



betri

Betri Banki P/F

# Hálvårsfrásögn 2020

Interim Report 1H 2020



# Innihaldsyvirlit

Table of contents

<b>5 ára yvirlit</b> Five year Summary	4
<b>Leiðslufrágreiðing</b> Management Review	5
<b>Rakstrarroknskapur</b> Income Statement	12
<b>Fíggjarstöða</b> Balance Sheet	13
<b>Uppgerð av broyting í eginogn</b> Statement of Changes in Equity	14
<b>Solvensuppperð</b> Statement of Solvency	15
<b>Notur</b> Notes	16
<b>Leiðsluátekning</b> Statement by the Management	26

## 5 ára yvirlit / Five year Summary

DKK mió. / DKK Million	1H 2020	1H 2019	2019	1H 2018	1H 2017	1H 2016
<b>Rakstur / Income Statement</b>						
Rentuinntøkur netto / Net interest income	117	113	228	107	107	109
Ómaksgjöld netto / Net fee income	27	24	55	25	26	25
Virðisjavnun / Fair value adjustments	-16	17	20	6	21	8
Aðrar vanligar inntøkur / Other operating income	1	2	3	2	2	2
Útreiðslur til starvsfólk og umsitun / Staff costs and adm. expenses	-96	-92	-186	-96	-92	-82
Aðrar útreiðslur / Other expenses	-4	-2	-5	0	-2	-2
Niðurskrivingar av útlánum og aðrari ogn / Impairment of loans advances, receivables etc.	-20	7	10	39	38	-11
Úrslit av kapitalþertum og upphaldandi virksemi / Income from associated and subsidiary undertakings and on discontinuing activities	0	0	1	2	7	-3
<b>Úrslit áðrenn skatt / Profit/loss (-) before tax</b>	<b>9</b>	<b>70</b>	<b>125</b>	<b>84</b>	<b>107</b>	<b>45</b>
Skattur / Tax	-2	-13	-22	-15	-19	-8
<b>Úrslit / Net profit/loss (-) for the year</b>	<b>7</b>	<b>57</b>	<b>103</b>	<b>69</b>	<b>88</b>	<b>37</b>
<b>Fíggjarstöða / Balance Sheet</b>						
<b>Ogn / Assets</b>						
Kassapeningur og áögn í lánistovnum og tjóðbankum / Cash in hand, claims on central banks and credit institutions	504	532	492	348	593	605
Útlán og onnur ogn / Loans and other advances	6.311	6.300	6.297	5.950	5.528	5.221
Onnur ogn / Other assets	3.001	2.875	2.599	3.615	3.222	2.924
<b>Ogn tilsamans / Total assets</b>	<b>9.817</b>	<b>9.708</b>	<b>9.387</b>	<b>9.913</b>	<b>9.343</b>	<b>8.750</b>
<b>Skuld / Liabilities</b>						
Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks	11	23	27	79	22	32
Innlán og onnur skuld / Deposits and other liabilities	7.814	7.738	7.414	7.956	7.567	7.142
Onnur skuld / Other liabilities	262	252	223	268	224	240
Eginpeningur / Equity	1.730	1.694	1.723	1.610	1.529	1.336
<b>Skuld tilsamans / Total liabilities</b>	<b>9.817</b>	<b>9.708</b>	<b>9.387</b>	<b>9.913</b>	<b>9.343</b>	<b>8.750</b>
<b>Solvensur og kapitalur / Solvency and capital ratios</b>						
Solvensprosent / Solvency ratio	27,8%	25,9%	26,9%	24,7%	24,3%	22,3%
Kjarnukapitalprosent / Core capital ratio	27,8%	25,9%	26,9%	24,7%	24,3%	22,3%
<b>Vinningur / Earning ratios</b>						
Renting av eginögn áðrenn skatt / Return on equity before tax	1,0%	8,4%	7,5%	10,7%	14,3%	6,8%
Renting av eginögn aftaná skatt / Return on equity after tax	0,8%	6,9%	6,2%	8,7%	11,7%	5,5%
Inntøka pr. útreiðslukrónu / Income/cost ratio	1,07	1,80	1,69	2,49	2,90	1,50
Ognaravkast / Return on assets	0,1%	1,2%	1,1%	1,4%	1,9%	0,8%
<b>Marknaðarváði / Market risk ratios</b>						
Rentuváði / Interest rate risk	2,1%	1,7%	2,1%	1,6%	1,9%	2,2%
Gjaldoyrastöða / Foreign exchange position	2,3%	4,1%	2,5%	3,9%	12,1%	13,6%
Gjaldoyraváði / Foreign exchange risk	0,1%	0,1%	0,0%	0,1%	0,2%	0,2%
<b>Gjaldfæri / Liquidity ratios</b>						
Útlán og niðurskrivingar í mun til innlán / Loans, advances and impairments in proportion to deposits	84,8%	85,2%	88,8%	78,6%	77,7%	78,3%
Yvirdekingur í mun til lógarkrav um gjaldfæri / Excess liquidity cover relative to statutory requirement	216,2%	212,7%	193,1%	241,7%	254,7%	253,1%
Gjaldfæri eftir LCR / Liquidity Cover Ratio (LCR)	190,8%	181,5%	181,5%	136,2%	161,0%	142,7%
<b>Lánsváði / Credit risk ratios</b>						
Stór engagement í mun til grundkapital / Large loans as percentage of capital base <sup>1)</sup>	122,7%	125,3%	124,3%	136,2%	44,0%	57,7%
Tap og niðurskrivingar í tíðarskeiðinum í prosentum / Write-offs and impairments during the period	0,3%	-0,1%	-0,1%	-0,5%	-0,6%	0,2%
Útlán í mun til eginögnina / Total loans in proportion to equity	3,6	3,7	3,7	3,7	3,6	3,9
Útlánsvækstur / Increase of loans	0,2%	2,2%	2,5%	6,7%	4,6%	1,1%

<sup>1)</sup> Í 2018 eru markvirðini og útrokningarmátin fyrri Eftirlitsdiamantin broytt. Samanberingartöluni eru ekki 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.

# Leiðslufrágreiðing

## Management Review

### Í stuttum / Highlights

- Úrslitið farna hálvár vísir eitt avlop á 7,3 mió. kr. / The result for the first half is a profit of DKK 7.3 million
- Úrslitið áðrenn skatt er 8,9 mió. kr. / Result before tax is DKK 8.9 million
- Útlán bankans eru 6.311 mió. kr. / The Bank's lending book amounts to DKK 6,311 million
- Innlán bankans eru 7.814 mió. kr. / Deposits amount to DKK 7,814 million
- Niðurskrivingar av útlánum og yvirtiknum ognum á 19,7 mió. kr. / Impairments on loans and assets in temporary possession amount to DKK 19.7 million.
- Yvirdekningur í mun til lógarkravda gjaldfærið á 216,2% / The liquidity excess cover relative to statutory minimum requirement is 216.2 per cent
- Solvensurin við hálvárið er 27,8% / Solvency ratio is 27.8 per cent
- Roknaður solvenstørvur á 10,4% / Calculated solvency requirement is 10.4 per cent
- Framhaldandi útlit fyri positivan rakstur fyri 2020 / Positive outlook for the year 2020 maintained

### Høvuðsvirksemi

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

### Main activity

The bank's main activity is to be a full-service bank for the people of the Faroe Islands, which includes offering financial services on 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

Bjartskynið var stórt, tá vit í januar mánað byrjaðu upp á 2020. Føroyski búskapurin hevði tá verið í einum hákonjunkturi í 6-7 ár. Arbeiði var til allar hendur, og Búskaparráðið væntaði, at góða gongdin fór at halda fram í ár. Útlitini vóru eisini rímiliga góð fyri heimsbúskapin sum heild. Lítið var tá gáðað um teir vandar, sum lúrdu í havsbrúnni.

### Development of the Faroese Economy

There was a great deal of optimism when we in January embarked on 2020. The Faroese economy had then been in a boom for 6-7 years. There was work for all hands and the Faroese Economic Advisory Board expected a continuation of the good development in 2020. The outlook was also generally reasonably good for the world economy. Very little attention was paid to the threats lurking.

Í januar mánað byrjaði at hoyrast um eina nýggja virus, sum var í umfari í Kína. Leingi var hildið, at hetta bert var nakað, ið rakti fólk í Kína og kinesiska búskapin. Kinverjar tóktust at hava tamarhald á støðuni. Talið av smittaðum var eitt skifti fallandi. Men eftir stutta tíð stóð alt í ljósum loga. Smittan nørðist við risafetum og spjaddist til restina av heiminum. Vit høvdu fingið eina alheims heilsukreppu. Føroyar blivu eisini raktar. Føroyar vóru endaðar í eini undantaksstøðu eins og restin av heiminum, og tey búskaparligu útlitini vóru nú eisini eini heilt onnur.

In January, people started hearing about a new virus that was circulating in China. For a long time, it was thought that this was just something that affected people in China and the Chinese economy. It seemed that China was in control of the situation. The number of infected people was declining for a period of time. But after a short time, the whole world was on fire. The infection developed by leaps and bounds and spread to the rest of the world. We had got a worldwide health crisis. The Faroe Islands were also affected. The Faroe Islands, like the rest of the world, ended up in a state of emergency and the economic outlook was now quite different.

