

BANK OF ÅLAND

INTERIM REPORT

for the period January – March 2004

Improved earnings

- Consolidated net operating profit rose by 45.2 per cent to 5.0 million euros (Jan – Mar 2003: EUR 3.5 M)
- Return on equity after taxes (ROE) was 14.7 per cent (11.7)
- Other income increased by 49.9 per cent to EUR 5.6 M (3.7)
- Expenses rose by less than 3 per cent to EUR 8.1 M (7.9)
- Lending volume rose by 10.5 per cent to EUR 1,404 M (Mar 2003: 1,270)
- Deposit accounts increased by 6.4 per cent to EUR 1,134 M (Mar 2003: 1,065)
- The total capital ratio amounted to 11.0 (11.2) per cent
- Earnings per share after taxes amounted to EUR 0.33 (0.24)

The Bank of Åland Plc (Ålandsbanken Abp) is a successful commercial bank with more than 80 years of experience in its home market, the autonomous Swedish-speaking Finnish province of Åland. The establishment of additional offices in Helsinki, Espoo, Tampere, Turku, Parainen and Vaasa has strengthened our position in Finland as a reliable and innovative financial market player. Ålandsbanken Fondbolag Ab and Ålandsbanken Asset Management Ab are part of the Bank of Åland Group. For further information, see the Annual Report for 2003 on the Bank's web site.

THE GROUP

Earnings

During the first quarter of 2004, consolidated net operating profit amounted to EUR 5 M (3.5). This was an increase of EUR 1.5 M or 45.2 per cent compared to the corresponding year-earlier period.

The improvement in earnings was primarily due to increased commission income and growing income from the banking computer systems sales business area.

Return on equity before taxes for the report period, measured as net operating profit divided by average equity capital and reserves, was 19 per cent. The Bank thus yielded a return on its shareholders' equity at a level about 16 percentage points higher than five-year bond yields.

Net income from financial operations

Due to larger total volume, net income from financial operations amounted to an unchanged EUR 7.4 M, despite narrowing customer margins owing to tough competition.

Other income

Commission income amounted to SEK 3.1 M (2.2), an increase of EUR 0.9 M or 38.7 per cent. This increase derived mainly from securities brokerage and other capital market products. Other operating income totalled EUR 2.2 M (0.7). This included EUR 1.8 M (0.4) in income from the systems sales business area.

Other income rose by EUR 1.9 M or 49.8 per cent to EUR 5.6 M (3.7). This included nonrecurring income of EUR 1.0 M.

Total income – net income from financial operations and other income – amounted to EUR 13.0 M (11.1).

Expenses

Staff costs rose slightly, amounting to EUR 4.3 M (4.2). Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose by EUR 0.2 M to EUR 2.0M (1.8). Depreciation/amortisation was EUR 0.2 M lower than the year before and amounted to EUR 0.5 M (0.7), while other operating expenses were unchanged at EUR 1.0 M.

Total expenses including planned depreciation rose by EUR 0.2 M or 2.9 per cent to EUR 8.1 M (7.9).

Loan losses

Net loan losses amounted to EUR 0.01 M.

Deposits

Deposits from the public, including bonds issued and certificates of deposit, rose during the 12 months to March 31, 2004 by 3.8 per cent to EUR 1,402 M (1,351). During the report period, total deposits volume rose by EUR 4.0 M or 0.3 per cent. Deposit accounts rose by 6.4 per cent to EUR 1,134 M (1,065). During the year, the Bank floated bond issues with a nominal value of EUR 16.0 M.

Lending

During the 12 months to March 31, 2004, the Bank's volume of lending to the public increased by 10.5 per cent to EUR 1,404 M (1,270). Most of the increase went towards residential financing. During the report period, total lending volume rose by EUR 18.2 M or 1.3 per cent. Private households accounted for 68.5 (66.9) per cent of total lending.

Nonperforming receivables

Total nonperforming receivables and other zero-interest receivables amounted to EUR 2.5 M (3.9), or 0.2 per cent of loans and guarantees outstanding.

