

## **FØROYA**BANKI

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Presentation of Annual Report 2008, February 18th 2009

Janus Petersen, CEO

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## Key messages today

- We **deliver** on our promises: Result in line with projection one year ago
- We have a strong **foundation** to deliver good results in a challenging environment
- We stick to our **cautios strategy** having learned the lesson
- We expect in our **outlook** that 2009 will outperform 2008

## Delivering on our promise

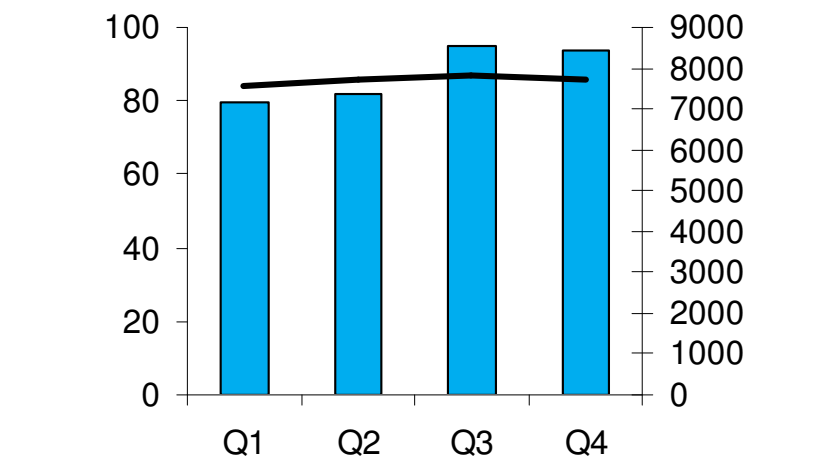
### Profit from operations in line with projection

- Pre tax profit before value adjustments of DKK 168m excluding non-recurring items
- In line with our projection one year ago: DKK 165m – 185m
- Non-recurring items and value adjustments:
  - Divestment of Vestlax + 98m
  - Reversals of write-down + 24m
  - Bank Package - 13m
  - Value adjustments - 76m

# Delivering on our promise

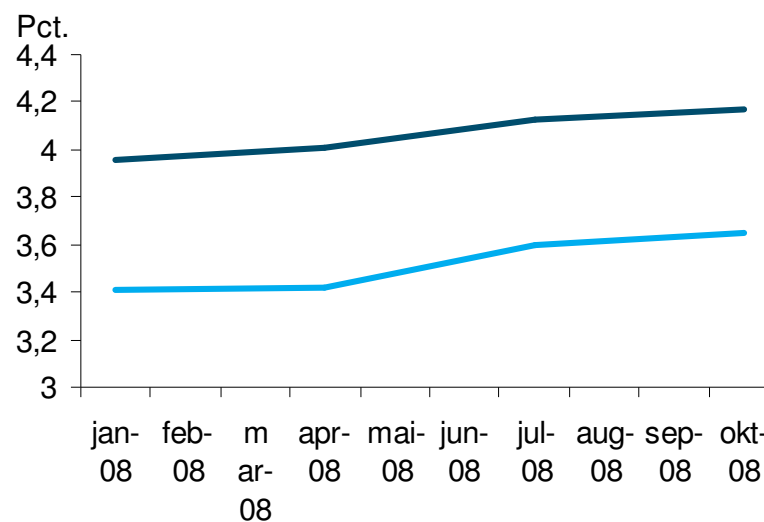
## Growth in NII driven by higher margins

**NII and Loan Volume in Q1 to Q4 2008**



Net interest income — Loans and advances (right axis)

