

**FÓROYABANKI**

# **Interim Report** **first nine months** **of 2007**

Announcement No. 9/2007  
05 November 2007

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## Financial Highlights

INCOME STATEMENT DKK 1,000	Jan. - Sept. 2007	Jan. - Sept. 2006	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Dec. 31 2006
Interest income, etc.	353,399	232,686	132,794	115,335	105,270	94,741	82,864	327,427
Interest expenses, etc.	141,222	59,204	53,295	51,636	36,290	29,488	21,974	88,692
Net interest income	212,178	173,483	79,498	63,700	68,980	65,253	60,890	238,736
Dividends from shares and other investments	2,467	1,417	89	2,281	97	131	99	1,548
Fee and commission income, etc.	29,624	24,753	8,783	10,838	10,003	10,211	9,245	34,964
Fees and commissions paid	278	201	104	108	66	79	64	280
Net interest and fee income	243,991	199,451	88,267	76,710	79,013	75,517	70,171	274,968
Value adjustments of securities and foreign exchange, etc.	21,683	2,597	10,572	-1,561	12,672	4,835	16,588	7,432
Other operating income	-3,492	-1,387	-1,385	-940	-1,168	-604	218	-1,991
Results from net financials	262,181	200,662	97,454	74,209	90,517	79,747	86,977	280,409
Employee and administrative expenses	161,952	107,603	70,576	46,750	44,626	46,750	36,717	154,353
Amortisation, depreciation and writedowns	5,709	5,129	1,716	1,410	2,583	2,477	2,009	7,606
Other operating expenses	8	14	0	0	8	0	0	14
Provisions for bad and doubtful debts (net)	-28,978	-2,634	-6,994	-16,812	-5,172	-65,335	-1,188	-67,969
Income from groups and associates	10,735	6,012	395	5,048	5,292	1,034	1,602	7,046
Profit from ordinary activities before tax	134,225	96,562	32,551	47,910	53,764	96,889	51,041	193,451
Tax	27,770	16,730	10,288	7,716	9,766	17,312	8,899	34,042
Net profit	106,455	79,832	22,263	40,194	43,998	79,577	42,142	159,409

BALANCE SHEET DKK 1,000	Sept. 30 2007	Sept. 30 2006	Sept. 30 2007	June 30 2007	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	Dec. 31 2006
Loans and advances	6,812,637	4,959,502	6,812,637	6,240,863	5,803,633	5,408,119	4,959,502	5,408,119
Bonds, etc.	845,066	884,219	845,066	858,548	772,975	864,119	884,219	864,119
Investments in associates	34,399	4,713	34,399	34,399	34,399	35,026	4,713	35,026
Investments in group enterprises	118,362	128,370	118,362	117,967	112,919	113,416	128,370	113,416
Total assets	8,599,358	6,405,299	8,599,358	7,775,828	7,150,077	7,212,876	6,405,299	7,212,876
Due to credit institutions and central banks	1,680,143	320,074	1,680,143	1,488,681	841,717	1,243,066	320,074	1,243,066
Deposits	5,392,518	4,826,854	5,392,518	4,849,648	4,908,917	4,646,731	4,826,854	4,646,731
Total equity	1,351,974	1,165,941	1,351,974	1,329,711	1,289,517	1,245,519	1,165,941	1,245,519

RATIOS AND KEY FIGURES	Jan. - Sept. 2007	Jan. - Sept. 2006	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Dec. 31 2006
Solvency ratio, %	19.2	23.6	19.2	20.8	23.0	23.8	23.6	23.8
Core capital ratio, %	19.3	23.7	19.3	20.9	23.1	23.8	23.7	23.8
Risk-weighted Items, DKK mill	6,397	4,565	6,397	5,925	5,384	5,214	4,565	5,214
Return on equity after tax, %	8.2	7.1	1.7	3.1	3.5	6.6	3.7	13.7
Cost / income (1), %	61.4	54.6	73.9	60.8	49.3	60.9	43.7	56.3
Excess cover relative to statutory liquidity requirements, %	76.7	93.3	76.7	51.0	62.3	132.2	93.3	132.2
Growth on loans and advances, %	26.0	21.8	9.2	7.5	7.3	9.0	6.2	32.8
Gearing of loans and advances	5.0	4.3	5.0	4.7	4.5	4.3	4.3	4.3
Earnings per share after tax (nom. DKK 20) (2), DKK	10.6	8.0	2.2	4.0	4.4	8.0	4.2	15.9
Market price per share (nom. DKK 20) (2), DKK	220	N/A	220	236	N/A	N/A	N/A	N/A
Book value per share (nom. DKK 20) (2), DKK	135	117	135	133	129	125	117	125
Number of full-time employees	223	210	223	222	211	221	210	221

(1) Provisions for bad and doubtful debts are not included in the calculation.

