

# Interim report for the period January - September 2005

25.10.2005

Bank of Åland Plc STOCK EXCHANGE RELEASE 25.10.2005 09.00 hrs Interim report for the period January - September 2005 The report period in brief . Consolidated net operating profit rose by 27 per cent and amounted to 13.5 million euros (Jan-Sep 2004: EUR 10.6 M) . Net interest income rose by 5.6 per cent to EUR 23.0 M (21.8) . Commission income rose by 28.7 per cent to EUR 11.3 M (8.8) . Expenses climbed by 2.0 per cent to EUR 25.1 M (24.6) . Return on equity after taxes (ROE) was 12.3 (10.5) per cent . Lending volume amounted to EUR 1,689 M (Sep 2004: 1,510) . Deposit accounts totalled EUR 1,194 M (Sep 2004: 1,090) . Total mutual fund capital under management rose by 72 per cent to EUR 269.3 M (156.5) . The total capital ratio was 11.5 per cent (12.2) . Earnings per share after taxes amounted to EUR 0.91 (0.76) . The Bank has applied the IFRS reporting and valuation principles THE GROUP In preparing this Interim Report, the Bank of Åland has applied the accounting and valuation principles prescribed by International Financial Reporting Standards (IFRS). The Group's Annual Report for 2005 will be prepared according to the IFRS standards approved by the European Union. Comparative figures and financial ratios for last year have been recalculated according to the above- mentioned standards. However, in accordance with IFRS 1, the Bank has taken advantage of the opportunity to pre sent the comparative figures related to financial instruments according to previously applied accounting principles, which affects comparability to some extent. Earnings During the first nine months of 2005, consolidated net operating profit amounted to EUR 13.5 M (10.6). This was an improvement of 27.2 per cent compared to the corresponding period of 2004. The main reasons for the improvement in earnings during the report period were increased commission income from mutual funds (unit trusts) and asset management and improved net interest income. Changed accounting principles concerning capitalisation of the costs of computer software produced for own use lowered expenses and affect comparability. Net interest income Despite the continued narrowing of customer margins, larger total deposit and lending volumes led to an increase in net interest income by 5.6 per cent to EUR 23.0 M (21.8). Other income Commission income rose by a full 28.7 per cent to EUR 11.3 M (8.8). Income from asset management and from providing investment products rose the most. Net income from securities trading for the Bank's own account showed an income of EUR 0.2 M (0.6). In keeping with IFRS valuation principles, this item included a change of EUR -0.5 M (0.0) in the value of derivative instruments. Net income from dealing in the foreign exchange market amounted to EUR 0.7 M (0.6). Other operating income totalled EUR 2.9 M, compared to EUR 3.4 M in the corresponding period last year, of which EUR 1.0 M consisted of nonrecurring revenue. The divestment of the Bank's shareholding in the Åland-based food processing company Chips Abp during the first quarter yielded a capital gain of EUR 1.2 M. Total income rose by 7.8 per cent to EUR 38.6 M (35.8). Expenses Staff costs rose by 5.2 per cent to EUR 14.7 M (14.0). Other administrative expenses (office costs, marketing, telecommunications and computer costs) climbed by 21.8 per cent to EUR 6.5 M (5.3). Production for own use amounted to EUR 1.3 M (0.0) and was related to expenses for computer software, which in accordance with IFRS must be capitalised. Depreciation/amortisation was unchanged at EUR 2.6 M, and other operating expenses were unchanged at EUR 2.7 M. Total expenses including planned depreciation/amortisation rose by EUR 0.5 M or 2.0 per cent to EUR 25.1 M (24.6). Impairment loss on loans and other receivables Loan losses amounted to EUR 0.3 M (0.4) during the report period. Deposits Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to September 30, 2005 by 7.8 per cent to EUR 1,507 M (1,398). Deposit accounts rose by 9.5 per cent to EUR 1,194 M (1,090). During the first nine months of 2005, deposits decreased by EUR 29 M or 1.9 per cent. During the same period, the Group floated bond issues with a nominal value of EUR 42.1 M. Lending During the 12 months to September 30, 2005, the volume of

lending to the public increased by 11.8 per cent to EUR 1,689 M (1,510). Most of the increase went towards residential financing. During the first nine months of 2005, total lending rose by EUR 57 M or 3.5 per cent. Private households accounted for 69.2 (68.8) per cent of the Group's total lending.

Personnel At the end of September 2005, the number of employees in the Group - recalculated as full-time equivalents - was 403. This represented an increase of 13 positions, compared to the same date in 2004. 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 September, the Group's capital adequacy according to the Credit Institutions Act was 11.5 (12.2) per cent. The core capital ratio was 7.1 (8.1) per cent. To strengthen the capital base in the form of supplementary capital, risk debenture loans totalling EUR 14.8 M were issued during the report period. Profit during the report period is not included in the capital base. The capital base amounted to EUR 130.4 M.