**Interest margin, Q1 to Q4 2008**



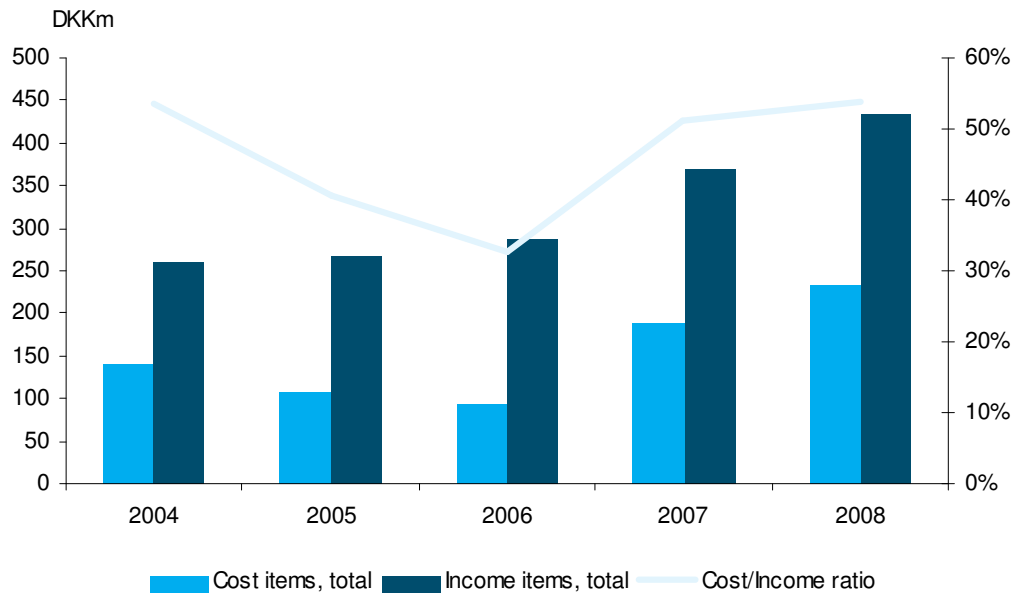
Traditional margin (loan rate - deposit rate)

Total margin (loan rate - total funding rate)

# Delivering on our promise

## Strict cost management resulting in 7% decrease

### Cost income ratio

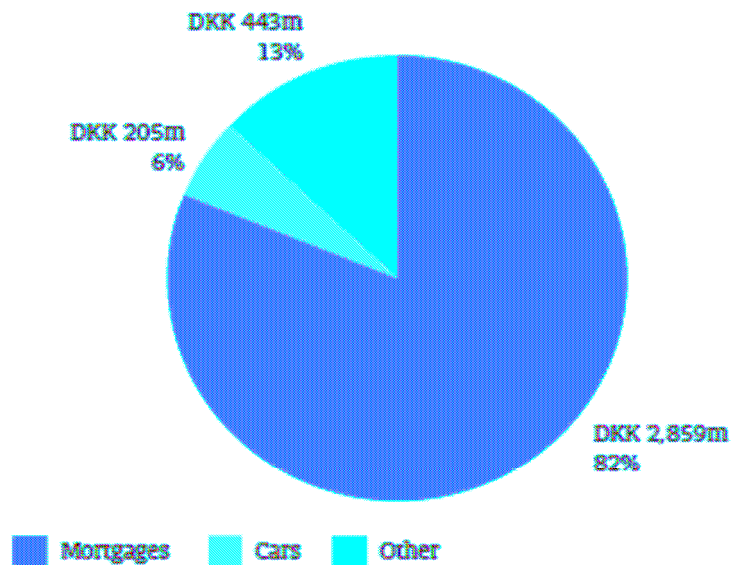


- Net interest and fee income increased 19%
- Employee and administrative expenses decreased by 7% during
- C/I ratio exclusive value adjustments and provisions decreased from 58% in 2007 to 51% in 2008