(2) As of 1 January 2007, the denomination of the shares is changed from DKK 100 to DKK 20 per share. The amount of shares is correspondingly increased from 2,000,000 to 10,000,000. For the sake of comparison, the 2006 share denomination has been converted to DKK 20 per share.

## Management's Report

- Better-than-expected net profit of DKK 106m for the first nine months of 2007 compared to DKK 79.8m for the first nine months of 2006.
- Net profit amounted to DKK 22m for the third quarter compared to DKK 42m for the same period of 2006, which is satisfactory taking into account one off costs of DKK 25m relating to start-up of the Danish subsidiary.
- A 22% increase in net interest and fee income compared to the same period of last year.
- Cost/income ratio at 61.4% (52% excluding start-up costs in Denmark).
- Deposits increased by DKK 543m in the third quarter of 2007.
- 9% increase in loans and advances in Q3 2007.
- The Bank is raising its profit guidance for the full-year 2007 to the range of DKK 135-150m before provisions and tax based on higher net interest and fee income and relatively unchanged value adjustments compared to Q3 2007.

## Financial Results

P/F Føroya Banki recorded a net profit of DKK 106m for the first nine months of 2007 compared to DKK 79.8m for the first nine months of 2006.

### Income

Net interest income amounted to DKK 212m for the first nine months of 2007, a 22% improvement from DKK 173m in the first nine months of 2006. The increase was primarily due to the continued growth in lending.

The interest margin, i.e. the margin between the lending and deposit rates, has been fairly stable during 2007, and this was also the case in Q3. Nevertheless, total funding costs increased sharply in the first nine months of 2007 compared to the same period last year. The reason was increased borrowings from credit institutions to fund the strong growth in lending. Because of the turmoil in the international money markets, the Bank anticipates a further increase in interest expenses due to higher funding costs. The Bank also expects the interest margin to come under pressure in the coming months. The Faroese deposits market is fiercely competitive, and the Bank's margins will most likely suffer in the fight to defend the Bank's market share in deposits.

Net fee and commission income for the third quarter amounted to DKK 8.7m, a minor decrease compared to the first and second quarters of 2007. However, net fee and commission income for the first nine months of 2007 totalled DKK 29m, an increase of 20% compared to the same period of last year. The overall increase in 2007 compared to 2006 is consistent with the ongoing

optimisation of the Bank's fee and commission income.

Value adjustments amounted to DKK 22m for the first nine months of 2007 compared to DKK 3m for the first nine months in 2006. The increase was largely attributable to unrealised securities gains in the first and third quarters of 2007.

Income from groups and associates for the first nine months of 2007 amounted to DKK 11m compared to DKK 6m in the same period of 2006. In the third quarter of 2007, however, income from groups and associates declined by DKK 5m relative to the two preceding quarters. This can be explained by a decline in profit in the insurance company P/F Trygd due to higher operating expenses and an increase in claims.

### Operating Expenses

Employee and administrative expenses amounted to DKK 71m in Q3 2007, an increase of 24m relative to Q2 2007. Employee and administrative expenses for the first nine months of 2007 totalled DKK 162m, which was an increase of 51% compared to the same period of last year. The significant increase was due to provisions for non-recurring expenses relating to the start-up of a subsidiary bank in Denmark. The cost/income ratio had increased to 61% at the end of Q3 from 55% at 30 June 2007. Excluding the non-recurring expenses relating to the start-up, the cost/income ratio was 52% at 30 September.

### Provisions for Debts (net)

The Bank recorded provisions for debts (net) for the first nine months of 2007 as a net positive entry, amounting to DKK 29m compared to a net

positive entry of DKK 3m in the same period of 2006. In Q3 2007, the Bank recorded a net positive entry amounting to DKK 7m. The positive entry was due to persistently favourable economic conditions, which led to a low level of new provisions and allowed reversals of prior-year charges.

## Capital and Solvency

### Equity

Equity was DKK 1,352m at 30 September 2007, compared to DKK 1,246m at 31 December 2006.

For the first nine months of 2007 the return on equity was 8.2% compared to 7.1% at 30 September 2006. Earnings per share after tax for the first nine months of 2007 were DKK 10.6.

### Solvency

At 30 September 2007, the solvency ratio was 19.2% compared to 23.8% at 31 December 2006.

The increase in risk-weighted items from DKK 5,214m at 31 December 2006 to DKK 6,397m at 30 September 2007 was attributable primarily to lending growth.

### Liquidity

Føroya Banki has not been hit by the so-called sub-prime crisis, as the Bank has neither invested in instruments based on sub-prime loans nor funded customers with investments based on sub-prime loans.

