

Prospectus



FØROYA LANDSSTÝRI

THE GOVERNMENT OF
THE FAROE ISLANDS

FIXED RATE NOTES

FØROYA LANDSSTÝRI 5.25 PER CENT DKK 974,000,000
24 NOVEMBER 2008 / 24 NOVEMBER 2009

This prospectus is published on 18 November 2008.

The Føroya Landsstýri (the “Issuer” or the “Faroese Government”) is issuing DKK 974,000,000 principal amount of its 5.25 per cent notes due November 24, 2009 (the “notes”). The notes will constitute direct, general and unconditional obligations of the Faroe Islands.

The Prospectus has been scrutinised and approved by the NASDAQ OMX Iceland hf. (the “Exchange”) on behalf of the Financial Service Authority in Iceland, and the Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”).

The Prospectus consists of three documents: Summary, Registration Document and Securities Note.

This Prospectus is available at the following places from the Arrangers: Nordea Bank Danmark A/S, Strandgade 3, DK-1401 Copenhagen K, Denmark and from Landsbanki Føroya, Staravegur 5, FO-110 Tórshavn, Faroe Islands.

The Prospectus can also be obtained from the website: www.landesbankin.fo.(Publications)

Table of Contents

I. Summary	4
II. Registration Document	12
III. Securities Note	34

I. SUMMARY

General

The summary should be read as an introduction to and in conjunction with the entire Prospectus dated 18 November 2008. The summary is qualified in its entirety by more detailed information stated in the Registration Document and the Securities Note.

Any decision to invest in the notes should be based on consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the any relevant legislation, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

The notes

On the 24 November 2008 the Faroese Government will issue 5.25 per cent fixed rate notes with a total nominal amount of DKK 974,000,000 subject to the terms and conditions as specified in this Prospectus. The currency of the notes is Danish Kroner ("DKK") and each note will be issued with the denomination of DKK 1,000. The notes mature on 24 November 2009, unless the notes have been redeemed prior to that day, due to an Event of Default.

The notes constitute direct and unsecured obligations of the Faroese Government and constitute unsubordinated loan indebtedness ranking *pari passu* with all other loan indebtedness of the Faroese Government. The notes of each series will rank equally with each other, without any preference among themselves.

The notes will be issued and registered as dematerialised securities, in book-entry form with the Danish CSD, VP Securities Services, on issue day the 24 November 2008. The notes are open for further issues without a fixed maximum amount. Future issues will be made at market price free of charge to investors. The notes will be closed for further issues on 24 August 2009.

Nordea Bank Danmark A/S, Strandgade 3, DK-1401 Copenhagen, Denmark, is acting as Account Holding Institute ("Kontoførende Institut") in relation to the VP Securities Services.

The notes will pay an annual interest of 5.25 per cent. The notes bear interest from and including 24 November 2008. Interest payment will be made annually in arrear on 24 November 2009. Calculation of interest will be based on an actual/365 day count convention.

The notes are not redeemable by the Issuer prior to 24 November 2009. The noteholders may not demand redemption of the notes prior to the Maturity Day, unless there is an Event of Default.

The notes are issued in accordance with authorisation given by the Faroese Minister of Finance on 15 November 2008.

The issue price of the notes will be expected to be published the 19 November 2008 on NASDAQ OMX Iceland hf..

The proceeds from the issue of the notes will be used for refinancing an existing issue of notes of nominal DKK 974,000,000, which falls due for repayment on 24 November 2008.

Nordea Bank Danmark A/S and the Governmental Bank of the Faroe Islands, Landsbanki Føroya have arranged for the notes to be purchased by a group of institutional investors.

Payment and settlement of the notes will be effected three business days after the trading day against registration with VP Securities Services. However, the first issue will be settled for value on 24 November 2008. The settlement will be effected against payment and registration with VP Securities Services.

The Prospectus has been approved by NASDAQ OMX Iceland hf. acting on behalf of the Financial Supervisory Authority - Iceland (FME) as the competent authority in Iceland for the purpose of the Directive 2003/71/EC (the Prospectus Directive) and the relevant laws and regulation for approval of the Prospectus. The notes have been approved on the 18 November 2008 by the NASDAQ OMX Iceland hf. for the trading and official listing on the main market (Faroese Securities Market) of the NASDAQ OMX Iceland hf., with effect from 24 November 2008.

The Prospectus will be passported to the Kingdom of Denmark prior to issue date on the 24 November 2008. Approval of the notes for the trading and official listing on the main market of the NASDAQ OMX Copenhagen A/S is expected to have effect from the 24 November 2008.

The notes are subject to Danish legislation, and any disputes arising out of or in connection with the notes shall be brought before the District Court of Copenhagen.

Cost of the notes issue

The total costs of the notes issue are expected to amount to approximately DKK 2,053,300, including placing commission and arranging fees. The Issuer will bear the costs related to the issuance of the notes.

Risk Factors

The Issuer believes that the following risk factors mentioned below are material to the notes and represents the principal risks associated with investing in the notes:

- Market Risk
- Liquidity Risk
- Legal Risk
- Credit Risk

There may also be risks associated with the Issuer's inability to pay interest, principal or other amounts in connection with the notes, relating to the Faroese economy; the political environment of the Faroe Islands, and the relations between The Faroe Islands and the Kingdom of Denmark.

Information concerning the Issuer

The name of the Issuer is the Føroya Landsstýri, the Government of the Faroe Islands.

Description of the Faroe Islands

The Faroe Islands is a self governing country within the Kingdom of Denmark which also comprises Greenland.

The currency of the Faroe Islands is the Faroese króna, issued by the Danish National Bank. The basis of the Faroese króna is an equal amount of Danish kroner deposited in an account in the Danish National Bank. If Denmark decides to shift the currency to the euro, the Faroe Islands can be expected to follow.

The Faroe Islands legislate and govern a wide range of areas in accordance with the Home Rule Act of 1948. According to the Home Rule Act some matters are to remain the responsibility of the Danish Government as long as Faroe Islands are part of the Kingdom of Denmark.

The Faroe Islands is not a member of the European Union.

The Faroese Parliament, the legislative assembly for Faroese affairs, appoints the Prime Minister, who – along with his/her cabinet ministers - constitutes the Faroese Government.

The Faroese head of state is the Danish head of state, Queen Margrethe II. The present Prime Minister is Kaj Leo Johannesen (The Unionist Party).

The Faroe Islands is a modern, developed society with a standard of living comparable to other Nordic countries. Fishery and related industries are of major importance to the economy of the Faroe Islands. The dependence on a resource-based industry is evident in the export-figures, of which fish products account for about 95% of the export value.

Exports (fob) by Product:

<i>Million DKK</i>	<i>2006</i>	<i>2007</i>
Cod	595	639
Haddock	319	322
Pollock	574	489
Salmon	374	488
Trout	99	101
Blue whiting	171	184
Herring	123	112
Mackerel atlantic	69	204
Prawn	89	92
Other fish products	1,229	1,161
Total exports of fish products	3,642	3,792
Other products	151	136
Vessels	76	93
Total exports of products	3,869	4,021

Source: Statistics Faroe Islands

The Faroese GDP is estimated to increase 9.3% in 2007, and 3.5% in 2008, based on the assumption that the total wage expenditure increase in 2008 does not exceed 2.7%.

National income, expenditure and saving

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Gross Domestic Product	11,878	12,983
+ Wages and salaries from abroad	362	370
- Wages and salaries to abroad	139	152
+ Property income from abroad	675	759
- Property income to abroad	449	476
National Income, Gross	12,326	13,484
+ Current transfers from abroad	977	1,015
- Current transfers to abroad	128	150
National Disposable Income, Gross	13,174	14,349
- Final consumption expenditure	10,286	11,119
Savings, Gross	2,889	3,230
- Gross capital formation	2,746	3,048
Net Lending (+) / Net borrowing (-)	142	181

Source: Numbers for 2006 are based on Statistics Faroe Islands. The numbers for 2007 are preliminary estimates by Landsbanki Føroya.

Total wage expenditure by business sector

<i>Million DKK</i>	<i>2006</i>	<i>2007</i>
Fishing	951	965
Aquaculture	92	118
Fish processing	362	350
Trades & Industries, Construction and Energy etc.	903	1,000
Sales and services, transport, communication etc.	1,847	2,091
Public administration and services	2,140	2,279
Other	147	155
Total	6,442	6,958

Source: Statistics Faroe Islands.

In general, the Faroese labour market is characterised by a relatively large workforce in the fishing sector and the public sector.

In December 2007 there were about 26,000 employees in private and public businesses. According to a labour survey from November 2007, 81% of the male employee and 51% of the female employee are full time employed. Unemployment is still at a low level. Recent numbers showing less than 2% unemployment.

Industries

The fishery and the fishing industry are of major importance to the Faroese economy. In 2007, the total Faroese catch was 582,000 tonnes. From January to September 2008, the wet fish catch dropped by 5% by volume and 20% by value compared to same period in 2007.

From January to August 2008, the export of value of fish products has decreased 15% compared to the same period in 2007. The development in catches of fish indicates that there will be a significant fall in the export values from fisheries, on-land production and fish farming for the year 2008.

In the last three years the on-land fish industry has had difficulties recruiting labour, and the decrease in catches has had a negative effect on the industry's profit.

