



FØROYABANKI

Strong performance in a challenging environment

2007 Full Year Results Presentation
Janus Petersen, CEO

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Headlines

- Net Profit in line with projections from Q3 Report
- 23% Increase in net interest and fee income
- Increased lending by 39% during 2007
- Growth mainly funded through long-term loans from financial institutions
- In the process of establishing subsidiary bank in Denmark: opening new possibilities, and also increasing expenses
- Loans and deposits are expected to increase by 5 -10% in 2008
- Profit before tax for 2008 in the range of DKK 165m – 185m

Significant events in 2007

- Privatisation and listing
- More than 15,000 new shareholders
- Obtained long term loans on international capital markets
- Establishment of subsidiary bank in Denmark initiated

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

Growth in core revenues of 10% annually

Cost/income ratio below 50%

Solvency ratio of 12%

Return on equity after tax of 12%

- Average organic growth in net interest, fee and commission income is targeted at 10% annually in the period until 2010
- Strong commitment to return to historic low cost levels
- Growth based reduction of C/I ratio expected
- 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
- Should be viewed in connection with the solvency ratio with a lower solvency facilitating a higher return on equity

Føroya Bank A/S: Niche bank with a focused growth strategy

- International strategy initiated, with the subsidiary to be located in Copenhagen
- Focused on Asset Management and related project financing
 - Funding by deposits in Denmark and long term loans by Group
- The activities in Denmark will improve the bank's services and products in the area of investments on the Faroese market, by a build up of competencies
- Modest lending expected in 2008
- Expect a deficit of DKK 10m in 2008
- Operations to start during the first half of 2008

Føroya Bank A/S - continued

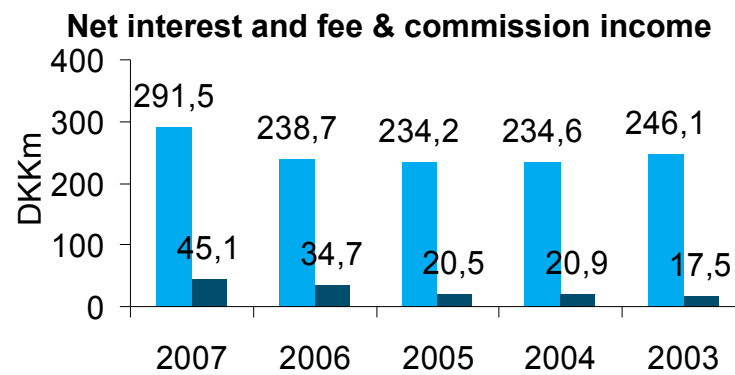
- 01 February 2008 – 7 employees
- DKK 300m capital base at the outset, with Føroya Banki subscribing 91.7 %, 8.3% subscribed by the management team
- Føroya Banki's risk procedures and governance structures to be applied to the subsidiary
 - Ensuring that the subsidiary continues Føroya Banki's strict compliance and risk management programmes

Income

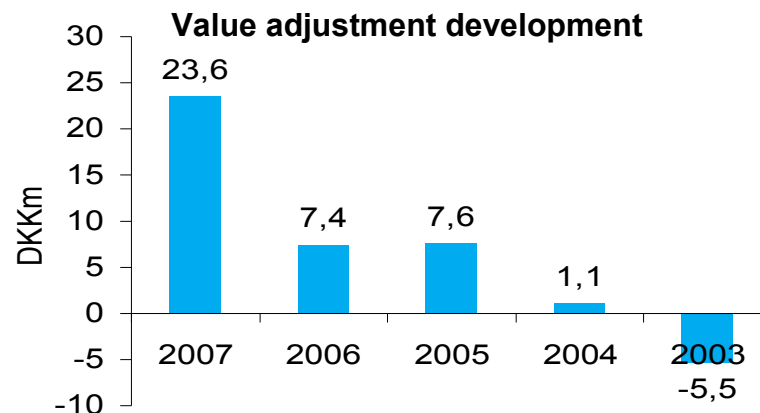
Solid growth in revenues during 2007

- Net interest income has increased 22% in 2007 compared to 2006
 - Primarily from lending growth
- Net fee and commission income increased by 30% in 2007
- Growth rate well above the 10 per cent target

