



Εik

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1-3 Quarter Report

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2008

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[www.eik.fo](http://www.eik.fo)

**Eik Banki P/F**

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Registered address	Tórshavn
Established	24. august 1832

Registration no	3293
VAT No.	516244

Reg no.	9181
BIC/SWIFT	EIKB FO TF

**Eik Banki Securities****Share 1)**

Stock Exchanges	VMF Market on OMX Nordic Exchange Iceland OMX Nordic Exchange Copenhagen
ISIN code	F00005702340
Bloomberg	EIK IR / EIK DC
Share Capital	DKK 812,927,400
No. of Shares	8,129,274

**Subordinated Debt**

Stock Exchange	OMX Nordic Exchange Copenhagen
ISIN code	DK0030034426
Bloomberg	FOROYA 5.385
Amount	DKK 150.000.000

- 1) Eik Banki is a member of MidCap+ set up by the Copenhagen Stock Exchange to promote liquidity in shares of medium-sized listed companies.

**Investor Relations**

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Chairman

Odd Arild Bjellvåg  
Deputy Chairman

Finnbogi Niclasen  
Rólant Vidtfeldt  
Mathea Hilduberg  
Marian Jacobsen  
Petur Hammer  
Tórmund A. Joensen  
Rakul Dam  
Gert Langgaard  
Fía Selma Nielsen

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Gunnbjørn Joensen  
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Dánjal Jákup Meinertsson

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Hans Johannes á Brúgv  
Debes Danberg  
Hans Andrias Djurhuus  
Bent Jacob Højgaard Hansen  
Jóhannes Martin Hansen  
Poul Gert Hansen  
Jákup Egil Jensen  
Jóan Pauli Joensen  
Líggjas Joensen  
Olga Kallsberg  
Oddvá Nattestad  
Marita Simonsen  
Birgir Sondum  
Jákup í Stórustovu

**Appointed according to § 6.6 in the Articles of Association**

Frithleif Olsen  
Kjartan Mohr

**External Auditor**

Hans Laksá,  
State-Authorized Public Accountant

**Internal Auditor**

Sigmund Frederiksen  
Chief Auditor



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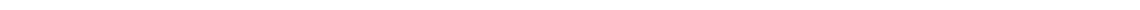
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# 1-3 Quarter Highlights

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2008

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## 1-3 Quarter Highlights

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### 1-3 Quarter Highlights

- Increase in the basic operation. The result before market value adjustments, provisions for losses and write downs and taxes is DKK 268.0 million, which is an increase of 11.4 per cent
- Provisions for losses and write downs are DKK 101.0 million, corresponding to 0.6 per cent of total loans and guarantees
- Market value adjustments of securities and foreign currencies showed a net loss of DKK 123.0 million. In addition, market value adjustments of trading portfolio showed a net loss of DKK 82.3 million, which according to Faroese accounting principles figure in the income statement, as opposed to being deducted directly over the equity as is done in other countries
- Result after taxes is a DKK 31.7 million deficit
- Solvency is 12.1 per cent
- Liquidity is DKK 2.6 billion. Excess liquidity cover relative to statutory requirement is 41.7 per cent

### Outlook for 2008

The Faroese and Danish economies are still strong and fundamentally sound with low unemployment. However, the increasing interest rates and negative outlook for the global growth will result in a lower growth rate in 2008 and 2009 and an increased level of uncertainty.

Based on the nine month result the fact that funding costs have increased, and the fourth quarters payments to the Banking Sector Contingency Fund, the previously announced estimated result before market value adjustments, provisions for losses and write downs and taxes will be adjusted downwards from DKK 335 million to DKK 300 million.

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Five Year Summary

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2004–2008

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## Five-year Summary Income Statement

Group DKK Million	1-3Q 2008	1-3Q 2007	1-3Q 2006	1-3Q 2005	1-3Q 2004
<b>Income Statement</b>					
Interest income	987	631	329	252	202
Interest expenses	613	345	134	77	51
<b>Net interest income</b>	<b>374</b>	<b>286</b>	<b>195</b>	<b>175</b>	<b>151</b>
Fee, commissions and dividend	181	163	79	44	19
Market value adjustments of securities and foreign currencies	-205	86	38	45	121
Other operating income	8	7	6	6	8
<b>Profit on financial operations</b>	<b>358</b>	<b>542</b>	<b>318</b>	<b>270</b>	<b>299</b>
Staff costs, administrative expenses and other operating expenses	276	232	156	128	96
Total depreciation, write-downs and provisions for losses	121	12	-5	24	89
Income from associated and subsidiary undertakings	0	34	25	0	0
<b>Profit before taxes</b>	<b>-39</b>	<b>332</b>	<b>192</b>	<b>118</b>	<b>114</b>
Taxes	-7	50	37	25	1
<b>Net profit</b>	<b>-32</b>	<b>282</b>	<b>155</b>	<b>93</b>	<b>113</b>

## Five-year Summary Balance Sheet

Group DKK Million	3Q 2008	2007	3Q 2007	3Q 2006	3Q 2005	3Q 2004
<b>Balance Sheet</b>						
<b>Assets</b>						
Cash in hand, claims on central banks and credit institutions	1,044	3,130	2,078	995	628	228
Loans and advances	16,133	15,616	14,961	7,818	5,622	3,863
Securities	1,810	1,869	1,924	1,109	929	924
Tangible assets	134	139	133	131	120	119
Other assets	708	914	797	518	277	162
<b>Total assets</b>	<b>19,829</b>	<b>21,668</b>	<b>19,893</b>	<b>10,571</b>	<b>7,576</b>	<b>5,296</b>
<b>Liabilities</b>						
Debt to credit institutions	4,761	5,412	4,080	3,181	2,104	273
Deposits	12,041	13,263	12,705	5,787	4,348	4,057
Other liabilities	507	441	586	302	205	99
Subordinated debt	448	448	448	150	0	0
Equity	2,072	2,104	2,074	1,151	919	867
<b>Total liabilities</b>	<b>19,829</b>	<b>21,668</b>	<b>19,893</b>	<b>10,571</b>	<b>7,576</b>	<b>5,296</b>
<b>Off-balance-sheet items</b>						
Total guarantees, etc.	1,256	1,091	970	824	304	139
Other commitments	137	111	92	2	2	0
<b>Total off-balance-sheet items</b>	<b>1,393</b>	<b>1,202</b>	<b>1,062</b>	<b>826</b>	<b>306</b>	<b>139</b>

