

## Interim Report, January - September 2004

19.10.2004

Bank of Åland Plc STOCK EXCHANGE RELEASE 19.10.2004 09.00 hrs Interim Report, January - September 2004 The report period in brief · Consolidated net operating profit rose by 3.5 per cent to 12.5 million euros (Jan-Sep 2003: EUR 12.1 M) · Net income from financial operations declined by 1.3 per cent to EUR 21.9 M (22.2) · Other income increased by 9.8 per cent to EUR 15.1 M (13.7) · Expenses rose by 5.5 per cent to EUR 25.5 M (24.2) · The Group increased its reserve for possible loan losses by EUR 0.6 M · Lending volume rose by 15.3 per cent to EUR 1,510 M (Sep 2003: 1,309) · Deposit accounts increased by 2.3 per cent to EUR 1,091 M (Sep 2003: 1,067) · Return on equity after taxes (ROE) was 11.8 per cent(12.3) · The total capital ratio amounted to 11.8 (11.5) per cent · During the report period, debenture loans totalling EUR 20.0 M were issued · Earnings per share after taxes amounted to EUR 0.81(0.82) Bank of Åland mutual fund ratings improving So far during 2004, the Bank of Åland's mutual funds (unit trusts) have repeatedly attracted positive comments in the media and by the various mutual fund rating companies, as mentioned in previous Interim Reports. This trend continued during the third quarter. The mutual fund guide of Finnish financial magazine Arvopaperi, which appeared in September, presented an extensive comparison of all Finnish mutual fund companies, as measured by the mutual fund rating company Eufex's rating of these companies' funds. Ålandsbanken Fondbolag placed second in this comparison and was rated the best of the mutual fund companies that offer a broad selection of funds (the winner of the comparison managed only one fund). Ålandsbanken Fondbolag offers a competitive basic selection of mutual funds to the Bank of Åland's customers. This strategy has proved sound. Its success is the result of co-operation with skilled fund managers. The Bank of Åland's management model for equity and fixed-income investments has also been successful. THE GROUP Earnings During the first nine months of 2004, consolidated net operating profit amounted to EUR 12.5 M (12.1). This was an increase of EUR 0.4 M or 3.5 per cent compared to the corresponding year-earlier period. Net income from financial operations Despite larger total volume, narrowing customer margins due to tough competition caused a slight decline in net income from financial operations to EUR 21.9 M (22.2). Other income Commission income amounted to EUR 8.8 M (7.3), up EUR 1.5 M or 21.3 per cent. This increase derived mainly from securities brokerage and other capital market products. Other operating income totalled EUR 4.5 M (3.5). This included EUR 3.2 M (2.7) in income from the systems sales business area, of which EUR 1.0 M was nonrecurring income. In all, other income rose by EUR 1.3 M or 9.8 per cent to EUR 15.1 M (13.7). Total income - net income from financial operations and other income - amounted to EUR 37.0 M (35.9). Expenses New staff recruitments and salary adjustments in compliance with collective agreements raised staff costs by EUR 0.7 M to EUR 13.9 M (13.2). Also included in the item "Staff costs" was a negative item related to a refund of EUR 1.6 M in surplus contributions to Ålandsbanken Abps pensionsstiftelse, the Bank's pension fund, including tax compensation. Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose by EUR 0.7 M to EUR 6.3 M (5.6). Depreciation/amortisation was EUR 0.2 M lower than the year before and amounted to EUR 1.5 M (1.7), while other operating expenses rose slightly to EUR 2.8 M (2.7). Total expenses including planned depreciation fell by EUR 0.3 M or 1.1 per cent to EUR 23.9 M (24.2). Excluding nonrecurring items, expenses rose by EUR 1.3 M or 5.5 per cent to EUR 25.5 M (24.2). Loan losses Net loan losses amounted to EUR 0.4 M (recovery of EUR -0.01). Deposits Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to September 30, 2004 by 5.0 per cent to EUR 1,399 M (1,333). Deposit accounts rose by 2.3 per cent to EUR 1,091 M (1,067). During the year, the Bank floated bond issues with a nominal value of EUR 48.0 M. Lending During the 12 months to September 30, 2004, the Bank's volume of lending to the

public increased by 15.3 per cent to EUR 1,510 M (1,309). Most of the increase went towards residential financing. Private households accounted for 68.8 (68.6) per cent of the Bank's total lending. Nonperforming receivables Total nonperforming receivables and other zero-interest receivables amounted to EUR 2.8 M (2.1), or 0.2 per cent of loans and guarantees outstanding.

Personnel At the end of September 2004, the number of employees - recalculated as full-time equivalents - was 390. This represented an increase of 15 positions, compared to the same date in 2003.

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 11.8 (11.5) per cent. To strengthen the capital base in the form of supplementary capital, risk debenture loans totalling EUR 20 M were issued during the report period. The core capital ratio was 8.6 (9.3) per cent. Profit during the report period is not included in core capital. The capital base amounted to EUR 120.9 M (107.2).

