

## REPORT ON 2001 OPERATIONS: BANK OF ALAND

15.02.2002

Bank of Åland Plc STOCK EXCHANGE RELEASE 15.02.2002 09.00 hrs REPORT ON 2001 OPERATIONS On February 14, 2002, the Board of Directors/Board of Management of the Bank approved the accounts for 2001. The Supervisory Board met the same day and issued its annual declaration on the financial statements. The Annual General Meeting will be held at 3 p.m. on Thursday, March 14, 2002 at the Hotel Arkipelag in Mariehamn, Åland, Finland.

**OPERATING RESULTS AND PROFITABILITY** Net income from financial operations During 2001, consolidated income from financial operations rose by 4.3 per cent to EUR 33.4 M. The improvement was due to growth in deposit and lending volume. Other income Dividend income amounted to EUR 0.6 M. Commission income fell by 14.6 per cent to EUR 8.9 M. The decrease was due to lower income from stock brokerage and other capital market products, caused by decreased demand. Net income from the Bank's own securities trading amounted to EUR 1.1 M, compared to EUR 2.6 M the preceding year. Foreign exchange dealing resulted in a net income somewhat lower than in 2000, totalling EUR 0.9 M. Other operating income amounted to EUR 2.8 M, including nonrecurring income of EUR 0.7 M from the sale of properties. Total income - net income from financial operations and other income - decreased by 2.7 per cent to EUR 47.8 M. Expenses New recruitments and salary adjustments in compliance with collective agreements raised staff costs by 10.6 per cent to EUR 15.5 M. Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose by 24.3 per cent to EUR 8.2 M. As a result of new investments in computer systems for digital banking services, depreciation climbed by 11.3 per cent to EUR 2.8 M. Other operating expenses decreased by 6.2 per cent to EUR 3.5 M. Total expenses including planned depreciation rose by 11.6 per cent to EUR 31.2 M. The effect on income from companies consolidated in the Group accounts according to the equity method amounted to EUR 0.8 M, compared to EUR 0.4 M the year before. Loan losses Net loan losses amounted to EUR 0.1 M. Reported net loan losses as a percentage of the Bank's receivables and contingent liabilities amounted to 0.01 per cent. Net operating profit decreased by 17.3 per cent to EUR 17.4 M.

**DEPOSITS** During 2001, the Bank's total deposits, including bonds and certificates of deposit issued to the public and public sector entities, rose by EUR 1 M or 0.1 per cent and amounted to EUR 1,332 M. Deposit accounts rose by EUR 37 M or 3.5 per cent and amounted to EUR 1,097 M. The increase was attributable to accounts with interest rates tied to the ÅAB Prime reference rate and time deposits tied to the Euribor rate. The amount of bonds increased by EUR 19.7 M or 17.8 per cent, due to the share index loans issued during the year. The increase in deposits and bonds reduced the Bank's need to refinance in the certificate of deposit market. As a result, certificates of deposit targeted to the public and the public sector fell by 34.7 per cent to EUR 106 M.

**LENDING** The Bank's total lending volume increased by EUR 56 M or 5.3 per cent and amounted to EUR 1,109 M as of December 31, 2001. This increase was attributable to residential financing for private households. Loans outstanding to the service sector, the production sector and the public sector declined during the year. Private households accounted for 65.9 per cent of the Bank's total loans outstanding, while business and professional activities accounted for 32.8 per cent. The corresponding figures in 2000 were 62.4 per cent and 36.3 per cent, respectively. The balance sheet the balance sheet total climbed 6.0 per cent to EUR 1,686 M.

**Personnel** At the close of 2001, the number of employees, recalculated as full-time equivalents, was 361. This represented an increase of 16 positions compared to the close of 2000.

**Insider rules** The Bank's Board of Directors has accepted the Helsinki Stock Exchange's insider regulations and has meanwhile established trading restrictions concerning the Bank's securities, by which an insider is not entitled to trade in the Bank's securities during a period of 14 days before publication of the Bank's annual accounts or Interim Report.

ÅLANDSBANKEN FONDBOLAG AB

Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). During 2001, it managed the following mutual funds (unit trusts):

- Ålandsbanken Euro Bond - a medium-term bond fund with euro-denominated investments in Europe. Ålandsbanken Asset Management Ab serves as the portfolio manager of the fund.
- Ålandsbanken Europe Active Portfolio - a flexible European balanced fund. The Bank of Åland Plc serves as the portfolio manager of the fund.
- Ålandsbanken Europe Value - a European equities fund with a value-oriented investment strategy. UBS Asset Management Ltd serves as the portfolio manager of the fund. Ålandsbanken Europe Value began its operations on June 1, 2001.
- Ålandsbanken Global Blue Chip - an international equities fund. The name of the fund was changed on January 7, 2002. The new name is Ålandsbanken Global Value. Starting on January 7, 2002, UBS Asset Management Ltd serves as the portfolio manager of the fund (previously managed by the Bank of Åland Plc).
- Ålandsbanken Share Index Loan - a unique share index loan fund. The Bank of Åland Plc serves as the portfolio manager of the fund.

