



BANK OF ÅLAND

**ANNUAL REPORT
2000**

BANK OF ÅLAND PLC

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GROUP HIGHLIGHTS

EUR M	2000	1999
INCOME STATEMENT IN BRIEF		
Net income from financial operations	32.1	23.4
Other income	17.5	16.3
Expenses	-27.9	-25.0
Loan losses	<u>-0.6</u>	<u>-1.2</u>
Net operating profit	21.0	13.5
SELECTED BALANCE SHEET ITEMS, DEC. 31		
Lending	1,053.1	982.1
Deposits, incl. bonds issued	1,331.5	1,212.9
Equity capital	81.3	75.1
Total assets	1,597.0	1,506.8
FINANCIAL RATIOS		
Return on equity, %	19.1	14.4
Equity capital per share, EUR	8.33	7.69
Earnings per share after taxes, EUR	1.50	1.02
Risk-based capital ratio, %	12.6	11.3
Number of offices	28	28
Average number of employees (total hours worked recalculated as full-time equivalents)	345	343

FINANCIAL INFORMATION ON THE BANK OF ÅLAND

The Bank of Åland will publish the following interim reports during the 2001 financial year:

The January–March 2001 interim report will appear on Friday, April 27

The January–June 2001 interim report will appear on Friday, August 17

The January–September 2001 interim report will appear on Friday, October 26

These interim reports will be published on the Internet: www.alandsbanken.fi

They can also be ordered from: Secretariat, Bank of Åland Plc, P.O. Box 3, FIN-22101 Mariehamn, Åland, Finland

The Head Office of the Bank of Åland is in Mariehamn, capital of the autonomous Finnish province of Åland. Located in the Baltic Sea midway between Sweden and Finland, the 6,400-island Åland archipelago has 25,000 inhabitants. Its official language is Swedish.

This translation of the Swedish-language Annual Report uses the international currency codes for European Central Bank euros (EUR), Finnish marks (FIM), U.S. dollars (USD) and Swedish kronor (SEK). At year-end 2000, USD 1 was approximately equal to FIM 6.39 EUR 1 was approximately USD 0.9305.

"The Bank" refers to the Bank of Åland Plc (Ålandsbanken Abp), Parent Company of the Bank of Åland Group. Amounts have generally been rounded off to millions or thousands, but percentage figures, totals, ratios etc. are calculated on the exact amounts. The abbreviation M refers to million(s); 000 means thousand(s). Finnish-language place names are sometimes followed in parentheses by the corresponding Swedish-language place name.



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CHIEF EXECUTIVE OFFICER'S COMMENTS



FOLKE HUSELL

External factors

The US economic expansion continued during 2000 – for the ninth consecutive year. During the summer, more and more signs began to indicate a coming slowdown. In November, consumer confidence weakened sharply, as did the purchasing managers' index. As a result, the US dollar quickly began to decline against the euro.¹ The basic question was whether the world's leading economy, the United States, could succeed in making a soft landing or not. After New Year, the Federal Reserve cut US inter-

est rates more than the market had expected. This was interpreted as meaning that the economic situation was, in fact, worse than the market had realised.

The economic picture in Europe was positive during the year, although our continent –with its more rigid structures – had difficulty achieving the same growth figures as the US. Any sharp downturn in US demand will adversely affect European companies, however. In the European Union, efficiency has nevertheless greatly improved in recent years, and several major EU

¹ The euro is the common currency of twelve countries belonging to the European Union, including Finland. It is being used for financial transactions parallel to the twelve old national currencies until 2002, when euro bank notes and coins will replace all national ones and the old currencies will cease to exist. Until then, the old currencies are pegged to the euro at fixed rates. Other EU countries, including some or all of the countries that are now candidates for EU membership, may choose to join the euro zone in the future.

member countries are now stimulating markets with sizeable tax cuts. These actions will decelerate the economic downturn in the EU and ensure a continued recovery in the euro.

Japan's long-running economic problems are not yet over. The level of domestic consumption in that country remains too low. In addition, there is a clear risk that a US recession will hurt Japan's exports, causing its economy a further loss of momentum.

The Finnish and Swedish economies are still robust. There are even visible tendencies towards overheating in some areas. In Finland, dependence on Nokia and its suppliers is nevertheless increasing. Tax relief in 2001 and continued strong growth in electronics promise rapid growth in the country's gross domestic product (GDP), however.

The pace of inflation in the industrialised world accelerated during 2000, largely due to rising oil prices. In Europe, currency weakness also drove up inflation. In 2001 the opposite is true, so there is probably no imminent inflationary threat.

Stock markets

In the information technology (IT) and telecom sectors, the unrestrained stock market buying spree continued into 2000. This trend reversed in early March. Since then, technology shares in general have fallen sharply. Hardest hit have been IT shares. In Finland and Sweden, many of these have fallen by 70–95 per cent from their peak prices. The number of bankruptcies in this sector is now steadily increasing, and more are expected.

Most of the world's stock exchanges fell during 2000. The HEX All-Share Index of the Helsinki Stock Exchange fell by 10.6 per cent and the HEX Portfolio Index by 24.9 per cent. All leading stock market indexes in Stockholm, New York, Frankfurt, London, Paris and Tokyo ended the year in negative territory.

The banking industry

The demand for credit in the Finnish household market declined somewhat, compared to 1999. Stock market uncertainty probably influenced the propensity to consume. Some saturation of consumer markets was also noticeable. Pent-up consumption needs from the recession years of the 1990s had already been partly satisfied.

Home prices in major metropolitan areas, which had risen sharply for several years, stabilised during 2000. Prices in smaller localities continued to climb, however, probably due to the fact that ever-rising new construction prices began to affect the second-hand market.

Interest in new savings products remained strong. The number of new mutual funds (unit trusts) in the market increased further, as did the supply of share index loans of the type that the Bank of Åland introduced to the Finnish household market late in 1996.

Price competition in the Finnish banking market was generally tough. Towards year-end, however, lending margins widened somewhat. A differentiation in prices connected to borrowers' creditworthiness was also noticeable.

The final deregulation of the deposit market on May 31, 2000 set in motion an intensive competition among banks for deposited funds. Large sums flowed from previously tax-exempt savings accounts to tax-withholding accounts, which undermined the net interest income of the banks.

Due to the increase in short-term interest rates during most of the year, on the other hand, the margin between the interest rates on lending and on low-interest demand accounts widened.

Generally speaking, the banks had very good earnings in 2000. This was also reflected by the upturn in banking sector indexes on the Nordic stock exchanges.

The Bank of Åland

During 2000 the Bank was characterised by business growth on the Finnish mainland, systems development and the creation of new customer-tailored products. Most work proceeded as planned and without disruption during the first year of the new millennium.

Many people perceive the Bank of Åland as their best partner for home mortgage loans. Another of our goals is to establish it as Finland's best bank for deposit-holders.

The Bank of Åland introduced its Prime Account during the year. From a price and functionality standpoint, this new account is the most advanced in the Finnish banking market.

During the year, the Bank further consolidated its market-leading position in share index loans targeted to the household market. The Bank thus arranged three more new share index loans in the household market with a total nominal value of EUR 40 M. In terms of structure or indexing, some of these loans were totally innovative for the Finnish market.

In the autumn, the Bank of Åland became the first bank in Finland to open up an opportunity for private individuals to use the Nobel Prize-winning "modern portfolio theory" allocation model. The Bank has named this product "Personal Financial Planning". Its concept is based on macroeconomic analysis as well as processing of large statistic databases with the help of a sophisticated computer programme that the Bank of Åland helped to develop. Aided by Personal Financial Planning, private individuals can now, for the first time, apply the same investment strategies that major institutional investors have already been using for a decade. Customers who have used the Personal Financial Planning service to date have been impressed and enthusiastic.

During 2000 the Bank implemented its channel strategy, insofar as it signed agreements with four external mutual fund

suppliers to sell their products. In addition to its own mutual funds, this gives the Bank a range of more than one hundred funds that are managed by well-reputed external suppliers. As a result, the Bank is among those with the broadest selections of mutual funds in the market. At the same time, the Bank's objectivity when it comes to recommending the best conceivable products to customers would seem above all doubts. The Bank of Åland wants to give its customers a range of choices, instead of merely recommending its own products.

The Bank's major Internet banking project proceeded as planned. The ambition is to become the leading digital bank for the customer segment we are aiming at. During 2000 we expanded our Internet banking platform, while continuously adding more functionality to the system, for example real-time share trading. We already venture to say that there is no better Internet bank for our customer segment. Yet the most important part remains: implementing our system's options for "personalised" service, a step that will occur gradually during 2001. This will enable us to deliver highly competitive Internet-based banking services even in places where we have no traditional branches.

As a step to enhance the Bank of Åland's service to its Private Banking customers and institutions, during 2000 we established the subsidiary Ålandsbanken Asset Management Ab. A structure in which the employers also own shares in their company enabled us to recruit the requisite expertise to the company right from the start. The Bank's long-term holding in Ålandsbanken Asset Management will amount to at least 70 per cent. The company is located in Helsinki, close to the Bank's Private Banking unit at Bulevardi 3. The company was granted its licence on October 13, 2000, and operations have started up as planned.

The Bank restrained its lending expansion during the year. The loan portfolio grew by 7.2 per cent, which meant that total lending to the public grew to EUR 1,053 M. The increase in deposits totalled 23.4 per cent. At year-end, deposits from the public totalled EUR 1,059 M. For the first time in many years, the Bank had a complete balance between the amount of lending to and deposits from the public. This equilibrium will enable us to be more aggressive about future lending – when this is needed.

Problem loans

Net loan losses decreased to EUR 0.6 M (1.2). The year's loan losses were not due to the Bank's expansion, but to the fact that for reasons of caution, the Bank made provisions for certain old company loans in Åland for which the collateral situation and business prospects had deteriorated. At year-end, total nonperforming loans and other zero-interest receivables amounted to EUR 2.5 M, or 0.2 per cent of loans and guarantees outstanding.

Earnings and trend of earnings

In 2000, net operating profit was EUR 21.0 M (13.5). This is the best earnings level that has been reported in the Bank of Åland's history.

All units in the Bank developed favourably during the year. Especially gratifying was the trend of earnings in branch office operations and in Private Banking, as well as in the capital market sector. Yet it is vital to emphasise that the success of "front office" units is only possible if the support functions behind them function smoothly. It is the Bank as a whole that generates these earnings.

The Bank's hidden reserves in the form of unrealised capital gains on shares were withdrawn in order to offset the share price decline in the portion of Bank shareholdings that is market-valued.

During the year, the Bank invested EUR 2.3 M in start-up companies. In the opinion of the Bank, these investments have not fallen in value.

In 2001 the Bank of Åland has focused on establishing itself as the financial investors' and savers' bank. The restructuring of the Finnish financial market and our systematic development of products, service concepts and IT will give us an excellent opportunity to assert ourselves and to capture profitable market share. In terms of earnings, the Bank is headed towards a good year.

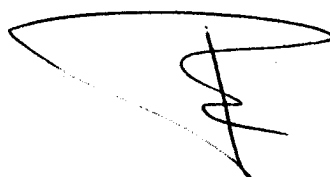
Warm gratitude

In closing, I would like to express my warm gratitude and that of the Bank to all our customers and shareholders. Thank you for the good partnership and for the confidence you showed the Bank of Åland during 2000.

I also want to thank all my fellow employees. You successfully achieved the ambitious, labour-intensive goals that we established a year ago. Your creativity, dedication and endurance are behind our success of recent years. Thanks to you, the Bank of Åland is often associated with fresh thinking in our industry – fresh thinking that, in a number of cases, has given us a market leadership role.

Together we will further strengthen the Bank of Åland's position.

Mariehamn, January 2001



Folke Husell

REPORT OF THE DIRECTORS

BOARD OF MANAGEMENT/BOARD OF DIRECTORS



From the left: ANDERS INGVES, born 1958, member since 1999. JAN TALLQVIST, born 1947, member since 1997; LARS DONNER, born 1948, member since 1986; FOLKE HUSELL, Chairman, born 1945, member since 1982; EDGAR VICKSTRÖM, Vice Chairman, born 1961, member since 1996.

OPERATING RESULTS AND PROFITABILITY

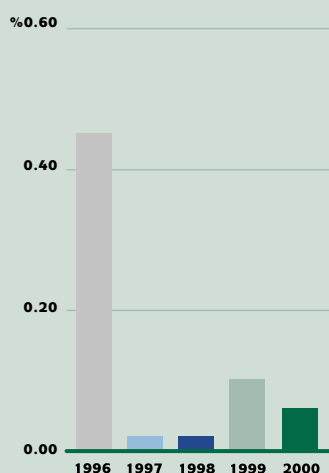
Net income from financial operations

During 2000, consolidated income from financial operations amounted to EUR 32.1 million, an increase of EUR 8.6 M or 36.9 per cent compared to 1999. The improvement was due to growth in lending volume and a sharp increase in deposits from the public. In addition, generally higher interest rates helped boost the return on the Bank's own financial investments.

