Eik

Annual Report

2009

www.eikbank.com

Eik Banki Group

Eik Banki Group consists of the parent company Eik Banki P/F in the Faroe Islands and the Copenhagen based wholly owned subsidiary Eik Bank Danmark A/S, which is the largest internet bank in Denmark. The Group also includes the wholly owned subsidiary P/F Inni, which is the largest real estate broker in the Faroe Islands. The parent company was established in 1832 as a savings bank. More on the Group in the Operational Review.

Our Mission is to benefit our customers by providing financial services, with security and user friendliness as cornerstones.

Our Vision is to be the most user friendly bank.

With our Mission, Vision and Values to guide us, we seek to continuously seize every opportunity to grow, to become more professional, and to improve and enhance our financial products and services.

Contents

2009 in brief

2009 in brief
Eik Banki Group presents a deficit of 297 million for 2009 after taxes. Impairments were high, especially in corporate real estate in Denmark, but nevertheless lower than in 2008. Solvency as well as liquidity is good. The Group has secured a state guarantee frame of DKK 9.1 billion. In 2010, Eik Banki Group expects a positive result with lower impairments.

Marner Jacobsen, CEO comments:

"The result is far from satisfactory. The Group's challenges are related to our exposure to corporate real estate on the Danish market. The Bank's focus is to work actively on proper solutions for the real estate involved, in order to recover parts of the impairments in the future. We have no exposure to agricultural or small and medium size enterprises in Denmark. Retail and other operations in Denmark as well as the Faroese operation are running satisfactory."

Furthermore, Marner Jacobsen, CEO says:
"Although the 2009 impairments are lower than in 2008, and DKK 47 million of the impairments in 2009 can be ascribed to other banks' impairments through Credit Package I, we are still looking at high impairments on our part. The Danish corporate real estate market seems to have hit rock bottom, and therefore, we expect lower impairments in 2010 than in 2009, although they will remain relatively high."

- Net interest income shows an increase of 1.3 per cent to DKK 518 million
- Net fee and commissions have decreased 45 per cent to DKK 113 million
- Market value adjustments on securities are a loss of DKK 51 million compared to a loss of DKK 257 million last year
- Core income for 2009 increased by 17 per cent to DKK 599 million
- Total impairments are DKK 526 million, a decrease of 13 per cent to 2008.
- The total cost of Credit Package I was DKK 114 million compared to DKK 25 in 2008
- Results before taxes is a loss of DKK 386 million compared to a loss of DKK 511 million in 2008
- Result after taxes amounts to a loss of DKK 297 million compared to DKK 403 million last year
- Solvency ratio is 11.6 per cent compared to 10.4 per cent in 2008, and core capital ratio is 8.6 at the end of the period
- Liquidity is DKK 5.1 billion, an excess cover of 140.5 per cent over statutory requirement
- As of 29 October 2009, Eik Banki has been granted hybrid core capital of DKK 327 million under Credit Package II
- Total loans have decreased by 1.4 per cent to DKK 15.4 billion compared to 2008.
- Total deposits increased 2.1 per cent to DKK 14.4 billion compared to DKK 14.1 billion in 2008
- Loans, advances and impairments in proportion to deposits is 113.7 per cent compaired to 115.3 per cent in 2008.

Outlook 2010
Eik Banki Group expects a positive result for the year 2010.

Group DKK Million	2009	2008	Change in per cent	4Q 2009	4Q 2008	Change in per cent
Basic Income Statement						
Net interest income	518	512	1	122	138	-12
Net fee income	113	204	-45	40	51	-22
Dividends on shares, etc.	2	27	-93	-0	-0	-
Market value adjustments	-51	-257	80	-93	-134	31
Other operating income	17	26	-35	3	18	-83
Core income	**599**	**512**	**17**	**72**	**73**	**-1**
Operating expenses, depreciation and impairments	386	392	-2	111	97	14
Core earnings before impairments	**213**	**120**	**78**	**-39**	**-24**	**-63**
Impairments of loans and claims	481	598	-20	193	414	-53
Core earnings	**-268**	**-478**	**44**	**-232**	**-438**	**47**
Income from associated and subsidiary undertakings	-4	-8	50	7	-8	-
Profit on ordinary operations	**-272**	**-486**	**44**	**-225**	**-446**	**49**
Credit Package I, guarantee cost	69	19	-	19	19	-
Credit Package I, impairments	45	6	-	11	6	-
Profit before taxes	**-386**	**-511**	**24**	**-255**	**-471**	**46**
Taxes	-89	-108	-	-58	-101	-
Net profit for the period	**-297**	**-403**	**26**	**-197**	**-370**	**47**

The tabulation of Income Statement deviates from the tabulation used previously. However, the different tabulation has no effect whatsoever on the result which corresponds to the regular tabulation on page 38.

Key Figures and Financial Ratios
Selected Figures

Group DKK Million		2009	2008	2007	2006	2005
Balance Sheet						
Total assets		21,591	21,687	21,576	11,828	8,621
Loans and other claims		15,420	15,637	15,570	8,271	6,551
Deposits and other dept		14,431	14,135	13,263	6,116	4,483
Issued bonds		1,967	1	0	0	0
Subordinated dept, incl hybrid core capital		1,073	454	448	150	0
Equity		1,344	1,635	2,092	1,209	917
Ratios						
Solvency and capital						
Solvency ratio		11.6%	10.4%	13.5%	11.0%	11.0%
Core capital ratio		8.6%	7.3%	10.6%	10.8%	13.3%
Earnings ratios						
Return on equity after tax	ROE	-20.0%	-21.6%	24.4%	23.6%	14.5%
Income / cost ratio		0.61	0.50	2.21	2.38	1.81
Shares						
Share price end period		80.00	95.00	520.00	502.00	184.50
Book value per share	BVPS	165.33	201.16	274.55	171.60	135.00
Price to book	P/B	0.48	0.47	1.89	2.93	1.37
Liquidity ratios						
Loans, advances and impairments in proportion to deposits		113.7%	115.3%	119.2%	138.7%	152.5%
Excess liquidity cover relative to statutory requirement		140.5%	164.4%	103.4%	125.1%	80.1%
Credit risk ratios						
Large loans as percentage of capital base		179.6%	235.4%	144.1%	224.9%	102.6%
Write-offs and impairments during the period		2.9%	3.3%	-0.1%	-0.3%	0.1%
Total loans in proportion to equity		11.5	9.6	7.4	6.8	7.1
Increase in loans		-1.4%	0.4%	88.8%	26.3%	29.7%

Comparative figures for 2005-2006 have not been adjusted according to the new accounting principles, but 2007 figures have been partly adjusted.

Se page 110-112 for a complete overview of key figures

Management Review

Dear Shareholder

In your hands, you are holding the 2009 Annual Report of Eik Banki, and it is with regret that we present this far from satisfactory result.

The result for 2009 was a loss of DKK 297 million. The shareprice, which at year-end 2008 was 95 fell to 80 by year-end 2009. Hence, 2009 did not meet our expectations and the Management acknowledges that this is by no means sufficient for our shareholders. However, the strategic platform of Eik Banki Group is strong. Consequently, despite the challenges, we see positive aspects on the horizon.

Eik Banki Group is the largest financial group in the Faroe Islands. The corporation has a market share of more than half of the Faroese market, and our results from this market are highly favourable. We own the largest internetbank in Denmark, and the majority of our activities in the Danish market are successful. Based on these pillars, we are confident that Eik Banki Group will create good results in the years to come.

The contemporary challenges of the Group are in the Danish market where the Group has impaired vast amounts on corporate real estate. Our focus is on reaching proper solutions for the real estate involved. Some cases still need to be solved. When this challenge is finally met, and as soon as the tide turns for the Danish market, the negative outlook will fade.

The experiences from the market of corporate real estate are to be exploited in a way in which the Bank will continue to do business within this area. However, framework is to be set up, with the objective to limit the risk within this industry in the future.

The Bank is resistant towards the current challenges from the economy.

In 2009, Eik Banki Group took out DKK 621.5 million in hybrid core capital from the Danish Government. Furthermore, the Bank has secured a guarantee frame of DKK 9.1 billion from the Financial Stability Company (Finansiel Stabilitet), enabling the Group to take on loans backed by state guarantee.

Several steps have been taken to further ensure the Group a strong strategic platform from which to continue to build and grow its business, when the financial and economic crisis retreats and the economy begins to grow again.

In the Faroese market, where Eik Banki has its roots, we will continue to provide all our customers with high standard banking products and services on a full service basis. We will also focus on optimising and rationalising operations.

Outside of the Faroe Islands, we strive to provide unique services established complementary to our internetbank, which will be developed further and become our core competence. Internetbanking activities benefit from economies of scale, and therefore, our Danish internet bank will be established in the Faroese market.

Furthermore, emphasis will be on harvesting synergies within the Group. The Bank has appointed Group personnel responsible for exploiting any possible synergy. This work has already resulted in tangible savings.

In 2010, the Group will convert to SDC's IT-platform for financial services. In this connection, Eik Banki Group has become a shareholder of Skandinavisk Data Center, SDC.

From late 2010, all business activities in the Eik Banki Group on both markets will be based on the same IT-platform. This will result in significant advantages for the Group and is thus in line with the Group strategy.

The change brings about improved and more advanced IT-systems, and as a shareholder in SDC, the Eik Banki Group can influence which systems are developed. IT-operations will in the long term become more inexpensive, and the Group will get more value for money.

Financial news

Eik Banki continuously seeks to optimise features on the website and ensure that customers have access to all relevant information. As part of this, webcasts are made on a regular basis providing our Faroese customers with business news and financial news from around the World.

Eik Bank Danmark

Eik Bank Danmark is the largest internet bank in Denmark. The Bank offers retail, corporate and investment banking. During the last two years, the Bank's results have been affected negatively by high impairments particularly on corporate real estate, whereas the retail banking area

Skandinavisk Data Center operates throughout Scandinavia, and therefore, converting to SDC may prove to be beneficial in possible expansions.

The number of shareholders in Eik Banki is unchanged in 2009. We believe that investors regard Eik Banki as a good investment opportunity because of the current shareprice. The changes in the Articles of Association, which made it easier for major shareholders to appoint their own member to the Board of Representatives, has increased shareholders' ability to influence the development of the company. Two new shareholders, one Danish and one Faroese, have used this opportunity, and we welcome them.

It is our strong belief that we will see an increasing number of shareholders following this example, and hopefully this will attract new investors to the Bank.

This will sharpen the edge of the Bank even faster, and further enable the Bank to follow its strategy.

As mentioned in the beginning, 2009 did not meet our financial expectations. And although 2010 likewise will be challenging and will result in large impairments, we expect the worst to be behind us and that the Group in 2010 will produce a positive result. As we have pointed out, several significant steps have been taken to ensure the Bank, and hereby you as shareholder, a favourable result in the forseeable future.

The stockmarket decides the value of our share. It is our hope that the market in 2010 will trust that Eik Banki Group has been through its toughest trials and that the Bank is capable of taking advantage of its highly favourable strategic position, beneficial for all its shareholders.

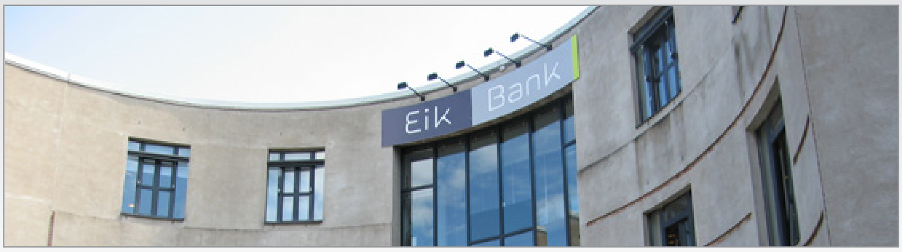
Kind regards

Marner Jacobsen, CEO

Bjarni Olsen, Managing Director

has done well. During 2009, focus has been on increasing cross-sales to current customers, and this process has been successfull.

Further information is available at www.eikbank.dk



Macro Economic Environment – outlook and recent developments

As predicted, the financial crisis developed into an economic crisis during 2009. Generally speaking for all economies, the rapid value reductions have had large implications for financing possibilities and demand in both private and commercial sectors. The falling activity level also has had implications for revenue of the public sectors, which has lead to political dicussions about which fiscal policies to conduct in the future.

Eik Banki Group has activities in both the Faroe Islands and Denmark. Both economies are as a starting point fundamentally sound with low unemployment, low foreign debt or even net foreign assets, and low public debt.

With the fishing industry being the main sector, the Faroese economy has not been as affected by the financial crisis as many other economies. The fishing industry has always been rather volatile, both the fisheries and the manufacturing part on land, but the recent development in the industry is more or less within the normal variation of the fishing industry.

The property prices in the Faroes have risen until 2008, but not nearly as much as in the surrounding countries. Hence, neither the rise in private demand based on the rising property prices, nor the fall in private demand as a result of falling property prices during 2009 has been as large as in Denmark i.e. However, the general fall in share values and the uncertainty about the future has affected both private consumption and private investments in housing. This has lead to lower activity. The Governmental Bank, Landsbankin, estimates a fall of 3.2 per cent in GDP (current prices) in 2009, but an increase between 1.1 per cent and 5,8 per cent (current prices) in 2010. There is a rising unemployment, but being 5.3 per cent at year end it is still low. The falling private consumption and lower investments has lead to a large surplus on the balance of payment, but has also lead to falling profits in the trade industry as well as in the construction industry and dependent industries.

The Faroese public sector has experienced a fall in revenue as a result of this development and consequently, the deficit of the public sector has grown to around 6-7 per cent of GDP in 2009, but the government is expected to tighten the fiscal policy in order to reduce the deficit. Although the public debt is low and the situation, hence, does not necessitate a tight fiscal policy momentarily, there is a political wish to do this in proper time. Therefore, it is expected that the fiscal policy may reduce the economic activity in the Faroes, with a subsequent rise in unemployment.

About half of the loans of Eik Banki Group have been advanced to customers outside the Faroes Islands, mainly Denmark, through the subsidiary Eik Bank Danmark A/S. And more than half of the deposits of the Eik Banki Group have been deposited through Eik Bank Danmark A/S. The Danish economy has been hit relatively hard by the financial crisis. This applies notably to the property sector. As a result Eik Banki Group has suffered impairments of loans and claims of above DKK 800 million during 2008 and 2009 from loans outside the Faroe Islands. These impairments are also the single most significant contribution to the operating loss of the Eik Banki Group in 2008 and 2009.

The outlook for the Danish economy is, however, fairly good. The Danish Ministry of Finance estimates that the economic activity in Denmark has been rising in the second half of 2009. Following an estimated fall of 4.3 per cent in GDP (fixed prices) in 2009 it is expected that GDP will increase by 1.3 per cent in 2010 and by 1.6 per cent (fixed prices) in 2011. The Danish Government has chosen to conduct a rather loose fiscal policy with an estimated deficit in 2009 of 3.0 per cent of GDP in 2009, 5.5 per cent in 2010 and 4.4 per cent in 2011.

Based on these considerations, Eik Banki Group expects the outlook for Eik Banki P/F in the Faroes and its Danish subsidiary to be improving. A tighter fiscal policy in the Faroes and a continous low demand may reduce the operating result of Faroese activities. In our Danish activities we expect the bottom to be passed, and we hence expect better results in 2010.

Increased demand for mortgage credits

Despite a general decline in the demand for loans and credits, the demand for mortgage credits has increased significantly.

At year-end 2009, approx. DKK 1.2 billion of loans advanced to home owners were mortage credit loans, including DKK 600 million worth of loans, which in 2009 were converted and advanced as new loans.

The interest rate differential between traditional home owner loans and mortgage credit loans is increasing, and this has encouraged retail customes to convert their traditional loans into mortgage credits. Eik Banki expects this trend to continue in 2010.

Eik Banki introduced mortgage credit loans to the Faroese market in 2005.

Having said this, the general uncertainty about the future still is a major factor influencing the economies, and therefore also the banking system.

Financial Review 2009

As of 1 January 2009, the International Financial Reporting Standard (IFRS) came into force on the Faroe Islands. The transition to IFRS has no implications for recognition and measurement in the Group, but only increased the needs for information. Consequently the Statement of Financial position as at 1 January 2008 is unchanged compared to the previous accounting principles. This implies that a comparison to previous years ought to be made with precautions. On the other hand, the financial report is now comparable to those of international financial institutions.

The financial recession has affected our core operation negatively, and the annual result is far from satisfactory. The result prior to value adjustment, impairments and taxes is DKK 191.0 millions compared to DKK 349.6 million last year.

2009 has also been affected by continous high impairments, especially on loans to corporate real estate, particularly in Denmark. A turbulent year for Eik Banki Group, which has international activities and by Faroese standard is a large financial institution.

Net interest, fees and commission decreased from DKK 743.1 million in 2008 to DKK 633.3 million in 2009, which is a decrease of DKK 109.8 million or 14.8 per cent.

Market value adjustments in 2009 amounted to a deficit of DKK 51.2 million against a deficit of DKK 257.3 million in 2008.

Net profit on financial operations and other holdings were increased by DKK 90.9 million, i.e. 18.1 per cent from DKK 503.5 million in 2008, to DKK 594.4 million in 2009.

Total employee and administration expenses were DKK 371.2 million in 2009 compared to DKK 370.6 million in 2008, an increase of DKK 0.6 million.

Impairments were DKK 526.3 million in 2009. This corresponds to 2.9 per cent of total loans and guarantees. Total impairments at year-end 2009 were DKK 923.6 million.

The result before taxes was a loss of DKK 386.5 million, against a loss of DKK 511.9 million in 2008. Net result for the year was a loss of DKK 297.3 million compared to a loss of DKK 403.4 million in 2008. The actual result is better than the expected result which the Bank published on the 23 February 2010 to be a loss of DKK 310-320 million. The difference can mainly be explained by lower negative fair value adjustments on financial assets.

Eik Banki is the largest bank in the Faroe Islands and the domestic market is still the largest single field of operation.

Despite the current gloomy prospects, Eik Banki maintains its objective to expand and diversify its overseas activities in order to increase income and spread risk. This also strengthens our position in the domestic market considerably, as we gain inspiration from our international activities, exploiting these to the benefit of our Faroese customers. Simultaneously, the many miscellaneous activities contribute to a challenging and exciting atmosphere for Eik Banki's employees.

Return on equity year-begin was minus 18.2 per cent. Naturally, this is far from satisfactory as the target is an annual return of 15 per cent. Return on equity, calculated as the average equity at year-begin and year-end, is minus 20.0 per cent. After tax earnings per share were minus DKK 38.0 compared to minus DKK 51.0 in 2008. To calculate, the median per share throughout the year is used. Eik Banki has, by participating in Credit Package I, renounced the possibility to pay out dividend before 30 September 2010 and accordingly, the Board of Directors

proposes to the Annual General Meeting that no dividend is paid out in 2009.

The balance for 2009 is DKK 21.6 billion against DKK 21.7 billion in 2008. Loan portfolio decreased from DKK 15.6 billion to DKK 15.4 billion. Deposits increased by DKK 0.3 billion or 2.1 per cent from 14.1 billion to DKK 14.4 billion.

Equity by year-end 2009 is DKK 1.3 billion compared to DKK 1.6 billion last year.

Group solvency is 11.6 per cent compared to 10.4 at year-end 2008. The solvency for the parent company Eik Banki P/F is 17.8 per cent unchanged from 2008. The statutory minimum requirement is 8 per cent.

Core capital by year-end is 8.6 per cent and 13.3 per cent for the Group and Eik Banki, respectively.

Liquidity remains very good. Liquidity at year-end 2009, calculated as cash-in-hand, sight deposits in other banks, certificates of deposit in the Danish Central Bank and securities was DKK 5.1 billion. Furthermore, drawing rights with the Danish Central Bank should be included. In relation to short-term liabilities due within one month, exceed liquidity was 334.0 per cent and in relation to total liabilities it was 140.5 per cent. For 2008, the corresponding figures were 352.4 and 164.4, respectively. Statutory minimum requirements are 15 per cent and 10 per cent, respectively. Excess cover compared to statutory minimum requirement is 140.5 per cent.

The number of employees in Eik Banki Group converted to full-time equivalent was 331 compared to 330 at the beginning of the year.

Events after the end of the financial year
The Group has secured a guarantee frame of DKK 9.1 billion from the Financial Stability Company (Finansiel Stabilitet), enabling the Group to take on loans backed by state guarantee.

In March, Eik Banki raised DKK 80 million in supplemental capital, increasing the solvency of the Group to 12.1 per cent calculated on basis of year-end 2009.

In February and March Eik Banki P/F has increased the equity in Eik Bank Danmark with DKK 350 million. DKK 250 million is done by converting subordinated loans to equity. The core capital of Eik Banki Danmark is increased to 14,3 per cent calculated on basis at balance sheet at year end 2009.

Eik Banki has not been involved in any significant law suit or arbitration procedures that are expected to have a deteriorating impact on the result, and Eik Banki has no knowledge of any such matters being underway.

Apart from this no events of significance for the annual accounts 2009 have occurred after 31 December 2009.

Risk of loss is still high due to the deterioration of the international economy. Besides this, Eik Banki has no knowledge of possible trends, uncertainties, demands, obligations or events that could be expected to have a significantly negative impact on the prospects of Eik Banki.

In preparing the Annual Report no special uncertainties regarding measurements and judgements are identified.

Eik Banki Group expect a positive result for the year 2010.

Funding and Liquidity

Main Funding Sources
The activities of Eik Banki are based on various funding sources with a continued emphasis on equity and deposits. Eik Banki has a continued focus on the maintenance and development as regards access to alternative financial sources.

Currently, Eik Banki Group mainly operates with the following funding sources:

1. Share capital
2. Supplemental capital
3. Deposits
4. Syndicated and bilateral loans
5. Mortgage credits
6. Debt Bonds

Share Capital and Supplemental Capital
Equity and supplemental capital help increase the solvency, which should always be at the minimum statutory requirement of 8 per cent.

Including the 2009 result and calculated according to § 124 section no. 1 of the Danish Financial Business Act, the capital base is DKK 1.8 billion. The capital base is divided into core capital less deductions and supplemental capital as illustrated in table 1.

The supplemental capital, i.e. subordinated capital infusion, may according to the law be up to 100 per cent of the core capital after deductions. Currently, the supplemental capital constitutes 34.9 per cent of core capital after deductions. In 2008, supplemental capital constituted 42.4 per cent.

Eik Banki has not increased its share capital or raised supplemental capital in 2009. The deteriorating turn and poor prospect on the global financial market has made it difficult for financial institutions to increase share capital or raise supplemental capital in 2009.

Credit Package II, agreed on by the Danish Government on 3 February 2009 opened the possibility for financial institutions within the Kingdom of Denmark, to obtain hybrid core capital from the Danish state. Eik Banki and Eik Bank Danmark applied and received DKK 327.2 million and DKK 294.3 million, respectively in hybrid core capital.

A financial institution's core capital is composed by equity and hybrid core capital, which to an extent is equivalent to regular equity. The main difference is that the hybrid core capital accumulates interest entered as an expense over operations, while the annual result is added to equity belonging to shareholders.

Hybrid core capital is subordinated to all other supplemental debt. And there are distinct stipulations as to the conditions under which the loan is to be included in the core capital. For instance, the loan must have an infinite repayment period, debtor may cancel the loan no sooner than ten years after the signed agreement, and repayment can only take place after permission is granted from the Danish Financial Supervisory Authority. Special conditions adhere to the core capital, which the Danish Government provides and financial institutions, which receive hybrid core capital from the Danish Government, are assigned limitations.

According to Article 3 in the Articles of Association, until 1 October 2012, the Board of Directors shall be authorised to increase the share capital by one or more issues to a denomination of DKK 200,000,000 in total. The authorisation may be carried out wholly or partly by raising loans against bonds or other instruments of debt, which shall entitle the lender to convert his claim into shares (convertible bonds).

Table 1
Capital Base

DKK Million	2009	2008	2007	2006	2005
Core capital less statutory deductions	736	1,120	1,657	977	860
Hybrid core capital	621	0	0	0	0
Supplementary capital	475	475	476	150	0
Capital base less statutory deductions	**1,832**	**1,596**	**2,133**	**1,127**	**860**
Deduction in capital base	0	0	28	131	148
Capital base	**1,832**	**1,596**	**2,105**	**996**	**712**

Video on Eik Banki Group
Information on the Eik Banki Group is now available in moving pictures. A short video depicts the Eik Banki Group as an investment case.

The 4 minutes and 34 seconds long video is an introduction to the Eik Banki Group, and the values, strategy and potential of the Bank.

'Eik Banki – an Investment Case' premiered on a Capital Markets Day, held by the Faroese Securities Market in Copenhagen on 2 December 2009.

The video is available on the internet on this link: http://www.youtube.com/user/kovboyfilm. Search the site for "Investment Case, Eik Banki".

At present, the Board of Directors has no specific intention of exploiting this possibility.

Deposits

Eik Banki Group is continuously working on maintaining a satisfactory balance between deposits and lending.

The acquisition of SkandiaBanken in 2007 strengthened deposits considerably in relation to other sources of financing, as SkandiaBanken had a surplus of deposits amounting to approximately DKK 1.6 billion. At year-end 2009, Eik Bank Danmark's excess deposit was DKK 657 million.

Group deposits are now DKK 14.4 billion compared to DKK 14.1 billion for the same period in 2008.

A considerable part of the deposits are still deposits on demand, 51 per cent by year-end 2009 compared to 49 per cent by year-end 2008. However, the majority of the deposits 58 per cent have a balance below DKK 1 million as illustrated in figure 2.

At year-end 2009, loans, advances and impairments in proportion to deposits were 113.7 per cent compared to 115.3 per cent at year-end 2008. Loans, advances and provisions in proportion to deposits were at their highest at year-end 2005 i.e. 152.5 per cent. Compared to many Danish banks, the ratio in Eik Banki Group is considerably lower being an advantageous factor in times like these.

On 30 September 2010, the government backed contingency fund, Credit Package I, expires and the Deposit Guarantee Fund is reinstated. Guaranteed amount is raised to DKK 750,000 in each financial institution. The Deposit Guarantee Fund covers all financial institutions in the Danish Kingdom and thereby including Eik Banki as well as Eik Bank Danmark.

Bilateral and Syndicated Loans

Of long-term debt to financial institutions, i.e. loans with an original repayment period of no less than one year, two loans are to be refinanced or paid in 2010. One is a bilateral loan of a total of DKK 50 million and one is a syndication loan of EUR 140 million, i.e. approximately DKK 1,044 million.

These loans are due for payment in the second and third quarter of 2010. These loans are expected to be refinanced by a state guaranteed bond issue if they are not fully paid.

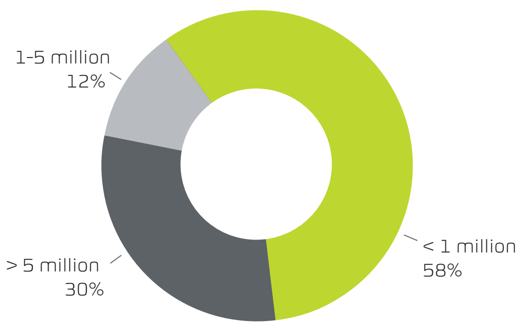
In 2009, Eik Banki paid four bilateral loans of DKK 306 million and one syndicated loan of nearly DKK 700 million.

Mortgage Credits

The share of mortgage credits in the Faroese market increased significantly in 2008, as the interest margin between mortgage credits and traditional residential loans widened. In 2009, there has also been a considerable increase in the share of mortgage credits.

Since November 2005, Eik Banki has cooperated with the Danish mortgage credit institution BRF Kredit. Loans are provided with Eik Banki as the guarantor. Mortgage credits were originally 60 per cent of the estimated property value but have since then increased to 80 per cent of the value. In 2008, Eik Bank Danmark also signed a cooperative agreement with BRF Kredit.

Figure 2
Group Deposits Divided According to Size
31 December 2009



The Youth Branch

Since 2006, our customers between the ages of 18 to 25 have had their very own Eik branch office in Torshavn to turn to for advice on financial matters as well as relevant events on a regular basis. The Youth Branch also manages the website www.18-25.fo which is under constant development providing the target group with advice and innovative tools necessary to become aware consumers.

At Eik Banki's youth branch in Tórshavn advice as well as surroundings have been tailored for the young customer.

Figure 3
Development in the Composition of Deposits

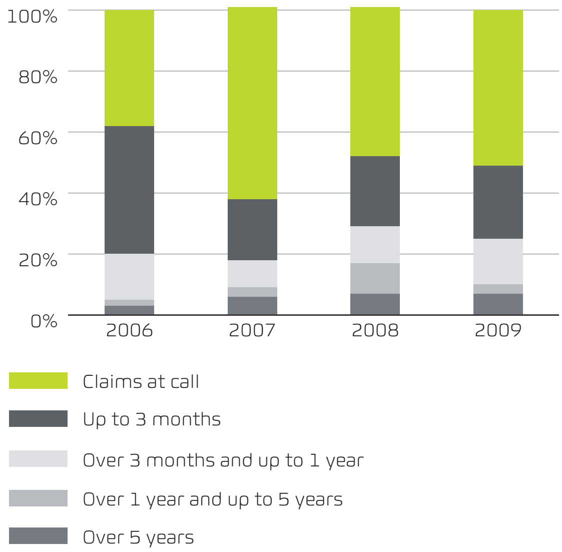
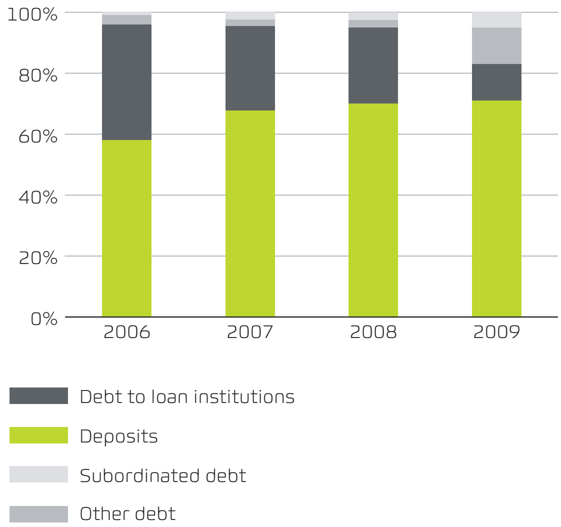


Figure 4
Distribution of Funding



Apart from giving Faroese homeowners alternative methods of financing their houses, providing mortgage credit means that Eik Banki has gained access to an alternative funding source, and thus an opportunity to sustain its activities.

In 2009, DKK 603 million where provided as mortgage credits and total mortgage credits amount to DKK 1,341 million by year-end.

Bonds Issue

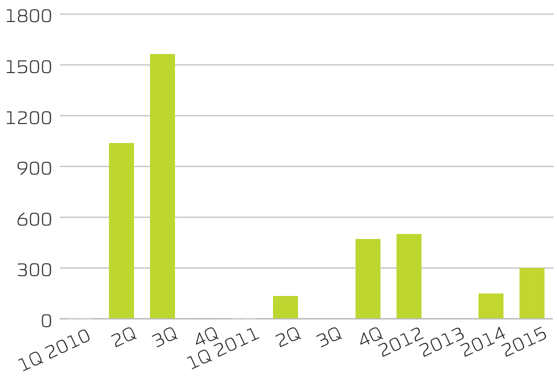
Eik Banki Group has issued eight bonds of which three are listed on Nasdaq OMX Nordic Exchange Copenhagen.

Four of the bonds are senior debt and as such, just like all other debt and deposits, except subordinated capital and equity, guaranteed by the Danish Government until 30 September 2010 according to Credit Package I. The total amount is DKK 1,966 million.

One bond is subordinated debt of DKK 150 million, issued in 2006.

The last three bond issuances are hybrid core capital of DKK 621.5 million, issued in connection with Eik Banki Group's application and reception of hybrid core capital from the Danish Government.

Figure 5
Maturity of Long Term Debt
DKK Million



Eik Banki expects an increased number of state guarantee bond issuances in DKK or EUR.

According to the law on Credit Package II, financial institutions in the Danish Kingdom are entitled to apply for individual state guarantee for bond issuances etc.

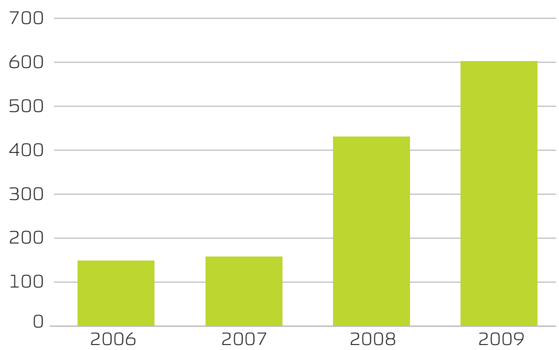
The Group has secured a guarantee frame of DKK 9.1 billion from the Financial Stability Company (Finansiel Stabilitet), enabling the Group to issue bonds backed by state guarantee.

Operational Review

Retail Banking
Both banks in the Group provide clients with retail services, the parent company primarily through branches in the Faroe Islands and Copenhagen, Denmark via the Internet bank and over telephone.

Increased demand for mortgage credits and focus on the best advisory service
Despite a general decline in the demand for loans and credits, the demand for mortgage credits has increased significantly on the Faroese market. Furthermore, Eik Banki maintains its focus on constantly improving its advisory services for retail customers and reaching even more customers.

Figure 6
New and Converted Mortage Credit in the Faroe Islands
DKK million



The cautious customer behaviour affects the current demand on loans and credits. At year-end 2009, however, approximately DKK 1.3 billion of loans advanced to home owners were mortage credit loans, including DKK 603 million, which in 2009 were converted and advanced as new loans.

The interest rate differential between traditional residential loans and mortgage credit loans is increasing, and this has encouraged retail customers to convert their traditional loans into mortgage credits. The Bank expects this trend to continue in 2010.

A good 66 per cent of the mortgage credits in Eik Banki are floating-rate mortgages while 25 per cent are fixed-rate mortgages and the remaining 9 per cent are so-called guarentee mortgages with capped interest rate.

In November 2009, the retail banking area was restructured into two main areas as part of an ongoing rationalisation process.

In recent years, the financial institutions' advisory services have been in focus. During the last year, the Bank has implemented documented regulations on code of professional conduct regarding mortgages. Furthermore, we now fulfill the requirements on APR information. Other rules and regulations are underway, e.g. MiFID regulations, which we will fulfill when they are adopted in the Faroe Islands.

Increased cross-sales and improved on-line services
On the Danish market the Bank offers personal advice within investments, pensions and estate financing. Personal financial advice is available online, over the phone and under some circumstances at personal meetings with financial advisors. By year-end 2009, it became possible for customers to have their investment profile uncovered in the netbank, in accordance with the MiFID requirements.

During 2009, focus has been on increasing cross-sales to current customers, and this process has been successfull.

