

REPORT ON 2002 OPERATIONS

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2326Bank of Åland Plc STOCK EXCHANGE RELEASE 14.02.2003 09.00 hrs REPORT ON 2002 OPERATIONS On February 13, 2003, the Board of Management of the Bank approved the accounts for 2002. 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 13, 2003 at the Hotel Arkipelag in Mariehamn, Åland, Finland. OPERATING RESULTS AND PROFITABILITY Net income from financial operations Lower interest rates than in 2001, as well as tough competition which further squeezed customer margins, narrowed the margin between interest rates on deposits and lending. As a result, despite larger total volume, the Bank of Åland Group's consolidated net income from financial operations fell by 5.7 per cent to EUR 31.5 million. Other income Dividend income amounted to EUR 0.8 M. Commission income rose by 17.2 per cent to EUR 10.5 M. This increase came primarily from asset management services. Income from stock brokerage and capital market products were at a continued low level, caused by decreased demand. Net income from the Bank's own securities trading amounted to EUR 0.4 M, compared to EUR 1.1 M the preceding year. Foreign exchange dealing resulted in a net income somewhat lower than in 2001, totalling SEK 0.8 M. Other operating income amounted to EUR 3.9 M. This included income from the sale of banking computer systems. Total income - net income from financial operations and other income - amounted to EUR 47.9 M, which was equivalent to the 2001 figure. Expenses New recruitments and salary adjustments in compliance with collective agreements raised staff costs by 5.5 per cent to EUR 16.4 M. Other administrative expenses (office, marketing, communications and computer costs) rose by 8.6 per cent to EUR 8.9 M. Depreciation climbed by 2.9 per cent to EUR 2.9 M. Other operating expenses rose by 11.2 per cent to EUR 3.9 M. Excluding items affecting comparability in 2001, however, these expenses decreased by 2.7 per cent. Total expenses including planned depreciation rose by 6.6 per cent to EUR 33.2 M. The effect on income from a company consolidated in the Group accounts according to the equity method amounted to EUR 0.3 M, compared to EUR 0.8 M the year before. Loan losses Net loan losses amounted to EUR 0.7 M. Reported net loan losses as a percentage of the Bank's receivables and contingent liabilities amounted to 0.06 per cent. Net operating profit Net operating profit decreased by 18.2 per cent to EUR 14.2 M. Lending The Bank's total lending volume increased by EUR 150 M or 13.5 per cent and amounted to EUR 1,260 M as of December 31, 2002. This increase was mainly attributable to residential financing for private households and financing for businesses in the service sector. Private households accounted for 66.7 per cent of the Bank's total loans outstanding, while business and professional activities accounted for 32.3 per cent. The corresponding figures in 2001 were 65.9 per cent and 32.8 per cent, respectively. Deposits During 2002, the Bank's total deposits, including bonds and certificates of deposit issued to the public and public sector entities, rose by EUR 58 M or 4.3 per cent and amounted to EUR 1,410 M. Deposit accounts decreased by EUR 2 M or 0.2 per cent and amounted to EUR 1,095 M. The amount of bonds increased by EUR 25.7 M or 19.8 per cent, due to the share index loans issued during the year. The nominal amount of share index loans subscribed was EUR 30.2 M. During the year, certificates of deposit targeted to the public and the public sector rose by 27.0 per cent, or EUR 34 M, to EUR 160 M. Balance sheet total The balance sheet total climbed by 7.5 per cent to EUR 1,813 M. Personnel At the close of 2002, the number of employees in the Group, recalculated as full-time equivalents, was 367. This was an increase of 6 positions compared to the close of 2001. Insider rules The Bank has accepted the Helsinki Stock Exchange's insider regulations and has introduced a trading restriction rule, 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 Reports. 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. At the close of the financial year, Ålandsbankens Fondbolag managed the following mutual funds: Ålandsbanken Corporate Bond, a bond fund that invests in euro- denominated corporate bonds. Ålandsbanken Euro Bond, a medium-term bond fund with euro- denominated investments. Ålandsbanken Europe Active Portfolio, a flexible European balanced fund. Ålandsbanken Europe Value, a European equities fund with a value- oriented investment strategy. Ålandsbanken Global Value, an international equities fund with a value-oriented investment strategy. All of these mutual funds are marketed and sold by the Bank of Åland. Investments in the funds may also be made via unit-link insurance plans provided by the Skandia Life, Veritas and Liv Alandia insurance companies. As of December 31, 2002, the number of unit holders totalled 4,710, which represented an increase of 4 per cent from one year earlier. The total assets under management amounted to EUR 87.1 M, an increase of 41 per cent from one year earlier.

