

Interim Report

For the period January – June 2011 • August 1, 2011, 9.00 am



January–June 2011

Compared to January–June 2010

- Net operating profit excluding restructuring expenses increased by 20 per cent, adjusted for exchange rate effects, to EUR 4.3 M (3.5)
- Profit for the period attributable to shareholders decreased to EUR -1.2 M (2.0), mainly due to EUR 2.9 M in restructuring expenses in Sweden
- Earnings per share totalled EUR -0.10 (0.17)
- Net interest income increased by 6 per cent to EUR 19.6 M (18.4)
- Net commission income increased by 20 percent to EUR 20.8 M (17.3)
- Based on our assessment of external factors and taking into consideration that operations in Sweden will have a smaller negative impact on earnings than last year, the Group's profit before loan losses is expected to be better in 2011 than in 2010. Loan losses are expected to be low during 2011. Taken together, this means that the Group's after-tax profit attributable to shareholders in 2011 will be significantly better than in 2010.

The second quarter of 2011

Compared to the first quarter of 2011

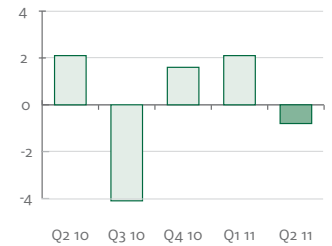
- Net operating profit excluding restructuring expenses was unchanged at EUR 2.1 M
- Profit for the period attributable to shareholders decreased to EUR -2.2 M (1.0), mainly due to EUR 2.9 M in restructuring expenses in Sweden
- Earnings per share totalled EUR -0.19 (0.09)
- Net interest income increased by 6 per cent to EUR 10.1 M (9.5)
- Net commission income increased by 5 percent to EUR 10.7 M (10.1)
- Net loan losses totalled EUR 0.3 M (0.0), equivalent to a loan loss level of 0.04 percent
- The Tier 1 capital ratio was 7.7 (December 31, 2011: 7.3) per cent

“During the first half of 2011, we improved our profit before loan losses and nonrecurring expenses by 24 per cent, adjusted for exchange rate effects, with continued major success in Private Banking, both in Finland and Sweden. Given our new issue of equity capital during the autumn plus permission to issue covered bonds, the financial prerequisites are in place to continue expanding our operations in Finland and Sweden, in keeping with our strategy. Return on equity is approaching 15 per cent in our Finnish operations. The restructuring of our Swedish operations now being carried out under new management – including closure of the institutional equities trading unit and a transition to branch status – will make a faster improvement in earnings possible.”

Peter Wiklöf, Managing Director

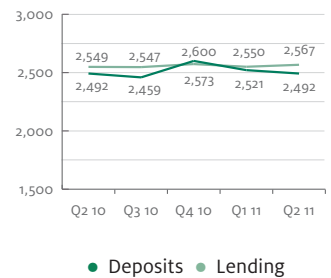
Net operating profit

EUR M



Deposits and lending

EUR M



• Deposits • Lending

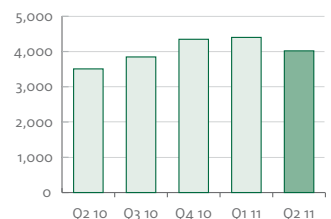
Tier 1 capital ratio

Per cent



Managed assets

EUR M



The Bank of Åland is a bank with strong customer relationships and personal service. The Bank has extensive 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

MARKET OVERVIEW

Finnish and Swedish economic growth is currently high. During the first quarter, GDP increased in Finland by 3.4 per cent and in Sweden by 3.3 per cent on an annualised quarter-on-quarter basis, but this was lower than the very strong growth rate noted late in 2010. The world economy faces major challenges, which have led to increased concern in financial markets. The euro zone debt crisis, the consequences of the earthquake in Japan, political unrest in North Africa and the Middle East, the weak recovery in the American economy and inflationary tendencies in China are among the sources of concern.

Interest rates in Finland and Sweden are moving upward from historically very low levels. The trend of the most important benchmark interest rates can be seen below. The European Central Bank continued the increases in its key interest rate that began in April, raising it by another 25 basis points to 1.50 per cent, after this rate had stood at 1.00 per cent since May 2009. Sweden's Riksbank has gradually hiked its key interest rate since the summer of 2010 from a low of 0.25 per cent. After the latest rate increase in July, the key rate in Sweden is now 2.00 per cent. Further hikes are expected.

BENCHMARK INTEREST RATES, QUARTERLY AVERAGES, PER CENT

	Q 1 2011	Q 1 2011	Q 2 2010
Euribor 3 mo	1.41	1.09	0.69
Euribor 12 mo	2.13	1.74	1.25
Stibor 3 mo	2.44	2.21	0.61
Stibor 12 mo	3.00	2.67	1.19

The OMXHPI share index on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange) fell by 11 per cent during the second quarter but was 4 per cent higher than at the end of 2009. The OMXSPI index on the Nasdaq OMX Stockholm (Stockholm Stock Exchange) fell by 3 per cent during the quarter but was 18 per cent higher than at the end of 2009.

At the end of the first half of 2011, the euro was worth more in relation to the Swedish krona than at year-end 2010, but 11 per cent less than at the end of 2009. In the past three years, exchange rate movements have been significant. The peak exchange rate for the euro against the krona occurred on April 21, 2009, when a euro was worth SEK 11.18. The euro's lowest exchange rate was recorded on March 1, 2011 at SEK 8.71. When translating the income statement of the Bank of Åland's Swedish subsidiary to euros, average exchange rates for the period are used, while the balance sheet is translated at the existing exchange rate on the closing day. Because of the exchange rate effect, the income statement of the Swedish subsidiary decreased by 2 per cent expressed in euros from the preceding quarter and increased by 10 per cent from one year earlier. The exchange rate effect meant that the balance sheet for the Swedish subsidiary increased by 4 per cent expressed in euros, compared to one year earlier.

IMPORTANT EVENTS

In June the Bank of Åland announced a planned new share issue of about EUR 30 M in order to meet stricter capital requirements and to finance continued growth in Finland and Sweden. The new share issue will increase the Tier 1 capital ratio by about 1.9 percentage points, from 7.7 per cent to 9.6 per cent pro forma on June 30, 2011. Together with other planned measures to improve capital efficiency, the aim is to achieve a Tier 1 capital ratio in 2012–2013 that exceeds the average for the major Nordic banks. The Board of Directors intends to hold an Extraordinary General Meeting during August 2011 in order to obtain shareholder authorisation to carry out the new share issue. The intention is to carry out the new share issue as a rights issue, with preferential rights for existing shareholders. The Bank has subscription commitments from major shareholders that guarantee more than half of the new share issue. The Board proposes that four Series A shares shall entitle the holder to subscribe for one new Series A share and that four Series B shares shall entitle the holder to subscribe for one new Series B share. The proposed subscription price is EUR 13 per Series A share and EUR 8.60 per Series B share.

