

 betri banki

Hálvårsfrásögn 2022

Interim Report 1H 2022



Innihaldsyvirlit

Table of contents

| | |
|--|-----------|
| 5 ára yvirlit Five year Summary | 4 |
| 01 Leiðslufrágreiðing Management Review | 6 |
| 02 Rakstrarroknskapur Income Statement | 16 |
| Fíggjarstöða Balance | 19 |
| Uppgerð av broyting í eginogn Statement of Changes in Equity | 20 |
| Solvensuppgerð Statement of Solvency | 21 |
| 03 Notur Notes | 22 |
| 04 Leiðsluátekning Statement by the Management | 36 |

5 ára yvirlit / Five year summary

| DKK MIÓ. / DKK MILLION | 1H 2022 | 1H 2021 | 2021 | 1H 2020 | 1H 2019 | 1H 2018 |
|---|---------------|---------------|---------------|--------------|--------------|--------------|
| Rakstur / Income Statement | | | | | | |
| Rentuinntøkur netto / Net interest income | 127 | 129 | 255 | 117 | 113 | 107 |
| Ómaksgjöld netto / Net fee income | 32 | 30 | 62 | 27 | 24 | 25 |
| Virðisjavnun / Fair value adjustments | -42 | -3 | 5 | -16 | 17 | 6 |
| Aðrar vanligar inntøkur / Other operating income | 1 | 1 | 2 | 1 | 2 | 2 |
| Útreiðslur til starvsfólk og umsiting / Staff costs and adm. expenses | -98 | -91 | -187 | -96 | -92 | -96 |
| Aðrar útreiðslur / Other expenses | -2 | -2 | -3 | -4 | -2 | 0 |
| Niðurskrivingar av útlánun og aðrari ogn / Impairment of loans advances, receivables etc. | -3 | 8 | 15 | -20 | 7 | 39 |
| Úrslit av kapitalpörtum / Income from associated and subsidiary undertakings | 5 | 8 | 9 | 0 | 0 | 2 |
| Úrslit áðrenn skatt / Profit/loss (-) before tax | 21 | 81 | 157 | 9 | 70 | 84 |
| Skattur / Tax | -4 | -15 | -25 | -2 | -13 | -15 |
| Úrslit / Net profit/loss (-) for the year | 17 | 67 | 132 | 7 | 57 | 69 |
| Fíggjarstöða / Balance | | | | | | |
| Ogn / Assets | | | | | | |
| Kassapeningur og áögn í lánistovnum og tjóðbankum / Cash in hand, claims on central banks and credit institutions | 1.173 | 709 | 944 | 504 | 532 | 348 |
| Útlán og onnur ogn / Loans and other advances | 7.097 | 6.681 | 6.834 | 6.311 | 6.300 | 5.950 |
| Onnur ogn / Other assets | 2.356 | 2.951 | 2.696 | 3.001 | 2.875 | 3.615 |
| Ogn tilsamans / Total assets | 10.626 | 10.341 | 10.474 | 9.817 | 9.708 | 9.913 |
| Skuld / Liabilities | | | | | | |
| Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks | 19 | 4 | 3 | 11 | 23 | 79 |
| Innlán og onnur skuld / Deposits and other liabilities | 8.408 | 8.267 | 8.359 | 7.814 | 7.738 | 7.956 |
| Onnur skuld / Other liabilities | 236 | 190 | 167 | 262 | 252 | 268 |
| Eginogn / Equity | 1.963 | 1.880 | 1.946 | 1.730 | 1.694 | 1.610 |
| Skuld tilsamans / Total liabilities | 10.626 | 10.341 | 10.474 | 9.817 | 9.708 | 9.913 |
| Solvensur og kapitalur / Solvency and capital ratios | | | | | | |
| Solvensprosent / Solvency ratio | 29,5% | 28,8% | 30,7% | 27,8% | 25,9% | 24,7% |
| Kjarnukapitalprosent / Core capital ratio | 29,5% | 28,8% | 30,7% | 27,8% | 25,9% | 24,7% |
| Vinningur / Earning ratios | | | | | | |
| Renting av eginogn áðrenn skatt / Return on equity before tax | 2,1% | 8,8% | 8,4% | 1,0% | 8,4% | 10,7% |
| Renting av eginogn aftaná skatt / Return on equity after tax | 1,7% | 7,2% | 7,0% | 0,8% | 6,9% | 8,7% |
| Inntøka pr. útreiðslukrónu / Income/cost ratio | 1,20 | 1,97 | 1,89 | 1,07 | 1,80 | 2,49 |
| Ognaravkast / Return on assets | 0,3% | 1,3% | 1,3% | 0,1% | 1,2% | 1,4% |
| Marknaðarváði / Market risk ratios | | | | | | |
| Rentuváði / Interest rate risk | 1,3% | 1,8% | 1,3% | 2,1% | 1,7% | 1,6% |
| Gjaldoyrastöða / Foreign exchange position | 4,2% | 4,0% | 2,6% | 2,3% | 4,1% | 3,9% |
| Gjaldoyraváði / Foreign exchange risk | 0,1% | 0,1% | 0,1% | 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% | 84,3% | 84,3% | 84,8% | 85,2% | 78,6% |
| Gjaldfæri eftir LCR / Liquidity Cover Ratio (LCR) | 189,5% | 205,4% | 176,3% | 190,8% | 181,5% | 136,2% |
| Lánsváði / Credit risk ratios | | | | | | |
| Stór engagement í mun til grundkapital / Large loans as percentage of capital base ¹⁾ | 124,3% | 123,1% | 117,5% | 122,7% | 125,3% | 136,2% |
| Tap og niðurskrivingar í tíðarskeiðinum í prosentum / Write-offs and impairments during the period | 0,0% | -0,3% | -0,2% | 0,3% | -0,1% | -0,5% |
| Útlán í mun til eiginagnina / Total loans in proportion to equity | 3,6 | 3,6 | 3,5 | 3,6 | 3,7 | 3,7 |
| Útlánsvækstur / Increase of loans | 3,8% | 4,2% | 6,5% | 0,2% | 2,2% | 6,7% |

¹⁾ Í 2018 eru markvirðini og útrokningarmátin fyri Eftirlitsdiamantin broytt. Samanberingartöluni eru ikki broytt / In 2018, changes have been made to the limit values and calculation method according to the guidelines for the Supervisory Diamond. No comparative figures are restated.

Í stuttum / Highlights



Úrslitið farna hálfvár vísir eitt avlop á 17,0 mió. kr.

The result for the first half is a profit of DKK 17.0 million

Úrslitið áðrenn skatt er 20,8 mió. kr.

Result before tax is DKK 20.8 million



Niðurskrivingar av útlánum og yvirtiknum ognum á 3,4 mió. kr.

Total impairments on loans and assets in temporary possession amount to DKK 3.4 million.



Útlán bankans eru 7.097 mió. kr.

The Bank's lending book amounts to DKK 7,097 million



Innlán bankans eru 8.408 mió. kr.

Deposits amount to DKK 8,408 million



Gjaldfæri eftir LCR 189,5%

Liquidity cover ratio (LCR) 189.5%



Solvensurinn við hálfárið er 29,5%

Solvency ratio is 29.5%



Roknaður solvenstærvur á 10,0%

Calculated solvency requirement is 10.0%



Framhaldandi útlit fyri positivan rakstur fyri 2022

Positive outlook for the year 2022 maintained

01

Leiðslufrágreiðing

Management Review

Høvuðsvirksemi

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

Main Activities

The bank's main activity is to be a full-service bank for the people of the Faroe Islands, 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.

