

**FØROYABANKI**

# **Interim Report**

## **Q1 2008**

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## Financial Highlights

| INCOME STATEMENT   | Jan. - March        | Jan. - March        | Index          | Q1              | Q4             | Q3             | Q2             | Q1              | Full year        |
|--|---------------------|---------------------|----------------|-----------------|----------------|----------------|----------------|-----------------|------------------|
| DKK 1,000  | 2008                | 2007                | 08 / 07        | 2008            | 2007           | 2007           | 2007           | 2007            | 2007             |
| Interest income, etc.  | 156,155             | 105,270             | 148            | 156,155         | 147,457        | 132,794        | 115,335        | 105,270         | 500,856          |
| Interest expenses, etc.                                      | 76,779              | 36,290              | 212            | 76,779          | 68,151         | 53,295         | 51,636         | 36,290          | 209,373          |
| <b>Net interest income</b>                                   | <b>79,377</b>       | <b>68,980</b>       | <b>115</b>     | <b>79,377</b>   | <b>79,306</b>  | <b>79,498</b>  | <b>63,700</b>  | <b>68,980</b>   | <b>291,483</b>   |
| Dividends from shares and other investments                  | 597                 | 97                  | 618            | 597             | 177            | 89             | 2,281          | 97              | 2,644            |
| Fee and commission income, etc.                              | 8,703               | 10,003              | 87             | 8,703           | 15,748         | 8,783          | 10,838         | 10,003          | 45,372           |
| Fees and commissions paid                                    | 39                  | 66                  | 59             | 39              | 33             | 104            | 108            | 66              | 311              |
| <b>Net interest and fee income</b>                           | <b>88,638</b>       | <b>79,013</b>       | <b>112</b>     | <b>88,638</b>   | <b>95,197</b>  | <b>88,267</b>  | <b>76,710</b>  | <b>79,013</b>   | <b>339,188</b>   |
| Value adjustments of securities and foreign exchange, etc.   | -16,948             | 12,672              |                | -16,948         | 1,906          | 10,572         | -1,561         | 12,672          | 23,589           |
| Other operating income                                       | -34                 | -1,168              | 3              | -34             | 5,014          | -1,385         | -940           | -1,168          | 1,521            |
| <b>Results from net financials</b>                           | <b>71,656</b>       | <b>90,517</b>       | <b>79</b>      | <b>71,656</b>   | <b>102,117</b> | <b>97,454</b>  | <b>74,209</b>  | <b>90,517</b>   | <b>364,298</b>   |
| Employee and administrative expenses                         | 47,520              | 44,626              | 106            | 47,520          | 44,212         | 70,576         | 46,750         | 44,626          | 206,164          |
| Amortisation, depreciation and writedowns                    | 2,349               | 2,583               | 91             | 2,349           | 2,997          | 1,716          | 1,410          | 2,583           | 8,707            |
| Other operating expenses                                     | 0                   | 8                   | 0              | 0               | 0              | 0              | 0              | 8               | 8                |
| Provisions for bad and doubtful debts (net)                  | 2,200               | -5,172              |                | 2,200           | 3,906          | -6,994         | -16,812        | -5,172          | -25,072          |
| Income from groups and associates                            | -4,225              | 5,292               |                | -4,225          | -5,315         | 395            | 5,048          | 5,292           | 5,420            |
| <b>Profit from ordinary activities before tax</b>            | <b>15,363</b>       | <b>53,764</b>       | <b>29</b>      | <b>15,363</b>   | <b>45,686</b>  | <b>32,551</b>  | <b>47,910</b>  | <b>53,764</b>   | <b>179,911</b>   |
| Tax  | 3,526               | 9,766               | 36             | 3,526           | 8,138          | 10,288         | 7,716          | 9,766           | 35,908           |
| <b>Net profit</b>  | <b>11,837</b>       | <b>43,998</b>       | <b>27</b>      | <b>11,837</b>   | <b>37,548</b>  | <b>22,263</b>  | <b>40,194</b>  | <b>43,998</b>   | <b>144,003</b>   |
| <b>BALANCE SHEET</b>   | <b>March 31</b>     | <b>March 31</b>     | <b>Index</b>   | <b>March 31</b> | <b>Dec. 31</b> | <b>Sep. 30</b> | <b>June 30</b> | <b>March 31</b> | <b>Dec. 31</b>   |
| <b>DKK 1,000</b>   | <b>2008</b>         | <b>2007</b>         | <b>08 / 07</b> | <b>2008</b>     | <b>2007</b>    | <b>2007</b>    | <b>2007</b>    | <b>2007</b>     | <b>2007</b>      |
| Loans and advances   | 7,588,335           | 5,803,633           | 131            | 7,588,335       | 7,513,009      | 6,812,637      | 6,240,863      | 5,803,633       | 7,513,009        |
| Bonds, etc.  | 879,989             | 772,975             | 114            | 879,989         | 894,284        | 845,066        | 858,548        | 772,975         | 894,284          |
| Investments in associates                                    | 37,220              | 34,399              | 108            | 37,220          | 34,399         | 34,399         | 34,399         | 34,399          | 34,399           |
| Investments in group enterprises                             | 93,874              | 112,919             | 83             | 93,874          | 100,919        | 118,362        | 117,967        | 112,919         | 100,919          |
| Total assets   | 9,592,454           | 7,150,077           | 134            | 9,592,454       | 9,620,969      | 8,599,358      | 7,775,828      | 7,150,077       | 9,620,969        |
| Due to credit institutions and central banks                 | 2,639,895           | 841,717             | 314            | 2,639,895       | 2,645,515      | 1,680,143      | 1,488,681      | 841,717         | 2,645,515        |
| Deposits   | 5,428,570           | 4,908,917           | 111            | 5,428,570       | 5,452,073      | 5,392,518      | 4,849,648      | 4,908,917       | 5,452,073        |
| Total equity   | 1,355,254           | 1,289,517           | 105            | 1,355,254       | 1,344,522      | 1,351,974      | 1,329,711      | 1,289,517       | 1,344,522        |
| <b>RATIOS AND KEY FIGURES</b>                                | <b>Jan. - March</b> | <b>Jan. - March</b> |                | <b>Q1</b>       | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>       | <b>Full year</b> |
|  | <b>2008</b>         | <b>2007</b>         |                | <b>2008</b>     | <b>2007</b>    | <b>2007</b>    | <b>2007</b>    | <b>2007</b>     | <b>2007</b>      |
| Solvency ratio, %  | 18.2                | 23.0                |                | 18.2            | 17.9           | 19.2           | 20.8           | 23.0            | 17.9             |
| Core capital ratio, %  | 18.2                | 23.1                |                | 18.2            | 18.0           | 19.3           | 20.9           | 23.1            | 18.0             |
| Risk-weighted Items, DKK mill                                | 7,286               | 5,384               |                | 7,286           | 7,403          | 6,397          | 5,925          | 5,384           | 7,403            |
| Return on equity after tax, %                                | 0.9                 | 3.5                 |                | 0.9             | 11.1           | 1.7            | 3.1            | 3.5             | 11.1             |
| Cost / income, %   | 77.2                | 43.9                |                | 77.2            | 52.8           | 66.7           | 39.6           | 43.9            | 51.3             |
| Excess cover relative to statutory liquidity requirements, % | 95.2                | 62.3                |                | 95.2            | 103.2          | 76.7           | 51.0           | 62.3            | 103.2            |
| Growth on loans and advances, %                              | 1.0                 | 7.3                 |                | 1.0             | 10.3           | 9.2            | 7.5            | 7.3             | 38.9             |
| Gearing of loans and advances                                | 5.6                 | 4.5                 |                | 5.6             | 5.6            | 5.0            | 4.7            | 4.5             | 5.6              |
| Earnings per share after tax (nom. DKK 20), DKK              | 1.2                 | 4.4                 |                | 1.2             | 3.8            | 2.2            | 4.0            | 4.4             | 14.4             |
| Market price per share (nom. DKK 20), DKK                    | 147                 | N/A                 |                | 147             | 179            | 220            | 236            | N/A             | 179              |
| Book value per share (nom. DKK 20), DKK                      | 136                 | 129                 |                | 136             | 134            | 135            | 133            | 129             | 134              |
| Number of full-time employees                                | 226                 | 211                 |                | 226             | 228            | 223            | 222            | 211             | 228              |

