

# INTERIM REPORT

For the period January – September 2007

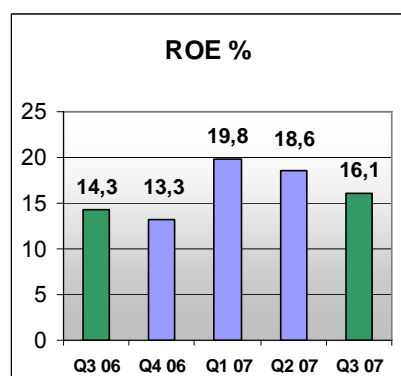
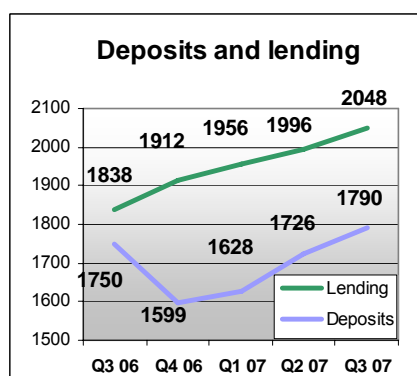
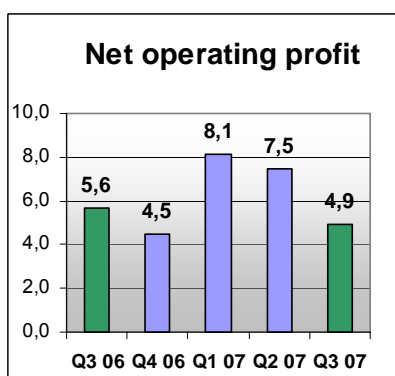
October 22, 2007

## The report period in brief

- Consolidated net operating profit rose by 23 per cent to 20.5 million euros (Jan – Sep 2006: EUR 16.6 M)
- Net interest income increased by 20 per cent to EUR 28.8 M (24.1)
- Commission income increased by 12 per cent to EUR 15.2 M (13.6)
- Expenses increased by 17 per cent to EUR 33.2 M (28.5)
- Loan losses amounted to EUR 0.9 M (recovery of 0.1)
- Lending volume increased by 11 per cent to EUR 2,048 M (Sep 2006: 1,838)
- Deposits increased by 2 per cent to EUR 1,790 M (Sep 2006: 1,750)
- Mutual fund capital under management increased by 29 per cent to EUR 406 M (315)
- Return on equity after taxes (ROE) was 16.1 (14.3) per cent
- The expense/income ratio improved to 62 (63) per cent
- The total capital ratio in compliance with Basel 2 amounted to 12.4 per cent
- Earnings per share after taxes amounted to EUR 1.26 (1.06)

“The Bank of Åland Group has no direct or indirect investments in ‘sub-prime loans’, which have created great turbulence in financial markets during the autumn. The Bank’s lending portfolio remains sound, with very small loan losses. To further improve the transparency of the Bank’s reporting, the Interim Report shows a list of the Bank’s other significant bond holdings and other holdings of debt securities.”

Peter Grönlund, Managing Director



# ÅLANDSBANKEN

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

**EARNINGS AND PROFITABILITY**

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

**Earnings summary for the report period**

During January-September 2007, consolidated net operating profit of the Bank of Åland Group rose by 23<sup>1</sup> per cent to EUR 20.5 M (16.6). This positive trend resulted from improved net interest income and higher income from mutual fund and asset management, capital gains and increases in the value of financial assets, while information technology (IT) operations had continued good earnings.

Income increased by 21 per cent to EUR 54.4 M (44.8), while expenses rose by 17 per cent to EUR 33.2 M (28.5). Return on equity after taxes (ROE) increased to 16.1 (14.3) per cent, and earnings per share after taxes increased to EUR 1.26 (1.06).

**Net interest income**

During the report period, consolidated net interest income rose by 20 per cent to EUR 28.8 M (24.1). Increased deposit and lending volume as well as higher interest rates improved net interest income, while the lending margin continued its negative trend. Lending volume increased by 11 per cent to EUR 2,048 M (1,838).

**Other income**

Commission income rose by 12 per cent to EUR 15.2 M (13.6). Income on mutual fund and asset management as well as securities brokerage increased, due to higher trading volume and managed assets.

Net income from securities trading for the Bank's own account was EUR 2.1 M (0.6). Net income from dealing in the foreign exchange market amounted to EUR 0.6 M (0.8). Net income from financial assets available for sale was EUR 0.9 M (0.2), and net income from investment properties increased to EUR 0.6 M (0.1).

