

Interim Report

For the period January – June 2010 • August 2, 2010, 9 am



The report period in brief

Ålandsbanken Sverige AB was consolidated for the first time on March 31, 2009, which means that the company's balance sheet was included in the Bank of Åland Group, while its earnings for Q1 2009 were not. During Q2 2009, the Bank of Åland Group recognised EUR 23.1 M in negative goodwill as income. Consolidated earnings and financial ratios for the first half of 2010 are thus not comparable to the corresponding data for the first half of 2009.

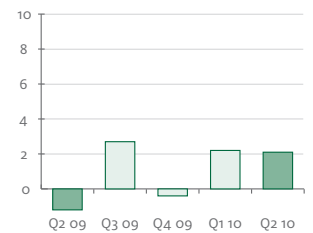
- Consolidated net operating profit excluding negative goodwill decreased by 17 per cent to 4.2 million euros (January–June 2009: EUR 5.1 M).
- Net interest income increased by 4 per cent to EUR 19.9 M (19.2)
- Commission income increased by 58 per cent to EUR 20.6 M (13.0)
- Total income increased by 15 per cent to EUR 48.9 M (42.4)
- Expenses rose by 27 per cent to EUR 44.7 M (35.3)
- Impairment losses on loans amounted to EUR 0.1 M (2.2)
- Lending volume increased by 5 per cent to EUR 2,549 M (June 2009: 2,428)
- Deposits increased by 4 per cent to EUR 2,492 M (June 2009: 2,401)
- Managed assets increased by 51 per cent to EUR 3,585 M (2,377)
- Earnings per share amounted to EUR 0.17 (2.23)
- The total capital ratio in compliance with Basel 2 amounted to 12.4 per cent (12.7)
- Compared to the second quarter of 2009, consolidated net operating profit (excluding negative goodwill) amounted to EUR 2.1 M (April-June 2009: -1.2)
- Taking into consideration that the Group's earnings in 2009 included a sizeable non-recurring income item, earnings in 2010 are expected to be substantially lower than in 2009
- The Group's operational earnings, excluding non-recurring income, are expected to be at least at the same level as in 2009

"We expect to begin seeing results from our efficiency-improvement measures during the second half of 2010."

Peter Wiklöf, Managing Director

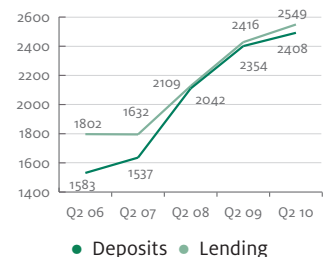
Net operating profit

EUR M

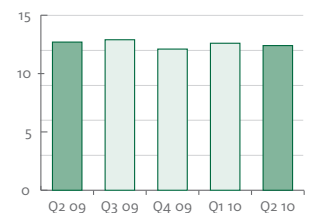


Deposits and lending

EUR M

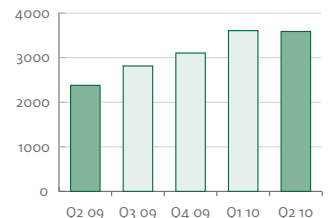


Capital adequacy %



Assets under management

EUR M



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has strong financial investment expertise and at the same time can offer good financing services. The commercial bank was founded in 1919 and has been listed on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has 17 offices in the Åland Islands and eight offices elsewhere in Finland. Its subsidiary Ålandsbanken Sverige AB has three offices in Sweden. A total of 10 subsidiaries, whose operations are connected in various ways to banking, belong to 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

The consolidated earnings of the Bank of Åland Group during the first half of 2010 were characterised by a clear improvement in income from asset management and private banking operations, while low market interest rates and depressed deposit margins continued to pull down net interest income in traditional banking operations. The Bank of Åland Group's managed assets showed very good growth, while lending and deposit volume increased moderately. Crosskey Banking Solutions Ab Ltd's operations expanded during the period, contributing to higher "Other operating income". During the period, the operations of Ålandsbanken Sverige AB were loss-making, even though managed assets showed positive growth.

During January-June 2010, the consolidated net operating profit of the Bank of Åland Group decreased by 17* per cent to EUR 4.2 M (Jan-Jun 2009: 5.1). During the second quarter of 2009, the Group recognised negative goodwill of EUR 23.1 M as income, due to its purchase of Kaupthing Bank Sverige AB.