## Management's Report

- 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
- 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

## Financial Results

P/F Føroya Banki recorded a net profit of DKK 11.8m for the first quarter of 2008 compared to DKK 44m in Q1 2007. Pre-tax profit amounted to DKK 15.4m for the first quarter of 2008 compared to DKK 53.8m for Q1 2007.

Exclusive of value adjustments of securities etc., income from groups and associates and provisions for losses, pre-tax profit for Q1 2008 would have amounted to DKK 39m compared to 31m for Q1 2007. Thus the Bank's trend in core earnings is improving.

### Income

Net interest income amounted to DKK 79m for the first quarter of 2008, a 15% increase from DKK 69m in Q1 2007. The increase was primarily due to the growth in lending. Loans and advances

were 31% higher at the end of Q1 2008 than at the end of the same period in 2007.

The interest margin, i.e. the margin between the lending and deposit rates has been fairly stable during 2007. In the first quarter of 2008 the interest margin has come under some pressure as anticipated by the Bank in the 2007 reports.

To fund the strong growth in lending during the past year, the Bank increased borrowings from credit institutions. Because of the turmoil in the international money markets, the total funding costs have increased sharply, and Føroya Banki has consequently increased its lending rates in February with up to 0.5 percentage points.

The Faroese deposits market is highly competitive. In April the Bank therefore announced yet another lending rate rise of 0.15 to 0.75 percentage points and at the same time

announced a deposit rate rise of 0.25 to 0.75 percentage points. These measures has lead to a moderate rise in interest margins, but margins are expected to level out in the remainder of the year due to pressure on margins, so the Bank is likely to maintain the average interest margin compared to 2007.

Net fee and commission income amounted to DKK 8.7m in Q1 2008, a decrease by DKK 1m compared to the same period in 2007. The main reason for the decrease is lower income from corporate finance activities compared to the same period in 2007.

Value adjustments of securities etc. were negative by DKK 16.9m for the first three months of 2008 compared to a gain amounting to DKK 12.7m in Q1 2007. Thus value adjustments of securities etc. were DKK 30m lower in the first quarter 2008 compared to the same period in 2007. The loss is due to the general drop in share prices in listed shares following the substantial turmoil in the global financial markets. The Banks portfolio consists mainly of shares listed on OMX Copenhagen. The loss is comparable to the drop in OMX Copenhagen C20-index, which dropped 9% in Q1 2008.

Income from groups and associates for Q1 2008 was a loss amounting to DKK 4.2m compared to a gain of DKK 5.3m in the same period of 2007. Thus income from groups and associates was DKK 9.5m lower in Q1 2008 compared to the same period in 2007. The insurance company P/F Trygd, which had a loss amounting to DKK 7m in the first quarter of 2008, was the primary cause of the loss in income from groups and associates. The first quarter is normally the weakest quarter of

the year for P/F Trygd but first quarter 2008 was the worst quarter in the company's history and was caused by a substantial increase in claims due to an unusually rough winter with severe storms. P/F Trygd expects to recover the loss in the remaining part of the year.

### **Operating Expenses**

Employee and administrative expenses for the first three months of 2008 totalled DKK 47.5m, compared to DKK 44.6m for the same period in 2007. This is an increase of 6%. The increase was due to start-up expenses of the subsidiary bank in Denmark, which started in the fourth quarter in of 2007.

The cost/income ratio has increased to 77.2% at the end of Q1 2008 from 43.9% in Q1 2007. The high cost/income ratio is effected by the extraordinary loss on value adjustments of securities etc. and income from groups and associates, which reduce the result from net financials by DKK 21.2m, while the costs are at nearly the same level as last year.

### **Provisions for Debts (net)**

The Bank recorded provisions for debts (net) for the first three months of 2008 amounting to DKK 2.2m compared to a net positive entry of DKK 5.2m in the same period of 2007. The level of new provisions is still very low due to favourable economic conditions in the Faroe Islands.

### **Capital and Solvency**

#### **Equity**

Equity was DKK 1,355m at 31 March 2008, compared to DKK 1,345m at 31 December 2007.

For the first three months of 2008 the return on equity was 0.9% compared to 3.5% for the first three months of 2007. Earnings per share after tax was DKK 1.2 for Q1 2008.

### **Solvency**

At 31 March 2008, the solvency ratio was 18.2% compared to 17.9% at 31 December 2007.

Risk-weighted items amounted to DKK 7,286m at 31 March 2008 compared to DKK 7,403m at 31 December 2007.

### **Liquidity**

The Bank's excess cover relative to statutory liquidity requirements was 95.2% at the end of the first quarter in 2008 compared to 103.2% at year-end 2007.