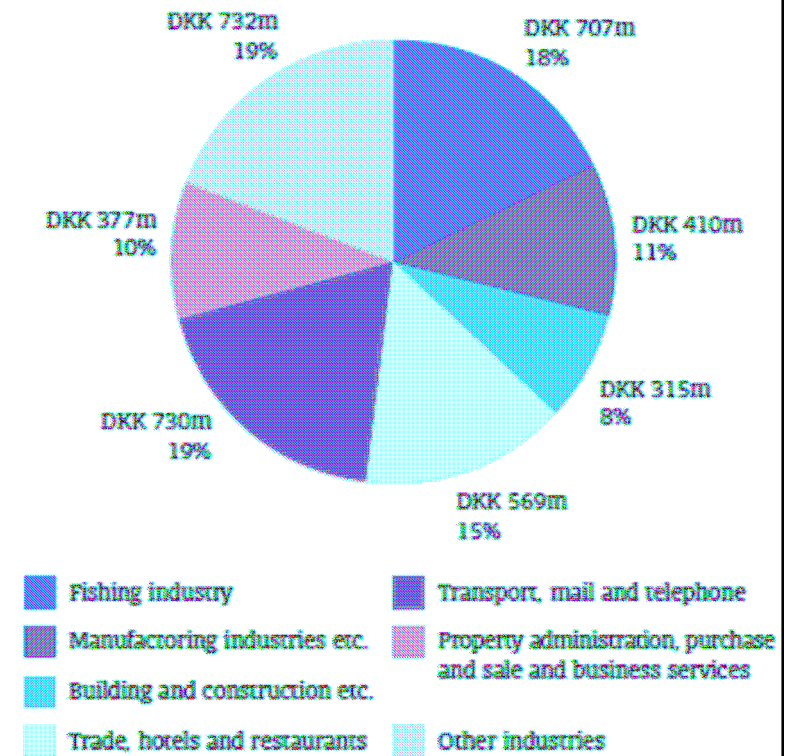
# Strong foundation

## Seasoned and well collateralised portfolio of retail and corporate loans

Composition of retail loan portfolio  
DKKm and %



Composition of corporate loan portfolio  
DKKm and %



## Strong foundation

### The Farose economy has low gearing

Key figures, %	2007	2008
GDP growth	9.3	4.9
Unemployment	1.5	1.3
Paid wages	8.0	1.4
Housing prices	13.4	-4.2

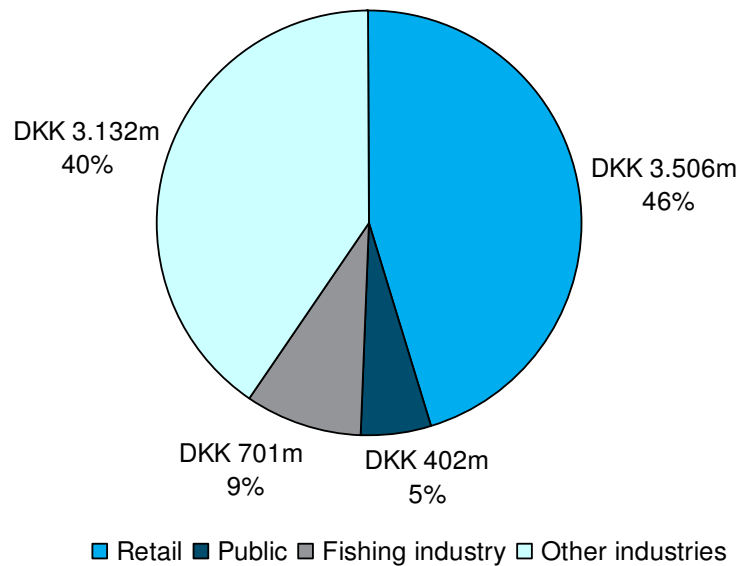
- Indications of lower activity:
  - Growth in payroll expenses slowed from 8% in 2007 to 1.4% in 2008
  - Imports fell 4.5%
  - Lending slowed sharply
- Robust and agile economy
  - Low gearing in household sector, 61% of GDP (DK: 110%)
  - Low public debt provides room for expansionary policies
  - Flexible labour markets, mobile and well educated labour force



