


A modern glass-walled building with a curved facade is situated on a grassy hillside. The building's windows reflect the sky and clouds. In the foreground, there is a stone cairn. The sky is a clear, bright blue with some light clouds. The overall scene is bright and open.

Good performance in Q3 2024

Turið F. Arge, CEO
31 October 2024

Føroya Banki



“The positive trends from the first half continued in the third quarter, resulting in a satisfactory profit of DKK 119m before tax, which was a 13% improvement on the preceding quarter. The solid core operations were supported by a favourable interest rate environment and a thriving business with growth in both lending and deposit volumes and higher insurance income. Costs were maintained at the same level as in the previous quarter and were in line with the original guidance for the year. In the period, we also saw an outstanding investment portfolio return and reversal of impairment charges that reflected our customers’ sound credit quality.”

Turið F. Arge, CEO

Føroya Banki



Overview

- Føroya Banki at a glance
- Highlights
- Financials
 - Operating income
 - Insurance
 - Expenditures
 - Impairment charges
 - Capital ratios
- 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: DKK 7,580m
Deposits: DKK 8,291m
Market Share: ~40%

Greenland

Loans: DKK 1,492m
Deposits: DKK 1,067m
Market Share: ~20%

Group figures

Loans: DKK 9,072m
Deposits: DKK 9,359m
Net interest and fee income
2023: DKK 437m
Premiums 2023: DKK 185m

Highlights of Q3

- Solid core operating income, although the high level of interest rates now has peaked.
- Good return on the investment portfolio in Q3.
- Increase in lending and deposit volumes in general.
- Reversal of impairment charges in Q3 and Q2 in contrast to Q1
 - Customers remain robust. Declining market rates should strengthen customers' resilience further.
- New strategy and financial targets for 2026 announced in August. Growth in business volume will contribute to realising higher income, especially in Greenland.
 - Return on equity: >12%
 - Cost/income ratio (%): <53%
 - CET1: Around 23%
- Outlook 2024: Net profit guidance raised to DKK 275–300m (from DKK 250–280m).
 - Driven by an improved outlook for core operations, growth in both lending and deposit volumes, a solid return in investment portfolios and a reasonable level of impairment charges on loans.

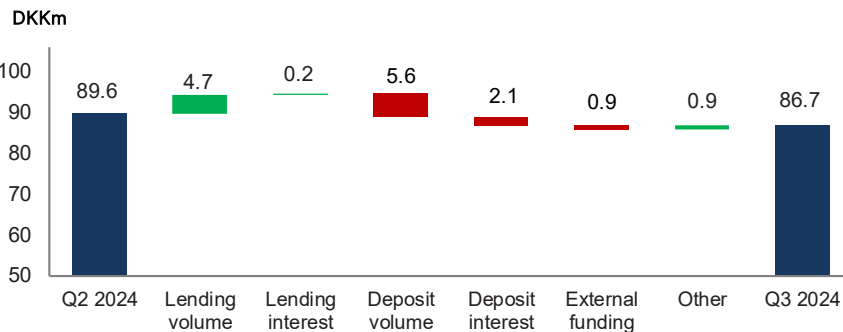
Profit & Loss				
<i>DKKm</i>		Q3 2024	Q2 2024	Index
Net interest income		87	90	97
Net fee and commission income		18	17	106
Net insurance income		20	15	133
Other operating income		10	10	101
Operating income		135	132	102
Operating costs		-68	-68	101
Profit before impairment charges		66	63	104
Net impairment charges on loans		6	7	17
Operating profit		72	70	102
Non-recurring items		0	0	
Investment portfolio earnings		48	35	135
Profit before tax		119	105	113
Tax		23	18	128
Net profit		96	87	110
Key Metrics				
<i>DKKbn</i>	Target 2026	Q3 2024	Q2 2024	Index
Loans and advances		9.1	9.0	101
Deposits and other debt		9.4	9.2	102
Mortgage credit		2.6	2.6	100
Operating cost / income, %	< 53.0	50.7	51.6	
CET1 capital ratio, %	23.0	25.1	25.6	
RoE after tax (annualised)*, %	> 12.0	16.5	15.1	

*Non-recurring items are excluded in the annualisation

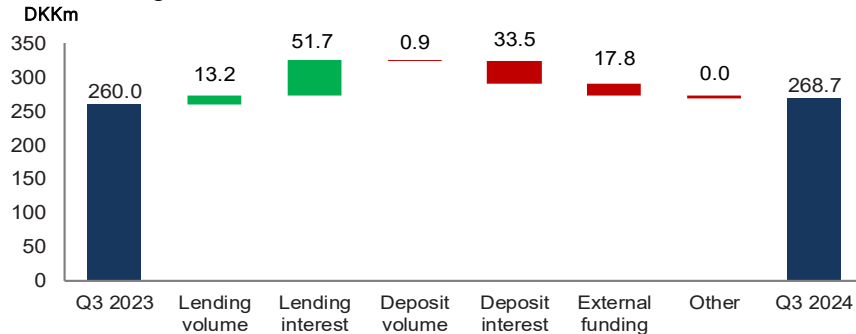
Interest rates decreasing

- Net interest income down by DKK 2.9m QoQ and up DKK 8.7m YoY.
 - The high level of interest rates has peaked. Interest rates are expected to fall during 2024 and 2025.
- Decrease in interest rates will be advantageous for our customers and is expected to improve the customers' credit quality.
- Satisfactory development in lending and deposit volumes.
 - Lending volumes up by 1% QoQ and by 3% YoY.
 - Deposits up by 2% QoQ and by 9% YoY.