Kollafjørð Pelagic
In mid December 2009, the fish processing plant Kollafjørð Pelagic opened for business after two years of standstill. Eik Banki owns the plant, but has leased it to a Faroese-Dutch cooperation, i.e. Dutch fishery entity Parlevliet & Van der Plas and Faroese shipping firm JFK. The cooperation has taken on the venture and leased the plant with the option to buy within the one year leasing period.

The pelagic fleet has welcomed the opportunity and 50 people work in 12 hour shifts at the plant, which receives and processes all kinds of pelagic fish from the North Atlantic Ocean for export.

In 2010, the Bank will see increasing competition regarding deposits from customers, due to the termination of Credit Package I by the end of September. The Bank is increasing its efforts to improve the tools within risk management and customer relationship management. The Bank is well prepared for future competition.

Corporate Banking

Favourable year for fish farming, although profit in corporate banking in general has decreased

Faroese corporations are hesitant making new investments, and profit in general has decreased in 2009. Conditions to obtain a profitable operation for most corporations are dubious at the moment, resulting in a decrease in the loan activities, and on the side of the Bank a more cautious growth in loans to the corporate business sector compared to previous years.

The market share is, however, still good, and the diversification between the various industries is reasonable.

Impairments related to corporate businesses have increased due to a decreased value of the corporations and consequently the Bank's collateral. Additionally, a number of corporations are challenged in relation to paying interests on their loans and are troubled financially.

However, many corporations are also financially viable and have adjusted their operations to less activity and decreased income.

Highly profitable Fish Farming Industry

The fish farming industry in the Faroes had a favourable year in 2009, due to relatively high fish prices, and the fact that biologically, fish farming has proven to be a success. Salmon production in Chile decreased significantly due to illness and therefore the volume of salmon in the market was notably less, pushing the prices upwards.

Simultaneously, the American market lacked salmon, providing the Faroese fish farms with an alternative market.

In 2009, the fish farming industry produced 51,500 tons of salmon and 8,800 tons of trout, being almost the highest production ever. Growth in volume can hardly expand in the coming years considering the present framework and licences.

Other Faroese industries

2009 was a challenging year for several industries, including the onshore and offshore fishing industry due to significant decrease in fish prices. The trade and service sector experienced decreased activity, due to less spending from households. However, according to statistics and prognosis both industries are expected to stabilise in 2010.

Centralisation of Corporate Lending Departments

In 2009, all corporate lending activities in the Faroe Islands have been centralised in order to optimise, sharpen the quality and service level, and increase the focus on risk factors.

Focus on sustainable energy and continous reduction of project financing

In general, the corporate lending loan portfolio in Denmark is categorised as follows: The financing of real estate investment, Construction and real estate project financing, Investment leverage, Mortgage deeds, Sustainable energy and Wholesale lending/ funding to other Danish financial institutions.

Products

When financing real estate investment in the Danish market, the Bank emphasises the actual location of the property, the application variety, and not least the strength of the present and future cash flow. It is essential to the Bank that mortgaged property is well placed geographically and rented to financially strong, bona fide lessees on a long-term basis on irrevocable contracts. Furthermore, it is important to the Bank that the interest risk, of the total financial deal for the property, is at an acceptable level.

Typically, the mortgaged properties are located in Denmark, Sweden and Germany.

The Group does not expect any significant growth in construction and real estate project financing in 2010, mainly because most projects have been completed or are nearly completed. However, it can be expected that the completed projects will have a longer selling period than usual, mainly because of the economic situation. The Group expects that the total portfolio of project financing will be reduced significantly within a period of 2 to 3 years.

By the end of 2009, the Bank has entered into individual agreements with financial institutions, in which the Bank offers foreign currency loans to their customers against securities in the form of bank guarantees from the financial institution involved.

The Bank continues to reduce it's exposure to mortgage deeds. The bank still expects these activities to be fully closed down by the end of 2012.

In the coming year, Eik Bank Danmark will direct a greater part of the loan activities towards financing projects concerning sustainable energy. It is mandatory for the financed projects that there by a relatively high certainty can be estimated and calculated future cash flows, which can be favourably compared to the intended financing. Furthermore, Group policy regarding corporate lending has been tightened. Eik Banki Group will no longer participate in large projectfinancing unless the projects can be carried on the Group's own books if necessary.

Future Challenges

It is estimated that the sluggish real estate market in Denmark, also in 2010, will bring on its challenges for the financial sector. Subsequently, the Bank does not expect a significant thawing of the real estate market in the near future. However, there are signs of an incipient normalisation of the market, and a growing appetite for buying with the stronger market participants.

Capital markets and securities trading

As part of the process of harvesting synergies, the Markets departments in Eik Banki and Eik Bank Danmark, respectively, have been combined in 2009. This department services clients on the Faroese and Danish market.

Increased trading activities as risk appetite increases

Increased risk appetite lead to a surge in investment activities in 2009. Central bank intervention, low interest rates and government subsidies, through financial packages and tax relieves formed the basis for ending the deterioration of the world economy and alleviating the anxiety that had affected markets.

The result was that the stock markets had one of their best years in decades. On average, shares MSCI World Index rose by 23 per cent in 2009. Some markets more, others less. Investors particularly favoured shares in the financial sector. Faroese shares, listed on Nasdaq OMX Nordic Exchange in Copenhagen and Iceland, were an exception to the overall picture and fell on average some 18 per cent in 2009.

Faroese shareholders have paid dearly for the poor performance of Faroese shares the past two years. The value of share deposits has shrunk significantly and this has influenced investment climate. However, for the combined Markets a turnaround in the second half of 2009 contributed to an increase in trading activities. There was a particular interest for bonds, interest rate swaps and currency hedging. This has naturally had its impact on the result of Eik Markets. We expect this positive trend to continue in 2010.

Pensions

Growing interest in pensions and preparations for changes in national pensions regulation

The trend of increased interest in pensions over the past years continued. A growing number of customers set up pension accounts and deposits increase every year. New legislation in the Faroese market is expected to have a positive effect in the coming years whereas the change in the Danish pension scheme, where tax incitement has been reduced, will have a negative effect. In 2009, the deposits increased by approx. 10 per cent compared year on year in Eik Bank Danmark.

Faroese Stories on Film

The DVD 'Faroese Stories 2' was released in 2009, and was every bit as succesful as its predecessor 'Faroese Stories 1', which was released in 2008. The project 'Faroese Stories 1 and 2' is sponsored by Eik Grunnurin (The Eik Fund) and involves collecting, digitally editing and publishing clippings dating 100 years back, recorded by Faroese people and foreigners who have visited the islands.

Faroese people at home as well as abroad have welcomed the rare chance to see the clippings picturing every day life during the last century.

Although not all the clippings have been released on DVD, the entire material has been digitally edited and given back to the owners, and copies have been donated to the National Library.

The Faroese Ministry of Finance is preparing a new pension reform, which is expected to be approved by the Faroese Parliament in 2010, with effect from 1 January 2011. Eik Banki together with other financial institutions and life insurance companies has made an effort to have a say in this reform process. The changes will be substantial. The reform will lead to every citizen having a pension plan. Emphasis will be placed on life annuity while capital pensions will dwindle. Eik Banki is already preparing for the big changes in pensions regulation.

Investment Banking

Decreased activity in general, but prospects of managing the biggest infrastructure project in Faroese history

Eik Investment Banking has activities in the Faroe Islands and in Denmark. The department provides all traditional investment banking advisory services, including mergers and acquisition (M&A), IPO's, stock exchange listings, coordinating due diligence processes etc., in which the employees have extensive experience.

Investment Banking activities have in 2009 been heavily influenced by the economic slowdown in the Faroese economy. Lower earnings have put a pressure on the value of companies that are not publicly traded. This combined with limited financing opportunities has resulted in lower M&A activity.

The economic slowdown has lead to overcapacity in many industries. Eik Investment Banking has thus turned focus to the following areas: advisory work in connection with mergers and restructuring of businesses. Furthermore, the department has permanent advisory agreements with other external companies.

It is likely that one of the companies, which the department manages, the P/F Skálafjarðartunnilin, in the near future will begin to build a subsea tunnel, which will be the biggest and probably most important infrastructure project ever in the Faroe Islands.

Due to decreased acitivty, however, the department has reduced its number of employees in 2009.

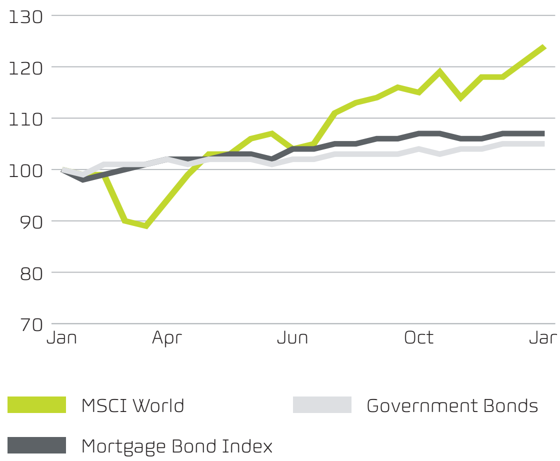
Asset Management

Good returns on all asset classes in 2009

The department manages mixed investment mandates for customers. The customers are institutional, commercial and private investors. Investments are made primarily in Danish bonds and global equities. The accounts vary in size, from DKK 1 million and up. In addition to the investments themselves, the Asset Management department services customers with reports and regular updates on the trends in various markets and on the investments themselves.

In 2009, investors benefitted from rising markets in both equities and bonds. Global equity markets rebounded approximately 50 per cent from their

Figure 7
Asset classes in 2009



March 2009 lows. The turnaround in March coincided with a period where the economic data and news were continually better than investors expected. It also coincided with very low interest rates, and central banks signalling to keep the rates low for a considerable period of time.

The government bond market was stable in 2009. Bond investors benefitted especially from good performance by the mortgage bond segment. Assets under management remained stable in 2009.

Business in Asset Management contracted somewhat in 2009 in relation to 2008. This was due to the high interest rates offered on deposits from autumn 2008 and into the start of 2009. These rates were considerably higher than the yield on both government and mortgage bonds, and clients transferred some of their funds out of bonds and into deposits. In 2010 we expect business to grow again.

Private Banking

Growing business area

In Denmark as well as in the Faroe Islands, Private Banking services are offered to wealthy customers in need of services and advice beyond regular services. The Faroese department opened for business in the spring of 2009, whereas Private Banking has been one of Eik Bank Danmark's key services since the foundation.

In Denmark, relevant net banking customers have also been offered services from the Private Banking Department and the demand is growing.

In 2010, the Bank intends to further strengthen the tools for advisory services to benefit the customers as well as the Bank.

Eik Banki Group in brief

Below is a short briefing on Eik Banki Group, which consists of three companies and employs a total of approx. 330 full time equivalents.

Eik Banki P/F

Eik Banki P/F is the largest bank in the Faroe Islands and the parent company of the Eik Banki Group.

The main areas of operation of Eik Banki are retail banking, corporate banking, securities-trading including pensions, asset management and investment banking.

The overall risk management of the Group lies with Eik Banki. The Bank attends to Group liquidity, provides Group liquidity etc. The internal audit department also functions as the internal audit department in the subsidiaries.

Result prior to market value adjustments, impairments, result from capital holdings and taxes shows a decrease of DKK 92.1 million corresponding to 38.2 per cent, from a profit of DKK 241.2 million in 2008 to DKK 149.1 million in 2009.

Net interest, fees and commission decreased from DKK 466.3 million in 2008, to DKK 400.8 million in 2009, which is a DKK 65.5 million decrease, i.e. 14.1 per cent. Value adjustments showed a loss of DKK 39.4 million against a DKK 251.3 million loss the year before.

Staff costs and administrative expenses were DKK 218.5 million against DKK 217.0 million in 2008. This is a DKK 1.5 million, or 0.7 per cent increase. Other operating expenses are derived from Credit Package I, which was agreed upon in October 2008.

In 2009, impairments were DKK 197.3 million, corresponding to 1.9 per cent of total loans and guarantees. Of these, DKK 103.8 million is related to international customers.

The result for Eik Banki before taxes was a DKK 313.0 million deficit against a DKK 449.2 million deficit in 2008. The result after taxes was a deficit of DKK 297.3 million against DKK 403.4 million, the year before.

Comparative figures for 2008 have been corrected due to an error resulting in an increase in impairments. Further information about the corrections can be seen under Accounting Principles.

The balance at year-end 2009 was DKK 12.9 billion against DKK 13.6 billion the year before. This constitutes a decrease of DKK 0.7 billion. Total loans decreased by DKK 0.1 billion, from DKK 8.2 billion in 2008 to DKK 8.1 billion in 2009, whilst deposits increased by DKK 0.2 billion, from DKK 6.3 billion to

DKK 6.5 billion. At year-end 2009, off balance figures were DKK 1.8 billion, the same as the year before.

The solvency is 17.8 per cent unchanged from 2008, and core capital is 13.3 per cent against 13.2 at year-end 2008.

At year-end 2009, the Bank had 230.6 employees, compared to 233.6 at year-begin, a decrease of 3.0. Converted to full-time positions, the numbers are 224 and 232, respectively a decrease of 8.

Further information is available on www.eik.fo

Eik Bank Danmark A/S

Eik Bank Danmark is a wholly owned subsidiary of Eik Banki, Faroe Islands. The main areas of activity are retail banking on the internet, private banking, corporate banking and capital markets.

The basic operation and the 2009 result of Eik Bank Danmark, has been influenced by the financial crisis and economic recession. The recession as well as the increasing unemployment has influenced especially the banks corporate loans and the size of the business within securities.

The result before taxes is a deficit of DKK 295.8 million against a deficit of DKK 244.3 million in 2008. The result after taxes is a deficit of DKK 222.1 million against a deficit of DKK 181.2 million in 2008.

The balance was DKK 9.5 billion against DKK 9.7 billion at year-end 2008, a decrease of 2.4 per cent.

Liquidity is good. Excess liquidity according to statutory rules is 116.1 per cent.

In 2009, Eik Bank Danmark strengthened its capital base by taking up DKK 295.3 million in subordinated debt as (hybrid) core capital according to Credit Package II from the Danish Government. Cost regarding the transaction was DKK 1.3 million. In 2009 subordinated debt from Eik Banki P/F was increased by DKK 50 million to a total of DKK 250 million. At year-end 2009, the capital base is DKK 805.6 million and core capital is DKK 522.4 million.

The solvency is 12.7 per cent against 13.0 per cent at year-end 2008, and core capital is 8.2 per cent against 9.6 per cent in 2008.

In February and March Eik Banki P/F has increased the equity in Eik Bank Danmark with DKK 350 million. DKK 250 million is done by converting subordinated loans to equity. The core capital of Eik Banki Danmark is increased to 14,3 per cent calculated on basis at balance sheet at year end 2009.

By year end 2009, Eik Bank Danmark had 107 employees.

Further information is available at www.eikbank.dk

Real Estate Company, Inni

Satisfactory outcome despite a declining housing market

Inni is the largest real estate company in the Faroe Islands. The company has over 10 years of experience in real estate brokerage.

Year 2009, like 2008, was a year of continued decline in the housing market. The market decline has affected P / F Inni's revenue compared to 2008, yet the company has achieved a satisfactory outcome for 2009. P/F Inni's result for 2009 before taxes was a DKK 0.7 million profit.

Inni has 3 branch offices in the Faroe Islands, and at year-end 2009, Inni employed six people.

Further information is available at www.inni.fo

Shareholders

Disclosure and transparency are vital elements in creating and maintaining close relations to investors, analyst, and other interested parties. As a listed company Eik Banki aims to secure that the

Inni – Real estate broker

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miscellaneous stakeholders on the market are given a regular and balanced access to correct and adequate information on Eik Banki Group, heeding regulatory demands.

Eik Banki Group emphasises its Investor Relations policy, dedicated to its relations to potential investors, shareholders and other stakeholders, which take a natural interest in Eik Banki's activities.

Investor Relations Policy
Eik Banki Groups Investor Relations policy primarily ensures that all relevant information and information liable to affect the share price of Eik Banki is made available to all interested parties simultaneously.

The Investor Relations policy furthermore specifies how information liable to affect the share price is made public, and who is responsible for the Investor Relations area always being optimal and in accordance with legal requirements. Finn Danberg, Director, Group CFO is Head of Investor Relations in Eik Banki Group.

The Eik Share
The Eik share is listed on Nasdaq OMX Iceland and Copenhagen. In Copenhagen, the share is included in the MidCap index and in Iceland it is included in the OMX16. The Eik Banki share capital consists of 8,129,274 shares of DKK 100 each for a total nominal value of DKK 813 million. At the share price of DKK 80 at year-end 2009, the Bank's total market capitalisation was DKK 650 million.

Voting Rights
At the Annual General Meeting (AGM) shareholders are represented by the Board of Representatives. Shareholders, holding no less than 40,000 shares are entitled to appoint their own member of the Board of Representatives. According to the Articles of Association, shareholders may state their opinion and promote suggestions at the AGM, but do not hold voting rights. The voting rights are held by the Board of Representatives.

The Articles of Association state that the number of votes is capped to 5 per cent of the share capital. At the moment, only one shareholder, Eik Grunnurin, holds more than five per cent of the share capital. Therefore, no other shareholder is limited by this cap at the moment.

Furthermore, the Articles of Association state that no shareholder other than Eik Grunnurin may hold more than 10 per cent of the total share capital of Eik Banki.

The Articles on voting rights and the right to appoint a member of the Board of Representatives were ammended on an Extraordinary General Meeting on 28 February 2009. The voting rights were expanded

Table 8
Distribution of shareholders

No. of shares	No. of shares	In pct. of share capital	No. of share holders	In pct. of share holders
1-999	989,065	12.17%	11,021	97.36%
1,000 - 9,999	648,259	7.97%	277	2.45%
10,000 - 99,999	281,321	3.46%	14	0.12%
100,000 <	5,618,402	69.11%	7	0.06%
Own shares	301,137	3.70%	1	0.01%
Total registered	**7,838,184**	**96.42%**	**11,320**	**100.00%**
Unregistered	291,090	3.58%		
Total	**8,129,274**	**100.00%**		

The good conversation
HeildarPrát is the foundation of the advisory concept for Eik banki's customers.

With HeildarPrát the customer and customer consultatnt touch upon all financial aspects of consequence for the customer.

This ensures a good all round advice regarding all financial aspects of every day life, e.g. mortgage, pensions, savings, childrens savings etc.

Figure 9
Shareholders by Countries
31 December 2009

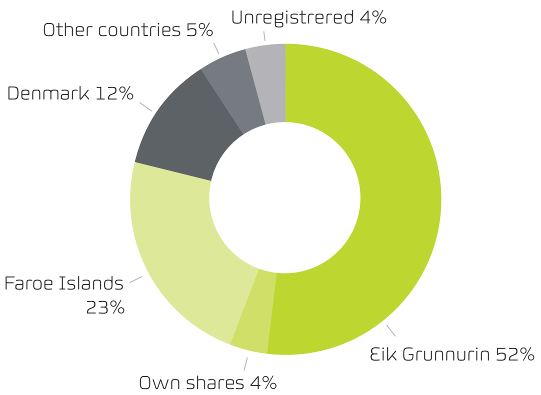
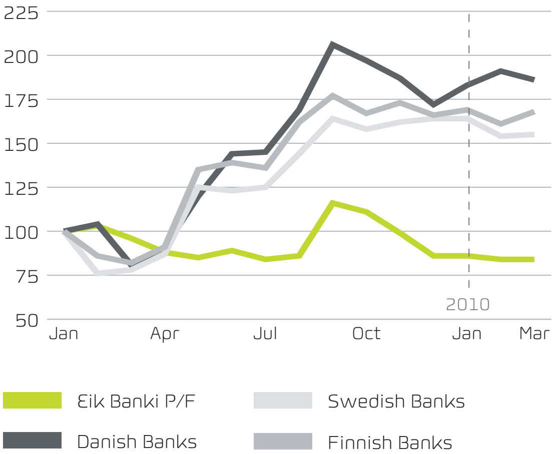


Figure 10
Development in Eik share and Nordic banks



from a cap at 2.5 per cent of the collected votes of the members of the Board of Reprentatives to 5 per cent of the total shares. The right to appoint ones own member of the Board of Representatives was expanded in that the boundary was lowered from 1 per cent to approximately 0.5 per cent of the share capital. These changes increase shareholders ability to influence the company.

The Board of Representatives counts 55 members, elected by the shareholders in the Representative Districts. The shareholders elect the members every fourth year. The next election will be held in 2012.

In addition to the members elected by the shareholders, are the members appointed by the major shareholders according to the Articles of Association. In addition to the Eik Grunnurin, two major shareholders appointed members to the Board of Representatives in 2009. Consequently, the Board of Representatives counts 58 members. In 2010, besides Eik Grunnurin, four major shareholders have appointed additional members to the Board of Representatives increasing the number to 60.

Distribution of Shareholders

At year-end 2009, Eik Banki had 11,320 name registered shareholders in 28 countries, which is approximately the same as last year.

96.4 per cent are holdings registered by name while 3.6 per cent are not registered by name as illustrated in table 8.

At year-end 2009, only one shareholder had informed Eik Banki that its share holdings in Eik exceeded 5 per cent of total share capital. This was Eik Grunnurin, which at year-end held 52.3 per cent of the shares in Eik Banki.

Of the total share capital including Eik Grunnurin and own shares, approximately 79 per cent is held by Faroese investors and 17 per cent is held by foreign investors. The remaining 4 per cent is not registered by name, as illustrated in figure 9. The majority of the foreign shareholders are Nordic shareholders. A small number of shareholders hold between 1 to 5 per cent.

Share Price and Comparison

At the beginning of 2009, the price of the Eik share was 95, equivalent to a market value of DKK 772 million. The development of the Eik share price was very similar to other Nordic financial shares, although the price of other Nordic shares started to increase in March.

The Eik share has not followed the trend of the other Nordic shares. The most likely reason for this is the poor performance of the Bank combined with the Faroe Islands not being a widely known investment destination.

Average daily turnover of the Eik share in 2009 was very low, i.e. approximately 2,160 against 4,590 shares in 2008. In 2007, the turnover was 5.900 shares. Closing price at year-end 2009 was DKK 80.

The low turnover is most likely caused by a combination of the negative development in 2008 and 2009, and a limited knowledge of the Bank.

We are of the opinion that the share turnover will increase when our result is positive.

Analytical Coverage and Market Making

In order to increase interest in and knowledge of the Eik Group, the Bank has entered into an agreement with Roger Hardman and IFS Consulting on analytical coverage of the Company. The fee to Hardman & Co is fixed and paid on a yearly basis, whilst the agreement with IFS Consulting is part of an agreement between VMF (The Faroese Securities Market) and IFS Consulting. The agreement is part of an effort to promote the Faroe Islands as an investment destination.

In 2008, Eik Banki entered into a market making agreement with Nordea on market making on the Copenhagen stock exchange and in December 2009, a similar agreement has been made with Saga Capital on market making on Nasdaq OMX Iceland.

Dividend Policy

Every year, the Board of Directors decides on dividends, capital structure and so on and makes proposals regarding these issues at the AGM. Dividend is distributed according to the given circumstances. As a main rule however, Eik Banki strives to distribute a constant yearly dividend.

Stock Exchange Announcements 2009

No.	Date	Regarding
1	22.01.09	Bond Issue - Information Material
2	05.02.09	Eik Banki P/F to Commence Negotiations with SDC Regarding Future IT
3	07.02.09	Proposed amendments to the Articles of Association and Election Rules
4	10.02.09	Bond Issue ISIN Code DK0030152111 Raised
5	13.02.09	Notice to convene Extraordinary General Meeting
6	27.02.09	Annual Report 2008
7	28.02.09	Minutes from Extraordinary General Meeting - Amended Articles of Association for Eik Banki P/F - Amended Election Rules for Eik Banki P/F
8	05.03.09	Notice to Convene Annual General Meeting
9	20.03.09	Minutes of Annual General Meeting
10	20.03.09	New Member of the Board of Directors
11	20.04.09	Bond Issue - Information Material
12	23.04.09	SDC cooperation
13	05.05.09	1Q Report
14	25.06.09	Eik Bank Danmark - Loan
15	24.07.09	Half Year Report 2009
16	30.10.09	3Q Report
17	11.11.09	Issuance of corrected Annual Report 2008
18	23.11.09	New Annual Report 2008
19	04.12.09	Extraordinary General Meeting
20	18.12.09	Market Making Agreement - Saga Capital
21	21.12.09	Minutes of Extraordinary General Meeting
22	22.12.09	Financial Calendar 2010

SDC – New IT provider for the Group

Eik Banki Group is currently in the process of converting all IT systems from Danish BEC and Faroese IT provider Elektron to Skandinavisk Data Central (SDC). SDC will be the main IT-provider for the Eik Banki Group. The parties entered into the agreement to do so in 2008, and the actual conversion will take place in mid 2010, and thereafter the entire Group will operate on the same IT-platform. This is regarded advantageous on several levels, e.g. in terms of economy of scale and future IT-developments.

The agreement with SDC also entails that Eik Banki has become a shareholder of SDC, which operates throughout Scandinavia.

Board of Directors' and Management's positions of trust in Faroese companies and Foundations

Board of Directors	Position	Company
Frithleif Olsen, Chairman	Chairman	Eik Grunnurin
Mechanic	Managing Director (temporary)	P/F Mest
	Board Member	P/F Mest
	Chairman	P/F 13. februar 1997
	Board Member	P/F Fastogn
	Board Member	P/F Atlantic Fishing
	Board Member	P/F Atlantic Prime Production
	Managing Director	P/F Frithleif Olsen
	Managing Director	Sp/F PP Invest
Odd Arild Bjellvåg, Deputy Chairman	Deputy Chairman	Eik Grunnurin
Graduate Diploma in Business Administration	Board Member	P/F Notio
Authorised Accountant	Board Member	P/F 13. februar 1997
	Managing Director	Sp/F Grannskoðaravirkið Lít
Finnbogi Niclassen	Managing Director	Vága Floghavn P/F
Shipmaster	Board Member	P/F 13. februar 1997
	Board Member	Eik Grunnurin
Petur Hammer	Board Member	Eik Grunnurin
Building Technician	Board Member	Sp/F Coma Pack
	Board Member	Suðuraling
	Managing Director	Sp/F Petur Hammer
Jákup Egil Jensen	Board Member	Eik Grunnurin
MSc in Business Management	Managing Director	Sp/F Jaknai
Rólant Vidtfeldt	Board Member	Eik Grunnurin
Plummer	Board Member	Sp/F Bil og Maskinverkstaðið
	Board Member	Sp/F Bil Sandoy
	Managing Director	Sp/F Rólant Vidtfeldt
Mathea E. Hilduberg	Board Member	Eik Grunnurin
MSc in Business Administration	Board Member	Vágatunnilin P/F
	Board Member	GreenGate Incoming
Tórmund A. Joensen	Board Member	Eik Grunnurin
Finance Education		
Gert Langgaard	Board Member	Eik Grunnurin
Finance Education		
Rakul Dam	Board Member	Eik Grunnurin
Finance Education		
Business Studies Staff Development		
Fía Selma Nielsen	Board Member	Eik Grunnurin
Finance Education (Finansøkonom)		

Management		
Marner Jacobsen, Managing Director	Chairman	P/F Elektron
MSc in Economics	Chairman	P/F Inni
	Deputy Chairman	P/F Virðisbrævamarknaður Føroya
Bjarni Olsen, Managing Director	Managing Director	P/F 13. februar 1997
MSc in Economics	Board Member	P/F Inni

Management Review

On 7 October 2008, the Board of Directors in Eik Banki agreed that Eik Banki Group should continue as member of the Private Contingency Association and participate in Credit Package I, established by the Danish Government on 10 October 2008.

One of the conditions stipulated by the Danish Government was that the financial institutions during the time until 30 September 2010 were not to pay out dividend or organise any systematic procedures regarding the re-purchase of own shares.

Subsequently, no dividend will be distributed to shareholders in 2010.

Eik Banki has no systematic procedures for the re-purchasing of own shares. However, the Board of Directors is entitled to buy up to 10 per cent of the shares.

Investment Events

Eik Banki has participated in two events arranged by the Faroese Securities Market. The first one took place in Reykjavík on 2 June 2009, and the other one in Copenhagen on 2 December 2009. Furthermore, the Bank was represented at the yearly investment day arranged by the Danish shareholders association, Dansk Aktionærforening, on 16 September. In addition to this, Eik Banki had one on one-meetings with investors in Denmark and in London.

IR on the website

The Investor Relations site for Eik Banki Group is an important gateway for investors and other stakeholders who wish to learn more about Eik and the Eik share.

Geographically, the Faroe Islands are remotely located, making it all the more important for Eik Banki to disclose its activities and other relevant affairs concerning investors and stakeholders through its web page. Particularly foreign investors make use of this possibility, and the site includes microsites in other major languages such as Spanish, German and Danish.

The Investors Relations pages fully comply with the basic requirements to investor relations and comprise e.g. financial reports, financial calendar, stock exchange announcements, webcasts, presentations, share profile, disclaimer, Organisational structure, Corporate Social Responsibility, Corporate Governance and Risk Management including Anti-money Laundering policy.

The objective is to create transparency for all our users.

The Investor Relations sites can be visited using the following link: www.eikbank.com/iruk, where it is also possible to subscribe to Eik Banki Group news.

Financial Calendar 2010 1)

19 March 2010	Annual Report 2009
27 March 2010	Annual General Meeting
20 May 2010	First Quarter Report 2010
26 July 2010	Half Year Report 2010
29 October 2010	Nine Month Report 2010

1) The silent period commences 3 weeks prior to the announcement of financial reports.

Risk Management

The Group's risk and accounting reporting systemes are based on clear accounting principles, internal procedures and well-functioning IT-systems.

Risk management activities and controls are overseen by key staff members who monitor these activities within the Group. Weaknesses are reported according to the Group's Risk Management policy.

The Finance Department is responsible for preparing interim and annual reports, while Internal Audit performs a review of the books and other accounting records. The Annual Report is also reviewed by Internal Audit, who in this connection also focuses on the most significant risk elements.

The Board of Directors stipulates the overall risk management policy for all significant areas of risk. These can be divided into credit risk, market risk,

Apprentices in Eik

Eik regularly accepts apprentices, and 2009 was no exception. 7 young people made it throguh the eye of the needle after having completed an entrance examination designed to test their skills at e.g. problemsolving and teamwork. The two year apprenticeship includes 10 week

Figure 11
Group Loan by Sector and Industry
31 December 2009

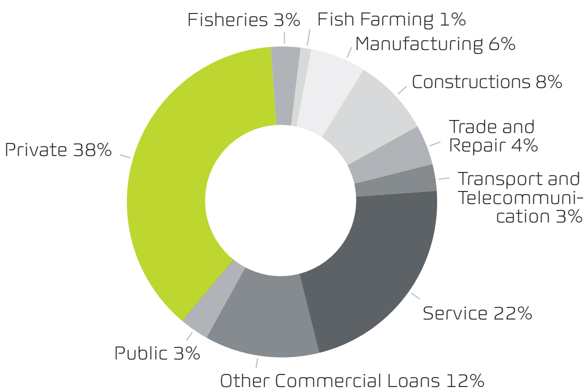
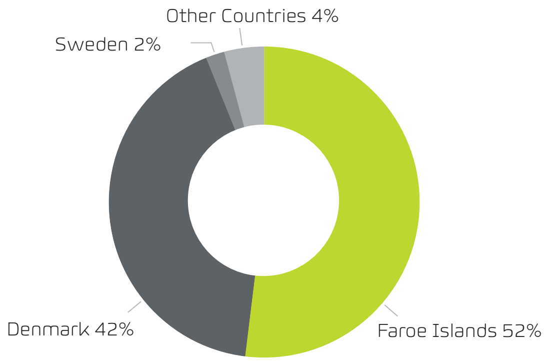


Figure 12
Group Loan per Country
31 December 2009



liquidity risk and operational risk. The Board of Directors stipulates and determines the main rules as to how risk management and monitoring procedures are to be organised and implemented. The rules and policies are re-evaluated annually.

Currently a lot of work is being done to enhance the Group's risk management procedure. Procedures are developed to affirm, document, and report risk factors within the various risk areas in addition to the development of clear procedures to support the infrastructure of risk management.

In accordance to this, a separate Risk Management unit has been established. This unit is to work with management of risk across the Group, independently from the commercial part of the business. The responsibility of the Risk Management unit is to ensure that regular control and monitoring of risk is carried out and that adequate procedures are in place within the different areas of the bank.

Credit Risk
Credit risk is the risk of losses when customers become unable to meet their responsibilities towards Eik Banki. The overall credit risk is managed in accordance with the credit policy.

The Group has diversified the loan portfolio geographically, across sectors and industries. Geographically, 52 per cent of the loan portfolio is in the Faroe Islands, 42 per cent in Denmark and 6 per cent in other countries. For the same period last year the distribution was 52 per cent, 43 per cent, and 5 per cent, respectively.

Corporate Lending constitute 60 per cent of the Group's total loans at year-end 2009, Retail Lending 38 per cent and Public Sector 3 per cent. The corresponding distribution in 2008 was 52, 46 and 2 per cent, respectively.

The distribution of the loan portfolio in figure 11 is based on the objective of the loan. Therefore, the division is not compatible with the division of loans in Note 19, which is based on the debtor's primary field of industry.

Retail Customers
The share of services has increased from 14 per cent

of schooling and an introduction to all the aspects of the banking business.

The apprentices that joined the Eik team in 2009 were: Oddmar á Lakjuni, Rannvá T. Jørmundsson, Rógvi Ryggshamar, Súsanna Isaksen, Turið Nattestad, Irena Áarberg Joensen and Súsanna Thomsen.

in 2008 to 22 per cent in 2009. The increase is due to a reclassification of customers in Eik Bank Danmark from private and from trade and repair, and an increase in loans to customers in the service sector in general.

The reclassification of private clients for services carried out if the client contains a commercial part. The proportion of service for Eik Banki is largely unchanged, so that the growth in service is almost entirely due to reclassification of customers in Eik Bank Danmark.

In other industries, these are minor changes in the overall share.

The decrease in the proportion of individuals in 2008 from 46 per cent to 39 per cent in 2009 due reclassification of private clients in Eik Bank Danmark as mentioned above and a repayment of debt for private clients.

The majority of retail portfolios are homeowner loans. A full 29 per cent of total loans are advanced to flats and houses of retail customers. The majority is provided under mortgage credit conditions with first priority pledge the house or flats.

First priority loans are usually regarded as secure loans and figure 13 below illustrates how the mentioned home loans, including mortgage credits, are distributed according to size.

63 per cent of the first priority pledge loan portfolio, representing 87 per cent of the retail loans, is loans with outstanding debt below DKK 1 million. Eight per cent of the total retail loan portfolio represents loans larger than DKK 2 million.