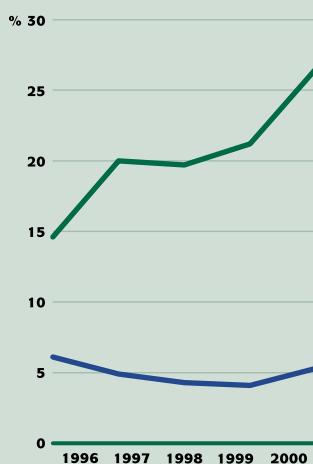
Other income

Dividend income amounted to EUR 0.9 M. During 1999, this item included nonrecurring dividend income of EUR 1.4 M. Commission income rose by 52.7 per cent to EUR 10.5 M. The favourable growth of this income was primarily due to higher commission income from stock brokerage and other capital market products. Net income from the Bank's own securities trading

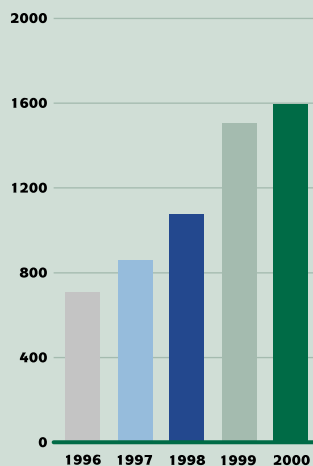
Loan losses as a percentage of receivables and contingent liabilities



- Return on equity capital and reserves
- Yield on 5-year Finnish government bond



Total assets (balance sheet total), EUR M



amounted to EUR 2.6 M, compared to EUR 3.9 M the preceding year. This decrease was due to the fact that to a lesser extent than in 1999, the Bank realised gains on its securities portfolio. Foreign exchange dealing resulted in a net income somewhat higher than in 1999, totalling EUR 1.2 M. Other operating income amounted to EUR 1.9 M, about the same as in 1999.

The effect on income from companies that are consolidated in the accounts according to the equity method amounted to EUR 0.38 M, compared to EUR 0.03 M in 1999.

Total income – net income from financial operations and other income plus the effect on income from companies consolidated according to the equity method – rose by 24.8 per cent to EUR 49.6 M.

Expenses

Salary adjustments in compliance with collective agreements plus wage drift raised staff costs by 4.7 per cent to EUR 14.0 M. Other administrative expenses (office costs, marketing, telecommunications and computer costs) rose by 21.5 per cent to EUR 6.6 M. As a result of new investments in digital banking services, depreciation climbed by 41.6 per cent to EUR 2.5 M. Other operating expenses rose by 6.8 per cent to EUR 4.3 M. This item includes a provision for expenses related to the introduction of the euro.

Total expenses including planned depreciation rose by 11.5 per cent to EUR 27.9 M.

Loan losses

Net loan losses and write-downs on securities held as financial fixed assets, plus recoveries and reversals of loss provisions, amounted to EUR 0.6 M. Reported net loan losses and write-downs as a percentage of the Bank's total receivables and contingent liabilities amounted to 0.06 per cent.

Net operating profit rose by 55.5 per cent to EUR 21.0 M.

Appropriations

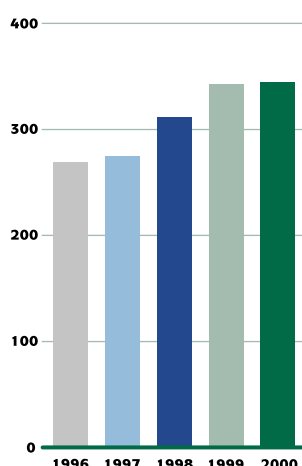
The Bank increased its voluntary provisions by EUR 6.3 M, which is the maximum allowed for tax purposes. After this, accumulated appropriations totalled EUR 20.9 M.

In the consolidated balance sheet, voluntary provisions made by Group companies have been apportioned between the earnings for the financial year and equity capital, on the one hand, and between the change in imputed taxes due and imputed taxes due, on the other hand.

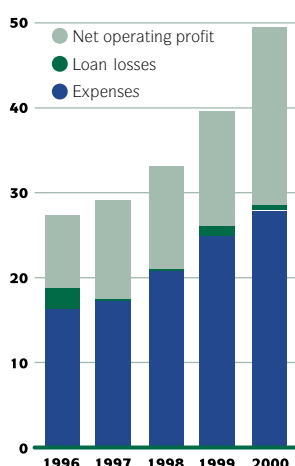
The balance sheet

The balance sheet total climbed 6.0 per cent to EUR 1,597 M.

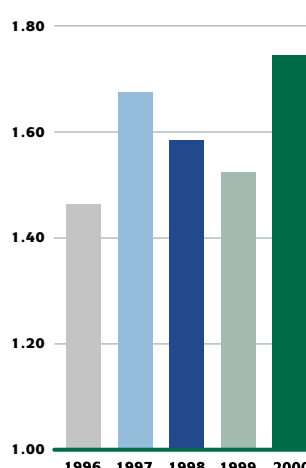
Number of employees
(recalculated as full-time
equivalents)



Net operating profit, EUR M



Income/expense ratio after
loan losses



Personnel

At the close of 2000, the number of employees, recalculated as full-time equivalents, was 345. This represented an increase of 2 positions compared to the close of 1999.

Return on equity

Return on equity, measured as net operating profit divided by the sum of equity capital and reserves on January 1:

	2000		1999	
	EUR M	Return on equity	EUR M	Return on equity
<i>Net operating profit</i>				
<i>before loan losses</i>	21.6	27.3 %	14.7	23.1 %
<i>Net operating income</i>	21.0	26.5 %	13.5	21.2 %

Profit margin

Profit margin is defined as the percentage of total income that remains after subtracting expenses, depreciation, loan losses and taxes. The profit margin of the Bank of Åland Group rose from 24.5 per cent in 1999 to 30.1 per cent in 2000.

Income/expense ratio

This yardstick of efficiency is defined as income divided by expenses including depreciation – before or after loan losses, respectively. A ratio of 1.0 means that income exactly covers expenses.

	2000	1999
Income/expense ratio before loan losses	1.77	1.59
Income/expense ratio after loan losses	1.74	1.52

Capital adequacy

The Group's capital adequacy according to the Credit Institutions Act: Capital adequacy rules require that the capital base

in the form of shareholders' equity and reserves total at least 8 per cent of risk-weighted receivables and contingent liabilities.

	Dec 31, 2000	Dec 31, 1999
<i>Capital base, EUR M</i>		
Core capital	66.0	61.3
Supplementary capital	33.9	25.4
Total capital base, EUR M	99.9	86.7
Risk-weighted volume, EUR M	794.3	766.3
Total capital ratio, %	12.57	11.32
Core capital ratio as percentage of risk-weighted volume	8.31	8.00

Reply to the European Commission

The Bank of Åland was among 120 banks and banking associations in several EU countries that received a "statement of objection" from the European Commission alleging involvement in price-fixing for exchanges of euro zone notes. The Bank of Åland replied to this message. In its opinion, the Commission's claims on this matter are groundless.

Risk management

Risk management in the Bank follows principles and instructions established by the Board of Management.

In the case of corporate loan risks, all customers have a contact person who is familiar with the customer's operations and developments as well as the loan collateral and risks. The Bank has an internal credit evaluation system, which it employs for regular monitoring of corporate customers' financial position and the Bank's related credit risk.

Decisions on loans and bank guarantees are made by the Bank's Board of Management, which may delegate decision-making to certain individuals or groups of individuals with special authorisa-

tions. According to the instructions in force, the Board of Management decides all cases that involve commitments larger than a certain amount. The Board's decision-making right is exercised by its Loan Committee. Large customer commitments are reported both internally and to the Financial Supervision Authority. According to the rules in force, a large customer risk refers to a commitment that is at least 10 per cent of the Bank's capital base.

The creditworthiness of private individuals is judged on the basis of collateral offered and the disposable income of the borrower. A majority of the Bank's loans to private individuals are granted to customers residing in one of the five regions of Finland where the Bank operates, with homes as collateral.

The loan portfolio includes very modest receivables from customers domiciled abroad, and no commitments are located in

crisis-hit parts of the world. The Bank's real estate holdings entail minor risks.

The Capital Market Division manages the Bank's risks in the foreign exchange, money, fixed-interest and equity markets. The basic principle is that the Bank shall avoid risk- and position-taking. The Board of Management has established limits for operations in each field. A separate controller department oversees compliance with the established rules.

The Bank measures and monitors on a daily basis its central risks in these fields. Reports are supplied to division management weekly and in case of deviations also immediately to the Bank's Board of Management. The Bank does not pursue active trading in derivative instruments.

FIVE-YEAR GROUP SUMMARY

(EUR M UNLESS OTHERWISE STATED)

	1996	1997	1998	1999	2000	% change 1999–2000
Revenue	46.5	46.8	56.5	67.2	96.4	43.4
Net income from financial operations	18.8	19.4	21.2	23.4	32.1	36.9
Other income	8.6	9.7	11.9	16.3	17.5	7.4
Other expenses (incl. depreciation)	16.3	17.2	20.8	25.0	27.9	11.5
Loan losses	2.5	0.2	0.2	1.2	0.6	-44.6
<i>Net operating profit</i>	8.6	11.7	12.1	13.5	21.0	55.5
As % of revenue	18.5	25.0	21.4	20.1	21.8	
Extraordinary items	-1.1	0.0	-0.4	0.0	0.0	
Profit before appropriations and taxes	7.5	11.7	11.7	13.5	21.0	55.5
As % of revenue	16.2	25.0	20.8	20.1	21.8	
Equity capital	55.9	58.2	59.9	75.1	81.3	8.3
Total assets	707.8	859.2	1,077.6	1,506.8	1,597.0	6.0
Contingent liabilities	105.1	116.5	102.0	82.1	82.7	0.7
Return on equity, % ¹	11.0	14.8	14.8	14.4	19.1	
Return on total assets, % ²	0.9	1.1	0.9	0.8	1.0	
Equity/assets ratio, % ³	7.9	6.8	5.6	5.0	5.1	
Income/expense ratio before loan losses ⁴	1.71	1.69	1.59	1.59	1.77	
Income/expense ratio after loan losses ⁵	1.47	1.67	1.58	1.52	1.74	
Risk-based capital ratio, %	12.7	13.3	11.0	11.3	12.6	

1 $\frac{\text{Net operating profit minus standard tax}}{\text{Average equity capital}} * 100$

2 $\frac{\text{Net operating profit minus standard tax}}{\text{Average total assets}} * 100$

3 $\frac{\text{Equity capital}}{\text{Total assets}} * 100$

4 $\frac{\text{Net income from financial operations plus other operating income}}{\text{Expenses excluding loan losses}}$

5 $\frac{\text{Net income from financial operations plus other income}}{\text{Costs including loan losses}}$

DEPOSITS

During 2000, the Bank's total deposits, including bonds and certificates of deposit issued to the public and public-sector entities, rose by EUR 119 M or 9.8 per cent and amounted to EUR 1,332 M.

Deposit accounts rose by EUR 201 M or 23.4 per cent and amounted to EUR 1,059 M. Since the tax exemption on deposit accounts ended on June 1, the Bank introduced its Prime Account, with an interest rate tied to the ÅAB Prime reference rate. There was strong interest in this account. At year-end, its share of the Bank's total deposits was 31.2 per cent.

Issues of certificates of deposit and bonds decreased by EUR 82 M or 23.3 per cent. The amount of bonds increased, due to the share index loans issued during the year. The Bank also issued a risk debenture loan to the public in order to strengthen its own capital base. This debenture loan of EUR 12.5 M may be counted as part of the Bank's supplementary capital.

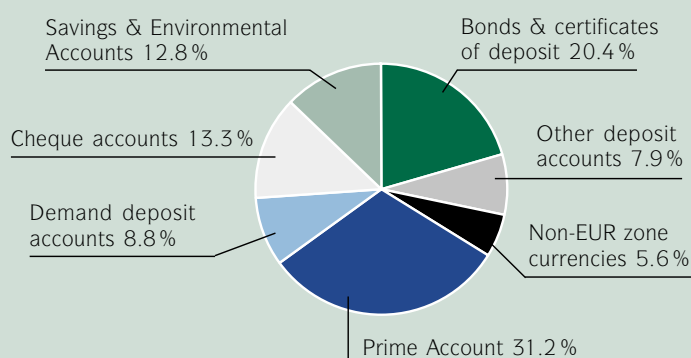
Thanks to favourable growth in deposits and bonds, the Bank reduced its need to refinance in the market for certificates of deposit. As a result, certificates of deposit targeted to the public and the public sector fell by 42.8 per cent to EUR 162 M.

Deposits from the public and public sector entities, including bonds issued and certificates of deposit

EUR M	Dec. 31, 2000	Dec. 31, 1999	% change
<i>Deposits from the public and public-sector entities</i>			
Demand deposit accounts	116.8	147.6	-20.9
Cheque accounts	177.7	157.6	12.7
Savings and Environmental Accounts	170.6	456.8	-62.7
Prime Accounts	415.1	0.0	
Time deposits	<u>105.0</u>	<u>38.9</u>	170.1
Total deposit accounts in EUR zone currencies	985.2	801.0	23.0
Deposit accounts in other currencies	<u>74.1</u>	<u>57.1</u>	29.7
Total deposit accounts	1,059.2	858.1	23.4
Bonds	110.1	71.3	54.4
Certificates of deposit from the public	<u>162.1</u>	<u>283.4</u>	-42.8
<i>Bonds and certificates of deposit</i>	272.3	354.8	-23.3
TOTAL DEPOSITS	1,331.5	1,212.9	9.8



The Environmental Account pays annual interest that is 1.9 percentage points below the Bank of Åland prime rate. However, the maximum interest rate for the Environmental Account is 2.0 per cent. The Bank of Åland donates an amount equivalent to 0.2 per cent of deposits in Environmental Accounts to regional nature conservation and environmental projects. Environmental Account bonuses amounted to FIM 390,000 during 2000.