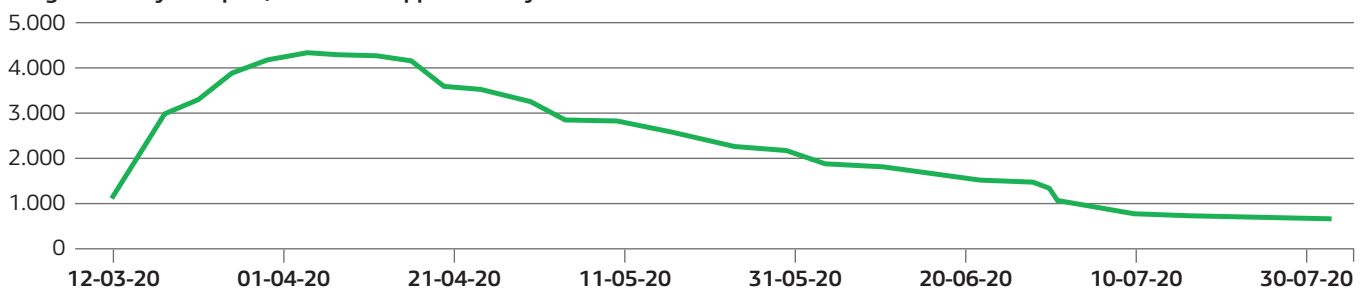
Eins og í flest øðrum londum, blivu eisini hjálparpakkar settir í verk í Føroyum. Endamálið var at veita bráðfeingishjálptil raktar borgarar og fyrirtøkur. Ein lønarískoyttisskipan var sett í verk fyri borgarar, sum vórðu sendir heim, tó uttan at blíva uppsøgd, og ein skipan við fígggjar- og gjaldførishjálptil raktar fyrirtøkur var fingin í lag. Fígggjarmálaráðið metti í apríl mánað, at búskaparliga afturgongdin í 2020 kann gerast eitt stað millum 3 – 10% og at landskassin lættliga kann fáa eitt hall á 800 mió. kr. og upp til 1,5 mia. kr. í 2020.

Nú farið er um hálvårskiftið kann staðfestast, at føroyski búskapurin – í øllum førum fyribils - er sloppin lutfalsliga væl, hóast sviðin merkist í ávísnum vinnugreinum. Frá 8. mai og heilt til 17. juli var eingin smitta í landinum og longu tíðliga í apríl var so smátt byrjað at lata upp aftur. Løntakaratalið var um hálvårskiftið 26.515, svarandi til 100 fólk færri, samborið við sama tíðarskeið í fjør. Hinvegin er gott 1.200 fleiri løntakarar við hálvårskiftið samanborið við endan av apríl mánaða, tá vit vóru mitt í brennidepilinum á koronakreppuni í Føroyum. Skrásetingin hjá Arbeidsloysisskipanin av teimum, sum móttaka lønarískoyti, vísir, at alsamt færri fáa lønarkoyti. Í apríl mánað blivu 4.320 borgarar skrásettir í skipanini. Hetta tal er nú fallið til umleið 700 borgarar. Støðan á arbeidsmarknaðinum er tí munandi batnað. Samanlagt blivu 843 mió. kr. útgoldnar í lønum í fyrra hálvári, sum svarar til ein vøkstur á 2,5%, samanborið við sama tíðarskeið í fjør. Hesin vøkstur er ikki eins høgur sum undanfarin ár, men tó framvegis positivur.

In the same way as in other countries, aid packages were also launched in the Faroe Islands. The purpose was to provide temporary assistance to citizens and businesses affected. A wage compensation scheme had been implemented for citizens who had been sent home without being discharged, and a scheme with financial and liquidity assistance to affected companies had also been implemented. In April, the Ministry of Finance estimated that the economic downturn in 2020 could be around 3-10% and that the National Treasury could very well have a deficit of DKK 800 million up to DKK 1.5 billion in 2020.

Now that we have passed six months, we can see that the Faroese economy - at least for the time being - has recovered relatively well, despite the pain being felt in some industries. From 8 May until 17 July, no infection was found in the Faroe Islands and already in early April, they gradually began to open up again. The number of employees was around 26,515 in the first half of the year, corresponding to about 100 fewer people compared to the same period last year. On the other hand, there are approximately 1,200 more employees at the end of June compared to the end of April, when we were in the middle of the pandemic's focus. The registrations with the unemployment benefit fund of persons who receive wage compensation show that fewer and fewer receive this supplement. In April, 4,320 people were registered in the wage compensation scheme. This number has now dropped to about 700 people. The situation on the labour market has thus significantly improved. A total of DKK 843 million was paid out in salaries in the first half of the year, corresponding to a growth of 2.5% compared with the same period last year. This growth is not as large as in previous years, but still positive.

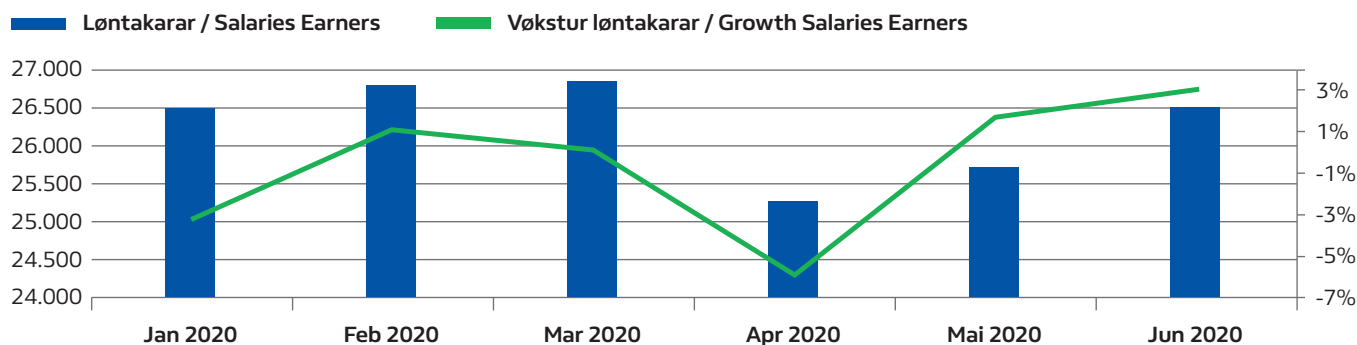
#### Borgarar í ískoyttisskipan / Citizen in supplementary scheme



Kelda / Source: Arbeidsloysisskipanin

Mangt bendir tí á, at koronaávirkanin á føroyska búskapin ikki er eins álvarsom sum væntað fyri eini tíð síðan. Nakrar vinnur eru tó sjálvsagt meinari raktar enn aðrar. Ferðavinnan og virkseimið, ið er tengt at ferðavinnuni, er meinast rakt. Landið bleiv afturlatið, og gistingarhús og matstovur stóðu gapandi tómt. Fyri hesa vinnu var týðningarmikið, at landið sum skjótast bleiv latið upp aftur. Nú ein tíð er fráliðin kann staðfestast, at støðan er batnað munandi. Í apríl mánað vórðu skrásettir 298 løntakarar í vinnuni "Gistihús og matstovuvirki", meðan hetta tal ultimo juni er tvífaldað. Løntakaratalið í hesi vinnu er tó framvegis væl lægri samanborið við seinasta summer.

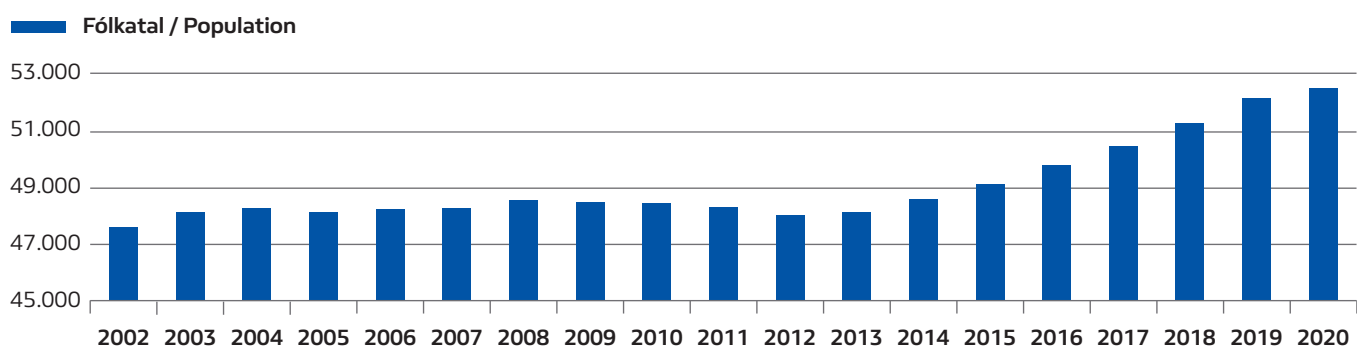
There are indications that the corona impact on the Faroese economy is not as severe as it was expected some time ago. Of course, some industries are hit harder than others. The tourism industry and industry associated with the tourism industry are hardest hit. The country was closed and hotels and restaurants were completely empty. For this industry, it was crucial that the country was reopened as soon as possible. Now that a time has passed, it can be stated that the situation has improved significantly. In April, 298 employees were registered in the group "hotels and restaurants industry", while this at the end of June has doubled. However, the number of employees in this industry is still significantly lower compared to last summer.