The average homeowner loan in the Group is DKK 525,000. Average loans are DKK 518,000 and DKK 730,000 in the Faroe Islands and Denmark, respectively. At year-end 2009, the average house price in Tórshavn, the capital of the Faroe Islands was DKK 2.1 million, while a house of 140m2 in Copenhagen had an average price of DKK 2.7 million. The average house price in the Faroe Islands was DKK 1.3 million and DKK 1.7 million in Denmark.

Large Exposures and Credit Gearing

To ensure a dispersion of loans, the credit policy states that the total credit facilities of an individual customer or a group of customers must not exceed 15 per cent of the Bank's base capital. The credit policy stipluates limits for total credit provided to different business sectors.

Figure 14 illustrates the development in lending in proportion to equity, the so-called credit gearing. And the increase in lending and large advances compared to the base capital is also illustrated.

Large Exposures

At year-end 2009, the credit gearing was 11.5, which means that for each DKK in equity, Eik Banki provided a loan of DKK 11.5. Credit gearing has been fairly constant despite the fairly high 26.3 – 30.0 per cent increase in lending in 2004-2006 and 88.6 per cent in 2007 as illustrated. The large 2007 increase, stems from the acquisition of SkandiaBanken and Kaupthing Bank's Faroese operation. The decrease in the loan portfolio in 2009 was 1.5 per cent.

Large credit facilities in comparison to the base capital i.e. loans larger than 10 per cent of the base capital were 179.6 per cent in 2009, compared to 235.4 per cent in 2008. The decline in the large credit facilities from 235.4 per cent in 2008 to 179.6 per cent in 2009 is due primarily to an increase in the group's capital base. In 2008, there is 16 credit facilities which show a balance greater than 10 percent of the group's capital base. The figure for 2009 is 13 credit facilities.

The large exposures are distributed between the oil industry, corporate real estate, ship building, fishing industry, investment companies and trade.

Financing of Industry Properties

Of the Group's total loans 20 per cent have been advanced to corporate real estate. Roughly half of the loans are advanced to properties, which

Figure 13
Mortgages by Size
DKK 1,000

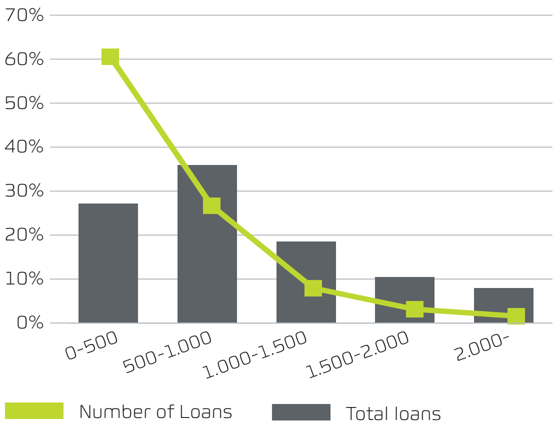
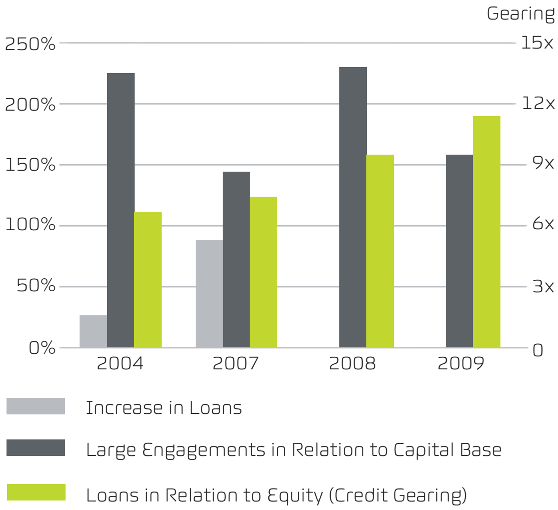


Figure 14
Credit Risk Development



typically are leased to bonafide lessees on long-term leasing agreements, where the rent covers the loan payments. The interest risk is usually partly og fully covered. The orther half of the loans have been advanced to properties, where the property is used in the operation of the business, i.e. warehouses, production facilities or office buildings. Not included in is financing of project real estate, which is covered in the next section.

Project Financing

Project financing includes financing of land plots, real estate under construction, reconstruction or major restoration, including real estate, which has been completed but not sold. The buildings may be intended for offices, retail stores or flats and therefore project financing belongs to different categories in table 15. A majority of the Group's project financing is in the category construction and service firms

Table 15 illustrates the composition of project financing in the Group.

Table 15 shows that 58.7 per cent of project financing is provided in Denmark, 18.9 per cent on the Faroe

Table 15

Project financing 2009 (DKK million)	Residen-tial	Offices	Retail	Recrea-tional	Plots	Total	Percent
Denmark	197	441	199	36	37	910	58.7
Faroe Islands	292	0	0	0	0	292	18.9
Other countries	79	0	0	245	23	347	22.4
Total projects financing	**568**	**441**	**199**	**281**	**60**	**1,549**	**100**
Percent of total	**36.7**	**28.5**	**12.8**	**18.1**	**3.9**	**100**	
Of total project financing completed projects in each group amounts to	520	93	43	59	0	731	47.2
Change in balance in relation to 2008	155.2	194	34	32	-66	349.2	

Sponsorships

Eik Banki Group sponsors various sports, charities and cultural initiatives. This is done directly as financial aid to e.g. the local cancer society and the children's charity. Furthermore, the Bank has sponsorship agreements with several sporting clubs and associations.

Islands, and 22.4 per cent in other countries. The majority of project financing, 37.2 per cent, is provided towards the building of residential homes and 28.9 per cent towards building of offices.

At year-end 2009, total project financing in the Group was DKK 1,549 million, corresponding to 8.4 per cent of total loans and guarantees (excluding impairments). The project financing is spread around 23 different credit facilities.

Of the total project financing 46.2 per cent are are properties which are completed or properties that have already been sold. This amounts to DKK 771 million of a total balance of DKK 1.5 billion. A part of the properties that have already been completed are currently rented out and thus generate cash flow.

Because of the cyclical situation, the Group expects the selling period for the properties to be longer than usual. The Group therefore expects that the total portfolio of completed properties that are currently not sold will be gradually reduced throughout 2010 and 2011.

Since year end 2008 total project financing has increased by DKK 349 million. The largest increase was in residential homes and offices, recording a growth of DKK 155 million and DKK 194 million, respectively. Plots have been reduced by DKK 60 million.

From the total growth of DKK 155 million in residential homes DKK 86 million can be attributed to project financing in the Faroe Islands, while DKK 69 million can be attributed to residential projects in other countries. The growth in project financing in the Faroe Islands is due to the completion of residential housing projects, which now are completed and of which mostly is pre-sold.

The growth in project financing in other countries within the residential part of the portfolio can also be attributed to the completion of projects and a longer selling period as a result of the economic situation. The Group expects the properties to be sold within a period of two years.

Regarding the growth in project financing for offices the amount can be attributed to project financing in Denmark. DKK 101 million can be attributed to the completion of office projects during 2009, while DKK 93 million is attributable to an increase in project financing in an already existing project.

The Group does not expect any significant growth in 2010, mainly because most projects have been completed or are nearly completed. However, it can be expected that the completed projects will have a longer selling period than usual, mainly because of the economic situation. The Group expects that the total portfolio of project financing will be reduced significantly within a period of 2 to 3 years.

The reduction in lending is partly due to repayment from sale of properties and also from full or partial repayment when taking out mortgages. The expected reduction is based on a specific assessment of the individual exposures, and not on the due date of repayment.

Impairments

The slowdown in the economy that started in the latter part of 2008 continued in 2009. Lower real estate prices and a contraction in the financial sector lead to real estate companies still finding it difficult because of a lack of liquidity. The result is a often a suspension of payments.

In Eik Banki P/F impairments amounted to 197.3 million corresponding to 1.9 per cent of total loans on the Faroe Islands. Of these DKK 93.5 million were impairments on Faroese customers, compared to DKK 97 million in 2008. In Eik Bank Danmark impairments amounted to DKK 329.0 million, corresponding to 4.1 per cent of total loans in Eik Bank Danmark. Total impairments for the Group amounted to DKK 526.3 million in 2009, compared to DKK 604.2 million in 2008. This corresponds to 2.9 per cent of total loans in the Eik Group.

Educating the Young

The Bank provides know-how and materials about financial affairs for children and young people both in the Youth Branch, which opened in the capitol Torshavn in 2006, and through the youth representatives in every branch office throughout the country. The websites www.18-25.fo and www.13-17.fo are constantly updated with innovtive solutions, designed to enable young people to become aware and responsible consumers.

The Youth Branch also cooperates closely with organisations dedicated to inform and encourage young people to pursue an education either in the Faroe Islands or abroad, and to encourage entrepreneurship among the young people, respectively. This cooperation includes direct sponsorship as well as arranging conferences and other similar initiatives.

In Denmark, the impairments are mainly related to Danish corporate real estate companies, while the impairments in the Faroes Islands are dispersed on different industries. It has not been nescessary to make impairments on retail customers to the same extent as these still seem to have the strength and will to pay.

Based on current developments and the overall prospects for the economic development in Denmark and on the Faroe Islands, it is expected that the level of impairments in 2010 will be high, although not at the same level as in 2009.

Market Risk

Market risk consists of interest rate risk, currency risk and share risk. Market risk is the risk that the value of assets and debt as well as entries outside the balance will be affected by market factors, such as economic upswings and downswings and movements in the stock market, the currency market, and the interest rate market.

Currency Risk

Currency risk is the risk of loss due to fluctuating exchange rates. As a main rule, Eik Banki's policy is to hedge currency risks with the exception of the currency risk between the DKK and the EUR, which is only hedged under special circumstances.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to ascending or descending interest rates. The interest rate risk is measured as the expected loss caused by depreciation of securities, if the interest curves are displaced in parallel by one per centage point up.

Liquidity Risk

Liquidity risk is the risk of loss due to a considerable increase in interest expenses from raising liquid funds, causing the Group to reduce its activities, or even rendering the Group unable to meet requirements towards depositors due to a lack of available funds.

At year-end 2009, liquidity, calculated as cash-in-hand, sight deposits in other banks, certificates of deposits in the Danish Central Bank and securities, was DKK 5.1 billion. Excess liquidity cover relative to statutory requirements was 140.5 per cent.

Operational Risk

Operational risk is the risk of financial loss due to insufficient and inefficient internal processes and procedures, human errors, IT-failures, or external factors. Examples of operational risks are fire, storm, burglaries, bankrobberies, mistakes in money-transfers, and so on.

To limit operational risk, internal procedures and controls are examined regularly.

Anti-Money Laundering Policy

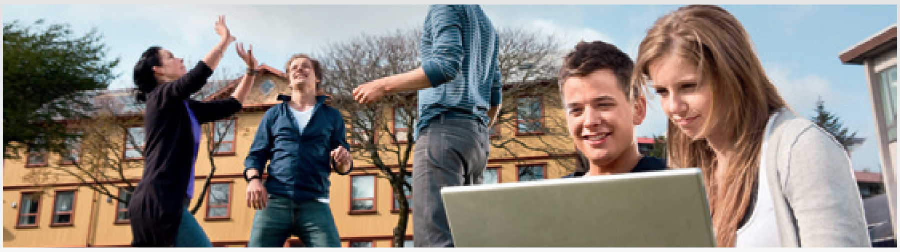
Eik Banki Group has taken all necessary measures to comply with the valid rules and regulations on Anti-Money Laundering and Financing of Terrorism. Consequently, Eik Banki has defined and applied a policy on Anti-Money Laundering and the Financing of Terrorism. Branches and subsidiaries of Eik Banki are similarly required to comply with the above rules and implement the stated policy.

Compliance

Eik Banki Group has since June 2007 had a compliance function that is responsible for monitoring compliance with the Securities Act and parts of the Financial Business Act, relevant rules and regulations for listed companies, the anti-money laundering legislation, industry standards and the Bank's internal guidelines on these areas.

The purpose of this function is to assist and guide managers and employees and verify and assess whether the Bank's procedures are adequate and safe in these areas. Compliance prepares an annual plan for what activities the compliance function will focus on in the coming year. The Board receives written reports at least annually on the area of compliance.

The Bank's employees visit schools, who ask for such a visit, and give lectures on various financial topics, e.g. on how to start your business or how to manage your personal finances. This is coordinated by the Youth Branch.



Corporate Governance

The Faroe Islands do not have recommendations on Corporate Governance guidelines.

The Board of Directors has decided that Eik Banki follows the Danish guidelines on Corporate Governance, as Eik Banki's main operations are in the Faroe Islands and Denmark, and that the Bank is listed on Nasdaq OMX Iceland and Copenhagen.

According to Nasdaq OMX Iceland, Eik Banki is at liberty to choose to comply with the Danish guidelines on Corporate Governance. However, regardless of which guidelines Eik Banki decides to follow, Eik Banki must also explain each case in which the Bank does not comply with the Icelandic guidelines on Corporate Governance.

In most cases, Eik Banki complies with both Danish and Icelandic guidelines on Corporate Governance. In the following, the cases, in which the Bank does not comply with these guidelines, are explained according to the 'comply or explain principle':

Exceptions from the Danish guidelines on Corporate Governance:

I.3 Preparations for the general meeting, including notice of meeting and proxy

At the General Meetings, the Bank's shareholders are represented by the Board of Representatives. The shareholders have the right to attend the meeting, and to speak, but do not hold the right to vote.

II.1 The company's policy in relation to the stakeholders

The Board of Directors of Eik Banki has not yet adopted policies on the company's relationship with its stakeholders. This will be done in 2010.

V.1 The composition of Board of Directors

The Board of Representatives represents the shareholders at the General Meeting. Therefore, the attendees at the General Meeting have better insight into the Bank's activities than in companies, where shareholders do not have forum in wihch to meet on a regular basis. Furthermore, the Board of Directors may choose to communicate with the Board of Representatives regarding election of Board members. Election of board members should therefore be seen in correlation with this.

Prior to every General Meeting, an announcement is made, with information on all the nominees that the Bank is informed of. The announcement includes information on e.g. education, skills and experiences of the respective candidates.

As of yet, the Board has no formal recruiting criteria or required qualifications for boardmembers. Neither is an assessment of the composition of the Board.

V.4 The independence of Board of Directors

Eik Banki complies with this rule. The majority of the members of the Board of Directors are independent of Eik Banki, but not independent of the Eik Fund, which is the largest shareholder in Eik Banki. The Board of Directors of Eik Banki does not consider this to be problematic when taking into consideration that the Fund is independent and has a voting limitation of 5 per cent of the total votes.

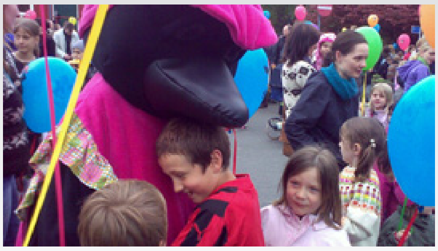
V.10 Use of supervisory board committees

The Board has appointed a remuneration committee, which is appointed in connection with the organisation of the Board of Directors in Eik Banki. The remuneration committee works according to rules set by the Board of Directors, and presents its assessments to the Board for approval. After the Annual General Meeting in March 2010, an audit committee will be appointed, which will work in accordance with the guidelines.

In other aspects, Eik Banki complies with the rule.

V.11 Assessment of Board of Directors' work

Every year, the Board of Directors evaluates its own performance as well as the work of the managing Directors. The Chairman of the Board evaluates



Bassi

Every spring, all Faroese children are invited to celebrate our mascot Bassi's birthday. Bassi tours the islands in a bus together with special guest stars, all of whom are familiar faces to the children, always prepared to deliver a great show. The children have the opportunity to meet with Bassi, get a hug and enjoy the show.

the work of the Board by interviewing the board members individually. Futhermore, the Chairman of the Board interviews each member of the Management individually, every year. The result is presented to the entire Board.

VI.2 Remuneration policy
As the Board of Directors receives fixed pay, as evident in the Annual Report, and is not part of incentive schemes, the Board does not regard it relevant to assess the remuneration as an individual item at the Annual General Meeting.

VI.3 General guidelines for incentive pay
Valid from 1 January 2007, Eik Banki has introduced an incentive scheme for Management and employees of Eik Banki. The Bank does not wish to announce remuneration for each member of staff. The Bank is of the opinion that these are private matters and that providing information on remuneration of Board and Management in the Annual Report is sufficient. The price of the shares in the incentive scheme is set at market price at year-end.

Aside from this, Eik Banki complies with the rule.

VIII.7 Audit committee
Eik Banki does not comply with this. However, after the annual general meeting an audit committee will be appointed.

Exceptions from the Icelandic guidelines on Corporate Governance

1.5 Share Registry
Eik Banki does not comply with this paragraph as it is in contrast to national legislation.

2.4 Independent Directors
The majority of the members of the Board of Directors are independent of Eik Banki, but not independent of the Eik Fund, which is the largest shareholder in Eik Banki. The Board of Directors of Eik Banki does not consider this to be problematic when taking into consideration that the Fund is independent and has a voting demarcation of 5 per cent of the total votes.

2.9 Performance Assessment
Every year, the Board of Directors evaluates its own performance. The chairman of the Board evaluates the work of the Board by interviewing the board members individually. Futhermore, an entire Board evaluates the chairman of the Board, while the chairman is present.

Corporate Social Responsibility – CSR

Eik Banki is the largest bank in the Faroe Islands and as such has an impact on the Faroese society. We take this responsibility seriously, and have implemented measures to ensure that the Bank live up to its responsibility as a major player in the market.

Vision and Mission
Eik Banki Group is currently renewing its vision, mission and corporate values. The current base of corporate values derives from years back. Progress and changes in the corporation and in society as a whole makes it necessary to renew the base.

The renewal work is progressing well and the group expects to implement a new base of values in April and May 2010.

Current vision, mission and values are:
Our mission is to provide clients with financial services, with security and userfriendliness as key values.

Eik Bank aims at providing advisory services, based on the real needs of the customers, enabling them to make financially sound decisions. We provide good advice by inviting the clients to all-round meetings with the client advisers, and we regularly survey how the clients feel about our advice and services.

Furthermore, it is stated in our mission that Eik Banki wants to work to the benefit of the Faroese society.

CSR principles

Eik Banki's policy on Corporate Social Responsibility is based on principles elaborated from the mission always to work to the benefit of our clients, employees and the society in which we operate. The policy is under constant development.

Society

Eik Banki wishes to benefit the society

- through support of scientific work
- through knowledge
- by enhancing customers' financial awareness
- by supporting culture, sports and various charities
- by granting equal opportunity to accessibility for all
- by employing people in protected positions

The Bank is determined to be a leading factor in pointing towards new possibilities for the Faroese Industry. In communicating with the authorities and in the public debate, the Bank makes an effort to shed light on society as a whole rather than the Banks own interests.

Culture, sports and various charities

The Bank gives financial aid to local cultural, sporting, and various charitable initiatives. This is done directly as financial aid to e.g. the local cancer society and the children's charity. Furthermore, the Bank has sponsorship agreements with several sporting clubs and associations.

Educating the Young

The Bank provides know-how and materials about financial affairs for children and young people both in the youth branch, which opened in the capital Torshavn in 2006, and through the youth representatives in every branch office throughout the country. The websites www.18-25.fo and www.13-17.fo are constantly updated with innovative solutions, designed to enable young people to be responsible consumers.

The youth branch also cooperates closely with organisations dedicated to inform and encourage young people to pursue an education either in the Faroe Islands or abroad, and to encourage entrepreneurship among the young people, respectively. This cooperation includes direct sponsorship as well as arranging conferences and other similar initiatives.

The Bank's employees visit schools, who ask for such a visit, and give lectures on various financial topics, e.g. on how to start your business or how to manage your personal finances. This is coordinated by the youth branch.

User friendliness and accessibility

The key word user friendliness is apparent in our constant strive for accessibility for all our customers. Whether young, old, busy and/or handicapped. Therefore, each of the Bank's buildings is designed to enable access for the physically handicapped by wider doors and slopes for wheel chairs.

Accessibility for all is a key word in every new construction or refurbishing of our buildings. The Bank has been awarded by the Faroese Handicap Association for its accessibility.

We also believe that all our customers should be able to benefit from our expertise at any time, whether they want to do so by visiting our branches or by our home banking system, which is under constant improvement.

Employees

The following five principles are key words in our Human Resource management:

Eik Banki wants

- to be a workplace where people work together in good spirit and flourish
- all employees to evolve and progress while working for the Bank
- all employees to lead a healthy lifestyle
- all employees to have a good working environment and to be aware of it
- to make it easy for employees to combine work with their private lives

More information on CSR is available on the website www.eikbank.com/iruk

Management Statement

The Management and The Board of Directors have today reviewed and adopted the Annual Report of Eik Banki P/F and the Eik Banki Group for the period 1 January - 31 December 2009.

The Audited Annual Report is presented in accordance with International Financial Reporting Standards as adopted by the EU for the Group. Furthermore, the Financial Statement is presented in accordance with additional disclosure requirements for Financial Statements prepared by listed financial companies, cf. Nasdaq Nordic OMX's disclosure requirements for Financial Statements prepared by Companies listed in Reykjavik and Copenhagen, the Danish Financial Business Act, and the Executive Order regarding the application of IFRS standards in financial companies issued pursuant to the Danish Financial Business Act.

We consider the accounting policies applied to be appropriate, and in our opinion the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2009 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the period 1 January - 31 December 2009.

In addition, we also consider the Management's review to give a fair presentation of the development in the Group's and Parent Company's activities and financial affairs, the profit for the period and the Group's and the Parent Company's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Group and the Parent Company.

Eik Banki P/F
Tórshavn, 19 March 2010

Managing Directors

Marner Jacobsen, Chief Managing Director

Bjarni Olsen, Managing Director

Board of Directors

Frithleif Olsen, Chairman

Odd A. Bjellvåg, Deputy Chairman

Finnbogi Niclasen

Rólant Vidtfeldt

Mathea Hilduberg

Jákup Egil Jensen

Petur Hammer

Tórmund A. Joensen

Rakul Dam

Gert Langgaard

Fía Selma Nielsen

Annual Accounts 2009

Annual Accounts
Income Statement

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
			Income Statement		
699,552	863,447	5	Interest income	1,111,114	1,381,411
377,305	570,491	6	Interest expense	592,549	869,276
322,247	**292,956**		**Net interest income**	**518,565**	**512,135**
1,364	24,655	7	Dividends from shares and other holdings	1,750	26,932
93,681	155,162	8	Fee and commission income	133,854	216,519
16,524	6,433	9	Fee and commission expenses	20,900	12,462
400,768	**466,340**		**Net interest and fee income**	**633,269**	**743,124**
-39,366	-251,269	10	Market value adjustments	-51,205	-257,319
14,645	23,229	11	Other operating income	16,745	25,692
376,047	**238,300**		**Profit on financial operations**	**598,809**	**511,497**
218,458	216,993	12	Staff costs and administrative expenses	371,166	370,625
10,362	19,121	13	Depreciation and impairments of intangible and tangible assets	14,416	21,162
37,514	12,304	14	Other operating expenses	69,091	19,458
197,330	251,516	16	Impairments of loans and other claims	526,287	604,163
-225,359	-187,570	15	Income from associated and subsidiary undertakings	-4,374	-7,975
-312,976	**-449,204**		**Profit before taxes**	**-386,525**	**-511,887**
-15,655	-45,786	17	Taxes	-89,204	-108,469
-297,321	**-403,418**		**Net profit for the year**	**-297,321**	**-403,418**
			Allocation		
-297,321	-403,418		Net profit for the period	-297,321	-403,418
600,427	0		Disolvement of share premium reserve	600,427	0
194,680	651,744		Brought forward from prior years	194,680	651,744
497,786	**248,326**		**Total amount available for allocation**	**497,786**	**248,326**
0	0		Dividends on shares	0	0
497,786	248,326		Carried forward to next year	497,786	248,326
497,786	**248,326**		**Total allocation**	**497,786**	**248,326**
			Earnings per share DKK	-38.01	-51.02
			Diluted earnings per share DKK	-38.01	-51.02

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
			Consolidated statement of comprehensive income		
-297,321	-403,418		Net profit for the year	-297,321	-403,418
676	0		Net revaluation of properties	676	0
-122	0		Tax on other comprehensive income	-122	0
554	**0**		**Total other comprehensive income**	**554**	**0**
-296,767	**-403,418**		**Total comprehensive income**	**-296,767**	**-403,418**
			To be distributed as follows:		
-296,767	-403,418		The shareholders of Eik Banki P/F	-296,767	-403,418

Annual Accounts
Balance sheet

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
			Balance sheet		
			Assets		
388,657	111,049		Cash-in-hand and demand deposits with central banks	774,301	643,322
553,837	2,172,862	18	Claims on credit institutions and central banks	356,059	2,151,623
119,305	112,790	19	Loans and other claims at fair value	144,406	218,986
8,016,763	8,076,842	19	Loans and other claims at amortised cost	15,275,413	15,418,422
2,391,354	1,418,031	20	Bonds at fair value	3,569,528	1,840,231
208,956	218,240	21	Shares	296,756	287,739
75,349	38,356	22	Holdings in associated undertakings	75,718	66,380
615,163	841,737	23	Holdings in subsidiary undertakings	2,878	8,522
186,132	183,454	24	Intangible assets	402,803	394,818
141,568	141,290		Land and buildings	142,093	141,816
141,568	141,290	25	Domicile properties	142,093	141,816
11,587	13,174	26	Other tangible assets	14,183	15,552
0	0		Current tax assets	8,786	6,000
54,533	39,000	28	Deferred tax assets	182,225	93,022
58,918	1,537	27	Assets held for sale	131,192	3,860
114,414	254,641	29	Other assets	205,734	375,937
7,439	20,268		Prepayments	9,024	20,440
12,943,975	**13,643,271**		**Total assets**	**21,591,099**	**21,686,670**
			Liabilities		
2,130,766	4,985,846	30	Debt to credit institutions and central banks	2,404,457	5,081,483
6,497,925	6,316,189	31	Deposits and other debt	14,431,352	14,135,430
1,966,000	0	32	Issued bonds at fair value	1,967,054	602
0	0		Commitments in temporary possession	21,831	0
193,919	245,435	33	Other liabilities	291,303	367,963
0	0		Prepayments	201	826
10,788,610	**11,547,470**		**Total liabilities**	**19,116,198**	**19,586,304**
32,743	6,237	16	Provisions for losses on guarantees	58,054	10,802
32,743	**6,237**		**Provisions for liabilities and charges**	**58,054**	**10,802**
778,617	**454,264**	**34**	**Subordinated debt**	**1,072,842**	**454,264**
			Equity		
812,927	812,927		Share capital	812,927	812,927
0	600,427		Share premium reserve	0	600,427
27,942	27,266		Other reserves / Revaluation reserve	27,942	27,266
503,136	194,680		Retained profit	503,136	194,680
1,344,005	**1,635,300**		**Total equity**	**1,344,005**	**1,635,300**
12,943,975	**13,643,271**		**Total liabilities**	**21,591,099**	**21,686,670**

Eik Banki P/F 2009	2008	DKK 1,000	2009	Group 2008
		Cash flow statement		
		Cash flows from operating activities		
-297,321	-403,418	Net profit in the period	-297,321	-403,418
10,362	19,121	Depreciations and impairments	14,416	21,162
197,330	201,030	Impairments for losses on bad debts	526,287	553,677
0	-40,174	Cash flows from tax on income (paid company tax)	0	-27,576
285,232	442,580	Market value adjustments of securities	76,086	269,035
195,603	**219,139**	**Operating cash flow before changes in operating capital**	**319,468**	**412,880**
-149,552	349,307	Changes in net position to credit institutions and central banks	-215,422	-744,966
44,485	-219,925	Net changes in loan and deposit	-87,356	469,786
-22,084	329,921	Net changes in securities	-300,114	532,451
-15,178	-4,603	Net change in derivative financial instruments	-39,281	16,618
79,397	-65,882	Net changes in other assets and liabilities	-12,623	-212,189
132,671	**607,957**	**Cash flows from operating activities**	**-335,328**	**474,580**
		Cash flows from investment activities		
-11,732	-1,815	Changes in intangible and tangible assets	-21,309	1,759
-11,732	**-1,815**	**Cash flows from investment activities**	**-21,309**	**1,759**
		Cash flows from financing activities		
-3,061	-53,646	Inflow to equity	-3,061	-59,038
324,353	5,872	Subordinated debt	618,577	5,872
321,292	**-47,774**	**Cash flows from financing activities**	**615,516**	**-53,166**
442,231	**558,368**	**Total changes in cash flows**	**258,879**	**423,173**
2,770,703	2,212,526	Cash and cash equivalents beginning period	4,819,359	4,396,377
73	-191	Effect of exchange rate fluctations on cash held	73	-191
3,213,007	**2,770,703**	**Cash and cash equivalents end period**	**5,078,311**	**4,819,359**
		Cash and cash equivalents beginning period		
111,049	164,983	Cash-in-hand and demand deposits with central banks, etc.	643,322	219,851
245,583	657,322	Claims on demands on credit institutions	804,883	2,079,958
1,198,751	639,471	Claims at notice on central banks	1,548,641	1,203,974
1,215,320	750,750	Bonds etc.	1,822,513	892,594
2,770,703	**2,212,526**	**Cash and cash equivalents beginning period**	**4,819,359**	**4,396,377**
		Cash and cash equivalents end period		
388,657	111,049	Cash-in-hand and demand deposits with central banks, etc.	624,333	643,322
553,837	245,583	Claims on demands on credit institutions	806,160	804,883
0	1,198,751	Claims at notice with central banks	149,967	1,548,641
2,270,513	1,215,320	Bonds etc.	3,497,851	1,822,513
3,213,007	**2,770,703**	**Cash and cash equivalents end period**	**5,078,311**	**4,819,359**

Annual Accounts
Equity

DKK 1,000	Share capital	Share premium reserve	Revaluation reserves	Retained profit	Total
Eik Banki P/F					
1 January 2009	812,927	600,427	27,266	194,680	1,635,300
Comprehensive income			676	-297,443	-296,767
Increase from buying own shares				-459	-459
Decrease from selling own shares				5,931	5,931
Disolvement of share premium reserve		-600,427		600,427	0
31 December 2009	**812,927**	**0**	**27,942**	**503,136**	**1,344,005**
1 January 2008	812,927	600,427	27,266	651,744	2,092,364
Comprehensive income				-403,418	-403,418
Change of accounting principles				79,849	79,849
Own shares				-52,202	-52,202
Dividend (paid out)				-81,293	-81,293
31 December 2008	**812,927**	**600,427**	**27,266**	**194,680**	**1,635,300**
Group					
1 January 2009	812,927	600,427	27,266	194,680	1,635,300
Comprehensive income			676	-297,443	-296,767
Increase from buying own shares				-459	-459
Decrease from selling own shares				5,931	5,931
Disolvement of share premium reserve		-600,427		600,427	0
31 December 2009	**812,927**	**0**	**27,942**	**503,136**	**1,344,005**
1 January 2008	812,927	600,427	27,266	651,744	2,092,364
Comprehensive income				-403,418	-403,418
Change of accounting principles				79,849	79,849
Own shares				-52,202	-52,202
Dividend (paid out)				-81,293	-81,293
31 December 2008	**812,927**	**600,427**	**27,266**	**194,680**	**1,635,300**

At year-end 2009, the share capital was DKK 812,927,400 which is 8,129,274 shares with nominal value of DKK 100.

Own shares	Number of shares		Nominal value		Fair value	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
1 January	315,086	128,137	31,508,600	12,813,700	29,933,170	66,631,240
Increase from buying own shares	5,142	239,387	514,200	23,938,700	458,834	82,450,042
Decrease from selling own shares	19,091	52,438	1,909,100	5,243,800	1,715,849	15,583,201
Value adjustment	0	0	0	0	0	-103,564,911
31 December	**301,137**	**315,086**	**30,113,700**	**31,508,600**	**28,676,155**	**29,933,170**

No shares have been allotted special rights. There is no restriction on share liquidity but a voting limitation of 5 per cent.

Earnings per share	2009	2008
Net profit for the year	-297,321	-403,418
Average number of shares outstanding shares	8,129	8,129
Average number of own shares	308	221
Average number of shares in circulation	**7,821**	**7,908**
Number of dilutive shares issued for share-based payments	0	0
Average number of shares outstanding, including dilutive shares	**7,821**	**7,908**
Earnings per share	-38.01	-51.02
Diluted earnings per share	-38.01	-51.02

Basic earnings per share was calculated by dividing the profit attributable to ordinary shareholders of the parent company of DKK -297 million in 2009 and in 2008 DKK -403 million by the average number of shares, excluding own shares held, outstanding in 2009 of 7.8 million and in 2008 7.9 million.

Eik Banki P/F 2009	2008	DKK 1,000	Group 2009	2008
		Solvency		
1,407,652	1,385,580	Core capital less statutory deductions, incl. hybrid core capital	1,357,514	1,120,194
1,881,957	1,860,870	Capital base	1,831,819	1,595,609
9,538,875	9,711,406	Weighted assets not included in trading portfolio including off balance-sheet items	14,254,844	14,382,472
1,023,607	768,413	Weighted items with market risk	1,575,214	1,011,444
10,562,482	**10,479,819**	**Total risk weighted assets**	**15,830,058**	**15,393,916**
17.8%	17.8%	Solvency ratio purs. to FIL § 124, 2 no. 1	11.6%	10.4%
13.3%	13.2%	Core capital ratio	8.6%	7.3%
		Capital demand		
844,999	838,385	Capital demand according to FIL § 124, 2 no. 1	1,266,405	1,231,513
1,321,092	1,608,034	Core Capital before statutory deductions	1,321,092	1,608,034
186,132	183,454	Intangible assets	402,803	394,818
54,533	39,000	Tax assets	182,225	93,022
1,080,427	**1,385,580**	**Core capital less statutory deductions**	**736,064**	**1,120,194**
327,225	0	Hybrid core capital (Credit package II)	621,450	0
1,407,652	**1,385,580**	**Core capital after deductions, incl. hybrid core capital**	**1,357,514**	**1,120,194**
		Supplementary capital		
451,392	448,024	Subordinated debt	451,392	448,024
22,913	27,266	Revaluation reserves	22,913	27,391
1,881,957	**1,860,870**	**Capital base**	**1,831,819**	**1,595,609**

Note 1

Accounting Principles

Basis for preparing the Annual Report
With effect from the accounting year beginning on 1 January 2009, Eik Banki Group will for the first time present its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU. The Change is due to a legal requirement. In accordance with the Faroese Banking Act all financial companies which are listed on a stock exchange shall prepare the consolidated accounts in accordance with IFRS if they are required to prepare consolidated accounts.

