

INTERIM REPORT for the period January -

16.08.2002

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INTERIM REPORT for the period January - June 2002

Earnings

During the report period, consolidated income from financial operations amounted to EUR 15.8 million. This was a decline of EUR 1.1 M or 6.3 per cent compared to 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 0.7 M (0.6). Commission income rose by EUR 1.4 M or 32.1 per cent to EUR 5.7 M. Income from asset management services rose the most. Net income from the Bank's own securities trading amounted to EUR 0.1 M (0.4). Net income on foreign exchange dealing, which totalled EUR 0.4 M, fell slightly. Other operating income amounted to EUR 0.7 M.

Total income - net income from financial operations and other income - declined by 1.2 per cent or EUR 0.2 M to EUR 23.5 M.

New staff recruitments and salary adjustments in compliance with collective agreements raised staff costs by 6.7 per cent or EUR 0.5 M to EUR 8.2 M. Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose by EUR 0.5 M to EUR 4.5 M, mainly due to higher computer and marketing costs. Depreciation rose marginally to EUR 1.5 M and other operating expenses rose by EUR 0.4 M to EUR 2.0 M.

Total expenses including planned depreciation rose by EUR 1.5 M or 10.0 per cent to EUR 16.7 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 2.4 M to EUR 6.8 M.

Return on equity for the report period was 15.1 per cent. The Bank of Åland thus yielded a return on its shareholders' equity

at a level about 10 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 June 30, 2002 by 4.6 per cent to EUR 1,322 M (1,386). Deposit accounts declined by 2.5 per cent to EUR 1,072 M (1,100). During the report period, deposit accounts declined by 2.2 per cent. During the year, the Bank floated bond issues with a nominal value of EUR 22.9 M.

Lending

During the 12 months to June 30, 2002, the Bank's volume of lending to the public increased by 11.5 per cent to EUR 1,169 M (1,049). Most of the increase went towards residential financing. During the report period, total lending volume rose by EUR 59.5 M or 5.4 per cent. Private households accounted for 66.9 (65.7) per cent of the Bank's total loans outstanding.

Personnel

At the end of June 2002 the number of employees, recalculated as full-time equivalents, was 363, compared to 355 on the same date in 2001, that is, an increase of 8 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:

Jun 30, Jun 30, Dec 31,
2002 2001 2001

Capital base, EUR M

Core capital 73.5 69.9 72.4

Supplementary capital 23.2 28.7 28.2

Total capital base 96.8 98.6 100.5

Risk-weighted volume, EUR M 838.7 788.0 804.2

Total capital ratio, % 11.5 12.5 12.5

Core capital ratio as % of

risk-weighted volume 8.8 8.9 9.0

Profit for the report period is not included in core capital.

Nonperforming loans, EUR M
Jun 30, Jun 30, Dec 31,
2002 2001 2001
2.3 2.5 2.6

Nonperforming loans amounted to 0.2 per cent of total loans and contingent liabilities.

Financial ratios etc
Jun 30, Jun 30,
2002 2001

Net operating profit per share, 0.48 0.65

EUR1

Equity capital per share, EUR2 8.18 8.16

Income/expense ratio

- before loan losses 1.42 1.56

- after loan losses 1.41 1.63

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 Group buys licence for Bank of Åland banking computer system

The Tapiola Group, a Finnish insurance company, is choosing the Bank of Åland's basic banking and Internet banking systems for its new Tapiola Bank. A letter of intent was signed on June 19, 2002. The aim is to enter into a final contract during the autumn of 2002. According to plans, Tapiola Bank's operations will start during the first half of 2004. The Bank of Åland will be responsible for operating the computer systems, which will first be adapted entirely to Tapiola Bank's mission and needs. The business agreement is estimated to be worth a total at least EUR 20 M during the contract period.

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. Operating income is nevertheless expected to be on the same level as the previous year, providing that the deal concerning banking systems with Tapiola Group is implemented according to the plans.

