

Ålandsbanken Interim report Interim Report for the period January - June 2008

25.08.2008

Bank of Åland Plc INTERIM REPORT 25.08.2008 09.00 hrs Interim Report for the period January - June 2008 The report period in brief Consolidated net operating profit decreased by 24 per cent to 11.8 million euros (January - June 2007: EUR 15.6 M) Net interest income increased by 11 per cent to EUR 20.9 M (18.9) Commission income decreased by 4 per cent to EUR 10.2 M (10.6) Total income decreased by 2 per cent to EUR 37.1 M (37.8) Expenses increased by 15 per cent to EUR 25.3 M (22.1) Loan losses amounted to EUR 0.2 M (0.4) Lending volume increased by 7 per cent to EUR 2,127 M (June 2007: 1,956) Deposits increased by 24 per cent to EUR 2,110 M (June 2007: 1,695) Mutual fund capital under management decreased by 25 per cent to EUR 318 M (425) Return on equity after taxes (ROE) was 13.0 (18.6) per cent The expense/income ratio deteriorated to 68 (59) per cent The total capital ratio in compliance with Basel 2 amounted to 12.1 (12.7)per cent Earnings per share after taxes amounted to EUR 0.71 (0.95) EARNINGS AND PROFITABILITY This Interim Report has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Earnings summary for the report period During January-June 2008, the consolidated net operating profit of the Bank of Åland Group decreased by 24 per cent to EUR 11.8 M (15.6). During the report period, the Group's net interest income showed positive growth, while earnings were adversely affected by lower commission income and higher operating expenses. Income decreased by 2 per cent to EUR 37.1 M (37.8), while expenses increased by 15 per cent to EUR 25.3 M (22.1). Return on equity after taxes (ROE) fell to 13.0 (18.6) per cent, and earnings per share to EUR 0.71 (0.95). Net interest income Due to higher interest rates and larger volume of both deposits and lending, consolidated net interest income rose by 11 per cent to EUR 20.9 M (18.9) during the report period. Margins on deposits decreased compared to the year-earlier period, while margins on lending were stable. Lending volume increased by 7 per cent to EUR 2,127 M (1,996), and deposit volume increased by 24 per cent to EUR 2,110 M (1,695). Other income Commission income fell by 4 per cent to EUR 10.2 M (10.6). Income on securities brokerage rose, while decreased managed assets meant lower income on mutual fund and asset management. Net income from securities trading for the Bank's own account was EUR 0.5 M (2.1). Net income from dealing in the foreign exchange market was unchanged at EUR 0.5 M (0.5). Net income from financial assets available for sale was EUR 0.1 M (0.8), and net income from investment properties was EUR 0.2 M (0.6). Other operating income increased to EUR 5.7 M (5.3), however, as a consequence of higher income from the sale and development of information technology (IT) systems. The Group's total income decreased by 2 per cent to EUR 37.1 M (37.8). Expenses Staff costs rose by 12 per cent to EUR 14.2 M (12.7), due to employee recruitment and salary hikes as provided by collective agreements. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach, affected staff costs in the amount of EUR -0.1 M (-0.2). Other administrative expenses (office, marketing, communications and IT) increased to EUR 5.5 M (4.3). This was mainly because of higher IT expenses due to increased customer volume at Crosskey. Production for own use totalled EUR -0.2 M (-0.2) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 2.8 M (2.4). Other operating expenses amounted to EUR 3.0 M (2.9). The Group's total expenses rose by 15 per cent to EUR 25.3 M (22.1). Impairment losses on loans and other commitments Loan losses amounted to EUR 0.2 M (0.4). Second quarter of 2008 Compared to the second quarter of 2007, the Group's net operating profit fell by 18 per cent to EUR 6.1 M (Q II 2007: 7.5). Income Total income decreased by 2 per cent to EUR 19.0 M (19.3). Higher

