


An aerial photograph of a modern, curved building with a large, circular skylight on its roof. The building is situated in a coastal town, with a body of water and hills in the background. The sun is setting, creating a warm, golden glow over the scene. The text "Satisfactory Q1 financial results" is overlaid in large, white, sans-serif font on the left side of the image.

Satisfactory Q1 financial results

Turið F. Arge, CEO
2 May 2024

An aerial photograph of a modern, curved building with a dark facade and a light-colored roof. The building is situated on a hillside overlooking a coastal town and a bay. The sun is setting in the background, creating a warm, golden glow over the scene. The sky is filled with soft, white clouds. The overall atmosphere is serene and professional.

“We delivered a generally positive performance for the first three months of 2024. In addition to the favourable interest rate environment and the return on our own portfolio, the satisfactory performance was based on a sound balance between income and costs.

Despite the positive trends, the first quarter was also marked by an increase in impairment charges compared to recent years. As previously announced, impairment charges are expected to return to a more normalised level in 2024 than what we have witnessed in recent years.”

Turið F. Arge, CEO

Overview

- Føroya Banki at a glance
- Highlights
- Financials
 - Operating income
 - Insurance
 - Expenditures
 - Impairment charges
 - Capital ratios
- The Faroese and Greenlandic economy
- ESG reporting
- 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: 7,433m
Deposits: 7,775m
Market Share: ~40%

Greenland

Loans: 1,482m
Deposits: 1,155m
Market Share: ~20%

Group figures

Loans: 8,915m
Deposits: 8,930m
Net interest and fee income 2023: 437m
Premiums 2023: 185m

Satisfactory results

- Core operating income improved. The positive performance was driven especially by a strong interest rate environment and an increase in loans and deposits.
 - The high level of interest rates has peaked. Interest rates are expected to fall during 2024.
- Solid return on the investment portfolio.
- Better balance between income and costs.
- Impairment charges set to increase in 2024
 - Impairment charges expected to return to a more normalised level in 2024.
 - Impairment charges were higher than expected in Q1 2024.
 - The increase does not imply that our customers are facing challenges, and they continue to display credit robustness.
- Outlook 2024: Net profit expected at DKK 225–255m, corresponding to a ROE of 12%–14%.

Profit & Loss

DKKm	Q1 2024	Q4 2023	Index
Net interest income	92	100	93
Net fee and commission income	19	17	111
Net insurance income	12	12	98
Other operating income	11	4	289
Operating income	135	133	101
Operating costs	-64	-65	99
Profit before impairment charges	70	68	104
Net impairment charges on loans	-23	-5	447
Operating profit	47	62	76
Non-recurring items	0	0	
Investment portfolio earnings	23	46	49
Profit before tax	70	109	64
Tax	15	20	74
Net profit	55	89	62

Key Metrics

DKKbn	Target	Q1 2024	Q4 2023	Index
Loans and advances		8.9	8.9	100
Deposits and other debt		8.9	8.7	103
Mortgage credit		2.6	2.6	101
Operating cost / income, %	< 53.0	48.0	49.2	
CET1 capital ratio, %	20.0	25.0	25.8	
RoE after tax (annualised)*, %	> 12.0	12.0	17.3	

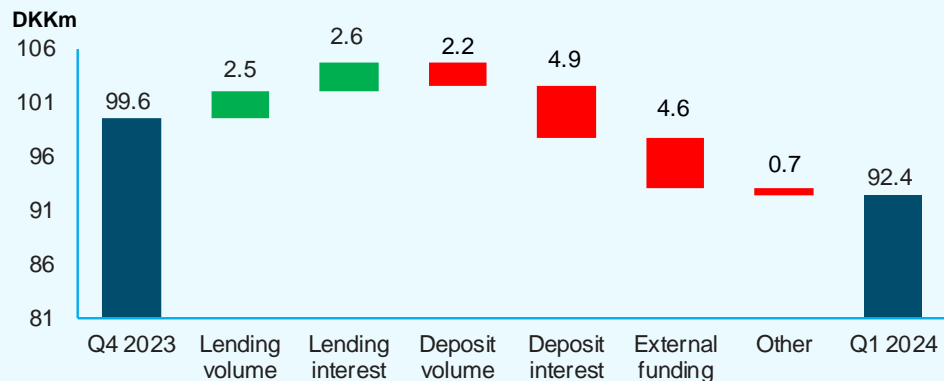
*Non-recurring items are excluded in the annualisation



