

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

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Bank of Åland Plc STOCK EXCHANGE RELEASE 23.07.2007 09.00 hrs Interim report for the period January - June 2007 The report period in brief -Consolidated net operating profit rose by 42 per cent to 15.6 million euros (Jan ' Jun 2006: EUR 11.0) -Net interest income increased by 19 per cent to EUR 18.9 M (15.9) -Commission income increased by 14 per cent to EUR 10.6 M (9.3) -Expenses increased by 14 per cent to EUR 22.1 M (19.4) -Loan losses were EUR 0.4 M (recovery of 0.1) -Lending volume increased by 11 per cent to EUR 1,996 M (Jun 2006: 1,797) -Deposits increased by 13 per cent to EUR 1,726 M (Jun 2006: 1,531) -Mutual fund capital under management rose by 42 percent to EUR 425 M (300) -Return on equity after taxes (ROE) was 18.6 per cent (14.7) -The expense/income ratio improved to 59 (64) per cent -The total capital ratio in compliance with Basel 2 amounted to 12.7 per cent -Earnings per share after taxes amounted to EUR 0.95 (0.71) 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 with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Earnings summary for the first half During the first half of 2007, consolidated net operating profit rose by 42 per cent to EUR 15.6 M (11.0). The main factors behind the increase in profit were a continued rise in net interest income thanks to higher interest rates, improved income from information technology (IT) operations and higher commission income from mutual fund and asset management. Income increased by 25 per cent to EUR 37.8 M (30.1), while expenses rose by 14 per cent to EUR 22.1 M (19.4). Return on equity after taxes (ROE) increased to 18.6 (14.7) per cent, and earnings per share after taxes increased to EUR 0.95 (0.71). Net interest income During the report period, net interest income improved by 19 per cent to EUR 18.9 M (15.9). Rising interest rates improved net interest income on deposits, while smaller customer lending margins were offset to some extent by higher volume. Lending volume increased by 11 per cent to EUR 1,996 M (1,797). Other income Commission income rose by 14 per cent to EUR 10.6 M (9.3). This increase largely consisted of higher income on mutual fund and asset management and securities brokerage. Net income from securities trading for the Bank's own account was EUR 2.1 M (0.8). Net income from dealing in the foreign exchange market amounted to EUR 0.5 M (0.5). Net income from financial assets available for sale was EUR 0.8 M (0.2). Net income from investment properties increased to EUR 0.6 M (0.0). Other operating income also increased, to EUR 5.3 M (4.3), due to rising income from the sale and development of computer systems. The Group's total income rose by 25 per cent to EUR 37.8 M (30.1). Expenses Staff costs increased by 17 per cent to EUR 12.7 M (10.9), mostly due to efforts under way in the Group's IT operations. This cost was also affected by the allocation of EUR 0.3 M to the Group's Personnel Fund during the first half of 2007, while higher fair value of assets in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, reduced staff costs by EUR 0.2 M (0.7). Other administrative expenses (office, marketing, telecommunications and IT) decreased to EUR 4.3 M (4.5) due to lower IT expenses. Production for own use totalled 0.2 M (0.2) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation increased to EUR 2.4 M (2.0). Other operating expenses amounted to EUR 2.9 M (2.3). The largest increases in expenses were attributable to rents and property expenses. The Group's total expenses rose by 14 per cent to EUR 22.1 M (19.4). Expense/income ratio The expense/income ratio decreased during the report period to 59 per cent, compared to 64 per cent during the first half 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 0.4 M (recovery of 0.1). Second quarter of 2007 Compared to the second quarter of 2006, the Group's net operating

profit rose by 62 per cent to EUR 7.5 M (Q II 2006: 4.6). Income Total income increased by 32 per cent to EUR 19.3 M (14.6). A combination of higher interest rates, higher lending volume and lower lending margins increased net interest income by 25 per cent to EUR 9.7 M (7.8). Lending volume increased to EUR 1,996 M (1,797). Commission income improved, amounting to EUR 5.2 M (4.9). The increase consisted of higher commission income on mutual funds and asset management. Net income from securities trading and foreign exchange operations rose to EUR 1.7 M (0.6). Other operating income increased to EUR 2.5 M (2.0) as a consequence of higher income from IT operations. Expenses Total expenses during the quarter increased by 15 per cent to EUR 11.7 M (10.2). During the quarter, staff costs amounted to EUR 6.7 M (5.6). This increase was a consequence of an increased 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 decreased to EUR 2.4 M (2.5) during Q II 2007. Due to higher property expenses and rents, other operating expenses increased to EUR 1.5 M (1.2). Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 2,432 M (2,066). The increase was a consequence of both higher lending volume and higher 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, plus other obligations, off-balance sheet obligations increased to EUR 191 M (169). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 451 (434) during the first half of 2007. This represented an increase of 17 positions, compared to the year-earlier period. Most of the increase came from new recruitments at Crosskey Banking Solutions Ab Ltd. Capital adequacy For the first time, 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 June 2007 was 12.7 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, increased during the 12 months to June 30, 2007 by 13 per cent to EUR 1,726 M (1,531). Deposit accounts increased by 14 per cent to EUR 1,379 M (1,207). Bonds and certificates of deposits issued to the public increased by 7 per cent to EUR 347 M (324). Lending The volume of lending to the public increased during the 12 months to June 30, 2007 by 11 per cent to EUR 1,996 M (1,797). Most of the increase went towards residential financing. Lending to private households increased by 10 per cent to EUR 1,399 M (1,267). Households accounted for 70 (71) 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 late in 2007. 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 147 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 14,232 (11,348). This represented an increase of 2,884 or 25 per cent. Total assets under management amounted to EUR