Corporate Governance On January 2, 2004, the Bank's Board of Directors adopted the recommendations of the Helsinki Stock Exchange for the administrative and corporate governance system of listed Finnish companies.

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, 2004, the number of unit holders totalled 6,135 (Dec 31, 2003: 5,337), which represented an increase of 15 per cent. The total assets under management amounted to EUR 156.5 M (Dec. 31, 2003: 117.4), an increase of 33 per cent.

Ålandsbanken Asset Management Ab Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. During 2004, the company has received several institutional asset management mandates. This is a concrete indication that Ålandsbanken Asset Management Ab is perceived as a credible asset manager among institutional investors as well. In terms of earnings, the company's basic asset management operations also exceeded expectations, while its proportion of extraordinary income was approximately as expected. Imputed taxes due Imputed taxes due have been calculated according to a tax rate of 26 per cent, compared to the earlier 29 per cent. This reduced taxes by EUR 0.7 M.

Forecast for the year Our earlier forecast remains unchanged. Full-year 2004 earnings may be somewhat lower than 2003 earnings.

Mariehamn, October 19, 2004 The Board of Directors Statement of opinion We have conducted a review of the Interim Report of the Bank of Åland Plc (Ålandsbanken Abp) for the period January 1 - September 30, 2004. This review included an analytical examination of the balance sheet and income statement items in the Interim Report. Such a review is significantly more limited in scope than a statutory audit. Nothing has emerged that indicates that the Interim Report does not fulfil the regulations in force.

Mariehamn, October 19, 2004 Leif Hermans Authorised Public Accountant Rabbe Nevalainen Authorised Public Accountant Marja Tikka Authorised Public Accountant

FINANCIAL RATIOS ETC	Jan-Sep 2004	Jan-Sep 2003	Full year 2004	Bank of Åland Group 2004	2003	2003
Net operating profit per share, EUR	0.81	0.82	1.02	1	Market price per share, end of period, EUR Series A	17.90
Market price per share, end of period, EUR Series B	17.62	18.30	19.10	Equity capital per share, EUR	2	9.08
Equity capital per share, EUR	9.04	9.22	Return on equity after taxes, %	11.8	12.3	11.4
Return on equity after taxes, %	(ROE)	3	Total lending volume, EUR M	1,510	1,309	1,385
Total lending volume, EUR M	1,399	1,333	1,398	EUR M	Equity capital, EUR M	99
Equity capital, EUR M	99	101	Balance sheet total, EUR M	1,781	1,866	1,851
Balance sheet total, EUR M	1,781	1,866	1,851	Income/expense ratio Including loan losses	1.5	1.5
Income/expense ratio Including loan losses	1.5	1.5	1.4	Excluding loan losses	1.5	1.5
Excluding loan losses	1.5	1.4	Total capital ratio, %	11.8	11.5	11.4
Total capital ratio, %	11.8	11.5	11.4	1	Net operating profit minus imputed tax /	Average number of shares, adjusted for new issue
Net operating profit minus imputed tax /	Average number of shares, adjusted for new issue	2	Equity capital and reserves minus imputed tax /	Number of shares on balance sheet date, adjusted for new issue	3	Net operating profit minus imputed tax /
Equity capital and reserves minus imputed tax /	Number of shares on balance sheet date, adjusted for new issue	3	Net operating profit minus imputed tax /	Average equity capital	CAPITAL ADEQUACY	Jan-Sep 2004
Net operating profit minus imputed tax /	Average equity capital	CAPITAL ADEQUACY	Jan-Sep 2004	2003	2003	Capital base, EUR M
Capital base, EUR M	Core capital	87.4	86.9	86.5	Supplementary capital	33.4
Core capital	87.4	86.9	86.5	Supplementary capital	33.4	20.3
Supplementary capital	33.4	20.3	20.3	Total capital base	120.9	107.2
Total capital base	120.9	107.2	106.8	Risk-weighted volume, EUR M	1,020.9	931.4
Risk-weighted volume, EUR M	1,020.9	931.4	932.7	Total capital ratio, %	11.8	11.5
Total capital ratio, %	11.8	11.5	11.4	Core capital as % of risk-weighted	8.6	9.3
Core capital as % of risk-weighted	8.6	9.3	9.3	volume	Profit during the report period is not included in the capital base	INCOME STATEMENT BY QUARTER
Volume	Profit during the report period is not included in the capital base	INCOME STATEMENT BY QUARTER	Q 3	Q 2	Q 1	Q 4
Profit during the report period is not included in the capital base	INCOME STATEMENT BY QUARTER	Q 3	Q 2	Q 1	Q 4	Q 3
INCOME STATEMENT BY QUARTER	Q 3	Q 2	Q 1	Q 4	Q 3	(EUR M)
Q 3	Q 2	Q 1	Q 4	Q 3	(EUR M)	2004
Q 2	Q 1	Q 4	Q 3	(EUR M)	2004	2004
Q 1	Q 4	Q 3	(EUR M)	2004	2004	2003
Q 4	Q 3	(EUR M)	2004	2004	2003	2003
(EUR M)	2004	2004	2003	2003	Net income from financial	7.4
2004	2004	2003	2003	Net income from financial	7.4	7.1
2003	2003	Net income from financial	7.4	7.1	7.4	7.4
Net income from financial	7.4	7.1	7.4	7.4	7.4	operations
7.4	7.1	7.4	7.4	7.4	operations	Income from
operations	Income from					