Income excluding negative goodwill increased by 15 per cent to EUR 48.9 M (42.4), while expenses rose by 27 per cent to EUR 44.7 M (35.3). Return on equity after taxes (ROE) decreased to 3.0 (35.0) per cent, and earnings per share to EUR 0.17 (2.23).

The loss at Ålandsbanken Sverige AB during the report period totalled EUR 5.9 M. The subsidiary group Ålandsbanken Sverige AB was consolidated in the Bank of Åland Group for the first time on March 31, 2009. This meant that the company was included in the statement of financial position, while earnings for the first half of 2009 did not include effects generated in Ålandsbanken Sverige AB during the first quarter of 2009. This affects comparability between the periods. 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.

NET INTEREST INCOME

During the report period, consolidated net interest income increased by 4 per cent to EUR 19.9 M (19.2). Ålandsbanken Sverige AB had net interest income of EUR 4.1 M. Rising margins and higher lending volume had a positive impact, while shrinking deposit margins and higher refinancing costs depressed the Group's net interest income. Lending volume rose by 5 per cent to EUR 2,549 M (2,428). Deposit volume increased by 4 per cent to EUR 2,492 M (2,401).

OTHER INCOME

Commission income rose by 58 per cent to EUR 20.6 M (13.0). The Group's focus on private banking and the good stock market trend increased income from securities and mutual funds as well as asset

management. Commission income at Ålandsbanken Sverige AB amounted to EUR 8.0 M (3.3).

Net income from securities trading for the Bank's own account was EUR 0.2 M (2.9). Net income from dealing in the foreign exchange market decreased to EUR 0.9 M (1.1). Net income from financial assets available for sale was EUR 0.9 M (0.1), and net income from investment properties increased to 0.6 M (0.2). Other operating income increased to EUR 9.0 M (7.3) as a consequence of higher income from the sale and development of information technology (IT) systems.

The Group's total income, excluding negative goodwill, increased by 15 per cent to EUR 48.9 M (42.4).

EXPENSES

Staff costs rose by 32 per cent to EUR 26.4 M (20.0) as a consequence of the acquisition of Ålandsbanken Sverige AB, employee recruitments at Crosskey Banking Solutions Ab Ltd plus salary hikes as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB amounted to EUR 9.2 M (4.4). Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach reduced staff costs by EUR 0.2 M (0.0).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 8.8 M (7.5). Production for own use totalled EUR 2.2 M (0.3) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 3.6 M (3.2). Other operating expenses amounted to EUR 8.1 M (5.1), of which EUR 3.8 M arose at Ålandsbanken Sverige AB.

The Group's total expenses rose by 27 per cent to EUR 44.7 M (35.3).

IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS

Impairment losses on loans amounted to EUR 0.1 M (0.2). All of these were individually targeted impairment losses.

SECOND QUARTER OF 2010

Compared to the second quarter of 2009, the Group's net operating profit (excluding negative goodwill) rose to EUR 2.1 M (Q2 2009: -1.2). Including negative goodwill, net operating profit in the second quarter of 2009 was EUR 22.0 M.

Income

Total income (excluding negative goodwill) increased by 15 per cent to EUR 25.4 M (22.1). Net interest income rose by 1 per cent to EUR 10.2 M (10.1), due to higher deposit and lending volume.

Commission income improved, amounting to EUR 11.5 M (8.1). Commission income on mutual funds, securities and asset management improved during the period. Net income from securities trading and foreign exchange operations decreased to EUR -0.9 M (0.8). Other operating income increased to EUR 4.8 M (3.9) as a consequence of higher income from IT operations.

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

Expenses

Total expenses increased by 9 per cent to EUR 23.4 M (21.5). During the quarter, staff costs amounted to EUR 13.6 M (12.3). Other administrative expenses increased to EUR 4.9 M (4.6) during the second quarter, primarily because of higher external computer expenses. Due to increased property rents, other operating expenses rose to EUR 4.4 M (3.0).

DEPOSITS

Deposits from the public, including bonds and certificates of deposit issued, increased by 4 per cent to EUR 2,492 M (2,401), of which EUR 382 M (261) consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 3 per cent to EUR 2,080 M (2,027). Bonds and certificates of deposit issued to the public increased by 10 per cent to EUR 412 M (374).

