

## REPORT ON 2003 OPERATIONS

16.02.2004

5218Bank of Åland Plc STOCK EXCHANGE RELEASE 16.02.2004 09.00 hrs REPORT ON 2003 OPERATIONS Improved earnings - Consolidated net operating profit rose by 6.7 per cent to 15.2 million euros (EUR 14.2 M in 2002) - The Bank's net operating profit rose by 16.2 per cent to EUR 15.5 M (13.3) - Return on equity after taxes (ROE) was 11.4 per cent (11.5) - Other income increased by 20.9 per cent to EUR 19.8 M (16.4). - Excluding nonrecurring items, expenses remained at the 2002 level - Lending volume rose by 10.0 per cent to EUR 1,385 M (1,260) - Deposit accounts increased by 3.6 per cent to EUR 1,134 M (1,095) - The total capital ratio amounted to 11.4 (11.0) per cent - Earnings per share after taxes amounted to EUR 1.02 euro (1.00) - The Board of Directors proposes a dividend of EUR 1.00 per share

External factors During 2003, financial markets were characterised by economic recovery and mounting optimism. Early in the year, however, crisis awareness was high and the approaching war in Iraq added to unrest. The war was relatively short and beginning in the early summer, the American economy showed increasing signs of entering a recovery phase. Greater capital spending and continued strong private consumption helped boost growth in the American economy to a full 8.3 per cent annualised rate during the third quarter of 2003. The world economy and especially the countries in South East Asia benefited from China's increased presence in the global market. In the twelve-country Economic and Monetary Union (EMU), or euro zone, growth was weak during 2003, especially in the first half. During the second quarter of the year, Germany, France and Italy showed negative growth. Private consumption was weak, while the appreciation of the euro against other currencies dampened export potential. The Finnish economy coped relatively well with these conditions. The strong central government finances of recent years made tax cuts possible. Together with low interest rates, this stimulated private consumption. - The money and bond markets Weak growth combined with modest inflation in the EMU area persuaded the European Central Bank (ECB) to lower its key interest rate twice during the year. In March, the ECB cut its refi rate from 2.75 per cent to 2.50 per cent. In early June it carried out a further rate cut, this time by 50 basis points. After the June rate cut, the ECB's key rate remained unchanged at 2.0 per cent. The Federal Reserve - the US central bank - lowered its federal funds rate to 1.0 per cent on June 25, citing a certain risk of deflation in the American economy. This key rate remained unchanged during the rest of 2003. Backed by increasingly positive economic statistics, the Fed concluded in December that the deflation risk had disappeared. However, owing to the weak labour market and low inflationary pressure, late in the year the bank indicated that its key rate would remain unchanged in the foreseeable future. - The foreign exchange market Despite strong economic signals from the United States, especially during the autumn, the US dollar continued to weaken against the euro. Underlying factors were that imbalances in the American economy and the federal budget increased during 2003, among other things because the US was involved in several geopolitical conflicts. Another reason for the weakening of the dollar was that the US had lower short-term interest rates than the EMU area throughout 2003. At the beginning of the year, the euro was trading at USD 1.04. By year-end it was trading at USD 1.26. In other words, the euro strengthened by 21 per cent against the dollar during 2003. Exchange rates for the Swedish krona reflected developments related to the September 14, 2003 referendum on whether Sweden should join the euro zone. When 2003 began, the euro was trading at SEK 9.12. During the first eight months of the year, the trend of the krona was highly influenced by public opinion surveys. The currency traded with a premium, due to the prevailing uncertainty about the outcome of the referendum. When the krona was at its weakest, a euro cost SEK 9.30. After the referendum, the krona strengthened, even though the outcome had been a rejection of euro zone membership. This was mainly because the uncertainty premium disappeared, allowing attention to