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 forecasts a rise in funding costs in the upcoming period due to the turmoil.

## Balance Sheet

The Bank's total assets amounted to DKK 8,599m at 30 September 2007, an increase of DKK 1,386m or 19% since the beginning of the year.

### Loans and Advances

Loans and advances increased from DKK 5,408m to DKK 6,813m or by DKK 1,405m (26%) from the beginning of the year. Loans and advances increased by DKK 1,853m or 37% from 30 September 2006 to 30 September 2007. In Q3

2007 loans and advances increased by DKK 572m or by 9%.

The increase in Q3 2007 was mainly due to increased corporate lending. As a consequence of the sharp increase in corporate lending, the composition of the loan portfolio has changed somewhat with retail lending decreasing to 50% of the portfolio and corporate lending increasing to 45%. The changed composition of the loan portfolio is in accordance with the Bank's strategy to increase its corporate lending activities.

### Loans from Credit Institutions and Central Banks

Loans from credit institutions and central banks amounted to DKK 1,680m at 30 September 2007 compared to DKK 1,489m at 30 June 2007, an increase of DKK 191m or 13%. As lending activities in Q3 2007 to a significant extent were funded by an increase in deposits, the increased lending has improved liquidity standings at 30 September 2007.

### Deposits

Deposits amounted to DKK 5,393m at 30 September 2007, increasing by DKK 746m from the beginning of the year or by 16%. In Q3 2007 deposits increased by DKK 543m relative to 30 June 2007.

The increase in deposits in Q3 2007 was mainly due to increasing deposits from public authorities and, to a lesser degree, increased deposits from the corporate sector.

## Other Issues

### P/F Vestlax

In the prospectus prepared in connection with the IPO of Føroya Banki in June 2007, it was stated that Føroya Banki had taken temporary ownership of the major aquaculture company P/F Vestlax, for the purpose of restructuring and divesting the company, and that the Bank had prepared the company for sale. In the second half of 2007, the Bank has received several inquiries and a few non-binding offers for the shares. However, the offers received were not satisfactory, one reason being the fact that the company is currently utilising its production capacity only to a lesser extent. The company's production will grow significantly during the first half of 2008. The company is at present generating a satisfactory level of profit. A divestment of P/F Vestlax is expected to commence in 2008 – most likely in the first half of the year.

**The Bank's Strategy**

It is the Bank's strategy to grow its income by exploiting the growth potential in the home market, increasing its fee and commission income, and expanding its income from other markets. The Faroese economy is growing at a fast pace at the moment. This has led to a rise in investments, which in turn has enabled the Bank to enhance its lending and interest income. The fee and commission income has grown, but the bank expects that there will be a potential to harvest additional income from advisory and asset management services in the coming years. In the short run, however, the Bank expects fee and commission income to rise at a moderate level.

**Føroya Bank A/S**

In accordance with the Bank's strategy, the Bank plans to establish, in the beginning of 2008, a subsidiary bank, Føroya Bank A/S, which will be headquartered in Copenhagen. Its activities will mainly be in the Private Banking and project financing areas. The subsidiary bank will be managed by Carlo Chow as CEO and Kim Linnemann as deputy CEO. The Bank will commence operations in early 2008. Føroya Banki has entered into a repurchasing agreement with the management and key employees of the Danish subsidiary bank regarding 8,3% of the share capital, with a right to exercise in 2012-15. Føroya Banki has estimated this liability to DKK 25m. Establishing the subsidiary bank in Denmark

will over time lead to higher lending growth and increased funding requirements.

**Events after the balance sheet date**

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

**Outlook for 2007**

The Bank announced on 17 August 2007 its plans to establish a subsidiary bank in Denmark. According to the announcement, the expected profit before provisions and tax was in the range of DKK 125-140m. The Bank projects, based on the increased lending in Q3 and relatively unchanged value adjustments, that the result before provisions and tax for 2007 will be in the range of DKK 135-150m. This projection is subject to the margins in the international funding market remaining at their present level.

The Bank raises its projection of net interest and fee income to the range of DKK 325-345m.

Føroya Banki also raises its projection of profit before tax to the level of DKK 165-180m. The projection is, however, subject to net provisions remaining unchanged in relation to Q3.