Other operating income also increased, to EUR 7.6 M (6.6), due to rising income from the sale and development of computer systems.

The Group's total income rose by 21 per cent to EUR 54.4 M (44.8).

**Expenses**

Staff costs increased by 20 per cent to EUR 19.3 M (16.1). The increase was due to employee recruitment throughout the Group. A change in the fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, increased staff costs by EUR 0.2 M (-0.7).

Other administrative expenses (office, marketing, communications and IT) increased to EUR 6.4 M (6.3). Production for own use totalled EUR 0.3 M (0.4) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation increased to EUR 3.6 M (3.0).

Other operating expenses amounted to EUR 4.2 M (3.5), of which rents and property expenses accounted for the largest increase.

The Group's total expenses rose by 17 per cent to EUR 33.2 M (28.5).

**Expense/income ratio**

The expense/income ratio improved during the report period to 62 per cent, compared to 63 per cent during the corresponding period of 2006. During the full year 2006, the expense/income ratio was 66 per cent.

**Impairment loss on loans and other commitments**

Loan losses amounted to EUR 0.9 M (recovery of 0.1).

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

**Third quarter of 2007**

The third quarter was affected by financial market turbulence, which resulted in a challenging funding situation and cautious investors in capital markets. The Group has taken steps to further strengthen its liquidity. Consolidated net operating profit fell by 13 per cent compared to the corresponding quarter of 2006, amounting to EUR 4.9 M (Q III 2006: 5.6). Gross operating profit was better than during the corresponding period of 2006, but net operating profit was adversely affected in the amount of EUR -0.3 M (0.4) by valuations according to the fair value option, lower fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, amounting to EUR -0.4 M (0.1) and higher loan losses in the amount of EUR 0.6 M (0.0).

*Income*

Total income increased by 13 per cent to EUR 16.5 M (14.6). A combination of higher interest rates and higher lending volume increased net interest income by 21 per cent to EUR 9.9 M (8.2). The increase was reduced by lower lending margins than in the year-earlier period.

Commission income improved despite market turbulence and amounted to EUR 4.6 M (4.3). The increase consisted of higher commission income on management of mutual fund assets, while securities trading commissions fell. Net income from securities trading and foreign exchange operations was unchanged at EUR 0.1 M. Other operating income decreased to EUR 2.3 M (2.4) as a consequence of lower income from IT operations.

*Expenses*

Total expenses during the quarter increased by 23 per cent to EUR 11.1 M (9.1). During the quarter, staff costs amounted to EUR 6.5 M (5.2). The increase was due to the higher number of Group employees, salary hikes in accordance with collective agreements and lower fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, during the quarter. Other administrative expenses increased to EUR 2.1 M (1.8) during Q III 2007. Due to higher property expenses and rents, other operating expenses increased to EUR 1.4 M (1.2). Loan losses during the quarter were EUR 0.6 M (0.0).

**Balance sheet total and off-balance sheet obligations**

At the end of the report period, the Group's balance sheet total was EUR 2,569 M (2,293). The increase was due to both higher lending volume and deposit volume. During the period, the Group issued bond loans to the public in a nominal amount of EUR 34 M.

As a consequence of higher obligations for guarantees, off-balance sheet obligations increased to EUR 192 M (178).

**Personnel**

Hours worked in the Group, recalculated to full-time equivalent positions, totalled 460 (439) during the report period. This represented an increase of 21 positions compared to the year-earlier period.

**Capital adequacy**

The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. Risk management under Pillar 2 will be reported in the Annual Report for 2007. According to Pillar 1 of Basel 2, the Group's total capital ratio at the end of September 2007 was 12.4 per cent. The capital requirement for credit risks is being calculated according to the standardised approach, and the capital requirement for operational risks is being calculated according to the basic indicator approach in the Basel 2 regulations.

**Deposits**

Deposits from the public, including bonds and certificates of deposit issued, continued to increase during the 12 months to September 30, 2007 by 2 per cent to EUR 1,790 M (1,750). Deposit accounts increased by 14 per cent to EUR 1,415 M (1,246). Bonds and certificates of deposit issued to the public decreased by 26 per cent to EUR 375 M (504).

**Lending**

The volume of lending to the public during the 12 months to September 30, 2007 increased by 11 per cent to EUR 2,048 M (1,838). Lending to private households increased by 10 per cent to EUR 1,421 M (1,295). Households accounted for 69 (70) per cent of the Group's total lending.