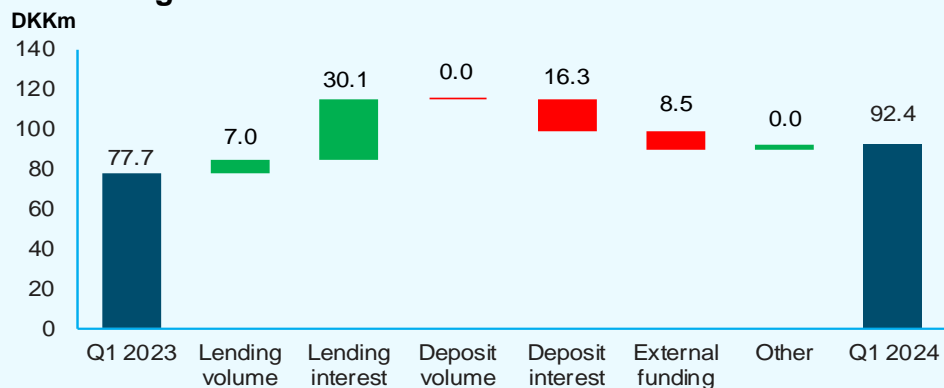
Financials

- External funding more expensive
- Increase in lending and deposit volumes
- Fee and commission income unchanged on a general level
- Claims high due to storm season
- Costs under pressure but remains a focus area
- Increase in impairment charges
- Strong capital ratios with focus on optimisation

QoQ changes in net interest income



YoY changes in net interest income



Loans and deposits



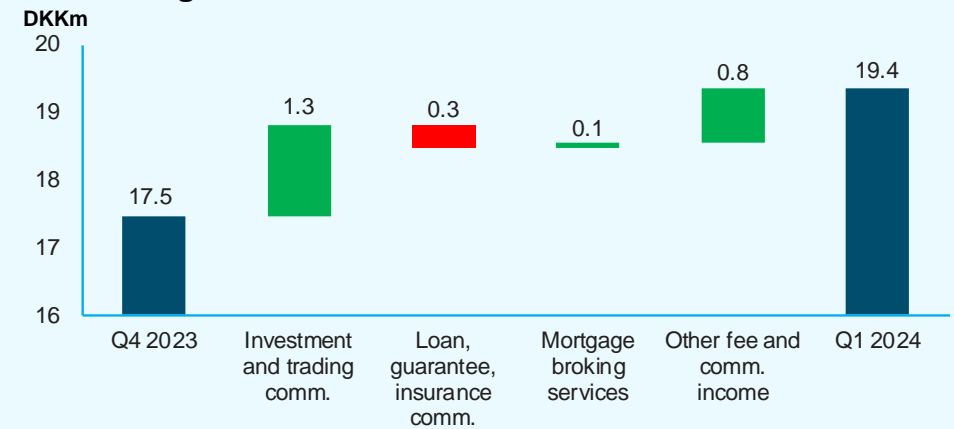
Increase in funding costs effects interest income in Q1

- Net interest income down by DKK 7.2m QoQ and up DKK 14.7m YoY.
- The drop in interest income QoQ was due to an increase in interest expenses for external funding. This Q1 2024 interim report shows the full effect of the higher interest expenses related to new funding raised.
- Interest margin declined QoQ as customers are increasingly opting for deposit accounts offering higher interest.
- Increase in net interest income YoY driven by higher interest rates and an increase in total lending volume compared to Q1 2023.
- Lending volumes up by DKK 33m QoQ and by DKK 561m YoY.
- Deposits up by DKK 221m QoQ and by DKK 406m YoY.

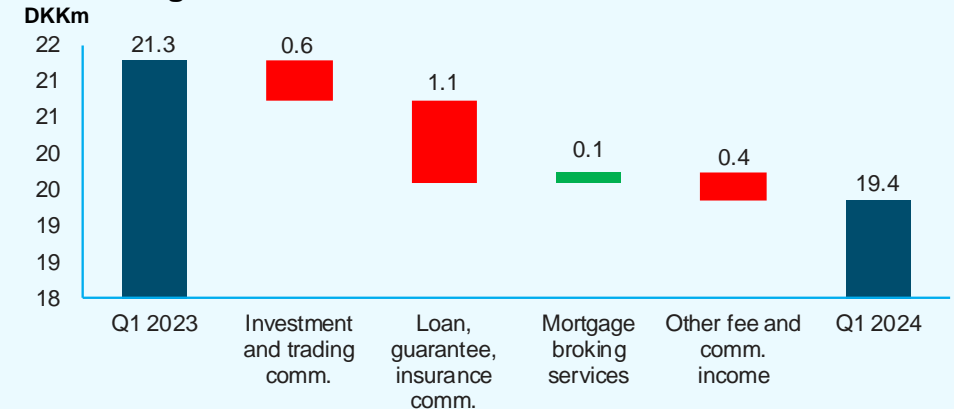
Fee and commission income unchanged on a general level

- Fee and commission income up by DKK 1.9m QoQ and down by DKK 1.9m YoY.
- On a general level the fees have not changed. The variation across quarters are due to deviation in periodisation.
- The decrease in fee and commission income compared to Q1 2023 was primarily due to fall in guarantee commissions, as certain large guarantees were converted to loans in 2023.
- Mortgage-broking services up by DKK 22m QoQ and down by DKK 13m YoY.
 - An increase in interest rates has led many customers to convert their mortgages to bank loans, affecting the performance.

