

BANK OF ÅLAND**INTERIM REPORT
for the period January – September 2006****The report period in brief**

- Consolidated net operating profit climbed 20.8 per cent to 16.6 million euros (Jan–Sep 2005: EUR 13.8 M)
- Net interest income rose by 2.6 per cent to EUR 24.1 M (23.5)
- Commission income rose by 15.3 per cent to EUR 13.6 M (11.8)
- Expenses rose by 11.7 per cent to EUR 28.5 M (25.5)
- Loan losses (reversal) totalled EUR 0.1 M (-0.3)
- Lending volume rose by 8.7 per cent to EUR 1,838 M (Sep 2005: 1,692)
- Deposit accounts rose by 4.3 per cent to EUR 1,246 M (Sep 2005: 1,194)
- Mutual fund capital under management rose by 17.1 per cent to EUR 315 M (Dec. 31, 2005: 269)
- Return on equity after taxes (ROE) was 14.3 per cent (12.6)
- The total capital ratio amounted to 11.1 per cent (11.5)
- Earnings per share after taxes amounted to EUR 1.06 (0.93)

Arvopaperi praises Bank of Åland mutual funds

The Finnish financial magazine *Arvopaperi Sijoitusrahasto-opas* carries out an annual comparison of Finnish mutual fund companies with the help of the international analyst organisation Morningstar. In 2006, the Bank of Åland shared second place, which is a continued good grade. In recent years the Bank's subsidiary Ålandsbanken Fondbolag has consistently been rated in the upper ranks of Finnish mutual fund companies.

2006: 2nd of 19

2005: 7th of 22

2004: 2nd of 21

“Our good overall ranking reinforces our belief that it is through a consistent long-term effort that we can generate sustained value-added for our customers,” says Tom Pettersson, Managing Director of Ålandsbanken Fondbolag.

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

Bank of Åland Plc. Registered office: Mariehamn. Address: Nygatan 2, FIN-22100 MARIEHAMN, Åland, Finland.
Business Identity Code: 0145019-3. Telephone: +358 204 29 011. Web site: www.alandsbanken.fi

EARNINGS AND PROFITABILITY

This Interim Report has been prepared according to the International Financial Reporting Standards (IFRSs) approved by the European Union, as well as in compliance with IAS 34, "Interim Financial Reporting".

Earnings

During the first nine months of 2006, consolidated net operating profit amounted to EUR 16.6 M (13.8). This was an increase of 20.8 per cent¹ compared to the corresponding period of 2005. Return on equity after taxes (ROE) was 14.3 per cent (12.6).

The main reasons for the positive trend of earnings were increased commission income from asset management and from providing investment products, as well as increased revenue from computer systems sales and development (Crosskey Banking Solutions Ab Ltd).

Net interest income

Net interest income amounted to EUR 24.1 M (23.5). As a result of higher interest rates as well as larger lending volume, net interest income rose by 2.6 per cent despite the continued narrowing of customer margins.

Other income

Commission income rose by 15.3 per cent to EUR 13.6 M (11.8). Income from asset management and from providing investment products rose the most.

Net income from securities trading for the Bank's own account was EUR 0.6 M (0.5). Net income from dealing in the foreign exchange market amounted to EUR 0.8 M (0.7).

Net income from financial assets available for sale was EUR 0.2 M (1.5). The divestment of the Bank's shareholding in the Åland-based food processing company Chips Abp during the first quarter of 2005 yielded a capital gain of EUR 1.2 M. Net income from investment properties amounted to EUR 0.1M (0.2).

Other operating income totalled EUR 6.6 M (2.5), due to increased revenue from the sale and development of computer systems as well as capital gains from the divestment of properties.

Total income rose by 13.9 per cent to EUR 44.8 M (39.3).

Expenses

Staff costs rose by 9.1 per cent to EUR 16.1 M (14.7) as a consequence of new recruitments, mainly at Crosskey Banking Solutions Ab Ltd. Changes in pension liabilities and the fair value of assets in Ålandsbanken Abp:s Pensionsstiftelse, the Bank's pension fund, reduced staff costs by EUR 0.8 M (0.4).

Other administrative expenses (office costs, marketing, telecommunications and computer costs) amounted to EUR 6.3 M (6.4). Production for own use amounted to EUR 0.4 M (1.3) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation rose to EUR 3.0 M (2.6).

Other operating expenses amounted to EUR 3.5 M (3.1).

Total expenses, including planned depreciation/amortisation, rose to EUR 28.5 M (25.5).