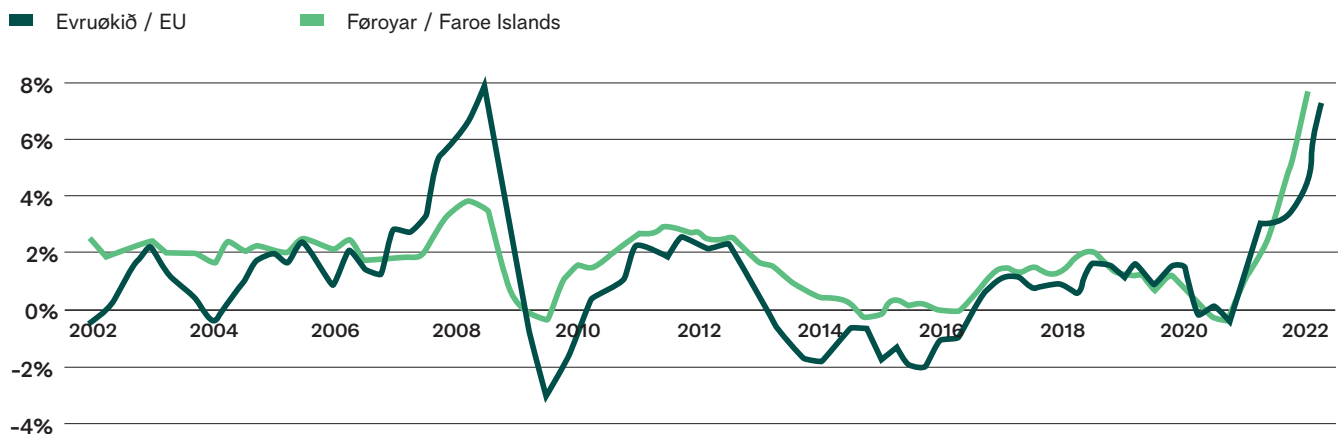
Gongdin í búskaparligum viðurskiftum

Heimsbúskapurin hevur seinasta árið fingið nakrar avbjóðingar, sum nú veruliga merkjast í Føroyum og eisini koma at merkjast komandi árið. Prísvøksturin í vesturheiminum, sum í langa tíð hevur verið lágur, hevur seinasta árið veruliga tikið dik á seg, og er nú ikki sæddur hægri seinastu 40 árin. Við halvársskiftið var prísvøksturin í Evruøkinum og USA millum 8-9%, meðan prísvøksturin í Føroyum við halvársskiftið var 7,2% í mun til sama ársfjórðing í 2021. Hetta er hægsti prísvøkstur í Føroyum síðan figgjarkreppuna.

Development of the Faroese Economy

The world economy has had some challenges in the past year, which are now being felt in the Faroe Islands and will also be felt in the coming year. Price growth in the Western World has been low for some time, but has really picked up speed over the past year and is now at a level not seen for the past 40 years. At mid-year 2022, inflation in the euro area and the USA was between 8-9%, while inflation in the Faroe Islands at mid-year 2022 was 7.2% compared to the same quarter in 2021. This is the highest inflation in the Faroe Islands since the financial crisis.

Prísvøkstur / Price growth



Kelda/Source: Hagstova Føroya og Bloomberg

Orsøkinar til stóra prísvøksturin eru fleiri. Tá heimurin opnaði upp aftur eftir koronafarsóttina í 2021, kundi útboðið av vør- um og tænastrum ikki standa mátt við eftirspurningin, og sam- stundis vóru stórar avbjóðingar í veitingarkervinum kring heim. Omaná alt hetta kom so kríggjið í Ukraina, sum setti enn meira ferð á príshækkingarnar á orku og øðrum rávørum. Síðan ársskiftið er eitt nú oljuprísurin hækkaður út við 50%.

The reasons for the large price increases are several. When the world opened after the corona pandemic in 2021, the supply of goods and services could not keep up with the demand, and at the same time, there were major challenges in the supply chain throughout the world. On top of this came the war in Ukraine, which accelerated the price growth of energy and other commodities even more. Since the beginning of the year the oil price has increased by about 50%.

Tjóðbankarnir í vesturheiminum eru tí farnir í hernað fyrri at basa høga prísvøkstrinum. Amerikanski tjóðbankin hevur longu hækkað leiðandi rentuna í trimum umførum, og evropeiski miðbankin hækkaði leiðandi rentuna í juli 2022. Marknaðarrenturnar eru tí hækkaðar munandi farna halvárið, og

Central banks in the Western World have therefore begun to curb the large inflation. The US Federal Reserve has already raised the key interest rate over three rounds and the European Central Bank raised the leading interest rates in July 2022. Market interest rates have therefore risen significantly in the

hetta sæst aftur í rentunum hjá húsarhaldum, sum hava realkreditt lán.

Evropeiski miðbankin og harvið eisini danski tjóðbankin hækkaðu leiðandi renturnar í juli 2022, og væntandi fara aðrar rentuhækkingar at koma. Hækkanin hjá tjóðbankanum merkti, at føroysku peningastovnarnir eisini hækkaðu út- og innlánsrenturnar. Hetta merkir, at vanlig bankalán verða dýrari hjá føroysku húsarhaldunum. Saman við stóru príshækkingum á eitt nú brennievni merkir hetta, at fíggjarliga rásarúmið hjá húsarhaldunum verður minni.

Hetta sæst aftur í seinastu konjunkturkanningini. Hóast treystitalið er á sama stigi sum í januar mánaða og áðrenn koronafarsóttina, so eru føroysku húsarhaldini meira stúrin um framtíðina, og mettt verður ikki, at hetta er rætta lótan til at gera størri keyp. Samstundis er heldur ikki sama bjartskygni í byggivinnuni og handilsvinnuni, meðan bjartskygni er tað sama í tilfeingisvinnuni og tænastruvinnuni.

Roknskaparfrásøgn

Rakstur

Úrslitið hjá bankanum fyrsta hálvár 2022 vísir eitt avlop á 17,0 mió. kr. aftaná skatt.

Úrslitið áðrenn skatt vísir eitt avlop á 20,8 mió. kr.

Úrslitið er nakað minni enn tað, sum bankin metti við árslok 2021. Tað er serstakliga kursjavningar, sum hava ávirkað neiliga.

Betri Banki metti í ársfrásøgnini fyrri 2021, at avlopið áðrenn skatt fyrri 2022 fór at liggja millum 60-90 mió. kr. Fyrra hálvár er, sum nevnt, merkt av kurstapum, men bankin metir ikki, at seinna hálvár í sama mun verður ávirkað. Harnæst metir bankin, at rentutillagningarnar fara at ávirka soleiðis, at úrslitið fyrri alt 2022 fer at liggja innan fyrri upprunaligu metingina.

Rentuinntøkurnar hjá bankanum hava fyrra hálvár 2022 verið nakað hægri enn mettt, og er hetta í stóran mun knýtt at vaksandi útlánsvirkssemi. Renturnar, sum knýta seg at virðisbrøvum, hava hinvegin verið lægri enn mettt. Rentuútreiðslurnar hava verið eitt sindur størri enn mettt, og knýtir hetta seg at negatívu rentuni í tjóðbankanum. Samlað vóru nettorentuinntøkurnar áleið tað, sum mettt var við árslok.

Útlit eru tó til, at broytingar verða í rentuútreiðslunum í øðrum hálvári. Broytingarnar koma at síggjast í rentuútreiðslunum,

last six months and this is reflected in the mortgage interest rates to private households.

The European Central Bank, and thus also the Danish Central Bank raised the leading interest rates in July 2022 and other rate hikes are expected to follow. The increase at the Danish Central Bank meant that the Faroese banks also raised the lending and deposit rates. This means, that ordinary bank loans will become more expensive for Faroese customers. Together with the large price increases for energy, this means that the financial leeway for households will be smaller.

This can be seen in the latest economic sentiment indicator number as published by the Faroese Statistical Authority. Despite the fact that the economic sentiment indicator is at the same level as in January and before the corona pandemic, Faroese households are more concerned about the future. It is therefore not considered, that now is the right time to make major purchases. At the same time, we do not see the same optimism in the construction industry, whereas the optimism is maintained in the production industry and the service industry.

Financial Review

Profit and loss account

The Bank's result for the first half of 2022 is a profit of DKK 17.0 million after tax.

The result before tax shows a profit of DKK 20.8 million.

The result is somewhat less than what the bank expected at year-end 2021. It is particular the value adjustments on invested capital that have had a negative effect.

At year-end 2021, Betri Banki predicted a profit before tax of DKK 60-90 million for the year 2022. The first half of the year is affected by capital losses, but the bank does not expect the second half of the year to be affected to the same extent. Additionally, the bank expects that the interest rate adjustments will have a positive effect, hence the result for the full year is expected to be within the original assessment.