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. Aside from direct equity and bond investments, portfolio management uses share index loans as well as mutual funds. Over-weighting of bonds and bond funds was characteristic on the company's management during 2002. This proved successful. The portfolio volume that the company handles continued to grow during the year, due to its many new management mandates as well as its successful management. The portfolios managed by the company thus performed competitively during the calendar year.

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. The Group's capital adequacy according to the Credit Institutions Act:

	Dec 31, 2002	Dec 31, 2001
Capital base, EUR M	73.3	72.4
Core capital	23.2	28.2
Total capital base	96.5	100.5
Risk-weighted volume, EUR M	879.4	804.2
Total capital ratio, %	11.0	12.5
Core capital as percentage of risk- weighted volume	8.3	9.0

FINANCIAL RATIOS ETC

	Dec 31, 2002	Dec 31, 2001
Net operating profit per share, EUR 1)	1.00	1.23
Equity capital per share, EUR 2)	8.69	8.71
Return on equity, % 3)	11.5	14.6
Income/expense ratio - before loan losses	1.45	1.56
- after loan losses	1.42	1.55

1) Net operating profit minus standard tax/ Average number of shares, adjusted for new issue
2) Equity capital and reserves minus imputed taxes due/ Number of shares at year-end, adjusted for new issue
3) Net operating profit minus standard tax x 100/ Average equity capital

The future Net income from financial operations and other income are projected to reach the same level as in 2002, despite tough competition and low demand for capital market products. Expenses, including loan losses, are not expected to increase. Altogether, the probable outcome is that in 2003, earning will not decline compared to 2002. Any new licensing income from the sale of banking systems has not been taken into account, however. Such income may boost earnings substantially.

Proposed distribution of profit The Board of Directors proposes that the Annual General Meeting approve a dividend of EUR 1.00 per share, which is equivalent to a total amount of EUR 10.2 M.

Mariehamn, February 14, 2003

THE BOARD OF DIRECTORS

INCOME STATEMENT (EUR M)

	The Group 1-12/02	1-12/01	%
Net income from financial operations	31.5	33.4	-5.7
Income from investment in form of equity capital	0.8	0.6	20.5
Commission income	10.5	8.9	17.2
Net income from securities transactions and foreign exchange dealing	1.2	2.0	-39.9
Other operating income	3.9	2.8	37.7
TOTAL INCOME	47.9	47.8	0.1
Commission expenses	-1.2	-1.2	2.1
Staff costs	-16.4	-15.5	5.5
Other administrative expenses	-8.9	-8.2	8.6
Depreciation	-2.9	-2.8	2.9
Other operating expenses	-3.9	-3.5	11.2
TOTAL EXPENSES	-33.2	-31.2	6.6
Loan and guarantee losses	-0.7	-0.1	-11.2
Write-downs in securities held as financial fixed assets	0.0	0.0	
Share in operating results of company consolidated according to equity method	0.3	0.8	-63.8
NET OPERATING PROFIT	14.2	17.4	-18.2
PROFIT BEFORE APPROPRIATIONS AND TAXES	14.2	17.4	-18.2
Income taxes	-4.2	-4.7	-11.3
Share of profit for the financial year attributable to minority interests	-0.3	-0.1	-10.0
Profit for the year	9.7	12.5	-22.6

BALANCE SHEET (EUR M)

	The group 12/02	12/01	%
ASSETS			
Cash	89	40	121
Claims usable as collateral at central bank	176		

