

Bank of Åland Plc: Interim Report for the period January - September 2018

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Bank of Åland Plc
Interim Report
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“During the first nine months of 2018 we improved our net operating profit by 12 per cent to EUR 21.9 M. We achieved this level of earnings in spite of a large-scale implementation of new regulations, a sharply increased EU Single Resolution Fund fee and a significantly weaker Swedish krona, which adversely affected both our business volume and our earnings.”

A few years ago, the Bank of Åland was the first bank in the Nordic countries to begin partnering with new fintech companies. Our first such cooperation was with the company Dreams Nordic – a partnership that has developed nicely. During the third quarter, the Bank of Åland chose to become a part-owner of the company”

Peter Wiklöf, Managing Director

January - September 2018 compared to January - September 2017

- Net operating profit increased by 12 per cent to EUR 21.9 M (19.5).
- Profit for the period attributable to shareholders increased by 11 per cent to EUR 17.2 M (15.5).
- Net interest income decreased by 1 per cent to EUR 41.2 M (41.8).
- Net commission income increased by 2 per cent to EUR 37.8 M (37.1).
- Total expenses decreased by 3 per cent to EUR 72.6 M (74.6).
- Net impairment losses on financial assets (including recoveries) totalled EUR 0.9 M (1.5), equivalent to a loan loss level of 0.03 (0.05) per cent.
- Return on equity after taxes (ROE) amounted to 9.9 (9.2 per cent).
- Earnings per share amounted to EUR 1.12 (1.01).
- The common equity Tier 1 ratio amounted to 13.2 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 third quarter of 2018 compared to the third quarter of 2017

- Net operating profit decreased by 3 per cent to EUR 7.0 M (7.2).

- Profit for the period attributable to shareholders decreased by 3 per cent to EUR 5.6 M (5.8).
- Net interest income decreased by 6 per cent to EUR 13.3 M (14.3).
- Net commission income decreased by 1 per cent to EUR 12.1 M (12.2).
- Total expenses decreased by 7 per cent to EUR 22.7 M (24.4).
- Net impairment losses (including recoveries) totalled EUR 0.3 M (0.6), equivalent to a loan loss level of 0.03 (0.06) per cent.
- Return on equity after taxes (ROE) amounted to 9.4 (10.1) per cent.
- Earnings per share amounted to EUR 0.36 (0.38).

Financial summary

Group	Q3 2018	Q2 2018	%	Q3 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
EUR M								
Income								
Net interest income	13.3	13.8	-4	14.3	-6	41.2	41.8	-1
Net commission income	12.1	12.6	-4	12.2	-1	37.8	37.1	2
Net income from financial items	0.6	1.7	-67	1.8	-70	3.8	2.1	78
Other income	4.1	4.4	-7	3.9	4	12.5	14.6	-14
Total income	30.0	32.5	-8	32.2	-7	95.4	95.6	0
Staff costs	-13.2	-14.5	-8	-14.1	-6	-42.8	-45.0	-5
Other expenses	-7.7	-8.3	-7	-8.3	-8	-24.3	-24.4	0
Depreciation/amortisation	-1.8	-1.8	0	-2.0	-8	-5.5	-5.3	5
Total expenses	-22.7	-24.5	-7	-24.4	-7	-72.6	-74.6	-3
Profit before impairment losses	7.3	8.0	-9	7.8	-6	22.8	21.1	8
Net impairment losses on financial assets	-0.3	-0.5	-44	-0.6	-55	-0.9	-1.5	-40
Net operating profit	7.0	7.5	-7	7.2	-3	21.9	19.5	12
Income taxes	-1.5	-1.6	-11	-1.5	0	-4.7	-4.0	17
Profit for the report period	5.6	5.9	-5	5.8	-3	17.2	15.5	11
Attributable to:								
Shareholders in Bank of Åland Plc	5.6	5.9	-5	5.8	-3	17.2	15.5	11
Volume								
Lending to the public	3,978	3,963	0	3,967	0			
Deposits from the public	3,085	3,095	0	3,230	-4			
Actively managed assets 1	5,849	5,650	4	5,700	3			
Equity capital	237	230	3	230	3			
Balance sheet total	5,484	5,302	3	5,356	2			
Risk exposure amount	1,565	1,575	-1	1,553	1			
Financial ratios								
Return on equity after taxes, % (ROE) 2	9.4	10.2		10.1		9.9	9.2	
Expense/income ratio 3	0.76	0.75		0.76		0.76	0.78	
Loan loss level, % 4	0.03	0.05		0.06		0.03	0.05	
Liquidity coverage ratio (LCR), % 5	131	135		109				
Loan/deposit ratio, % 6	129	128		123				
Core funding ratio, % 7	91	90		91				
Equity/assets ratio, % 8	4.3	4.3		4.3				
Common equity Tier 1 capital ratio, % 9	13.2	12.8		12.6				
Earnings per share, EUR 10	0.36	0.38	-5	0.38	-4	1.12	1.01	10
Earnings per share after dilution, EUR	0.36	0.38	-5	0.37	-3	1.11	1.00	11
Equity capital per share, EUR 11	15.34	14.92	3	14.98	2			
Equity capital per share after dilution, EUR	15.25	14.81	3	14.82	3			
Market price per Series A share, EUR	14.70	14.50	1	14.86	-1			
Market price per Series B share, EUR	13.85	13.50	3	14.90	-7			
Number of shares outstanding (not own shares), 000s	15,472	15,448	0	15,335	1			
Number of shares outstanding (not own shares), after dilution, 000s	15,580	15,586	0	15,588	0			
Working hours re-calculated to full-time equivalent positions	702	693	1	702	0	689	691	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 Interim Report for the period January – September 2018, which is enclosed with this stock exchange release. The Bank's Interim Report for the period January – September 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-sep_18.pdf

Mariehamn, October 23, 2018

THE BOARD OF DIRECTORS

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Attachment

- [alandsbanken_en_resultat_jan-sep_18](https://www.alandsbanken.com/uploads/pdf/result/en_resultat_jan-sep_18.pdf)