Late in June, the Bank of Åland restructured its operations in Sweden. The institutional equities trading unit was closed and management changes were carried out. A total of about 15 full-time positions were phased out, and restructuring expenses in the range of EUR 2.9 M were charged to the second quarter financial statements. This restructuring expense for the institutional equities trading unit has an estimated repayment time of about 12 months. The institutional equities trading unit has had profitability problems for an extended period, and this sector is undergoing significant structural transformation. It was also decided that operations in Sweden will transition to branch status, starting at the end of the fourth quarter. Aside from more efficient capital utilisation, this will also mean a more efficient tax situation and more cost-effective corporate governance.

The Bank of Åland's inflation-protected bond – Ränteobligation Inflationsskydd – which was issued in June, attracted great customer interest and raised EUR 25 M, which was the best sales outcome ever for an index bond issued by the Bank of Åland.

The Bank of Åland's volume of mutual funds in Finland rose by 17 per cent during the first half of 2011. The overall fund market in Finland showed a net outflow of EUR 132 M during the first half, while the Bank of Åland showed a net inflow of EUR 93 M. Swedish customers accounted for EUR 16 M of the net inflow. The Bank of Åland's share of the Finnish mutual fund market increased during the first half by 0.2 percentage points, reaching 1.0 per cent. Ålandsbankens Fondbolag remains the fund company that has the highest Morningstar rating in Finland. Of the Bank of Åland's rated funds, 55 per cent have the highest possible rating, 5.

EARNINGS FOR THE SECOND QUARTER OF 2011

During the second quarter of 2011, after-tax profit attributable to shareholders totalled EUR -2.2 M, compared to EUR 1.0 M in the preceding quarter. Profit excluding operations in Sweden improved by EUR 1.1 M or 39 per cent to EUR 3.9 M, which was equivalent to a return on allocated equity after taxes of 14 (11) percent. Private Banking operations in Finland had a very successful quarter. Compass Card halved its operating loss and had 92,000 cards outstanding at the end of June.

Ålandsbanken Sverige reported an after-tax profit of EUR -6.1 M, compared to EUR -1.8 M in the preceding quarter. Of the reduction in earnings, EUR 4.3 M, more than EUR 2.9 M was attributable to restructuring expenses in connection with the closure of the institutional equities trading unit as well as management changes. The Bank of Åland is now focusing its operations in Sweden on serving business owners and wealthy private individuals, as well as providing asset management for institutions and companies. The inflow of Private Banking customers remains good. The Bank of Åland is still convinced that the Bank's position as the *"small banking firm offering strong customer relationships, combined with the financing expertise of a major bank"* is clearly in demand in Sweden as well.

Consolidated return on equity after taxes (ROE) was -5.7 (2.7) per cent.

Profit before loan losses and restructuring expenses amounted to EUR 2.4 M. This represented an improvement of EUR 0.3 M or 14 per cent on the preceding quarter.

Total income was EUR 26.7 M (26.1), or 2 per cent higher than during the preceding quarter, despite EUR 1.0 M lower valuation income from financial management and financial assets available for sale.

Net interest income totalled EUR 10.1 M (9.5), or 6 per cent higher than the preceding quarter. Net interest income was favourably affected by higher market interest rates.

Net commission income amounted to EUR 10.7 M (10.1), which was 5 per cent higher than during the preceding quarter. The increase was mainly related to financial investment-related income.

Expenses totalled EUR 27.2 M (24.0), of which EUR 2.9 M was related to restructuring expenses in Sweden. Excluding these nonrecurring expenses, expenses were 1 per cent higher than in the preceding quarter.

The number of full-time equivalent positions, recalculated from hours worked during the second quarter, increased to 699 compared to 687 in the preceding quarter. The changes were mainly attributable to an increased number of employees in the Parent Company.

Net loan losses were EUR 0.3 M, of which EUR 0.0 M in Sweden. The loan loss level was 0.04 per cent, compared to 0.00 per cent in the preceding quarter.

Tax expense amounted to EUR 0.6 M (1.1), despite a reported negative Group profit. The reason for the high tax expense is that profits in the Finnish portion of the Group are taxed, while no deferred tax asset is recognised for Swedish losses, since it is uncertain whether further losses may be subtracted from future profits in Sweden.

EARNINGS FOR JANUARY–JUNE 2011

During the first half of 2011, after-tax profit attributable to the shareholders totalled EUR -1.2 M, compared to EUR 2.0 M in the corresponding period of last year. Restructuring expenses of EUR 2.9 M in Sweden plus a refunded tax expense of EUR 1.3 M in Sweden last year were the single largest items explaining the reduction in earnings.

Profit excluding operations in Sweden decreased by 14 per cent to EUR 6.8 M (7.9), which was equivalent to a return on allocated equity after taxes of 13 (14) percent. A decrease of EUR 0.5 M in net income from investment properties and a decrease of EUR 1.1 M in valuation income from financial management were major reasons for the somewhat lower earnings.

Expressed in local currency, Ålandsbanken Sverige reported an improvement of SEK 24 M or 35 per cent in operating income, excluding restructuring expenses. Income increased by 13 per cent, while expenses decreased by 7 per cent. In banking operations aimed mainly at business owners needing asset management, financial planning and financing services, income increased by 54 per cent. In asset management aimed at institutions, income rose by 12 per cent. The trend in institutional equities trading remained negative, with 21 per cent lower income. Starting in mid-June, institutional equities trading operations were phased out. Income after taxes was EUR -8.0 M, of which EUR -2.9 M was related to restructuring expenses, compared to EUR -5.9 M, of which EUR +1.3 M in refunded taxes, during the year-earlier period.

Consolidated profit before loan losses and restructuring expenses totalled EUR 4.5 M and – adjusted for exchange rate effects – improved by 24 per cent compared to the same period of 2010. Private Banking operations in Sweden and Finland contributed the sharpest improvement in profit.

Return on equity after taxes (ROE) totalled -1.5 (1.6) per cent.

Total income increased by 8 per cent to EUR 52.8 M (49.0). In the Sweden business area, income increased by 12 per cent in local currency, while the increase in income in the rest of the Group was 4 per cent.