QoQ changes in fee and commission income



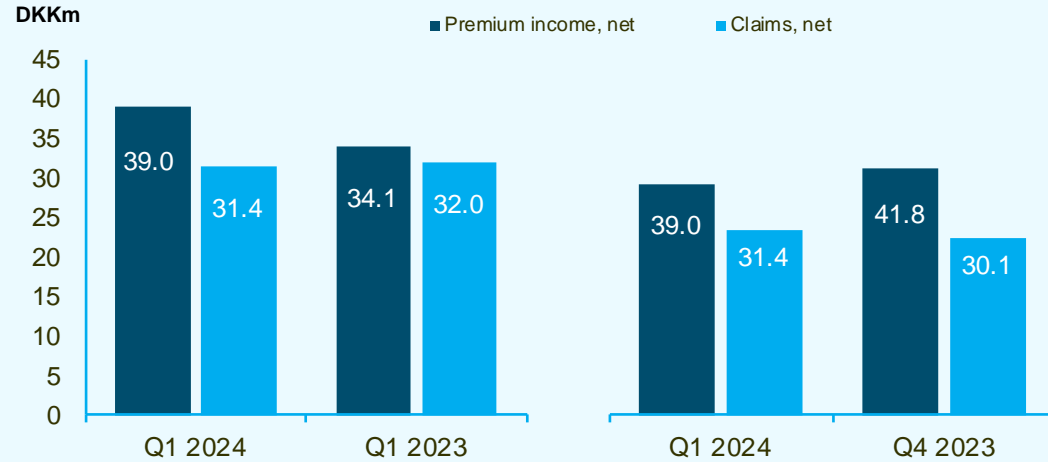
YoY changes in fee and commission income



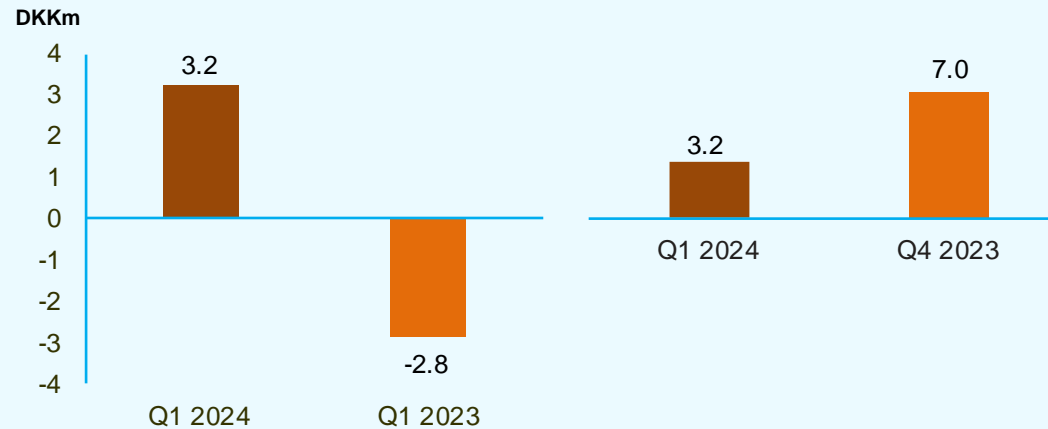
Mortgage-broking services



Premiums and claims



Profit before tax



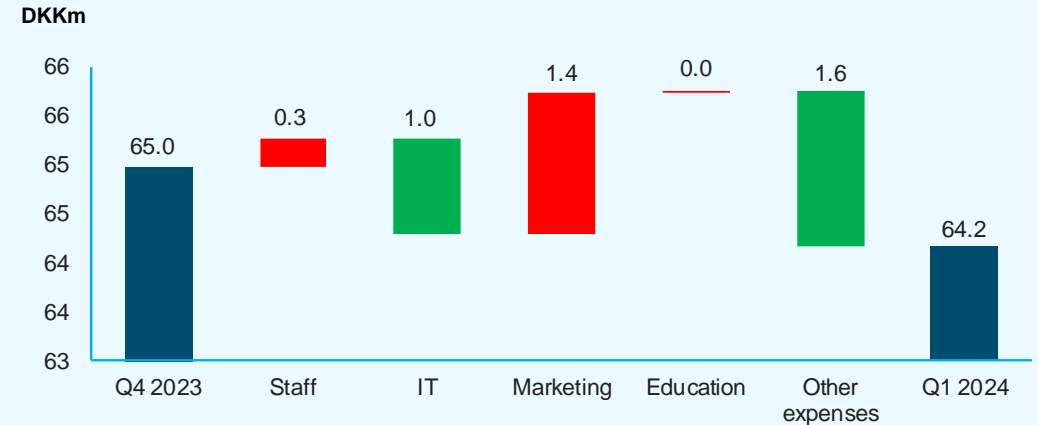
Claims higher due to storm season

- Combined ratio of 100% in Q1 2024 compared to 113% Q1 2023.
- Claims were high in Q1 2024 due to a storm in February.
- Net premium income down by DKK 2.8m QoQ and up by DKK 4.9m YoY.
- Net claims up by DKK 1.4m QoQ and down by DKK 0.5m YoY.