The banks' interest income in the first half of 2022 was somewhat higher than estimated and this is largely related to the growing lending business. The interest rates associated with securities, on the other hand, have been lower than estimated. Interest expenses have been slightly higher than estimated, and this is linked to the negative interest rate at the Danish central bank. But overall, net interest income has been on a par with what was assessed at 2021 year-end.

There are prospects for changes in interest income in the second half of the year. The changes will be seen in interest

sum bankin rindar til tjóðbankar, negatívar rentuinntøkur sum bankin fær av innstandandi og av rentuinntøkum frá útlánum. Eitt sindur trupult er at meta um einstøku ávirkaninar, men samlað metir bankin, at nettorentuinntøkurnar fara at vaksa í øðrum hálvári 2022.

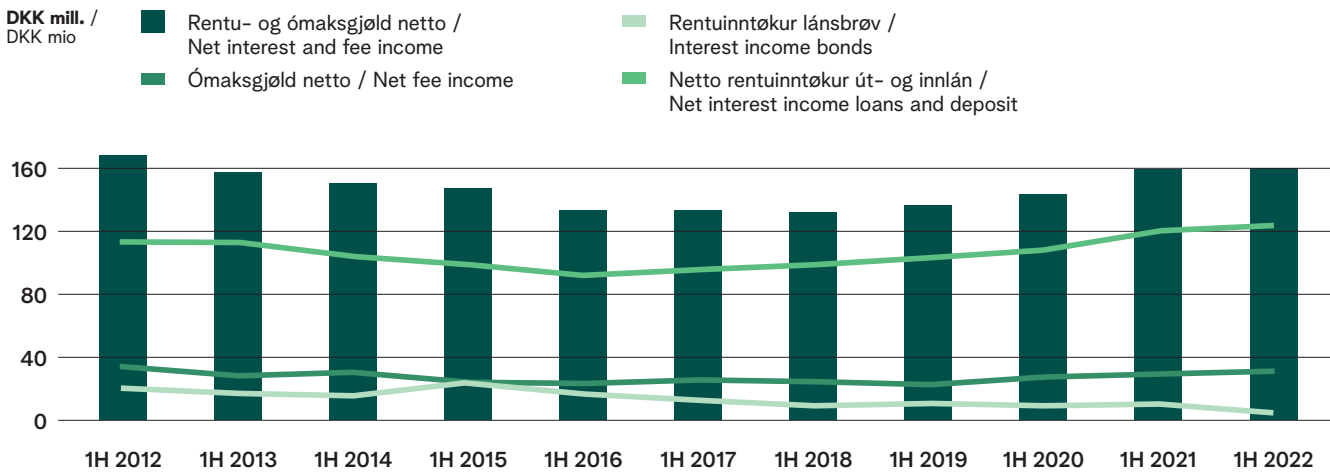
Ómaksgjöldini netto, vóru áleið á sama støði sum undanfarna ár. Útlit eru tó til, at hesi hava eitt rák, sum er eitt vet hægri enn seinastu árin.

Samanlagt merkir hetta, at netto rentu- og ómaksgjöldini hava verið áleið tað, sum mettt var við árslok 2021, tó eitt lítið vet hægri.

expenses that the bank has to pay to central banks, negative interest income that the bank receives from deposits and interest income from lending. It is rather difficult to assess the overall effect, but the bank estimates that net interest income will grow in the second half of 2022.

Net fee income has been at about the same level as in previous years. However, it is expected that these will have an upward trend.

All in all, this means that net interest and fee income have been around the level that was predicted at year-end, although slightly higher.



Kelda/Source: Betri Banki

Bankin hevði fyrra hálvár 2022 eitt kurstap á 41,8 mió. kr. og er hetta ein munur á góðar 39,0 mió. kr. í mun til sama tíðarskeið í fjør, har bankin hevði eitt kurstap á 2,8 mió. kr.

Høvuðsorsøkin til hetta er kursfall á lánsbrøvum, orsakað av munandi hækkingum í marknaðarrentunum. Kursfallið á lánsbrøvum byrjaði tíðliga í 2022 og hevur staðið við fram til hálvárs. Soleiðis hevur bankin haft eitt negativt avkast á lánsbrøvum fyrra hálvár 2022 á umleið 2,2%.

Rentustøðið á donskum lánsbrøvum, hevur verið søguliga lágt í langa tíð, og tí metti bankin við árslok 2021, at lánsbræarenturnar neyvan fóru at lækka meira, men hinvegin kundur væntast ein ávís hækking í rentunum. Bankin hevði tó ikki roknað við so ógvusligum hækkingum í lánsbræarentunum, sum talan gjørdist um í fyrra hálvári. Tjóðbankin hækkaði leiðandi rentuna í juli 2022, men teir flestu greinararnir vænta, at nakrar hækkingar koma afturat í heyst og fram móti ársenda. Men fatanin er eisini, at hesar hækkingarnar frá tjóðbankanum, fyrri meginpartin, longu eru tiknar við í kursásetanini av lánsbrøvum, og tí verður ikki mettt sama kursfall í

In the first half of 2022, the bank had a loss of DKK 41.8 million on its portfolio of bonds and shares and this is a difference of DKK 39.0 million compared to the same period last year, when the bank had a capital loss of DKK 2.8 million.

The main reason for this, is price losses on bonds due to significant increases in market interest rates. The fall in the price of bonds started early in 2022 and has continued until mid-year. Thus, the bank has had a negative return on bonds in the first half of the year of around 2.2%.

The interest rate level on Danish bonds has been historically low for a long time. The bank predicted at year-end 2021 that bond yields could hardly decrease any further, but instead a certain interest rate increase was to be expected. However, the bank did not expect such large bond rate hikes as we have seen in the first half of 2022. The Danish Central Bank raised the leading interest rates in July 2022, but most analysts expect that some further increases to come in the autumn and towards the end of the year. The perception is also that these increases by the Danish central bank are, to a large extent, included in the price determination of bonds. Therefore, it is

seinnu helvt av 2022, sum í byrjanini av árinum.

Útreiðslurnar til starvsfólk og umsiting eru øktar fyrra hálvár 2022 í mun til fyrra hálvár 2021. Orsøkirnar eru fleiri. Ein er, at sáttmálabundnu lønirnar hækkaðu 1. mars 2022, og harnæst hevur bankin nýtt pening til dagføringar og aðrar íløgur, sum skulu minka um orkunýtsluna.

Avskrivningarnar eru í tráð við væntanirnar.

Javnin

Við hálvárið 2022 javnvigaði figgjarstöðan hjá bankanum við 10,6 mia. kr. samanbórið við 10,5 mia. kr. tann 31. desember 2021 og 10,3 mia. kr. tann 30. juni 2021.

Vøksturin síðan ársbyrjan, kann sum heild, fòrast aftur á vøkstur í útlánum og innlánum.

Útlán bankans, sum við ársenda 2021 vóru 6,8 mia. kr., eru fyrra hálvár 2022 vaksin við umleið 263 mió. kr. til 7,1 mia. kr.

Innlán bankans økjast framhaldandi og eru tann 30. juni 2022 á leið 49 mió. kr. hægri enn við árslok 2021.

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 hálvaaðru milliard.

Burturúr hagtølinum niðanfyri sæst, at í tíðarskeiðnum 1. januar 2022 og fram til ultimo mai 2022, hava húsarhaldini spart upp áleið 600 mió. kr. í fòroysku peningastovnunum, og fyri fyrstu

not expected that we will see the same price decreases in the second half of 2022 as we did at the beginning of the year.

Staff and administration costs have increased in the first half of 2022 compared to the first half of 2021. There are several reasons for this. One is the collective wage increases on 1 March 2022 and on the other 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

The balance sheet amounted to DKK 10.6 billion in the first half of 2022 compared to DKK 10.5 billion on 31 December 2021 and DKK 10.3 billion on 30 June 2021.

The growth can largely be attributed to increase in loans and deposits.