Net interest income increased by 6 per cent to EUR 19.6 M (18.4) and was favourably affected by higher market interest rates.

Net commission income increased by 20 per cent to EUR 20.8 M (17.3), mainly driven by higher managed assets.

Expenses, excluding restructuring expenses of EUR 2.9 M, rose by 8 per cent to EUR 48.3 M (44.7). Excluding exchange rate effects, the rate of increase was 4 per cent. Expenses in Swedish operations fell by 7 per cent in local currency, while expenses in the rest of the Group increased by EUR 3 M or 13 per cent. In addition to contractual pay increases, the expansion of Private Banking operations in Finland and Crosskey's operations as well as the expansion of Compass Card operations were important reasons, along with project expenses associated with making covered bonds possible, a transition to the IRB approach for calculating capital requirements for credit risk and the branch solution for Swedish operations. Production for own use also decreased by EUR 1.2 M.

In April the Annual General Meeting approved a share-based compensation programme for senior executives. No provision has been made in the first half financial statements for the cost of this programme. The Board of Directors has been authorised to purchase a maximum of 25,000 Series B shares, to be issued later to employees who qualify for the programme.

No purchases of the Bank's own shares had occurred as of June 30, 2011. The cost of the programme will be recognised when its terms and conditions have been completed, which is expected to occur during the third quarter of 2011.

The number of full-time equivalent positions, recalculated from hours worked during the first half, decreased to 693 compared to 701 in the year-earlier period. The changes were mainly attributable to a reduction in the number of employees at Ålandsbanken Sverige, while the number of employees at Crosskey Banking Solutions increased.

Net loan losses were EUR 0.3 M. Loss provisions were primarily related to the Finnish Mainland business area. The loan loss level was 0.02 per cent, compared to 0.01 per cent in the year-earlier period.

Tax expense amounted to EUR 1.6 M (1.8), equivalent to an effective tax rate of 114 (43) per cent. The year-earlier period included a refunded tax expense of EUR 1.3 M in Sweden. When Swedish operations transition to branch status, the Group's effective tax rate will approach 26 per cent.

BUSINESS VOLUME

Managed assets shrank by EUR 328 M or 8 per cent in the first half, totalling EUR 4,019 M (4,347). Managed assets in the Group's own mutual funds increased by EUR 15 M to EUR 917 M (903). Assets under discretionary management decreased by EUR 56 M to EUR 1,817 M (1,873) due to a negative market value trend, despite a sizeable net inflow from new agreements. Assets under advisory management shrank by EUR 287 M to EUR 1,285 M (1,572) due to a negative market value trend. Of total managed assets, the Sweden business area accounted for EUR 2,110 M or 55 per cent.

Deposits from the public, including certificates of deposit, index bonds and debentures issued to retail customers, amounted to EUR 2,492 M (2,600). This represented a decrease of EUR 108 M or 4 per cent from year-end 2010. In Sweden, deposits fell by EUR 97 M or 21 per cent to EUR 361 M (458) during the first half of 2011, mainly due to reduced special deposits from municipalities and county councils. In Åland and on the Finnish mainland, time deposits and certificates of deposit increased.

The volume of lending to the public totalled EUR 2,567 M (2,573). Lending volume in the Finnish Mainland business area fell by 5 per cent during the first half. One important explanation is the Bank of Åland's strategic focus, which prioritises full-service customer relationships in the Private Banking and Premium Banking segments over market shares in the low-margin home mortgage lending market. The strategic decision to reduce the Bank's exposure to property improvement also contributed to the decrease. In the Åland business area, lending volume increased by 5 per cent during the first half, mainly at the Corporate Services unit. In Sweden, lending volume rose by 24 per cent in local currency, thanks to good credit demand from Private Banking customers.

CREDIT QUALITY

The Bank of Åland's loan portfolio is characterised by low risk. Lending to private individuals comprises about two thirds of the portfolio. Home mortgage loans account for about two thirds of lending to private individuals. Loans for the purchase of securities, with market-listed securities as collateral, comprise the second-largest type of lending to private individuals. Loan-to-value figures are conservative. Historically, the Bank of Åland has never had any substantial loan losses on this type of lending.

The corporate portfolio has a close affinity with the household portfolio since many of the companies are owned by customers who, as individuals, are also Private Banking customers. The percentage of total lending for shipping and property improvement has gradually decreased, as one element in further reducing the Bank of Åland's risk profile and utilising its equity capital more efficiently.

During the first half, gross non-performing loans (more than 90 days) fell by EUR 0.9 M or 3 per cent to EUR 26.8 M (27.7). The decrease was mainly related to corporate customers, while non-performing loans among household customers increased marginally. As a share of lending to the public, non-performing loans fell from 1.07 per cent at year-end 2010 to 1.04 per cent.

The level of provisions for doubtful receivables, i.e. individual impairment losses as a proportion of all doubtful receivables, was 53 per cent compared to 55 per cent at year-end 2010. Including group impairment losses, the level of provisions amounted to 75 per cent compared to 85 per cent at year-end. The Group had EUR 7.3 M in impairment loss provisions, including individual impairment losses of EUR 5.2 M and group impairment losses of EUR 2.1 M.

LIQUIDITY AND BORROWING

The Bank of Åland's liquidity reserve, in the form of cash, account balances and investments with other banks plus liquid interest-bearing securities amounted to EUR 525 M on June 30, 2011. This was equivalent to 15 per cent of total assets (16 per cent at year-end) and 20 per cent of lending to the public (21 per cent). Of the total liquidity reserve, the actively managed liquidity portfolio totalled EUR 283 M on June 30, 2011 (EUR 271 M).

The Bank of Åland's core funding ratio – lending to the public as a percentage of deposits from the public including certificates of deposit, index bonds and debentures issued to the public – was 103 per cent on June 30, 2011 (December 31, 2010: 99 per cent). The Bank of Åland thus has no need for borrowing in the capital market to fund its loan portfolio.

Of deposits from the public, EUR 215 M consisted of time deposits, index bonds and debentures with a maturity of more than 1 year (EUR 273 M). Although the remainder consists of sight deposits or has contractually shorter maturities than 1 year, this funding can largely be regarded as stable, based on historical customer behaviour.

EQUITY AND CAPITAL ADEQUACY

Equity capital changed in the amount of total profit for the period, EUR -2.2 M, and as a result of the minority owner's capital contribution of EUR 2 M at Compass Card and was EUR 155 M. The equity/assets ratio increased to 4.6 per cent from 4.5 per cent at year-end 2010.