Tórshavn, 05 November 2007

## Financial Highlights – 5-years summary

INCOME STATEMENT	Jan. - Sept.	Jan. - Sept.	Dec. 31	Jan. - Sept.	Jan. - Sept.	Jan. - Sept.
DKK 1,000	2007	2006	2006	2005	2004	2003
Interest income, etc.	353,399	232,686	327,427	222,597	220,224	236,044
Interest expenses, etc.	141,222	59,204	88,692	47,476	43,081	48,893
Net interest income	212,178	173,483	238,736	175,121	177,142	187,151
Dividends from shares and other investments	2,467	1,417	1,548	455	329	291
Fee and commission income, etc.	29,624	24,753	34,964	13,719	12,949	14,851
Fees and commissions paid	278	201	280	180	185	966
Net interest and fee income	243,991	199,451	274,968	189,115	190,236	201,328
Value adjustments of securities and foreign exchange, etc.	21,683	2,597	7,432	6,232	1,909	-5,400
Other operating income	-3,492	-1,387	-1,991	1,043	-1,562	16,205
Results from net financials	262,181	200,662	280,409	196,390	190,582	212,133
Employee and administrative expenses	161,952	107,603	154,353	97,036	93,681	91,340
Amortisation, depreciation and writedowns	5,709	5,129	7,606	4,889	3,764	2,619
Other operating expenses	8	14	14	0	0	79
Provisions for bad and doubtful debts (net)	-28,978	-2,634	-67,969	-2,062	22,196	111,590
Income from groups and associates	10,735	6,012	7,046	2,529	3,253	-1,156
Profit from ordinary activities before tax	134,225	96,562	193,451	99,056	74,195	5,349
Tax	27,770	16,730	34,042	19,811	14,847	1,395
Net profit	106,455	79,832	159,409	79,245	59,348	3,954

  

BALANCE SHEET	Sept. 30	Sept. 30	Dec. 31	Sept. 30	Sept. 30	Sept. 30
DKK 1,000	2007	2006	2006	2005	2004	2003
Cash in hand and demand deposits with central banks	273,098	152,767	201,877	162,029	302,136	258,800
Due from credit institutions, etc.	240,124	64,025	331,612	195,784	43,806	32,357
Loans and advances	6,812,637	4,959,502	5,408,119	3,650,565	3,588,377	3,431,409
Bonds, etc.	845,066	884,219	864,119	1,937,474	1,390,686	1,503,529
Shares, etc.	163,305	117,402	134,813	47,087	13,153	4,682
Investments in associates	34,399	4,713	35,026	4,921	3,677	4,330
Investments in group enterprises	118,362	128,370	113,416	123,281	120,372	113,526
Tangible assets	61,070	61,851	60,762	62,896	65,037	65,757
Own shares	8,681	-53	0	-56	-19	-11
Other assets	35,452	25,630	57,115	41,066	39,941	34,318
Prepayments	7,165	6,874	6,016	5,443	5,394	5,497
Total assets	8,599,358	6,405,299	7,212,876	6,230,491	5,572,561	5,454,194
Due to credit institutions and central banks	1,680,143	320,074	1,243,066	70,965	113,926	100,525
Deposits	5,392,518	4,826,854	4,646,731	4,442,245	3,822,898	3,812,114
Other liabilities	171,927	89,230	74,462	77,137	61,964	40,467
Deferred income	0	0	0	0	0	1
Provisions for commitments	2,797	3,199	3,099	3,698	4,314	5,007
Total liabilities	7,247,384	5,239,358	5,967,357	4,594,044	4,003,101	3,958,113
Share capital	200,000	200,000	200,000	100,000	100,000	100,000
Reserves	11,520	10,912	2,839	9,402	4,198	3,228
Retained profit for the period	106,455	79,832	152,363	79,245	59,348	3,954
Brought forward from prior years	1,033,999	875,197	890,317	1,447,800	1,405,913	1,388,900
Total equity	1,351,974	1,165,941	1,245,519	1,636,446	1,569,460	1,496,081
Total liabilities and equity	8,599,358	6,405,299	7,212,876	6,230,491	5,572,561	5,454,194

  

Off-balance sheet items	410,158	325,712	359,081	151,176	177,587	178,336
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## Financial Highlights – 5-years summary

