



Solid performance in H1 2024

Turið F. Arge, CEO
1 August 2024



“The positive trends continued in the second quarter, and we’re pleased to report strong core operations and a profit for the first half of DKK 175m before tax. Our continued strong topline performance is driven by growth in both lending and deposits, a solid investment portfolio return and a reasonable level of impairment reflecting our customers’ generally sound credit quality,” says Føroya Banki CEO Turið F. Arge.

Turið F. Arge, CEO



Overview

- Føroya Banki at a glance
- Highlights
- Financials
 - Operating income
 - Insurance
 - Expenditures
 - Impairment charges
 - Capital ratios
- ESG
- The Faroese and Greenlandic economy
- Appendices

Føroya Banki at a glance

- Full-service banking institution with headquarters in the Faroe Islands:
 - 5 branches in the Faroe Islands
 - 1 branch in Greenland
- Føroya Banki operates three subsidiaries in the Faroe Islands:
 - Trygd (non-life insurance)
 - NordikLív (life insurance)
 - Skyn (real estate broker)
- The Group has a total of approximately 200 full-time employees.
- While maintaining a leading position in the Faroe Islands, Føroya Banki is a challenger in Greenland. Furthermore, the Group sees a growth potential in the Faroese insurance market.

Presence in the North Atlantic region

Faroe Islands

Loans: 7,515m

Deposits: 7,975m

Market Share: ~40%

Greenland

Loans: 1,508m

Deposits: 1,205m

Market Share: ~20%

Group figures

Loans: 9,023m

Deposits: 9,180m

Net interest and fee income
2023: 437m

Premiums 2023: 185m

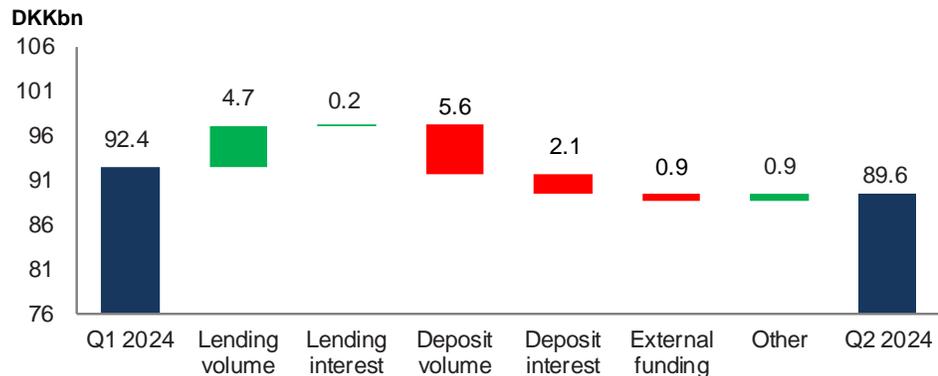
Highlights of Q2

- Solid core operating income, although the high level of interest rates now has peaked.
- Customers continue to display credit robustness
- Solid return on the investment portfolio in Q2, of which DKK 4.6m is income from holdings in associates.
- Increase in lending and deposit volumes.
- In conclusion to its assessment of the Faroese and Greenlandic residential and commercial property markets, the Danish Financial Supervisory Authority found that it cannot be documented that the markets are well-developed and established. The FSA's decision has been factored into the H1 figures.
- The work to define the strategic direction and objectives for the new strategic period beginning in 2025 is approaching its final phase. In this regard, the Board is also considering an update of the financial objectives, which will be announced as soon as they have been determined.
- Outlook 2024: Net profit expected at DKK 225-255m, corresponding to a ROE of 12%-14%.

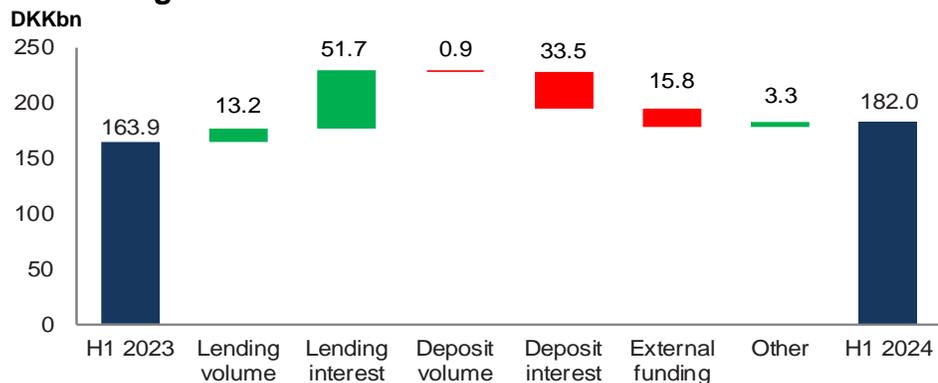
Profit & Loss				
<i>DKKm</i>		Q2 2024	Q1 2024	<i>Index</i>
Net interest income		90	92	97
Net fee and commission income		17	19	88
Net insurance income		15	12	125
Other operating income		10	11	93
Operating income		132	135	98
Operating costs		-68	-64	106
Profit before impairment charges		63	70	90
Net impairment charges on loans		7	-23	130
Operating profit		70	47	148
Non-recurring items		0	0	
Investment portfolio earnings		35	23	155
Profit before tax		105	70	150
Tax		18	15	122
Net profit		87	55	158
Key Metrics				
<i>DKKbn</i>	Target 2024	Q2 2024	Q1 2024	<i>Index</i>
Loans and advances		9.0	8.9	101
Deposits and other debt		9.2	8.9	103
Mortgage credit		2.6	2.6	99
Operating cost / income, %	< 53.0	51.6	47.6	
CET1 capital ratio, %	20.0	25.6	25.0	
RoE after tax (annualised)*, %	> 12.0	15.1	12.0	