**Ab Compass Card Oy Ltd**

Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mission of the company is to issue credit and debit cards to private and institutional customers. The company is in the start-up phase and is expected to begin its operations during 2008.

**Crosskey Banking Solutions Ab Ltd**

Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc. The mission of the company is to develop, sell and maintain banking computer systems – either as whole systems or in modules – to small and medium-sized banks in Europe, as well as sell operational services. Among Crosskey's current customers are Tapiola Bank, DnB NOR, S-Bank, the Bank of Åland, eQ Bank and EGET. Crosskey currently has 149 employees and offices in Mariehamn, Turku, Helsinki and Stockholm.

**Ålandsbanken Asset Management Ab**

Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers discretionary and consultative asset management services to institutions and private individuals. The company also manages all of the Bank of Åland's mutual funds. The company currently has about 350 customers and EUR 900 M in managed assets. The company has strong growth.

**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. At the end of the report period, the total number of unit holders was 14,372 (11,651). This represented an increase of 2,721 or 23 per cent. Total assets under management amounted to EUR 406 M (315), an increase of EUR 91 M or 29 per cent since 12 months earlier.

**Ålandsbanken Kapitalmarknadstjänster Ab**

In order to further strengthen the Bank of Åland's position in the capital market segment in Åland, Ålandsbanken Kapitalmarknadstjänster Ab has been merged with the Bank of Åland Plc. This merger was completed on October 1, 2007.

**Ålandsbanken Veranta Ab**

Ålandsbanken Veranta Ab is a subsidiary of the Bank of Åland Plc. The company's operations include estate agency, appraisal and consulting business. The company currently has 4 employees and an office in Helsinki.

**Outlook for 2007**

The Group predicts higher interest rates during the final quarter of 2007, a continued positive trend in the mutual fund and capital markets as well as growth in the Group's IT operations. The cost level in the Group is expected to rise moderately. Competition in the banking market is expected to remain tough, which is reflected primarily in lending margins. Based on these factors, the Group is sticking to its earlier forecast that earnings in 2007 are expected to be substantially better than in the preceding year.

The Group's assessment of the outlook for 2007 is based on its assumptions about future developments in the fixed-income and financial markets. General interest rates, the demand for lending, the trend of the capital and financial markets and the competitive situation are factors that the Group cannot influence.

Mariehamn, October 22, 2007

THE BOARD OF DIRECTORS

## FINANCIAL RATIOS ETC

Bank of Åland Group	Jan-Sep 2007	Jan-Sep 2006	Jan-Dec 2006
Earnings per share before dilution, EUR <sup>1</sup>	1.26	1.06	1.29
Earnings per share after dilution, EUR <sup>2</sup>	1.26	1.03	1.29
Market price per share, end of period, EUR			
Series A	33.00	24.50	26.50
Series B	26.53	23.50	24.50
Equity capital per share, EUR <sup>3</sup>	11.19	10.58	10.86
Return on equity after taxes, % (ROE) <sup>4</sup>	16.1	14.3	13.3
Return on total assets (ROA), % <sup>5</sup>	0.9	0.8	0.7
Equity/assets ratio, % <sup>6</sup>	5.0	5.1	5.6
Total lending volume, EUR M	2,048	1,838	1,912
Total deposits from the public, EUR M	1,790	1,750	1,599
Equity capital, EUR M,	129	117	122
Total assets, EUR M	2,569	2,293	2,189
Expense/income ratio			
Including loan losses	0.62	0.63	0.66
Excluding loan losses	0.61	0.63	0.66

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

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

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

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

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

<sup>6</sup> Equity capital / Total assets

## CAPITAL ADEQUACY

Bank of Åland Group	Sep 30 2007 Basel 2	Sep 30 2006 Basel 1	Dec 31 2006 Basel 2
Capital base, EUR M			
Core capital *	95.2	87.0	88.3
Supplementary capital	51.4	53.0	53.4
Total capital base	146.6	140.0	141.7
Capital requirement for credit risks	86.9	100.5	74.9
Capital requirement for operational risks	8.0	0.0	7.3
Total capital requirement	94.9	100.5	82.2
Total capital ratio, %	<b>12.4</b>	<b>11.1</b>	<b>13.8</b>
Core capital ratio, %	8.0	6.9	8.6

\* Core capital includes earnings during the report period minus estimated dividends to the shareholders.

Due to the introduction of new rules for calculating the total capital ratio (Basel 2), the figure for September 30, 2006 is not comparable to the other figures.

