

 betri banki

Hálvårsfrásögn 2023

Interim Report 1H 2023



Innihaldsyvirlit

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5 ára yvirlit / Five year summary

DKK MIÓ. / DKK MILLION

	1H 2023	1H 2022	2022	1H 2021	1H 2020	1H 2019
Rakstur / Income Statement						
Rentuinntøkur netto / Net interest income	211	127	282	129	117	113
Ómaksgjöld netto / Net fee income	33	32	66	30	27	24
Virðisjavnun / Fair value adjustments	6	-42	-45	-3	-16	17
Aðrar vanligar inntøkur / Other operating income	1	1	2	1	1	2
Útreiðslur til starvsfólk og umsiting / Staff costs and adm. expenses	-102	-98	-198	-91	-96	-92
Aðrar útreiðslur / Other expenses	-2	-2	-3	-2	-4	-2
Niðurskrivingar av útlánun og aðrari ogn / Impairment of loans advances, receivables etc.	11	-3	-21	8	-20	7
Úrslit av kapitalþertum og upphaldandi virksemi / Income from associated and subsidiary undertakings and on discontinuing activities	5	5	6	8	0	0
Úrslit áðrenn skatt / Profit/loss (-) before tax	163	21	88	81	9	70
Skattur / Tax	-29	-4	-15	-15	-2	-13
Úrslit / Net profit/loss (-) for the year	133	17	73	67	7	57

Figgjarstöða / Balance

Ogn / Assets

Kassapeningur og áögn í lánstovnum og tjóðbankum / Cash in hand, claims on central banks and credit institutions	1.022	1.173	934	709	504	532
Útlán og onnur ogn / Loans and other advances	7.794	7.097	7.310	6.681	6.311	6.300
Onnur ogn / Other assets	2.794	2.356	2.433	2.951	3.001	2.875
Ogn tilsamans / Total assets	11.608	10.626	10.677	10.341	9.817	9.708

Skuld / Liabilities

Skuld til lánstovnar og tjóðbankar / Debt to credit institutions and central banks	31	19	22	4	11	23
Innlán og onnur skuld / Deposits and other liabilities	9.208	8.408	8.499	8.267	7.814	7.738
Onnur skuld / Other liabilities	217	236	137	190	262	252
Eginogn / Equity	2.152	1.963	2.019	1.880	1.730	1.694
Skuld tilsamans / Total liabilities	11.608	10.626	10.677	10.341	9.817	9.708

Solvensur og kapitalur / Solvency and capital ratios

Solvensprosent / Solvency ratio	31,0%	29,5%	32,0%	28,8%	27,8%	25,9%
Kjarnukapitalprosent / Core capital ratio	31,0%	29,5%	32,0%	28,8%	27,8%	25,9%

Vinningur / Earning ratios

Renting av eginogn áðrenn skatt / Return on equity before tax	15,6%	2,1%	4,4%	8,8%	1,0%	8,4%
Renting av eginogn aftaná skatt / Return on equity after tax	12,8%	1,7%	3,7%	7,2%	0,8%	6,9%
Inntøka pr. útreiðslukrónu / Income/cost ratio	2,75	1,20	1,39	1,97	1,07	1,80
Ognaravkast / Return on assets	2,3%	0,3%	0,7%	1,3%	0,1%	1,2%

Marknaðarváði / Market risk ratios

Rentuváði / Interest rate risk	1,2%	1,3%	1,1%	1,8%	2,1%	1,7%
Gjaldoyrastøða / Foreign exchange position	1,2%	4,2%	0,6%	4,0%	2,3%	4,1%
Gjaldoyraváði / Foreign exchange risk	0,0%	0,1%	0,0%	0,1%	0,1%	0,1%

Gjaldfæri / Liquidity ratios

Útlán og niðurskrivingar í mun til innlán / Loans, advances and impairments in proportion to deposits	87,0%	87,0%	88,7%	84,3%	84,8%	85,2%
Gjaldfæri eftir LCR / Liquidity Cover Ratio (LCR)	210,7	189,5	207,5	205,4	190,8	181,5

Lánsváði / Credit risk ratios

Stór viðskifti í mun til grundkapital / Large loans as percentage of capital base	123,4%	124,3%	118,4%	123,1%	122,7%	125,3%
Tap og niðurskrivingar í tíðarskeiðinum í prosentum / Write-offs and impairments during the period	-0,1%	0,0%	0,2%	-0,3%	0,3%	-0,1%
Útlán í mun til eginognina / Total loans in proportion to equity	3,6	3,6	3,6	3,6	3,6	3,7
Útlánsvækstur / Increase of loans	6,6%	3,8%	7,0%	4,2%	0,2%	2,2%

Í stuttum / Highlights



Úrslitið farna hálfár vísir eitt avlop á 133,3 mió. kr.

The result for the first half is a profit of DKK 133.3 million

Úrslitið áðrenn skatt er 162,6 mió. kr.

Result before tax is DKK 162.6 million



Útlán bankans eru 7.794 mió. kr.

The Bank's lending book amounts to DKK 7,794 million



Innlán bankans eru 9.208 mió. kr.

Deposits amount to DKK 9,208 million



Afturförðar niðurskrivingar av útlánnum og yvirtiknum ognum á 10,9 mió. kr.

Total net reversals on loans and assets in temporary possession amount to DKK 10.9 million.



Gjaldfæri eftir LCR er 210,7 Liquidity Coverage Ratio (LCR) 210.7



Solvensurinn við hálfárið er 31,0% Solvency ratio is 31.0%



Úrslitið fyrir 2023 aftaná skatt fer væntandi at liggja millum 220-260 mió. kr.

The result for 2023 is expected to be a profit after tax in the range of DKK 220 to 260 million.

01

Leiðslufrágreiðing

Management Review

Høvuðsvirksemi

Høvuðsvirksemi bankans er at vera heildarpeningastovnur færoyinga, herundir at bjóða fíggjarligar tænastr, ið tæna privat-, vinnu- og almennum kundum. Bankin ráðgevr eisini um innlán, útlán, realkreditt, gjaldsmiðling, iløgur vm.

Main Activities

The bank's main activity is to be a full-service bank for Faroese customers, which includes offering financial services to the Faroese market serving retail, corporate and public customers as well as providing advice on deposits, loans, mortgage credit, payment services, investments, etc.

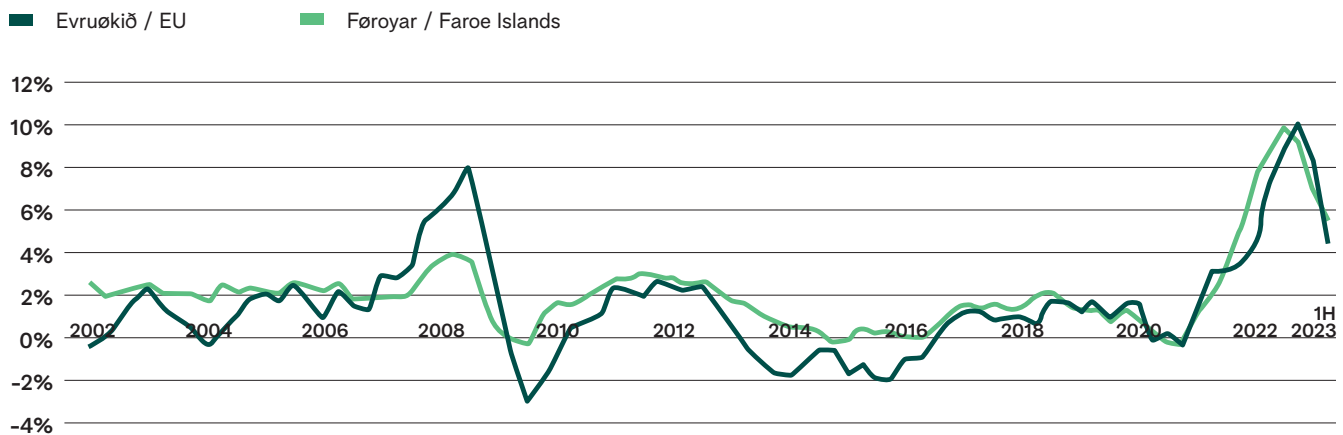
Gongdin í búskaparligum viðurskiftum

Ógvusligu príshækkingarnar á vørum og tænastrum, sum vit vóru vitni til í 2022, tykjast nú at hæsa av. Prísvøksturinn í Evropa táttaði í 11% á heysti í fjør, men er nú í juni mánaði undir 6%. Prísvøksturinn í Føroyum, sum í heyst var gott 10%, kom í mai mánaði niður á 4,4%. Tað er tó mest prísgongdin á orku og rávørum, sum hava tikið broddin av prísvøkstrinum, meðan meira striltið hevur verið at fingið prísvøksturinn á øðrum vørum og tænastrum niður.

Development of the Faroese Economy

The huge price increases on goods and services that we have seen in 2022 now seem to be slowing down. The inflation in Europe approached 11% last autumn but has now fallen below 6% in June. The inflation in the Faroe Islands, which was about 10% last autumn, fell to 4.4% in May this year. It is mainly the reduction in prices of energy and raw materials, that is the cause of the slowdown in the price increase, although the price increase for other goods and services remains high.

Prísvøkstur / Price growth



Kelda/Source: Hagstova Føroya og Bloomberg

Stríðið at basa prísvøkstrinum hevur hildið fram í fyrra hálvári 2023. Aðalmálið er, at árligi prísvøksturinn skal liggja á umleið 2%. Danski tjóðbankin hevur higartil í ár í fimm umførum hækkað leiðandi rentuna, tilsamans 1,60 prosentstig. Síðani í fjør summar er leiðandi rentan hækkað í níggju umførum og samanlagt heili 3,95 prosentstig. Hetta er søguligt, tí leiðandi renturnar eru ongantið hækkaðar so nógv yvir so stutta tíð, og nógv bendir á, at vit ikki enn hava sæð seinastu rentuhækkingina.