focus again on economic fundamentals in Sweden. These were considered better than in most EMU countries. Late in September, the EUR/SEK exchange rate had dropped to 8.90, and at year-end a euro cost just above SEK 9. - The stock market The year 2003 was the first since 1999 that ended with an upturn in stock markets. Due to the rapid course of the Iraq war, the historically high risk premiums that were evident early in the year gradually began to normalise during the summer. For some time, listed companies had been working to lower their costs and thereby improve earnings. Analysts had generally been too negative in their assessments, and they adjusted earnings forecasts upward during the summer. Together with increasingly robust economic indicators, this persuaded the market to assign higher values to listed companies. In the US, the profits of listed companies rose by more than 20 per cent during the second half, compared to the year before, which further increased confidence in the stock market. The technology-dominated Nasdaq exchange in the US, which fell by 68 per cent during the years 2000-2002, climbed 50 per cent during 2003. Overall, US stock markets showed stronger growth than their European counterparts. The broad S&P500 share index rose by 26 per cent during 2003, while the European Stoxx50 index and the Helsinki Stock Exchange's HEX Portfolio each rose 16 per cent. Taking the weakening of the dollar into account, the S&P500 rose by only 5 per cent. On the Helsinki Stock Exchange, investors were interested at first in cyclical companies, which were viewed as poised to benefit from the expected recovery in the world economy. In addition, technology companies were at an advantage because after the crisis years 2000-2002, their economic potential was considered high. Shares of the telecom giant Nokia, Finland's dominant listed company, nevertheless moved sideways during much of the year, since the market was disappointed at the lack of sales growth. During the autumn, the Finnish government proposed the abolition of the avoik system, which eliminates double taxation of corporate profits, beginning in 2005. As a result, many companies decided on extra dividends during the autumn of 2003, while others were expected to approve extra large dividends in conjunction with their annual general meetings in the spring of 2004. Expectations of high direct yields favoured price appreciation in the shares of these companies. - The Finnish banking industry During 2003 the banking industry was again characterised by stiffening competition. The industry's gross margin fell from 3.2 per cent to 2.6 per cent. By way of comparison, the corresponding figure in 2000 was as high as 4.3 per cent. In other words, the gross margins of Finnish banks fell about 40 per cent in three years. The continued decline in interest rates helped to further squeeze the profitability of traditional deposit-taking. Since opportunities to compete for lending business on the basis of price has practically been eliminated, there is unfortunately a noticeable tendency for banks to compete instead by boosting indebtedness levels. Late in the year, some banks again spoke of a need for staff cutbacks. The number of market players increased when Nooa Bank began operations in collaboration with the Pohjola insurance group. At the beginning of 2004, Tapiola Bank - affiliated with the Tapiola insurance group - also began operations. Taken together, narrower margins, low interest rates and more players in a mature market add up to a "chaotic market". In such a market it is difficult for consumers to distinguish one brand from another, advertising investments tend to intensify and price plays a major role in the choice of supplier. Players in such a market have to choose between using economies of scale to deliver the cheapest possible product or, as a niche player, deliver the best possible product to a given segment. The Bank of Åland's operations In 2003, the operations of the Bank of Åland were characterised by governance reform and management changes, as well as employee dedication in implementing the Bank's relationship management strategy. Governance reform and management changes - New Articles of Association To modernise the governance of the Bank of Åland, the Supervisory Board proposed new Articles of Association, which the Annual General Meeting of shareholders unanimously approved on March 13, 2003. Among other things, the Articles of Association now state that the Chairman of the Board of Directors and the Managing Director of the Bank may not be the same person. The term of office of the Board of Directors is one calendar year, and it is appointed by the Bank's Supervisory Board. - New Board of Directors On April 24, the Supervisory Board appointed an external Board of Directors, replacing the system in which the Bank's Board of Management had also

served as the Board of Directors. The new Board of Directors consists of Göran Lindholm, Chairman; Leif Nordlund, Vice Chairman; Sven-Harry Boman, Kent Janér, Agneta Karlsson and Tom Palmberg. None of the members of the Board of Directors is an employee of the Bank. The Board of Directors took office on May 9 and held 13 meetings during the year. Its members devoted a great deal of effort to becoming familiar with the Bank, its strategy and culture. During the autumn, the Board approved a resolution declaring that the Bank will continue working according to a "relationship bank" strategy. On December 11, the Board was re-elected for 2004.

