

Prospectus

Εικ

Public Offering and Listing of
Εικ Banki P/F 2007



Prospectus

Concerning the offering of between 782,609 and 1,016,160 new shares at a price of DKK 575 per share with pre-emptive subscription rights for existing shareholders and subsequent listing of Eik Banki P/F on the Iceland Stock Exchange and the Copenhagen Stock Exchange.

18 June 2007

This Prospectus has been scrutinised and approved by the Kauphöll Íslands hf. (herein after referred to as Iceland Stock Exchange) on behalf of the Financial Supervisory Authority in Iceland on 18 June 2007. It was prepared for the share offering of between 782,609 and 1,016,160 shares with pre-emptive subscription rights for existing shareholders and a subsequent expected primary listing of Eik Banki P/F on the Iceland Stock Exchange Main Market as well as a simultaneous secondary listing on the Copenhagen Stock Exchange A/S Main Market. The Offering share price is DKK 575 per share.

The objective of the share Offering is to finance Eik Bank Danmark A/S's announced acquisitions of the Danish branch of SkandiaBanken AB and to further strengthen the capital base of Eik Banki P/F. Eik Bank Danmark A/S is a subsidiary of Eik Banki P/F.

The new shares are offered in the period commencing 21 June 2007 and ending 5 July 2007, both days inclusive. An application for primary listing of the shares has been filed with the Iceland Stock Exchange and an application for a secondary listing has been filed with the Copenhagen Stock Exchange A/S. Admission to trading of the shares, under the symbol FO-EIK and FO-EIK CSE respectively, is expected no earlier than 11 July 2007 at 10.00 am Icelandic time on the Iceland Stock Exchange and at 12.00 noon CET on the Copenhagen Stock Exchange. The minimum offering is underwritten by the Eik Grunnurinn.

Contents

- I. Summary
 - II. Share Securities Note
 - III. Share Registration Document with appendices
 - A. Articles of Association
 - B. 2007 First Quarter Report
 - C. 2006 Annual Report
 - D. 2005 Annual Report
 - E. 2004 Annual Report
 - IV. Subscription form
-

I. Summary

The following information is extracted from, and should be read as an introduction to the full text of the Prospectus. More detailed information can be found in the Securities Note and the Share Registration Document.

Any investment decision relating to the shares should be based on a consideration of the Prospectus as a whole. Where a claim relating to information contained in the Prospectus is brought before a court, a plaintiff investor might, under relevant national legislation, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to persons responsible for this Summary, including any translation of this Summary, but only if this Summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

Listing and offering of new shares

This Summary concerns Eik Banki P/F's (herein after also referred to as the "Company" and the "Issuer") offering of between 782,609 and 1,016,160 new shares with pre-emptive rights to existing shareholders and subsequent primary listing of Eik Banki P/F's shares on the Main Market of Kauphöll Íslands hf. (hereafter referred to as Iceland Stock Exchange), as well as a simultaneous secondary listing on the Main Market of Copenhagen Stock Exchange A/S (hereafter referred to as Copenhagen Stock Exchange).

Reasons for the offer and use of proceeds

The objective of the share Offering is to finance Eik Bank Danmark A/S's announced acquisitions of the Danish branch of SkandiaBanken AB. If the net proceeds from the offering are not sufficient to cover the acquisition cost of the Danish branch of SkandiaBanken AB, the remainder will be sourced from presently disposable liquidity. If the net proceeds from the offering exceeds the acquisition cost of the Danish branch of SkandiaBanken AB, the remaining funds will be used to further strengthen the capital base of Eik Banki P/F.

In the event that existing shareholders do not exercise their pre-emptive rights, new investors or other shareholders who wish to subscribe for more shares can in the offering period set forth binding requests for subscribing for new or more shares, respectively.

This subscription will take place in the temporary share (ISIN F00000000104).

Subscription for these shares (ISIN F00000000104) shall be made on a pre-printed subscription form, which is attached to the prospectus, consisting of a Summary, Share Securities Note and Share Registration Document.

The number of already issued shares (ISIN F00005702340) is 7,113,114. The shares are denominated in DKK with a nominal value of DKK 100 per share.

The Offering share price is DKK 575 per share.

I Summary

The Offering comprises between 782,609 and 1,016,160 shares, equivalent of between 11.0% and 14.3% of the total number of the shares in Eik Banki P/F prior to the Offering, conditioned upon completion of the Offering.

The offering period commences on and includes 21 June 2007 and closes on and includes 5 July 2007 at 5.00 pm Faroese time (corresponding to 6.00 pm CET and 4.00 pm Icelandic time).

Allocation of subscription rights (ISIN F00000000112) will be made based on the holding of already issued shares (ISIN F00005702340) on 20 June 2007 (the day before the offering period starts), at 11.30 am Faroese time (corresponding to 12.30 CET and 10.30 am Icelandic time). This allocation will be made automatically by Værdipapircentralen A/S.

In case of oversubscription, the Board of Directors is free to decide how the capital offered for subscription – which is not subscribed as pre-emptive rights of subscription – shall be divided among those who have offered to subscribe. In this connection the board decides, that in case of oversubscription the amount offered for subscription which is not subscribed as pre-emptive rights of subscription shall be allocated between private and institutional investors with the objective to achieve regular trade and improve stock liquidity of Eik Banki P/F's shares at the Iceland Stock Exchange and Copenhagen Stock Exchange.

The shares are offered in a public offering in the Faroe Islands, Iceland and Denmark.

Eik Grunnurin, C/O Eik Banki P/F, Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands, has agreed to subscribe up to the maximum of 782,609 shares of a value of DKK 450,000,175.

Trading in subscription rights and temporary shares cannot take place on the Iceland Stock Exchange or the Copenhagen Stock Exchange, but shareholders, who wish to trade subscription rights and temporary shares, must contact the financial institution where they hold their custody account.

Shareholders not participating in the subscription will be diluted by up to DKK 101,616,000 in share nominal capital equal to 12.5% (the Maximum Offering) and DKK 78,260,900 or 9.9% (the Minimum Offering) respectively.

Eik Banki P/F will bear the cost of listing and issue, and the total costs are shown below.

DKK	Minimum	Maximum
Underwriting costs	180,000	180,000
Subscription costs	4,500,002	5,842,920
Other costs	1,500,000	1,977,080
Total cost	6,180,002	8,000,000

I Summary

Based on the Offering share price of DKK 575 per share, the estimated proceeds from the Offering are DKK 450,000,175 minimum and DKK 584,292,000 maximum. Deducting the associated listing and capital increase costs, the anticipated net income from the subscription to the Company is anticipated to be DKK 443,820,173 minimum and DKK 576,292,000 maximum.

Expected timetable of principal events

Allocation of pre-emptive rights	20 June 2007
Trading in pre-emptive rights	21 June – 5 July 2007
Offer period with and without pre-emptive rights	21 June – 5 July 2007
Result of offer, no later than 11.00 am Faroese time (corresponding to 12.00 noon CET and 10.00 am Icelandic time)	10 July 2007
First day of trading of 7,113,114 already issued shares	11 July 2007
Payment and issuing of temporary shares	12 July 2007
Admission to trading of offered shares	18 July 2007

Listing Advisor

The Group Finance and Treasury Department of Eik Banki P/F acted as advisor to the Issuer in relation to the preparation of the Share Registration Document and Share Securities Note, the share offering and in relation to the listing of the shares.

Statutory Auditors

Eik Banki P/F's statutory auditors, for the period covered by the historical financial information, are Klaus Rasmussen and Hans Laksá, state authorised accountants of Rasmussen & Weihe P/F, State Authorised Public Accountants, Hoyvíksvegur 5, P.O. Box 30, FO-110 Tórshavn, Faroe Islands and for the years 2004 and 2005 additionally State Authorized Public Accountant Jógvan Amonsson of INPACT, state authorized public accountancy firm, R. C. Effersøesgøta 26, P.O. Box 191, FO-110 Tórshavn, Faroe Islands, affiliated with the INPACT global network of auditing professionals.

Risk factors

Eik Banki P/F puts emphasis on risk management, which is considered very important to the result, the financial situation and the growth potential. Therefore, a cap has been set for the level of acceptable risk in the respective risk areas. Since January 2007, the overall risk management has been centralised at the Credit Department.

In addition to the regular internal control, Eik Banki P/F has an internal audit department, which holds overriding control of the Group and refers to the Board of Directors, as well as an external auditor appointed at the general meeting. Furthermore, Eik Banki P/F and Eik Bank Danmark A/S are under the supervision of the Danish Financial Supervisory Authority. Eik Group is a term used to describe the group that consists of the parent company Eik Banki P/F and its subsidiaries Eik Bank Danmark A/S, Inni P/F and 12. juni 2003 P/F.

I Summary

Eik Banki P/F's main risk factors include:

- Market Risk
- Interest Rate Risk
- Currency Risk
- Share Risk
- Credit Risk
- Liquidity Risk
- Operational Risk

See also section 1 in the Share Registration Document and section 1 of the Share Securities Note for a thorough description of the risks inherent in Eik Banki P/F's business activities and the risks related to the Eik Banki P/F shares, respectively.

Information about the Issuer

Legal and commercial name:	Eik Banki P/F
Secondary names:	Føroya Sparikassi P/F, Eikibanki P/F, Eik Bank P/F, Eik Bank International P/F
Company registration number (P/F-nr):	3293
Tax registration number (V-tal):	516244
Registered office:	Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands
Telephone number:	+298 348 000
Fax:	+298 348 800
Legal form:	Limited Liability Company in accordance with the Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996
Legislative basis for operation:	Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996 and the Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act.
Website:	www.eik.fo
E-mail:	eik@eik.fo
ISIN Code:	F00005702340
Iceland Stock Exchange Ticker:	FO-EIK
Copenhagen Stock Exchange Ticker:	FO-EIK CSE

History and development of Eik Banki P/F

The Issuer started business in 1832 by the name of Færø Amts Sparekasse and conducted local banking from the main office in Tórshavn up to 1956. Today the bank has 17 branches covering all major cities and villages on the Faroe Islands. Up to the 1880's loans were provided secured by mortgage on land. From the 1880's loans were also provided secured by mortgages on property, and loans were provided to municipalities as well. During the years 1937 - 1994 the Issuer's main activity was long term deposits and mortgages. Since 1994 the Issuer has developed into a full service bank. For further information on history and development of the Issuer

I Summary

see sections 5 and 6 of the Share Registration Document, and Eik Group's financial reports for 1Q 2007 and the years 2004-2006 as included in appendices to the Share Registration Document.

The related parties of Eik Banki P/F are Inni P/F, Eik Bank Danmark A/S and 12. juni 2003 P/F (currently under solvent liquidation), which are 100% owned by Eik Banki P/F.

As per 31 March 2007, the Eik Group employed 249 full time employees. Number of employees has not changed significantly since the end of first quarter 2007 up to the date of this prospectus.

Board of Directors

Frithleif Olsen, Chairman	Odd Arild Bjellvåg, Deputy Chairman
Finnbogi Niclasen, Board Member	Marian Jacobsen, Board Member
Mathea Hilduberg, Board Member	Petur D. W. Hammer, Board Member
Rórlant Vidtfeldt, Board Member	Bjartur Nolsøe, Board Member
Gert Langgaard, Board Member	– employee representative
– employee representative	Rakul Dam, Board Member
Tórmund A. Joensen, Board Member	– employee representative
– employee representative	

Management

P. Marner A. Jacobsen	Bjarni Olsen
Chief Managing Director	Managing Director

Shareholders

Eik Banki P/F is owned by around 10,000 shareholders. Eik Grunnurin currently holds 60.91% of the share capital in Eik Banki P/F. No other shareholder has declared that it holds more than 5% of the share capital. Eik Grunnurin is a fund that was established in connection with the transformation of Eik Banki P/F (formerly Føroya Sparikassi) to a limited liability company in 2002. The aim of the fund is to continue the independent institution Eik Banki P/F's activities so that it remains a competitive and secure bank; and furthermore, to perform other financial activities through investments in shares, other interests and convertible bonds in commercial businesses of any kind whatsoever. Eik Grunnurin is controlled by the Board of Eik Banki P/F, which elects the members of the Board of Eik Grunnurin.

No shareholder may hold more than 10% of the shares in Eik Banki P/F, without the consent of the Board of Directors. However, a single shareholder may own up to 25% of the share capital. This restriction does not apply to Eik Grunnurin.

A dispensation from the 10% ownership limit will, as stipulated in the Articles of Association, require a specific decision by the Board. An investor is therefore not able to expect an automatic dispensation. The purpose of the dispensation option is to give the possibility of equity ownership larger than 10%, if the Board considers this

I Summary

to be value-adding for Eik Banki P/F's shareholders. This could, for instance, be in connection with a strategic cooperation which entailed mutual ownership. To date, this dispensation possibility has not been used.

Due to this ownership restriction, a shareholder holding more than 10% without the consent of Eik Banki P/F's Board of Directors may be forced to relinquish the shareholdings over and above 10%, and the shareholder may incur a financial loss as a result of this.

The shareholders are represented at the general meeting by the Board of Representatives which is elected every fourth year (next time 2008) among Eik Banki P/F's shareholders. The Board of Representatives has 49 members, from 6 representative districts in the Faroe Islands.

Every shareholder or group of shareholders, who holds 1% or more of the shares in Eik Banki P/F, is allowed to appoint one member to the Board of Representatives in addition to the 49 members mentioned above. At the moment two shareholders (Eik Grunnurin and Sp/F 14) have used this right.

No representative, appointed by a shareholder who holds 1% or more of the shares in Eik banki P/F, may hold more than 1% of the total votes represented at the general meeting by representatives elected on a 4 year term in the representative districts.

The Board of Directors of Eik Banki P/F consists of 11 members. 7 members are elected on the General Meeting by the Board of Representatives, which in turn is elected by the shareholders. The remaining 4 members are elected according to law by the employees. According to Eik Banki P/F's Articles of Association, any changes to the Articles of Association must be agreed upon by at least two thirds of the votes, representing at least two thirds of the represented capital. This means in fact, that no change can be made to the Articles of Association without the consent of the Eik Grunnurin, currently representing 60.91% of the total share capital.

The Company will summon an extra-ordinary General Meeting no later than the end of October 2007 with the intent to change the stipulations in the Articles of Association regarding the ownership limitations to the effect that the guidelines for administration of dispensation are explicitly stated in the Articles or that the ownership limitation is 10% without the dispensation possibility.

I Summary

Overview of financial situation and prospects

The following table shows selected financial information on the Eik Group from Eik Banki P/F's financial statements for the period 2004-2006. The financial information is taken from the audited financial reports for these years, which have been produced in accordance with the Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act and guidelines for financial institutions as set by the Danish Financial Supervisory Authority.

DKK 1,000	2006	2005	2004
Group profit and loss account			
Net interest income	274,962	232,294	198,823
Fee, commissions income, and dividends	105,624	65,464	24,139
Market value adjustment of securities and foreign exchange income	85,785	46,221	87,666
Other operating income	15,034	13,022	12,870
Profit on financial operations	481,405	357,001	323,498
Staff cost and administrative expenses	229,912	180,447	124,660
Total depreciation, write downs and provisions	-7,965	21,174	95,546
Income from associated and subsidiary undertakings	47,700	8,833	8,429
Profit before taxes	307,158	164,213	111,721
Taxes	56,681	37,604	4,520
Net profit for the year	250,477	126,609	107,201

In 2006 around half of the profit after tax originated from activities outside the Faroe Islands.

I Summary

DKK 1,000	2006	2005	2004
Group balance sheet			
Assets			
Cash in hand, claims on central banks and credit institutions	1,655,618	466,679	377,445
Securities	1,332,113	1,232,090	695,826
Loans	8,270,539	6,550,896	5,052,785
Tangible assets	136,274	125,666	121,264
Other assets	433,348	245,699	246,245
Total assets	11,827,892	8,621,030	6,493,565
Liabilities			
Debt to credit institutions	4,070,947	2,994,175	1,276,585
Deposits	6,116,501	4,483,030	4,195,076
Other Liabilities	281,681	226,495	195,204
Subordinated debt	150,000	0	0
Equity	1,208,763	917,330	826,700
Total liabilities	11,827,892	8,621,030	6,493,565
Shares 1)			
Earning after tax per share (DKK) 2)	36,0	18,6	15,8
Book value per share (DKK)	171,6	135,0	121,7
Dividend per share (%) 3)	5	5	5
Share price year-end (DKK) 4)	483,0	180,0	115,4
Share price year-end / Earnings after tax per share	13,4	9,7	7,3
Share price year-end / Book value per share	2,8	1,3	0,9

1) Eik Banki P/F's shares have prior to listing been traded on an over-the-counter basis by Eik Banki P/F

2) Average number of shares in the year based on the number at the start of the year and at the end of the year

3) Based on the financial year in which the dividend was earned, not when it was paid out

4) Last price registered in the year

At year-end 2006, the solvency was 11%, the same as at year-end 2005. The statutory minimum requirement is 8%.

The table below shows the financial information for the interim period 1Q 2007 and comparative figures for 2006. The interim financial information has neither been audited nor reviewed.

I Summary

DKK 1,000	1Q 2007	1Q 2006
Group profit and loss account		
Net interest income	84,716	61,273
Fee, commissions income, and dividends	97,032	35,789
Market value adjustment of securities and foreign exchange income	17,654	4,600
Other operating income	2,106	1,960
Profit on financial operations	201,508	103,622
Staff cost and administrative expenses	61,719	49,051
Total depreciation, write-downs and provisions	2,857	9,588
Income from associated and subsidiary undertakings	-25	0
Profit before taxes	136,907	44,983
Taxes	16,415	9,439
Net profit for the quarter	120,492	35,544

Group balance sheet**Assets**

Cash in hand, claims on central banks and credit institutions	1,232,921	296,924
Securities	1,382,615	1,236,850
Loans	8,536,211	6,757,691
Tangible assets	137,600	126,590
Other assets	501,478	260,882
Total assets	11,790,825	8,678,937

Liabilities

Debt to credit institutions	3,876,697	2,846,995
Deposits	5,869,372	4,647,483
Other liabilities	267,786	231,290
Subordinated debt	448,032	0
Equity	1,328,938	953,169
Total liabilities	11,790,825	8,678,937

The table below shows the Eik Group's capitalization and indebtedness based on the 1Q 2007 Balance Sheet. All Liabilities are unguaranteed and unsecured.

I Summary

Capitalization	1Q 2007	1Q 2007	1Q 2007
DKK 1,000	Actual	Adjusted *)	Adjusted *)
		min.	max.
Deposits			
Deposits from credit institutitons and central banks	213,588	354,923	568,511
Other deposits	5,869,372	11,648,301	11,648,301
Total deposits	6,082,960	12,003,224	12,216,812
Borrowings			
Issued bonds	0	0	0
Issued bonds at fair value	0	0	0
Loans from credit institutions	3,663,109	4,190,887	4,190,887
Other borrowings	267,786	394,850	394,850
Total borrowings	3,930,895	4,585,737	4,585,737
Subordinated debt			
Tier I	0	0	0
Tier II	448,032	448,032	448,032
Subordinated debt	448,032	448,032	448,032
Equity			
Share capital	711,311	789,572	812,927
Other equity	617,627	989,366	1,100,303
Total shareholder equity	1,328,938	1,778,938	1,913,230
Total capitalization	11,790,825	18,815,931	19,163,811

* The actual figures 1Q 2007 corrected to give effect to the completion of the Offering, assuming maximum gross proceeds of minimum and maximum capital increase and adjusted for the estimated pro forma figures from the Danish branch of SkandiaBanken AB.

I Summary

Indebtedness DKK 1,000	1Q 2007 Actual	1Q 2007 Adjusted *)
Total liquidity		
A. Cash	37,397	37,397
B. Cash equivalent	1,195,524	2,707,892
C. Trading securities	881,524	1,055,310
D. Trading liquidity (A)+(B)+(C)	2,114,445	3,800,599
E. Current financial receivables	2,812,123	2,865,309
F. Current bank debt	213,588	354,923
G. Current portion of non current debt	1,750,503	2,278,281
H. Other current financial debt	5,809,785	11,137,885
I. Total current financial debt (F)+(G)+(H)	7,773,876	13,771,089
J. Net current financial Indebtedness (I)-(E)-(D)	2,847,307	7,105,180
K. Non current bank loans	2,210,638	2,210,638
L. Bond issued	150,000	150,000
M. Other non current financial indebtedness	9,572	587,465
N. Total non current financial indebtedness (K)+(L)+(M)	2,370,210	2,948,103
O. Total net financial indebtedness (J)+(N)	5,217,517	10,053,283

* The actual figures 1Q 2007 adjusted for the estimated pro forma figures from the Danish branch of SkandiaBanken AB.

The pro-forma figures from the Danish branch of SkandiaBanken AB are produced on the assumption that all their loans have a maturity longer than 1 year, and that 10% of deposits have a maturity of more than 1 year. Also, it is assumed that the Danish branch of SkandiaBanken AB has no cash in hand and that DKK 270 million of other assets are non current.

The capitalization and indebtedness is neither audited nor reviewed.

Profit Forecast

Eik Banki P/F is of the opinion that the outlook for 2007 is good. The Faroese and the Danish economies are strong and the outlook seems positive. Total group lending is expected to grow by DKK 0.9 billion in 2007, while total deposits are expected to grow by DKK 0.2 billion in 2007. Also, securities trading is expected to grow in 2007.