Tier 1 capital as defined in capital adequacy regulations decreased by EUR 0.2 M to EUR 121.9 M (122.1).

Risk-weighted assets declined by EUR 73 M or 4 per cent from year-end 2010 and amounted to EUR 1,591 M (1,664). Operational risks recalculated to risk-weighted assets decreased by EUR 35 M or 17 per cent, which was attributable to Swedish operations. Operational risks are calculated on the basis of operating income over the preceding three years. Risk-weighted assets for credit risks decreased by EUR 36 M or 2 per cent, mainly because financial collateral is now included according to the advanced method in the Swedish subsidiary as well.

The Tier 1 capital ratio strengthened to 7.7 (December 31, 2010: 7.3) per cent. Since the Bank of Åland has no hybrid capital, its core Tier 1 capital ratio is the same as its Tier 1 capital ratio. The total capital ratio was 12.3 (12.0) per cent.

According to the new international capital adequacy rules, capital adequacy requirements for all banks are being tightened substantially. The core Tier 1 capital ratio – genuine equity capital excluding various forms of hybrid capital that may be classified as Tier 1 capital – is the focus of attention. The minimum level of the core Tier 1 capital ratio, including the capital conservation buffer, will be 7.0 per cent. The minimum level for Tier 1 capital will be 8.5 per cent. The minimum level for the total capital ratio will be 10.5 per cent, including a capital conservation buffer of 2.5 per cent. The new minimum levels will formally enter into force in 2019, preceded by several years of gradual adjustment.

The Swedish Financial Supervisory Authority expects major Swedish banks to phase in the new regulations faster than the transitional rules proposed by the Basel Committee. Within a few years, the requirements for major Swedish banks are expected to be a total capital ratio of 15–16 per cent, of which at least 10–12 per cent must consist of core Tier 1 capital.

Today the Bank of Åland calculates its capital requirement for credit risks according to the standardised approach and the capital requirement for operational risks according to the basic indicator approach. A transition to the Internal Ratings Based (IRB) approach for credit risks and the standardised approach for operational risks would substantially improve the Bank of Åland's capital adequacy. An application for approval to apply the IRB approach for credit risk has been submitted to the Finnish Financial Supervisory Authority.

IMPORTANT EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

On July 28, the Finnish Financial Supervisory Authority granted the Bank of Åland permission to issue covered bonds. This provides the Bank of Åland with access to significantly more favourable long-term funding terms.

RISKS AND UNCERTAINTIES

The Bank of Åland's earnings are affected by external changes that the Company itself cannot control. Among other things, the Group's trend of earnings is affected by macroeconomic changes and changes in general interest rates, as well as share prices, exchange rates and the competitive situation. During 2011, among other things the world has been shaken by the earthquake disaster in Japan, political unrest in North Africa and the Middle East, higher commodity prices and continued worries about the euro zone debt crisis.

The Group aims at achieving operations with reasonable and carefully considered risks. Its profitability is dependent on the ability of the organisation to identify, manage and price risks. The Group is exposed to credit risk, liquidity risk, market risk, operational risk and business risk.

Based on the positive trend and positive future expectations at Compass Card, a deferred tax asset of EUR 0.9 M was recognised. If the conditions affecting the company should change dramatically from those now prevailing, the value of this asset may need to be re-assessed.

FUTURE OUTLOOK

A continued economic recovery will benefit the Bank of Åland due to higher interest rates and a continued strengthening of credit quality. Finland and Sweden are expected to enjoy a stable economic situation, although the Bank of Åland's home markets will be affected by more turbulent external developments.

Based on this assessment, and taking into consideration that operations in Sweden will have a smaller negative impact on earnings than last year, the Group's profit before loan losses in 2011 is expected to be better than in 2010. Loan losses are expected to be low during 2011. Taken together, this means that the Group's after-tax profit attributable to shareholders in 2011 will be significantly better than in 2010.

FINANCIAL INFORMATION

The Bank of Åland will publish the following interim reports during the 2011 financial year:

- January–September October 31, 2011

Mariehamn, July 29, 2011
THE BOARD OF DIRECTORS

Financial summary

Bank of Åland Group	Q2 2011	Q1 2011	%	Q1 2010	%	Jan-Jun 2011	Jan-Jun 2010	%
EUR M								
INCOME								
Net interest income	10.1	9.5	6	9.3	9	19.6	18.4	6
Net commission income	10.7	10.1	5	9.9	8	20.8	17.3	20
Other income	5.9	6.6	-10	6.3	-5	12.5	13.3	-6
Total income	26.7	26.1	2	25.4	5	52.8	49.0	8
Staff costs	-16.5	-13.9	19	-13.6	22	-30.4	-26.4	15
Other expenses	-10.6	-10.1	5	-9.8	9	-20.8	-18.2	14
Total expenses	-27.2	-24.0	13	-23.4	16	-51.2	-44.7	15
Profit before loan losses etc.	-0.5	2.1	-123	2.1	-124	1.6	4.3	-63
Impairment losses on loans and other commitments	-0.3	0.0		0.0		-0.3	-0.1	144
Operating income	-0.8	2.1	-136	2.0	-138	1.4	4.2	-68
Income taxes	-0.6	-1.1	-48	-0.4	33	-1.6	-1.8	-9
Profit for the report period	-1.3	1.0	-227	1.6	-181	-0.3	2.4	-112
Attributable to:								
Non-controlling interests	0.9	0.0		0.4	103	0.9	0.5	92
Shareholders in Bank of Åland Plc	-2.2	1.0		1.2		-1.2	2.0	-160
VOLUME								
Lending to the public	2,567	2,550	1	2,549	1			
Deposits from the public ¹	2,492	2,521	-1	2,492	0			
Managed assets	4,019	4,347	-8	3,507	15			
Equity capital	155	155	0	160	-3			
Balance sheet total	3,403	3,398	0	3,617	-6			
Risk-weighted assets	1,591	1,645	-3	1,657	-4			
FINANCIAL RATIOS								
Return on equity after taxes, % (ROE) ²	-3.4	2.7		4.0		-1.5	1.6	
Expenses/income ratio, % ³	103	92		92		97	91	
Loan loss level, % ⁴	0.04	0.00		0.01		0.02	0.01	
Gross non-performing assets, % ⁵	1.04	0.89		0.70		1.04	0.70	
Level of provisions for doubtful receivables, % ⁶	75	72		78		75	78	
Core funding ratio (Lending/deposits), % ⁷	103	101		102		103	102	
Equity/assets ratio, % ⁸	4.6	4.6		4.4		4.6	4.4	
Tier 1 capital ratio, % ⁹	7.7	7.4		7.6		7.7	7.6	
Earnings per share before dilution, %	-0.19	0.09		0.11		-0.10	0.17	
Equity capital per share, EUR	13.15	13.41		13.72		13.15	13.72	
Market price per Series A share, EUR	25.98	25.50		27.95		25.98	27.95	
Market price per Series B share, EUR	16.50	17.00		20.85		16.50	20.85	
Working hours re-calculated to full-time equivalent positions	699	687		690		693	701	