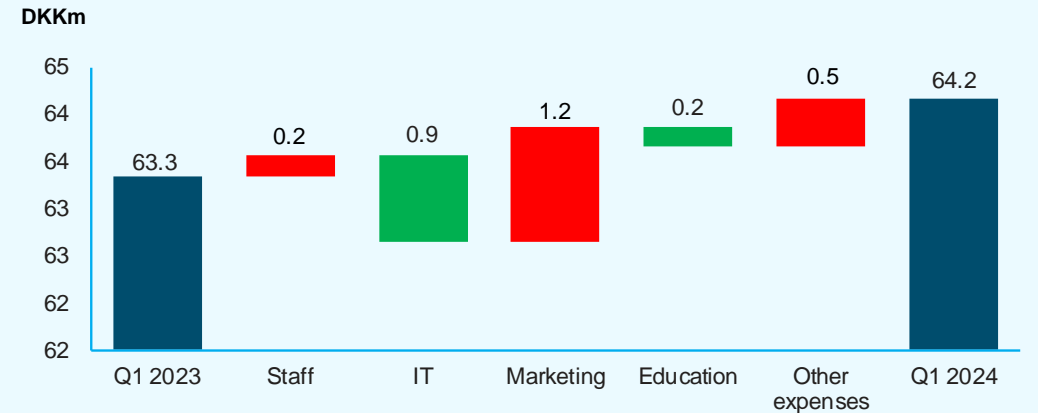
Costs remain a focus area

- Operating costs up by DKK 0.8m QoQ and down by DKK 0.8m YoY.
 - 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 Q1 2023.
- Operating costs under pressure because of an increase in costs. Focus retained on keeping costs low.

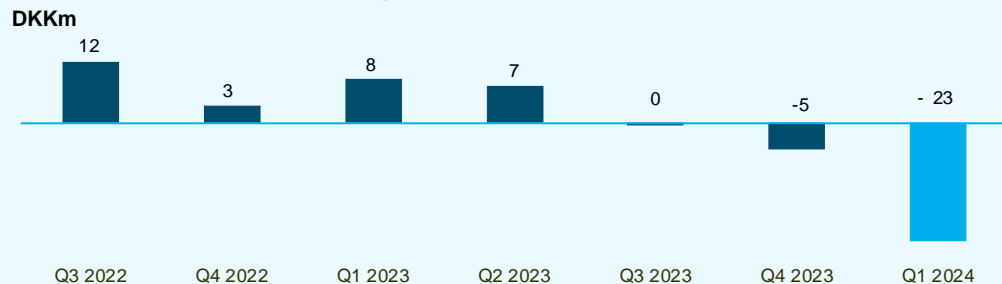
QoQ changes in operating costs



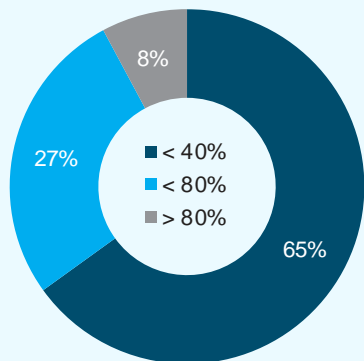
YoY changes in operating costs



Net impairment charges

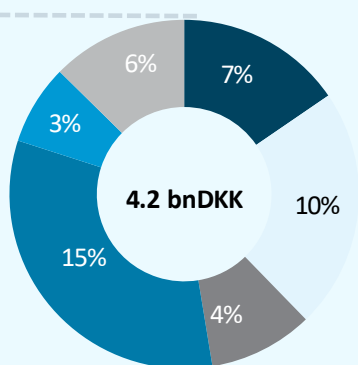
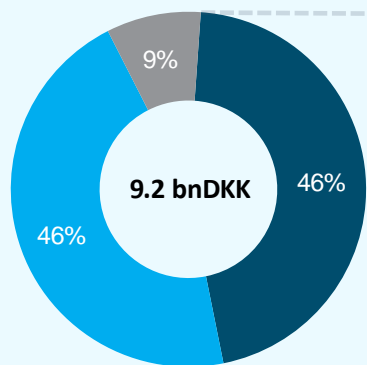


LTV for housing loans¹



Gross lending by sector

DKK m



- Public sector
- Agri. & fishing
- Real estate
- Private sector
- Transport & HoReCa
- Manufacturing & mining
- Corporate sector
- Trade
- Other

Increase in impairment charges

- Net impairment charges of DKK 23m in Q1 2024 compared with DKK 5m in Q4 2023 and an DKK 8m reversal in Q1 2023
 - The increase does not imply that our customers are facing challenges, and they continue to display credit robustness.
 - Increase in impairment charges due to a few corporate customers in Greenland. Impairment charges reversed in the Faroese business.

- Impairment charges expected to be at a normalised level in 2024 – approx. DKK 40m.