RATIOS AND KEY FIGURES	Jan. - Sept. 2007	Jan. - Sept. 2006	Dec. 31 2006	Jan. - Sept. 2005	Jan. - Sept. 2004	Jan. - Sept. 2003
Solvency ratio, %	19.2	23.6	23.8	44.7	46.1	47.7
Core capital ratio, %	19.3	23.7	23.8	44.8	46.2	47.8
Return on equity before tax, %	10.3	8.6	16.6	6.2	4.8	0.4
Return on equity after tax, %	8.2	7.1	13.7	5.0	3.9	0.3
Income / cost ratio, DKK (1)	1.63	1.83	1.77	1.95	1.99	2.24
Interest rate risk, %	2.0	1.9	1.1	2.1	1.3	1.8
Foreign exchange position, %	4.3	9.9	11.8	5.6	3.8	1.8
Foreign exchange risk, %	0.0	0.0	0.0	0.0	0.0	0.0
Loans, advances and provisions in relation to deposits, %	131.4	110.4	122.9	91.6	106.6	105.7
Excess cover relative to statutory liquidity requirements, %	76.7	93.3	132.2	358.2	270.6	286.8
Large exposures as a percentage of equity, %	173.2	114.2	126.5	0.0	21.8	31.5
Share of amounts due on which interest rates have been reduced, %	0.3	0.5	0.4	1.2	1.6	1.6
Provisioning ratio, %	3.6	6.5	5.0	9.9	11.5	14.2
Write-off and provisioning ratio, %	-0.4	0.0	-1.1	0.0	0.5	2.7
Growth on loans and advances, %	26.0	21.8	32.8	0.4	2.2	0.6
Gearing of loans and advances	5.0	4.3	4.3	2.2	2.3	2.3
Earnings per share before tax, DKK (2)	67.1	48.3	96.7	99.1	74.2	5.3
Earnings per share after tax, DKK (2)	53.2	39.9	79.7	79.2	59.3	4.0
Book value per share, DKK (2)	676	583	623	1,636	1,569	1,496
Market price / Book value per share, DKK (2)	1.63	N/A	N/A	N/A	N/A	N/A
Market price / Earnings pr. share after tax, DKK (2)	20.7	N/A	N/A	N/A	N/A	N/A
Number of full-time employees	223	210	221	186	188	199

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

(1) Provisions for bad and doubtful debts are not included in the calculation.

(2) 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 nine months of 2007 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 after tax, according to the Income Statement, amounted to DKK 106m for the period from 1 January to 30 September 2007. Total equity, according to the Balance Sheet, amounted to DKK 1,352m at the end of the period, including share capital amounting to DKK 200m. The return on equity of the Bank calculated according to the Danish Banking Act, was 8.2% 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 30 September 2007, and of the results of the operations and cash flows for the period 1 January to 30 September 2007.

Tórshavn, 05 November 2007

### Executive Board

Janus Petersen

Súni Schwartz Jacobsen

### Board of Directors

Jóhan Páll Joensen

Jens Erik Christensen

Graham D. Stewart

Eyðhild Skaalum

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 30 September 2007, and the related Interim Statement of Income, Interim Cash Flows and Notes for the nine months ending 30 September 2007. 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 30 September 2007, and of the results of its operations and its cash flows for the nine months ending 30 September 2007 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, 05 November 2007

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 30 September 2007 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 2006. The Annual Report for 2006 provides a full version of the Bank's accounting policies, and is available upon request from the Bank's registered office at Húsagøta 3, Tórshavn or at [www.foroya.fo](http://www.foroya.fo).

## Income Statement

Notes	DKK 1,000	Jan. - Sept. 2007	Jan. - Sept. 2006	Dec. 31 2006
1	Interest income, etc.	353,399	232,686	327,427
2	Interest expenses, etc.	141,222	59,204	88,692
	<b>Net interest income</b>	<b>212,178</b>	<b>173,483</b>	<b>238,736</b>
3	Dividends from shares and other investments	2,467	1,417	1,548
	Fee and commission income, etc.	29,624	24,753	34,964
	Fees and commissions paid	278	201	280
	<b>Net interest and fee income</b>	<b>243,991</b>	<b>199,451</b>	<b>274,968</b>
4	Value adjustments of securities and foreign exchange, etc.	21,683	2,597	7,432
	Other operating income	-3,492	-1,387	-1,991
	<b>Results from net financials</b>	<b>262,181</b>	<b>200,662</b>	<b>280,409</b>
5	Employee and administrative expenses	161,952	107,603	154,353
	Amortisation, depreciation and writedowns	5,709	5,129	7,606
	Other operating expenses	8	14	14
11	Provisions for bad and doubtful debts (net)	-28,978	-2,634	-67,969
	Income from groups and associates	10,735	6,012	7,046
	<b>Profit from ordinary activities before tax</b>	<b>134,225</b>	<b>96,562</b>	<b>193,451</b>
6	Tax	27,770	16,730	34,042
	<b>Net profit</b>	<b>106,455</b>	<b>79,832</b>	<b>159,409</b>

