, newly acquired operations" on page 9.

During January-June 2009, the consolidated net operating profit of the Bank of Åland Group increased by 134¹ per cent to EUR 27.6 M (11.8 in the corresponding period of 2008). During the report period, the Group recognised EUR 22.5 M in negative goodwill as income, due to its purchase of Kaupthing Bank Sverige AB. Net interest income was lower than in the corresponding period last year because of falling interest rates. Net income from securities transactions and foreign exchange dealing as well as other operating income were higher than last year.

Income (excluding negative goodwill) increased by 14 per cent to EUR 42.4 M (37.1), while expenses rose by 39 per cent to EUR 35.3 M (25.3). Return on equity after taxes (ROE) increased to 34.3 (13.0) percent, and earnings per share to EUR 2.18 (0.71).

Net interest income

During the report period, consolidated net interest income decreased by 8 per cent to EUR 19.2 M (20.9) due to lower interest rates, despite a higher volume of deposits and lending. During the period, margins on lending showed a continued positive trend. Ålandsbanken Sverige AB had net interest income of EUR 1.1 M. Lending volume rose by 14 per cent to EUR 2,428 M (2,127), while deposit volume increased by 14 per cent to EUR 2,401 M (2,110).

Other income

Commission income rose by 28 per cent to EUR 13.0 M (10.2). Income from securities, mutual fund and asset management commissions rose during the report period. Commission income at Ålandsbanken Sverige AB amounted to EUR 3.3 M.

Net income from securities trading for the Bank's own account was EUR 2.9 M (0.5). Valuation and realisation of value increases in interest rate hedging derivatives (the Bank of Åland does not apply hedge accounting) resulted in a positive nonrecurring effect of EUR 2.4 M during the first quarter. Net income from dealing in the foreign exchange market increased to EUR 1.1 M (0.5). Net income from financial assets available for sale was EUR 0.1 M (0.1), and net income from investment properties was EUR 0.2 M (0.2). Other operating income increased to EUR 7.3 M (5.7) as a consequence of higher income from the sale and development of information technology (IT) systems.

During the report period, the Bank of Åland Plc bought Kaupthing Bank Sverige AB in Sweden, now Ålandsbanken Sverige AB (encompassing Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Management Company S.A.). The acquisition analysis showed that the net assets acquired after restructuring expenses amounted to EUR 57.2 M and the cost of the shares, including the purchase price and acquisition-related expenses, amounted to EUR 34.7 M. Negative goodwill of EUR 22.5 M was recognised as income in the Bank of Åland Group financial statements during the second quarter. For detailed information about the acquisition analysis, see Note 4 under "Notes to the consolidated interim report" on page 12.

The Group's total income including negative goodwill increased by 75 per cent to EUR 64.9 M (37.1).

Expenses

Staff costs rose by 40 per cent to EUR 20.0 M (14.2) as a consequence of the acquisition of Ålandsbanken Sverige AB plus salary hikes as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB amounted to EUR 4.4 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach affected staff costs in the amount of EUR 0.0 M (-0.1).

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

Other administrative expenses (office, marketing, communications and IT) increased to EUR 7.5 M (5.5). Production for own use totalled EUR -0.3 M (-0.2) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 3.2 M (2.8). Other operating expenses amounted to EUR 5.1 M (3.0).

The Group's total expenses rose by 39 per cent to EUR 35.3 M (25.3).

Impairment losses on loans and other commitments

Loan losses amounted to EUR 2.2 M (0.2). Of these, EUR 0.7 M were individually targeted impairment losses and EUR 1.5 M a group impairment loss targeted to the real estate industry.

Second quarter of 2009

Compared to the second quarter of 2008, the Group's net operating profit rose by 248 per cent to EUR 21.3 M (Q II 2008: 6.1).

Income

Total income (excluding negative goodwill) increased by 16 per cent to EUR 22.1 M (19.0). Lower interest rates led to in a decrease in net interest income of 6 per cent to EUR 10.1 M (10.7), despite higher deposit and lending volume.