Kelda / Source: Hagstova Føroya

Fólkatalið økist enn, men tað tykist sum um ein lítil stígur er komin í vøksturin, tí fólkatalið fyrstu 5 mánaðirnar í 2020 vaks ikki heilt so nógv sum fyrstu fimm mánaðirnar í 2019. 1. juni 2020 vóru skrásett 52.562 fólk og er hetta 413 fleiri enn við endan av 2019.

The population of the Faroe Islands is still increasing. However, it seems as if there has been a slight stagnation in growth so that the population growth in the first 5 months of 2020 has not increased as much as the first 5 months of 2019. As of 1 June 2020, 52.562 people were registered in the Faroe Islands being 413 more than at the end of 2019.



Kelda / Source: Hagstova Føroya

## Roknskaparfrásøgn

### Rakstur

Úrslitið hjá bankanum fyrsta hálvår 2020 vísir eitt avlop á 7,3 mió. kr. aftaná skatt.

Úrslitið áðrenn skatt vísir eitt avlop á 8,9 mió. kr.

Úrslitið er eitt vet verri enn bankin metti við árslok 2019. Høvuðsorsøkin til hetta er koronafarsóttin, sum herjar í øllum heiminum. Fyri bankan hevur ein avleiðing av hesi farsótt verið, at bankin hevur sett pening av til at standa ímóti møguligari neiligari ávirkan, sum virkir og fólk í Føroyum kunnu hava av hesi farsótt. Sostatt hevur bankin netto framt niðurskrivingar á tilsamans 19,7 mió. kr. fyrra hálvår 2020. Í hesum tali eru bæði mettar niðurskrivingar orsakað av korona og aðrar broytingar fyrra hálvår.

Koronafarsóttin ávirkaði eisini figgjarmarknaðin og harvið virðisjavnanina hjá bankanum neiliga og hevur bankin fyrra hálvår 2020 havt eitt kurstap á 15,9 mió. kr.

## Financial Review

### Profit and loss account

The Bank's result for the first half of 2020 is a profit of DKK 7.3 million after tax.

The result before taxes shows a profit of DKK 8.9 million.

The result is less positive than expected by the bank at year-end 2019. The main reason for this is the corona pandemic which is attacking all over the world. For the bank, a consequence of this pandemic has been that the bank has set aside an amount to withstand the possible negative impact that companies and people in the Faroe Islands may be affected by. Thus, the bank has made net impairments on loans totalling DKK 19.7 million. in the first half of 2020. This figure includes both expected impairments related to the corona and other changes in the first half of 2020.

The Corona pandemic also affected the financial markets and thus the bank's fair value adjustments negatively, so that the bank had a price loss of DKK 15.9 million in the first half of 2020.

Betri Banki metti í ársfrásögninni fyrir 2019, at avlopið áðrenn skatt fyrir 2020 fór at liggja millum 40-60 mió. kr. Gongdin fyrra hálfvör 2020 hefur, sum áður nevnt, verið eitt vet verri enn mett upprunaliga, men hinvegin eru eisini tekin um, at seinna hálfvör fer at hlnast líka væl ella eitt vet betur enn áður mett. Tí hefur bankin mett úrslitið fyrir 2020 at liggja millum 30-50 mió. kr. áðrenn skatt.

Rentuinntökurnar hjá bankanum eru óktar í mun til sama tíðarskeið í fjör og er ein orsök, at útlánini ókjast. Eisini hava ávísar tillagingar av rentunum bött um lönsemið hjá bankanum.

Ómaksgjöldini netto vóru áleið á sama stöði sum undanfarið ár og hava hesi verið stöðug, tó við ráki, sum er eitt vet hægri enn seinastu árin.

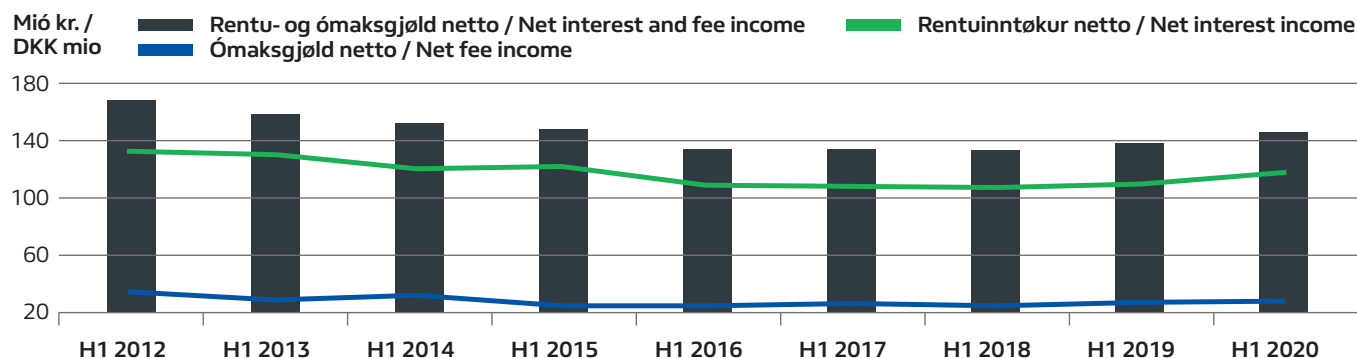
Samanlagt merkir hetta, at netto rentu- og ómaksgjöldini vóru nakað störrí fyrra hálfvör 2020 enn undanfarið ár.

At year-end 2019, Betri Banki predicted a profit before tax of DKK 40-60 million for the year 2020. The development in the first half of 2020 has, as mentioned before, been less positive than originally estimated, but on the other hand, there are also signs, that the second half will be just as good or slightly better than previously estimated, and therefore the bank estimates that the profit before tax for 2020 will be between 30-50 million.

The bank's interest income has increased slightly compared with the same period last year, and one reason for this is that the bank's lending has increased. The bank has also made some adjustments to interest rates that have improved profitability.

The fee income net was approximately at the same level as last year and these have been steady in recent years, however, with a positive trend.

All in all, this means that net interest and fee income were somewhat higher in the first half of 2020 than last year.



Kelda: Betri Banki / Source: Betri Banki

Bankin hevði fyrra hálfvör 2020 eitt kurstap á 15,9 mió. kr. og er hetta ein munur á 33,3 mió. kr í mun til sama tíðarskeið í fjör, har bankin hevði ein kursvinning á 17,4 mió. kr. Orsøkin er, sum nevnt, at koronafarsóttin hevur havt ávirkan á virðisbrævamarknaðirnar, men líkt er til, at ávirkanin er minkað munandi seinastu mánaðirnar.

Útreiðslurnar til starvsfólk og umsiting eru hækkaðar við umleið 3,7 mió. kr. fyrra hálfvör 2020 í mun til fyrra hálfvör 2019. Bankin hevur framt nakrar tillagingar fyrra hálfvör, og nýtt nakað av peningi til at uppstíga bygningar. Um lagt verður upp fyri hesum, er kostnaðurin áleið á sama stöði sum fyrra hálfvör 2019.

Avskrivningarnar eru í tráð við væntanirnar.

### Javnin

Við hálfvrið 2020 javnvigaði fíggarstöðan hjá bankanum við 9,8 mia. kr. samanborið við 9,4 mia. kr. tann 31. desember 2019 og 9,7 mia. kr. tann 30. juni 2019.

Vøksturin síðan ársbyrjan kann sum heild fœrast aftur á vøkstur í virðisbrøvum og innlánnum.

In the first half of 2020, the bank had a capital loss of DKK 15.9 million. and this is a difference of DKK 33.3 million compared to the same period last year, when the bank had a capital gain of DKK 17.4 million. As mentioned above, the reason is the impact the corona pandemic has had on the securities markets, but it appears that this impact has been significantly reduced in recent months.

Staff and administration costs have increased by around DKK 3.7 million the first half of 2020 compared to the first half of 2019. The bank has made some adjustments in the first half of the year, just as the bank has also held some funds to upgrade buildings. If this is taken into account, the costs are roughly on a par with the first half of 2019.

Depreciation is in line with the expected.

### Balance

The balance amounted to DKK 9.8 billion in the first half of 2020 compared to DKK 9.4 billion on 31 December 2019, and DKK 9.7 billion on 30 June 2019.

The growth can largely be attributed to increase in securities and deposit.