## Five-year Summary Ratios

Group		3Q 2008	3Q 2007	3Q 2006	3Q 2005	3Q 2004
<b>Ratios</b>						
<b>Solvency and capital ratios</b>						
Solvency ratio (1) & 2)		12.1%	11.2%	10.5%	13.0%	17.2%
Core capital ratio (1) & 3)		10.1%	8.8%	9.4%	13.0%	18.0%
<b>Earning ratios</b>						
Return on equity before tax (1)	ROE	-1.8%	20.2%	18.6%	13.5%	14.0%
Return on equity after tax (1)	ROE	-1.5%	17.2%	15.0%	10.6%	13.9%
Return on Assets after tax	ROA	-0.2%	1.4%	1.5%	1.2%	2.1%
Return on Risk Weighted Assets after tax	RORWA	-0.2%	1.9%	1.9%	1.6%	2.7%
Income/cost ratio (1)		0.90	2.36	2.27	1.78	1.62
<b>Shares</b>						
Average number of shares (1,000)		8,129	7,621	6,953	6,793	6,793
Number of shares end period (1,000)		8,129	8,129	7,113	6,793	6,793
Share price end period (1)		165.00	645.00	342.50	161.77	125.47
Share price high		517.00	744.00	350.50	161.75	132.50
Share price low		165.00	483.00	184.50	118.25	95.50
Average share price		341.00	613.50	267.50	140.00	114.00
Earnings after tax per share (1) & 4)	EPS	-3.90	36.95	22.32	13.65	16.61
Book Value per Share (1)	BVPS	254.92	255.10	161.79	135.34	127.61

### Explanation of ratios

- 1) Prepared according to the regulations issued by the Danish Financial Supervisory Authority.  
The solvency ratio is the ratio between capital base and risk weighted assets, where capital base is equity less certain adjustments, and risk weighted assets are assets classified in different risk classes
- 2) Core capital ratio is the of core capital after deductions to risk weighted assets, where core capital is equity less certain adjustments and risk weighted assets are assets classified in different risk classes.
- 3) Core capital ratio is the of core capital after deductions to risk weighted assets, where core capital is equity less certain adjustments and risk weighted assets are assets classified in different risk classes.
- 4) Average number of shares in the period.

## Five-year Summary Ratios

Group		3Q 2008	3Q 2007	3Q 2006	3Q 2005	3Q 2004
<b>Market risk ratios</b>						
Interest rate risk 1) & 5)		3.2%	4.5%	1.4%	4.6%	2.2%
Foreign exchange risk 1) & 6)		29.3%	8.8%	17.8%	5.1%	18.7%
Risk-weighted assest / Total assets		80.2%	72.7%	77.8%	77.1%	77.9%
<b>Liquidity ratios</b>						
Loans, advances and provisions in proportion to deposits 1)		136.8%	119.3%	139.3%	137.9%	105.7%
Excess liquidity cover relative to statutory requirement 1)		41.7%	54.2%	86.9%	84.5%	81.2%
<b>Credit risk ratios</b>						
Large loans as percentage of capital base 1) & 7)		170.6%	112.3%	204.1%	163.9%	91.5%
Part of outstanding loans at reduced interest 1)	NPL	0.7%	0.4%	1.0%	-	-
Provisions percentage 1)	LLR	1.9%	1.3%	2.8%	5.9%	9.6%
Loan Loss Reserve / Non-Performing Loan Ratio	LLR/NPL	259%	313%	277%	-	-
Write-offs and provisions during the period 1)		0.6%	0.0%	-0.3%	0.2%	1.9%
Total loans in proportion to equity 1)		7.8	7.2	6.8	6.1	4.5
Increase of loans 1)		3.3%	80.9%	19.3%	11.3%	-0.6%
<b>Other ratios</b>						
Increase in deposits 1)		-9.2%	107.7%	29.1%	3.6%	7.1%
Increase in balance 1)		-8.5%	68.2%	22.6%	16.7%	1.9%

- 5) Interest rate risk is based on the premise that the effective interest rate fluctuates 1 per cent and that the fluctuations in DKK are calculated in comparison to core capital less certain adjustments.
- 6) Foreign exchange risk is the higher amount of assets or liabilities in currency and is calculated in per cent to core capital less certain adjustments.
- 7) Outstanding balances greater than 10 per cent after deductions for secure requirements in per cent to capital base.

## Five-year Summary Ratios

Eik Banki P/F		3Q 2008	3Q 2007	3Q 2006	3Q 2005	3Q 2004
<b>Ratios 1)</b>						
<b>Solvency and capital</b>						
Solvency ratio 2)		20.5%	22.1%	14.1%	16.5%	17.2%
Core capital ratio 3)		17.5%	17.7%	12.6%	16.5%	18.0%
<b>Earnings ratios</b>						
Return on equity before tax		-2.5%	18.8%	16.8%	12.7%	14.0%
Return on equity after tax		-1.5%	17.2%	15.0%	10.6%	13.9%
Income/cost ratio		0.77	3.00	2.79	1.99	1.62
<b>Market risk</b>						
Interest rate risk 8)		0.9%	1.5%	1.0%	3.9%	2.2%
Foreign currency risk 9)		9.0%	6.6%	15.3%	3.9%	18.7%
<b>Liquidity ratios</b>						
Loans, advances and provisions in proportion to deposits		148.9%	112.1%	98.5%	111.8%	105.7%
Excess liquidity cover relative to statutory requirement		32.3%	52.9%	71.0%	22.5%	81.2%
<b>Credit risk</b>						
Large loans as percentage of capital base 10)		115.5%	58.1%	104.8%	108.1%	91.5%
Part of outstanding loans at reduced interest 11)	NPL	0.8%	0.8%	1.5%	-	-
Provisions percentage	LLR	2.7%	2.3%	3.8%	7.5%	9.6%
Write-offs and provisions during the period		0.5%	-0.2%	-0.5%	0.2%	1.9%
Total loans in proportion to equity		4.0	3.1	4.3	4.5	4.5
Increase in loans		3.7%	24.6%	12.4%	6.5%	-0.6%
<b>Other ratios</b>						
Increase in deposits		-7.3%	4.7%	27.5%	3.9%	7.1%
Increase in balance		-10.5%	15.0%	21.4%	33.6%	1.9%

- 8) Interest rate risk is based on the premise that the effective interest rate fluctuates one percentage point and the corresponding change in DKK is calculated in per cent of core capital after deductions.
- 9) Foreign currency risk is the higher amount of assets or liabilities in currency and is calculated in per cent of core capital after deductions.
- 10) Outstanding accounts greater than 10 per cent after deductions for secure claims in per cent of capital base.
- 11) Loans at reduced interest and loans where the interest is not recognised as revenue (NPL).