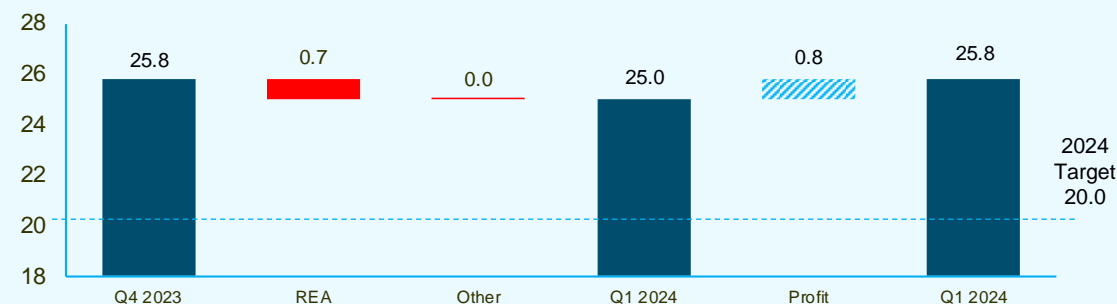
- Discretionary management estimate of DKK 100m.
 - Originally recognised in 2020 due to Covid.
 - Covid-related uncertainty reduced, but the estimate has been retained due to the uncertainty caused by the war in Ukraine and macroeconomic developments.

- Strong LTV ratios for housing loans. 92% of total housing loans below LTV of 80% and 65% below LTV of 40%.

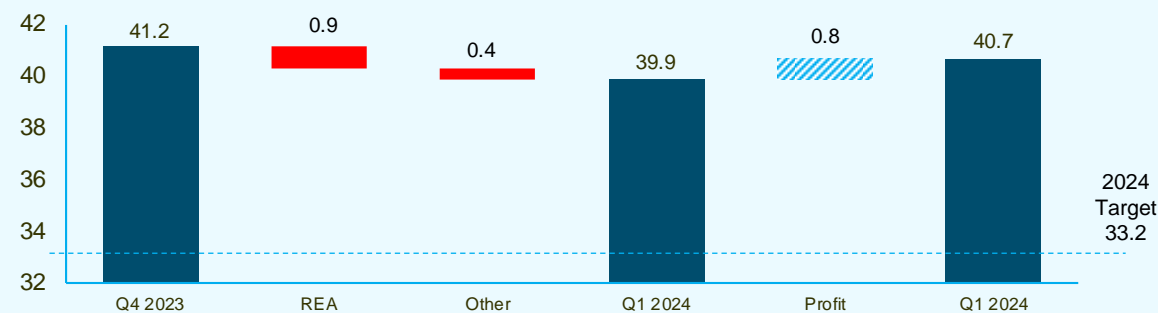
Strong capital ratios

- REA up by 3.0 pp over Q4 2023 to DKK 7,019m.
- Increase in REA due to a change in operational risk having a negative impact on MREL. The main reason was an increase in the Bank's average income, which is used for calculating the operational risk.
- Still no clarification regarding the FSA's preliminary assessment that it is unable to establish that there is a well-developed and established residential and commercial property market in the Faroe Islands and in Greenland. Clarification of the matter is expected in the first half of 2024.
 - This ongoing matter caused the Bank to deviate from its dividend policy in 2023, but all targets for 2024 maintained.
- Once the current strategy period expires at the end of 2024, a new strategy period and new targets will be announced.

Changes in CET1 ratio



Changes in MREL Capital Ratio



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:

Growth momentum continues

GDP

- Strong rebound after Covid-19
- GDP growth in 2022: 9.5%
- Expected growth in 2023: 5.4%

Exports

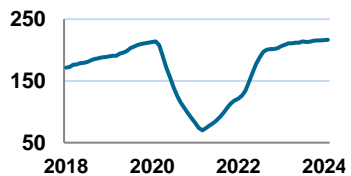
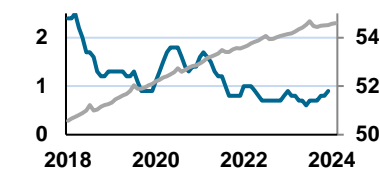
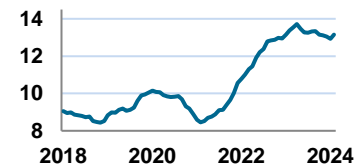
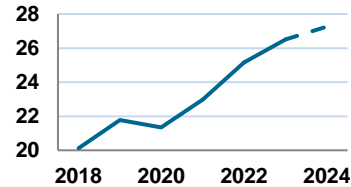
- Record annual exports in 2023
- Increase of 0.8% compared to 2022

Low unemployment and population growth

- Very low unemployment rate at 1.1%, but on an increasing trend (0.6% in June 2023)
- Population growth: approx. 4,000 in 5 years

Tourism rebounding

- More tourists in 2023 than in 2019 (pre-Covid)
- Contribution to economy growing rapidly

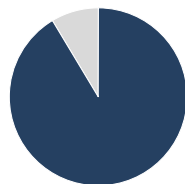


Faroese economic outlook:

Reduced risks, but confidence also down

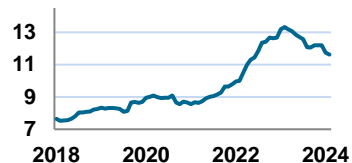
Relations with Russia

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



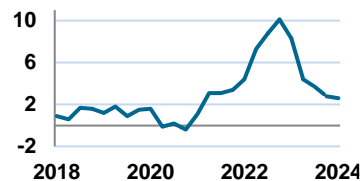
Imports

- Imports down 13% (rolling 12 months) compared to previous 12 months
- Positive balance of trade in 2023, significantly higher than in 2022 or 2021