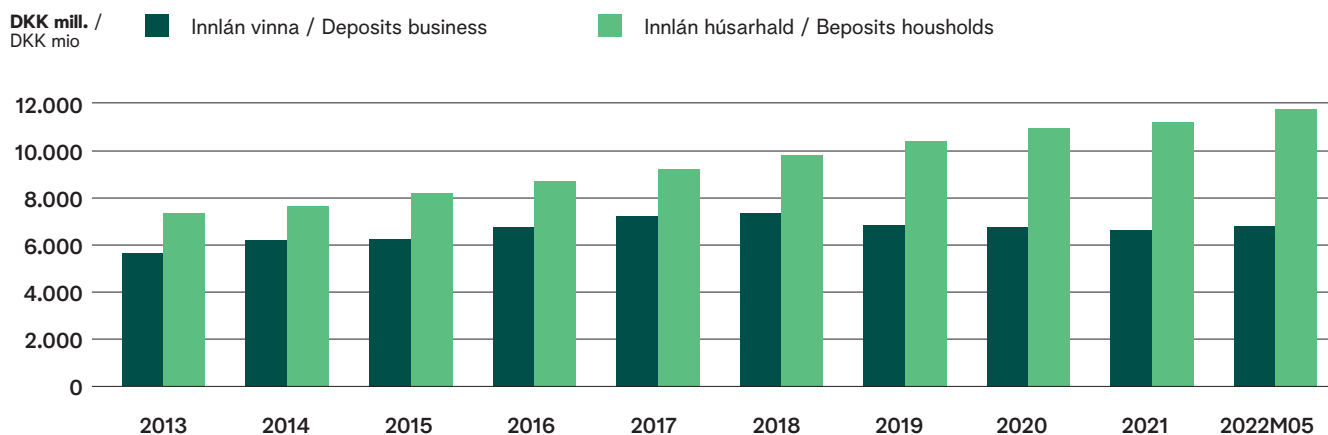
The bank's lending book, which amounted to DKK 6.8 billion by the end of 2021, has increased by approx. DKK 263 million to DKK 7.1 billion in the first half year of 2022.

Deposits continue to increase. On 30 June 2022 deposits were approx. DKK 49 million higher than at year-end 2021.

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 one and a half billion.

Based on the statistics shown below, we see that in the period 1 January 2022 until the end of May 2022, private households have saved around DKK 600 million in Faroese banks. For the

Innlán í fòroyskum peningastovnunum / Deposits in Faroese banks



Kelda/Source: MFI, Hagstova Føroya

ferð í skjótt 4 ár kvinka innlánini hjá vinnuni eisini uppeftir.

Konjunkturkanningin hjá Hagstovuni frá juni 2022 visir, at brúkarin metir, at hetta er rætta løtan at spara upp.

Bæði brúkarar og vinna meta, at gongdin í búskapinum næstu 12 mánaðirnar fer at versna, og eyðvitað ávirkar hetta uppsparingarmynstri. Harnæst eru útlit til, at negativu renturnar fyri innlán fara at minka.

Vøxturin í útlánunum fyrra hálvár 2022 hevur fyri allar peningastovnarnir undir einum, verið eitt vet minni enn fyri sama tíðarskeið seinasta ár. Samlaði vøxturin fram til mai 2022 var á umleið 1% í mun til 1,2% sama tíðarskeið undanfarna ár. Útlánini hjá Betri Banka er vaksin við umleið 3,8% fyrra hálvár 2022 í mun til 4,2% sama tíðarskeið undanfarna ár. Eisini er líkt til, at vøxturin í realkredittútlánunum er minni í 2022 samanborið við sama tíðarskeið í 2021.

Líkt er til, at samlaði vøxturin í útlánunum hjá føroysku peningastovnunum undir einum er minni enn vøxturin í BTÚ. Tá Betri Banki hevur haft ein lutfalsliga størri vøxtur enn peningastovnarnir undir einum, so hevur bankin ein vaksandi marknaðarlut.

first time in almost 4 years, deposits from businesses are also moving upwards.

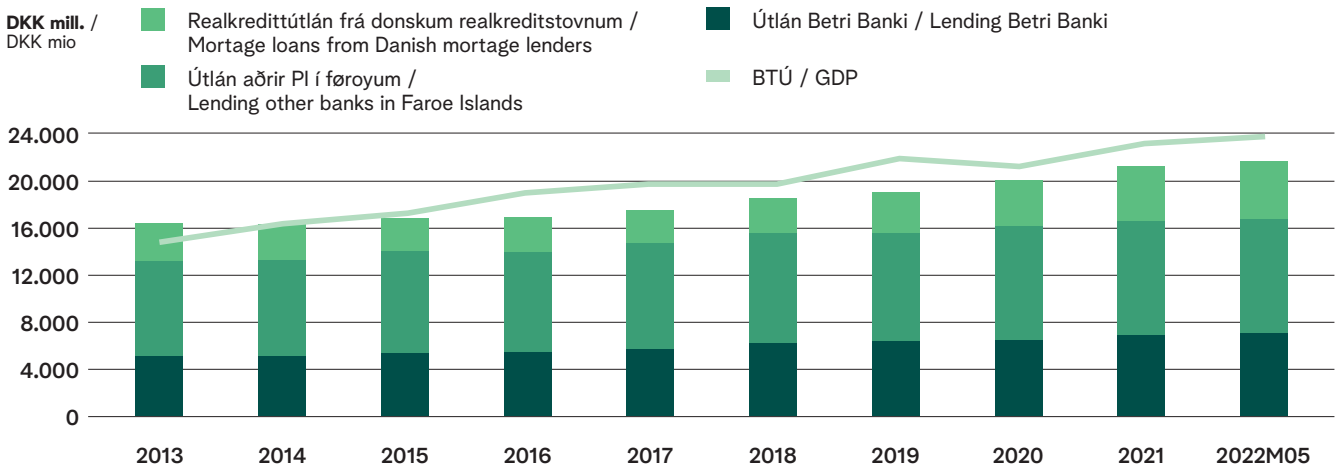
The economic sentiment indicator published by the Faroese Statistical Authority for June 2022 shows, that consumers believe that this is the right time to be saving.

Both consumers and businesses are of the opinion, that the economic outlook for the next 12 months will worsen and this does undoubtedly affect the pattern of savings. Secondly, there are expectations that the negative interest rates on deposits will decrease.

The growth in lending during the first half of 2022 has, for the Faroese banks, been slightly less than for the same period last year. Total growth up to and including May 2022 was around 1% compared to 1.2% for the same period last year. Lending at Betri Bank has increased by around 3.8% in the first half of 2022 compared to 4.2% in the same period last year. In addition, it also appears that the growth in mortgage lending will be smaller in 2022 compared to the same period in 2021.

It seems that the total growth in lending by the Faroese banks is less than the growth in GDP. When Betri Banki has had a relatively larger growth than all the banks combined, then the bank has had a growing market share.

Útlán í mun til BTÚ / Lending in relation to GDP



Kelda/Source: MFI, Hagstova Føroya

Eginogn

Av javnanum tann 30. juni 2022 á 10,6 mia. kr. er eginognin áljóðandi 2,0 mia. kr. og innlán áljóðandi 8,4 mia. kr.

Við hálvárið 2022 var solvensurin hjá bankanum 29,5% móti einum roknaðum solvenstørvi á 10,0%.

Equity

Equity accounts for DKK 2.0 billion, while deposits account for DKK 8.4 billion of the total balance sheet of DKK 10.6 billion as at 30 June 2022.

At 30 June 2022 the bank's solvency ratio was 29.5% compared to a calculated solvency requirement of 10.0%.

Gjaldføri

Í mun til kravið til lyklatalið LCR (Liquidity Coverage Ratio) á 100, sum er álagt bankanum at uppfylla, hevði bankin ultimo juni 2022 eitt LCR á 189,5%.

SIFI

Betri Banki var í 2015 útnevndur SIFI peningastovnur sum merkir, at Fíggjareftirlitið metir Betri Banka hava stóran týðning fyri samfelagið. Fíggjareftirlitið hevur í 2022 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 uppfyllast, og sum er ásett eftir hvørjum týðningi, teir hava.

Afturat hesum er Fíggjareftirlitið komið við ásetingum um skuld, sum kann nýtast í sambandi við møguliga rekapitalisering (NEP). Soleiðis fekk Betri Banki hin 6. desember 2021 ásett eitt NEP-krav á 31,7%, sum í seinasta lagi skal verða uppfyllt tann 1. juli 2025. Kravið verður sett í verk stigvíst, og 1. juli 2022 er kravið á 24,2%. NEP-kravið verður javnað eina ferð um árið.

