

Ålandsbanken Interim report Interim report for the period January - June 2009

24.08.2009

Bank of Åland Plc STOCK EXCHANGE RELEASE 24.08.2009 09.00 hrs Interim report for the period January - June 2009 The report period in brief - Consolidated net operating profit increased by 134 per cent to 27.6 million euros (January - June 2008: EUR 11.8 M) - Recognition of negative goodwill from the purchase of Ålandsbanken Sverige AB improved income by EUR 22.5 M, while operational earnings at Ålandsbanken Sverige AB pulled down consolidated income by EUR 2.7 M - Net interest income decreased by 8 per cent to EUR 19.2 M (20.9) - Commission income increased by 28 per cent to EUR 13.0 M (10.2) - Net income from securities transactions and foreign exchange dealing rose to EUR 3.9 M (1.0) - Total income increased by 14 per cent to EUR 42.4 M (37.1) - Expenses rose by 39 per cent to EUR 35.3 M (25.3) - Loan losses amounted to EUR 2.2 M (0.2) - Lending volume increased by 14 per cent to EUR 2,428 M (June 2008: 2,127) - Deposits increased by 14 per cent to EUR 2,401 M (June 2008: 2,110) - Mutual fund assets under management amounted to EUR 647 M (318) - Return on equity after taxes (ROE) was 34.3 (13.0) per cent - The expense/income ratio including negative goodwill was 58 (68) per cent - The total capital ratio in compliance with Basel 2 amounted to 12.7 (12.1) per cent - Earnings per share amounted to EUR 2.18 (0.71) 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 in compliance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Earnings summary for the report period Ålandsbanken Sverige AB (encompassing Ålandsbanken Sverige AB, Ålandsbanken Fonder AB and Alpha Management Company S.A. and based in Sweden) was consolidated in the Bank of Åland Group on June 30, 2009, and its earnings during the period April 1 ' June 30, 2009 are included in the consolidated financial statements. This affects comparability with the corresponding period of last year. The allocation between the Group's Finnish and Swedish business areas can be found in the table entitled "Earnings, newly acquired operations" on page 9. During January-June 2009, the consolidated net operating profit of the Bank of Åland Group increased by 134 per cent to EUR 27.6 M (11.8 in the corresponding period of 2008). During the report period, the Group recognised EUR 22.5 M in negative goodwill as income, due to its purchase of Kaupthing Bank Sverige AB. Net interest income was lower than in the corresponding period last year because of falling interest rates. Net income from securities transactions and foreign exchange dealing as well as other operating income were higher than last year. Income (excluding negative goodwill) increased by 14 per cent to EUR 42.4 M (37.1), while expenses rose by 39 per cent to EUR 35.3 M (25.3). Return on equity after taxes (ROE) increased to 34.3 (13.0) percent, and earnings per share to EUR 2.18 (0.71). Net interest income During the report period, consolidated net interest income decreased by 8 per cent to EUR 19.2 M (20.9) due to lower interest rates, despite a higher volume of deposits and lending. During the period, margins on lending showed a continued positive trend. Ålandsbanken Sverige AB had net interest income of EUR 1.1 M. Lending volume rose by 14 per cent to EUR 2,428 M (2,127), while deposit volume increased by 14 per cent to EUR 2,401 M (2,110). Other income Commission income rose by 28 per cent to EUR 13.0 M (10.2). Income from securities, mutual fund and asset management commissions rose during the report period. Commission income at Ålandsbanken Sverige AB amounted to EUR 3.3 M. Net income from securities trading for the Bank's own account was EUR 2.9 M (0.5). Valuation and realisation of value increases in interest rate hedging derivatives (the Bank of Åland does not apply hedge accounting) resulted in a positive nonrecurring effect of EUR 2.4 M during the first quarter. Net income from dealing in the foreign exchange market increased to EUR 1.1 M (0.5). Net income from financial assets available for sale was EUR 0.1 M (0.1), and net income from