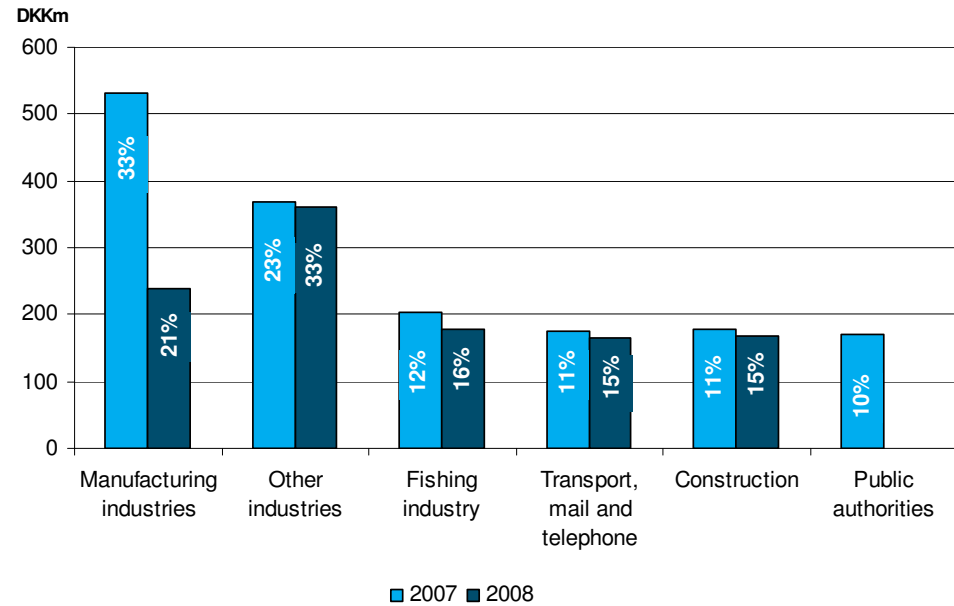
# Stick to **cautious** strategy

## Credit risk is controlled by cautious credit policies

**Composition of Loan Portfolio**  
in DKK mill. and pct.



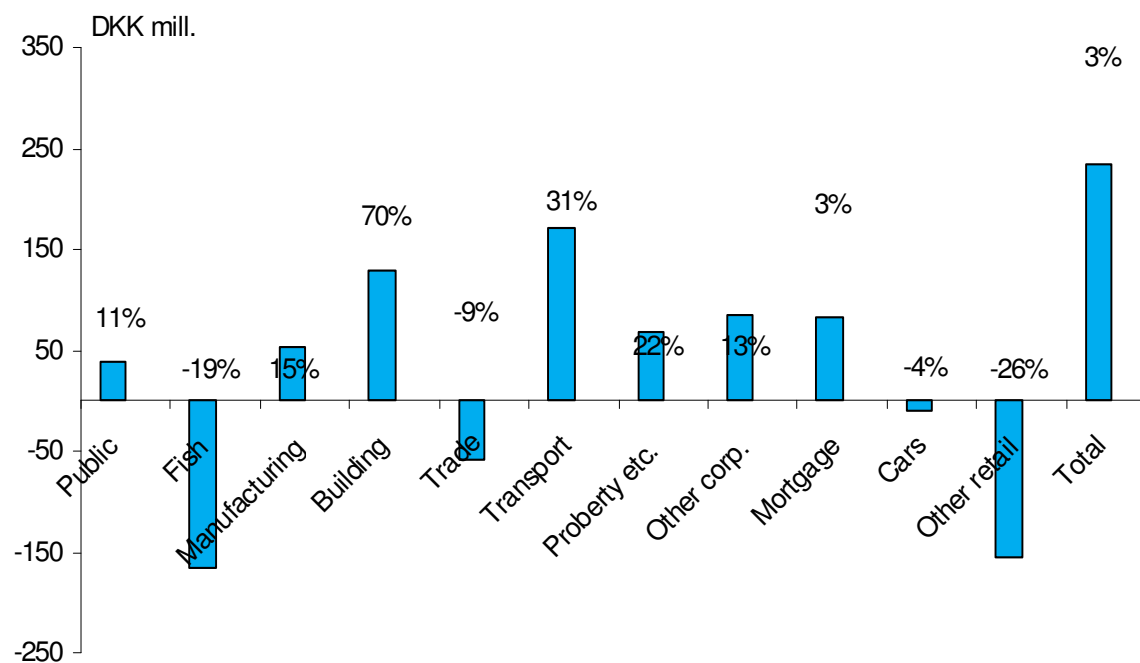
**Large exposures,**  
in DKKm. and in pct. of total large exposures