◀ Total deposits, Dec. 31, 2000

LENDING

The Bank's total lending volume increased by EUR 71 M or 7.2 per cent and amounted to EUR 1,053 M as of December 31, 2000. This increase went towards residential financing. Loans outstanding to the service sector and the public sector declined somewhat, while lending to the production sector rose.

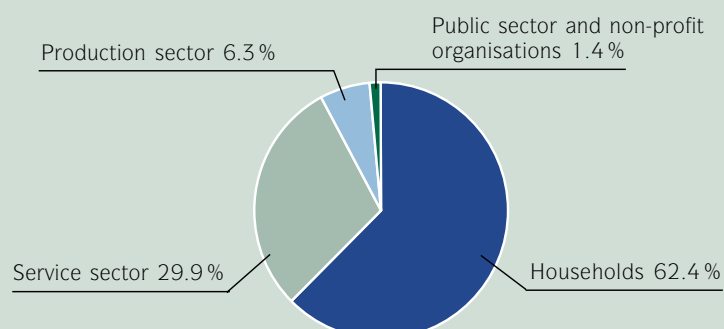
Private households accounted for 62.4 per cent of the Bank's total loans outstanding, while business and professional activities accounted for 36.3 per cent. The corresponding figures in 1999 were 58.3 per cent and 39.9 per cent, respectively.

Lending to the public and public sector entities

(EUR M)	Dec. 31, 2000	Dec. 31, 1999	% change
Overdraft facilities utilised	48.3	49.3	-2.1
Loans	978.3	916.3	6.8
Loans disbursed from Åland government funds	6.8	7.3	-7.0
Lending in foreign currencies	<u>19.7</u>	<u>9.0</u>	117.6
TOTAL LENDING	1,053.1	982.1	7.2

Lending to the public and public sector entities, by sector

(EUR M)	Dec 31, 2000	Dec 31, 1999	% change
BUSINESS AND PROFESSIONAL ACTIVITIES			
<i>Service sector</i>			
Shipping	59.7	66.8	
Communications	11.8	12.7	
Hotels, restaurants, tourist cottages etc.	11.1	11.6	
Wholesale and retail trade	35.7	41.0	
Housing corporations	40.0	41.2	
Real estate activities	55.4	52.9	
Financial activities	73.0	77.8	
Other service business	<u>28.6</u>	<u>25.7</u>	
	315.2	329.6	-4.4
<i>Production sector</i>			
Agriculture, forestry and fishing	29.2	30.9	
Food processing etc.	8.2	9.3	
Construction	12.5	7.6	
Other industry and crafts	<u>16.7</u>	<u>14.4</u>	
	66.6	62.2	7.1
HOUSEHOLDS			
Home loans	528.9	459.0	
Studies	11.4	10.4	
Other purposes (cars, boats, second homes, household appliances etc.)	<u>116.7</u>	<u>103.3</u>	
	657.0	572.7	14.7
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS			
	14.3	17.6	-18.9
TOTAL LENDING	1,053.1	982.1	7.2



◀ Lending to the public, by sector, Dec 31, 2000

A PERSONAL BANK THAT OFFERS GREATER FREEDOM



We offer our customers personal financial planning in the form of one-on-one meetings with our advisors, and soon also via our digital bank. Birgitta Dahlén is the Department Manager in charge of Customer Advisory Services in Åland.

PERSONAL FINANCIAL PLANNING

How should you invest your savings? Allocate money among markets? Who is best at managing money in different markets? How much risk should you take? When should you make changes in your investment portfolio?

These are questions that both institutional investors and private individuals have to ask themselves. In addition to their experience and feelings, however, for many years the professionals have based their investment decisions on macroeconomic analyses and the processing of large statistical databases.

The Bank of Åland's new Personal Financial Planning system now gives private individuals the same opportunities to benefit from sophisticated investment strategies. The system quickly answers the most common questions. In November this product was launched at the Sijoitus – Invest 2000 Nordic investment forum in Helsinki. It is now available at all our offices. Experienced investors and laymen alike have responded very positively to the product.

The concept behind Personal Financial Planning is taken from Professor Harry Markowitz's Nobel Prize-winning discovery, modern portfolio theory. This theory is based on the fact that an equity that provides a high return has sharp fluctuations. How-

ever, there is almost always another equity that will decline when the first one rises – they act as opposite poles during upturns and downturns. Personal Financial Planning searches out these opposite poles and provides background data for a suitable allocation of investments. Risks in the customer's financial portfolio can be reduced without sacrificing expected return.

In order to offer its customers maximum freedom of choice and flexibility, the Bank of Åland has also developed a network of collaboration partners. Aside from close ties with its own mutual fund (unit trust) company, the Bank works intimately with such leading mutual fund companies as Alfred Berg, FIM, Fidelity and Evli.

Today the Bank of Åland's product range includes more than one hundred carefully selected mutual funds, which we rank and combine in such a way that the mix offers an "efficient frontier". Together with their advisors, today it is easier for the Bank's investment customers to choose investment portfolios that provide optimal return at each personally selected risk level. During 2001, Personal Financial Planning will also be offered to customers via our digital bank.



The Internet office opens up completely new possibilities. Account Executive Heidi Ståhlström and Investment Manager Christer Fagerström keep close track of mutual funds and the wider stock market.



Ålandsbanken Asset Management Ab in Helsinki (Helsingfors) takes overall responsibility for its customers' finances. Here, Managing Director Stefan Törnqvist discusses investment strategy with some of his colleagues.

DIGITAL DEVELOPMENT EFFORTS CONTINUE

In 2000 the Bank's new Internet office was placed in permanent service. The first phase began during the autumn of 1999. New functionality was gradually added during the year, as planned. Concurrently, the Bank undertook a major effort to renew its web site, which was launched in February 2001.

During 2000 it became possible to open and manage securities accounts directly over the Internet. Customers can monitor share prices, buy shares on the Helsinki Stock Exchange and choose for themselves what stock market messages will be supplied to them over the Net. It is also possible to subscribe for funds managed by the Bank of Åland's mutual fund company.

Account information over the Net has been further improved. Customers can examine their transactions 18 months back in time and sort them by date, amount, transaction type, recipient, payer and type of currency. Those who have VISA cards can keep track of transactions, balances and limits. It is also possible to handle international payments over the Internet. In addition, the site provides information on interest rates, currency exchange rates, key financial ratios as well as historical data and charts for mutual fund companies and all companies listed on the Helsinki Stock Exchange.

Given the Internet office's sorting capabilities, the Bank of Åland's solution is already operating in the way that several of our competitors define personalised banking services. During 2001, Bank of Åland will offer its full banking platform. Our ability to "personalise" digital service means that the Bank can offer competitive service even in places where we have no traditional branches. The selection of mutual funds is being further improved. Credit functions and E-commerce are being added.

The Bank of Åland's new Personal Financial Planning product is offered over the digital channel. It is becoming possible to conduct a customer dialogue and provide advisory services over the Internet. Our customers will also be able to subscribe to market reports and macro analyses.

Giving our customers the freedom to decide for themselves when and how to manage their banking transactions is the guiding principle of the Bank of Åland's digital development work. What was a dream yesterday is reality today. The enthusiasm of our customers gives us an indication that there are new dreams that we can also help to come true.

ÅLANDSBANKEN ASSET MANAGEMENT

Ålandsbanken Asset Management Ab is an important element of the Bank's services to its private banking customers and institutions. The company is a subsidiary of the Bank of Åland and offer a comprehensive selection of asset management services.

Ålandsbanken Asset Management Ab has the resources to manage its customers' finances in their entirety. The company puts together comprehensive solutions that may consist of portfolio management, insurance alternatives, financing arrangements and banking services. Aside from direct investments in equities and fixed-interest instruments, portfolio managers use share index loans as well as mutual funds.

The strength of Ålandsbanken Asset Management Ab is its fund portfolios, where customer portfolios can include investments from all the funds managed by the Bank's collaborating companies. Customers' fund holdings are reported as a whole and impartially managed and judged by their contact person.

THE PRIME ACCOUNT – A SUCCESSFUL LAUNCH

When the tax exemption on deposit accounts ended on June 1, 2000, the Bank of Åland introduced its Prime Account. This new type of account has the best interest rate terms in the market. The interest rate is based on a tiered model, with larger amounts paying higher interest rates. By concentrating their business at the Bank of Åland, customers can influence their own savings interest rate – flexibly.

The market responded very favourably. After only seven months, the Prime Account had attracted nearly one third of the Bank's total deposit accounts. Existing customers discovered the advantages of the account, and it attracted a gratifyingly large number of new customers.

Better interest rate – step by step

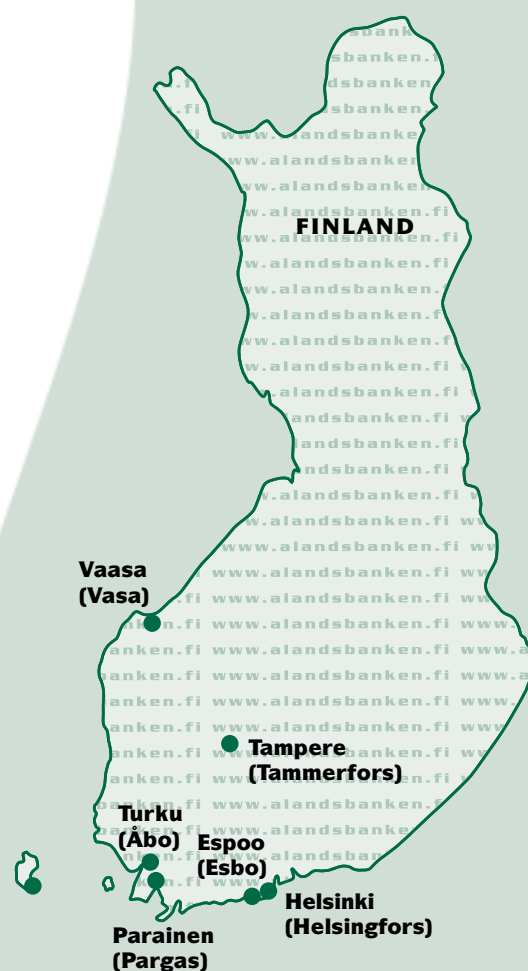
The interest rate on the Prime Account is pegged to the Bank of Åland prime rate (ÅAB prime). When the ÅAB prime rate changes, the interest rates on the Prime Account are adjusted accordingly.

The Prime Account creates freedom to utilise on the whole scale of banking services. The customer can connect it to bank cards, Internet office services, lines of credit and other banking services as needed.

Account balance, FIM	ÅAB prime rate – margin	Regular interest rate*
0–49,999	ÅAB prime rate – 6.00 points	0 %
50,000–149,000	ÅAB prime rate – 2.00 points	3.00 %
150,000–299,999	ÅAB prime rate – 1.50 points	3.50 %
Over 300,000	ÅAB prime rate – 1.00 points	4.00 %

*1) Interest rate since September 5, 2000, before 29% withholding tax. ÅAB prime rate 5.00%.

Bank of Åland offices in Finland



Åland

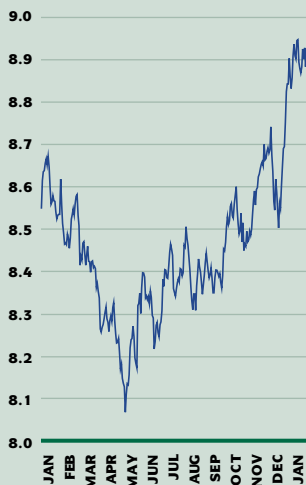
Head office in MARIEHAMN
and 20 local branch offices

FOREIGN EXCHANGE AND CAPITAL MARKETS

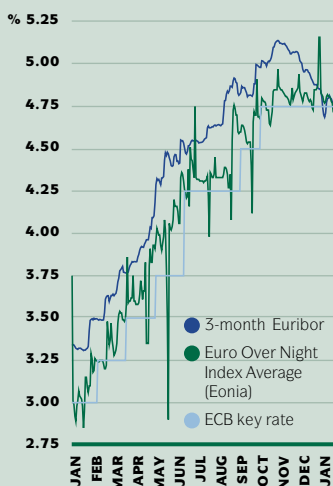
EUR/USD exchange rates, 2000



EUR/SEK exchange rates, 2000



Money market



General

The transition to the new millennium was problem-free for the financial market. However, 2000 was a turbulent year of dramatic price movements in the foreign exchange and stock markets.

The foreign exchange market

The economic recovery in the Economic and Monetary Union (EMU) countries was strong during the year. However, this did not strengthen the common currency. The euro continued to weaken against the US dollar until late October, when it bottomed out at USD 0.8269 to the euro. By the time the turnaround came, the euro had weakened by 30 per cent against the dollar since the introduction of the common currency on January 4, 1999.

This trend worried the central banks, which intervened with extensive buying on September 22 to support the euro. All major central banks participated in this action, which was followed by other actions, but then with the European Central Bank (ECB) as the sole participant. These steps yielded the desired effect. Then the sharp slowdown in the US economy in the late autumn brought about a definitive reversal in the euro's downward trend. From its low point on October 25, the euro climbed about 13 per cent by year-end.