## SUMMARY BALANCE SHEET

Bank of Åland Group (EUR M)	Sep 30 2007	Sep 30 2006	Dec 31 2006
<b>ASSETS</b>			
Liquid assets	40	46	65
Debt instruments eligible for refinancing with central banks	184	161	57
Claims on credit institutions	181	151	60
Claims on the public and public sector entities	2,048	1,838	1,912
Debt securities	0	1	0
Shares and participations	3	4	4
Shares and participations in associated companies	2	2	2
Derivative instruments	32	19	27
Intangible assets	5	4	5
Tangible assets	26	23	23
Other assets	24	25	17
Accrued income and prepaid expenses	23	18	16
Deferred tax assets	1	1	1
<b>TOTAL ASSETS</b>	<b>2,569</b>	<b>2,293</b>	<b>2,189</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>			
Liabilities to credit institutions	124	62	62
Liabilities to the public and public sector entities	1,417	1,248	1,261
Debt securities issued to the public	737	705	597
Derivative instruments	30	19	26
Other liabilities	43	51	35
Accrued expenses and prepaid income	24	17	12
Subordinated liabilities	52	61	60
Deferred tax liabilities	13	12	13
<b>TOTAL LIABILITIES</b>	<b>2,440</b>	<b>2,176</b>	<b>2,066</b>
<b>EQUITY CAPITAL AND MINORITY INTEREST</b>			
Share capital	23	22	23
Share issue	0	1	0
Share premium account	33	27	29
Reserve fund	25	25	25
Fair value reserve	0	0	0
Retained earnings	31	28	28
Profit for the period	15	12	15
Minority interest in capital	2	1	2
<b>TOTAL EQUITY CAPITAL</b>	<b>129</b>	<b>117</b>	<b>122</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>2,569</b>	<b>2,293</b>	<b>2,189</b>

**SUMMARY INCOME STATEMENT**

Bank of Åland Group (EUR M)	Jan-Sep 2007	Jan-Sep 2006	Jan-Dec 2006
Net interest income	28.8	24.1	32.7
Income from equity instruments	0.0	0.0	0.0
Commission income	15.2	13.6	18.4
Commission expenses	-1.5	-1.2	-1.7
Net income from securities transactions and foreign exchange dealing	2.7	1.4	2.3
Net income from financial assets available for sale	0.9	0.2	0.3
Net income from investment properties	0.6	0.1	0.2
Other operating income	7.6	6.6	9.4
<b>Total income</b>	<b>54.4</b>	<b>44.8</b>	<b>61.6</b>
Staff costs	-19.3	-16.1	-22.5
Other administrative expenses	-6.4	-6.3	-9.4
Production for own use	0.3	0.4	0.5
Depreciation/amortisation	-3.6	-3.0	-4.0
Other operating expenses	-4.2	-3.5	-5.4
<b>Total expenses</b>	<b>-33.2</b>	<b>-28.5</b>	<b>-40.9</b>
Impairment loss on loans and other commitments	-0.9	0.1	0.0
Share of profit/loss in associated companies	0.3	0.3	0.3
<b>Net operating profit</b>	<b>20.5</b>	<b>16.6</b>	<b>21.1</b>
Income taxes	-5.4	-4.2	-5.4
<b>Profit for the period</b>	<b>15.1</b>	<b>12.4</b>	<b>15.7</b>
Shareholders' interest in profit for the period	14.5	11.7	14.7
Minority interest in profit for the period	0.6	0.7	1.0
<b>Total</b>	<b>15.1</b>	<b>12.4</b>	<b>15.7</b>
<b>Earnings per share</b>			
Earnings per share before dilution, EUR <sup>1</sup>	1.26	1.06	1.29
Earnings per share after dilution, EUR <sup>2</sup>	1.26	1.03	1.29