Furthermore, the Financial Statement is presented in accordance with additional disclosure requirements for Financial Statements prepared by listed financial companies, cf. NASDAQ NORDIC OMX's disclosure requirements for Financial Statements prepared by Companies listed in Reykjavik and Copenhagen, the Danish Financial Business Act, and the Executive Order regarding the application of IFRS standards in financial companies issued pursuant to the Danish Financial Business Act.

The Financial Statement of the Parent Company are presented in accordance with the danish Financial Business act, including the Presentation of Financial Statements by Credit Institutions and Stockbrokers.

The transition to the new standards is completed in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The Group's opening balance sheet at 1 January 2008, the balance sheet at 31 December 2008 and the income statement for 2008 will be presented in accordance with IFRS 1, "First-time adoption of IFRS".

The IFRS information presented in this document has been prepared on the basis of current approved standards and interpretation of the standards.

The transition to IFRS has entailed a number of changes in the presentation of income statement, the balance sheet, shareholders equity, cashflows and notes. Comparative figures for 2008 are adjusted and some reclassifications have been made in the balance sheet.

The transition to IFRS has no implications for recognition and measurement in the Group, but only increased the needs for information. Consequently the Statement of Financial position as at 1 January 2008 is unchanged compared to the previous accounting principles.

The Annual Report is presented in Danish kroner (DKK) and rounded to the nearest thousand DKK.

Correction of previous years
In the preparation of the Annual Report 2009 the comparative figures for 2008 have been corrected due to an error resulting in an increase in impairments. The error resulted in an increase in impairments in 2008 by DKK 50.5 million.

The correction affect Eik Banki and Eik Banki Group as shown in the table below:

DKK million	2008
Income statement	
Impairments of loans and other claims	-50.5
Taxes	9.1
Net profit for the year	**-41.4**
Assets	
Loan and other claims at amortised cost	-50.5
Deferred tax assets	9.1
Equity	**-41.4**

Concolidated Financial Statements
The Consolidated Financial Statements cover the Parent Company, Eik Banki P/F, and group enterprises in which Eik Banki P/F controls financial and operational decisions. Eik Banki P/F is considered to exercise control when it holds more than half the voting rights in a company, whether directly or indirectly, or otherwise controls financial and operational decisions.

Associates are companies that are not group enterprises but in which the Group holds equity investments and has significant influence, but not a controlling interest. Significant influence is typically obtained when a company, directly or indirectly, owns or holds more than 20 per cent of the voting rights, but less than 50 per cent. In assessing whether the Group has a controlling interest or significant influence, the voting rights that can be exercised on the reporting date are taken into account.

The following companies are included by means of full consolidation:

- P/F Inni
- Eik Bank Danmark A/S

Non-consolidated companies:

- P/F Property Bonds I
- Faroe Real Estate P/F
- Biotech Invest P/F

The Consolidated Financial Statements are prepared by adding together items of a uniform nature. Intercompany income and expenses, gains and losses as well as intercompany balances are eliminated in consolidation. The financial statements used in preparing the Consolidated Financial Statements are drawn up in accordance with the Group's accounting principles.

Newly acquired companies are recognized in the Consolidated Financial Statements as from the time of acquisition. Companies sold or wound up are recognized in the consolidated income statement until the time of divestment.

Comparative figures are not adjusted for newly acquired, sold or wound-up companies. However, discontinued activities are presented separately. The purchase method is used for company acquisitions, with identified assets and liabilities of the acquired companies being measured at their fair value as of the date of acquisition. Allowance is made for the tax impact of the revaluations.

Positive differences between the acquisition cost and the fair value of acquired, identified assets and liabilities (goodwill) are recognized under intangible assets. Goodwill is not systematically amortized. Instead periodic impairment tests are carried out.

Gains or losses upon the divestment or winding-up of group enterprises and associates are recognized as the difference between the selling price or the winding-up proceeds and the carrying amount of net assets at the time of divestment plus the defrayed and expected costs of or winding-up.

Non-consolidated companies consist of companies which are held temporarely or have no acitivity.

Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn external or internal revenue and incur expenses, and whose operating results are reviewed regularly by the Managing Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. While the internal reporting is based on the same recognition and measurement principles as applied under IFRS.

Segment results that are reported to the Managing Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities are the operating assets and operating liabilities that are used or have arisen in connection with the operation of a segment and which are directly associated with the segment.

Unallocated items comprise mainly corporate assets, head office expenses and similar items.

Inter segment transactions are performed on an arm's length basis.

Foreign Currency Translation

The Consolidated Financial Statements are presented in DKK, which is Eik Banki P/F' functional currency. Transactions denominated in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. Exchange differences that arise between the exchange rate at the date of the transaction and the exchange rate at the payment date are recognized in the income statement under market-value adjustments.

Monetary items in foreign currencies are translated at the exchange rate prevailing at the reporting date. The difference between the exchange rate at the reporting date and the exchange rate at the time the balance arose is recognized in the income statement under market-value adjustments. Rates of exchange assessed at a conservative estimate are used for illiquid currencies.

Offsetting

The Group sets off receivables and liabilities when the Group has a legal right to set off the recognized amounts, while at the same time intending to make a net settlement or realize the asset and redeem the liability at the same time.

Financial Instruments Generally

Classification

Financial assets are classified in the following categories at the date of recognition:

- trading portfolio, which is valued at fair value;
- loans, advances and receivables, which are valued at amortized cost;
- financial assets designated at fair value, with value adjustments being recognized in the income statement.

Financial liabilities are classified in the following categories at the date of recognition:
- trading portfolio, which is valued at fair value;
- other financial liabilities, which are valued at amortized cost.

Trading portfolio measured at fair value

The trading portfolio includes financial assets acquired which the Group intends to sell or repurchase in the near term. The trading portfolio also contains financial assets managed collectively which a pattern of short-term profits taking exists.

Assets in the trading portfolio comprise the shares and bonds held by the Group's trading departments.

Financial assets designated at fair value with value adjustements through profit and loss

Financial assets designated at fair value comprise fixed-rate loans, loans capped and shares which are not a part of the trading portfolio, including some sector shares managed on a fair value basis but without short-term profit-taking.

The interest rate risk on the loans is eliminated or significanty reduced by entering into interest rate swaps. The market value adjustment of these interest rate swaps generates immediate asymmetry in the financial statements if the fixed-rate loans capped were measured at amortised cost. To eliminate the inconsistency recognising the gains and losses on the loans and related swaps the fixed-rate loans and loans capped are measured at fair value with value adjustments through profit and loss.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction

Financial instruments are recognized at the trade date.

Derivative Instruments
Derivative instruments and unsettled spot transactions are recognized and measured at fair value at the trade date, and value adjustments are recognized in the income statement.

Positive market values are recognized under other assets and negative market values under other liabilities. In calculating the fair value, the listed bid/offer price is used to value listed instruments, while a valuation model based on recognized methods and current market data is used for unlisted instruments. Gains or losses upon inception ("day 1-profit") are not recognized for unlisted derivative instruments.

Interest from forward securities transactions, forward exchange contracts and interest and currency swaps is recognized net under interest income. Positive fair values are recognized under "Other assets". Negative market values are recognized under "Other liabilities".

The fair value of derivative instruments for which there is no active market is fixed, for simple products such as interest and currency swaps, according to generally accepted valuation principles. The parameters of valuation are all market-based, such as interest curves with illiquidity and credit risk premiums. To the greatest extent possible, such premiums are identified on the basis of external sources.

For more complex financial instruments that contain an option element and which are unlisted, i.e. OTC products, internally developed models are used, typically based on valuation techniques and methods that are generally accepted within the sector. At the reporting date, Eik Banki P/F had interest and currency swaps, interest caps that had been valued on the basis of more complex models. As far as possible, the parameters of valuation are market-based.

The values generated by valuation models are frequently estimates of values that cannot be determined unequivocally on the basis of market observations. Thus, in some cases, the valuation is made by including risk factors (liquidity and counterparty risks) as additional parameters.

Certain contracts include conditions that correspond to those for derivative instruments. Such embedded derivatives are recognized separately and measured currently at fair value if they differ significantly from the relevant contract, unless the full contract is recognized and measured at fair value on an ongoing basis.

Bonds and Shares, etc.
Bonds and shares, etc. are valued according to the following methods:

The portfolio of listed shares is measured at the listed closingprices quoted at the reporting date. Shares included in the Group's trading portfolio are recognized on the settlement day at their fair value. Shares that are not included in the Group's trading portfolio are measured at fair value with the ensuing changes in value in the income statement using the 'fair-value option' provided for in IAS 39.

The fair-value option makes it possible to account for securities outside the trading portfolio at fair value, as if they were part of the trading portfolio. It is a condition that such assets are managed on a fair value basis, thus involving recognition of value adjustments in the income statement.

Likewise, the sale of securities is recognized on the settlement day. Unlisted unit trust certificates are recognized at the price calculated by the unit trust.

The portfolio of listed bonds is generally measured at the listed price quoted at the reporting date. Estimated prices are used for illiquid and unlisted bonds for which there is no current listed price. In connection with calculating prices, quoted yield curves are used, with premiums to reflect illiquidity and credit risk, for which purpose valuation models based on current market practice are used. To the greatest extent possible, such premiums are identified on the basis of external sources. Thus, the fair value is calculated using a valuation model based on the discounting of cash flows according to generally accepted methods and current market data.

In determining the fair value, the reference point is available information about trades, etc., or, alternatively, a valuation model based on recognized methods and up-to-date market data. If a reliable fair value cannot be identified, the investment will be measured at cost less any writedowns for impairment.

Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship.

These hedging relationships are discussed below:

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. The changes in the fair value of the hedging instrument are recognised in the same income statement line item as the hedged item.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is prospectively discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a Market Value Adjustment.

Income Statement

Interest income and expenses

Interest income and expenses relating to interest-bearing financial instruments at amortized cost are recognized in the income statement according to the effective interest method, based on the cost of the financial instrument.

Interest includes amortization of fees, which is an integral part of the effective yield on a financial instrument, including upfront fees and the amortization of any further difference between the cost and redemption price.

Interest income and expenses include interest on financial instruments valued at fair value, with the exception of interest relating to assets and deposits in pools, which are recognized under market-value adjustments. Interest on loans and advances individually written down for impairment is recognized on the basis of the written-down value.

Net fees and commissions

Fees, charges and commissions relating to loans, advances and receivables are recognized as part of the carrying amount of loans, advances and receivables and are recognized in the income statement over the term of the loans and advances as part of the effective interest rate. Commissions relating to guarantees are carried to income over the term of the guarantees. Income generated upon performing a given transaction, including securities and custodianship fees plus payment services fees, are recognized as income when the transaction has been performed.

Consideration for arranging mortgage loans for BRF is recognized on the basis of the offset model. According to the offset model, consideration is recognized at the date of loan origination, and consideration for continuous services to the borrower are recognized in step with our rendering such services and thus earning an entitlement to the consideration.

Market-value adjustments

Market-value adjustments include realized and unrealized market-value adjustments of items in the trading portfolio as well as other shares. In addition, the impact on profits from fair-value hedge accounting is also recognized under market-value adjustments.

Other operating income

Other operating income includes items that are secondary to the Group's activities, including gains and losses on the sale of acquired investment and corporate properties and other assets.

Other operating income also includes rental income from operating leases and from properties after deducting operating expenses.

Gains and losses on sales are calculated at the selling price after deducting the selling cost and the carrying amount at the date of the sale.

Staff costs and administrative expenses
Staff costs and administrative expenses comprise salaries, bonuses, the cost of employee bonds and equity-settled share options granted (management incentive schemes), holiday pay, anniversary lump sums, pension costs, etc.

Other operating expenses
Other operating expenses contain items of a secondary nature relative to the Group's activities, including the ongoing guarantee commissions regarding the government-backed guarantee scheme.

Income from associated and subsidiary undertakings
Income from associated and subsidiary undertakings comprise the proportionate share of the individual companies' results after tax. Revaluation of holdings in associated and subsidiary undertakings are also included here.

Taxes
Eik Banki P/F is not taxed jointly with its Danish subsidiaries.

The current Danish corporation tax is allocated to the jointly taxed Danish companies in proportion to their respective taxable incomes. Companies that utilize tax losses in other companies pay joint taxation contributions to the Parent Company equivalent to the tax value of the utilized losses, while companies whose tax losses are utilized by other companies receive joint taxation contributions from the Parent Company equivalent to the tax value of the utilized losses (full allocation). The jointly taxed companies are included in the Danish tax prepayment scheme.

Tax for the year, which comprises current tax for the year and any change in deferred tax, is recognized in the income statement with the portion attributable to the profit for the year, and directly in equity with the portion attributable to amounts recognized directly in equity.

Balance sheet

Claims on credit institutions and central banks
Claims on credit institutions and central banks comprise receivables from other credit institutions and time deposits with central banks. The valuation of Receivables from credit institutions and central banks is carried out as stated under Loans, advances and receivables.

Loans and other claims at amortised cost
Loans, advances and receivables, including mortgage deeds, are recognized at inception at the fair value plus transaction costs and less fees, charges and commissions received in connection with loan origination. Loans, advances and receivables are periodically remeasured at amortized cost using the effective interest method, less impairment provisions for bad and doubtful debts.

Impairment
Loans, advances and receivables are monitored continuously to assess whether there is any objective indication of impairment and whether an impairment test shows any losses.

Individual impairment
Impairment is based on an individual assessment of commitments when there is an objective indication of impairment of an individual commitment.

There is an objective indication of impairment of loans and advances if one or more of the following events have occurred:

- the borrower is in considerable financial difficulty;
- the borrower is in breach of his contract, e.g. in the form of non-payment of loan repayments and interest;
- the Group grants the borrower special terms that would not have been granted in the absence of the borrower's financial difficulty;
- the borrower is likely to become insolvent or subject to any other voluntary or involuntary receivership.

Impairment is calculated as the difference between amortized cost and the discounted value of the expected cash flows, including the realizable value of any security. Any subsequent increase of the discounted value of the expected cash flows results in full or partial reversal of impairment. For fixed-interest loans and advances, the original effective interest rate is used to calculate the discounted value, while the current effective interest rate is used for floating-rate loans and advances.

Collective impairment
For loans and other assets which are not impaired on

an individual basis, collective evaluations are made, if there is established an objective indication of negative value adjustment for the collective category.

The collective estimation is made for the collective loans and other assets which have similar sign as regards credit risk. The work is divided into four groups, one for public institutions, one for retail customers and two for corporate business groups, which are divided into fishing industry and other industries.

The collective evaluation is made by a Faroese edition of a segmentation model made by the association of "Lokale Pengeinstitutter". Lokale Pengeinstitutter is also responsible for a continued update and development of the model. The segmentation model establishes the relation in the individual groups between realised losses and some significant explanatory macroeconomic variables through a linear regression analysis. Among the explanatory macroeconomic variables are interest, usage of industry energi, collected wages in the fishing industry, fuel prices and so on.

The macroeconomic segmentation model is principally calculated based on the information on losses in all the Faroese financial institutions. The Bank has therefore estimated to which extent the estimations of the model reflect the credit risk for the collective loan portfolio of the Bank.

The estimations of the model are fundamental for the calculation of the collective impairments. For each loan-group and other outstanding accounts an estimation is calculated, which gives the per cental decrease in value related to a given group of loans and other outstanding accounts on the ultimo date.

How large an addition each individual loan brings to the collective impairments can be seen if the original risk of loss for the individual loan is compared to the actual risk of loss and risk of loss of the loan by yearbegin.

The impairment is calculated as the difference between the booked value and the discounted value on expected future payments

Impairment losses etc.
Impairment losses on loans and advances are charged to an impairment account, which is offset against loans and advances. Any movement in the impairment account is recognized in the income statement under Impairment of loans, advances and receivables, etc. In case of any subsequent events that show that the impairment was not permanent, the impairment is reversed via the item, Impairment of loans, advances and receivables, etc.

Loans and advances considered to be uncollectible are written off via the impairment account. Loans and advances are written off when established collection procedures have been observed as follows:

- the debtor has filed an insolvency petition and the trustee has indicated the probable financial result of the insolvency proceedings;
- Eik Banki P/F cancels debts either following a compulsory or private arrangement with creditors;
- Eik Banki P/F considers collection of the debt completely unlikely for other reasons.

Interest on the written-down portion of the individual loans and advances is relassified to reduce income.

Holdings in associated and subsidiary undertakings
Equity investments in group enterprises and associates are recognized at the proportionate share of the net asset value (NAV) on the reporting date plus the carrying amount of goodwill acquired. Goodwill is calculated and measured as described above under the Consolidated Financial Statements.

The share of profit for the year after tax is recognized in the income statement of the Parent Company under "Income from associated and subsidiary undertakings". In connection with the purchase or sale of associated and subsidiary undertakings, the results of such associated and subsidiary undertakings are included in the income statement from or until the takeover date, as the case may be.

Any profit or loss upon sale is calculated as the difference between the net selling price and the carrying amount at the transfer date, including the carrying amount of goodwill, and is recognized under "Other operating income/expenses".

Intangible Assets

Goodwill
Goodwill acquired is recognized at cost less accumulated writedowns for impairment. The carrying amount is not systematically amortized. The accounting treatment of business combinations before 1 January 2004 has not been revised in connection with the transition to IFRS.

Impairment test

The carrying amount of goodwill and customer relations is tested for impairment together with the other property, plant and equipment and intangible assets in the cash-generating unit to which goodwill and customer relations have been allocated. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount via the income statement.

The recoverable amount is calculated as the present value of expected future net cash flows from the unit to which goodwill and customer relations relates.

Other intangible assets

Software acquired is recognized at cost plus installation expenses and amortized according to the straight-line method over the expected useful life of a maximum of five years. Self-developed software is recognized if the cost can be reliably calculated and if analyses show that the Group's future earnings from implementing such software are equal to the associated development costs.

Development costs recognized as an asset are amortized on a straight-line basis over the expected useful life of a maximum of five years. Expenses during the planning stage are not included but expensed as and when defrayed. The carrying amount of intangible assets is periodically remeasured and written down against the income statement if the carrying amount exceeds the expected future net income from the business or the asset.

Land and buildings

Domicile properties are recognized at cost upon acquisition and subsequently measured at fair value. The fair value is calculated on the basis of current market data according to an asset return model that includes the property's rental income, operating expenses, as well as management and maintenance. Operating expenses and maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. The fair value of the property is determined based on the calculated return on operations and the individually determined rate of return. The return rate is fixed on the basis on the location of the individual property, potential use, the state of maintenance, quality, etc. The fair value of the individual property is reassessed annually based on the current letting market and the interest level.

Domicile properties are properties used by the Group for administrative purposes, as a branch or for other service activities. The carrying amount of corporate properties is systematically depreciated over the expected useful life of 50 years for buildings. Special installations in buildings are depreciated according to the straight-line method over a useful life of 20 years. Allowance is made for the expected residual value when calculating depreciation. Revaluation of corporate properties is allocated to a special reserve under shareholders' equity, "Revaluation reserves", while depreciation and impairment are recognized in the income statement under "Depreciation, amortization and impairment of intangible assets and property, plant and equipment".

Land is not depreciated.

Expenses for leasehold improvements are recognized under corporate properties at cost and depreciated over the lease term, however maximum ten years.

Other tangible assets

Operating equipment and IT equipment are recognized at cost less accumulated depreciation and impairment. Operating equipment and IT equipment are depreciated according to the straight-line method over the useful life, i.e. 5 – 8 years. The basis of depreciation for property, plant and equipment is the difference between cost and residual value at the end of its useful life, and the residual value is assessed regularly.

Assets held for sale

Assets held for sale comprise assets taken over as a result of the liquidation of customer commitments, the intention being to sell off the assets as soon as possible. Assets taken over are recognized at fair value upon taking them over and subsequently measured at this value or an estimated realizable value, if lower, except from acquired properties, which are treated as investment properties.

Taxes

Current tax liabilities and current tax receivable are recognized in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable incomes relating to prior years, and tax paid on account.

Deferred tax is measured on the basis of all timing differences between the carrying amounts and tax values of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates applicable in the respective countries at the time when the deferred tax is expected to crystallize in the form of current tax, based on the legislation in force at the reporting date. Any changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Other assets

Other assets include interest and commissions receivable as well as the positive market value of derivative instruments.

Financial liabilities

Deposits, bonds issued and payables to credit institutions, etc. are recognized initially at the proceeds received net of transactions costs incurred. Periodic remeasurements are made to amortized cost using the "the effective interest method". Thus, the difference between net proceeds and nominal value is recognized in the income statement under interest expenses over the loan term. Other commitments are measured at net realizable value.

Other liabilities

Other liabilities include interest payable, the negative market value of financial instruments and employee benefits payable.

Provisions for liabilities

Provisions for liabilities include mainly guarantee commitments and provisions for losses on irrevocable credit commitments and legal actions, etc. A provision is recognized in respect of a guarantee or an irrevocable credit commitment if it is likely that the guarantee or the credit commitment will be exercised and the amount of the commitment can be reliably determined. Provisions are based on Management's best estimate of the amount of the commitments. In measuring provisions for liabilities, discounting to net present value is made where deemed material.

Shareholders' Equity

Share premium reserve

Share premium reserve comprises amount paid by shareholders for shares in excess of their nominal value.

Revaluation reserves

Revaluation reserves comprise revaluations of the Group's domicile properties after the recognition of deferred tax. The reserve is dissolved when properties are impaired, sold or otherwise disposed of.

Own shares

Own shares are not recognized as assets. The acquisition cost and selling price for own shares as well as dividends on such shares are recognized directly in retained earnings under shareholders' equity. The proceeds on the sale of own shares are posted directly to shareholders' equity.

Cash flow statement

The cash flow statement shows cash flows for the year, broken down by operating, investing and financing activities, the year's movements in cash and cash equivalents and the cash and cash equivalents at the beginning and end of the year. Cash generated from operations is calculated according to the indirect method as the profit before tax, adjusted for non-cash operating items and any changes in working capital.

Cash generated from investments comprises payments associated with the purchase and sale of non-current assets, companies and securities. Cash generated from financing comprises dividends paid, movements in the shareholders' equity and subordinated debt.

Cash and cash equivalents comprise cash balances, demand deposits with central banks and receivables from credit institutions and central banks with less than three months to maturity.

Segment specifications

The financial statements for the business areas that constitute the Group's only significant segmentation are based on the Consolidated Financial Statements and the affiliation of individual customers.

Transactions between segments are settled on an arm's length basis. Centrally incurred expenses, such as salaries, rent etc. are allocated to the individual segments based on an assessment of the proportionate share of the overall activity level.

Segment assets and liabilities are the operating assets and operating liabilities that are used or have arisen in connection with the operation of a segment and which are directly associated with or can be reasonably allocated to the segment.

Disclosures regarding standards that have not yet entered into force

New standards and interpretations not yet adopted

International Accounting Standards Board (IASB) has published a number of new financial Reporting standards (IAS and IFRS) and interpretations (IFRIC), which Eik Banki P/F is not required to observe in preparing the 2009 Financial Statement.

Eik Banki P/F expects to implement the new financial reporting standards and interpretations when they become compulsory in 2010 ongoing

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing theses consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, with exeption of:

* IFRS 3 Business Combination (2008)
* IAS 27 Consolidated and Seperate Financial Statement.
* IFRS 9 Financial Instruments (2009)
* Ammendments to IAS 39 Financial Instruments: Recognition and Measurement.

Note 2

Accounting estimates and assessments

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting principles that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 16, 19, 24 and 25.

Critical accounting judgements in applying the Group's accounting principles

Critical accounting judgements made in applying the Group's accounting principles include:

In determining the carrying amounts of certain assets and liabilities, Management estimates how future vents will impact on the value of such assets and liabilities on the reporting date. Estimates of significance to the financial reporting include the determination of:

impairment charged for loans and advances and provisions for guarantees;
fair value of domicile properties;
fair value of financial instruments;
impairment charged for goodwill

Management's estimates and assessments are based on assumptions that Management considers appropriate but which are uncertain and unpredictable by their nature. The assumptions may be incomplete or inaccurate, and unexpected future events or circumstances may arise. Consequently, making estimates and assessments is difficult by nature, and when they also involve customer relationships and other counterparties, they will be subject to uncertainty.

Impairment charged for loans and other claims and provisions for guarantees

Testing the impairment of individual loans and claims requires estimates of factors subject to great uncertainty. The test involves estimates of the most probable future cash flows that the customer can generate.

Loans for which there is no objective indication of impairment are included in a group that is subjected to an impairment test at portfolio level.

In connection with testing the impairment of a combined group of loans and claims, it is essential to identify the events that give an objective indication of losses on the group of loans and advances. The valuation of the present value of cash flows generated by customers in the group is subject to uncertainty when historical data and empirical assessments are used to adjust the assumptions based on historical data for the purpose of reflecting the current situation.

Loans are assigned to groups having uniform credit risk properties. Customers are subjected to ongoing rating and scoring, and if calculations show that customers have different credit risk properties, they will be transferred to new risk classes on an ongoing basis. Thus, the downgrading of a customer to a weaker group serves as an indicator of the deterioration.

If the Bank is aware at the reporting date that circumstances have occurred that have either worsened or improved the future payment pattern as used in the models, the appropriate corrective action will be taken.

As concerns 2009, there is no doubt that the existing global and local economic situation is a factor that does not form part of the Bank's historical experience base. Consequently, there may be effects for the individual risk groups that the models do not make sufficient provision for. In such cases specific judgements are made by management.

Eik Banki P/F operates with a credit system using rating models for business customers and behavioural scoring for personal customers.

In addition to its scoring and rating systems, the Bank uses an additional assessment method in its impairment model, where customers showing danger signals are credit-quality flagged. Credit-quality flagging may be performed both decentrally and centrally. Credit-quality flagging corresponds to a downgrading to the weakest credit risk class.

Credit-quality flagging contains important management estimates. In light of the situation of the financial sector and developments in the national economy in particular, these estimates have entailed an increase in the number of credit-quality flagged customers from the beginning to end of 2009.

Factors that have had particular impact on management estimates throughout 2009 are increasing unemployment rates, partially declining property prices and a decline in the demand for many products and services, and at the same time the worsening situation for many customers in terms of obtaining cash resources has impacted customers' ability to comply with their agreements with the Bank.

Reference is made to note 19, loans, advances and other receivables at amortized cost.

Fair value of domicile properties
The asset return model is used to measure real property at fair value.

The future cash flows are based on Eik Banki P/F best estimate of the future profit on ordinary operations and the required rate of return for each individual property when taking into account such factors as location and maintenance. External valuations are obtained to support such estimates. A number of these assumptions and estimates have a major impact on the calculations and include such parameters as inflation, developments in rent, costs and required rate of return. Any changes to these parameters as a result of changed market conditions will affect the expected return, and thus the fair value of the investment and corporate properties.

Reference is made to note 25 Domicile properties.

Fair value of financial instruments
Eik Banki P/F measures a number of financial instruments at fair value, including all derivative instruments as well as shares and bonds.

Determination of fair value
The Group measures fair values using the following hierarchy of methods that reflects the significance of the inputs used in making the measurements

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter structured derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Impairment charged for goodwill

In connection with the annual impairment charged for goodwill, Management estimates how the sections of the company to which goodwill relates will be able to generate sufficient positive net cash flows in future to support the value of goodwill and other net assets in the company. Estimates of expected future cash flows must be made many years ahead, which naturally involves some uncertainty. The uncertainty is reflected by the discount rate chosen.

Reference is also made to note 24, intangible assets.

Note 3

Risk

The objective of risk management is to project business activities, and thus prevent the Group from contracting or encountering risks larger than those stipulated by the Board of Directors and those necessary to reach the long-term strategic goals.

Risk management is an activity to be evaluated on a long-term basis. Risk is an integral part of day-to-day banking activities and therefore it is not possible entirely to avert situations leading to financial losses, but these should to at large extent be covered by a sufficient interest margin as well as services, fees and commissions. Furthermore, effective risk management must ensure that income from investments the Group makes must outweigh the risk carried by these investments. Risk management also needs to monitor the origination of risk which can stem from internal factors such as new services, products, procedures and guidelines as well as from miscellaneous external factors.

Currently, a lot of work is being done to enhance the Group's risk management procedure. Procedures are developed to affirm, document, and report risk factors within the various risk areas in addition to the development of clear procedures to support the infrastructure of risk management.

In accordance with this, a separate Risk Management unit has been established. The unit is to work with management of risk across the Group, independently from the commercial part of the business. The responsibility of the Risk Management unit is to ensure that regular control and monitoring of risk is carried out and that adequate procedures are in place within the different areas of the bank. The Risk Management unit is to report regularly and directly to the Board of Directors of Eik Banki.

Risk management is of importance to the Group and a separate risk report is therefore published as a supplement to the Annual Report.

The main elements in the risk management consist of:

- Credit risk management
- Market risk management
- Liquidity risk management
- Operational risk management
- Capital base risk management

The Groups' credit reporting scheme is illustrated in table 1.

Table 1

	Management			Board of Directors		
Group credit reporting scheme	Monthly	Quarterly	Half-yearly	Monthly	Quarterly	Half-yearly
Credit						
Large exposures		x	x		x	x
Impairments		x	x		x	x
Credit analysis			x			x
Customer portfolios			x			x
Industry distributions			x			x
Development in credit exposures			x			x
Capital						
Solvency ratio	x			x		
Solvency Requirements		x			x	
Accounting						
Monthly Accounting	x	x	x	x	x	x
Liquidity and market						
Liquidity	x			x		
Gains and losses		x			x	
Overview of securities portfolio		x			x	
Currency Positions		x			x	
Risk exposures/risk report	x				x	
Appropriations overview	x					
Lines (only Eik Banki)		x			x	
An accont of trends, outlook and plans		x			x	
Operational						
Annual IT risk assessment			x annually			x annually

If any material weaknesses are identified in the Group's internal controls, these will be recorded in the auditor's records to the Board that the Internal Audit Departments periodically produces.

The Board and the Audit Committee (applicable to Eik Bank Danmark and from March 2010 also Eik Banki) monitor that the Management responds effectively to any weaknesses and shortcomings, and that agreed actions are implemented as planned.

Under the current IT-systems the Group has had some challenges in producing some of the required data i.e. comparison figures for 2008, average exposures in years, secured by mortgage, and risk weighted items according to capital adequacy rules of 21 May 2008 which came in to practice 1 January 2009. This allows companies covered by the order to substitute the standard method for calculating credit risk outside the trading portfolio and instead calculate the risk/weighted items relating to credit risk outside the trading portfolio in accordance with part 2 of the executive order of 16 November 2001. This could be done until 1 January 2010. Pursuant to executive order on capital adequacy for the Faroe Islands of 12 November 2009, this deadline, 1 January 2010, was extended to 1 September 2010, due to the reorganisation of the IT-system from Elektron to SDC.

When the Faroese banks this spring will convert to the data center in Denmark (SDC), the bank expects to be fully able to produce all the required data.

3.1 Credit risk

Credit risk is the risk of losses when customers become unable to meet their financial obligations. The credit risk is managed in accordance with the overall credit policy set forth by the respective Credit Departments and approved by the respective Board of Directors.

The Credit Policy is updated if the banks wish to change the credit terms in accordance with external and or internal changes that could affect customers' creditworthiness. Such factors may be that the banks will change their terms or position to finance various customer groups or asset groups. The credit policy is submitted to and approved by the Board annually.

Credit is provided in accordance with the financial situation of the individual customer. The individual risk is assessed with the important factors being the financial conditions, attitude to repayments, and collaterals. As a main rule credit is not provided based solely on collateral.

Credit facilities granted in connection with the purchase of listed shares, bonds and mortgage deeds are based on individual agreements with customers with excess cover on the credit line. In each case it has been agreed in advance that the Bank can sell the securities, if the excess cover is no longer present.

To ensure a dispersion of loans, the credit policy states that the total credit facilities of an individual customer or a consolidated group of customers must not exceed 15 per cent of the Bank's base capital. In addition the credit policy stipulates limits for total credit provided to different business sectors.

Credit management and controls

Customer consultants are in charge of the day-to-day credit controls together with their head of branch. Customer consultants monitor their own customers. Daily overdraft reports are produced to monitor, whether customers meet their obligations and to ensure that negative trends can be dealt with at an early stage.

Decentralized credit granting is authorised according to an assessment of necessity and competence. Affairs that are not covered by decentralized granting are dealt with by the Credit Department, the Management or the Board. The decentralized granting are allocated according to the qualification of the relevant head of department and the customer consultant. Furthermore, a specific number of cases must be processed by the Credit Department.

Retail customers are required to meet certain conditions such as a sufficient margin for personal disposals and collaterals. When loans are granted with a variable interest rate, it is taken into consideration, whether the borrower is able to repay the loan, if interest rates rise.

Loan facilities with corporate customers are evaluated yearly, based on the latest annual financial statement. In this evaluation the bank looks at the company's financial outlook and developments within the relevant industrial sector.

For financially weak corporate customers, an internal action plan is stipulated. The action plan is based on the debt and collateral of the customer as well as the challenges or troubles the company may be facing – focusing on finding a solution that can limit the risk for the Group.

Various systems are used in the credit granting process, credit management and monitoring of corporate and retail customers. All relevant information about the customer is recorded in the systems, e.g. description of the business, accounts, applications, collateral, as well as ongoing communications.

In addition, the Group uses rating of retail customers and corporate customers to determine the credit quality of the customer. The Group is working on extending the use of the rating system in order to gain a better control and monitoring of overdrafts and arrears, decentralized granting and pricing.

Collateral

Credit is granted on the basis of the financial ability to repay and attitude to repayments. In addition to this, the Bank wants to limit risk by taking collaterals. The types of collateral most frequently provided are real estate, ships, securities and motor vehicles. The value of the collateral is estimated using set procedures, thus ensuring uniform estimations. The Group regularly assesses the value of collateral provided. It calculates the value as the price that would be obtained in a forced sale less deductions reflecting selling costs and the period over which the asset will be up for sale.

The Group seeks to take pledge in collateral provided from the customers. If the customer comes in some difficulties and will be considered not to be a going concern, then the estimated value of the collateral provided will not have the same value if the customer is a going concern.

To allow for the uncertainty associated with calculating the value of collateral received, the Group reduces such value by haircuts.

For commercial buildings there is a haircut up to 40 per cent of the purchase price. For housing property there is a haircut up to 20 per cent, admitted the value of the house up to 80 per cent of the average sale price statistics, se average sale prise on the web site www.eikbanki.fo for housing prices. The haircut for ships is up to 60 per cent.

For listed and unlisted securities the Group calculates with a number of different haircuts from 40 per cent up to 100 per cent.

For guarantee by third party, the haircut is normally up to 100 per cent.

Lending to the public (municipalities) is usually given on unsecured basis.

On this basis, if the Group grants a customer a credit facility, there may emerge calculated or technical unsecured balance.

As a rule, the Group wants the majority shareholder of borrowing companies to provide a guarantee. This is to ensure that there is coherence between the interest of the majority shareholder and the interests of the company.

The value of the collateral is estimated using set procedures, thus ensuring uniform estimations.