- New organisational structure At its November 14 meeting, the Board of Directors approved a partial renewal of the Bank's organisational structure. The Private Banking Division and the other Bank offices on the Finnish mainland were combined into a Mainland Division. The Åland Division received a clear mandate to participate in provincial development work. A decision was made to turn the development and operation of computer systems into a separate company. To emphasise human resource and skills development, the new company was combined with the Bank's Business Development Division.

- New Managing Director During preparations for the election of the Board of Directors for 2004, the Board and the Bank's Managing Director and Chief Executive Officer, Folke Husell, had such difficulty working together that on December 11, the Supervisory Board of the Bank decided to dismiss the Managing Director and CEO. At the same time, the Deputy CEO, Edgar Vickström, was appointed Acting Managing Director and CEO.

- New Executive Team members On December 11, Bengt Lundberg and Dan-Erik Woivalin were appointed new members of the Bank's renamed Executive Team (formerly the Board of Management). Continuing members of the Executive Team are Edgar Vickström, Lars Donner, Anders Ingves and Jan Tallqvist. Recruitment of a General Manager for the Mainland Division is currently under way.

- New presiding officers of the Supervisory Board On December 16 Anders Wiklöf, Chairman of the Supervisory Board, resigned of his own volition. On December 22 the previous Vice Chairman, Kjell Clemes, was elected the new Chairman of the Supervisory Board and Trygve Eriksson as the new Vice Chairman.

Implementation of the relationship banking strategy Since the autumn of 1999, the strategy of the Bank has been to further develop a working method based on deepening its customer relationships - both through personal encounters with the customer and over the Internet. The Bank of Åland brand and the service that it stands for is a premium brand on the Finnish mainland. In the province of Åland, we are the market-leading bank. Our strategy work has been honoured by a very gratifying distinction, the CERS Award of the Swedish School of Economics and Business Administration in Helsinki. Market surveys conducted by the Bank show that our customers are becoming increasingly loyal and that they appreciate their relationship with the Bank. The service provided at our 20 Åland and eight Finnish mainland offices is perceived as personal, warm, fast, flexible and innovative.

- Deposits and lending The employees of the Bank of Åland have responded to tough competition in a commendable way. The Bank's primary focus on loans secured by residential property has been successful without increasing the Bank's risk exposure. Its home mortgage loans outstanding increased by 12.6 per cent. During the year, gross loan losses amounted to 0.01 per cent of the loan portfolio. Total deposits from the public fell by 0.9 per cent. However, deposit accounts from the public rose by 3.6 per cent.

- Share index bonds During the year, the Bank launched seven new share index bonds in a total amount of EUR 54.0 M. The Bank's market share, counting share index bonds issued by Finnish banks to the public, was 18 per cent.

- Personal Financial Planning A growing number of customers signed up for the Bank's advisory service concept for investors. This concept is based on a long-term commitment and personalised advisory services, calculated risk-taking with the help of modern portfolio theory and attention to market trends based on the Bank's analysis. The pace of the PFP product launch did not meet our expectations in all respects, but sales rose late in 2003. In addition to providing support to investors in their decision-making, our advisory concept will also serve as an internal tool in the task of quality-assuring our investment advice. The portfolio returns achieved by PFP are encouraging, as the chart below indicates.