Tá mett verður um NEP-kravið, sum í 2022 er á 24,2%, skal hetta siggjast saman við solvensinum hjá bankanum, sum við hálvárið 2022 er á 29,5%. Bankin lýkur soleiðis fult og heilt kravið.

Í mun til komandi kravið á 31,7%, sum verður galdandi frá 1. juli 2025, fer Betri Banki at megna at lúka krøvini, tí bankin er, mált eftir solvensi, ein av sterkastu peningastovnum í danska ríkinum.

Útlit fyri 2022

Løtummyndin av føroyska búskapinum er góð. Í juni mánaða í ár vóru 28.100 løntakarar í Føroyum, næstan 500 fleiri enn í juni 2021, og arbeiðsloysið er enn søguliga lágt. Í mai mánaða í ár var arbeiðsloysið skrásett til at vera 0,9% av arbeiðarafjöldini og hevur verið støðugt fallandi. Spurningurin er bert, hvussu hart prísvøksturinn, stagnationin í heimsbúskapinum og rentuhækkingarnar koma at raka búskaparvøksturinn í Føroyum komandi árið.

Búskaparráðið metti í vár, at búskaparvøksturinn í 2022 fór at verða 3,3%, men tá vóru atlit ikki tikin til kríggjið í Ukraina. Seinastu árin hevur vøksturinn í føroyska búskapinum í stóran mun verið hildin uppi av innlendskum eftirspurningi, men nú fíggjarliga rásarúmið hjá privata húsarhaldinum minkar og bjartskygnið annars hevur fingið eitt skot fyri bógvinn, so verður neyvan sama vakstrarískoyti frá innlendis eftirspurninginum.

Liquidity

Compared to the requirement to the key figure LCR (liquidity Coverage Ratio) of 100, which the bank is required to adhere to, Betri Banki had an LCR of 189.5% at the end of June 2022.

SIFI

In 2015 Betri Banki was appointed to be a SIFI bank, which means that the Financial Supervisory Board (FSA) has assessed Betri Banki to be a systemically important financial institution. In 2022, the FSA has 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.

Furthermore, the Danish Supervisory Authority has issued requirements for own funds and eligible liabilities (MREL/NEP). Thus, on 6 December 2021, the bank was notified, that the bank should meet a NEP requirement of 31.7% by 1 July 2025. The requirement will be phased in gradually and by 1 July 2022 the requirement is 24.2%. The NEP requirement is adjusted once a year.

When assessing the NEP requirement, which in 2022 is 24.2%, it should be seen in connection with the bank's solvency, which at mid-year 2022 was 29.5%. The bank therefore fully meets the requirement.

In relation to the future requirements of 31.7% which will be applicable by 1 July 2025, Betri Banki as one of the strongest banks in the Kingdom of Denmark measured by solvency, will be able to meet the requirements.

2022 outlook

The current snapshot of the Faroese economy is positive. In June this year, there were 28,100 employees in the Faroe Islands, which is almost 500 more than in June 2021 and unemployment is still historically low. In May this year, the unemployment rate was registered to be 0.9% of the labour force and has been steadily declining. The question is though, how hard inflation, interest rate hikes and stagnation in the world economy will hit economic growth in the Faroe Islands in the coming year.

The Faroese Economic Advisory Board estimated in the spring that economic growth in 2022 would be around 3.3%, but at that time no reservations had been made about the war in Ukraine. In the past year, the growth of the Faroese economy has largely been kept up by domestic demand. However, now that the financial leeway of the private households is diminishing and optimism has taken a hit, we will most likely not

Tí er sannlíkt, at búskaparvøksturinn í Føroyum komandi tíðina verður minni enn áður mett, og at vit í ein ávísan mun fara at uppliva somu búskaparligu stagnatiónum, sum í heiminum rundan um okkum.

Bankin væntar tó, at annað hálvár verður nakað betur enn fyrra hálvár. Høvuðsorsøkin er, at bankin metir, at remlingarnar á lánsbrævamarknaðinum ikki fara at ávirka á sama hátt annað hálvár sum fyrra hálvár. Harnæst metir bankin, at rentutilgáingarnar samlað fara at ávirka soleiðis, at netto-rentuinntøkurnar fara at vaksa annað hálvár 2022. Tað eru heldur ikki ábendingar um, at niðurskrivingar vera hægri enn mett er.

Leiðslan metti við árslok 2021, at ársúrslitið áðrenn skatt fyri 2022 fór at vísa eitt avlop millum 60–90 mió. kr.

Gongdin fyrra hálvár 2022, saman við útlitunum til annað hálvár merkir, at bankin heldur fast við upprunaligu metingina.

Eftirlitsdiamanturin

Eftirlitsdiamanturin (tilsynsdiamanten), har Fíggjareftirlitið ásetur mörk, hevur 5 ýti, sum mælt verður til at halda seg innanfyri.

Hesi ýti knýta seg at markvirðum viðvíkjandi størstu engagemmentum tilsamans, útlánsvøkstri, útlánum til fastognir, fíggjarlutfalli, og markvirði fyri gjaldføri yvir lógarinnar krav. Við hálvárið 2022 liggur Betri Banki innanfyri øll hesi 5 ýti.

see the same growth in domestic demand. It is therefore likely, that the economic growth in the Faroe Islands in the near future will be less than previously estimated, and that we will, to some extent, experience the same economic stagnation as in the rest of the world.

The bank expects however, the second half of the year to be somewhat better than the first half. The main reason for this, is that the bank does not expect that the changes in the bond market will affect the second half of the year in the same way as the first half. 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 2022. Also, there are not signs that we will have to book impairments on loans exceeding the expected.

At year-end 2021 the management expects a profit of DKK 60–90 million for the year 2022.

The development in the first half of 2022, together with the outlook for the second half of the year, means that the bank will stick to the original assessment.

The Supervisory Diamond

The Supervisory Diamond of the Danish Supervisory Authority consists of five key indicators with thresholds, which the banks should stay within.

The supervisory diamond stipulates threshold values regarding the sum of large exposures, lending growth, commercial property exposure, funding ratio and surplus liquidity in relation to statutory liquidity requirements, which banks should adhere to. As at mid-year 2022 Betri Banki is within all of these 5 threshold values.

| | Markvirði / Threshold value | Betri Banki |
|---|-----------------------------|-------------|
| Størstu engagement tilsamans / Sum of large exposures | < 175% | 124,3% |
| Útlánsvøkstur / Lending growth | < 20% | 3,85% |
| Útlán til fastognir / Real property exposure | < 25% | 5,78% |
| Fíggjarlutfall / Funding ratio | < 1,0 | 0,68 |
| Gjaldføriskrav eftirlitsdiamantur / Liquidity requirement – Supervisory Diamond | > 100% | 189,5% |

Kelda/Source: Betri Banki

Óvissa við innrokning og máting

Tann mest týðandi óvissan við innrokning og máting knýtir seg til útlánum og virðisáseting av ognum. 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.

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.

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 2021 varð almannakunngjørd.

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

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 2021 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 2022 | 1H 2021 |
|--|---|----------------|----------------|
| Rakstrarroknskapur / Income Statement | | | |
| 2 | Rentuinntøkur / Interest income | 130.897 | 130.741 |
| 3 | Rentuútreiðslur / Interest expenses | 3.504 | 1.761 |
| | Rentuinntøkur netto / Net interest income | 127.393 | 128.980 |
| | Vinningsbýti av partabrøvum v.m. / Dividends on shares, etc. | 1.418 | 1.242 |
| 4 | Ómaksgjöld og provisiósinntøkur / Fee and commission income | 33.954 | 33.613 |
| | Útreiðslur til ómaksgjöld og provisiónir / Fee and commission expenses | 3.432 | 4.544 |
| | Rentu- og ómaksgjöld netto / Net interest income and fee income | 159.333 | 159.292 |
| 5 | Virðisjavnan / Fair value adjustments | -41.768 | -2.762 |
| | Aðrar vanligar inntøkur / Other operating income | 793 | 1.003 |
| 6 | Útreiðslur til starvsfólk og umsiting / Staff costs and adm. expenses | 97.812 | 90.624 |
| | Av- og niðurskrivingar av ótøkiligum og ítøkiligum ognum / Depreciations and write down of intangible and tangible assets | 1.154 | 1.167 |
| | Aðrar rakstrarútreiðslur / Other operating expenses | 494 | 600 |
| 7 | Niðurskrivingar av útlánnum og aðrari ogn / Impairment of loans advances, receivables etc. | 3.422 | -8.119 |
| | Úrslit av kapitalþertum í assosieraðum og tilknýttum fyrirkomulögum / Income from associated and subsidiary undertakings | 5.287 | 8.082 |
| | Úrslit áðrenn skatt / Profit/loss (-) before tax | 20.764 | 81.343 |
| | Skattur / Tax | 3.733 | 14.642 |
| | Úrslit / Net profit/loss (-) for the period | 17.031 | 66.701 |