Crosskey Banking Solutions Ab Ltd Crosskey Banking Solutions Ab Ltd is a wholly-owned subsidiary of the Bank of Åland. 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 three banks: Tapiola Bank, Den Norske Bank and the Bank of Åland. During the report period, Crosskey Banking Solutions AB and the Finnish consumer co-operative organisation SOK signed a contract to renew the S Group's financial services account system. The contract did not affect earnings during the report period, however.

Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offer asset management services to individuals and organisations. It currently has more than 200 customers. Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. On September 30, 2005, the number of unit holders totalled 8,334 (Sep 30, 2004: 6,135), which represented an increase of 36 per cent. The total assets under management amounted to EUR 269.3 M (Sep 30, 2004: 156.5), an increase of 72 per cent.

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. During September, the company was granted its permit to act as an investment firm. Outlook for the future Our previous forecast for the year remains unchanged. Full year 2005 earnings are expected to be better than last year's earnings.

Mariehamn, October 24, 2005 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 - September 30, 2005. The Interim Report, which was issued by the Board of Directors and the Managing Director, includes the income statement, balance sheet 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 24, 2005 Marja Tikka Authorised Public Accountant Leif Hermans Authorised Public Accountant Rabbe Nevelainen Authorised Public Accountant FINANCIAL RATIOS ETC Bank of Åland Group Jan-Sep Jan-Sep Full Jan 1 year 2005 2004 2004 2005 Earnings per share, EUR 1 0.91 0.76 0.96 Market price per share, end of period, EUR Series A 22.40 17.90 19.62 Series B 20.71 17.62 19.04 Equity capital per share,

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EUR 2 9.76 9.60 9.93 Return on equity after taxes, % (ROE) 3 12.31 10.51 9.76 Total lending volume, EUR M 1,689 1,510 1,632 Total deposits from the public, EUR M 1,507 1,398 1,536 Equity capital, EUR M 107 105 109 Balance sheet total, EUR M 2,052 1,793 1,997 Income/expense ratio Including loan losses 1.53 1.42 1.45 Excluding loan losses 1.55 1.45 1.46 1 Profit for the period / Average number of shares, adjusted for new issue 2 Equity capital / Number of shares on balance sheet date, adjusted for new issue 3 Profit for the period / Average equity capital CAPITAL ADEQUACY Bank of Åland Group Sep 30 Sep 30 Jan 1 2005 2004 2005 Capital base, EUR M Core capital 81 84 82 Supplementary capital 50 42 43 Total capital base 130 126 126 Risk-weighted volume, EUR M 1,131 1,031 1,062 Total capital ratio, % 11.7 12.0 11.8 Core capital as % of risk-weighted volume 7.3 8.3 7.8 Profit during the report period is not included in the capital base SUMMARY BALANCE SHEET Bank of Åland Group Sep 30 Sep 30 Jan 1 (EUR M) 2005 2004 2005 ASSETS Liquid assets 51 48 72 Debt instruments eligible for refinancing with central banks 113 61 112 Claims on credit institutions 109 96 110 Claims on the public and public sector entities 1,689 1,510 1,632 Debt instruments 1 7 1 Shares and participations 4 9 10 Shares and participations in associated companies 2 0 1 Shares and participations in Group companies 0 1 0 Derivative instruments 14 8 10 Intangible assets 4 2 3 Tangible assets 24 25 25 Other assets 29 17 11 Accrued income and prepaid expenses 12 8 11 TOTAL ASSETS 2,052 1,793 1,998 LIABILITIES AND EQUITY CAPITAL Liabilities to credit institutions 74 43 24 Liabilities to the public and public sector entities 1,198 1,095 1,249 Debt instruments issued to the public 541 435 500 Derivative instruments 15 8 10 Other liabilities 38 28 30 Accrued expenses and prepaid income 15 15 12 Subordinated liabilities 54 54 54 Imputed taxes due 10 10 10 TOTAL LIABILITIES 1,945 1,688 1,889 EQUITY CAPITAL AND MINORITY INTEREST Share capital 22 22 22 Share premium account 26 25 26 Reserve fund 25 25 25 Fair value reserve 0 0 1 Profit brought forward 23 24 24 Profit for the period 10 8 11 Minority interest in capital 1 0 1 TOTAL EQUITY CAPITAL 107 105 109 TOTAL LIABILITIES AND EQUITY CAPITAL 2,052 1,793 1,998 SUMMARY INCOME STATEMENT Bank of Åland Group Jan-Sep Jan-Sep Full year (EUR M) 2005 2004 2004 Net interest income 23.0 21.8 29.4 Income from equity instruments 0.1 0.5 0.5 Commission income 11.3 8.8 12.4 Commission expenses -1.3 -1.0 -1.3 Net income from securities transactions and foreign exchange dealing 0.8 1.3 1.1 Net income from financial assets available for sale 1.5 0.4 0.2 Net income from investment properties 0.2 0.6 0.6 Other operating income 2.9 3.4 5.0 Total income 38.6 35.8 47.8 Staff costs -14.7 -14.0 -18.4 Other administrative expenses -6.5 -5.3 -7.4 Production for own use 1.3 0.0 0.0 Depreciation/amortisation -2.6 -2.6 -3.6 Other operating expenses -2.7 -2.7 -3.9 Total expenses -25.1 -24.6 -33.3 Loan and guarantee losses -0.3 -0.4 -0.7 Share of profit/loss in associated companies 0.3 -0.1 0.0 Net operating profit 13.5 10.6 13.9 Profit before appropriations and taxes Income taxes -3.2 -2.0 -3.2 Minority share of profit for the period -0.3 -0.1 -0.2 Profit for the period 10.0 8.4 10.5 INCOME STATEMENT BY QUARTER Bank of Åland Group Q III Q II Q I Q IV Q III (EUR M) 2005 2005 2005 2004 2004 Net interest income 7.7 7.8 7.6 7.6 7.4 Income from equity instruments 0.0 0.1 0.0 0.0 0.0 Commission income 3.7 4.2 3.5 3.6 2.6 Commission expenses -0.5 -0.5 -0.4 -0.4 -0.3 Net income from securities transactions and foreign exchange dealing 0.8 0.0 0.0 0.3 0.4 Net income from financial assets available for sale 0.0 0.3 1.2 -0.2 0.1 Net income from investment properties 0.0 0.0 0.2 0.0 0.4 Other operating income 0.9 1.0 1.1 1.1 0.9 Total income 12.6 12.8 13.2 12.0 11.4 Staff costs -4.5 -5.4 -4.9 -4.4 -5.1 Other administrative expenses -2.1 -2.5 -1.9 -2.1 -1.4 Production for own use 0.4 0.9 0.0 0.0 0.0 Depreciation/amortisation -0.9 -0.8 -0.9 -1.0 -0.9 Other operating expenses -0.8 -0.9 -0.9 -1.2 -0.8 Total expenses -7.8 -8.8 -8.5 -8.6 -8.3 Loss impairment on loans and other commitments -0.3 0.0 0.0 -0.2 0.1 Share of profit/loss in associated companies 0.1 0.1 0.1 0.1 0.1 Net operating profit 4.7 4.1 4.7 3.2 3.3 LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES BY PURPOSE Bank of Åland Group Sep 30 Sep 30 Dec 31 (EUR M) 2005 2004 2004 BUSINESS AND PROFESSIONAL ACTIVITIES Service sector Shipping 75 51 62 Hotels, restaurants, tourist cottages etc 12 11 11 Wholesale and retail trade 46 41 47 Housing corporations 39 29 33 Real estate operations 90 76 87 Financial operations 99 116 139 Other service business 76 66 65 436 390 457 Production sector Agriculture, forestry and fishing 21 21 20 Food processing etc 9 11 11 Construction 16 11 12 Other industry and crafts 9 10 9 55 53 51

