

# Year-end report for the period January – December 2011

16.02.2012

Bank of Åland  
Financial Statement Release

Year-end report for the period January – December 2011

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Year-end report for the period January – December 2011

"In 2011 our focus was on restructuring and efficiency-raising. With a completed new share issue of EUR 30 M, an approved IRB approach to calculate the capital requirement for credit risks in our Finnish household portfolio, permission to issue covered bonds as well as efficiency-raising measures – implemented and approved – that will lower our expense level by an annual rate of around EUR 8 M, we stand well equipped for the future. We continue to have very satisfied customers, with nearly 90 per cent of our Private Banking customers replying in our latest survey that they would recommend the Bank of Åland to their friends. The Bank of Åland in Sweden and Finland is continuously welcoming new customers. Taken together, these things make us feel confident about 2012."

Peter Wiklöf, Managing Director

January'December 2011 compared to January'December 2010

- Net operating profit, excluding restructuring expenses of 5.7 million euros and an impairment loss of EUR 1.1 M for the Group's shareholding in Burgundy, was EUR 1.1 M (January-December 2010: EUR 1.0 M).
- Profit for the period attributable to shareholders amounted to EUR -6.5 M (-2.9).
- Net interest income increased by 17 per cent to EUR 43.1 M (36.8).
- Net commission income increased by 5 per cent to EUR 38.7 M (36.8).
- Net loan losses were EUR 1.8 M (5.9), equivalent to a loan loss level of 0.07 (0.23) per cent.
- The Tier 1 capital ratio amounted to 8.4 (7.3) per cent at year-end 2011. Pro forma, taking into account the Finnish Financial Supervisory Authority's grant of permission on February 13, 2012 to calculate capital requirements for credit risks according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio, the Tier 1 capital ratio was 10.0 per cent.
- The Board of Directors proposes that no dividend be paid for 2011 (0).
- The efficiency-raising measures that have been implemented and initiated

during 2011 will lower the Group's expense level by an estimated annual rate of EUR 8 M when they achieve their full effect. As a consequence of these measures, the Group's expenses will be lower in 2012 than in 2011, and based on our assessment of external factors we expect the Group to report a positive net operating profit in 2012.

The fourth quarter of 2011 compared to the third quarter of 2011

- Net operating profit, excluding restructuring expenses of EUR 2.8 M and an impairment loss of EUR 1.1 M for the Group's shareholding in Burgundy, was EUR -3.2 M (0.1).
- A change in the timing of income accrual lowered net operating profit for the quarter by EUR 1.6 M. This income will instead be recognised during future years.
- Profit for the period attributable to shareholders was EUR -4.7 M (-0.6).
- Net interest income increased by 5 per cent to EUR 12.1 M (11.4).

#### Financial summary

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Bank of Åland Group Q4 Q3 % Q4 % 2011 2010 %									
2011 2011 2010									
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EUR M									
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Income									
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Net interest income	12.1	11.4	5	9.0	33	43.1	36.8	17	
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Net commission income	8.3	9.7	-14	12.0	-30	38.7	36.8	5	
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Other income	2.6	2.3	17	6.8	-61	17.4	25.4	-32	
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Total income	23.0	23.4	-2	27.8	-17	99.2	99.1	0	
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Staff costs	-16.7	-12.8	31	-14.9	12	-60.0	-53.7	12	
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Other expenses	-12.6	-9.8	28	-10.8	16	-43.1	-38.5	12	
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Total expenses	-29.3	-22.6	30	-25.7	14	-103.1	-92.2	12	
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Profit before loan losses	-6.3	0.8	2.0	-3.9	6.9				
etc.									
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Impairment losses on loans	-0.8	-0.7	23	-0.4	-1.8	-5.9	-70		
and other commitments									
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Operating income	-7.1	0.1	1.6	-5.7	1.0				

Income taxes 2.6 -0.6 -1.3 0.4 -3.2

Profit for the report period -4.5 -0.5 0.4 -5.3 -2.2

Attributable to:

Non-controlling interests 0.2 0.1 0.1 53 1.2 0.6 80

Shareholders in Bank of Åland Plc -4.7 -0.6 0.3 -6.5 -2.9

#### VOLUME

Lending to the public 2,737 2,639 4 2,573 6

Deposits from the public 2,546 2,494 2 2,600 -2

Managed assets 3,814 3,492 9 4,347 -12

Equity capital 181 158 14 154 17

Balance sheet total 3,400 3,338 2 3,475 -2

Risk-weighted assets 1,729 1,689 2 1,664 4

#### FINANCIAL RATIOS

Return on equity after taxes, % (ROE) -11.4 -1.5 0.6 -3.9 -1.8

Expenses/income ratio, % 127 97 92 104 92

Loan loss level, % 0.12 0.10 0.06 0.07 0.23

Gross non-performing assets, % 0.70 1.09 1.07 0.70 1.07

Level of provisions for doubtful receivables, % 71 82 85 71 85

Core funding ratio 108 106 99 108 99  
(Lending/deposits), %

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Equity/assets ratio, % 5.3 4.7 4.4 5.3 4.4

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Tier 1 capital ratio, % 8.4 7.3 7.3 8.4 7.3

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Earnings per share before -0.34 -0.05 0.02 -0.54 -0.25  
dilution, %

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Equity capital per share, 12.34 13.27 13.32 12.34 13.32  
EUR

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Market price per Series A 14.15 16.00 29.50 14.15 29.50  
share, EUR

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Market price per Series B 8.68 10.50 19.93 8.68 19.93  
share, EUR

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Price per A share, 14.15 16.00 27.47 16.00 27.47  
adjusted for share issue,  
EUR

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Price per B share, 8.68 10.50 18.56 10.50 18.56  
adjusted for share issue,  
EUR

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Working hours 697 678 676 690 679  
re-calculated to  
full-time equivalent  
positions

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Ålandsbanken follows the disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision Authority and hereby publishes its Year-end report for the period January – December 2011 enclosed to this stock exchange release. Ålandsbanken's Year-end report for the period January – December 2011 is attached to this release in pdf format and is also available on the company's web site at [www.alandsbanken.fi](http://www.alandsbanken.fi).

Mariehamn, February 15, 2012

THE BOARD OF DIRECTORS

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