The Swedish krona began the year strongly. In April, it climbed to an exchange rate of SEK 8.07 to the euro. Despite a continued high growth rate in the Swedish economy, the krona nevertheless weakened during the autumn and ended 2000 lower than it began. One contributing reason was that Swedish insurance companies were poised to reallocate pension assets, which will entail a major shift from Swedish-based investments to savings in foreign securities. In SEK/FIM terms, the krona peaked at 0.7368, then fell to 0.6703.

The yen weakened when international interest in purchasing the shares of Japanese technology companies waned early in the year. When the world economy showed signs of deceleration, the yen lost even more of its attraction. It became clear that a much hoped-for recovery in the Japanese economy would again fail to materialise. On December 31, 2000, the yen exchange rate was JPY 107.79 per USD, compared to JPY 103.15 at the beginning of 2000.

The money and bond markets

Rising oil prices and increasingly strong economies caused both the ECB and the US Federal Reserve to raise their key interest rates early in the year. In May, the American central bank implemented its sixth and final rate hike during this economic cycle. In

August the Bank of Japan abandoned its 18-month long zero interest rate policy. In October, the ECB made the final upward adjustment in its key rate.

The large differences in the economic structure of EMU member countries were accentuated. Peripheral areas, notably Ireland and Finland, showed substantially higher growth and inflation rates than Germany and Italy. Taking into account that the ECB must adapt its monetary policy to the needs of EMU's large core countries, the situation was not worry-free for fast-growing countries.

At year-end, cyclical indicators pointed towards a sharper slowdown in the US than expected. By New Year, it was clear that an interest rate cut in the US was imminent.

Most Finnish commercial banks changed their prime rates three times during the year. The prime rates of all commercial banks stood at 5.00 per cent at the end of 2000.

The stock market

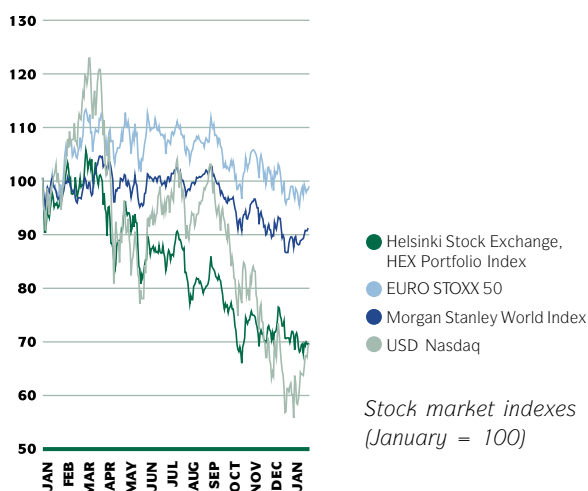
The 2000 stock market year began with a rally in the shares of IT, electronic and telecom companies. Seemingly trivial company news triggered sharp price surges. Newly listed shares saw their prices double within the space of a few days. In early March, however, the bubble burst, and the rest of the year was a challenging period for the industry. The share prices of most small companies fell by 70-90 per cent from their peak, but shares of large companies also fell by 50 per cent. The exception was Nokia, whose weight limited the decline in the HEX All-Share Index to 10.59 per cent. The HEX Portfolio Index, however, fell by 24.85 per cent.

This correction in the technology sector was not a specifically Finnish phenomenon. The stock market decline began in the US. From its peak early in the year, the Nasdaq index lost 39.28 per cent.

In April, the Bank of Åland's bond programme was approved. Within the limits of this programme, the Bank issued three share index loans and a debenture loan during the year.

The debenture loan, which was issued in July, totalled EUR 12.5 M. Its maturity is 5 years, with 5.25 per cent fixed interest.

During the year, the Bank successfully issued three different share index loans, totalling about EUR 40 M in sales. In May, it issued the Pharma Share Index Loan, in July the Europe Blue Chip Share Index Loan and in November the Finance Share Index Loan.



FACTS ON BANK OF ÅLAND SHARES

Share capital

The share capital of the Bank of Åland is FIM 117,124,068. The maximum share capital according to the Articles of Association is FIM 192 M. The nominal value of each share is FIM 12.

The shares are divided into 5,180,910 Series A and 4,579,429 Series B shares. Each Series A share represents twenty (20) votes at shareholders' meetings and each Series B share one (1) vote. Series B shares enjoy priority over Series A shares for dividends of up to six (6) per cent of nominal value.

Changes in share capital

	Share capital, FIM	Series A shares	Series B shares
1996	80,000,000	4,320,000	3,680,000
1997	80,000,000	4,320,000	3,680,000
1998	80,162,000	4,320,000	3,696,200
1999	117,082,776	5,180,910	4,575,988
2000	117,124,068	5,180,910	4,579,429

Convertible capital loan

During the spring of 1997, the Bank of Åland issued a convertible capital loan of FIM 100 M to the public. The capital loan pays annual interest of six (6) per cent and falls due for payment in its entirety on April 2, 2007.

	Issued	Conversions recorded in Finnish Trade Registry	Remaining
Amount, FIM	100,000,000	13,790,000	86,210,000
Number of loan certificates:	10,000	1,379	8,621
Equivalent number of Series B shares	1,095,546	138,615	956,931

By January 31, 2001, an additional 2,477 loan certificates, equivalent to FIM 24,770,000 or 274,947 Series B shares, had been converted. The remaining principal amount of the capital loan is FIM 61,440,000.

Conversion terms

The conversion price per share is FIM 90.01416. Each loan certificate with a nominal value of FIM 10,000 may thus be converted into 111 Series B shares with a nominal value of FIM 12 per share. The resulting difference of FIM 8.43 is being repaid in cash.

The right of conversion for the loan began on April 2, 1998 and ends when the loan reaches maturity. Conversion may take place each year during the period April 2 – January 31. By converting the loan certificates remaining on December 31, 2000, the number of Series B shares in the Bank may rise by 956,931, equivalent to an increase of FIM 11,483,172 in share capital.

Warrants

In 1998, the Bank of Åland issued 1,000,000 warrants to Bank employees.

Terms of share subscription

Each warrant entitles the holder to subscribe for one (1) Series B share with a nominal value of FIM 12. The warrants are divided into four series, with a maximum of 250,000 warrants in each series. The share subscription period for Series I began on April 1, 2000. It begins for Series II on April 1, 2001, for Series III on April 1, 2002 and for Series IV on April 1, 2003. Subscription may take place each year during the period April 1 – January 31 and the subscription period ends for all warrant certificates on December 30, 2003. The subscription price per share is:

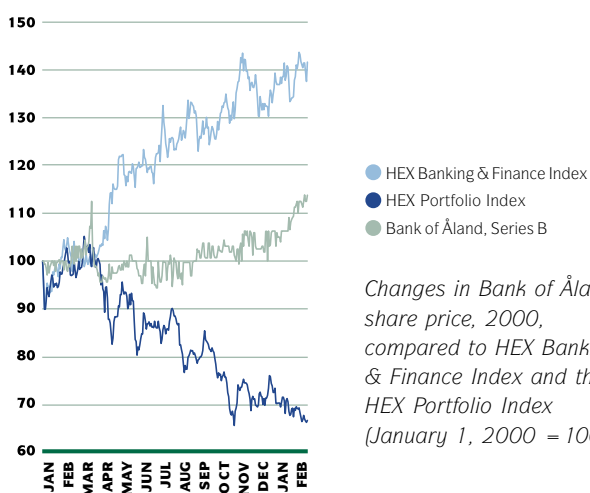
Series I	FIM 89.51	
Series II	FIM 94.51	(to be lowered by the dividends per share paid during 2001)
Series III	FIM 99.51	(to be lowered by the sum of dividends per share paid during 2001–2002)
Series IV	FIM 104.51	(to be lowered by the sum of dividends per share paid during 2001–2003)

Of all Series I warrants, 310 had been used for subscriptions to Series B shares as of January 31, 2001.

Trading in the Bank's shares

During 2000, the volume of trading in the Bank's Series A shares on the Helsinki Stock Exchange was EUR 5.4 M. Their average price was EUR 16.88. The highest quotation per share was EUR 18, the lowest EUR 15.30. Trading in Series B shares totalled EUR 9.0 M at an average price of EUR 16.10. The highest quotation was EUR 18, the lowest EUR 15.00.

On December 31, 2000, the number of registered shareholders was 9,557. There were also 112,149 shares registered in the names of trustees. Of the Bank of Åland's shares, 14,094 have not yet been exchanged from certificates to the book-entry share account system.



Changes in Bank of Åland share price, 2000, compared to HEX Banking & Finance Index and the HEX Portfolio Index (January 1, 2000 = 100).

The Bank of Åland web site is helpful, informative, thoughtful and aware. (Photo: Peter Karlsson).

The ten largest shareholders

Shareholder	Series A shares	Series B shares	Total number of shares	% of shares	% of votes
1. Alandia-bolagen (insurance group)	733,886	364,045	1,097,931	11.3	13.9
– Redarnas Ömsesidiga försäkringsbolag (marine insurance)	408,282	177,735	586,017	6.0	7.7
– Försäkrings Ab Pensions Alandia (pension insurance)	129,960	83,040	213,000	2.2	2.5
– Försäkringsaktiebolaget Alandia (property insurance)	127,548	43,032	170,580	1.8	2.4
– Försäkringsaktiebolaget Liv-Alandia (life insurance)	68,096	60,238	128,334	1.3	1.3
2. Ålands Ömsesidiga Försäkringsbolag (insurance company)	552,331	111,960	664,291	6.8	10.3
3. Ab Chips Oy Ltd (food processing company)	456,577	–	456,577	4.7	8.4
4. Caelum Oy (investment company)	265,440	179,700	445,140	4.6	5.1
5. Mattsson Rafael / Ab Rafael	348,670	3,248	351,918	3.6	6.4
– Mattsson Rafael	180,912	542	181,454	1.9	3.3
– Ab Rafael	167,758	2,706	170,464	1.7	3.1
6. Wiklöf Anders	231,506	89,504	321,010	3.3	4.4
7. Ålandsbankens Pensionstiftelse r.s. (The Bank's pension fund)	190,295	80	190,375	2.0	3.5
8. Nacawi Ab (investment company)	60,000	76,267	136,267	1.4	1.2
9. Verdandi-Bolagen (insurance group)	66,360	50,400	116,760	1.2	1.3
– Pensionsförsäkringsaktiebolaget Verdandi (pension insurance)	37,560	31,200	68,760	0.7	0.7
– Livförsäkringsaktiebolaget Verdandi (life insurance)	28,800	19,200	48,000	0.5	0.6
10. Palkkiyhtymä Oy (investment company)	60,000	40,000	100,000	1.0	1.1

Shareholders by size of holding

Number of shares	Number of shareholders	Total number of shares held	Average holding
1 – 100	3,661	168,168	46
101 – 1,000	4,083	1,385,106	339
1,001 – 10,000	1,013	2,439,326	2,408
10,001 –	85	5,641,496	66,371
Shares registered in name of trustee		112,149	
Share certificates not yet exchanged		14,094	

Shareholders by category

Category	Number of shares	% of shares
Private individuals	4,658,912	47.8
Corporations	2,072,974	21.2
Insurance companies	1,878,982	19.2
Banks	15,776	0.2
Other financial institutions	6,045	0.1
Government organisations	486,252	5.0
Non-profit organisations	292,654	3.0
Foreign investors	222,501	2.3
Shares registered in name of trustee	112,149	1.1
Share certificates not yet exchanged	14,094	0.1

Shareholdings by members of the Board of Management and the Supervisory Board

	Series A shares	Series B shares	% of shares	% of votes
Board of Management	18,601	25,889	0.5 %	0.4 %
Supervisory Board	281,730	115,712	4.1 %	5.3 %

Members of the Board of Management also owned 60 loan certificates of the capital loan issued by the Bank of Åland in 1997. These may be converted to 6,660 Series B shares plus 52,100 warrants, which may be used to subscribe for an equal number of Series B shares. Capital loan and warrant holdings by members of the Board of Management entitle them to a maximum theoretical holding of 1.05 per cent of the Bank of Åland's share capital.