deposit and lending volume and higher interest rates resulted in an increase in net interest income of 11 per cent to EUR 10.7 M (9.7). Commission income deteriorated slightly, amounting to EUR 5.1 M (5.2). The decrease consisted of lower commissions on mutual funds and asset management. However, commissions on securities brokerage rose somewhat. Net income from securities trading and foreign exchange operations fell to EUR 0.4 M (1.7). Other operating income increased to EUR 3.1 M (2.5) as a consequence of higher income from IT operations. Expenses Total expenses during the quarter increased by 9 per cent to EUR 12.8 M (11.7). During the quarter, staff costs amounted to EUR 7.1 M (6.7). The number of employees in the Group increased, and salary hikes were implemented as provided by collective agreements. Other administrative expenses increased to EUR 2.9 M (2.4) during the second quarter, primarily caused by higher computer expenses. Due to increased property expenses and rents, other operating expenses rose to EUR 1.6 M (1.5). Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 2,768 M (2,432). During the period, the Group issued bond loans to the public in the nominal amount of EUR 16 M. Off-balance sheet obligations decreased to EUR 176 M (191). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 499 (451) during January-June 2008. This represented an increase of 48 positions compared to the year-earlier period. -----

-----	Bank of Åland Group Jun 30 Jun 30 -----
-----	2008 2007 -----

-----	Bank of Åland Plc 328 300 ----
-----	Ab Compass Card Oy Ltd 6 3 -----

-----	Crosskey Banking Solutions Ab Ltd 137 122 -----
-----	Ålandsbanken Asset Management Ab 14 12 -----

-----	Ålandsbanken Fondbolag Ab 6 8 -----
-----	Ålandsbanken Kapitalmarknadstjänster Ab,

until 0 5 September 30, 2007 -----		Ålandsbanken Veranta Ab 8 0 -----	Total
--	--	---	-------

number of full-time equivalent positions, 499 451 recalculated from hours worked -----	Expense/income ratio Efficiency measured as
--	---

expenses divided by income, including and excluding loan losses, respectively: -----	Jun 30 Jun 30 -----
-----	Bank of Åland Group 2008 2007 -----

-----	Including loan losses 0.68 0.59
-----	Excluding loan losses 0.68 0.58 -----

-----	Capital adequacy The Group is reporting capital
-------	---

adequacy in accordance with Pillar 1 in the Basel 2 regulations. According to Pillar 1 of Basel 2, the Group's total capital ratio at the end of June 2008 was 12.1 per cent. The capital requirement for credit risks has been calculated according to the standardised approach, and the capital requirement for operational risks has been calculated according to the basic indicator approach in the Basel 2 regulations. -----

-----	Capital adequacy -----
-----	Bank of Åland Group Jun 30 Jun 30 Dec 31 ---
-----	2008 2007 2007 -----

-----	-----
----	Capital base, EUR M -----
-----	Core capital 104.0 92.7 103.3 -----

-----	Supplementary capital 50.0 51.7 51.3 -----
-----	Total capital base 154.0 144.4 154.6 -----

-----	Capital requirement for credit risks
-----	92.6 83.2 88.5 -----

-----	Capital requirement for operational risks 9.3 8.0 8.0 -----
-----	Total capital requirement 101.9 91.1 96.5 -----

-------	--

Total capital ratio, % | 12.1 | 12.7 | 12.8 | ----- |

Core capital ratio, % | 8.2 | 8.1 | 8.6 | -----

Deposits Deposits from the public, including bonds and certificates of deposit issued, increased during the 12 months to June 30, 2008 by 24 per cent to EUR 2,110 M (1,695). Deposit accounts increased by 25 per cent to EUR 1,720 M (1,379). Bonds and certificates of deposit issued to the public increased by 23 per cent to EUR 390 M (316). Lending The volume of lending to the public increased during the 12 months to June 30, 2008 by 7 per cent to SEK 2,127 M (1,996). Lending to households increased by 4 per cent to EUR 1,453 M (1,399). Households accounted for 68 (70) per cent of the Group's total lending. Lending to the service sector rose by 16 per cent to EUR 593 M (510), while lending to the production sector fell by 7 per cent to EUR 57 M (61).