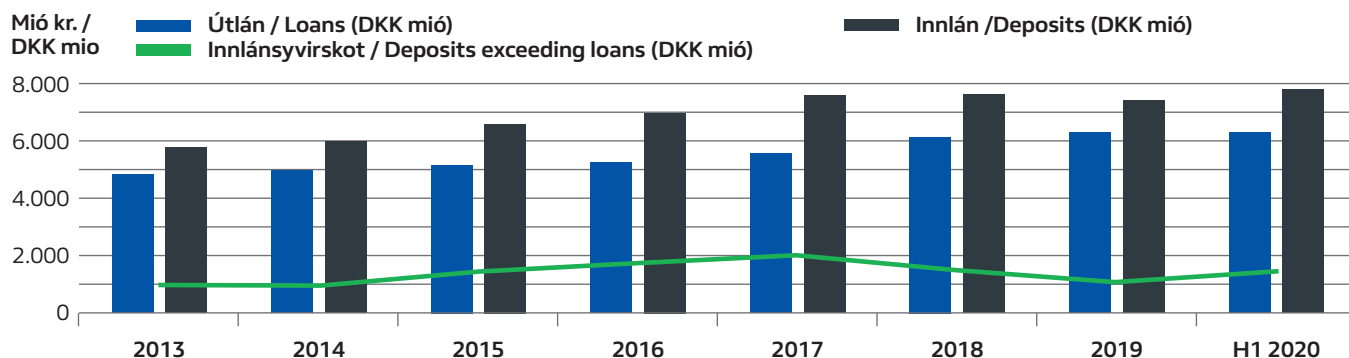


Útlán bankans, sum við ársenda 2019 vóru 6,3 mia. kr., eru fyrra hálvár 2020 óbroytt.

Innlán bankans økjast framhaldandi og eru tann 30. juni 2020 á leið 400 mió. kr. hægri enn við árslok 2019.

The bank's lending book, which amounted to DKK 6.3 billion by the end of 2019, has increased by approx. DKK 15 million to DKK 6.3 billion in the first half year of 2020.

Deposits continue to increase. At 30 June 2020 they were approx. DKK 400 million higher than at year-end 2019.



Kelda: Betri Banki / Source: Betri Banki

Innlánsyvirskotið, sum áhaldandi vaks fram til 2017 til umleið 2 mia. kr., minkaði aftur fram til 2019 fyri so at vaksa aftur. Við hálvárið 2020 var innlánsyvirskotið áljóðandi 1,5 mia. kr.

Orsøkirnar til, at innlánsyvirskotið minkaði frá 2017 og fram til 2019, eru í høvuðsheitum tvinnar. Tann eina var, at útlánini vuku meira enn innlánini, og hin er, at íleggjarar í størri mun settu reiðan pening í virðisbrøv.

Væksturin í útlánum fyrra hálvár 2020 hevur verið minni enn fyrra hálvár 2019, og hetta er ein av orsøkunum til, at innlánsyvirskotið sýnist at hava javnað seg.

Ein onnur orsök kann eisini vera ávirkanin av koronafarsóttini, sum merkti, at umstøðurnar á virðisbrævamarknaðinum eitt tíðarskeið vóru sera óstøðugar, og at íleggjarar heldur hava valt tryggja loysnina at seta peningin í bankan.

## Eginogn

Av javnanum tann 30. juni 2020 á 9,8 mia. kr. er eginognin áljóðandi 1,7 mia. kr. og innlán áljóðandi 7,8 mia. kr.

Við hálvárið 2020 var solvensurin hjá bankanum 27,8% móti einum roknaðum solvenstærvi á 10,4%.

## Gjaldføri

Betri Banki hevði við hálvárið 2020 ein yvirdekning í mun til lógarkravda gjaldførið á 216,2%.

## SIFI

Betri Banki var í 2015 útnevndur SIFI peningastovnur sum merkir, at Fígghjareftirlitið metir Betri Banka hava stóran

The deposit surplus, which grew steadily up to 2017 to approximately DKK 2 billion., decreased again until 2019, when it has grown again. At the half-year 2020, the deposit surplus amounted to DKK 1.5 billion. kr.

The main reasons why the deposit surplus decreased in the period from 2017 to 2019 can be divided into two. One is that lending increased more than deposits and the other is that investors to a greater extent repositioned cash deposits to securities.

The growth in lending during the first half of 2020 has been less than for the first half of 2019 and this is one of the reasons why the deposit surplus appears to be stabilized.

Another reason may also have been the impact of the corona pandemic which meant that the conditions in the securities market for a period of time were very turbulent and that investors have therefore chosen the safe solution which is to place the money in the bank.

## Equity

Equity accounts for DKK 1.7 billion, while deposits account for DKK 7.8 billion of the total balance of DKK 9.8 billion at 30 June 2020.

At 30 June 2020, the bank's solvency ratio was 27.8 per cent against a calculated solvency requirement of 10.4 per cent.

## Liquidity

The bank's liquidity at 30 June 2020 was 216.2 per cent in excess cover relative to the statutory minimum requirement.

## SIFI

In 2015 Betri Banki was appointed to be a SIFI bank, which means that the Financial Supervisory Board (FSA) has as-

týðning fyri samfelagið. Fíggjareftirlitið hevur í 2020 endurútnævnt Betri Banka til framvegis at vera serliga týðandi peningastovnur í Føroyum.

Peningastovnarnir, ið eru útnevndir SIFI bankar, hava frá myndugleikanum fingið álagt eitt ískoyti til solvensin eftir ávísimum flokkum.

Umframt ískoyti sum SIFI peningastovnur hava peningastovnarnir í Føroyum fingið álagt ískoytiskrøv til kapital. Harumframt kunnu peningastovnarnir eisini fáa álagt krøv, sum skulu binda fyri mótráki í búskapinum og krøv, sum skulu binda fyri serligum sveiggjum.

Afturat hesum er Fíggjareftirlitið komið við ásetingum um skuld, sum kann nýtast í sambandi við møguliga rekaptalisering (NEP). Soleiðis fekk Betri Banki hin 26. mars 2020 ásett eitt NEP-krav á 33,1% sum í seinasta lagi skal verða uppfylgt hin 1. januar 2025. Henda freist er síðani útsett fyri flest allar peningastovnar – og harímillum Betri Banka – til 1. juli 2025. Kravið verður sett í verk stigvíst, og í 2020 er kravið á 20%. Uppgerðin av NEP-kravinum er gjørd við grundarlagi í tølum ultimo 2018 og verður javnað eina ferð um árið.

Tá mettt verður um NEP-kravið, sum í 2020 er á 20%, skal hetta síggjast saman við solvensinum hjá bankanum, sum við hálvárið 2020 er á 27,8%. Bankin lýkur soleiðis fult og heilt kravið.

Í Danmark eru reglurnar broyttar fyri uppperðina av solvensinum soleiðis, at danskir peningastovnar fáa ein avsláttur í útrokningini av tí partinum av solvensinum, sum knýtir seg at útlánum til smá og miðalstór virkir. Føroyskir myndugleikar hava sagt frá, at reglan eisini verður sett í gildi í Føroyum og fer hetta at hækka roknaða solvensin hjá føroysku peningastovnunum.

### Viðurskipti við skattamyndugleikar

Í ársfrágreiðingini fyri 2016 vísti bankin á, at bankin í samráð við eigaran av bankanum hevði gjørt av ikki at kæra avgerðina hjá TAKS í fakligu ósemjuni millum TAKS og bankan viðvíkjandi skattafrádrátti.

TAKS boðaði alment frá í juli 2017, at TAKS hevði avgjørt at senda revsirættarlaga spurningin til fútan til støðutakan.

Í tíðindaskrivi hin 2. juni 2020 boðaði fútin frá, at fútin steðgar kanningini av Betri Banka, og at grundarlag ikki er fyri at reisa ákæru ímóti Betri Banka.

### Útlit fyri 2020

Sum nevnt omanfyri gongur tað yvirskipað væl í Føroyum, og mangt bendir á, at koronaávirkanin á føroyska búskapin ikki er eins álvarsom og væntað. Ferðavinnan og virkseimið, ið er tengt at ferðavinnuni, er meinast rakt.

assessed Betri Banki to be a systemically important financial institution. In 2020 the FSA has reappointed Betri Banki to be a SIFI bank.

The banks, that have been appointed SIFI banks, have been imposed an addendum to the solvency requirement, depending on their peer group.

In addition to the requirements as a SIFI bank, banks in the Faroe Islands have also been subject to capital requirements and may also be required to reserve capital for counter-cyclical fluctuations in the economy, as well as requirements that will serve as collateral for special fluctuations.

Furthermore, the Danish Supervisory Authority has issued requirements for impairment suited liabilities (NEP). Thus, on 26 March 2020, the bank was notified that the bank should meet a NEP requirement of 33.1% by 1 January 2025. This deadline was later postponed for most all banks - including Betri Banki, until 1 July 2025. The requirement will be phased in gradually, and by 2020 the requirement is 20%. The calculation of the NEP requirement has been prepared on the basis of figures at the end of 2018 and is adjusted once a year.

When assessing the NEP requirement, which in 2020 is 20%, this should be seen in connection with the bank's solvency, which by the half-year of 2020 is 27.8%, and the bank thus fully meets the requirement.