The fish farming industry is experiencing a positive development stage. The value of the 2007 export increased compared to 2006. The export quantity is expected to increase in 2008 to around 24,000 tonnes. From January to August 2008, the export value of farmed fish was DKK 569 million, an increase of 58% compared to the same period in 2007. Increased compensation of employees in the fish farming industry indicates a 30% increase of the fish farming production in 2008.

The construction industry in the Faroe Islands has had a significant impact on the economy. Construction activity is still high, but it is likely to stop growing given the current low unemployment. Increased difficulties in getting funding for new investments due to the financial crisis may cause problems for new investments and may therefore indicate a slow down in the construction industry from late 2008.

Tourism is presently of minor importance to the Faroese economy. Efforts have been made to develop the tourism industry as a diversification for the Faroese economy. The direct income effect of the tourism industry is estimated to be between DKK 150-200 million. This figure excludes transport to and from the Faroe Islands.

In 1992, the Danish Government agreed to transfer the rights to mineral resources in the subsoil of the Faroe Islands to the Faroese Government. So far the explorations have discovered no commercial findings, but they have showed the presence of an active hydrocarbon system in Faroese subsurface. The influence from the oil industry has not yet had a significant economic effect and expectations have become more moderate. Oil and gas explorations in the Faroese subsoil will continue in new areas in the coming years.

Four banks – Eik Banki, Føroya Banki, Norðoya Sparikassi, and Suðuroyar Sparikassi – service the financial market in the Faroe Islands. The high level of activity in the Faroese economy has given rise to greater profits within the financial sector. The total profit in the Faroese bank sector was DKK 507 in 2006 and DKK 652 million in 2007 which is the best result ever.

The financial industry is affected by the international financial crisis, mainly by difficulties getting funding on the inter bank markets. The financial institutes have informed the public that they are slowing down the growth in lending activities.

The four Faroese banks all participates in the Private Contingency Association and are included in the bailout fund established by the Danish government and the Danish banking sector in October 2008. The bailout fund will, for a two-year period, guarantee all senior unsecured claims i.e. deposits, senior unsecured bonds, inter-bank deposits for the banks participating.

Financial information

Public Account

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Expences	3,757	3,944
Income from operations etc.	-179	-177
Interests (net)	-7	-14
Taxes and Duties	-3,349	-3,558
Grant from Danish Government	-632	-633
Result before capital expenditure	-410	-437
Capital expenditure	268	292
Result (negative is surplus)	-142	-146

Source: Government Accounts

Table Assets and liabilities

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Assets		
Deposits in Faroese Gov. Bank	1,093	2,465
Others in circulation	818	949
Financial assets	2,048	1,339
Total assets	3,959	4,753
Liabilities		
Kingdom of Denmark	500	500
Bond Loan	2,225	2,149
Other Debt	592	718
Total debt	3,317	3,367
Net assets	642	1,386

Source: Landsbanki Føroya.

Outstanding Bonds (Millions DKK)

<i>Bond</i>	<i>Annual Coupon</i>	<i>Maturity date</i>	<i>Present Structure</i>	<i>Structure after Nov 24th 2008</i>
FO 24.11.08 Blt	4.25%	24-nov-08	974	
FO 24.11.09 Blt	5.25%	24-nov-09		974
FO 01.06.10 Blt	3.5%	01-jun-10	550	550
FO 10.06.18 Ann	3.5%	10-jun-18	657	657
Outstanding Bonds			2,181	2,181

Source: Landsbanki Føroya.

Foreign Trade and Balance of Payments

<i>Millions DKK</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Goods	-722	-600	-1,277
Services	-548	-555	
Goods and Services	-1,271	1,155	
Wages	203	222	
Rents	290	226	
Income Transfers	492	448	
Government Sector	747	736	
Other sectors	50	113	
Bond Loan	2,225	2,149	
Other Transfers	797	849	
Balance of Payments	19	142	

Source: Statistics Faroe Islands.

Financial Assets

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Total financial assets	1,868	2,910
- of which abroad	1,143	1,941

Source: Landsbanki Føroya

Auditing Procedures

The annual budget of the Faroe Islands is approved by the Faroese Parliament before 1 January of the following year. All government investments and other expenditures have to be approved in the budget for the year in question. The accounts and bookkeeping of the government exchequer are audited by the National Audit Office. Once audited, the books are passed on to a committee consisting of members selected by the Faroese Parliament. The accounts are finally approved by the Parliament together with the auditing report.

Trends

In addition to the estimates of the future development in the Faroese economy as specified in the description above, the financial crisis and the uncertainty regarding the global economy makes it more difficult than usual to evaluate the outlook for the Faroese economy. The economic trend in 2008 can only to a certain extent be seen as a continuation of previous developments. The financial institutions are expected to be cautious in giving loans as a consequence of the slow down in the domestic and global economy, together with higher financial costs. This will be relevant to both households and the business sector.

Arranger and advisor

Nordea Bank Danmark A/S and the Governmental Bank of the Faroe Islands, Landsbanki Føroya are the arrangers of the issue of the notes, and have acted as the advisors to the Faroese Government in the preparation of this Prospectus.

Documents on display

For the life of this Registration Document the below mentioned documents will be available for inspection in electronic form at the homepages as further specified below:

Landsbanki Føroya, The Governmental Bank:

- Economic Analysis (published annually)
- Information Memorandum, (published annually)
- Moody's Investor Service's latest rating documents concerning the Faroese Government

On the homepage of Landsbanki Føroya, there will also be available an overview of various economic indicators.

Homepage: www.landsbankin.fo/ (see under Publications).

Hagstova Føroya, Statistics Faroe Islands:

Comprehensive statistical database covering Demographic, Business and Economic Statistics etc. Additional information in the booklet: Faroe Islands in figures 2008.

Homepage: www.hagstova.fo/

Fíggjarmálaráðið, The Ministry of Finance:

The public budget and account (*in Faroese only*)

Homepage: www.fmr.fo/

Landsgrannskoðanin, The National Audit Office:

Reports submitted by the Faroese Parliament's Audit Committee.

(*Some of the information in Danish and English*)

Homepage: www.lg.fo/

Løgmannskrivstovan, Prime Minister's Office:

Information about political matters in the Faroe Islands.

Homepage: www.tinganes.fo

The High Commissioner of the Faroe Island

Annual report on the Faroe Islands (in Danish only)

Homepage: www.rigsombudsmanden.fo/

II. REGISTRATION DOCUMENT

Table of Contents

1. Risk Factors	13
1.1 The Faroese economy	13
2. Persons Responsible	15
2.1 Statement from the Issuer	15
2.2 Statements from the Arrangers	15
3. Information about the Issuer	17
3.1 Name of the Issuer	17
3.2 Addresses etc.	17
3.3 Recent developments	17
3.4 Economy	18
3.5 Gross Domestic Product	26
3.6 Description of the Issuer's political system and government	26
4. Public Finance and Trade	27
4.1 The Tax and Budgetary System	27
4.2 Gross Public Debt	29
4.3 Foreign Trade and Balance of Payments	30
4.4 Foreign Exchange Reserves	30
4.5 Income and Expenses	31
4.6 Auditing Procedures	31
5. Significant Changes	31
6. Legal and Arbitration proceedings	31
7. Statements by experts and declaration of any interest	32
8. Documents on display	32

II. Registration Document

1. Risk Factors

Investors should read this Registration Document carefully. Investing in the notes involves certain risks that may affect the Issuer's ability to fulfil its obligations under the notes, and which the investor should take in to consideration prior to deciding to make an investment in the notes. Most of the risk factors mentioned below are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of such contingencies occurring. Investors should consider, among other things, the following.

1.1 The Faroese economy

The Issuer's ability to fulfil its obligations under the notes is highly depending on the conditions of Faroese economy. In the last 2-3 years, the Faroese Islands have experienced an economic progress attributed first and foremost to domestic demand. Improved financing opportunities on the financial markets and lower taxes for households have boosted consumption and investment. This has particularly affected activity in the services, and the building and construction industries. The central government and municipalities have increased spending significantly. Structural changes in parts of the business sector have contributed to dynamism. A marked increase in household consumption and investment has been the biggest contributor to the economic upturn since 2006.

There have been certain problems on the supply side. Supply of raw material has been uneven in the natural resources industry, where the quantities of fish have in particular pulled down the value of exports, while production has increased in fish farming.

The influence from the oil industry has not yet had the economic effect that was expected when the explorations first took place. Expectations have become more moderate.

There has been tremendous pressure on the labour market, particularly in the fishing industry and on skilled labour, making it difficult to optimise production; in the fishing industry, production has been below potential and in the building and constructions industry, the situation is analogous, making it difficult to plan, and thereby, optimize resources and production.

The financial crisis and the uncertainty regarding the global economy make it more difficult than usual to evaluate the outlook for the Faroese economy. The economic trend in 2008 can only to a certain extent be seen as a continuation of previous developments. The financial institutions are expected to be cautious in giving loans as a consequence of the slow down in the domestic and global economy, together with higher financial costs. This will be relevant to both households and the business sector.

The effects of the global economy on the Faroese economy are likely to be firstly that it will become increasingly expensive to borrow money. A deciding factor regarding effects on the Faroese economy in the near future are balances in the growth of prices among oil, raw materials, manufactured goods, and food products. It is not yet clear how this balance will turn out and therefore, it is not easy to predict the effects in the coming years.

The public sector is expected to stimulate the economy in 2008 by spending and tax cuts. It is doubtful whether the public sector can achieve balance or surplus with the existing tax levels to

meet the current known demands on future spending. It is therefore doubtful, if the public sector can afford to be the prime mover in the economy given it has played this role of increasing operational spending and tax cuts since 2003.

