Q1 2008 Investor Presentation

FØROYA BANKI

Growth in core income, but net profit hit by value adjustments

Important notice

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Headlines

- Pre-tax profit of DKK 15m for the first quarter of 2008 compared to DKK 54m for Q1 2007
- Core earnings is improving: Exclusive of value adjustments of securities etc., income from groups and associates, and provisions for losses, pre-tax profit is DKK 39m compared to DKK 31m for Q1 2007
- A 12% increase in net interest and fee income compared to the same period in 2007
- Value adjustments of securities etc. are DKK 30m lower compared to Q1 2007
- Extraordinary losses in the Bank’s subsidiary, the insurance company P/F Trygd, due to storms caused income from groups and associates to decrease by DKK 9.5m compared to Q1 2007

Headlines - continued

- Employee and administrative expenses increased 6% to DKK 47m compared to Q1 2007
- Provisions for debts in Q1 2008 amounted to DKK 2.2m compared to a net positive entry of DKK 5.2m in the same period of 2007
- Loans and advances have increased by DKK 75m since 31 December 2007
- The Bank maintains its profit guidance before value adjustments and tax for 2008 to be within the range of DKK 165-185m

Focus areas in strategy

Key elements in the strategy for 2008-2010

- Exploiting the growth potential in the Faroese market
- Geographical expansion with a focus on Private Banking, corporate lending and funding
- Optimising fee and commission income
- Optimising the capital structure
- Optimising business processes
- Continuous training and education of employees

Vision

" We aim to be the leading bank on the Faroe Islands and internationally to provide our customers with selected financial services"

Financial objectives

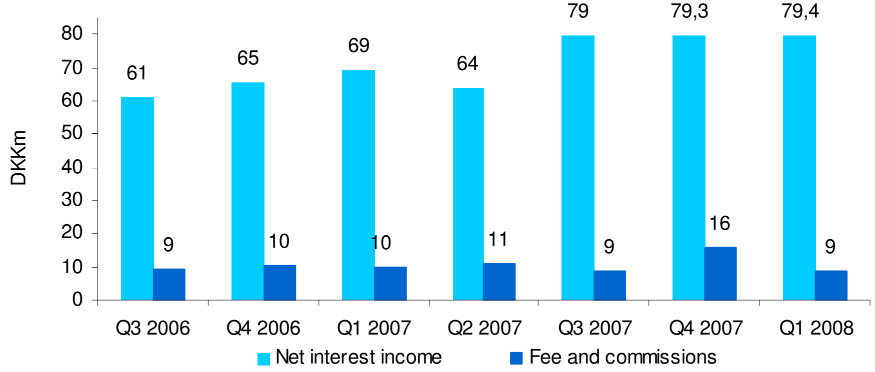
Objective	Comments
Growth in core revenues of 10% annually	- Average organic growth in net interest, fee and commission income is targeted at 10% annually in the period until 2010
Cost/income ratio below 50%	- Strong commitment to return to historic low cost levels - Growth based reduction of C/I ratio expected
Solvency ratio of 12%	- In absolute terms the aim is to have a minimum tier 1 capital of DKK 1.2 billion - Subordinated and hybrid capital may be considered
Return on equity after tax of 12%	- Should be viewed in connection with the solvency ratio with a lower solvency facilitating a higher return on equity

Income

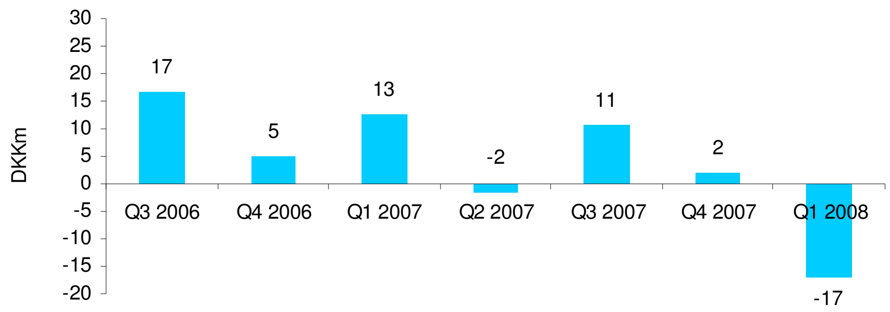
Growth in core earnings during the Q1 2008