LENDING

The volume of lending to the public increased by 5 per cent and amounted to EUR 2,549 M (2,428). The volume of lending at Ålandsbanken Sverige AB was EUR 193 M (158). Lending to households increased by 6 per cent to EUR 1,742 M (1,648). Households accounted for 68 (68) per cent of the Group's total lending volume. Lending to companies rose by 3 per cent to EUR 780 M (756).

BALANCE SHEET TOTAL AND OFF-BALANCE SHEET OBLIGATIONS

At the end of the report period, the Group's balance sheet total was EUR 3,617 M (3,152). During the period, the Group issued debenture loans 1/2010 and 2/2010 in the amount of EUR 29 M. Off-balance sheet obligations rose to EUR 325 M (298).

ASSETS UNDER MANAGEMENT

The Group's managed assets rose to EUR 3,585 M (2,377) during the report period. Management of mutual fund units rose by 43 per cent to EUR 903 M (630), while assets under discretionary management increased by 57 per cent to EUR 1,474 M (939).

PERSONNEL

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 690 (666) positions, which represented an increase by 24 positions compared to the preceding year.

Bank of Åland Group	Apr–Jun 2010	Apr–Jun 2009
Bank of Åland Plc	302	311
Ab Compass Card Oy Ltd	5	5
Crosskey Banking Solutions Ab Ltd	190	146
Ålandsbanken Asset Management Ab	22	18
Ålandsbanken Fondbolag Ab	6	6
Ålandsbanken Equities Ab	10	6
Ålandsbanken Sverige Ab	156	174
Total number of full-time equivalent positions, recalculated from hours worked	690	666

EXPENSE/INCOME RATIO

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

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009
Exkluding negative goodwill		
Including loan losses	0.91	0.88
Excluding loan losses	0.91	0.83

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 2010 was 12.4 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. Risk management under Pillar 2 will be reported in the Annual Report for 2009.

The Bank of Åland will endeavour to begin applying an Internal Ratings Based (IRB) approach in compliance with Basel 2 to calculate its capital adequacy requirement for credit risk, starting on January 1, 2011. An application requesting approval for the use of Basel 2's Internal Ratings Based (IRB) approach for calculating the capital adequacy requirement for credit risk was submitted to the Finnish Financial Supervision Authority during the report period.

Our assessment, according to the current regulations, is that this will substantially improve the Bank of Åland's capital adequacy.

CAPITAL ADEQUACY

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
Capital base, EUR M			
Core capital	126.9	125.9	129.3
Supplementary capital	80.5 ¹	70.0 ²	72.4
Total capital base	207.4	195.9	201.7
Capital requirement for credit risks	114.7	108.3	113.9
Capital requirement for operational risks	2.9	0.5	2.2
Capital requirement for market risks	16.5	14.6	14.9
Total capital requirement	134.1	123.4	130.9
Total capital ratio, %	12.4	12.7	12.3
Core capital ratio, %	7.6	8.2	7.9

¹ Profit for the period is not included.

² Includes profit for the period minus estimated dividend paid to shareholders.

BANK OF ÅLAND PLC (ÅLANDSBANKEN ABP)

The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has strong financial investment expertise and at the same time can offer good financing services.

The commercial bank was founded in 1919 and has been listed on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange) since 1942. The Bank of Åland's Head Office is in Mariehamn. The Bank has 17 offices in the Åland Islands and eight offices elsewhere in Finland. Its subsidiary Ålandsbanken Sverige AB has three offices in Sweden. A total of 10 subsidiaries, whose operations are connected in various ways to banking, belong to the Bank of Åland Group. Read more at www.alandsbanken.fi.

AB COMPASS CARD OY LTD

Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc. The company will issue credit and debit cards to private and institutional customers. Compass Card was founded in 2007 and has offices in Helsinki and Mariehamn.

CROSSKEY BANKING SOLUTIONS AB LTD

Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc. The company develops, delivers and manages banking computer systems to financial market players, offering comprehensive solutions and efficient banking processes. Crosskey includes the subsidiary S-Crosskey Ab. Crosskey was founded in 2004 and has offices in Mariehamn, Helsinki, Turku and Stockholm. Read more at www.crosskey.fi.

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. It manages the assets of the Bank of Åland's mutual funds registered in Finland. Asset Management was founded in 2000 and has an office in Helsinki.