Ab Compass Card Oy Ltd Ab Compass Card Oy Ltd is a subsidiary of the Bank of Åland Plc. 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 2009. The company currently has 6 employees and offices in Mariehamn and Helsinki. 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 DnB NOR, S-Bank, Tapiola Bank, the Bank of Åland, eQ Bank and EGET. Crosskey currently has 155 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 asset management services to institutions and private individuals. The company also manages all of the Bank of Åland's mutual funds. The year 2008 began in the shadow of the global financial market crisis. The influx of new customers slowed significantly, and it was challenging to maintain portfolio values. However, due to the company's conservative investment strategy, disruptions in the investment environment primarily represented opportunities for buyers to take advantage of bargains in the markets. Despite the market situation, the company maintained the same level of profitability as the year before. The company currently has about 350 customers and EUR 900 M in managed assets. Assets of private individuals available for financial investment continue to grow. When the trend towards putting these assets under management also increases, the company will enjoy good future prospects. Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. All the mutual funds (unit trusts) that the company manages are registered in Finland. On June 30, 2008, the total number of unit holders was 14,236 (14,232 on June 30, 2007). Assets under management totalled EUR 318 M (425), a decrease of 25 per cent.

Ålandsbanken Veranta Ab Ålandsbanken Veranta Ab is a subsidiary of the Bank of Åland Plc. Its operations include estate agency, appraisal and consulting business. The company currently has 10 employees and offices in Helsinki, Espoo and Tampere. Changes in Group structure On June 30, 2008 the Bank of Åland Plc subscribed for shares issued by Ålandsbanken Veranta Ab. As a result of payment the Bank of Åland's ownership stake is rising to 92.9 per cent. Important events after the close of the report period No important events have occurred after the close of the report period.

Outlook for 2008 The Group's financial planning assumes unchanged interest rates, a continued positive trend in business volume at low margins, especially on deposits, stable earnings in asset management operations and good growth in the Group's IT operations. Income from IT operations during the rest of the year is expected to be substantially better than during the first half. The cost level in the Group is expected to rise, due to increased regulatory requirements as well as investments in new skills. Competition in the banking market is expected to remain tough and to be affected by international financial market instability. However, the Bank is not expected to be affected by significant loan losses during 2008. Based on the se factors, and taking into account that 2007 earnings included large nonrecurring items, the Group's operating income is expected to be lower than in 2007. It should be added that at present there is great uncertainty in the global financial system. The Bank of Åland is not directly affected by this, but if the situation should deteriorate

further the Bank may be affected indirectly, for example in case of a generally poorer economic situation. The outlook the future is thus fraught with greater uncertainty than normal. The Group's assessment of the outlook for 2008 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. Financial information in 2008 The Interim Report for the period January 1-September 30, 2008 will be published on October 27, 2008 3.00 p.m. Finnish time. Mariehamn, August 25, 2008 THE BOARD OF DIRECTORS ----- | FINANCIAL RATIOS

ETC ----- Bank of Åland Group Jan-Jun Jan-Jun Jan-Dec ----- 2008 2007 2007 -----
----- Earnings per share before dilution, 0.71 0.95 1.75 EUR 1 -----
----- Earnings per share after dilution, 0.71 0.95 1.75 EUR 2 -----
----- Market price per share, end of period, EUR ----- Series A 29.50 29.00 37.00 ----- Series B 25.00 25.00 27.80 ----- Equity capital per share, EUR 3 11.18 10.90 11.54 ----- Return on equity after taxes, % (ROE) 13.0 18.6 16.4 4 -----
----- Return on total assets, % (ROA) 5 0.6 1.0 0.9 -----
----- Equity/assets ratio, % 6 4.7 5.2 5.2 -----
----- Total lending volume, EUR M 2,127 1,996 2,104 -----
----- Total deposits from the public, EUR M 2,110 1,695 1,921 -----
----- Equity capital, EUR M 130 126 135 -----
----- Balance sheet total, EUR M 2,768 2,432 2,592 - -----
----- Expense/income ratio -----
----- Including loan losses 0.68 0.59 0.62 -----
----- Excluding loan losses 0.68 0.58 0.61 -----
----- 1