## Balance Sheet

Notes	DKK 1,000	Sept. 30 2007	Sept. 30 2006	Dec. 31 2006
<b>Assets</b>				
	Cash in hand and demand deposits with central banks	273,098	152,767	201,877
7-8	Due from credit institutions, etc.	240,124	64,025	331,612
9-11	Loans and advances	6,812,637	4,959,502	5,408,119
12	Bonds, etc.	845,066	884,219	864,119
13	Shares, etc.	163,305	117,402	134,813
	Investments in associates	34,399	4,713	35,026
	Investments in group enterprises	118,362	128,370	113,416
	Tangible assets	61,070	61,851	60,762
	Own shares	8,681	-53	0
	Other assets	35,452	25,630	57,115
	Prepayments	7,165	6,874	6,016
	<b>Total assets</b>	<b>8,599,358</b>	<b>6,405,299</b>	<b>7,212,876</b>
<b>Liabilities</b>				
14-15	Due to credit institutions and central banks	1,680,143	320,074	1,243,066
16-17	Deposits	5,392,518	4,826,854	4,646,731
	Other liabilities	171,927	89,230	74,462
	Deferred income	0	0	0
	Provisions for commitments	2,797	3,199	3,099
	<b>Total liabilities</b>	<b>7,247,384</b>	<b>5,239,358</b>	<b>5,967,357</b>
<b>Equity</b>				
	Share capital	200,000	200,000	200,000
	Reserves	11,520	10,912	2,839
	Retained profit for the period	106,455	79,832	152,363
	Brought forward from prior years	1,033,999	875,197	890,317
	<b>Total equity</b>	<b>1,351,974</b>	<b>1,165,941</b>	<b>1,245,519</b>
	<b>Total liabilities and equity</b>	<b>8,599,358</b>	<b>6,405,299</b>	<b>7,212,876</b>
<b>Off-balance-sheet items:</b>				
18	Guarantees, etc.	410,158	325,712	359,081
	Other commitments	0	0	0
	<b>Total</b>	<b>410,158</b>	<b>325,712</b>	<b>359,081</b>

## Cash Flow Statement

DKK 1,000	Sept. 30 2007	Sept. 30 2006
Net profit for the first nine months	106,455	79,832
Adjustment of non-liquid operating items, etc.:		
Provisions for poor and doubtful debts	-28,978	-2,634
Amortisation and depreciation of tangible and intangible assets	5,709	5,129
Value adjustments, bonds	9,044	2,408
Value adjustments, shares	-24,019	-895
Result from investments	-10,735	-6,012
Tax	27,770	16,730
<b>Earnings</b>	<b>85,246</b>	<b>94,558</b>
Change in loans	-1,375,539	-885,413
Change in holding of bonds	10,009	916,301
Change in holding of shares	-13,153	-33,201
Change in other assets	21,663	17,931
Change in deposits	745,787	320,322
Due to credit institutions and central banks	437,077	206,575
Other liabilities	69,695	-591,838
Prepayments	-1,149	-1,657
Provisions for commitments	-302	-357
<b>Cash flow from operating activities</b>	<b>-20,666</b>	<b>43,221</b>
Acquisition/sale of tangible assets	-6,017	-4,493
Aquisition/sale of own shares	0	53
Aquisition/sale of investments	6,416	0
<b>Cash flow from investing activities</b>	<b>399</b>	<b>-4,439</b>
<b>Cash flow for the period</b>	<b>-20,267</b>	<b>38,782</b>
Cash in hand and demand deposits with central banks, at the beginning of the year	201,877	73,747
Due from credit institutions, etc. at the beginning of the year	331,612	104,263
<b>Cash and due etc. at the beginning of the year</b>	<b>533,489</b>	<b>178,010</b>
Cash in hand and demand deposits at the end of the period	273,098	152,767
Due from credit institutions, etc. at the end of the period	240,124	64,025
<b>Cash and due etc. at the end of the year</b>	<b>513,222</b>	<b>216,792</b>

