

Bank of Åland Plc :INTERIM REPORT

25.10.2002

4273Bank of Åland Plc STOCK EXCHANGE RELEASE October 25 2002, at 09.00 hrs INTERIM REPORT for the period January - September 2002 Earnings During the report period, consolidated income from financial operations amounted to EUR 23.9 million. This was EUR 1.3 M or 5.0 per cent lower than during the same period of 2001. The main reason for lower earnings was that the margin between interest rates on deposits and lending narrowed, due to the low prevailing interest rates. Tough competition also further squeezed customer margins. Dividend income amounted to EUR 0.8 M (0.6). Commission income rose by EUR 1.9 M or 30.0 per cent to EUR 8.1 M. Income from asset management services rose the most. Net income from the Bank's own securities trading was close to zero (0.4). Net income on foreign exchange dealing, which totalled EUR 0.7 M, decreased slightly. Other operating income rose by EUR 0.4 M or 28.0 per cent to EUR 1.9 M. Total income - net income from financial operations and other income - rose by 2.8 per cent or EUR 0.9 M to EUR 35.3 M. New staff recruitments and salary adjustments in compliance with collective agreements raised staff costs by 6.3 per cent or EUR 0.7 M to EUR 12.3 M. Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose by EUR 0.7 M to EUR 6.4 M, mainly due to higher computer and marketing costs. Depreciation rose marginally to EUR 2.2 M and other operating expenses rose by EUR 0.5 M to EUR 2.9 M. Total expenses including planned depreciation rose by EUR 2.0 M or 9.1 per cent to EUR 24.6 M. Net loan losses amounted to EUR 0.1 M. During the year-earlier period, the corresponding item was a net recovery of EUR 0.6 M. Taken together, this caused net operating profit to decline by EUR 2.2 M to EUR 10.9 M. Return on equity for the report period was 15 per cent. The Bank thus yielded a return on its shareholders' equity at a level about 11 percentage points higher than five-year bond yields. Deposits Deposits from the public, including bonds issued and certificates of deposit, declined during the 12 months to September 30, 2002 by 3.6 per cent to EUR 1,331 M (1,381). Deposit accounts declined by 2.5 per cent to EUR 1,069 M (1,096). During the year, the Bank floated bond issues with a nominal value of EUR 22.9 M. Lending During the 12 months to September 30, 2002, the Bank's volume of lending to the public increased by 14.4 per cent to EUR 1,211 M (1,059). Most of the increase went towards residential financing. During the report period, total lending volume rose by EUR 101.9 M or 9.2 per cent. Private households accounted for 66.5 (65.0) per cent of the Bank's total loans outstanding. Personnel At the end of September 2002 the number of employees, recalculated as full-time equivalents, was 369, compared to 363 on the same date in 2001, that is, an increase of 6 positions. 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 a Bank 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. Capital adequacy The Group's capital adequacy according to the Credit Institutions Act: Sep 30, Sep 30, Dec 31, 2002 2001 2001 Capital base, EUR M Core capital 73.7 69.9 72.4 Supplementary capital 23.2 28.6 28.2 Total capital base 97.0 98.5 100.5 Risk-weighted volume, EUR M 857.6 797.7 804.2 Total capital ratio, % 11.3 12.4 12.5 Core capital ratio as % of risk-weighted volume 8.6 8.8 9.0 Profit for the report period is not included in core capital. Nonperforming loans, EUR M Sep 30, Sep 30, Dec 31, 2002 2001 2001 2.9 3.2 2.6 Nonperforming loans amounted to 0.3 per cent of total loans and contingent liabilities. Financial ratios etc Sep 30, Sep 30, Dec 31, 2002 2001 2001 Net operating profit per 0.77 0.93 1.23 share, EUR 1) Equity capital per share, EUR 2) 8.47 8.44 8.71 Inco)me/expense ratio - before loan losses 1.45 1.55 1.56 - after loan losses 1.44 1.60 1.55 1 Net operating profit minus imputed taxes / Average number of shares, adjusted for new issue 2 Equity capital and reserves minus imputed taxes on reserves and accumulated profit for the year / Number of