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Comments on 1-3 Quarter Report

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2008

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## Comments and Outlook

### Eik Banki Solid Basic Operation

Eik Banki's basic operation in 2008 is better than the year before. Net interest and fees income, resulted in a DKK 106.0 million increase corresponding to 23.6 per cent. The result before market value adjustments, provisions for losses and write downs and taxes is DKK 268.0 million against DKK 240.5 million same period 2007.

The result before taxes is a DKK 38.4 million deficit compared to a DKK 332.1 million profit same period last year. Taxes in 2008 are DKK -6.7 million against DKK 50.5 million last year. The decline can be ascribed to three main causes, i.e. negative market value adjustments of DKK 205.3 million, provisions for losses and write downs of DKK 101.0 million and finally, a decrease in dividends of DKK 43.3 million compared to the same period 2007.

The nine month result 2008 after taxes is a DKK 31.7 million deficit against DKK 281.6 million profit last year.

According to the IFRS accounting principles, which are prevalent in most countries, market value adjustments of own shares would not affect the third quarter result, as these would be deducted directly from equity. The IFRS accounting principles will be enforced and applied in the Faroe Islands no later than 1 January 2009. In accordance with the current accounting principles in the Faroe Islands, however, market value adjustments figure in the income statement. This has burdened the nine month result with DKK 82.3 million and should be taken into consideration when comparing Eik Banki's result with those of Danish and other foreign banks.

Were the change in the Eik share price not included, the result would have been a DKK 44.0 million profit before taxes.

The result of the subsidiary Eik Bank Danmark was DKK 44.8 million after taxes against DKK 68.8 million same period 2007.

### Increase in Income

Net interest income this year is DKK 374.6 million compared to DKK 286.4 million same period last year. This is a DKK 88.2 million increase corresponding to 30.8 per cent. The increase is derived from the results of the Faroese as well as the Danish activities within the group.

Income from fee and commissions increased by DKK 61.1 million corresponding to 66.0 per cent, from DKK 92.5 million third quarter of 2007 to DKK 153.6 million third quarter 2008.

Net interest and fees income and dividends amounted to DKK 555.1 million in 2008 compared to DKK 449.1 million for the same period last year - an increase of DKK 106.0 million or 23.6 per cent. The result in 2007 was affected by a significant increase in dividend from shares etc. which were DKK 70.2 million compared to DKK 26.9 million this year. Thus the reduction in dividend conceals an increase in net interest and fee income of DKK 149.3 million corresponding to 39.4 per cent.

### Market Value Adjustment on Securities and Foreign Currencies

Market value adjustment on securities and foreign currencies showed a net loss of DKK 205.3 million compared to a profit of DKK 86.3 million for the same period last year. The down trend on the international financial market has been particularly unfavourable so far this year having lead to negative market value adjustments of Eik Banki's holdings especially in Atlantic Petroleum and SPRON.

Eik Banki is the market maker of the Eik share, and



## Comments and Outlook

thereby has a trading portfolio of own shares. Eik Banki owns 3.8 per cent of the Eik shares in the trading portfolio. The adjustment from this part of the trading portfolio affects the result by a DKK 82.3 million loss.

### Increased Operating Expenses

Operating expenses increased by DKK 44.1 million corresponding to 19.0 per cent, from DKK 232.2 million to DKK 276.3 million.

The increase is mainly derived from an increase in the number of full time employees by 10.6 within the Group and from the fact that other operating expenses have increased as well. At the end of September 2008, there were 355.4 full time equivalents within the Group.

Depreciations on tangible and intangible assets are slightly higher in 2008. Total depreciations amounted to DKK 18.9 million compared to DKK 17.5 million for the same period last year.

The Faroese and Danish economies are strong and healthy. However, the increasing interest rates and negative outlook for the global growth have had a negative impact on the economy. Consequently the Group's provisions for losses were DKK 101.0 million against an appropriation of DKK 5.2 million last year. From these, DKK 44.6 million stem from Eik Banki and DKK 56.4 million from Eik Bank Danmark. The provisions for losses correspond to 0.6 per cent of total loans and guarantees.

### Balance

The Group balance sheet stands at DKK 19.8 billion compared to 19.9 billion 30 September 2007. This is a DKK 0.1 billion decrease corresponding to 0.3 per cent. By year-end 2007, the Group balance was DKK 21.7 billion.

Loans for the Group have increased net by DKK 1.2 billion from DKK 15.0 billion to DKK 16.1 billion. The increase stems from Eik Banki with DKK 1.8 billion mainly due to the acquisition of part of the Faroese loan portfolio of Kaupthing, while Eik Bank Danmark decreased their loan portfolio with DKK 0.6 billion. In 2008 the loans have increased by DKK 516.8 million, an increase of 3.3 per cent.

### Loan Portfolio

The overall strategy of the Eik Group is to diversify its activities geographically in order to minimise geographical concentration and spreading risk. This is apparent in the geographical distribution of loans. By 30 September 2008, 48 per cent of total loans were provided in the Faroe Islands, 46 per cent in Denmark and 6 per cent in other countries. At year-end 2007 these figures were 49 per cent, 46 per cent and 5 per cent, respectively.

Furthermore, as shown in Figure 1, total Group loans are well diversified as regards purpose of the loans.

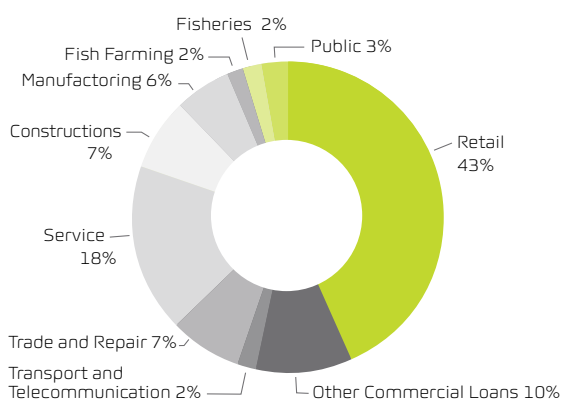
Eik Banki has always emphasised retail banking and 43 per cent of total loans have been provided to retail customers. Whereas commercial loans make up 54 per cent and public loans 3 per cent. The majority of retail loans are mortgage loans. In each case, a credit assessment has been made, and the borrower must fulfill the required margin. The majority of the loans are provided at a variable interest rate, and therefore, no loans are given unless the borrowers are capable of honouring their obligations, despite a possible rise in the interest rate level. Furthermore, if necessary the customer is obliged to hedge the risk by a fixed or capped interest.