- Net interest income has increased 15% in 2008 compared to same period 2007
  - Primarily from lending growth last year
- Fee and commission income decreased by 10% in 2008
- Growth rate above the 10 per cent target
- Value adjustments in Q1 2008 were DKK 30m lower than same period 2007
  - Due to a general drop in share prices. Comparable to the fall in the OMX C20 index of 9% in Q1 2008

Net interest and fee & commission income development



Value adjustment development



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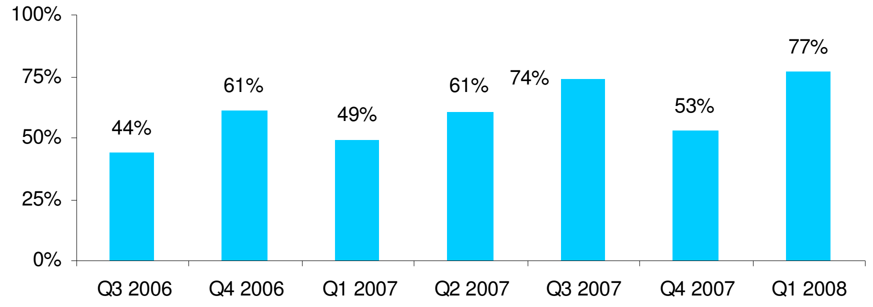
Operating expenses

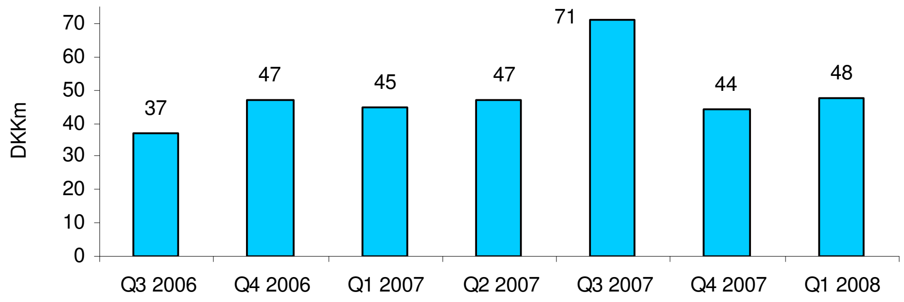
Føroya Banki is characterised by a cost conscious culture, and has a strong ambition to further improve the cost ratio over the coming years

- Cost conscious culture
  - Cost/income ratio is 77%, but this is caused by the negative value adjustments
- The Bank's financial objective is a C/I ratio below 50 per cent
- Expenses increased 6%, primarily caused by costs related to operation in Denmark

C/I development



Employee and administrative expenses

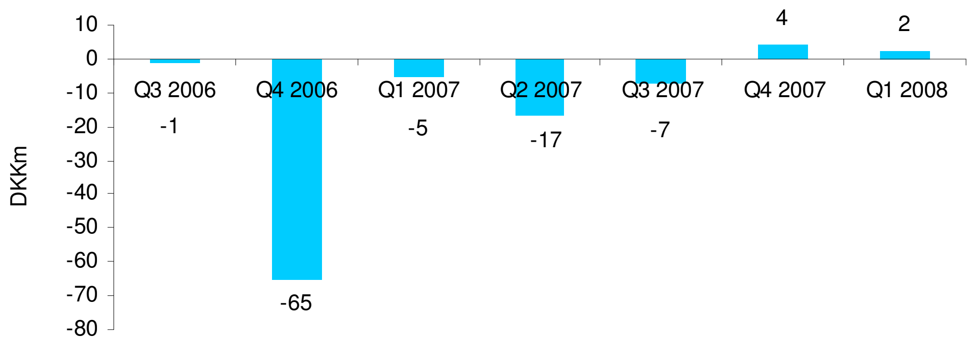


Provisions

Føroya Banki conducts a cautious provisioning policy

- Føroya Banki is diligent about spreading its lending risks, and avoiding concentrations of the loan portfolio
  - All important exposures examined quarterly by management
- Normalisation of provision account to net positive
  - But still low due to favourable economic conditions on the Faroes
- Accumulated provisions DKK 267.7m
  - Equal to 3.2% of total lending
  - Non-performing loans accounted for 0.3% of total loans