Credit Granting and Policy

In Eik Banki all credit facilities over DKK 25 million must be approved by the Board. If the customer can provide the bank with collaterals in cash or securities the management can approve credit facilities up to DKK 50 million.

In Eik Bank Danmark all credit facilities over DKK 20 million must be approved by the Board. The Board in Eik Bank Danmark A/S can approve credit facilities with in the limits of the banking act (FIL) in that Eik Bank Danmark is an independent company.

Table 2

	Eik Banki P/F		Group	
	DKK million	per cent	DKK million	per cent
Loans and guarantees by sectors and industries	2009	2009	2009	2009
Total public sector	**263**	**2.6%**	**309**	**1.7%**
Agriculture, hunting and forestry	15	0.1%	39	0.2%
Fishing	848	8.2%	851	4.6%
Manufactoring, mining, utilities, etc.	1,159	11.2%	1,182	6.5%
Building and construction	730	7.1%	1,460	8.0%
Commerce, restaurants and hotels	655	6.4%	856	4.7%
Transport, post and telecommunication	428	4.2%	471	2.6%
Credti and finance	1,262	12.2%	2,057	11.2%
Property administration, purchase and sale, business service	892	8.7%	3,530	19.3%
Other industries	176	1.7%	537	2.9%
Total commercial sector	**6,165**	**59.8%**	10,983	60.0%
Total private sector	**3,874**	**37.6%**	7,014	38.3%
Total loans and guarantees	**10,302**	**100.0%**	**18,306**	**100.0%**

Figure 3
Group Loan by Sector and Industry
31 December 2009

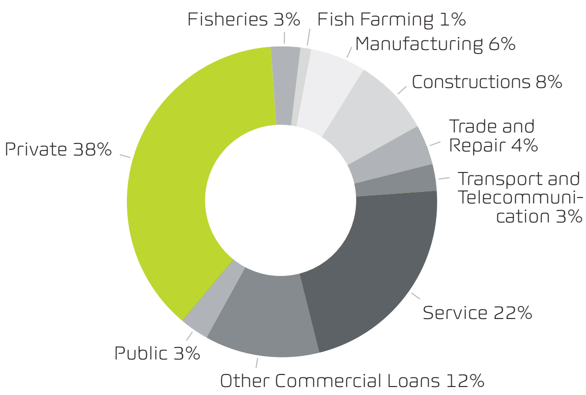
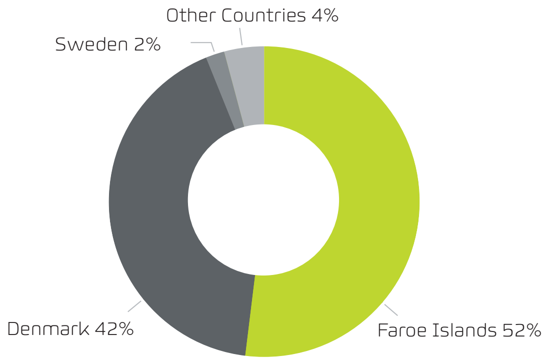


Figure 4
Group Loan per Country
31 December 2009



Decentralized credit granting authorities to customers departments are of a size of up to DKK 4 million.

Rating of retail customers and corporate customers

In this report the Bank uses rating to describe the credit quality on individual exposures. The rating is based on the categories and criteria that the Danish Financial Supervisory Authority uses for credit quality evaluation of customers. It is not an actual credit scoring as each rating contains a manual assessment of the probability of default and the expected loss if the bank has to take in the collateral and for evaluating the customers' solvency and ability to pay its obligations.

Distribution of Loans

The Group has diversified the loan portfolio geographically, across sectors and industries. The sector and industry distribution is made according to information from the Faroese tax authorities. The sectors and industries are grouped on the basis of the primary field of industry as shown in table 2.

As shown in figure 3 Corporate Lending constitute 59 per cent of the Group's total loans at year-end 2009, Retail Lending 38 per cent and Public Sector 3 per cent. The corresponding distribution in 2008 was 52, 46 and 2 per cent, respectively.

The share of Services has increased from 14 per cent in 2008 to 22 per cent in 2009. The increase is due to a reclassification of customers in Eik Bank Denmark from Private and Trade & Repair, and into loans provided to customers in the Service sector in general. The proportion of service for Eik Banki is largely unchanged.
The effect of the reclassification can also been seen in the decrease in the proportion of individuals in 2008 from 46 per cent to 38 per cent in 2009.

The distribution of the loan portfolio in figure 3 is based on the objective of the loan. Therefore, the division is not compatible with the division of loans in table 2, which is based on the debtor's primary field of industry.

Geographically, 52 per cent of the loan portfolio is in the Faroe Islands, 42 per cent in Denmark, 2 per cent in Sweden and 4 per cent in other countries. For the same period last year the distribution was 52 per cent, 43 per cent, and 5 per cent, respectively.

Table 6 shows the credit quality of commercial and public sector.

Retail Customers

The majority of retail loans are advanced to private property. A full 29 per cent of total loans are advanced to flats and houses of retail customers. The majority is provided under mortgage credit conditions with first priority in houses or flats.

Table 5 shows the credit quality of retail customers of the Bank and the Group.

Credit exposure (outside the trading portfolio including market risk)

Credit exposure is calculated by adding loans and credit, guarantees, unused credit limits, credit approvals, holdings in associated companies, equipment, intangible assets and other tangible assets and counterpart risk.

Table 7-10 and 12-14 gives an overview of the banks credit exposure accross geographical distribution, sectors, industries and durations. With reference to the executive order on Capital Adequacy applying to the Faroe Islands of 21 May 2008 the Bank uses the "standard method for credit risk" when the credit exposure is analysed. In relation to the counterpart risk the Bank uses the "market value method for counterpart risk".

Table 5 Credit quality of retail customers 1)	Eik Banki P/F DKK million 2009	per cent 2009	Group DKK million 2009	per cent 2009
Exposure with normal credit quality	3,404	88.0%	6,361	90.8%
Exposure with slightly reduced credit quality, some weaknesses	296	7.6%	318	4.5%
Exposure with significant weaknesses, but no impairments	108	2.8%	119	1.7%
Exposure with impairments	61	1.6%	212	3.0%
Total	**3,869**	**100.0%**	**7,010**	**100.0%**

1) 2008 figures unattainable

Table 6 Credit quality for commercial and public sector 1)	Eik Banki P/F DKK million 2009	per cent 2009	Group DKK million 2009	per cent 2009
Exposure with normal credit quality	4,340	67.5%	5,437	48.1%
Exposure with slightly reduced credit quality, some weaknesses	743	11.5%	2,448	21.7%
Exposure with significant weaknesses, but no impairments	128	2.0%	1,029	9.1%
Exposure with impairments	1,222	19.0%	2,382	21.1%
Total	**6,433**	**100.0%**	**11,296**	**100.0%**

1) 2008 figures unattainable

Table 7		Eik Banki P/F					Group
Geographical distribution across categories of exposure for the Group	**Faroe Islands**	**Denmark**	**Other**	**Faroe Islands**	**Denmark**	**Other**	**Total**
Central governments or central banks	120	0	0	238	386	0	624
Regional or local authorities	302	0	0	304	0	0	304
Public units	18	1	0	18	1	0	19
Institutes	115	2,749	0	115	3,078	58	3,251
Business enterprises etc.	2,522	322	197	2,526	3,179	698	6,403
Retail custormers	1,463	21	21	1,463	678	381	2,522
Guaranteed by mortgage on real estate	5,260	59	29	5,260	2,779	28	8,067
Arrears or overdraft	528	267	35	528	992	35	1,555
Other items, including assets without counterparts	0	513	0	0	720	2	722
Total	**10,328**	**3,932**	**282**	**10,452**	**11,813**	**1,202**	**23,467**

Table 8 **Credit exposure**	**Eik Banki**	**Group**
Loans and credit	8,615	15,845
Guarantees	1,184	1,457
Unused credit limits	850	1,216
Other receivables	0	0
Irrevocable credit commitments	59	59
Holdings in Subsidiary undertakings	691	80
Land & Buildings	141	143
Intangible assets	186	403
Other tangible assets	185	351
Counterpart risk	30	48
Shares at fair value	209	295
Bonds at fair value	2,391	3,570
Total	**14,541**	**23,467**

Table 9 **Credit exposures across sectors and industries Eik Banki P/F**	Central governments or central banks	Regional or local authorities	Public units	Institutes	Business entreprises etc.	Retail customers	Guaranteed by mortgaging on real estate	Arrears or overdraft	Other items, including assets without couterparts
Total public sector	**120**	**294**	**18**	**0**	**10**	**3**	**26**	**1**	**0**
Agriculture, hunting and forestry	0	0	0	0	0	3	13	1	0
Fishing	0	0	0	0	354	13	551	17	0
Manufacturing, mining, utilities, etc.	0	0	0	0	750	27	475	40	0
Building and construction	0	0	0	0	154	37	202	241	0
Commerce, restaurants and hotels	0	0	0	0	236	62	386	44	0
Transport, post and telecommunication	0	0	0	0	163	17	254	8	0
Credit, finance and insurance	0	0	0	2,703	942	13	170	13	0
Property administration, purchase and sale, business service	0	0	0	0	83	51	595	280	0
Other industries	0	0	0	177	491	85	49	40	336
Total commercial sector	**0**	**0**	**0**	**2,880**	**3,173**	**308**	**2,695**	**685**	**336**
Total private sector	**0**	**0**	**0**	**0**	**28**	**1,193**	**2,517**	**254**	**0**
Total	**120**	**294**	**18**	**2,880**	**3,211**	**1,505**	**5,238**	**940**	**336**

Table 10 **Credit exposures across sectors and industries Group**	Central governments or central banks	Regional or local authorities	Public units	Institutes	Business entreprises etc.	Retail customers	Guaranteed by mortgaging on real estate	Arrears or overdraft	Other items, including assets without couterparts
Total public sector	**624**	**295**	**18**	**0**	**10**	**3**	**26**	**1**	**1**
Agriculture, hunting and forestry	0	0	0	0	3	3	13	1	0
Fishing	0	0	0	0	354	13	551	17	0
Manufacturing, mining, utilities, etc.	0	0	0	0	750	27	475	40	0
Building and construction	0	0	0	0	456	37	355	543	0
Commerce, restaurants and hotels	0	0	0	0	366	62	386	44	0
Transport, post and telecommunication	0	0	0	0	190	17	254	19	0
Credit, finance and insurance	0	0	0	3,090	1,017	13	170	98	1
Property administration, purchase and sale, business service	0	0	0	0	2,289	51	595	353	140
Other industries	0	0	0	177	973	108	49	182	402
Total commercial sector	**0**	**0**	**0**	**3,267**	**6,397**	**331**	**2,848**	**1,297**	**543**
Total private sector	**0**	**0**	**0**	**0**	**166**	**2,187**	**5,085**	**368**	**0**
Total	**624**	**295**	**18**	**3,267**	**6,573**	**2,521**	**7,959**	**1,665**	**544**

Table 11 **Overview of very good to slightly good credit quality (Part of table 5 and 6)**

	Eik Banki P/F		Group	
	DKK Million	Per cent	DKK Million	Per cent
3	2,536	29.8%	5,185	36.4%
2.a	2,959	34.8%	4,056	28.5%
2.b	1,660	19.5%	3,551	24.9%
2.c	1,355	15.9%	1,455	10.2%
Total	**8,510**	**100.0%**	**14,247**	**100.0%**

The current IT-system is unable to provide comparable figures for 2008

Table 11 gives an overview of the credit quality of the banks loan portefolio. In the figures exposures with impairment are not included but customers overdue are included. Ideally the bank ought to be able seperate the portefolio in more credit classes, but the current rating system only supports four rating criteries in addition to customers with significant weaknesses, but no impairments and costumers with individual. The Group is working on developing a more detailed rating system, but the work is postsponed while the change in IT-system is going on.

The rating classes can be described as follow:

- 3 unconditional good credit exposure, i.e. credit exposures that are covered with very good collateral and/or the customer have a very good ability to pay back the loan
- 2a good credit quality, i.e. credit exposures that are covered with collateral and/or the customer have good to average ability to pay back the loan
- 2b average good credit quality, i.e. credit exposures that are covered with collateral and/or the customer have average ability to pay back the loan
- 2c reduced credit quality, but without the need for individual impairment. Credit exposures were the customer's ability to pay back the loan have been weakened over a number of period, and the equity capital of the customer is little or negative, and the value of the collateral the Group has received is considered to be reduced.
- Exposures with significant weaknesses and exposures with individual impairment, se table 5 and 6

Table 12

Duration of credit exposures across exposure categories - Eik Banki P/F	**On demand**	**Up to 3 months**	**3 months - 1 year**	**1 - 5 year**	**Over 5 years**	**Total**
Central governments or central banks	0	0	120	0	0	120
Regional or local authorities	128	0	8	21	145	302
Public units	0	0	0	1	17	18
Institutes	25	4	2,154	10	783	2,976
Business entreprises etc.	1,382	0	382	672	671	3,106
Retail costumers	346	3	8	775	371	1,505
Guaranteed by mortgage on real estate	1,152	11	202	516	3,468	5,349
Arrerars or overdraft	299	0	25	186	319	830
Other items, including assets without counterparts	0	0	0	9	325	335
Total	**3,333**	**18**	**2,900**	**2,189**	**6,100**	**14,541**

Table 13

Duration of credit exposures across exposure categories - Eik Banki P/F	**On demand**	**Up to 3 months**	**3 months - 1 year**	**1 - 5 year**	**Over 5 years**	**Total**
Central governments or central banks	0	0	120	0	0	120
Regional or local authorities	128	0	8	21	145	302
Public units	0	0	0	1	17	18
Institutes	25	4	2,154	10	783	2,976
Business entreprises etc.	1,382	0	382	672	671	3,106
Retail costumers	346	3	8	775	371	1,505
Guaranteed by mortgage on real estate	1,152	11	202	516	3,468	5,349
Arrerars or overdraft	299	0	25	186	319	830
Other items, including assets without counterparts	0	0	0	9	325	335
Total	**3,333**	**18**	**2,900**	**2,189**	**6,100**	**14,541**

Table 14

Credit exposure across exposure categories	Eik Banki P/F		Eik Group	
	31/12-2009	Average 2009	31/12-2009	Average 2009
Central governments or central banks	120	N/A	506	N/A
Regional or local authorities	302	N/A	304	N/A
Public units	18	N/A	18	N/A
Institutes	2,976	N/A	3,101	N/A
Business enterprises etc.	3,106	N/A	6,849	N/A
Retail custormers	1,505	N/A	2,521	N/A
Guaranteed by mortgage on real estate	5,349	N/A	8,069	N/A
Arrears or overdraft	830	N/A	1,556	N/A
Other items, including assets without counterparts	335	N/A	543	N/A
Total	**14,541**	**0**	**23,467**	**N/A**

Impairments

The slowdown in the economy that started in the latter part of 2008 continued in 2009. Lower real estate prices and a contraction in the financial sector lead to real estate companies still finding it difficult because of a lack of liquidity, the result often being a suspension of payments.

In Eik Banki write offs and impairments amounted to DKK 197.3 million, corresponding to 1.9 per cent of total loans on the Faroe Islands. Of these DKK 93.5 million were impairments on Faroese customers, compared to DKK 97 million in 2008. The remaining DKK 103,8 can be distributed to Danish customers. In Eik Bank Danmark write offs and impairments amounted to DKK 328.9 million, corresponding to 4.1 per cent of total loans in Eik Bank Danmark. Total write offs and impairments for the Group amounted to DKK 526.3 million in 2009, compared to DKK 604.2 million in 2008. This corresponds to 2.9 per cent of total loans and guarantees in the Eik Group at year end 2009.

In Denmark the impairments are mainly related to Danish real estate companies, while the impairments in the Faroe Islands are dispersed on different industries. It has not been necessary to make impairments on retail customers to the same extent as these still seem to have the strength and will to pay.

Based on current developments and the overall prospects for the economic development in Denmark and on the Faroe Islands, it is expected that the level of impairments in 2010 will be high, although not at the same level as in 2009.

At year-end 2009, the Bank's total Individual and Collective impairments were DKK 500.9 million. The corresponding figure for Eik Bank Danmark was DKK 422.7 million. In total, the Eik Group impairments amounted to DKK 923.6 million at year-end 2009, corresponding to 5.4 per cent of total Group loans.

In table 15 below individual impairment are shown by cause of impairment. Table 16-20 gives more detail information regarding the banks imparied customers.

Virtually all the cases of insolvent liquidation and collection proceedings are attributable to corporate customers. For the Bank a very large part can be attributed to a single financial institution. For Eik Bank Danmark, most of the liquidation and collection can be attributed to corporate customers in the commercial real estate sector.

Reprossessed real estate	Eik Banki	Eik Bank Danmark	Total
2009	59	72	131
2008	2	2	4

Table 15

The impairment account for individual impairment shown by cause of impairment 1)

	Eik Banki P/F	Eik Bank Danmark	Total
Insolvent liquidation	163	142	305
Collection	12	17	29
Other financial diffuculties	316	242	558
Total	**491**	**401**	**892**

1) Credit Package I impairments excluded

During 2009, collectively both banks in the Group have taken over assets for the total amount of DKK 127.3 million. At the Bank DKK 50 million can be attributed to plots and DKK 8 million to real estate. Regarding Eik Bank Danmark, the whole amount of DKK 72 million can be attributed to real estate located in Denmark.

It is the Group's policy to keep none of the acquired properties. Both Banks have, however, in certain situations chosen to defend the banks' mortgage on the organization of foreclosures on mortgaged properties. As a result, the banks' inventory of acquired properties increased in 2009. It is the intention of both banks to subsequently divest taken over properties as best and as quickly as possible.

During 2009 the banks combined have renegotiated terms and condition for 72 customers in all, for a total credit exposure of DKK 1,237 billion.

For the Bank the amount can be attributed to private clients DKK 28 million and corporate customers DKK 132 million. In Eik Bank Denmark the whole amount of DKK 1.1 billion is related to corporate customers in the real estate segment.

Table 16

	Eik Banki P/F				Group			
The Group's violated and depreciated claims across industries	Violated claims	Depreciated claims	Impairments/provisions at year-end	Amounts carried to the debit side regarding value adjustments and impairments in the period (definite losses/amortized in the year)	Violated claims	Depreciated claims	Impairments/provisions at year-end	Amounts carried to the debit side regarding value adjustments and impairments in the period (definite losses/amortized in the year)
Total public sector	**1**	**1**	**0**	**0**	**1**	**1**	**0**	**0**
Agriculture, hunting and forestry	1	0	0	0	2	0	5	0
Fishing	30	11	28	6	30	11	28	6
Manufactoring, mining, utilities, etc.	42	15	84	0	42	16	85	0
Building and construction	299	16	115	7	355	355	186	92
Commerce, restaurants and hotels	69	32	36	0	69	37	38	1
Transport, post and telecommunication	13	3	6	15	13	14	6	18
Credti and finance	24	0	144	0	33	210	277	53
Property administration, purchase and sale, business service	196	17	45	0	212	331	125	79
Other industries	41	7	3	9	44	287	83	80
Total commercial sector	**716**	**102**	**461**	**37**	**801**	**1,262**	**832**	**328**
Total private sector	**282**	**78**	**30**	**3**	**397**	**229**	**107**	**41**
Total	**998**	**181**	**491**	**40**	**1,198**	**1,492**	**939**	**369**

Table 17

The Group's violated and depreciated claims spread geographically								
Faroe Islands	659	166	324	25	659	166	325	25
Denmark	302	4	164	0	502	1,216	569	287
Other countries	37	11	3	15	37	110	45	57
Total	**998**	**181**	**491**	**40**	**1,198**	**1,492**	**939**	**369**

Table 18

Customers who are individually impaired 1)	Eik Banki Exposure	Eik Banki Impairment	Eik Banki Blanco	Group Exposure	Group Impairment	Group Blanco
Total public sector	**0**	**0**	**0**	**0**	**0**	**N/A**
Agriculture, hunting and forestry	0	0	0	0	3	N/A
Fishing	82	28	47	57	28	N/A
Manufactoring, mining, utilities, etc.	160	84	93	138	85	N/A
Building and construction	537	115	393	744	182	N/A
Commerce, restaurants and hotels	74	36	44	58	38	N/A
Transport, post and telecommunication	11	6	5	18	6	N/A
Credti and finance	191	144	183	334	276	N/A
Property administration, purchase and sale, business service	161	45	139	457	125	N/A
Other industries	6	3	5	285	29	N/A
Total commercial sector	**1,222**	**461**	**909**	**2,091**	**772**	**N/A**
Total private sector	**66**	**30**	**34**	**195**	**120**	**N/A**
Total	**1,288**	**491**	**943**	**2,286**	**892**	**N/A**

1) Reporting of past due and related collateral analysis of credit exposure have not been possible because of limitation in the IT-system of the Group

Table 19

Technical blanko on customers in overdraft, where impairments have not been made, based on length of overdraft and loan category 1)	Eik Banki 0-30 days	Eik Banki 31-60 days	Eik Banki 61-90 days	Eik Banki > 90 days	Group 0-30 days	Group 31-60 days	Group 61-90 days	Group > 90 days
Total public sector	**0**	**0**	**0**	**1**	**0**	**0**	**N/A**	**N/A**
Agriculture, hunting and forestry	0	0	0	0	0	0	N/A	N/A
Fishing	0	0	0	6	0	0	N/A	N/A
Manufactoring, mining, utilities, etc.	0	0	0	2	0	0	N/A	N/A
Building and construction	4	0	0	5	14	9	N/A	N/A
Commerce, restaurants and hotels	3	0	1	2	3	0	N/A	N/A
Transport, post and telecommunication	1	0	0	3	1	0	N/A	N/A
Credti and finance	0	0	0	0	1	1	N/A	N/A
Property administration, purchase and sale, business service	0	0	0	2	5	1	N/A	N/A
Other industries	1	0	0	3	2	0	N/A	N/A
Total commercial sector	**9**	**0**	**1**	**23**	**26**	**11**	**N/A**	**N/A**
Total private sector	**0**	**1**	**4**	**50**	**39**	**1**	**N/A**	**N/A**
Total	**9**	**1**	**5**	**74**	**65**	**12**	**N/A**	**N/A**

1) Reporting of past due and related collateral analysis of credit exposure have not been possible because of limitation in the IT-system of the Group

Table 20

	Eik Banki P/F Individual impairments/ provisions Loans	Guar- antees	Collective impairments/ provisions Loans	Guar- antees	Eik Group Individual impairments/ provisions Loans	Guar- antees	Collective impairments/ provisions Loans	Guar- antees
Accumulated impairments/ provisions on loans and guarantees, at the beginning of the year	**336**	**1**	**18**	**0**	**614**	**11**	**47**	**0**
Impairments/provisions during the year	212	1	0	0	564	47	8	0
Reversal of impairments/ provisions from previous year, where there is no longer an objective indication of depre- ciation or the depreciation has been reduced	50	0	8	0	106	0	24	0
Value adjustment of acquired assets	26	0	0	0	44	0	0	0
Write-offs, previously indi- vidually impaired/set aside for provisons	33	0	0	0	224	0	0	0
Accumulated impairments/ provisions on loans and guarantees, at year-end	**491**	**2**	**10**	**0**	**892**	**58**	**31**	**0**
Total impairments on loans and guarantees, where there have been made individual impairments/ provisions (calculated before impairments/provisions)	**1,280**	**4**	**2,505**	**0**	**2,532**	**63**	**8,847**	**239**

Counterpart risk
The day to day trading in securities, currency and derivatives results in the Bank and the Group incurring counterpart risk. In securities trading and currency trading counterpart risk is hedged, so that no trade occurs unless payment is available for settlement. This means that counterpart risk is limited to a possible loss on derivatives, which are used to hedge interest rate risk and currency risk.

The Bank uses the market value method in the executive order on Capital Adequacy applying to the Faroe Islands of 21 May 2008, when calculating counterpart risk related to derivatives. The market value method is based on all contracts with a positive value and the nominal principal on all contracts. The total exposure is then calculated according to the relevant guidelines in the executive order on Capital Adequacy.

Total counterpart risk calculated according to the executive order on Capital Adequacy was DKK 29.91 million for the Bank and DKK 48.06 for the Group (Table 21,22). In fact, there was no counterpart risk at year end 2009, as all counterparts involved are cov- ered by Credit Package I from the Danish government.

Credit risk related to financial counterparts
There are two main sources of credit risk related to financial counterparts. In the day to day trading of securities, currency and derivatives, Eik Banki incurs counterpart risk. The other source of risk is claims on central banks and credit institutions.

At year-end 2009, 69.9 per cent of the Bank's claims on credit institutions had a credit rating of A or higher, the corresponding figure for the Group was 78.6 per cent. Of the Bank's total claims of DKK 925 million DKK 349.9 million or 37.8 per cent had an AAA credit rating (Table 23). Of the Group's total claims of DKK 1,376 million DKK 735.5 million or 53.5 per cent had a credit rating of AAA (Fig. 24,25). The claims with

Table 21
Positive market value of contracts (DKK million)

	Eik Banki P/F		Group	
Duration	Currency contracts	Interest rate swaps	Currency contracts	Interest rate swaps
< 1 year	1.8	15.0	1.8	19.8
1-5 years	0.0	9.0	0.0	9.0
> 5 years	0.0	0.4	0.0	8.5
Total	**1.8**	**24.4**	**1.8**	**37.3**

Table 22
Credit exposure on all contracts (DKK million)

	Eik Banki P/F			Group		
Duration	Currency contracts	Interest rate swaps	Exposure	Currency contracts	Interest rate swaps	Exposure
< 1 year	241.0	607.0	2.4	241.0	3,222.9	2.4
1-5 years	0.0	190.0	0.9	0.0	190.0	1.0
> 5 years	0.0	35.5	0.4	0.0	385.5	5.6
Total	**241.0**	**832.5**	**3.7**	**241.0**	**3,798.4**	**9.0**

Table 23
Claims on credit institutions and central banks at year end 2009 (DKK million)

	Eik Banki P/F	Eik Group
Positive market value of derivatives	26.1	39.1
Current accounts in banks	549.0	601.3
Deposits in the Danish Central Bank	349.9	735.5
Total	**925.0**	**1,375.9**

Figure 24
Claims on credit institutions and central banks based on ratings
Eik Banki P/F

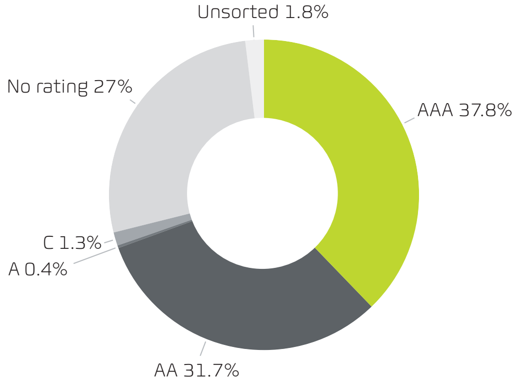
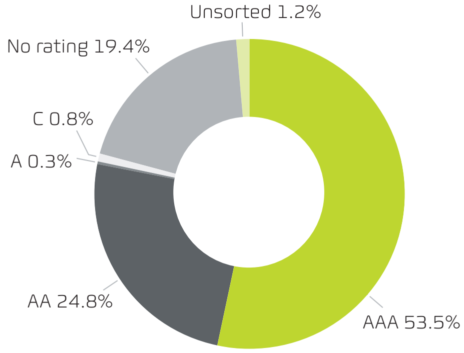


Figure 25
Claims on credit institutions and central banks based on ratings
Group



a rating of AAA were deposits in the Danish Central Bank. 31.7 per cent of the Bank's claims had a credit rating of AA and 0.4 per cent had a credit rating of A. The corresponding figures for the Group were 24.8 per cent and 0.3 per cent, respectively.

Most of the claims with credit rating AA and A are claims on Danish financial institutions, which are covered by the state cover in Credit Package I. Therefore, 68.7 per cent of the Bank's total claims and 78.6 per cent of the Group's total claims had a credit rating of AAA. 27 per cent of the Bank's claims had no credit rating - these are comprised of subordinated debt in Eik Bank Danmark. 19.4 per cent of the Group's claims had no credit rating from this 18.2 per cent was subordinated debt from Eik Banki to Eik Bank Danmark.

In total, credit risk relating to claims in credit institutions is considered to be very limited.

3.2 Market risk

Market risk incurres as the Bank as well as the Group have open positions in the financial markets. The risk can be divided into interest rate risk, equity risk, currency risk and liquidity risk. Market risk is the risk that the market value of assets and liabilities, as well as entries outside the balance, will be affected as a result of changing market conditions, such as economic up – and downturn, movements in the stock market, the currency market, and the interest rate market.

The Group's exposures are mainly due to its own holdings, but also due to the commercial activities on the Faroe Islands as well as in
Denmark. The market risk is managed at Group level.

Based on the article 70 instructions from the respective Boards of Directors to the respective Managements, the Managements has defined a specific risk framework and limits for each market risk area to the risk taking entities. The risk taking entities monitor the risk exposure continuously and report regularly to the respective Managements and the Risk management unit.

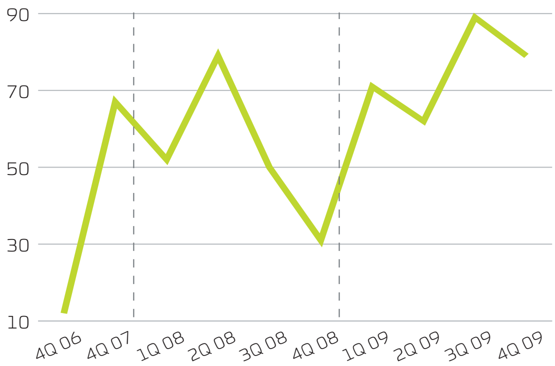
Below is an oversight of the reporting procedures for reporting market risk

1. Daily report to the CFO
   a.Summary of liquidity
2. Monthly report to Management and CFO
   a.Summary of gains and losses since 1 January in the current year
   b.Summary of securities and derivatives that are in the Bank's own portfolio
   c.Risk report
   d.Summary of currency positions
   e.Summary of authorisations (only Eik Banki)
3. Quarterly report to Management, the Board and CFO
   a.An account of trends, the outlook and plans
   b.Risk report
   c.Lines (only Eik Banki)

Interest Rate Risk

Interest rate risk is the risk of financial loss due to a rise in the interest rate. The interest rate risk is measured as the expected loss caused by the decrease in market value of securities, if the interest curves are displaced in parallel by one percentage point up. The primary source to interest risk lies in the Group's fixed income bond portfolio.

Figure 26
Interest rate risk
DKK Million



The Bank's and the Group's interest rate risk is assessed regularly and adjusted based on expectations of future interest rates and global financial conditions. The Bank's integrated reporting systems calculate the net interest rate risk. In determining this risk the interest rate risk in all interest-bearing assets and derivatives in different currencies is converted into DKK. Negative positions offset positive.

For callable bonds the Danish Financial Supervisory Authority's deductible factors are used in order to take into account the shorter duration.

The interest rate risk is expressed as modified duration and is calculated as the percentage change in the value of the bond portfolio when market rates change by 1 percentage point. The modified duration of the Bank and the Group has been kept at a moderate level for a considerable time. However, the bond portfolio increased considerably in 2009, as the significantly increase in excess liquidity was placed in bonds. As a result interest rate risk measured in DKK increased in 2009, from DKK 30.6 million at year end 2008 to DKK 78.1 million at year end 2009. In the same period the Group's bond portfolio doubled. In proportion to the core capital after deductions the modified duration was 1.7 per cent at year end 2009, which must be considered to be moderate.

In addition to the interest rate risk, expressed as a value adjustment of the bond portfolio, if the market rates changes by 1 per cent point, the Group has a cash flow risk exposure relating to a change in the interest rate.

The cash flow risk exposure arises as a change in market rates causes a change in the cash flow stemming from the Group's assets and liabilities that have a variable interest rate. The basis for the calculation is:

Figure 27
The bond portfolio
Eik Bank P/F

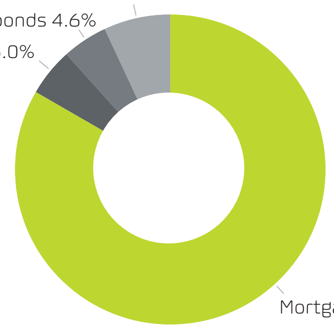
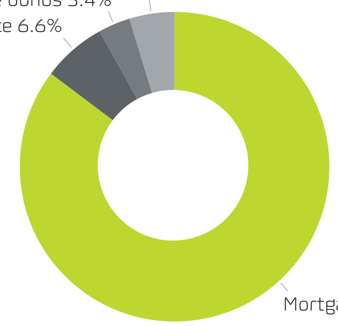


Figure 28
The bond portfolio
Group



- Deposits with a variable interest rates
- Loans with a variable interest rates
- Holdings of bonds with a variable interest rates

The cash flow risk for the Group, calculated as the expected change in cash flow, if markets rates increases by 1 per cent point, is as follow:

Assets		DKK million
Loans	+	145.9
Bonds	+	3.7
Liabilities		
Deposits	÷	144.3

Positive cash flow risk from the interest rate rise is DKK 5.3 million. The combination of the interest rate risk exposure, expressed as value adjustment of the bond portfolio, and the cash flow risk exposure in assets and liabilities that have a variable interest rates, gives a total interest rate risk of DKK 72.8 million by year-end 2009.

Bond portfolio
The Group's liquidity is mainly placed in liquid Danish bonds with a high rating, primarily Danish mortgage bonds. At year end 2009 the market value of Eik Banki's bond portfolio was DKK 2,391 million, the corresponding figure for the Group was DKK 3,570 million.

Table 29
Bond portfolio categorised by rating (DKK million)

	Eik Banki P/F		Group	
AAA	1,976	82.6%	3,143	88.1%
AA	153	6.4%	153	4.3%
NA	262	11.0%	274	7.6%
Total	**2,391**	**100.0%**	**3,570**	**100.0%**

In the Bank's portfolio 82.6 per cent of the bonds have an AAA credit rating, 6.4 per cent have a credit rating of AA, and the rest has no credit rating. The corresponding figures for the Group are 88.1 per cent with credit rating AAA and 4.3 per cent with credit rating AA.

83.6 per cent of Eik Banki's bond portfolio and 85.4 per cent of the Group's bond portfolio is placed in Danish mortgage bonds, 5.0 per cent of Eik Banki's bond portfolio and 6.6 per cent of the Group's bond portfolio is placed in Faroese Governmental bonds. From the rest, 4.6 per cent of the Bank's portfolio and 3.4 per cent of the Group's portfolio is placed in real estate bonds. Other bonds comprised 6.9 per cent of the Bank's bond portfolio and 4.6 per cent of the Group's bond portfolio.

Equity Risk
A minor portion of the Group's total assets is invested in equities. Equity risk is the risk of loss due to fluctuations in share prices. Share risk is managed by carefully controlling and monitoring the share portfolio.