Figgjarstöða / Balance

| | | 1H 2022 | 2021 |
|----|--|-------------------|-------------------|
| | Ogn / Assets | | |
| | Kassapeningur og áögn uttan uppsögn hjá tjóðbankum / Cash in hand and demand deposits with central banks | 908.900 | 692.419 |
| 8 | Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks | 264.538 | 252.034 |
| 9 | Útlán og onnur ogn til amortiseraðan kostprís / Loans and other claims at amortised cost | 7.096.807 | 6.833.994 |
| | Lánsbrøv til dagsvirði / Bonds at fair value | 2.090.782 | 2.430.937 |
| | Partabrøv / Shares | 77.247 | 81.591 |
| | Kapitalpartar í assosieraðum fyrirkum / Holdings in associated undertakings | 25.510 | 21.621 |
| | Kapitalpartar í tilknýttum fyrirkum / Holdings in subsidiary undertakings | 10.808 | 10.664 |
| | Grundteki og bygningar í alt / Land and buildings | 113.376 | 114.166 |
| | - Ílögbygningar / Investment properties | 12.723 | 12.723 |
| | - Fyrisingar- og deildarbygningar / Domicile properties | 100.652 | 101.443 |
| | Onnur ítöklig ogn / Other tangible assets | 4.035 | 4.176 |
| | Verandi skattaögn / Current tax assets | 649 | 410 |
| | Ognir í fyribils varðveitslu / Assets in temporary possession | 133 | 267 |
| | Onnur ogn / Other assets | 19.832 | 18.787 |
| | Tíðarskeiðsavmarkingar / Prepayments | 13.108 | 13.108 |
| | Ogn tilsamans / Total assets | 10.625.724 | 10.474.175 |
| | Skuld / Liabilities | | |
| 10 | Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks | 19.511 | 2.663 |
| 11 | Innlán og onnur skuld / Deposits and other debt | 8.407.956 | 8.359.426 |
| | Verandi skattaskuld / Current tax liabilities | 29.134 | 25.401 |
| | Onnur skuld / Other liabilities | 167.493 | 106.380 |
| | Tíðarskeiðsavmarkingar / Prepayments | 291 | 411 |
| | Skuld tilsamans / Total liabilities | 8.624.386 | 8.494.281 |
| | Avsett til eftirløn / Provisions for pensions | 7.030 | 7.272 |
| | Útskotin skattaskuld / Deferred tax liabilities | 10 | 10 |
| 7 | Avsett til tap av ábyrgdum / Provisions for losses on collaterals | 21.101 | 16.829 |
| | Avsett til aðrar útreiðslur / Other provisions | 10.599 | 10.217 |
| | Avsetingar til skyldur / Provisions for liabilities and charges | 38.740 | 34.328 |
| | Eginögn / Equity | | |
| | Partapeningur / Share capital | 100.000 | 100.000 |
| | Flutt avlop / Retained profit | 1.862.597 | 1.845.566 |
| | Eginögn tilsamans / Total equity | 1.962.597 | 1.945.566 |
| | Skuld, skyldur og eginögn tilsamans / Total liabilities | 10.625.724 | 10.474.175 |
| 12 | Tøl, ið ekki eru tikið við í javna / Off-balance sheet items | | |
| | Ábyrgdir v.m. / Guarantees, etc. | 969.524 | 951.808 |
| | Tøl, ið ekki eru tikið við í javna, tilsamans / Total off-balance sheet items | 969.524 | 951.808 |

Uppgerð av broyting í eginogn / Statement of changes in equity

| DKK 1.000 | Partapeningur / Share Capital | Flutt avlop / Retained earnings | Tilsamans / Total |
|---------------------------------------|----------------------------------|------------------------------------|----------------------|
| Ársbyrjan / Beginning of year | 100.000 | 1.845.566 | 1.945.566 |
| Heildarinntøka / Comprehensive income | | 17.031 | 17.031 |
| 30. juni 2022 | 100.000 | 1.862.597 | 1.962.597 |
| Ársbyrjan / Beginning of year | 100.000 | 1.713.235 | 1.813.235 |
| Heildarinntøka / Comprehensive income | | 132.331 | 132.331 |
| 31. desember 2021 | 100.000 | 1.845.566 | 1.945.566 |

Partapeningurin hjá Betri Banka er býttur á partabøv 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 2022

2021

Solvensuppgærd / Statement of Solvency

| | | |
|--|------------------|------------------|
| Kjarnukapitalur aftaná frádráttir / Tier 1 Capital | 1.943.361 | 1.943.055 |
| Grundkapitalur / Capital Base | 1.943.361 | 1.943.055 |
| Vektað ogn uttan fyrri handilsognina, íroknað töl, ið ekki eru tikin við í javna / Weighted assets not included in trading portfolio including off balance-sheet items | 5.338.134 | 5.088.662 |
| Vektaðir postar við marknaðarváða / Weighted items with market risk | 670.839 | 672.483 |
| Rakstrarváði / Operational risk | 576.369 | 560.589 |
| Vektað ogn tilsamans / Total risk weighted assets | 6.585.342 | 6.321.735 |
| Solvensprosent eftir FIL § 124, stk. 2, nr. 1 / Solvency ratio purs. to FIL § 124, 2 no. 1 | 29,5% | 30,7% |
| Kjarnukapitalur aftaná frádrátt í prosent av vektaðari ogn / Core capital ratio | 29,5% | 30,7% |
| Kapítalkrav / Capital demand | | |
| Kjarnukapitalur áðrenn frádráttir / Core Capital before statutory deductions | 1.945.566 | 1.945.566 |
| Virðisjavnan orsakað av kravið um varsema virðismetan / Value adjustments due to the requirements for prudent valuation | 2.205 | 2.511 |
| Kjarnukapitalur aftaná frádráttir / Core capital less statutory deductions | 1.943.361 | 1.943.055 |

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 2021, 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 2021.

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 2021, 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 2021.

| Nota | DKK 1.000 | 1H 2022 | 1H 2021 |
|----------|--|----------------|----------------|
| 2 | Rentuinntøkur / Interest Income | | |
| | Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks | 76 | 1 |
| | Útlán og onnur áögn / Loans and other claims | 114.988 | 110.193 |
| | Lánsbrøv / Bonds | 3.818 | 9.257 |
| | Avleidd fígðjaramboð / Derivative financial instruments | -2.598 | -3.103 |
| | Herav: / Of which recognised as: | | |
| | Gjaldoyrasáttmálar / Currency contracts | 60 | -58 |
| | Rentusáttmálar / Interest contracts | -2.658 | -3.045 |
| | Innlán, negatívar rentur / Deposits negative interest | 12.086 | 14.394 |
| | Aðrar rentuinntøkur / Other interest income | 2.527 | 0 |
| | Rentuinntøkur tilsamans / Total interest income | 130.897 | 130.741 |
| 3 | Rentuútreiðslur / Interest expenses | | |
| | Lánistovnar og tjóðbankar / Credit institutions and central banks | 2.266 | 890 |
| | Innlán og onnur skuld / Deposits and other debt | 258 | 405 |
| | Negatívar rentur frá lánsbrøvum / Negative interests Bonds | 816 | 466 |
| | Aðrar rentuútreiðslur / Other interest expenses | 164 | 0 |
| | Rentuútreiðslur tilsamans / Total interest expenses | 3.504 | 1.761 |
| 4 | Ómaksgjöld og provísiósinntøkur / Fee and commission income | | |
| | Virðisbrævahandil og goymslur / Security and custody accounts | 2.390 | 3.667 |
| | Gjaldmiðling / Credit transfers | 9.987 | 9.624 |
| | Avgreiðslugjöld / Loan fees | 2.759 | 2.963 |
| | Garantíprovisión / Guarantee commissions | 2.855 | 2.791 |
| | Onnur ómaksgjöld og provísióinir / Other fees and commissions | 15.963 | 14.569 |
| | Ómaksgjöld og provísiósinntøkur tilsamans / Total fee and commission income | 33.954 | 33.613 |
| 5 | Virðisjavnan / Fair value adjustments | | |
| | Lánsbrøv / Bonds | -56.529 | -24.686 |
| | Partabrøv / Shares | -8.032 | 6.644 |
| | Íløgubygningar / Investment properties | 0 | 3.015 |
| | Gjaldoyra / Currencies | 3.930 | 3.461 |
| | Avleidd fígðjaramboð / Derivative financial instruments | 18.864 | 8.804 |
| | Virðisjavnan tilsamans / Total market value adjustments | -41.768 | -2.762 |