HOUSEHOLDS Home loans 946 846 880 Studies 13 13 13 Other purposes 211 180 202 1,170 1,039  
1,095 PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS 27 27 28 Total lending 1,689 1,510 1,632  
DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES, including bonds issued and certificates of  
deposit Bank of Åland Group Sep 30 Sep 30 Dec 31 (EUR M) 2005 2004 2004 Deposit accounts from  
the public and public sector entities Demand deposit accounts 171 153 187 Current accounts 186 182  
194 Savings and Environmental Accounts 106 105 111 Prime Accounts 474 439 499 Time deposits 181  
159 195 Total deposit accounts in euros 1,118 1,038 1,187 Deposit accounts in other currencies 76 52  
57 Total deposit accounts 1,194 1,090 1,244 Bonds 190 176 163 Certificates of deposit issued to the  
public 123 132 129 Bonds and certificates of deposit 313 308 292 Total deposits 1,507 1,398 1,536  
DERIVATIVE CONTRACTS Bank of Åland Group Sep 30, Sep 30, 2005 2004 For Other For Other hedging  
hedging (EUR M) purposes purposes Value of underlying property Interest rate derivatives Option  
contracts Purchased 15.0 0.0 15.0 0.0 Written 0.0 15.0 0.0 15.0 Interest rate swap contracts 311.4 3.9  
318.4 4.5 Currency derivatives Forward contracts 1.5 1.7 1.1 1.4 Interest rate and currency swap  
contracts 0.0 0.6 0.1 0.0 Equity derivatives Option contracts Purchased 161.6 0.7 118.2 0.7 Written  
0.0 161.6 0.0 118.2 489.5 183.4 452.8 139.8 Equivalent credit values of the contracts Interest rate  
derivatives 2.4 2.6 Currency derivatives 0.1 0.1 Equity derivatives 24.8 16.7 27.3 19.4 OFF-BALANCE  
SHEET COMMITMENTS Bank of Åland Group Sep 30 Sep 30 Dec 31 (EUR M) 2005 2004 2004  
Guarantees and pledges 13 9 13 Other commitments 141 117 97 154 126 110