The effort to reduce the inflation has continued for the first half of 2023. The main objective is to keep the inflation at around 2%. The Danish Central Bank has increased the leading interest rate in five increments so far this year, in total by 1.60 percentage points. Since last summer, the leading interest rate has had 9 incremental increases, a total of 3.95 percentage points. This is record-breaking, as the leading interest rates have never been increased so much over such a short period. There are indications, that we have not yet seen the last interest rate hike.

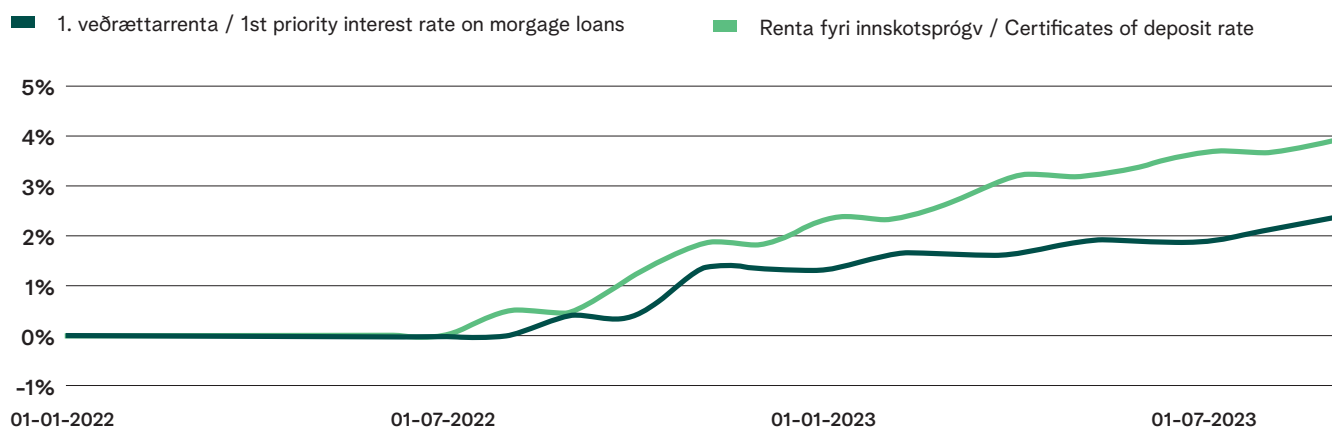
Tá tjóðbankarnir hækka leiðandi renturnar, so hækka allar aðrar rentur eisini, hetta er málið hjá tjóðbankunum og soleiðis virkar marknaðarmekanismen. Tá allar rentur hækka, verður fíggjarliga rásarúmið hjá flestu húsarhaldunum minni, og samstundis minkar iløguhugurin hjá vinnuni. Hetta virkar tálmandi uppá virksemið og eftirspurningin av vørum og tænastrum, við tí endamáli at taka broddin av prísvøkstrinum.

When central banks raise leading interest rates, other interest rates rise as well, this is the main goal for central banks and how the market mechanism works. When all interest rates rise, the financial leeway for most households reduces and at the same time the desire for businesses to invest declines. This has a dampening effect on activity and demand for goods and services, which will eventually lead to a reduction in inflation.

Føroysku peningastovnarnir hava tí sjálvsagt eisini hækka renturnar, men tó ikki eins nógv sum danski tjóðbankin. Síðani danski tjóðbankin byrjaði at hækka leiðandi renturnar í juli mánaði í fjør, er 1. veðrættar rentan í Føroyum hækkað 2,40 prosentstig. Hetta merkir, at enn er bert 61% av rentuhækkingini hjá tjóðbankanum komin á rentuna á føroysku 1. veðrættar lánum.

The Faroese banks have therefore also increased interest rates, although not as much as the Danish Central Bank has. Since the Danish Central Bank began to increase the leading interest rate in July last year, the Faroese 1st priority interest rate has been increased by 2.4%. This means that only 61% of the interest rate increases at the Danish Central Bank has been priced into the Faroese 1st priority interest rate.

Akkumuleraðar rentuhækkingar / Accumulated rate hikes



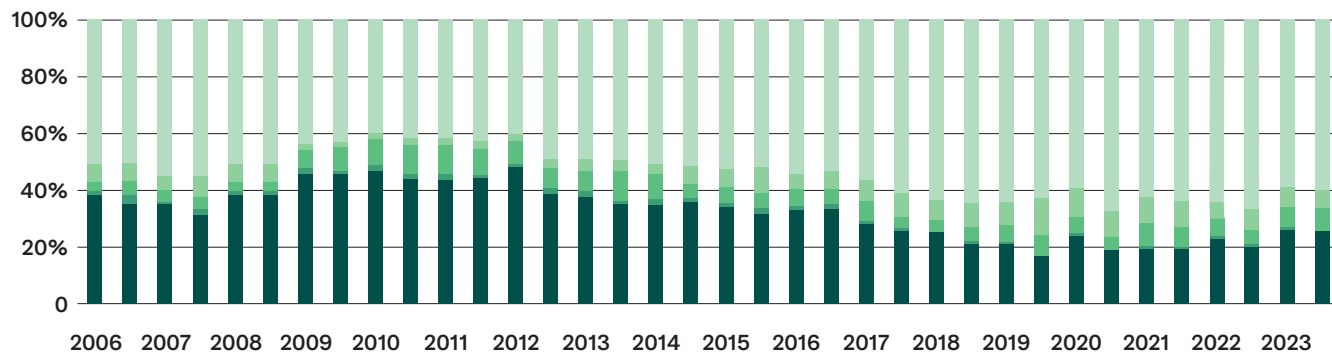
Kelda/Source: Danski Tjóðbankin og Betri Banki

Heimsbúskapurin hevur tó higartil vist seg sera mótstøðuføran mótvegis ógvusligu rentuhækkingunum. Arbeidsmarknaðirnir hava verið sera sterkir, og vit hava upplivað búskaparvøkstur, hóast fleiri búskaparfrøðingar ímóti ársenda 2022 spáddu eina búskaparliga afturgongd í 2023.

The world economy, however, has so far proven to be very resistant to the drastic interest rate hikes. The labour market has been very strong, and we have experienced economic growth even though, towards the end of last year, many economists anticipated an economic decline in 2023.

Lýsing av aktuella figgjarstöðuni hjá húsarhaldinum / Description of the current financial conditions of the household

- Spara nakað upp / Increase the savings partly
- Spara nógv upp / Large increase of savings
- Brúka av uppsparingini / Reduces savings
- Mugu læna pening / Must borrow money
- Fáa júst endarnar at røkka saman / Having a hard time financially



Kelda/Source: Hagstova Føroya

Higartil merkist stóri prívøksturinn og stóru rentuhækkingarnar ikki í virkseminum í Føroyum, sum framvegis er vaksandi. Í juni mánaði setti løntakaratalið nýtt met, og arbeiðsloysið er framvegis næstan onki. Lønargjaldingarnar eru higartil í ár hækkaðar 5,1% í mun til sama tíðarskeið í fjør, og útflutningsvirðið fyri fyrstu 5 mánaðirnar í ár hækkaði góð 10% í mun til sama tíðarskeið í fjør.

Men tað skerst ikki burtur, at slíkar reimingar, sum hava verið seinasta árið, síggjast aftur. Fíggjarliga rásarúmið hjá vanligu húsarhaldinum er jú skert av hækkingum prísnum og lánkostnaði. Hetta ger, at atferðar- og nýtslumynstrini hjá brúkarunum broytast. Nýtlan av neyðsynjarvørnum er bert lækkað eitt vet, hóast stórar príshækkingar á eitt nú matvørnum, meðan t.d. sòlan av "klæðnavørnum og fótúnaði" er lækkað munandi seinasta árið. Brúkarin er vorðin meira tilvitaður um, hvat peningurin verður brúktur til.

Sambært seinastu konjunkturkanningini eru húsarhaldini tó framvegis lutfalsliga bjartskygd og vænta, at fíggjarstøðan verður betri um eitt ár, samstundis sum tey framvegis eru afturhaldin við at gera nýkeyp. Á myndini omanfyri sæst, at tey, sum júst fáa endarnar at røkka saman, framvegis er ein lutfalsliga lítil partur, hóast kvinkaður eitt vet upp seinasta árið.

Roknskaparfrásøgn

Rakstur

Úrslitið hjá bankanum í fyrra hálvári 2023 er eitt avlop á 133,3 mió. kr. aftaná skatt.

Úrslitið áðrenn skatt er eitt avlop á 162,6 mió. kr.

Úrslitið er væl betri enn bankin metti við árslok 2022. Fleiri orsökir eru til hetta, men høvuðsorsøkirnar eru, at rentuinntøkurnar av útlánsvirkseminum, saman við rentum av virðisbrøvum, eru øktar væl meira enn upprunaliga mett. Og hetta knýtir seg so aftur saman við teimum rentuhækkingum, sum hava verið samstundis, sum útlánsvirkseimið er vaksið meira enn upprunaliga mett.

Betri Banki metti í ársfrásøgnini fyri 2022, at avlopið aftaná skatt fyri 2023 fór at liggja millum 150–190 mió. kr.

Góða gongdin í fyrra hálvári merkir, at bankin broytir metingina soleiðis, at væntaða úrslitið fyri 2023 verður millum 220–260 mió. kr. aftaná skatt.

Rentuinntøkurnar hjá bankanum av útlánum hava í fyrra hálvári 2023 verið væl hægri enn mett, og knýtir hetta seg,

The high inflation and the large interest rate hikes are not yet felt in the activity in the Faroe Islands, which is still large and growing. The number of wage earners once again set a record in June and unemployment is still almost non-existent. Wage payments have so far increased by 5.1% compared to the same period last year and exports in the first 5 months of this year increased by almost 10% compared to the same period last year.

