

Ålandsbanken Quarterly report Interim report for the period January - September 2007

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Bank of Åland Plc STOCK EXCHANGE RELEASE 22.10.2007 09.00 hrs Interim report for the period January - September 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 per cent (14.3) -The expense/income ratio improved to 62 per cent (63) -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) 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 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). 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 and pledges, 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

	2007	2006	2006	Basel 2	Basel 1	Basel 2
Capital base, EUR M	95.2	87.0	88.3			
Core capital *	51.4	53.0	53.4			
Supplementary capital	146.6	140.0	141.7			
Total capital base	86.9	100.5	74.9			
Capital requirement for credit risks	8.0	0.0	7.3			
Capital requirement for operational risks	94.9	100.5	82.2			
Total capital requirement	12.4	11.1	13.8			
Total capital ratio, %	8.0	6.9	8.6			
Core capital ratio, %						

* 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 20, 2006 is not comparable to the other figures.

SUMMARY BALANCE SHEET | Bank of Åland Group | Sep 30 | Sep 30 | Dec 31 | 2007 | 2006 | 2006 | (EUR M)

ASSETS						
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			
TOTAL ASSETS	2,293	2,189	2,569			
LIABILITIES AND EQUITY CAPITAL						
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			
TOTAL LIABILITIES	2,440	2,176	2,066			
EQUITY CAPITAL AND MINORITY INTEREST						
Share capital	23	22	23			
Share issue	0	1	0			
Share premium account	33	27	29			

expenses during	the period	-----									
Conversion of	0.3	-1.2	2.0				1.1	capital loan	-----		
Other change in	-----										
minority							0.7	0.7	interest in	-----	
equity capital	-----										
Equity capital,	22.7	0.3	29.2	25.1	0.4	42.4	2.1	122.2	December 31,	2006	
Financial	-----										
assets	-----										
available for	-----										
sale:	-----										
- change in				-0.2		0.1	fair value	-----			
- transferred				0.1		-0.2	to income	-----			
statement	-----										
Profit for the	-----										
period	14.5	0.6	15.1	-----							
Total			0.1	14.5	0.6	15.1	recognised	-----			
expenses during	-----										
the period	-----										
Dividend to				0.0	-11.5	-1.0	-12.6	shareholders 1	-----		
Conversion of	0.6	-0.3	4.1	-----							
capital loan 2	-----										
Other change in	-----										
minority										-----	
interest in	0.0	0.0	-----								
equity capital	-----										
Equity capital,	23.3	0.0	33.3	25.1	0.4	45.4	1.6	129.1	September 30,	-----	
2007	-----										

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

2 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.