| Nota | DKK 1.000 | 1H 2022 | 1H 2021 |
|----------|---|---------------|---------------|
| 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)} | 1.050 | 1.050 |
| | Stjórn / CEO ^{1) 4) 5)} | 2.373 | 2.262 |
| | Tilsamans / Total | 3.423 | 3.312 |
| | Starvsfólkaútreiðslur / Staff costs | | |
| | Lønir / Salaries | 43.841 | 41.126 |
| | Eftirlønir / Pensions ³⁾ | 7.386 | 7.052 |
| | Útreiðslur til sosiala trygd / Social security costs | 8.977 | 8.577 |
| | Tilsamans / Total | 60.203 | 56.755 |
| | Aðrar umsitingarútreiðslur / Other administrative expenses | 34.185 | 30.557 |
| | Útreiðslur til starvsfólk og umsiting tilsamans / Staff costs and administrative expenses total | 97.812 | 90.624 |
| | Miðaltalið á ársverkum / Average number of employees, full time equivalent | 185 | 180 |

- 1) Forstjórinn og stjórnin kunnu av Betri Banka uppsigast við 12 mánaðar freist og kunnu sjálvir siga upp við 6 mánaðar freist. Fráfaringarsamsýningin, um stjórn 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 90 meðan tað fyri 2021 var á TDKK 88 / The Ececutive Board has a company car and the tax base for 2022 is TDKK 90, while for 2021 it was TDKK 88.

| Nota | DKK 1.000 | 1H 2022 | 1H 2021 | 2021 |
|------|---|----------------|----------------|----------------|
| 7 | Niðurskrivingar av útlánum og aðrari ogn / Impairment of loans advances, receivables etc. | | | |
| | Stöði 1 / Stage 1 | | | |
| | Niðurskrivingar primo / Impairments year begin | 107.292 | 6.941 | 96.818 |
| | Niðurskrivingar í árinum / Impairments during the year | 46.618 | 3.928 | 8.071 |
| | Niðurskrivingar í samb. við Korona / Impairments due to Corona | 8.009 | 0 | 14.898 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -43.128 | -3.383 | -12.496 |
| | Niðurskrivingar / Impairments end period | 118.791 | 7.486 | 107.292 |
| | Stöði 2 / Stage 2 | | | |
| | Niðurskrivingar primo / Impairments year begin | 22.556 | 111.242 | 21.364 |
| | Niðurskrivingar í árinum / Impairments during the year | 16.518 | 4.643 | 941 |
| | Niðurskrivingar í samb. við Korona / Impairments due to Corona | 1.616 | 12.755 | 1.708 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -17.083 | -10.399 | -1.457 |
| | Niðurskrivingar / Impairments end period | 23.607 | 118.240 | 22.556 |
| | Stöði 3 / Stage 3 | | | |
| | Niðurskrivingar primo / Impairments year begin | 63.409 | 157.511 | 157.511 |
| | Niðurskrivingar í árinum / Impairments during the year | 4.924 | 6.537 | 15.364 |
| | Niðurskrivingar í samb. við Korona / Impairments due to Corona | 132 | 0 | 0 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -15.116 | -12.159 | -34.668 |
| | Staðfest tap, áður niðurskrívað / Previous impairments now confirmed loss | -145 | -76 | -74.798 |
| | Niðurskrivingar / Impairments end period | 53.202 | 151.813 | 63.409 |
| | Niðurskrivingar á ogn hjá peningastovnum / Impairments due to credit institutions | | | |
| | Niðurskrivingar primo / Impairments year begin | 3.251 | 218 | 218 |
| | Niðurskrivingar og virðisbreytingar í árinum / Impairments and value adjustments during the year | 228 | 215 | 3.159 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -2.335 | -131 | -126 |
| | Niðurskrivingar á ogn hjá peningastovnum tilsamans / Impairments due to credit institutions end period | 1.144 | 303 | 3.251 |
| | Avseting til tap av ábyrgdum / Provisions for losses on collaterals | | | |
| | Stöði 1 / Stage 1 | | | |
| | Niðurskrivingar primo / Impairments year begin | 11.246 | 824 | 15.339 |
| | Niðurskrivingar í árinum / Impairments during the year | 3.823 | 252 | 283 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -179 | -647 | -4.375 |
| | Niðurskrivingar / Impairments end period | 14.890 | 430 | 11.246 |
| | Stöði 2 / Stage 2 | | | |
| | Niðurskrivingar primo / Impairments year begin | 282 | 14.581 | 66 |
| | Niðurskrivingar í árinum / Impairments during the year | 169 | 173 | 283 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -258 | -7.349 | -67 |
| | Niðurskrivingar / Impairments end period | 193 | 7.406 | 282 |
| | Stöði 3 / Stage 3 | | | |
| | Niðurskrivingar primo / Impairments year begin | 5.300 | 4.569 | 4.569 |
| | Niðurskrivingar í árinum / Impairments during the year | 2.133 | 1.084 | 1.213 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -1.415 | -216 | -481 |
| | Niðurskrivingar / Impairments end period | 6.018 | 5.437 | 5.300 |
| | Niðurskrivingar / Impairments end period | 217.846 | 291.114 | 213.338 |

| Nota | DKK 1.000 | 1H 2022 | 1H 2021 | 2021 |
|------|---|--------------|---------------|----------------|
| 7 | Niðurskrivingar av útlánum og aðrari ogn (Framh.) / Impairment of loans advances, receivables etc. (Cont.) | | | |
| | 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 | 68.287 | 15.324 | 27.535 |
| | Niðurskrivingar í samb. við Korona / Impairments due to Corona | 9.757 | 12.755 | 16.607 |
| | Afturförðar niðurskrivingar / Reversed individual impairments | -77.662 | -26.072 | -48.746 |
| | Virðisbreyting av yvirtiknum ognum / Value adjustment for acquired assets | 0 | 100 | 100 |
| | Renta av niðurskrivingum / Revenue from interests on impairments on loans | -549 | -3.049 | -5.565 |
| | Staðfest tap, har ekki er niðurskrivað frammanundan / Write offs without prior impairment | 8 | 4 | 55 |
| | Inngoldið á áður staðfest tap / Paid into previous depreciated claims | -691 | -479 | -1.579 |
| | Niðurskrivingar í rakstrarroknskapinum / Impairments included in the income statement | -850 | -1.416 | -11.593 |
| | Avsett móti tapi / Provisions for losses | | | |
| | Avsett og virðisbreytingar í árinum / Impairments and value adjustment during the year | 6.125 | 1.509 | 1.778 |
| | Afturförd avseting / Reversed provisions for losses | -1.853 | -8.212 | -4.924 |
| | Avsett í rakstrarroknskapinum / Provisions for losses included in the income statement | 4.272 | -6.703 | -3.145 |
| | Niðurskrivingar tilsamans í rakstrarroknskapinum / Total impairments in the income statement | 3.422 | -8.119 | -14.738 |

| Nota | DKK 1.000 | 1H 2022 | 2021 |
|----------|---|------------------|------------------|
| 8 | Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks | | |
| | Áögn í lánistovnum / Claims on credit institutions | 264.538 | 252.034 |
| | Áögn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks | 264.538 | 252.034 |
| | Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks | | |
| | Uttan uppsögn / Demand deposits | 255.008 | 220.196 |
| | Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years | 2.810 | 14.539 |
| | Yvir 5 ár / Over 5 years | 6.719 | 17.299 |
| | Áögn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks | 264.538 | 252.034 |
| | Sum trygd fyri rentuswappum standa kontant innistandandi á: / As collateral for interest rate swaps are deposited a total of: | 9.530 | 31.838 |
| 9 | Útlán og onnur áögn / Loans and other claims | | |
| | Útlán og onnur áögn til amortiseraðan kostprís / Loans and other claims at amortised cost | 7.096.807 | 6.833.994 |
| | Útlán og onnur áögn tilsamans / Total loans and other claims | 7.096.807 | 6.833.994 |
| | Útlán og onnur áögn / Loan and other claims | | |
| | Til og við 3 mánaðir / Up to 3 months | 163.980 | 219.977 |
| | Frá 3 mánaðum til og við 1 ár / Over 3 months and up to 1 year | 803.813 | 777.766 |
| | Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years | 2.407.849 | 2.278.142 |
| | Yvir 5 ár / Over 5 years | 3.721.166 | 3.558.109 |
| | Útlán og onnur áögn tilsamans / Total loans and other claims | 7.096.807 | 6.833.994 |