- Favourable development in value adjustments from DKK 7.4m in 2006 to DKK 23.6m in 2007



■ Net interest income ■ Net fees and commission

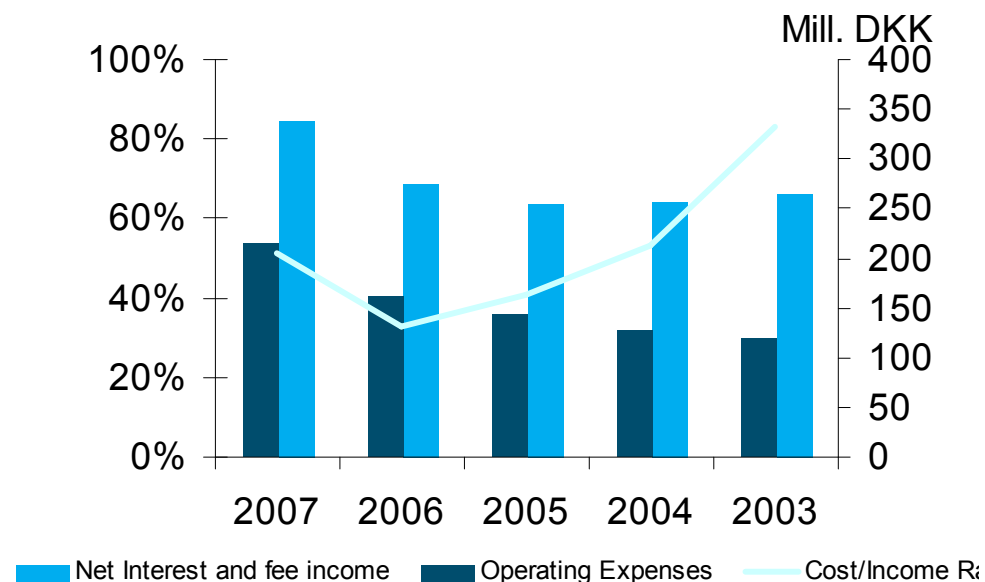


Operating expenses

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

- Employee and administrative expenses increases by 34% in 2007
 - 53% - equivalent to DKK 27.3m – for establishing the Danish subsidiary bank
- Cost/income ratio is 51.3%
- The Bank's financial objective is a C/I ratio below 50 per cent

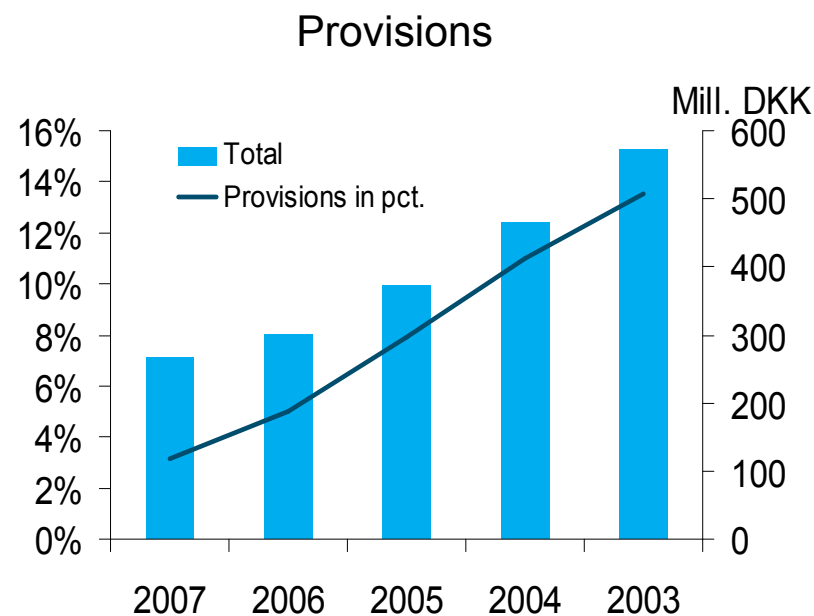
Net Income, Operating Expenses and C/I development