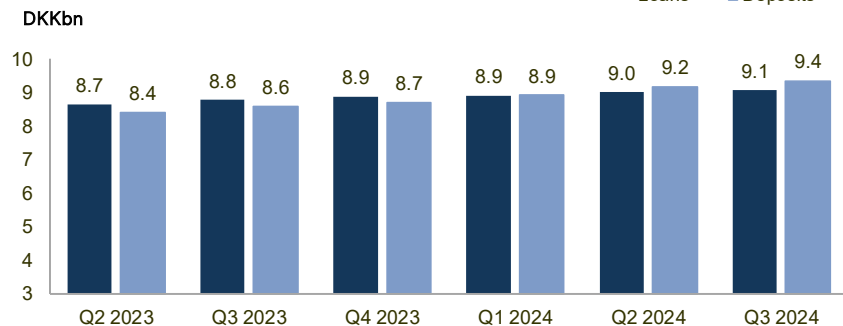
QoQ changes in net interest income



YoY changes in net interest income



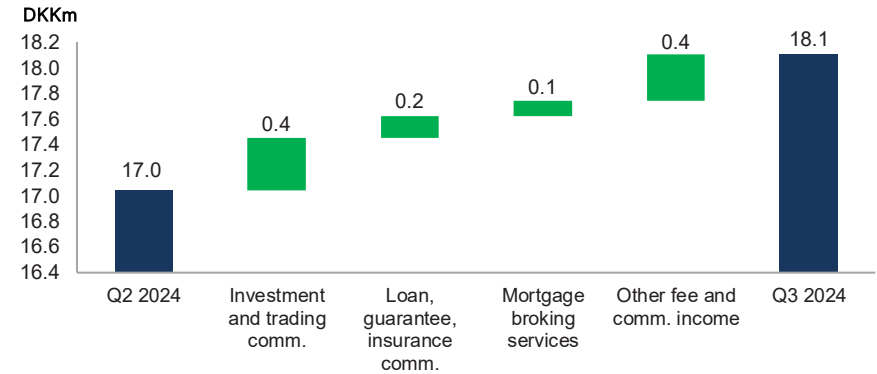
Loans and deposits



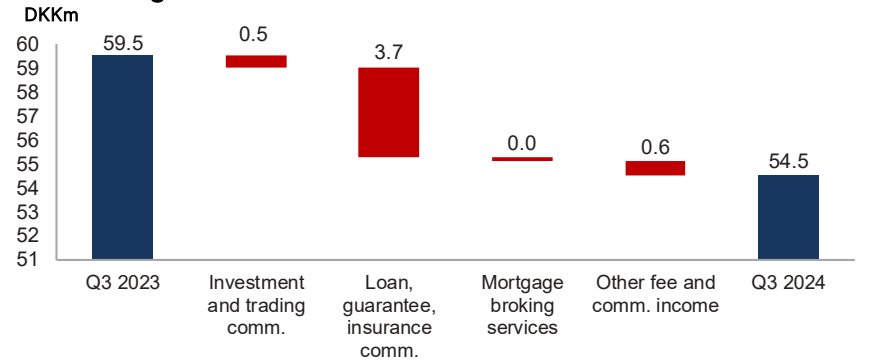
Fall in guarantees still affects fee and commission income

- Fee and commission income down by DKK 1.1m QoQ and down by DKK 5.0m YoY.
- The decrease in fee and commission income compared to Q3 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 at the beginning of 2024 also led to a fall in fee and commission income compared to last year.
- Mortgage-broking services at a flat level in general. Down by DKK 6m QoQ and down by DKK 36m YoY.
 - We expect an increase in demand for mortgage-broking services, as the level of interest rates is expected to fall.

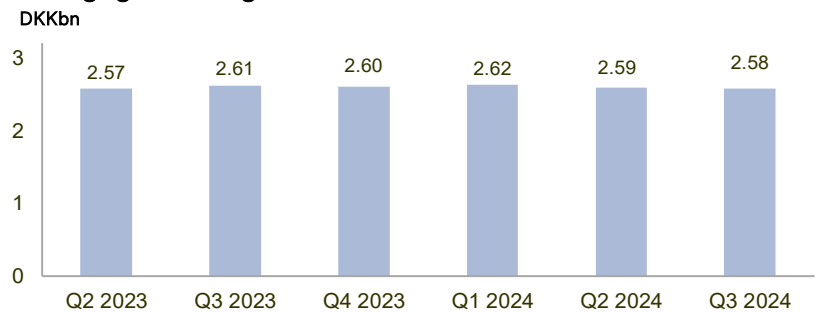
QoQ changes in fee and commission income