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

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

## INCOME STATEMENT BY QUARTER

Bank of Åland Group (EUR M)	Q III 2007	Q II 2007	Q I 2007	Q IV 2006	Q III 2006
Net interest income	9.9	9.7	9.2	8.6	8.2
Income from equity instruments	0.0	0.0	0.0	0.0	0.0
Commission income	4.6	5.2	5.4	4.9	4.3
Commission expenses	-0.5	-0.6	-0.5	-0.5	-0.4
Net income from securities transactions and foreign exchange dealing	0.1	1.7	0.9	0.8	0.1
Net income from financial assets available for sale	0.0	0.3	0.5	0.1	0.0
Net income from investment properties	0.0	0.5	0.1	0.2	0.1
Other operating income	2.3	2.5	2.9	2.8	2.4
<b>Total income</b>	<b>16.5</b>	<b>19.3</b>	<b>18.5</b>	<b>16.8</b>	<b>14.6</b>
Staff costs	-6.5	-6.7	-6.0	-6.5	-5.2
Other administrative expenses	-2.1	-2.4	-1.9	-3.1	-1.8
Production for own use	0.1	0.1	0.1	0.1	0.1
Depreciation/ amortisation	-1.3	-1.1	-1.3	-1.0	-1.0
Other operating expenses	-1.4	-1.5	-1.3	-1.9	-1.2
<b>Total expenses</b>	<b>-11.1</b>	<b>-11.7</b>	<b>-10.4</b>	<b>-12.4</b>	<b>-9.1</b>
Loss impairment on loans and other commitments	-0.6	-0.3	-0.1	-0.1	0.0
Share of profit in associated companies	0.0	0.1	0.1	0.1	0.0
<b>Net operating profit</b>	<b>4.9</b>	<b>7.5</b>	<b>8.1</b>	<b>4.5</b>	<b>5.6</b>



## 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)								
<b>Equity capital, December 31, 2005</b>	<b>22.2</b>	<b>0.0</b>	<b>26.1</b>	<b>25.1</b>	<b>0.4</b>	<b>38.7</b>	<b>0.9</b>	<b>113.3</b>
Financial assets available for sale:								
- change in fair value					0.2			0.2
- transferred to income statement					-0.2			-0.2
Profit for the period						11.7	0.7	12.4
<b>Total recognised income and expenses during the period</b>					<b>0.1</b>	<b>11.7</b>	<b>0.7</b>	<b>12.5</b>
Dividend to shareholders						-11.0	-0.5	-11.5
Conversion of capital loan	0.2	1.5	1.1					2.8
Other change in minority interest in equity capital							0.0	0.0
<b>Equity capital, September 30, 2006</b>	<b>22.3</b>	<b>1.5</b>	<b>27.2</b>	<b>25.1</b>	<b>0.4</b>	<b>39.4</b>	<b>1.1</b>	<b>117.1</b>
Financial assets available for sale:								
- change in fair value					0.0			0.0
- transferred to income statement					0.0			0.0
Profit for the period					0.0	3.0	0.3	3.3
<b>Total recognised income and expenses during the period</b>					<b>0.0</b>	<b>3.0</b>	<b>0.3</b>	<b>3.2</b>
Conversion of capital loan	0.3	-1.2	2.0					1.1
Other change in minority interest in equity capital							0.7	0.7
<b>Equity capital, December 31, 2006</b>	<b>22.7</b>	<b>0.3</b>	<b>29.2</b>	<b>25.1</b>	<b>0.4</b>	<b>42.4</b>	<b>2.1</b>	<b>122.2</b>
Financial assets available for sale:								
- change in fair value					-0.2			0.1
- transferred to income statement					0.1			-0.2
Profit for the period						14.5	0.6	15.1
<b>Total recognised income and expenses during the period</b>					<b>0.1</b>	<b>14.5</b>	<b>0.6</b>	<b>15.1</b>
Dividend to shareholders <sup>1</sup>						-11.5	-1.0	-12.6
Conversion of capital loan <sup>2</sup>	0.6	-0.3	4.1					4.4
Other change in minority interest in equity capital							0.0	0.0
<b>Equity capital, September 30, 2007</b>	<b>23.3</b>	<b>0.0</b>	<b>33.3</b>	<b>25.1</b>	<b>0.4</b>	<b>45.4</b>	<b>1.6</b>	<b>129.1</b>

<sup>1</sup> The dividend payment for Series A shares was EUR 5.2 M and for Series B shares EUR 6.3 M.

<sup>2</sup> During the report period, 309,801 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 0.6 M and an increase in the share premium account by EUR 4.1 M.

**NOTES TO THE CONSOLIDATED INTERIM REPORT****1. CORPORATE INFORMATION**

The Bank of Åland Plc (Ålandsbanken Abp) is a Finnish public company, organised in compliance with Finnish legislation and with its Head Office in Mariehamn. The Bank of Åland Plc is a commercial bank with a total of 25 offices. Through its subsidiary Crosskey Banking Solutions Ab Ltd, the Bank of Åland Group is also a supplier of modern banking computer systems for small and medium-sized banks.

The Head Office has the following address:

Bank of Åland Plc  
Nygatan 2  
AX-22100 Mariehamn, Åland, Finland

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

The Interim Report for the financial period January 1-September 30, 2007 was approved by the Board of Directors on October 19, 2007.