investment properties was EUR 0.2 M (0.2). Other operating income increased to EUR 7.3 M (5.7) as a consequence of higher income from the sale and development of information technology (IT) systems. During the report period, the Bank of Åland Plc bought Kaupthing Bank Sverige AB in Sweden, now Ålandsbanken Sverige AB (encompassing Kaupthing Bank Sverige AB, Kaupthing Fonder AB and Alpha Management Company S.A.). The acquisition analysis showed that the net assets acquired after restructuring expenses amounted to EUR 57.2 M and the cost of the shares, including the purchase price and acquisition-related expenses, amounted to EUR 34.7 M. Negative goodwill of EUR 22.5 M was recognised as income in the Bank of Åland Group financial statements during the second quarter. For detailed information about the acquisition analysis, see Note 4 under "Notes to the consolidated interim report" on page 12. The Group's total income including negative goodwill increased by 75 per cent to EUR 64.9 M (37.1). Expenses Staff costs rose by 40 per cent to EUR 20.0 M (14.2) as a consequence of the acquisition of Ålandsbanken Sverige AB plus salary hikes as provided by collective agreements. Staff costs at Ålandsbanken Sverige AB amounted to EUR 4.4 M. Changes in the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse, according to the corridor approach affected staff costs in the amount of EUR 0.0 M (-0.1). Other administrative expenses (office, marketing, communications and IT) increased to EUR 7.5 M (5.5). Production for own use totalled EUR -0.3 M (-0.2) and was related to expenses for computer software, which in accordance with IFRSs must be capitalised. Depreciation/amortisation increased to EUR 3.2 M (2.8). Other operating expenses amounted to EUR 5.1 M (3.0). The Group's total expenses rose by 39 per cent to EUR 35.3 M (25.3). Impairment losses on loans and other commitments Loan losses amounted to EUR 2.2 M (0.2). Of these, EUR 0.7 M were individually targeted impairment losses and EUR 1.5 M a group impairment loss targeted to the real estate industry. Second quarter of 2009 Compared to the second quarter of 2008, the Group's net operating profit rose by 248 per cent to EUR 21.3 M (Q II 2008: 6.1). Income Total income (excluding negative goodwill) increased by 16 per cent to EUR 22.1 M (19.0). Lower interest rates led to in a decrease in net interest income of 6 per cent to EUR 10.1 M (10.7), despite higher deposit and lending volume. Commission income improved, amounting to EUR 8.1 M (5.1). Commission income on securities and asset management improved during the period. Net income from securities trading and foreign exchange operations increased to EUR 0.8 M (0.4). Other operating income increased to EUR 3.9 M (3.1) as a consequence of higher income from IT operations. Expenses Total expenses increased by 68 per cent to EUR 21.5 M (12.8). During the quarter, staff costs amounted to EUR 12.3 M (7.1). The number of employees in the Group increased as a consequence of the purchase of Ålandsbanken Sverige AB, while salary hikes were implemented as provided by collective agreements. Other administrative expenses increased to EUR 4.6 M (2.9) during the second quarter, primarily because of higher external computer expenses. Due to increased property expenses and rents, other operating expenses rose to EUR 3.0 M (1.6). Balance sheet total and off-balance sheet obligations At the end of the report period, the Group's balance sheet total was EUR 3,152 M (2,768). During the period, the Group issued debenture loans 1/2009 and 2/2009 in the amount of EUR 34 M. With the permission of the Finnish Financial Supervisory Authority and in compliance with the terms of the loan, the Group carried out an early redemption of debenture loan 2/2004, which it had issued in June 2004. Off-balance sheet obligations rose to EUR 298 M (176). Personnel Hours worked in the Group, recalculated to full-time equivalent positions, totalled 582 (499) during January ' June 2009. This represented an increase by 83 positions compared to the year-e arlier period. The increase was due to the acquisition of Ålandsbanken Sverige AB. The number of employees at Ålandsbanken Sverige AB on June 30, 2009 was 174.

Bank of Åland Group	Jun 30	Jun 30	2009	2008
Bank of Åland Plc (Ålandsbanken Abp)	308	328		
Ab Compass Card Oy Ltd	5	6		
Crosskey Banking Solutions Ab Ltd	152	137		
Ålandsbanken Asset Management Ab	18	14		
Ålandsbanken Fondbolag Ab	6	6		