All the mutual funds that the company manages are registered in Finland and comply with the Act on Mutual Funds. The investment strategies of the funds are adapted to the needs of different Bank of Åland customer categories. All the mutual funds are marketed by the Bank of Åland Plc. Investments in the funds can also be made via Skandia Life's unit-link insurance plans as well as Avec unit-linked insurance plans, which are offered by the Veritas and Alandia-bolagen insurance companies. The number of unit holders on December 31, 2001 amounted to 4,554 and the total assets under management were EUR 61.7 M.

**ÅLANDSBANKEN ASSET MANAGEMENT AB** Ålandsbanken Asset Management Ab is a subsidiary of Ålandsbanken Plc. The company offers customers a comprehensive range of asset management services. Ålandsbanken Asset Management Ab has achieved profitability and will pay a dividend for the calendar year 2001. Its operations and customer base are experiencing stable growth. The company will therefore continue to expand and recruit new specialists during 2002.

**Capital adequacy** The Group's capital adequacy according to the Credit Institutions Act: Capital adequacy rules require that the capital base in the form of shareholders' equity and reserves total at least 8 per cent of risk-weighted receivables and contingent liabilities.

	Dec 31, 2001	Dec 31, 2000
Capital base, EUR M	72.4	66.0
Core capital	28.2	33.9
Total capital base	100.5	99.9
Risk-weighted volume, EUR M	804.2	794.3
Total capital ratio, %	12.50	12.57
Core capital as a percentage of risk-weighted volume	9.00	8.31

**FINANCIAL RATIOS**

	Dec 31, 2001	Dec 31, 2000
Net operating profit per share, EUR1	1.23	1.50
Equity capital per share, EUR2	8.71	8.33
Return on equity, %3	14.6	19.1
Income/expense ratio - before loan losses	1.56	1.77
- after loan losses	1.55	1.74
1 Net operating profit minus standard tax/		
Average number of shares, adjusted for new issue	2	
Equity capital and reserves minus imputed taxes./		
Number of shares on balance sheet date, adjusted for new issue	3	
Net operating profit minus standard tax/		
Average equity capital		

**PROPOSED DISTRIBUTION OF PROFIT** The Board of Directors proposes that the Annual General Meeting approve a dividend of EUR 1.00 per share, equivalent to a total amount of EUR 10.1 M.

**THE FUTURE** The Bank intends to expand further, both by widening its operations in Helsinki and by enhancing its electronic banking services. In the fields of asset management and securities brokerage, the Bank of Åland will refine and adapt its services and products to current demand. Net income from financial operations and other income are expected to reach an acceptable level despite tough competition. Staff costs and other expenses will increase mainly as a consequence of new recruitments and investments in new technology. Loan losses are projected to remain at a low level. Altogether, this should lead to satisfactory earnings in 2002.

Mariehamn, February 14, 2002

**THE BOARD OF DIRECTORS/BOARD OF MANAGEMENT**

**INCOME STATEMENT (EUR M)**

	The Group 1-12/01	1-12/00	Change %
Net income from financial operations	33.4	32.1	4.3
Income from investment in form of equity capital	0.6	0.9	-30.5
Commission income	8.9	10.5	-14.6
Net income from securities transactions and foreign exchange dealing	2.0	3.8	-47.7
Other operating income	2.8	1.9	50.1
<b>TOTAL INCOME</b>	<b>47.8</b>	<b>49.2</b>	<b>-2.7</b>
Commission expenses	-1.2	-0.5	9.0
Staff costs	-15.5	-14.0	10.6
Other administrative expenses	-8.2	-6.6	24.3
Depreciation	-2.8	-2.5	11.3
Other operating expenses	-3.5	-4.3	-6.2
<b>TOTAL EXPENSES</b>	<b>-31.2</b>	<b>-27.9</b>	<b>11.6</b>
Loan and guarantee losses	-0.1	-0.6	-80.6
Write-downs in securities held as financial fixed assets	0.0	0.0	
Share in operating results of			