ÅLANDSBANKEN EQUITIES AB

Ålandsbanken Equities Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The company offers equity analysis and stock brokerage services to institutional investors. It includes the wholly owned subsidiary Ålandsbanken Equities Research Ab. Equities was founded in 2008 and has an office in Helsinki.

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 manages eleven mutual funds registered in Finland. Ålandsbanken Fondbolag was founded in 1998 and has an office in Mariehamn.

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 Fonder AB and Alpha Management Company S.A. are wholly-owned subsidiaries of the company. Ålandsbanken Sverige was founded in 2009 and has offices in Stockholm, Gothenburg and Malmö, Sweden. Read more at www.alandsbanken.se.

CHANGES IN GROUP STRUCTURE

On May 31, 2010, the Bank of Åland Plc acquired the minority interest in Ålandsbanken Equities Ab. After this transaction, the Bank owns 100 per cent of Ålandsbanken Equities Ab. A process has been initiated to merge Ålandsbanken Equities Ab with the Bank of Åland Plc, and this merger is expected to be completed during 2010.

IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

The Bank of Åland Plc's issue of debenture loan 2/2010 was completed on July 19, 2010. This debenture loan issue totalled EUR 20 M.

OUTLOOK FOR 2010

Most observers expect a continued gradual recovery in the general economy and in the financial system during 2010, but the economic situation will remain uncertain and there is thus great sensitivity.

The Bank of Åland carried out an organisational change after completing the co-determination negotiations that were initiated on March 12, 2010.

The aim of the reorganisation is to streamline the Bank's administrative functions by introducing Group-wide corporate and support units. Meanwhile the Bank is continuing to shift the focus of its operations increasingly to investment services, as part of its strategy of being a bank for investors that has financing know-how in expansive markets.

The co-determination negotiations, which were completed on May 25, 2010, dealt with a need to reduce the number of positions by about 24 people. The negotiations achieved their aims without dismissals, by means of reassignments, early retirements and voluntary redundancy packages. A review was made of the cost structure at Ålandsbanken Sverige AB for the purpose of increasing efficiency while continuing to offer customers the same capacity and service.

The Executive Team has identified potential efficiency improvements equivalent to an annual cost reduction of about EUR 3 M, of which half the potential is found at Ålandsbanken Sverige AB. This cost reduction is expected to achieve its full effect from the turn of the year. Nonrecurring costs associated with these measures are expected to total about EUR 0.5 M during 2010.

The Group's assessment of the outlook for 2010 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.

Based on this assessment and taking into account that the Group's earnings in 2009 included sizeable non-recurring income attributable to negative goodwill from the acquisition of Kaupthing Bank Sverige AB, earnings in 2010 are expected to be substantially lower than in 2009. The Group's operational earnings, excluding nonrecurring income, are expected to be at least at the same level as in 2009.

INTERIM REPORTS WILL BE PUBLISHED AS FOLLOWS DURING 2010.

January-September 2010 Monday, November 1, 2010

Mariehamn, July 30, 2010
THE BOARD OF DIRECTORS

Financial ratios etc.

Bank of Åland Group	Jan–Jun 2010	Jan–Jun 2009	Full year 2009
Earnings per share before dilution, EUR ¹	0.17	2.23	2.27
Earnings per share after dilution, EUR ²	0.17	2.23	2.27
Market price per share at end of period, EUR			
Series A shares	27.95	28.50	33.90
Series B shares	20.85	22.00	24.50
Equity capital per share, EUR ³	13.72	13.69	13.97
Return on equity after taxes, % (ROE) ⁴	3.0	35.0	17.8
Return on total assets, % (ROA) ⁵	0.1	1.8	0.9
Equity/assets ratio, % ⁶	4.4	5.0	4.8
Total lending volume, EUR M	2,549	2,428	2,546
Total deposits from the public, EUR M	2,492	2,401	2,411
Equity capital, EUR M	160	159	162
Balance sheet total, EUR M	3,617	3,152	3,379
Expense/income ratio			
Including loan losses	0.91	0.88	0.92
Excluding loan losses	0.91	0.83	0.88

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 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 statement of financial position