In Denmark, the rules for calculating the solvency requirement have been changed so that Danish banks receive a discount in the calculation of the part of the solvency that is linked to lending to small and medium-sized companies. The Faroese authorities have announced that the rule will also be enforced in the Faroe Islands and this will increase the calculated solvency of the Faroese banks.

### Affairs with tax authorities

In the Annual Report for 2016 the bank explained, that in consultation with its owner, the bank decided not to dispute the professional disagreement between the Faroese Tax Authority (TAKS) and Betri Bank regarding tax deduction.

In July 2017, TAKS announced its decision to hand over a potential criminal law case regarding this issue to the police for assessment.

In a press release dated June 2, 2020, the police have stated that they have decided to stop the investigation of Betri Banki and that there is no basis for raising charges against Betri Banki.

### 2020 outlook

As mentioned above, the Faroe Islands are generally doing well and there are indications that the impact of the corona pandemic on the Faroese economy is not as severe as it was expected. The tourism industry and industry associated with the tourism industry are hardest hit.

Virksemið í útflutningsvinnunum hefur hinvegin ekki verið serliga nógv merkt av öllum ruðuleikanum, men harafturímóti hefur marknaðaratgongdin verið munandi skerd, eins og prísirnir á einstökum útflutningsvörum eru falnir munandi. Hetta fer at síggjast aftur í útflutningshagtølunum. Stöðan er eisini munandi betri enn fyri bara tveimum mánaðum síðan, tá marknaðirnir meira ella minni voru stongdir.

Leiðslan metti, sum áður nevnt, við árslok 2019, at ársúrslitið áðrenn skatt fyri 2020 fór at vísa eitt avlop millum 40-60 mió. kr.

Gongdin fyrra hálvár 2020 og útlitini fyri seinna hálvár merkir, at bankin væntar, at ársúrslitið áðrenn skatt fer at liggja millum 30-50 mió. kr.

### Eftirlitsdiamanturin

Eftirlitsdiamanturin (tilsynsdiamanten), sum Fíggjareftirlitið ásetur mörk fyri, hefur 5 ýti, sum mælt verður at halda seg innanfyri.

Hesi ýti knýta seg at markvirðum viðvíkjandi størstu engagementum tilsamans, útlánsvøkstri, útlánnum til fastognir, fíggjarlutfalli, og markvirði fyri gjaldføri yvir lógarinnar krav. Við hálvárið 2020 liggur Betri Banki innanfyri øll hesi 5 ýti.

On the other hand, activity in the export industry has not been particularly marked by the confusion, but market access has been significantly curtailed and prices of certain individual export goods have fallen significantly. We will see this again in the export figures. However, the situation is also somewhat better than just two months ago, when the markets were more or less closed.

At year-end 2019 the management predicted a profit of DKK 40-60 million for the year 2020.

The development in the first-half of 2020 and the outlook for the second half of the year implies that the bank expects the annual profit before tax to be around DKK 30-50 million. kr.

### The Supervisory Diamond

The Supervisory Diamond of the Danish Supervisory Authority consists of five key marks with a limit within which the banks should generally stay.

The supervisory diamond stipulates threshold values regarding the sum of large exposures, lending growth, real property exposure, funding ratio and surplus liquidity in relation to statutory liquidity requirements which the Bank should adhere to. At half year 2020, Betri Banki is within all of these 5 threshold values.

	Markvirði / Threshold value	Betri Banki
Størstu engagement tilsamans / Sum of large exposures	< 175%	122,7%
Útlánsvøkstur / Lending growth	< 20%	0,2%
Útlán til fastognir / Real property exposure	< 25%	3,8%
Fíggjarlutfall / Funding ratio	< 1,0	0,66
Gjaldføriskrav eftirlitsdiamantur / Liquidity requirement – Supervisory Diamond	> 100%	192,1%

Kelda / Source: : Betri Banki

### Óvissa við innrokning og máting

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

### Hendingar eftir roknskaparlok

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

### Váðaviðurskifti

Ongar broytingar eru farnar fram í váða og váðastýringini hjá bankanum, síðan ársfrágreiðingin fyri 2019 varð almanna-kunngjörd.

Nærri lýsing av váðaviðurskiftum bankans er í váðafrágreiðing, sum er almanna-kunngjörd á heimasíðu bankans, [www.betri.fo/vadafragreiding2019](http://www.betri.fo/vadafragreiding2019).

### Uncertainty in the recognition and measurement

Uncertainties primarily relate to recognition and measurement of loans and the valuation of properties. The 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 Accounting Policies.

### Events after the reporting period

Other than this and what is 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 resulting in the bank's risk management since the annual report for 2019 was announced.

A more detailed review of the bank's risk management can be read in the risk management report, which is published on the bank's website, [www.betri.fo/vadafragreiding2019](http://www.betri.fo/vadafragreiding2019).

Nota	DKK 1.000	1H 2020	1H 2019
<b>Rakstrarroknskapur / Income Statement</b>			
2	Rentuinntøkur / Interest income	118.453	115.512
3	Rentuútreiðslur / Interest expenses	1.744	2.376
	<b>Rentuinntøkur netto / Net interest income</b>	<b>116.709</b>	<b>113.137</b>
	Vinningsbýti av partabrøvum v.m. / Dividends on shares, etc.	455	1.641
4	Ómaksgjöld og provísíonsinntøkur / Fee and commission income	30.891	25.682
	Útreiðslur til ómaksgjöld og provísiónir / Fee and commission expenses	4.283	3.550
	<b>Rentu- og ómaksgjöld netto / Net interest income and fee income</b>	<b>143.772</b>	<b>136.910</b>
5	Virðisjavnan / Fair value adjustments	-15.923	17.370
	Aðrar vanligar inntøkur / Other operating income	547	1.942
6	Útreiðslur til starvsfólk og umsiting / Staff costs and adm. expenses	95.825	92.126
	Av- og niðurskrivingar av óítøkiligum og ítøkiligum ognum / Depreciations and write down of intangible and tangible assets	2.809	1.384
	Aðrar rakstrarútreiðslur / Other operating expenses	933	588
7	Niðurskrivingar av útlánnum og aðrari ogn / Impairment of loans advances, receivables etc.	19.663	-7.141
	Úrslit av kapitalþertum í assosieraðum og tilknýttum fyrritøkum / Income from associated and subsidiary undertakings	-251	355
	<b>Úrslit áðrenn skatt / Profit/loss (-) before tax</b>	<b>8.915</b>	<b>69.620</b>
	Skattur / Tax	1.605	12.532
	<b>Úrslit / Net profit/loss (-) for the period</b>	<b>7.310</b>	<b>57.089</b>
	<b>Býti av úrsliti / Allocation</b>		
	Úrslit / Net profit for the period	7.310	57.089
	<b>At ráða yvir tilsamans / Total amount available for allocation</b>	<b>7.310</b>	<b>57.089</b>
	At flyta til næsta ár / Carried forward to next year	7.310	57.089
	<b>Nýtsla av úrsliti / Total allocation</b>	<b>7.310</b>	<b>57.089</b>

Nota DKK 1.000

1H 2020

2019

## Fíggjarstöða / Balance sheet

**Ogn / Assets**

	Kassapeningur og áögn uttan uppsögn hjá tjóðbankum / Cash in hand and demand deposits with central banks	170.509	188.883
8	Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks	333.880	302.664
9	Útlán og onnur ogn til amortiseraðan kostprís / Loans and other claims at amortised cost	6.311.423	6.296.794
	Lánsbrøv til dagsvirði / Bonds at fair value	2.753.609	2.316.106
	Partabrøv / Shares	55.939	82.704
	Kapitalpartar í assosieraðum fyrítökum / Holdings in associated undertakings	14.083	14.237
	Kapitalpartar í tilknýttum fyrítökum / Holdings in subsidiary undertakings	8.800	8.897
	Grundöki og bygningar í alt / Land and buildings	134.663	135.453
	- Ílögubygningar / Investment properties	30.848	30.848
	- Fyrisitingar- og deildarbygningar / Domicile properties	103.814	104.605
	Onnur ítökilig ogn / Other tangible assets	4.809	6.828
	Verandi skattaögn / Current tax assets	529	582
	Útskotin skattaögn / Deferred tax assets	1.035	1.035
	Ognir í fyrirbils varðveitslu / Assets in temporary possession	400	491
	Onnur ogn / Other assets	15.344	20.316
	Tíðarskeiðsavmarkingar / Prepayments	12.280	12.280
	<b>Ogn tilsamans / Total assets</b>	<b>9.817.303</b>	<b>9.387.271</b>

**Skuld / Liabilities**

10	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks	11.014	27.441
11	Innlán og onnur skuld / Deposits and other debt	7.813.763	7.414.133
	Verandi skattaskuld / Current tax liabilities	17.507	15.902
	Onnur skuld / Other liabilities	193.876	157.310
	Tíðarskeiðsavmarkingar / Prepayments	261	152
	<b>Skuld tilsamans / Total liabilities</b>	<b>8.036.421</b>	<b>7.614.937</b>