Recent months' turmoil in the international money market has not weakened the Bank's liquidity situation and the Bank's funding with credit institutions remains at a relatively unchanged level. However, the Bank's funding costs are increasing due to the turmoil in the financial markets.

### **Balance Sheet**

The Bank's total assets amounted to DKK 9,592m at 31 March 2008, a minor decrease of DKK 29m since the beginning of the year.

### **Loans and Advances**

Loans and advances increased from DKK 7,513m to DKK 7,588m or by DKK 75m from the beginning of the year. Loans and advances

increased by DKK 1,785m or 31% from 31 March 2007 to 31 March 2008. The moderate increase in lending in the first quarter of 2008 can partly be explained by reduction in the economic growth and investments in the home market and partly because the Bank has pursued a less expansive lending policy due to the turmoil in the international money market.

### **Loans from Credit Institutions and Central Banks**

Loans from credit institutions and central banks amounted to DKK 2,640m at 31 March 2008 a minor decrease compared to DKK 2,646m at the beginning of the year. No repayment of long-term loans is due in 2008.

### **Deposits**

Deposits amounted to DKK 5,429m at 31 March 2008, compared to DKK 5,452m at the beginning of the year. As a consequence of the increasing funding costs in the interbank market the Bank is focusing more on expanding financing from deposits giving the Bank's customers an opportunity for deposits at a favourable interest rate.

### **Other Issues**

#### **P/F Vestlax**

As reported in the 2007 annual report, Føroya Banki was in the process of preparing the sale of P/F Vestlax and expected a sale in first half of 2008.

The preparations are finalised and Føroya Banki is at present in negotiations with potential buyers for P/F Vestlax.

## Events after the balance sheet date

No significant events have occurred after the end of the reporting period.

## Outlook for 2008

The Bank's outlook for 2008 is based on the Bank's budget and forecast for 2008.

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 the fish-farming company P/F Vestlax.

Due to the lending rate increases in the first quarter, the Bank expects to maintain an average interest margin in 2008 at the same level as in 2007.

Net interest income is still expected to rise by 8-14% primarily as a result of a higher average volume in lending in 2008 than the year before and based on an expectation that the interest margin will remain stable.

Net fee income is expected to remain unchanged compared to 2007, which is somewhat lower than indicated in the annual report for 2007. The main reason for this is a slower growth in trading income than expected.

Employee and administrative expenses are expected to increase by 0-5% as anticipated at 31 December 2007.

The Bank assumes a positive outlook for the Faroese economy and satisfactory loan portfolio quality and therefore maintains its relatively modest projection of credit loss expenses in 2008 amounting to approximately DKK 10m.

Tórshavn, 07 May 2008

## Financial Highlights – 5-years summary

| INCOME STATEMENT   | Jan. - March     | Jan. - March     | 31 Dec.          | Jan. - March     | Jan. - March     | Jan. - March     |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| DKK, 1,000   | 2008             | 2007             | 2007             | 2006             | 2005             | 2004             |
| Interest income, etc.                                      | 156,155          | 105,270          | 500,856          | 74,215           | 72,889           | 74,408           |
| Interest expenses, etc.                                    | 76,779           | 36,290           | 209,373          | 16,324           | 15,044           | 14,587           |
| <b>Net interest income</b>                                 | <b>79,377</b>    | <b>68,980</b>    | <b>291,483</b>   | <b>57,891</b>    | <b>57,845</b>    | <b>59,821</b>    |
| Dividends from shares and other investments                | 597              | 97               | 2,644            | 167              | 45               | 2                |
| Fee and commission income, etc.                            | 8,703            | 10,003           | 45,372           | 6,420            | 4,632            | 3,948            |
| Fees and commissions paid                                  | 39               | 66               | 311              | 80               | 39               | 56               |
| <b>Net interest and fee income</b>                         | <b>88,638</b>    | <b>79,013</b>    | <b>339,188</b>   | <b>64,398</b>    | <b>62,482</b>    | <b>63,716</b>    |
| Value adjustments of securities and foreign exchange, etc. | -16,948          | 12,672           | 23,589           | -4,064           | 1,919            | 8,201            |
| Other operating income                                     | -34              | -1,168           | 1,521            | -398             | 19               | 383              |
| <b>Results from net financials</b>                         | <b>71,656</b>    | <b>90,517</b>    | <b>364,298</b>   | <b>59,936</b>    | <b>64,421</b>    | <b>72,300</b>    |
| Employee and administrative expenses                       | 47,520           | 44,626           | 206,164          | 33,468           | 32,697           | 30,453           |
| Amortisation, depreciation and writedowns                  | 2,349            | 2,583            | 8,707            | 1,365            | 2,534            | 1,039            |
| Other operating expenses                                   | 0                | 8                | 8                | 0                | 0                | 0                |
| Provisions for bad and doubtful debts (net)                | 2,200            | -5,172           | -25,072          | -2,761           | -4,011           | 13,130           |
| Income from groups and associates                          | -4,225           | 5,292            | 5,420            | 2,109            | 1,892            | 302              |
| <b>Profit from ordinary activities before tax</b>          | <b>15,363</b>    | <b>53,764</b>    | <b>179,911</b>   | <b>29,973</b>    | <b>35,093</b>    | <b>27,980</b>    |
| Tax  | 3,526            | 9,766            | 35,908           | 5,447            | 7,019            | 5,604            |
| <b>Net profit</b>  | <b>11,837</b>    | <b>43,998</b>    | <b>144,003</b>   | <b>24,526</b>    | <b>28,074</b>    | <b>22,377</b>    |
| <b>BALANCE SHEET</b>                                       | <b>March 31</b>  | <b>March 31</b>  | <b>Dec. 31</b>   | <b>March 31</b>  | <b>March 31</b>  | <b>March 31</b>  |
| <b>DKK 1,000</b>   | <b>2008</b>      | <b>2007</b>      | <b>2007</b>      | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      |
| Cash in hand and demand deposits with central banks        | 636,599          | 45,034           | 239,610          | 71,281           | 103,673          | 89,704           |
| Due from credit institutions, etc.                         | 99,402           | 148,172          | 533,599          | 296,510          | 92,740           | 240,539          |
| Loans and advances   | 7,588,335        | 5,803,633        | 7,513,009        | 4,364,074        | 3,596,939        | 3,497,152        |
| Bonds, etc.  | 879,989          | 772,975          | 894,284          | 1,441,667        | 1,755,524        | 1,504,540        |
| Shares, etc.   | 139,132          | 136,802          | 167,271          | 117,156          | 16,769           | 8,112            |
| Investments in associates                                  | 37,220           | 34,399           | 34,399           | 4,713            | 4,921            | 3,677            |
| Investments in group enterprises                           | 93,874           | 112,919          | 100,919          | 124,467          | 122,644          | 116,607          |
| Tangible assets  | 64,695           | 62,526           | 65,555           | 60,161           | 63,971           | 68,399           |
| Own shares   | 10,848           | 0                | 9,403            | 0                | 2                | 0                |
| Other assets   | 34,903           | 26,881           | 56,387           | 22,765           | 24,095           | 24,910           |
| Prepayments  | 7,457            | 6,736            | 6,533            | 6,213            | 5,428            | 5,235            |
| <b>Total assets</b>  | <b>9,592,454</b> | <b>7,150,077</b> | <b>9,620,969</b> | <b>6,509,007</b> | <b>5,786,707</b> | <b>5,558,875</b> |
| Due to credit institutions and central banks               | 2,639,895        | 841,717          | 2,645,515        | 99,987           | 59,643           | 90,260           |
| Deposits   | 5,428,570        | 4,908,917        | 5,452,073        | 5,213,885        | 4,015,058        | 3,870,262        |
| Other liabilities  | 166,139          | 106,929          | 176,163          | 81,085           | 122,738          | 61,207           |
| Deferred income  | 0                | 0                | 0                | 0                | 0                | 0                |
| Provisions for commitments                                 | 2,596            | 2,998            | 2,696            | 3,414            | 3,992            | 4,659            |
| <b>Total liabilities</b>                                   | <b>8,237,200</b> | <b>5,860,560</b> | <b>8,276,447</b> | <b>5,398,371</b> | <b>4,201,431</b> | <b>4,026,388</b> |
| Share capital  | 200,000          | 200,000          | 200,000          | 200,000          | 100,000          | 100,000          |
| Reserves   | 10,848           | 2,839            | 9,403            | 10,912           | 9,402            | 4,198            |
| Retained profit for the period                             | 11,837           | 43,998           | 89,600           | 24,526           | 28,074           | 22,377           |
| Brought forward from prior years                           | 1,132,569        | 1,042,680        | 1,045,519        | 875,197          | 1,447,800        | 1,405,913        |
| <b>Total equity</b>  | <b>1,355,254</b> | <b>1,289,517</b> | <b>1,344,522</b> | <b>1,110,636</b> | <b>1,585,276</b> | <b>1,532,488</b> |
| <b>Total liabilities and equity</b>                        | <b>9,592,454</b> | <b>7,150,077</b> | <b>9,620,969</b> | <b>6,509,007</b> | <b>5,786,707</b> | <b>5,558,875</b> |
| <b>Off-balance sheet items</b>                             | <b>446,837</b>   | <b>363,634</b>   | <b>445,684</b>   | <b>233,407</b>   | <b>149,799</b>   | <b>169,600</b>   |