425 M (300), an increase of EUR 125 M or 42 per cent since 12 months earlier. Ålandsbanken Kapitalmarknadstjänster Ab Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a wholly-owned subsidiary of the Bank of Åland Plc. The company provides discretionary asset management as well as consulting services related to securities and financing. The value of discretionarily managed mandates totalled EUR 134 M at the end of the report period. The company has more than 200 customers, with an aggregate portfolio value of EUR 480 M. In order to further strengthen the Bank of Åland's position in the capital market segment in Åland, a process has been initiated to merge Allcap with the Bank of Åland Plc. This merger is expected to be completed during 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. Outlook for 2007 The Group predicts higher interest rates during the second half 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, 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, July 23, 2007 THE BOARD OF DIRECTORS ----- | FINANCIAL RATIOS ETC | ----- | Bank of Åland Group | Jan-Jun | Jan-Jun | Jan-Dec | ----- | | 2007 | 2006 | 2006 | ----- | | | | -----

	2007	2006	2006
Earnings per share before dilution, EUR 1	0.95	0.71	1.29
Earnings per share after dilution, EUR 2	0.95	0.68	1.29
Market price per share, end of period, EUR	Series A 29.00	24.00	26.50
Series B	25.00	23.60	24.50
Equity capital per share, EUR 3	10.90	10.04	10.86
Return on equity after taxes, % (ROE) 4	18.6	14.7	13.3
Return on total assets, % (ROA) 5	1.0	0.8	0.7
Equity/assets ratio, % 6	5.2	5.4	5.6
Total lending volume, EUR M	1,996	1,797	1,912
Total deposits from the public, EUR M	1,726	1,531	1,599
Equity capital, EUR M	126	111	122
Balance sheet total, EUR M	2,432	2,066	2,189
Expense/income ratio	Including loan losses	0.59	0.64
Excluding loan losses	0.58	0.64	0.66
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 Equity capital / Total assets			
----- CAPITAL ADEQUACY -----			
----- Bank of Åland Group Jun 30 Jun 30 Dec 31 -----			
----- 2007 2006 2006 -----			

	Basel 2	Basel 1	Basel 2
Capital base, EUR M	92.7	85.3	88.3
Core capital	51.7	51.6	53.4
Supplementary capital	144.4	136.9	141.7
-Capital requirement for credit risks	83.2	96.9	74.9
-Capital requirement for operational risks	8.0	0.0	7.3
Total capital requirement	91.1	96.9	82.2
Total capital ratio, %	12.7	11.3	13.8
Core capital ratio, %	8.1	7.0	8.6
* Profit for the report period is not included in the capital base.			
Due to the introduction of new rules for calculating the total capital ratio (Basel 2), the figure for June 30, 2006 is not comparable to the other figures.			
SUMMARY BALANCE SHEET			
			Bank of Åland Group
	Jun 30	Jun 30	Dec 31
	2007	2006	2006
ASSETS			
Cash	47	30	65
Debt securities eligible for refinancing	102	61	57
with central banks			
Claims on credit institutions	173	90	60
Claims on the public and public sector	1,996	1,797	1,912
entities			
Debt securities	4	2	0
Shares and participations	4	4	4
Shares and participations in associated companies	2	2	2
Derivative instruments	36	18	27
Intangible assets	5	4	5
Tangible assets	25	23	23
Other assets	17	18	17
Accrued income and prepaid expenses	20	15	16
Deferred tax assets	1	1	1
TOTAL ASSETS	2,432	2,066	2,189
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	67	70	62
Liabilities to the public and public sector	1,381	1,210	1,261
Debt securities issued to the public	699	537	597
Derivative instruments	35	18	26
Other liabilities	40	35	35
Accrued expenses and prepaid income	21	15	12
Subordinated liabilities	52	58	60
Deferred tax liabilities	13	12	13
TOTAL LIABILITIES	2,307	1,955	2,066
EQUITY CAPITAL AND MINORITY INTEREST			
Share capital	23	22	23
Share issue	0	0	0
Share premium account	33		