*Non-recurring items are excluded in the annualisation

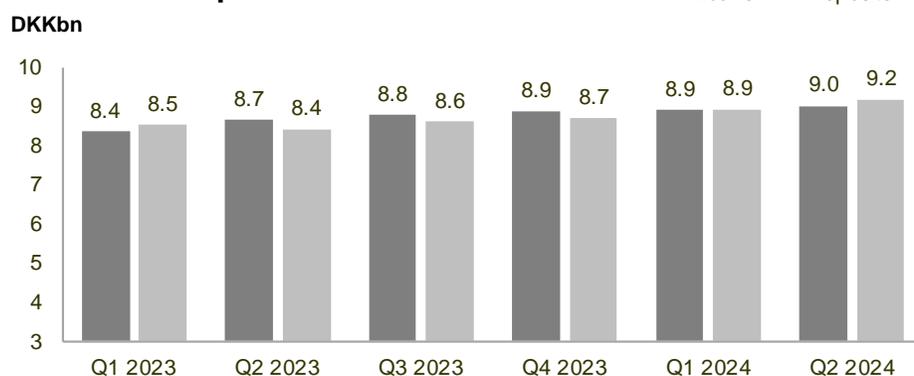
QoQ changes in net interest income



YoY changes in net interest income



Loans and deposits



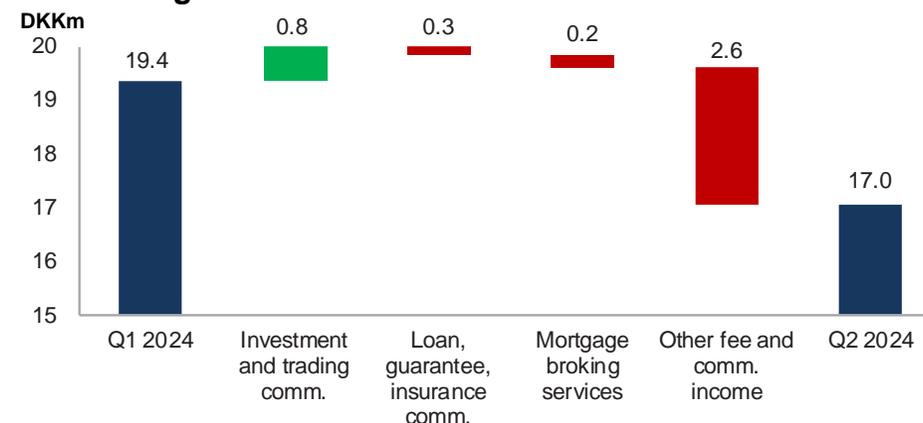
Net interest income still high

- Net interest income down by DKK 2.8m QoQ and up DKK 18.1m YoY.
 - The high level of interest rates has peaked. Interest rates are expected to fall during 2024.
 - Interest rates decreased by up to 0.25pp in July and August 2024. The full effect of the interest rate decrease will show later in 2024.
- Satisfactory development in lending and deposit volumes.
 - Lending volumes up by 1% QoQ and by 4% YoY.
 - Deposits up by 3% QoQ and by 9% YoY.
- Customers are increasingly opting for deposit accounts offering higher interest rates.
 - High-rate options will remain
 - Decrease in interest rates only affects normal payroll accounts in the Faroe Islands
- More expensive new external funding affects YoY performance.

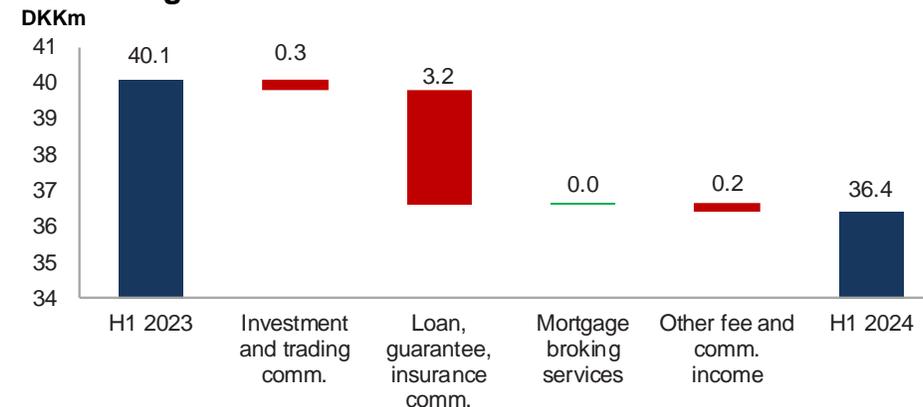
Fall in guarantees affects fee and commission income

- Fee and commission income down by DKK 2.3m QoQ, and down by DKK 3.7m YoY.
- The decrease in fee and commission income compared to H1 2023 was primarily due to a fall in guarantee commission, as certain large guarantees were converted to loans in mid-2023.
- Removal of online banking fees also led to a fall in fee and commission income.
- Significant increase in customer activity in the investment sector during H1 2024, primarily driven by our proactive engagement with clients:
 - Positive market performance, contributing to increased investment enthusiasm.
 - A growing number of customers utilise our online banking platform to manage their own investments.
- Mortgage-broking services at a flat level in general. Down by DKK 35m QoQ and up by DKK 19m YoY.

