

# Interim report for the period January - June 2006

24.07.2006

Bank of Åland Plc STOCK EXCHANGE RELEASE 24.07.2006 09.00 hrs Interim report for the period January - June 2006 The report period in brief . Consolidated net operating profit climbed 18.1 per cent to 11.0 million euros (Jan-Jun 2005: EUR 9.3 M) . Net interest income rose by 1.5 per cent to EUR 15.9 M (15.6) . Commission income rose by 17.2 per cent to EUR 9.3 M (7.9) . Expenses rose by 10.3 per cent to EUR 19.4 M (17.6) . Loan losses (reversal) totalled EUR 0.1 M (0.0) . Lending volume rose by 8.7 per cent to EUR 1,797 M (Jun 2005: 1,654) . Deposit accounts declined by 1.0 per cent to EUR 1,207 M (Jun 2005: 1,219) . Mutual fund capital under management rose by 13.8 per cent to EUR 300 M (263) . Return on equity after taxes (ROE) was 14.7 per cent (13.4) . The total capital ratio amounted to 11.3 per cent (11.7) . Earnings per share after taxes amounted to EUR 0.71 (0.63)

**EARNINGS AND PROFITABILITY** This Interim Report has been prepared according to the International Financial Reporting Standards (IFRSs) approved by the European Union, as well as in compliance with IAS 34, "Interim Financial Reporting". Earnings During the first half of 2006, consolidated net operating profit amounted to EUR 11.0 M (9.3). This was an increase of 18.1 per cent<sup>1</sup> compared to the corresponding period of 2005. Return on equity after taxes (ROE) was 14.7 per cent (13.4). <sup>1</sup> All percentages are calculated on the basis of exact values. The main reasons for the positive trend of earnings were increased commission income from asset management and from providing investment products, as well as increased revenue from computer systems sales and development (Crosskey Banking Solutions Ab Ltd). Net interest income Net interest income amounted to EUR 15.9 M (15.6). As a result of higher interest rates as well as larger lending volume, net interest income rose by 1.5 per cent despite the continued narrowing of customer margins. Other income Commission income rose by 17.2 per cent to EUR 9.3 M (7.9). Income from asset management and from providing investment products rose the most. Net income from securities trading for the Bank's own account was EUR 0.8 M (0.1). 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 0.2 M (1.5). The divestment of the Bank's shareholding in the Åland-based food processing company Chips Abp during the first quarter of 2005 yielded a capital gain of EUR 1.2 M. Net income from investment properties amounted to EUR 0.0 M (0.2). Other operating income totalled EUR 4.3 M (1.8), due to increased revenue from the sale and development of computer systems. Total income rose by 12.7 per cent to EUR 30.1 M (26.7). Expenses Staff costs rose by 6.1 per cent to EUR 10.9 M (10.3) as a consequence of new recruitments, mainly at Crosskey Banking Solutions Ab Ltd. Changes in pension liabilities and the fair value of assets in Ålandsbanken Abp:s Pensionsstiftelse, the Bank's pension fund, reduced staff costs by EUR 0.7 M (0.0). Other administrative expenses (office costs, marketing, telecommunications and computer costs) amounted to EUR 4.5 M (4.4). Production for own use amounted to EUR 0.2 M (0.9) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation rose to EUR 2.0 M (1.7). Other operating expenses amounted to EUR 2.3 M (2.1). Total expenses, including planned depreciation/amortisation, rose to EUR 19.4 M (17.6). Impairment loss on loans and other commitments Net loan losses amounted to EUR 0.1 M (reversal). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 434 (406) in the first half of 2006. This represented an increase of 28 positions compared to the same period last year. Most of the increase was due to new recruitments at Crosskey Banking Solutions Ab Ltd. Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively: Bank of Åland Group Jun 30 Jun 30 Dec 31 2006 2005 2005 including loan losses 0.64 0.65 0.64 excluding loan losses 0.64 0.65 0.64 Capital adequacy Capital adequacy rules require that the capital base in the form of equity capital and reserves total at least 8 per cent of risk-