I Summary

Net interest and fee income is expected to increase by DKK 75 million, while foreign exchange income and other operating income is expected to decrease by DKK 27 million. Staff costs and administrative expenses are expected to increase by DKK 9 million, and depreciation on intangible and tangible assets are estimated to increase by 9 million.

Based on this, Eik Banki P/F expects a DKK 30 million increase in the profits from core operations in 2007. This will cause an increase in the profits from core operations from DKK 164 million in 2006 to approximately DKK 194 million in 2007.

In total, the Eik Group expects a result around DKK 340 million before taxes, market value adjustments of securities and provisions for losses, against DKK 213 million in 2006.

In 2007, Eik Banki P/F expects an increase in the profits from other holdings in the coming year, while provisions are expected to have a negative impact on the Company's pre-tax profit, compared to the situation in 2006 where reversals of provisions contributed to a higher pre-tax profit.

The acquisition of the danish branch of Skandiabanken AB is not expected to materially affect the Group's expected result for 2007.

Documents on display

For the life of this Prospectus, the following documents may be inspected at Eik Banki P/F's registered office Yviri við Strond 2, P.O.Box 34, FO-110 Tórshavn, Faroe Islands and on the Investor Relations section on Eik Banki P/F's website (www.eik.fo):

- Eik Banki P/F's Articles of Association
- Eik Banki P/F's audited financial reports for 2004, 2005 and 2006
- Eik Banki P/F's unaudited interim financial report for 1Q 2007
- The Share Registration Document, Securities Note and Summary dated 18 June 2007
- Eik Bank Danmark A/S's audited financial reports for 2005 and 2006
- Inni P/F's audited financial reports for 2005 and 2006

Articles of Association

Issue and share characteristics

All shares in Eik Banki P/F belong to the same class and have been issued under the Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996. The shares are denominated in DKK.

The shares are electronically registered on the Værdipapircentralen A/S, Helgeshøj Allé 61, P.O. Box 20, DK-2630 Taastrup, Denmark.

I Summary

Transfer of share ownership, registered by name, is only acknowledged by Eik Banki P/F when the transfer is registered in Eik Banki P/F's share register. Eik Banki P/F has no responsibility of the accuracy and the validity of the transfer.

Share rights

All the shares of Eik Banki P/F carry equal rights. The shares carry no special rights and no restrictions are placed on them. However, shareholders holding more than 1% of the shares are restricted in their voting rights (see section 21 of the Share Registration Document). A party acquiring a share in Eik Banki P/F cannot exercise its right as a shareholder, except the right to dividends and pre-emptive rights in relation to future capital increases, unless its name has been registered in the share registry or it has announced and proven its ownership of the share.

Owners of Eik Banki P/F's share capital have the right to vote at the election of the Board of Representatives every four years, the right to meet and to speak (but not to vote) at annual general meetings, the right to receive dividends when declared, and the right to a portion of Eik Banki P/F's assets upon liquidation, all according to share ownership, statutes and the Company's Articles of Association in effect at any given time.

According to article 30 of the Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996, and to article 3 of the Articles of Association, the shareholders shall have pre-emptive rights to subscribe for new shares unless the increase (a) is subject to free subscription at market price; (b) is conditioned in connection with the conversion of debt, including guarantee capital into shares; or (c) is used as payment for an acquisition or partial acquisition of other enterprises or specific capital assets having a value corresponding to the value of the shares issued.

Dividends

Every year the Board of Directors decides on dividends, capital structure etc. and makes proposals regarding these issues at the annual general meeting. Dividend is distributed according to the given circumstances.

Eik banki P/F strives to distribute a steady yearly dividend. Since the transformation of Eik Banki P/F to a limited liability company, a dividend of DKK 5 per share has been distributed every year, except 2004, when no dividend was distributed.

Year of payment (referring to previous financial year)	Total dividend paid as proportion of nominal capital
2004	0%
2005	5%
2006	5%
2007	5%

A shareholder who owns shares on the date when the dividend payment falls due is entitled to the dividend.

I Summary

Eik Banki P/F is obliged to withhold taxes on dividend according to article 15 in the Capital Gains Taxation Act no. 164 from 21 December 2001, most recently changed by Act no. 49 of 16 May 2006 regardless of the fact, whether the investor is resident in the Faroe Islands or not. However, the obligation to withhold taxes does not apply for any part of the total dividend that is distributed to a corporation situated in the Faroe Islands. Inter-company dividends within companies subject to full tax in the Faroe Islands are tax-exempted and no tax has to be withheld.

II. Share Securities Note

Contents

1. Risk Factors	2
2. Persons Responsible and Statements	3
3. Notice to investors	6
4. Key Information	8
5. Information Concerning the Securities	11
6. Terms and Conditions of the Offer	20
7. Admission to Trading and Dealing Arrangements	24
8. Selling Securities Holders	25
9. Expense of the Issue	25

II Share Securities Note Risk Factors

1. Risk Factors

Investors are reminded that investing in shares entails risk, as the decision to invest is based on expectations and not promises. Investors must rely primarily on their own judgement regarding any decision to invest in the shares of Eik Banki P/F (herein after also referred to as the "Company" and the "Issuer"), bearing in mind the business environment in which the company operates, anticipated profits, external conditions and the risk inherent in the investment itself. The Eik Group is a term used to describe the group that consists of the parent company Eik Banki P/F and its subsidiaries Eik Bank Danmark A/S, Inni P/F and 12. juni 2003 P/F (currently under solvent liquidation). Prospective investors are advised to contact experts such as licensed financial institutions to assist them in their assessment of the shares in the Company as an investment option. Investors are advised to consider their legal status, including taxation issues that may concern the purchase or sale of shares in the company and seek external and independent advice in that respect. Prior to making any investment decision regarding shares in the Company, please consider all the information in the Share Securities Note. In addition, for risks specific to Eik Banki P/F's shares investors are advised to consider the chapter on Risk Factors in the Share Registration Document. The risks and uncertainties described below are those that may materially affect investments in Eik Banki P/F's shares. If any combination of these events occurs, the trading price of the shares could decline and investors might lose part of their investment or even all of it.

Risks inherent in equity investments

Equity investments involve a variety of risks. Examples of such risk factors that may have a material effect on the price of a company's shares, and thereby on the investment value, are market risk, liquidity risk and counterparty risk. The share price can fluctuate considerably due to factors such as variations in operating income or cost, changes in the market environment, adverse commentary about the company and its operations and services in the media and changes to the company's competitive position. Moreover, it must be kept in mind that shares are a subordinated claim on the assets of companies. This means that in the event of the company's liquidation, the shareholders will receive what is left after all other claims have been met. In many countries, shares have yielded a better return than bonds measured over long periods of time. Nevertheless, long periods can also be found where the return on shares has been worse than on bonds and even negative. Those who intend to invest in the Company should know that there is no guarantee of a return on their investment in the future and investors should bear in mind that even though shares can provide a good return in general, there is always a risk that an investment in the shares of individual companies will decline in value. It is therefore suggested that those who intend to invest in shares pay close attention to diversifying their risk and seek investment advice. Due to the fact that the Company's shares are expected to be traded on the Main Market of Kauphöll Íslands hf. (herein referred to as Iceland Stock Exchange), as well as on the Main Market of Copenhagen Stock Exchange A/S (herein referred to as Copenhagen Stock Exchange), those investing in them would thereby become subject to public regulation relating to securities transactions, such as rules relating to takeover bids, public disclosure of ownership stakes, etc.

Share capital increases can dilute shareholdings

The Company has no current plans for a subsequent offering of shares. However, if new shares in the Company

II Share Securities Note Persons Responsible and Statements

are issued in the future, the proportional shareholding of those who already hold shares in the Company will be reduced accordingly, unless they themselves acquire the new shares pro rata to their existing holdings. The purpose of increasing capital is normally to finance projects with the long-term intention of making the Company more valuable in the future. Shareholders may therefore be faced with increased risk to their investment alongside the dilution of their shares.

Shareholder structure

The structure of shareholder ownership can be a risk factor for investors. The majority shareholder Eik Grunnurin is controlled by the Board of Eik Banki P/F, and therefore does not take the ordinary function of a leading investor. The lack of leading investors or large concentrations of ownership are examples of circumstances that can have negative effects on the operations of the Issuer. Investors should be aware that according to Article 5 of the Articles of Association no shareholder may own more than 10% of the Company's share capital without the consent of the Company's Board of Directors. However, a single shareholder may own up to 25%. This restriction does not apply to Eik Grunnurin. Any holding company established as part of a change in the Company's financial activities shall not be comprised by the above restriction of 25%. Nor shall any restructuring of the Company made in concert with the Danish Financial Supervisory Authority following a capital loss be comprised by the above restriction of 25%.

Due to this ownership restriction, a shareholder holding more than 10% without the consent of Eik Banki P/F's Board of Directors may be forced to relinquish the shareholdings over and above 10%, and the shareholder may incur a financial loss as a result of this.

The Company will summon an extra-ordinary General Meeting no later than the end of October 2007 with the intent to change the stipulations in the Articles of Association regarding the ownership limitations to the effect that the guidelines for administration of dispensation are explicitly stated in the Articles or that the ownership limitation is 10% without the dispensation possibility.

2. Persons Responsible and Statements

Legal and commercial name:	Eik Banki P/F
Company registration number (P/F-nr):	3293
Tax registration number (V-tal):	516244
Registered office:	Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands

II Share Securities Note Persons Responsible and Statements

Issuer's statement

We declare as those responsible for Eik Banki P/F's Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Tórshavn, 18 June 2007

Board of Directors

Frithleif Olsen, Chairman

Odd Arild Bjellvåg, Deputy Chairman

Mathea Hilduberg, Board Member

Finnbogi Niclasen, Board Member

Rólant Vidtfeldt, Board Member

Petur D. W. Hammer, Board Member

Tórmund A. Joensen, Board Member
– employee representative

Rakul Dam, Board Member
– employee representative

Gert Langgaard, Board Member
– employee representative

Bjartur Nolsøe, Board Member
– employee representative

Marian Jacobsen, Board Member

Management

P. Marnar A. Jacobsen
Chief Managing Director

Bjarni Olsen
Managing Director

II Share Securities Note Persons Responsible and Statements

Listing Advisor's statement

The Group Finance and Treasury Department of Eik Banki P/F in its capacity as listing advisor and manager of the share offering, registered office being Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands, hereby declares that it has been the advisor to the Issuer in relation to the preparation of this Share Securities Note, the share offering and in relation to the listing of the shares.

Tórshavn, 18 June 2007

Finn Danberg,
Director, Group CFO

Auditor's Statement

As auditors of Eik Banki P/F, appointed at the annual general meeting, we examined whether the financial information and the pro forma financial information prepared by the management of Eik Banki P/F in the Share Securities Note is consistent with the said financial statements.

The Share Securities Note is the responsibility of the Board of Directors and Management of Eik Banki P/F. Our responsibility is to express an opinion on financial information included in the Share Securities Note based on our work.

Basis of Opinion

We have examined the financial information in the Share Securities Note and found that the financial information is consistent with the First Quarter Report 2007.

We have examined the pro forma financial information in the Share Securities Note and found that the pro forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the issuer.

Financial statements of the Company for the three-months period ended 31 March 2007 have not been audited or reviewed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

We confirm that all information in this Share Securities Note regarding financial information and pro forma financial information is consistent with the said financial statements and pro forma financial statements.

II Share Securities Note Notice to investors

Tórshavn, 18 June 2007

Rasmussen & Weihe, P/F

State Authorised Public Accountants
International Worldwide cooperation
Hoyvíksvegur 5, P.O. Box 30
FO-110 Tórshavn, Faroe Islands

Klaus Rasmussen,

State Authorised Public Accountant

Hans Laksá,

State Authorised Public Accountant

3. Notice to investors

This Share Securities Note has been scrutinised and approved by the Iceland Stock Exchange on behalf of the Financial Supervisory Authority in Iceland on 18 June 2007. It was prepared for the share offering of between 782,609 and 1,016,160 shares with pre-emptive subscription rights for existing shareholders and a subsequent expected primary listing of Eik Banki P/F on the Iceland Stock Exchange Main Market as well as a simultaneous secondary listing on the Copenhagen Stock Exchange Main Market. The Offering share price is DKK 575 per share.

This Share Securities Note, published in English only, is published in Adobe Acrobat format on www.eik.fo, www.eikbank.dk and www.spron.is. Additionally a hard copy can be obtained from Eik Banki P/F's headquarters at Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands. This Share Securities Note can be obtained for twelve months from publication, which is the time that it is valid.

On 9 March 2007, the Board of Directors of Eik Banki P/F decided to apply for listing on the Iceland Stock Exchange Main Market as well as a simultaneous secondary listing on the Copenhagen Stock Exchange Main Market. In accordance with Icelandic legislation corresponding to EU legislation, Eik Banki P/F has chosen Iceland to be its Home Member State. This Share Securities Note has been prepared to provide clear and thorough information on the shares of Eik Banki P/F. Investors are advised to consider statements from the issuer, regarding the Prospectus. Investors are encouraged to acquaint themselves thoroughly with the Share Securities Note and Share Registration Document as well as its appendices. Information provided in the Share Securities Note is based on premises that were current when the Prospectus was published. If new information, which could have an effect on the assessment of the issuer or its securities, comes to light in the interval which elapses from the time the Prospectus is published until the offered shares have been admitted to trading on the Iceland Stock Exchange Main Market and Copenhagen Stock Exchange Main Market, a supplement to the Prospectus will be published in the same manner as the Prospectus.

II Share Securities Note Notice to investors

The Share Securities Note should by no means be viewed or construed as a promise by the issuer of future return on investments. Investors are reminded that investing in shares entails risk as the decision to invest is based on expectations and not promises. Investors must first of all rely on their own judgment regarding any decision to invest in Eik Banki P/F shares, bearing in mind the business environment in which the Company operates, anticipated profits, external conditions and the risk inherent in the investment itself.

Investors are advised to consider their legal status, including taxation issues that may concern the purchase of Eik Banki P/F shares. This Share Securities Note may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or subscribe for, any securities in any jurisdiction or in any circumstances in which such offer or solicitation is not lawful or authorized. Persons into whose possession this Share Securities Note may come are required by the Company to inform themselves about and to observe such restrictions.

This Share Securities Note shall be governed by Icelandic law. Any disputes arising out of the contents of this Share Securities Note, or in connection therewith shall be settled exclusively by proceedings in the Reykjavík District Court.

The contents of this Share Securities Note are not to be construed as legal, business or tax advice. Each prospective investor should consult his/her own legal adviser, business adviser or tax adviser as to legal, business and tax advice. All enquires relating to this Share Securities Note contemplated herein should be directed to the Company. Only the Company is entitled to provide information in respect of the share or in respect of matters described in this Share Securities Note. Information that might be provided by any other persons is of no relevance to the contents of this Share Securities Note and should not be relied upon.

In the ordinary course of their respective businesses, the Company and certain of its affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with the Company and its subsidiaries.

Each prospective purchaser must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes, offers or sells the shares or possesses or distributes this Share Securities Note and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the shares under the laws and regulations in force in any jurisdiction to which it makes such purchases, subscriptions, offers or sales, and the Company shall not have any responsibility for these obligations.

Notice to US investors

The offered shares have not been and will not be registered under the U.S. Securities Act and are not being offered or sold within the United States or to U.S. persons. The offered shares are being offered outside the United States in reliance on Regulation S under the U.S. Securities Act. The offer shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed

II Share Securities Note Key Information

the merits of the offering or the accuracy or adequacy of this Share Securities Note. Any representation to the contrary is a criminal offence in the United States.

4. Key Information

Working Capital

It is the Company's opinion that the working capital is sufficient for the company's requirements before and after the acquisition of the Danish branch of SkandiaBanken AB. The net proceeds from the minimum share offering (see section 6 'Terms and Conditions of the Offer') in combination with Eik Banki P/F's present disposable liquidity fulfil the working capital requirements of the acquisition of the Danish branch of SkandiaBanken AB.

Capitalization and Indebtedness

The table below shows the Eik Group capitalization and indebtedness based on the 1Q 2007 Balance Sheet. The Eik Group is a term used to describe the group that consists of the parent company Eik Banki P/F and its subsidiaries Eik Bank Danmark A/S, Inni P/F and 12. juni 2003 P/F (currently under solvent liquidation). All liabilities are unguaranteed and unsecured.

II Share Securities Note Key Information

Capitalization	1Q 2007	1Q 2007	1Q 2007
		Adjusted *)	Adjusted *)
DKK 1,000	Actual	min.	max.
Deposits			
Deposits from credit institutitons and central banks	213,588	354,923	568,511
Other deposits	5,869,372	11,648,301	11,648,301
Total deposits	6,082,960	12,003,224	12,216,812
Borrowings			
Issued bonds	0	0	0
Issued bonds at fair value	0	0	0
Loans from credit institutions	3,663,109	4,190,887	4,190,887
Other borrowings	267,786	394,850	394,850
Total borrowings	3,930,895	4,585,737	4,585,737
Subordinated debt			
Tier I	0	0	0
Tier II	448,032	448,032	448,032
Subordinated debt	448,032	448,032	448,032
Equity			
Share capital	711,311	789,572	812,927
Other equity	617,627	989,366	1,100,303
Total shareholder equity	1,328,938	1,778,938	1,913,230
Total capitalization	11,790,825	18,815,913	19,163,811

* The actual figures 1Q 2007 corrected to give effect to the completion of the Offering, assuming maximum gross proceeds of minimum and maximum capital increase and adjusted for the estimated pro forma figures from the Danish branch of SkandiaBanken AB.

II Share Securities Note Key Information

Indebtedness	1Q 2007 Actual	1Q 2007 Adjusted *)
DKK 1,000		
Total liquidity		
A. Cash	37,397	37,397
B. Cash equivalent	1,195,524	2,707,892
C. Trading securities	881,524	1,055,310
D. Trading liquidity (A)+(B)+(C)	2,114,445	3,800,599
E. Current financial receivables	2,812,123	2,865,309
F. Current bank debt	213,588	354,923
G. Current portion of non current debt	1,750,503	2,278,281
H. Other current financial debt	5,809,785	11,137,885
I. Total current financial debt (F)+(G)+(H)	7,773,876	13,771,089
J. Net current financial Indebtedness (I)-(E)-(D)	2,847,307	7,105,180
K. Non current bank loans	2,210,638	2,210,638
L. Bond issued	150,000	150,000
M. Other non current financial indebtedness	9,572	587,465
N. Total non current financial indebtedness (K)+(L)+(M)	2,370,210	2,948,103
O. Total net financial indebtedness (J)+(N)	5,217,517	10,053,283

* The actual figures 1Q 2007 adjusted for the estimated pro forma figures from the Danish branch of SkandiaBanken AB.

The pro-forma figures from the Danish branch of SkandiaBanken AB are produced on the assumption that all their loans have a maturity longer than 1 year, and that 10% of deposits have a maturity of more than 1 year. Also, it is assumed that the Danish branch of SkandiaBanken AB has no cash in hand and that DKK 270 million of other assets are non current.

The capitalization and indebtedness is neither audited nor reviewed.

Interest of natural and legal persons involved in the issue/offer

To the best knowledge of the issuer, there are no interests, including conflicting ones, that are material to the offer.

Reasons for the offer and use of proceeds

The objective of the share Offering is to finance Eik Bank Danmark A/S's announced acquisitions of the

II Share Securities Note Information Concerning the Securities

Danish branch of SkandiaBanken AB. If the net proceeds from the offering are not sufficient to cover the acquisition cost of the Danish branch of SkandiaBanken AB, the remainder will be sourced from presently disposable liquidity. If the net proceeds from the offering exceeds the acquisition cost of the Danish branch of SkandiaBanken AB, the remaining funds will be used to further strengthen the capital base of Eik Banki P/F.

The anticipated net proceeds from the offering to the Company are anticipated to be DKK 443,820,173 minimum and DKK 576,292,000 maximum. Eik Grunnurin, will underwrite the minimum offer as a security for the funding of the purchase.

Eik Banki P/F's subsidiary Eik Bank Danmark A/S is currently in the process of acquiring the Danish branch of SkandiaBanken AB. An announcement in this regard was made to the Copenhagen Stock Exchange on 29 May 2007.

The acquisition process started in February 2007 by a non binding offer followed by dataroom access and a final bid. The asset sales purchase agreement and share purchase agreement was signed on 28 May 2007 and the deal takes effect on 1 July 2007 (or closing no later than 31 August 2007).

The acquisition of The Danish branch of SkandiaBanken AB will be financed by a share capital increase in Eik Banki P/F. The funds will subsequently be transferred to Eik Bank Danmark A/S in form of a capital increase, which will provide the company with sufficient funds for the payment of the shares in SkandiaBanken A/S.

The final purchase price of the Danish Branch of SkandiaBanken AB is expected to be DKK 500-600 million. The purchase is calculated as DKK 270 million in goodwill plus the equity according to the opening balance as of 1 July 2007. The proforma equity of the Danish branch of SkandiaBanken AB as of 31 March 2007 amounted to DKK 344 million. The buyer will take over the audited opening balance as of 1 July 2007 and will take over a bank with a solvency ratio at approximately 12%. Therefore, the final acquisition price is currently not known exactly. The agreement is to be closed no later than 31 August 2007.

5. Information Concerning the Securities

Number of shares

Already issued shares:	7,113,114
New shares in this offering – minimum:	782,609
New shares in this offering – maximum:	1,016,160
Total amount of shares after the offering:	7,895,723 - 8,129,274

Type and class of securities to be admitted to trading

All shares in Eik Banki P/F belong to the same class and therefore have equal rights, hereunder voting and dividend rights. Each share has a nominal value of DKK 100.