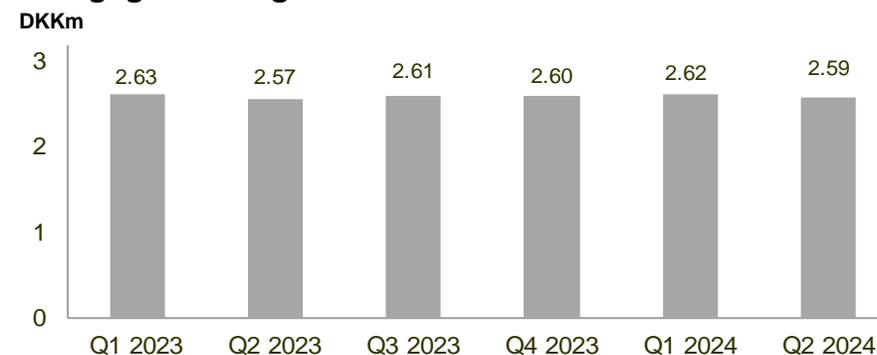
QoQ changes in fee and commission income



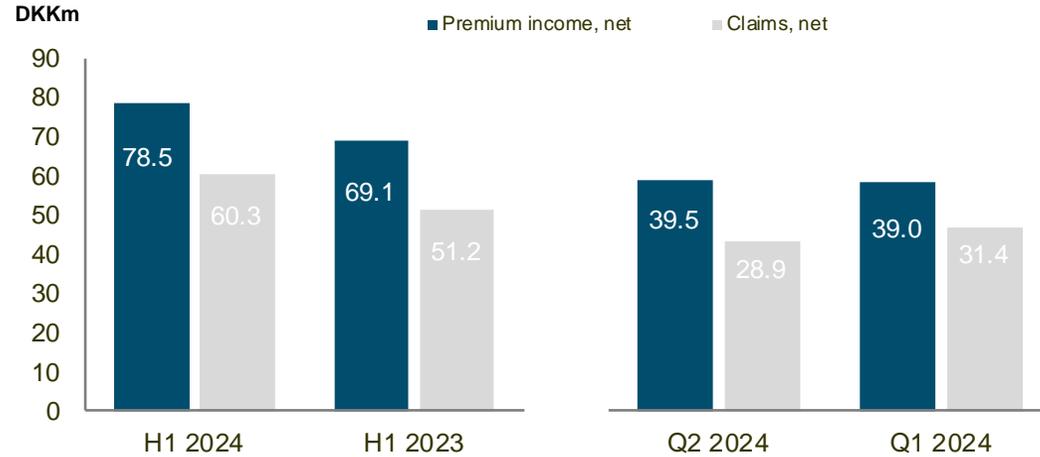
YoY changes in fee and commission income



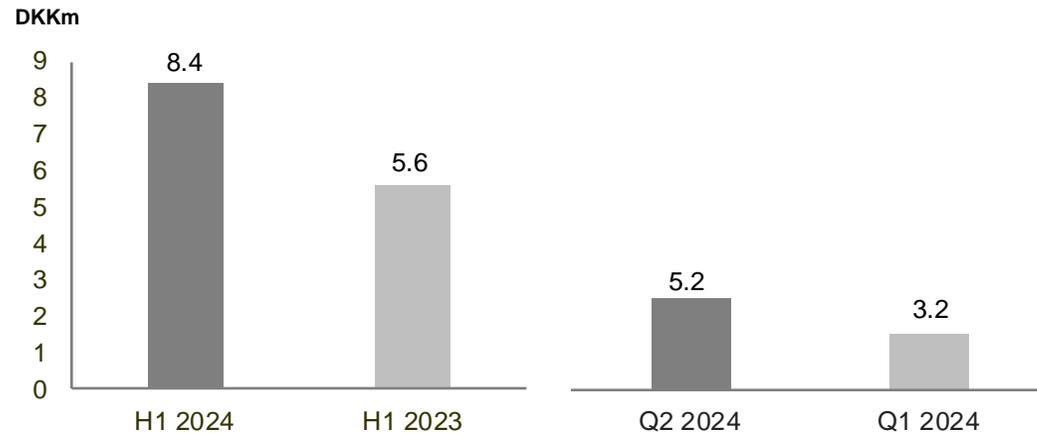
Mortgage-broking services



Premiums and claims



Profit before tax



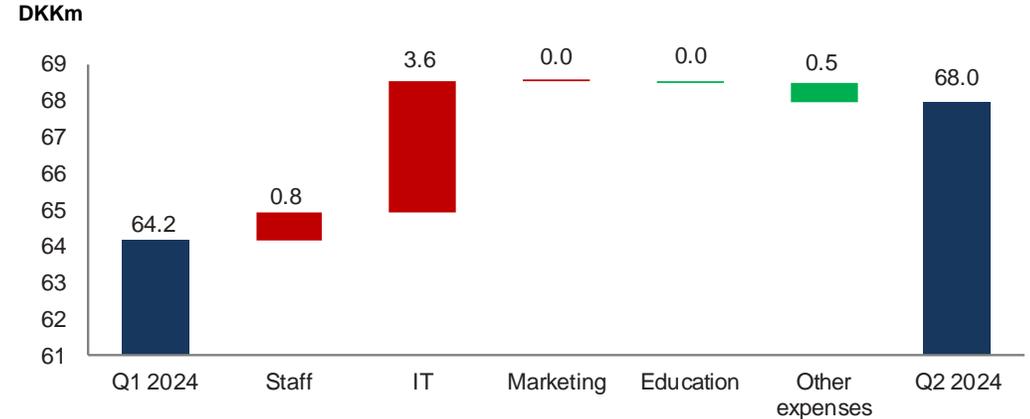
Increase in premium income and claims in H1 2024

- Combined ratio of 96.3% in H1 2024, compared to 94.6% in H1 2023.
- Solid return on investment activities in H1 2024 entails increase in *profit before tax* despite increase in *combined ratio* compared to the same period in 2023.
- Price indexation of 3.68% leads to increase in premium income in H1 2024 compared to H1 2023.
- Claims were higher in H1 2024 compared to the same period last year, due to a few large and weather-related claims.
- Net premium income up by DKK 0.5m QoQ and up by DKK 4.9m YoY.
- Net claims down by DKK 2.5m QoQ and up by DKK 0.5m YoY.