weighted receivables and contingent liabilities. At the end of March, the Group's capital adequacy according to the Credit Institutions Act was 11.3 per cent (11.7). Bank of Åland Group Jun 30 Jun 30 Dec 31 2006 2005 2005 Capital base, EUR M Core capital 85.3 81.0 83.8 Supplementary capital 51.6 48.4 51.3 Total capital base 136.9 129.4 135.1 Risk-weighted volume, EUR M 1,221.0 1,109.1 1,192.7 Total capital ratio, % 11.3 11.7 11.3 Core capital as a percentage 7.0 7.3 7.0 of risk-weighted volume Profit for the report period is not included in the capital base. Cash flow statement Bank of Åland Group Jan-Jun Jan-Jun 2006 2005 Liquid assets, January 1 217.4 252.2 Cash flow from operating activities Net operating profit 11.0 9.3 Adjustment for net operating profit items not affecting cash flow 1.9 4.6 Profits/losses from investing -0.2 -3.4 activities Income taxes paid -2.5 -1.8 Change in assets and liabilities in operating activities -99.2 -89.1 -85.8 77.2 Cash flow from investing activities -1.3 3.2 Cash flow from financing activities -7.1 1.9 Liquid assets, June 30 120.0 180.1 Deposits Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to June 30, 2006 by 3.0 per cent to EUR 1,531 M (1,578). Deposit accounts decreased by 1.0 per cent to EUR 1,207 M (1,219). Bonds and certificates of deposit issued to the public decreased by 9.7 per cent to EUR 324 M (359). During the report period, the Group floated bond issues with a nominal value of EUR 24.5 M. Lending The volume of lending to the public increased by 8.7 per cent to EUR 1,797 M (1,654) during the 12 months to June 30, 2006. Most of the increase went towards residential financing. Lending to private households rose by 10.9 per cent to EUR 1,267 M (1,143). Private households accounted for 70.5 (69.0) per cent of the Group's total lending. Crosskey Banking Solutions Ab Ltd Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mission of the company is to develop, sell and maintain banking computer systems - either as whole systems or in modules - to small and medium-sized banks in Europe, as well as sell operational and support contracts for its deliveries. Crosskey currently works with four banks: Tapiola Bank, DnB NOR, S-Bank and the Bank of Åland. Crosskey currently has about 115 employees and offices in Mariehamn, Turku and Helsinki. During the report period, Crosskey decided to open a branch office in Sweden in the autumn. Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers discretionary and consultative asset management services to institutions and private individuals. The company currently has about 300 customers and EUR 600 M in managed assets. The company has strong growth in the form of new customers. Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. On June 30, 2006, the total assets under management amounted to EUR 300 M (Dec. 31, 2005: 269), an increase of EUR 31 M or 11 per cent during the report period. The number of unit holders totalled 11,348 (Dec 31, 2005: 9,443). This represented an increase of 1,905 or 20 per cent during the report period. Ålandsbanken Kapitalmarknadstjänster Ab Ålandsbanken Kapitalmarknadstjänster Ab (Allcap Ab) is a subsidiary of the Bank of Åland Plc. The company provides discretionary asset management as well as consulting services related to securities and financing. The company currently has more than 200 customers, with an aggregate portfolio value of EUR 400 M. Forecast for 2006 Full-year earnings in 2006 are expected to be better than in 2005. Mariehamn, July 24, 2006 THE BOARD OF DIRECTORS Review report To the shareholders of the Bank of Åland Abp We have conducted a review of the Interim Report of the Bank of Åland Abp for the period January 1 - June 30, 2006. The Interim Report, which was issued by the Board of Directors and the Managing Director, includes a condensed income statement, balance sheet, cash flow statement, changes in equity capital and certain additional disclosures. After completing our assignment, we are issuing our statement of opinion about the Interim Report. Our review was conducted in accordance with the recommendations of the Finnish Institute of Authorised Public Accountants concerning reviews. A review is planned and carried out on a sufficient scope to confirm that the Interim Report does not contain essential errors or omissions. A review is mainly limited to interviews with the staff of the Bank and analytical examination measures. We have not conducted a complete audit and will thus not issue an audit report. On the basis of this

review, to our knowledge no circumstances have emerged that would give reason to assume that the Interim Report has not been prepared essentially in accordance with the accounting and valuation principles of the IFRS standards approved by the EU as well as other Finnish rules and regulations concerning Interim Reports and that the Interim Report should not provide accurate and sufficient disclosures about the operating results and financial position of the Bank. Mariehamn, July 24, 2006  
Marja Tikka Authorised Public Accountant Leif Hermans Authorised Public Accountant Rabbe Nevelainen Authorised Public Accountant