Bank of Åland shares traded, Helsinki Stock Exchange

Year		Thousands of shares	Volume as % of shares	Price paid: Highest* / Lowest*	Average price*
1996	A	214	4.5	15.02 – 11.97	12.81
1996	B	1,497	47.3	14.79 – 11.64	12.94
1997	A	349	8.1	16.90 – 13.31	14.70
1997	B	1,044	28.4	17.70 – 12.75	14.46
1998	A	70	1.6	18.70 – 15.71	17.41
1998	B	642	17.4	17.85 – 14.70	16.39
1999	A	422	8.3	18.95 – 15.14	15.44
1999	B	622	13.9	17.20 – 15.05	15.86
2000	A	319	6.2	18.00 – 15.30	16.88
2000	B	556	12.1	18.00 – 15.00	16.10

* Reported in EUR

Bank of Åland (Group) share data

	1996	1997	1998	1999	2000	% change 1999–2000
Number of shares, M	8.00	8.00	8.02	9.76	9.76	
Average number of shares, M, adjusted for issues	8.88	8.98	9.00	9.54	9.76	
Number of shares at year-end, M, adjusted for issues	8.98	8.98	9.00	9.76	9.76	
Earnings per share, EUR ¹	0.70	0.94	0.97	1.02	1.50 ⁹	47.3
Dividend per share, EUR ²						
Series A	0.841	0.883	0.883	0.883	1.009	
Series B	0.841	0.883	0.883	0.883	1.009	
Dividend per share, EUR, adjusted for issues						
Series A	0.749	0.786	0.786	0.883	1.009	14.3
Series B	0.749	0.786	0.786	0.883	1.009	14.3
Dividend payout ratio ³	78.2	60.4	59.3	63.8	48.3	
Equity capital and reserves per share, EUR ⁴	6.22	6.48	6.66	7.69	8.33 ⁹	8.3
Market price per share, EUR ⁵						
Series A	16.65	19.01	18.50	15.60	18.00	
Series B	15.56	19.51	17.36	15.80	17.00	
Market price, adjusted for issues, EUR ⁵						
Series A	14.81	16.90	16.45	15.60	18.00	15.4
Series B	13.88	17.40	15.74	15.80	17.00	7.6
Price/earnings ratio, Series A ⁶	21.3	18.0	17.2	15.3	12.0	
Price/earnings ratio, Series B ⁶	19.9	18.5	16.1	15.5	11.3	
Effective dividend yield, % ⁷						
Series A	5.1	4.6	4.8	5.7	5.6	
Series B	5.4	4.5	5.1	5.6	5.9	
Yield incl. tax compensation according to avoiv fiscal, % ⁸						
Series A	7.0	6.5	6.6	7.9	7.9	
Series B	7.5	6.3	7.1	7.8	8.4	
Market capitalisation, EUR M ⁵	129.2	153.9	144.1	153.1	171.1	11.7

1 $\frac{\text{Net operating income} - \text{standard tax}}{\text{Average number of shares, adjusted for new issues}}$

2 The Board of Management's proposal to the Annual General Meeting.

3 $\frac{\text{Dividend for the year}}{\text{Net operating profit}} * 100$

4 $\frac{\text{Equity capital} + \text{reserves} - \text{imputed taxes due}}{\text{Number of shares at year-end, adjusted for new issues}}$

5 At year-end.

6 $\frac{\text{Year-end share price, adjusted for new issues}}{\text{Earnings per share}}$

7 $\frac{\text{Dividend, adjusted for new issues}}{\text{Year-end share price, adjusted for new issues}}$

8 $\frac{\text{Dividend, adjusted for new issues} + \text{tax compensation}}{\text{Year-end share price, adjusted for new issues}}$

9 If all warrants and subscription rights to which the convertible capital loan is entitled are exercised, earnings per share are EUR 1.40 and the ratio "equity capital and reserves per share" is higher than the figure presented in the table.

ÅLANDSBANKEN FONDBOLAG AB

Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). During 2000, it managed the following mutual funds (unit trusts):

Ålandsbanken Euro Bond – medium-term bond fund with euro-denominated investments

Ålandsbanken Europe Active Portfolio – flexible European balanced fund

Ålandsbanken Global Blue Chip – global equities fund that invests in shares of market-leading companies

Ålandsbanken Share Index Loan – unique share index loan fund

All the mutual funds that the company manages are registered in Finland and comply with the Act on Mutual Funds.

Fondernas placeringsverksamhet handhas av Ålandsbanken Abp.

The investment strategies of the funds are adapted to the objectives of different customer categories.

All the mutual funds are marketed by the Bank of Åland Plc.

Investments in the funds managed by Ålandsbanken Fondbolag Ab can also be made via Skandia Life's unit-link insurance plans.

Figures on the mutual funds

	Euro Bond	Europe Active Portfolio	Global Blue Chip	Share Index Loan
Number of unit holders	84	1,662	1,925	271
Number of units, Series B	356,984.1686	794,183.5045	594,394.4081	310,057.9988
Number of units, Series A	–	92,167.9274	18,362.0062	–
Size of mutual fund, EUR	6,439,915	18,137,738	11,712,623	5,309,041
Unit price, Dec. 31, 2000, EUR	18.04	20.46	19.11	17.12
Change in value, 2000, %	4.64	-2.53	-14.30	-3.66

The number of unit holders on December 31, 2000 was 3,940 and total assets under management were EUR 41,599,317.

During 2000 the international equity markets were highly difficult to assess and volatile, mainly due to uncertainty about the direction of the American economy. This was also reflected in

the performance of the funds. The year was characterised by sharp rises in value and subsequent corrections of valuation levels. After a long period of weakening, the euro strengthened towards year-end.

ÅLANDSBANKEN ASSET MANAGEMENT AB

Ålandsbanken Asset Management Ab is a subsidiary of Ålandsbanken Plc. The company offers customers a comprehensive range of asset management services.

During the difficult autumn for the stock market, the company's strategy was largely dominated by fixed-interest securities

and value-oriented equities. There was favourable growth in the value of its managed portfolios. To ensure that the company has the resources to respond to an expansion in its customer base, it will increase its number of specialists during 2001.

CONSOLIDATED INCOME STATEMENT

(EUR 000)

	Jan 1–Dec 31, 2000		Jan 1–Dec 31, 1999		
Interest income		78,976		50,662	
Interest expenses		<u>-46,915</u>		<u>-27,250</u>	
NET INCOME FROM FINANCIAL OPERATIONS		32,061		23,412	
Income from equity investments		932		2,597	
Commission income		10,474		6,860	
Commission expenses		-485		-403	
Net income from securities transactions and foreign exchange dealing					
<i>Net income from securities transactions</i>		2,619		3,896	
<i>Net income from foreign exchange dealing</i>		<u>1,183</u>	3,801	<u>989</u>	4,884
Other operating income		1,891		1,887	
Administrative expenses					
<i>Staff costs</i>					
<i>Wages and salaries</i>		11,615		10,949	
<i>Pensions</i>		1,469		1,542	
<i>Other social security costs</i>		<u>932</u>	14,017	<u>893</u>	13,384
<i>Other administrative expenses</i>		<u>6,599</u>	-20,616	<u>5,431</u>	-18,815
Depreciation and write-downs of tangible and intangible assets		-2,490		-1,758	
Other operating expenses		-4,321		-4,047	
Loan and guarantee losses		-638		-1,139	
Write-downs of securities held as financial fixed assets		0		-22	
Share of operating results of company consolidated according to the equity method		<u>378</u>		<u>40</u>	
NET OPERATING PROFIT		20,988		13,495	
PROFIT BEFORE APPROPRIATIONS AND TAXES		20,988		13,495	
Income taxes					
<i>Taxes for the year and previous years</i>		4,237		3,488	
<i>Change in imputed tax due</i>		<u>1,973</u>	-6,209	<u>466</u>	-3,954
Minority share of profit for the year		<u>16</u>		<u>0</u>	
PROFIT FOR THE YEAR		14,795		9,541	

CONSOLIDATED BALANCE SHEET

(EUR 000)

ASSETS	Dec 31, 2000		Dec 31, 1999	
Liquid assets		16,503		57,324
Debt securities eligible for refinancing with central banks				
<i>Treasury bills</i>	82,432		0	
<i>Other</i>	<u>132,206</u>	214,639	<u>209,731</u>	209,731
Claims on credit institutions				
<i>Repayable on demand</i>	1,970		695	
<i>Other</i>	<u>208,560</u>	210,529	<u>181,973</u>	182,669
Claims on the public and public sector entities		1,053,115		982,061
Leasing assets		1,191		880
Debt securities		30,543		14,431
Shares and participations		16,772		13,257
Shares and participations in the Group's associated companies		5		5
Shares and participations in Group companies		1,411		2,457
Intangible assets		4,546		4,284
Tangible assets				
<i>Real estate as well as shares and participations in real estate corporations</i>	13,263		13,421	
<i>Other tangible assets</i>	<u>3,279</u>	16,541	<u>3,678</u>	17,099
Other assets		15,551		9,913
Accrued income and prepayments		<u>15,630</u>		<u>12,686</u>
		1,596,976		1,506,795

CONSOLIDATED BALANCE SHEET

(EUR 000)

LIABILITIES AND EQUITY CAPITAL	Dec 31, 2000		Dec 31, 1999	
Liabilities				
Liabilities to credit institutions				
<i>Repayable on demand</i>	169		1,824	
<i>Other</i>	<u>83,152</u>	83,321	<u>82,553</u>	84,377
Liabilities to the public and public sector entities				
<i>Deposits</i>				
<i>Repayable on demand</i>	934,719		795,550	
<i>Other</i>	<u>124,275</u>	1,058,994	<u>62,460</u>	858,010
<i>Other liabilities</i>	<u>6,842</u>	1,065,836	<u>7,425</u>	865,435
Debt securities issued to the public				
<i>Bonds</i>	73,146		46,798	
<i>Other</i>	<u>206,865</u>	280,011	<u>377,471</u>	424,269
Other liabilities		33,004		21,392
Accrued expenses and deferred income		10,220		7,620
Subordinated liabilities		22,489		10,000
Imputed taxes due		6,047		4,074
Minority share of capital		243		0
Equity capital				
Share capital		19,699		19,692
Share premium account		9,721		9,676
Revaluation reserve		852		852
Reserve fund		25,129		25,129
Capital loan		14,499		14,552
Profit brought forward		11,109		10,186
Profit for the year		<u>14,795</u>		<u>9,541</u>
		1,596,976		1,506,795
OFF-BALANCE SHEET				
COMMITMENTS				
Commitments given to a third party on behalf of a customer				
<i>Guarantees and pledges</i>	<u>11,517</u>	11,517	<u>13,676</u>	13,676
Irrevocable commitments given in favour of a customer		<u>71,137</u>		<u>68,404</u>
		82,653		82,079

PARENT COMPANY INCOME STATEMENT

(EUR 000)

	Jan 1–Dec 31, 2000		Jan 1–Dec 31, 1999	
Interest income		78,877		50,538
Net leasing income		172		137
Interest expenses		<u>-46,971</u>		<u>-27,268</u>
NET INCOME FROM FINANCIAL OPERATIONS		32,077		23,408
Income from equity investments				
<i>In Group companies</i>		0		1,403
<i>In the Group's associated companies</i>		92		87
<i>In other companies</i>		<u>841</u>	932	<u>1,107</u>
				2,597
Commission income		9,993		6,710
Commission expenses		-485		-403
Net income from securities transactions and foreign exchange dealing				
<i>Net income from securities transactions</i>		2,619		3,896
<i>Net income from foreign exchange dealing</i>		<u>1,183</u>	3,801	<u>989</u>
				4,884
Other operating income		1,928		1,900
Administrative expenses				
<i>Staff costs</i>				
<i>Wages and salaries</i>		11,392		10,846
<i>Pensions</i>		1,431		1,523
<i>Other social security costs</i>		<u>920</u>	13,743	<u>887</u>
				13,256
<i>Other administrative expenses</i>		<u>6,469</u>	-20,213	<u>5,372</u>
				-18,628
Depreciation and write-downs on tangible and intangible assets		-2,461		-1,737
Other operating expenses		-4,265		-4,000
Loan and guarantee losses		-968		-1,153
Write-downs and reversals of write-downs on securities held as financial fixed assets		<u>258</u>		<u>-22</u>
NET OPERATING PROFIT		20,600		13,557
PROFIT BEFORE APPROPRIATIONS AND TAXES		20,600		13,557
Appropriations		-6,300		-1,663
Income taxes		<u>-4,237</u>		<u>-3,092</u>
PROFIT FOR THE YEAR		10,063		8,802

PARENT COMPANY BALANCE SHEET

(EUR 000)

ASSETS	Dec 31, 2000	Dec. 31, 1999
Liquid assets	16,503	57,324
Debt securities eligible for refinancing with central banks	214,639	209,731
Claims on credit institutions		
<i>Repayable on demand</i>	1,970	695
<i>Other</i>	<u>208,560</u>	<u>181,973</u>
Claims on the public and public sector entities	1,053,115	982,061
Leasing assets	1,191	880
Debt securities	30,543	14,431
Shares and participations	16,522	13,257
Shares and participations in the Group's associated companies	5	5
Shares and participations in Group companies	2,351	2,857
Intangible assets	4,511	4,250
Tangible assets		
<i>Real estate as well as shares and participations in real estate corporations</i>	13,263	13,421
<i>Other tangible assets</i>	<u>3,229</u>	<u>3,672</u>
Other assets	15,639	9,902
Accrued income and prepayments	<u>15,585</u>	<u>12,694</u>
	1,597,625	1,507,152

PARENT COMPANY BALANCE SHEET

(EUR 000)

LIABILITIES AND EQUITY CAPITAL	Dec 31, 2000		Dec 31, 1999	
Liabilities				
Liabilities to credit institutions				
<i>Repayable on demand</i>		169		1,824
<i>Others</i>	<u>83,152</u>	83,321	<u>82,553</u>	84,377
Liabilities to the public and public sector entities				
<i>Deposits</i>				
<i>Repayable on demand</i>	934,962		795,639	
<i>Other</i>	<u>124,275</u>	1,059,237	<u>62,460</u>	858,100
<i>Other liabilities</i>	<u>6,842</u>	1,066,079	<u>7,425</u>	865,525
Debt securities issued to the public				
<i>Bonds</i>		73,146		46,798
<i>Other</i>	<u>208,185</u>	281,331	<u>377,971</u>	424,769
Other liabilities		32,970		21,380
Accrued expenses and deferred income		10,197		7,607
Subordinated liabilities		22,489		10,000
Accumulated appropriations				
Difference between recorded and planned depreciation		250		250
Reserves		20,600		14,300
Equity capital				
Share capital		19,699		19,692
Share premium account		9,721		9,676
Revaluation reserve		852		852
Reserve fund		25,129		25,129
Capital loan		14,499		14,552
Profit brought forward		425		241
Profit for the year		<u>10,063</u>		<u>8,802</u>
		1,597,625		1,507,152
OFF-BALANCE SHEET				
COMMITMENTS				
Commitments given to a third party on behalf of a customer				
<i>Guarantees and pledges</i>	<u>11,517</u>	11,517	<u>13,676</u>	13,676
Irrevocable commitments given in favour of a customer		<u>71,137</u>		<u>68,404</u>
		82,653		82,079

ACCOUNTING PRINCIPLES

General

The accounts of the Bank of Åland Plc (Ålandsbanken Abp) and the Bank of Åland Group have been drawn up in accordance with the current provisions of the Finnish Credit Institutions Act and in compliance with the regulations of the Financial Supervision Authority. Figures in the financial statements are based on the original values of business transactions unless otherwise mentioned. Income and expenses booked in the income statements are accrued in accordance with the performance principle. Comparative figures for previous accounting periods have been recalculated according to current rules.