Profit for the period before dilution / Average number of shares -----
----- 2 Profit for the period after dilution / Average number of shares + shares outstanding ----- 3 Equity capital - minority share of capital / Number of shares on balance sheet date -----
----- 4 Net operating profit - taxes / Average equity capital -----
----- 5 Net operating profit - taxes / Average balance sheet total -----
----- 6 Equity capital / Balance sheet total -----

----- | SUMMARY BALANCE SHEET | ----- | Bank of Åland Group | Jun 30 | Jun 30 | Dec 31 | ----- | EUR M | 2008 | 2007 | 2007 | ----- | | | | -----

----- ASSETS -----
----- Cash 60 47 39 -----
--- Debt securities eligible for 131 102 132 refinancing with central banks -----
----- Claims on credit institutions 202 173 153 -----
----- Claims on the public and public sector 2,127 1,996 2,104 entities ----- Debt securities 131 4 50 ----- Shares and participations 3 4 3 ----- Shares and participations in 2 2 2 associated companies -----
----- Derivative instruments 22 36 34 -----

-----	Intangible assets	6	5	6	-----	
Tangible assets	29	25	26	-----	Other assets	31
prepayments	24	20	21	-----	Accrued income and	
assets	1	1	1	-----	Deferred tax	
-----	TOTAL ASSETS	2,768	2,432	2,592	-----	

LIABILITIES		-----	Liabilities to credit			
institutions	82	67	53	-----	Liabilities to	
the public and public	1,722	1,381	1,534		sector entities	
-----	Debt securities issued to the public	683	730	739	-----	
-----	Derivative instruments	4	4	3	-----	
-----	Other liabilities	53	40	39	-----	
-----	Accrued expenses and prepaid income	26	21	21	-----	
-----	Subordinated liabilities	52	52	52	-----	
-----	Deferred tax liabilities	16	13	16	-----	
-----	TOTAL LIABILITIES	2,637	2,307	2,457	-----	

-----	EQUITY					
CAPITAL AND MINORITY INTEREST		-----				
Share capital	23	23	23	-----	Share	
premium account	33	33	33	-----	Reserve	
fund	25	25	25	-----	Fair value reserve	0
1	0			-----	Retained earnings	48
-----	Shareholders' interest in equity	129	124			
133	capital		-----	Minority interest in		
capital	1	2	2	-----	TOTAL EQUITY CAPITAL	
130	126	135	-----			
-----	TOTAL LIABILITIES AND EQUITY CAPITAL	2,768	2,432	2,592	-----	

-----	SUMMARY INCOME					
STATEMENT						
Bank of Åland Group	Jan-					
Jun	Jan-Jun	Jan-Dec				
2007	2007					
-----	Net interest income	20.9	18.9	39.3	-----	
-----	Income from equity instruments	0.0	0.0	0.0	-----	
-----	Commission income	10.2	10.6	20.3	-----	
-----	Commission expenses	-1.1	-1.0	-2.0	-----	
-----	Net income from securities transactions	1.0	2.6	4.2		
and foreign exchange dealing						
Net income from financial assets	0.1	0.8	1.1	available for sale		
-----	Net income from investment properties	0.2	0.6	0.6	-----	
-----	Other operating income	5.7	5.3	11.9	-----	
-----	Total income	37.1	37.8	75.4	-----	

Staff costs	-14.2	-12.7	-26.2	-----	Other	
administrative expenses	-5.5	-4.3	-10.3	-----		
--	Production for own use	0.2	0.2	1.0	-----	
Depreciation/amortisation	-2.8	-2.4	-4.9	-----		
----	Other operating expenses	-3.0	-2.9	-5.6	-----	
-----	Total expenses	-25.3	-22.1	-46.0	-----	