In the instruction from the Management to the risk taking entities specific upper limits on share exposure and diversifications has been defined.

The Bank's total holding of shares at year end 2009 was DKK 209 million, the corresponding figure for the Group was DKK 296.8 million. Of this, the shares in strategic partners, industry companies and other shares, which are not considered part of the Bank's trading portfolio amounted to DKK 138.2 million, representing 65.7 per cent of the total portfolio of shares. The corresponding figure for the Group was DKK 203.8 million, or 68.7 per cent.

The Group's trading portfolio, which amounted to

Table 30

The portfolio of shares at year end 2009 (DKK million)	Eik Banki	Group
Shares in trading portfolio		
Listed shares and equityfunds	59.4	80.1
Unlisted shares	12.9	12.9
Total	**72.3**	**93.0**
Shares outside trading portfolio		
Shares in sectocompanies (unlisted)	26.1	31.6
Shares in strategic collaborators (unlisted)	55.2	56.7
Shares in strategic collaborators (listed)	22.5	22.5
Other shares (listed)	32.9	93.0
Total	**136.7**	**203.8**
Share total	**209**	**296.8**

Table 31

Group Equity Risk (DKK million)	Eik Banki	Group
Shares in the trading portfolio		
Listed shares and equityfunds	5.94	8.01
Unlisted shares	1.29	1.29
Total	**7.23**	**9.30**
Shares outside trading portfolio		
Shares in sectorcompanies (unlisted)	0	0
Shares in strategic partners (unlisted)	0	0
Shares in strategic collaboratores (listed)	2.25	2.25
Other shares (listed)	3.29	9.30
Total	**5.54**	**11.55**
Share total	**12.77**	**20.85**

DKK 93 million at year end 2009, consists of a wide range of Nordic equities with an emphasis on Danish equities. Eik Markets in the Faroes and in Denmark have been mandated by the management to manage the trade portfolio within a well defined framework.

The equity risk is calculated as 10 % of net holdings of shares in the trading portfolio and listed shares outside trading portfolio. Unlisted shares outside the trading portfolio are mainly shares in strategic collaborators which the group has no intention to sell. The Groups total equity risk amounts to DKK 20.85 million.

Currency Risk

Currency Risk is the risk of loss due to fluctuating exchange rates.

The transaction volume of currency on behalf of customers has increased significantly in recent years. As a main rule the corresponding currency risk is hedged or minimized.

In the instruction from the Management to the risk taking entities a maximum open risk exposure on a number of currencies is specifically defined. The currency risk is reported to the management and CFO on a monthly basis.

The currency risk is expressed in the Currency Indicator 1 defined by the Danish financial supervisory authority. The Currency Indicator 1 is calculated as the larger mount of currency long positions or currency short positions and is determined as a percentage of the core capital less certain adjustment

Table 32

Currency risk

Currency indicator*	Eik Banki P/F	Group
2006	14.4	16.4
2007	14.2	19.6
2008	5.4	8.9
2009	2.8	4.8

*) The currency indicator is is calculated according to guidelines from the Danish Financial Supervisory Authority.

At year-end 2009 the currency risk defined as Currency indicator 1 was 4,8%, compared to 8,9% at year end 2008.

In addition Eik Banki has used an additional quantitative framework for calculating currency risk. For each currency an expected volatility is defined and each short or long position at year-end 2009 is multiplied by expected volatility. Using this approach the Group's currency risk by year-end 2009 is DKK 5.38 million. compaired to DKK 7.58 million by year-end 2008

Table 33
DKK million
Net Currency Exposure

	Eik Banki P/F		Group	
	2009	2008	2009	2008
EUR	-16.5	-21.7	-18.2	-42.8
USD	-6.8	-7.3	-6.8	-8.1
SEK	1.3	15.8	2.0	12.5
JPY	1.9	-0.8	1.9	-0.8
CHF	2.1	-29.3	3.1	-30.5
NOK	-21.5	-15.9	-22.6	-17.1
GBP	-9.4	5.8	-8.2	5.6
Other	1.0	-2.2	-9.1	-3.9

Table 34
DKK million
Net Currency Risk

	One year	Eik Banki P/F		Group	
	volatility	2009	2008	2009	2008
EUR	2%	0.33	0.43	0.36	0.86
USD	10%	0.68	0.73	0.68	0.81
SEK	8%	0.10	1.27	0.16	1.00
JPY	20%	0.39	0.15	0.39	0.15
CHF	8%	0.17	2.34	0.25	2.44
NOK	8%	1.72	1.27	1.81	1.37
GBP	10%	0.94	0.58	0.82	0.56
Other	10%	0.10	0.22	0.91	0.39
Total		**4.43**	**6.99**	**5.38**	**7.58**

3.3 Liquidity Risk

Liquidity risk is the risk of loss arising when lack of funding prevents the Group from meeting its obligations, the Group's funding costs increase considerably or lack of funding prevents the Group from providing new loans.

Liquidity risk is controlled by a regular assessment of liquidity compared to the current and future needs and legal requirements. The liquidity is also controlled using internal transaction costs within the Group, for instance intra-group liquidity accounts.

The Group regularly makes liquidity projections based on the expected conditions. The Group also regularly performs stress tests of liquidity conditions in order to see how liquidity is affected. Stress tests are carried out to ensure that the Group is capable of taking necessary steps in due time, to prevent a possible negative impact on the liquidity requirements, should unexpected circumstances arise.

From January 2010, The Danish Financial Supervisory Board and The Danish National Bank in their monitoring of the financial sector, require that both banks in the Group, together with all other Danish and Faroese banks, once a month giver a report on the status of the bank's liquidity position.

The reporting requirements are divided into three sections.

- Reporting on the bank's funding
- Answers to questions regarding the bank's preparations for handling the funding situation after Credit Package I expires on 30. September 2010.
- Report on the projected future liquidity situation and stress-test of future liquidity

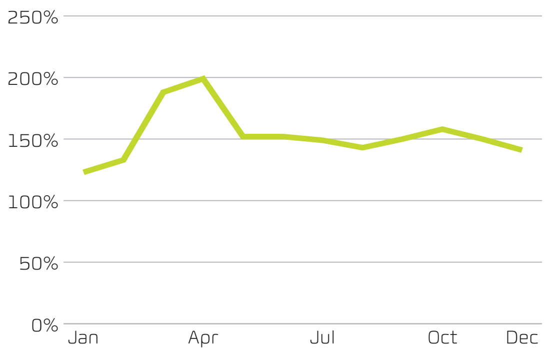
Both banks in the Group have delivered the required reports without remarks.

As the current IT-system in the Group is unable to provide the necessary data this statement does not include a table of Maturity analysis for financial liabilities.

During the whole of 2009 the Group has had a good liquidity position. Excess liquidity cover during 2009 is depicated in figure 35.

Figure 35

Excess liquidity cover 2009



In the Article 70 instruction to the Management of Eik Banki and the Management of Eik Bank Danmark, the boards of Eik Banki and Eik Bank Danmark have defined the overall framework for how liquidity can be invested, and which risk framework to operate within. The boards receive regular reporting on the development in liquidity risk and the use of the assigned risk framework.

The powers in the Article 70 instruction have been fully or partially re-delegated by the Management. In Eik Banki the powers have primarily been re-delegated to the Head of Eik Markets, who is responsible for the daily liquidity in Eik Banki. In Eik Bank Danmark the powers have been re-delegated to the head of the Financial Department, who is responsible for daily liquidity in Eik Bank Danmark. The powers have been further re-delegated to those responsible for the daily operations in the respective areas.

The employees that are responsible for liquidity report regularly to the Management, the CFO, Risk Management and the Board. The Risk Management unit monitors and ensures that the assigned frames and requirements are adhered to. The following reporting is made:

In 2008 a liquidity committee was established on Group level consisting of key people in the area of liquidity from both Eik Banki and Eik Bank Danmark. The purpose is to coordinate the daily liquidity supervision at Group level, to monitor current market risk and devise common strategies for placing liquidity.

The Group has secured a guarantee frame of DKK 9.1 billion from the Financial Stability Company (Financial Stability), enabling the Group to issue bonds backed by state guarantee. This guarantee will be used by the bank to secure refinancing of the long term debt that is set to mature during 2010 and 2011, in addition to securing comfortable liquidity position when Credit Package I expires 30. September 2010.

In addition to a sudden withdrawal of large amount of the deposits, the Group's main short term liquidity risk consists of a bond, DKK 500 million, the bank has issued with a put option, which gives the owner of the bond the right to claim repayment of the whole amount within minimum 20 days. This right can be exercised once for every three months period. Furthermore the Group has fully drawn uncommitted lines for the amount of DKK 150 million.

At year-end 2009, liquidity, calculated as cash-in-hand, sight deposits in other banks, certificates of deposits in the Danish Central Bank and securities, was DKK 5.1 billion. Excess liquidity cover relative to statutory requirements was 140.5 per cent.

Figure 36
Distribution of Funding

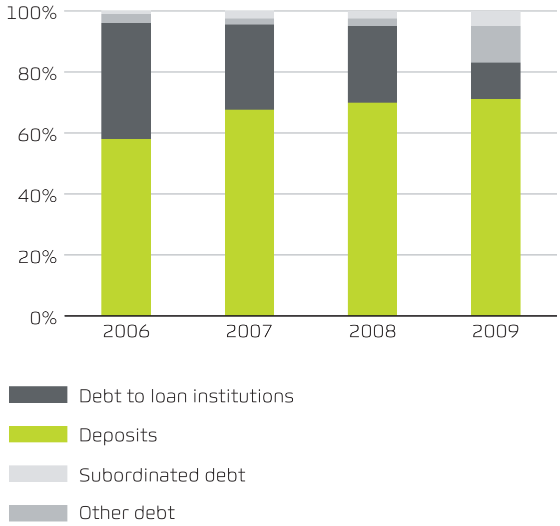
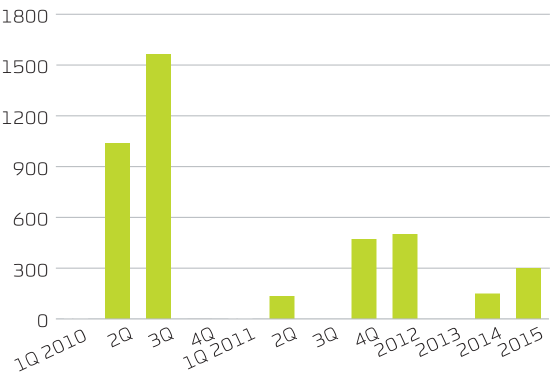


Figure 37
Maturity of Long Term Debt
DKK Million



3.4 Operational Risk

Operational risk is the risk of financial loss due to insufficient and inefficient internal processes and procedures, human errors, IT-failures, or external factors. Examples of operational risks are fire, storm, burglaries, bank robberies, mistakes in money-transfers and so on.

Operational risk management
To limit operational risk, internal procedures and controls are examined regularly. Controls are used

Table 38 **Capital Requirement for operational risk**

DKK million	2009	2008	2007	Total	Average	15 per cent
Group	650	769	613	2,032	677	102
Eik Banki P/F	415	490	392	1,297	432	65

to limit the risk which is incurred by doing financial business. This work comprises of ensuring that the Bank always has relevant and up to date procedures in place, relevant separation of functions and relevant internal controls.

In order to safe-guard against IT-risk, the Board has agreed upon an IT security policy and set goals for the safety and contingency procedures in this area. In addition to this IT security is managed by the IT security officer.

The Group's current banking systems are operated by the providers Elektron P/F and BEC A/S. Furthermore, the banks co-operate with industry companies such as PBS and VP, which run the basic infrastructure of the financial industry. All the companies mentioned, have internal and external auditors and are under the supervision of the Danish Financial Supervisory Authority.

Together with the main provider of banking systems Elektron, Eik Banki is a member of the Information Security Forum (ISF). The ISF safety standard 'The Standard of Good Practice for Information Security' is used as a scale for the desired level of security; however, exceptions are made where it is considered appropriate.

Eik Banki has also evaluated the risk related to all IT systems that are used in the Bank cf. the ISF safety standard. On the basis of this the Bank has estimated the loss, which would arise from one of the IT systems in the Bank not working properly.

Further, to limit operational risk, Eik Banki has taken out insurance on buildings and inventory. In addition to this the Bank has taken out public liability insurance. The Banks also has taken out insurance for bank robberies and robberies incurring while money is being transported.

Anti-Money Laundering Policy

Eik Banki complies with valid rules and regulations on Anti-Money Laundering and the Financing of Terrorism. Consequently, Eik Banki has defined and applied a policy on Anti-Money Laundering and Financing of Terrorism. Branches and subsidiaries of Eik Banki are required to comply with the above rules and implement the stated policy.

To comply with the applicable legal requirements regarding Anti-Money Laundering and Financing of Terrorism, Eik Banki has established adequate procedures for customer due diligence, reporting, record keeping, internal control, risk management and communication to forestall and prevent activities related to money laundering or financing of terrorism.

Compliance

Eik Banki has since June 2007 had a compliance function which is responsible for monitoring compliance with the Securities Act, parts of the Financial Business Act, relevant rules and regulations for listed companies, the anti-money laundering legislation, industry standards and the Bank's internal guidelines on these areas.

The purpose of this function is to assist and guide managers and employees and verify and assess whether the Bank's procedures are adequate and safe in these areas. Compliance prepares an annual plan for what activities the compliance function will focus on in the coming year. The Board receives written reports at least annually on the area of compliance.

The function also ensures good practice and handling of complaints.

The compliance function is headed by the Head of Compliance, who reports to the Management, Board of Directors.

Significant law suits

The Group has not been involved in any significant law suit or arbitration procedures that are expected to have a deteriorating impact on the result, and the Group has no knowledge of any such matters being underway.

Calculation of capital requirement

According to the executive order on Capital Adequacy applying to the Faroe Islands of 21 May 2008 financial institutions must set aside capital for operational risk. Eik Banki and the Group use the "basis indicator method" for determining the capital requirement for operational risk. This implies that the capital requirement for operational risk is calculated as: 15 per cent of average net interest income and non-interest income over the last three years.

Table 39	Eik Banki P/F		Group	
Core capital	DKK million 2009	DKK million 2008	DKK million 2009	DKK million 2008
Core capital before statutory deductions	**1,321**	**1,608**	**1,321**	**1,608**
Statutory deductions of core capital	-240	-222	-585	-488
Core capital less statutory deductins	**1,081**	**1,386**	**736**	**1,120**
Hybrid core capital	327	0	621	0
Core capital (including hybrid core capital)	**1,408**	**1,386**	**1,357**	**1,120**
Supplemental capital	474	475	475	475
Core capital before deductions	**1,882**	**1,861**	**1,832**	**1,596**
Deductions	0	0	0	0
Total	**1,882**	**1,861**	**1,832**	**1,596**

Eik Banki estimates operational risk on a regular basis when statements of the solvency requirement are made. If operational risk is determined to be higher than the capital requirement calculated using the "basis indicator method", this will be taken into account in the Bank's solvency requirement.

Reorganisation of IT platform
In late spring 2010, Eik Banki together with all the Faroese financial institutions, will reorganise the IT platform from Elektron to SDC.

Accurate preparations, containing back-up procedures such as data back-up, fall-back and recovery procedures are made, for minimising the risk in the reorganisations process. Control functions and procedures are defined, as well as test for examine the quality of data in SDC´s IT-applications, undertaken by three comprehensive tests. The reorganisations will not be implemented before the test result comply the requirements, defined by the management in the financial institutions and SDC. Before the reorganisation, all employees have been educated in the new systems and applications, and all business processes have been updated.

In the reorganisation phase, systems will be closed down according to prescribed procedures, for subsequently being transferred from Elektron and imported into SDC systems.

Overall these preparations will minimise the risk and the potential influence on the customers. Should something unexpected occur, a contingency plan has been developed, to ensure that possible faults or critical occurrence are handled as prescribed.

It is estimated to take about six month to finish the reorganisation, where new services and application continuingly will be implemented, according to the contract of delivery

3.5 Capital base

Capital base
Basel II
From 1 January 2007, Danish banks were obligated to comply with the new Basel II rules, made to ensure that banks have the necessary solvency at any given time. The new rules replace the previous rules. The change from the previous rules is that the requirements regarding capital are individualised between the banks to reflect, to a greater extent, the risks that each bank incurs.

The Basel II rules have been effective on the Faroe Islands since 1 January 2009. Eik Banki, however, has made use of the transfer rules authorising the Bank to postpone the enforcement of the rules until 1 January 2010.The Bank uses the "standard method" when assessing the capital base.

The new rule will affect the calculation of the solvency ratio but Eik Banki P/F does not expect any significant changes in this regard.

Equity and supplemental capital help increase solvency, which should always be above the minimum statutory requirement of 8 per cent.

Including the 2009 result and calculated according to § 124 section 2 no. 1 of the Danish Financial Business Act, the capital base at year end 2009 was DKK 1,863 million. The capital base is divided into core capital less deductions and supplemental capital as illustrated in table 39.

The supplemental capital, i.e. subordinated capital infusion, may according to the law be up to 100 per cent of the core capital after deductions. Currently, the supplemental capital constitutes 61.8 per cent of core capital after deductions. In 2008, supplemental

capital constituted 40.9 per cent.
Eik Banki has not increased its share capital or raised supplemental capital in 2009. Credit Package II, agreed on by the Danish Government on 3 February 2009 opened the possibility for financial institutions within the Kingdom of Denmark, to obtain hybrid core capital from the Danish state. The Eik Group has obtained DKK 621 million in hybrid capital from the Danish State and this has strengthened the capital base of the Group.

A financial institution's core capital is composed of equity and possible hybrid core capital, which to an extent is equivalent to regular equity. The main difference is that the hybrid core capital accumulates interest entered as an expense over operations, while the annual result is added to equity belonging to shareholders.

Hybrid core capital is subordinate to all other supplemental debt. And there are distinct stipulations as to the conditions under which the loan is to be included in the core capital. For instance, the loan must have an infinite repayment period, debtor may cancel the loan no sooner than ten years after the signed agreement, and repayment can only take place after permission is granted from the Danish Financial Supervisory Authority. Special conditions apply to the core capital that the Danish government provides and financial institutions that receive hybrid core capital from the Danish government are assigned limitations.

Note

4 **Business segment reporting**

The Group is divided into four operating segments which offer different products and services. The operating segments are managed separately based on the internal reporting structure to the Managing Directors. For each operating segment, the Group Management reviews management reports on a monthly basis.

Performance is measured on segment profit before tax, as included in the internal reporting. The Management believes that this information is the most relevant in evaluating the result of each operating segments. The operating segments are divided into three reportable segments which are described in the following:

- retail and Corporate Banking, include loans, deposits and other services for retail and corporate customers, respectively.
- markets activities include trading shares, bonds and foreign exchange for the customers and on behalf of the Bank, advice on mergers and acquisition on behalf of customers and asset management services to larger customers (i.e., institutions).

Information regarding the result of each reportable segment is included below. Some staff functions and corporate assets are not allocated to reportable segments, such as Marketing and Accounting. The unallocated costs and the corporate assets are shown as reconciliation items.

Information about major customers and geographical areas have not been provided, as no single customer amounts to 10 per cent of the Banks revenue and the Bank's operating activities are limited to the Kingdom of Denmark.

Note DKK 1,000

Note	Business segment reporting, Eik Banki P/F	Retail banking	Corporate banking	Markets	Reportable segments	Corporate assets and other recon-ciliated items	Total
4	**2009**						
	Income statement						
	Interest income	223,007	293,783	182,762	699,552	0	699,552
	Interest expense	60,163	25,234	291,908	377,305	0	377,305
	Net interest income	**162,844**	**268,549**	**-109,146**	**322,247**	**0**	**322,247**
	Net fee and commission income	49,043	38,157	5,966	93,166	0	93,166
	Market value adjustments	470	23,447	-63,283	-39,366	0	-39,366
	Income from associated and subsidiary undertakings	0	0	0	0	-225,359	-225,359
	Total income	**212,357**	**330,153**	**-166,463**	**376,047**	**-225,359**	**150,688**
	Staff, administrative and other operating expenses	88,951	13,188	10,055	112,194	154,141	266,335
	Profit before impairment of loans and claims	**123,406**	**316,965**	**-176,518**	**263,853**	**-379,500**	**-115,647**
	Impairment of loans and claims	7,468	157,806	6,579	171,854	25,475	197,329
	Profit before taxes	**115,937**	**159,159**	**-183,097**	**91,999**	**-404,975**	**-312,976**
	Balance sheet						
	Segment assets	3,413,102	5,037,506	3,070,528	11,521,136	1,422,839	12,943,975
	Segment liabilities	3,434,507	1,200,832	6,737,969	11,373,308	226,662	11,599,970
	2008						
	Income statement						
	Interest income	256,990	358,915	247,542	863,447	0	863,447
	Interest expense	103,354	35,769	431,368	570,491	0	570,491
	Net interest income	**153,636**	**323,146**	**-183,826**	**292,956**	**0**	**292,956**
	Net fee and commission income	41,460	65,375	89,777	196,612	0	196,612
	Market value adjustments	14	2,181	-253,464	-251,269	0	-251,269
	Income from associated and subsidiary undertakings	0	0	0	0	-187,570	-187,570
	Total income	**195,110**	**390,702**	**-347,513**	**238,299**	**-187,570**	**50,729**
	Staff, administrative and other operating expenses	89,545	13,972	12,164	115,681	132,736	248,417
	Profit before impairment of loans and claims	**105,565**	**376,730**	**-359,677**	**122,618**	**-320,306**	**-197,688**
	Impairment of loans and claims 1)	6,329	189,009	0	195,338	56,178	251,516
	Profit before taxes	**99,236**	**187,721**	**-359,677**	**-72,720**	**-376,484**	**-449,204**
	Balance sheet						
	Segment assets	3,830,911	4,261,248	4,151,030	12,243,189	1,400,082	13,643,271
	Segment liabilities	3,368,620	1,282,800	7,104,879	11,756,299	251,672	12,007,971

Note DKK 1,000

Note	Business segment reporting, Group	Retail banking	Corporate banking	Markets	Reportable segments	Corporate assets and other recon- ciliated items	Total
4							
	2009						
	Income statement						
	Interest income	453,237	421,910	235,967	1,111,114	0	1,111,114
	Interest expense	197,928	42,828	351,793	592,549	0	592,549
	Net interest income	**255,309**	**379,082**	**-115,826**	**518,565**	**0**	**518,565**
	Net fee and commission income	57,742	40,029	33,678	131,449	0	131,449
	Market value adjustments	3,577	25,964	-80,747	-51,206	0	-51,206
	Income from associated and subsidiary undertakings	0	0	0	0	-4,374	-4,374
	Total income	**316,628**	**445,075**	**-162,895**	**598,808**	**-4,374**	**594,434**
	Staff, administrative and other operating expenses	190,687	56,466	43,548	290,701	163,973	454,674
	Profit before impairment of loans and claims	**125,941**	**388,609**	**-206,443**	**308,107**	**-168,347**	**139,760**
	Impairment of loans and claims	29,927	449,873	1,579	481,379	44,906	526,285
	Profit before taxes	**96,014**	**-61,264**	**-208,022**	**-173,272**	**-213,253**	**-386,525**
	Balance sheet						
	Segment assets	6,726,730	9,007,628	4,522,865	20,257,223	1,333,876	21,591,099
	Segment liabilities	10,174,659	1,400,046	8,307,043	19,881,748	365,346	20,247,094
	2008						
	Income statement						
	Interest income	640,755	458,318	282,337	1,381,410	0	1,381,410
	Interest expense	375,929	51,675	441,672	869,276	0	869,276
	Net interest income	**264,826**	**406,643**	**-159,335**	**512,134**	**0**	**512,134**
	Net fee and commission income	46,559	75,459	134,662	256,680	0	256,680
	Market value adjustments	2,922	4,014	-264,256	-257,320	1	-257,319
	Income from associated and subsidiary undertakings	0	0	0	0	-7,975	-7,975
	Total income	**314,307**	**486,116**	**-288,929**	**511,494**	**-7,974**	**503,520**
	Staff, administrative and other operating expenses	199,204	32,954	35,663	267,821	143,424	411,245
	Profit before impairment of loans and claims	**115,103**	**453,162**	**-324,592**	**243,673**	**-151,398**	**92,275**
	Impairment of loans and claims 1)	27,803	511,000	5,000	543,803	60,359	604,162
	Profit before taxes	**87,300**	**-57,838**	**-329,592**	**-300,130**	**-211,757**	**-511,887**
	Balance sheet						
	Segment assets	7,467,375	8,072,560	5,153,092	20,693,027	993,643	21,686,670
	Segment liabilities	9,669,661	1,596,822	8,410,376	19,676,859	374,511	20,051,370

1) Corrections because of an error in impairments 2008 is included in unallocated costs. The error is further explained under Accounting Principles.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		5	**Interest income**		
63,705	181,643		Credit institutions and central banks	63,137	162,678
551,559	614,127		Loans and other claims	906,876	1,138,774
97,827	53,210		Bonds	142,411	68,620
-13,539	14,467		Derivative financial instruments	-1,324	10,993
			Of this:		
-6,426	14,467		Currency contracts	11,558	15,132
-7,113	0		Interest contracts	-12,882	-4,139
0	0		Other	14	346
699,552	**863,447**		**Total interest income**	**1,111,114**	**1,381,411**

Includes deduction of interest income recorded on impaired financial assets DKK 25.6 million against DKK 0 million in 2008. Total interest income on assets recognised at amortised costs was DKK 970.0 million against DKK 1,301.5 million in 2008. Interest income reported in net gain/losses on financial items at fair value were DKK 141.1 million against DKK 80.0 million in 2008.

		6	**Interest expense**		
152,236	332,859		Credit institutions and central banks	174,041	330,343
148,325	209,428		Deposits and other debt	341,544	510,668
51,839	0		Issued bonds	51,897	36
24,905	28,204		Subordinated debt	24,905	28,204
0	0		Other interest expenses	162	25
377,305	**570,491**		**Total interest expense**	**592,549**	**869,276**

Total interest expenses on liabilities recognised at amortised costs was DKK 592.5 million against DKK 869.3 million in 2008.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		7	**Dividends from shares and other holdings**		
1,364	24,655		Shares, etc. in the Bank's trading portfolio	1,476	24,767
0	0		Other shares at fair value	274	2,165
1,364	**24,655**		**Total dividends from shares and other holdings**	**1,750**	**26,932**
		8	**Fee and commission income**		
3,800	24,490		Security trading and custody	23,451	44,261
16,703	36,137		Transfer of payments	22,529	44,414
2,807	8,041		Loan fees	4,426	10,952
29,498	18,603		Guarantee commission	31,520	21,082
40,873	67,891		Other fees and commissions	51,928	95,810
93,681	**155,162**		**Total fee and commission income**	**133,854**	**216,519**
		9	**Fee and commission expenses**		
147	399		Security trading and custody	716	975
0	0		Transfer of payments	157	44
0	0		Guarantee commission	339	0
0	0		Interbank fees	1,382	1,392
15,622	5,370		Origination fees	15,622	5,370
755	664		Other fees and commissions	2,684	4,681
16,524	**6,433**		**Total fee and commission expenses**	**20,900**	**12,462**
		10	**Market value adjustments**		
18,742	0		Loans and other claims at current value	20,595	2,181
8,278	-139,403		Bonds	21,235	-140,055
-95,729	-85,746		Shares	-127,429	-95,182
17,587	-23,233		Currencies	22,477	-24,679
-8,752	-2,887		Derivative financial instruments	-8,591	428
0	0		Other assets	0	-12
20,508	0		Other liabilities	20,508	0
-39,366	**-251,269**		**Total market value adjustments**	**-51,205**	**-257,319**
		11	**Other operating income**		
7,217	8,096		Rental income	7,308	8,096
0	0		VAT reduction	373	-13
0	0		Finansnyt, subscription income	1,436	2,504
0	15,133		Gains from sale	0	15,133
7,428	0		Other operating income	7,628	-28
14,645	**23,229**		**Total other operating income**	**16,745**	**25,692**

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		12	**Staff costs and administrative expenses**		
			Salaries etc. of Board of Directors, Managing Directors and Board of Representatives		
			Marner Jacobsen, Chief Managing Director		
2,653	2,653		Fixed salary and pension	3,003	3,003
0	0		Bonuses	0	0
2,653	**2,653**		**Total**	**3,003**	**3,003**
			Bjarni Olsen, Managing Director		
1,793	1,817		Fixed salary and pension	1,793	1,817
0	0		Bonuses	0	0
1,793	**1,817**		**Total**	**1,793**	**1,817**
4,446	**4,470**		**Managing Directors total 1) 2)**	**4,796**	**4,820**
			Board of Directors		
450	384		Frithleif Olsen, Chairman	450	384
300	259		Odd Arild Bjellvåg, Deputy chairman	300	259
150	136		Finnbogi Niclasen	150	136
150	136		Petur Hammer	150	136
34	136		Marian Jacobsen - until March 2009	34	136
117	0		Jákup Egil Jensen - from March 2009	117	0
150	136		Rólant Vidtfeldt	150	136
150	136		Mathea E. Hilduberg	150	136
150	136		Tórmund A. Joensen	150	136
150	136		Gert Langaard	150	136
150	136		Rakul Dam	150	136
150	107		Fíal Selma Nielsen - from April 2008	150	107
0	22		Inga Dahl - January - April 2008	0	22
0	7		Bjartur Nolsøe - until January 2008	0	7
2,101	**1,867**		**Board of Directors 3)**	**2,101**	**1,867**
152	**165**		**Board of Representatives 3)**	**152**	**165**
6,699	**6,502**		**Total**	**7,049**	**6,852**

1) Managing Directors´ notice of termination is 12 months from Eik Banki, and 3 months from Managing Director. Managing Directors are entitled to 18 months remuneration after termination of employment.
2) A tax deduction amounting to DKK 1.9 million was made in 2009 in respect of the pay to individual members of the Management. According to Credit Package II only 50 per cent of the Managing Directors salary must be deducted in tax.
3) Members of Board of Directors and Board of Representatives are not entitled to any benefits upon termination of employment.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		12	**Staff costs and administrative expenses (cont.)**		
			Staff costs 1)		
98,508	96,789		Wages and salaries	159,471	161,408
9,598	8,434		Pensions	15,220	13,774
8,673	8,832		Social security costs	14,617	13,988
116,779	**114,055**		**Total**	**189,308**	**189,170**
			Other administrative expenses		
39,284	41,207		IT expenses	84,006	81,018
8,979	12,254		Marketing	14,195	17,193
15,721	15,097		Cost of premises	27,134	27,619
4,831	6,239		Telephone and postage	6,901	8,123
4,433	2,369		Other office expenses	9,503	9,345
7,455	9,900		Other staff expenses	12,210	14,324
14,277	9,370		Other administrative expenses	20,860	16,981
94,980	**96,436**		**Total other administrative expenses**	**174,809**	**174,603**
218,458	**216,993**		**Staff costs and administrative expenses total**	**371,166**	**370,625**
230.6	233.6		Average number of employees, full-time equivalent	333.6	353.8
223.9	232.4		Employee year end, full-time equivalent	330.9	330.4
			Audit fees		
1,274	1,326		Fee to the public accountants elected by the General Meeting	2,408	2,380
685	69		Fee to other accountants for other services	924	223
1,959	**1,395**		**Total audit fee**	**3,332**	**2,603**
			Fee to the public accountants elected by the General Meeting specified		
820	650		Fee for the financial year (statutory audit)	1,715	1,487
443	174		Other assurance engagements	660	351
11	502		Other services	33	542
1,274	**1,326**		**Total fee to public accountants elected by the General Meeting**	**2,408**	**2,380**

1) According to section 2.25 and 2.26 in Nasdaq OMX Iceland disclosure rules specification of salary to certain executives has to be included in the consolidated annual report. There are no requirements for comparisen figures for the previous year. These specification is in note 47.

Eik Banki P/F					Group
2009	2008	Note	DKK 1,000	2009	2008
		13	**Depreciation and impairments of intangible and tangible assets**		
			Intangible assets		
2,313	1,974		Other intangible assets, depreciation	2,517	2,278
0	8,000		Goodwill, impairments	2,631	8,000
2,313	**9,974**		**Total intangible assets**	**5,148**	**10,278**
			Tangible assets		
3,666	4,614		Domicile properties, depreciation	3,666	4,614
484	0		Domicile properties, impairments	484	12
-524	0		Domicile properties, reversal of depreciation and impairments	-524	138
4,423	4,533		Other tangible assets, depreciation	5,642	6,120
8,049	**9,147**		**Total tangible assets**	**9,268**	**10,884**
10,362	**19,121**		**Total depreciation and impairments of intangible and tangible assets**	**14,416**	**21,162**

Total goodwill impairments are DKK 2.6 million as recovery value is estimated lower than book value. Refer to description under goodwill impairment test in note 24.