However, we cannot ignore the fact, that such changes that have occurred in the past year, must be felt in some way. The financial leeway of households is after all reduced by the rising prices and loan costs. This means that consumers behaviour pattern and consumption changes. The consumption of essential items has fallen only slightly despite large price increases on for example food products, while sales of "clothing items and footwear" have fallen significantly in the past year. The consumers have become more careful and aware of what the money is spent on.

According to the latest economic survey, households are still relatively optimistic and expect the financial situation to be better in a year's time, although they are still reluctant to make new purchases. In the graph above, you can see that those who are having a difficult time financially are still a relatively small proportion, even though the proportion has grown slightly.

Financial Review

Profit and loss account

The Bank's result for the first half of 2023 is a profit of DKK 133.3 million after tax.

The result before tax shows a profit of DKK 162.6 million.

The result is somewhat better than expected at year-end 2022. There are several reasons for this, however the main reasons are that the interest income from the lending business as well as investments in securities have increased much more than originally estimated. This is again linked to the interest rate increases that have taken place, while the lending activity has increased more than originally estimated.

At year-end 2022, Betri Banki predicted a profit after tax of DKK 150–190 million for the year 2023.

The positive development in the first half of the year means that the bank has changed the assessment so that the estimated profit after tax for 2023 will be between DKK 220–260 million.

The bank's interest income from lending in the first half of 2023 has been significantly higher than estimated and as

sum nevnt, at rentuhækkingum og vaksandi útlánsvirksemi. Men rentuinntøkurnar, sum nýta seg at virðisbrøvum, hava eisini verið hægri enn mett. Rentuhækkingarnar hava eisini merkt, at innlánsrenturnar eru hækkaðar við fylgjandi hækkingandi rentuútreiðslum. Men samanumtikið hava nettorentu-inntøkurnar verið væl hægri enn mett var, við árslok 2022.

Trupult er at spáa um rentugongdina framyvir, men væntandi hækkar rentan nakað í seinna hálvári 2023, og greinarar meta ikki, at nøkur rentulækking verður at síggja, fyrr enn ímóti sumri 2024. Líkt er ikki til, at rentan, í fyrsta umfari, lækkar eins nógv, sum hon er hækkað.

Ómaksgjöldini netto vóru umleið á sama støði, sum undanfarna ár.

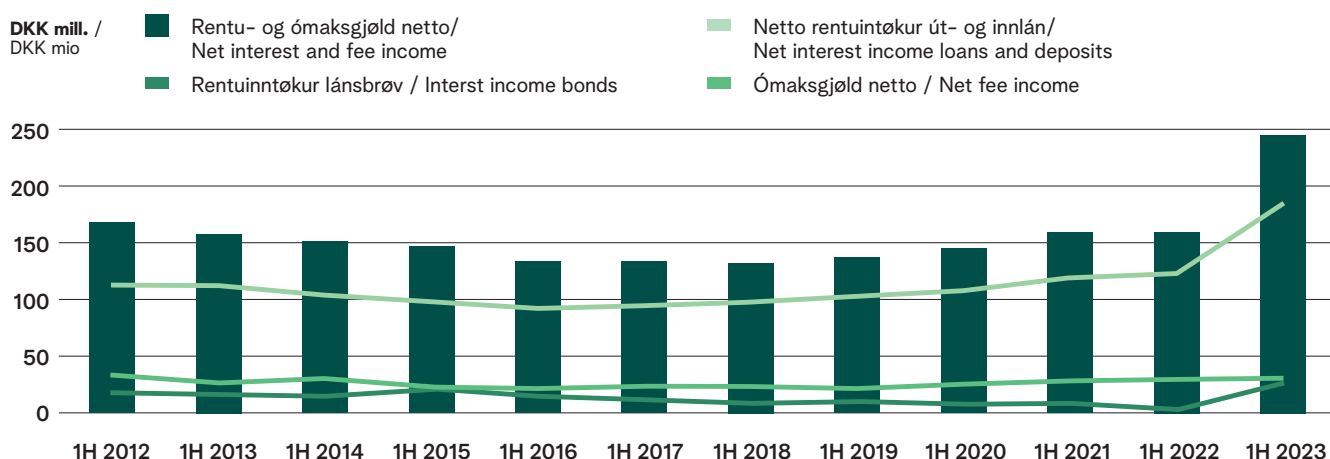
Samanlagt merkir hetta, at netto rentu- og ómaksgjöldini hava verið væl hægri, enn mett var við árslok 2022.

previously mentioned, this is related to the interest rate increases and the growing lending business. But the interest income linked to securities has also been higher than estimated. The interest rate increases have also meant that deposit interest rates have been increased, resulting in higher interest expenses. But all in all, the net interest income has been somewhat higher than estimated at year end 2022.

It can be difficult to predict the interest rate trend in the future, but it is however expected that it will increase somewhat in the second half of 2023. Analysts do not expect that we will see any interest rate cut before the summer 2024. It is however not likely that interest rates will fall as much as they have increased.

Net fee income has been at about the same level as in previous years.

All in all, this means that net interest and fee income has been considerably larger than estimated at year-end 2022.



Kelda/Source: Betri Banki

Bankin hevði í fyrra hálvári 2023 ein kursvinning á 6,4 mió. kr., og er hetta ein munur á góðar 48,2 mió. kr. í mun til sama tíðarskeið í fjør, har bankin hevði eitt kurstap á 41,8 mió. kr.

Í 2022 hevði bankin lutfalsliga stórt kurstap av virðisbrøvum, og hetta knýtti seg í stóran mun at metingum, sum marknaðurin hevði til tær rentuhækkingar, ið vóru væntandi. Í fyrra hálvári 2023 hava eisini verið rentuhækkingar, men hesar hava í stóran mun verið væntaðar, og tí longu verið roknaðar við í virðisásetingunum. Umframt hetta hevur bankin havt kursvinning av partabrøvum í fyrra halvári 2023.

Verður hugt eftir teimum metingum, sum hava verið gjørdar í framhaldi av rentuhækkingunum, sum hava verið, eru ymiskar

In the first half of 2023, the bank had a capital gain of DKK 6.4 million on its portfolio of bonds and shares. This is a difference of DKK 48.2 million compared to the same period last year, when the bank had a capital loss of DKK 41,8 million.

In 2022 the bank had a relatively large capital loss on securities, and this was largely linked to the market's assessments of the expected interest rate increases. In the first half of 2023, there have also been interest rate increases, but these have largely been increases that the market had already anticipated and were therefore already factored into the valuations. In addition to this, the bank has had a capital gain on shares in the first half of 2023.

If you look at the assessments that have been made following the interest rate increases that have happened, there are

meiningar um tær fíggjarligu avleiðingarnar, sum hetta hevur á samfelagið. Rentuhækkingarnar verða gjørðar til tess at tálma inflatióini, og metingarnar um avleiðingarnar liggja heilt frá, at man væntar eina recessión, til at búskapurin er so sterkur, at samanumtikið kemur hetta ikki at skala búskapin.

Í Betri Banka síggja vit ikki sum er, at kundar hava trupuleikar við at yvirhalda sínar lániskyldur, og gongdin í samfelagnum yvirskipað, hevur verið positiv, sum aftur hevur merkt, at bankin hevur afturført niðurskrivingar í fyrra hálvári á 10,9 mió. kr.

Útreiðslurnar til starvsfólk og umsiting hjá bankanum eru øktar í fyrra hálvári í 2023 í mun til í fyrra hálvári 2022, orsøkirnar eru fleiri. Ein er, at sáttmálabundnu lønirnar hækkaðu 1. mai 2023, og harnæst hevur bankin nýtt pening til dagføringar og aðrar íløgur, sum skulu minka um orkunýtsluna.

Avskringingarnar eru í tráð við væntanirnar.

Javnin

Við hálvárið 2023 javnvigaði fíggjarstöðan hjá bankanum við 11,6 mia. kr. samanborið við 10,7 mia. kr. tann 31. desember 2022 og 10,6 mia. kr. tann 30. juni 2022.

Vøksturin síðan ársbyrjan, kemur sum heild, av vaksandi út- og innlánunum.

Útlán bankans, sum við ársenda 2022 vóru 7,3 mia. kr., eru í fyrra hálvári 2023 vaksin við umleið 483 mió. kr. til 7,8 mia. kr.

Innlán bankans økjast framhaldandi og eru tann 30. juni 2023 umleið 708 mió. kr. hægri enn við árslok 2022.

divided opinions about the financial impact this has on the economy in general. The interest rate increases have been implemented to dampen inflation. The assessments of the impact range from expecting a recession to the economy being so strong that overall, this will not have a damaging effect on the economy.

In Betri Banki, we overall do not yet see that customers have problems meeting payment terms, and the development in the economy overall has been positive which has meant, that the bank had reversed impairment losses in the first half of the year of DKK 10.9 million.

Staff and administration costs at the bank have increased in the first half of 2023 compared to the first half of 2022. There are several reasons for this. One is the collective wage increases on 1 May 2023 and one is that the bank has incurred expenses for improvements and other investments, which are targeted at reducing own energy consumption.

Depreciations are in line with expectations.

The Balance Sheet

Við hálvárið 2023 javnvigaði fíggjarstöðan hjá bankanum við 11,6 mia. kr. samanborið við 10,7 mia. kr. tann 31. desember 2022 og 10,6 mia. kr. tann 30. juni 2022.