Commission income improved, amounting to EUR 8.1 M (5.1). Commission income on securities and asset management improved during the period. Net income from securities trading and foreign exchange operations increased to EUR 0.8 M (0.4). Other operating income increased to EUR 3.9 M (3.1) as a consequence of higher income from IT operations.

Expenses

Total expenses increased by 68 per cent to EUR 21.5 M (12.8). During the quarter, staff costs amounted to EUR 12.3 M (7.1). The number of employees in the Group increased as a consequence of the purchase of Ålandsbanken Sverige AB, while salary hikes were implemented as provided by collective agreements. Other administrative expenses increased to EUR 4.6 M (2.9) during the second quarter, primarily because of higher external computer expenses. Due to increased property expenses and rents, other operating expenses rose to EUR 3.0 M (1.6).

Balance sheet total and off-balance sheet obligations

At the end of the report period, the Group's balance sheet total was EUR 3,152 M (2,768). During the period, the Group issued debenture loans 1/2009 and 2/2009 in the amount of EUR 34 M. With the permission of the Finnish Financial Supervisory Authority and in compliance with the terms of the loan, the Group carried out an early redemption of debenture loan 2/2004, which it had issued in June 2004. Off-balance sheet obligations rose to EUR 298 M (176).

Personnel

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 582 (499) during January – June 2009. This represented an increase by 83 positions compared to the year-earlier period. The increase was due to the acquisition of Ålandsbanken Sverige AB. The number of employees at Ålandsbanken Sverige AB on June 30, 2009 was 174.

Bank of Åland Group	Jun 30 2009	Jun 30 2008
Bank of Åland Plc (Ålandsbanken Abp)	308	328
Ab Compass Card Oy Ltd	5	6
Crosskey Banking Solutions Ab Ltd	152	137
Ålandsbanken Asset Management Ab	18	14
Ålandsbanken Fondbolag Ab	6	6
Ålandsbanken Equities Ab	6	0
Ålandsbanken Sverige AB	87	0
Ålandsbanken Veranta Ab	0	8
Total number of full-time equivalent positions, recalculated from hours worked	582	499

Expense/income ratio

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

Bank of Åland Group	Jun 30 2009	Jun 30 2008
Including negative goodwill		
Including loan losses	0.58	0.68
Excluding loan losses	0.54	0.68
Excluding negative goodwill		
Including loan losses	0.88	0.68
Excluding loan losses	0.83	0.68

Capital adequacy

The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. The Group's total capital ratio at the end of June 2009 was 12.7 per cent. The capital requirement for credit risks has been calculated according to the standardised approach, and the capital requirement for operational risks according to the basic indicator approach in the Basel 2 regulations.

Capital adequacy

Bank of Åland Group	Jun 30 2009	Jun 30 2008	Dec 31 2008
Capital base, EUR M euro			
Core capital ¹	125.9	104.0	112.4
Supplementary capital	70.0	50.0	53.4
Total capital base	195.9	154.0	165.7
Capital requirements for credit risks	108.3	92.6	95.9
Capital requirement for operational risks	14.6	9.3	9.3
Capital requirement for market risks	0.5	0.0	0.0
Total capital requirement	123.4	101.9	105.1
Total capital ratio, %	12.7	12.1	12.6
Core capital ratio, %	8.2	8.2	8.6

¹ Profit for the period minus estimated dividends paid.

Deposits

Deposits from the public, including bonds and certificates of deposit issued, continued to increase during January – June 2009. On June 30, 2009, deposits totalled EUR 2,401 M (2,110), an increase of 14 per cent, of which EUR 261 M consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 18 per cent to EUR 2,027 M (1,720). Bonds and certificates of deposit issued to the public decreased by 4 per cent to EUR 374 M (390).

Lending

During the 12 months to June 30, 2009, the volume of lending to the public increased by 14 per cent to EUR 2,428 M (2,127). The volume of lending at Ålandsbanken Sverige AB was EUR 158 M. Lending to households increased by 12 per cent to EUR 1,648 M (1,474). Households accounted for 68 (69) per cent of the Group's total lending volume. Lending to companies rose by 20 per cent to EUR 756 M (628).