# Stick to **cautious** strategy

## Reducing single branch exposures and large exposure

Change in exposures,  
DKK mill. and pct. change

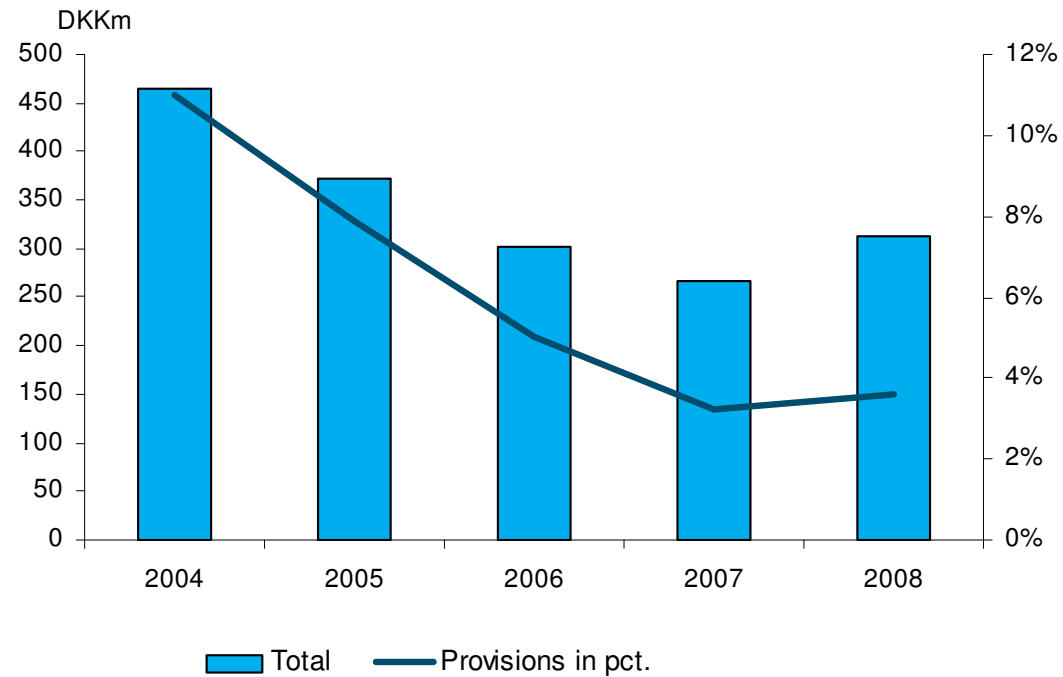


# Stick to **cautious** strategy

## Provisions amount to 4% of loans

### Provisions

DKKm & pct. of Gross Loans



## Stick to **cautious** strategy

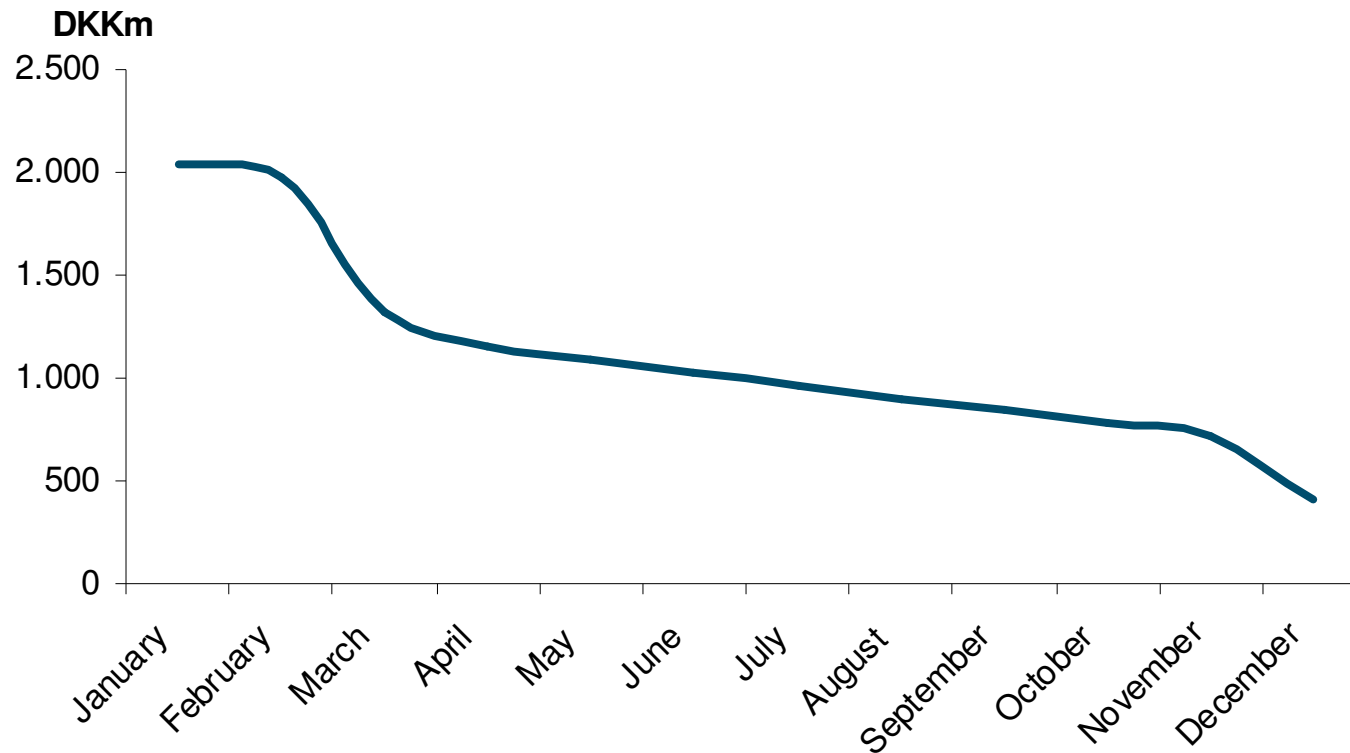
### Provisions in 2008 can be traced to single projects

#### Provisions

DKKm

	Exposures, net	Provision charges	Total provisions	% of exposures
Public	402	0	0	0%