Consolidated financial statements

The consolidated financial statements include figures on the Bank of Åland Plc, the Bygghast Group, Ålandsbanken Fondbolag Ab and Ålandsbanken Asset Management Ab. In accordance with the regulations of the Financial Supervision Authority, subsidiaries and associated companies whose balance sheet total is less than one per cent of the Bank's balance sheet total, and whose impact on the Group's financial position and equity capital is negligible, have been excluded from the consolidated financial statements.

The Bygghast Group has been consolidated according to the equity method of accounting. This means that in the consolidated accounts, the value of the parent Bank's share in the Bygghast Group reflects any changes in the equity capital of the company. The consolidated income statement reports the Bank's share in the company's earnings. The accounts of Ålandsbanken Fondbolag Ab and Ålandsbanken Asset Management Ab have been consolidated according to the purchase method of accounting.

By way of exception to the income statements of Group companies, the item "Net leasing income" only consists of the difference between leasing rents and planned depreciation on leasing assets. Additional depreciation on leasing assets and capital gains/losses on the sale of leasing assets are entered in the consolidated income statement under the item "Loan and guarantee losses".

In the consolidated balance sheet, voluntary provisions made by Group companies, including the difference between planned and recorded depreciation, have been apportioned between the earnings for the financial year and equity capital and between the change in imputed taxes due and imputed taxes due.

Items denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated to euro (EUR) at the European Central Bank's year-end middle rate.

Valuation of securities

Debt securities, shares and participations are broken down into two categories: current-asset securities and securities held as fixed financial assets. Debt securities held as fixed financial assets shall comprise: debt securities which are meant to be held until the date of maturity, shares and participations in subsidiaries and associated companies, and other shares that the Bank must own in order to obtain necessary services.

Securities classified as current-asset which are traded by the Bank are valued in the balance sheet at their probable sale price on the balance sheet date. Other current-asset securities are valued at their purchase price or their probable sale price on the balance sheet date, whichever is lower. If the probable sale price of a security held as a fixed financial asset is permanently lower than the purchase price, the difference is entered as an expense.

If the amount paid for a debt security was above or below its nominal value, the difference is accrued over the maturity of the debt security as an interest expense or interest income.

Other staff-related costs

Aside from normal social security contributions, the item "Other staff-related costs" in the income statement also includes the estimated cost of future social insurance fees related to the equity options that have been issued to employees.

Depreciation

Assets subject to wear and tear are depreciated according to a plan based on the projected economic service life of the items. Buildings and structures are depreciated on a straight-line basis over 40 years. Technical equipment in buildings is depreciated over 12 years. Machinery and equipment as well as intangible assets are depreciated on a straight-line basis over 3–10 years. Land and revaluations are not depreciated. Depreciation on leasing items is calculated by accrual of acquisition prices over the contract period according to the annuity method, using as the residual value a conservative estimate of the probable value of the equipment at the end of the contract period.

Loan and guarantee losses

Actual or probable loan losses during the year are reported in the accounts as loan losses. A loss whose amount has been established through a final bankruptcy audit or a bankruptcy receiver's estimate of the distribution of assets, a composition agreement or other agreement where the Bank abstains from a claim or it has otherwise been forgiven, is reported as an actual

loss. A claim or part thereof is reported as a probable loan loss if the customer is deemed insolvent and, on the balance sheet date:

- it is not considered likely that the customer's ability to pay will improve to such a degree that payment can be made and
- the probable value of the collateral or other security provided for the claim does not cover the portion of the receivable reported as a loan loss.

When estimating the probable value of the collateral that has been posted as security for a claim, the main principle applied is its market value. In cases where this principle cannot be applied, the value reported is based on the estimated earnings of the collateral.

Previously booked loan losses that have been recovered are reported as reductions in the year's loan losses.

Write-downs and reversals of write-downs on securities held as fixed financial assets

If, on the balance sheet date, the probable sale price of securities included in the balance sheet items "Share and participations in Group companies" or "Shares and participations in Group associated companies" or of securities held as fixed financial assets included in the balance sheet items "Shares and participations" or "Debt securities" or of shares and participations in real estate corporations included in the balance sheet item "Tangible assets" is permanently lower than the book value, the difference between book value and the probable sale price is reported as an expense under this item in the income statement. If such a write-down proves unfounded, it is recovered under this item in the income statement.

Property that served as security for unpaid claims and property acquired for the reorganisation of a client's business operations is included among the above balance sheet items.

Nonperforming loans

A loan is classified as nonperforming when interest or principal has fallen due for payment and the agreed payment has not

been received within 90 days. Guarantee commitments honoured by the Bank are reported as nonperforming loans. In case of bankruptcy, a loan is booked as nonperforming the day an application for bankruptcy is submitted. When a loan is booked as nonperforming, accrued interest income is cancelled at the same time, in keeping with the performance principle.

Extraordinary items

Substantial income and expenses that are exceptional in nature and are not attributable to actual business operations are reported as extraordinary income and expenses. During 2000, no extraordinary items arose.

Pension arrangements

The legally mandated pension coverage for employees has been arranged through the retirement insurance company Försäkringsaktiebolaget Pensions-Alandia. Other pension benefits are handled through the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse r.s. Pension liabilities are fully covered.

Provisions

Transfers to or from reserves have been reported in the financial statements as changes in the reserves.

Derivative contracts

Income and expenses on interest rate-related derivative contracts intended for hedging purposes are included in the income statement under interest income and expenses. Income and expenses on interest-related derivative contracts not intended for hedging purposes are included under securities transactions in the income statement. Income and expenses on currency-related derivative contracts are included under foreign exchange dealing, except that the difference between the forward and spot exchange rate is included under interest income and expenses. Income and expenses on equity-related derivative contracts are included under securities transactions in the income statement.

The image on the opening page of the Bank's new web site changes with the seasons and inspires a sense of yearning and freedom (Photo: Heikki Säynevirta).



NOTES TO THE FINANCIAL STATEMENTS

(EUR 000)

The contents of these notes follow regulations 106.1 and 106.2 of the Financial Supervision Authority. Notes for which there is nothing to report have been omitted. Since the figures for the parent Bank and the Group do not differ significantly from each other, these notes provide figures only for the parent Bank, unless otherwise stated.

Numbering	
1–8	Notes to the income statement
9–32	Notes to the balance sheet
33	Note concerning income taxes
34–39	Notes concerning assets pledged, contingent liabilities and derivative contracts
40	Note concerning staff and members of administrative and supervisory bodies
41–42	Other notes
43–47	Notes concerning the consolidated financial statements

1. Interest income and interest expenses

	2000	1999
<i>Interest income:</i>		
Credit institutions and central banks	10,839	4,903
Public and public sector entities	56,509	40,377
Debt securities	11,426	5,229
Other interest income	<u>102</u>	<u>30</u>
	78,877	50,538
<i>Interest expenses:</i>		
Credit institutions and central banks	3,738	1,335
Public and public sector entities	24,871	12,209
Debt securities issued to the public	16,534	11,990
Subordinated liabilities	970	475
Capital loan	682	872
Other interest expenses	<u>176</u>	<u>387</u>
	46,971	27,268

2. Net leasing income

	2000	1999
Rental income	422	327
Planned depreciation	-322	-203
Net capital gains and losses from the sale of leasing assets	<u>72</u>	<u>14</u>
	172	137

3. Net income from securities transactions

	2000	1999
Debt securities	200	233
Shares and participations	<u>2,419</u>	<u>3,663</u>
	2,619	3,896

4. Total amount of current-asset securities bought and sold

	2000	1999
<i>Debt securities</i>		
Bought	932,057	331,116
Sold	932,444	335,886
<i>Shares</i>		
Bought	97,022	34,217
Sold	96,226	36,338

5. Other operating income and expenses

	2000	1999
<i>Other operating income</i>		
Rental and dividend income from real estate and real estate corporations	540	600
Capital gains from the sale of real estate and shares and participations in real estate corporations	55	30
Other income from normal operations	<u>1,332</u>	<u>1,271</u>
	1,928	1,900
<i>Other operating expenses</i>		
Rental expenses	1,018	1,015
Expenses for real estate and real estate corporations	768	972
Capital losses from the sale of real estate and shares and participations in real estate corporations	37	43
Other expenses from normal operations	<u>2,442</u>	<u>1,971</u>
	4,265	4,000

6. Loan and guarantee losses

	2000		1999	
	Loan losses gross	Deductions	Loan losses gross	Deductions
Claims on the public and public sector entities	1,160	191	1,315	194
Guarantees and other off-balance sheet items	<u>1</u>	<u>2</u>	<u>34</u>	<u>2</u>
	1,161	193	1,348	196
Write-downs on securities held as financial fixed assets	0	258	22	0
Actual loan losses	96		179	
Actual loan losses for which specific loan loss provisions were previously made	-75		-162	
Recoveries on actual loan losses from prior years	-108		-85	
Specific loan loss provisions	1,141		1,332	
Reversals of previous specific loan loss provisions	<u>-85</u>		<u>-110</u>	
Loan and guarantee losses in the accounts	968		1,153	

7. Appropriations

	2000	1999
Decrease in difference between recorded and planned depreciation	0	-61
Increase in loan loss reserve	<u>6,300</u>	<u>1,725</u>
	6,300	1,663

8. Income and staff by field of operation and geographic market

	2000	1999
Banking operations	48,293	39,305
Mutual fund (unit trust) operations	736	335
Securities company operations	131	0

All income arose in Finland.

Staff, recalculated to average full-time equivalents during the year, by field of operations:

Banking operations	341	340
Mutual fund operations	3	3
Securities company operations	2	0

9. Debt securities eligible for refinancing with central bank

	2000	1999
Treasury bills	82,432	0
Bonds issued by the Finnish government	61,264	79,334
Bank certificates of deposit	49,027	129,400
Other bonds	<u>21,915</u>	<u>997</u>
	214,639	209,731

10. Claims on credit institutions

The balance sheet item "Claims on credit institutions" does not include claims on central banks.

11. Claims on the public and public sector entities by sectors and specified loan loss provisions

<i>Breakdown of the balance sheet item "Claims on the public and public sector entities" according to the official sectoral classification of Statistics Finland:</i>	2000	1999
Enterprises	311,600	321,682
General government	5,399	6,148
Non-profit institutions	48,898	52,647
Households	669,942	585,652
Foreign	<u>17,275</u>	<u>15,932</u>
<i>Total</i>	1,053,115	982,061
<i>Specific loan loss provisions on January 1</i>	3,345	2,286
New provisions made during the year	1,141	1,332
Provisions reversed during the year	-85	-110
Actual loan losses during the year, for which specific loan loss provisions were previously made	<u>-75</u>	<u>-162</u>
<i>Specific loan loss provisions on December 31</i>	4,325	3,345

12. Nonperforming claims and other zero-interest receivables

	2000	1999
Nonperforming claims	2,507	1,964
Other zero-interest receivables	<u>30</u>	<u>84</u>
	2,537	2,048

13. Book value of property serving as collateral for unpaid claims and property acquired for the reorganisation of clients' business operations

	2000	1999
Real estate and shares and participations in real estate corporations	589	589
Other shares and participations	<u>93</u>	<u>943</u>
	682	1 532

14. Subordinated claims

	2000	1999
Claims on the public and public sector entities	367	404

15. Leasing assets

Leasing assets consist of machinery and equipment.