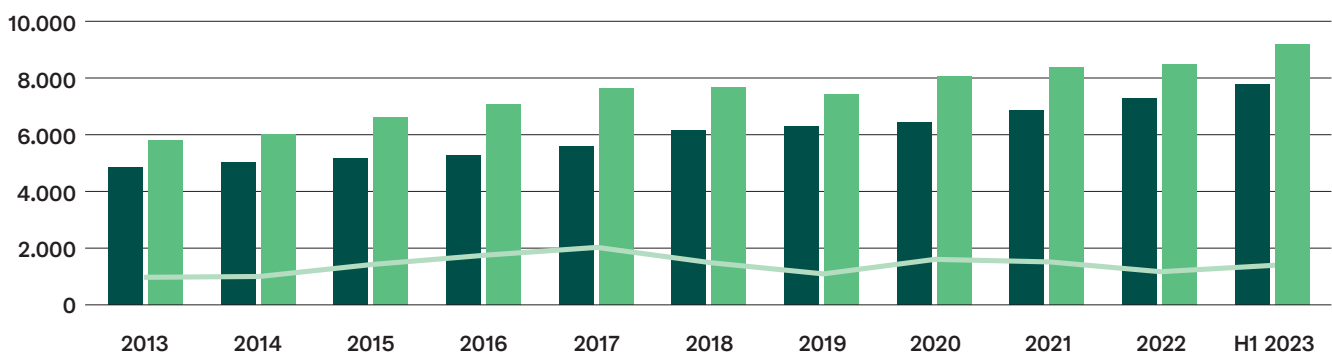
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DKK mill. /
DKK mio

■ Útlán / Loans ■ Innlán / Deposits ■ Innlánsyvirskot / Deposits exceeding loans



Kelda/Source: Betri Banki

Innlánsavlopið hjá bankanum, sum fram til 2014 var umleið 1 mia. kr., vaks árin fram til 2017 við nærum 1 mia. kr. afturat. Eftir hetta hevur innlánsavlopið verið eitt sindur meira skiftandi og ligið um 1,5 mia. kr.

Væksturin í útlánum í fyrra hálvári 2023 hevur verið nakað hægri enn í fyrra hálvári 2022, og samstundis eru innlán vaksin nógv í fyrra hálvári 2023. Í fyrra hálvári 2023 er innlán vaksin við 8,3%, samstundis sum útlánini eru vaksin við 6,6%.

Konjunkturkanningin hjá Hagstovuni frá juni 2023 vísir, at vinnan er eitt sindur minni bjartskygd, enn undanfarna kanning vísti.

Støðan hjá brúkaranum hinvegin er mest sum óbroytt. Tó so vísir konjunkturkanningin, at hjá ávísam brúkarum er tungt at fáa endarnar at rækka saman. Hjá øðrum brúkarum verður raðfest heldur at spara upp enn at gera íløgur.

Óivað er hetta ein partur av orsøkini til at, innláníni í Betri Banka vaksa, ein onnur orsök er at positivar rentur verða tilskrivadar innlánnum.

Eginogn

Av javnanum tann 30. juni 2023 á 11,6 mia. kr. er eginognin 2,2 mia. kr. og innlán 9,2 mia. kr.

Við hálvárið 2023 var solvensurin hjá bankanum 31,0% í mun til ein roknaðan solvenstørv á 9,6% og eitt samlað krav (NEP+CBR) pr. 1. juli 2023 á 27,2%.

Gjaldføri

Í mun til kravið til lyklatalið LCR (Liquidity Coverage Ratio) á 100, sum er álagt bankanum at lúka, hevði bankin ultimo juni 2023 eitt LCR á 210,7%. Net Stable Funding Ratio (NSFR) hjá Betri Banka við hálvárið 2023 var 162,8%, sum er væl omanfyri kravið á 100%.

SIFI

Betri Banki var í 2015 útnevndur SIFI peningastovnur sum merkir, at Fíggjareftirlitið metir bankan at hava stóran týðning fyri samfelagið. Fíggjareftirlitið hevur øll árin síðan 2015 og aftur í 2023 endurútnævnt Betri Banka til framvegis at vera serliga týðandi peningastovnur í Føroyum.

Peningastovnarnir, ið eru útnevndir SIFI bankar, fáa umframt vanlig ískoytiskrøv til kapital, eitt serligt SIFI kapitalkrav, sum skal lúkast, og sum er ásett eftir hvønn týðning, teir hava.

The bank's deposit surplus, which up until 2014 was around DKK 1 billion, increased in the years up to 2017 by almost DKK 1 billion. After this, the deposit surplus has been slightly more variable and has been around 1.5 billion.

The growth in lending during the first half of 2023 has been somewhat higher than for the first half of 2022, and at the same time deposits have grown a lot in the first half of 2023. In the first half of 2023, deposits have grown by 8.3% while lending has grown by 6.6%.

The economic sentiment indicator published by the Faroese Statistical Authority for June 2023 shows, that the industrial sector is slightly less optimistic than the previous survey showed.

On the other hand, the situation for customers is largely unchanged. However, the business cycle assessments show, that some population groups are having a difficult time financially, and at the same time customers do not feel that it is the right time to make major investments, but rather to increase savings.

This is undoubtedly part of the explanation for the fact that savings in Betri Banki are growing, but the positive interest gains on deposits is also part of the explanation.

Equity

Equity accounts for DKK 2.2 billion, while deposits account for DKK 9.2 billion of the total balance sheet of DKK 11.6 billion as on 30 June 2023.

By half-year 2023 the bank's solvency ratio was 31.0% compared to a calculated solvency requirement of 9.59% and a total requirement (NEP+CBR) per 1 July 2023 at 27.2%.

Liquidity

Compared to the requirement for the key figure LCR (Liquidity Coverage Ratio) of 100, which the bank is required to adhere to, Betri Banki had a LCR of 210.7% at the end of June 2023. Betri Banki's Net Stable Funding Ratio (NSFR) by half-year 2023 was 162.8%, well above the requirement of 100%.

SIFI

In 2015 Betri Banki was appointed to be a SIFI bank, which means that the Financial Supervisory Authority (FSA) has assessed Betri Banki to be a systemically important financial institution. The FSA has every year since 2015 and again in 2023 reappointed Betri Banki as a SIFI bank.

Banks that are appointed as SIFI banks will, in addition to the general additional capital requirements, be subject to a specific SIFI capital requirement that has been determined in relation to their importance.

Tann 1. juni 2023 vóru broytingar til Lov om finansiell virksomhed settar í gildi í Føroyum, samstundis sum tillagingar vóru gjørðar til galdandi kapitalkrøv. Hetta merkir m.a., at áður ásetta NEP kravið broytist til tvey krøv har annað er eitt nýtt NEP-krav og hitt eitt samansett buffarakrav (CBR). Samlaða kravið (NEP+CBR) svarar til NEP kravið, sum var ásett áður. Eftir nýggju reglunum er ætlanin, at samlaða kravið skal verða lokið í seinasta lagi 1. juni 2026.

Pr. 1. juli 2023 er samlaða kravið hjá Betri Banka 27,2%, og skal hetta síggjast í mun til solvensin hjá bankanum, sum við hálvárið 2023 er á 31,0%. Bankin lýkur soleiðis fult og heilt kravið í dag. Kravið pr. 1. juni 2026 (NEP+CBR) er í dag ásett til 31,7%, men hetta verður lækka til 30,6% við næstu áseting.

Kapitalkravið til peningastovnar verður ásett stigvíst og javnað eina ferð um árið.

Betri Banki lýkur øll komandi kapitalkrøv uttan at hava tørv á at læna pening, sum kann telja við í uppgerðini av solvensinum, og Betri Banki er soleiðis ein av sterkastu og tryggastu peningastovnum í danska ríkinum.

Útlit fyri 2023

Løtummyndin av føroyska búskapinum er góð. Í juni mánaði í ár vóru umleið 28.450 løntakarar í Føroyum, ella umleið 340 fleiri enn í juni 2022, og arbeiðsloysið er enn søguliga lágt. Í mai mánaða í ár var arbeiðsloysið skrásett til at vera 0,65% av arbeiðarafjöldini, og er hetta tað lægsta í nógv ár.

Sum nevnt frammanfyri, so er treystitalið í konjunkturkanningunum hjá Hagstovuni fallið. Orsøkin til hetta er fyri ein stóran part, at bjartskygni í handilsvinnuni er fallið munandi orsakað av broyttum atferðarmynstri hjá brúkaranum. Harafturat eru tilfeingis- og ídnaðarvinnurnar meira stúrnar um framtíðina, tí bíleggjngarnar eru færri, og söluprísurin ikki væntast eins høgur, sum hann hevur verið. Eisini kunnu onnur viðurskifti gera seg galdandi.

Vøksturin í føroyska búskapinum verður tí neyvan tann sami, sum hann hevur verið seinastu árin. Hetta er sama rákið man sær í heimsbúskapinum. Búskaparráðið væntar ein vøkstur í leypandi prísnum uppá 2,73%. Ikki er óhugsandi, at vøksturin í føstum prísnum verður negativur. Nakað hóttafall hómast tó ikki.

Bankin væntar tó, at seinna hálvár verður á sama støði sum í fyrri hálvári. Bankin metir, at rentutillagingarnar fara at ávirka soleiðis, at nettorentuinntøkurnar vaksa í seinna hálvári 2023. Hinvegin er líkt til, at kostnaðirnir fara at vaksa nakað í seinna hálvári 2023 soleiðis, at lönarkostnaðirnir fara at hækka í trá

On 1 June 2023, changes to the Financial Business Act were initiated, and at the same time amendments to applicable capital requirements were announced. This means, among other things, that the previously determined NEP requirement is changed to 2 requirements, one of which is a new NEP requirement and the other is a combined buffer requirement (CBR) The total requirement (NEP+CBR) corresponds to the previous NEP-requirements. According to the new rules, it is expected that the total requirement must be met by 1. June 2026 at the latest.

As of 1. July 2023, the total requirement for Betri Banki is 27.2%, and this must be seen in relation to the bank's solvency, which is 31.0% at half-year 2023. The bank therefore already meets the requirement in full today. The gradual requirement until 1. June 2026 (NEP+CBR) is currently set at 31.7% and falls to 30.6% at the next determination.

The requirement will be phased in gradually and adjusted once a year.

Betri Banki meets all future capital requirements without needing to borrow money that can be counted in the calculation of solvency. Betri Banki is thus one of the strongest and most solid financial institutions in the Danish Kingdom.

2023 outlook

The current snapshot of the Faroese economy is positive. In June this year, there were around 28,450 employees in the Faroe Islands, which is almost around 340 more than in June 2022 and unemployment is still historically low. In May this year, the unemployment rate was registered to be 0.65% of the labour force and is this the lowest it has been in many years.