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 its start-up phase and did not have operating income during the report period. 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 to financial market players in Northern Europe, focusing on comprehensive solutions and efficient banking processes. Among Crosskey's current customers are DnB NOR, S-Bank, Tapiola Bank, the Bank of Åland, eQ Bank and Ålands Penningautomatförening. The earnings trend was good in the first half, and company earnings were above budget. Crosskey currently has 174 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 company currently has about 500 customers and EUR 800 M in managed assets. Earnings in the first six months of 2009 were lower than in the same period of last year, but full-year earnings are expected to exceed 2008 earnings.

Ålandsbanken Equities Ab

Ålandsbanken Equities Ab is a subsidiary of the Bank of Åland Plc. The company offers equity analysis and stock brokerage services to institutional investors. The company has an office in Helsinki. In July, the subsidiary Ålandsbanken Equities Research Ab was established; it will take charge of equity analysis.

Ålandsbanken Fondbolag Ab

Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The company carries out mutual fund (unit trust) operations and at present manages 11 mutual funds, which are registered in Finland. Its strategy is to ensure that its mutual funds are competitive and tailored to the investment needs of Bank of Åland customers. The performance of its mutual fund assets in the first half of 2009 was divided. From January to March, managed assets shrank due to a negative trend for both the equity and fixed income investments of the funds, as well as some net outflow of assets. In April to June, a strong recovery occurred in both the equities and fixed income markets. Prices rose rapidly. Combined with a return influx of investors with assets, the outcome was that total managed assets in the Bank of Åland's mutual funds rose by 6.9 per cent to EUR 251.9 M (from EUR 235.7 M on Dec. 31, 2008). During the first half of 2009, the total number of unit holders also increased by 9.4 per cent to 15,421 (from 14,097 on Dec. 31, 2008).

Ålandsbanken Sverige AB

Ålandsbanken Sverige AB is a wholly-owned subsidiary of the Bank of Åland Plc. The company has operations in private banking, asset management, stock brokerage and institutional equities trading. Ålandsbanken Sverige AB has EUR 261 M in deposits from the public, EUR 158 M in lending volume and EUR 396 M in managed mutual fund assets. Ålandsbanken Sverige AB currently has 174 employees and offices in Stockholm, Gothenburg and Malmö, Sweden.

Important events after the close of the report period

Ålandsbanken Equities Research Ab was established as a subsidiary of Ålandsbanken Equities Ab.

Outlook for 2009

Two thousand nine will be very challenging for all financial market players. The Bank of Åland expects its operating earnings in Finland to fall as a consequence of further weakening of net interest income, due to very low interest rates and continued low activity in capital markets.

The acquisition of Kaupthing Bank Sverige AB will have a significant positive nonrecurring effect on the Group's earnings during the year. Operational activities in Sweden will pull down 2009 earnings, however. Overall, we expect consolidated earnings to be substantially better than in 2008.

It should again be emphasised that great uncertainty prevails in the global financial system. Combined with the acquisition of Kaupthing Bank Sverige, this means that the outlook for the future is burdened with greater uncertainty than normal.

The Group's assessment of the outlook for 2009 is based on its assumptions about future developments in the fixed income and financial markets. However, general interest rates, the demand for lending, the trend of the capital and financial markets and the competitive situation, as well as the general economic situation, are factors that the Group cannot influence.

Financial information in 2009

Interim reports will be published as follows in 2009
January-September 2009 Monday, October 26, 2009

Mariehamn, August 21, 2009
THE BOARD OF DIRECTORS

FINANCIAL RATIOS ETC.