Company mergers and acquisitions are continuing. To the extent this leads to increased productivity this has a positive effect on the economy. It is difficult to estimate the prospects for this, but structural changes that further increase productivity are a clear prerequisite for economic growth in coming years.

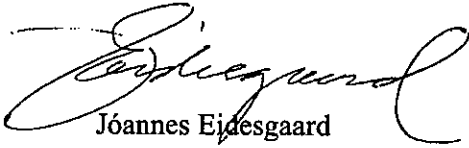
The market of the notes issued by the Faroese Government is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or elsewhere will not cause market volatility and that such market volatility will not adversely affect the trading price of the notes.

Any negative changes in the political environment of the Faroe Island, or in the relations between The Faroe Islands and Denmark may also effect the Faroese economy.

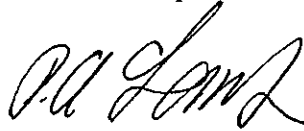
2. Persons Responsible

2.1 Statement from the Issuer

We, on behalf of the Government of the Faroe Islands, declare, as those responsible for the Registration Document that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.



Jóannes Eidesgaard
Minister of Finance
Føroya Landsstýri
Figgjarmálaráðið
Tórshavn, 18 November 2008



Petur Alberg Lamhauge
Director
Føroya Landsstýri
Figgjarmálaráðið
Tórshavn, 18 November 2008

2.2 Statements from the Arrangers

We, the Governmental Bank of the Faroe Islands, Landsbanki Føroya, registered office at Staravegur 5, FO-110 Tórshavn, Faroe Islands, have been the arranger to the Issuer in the preparation of this Registration Document. We have, on behalf of the Issuer, compiled and prepared this Registration Document, having taken all reasonable care to ensure that, to the best of our knowledge, the information contained in this Registration Document, is in accordance with the facts and contains no omission likely to affect its import.



Sigurd Poulsen
Managing Director
Landsbanki Føroya
Tórshavn, 18 November 2008



Jens Erik Magnussen
Deputy Director
Landsbanki Føroya
Tórshavn, 18 November 2008

We, Nordea Bank Danmark A/S, registered office at Strandgade 3, DK-1401 Copenhagen, Denmark, have been the arranger and advisor to the Issuer and Landsbanki Føroya, in the preparation of this Registration Document. Nordea Bank Danmark A/S has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Nordea Bank Danmark A/S as to the accuracy or completeness of the information contained or incorporated in this Registration Document or any other information provided by the Issuer and Landsbanki Føroya in connection with the notes. Nordea Bank Danmark A/S does not accept any liability in relation to the information contained or incorporated by reference in this Registration Document or any other information provided by the Issuer and the Governmental Bank of the Faroe Islands, Landsbanki Føroya in connection with the notes



Ove Valentin Christensen
Executive Director
Nordea Bank Danmark A/S
Copenhagen, 18 November 2008



Peter Brink Jensen
Senior Analyst
Nordea Bank Danmark A/S
Copenhagen, 18 November 2008

3. Information about the Issuer

3.1 Name of Issuer

Issuer is the Føroya Landsstýri, the Government of the Faroe Islands.

3.2 Addresses etc.

The Government of the Faroe Islands (Føroya Landsstýri):

Ministry of Finance
Fíggjarmálaráðið
Kvíggjartún 1
P.O.Box 2039
FO-165 Argir
Faroe Islands
Tel: +298 352020
Fax: +298 352025
E-mail: fmr@fmr.fo

The Faroese Parliament (Løgtingið):

Tinghusvegur 1-3
P.O. Box 208
FO-100 Tórshavn
Faroe Islands
Tel: +298 363900
Fax: +298 363901
E-mail: logting@logting.fo

The Governmental Bank of The Faroe Islands:

Landsbanki Føroya
Staravegur 5
P.O.Box 229
FO-110 Tórshavn
Faroe Islands
Tel: +298 308120
Fax: +298 318537
E-mail: landsbankin@landsbankin.fo

Nordea Bank Danmark A/S:

Nordea Bank Danmark A/S
Strandgade 3
DK-1401 Copenhagen K
Denmark

3.3 Recent developments

There have been no recent events, with material effect to the Issuer's solvency, other than already described in this Registration Document.

3.4 Economy

The Faroe Islands is a modern, developed society with a standard of living comparable to other Nordic countries, with disposable income about 80% of Denmark's according to Credit Analysis Report from Moody's Investors Service from March 2008 (available at <http://www.landsbankin.fo>. See under Publications). However, the economy is not yet as diversified as in other highly developed countries.

Fishery and related industries are of such importance that its influence determines the overall performance of the Faroese economy. This dependence on a resource-based industry is evident in the export-figures, of which fish products account for about 95% of the export value.

Table 1: Exports (fob) by Product

<i>Million DKK</i>	<i>2006</i>	<i>2007</i>
Cod	595	639
Haddock	319	322
Pollock	574	489
Salmon	374	488
Trout	99	101
Blue whiting	171	184
Herring	123	112
Mackerel atlantic	69	204
Prawn	89	92
Other fish products	1,229	1,161
Total exports of fish products	3,642	3,792
Other products	151	136
Vessels	76	93
Total exports of products	3,869	4,021

Source: Statistics Faroe Islands

An economy with high dependence on fish products and exportation is bound to be vulnerable to the changes in catches, fish prices, and exchange rates. These often cyclical and unforeseen changes are volatile, and have left their mark on the economic history of the islands. Export income can fluctuate significantly from one year to the next, and these fluctuations spread quickly throughout the economy.

Because the Faroese fishing fleet is very oil dependant, a big increase in the oil price also constitutes a risk factor for the Faroese economy.

The Faroe Islands had high GDP growth rates in 2000 and 2001 - over 10% in current prices. The growth rates slowed in 2002-2005 to a yearly increase averaging 2%. In 2006, the GDP increased more than 14% in current prices compared to the year before. With a moderate increase in consumer prices at about 2% in 2006, this indicated significant growth. Landsbanki Føroya has estimated a 9.3% increase in the GDP in 2007, and a 3.5% increase in 2008, based on the assumption that the total wage expenditure increase in 2008 does not exceed 2.7%.

The high growth in 2006 and 2007 can be explained by an increase in credit-financed private consumption, and investment growth.

The estimated moderate growth in 2008 may have several reasons. One is a significant fall in value of fresh fish catches for the first half-year of 2008. Others include a more stagnant private house market, an increase in nominal interest rates, credit constraints, and inflation stemming from higher consumer good prices and significantly higher oil prices. Higher oil prices also mean the Faroese fishing fleet incur higher operating costs.

The growth rate in total wage expenditure in the Faroe Islands has on average been 5.9% for the years 2001 to 2007. The growth in total wage expenditure was above average in 2006 and 2007, while the growth in 2008 is expected to be below average, as the growth in Jan-Oct 2008 was 2.7% from the same period previous year.

Table 2: Total wage expenditure by business sector

<i>Million DKK</i>	<i>2006</i>	<i>2007</i>
Fishing	951	965
Aquaculture	92	118
Fish processing	362	350
Trades & Industries, Construction and Energy etc.	903	1,000
Sales and services, transport, communication etc.	1,847	2,091
Public administration and services	2,140	2,279
Other	147	155
Total	6,442	6,958

Source: Statistics Faroe Islands.

In general, the Faroese labour market is characterised by a relatively large workforce in the fishing sector and the public sector.

In December 2007 there were about 26,000 employees in private and public businesses, 53% males and 47% females. According to a labour survey from November 2007, 81% of the male employee and 51% of the female employee are full time employed.

Unemployment is still at a low level. Recent numbers showing less than 2% unemployment.

INDUSTRIES

Fishery and the Fishing Industry

Since the 1950s, the total yearly Faroese wet fish catch has been about 100,000 tonnes, and since the mid-1970s, most years have been more than 100,000 tonnes. (Mean value 112,000 tonnes, standard deviation 20,000 tonnes) The most important wet fish species in recent years have been Saithe, Cod, Haddock, and Greater Silver Smelt. The catch of these species is done mainly by smaller fishing boats, long-line vessels, and pair trawlers.

The pelagic fishery arose in the mid-1960s and has increased since. From 1995 the most important pelagic species have been Blue Whiting, Herring, Capelin, and Mackerel. These species are caught

mainly by high capacity, pelagic trawlers, and purse seiners. Other species fished by Faroese ships are prawns and shellfish.

In 2007, the total Faroese catch was 582,000 tonnes. 231,000 tonnes or 40% were fished in Faroese fishing areas. Of the total catches, wet fish accounted for about 131,000 tonnes, which were mainly fished in Faroese waters. However, more than 60% of the total Cod catches in 2007 were fished in foreign fishing areas like the Barents Sea and East Greenland. Mainly caused by a significant fall in the catches of Cod in Faroese water over the last 3 years. Most of the Cod fished in foreign waters is caught by big filleting trawlers.

From January to September 2008, the wet fish catch dropped by 5% by volume and 20% by value compared to same period in 2007.

The export value of fish products peaked in 2001 with DKK 4.2 billion. In 2003-2004, the prices were lower again, but the total catch was one of the best ever. Prices were rising in 2005 and 2006, but were lower again in 2007. Good catches in 2007 compensated for the fall in price and export value increased with 4% compared to the year before. The general increase in prices and the overall growth in the catch within the Faroese exclusive economic zone have resulted in an elevation of the export value. From 2000 to 2007 the export value of fish products has been comparatively high and stable.