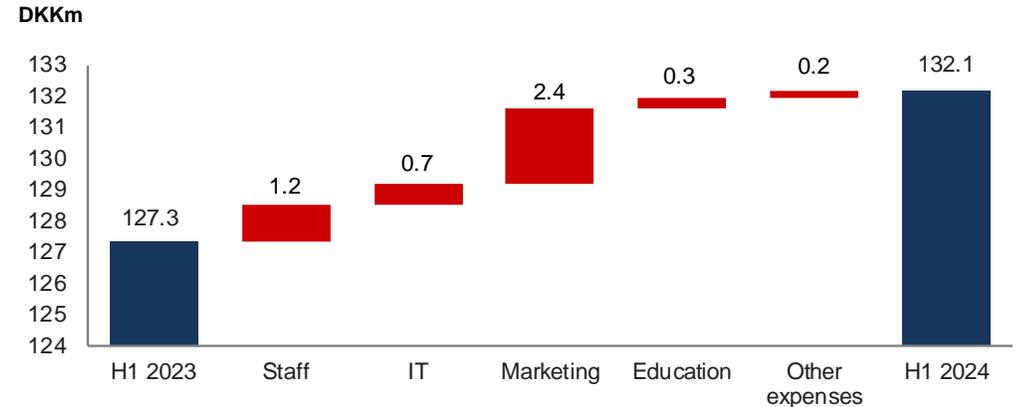
Keeping costs low remains a focus area

- Operating costs up by DKK 3.8m QoQ and up by DKK 4.8m YoY:
 - Increase in IT costs due to increased cost level
 - Increase in marketing expenses mainly attributable to costs related to the Bank's name change in Q1 2024.
- End-of-period FTE of 209. An increase of 6 FTE compared to H1 2023.
- Operating costs under pressure because of a general increase in costs. Focus retained on keeping costs low.
- Operating costs are as expected for H1, however.

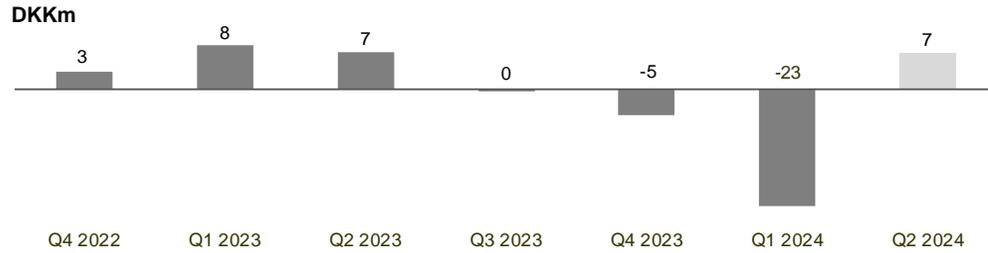
QoQ changes in operating costs



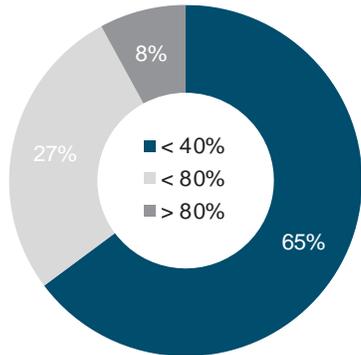
YoY changes in operating costs



Impairment charges

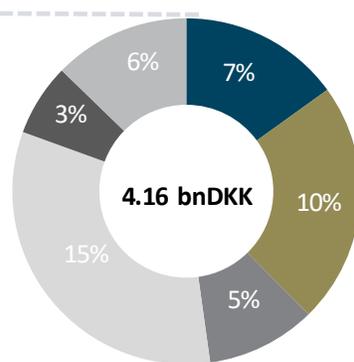
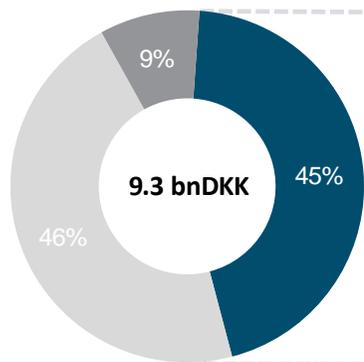


LTV for housing loans¹



Gross lending by sector

DKKm



- Public sector
- Private sector
- Corporate sector
- Manufacturing & mining
- Real estate
- Trade
- Transport, hotels, restaurants, etc.
- Agri. & fishing
- Other

Customers display credit robustness in general

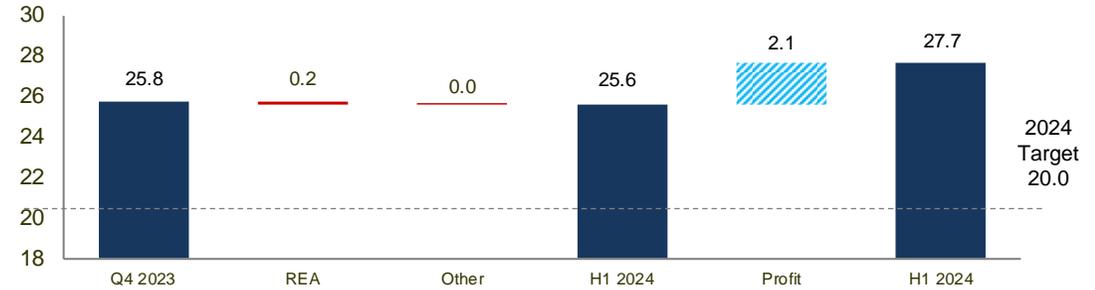
- Net impairment charges of DKK 16m in H1 2024. An increase of DKK 32m YoY.
 - Increase in impairment charges in H1 2024 attributable to a few corporate customers.
 - Our customers continue to display credit robustness in general.
- Discretionary management estimate of DKK 93m.
 - Related to general economic uncertainty caused by geopolitical tensions and macroeconomic developments.
- Impairment charges expected to be at a normalised level in 2024 – approx. DKK 40m.
- Strong LTV ratios for housing loans. 92% of total housing loans below LTV of 80% and 65% below LTV of 40%.