Bank of Åland Group	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Earnings per share before dilution, EUR ¹	2.18	0.71	1.22
Earnings per share after dilution, EUR ²	2.18	0.71	1.22
Market price per share, end of period, EUR			
Series A	28.50	29.50	26.60
Series B	22.00	25.00	17.24
Equity capital per share, EUR ³	13.63	11.18	11.87
Return on equity after taxes, % (ROE) ⁴	34.3	13.0	10.7
Return on total assets, % (ROA) ⁵	1.7	0.6	0.5
Equity/assets ratio, % ⁶	5.0	4.7	5.0
Total lending volume, EUR M	2,428	2,127	2,193
Total deposits from the public, EUR M	2,401	2,110	2,126
Equity capital, EUR M	158	130	138
Balance sheet total, EUR M	3,152	2,768	2,770
Expense/income ratio			
Including loan losses	0.88	0.68	0.73
Excluding loan losses	0.83	0.68	0.70

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

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

³ Equity capital – minority share of 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 STATEMENT OF FINANCIAL POSITION

Bank of Åland Group EUR M	Jun 30 2009	Jun 30 2008	Dec 31 2008
ASSETS			
Cash	87	60	79
Debt securities eligible for refinancing with central banks	144	131	146
Claims on credit institutions	198	202	123
Claims on the public and public sector entities	2,428	2,127	2,193
Debt securities	126	131	131
Shares and participations	23	3	3
Shares and participations in associated companies	1	2	1
Derivative instruments	17	22	15
Intangible assets	5	6	5
Tangible assets	36	29	36
Other assets	57	31	11
Accrued income and prepayments	27	24	25
Deferred tax assets	2	1	1
TOTAL ASSETS	3,152	2,768	2,770
LIABILITIES			
Liabilities to credit institutions	119	82	71
Liabilities to the public and public sector entities	2,028	1,722	1,758
Debt securities issued to the public	661	683	665
Derivative instruments	9	4	6
Other liabilities	62	53	41
Accrued expenses and prepaid income	37	25	18
Subordinated liabilities	59	52	53
Deferred tax liabilities	20	16	19
TOTAL LIABILITIES	2,994	2,637	2,631
EQUITY CAPITAL AND MINORITY INTERESTS			
Share capital	23	23	23
Share premium account	33	33	33
Reserve fund	25	25	25
Fair value reserve	3	0	2
Retained earnings	73	48	54
Equity capital attributable to the owners of the parent	157	129	137
Equity capital attributable to minority interests	1	1	2
TOTAL EQUITY CAPITAL	158	130	138
TOTAL LIABILITIES AND EQUITY CAPITAL	3,152	2,768	2,770

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

Bank of Åland Group EUR M	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Net interest income	19.2	20.9	42.1
Income from equity investments	0.0	0.0	0.0
Commission income	13.0	10.2	18.6
Commission expenses	-1.4	-1.1	-2.2
Net income from securities transactions and foreign exchange dealing	3.9	1.0	3.3
Net income from financial assets available for sale	0.1	0.1	-0.1
Net income from investment properties	0.2	0.2	0.1
Other operating income	7.3	5.7	12.4
Total income	42.4	37.1	74.2
Staff costs	-20.0	-14.2	-28.3
Other administrative expenses	-7.5	-5.5	-11.0
Production for own use	0.3	0.2	0.5
Depreciation/amortisation	-3.2	-2.8	-5.9
Other operating expenses	-5.1	-3.0	-7.4
Total expenses	-35.3	-25.3	-52.1
Impairment losses on loans and other commitments	-2.2	-0.2	-2.3
Share of profit/loss in associated companies	0.2	0.2	0.2
Negative goodwill	22.5	0.0	
Net operating profit	27.6	11.8	20.0
Income taxes	-2.2	-3.1	-5.4
Profit for the period	25.4	8.6	14.6
Other comprehensive income			
Assets available for sale	0.4	-1.1	1.8
Valuation differences	0.7	0.0	2.8
Income tax on other comprehensive income	-0.1	0.3	-0.5
Total comprehensive income for the period	26.4	7.8	15.9
Profit for the period attributable to owners of the parent	25.1	8.2	14.0
Profit for the period attributable to minority interests	0.3	0.5	0.6
Total	25.4	8.6	14.6
Total comprehensive income for the period attributable to owners of the parent	26.1	7.4	15.3
Total comprehensive income for the period attributable to minority interests	0.3	0.4	0.6
Total	26.4	7.8	15.9
Earnings per share			
Earnings per share before dilution, EUR ¹	2.18	0.71	1.22
Earnings per share after dilution, EUR ²	2.18	0.71	1.22

