

Bank of Åland Plc: Interim Report for the period January – June 2012

30.07.2012

Bank of Åland
Interim report

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"Right now the external conditions for conducting banking operations in the euro zone are unusually challenging, forcing us to take further steps – both on the income side and the expense side – to ensure profitable banking business even in an extreme low-interest environment. During July, we received two encouraging pieces of news. One is that a declaration of intent has been signed on the divestment of the Bank's Swedish subsidiary, which has been emptied of banking operations, a transaction that is expected to give us a capital gain of about EUR 6 M in the fourth quarter. The other is that Standard & Poor's has assigned our covered bonds a high credit rating, AA. This credit rating opens a new, important source of funding in the form of covered bonds."

Peter Wiklöf, Managing Director

January'June 2012 compared to January'June 2011

- Net operating profit amounted to EUR -4.0 M (1.4).
- Profit for the period attributable to shareholders was EUR -3.0 M (-1.2).
- Net interest income increased by 8 per cent to EUR 21.0 M (19.6).
- Net commission income decreased by 24 per cent to EUR 15.7 M (20.8).
- Total expenses decreased by 8 per cent to EUR 47.2 M (51.2).
- Net loan losses were EUR 2.4 M (0.3), equivalent to a loan loss level of 0.17 (0.02) per cent.
- The Tier 1 capital ratio increased to 9.6 per cent (8.4 per cent on December 31, 2011), mainly because the capital requirement for credit risks is now calculated according to the Internal Ratings Based (IRB) approach for the Finnish household portfolio.
- Due to macroeconomic developments in Europe, including record-low interest rates and uncertain stock market performance, it has become more difficult for the Bank to earn profits. The Group intends to further review its expenses, which overall are expected to be lower than in 2011. The Bank expects capital gains from divestments of assets and also intends to adjust certain interest rate terms in such a way that they better reflect prevailing market conditions. If loan losses remain within forecasted

limits, these circumstances and assumptions will together lead the Group to report a positive net operating profit in 2012.

The second quarter of 2012 compared to the first quarter of 2012

- Net operating profit amounted to EUR -3.0 M (-1.1).
- Profit for the period attributable to shareholders was EUR -2.2 M (-0.8).
- Net interest income decreased by 17 per cent to EUR 9.6 M (11.5).
- Net commission income decreased by 5 per cent to EUR 7.6 M (8.0).
- Total expenses increased by 1 per cent to EUR 23.7 M (23.5).
- Net loan losses were EUR 1.5 M (0.9), equivalent to a loan loss level of 0.21 (0.12) per cent.

Financial summary

Bank of Åland Group		Q2 2012	Q1 2011	% Q2 2012 / Q1 2011	Q1 2012	% Q1 2012 / Q1 2011
2012	2011	2012	2011		2012	2011

EUR M

Income

Net interest income	9.6	11.5	-17	10.1	-5	21.0	19.6	8
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Net commission income	7.6	8.0	-5	10.7	-28	15.7	20.8	-24
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Other income	5.1	3.8	34	5.9	-14	8.9	12.5	-29
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Total income	22.3	23.3	-4	26.7	-16	45.6	52.8	-14
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Staff costs	-13.0	-13.2	-2	-16.5	-21	-26.2	-30.4	-14
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Other expenses	-10.7	-10.3	4	-10.6	1	-21.0	-20.8	1
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Total expenses	-23.7	-23.5	1	-27.2	-13	-47.2	-51.2	-8
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Profit before loan losses etc.	-1.4	-0.2	-0.5	-1.6	1.6
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Impairment losses on loans and other commitments	-1.5	-0.9	78	-0.3	-2.4	-0.3
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Net operating profit -3.0 -1.1 -0.8 -4.0 1.4

Income taxes 0.9 0.4 -0.6 1.3 -1.6

Profit for the report period -2.0 -0.7 -1.3 53 -2.7 -0.3

Attributable to:

Non-controlling interests 0.1 0.1 59 0.9 -84 0.2 0.9 -75

Shareholders in Bank of Åland Plc -2.2 -0.8 -2.2 -1 -3.0 -1.2

Volume

Lending to the public 2,861 2,762 4 2,567 11

Deposits from the public 2,591 2,551 2 2,492 4

Managed assets 3,982 4,044 -2 3,814 -1

Equity capital 177 180 -1 155 14

Balance sheet total 3,580 3,553 1 3,403 5

Risk-weighted assets 1,445 1,374 5 1,591 -9

Financial ratios

Return on equity after taxes, % (ROE) -4.5 -1.6 -3.4 -3.1 -0.4

Expenses/income ratio, % 106 101 102 104 97

Loan loss level, % 0.21 0.12 0.04 0.17 0.02

Gross non-performing loans, % 0.88 0.63 1.04 0.88 1.04

Level of provisions for doubtful 73 67 75 73 75

receivables, %

Core funding ratio 110 108 103 110 108
(Lending/deposits), %

Equity/assets ratio, % 5.0 5.1 4.6 5.0 4.6

Tier 1 capital ratio, % 9.6 10.3 7.7 9.6 7.7

Earnings per share before -0.15 -0.06 -0.19 -0.21 -0.10
dilution, %

Equity capital per share, 12.11 12.26 13.15 12.11 13.15
EUR

Market price per Series A 10.90 14.15 25.98 10.90 25.98
share, EUR

Market price per Series B 7.58 8.68 16.50 7.58 16.50
share, EUR

Price per A share, 10.90 14.15 24.20 10.90 24.20
adjusted for share
issue, EUR

Price per B share, 7.58 8.68 15.27 7.58 15.27
adjusted for share
issue, EUR

Working hours 651 679 699 666 693
re-calculated to
full-time equivalent
positions

Ålandsbanken follows the disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision Authority and hereby publishes its Interim Report for the period January – June 2012 enclosed to this stock exchange release. Ålandsbanken's Interim Report for the period January – June 2012 is attached to this release in pdf format and is also available on the company's web site at www.alandsbanken.fi.

Mariehamn, July 30, 2012

THE BOARD OF DIRECTORS

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