	2004	2003	2003	2004	2003	2003	2004	2003	2003
equity investments	0.0	0.4	0.1	0.2	0.3	Commission income	2.6	3.1	3.1
securities	0.4	0.6	0.2	0.7	1.0	transactions and foreign exchange dealing	Other operating income	1.3	1.0
Total income	11.7	12.2	13.0	13.5	12.2	Commission expenses	-0.3	-0.4	-0.3
Staff costs	-4.8	-3.2	-4.3	-5.7	-4.5	Other administrative expenses	-1.8	-2.5	-2.0
Depreciation/amortisation	-0.5	-0.5	-0.5	-0.6	-0.5	Other operating expenses	-0.9	-1.0	-1.0
Total expenses	-8.2	-7.6	-8.1	-10.3	-7.9	Loan and guarantee losses	0.1	-0.6	0.0
Share of operating results of companies consolidated according to equity method	0.1	-0.3	0.1	-0.2	0.1	Net operating profit	3.7	3.8	5.0
<b>SUMMARY INCOME STATEMENT</b>									
Bank of Åland Group Bank of Åland Plc									
Plc Jan- Jan- Full Jan- Jan- Full Sep Sep year Sep Sep year (EUR M) 2004 2003 2003 2004 2003 2003									
Net income from financial operations	21.9	22.2	29.6	21.7	22.0	29.4	Income from equity investments	0.5	1.0
Commission income	8.8	7.3	10.3	7.0	6.1	8.5	Net income from securities	1.3	2.0
transactions and foreign exchange dealing	Other operating income	4.5	3.5	5.6	4.5	3.5	Total income	37.0	35.9
Commission expenses	-1.0	-0.9	-1.3	-0.8	-0.8	-1.1	Staff costs	12.3	-13.2
Other administrative expenses	-6.3	-5.6	-8.2	-6.0	-5.4	-7.9	Depreciation/amortisation	-1.5	-1.7
Other operating expenses	-2.8	-2.7	-3.9	-2.7	-2.7	-3.8	Total expenses	-23.9	-24.2
Loan and guarantee losses	-0.4	0.0	0.1	-0.4	0.0	0.1	Share of operating results of companies consolidated according to equity method	-0.1	0.3
Net operating profit	12.5	12.1	15.2	12.6	12.6	15.5	Appropriations	Income taxes	-3.1
Minority share of profit for the period	-0.1	-0.1	-0.1	Profit for the period	9.3	8.6	10.6	9.0	8.9
<b>SUMMARY BALANCE SHEET</b>									
Bank of Åland Group Bank of Åland Plc									
Plc Sep Sep Dec Sep Sep Dec 30 30 31									
(EUR M) 2004 2003 2003 2004 2003 2003									
<b>ASSETS</b>									
Liquid assets	48	95	40	48	96	40	Debt securities eligible for refinancing with central banks	61	195
Claims on credit institutions	96	171	77	1,510	1,309	1,405	Claims on the public and public sector entities	1	1
Lease assets	1	1	1	1	1	1	Debt securities	7	38
Shares and participations in associated and Group companies	9	17	15	8	16	14	Shares and participations	2	2
Intangible assets	3	3	3	3	3	3	Tangible assets	14	14
Other assets	22	11	15	22	11	15	Accrued income and prepaid income	8	9
LIABILITIES AND EQUITY CAPITAL	1,781	1,866	1,851	1,781	1,865	1,851	LIABILITIES	43	96
Liabilities to credit institutions and central banks	43	96	93	43	96	93	Liabilities to the public	1,096	1,073
Liabilities to the public and public sector entities	1,096	1,140	1,096	1,073	1,140	1,140	Debt securities issued to the public	435	506
Other liabilities	33	33	30	33	33	30	Accrued expenses and prepaid income	15	19
Subordinated liabilities	45	25	25	45	25	25	Imputed taxes due	6	7
Minority share of capital	0	0	0	Accumulated appropriations	23	23	23	Equity capital	22
Share premium account	25	25	25	25	25	25	Reserve fund	25	25
Capital loan	10	10	10	10	10	10	Profit brought forward	17	18
Profit for the period	9	9	11	9	9	11	1,781	1,866	1,851
Off-balance sheet commitments	13	10	10	13	10	10	Guarantees and pledges	13	10
Other commitments	113	101	104	113	111	104	127	111	114