-----	Ålandsbanken Equities Ab	6	0	-----
-----	Ålandsbanken Sverige AB	87	0	-----
-----	Ålandsbanken Veranta Ab	0	8	-----
Total number of full-time equivalent positions, 582 499 recalculated from hours worked -----				
Expense/income ratio Efficiency measured as expenses divided by income, including and excluding loan losses, respectively: -----				
-----	Bank of Åland Group	Jun 30	Jun 30	2009 2008 -----
-----	Including negative goodwill			-----
-----	Including loan losses	0.58	0.68	-----
-----	Excl uding loan losses	0.54	0.68	-----
-----	Excluding negative goodwill			-----
-----	Including loan losses	0.88	0.68	-----
-----	Excluding loan losses	0.83	0.68	-----
Capital adequacy The Group is reporting capital adequacy in accordance with Pillar 1 in the Basel 2 regulations. The Group's total capital ratio at the end of June 2009 was 12.7 per cent. The capital requirement for credit risks has been calculated according to the standardised approach, and the capital requirement for operational risks according to the basic indicator approach in the Basel 2 regulations. -----				
-----	Bank of Åland Group	Jun 30	Jun 30	Dec 31 2009 2008 2008 -----
-----	Capital base, EUR M euro			-----
-----	Core capital 1	125.9	104.0	112.4 -----
-----	Supplementary capital	70.0	50.0	53.4 -----
-----	Total capital base	195.9	154.0	165.7 -----
-----	Capital requirements for credit risks	108.3	92.6	95.9 -----
-----	Capital requirement for operational risks	14.6	9.3	9.3 -----
-----	Capital requirement for market risks	0.5	0.0	0.0 -----
-----	Total capital requirement	123.4	101.9	105.1 -
-----	Total capital ratio, %	12.7	12.1	1 2.6
-----	Core capital ratio, %	8.2	8.2	8.6 -----
-----	1 Profit for the period minus estimated dividends paid.			-----
Deposits Deposits from the public, including bonds and certificates of deposit issued, continued to increase during January - June 2009. On June 30, 2009, deposits totalled EUR 2,401 M (2,110), an increase of 14 per cent, of which EUR 261 M consisted of deposits at Ålandsbanken Sverige AB. Deposit accounts rose by 18 per cent to EUR 2,027 M (1,720). Bonds and certificates of deposit issued to the public decreased by 4 per cent to EUR 374 M (390). Lending During the 12 months to June 30, 2009, the volume of lending to the public increased by 14 per cent to EUR 2,428 M (2,127). The volume of lending at Ålandsbanken Sverige AB was EUR 158 M. Lending to households increased by 12 per cent to EUR 1,648 M (1,474). Households accounted for 68 (69) per cent of the Group's total lending volume. Lending to companies rose by 20 per cent to EUR 756 M (628). 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 its start-up phase and did not have operating income during the report period. 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 to financial market players in Northern Europe, focusing on comprehensive solutions and efficient banking processes. Among Crosskey's current customers are DnB NOR, S-Bank, Tapiola Bank, the Bank of Åland, eQ Bank and Ålands Penningautomatförening. The earnings trend was good in the first half, and company earnings were above budget. Crosskey currently has 174				

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 company currently has about 500 customers and EUR 800 M in managed assets. Earnings in the first six months of 2009 were lower than in the same period of last year, but full-year earnings are expected to exceed 2008 earnings. Ålandsbanken Equities Ab Ålandsbanken Equities Ab is a subsidiary of the Bank of Åland Plc. The company offers equity analysis and stock brokerage services to institutional investors. The company has an office in Helsinki. In July, the subsidiary Ålandsbanken Equities Research Ab was established; it will take charge of equity analysis. Ålandsbanken Fondbolag Ab Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc. The company carries out mutual fund (unit trust) operations and at present manages 11 mutual funds, which are registered in Finland. Its strategy is to ensure that its mutual funds are competitive and tailored to the investment needs of Bank of Åland customers. The performance of its mutual fund assets in the first half of 2009 was divided. From January to March, managed assets shrank due to a negative trend for both the equity and fixed income investments of the funds, as well as some net outflow of assets. In April to June, a strong recovery occurred in both the equities and fixed income markets. Prices rose rapidly. Combined with a return influx of investors with assets, the outcome was that total managed assets in the Bank of Åland's mutual funds rose by 6.9 per cent to EUR 251.9 M (from EUR 235.7 M on Dec. 31, 2008). During the first half of 2009, the total number of unit holders also increased by 9.4 per cent to 15,421 (from 14,097 on Dec. 31, 2008). Ålandsbanken Sverige AB Ålandsbanken Sverige AB is a wholly-owned subsidiary of the Bank of Åland Plc. The company has operations in private banking, asset management, stock brokerage and institutional equities trading. Ålandsbanken Sverige AB has EUR 261 M in deposits from the public, EUR 158 M in lending volume and EUR 396 M in managed mutual fund assets. Ålandsbanken Sverige AB currently has 174 employees and offices in Stockholm, Gothenburg and Malmö, Sweden. Important events after the close of the report period Ålandsbanken Equities Research Ab was established as a subsidiary of Ålandsbanken Equities Ab. Outlook for 2009 Two thousand nine will be very challenging for all financial market players. The Bank of Åland expects its operating earnings in Finland to fall as a consequence of further weakening of net interest income, due to very low interest rates and continued low activity in capital markets. The acquisition of Kaupthing Bank Sverige AB will have a significant positive nonrecurring effect on the Group's earnings during the year. Operational activities in Sweden will pull down 2009 earnings, however. Overall, we expect consolidated earnings to be substantially better than in 2008. It should again be emphasised that great uncertainty prevails in the global financial system. Combined with the acquisition of Kaupthing Bank Sverige, this means that the outlook for the future is burdened with greater uncertainty than normal. The Group's assessment of the outlook for 2009 is based on its assumptions about future developments in the fixed income and financial markets. However, general interest rates, the demand for lending, the trend of the capital and financial markets and the competitive situation, as well as the general economic situation, are factors that the Group cannot influence. Financial information in 2009 Interim reports will be published as follows in 2009 January-September 2009 Monday, October 26, 2009 Mariehamn, August 21, 2009