FINANCIAL RATIOS ETC Bank of Åland Group Jan-June Jan-June Jan-Dec 2006 2005 2005 Earnings per share before dilution, EUR 1 0.71 0.63 1.24 Earnings per share after dilution, EUR 2 0.68 0.62 1.21 Market price per share, end of period, EUR Series A 24.00 19.60 24.00 Series B 23.60 18.61 24.00 Equity capital per share, EUR 3 10.04 9.67 10.32 Return on equity after taxes, % (ROE) 4 14.7 13.4 12.5 Return on total assets (ROA), % 5 0.8 0.7 0.7 Equity/assets ratio, % 6 5.38 5.26 5.22 Total lending volume, EUR M 1,797 1,654 1,796 Total deposits from the public, EUR M 1,531 1,578 1,631 Equity capital, EUR M, 111 106 113 Balance sheet total, EUR M 2,066 2,020 2,170 Expense/income ratio Including loan losses 0.64 0.65 0.64 Excluding loan losses 0.64 0.65 0.64 1 Profit for the period before dilution/ Average number of shares 2 Profit for the period after dilution / Average number of shares + shares outstanding 3 Equity capital / Number of shares on balance sheet date 4 Net operating profit - taxes / Average equity capital 5 Net operating profit - taxes / Average balance sheet total 6 Profit for the period / Balance sheet total

SUMMARY BALANCE SHEET Bank of Åland Group Jun 30 Jun 30 Dec 31 (EUR M) 2006 2005 2005 ASSETS Liquid assets 30 37 78 Debt instruments eligible for refinancing with 61 142 96 central banks Claims on credit institutions 90 119 128 Claims on the public and public sector 1,797 1,654 1,796 entities Debt instruments 2 1 0 Shares and participations 4 4 5 Shares and participations in associated 2 2 2 companies Derivative instruments 18 12 15 Intangible assets 4 4 4 Tangible assets 23 24 24 Other assets 18 11 9 Accrued income and prepaid expenses 15 10 14 Imputed taxes 1 1 0 TOTAL ASSETS 2,066 2,020 2,170

LIABILITIES AND EQUITY CAPITAL Liabilities to credit institutions 70 26 73 Liabilities to the public and public sector 1,210 1,223 1,303 entities Debt instruments issued to the public 537 543 558 Derivative instruments 18 14 15 Other liabilities 35 31 30 Accrued expenses and prepaid income 15 14 11 Subordinated liabilities 58 52 55 Imputed taxes due 12 11 12 TOTAL LIABILITIES 1,955 1,914 2,057

EQUITY CAPITAL AND MINORITY INTEREST Share capital 22 22 22 Share premium account 27 26 26 Reserve fund 25 25 25 Fair value reserve 0 0 0 Profit brought forward 28 25 25 Profit for the period 8 7 14 Minority interest in capital 1 1 1 TOTAL EQUITY CAPITAL 111 106 113 TOTAL LIABILITIES AND EQUITY CAPITAL 2,066 2,020 2,170

SUMMARY INCOME STATEMENT Bank of Åland Group Jan-Jun Jan-Jun Jan-Dec (EUR M) 2006 2005 2005 Net interest income 15.9 15.6 31.4 Income from equity instruments 0.0 0.1 0.1 Commission income 9.3 7.9 16.1 Commission expenses -0.8 -0.9 -2.0 Net income from securities transactions and 1.3 0.5 1.5 foreign exchange dealing Net income from financial assets available for 0.2 1.5 1.1 sale Net income from investment properties 0.0 0.2 0.3 Other operating income 4.3 1.8 3.5 Total income 30.1 26.7 52.0 Staff costs -10.9 -10.3 -17.8 Other administrative expenses -4.5 -4.4 -8.5 Production for own use 0.2 0.9 1.1 Depreciation/amortisation -2.0 -1.7 -3.9 Other operating expenses -2.3 -2.1 -4.2 Total expenses -19.4 -17.6 -33.2 Loan and guarantee losses 0.1 0.0 -0.3 Share of profit/loss in associated companies 0.2 0.2 0.2 Net operating profit 11.0 9.3 18.7 Profit before appropriations and taxes Profit for the period -2.7 -2.0 -4.6 Minority share of profit for the period -0.5 -0.3 -0.5 Profit for the period 7.8 6.9 13.6