### Commercial Real Estate and Project Financing

19 per cent of total loans have been advanced to profitable leasing properties, typically leased to bona

## Comments and Outlook

Figure 1  
**Group Loans by Sector and Industry**  
 30 September 2008



fide lessees in long term leasing agreements, and corporate properties, where the property is part of the core operation of the business.

7 per cent of total loans are project financing of real estate. In total, there are 28 different projects comprising of construction of office buildings, commercial buildings, residential properties, real estate and buildings for recreational purposes.

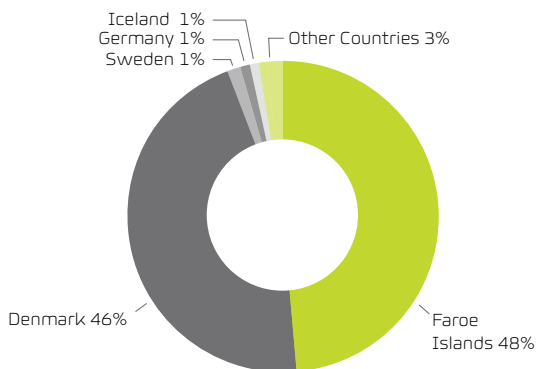
The Management is of the opinion that the amount of loans to corporate and leasing properties as well as project financing of real estate is at a sound level.

#### Deposits

There has been a decrease in deposits from DKK 12,7 billion to DKK 12,0 billion. This is a DKK 0,7 billion decrease from which DKK 0,2 billion stems from Eik Banki and DKK 0,5 billion stems from Eik Bank Danmark. At the beginning of 2008, deposits amounted to DKK 13,3 billion.

Figure 3 shows the distribution of deposits based on

Figure 2  
**Group loans per Country**  
 30 September 2008



size. A large part of the deposits is less than DKK 1.0 million, spread out on a large number of customers.

The main reason for this is that the majority of Eik Bank Danmark's depositors are retail customers with a lower average deposit than larger corporate and institutional customers.

Debts to financial institutions are DKK 4,8 billion compared to DKK 4,1 billion 30 September 2007. This is an increase of DKK 0,7 billion. At the beginning of 2008, debt to financial institutions amounted to DKK 5,4 billion.

30 September 2008, claims on credit institutions and central banks etc. were DKK 0,5 billion against DKK 2,0 billion 30 September 2007.

Equity, including the nine month result 2008, is DKK 2,1 billion.

The Group solvency ratio is 12,1 per cent compared to 11,2 per cent 30 September 2007. Eik Banki P/F's

solvency is 20,5 per cent compared to 22,1 per cent last year. The legal minimum requirement is 8 per cent.

On 30 September 2008, the liquidity was DKK 2,6 billion compared to DKK 3,1 billion for the same period last year. The required minimum is DKK 1.8 billion. The excess liquidity was 41,7 per cent against 69,5 per cent the same time last year. The decrease is a consequence of the interbank market being more or less inactive in September 2008. However, since the establishment of the Banking Sector Contingency Fund, the liquidity on the Danish interbank market has improved and interbank funding has become easier. The excess liquidity cover per 23 October 2008 is DKK 1.9 billion corresponding to 98 per cent. Consequently the excess liquidity has increased by 1.18 billion or 56 per cent. Total liquidity of the Eik Banki Group as of today is DKK 3.9 billion.

#### Other Events

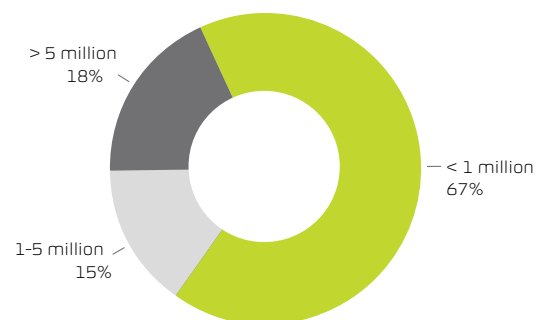
For some time, Eik Investment Banking has been structuring the activities of the venture company Notio, diversifying the activities in order to attract new investors. Eik Banki and Notio have entered into an agreement regarding the purchase of the shares that Eik Banki held in the fish farming industry and in the company 6. september 2006, which owns two supply boats. Moreover, Notio has entered into an agreement with Eik Grunnurin (the Eik Fund) regarding the purchase of Eik Grunnurins holdings in Norriq.

The largest holdings of Notio are Mest, Faroe Seafood and Formula International (owner of Danish company Norriq).

Eik Banki's current holdings in the share capital of Notio is 48,7 per cent.

As of 1 January 2009, the IFRS accounting principles will be enforced and applied in the Faroe Islands.

Figure 3  
Group deposits by size  
30 September 2008



However, the current accounting principles leave room for Faroese financial institutions to apply the Danish accounting principles that are similar to the IFRS accounting principles in the course of 2008. Eik Banki is currently exploring this possibility.

#### Events After The End of The Interim Report

The Danish Government has issued a two-year guarantee for all deposits and unsecured claims against Danish financial institutions. According to an agreement with the banking sector, it will be managed and financed by "Det Private Beredskab" (The Banking Sector Contingency Fund).

7 October 2008, the Eik Banki's Board of Directors decided to confirm Eik Banki Group's membership of the Banking Sector Emergency Fund. Accordingly, Eik Banki Group will contribute to and be covered by the new government-backed Deposit Guarantee Scheme, which will be operative for two years as from 6 October 2008. In 2008, Eik Banki Group's participation in the Deposit Guarantee Scheme is expected to have a negative impact on the bank's pre-tax profit of approx DKK 15 million. See Stock Exchange Announcement no. 17/2008.

## Comments and Outlook

14 October 2008, SPRON announced that the planned merger between SPRON and Kaupthing was cancelled and that circumstances in the financial markets had changed profoundly, consequently, having an unfavourable impact on SPRON's results. In light of the changed circumstances and with the long-term interests of the company in mind, the company is now being restructured and strengthened.