1) Lending for housing accounts for DKK 4.0bn of total retail lending of DKK 4.3bn

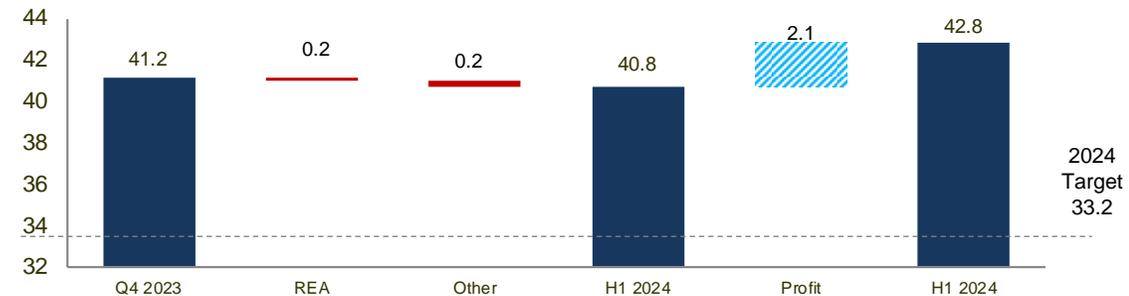
Strong capital ratios

- The FSA found that it cannot be documented that the markets are well-developed and established. The risk weighting of residential and commercial property loans can therefore only be reduced if certain conditions are met. Loans for owner-occupied residential properties often meet these exemption provisions, as do staff housing loans, whereas the weighting of loans for residential rental properties may be reduced if the property can be divided into single units and sold on as individual owner-occupied residential properties.
- In Q2, REA increased due to the FSA's conclusion and due to a general increase in total lending, while other factors such as a new guarantee agreement with DLR resulted in a decrease in REA. Overall, this leads to REA being up by 0.6% relative to Q4 2023 to DKK 6,859m.
- The 20 largest customers constituted 156% of the Bank's capital base at the end of Q2 2024, which is an increase from 150% in Q1 2024. The increase is also due to the result of FSA's conclusion.
- An increase of the systemic buffer to 3% effective from 1 July 2025 results in higher capital requirements.
- The definition of the strategic direction and financial objectives for the new strategic period, beginning in 2025, is approaching its final phase. The new strategy and objectives will be announced as soon as they are determined, including long-term CET targets.

Changes in CET1 ratio



Changes in MREL Capital Ratio



ESG – an ongoing commitment



Average full-time equivalent

205



NPS

66



Average length of service

15
years



Gender diversity, Management

50
%



2025 target, scope 1

0

Co₂e t



2025 target, scope 2

170

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Reduction in scope 1, 2021-2023

17
%



Reduction in scope 2, 2021-2023

17
%

Economic outlook

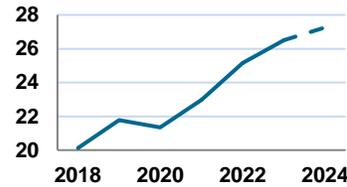
- Positive momentum and outlook, but with different downside risks
- Faroese economic outlook:
 - Positive momentum and outlook
 - Clear risk to the downside
- The Greenlandic economy:
 - Growth level moderate
 - Downside risks and structural challenges

Faroese economic outlook:

Economy still growing but at a reduced rate

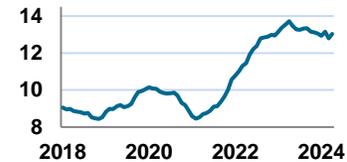
GDP

- Very strong economic growth post Covid, with growth of 7.7% in 2021, 9.5% in 2022 and 5.4% in 2023
- The growth rate has decreased and is expected to be 2.8% in 2024



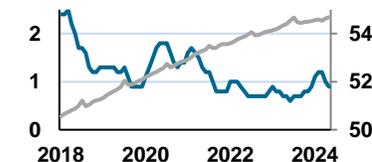
Exports

- The export value peaked in 2023 at DKK 12.5 bn
- Jan-April 2024 export value down 5% compared to same period in 2023



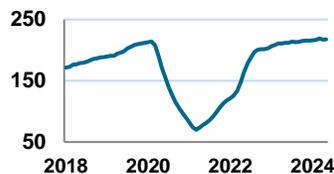
Low unemployment and population growth

- Very low unemployment rate at 0.9%
- Continued population growth, but at lower growth rates



Tourism rebounding

- Record number of passengers at Vága Airport, with numbers up 3% in 2024 compared to 2023.
- Contribution to economy growing rapidly

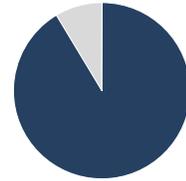


Faroese economic outlook:

Economic indicators more mixed than previously

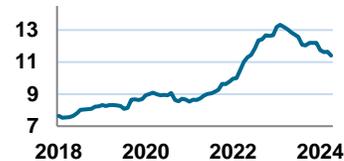
Relations with Russia

- 4th largest export destination in 2023 at 9%. Prior to the war in Ukraine, Russia accounted for 25% of all Faroese exports
- Fisheries agreement extended through 2024



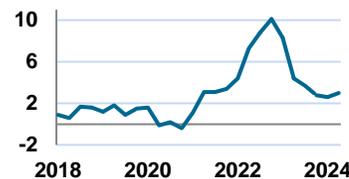
Imports

- Imports down 13% (rolling 12 months) compared to previous 12 months
- Record positive balance of trade



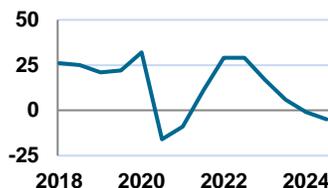
Inflation

- Inflation at 3.0% (May'24) - a significant reduction compared to a year prior (8.3% in Feb'23)