- Systems deliveries and negotiations Delivery of the banking computer system to Tapiola Bank followed the project plan and was approved by the customer on December 19. Another new customer for the Bank of Åland

banking computer system is Den Norske Bank in Norway, which signed an agreement during the spring of 2003 for delivery of certain modules in the system. In May, Finland's Aktia Savings Bank and the Bank of Åland signed a letter of intent, among other things declaring their interest in two possible areas of cooperation: - Sale of a licence to Aktia Savings Banks for the Bank of Åland's banking computer system - A resources company that would produce administrative support services for both banks The task of conducting feasibility studies about the resource company and the conversion to the Bank of Åland's banking computer system was demanding. Employees again showed that they could handle new challenges in an admirable way. However, negotiations with Aktia Savings Bank were terminated in January 2004 without results. - Share capital and employee warrants During June, Aktia Savings Bank issued a public purchase offer for all employee warrants in the Bank of Åland. The offer was accepted, and Aktia bought warrants entitling it to subscribe for 774,050 Series B shares in Ålandsbanken Abp (Bank of Åland Plc). The subscription increased the shareholders' equity of the Bank of Åland by more than EUR 11.4 M. For those employees who still held their warrants, the payment was equivalent to about five months of salary. Employee warrants were offered to all regular staff members who were employed by the Bank of Åland in March 1998. - CERS Award In November, the Bank of Åland won the highest honour a company in Finland can earn in the field of relationship marketing and service management. The faculty of the Centre for Relationship Marketing and Service Management (CERS) at the Swedish School of Economics and Business Administration in Helsinki established the CERS Award in 1999. Applications from participating companies are assessed by an international jury, which explained its selection of the 2003 winner by saying that "The Bank of Åland is an outstanding example of how the principles of relationship marketing can be implemented in the banking industry." The jury also felt that "the Bank of Åland shows a genuine interest in relationship marketing that goes deeper than superficial slogans" and that the Bank has achieved major advances in the implementation of its relationship marketing strategy. Professor Christian Grönroos of the Swedish School of Economics and Business Administration, who was Chairman of the jury, describes the Bank of Åland's relationship philosophy as follows: "The Bank of Åland's focus on personal service and the customer orientation of its Internet bank reflect a preservation of the human touch in its operations even when emphasising IT-based banking, which should be characteristic of a relationship-based strategy." The future The future will hold many challenges for a small bank. In a world where the big tend to become even bigger, however, there is an increasing need for a small, agile player that is willing and able to focus on certain market segments. We focus on being the market leader in Åland and on financially active individuals in major Finnish cities. The fact that the Bank of Åland's computer system is also highly suitable for other small banks is a circumstance that contributes further to our optimism and faith in the future. - The Åland Division We want to be a bank for all of Åland. During 2004 our service development efforts will focus on companies and financially active individuals as well as young customers. The Bank will actively participate in cooperation and dialogue concerning development of infrastructure and the business sector in the province. - The Mainland Division - premium banking On the Finnish mainland, we wish to be perceived as a premium brand, and we are. In our day-to-day work, we are a bank that stays close to customers and tailors our services for them. During 2004 we will further concretise, implement and quality-assure this strategy. - Investment banking We wish to generate growth and new business areas by serving as a base for innovative entrepreneurs in the financial field. In addition, in this sector we wish to create the prerequisites for the Bank's investor advisors to be among the best in the market. - Continued sales of banking computer systems We would like to sell additional banking computer system licences in Finland and do not rule out the possibility of selling equivalent licences abroad in collaboration with an international market player. During 2004, these operations will be restructured into a separate company. Earnings In 2003, the Bank of Åland Group's consolidated net operating profit was EUR 15.2 M, compared to EUR 14.2 M the year before. The parent Bank of Åland's net operating profit rose by more than 16 per cent to EUR 15.5 M. The earnings from the Bank's customer transactions ended up largely unchanged, despite hard work and higher volume. The market situation described earlier,

especially low interest rates, pulled down earnings in older branches, but this was offset by improved earnings at more recently established offices, whose balance sheets do not contain traditional deposits to an equally high degree. The overall contribution to earnings from customer transactions amounted to EUR 21.1 M. The investment banking sector, whose operations consist of support to branch offices, trading for the Bank's own account and portfolio management, contributed EUR 5.5 M, compared to EUR 3.2 M the year before. The improvement is mainly attributable to dividends and capital gains generated in the Bank's portfolios. During the year, the Bank decreased its shareholdings in the Helsinki Stockholm Exchange (HEX) and Chips, the Åland-based food processing company. The contribution of the Systems Sales business area rose from EUR 2.3 M to EUR 2.7 M. Head office expenses for the maintenance of backup services to profit centres rose from EUR 13.2 M to EUR 13.8 M.