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

The Interim Report for the period January 1-September 30, 2007 was prepared in compliance with IAS 34, "Interim Financial Reporting".

The Interim Report does not contain all information and notes required in annual financial statements and should be read together with the consolidated financial statements for the year ending December 31, 2006.

**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, 2006, 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.

The following new standards and interpretations have been introduced:

**IAS 1, "Presentation of Financial Statements"**

The standard has been revised in order to provide better information for analysis and comparison of companies. The Group will present its financial statements in compliance with the revised IAS 1 no later than for the financial period that begins on January 1, 2009.

**IFRS 7, "Financial Instruments: Disclosures"**

A new standard that deals with disclosure requirements for all risks arising through financial instruments, IFRS 7 applies to all companies that possess financial instruments. The Group has decided to apply IFRS 7 starting in 2007.

**IFRIC 10, "Interim Financing Reporting and Impairment"**

This interpretation is the result of a contradiction between the standard on interim reports, IAS 34, and the one on impairments, IAS 36. IFRIC 10 clarifies that an impairment loss recognised in an interim report may not be reversed in a later interim or full year financial report. The Group is applying IFRIC 10 starting in 2007.

**IFRIC 9, "Reassessment of Embedded Derivatives"**

This interpretation clarifies certain aspects of the treatment of embedded derivatives in compliance with IAS 39. The Group already meets the criteria according to IFRIC 9.

**IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"**

This interpretation clarifies the limit on asset value in case of a pension plan surplus, as well as how minimum pension plan funding requirements affect this value. The Group already meets the criteria stated in IFRIC 14.

The Group is not affected by amendments to the following:  
 IFRIC 7, “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”  
 IFRIC 8, “Scope of IFRS 2 Share-based Payment”  
 IFRIC 11, “IFRS 2 – Group and Treasury Share Transactions”  
 IFRIC 12, “Service Concession Arrangement”  
 IFRIC 13, “Customer Loyalty Programmes”  
 IFRIC D22, “Hedges of a Net Investment in a Foreign Operation”

### 3. ESTIMATES AND JUDGEMENTS

Preparation of financial statements in compliance with IFRS 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 these estimates.

### 4. ACQUISITIONS OF COMPANIES

During the report period, the Group made the following acquisitions, which are reported in compliance with IFRS 3, “Business Combinations”.

Name of company	Line of business	Acquisition date	Proportion of share capital	Cost, EUR
Ålandsbanken Kapitalmarknadstjänster Ab	Asset management	April 12, 2007	30 % <sup>1</sup>	792,480
Veranta Oy	Estate agency	June 13, 2007	84 %	200,000 <sup>2</sup>

<sup>1</sup> After this additional acquisition, Ålandsbanken Kapitalmarknadstjänster is a wholly-owned subsidiary.

<sup>2</sup> The cost consists of a capital contribution in the form of a targeted issue of new shares.

#### Cost breakdown

EUR	Ålandsbanken Kapitalmarknadstjänster Ab		Veranta Oy	
Cash		780,000		0
Capital contribution to the company		0		200,000
Directly attributable costs		12,480		0
		<u>792,480</u>		<u>200,000</u>

#### Net assets acquired

EUR	Ålandsbanken Kapitalmarknadstjänster Ab		Veranta Oy	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash	334,875	334,875	13	13
Receivables	53,266	53,266	953	953
Share issue receivables				168,000
Intangible assets	0	0	655	655
Tangible assets	6,335	6,335	2,866	2,866
Liabilities	93,541	93,541	4,759	4,759
Net assets acquired	300,935	300,935	167,728	167,728

Goodwill	-491,545	-491,545	-32,272	-32,272
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Ålandsbanken Kapitalmarknadstjänster Ab has earned a profit of EUR 0.5 M since this acquisition.

Veranta Oy has earned a profit of EUR 0.0 M since this acquisition.

The acquisitions did not affect the Group's total income or profit for the report period.