216 -18 Claims on credit institutions 202 235 -14 Claims on the public and public sector entities 1,260
 1,109 14 Leasing assets 1 1 -7 Debt securities 26 26 0 Shares and participations 16 15 7 Shares and
 participations in associ- ated companies and subsidiaries 2 2 -4 Intangible assets 4 5 -20 Tangible
 assets 15 15 -2 Other assets 11 9 16 Accrued income and prepayments 11 12 -9 TOTAL ASSETS 1,813
 1,686 8 LIABILITIES AND EQUITY CAPITAL Liabilities Liabilities to credit institutions and central banks
 111 96 16 Liabilities to the public and public sector entities 1,101 1,103 Debt securities issued to the
 public 433 319 36 Other liabilities 24 29 -16 Accrued expenses and deferred income 16 12 37
 Subordinated liabilities 22 22 Imputed taxes due 7 7 Equity capital Share capital 20 20 Share premium
 reserve 14 13 Reserve fund 25 25 Capital loan 10 10 Profit brought forward 18 16 16 Other equity
 capital 10 13 -23 TOTAL LIABILITIES AND EQUITY CAPITAL 1,813 1,686 8 OFF-BALANCE SHEET
 COMMITMENTS 525 437 20 INCOME STATEMENT (EUR M) Bank of Åland Plc 1-12/02 1-12/01 % Net
 income from financial operations 31.3 33.4 -6.4 Income from investment in form of equity capital 1.0
 0.6 58.3 Commission income 8.2 8.0 22.0 Net income from securities trans- actions and foreign
 exchange dealing 1.1 2.0 -42.9 Other operating income 3.9 2.8 39.1 TOTAL INCOME 45.6 46.9 -2.8
 Commission expenses -1.0 -1.1 -8.6 Staff costs -15.8 -15.0 5.4 Other administrative expenses -8.7 -7.9
 9.4 Depreciation -2.8 -2.7 3.3 Other operating expenses -3.8 -3.3 13.7 TOTAL EXPENSES -32.1 -30.1
 6.7 Loan and guarantee losses -0.5 -0.2 Write-downs in securities held as financial fixed assets 0.4 0.0
 NET OPERATING PROFIT 13.3 16.5 -19.3 PROFIT BEFORE APPRO- PRIATIONS AND TAXES 13.3 16.5
 -19.3 Provisions 0.7 -2.5 Income taxes -4.0 -3.9 2.6 Profit for the year 10.0 10.1 -1.2 BALANCE SHEET
 (EUR M) 12/02 12/01 % Bank of Åland Plc ASSETS Cash 89 40 121 Claims usable as collateral at
 central bank 176 216 -18 Claims on credit institutions 202 235 -14 Claims on the public and public
 sector entities 1,260 1,109 14 Leasing assets 1 1 -7 Debt securities 26 26 Shares and participations
 16 15 5 Shares and participations in associ- ated companies and subsidiaries 3 2 19 Intangible assets
 4 5 -20 Tangible assets 15 15 Other assets 11 9 16 Accrued income and prepayments 1 0 12 -9 TOTAL
 ASSETS 1,812 1,684 8 LIABILITIES AND EQUITY CAPITAL Liabilities Liabilities to credit institutions and
 central banks 111 96 16 Liabilities to the public and public sector entities 1,102 1,103 Debt securities
 issued to the public 434 319 36 Other liabilities 24 28 -16 Accrued expenses and deferred income 16
 12 36 Subordinated liabilities 22 22 Imputed taxes due Accumulated appropriations Provisions 23 23
 Equity capital Share capital 20 20 Share premium reserve 14 13 3 Reserve fund 25 25 Capital loan 10
 10 Profit brought forward Other equity capital 10 10 TOTAL LIABILITIES AND EQUITY CAPITAL 1,812
 1,684 8 OFF-BALANCE SHEET COMMITMENTS 525 437 20 INCOME STATEMENT (EUR M) Q4 Q3 Q2 Q1
 Q4 The Group 2002 2002 2002 2002 2001 Net income from financial operations 7.6 8.1 8.0 7.8 8.2
 Income from investment in form of equity capital 0.0 0.0 0.4 0.3 0.0 Commission income 2.4 2.3 3.1
 2.6 2.7 Net income from securities trans- actions and foreign exchange dealing 0.6 0.1 -0.8 1.2 1.2
 Other operating income 2.0 1.3 0.3 0.4 1.3 TOTAL INCOME 12.6 11.8 11.1 12.3 13.5 Commission
 expenses -0.3 -0.3 -0.3 -0.3 -0.3 Staff costs -4.1 -4.1 -4.1 -4.1 -3.9 Other administrative expenses -2.5
 -1.9 -2.5 -2.0 -2.5 Depreciation -0.7 -0.7 -0.7 -0.7 -0.6 Other operating expenses -1.0 -0.9 -1.0 -1.0 -1.1
 TOTAL EXPENSES -8.6 -7.9 -8.7 -8.0 -8.6 Loan and guarantee losses -0.6 0.0 -0.1 0.0 -0.7 Write-downs
 in securities held as financial fixed assets Share in operating results of company consolidated
 according to equity method 0.0 0.1 0.1 0.1 0.0 NET OPERATING PROFIT 3.3 4.0 2.4 4.4 4.2 0