## Financial Highlights – 5-years summary

| RATIOS AND KEY FIGURES   | Jan. - March | Jan. - March | Dec. 31 | Jan. - March | Jan. - March | Jan. - March |
|--|--------------|--------------|---------|--------------|--------------|--------------|
|  | 2008         | 2007         | 2007    | 2006         | 2005         | 2004         |
| Solvency ratio, %  | 18.2         | 23.0         | 17.9    | 25.7         | 45.4         | 44.8         |
| Core capital ratio, %  | 18.2         | 23.1         | 18.0    | 25.7         | 45.5         | 44.8         |
| Return on equity before tax, %                                       | 1.1          | 4.2          | 13.9    | 2.7          | 2.2          | 1.8          |
| Return on equity after tax, %  | 0.9          | 3.5          | 11.1    | 2.2          | 1.8          | 1.5          |
| Income / cost ratio, DKK   | 1.30         | 2.28         | 1.95    | 1.93         | 2.12         | 1.63         |
| Interest rate risk, %  | 2.0          | 1.5          | 2.7     | 2.7          | 2.2          | 2.0          |
| Foreign exchange position, %   | 18.3         | 11.4         | 15.6    | 10.9         | 5.1          | 4.1          |
| Foreign exchange risk, %   | 0.1          | 0.0          | 0.1     | 0.0          | 0.0          | 0.0          |
| Loans, advances and provisions<br>in relation to deposits, %         | 144.7        | 124.3        | 142.7   | 90.8         | 100.8        | 104.9        |
| Excess cover relative to statutory<br>liquidity requirements, %      | 95.2         | 62.3         | 103.2   | 213.5        | 315.6        | 289.7        |
| Large exposures as a percentage of equity, %                         | 120.8        | 123.3        | 122.4   | 36.9         | 10.9         | 37.3         |
| Share of amounts due on which<br>interest rates have been reduced, % | 0.4          | 0.6          | 0.4     | 0.8          | 1.7          | 1.6          |
| Provisioning ratio, %  | 3.2          | 4.6          | 3.2     | 7.4          | 10.7         | 13.3         |
| Write-off and provisioning ratio, %                                  | 0.0          | -0.1         | -0.3    | -0.1         | -0.1         | 0.3          |
| Growth on loans and advances, %                                      | 1.0          | 7.3          | 38.9    | 7.2          | -1.1         | -0.4         |
| Gearing of loans and advances  | 5.6          | 4.5          | 5.6     | 3.9          | 2.3          | 2.3          |
| Earnings per share before tax, DKK (1)                               | 7.7          | 26.9         | 90.0    | 15.0         | 35.1         | 28.0         |
| Earnings per share after tax, DKK (1)                                | 5.9          | 22.0         | 72.0    | 12.3         | 28.1         | 22.4         |
| Book value per share, DKK (1)  | 678          | 645          | 672     | 555          | 1,585        | 1,532        |
| Market price / Book value per share, DKK (1)                         | 1.08         | N/A          | 1.33    | N/A          | N/A          | N/A          |
| P/E Ratio, DKK (1)   | 124.1        | N/A          | 12.4    | N/A          | N/A          | N/A          |

These highlights have been prepared in correspondence with regulations from the Danish Financial Supervisory Authority.

(1) In accordance with the guidelines from the Danish Financial Supervisory Authority the denomination of the shares has been converted from DKK 20 to DKK 100. The conversion affects the figures from 1 January 2007.

## Statement by the Executive Board and the Board of Directors

The Interim Financial Statement for the first quarter of 2008 is 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 Exchanges in Iceland and in Copenhagen.