YoY changes in fee and commission income

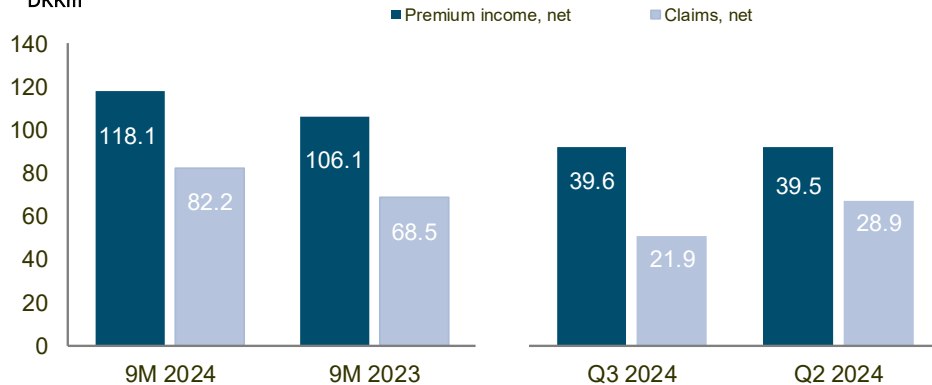


Mortgage-broking services



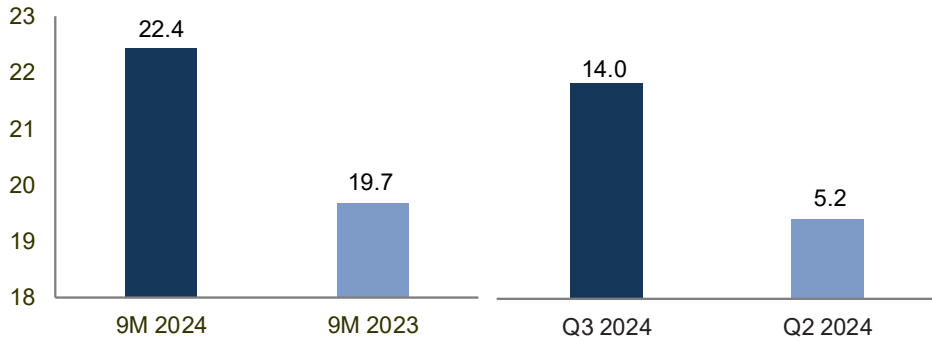
Premiums and claims

DKKm



Profit before tax

DKKm



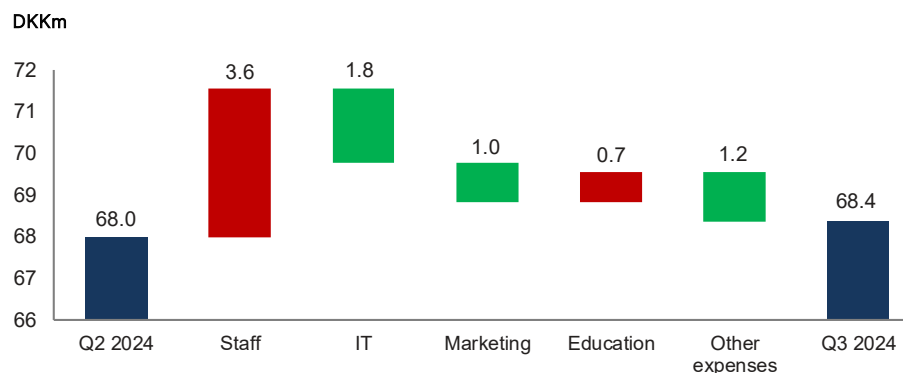
Increase in insurance profit before tax

- Combined ratio of 88.8% in Q3 2024 compared to 84.9% in Q3 2023.
- Solid return on investment activities in 2024 entails increase in *profit before tax* despite increase in *combined ratio* compared to the same period in 2023.
- Claims were higher in the first three quarters of 2024 compared to the same period last year, due to a few large and weather-related claims in H1 2024.
- Net premium income up by DKK 0.1m QoQ and up by DKK 12.0m YoY due to price indexation of 3.68%.
- Net claims down by DKK 7.0m QoQ and up by DKK 13.7m YoY.

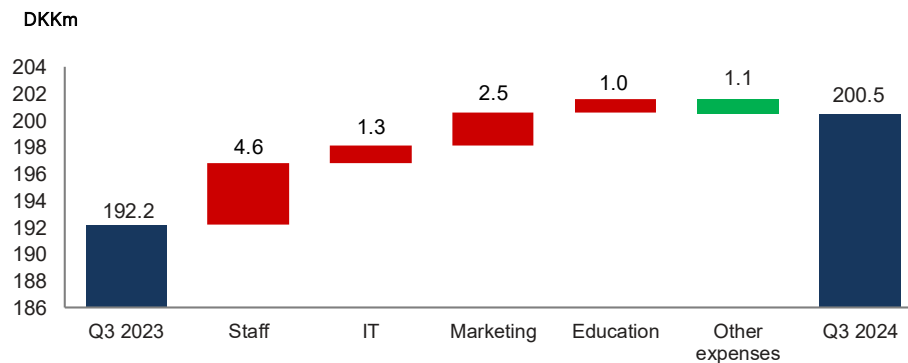
Keeping costs low remains a focus area

- Operating costs up by DKK 0.4m QoQ and up by DKK 8.3m YoY:
 - This quarter shows the full effect of the salary adjustment in May 2024.
 - End-of-period FTE of 206. A decrease of 1 FTE compared to Q3 2023.
 - Increase in costs in general YoY due to increased in cost levels.
 - Increase in marketing expenses mainly attributable to costs related to the Bank's name change in Q1 2024.
- Operating costs are as expected for Q3, however.
- Operating costs under pressure because of a general increase in costs. Focus still retained on keeping costs low.