From January to August 2008, the export of value of fish products has decreased 15% compared to the same period in 2007. The development in catches of fish indicates that there will be a significant fall in the export values from fisheries, on-land production and fish farming for the year 2008.

On-land fish industry

After the economic crisis in 1992, the on-land fish industry went through a reconstruction, and the number of plants were reduced to fewer, bigger, or more specialised plants. The filleting factories are producing a range of fresh, iced, and frozen products to the retail and food service markets. About 25% of the total fish export value in 2007 was fresh, frozen, or salted fillets: DKK 402 million Cod fillets (7.785 tonnes), DKK 147 million Haddock fillets (4.838 tonnes), and DKK 373 million Saithe fillets (18.656 tonnes). The fish fillet plants are dependent on a stable supply of raw material. This has led to vertical integration of some plants and ships. Other smaller factories produce more specialised fish products.

The export of fried fishmeal and fish feed produced from pelagic species was about 57.000 tonnes in 2007. The export value was DKK 422 million, which is 11% of the total export value of fish products.

In the last three years the on-land fish industry has had difficulties recruiting labour, and the decrease in catches has had a negative effect on the industry's profit.

Aquaculture

The fish farming industry is relatively new in the Faroe Islands. Farming of salmon and trout started in the early 1980s and has since emerged into the second largest export industry in the Faroese economy. Production has been volatile over the years, and the industry is currently in a redevelopment phase. The harvest in 2004 was much less than previous years – around 37,000 tonnes. The harvest took a new plunge in 2005 with 19,000 tonnes. The fish farming industry has since rebounded and is experiencing a more positive development stage. The industry seems to have successfully fought the fish disease plague and production is growing.

In 2007, the industry exported 21,000 tonnes of salmon and trout products. Although 2007 export prices were low compared to 2006, the export value was higher, DKK 589 million or 16% of the total export value of fish products. Export quantity is expected to increase in 2008 to around 24,000 tonnes.

From January to August 2008, the export value of farmed fish was DKK 569 million, an increase of 58% compared to the same period in 2007.

Compensation of employees in the aquaculture industry was DKK 350 million in 2007, which is more than 28% higher than the previous year.

From January to October 2008, the compensation of employees increased 30% compared to the same period in 2007, which indicates a 30% increase of the fish farming production in 2008.

Construction

The construction industry in the Faroe Islands has had a significant impact on the economy. Most Faroese homes are spacious and the people of the Faroe Islands have generally high private housing standards.

Recently, both private and public construction has been booming and compensation of employees has risen to DKK 495 million in 2007. This figure is 13% higher than in 2006. Construction activity is still high, but it is likely to stop growing given the current low unemployment. Increased difficulties in getting funding for new investments due to the financial crisis may cause problems for new investments and may therefore indicate a slow down in the construction industry from late 2008.

Transport & Communication

Internal

The transportation infrastructure in the Faroe Islands is good. Road connections now link all villages on each island and also between some of the islands.

In December 2002, the first sub-sea tunnel in the Faroe Islands was opened between Vágur and Streymoy. This is the first partially user-financed investment of its kind in the Faroe Islands. A second sub-sea tunnel between Borðoy and Eysturoy opened in May 2006. Both passenger and cargo transport is provided daily to all but two of the inhabited islands and most villages. Ferries and helicopter services are available to the islands that are not directly linked to the road system, and bus service is the most common form of transport for all other areas. As of the 1st of January 2008, there were 20,225 registered private cars, which reflect 417 per 1,000 inhabitants.

External

The national airline carrier of the Faroe Islands, Atlantic Airways, is currently the only operator offering routes to and from the Faroe Islands. Depending on the season, there are four to seven daily flights to Denmark (Copenhagen and Billund). There are also several flights each week to Iceland, Norway, and UK. In 2007, 217,096 passengers travelled through Vágur Airport, which is 5.4% more than in 2006.

The ferry Norröna (a combined cruise/cargo ship that can carry roughly 1,500 passengers and 800 cars) offers weekly service to Bergen in Norway, Seydisfjørður in Iceland, Scrabster in Scotland,

and regular service to Denmark. Nearly 70,000 passengers travelled to the Faroe Islands by sea in 2007. The limited company Smyril Line which runs Norröna was restructured in November this year with 70% write down of existing shares, 40 mill DKK in new share capital (30 mill DKK from the government), conversion of 30 mill DKK of subordinated loans to equity and new loans of 26 mill DKK. The business model will change such that the ferry will sail between Iceland, Faroe Islands and Denmark from 1st January 2009.

Icelandic and Faroese freight companies provide cargo carriage to and from the Faroe Islands. The most important routes are to Denmark, Scotland, Norway, and Sweden.

On 1 May 2007, the Vagar Airport was taken over from the Danish Authorities by a Faroese public limited company. A building project budgeted at DKK 365 million will offer better transit facilities, and the runway will be extended to 1.6 km. The project is financed by the de-capitalisation of the Investment Fund (Íleggjargrunninum) with a corresponding amount.

It is uncertain what effect the international financial crisis will have on the Faroese transportation section.

Telecommunication

In 2007 there were about 21,000 fixed network telephone subscriptions. The number has been falling for some years now. Two telephone companies Faroese Telecom and Vodaphone have 80% and 20% market share respectively. Mobile telephone subscriptions were 52,169 in 2007. The use of mobile technology has increased significantly in recent years.

Broadband coverage is high (well over the OECD average) with 13.255 subscribers in 2007 or about 29 subscribers per 100 inhabitants. In 2007 there were about 15,280 satellite or cable television subscribers.

Viewers and listeners of television and radio by the Faroese Broadcast Company (Kringvarp Føroya) are required to pay a license fee if they have got a receiving set.

The Postal and Telecom Surveillance Authority's (<http://www.fse.fo>) Annual Report 2007 and Statistics are sources for Telecommunication

Tourism

Tourism is not a major industry in the Faroe Islands. For many years, efforts have been made to develop the tourism industry as a diversification for the Faroese economy.

Due to the lack of current statistical accounts, it is difficult to determine the economic gains from tourism. The direct income effect of the tourism industry is estimated to be between DKK 150-200 million. This figure excludes transport to and from the Faroe Islands.

About 116,000 tourist accommodations or stays were registered in the Faroe Islands in 2006. About 75% of the total accommodations were foreign visitors, mostly from Scandinavian countries. The number of overnight visitors from foreign countries increased by about 19% from 2005 to 2006. Also a growing number of cruise ships visit the Faroese Islands during the summer months.

Oil

On 22 December 1992, the Danish Government agreed to transfer the rights to mineral resources in the subsoil of the Faroe Islands to the Faroese Government. The initial oil exploration phase started in 1994 and since then, many firms have been exploring the subsoil.

So far the explorations have discovered no commercial findings, but they have showed the presence of an active hydrocarbon system in Faroese subsurface. The influence from the oil industry has not yet had the economic effect that was expected when the explorations first took place. Expectations have become more moderate, as fewer oil companies were interested when the 3rd licensing round was held in November 2008. At present oil companies hold 11 licenses. Three consortia applied for licenses in the third round.

It is difficult to estimate the outlook for future activity. Oil and gas explorations in the Faroese subsoil will continue in new areas in the coming years, and expectations are still kept alive.

The Financial Market

Financial affairs (except insurance companies and mortgage-credit institutions) are under Danish State authority and under the supervision of the Danish Financial Supervisory Authority (Finanstilsynet).

Four banks – Eik Banki, Føroya Banki, Norðoya Sparikassi, and Suðuroyar Sparikassi – service the financial market in the Faroe Islands.

Because of a revision in the banking law, banks and savings banks compete on equal terms. The law affords the same conditions for Faroese financial institutions as for Danish financial institutions relative to the Danish Central Bank. This legislation thus enables the Faroese banks to participate in the international capital markets.

The high level of activity in the Faroese economy has given rise to greater profits within the financial sector. Eik Banki (until December 2006 Føroya Sparikassi) had good profits from operations in 2006 (DKK 307 mill.) and in 2007 (DKK 465 mill). Eik Banki expects increased profits from core operations in 2008 (DKK 300 million). About half of net profits were from foreign countries in 2007. At the year end 2007 Eik Grunnurin (the Eik Fund) held 52% of shares in Eik Banki. See Annual Report 2007 and 3rd Quarter Report 2008 at <http://www.eik.fo> (See under Investor Relations).

The formerly public-owned Føroya Banki has also shown good profits in 2006 (DKK 193 million) and in 2007 (DKK 180 million) from operations. Føroya Banki expects about the same profits from core operations in 2008. (See further Føroya Banki's Annual Report 2007 and 3rd Quarter Report 2008 at <http://www.foroya.fo> under Investor Relations). In an attempt to move activity abroad, Føroya Banki has established Føroya Banki Ltd. in Denmark. The Faroese Government sold 2/3 of its' shares in Føroya Banki, when the bank was listed in 2007, but the Faroese Government still holds 1/3 of the shares.

Føroya Banki was rated by Moody's Investor Service on 16 May 2008. Moody's Investors Service assigned a C- Bank Financial Strength Rating ("BFSR") to the Faroese bank P/F Føroya Banki as well as A3 long-term and Prime-2 short-term local and foreign currency deposit ratings. The outlooks on all ratings are stable. (<http://www.landsbankin.fo>. See under Publications)

Both Eik Banki and Føroya Banki were listed on the NASDAQ OMX Iceland hf. and NASDAQ OMX Copenhagen A/S in 2007.