## Goodwill

EUR	2007	2006
<b>Opening balance</b>		
Gross	881,443	926,535
	<u>881,443</u>	<u>926,535</u>
Goodwill recognised during the period	523,818	0
Impairment (write-down)	0	0
Renegotiation of purchase agreement (estimated effect on opening balance)	0	-45,092
<b>Closing balance</b>	<u>1,405,260</u>	<u>881,443</u>

## 5. CASH FLOW STATEMENT

Bank of Åland Group (EUR M)	Jan-Sep 2007	Jan-Sep 2006
Cash and cash equivalents	130.2	217.4
Cash flow from operating activities		
Net operating profit	20.5	16.6
Adjustment for net operating profit items not affecting cash flow	5.6	4.3
Gains from investing activities	-1.0	-0.9
Income taxes paid	-3.6	-3.5
Changes in assets and liabilities in operating activities	<u>61.2</u>	<u>62.2</u>
	82.7	78.8
Cash flow from investing activities	-6.5	-1.3
Cash flow from financing activities	<u>92.2</u>	<u>-2.3</u>
Cash and cash equivalents, Sep 30	298.6	292.6

## 6. SEGMENT REPORT

The Bank of Åland Group reports the various business segments as primary segments. A business segment is a group of departments and companies that supply products or services that have risks and returns that diverge from other business segments. Intra-Group transactions occur at market prices. The Bank of Åland Group does not report geographic segments as secondary segments, since all operations occur in Finland.

Bank of Åland Group	Banking operations	Information technology operations	Jan – Sep 2007 Other	Eliminations	Total
(EUR M)					
External income	42.5	7.3	4.5		54.4
Internal income	0.6	7.3		-7.9	0.0
<b>Total income</b>	<b>43.1</b>	<b>14.6</b>	<b>4.5</b>	<b>-7.9</b>	<b>54.4</b>
Costs incl. depreciation etc.	-26.4	-11.5	-3.2	7.9	-33.2
Loan losses	-0.9				-0.9
Share of profit in associated companies			0.3		0.3
<b>Net operating profit</b>	<b>15.8</b>	<b>3.1</b>	<b>1.6</b>	<b>0.0</b>	<b>20.5</b>
Assets	2,050.4	9.4	510.1	-0.6	2,569.3
Liabilities	-2,154.4	-4.8	-281.8	0.7	-2,440.2
Equity capital					129.1

Bank of Åland Group	Banking operations	IT operations	Jan – Sep 2006 Other	Eliminations	Total
(EUR M)					
External income	37.4	5.9	1.5		44.8
Internal income	0.6	7.1		-7.8	0.0
<b>Total income</b>	<b>38.1</b>	<b>13.0</b>	<b>1.5</b>	<b>-7.8</b>	<b>44.8</b>
Costs incl. depreciation etc.	-23.8	-9.9	-2.5	7.8	-28.5
Loan losses	0.1				0.1
Share of profit/loss in associated companies			0.3		0.3
<b>Net operating profit</b>	<b>14.4</b>	<b>3.0</b>	<b>-0.8</b>	<b>0.0</b>	<b>16.6</b>
Assets	1,840.1	5.8	447.7	-0.7	2,292.9
Liabilities	-1,953.8	-4.0	-218.7	0.7	-2,175.8
Equity capital					117.1

The “Banking operations” segment includes banking and investment operations carried out at 25 bank offices plus the subsidiaries Ab Compass Card Oy Ltd, Ålandsbanken Asset Management Ab, Ålandsbanken Fondbolag Ab, Ålandsbanken Kapitalmarknadstjänster Ab and Ålandsbanken Veranta Ab. Reported in “IT operations” are Crosskey Banking Solutions Ab Ltd and S-Crosskey Ab, which supply modern banking computer systems to small and medium-sized banks. Reported in “Other” are the results of Treasury and portfolio management as well as the Group’s management and related corporate expenses.

## 7. INCOME TAXES

Bank of Åland Group	Sep 30 2007	Sep 30 2006
(EUR K)		
Taxes for the report period and earlier report periods	5,653	4,131
Change in deferred tax assets/liabilities	-283	102
<b>Income taxes</b>	<b>5,370</b>	<b>4,233</b>

**8. DIVIDEND**

Bank of Åland Group (EUR)	2006	2005
Final dividend for 2006: EUR 1 (2005: EUR 1)	11,536,122	11,009,649

The dividend for 2006 was adopted by the Annual General Meeting on March 23. The record date was March 27 and the distribution date was April 3.