II Share Securities Note Information Concerning the Securities

Already issued shares (ISIN Code):	F00005702340
Iceland Stock Exchange Ticker:	FO-EIK
Copenhagen Stock Exchange Ticker:	FO-EIK CSE

Temporary ISIN Codes

Pre-emptive rights:	F00000000112
Temporary shares (for used pre-emptive rights):	F00000000096
Temporary shares (other than pre-emptive rights):	F00000000104

The temporary shares will neither be traded on Iceland Stock Exchange nor Copenhagen Stock Exchange.

Legislation

The Company is registered in the Faroe Islands and operates pursuant to Royal Decree No 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996. All shares in the Company have been issued under the Company Act.

Registration

The shares shall be registered electronically with Værdipapircentralen A/S, Helgeshøj Allé 61, P.O. Box 20, DK-2630 Taastrup, Denmark through a Faroese, Icelandic or Danish bank or other institution which is legally authorised to be registered as custodian of the shares. The shares are issued as non-certificated bearer shares.

The shares shall not be transferred to bearer, but may be registered by name in Eik Banki P/F's share register.

Transfer of share ownership, registered by name, is only acknowledged by Eik Banki P/F when the transferee is registered in the bank's share register or has given substantiated notification in writing of his acquisition. Eik Banki P/F has no responsibility of the accuracy and the validity of the transfer.

Currency of the securities issue

The shares are denominated in DKK.

Share rights

All the shares of the Company carry equal rights. The Company's shares carry no special rights and no restrictions are placed on them. However, shareholders holding more than 1% of the shares are restricted in their marginal voting rights. This restriction was imposed in order to ensure the influence of the shareholders other than Eik Grunnurin, and to ensure a spread of ownership due to Eik Banki P/F's influence on Eik Grunnurin. The 1% limit was considered appropriate in relation to the Faroese market. A party acquiring a share in the Company cannot exercise its right as a shareholder unless its name has been registered in the share registry or it has announced and proven its ownership of the share. Further ownership restrictions are described in the 'Transferability of Shares' section below.

II Share Securities Note Information Concerning the Securities

Owners of Eik Banki P/F's share capital have the right to vote at the election of the Board of Representatives, the right to meet and to speak (but not to vote) at annual general meetings and extraordinary general meetings, the right to receive dividends when declared, and the right to a portion of the bank's assets upon liquidation, all according to share ownership, statutes and the Company's Articles of Association in effect at any given time.

The shareholders shall, according to Article 30 of the Royal Decree No 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996, and the Article 3 of the Articles of Association, have pre-emptive rights to subscribe for new shares unless the increase (a) is subject to free subscription at market price; (b) is conditioned in connection with the conversion of debt, including guarantee capital into shares; or (c) is used as payment for an acquisition or partial acquisition of other enterprises or specific capital assets having a value corresponding to the value of the shares issued.

A resolution on the distribution of dividends shall be made at an annual general meeting, which shall be held before the end of April each year. A shareholder who owns shares on the date when the dividend payment falls due is entitled to the dividend. However, if dividends have not been paid to shareholders, then they may collect their dividends at the Company's office within five years of payment being due. This right to a dividend lapses no less than five years of payment being due according to the Act No 274 of 22 December 1908 on the Expiry of Debts and Other Claim Rights. Eik Banki P/F and its subsidiaries are subject to legal restrictions on the amount of dividends that can be paid to shareholders according to Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act and according to Royal Decree No 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996. There are no special restrictions or procedures regarding dividend payment for non-resident shareholders.

No redemption provisions, conversion provisions or special restrictions regarding dividends have been attached to the securities.

Statement concerning the share capital increase

According to Article 3 in Eik Banki P/F's Articles of Association the Board of Directors is authorised, until 1 March 2011, to increase the share capital by one or more issues by a total of DKK 150,000,000.00. Of these, DKK 32,000,000 have been issued and used as partial payment for the acquisition of shares in Investea A/S.

On 11 June 2007 the Board of Directors of Eik Banki P/F based on the authorisation in Article 3 of the Articles of Association made the following resolution (quoted in full):

"By subscription of new share capital the capital of the company shall be increased with the minimum nom. value of DKK 78,260,900 and the maximum nom. value of DKK 101,616,000. The company has obtained guarantee for the subscription of at least the minimum amount of nom. DKK 78,260,900 and

II Share Securities Note Information Concerning the Securities

due to that any and all subscription of share capital is binding. For this new subscription of share capital the following conditions shall apply:

1. Invitation for subscription of share capital takes place by requesting an offer for subscription of share capital in the company;
 2. The share capital will have the same rights in the company as the existing share capital;
 3. The shares shall not be transferred to bearer. The shares shall be negotiable instruments;
 4. The shareholders are not obliged to redeem their shares, but the new shares are also encompassed by the restriction on ownership- and voting rights according to clause 5 in the Articles of Association.
 5. The present shareholders have pre-emptive rights of subscription to this new share capital, c.f. clause 10, and these pre-emptive rights are calculated as a right to subscribe nom. DKK 100 in new share capital for each nom. DKK 700 that shareholders beforehand possess of the present share capital. There are no limitations on the pre-emptive rights of subscription in the new share capital in future capital increases, with the exception of the provision stipulated in item 4.
 6. Subscribed share capital with pre-emptive rights will become due up on subscription. Subscription without pre-emptive right will become due on the seventh day after expiration of the time limit for the subscription.
 7. The shares have a nominal value of DKK 100.
 8. The subscription is at the price of DKK 575 for each share of nom. DKK 100.
 9. In case of oversubscription, the Board of Directors is free to decide how the capital offered for subscription – which is not subscribed as pre-emptive rights of subscription – shall be divided among those who have offered to subscribe. In this connection the board decides, that in case of oversubscription the amount offered for subscription which is not subscribed as pre-emptive rights of subscription shall be allocated between private and institutional investors with the objective to achieve regular trade and improve stock liquidity of Eik Banki P/F's shares at the Iceland Stock Exchange and Copenhagen Stock Exchange.
 10. The present shareholders are to exercise their pre-emptive rights within a period of time that shall commence the date an advertisement in the official Gazette, as set out in section 34 (2) in the Company Act, notifies that the subscription form will be available and last at least 14 days ahead, latest at 18.00 CET on the latest subscription day. The shares of the Company are not registered on a stock exchange and due to this it is decided, that the same period of time shall apply for trade in
-

II Share Securities Note Information Concerning the Securities

the subscription rights. The shares are issued by "Værdipapircentralen A/S". Subscription rights will, referring to clause 23 a, sub.clause 3 in the Company Act, be registered on "Værdipapircentralen A/S". Subscription rights for shares registered on "Værdipapircentralen A/S" belong to the person registered as the owner at 12.30 hour CET on the latest banking day before the trade in the subscription rights commence.

11. The subscription period is at least 14 days commencing the date an advertisement in the official Gazette, as set out in section 34 (2) in the Company Act, notifies that the subscription form will be available. The subscription period expires at 18.00 CET on the latest subscription day in the subscription period.
12. The new share capital shall be eligible for any dividends payable and other rights relating to the company when registration of the increased of the share capital is made at Skráseting Føroya in respect of the financial year in which the registration of the increase of the share capital at Skráseting Føroya has taken place.
13. The costs of the capital increase to be discharged by the company - estimated on the assumption that the maximum amount is subscribed - will not exceed DKK 6,500,000, including all costs associated with issuing shares electronically at "Værdipapircentralen A/S", costs associated with the listing the new shares on the Main Market of the Iceland Stock Exchange and Copenhagen Stock Exchange, register the capital increase at Skráseting Føroyar, underwriting cost, legal costs, subscription costs, advertising and printing.
14. Subscription without pre-emptive rights shall be carried out on subscription forms included in the prospectus made for this increase in the share capital, or on isolated subscription form. Subscription with pre-emptive rights shall be carried out on subscription form issued by "Værdipapircentralen A/S", as to the subscription rights in accordance with § 23 a sub. clause 3 in the Company Act.
15. The new shares will, as the present shares, be issued by "Værdipapircentralen A/S", and applied for admission to trading at the Iceland Stock Exchange "ICEX" and Copenhagen Stock Exchange in the same manner as the present share capital.
16. The subscription can – at latest on the latest banking day before trade in subscription rights can take place – be withdrawn under extraordinary not foreseen circumstances, including force major and essential changes in the financial circumstances of the Company.

In connection with this increase of the share capital the Articles of the Company will be to change as follows: the number "711,311,400" in § 2 sub clause 1 in the Articles of Association will be increased with the amount the share capital of the Company is increased in this subscription of new share capital.

II Share Securities Note Information Concerning the Securities

The subscription price is determined as the OTC registered trade value of the shares, though taking into consideration the big lot of shares offered for subscription, the present market conditions and the estimated value of the assets of the Company. On the latest the 30 June 2007 advertising in the official Gazette as set out in section 34 (2) in the Company Act for subscription and exercise of pre-emptive rights shall have taken place. As to this notification the inserting of the exact days for subscription and exercise of pre-emptive rights, shall be made in cooperation between the management of the Eik Banki P/F and the manager of the prospectus, meaning that the parties mentioned is authorised to state in the documents in connection with the subscription, including notifications, the prospectus, subscription forms etc. the exact days in question on the basis of the day the notification according to clause 34 sub. clause 2 in the Company Act takes place."

Expected timetable of principal events

Allocation of pre-emptive rights	20 June 2007
Trading in pre-emptive rights	21 June – 5 July 2007
Offer period with and without pre-emptive rights	21 June – 5 July 2007
Result of offer, no later than 11.00 am Faroese time (corresponding to 12.00 noon CET and 10.00 am Icelandic time)	10 July 2007
First day of trading of 7,113,114 already issued shares	11 July 2007
Payment and issuing of temporary shares	12 July 2007
Admission to trading of offered shares	18 July 2007

The temporary shares without pre-emptive rights (ISIN F00000000104) will be issued on 12 July 2007. The issue of temporary shares (ISIN F00000000096) will take place immediately upon payment. The temporary shares will not be traded on Iceland Stock Exchange or Copenhagen Stock Exchange, but shareholders, who wish to trade subscription rights and temporary shares, must contact the financial institution where they hold their custody account.

The results of the total offer and expected date of merge of the temporary shares (ISIN F00000000096) and (ISIN F00000000104) with the already issued shares (ISIN F0005702340) is scheduled for announcement no later than 10 July 2007 at 11.00 am Faroese time (corresponding to 12.00 noon CET and 10.00 am Icelandic time) through the Company News Services system provided by OMX Nordic Exchange.

Expected day of admission to trading of offered shares on Iceland Stock Exchange and Copenhagen Stock Exchange is 18 July 2007.

Transferability of shares

Shares in Eik Banki P/F are negotiable instruments with no restrictions on the transferability of the Company's shares, and shareholders may pledge their shares unless prohibited from doing so by law. Only general legislative rules apply to the transfer of shares in the Company.

II Share Securities Note Information Concerning the Securities

However, according to the Articles of Association, no shareholder may hold more than 10% of the shares in Eik Banki P/F, without the consent of the Board of Directors. However, a single shareholder may own up to 25% of the share capital with the consent of the Board of Directors. This restriction does not apply for Eik Grunnurin. A dispensation from the 10% ownership limit will, as stipulated in the Articles of Association, require a specific decision by the Board. An investor is therefore not able to expect an automatic dispensation. The purpose of the dispensation option is to give the possibility of equity ownership larger than 10%, if the Board considers this to be value-adding for Eik Banki P/F's shareholders. This could, for instance, be in connection with a strategic cooperation which entailed mutual ownership. To date, this dispensation possibility has not been used.

A dispensation from the 10% ownership limit will, as stipulated in the Articles of Association, require a specific decision by the Board. An investor is therefore not able to expect an automatic dispensation. The purpose of the dispensation option is to give the possibility of equity ownership larger than 10%, if the Board considers this to be value-adding for Eik Banki P/F's shareholders. This could, for instance, be in connection with a strategic cooperation which entailed mutual ownership. To date, this dispensation possibility has not been used.

Due to this ownership restriction, a shareholder holding more than 10% without the consent of Eik Banki P/F's Board of Directors may be forced to relinquish the shareholdings over and above 10%, and the shareholder may incur a financial loss as a result of this.

Any holding company established as part of a change in the Company's financial activities shall not be comprised by the above restriction of 25%. Nor shall any restructuring of the Company made in concert with the Danish Financial Supervisory Authority following a capital loss be comprised by the above restriction of 25%. In addition, according to Article 61 of the Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act, any party wishing to acquire more than 10% of the shares in a financial institution, must seek and obtain permission from the Danish Financial Supervisory Authority.

The Company will summon an extra-ordinary General Meeting no later than the end of October 2007 with the intent to change the stipulations in the Articles of Association regarding the ownership limitations to the effect that the guidelines for administration of dispensation are explicitly stated in the Articles or that the ownership limitation is 10% without the dispensation possibility.

Mandatory bid rules

If the Company will be admitted to trading on the Iceland Stock Exchange and the Copenhagen Stock Exchange, it will be subject to Article 31 of the Royal Decree No 87 of 10 February 2006 on implementation in the Faroe Islands of the Securities Trading, etc. Act. According to Article 31 (1) If a share holding is transferred, directly or indirectly, in a company with one or several share classes listed on a stock exchange or admitted to trading on an authorised market place, the acquirer shall enable all the shareholders of the company to dispose of their shares on identical terms if such transfer involves that the acquirer

II Share Securities Note Information Concerning the Securities

- 1) will hold the majority of voting rights in the company,
- 2) becomes entitled to appoint or dismiss a majority of the company's members of the board of directors,
- 3) obtains the right to exercise a controlling influence over the company on the basis of the articles of association or any agreement with the company in general,
- 4) according to agreement with other shareholders will control the majority of voting rights in the company, or
- 5) will be able to exercise a controlling influence over the company and will hold more than one-third of the voting rights.

Further according to Article 31 (2) The Danish FSA may grant exemptions from the obligation referred to in subsection (1) if special circumstances so dictate.

Mandatory squeeze-out / sell-out rules

Under Royal Decree No 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996, Article 20b (1), if the acquirer, or any of its concert parties, acquires more than 90% of the shares or voting rights of the Company, the acquirer and the Board of Directors of the Company may decide to redeem the remaining shares. Notice of such decision, including the terms of the redemption, shall be given by means of an advertisement in a Faroese daily newspaper or in another verifiable manner. If the acquirer demands the redemption within three months from the end of the takeover period, the price offered in the takeover bid shall be considered a fair redemption price, unless the acquirer, or any of its concert parties, has paid a higher price during the takeover period or during the three months following on from the end of the takeover period. In the notice of the decision, shareholders shall be encouraged to transfer their shares to the acquirer within four weeks. If they do not transfer their shares within four weeks, the redemption price shall be deposited in an account in their name, on which the acquirer shall become the rightful owner of the shares and the share certificates or any electronically registered shares of former shareholders shall become void.

Should the acquirer, or any of its concert parties, acquire more than 90% of the shares or voting rights of the Company, any one of the minority shareholders shall be able to demand that the acquirer redeem his shares. If the minority shareholder demands redemption within three months of the end of the takeover period, the price offered in the takeover bid shall be considered a fair redemption price, unless the acquirer, or any of its concert parties, has paid a higher price during the takeover period or during the three months following on from the end of the takeover period. More detailed provisions on redemption, including the appointment of valuers if no agreement is reached on the redemption price, can be found in the Royal Decree No 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996.

II Share Securities Note Information Concerning the Securities

Public takeover bids by third parties

There have not been any public takeover bids since the foundation of the Company by third parties in respect of the Company's equity.

Taxes and withholding taxes

The purpose of this section is not to provide a comprehensive review of the tax regulations. Accordingly, advice from qualified professionals based on the investors individual situation, should be obtained before investments are made.

Eik Banki P/F is obligated to withhold taxes on dividend according to Article 15 in the Capital Gains Taxation Act No 164 from 21 December 2001, as most recently changed by Act No 49 of 16 May 2006 regardless of whether the investor is resident in the Faroe Islands or not. However, the obligation to withhold tax does not apply for any part of the total dividend that is distributed to a corporation situated in the Faroe Islands. Intercompany dividends within companies subject to full tax in the Faroe Islands are tax-exempted and no tax has to be withheld.

For dividend paid out to private investors the withholding tax is 35% with the possibility for deduction of certain interest and capital losses. However, losses on disposal of shares/securities may be set off against the dividend when calculating the taxable income

For Faroese resident investors, profit from disposal of shares in Eik Banki P/F is liable to tax, and will be taxed at 18% (companies) and 35% (individuals). Losses on disposal of shares/securities may be set off against other shares/securities. For investors, not resident in the Faroe Islands, capital gains and losses on disposals of shares in Eik Banki P/F are not subject to Faroese taxation.

Foreign investors – Withholding tax

If the recipient of dividend is a foreign company, the dividend-paying company has to withhold tax at a rate of 18%. If the recipient is a foreign private investor, the dividend-paying company has to withhold tax at a rate of 35%. If the investors holding the shares is situated in a country where there is established a double tax treaty (for instance the Nordic countries), the withholding tax might be refunded or exempted. The Nordic treaty (Finland, Sweden, Norway, Denmark, and Iceland) stipulates that a company whose shareholding in the Faroese subsidiary is at least 10% will have the total withholding tax refunded. Companies from Nordic countries holding less than 10% may, according to the treaty, have to pay 15% to The Faroe Islands.

Recipient companies situated in a "treaty country" have to apply for a refund of the withholding tax (18%) regarding dividends. The Faroe Islands have double tax treaties with the Nordic countries, Greenland, Austria, Switzerland and India.

Investors living outside the Faroe Islands are advised to investigate the tax consequences within their home countries.

II Share Securities Note Terms and Conditions of the Offer

6. Terms and Conditions of the Offer

Conditions of the offer

The capital increase will be carried out with pre-emptive rights to existing shareholders. These pre-emptive rights are calculated as a right to subscribe nom. DKK 100 in new share capital for each nom. DKK 700 that shareholders beforehand possess of the present share capital. This granting of pre-emptive rights is based on the ratio between the already issued share capital and the maximum capital increase, as decided by the Board of Directors. Investors will thus receive pre-emptive rights in proportion to their shareholdings.

The Offering comprises between 782,609 and 1,016,160 shares, equivalent of between 11.0% and 14.3% of the total number of the shares in Eik Banki P/F prior to the Offering, conditioned upon completion of the Offering. The shares are being offered in (i) a public offering in the Faroe Islands, Iceland and in Denmark and (ii) an international offering to institutional investors outside the United States who are not U.S. persons in reliance to Regulation S.

The offering period commences on and includes 21 June 2007 and closes on and includes 5 July 2007 at 5.00 pm Faroese time (corresponding to 6.00 pm CET and 4.00 pm Icelandic time).

The subscription can – at latest on the latest banking day before trade in subscription rights can take place – be withdrawn under extraordinary not foreseen circumstances, including force major and essential changes in the financial circumstances of the Company.

Any withdrawal will be notified immediately to the Company News Services system provided by OMX Nordic Exchange and announced as soon as possible in the same newspaper(s) in which the Offering was announced. If the Offering is withdrawn, the issue will not be carried out and the subscription rights will be invalid and of no value to shareholders and investors having acquired such subscription rights. Temporary shares already issued will be cancelled and the money paid back to investors.

The minimum subscription amount is one (1) offered share. There is no maximum with regard to how many shares an investor might subscribe to, although current shareholders have pre-emptive rights to the issue. In case of oversubscription, the Board of Directors is free to decide how the capital offered for subscription – which is not subscribed as pre-emptive rights of subscription – shall be divided among those who have offered to subscribe. In this connection the board decides, that in case of oversubscription the amount offered for subscription which is not subscribed as pre-emptive rights of subscription shall be allocated between private and institutional investors with the objective to achieve regular trade and satisfactory stock liquidity of Eik Banki P/F's shares at the Iceland Stock Exchange and Copenhagen Stock Exchange.

The shares will be registered electronically in the investor's account with Værdipapircentralen A/S against cash payment of the shares. Investors who do not hold a custody account with Værdipapircentralen A/S shall contact their financial institutions.

II Share Securities Note Terms and Conditions of the Offer

Payment for use of pre-emptive rights is due upon subscription.

Allocation of subscription rights (ISIN F00000000112) will be made based on the holding of already issued shares (ISIN F00005702340) on 20 June 2007 (the day before the offering period starts), at 11.30 am Faroese time (corresponding to 12.30 CET and 10.30 am Icelandic time). This allocation will be made automatically by Værdipapircentralen A/S.

If shareholders subscribe to announcements from Værdipapircentralen A/S, they will receive an announcement about allocation of subscription rights. This announcement shall be used in order to exercise their pre-emptive rights. For shareholders holding shares registered in nominee custody account, the owner of the nominee custody account will receive this announcement on behalf of its investors.

Shareholders who wish to fully or partially exercise their pre-emptive rights should contact their financial institution where they hold their custody account. The financial institution will, at the shareholders request, convert the pre-emptive rights into temporary shares (ISIN F00000000096) against payment in cash upon subscription.

Prior to the allocation of pre-emptive rights, i.e. 20 June 2007, at 11.30 am Faroese time (corresponding to 12.30 CET and 10.30 am Icelandic time) the pre-emptive rights will be traded together with the already issued share (ISIN F00005702340). Pre-emptive rights will thereafter be traded independently of the already issued share.

Excess or not used subscription rights can be traded throughout the subscription period. Shareholders not wishing to exercise their subscription rights may transfer these and the transferee may then use the rights to subscribe for the new shares.