Business/consumer confidence

- Total confidence level continues downward trend, mainly driven by reduced production and construction confidence

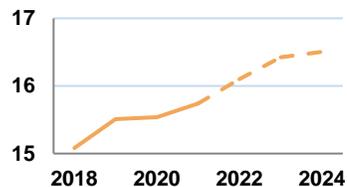


Greenlandic economic outlook:

Moderate growth momentum

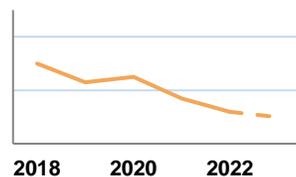
GDP

- Growth moderate, but positive in recent years
- Stabilised by Danish block grant, which accounts for around a quarter of GDP



Decreasing unemployment

- Unemployment historically low at below 3%
- Very tight labour market in large towns and for skilled labour



Airport capacity

- Nuuk new airport set to open in November 2024
- Massive increase in ease and consistency of travel to Greenland

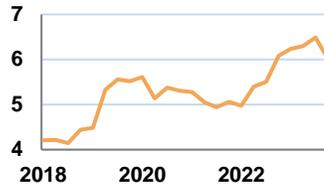


Greenlantic economic outlook:

Downside risks and structural challenges

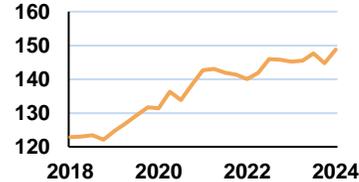
Trade

- Exports strong in 2023 - increased in final quarter of the year
- Balance of trade remains negative



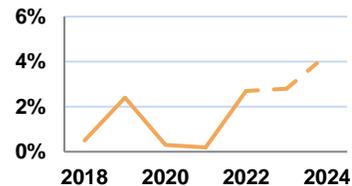
Retail sales

- Retail sales stabilised at highest level to date



Inflation

- Inflation relatively low in 2020 and 2021 due to well-timed oil price hedge
- Inflation expected to be relatively high at 4.3% in 2024, partly due to bottlenecks appearing in the economy



H1 in summary

- Positive performance
- Solid return on investment portfolio
- Improving lending and deposits
- Reasonable impairment level – general customer credit robustness
- FSA´s finalised assessment regarding the residential and commercial property market in the Faroe Islands and in Greenland
- The work to define the new strategic period beginning in 2025 is approaching its final phase
- Outlook 2024: Net profit expected at DKK 225–255m



Questions?

Appendices

- Group
- Banking
- Personal Banking
- Corporate Banking
- Banking – Faroe Islands
- Banking – Greenland
- Insurance – Trygd
- Developments in business volumes
- Credit quality of loan portfolio

Group

Solid profit before tax despite higher operating costs due to increase in IT costs and salaries.

DKKm	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Net interest income	90	92	97	100	96	86	78	182	164	111
Net fee and commission income	17	19	88	17	19	19	21	36	40	91
Net insurance income	15	12	125	12	24	19	5	27	24	111
Other operating income (less reclassification)	10	11	93	4	9	11	8	21	19	112
Operating income	132	135	98	133	148	135	112	266	247	108
Operating costs ¹	-68	-64	106	-65	-65	-64	-63	-132	-127	104
Sector costs	0	0	69	0	0	0	0	-1	-1	104
Profit before impairment charges	63	70	90	68	83	71	49	133	119	112
Impairment charges, net	7	-23	-30	-5	0	7	8	-16	16	102
Operating profit	70	47	148	62	82	78	57	118	135	87
Non-recurring items ²	0	0		0	0	-6	-3	0	-9	
Profit before investment portfolio earnings and tax	70	47	148	62	82	72	54	118	126	93
Investment portfolio earnings ³	35	23	155	46	26	15	22	58	37	158
Profit before tax	105	70	150	109	108	87	75	175	162	108
Tax	18	15	122	20	20	17	14	33	31	107
Net profit	87	55	158	89	88	70	61	142	131	108
Operating cost/income, %	52	48		49	44	47	56	50	51	
Number of FTE, end of period	209	209	100	207	207	203	203	209	203	103

1 Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).

2 Reclassified from Staff costs and administrative expenses.

3 Incl. net income from investments accounted for under the equity method (excl. sector shares).

Banking

Satisfactory increase in lending and deposit volumes.

DKKm	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Net interest income	90	92	97	100	96	86	78	182	164	111
Net fee and commission income	21	23	90	21	23	23	25	44	48	93
Other operating income	9	10	93	3	8	9	8	19	17	111
Operating income	120	125	95	124	127	118	110	245	228	107
Operating cost	-61	-58	105	-59	-59	-58	-58	-120	-116	103
Sector costs	0	0	69	0	0	0	0	-1	-1	104
Profit before impairment charges	58	66	87	65	68	60	51	124	111	112
Impairment charges, net	7	-23	-30	-5	0	7	8	-16	16	102
Operating profit	65	44	148	59	68	67	60	108	127	85
Non-recurring items	0	0		0	0	-6	-3	0	-9	
Profit before investment portfolio earnings and tax	65	44	148	59	68	62	56	108	118	92
Investment portfolio earnings	33	19	171	42	24	14	20	52	34	150
Profit before tax	97	63	155	102	92	76	76	160	152	105
Loans and advances	9,023	8,915	101	8,883	8,790	8,655	8,354	9,023	8,655	104
Deposits and other debt	9,180	8,930	103	8,710	8,602	8,426	8,524	9,180	8,426	109
Mortgage credit	2,585	2,621	99	2,599	2,615	2,567	2,634	2,585	2,567	101
Operating cost/income, %	51	47		47	46	49	53	49	51	
Number of FTE, end of period	178	178	100	176	176	173	172	178	173	103

Personal Banking

Increase in impairment charges in Q2, but the segment remains robust.