Net Provisions Development



Financial development

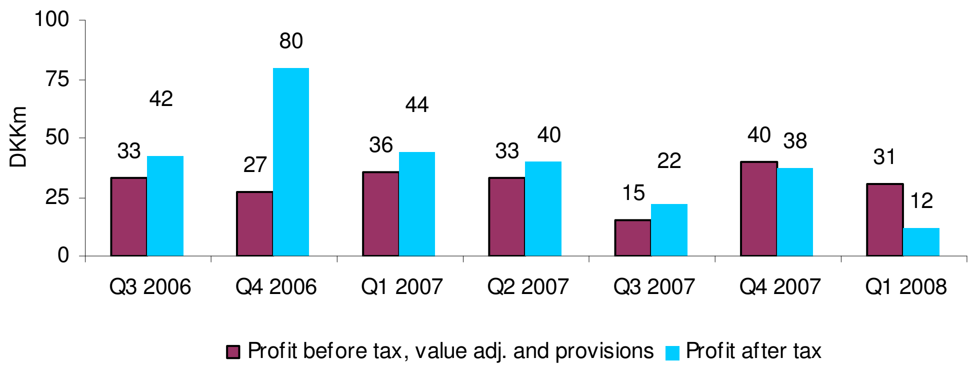
Core income improving, but net profit hit by value adjustments

- In the first quarter of 2008, net profit before provisions, value adjustments and tax amounted to DKK 31m

- Net profit, mainly influenced by:
  - Increased net interest income
  - Negative value adjustments
  - Reversals of provisions

- Financial objective on ROE after tax of 12 per cent annually

Profit for the last seven quarters



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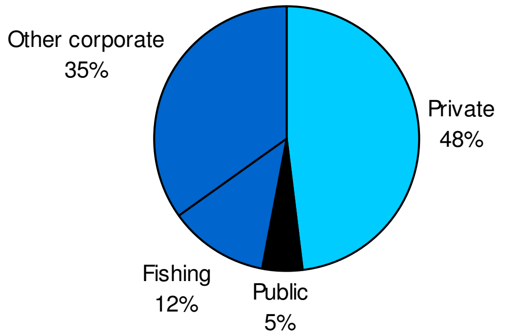
Lending

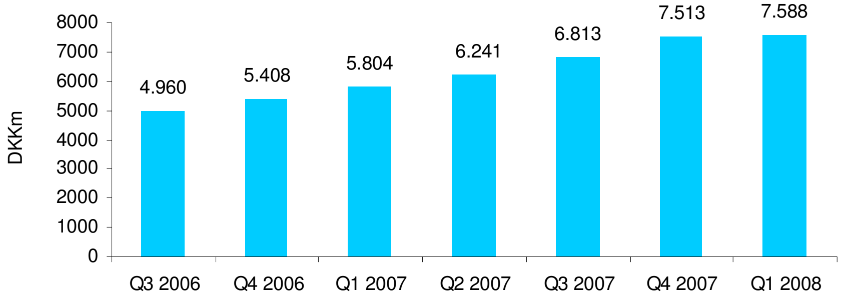
Føroya Banki has a sound loan composition and is experiencing high lending growth

- Well-diversified loan portfolio
  - Private segment: 48%
  - Corporate segment: 47%
  - Public segment: 5%
- Strong focus on credit risk management
  - Stringent credit application process
  - Strict internal limits on individual customer commitments
  - Conservative provisioning policy
- Growth in lending
  - 31% total lending growth (Y/Y)
  - But growth in Q1 much lower