Trading in subscription rights and temporary shares cannot take place on the Iceland Stock Exchange or the Copenhagen Stock Exchange, but shareholders, who wish to trade subscription rights and temporary shares, must contact the financial institution where they hold their custody account.

After the end of the subscription period, the pre-emptive rights can not be traded and have no value for the investor.

In the event that existing shareholders do not exercise their pre-emptive rights, new investors or other shareholders who wish to subscribe for more shares can in the offering period set forth binding requests for subscribing for new or more shares, respectively

This subscription will take place in the temporary share (ISIN F00000000104).

Subscription for these shares (ISIN F00000000104) shall be made on a pre-printed subscription form, which is attached to this prospectus, consisting of a Summary, Share Securities Note and Share Registration Document.

II Share Securities Note Terms and Conditions of the Offer

The form can also be obtained from the issuer. The completed subscription form shall be submitted to the issuer's office in Tórshavn at the following address:

Eik Banki P/F
Yviri við Strond 2
P.O. Box 34
FO-110 Tórshavn
Faroe Islands
Att. Eik Markets

or any other account-holding financial institutions in the Faroe Islands, Iceland and Denmark. Icelandic investors can also submit the subscription form at the offices of the co-manager SPRON Verðbréf hf. Vegmúli 2, 108 Reykjavík, Iceland.

Icelandic investors are advised to contact their financial institutions in the same way as Faroese and Danish investors. There are no additional costs in connection with this subscription.

The subscription form shall be received by Eik Banki P/F no later than at the end of the offering period. No amendments or changes can be made to the pre-printed text on the subscription form. Incomplete or incorrect subscription forms will not be considered. Late applications may be disregarded without any further action. The subscription is binding, and subscribers are thus not allowed to withdraw their subscription.

Possible allocation of these requests will take place after the subscription period has expired.

Allocation of possible oversubscription will take place as soon as possible after the end of the offering period no later than 10 July 2007. Payment for these allocated shares will become due on 12 July 2007. Those not receiving an allotment in the Offering will not be notified.

Plan of distribution and allotment

The capital increase will be carried out with pre-emptive rights to existing shareholders and therefore not split into any tranches.

In case of oversubscription, the Board of Directors is free to decide how the capital offered for subscription – which is not subscribed as pre-emptive rights of subscription – shall be divided among those who have offered to subscribe. In this connection the board decides, that in case of oversubscription the amount offered for subscription which is not subscribed as pre-emptive rights of subscription shall be allocated between private and institutional investors with the objective to achieve regular trade and improve stock liquidity of Eik Banki P/F's shares at the Iceland Stock Exchange and Copenhagen Stock Exchange.

As soon as the allocation of these shares has been determined, a settlement note will be sent out to the

II Share Securities Note Terms and Conditions of the Offer

investors by the account holding financial institutions stating the number of allocated shares in Eik Banki P/F, and the terms of payment will be sent to those who have received allocation. Allocation will take place as soon as possible after the end of the offering period. Payment for allocated shares will become due on the seventh day after expiration of the time limit for the subscription. Those not receiving an allotment in the Offering will not be notified. The Shares will be registered electronically in the investor's account with Værdipapircentralen A/S against cash payment for the shares. Investors who do not hold custody accounts with Værdipapircentralen A/S should contact their financial institution prior to subscription.

Eik Grunnurin, C/O Eik Banki P/F, Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands, has agreed to subscribe up to the maximum of 782,609 shares of a value of DKK 450,000,175. The subscription may exceed five per cent of the offer. Other than this the Issuer has not been informed of Eik Grunnurin's intentions to subscribe.

Otherwise it is not known to the issuer whether the issuer's management, supervisory or administrative bodies intend to subscribe in the offer or whether any person intends to subscribe for more than five per cent of the offer.

No over-allotment facility and/or 'green shoe' exist in this capital increase.

The results of the total offer and expected date of merge of the temporary shares (ISIN F00000000096) and (ISIN F00000000104) with the already issued shares (ISIN F0005702340) is scheduled for announcement no later than 10 July 2007 at 11.00 am Faroese time (corresponding to 12.00 noon CET and 10.00 am Icelandic time)

Pricing

The Offering share price is DKK 575 per share, which has been published on Copenhagen Stock Exchange via the Company News Services system provided by OMX Nordic Exchange on 14 June 2007.

The subscription amount is for shares with a nominal value of DKK 100 or multiples thereof, which mean that one share at nominal value DKK 100, will cost DKK 575. No extra sales commissions or other commissions will be charged to subscribers. This also applies to investors not holding a custody account with Værdipapircentralen A/S.

The price is determined by the Board of Directors of Eik Banki P/F on the basis of the Over-the-Counter price for Eik Banki P/F's already issued shares at a discount.

The members of the administrative, management or supervisory bodies, or affiliated persons participate in the capital increase at equal terms and conditions as present and new shareholders.

II Share Securities Note

Admission to Trading and Dealing Arrangements

Placing and Underwriting

The listing advisor co-ordinates the offer.

Investors should submit the subscription form, to his/her own account holding bank or stock broker. Investors in Iceland can also submit the subscription form to SPRON Verðbréf, Vegmuli 2, 108 Reykjavík, Iceland.

Eik Grunnurin, C/O Eik Banki P/F, Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands, has agreed to subscribe up to the maximum of 782,609 shares of a value of DKK 450,000,175. For guaranteeing the subscription of the minimum number of shares in the offering, Eik Grunnurin will receive DKK 180,000. The underwriting agreement is dated 29 May 2007.

7. Admission to Trading and Dealing Arrangements

Listing on Stock Exchange

Subject to the Board of Directors' resolution, the shares may be admitted to listing in a securities market, including in an authorised market place in the Faroe Islands or abroad.

The purpose of the listing is to give the around 10,000 current shareholders, and future shareholders, the possibility to trade the shares on a stock exchange, and to give Eik Banki P/F access to a broader investor base.

The Company has submitted applications to the Iceland Stock Exchange and Copenhagen Stock Exchange regarding the listing of the Company's entire issued shares on the Iceland Stock Exchange Main Market with a simultaneous listing on the Copenhagen Stock Exchange Main Market. The Company currently fulfils the conditions regarding size, share distribution and number of shareholders. The earliest date on which the already issued shares will be admitted to trading, with the ticker FO-EIK, on Iceland Stock Exchange and FO-EIK CSE on Copenhagen Stock Exchange will be 11 July 2007. Iceland Stock Exchange will be the primary market, and accordingly Copenhagen Stock Exchange will be the secondary market.

Until the merger of the temporary shares (ISIN F00000000096) and (ISIN F00000000104) with the already issued shares (ISIN F00005702340), trading in temporary shares cannot take place on the Iceland Stock Exchange or the Copenhagen Stock Exchange, but shareholders, who wish to trade these temporary shares, must contact the financial institution where they hold their custody account.

Other regulated markets

To the knowledge of Eik Banki P/F, its shares have not been admitted to trading on any regulated market or equivalent market. The shares have been traded on an Over-the-Counter market provided by Eik Banki P/F. Eik Banki P/F has no plans to apply for admission to trading of its shares on any other stock exchange than the Iceland Stock Exchange and the Copenhagen Stock Exchange.

II Share Securities Note Selling Securities Holders

Simultaneous public or private placing

There will be no simultaneous or almost simultaneous private placement of shares and no creation of securities of other classes for public or private placing.

Market making

The issuer has not made any agreement with any company or companies to act as intermediaries in secondary trading, providing liquidity through bid and offer rates. However, Eik Banki P/F and its subsidiary Eik Bank Danmark A/S will act as intermediaries in secondary trading and provide liquidity through bid and offer rates.

Stabilization

The issuer has not granted any over-allotment and not proposed price stabilizing activities in connection with the offer.

8. Selling Securities Holders

To the best of the issuer's knowledge no person or entity offers to sell its shares or pre-emptive rights in connection with the listing and capital increase of shares in Eik Banki P/F.

9. Expenses of the Listing and Issue

The issuer has budgeted with expenses to cover listing fees, consultancy fees, printing, and other similar expenses in connection with the application regarding the admission to trading of the Company's entire issued shares on the Iceland Stock Exchange Main Market and a simultaneous listing on the Copenhagen Stock Exchange. Also additional costs regarding the capital increase are estimated at minimum and maximum subscription. This includes costs associated with issuing shares electronically at Værdipapircentralen A/S, underwriting cost, subscription costs, advertising and printing costs.

The costs are as shown and Eik Banki P/F will bear these costs.

DKK	Minimum	Maximum
Underwriting costs	180,000	180,000
Subscription costs	4,500,002	5,842,920
Other costs	1,500,000	1,977,080
Total cost	6,180,002	8,000,000

Based on the Offering share price of DKK 575 per share, the estimated proceeds from the Offering are DKK 450,000,175 minimum and DKK 584,292,000 maximum. Deducting the associated listing and capital increase

costs, the anticipated net income from the subscription to the Company is anticipated to be DKK 443,820,173 minimum and DKK 576,292,000 maximum.

Dilution

Issuance of new shares dilutes the holdings of existing shareholders in the Company, unless shareholders buy new shares in proportion to their ownership. Investors may face the risk that their voting rights and claim for dividend will be diluted when new shares are issued. In addition, when new shares are issued, the Company's share price may be depressed.

Shareholders not participating in the subscription will be diluted by up to DKK 101,616,000 in share nominal capital equal to 12.5% (the Maximum Offering) and DKK 78,260,900 or 9.9% (the Minimum Offering) respectively.

III. Share Registration Document

Contents

1. Risk Factors	2
2. Persons Responsible and Statements	16
3. Notice to investors.	19
4. Selected Financial Information	20
5. Information about the Issuer	23
6. Business Overview.	35
7. Organizational Structure.	38
8. Property, Plants and Equipment	40
9. Operating and Financial Review	40
10. Capital Resources.	47
11. Research and Development, Patents and Licences	52
12. Trend Information	52
13. Profit Forecasts	52
14. Administrative, Management, and Supervisory Bodies and Senior Management.	55
15. Remuneration and Benefits	58
16. Board Practices.	58
17. Employees.	61
18. Major Shareholders	62
19. Related Party Transactions.	67
20. Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	67
21. Additional Information	68
22. Material Contracts	73
23. Documents on Display	73
24. Confirmation Relating to Third Party Information.	73

Appendices

- A. Articles of Association
 - B. 2007 First Quarter Report
 - C. 2006 Annual Report
 - D. 2005 Annual Report
 - E. 2004 Annual Report
-

III Share Registration Document Risk Factors

1. Risk Factors

Risk Relating to the Faroese Banking Industry

The data on the Faroese economy referred to in this section is sourced from continually updated statistical reports published by Statistics Faroe Islands and the latest economic analysis report (January 2007) from the Governmental Bank (Landsbanki Føroya). Currently the Faroese financial sector comprises five regular retail/commercial banks, a government owned Housing Loan Fund, a commercial mortgage institution (financing of ships), two non-life insurance companies, two life insurance companies, several public and private funds (operating within the areas of, for example, infrastructure finance and venture capital). In recent years competition has increased and margins diminished. Traditionally, savings were deposited in banks, due to a tax regime, particularly favourable to interest income from deposits in Faroese banks and savings banks. However, more recently asset management and securities trading have grown in importance, particularly since 21 December 2001, when the taxation for persons was changed into a symmetric and flat taxation of capital gains and interest income.

Following stabilisation of the Faroese economy (after 1995), credit growth has gradually increased – although at a moderate pace. However, recently growth appears to have gained momentum (2005: +13.4% and 2006 +17.1%) – presumably due to the strengthening of Faroese housing markets and an increase in the number of companies, ships and fishing rights being bought and sold.

The Faroese financial market has experienced great volatility in the last fifteen years. The turbulent period 1990-1995 was characterised by substantial provisions for losses in connection with bank rescue actions. Subsequently the financial system has been characterised by gradual stabilisation and controlled growth (except in 2003-2004, when problems in the fish farming sector required substantial write-offs in the banking sector).

Since 1995 the economy has been recovering due to gradually increasing catches of fish, higher fish prices and greater immigration to the country although rising oil prices have dampened the economic development. The government has focused its economic policy on liberalisation and in particular on creating economic incentives based on market economic principles and a reduction in government consumption.

The Faroese economy is among the smallest independent economies in the world and GDP per capita is on a par with other industrialised Western economies. In comparison to many developed economies renewable resources constitute an important part of the Faroese economy. The main industries in the Faroese economy are fisheries, fish production, fish farming, and tourism. Fish constitute approximately 95% of total exports (and 60% of foreign income), which, compared to larger and more diversified economies, exposes the economy to sensitivity to failing occurrence of fish and swings in world market prices of fish and fish related products. Oil exploration has begun in the Islands, but so far without economically-viable findings.

As previously mentioned the Faroese economy is often said to be very unstable, as it relies heavily on the

III Share Registration Document Risk Factors

fishing industry. However, the Governmental Bank (Landsbanki Føroya) in its latest economic analysis (January 2007) is of the opinion that the Faroese economy is stable. Different types of fishing vessels, fish species and fishing territories can show seasonal fluctuations, as well as yearly fluctuations. The possibility that variations in fish catches can lead to an economic crisis of the same scale as in the 1990's is very unlikely. The fishing industry can be divided into many sub industries, which do not rely heavily on each other. The fishing is diversified into many fish species and the current governmental fishing policies focus on sustainable fishing. Further, 40% of fishing is in Faroese territories, while 60% is in international waters.

Another significant reason for the positive economic development is the high number of transactions where both domestic and overseas investors have acquired ships and fishing rights from Faroese shipowners with the help of overseas investors and financial institutions. This has released significant wealth which has again been invested into further economic development, sometimes diversifying into other industry sectors.

Credit losses have been reduced considerably since the large losses incurred from the fish farming industry in 2003. The fish farming industry suffered severe setbacks in 2002 and 2003 by the combined force of extensive infection salmon anaemia (ISA) outbreaks and low prices. The prices during 2003 were at a level that was below the production cost for a Faroese fish farmer. The profit and loss account for the year 2003 bears the mark of substantial provisions for losses primarily due to provisions against losses in the fish farming industry. This is the main reason for the result after taxes being a loss of DKK 128.8 million in 2003.

Eik Banki P/F has significantly reduced the share of loans to the fish farming industry in proportion to the total loan portfolio. On the other hand the situation of the fish farming industry has changed drastically during the past few years. The legislative framework for the industry has improved considerably after the crisis in the sector, reducing the risk of spreading diseases as much as possible. The number of fish farmers has decreased considerably and when necessary, the fish farms have been reorganized. In some fish farms, the owners have been replaced, while other farms have survived the crisis. At present, there are 6 - 7 active fish farms and most of them have obtained multiple locations to conduct fish farming, which is essential to maintain a steady production in spite of the set-aside scheme regulations, etc. All salmon smolt that have been released during 2005 and 2006 have been vaccinated against ISA, and the mortality rate in connection with the vaccination process has been insignificant. Salmon prices have been favourable in 2005 and 2006 and the prospects for 2007 are bright.

In addition the government has modernised corporate laws (bringing them in line with Danish standards), restructured fishery policies to limit capacity and the amount of "over fishing" and has introduced a degree of symmetry to the tax system. Therefore, over the past ten years public finances have extensively consolidated, as have the finances of most households and business enterprises. The improvement continued until 2003 when the value of landed fish decreased, due to a fall in quantities and lower prices particularly on cod, haddock and saithe (coley), and problems with diseases emerged in the fish farming industry in 2003/2004 resulting in substantial provisions for losses for the banks involved. By this time it had also become clear that the first four oil exploration wells in Faroese waters were not going to disclose economically viable discoveries. As a result,

III Share Registration Document Risk Factors

activity based on expectations for the oil industry diminished. Consequently the Faroese economy went into a brief moderate recession.

After a brief moderate economic recession in 2003/2004 (nominal GDP growth of -2.7% in 2003 and nominal GDP growth of 0.6% in 2004) the Faroese economy is once again enjoying considerable growth (nominal GDP growth of 10.4% in 2006). The positive shift in the economy during the last years may be related to export industries, mainly the fishing industry, where the value of landed fish has increased mainly due to record-breaking quantities of saithe, but also due to higher world market prices. The fish farming industry is now slowly increasing its production while currently the prices of farmed fish once again exceed the cost of production. Also, a scheme of vaccination has been initiated and very strict rules have been put into force regarding set-aside schemes and required geographical distance between farms. Another significant reason for the positive economic development is the high number of companies, ships and fishing rights being bought and sold in 2005 and 2006.

Referring to the economic outlook from the Governmental Bank (Landsbanki Føroya), the growth in nominal GDP is expected to slow down in 2007, totalling around 4.6%.

Based on a continual evaluation of the economic reports from the Governmental Bank (Landsbanki Føroya) and Statistics Faroe Islands as well as internal studies, it is the Issuer's opinion that the Faroese economy's ability to absorb shocks, such as that which occurred in 2003-2004, has clearly increased over the years. Today the risk that a possible slowdown in the fishing industry will develop into a crisis on the scale witnessed in the early 1990s seems very remote due to steps taken to prevent "over-fishing", a strict and responsible fiscal policy (inspired by rational economic incentives) as well as a more diversified fishery industry not significantly dependent on the hauling of one type of fish, a specific type of fishing tackle or geographical fishing area, and a reduction of the subsidies to the fishing sector.

Risk Relating to Eik Banki P/F's Business

As a means of alleviating the risk related to the business of Eik Banki P/F (herein after also referred to as the "Company" and the "Issuer"), Eik Banki P/F has for some years pursued a diversification/growth strategy with a goal of originating a significant part of its income outside the Faroe Islands, particularly from the Nordic region, in order to increase profits and diversify risk. See further description of these developments in chapter 6.

Market Risk

Market risk consists of interest rate risk, currency risk and share risk. The market risk is the risk that the value of assets and debt as well as entries outside of the balance will be affected by market factors, such as ups and downs in the economy and the movements in the share market, currency market and interest rate market.

The market risk is managed at Group level. The Eik Group is a term used to describe the group that consists of the parent company Eik Banki P/F and its subsidiaries Eik Bank Danmark A/S, Inni P/F and 12. juni 2003 P/F

III Share Registration Document Risk Factors

(currently under solvent liquidation). Eik Banki P/F's exposures are mainly due to its own holdings, but also due to the commercial activities in the Faroe Islands as well as in Denmark.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to an increase in interest rates. The interest rate risk is measured as the expected loss due to depreciation of securities, if the interest rate curves are displaced in parallel by one percentage point upwards. For callable bonds the Danish Financial Supervisory Authority's deductible factors are used in order to take into account the shorter duration. The interest rate risk from fixed interest rate loans is always hedged.

The greatest interest rate risk lies in the holdings of fixed interest bonds. Those holdings are adjusted within policies and certain limits in accordance with the interest rate outlook.

Eik Bank aims to keep the duration of the bond portfolio on a low level, based on the interest rate outlook. This is in accordance with the investment strategy made by the Group Finance and Treasury. The investment strategy is put forward to the Management for approval.

Currency Risk

Currency risk is the risk of loss due to fluctuations in exchange rates. As a main rule, Eik Banki P/F's policy is to hedge currency risks. But the Euro positions are not hedged due to the close correlation between the DKK and EUR. The currency risk is calculated as the larger amount of either currency assets or debts, and is determined as a percentage of the core capital less certain adjustments, corresponding to currency indicator 1 of the Danish Financial Supervisory Authority. The currency risk has decreased during the last 3 years. On 31 March 2007, the total currency exposure of DKK 266.7 million was exposure in EUR.

Share Risk

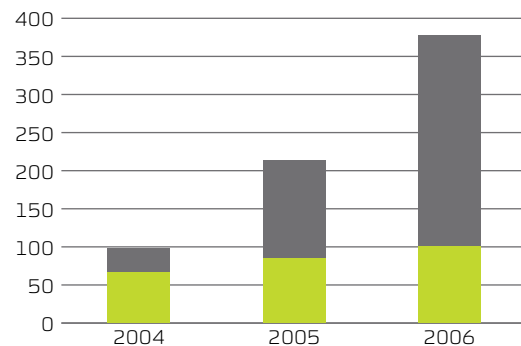
Share risk is the risk of loss due to fluctuations in share prices. The share risk is managed by careful control and monitoring of the portfolio of shares. As indicated, the share portfolio, and thereby the risk has increased considerably. On 31 March 2007 the total share portfolio amounted to DKK 433.8 million, DKK 136.0 million of which were listed shares and DKK 297.8 million were unlisted shares.

There have been no major changes in the share risk other than the changes from the normal fluctuation from the listed share portfolio.

The figure below shows the share risk over the last 3

Share Holdings

DKK Million



■ Unlisted Shares
■ Listed Shares

III Share Registration Document Risk Factors

years. As indicated, the share portfolio, and thereby the total share portfolio amounted to DKK 377.3 million, DKK 100.0 million of which were listed shares and DKK 277.3 million were unlisted shares.

The increase in the holdings of listed shares is partly due to a rise in share prices and the acquisition of additional shares. For instance Eik Banki P/F participated with its proportionate holding (pre-emptive rights) in the share increase of Atlantic Petroleum P/F, an upstream oil company listed on Kauphöll Íslands hf. (herein after referred to as the Iceland Stock Exchange) and Copenhagen Stock Exchange A/S (herein after referred to as Copenhagen Stock Exchange). Unlisted shares have also increased considerably. This is mainly due to the purchase of primary capital shares over the last three years in the Icelandic company SPRON (Sparisjóður Reykjavíkur og nágrennis), which is the savings bank for the greater Reykjavík area. Eik Banki P/F has also participated in capital increases of SPRON. The currency risk of the shares in SPRON has to a large extent been hedged in 2006.