## Notes to the Income Statement

Note	DKK 1,000	Jan. - Sept. 2007	Jan. - Sept. 2006	Dec. 31 2006
<b>1</b>	<b>Interest income and premiums on forwards</b>			
	Credit institutions and central banks	9,987	2,772	5,209
	Loans and advances	318,904	197,781	280,723
	Bonds	25,468	35,620	43,999
	Total derivatives of which:	-969	-3,493	-2,513
	<i>Currency contracts</i>	-341	-911	119
	<i>Interest rate contracts</i>	-628	-2,582	-2,633
	<i>Other transactions</i>	0	0	0
	Other contracts	11	7	9
	<b>Total interest income</b>	<b>353,399</b>	<b>232,686</b>	<b>327,427</b>
	Of which accounted for by income from genuine sale and repurchase transactions:			
	Credit institutions and central banks	0	0	0
<b>2</b>	<b>Interest expenses</b>			
	Credit institutions and central banks	45,514	3,147	10,548
	Deposits	95,708	56,056	78,144
	<b>Total interest expenses</b>	<b>141,222</b>	<b>59,204</b>	<b>88,692</b>
	Of which interest expenses on genuine sale and repurchase transactions are carried under:			
	Credit institutions and central banks	0	2,637	0
<b>3</b>	<b>Dividends from</b>			
	Shares	2,467	1,417	1,548
	<b>Total</b>	<b>2,467</b>	<b>1,417</b>	<b>1,548</b>
<b>4</b>	<b>Value adjustments</b>			
	Bonds	-9,044	-2,408	-2,270
	Shares	23,350	417	5,978
	Foreign exchange	6,708	4,110	3,665
	Total derivatives of which:	669	478	59
	<i>Currency Swaps</i>	669	478	490
	<i>Interest Swaps</i>	0	0	-431
	<i>Other contracts</i>	0	0	0
	<b>Total value adjustments</b>	<b>21,683</b>	<b>2,597</b>	<b>7,432</b>
<b>5</b>	<b>Employee and administrative expenses</b>			
	Executive Board	3,958	2,182	2,970
	Board of Directors	2,291	504	1,125
	<b>Total</b>	<b>6,249</b>	<b>2,685</b>	<b>4,095</b>
	Employee expenses:			
	Salaries	57,696	50,792	68,938
	Pensions	5,018	4,461	6,033
	Social security expences	5,106	3,878	5,452
	<b>Total</b>	<b>67,820</b>	<b>59,131</b>	<b>80,423</b>
	Other administrative expenses	87,883	45,787	69,835
	<b>Total employee and administrative expenses</b>	<b>161,952</b>	<b>107,603</b>	<b>154,353</b>

## Notes to the Income Statement

Note	DKK 1,000	Jan. - Sept. 2007	Jan. - Sept. 2006	Dec. 31 2006
6	<b>Tax</b>			
	Estimated tax on the profit for the period	27,902	16,489	32,748
	Adjustment of tax assets	-132	241	1,246
	Adjustment of prior year tax charge	0	0	48
	<b>Total</b>	<b>27,770</b>	<b>16,730</b>	<b>34,042</b>
	<b>Breakdown of tax liability</b>			
	Estimated tax (18%) on profit from ordinary activities	28,660	17,381	34,821
	Tax value of non-taxable income	-1,370	-1,456	-1,533
	Tax value of non-deductible expenses	612	564	-541
	Adjustment of tax assets	-132	241	1,246
	Adjustment of prior year tax charge	0	0	48
	<b>Tax charged to the income statement</b>	<b>27,770</b>	<b>16,730</b>	<b>34,042</b>
	Effective tax rate (tax charged to the income statement relative to profit (loss) from ordinary activities before tax)	20.7%	17.3%	17.6%



## Notes to the Balance Sheet

Note	DKK 1,000	Sept. 30 2007	Sept. 30 2006	Dec. 31 2006
7	<b>Due from credit institutions etc. specified by institution</b>			
	Deposits at notice with central banks	0	0	0
	Due from credit institutions	240,124	64,025	331,612
	<b>Total</b>	<b>240,124</b>	<b>64,025</b>	<b>331,612</b>
8	<b>Due from credit institutions etc. specified by maturity</b>			
	On demand	90,124	64,025	85,612
	3 months and below	150,000	0	246,000
	<b>Total</b>	<b>240,124</b>	<b>64,025</b>	<b>331,612</b>
9	<b>Loans and advances specified by sectors</b>			
	Public authorities	5%	6%	6%
	Corporate sector:			
	Fishing industry	12%	12%	13%
	Manufacturing industries etc.	5%	5%	5%
	Building and construction etc.	3%	3%	2%
	Trade, hotels and restaurants	6%	7%	7%
	Transport, mail and telephone	8%	4%	4%
	Property administration, purchase and sale and business services	4%	4%	4%
	Other industries	8%	4%	6%
	<b>Total corporate sector</b>	<b>45%</b>	<b>39%</b>	<b>41%</b>
	Retail customers	50%	55%	53%
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
10	<b>Loans and advances specified by maturity</b>			
	On demand	77,197	31,452	56,481
	3 months and below	317,348	190,909	194,302
	3 months to 1 year	570,607	465,878	451,093
	Over 1 year to 5 years	1,861,601	1,554,585	1,655,767
	Over 5 years	3,985,884	2,716,678	3,050,477
	<b>Total loans and advances</b>	<b>6,812,637</b>	<b>4,959,502</b>	<b>5,408,119</b>
11	<b>Changes in the provisions on loans and advances are specified as follows</b>			
	Balance at the beginning of the year	301,537	371,869	371,869
	Impairment on loans and advances during the period	-28,978	-2,634	-67,969
	Write-offs during the period	-3,063	-2,186	-4,596
	Payment of loans previously written-off	2,213	1,434	2,232
	<b>Provisions on loans and advances</b>	<b>271,708</b>	<b>368,484</b>	<b>301,537</b>
12	<b>Bonds</b>			
	Listed	845,066	884,219	864,119
	Unlisted	0	0	0
	<b>Total bonds</b>	<b>845,066</b>	<b>884,219</b>	<b>864,119</b>
13	<b>Shares</b>			
	Listed	119,273	114,013	76,908
	Unlisted	44,032	3,390	57,905
	<b>Total shares</b>	<b>163,305</b>	<b>117,402</b>	<b>134,813</b>