The net profit, according to the Income Statement, amounted to DKK 11.8m for the period from 1 January to 31 March 2008. Total equity, according to the Balance Sheet, amounted to DKK 1,355m at the end of the period, including share capital amounting to DKK 200m. The return on equity, calculated according to the Danish Banking Act, was 0.9% after tax.

We consider the accounting policies used to be appropriate, such that the Interim Financial Statement gives a true and fair view of the Bank's assets, liabilities and financial position at 31 March 2008, and of the results of the operations and cash flows for the period 1 January to 31 March 2008.

Tórshavn, 07 May 2008

### Executive Board

Janus Petersen

Súni Schwartz Jacobsen

### Board of Directors

Klaus Rasmussen

Jens Erik Christensen

Wilhelm E. Petersen

Keld Søndergaard Holm

Olav Enomoto

Sigmar Jacobsen

## Internal Auditor's Review Report

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

According to an agreement with the Bank's Board of Directors, we have reviewed the accompanying Interim Balance Sheet of P/F Føroya Banki as of 31 March 2008, and the related Interim Statement of Income, Interim Cash Flows and Notes for the three months ending 31 March 2008. The Interim Financial Statement is the responsibility of the Bank's management. Our responsibility is to issue a report on the Financial Statement based on our review.

### Basis of Opinion

We conducted our review in accordance with generally accepted review standards as applied on the Faroe 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 accompanying Interim Financial Statements do not give a true and fair view of the financial position of the Bank as of 31 March 2008, and of the results of its operations and its cash flows for the three months ending 31 March 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 on the Faroes and in accordance with the financial reporting requirements of the OMX Nordic Exchanges in Iceland and in Copenhagen.

Tórshavn, 07 May 2008

Petur A. Johannesen  
Chief Auditor

## Accounting Policies

The financial statements of P/F FØROYA BANKI have 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 on the Faroe Islands.

According to § 116 of the executive order with reference to the Faroese Banking Act, no consolidated financial statements have been prepared. The Bank has as of 31 March 2008 three subsidiaries. P/F Trygd is a non-life insurance company and is therefore not consolidated with the Bank. P/F Skyn is a real estate brokerage. The management considers P/F Skyn to be non-material and the company is therefore not consolidated with the Bank. P/F Vestlax is an aquaculture corporation, which the Bank has taken over with the purpose of reconstructing and selling the company. Consequently it is not to be consolidated.

The Bank has not changed its accounting policies from those followed in the Annual Report for 2007. The Annual Report for 2007 provides a full version of the Bank's accounting policies, and is available upon request from the Banks registered office at Húsagøta 3, Tórshavn or at [www.foroya.fo](http://www.foroya.fo).

## Income Statement

| Note | DKK 1,000  | Jan. - March<br>2008 | Jan. - March<br>2007 | Dec. 31<br>2007 |
|------|--|----------------------|----------------------|-----------------|
| 1    | Interest income, etc.                                      | 156,155              | 105,270              | 500,856         |
| 2    | Interest expenses, etc.                                    | 76,779               | 36,290               | 209,373         |
|      | <b>Net interest income</b>                                 | <b>79,377</b>        | <b>68,980</b>        | <b>291,483</b>  |
| 3    | Dividends from shares and other investments                | 597                  | 97                   | 2,644           |
|      | Fee and commission income, etc.                            | 8,703                | 10,003               | 45,372          |
|      | Fees and commissions paid                                  | 39                   | 66                   | 311             |
|      | <b>Net interest and fee income</b>                         | <b>88,638</b>        | <b>79,013</b>        | <b>339,188</b>  |
| 4    | Value adjustments of securities and foreign exchange, etc. | -16,948              | 12,672               | 23,589          |
|      | Other operating income                                     | -34                  | -1,168               | 1,521           |
|      | <b>Results from net financials</b>                         | <b>71,656</b>        | <b>90,517</b>        | <b>364,298</b>  |
| 5    | Employee and administrative expenses                       | 47,520               | 44,626               | 206,164         |
|      | Amortisation, depreciation and writedowns                  | 2,349                | 2,583                | 8,707           |
|      | Other operating expenses                                   | 0                    | 8                    | 8               |
| 11   | Provisions for bad and doubtful debts (net)                | 2,200                | -5,172               | -25,072         |
|      | Income from groups and associates                          | -4,225               | 5,292                | 5,420           |
|      | <b>Profit from ordinary activities before tax</b>          | <b>15,363</b>        | <b>53,764</b>        | <b>179,911</b>  |
| 6    | Tax  | 3,526                | 9,766                | 35,908          |
|      | <b>Net profit</b>  | <b>11,837</b>        | <b>43,998</b>        | <b>144,003</b>  |

## Balance Sheet

| Note                            | DKK 1,000   | March 31<br>2008 | March 31<br>2007 | Dec. 31<br>2007  |
|---------------------------------|---|------------------|------------------|------------------|
| <b>Assets</b>                   |   |                  |                  |                  |
|                                 | Cash in hand and demand deposits with central banks | 636,599          | 45,034           | 239,610          |
| 7-8                             | Due from credit institutions, etc.                  | 99,402           | 148,172          | 533,599          |
| 9-11                            | Loans and advances                                  | 7,588,335        | 5,803,633        | 7,513,009        |
| 12                              | Bonds, etc.   | 879,989          | 772,975          | 894,284          |
| 13                              | Shares, etc.  | 139,132          | 136,802          | 167,271          |
|                                 | Investments in associates                           | 37,220           | 34,399           | 34,399           |
|                                 | Investments in group enterprises                    | 93,874           | 112,919          | 100,919          |
|                                 | Tangible assets                                     | 64,695           | 62,526           | 65,555           |
|                                 | Own shares  | 10,848           | 0                | 9,403            |
|                                 | Other assets  | 34,903           | 26,881           | 56,387           |
|                                 | Prepayments   | 7,457            | 6,736            | 6,533            |
|                                 | <b>Total assets</b>                                 | <b>9,592,454</b> | <b>7,150,077</b> | <b>9,620,969</b> |
| <b>Liabilities</b>              |   |                  |                  |                  |
| 14-15                           | Due to credit institutions and central banks        | 2,639,895        | 841,717          | 2,645,515        |
| 16-17                           | Deposits  | 5,428,570        | 4,908,917        | 5,452,073        |
|                                 | Other liabilities                                   | 166,139          | 106,929          | 176,163          |
|                                 | Deferred income                                     | 0                | 0                | 0                |
|                                 | Provisions for commitments                          | 2,596            | 2,998            | 2,696            |
|                                 | <b>Total liabilities</b>                            | <b>8,237,200</b> | <b>5,860,560</b> | <b>8,276,447</b> |
| <b>Equity</b>                   |   |                  |                  |                  |
|                                 | Share capital                                       | 200,000          | 200,000          | 200,000          |
|                                 | Reserves  | 10,848           | 2,839            | 9,403            |
|                                 | Retained profit for the period                      | 11,837           | 43,998           | 89,600           |
|                                 | Brought forward from prior years                    | 1,132,569        | 1,042,680        | 1,045,519        |
|                                 | <b>Total equity</b>                                 | <b>1,355,254</b> | <b>1,289,517</b> | <b>1,344,522</b> |
|                                 | <b>Total liabilities and equity</b>                 | <b>9,592,454</b> | <b>7,150,077</b> | <b>9,620,969</b> |
| <b>Off-balance-sheet items:</b> |   |                  |                  |                  |
| 18                              | Guarantees, etc.                                    | 446,837          | 363,634          | 445,684          |
|                                 | Other commitments                                   | 0                | 0                | 0                |
|                                 | <b>Total</b>  | <b>446,837</b>   | <b>363,634</b>   | <b>445,684</b>   |