company consolidated according to equity method 0.8 0.4 109.0 NET OPERATING PROFIT 17.4 21.0  
 -17.3 PROFIT BEFORE APPRO- PRIATIONS AND TAXES 17.4 21.0 -17.3 Income taxes -4.7 -6.2 -23.6  
 Share of profit for the financial year attributable to minority interests -0.1 Profit for the year 12.5 14.8  
 -15.2 BALANCE SHEET (EUR M) The group 12/01 12/00 Change % ASSETS Cash 40 17 145 Claims  
 usable as collateral at central bank 216 215 1 Claims on credit institutions 235 211 12 Claims on the  
 public and public sector entities 1,109 1,053 5 Leasing assets 1 1 -15 Debt securities 26 31 -14 Shares  
 and participations 15 17 -10 Shares and participations in associ- ated companies and subsidiaries 2 1  
 56 Intangible assets 5 5 8 Tangible assets 15 17 -9 Other assets 9 16 -41 Accrued income and  
 prepayments 12 16 -26 TOTAL ASSETS 1,686 1,597 6 LIABILITIES AND EQUITY CAPITAL Liabilities  
 Liabilities to credit institutions and central banks 96 83 -1 Liabilities to the public and public sector  
 entities 1,103 1,066 3 Debt securities issued to the public 319 280 -34 Other liabilities 29 33 54  
 Accrued expenses and deferred income 12 10 34 Subordinated liabilities 22 22 124 Imputed taxes due  
 7 6 48 Equity capital Share capital 20 20 Share premium reserve 13 10 Revaluation reserve 1 1  
 Reserve fund 25 25 Capital loan 10 15 Profit brought forward 16 11 9 Other equity capital 13 15 55  
 TOTAL LIABILITIES AND EQUITY CAPITAL 1,686 1,597 6 OFF-BALANCE SHEET COMMITMENTS 437 345  
 27 INCOME STATEMENT (EUR M) Bank of Åland Plc 1-12/01 1-12/00 Change % Net income from  
 financial operations 33.4 32.1 4.2 Income from investment in form of equity capital 0.6 0.9 -30.5  
 Commission income 8.0 10.0 -19.8 Net income from securities trans- actions and foreign exchange  
 dealing 2.0 3.8 -48.0 Other operating income 2.8 1.9 46.5 TOTAL INCOME 46.9 48.7 -3.8 Commission  
 expenses -1.1 -0.5 6.1 Staff costs -15.0 -13.7 9.1 Other administrative expenses -7.9 -6.5 22.6  
 Depreciation -2.7 -2.5 11.3 Other operating expenses -3.3 -4.3 -9.4 TOTAL EXPENSES -30.1 -27.4 9.9  
 Loan and guarantee losses -0.2 -1.0 -75.7 Write-downs in securities held as financial fixed assets 0.0  
 0.3 NET OPERATING PROFIT 16.5 20.6 -19.8 PROFIT BEFORE APPRO- PRIATIONS AND TAXES 16.5 20.6  
 -19.8 Provisions -2.5 -6.3 -60 .3 Income taxes -3.9 -4.3 -6.9 Profit for the year 10.1 10.1 0.2 BALANCE  
 SHEET (EUR M) 12/01 12/00 Change % Bank of Åland Plc ASSETS Cash 40 17 -71 Claims usable as  
 collateral at central bank 216 215 0 Claims on credit institutions 235 211 15 Claims on the public and  
 public sector entities 1,109 1,053 7 Leasing assets 1 1 35 Debt securities 26 31 112 Shares and  
 participations 15 17 25 Shares and participations in associ- ated companies and subsidiaries 2 2 -18  
 Intangible as sets 5 5 -18 Tangible assets 15 16 -4 Other assets 9 16 58 Accrued income and  
 prepayments 12 16 23 TOTAL ASSETS 1,684 1,598 5 LIABILITIES AND EQUITY CAPITAL Liabilities  
 Liabilities to credit institutions and central banks 96 83 15 Liabilities to the public and public sector  
 entities 1,103 1,066 3 Debt securities issued to the public 319 280 14 Other liabilities 28 33 -14  
 Accrued expenses and deferred income 12 10 15 Subordinated liabilities 22 22 Imputed taxes due  
 Accumulated appropriations Provisions 23 21 12 Equity capital Share capital 20 20 Share premium  
 reserve 13 10 37 Revaluation reserve 0 1 Reserve fund 25 25 Capital loan 10 15 -29 Profit brought  
 forward Other equity capital 10 10 TOTAL LIABILITIES AND EQUITY CAPITAL 1,684 1,598 5 OFF-  
 BALANCE SHEET COMMITMENTS 437 345 27 INCOME STATEMENT BY QUARTER (EUR M) Q4 Q3 Q2 Q1 Q4  
 The Group 2001 2001 2001 2001 2000 Net income from financial operations 8.2 8.3 8.4 8.5 9.0  
 Income from investment in form of equity capital 0.0 0.0 0.4 0.2 0.0 Commission income 2.7 1.9 2.1  
 2.3 2.6 Net income from securities trans- actions and foreign exchange dealing 1.2 0.0 0.3 0.5 2.9  
 Other operating income 1.3 0.5 0.5 0.6 0.5 TOTAL INCOME 13.4 10.6 11.7 12.1 15.1 Commission  
 expenses -0.3 -0.3 -0.3 -0.3 -0.3 Staff costs -3.9 -3.9 -3.9 -3.8 -3.5 Other administrative expenses -2.5  
 -1.7 -2.1 -1.9 -2.3 Depreciation -0.7 -0.7 -0.7 -0.7 -0.6 Other operating expenses -1.1 -0.8 -0.5 -1.0 -1.0  
 TOTAL EXPENSES -8.6 -7.4 -7.4 -7.8 -7.7 Loan and guarantee losses -0.7 0.0 0.6 0.0 -0.6 Share in  
 operating results of company consolidated according to equity method 0.0 0.8 0.0 0.1 0.1 NET  
 OPERATING PROFIT 4.2 4.0 4.9 4.4 6.9