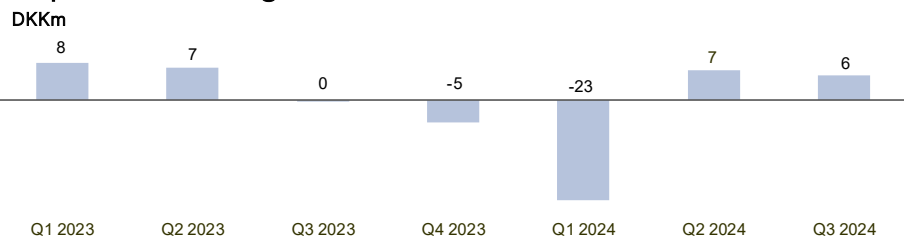
QoQ changes in operating costs



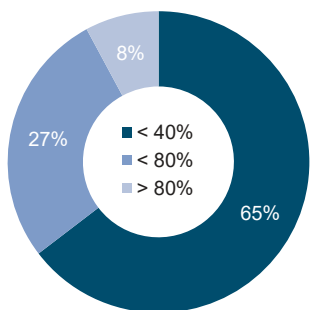
YoY changes in operating costs



Impairment charges

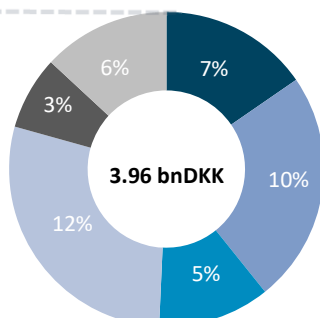
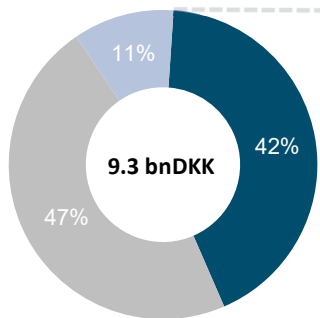


LTV for housing loans¹



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 10m in Q1-Q3 2024. An increase of DKK 25m YoY.
 - The impairment charges are attributable to a few corporate customers.
 - Our customers continue to display credit robustness in general.
- Discretionary management estimate of DKK 93m unchanged in Q3.
 - Related to general economic uncertainty caused by geopolitical tensions and macroeconomic developments.
- Strong LTV ratios for housing loans. 92% of total housing loans below LTV of 80% and 65% below LTV of 40%.
- Well-diversified corporate customer portfolio for prudent risk diversification across industries.

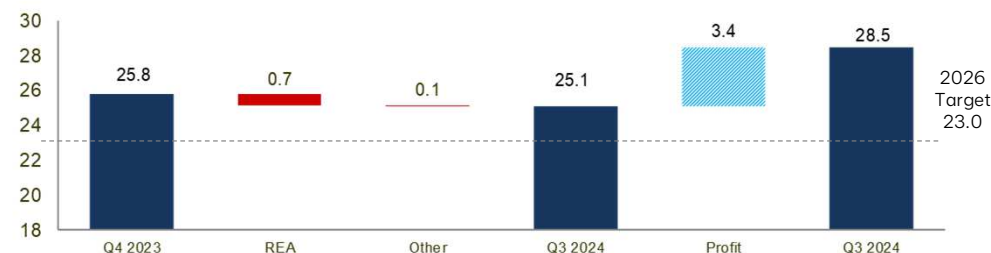
Føroya Banki

1) Lending for housing accounts for DKK 4.0bn of total retail lending of DKK 4.4bn

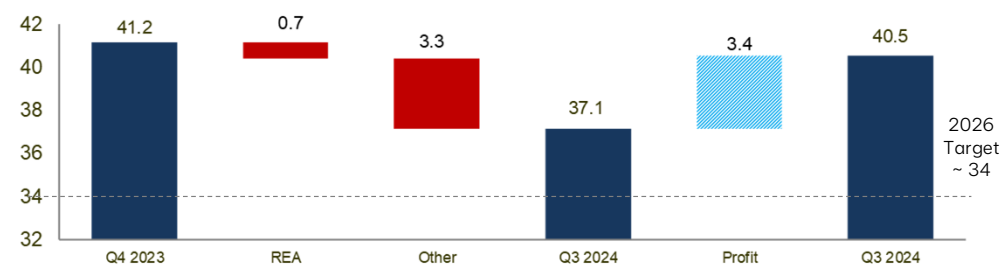
Strong capital ratios

- REA up by 2.6% over Q4 2023 to DKK 6,993m. The increase in REA is due to a change in operational risk having a negative impact on capital ratios. The main reason is an increase in the Bank's average income, which is used for calculating the operational risk.
- The decrease in MREL capital ratio is due to the repayment of Tier 1 loan capital amounting to DKK 150m in September 2024.
- In May the FSA conducted an inspection at the Bank, reviewing a major part of its exposures. The review gave rise to four non-material orders, which the Bank is in the process of implementing. These included a 0.2 pp solvency requirement increase, which has been incorporated in the Q3 financial statements.
- The Faroese and Greenlandic authorities have announced an increase of the countercyclical capital buffer from 2% to 3% (FO) as of 1 July 2025 and from 0% to 1% (GL) as from 2026. The Bank already complies with the higher capital requirements announced by the authorities.