27	29				Reserve fund	25	25	25	
					Fair value reserve	1	0	0	
					Retained earnings	31	28	28	
					Profit for the period	11	8	15	
					Minority interest in capital	2	1	2	
					TOTAL EQUITY CAPITAL	126	111	122	
					TOTAL				
					LIABILITIES AND EQUITY CAPITAL	2,432	2,066	2,189	
					SUMMARY INCOME				
					STATEMENT				
					Bank of Åland Group				
					Jan-Jun				
					Jan-Jun				
					Jan-Dec				
					(EUR M)				
					2007				
					2006				
					2006				
					Net interest income	18.9	15.9	32.7	
					Income from equity instruments	0.0	0.0	0.0	
					Commission income	10.6	9.3	18.4	
					Commission expenses	-1.0	-0.8	-1.7	
					Net income from securities transactions	2.6	1.3	2.3	
					and foreign exchange dealing				
					Net income from financial assets	0.8	0.2	0.3	
					available for sale				
					Net income from investment properties	0.6	0.0	0.2	
					Other operating income	5.3	4.3	9.4	
					Total income	37.8	30.1	61.6	
					Staff costs	-12.7	-10.9	-22.5	
					Other administrative expenses	-4.3	-4.5	-9.4	
					Production for own use	0.2	0.2	0.5	
					Depreciation/amortisation	-2.4	-2.0	-4.0	
					Other operating expenses	-2.9	-2.3	-5.4	
					Total expenses	-22.1	-19.4	-40.9	
					Impairment loss on loans and other	-0.4	0.1	0.0	
					commitments				
					Share of profit in associated companies	0.2	0.2	0.3	
					Net operating profit	15.6	11.0	21.1	
					Income taxes	-4.1	-2.7	-5.4	
					Profit for the period	11.5	8.3	15.7	
					Shareholders' interest in profit for the	11.0	7.8	1.0	
					period				
					Minority interest in profit for the	0.6	0.5		
					period				
					Total	11.5	8.3	15.7	
					Earnings per share				
					Earnings per share before dilution, EUR 1	0.95	0.71	1.29	
					Earnings per share after dilution, EUR 2	0.95	0.68	1.29	
					1 Profit for the period before dilution / Average				
					number of shares				
					2) Profit for the period				
					after dilution / (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)				
					2007				
					2007				
					2006				
					2006				
					2006				

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".

business	Date	Name of company	Line of management	Acquisition	Proportion of share	Cost, EUR
Ålandsbanken Kapitalmarknads- Veranta Oy	April 12, 2007	Ålandsbanken Kapitalmarknads- tjänster Ab	Asset management	June 13, 2007	30% 1	792,480
					84% 2	200,000
<p>1 After this additional acquisition, Ålandsbanken Kapitalmarknadstjänster is a wholly-owned subsidiary.</p> <p>2 The cost consists of a capital contribution in the form of a targeted issue of new shares.</p>						
<p>Cost breakdown</p>						
						EUR
						Cash
						Capital contribution to the company
						Directly attributable costs
						Net assets acquired
						EUR
						Fair value
						Carrying amount
						Cash
						Receivables
						Share issue receivables
						Intangible assets
						Tangible assets
						Liabilities
						Net assets acquired
						Goodwill
<p>Ålandsbanken Kapitalmarknadstjänster Ab has earned a profit of EUR 0.2 M since this acquisition.</p> <p>Veranta Oy has earned a profit of EUR 0.0 M since this acquisition.</p> <p>The acquisitions did not affect the Group's total income or profit for the report period.</p>						
						Goodwill
						EUR
						2007
						2006
						Gross
						Goodwill recognised during the period
						Impairment (write-down)

-----	Renegotiation of purchase agreement (estimated	0	-45, 092	effect on opening balance)				
	-----	Closing balance	1,405,260	881,443				
	-----	5. CASH FLOW STATEMENT -----						
-----	Bank of Åland Group	Jan-Jun	Jan-Jun		-----			
-----	(EUR M)	2007	2006		-----			
-----					-----			
Cash and cash equivalents		130.2		217.4		-----		
--	Cash flow from operating activities					-----		
--	Net operating profit	15.6		11.0		-----		
Adjustment for net operating profit	2.4		1.9		items not affecting cash flow			-----
-----	Gains from investing activities	-0.9		-0.2		-----		
-----	Income taxes paid	-2.6		-2.5		-----		
-----	Changes in assets and liabilities in	-2.0	12.4	-99.2		-----		
-89.1	operating activities					-----		
-----	Cash flow from investing activities		-4.6			-----		
	-1.3		-----	Cash flow from financing		-----		
activities		102.0		-7.1		-----		Cash and cash
equivalents, June 30		240.1		120.0		-----		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 sup