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
EUR M			
ASSETS			
Cash	47	87	33
Debt securities eligible for refinancing with central banks	146	144	186
Claims on credit institutions	319	198	264
Claims on the public and public sector entities	2,549	2,428	2,546
Debt securities	303	126	188
Shares and participations	18	23	23
Shares and participations in associated companies	1	1	1
Derivative instruments	32	17	20
Intangible assets	9	5	6
Tangible assets	36	36	38
Other assets	133	57	50
Accrued income and prepayments	22	27	22
Deferred tax assets	2	2	2
Total assets	3,617	3,152	3,379
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	416	119	263
Liabilities to the public and public sector entities	2081	2028	2,040
Debt securities issued to the public	732	661	743
Derivative instruments	11	9	8
Other liabilities	98	62	57
Accrued expenses and prepaid income	27	37	27
Subordinated liabilities	71	59	59
Deferred tax liabilities	22	20	21
Total liabilities	3,458	2,994	3,217
Equity capital and minority interest			
Share capital	23	23	23
Share premium account	33	33	33
Reserve fund	25	25	25
Fair value reserve	9	3	6
Retained earnings	68	74	74
Shareholders' interest in equity capital	158	158	161
Minority interest in capital	1	1	1
Total equity capital	160	159	162
Total liabilities and equity capital	3,617	3,152	3,379

Summary statement of comprehensive income

Bank of Åland Group	Jan–Jun 2010	Jan–Jun 2010	Full year 2009
EUR M			
Net interest income	19.9	19.2	39.1
Income from equity instruments	0.0	0.0	0.0
Commission income	20.6	13.0	32.5
Commission expenses	-3.3	-1.4	-4.4
Net income from securities transactions and foreign exchange dealing	1.1	3.9	4.0
Net income from financial assets available for sale	0.9	0.1	0.5
Net income from investment properties	0.6	0.2	0.2
Other operating income	9.0	7.3	15.4
Total income	48.9	42.4	87.2
Staff costs	-26.4	-20.0	-44.6
Other administrative expenses	-8.8	-7.5	-16.7
Production for own use	2.2	0.3	1.9
Depreciation/amortisation	-3.6	-3.2	-6.4
Other operating expenses	-8.1	-5.1	-11.4
Total expenses	-44.7	-35.3	-77.2
Impairment losses on loans and other commitments	-0.1	-2.2	-2.9
Share of profit/loss in associated companies	0.1	0.2	0.2
Negative goodwill	0.0	23.1	23.1
Net operating profit	4.2	28.2	30.5
Income taxes	-1.8	-2.2	-3.7
Profit for the period	2.4	26.1	26.8
Other comprehensive income			
Assets available for sale	0.2	0.4	0.2
Valuation differences	3.4	0.7	3.7
Income tax on other comprehensive income	-0.3	-0.1	-0.1
Total comprehensive income for the period	5.7	27.0	30.7
Profit for the period attributable to owners of the parent	2.0	25.7	26.2
Profit for the period attributable to minority interests	0.5	0.3	0.7
Total	2.4	26.1	26.8
Total comprehensive income for the period attributable to owners of the parent	5.2	26.7	30.0
Total comprehensive income for the period attributable to minority interests	0.5	0.3	0.7
Total	5.7	27.0	30.7
Earnings per share			
Earnings per share before dilution, EUR ¹	0.17	2.23	2.27
Earnings per share after dilution, EUR ²	0.17	2.23	2.27

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	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
EUR M					
Net interest income	10.2	9.7	9.7	10.2	10.1
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	11.5	9.1	10.0	9.4	8.1
Commission expenses	-1.6	-1.7	-1.3	-1.7	-0.9
Net income from securities transactions and foreign exchange dealing	-0.9	2.0	-0.4	0.4	0.8
Net income from financial assets available for sale	0.8	0.1	0.1	0.2	0.1
Net income from investment properties	0.5	0.1	0.0	0.0	0.0
Other operating income	4.8	4.2	5.0	3.1	3.9
Total income	25.4	23.5	23.2	21.6	22.1
Staff costs	-13.6	-12.9	-13.4	-11.3	-12.3
Other administrative expenses	-4.9	-3.8	-5.0	-4.2	-4.6
Production for own use	1.1	1.0	0.8	0.8	0.2
Depreciation/amortisation	-1.6	-2.0	-1.6	-1.6	-1.7
Other operating expenses	-4.4	-3.6	-3.8	-2.5	-3.0
Total expenses	-23.4	-21.3	-23.0	-18.9	-21.5
Impairment losses on loans and other commitments	0.0	-0.1	-0.6	-0.2	-1.8
Share of profit/loss in associated companies	0.1	0.0	0.0	0.1	0.1
Negative goodwill	0.0	0.0	0.0	0.0	23.1
Net operating profit	2.1	2.2	-0.4	2.7	22.0