As mentioned above, the confidence indicator, which is part of the economic sentiment indicator, published by the Faroese Statistical Authority has fallen and this is largely due to optimism in the retail sector has fallen significantly as a result of the changed behaviour pattern of the consumer. In addition, resource and industrial sector are more concerned about the future, as sales orders have decreased, and sales prices are not expected to be as high as they have been. There can undoubtedly also be other conditions that apply.

Growth in the Faroese economy is therefore unlikely to be the same as it has been in recent years. This is the same trend seen in the world economy. The Faroese Economic Advisory Board expects a growth in current prices of 2.73%. It is not considered inconceivable that the growth in fixed prices will be negative. However, nothing severe is expected on the horizon.

The bank expects however the second half of the year to be roughly at the same level as the first half of the year. Additionally, the bank estimates that the interest rate adjustments will have an overall effect, so that net interest income will grow in the second half of 2023. On the other hand, it is likely that the

við úrslitið av sáttmálasamráðingunum. Harnæst er bankin í holt við at fremja dagfóringar og gera aðrar fløgur, sum skulu minka um orkunýtsluna.

Leiðslan metti við árslok 2022, at ársúrslitið aftaná skatt fyri 2023 fór at vísa eitt avlop millum 150-190 mió. kr.

Gongdin í fyrra hálvári 2023 og útlitini fyri seinna hálvári merkja, at bankin væntar, at ársúrslitið aftaná skatt verður millum 220-260 mió. kr.

Eftirlitsdiamanturin

Eftirlitsdiamanturin (tilsynsdiamanten), har Fíggjareftirlitið ásetur mörk, hevur 4 ýti, sum mælt verður til at halda seg innanfyri.

Hesi ýti knýta seg at markvirðum viðvíkjandi størstu engagemmentum tilsamans, útlánsvøkstri, útlánnum til fastognir og markvirði fyri gjaldføri yvir lógarinnar krav. Við hálvárið 2023 liggur Betri Banki innanfyri øll hesi 4 ýti.

Kelda/Source: Betri Banki

Óvissa við innrokning og máting

Tann mest týðandi óvissan við innrokning og máting knýtir seg til útlán og virðisáseting av oðnum. Leiðslan metir, at óvissan er á einum støði, sum er ráðiligt í mun til ársfrásøgnina. Vit vísa til lýsingina í notu 1 í Nýttum roknskaparhátti.

Hendingar eftir roknskaparlok

Umframt hetta og tey viðurskifti, sum eru nevnd í frágreiðingini, er einki óvanligt farið fram.

Váðaviðurskifti

Ongar broytingar eru farnar fram í váða og váðastýringini hjá bankanum, síðan ársfrágreiðingin fyri 2022 varð almanna-kunngjörd.

Nærri lýsing av váðaviðurskiftum bankans er í váðafrágreiðing, sum er almanna-kunngjörd á heimasíðu bankans. www.betri.fo/fo/banki/um-okkum/om-betri-banki

costs will grow slightly in the second half of 2023, so that the labour costs will increase in accordance with the result of the collective wage agreement. The bank is also in the process of making improvements and increase other investments, which are targeted at reducing own energy consumption.

At year-end 2022 the management expects a profit of DKK 150-190 million for the year 2023.

The trend in the first half of 2023 and the outlook for the second half of the year implies that the bank expects the annual profit after tax to be around DKK 220-260 million. kr.

The Supervisory Diamond

The Supervisory Diamond of the Danish Supervisory Authority consists of four key indicators with thresholds, that banks must stay within.

The supervisory diamond stipulates threshold values regarding the sum of large exposures, lending growth, commercial property exposure and surplus liquidity in relation to statutory liquidity requirements, which banks should adhere to. As at mid-year 2023 Betri Banki is within all these four threshold values.

	Markvirði / Threshold value	Betri Banki
Størstu engagement tilsamans / Sum of large exposures	< 175%	123,4%
Útlánsvækstur / Lending growth	< 20%	6,6%
Útlán til fastognir / Real property exposure	< 25%	7,29%
Gjaldføriskrav eftirlitsdiamantur / Liquidity requirement – Supervisory Diamond	> 100	229,0

Uncertainty in calculations and valuations

Uncertainties primarily relate to calculation and measurement of loans and the valuation of properties. The bank's management believes, that the uncertainty is at a level that is reasonable in respect to the annual report. We refer to the explanations in note 1 in the Accounting Policies.

Events after the reporting period

Other than the above and what is already mentioned in the report, no events of significance have occurred.

Risk Management

There have been no recorded changes in risks related to banking operations and in the bank's risk management since the annual report for 2022 was published.

A more detailed review of the bank's risk management can be found in the risk management report, which is published on the bank's website. www.betri.fo/fo/banki/um-okkum/om-betri-banki

02

Roknskapur

Financial statement

Nota DKK 1.000

1H 2023

1H 2022

Rakstrarroknskapur / Income Statement

2	Rentuinntøkur / Interest income	225.934	130.897
3	Rentuútreiðslur / Interest expenses	14.625	3.504
	Rentuinntøkur netto / Net interest income	211.309	127.393
	Vinningsbýti av partabrøvum v.m. / Dividends on shares, etc.	1.515	1.418
4	Ómaksgjöld og provisiónsinntøkur / Fee and commission income	34.081	33.954
	Útreiðslur til ómaksgjöld og provisiónir / Fee and commission expenses	2.920	3.432
	Rentu- og ómaksgjöld netto / Net interest income and fee income	243.985	159.333
5	Virðisjavnan / Fair value adjustments	6.409	-41.768
	Aðrar vanligar inntøkur / Other operating income	603	793
6	Útreiðslur til starvsfólk og umsiting / Staff costs and adm. expenses	102.372	97.812
	Av- og niðurskrivingar av ótøkiligum og ítøkiligum ognum / Depreciations and write down of intangible and tangible assets	1.072	1.154
	Aðrar rakstrarútreiðslur / Other operating expenses	601	494
7	Niðurskrivingar av útlánnum og aðrari ogn / Impairment of loans advances, receivables etc.	-10.892	3.422
	Úrslit av kapitalþertum í assosieraðum og tilknýttum fyrirkæmum / Income from associated and subsidiary undertakings	4.725	5.287
	Úrslit áðrenn skatt / Profit/loss (-) before tax	162.569	20.763
	Skattur / Tax	29.262	3.733
	Úrslit / Net profit/loss (-) for the period	133.306	17.031
	Býti av úrsliti / Allocation		
	Flutt til grunn eftir innaravirðisháttinum / Equity method reserve	4.725	5.287
	At flyta til næsta ár / Carried forward to next year	128.581	11.743
	Nýtsla av úrsliti / Total allocation	133.306	17.031

Figgjarstöða / Balance

		1H 2023	2022
Ogn / Assets			
	Kassapeningur og áögn uttan uppsögn hjá tjóðbankum / Cash in hand and demand deposits with central banks	783.668	778.406
8	Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks	238.117	155.204
9	Útlán og onnur ogn til amortiseraðan kostprís / Loans and other claims at amortised cost	7.793.680	7.310.467
	Lánsbrøv til dagsvirði / Bonds at fair value	2.523.724	2.179.633
	Partabrøv / Shares	63.862	60.348
	Kapitalpartar í assosieraðum fyrirkum / Holdings in associated undertakings	28.721	25.781
	Kapitalpartar í tilknýttum fyrirkum / Holdings in subsidiary undertakings	10.672	10.904
	Grundteki og bygningar í alt / Land and buildings	111.794	112.585
	- Ílögbygningar / Investment properties	12.723	12.723
	- Fyrisingar- og deildarbygningar / Domicile properties	99.071	99.862
	Onnur ítöklig ogn / Other tangible assets	4.299	4.005
	Verandi skattaögn / Current tax assets	542	419
	Ognir í fyribils varðveitslu / Assets in temporary possession	143	0
	Onnur ogn / Other assets	34.372	24.957
	Tíðarskeiðsavmarkingar / Prepayments	14.433	14.146
	Ogn tilsamans / Total assets	11.608.025	10.676.853
Skuld / Liabilities			
10	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks	31.235	21.912
11	Innlán og onnur skuld / Deposits and other debt	9.207.608	8.499.380
	Verandi skattaskuld / Current tax liabilities	43.216	13.953
	Onnur skuld / Other liabilities	147.246	93.945
	Tíðarskeiðsavmarkingar / Prepayments	785	1.251
	Skuld tilsamans / Total liabilities	9.430.090	8.630.440
	Avsett til eftirløn / Provisions for pensions	7.714	7.016
	Útskotin skattaskuld / Deferred tax liabilities	597	597
7	Avsett til tap av ábyrgdum / Provisions for losses on collaterals	7.518	8.350
	Avsett til aðrar útreiðslur / Other provisions	9.992	11.642
	Avsetingar til skyldur / Provisions for liabilities and charges	25.821	27.605
Eginögn / Equity			
	Partapeningur / Share capital	100.000	100.000
	Grunnur til javningar eftir innaravirðisháttinum / Equity method reserve	15.456	10.731
	Flutt avlop / Retained profit	2.036.659	1.908.078
	Eginögn tilsamans / Total equity	2.152.115	2.018.808
	Skuld, skyldur og eginögn tilsamans / Total liabilities	11.608.025	10.676.853
12	Tøl, ið ikki eru tikin við í javna / Off-balance sheet items		
	Ábyrgdir v.m. / Guarantees, etc.	906.775	942.025
	Tøl, ið ikki eru tikin við í javna, tilsamans / Total off-balance sheet items	906.775	942.025

Uppgerð av broyting í eginogn / Statement of changes in equity

DKK 1.000	Partapeningur / Share Capital	Grunnur til javningar eftir innaravirðis- háttinum / Equity method reserve	Flutt avlop / Retained earn- ings	Tilsamans / Total
Ársbyrjan / Beginning of year	100.000	10.731	1.908.078	2.018.808
Heildarinntøka / Comprehensive income			128.581	128.581
Javningar innara virði í árinum / Equity method revaluations in the year		4.725	0	4.725
30. juni 2023	100.000	15.456	2.036.659	2.152.115
Ársbyrjan / Beginning of year	100.000	6.331	1.839.235	1.945.566
Heildarinntøka / Comprehensive income			68.843	68.843
Javningar innara virði í árinum / Equity method revaluations in the year		4.399		4.399
31. desember 2022	100.000	10.731	1.908.078	2.018.808

Partapeningurin hjá Betri Banka er býttur á partabrøv á DKK 1 ella multipla av hesum. /
The Company's share capital are divided into shares of DKK 1 and multiples thereof.