30 September 2008, Eik Banki's holdings in SPRON were booked to DKK 56,6 million. In October, Eik Banki entered into an agreement with Eik Grunnurin (the Eik Fund) in which Eik Banki's holdings in SPRON will be sold to Eik Grunnurin for DKK 39,8 million. Furthermore, Eik Banki Group has decreased its total exposure with enterprises in Iceland to EUR 10 million (DKK 75 million).

The EUR 10 million stem from Eik Banki Group's participation in a loan syndicate together with a number of Danish and European financial institutions. The borrower has suspended payments, and an assessment will be made regarding a possible write down in the fourth quarter, when the Bank has received more information on the borrower's current situation.

No other events of significance to the third quarter report 2008 have occurred after 30 September 2008.

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

Eik Banki Group has no knowledge of possible trends, uncertainties, demands, obligations or events, other than those herein described, that could be expected to have a negative impact on Eik Banki's prospects.

### Outlook for 2008

The Faroese and Danish economies are still strong and fundamentally sound with low unemployment. However, the increasing interest rates and negative outlook for the global growth will result in a lower growth rate in 2008 and 2009 and an increased level of uncertainty.

Based on the nine month result, the fact that funding costs have increased and the fourth quarter payments to the Banking Sector Contingency Fund, the previously announced expected result before market value adjustments, provisions for losses, write downs and taxes will be adjusted downwards from DKK 335 million to DKK 300 million.

### Decisions by the Board of Directors

No decisions by the Board of Directors in the third-quarter are of the nature that needs to be included in the nine month report.

### Auditing

The third quarter report has been reviewed by the internal auditing department, but has not been audited.

### Accounting Principles

There have been no changes in the accounting principles.

### Financial Calendar 2008

21 February	Annual Report 2007
11 April	General Meeting
24 April	First Quarter Report
24 July	Half-Year Report
24 October	Nine Month Report

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1-3 Quarter Accounts

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2008

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## 1-3 Quarter Accounts Income Statement

Eik Banki P/F				Group	
1-3Q 2008	1-3Q 2007	Note	DKK 1,000	1-3Q 2008	1-3Q 2007
<b>Income Statement</b>					
613,561	447,838	3	Interest income	987,087	631,468
404,574	262,214	4	Interest expense	612,505	345,096
<b>208,987</b>	<b>185,624</b>		<b>Net interest income</b>	<b>374,582</b>	<b>286,372</b>
24,597	67,546		Dividends from shares and other holdings	26,872	70,183
111,227	53,680		Fee and commission income	161,661	97,814
3,860	731		Fee and commission expense	8,015	5,278
<b>340,951</b>	<b>306,119</b>		<b>Net interest and fee income</b>	<b>555,100</b>	<b>449,091</b>
-221,521	46,796	5	Market value adjustments of securities and foreign currencies	-205,346	86,345
6,321	6,232		Other operating income	8,168	6,890
<b>125,751</b>	<b>359,147</b>		<b>Profit on financial operations</b>	<b>357,922</b>	<b>542,326</b>
162,330	154,739	6	Staff costs and administrative expenses	276,317	232,167
17,002	16,219		Depreciation and write-down of intangible and tangible assets	18,876	17,513
0	0		Other operating expenses	0	113
44,641	-16,501		Net depreciation and provisions for loss on bad debts	101,012	-5,206
45,770	104,321	7	Income from associated and subsidiary undertakings	-73	34,339
<b>-52,452</b>	<b>309,011</b>		<b>Profit before taxes</b>	<b>-38,356</b>	<b>332,078</b>
-20,782	27,432		Taxes	-6,686	50,499
<b>-31,670</b>	<b>281,579</b>		<b>Net profit for the period</b>	<b>-31,670</b>	<b>281,579</b>

## 1-3 Quarter Accounts Balance Sheet

Eik Banki P/F				Group	
3Q 2008	3Q 2007	Note	DKK 1,000	3Q 2008	3Q 2007
<b>Balance sheet</b>					
<b>Assets</b>					
170,681	77,043		Cash-in-hand and demand deposits with central banks	516,930	89,361
1,677,620	2,816,164	8	Claims on credit institutions and central banks	527,224	1,989,042
8,225,995	6,468,324	9	Loans and advances	16,132,915	14,960,750
815,830	921,018		Bonds	1,167,874	1,164,419
326,384	478,324		Shares	422,596	550,602
159,125	191,971		Holdings in associated undertakings	159,125	191,971
1,067,032	1,007,637		Holdings in subsidiary undertakings	8,382	9,018
197,584	207,096		Intangible assets	410,642	505,850
130,759	127,158		Tangible assets	133,893	132,609
51,517	7,946		Own shares	51,769	7,946
192,026	164,061		Other assets	278,012	278,529
19,397	6,209		Prepayments	19,830	13,160
<b>13,033,950</b>	<b>12,472,951</b>		<b>Total assets</b>	<b>19,829,192</b>	<b>19,893,257</b>
<b>Liabilities</b>					
4,563,326	3,823,285	10	Debt to credit institutions and central banks	4,759,731	4,080,246
5,698,357	5,920,179	11	Deposits	12,041,318	12,705,124
249,210	204,883		Other liabilities	492,153	574,279
0	45		Prepayments	179	7,538
2,300	2,447		Provisions for liabilities and charges	15,054	3,958
448,444	448,304		Subordinated debt	448,444	448,304
<b>1 Equity</b>					
812,927	812,927		Share capital	812,927	812,927
600,427	600,427		Share premium account	600,427	600,427
51,517	7,946		Reserves for own shares	51,769	7,946
239,638	154,796		Other reserves	155,523	86,175
399,474	216,133		Brought forward from prior years	483,337	284,754
-31,670	281,579		Carried forward from profit	-31,670	281,579
<b>2,072,313</b>	<b>2,073,808</b>		<b>Total equity</b>	<b>2,072,313</b>	<b>2,073,808</b>
<b>13,033,950</b>	<b>12,472,951</b>		<b>Total liabilities</b>	<b>19,829,192</b>	<b>19,893,257</b>
<b>Off-balance-sheet items</b>					
1,144,346	744,119		Guarantees, etc.	1,256,298	969,784
112,316	90,630		Other commitments	136,517	91,884
<b>1,256,662</b>	<b>834,749</b>		<b>Total off-balance-sheet items</b>	<b>1,392,815</b>	<b>1,061,668</b>