Two small banks, Norðoya Sparikassi with DKK 31 million in 2006 and DKK 30 million in 2007 and Suðuroyar Sparikassi with DKK 2 million in 2006 and DKK 4 million in 2007, have also shown good results the two preceding years. Norðoya Sparikassi expects about the same profits from core operations in 2008 as in 2007 and Suðuroyar Sparikassi explains no expectations. See their respective home pages: <http://www.ns.fo> and <http://www.sparsu.fo>.

According to the 2008 report on the Faroe Islands by the High Commissioner of The Faroe Islands (page 75), the total profit in the Faroese bank sector was DKK 507 in 2006 and DKK 652 million in 2007 which is the best result ever. The 2008 report (in Danish only) can be found on the homepage of the High Commissioner of The Faroe Islands: <http://www.rigsombudsmanden.fo/>

Various financing institutions than banks both private and public hold about a 10% share of the total financial assets and play an important role in selected areas of the financial market.

In June 2008 a new insurance industry law passed by the Faroese Parliament came into force. In conformity with the insurance industry law from 1997, the monopoly was abolished and a Faroese Insurance Supervisory Body was appointed. This allowed any Faroese company complying with statutory requirements to enter the insurance business on the condition that they obtain permission from the Faroese Government and the Faroese Insurance Supervisory Body.

The company Trygd Ltd., and the old monopoly incumbent, Tryggingarfelagið Føroyar Ltd. (established in 1940) are currently the only non-life insurance companies active in the Faroese market. In the last years, competition has increased in the life insurance market. The public owned company Føroya Lívstrygging (also a pension and life insurance company established in 1967) became a limited company in 2000. The Tryggingarfelagið Føroyar company TF Holding established in February 2007 a new pension and life insurance company Betri pensjón Ltd. (meaning "Better Pension").

The financial industry is affected by the international financial crisis, mainly by difficulties getting funding on the inter bank markets. The financial institutes have informed the public that they are slowing down the growth in lending activities.

In October 2008, the Danish government and the Danish banking sector took measures to ensure financial stability. The Danish government and the Danish banking sector through the Private Contingency Association agreed on a bailout fund to cope with further liquidity and funding problems in the Danish banking sector. The bailout fund will, for a two-year period, guarantee all (except claims covered by other means, see next paragraph) senior unsecured claims i.e. deposits, senior unsecured bonds, inter-bank deposits for the banks participating. The two-year period may be extended if necessary.

Claims covered by other means – e.g. deposits in the deposit protection scheme and covered bonds – are not included but will continue to be covered by existing arrangements. Subordinated debt (i.e. subordinated capital and hybrid capital) and equity will not be covered by the fund. Only banks participating in the Private Contingency Association are included in the bailout fund. Virtually all banks in Denmark and on the Faroe Islands, including foreign owned daughter banks, contribute to the association. On a mutual basis, the Danish banking sector will finance up to DKK 35bn where after the government will provide additional unlimited guarantee if needed. The banks participating will not be allowed to pay cash dividends or make share buybacks during the two-year period.

Eik Banki, Føroya Banki, Norðoya Sparikassi, and Suðuroyar Sparikassi all participate in the Private Contingency Association and are included in the bailout fund.

More information about the Private Contingency Association and the bailout fund can be found on the Danish Bankers Association's homepage: <http://www.finansraadet.dk/> (see under "About the Danish Bankers Association").

The Faroese Securities Market

The Faroese Securities Market, the limited company VMF (P/F Virðisbrævamarknaður Føroya) that was founded in 2000 in cooperation with the Iceland Stock Exchange, now the NASDAQ OMX Iceland hf., had its first three bond-listings in 2003. The Faroese Government bonds expiring in 2008, 2010 and 2018 were listed on the market with varying durations, when the Faroese Government decided to re-finance the DKK 3,074 million debt with the Danish State.

In June 2005, the first company (Atlantic Petroleum) was listed on the Faroese Securities Market on NASDAQ OMX Iceland hf..

Four companies are now listed on the Faroese Securities Market on NASDAQ OMX Iceland hf.: Eik Banki, Føroya Banki, Atlantic Petroleum, and Atlantic Airways. All four companies are also double listed on NASDAQ OMX Copenhagen A/S.

Currency

The currency of the Faroe Islands is the Faroese króna, and is issued by the Danish National Bank. The Danish National Bank considers the Faroese króna to be a "special version" of the Danish krone and unique, Faroese bank notes are in circulation in the Faroe Islands. The basis of the Faroese króna is an equal amount of Danish kroner deposited in an account in the Danish National Bank. Although the bank notes used in the Faroe Islands are Faroese, the coins are the same as those in circulation in the remainder of the Danish Kingdom. Faroese and Danish bank notes are fungible in the Faroe Islands. The Danish National Bank is the lender of last resort and all local Faroese accounts are denominated in Danish kroner.

If Denmark decides to shift the currency to the euro, the Faroe Islands can be expected to follow.

3.5 Gross Domestic Product

Table 1: National income, expenditure and saving

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Gross Domestic Product	11,878	12,983
+ Wages and salaries from abroad	362	370
- Wages and salaries to abroad	139	152
+ Property income from abroad	675	759
- Property income to abroad	449	476
National Income, Gross	12,326	13,484
+ Current transfers from abroad	977	1,015
- Current transfers to abroad	128	150
National Disposable Income, Gross	13,174	14,349
- Final consumption expenditure	10,286	11,119
Savings, Gross	2,889	3,230
- Gross capital formation	2,746	3,048
Net Lending (+) / Net borrowing (-)	142	181

Source: Numbers for 2006 are based on Statistics Faroe Islands. The numbers for 2007 are preliminary estimates by Landsbanki Føroya.

3.6 Description of the Issuer's political system and government

The Faroe Islands is a self governing country within the Kingdom of Denmark which also comprises Greenland.

The Faroe Islands legislate and govern a wide range of areas in accordance with the Home Rule Act of 1948. These include the conservation and management of living marine resources within the 200-mile fisheries zone, sub-surface resources, trade, fiscal, industrial and environmental policies, transport, communication, culture, education and research.

According to the Home Rule Act some matters are to remain the responsibility of the Danish Government as long as Faroe Islands are part of the Kingdom of Denmark. Examples are foreign policy and defence policy.

Other matters are administered by the Danish Government according to Danish law, but will be transferred to the Faroese Government, if and when the Faroese parliament decides so. They are called "joint matters". Examples are judicial system, police force and banking supervision.

Finally some matters are administered by the Faroese Government according to Faroese law. They are called "special matters". Examples are health services, social services, social security, public transport, finance and economy, industry and tax law.

The Faroe Islands is not a member of the European Union.

The Faroese Parliament (Løgting) is the legislative assembly for Faroese affairs, and also appoints the Prime Minister (Løgmaður), who – along with his/her cabinet ministers - constitutes the Faroese Government (Landsstýri).

The Løgting has 33 members. The Faroese people also elect two representatives to the Danish Parliament.

The Faroese head of state is the Danish head of state, Queen Margrethe II.

Head of the Faroese Government

The Prime Minister, Kaj Leo Johannesen (The Unionist Party), since 26 September 2008.

Present Government

The Faroese Government (Landsstýri) consists of at least two Cabinet ministers led by the Prime Minister. The present cabinet is comprised of 9 ministers, including the Prime Minister. The Faroese Government coalition is currently made up of representatives from the Unionist Party, the People's Party and the Social Democrats.

4. Public Finance and Trade

4.1 The Tax and Budgetary Systems

Income Taxes

Income tax levied by the Customs and Tax Administration is calculated on a sliding scale, with various allowances having the highest marginal rate of 33% in 2009. However, municipal taxes are calculated on a fixed rate.

A gross tax system was introduced in 1997. This means that instead of providing for tax deductions, specific subsidies are allowed to compensate for certain expenses. Basic personal allowance is DKK 30,000, which can be transferred between husband and wife. For each child under 18 years the annual income is deduced by DKK 5,500.

Municipal taxes are assessed using the same calculation of income as that of the Customs and Tax Administration, except that a flat tax rate is used. The economic situations of the municipalities differ greatly. In 2008, municipal taxes ranged from 16% to 23.5%. On average, the tax is 20.65%. For each child under 18 years the annual income is deduced with between DKK 3,000 and DKK 6,500 depending upon in which municipality one resides.

Members of National Church also pay church tax, on average 0.66%.

Corporate Taxes

All corporations in business must render an account and are allowed to deduct for expenses. Corporate taxes before 1999 were 27%, but have since been lowered to 18%. Of the tax amounts, 62% is paid to the Faroese Treasury, and the remaining 38% to the local municipal authorities. The tax rate for companies in the oil industry still remains at 27%, which is all paid to the Faroese Treasury.

Corporations that are not liable to collect VAT pay a special tax based on total paid wages and salaries – financial services pay 5% and private sector health services pay 2.5%.

Shipping firms with ships registered in the Faroese International Shipregister (FAS), will get back 30% of wages and other payment paid to persons liable to pay taxes in the Faroe Islands.

Capital Gains Tax

Interest on deposits in Faroese banks is not included in the income subject to income tax. Instead, a yearly tax of 35% of the interest is deducted from the interest payment by the financial institutions and transferred to the Treasury. All income from securities (interest, dividends and capital gains) is taxed at 35%. However, this does not include corporations and some foundations, which pay a corporate tax of 18 %. There is no property or wealth tax.

