

The Bank of Åland's preliminary net operating profit for Q1 and revision of the earnings forecast for 2020 in light of the market situation

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On February 7, 2020, when the Bank of Åland (Ålandsbanken) published its Year-end Report for 2019, the Bank issued its future outlook for 2020. At that time, expectations were that in 2020 the Bank of Åland would report a better net operating profit than in 2019, that is, better than EUR 33.2 million.

Preliminarily, net operating profit before impairment losses in the first quarter of 2020 amounts to EUR 10.7 M. This is EUR 4.5 M or 72 per cent better than in the same period of last year.

The Bank of Åland is not yet seeing an increase in non-performing loans due to the coronavirus crisis, but model-driven impairment losses on financial assets in compliance with IFRS 9 are increasing significantly due to an expected economic downturn. Provisions related to healthy loans (Stage 1 and Stage 2) are increasing preliminarily by EUR 2.8 M or 200 per cent from EUR 1.4 M to EUR 4.2 M. This increase is explained in part by a general cyclical adjustment of EUR 0.8 M in the impairment loss model and in part by a group provision of EUR 2.0 M related to heightened risk of loss mainly in the corporate loan portfolio. Total impairment losses on financial assets preliminarily amount to EUR 3.8 M in the first quarter of 2020, compared to EUR 0.4 M in the same period of last year.

Preliminary net operating profit for the first quarter 2020 is EUR 6.9 M, which is EUR 1.1 M or 20 per cent better than in the same period of last year.

The significantly deteriorating macroeconomic outlook due to the coronavirus situation will have a negative impact on the Bank of Åland's net operating profit in 2020, primarily in the form of higher impairment loss provisions and lower income from the Bank's asset management business.

Due to low visibility and high volatility in the market, the Bank of Åland has decided to refrain from issuing any outlook for 2020.

The Bank of Åland's interim report for the first quarter will be published on April 24.

PREVIOUSLY COMMUNICATED FUTURE OUTLOOK

"The Bank of Åland expects its net operating profit in 2020 to be better than in 2019.

"The Bank of Åland is especially dependent on developments in the fixed income and stock markets. There is concern about the economic trends in various important markets. For this reason, there is some uncertainty in the Bank's current forecast of the future."

For further information, please contact:

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