Earnings structure	2003	2002
Contributions from operations - branch offices	21,134	20,987
investment banking sector, incl portfolio management	5,484	3,233
systems sales	2,651	2,290
Head office expenses	-13,78	-13,185
Net operating profit, the Bank	15,483	13,325

On behalf of ourselves as well as the Supervisory Board and the Board of Directors, we would like to express our gratitude to shareholders and customers for the confidence you have shown us and for your smooth collaboration. Thanks to all of you, the Bank of Åland continues to perform favourably. We would also like to thank the former Managing Director and CEO of the Bank, Folke Husell, who left the Bank late in 2003 after having led this organisation for more than 17 successful years. We would like to convey special gratitude to all our fellow employees. This past year was characterised by increased competition and many new projects. You chose to view all this as an inspiring challenge and you handled them brilliantly. Together with you, we are ready to face the future.

Mariehamn, February 2004

The Bank of Åland Executive Team

### OPERATING RESULTS AND PROFITABILITY

**Earnings** In 2003, consolidated net operating profit amounted to EUR 15.2 M (14.2), an increase of EUR 1.0 M or 6.7 per cent compared to the year before. The improvement in earnings was primarily due to appreciation in the value of the Bank's share portfolios and growing income from the computer systems sales business area. Return on equity before taxes for the year, measured as net operating profit divided by average equity capital and reserves, was 15.0 per cent. The Bank thus yielded a return on its shareholders' equity about 11 percentage points higher than five-year bond yields. Net income from financial operations

**Narrowing customer margins** - due to tough competition and lower return on the Bank's core capital as a consequence of prevailing interest rates - caused consolidated income from financial operations to fall by EUR 1.9 M to EUR 29.6 M (31.5), despite larger total volume. Other income

**Dividend income** rose by EUR 0.4 M to EUR 1.2 M (0.8). Commission income reached EUR 10.3 M, about the level of the year before. Income from stock brokerage and capital market products were at a low level, caused by small demand. During the fourth quarter, however, demand increased significantly. Capital gains and value appreciation in the Bank's stock portfolios caused a sharp increase in net income from the Bank's own securities trading, which reached EUR 1.9 M (0.4). Other operating income amounted to EUR 5.6 M (3.9). This included EUR 4.5 M (3.0) in income from the sale of banking computer systems. Other income rose by EUR 3.4 M or 20.9 per cent to EUR 19.8 M (16.4).

**Total income** - net income from financial operations plus other income - amounted to EUR 49.4 M (47.9). Expenses

**Staff costs** amounted to EUR 18.9 M (16.4). New recruitments and salary adjustments in compliance with collective agreements raised staff costs by EUR 1.4 M. In addition, a provision of about EUR 1 M was made among these costs as a consequence of the dismissal of the Bank's Managing Director and CEO. Other administrative expenses (office, marketing, communications and computer costs) declined by EUR 0.7 M to EUR 8.2 M (8.9). Depreciation was EUR 0.6 M less than the year before and totalled EUR 2.3 M (2.9), while other operating expenses were unchanged at EUR 3.9 M. Total expenses including planned depreciation rose by EUR 1.2 M to EUR 34.4 M (33.2). Excluding nonrecurring items in 2003, expenses were at about their 2002 level. Loan losses

**Net loan losses** amounted to EUR -0.01 M (recovery), compared to EUR 0.7 M (loss) the year before. Reported net loan losses as a percentage of the Bank's receivables and contingent liabilities amounted to -0.01 (0.06) per cent. Deposits

During 2003, the Bank's total deposits, including bonds and certificates of deposit

issued to the public and public sector entities, declined by EUR 12 M or 0.9 per cent and amounted to EUR 1,398 M. Deposit accounts rose by EUR 39 M or 3.6 per cent and totalled EUR 1,134 M. Total bonds outstanding decreased by EUR 11 M or 6.9 per cent. During the year, seven share index loans were issued and were subscribed at a nominal value of EUR 54 M. During the year, share index loans with a nominal amount of EUR 67 M fell due and were repaid. Certificates of deposit targeted to the public and the public sector decreased during the year by 25.3 per cent or EUR 40 M to EUR 119 M.