1 Deposits from the public and public sector entities, including bond loans and certificates of deposit

2 (Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital) x 100

3 Expenses / Income

4 Impairment losses on loan portfolio / loan portfolio

5 (Non-performing loans more than 90 days) / loan portfolio) x 100

6 Impairment loss provisions / doubtful receivables

7 Lending volume / Deposits including certificates of deposit, index bonds and debentures issued to the public

8 (Equity capital / Balance sheet total) x 100

9 (Core capital / Capital requirement) x 8 % x 100

Summary statement of financial position

Bank of Åland Group	Jun 30, 2011	Dec 31, 2010	%	Jun 30, 2010	%
EUR M					
ASSETS					
Cash	14	61	-77	47	-70
Debt securities eligible for refinancing with central banks	135	168	-19	146	-7
Claims on credit institutions	243	127	91	319	-24
Claims on the public and public sector entities	2,567	2,677	-4	2,549	1
Debt securities	230	266	-14	303	-24
Shares and participations	7	5	31	18	-64
Shares and participations in associated companies	1	1	-6	1	-4
Derivative instruments	24	35	-33	32	-24
Intangible assets	11	10	5	9	13
Tangible assets	35	36	-4	36	-4
Other assets	112	58	92	133	-16
Accrued income and prepayments	22	27	-19	22	-1
Deferred tax assets	3	2	37	2	44
Total assets	3,403	3,475	-2	3,617	-6
LIABILITIES AND EQUITY CAPITAL					
Liabilities to credit institutions	185	191	-3	416	-55
Liabilities to the public and public sector entities	2,088	2,141	-2	2,081	0
Debt securities issued	747	790	-5	732	2
Derivative instruments	10	10	-1	11	-13
Other liabilities	106	67	59	98	8
Accrued expenses and prepaid income	32	27	20	27	20
Subordinated liabilities	58	73	-21	71	-19
Deferred tax liabilities	22	22	1	22	2
Total liabilities	3,248	3,320	-2	3,458	-6
Equity capital and minority interest					
Share capital	23	23	0	23	0
Share premium account	33	33	0	33	0
Reserve fund	25	25	0	25	0
Fair value reserve	8	9	-17	9	-13
Retained earnings	62	63	-2	68	-8
Shareholders' interest in equity capital	152	154	-2	158	-4
Minority interest in capital	3	1	477	1	137
Total equity capital	155	155	0	160	-3
Total liabilities and equity capital	3,403	3,475	-2	3,617	-6

Summary income statement

Bank of Åland Group	Q2 2011	Q1 2011	%	Q2 2010	%	Jan-Jun 2011	Jan-Jun 2010	%
EUR M								
Net interest income	10.1	9.5	6	9.3	9	19.6	18.4	6
Net commission income	10.7	10.1	5	9.9	8	20.8	17.3	20
Net income from securities transactions and foreign exchange dealing	0.8	1.2	-29	0.1		2.0	2.7	-24
Net income from financial assets available for sale	0.1	0.7	-85	0.8	-88	0.8	0.9	-14
Net income from investment properties	0.1	0.0		0.5	-78	0.1	0.6	-78
IT income	4.1	4.1	0	4.0	1	8.1	7.6	7
Other operating income	0.8	0.6	33	0.8	2	1.4	1.6	-7
Total income	26.7	26.1	2	25.4	5	52.8	49.0	8
Staff costs	-16.5	-13.9	19	-13.6	22	-30.4	-26.4	15
Other administrative expenses	-5.4	-5.3	1	-4.9	10	-10.7	-8.8	23
Production for own use	0.4	0.6	-27	1.1	-62	1.0	2.2	-52
Depreciation/amortisation	-1.6	-1.6	2	-1.6	4	-3.3	-3.6	-8
Other operating expenses	-4.0	-3.8	8	-4.4	-9	-7.8	-8.1	-4
Total expenses	-27.2	-24.0	13	-23.4	16	-51.2	-44.7	15
Profit before loan losses etc.	-0.5	2.1	-123	2.1	-124	1.6	4.3	-63
Impairment losses on loans and other commitments	-0.3	0.0		0.0		-0.3	-0.1	144
Net operating profit	-0.8	2.1	-136	2.0	-138	1.4	4.2	-68
Income taxes	-0.6	-1.1	-48	-0.4	33	-1.6	-1.8	-9
Profit for the period	-1.3	1.0		1.6	-181	-0.3	2.4	-112
Attributable to:								
Non-controlling interests	0.9	0.0		0.4	103	0.9	0.5	92
Shareholders in Bank of Åland Plc	-2.2	1.0		1.2		-1.2	2.0	-160
Earnings per share								
Earnings per share before dilution, EUR ¹	-0.19	0.09		0.11		-0.10	0.17	
Earnings per share after dilution, EUR ²	-0.19	0.09		0.11		-0.10	0.17	

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

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

Summary statement of other comprehensive income

Bank of Åland Group	Q2 2011	Q1 2011	%	Q2 2010	%	Jan-Jun 2011	Jan-Jun 2010	%
EUR M								
Assets available for sale	0.2	-1.2	-119	-0.3	-189	-1.0	0.2	
Valuation differences	-1.1	0.2		0.5		-0.9	3.4	126
Income tax on other comprehensive income	-0.1	0.3	-119	-0.2	-73	0.3	-0.3	175
Other comprehensive income	-0.9	-0.7	24	0.0		-1.6	3.3	150
Total comprehensive income for the period	-2.2	0.3		1.6		-1.9	5.7	133
Attributable to								
Non-controlling interests	0.9	0.0		0.4	103	0.9	0.5	-96
Shareholders in Bank of Åland Plc	-3.1	0.3		1.2		-2.8	5.2	153