Customs and VAT

The Faroese Customs Act is based on the international World Custom Organisation's (WCO) Harmonised Commodity Description and Coding System (HS Code). Customs duties are based on the GATT rates. Because of the trade agreement from 1992 with the EU, renewed by agreement in January 1997, the fiscal duties levied on imports are replaced by a value-added tax (VAT – normally 25% of invoice value) and excise duties on some consumption items.

The budgetary system

The distribution of government expenditure for different items follows the new budgeting procedures and shows actual financial outlays.

Investments in large assets are financed largely by current provisions and are booked immediately as expenses in the appropriate fiscal year.

There are exceptions to this rule. Lately, a new procedure has emerged wherein public limited companies are created to operate and manage public services and large, public construction projects. This has been the case for Faroese Telecom, the Postal Service, the sub-sea tunnel between Vágur and Streymoy, and the sub-sea tunnel between Eysturoy and Borðoy.

The composition of expenditures has changed since the early 1990s. Expenditure to the fishing industry has fallen considerably since 1991 due to the change in subsidies to the industry. The policy is to stress the need for the industry to be cost efficient and independent of public funds.

Of the DKK 4 billion the authorities used for expenses and investments in 2007, the proportional distribution was as follows: Social Security and Pensions 34.3%, Education, Research and Culture 20.5%, Health 16.8%, Political Administration 12.6%, Transport and Communication 9.5%, and Economic Affairs 6.3%.

Investments in 2007 were DKK 292 million. Most of the investments went to transport and communication (DKK 125 million), health and social security (DKK 74 million), and education and culture (DKK 70 million).

The largest, single-item expenditure on the public account was Social Security and Pensions DKK 1.4 billion. Of this, DKK 260 million went to social protection, DKK 480 million to home-based care, care of elderly and handicapped, DKK 400 million to the National Pension Scheme and DKK 210 million to National Supplementary Disability Pensions.

The public income in 2007 was about DKK 4.2 billion. Of this DKK 3.6 billion comes from income and corporate taxes (DKK 1.8 billion) and VAT and duties (DKK 1.7 billion), DKK 632 million was block grant from Denmark and income from share returns and interests was about DKK 50 million.

The Public Account surplus was DKK 145 million in 2007. This was about DKK 140 million more than provided for in the budget. This positive result is mainly due to DKK 100 million more income from taxes and duties than estimated in the budget.

4.2 Gross Public Debt

Table 1: Assets and liabilities

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Assets		
Deposits in Faroese Gov. Bank	1,093	2,465
Others in circulation	818	949
Financial assets	2,048	1,339
Total assets	3,959	4,753
Liabilities		
Kingdom of Denmark	500	500
Bond Loan	2,225	2,149
Other Debt	592	718
Total debt	3,317	3,367
Net assets	642	1,386

Source: Landsbanki Føroya.

Table 2: Outstanding Bonds (Millions DKK)

Bond	Annual Coupon	Maturity date	Present Structure	Structure after Nov 24th 2008
FO 24.11.08 Blt	4.25%	24-nov-08	974	
FO 24.11.09 Blt	5.25%	24-nov-09		974
FO 01.06.10 Blt	3.5%	01-jun-10	550	550
FO 10.06.18 Ann	3.5%	10-jun-18	657	657
Outstanding Bonds			2,181	2,181

Source: Landsbanki Føroya.

The Faroese Government has always repayed debt, and has never been in default.

4.3 Foreign Trade and Balance of Payments

Table 1: Balance of Payments

<i>Millions DKK</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Goods	-722	-600	-1,277
Services	-548	-555	
Goods and Services	-1,271	1,155	
Wages	203	222	
Rents	290	226	
Income Transfers	492	448	
Government Sector	747	736	
Other sectors	50	113	
Bond Loan	2,225	2,149	
Other Transfers	797	849	
Balance of Payments	19	142	

Source: Statistics Faroe Islands.

4.4 Foreign Exchange Reserves

Landsbanki Føroya does not hold specific foreign exchange reserves, as the Faroe Islands is a part of the Danish currency area. However, a part of Landsbanki Føroya's financial assets are placed in assets held outside the Faroe Islands, as specified in the table below. The assets outside the Faroes are mainly placed in government bonds and Danish mortgage bonds - which can be used as collateral within limits in an overdraft facility or as collateral in repo-agreements - and as deposits in banks with good rating.

Table 1: Financial Assets

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Total financial assets	1,868	2,910
- of which abroad	1,143	1,941

Source: Landsbanki Føroya

4.5 Income and Expenses

Table 1: Public Account

<i>Millions DKK</i>	<i>2006</i>	<i>2007</i>
Expences	3,757	3,944
Income from operations etc.	-179	-177
Interests (net)	-7	-14
Taxes and Duties	-3,349	-3,558
Grant from Danish Government	-632	-633
Result before capital expenditure	-410	-437
Capital expenditure	268	292
Result (negative is surplus)	-142	-146

Source: Government Accounts

4.6 Auditing Procedures

The annual budget is presented to the Faroese Parliament before October and must be approved before 1 January of the following year. In practice, approval occurs before Christmas.

Beginning with the 1991 fiscal year, the Budget Act was changed to obtain a better governing instrument. All government investments and other expenditures have to be approved in the budget for the year in question.

The accounts and bookkeeping of the government exchequer are audited by the National Audit Office. Once audited, the books are passed on to a committee consisting of members selected by the Faroese Parliament. The accounts are finally approved by the Parliament together with the auditing report.

5. Significant Changes

In the opinion of the Issuer there have been no significant changes to the information in the Registration Document, Section 4 above, since the end of the last fiscal year 2007, other than already described in Section 4.

6. Legal and Arbitration proceedings

The Faroese Government has not for the past year been involved in any arbitration proceedings (including any arbitration proceedings which are pending or threatened of which the issuer is aware) which have had or may have significant effect on the Issuers financial position.

The Faroese Government has no immunity from legal proceeding in relation to the notes.

7. Statements by experts and declaration of any interest

The Faroe Islands holds a credit rating with Moodys Investors Service, who on 13 Oct 2008 affirmed a Aa2 long-term foreign currency rating to the Faroe Islands.

Ratings Category	Moody's Rating
Outlook	Stable
Government Bonds - Foreign Currency	Aa2
Government Bonds - Domestic Currency	NR

In the summary of the Credit Opinion Moody's Investor Services states that the Aa2 foreign currency rating with stable outlook for the Faroe Islands reflects a Baseline Credit Assessment (BCA) of 5 (on a scale of 1 to 21, where 1 represents the lowest credit risk) and a high likelihood that the Kingdom of Denmark (Aaa, stable) would act to prevent a default by the islands.

The Faroe Islands' BCA of 5 reflects a number of factors, including their economic strength and increasing diversification. The BCA also reflects the government's powers to raise revenues through taxation and fees and to control spending as well as the strong financial results achieved since 1995. The Faroese government maintains ample reserves, while the debt level is moderate and decreasing and the interest burden falling. The BCA takes into account the islands' relationship within the Kingdom of Denmark and the subsidies it receives for joint matters, which it administers in conjunction with the Kingdom of Denmark. The support (see below) also take into account the establishment of the settled relationship the Faroese have with Denmark in the consideration of further autonomy and potential independence.

8. Documents on display

For the life of this Registration Document the below mentioned documents will be available for inspection in electronic form at the homepages as further specified below:

Landsbanki Føroya, The Governmental Bank:

- Economic Analysis (published annually)
- Information Memorandum, (published annually)
- Moody's Investor Service's latest rating documents concerning the Faroese Government

On the homepage of Landsbanki Føroya, there will also be available an overview of various economic indicators.

Homepage: www.landsbankin.fo/ (see under Publications).

Hagstova Føroya, Statistics Faroe Islands:

Comprehensive statistical database covering Demographic, Business and Economic Statistics etc. Additional information in the booklet: Faroe Islands in figures 2008.

Homepage: www.hagstova.fo/

Fíggjarmálaráðið, The Ministry of Finance:

The public budget and account (*in Faroese only*)

Homepage: www.fmr.fo/

Landsgrannskoðanin, The National Audit Office:

Reports submitted by the Faroese Parliament's Audit Committee.

(Some of the information in Danish and English)

Homepage: www.lg.fo/

Løgmannskrivstovan, Prime Minister's Office:

Information about political matters in the Faroe Islands.

Homepage: www.tinganes.fo

The High Commissioner of the Faroe Island

Annual report on the Faroe Islands (in Danish only)

Homepage: www.rigsombudsmanden.fo/

III. SECURITIES NOTE

Table of Contents

1. Risk Factors	35
1.1 Market Risk	35
1.2 Liquidity Risk	35
1.3 Legal Risk	35
1.4 Credit Risk	35
2. Persons Responsible	37
2.1 Statement from the Issuer	37
2.2 Statements from the Arrangers	37
3. Key Information	39
3.1 Interest of natural and legal persons involved in the issue	39
3.2 Reasons for the offer and use of proceeds	39
4. Information concerning the notes	40
4.1 Description of the notes	40
4.2 Legislation	40
4.3 Form of the notes	40
4.4 Currency of the notes	41
4.5 Status of the notes	41
4.6 Rights etc.	41
4.7 Interest	42
4.8 Maturity and Repayment	43
4.9 Yield	43
4.10 Representation of noteholders	43
4.11 Authorisation	43
4.12 Issue Date	43
4.13 Transferability	43
4.14 Taxation	43
5. Terms and conditions of the offer	44
5.1 Nominal Amount	44
5.2 Placing and underwriting	44
5.3 Issue Price	44
5.4 Payment and Settlement	44
5.5 Account Holding Institute	44
6. Admission to trading and official listing	44
6.1 Admission to trading and official listing	45
6.2 Admission to trading and official listing on other regulated markets	45
7. Additional Information	45
7.1 Audit of Information	45
7.2 Rating	45

III. Securities Note

1. Risk Factors

Investors should read this Securities Note carefully. Investing in securities involves certain risks, which the investors should take in to consideration prior to deciding to make an investment in the notes. The Issuer believes that the following risk factors mentioned below are material to the notes and represents the principal risks associated with investing in the notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the notes may occur for other reasons, which may not be considered material or significant by the Issuer based on information currently available to it or which it may not currently be able to anticipate. The below mentioned risk factors are contingencies which may or may not occur. In addition, for risk specific associated to the Issuer, investors are advised to consider the section Risk Factors in the Registration Document. Investor should consider, among other things, the following.

