

Interim Report for the period January-June 2016

22.07.2016

Bank of Åland Plc
Half Year financial report
July 22, 2016, 9.00 p.m.

Interim Report for the period January-June 2016

“Our net interest income turned out well, considering the negative market interest rates now prevailing in financial markets, but market worries have lowered the level of activity in our financial investment operations. Our net commission income fell – especially income from securities brokerage, which was EUR 1.5 M lower than for the same period of 2015.

“During the past year, we have recruited additional advisors in order to guarantee a continued high level of service to our existing and new customers both in Sweden and Finland. This investment in human resources increased our staff costs by more than EUR 1 M during the first half of 2016. The percentage of non-performing loans has declined steadily over the past year, and the second quarter’s higher loan losses should thus not be regarded as the beginning of a new trend.

“The Bank of Åland is continuing to attract new customers and we are steadily growing, but the current market situation – including a further increase in volatility due to the British referendum vote to leave the European Union – implies that it will be challenging to reach last year's record earnings.”

Peter Wiklöf, Managing Director

January - June 2016 compared to January - June 2015

- Net operating profit decreased by 27 per cent to EUR 12.6 M (17.3).
- Profit for the period attributable to shareholders decreased by 30 per cent to EUR 9.8 M (14.0).
- Net interest income increased by 7 per cent to EUR 27.5 M (25.6).
- Net commission income decreased by 11 per cent to EUR 22.1 M (24.7).
- Total expenses increased by 2 per cent to EUR 46.0 M (45.3).
- Net impairment losses on loans (including recoveries) amounted to EUR 2.1 M (0.5), equivalent to a loan loss level of 0.12 (0.03) per cent.
- Return on equity after taxes (ROE) amounted to 9.2 (14.2) per cent.
- Earnings per share amounted to EUR 0.64 (0.92).

-- The core Tier 1 capital ratio, not taking into account transitional rules, amounted to 12.4 per cent (12.0 on December 31, 2015).

The second quarter of 2016 compared to the second quarter of 2015

- Net operating profit decreased by 41 per cent to EUR 4.6 M (7.8).
- Profit for the period attributable to shareholders decreased by 44 per cent to EUR 3.5 M (6.2).
- Net interest income increased by 5 per cent to EUR 13.5 M (12.9).
- Net commission income decreased by 9 per cent to EUR 10.8 M (11.9).
- Total expenses increased by 6 per cent to EUR 23.8 M (22.5).
- Net impairment losses on loans (including recoveries) amounted to EUR 1.7 M (0.3), equivalent to a loan loss level of 0.19 (0.04) per cent.
- Return on equity after taxes (ROE) amounted to 6.5 (12.5) per cent.
- Earnings per share amounted to EUR 0.23 (0.41).

Financial summary

Bank of Åland Group Q2 Q1 % Q2 % Jan-Ju Jan-Ju %
2016 2016 2015 n 2016 n 2015

EUR M
Income

Net interest income 13,5 13,9 -3 12,9 5 27,5 25,6 7

Net commission income 10,8 11,3 -5 11,9 -9 22,1 24,7 -11

Net income from financial 1,9 1,5 25 1,6 14 3,4 4,1 -18
items at fair value

Other income 3,9 3,8 2 4,1 -6 7,7 8,6 -11

Total income 30,1 30,6 -1 30,6 -2 60,7 63,0 -4

Staff costs -14,7 -14,2 3 -14,1 4 -28,9 -27,8 4

Other expences -7,7 -6,4 20 -6,7 15 -14,1 -13,9 1

Depreciation/amortisation -1,5 -1,5 -5 -1,7 -14 -3,0 -3,6 -16

Total expenses -23,8 -22,2 7 -22,5 6 -46,0 -45,3 2

Profit before impairment 6,3 8,4 -25 8,1 -22 14,7 17,8 -17
losses

Impairment losses on -1,7 -0,4 -0,3 -2,1 -0,5
loans and other
commitments

Net operating profit 4,6 8,0 -42 7,8 -41 12,6 17,3 -27

Income taxes -1,1 -1,7 -34 -1,6 -31 -2,8 -3,3 -16

Profit for the report 3,5 6,3 -45 6,2 -44 9,8 14,0 -30
period

Attributable to:

Shareholders in Bank of 3,5 6,3 -45 6,2 -44 9,8 14,0 -30
Åland Plc

Volume

Lending to the public 3 629 3 594 1 3 515 3

Deposits from the public 2 894 2 896 0 2 755 5
1

Investment volume 2 6 328 6 815 -7 6 696 -5

Equity capital 212 219 -3 200 6

Balance sheet total 4 718 4 715 0 4 851 -3

Risk exposure amount 1 500 1 542 -3 1 619 -7

Financial ratios

Return on equity after 6,5 11,7 12,5 9,2 14,2
taxes, % (ROE) 3

Expences/income ratio 4 0,79 0,73 0,73 0,76 0,72

Loan loss level, % 5 0,19 0,05 0,04 0,12 0,03

Gross non-performing 0,65 0,79 0,65
receivables, % 6

Level of provisions for 51 37 43
doubtful receivables, %7

Core funding ratio, % 8 94 93 93

Equity/assets ratio, % 9 4,5 4,6 4,1

Tier 1 capital ratio, % 12,4 12,5 11,2

 Earnings per share, EUR 0,23 0,41 -45 0,41 -40 0,64 0,92 -30

11

 Earnings per share after 0,23 0,41 -45 0,41 -41 0,64 0,92 -30
 dilution, EUR

 Equity capital per share, 13,90 14,36 -3 13,18 5
 EUR 12

 Equity capital per share 13,81 14,26 -3 13,15 5
 after dilution, EUR

 Market price per Series A 13,86 16,19 -14 15,50 -11
 share, EUR

 Market price per Series B 13,74 15,30 -10 15,75 -13
 share, EUR

 Number of shares 15 267 15 267 15 178 1
 outstanding (not own
 shares), 000s

 Number of shares 15 477 15 478 0 15 278 1
 outstanding (not own
 shares), after dilution,
 000s

 Working hours 690 667 3 668 3 678 665 2
 re-calculated to
 full-time equivalent
 positions

1 Deposits from the public and public sector entities, including certificates
 of deposit, index bonds and debentures issued to the public

2 Investment volume encompassed actively managed assets (the Group's own mutual
 funds, discretionary and advisory managed assets) plus other securities volume
 in brokerage accounts"

3 Profit for the report period attributable to shareholders / Average
 shareholders' portion of equity capital

4 Expenses / Income

5 Impairment losses on loan portfolio and other commitments / Lending to the
 public at the beginning of the period

6 Gross doubtful receivables / Lending to the public before provisions for
 impairment losses

7 Provisions for individual impairment losses / Gross doubtful receivables

8 Lending to the public / Deposits including certificates of deposit, index
 bonds and debentures issued to the public plus covered bonds issued

9 Equity capital / Balance sheet total

10 (Core Tier 1 capital / Capital requirement) x 8% 11 Shareholders' portion of earnings for the period / Average number of shares
12 Equity capital / Number of shares less own shares on closing day

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 Interim Report for the period January - June 2016, which is enclosed with this stock exchange release. The Bank's Interim Report for the period January - June 2016 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_16.pdf

Mariehamn, July 22, 2016

THE BOARD OF DIRECTORS

For more information please contact:

Peter Wiklöf, Managing Director and Chief Executive, Bank of Åland, tel. + 358 (0)40 512 7505