	Avsett til eftirløn / Provisions for pensions	7.798	7.798
7	Avsett til tap av ábyrgdum / Provisions for losses on collaterals	35.258	32.425
	Avsett til aðrar útreiðslur / Other provisions	7.799	9.394
	<b>Avsetingar til skyldur / Provisions for liabilities and charges</b>	<b>50.856</b>	<b>49.617</b>

**Eginpeningur / Equity**

	Partapeningur / Share capital	100.000	100.000
	Flutt avlop / Retained profit	1.630.026	1.622.716
	<b>Eginpeningur tilsamans / Total equity</b>	<b>1.730.026</b>	<b>1.722.716</b>

	<b>Skuld, skyldur og eginpeningur tilsamans / Total liabilities</b>	<b>9.817.303</b>	<b>9.387.271</b>
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12	<b>Töl, ið ekki eru tikin við í javna / Off-balance sheet items</b>		
	Ábyrgdir v.m. / Guarantees, etc.	1.037.098	1.133.122
	<b>Töl, ið ekki eru tikin við í javna, tilsamans / Total off-balance sheet items</b>	<b>1.037.098</b>	<b>1.133.122</b>

1 Nýttur roknskaparháttur / Significant accounting policies

## Uppgerð av broyting í eginogn / Statement of changes in equity

DKK 1.000	Parta- peningur / Share Capital	Flutt avlop / Re- tained earnings	Tilsamans / Total
<b>Ársbyrjan / Beginning of year</b>	<b>100.000</b>	<b>1.622.716</b>	<b>1.722.716</b>
Heildarinntøka / Comprehensive income		7.310	7.310
<b>30. juni 2020</b>	<b>100.000</b>	<b>1.630.026</b>	<b>1.730.026</b>
<b>Ársbyrjan / Beginning of year</b>	<b>100.000</b>	<b>1.519.893</b>	<b>1.619.893</b>
Broytt innrokning av stovningargjaldið / Changes in recognition in loan fees		17.380	17.380
Heildarinntøka / Comprehensive income		85.444	85.444
<b>31. desember 2019</b>	<b>100.000</b>	<b>1.622.716</b>	<b>1.722.716</b>

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

DKK 1.000

1H 2020

2019

## Solvensuppgerð / Statement of Solvency

Kjarnukapitalur aftaná frádráttir / Tier 1 Capital	1.718.791	1.719.198
Grundkapitalur / Capital Base	1.718.791	1.719.198
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	4.931.872	5.173.938
Vektaðir postar við marknaðarváða / Weighted items with market risk	694.315	641.463
Rakstrarváði / Operational risk	558.507	565.784
<b>Vektað ogn tilsamans / Total risk weighted assets</b>	<b>6.184.694</b>	<b>6.381.184</b>
Solvensprosent eftir FIL § 124, stk. 2, nr. 1 / Solvency ratio purs. to FIL § 124, 2 no. 1	27,8%	26,9%
Kjarnukapitalur eftir frádrátt í prosent av vektaðari ogn / Core capital ratio	27,8%	26,9%
<b>Kapitalkrav / Capital demand</b>		
Kjarnukapitalur áðrenn frádráttir / Core Capital before statutory deductions	1.722.716	1.722.716
Útsett skattaogn, ið verður drigin frá / Deductable deferred tax assets	1.035	1.035
Virðisjavnan orsakað av kravið um varsema virðsmetan / Value adjustments due to the requirements for prudent valuation	2.890	2.483
<b>Kjarnukapitalur aftaná frádráttir / Core capital less statutory deductions</b>	<b>1.718.791</b>	<b>1.719.198</b>

# Notur / Notes

## Nota

### 1 Nýttur roknskaparháttur / Significant accounting policies

#### Alment

Hálvársroknskapurin er gjørdur sambært ásetingunum í lóg um fíggarligt virkseml og tilhoyrandi kunngerð um fíggarligar 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 mettt 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 2019, 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 máti-óvissan, eru tær somu í hesum tíðarskeiðsroknskapi, sum í ársroknskapinum pr. 31. desember 2019.

#### 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 2019, 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 2019.



Nota	DKK 1.000	1H 2020	1H 2019
<b>2</b>	<b>Rentuinntøkur / Interest Income</b>		
	Áögn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks	0	38
	Útlán og onnur áögn / Loans and other claims	105.349	107.945
	Lánsbrøv / Bonds	9.075	10.392
	Avleidd fígðjaramboð / Derivative financial instruments	-3.761	-4.621
	Herav: / Of which recognised as:		
	Gjaldoyrasáttmálar / Currency contracts	114	-192
	Rentusáttmálar / Interest contracts	-3.875	-4.429
	Innlán, negatívar rentir / Deposits, negative interest expenses	7.244	1.040
	Aðrar rentuinntøkur / Other interest income	545	718
	<b>Rentuinntøkur tilsamans / Total interest income</b>	<b>118.453</b>	<b>115.512</b>
<b>3</b>	<b>Rentuútreiðslur / Interest expenses</b>		
	Lánistovnar og tjóðbankar / Credit institutions and central banks	452	543
	Innlán og onnur skuld / Deposits and other debt	373	1.250
	Negatívar rentir frá lánsbrøvum / Negative interest, bonds	546	415
	Aðrar rentuútreiðslur / Other interest expenses	373	167
	<b>Rentuútreiðslur tilsamans / Total interest expenses</b>	<b>1.744</b>	<b>2.376</b>
<b>4</b>	<b>Ómaksgjöld og provísíonsinntøkur / Fee and commission income</b>		
	Virðisbrævahandil og goymslur / Security and custody accounts	1.836	1.298
	Gjaldmiðling / Credit transfers	8.678	7.184
	Avgreiðslugjöld / Loan fees	2.961	2.249
	Garantíprovisión / Guarantee commissions	5.262	3.951
	Önnur ómaksgjöld og provísíónir / Other fees and commissions	12.155	10.998
	<b>Ómaksgjöld og provísíonsinntøkur tilsamans / Total fee and commission income</b>	<b>30.891</b>	<b>25.682</b>
<b>5</b>	<b>Virðisjavnan / Fair value adjustments</b>		
	Lánsbrøv / Bonds	-8.435	9.055
	Partabrøv / Shares	-6.162	6.510
	Ílögubygningar / Investment properties	0	-2.269
	Gjaldoyra / Currencies	-1.265	12.133
	Avleidd fígðjaramboð / Derivative financial instruments	-60	-8.059
	<b>Virðisjavnan tilsamans / Total market value adjustments</b>	<b>-15.923</b>	<b>17.370</b>

Nota	DKK 1.000	1H 2020	1H 2019
<b>6</b>	<b>Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses</b>		
	<b>Lønir og samsýning til nevnd og stjórn / Salaries and remuneration of Board og Directors and Executive Board</b>		
	Nevnd / Board of Directors <sup>2) 4)</sup>	1.052	1.048
	Stjórn / CEO <sup>1) 4) 5)</sup>	2.304	2.127
	<b>Tilsamans / Total</b>	<b>3.355</b>	<b>3.175</b>
	<b>Starvsfólkaútreiðslur / Staff costs</b>		
	Lønir / Salaries	43.679	37.214
	Eftirlønir / Pensions <sup>3)</sup>	7.358	6.158
	Útreiðslur til sosiala trygd / Social security costs	8.187	7.892
	<b>Tilsamans / Total</b>	<b>59.224</b>	<b>51.264</b>
	<b>Aðrar umsitingarútreiðslur / Other administrative expenses</b>	<b>33.246</b>	<b>37.687</b>
	<b>Útreiðslur til starvsfólk og umsiting tilsamans / Staff costs and administrative expenses total</b>	<b>95.825</b>	<b>92.126</b>
	<b>Miðaltalið á ársverkum / Average number of employees, full time equivalent</b>	<b>181</b>	<b>186</b>

1) Forstjórinn og stjórnin kunnu af Betri Banka uppsigast við 24 mánaðar freist og kunnu sjálfvirga sigga upp við 6 mánaðar freist. / The Chief Executive Officer and the managing director have a notice of termination of 24 months from Betri Bank, and may resign with 6 months notice.

2) Nevndarlimir hafa ekki rétt til samsýningu eftir að 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 af eini eftirlønarskipan. / The Chief Executive Officer as well as the staff are included in a defined contribution plan.

4) Hvorki nevnd, stjórn eða starvsfólk eru fevnd af nakrari bonusskipan, sum er sett í verk af bankanum. / Neither members of the board, the management nor employees are covered by any incentive program initiated by the bank.

5) Fríur bílur, virði á TDKK 177 skal leggjast afturat. / To which must be added employer-paid car with a tax value of TDKK 177.