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

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

QUARTERLY DATA, EARNINGS

Bank of Åland Group	Q II	Q I	Q IV	Q III	Q II
EUR M	2009	2009	2008	2008	2008
Net interest income	10.1	9.1	10.7	10.5	10.7
Income from equity investments	0.0	0.0	0.0	0.0	0.0
Commission income	8.1	5.0	4.6	3.8	5.1
Commission expenses	-0.9	-0.5	-0.6	-0.5	-0.6
Net income from securities transactions and foreign exchange dealing	0.8	3.1	2.4	-0.1	0.4
Net income from financial assets available for sale	0.1	0.0	-0.3	0.0	0.1
Net income from investment properties	0.0	0.2	0.0	0.0	0.1
Other operating income	3.9	3.4	3.4	3.2	3.1
Total income	22.1	20.4	20.3	16.9	19.0
Staff costs	-12.3	-7.6	-7.4	-6.8	-7.1
Other administrative expenses	-4.6	-2.9	-3.1	-2.3	-2.9
Production for own use	0.2	0.2	0.2	0.1	0.1
Depreciation/amortisation	-1.7	-1.4	-1.5	-1.6	-1.3
Other operating expenses	-3.0	-2.0	-2.9	-1.5	-1.6
Total expenses	-21.5	-13.8	-14.6	-12.2	-12.8
Impairment losses on loans and other commitments	-1.8	-0.4	-1.9	-0.2	-0.2
Share of profit/loss in associated companies	0.1	0.1	-0.1	0.0	0.1
Negative goodwill	22.5	0.0	0.0	0.0	0.0
Net operating profit	21.3	6.3	3.7	4.5	6.1

EARNINGS, NEWLY ACQUIRED OPERATIONS

Bank of Åland Group	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Jun
EUR M	2009	2009	2009	2008
	Sweden	Finland	Total	Total
Net interest income	1.1	18.1	19.2	20.9
Income from equity investments	0.0	0.0	0.0	0.0
Commission income	3.3	9.7	13.0	10.2
Commission expenses	-0.4	-1.1	-1.4	-1.1
Net income from securities transactions and foreign exchange dealing	0.3	3.6	3.9	1.0
Net income from financial assets available for sale	0.0	0.1	0.1	0.1
Net income from investment properties	0.0	0.2	0.2	0.2
Other operating income	0.8	6.5	7.3	5.7
Total income	5.1	37.3	42.4	37.1
Staff costs	-4.4	-15.5	-20.0	-14.2
Other administrative expenses	-2.0	-5.5	-7.5	-5.5
Production for own use	0.0	0.3	0.3	0.2
Depreciation/amortisation	-0.2	-2.9	-3.2	-2.8
Other operating expenses	-1.0	-4.1	-5.1	-3.0
Total expenses	-7.6	-27.7	-35.3	-25.3
Impairment losses on loans and other commitments	-0.3	-1.9	-2.2	-0.2
Share of profit/loss in associated companies	0.0	0.2	0.2	0.2
Negative goodwill	0.0	22.5	22.5	0.0
Net operating profit	-2.7	30.4	27.6	11.8

SUMMARY CASH FLOW STATEMENT

Bank of Åland Group EUR M	Jan-Jun 2009		Jan-Jun 2008	
Cash flow from operating activities				
Net operating profit	27.6		11.8	
Adjustment for net operating profit items not affecting cash flow	7.3		4.0	
Gains/losses from investing activities	-0.3		-0.1	
Income taxes paid	-2.0		-1.2	
Changes in assets and liabilities in operating activities	-87.7	-55.4	115.2	129.7
Cash flow from investing activities ¹		28.9		-5.5
Cash flow from financing activities		-14.4		-31.3
Change in cash and cash equivalents		-40.9		92.9
Cash and cash equivalents, January 1		323.5		255.0
Cash and cash equivalents, June 30		282.6		347.9

¹ Disbursed for the purchase of Kaupthing Bank Sverige AB, EUR 38.9 M. Cash and cash equivalents in Kaupthing Bank Sverige AB amounted to EUR 63.5 M.