Income statement by quarter

Bank of Åland Group	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
EUR M					
Net interest income	10.1	9.5	9.0	9.4	9.3
Net commission income	10.7	10.1	12.0	7.6	9.9
Net income from securities transactions and foreign exchange dealing	0.8	1.2	1.6	0.5	0.1
Net income from financial assets available for sale	0.1	0.7	0.2	0.4	0.8
Net income from investment properties	0.1	0.0	0.0	1.0	0.5
IT income	4.1	4.1	4.7	3.7	4.0
Other operating income	0.8	0.6	0.3	0.6	0.9
Total income	26.7	26.1	27.8	23.1	25.5
Staff costs	-16.5	-13.9	-14.9	-12.3	-13.6
Other administrative expenses	-5.4	-5.3	-4.5	-4.8	-4.9
Production for own use	0.4	0.6	0.8	0.7	1.1
Depreciation/amortisation	-1.6	-1.6	-3.1	-1.6	-1.6
Other operating expenses	-4.0	-3.8	-4.1	-3.8	-4.4
Total expenses	-27.2	-24.0	-25.7	-21.8	-23.4
Profit before loan losses etc.	-0.5	2.1	2.0	1.3	2.1
Impairment losses on loans and other commitments	-0.3	0.0	-0.4	-5.4	0.0
Operating income	-0.8	2.1	1.6	-4.1	2.1
Income taxes	-0.6	-1.1	-1.3	-0.3	-0.4
Profit for the period	-1.3	1.0	0.4	-4.4	1.6
Attributable to:					
Non-controlling interests	0.9	0.0	0.1	0.1	0.4
Shareholders in Bank of Åland Plc	-2.2	1.0	0.3	-4.5	1.2

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	Shareholders' portion of equity capital	Non-controlling interests' portion of equity capital	Total
Equity capital, March 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, June 30, 2010	23.3	33.3	25.1	2.0	6.8	67.9	158.3	1.5	159.8
Comprehensive income for the period				-0.7	1.2	-4.2	-3.7	0.2	-3.5
Dividend paid						0.0	0.0	-1.0	-1.0
Purchases of minority interests' portion						-0.2	-0.2		-0.2
Other changes in equity capital attributable to minority interests							0.0	0.1	0.1
Equity capital, Dec 31, 2010	23.3	33.3	25.1	1.3	8.0	63.4	154.4	0.6	155.0
Comprehensive income for the period				-0.7	-0.9	-1.2	-2.8	0.9	-1.9
Dividend paid						0.0	0.0	0.0	0.0
Other changes in equity capital attributable to minority interests							0.0	2.0	2.0
Equity capital, June 30, 2011	23.3	33.3	25.1	0.6	7.1	62.3	151.7	3.5	155.1

Summary cash flow statement

Bank of Åland Group	Jan–Jun 2011		Jan–Mar 2011		Jan–Jun 2010	
EUR M						
Cash flow from operating activities						
Net operating profit	1.4		2.1		4.2	
Adjustment for net operating profit items not affecting cash flow	5.9		1.1		6.9	
Gains/losses from investing activities	-0.1		0.0		-0.6	
Income taxes paid	-0.1		0.4		-1.5	
Changes in assets and liabilities in operating activities	13.1	20.2	-29.8	-26.2	50.2	59.3
Cash flow from investing activities		-1.1		-0.6		-4.8
Cash flow from financing activities		-16.6		-4.4		-22.3
Exchange rate differences in cash and cash equivalents		-2.7		0.4		10.3
Change in cash and cash equivalents		-0.3		-30.7		42.5
Cash and cash equivalents, January 1		306.2		306.2		331.1
Cash and cash equivalents, June 30		306.0		275.5		373.6

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, 2011 was approved by the Board of Directors on July 29, 2011.

2. Basis for preparation and essential accounting principles

BASIS FOR PREPARATION

The Interim Report for the period January 1–June 30, 2011 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, 2010.

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.

New accounting norms and standards that apply starting in 2011:
Improvements to International Financial Reporting Standards (2010)
The standard was published as part of the International Accounting Standards Board's (IASB's) yearly process whose purpose is to deal with minor amendments to existing standards, known as the Annual Improvements Project. The amendments do not have any material impact on the consolidated financial statements.

IAS 24, "Related Party Disclosures"

The purpose of the amendments is to simplify the disclosure requirements for companies significantly influenced by central government and to clarify the definition of related parties. The Group is presenting its financial statement in compliance with the standard for the financial period that begins on January 1, 2011.

The Group is currently not affected by the following amendments:

IAS 32, "Financial Instruments: Presentation", "Classification of Warrants" (amendment)

IFRIC 14, "Prepayments of a Minimum Funding Requirement"

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

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. Capital adequacy

Bank of Åland Group	Jun 30, 2011	Dec 31, 2011	Jun 30, 2010
EUR M			
Core capital	121.9	122.1	126.9 ¹
Supplementary capital	73.2	78.4	80.5
Total capital base	195.1	200.5	207.4
Capital requirement for credit risks	111.5	114.4	114.7
Capital requirement for operational risks	14.0	16.8	16.5
Capital requirement for market risks	1.8	1.9	2.3
Total capital requirement	127.2	133.1	133.5
Total capital ratio, %	12.3	12.0	12.4
Core capital ratio, %	7.7	7.3	7.6

¹ Not including profit for the period.

5. 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. In order to match the Bank of Åland's internal reporting to the Group's Executive Team, segment reporting in the Interim Report for the period January - June 2011 has been changed. The comparative period has been correspondingly restated.

The "Åland" business area includes office operations in Åland and equities trading operations in Mariehamn. "Finland" includes office operations on the Finnish mainland, Ålandsbanken Asset Management Ab and equities trading operations on the Finnish mainland, including Ålandsbanken Equities Research Ab. The "Sweden" business area includes the operating units Ålandsbanken Sverige AB plus Ålandsbanken Fonder AB and Alpha Management Company S.A. The "Crosskey" business area includes Crosskey Banking Solutions Ab and S-Crosskey Ab. "Corporate and eliminations" include all central corporate units in the Group, intra-Group eliminations and the subsidiaries Ålandsbanken Fondbolag Ab and Ab Compass Card Oy Ltd.

