

Eik Banki presents a loss off DKK 100 and downgrades estimated result for the year. Hybrid core capital obtained

Eik Banki Group has a DKK 100 million loss in the first nine months and downgrades the estimated 2009 result to a DKK 150 million loss. The Group has obtained hybrid core capital of DKK 327 million under Credit Package II. Thereby, Eik Banki as well as the subsidiary Eik Bank Danmark have obtained hybrid core capital and strengthened solvency

“First and foremost, it is satisfactory that net fees and commission income has been re-established at the level of the third quarter of 2008. This was necessary. Furthermore, impairments have decreased from the second to third quarter. We do, however, expect a high level of impairments still. Finally, the Bank has obtained hybrid core capital strengthening the solvency to a satisfactory level, the volatile times taken into consideration”, says Marner Jacobsen, CEO of the Eik Group, as the Bank publishes its nine month report 2009.

After taxes, the result is DKK -100 million, compared to DKK -33.4 million in the same period of 2008. The result is marked by the global economic crisis, but in the third quarter, there are indications of a change in the negative macroeconomic trend.

Capital base strengthened

Yesterday, the 29th October, Eik Banki, the parent company of the Eik Group, signed an agreement regarding the participation in the Danish government’s Credit Package II.

Thus, the Bank’s capital base is strengthened by hybrid core capital of DKK 327.2. This entails an increase of the solvency of the parent company from 16.4 per cent to 19.4 per cent, and Group solvency increases from 10.9 per cent to 12.9 per cent. Coupon rate is 10.92 per cent p.a. Thereby, Group solvency as well as parent company solvency are at a satisfactory level.

The Danish subsidiary Eik Bank Danmark A/S, which runs the largest internet bank in Denmark, is also part of Credit Package II and obtained hybrid core capital of DKK 295.3 million in June 2009.

Ensures peace and trust – but comes at a price

“The Bank’s management appreciates that the Group activities have been ensured by Credit Package II in a reassuring way, which can create the peace and trust that is necessary in the continuous effort to ensuring black figures on the bottom line, says Marner Jacobsen, Group CEO.

Credit Packages I and II burden the result by no less than DKK 126 million in 2009.

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So far this year, the costs for Credit Packages I and II have burdened the Bank's result by DKK 93 million, of which DKK 34 million have been paid to cover other banks' losses under the Credit Package I guarantee scheme.

Guarantee provision and hybrid core capital is expected to burden the fourth quarter result by DKK 33 million in addition to other banks' possible losses in the fourth quarter.

Improved core operation

The Bank's core operation has been strengthened during the third quarter and will expectedly be further improved in the course of the fourth quarter.

In the third quarter, net fees and commission income increased by DKK 31 million and has reached the level of the third quarter of 2008. Furthermore, as of mid-October, the Bank has raised the interest margin of corporate engagements. At the same time, staff and administrative costs have been held at a relatively lower level than in 2008.

Impairments decreased in the third quarter, but are expected to remain at a high level

Impairments of loans have decreased by DKK 9 million in the third quarter compared to the second quarter. The Bank has made impairments of DKK 34 million to cover other banks' losses under Credit Package I. This taken into consideration, impairments of the Bank's own loans amounted to DKK 84 million, which is a decrease of DKK 43 million compared to the second quarter.

"Impairments primarily pertain to loans to Danish corporate real estate. We do not see the same challenges in our other business areas, neither in Denmark nor the Faroe Islands", Marnar Jacobsen points out.

A decision has been made that the Group will not participate in future financing of corporate real estate, in the event that a total exposure in the syndicate exceeds what the Bank can undertake alone.

"This way we can avoid challenges and impairments on the level we see today. We will, however, not withdraw from financing corporate real estate in the future", says Marnar Jacobsen, who, despite the slightly brighter macroeconomic outlook, still expects impairments of a relatively high level in the fourth quarter as well as in 2010, on the Danish corporate real estate market in particular.

2009 result downgraded

Eik Banki Group downgrades the previously announced estimated result for the year. The Bank now expects a loss after taxes of approximately DKK 150 million against the previously announced loss in the range of minus DKK 25-75 million. The estimate is prior to possible impairments of other banks' losses via the guarantee scheme under Credit Package I. The downgrade is primarily owing to the continuous difficult conditions on the Danish corporate real estate market.

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