## 1-3 Quarter Accounts

### Cash flow statement

Eik Banki P/F			Group	
3Q 2008	3Q 2007	DKK 1,000	3Q 2008	3Q 2007
<b>Cash flow statement</b>				
<b>Cash flows from operating activities</b>				
-31,670	281,579	Net profit in the period	-31,670	281,579
17,002	16,219	Depreciations and write-downs	18,876	17,513
44,641	-16,225	Provisions for loss on bad debts	101,011	-4,801
175,751	-146,732	Market value adjustments of securities	216,925	-110,309
<b>205,724</b>	<b>134,841</b>	<b>Cash flows from operating activities</b>	<b>305,142</b>	<b>183,982</b>
<b>Cash flows from selected financial assets and liabilities</b>				
1,473,604	772,571	Changes in net position to credit institutions and central banks	994,215	410,119
-2,024,134	-834,410	Net changes in loan and deposit	-1,936,982	-219,760
-30,950	-863,098	Net changes in securities	28,986	-266,122
-40,588	32,136	Net changes in other assets and liabilities	-128,319	280,854
<b>-622,068</b>	<b>-892,801</b>	<b>Cash flows from selected financial assets and liabilities</b>	<b>-1,042,100</b>	<b>205,091</b>
<b>Cash flows from investment activities</b>				
-11,091	-2,117	Changes in intangible and tangible assets	75,048	-304,356
0	575,000	Capital increase	0	0
0	-655,000	Investments in associated companies and subsidiaries	0	0
<b>-11,091</b>	<b>-82,117</b>	<b>Cash flows from investment activities</b>	<b>75,048</b>	<b>-304,356</b>
<b>Cash flows from financing activities</b>				
30,175	641,403	Inflow to equity	30,175	641,403
140	298,304	Subordinated debt	140	298,304
<b>30,315</b>	<b>939,707</b>	<b>Cash flows from financing activities</b>	<b>30,315</b>	<b>939,707</b>
<b>-397,120</b>	<b>99,630</b>	<b>Total changes in cash flows</b>	<b>-631,595</b>	<b>1,024,424</b>
1,635,907	1,536,277	Cash and cash equivalents beginning period	2,828,717	1,804,293
1,238,787	1,635,907	Cash and cash equivalents end period	2,197,122	2,828,717
<b>Cash and cash equivalents beginning period 1)</b>				
77,043	43,283	Cash-in-hand and demand deposits with central banks, etc.	89,361	43,283
78,309	389,439	Claims on demands on credit institutions	431,318	681,748
559,537	389,508	Claims at notice on central banks	1,209,154	389,508
921,018	714,047	Bonds etc.	1,098,884	689,754
<b>1,635,907</b>	<b>1,536,277</b>	<b>Cash and cash equivalents beginning period</b>	<b>2,828,717</b>	<b>1,804,293</b>
<b>Cash and cash equivalents end period 1)</b>				
170,681	77,043	Cash-in-hand and demand deposits with central banks, etc.	516,975	89,361
252,276	78,309	Claims on demands on credit institutions	362,408	431,318
0	559,537	Claims at notice with central banks	149,865	1,209,154
815,830	921,018	Bonds etc.	1,167,874	1,098,884
<b>1,238,787</b>	<b>1,635,907</b>	<b>Cash and cash equivalents end period</b>	<b>2,197,122</b>	<b>2,828,717</b>

1) As the cash is made up of claims on demands only, it is not possible to balance all the accounts directly to the respective items on the balance sheet.



1-3 Quarter Accounts  
Notes

Note	DKK 1,000	Share capital	Share premium account	Own shares	Other reserves	Profit carried	Total
<b>Notes</b>							
<b>1 Equity</b>							
<b>Group</b>							
<b>Change in capital</b>							
<b>1 January 2008</b>		812,927	600,427	86,012	121,280	483,337	2,103,983
Own shares year begin				-86,012	86,012		0
Own shares end period				51,769	-51,769		0
Net profit for the period						-31,670	-31,670
<b>30 September 2008</b>		<b>812,927</b>	<b>600,427</b>	<b>51,769</b>	<b>155,523</b>	<b>451,667</b>	<b>2,072,313</b>
<b>1 January 2007</b>		712,137	117,751	0	94,121	284,754	1,208,763
Guaranteed capital		-826					-826
Additions		101,616	482,676				584,292
Own shares				7,946	-7,946		0
Net profit for the period						281,579	281,579
<b>30 September 2007</b>		<b>812,927</b>	<b>600,427</b>	<b>7,946</b>	<b>86,175</b>	<b>566,333</b>	<b>2,073,808</b>
<b>Eik Banki P/F</b>							
<b>Change in capital</b>							
<b>1 January 2008</b>		812,927	600,427	85,508	205,647	399,474	2,103,983
Own shares year begin				-85,508	85,508		0
Own shares end period				51,517	-51,517		0
Net profit for the period						-31,670	-31,670
<b>30 September 2008</b>		<b>812,927</b>	<b>600,427</b>	<b>51,517</b>	<b>239,638</b>	<b>367,804</b>	<b>2,072,313</b>
<b>1 January 2007</b>		712,137	117,751	0	162,742	216,133	1,208,763
Guaranteed capital		-826					-826
Additions		101,616	482,676				584,292
Own shares				7,946	-7,946		0
Net profit for the period						281,579	281,579
<b>30 September 2007</b>		<b>812,927</b>	<b>600,427</b>	<b>7,946</b>	<b>154,796</b>	<b>497,712</b>	<b>2,073,808</b>

## 1-3 Quarter Accounts Notes

Eik Banki P/F				Group	
1-3Q 2008	1-3Q 2007	Note	DKK 1,000	1-3Q 2008	1-3Q 2007
<b>2 Solvency</b>					
1,820,101	1,569,479		Core capital less statutory deductions	1,608,312	1,268,903
2,135,469	1,952,533		Capital base	1,923,818	1,620,950
9,661,105	8,051,275		Weighted assets not included in trading portfolio including off balance-sheet items	14,498,997	13,544,156
752,798	791,436		Weighted items with market risk	1,408,363	924,390
<b>10,413,903</b>	<b>8,842,711</b>		<b>Total risk weighted assets</b>	<b>15,907,360</b>	<b>14,468,546</b>
20.5%	22.1%		Solvency ratio purs. to FIL § 124, 1	12.1%	11.2%
17.5%	17.7%		Core capital ratio	10.1%	8.8%
<b>3 Interest income</b>					
127,549	107,542		Claims on credit institutions and central banks	101,464	34,325
429,311	306,035		Loans and advances	816,671	551,998
39,253	29,089		Bonds	52,885	38,856
17,448	5,172		Derivative financial instruments	16,067	6,289
Of this:					
17,448	5,172		Currency contracts	18,032	5,644
0	0		Interest contracts	-1,965	645
0	0		Share contracts	0	0
<b>613,561</b>	<b>447,838</b>		<b>Total interest income</b>	<b>987,087</b>	<b>631,468</b>
<b>4 Interest expense</b>					
235,823	132,738		Credit institutions and central banks	233,770	138,850
150,484	115,415		Deposits	360,427	191,637
18,267	14,061		Subordinated debt	18,267	14,061
0	0		Other interest expenses	41	548
<b>404,574</b>	<b>262,214</b>		<b>Total interest expense</b>	<b>612,505</b>	<b>345,096</b>