Impairment loss on loans and other commitments

Net loan losses amounted to EUR 0.1 M (reversal).

Personnel

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 439 (410) in the first nine months of 2006. This represented an increase of 29 positions compared to the same period last year. Most of the increase was due to new recruitments at Crosskey Banking Solutions Ab Ltd.

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

Expense/income ratio

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

Bank of Åland Group	Sep 30 2006	Sep 30 2005	Dec 31 2005
including loan losses	0.63	0.65	0.64
excluding loan losses	0.63	0.65	0.64

Capital adequacy

Capital adequacy rules require that the capital base in the form of equity capital and reserves total at least 8 per cent of risk-weighted receivables and contingent liabilities. At the end of September, the Group's capital adequacy according to the Credit Institutions Act was 11.1 per cent (11.5).

Bank of Åland Group	Sep 30 2006	Sep 30 2005	Dec 31 2005
Capital base, EUR M			
Core capital	87.0	80.7	83.8
Supplementary capital	53.0	49.7	51.3
Total capital base	140.0	130.4	135.1
Risk-weighted volume, EUR M	1,256.5	1,131.3	1,192.7
Total capital ratio, %	11.1	11.5	11.3
Core capital as a percentage of risk-weighted volume	6.9	7.1	7.0

Profit for the report period is not included in the capital base.

Cash flow statement

Bank of Åland Group	Jan-Sep 2006	Jan-Sep 2005
Liquid assets, January 1	217.4	252.2
Cash flow from operating activities		
Net operating profit	16.6	13.8
Adjustment for net operating profit items not affecting cash flow	4.3	5.1
Profits/losses from investing activities	-0.9	-3.4
Income taxes paid	-3.5	-2.7
Change in assets and liabilities in operating activities	62.2	-261.9
Cash flow from investing activities	-1.3	2.1
Cash flow from financing activities	-2.3	134.9
Liquid assets, September 30	292.6	140.1

Deposits

Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to September 30, 2006 by 16.1 per cent to EUR 1,750 M (1,507). Deposit accounts increased by 4.3 per cent to EUR 1,246 M (1,194). Bonds and certificates of deposit issued to the public rose by 60.8 per cent to EUR 504 M (313). During the report period, the Group floated bond issues with a nominal value of EUR 35.9 M.

Lending

The volume of lending to the public increased by 8.7 per cent to EUR 1,838 M (1,692) during the 12 months to September 30, 2006. Most of the increase went towards residential financing. Lending to

private households rose by 10.4 per cent to EUR 1,295 M (1,173). Private households accounted for 70.5 (69.3) per cent of the Group's total lending.

Crosskey Banking Solutions Ab Ltd

Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mission of the company is to develop, sell and maintain banking computer systems – either as whole systems or in modules – to small and medium-sized banks in Europe, as well as sell operational and support contracts for its deliveries. Crosskey currently works with four banks: Tapiola Bank, DnB NOR, S-Bank and the Bank of Åland. Crosskey currently has about 115 employees and offices in Mariehamn, Turku and Helsinki. In November, Crosskey will open a branch office in Sweden.

Ålandsbanken Asset Management Ab

Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers discretionary and consultative asset management services to institutions and private individuals. The company currently has about 300 customers and EUR 650 M in managed assets. The company has strong growth in the form of new customers.

Ålandsbanken Fondbolag Ab

Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. On September 30, 2006, the total assets under management amounted to EUR 315 M (Dec. 31, 2005: 269), an increase of EUR 46 M or 17.1 per cent during the report period. The number of unit holders totalled 11,651 (Dec 31, 2005: 9,443). This represented an increase of 2,208 or 23 per cent during the report period.

Ålandsbanken Kapitalmarknadstjänster Ab

Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a subsidiary of the Bank of Åland Plc. The company provides discretionary asset management as well as consulting services related to securities and financing. The company currently has more than 200 customers, with an aggregate portfolio value of more than EUR 400 M.

Forecast for 2006

Full-year earnings in 2006 are expected to be better than in 2005.

Mariehamn, October 23, 2006

THE BOARD OF DIRECTORS

Review report

To the shareholders of the Bank of Åland Abp

We have conducted a review of the Interim Report of the Bank of Åland Abp for the period January 1 – September 30, 2006.

The Interim Report, which was issued by the Board of Directors and the Managing Director, includes a condensed income statement, balance sheet, cash flow statement, changes in equity capital and certain additional disclosures. After completing our assignment, we are issuing our statement of opinion about the Interim Report.