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
- Significant reversals in 2007
 - Accumulated reversals of DKK 25m in 2007 due to decreased credit risk
- Accumulated provisions DKK 266m
 - Equal to 3.2% of total lending
 - Non-performing loans accounted for 0.3% of total loans

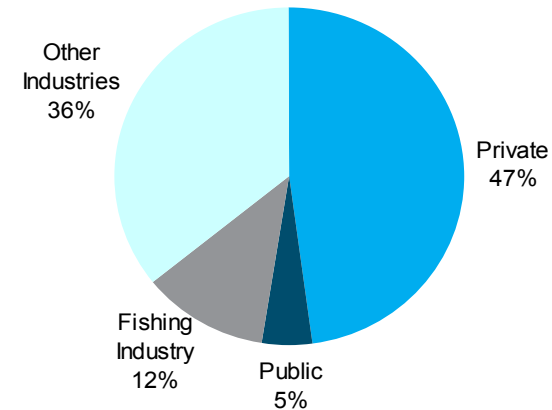


Lending

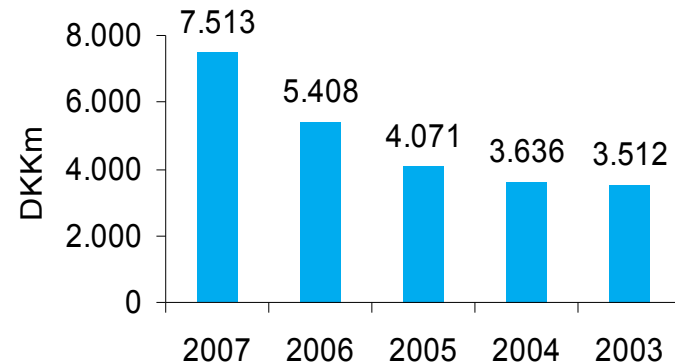
Føroya Banki has a sound loan composition and is experiencing high lending growth

- Well-diversified loan portfolio
 - Private segment: 47%
 - Corporate segment: 48%
 - Public segment: 5%
- Strong focus on credit risk management
 - Stringent credit application process
 - Strict internal limits on individual customer commitments
 - Conservative provisioning policy
- Continued high growth in lending

Composition of Loan Portfolio



Growth in loans

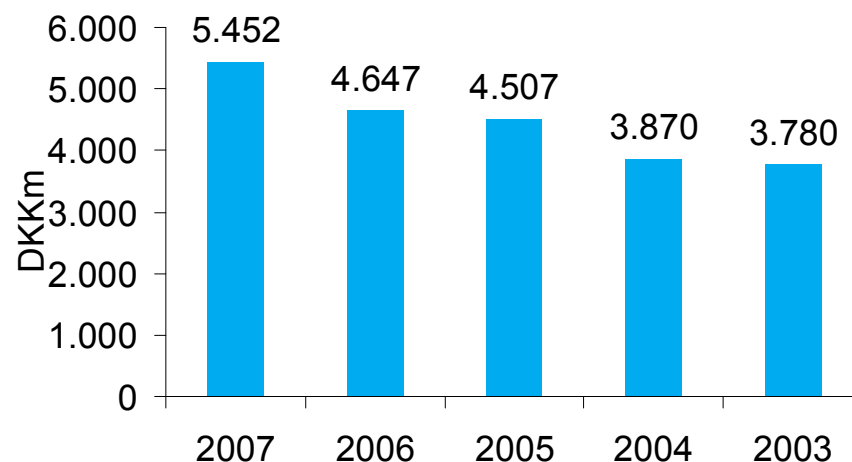


Deposits and liquidity

Føroya Banki has not been directly affected by the Sub-prime crisis

- Deposits increased during 2007 by DKK 805m, i.e. 17%
- Foreseeing a larger growth in lending the Bank entered the international loans market in 2007 and raised DKK 1.911m in medium term loans
- Conservative in terms of primarily financing lending growth either by growth in deposits or longer term loans
- In recent turmoil this conservative liquidity policy has paid off
- Forecast a rise in the funding costs going forward due to the turmoil