Mariehamn, Åland, Finland, August 16, 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 - June 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, August 16, 2002

Leif Hermans
Authorised Public Accountant

Per-Olof Johansson
Authorised Public Accountant

Marja Tikka
Authorised Public Accountant

INCOME STATEMENT (EUR M)

The Group 1-6/02 1-6/01 1-12/01

Net income from financial operations 15.8 16.9 33.4

Income from investment in form of equity capital 0.7 0.6 0.6

Commission income 5.7 4.3 8.9

Net income from securities transactions and foreign exchange dealing 0.5 0.9 2.0

Other operating income 0.7 1.0 2.8

TOTAL INCOME 23.5 23.7 47.8

Commission expenses -0.6 -0.6 -1.2

Staff costs -8.2 -7.7 -15.5

Other administrative expenses -4.5 -4.0 -8.2

Depreciation -1.5 -1.4 -2.8

Other operating expenses -2.0 -1.6 -3.5

TOTAL EXPENSES -16.7 -15.2 -31.2

Loan and guarantee losses -0.1 0.6 -0.1

Share in operating results of

company
consolidated according to equity 0.2 0.0 0.8
method

NET OPERATING PROFIT 6.8 9.2 17.4

Extraordinary income 0.0 0.0 0.0
PROFIT BEFORE APPROPRIATIONS
AND TAXES 6.8 9.2 17.4

BALANCE SHEET (EUR M)

The group 6/02 6/01 12/01

ASSETS

Cash 61 33 40
Claims usable as collateral at
central bank 168 267 216
Claims on credit institutions 207 216 235
Claims on the public and
public sector entities 1,169 1,049 1,109
Leasing assets 1 1 1
Debt securities 32 33 26
Shares and participations 16 15 15
Shares and participations in
associ-
ated companies and subsidiaries 2 1 2
Intangible assets 4 5 5
Tangible assets 15 16 15
Other assets 14 25 9
Accrued income and
prepayments 12 16 12
TOTAL ASSETS 1,702 1,677 1,686

LIABILITIES AND EQUITY CAPITAL

Liabilities
Liabilities to credit
institutions and
central banks 110 83 96
Liabilities to the public and
public sector entities 1,078 1,107 1,103
Debt securities issued
to the public 348 315 319
Other liabilities 22 30 29
Accrued expenses and
deferred income 20 19 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	6	9	13	
TOTAL LIABILITIES AND EQUITY	1,702	1,677	1,686	
CAPITAL				

OFF-BALANCE SHEET
 COMMITMENTS 92 92 87

INCOME STATEMENT (EUR M)

Q II Q I Q IV Q III Q II

The Group 2002 2002 2001 2001 2001

Net income from financial operations	8.0	7.8	8.2	8.3	8.4
Income from investment in form of equity capital	0.4	0.3	0.0	0.0	0.4
Commission income	3.1	2.6	2.7	1.9	2.1
Net income from securities transactions and foreign exchange dealing	-0.8	1.2	1.2	0.0	0.3
Other operating income	0.3	0.4	1.3	0.5	0.5
TOTAL INCOME	11.1	12.3	13.5	10.6	11.7

Commission expenses	-0.3	-0.3	-0.3	-0.3	-0.3
Staff costs	-4.1	-4.1	-3.9	-3.9	-3.9
Other administrative expenses	-2.5	-2.0	-2.5	-1.7	-2.1
Depreciation	-0.7	-0.7	-0.7	-0.7	-0.7
Other operating expenses	-1.0	-1.0	-1.1	-0.8	-0.5
TOTAL EXPENSES	-8.7	-8.0	-8.6	-7.4	-7.4

Loan and guarantee losses	-0.1	0.0	-0.7	0.0	0.6
Share in operating results of company consolidated according to equity method	0.1	0.1	0.0	0.8	0.0

NET OPERATING PROFIT 2.4 4.4 4.2 4.0 4.9