Referring to major principal investments the last three years, for details see the table on Total of significant investment 2004-2006. Investments section in chapter 5 Information about the Issuer.

Credit Risk

Credit risk is the risk of loss due to borrowers and other debtors being unable to meet their responsibilities towards Eik Banki P/F. The consolidated credit risks of Eik Banki P/F are managed on an overall basis by the credit department in accordance with the policies adopted by the Board of Directors. The credit policy determines the guidelines in the approach of granting credits, guarantees and other credit risks. The credit policy is the main instrument to ensure that the credit risk lies within the defined boundaries. Prior to granting a loan and in order to manage Eik Banki P/F's credit risk in the most prudent manner, Eik Banki P/F analyses the economic and financial situation of each client. Exposures to business clients are reviewed on an annual basis, while the analysis usually is based on the most recent annual accounts, budgets, prospects, an evaluation of the economic cycle and the respective characteristics of the underlying industry. In addition to this, Eik Banki P/F continuously monitors all of its exposures.

When granting credit facilities, Eik Banki P/F aims to obtain an appropriate diversification between sectors and risk profile of the customers to ensure that individual or group exposures are not a threat to Eik Banki P/F. Under Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act, an exposure to an individual customer or a group of consolidated companies may not exceed 25% of the core capital. The credit policy and the credit instruction of Eik Banki P/F is laid down by the Board of Directors and reviewed at least once a year.

Eik Banki P/F is currently working on developing systems that can divide customers into credit risk groups to provide a stronger basis for a satisfactory credit monitoring process and to provide a basis for distributing risk optimally across lending activities.

The credit department is responsible for monitoring the decision-making process. In all credit decisions requiring approval from the Board of Directors, the department has both a monitoring and an advisory function

III Share Registration Document Risk Factors

The daily management of credit risk delegated to each branch and further to the customer consultants. The credit department follows up on the branches' loan engagements on a regular basis. Exposures to business clients are reviewed on an annual basis, while the analysis is usually based on the most recent annual accounts, budgets, prospects, an evaluation of the economic cycle and the respective characteristics of the underlying industry. Corporate customers are asked on a regular basis for insight into their financial statements and close communication is continuously kept with the customers. In addition to this, Eik Banki P/F continuously monitors all of its exposures.

All corporate loans larger than a certain limit are examined by the commercial departments and evaluated by the credit department annually to decide whether to continue the business relationship according to the already set conditions or whether to change the conditions. The conclusions following the examinations made by the branches and the credit department are put forward partly to the Management and partly to the Board of Directors for a final approval.

Twice a year the credit department produces a statement of the loan portfolio which is approved by the Management for submission to the Board of Directors. This statement includes an overview over the portfolio broken down into sectors, branches, geographical placement, type of loan, provisions, arrears, etc.

In connection with the Board of Director's monitoring of the loan portfolio the board sets limits for the total loans in each sector and branch etc. The aim is to control on an overall level the increase in loans and diversification of the loan portfolio.

Furthermore, all the largest engagements over a certain limit are submitted to the board of directors for a reading. The credit department produces the statements.

According to the credit policy of Eik Banki P/F it is the responsibility of each customer consultants to take the proper precautions to ensure minimal losses upon noticing that a given loan engagement could be considered doubtful. Potential doubtful loan engagements are to be reported to the credit department, which determines the measures to be taken. Each branch's customer consultants and the staff of the credit department, including legal advisors, have long standing experienced in how to handle such challenges.

Doubtful loan engagements are carefully monitored by the branches and under the supervision and control of the credit department through watch-lists and close internal dialogue. All monitoring is made in close cooperation between the internal auditing and the credit department.

Eik Banki P/F conducts a very cautious provision policy. The credit department sets up certain criteria of which engagements for the branches to examine. The credit department also prepares procedures for the provisions to be followed by the branches.

Provisional recommendations are submitted to the credit department by each branch. Subsequently the credit

III Share Registration Document Risk Factors

department examines the recommendations made by the branches and makes a conclusion, and finally the Management gives its final provisioning approval.

The diversified activities are apparent in the division of loans in the Eik Group. Total Group loans at end of 1Q 2007 consisted of 63% commercial loans, 36% private loans and 1% public loans. Public loans were almost exclusively provided to Faroese municipalities.

Loan, guarantees and other off-balance sheet items broken down by sector

DKK 1.000	1Q 2007	%	2006	%	2005	%	2004	%
Public sector	101,445	1	188,659	2	208,419	3	53,307	1
Corporate sector	6,105,957	63	5,471,104	56	3,265,239	47	2,452,098	46
Household sector	3,514,335	36	3,961,835	42	3,473,658	50	2,825,245	53
Total	9,721,737	100	9,432,938	100	6,947,316	100	5,330,650	100

Remark: Eik Bank Danmark A/S is consolidated from 2004.

The Eik Group commercial loans were distributed over several industry sectors. At the end of 1Q 2007, the largest sector was the property administration, purchase and sale, business services industry accounting for 22% of the total group corporate loans. Credit, finance and insurance was the second largest recipient of corporate loans with 18%, Fishing with 9%, Building and Construction with 7%, Commerce, restaurants and hotels with 7% and Manufacturing, mining, utilities etc. with 6%. The Transport, post and telecommunication industry accounted for 3% while agriculture, hunting and forestry accounted for 0% of the total corporate loans. The remaining 27% were made up of commercial loans to other industries.

Corporate loan portfolio, according to business sectors

DKK 1,000	1Q 2007	2006	2005	2004
Agriculture, hunting and forestry	0	0	0	0
Fishing	9	9	11	15
Manufacturing, mining, utilities etc	6	7	9	13
Building and Construction	7	5	4	4
Commerce, restaurants and hotels	7	9	9	11
Transport, post and telecommunication	3	3	4	9
Credit, finance and insurance	18	12	13	4
Property administration, purchase and sale, business services	22	19	40	22
Other industries	27	36	11	22
Total	100	100	100	100

Remark: Eik Bank Danmark A/S is consolidated from 2004.

The division of loans in the above table, is based on the debtor's primary field of industry and not the purpose of the loan.

The majority of private loans, 84%, are at the end of 1Q 2007 provided to Faroese households, and in most

III Share Registration Document Risk Factors

cases the loans are mortgages on real estate. In each case Eik Banki P/F estimates the risk to the borrower, who has to meet certain requirements. In case of a loan with variable interest rate, Eik Banki P/F takes into account the borrower's ability to pay instalments in case of a rise in the interest rate. These loans are, therefore, considered to be comparatively secure.

Large loans/engagements

DKK Million	1Q 2007	2006	2005	2004
Accountable capital	1,332	996	713	755
Large loans in absolute amount	1,777	2,240	730	463
Large loans as percentage of base capital	133	224	103	61
Number of large loans	10	15	7	5

(In accordance with article 145 of the Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act, large loans are those larger than 10% or more of the accountable capital)

The overall strategy of Eik Banki P/F is to spread its activities geographically in order to increase profit and spread risk. This is reflected in the geographical distribution of the loans. At year-end 2006, 57% of the total loans were provided to Faroese borrowers, 33% Danish, 4% Swedish and 3% German. The remaining 3% were distributed over other countries.

At year-end 2006 the credit gearing was 6.8, which means that for each DKK in equity, DKK 6.8 were provided as a loan. The credit gearing in 1Q 2007 has declined 0.4%-point to 6.4%. The credit gearing has been fairly constant despite an annual increase in lending between 26.3% and 30.0% over the period 2004-2006. This is due to good results and a corresponding increase in equity.

Credit Gearing and increase in loans	1Q 2007	2006	2005	2004
Total loan in proportion to equity	6.4	6.8	7.1	6.1
Increase in loans	3.2%	26.3%	29.7%	30.0%
Increase in balance	35.9%	37.2%	32.8%	25.0%

The Bank's non-performing loans have recovered from the peak level in 2004 and in proportion to the total loan portfolio the ratio of non-performing loans to total loans is on a moderate level.

Non-performing loans

DKK 1.000	1Q 2007	2006	2005	2004
Accumulated provisions for loans and advances	205,061	209,990	287,419	427,552
Provisions percentage	2.1%	2.3%	4.0%	7.4%
Non-performing loans	71,829	68,754	170,781	225,880
Non performing loans as percentage of total loans, guarantees and other commitments	0.72%	0.71%	2.4%	3.9%

III Share Registration Document Risk Factors

Maturity of deposits				
DKK 1.000	1Q 2007	2006	2005	2004
Payable on demand	2,507,530	2,341,256	1,967,570	1,508,073
Remaining maturity, up to 3 months	2,103,106	2,542,420	1,292,997	1,318,301
Remaining maturity, 3 months to one year	940,935	906,265	908,939	1,088,202
Remaining maturity, 1-5 years	104,881	122,061	119,948	115,733
Remaining maturity, more than 5 years	212,920	204,499	193,576	164,767
Total	5,869,372	6,116,501	4,483,030	4,195,076

Maturity of lending				
DKK 1.000	1Q 2007	2006	2005	2004
Claims on demand	61,111	89,587	388,580	90,804
Remaining maturity, up to 3 months	763,025	935,382	689,283	305,577
Remaining maturity, 3 months to one year	1,987,987	1,587,125	797,677	566,260
Remaining maturity, 1-5 years	2,084,720	2,939,183	2,733,667	2,315,133
Remaining maturity, more than 5 years	3,639,367	2,719,262	1,941,689	1,775,011
Total	8,536,211	8,270,539	6,550,896	5,052,785

Credit Policy - Eik Bank Danmark A/S (subsidiary of Eik Banki P/F)

In 2005 and 2006 Eik Bank Danmark A/S's experienced growth in lending within the prioritised areas of lending. In general, Eik Bank Danmark A/S's main lending activities can be divided into lending against investment properties, project financing, investment credits as well as its own portfolio of mortgages, purchased with a view to re-selling.

Eik Bank Danmark A/S's strategy for lending against investment properties generally focuses on well let properties which, as a minimum, generate positive cash flows.

The Eik Bank Danmark A/S's strategy for establishing project financing concentrates on lending against owner-occupied homes, typically owner-occupied flats in the Greater Copenhagen Area, under construction. Eik Bank Danmark A/S only finances such projects after careful consideration of the total credit risk of the individual projects, including specifically the relation between the budgeted sales price and the market potential when the properties are completed. Another crucial factor for Eik Bank Danmark A/S is that financed projects have a relatively short realisation period. Eik Bank Danmark A/S does not want to be unevenly exposed in lending terms in the event of a major price correction in the housing market in Denmark, for instance, as a consequence of significant interest rate changes or other external issues over which Eik Bank Danmark A/S has no control.

Eik Bank Danmark A/S's strategy for establishing investment credits within shares, bonds and mortgages is based on individual margin agreements, providing Eik Bank Danmark A/S with the option of realising the assets against which loans have been granted if the agreed margin is no longer available.

III Share Registration Document Risk Factors

Eik Bank Danmark A/S's strategy for the mortgage area is based on mortgage lending against housing and commercial properties primarily in Denmark with a view to building an investment portfolio and subsequently selling on the mortgages, either individually or in portfolios, to both professional and semi-professional investors in Denmark and abroad. Eik Bank Danmark A/S attaches specific importance to the negotiability of the mortgages.

Eik Bank Danmark A/S regularly rates all significant commitments with a view to assessing the collective credit risk of Eik Bank Danmark A/S and the requirement for writing down loans and collaterals for guarantees. As at 31 December 2006, Eik Bank Danmark A/S's total impairment for loans and collaterals for guarantees was DKK 21.8 million, corresponding to 0.7% of all of Eik Bank Danmark A/S's loans and collaterals for guarantees. DKK 10.5 million of total impairment and collaterals is attributable to Eik Bank Danmark A/S's mortgage deed portfolio, corresponding to 3.0% of this portfolio.

Eik Bank Danmark A/S keeps a close eye on its commitments, making it possible to react quickly in the event that negative developments adversely affect any individual commitments. In addition, Eik Bank Danmark A/S has prepared internal action plans for all major commitments in relation to which impairments have been made.

Assets of Eik Bank Danmark A/S

DKK 1.000	1Q 2007	%	2006	%	2005	%	2004	%
Cash and central bank account balances	45	0.0	0	0.0	0	0.0	0	0.0
Lending to credit institutions	286,463	7.9	162,755	4.6	112,648	4.6	102,320	7.5
Loans and other claims at current value	109,724	3.0	31,690	0.9	0	0.0	0	0.0
Loans and other claims at amortised value	2,993,974	82.3	3,047,416	86.1	2,116,716	86.2	1,139,122	83.0
Bonds and shares	145,126	4.0	152,505	4.3	100,978	4.1	37,152	2.7
Holdings in associated companies/subsidiaries	0	0.0	0	0.0	1,371	0.1	1,371	0.1
Tangible assets	3,524	0.1	3,122	0.1	2,318	0.1	1,364	0.1
Current tax assets	4,760	0.1	4,438	0.1	0	0.0	0	0.0
Other assets	94,764	2.6	1,761	0.0	1,373	0.1	4,977	0.4
Prepaid expenses and accrued income	0	0.0	135,255	3.8	121,344	4.9	86,533	6.3
Total assets	3,638,379	100.0	3,538,942	100.0	2,456,748	100.0	1,372,839	100.0

Lending activity is mostly concentrated to the corporate sector, whereas the share of lending to the household sector gained momentum during 2005, but then declined in 2006 back to the 2004 level at 18%.

III Share Registration Document

Risk Factors

Loan and advances

DKK 1.000	1Q 2007	%	2006	%	2005	%	2004	%
Public sector	2,400	0	0	0	0	0	0	0
Corporate sector	2,628,803	85	2,498,881	82	1,524,036	72	945,471	83
Household sector	472,495	15	548,535	18	592,680	28	193,651	17
Total	3,103,698	100	3,047,416	100	2,116,716	100	1,139,122	100

The table below shows the distribution of corporate loans by industry. The corporate loan portfolio is mainly made up of loans to the property administration, purchase and sale, and business services. The division of loans in the table below is based on the debtor's primary field of industry, and not the purpose of the loan.

Corporate loan portfolio, according to business sectors

Concentration in %	1Q 2007	2006	2005	2004
Agriculture, hunting and forestry	0	0	0	0
Fishing	0	0	0	0
Manufacturing, industries, mining, utilities etc	1	1	0	3
Building and Construction	7	4	0	0
Commerce, restaurants and hotels	2	3	0	4
Transport, post and telecommunication	2	1	0	5
Credit, finance and insurance	6	6	17	4
Property administration, purchase and sale, and business services	33	56	68	37
Other industries	49	29	15	47
Total	100	100	100	100

Liquidity Risk

Liquidity risk is the risk of loss due to a considerable increase in interest expenses from raising liquid funds, causing Eik Banki P/F to reduce its activities, or even rendering Eik Banki P/F unable to meet requirements towards the depositors due to a lack of available funds. The purpose of controlling the liquidity is to ensure that the Group at all times has the means to meet current as well as future debt obligations. The purpose is also to ensure that the Group does not generate an excessive need to raise liquid funds in the future.

The liquidity risk is controlled by a regular assessment of liquidity compared to the current need, future need and the legal requirements. The liquidity is also controlled with pricing within the Group, e.g. intra-group pricing accounts.

When considered necessary, temporary needs are met in the money market, while long term structural needs that cannot be met by an increase in deposits, are met with loans or long term committed lines. Emphasis is placed on securing deposits, which are considered a stable source of liquid funds. Group deposits increased by approximately DKK 1.6 billion in 2006.

III Share Registration Document Risk Factors

On 30 November 2006 Eik Banki P/F signed an agreement with an international loan syndicate of 19 banks to assume a loan of approximately DKK 1.2 billion, which was arranged by HSH Nordbank and Bayern LB. The loan was offered as a 3 and 5 year loan at EUR 100 million. Due to large interest, the loan was oversubscribed by more than 50%, making the final loan amount EUR 156.5 million, or DKK 1.2 billion.

This has resulted in debt to lending institutions and central banks increasing by DKK 931 million in order to create opportunities for further growth.

Furthermore, on 28 March 2007 Eik Banki P/F assumed a loan of EUR 40 million as subordinated debt. The loan was assumed at variable interest, with an 8 year term, with the possibility of premature redemption after 5 years, with the approval of the Danish Financial Supervisory Authority. The loans are intended to support the continued growth that Eik Banki P/F expects.

The positive developments in deposits and the loan amounts mentioned above mean that the liquidity is good.

Operational Risk

Operational risk is the risk of financial loss due to insufficient and inefficient internal processes, human errors, computer failures or external factors. Examples of operational risks are: fire, storm, burglary, bank robbery, transfer mistakes etc. In order to protect the Group against operational risks, internal processes are examined regularly. Furthermore they are checked through internal and external audits as well as by the Danish Financial Supervisory Authority. In order to safe-guard against computer risk, the Board of Directors has agreed upon an IT security policy and set goals for the safety and emergency procedures in this area.

Together with the main Faroese supplier of banking systems Elektron P/F, Eik Banki P/F is a member of the Information Security Forum (ISF). The ISF safety standard 'The Standard of Good Practice for Information Security' is used as a gauge on the aspired level of security, though exceptions are made where it is considered appropriate. The Eik Group's banking systems are operated by the suppliers Elektron P/F, BEC A/S (Bankernes EDB Central) and SDC A/S. Furthermore, the banks co-operate with sector companies such as PBS (Payment Business Services) and VP (Værdipapircentralen A/S), which run the basic infrastructure of the financial sector in the Faroe Islands and Denmark. All the companies mentioned have internal and external audit and are under the supervision of the Danish Financial Supervisory Authority. Through continuous monitoring, measures are taken to identify risks that might have a negative impact on Eik Banki P/F.

There is no assurance that Eik Banki P/F can maintain the services of its management or other qualified personnel required to operate its business. The loss of the service of any of these persons may have a materially adverse effect on Eik Banki P/F's business and prospects.

Risks related to the Danish branch of SkandiaBanken AB

Eik Banki P/F's subsidiary Eik Bank Danmark A/S is in the process of acquiring the Danish branch of the Swedish bank SkandiaBanken AB. Further description of this process can be found in section 5, under the heading 'Investments in Progress'. The plan is to merge the acquired branch with Eik Bank Danmark A/S. The

III Share Registration Document Risk Factors

main risks associated with the activities performed by the Danish branch of SkandiaBanken AB are described below.

Credit risk

Credit risk related to lending is the most important risk factor for the bank. This is currently managed according to the SkandiaBanken's credit risk policy. If and when the acquisition is finalised the credit policies will be in line with the policies of the Eik Group. The credit risk policy of SkandiaBanken AB states that it is the aim of the bank to attract a large number of similar loans and credit; offer standardised loans and credits; attract private customers as main target for financing of houses, cars, capital insurances and securities; and provide effective and efficient credit process in order to lower the cost per loan. The credit approval process is an automated process driven through the Internet. Based on certain information from the customer the loan applications are divided into green, which is granted automatically; yellow, which means that an employee of the bank investigates further, and red, which means that the application is declined.

Credit risk – Investments

Investments are held for trading purpose and consequently recognized at fair value based on quoted market prices. The credit risk limit is determined for all counterparties by the board of directors of SkandiaBanken AB, and delegated to the head of treasury. The actual level of credit risk is limited by the different counterparties rating published by Moody's or Standard & Poor. Investments held as of 31 December 2006 consist primarily of certificates of deposit ("Indskudsbeviser") of the Danish Central Bank.

Interest rate risk

The Danish branch of SkandiaBanken AB has historically operated with a relatively low sensitivity to interest rate risk. This is in line with current strategy and objective that earnings as far as possible shall reflect actual operations and with limited influence of external factors such as accidental fluctuations in market interest rates. The interest rate risk is monitored on an ongoing basis and reported as a part of the monthly risk report distributed to management, board of directors of the branch and the parent company. The Danish branch of SkandiaBanken AB utilises interest rate swaps and caps to reduce interest rate risks that occur due to mismatch in interest fixing periods of assets and liabilities. The bank buys interest rate caps to hedge the inherent interest rate risk and caps are bought in buckets of DKK 25m. The bank has low volumes of deposits with fixed interest. These deposits are hedged via internal netting.

Liquidity risk and financing

Historically the Danish branch of the Swedish bank SkandiaBanken AB has operated with a relatively large surplus of deposits compared to loans to the public and has thus operated with a significant surplus liquidity. Consequently the liquidity risk has been, and still is, very low. Surplus liquidity has been invested in other banks and in short term bonds.

Operational risk

Operational risk is primarily related to IT systems. As an internet based Danish branch of the Swedish bank

III Share Registration Document Risk Factors

SkandiaBanken AB the bank is very dependent upon IT systems. Historically IT systems have been hosted at Bankernes EDB Central and SkandiaBanken AB (now SITS). In both places IT systems are monitored 24 hours a day and can be re-established at very short notice. The IT systems will continue to be hosted at Bankernes EDB Central, after the closing of the acquisition the systems will only be hosted at Bankernes EDB Central. The Danish branch of SkandiaBanken AB has never experienced material losses from IT problems. The management of SkandiaBanken believes that the bank has a well elaborated IT and business contingency plan.

Other areas of operational risk include fraud and losses resulting from errors made by employees. These risks are monitored by management and reported in a security manager system called ISAP (International Security Administration Program – Enterprise Risk Management).