## Shareholders Equity

| <b>Changes in shareholder's equity Jan. to March 2008:</b><br>DKK 1,000 | Share<br>capital | Reserves according<br>to the equity method | Reserves<br>own shares | Retained<br>earnings | Total<br>equity  |
|---|------------------|--|------------------------|----------------------|------------------|
| Shareholder's equity at 1 January 2008                                  | 200,000          | 0  | 9,403                  | 1,135,119            | 1,344,522        |
| Prior year adjustments  |                  |  |                        | -1,105               |                  |
| Net profit according to the Income Statement                            |                  |  |                        | 11,837               |                  |
| Proposed dividend   |                  |  |                        |                      |                  |
| Purchases and sales of own shares, net                                  |                  |  | 1,445                  | -1,445               |                  |
| Reserves  |                  |  |                        |                      |                  |
| <b>Shareholder's equity at 31 March 2008</b>                            | <b>200,000</b>   | <b>0</b>                                   | <b>10,848</b>          | <b>1,144,406</b>     | <b>1,355,254</b> |

| <b>Changes in shareholder's equity Jan. to March 2007:</b><br>DKK 1,000 | Share<br>capital | Reserves according<br>to the equity method | Reserves<br>own shares | Retained<br>earnings | Total<br>equity  |
|---|------------------|--|------------------------|----------------------|------------------|
| Shareholder's equity at 1 January 2007                                  | 200,000          | 2,839                                      | 0                      | 1,042,680            | 1,245,519        |
| Net earnings according to the Income Statement                          |                  |  |                        | 43,998               |                  |
| Proposed dividend   |                  |  |                        |                      |                  |
| Purchases and sales of treasury stock, net                              |                  |  |                        |                      |                  |
| Reserves  |                  |  |                        |                      |                  |
| <b>Shareholder's equity at 31 March 2007</b>                            | <b>200,000</b>   | <b>2,839</b>                               | <b>0</b>               | <b>1,086,678</b>     | <b>1,289,517</b> |

## Capital Base and Solvency Ratio

| <b>Calculation of capital adequacy</b><br>DKK 1,000                             | <b>31 March<br/>2008</b> | <b>31 March<br/>2007</b> | <b>31 Dec.<br/>2007</b> |
|---|--------------------------|--------------------------|-------------------------|
| Shareholder's equity  | 1,355,254                | 1,289,517                | 1,344,522               |
| Net profit according to the Income Statement                                    | -11,837                  | -43,998                  |                         |
| Deferred tax assets   | -3,454                   | -3,018                   | -3,356                  |
| Own shares  | -10,848                  | 0                        | -9,403                  |
| <b>Core capital after statutory deductions</b>                                  | <b>1,329,115</b>         | <b>1,242,501</b>         | <b>1,331,763</b>        |
| Statutory deduction for insurance subsidiaries                                  | -3,000                   | -3,000                   | -3,000                  |
| <b>Base capital after statutory deductions</b>                                  | <b>1,326,115</b>         | <b>1,239,501</b>         | <b>1,328,763</b>        |
| Risk-weighted items:  |                          |                          |                         |
| Weighted items not included in trading portfolio                                | 6,467,291                | 4,813,681                | 6,521,541               |
| Weighted items with market risk   | 818,520                  | 570,224                  | 881,695                 |
| <b>Total weighted items</b>   | <b>7,285,812</b>         | <b>5,383,905</b>         | <b>7,403,236</b>        |
| Core capital after statutory deductions as a percentage of total weighted items | 18.2%                    | 23.1%                    | 18.0%                   |
| Solvency ratio according to section 124 of the Faroese Banking Act              | 18.2%                    | 23.0%                    | 17.9%                   |

## Cash Flow Statement

| Cash flow statement<br>DKK 1,000   | 31 March<br>2008 | 31 March<br>2007 |
|--|------------------|------------------|
| Net profit for the first three months  | 11,837           | 43,998           |
| Adjustment of non-liquid operating items, etc.:  |                  |                  |
| Provisions for poor and doubtful debts   | 2,200            | -5,172           |
| Depreciation of tangible assets  | 2,349            | 2,583            |
| Value adjustments, bonds   | -5,735           | -15,309          |
| Value adjustments, shares  | 22,198           | 3,603            |
| Result from investments in group enterprises   | 7,045            | 497              |
| Result from associates   | -2,820           | 0                |
| Tax charged to the income statement  | 3,526            | 9,766            |
| Paid tax   | 0                | 0                |
| <b>Earnings</b>  | <b>40,599</b>    | <b>39,967</b>    |
| Change in loans  | -77,525          | -390,342         |
| Change in holding of bonds   | 20,030           | 106,453          |
| Change in holding of shares  | 5,941            | -5,592           |
| Change in other assets   | 20,378           | 30,234           |
| Change in deposits   | -23,503          | 262,186          |
| Due to credit institutions and central banks   | -5,620           | -401,349         |
| Other liabilities  | 31,450           | 22,701           |
| Prepayments  | -924             | -719             |
| Provisions for commitments   | -101             | -101             |
| <b>Cash flow from operating activities</b>   | <b>10,725</b>    | <b>-336,562</b>  |
| Acquisition/sale of tangible assets  | -1,489           | -4,347           |
| Acquisition/sale of own shares   | -1,445           | 0                |
| Acquisition/sale of investments  | 0                | 626              |
| <b>Cash flow from investing activities</b>   | <b>-2,933</b>    | <b>-3,721</b>    |
| Dividends paid   | -45,000          | 0                |
| <b>Cash flow from financing activities</b>   | <b>-45,000</b>   | <b>0</b>         |
| <b>Cash flow for the period</b>  | <b>-37,208</b>   | <b>-340,282</b>  |
| Cash in hand and demand deposits with central banks, and due from credit institutions, etc. at the beginning of the year | 773,209          | 533,489          |
| Cash flow for the period   | -37,208          | -340,282         |
| <b>Cash and due etc. At the end of the period</b>  | <b>736,001</b>   | <b>193,207</b>   |
| <b>Cash and due etc. At the end of the period</b>  |                  |                  |
| Cash in hand and demand deposits with central banks  | 636,599          | 45,034           |
| Due from credit institutions, etc.   | 99,402           | 148,172          |
| <b>Total</b>   | <b>736,001</b>   | <b>193,207</b>   |