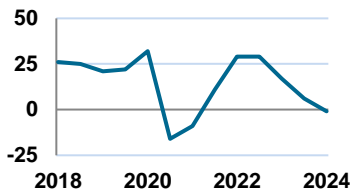
Inflation

- Inflation at 2.6% (Feb'24) - a significant reduction compared to a year prior (8.3% in Feb'23)



Consumer confidence

- Confidence in production and retail is low, but high in construction and services
- Private consumer confidence is low

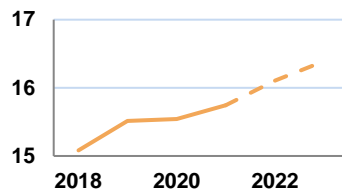


Greenlandic economic outlook:

Moderate growth momentum

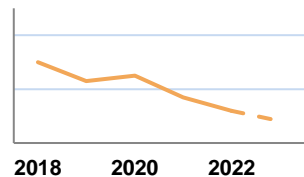
GDP

- 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

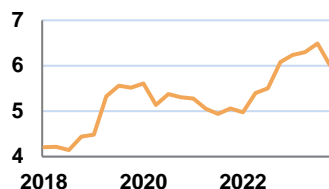
- A new airport set to open in November 2024
- Massive increase in ease and consistency of travel to Greenland



Downside risks and structural challenges

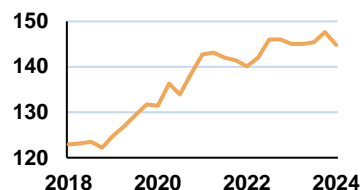
Trade

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



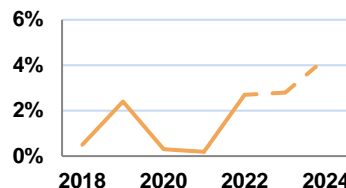
Retail sales

- 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





Questions?

Appendices

- Group
- Banking
- Personal Banking
- Corporate Banking
- Banking – Faroe Islands
- Banking – Greenland
- Insurance – Trygd
- Equity Story
- ESG reporting
- Developments in business volumes
- Credit quality of loan portfolio
- The Faroese economy
- The Greenlandic economy

Group

DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Net interest income	92	100	93	96	86	78	92	78	119
Net fee and commission income	19	17	111	19	19	21	19	21	91
Net insurance income	12	12	98	24	19	5	12	5	246
Other operating income (less reclassification)	11	4	289	9	11	8	11	8	133
Operating income	135	133	101	148	135	112	135	112	120
Operating costs ¹	-64	-65	99	-65	-64	-63	-64	-63	101
Sector costs	0	0	100	0	0	0	0	0	158
Profit before impairment charges	70	68	104	83	71	49	70	49	144
Impairment charges, net	-23	-5	447	0	7	8	-23	8	271
Operating profit	47	62	76	82	78	57	47	57	83
Non-recurring items ²	0	0		0	-6	-3	0	-3	
Profit before investment portfolio earnings and tax	47	62	76	82	72	54	47	54	88
Investment portfolio earnings ³	23	46	49	26	15	22	23	22	104
Profit before tax	70	109	64	108	87	75	70	75	93
Operating cost/income, %	48	49		44	47	56	48	56	
Number of FTE, end of period	209	207	101	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

DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Net interest income	92	100	93	96	86	78	92	78	119
Net fee and commission income	23	21	109	23	23	25	23	25	94
Other operating income	10	3	378	8	9	8	10	8	128
Operating income	125	124	101	127	118	110	125	110	114
Operating cost	-58	-59	100	-59	-58	-58	-58	-58	100
Sector costs	0	0	100	0	0	0	0	0	158
Profit before impairment charges	66	65	103	68	60	51	66	51	130
Impairment charges, net	-23	-5	447	0	7	8	-23	8	271
Operating profit	44	59	74	68	67	60	44	60	73
Non-recurring items	0	0		0	-6	-3	0	-3	
Profit before investment portfolio earnings and tax	44	59	74	68	62	56	44	56	78
Investment portfolio earnings	19	42	45	24	14	20	19	20	95
Profit before tax	63	102	62	92	76	76	63	76	82
Loans and advances	8,915	8,883	100	8,790	8,655	8,354	8,915	8,354	107
Deposits and other debt	8,930	8,710	103	8,602	8,426	8,524	8,930	8,524	105
Mortgage credit	2,621	2,599	101	2,615	2,567	2,634	2,621	2,634	100
Operating cost/income, %	47	47		46	49	53	47	53	
Number of FTE, end of period	178	176	101	176	173	172	178	172	103