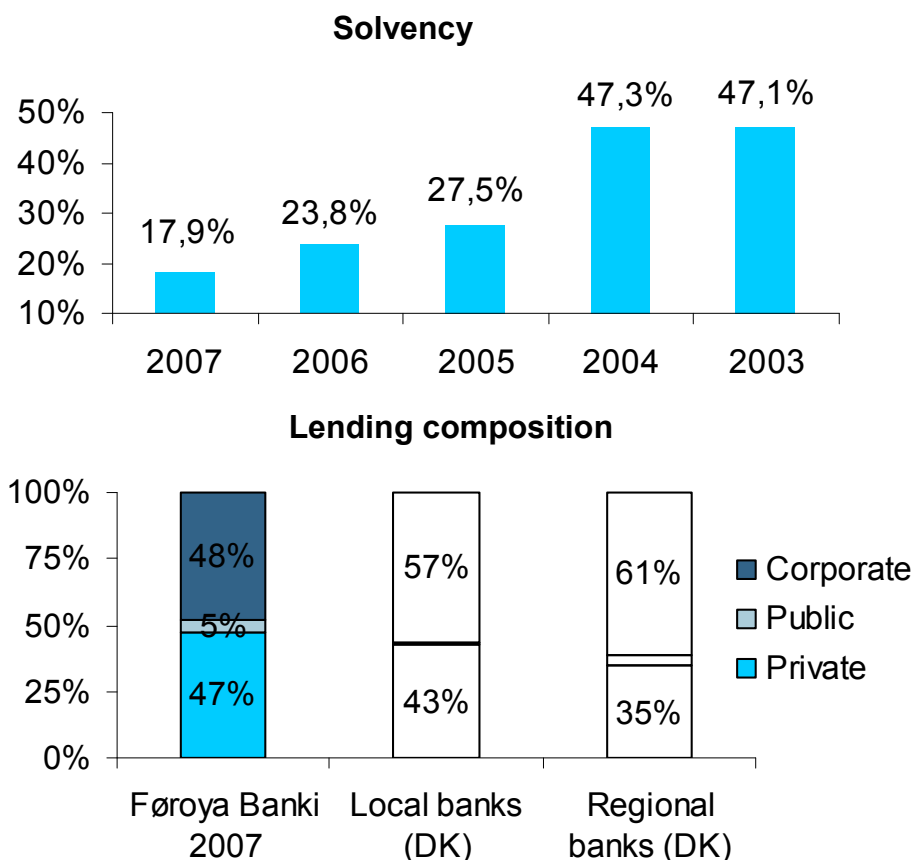
Growth in deposits



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
- In case of lack of strategic opportunities, potential surplus capital will be returned to the shareholders
- Going forward, Føroya Banki has a target solvency ratio of 12%