Fishing industry	707	-23	52	7%
Manufacturing industries etc.	410	14	35	9%
Building and construction etc.	315	23	55	17%
Trade, hotels and restaurants	569	-15	27	5%
Transport, mail and telephone	730	-3	17	2%
Property admisitation, etc.	377	9	11	3%
Other industries	732	34	51	7%
<b>Corporate</b>	<b>3.839</b>	<b>37</b>	<b>247</b>	<b>6%</b>
Retail	3.506	12	64	2%
<b>Total</b>	<b>7.747</b>	<b>49</b>	<b>312</b>	<b>4%</b>

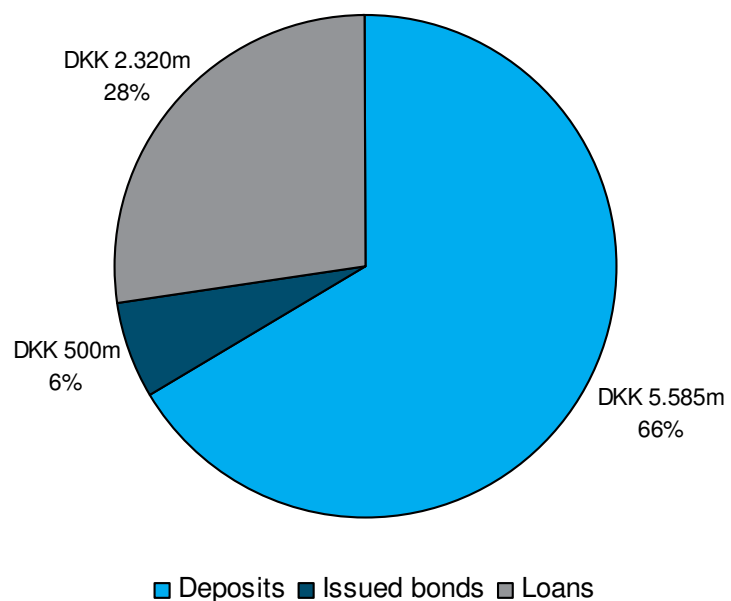
# Stick to **cautious** strategy Pass Moody's stress test of 12m liquidity