Our review was conducted in accordance with the recommendations of the Finnish Institute of Authorised Public Accountants concerning reviews. A review is planned and carried out on a sufficient scope to confirm that the Interim Report does not contain essential errors or omissions. A review is mainly limited to interviews with the staff of the Bank and analytical examination measures. We have not conducted a complete audit and will thus not issue an audit report.

On the basis of this review, to our knowledge no circumstances have emerged that would give reason to assume that the Interim Report has not been prepared essentially in accordance with the accounting and valuation principles of the IFRS standards approved by the EU as well as other Finnish rules and regulations concerning Interim Reports and that the Interim Report should not provide accurate and sufficient disclosures about the operating results and financial position of the Bank.

Mariehamn, October 23, 2006

Marja Tikka
Authorised Public Accountant

Leif Hermans
Authorised Public Accountant

Rabbe Nevelainen
Authorised Public Accountant

FINANCIAL RATIOS ETC

Bank of Åland Group	Jan-Sep 2006	Jan-Sep 2005	Jan-Dec 2005
Earnings per share before dilution, EUR ¹	1.06	0.93	1.24
Earnings per share after dilution, EUR ²	1.03	0.90	1.21
Market price per share, end of period, EUR			
Series A	24.50	22.40	24.00
Series B	23.50	20.71	24.00
Equity capital per share, EUR ³	10.58	9.97	10.32
Return on equity after taxes, % (ROE) ⁴	14.3	12.6	12.5
Return on total assets (ROA), % ⁵	1.1	1.0	0.7
Equity/assets ratio, % ⁶	5.11	5.33	5.22
Total lending volume, EUR M	1,838	1,692	1,796
Total deposits from the public, EUR M	1,750	1,507	1,631
Equity capital, EUR M,	117	110	113
Balance sheet total, EUR M	2,293	2,055	2,170
Expense/income ratio			
Including loan losses	0.63	0.65	0.64
Excluding loan losses	0.63	0.65	0.64

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 / 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 Profit for the period / Balance sheet total

SUMMARY BALANCE SHEET

Bank of Åland Group (EUR M)	Sep 30 2006	Sep 30 2005	Dec 31 2005
ASSETS			
Liquid assets	46	51	78
Debt instruments eligible for refinancing with central banks	161	113	96
Claims on credit institutions	151	109	128
Claims on the public and public sector entities	1,838	1,692	1,796
Debt instruments	1	1	0
Shares and participations	4	4	5
Shares and participations in associated companies	2	2	2
Derivative instruments	19	14	15
Intangible assets	4	4	4
Tangible assets	23	24	24
Other assets	25	29	9
Accrued income and prepaid expenses	18	12	14
Imputed taxes	1	0	0
TOTAL ASSETS	2,293	2,055	2,170
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	62	74	73
Liabilities to the public and public sector entities	1,248	1,198	1,303
Debt instruments issued to the public	705	540	558
Derivative instruments	19	15	15
Other liabilities	51	38	30
Accrued expenses and prepaid income	17	15	11
Subordinated liabilities	61	55	55
Imputed taxes due	12	11	12
TOTAL LIABILITIES	2,176	1,945	2,057
EQUITY CAPITAL AND MINORITY INTEREST			
Share capital	22	22	22
Share issue	1	0	0
Share premium account	27	26	26
Reserve fund	25	25	25
Fair value reserve	0	0	0
Profit brought forward	28	25	25
Profit for the period	12	10	14
Minority interest in capital	1	1	1
TOTAL EQUITY CAPITAL	117	110	113
TOTAL LIABILITIES AND EQUITY CAPITAL	2,293	2,055	2,170

SUMMARY INCOME STATEMENT

Bank of Åland Group (EUR M)	Jan-Sep 2006	Jan-Sep 2005	Jan-Dec 2005
Net interest income	24.1	23.5	31.4
Income from equity instruments	0.0	0.1	0.1
Commission income	13.6	11.8	16.1
Commission expenses	-1.2	-1.4	-2.0
Net income from securities transactions and foreign exchange dealing	1.4	1.1	1.5
Net income from financial assets available for sale	0.2	1.5	1.1
Net income from investment properties	0.1	0.2	0.3
Other operating income	6.6	2.5	3.5
Total income	44.8	39.3	52.0
Staff costs	-16.1	-14.7	-17.8
Other administrative expenses	-6.3	-6.4	-8.5
Production for own use	0.4	1.3	1.1
Depreciation/amortisation	-3.0	-2.6	-3.9
Other operating expenses	-3.5	-3.1	-4.2
Total expenses	-28.5	-25.5	-33.2
Loan and guarantee losses	0.1	-0.3	-0.3
Share of profit/loss in associated companies	0.3	0.3	0.2
Net operating profit	16.6	13.8	18.7
Profit before appropriations and taxes			
Profit for the period	-4.2	-3.3	-4.6
Minority share of profit for the period	-0.7	-0.3	-0.5
Profit for the period	11.7	10.2	13.6