## Notes to the Income Statement

| Note | DKK 1,000  | Jan. - March<br>2008 | Jan. - March<br>2007 | Dec<br>2007    |
|------|--|----------------------|----------------------|----------------|
| 1    | <b>Interest income and premiums on forwards</b>  |                      |                      |                |
|      | Credit institutions and central banks  | 3,511                | 2,745                | 15,302         |
|      | Loans and advances   | 142,003              | 95,519               | 451,042        |
|      | Bonds  | 9,981                | 7,366                | 35,293         |
|      | Total derivatives of which:  | 661                  | -359                 | -1,039         |
|      | <i>Currency contracts</i>  | 663                  | 0                    | -860           |
|      | <i>Interest rate contracts</i>   | -3                   | -370                 | -179           |
|      | <i>Other transactions</i>  | 0                    | 11                   | 0              |
|      | Other contracts  | 0                    | 0                    | 258            |
|      | <b>Total interest income</b>   | <b>156,155</b>       | <b>105,270</b>       | <b>500,856</b> |
|      | Of which accounted for by income from genuine sale<br>and repurchase transactions:           |                      |                      |                |
|      | Credit institutions and central banks  | 0                    | 0                    | 0              |
| 2    | <b>Interest expenses</b>   |                      |                      |                |
|      | Credit institutions and central banks  | 31,640               | 9,883                | 72,332         |
|      | Deposits   | 45,139               | 26,407               | 137,041        |
|      | <b>Total interest expenses</b>   | <b>76,779</b>        | <b>36,290</b>        | <b>209,373</b> |
|      | Of which interest expenses on genuine sale and<br>repurchase transactions are carried under: |                      |                      |                |
|      | Credit institutions and central banks  | 0                    | 0                    | 0              |
| 3    | <b>Dividends from</b>  |                      |                      |                |
|      | Shares   | 597                  | 97                   | 2,644          |
|      | <b>Total</b>   | <b>597</b>           | <b>97</b>            | <b>2,644</b>   |
| 4    | <b>Value adjustments</b>   |                      |                      |                |
|      | Bonds  | 5,735                | 781                  | -5,318         |
|      | Shares   | -20,024              | 6,120                | 20,779         |
|      | Foreign exchange   | -485                 | 966                  | 7,819          |
|      | Total derivatives of which:  | -2,174               | 4,806                | 308            |
|      | <i>Currency Swaps</i>  | -2,174               | 4,806                | 308            |
|      | <i>Interest Swaps</i>  | 0                    | 0                    | 0              |
|      | <i>Other contracts</i>   | 0                    | 0                    | 0              |
|      | <b>Total value adjustments</b>   | <b>-16,948</b>       | <b>12,672</b>        | <b>23,589</b>  |
| 5    | <b>Employee and administrative expenses</b>  |                      |                      |                |
|      | Executive Board  | 1,260                | 788                  | 5,660          |
|      | Board of Directors   | 279                  | 327                  | 3,497          |
|      | <b>Total</b>   | <b>1,539</b>         | <b>1,115</b>         | <b>9,157</b>   |
|      | Employee expenses:   |                      |                      |                |
|      | Salaries   | 21,311               | 17,900               | 82,046         |
|      | Pensions   | 1,953                | 1,620                | 6,414          |
|      | Social security expences   | 1,512                | 1,529                | 6,794          |
|      | <b>Total</b>   | <b>24,776</b>        | <b>21,048</b>        | <b>95,254</b>  |
|      | Other administrative expenses  | 21,205               | 22,462               | 101,753        |
|      | <b>Total employee and administrative expenses</b>  | <b>47,520</b>        | <b>44,626</b>        | <b>206,164</b> |

## Notes to the Income Statement

| Note | DKK 1,000  | Jan. - March<br>2008 | Jan. - March<br>2007 | Dec<br>2007   |
|------|--|----------------------|----------------------|---------------|
| 6    | <b>Tax</b>   |                      |                      |               |
|      | Estimated tax on the profit for the period   | 3,624                | 9,716                | 36,196        |
|      | Adjustment of tax assets   | -98                  | 50                   | -288          |
|      | Adjustment of prior year tax charge  | 0                    | 0                    | 0             |
|      | <b>Total</b>   | <b>3,526</b>         | <b>9,766</b>         | <b>35,908</b> |
|      | <b>Breakdown of tax liability</b>  |                      |                      |               |
|      | Estimated tax (18%) on profit from ordinary activities   | 2,765                | 9,677                | 32,384        |
|      | Tax value of non-taxable income  | 1,133                | -69                  | -1,927        |
|      | Tax value of non-deductible expenses   | -274                 | 108                  | 5,739         |
|      | Adjustment of tax assets   | -98                  | 50                   | -288          |
|      | Adjustment of prior year tax charge  | 0                    | 0                    | 0             |
|      | <b>Tax charged to the income statement</b>   | <b>3,526</b>         | <b>9,766</b>         | <b>35,908</b> |
|      | Effective tax rate (tax charged to the income statement relative to profit (loss) from ordinary activities before tax) | 22.9%                | 18.2%                | 20.0%         |