16. Debt securities eligible for refinancing with central banks and other debt securities held

	2000		1999	
	Publicly listed	Other	Publicly listed	Other
Current assets	1,183	1,445	18,537	993
Other	<u>82,057</u>	<u>160,497</u>	<u>61,960</u>	<u>142,672</u>
	83,240	161,942	80,497	143,665

	2000		1999	
	Publicly listed	Other	Publicly listed	Other
Difference between probable sale price and lower book value of debt securities held as current assets	9		58	
Difference between book value and lower nominal value of debt securities held as fixed assets	1,466		3,641	
Difference between nominal value and lower book value of debt securities held as fixed assets	4,194		551	
<i>Debt securities specified by type:</i>				
Treasury bills	82,432		0	
Commercial paper	7,467		1,928	
Certificates of deposit	49,027		129,400	
Other bond loans	89,135		92,833	
Other debt securities	<u>17,121</u>		<u>0</u>	
	245,182		222,234	

17. Shares and participations

	2000		1999	
	Publicly listed	Other	Publicly listed	Other
Current assets	11,015	5,378	9,952	3,179
Other	<u>0</u>	<u>129</u>	<u>0</u>	<u>125</u>
	11,015	5,507	9,952	3,304
<i>Difference between probable sale price and lower book value for publicly listed shares</i>				
Current assets	24		2,810	
Other	<u>0</u>		<u>0</u>	
	24		2,810	

18. Increases and decreases in shares and participations held as fixed financial assets and in tangible assets

	2000	1999
<i>Shares and participations in subsidiaries and associated companies and other shares and participations held as financial fixed assets</i>		
Book value on January 1	8,056	7,167
+ increases during the year	922	902
- decreases during the year	-2,938	-2
- transfers between balance sheet items	0	-12
- write-downs during the year	0	-693
+ accumulated write-downs on January 1 related to decreases	1,514	0
- accumulated write-downs on January 1	<u>-5,069</u>	<u>-4,377</u>
Book value on December 31	2,485	2,987
<i>Land, buildings and shares and participations in real estate corporations</i>		
Book value on January 1	18,799	19,341
+ increases during the year	127	366
- decreases during the year	-103	-793
- planned depreciation during the year	-217	-187
- write-downs during the year	-37	0
+ accumulated depreciation on January 1 related to decreases	71	0
+ accumulated write-downs on January 1 related to decreases	0	229
- accumulated depreciation on January 1	-5,378	-5,191
- accumulated write-downs on January 1	0	-229
- revaluations reversed	<u>0</u>	<u>-115</u>
Book value on December 31	13,263	13,421

<i>Machinery, equipment and other tangible assets</i>	2000	1999
Book value on January 1	8,650	7,889
+ increases during the year	488	892
- decreases during the year	-706	-131
- planned depreciation during the year	-893	-845
+ accumulated depreciation on January 1 related to decreases	668	63
- accumulated depreciation on January 1	<u>-4,978</u>	<u>-4,196</u>
Book value on December 31	3,229	3,672

GROUP

Shares and participations in subsidiaries and associated companies and other shares and participations held as financial fixed assets

Book value on January 1	7,656	6,727
+ increases during the year	381	942
- decreases during the year	-2,938	-2
- transfers between balance sheet items	0	-12
- write-downs during the year	0	-693
+ accumulated write-downs during the year related to decreases	1,514	0
- accumulated write-downs on January 1	<u>-5,069</u>	<u>-4,377</u>
Book value on December 31	1,544	2,587

19. Real estate holdings and shares and participations in real estate corporations

	2000		1999	
	Book value	Tied-up capital	Book value	Tied-up capital
<i>Land, water and buildings</i>				
In own use	8,143	8,143	8,194	8,194
Other	<u>1,153</u>	<u>1,153</u>	<u>1,222</u>	<u>1,222</u>
	9,296	9,296	9,416	9,416
<i>Shares and participations in real estate corporations</i>				
For housing own premises	1,138	1,167	1,138	1,172
Other	<u>2,828</u>	<u>4,042</u>	<u>2,866</u>	<u>4,159</u>
	3,966	5,209	4,005	5,331

20. Other assets

	2000	1999
Cash items in the process of collection	56	59
Guarantee claims	50	50
Derivative contracts	7,652	3,182
Other	<u>7,880</u>	<u>6,610</u>
	15,639	9,902

21. Accrued income and prepayments (under assets)

	2000	1999
Interest	12,418	7,998
Other	<u>3,167</u>	<u>4,695</u>
	15,585	12,694

22. Difference between the nominal value and the book value of liabilities

<i>Debt securities issued to the public</i>	2000	1999
Difference between nominal value and lower book value	8,016	3,870
Difference between book value and lower nominal value	867	1,680

23. Debt securities issued to the public

	2000	1999
Certificates of deposit	208,185	377,971
Bonds	<u>73,146</u>	<u>46,798</u>
	281,331	424,769

24. Other liabilities

	2000	1999
Cash items in the process of collection	11,978	9,946
Derivative contracts	7,414	2,824
Other	<u>13,577</u>	<u>8,610</u>
	32,970	21,380

25. Accrued expenses and deferred income (under liabilities)

	2000	1999
Interest	7,260	5,300
Other	<u>2,937</u>	<u>2,307</u>
	10,197	7,607

26. Subordinated liabilities

<i>1999 debenture loan</i>	2000	1999
Amount of liability	10,000	10,000
Interest rate: 3 month Euribor + 1.94 %		
Maturity date January 15, 2009		
<i>2000 debenture loan</i>		
Amount of liability	12,489	0
Interest rate: 5.25 %		
Maturity date May 20, 2005		

The loans may be repurchased before maturity, but this is possible only with the permission of the Financial Supervision Authority. In case the Bank is dissolved, the loans are subordinate to the Bank's other obligations.

27. Changes in equity capital

<i>Share capital</i>	2000	1999
January 1	19,692	13,482
Bonus issue	0	2,735
Rights issue	0	3,273
Conversion of capital loan	<u>7</u>	<u>201</u>
December 31	19,699	19,692
<i>Reserve fund</i>		
January 1	25,129	25,129
December 31	25,129	25,129
<i>Revaluation reserve</i>		
January 1	852	3,702
Bonus issue	0	-2,735
Withdrawal of revaluation	<u>0</u>	<u>-115</u>
December 31	852	852
<i>Share premium account</i>		
January 1	9,676	245
Rights issue	0	7,637
Conversion of capital loan	<u>45</u>	<u>1,793</u>
December 31	9,721	9,676
<i>Capital loan</i>		
January 1	14,552	16,546
Conversion	<u>-52</u>	<u>-1,995</u>
December 31	14,499	14,552

<i>Unrestricted equity</i>	2000	1999
January 1	9,043	7,421
Dividend distribution	-8,618	-7,180
Profit for the year	<u>10,063</u>	<u>8,802</u>
December 31	10,488	9,043

GROUP

<i>Unrestricted equity</i>		
January 1	19,727	17,366
Dividend distribution	-8,618	-7,180
Profit for the year	<u>14,795</u>	<u>9,541</u>
December 31	25,904	19,727

28. Non-distributable items in unrestricted equity

Of unrestricted equity in the consolidated balance sheet, EUR 14,803,000 is non-distributable. This is the equity capital portion of untaxed reserves in the parent Bank. The distributable equity in the Group is thus EUR 11,100,000 and in the Parent Company EUR 10,488,000.

29. Rights, equity warrant and convertible loan issues approved during the financial year

There are no currently valid authorisations by the General Meeting regarding rights issues, the issuance of equity warrants and convertible loans.

30. Capital loan

<i>Convertible capital loan:</i>	2000	1999
Amount outstanding	14,499	14,552

The interest rate on the loan is 6 per cent and the maturity date is April 2, 2007. Lenders are not entitled to demand early repayment. The Annual Report explains the terms for conversion to shares. During the period April 2, 2000–January 31, 2001, holders applied for conversion of EUR 4,166,000 of the capital loan, which entitles them to 274,947 shares.

31. Maturity breakdown of claims and liabilities

<i>Claims:</i>	Total	-3 mos	3-12 mos	1-5 yrs	5- yrs
Debt securities eligible for refinancing with central banks	165,612	63,830	56,517	28,446	16,819
Credit institutions	210,529	210,529	0	0	0
The public and public sector entities	1,053,115	97,430	110,747	380,785	464,154
Other debt securities	<u>79,571</u>	<u>21,837</u>	<u>35,411</u>	<u>22,323</u>	<u>0</u>
	1,508,827	393,626	202,675	431,554	480,973
<i>Liabilities:</i>					
Credit institutions and central banks	83,321	1,502	0	65,000	16,819
The public and public sector entities	1,066,079	1,022,950	29,022	8,550	5,558
Debt securities issued to the public	281,331	144,872	69,696	66,763	0
Subordinated liabilities	<u>22,489</u>	<u>0</u>	<u>0</u>	<u>12,489</u>	<u>10,000</u>
	1,453,220	1,169,324	98,717	152,802	32,376

The Bank has no claims on the public and public sector entities that are payable on demand. Deposits other than time deposits are classified in the shortest maturity category.

32. Assets and liabilities in euro zone currencies/Finnish marks and foreign currencies

<i>Claims:</i>	2000		1999	
	Euro	Foreign currencies	Euro	Foreign currencies
Debt securities eligible for refinancing with central banks	214,639	0	209,731	0
Credit institutions and central banks	161,504	49,026	142,028	40,640
The public and public sector entities	1,034,982	18,133	973,017	9,044
Other debt securities	30,531	12	14,420	11
Other assets	<u>84,458</u>	<u>4,340</u>	<u>112,864</u>	<u>5,398</u>
	1,526,114	71,511	1,452,059	55,093

	2000		1999	
	Euro	Foreign currencies	Euro	Foreign currencies
<i>Liabilities:</i>				
Credit institutions and central banks	81,988	1,333	83,643	734
The public and public sector entities	992,017	74,062	808,408	57,117
Debt securities issued to the public	281,331	0	424,769	0
Subordinated liabilities	22,489	0	10,000	0
Other liabilities	<u>43,094</u>	<u>73</u>	<u>28,933</u>	<u>55</u>
	1,420,918	75,468	1,355,753	57,906

33. Income taxes

	2000	1999
Income taxes on normal operations	4,237	3,092
Income taxes on extraordinary items	<u>0</u>	<u>0</u>
	4,237	3,092

34. Assets pledged as collateral on own behalf or on behalf of others

<i>Liabilities and other commitments on own behalf for which collateral has been pledged in the form of a mortgage or property lien</i>	2000	1999
Bonds	0	3
Liabilities to the public and public sector entities	84	110
Other commitments	<u>30,067</u>	<u>20,067</u>

Book value of assets pledged for above liabilities and commitments

Debt securities	34,874	52,857
Shares	67	67
Land and buildings	<u>662</u>	<u>707</u>

No assets have been pledged as collateral other than on the Bank's own behalf.

35. Pension liabilities

	2000	1999
Actuarial liability of Ålandsbanken Abps Pensions-stiftelse r.s.	10,231	9,933
Actuarial deficit in the book value of the pension fund	<u>0</u>	<u>0</u>

The probable market value of the pension fund's assets exceeded its actuarial liability by about EUR 5 M. Pension protection arrangements for employees are explained in the accounting principles, page 29.

36. Leasing liabilities

	2000	1999
Leasing rentals to be paid the following year	1,042	693
Leasing rentals to be paid during subsequent years	<u>684</u>	<u>773</u>

37. Off-balance sheet commitments

	2000	1999
Guarantees	11,517	13,676
Unutilised overdraft facilities	53,926	48,615
Lines of credit	<u>17,210</u>	<u>19,789</u>
	82,653	82,079

Contingent liabilities on behalf of Group companies

Guarantees and liens	67	259
Irrevocable commitments	<u>348</u>	<u>449</u>

Contingent liabilities on behalf of associated companies

Guarantees and liens	0	0
Irrevocable commitments	<u>88</u>	<u>75</u>

38. Derivative contracts

VALUE OF UNDERLYING PROPERTY	2000		1999	
	For hedging purposes	Other	For hedging purposes	Other
<i>Interest rate derivatives</i>				
Option contracts				
Purchased	8,409	0	47,093	0
Written	0	8,409	0	47,093
Interest rate swap contracts	67,478	0	38,737	0
<i>Currency derivatives</i>				
Forward contracts	3,190	3,627	3,315	8,570
Interest rate and currency swap contracts	0	788	3,233	146
<i>Share derivatives</i>				
Option contracts				
Purchased	79,478	6,220	42,642	14,760
Written	<u>5,181</u>	<u>79,478</u>	<u>13,690</u>	<u>42,642</u>
	163,736	98,522	148,709	113,210
<i>Equivalent credit values of the contracts</i>				
Interest rate derivative contracts	1,451		1,280	
Currency derivative contracts	657		238	
Share derivatives	<u>19,944</u>		<u>15,763</u>	
	22,052		17,281	

39. Accounts receivable and payable due to assets sold and purchased on behalf of clients

	2000	1999
Accounts receivable	4,155	2,853
Accounts payable	4,381	2,139

40. Figures on staff and members of administrative and supervisory bodies

	2000	1999
Average number of full-time employees during year	302	279
Change from previous year	+23	+24
Average number of part-time employees during year	67	70
Change from previous year	-3	+5

Salaries and fees paid to

Members of the Supervisory Board	41	48
Members and deputy members of the Board of Management and Managing Directors	749	862

The note includes the value of fringe benefits as well as pensions and other social security expenses. Salaries paid are not dependent on the Bank's financial performance.

Loans to members of administrative and supervisory bodies and to companies which they control:

Members of the Supervisory Board	37,873	37,008
Members of the Board of Management	888	731
Auditors	1	1

Guarantees and other off-balance sheet obligations on behalf of members of administrative and supervisory bodies and of companies which they control:

Members of the Supervisory Board	1,760	1,717
----------------------------------	-------	-------

Pension commitments deviating from customary terms of employment have not been made to members of the Supervisory Board or the Board of Management. The management's shareholdings in the Bank are explained in the Annual Report under "Facts on Bank of Åland shares".