Risk Management

Eik Banki P/F puts emphasis on risk management, which is considered very important to the result, the financial situation and the growth potential. The Board of Directors establishes the boundaries of the financial policy and makes ad hoc decisions when needed. The Board of Directors establishes the total risk limits in the areas of market risk, credit risk and liquidity risk to ensure that Eik Banki P/F's business risks are sound and supervises that the laws applicable to banks are observed. Eik Banki P/F is generally adverse to risk in all business areas.

The Board of Directors is informed on a regular basis about the risk exposures of Eik Banki P/F. Different kinds of risk arise in Eik Banki P/F's daily operations, such as market risk, credit risk, liquidity risk as well as capital supply risk and operative risk. In order to limit these risks, the Board of Directors has made guidelines and implemented a risk policy along with instructions regarding financial activities. Since January 2007, the overall group risk management has been centralised at the Credit Department.

In addition to the regular internal control, Eik Banki P/F has an internal audit department, which holds overriding control of the Group and refers to the Board of Directors, as well as an external auditor appointed at the general meeting. Furthermore, Eik Banki P/F and Eik Bank Danmark A/S are under the supervision of the Danish Financial Supervisory Authority.

The setup with Eik Grunnurin being the majority shareholder whilst at the same time being controlled by the Board of Eik Banki P/F is a risk-mitigating situation for Eik Banki P/F. The primary objective of Eik Grunnurin is to support Eik Banki P/F and its activities as and when it might be required. (More information about Eik Grunnurin is available in chapter 18 Major Shareholders).

III Share Registration Document Persons Responsible and Statements

2. Persons Responsible and Statements

Legal and commercial name:	Eik Banki P/F
Company registration number (P/F-nr):	3293
Tax registration number (V-tal):	516244
Registered office:	Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands

Issuer's statement

We declare as those responsible for the Share Registration Document that, having taken all reasonable care to ensure that such is the case, the information contained in the Eik Banki P/F's Share Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Tórshavn, 18 June 2007

Board of Directors

Frithleif Olsen, Chairman

Odd Arild Bjellvåg, Deputy Chairman

Mathea Hilduberg, Board Member

Finnbogi Niclasen, Board Member

Rólant Vidtfeldt, Board Member

Petur D. W. Hammer, Board Member

Tórmund A. Joensen, Board Member
– employee representative

Rakul Dám, Board Member
– employee representative

Gert Langgaard, Board Member
– employee representative

Bjartur Nolsøe, Board Member
– employee representative

Marian Jacobsen, Board Member

Management

P. Marner A. Jacobsen
Chief Managing Director

Bjarni Olsen
Managing Director

III Share Registration Document Persons Responsible and Statements

Listing Advisor's Statement

The Group Finance and Treasury department of Eik Banki P/F in its capacity as listing advisor and manager of the share offering, registered office being Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands, hereby declares that it has been the advisor to the Issuer in relation to the preparation of this Share Registration Document, the share offering and in relation to the listing of the shares.

Tórshavn, 18 June 2007

Finn Danberg,

Director, Group CFO

Auditor's Statement

Rasmussen & Weihe P/F, Hoyvíksvegur 5, P. O. Box 30, FO – 110 Tórshavn, Faroe Islands have audited the annual accounts of Eik Banki P/F (previously Føroya Sparikassi P/F) for the years ended December 31, 2004, 2005 and 2006. Rasmussen & Weihe P/F confirms that all information in the Share Registration Document regarding financial information is consistent with the said financial statements.

Share registration document

As auditors of Eik Banki P/F, appointed at the annual general meeting, we reviewed the financial information prepared by the management of Eik Banki P/F in the Share Registration Document. The financial information in the Share Registration Document has been prepared in accordance with applicable laws and regulations.

We have also examined whether the pro forma financial information prepared by the management in the Share Registration Document is consistent with the accounts of Eik Banki P/F 1Q 2007 and the pro forma statement for the Danish branch of SkandiaBanken AB prepared in connection with the acquisition of the said branch.

The Share Registration Document is the responsibility of the Board of Directors and Management of Eik Banki P/F. Our responsibility is to express an opinion on financial information and pro forma financial information included in the Share Registration Document based on our work.

Basis of Opinion

We conducted our work in accordance with the International Standard on Assurance Engagements. The standard requires that we comply with ethical requirements and plan and perform the work to obtain reasonable assurance whether the financial information in the Share Registration Document is free from material misstatement.

We have reviewed the financial information in the Share Registration Document and examined that the financial

III Share Registration Document Persons Responsible and Statements

information is in accordance with the Consolidated Annual Accounts for 2004, 2005 and 2006, prepared in accordance with Generally Accepted Accounting Principles in the Faroe Islands ("FO GAAP").

We have examined the pro forma financial information in the Share Registration Document and found that the pro forma financial information has been properly compiled on the basis stated and that the basis is consistent with the accounting policies of the issuer.

Financial statements of the Company for the three-months periods ended 31 March, 2006 and 2007, have not been audited or reviewed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

We confirm that all material issues relating to Eik Banki P/F of which we are aware and which, in our opinion, may affect the assessment of the financial position and results of Eik Banki P/F as stated in the audited Consolidated Annual Accounts for 2004, 2005 and 2006 are included in the Share Registration Document.

We confirm that all information in this Share Registration Document regarding pro forma financial information is consistent with the accounts of Eik Banki P/F 1Q 2007 and the pro forma statement for the Danish branch of SkandiaBanken AB prepared in connection with the acquisition of the said branch.

Tórshavn, 18 June 2007

Rasmussen & Weihe, P/F

State Authorised Public Accountants
International Worldwide cooperation
Hoyvíksvegur 5, P.O. Box 30
FO-110 Tórshavn, Faroe Islands

Klaus Rasmussen,

State Authorised Public Accountant

Hans Laksá,

State Authorised Public Accountant

State Authorised Public Accountant Jógvan Amonsson of INPACT state authorised public accountancy firm, P.O. Box 191, R.C. Effersøesgøta 26, FO-110 Tórshavn, Faroe Islands, affiliated with the INPACT global network of auditing professionals, who audited the annual financial reports in 2004 and 2005, was not re-appointed for 2006, because of a change in Article 199 of the Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act to the effect that it is no longer required that two external auditors be appointed.

III Share Registration Document Notice to investors

3. Notice to investors

This Share Registration Document has been scrutinised and approved by the Iceland Stock Exchange, on behalf of the Financial Supervisory Authority in Iceland on 18 June 2007. It was prepared for the share offering of between 782,609 and 1,016,160 shares with pre-emptive subscription rights for existing shareholders and a subsequent expected primary listing of Eik Banki P/F on the Iceland Stock Exchange Main Market as well as a simultaneous secondary listing on the Copenhagen Stock Exchange Main Market. The Offering share price is DKK 575 per share.

This Share Registration Document, published in English only, is published in Adobe Acrobat format on www.eik.fo, www.eikbank.dk and www.spron.is. Additionally a hard copy can be obtained from Eik Banki P/F's headquarters at Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands. This Share Registration Document can be obtained for twelve months from publication, which is the time that it is valid.

On 9 March 2007, the Board of Directors of Eik Banki P/F decided to apply for listing on the Iceland Stock Exchange Main Market as well as a simultaneous secondary listing on the Copenhagen Stock Exchange Main Market. In accordance with Icelandic legislation, corresponding to EU legislation, Eik Banki P/F has chosen Iceland to be its Home Member State. This Share Registration Document has been prepared to provide clear and thorough information on the company Eik Banki P/F. Investors are advised to consider statements from the issuer, regarding the Share Registration Document. Investors are encouraged to acquaint themselves thoroughly with the Share Securities Note and the Share Registration Document as well as its Appendices. Information provided in the Share Registration Document is based on premises that were current when the Prospectus was published. If new information, which could have an effect on the assessment of the issuer or its securities, comes to light in the interval which elapses from the time the Prospectus is published until the offered shares have been admitted to trading on the Iceland Stock Exchange Main Market and Copenhagen Stock Exchange Main Market, a supplement to the Prospectus will be published in the same manner as the Prospectus.

The Share Registration Document should by no means be viewed or construed as a promise by the issuer of future successful operations or return on investments. Investors are reminded that investing in shares entails risk as the decision to invest is based on expectations and not promises. Investors must first of all rely on their own judgment regarding any decision to invest in Eik Banki P/F shares, bearing in mind the business environment in which the Company operates, anticipated profits, external conditions and the risk inherent in the investment itself.

Investors are advised to consider their legal status, including taxation issues that may concern the purchase of Eik Banki P/F shares. This Share Registration Document may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or subscribe for, any securities in any jurisdiction or in any circumstances in which such offer or solicitation is not lawful or authorized. Persons into whose possession this Share Registration Document may come are required by the Company to inform themselves about and to observe such restrictions.

III Share Registration Document Selected Financial Information

This Share Registration Document shall be governed by Icelandic law. Any disputes arising out of the contents of this Share Registration Document, or in connection therewith shall be settled exclusively by proceedings in the Reykjavik District Court.

The contents of this Share Registration Document are not to be construed as legal, business or tax advice. Each prospective investor should consult his/her own legal adviser, business adviser or tax adviser as to legal, business and tax advice. All enquires relating to this Share Registration Document contemplated herein should be directed to the Company. Only the Company is entitled to provide information in respect of the share or in respect of matters described in this Share Registration Document. Information that might be provided by any other persons is of no relevance to the contents of this Share Registration Document and should not be relied upon.

In the ordinary course of their respective businesses, the Company and certain of its affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with the Company and its subsidiaries.

Each prospective purchaser must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes, offers or sells the shares or possesses or distributes this Share Registration Document and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the shares under the laws and regulations in force in any jurisdiction to which it makes such purchases, subscriptions, offers or sales, and the Company shall not have any responsibility for these obligations.

Notice to US investors

The offered shares have not been and will not be registered under the U.S. Securities Act and are not being offered or sold within the United States or to U.S. persons. The offered shares are being offered outside the United States in reliance on Regulation S under the U.S. Securities Act. The offer shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Share Registration Document. Any representation to the contrary is a criminal offence in the United States.

4. Selected Financial Information

Below is a resume of the financial developments of the Eik Group for the period 2004-2006. The financial information is taken from the audited financial reports for these years, which have been produced in accordance with the Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act and guidelines for financial institutions as set by the Danish Financial Supervisory Authority.

III Share Registration Document Selected Financial Information

DKK 1,000	2006	2005	2004
Group profit and loss account			
Net interest income	274,962	232,294	198,823
Fee, commissions income, and dividends	105,624	65,464	24,139
Market value adjustment of securities and foreign exchange income	85,785	46,221	87,666
Other operating income	15,034	13,022	12,870
Profit on financial operations	481,405	357,001	323,498
Staff cost and administrative expenses	229,912	180,447	124,660
Total depreciation, write downs and provisions	-7,965	21,174	95,546
Income from associated and subsidiary undertakings	47,700	8,833	8,429
Profit before taxes	307,158	164,213	111,721
Taxes	56,681	37,604	4,520
Net profit for the year	250,477	126,609	107,201

DKK 1,000	2006	2005	2004
Group balance sheet			
Cash in hand, claims on central banks and credit institutions	1,655,618	466,679	377,445
Securities	1,332,113	1,232,090	695,826
Loans	8,270,539	6,550,896	5,052,785
Tangible assets	136,274	125,666	121,264
Other assets	433,348	245,699	246,245
Total assets	11,827,892	8,621,030	6,493,565

Debt to credit institutions	4,070,947	2,994,175	1,276,585
Deposits	6,116,501	4,483,030	4,195,076
Other Liabilities	281,681	226,495	180,204
Subordinated debt	150,000	0	15,000
Equity	1,208,763	917,330	826,700
Total liabilities	11,827,892	8,621,030	6,493,565

Shares 1)

Earning after tax per share (DKK) 2)	36.0	18.6	15.8
Book value per share (DKK)	171.6	135.0	121.7
Dividend per share (%) 3)	5.0	5.0	5.0
Share price year-end (DKK) 4)	483.0	180.0	115.4
Share price year-end / Earnings after tax per share (P/E)	13.4	9.7	7.3
Share price year-end / Book value per share	2.8	1.3	0.9

1) Eik Banki P/F's shares have prior to listing been traded on an over-the-counter (OTC) basis by Eik Banki P/F

2) Average number of shares in the year based on the number at the start of the year and at the end of the year

3) Based on the financial year in which the dividend was earned, not when it was paid out

4) Last price registered in the year

III Share Registration Document Selected Financial Information

The table below shows the financial information for the interim period 1Q 2007 and comparative figures for 2006. The interim financial information has neither been audited, nor reviewed.

DKK 1,000	1Q 2007	1Q 2006
Group profit and loss account		
Net interest income	84,716	61,273
Fee and commissions income, and dividends	97,032	35,789
Market value adjustment of securities and foreign exchange income	17,654	4,600
Other operating income	2,106	1,960
Profit on financial operations	201,508	103,622
Staff cost and administrative expenses	61,719	49,051
Total depreciation, write-downs and provisions	2,857	9,588
Income from associated and subsidiary undertakings	-25	0
Profit before taxes	136,907	44,983
Taxes	16,415	9,439
Net profit for the quarter	120,492	35,544

DKK 1,000	1Q 2007	1Q 2006
Group balance sheet		
Assets		
Cash in hand, claims on central banks and credit institutions	1,232,921	296,924
Securities	1,382,615	1,236,850
Loans	8,536,211	6,757,691
Tangible assets	137,600	126,590
Other assets	501,478	260,882
Total assets	11,790,825	8,678,937
Liabilities		
Debt to credit institutions	3,876,697	2,846,995
Deposits	5,869,372	4,647,483
Other liabilities	267,786	231,290
Subordinated debt	448,032	0
Equity	1,328,938	953,169
Total liabilities	11,790,825	8,678,937

Since the publication of the 1Q 2007 interim accounts on 10 May 2007 the Issuer is not aware of any events or developments (other than the agreement relating to the acquisition of the Danish branch of SkandiaBanken AB) that have already or could be expected to materially affect the half-year result or annual result of the Issuer.

III Share Registration Document Information about the Issuer

5. Information about the Issuer

Legal and commercial name:	Eik Banki P/F
Secondary names:	Føroya Sparikassi P/F, Eikibanki P/F, Eik Bank P/F, Eik Bank International P/F
Company registration number (P/F-nr):	3293
Tax registration number (V-tal):	516244
Registered office:	Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands
Telephone number:	+298 348 000
Fax:	+298 348 800
Legal form:	Limited Liability Company in accordance with the Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996
Legislative basis for operation:	Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996 and the Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act.
Website:	www.eik.fo
E-mail:	eik@eik.fo
ISIN Code:	F00005702340
Iceland Stock Exchange Ticker:	FO-EIK
Copenhagen Stock Exchange Ticker:	FO-EIK CSE

History and development of the issuer

The issuer started business in 1832 by the name of Færø Amts Sparekasse and conducted local banking from the main office in Tórshavn up to 1956 when a branch opened in Vestmanna. Since then, more branches have opened around the islands, the last one in February 2007. Thus, the bank consisted of one main office the first 124 years, but the last 51 years the number of branches has increased to 17 covering all major cities and villages on the islands. Up to the 1980's loans were provided secured by mortgage on land to municipalities, then from the early 1980's loans secured by mortgage on property. During the years 1937 - 1994 banking activities were somewhat limited by the Building Societies Act, and in this period the issuer's main activity was long term deposits and mortgages. In 1994 saving banks were equated with banks by the Commercial and Savings Bank Act. The issuer has since then developed into a full service bank.

The issuer's first authorisation to operate financial business activities is dated at 23 May 1832.

In 2002 the issuer was transformed into a limited liability company. In this connection a limited liability

III Share Registration Document Information about the Issuer

company was established on 20 December 2001, and was incorporated by the Faroese Company Registration Authority (Skráseting Føroya) on 4 January 2002 by the registration number 3293.

This limited liability company and the issuer merged with effect as of 1 January 2002, Føroya Sparikassi P/F (which as of 19 December 2006 is called Eik Banki P/F) being the continuing company was in this connection authorised by the Financial Supervisory Authority to conduct financial business activities.

The Faroe Islands are part of the Kingdom of Denmark

The Faroe Islands are a self-governing area within the Kingdom of Denmark. In addition the Faroe Islands are in monetary union with Denmark. They have their own banknotes, which are legal tender in the islands. The banknotes are printed and issued by the Central Bank of Denmark. Faroese banknotes can be exchanged for Danish banknotes free of charge on a 1:1 basis at the Central Bank of Denmark. The Central Bank of Denmark has cash depots in the Faroe Islands supplying banknotes to local banks as it does in Denmark.

Both Faroese banking laws and monetary policy are the responsibility of the relevant Danish authorities. Therefore, the Danish Central Bank's decisions relating to monetary and foreign exchange policy – including interest rate decisions – apply fully and directly to the Faroe Islands. The Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act (with some small adjustments) governs Faroese financial institutions with Faroese banks having the same relationship with the Danish Central Bank as other Danish financial institutions. For instance, the Faroese banks may hold accounts at the Central Bank of Denmark and may make deposits or raise collateralised loans. Consequently, Faroese financial institutions are regulated by the Danish Financial Supervisory Authority and are included in the Danish depositor insurance scheme. Faroese banks are also members of the Danish clearing and settlement systems (PBS - Payment Business Services and VP - Værdipapircentralen A/S), are members of the Danish Bankers Association (Finansrådet) and the Local Danish Bankers Association (Lokale Pengeinstitutter).

Important events in the development of the issuer's business

Eik Banki P/F has for some years pursued a diversification/growth strategy with a goal of originating a significant part of its income outside the Faroe Islands, particularly in the Nordic region, in order to increase profits and diversify risk. The first step towards this goal was taken when Eik Banki P/F invested in Kaupthing Bank hf. in Iceland in 2000 (stake sold with a gain of DKK 132 million in 2004). In 2001 Eik Banki P/F took part in establishing Kaupthing Bank Danmark A/S, of which Eik Banki P/F at the end of 2004 became sole owner (buying the remaining 75% of the shares). At the same time Eik Banki P/F changed the name of Kaupthing Bank to Eik Bank Danmark A/S. Today Eik Bank Danmark A/S has activities in corporate banking, mortgage deed trading, securities trading, asset management and private banking.

Also in 2004, Eik Banki P/F acquired shares in SPRON, Iceland's largest savings bank based in Reykjavík the capital of Iceland. Later, Eik Banki P/F increased its shareholding and by January 2006 held an interest of just below 10%.

III Share Registration Document Information about the Issuer

In 2006 Eik Group increased its Danish footprint by purchasing 29% (Eik Banki P/F 25% and Eik Bank Danmark A/S 4%) of the share capital of the Danish property investment company Investea A/S (previously Ejendomsvækst A/S). Investea A/S gives advice on, provides, and offers investments in properties in Denmark and abroad.

In 2005 Eik Banki P/F became a member of the Iceland Stock Exchange, enabling it to trade Faroese and Icelandic securities directly on the Icelandic stock market. Prior to this, Eik Bank Danmark A/S was already a member of the Copenhagen Stock Exchange.

Eik Banki P/F has an estimated domestic retail market share exceeding 60% in the core areas around the capital of Tórshavn and around 50% overall, according to internal estimates. Eik Banki P/F supplies finance to both large and small companies in all commercial sectors throughout the Faroe Islands.

A complete portfolio of banking services is offered to the customers, who are both private individuals - predominantly homeowners and corporate clients. Eik Banki P/F's primary goal is to supply the customers with a broad range of financial products, as long as the products are relevant and cost-efficient. Savings and loans are considered to be Eik Banki P/F's core business. The private and corporate segments include sale of products relating to the daily banking services such as payments, savings, investments and pensions.

Eik Banki P/F was the first Faroese institution to offer traditional long-term Danish first mortgage loans in cooperation with BRF Kredit A/S in Denmark.

In addition Eik Banki P/F established its own real estate agency, Inni P/F in 1998. Inni P/F is the leading real estate agency in the Faroe Islands; according to internal estimates, Inni P/F's market share is 45-50% of the Faroese real estate market. The activities of Inni P/F complement well the lending activities of Eik Banki P/F to retail customers, although in terms of profit, the result of Inni P/F is not significant in relation to the profit of the Eik Group. In 2006, the after-tax profit of Inni P/F was DKK 1.4 million.

Eik Banki P/F has collaboration agreements with partners offering financial services associated with pensions through Føroya Lívstrygging P/F and the newly created Danish pension company Letpension.

In the field of asset management Eik Banki P/F offers its own securities, the products of Sparinvest Holding A/S and Garanti Invest A/S, as well as products from other asset management companies.

As of 1 May 2007, Eik Banki P/F has established a new Investment Banking department to concentrate its investment banking undertakings previously performed by the Financial Markets Division.

Distribution channels

The business of Eik Banki P/F is carried out through the regional branch network. The 17 branches and 2 commercial departments are located in six regions around the Faroe Islands. The branch network in the Faroe

III Share Registration Document Information about the Issuer

Islands is considered sufficient, and Eik Banki P/F has no current plans for further branch openings in the Faroe Islands in the coming years.

In Denmark, Eik Bank Danmark A/S is located in the heart of Copenhagen, in a building owned by Eik Grunnurin. There are no plans for establishing branches of Eik Bank Danmark A/S in Denmark and it is important to mention that Eik Bank Danmark A/S does not function as a branch of Eik Banki P/F for attracting retail clients. Instead Eik Bank Danmark A/S focuses on "high net worth individuals" and large business clients.