STATEMENT OF CHANGES IN EQUITY

Bank of Åland Group EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	Retained earnings	Total before minority interests	Minority interests	Total
Equity capital, Dec 31, 2007	23.3	33.3	25.1	0.4	0.0	51.1	133.1	1.8	135.0
Comprehensive income for the period				-0.8		8.2	7.4	0.5	7.8
Dividend paid						-11.5	-11.5	-1.0	-12.5
Equity capital, Jun 30, 2008	23.3	33.3	25.1	-0.5	0.0	47.7	128.9	1.3	130.3
Comprehensive income for the period				2.2		5.8	8.0	0.2	8.2
Dividend paid						0.0	0.0	0.0	0.0
Other changes in equity capital attributable to minority interests							0.0	0.1	0.1
Equity capital, Dec 31, 2008	23.3	33.3	25.1	1.7	0.0	53.6	137.0	1.6	138.6
Comprehensive income for the period				0.3	0.7	25.1	26.1	0.3	26.4
Dividend paid						-5.8	-5.8	-0.9	-6.7
Equity capital, June 30, 2009	23.3	33.3	25.1	2.0	0.7	72.9	157.3	1.0	158.3

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 27 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 shares of the Bank of Åland Plc are traded on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange).

The Interim Report for the financial period January 1-June 30, 2009 was approved by the Board of Directors on August 21, 2009.

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

This Interim Report for the period January 1-June 30, 2009 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as in compliance 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, 2008.

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, 2008, 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.

Subsidiaries outside Finland

In the consolidated financial statements, the income statements and cash flow statements of subsidiaries outside Finland have been translated to euros according to the average exchange rates for the report period. The translation of balance sheet items to euros is performed using the exchange rates on the balance sheet date. The translation differences that arise are recognised in the equity capital of the Group.

*New accounting standards and norms in effect starting in 2009:***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 is presenting its financial statements in compliance with the revised IAS 1 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 is presenting its financial statements in compliance with IFRS 8 for the financial period that begins on January 1, 2009.

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 and 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 the estimates.

4. BUSINESS COMBINATIONS

During the report period, the Bank of Åland Group made the following acquisitions of companies, which are reported in compliance with IFRS 3, "Business Combinations".

Names of companies EUR M	Sector	Date of acquisition	Share of equity capital	Cost
Kaupthing Bank Sverige AB	Asset manager	March 27, 2009	100%	
Kaupthing Fonder AB	Mutual fund manager	March 27, 2009	100%	
Alpha Management Company S.A.	Mutual fund manager	March 27, 2009	100%	
Kaupthing Bank Sverige				34.7

Allocation of cost

EUR M	Kaupthing Bank Sverige
Cash	35.2
Direct acquisition-related expenses	3.7
Purchase price settlement	-4.2
	34.7

Net assets acquired

EUR M	Kaupthing Bank Sverige	
	Fair value	Carrying amount
Claims on credit institutions	84.9	84.9
Claims on the public	208.4	208.9
Shares and participations	24.6	24.6
Other assets	42.2	42.2
Liabilities	303.0	303.0
Net assets acquired	57.2	
Negative goodwill	22.5	

Ålandsbanken Sverige AB earned income of EUR -2.7 M after being acquired. The negative goodwill that arose was reported as income in the Bank of Åland Group's income statement on the line "Negative goodwill". The Bank of Åland was contacted in 2008 concerning the purchase of Kaupthing Bank Sverige AB. As a result of the situation surrounding the purchase, negative goodwill arose at the Bank of Åland. During Q2, a more exact acquisition analysis has been completed, primarily concerning the need for the provisions that have been made. Settlement is being negotiated and may be adjusted. If Ålandsbanken Sverige AB had been part of the Bank of Åland Group from January 1, 2009, the Group's Earnings would have been EUR 5.1 M lower.