1-3 Quarter Accounts  
Notes

Eik Banki P/F				Group	
1-3Q 2008	1-3Q 2007	Note	DKK 1,000	1-3Q 2008	1-3Q 2007
		<b>5</b>	<b>Market value adjustments of securities and foreign currencies</b>		
-120,264	-10,615		Bonds (+/-)	-122,780	-7,833
-81,846	80,648		Shares (+/-)	-75,182	112,655
0	0		Loans with fixed interest	1,337	0
-19,411	-23,237		Currency (+/-)	-18,889	-21,685
0	0		Derivative financial instruments	10,168	3,208
<b>-221,521</b>	<b>46,796</b>		<b>Total market value adjustments</b>	<b>-205,346</b>	<b>86,345</b>
		<b>6</b>	<b>Staff costs and administrative expenses</b>		
			<b>Salaries and remuneration of Board of Directors, Managing Directors and Board of Representatives</b>		
3,024	4,241		Board of Directors	3,287	4,241
1,342	1,035		Board of Representatives	1,342	1,035
131	28			131	28
<b>4,497</b>	<b>5,304</b>		<b>Total</b>	<b>4,760</b>	<b>5,304</b>
			<b>Staff costs</b>		
68,743	66,941		Wages and salaries	121,470	111,984
7,395	5,952		Pensions	11,302	8,658
6,949	6,641		Social security costs	10,692	9,276
<b>83,087</b>	<b>79,534</b>		<b>Total</b>	<b>143,464</b>	<b>129,918</b>
<b>74,746</b>	<b>69,901</b>		<b>Other administrative expenses</b>	<b>128,093</b>	<b>96,945</b>
<b>162,330</b>	<b>154,739</b>		<b>Total staff costs and administrative expenses</b>	<b>276,317</b>	<b>232,167</b>
249	231		Number of employees, full time equivalent	355	345
		<b>7</b>	<b>Income from associated and subsidiary undertakings</b>		
0	34,934		Associated undertakings	0	34,935
45,770	69,387		Subsidiary undertakings	-73	-596
<b>45,770</b>	<b>104,321</b>		<b>Total income from associated and subsidiary undertakings</b>	<b>-73</b>	<b>34,339</b>
		<b>8</b>	<b>Claims on credit institutions and central banks</b>		
0	559,538		Claims at notice on central banks	0	559,538
1,677,620	2,256,626		Claims on credit institutions	527,224	1,429,504
<b>1,677,620</b>	<b>2,816,164</b>		<b>Total claims on credit institutions and central banks</b>	<b>527,224</b>	<b>1,989,042</b>
			<b>Claims on credit institutions and central banks</b>		
252,275	638,145		Claims at call	513,261	721,414
1,325,345	2,078,019		Up to 3 months	13,963	1,267,628
0	0		Over 3 months and up to one year	0	0
0	0		Over one year and up to 5 years	0	0
100,000	100,000		Over 5 years	0	0
<b>1,677,620</b>	<b>2,816,164</b>		<b>Total claims on credit institutions and central banks</b>	<b>527,224</b>	<b>1,989,042</b>
<b>1,321,681</b>	<b>2,031,772</b>		<b>Thereof from Eik Bank Danmark A/S</b>	<b>0</b>	<b>0</b>

## 1-3 Quarter Accounts Notes

Eik Banki P/F						Group
3Q 2008	3Q 2007	Note	DKK 1,000		3Q 2008	3Q 2007
		<b>9</b>	<b>Loans and advances</b>			
189,146	78,835		At call		199,611	219,269
274,837	110,019		Up to 3 months		637,923	2,499,265
806,581	557,347		Over 3 months and up to one year		904,014	1,609,521
2,180,161	1,476,357		Over one year and up to 5 years		2,718,187	2,435,051
4,775,270	4,245,766		Over 5 years		11,673,180	8,197,644
<b>8,225,995</b>	<b>6,468,324</b>		<b>Total loans and advances</b>		<b>16,132,915</b>	<b>14,960,750</b>
			<b>Accumulated provisions</b>			
259,194	167,117		Provisions on loans, advances, and guarantees at the end of the period		344,233	202,232
0	0		Provisions on claims due from credit institutions and other claims at the end of the period		0	0
<b>259,194</b>	<b>167,117</b>		<b>Total accumulated provisions</b>		<b>344,233</b>	<b>202,232</b>
2.7%	2.4%		Accumulated provisions on loans, advances, and guarantees in per cent of loans, advances, and guarantees, at the end of the period		1.9%	1.3%
93,797	59,836		Non-accrual loans, advances, and guarantees		146,966	66,584
		<b>10</b>	<b>Debt to credit institutions and central banks</b>			
463,221	152,980		Debt payable on demand		699,470	203,750
352,909	943,173		Up to 3 months		1,738,638	1,145,900
778,282	1,385,902		Over 3 months and up to one year		778,282	1,389,366
2,968,914	1,341,230		Over one year and up to 5 years		1,543,341	1,341,230
0	0		Over 5 years		0	0
<b>4,563,326</b>	<b>3,823,285</b>		<b>Total debt to credit institutions and central banks</b>		<b>4,759,731</b>	<b>4,080,246</b>
<b>101,860</b>	<b>81,028</b>		<b>Thereof to Eik Bank Danmark A/S</b>		<b>0</b>	<b>0</b>
		<b>11</b>	<b>Deposits</b>			
2,040,534	2,780,187		Deposits on demand		6,480,723	8,129,566
2,000,732	1,989,970		Deposits at notice		2,692,215	2,557,644
1,229,786	820,842		Time deposits		1,270,111	859,149
427,305	329,180		Special categories of deposits		1,598,269	1,158,765
<b>5,698,357</b>	<b>5,920,179</b>		<b>Total deposits</b>		<b>12,041,318</b>	<b>12,705,124</b>
			<b>Deposits</b>			
2,040,534	2,780,187		On demand		6,637,231	8,131,235
2,351,598	1,885,092		Up to 3 months		3,195,895	2,452,766
934,458	955,750		Over 3 months and up to one year		1,147,114	1,095,976
133,259	119,581		Over one year and up to 5 years		331,746	317,662
238,508	179,569		Over 5 years		729,332	707,485
<b>5,698,357</b>	<b>5,920,179</b>		<b>Total deposits</b>		<b>12,041,318</b>	<b>12,705,124</b>

## 1-3 Quarter Accounts Statement by the Management

The Board of Directors and the Managing Directors have today approved the consolidated and 1-3 quarter financial statement of Eik Banki P/F.

consolidated financial statements and in accordance with the guidelines for companies listed on Nasdaq OMX the Nordic Exchange.