1.1 Market Risk

The market of the notes issued by the Faroese Government is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or elsewhere will not cause market volatility and that such market volatility will not adversely affect the trading price of the notes.

1.2 Liquidity Risk

There can be no assurance that an active trading market for the notes will be developed and maintained, which may affect the trading price and the liquidity of the notes. During the period between the issuance and repayment, the market value of the Notes will be determined through the ordinary trading on the main market (Faroese Securities Market) of the NASDAQ OMX Iceland hf. and on the main market of the NASDAQ OMX Copenhagen A/S. The Issuer has not made any arrangement with any persons or companies to ensure the liquidity of the notes and that the quotation follows the market price of the notes. The Issuer has no obligation to buy back the notes. However, without any commitment to do so, Landsbanki Føroya and Nordea Bank Danmark A/S will aim to maintain a market for the Notes by quoting purchase and sales prices on an ongoing basis.

1.3 Legal Risk

The terms and conditions of the notes are based on Danish law in effect on the date of this prospectus. No assurance can be given that as to the impact of any possible judicial decisions or changes to Danish and Faroese law after the date of this Prospectus.

The investment activities of certain investors are subject to legal investments law and regulations. The investor should consult legal advisers to determine whether and to what extent the notes are legal investment to the investor or if any restrictions apply to the purchase of the notes by the investor.

1.4 Credit Risk

The Faroese Government's liability to make payments according to the terms and conditions in this Prospectus constitutes a direct and unsecured obligations of the Faroese Governments and constitute unsubordinated loan indebtedness ranking pari passu with all other loan indebtedness of the Faroese

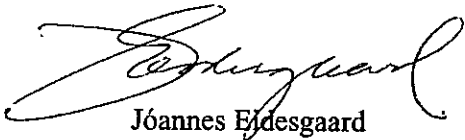
Government. The notes of each series will rank equally with each other, without any preference among themselves.

There can be no assurance that the Faroese Government credit rating will not change, which may affect the trading price of the notes.

2. Persons Responsible

2.1 Statement from the Issuer

We, on behalf of the Government of the Faroe Islands, declare, as those responsible for the Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.



Jóannes Eidesgaard
Minister of Finance
Føroya Landsstýri
Fíggjarmálaráðið
Tórshavn, 18 November 2008



Petur Alberg Lamhauge
Director
Føroya Landsstýri
Fíggjarmálaráðið
Tórshavn, 18 November 2008

2.2 Statements from the Arrangers

We, the Governmental Bank of the Faroe Islands, Landsbanki Føroya, registered office at Staravegur 5, FO-110 Tórshavn, Faroe Islands, have been the arranger to the Issuer in the preparation of this Securities Note. We have, on behalf of the Issuer, compiled and prepared this Prospectus, having taken all reasonable care to ensure that, to the best of our knowledge, the information contained in this Prospectus, is in accordance with the facts and contains no omission likely to affect its import.

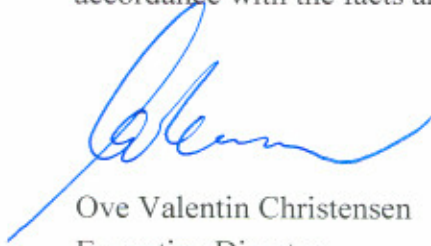


Sigurd Poulsen
Managing Director
Landsbanki Føroya
Tórshavn, 18 November 2008



Jens Erik Magnussen
Deputy Director
Landsbanki Føroya
Tórshavn, 18 November 2008

We, Nordea Bank Danmark A/S, with registered office at Strandgade 3, DK-1401 Copenhagen, Denmark, have been the arranger to the Issuer in the preparation of this Securities Note. We have, on behalf of the Issuer, compiled and prepared this Prospectus, having taken all reasonable care to ensure that, to the best of our knowledge, the information contained in this Prospectus, is in accordance with the facts and contains no omission likely to affect its import.



Ove Valentin Christensen
Executive Director
Nordea Bank Danmark A/S
Copenhagen, 18 November 2008



Peter Brink Jensen
Senior Analyst
Nordea Bank Danmark A/S
Copenhagen, 18 November 2008

3. Key Information

3.1 Interest of natural and legal persons involved in the issue

Issuer:

The Føroya Landsstýri (the “The Faroese Government”), which is the executive within the framework of the Home Rule Act, see Act no 137 of 23 March 1948.

The Faroese Government is represented by the Ministry of Finance:

Ministry of Finance
Fíggjarmálaráðið
Kvíggjartún 1
P.O.Box 2039
FO-165 Argir, Faroe Islands
Tel: +298 352020
Fax: +298 352025
E-mail: fmr@fmr.fo

Arranger:

The Governmental Bank of The Faroe Islands (Landsbanki Føroya).

Landsbanki Føroya
Staravegur 5
P.O.Box 229
FO-110 Tórshavn, Faroe Islands
Tel: +298 308120
Fax: +298 318537
E-mail: landsbank@landsbank.fo

Arranger and Account Holding Institute:

Nordea Bank Danmark A/S:

Nordea Bank Danmark A/S
Strandgade 3
DK-1401 Copenhagen K, Denmark

To the best knowledge of the Issuer, Arrangers and Account Holding Institute, there are no interest, including conflicting ones, that are material to the issue of the notes.

Neither the Arrangers nor the Account Holding Institute takes responsibility for the creditworthiness of the Issuer.

3.2 Reasons for the offer and use of proceeds

The proceeds from the issue of the notes will be used for refinancing an existing issue of notes of nominal DKK 974,000,000, which falls due for repayment on 24 November 2008.

The net proceed amount of the notes will be depend on the issue price of the notes, which will be published prior to issue date on NASDAQ OMX Iceland hf. and NASDAQ OMX Copenhagen A/S.

The Issuer will bear the costs directly related to the issuance of the notes. The total costs are expected to amount to approximately DKK 2,053,300, including placing commission and arranging fees.

Cost incurred at NASDAQ OMX Iceland hf. in relation to the admission for trading and official listing on the main market (Faroese Secuties Market) of the NASDAQ OMX Iceland hf. will be paid by the Issuer. The costs related to the admission for trading and official listing are ISK 450,000 corresponding to approximately DKK 16,300. Annual expenses for the admission to trading and official listing will be a fixed fee of ISK 165,000 coressponding to approximately DKK 6,000 plus a varible fee of 0,001 per cent of the market value of the notes.

Cost incurred at NASDAQ OMX Copenhagen A/S in relation to the admission for trading and official listing on the main market of the NASDAQ OMX Copenhagen A/S will be paid by the Issuer. The cost related to the admission for trading and official listing is DKK 20,000. Annual expenses for the admission to trading and listing will be approximately DKK 8,800.

Cost incurred at VP Securities Services and to the Account Holding Institute in relation to the registration of the notes in the Danish VP system will be paid by the Issuer. The costs related to registration of the notes and annual fees are approximately DKK 44,440.

4. Information concerning the notes

4.1 Description of the notes

Title of the notes:	Føroya Landsstýri DKK 974,000,000 5.25 per cent notes 24 November 2008 / 24 November 2009
Issue date:	24 November 2008
Maturity date:	24 November 2009
Currency:	Danish kroner ("DKK")
Denomination:	DKK 1,000
Total nominal amount:	DKK 974,000,000
Interest:	5.25% fixed rate interest is payable on the notes, calculated from and including 24 November 2008.
Class:	The issue of the notes consist of only one class
ISIN:	DK0030120183
Saxess code:	FO-LB 091124 (NASDAQ OMX Iceland hf.) FO-LB NOV09 (NASDAQ OMX Copenhagen A/S)

4.2 Legislation

The notes are subject to Danish legislation, and any disputes arising out of or in connection with the notes shall be brought before the District Court of Copenhagen.

4.3 Form of the notes

The notes will be issued and registered as dematerialised securities, in book-entry form with the VP Securities Services, Helgeshøj Allé 61, DK-2630 Taastrup, Denmark on issue day the 24 November 2008. The notes cannot be registered in the name of the holder.

Nordea Bank Danmark A/S, Strandgade 3, DK-1401 Copenhagen, Denmark, is acting as Account Holding Institute ("Kontoførende Institut") in relation to VP.

The notes will be controlled by Nordea Bank Danmark A/S as Account Holding Institute for and on behalf of VP and the noteholders in accordance with the provisions of the Danish Securities Trading Act No. 848 of 19 August 2008 and Government Regulation No. 4 of 4 January 2008 on the registration of funds assets in a securities centre. For the avoidance of doubt, notes registered in VP are negotiable instruments not subject to any restrictions on the free negotiability within the Kingdom of Denmark, under Danish Law.

