

This announcement is not for release, publication or distribution in the USA, Canada, Australia or Japan

Announcement no. 8 / 2007

FØROYABANKI

17 August 2007

Føroya Banki establishes a subsidiary bank in Denmark

P/F Føroya Banki today announces that it in Q1 2008 intends to establish a subsidiary bank in Denmark to be named Føroya Bank A/S. The banking market in Denmark offers an excellent strategic fit for P/F Føroya Banki, in terms of geographic diversification, products and business culture. Adding to this the subsidiary bank represents strong synergies with the parent company. The senior management team will consist of two experienced bankers, Carlo Chow as CEO and Kim Linnemann as executive director.

Føroya Bank A/S

Føroya Bank A/S will be established with a share capital of DKK 300 mio. This is to provide the subsidiary with a sufficient capital base to undertake activities with larger clients.

The share capital will be subscribed with 92 % by P/F Føroya Banki and 8 % by the management and key employees of Føroya Bank A/S.

Føroya Bank A/S is expected to be established in the Copenhagen area and is planned to begin operations in early 2008 with an initial staff of approx. 20 employees.

Føroya Bank A/S will focus on Private Banking and project financing. The bank will offer a good strategic fit with the key elements of P/F Føroya Banki's strategy by introducing the Føroya Banki brand into a new geographic market, and by adding new products to the product portfolio of P/F Føroya Banki in the Faroe Islands in private banking and asset management activities. Furthermore this will reduce the Bank's exposure and dependence on the Faroese economy.

The parent company, P/F Føroya Banki, has a very solid capital structure, which provides Føroya Bank A/S with a strong base for expansion.

P/F Føroya Banki

Húsagøta 3
Post-box 3048
FO-110 Tórshavn
Faroe Islands

Tel +298 330 330
Fax +298 330 001
www.foroya.fo

Management team of Føroya Bank A/S

The management board of Føroya Bank A/S will be Carlo Chow as CEO, and Kim Linnemann as executive director.

Carlo Chow joins Føroya Bank A/S from a position as managing director of bankTrelleborg, following a successful IPO on the OMX Nordic Exchange Copenhagen in June 2007. bankTrelleborg has enjoyed a strong growth during Mr. Chow's 10 years in charge of the bank. Mr. Chow is 47 years old, and holds a masters degree in economics from Copenhagen Business School. He has extensive experience in the Danish financial market following several senior positions in the Danish financial sector the last 15 years.

Kim Linnemann joins Føroya Bank A/S from a position as senior vice president of bankTrelleborg, where he has been employed since 2002. He is 46 years old, and holds a masters degree in economics from Copenhagen Business School. Mr. Linnemann has a long history of employment within the Danish financial sector, amongst other in stock brokerage.

Effects on 2007 forecast of P/F Føroya Banki

P/F Føroya Banki expects that establishment of Føroya Bank A/S will have an effect on the costs for 2007 by approx. DKK 20-25 mill., which means that P/F Føroya Banki's net profit before tax and provisions is expected to be DKK 125-140 mill., compared to the previously stated DKK 145-165 mill.

Press conference and conference call with analysts

In connection with this announcement P/F Føroya Banki will hold a press conference at the Bank's head office at Húsagøta 3, Friday 17 August at 12:00 CET (10:00 Icelandic time).

There will also be scheduled a conference call for analysts covering the Bank on Friday 17 August at 15:00 CET (13:00 Icelandic time), interested analysts can obtain access to the conference call by calling IR Officer Brian Smedemark on mobile +298 230 344.

Further information

Janus Petersen, CEO of Føroya Banki, (+298) 330 330

Brian Smedemark, Investor Relations Officer, mobile (+298) 230 344

Uni Arge, Communications, mobile (+298) 230 472

The announcement contains forward-looking statements on the future development of Føroya Banki, its financial results and other statements, which are not historical facts and which can prove to be incorrect.