		14	**Other operating expenses**		
37,408	12,304		The Danish Banking Sector Contingency Fund 1)	67,909	19,458
106	0		Other operating expenses	1,182	0
37,514	**12,304**		**Total other operating expenses**	**69,091**	**19,458**
		15	**Income from associated and subsidiary undertakings**		
-4,587	-7,976		Associated undertakings	-5,132	-7,976
-220,772	-179,594		Subsidiary undertakings	758	1
-225,359	**-187,570**		**Total income from associated and subsidiary undertakings**	**-4,374**	**-7,975**

1) Other operating expenses to the Danish Banking Sector Emergency Fund comprise payment of guarantee commission to the Winding-Up Company pursuant to the Danish Act on Financial Stability. The guarantee commission is calculated based on the necessary capital base of the individual member of the Danish Banking Sector Emergency Fund.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		16	**Impairments of loans and other claims**		
			Individual impairments on loans		
336,200	163,338		Individual impairments year-begin	614,078	223,360
212,179	228,354		New individual impairments	564,191	497,053
50,324	24,096		Reversed individual impairments	105,514	21,386
32,580	33,159		Previous impairments now confirmed loss	224,295	80,896
0	1,764		Other additions and disposals	15,497	4,972
25,589	0		Revenue from interests on impairments on loans	28,483	-9,024
491,064	**336,201**		**Individual impairments end period**	**892,440**	**614,079**
1,283,881	798,372		Loans and other claims before impairment	2,594,999	1,303,481
792,817	462,171		Loans and other claims after impairment	1,702,559	689,402
			Collective impairments on loans		
18,117	0		Collective impairments year-begin	46,541	9,768
0	18,117		New collective impairments	8,362	39,913
8,425	0		Reversed collective impairments	23,866	3,140
95	0		Revenue from interests on impairments on loans	95	0
9,787	**18,117**		**Collective impairments end period**	**31,132**	**46,541**
2,505,435	4,164,820		Loans and other claims before impairment	9,086,213	12,251,807
2,495,648	4,146,703		Loans and other claims after impairment	9,055,081	12,205,266
			Impairments included in the income statement		
212,179	217,693		New impairments	575,446	545,703
0	50,486		Correction to changes in accounting principles	0	50,486
58,749	24,096		Reversed impairments	134,380	49,405
7,685	1,764		Value adjustment of assets in temporary possession	23,182	5,092
9,877	8		Losses without prior impairment	16,481	40,995
168	31		Paid into previous depreciated claims	1,694	3,280
170,824	**245,824**		**Included in the income statement**	**479,035**	**589,591**
0	**0**		**Impairments, other credit risks**	**0**	**5,000**
			Provisions for losses on guarantees		
6,237	545		Provisions for losses on guarantees year begin	10,802	930
26,506	5,692		New impairments on provisions	47,252	9,872
0	0		Reversed provisions for losses	0	0
32,743	**6,237**		**Provisions for losses on guarantees end period**	**58,054**	**10,802**
			Provisions for losses included in the income statement		
26,506	5,692		New provisions for losses for the year	47,252	9,872
0	0		Reversed provisions for losses	0	300
26,506	**5,692**		**Included in the income statement**	**47,252**	**9,572**

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		17	**Taxes on the annual result**		
0	0		Calculated tax charge on the annual result	-75,596	-56,328
-15,655	-45,773		Adjustment in deferred tax 1)	-13,608	-51,401
0	-13		Adjustment in calculated tax previous years	0	-740
-15,655	**-45,786**		**Total taxes on the annual result**	**-89,204**	**-108,469**
			1) Deferred taxes are at tax asset of DKK 54.5 million		
	in per cent		**Effective tax rate 2009**		in per cent
-312,976			Profit before taxes	-386,525	
-56,336	18.0%		Company tax rate	-69,575	18.0%
0	0.0%		Effect of tax rates in foreign jurisdiction (Denmark)	-21,201	5.5%
-246	0.1%		Non-taxable income	-246	0.1%
362	-0.1%		Non-deductable expenses	554	-0.1%
40,565	-13.0%		Profit/loss on associated and subsidiary undertakings	689	-0.2%
0	0.0%		Other	575	-0.1%
-15,655	**5.0%**		**Effective tax rate**	**-89,204**	**23.1%**
			Effective tax rate 2008		
-449,204			Profit before taxes	-511,887	
-80,857	18.0%		Company tax rate	-92,140	18.0%
0	0.0%		Effect of tax rates in foreign jurisdiction (Denmark)	-18,643	3.6%
-13,219	2.9%		Non-taxable income	-13,219	2.6%
2,300	-0.5%		Non-deductable expenses	2,384	-0.5%
33,763	-7.5%		Profit/loss on subsidiary undertakings	1,436	-0.3%
12,227	-2.7%		Other	11,713	-2.3%
-45,786	**10.2%**		**Effective tax rate**	**-108,469**	**21.2%**
2009	**2008**		**Taxes specified:**	**2009**	**2008**
-15,655	-45,786		Taxes on the annual result	-89,204	-108,469
122	0		Tax of revaluation (booked on equity)	122	0
-15,533	**-45,786**		**Total taxes**	**-89,082**	**-108,469**

Taxes on other comprehensive income

2009	Before tax	Taxes	After tax
Net revaluation of properties	676	-122	554
Total taxes on other comprehensive income	**676**	**-122**	**554**

2008			
Net revaluation of properties	0	0	0
Total taxes on other comprehensive income	**0**	**0**	**0**

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		18	**Claims on credit institutions and central banks**		
0	1,198,751		Claims at notice on central banks	0	1,548,641
553,837	974,111		Claims on credit institutions	356,059	602,982
553,837	**2,172,862**		**Total claims on credit institutions and central banks**	**356,059**	**2,151,623**
			Claims on credit institutions and central banks		
303,837	245,583		Claims at call	356,059	804,883
0	1,727,279		Up to 3 months	0	1,250,823
0	0		Over 3 months and up to 1 year	0	95,917
0	0		Over 1 year and up to 5 years	0	0
250,000	200,000		Over 5 years	0	0
553,837	**2,172,862**		**Total claims on credit institutions and central banks**	**356,059**	**2,151,623**
250,004	**678,529**		**There of from Eik Bank Danmark A/S**	**0**	**0**
		19	**Loans and other claims**		
119,305	112,790		Loans and other claims at fair value	144,406	218,986
8,016,763	8,076,842		Loans and other claims at amortised cost	15,275,413	15,418,422
8,136,068	**8,189,632**		**Total loans and other claims**	**15,419,819**	**15,637,408**
			Loans and other claims		
332,593	200,294		At call	1,116,727	200,294
269,084	679,901		Up to 3 months	2,655,322	2,249,796
801,096	681,876		Over 3 months and up to 1 year	1,942,787	1,669,665
2,875,317	3,139,019		Over 1 year and up to 5 years	4,552,466	3,841,434
3,857,978	3,488,542		Over 5 years	5,152,517	7,676,219
8,136,068	**8,189,632**		**Total loans and other claims**	**15,419,819**	**15,637,408**
			Loans , advances, and guarantees by sectors and industries, in per cent		
3	**3**		**Total public sector**	**2**	**2**
			Commercial sector		
0	0		Agriculture, hunting and forestry	0	0
9	9		Fishing	5	5
13	10		Manufacturing, mining, utilities, etc.	7	5
8	5		Building and construction	9	6
7	5		Commerce, restaurants and hotels	5	4
4	4		Transport, post and telecommunicating	3	3
16	12		Credit, finance and insurance	13	9
8	10		Property administration, purchase and sale, business service	18	15
1	2		Other industries	3	4
66	**57**		**Total commercial sector**	**63**	**51**
31	**40**		**Total private sector**	**35**	**47**
100	**100**		**Total loans and advances**	**100**	**100**
		20	**Bonds at fair value**		
0	954		Government bonds	118,168	51,094
1,962,799	1,021,615		Mortgage bonds	3,012,854	1,382,046
428,555	395,462		Other bonds	438,506	407,091
2,391,354	**1,418,031**		**Total bonds at fair value**	**3,569,528**	**1,840,231**
81,873	85,028		As in connection with clearing and settlement etc. bonds have been deposited with the Danish Cental Bank for a total of:	346,909	184,357
		21	**Shares**		
104,157	90,214		Listed on Nasdaq OMX Nordic Exchange Copenhagen	118,834	102,745
10,650	7,710		Listed on other Stock Exchanges	12,134	9,769
94,149	120,316		Other shares	165,788	175,225
208,956	**218,240**		**Total shares**	**296,756**	**287,739**

Note DKK 1,000

22 Holdings in associated undertakings

Eik Banki P/F	Place	Activity	Holdings	Revenue	Result	Assets	Liabilities	Equity share	Result share
2009									
Elektron P/F	Tórshavn	IT	25%	86,920	662	90,814	57,743	8,533	143
Intrum Føroyar P/F	Tórshavn	Incasso	30%	N/A	294	5,298	737	1,368	88
Nianet A/S	Glostrup	Supplies	20%	197,438	134	274,003	99,959	65,448	62
Biotech Invest P/F	Eiði	Holding	40%	0	0	0	0	0	-5
				284,358	**1,090**	**370,115**	**158,439**	**75,349**	**288**
2008									
Elektron P/F	Tórshavn	IT	25%	86,920	662	90,814	57,743	4,865	640
Intrum Føroyar P/F	Tórshavn	Incasso	30%	N/A	-603	4,725	458	2,219	-181
Nianet A/S	Glostrup	Supplies	20%	187,625	-29,831	288,899	237,960	29,576	-8,400
Biotech Invest P/F	Eiði	Holding	40%	0	-13	3,450	14	1,696	-104
P/F Týggjará	Tórshavn	Sea farming	0%	0	0	0	0	0	70
				274,545	**-29,785**	**387,888**	**296,175**	**38,356**	**-7,975**

	2009	2008
Total acquisition value, beginning	88,632	284,815
Additions, acquisition price	43,847	158,982
Disposals, acquisition price	20,699	355,165
Acquisition value, end	**111,780**	**88,632**
Revaluation and impairments, beginning	-50,276	72,038
Result share	288	-7,975
Reversal of revaluation og impairments	-4,852	2,294
Other additions/disposals	18,409	-116,633
Revaluation and write-downs, end	**-36,431**	**-50,276**
Book value, end	**75,349**	**38,356**

All figures are stated according to latest available financial information.

Note DKK 1,000

22 Holdings in associated undertakings

Group	Place	Activity	Holdings	Revenue	Result	Assets	Liabilities	Equity share	Result share
2009									
Elektron P/F	Tórshavn	IT	25%	86,920	662	90,814	57,743	8,533	143
Intrum Føroyar P/F	Tórshavn	Incasso	30%	N/A	294	5,298	737	1,368	88
Nianet A/S	Glostrup	Supplies	20%	197,438	134	274,003	99,959	65,448	62
Biotech Invest P/F	Eiði	Holding	40%	0	0	0	0	0	-5
Fredensborg Ejendomsudvikling A/S	Copenhagen	Construction	50%	0	0	0	0	369	0
				284,358	**1,090**	**370,115**	**158,439**	**75,718**	**288**
2008									
Elektron P/F	Tórshavn	IT	25%	86,920	662	90,814	57,743	4,865	640
Intrum Føroyar P/F	Tórshavn	Incasso	30%	N/A	-603	4,725	458	2,219	-181
Nianet A/S	Glostrup	Supplies	20%	187,625	-29,831	288,899	237,960	29,576	-8,400
Biotech Invest P/F	Eiði	Holding	40%	0	-13	3,450	14	1,696	-104
P/F Týggjará	Tórshavn	Sea farming	0%	0	0	0	0	0	70
Fredensborg Ejendomsudvikling A/S	Copenhagen	Construction	50%	0	0	0	0	28,024	0
				274,545	**-29,785**	**387,888**	**296,175**	**66,380**	**-7,975**

	2009	2008
Total acquisition value, beginning	116,656	284,815
Additions, acquisition price	43,846	187,006
Disposals, acquisition price	40,699	355,165
Acquisition value, end	**119,803**	**116,656**
Revaluation and impairments, beginning	-50,276	72,038
Result share	288	-7,975
Reversal of revaluation og impairments	-7,111	2,294
Other additions/disposals	13,014	-116,633
Revaluation and write-downs, end	**-44,085**	**-50,276**
Book value, end	**75,718**	**66,380**

All figures are stated according to latest available financial information.

Note DKK 1,000

23 Holdings in subsidiary undertakings

Eik Banki P/F	Place	Activity	Holdings	Equity share	Result share
Eik Bank Danmark A/S	Copenhagen	Bank	100%	604,500	-222,080
Inni P/F	Tórshavn	Broker	100%	7,911	550
Property Bonds 1	Tórshavn	None	100%	462	-38
Biotech Invest P/F	Eiði	Holding	53%	2,290	0
Faroe Real Estate P/F	Kollafjørður	None	100%	0	0
				615,163	**-221,568**

	2009	2008
Total acquisition value, beginning	833,094	832,594
Additions, acquisition price	2,400	500
Disposals, acquisition price	500	0
Acquisition value, end	**834,994**	**833,094**
Revaluation and write-downs, beginning	8,643	188,237
Result share	-221,568	0
Reversal of revaluation og write-downs	7,357	0
Other additions/disposals	451	-179,594
Revaluation and write-downs, end	**-219,831**	**8,643**
Book value, end	**615,163**	**841,737**

Group 1)	Place	Activity	Holdings	Equity share	Result share
Property Bonds 1	Tórshavn	None	100%	462	-38
Biotech Invest P/F	Eiði	Holding	53%	2291	0
Faroe Real Estate P/F	Kollafjørður	None	100%	0	0
Finansnyt II Komplementar ApS	Copenhagen	Holding	100%	125	0
				2,878	**-38**

	2009	2008
Total acquisition value, beginning	1,000	500
Additions, acquisition price	2,400	500
Disposals, acquisition price	500	0
Acquisition value, end	**2,900**	**1,000**
Revaluation and impairments, beginning	7,522	5,986
Result share	-38	0
Reversal of revaluation og impairments	7,357	0
Other additions/disposals	-149	1,536
Revaluation and write-downs, end	**-22**	**7,522**
Book value, end	**2,878**	**8,522**

1) Non-cosolidated subsidiary undertakings are Proberty Bonds P/F, Faroe Real Estate P/F and Biotech Invest P/F

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		24	**Intangible assets**		
			Goodwill		
191,388	191,388		Acquisition value, beginning	402,344	407,337
0	0		Additions	0	1,263
0	0		Disposals	0	6,256
191,388	**191,388**		**Acquisition value, end**	**402,344**	**402,344**
14,278	6,278		Impairments, beginning	14,281	6,281
0	8,000		Impairments	2,631	8,000
14,278	**14,278**		**Impairments, end**	**16,912**	**14,281**
177,110	**177,110**		**Booked value, end**	**385,432**	**388,063**
			Other intangible assets		
14,985	10,965		Acquisition value, beginning	18,961	14,328
4,992	4,130		Additions	13,133	4,743
0	110		Disposals	0	110
19,977	**14,985**		**Acquisition value, end**	**32,094**	**18,961**
8,641	6,667		Depreciation, beginning	12,206	9,928
2,314	1,974		Depreciation	2,517	2,278
10,955	**8,641**		**Depreciation, end**	**14,723**	**12,206**
9,022	**6,344**		**Booked value other intangible assets, end**	**17,371**	**6,755**
186,132	**183,454**		**Booked value intangible assets, end**	**402,803**	**394,818**

Note DKK 1.000

24 Intangible assets (cont.)

Impairment test, Goodwill
Goodwill acquired by acquisition has an amortization period of indefinite lifetime and in most cases allocated as an individual Cash-Generating Unit (CGU). Every year, Management performs an impairment test of the Group's goodwill. This is done by comparing the book value to the recovery value of each CGU, if book value exceed the recovery value there is need for an impairment.

Apart from Privestor and Tidsskriftet Finansnyt I A/S the impairment tests in 2009 did not indicate any need for impairment. Privestor and Tidsskriftet Finansnyt I A/S were acquired by Asset Management in our subsidiary, Eik Bank Danmark, as one transaction and one earn-out agreement. This is the reason why they where tested as one. With the primary assumptions the test did not apply for impairments, however, the sensitivity analysis did. By increasing the required rate of return by 1 per cent and decreasing budgeted income from 2010-2013 with DKK 4.6 million, the need for an impairment appeared, indicating an impairment of DKK 2.6 million.

In 2007, Privestor og Tidsskriftet Finansnyt I A/S were acquired. The deal was conducted in a very positive market. The values that were present then only exist at a lesser degree today, due to a declining customer base induced by the downward trend in the economy. Assumptions that we find ourselves in a situation where the economic cycle is coming up again has now been deemed terminated.

As a result, expectations for future results are now lower, and used growth estimates have been reduced in the terminal period. Below are the Cash-Generating Unit shown.

Eik Banki P/F				Group
2009	**2008**	**Goodwill consist of:**	**2009**	**2008**
25,110	25,110	Eik Bank Danmark	25,110	25,110
152,000	152,000	Kaupthing, Faroese branch activities	152,000	152,000
0	0	Inni (Sethúsasølan)	1,196	1,262
0	0	SkandiaBanken	180,585	180,585
0	0	Privestor	11,816	13,099
0	0	Tidsskriftet Finansnyt I	14,725	16,007
177,110	**177,110**	**Total goodwill**	**385,432**	**388,063**

Assumptions for impairment	**Assumed average annual growth in assets 1-3 years in per cent**	**Assumed annual growth > 3 years in per cent**	**Required rate of return in per cent**
Eik Bank Danmark	2.4	2.0	10.5
Kaupthing, Faroese branch activities	3.0	2.0	11.3
Inni (Sethúsasølan)	N/A	N/A	N/A
Skandiabanken	5.2	2.0	7.8
Privestor	N/A	2.0	11.8
Tidsskriftet Finansnyt I	N/A	2.0	11.8

CGU's recovery values are generated from future cash flows based on approved strategies and earnings. The cash flow model is a simplified equity model where growth in asset is the most significant valuedriver. In the terminal period, the model is based on a growth of 2 per cent. This does not exceed the forecast for the general economics growth in the markets in question.

All the impairment tests have been stress tested. The valuedrivers that have been stressed, where required rate of return and growth > 3.

The sensitivity analysis indicated that it takes a significant decrease in terminal growth before a CGU has to be impaired. This implies for all the Group's CGU.

Other intangible assets
Other intangible assets consist of software and are depreciated over 5 years. Further details are in the Accounting Principles.

During 2009 and 2008 the Group identified no events or circumstances that would indicate that the Group's other intangible assets may be impaired.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		25	**Domicile properties**		
179,977	217,230		Acquisition value, beginning	180,654	217,905
3,229	11,314		Additions including improvements	3,229	11,316
0	48,567		Disposals for the year	0	48,567
183,206	**179,977**		**Acquisition value, end**	**183,883**	**180,654**
38,687	74,117		Depreciation and write-downs, beginning	38,838	74,117
			Positive value adjustments calculated on equity:		
-1,682	0		Revaluations for the year	-1,681	0
			Negative value adjustments calculated on equity:		
0	0		Reversal of revaluations on disposals during the year	0	0
966	0		Reversal of revaluations on new valuations during the year	966	138
			Positive value adjustments calculated in the Income Statement:		
0	-19,679		Reversal of depreciation on disposals during the year	0	-19,679
0	-20,364		Reversal of revaluations on new valuations during the year	0	-20,364
524	0		Revaluations for the year (reversal of previous impairment)	524	0
			Negative value adjustments calculated in the Income Statement:		
3,627	4,613		Depreciation	3,627	4,614
-484	0		Impairments	-484	12
41,638	**38,687**		**Depreciation and write-downs, end**	**41,790**	**38,838**
141,568	**141,290**		**Fair value Domicile properties, end**	**142,093**	**141,816**

Domicile property are measured at a revalued amount corresponding to the fair value at the date of revaluation.

113,586	**114,024**		Carrying amount if the properties were measured according to the cost method	**114,260**	**114,699**

Revaluations of domicile properties are supported by an external valuation expert on the basis of current market data according to an asset return model, also including market rent, location, maintenance and quality. Required rate of return is 5-7%. Revaluations are made on a yearly basis as a minimum as close as possible to December 31.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		26	**Other tangible assets**		
75,107	77,446		Acquisition value, beginning	82,181	83,801
2,326	2,042		Additions	3,726	5,363
0	4,381		Disposals	2,197	6,983
77,433	**75,107**		**Acquisition value, end**	**83,710**	**82,181**
61,933	58,043		Depreciation and impairments, beginning	66,629	61,266
3,913	3,877		Depreciation	4,974	7,796
0	13		Reversal of depreciation and impairments	-2,076	-2,433
65,846	**61,933**		**Depreciation and impairments, end**	**69,527**	**66,629**
11,587	**13,174**		**Booked value, end**	**14,183**	**15,552**

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		27	**Assets held for sale**		
3,301	2,010		Acquisition value, beginning	8,951	2,010
65,843	1,291		Additions	151,291	6,941
1,000	0		Disposals	1,000	0
68,144	**3,301**		**Acquisition value, end**	**159,242**	**8,951**
1,764	0		Depreciation and write-downs, beginning	5,091	0
8,650	1,764		Negative changes in value included in the income statement	24,147	5,091
-965	0		Reversed impairments on revaluations during the year	-965	0
-223	0		Reversed impairments on disposals during the year	-223	0
9,226	**1,764**		**Depreciation and impairments, end**	**28,050**	**5,091**
58,918	**1,537**		**Assets held for sale, end**	**131,192**	**3,860**

Assets held for sale comprise taken over buildings in connection with the Bank's non-performing loans. Assets held for sale are assessed at fair value and are expected to be disposed of within 12 months. The Bank continually seeks to sell these assets as there is no intention to keep the assets. For valuation of taken over buildings the Bank uses external valuators.

If, contrary to expection, the assets are not sold within 12 months, they are reclassified to investment properties.

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		28	**Deferred tax assets**		
39,000	2,797		Deferred tax, beginning	93,022	-4,726
0	-6,300		Change of accounting principles	0	-6,300
0	-3,270		Change in tax rate	1	-3,270
15,533	45,773		Changes in deferred taxes	89,202	107,318
54,533	**39,000**		**Total deferred tax assets**	**182,225**	**93,022**

Deferred tax assets are recognised in the balance in the expectation that they can be offset against future earnings.

All deferred tax liabilities are recognised in the balance sheet.

Note DKK 1.000

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Eik Banki P/F	2009 Assets	2009 Liabilities	2009 Net	2008 Assets	2008 Liabilities	2008 Net
Intangible assets	0	8,771	-8,771	0	5,152	-5,152
Tangible assets	8,581	73	8,508	250	2,430	-2,180
Loans	0	8,275	-8,275	0	6,300	-6,300
Employee liabilities	300	0	300	259	0	259
Other	0	122	-122	0	0	0
Tax loss	62,893	0	62,893	52,373	0	52,373
	71,774	**17,241**	**54,533**	**52,882**	**13,882**	**39,000**
Group						
Intangible assets	0	22,851	-22,851	0	17,951	-17,951
Tangible assets	8,581	1,291	7,290	250	3,384	-3,134
Loans	2,334	8,276	-5,942	0	4,996	-4,996
Employee liabilities	300	0	300	259	0	259
Other	0	2,353	-2,353	0	701	-701
Tax loss	205,781	0	205,781	119,545	0	119,545
	216,996	**34,771**	**182,225**	**120,054**	**27,032**	**93,022**

Changes in deferred tax 2009

Eik Banki P/F	Value year begin	Changes in acc. principles	Income Statement	Equity	Value year end
Intangible assets	-5,152	0	-3,619	0	-8,771
Tangible assets	-2,180	0	10,688	0	8,508
Loans	-6,300	0	-1,975	0	-8,275
Employee liabilities	259	0	41	0	300
Other	0	0	0	-122	-122
Tax loss	52,373	0	10,520	0	62,893
	39,000	**0**	**15,655**	**-122**	**54,533**
Group					
Intangible assets	-17,951	0	-4,900	0	-22,851
Tangible assets	-3,134	0	10,424	0	7,290
Loans	-4,996	0	-946	0	-5,942
Employee liabilities	259	0	41	0	300
Other	-701	0	-1,530	-122	-2,353
Tax loss	119,545	0	86,236	0	205,781
	93,022	**0**	**89,325**	**-122**	**182,225**

Changes in deferred tax 2008

Eik Banki P/F					
Intangible assets	-3,544	0	-1,608	0	-5,152
Tangible assets	2,657	0	-4,837	0	-2,180
Loans	0	-6,300	0	0	-6,300
Employee liabilities	414	0	-155	0	259
Other	0	0	0	0	0
Tax loss	0	0	52,373	0	52,373
	-473	**-6,300**	**45,773**	**0**	**39,000**
Group					
Intangible assets	-9,926	0	-8,025	0	-17,951
Tangible assets	3,119	0	-6,253	0	-3,134
Loans	-1,601	-6,300	2,905	0	-4,996
Employee liabilities	414	0	-155	0	259
Other	0	0	-701	0	-701
Tax loss	0	0	119,545	0	119,545
	-7,994	**-6,300**	**107,316**	**0**	**93,022**

Eik Banki P/F 2009	2008	Note	DKK 1,000	Group 2009	2008
		29	**Other assets**		
13,565	90,467		Positive market value of derivative financial instruments etc.	26,487	149,572
38,574	45,950		Accrued interest	80,995	83,765
62,275	118,224		Other	98,252	142,600
114,414	**254,641**		**Total other assets**	**205,734**	**375,937**
		30	**Debt to credit institutions and central banks**		
2,130,766	4,985,846		Debt to credit institutions	2,404,457	5,081,483
2,130,766	**4,985,846**		**Total debt to credit institutions and central banks**	**2,404,457**	**5,081,483**
			Debt to credit institutions and central banks		
77,001	220,206		Debt payable on demand	350,692	793,991
174,617	605,190		Up to 3 months	174,617	127,043
1,086,555	1,721,047		Over 3 months and up to 1 year	1,086,555	1,721,047
792,593	2,439,403		Over 1 year and up to 5 years	792,593	2,439,402
0	0		Over 5 years	0	0
2,130,766	**4,985,846**		**Total debt to credit institutions and central banks**	**2,404,457**	**5,081,483**
97	**169,885**		**There of to Eik Bank Danmark A/S**		
		31	**Deposits and other debt**		
2,457,993	2,228,961		Deposits on demand	7,134,328	6,633,210
1,701,376	2,096,979		Deposits at notice	2,580,892	2,880,246
1,858,937	1,523,997		Time deposits	2,870,784	2,892,599
479,619	466,252		Special categories of deposits	1,845,348	1,729,375
6,497,925	**6,316,189**		**Total deposits and other debt**	**14,431,352**	**14,135,430**
			Deposits and other debt		
2,457,993	2,228,961		On demand	7,381,447	6,867,943
2,719,958	2,696,952		Up to 3 months	3,445,262	3,193,119
908,619	990,173		Over 3 months and up to 1 year	2,125,707	1,675,455
171,921	159,782		Over 1 year and up to 5 years	463,495	1,442,990
239,434	240,321		Over 5 years	1,015,441	955,923
6,497,925	**6,316,189**		**Total deposits and other debt**	**14,431,352**	**14,135,430**
		32	**Issued bonds at fair value**		
0	0		On demand	0	0
0	0		Up to 3 months	0	0
1,466,000	0		Over 3 months and up to 1 year	1,466,000	0
500,000	0		Over 1 year and up to 5 years	500,000	0
0	0		Over 5 years	1,054	602
1,966,000	**0**		**Total issued bonds at fair value**	**1,967,054**	**602**
		33	**Other liabilities**		
31,905	93,629		Negative marketvalue of derivative financial instruments etc.	50,295	134,099
35,890	40,914		Payable interest and provisions	49,489	58,279
126,124	110,892		Other liabilities	191,519	175,585
193,919	**245,435**		**Total other liabilites**	**291,303**	**367,963**

Note DKK 1.000

34 Subordinated debt

Subordinated debt consist of liabilities in the form of supplementary loan capital and hybrid core capital which, in case of the Group's voluntary or compulsory liquidation, whether solvent or insolvent, will not be repaid until the claims of the ordinary creditors have been met.

Hybrid core capital ranks junior to supplementary loan capital. Premature redemption of subordinated debt is subject to the approval of the Danish Financial Supervisory Authority.

Subordinated debt is included in the capital base, etc. pursuant to the Danish Financial Business Act.

Eik Banki is the borrower with respect to both supplementary loans and one hybrid core capital loan. Eik Bank Danmark is the borrower with respect to one hybrid core capital loan.

Eik Banki P/F				Group
2009	**2008**	**Supplementary capital contribution**	**2009**	**2008**
153,732	156,240	Bond issue in DKK, 5.385 percent fixed 1)	153,732	156,240
297,660	298,024	Loan, Euribor 3 months + 1.18 per cent 2)	297,660	298,024
451,392	**454,264**	**Total subordinated debt**	**451,392**	**454,264**
		Hybrid core capital 3)		
327,225	0	Bond issue in DKK	621,450	0
327,225	**0**	**Total hybrid core capital**	**621,450**	**0**
778,617	**454,264**	**Total subordinated debt and included in capital base**	**1,072,842**	**454,264**
24,905	28,204	Interest expense	24,905	28,204

1) Due 30 Juni 2014
2) Due 28 March 2015
3) Three perpetual loan received in 2009 with fixed interest rate. Eik Banki's interest rate is 10.92 per cent and Eik Bank Danmark's is 10.85 per cent.

Eik Banki P/F					Group
2009	2008	Note	DKK 1,000	2009	2008
		35	**Contingent assets**		
			Eik Banki / Group has no contingent assets		
		36	**Contingent liabilities**		
			Guarantees and other liabilities		
541,033	602,376		Financial guaranties	576,441	643,024
635,780	448,620		Loss guarantees for mortage loans	635,780	448,620
462,984	511,156		Other liabilities	672,745	798,852
1,639,797	**1,562,152**		**Total guarantees and other liabilities**	**1,884,966**	**1,890,496**
			Other commitments		
58,603	56,542		Irrevocable credit commitments	58,603	56,542
82,438	105,374		Other commitments	89,042	113,381
141,041	**161,916**		**Total other commitments**	**147,645**	**169,923**
			Subsidiary liabilities		
25,000	92,500		Eik Bank Danmark A/S	0	0
25,000	**92,500**		**Total subsidiary liabilities**	**0**	**0**
1,805,838	**1,816,568**		**Total contingence liabilities**	**2,032,611**	**2,060,419**

Owing to its business volume, the Eik Banki Group can continually be a party to various lawsuits. In view of its size, the Group does not expect the outcomes of the cases pending to have any material effect on its financial position.

A limited number of employees are employed under terms which grant them, if they are dismissed before reaching their normal retirement age, an extraordinary severance and/or pension payment in excess of their entitlement under ordinary terms of employment.

Together with the majority of Danish Banks, Eik Banki is participating through the Private Contingency Association in the Danish state guarantee under the act on Financial Stability adopted by the Danish parliament on October 10, 2008. The scheme runs from 5 October 2008 to 30 September 2010, and includes an unconditional state guarantee for the obligations of Danish banks, except for subordinated debt and covered bonds.

Eik Banki Group's share is expected to be 0.94 per cent of the total amount, or an annual guarantee commision of around DKK 70.6 million over the covered period and a commitment to cover losses for around DKK 188.2 million. A part of the latter amount is only payable if the covered financial sector's need for capital exceeds DKK 25 billion.

Note

37 Capital Management

During the year under review, the Bank met all statutory capital adequacey ratios. The focus has been to ensure the Group's ability to continue the operations as an independent Group and to strengthen the capital base.

The solvency ratio, i.e. the Group's capital base relative to risk-weighted items, must amount to a minimum of 8 per cent according to the Danish Financial Business Act. The Group's internal targets set by the Board of Directors are to have a minimum solvency ratio of 12 per cent. This to ensure that unexpected losses will not cause the solvency ratio to go below statutory requirement of 8 per cent.

The solvency requirement of the Group is 9.06 per cent, the risk-weighted items DKK 15,830 million and the capital requirements DKK 1,434 million.

The Group's solvency ratio has during the year been in the range of 10.0 - 11.6 per cent. At year end 2009 the solvency ratio is below the internal target. In first quarter 2010 Eik Banki has strengthen the solvency with subordinated debt which brings the solcency ratio up to 12.1 per cent calculated on figure at year end 2009.

In addition to the internal target, the Group has calculated an individual solvency requirement according to section 124 of the Financial Business Act. The calculation is made on basis of guidelines from the Danish FSA and is an expression of the Group's own assessment as to how high the solvency ratio should be to safeguard depositors against losses.

The Group's core capital consists of its shareholders' equity, proposed dividend and retained earnings. Hybrid capital and supplementary capital in the form of subordinated debts are included and a number of deductions are made in the calculation of the capital. The calculation of the capital base is shown on page 47 in this annual report.

The maturity of the Group's subordinated debt is specified in note 34.

The capital structure of the Group is an ongoing process made on Group level.

The Eik Group generally uses the Standardized Approach for calculating the different forms of risk and the "basis indicator metod" for the operational risk.

For further information on Capital Management see note 3 Risk, especially Liquidity Risk, chapter 3.3.