Personnel

At the end of March 2004, the number of employees – recalculated as full-time equivalents – was 379. This was an increase of 11 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 March, the Group's capital adequacy according to the Credit Institutions Act was 11.0 (11.2) per cent. The core capital ratio was 9.1 (8.5) per cent. Profit during the report period is not included in core capital. The capital base amounted to EUR 104.8 M (98.1).

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 March 31, 2004, the number of unit holders totalled 5,839 (Dec 31, 2003: 5,337), which represented an increase of 9.4 per cent. The total assets under management amounted to EUR M 140.9 (117.4), an increase of 20 per cent from the preceding year.

Ålandsbanken Asset Management Ab

Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc. The first quarter of 2004 was characterised by rising stock market prices and falling interest rates. During the quarter, the company 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.

Corporate governance reform implemented

The Bank's Annual General Meeting on March 18 approved the proposal to abolish the Bank's Supervisory Board. This means that the reform process that began just over one year ago has now been implemented. The Board of Directors will shortly begin the task of appointing a nomination committee, in compliance with the corporate governance rules recommended by the Helsinki Stock Exchange.

Refund of surplus contributions

At year-end 2003, the probable market value of the assets in Ålandsbanken Abps pensionsstiftelse, the Bank's pension fund, exceeded its actuarial liability by about EUR 4 M. The Bank has received permission from the Finnish Financial Supervision Authority to refund EUR 1.1 M in surplus contributions. The refund will occur during the second quarter of 2004.

Forecast for the year

Our earlier forecast for the year remains unchanged. Full-year 2004 earnings will probably reach the level of 2003 earnings.

Mariehamn, April 22, 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 – March 31, 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, April 22, 2004

Leif Hermans
Authorised Public Accountant

Rabbe Nevalainen
Authorised Public Accountant

Marja Tikka
Authorised Public Accountant

FINANCIAL RATIOS ETC

Bank of Åland Group	Jan-Mar 2004	Jan-Mar 2003	Full year 2003
Net operating profit per share, EUR ¹	0.33	0.24	1.02
Market price per share, end of period, EUR			
Series A	16.82	16.20	18.65
Series B	17.25	14.40	19.10
Equity capital per share, EUR ²	8.56	7.99	9.22
Return on equity after taxes, % (ROE) ³	14.7	11.7	11.4
Total lending volume, EUR M	1,404	1,270	1,385
Total deposits from the public, EUR M	1,402	1,351	1,398
Equity capital, EUR M	93.8	81.3	100.9
Balance sheet total, EUR M	1,852	1,756	1,851
Income/expense ratio	1.6	1.4	1.4
Total capital ratio, %	11.0	11.2	11.4

¹ Net operating profit minus imputed taxes / 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 / Average equity capital

CAPITAL ADEQUACY

Bank of Åland Group	Jan-Mar 2004	Jan-Mar 2003	Full year 2003
Capital base, EUR M			
Core capital	86.6	74.9	86.5
Supplementary capital	18.3	23.2	20.3
Total capital base	104.8	98.1	106.8
Risk-weighted volume, EUR M	955.7	876.7	932.7
Total capital ratio, %	11.0	11.2	11.4
Core capital as % of risk-weighted volume	9.1	8.5	9.3