THE BOARD OF DIRECTORS ----- | FINANCIAL RATIOS ETC. | ----- | Bank of Åland Group | Jan-Jun | Jan-Jun | Full year | | 2009 | 2008 | 2008 | ----- | Earnings per share before dilution, | 2.18 | 0.71 | 1.22 | | EUR 1 | | | | ----- | Earnings per share after dilution, | 2.18 | 0.71 | 1.22 | | EUR 2 | | | | ----- | Market price per share, end of | | | | | period, EUR | | | | - ----- | Series A | 28.50 | 29.50 | 26.60 | ----- | Series B | 22.00 | 25.00 | 17.24 | ----- | Equity capital per share, EUR 3 | 13.63 | 11.18 | 11.87 | ----- | Return on equity after

----- Share capital 23 23 23 -----									
----- Share premium account 33 33 33 -----									
----- Reserve fund 25 25 25 -----									
Fair value reserve 3 0 2 ----- Retained									
earnings 73 48 54 ----- Equity capital									
attributable to the 157 129 137 owners of the parent -----									
----- Equity capital attributable to 1 1 2 minority interests -----									
----- TOTAL EQUITY CAPITAL 158 130 138 -----									

-- TOTAL LIABILITIES AND EQUITY CAPITAL 3,152 2,768 2,770 -----									
----- SUMMARY									
STATEMENT OF COMPREHENSIVE INCOME -----									
Bank of Åland Group Jan-Jun Jan-Jun Full year 2009 2008 2008 -----									
----- EUR M -----									
--- Net interest income 19.2 20.9 42.1 -----									
- Income from equity investments 0.0 0.0 0.0 -----									
----- Commission income 13.0 10.2 18.6 -----									
----- Commission expenses -1.4 -1.1 -2.2 -----									
----- Net income from securities transactions 3.9 1.0 3.3 and foreign exchange dealing -----									
----- Net income from financial assets 0.1									
0.1 -0.1 available for sale ----- Net									
income from investment properties 0.2 0.2 0.1 -----									
----- Other operating income 7.3 5.7 12.4 -----									
----- Total income 42.4 37.1 74.2 -----									
- ----- Staff costs -20.0 -14.2 -28.3									
----- Other administrative expenses -7.5 -5.5									
-11.0 ----- Production for own use 0.3 0.2									
0.5 ----- Depreciation/amortisation -3.2									
-2.8 -5.9 ----- Other operating expenses									
-5.1 -3.0 -7.4 ----- Total expenses -35.3									
-25.3 -52.1 -----									
----- Impairment losses on loans and other -2.2 -0.2 -2.3									
commitments ----- Share of profit/loss in									
associated 0.2 0.2 0.2 companies -----									
--- Negative goodwill 22.5 0.0 ----- Net									
operatin g profit 27.6 11.8 20.0 -----									
----- Income taxes -2.2 -3.1 -5.4 -----									
----- Profit for the period 25.4 8.6 14.6 -----									

----- Other comprehensive income -----									
Assets available for sale 0.4 -1.1 1.8 -----									
Valuation differences 0.7 0.0 2.8 -----									
Income tax on other comprehensive -0.1 0.3 -0.5 income -----									
----- Total comprehensive income for the 26. 4 7.8 15.9 period -----									
----- -----									
----- Profit for the period attributable to 25.1 8.2 14.0 owners of the parent --									
----- Profit for the period attributable to 0.3									
0.5 0.6 minority interests ----- Total									
25.4 8.6 14.6 -----									
----- Total comprehensive income for the 26.1 7.4 15.3 period									

attributable to owners of the parent -----												
----- Total comprehensive income for the 0.3 0.4 0.6 period attributable to minority interests ----- Total 26.4 7.8 15.9 ---												