Changes in CET1 ratio

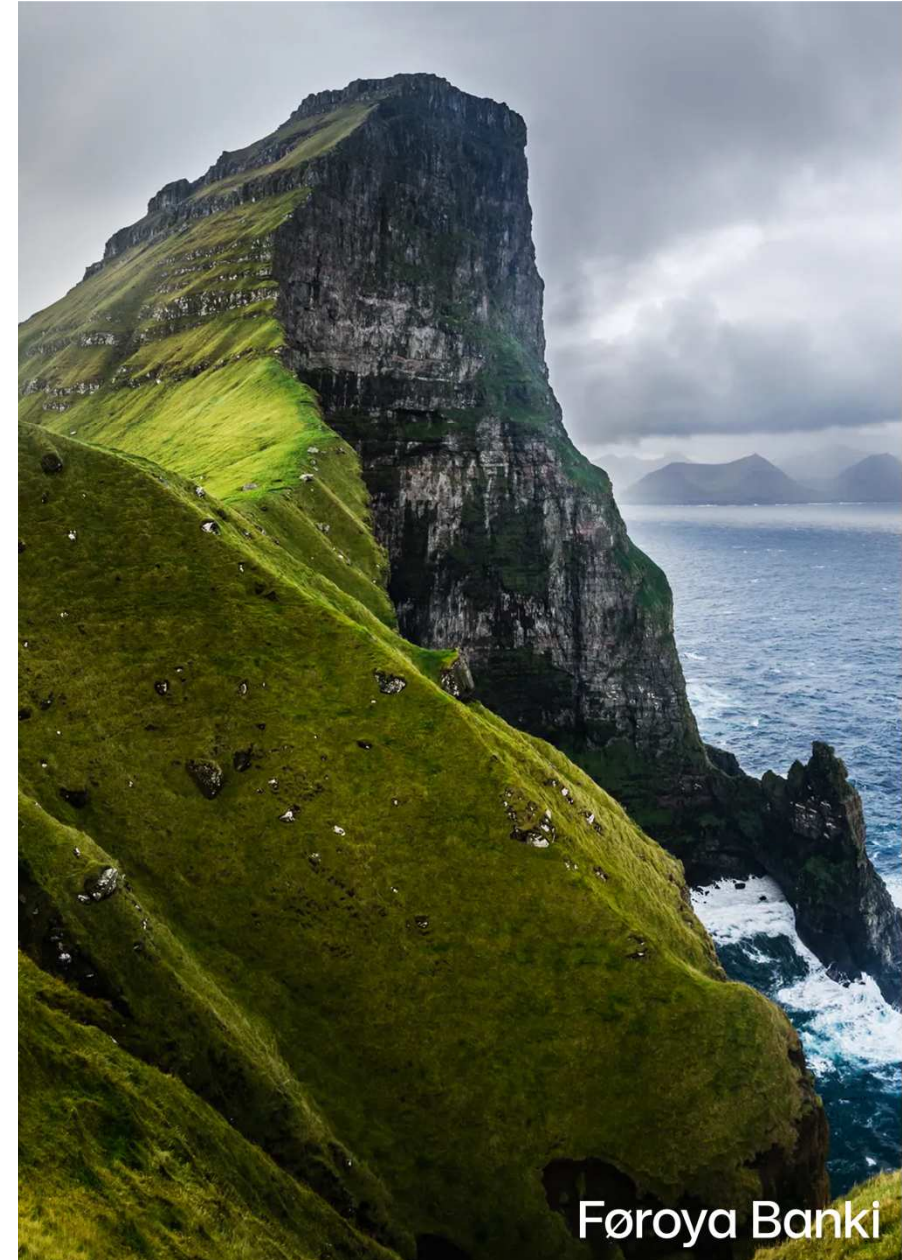


Changes in MREL Capital Ratio



Q3 in summary

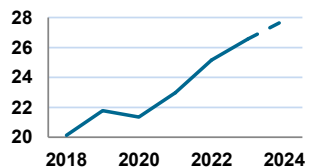
- Strong performance
- Improvement in lending and deposit volumes
- Reasonable impairment level – general customer credit robustness
- Solid return on investment portfolio
- Higher capital requirements from the authorities already implemented
- New strategy and financial targets for 2026 were announced in August.
- Outlook 2024: Net profit guidance raised to DKK 275–300m



Faroese economic outlook

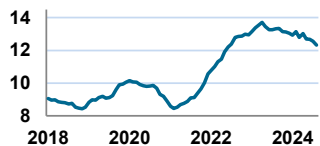
Growth rate reduced, but healthy; some indicators more mixed than previously

Strong growth momentum



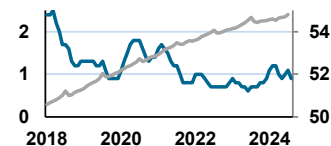
GDP

- Strong economic growth post Covid
- Growth estimate for 2023: 5.6%
- Growth outlook for 2024: 4.7%



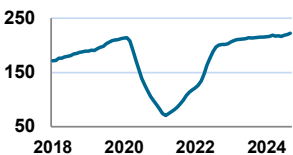
Exports

- Export value peaked in 2023 at DKKbn 12.5
- Positive balance of trade of DKKbn 1.4 in 12 months to August 2024



Low unemployment and population growth

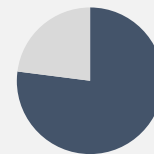
- Unemployment remains low at 0.9% in August
- Population growth continues, rate slowing



Tourism rebounding

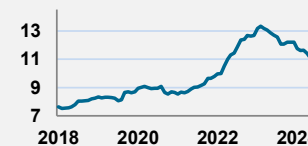
- Record number of passengers with numbers up 4% in 2024 compared to 2023
- Contribution to economy growing rapidly, but hotel occupancy rates could be higher

Downside risks



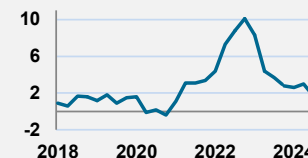
Relations with Russia

- Largest export partner at 23% in 2021; fallen to 5.8% in the year to Aug. 2024
- Fisheries agreement extension through 2025 not unlikely