DKK 1.000

1H 2023

2022

Solvensuppgærd / Statement of Solvency

Kjarnukapitalur aftaná frádráttir / Tier 1 Capital	2.016.115	2.016.520
Grundkapitalur / Capital Base	2.016.115	2.016.520
Vektað ogn uttan fyri handilsognina, íroknað tøl, ið ikki eru tikin við í javna / Weighted assets not included in trading portfolio including off balance-sheet items	5.253.333	5.205.819
Vektaðir postar við marknaðarváða / Weighted items with market risk	671.520	511.680
Rakstrarváði / Operational risk	577.496	576.369
Vektað ogn tilsamans / Total risk weighted assets	6.502.349	6.293.867
Solvensprosent / Total capital ratio	31,0%	32,0%
Kjarnukapitalur aftaná frádrátt í prosent av vektaðari ogn / Core capital ratio	31,0%	32,0%
Kapítalkrav / Capital demand		
Kjarnukapitalur áðrenn frádráttir / Core Capital before statutory deductions	2.018.808	2.018.808
Virðisjavnan orsakað av kravið um varsema virðismetan / Value adjustments due to the requirements for prudent valuation	2.693	2.288
Kjarnukapitalur aftaná frádráttir / Tier 1 Capital	2.016.115	2.016.520

03

Notur

Notes

Nota

1 Nýttur roknskaparháttur / Significant accounting policies

Alment

Hálvársroknskapurin er gjørdur sambært ásetingunum í lóg um fíggjarligt virksemi og tilhoyrandi kunngerð um fíggjarligar frásøgnir fyri peningastovnar v.m., sum er galdandi í Føroyum.

Hálvársroknskapurin verður vístur í donskum krónum, sum er funktionella gjaldoyra hjá bankanum. Øll onnur gjaldoyru verða mett sum fremmant gjaldoyra.

Hálvársroknskapurin er settur upp í 1.000 kr.

Hálvársfrásøgnin er eisini sett upp á enskum. Skuldi tað hent, at tað er ósamsvar millum føroysku útgávuna og ensku útgávuna, hevur føroyska útgávan forrættindi.

Nýttur roknskaparháttur er óbroyttur í mun til ársroknskapin fyri 2022, har roknskaparhátturin er lýstur til fulnar.

Í metingini av einstøkum ognum og skyldum er neyðugt við leiðslumeting av, hvussu komandi hendingar fara at ávirka virðið av hesum ognum og skyldum. Metingar og fortreytirnar, sum nýttar eru, byggja á søguligar royndir og onnur viðurskifti, sum leiðslan metir vera ráðiligar, men sum eru óvissar.

Mest týðandi metingarnar, sum leiðslan ger í nýtta roknskaparhátti bankans og somuleiðis mest týðandi mátióvissan, eru tær somu í hesum tíðarskeiðsroknskapi, sum í ársroknskapinum pr. 31. desember 2022.

Generally

The interim report is prepared in accordance with the provisions of the Faroese Financial Business Act and related regulations in the executive order of bank's financial reporting in force in the Faroe Islands.

The interim report is presented in DKK, which is the Bank's functional currency. All other currencies are considered as foreign currency.

The interim report has been prepared in DKK 1,000.

The interim report is also available in English. In the event of any discrepancy between the Faroese and the English version, the Faroese version shall prevail.

The accounting policies are unchanged compared to the annual report 2022, which contains a full description of accounting policies.

The determination of the carrying amount of assets and liabilities requires the Managements' assessments estimates and assumptions of future events. The estimates and assumptions applied are based on historical experience and other factors that management considers reasonable, but which are inherently uncertain and unpredictable.

The most significant estimates made in accordance with the Bank's accounting policies as well as the most significant uncertainties in this interim report are identical to those in the financial statements pr. 31 December 2022.

Nota	DKK 1.000	1H 2023	1H 2022
2	Rentuinntøkur / Interest Income		
	Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks	10.938	76
	Útlán og onnur áögn / Loans and other claims	185.329	114.988
	Lánsbrøv / Bonds	26.852	3.818
	Avleidd fígðjaramboð / Derivative financial instruments	2.807	-2.598
	Herav: / Of which recognised as:		
	Gjaldoyrasáttmálar / Currency contracts	1	60
	Rentusáttmálar / Interest contracts	2.806	-2.658
	Innlán, negatívar rentur / Deposits negative interest	0	12.086
	Aðrar rentuinntøkur / Other interest income	9	2.527
	Rentuinntøkur tilsamans / Total interest income	225.934	130.897
3	Rentuútreiðslur / Interest expenses		
	Lánistovnar og tjóðbankar / Credit institutions and central banks	55	2.266
	Innlán og onnur skuld / Deposits and other debt	14.570	258
	Negatívar rentur frá lánsbrøvum / Negative interests Bonds	0	816
	Aðrar rentuútreiðslur / Other interest expenses	0	164
	Rentuútreiðslur tilsamans / Total interest expenses	14.625	3.504
4	Ómaksgjöld og provísíonsinntøkur / Fee and commission income		
	Virðisbrævahandil og goymslur / Security and custody accounts	2.797	2.390
	Gjaldmiðling / Credit transfers	10.470	9.987
	Avgreiðslugjöld / Loan fees	2.969	2.759
	Garantíprovisión / Guarantee commissions	4.361	2.855
	Onnur ómaksgjöld og provisiónir / Other fees and commissions	13.484	15.963
	Ómaksgjöld og provísíonsinntøkur tilsamans / Total fee and commission income	34.081	33.954
5	Virðisjavnan / Fair value adjustments		
	Lánsbrøv / Bonds	-109	-56.529
	Partabrøv / Shares	2.412	-8.032
	Gjaldoyra / Currencies	2.551	3.930
	Avleidd fígðjaramboð / Derivative financial instruments	1.555	18.864
	Virðisjavnan tilsamans / Total market value adjustments	6.409	-41.768

Nota	DKK 1.000	1H 2023	1H 2022
6	Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses		
	Lønir og samsýning til nevnd og stjórn / Salaries and remuneration of Board og Directors and Executive Board		
	Nevnd / Board of Directors ^{2) 4)}	1.043	1.050
	Stjórn / CEO ^{1) 4) 5)}	2.758	2.373
	Tilsamans / Total	3.801	3.423
	Starvsfólkaútreiðslur / Staff costs		
	Lønir / Salaries	44.359	43.841
	Eftirlønir / Pensions ³⁾	7.480	7.386
	Útreiðslur til sosiala trygð / Social security costs	9.131	8.977
	Tilsamans / Total	60.971	60.203
	Aðrar umsitingarútreiðslur / Other administrative expenses	37.600	34.185
	Útreiðslur til starvsfólk og umsiting tilsamans / Staff costs and administrative expenses total	102.372	97.812
	Miðaltalið á ársverkum / Average number of employees, full time equivalent	181	185

- 1) Forstjórinn og stjórnin kunnu av Betri Banka uppsigast við 12 mánaðar freist og kunnu sjálvir siga upp við 6 mánaðar freist. Fráfaringarsamsýningin, um stjóri verður sagður upp, er 24 mðr. løn. / The Chief Executive Officer and the Managing Director have a notice of termination of 12 months from Betri Bank, and may resign with 6 months notice. The Chief Executive Officer and the Managing Director are entitled to a severance pay of 24 months in total in the event of termination by the company.
- 2) Nevndarlimir hava ikki rætt til samsýning aftaná at teir eru farnir frá. / Members of the Board of Directors are not entitled to any benefits upon termination of employment.
- 3) Stjórn og starvsfólk eru fevnd av eini eftirlønarskipan. / The Chief Executive Officer as well as the staff are included in a defined contribution plan.
- 4) Hvørki nevnd, stjórn ella starvsfólk eru fevnd av nakrari bonusskipan, sum er sett í verk av bankanum. / Neither members of the board, the management nor employees are covered by any incentive program initiated by the bank.
- 5) Stjórnin hevur frían bil og skattgrundarlagið er á TDKK 93 meðan tað fyri 2022 var á TDKK 90. / The Ececutive Board has a company car and the tax base is TDKK 93, while for 2022 it was TDKK 90.