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

1H 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 | 0 | 141.370 | 198.968 | 340.339 |
| 2c - Veikir kundar / Weak customers | 633.827 | 309.736 | 0 | 943.563 |
| 2b - Miðal góðir kundar / Average customers | 3.413.824 | 394.693 | 0 | 3.808.517 |
| 2a+3 - Góðir og treytaleyst góðir kundar / Good and unconditionally good customers | 4.375.223 | 200.683 | 0 | 4.575.906 |
| Í alt / Total | 8.422.874 | 1.046.482 | 198.968 | 9.668.325 |

2021

| 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 | 653 | 122.731 | 103.236 | 226.620 |
| 2c - Veikir kundar / Weak customers | 634.098 | 263.422 | 55.976 | 953.496 |
| 2b - Miðal góðir kundar / Average customers | 3.259.917 | 426.341 | 24.254 | 3.710.512 |
| 2a+3 - Góðir og treytaleyst góðir kundar / Good and unconditionally good customers | 4.306.743 | 229.428 | 38.868 | 4.575.039 |
| Í alt / Total | 8.201.411 | 1.041.922 | 222.333 | 9.465.667 |

| Nota | DKK 1.000 | 1H 2022 | 2021 |
|-----------|--|------------------|------------------|
| 10 | Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks | | |
| | Skuld til lánistovnar / Debt to credit institutions | 19.511 | 2.663 |
| | Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks | 19.511 | 2.663 |
| | Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks | | |
| | Uttan uppsøgn / Demand deposits | 19.511 | 2.663 |
| | Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks | 19.511 | 2.663 |
| 11 | Innlán og onnur skuld / Deposits and other debt | | |
| | Innlán uttan uppsøgn / Deposits on demand | 6.918.720 | 6.863.818 |
| | Innlán við uppsøgn / Deposits at notice | 880.783 | 908.550 |
| | Tíðarinnskot / Time deposits | 1.851 | 1.789 |
| | Serligir innlánshættir / Special categories of deposits | 606.602 | 585.269 |
| | Innlán og onnur skuld tilsamans / Total deposits and other debt | 8.407.956 | 8.359.426 |
| | Innlán og onnur skuld / Deposits and other debt | | |
| | Uttan uppsøgn / On demand | 6.918.720 | 6.863.818 |
| | Til og við 3 mánaðir / Up to 3 months | 1.041.786 | 1.050.113 |
| | Frá 3 mánaðum til og við 1 ár / Over 3 months and up to 1 year | 60.767 | 71.715 |
| | Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years | 59.737 | 60.296 |
| | Yvir 5 ár / Over 5 years | 326.946 | 313.484 |
| | Innlán og onnur skuld tilsamans / Total deposits and other debt | 8.407.956 | 8.359.426 |
| 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 | 316.392 | 236.433 |
| | Ábyrgdir fyri realkredittlánnum / Loss guarantees for mortgage loans | 548.131 | 601.603 |
| | Aðrar ábyrgdir / Other contingent liabilities | 105.000 | 113.772 |
| | Ábyrgdir v.m. tilsamans / Total guarantees and other contingent liabilities | 969.524 | 951.808 |
| | Tøl, ið ikki eru tikin við í javna tilsamans / Total off-balance sheet items | 969.524 | 951.808 |

Lyklatöl / Key Ratios ¹⁾

| | | 1H 2022 | 1H 2021 |
|---|-----|---------|---------|
| Solvensur og kapitalur / Solvency and capital ratios | | | |
| Solvensprosent / Solvency ratio | | 29,5% | 28,8% |
| Kjarnukapitalprosent / Core capital ratio | | 29,5% | 28,8% |
| Vinningur / Earning ratios | | | |
| Renting av eiginogn áðrenn skatt (umroknað til heilár) / Return on equity before tax (annualised) | ROE | 2,1% | 8,8% |
| Renting av eiginogn aftaná skatt (umroknað til heilár) / Return on equity after tax (annualised) | ROE | 1,7% | 7,2% |
| Inntøka pr. útreiðslukrónu / Income/cost ratio | | 1,20 | 1,97 |
| Ognaravkast (umroknað til heilár) / Return on assets (annualised) | ROA | 0,3% | 1,3% |
| Marknaðarváði / Market risk ratios | | | |
| Rentuváði / Interest rate risk | | 1,3% | 1,8% |
| Gjaldoyrastøða / Foreign exchange position | | 4,2% | 4,0% |
| Gjaldoyraváði / Foreign exchange risk | | 0,1% | 0,1% |
| Gjaldfæri / Liquidity ratios | | | |
| Útlán og niðurskrivingar í mun til innlán / Loans, advances and impairments in proportion to deposits | | 87,0% | 84,3% |
| Yvirdekningur í mun til lógarkrav um gjaldfæri / Excess liquidity cover relative to statutory requirement | | 189,5% | 205,4% |
| Lánsváði / Credit risk ratios | | | |
| Stór engagement í mun til grundkapital / Large loans as percentage of capital base 2) | | 124,3% | 123,1% |
| Tap og niðurskrivingar í tíðarskeiðinum í prosentum / Write-offs and impairments during the period | | 0,0% | -0,3% |
| Útlán í mun til eginognina / Total loans in proportion to equity | | 3,6 | 3,6 |
| Útlánsvøkstur / Increase of loans | | 3,8% | 4,2% |

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 lyklatölina / 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

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

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

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

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

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

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

$$\text{Yvirdekningur í mun til lógarkrav um gjaldføri}^{1)} = \frac{(\text{Tøk ogn} - \text{Skuld styttri enn 1 mánaða samb. FIL § 152 (nr.2)}) \times 100}{\text{Skuld styttri enn 1 mánaða}}$$

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

$$\text{Total Capital ratio}^{1)} = \frac{\text{Own funds} \times 100}{\text{Total risk weighted assets}}$$

$$\text{T1 capital ratio}^{1)} = \frac{\text{Core capital less statutory deductions} \times 100}{\text{Total risk weighted assets}}$$

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

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

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

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

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) Gjört í samsvari 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 aftaná 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 aftaná 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% eftir 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 2022.

Roknskapurin og leiðslufrágreiðingin er sett upp samsvarandi Lóg um fíggarstovnar v.m., kunngerð og leiðreglum frá Fíggar-
eftirlitinum viðvíkjandi frásøgn fyri peningastovnar v.m.

Hálvársfrásøgnin er ikki grannskoðað ella gjøgnumgingin av grannskoðara.

Tað er okkara fatan, at roknskapurin gevur eina rættvísandi mynd av felagsins ognum, skyldum og fíggarstöðu 30. juni 2022 og úrslitinum av virkseminum í tíðarskeiðinum 1. januar - 30. juni 2022.

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 2022.

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 2022 and of the results of the company's operations for the period 1 January – 30 June 2022.

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, 26. august 2022

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

Kristian Østergaard

Margareth D. Djurhuus

Ann Gvøðny Dáníalsdóttir

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 Fríða Johannesen

Marion á Lakjuni

Kristian Østergaard

Margareth D. Djurhuus

Ann Gvøðny Dáníalsdóttir

