

Bank of Åland Plc: Decision on dividend distribution for 2019

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Bank of Åland Plc
Inside information
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On January 1, 2021 the Board of Directors of the Bank of Åland Plc (Ålandsbanken Abp) approved the distribution of a dividend totalling EUR 1 per share (a regular dividend of EUR 0.80 and a 100th anniversary dividend of EUR 0.20) for the 2019 financial year, in compliance with the authorisation that the Board received from the Bank's Annual General Meeting on April 2, 2020.

The record date for the dividend distribution is Tuesday, January 5, 2021. The dividend will be paid on Tuesday, January 12, 2021.

Because of the prevailing COVID-19 pandemic, on March 28, 2020 the Finnish Financial Supervisory Authority (FIN-FSA) recommended that small banks abstain from approving dividend distributions before October 1, 2020. On July 29, 2020 FIN-FSA announced that it was extending its recommendation not to make binding decisions on dividend distributions before January 1, 2021. The Bank of Åland obeyed these non-binding recommendations.

On December 18 FIN-FSA issued a new non-binding recommendation that - in practice - further extends the limitation on dividends or share buy-backs until September 30, 2021. The Bank of Åland is choosing not to follow this recommendation.

The Bank of Åland's earnings for the 2019 financial year were the highest in the Bank's 100-year history. The Bank's forecast for the 2020 financial year indicates a net operating profit that will be better or significantly better than its 2019 net operating profit of EUR 33.2 M.

In terms of return on equity, the Bank of Åland is among the most profitable full-service banks in Europe. The regulatory recommendations do not distinguish between the strongest and the weakest bank in Europe.

The Bank's Board of Directors has carefully weighed the risks that may be associated with a dividend distribution under the prevailing circumstances.

The Board notes that earnings for the 2019 financial year and the forecast for 2020 together make the Bank's dividend payment capacity significantly larger than during previous years. The Bank's non-performing loans are still at low levels, and profit generation is expected to continue at a high level. So far it has not been necessary to utilise the extra impairment loss provisions that the Bank made during Q1 2020 because of the pandemic.

Regulatory authorities have classified all banks in Finland, except the two largest, as "less significant institutions". This implies that the Bank of Åland and the other banks in this category are not expected to be rescued by the government in case of any future crisis. For more than a century the Bank of Åland has acted with a long-term perspective and responsibly, which we also intend to do in the future.

The regulatory recommendations challenge the prerequisites for long-term shareholders to invest in banks. For “less significant institutions”, it is vital to have long-term shareholders and for them to be there if any future crisis should require their input.

For this reason, the Bank of Åland’s Board believes that the long-term risks to the Bank may be larger if – based on our current level of earnings and risks – we choose to follow the regulatory recommendation than if we also begin to take the Bank’s other important stakeholder groups into account.

One of these stakeholder groups is the Bank’s approximately 5,300 shareholders in the Åland Islands, who own about 56 per cent of the Bank. In the Board’s assessment, the Åland community has a substantially greater need for these dividends than the Bank of Åland has.

The now-approved dividend distribution for the 2019 financial year – as well as a dividend distribution for the 2020 financial year in accordance with the Bank’s dividend policy – have already been subtracted from the Bank’s common equity Tier 1 capital. Implementation of a dividend distribution will thus not affect the Bank of Åland’s important key ratios for capital adequacy. A previously planned Additional Tier 1 (AT1) capital contribution during the first half of 2021 will *de facto* further strengthen the Bank of Åland’s already robust capital adequacy ratios.

The Board of Directors

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