Bank of Åland Group		Jan-Jun 2011				
EUR M	Åland	Finland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	6.6	8.8	3.8	0.0	0.3	19.6
Commission income	3.6	9.6	7.7	0.0	-0.2	20.8
Other income	0.1	0.1	0.9	20.4	-9.0	12.5
Total income	10.3	18.6	12.4	20.4	-8.9	52.8
Staff costs	-2.2	-5.0	-9.1	-7.2	-7.0	-30.4
Other expenses	-1.5	-3.7	-2.9	-9.5	-3.1	-20.8
Internal allocation of expenses	-4.2	-6.8	-8.4		19.4	0.0
Total expenses	-7.9	-15.5	-20.5	-16.8	9.4	-51.2
Profit before loan losses etc.	2.5	3.1	-8.1	3.7	0.5	1.6
Impairment losses on loans and other commitments	-0.1	-0.2	0.1	0.0	0.0	-0.3
Net operating income	2.3	2.9	-8.0	3.7	0.5	1.4

Bank of Åland Group		Jan-Jun 2010				
EUR M	Åland	Finland	Sweden	Crosskey	Corporate and eliminations	Total
Net interest income	6.4	9.0	2.6	0.0	0.4	18.4
Commission income	3.4	8.1	6.1	0.0	-0.3	17.3
Other income	0.1	0.1	2.6	18.8	-8.3	13.3
Total income	9.9	17.3	11.2	18.8	-8.2	49.0
Staff costs	-2.0	-4.8	-6.2	-6.6	-6.8	-26.4
Other expenses	-1.3	-3.6	-3.0	-8.8	-1.5	-18.2
Internal allocation of expenses	-3.8	-6.1	-9.2		19.1	0.0
Total expenses	-7.1	-14.5	-18.4	-15.4	10.8	-44.7
Profit before loan losses etc.	2.8	2.8	-7.2	3.4	2.6	4.3
Impairment losses on loans and other commitments	0.3	-0.5	0.1	0.0	0.0	-0.1
Net operating income	3.0	2.3	-7.1	3.4	2.6	4.2

6. Managed assets

Bank of Åland Group	Jun 30, 2011	Dec 31, 2010	%	Jun 30, 2010	%
EUR M					
Fund unit management	917	903	2	787	17
Discretionary asset management	1,817	1,873	-3	1,509	20
Other asset management	1,285	1,572	-18	1,211	6
Total managed assets	4,019	4,347	-8	3,507	15
Of which own funds in discretionary and other asset management	369	340	9	272	36

Presentation of managed assets has been changed in such a way that holdings of own funds in discretionary and other asset management are shown on a separate line. The comparative period has been correspondingly restated.

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

Bank of Åland Group	Jun 30, 2011	Dec 31, 2010	%	Jun 30, 2010	%
EUR M					
Deposit accounts from the public and public sector					
Sight deposits	1,605	1,599	0	1,609	0
Time deposits	482	540	-11	471	2
Total deposit accounts	2,086	2,140	-2	2,080	0
Bonds and subordinated debentures ¹	196	235	-17	256	-23
Certificates of deposit issued to the public ¹	210	225	-7	156	35
Total bonds and certificates of deposit	406	460	-12	412	-1
Total deposits	2,492	2,600	-4	2,492	0

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

The item "Liabilities to the public and public sector entities" also includes intermediated loans.

8. Lending to the public and public sector by purpose

Bank of Åland Group	Jun 30, 2011	Dec 31, 2010	%	Jun 30, 2010	%
EUR M					
COMPANIES					
Shipping	61	60	0	69	-13
Wholesale and retail trade	56	57	-2	62	-10
Housing operations	61	64	-3	69	-10
Other real estate operations	218	159	37	161	35
Financial and insurance operations	188	199	-6	192	-2
Hotel and restaurant operations	20	17	16	17	15
Other service operations	149	155	-4	126	18
Agriculture, forestry and fishing	11	14	-21	14	-23
Construction	34	29	15	32	6
Other industry and crafts	37	36	2	37	1
Total, companies	834	791	5	780	7
PRIVATE INDIVIDUALS					
Home loans	1,129	1,159	-3	1,158	-3
Securities and other investments	312	350	-11	353	-12
Business operations	113	102	11	100	13
Other household purposes	154	140	10	130	18
Total, households	1,708	1,751	-2	1 742	-2
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS					
Total, public sector and non-profit organisations	25	25	-1	27	-10
Total lending	2,567	2,573	0	2,549	1

The item "Claims on the public and public sector entities" also includes claims on the Swedish National Debt Office.

9. Impairment losses and doubtful receivables

Bank of Åland Group	Q2 2011	Q4 2010	%	Q2 2010	%
EUR M					
Individual impairment losses	0.8	0.1		0.2	
Group impairment losses	-0.4	0.0	0	0.0	0
Reversals	-0.1	-0.1	3	-0.1	7
Recognised in income statement	0.3	0.0	0	0.1	144
Gross doubtful receivables	9.9	9.8	1	8.1	22
Individual impairment losses	5.3	4.6	15	3.8	39
Group impairment losses	2.1	2.5	-16	2.5	-16
Net doubtful receivables	2.5	2.7	-8	1.8	40
Level of provisions for doubtful receivables, %	75	72		78	
Doubtful receivables as % of total	0.4	0.4		0.3	
Of which > 90 days past due	26.8	22.6	18	17.8	51
Non-performing receivables as % of total	1.04	0.89		0.70	

10. Off-balance sheet commitments

Bank of Åland Group	Jun 30, 2011	Dec 31, 2010	%	Jun 30, 2010	%
EUR M					
Guarantees and pledges	17	21	-20	23	-28
Other commitments	284	280	1	302	-6
Total	301	301	0	325	-7

11. Restructuring reserve

Bank of Åland Group	Jun 30, 2011	New reserve	Utilised	Withdrawn	Jun 30, 2010
EUR M					
Staff costs	2.9	2.9	-0.2	-0.7	0.9
Rent	0.0	0.0	-0.1	-0.2	0.3
IT	0.1	0.0	-0.2	0.0	0.3
Total	3.0	2.9	-0.5	-0.9	1.5

12. Goodwill

Bank of Åland Group	Jun 30, 2011	Dec 31, 2010	%	Jun 30, 2010	%
EUR M					
Opening balance	1.4	1.4	0	1.4	1.4
Closing balance	1.4	1.4	0	1.4	1.4

13. Net interest income

Bank of Åland Group	Q2 2011	Q1 2011	%	Q2 2010	%
EUR M					
Interest income					
Credit institutions and central banks	0.7	0.7	6	0.3	171
The public and public sector entities	16.8	15.6	8	13.1	29
Debt securities	2.2	2.0	8	2.5	-13
Other interest income	0.4	0.4	-13	0.5	-20
Total	20.1	18.7	8	16.4	23
Interest expenses					
Credit institutions and central banks	-0.4	-0.6	-33	-0.7	-49
The public and public sector entities	-5.4	-4.6	17	-3.6	51
Debt securities	-3.5	-3.0	15	-1.8	96
Subordinated liabilities	-0.4	-0.4	2	-0.4	25
Other interest expenses	-0.4	-0.6	-44	-0.7	-45
Total	-10.1	-9.3	9	-7.1	42
Net interest income	10.1	9.5	6	9.3	9