Earnings, newly acquired operations

Bank of Åland Group	Jan-Jun 2010	Jan-Jun 2010	Jan-Jun 2010	Apr-Jun 2009	Jan-Jun 2009	Jan-Jun 2009
EUR M	Sweden	Finland	Total	Sweden	Finland	Total
Net interest income	4.1	15.8	19.9	1.1	18.1	19.2
Income from equity instruments	0.0	0.0	0.0	0.0	0.0	0.0
Commission income	8.0	12.6	20.6	3.3	9.7	13.0
Commission expenses	-2.1	-1.2	-3.3	-0.4	-1.1	-1.4
Net income from securities transactions and foreign currency dealing	-1.1	2.2	1.1	0.3	3.6	3.9
Net income from financial assets available for sale	0.0	0.9	0.9	0.0	0.1	0.1
Net income from investment properties	0.0	0.6	0.6	0.0	0.2	0.2
Other operating income	1.3	7.7	9.0	0.8	6.5	7.3
Total income	10.2	38.7	48.9	5.1	37.3	42.4
Staff costs	-9.2	-17.3	-26.4	-4.4	-15.5	-20.0
Other administrative expenses	-4.4	-4.3	-8.8	-2.0	-5.5	-7.5
Production for own use	0.0	2.2	2.2	0.0	0.3	0.3
Depreciation/amortisation	-0.1	-3.5	-3.6	-0.2	-2.9	-3.2
Other operating expenses	-3.8	-4.3	-8.1	-1.0	-4.1	-5.1
Total expenses	-17.5	-27.2	-44.7	-7.6	-27.7	-35.3
Impairment losses on loans and other commitments	0.1	-0.2	-0.1	-0.3	-1.9	-2.2
Share of profit/loss in associated companies	0.0	0.1	0.1	0.0	0.2	0.2
Negative goodwill	0.0	0.0	0.0	0.0	23.1	23.1
Net operating profit	-7.2	11.4	4.2	-2.7	31.0	28.2
Income taxes	1.3	-3.1	-1.8	0.1	-2.3	-2.2
Profit for the period	-5.9	8.3	2.4	-2.7	28.7	26.1

Statement of changes in equity capital

Bank of Åland Group									
EUR M	Share capital	Share premium account	Reserve fund	Fair value reserve	Translation difference	Retained earnings	Total before minority interest	Minority interest	Total
Equity capital, Dec 31, 2008	23.3	33.3	25.1	1.7	0.0	53.6	136.9	1.6	138.5
Comprehensive income for the period				0.3	0.7	25.7	26.7	0.3	27.0
Dividend paid						-5.8	-5.8	-0.8	-6.6
Equity capital, Jun 30, 2009	23.3	33.3	25.1	2.0	0.7	73.5	157.9	1.0	158.9
Comprehensive income for the period				-0.1	3.0	0.4	3.3	0.3	3.6
Dividend paid							0.0	-0.9	-0.9
Other changes in equity capital attributable to minority interests							0.0	0.5	0.5
Equity capital, Dec 31, 2009	23.3	33.3	25.1	1.8	3.7	74.0	161.2	1.0	162.2
Comprehensive income for the period				0.1	3.1	2.0	5.2	0.5	5.7
Dividend paid						-8.1	-8.1	0.0	-8.1
Other changes in equity capital attributable to minority interests							0.0	0.1	0.1
Equity capital, Jun 30, 2010	23.3	33.3	25.1	2.0	6.8	67.9	158.3	1.5	159.8

Summary cash flow statement

Bank of Åland Group		Jan–Jun 2010	Jan–Jun 2009
EUR M			
Cash flow from operating activities			
Net operating profit		4.2	26.9
Adjustment for net operating profit items not affecting cash flow		6.9	-15.1
Gains/losses from investing activities		-0.6	-0.5
Income taxes paid		-1.5	-2.0
Changes in assets and liabilities in operating activities		50.2	59.3
			-65.3
			-56.1
Cash flow from investing activities			
			-4.8
			28.9 ¹
Cash flow from financing activities			
			-22.3
			-14.4
Exchange rate differences in cash and cash equivalents			
			10.3
			0.7
Change in cash and cash equivalents			
			42.5
			-40.9
Cash and cash equivalents, January 1			
			331.1
			323.5
Cash and cash equivalents, June 30			
			373.6
			282.6

¹ Disbursement for the purchase of Kaupthing Bank Sverige AB: EUR 34.1 M. Cash and cash equivalents in Kaupthing amounted to EUR 63.5 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 28 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 of the Parent Company 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, 2010 was approved by the Board of Directors on July 30, 2010.