## Notes to the Balance Sheet

Note	DKK 1,000	Sept. 30 2007	Sept. 30 2006	Dec. 31 2006
14	<b>Due to credit institutions and central banks specified by institution</b>			
	Due to central banks	0	0	0
	Due to credit institutions	1,680,143	320,074	1,243,066
	<b>Total</b>	<b>1,680,143</b>	<b>320,074</b>	<b>1,243,066</b>
15	<b>Due to credit institutions and central banks specified by maturity</b>			
	On demand	105,176	85,074	297,566
	3 months and below	420,000	110,000	945,500
	3 months to 1 year	0	125,000	0
	Over 1 year to 5 years	1,154,967	0	0
	Over 5 years	0	0	0
	<b>Total</b>	<b>1,680,143</b>	<b>320,074</b>	<b>1,243,066</b>
16	<b>Deposits specified by type</b>			
	On demand	2,596,984	2,330,918	2,355,005
	At notice	1,522,961	1,482,839	1,452,313
	Time deposits	798,785	599,489	390,315
	Special deposits	473,788	413,608	449,097
	<b>Total deposits</b>	<b>5,392,518</b>	<b>4,826,854</b>	<b>4,646,731</b>
17	<b>Deposits specified by maturity</b>			
	On demand	2,596,984	2,330,918	2,354,807
	3 months and below	2,636,643	2,326,569	2,118,150
	3 months to 1 year	15,232	7,436	6,173
	Over 1 year to 5 years	143,234	160,702	167,371
	Over 5 years	425	1,229	229
	<b>Total deposits</b>	<b>5,392,518</b>	<b>4,826,854</b>	<b>4,646,731</b>
18	<b>Off-balance sheet items</b>			
	Guarantees, etc.:			
	Financial guarantees	10,976	9,926	11,301
	Other guarantees	399,182	315,786	347,780
	<b>Total guarantees, etc.</b>	<b>410,158</b>	<b>325,712</b>	<b>359,081</b>

## Other Notes to the Financial Statements

## Changes in equity

Changes in equity Jan. to Sept. 2007:		Share	Retained	Proposed	Total	
Note	DKK 1,000	capital	earnings	dividend	equity	
19	Equity 1 januar 2007	200,000	2,839	1,042,680	0	1,245,519
	Net earnings according to the Income Statement			106,455		106,455
	Dividends paid			0		0
	Purchases and sales of treasury stock, net			-8,681		-8,681
	Reserves		8,681			8,681
	Equity 30. sept. 2007	200,000	11,520	1,140,454	0	1,351,974
<hr/>						
Changes in equity Jan. to Sept. 2006:		Share	Retained	Proposed	Total	
	(DKK 1,000)	capital	earnings	dividend	equity	
	Equity 1 januar 2006	200,000	10,912	875,197	0	1,086,110
	Net earnings according to the Income Statement			79,832		79,832
	Dividends paid			0		0
	Purchases and sales of treasury stock, net			0		0
	Reserves		0			0
	Equity 30. Sept. 2006	200,000	10,912	955,029	0	1,165,941

## Calculation of capital adequacy

Calculation of capital adequacy		Sept. 30	Sept. 30	Dec. 31
Note	DKK 1,000	2007	2006	2006
20	Core capital after statutory deductions	1,233,638	1,082,090	1,242,836
	Base capital after statutory deductions	1,230,638	1,079,090	1,239,836
	Weighted items not included in trading portfolio	5,779,992	4,013,745	4,672,973
	Weighted items with market risk	617,414	551,727	540,894
	Total weighted items	6,397,406	4,565,472	5,213,867
	Core capital after statutory deductions as a percentage of total weighted items	19.3	23.7	23.8
	Solvency ratio according to section 124 of the Faroese Banking Act	19.2	23.6	23.8

## Additional Information

### Conference call

Føroya Banki will hold a conference call upon the presentation of its Interim Financial Statement for the first nine months of 2007. The conference call is scheduled for 05 November at 13.00pm CET. Please contact IR Officer Brian Smedemark (+298 230344) before 12:30 CET, for access to the conference call.

### Financial calendar

Føroya Banki plans to release its Annual Report for 2007 on 18 February 2008.

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