Eik Banki P/F finds that the internet as a distribution channel will make life easier for customers although it will not fully replace personal consulting services. The Web-bank services are therefore offered in combination with personal service and a call centre.

Investments

In the years 2004 - 2006 the company made these investments:

Eik Bank Danmark A/S

Eik Bank Danmark A/S was established in 2001 under the name of Kaupthing Bank A/S. Eik Banki P/F originally owned 20% of the shares, which was later increased to 25%. In 2004, Eik Banki P/F bought the remaining 75% of the shares and Eik Bank Danmark A/S became part of the Eik Group on 31 December 2004. Eik Bank Danmark A/S is a wholly owned subsidiary of Eik Banki P/F. Eik Bank Danmark A/S's registered office is in Nørre Farimagsgade 15, DK-1364 Copenhagen. The investment was funded by internal disposable liquidity.

The main areas of activity are corporate banking, mortgage trading, securities trading, asset management and private banking.

Net income from interest and commission increased 40.8% in 2006, from DK 77.7 million in 2005 to DKK 109.4 million in 2006. Gains on securities increased 170.5%, from DKK 21.3 million to DKK 57.6 million. Profit on financial items was DKK 167.0 million compared with DKK 99.0 million in 2006, an increase of 68.7%.

Eik Bank Danmark A/S's profit before tax was DKK 93.7 million in 2006, compared with DKK 41.9 million in 2005. This is an increase of DKK 51.8 million or 122%. Profit after tax was DKK 67.2 million compared with DKK 30.6 million in 2005. This is an increase of DKK 36.6 million or 119.0%.

SPRON

During 2004-2006 Eik Banki P/F made investments in SPRON (Sparisjóður Reykjavíkur og nágrennis), which is the Savings Bank for the greater Reykjavík area. Eik Banki P/F is the biggest investor of SPRON's primary capital with currently 9.94%. Other large holders, at 31 January 2007 holding more than 5% of the capital were Holt Investment Group with 9.22%, Tuscon Partners Corporation with 8.02%, VÍS with 5.01% and Sundagarðar with 5.01%, according to SPRON's official webpage. This investment was funded by internal disposable liquidity.

III Share Registration Document Information about the Issuer

SPRON is the largest savings bank in Iceland. The headquarters and main area of activity are in Reykjavík and the main clientele consists of private individuals, representing 61.7% of SPRON's total lending as of 31 March 2007, according to the Interim Accounts of SPRON.

SPRON's main purpose is to serve as a trustworthy, universal banking institution which fulfils the needs of its customers and actively participates in social and economic development in the greater Reykjavík area.

SPRON is a guarantor savings bank. The guarantors vote at a general meeting, but no individual guarantor can control more than 5% of the total votes. The primary capital earns dividends calculated from annual results, the same way as shares. Dividends cannot exceed a certain percentile, stipulated by the Icelandic savings bank union. The primary capital can also be indexed with the consumer price index, and in addition, with a maximum of 5% annually, but not exceeding 10% of the annual result.

In 2006 SPRON had an exceptionally good result amounting to ISK 9 billion, as reported in SPRON's 2006 financial statements. This compares to ISK 4.1 billion for the same period in 2005. Converted into DKK at the rates of exchange at the end of 2006 and 2005, respectively, the result for 2006 was DKK 720 million compared with DKK 327 million for the same period in 2005. Dividends of DKK 68.0 million from SPRON in 2006 are included in the Eik Group accounts for 1Q 2007. SPRON's result for 1Q 2007 was ISK 4.7 billion compared to ISK 1.1 billion in 1Q 2006.

Investea A/S

On 15 May 2006 Eik Banki P/F acquired 25% of the shares in the Danish company Investea A/S. On 15 July 2006 Eik Bank Danmark A/S acquired a further 4%, giving Eik Group a total of 29% of the shares in Investea A/S. The purchase was partly financed by disposable liquidity and partly by shares in Eik Banki P/F, which is why Eik Banki P/F in 2006 issued DKK 32 million (nominal value) in new shares.

Investea A/S's main activities are giving advice on and offering corporate and private investors investment opportunities in properties in Denmark, Sweden, Germany, UK, Finland, Spain and the USA. The company is one of the largest of its kind in Denmark.

Investea A/S does not normally hold real estate. The company is therefore not as sensitive to changes in real estate prices as other comparable companies in Denmark. Investea A/S's main sources of revenue are commission on trading and administration fees relating to managing partnership companies etc.

According to the published financial statements of Investea, profit after tax in 2006 was DKK 182.6 million compared to DKK 92.9 million in 2005. The contribution to Eik Group's annual accounts in 2006 was DKK 46.5 million. Eik Group expects Investea A/S's result for 2007 to be better than in 2006. Along with Eik Bank Danmark A/S's activities the investment in Investea A/S strengthens Eik Bank Danmark A/S's position in the Danish financial market.

III Share Registration Document Information about the Issuer

Total of significant investments 2004-2006

DKK Million	2006	2005	2004	Total
Group principal investments	472	88	158	717

Principal investments account for the Issuer's investments in Eik Bank Danmark A/S, Investea A/S and SPRON.

Equity interest held	2006	2005	2004
Eik Bank Danmark A/S	100.00%	100.00%	100.00%
Investea A/S	29.00%	0.00%	0.00%
SPRON	9.94%	8.06%	4.90%

Investments in progress

Eik Banki P/F's subsidiary Eik Bank Danmark A/S is currently in the process of acquiring the Danish branch of SkandiaBanken AB. An announcement in this regard was made to the market on 29 May 2007. The description of the Danish branch of SkandiaBanken AB on the following pages in this Share Registration Document has been compiled by Eik Banki P/F and is based on information obtained from SkandiaBanken AB and publicly available information. Eik Banki P/F and Eik Bank Danmark A/S along with external advisors made a thorough review of The Danish branch of SkandiaBanken AB before the acquisition agreement was signed. However, Eik Banki P/F and Eik Bank Danmark A/S's knowledge of the Danish branch of SkandiaBanken AB is not as deep and comprehensive as SkandiaBanken AB's knowledge of its own operations also presented in this prospectus.

Acquisition rationale

- With the acquisition the Group will get access to attractive long-term funding
- Management expects a long term return on invested capital of 15%
- Management expects the return to be stabile, and not highly correlated with the general economy
- Management sees many synergies between Eik Bank Danmark A/S and the Danish branch of SkandiaBanken AB

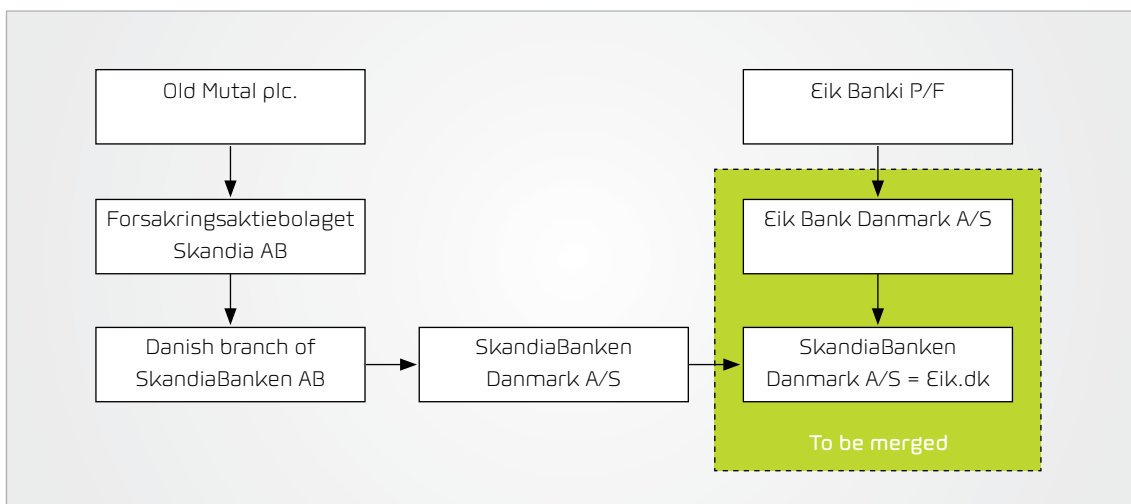
The transaction

The Danish branch of SkandiaBanken AB has since 1 July 2004 been operated as a branch of SkandiaBanken AB, which has its headquarters in Sweden. In compliance with the acquisition of the Danish branch of SkandiaBanken AB the branch's assets and liabilities will be transferred into a Danish limited company called SkandiaBanken A/S, where Eik Bank Danmark A/S acquires the share capital of SkandiaBanken A/S.

Eik Bank Danmark A/S which is a fully owned subsidiary of the parent company Eik Banki P/F will be the acquiring company. The acquisition process started in February by a non binding offer followed by dataroom access and a final bid. The asset sales purchase agreement and share purchase agreement was signed on 28 May 2007 and the deal takes effect on 1 July 2007 (or closing no later than 31 August 2007).

III Share Registration Document Information about the Issuer

The diagramme below illustrates the structure of the transaction.



Financing

The acquisition of The Danish branch of SkandiaBanken AB will be financed by a share capital increase in Eik Banki P/F. If the net proceeds from the offering are not sufficient to cover the acquisition cost of the Danish branch of SkandiaBanken AB, the remainder will be sourced from presently disposable liquidity. If the net proceeds from the offering exceed the acquisition cost of the Danish branch of SkandiaBanken AB, the remaining funds will be used to further strengthen the capital base of Eik Banki P/F.

The anticipated net proceeds from the offering to the Company is anticipated to be DKK 447,500,175 minimum and DKK 576,292,000 maximum. Eik Grunnurin, will underwrite the minimum offer as a security for the funding of the purchase. The funds will subsequently be transferred to Eik Bank Danmark A/S in form of a capital increase, which will provide the company with sufficient funds for the payment of the shares in SkandiaBanken A/S.

Purchase price

The final purchase price of the Danish Branch of SkandiaBanken AB is expected to be DKK 500-600 million. The purchase is calculated as DKK 270 million in goodwill plus the equity according to the opening balance as of 1 July 2007. The proforma equity of the Danish branch of SkandiaBanken AB as of 31 December 2006 amounted to DKK 258 million. The buyer will take over the audited opening balance as of 1 July 2007 and will take over a bank with a solvency ratio at approximately 12%. Therefore, the final acquisition price is currently not known exactly. The agreement is to be closed no later than 31 August 2007.

III Share Registration Document Information about the Issuer

Legislation

As a Danish branch of a foreign undertaking, the Danish branch of SkandiaBanken AB is supervised by Financial Supervisory Authority of the "parent" company (i.e. the Swedish Financial Supervisory Authority). In relation to the Danish Financial Supervisory Authority only a limited amount of reporting regarding liquidity, profit and loss, balance sheet etc. has been required. Operating as a branch in Denmark does not require a separate entity audit. Therefore no long form audit reports or annual reports have been available for the branch. SkandiaBanken has however prepared a proforma financial report in connection with this transaction - this has not been audited, but nevertheless has been used as part of the review material.

Prior to finalising the transaction the branch will be transferred into a new entity in form of a limited liability company. Subsequently a banking license application will be sent to the Danish FSA.

About the Danish branch of SkandiaBanken AB

History in brief

- In 1991 Kommunernes Pensionsforsikring A/S established Din Bank A/S as a direct bank (Phone and mail)
 - In 1996 Din Bank opened for internet access
 - In 2001 SkandiaBanken AB succeeded by an attractive bid to acquire Din Bank and changed its name and concept to SkandiaBanken A/S
 - In 2001 SkandiaBanken Bilfinans was established and operations started in 2002
 - In 2001 SkandiaBanken acquired Skandia Marknad in Denmark, including distribution and advisory related to occupational pension products of Skandia and liability insurance for If, and SFR (Skandia Finans Rådgivning), Private banking business
 - In 2003 the liability insurance operations of Skandia Marknad were sold to If and SFR was liquidated
 - In 2004 the remaining operations of Skandia Marknad was sold – i.e. occupational pension advisory service for corporate clients
 - On 1 July 2004 the operations of SkandiaBanken A/S were transferred to a branch of SkandiaBanken AB
 - In 2005 the integration process for all Skandia's activities in Denmark was carried through (Management, Marketing/ Cross-sale, Call Center, IT, HR, Finance and Law)
 - In 2006 the integration with Skandia was divested
 - On 1 July the branch will be converted to SkandiaBanken A/S in conjunction with Eik Bank Danmark A/S's purchase of 100% of the share capital
-

III Share Registration Document Information about the Issuer

Business

SkandiaBanken is the leading retail internet bank in Denmark, with over 115,000 customers and 67 fulltime employees as of year end 2006. In the table below the main business segments are described.

Business areas	Business segments	Products	Distribution
Retail Bank No. of customers ('000): 102.5 Deposits: DKK 5.8 bn. Credits/loans: DKK 2.9 bn	Bank Services	Current accounts	B2C
		Cards	Distribution via the Internet
		Credits	
		Savings	
		Pensions	
	Car loans		
	Housing loans	Housing loans	
Securities	Security trading Danish/ international		
	Custody service		

Business areas	Business segments	Products	Distribution
Car finance No. of customers ('000): 15.5 Loans: DKK 1.5 bn	Car finance	Car loans	B2B
		Leasing	Distribution via car portal

Bank Services

Bank Services offers deposit accounts, internet payment services, credit and debit cards, pensions and lending products.

The main deposit product is the "all in one account" (AiE), a current account that can be utilised as a salary and saving account and which can be connected with third party debit and credit card products (Dankort, VisaDankort, Eurocard or VisaElectron). Payments through the internet are free of charge. The Danish branch of SkandiaBanken AB has only 2 fees, which are the Visa card fee and the cheque book fee.

Deposit products also include individual pension saving accounts; "kapitalpension", "ratepension" and "supplementspension". Kapitalpension is a saving that pays the customer a lump sum at the date of retirement. A ratepension pays a monthly sum over a 10 year period. Customers can invest funds in securities or keep funds on a deposit account. "Supplements pensions" refer to labour market pension funds where SkandiaBanken is custodian bank for a third party. The Bank also provides access to a web-based pension advisory module.

Other products include fixed interest rate deposits, with duration from 6 months up to 5 years and with a

III Share Registration Document Information about the Issuer

deposit amount from DKK 50,000 up to DKK 5 million; and child saving deposit with floating interest rate with a deposit of DKK 3,000 a year and DKK 36,000 in total on the account (regulated by law).

Bank services also offers various lending types. Car loans refer to direct lending to customers (B2C). Historically the bank has not marketed this product actively since the terms and conditions are in conflict with the concept within the business segment Car finance. Investment credits can only be used for trading bonds and shares through the bank. Customers are granted a maximum credit equivalent to the aggregate of their cash balance in deposits and the value of custody accounts. Minimum credit granted amounts to DKK 50,000. AiE refers to the product AiE account with credit.

Housing loans

Housing loans products are offered to owner-occupied and cooperative housing. The bank offers floating interest rate loans with houses and apartments as collaterals. Customers are also offered housing loans with an interest rate cap (currently 5.5% or 6.5%). Historically the bank also offered traditional fixed rate loans (1- 5 years) but this product has been replaced with the interest cap loans, and the current portfolio is therefore being terminated. Coop apartment customers are offered floating interest rate loans with or without interest cap. Loans with houses or apartments as collateral is granted up to 80 % of the asset's market value. Holiday/summer houses are granted up to 70%. For all lending the maximum duration is 30 years and the bank can grant exemption from current amortisation for a period up to 10 years. Currently minimum credit granted amounts to DKK 125k. Historically the bank has not charged any arrangement fees or other fees for administrative services etc. However, external costs for land registration are invoiced to customers, which is actually a cost that is recharged (i.e. no margin).

The bank introduced housing deposits in Q4 2004. This is a deposit account saving with interest conditions mirroring the lending interest, with the maximum deposit amount equalling the lending amount. The deposit service was introduced in order to improve customers position in relation to Danish stamp tax regulations.

Securities

Securities deposits and online trading with Danish and international securities are offered through the bank's website. The product offering for Securities includes custody accounts and trading of stocks, bonds and mutual funds through the Internet. Customers can connect a deposit account or credit account to the deposit and trade Danish and foreign listed securities (shares, bonds and investment funds). Historically the bank has traded securities through third parties, but the bank is an approved member of The Nordic Exchange as from 1 January 2007 and can therefore trade in its own name directly on the exchange. As from November 2006 customers are charged a commission of 0.10 % (minimum charge of DKK 22) for trading of shares listed on the Copenhagen Stock Exchange. Previous rates were 0.15 % and a minimum charge of DKK 60. Fee adjustments were driven by the competitive situation on the market. Customers are offered free access to online trading services and free internet based custody account services. Further to this the bank offers certain internet based investment advice for mutual funds. The mutual funds offered consist solely of funds operated by external partners.

III Share Registration Document Information about the Issuer

Car Finance

Car finance solutions are offered through independent car dealers to retail and commercial customers. Lending within this segment is defined as B2B lending by the bank as all loans are distributed through car dealers. As of 31 December 2006 the Car finance portfolio (including leasing) accounted for 37% of total lending to the public. Lending consists of leasing as well as instalment contracts, and the bank offers car financing with floating and fixed interest rate for purchase of new and used cars. Fixed interest loan accounts for approximately 25% of total car finance portfolio. Historically, leasing has only been offered to corporate customers. For private customers, a down payment of 20% of purchase price is required, with a minimum amount of DKK 20,000. Interest rates offered decrease as down payment increases. Financing of used cars is based on the requirement that the age of the car plus the duration of loan should be equal or less than 12 years

Loan Portfolio overview

SkandiaBanken's average loan portfolio as of 31 December 2006 amounted to DKK 4,354 million, whereof 72% was placed as "all in one account" (AIE).

Management of Eik Bank Danmark A/S

In the period up until the closing and/or merger the management of the two companies will continue as they are today, where Brian Toft is the Chief Managing Director of Eik Bank Danmark A/S and Jesper Clausen is the Managing Director. Henrik Vad continues as the CEO of the Danish branch of SkandiaBanken AB until closing and/or the merger. After closing and/or the mergers the 3 persons will be representing the management of the merged firm, with Brian Toft as the CEO.

Brian Toft, Chief Managing Director

Age: 56 years old

Graduate in Finance and SVK education

Other responsibilities: Deputy Chairman of the Board of DSK A/S

Jesper Clausen, Managing Director

Age: 36 years old

State certified realtor and appraiser

BSc. in finance and credit

Henrik Vad, Managing Director

Age: 46 years old

Education: MSc in Law & BSc in Finance and Traditional Banking

Board: Currently member of the board of SkandiaBanken AB

Proforma Financial Information

The pro forma financial information regarding Danish branch of SkandiaBanken AB, which has been obtained in connection with the acquisition of the branch, has been compiled by Eik Banki P/F and is based on information

III Share Registration Document Information about the Issuer

obtained from SkandiaBanken AB. The pro forma financial information has been used as a basis for negotiations between SkandiaBanken AB and Eik Banki P/F in connection with the acquisition.

The acquisition has not been finalized yet and therefore Eik Banki P/F has not access to complete financial information about the Danish branch of SkandiaBanken AB.

Eik Banki P/F has been informed that the pro forma financial information of the Danish branch of SkandiaBanken AB has been prepared in accordance with the Financial Business Act. The accounting principles applied are consistent with the accounting policies of Eik Banki P/F

The proforma financial information has been prepared for illustrative purposes only and due to its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

The pro-forma consolidated balance of Eik Banki P/F including the Danish branch of SkandiaBanken AB is shown in the table below. The Equity in the pro-forma balance has been transferred to debt to credit institutions in the total balance.

DKK 1,000	1Q 2007	1Q 2007	
Proforma consolidated balance	Eik Group	balance	
	Actual	Pro-forma	Total
Cash in hand, claims on central banks and credit institutions	1,232,921	1,512,368	2,745,289
Lending to the public	8,536,211	4,565,766	13,101,977
Securities	1,382,615	173,786	1,556,401
Other assets	639,078	323,186	962,264
Assets	11,790,825	6,575,106	18,365,931
Debt to credit institutions	3,876,697	141,335	4,545,810
Deposits	5,869,372	5,778,929	11,648,301
Other Liabilities	267,786	127,064	394,850
Subordinated debt - Tier II	448,032	0	448,032
Equity *)	1,328,938	527,778	1,328,938
Liabilities	11,790,825	6,575,106	18,365,931

*) The agreement between SkandiaBanken AB and Eik Bank Danmark A/S states, that Eik Bank Danmark A/S acquires the opening balance of a "new" entity, which contain the activities of the bank's branch in Denmark, as of 1 July 2007. The equity of the new bank will be the Net Assets as shown above as equity in the branch plus what might be required by law to fulfil the solvency ratio etc.

III Share Registration Document Business Overview

Additional required equity will increase the value of "Cash in hands, claims on central banks and credit institutions". It is expected that the minimum capital increase plus present funding facilities are enough to finance the acquisition.

6. Business Overview

Principal activities

According to Article 1 of Eik Banki P/F's Articles of Association, the purpose of the issuer is to conduct business in the field of financial services according to the Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act. This includes receiving deposits from and providing loans to private persons, as well as corporate banking, payment services, securities trading, asset management, etc. In addition, the issuer also provides services as manager for capital increases and advisor in connection with mergers and acquisitions etc.

The mission of Eik Banki P/F is to serve its customers by providing financial services, where the key words are security and customer friendliness.

Eik Banki P/F's vision is to be the most customer friendly financial institution in the Faroe Islands.