2. Basis for preparation and essential accounting principles

BASIS FOR PREPARATION

The Interim Report for the period January 1-June 30, 2010 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) and IAS 34, "Interim Financial Reporting," that have been adopted by the European Union.

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, 2009.

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, 2009, 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.

As from April 1, 2010, the Bank of Åland Abp is applying hedge accounting in accordance with IAS 39, unlike what was stated in the Annual Report for 2009. Hedge accounting is used in order to hedge the foreign exchange risk on the Group's equity in Ålandsbanken Sverige AB. This means that the derivatives that protect this equity are recognised at fair value in the balance sheet in the same way as exchange rate changes in "Other comprehensive income". Hedge accounting is expected to provide a more true and fair picture of the Group's financial results.

New accounting norms and standards that will apply starting in 2010:

Improvements to International Financial Reporting Standards (2009)
IFRS 2, "Share-based Payments"
IFRS 3, "Business Combinations"
IAS 27, "Consolidated and Separate Financial Statements"
IAS 39 Financial instrument: Recognition and Measurement"
– Eligible Hedged Items
IFRIC 12, "Service Concession Arrangements"
IFRIC 15, "Agreements for the Construction of Real Estate"
IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
IFRIC 17, "Distributions of Non-cash Assets to Owners"
IFRIC 18, "Transfers of Assets from Customers"

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 the estimates.

4. Segment report

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 Ålandsbanken Veranta Ab. The Sweden segment includes Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A. The Crosskey segment includes Crosskey Banking Solutions Ab and S-Crosskey Ab.

Bank of Åland Group		Jan–Jun 2010			
EUR M	Finland	Sweden	Crosskey	Eliminations	Total
Deposits, lending and portfolio management	18.3	2.8	0.0	-1.0	20.1
of which impairment losses, loans	-0.2	0.1	0.0	0.0	-0.1
Capital market products/services	10.7	5.6	0.0	0.0	16.3
Other income	3.1	1.9	16.0	-8.6	12.4
Staff costs	-11.1	-9.6	-6.8	0.0	-27.5
Other expenses	-10.5	-7.8	-5.6	8.0	-15.9
Depreciation/amortisation	-1.4	-0.1	-0.2	0.4	-1.2
NET OPERATING PROFIT	9.2	-7.2	3.4	-1.1	4.2
Assets	2,901.2	750.2	15.7	-49.8	3,617.4
Liabilities	2,810.8	697.7	9.5	-60.5	3,457.5
Equity capital	90.4	52.5	6.2	10.7	159.8

Bank of Åland Group		Jan–Jun 2009			
EUR M	Finland	Sweden	Crosskey	Eliminations	Total
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	23.1	0.0	0.0	0.0	23.1
NET OPERATING PROFIT	30.6	-2.7	1.8	-1.5	28.2
Assets	2,812.9	374.6	12.3	-47.3	3,152.4
Liabilities	2,673.2	319.0	7.3	-6.0	2,993.5
Equity capital	139.7	55.6	5.0	-41.4	158.9

In the segment report, "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 it is recognised as "Depreciation/amortisation"

5. Restructuring reserve

Bank of Åland Group	Jun 30, 2009	Utilised	Withdrawn	Jun 30, 2010
EUR M				
Staff costs	4.6	-3.5	-0.2	0.9
Rent for premises	1.7	-0.9	-0.5	0.3
IT	0.7	-0.4	0.0	0.3
Total	7.0	-4.8	-0.7	1.5

6. Goodwill

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009
EUR M		
Opening balance	1.4	1.4
Closing balance	1.4	1.4

7. Income taxes

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009
EUR M		
Taxes for the period and prior periods	1.5	2.5
Change in deferred tax assets/liabilities	0.3	-0.3
Income taxes	1.8	2.2

8. Dividend

Bank of Åland Group	2009	2008
EUR		
Final dividend for 2009: EUR 0.50 per share	5,768,061	
Final anniversary dividend for 2009: EUR 0.20 per share	2,307,224	
Final dividend for 2008: EUR 0.50 per share		5,768,061

The dividend for 2009 was adopted by the Annual General Meeting on April 19, 2010. The record date was April 22, 2010 and the distribution date was April 29, 2010.