INCOME STATEMENT BY QUARTER 1 Bank of Åland Group Q II Q I Q IV Q III Q II (EUR M) 2006 2006 2005 2005 2005 Net interest income 7.8 8.1 7.9 7.9 7.9 Income from equity 0.0 0.0 0.0 0.0 0.1 instruments Commission income 4.9 4.4 4.4 3.9 4.3 Commission expenses -0.4 -0.4 -0.6 -0.5 -0.5 Net income from securities transactions and foreign exchange 0.6 0.7 0.4 0.6 0.4 dealing Net income from financial assets available for sale -0.1 0.3 -0.4 0.0 0.3 Net income from investment 0.0 0.0 0.0 0.0 0.0 properties Other operating income 2.0 2.3 1.0 0.7 0.9 Total income 14.6 15.5 12.7 12.6 12.8 Staff costs -5.6 -5.3 -3.1 -4.5 -5.4 Other administrative -2.5 -1.9 -2.1 -2.0 -2.5 expenses Production for own use 0.1 0.1 -0.2 0.4 0.9 Depreciation/amortisation -1.0 -1.0 -1.3 -0.9 -0.8 Other operating expenses -1.2 -1.1 -1.1 -1.0 -1.1 Total expenses -10.2 -9.3 -7.7

-7.9 -8.9 Loss impairment on loans and other commitments 0.1 0.0 0.0 -0.3 0.0 Share of profit/loss in associated companies 0.1 0.1 -0.1 0.1 0.1 Net operating profit 4.6 6.4 4.9 4.5 4.5 1 Quarterly figures for 2005 have been adjusted for the effect of the "fair value option" introduced in Q IV 2005. CHANGES IN EQUITY CAPITAL Bank of Åland Group Share Share Legal Fair Retained Minority Total capital premium reserve value earnings interest EUR M account reserve Equity capital, December 31, 2004 22,2 25,5 25,1 0,0 34,5 0,5 107,8 Introduction of IAS 39 incl. fair value option 0,5 1,1 1,6 0,0 3,3 Equity capital, January 1, 2005 22,2 26,0 25,1 1,1 36,1 0,5 111,1 Dividend to shareholders -11,0 -11,0 Conversion of capital loan 0,0 0,1 0,1 Change in fair value -0,9 -0,9 C hange in minority interest of equity capital 0,1 0,1 Profit for the period 6,9 6,9 Equity capital, June 30, 2005 22,2 26,1 25,1 0,2 32,1 0,6 106,3 Conversion of capital loan 0,0 0,0 0,0 Change in fair value 0,2 0,2 Change in minority share of equity capital 0,3 0,3 Profit for the period 6,6 6,6 Equity capital, December 31, 2005 22,2 26,1 25,1 0,4 38,7 0,9 113,3 Dividend to shareholders 1 -11,0 -11,0 Conversion of capital loan 2 0,2 1,1 1,3 Change in fair value -0,2 -0,2 Change in minority share of equity capital 0,0 0,0 Profit for the period 7,8 7,8 Equity capital, March 31, 2006 22,3 27,2 25,1 0,1 35,5 0,9 111,1 1 Dividend payment for Series A shares EUR 5.2 M and for Series B shares EUR 5.8 M. 2 During the report period, 84,804 new Series B shares subscribed in exchange for convertible loan certificates were recorded in the Finnish Trade Registry. This was equivalent to an increase in equity capital of EUR 0.2 M and an increase in the share premium account by EUR 1.1 M. SEGMENT REPORT Bank of Åland Group 30.06.2006 Retail Investment Information Treasury Group Elimination Total banking banking technology and staff operations operations operations portfolio units (EUR M) management etc. External income 18,7 5,6 4,1 1,4 0,4 0,0 30,1 Internal income 0,6 -0,4 4,8 1,9 0,2 -7,1 0,0 Total income 19,3 5,2 8,9 3,3 0,5 -7,1 30,1 Costs incl. depreciation etc. -7,0 -1,8 -6,9 -0,9 -9,8 7,1 -19,4 Loan losses 0,1 0,0 0,0 0,0 0,0 0,0 0,1 Share of profit/loss in associated companies 0,2 