INCOME STATEMENT BY QUARTER ¹

Bank of Åland Group (EUR M)	Q III 2006	Q II 2006	Q I 2006	Q IV 2005	Q III 2005
Net interest income	8.2	7.8	8.1	7.9	7.9
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	4.3	4.9	4.4	4.4	3.9
Commission expenses	-0.4	-0.4	-0.4	-0.6	-0.5
Net income from securities transactions and foreign exchange dealing	0.1	0.6	0.7	0.4	0.6
Net income from financial assets available for sale	0.0	-0.1	0.3	-0.4	0.0
Net income from investment properties	0.1	0.0	0.0	0.0	0.0
Other operating income	2.4	2.0	2.3	1.0	0.7
Total income	14.6	14.6	15.5	12.7	12.6
Staff costs	-5.2	-5.6	-5.3	-3.1	-4.5
Other administrative expenses	-1.8	-2.5	-1.9	-2.1	-2.0
Production for own use	0.1	0.1	0.1	-0.2	0.4
Depreciation/amortisation	-1.0	-1.0	-1.0	-1.3	-0.9
Other operating expenses	-1.2	-1.2	-1.1	-1.1	-1.0
Total expenses	-9.1	-10.2	-9.3	-7.7	-7.9
Loss impairment on loans and other commitments	0.0	0.1	0.0	0.0	-0.3
Share of profit/loss in associated companies	0.0	0.1	0.1	-0.1	0.1
Net operating profit	5.6	4.6	6.4	4.9	4.5

¹ Quarterly figures for 2005 have been adjusted for the effect of the "fair value option" introduced in Q IV 2005.

CHANGES IN EQUITY CAPITAL

Bank of Åland Group	Share capital	Share issue	Share premium account	Legal reserve	Fair value reserve	Retained earnings	Minority interest	Total
EUR M								
Equity capital, December 31, 2004	22.2	0.0	25.5	25.1	0.0	34.5	0.5	107.8
Introduction of IAS 39 incl. fair value option			0.5		1.1	1.6	0.0	3.3
Equity capital, January 1, 2005	22.2	0.0	26.0	25.1	1.1	36.1	0.5	111.1
Dividend to shareholders						-11.0		-11.0
Conversion of capital loan	0.0		0.1					0.1
Change in fair value					-1.0			-1.0
Change in minority interest of equity capital							0.1	0.1
Profit for the period						10.2		10.2
Equity capital, September 30, 2005	22.2	0.0	26.1	25.1	0.2	35.3	0.7	109.6
Conversion of capital loan	0.0		0.0					0.0
Change in fair value					0.2			0.2
Change in minority share of equity capital							0.3	0.3
Profit for the period						3.4		3.4
Equity capital, December 31, 2005	22.2	0.0	26.1	25.1	0.4	38.7	1.0	113.4
Dividend to shareholders ¹						-11.0		-11.0
Conversion of capital loan ²	0.2	1.5	1.1					2.8
Change in fair value					0.1			0.1
Change in minority share of equity capital							0.1	0.1
Profit for the period						11.7		11.7
Equity capital, September 30, 2006	22.3	1.5	27.2	25.1	0.4	39.4	1.1	117.1

¹ Dividend payment for Series A shares EUR 5.2 M and for Series B shares EUR 5.8 M.