shares on balance sheet date, adjusted for new issue Tapiola Bank to buy complete banking system from Bank of Åland The Bank of Åland will supply the computer systems for the new Tapiola Bank , owned by the Tapiola Group, a Finnish insurance company , which will start its operations in 2004. The supply contract was signed on September 16, 2002, three months after the letter of intent. The deal, which includes both basic banking and Internet banking systems, will be worth about EUR 18-20 M during the entire contract period. The user licence fee, which is part of the business agreement, will be reported as income at the pace of the agreed payment plan, which is projected to correspond comparatively well to the degree of completion of the systems adaptations that have been requested by the buyer. These adaptations are expected to be completed during 2003. For this reason, only a portion of the user licence is being reported as income during 2002. Forecast for the year Income from financial operations and other income are being squeezed by low prevailing interest rates, tough competition and low demand for capital market products. Staff costs and other expenses are expected to increase, compared to the previous year. Loan losses are projected to remain at a low level. These factors, together with the above-mentioned accounting principle concerning income from the sale of banking computer systems, are expected to lead to lower operating income than in 2001. Mariehamn, Åland, Finland, October 25, 2002 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, 2002. 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 25, 2002 Leif Hermans Authorised Public Accountant Per-Olof Johansson Authorised Public Accountant Marja Tikka Authorised Public Accountant

INCOME STATEMENT (EUR M)

	9/02	9/01	12/01
Net income from financial operations	23.9	25.2	33.4
Income from investment in form of equity capital	0.8	0.6	0.6
Commission income	8.1	6.2	8.9
Net income from securities transactions and foreign exchange dealing	0.6	0.8	2.0
Other operating income	1.9	1.5	2.8
TOTAL INCOME	35.3	34.4	47.8
Commission expenses	-0.9	-0.9	-1.2
Staff costs	-12.3	-11.6	-15.5
Other administrative expenses	-6.4	-5.7	-8.2
Depreciation	-2.2	-2.1	-2.8
Other operating expenses	-2.9	-2.4	-3.5
TOTAL EXPENSES	-24.6	-22.6	-31.2
Loan and guarantee losses	-0.1	0.6	-0.1
Share in operating results of company consolidated according to equity method	0.3	0.8	0.8
NET OPERATING PROFIT	10.9	13.1	17.4
PROFIT BEFORE APPROPRIATIONS AND TAXES	10.9	13.1	17.4

BALANCE SHEET (EUR M)

	9/02	9/01	12/01
ASSETS			
Cash	45	82	40
Claims usable as collateral at central bank	209	208	216
Claims on credit institutions	128	221	235
Claims on the public and public sector entities	1,211	1,059	1,109
Leasing assets	1	1	1
Debt securities	27	43	26
Shares and participations	16	15	15
Shares and participations in associated companies and subsidiaries	2	2	2
Intangible assets	4	5	5
Tangible assets	15	16	15
Other assets	12	29	9
Accrued income and prepayments	14	16	12
TOTAL ASSETS	1,682	1,695	1,686
LIABILITIES AND EQUITY CAPITAL			
Liabilities			
Liabilities to credit institutions and central banks	97	86	96
Liabilities to the public and public sector entities	1,076	1,103	1,103
Debt securities issued to the public	336	326	319
Other liabilities	24	30	29
Accrued expenses and deferred income	22	23	12
Subordinated liabilities	22	22	22
Imputed taxes due	7	6	7
Minority interests	1	0	0
Equity capital			
Share capital	20	20	20
Share premium reserve	14	13	13
Revaluation reserve	0	1	0
Reserve fund	25	25	25
Capital loan	10	10	10
Profit brought forward	18	16	16
Other equity capital	10	13	13
TOTAL LIABILITIES AND EQUITY	1,682	1,695	1,686
CAPITAL OFF-BALANCE SHEET COMMITMENTS	95	84	87

INCOME STATEMENT BY QUARTER (EUR M)

	Q III 2002	Q II 2002	Q I 2002	Q IV 2001	Q III 2001
Net income from financial operations	8.1	8.0	7.8	8.2	8.3
Income from investment in form of equity capital	0.0	0.4	0.3	0.0	0.0
Commission income	2.3	3.1	2.6	2.7	1.9
Net income from securities transactions and foreign exchange dealing	0.1	-0.8	1.2	1.2	0.0
Other operating income	1.3	0.3	0.4	1.3	0.5
TOTAL INCOME	11.8	11.1	12.3	13.5	10.6
Commission expenses	-0.3	-0.3	-0.3	-0.3	-0.3
Staff costs	-4.1	-4.1	-4.1	-3.9	-3.9
Other administrative expenses	-1.9	-2.5	-2.0	-1.7	-1.7
Depreciation	-0.7	-0.7	-0.7	-0.7	-0.7
Other operating expenses	-0.9	-1.0	-1.0	-1.1	-0.8
TOTAL EXPENSES	-7.9	-8.7	-8.0	-8.6	-7.4
Loan and guarantee losses	0.0	-0.1	0.0	-0.7	0.0
Share in					

operating results of company consolidated according to equity 0.1 0.1 0.1 0.0 0.8 method NET
OPERATING PROFIT 4.0 2.4 4.4 4.2 4.0