

# Bank of Åland Plc: Half-Year Financial Report for the period January - June 2018

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Bank of Åland Plc Half-Year Financial Report July 20, 2018 9:00 am Half-Year Financial Report for the period January - June 2018 “We performed well during the first half of 2018, achieving our long-term financial targets even though the period was largely dominated by the implementation of extensive new regulations. “We enjoyed a good influx of new Private Banking customers, especially in Sweden. Because of Swedish housing market instability and pricing levels we are seeing in Finland that are reminiscent of those we saw in our loan portfolio in 2008 – before the financial crisis – we have been more restrictive with new lending.” Peter Wiklöf, Managing Director January–June 2018 compared to January-June 2017 Net operating profit increased by 21 per cent to EUR 14.9M (12.3). Profit for the period attributable to shareholders increased by 19 per cent to EUR 11.7 M (9.8). Net interest income increased by 1 per cent to EUR 27.9 M (27.5). Net commission income rose by 3 per cent to EUR 25.8 M (24.9). Total expenses decreased by 1 per cent to EUR 49.8 M (50.2). Net impairment losses on financial assets (including recoveries) totalled EUR 0.7 M (1.0), equivalent to a loan loss level of 0.03 (0.05) per cent. Return on equity after taxes (ROE) amounted to 10.2 (8.8) per cent. Earnings per share amounted to EUR 0.76 (0.64). The common equity Tier 1 ratio amounted to 12.8 per cent (12.9 on December 31, 2017). Unchanged future outlook: The Bank of Åland expects its net operating profit in 2018 to be at about the same level as, or better than, in 2017. The second quarter of 2018 compared to the second quarter of 2017 Net operating profit increased by 51 per cent to EUR 7.5 M (5.0). Profit for the period attributable to shareholders increased by 50 per cent to EUR 5.9 M (3.9). Net interest income increased by 2 per cent to EUR 13.8 M (13.6). Net commission income decreased by 2 per cent to EUR 12.6 M (12.8). Total expenses decreased by 2 per cent to EUR 24.5 M (25.1). Net impairment losses on financial assets (including recoveries) totalled EUR 0.5 M (0.5), equivalent to a loan loss level of 0.05 (0.05) per cent. Return on equity after taxes (ROE) amounted to 10.2 (7.0) per cent. Earnings per share amounted to EUR 0.38 (0.26). Financial summary Group Q2 2018 Q1 2018 % Q2 2017 % Jan-Jun 2018 Jan-Jun 2017 % EUR M Income Net interest income 13.8 14.1 -2 13.6 2 27.9 27.5 1 Net commission income 12.6 13.2 -4 12.8 -2 25.8 24.9 3 Net income from financial items 1.7 1.5 10 -0.6 3.2 0.3 Other income 4.4 4.1 6 4.6 -6 8.5 10.7 -21 Total income 32.5 32.9 -1 30.5 6 65.4 63.5 3 Staff costs -14.5 -15.1 -4 -14.9 -3 -29.5 -30.9 -4 Other expences -8.3 -8.4 -1 -8.4 -2 -16.6 -16.1 3 Depreciation/amortisation -1.8 -1.9 -2 -1.7 7 -3.7 -3.3 13 Total expenses -24.5 -25.3 -3 -25.1 -2 -49.8 -50.2 -1 Profit before impairment losses 8.0 7.6 5 5.5 46 15.5 13.3 17 Impairment losses on financial assets -0.5 -0.2 -0.5 -10 -0.7 -1.0 -31 Net operating profit 7.5 7.4 2 5.0 51 14.9 12.3 21 Income taxes -1.6 -1.6 5 -1.0 58 -3.2 -2.5 26 Profit for the report period 5.9 5.8 1 3.9 50 11.7 9.8 19 Attributable to: Shareholders in Bank of Åland Plc 5.9 5.8 1 3.9 50 11.7 9.8 19 Volume Lending to the public 3.963 4.020 -1 3.915 1 Deposits from the public 3.095 3.098 0 3.130 -1 Actively managed assets 1 5.650 5.575 1 5.475 3 Equity capital 230 237 -3 224 3 Balance sheet total 5.302 5.497 -4 5.263 1 Risk exposure amount 1.575 1.611 -2 1.537 2 Financial ratios Return on equity after taxes, % (ROE) 2 10.2 10.1 7.0 10.2 8.8 Expence/income ratio 3 0.75 0.77 0.82 0.76 0.79 Loan loss level, % 4 0.05 0.02 0.05 0.03 0.05 Liquidity coverage ratio (LCR), % 5 135 148 110 Loan/deposit ratio, % 6 128 130 125 Core funding ratio, % 7 90 90 92 Equity/assets ratio, % 8 4.3 4.3 4.3 Common equity Tier 1 capital ratio, % 9 12.8 12.5 12.5 Earnings per share, EUR 10 0.38 0.38 1 0.26 49 0.76 0.64 18 Earnings per share after dilution, EUR 0.38 0.37 1 0.25 49 0.75 0.63 19 Equity capital per share, EUR 11 14.92 15.33 -3 14.60 2 Equity capital per share after dilution, EUR 14.81 15.22 -3 14.45 3 Market price per Series A share, EUR 14.50 15.80 -8 14.40 1 Market price per Series B share, EUR 13.50 14.75 -8 14.20 -5 Number of shares outstanding (not own shares), 000s 15.448 15.447 0 15.335 1 Number of shares outstanding

(not own shares), after dilution, 000s 15.586 15.585 0 15.590 0 Working hours re-calculated to full-time equivalent positions 693 671 3 680 2 686 685 0 1 Actively managed assets encompassed managed assets in the Group's own mutual funds, as well as discretionary and advisory securities volume 2 Profit for the report period attributable to shareholders / Average shareholders' portion of equity capital. 3 Expenses / Income. 4 Impairment losses on loans and other commitments from lending to the public / Lending to the public at the beginning of the period. 5 Liquidity coverage ratio (LCR) = liquid assets, level 1 and 2 / 30-day net outflow 6 Lending to the public / Deposits from the public 7 Lending to the public / Deposits including certificates of deposit, index bonds and debentures issued to the public plus covered bonds issued 8 Equity capital / Balance sheet total. 9 (Common equity Tier 1 capital / Capital requirement) x 8%. 10 Shareholders' portion of earnings for the period / Average number of shares. 11 Shareholders' portion of equity capital / Number of shares less own shares on closing day. IFRS 9 has been applied starting on January 1, 2018. Figures from historical periods have not been restated. The Bank of Åland (Ålandsbanken) follows the disclosure procedure stipulated in "Disclosure obligation of the issuer (7/2013)", published by the Finnish Financial Supervisory Authority and hereby publishes its Half-Year Financial Report for the period January – June 2018, which is enclosed with this stock exchange release. The Bank's Half-Year Financial Report for the period January – June 2018 is attached to this release in PDF format and is also available on the company's web site at [https://www.alandsbanken.com/uploads/pdf/result/en\\_resultat\\_jan-jun\\_18.pdf](https://www.alandsbanken.com/uploads/pdf/result/en_resultat_jan-jun_18.pdf) Mariehamn, July 20, 2018 THE BOARD OF DIRECTORS For more information please contact: Peter Wiklöf, Managing Director and Chief Executive, Bank of Åland Plc, tel. + 358 (0)40 512 7505