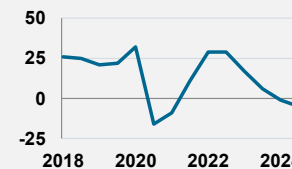
Imports

- Import values falling faster than exports
- YoY decrease 10% for 12m to Aug. 2024



Inflation

- Inflation 3.0% in May 2024, a significant reduction from 8.3% a year prior



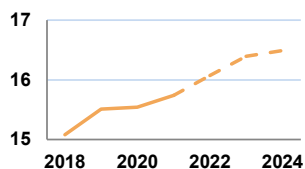
Consumer confidence

- Overall confidence level continues downward trend, mainly driven by production and construction industries

Greenlandic economic outlook

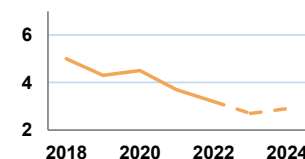
Trend and challenges largely unchanged in the past year

Moderate growth momentum



GDP

- Continued economic growth, but at lower rates (2024 est. 0.6% (real))
- Stabilised by Danish block grant, which constitutes around a quarter of GDP



Decreasing unemployment

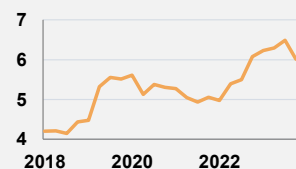
- Unemployment is historically low at less than 3%
- Very tight labour market in large towns and for skilled labour

Airport capacity

- Nuuk airport set to open in November 2024
- Two more airports under construction
- Massive increase in ease and consistency of travel to Greenland

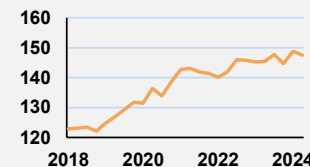


Downside risks and structural challenges



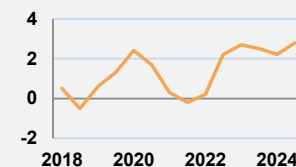
Trade

- Exports strong in 2023, but marginally lower in 2024
- Balance of trade remains negative, but significantly improved in 2023 due to increased exports



Retail sales

- Retail sales have stabilised at highest level to date



Inflation

- At July 2024, the inflation was 2.8% p.a. The outlook for 2025 is 3.0%

An aerial photograph of a modern, circular building with a flat roof and a central circular skylight. The building is situated on a hillside overlooking a coastal town and the sea. The sun is setting in the background, creating a warm, golden glow over the scene. The sky is filled with soft, white clouds. The town below is densely packed with buildings, and the sea is visible in the distance. The overall atmosphere is serene and picturesque.

Questions?

Føroya Banki

Appendices

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

Group

Increase in core operations and satisfactory investment portfolio earnings.

DKKm	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Net interest income	87	90	97	92	100	96	86	269	260	103
Net fee and commission income	18	17	106	19	17	19	19	54	60	92
Net insurance income	20	15	133	12	12	24	19	46	48	97
Other operating income (less reclassification)	10	10	101	11	4	9	11	32	28	113
Operating income	135	132	102	135	133	148	135	401	395	102
Operating costs ¹	-68	-68	101	-64	-65	-65	-64	-200	-192	104
Sector costs	0	0	100	0	0	0	0	-1	-1	91
Profit before impairment charges	66	63	104	70	68	83	71	200	202	99
Impairment charges, net	6	7	83	-23	-5	0	7	-10	15	68
Operating profit	72	70	102	47	62	82	78	189	217	87
Non-recurring items ²	0	0		0	0	0	-6	0	-9	
Profit before investment portfolio earnings and tax	72	70	102	47	62	82	72	189	208	91
Investment portfolio earnings ³	48	35	135	23	46	26	15	106	63	169
Profit before tax	119	105	113	70	109	108	87	295	271	109
Tax	23	18	128	15	20	20	17	57	52	110
Net profit	96	87	110	55	89	88	70	238	219	109
Operating cost/income, %	51	52		48	49	44	47	50	49	
Number of FTE, end of period	206	209	99	209	207	207	203	206	207	99

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	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Net interest income	87	90	97	92	100	96	86	269	260	103
Net fee and commission income	22	21	105	23	21	23	23	66	71	94
Other operating income	9	9	105	10	3	8	9	28	25	112
Operating income	118	120	99	125	124	127	118	363	356	102
Operating cost	-62	-61	102	-58	-59	-59	-58	-182	-175	104
Sector costs	0	0	100	0	0	0	0	-1	-1	91
Profit before impairment charges	55	58	96	66	65	68	60	180	180	100
Impairment charges, net	6	7	83	-23	-5	0	7	-10	15	68
Operating profit	61	65	94	44	59	68	67	169	195	87
Non-recurring items	0	0		0	0	0	-6	0	-9	
Profit before investment portfolio earnings and tax	61	65	94	44	59	68	62	169	186	91
Investment portfolio earnings	43	33	132	19	42	24	14	95	58	162
Profit before tax	104	97	107	63	102	92	76	264	244	108
Loans and advances	9,072	9,023	101	8,915	8,883	8,790	8,655	9,072	8,790	103
Deposits and other debt	9,359	9,180	102	8,930	8,710	8,602	8,426	9,359	8,602	109
Mortgage credit	2,579	2,585	100	2,621	2,599	2,615	2,567	2,579	2,615	99
Operating cost/income, %	53	51		47	47	46	49	50	49	
Number of FTE, end of period	175	178	98	178	176	176	173	175	176	99

Personal Banking

Reversal of impairment charges in Q3 had positive effect on profit before tax.