Personal Banking

DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Net interest income	60	72	83	60	48	43	60	43	138
Net fee and commission income	18	16	109	18	16	18	18	18	101
Other operating income	6	2	393	5	7	6	6	6	97
Operating income	84	90	93	84	71	67	84	67	124
Operating costs	-49	-49	100	-51	-49	-47	-49	-47	104
Sector costs	0	0	100	0	0	0	0	0	158
Profit before impairment charges	34	40	85	32	22	20	34	20	174
Impairment charges, net	5	-5	-89	1	1	5	5	5	95
Operating profit	39	35	113	33	23	25	39	25	158
Non-recurring items	0	0		0	-5	-3	0	-3	
Profit before investment portfolio earnings and tax	39	35	113	33	18	22	39	22	179
Investment portfolio earnings	14	30	45	17	10	11	14	11	128
Profit before tax	53	65	81	51	28	33	53	33	162
Loans and advances	4,124	4,066	101	3,859	3,771	3,673	4,124	3,673	112
Deposits and other debt	5,788	5,761	100	5,678	5,584	5,392	5,788	5,392	107
Mortgage credit	2,191	2,179	101	2,203	2,285	2,331	2,191	2,331	94
Number of FTE, end of period	79	81	98	82	74	74	79	74	106

Corporate Banking

DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Net interest income	33	28	117	36	38	35	33	35	95
Net fee and commission income	5	5	109	5	7	7	5	7	77
Other operating income	3	1	354	3	2	1	3	1	298
Operating income	42	34	123	44	47	43	42	43	98
Operating costs	-9	-9	100	-8	-8	-6	-9	-6	153
Sector costs	0	0	100	0	0	0	0	0	158
Profit before impairment charges	32	24	132	36	39	36	32	36	88
Impairment charges, net	-28	0	-8287	-2	6	3	-28	3	827
Operating profit	5	25	18	34	45	40	5	40	11
Non-recurring items	0	0		0	-1	0	0	0	
Profit before investment portfolio earnings and tax	5	25	18	34	44	39	5	39	12
Investment portfolio earnings	5	12	45	7	4	4	5	4	128
Profit before tax	10	36	27	41	48	44	10	44	23
Loans and advances	4,791	4,816	99	4,932	4,884	4,681	4,791	4,681	102
Deposits and other debt	3,143	2,948	107	2,924	2,824	3,132	3,143	3,132	100
Mortgage credit	430	420	102	412	282	302	430	302	142
Number of FTE, end of period	15	14	105	15	15	15	15	15	100

Banking – Faroe Islands

DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Net interest income	75	84	89	80	74	67	75	67	113
Net fee and commission income	19	18	106	19	19	21	19	21	91
Other operating income	8	2	410	6	8	6	8	6	127
Total Operating income	103	104	98	105	101	94	103	94	109
Operating cost	-49	-50	99	-50	-48	-49	-49	-49	101
Sector costs	0	0	100	0	0	0	0	0	158
Profit before impairment charges	53	54	98	54	53	45	53	45	118
Impairment charges, net	15	5	296	1	-1	15	15	15	104
Operating profit	68	59	115	56	52	60	68	60	114
Non-recurring items	0	0		0	-6	-3	0	-3	
Profit before investment portfolio earnings and tax	68	59	115	56	46	56	68	56	121
Investment portfolio earnings	14	31	45	18	11	16	14	16	86
Profit before tax	82	90	91	73	57	73	82	73	113
Loans and advances	7,433	7,441	100	7,365	7,248	6,971	7,433	6,971	107
Deposits and other debt	7,775	7,555	103	7,565	7,734	7,803	7,775	7,803	100
Mortgage credit	1,638	1,654	99	1,676	1,723	1,756	1,638	1,756	93
Operating cost/income, %	48	48		48	50	54	48	52	
Number of FTE, end of period	159	158	101	157	156	155	159	155	103

