

Eik Banki Group's 2008 estimates down by DKK 35 million to DKK 300 million

Total gross income for the Eik Banki Group has increased by 25 percent, indicating a sound core banking operation. However, the global financial crisis is pulling in the opposite direction. Consequently, the Bank is adjusting its result to be DKK 35 mill. less than previous estimates. Liquidity has improved considerably, and with an equity of DKK 2.1 bn the Bank has a strong basis to meet future challenges

2008 has been a volatile year for the global financial industry. Eik Banki Group, being the largest financial institution on the Faroe Islands with activities and operations both locally and abroad, has also felt the impacts of the unusual and unfavourable development of the global financial market.

It is from this perspective that Eik Banki Group publishes its 3Q result 2008.

Solid Core Operations

The 2008 third quarter result is DKK 268 mill. before market value adjustments, provision for losses, write downs and taxes compared to DKK 240.5 mill. for the same period last year.

"This indicates that the core banking operations of the Eik Banki Group are sound, and precisely this is significant in a market, which has only rarely experienced an instability as we have seen the preceding months" explains Marnar Jacobsen, CEO of Eik Banki Group.

He affirms with gratitude, that net interest income and income from fees and commissions due to increased activities have increased by DKK 106 mill. or 23,6 per cent, compared to the same period for last year.

When deducting market value adjustments of DKK 205.3 mill. and provisions for losses and write downs of DKK 101.0 mill., the net result before taxes is DKK -38.4 mill. compared to DKK 332.1 for the previous year. Net result after taxes is DKK -31.7 compared to DKK 281.6 for the previous year.

"We can affirm a net deficit for the 2008 third quarter, however we are in a market where the prevailing circumstances are abnormal, the value of securities have declined to unusually low levels and the funding costs are increasing, the result is primarily influenced by these circumstances" explains Marnar Jacobsen, CEO.

Part of the market value adjustments, a total of DKK 82.3 mill. are derived from the Bank's own share holdings of Eik shares. As previously announced, such losses are to be carried over operations and not deducted directly from equity as practised in those countries where the IFRS accounting principles have already been enforced and applied. Provided that the international accounting standards were in force on the Faroe Islands, the deficit of DKK 38.4 before taxes could be turned to a surplus of DKK 44.0. Consequently, precautions must be taken when the result of the Eik Banki Group is being compared to that of e.g. Danish banks.

IFRS accounting rules will be enforced on the Faroe Islands with effect as of 01 January 2009.

Diversified Loan Portfolio

Eik Banki Group has operations and activities on the Faroe Islands and Denmark and has in general a well diversified loan portfolio. The geographical distribution of the Group's loan portfolio is 48 per cent in the Faroe Islands, 46 per cent in Denmark and 6 per cent in other countries.

Furthermore, the diversification of the loan portfolio's purposes is positive. Secure loans to retail customers amount to 43 per cent, the majority being home mortgages.

19 per cent of the loans are provided as financing to ordinary corporate properties and bona fide lessees in long term leasing agreements. 7 per cent of the total loan portfolio is project financing for various real estate projects.

Eik Banki P/F

Yviri við Stond 2
Postboks 34
FO-100 Tórshavn
Faroe Islands

Tel : +298 348 000
Fax : +298 348 854

eik@eik.fo
www.eik.fo

The Group has a cautious loan policy. However, the course of the financial markets where the Group is active implies that provisions for losses and write downs for third quarter 2008 is DKK 101.0 corresponding to 0.6 per cent of the total loan portfolio and guarantees.

Limited Risks in Iceland

During the third quarter of 2008 close attention has been paid to the particularly troubled Icelandic market. Eik Banki Group has a limited risk on this market.

In October 2008, Eik Banki Group entered into an agreement with Eik Grunnurin, i.e. the Eik Fund, to sell Eik Banki's shares in SPRON for DKK 39 mill. In the Group's books these shares were noted as DKK 57 mill. as of 30 September. The Bank has furthermore limited its engagements in Icelandic enterprises. The total engagements of the Eik Banki Group to parties in Iceland amount to approximately DKK 75 mill., and a loss is to be expected.

The Private Contingency Fund and Liquidity

The third quarter of this year has been a particularly unstable time period, during which banks have been apprehensive in terms of the availability of interbank loans. Consequently, the Danish Government has, together with the banks within the Kingdom of Denmark, organised and established the Private Contingency Fund and a government-backed Deposit Guarantee Scheme placing a two-year guarantee on all deposits and unsecured claims against Danish financial institutions. Eik Banki Group forms part of and contributes to the establishment.

Ultimate September 2008, the excess liquidity was DKK 774 mill. corresponding to 4.7 per cent. However, since the establishment of the Private Contingency Fund, the liquidity on the interbank market has improved. The excess liquidity cover per 23 October is DKK 1.9 bn corresponding to 98 per cent. Consequently, the excess liquidity has increased by DKK 1.18 bn or 56 per cent. Total liquidity of the Eik Banki Group as of today is DKK 3.9 bn.

The solvency of the Eik Banki Group is 12.1 per cent and equity is DKK 2.1 bn.

Outlook for 2008

Eik Banki is expecting an annual result of DKK 300 mill. before market value adjustments, provisions for losses, write downs and taxes. The estimate being DKK 35 mill. less than previously estimated and announced.

The explanation being increased funding costs and the contribution of DKK 15 mill. to the Private Contingency Fund.

For further information, please contact:

Marnar Jacobsen, CEO, tel +298 348 000, e-mail: marnar.jacobsen@eik.fo

Finn Danberg, Director, Group CFO and Head of IR, tel +298 348 610, e-mail: finn.danberg@eik.fo

Per Højgaard, Information Officer, tel +298 348 542, e-mail: per.hojgaard@eik.fo