# Stick to **cautious** strategy

## Funding primarily from domestic deposits

Funding composition

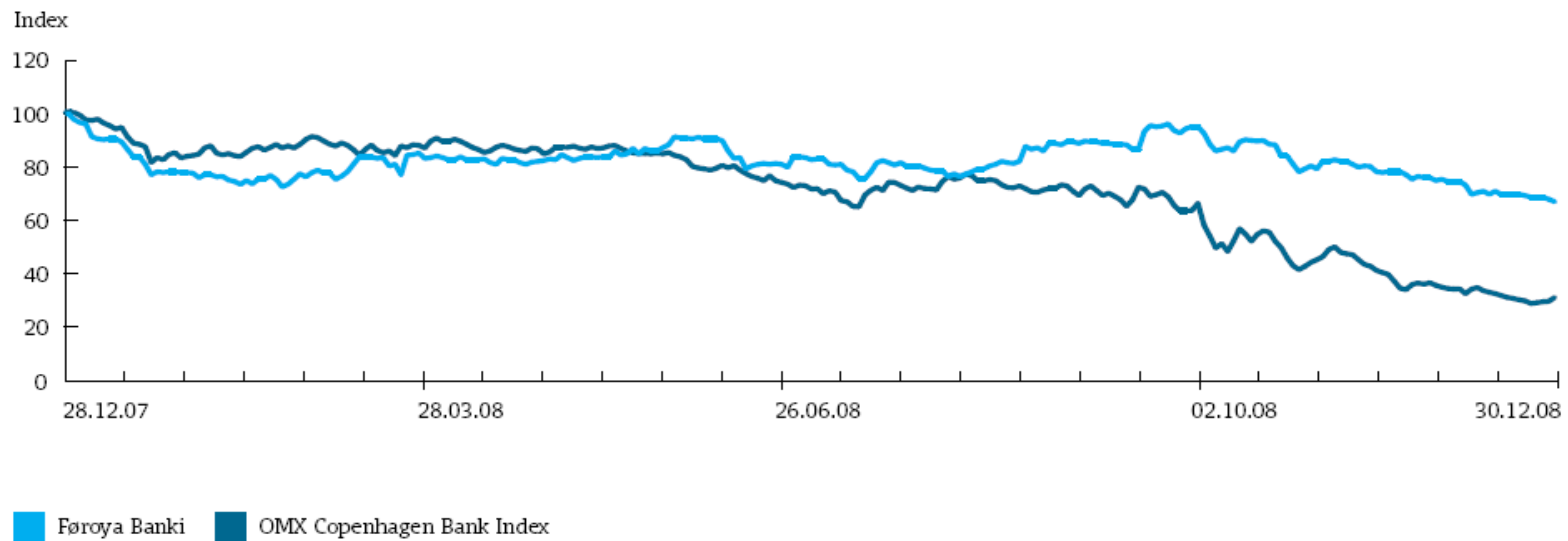


### Deposits by type

	DKKm	%
On demand	2,027	36
At notice	1,354	24
Pension	570	10
Other	1,635	29
<b>Total</b>	<b>5,585</b>	<b>100</b>