0,2 Net operating profit 12,3 3,4 2,0 2,6 -9,3 0,0 11,0 Assets 1853 9 5 74 132 -6 2066 Liabilities 1523 144 3 87 204 -7 1955 Equity capital 111 Bank of Åland Group 30.06.2005 Retail Investment Information Treasury Group Elimination Total banking banking technology and staff operations operations operations portfolio units (EUR M) management etc. External income 17,5 4,2 1,6 3,5 0,0 0,0 26,7 Internal income 1,0 -0,9 5,7 0,9 0,2 -6,8 0,0 Total income 18,5 3,3 7,3 4,3 0,2 -6,8 26,7 Costs incl. depreciation etc. -6,8 -1,4 -6,2 -0,7 -9,3 6,8 -17,6 Loan losses 0,0 0,0 0,0 0,0 0,0 0,0 0,0 Share of profit/loss in associated companies 0,2 0,2 Net operating profit 11,6 1,9 1,2 3,8 -9,2 0,0 9,3 Assets 1849 16 3 69 75 8 2020 Liabilities 1502 150 2 97 153 9 1914 Equity capital 106 LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE Bank of Åland Group Jun 30 Jun 30 Dec 31 (EUR M) 2006 2005 2005 BUSINESS AND PROFESSIONAL ACTIVITIES Service sector Shipping 61 80 60 Hotels, restaurants, tourist 12 13 11 cottages etc. Wholesale and retail trade 45 42 46 Housing corporations 45 34 40 Real estate operations 85 88 95 Financial operations 115 101 137 Other service business 82 72 78 445 430 467 Production sector Agriculture, forestry and 20 20 21 fishing Food processing etc 8 10 9 Construction 23 15 27 Other industry and crafts 9 9 9 60 53 66 HOUSEHOLDS Home loans 1012 923 977 Studies 13 13 13 Other purposes 241 206 246 1,2 67 1,143 1,236 PUBLIC SECTOR AND NON-PROFIT 26 28 28 ORGANISATIONS TOTAL LENDING 1,797 1,654 1,796 DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES, including bonds issued and certificates of deposit Bank of Åland Group Jun 30 Jun 30 Dec.31 (EUR M) 2006 2005 2005 Deposit accounts from the public and public sector entities Demand deposit accounts 170 189 187 Current accounts 199 203 197 Savings and Environmental Accounts 101 105 109 Prime Accounts 428 455 494 Time deposits 251 196 228 Total deposit accounts in euros 1,149 1,147 1,214 Deposit accounts in other currencies 58 72 85 Total deposit accounts 1,207 1,219 1,300 Bonds 192 180 174 Certificates of deposit issued to the 132 179 157 public Bonds and certificates of deposit 324 359 331 Total deposits 1,531 1,578 1,631 DERIVATIVE CONTRACTS Bank of Åland Group Jun 30 Jun 30 2005 2006 For For hedging hedging (EUR M) purpose Other purposes Other s Value of underlying property Interest rate derivatives Option contracts Purchased 0.0 0.0 15.0 0.0 Written 0.0 0.0 0.0 15.0 Interest rate swap 327.3 7.6 313.5 4.4 contracts Currency derivatives Forward contracts 7.9 8.3 1.9 2.0 Interest rate and 0.5 1.7 0.0 0.5 currency swap contracts Equity derivatives Option contracts

Purchased	165.2	0.0	147.8	0.7	Written	0.0	165.2	0.0	147.8	500.9	182.8	478.1	170.5	Equivalent credit values of the contracts
Interest rate derivatives	4.1	3.2	Currency derivatives	0.6	0.1	Equity derivatives	27.1	21.9	31.8	25.2	OFF-BALANCE SHEET COMMITMENTS			
Bank of Åland Group														
Jun 30 Jun 30 Dec 31														
(EUR M) 2006 2005 2005														
Guarantees and pledges	15	12	13	Other commitments	153	118	132	169	130					
145														