## Notes to the Balance Sheet

| Note | DKK 1,000   | 31 March<br>2008 | 31 March<br>2007 | 31 Dec.<br>2007  |
|------|---|------------------|------------------|------------------|
| 7    | <b>Due from credit institutions etc. specified by institution</b>               |                  |                  |                  |
|      | Deposits at notice with central banks   | 0                | 0                | 0                |
|      | Due from credit institutions  | 99,402           | 148,172          | 533,599          |
|      | <b>Total</b>  | <b>99,402</b>    | <b>148,172</b>   | <b>533,599</b>   |
| 8    | <b>Due from credit institutions etc. specified by maturity</b>                  |                  |                  |                  |
|      | On demand   | 99,402           | 78,172           | 108,599          |
|      | 3 months and below  | 0                | 70,000           | 425,000          |
|      | <b>Total</b>  | <b>99,402</b>    | <b>148,172</b>   | <b>533,599</b>   |
| 9    | <b>Loans and advances specified by sectors</b>                                  |                  |                  |                  |
|      | Public authorities  | 5%               | 6%               | 5%               |
|      | Corporate sector:   |                  |                  |                  |
|      | Fishing industry  | 12%              | 13%              | 12%              |
|      | Manufacturing industries etc.   | 5%               | 5%               | 5%               |
|      | Building and construction etc.  | 2%               | 3%               | 2%               |
|      | Trade, hotels and restaurants   | 8%               | 7%               | 8%               |
|      | Transport, mail and telephone   | 7%               | 4%               | 7%               |
|      | Property administration, purchase and sale and business services                | 4%               | 4%               | 4%               |
|      | Other industries  | 9%               | 6%               | 9%               |
|      | <b>Total corporate sector</b>   | <b>47%</b>       | <b>42%</b>       | <b>47%</b>       |
|      | Retail customers  | 48%              | 52%              | 48%              |
|      | <b>Total</b>  | <b>100%</b>      | <b>100%</b>      | <b>100%</b>      |
| 10   | <b>Loans and advances specified by maturity</b>                                 |                  |                  |                  |
|      | On demand   | 106,143          | 56,434           | 300,541          |
|      | 3 months and below  | 355,375          | 218,040          | 349,947          |
|      | 3 months to 1 year  | 653,050          | 531,342          | 682,208          |
|      | Over 1 year to 5 years  | 1,819,011        | 1,690,592        | 1,865,542        |
|      | Over 5 years  | 4,654,756        | 3,307,225        | 4,314,770        |
|      | <b>Total loans and advances</b>   | <b>7,588,335</b> | <b>5,803,633</b> | <b>7,513,008</b> |
| 11   | <b>Changes in the provisions on loans and advances are specified as follows</b> |                  |                  |                  |
|      | Balance at the beginning of the year  | 265,567          | 301,537          | 301,537          |
|      | Impairment on loans and advances during the period                              | 2,200            | -5,172           | -25,072          |
|      | Write-offs during the period  | -198             | -241             | -13,139          |
|      | Payment of loans previously written-off   | 141              | 1,061            | 2,241            |
|      | <b>Provisions on loans and advances</b>   | <b>267,710</b>   | <b>297,185</b>   | <b>265,567</b>   |
| 12   | <b>Bonds</b>  |                  |                  |                  |
|      | Listed  | 879,989          | 772,975          | 894,284          |
|      | Unlisted  | 0                | 0                | 0                |
|      | <b>Total bonds</b>  | <b>879,989</b>   | <b>772,975</b>   | <b>894,284</b>   |
| 13   | <b>Shares</b>   |                  |                  |                  |
|      | Listed  | 129,560          | 124,073          | 149,071          |
|      | Other investments   | 9,572            | 12,729           | 18,200           |
|      | <b>Total shares</b>   | <b>139,132</b>   | <b>136,802</b>   | <b>167,271</b>   |

## Notes to the Balance Sheet

| Note | DKK 1,000  | 31 March<br>2008 | 31 March<br>2007 | 31 Dec.<br>2007  |
|------|--|------------------|------------------|------------------|
| 14   | <b>Due to credit institutions and central banks specified by institution</b> |                  |                  |                  |
|      | Due to central banks   | 0                | 0                | 0                |
|      | Due to credit institutions   | 2,639,895        | 841,717          | 2,645,515        |
|      | <b>Total</b>   | <b>2,639,895</b> | <b>841,717</b>   | <b>2,645,515</b> |
| 15   | <b>Due to credit institutions and central banks specified by maturity</b>    |                  |                  |                  |
|      | On demand  | 81,680           | 99,087           | 114,857          |
|      | 3 months and below   | 620,000          | 742,630          | 619,000          |
|      | 3 months to 1 year   | 0                | 0                | 0                |
|      | Over 1 year to 5 years   | 1,938,215        | 0                | 1,911,658        |
|      | Over 5 years   | 0                | 0                | 0                |
|      | <b>Total</b>   | <b>2,639,895</b> | <b>841,717</b>   | <b>2,645,515</b> |
| 16   | <b>Deposits specified by type</b>  |                  |                  |                  |
|      | On demand  | 2,331,645        | 2,438,637        | 2,209,099        |
|      | At notice  | 1,523,592        | 1,537,373        | 1,530,317        |
|      | Time deposits  | 1,050,402        | 469,555          | 1,200,319        |
|      | Special deposits   | 522,932          | 463,351          | 512,338          |
|      | <b>Total deposits</b>  | <b>5,428,570</b> | <b>4,908,917</b> | <b>5,452,073</b> |
| 17   | <b>Deposits specified by maturity</b>  |                  |                  |                  |
|      | On demand  | 2,331,645        | 2,438,637        | 2,209,099        |
|      | 3 months and below   | 2,908,991        | 2,293,002        | 3,048,023        |
|      | 3 months to 1 year   | 56,279           | 31,134           | 44,006           |
|      | Over 1 year to 5 years   | 130,875          | 145,749          | 150,236          |
|      | Over 5 years   | 780              | 395              | 709              |
|      | <b>Total deposits</b>  | <b>5,428,570</b> | <b>4,908,917</b> | <b>5,452,073</b> |
| 18   | <b>Off-balance sheet items</b>   |                  |                  |                  |
|      | Guarantees, etc.:  |                  |                  |                  |
|      | Financial guarantees   | 11,089           | 11,574           | 13,831           |
|      | Other guarantees   | 435,748          | 352,060          | 431,854          |
|      | <b>Total guarantees, etc.</b>  | <b>446,837</b>   | <b>363,634</b>   | <b>445,684</b>   |

## Additional Information

### Conference call

Føroya Banki will hold a conference call upon the presentation of its Interim Financial Statement for the first quarter of 2008. The conference call is scheduled for 07 May at 14.00pm CET. Please contact IR Officer Johnny í Gróttinum (+298 230382) before 13:30 CET, for access to the conference call.

### Financial calendar

Føroya Banki plans to release its H1 Report for 2008 on 06 August 2008.

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