9. Deposits from the public and public sector, including bonds and certificates of deposit issued

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
EUR M			
Deposit accounts from the public and public sector			
Demand deposit accounts	425	356	385
Cheque accounts	426	375	397
Environmental and Savings Accounts	90	81	89
Prime Accounts	668	784	763
Time deposits	471	431	405
Total deposit accounts	2,080	2,027	2,039
Bonds and subordinated debentures ¹	256	224	231
Certificates of deposit issued to the public ¹	156	150	140
Total bonds and certificates of deposit	412	374	372
Total deposits	2,492	2,401	2,411

¹ This item does not include debt securities subscribed by credit institutions.

10. Lending to the public and public sector by purpose

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
EUR M			
COMPANIES			
Shipping	76	83	76
Wholesale and retail trade	63	61	64
Housing operations	71	65	72
Other real estate operations	154	138	154
Financial and insurance operations	189	214	200
Hotel and restaurant operations	17	15	16
Other service operations	139	85	128
Agriculture, forestry and fishing	10	7	11
Construction	29	29	27
Other industry and crafts	39	32	39
	788	727	787
PRIVATE INDIVIDUALS			
Home loans	1,152	1 103	1,151
Securities and other investments	336	324	340
Business operations	118	111	119
Other household purposes	127	126	124
	1,733	1,663	1,734
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS	28	25	25
TOTAL LENDING	2,549	2,416	2,546

11. Off-balance sheet commitments

Bank of Åland Group	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
EUR M			
Guarantees and pledges	23	39	19
Other commitments	302	259	287
	325	298	306

12. Derivative contracts

Bank of Åland Group	Jun 30, 2010		Jun 30, 2009	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
Value of underlying property				
Interest rate derivatives				
<i>Swap contracts</i>	531	11	553	7
<i>Option contracts</i>				
<i>Purchased</i>	1,260	6	23	8
<i>Exercised</i>	756	60	0	5
Currency derivatives				
<i>Forward contracts</i>	286	13	23	8
<i>Interest rate and currency swap contracts</i>	1	1	0	5
<i>Option contracts</i>				
<i>Purchased</i>	50	0	0	0
<i>Exercised</i>	50	0	0	0
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	173	7	148	6
	3,106	98	817	118

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

13. Maturity breakdown of claims and liabilities

Bank of Åland Group		Jun 30, 2010				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
Claims						
Debt securities eligible for refinancing in central banks	2	44	100	0	146	
Credit institutions and central banks	319	0	0	0	319	
The public and public sector entities	315	399	1,004	832	2,549	
Other debt securities	156	129	18	0	303	
	792	572	1,122	832	3,318	
Liabilities						
Credit institutions and central banks	101	285	30	0	416	
The public and public sector entities	1,865	198	18	0	2,081	
Debt securities issued to the public	261	138	334	0	732	
Subordinated liabilities	5	2	40	23	71	
	2,232	624	422	23	3,300	

Bank of Åland Group		Jun 30, 2009				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
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	355	0	2,866	

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		Jun 30, 2010				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Assets	2,657	383	527	363	29	3,959
Liabilities	2,782	550	278	246	46	3,903
Difference between assets and liabilities	-125	-167	249	116	-17	56

Bank of Åland Group		Jun 30, 2009				
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	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 at underlying value, according to the interest rate refixing date as of June 30, 2009.

Review Report, Bank of Åland Plc Interim Report for January 1–June 30, 2010

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, 2010, 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 (EU) as well as in accordance with the other 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. 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, 2010 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 accordance with the other prevailing laws and regulations in Finland concerning the preparation of interim reports.

Mariehamn/Helsinki, July 30, 2010

Leif Hermans
Authorised Public Accountant

Terhi Mäkinen
Authorised Public Accountant

Bengt Nyholm
Authorised Public Accountant