Nota	DKK 1.000	1H 2020	1H 2019	2019
7	<b>Niðurskrivingar av útlánnum og aðrari ogn / Impairment of loans advances, receivables etc.</b>			
	<b>Stöði 1 / Stage 1</b>			
	Niðurskrivingar primo / Impairments year begin	7.035	10.655	10.655
	Niðurskrivingar í árinum / Impairments during the year	2.483	11.837	4.756
	Afturförðar niðurskrivingar / Reversed individual impairments	-4.036	-7.524	-8.377
	<b>Niðurskrivingar / Impairments end period</b>	<b>5.482</b>	<b>14.968</b>	<b>7.035</b>
	<b>Stöði 2 / Stage 2</b>			
	Niðurskrivingar primo / Impairments year begin	52.743	33.651	33.651
	Niðurskrivingar í árinum / Impairments during the year	34.560	12.197	28.732
	Afturförðar niðurskrivingar / Reversed individual impairments	-8.633	-9.406	-9.641
	<b>Niðurskrivingar / Impairments end period</b>	<b>78.670</b>	<b>36.443</b>	<b>52.743</b>
	<b>Stöði 3 / Stage 3</b>			
	Niðurskrivingar primo / Impairments year begin	197.625	218.537	218.537
	Niðurskrivingar í árinum / Impairments during the year	13.601	7.861	16.978
	Afturförðar niðurskrivingar / Reversed individual impairments	-16.996	-22.267	-31.292
	<b>Staðfest tap, áður niðurskrivað / Previous impairments now confirmed loss</b>	<b>-2.115</b>	<b>-6.509</b>	<b>-6.598</b>
	<b>Niðurskrivingar / Impairments end period</b>	<b>192.115</b>	<b>197.622</b>	<b>197.625</b>
	<b>Niðurskrivingar á ogn hjá peningastovnum / Impairments due to credit institutions</b>			
	Niðurskrivingar primo / Impairments year begin	193	556	556
	Niðurskrivingar og virðisbreytingar í árinum / Impairments and value adjustments during the year	55	147	64
	Afturförðar niðurskrivingar / Reversed individual impairments	-97	-104	-427
	<b>Niðurskrivingar á ogn hjá peningastovnum tilsamans / Impairments due to credit institutions end period</b>	<b>151</b>	<b>599</b>	<b>193</b>
	<b>Avseting til tap av ábyrgdum / Provisions for losses on collaterals</b>			
	<b>Stöði 1 / Stage 1</b>			
	Niðurskrivingar primo / Impairments year begin	429	1.069	1.069
	Niðurskrivingar í árinum / Impairments during the year	513	684	218
	Afturförðar niðurskrivingar / Reversed individual impairments	-209	-478	-858
	<b>Niðurskrivingar / Impairments end period</b>	<b>733</b>	<b>1.274</b>	<b>429</b>
	<b>Stöði 2 / Stage 2</b>			
	Niðurskrivingar primo / Impairments year begin	14.525	13.988	13.988
	Niðurskrivingar í árinum / Impairments during the year	2.907	6.974	1.619
	Afturförðar niðurskrivingar / Reversed individual impairments	-344	-1.079	-1.082
	<b>Niðurskrivingar / Impairments end period</b>	<b>17.088</b>	<b>19.884</b>	<b>14.525</b>
	<b>Stöði 3 / Stage 3</b>			
	Niðurskrivingar primo / Impairments year begin	17.470	19.878	19.878
	Niðurskrivingar í árinum / Impairments during the year	0	2.219	1.238
	Afturförðar niðurskrivingar / Reversed individual impairments	-34	-3.061	-3.645
	<b>Niðurskrivingar / Impairments end period</b>	<b>17.436</b>	<b>19.037</b>	<b>17.470</b>
	<b>Niðurskrivingar / Impairments end period</b>	<b>311.675</b>	<b>289.826</b>	<b>290.020</b>

Nota	DKK 1.000	1H 2020	1H 2019	2019
7	<b>Niðurskrivingar av útlánum og aðrari ogn (framh.) / Impairment of loans advances, receivables etc. (Cont.)</b>			
	<b>Töl, ið eru við í rakstrarroknskapinum / Impairments included in the income statement</b>			
	<b>Niðurskrivingar / Impairments</b>			
	Niðurskrivingar og virðisbroytingar í árinum / Impairments and value adjustments during the year	50.699	32.042	50.531
	Afturförðar niðurskrivingar / Reversed individual impairments	-29.762	-39.301	-49.737
	Renta av niðurskrivingum / Revenue from interests on impairments on loans	-3.636	-4.474	-6.900
	Staðfest tap, har ekki er niðurskrivað frammanundan / Write offs without prior impairment	178	33	213
	Inngoldið á áður staðfest tap / Paid into previous depreciated claims	-649	-701	-1.386
	<b>Niðurskrivingar í rakstrarroknskapinum / Impairments included in the income statement</b>	<b>16.830</b>	<b>-12.401</b>	<b>-7.279</b>
	<b>Avsett móti tapi / Provisions for losses</b>			
	Avsett og virðisbroytingar í árinum / Impairments and value adjustment during the year	3.420	9.877	3.075
	Afturförd avseting / Reversed provisions for losses	-587	-4.618	-5.586
	<b>Avsett í rakstrarroknskapinum / Provisions for losses included in the income statement</b>	<b>2.833</b>	<b>5.259</b>	<b>-2.510</b>
	<b>Niðurskrivingar tilsamans í rakstrarroknskapinum / Total impairments in the income statement</b>	<b>19.663</b>	<b>-7.141</b>	<b>-9.790</b>

Nota	DKK 1.000	1H 2020	2019
8	<b>Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks</b>		
	Áogn í tjóðbankum / Claims on central banks	133.020	150.022
	Áogn í lánistovnum / Claims on credit institutions	200.860	152.642
	<b>Áogn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks</b>	<b>333.880</b>	<b>302.664</b>
	<b>Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks</b>		
	Uttan uppsögn / Demand deposits	160.193	114.378
	Til og við 3 mánaðir / Up to 3 months	133.020	150.022
	Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years	15.726	14.327
	Yvir 5 ár / Over 5 years	24.941	23.937
	<b>Áogn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks</b>	<b>333.880</b>	<b>302.664</b>
	Sum trygd fyri rentuswappum standa kontant innistandandi á: / As collateral for interest rate swaps are deposited a total of:	40.667	38.264

Nota	DKK 1.000	1H 2020	2019
9	<b>Útlán og onnur áögn / Loans and other claims</b>		
	Útlán og onnur áögn til amortiseraðan kostprís / Loans and other claims at amortised cost	6.311.423	6.296.794
	<b>Útlán og onnur áögn tilsamans / Total loans and other claims</b>	<b>6.311.423</b>	<b>6.296.794</b>
	<b>Útlán og onnur áögn / Loan and other claims</b>		
	Til og við 3 mánaðir / Up to 3 months	78.199	186.771
	Frá 3 mánaðir til og við 1 ár / Over 3 months and up to 1 year	873.244	789.200
	Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years	2.114.855	2.186.946
	Yvir 5 ár / Over 5 years	3.245.126	3.133.876
	<b>Útlán og onnur áögn tilsamans / Total loans and other claims</b>	<b>6.311.423</b>	<b>6.296.794</b>

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

Ratingbólur / Rating category	1H 2020			Íalt / Total
	Stöði 1 / Stage 1	Stöði 2 / Stage 2	Stöði 3 / Stage 3	
1 - Kundar, har OIK er staðfest / Customers with OEI	0	153.827	336.476	490.302
2c - Veikir kundar / Weak customers	735.092	76.468	0	811.559
2b - Miðal góðir kundar / Average customers	2.936.658	571.004	0	3.507.662
2a+3 - Góðir og treytaleyst góðir kundar / Good and unconditionally good customers	4.181.525	55.918	0	4.237.443
<b>Íalt / Total</b>	<b>7.853.275</b>	<b>857.216</b>	<b>336.476</b>	<b>9.046.966</b>

Ratingbólur / Rating category	2019			Íalt / Total
	Stöði 1 / Stage 1	Stöði 2 / Stage 2	Stöði 3 / Stage 3	
1 - Kundar, har OIK er staðfest / Customers with OEI	0	155.333	360.148	515.481
2c - Veikir kundar / Weak customers	777.500	89.580	0	867.080
2b - Miðal góðir kundar / Average customers	3.243.873	523.221	0	3.767.094
2a+3 - Góðir og treytaleyst góðir kundar / Good and unconditionally good customers	3.935.752	72.075	0	4.007.827
<b>Íalt / Total</b>	<b>7.957.125</b>	<b>840.209</b>	<b>360.148</b>	<b>9.157.482</b>