Ratios 2007 compared to 2006

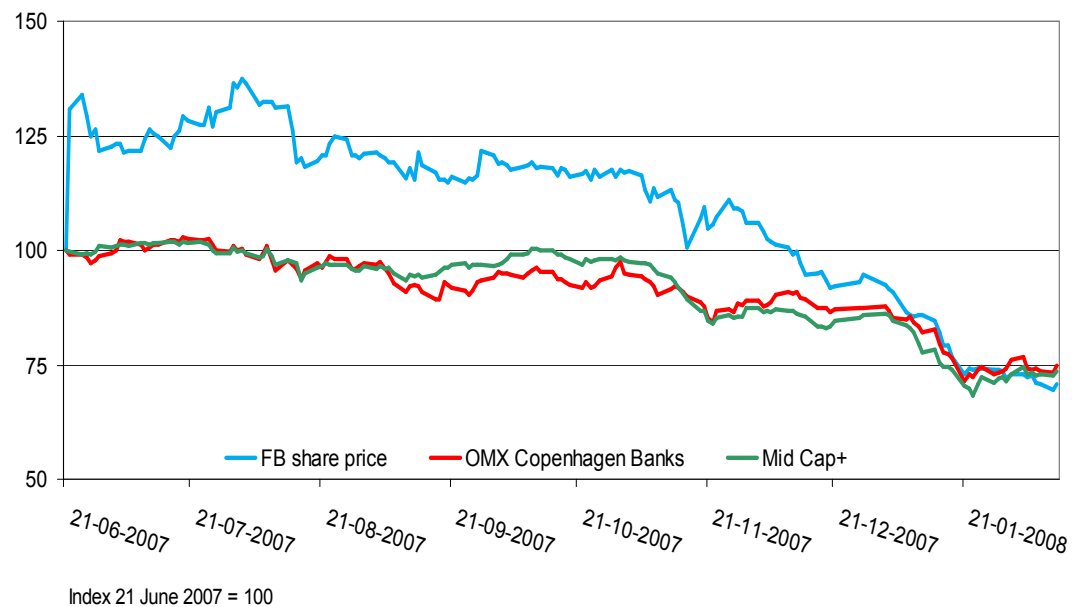
	2007	2006
■ Solvency ratio, %	17.9	23.8
■ Return on Equity (ROE), %	13.9	16.6
■ ROE after tax, %	11.1	13.7
■ EPS after tax, %	14.4	15.9
■ Book value per share	134	125
■ P/E ratio	12.4	N/A
■ Price/Book value	1.33	N/A

Number of shares, end of year (denomination DKK 20) 10,000,000

Føroya Banki - a listed company

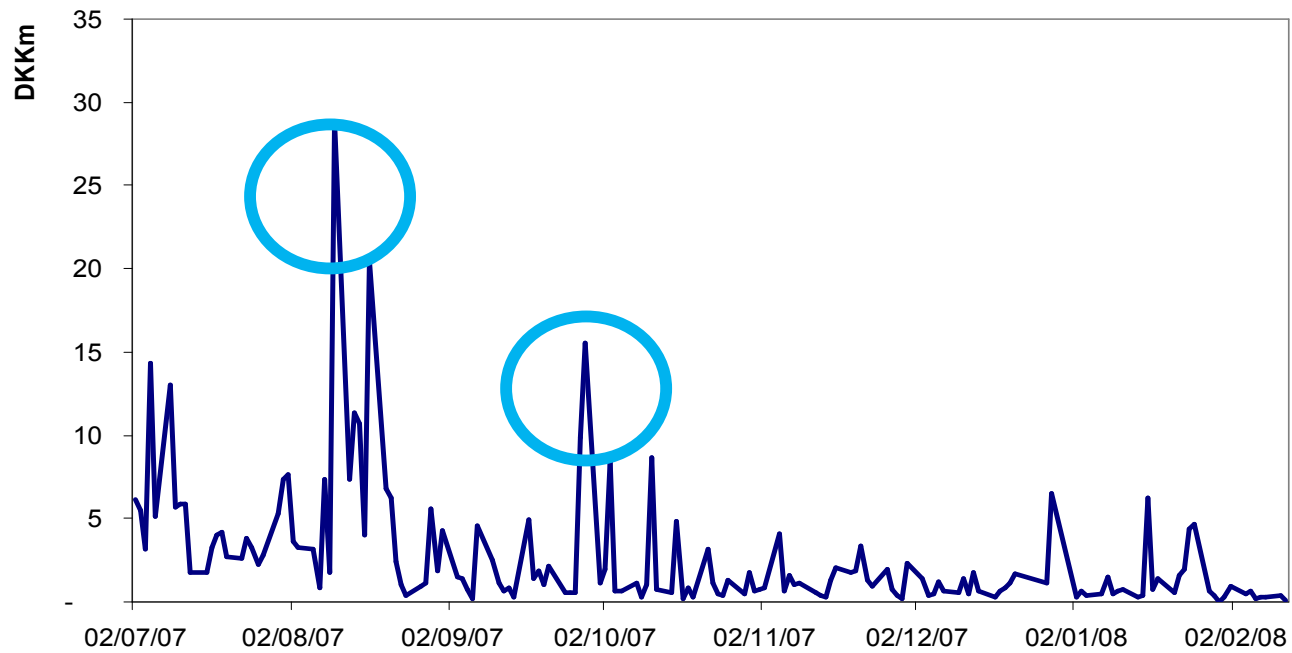
- DKK 189 per share in June 2007
- The closing price of the Føroya Banki share at 31 December 2007 was DKK 179, which is a drop of approximately 5% since 21 June to 31 December 2007
- Since the IPO of Føroya Banki in June 2007 and until 12 February 2008, the shares have decreased by 29%
- The main explanation for the recent development is the international liquidity crisis