Profit during the report period is not included in the capital base

INCOME STATEMENT BY QUARTER

(EUR M)	Q 1 2004	Q 4 2003	Q 3 2003	Q 2 2003	Q 1 2003
Net income from financial operations	7.4	7.4	7.4	7.4	7.4
Income from equity investments	0.1	0.2	0.3	0.4	0.3
Commission income	3.1	3.0	2.5	2.5	2.2
Net income from securities transactions and foreign exchange dealing	0.2	0.7	1.0	0.4	0.5
Other operating income	2.2	2.1	1.0	1.8	0.7
Total income	13.0	13.5	12.2	12.6	11.1
Commission expenses	-0.3	-0.3	-0.3	-0.3	-0.3
Staff costs	-4.3	-5.7	-4.5	-4.5	-4.2
Other administrative expenses	-2.0	-2.6	-1.7	-2.1	-1.8
Depreciation/amortisation	-0.5	-0.6	-0.5	-0.6	-0.7
Other operating expenses	-1.0	-1.1	-0.9	-0.9	-1.0
Total expenses	-8.1	-10.3	-7.9	-8.4	-7.9
Loan and guarantee losses	0.0	0.1	0.0	0.0	0.1
Share of operating results of companies consolidated according to equity method	0.1	-0.2	0.1	0.1	0.2
Net operating profit	5.0	3.1	4.4	4.2	3.5

SUMMARY INCOME STATEMENT

(EUR M)	Bank of Åland Group			Bank of Åland Plc		
	Jan-Mar	Jan-Mar	Full year	Jan-Mar	Jan-Mar	Full year
	2004	2003	2003	2004	2003	2003
Net income from financial operations	7.4	7.4	29.6	7.3	7.3	29.4
Income from equity investments	0.1	0.3	1.2	0.8	1.6	2.5
Commission income	3.1	2.2	10.3	2.5	1.9	8.5
Net income from securities transactions and foreign exchange dealing	0.2	0.5	2.7	0.3	0.5	2.6
Other operating income	2.2	0.7	5.6	2.2	0.7	5.6
Total income	13.0	11.1	49.4	13.1	12.0	48.6
Commission expenses	-0.3	-0.3	-1.3	-0.3	-0.3	-1.1
Staff costs	-4.3	-4.2	-18.9	-4.1	-4.0	-18.2
Other administrative expenses	-2.0	-1.8	-8.2	-1.9	-1.7	-7.9
Depreciation/amortisation	-0.5	-0.7	-2.3	-0.5	-0.6	-2.3
Other operating expenses	-1.0	-1.0	-3.9	-0.9	-0.9	-3.8
Total expenses	-8.1	-7.9	-34.4	-7.7	-7.6	-33.3
Loan and guarantee losses	0.0	0.1	0.1	0.0	0.1	0.1
Share of operating results of companies consolidated according to equity method	0.1	0.2	0.1			
Net operating profit	5.0	3.5	15.2	5.3	4.5	15.5
Appropriations						
Income taxes	-1.4	-1.0	-4.4	-1.5	-1.3	-4.5
Minority share of profit for the period	0.0	0.0	-0.1			
Profit for the period	3.6	2.5	10.6	3.8	3.2	11.0

SUMMARY BALANCE SHEET

(EUR M)	Bank of Åland Group			Bank of Åland Plc		
	Mar 31 2004	Mar 31 2003	Dec 31 2003	Mar 31 2004	Mar 31 2003	Dec 31 2003
ASSETS						
Liquid assets	79	97	40	79	97	40
Debt securities eligible for refinancing with central banks	185	174	263	185	174	263
Claims on credit institutions	91	134	77	91	134	77
Claims on the public and public sector entities	1,404	1,270	1,405	1,404	1,270	1,405
Lease assets	1	1	1	1	1	1
Debt securities	8	22	8	7	22	7
Shares and participations	11	16	15	11	16	14
Shares and participations in associated and Group companies	2	2	2	3	3	3
Intangible assets	4	4	3	3	4	3
Tangible assets	14	14	14	14	14	14
Other assets	45	11	15	45	11	15
Accrued income and prepaid expenses	8	9	8	8	9	8
	1,852	1,756	1,851	1,852	1,756	1,851
LIABILITIES AND EQUITY CAPITAL						
<i>Liabilities</i>						
Liabilities to credit institutions and central banks	102	95	93	102	95	93
Liabilities to the public and public sector entities	1,139	1,072	1,140	1,139	1,072	1,140
Debt securities issued to the public	406	424	433	406	424	433
Other liabilities	57	29	30	57	30	30
Accrued expenses and prepaid income	14	16	14	14	16	14
Subordinated liabilities	25	22	25	25	22	25
Imputed taxes due	7	7	7			
Minority share of capital	0	0	0			
<i>Accumulated appropriations</i>						
Reserves				23	23	23
<i>Equity capital</i>						
Share capital	22	21	22	22	21	22
Share premium account	25	15	25	25	15	25
Reserve fund	25	25	25	25	25	25
Capital loan	10	10	10	10	10	10
Profit brought forward	17	18	18	0	0	0
Profit for the period	4	2	11	4	3	11
	1,852	1,756	1,851	1,852	1,756	1,851
Off-balance sheet commitments						
Guarantees and pledges	9	10	10	9	10	10
Other commitments	117	93	104	117	93	104
	126	102	114	126	102	114