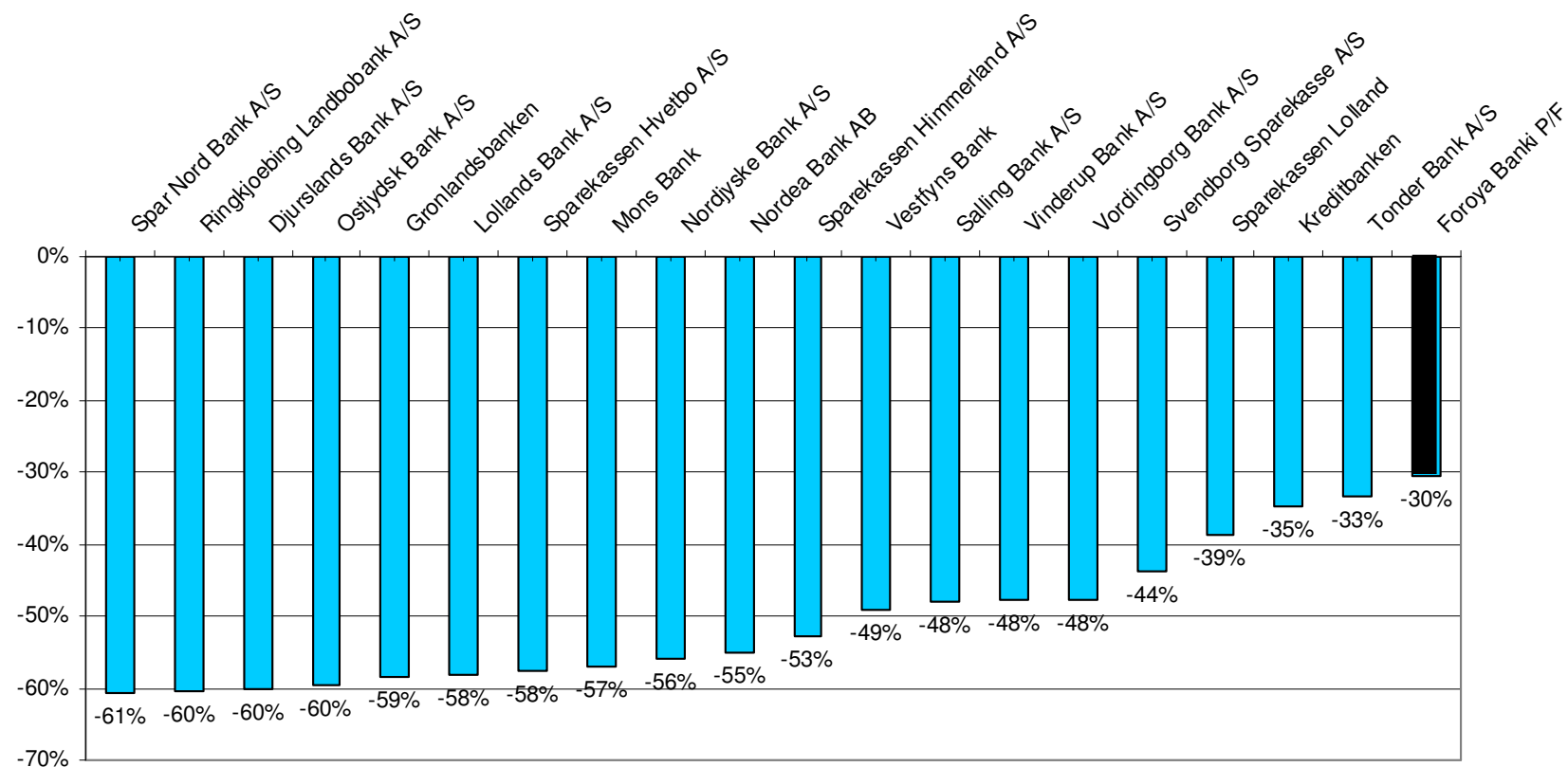
# Share price performance relatively good

Føroya Banki share vs. OMX Copenhagen Bank Index



# Total Return

## Best of the listed Banks on NASDAQ OMX Copenhagen





## Outlook for 2009:

### Expect 2009 to outperform 2008

- The Bank estimates a pre-tax profit before value adjustment and before expenses due to the Danish state-funded guarantee scheme to be within the range of DKK 165–195m
- Expect stable interest margins and slow growth in lending resulting in 0-5% growth in NII
- Expect a slow-down in the Faroese economy increasing the probability of provisions and losses, but we expect it to stay at the same level as in 2008
- Given the good result for 2008 and the large solvency ratio of the Bank the bank intends to pay out the retained dividends in 2011 subject to fulfilling the capital requirements of the Bank

**Q & A session for  
analysts and investors**

Hosted by  
Janus Petersen, CEO