Føroya Banki shares vs. OMX Copenhagen Banks and Mid Cap+



Satisfactory liquidity in FOB share

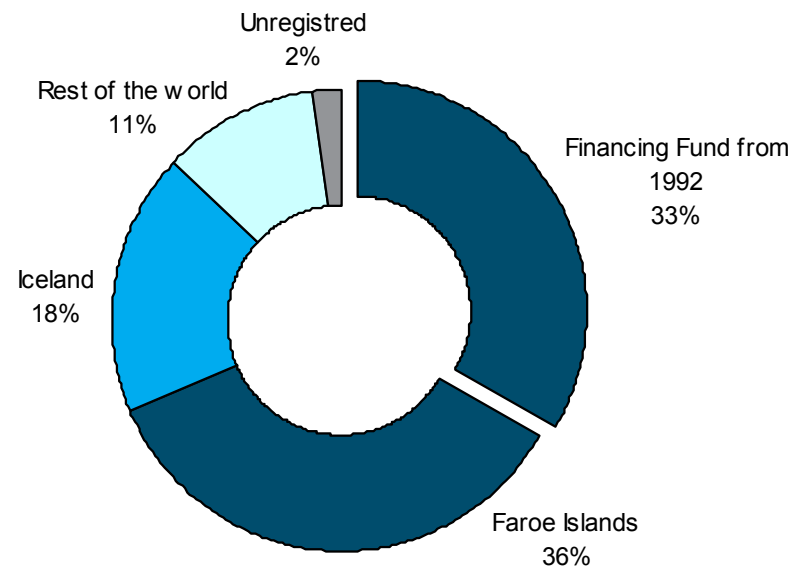
Trading volume in FOB share at OMX CPH



Ownership structure

- The Fund holds 33%
- Foreign shareholders amounts to approximately 30%

Føroya Banki's shareholders



Expectations for 2008

Macroeconomics and the Bank's performance lay the grounds for a good 2008 performance

- Føroya Banki expects an annual result for 2008 in the range of DKK 165m – 185m.
- Net interest income is expected to increase by 8-14% in 2008 based on a growth in the loans portfolio
- Fee and commission income is expected to increase by 8-12%
- Operating expenses are expected to increase by 0-5%, mostly due to expenses connected with the establishment of a subsidiary bank in Denmark
- Loans and deposits are expected to increase by 5-10% in 2008
- Funding will be a main focus area
- Negative return from the Danish subsidiary bank, estimated to DKK 10m in 2008
- Our forecast are based on an estimated nominal economic growth rate for the Faroese economy of 5% in 2008

Summary

From a Faroese bank to a Nordic bank...

- Net profit of DKK 144m for 2007
- Projected net profit before tax in 2008 is DKK 165–185m
- Strategic initiatives taking shape – what we are working on presently:
 - Increasing focus on generating income from fees and commissions
 - Corporate Finance activities in the Faroe Islands
 - New banking products and services for the domestic retail customers
 - Føroya Bank A/S being established in Copenhagen during H1 2008