Banking – Greenland

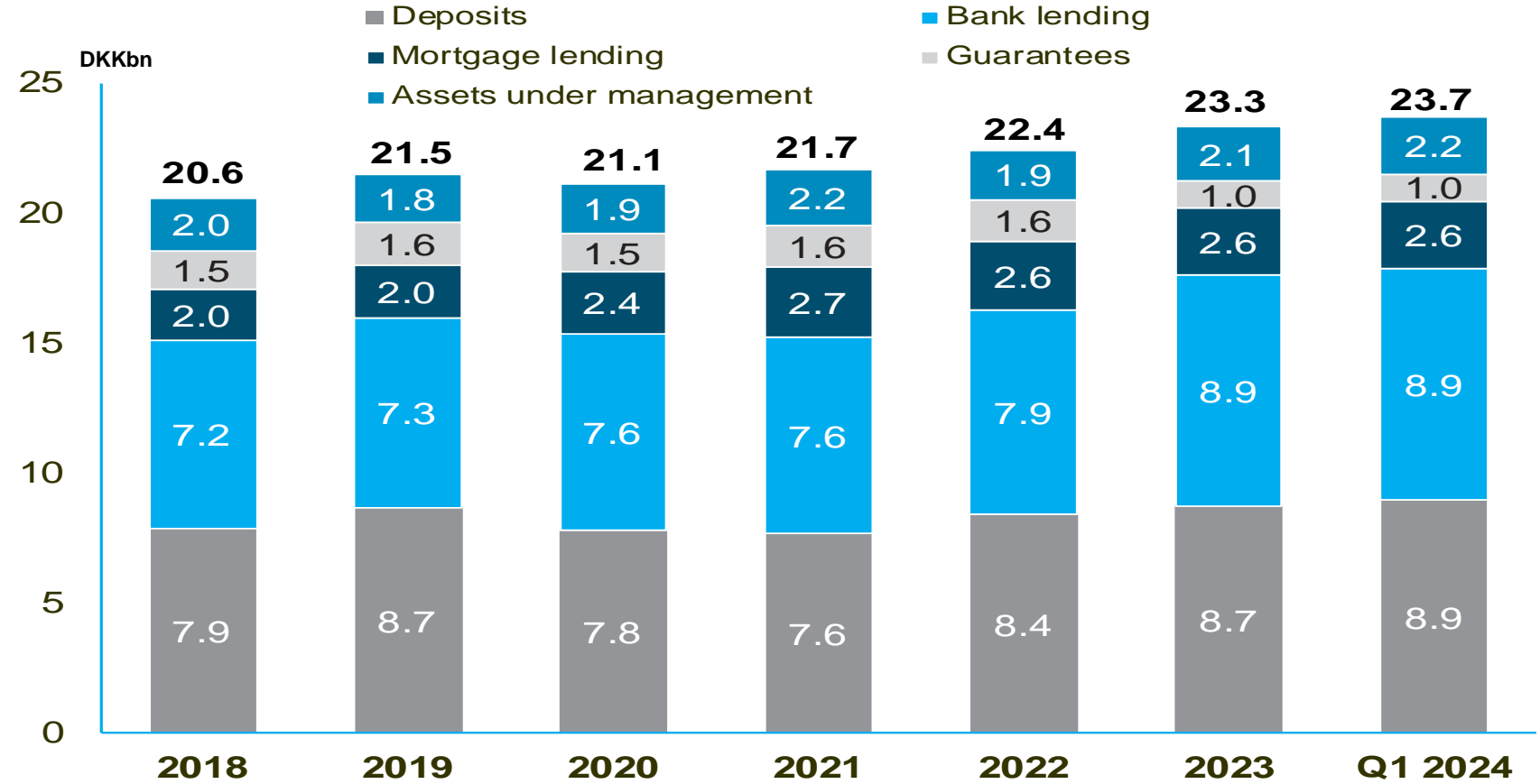
DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Net interest income	17	15	112	16	12	11	17	11	158
Net fee and commission income	4	3	128	4	3	3	4	3	128
Other operating income	1	0	370	2	1	1	1	1	147
Total Operating income	23	19	120	22	17	15	23	15	151
Operating cost	-9	-9	106	-8	-10	-9	-9	-9	99
Sector costs	0	0	100	0	0	0	0	0	158
Profit before impairment charges	14	10	132	14	7	6	14	6	229
Impairment charges, net	-38	-9	402	-3	-2	-7	-38	-7	585
Operating profit	-25	1	-3068	11	5	-1	-25	-1	4,079
Non-recurring items	0	0		0	0	0	0	0	
Profit before investment portfolio earnings and tax	-25	1	-3068	11	5	-1	-25	-1	4,079
Investment portfolio earnings	5	9	54	5	3	3	5	3	163
Profit before tax	-19	10	-191	16	9	3	-19	3	765
Loans and advances	1,482	1,442	103	1,425	1,397	1,372	1,482	1,372	108
Deposits and other debt	1,155	1,143	101	1,025	687	717	1,155	717	161
Mortgage credit	983	943	104	929	833	866	983	866	113
Operating cost/income, %	40	45		37	45	50	40	60	
Number of FTE, end of period	19	18	108	19	17	17	19	17	110

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DKKm	Q1 2024	Q4 2023	Index	Q3 2023	Q2 2023	Q1 2023	Q1 2024	Q1 2023	Index
Premium income, net of reinsurance	39	42	93	37	35	34	39	34	114
Claims, net of reinsurance	-31	-30	105	-17	-19	-32	-31	-32	98
Net insurance income	8	12	65	20	16	2	8	2	358
Net income from investment activities	3	3	113	2	0	2	3	2	190
Operating income	11	15	74	22	16	4	11	4	283
Operating cost	-8	-8	100	-7	-8	-7	-8	-7	115
Profit before tax	3	7	46	14	8	-3	3	-3	114
Combined ratio	100	90		67	76	113	100	113	
Claims ratio	81	72		47	55	94	81	94	
Number of FTE, end of period	23	23	97	23	22	23	23	23	99

Developments in business volumes

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



Credit quality of the loan portfolio

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

	Q4 2023			Q1 2024			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	2,639	4,387	7,025	2,621	4,214	6,835	-190
Portfolio with some weakness	2,563	2,006	4,569	2,601	1,691	4,291	-277
Portfolio with weakness	74	76	150	91	500	591	441
- of which unsecured	6	4	9	10	53	63	53
- impairments	5	1	5	6	5	11	6
Portfolio with OIE	148	129	277	136	168	304	26
- of which unsecured	30	57	87	31	61	91	4
- impairments	27	26	53	26	32	57	4
Portfolio w/o individual classification	37		37	31		31	-6
Total	5,461	6,597	12,058	5,479	6,573	12,052	-6

Total loan portfolio (gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

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