4.4 Currency of the notes

The currency of the notes is Danish Kroner ("DKK") and each note will be issued with the denomination of DKK 1,000.

4.5 Status of the notes

The notes constitute direct and unsecured obligations of the Faroese Government and constitute unsubordinated loan indebtedness ranking pari passu with all other loan indebtedness of the Faroese Government. The notes of each series will rank equally with each other, without any preference among themselves.

4.6 Rights etc.

Redemption by the Issuer

The notes are not redeemable by the Issuer prior to the Maturity Day.

Redemption by the noteholder

With the exception of the events described under Event of Default below, the noteholders may not demand redemption of the notes prior to the Maturity Day.

Events of Default

Any noteholder may give written notice to the Issuer that such note is, and such note shall accordingly immediately become, due and payable at its principal amount together with interest accrued to the date of repayment:

- a) if the Issuer fails to perform or observe any of its other obligations under the notes and such failure is incapable of remedy, or if such failure can be remedied and such failure continues for the period of 30 days next following the service by any noteholder on the Issuer of notice requiring the same to be remedied;
- b) if the Issuer's debt in connection with borrowed funds for a minimum amount of DKK 75,000,000 or equivalent in another currency or currency unit either (i) falls due for payment prior to the repayment day because of default, or (ii) is not paid on the due date (or following the period of remedy provided for by law or following an agreement to that effect in the relevant claim between the parties); or
- c) if the Issuer's possibilities of fulfilling its obligations under the notes deteriorate significantly, for example because of the Faroe Islands' secession from its union with Denmark.

Payment shall be effected via the accounts registered with VP Securities Services.

Buy-back

The Issuer reserves the right to buy back the notes from time to time in the open market or otherwise. The Issuer may choose to cancel or keep/resell notes bought back.

Notices

All notices to noteholders concerning the notes will be submitted to NASDAQ OMX Iceland hf. and NASDAQ OMX Copenhagen A/S and/or through VP Securities Services.

Any notices to the Issuer to be given in accordance with these terms and conditions of the notes can validly be given to the Ministry of Finance, Kvíggjartún 1, P.O.Box 2039, FO-165 Argir, Faroe Islands or such other address as has been notified to the noteholders registered in compliance with the first sentence of this term.

Force majeure

The Faroese Government shall not be liable for any loss caused the noteholders by statutory provisions, measures adopted by any governmental or other authority actual or imminent war, insurrections, civil commotion, terrorism, sabotage or Acts of God. Nor shall the Faroese Government be liable for any loss caused by strikes, lockouts, boycotts or blockades, whether or not the Faroese Government itself is a party to the dispute, and notwithstanding that the dispute may affect only part of the functions of the Faroese Government. Nor shall the Faroese Government be liable for any loss arising from any overdue payment caused by the above events.

Charging

As long as any of the notes are outstanding, the Faroese Government will not provide security for any debt in connection with payment obligations relating to loans existing on or after the date of issue of the notes, whether in the form of a mortgage, pledge or other security in any of the issuer's present or future assets or income, unless the notes are secured equally and proportionately by the provision of such security. However, a mortgage, pledge or other security in the Issuer's properties or assets may be provided as collateral for the entire purchase price or parts thereof for such properties or assets, including interest accrued. "Loan" means a loan raised through the issue of instruments of debt which are or are capable of being traded in the ordinary markets.

4.7 Interest

A fixed rate interest of 5.25% is payable on the notes. The notes bear interest from and including 24 November 2008. Interest payment will be made annually in arrear on 24 November 2009.

If the interest payment date would otherwise fall on a day where banks are not open for business in Denmark, it shall be postponed to the next business day. Where the interest amount is to be calculated for a period including an incomplete month, such interest amount shall be calculated applying the rate of interest to the outstanding principal amount of the notes on the basis of the actual number of days elapsed in the relevant interest period and a year consisting of 12 months of the actual number of days each.

Prescription:

Claims for payment of interest will become void three (3) years and claims for payment of principal, ten (10) years after the due date, see section 73 of the Danish Securities Trading etc. Act.

4.8 Maturity and Repayment

The notes mature on 24 November 2009, unless the notes have been redeemed prior to that day, due to Events of Default according to Section 4.6.

Repayment of the principal amount and interest to the noteholders will be made through the Account Holding Institute by credit to the accounts with banks or stockbrokers designated to VP Securities Services.

4.9 Yield

The yield of the notes depends of the coupon rate, time to maturity, and purchase and selling price of the notes. The yield of the notes will be published prior to issue date on NASDAQ OMX Iceland hf. and NASDAQ OMX Copenhagen A/S.

4.10 Representation of noteholders

There is no representation the noteholders.

4.11 Authorisation

The notes are issued in accordance with authorisation given by the Faroese Ministry of Finance on 15 November 2008.

4.12 Issue Date

The notes will be issued on 24 November 2008.

4.13 Transferability

The transferability of the notes shall not be subject to any restrictions. However, for noteholders subject to other jurisdictions than Denmark, reservations are made as to the legislation of such jurisdictions. Subject to the limitations contained in the Danish Securities Trading, etc. Act, the notes shall be considered negotiable instruments issued in bearer form.

4.14 Taxation

All investors are advised to consider any potential taxation issues that may concern their purchase or sale of the notes and to seek independent advice in this respect.

Investors located in the Faroe Islands

Resident individuals in the Faroe Islands are subject to 35% tax on capital gains interest payments.

Resident corporations in the Faroe Islands are subject to 18% tax on capital gains interest payments.

According to current legislation all payments of interest on the notes will be made without withholding or deduction tax (coupon tax) on the Faeroe Islands. In the event that withholding or deduction tax is required by law on the Faeroe Islands, the Faroese Government will withhold such tax before paying interest to the noteholders registered. In such case, the Issuer will not compensate the noteholders. Any interest due for payment as well as possession, repayment and transfer of the notes will be reported by the relevant custodian bank to the Danish tax authorities in accordance with the applicable tax rules.

Investors located in Denmark and Iceland

Subject to tax treaties entered into by the Faroe Islands with Iceland and Denmark respectively, all payments of interest on the notes will be made without withholding or deduction tax (coupon tax) on the Faeroe Islands. In the event that withholding or deduction tax is required by law on the Faeroe Islands, the Faroese Government will withhold such tax before paying interest to the noteholders registered. In such case, the Issuer will not compensate the noteholders.

Investors located in jurisdiction outside the Faroe Islands, Denmark and Iceland are advised to seek independent tax advice.

5. Terms and conditions of the offer

5.1 Nominal Amount

The total nominal amount of the notes to be issued is DKK 974,000,000.

The note is open for further issues without a fixed maximum amount. Future issues will be made at market price free of charge to investors. The note will be closed for further issues on the 24 August 2009.

5.2 Placing and underwriting

Nordea Bank Danmark A/S and the Governmental Bank of the Faroe Islands, Landsbanki Føroya (the “Arrangers”) have arranged for the notes to be purchased by a group of institutional investors.

The issue of the notes has not been underwritten with a firm commitment. Nordea Bank Danmark A/S has agreed, on a “best efforts” basis, to arrange for the placing of the notes.

5.3 Issue Price

The issue price of the notes is expected to be published the 19 November 2008 on NASDAQ OMX Iceland hf.. The issue price will depend on the applicable market conditions.

5.4 Payment and Settlement

Payment and settlement of the notes will be effected three business days after the trading day against registration with VP Securities Services. However, the first issue will be settled for value on 24 November 2008. The settlement will be effected against payment and registration with VP Securities Services.

5.5 Account Holding Institute

The Issuer has appointed Nordea Bank Danmark A/S as Account Holding Institute.

6. Admission to trading and official listing

6.1 Admission to trading and official listing

Application have been filed with the NASDAQ OMX Iceland hf. acting on behalf of the Financial Supervisory Authority - Iceland (FME) as the competent authority in Iceland for the purpose of the Directive 2003/71/EC (the Prospectus Directive) and the relevant laws and regulation for approval of the Prospectus. NASDAQ OMX Iceland hf. has scrutinized and approved this Prospectus, which is only published in English. Application has been filed with the NASDAQ OMX Iceland hf. for the

trading and official listing on the main market (Faroese Securities Market) of the NASDAQ OMX Iceland hf. The notes have been approved on the 18 November 2008 by the NASDAQ OMX Iceland hf. for the trading and official listing on the main market (Faroese Securities Market) of the NASDAQ OMX Iceland hf., with effect from 24 November 2008.

6.2 Admission to trading and official listing on other regulated markets

The Prospectus will be passported to the Kingdom of Denmark. Subject to approval by the Danish Financial Supervisory Authority, application will subsequently be filed with the NASDAQ OMX Copenhagen A/S for the trading and official listing on the main market of the NASDAQ OMX Copenhagen A/S. Approval of the notes for the trading and official listing on the main market of the NASDAQ OMX Copenhagen A/S is expected to have effect from the 24 November 2008.

7. Additional information

7.1 Audit of Information

The Issuer's auditors have not been auditing the information contained in this Prospectus.

7.2 Rating

The notes have not been rated by a rating agency. The Issuer holds a credit rating of Aa2 assigned by Moody's Investor Service on 13 October 2008.

More information about the credit rating can be obtained on the website of Landsbanki Føroya (www.landsbankin.fo).