**Lending** The Bank's total lending volume rose by EUR 126 M or 10.0 per cent, amounting to EUR 1,385 M on December 31, 2003. As in prior years, the increase was mainly attributable to residential financing for private households and financing for businesses in the service sector. Private households accounted for 68.1 per cent of the Bank's total loans outstanding, while business and professional activities accounted for 31.0 per cent. The corresponding figures in 2002 were 66.7 per cent and 32.3 per cent, respectively. Nonperforming receivables Total nonperforming receivables and other zero-interest receivables amounted to EUR 1.4 M (2.0), or 0.1 per cent of loans and guarantees outstanding. Balance sheet total The balance sheet total rose by 2.1 per cent to EUR 1,851 M (1,813).

**Personnel** At the end of 2003, the number of employees - recalculated as full-time equivalents - was 375. This was an increase of eight positions compared to year- end 2002.

**Capital adequacy** 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. At the end of December, the Group's capital adequacy according to the Credit Institutions Act was 11.4 (11.0) per cent. The core capital ratio was 9.3 (8.3) per cent. The capital base amounted to EUR 106.8 M (96.5).

**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. The investment strategies of the funds are adapted to the needs of Bank of Åland customers. During the financial year, the company managed the following mutual funds: Placeringsfonden Ålandsbanken Corporate Bond □ a bond fund that invests in euro-denominated corporate bonds Placeringsfonden Ålandsbanken Euro Bond □ a medium-term bond fund with euro-denominated investments Placeringsfonden Ålandsbanken Europe Active Portfolio □ a European balanced fund with active allocation between fixed income and equities investments Placeringsfonden Ålandsbanken Europe Value □ a European equities fund with a value-oriented investment strategy Placeringsfonden Ålandsbanken Global Value □ an international equities fund with a value-oriented investment strategy. On December 31, 2002, the number of unit holders totalled 5,337 (4,710 on Dec. 31, 2002), which represented an increase of 13 per cent from one year earlier. The total assets under management amounted to EUR 117.4 M (87.1), an increase of 35 per cent from the preceding year. All of these mutual funds are marketed and sold by the Bank of Åland. Investments in the funds may also be made via unit-linked insurance plans provided by the Veritas, Liv-Ålandia and Skandia Life insurance companies. On January 19, 2004, a new mutual fund - Ålandsbanken Nordic Value - began operations. It is a Nordic equities fund whose investments are actively managed according to a value-oriented investment strategy. Ålandsbanken Asset Management Ab serves as portfolio manager of the fund. Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The company offers a comprehensive range of asset management services. It has the expertise to manage its customers' finances in their entirety, i.e. in partnership with the Bank, to create comprehensive solutions consisting of portfolio management, insurance alternatives, financing arrangements and banking services. Aside from direct equity and bond investments, the company's portfolio management uses share index loans as well as mutual funds. During 2003, for the first time in three years the company had a long-term and strong emphasis on equities. The portfolio volume that the company manages continued to grow during the year, due to new asset management mandates and growth in existing portfolios. Ålandsbanken Asset Management Ab is now beginning to attract interest among institutional investors as well. Forecast for 2004 Despite stiff competition, net income from financial operations is projected to be unchanged and commission income is projected to rise. The Bank's securities holdings are expected to generate less

income. Expenses are predicted to decrease. Loan losses are projected to remain at a low level. Altogether, the probable outcome is that in 2004, earnings will reach their 2003 level. Proposed distribution of profit The Board of Directors proposes that the Annual General Meeting approve as dividend of EUR 1.00 per share, which is equivalent to a total amount of EUR 11.0 M.