Note DKK 1,000

38 Balance Sheet items broken down by expected due date

Group	2009 < 1 year	2009 > 1 year	2008 < 1 year	2008 > 1 year
Assets				
Cash-in hand and demand deposits with central banks	774,301	0	643,322	0
Claims on credit institutions and central banks	356,059	0	2,151,623	0
Loans and other claims at fair value	0	144,406	0	218,986
Loans and other claims at amortised cost	5,710,130	9,565,284	4,119,755	11,298,667
Bonds	61,937	3,507,591	7,659	1,832,572
Shares	80,832	215,924	66,765	220,974
Holdings in associated undertakings	0	75,717	0	66,380
Holdings in subsidiary undertakings	125	2,753	0	8,522
Intangible assets	0	402,803	0	394,818
Land and buildings	0	142,092	0	141,816
Domicile properties	0	142,092	0	141,816
Other tangible assets	1,077	13,105	0	15,552
Current tax assets	8,786	0	6,000	0
Deferred tax assets	0	182,225	0	93,022
Assets in temporary possession	131,192	0	3,860	0
Other assets	123,521	82,214	217,318	158,619
Prepayments	9,025	0	20,440	0
Total assets	**7,256,985**	**14,334,114**	**7,236,742**	**14,449,928**
Liabilities				
Debt to credit institutions and central banks	1,611,864	792,593	2,642,081	2,439,402
Deposits	12,952,416	1,478,936	11,736,517	2,398,913
Issued bonds at fair value	1,466,000	501,054	0	602
Other liabilities	171,030	142,104	217,567	154,576
Prepayments	201	0	826	0
Provisions for loan on collaterals	1,699	56,354	384	6,238
Subordinated debt	0	1,072,842	0	454,264
Total liabilities	**16,203,210**	**4,043,883**	**14,597,375**	**5,453,995**

Note DKK 1,000

39 Derivative financial instruments

	2009 Nominal value	2009 Net market value	2008 Nominal value	2008 Net market value
Eik Banki P/F				
Currency, interest and share contracts				
Up to 3 months				
Forwards and futures, bought	712,798	947	959,412	-13,696
Forwards and futures, sold	238,770	1,459	175,802	20,166
Over 3 months and up to 1 year				
Forwards and futures, bought	55,506	-1,067	284,485	-52,410
Forwards and futures, sold	55,631	1,341	284,485	55,046
Swaps	158,503	-3,652	0	0
Over 1 year and up to 5 years				
Forwards and futures, bought	0	0	0	0
Forwards and futures, sold	0	0	0	0
Swaps	740,578	-17,368	0	0
Total				
Forwards and futures, bought	768,304	-120	1,243,897	-66,106
Forwards and futures, sold	294,401	2,800	460,287	75,212
Swaps	899,081	-21,020	0	0
Net market value		**-18,340**		**9,106**

	2009 Positive	2009 Negative	2008 Positive	2008 Negative
Forwards and futures, bought	1,610	1,730	1,813	67,920
Forwards and futures, sold	4,135	1,335	75,687	474
Swaps	7,820	28,840	0	0
Net market value 1)	**13,565**	**31,905**	**77,500**	**68,394**
1) Thereof market value of non-guaranteed contracts	13,565	31,905	77,500	68,394

Market value, average	2009 Positive	2009 Negative	2008 Positive	2008 Negative
Forwards and futures, bought	1,711	34,825	4,234	34,563
Forwards and futures, sold	39,911	905	38,449	2,847
Swaps	3,910	14,420	78,535	77,931
Net market value	**45,532**	**50,150**	**121,218**	**115,341**

Note DKK 1,000

39 Derivative financial instruments

	2009 Nominal value	2009 Net Market value	2008 Nominal value	2008 Net Market value
Group				
Currency, interest and share contracts				
Up to 3 months				
Forwards and futures, bought	1,144,845	851	1,339,542	-18,607
Forwards and futures, sold	2,415,453	-1,997	1,851,430	49,974
Over 3 months and up to 1 year				
Forwards and futures, bought	55,506	-1,067	284,485	-52,410
Forwards and futures, sold	55,631	1,341	284,485	55,046
Swaps	158,503	-3,652	0	0
Over 1 year and up to 5 years				
Forwards and futures, bought	0	0	0	0
Forwards and futures, sold	0	0	0	0
Swaps	740,578	-17,368	0	0
Over 5 years				
Options	350,000	8,134	0	0
Total				
Forwards and futures, bought	1,200,351	-216	1,624,027	-71,017
Forwards and futures, sold	2,471,084	-656	2,135,915	105,020
Swaps	899,081	-21,020	0	0
Options	350,000	8,134	0	0
Net market value		**-13,758**		**34,003**

	2009 Positive	2009 Negative	2008 Positive	2008 Negative
Forwards and futures, bought	3,545	3,761	6,426	77,444
Forwards and futures, sold	7,740	8,396	114,216	9,195
Swaps	7,820	28,840	0	0
Options	8,134	0	0	0
Net market value 1)	**27,239**	**40,997**	**120,642**	**86,639**
1) Thereof market value of non-guaranteed contracts	27,239	40,997	120,642	86,639

Market value, average	2009 Positive	2009 Negative	2008 Positive	2008 Negative
Forwards and futures, bought	4,985	40,603	7,086	39,760
Forwards and futures, sold	60,978	8,796	58,520	7,605
Swaps	3,910	14,420	78,535	77,932
Options	7,585	0	10,957	12,613
Net market value	**77,458**	**63,819**	**155,098**	**137,910**

Note DKK 1,000

40 Related parties

	Parties with significant influence		Subsidiary undertakings 1)		Associated undertakings		Board of Directors		Managing Directors	
Eik Banki P/F	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Claims on credit institutions	0	0	4	478,529	0	0	0	0	0	0
Loans and other claims	389,357	288,788	13,386	62,591	102,528	139,974	6,241	6,547	8,081	8,600
Subordinated loans	0	0	0	250,000	0	0	0	0	0	0
Deposits	22,012	117,852	7,676	176,307	11,762	10,399	5,093	4,381	2,463	2,034
Guarantees issued	0	0	52,500	92,500	0	0	0	0	0	0
Guarantees and collateral received	5,522	95,624	0	0	0	0	4,510	4,720	7,615	8,035
Interest income	9,094	8,153	16,330	69,683	1,584	4,901	436	458	507	548
Interest expense	1,019	7,106	871	11,515	203	156	89	137	41	56
Fee and commission income	0	0	0	0	60	84	5	1	1	1
Other income	1,904	297	0	0	0	0	0	0	0	0
Group										
Loan and irrevocable loan commitments	389,357	288,788	13,451	62,650	437,848	525,571	6,464	6,547	8,081	8,600
Subordinated loans	0	0	0	0	369	28,025	0	0	0	0
Deposits	22,012	117,852	676	931	11,763	10,399	5,093	4,381	2,463	2,034
Guarantees issued	0	0	0	0	200	200	0	0	0	0
Guarantees and collateral received	5,522	95,624	0	0	0	0	4,552	4,720	7,615	8,035
Interest income	9,094	8,153	567	2,640	18,528	24,401	436	458	507	548
Interest expense	1,019	7,106	4	13	203	156	89	137	41	56
Fee and commission income	0	0	0	0	62	84	5	1	1	1
Dividend income	0	0	0	0	7,111	0	0	0	0	0
Other income	1,904	297	0	0	0	0	0	0	0	0

1) Non-cosolidated subsidiary undertakings are Proberty Bonds P/F, Faroe Real Estate P/F and Biotech Invest P/F

Related parties with significant influence are shareholders with holdings exceeding 20 percent of Eik Banki P/F's share capital. Notes 22 and 23 list associated and subsidiary undertakings. The Board of Directors and Managing Directors columns list the personal facilities, deposits, etc. held by members of the Board of Directors and the Managing Directors and their dependants and facilities with businesses in which these have a controlling or significant interest.

The interest rate for loans and other claims to Board of Directors ranged from 4.25 - 12.25 per cent in 2009 compared to 4.25 - 12.5 per cent in 2008 and the interest rate for loans and other claims to Managing Directors ranged from 5.8 - 12.5 per cent and 7.0 - 13.1 per cent, respectively.

The respective shareholdings of the Managing Directors and the Board of Directors are shown in note 45.

Note DKK 1,000

41 **Asset deposited as collateral**

At the end of 2009, the Group had deposited securities worth DKK 346.9 million against DKK 184.4 million in 2008 as collateral with the Danish Central bank.

At the end of 2009, the Eik Banki P/F had deposited securities worth DKK 81.9 million against DKK 85.0 million in 2008 as collateral with Danmarks Nationalbank..

Assets deposited as security for own liabilities against clearing centres and banks which the Bank has concluded CSA agreements are all based on standard agreements customarily used by financial market participants.

42 **Collateral held as Security**

The Group regularly agrees on collateral to be recieved from customers in its contracts subject to credit risk. The Group regularly agrees on collateral to be recieved from borrowers in its lending contracts. Collateral is security in the form of an asset.

At 31 December the fair value of financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default.

	2009	2008
Collateral accepted that can be repledged or sold	**227,517**	**245,870**

At 31 December 2009 the fair value of financial assets accepted as collateral that have been sold or repledged is DKK 0 million against DKK 0 million in 2008.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities. These collaterals can be sold or replegded pursuant to the terms of the appropriate agreement is accepted.

43 **Classification of financial instruments and assets and liabilities at fair value**

The table below sets out the carrying amounts and fair value of the Group's financial assets and financial liabilities

	Fair value		Amortised cost		
31 December 2009	**Held for trading**	**Designated fair value**	**Loans and receivables**	**Liabilities**	**Total carry-ing amount**
Financial assets					
Cash-in-hand and demand deposits with central banks	0	0	774,301	0	774,301
Claims on credit institutions and central banks	0	0	356,059	0	356,059
Loans and other claims at current value	0	144,406	0	0	144,406
Loans and other claims at amortised cost	0	0	15,275,414	0	15,275,414
Bonds	3,569,528	0	0	0	3,569,528
Shares	130,968	165,789	0	0	296,757
Other assets	26,487	0	0	0	26,487
Total financial assets	**3,726,983**	**310,195**	**16,405,774**	**0**	**20,442,952**
Debt to credit institutions and central banks	0	0	0	2,404,457	2,404,457
Deposits and other debt	0	0	0	14,431,305	14,431,305
Issued bonds at fair value	0	0	0	1,967,054	1,967,054
Other liabilities	50,295	0	0	0	50,295
Subordinated debt	0	0	0	1,072,842	1,072,842
Total financial liabilities	**50,295**	**0**	**0**	**19,875,658**	**19,925,953**

Eik Banki does not hold any "Held to maturity investments" or "Available for sale" assets.

Note DKK 1,000

43 **Classification of financial instruments and assets and liabilities at fair value (cont.)**

31 December 2008	Fair value: Held for trading	Fair value: Designated fair value	Amortised cost: Loans and receivables	Amortised cost: Liabilities	Total carrying amount
Financial assets					
Cash-in-hand and demand deposits with central banks	0	0	643,322	0	643,322
Claims on credit institutions and central banks	0	0	2,151,623	0	2,151,623
Loans and other claims at current value	0	218,986	0	0	218,986
Loans and other claims at amortised cost	0	0	15,418,422	0	15,418,422
Bonds	1,840,231	0	0	0	1,840,231
Shares	112,514	175,225	0	0	287,739
Other assets	134,099	0	0	0	134,099
Total financial assets	**2,086,844**	**394,211**	**18,213,367**	**0**	**20,694,422**
Financial liabilities					
Debt to credit institutions and central banks	0	0	0	5,081,483	5,081,483
Deposits and other debt	0	0	0	14,135,430	14,135,430
Issued bonds at fair value	0	0	0	602	602
Other liabilities	134,099	0	0	0	134,099
Subordinated debt	0	0	0	454,264	454,264
Total financial liabilities	**134,099**	**0**	**0**	**19,671,779**	**19,805,878**

Classification of profit/loss according to balance-sheet categories

	Fair value: Held for trading	Fair value: Designated fair value	Amortised cost: Loans and receivables	Amortised cost: Liabilities	Total
31 December 2009					
Net interest income	141,101	0	970,013	-592,549	518,565
Net fee and comisision income	0	0	133,854	-20,900	112,954
Other operating income	0	14,736	2,009	0	16,745
Impairment loss on financial assets	0	0	-504,512	0	-504,512
Net gain / losses	**141,101**	**14,736**	**601,364**	**-613,449**	**143,752**
31 December 2008					
Net interest income	79,959	0	1,301,452	-869,276	512,135
Net fee and comisision income	0	0	216,519	-12,462	204,057
Other operating income	0	23,229	2,463	0	25,692
Impairment loss on financial assets	0	0	-598,918	0	-598,918
Net gain / losses	**79,959**	**23,229**	**921,516**	**-881,738**	**142,966**

Interest income accrued on impaired financial assets amounts to DKK 25,6 million against DKK 0 million in 2008.

Eik Banki P/F					Group
2009	2008	Note	DKK 1,000	2009	2008
		44	**Shareholders holding more than 5 per cent according to § 28a in the Company Act**		
52%	52%		The Eik Fund (Eik Grunnurin)	52%	52%

Note
45 **Shareholdings in Eik Banki of the Board of Directors, Managing Directors and other executives at year end**

	Number of shares		
Board of Directors	**Own shares**	**Related parties**	**Total shares**
Frithleif Olsen, Chairman	3,941	22,303	26,244
Odd Arild Bjellvåg, Deputy chairman	1,443	57	1,500
Finnbogi Niclasen	1,092	68	1,160
Petur Hammer	70	120	190
Marian Jacobsen (until 20 March 2009)	300	0	300
Jákup Egil Jensen (from 20 March 2009)	160	584	744
Rólant Vidtfeldt	1,132	314	1,446
Mathea E. Hilduberg	55	11	66
Tórmund A. Joensen	406	1,092	1,498
Gert Langgaard	1,243	182	1,425
Rakul Dam	260	160	420
Fía Selma Nielsen	212	0	212
Total	**10,314**	**24,891**	**35,205**
Managing Directors			
Marner Jacobsen, Chief Managing Director	17,786	424	18,210
Bjarni Olsen, Managing Director	3,464	956	4,420
Total	**21,250**	**1,380**	**22,630**
Other executives total 1)	**16,166**	**1,135**	**17,301**
Total nominal value DKK			7,513,600
In per cent of total sharecapital			0.9%

1) Other executive includes Bogi Bendtsen, Director, Head of Credit and Risk and Finn Danberg, Director, CFO of Eik Banki. From Eik Bank Danmark Kim M. Sandberg, Chief Managing Director, Jesper Clausen, Managing Director, Henrik Ørsted, Deputy Chairman, Benny Hofmann, Jette A. Christensen and Torben V. Andersen, Board Members.

Note DKK 1,000

46 **Fair value**

Financial instruments are recognised in the balance sheet either at fair value or amortised cost.

The table below breaks down the individual financial instruments by valuation method.

Group	Fair value	2009 Amortised cost	Fair value	2008 Amortised cost
Financial assets				
Cash-in-hand and demand deposits with central banks	0	774,301	0	643,322
Claims on credit institutions and central banks	0	356,059	0	2,151,623
Loans and other claims	144,406	15,275,413	218,986	15,418,422
Bonds	3,569,528	0	1,840,231	0
Shares etc.	296,756	0	287,739	0
Derivative financial instruments	275,182	0	149,572	0
Total	**4,285,872**	**16,405,773**	**2,496,528**	**18,213,367**
Financial liabilities				
Debt to credit institutions and central banks	0	2,404,457	0	5,081,483
Deposits	0	14,431,352	0	14,135,430
Issued bonds at fair value	0	1,967,054	0	602
Subordinated debt	0	1,072,842	0	454,264
Derivative financial instruments	50,295	0	134,099	0
Total	**50,295**	**19,875,705**	**134,099**	**19,671,779**

Financial instruments recognised at fair value

The fair value is the amount at which a financial asset may be traded between knowledgeable, willing parties in an arm's length transaction. If there is an active market, the market price is used by way of a listed price or price quotation. If a financial instrument is quoted in a market that is not active, the Bank bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no effective market exists. In this case, the Group uses an estimated value, taking into account recent transactions in similar instruments and discounted cash flows or generally accepted estimation and valuation techniques based on market conditions at the reporting date to calculate an estimated value.

Bonds are valued at the closing market price or the most recent transaction price.

Valuation methods are generally used for deriviates, unlisted assets and liabilities in the trading portfolio and in the strategic portofolio recognized at fair value. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations. In most cases, valuation is based substantially on observable input.

Unlisted shares recorded at fair value comprise unlisted shares that are not included in the Group's trading portfolio. Unlisted shares are recognized at fair value, using the fair-value option provided for in IAS 39, and are measured in accordance with generally accepted valuation methods.

Further description of financial assets is found in Note 1 Accounting Principles.

Note DKK 1,000

46 Fair value (cont.)

Group 2009	Listed prices, level 1	Observable input, level 2	Non-observ-able input, level 3	Total
Financial assets				
Loans and other claims	0	0	144,406	144,406
Bonds	3,234,137	0	335,391	3,569,528
Shares	132,470	0	164,286	296,756
Derivative financial instruments	267,362	7,820	0	275,182
Total	**3,633,969**	**7,820**	**644,083**	**4,285,872**
Financial liabilities				
Derivative financial instruments	21,455	28,840	0	50,295
Total	**21,455**	**28,840**	**0**	**50,295**
2008				
Financial assets				
Loans and other claims	0	0	218,986	218,986
Bonds	1,637,520	0	202,711	1,840,231
Shares	112,514	0	175,225	287,739
Derivative financial instruments	136,604	12,968	0	149,572
Total	**1,886,638**	**12,968**	**596,922**	**2,496,528**
Financial liabilities				
Derivative financial instruments	108,864	25,235	0	134,099
Total	**108,864**	**25,235**	**0**	**134,099**

Loans, bonds, shares and derivatives are valued according to the following principles:
- level 1, in case of external prices, the fair value is fixed at the listed price or the price quoted by an exchange or another external party.
- level 2, in case of pricing based on observable inputs, the fair value is calculated by means of a market-based yield curve plus/minus a credit spread, or calculations based on market prices.
- level 3, in case of pricing based on non-observable inputs, the calculation includes inputs based on the Group's own valuations of individual elements, in some cases market data or generally accepted valuation principles based on actual trades.

Note DKK 1,000

46 Fair value (cont.)

Financial instruments measured at fair value based on non-observable input, level 3, Group

	2009	2008
Carrying amount, beginning	596,251	139,359
Profit/losses in the income statement	-62,681	-8,705
Profit/losses in shareholders equity	0	0
Purchases	85,195	125,023
Sale	30,925	4,476
Transferred to/from level 3	56,242	345,721
Carrying amount, end	**644,082**	**596,922**
Profit and loss in the income statement on assets held at reporting date	-62,681	-8,705

Note DKK 1,000

46 **Fair value (cont.)**

Fair value are determined using pricing models, discounting cash flow methodologies or similar techniques, for which the determination of fair value requires significant management judgment or estimation. These models are sensitive to changes in value-drivers. In periods of high volatility, there may be lack of market data to use this process. Thus there is a need to stress test the inputs to understand the impact they have on valuation. The Group does this quarterly, when the minimum solvency ratio according to File § 124 is calculated. Reference is made to note 3.

Transferes into or out of level 3 are made if the inputs used become unobservable or observable. In 2009 some transactions were in and out of level 3.

In our subsidiary, Eik Bank Danmark DKK 20.0 million in shares where measured as level 3 and the parent company measured a unlisted bond, valued DKK 102.2 million as level 3. In Eik Bank Danmark a part of a loan was converted to share capital resulting in a decrease by DKK 65.9 million in loans measured at fair value.

Market value adjustments in the income statement are recognized under the item Market value adjustments.

Interest income on interest-based assets is recognized in the income statement under Interest income and is not included in the above statement.

Dividends on shares are recognised in the income statement under Dividends on shares, etc. and are not included in the above statement.

Financial instruments recognized at amortised cost

		2009		2008
Group	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash-in-hand and demand deposits with central banks	774,301	774,301	643,322	643,322
Claims on credit institutions and central banks	356,059	356,059	2,151,623	2,151,623
Loans and other claims at amortised cost	15,275,413	15,265,191	15,418,422	15,429,280
Total	**16,405,773**	**16,395,551**	**18,213,367**	**18,224,225**
Financial liabilities				
Debt to credit institutions and central banks	2,404,457	2,404,457	5,081,483	5,081,483
Deposits	14,431,304	14,431,304	14,135,430	14,135,430
Issued bonds at fair value	1,967,054	1,967,054	602	602
Subordinated debt	1,072,842	1,072,842	454,264	454,264
Total	**19,875,657**	**19,875,657**	**19,671,779**	**19,671,779**

The vast majority of amounts due to the Bank, loans and advances, and deposits may not be assigned without the consent of customers, and an active market does not exist for such financial instruments. Consequently, the Bank bases its fair-value estimates on data showing changes in market conditions after the initial recognition of the individual instrument that affect the price that would have been fixed if the terms had been agreed at the reporting date. Other parties may make other estimates.

The Bank discloses information about the fair value of financial instruments at amortized cost on the basis of the following assumptions:
- for a significant number of the Bank's deposits, loans and advances, the interest rate depends on interest developments.
- the fair value of loans and advances is calculated on the basis of a qualified estimate, taking into account that the Bank continuously adapts its loan terms to existing market conditions. the impairment recognized is assessed to correspond to the fair-value adjustment For the specific credit risk, based on an assessment of the Bank's total individual and group-based impairment.
- the fair value of fixed-rate deposits is calculated based on the market rate at the reporting date.
- one of the Banks' subordinated debt has been hedge by an IRS, thus have an adjusted fair-value, but most of the subordinated debt is not listed and is recognised at amortised cost, due to lack of an efficient market.

Note DKK 1,000

47 Staff costs to other executives 1)

	Total salary 2009
Kim M. Sandberg, Chief Managing Director, Eik Bank Danmark	2,154
Jesper Clausen, Managing Director, Eik Bank Danmark	1,632
Øssur S. Nolsøe, Executive Area Manager, Eik Banki	985
Sverri Justinussen, Head of Eik Markets, Eik Banki	736
Other executives 2)	2,360
Total	7,867

1) Specification of cost and group of staff involved is according to section 2.25 and 2.26 in Nasdaq OMX Iceland disclosure rules. This note does not include the specification of Board of Directors and Managing Directors of the listed company - Eik Banki P/F. These specifications are in note 12 Staff cost and administrative expenses.

2) Other executive includes Bogi Bendtsen, Director, Head of Credit and Risk of Eik Banki and Finn Danberg, Director, CFO of Eik Banki.

48 Derivatives used for risk management

Fair value hedges
The Bank uses interest rate swaps to hedge its exposure relating to changes in the fair value of issued fixed rate bonds and certain loans and receivables attributable to the change in market interest rates.

The fair value of the interest rate swaps designated as fair value hedges are as follows:

DKK 1,000		Eik Banki P/F		Group
	2009	2008	2009	2008
Interest rate swaps	-10,508	-12,170	-10,508	-12,170

The ineffectiveness recognized in 2009 amount to DKK 0.969 million against nil in 2008.

Other derivatives held for risk management purposes
The Bank uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure to interest rate risk. The instruments used are interest rate swaps and options.

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Note

49 Five year figures and Financial ratios

Group

DKK Million	2009	2008	2007	2006	2005
Income Statement					
Interest income	1,111	1,381	912	485	341
Interest expenses	593	869	539	210	108
Net interest income	**518**	**512**	**373**	**275**	**233**
Fees, commissions and dividend	115	231	220	106	65
Market value adjustments	-51	-257	189	86	46
Other operating income	17	26	20	15	13
Profit on financial operations	**599**	**512**	**802**	**482**	**357**
Staff costs, administrative expenses and other operating expenses	372	371	342	230	180
Credit Package I	69	19	0	0	0
Depreciations and writedowns of intangible and tangible assets	14	21	12	26	15
Impairment of loans and other claims	526	604	37	-34	6
Income from associated and subsidiary undertakings	-4	-8	60	48	9
Profit before taxes	**-386**	**-511**	**471**	**308**	**165**
Taxes	-89	-108	68	57	38
Net profit	**-297**	**-403**	**403**	**251**	**127**

Group

DKK Million	2009	2008	2007	2006	2005
Balance Sheet					
Assets					
Cash in hand, claims on central banks and credit institutions	1,130	2,795	3,130	1,656	467
Loans and other advances	15,420	15,637	15,570	8,271	6,551
Securities	3,945	2,203	2,050	1,332	1,232
Tangible assets	142	142	147	136	125
Other assets	954	910	679	433	246
Total assets	**21,591**	**21,687**	**21,576**	**11,828**	**8,621**
Liabilities					
Debt to credit institutions	2,404	5,081	5,412	4,071	2,994
Deposits and other liabilities	14,431	14,135	13,263	6,116	4,483
Other liabilities	2,339	382	361	282	227
Subordinated debt	1,073	454	448	150	0
Equity	1,344	1,635	2,092	1,209	917
Total liabilities	**21,591**	**21,687**	**21,576**	**11,828**	**8,621**

Comparative figures for 2005-2006 have not been adjusted according to the new accounting principles, but 2007 figures have been partly adjusted.

Group

		2009	2008	2007	2006	2005
Ratios 1)						
Solvency and capital ratios						
Solvency ratio		11.6%	10.4%	13.5%	11.0%	11.0%
Core capital ratio		8.6%	7.3%	10.6%	10.8%	13.3%
Earning ratios						
Return on equity before tax	ROE	-25.9%	-27.5%	28.6%	28.9%	18.8%
Return on equity after tax	ROE	-20.0%	-21.6%	24.4%	23.6%	14.5%
Return on assets after tax	ROA	-1.4%	-1.9%	1.9%	2.4%	1.7%
Return on risk weighted assets after tax	RORWA	-1.9%	-2.6%	2.6%	2.8%	2.0%
Income/cost ratio		0.61	0.50	2.21	2.38	1.81
Shares						
Average number of shares (1,000)		8,129	8,129	7,621	6,953	6,793
Number of shares end period (1,000)		8,129	8,129	8,129	7,113	6,793
Share price end period		80.00	95.00	520.00	502.00	184.50
Share price closing high		130.00	517.00	791.00	502.00	115.25
Share price closing low		75.50	89.00	461.00	184.50	184.50
Average share price		102.75	303.00	626.00	343.25	149.88
Earnings after tax per share	EPS	-38.01	-51.02	53.37	36.02	18.60
Share price end period / Earnings after tax per share	P/E	-	-	10.48	13.94	9.92
Average share price / Earnings after tax per share	Avg. P/E	-	-	12.62	9.53	8.06
Dividend per share		-	-	2.1%	1.0%	2.7%
Dividend Payout Ratio	DPR	-	-	20.7%	14.2%	26.8%
Dividend per share (avg.)	DPS avg.	-	-	10.67	5.12	5.00
Book value per share	BVPS	165.33	201.16	274.55	171.60	135.00
Share value by year end / Intrinsic share value	P/B	0.48	0.47	1.89	2.80	1.30
Market risk ratios						
Interest rate risk		5.8%	1.7%	4.0%	1.6%	4.2%
Foreign exchange position		4.9%	9.2%	17.0%	16.4%	11.3%
Risk weighted assets / Total assets		73.3%	70.9%	72.5%	76.4%	75.1%
Liquidity ratios						
Loans, advances and impairments in proportion to deposits		113.7%	115.3%	119.2%	138.7%	152.5%
Excess liquidity cover relative to statutory requirement		140.5%	164.4%	103.4%	125.1%	80.1%
Credit risk ratios						
Large loans as percentage of capital base		179.6%	235.4%	144.1%	224.9%	102.6%
Part of outstanding loans at reduced interest	NPL	4.6%	3.6%	0.6%	0.7%	2.4%
Impairments percentage	LLR	5.4%	3.6%	1.4%	2.3%	4.0%
Loan loss reserve / Non-performing loan ratio	LLR/NPL	116%	101%	220%	329%	167%
Write-offs and impairments during the period		2.9%	3.3%	-0.1%	-0.3%	0.1%
Total loans in proportion to equity		11.5	9.6	7.4	6.8	7.1
Increase of loans		-1.4%	0.4%	88.8%	26.3%	29.7%
Other ratios						
Increase in deposits		2.1%	6.6%	116.8%	36.4%	6.9%
Increase in balance		-0.4%	0.5%	82.4%	37.2%	32.8%

Comparative figures for 2005-2006 have not been adjusted according to the new accounting principles, but 2007 figures have been partly adjusted.

Explanation of ratios

1) See explanation of ratios on page 113

Eik Banki P/F

		2009	2008	2007	2006	2005
Ratios 1)						
Solvency and capital						
Solvency ratio		17.8%	17.8%	21.6%	14.3%	14.4%
Core capital ratio		13.3%	13.2%	17.2%	14.1%	17.4%
Earnings ratios						
Return on equity before tax		-21.0%	-24.1%	26.9%	26.4%	17.5%
Return on equity after tax		-20.0%	-21.6%	24.4%	23.6%	14.5%
Income / cost ratio		0.32	0.10	2.87	2.92	2.07
Market risk						
Interest rate risk		3.4%	1.4%	1.8%	0.9%	3.7%
Foreign exchange position		3.9%	5.6%	12.5%	14.4%	10.2%
Liquidity ratios						
Loans, advances and impairments in proportion to deposits		132.9%	135.3%	131.5%	95.1%	113.4%
Excess liquidity cover relative to statutory requirement		156.1%	184.7%	54.5%	100.9%	52.4%
Credit risk						
Large loans as percentage of capital base		121.8%	127.3%	106.0%	122.2%	58.4%
Part of outstanding loans at reduced interest	NPL	3.5%	3.0%	1.1%	1.1%	3.4%
Impairments percentage	LLR	4.9%	3.5%	2.2%	3.0%	5.4%
Write-offs and impairments during the period		1.9%	2.5%	-0.2%	-0.6%	0.0%
Total loans in proportion to equity		6.1	5.0	3.8	4.3	4.8
Increase in loans		-0.7%	3.8%	51.9%	17.1%	13.4%
Other ratios						
Increase in deposits		2.9%	2.8%	8.6%	36.4%	6.6%
Increase in balance		-5.1%	-5.7%	33.3%	36.9%	50.7%

Comparative figures for 2005-2006 have not been adjusted according to the new accounting principles, but 2007 figures have been partly adjusted.

Explanation of ratios

1) See explanation of ratios on page 113

Solvency and capital ratios

Ratio		Numerator	Denominator
Solvency 1)	=	Capital base x 100	Total risk weighted assets
Core capital ratio 1)	=	Core capital less statutory deductions x 100	Total risk weighted assets

Earning ratios

Ratio		Numerator	Denominator
Return on equity before tax 1)	=	Profit before taxes x 100	Equity (avg.)
Return on equity after tax 1)	=	Net profit x 100	Equity (avg.)
Return on assets after tax	=	Net profit x 100	Total assets
Return on risk weighted assets	=	Net profit x 100	Total risk weighted assets
Income/cost ratio 1)	=	Operating income	Operating expenses

Shares

Ratio		Numerator	Denominator
Earnings after tax per share year end 1)	=	Net profit x 100	Avg. number of shares
Share price year end/Earnings after tax per share	=	Share price year-end	Earnings after tax per share
Average share price/Earnings after tax per share	=	Average share price	Earnings after tax per share
Dividend per share	=	Dividend	Number of shares
Dividend payout ratio	=	Dividend	Net profit
Dividend per share (avg.)	=	Dividend	Number of shares (avg.)
Book value per share	=	Equity	Number of shares (avg.)
Share value by year end/ Intrinsic share value	=	Share price year end	Book value per share

Marked risk ratios

Ratio		Numerator	Denominator
Interest rate risk 1) & 2)	=	Interest rate x 100	Core capital less statutory deductions
Foreign exchange risk 1) & 3)	=	Exchange indicator 1 x 100	Core capital less statutory deductions x 100
Risk-weighted assets / Total assets	=	Total risk weighted assets x 100	Total assets

Liquidity ratio

Ratio		Numerator	Denominator
Loans, advances and impairments in proportion to deposits 1)	=	(Loans + impairments) x 100	Deposits
Exess cover relative to liquidity requirement 1)	=	Excess liquidity after fulfilment of FIL, s. 152 (no2)	10% - statutory adequacy

Credit risk ratios

Ratio		Numerator	Denominator
Large loans 1) & 4)	=	Large loans x 100	Capital base
Part of outstanding loans at reduced interest 1)	=	Loans at reduced interest x 100	Gross loans + guarantees
Impairments ratio 1)	=	Impairments * 100	Gross loans + guarantees
Impairments/loans at reduced interest	=	Impairments * 100	Loans at reduced interest
Write-offs and impairments during the year 1)	=	Write-offs and depreciation during the year *100	Gross loans + guarantees
Total loans in proportion to equity 1)	=	Total loans	Equity
Increase in loans 1)	=	(Loans year end - loans year begin) x 100	Loans year begin

Other ratios

Ratio		Numerator	Denominator
Increase of deposits 1)	=	(Deposits year end - Deposits year begin) x 100	Deposits year begin
Increase of balance 1)	=	(Balance year end - Balance year begin) x 100	Balance year begin

Explanation of key ratios

1) Prepared in accordance with the regulations issued by the Danish Financial Supervisory Authority
2) 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
3) Foreign exchange risk is the higher amount of assets or liabilities in currency and is calculated in per cent to core capital less certain adjustments
4) Outstanding balances greater than 10 per cent after deductions for secure requirements in per cent to capital base

Auditor's Statement

Internal Auditor's Report

We have audited the Financial Statements for the Group, as well as the Parent of P/F Eik Banki for the financial year 2009. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Faroese Financial Business Act. In addition, the Financial Statements for the Group, as well as the Parent, have been prepared in accordance with additional Icelandic and Danish disclosure requirements for listed financial institutions.

Basis of Opinion
We have conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance with Danish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements for the Group, as well as the Parent, and the Management Review are free from material misstatement.

The audit has been performed in accordance with the division of duties agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risk . Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Financial Statements for the Group, as well as the Parent, and the Management Review, including evidence supporting amounts and disclosures. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements for the Group, as well as the Parent, and the Management Review.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2009 and of its financial performance and its cash flows for the financial year 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Icelandic and Danish disclosure requirements for listed financial institutions.

In addition, in our opinion, the Parent's Financial Statements give a true and fair view of the Parent's financial position at 31 December 2009 and of its financial performance for the financial year 2009 in accordance with the Faroese Financial Business Act, and additional Icelandic and Danish disclosure requirements for listed financial institutions.

Statement regarding Management Review
Management is responsible for the preparation and fair presentation of the Management Review in accordance with the Faroese Financial Business Act.

Our audit has not comprised the Management Review but we have, in accordance with the Faroese Financial Business Act, read the Management Review. We have not conducted any additional procedures in connection with our audit of the Financial Statements for the Group, as well as the Parent.

On this basis, it is our opinion that the information presented in the Management Review is in accordance with the Financial Statements for the Group, as well as the Parent.

Eik Banki P/F
Tórshavn 19 March 2010

Sigmund Frederiksen
Chief Internal Auditor

Independent Auditor's Report

To the Shareholders of Eik Banki P/F.
We have audited the consolidated financial statements and the Parent Company's financial statements of P/F Eik Banki for the financial year 2009. The consolidated financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes. The Parent Company's financial statements comprise income statement, balance sheet, statement of capital and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with additional Icelandic and Danish disclosure requirements for listed financial institutions. In addition to our audit, we have read the management's report prepared in accordance with Icelandic and Danish disclosure requirements for listed financial institutions and issued a statement in this regard.

Management's Responsibility
Management is responsible for preparing and presenting consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU in respect of the consolidated financial statements and in accordance with the Faroese Financial Business Act in respect of the Parent Company and in accordance with additional Icelandic and Danish disclosure requirements for listed financial institutions. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and Parent Company's financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a management's report that gives a fair review in accordance with Icelandic and Danish disclosure requirements for listed financial institutions.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company's financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the consolidated financial statements and the Parent Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, equity and financial position at December 31, 2009, and of the results of the Group's operations and cash flows for the financial year

2009 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with additional Icelandic and Danish disclosure requirements for listed financial institutions. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at December 31, 2009, and of the results of the Parent Company's operations for the financial year 2009 in accordance with the Faroese Financial Business Act and in accordance with additional Icelandic and Danish disclosure requirements for listed financial institutions.

Statement on the Management's report
Pursuant to the Faroese Financial Business Act, we have read the management's report. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, it is our opinion that the information given in the management's report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Tórshavn 19 March 2010

NOTA
State Authorised Auditing Firm P/F

Hans Laksá
State Authorised Public Accountant

Eik Banki P/F

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Established	24 August 1832
Registration No.	3293
VAT No.	516244
Reg No.	9181
BIC/SWIFT	EIKB FO TF

Eik Banki Securities

Share

Stock Exchanges	VMF Market on Nasdaq OMX Iceland Nasdaq OMX Copenhagen
ISIN code	FO0005702340
Bloomberg	EIK IR / EIK DC
Share Capital	DKK 812,927,400
No. of Shares	8,129,274

Subordinated Debt

Stock Exchange	Nasdaq OMX Copenhagen
ISIN code	DK0030034426
Bloomberg	FOROYA 5.385
Amount	DKK 150,000,000
Interest	5.385 per cent

Senior Debt

Stock Exchange	Nasdaq OMX Copenhagen	
ISIN	DK0030152111	DK0030168380
Bloomberg	FOROYA 3	Foroya 3.43
Amount	DKK 666,000,000	DKK 300,000,000
Interest	3.00 per cent	3.43 per cent

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Frithleif Olsen
Chairman

Odd Arild Bjellvåg
Deputy Chairman

Finnbogi Niclasen
Rólant Vidtfeldt
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Jákup Egil Jensen
Petur Hammer
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Petur Hammer
Marianna Jacobsen
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Knútur Nygaard

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Poul Geert Hansen
Jákup Egil Jensen
Jóan Pauli Joensen
Líggjas Joensen
Olga Kallsberg
Oddvá Nattestad
Marita Simonsen
Birgir Sondum
Jákup í Stórustovu

Appointed according to § 6.6 in the Articles of Association
Frithleif Olsen
Kjartan Mohr
Bárður S. Nielsen
Árni Rasmussen
Hans Thygesen

External Auditor
Hans Laksá,
State-Authorised Public
Accountant

Internal Auditor
Sigmund Frederiksen
Chief Auditor