DKKm	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Net interest income	55	60	92	72	60	48	36	114	92	125
Net fee and commission income	16	18	89	16	18	16	18	34	34	101
Other operating income	6	6	106	2	5	7	6	13	13	96
Operating income	77	84	92	90	84	71	60	161	138	116
Operating costs	-50	-49	103	-49	-51	-49	-47	-99	-96	103
Sector costs	0	0	69	0	0	0	0	-1	-1	104
Profit before impairment charges	27	34	78	40	32	22	12	61	41	147
Impairment charges, net	-4	5	-85	-5	1	1	5	1	6	12
Operating profit	23	39	58	35	33	23	18	62	47	130
Non-recurring items	0	0		0	0	-5	-3	0	-8	
Profit before investment portfolio earnings and tax	23	39	58	35	33	18	15	62	40	155
Investment portfolio earnings	20	14	147	30	17	10	11	34	21	160
Profit before tax	43	53	81	65	51	28	25	96	61	157
Loans and advances	4,202	4,124	102	4,066	3,859	3,771	3,673	4,202	3,771	111
Deposits and other debt	6,161	5,788	106	5,761	5,678	5,584	5,392	6,161	5,584	110
Mortgage credit	2,174	2,191	99	2,179	2,203	2,285	2,331	2,174	2,285	95
Number of FTE, end of period	80	79	101	81	82	74	74	80	74	108

Corporate Banking

Corporate client base continues to show solid creditworthiness, after high impairment charges attributed to a few corporate clients in Q1 2024.

DKK ^m	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Net interest income	35	33	106	28	36	38	42	68	72	93
Net fee and commission income	5	5	94	5	5	7	7	10	14	76
Other operating income	3	3	78	1	3	2	1	6	4	171
Operating income	43	42	102	34	44	47	50	84	90	94
Operating costs	-7	-9	70	-9	-8	-8	-6	-16	-15	110
Sector costs	0	0	69	0	0	0	0	0	0	104
Profit before impairment charges	36	32	111	24	36	39	44	68	75	91
Impairment charges, net	11	-28	-40	0	-2	6	3	-17	10	174
Operating profit	47	5	1025	25	34	45	47	51	85	61
Non-recurring items	0	0		0	0	-1	0	0	-1	
Profit before investment portfolio earnings and tax	47	5	1025	25	34	44	47	51	83	62
Investment portfolio earnings	8	5	147	12	7	4	4	13	8	160
Profit before tax	55	10	552	36	41	48	51	64	91	70
Loans and advances	4,821	4,791	101	4,816	4,932	4,884	4,681	4,821	4,884	99
Deposits and other debt	3,019	3,143	96	2,948	2,924	2,824	3,132	3,019	2,824	107
Mortgage credit	411	430	96	420	412	282	302	411	282	146
Number of FTE, end of period	15	15	100	14	15	15	15	15	15	100

Banking – Faroe Islands

Total lending and deposit volumes increased.

DKK ^m	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Net interest income	73	75	97	84	80	74	64	148	141	105
Net fee and commission income	18	19	95	18	19	19	21	37	40	92
Other operating income	8	8	94	2	6	8	6	16	14	111
Total Operating income	99	103	96	104	105	101	91	201	195	103
Operating cost	-52	-49	106	-50	-50	-48	-49	-102	-97	105
Sector costs	0	0	69	0	0	0	0	-1	-1	104
Profit before impairment charges	46	53	87	54	54	53	42	99	98	101
Impairment charges, net	2	15	14	5	1	-1	15	18	14	129
Operating profit	48	68	71	59	56	52	57	117	112	104
Non-recurring items	0	0		0	0	-6	-3	0	-9	
Profit before investment portfolio earnings and tax	48	68	71	59	56	46	53	117	103	114
Investment portfolio earnings	24	14	175	31	18	11	16	38	27	142
Profit before tax	73	82	88	90	73	57	69	155	129	120
Loans and advances	7,515	7,433	101	7,441	7,365	7,248	6,971	7,515	7,248	104
Deposits and other debt	7,975	7,775	103	7,555	7,565	7,734	7,803	7,975	7,734	103
Mortgage credit	1,609	1,638	98	1,654	1,676	1,723	1,756	1,609	1,723	93
Operating cost/income, %	53	48		48	48	50	54	51	50	
Number of FTE, end of period	159	159	100	158	157	156	155	159	156	102

Banking – Greenland

Stabile profit before impairment charges and reversal of impairment led to solid increase in profit before tax in Q2 2024.

DKKm	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Net interest income	17	17	98	15	16	12	14	34	23	147
Net fee and commission income	3	4	67	3	4	3	3	7	7	105
Other operating income	1	1	87	0	2	1	1	3	2	121
Total Operating income	21	23	92	19	22	17	18	44	32	137
Operating cost	-9	-9	99	-9	-8	-10	-9	-18	-19	96
Sector costs	0	0	69	0	0	0	0	0	0	104
Profit before impairment charges	12	14	87	10	14	7	9	25	13	195
Impairment charges	5	-38	-12	-9	-3	-2	-7	-34	-8	409
Operating profit	16	-25	-67	1	11	5	3	-8	5	169
Non-recurring items	0	0		0	0	0	0	0	0	
Profit before investment portfolio earnings and tax	16	-25	-67	1	11	5	3	-8	5	169
Investment portfolio earnings	8	5	161	9	5	3	3	13	6	209
Profit before tax	25	-19	-127	10	16	9	6	5	11	46
Loans and advances	1,508	1,482	102	1,442	1,425	1,397	1,372	1,508	1,397	108
Deposits and other debt	1,205	1,155	104	1,143	1,025	687	717	1,205	687	176
Mortgage credit	977	983	99	943	929	833	866	977	833	117
Operating cost/income, %	43	40		45	37	45	50	41	59	
Number of FTE, end of period	19	19	100	18	19	17	17	19	17	113