DKKm	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Net interest income	54	55	98	60	72	60	48	168	151	111
Net fee and commission income	17	16	107	18	16	18	16	51	52	98
Other operating income	5	6	74	6	2	5	7	17	18	94
Operating income	75	77	98	84	90	84	71	236	222	106
Operating costs	-52	-54	97	-49	-49	-51	-49	-155	-147	105
Sector costs	0	0	100	0	0	0	0	-1	-1	91
Profit before impairment charges	23	23	99	34	40	32	22	81	74	110
Impairment charges, net	7	-4	-178	5	-5	1	1	8	7	113
Operating profit	30	19	158	39	35	33	23	89	81	110
Non-recurring items	0	0		0	0	0	-5	0	-8	
Profit before investment portfolio earnings and tax	30	19	158	39	35	33	18	89	73	121
Investment portfolio earnings	31	23	132	14	30	17	10	68	38	178
Profit before tax	61	43	144	53	65	51	28	157	112	141
Loans and advances	4,298	4,202	102	4,124	4,066	3,859	3,771	4,298	3,859	111
Deposits and other debt	6,161	6,161	100	5,788	5,761	5,678	5,584	6,161	5,678	109
Mortgage credit	2,160	2,174	99	2,191	2,179	2,203	2,285	2,160	2,203	98
Number of FTE, end of period	77	80	96	79	81	82	74	77	82	94

Corporate Banking

Corporate client base shows solid creditworthiness.

DKKm	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Net interest income	33	35	95	33	28	36	38	101	109	93
Net fee and commission income	5	5	99	5	5	5	7	15	19	82
Other operating income	4	3	159	3	1	3	2	11	6	166
Operating income	42	43	100	42	34	44	47	127	134	95
Operating costs	-10	-8	126	-9	-9	-8	-8	-27	-22	123
Sector costs	0	0	100	0	0	0	0	0	0	91
Profit before impairment charges	32	35	94	32	24	36	39	99	111	89
Impairment charges, net	-2	11	-16	-28	0	-2	6	-18	8	229
Operating profit	31	45	68	5	25	34	45	81	119	68
Non-recurring items	0	0		0	0	0	-1	0	-1	
Profit before investment portfolio earnings and tax	31	45	68	5	25	34	44	81	118	69
Investment portfolio earnings	12	9	132	5	12	7	4	27	15	178
Profit before tax	43	55	78	10	36	41	48	107	133	81
Loans and advances	4,774	4,821	99	4,791	4,816	4,932	4,884	4,774	4,932	97
Deposits and other debt	3,198	3,019	106	3,143	2,948	2,924	2,824	3,198	2,924	109
Mortgage credit	419	411	102	430	420	412	282	419	412	102
Number of FTE, end of period	15	15	100	15	14	15	15	15	15	100

Banking – Faroe Islands

Solid increase in deposit volume.

DKKm	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Net interest income	72	73	98	75	84	80	74	220	221	100
Net fee and commission income	18	18	101	19	18	19	19	56	60	94
Other operating income	8	8	103	8	2	6	8	24	20	118
Total Operating income	98	99	99	103	104	105	101	299	300	100
Operating cost	-53	-52	101	-49	-50	-50	-48	-154	-147	105
Sector costs	0	0	100	0	0	0	0	-1	-1	91
Profit before impairment charges	45	46	97	53	54	54	53	144	152	94
Impairment charges, net	-3	2	-120	15	5	1	-1	15	15	100
Operating profit	42	48	87	68	59	56	52	159	167	95
Non-recurring items	0	0		0	0	0	-6	0	-9	
Profit before investment portfolio earnings and tax	42	48	87	68	59	56	46	159	158	100
Investment portfolio earnings	30	24	125	14	31	18	11	69	45	154
Profit before tax	73	73	100	82	90	73	57	227	203	112
Loans and advances	7,580	7,515	101	7,433	7,441	7,365	7,248	7,580	7,365	103
Deposits and other debt	8,291	7,975	104	7,775	7,555	7,565	7,734	8,291	7,565	110
Mortgage credit	1,571	1,609	98	1,638	1,654	1,676	1,723	1,571	1,676	94
Operating cost/income, %	54	53		48	48	48	50	52	49	
Number of FTE, end of period	158	159	99	159	158	157	156	158	157	100

Banking – Greenland

Stabile operating income, a reversal of impairment charges and positive investment portfolio earnings led to solid increase in profit before tax in Q3 2024.

DKKm	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Net interest income	15	17	90	17	15	16	12	49	39	126
Net fee and commission income	4	3	133	4	3	4	3	11	10	102
Other operating income	2	1	118	1	0	2	1	4	4	98
Total Operating income	20	21	98	23	19	22	17	64	54	119
Operating cost	-10	-9	108	-9	-9	-8	-10	-28	-27	103
Sector costs	0	0	100	0	0	0	0	0	0	91
Profit before impairment charges	11	12	90	14	10	14	7	36	27	135
Impairment charges	8	5	180	-38	-9	-3	-2	-25	-11	228
Operating profit	19	16	115	-25	1	11	5	11	16	69
Non-recurring items	0	0		0	0	0	0	0	0	
Profit before investment portfolio earnings and tax	19	16	115	-25	1	11	5	11	16	69
Investment portfolio earnings	13	8	154	5	9	5	3	26	12	222
Profit before tax	32	25	128	-19	10	16	9	37	27	135
Loans and advances	1,492	1,508	99	1,482	1,442	1,425	1,397	1,492	1,425	105
Deposits and other debt	1,067	1,205	89	1,155	1,143	1,025	687	1,067	1,025	104
Mortgage credit	1,009	977	103	983	943	929	833	1,009	929	109
Operating cost/income, %	47	43		40	45	37	45	43	50	
Number of FTE, end of period	17	19	90	19	18	19	17	17	19	90