Nota	DKK 1.000	1H 2023	1H 2022	2022
7	Niðurskrivingar av útlánum og aðrari ogn / Impairment of loans advances, receivables etc.			
	Støði 1 / Stage 1			
	Niðurskrivingar primo / Impairments year begin	90.343	107.292	107.292
	Niðurskrivingar í árinum / Impairments during the year	31.034	46.618	58.504
	Reguleringar í.s.v makrobúskapar óvissu / Adjustments due to macroeconomic risk	0	8.009	-10.732
	Afturförðar niðurskrivingar / Reversed individual impairments	-42.910	-43.128	-64.721
	Niðurskrivingar / Impairments end period	78.467	118.791	90.343
	Støði 2 / Stage 2			
	Niðurskrivingar primo / Impairments year begin	64.608	22.556	22.556
	Niðurskrivingar í árinum / Impairments during the year	44.017	16.518	39.324
	Reguleringar í.s.v makrobúskapar óvissu / Adjustments due to macroeconomic risk	0	1.616	27.091
	Afturförðar niðurskrivingar / Reversed individual impairments	-40.300	-17.083	-24.364
	Niðurskrivingar / Impairments end period	68.325	23.607	64.608
	Støði 3 / Stage 3			
	Niðurskrivingar primo / Impairments year begin	67.415	63.409	63.409
	Niðurskrivingar í árinum / Impairments during the year	6.300	4.924	30.588
	Reguleringar í.s.v makrobúskapar óvissu / Adjustments due to macroeconomic risk	0	132	-26
	Afturförðar niðurskrivingar / Reversed individual impairments	-6.748	-15.116	-19.829
	Staðfest tap, áður niðurskrívað / Previous impairments now confirmed loss	-1.250	-145	-6.727
	Niðurskrivingar / Impairments end period	65.717	53.202	67.415
	Niðurskrivingar á ogn hjá peningastovnum / Impairments due to credit institutions			
	Niðurskrivingar primo / Impairments year begin	837	3.251	3.251
	Niðurskrivingar og virðisbreytingar í árinum / Impairments and value adjustments during the year	578	228	396
	Afturförðar niðurskrivingar / Reversed individual impairments	-168	-2.335	-2.810
	Niðurskrivingar á ogn hjá peningastovnum tilsamans / Impairments due to credit institutions end period	1.248	1.144	837
	Avseting til tap av ábyrgdum / Provisions for losses on collaterals			
	Støði 1 / Stage 1			
	Niðurskrivingar primo / Impairments year begin	2.755	11.246	11.246
	Niðurskrivingar í árinum / Impairments during the year	747	3.823	582
	Afturförðar niðurskrivingar / Reversed individual impairments	-623	-179	-9.073
	Niðurskrivingar / Impairments end period	2.879	14.890	2.755
	Støði 2 / Stage 2			
	Niðurskrivingar primo / Impairments year begin	1.311	282	282
	Niðurskrivingar í árinum / Impairments during the year	468	169	1.304
	Afturförðar niðurskrivingar / Reversed individual impairments	-693	-258	-275
	Niðurskrivingar / Impairments end period	1.086	193	1.311
	Støði 3 / Stage 3			
	Niðurskrivingar primo / Impairments year begin	4.284	5.300	5.300
	Niðurskrivingar í árinum / Impairments during the year	510	2.133	3.476
	Afturförðar niðurskrivingar / Reversed individual impairments	-1.241	-1.415	-4.492
	Niðurskrivingar / Impairments end period	3.553	6.018	4.284
	Niðurskrivingar / Impairments end period	221.275	217.846	231.553

Nota	DKK 1.000	1H 2023	1H 2022	2022
7	Niðurskrivingar av útlánum og aðrari ogn (<i>Framh.</i>) / Impairment of loans advances, receivables etc. (<i>Cont.</i>)			
	Töl, ið eru við í rakstrarroknskapinum / Impairments included in the income statement			
	Niðurskrivingar / Impairments			
	Niðurskrivingar og virðisbreytingar í árinum / Impairments and value adjustments during the year	81.929	68.287	128.813
	Reguleringar í.s.v makrobúskapar óvissu / Adjustments due to macroeconomic risk	0	9.757	16.333
	Afturförðar niðurskrivingar / Reversed individual impairments	-90.126	-77.662	-111.724
	Renta av niðurskrivingum / Revenue from interests on impairments on loans	-1.480	-549	-1.150
	Staðfest tap, har ekki er niðurskrivað frammanundan / Write offs without prior impairment	30	8	21
	Inngoldið á áður staðfest tap / Paid into previous depreciated claims	-413	-691	-2.699
	Niðurskrivingar í rakstrarroknskapinum / Impairments included in the income statement	-10.060	-850	29.593
	Avsett móti tapi / Provisions for losses			
	Avsett og virðisbreytingar í árinum / Impairments and value adjustment during the year	1.725	6.125	5.361
	Afturförd avseting / Reversed provisions for losses	-2.557	-1.853	-13.841
	Avsett í rakstrarroknskapinum / Provisions for losses included in the income statement	-832	4.272	-8.479
	Niðurskrivingar tilsamans í rakstrarroknskapinum / Total impairments in the income statement	-10.892	3.422	21.114

Nota	DKK 1.000	1H 2023	2022
8	Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
	Áögn í lánistovnum / Claims on credit institutions	238.117	155.204
	Áögn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks	238.117	155.204
	Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
	Uttan uppsögn / Demand deposits	234.797	152.598
	Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years	3.320	2.606
	Áögn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks	238.117	155.204
	Sum trygd, standa kontant innistandandi á: / As collateral are deposited a total of:	3.320	2.606
9	Útlán og onnur áögn / Loans and other claims		
	Útlán og onnur áögn til amortiseraðan kostprís / Loans and other claims at amortised cost	7.793.680	7.310.467
	Útlán og onnur áögn tilsamans / Total loans and other claims	7.793.680	7.310.467
	Útlán og onnur áögn / Loan and other claims		
	Til og við 3 mánaðir / Up to 3 months	249.065	253.809
	Frá 3 mánaðum til og við 1 ár / Over 3 months and up to 1 year	1.093.010	872.832
	Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years	2.176.336	2.357.992
	Yvir 5 ár / Over 5 years	4.275.269	3.825.834
	Útlán og onnur áögn tilsamans / Total loans and other claims	7.793.680	7.310.467

**Brutto eksponering býtt eftir ratingbólum og IFRS9 stöði /
Exposure by rating categories and IFRS9 stage (áðrenn niðurskrivingar / before impairments)**

1H 2023

Ratingbólur / Rating category	Stöði 1 / Stage 1	Stöði 2 / Stage 2	Stöði 3 / Stage 3	Íalt / Total
1 - Kundar, har OIK er staðfest / Customers with OEI	0	43.678	271.102	314.780
2c - Veikir kundar / Weak customers	428.912	222.564	22.152	673.628
2b - Miðal góðir kundar / Average customers	3.553.329	913.352	13.463	4.480.144
2a+3 - Góðir og treytaleyst góðir kundar / Good and unconditionally good customers	4.443.909	576.215	9.211	5.029.335
Í alt / Total	8.426.150	1.755.808	315.928	10.497.887

2022

Ratingbólur / Rating category	Stöði 1 / Stage 1	Stöði 2 / Stage 2	Stöði 3 / Stage 3	Íalt / Total
1 - Kundar, har OIK er staðfest / Customers with OEI	973	46.005	261.498	308.476
2c - Veikir kundar / Weak customers	371.485	285.629	19.079	676.193
2b - Miðal góðir kundar / Average customers	3.404.310	753.950	11.227	4.169.487
2a+3 - Góðir og treytaleyst góðir kundar / Good and unconditionally good customers	4.390.911	447.010	24.073	4.861.995
Í alt / Total	8.167.680	1.532.593	315.877	10.016.151

Nota	DKK 1.000	1H 2023	2022
10	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks		
	Skuld til lánistovnar / Debt to credit institutions	31.235	21.912
	Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks	31.235	21.912
	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks		
	Uttan uppsøgn / Demand deposits	9.395	2.083
	Frá 3 mánaðum til og við 1 ár / Over 3 months and up to 1 year	7.209	6.311
	Frá 1 ári til og við 5 ár / Over 1 year and up to 5 year	14.630	13.518
	Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks	31.235	21.912
11	Innlán og onnur skuld / Deposits and other debt		
	Innlán uttan uppsøgn / Deposits on demand	6.939.717	6.952.498
	Innlán við uppsøgn / Deposits at notice	883.531	907.088
	Tíðarinnskot / Time deposits	732.730	1.918
	Serligir innláshættir / Special categories of deposits	651.631	637.876
	Innlán og onnur skuld tilsamans / Total deposits and other debt	9.207.608	8.499.380
	Innlán og onnur skuld / Deposits and other debt		
	Uttan uppsøgn / On demand	6.939.717	6.952.498
	Til og við 3 mánaðir / Up to 3 months	1.089.441	1.031.127
	Frá 3 mánaðum til og við 1 ár / Over 3 months and up to 1 year	220.254	99.446
	Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years	595.178	65.605
	Yvir 5 ár / Over 5 years	363.019	350.704
	Innlán og onnur skuld tilsamans / Total deposits and other debt	9.207.608	8.499.380
12	Tøl, ið ikki eru tikin við í javna / Off-balance sheet items		
	Ábyrgdir v.m. / Guarantees and other contingent liabilities		
	Fíggarligar ábyrgdir / Financial Guaranties	320.116	313.775
	Ábyrgdir fyri realkreditlánnum / Loss guarantees for mortgage loans	460.920	498.275
	Aðrar ábyrgdir / Other contingent liabilities	125.739	129.975
	Ábyrgdir v.m. tilsamans / Total guarantees and other contingent liabilities	906.775	942.025
	Tøl, ið ikki eru tikin við í javna tilsamans / Total off-balance sheet items	906.775	942.025

Lyklatöl / Key Ratios ¹⁾

		1H 2023	1H 2022
Solvensur og kapitalur / Solvency and capital ratios			
Solvensprosent / Solvency ratio		31,0%	29,5%
Kjarnukapitalprosent / Core capital ratio		31,0%	29,5%
Vinningur / Earning ratios			
Renting av eiginogn áðrenn skatt (umroknað til heilár) / Return on equity before tax (annualised)	ROE	15,6%	2,1%
Renting av eiginogn aftaná skatt (umroknað til heilár) / Return on equity after tax (annualised)	ROE	12,8%	1,7%
Inntøka pr. útreiðslukrónu / Income/cost ratio		2,75	1,20
Ognaravkast (umroknað til heilár) / Return on assets (annualised)	ROA	2,3%	0,3%
Marknaðarváði / Market risk ratios			
Rentuváði / Interest rate risk		1,2%	1,3%
Gjaldoyrastøða / Foreign exchange position		1,2%	4,2%
Gjaldoyraváði / Foreign exchange risk		0,0%	0,1%
Gjaldfæri / Liquidity ratios			
Útlán og niðurskrivingar í mun til innlán / Loans, advances and impairments in proportion to deposits		87,0%	87,0%
Gjaldfæri eftir LCR / Liquidity Cover Ratio (LCR)		210,7	189,5
Lánsváði / Credit risk ratios			
Stór viðskifti í mun til grundkapital / Large loans as percentage of capital base		123,4%	124,3%
Tap og niðurskrivingar í tíðarskeiðinum í prosentum / Write-offs and impairments during the period		-0,1%	0,0%
Útlán í mun til eginognina / Total loans in proportion to equity		3,6	3,6
Útlánsvækstur / Increase of loans		6,6%	3,8%