Restructuring reserve

Bank of Åland Group EUR M	Mar 31 2009	Utilised	Withdrawn	Jun 30 2009
Staff costs	6.2	-1.5	0.0	4.6
Rent for premises	2.7	-0.4	-0.7	1.7
IT	0.7	-0.1	0.0	0.7
Total	9.7	-2.0	-0.7	7.0

Goodwill

EUR	2009	2008
Opening balance		
Gross	1,372,988	1,405,260
	1,372,988	1,405,260
Goodwill recognised during the report period	0	34,373
Impairment	0	-66,645
Closing balance	1,372,988	1,372,988

5. OPERATING SEGMENTS

The Bank of Åland Group reports operating segments in compliance with IFRS 8, which means that operating segments reflect the information that the Group's Executive Team receives. The Finland segment includes the Bank of Åland Plc, Ab Compass Card Oy Ltd, Ålandsbanken Asset Management Ab, Ålandsbanken Equities Ab, Ålandsbanken Fondbolag Ab and Veranta Ab. The Sweden segment includes Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A. In each operating segment, "Other staff costs" are recognised as staff costs while in the external financial statements they are recognised as "Other administrative expenses" and IT depreciation/amortisation is recognised as "Other expenses" while in the external financial statements they are recognised as "Depreciation/amortisation".

Bank of Åland Group EUR M	Jan-Jun 2009				Total
	Finland	Sweden	Crosskey	Eliminations	
Deposits, lending and portfolio management	19.3	0.5	0.0	0.0	19.7
Of which impairment losses, loans	-1.9	-0.3	0.0	0.0	-2.2
Capital market products/services	7.3	3.0	0.0	0.0	10.3
Other income	2.8	1.4	12.8	-6.6	10.3
Staff costs	-10.5	-4.7	-5.6	0.0	-20.8
Other expenses	-8.9	-2.7	-4.9	4.8	-11.7
Depreciation/amortisation	-2.5	-0.2	-0.4	0.4	-2.8
Negative goodwill	22.5	0.0	0.0	0.0	22.5
NET OPERATING PROFIT	30.0	-2.7	1.8	-1.5	27.6
Assets	2,812.9	374.6	12.3	-47.3	3,152.4
Liabilities	2,673.8	319.0	7.3	-6.0	2,994.1
Equity capital	139.1	55.6	5.0	-41.4	158.3

6. INCOME TAXES

Bank of Åland Group EUR M	Jun 30 2009	Jun 30 2008
Taxes for the report period and earlier report periods	2.5	3.3
Change in deferred tax assets and liabilities	-0.3	-0.2
Income taxes	2.2	3.1

7. DIVIDEND

Bank of Åland Group EUR	2008	2007
Final dividend for 2008: EUR 0.50 per share	5,768,061	
Final dividend for 2007: EUR 1.00 per share		11,536,122

The dividend for 2008 was adopted by the Annual General Meeting on March 26, 2009. The record date was March 31 and the distribution date was April 7.

**8. DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR,
Including bonds and certificates of deposit issued**

Bank of Åland Group	Jun 30	Jun 30	Dec 31
EUR M	2009	2008	2008
Deposit accounts from the public and public sector			
Demand deposit accounts	333	170	127
Current accounts	319	238	233
Environmental and Savings Accounts	81	77	73
Prime Accounts	784	518	652
Time deposits	417	642	578
<i>Total deposit accounts in euros</i>	1,933	1,644	1,661
Deposit accounts in other currencies	94	76	95
Total deposit accounts	2,027	1,720	1,757
Bonds and subordinated debentures*	224	221	224
Certificates of deposit issued to the public*	150	168	145
Total bonds and certificates of deposit	374	390	369
Total deposits	2,401	2,110	2,126