Nota	DKK 1.000	1H 2020	2019
<b>10</b>	<b>Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks</b>		
	Skuld til lánistovnar / Debt to credit institutions	11.014	27.441
	<b>Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks</b>	<b>11.014</b>	<b>27.441</b>
	<b>Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks</b>		
	Uttan uppsögn / Demand deposits	11.014	27.441
	<b>Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks</b>	<b>11.014</b>	<b>27.441</b>
<b>11</b>	<b>Innlán og onnur skuld / Deposits and other debt</b>		
	Innlán uttan uppsögn / Deposits on demand	6.272.331	5.832.909
	Innlán við uppsögn / Deposits at notice	1.037.504	1.087.868
	Tíðarinnskot / Time deposits	1.685	1.606
	Serligir innlánshættir / Special categories of deposits	502.243	491.750
	<b>Innlán og onnur skuld tilsamans / Total deposits and other debt</b>	<b>7.813.763</b>	<b>7.414.133</b>
	<b>Innlán og onnur skuld / Deposits and other debt</b>		
	Uttan uppsögn / On demand	6.272.331	5.832.909
	Til og við 3 mánaðir / Up to 3 months	1.143.469	525.170
	Frá 3 mánaðum til og við 1 ár / Over 3 months and up to 1 year	50.346	723.134
	Frá 1 ár til og við 5 ár / Over 1 year and up to 5 years	63.071	62.163
	Yvir 5 ár / Over 5 years	284.546	270.756
	<b>Innlán og onnur skuld tilsamans / Total deposits and other debt</b>	<b>7.813.763</b>	<b>7.414.133</b>
<b>12</b>	<b>Tøl, ið ikki eru tikin við í javna / Off-balance sheet items</b>		
	<b>Ábyrgdir v.m. / Guarantees and other contingent liabilities</b>		
	Fíggjarligar ábyrgdir / Financial Guaranties	432.583	433.513
	Ábyrgdir fyri realkreditlánnum / Loss guarantees for mortgage loans	425.270	508.737
	Aðrar ábyrgdir / Other contingent liabilities	179.246	190.872
	<b>Ábyrgdir v.m. tilsamans / Total guarantees and other contingent liabilities</b>	<b>1.037.098</b>	<b>1.133.122</b>
	<b>Tøl, ið ikki eru tikin við í javna tilsamans / Total off-balance sheet items</b>	<b>1.037.098</b>	<b>1.133.122</b>

Lyklatöl<sup>1)</sup> / Key Ratios<sup>1)</sup>**Solvensur og kapitalur / Solvency and capital ratios**

	1H 2020	1H 2019
Solvensprosent / Solvency ratio	27,8%	25,9%
Kjarnukapitalprosent / Core capital ratio	27,8%	25,9%

**Vinningur / Earning ratios**

Renting av eginogn áðrenn skatt (umroknað til heilár) / Return on equity before tax (annualised)	ROE	1,0%	8,4%
Renting av eginogn aftaná skatt (umroknað til heilár) / Return on equity after tax (annualised)	ROE	0,8%	6,9%
Inntøka pr. útreiðslukrónu / Income/cost ratio		1,1	1,8
Ognaravkast (umroknað til heilár) / Return on assets (annualised)	ROA	0,1%	1,2%

**Marknaðarváði / Market risk ratios**

Rentuváði / Interest rate risk		2,1%	1,7%
Gjaldoyrastøða / Foreign exchange position		2,3%	4,1%
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		84,8%	85,2%
Yvirdekningur í mun til lógarkrav um gjaldfæri / Excess liquidity cover relative to statutory requirement		216,2%	212,7%

**Lánsváði / Credit risk ratios**

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

**Frágreiðing til lyklatöl/Explanation of ratios**

1) Sí frágreiðing um lyklatöl á síðu 24-25 / See explanation of ratios on page 24-25

2) Í 2018 eru markvirðini og útrokningar mátin fyri Eftirlitsdiamantin broytt, samanberingartöluni eru ekki 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.

## Frágreiðing til lyklatölíni / Explanation of Key figures

<b>Solvensur og kapitalur</b>		<b>Solvency and capital ratios</b>	
Solvensprosent <sup>1)</sup>	$= \frac{\text{Grundkapitalur} \times 100}{\text{Vektað ogntilsamans}}$	Solvency <sup>1)</sup>	$= \frac{\text{Capital base} \times 100}{\text{Total risk weighted assets}}$
Kjarnukapitalprosent <sup>1)</sup>	$= \frac{\text{Kjarnukapitalur aftaná frádrátt} \times 100}{\text{Vektað ogntilsamans}}$	Core capital ratio <sup>1)</sup>	$= \frac{\text{Core capital less statutory deductions} \times 100}{\text{Total risk weighted assets}}$
<b>Vinningur</b>		<b>Earning ratios</b>	
Rentan av eiginögn áðrenn skatt <sup>1)</sup>	$= \frac{\text{Úrslit áðrenn skatt} \times 100}{\text{Eiginögn (miðal)}}$	Return on equity before tax <sup>1)</sup>	$= \frac{\text{Profit before taxes} \times 100}{\text{Equity (avg.)}}$
Rentan av eiginögn aftaná skatt <sup>1)</sup>	$= \frac{\text{Úrslit aftaná skatt} \times 100}{\text{Eiginögn (miðal)}}$	Return on equity after tax <sup>1)</sup>	$= \frac{\text{Net profit} \times 100}{\text{Equity (avg.)}}$
Inntøka pr. útreiðslukrónu <sup>1)</sup>	$= \frac{\text{Vanligar inntøkur}}{\text{Vanligar útreiðslur}}$	Income/cost ratio <sup>1)</sup>	$= \frac{\text{Operating income}}{\text{Operating expenses}}$
Ognaravkast <sup>1)</sup>	$= \frac{\text{Ársúrslit aftaná skatt}}{\text{Ogn tilsamans}}$	Return on assets <sup>1)</sup>	$= \frac{\text{Net profit}}{\text{Total assets}}$
<b>Marknaðarváði</b>		<b>Marked risk ratios</b>	
Rentuváði <sup>1) 2)</sup>	$= \frac{\text{Rentuváði} \times 100}{\text{Kjarnukapitalur aftaná frádrátt}}$	Interest rate risk <sup>1) 2)</sup>	$= \frac{\text{Interest risk} \times 100}{\text{Core capital less statutory deductions}}$
Gjaldoyrastøða <sup>1) 3)</sup>	$= \frac{\text{Valutakursindikator} \times 2 \times 100}{\text{Kjarnukapitalur aftaná frádrátt} \times 100}$	Foreign exchange position <sup>1) 3)</sup>	$= \frac{\text{Exchange rate indicator} \times 2 \times 100}{\text{Core capital less statutory deductions} \times 100}$
<b>Gjaldföri</b>		<b>Liquidity ratio</b>	
Útlán og niðurskriving í mun til innlán <sup>1)</sup>	$= \frac{(\text{Útlán} + \text{Niðurskrivingar}) \times 100}{\text{Innlán}}$	Loans, advances and impairments in proportion to deposits <sup>1)</sup>	$= \frac{(\text{Loans} + \text{impairments}) \times 100}{\text{Deposits}}$
Yvirdekningur í mun til lógarkrav um gjaldföri <sup>1)</sup>	$= \frac{(\text{Tök ognt} - \text{Skuld styttri enn 1 mánaða samb. FIL § 152 (nr.2)}) \times 100}{\text{Skuld styttri enn 1 mánaða}}$	Excess cover relative to liquidity requirement <sup>1)</sup>	$= \frac{\text{Excess liquidity after fulfilment of FIL, s. 152 (no2)}}{\text{Short term liabilities (less 1 m)}}$
<b>Lánsváði</b>		<b>Credit risk ratios</b>	
Stór viðskifti <sup>1) 4)</sup>	$= \frac{\text{Stór viðskifti} \times 100}{\text{Grundkapital}}$	Large loans <sup>1) 4)</sup>	$= \frac{\text{Large loans} \times 100}{\text{Capital base}}$
Tap og niðurskriving í tíðarskeiðinum í prosentum <sup>1)</sup>	$= \frac{\text{Tap og niðurskrivingar í tíðarskeiðinum} \times 100}{\text{Brutto útlán} + \text{Ábyrgdir}}$	Write-offs and impairments during the year <sup>1)</sup>	$= \frac{\text{Write-offs and depreciation during the year} \times 100}{\text{Gross loans} + \text{guarantees}}$
Útlán í mun til eiginögn <sup>1)</sup>	$= \frac{\text{Útlán}}{\text{Eiginögn}}$	Total loans in proportion to equity <sup>1)</sup>	$= \frac{\text{Total loans}}{\text{Equity}}$
Útlánsvækstur <sup>1)</sup>	$= \frac{(\text{Útlán ultimo} - \text{Útlán primo}) \times 100}{\text{Útlán primo}}$	Increase in loans <sup>1)</sup>	$= \frac{(\text{Loans year end} - \text{loans year begin}) \times 100}{\text{Loans year begin}}$



**Frágreiðing til lyklatölíni / Explanation of Key ratios**

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

## Leiðsluátekning

Nevnd og stjórn hava í dag viðgjört og góðkent roknskapin fyri Betri Banka P/F fyri fyrra hálvár 2020.

Roknskapurin og leiðslufrágreiðingin er sett upp samsvarandi Lóg um fíggarstovnar v.m., kunngerð og leiðreglum frá Fíggaræftirlitinum viðvíkjandi frásögn fyri peningastovnar v.m.

Hálfársfrásögnin 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 2020 og úrslitinum av virkseminum í tíðarskeiðinum 1. januar - 30. juni 2020.

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 2020.

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 2020 and of the results of the company's operations for the period 1 January – 30 June 2020.

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, 28. august 2020

### Stjórn / Executive Board

#### Jean Djurhuus

Forstjóri / Chief Executive Officer

#### Olav 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

## Stjórn / Executive Board

### **Jean Djurhuus**

Forstjóri / Chief Executive Officer

### **Olav 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

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