**LENDING TO THE PUBLIC AND PUBLIC SECTOR ENTITIES,
BY PURPOSE**

(EJR: M)	Mar 31 2004	Mar 31 2003	Dec 31 2003
BUSINESS AND PROFESSIONAL ACTIVITIES			
<i>Service sector</i>			
Shipping	45.6	57.9	51.1
Transport and communications	12.9	13.7	11.9
Hotels, restaurants, tourist cottages etc.	11.9	11.6	11.5
Wholesale and retail trade	39.9	39.8	40.8
Housing corporations	39.8	37.1	39.4
Real estate operations	74.3	67.9	70.9
Financial operations	109.9	95.4	113.2
Other service business	38.1	31.4	39.8
	372.4	354.7	378.6
<i>Production sector</i>			
Agriculture, forestry and fishing	19.8	23.6	20.2
Food processing etc	10.0	10.8	13.1
Construction	11.3	8.9	9.9
Other industry and crafts	10.4	10.8	7.3
	51.4	54.1	50.5
HOUSEHOLDS			
Home loans	789.5	697.2	772.4
Studies	13.0	12.6	12.9
Other purposes	158.7	139.6	157.7
	961.2	849.4	943.0
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS			
	18.5	12.1	13.2
Total lending	1,403.5	1,270.4	1,385.3

**DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES,
including bonds issued and certificates of deposit**

	March 31	March 31	December 31
(EUR M)	2004	2003	2003
Deposit accounts from the public and public sector entities			
Demand deposit accounts	147.0	126.0	141.1
Current accounts	176.9	146.8	165.9
Savings and Environmental Accounts	108.3	108.3	112.3
Prime Accounts	462.4	467.1	477.8
Time deposits	179.3	149.2	165.3
<i>Deposit accounts in euros</i>	1,073.9	997.4	1,062.4
Deposit accounts in other currencies	60.1	67.9	71.8
Total deposit accounts	1,133.9	1,065.3	1,134.2
Bonds	151.5	155.2	144.8
Certificates of deposit issued to the public	117.0	130.8	119.4
Bonds and certificates of deposit	268.4	285.9	264.2
Total deposits	1,402.4	1,351.2	1,398.4

DERIVATIVE CONTRACTS

(EUR M)	Mar 31, 2004		Dec 31, 2003	
	For hedging purposes	Other	For hedging purposes	Other
<i>Value of underlying property</i>				
Interest rate derivatives				
Option contracts				
Purchased	15.0	0.0	15.0	0.0
Written	0.0	15.0	0.0	15.0
Interest rate swap contracts	255.3	4.0	241.3	4.6
Currency derivatives				
Forward contracts	1.1	1.3	2.3	2.7
Interest rate and currency swap contracts	1.4	1.7	0.2	0.0
Equity derivatives				
Option contracts				
Purchased	121.9	0.7	112.3	0.7
Written	0.0	121.9	0.0	112.3
	394.6	144.6	371.1	135.2
Equivalent credit values of the contracts				
Interest rate derivatives	4.9		4.7	
Currency derivatives	0.1		0.1	
Equity derivatives	17.2		15.3	
	22.2		20.2	