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

9. LENDING TO THE PUBLIC AND PUBLIC SECTOR BY PURPOSE

Bank of Åland Group	Jun 30	Jun 30	Dec 31
EUR M	2009	2008	2008
COMPANIES			
Shipping	84	85	79
Wholesale and retail trade	63	58	59
Housing operations	67	64	64
Other real estate operations	163	112	113
Financial and insurance operations	182	162	190
Hotel and restaurant operations	16	15	14
Other service operations	95	74	79
Agriculture, forestry and fishing	9	6	7
Construction	32	22	23
Other industry and crafts	44	30	31
	756	628	661
PRIVATE INDIVIDUALS			
Home loans	1,099	1,054	1,083
Securities and other investments	277	246	249
Business operations	185	91	92
Other household purposes	88	83	84
	1,648	1,474	1,508
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS			
	24	25	25
TOTAL LENDING	2,428	2,127	2,193

10. OFF-BALANCE SHEET COMMITMENTS

Bank of Åland Group	Jun 30	Jun 30	Dec 31
EUR M	2009	2008	2008
Guarantees and pledges	39	18	16
Other commitments	259	158	149
	298	176	165

11. DERIVATIVE CONTRACTS

Bank of Åland Group	Jun 30, 2009		Jun 30, 2008	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
<i>Value of underlying property</i>				
Interest rate derivatives				
Swap contracts	553	7	333	7
Option contracts				
Purchased	68	25	0	0
Exercised	25	68	0	0
Currency derivatives				
Forward contracts	23	8	32	23
Interest rate and currency swap contracts	0	5	0	0
Equity derivatives				
Option contracts				
Purchased	148	6	171	0
	817	118	536	30
Equivalent credit value of the contract				
Interest rate derivatives	9		8	
Currency derivatives	1		1	
Equity derivatives	18		28	
	28		38	

The equity derivatives that were purchased mainly hedge option structures that are embedded in bonds issued to the public.

12. MATURITY BREAKDOWN OF CLAIMS AND LIABILITIES

Bank of Åland Group	Jun 30, 2009				
	< 3 mo	3 - 12 mo	1 - 5 yrs	5 - yrs	Total
EUR M					
Claims					
Debt securities eligible for refinancing in central banks					
	1	1	143	0	144
Credit institutions and central banks					
	275	0	0	0	275
The public and public sector entities					
	322	272	959	875	2,428
Other debt securities					
	57	39	30	0	126
	655	312	1,132	875	2,973
Liabilities					
Credit institutions and central banks					
	47	52	20	0	119
The public and public sector entities					
	1,892	121	15	0	2,028
Debt securities issued to the public					
	89	295	277	0	661
Subordinated liabilities					
	0	15	44	0	59
	2,029	482	35	0	2,866

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

13. INTEREST RATE REFIXING PERIODS

Bank of Åland Group		Jun 30, 2009					
EUR M	< 3 mo	3-6 mo	6-12 mo	1-5 yrs	> 5 yrs	Total	
Assets	2,347	370	275	529	56	3,578	
Liabilities	2,464	531	114	383	50	3,543	
Difference between assets and liabilities	-117	-161	161	146	6	34	

Shows the Bank's interest-rate related assets and liabilities, including derivatives, according to the interest rate refixing date as of June 30, 2009. Volume that falls due for new interest rate refixing in each respective time interval.

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	

Review Report, Bank of Åland Plc Interim Report for January 1 – June 30, 2009**To the Board of Directors of the Bank of Åland Plc*****Introduction***

We have reviewed the consolidated summary statement of financial position of the Bank of Åland Plc on June 30, 2009, the consolidated summary statement of comprehensive income, the summary statement showing changes in consolidated equity capital and the consolidated summary cash flow statements for the six-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 are responsible for preparing the Interim Report and for providing accurate and sufficient information in compliance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as well as in compliance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports. Based on the review we have performed, 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. 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, 2009 and its operating results and cash flows during the six-month period ending on that date, in compliance with IFRSs as adopted by the EU and in compliance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports.

Mariehamn/Helsinki. August 21, 2009

Leif Hermans
Authorised Public AccountantTerhi Mäkinen
Authorised Public AccountantBengt Nyholm
Authorised Public Accountant