Dec 31, 2003  
Dec 31, 2002

Capital adequacy The Group's capital adequacy according to the Credit Institutions Act:  
Capital base, EUR M  
Core capital 86.5 73.3  
Supplementary capital 20.3 23.2  
Total capital base 106.8 96.5

Risk-weighted volume, EUR M 932,7 879.4  
Total capital ratio, % 11,4 11.0  
Core capital as % of risk-weighted volume 9.3 8.3

Nonperforming loans, EUR M 1.4 2.0  
Nonperforming loans amounted to 0.1 per cent of total loans and contingent liabilities.

Financial ratios  
Net operating profit per share, EUR  
1) 1.02 1.00  
Equity capital per share, EUR 2) 9.22 8.69  
Return on equity after taxes % (ROE) 3) 11.4 11.5

before loan losses 1.44 1.45  
after loan losses 1.44 1.42

1 Net operating profit minus imputed taxes/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 imputed taxes / Average shareholders' equity

The Group 1-12/03 1-12/02 %  
Net income from financial 29.6 31.5 -6.1  
operations  
Income from investment in form of equity capital 1.2 0.8 56.6  
Commission income 10.3 10.5 -1.7  
Net income from securities trans- actions and foreign ex change 2.7 1.2 124.5  
dealing  
Other operating income 5.6 3.9 42.5  
TOTAL INCOME 49.4 47.9 3.1  
Commission expenses -1.3 -1.2 6.1  
Staff costs -18.9 -16.4 15.2  
Other administrative expenses -8.2 -8.9 -8.4  
Depreciation -2.3 -2.9 -19.4  
Other operating expenses -3.9 -3.9 -0.9  
TOTAL EXPENSES -34.4 -33.2 3.7  
Loan and guarantee losses 0.1 -0.7  
Share in operating results of company consolidated according to equity method 0.1 0.3  
NET OPERATING PROFIT 15.2 14.2 6.7  
PROFIT BEFORE APPRO- PRIATIONS AND TAXES 15.2 14.2 6.7

Income taxes -4.4 -4.2 5.0  
Share of profit for the financial year attributable to minority interests -0.1 -0.3  
Profit for the year 10.6 9.7 9.2

BALANCE SHEET (EUR M) The group 12/03 12/02 %  
ASSETS  
Cash 40 89 -55  
Claims usable as collateral at central bank 263 176 49  
Claims on credit institutions 77 202 -62  
Claims on the public and public sector entities 1,405 1,260 12  
Leasing assets 1 1  
Debt securities 8 26 -71  
Shares and participations 15 16 -9.0  
Shares and participations in associ- ated companies and subsidiaries 2 2 -5  
Intangible assets 3 4 -14  
Tangible assets 14 15 -1  
Other assets 15 11 40  
Accrued income and prepayments 8 11 -28  
TOTAL ASSETS 1,851 1,813 2

LIABILITIES AND EQUITY CAPITAL  
Liabilities  
Liabilities to credit institutions and central banks 93 111 -16  
Liabilities to the public and public sector entities 1,140 1,101 3  
Debt securities issued to the public 433 433  
Other liabilities 30 24 26  
Accrued expenses and deferred income 14 16 -16  
Subordinated liabilities 25 22 9  
Imputed taxes due 7 7  
Minority share of capital 0 0  
Equity capital  
Share capital 22 20 9  
Share premium reserve 25 14 82  
Reserve fund 25 25  
Capital loan 10 10  
Profit brought forward 18 18 -3  
Other equity capital 11 10 9  
TOTAL LIABILITIES AND EQUITY 1,851 1,813 2