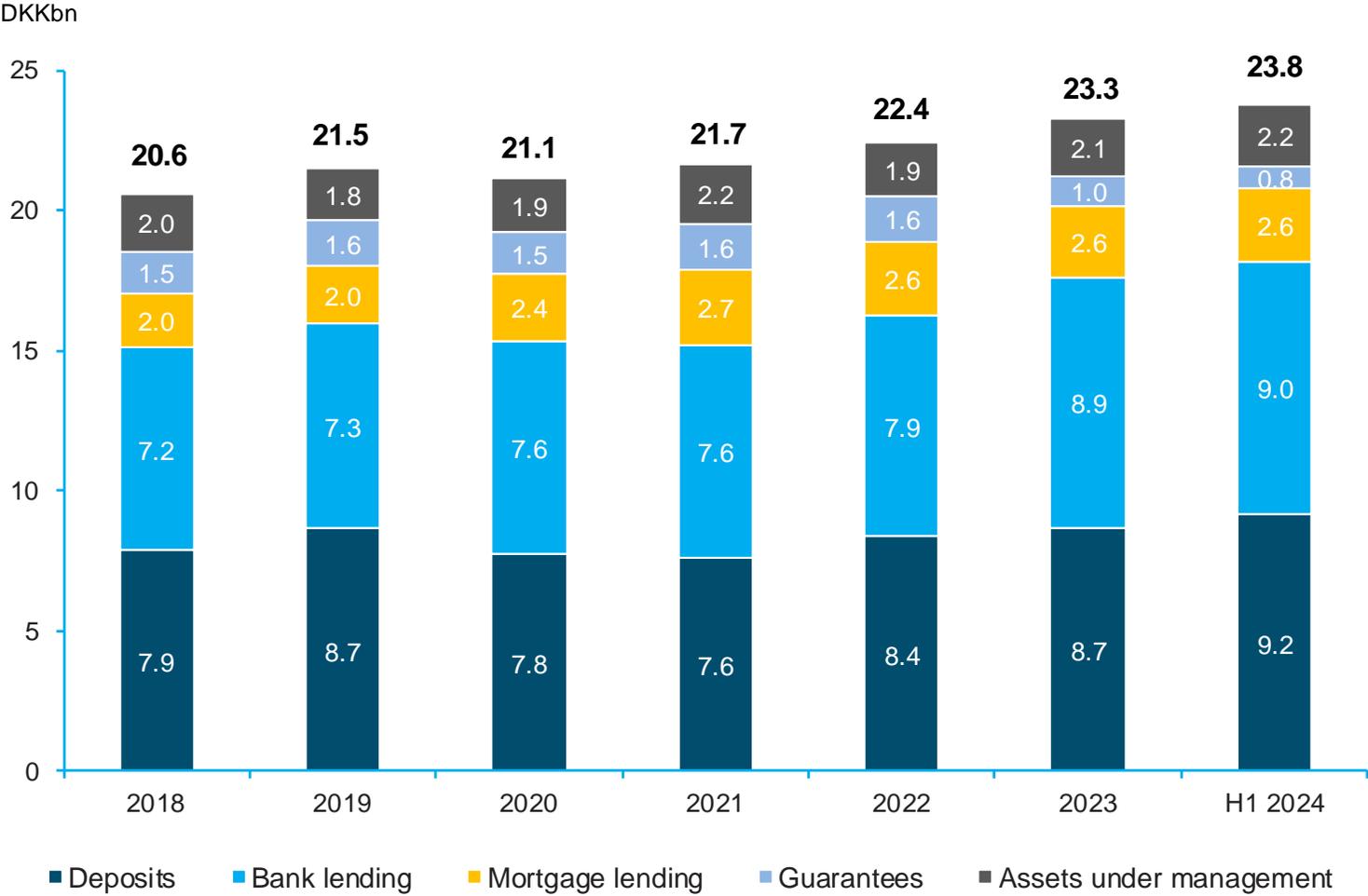
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Claims unusually high in H1 2024 due to a few large claims. Improved income level and solid return on investment activities resulted in increase in profit before tax.

DKKm	Q2 2024	Q1 2024	Index	Q4 2023	Q3 2023	Q2 2023	Q1 2023	H1 2024	H1 2023	Index
Premium income, net of reinsurance	40	39	101	42	37	35	34	79	69	114
Claims, net of reinsurance	-29	-31	92	-30	-17	-19	-32	-60	-51	118
Net insurance income	11	8	141	12	20	16	2	18	18	102
Net income from investment activities	2	3	68	3	2	0	2	6	2	299
Operating income	13	11	119	15	22	16	4	24	20	120
Operating cost	-8	-8	101	-8	-7	-8	-7	-15	-14	108
Profit before tax	5	3	162	7	14	8	-3	8	6	151
Combined ratio	93	100		90	67	76	113	96	95	
Claims ratio	73	81		72	47	55	94	77	74	
Number of FTE, end of period	23	23	100	23	23	22	23	23	22	101

Developments in business volumes

Business volumes (sum of deposits, lending, guarantees and AUM)



Credit quality of the loan portfolio

Downgrade of small number of corporate customers due to company-specific factors.

	Q1 2024			Q2 2024			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	2,621	4,214	6,835	2,753	4,260	7,013	177
Portfolio with some weakness	2,601	1,691	4,291	2,358	1,649	4,007	-285
Portfolio with weakness	91	500	591	83	415	498	-92
- of which unsecured	10	53	63	6	38	44	-18
- impairments	6	5	11	4	5	10	-1
Portfolio with OIE	136	168	304	152	277	429	125
- of which unsecured	31	61	91	32	56	88	-4
- impairments	26	32	57	27	30	58	
Portfolio w/o individual classification	31		31	27		27	-4
Total	5,479	6,573	12,052	5,373	6,600	11,973	-79

Total loan portfolio (gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

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