The financial statements for the period 1 January - 30 September 2008, which is prepared by us, is set up in accordance with the Faroese Banking Act and with the executive order and guidelines of the Danish Financial Supervisory Authority on presentations of

It is our opinion that the financial statements give a true and fair view of the company's assets and liabilities, financial position as of 30 September 2008 and profit/loss for the period 1 January - 30 September 2008.

### Eik Banki P/F

Tórshavn, 24 October 2008

#### Managing Directors

Mærner Jacobsen, CEO

Bjarni Olsen, Managing Director

#### Board of Directors

Frithleif Olsen, Chairman

Odd A. Bjellvåg, Deputy Chairman

Finnbogi Niclasen

Rólant Vidtfeldt

Mathea Hilduberg

Marian Jacobsen

Petur Hammer

Tórmund A. Joensen

Rakul Dam

Gert Langgaard

Fía Selma Nielsen



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## Auditor's Report

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## Internal Auditor's Review Report

### To the Shareholders of Eik Banki P/F

According to agreement with the Company's Board of Directors, we have reviewed the condensed consolidated accompanying Interim Balance Sheet of Eik Banki P/F as of 30 September 2008, and the related condensed consolidated Interim Statement of Income, Cash Flows and Notes for the nine months ending 30 September 2008. This condensed consolidated Interim Financial Statement has been prepared in accordance with the Faroese Banking Act and with the executive order and guidelines of the Danish Financial Supervisory Authority on presentation of financial statements by banks as applied in the Faroes and in accordance with the financial reporting requirements of the OMX Nordic Exchange.

The condensed consolidated Interim Financial Statement is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed consolidated Interim Financial Statement based on our review.

### Basis of Opinion

We conducted our review in accordance with generally accepted review standards as applied in the

Faroese Islands. This standard requires that we plan and perform the review to obtain limited assurance as to whether the preliminary financial information is free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated accompanying Interim Financial Statements do not give a true and fair view of the financial position of the Bank as of 30 September 2008, and of the results of its operations and its cash flows for the period ending 30 September 2008 in accordance with the Faroese Banking Act and with the executive order and guidelines of the Danish Financial Supervisory Authority on presentation of financial statements by banks as applied in the Faroes and in accordance with the financial reporting requirements of the OMX Nordic Exchanges.

Eik Banki P/F

Tórshavn, 24 October 2008

Sigmund Frederiksen, Chief Auditor

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# Accounting Principles

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## General

The consolidated and third quarter accounts are prepared in conformity with the Financial Business Act and regulations and directives from the Danish Financial Supervisory Authority (Finanstilsynet).

The accounting principles are unchanged since previous year. However, the listing on Nasdaq OMX the Nordic Exchange entails increased disclosure requirements. The accounting principles follow the requirements of Nasdaq OMX the Nordic Exchange.

### Consolidated Accounts

The consolidated accounts include Eik Banki P/F, P/F Inni and Eik Bank Danmark A/S, which are 100 per cent owned by Eik Banki P/F.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, and outstanding loan balances.

### Income Recognition

Interest income, interest expenses, recurring provisions as well as all other significant income and expenses were accrued to the accounting period. Fees, charges and commissions, etc. were booked as received. Dividends on shares are booked as income when the General Meeting has approved the annual report. Interest on loans, which are identified as bad or doubtful, are not entered as income.

### Internal Transactions

Transactions with subsidiary and associated companies are in principle executed in accordance with market conditions.

### Foreign Currencies Translation

Assets and liabilities denominated in foreign currencies are translated according to the official rates

of exchange prevailing end of period. Income and expense srelated to foreign exchange are converted according to the rates of exchange prevailing at the transaction date.

### Loans, Guarantees and Claims on other Financial Institutions

Loans, guarantees and claims on other financial institutions are continually reviewed to determine loss risk. Consequently, bad debts and provisions for bad debts are booked at the profit and loss account under "Depreciation and provisions for loss on bad debts".

Loans with fixed interest where interest risk is covered by derivatives are not subject to market value adjustments.

### Securities

Listed securities are booked at market values at end of period. Non-listed securities are booked at purchase price or at expected market price.

### Own Shares

Holdings in Eik Banki shares are booked at market value at end of the period. Market value adjustments are adjusted in the income statement.

### Equity in Subsidiary and Associated Undertakings

Equity in subsidiary and associated undertakings is entered at equity value.

### Intangible Assets

Software is booked at purchase price, less a deduction for depreciation. Software is depreciated according to the straight-line method over a period of 5 years.

Goodwill is booked at purchase price, less a deduction for depreciation. Goodwill is depreciated according to the straight-line method over a period of 10 - 20 years.

**Tangible Assets**

Land and buildings are booked at purchase price, less deductions for depreciation and write downs. Depreciation is taken according to the straight-line method over the estimated useful life with a maximum of 50 years. Land is not, however, depreciated.

Reposessed properties are booked according to their estimated market value.

Furnishings and equipment are booked at purchase price, less deductions for depreciation and write downs. Depreciation is taken according to the straight-line method over a period of 5 - 8 years.

Furnishings and supplies valued at less than DKK 20,000 are expensed in the purchase year.

**Financial Instruments**

Currency futures contracts are booked at market value end period.

Interest rate swaps used in order to secure fixed-interest loans, are not subject to market value adjustments. Interest on swaps is accrued to the accounting period and booked as interest income.

**Taxes**

Calculated tax on the profit for the period was stated in the interim accounts and included both actual tax and deferred tax. Deferred tax resulting from the timing differences between the interim accounts and the tax accounting by the Faroese tax administration is expensed and stated under „Provisions for liabilities and charges“. Tax surplus, which in all probability will be used in the future, is entered as income and stated under „Other assets“.

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