Frágreiðing til lyklatöl/Explanation of ratios

1) Sí frágreiðing um lyklatöl á síðu 32-33 / See explanation of ratios on page 32-33

Frágreiðing til lyklatölíni / Explanation of Key figures

Solvensur og kapitalur

$$\text{Solvensprosent}^{1)} = \frac{\text{Grundkapitalur} \times 100}{\text{Vektað ogn tilsamans}}$$

$$\text{Kjarnukapitalprosent}^{1)} = \frac{\text{Kjarnukapitalur aftaná frádrátt} \times 100}{\text{Vektað ogn tilsamans}}$$

Vinningur

$$\text{Rentan av eginogn áðrenn skatt}^{1)} = \frac{\text{Úrslit áðrenn skatt} \times 100}{\text{Eginogn (miðal)}}$$

$$\text{Rentan av eginogn aftaná skatt}^{1)} = \frac{\text{Úrslit aftaná skatt} \times 100}{\text{Eginogn (miðal)}}$$

$$\text{Inntøka pr. útreiðslukrónu}^{1)} = \frac{\text{Vanligar inntøkur}}{\text{Vanligar útreiðslur}}$$

$$\text{Ognaravkast}^{1)} = \frac{\text{Úrslit aftaná skatt} \times 100}{\text{Ogn tilsamans}}$$

Marknaðarváði

$$\text{Rentuváði}^{1) 2)} = \frac{\text{Rentuváði} \times 100}{\text{Kjarnukapitalur aftaná frádrátt}}$$

$$\text{Gjaldoyrastøða}^{1) 3)} = \frac{\text{Valutaindikator 1} \times 100}{\text{Kjarnukapitalur aftaná frádrátt}}$$

$$\text{Gjaldoyraváði}^{1)} = \frac{\text{Valutaindikator 2} \times 100}{\text{Kjarnukapitalur aftaná frádrátt}}$$

Gjaldføri

$$\text{Útlán og niðurskriving í mun til innlán}^{1)} = \frac{(\text{Útlán} + \text{Niðurskrivingar}) \times 100}{\text{Innlán}}$$

$$\text{Yvirdekningur í mun til lógarkrav um gjaldføri}^{1)} = \frac{(\text{Tøk ogn} - \text{Skuld styttri enn 1 mánaða samb. FIL § 152 (nr.2)})}{\text{Skuld styttri enn 1 mánaða}}$$

Lánsváði

$$\text{Stór viðskifti}^{1) 4)} = \frac{\text{Stór viðskifti} \times 100}{\text{Grundkapital}}$$

$$\text{Tap og niðurskriving í tíðarskeiðinum í prosentum}^{1)} = \frac{\text{Tap og niðurskrivingar í tíðarskeiðinum} \times 100}{\text{Brutto útlán} + \text{Ábyrgdir}}$$

$$\text{Útlán í mun til eginogn}^{1)} = \frac{\text{Útlán}}{\text{Eginogn}}$$

$$\text{Útlánsvækstur}^{1)} = \frac{(\text{Útlán ultimo} - \text{Útlán primo}) \times 100}{\text{Útlán primo}}$$

Solvency and capital ratios

$$\text{Solvency}^{1)} = \frac{\text{Capital base} \times 100}{\text{Total risk weighted assets}}$$

$$\text{Core capital ratio}^{1)} = \frac{\text{Core capital less statutory deductions} \times 100}{\text{Total risk weighted assets}}$$

Earning ratios

$$\text{Return on equity before tax}^{1)} = \frac{\text{Profit before taxes} \times 100}{\text{Equity (avg.)}}$$

$$\text{Return on equity after tax}^{1)} = \frac{\text{Net profit} \times 100}{\text{Equity (avg.)}}$$

$$\text{Income/cost ratio}^{1)} = \frac{\text{Operating income}}{\text{Operating expenses}}$$

$$\text{Return on assets}^{1)} = \frac{\text{Net profit}}{\text{Total assets}}$$

Market risk ratios

$$\text{Interest rate risk}^{1) 2)} = \frac{\text{Interest risk} \times 100}{\text{Core capital less statutory deductions}}$$

$$\text{Foreign exchange position}^{1) 3)} = \frac{\text{Exchange indicator 1} \times 100}{\text{Core capital less statutory deductions}}$$

$$\text{Foreign exchange risk}^{1)} = \frac{\text{Exchange indicator 2} \times 100}{\text{Core capital less statutory deductions}}$$

Liquidity ratio

$$\text{Loans, advances and impairments in proportion to deposits}^{1)} = \frac{(\text{Loans} + \text{impairments}) \times 100}{\text{Deposits}}$$

$$\text{Excess cover relative to liquidity requirement}^{1)} = \frac{\text{Excess liquidity after fulfilment of FIL, s. 152 (no2)}}{\text{Short term liabilities (less 1 m)}}$$

Credit risk ratios

$$\text{Large loans}^{1) 4)} = \frac{\text{Large loans} \times 100}{\text{Capital base}}$$

$$\text{Write-offs and impairments during the year}^{1)} = \frac{\text{Write-offs and depreciation during the year} \times 100}{\text{Gross loans} + \text{guarantees}}$$

$$\text{Total loans in proportion to equity}^{1)} = \frac{\text{Total loans}}{\text{Equity}}$$

$$\text{Increase in loans}^{1)} = \frac{(\text{Loans year end} - \text{loans year begin}) \times 100}{\text{Loans year begin}}$$

Frágreiðing til lyklatölina / Explanation of Key ratios

- 1) Gjørt í samsvar við leiðreglurnar hjá Fíggjareftirlitinum. / Prepared in accordance with the regulations issued by the Danish Financial Supervisory Authority.
- 2) Rentuváði er grundaður á, at effektiva rentan broytist 1%, og broytingin í krónum verður roknað í mun til kjarnukapitalin eftir frádrátt. / Interest rate risk is based on the premise that the effective interest rate fluctuates 1 per cent and that the fluctuations in DKK are calculated in comparison to core capital less certain adjustments and statutory deductions.
- 3) Gjaldoyrastøða er hægra talið á ogn ella skuld í gjaldoyra og verður roknaður í prosentum av kjarnukapitalinum eftir frádrátt. / Foreign exchange position is the higher amount of assets or liabilities in currency and is calculated in per cent to core capital less certain adjustments.
- 4) Engagemment størri enn 10% aftaná frádrátt fyri tryggum krøvum í prosentum av basiskapitalinum./ Outstanding balances greater than 10 per cent after deductions for secure requirements in per cent to capital base.

04

Leiðsluátekning

Statement by the Management

Leiðsluátekning

Nevnd og stjórn hava í dag viðgjørt og góðkent roknskapin fyri Betri Banka P/F fyri fyrri hálvár 2023.

Roknskapurin og leiðslufrágreiðingin er sett upp sam-svarandi Lóg um fíggarstovnar v.m., kunngerð og leiðreglum frá Fíggjareftirlitinum viðvíkjandi frásøgn fyri peningastovnar v.m.

Hálvársfrásøgnin er ikki granskoðað ella gjøgnumgingin av granskoðara.

Tað er okkara fatan, at roknskapurin gevur eina rættvísandi mynd av felagsins ognum, skyldum og fíggarstöðu 30. juni 2023 og úrslitinum av virkseminum í tíðarskeiðinum 1. januar - 30. juni 2023.

Tað er okkara fatan, at leiðslufrágreiðingin gevur eina rættvísandi umrøðu av gongdini í virkseminum hjá Betri Banka P/F og fíggarligu støðuni, umframt eina rættvísandi lýsing av teimum týðandi váðunum og óvissu faktorunum, sum bankin kann ávirka av.

Statement by the Management

The Management and The Board of Directors have today considered and approved the interim report of Betri Banka P/F for the period 1 January – 30 June 2023.

The interim financial statement has been prepared in accordance with the Financial Business Act, and in accordance with the executive order and guidelines of the Danish Financial Supervisory Authority on presentations of financial statements.

The interim report has not been audited or reviewed

It is our opinion that the interim financial statement gives a true and fair view of the company's assets, liabilities, shareholders equity and financial position at 30 June 2023 and of the results of the company's operations for the period 1 January – 30 June 2023.

In addition, we also consider the Management's review to give a fair presentation of the development in the company's activities and the company's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Bank.

Betri Banki P/F

Tórshavn, 4. september 2023

Stjórn / Executive Board

Jean Djurhuus

Forstjóri / Chief Executive Officer

Olav S. Guttesen

Stjóri / Managing Director

Nevnd / Board of Directors

Flemming B. Nielsen

Nevndarformaður / Chairman

Evy J. Jacobsen

Næstforkvinna / Deputy Chairwoman

Aslaug Gísladóttir

Ivan Christiansen

Janet Friða Johannesen

Marion á Lakjuni

Ann Gvøðny Dánialsdóttir

Sverri Mohr Edvinsson

Tanja Marnadóttir Ósá

Stjórn / Executive Board

Jean Djurhuus

Forstjóri / Chief Executive Officer

Olav S. Guttesen

Stjóri / Managing Director

Nevnd / Board of Directors

Flemming B. Nielsen

Nevndarformaður / Chairman

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Næstforkvinna / Deputy Chairwoman

Aslaug Gísladóttir

Ivan Christiansen

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Marion á Lakjuni

Ann Gvøðny Dáníalsdóttir

Sverri Mohr Edvinsson

Tanja Marnadóttir Ósá