CAPITAL OFF-BALANCE SHEET COMMITMENTS 114 103 11

INCOME STATEMENT (EUR M) Bank of Åland Plc 1-12/03 1-12/02 %  
Net income from financial 29.4 31.3 -6.2  
operations  
Income from investment in form of equity capital 2.5 1.0 146.6  
Commission income 8.5 8.2 4.0  
Net income from securities trans- actions and foreign exchange 2.6 1.1 134.8  
dealing  
Other operating income 5.6 3.9 42.2  
TOTAL INCOME 48.6 45.6 6.7  
Commission expenses -1.1 -1.0 0.8  
Staff costs -18.2 -15.8 15.3  
Other administrative expenses -7.9 -8.7 -8.5  
Depreciation -2.3 -2.8 -19.4  
Other operat ing expenses -3.8 -3.8 -0.2  
TOTAL EXPENSES -33.3 -32.1 3.5  
Loan and guarantee losses 0.1 -0.5  
Write-downs in securities held as financial fixed assets 0.0 0.4  
NET OPERATING PROFIT 15.5 13.3 16.2  
PROFIT BEFORE APPRO- PRIATIONS AND TAXES 15.5 13.3 16.2  
Provisions 0.0 0.7  
Income taxes -4.5 -4.0 10.9  
Profit for the year 11.0 10.0 10.4

BALANCE SHEET (EUR M) 12/03 12/02 %  
Bank of Åland Plc  
ASSETS  
Cash 40 89 -55  
Claims usable as collateral at central bank 263 176 49  
Claims on credit institutions 77 202 -62  
Claims on the public and public sector entities 1,405 1,260 12  
Leasing assets 1 1 -16  
Debt securities 7 26 -73  
Shares and participations 14 16 -10  
Shares and participations in associ- ated companies and subsidiaries 3 3  
Intangible assets 3 4 -3  
Tangible assets 14 15 -1  
Other assets 15 11 40  
Accrued income and prepayments 8 10 -24  
TOTAL ASSETS 1,851 1,812 2

LIABILITIES AND EQUITY CAPITAL  
Liabilities  
Liabilities to credit institutions and central banks 93 111 -16  
Liabilities to the public and public sector entities 1,140 1,102 3  
Debt securities issued to the public

433 434 Other liabilities 30 24 25 Accrued expenses and deferred income 14 16 -15 Subordinated liabilities 25 22 9 Imputed taxes due Accumulated appropriations Provisions 23 23 Equity capital Share capital 22 20 9 Share premium reserve 25 14 82 Reserve fund 25 25 Capital loan 10 10 Profit brought forward 0 0 Other equity capital 11 10 10 TOTAL LIABILITIES AND EQUITY 1,851 1,812 2 CAPITAL OFF-BALANCE SHEET COMMITMENTS 114 103 11 INCOME STATEMENT (EUR M) Q4 Q3 Q2 Q1 Q4 The Group 2 003 2003 2003 2003 2002 Net income from financial 7.4 7.4 7.4 7.4 7.6 operations Income from investment in form of equity capital 0.2 0.3 0.4 0.3 0.0 Commission income 3.0 2.5 2.6 2.3 2.4 Net income from securities trans- actions and foreign exchange 0.7 1.0 0.4 0.5 0.6 dealing Other operating income 2.1 1.0 1.8 0.7 2.0 TOTAL INCOME 13.5 12.2 12.6 11.2 12.6 Commission expenses -0.3 -0.3 -0.4 -0.4 -0.3 Staff costs -5.7 -4.5 -4.5 -4.2 -4.1 Other administrative expenses -5.6 -1.7 -2.1 -1.8 -2.5 Depreciation -0.6 -0.5 -0.6 -0.7 -0.7 Other operating expenses -1.1 -0.9 -0.9 -1.0 -1.0 TOTAL EXPENSES -10.3 -7.9 -8.4 -7.9 -8.6 Loan and guarantee losses 0.1 0.0 0.0 0.1 -0.6 Share in operating results of company consolidated according to equity method -0.2 0.1 0.1 0.2 0.1 NET OPERATING PROFIT 3.1 4.4 4.2 3.5 3.6 On February 13, 2004, the Board of Directors of the Bank approved the financial statements for 2003. 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 18 at the Hotel Arkipelag in Mariehamn, Åland, Finland. Comments by the Executive Team Mariehamn, February 16, 2004 The Board of Directors 0