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

Bank of Åland Group (EUR M)	Sep 30 2007	Sep.30 2006	Dec 31 2006
<b>Deposit accounts from the public and public sector entities</b>			
Demand deposit accounts	151	170	180
Current accounts	212	198	199
Savings and Environmental Accounts	87	99	99
Prime Accounts	487	415	445
Time deposits	412	288	268
<i>Total deposit accounts in euros</i>	1,349	1,170	1,191
Deposit accounts in other currencies	67	75	67
<b>Total deposit accounts</b>	<b>1,415</b>	<b>1,246</b>	<b>1,259</b>
Bonds and subordinated debentures *	181	183	180
Certificates of deposit issued to the public *	194	321	160
<b>Bonds and certificates of deposit</b>	<b>375</b>	<b>504</b>	<b>340</b>
<b>Total deposits</b>	<b>1,790</b>	<b>1,750</b>	<b>1,599</b>

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

**10. LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE**

Bank of Åland Group (EUR M)	Sep 30 2007	Sep 30 2006	Dec 31 2006
<b>BUSINESS AND PROFESSIONAL ACTIVITIES</b>			
<i>Service sector</i>			
Shipping	77	58	60
Hotels, restaurants, tourist cottages etc.	12	12	12
Wholesale and retail trade	57	45	47
Housing corporations	52	53	54
Real estate operations	107	84	96
Financial operations	154	126	126
Other service business	85	79	83
	<b>543</b>	<b>456</b>	<b>477</b>
<i>Production sector</i>			
Agriculture, forestry and fishing	20	21	20
Food processing etc	6	6	7
Construction	21	22	22
Other industry and crafts	11	10	11
	<b>57</b>	<b>59</b>	<b>60</b>
<b>HOUSEHOLDS</b>			
Home loans	1,103	1,039	1,063
Studies	13	13	14
Other purposes	305	242	271
	<b>1,421</b>	<b>1,295</b>	<b>1,347</b>
<b>PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS</b>			
	26	27	27
<b>TOTAL LENDING</b>	<b>2,048</b>	<b>1,838</b>	<b>1,912</b>

**11. OFF-BALANCE SHEET COMMITMENTS**

Bank of Åland Group (EUR M)	Sep 30 2007	Sep 30 2006	Dec 31 2006
Guarantees and pledges	31	15	16
Other commitments	161	163	154
	<b>192</b>	<b>178</b>	<b>170</b>

**12. DERIVATIVE CONTRACTS**

Bank of Åland Group (EUR M)	Sep 30, 2007		Sep 30, 2006	
	For hedging purposes	Other	For hedging purposes	Other
<i>Value of underlying property</i>				
Interest rate derivatives				
Interest rate swap contracts	322	9	324	8
Currency derivatives				
Forward contracts	15	6	6	6
Interest rate and currency swap contracts	0	0	1	1
Equity derivatives				
Option contracts				
Purchased	167	0	157	0
Written	0	149	0	156
	504	164	486	171
Equivalent credit values of the contracts				
Interest rate derivatives	6		3	
Currency derivatives	0		0	
Equity derivatives	40		29	
	46		32	

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

Bank of Åland Group (EUR M)	Sep 30, 2007					Total
	< 3 mo	3 - 12 mo	1 - 5 yrs	5 - 10 yrs	Over 10 yrs	
<b>Claims</b>						
Debt securities eligible for refinancing with central banks	123	6	54	0		184
Credit institutions and central banks	181					181
The public and public sector entities	174	196	743	906	29	2,048
Other debt securities	0					0
	479	202	797	906	29	2,413
<b>Liabilities</b>						
Credit institutions and central banks	94		30			124
The public and public sector entities	1,309	95	12	1	0	1,417
Debt securities issued to the public	456	169	112			737
Subordinated liabilities		2	17	33		52
	1,859	267	172	34	0	2,331

No estimates of maturity dates have been made. Deposits repayable on demand, for example, are found in the category < 3 months.



## 14. INTEREST RATE REFIXING PERIODS

Bank of Åland Group (EUR M)	Sep 30, 2007					Total
	< 3 mo	3-6 mo	6-12 mo	1-5 yrs	> 5 yrs	
Assets	1 827	226	423	262	45	2,783
Liabilities	2 078	136	204	214	43	2,675
Difference between assets and liabilities	-251	90	219	47	2	108

Shows the Bank's interest rate-related assets and liabilities, including derivatives, according to the interest rate refixing date as of September 30, 2007.

## 15. HOLDINGS OF DEBT SECURITIES

Bank of Åland Group (EUR M)	Sep 30, 2007
Treasury bills	79
Treasury bonds	53
Domestic certificates of deposit	50
Other domestic debt securities	2
<b>Total</b>	<b>184</b>

**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, 2007. 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 22, 2007

Marja Tikka  
Authorised Public Accountant

Leif Hermans  
Authorised Public Accountant

Rabbe Nevelainen  
Authorised Public Accountant