Composition of loans, Q3 2007



Growth in loans



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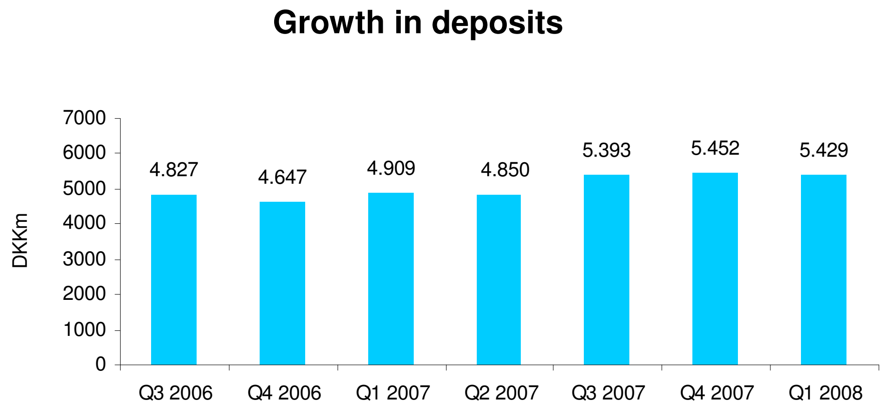
Deposits and liquidity

The turmoil in the international money market has not weakened the Bank's liquidity situation

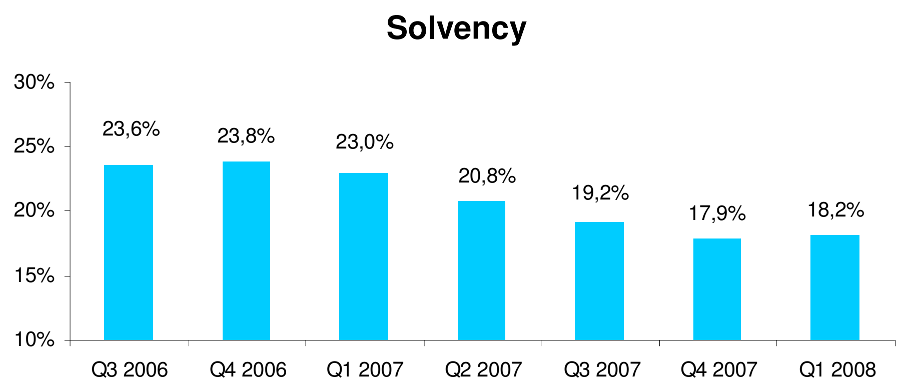
- Deposits were stable during Q1
- The Bank is more active in the market for deposits in order to gain market shares
- Rise in the funding costs due to the turmoil in the credit market and increased competition for deposits



Capital structure

Føroya Banki will continuously evaluate its capital base in order to secure the most optimal capital structure given its strategy

- The existing strong solvency provides Føroya Banki with the flexibility to…
  - Pursue its strategic growth ambitions
  - Enter into larger loan agreements – (min. tier 1 capital of DKK 1.2bn)
  - Financial capacity to respond to potential acquisition opportunities
- Scope for improvement in use of capital
  - Lower exposure to corporate sector than comparable banks
  - however, corporate lending outpacing private lending
- In case of lack of strategic opportunities, potential surplus capital will be returned to the shareholders
- Going forward, Føroya Banki has a long term target solvency ratio of 12%



Outlook for 2008

Profit guidance before value adjustments and tax for 2008 to be within the range of DKK 165-185m

- The Bank expects income from net interest and fee income as well as administrative and employee expenses to stay within the range of the bank's forecasts for 2008
- The Bank maintains its profit guidance before value adjustments and tax for 2008 to be within the range of DKK 165-185m
- The projection of 2008 net profit does not include possible effects of the divestment of P/F Vestlax
- Net interest income is still expected to rise by 8-14%
- Net fee income is expected to remain unchanged compared to 2007, which is somewhat lower than indicated in the annual report for 2007