41. Shares held as financial fixed assets

<i>Shares and participations held as financial fixed assets</i>	2000	1999
Number of companies	13	13
Total book value	129	125

This note does not include Group and associated companies or real estate corporations.

42. Asset management

The Bank of Åland provides the following asset management services, among others:

- property deed and mortgage services
- estate inventory and administration services
- securities custody and brokerage
- portfolio management

43. Changes in Group structure

During 2000, the subsidiary Ålandsbanken Asset Management Ab was established. This company is included in the consolidated accounts and does not affect the possibility of comparing the year's accounts with those of the preceding year.

44. Subsidiaries included in the consolidated financial statements

COMPANY	REGISTERED OFFICE	OWNERSHIP
Byggfast Ab (group)	Mariehamn	100 %
Ålandsbanken Fondbolag Ab	Mariehamn	100 %
Ålandsbanken Asset Management Ab	Helsingfors	78 %

45. Subsidiaries excluded from the consolidated financial statements

The number of subsidiaries excluded from the consolidated financial statements is 12, with an aggregate balance sheet total of EUR 6.2 M according to the most recently available accounts. These companies consist of 6 housing and real estate corporations with an aggregate balance sheet total of EUR 2.6 M and 6 other companies with an aggregate balance sheet total of EUR 3.6 M. Inclusion of these subsidiaries in the consolidated financial statements would have a negligible impact on the Group's unrestricted equity capital.

46. Associated companies excluded from the consolidated financial statements

The number of associated companies excluded from the consolidated financial statements is 13, with an aggregate balance sheet total of EUR 9.1 M according to the most recently available accounts. These companies consist of 10 housing and real estate corporations with an aggregate balance sheet total of EUR 8.3 M and 3 other companies with an aggregate balance sheet total of EUR 0.8 M. Inclusion of these companies in the consolidated financial statements would have a negligible impact on the Group's unrestricted equity capital.

47. Imputed taxes due

Imputed taxes due, EUR 6,046,000, is based on appropriations in the accounts of the parent Bank.

PROPOSED DISTRIBUTION OF PROFIT

The Board of Management proposes that the Bank's profit for the year, EUR 10,062,986.33, and its profit brought forward from prior years, EUR 424,837.15, totalling EUR 10,487,823.48, be distributed as follows:

1.	For Series A and Series B shares outstanding as of December 31, 2000, a dividend of FIM 6.00 per share, totalling	EUR 9,849,427.06
2.	For Series B shares subscribed through conversion of the capital loan <i>eller utnyttjande av optionsrätter</i> during the period April 2, 2000–January 31, 2001, a dividend of FIM 6.00 per share, totalling	EUR 277,769.42
3.	To remain in the accounts as undistributed earnings	<u>EUR 360,627.00</u> EUR 10,487,823.48

Mariehamn, February 12, 2001

Folke Husell
Anders Ingves

Edgar Vickström
Jan Tallqvist

Lars Donner

STATEMENT OF THE SUPERVISORY BOARD

The financial statements and consolidated financial statements for 2000 were drawn up in accordance with the principles established by the Supervisory Board, which confirms these statements for presentation to the Shareholders' Meeting and approves the proposal of the Board of Management for the distribution of profit.

Mariehamn, February 12, 2001

Johan Dahlman
Johan Eklund
Göran Lindholm
Anders Wiklöf

Göran Bengtz
Trygve Eriksson
Ben Lundqvist

Carita Blomsterlund
Leif Granlid
Roger Rundberg

Sture Carlson and Kjell Clemes were absent from the Supervisory Board meeting of February 12, 2001.

According to the Articles of Association, the term of office of a member of the Supervisory Board is three years. At the Annual General Meeting of shareholders on March 16, 2000, Johan Dahlman, Kjell Clemes, Johan Eklund and Roger Rundberg, who were due to retire as members, were re-elected.

Johan Dahlman was elected Chairman of the Supervisory Board and Sture Carlson was elected Vice Chairman.

Due to retire at the Annual General Meeting on March 22, 2001 are Göran Bengtz and Anders Wiklöf as well as Leif Granlid. The latter may not be re-elected due to the age rules in the Articles of Association.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE BANK OF ÅLAND PLC

We have examined the accounts, financial statements and administration of the Bank of Åland Plc for the accounting period January 1–December 31, 2000. The financial statements, which were submitted by the Board of Management and the Managing Director, comprise the Report of the Directors and the consolidated and Parent Company income statements and balance sheets as well as the notes to the financial statements. Having completed this examination, we herewith submit our statement of opinion on the financial statements and administration.

Our examination was conducted according to generally accepted auditing standards. In doing so, we examined the accounts, the accounting principles applied and the contents as well as the presentation of the financial statements to a sufficient extent to conclude that the financial statements do not contain significant errors or omissions. In examining the administration, we have studied whether the members of the Supervisory Board and Board of Management as well as the Managing

Director have handled the administration of the Bank's affairs in compliance with the provisions of the legislation in force.

In our view, the financial statements, which show a profit of EUR 10,062,986.33 for the Parent Company, were prepared in accordance with the Accounting Act and other legal provisions and regulations as to how financial statements shall be prepared. The financial statements provide accurate and sufficient information on the results of Group and Parent Company operations and on their financial position, in the manner intended by the Accounting Act. The financial statements, including the consolidated financial statements, may be adopted and the members of the Parent Company's Supervisory Board and Board of Management as well as the Managing Director may be discharged from liability for the accounting period examined by us. The proposal of the Board of Management for the distribution of the unrestricted equity stated in the balance sheet is in compliance with the provisions of the Companies Act.

Mariehamn, February 12, 2001

Leif Hermans

CERTIFIED PUBLIC ACCOUNTANT

Per-Olof Johansson

CERTIFIED PUBLIC ACCOUNTANT

Marja Tikka

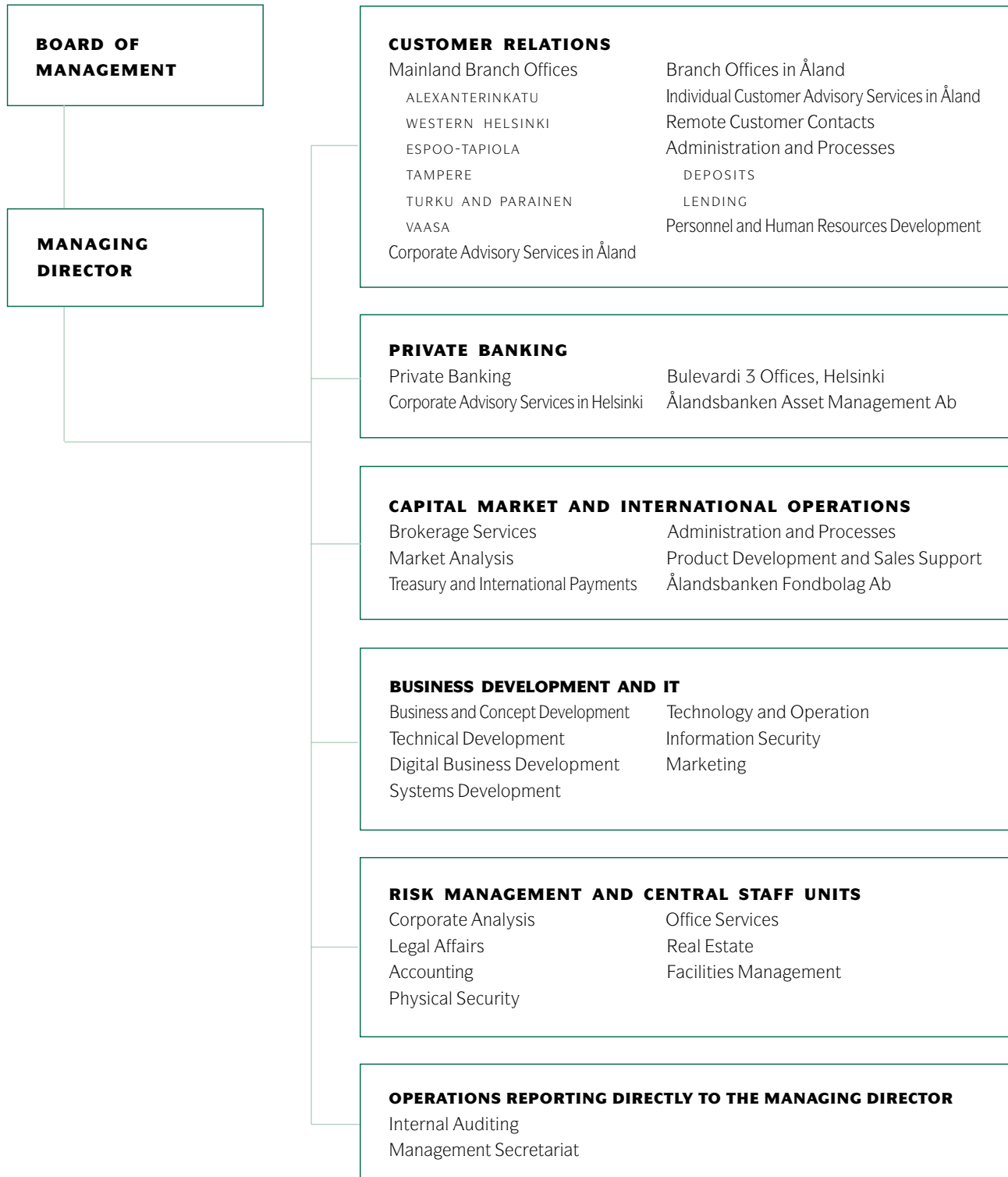
CERTIFIED PUBLIC ACCOUNTANT

The Internet office adds new dimensions to the concept of personal banking service (Photo: Heikki Säynevirta).



ORGANISATION FROM FEBRUARY 1, 2001

ÅLANDSBANKEN ABP



EXECUTIVES AND MANAGERS

BOARD OF MANAGEMENT/BOARD OF DIRECTORS

Folke Husell, Chief Executive Officer, Chairman
Edgar Vickström, Vice Chairman
Lars Donner
Anders Ingves
Jan Tallqvist

MANAGING DIRECTOR

Folke Husell

CUSTOMER RELATIONS

Edgar Vickström, Deputy CEO, Head of Division, General Manager
Irmeli Tanner, Deputy Head of Division, General Manager
Mainland Branch Offices, Irmeli Tanner, General Manager
ALEXANTERINKATU (ALEXANDERSGATAN),
Anne-Marie Salenius, Branch Director
WESTERN HELSINKI (VÄSTRA HELSINGFORS),
Tuula Lehmukoski, Branch Director
ESPOO-TAPIOLA (ESBO-HAGALUND), Peter Wikström, Branch Director
TAMPERE (TAMMERFORS),
Leena Honkasalo-Lehtinen, Branch Director
TURKU (ÅBO), Beatrice Ramström, Branch Director
PARAINEN (PARGAS), Jan-Peter Pomrén, Branch Manager
VAASA (VASA), Lars Lönnblad, Branch Director
Corporate Advisory Services in Åland
Branch Offices in Åland, Kenneth Mörn, Regional Manager
Gunilla Roberts, Deputy Regional Manager
Customer Advisory Services, Mariehamn, Birgitta Dahlén,
Department Manager
Remote Customer Contacts, vacant
Administration and Processes
DEPOSITS. Barbro M Andersson, Department Manager
LENDING. Bengt Mattsson, Department Manager
Personnel, Gunilla Blomroos, Personnel Manager
HUMAN RESOURCE DEVELOPMENT, Gerd Haglund

PRIVATE BANKING

Jan Tallqvist, Head of Division, General Manager
Private Banking, Maria Bernas-Hilli, General Manager
Corporate Advisory Services in Helsinki, Pekka Nuutinen,
Financing Director
Bulevardi (Bulevarden) 3 Offices, Kim Wikström, Branch Director
Monica Mickos, Administrative Manager

CAPITAL MARKET AND INTERNATIONAL OPERATIONS

Bengt Lundberg, Head of Division, General Manager
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INTERNATIONAL PAYMENTS, Gun-Marie Sandell
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Department Manager

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Anders Ingves, Head of Division, General Manager
Business and Concept Development, Peter Wiklöf,
General Manager
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Digital Business Development, Jan Erik Sundberg, Department
Manager
Systems Development, Eva Wahlberg, Department Manager
Technology and Operation, Kimmo Valkonen, Department
Manager
Information Security, Ann Lindqvist-Öst
Marketing, Tiina Björklund, Marketing Manager

RISK MANAGEMENT AND CENTRAL STAFF UNITS

Lars Donner, Head of Division, General Manager
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Legal Affairs, Dan-Erik Woivalin, Department Manager
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Physical Security, Ulrica Lindström
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Environmental Affairs, Sven-Åke Löfström
Real Estate, Göran Sundblom, Department Manager
Facilities Management, Annika Lundqvist, Manager

OPERATIONS REPORTING DIRECTLY TO THE MANAGING DIRECTOR

Internal Auditing, Pontus Soramäki, Auditing Manager
Management Secretariat, Barbro Lindström

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Stefan Törnqvist, Managing Director
Ålandsbanken Fondbolag Ab
Tom Pettersson, Managing Director
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Erolf Fellman/Roger Karlsson
Ålands Företagsbyrå
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BANK OF ÅLAND

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