

# Føroya Banki Improved Operations And Decreased Value Adjustments

**Exclusive of value adjustments, income from groups and associates, and provisions, Føroya Banki's pre-tax profit for the Q1 period of 2008 was DKK 39m. This is an improvement from 2007 when the result was DKK 31m.**

However, exclusive of value adjustments, income from groups and associates, and provisions, the pre-tax result was DKK 15m for the first quarter of 2008 compared to DKK 54m for the same period last year. The decrease was primarily a result of a DKK 17m loss in value adjustments for the first quarter of this year compared to a DKK 13m profit in the same period last year. The loss in value adjustments correlates to the drop in the Copenhagen Stock Exchange share index.

Thus the Bank has improved core earnings, but total profit is lower than last year, because turbulence in the global financial markets has caused a drop in share prices.

An additional reason for the decline in total profit for the first quarter period is caused by a deficit in the subsidiary P/F Trygd. Income from groups and associates was DKK 5m for the first quarter last year compared to a negative DKK 4m this year, primarily caused by Trygd's poor result. Trygd's loss is due to extraordinarily many damage claims this winter as a result of severe weather conditions.

Føroya Banki's 2008 Q1 result amounted to DKK 12m after tax compared to DKK 44m the same period last year.

"The Bank's operations are improving, which is satisfactory. The Bank has a sound liquidity, part of which is placed in securities. Unfortunately value adjustments have been negative in the first quarter, but ordinary operations continue in a positive direction," says Janus Petersen, CEO of Føroya Banki.

Net interest and fee income increased from DKK 79m for the first quarter of last year to DKK 89m for the same period this year. Employee and administrative expenses increased slightly from DKK 45m the first quarter last year to DKK 48m the same period this year.

## **Slow-down in Lending**

Føroya Banki's equity is now DKK 1,355m. The balance is DKK 9,6bn. Loans and advances increased by DKK 75m in the first quarter of 2008 and are now at DKK 7,5bn. Deposits are DKK 5,4bn.

The growth in lending is decreasing due to a slow-down in the economy and investments, and because the rise in interest rates has subdued demand for loans.

Føroya Banki's liquidity is still very good. Liquidity was 95.2 per cent above statutory liquidity requirements. The Bank's solvency was 18.1 per cent at 31 March. The statutory minimum requirement is 8 per cent.

**Maintaining Projection**

Føroya Banki maintains its projection of an annual result before value adjustments and tax in the range of DKK 165m and 185m for 2008.

**Sound Economy**

Føroya Banki expects the Faroese economic growth to be around 5 per cent in 2008.

Unemployment is still at a record low, but the economic growth is not so high at present, as it has been, because of a labour shortage.

The Bank concurs with Moody's Investors Service, which earlier this year stated that the Faroese economy is fundamentally sound. Moody's gave the Faroese economy a Aa2 rating.

Moody's rating shows that the Faroe Islands are economically sound, and that the Faroese banks are operating in a healthy economical environment.