² During the report period, 84,804 new Series B shares subscribed in exchange for convertible loan certificates were recorded in the Finnish Trade Registry. This was equivalent to an increase in equity capital of EUR 0.2 M and an increase in the share premium account by EUR 1.1 M. An additional 98,901 Series B shares were subscribed in exchange for convertible loan certificates. This was equivalent to an increase in equity capital of EUR 0.2 M and an increase in the share premium account by EUR 1.3 M. The shares will be recorded in the Finnish Trade Registry on October 31, 2006

SEGMENT REPORT

Bank of Åland Group (EUR M)	30.09.2006						Total
	Retail banking operations	Investment banking operations	Information technology operations	Treasury and portfolio management	Group staff units etc.	Eliminations	
External income	28.1	7.3	6.0	1.9	1.5		44.8
Internal income	0.9		7.0	1.9	1.0	-10.9	0.0
Total income	29.0	7.3	13.0	3.8	2.5	-10.9	44.8
Costs incl. depreciation etc.	-10.4	-2.8	-9.9	-1.9	-14.4	10.9	-28.5
Loan losses	0.1						0.1
Share of profit/loss in associated companies				0.3			0.3
Net operating profit	18.8	4.5	3.0	2.2	-11.9	0.0	16.6
Assets	1,890	31	8	168	199	-4	2,293
Liabilities	1,562	326	3	7	187	91	2,176
Equity capital							117

Bank of Åland Group (EUR M)	30.09.2005						Total
	Retail banking operations	Investment banking operations	Information technology operations	Treasury and portfolio management	Group staff units etc.	Eliminations	
External income	26.8	5.1	2.2	4.4	0.8		39.3
Internal income	0.9		8.1	0.9	1.2	-11.1	0.0
Total income	27.7	5.1	10.3	5.3	2.0	-11.1	39.3
Costs incl. depreciation etc.	-10.2	-2.3	-8.9	-1.8	-13.4	11.1	-25.5
Loan losses	-0.3						-0.3
Share of profit/loss in associated companies				0.3			0.3
Net operating profit	17.3	2.8	1.4	3.7	-11.5	0.0	13.8
Assets	1,739	26	8	130	154	-3	2,055
Liabilities	1,492	161	3	17	189	83	1,945
Equity capital							110

LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE

Bank of Åland Group (EUR M)	Sep 30 2006	Sep 30 2005	Dec 31 2005
BUSINESS AND PROFESSIONAL ACTIVITIES			
Service sector			
Shipping	58	75	60
Hotels, restaurants, tourist cottages etc.	12	12	11
Wholesale and retail trade	45	46	46
Housing corporations	53	39	40
Real estate operations	84	90	95
Financial operations	126	99	137
Other service business	79	76	78
	456	436	467
Production sector			
Agriculture, forestry and fishing	21	21	21
Food processing etc	6	9	9
Construction	22	16	27
Other industry and crafts	10	9	9
	59	55	66
HOUSEHOLDS			
Home loans	1,039	949	977
Studies	13	13	13
Other purposes	242	211	246
	1,295	1,173	1,236
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS			
	27	27	28
TOTAL LENDING	1,838	1,692	1,796

**DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES.
including bonds issued and certificates of deposit**

Bank of Åland Group (EUR M)	Sep 30 2006	Sep 30 2005	Dec 31 2005
Deposit accounts from the public and public sector entities			
Demand deposit accounts	170	171	187
Current accounts	198	186	197
Savings and Environmental Accounts	99	106	109
Prime Accounts	415	474	494
Time deposits	288	181	228
<i>Total deposit accounts in euros</i>	1,170	1,118	1,214
Deposit accounts in other currencies	75	76	85
Total deposit accounts	1,246	1,194	1,300
Bonds	183	190	174
Certificates of deposit issued to the public	321	123	157
Bonds and certificates of deposit	504	313	331
Total deposits	1,750	1,507	1,631

DERIVATIVE CONTRACTS

← Formaterad tabell

Bank of Åland Group (EUR M)	Sep 30, 2006		Sep 30, 2005	
	For hedging purposes	Other	For hedging purposes	Other
<i>Value of underlying property</i>				
Interest rate derivatives				
Option contracts				
Purchased	0	0	15	0
Written	0	0	0	15
Interest rate swap contracts	324	8	311	4
Currency derivatives				
Forward contracts				
	6	6	1	2
Interest rate and currency swap contracts				
	0	1	0	1
Equity derivatives				
Option contracts				
Purchased	156	0	162	1
Written	0	156	0	162
	486	171	489	183
Equivalent credit values of the contracts				
Interest rate derivatives				
	3		2	
Currency derivatives				
	0		0	
Equity derivatives				
	28		25	
	32		27	

OFF-BALANCE SHEET COMMITMENTS

← Formaterad tabell

Bank of Åland Group (EUR M)	Sep 30	Sep 30	Dec 31
	2006	2005	2005
Guarantees and pledges	15	13	13
Other commitments	163	141	132
	178	154	145

← Formaterat: Teckensnitt: 9 pt

← Formaterat: Teckensnitt: 9 pt