----- Earnings per share -----												
Earnings per share before dilution, 2.18 0.71 1.22 EUR1 -----												
----- Earnings per share after dilution, EUR2 2.18 0.71 1.22 -----												
----- 1 Profit for the period before dilution / Average number of												
shares ----- 2 Profit for the period after												
dilution / (Average number of shares + shares outstanding) -----												
----- QUARTERLY DATA,												
EARNINGS ----- Bank of Åland Group Q II Q												
I Q IV Q III Q II 2009 2009 2008 2008 2008 -----												
----- EUR M ----- Net												
interest income 10.1 9.1 10.7 10.5 10.7 -----												
----- Income from equity investments 0.0 0.0 0.0 0.0 0.0 -----												
----- Commission income 8.1 5.0 4.6 3.8 5.1 -----												
----- Commission expenses -0.9 -0.5 -0.6 -0.5 -0.6 -----												
----- Net income from securities 0.8 3.1 2.4 -0.1 0.4												
transactions and foreign exchange dealing -----												
----- Net income from financial assets 0.1 0.0 -0.3 0.0 0.1 available for sale												
----- Net income from investment 0.0												
0.2 0.0 0.0 0.1 properties -----												
Other operating income 3.9 3.4 3.4 3.2 3.1 -----												
----- Total income 22.1 20.4 20.3 16.9 19.0 -----												
----- ----- Staff costs -12.3 -7.6												
-7.4 -6.8 -7.1 ----- Other administrative												
expenses -4.6 -2.9 -3.1 -2.3 -2.9 -----												
Production for own use 0.2 0.2 0.2 0.1 0.1 -----												
----- Depreciation/amortisation -1.7 -1.4 -1.5 -1.6 -1.3 -----												
----- Other operating expenses -3.0 -2.0 -2.9 -1.5 -1.6 -----												
----- Total expenses -21.5 -13.8 -14.6 -12.2 -12.8 -----												
----- -----												
----- Impairment losses on loans and -1.8 -0.4 -1.9 -0.2 -0.2 other commitments -												
----- Share of profit/loss in 0.1 0.1 -0.1 0.0												
0.1 associated companies -----												
Negative goodwill 22.5 0.0 0.0 0.0 0.0 -----												
---- Net operating profit 21.3 6.3 3.7 4.5 6.1 -----												
----- EARNINGS, NEWLY ACQUIRED												
OPERATIONS ----- Bank of Åland Group Apr-												
Jun Jan-Jun Jan-Jun Jan-Jun 2009 2009 2009 2008 -----												
----- EUR M Sweden Finland Total Total -----												
----- Net interest income 1.1 18.1 19.2 20.9 -----												
----- Income from equity investments 0.0 0.0 0.0 0.0 -----												
----- Commission income 3.3 9.7 13.0 10.2 -----												
----- Commission expenses -0.4 -1.1 -1.4 -1.1												
----- Net income from securi ties 0.3 3.6												
3.9 1.0 transactions and foreign exchange dealing -----												
----- Net income from financial assets 0.0 0.1 0.1 0.1 available for sale												
----- Net income from investment 0.0												

[illegible]

period										Dividend									
0.0	0.0	0.0	0.0	paid															
Other			0.0	0.1	0.1	changes in				equity				capital					
attributab						le to				minority				interests					
										Equity									
1.6	138.6			capital,					Dec 31,					2008					
										Comprehens									
										0.3	0.7	25.1	26.1	0.3	26.4			ive income	
						for the				period									
										Dividend									
										-5.8	-5.8	-0.9	-6.7	paid					
										Equity									
										23.3	33.3	25.1	2.0	0.7	72.9	157.3	1.0	158.3	
capital,						June 30,													
										2009									

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 27 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 shares of the Bank of Åland Plc are traded on the Nasdaq OMX Helsinki Oy (Helsinki Stock Exchange). The Interim Report for the financial period January 1-June 30, 2009 was approved by the Board of Directors on August 21, 2009.

2. BASIS FOR PREPARATION AND ESSENTIAL ACCOUNTING PRINCIPLES

Basis for preparation This Interim Report for the period January 1-June 30, 2009 has been prepared in compliance with the International Financial Reporting Standards (IFRSs) that have been adopted by the European Union, as well as in compliance 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, 2008.

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, 2008, 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. Subsidiaries outside Finland