14. Commission income

Bank of Åland Group	Q2 2011	Q1 2011	%	Q2 2010	%
EUR M					
Deposits	0.2	0.2	1	0.2	-7
Lending	0.7	0.8	-4	0.8	-10
Payment intermediation	0.9	1.0	-12	0.8	7
Mutual fund unit commissions	3.2	2.9	13	2.2	45
Management commissions	2.0	2.2	-8	1.9	6
Securities commissions	5.5	4.2	31	4.8	13
Other commissions	0.6	0.5	14	0.7	-23
Total	13.0	11.6	12	11.5	13
Commission expenses	-2.4	-1.5	59	-1.6	49
Net commission income	10.7	10.1	5	9.9	8

15. Income taxes

Bank of Åland Group	Q2 2011	Q1 2011	%	Q2 2010	%
EUR M					
Taxes for the period and prior periods	-1.4	-0.6	146	-0.3	402
Change in deferred tax assets/liabilities	0.8	-0.5	-262	-0.1	-668
Income taxes	-0.6	-1.1	-48	-0.4	33

Starting on June 30, 2011 Bank of Åland has chosen to recognise deferred tax assets on reported losses in the subsidiary Compass Card, as a consequence of the company's positive income trend and future forecasts.

16. Dividend

Bank of Åland Group	2010	2009
euro		
Final dividend for 2010: EUR 0.00 per share	0	
Final dividend for 2009: EUR 0.70 per share		8,075,285

The decision not to distribute a dividend for 2010 was adopted by the Annual General Meeting on April 14, 2011.

17. Derivative contracts

Bank of Åland Group	Jun 30, 2011		Jun 30, 2010	
	For hedging purposes	Other	For hedging purposes	Other
EUR M				
Value of underlying property				
Interest rate derivatives				
<i>Forward contracts</i>	763	0	0	0
<i>Swap contracts</i>	377	13	531	11
<i>Option contracts</i>				
<i>Purchased</i>	52	9	1,260	6
<i>Exercised</i>	609	52	756	60
Currency derivatives				
<i>Forward contracts</i>	247	6	286	13
<i>Interest rate and currency swap contracts</i>	1	1	1	1
<i>Option contracts</i>				
<i>Purchased</i>	0	0	50	0
<i>Exercised</i>	0	0	50	0
Equity derivatives				
<i>Option contracts</i>				
<i>Purchased</i>	148	0	173	7
	2,198	82	3,106	98

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

18. Maturity breakdown of claims and liabilities

Bank of Åland Group		Jun 30, 2011				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
Claims						
Cash	14					14
Debt securities eligible for refinancing with central banks	14		99	23		135
Claims on credit institutions	243					243
Claims on the public and public sector entities	358	337	1,042	829		2,567
Debt securities	78	99	47	6		230
Shares and participations					8	8
Derivative instruments	1	3	18	1		24
Intangible assets					11	11
Tangible assets					35	35
Other assets	83				29	112
Accrued income and prepayments					22	22
Deferred tax assets					3	3
Total claims	791	439	1,206	859	107	3,403
Liabilities						
Liabilities to credit institutions	155			30		185
Liabilities to the public and public sector entities	1,759	299	29	0		2,088
Debt securities issued	223	125	397	2		747
Derivative instruments		2	7	1		10
Other liabilities	74				32	106
Accrued expenses and prepaid income					32	32
Subordinated liabilities		10	25	23		57
Deferred tax liabilities					22	22
Equity capital					155	155
Total liabilities	2,212	436	458	56	241	3,403

Bank of Åland Group		Jun 30, 2010				
EUR M	< 3 months	3 –12 months	1– 5 years	> 5 years	Total	
Claims						
Cash	47					47
Debt securities eligible for refinancing with central banks	2	44	100			146
Claims on credit institutions	319					319
Claims on the public and public sector entities	315	399	1,004	832		2,549
Debt securities	156	129	18			303
Shares and participations					19	19
Derivative instruments	2	5	22	3		32
Intangible assets					9	9
Tangible assets					36	36
Other assets	28				105	133
Accrued income and prepayments					22	22
Deferred tax assets					2	2
Total claims	869	577	1,144	835	193	3,617
Liabilities						
Liabilities to credit institutions	101	285	30			416
Liabilities to the public and public sector entities	1,865	198	18			2,081
Debt securities issued	261	138	334			732
Derivative instruments		2	8	1		11
Other liabilities	26				73	98
Accrued expenses and prepaid income					27	27
Subordinated liabilities	5	2	40	23		71
Deferred tax liabilities					22	22
Equity capital					160	160
Total liabilities	2,258	625	430	24	281	3,617

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

19. Interest rate refixing periods

Bank of Åland Group		Jun 30, 2011					
EUR M	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	
Assets	2,616	537	547	412	56	4,168	
Liabilities	2,847	333	434	417	40	4,070	
Difference between assets and liabilities	-231	204	112	-4	16	98	

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	

Shows the Bank's interest rate-related assets and liabilities, including derivatives at underlying value, according to the interest rate refixing date.

20. Hours worked, recalculated to full-time equivalent positions

Bank of Åland Group	Q2 2011	Q1 2011	%	Q2 2010	%
Bank of Åland Plc	312	298	5	302	3
Crosskey Banking Solutions Ab Ltd	207	210	-1	190	9
Ålandsbanken Sverige AB	135	138	-2	156	-13
Ålandsbanken Equities Research Ab	24	23	4	22	9
Ålandsbanken Fondbolag Ab	11	8	38	5	120
Ålandsbanken Asset Management Ab	5	5	0	7	-29
Ab Compass Card Oy Ltd	5	5	0	6	-17
Ålandsbanken Equities Ab	0	0	0	3	-100
Total number of positions, recalculated from hours worked	699	687	2	690	1

21. Related parties

A contract for consulting services during the period May 1, 2011–April 30, 2012 was entered into with Per Axman, Board member, with a value of about EUR 280,000. No other essential changes in related parties have occurred compared to December 31, 2010.

Review Report, Bank of Åland Plc Interim Report for January 1–Juni 30, 2011

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, 2011, the consolidated summary income statement, 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, 2011 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 29, 2011

Bengt Nyholm
Authorised Public Accountant

Terhi Mäkinen
Authorised Public Accountant

Leif Hermans
Authorised Public Accountant