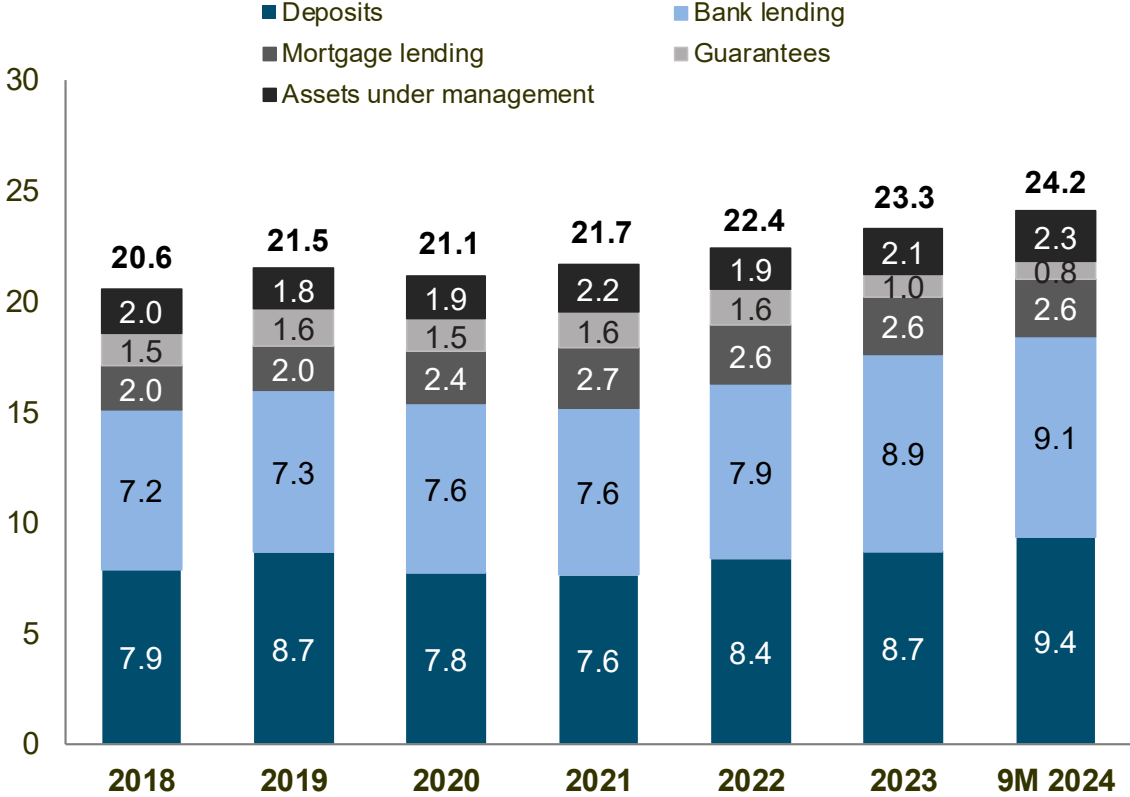
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Solid return on investment activities in 2024 entails increase in profit before tax despite increase in combined ratio compared to the same period in 2023.

DKKm	Q3 2024	Q2 2024	Index	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1-Q3 2024	Q1-Q3 2023	Index
Premium income, net of reinsurance	40	40	100	39	42	37	35	118	106	111
Claims, net of reinsurance	-22	-29	76	-31	-30	-17	-19	-82	-69	120
Net insurance income	18	11	166	8	12	20	16	36	38	96
Net income from investment activities	4	2	164	3	3	2	0	9	4	250
Operating income	21	13	166	11	15	22	16	45	41	109
Operating cost	-7	-8	95	-8	-8	-7	-8	-23	-22	105
Profit before tax	14	5	271	3	7	14	8	22	20	114
Combined ratio	74	93		100	90	67	76	89	85	
Claims ratio	55	73		81	72	47	55	70	65	
Number of FTE, end of period	23	23	100	23	23	23	22	23	23	97

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.

	Q2 2024			Q3 2024			Change
	<7.5 DKKm	>7.5 DKKm	Total	<7.5 DKKm	>7.5 DKKm	Total	
Portfolio without weakness	2,753	4,260	7,013	2,890	4,471	7,361	349
Portfolio with some weakness	2,358	1,649	4,007	2,313	1,560	3,873	-133
Portfolio with weakness	83	415	498	89	384	473	-25
- of which unsecured	6	38	44	7	24	31	-13
- impairments	4	5	10	5	2	7	-3
Portfolio with OIE	152	277	429	150	281	432	3
- of which unsecured	32	56	88	31	63	94	7
- impairments	27	30	58	27	21	48	-9
Portfolio w/o individual classification	27		27	27		27	-1
Total	5,373	6,600	11,973	5,468	6,697	12,166	192

Total loan portfolio (gross exposure) includes

- Loans and advances
- Credits
- Unused credits
- Guarantees

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