							Loan and guarantee losses	-0.2	-0.4
							Share of profit/loss in companies		
			consolidated				According to the equity method	0.2	0.2
							Net operating profit	11.8	15.6
							Income taxes	-3.1	-4.1
							Profit for the period	8.6	11.5
							Shareholders' interest in profit for the period	8.2	11.0
							Minority interest in profit for the period	0.5	0.6
							Total	8.6	11.5
							Earnings per share before dilution, EUR	0.71	0.95
							Earnings per share after dilution, EUR	0.71	0.95
							1 Profit for the period before dilution / Average number of shares		
							2 Profit for the period / Average number of shares + shares outstanding		
							INCOME STATEMENT BY QUARTER		
							Bank of Åland Group	Q II	Q I
								Q IV	Q III
								Q II	
							EUR M	2008	2008
								2007	2007
							Net interest income	10.7	10.1
							Income from equity instruments	0.0	0.0
							Commission income	5.1	5.1
							Commission expenses	-0.6	-0.5
							Net income from securities	0.4	0.7
							transactions and foreign exchange dealing	0.1	1.7
							Net income from financial assets	0.1	0.0
							available for sale		
							Net income from investment properties	0.1	0.1
							Other operating income	3.1	2.6
							Total income	19.0	18.1
							Staff costs	-7.1	-7.1
							Other administrative expenses	-2.9	-2.7
							Production for own use	0.1	0.2
							Depreciation/amortisation	-1.3	-1.5
							Other operating expenses	-1.6	-1.4
							Total expenses	-12.8	-12.5
							Impairment losses on loans and commitments	-0.2	0.0
							Share of profit/loss in associated companies	-0.1	-0.6
							Net operating profit	6.1	5.7
							CASH FLOW STATEMENT		
							Bank of Åland Group	Jan-Jun	Jan-Jun
							EUR M	2008	2007
							Cash flow from operating activities		
							Net operating profit	11.8	15.6

for sale:	1.2	1.2	1.2	fair value	0.3	0.3	0.3	to income	8.2	8.2	0.5	8.6	the period	7.8	7.8	recognised	income and	expenses	7.3	0.5	Dividend to	shareholders	5	5	Other	changes in	minority	share	of equity	0.0	0.0	capital	Equity	23.3	0.0	33.3	25.1	-0.5	47.7	128.	1.3	130.3	capital, Jun	9	30, 2008	1	Dividend payment for Series A shares
-----------	-----	-----	-----	------------	-----	-----	-----	-----------	-----	-----	-----	-----	------------	-----	-----	------------	------------	----------	-----	-----	-------------	--------------	---	---	-------	------------	----------	-------	-----------	-----	-----	---------	--------	------	-----	------	------	------	------	------	-----	-------	--------------	---	----------	---	--------------------------------------

EUR 5.2 M and for Series B shares EUR 6.3 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 OMX Nordic Exchange Helsinki. This Interim Report for the financial period January 1-June 30, 2008 was approved by the Board of Directors on August 22, 2008.

2. BASIS FOR PREPARATION AND ESSENTIAL ACCOUNTING PRINCIPLES Basis for preparation The Interim Report for the period January 1-June 30, 2008 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as with International Accounting Standard (IAS) 34, "Interim Financial Reporting". 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, 2007. 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, 2007, 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 standards and interpretations in effect starting in 2008: 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 8, "Operating Segments" The standard requires that a company provide financial and descriptive disclosures about its operating segments. IFRS replaces IAS 14, "Segment Reporting". The Group will present its financial statements in compliance with IFRS 8 no later than for the financial period that begins on January 1, 2009. 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 is applying IFRIC 14 beginning on January 1, 2008. The Group is not affected by amendments to the following: IAS 23, "Borrowing Costs" IFRIC 12, "Service Concession Arrangement" IFRIC 13, "Customer Loyalty Programmes"

3. ESTIMATES AND JUDGEMENTS Preparation of financial statements in compliance with IFRSs requirements 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. SEGMENT REPORT The Bank of Åland Group