Based on the above mission and vision, the goals of Eik Banki P/F are:

- to produce sufficient and competitive financial results for shareholders
- to provide our customers with superior advice, based on the customer's real needs, in order for the customer to take the correct financial decisions
- to create a lasting and profitable relationship with our customers
- to create a workplace where all employees can develop and cooperate in a good spirit
- to work for the greater benefit of the Faroese society

Increasing its operations abroad is Eik Banki P/F's prime opportunity for growth. Although Eik Banki P/F's possibilities for growth in the Faroe Islands are limited, due to the small size of the market and its already high market share, it will continue to reinforce its position in all areas of financial services.

A series of new products have been introduced since 2004, such as traditional long-term Danish first mortgage loans in cooperation with BRF Kredit A/S in Denmark, share trading directly on the Iceland Stock Exchange, OTC-trading (over-the-counter trading) in unlisted shares and investment banking.

Principal markets

Færø Amt Sparekasse (now Eik Banki P/F) was founded in 1832 on the Faroe Islands and continued until 1994 to operate according to the Act on Savings Banks (Sparekasseloven) of 1937, when the Act on Banks and Savings Banks (Lov om Banker og Sparekasser) was enacted on the Faroe Islands. The Financial Activities Act

III Share Registration Document Business Overview

(Lov om Finansiell Virksomhed) was enacted by Royal Decree no. 86 of 10 February 2006 and set in force as of 1 March 2006.

Until 1994 mortgages with collateral to Faroese individuals were the dominant activity of Eik Banki P/F. It is still a core activity, but the proportion of the total loan portfolio provided to private customers made up about 42% of the Group's total loan portfolio on 31 December 2006, compared to 50% at year end 2005. The commercial loans made up 56% of the total loan portfolio on 31 December 2006, compared to 47% at the end of 2005. The proportion of the total loan portfolio provided to the public sector is 2%, consisting primarily of loans to the Faroese municipalities.

Group Loan by Sector and Industry

	2004	2005	2006
Private	53%	50%	42%
Service	10%	10%	22%
Other commercial loans	7%	4%	11%
Constructions and real estate	2%	12%	7%
Fishing industry	5%	4%	4%
Industry	7%	6%	4%
Trade and repair	5%	5%	4%
Fish farming	6%	3%	2%
Transport	4%	3%	2%
Public	2%	3%	2%

As mentioned, the proportion of the loan portfolio to the commercial sector has increased over the years. However, the commercial loans are quite well diversified on several industries. At the end of 2006 loans to the service companies made up 22% of total loans, other commercial sectors 11%, construction and real estate sector was 7%, fishing 4%, industry (including fish-processing plants) 4%, trade and repair 4%, fish farming 2% and transport 2%.

Group Loan by Country

	2004	2005	2006
Faroe Islands	75%	65%	57%
Denmark	19%	29%	33%
Sweden	3%	5%	4%
Germany	0%	0%	3%
Other countries	3%	2%	3%

The composition of the loan portfolio across countries has changed substantially, due to Eik Bank Danmark A/S becoming part of the Group at year end 2004. At the end of 2006, 57% of the total commercial loan portfolio

III Share Registration Document Business Overview

was to customers resident in the Faroe Islands, while 33% were to customers in Denmark, 4% in Sweden, 3% in Germany and 3% to customers in other countries.

In terms of deposits, loans, balance and equity from the respective last published financial statements, the Eik Group is the largest bank in the Faroe Islands, and the Faroese market is still the largest single geographic market of the Eik Group.

Comparison of Faroese financial institutions (Source: Latest published financial reports)

In 2006 around half of the profit after tax originated from activities outside the Faroe Islands, compared with around a quarter in 2005 and none in 2004, when disregarding the profit from the sale of equity in Kaupthing Bank A/S in 2004. This is illustrated in the diagramme below. Below is also shown a breakdown of total revenues by category of activity for the period 2004-2006.

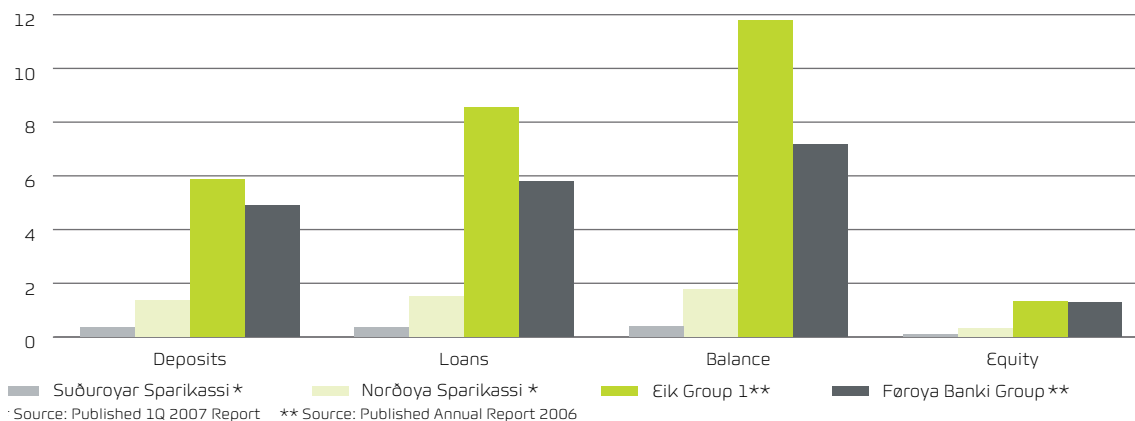
The principal activities of Eik Banki P/F from 2004 have not been influenced by exceptional factors, except for the sale of equity in Kaupthing Bank hf. in 2004.

Eik Banki P/F and Eik Bank Danmark A/S are dependent on licences to perform credit institution activities issued by the Danish Financial Supervisory Authority according to article 7 of the Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act and article 7 of the Act no. 381 of 19 April 2007 on Financial Business respectively. In addition, Eik Banki P/F holds a licence to conduct securities trading on behalf of other persons, as issued by the Danish Financial Supervisory Authority according to the Article 9 of the Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act

Apart from this, the issuer is not dependent on patents or licences, industrial, commercial or financial contracts which are material to the issuer's business or profitability.

Comparison of Faroese Financial Institutions

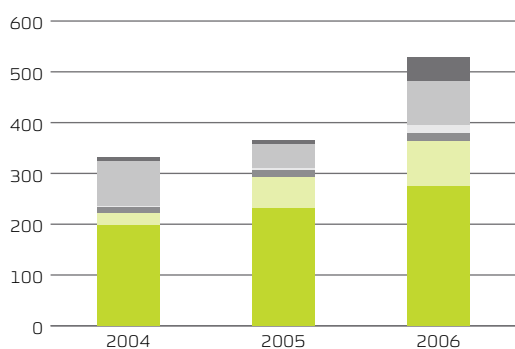
Billion DKK



III Share Registration Document Organizational Structure

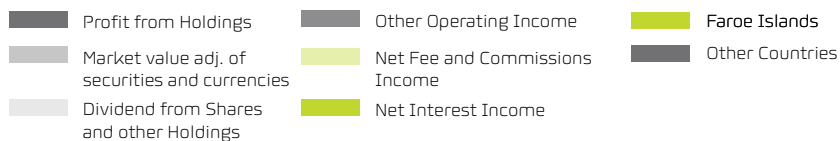
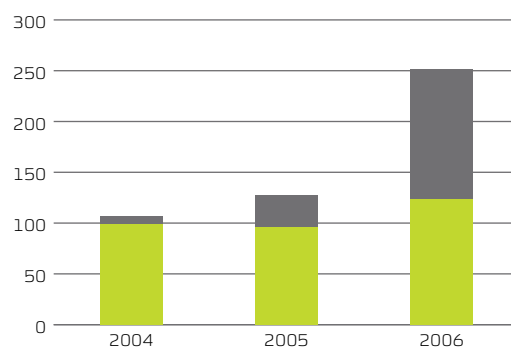
Distribution of Income

DKK Million



Net Profit by Country

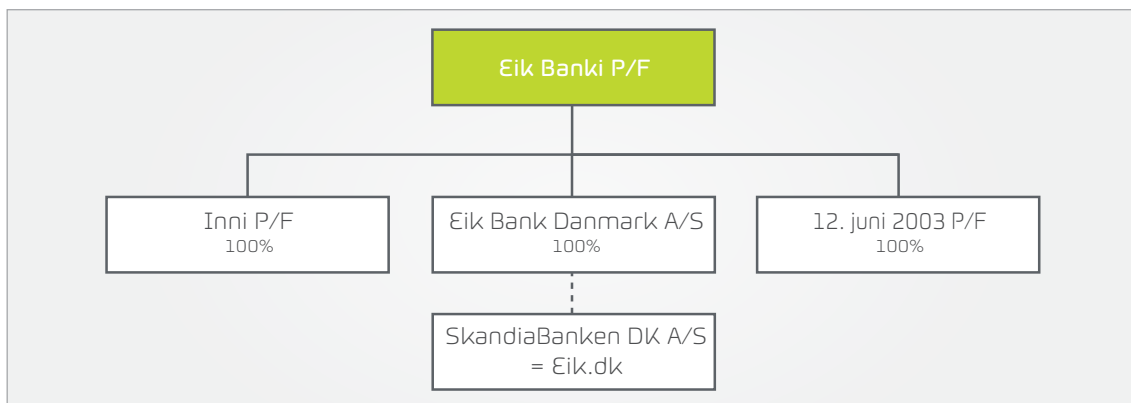
DKK Million



7. Organizational Structure

Eik Banki P/F is the parent company in the Eik Group. Below is shown a diagramme of the group.

As described in section '5 Information about the Issuer' under the heading 'Investments in progress', The process for acquiring the Danish branch of SkandiaBanken AB will involve the establishment of a limited liability



III Share Registration Document Organizational Structure

company called SkandiaBanken DK A/S which will be merged with Eik Bank Danmark A/S as soon as practically possible after its establishment.

Eik Banki P/F's holdings, subsidiaries and associated companies likely to have a significant effect on the assessment of Eik Banki P/F's assets are shown in the table below.

Subsidiaries

Company	Activities	ID no. / Company reg. no.	Country of incorporation	Ownership interest ²⁾
Eik Bank Danmark A/S	Banking and financing activities	A/S 287059	Denmark	100%
Inni P/F	Real estate broker	P/F 2730	Faroe Islands	100%
12. juni 2003 P/F ¹⁾	Dormant company	P/F 3591	Faroe Islands	100%

Associated companies

Company	Activities	ID no. / Company reg. no.	Country of incorporation	Ownership interest ²⁾	Issued Capital '000	Reserves ³⁾ '000	Net profit for last financial year ³⁾ '000
Elektron P/F	IT application services	P/F 100	Faroe Islands	25%	6,700	7,484	456
Týggjará P/F	Fish farming	P/F 3858	Faroe Islands	25%	4,000	85	85
Pan Fish Faroes P/F	Fish farming	P/F 1296	Faroe Islands	27%	1,209	22,230	-11,520
Investea A/S	Real estate	A/S 268343	Denmark	29%	20,000	240,931	182,583
Faroe Farming P/F	Fish farming	P/F 3698	Faroe Islands	35%	44,300	-16,077	-5,714
Faroe Real Estate P/F	Pelagic factory	P/F 3173	Faroe Islands	47%	34,809	-13,408	-13,409
Nianet A/S	IT infrastructure	A/S 313178	Denmark	20%	10,417	84,025	2,086
6. sept. 2006 P/F	Offshore supply industry	P/F 4477	Faroe Islands	22%	53,000	N/A	N/A

1) 12. juni 2003 P/F is currently undergoing solvent liquidation, in accordance with board decision on 20 April 2007.

2) Ownership and voting interest are equal in all instances.

3) For the following companies, the latest financial report is for the year 2005: Elektron P/F, Týggjará P/F, Pan Fish Faroes, Faroe Farming, Faroe Real Estate P/F. The company 6. sept. 2006 P/F has not published any financial statement yet.

III Share Registration Document Property, Machinery and Equipment

8. Property, Machinery and Equipment

The headquarters in Tórshavn as well as all branches are the property of the issuer, except those in Kollafjørður and Klaksvík, which are rented.

The branch in Fuglafjørður moved into a new and modern building in 2006. The branches in Vestmanna and Norðskála were enlarged in 2006. In Klaksvík, a building is currently being built by Eik Grunnurin, which will be rented by Eik Banki P/F and used for the local branch. Similarly in Kollafjørður, the acquisition of a building to be used as local branch is in progress. None of these future investments are considered material to the issuer. In addition, a property adjacent to the headquarters in Tórshavn has been acquired by Eik Grunnurin for possible future expansion of the headquarters of Eik Banki P/F.

The book value as at 31 March 2007 of the properties used for banking activities is DKK 116.4 million and buildings used for other purposes are booked at DKK 23.1 million.

Land and buildings were booked based on acquisition price, less deductions for depreciation and write downs. Depreciation was made according to the straight-line method over the estimated useful life with a maximum of 50 years. Land was not, however, depreciated.

Plants and equipment includes office inventory, IT and other equipment, deposit boxes and cars.

The value of plant and equipment is DKK 12.0 million. The value of plant and equipment is booked at acquisition price less deductions for depreciation and write downs. Depreciation was made according to the straight-line method over a period of 5-8 years.

There are no environmental issues that may affect the issuer's utilisation of the tangible fixed assets.

9. Operating and Financial Review

The 2006 financial year was the best year ever for the Eik Group. Net profit on financial operations and other holdings, increased by DKK 163.3 million, i.e. 44.6% from DKK 365.8 million in 2005 to DKK 529.1 million in 2006. As the table below shows there has been a significant increase in every item of income except "other operating income" and "Market value adjustment of securities and foreign exchange income".

Total expenses for employees, administration etc. were DKK 229.0 million in 2006 compared to DKK 180.1 million in 2005. This is an increase of DKK 48.9 million or 27.2%.

Profit before tax was DKK 307 million, compared to DKK 164 million in 2005. Net profit for the year was DKK 250 million compared to DKK 127 million in 2005.

III Share Registration Document Operating and Financial Review

Annualised return on equity was 27.3%. This was well above the target, which is 15% a year. Taking the average of the equity at the start of the year and at the end of the year, the return on equity was 23.6%. After tax earnings per share was DKK 36.02 compared to DKK 18.64 in 2005.

The balance increased from DKK 8.6 billion at the beginning of the year to DKK 11.8 billion at year-end 2006. This is an increase of DKK 3.2 billion or 37.2%. Lending increased by DKK 1.7 billion or 26.3%, from DKK 6.6 billion to DKK 8.3 billion, while deposits increased by DKK 1.6 billion or 36.4%, from DKK 4.5 billion to DKK 6.1 billion.

Liquidity remains very good. Liquidity is calculated as cash-in-hand, sight deposits in other banks, certificates of deposit in the Danish National Bank and securities. Liquidity at year-end 2006 was DKK 2.5 billion. In relation to short-term liabilities due within one month liquidity was 46.6% and in relation to all liabilities it was 22.5%. The corresponding figures for 2005 were 35.2% and 18.0%, respectively. The corresponding statutory minimum requirements are 15% and 10%. At year-end 2006, the solvency was 11% the same as at year-end 2005. The statutory minimum requirement is 8%.

DKK 1,000	2006	2005	2004
Group profit and loss account			
Interest income	485,388	340,533	267,208
Interest expense	210,426	108,239	68,385
Net interest income	274,962	232,294	198,823
Dividends from shares and other holdings	16,613	5,318	2,353
Fee and commissions income	91,990	61,028	22,614
Fee and commissions expense	2,979	882	828
Net interest and fee income	380,586	297,758	222,962
Market value adjustment of securities and foreign exchange income	85,785	46,221	87,666
Other operating income	15,034	13,022	12,870
Profit on financial operations	481,405	357,001	323,498
Staff cost and administrative expenses	229,049	180,086	123,185
Depreciation and write-down of intangible and tangible assets	25,768	15,249	8,677
Other operating expenses	863	361	1,475
Net depreciation and provisions for loss on bad debts	-33,733	5,925	86,869
Income from associated and subsidiary undertakings	47,700	8,833	8,429
Profit before taxes	307,158	164,213	111,721
Taxes	56,681	37,604	4,520
Net profit for the year	250,477	126,609	107,201
Allocation of profits (Parent company)			
Dividends on shares	35,566	33,966	33,966
Amount allocated to other reserves	118,374	39,741	6,540
Carried forward to next year	96,537	52,902	66,695

III Share Registration Document Operating and Financial Review

DKK 1,000	2006	2005	2004
Group balance sheet			
Assets			
Cash in hand and deposits with central banks	87,498	43,783	50,970
Claims on credit institutions	1,568,120	422,896	326,475
Loans	8,270,539	6,550,896	5,052,785
Bonds	824,408	976,816	586,933
Shares	377,266	212,771	98,712
Holdings in associated undertakings	121,986	32,861	3,483
Holdings in subsidiary undertakings	8,452	9,642	6,698
Intangible assets	217,668	34,656	36,257
Tangible assets	136,273	125,666	121,264
Own shares	0	95	150
Other assets	208,723	204,516	203,645
Prepayments	6,959	6,432	6,193
Total assets	11,827,892	8,621,030	6,493,565
Liabilities			
Debt to credit institutions	4,070,947	2,994,175	1,276,585
Deposits	6,116,501	4,483,030	4,195,076
Other liabilities	272,102	219,811	175,423
Prepayments	7	80	10
Provisions for liabilities and charges	9,572	6,604	4,771
Subordinated debt	150,000	0	15,000
Equity			
Share capital	711,311	679,311	679,311
Guarantee capital	826	1,103	1,156
Share premium account	117,751	72,951	72,951
Reserves for own shares	0	95	150
Other reserves	94,121	15,164	0
Brought forward from prior years	148,706	73,132	0
Carried forward from profit for the year	136,048	75,574	73,132
Total equity	1,208,763	917,330	826,700
Total liabilities	11,827,892	8,621,030	6,493,565
Off-balance-sheet items			
Total guarantees	841,832	394,193	276,665
Other commitments	320,567	2,227	1,200
Total off-balance-sheet items	1,162,399	396,420	277,865

III Share Registration Document Operating and Financial Review

As can be seen from the table below, Eik Group has achieved an excellent result for 1Q 2007. Profit after taxes is DKK 120.5 million compared with DKK 35.5 million in 1Q 2006. Annualised return on equity is 39.9% compared to 15.5% in 1Q 2006.

DKK 1,000	1Q 2007	1Q 2006
Group Profit and loss account		
Interest income	169,559	98,486
Interest expense	84,843	37,213
Net interest income	84,716	61,273
Dividends from shares and other holdings	68,446	17,710
Fee and commissions income	28,991	18,353
Fee and commissions expense	405	274
Net interest and fee income	181,748	97,062
Market value adjustment of securities and foreign exchange income	17,654	4,600
Other operating income	2,106	1,960
Profit on financial operations	201,508	103,622
Staff cost and administrative expenses	61,716	49,047
Depreciation and write-down of intangible and tangible assets	5,672	3,620
Other operating expenses	3	4
Net depreciation and provisions for loss on bad debts	-2,815	5,968
Income from associated and subsidiary undertakings ¹⁾	-25	0
Profit before taxes	136,907	44,983
Taxes	16,415	9,439
Net profit for the period	120,492	35,544

1) Investea A/S is not included in the 1Q figures, since Investea A/S does not report quarterly financial information.

Profit before taxes is DKK 136.9 million compared to DKK 45.0 million in 1Q 2006. Taxes in 1Q 2007 are DKK 16.4 million compared to DKK 9.4 million 1Q 2006.

Net profit to total expense ratio is DKK 3.12 compared to DKK 1.77 1Q 2006.

Large Income from Activities Abroad

In the last few years Eik Group has made an effort to increase profit and spread risk by generating income from abroad. This is evident in the 1Q 2007 accounts which show an increased income especially from activities outside the Faroe Islands. Approximately 75% of the DKK 120.5 million profit stems from activities abroad.

Eik Group is the largest single shareholder in the largest Icelandic savings bank SPRON which has given a DKK 68.0 million dividend in 1Q 2007.

III Share Registration Document Operating and Financial Review

The Copenhagen subsidiary Eik Bank Danmark A/S made a DKK 23.7 million profit after taxes compared to DKK 8.5 million in 1Q last year. This is equivalent to around 20% of the Group profit.

Increase in Income

Net interest income in 1Q this year is DKK 84.7 million compared to DKK 61.3 million in 1Q last year. This is a DKK 23.4 million increase corresponding to 38.3%. The increase is attributed to both the results of the domestic and overseas companies in the group.

Income from fees and commissions increased by DKK 10.6 million corresponding to 58.0%, from DKK 18.3 million in 1Q 2006 to DKK 29.0 million in 1Q 2007.

Net interest and fee income amounted to a net income of DKK 181.7 million in 1Q 2007 compared to DKK 97.1 million in 1Q 2005. This is a DKK 84.7 million increase corresponding to 87.2%.

Gains on Securities and Foreign Exchange

Securities and foreign exchange contributed with a profit of DKK 17.7 million compared to DKK 4.6 million in 1Q last year. Bonds and shares contributed a profit, while foreign exchange generated with a loss.

Increased Operating Expenses

Operating expenses increased by DKK 12.7 million corresponding to 25.8%, from DKK 49.0 in 1Q 2006 million to DKK 61.7 million in 1Q 2007. The increase mainly stems from an increase of full time employees in the Group and includes other operating expenses as well.

Depreciation on tangible and intangible assets have increased mainly due to depreciation on goodwill in connection with the acquisition of the Investea A/S (formerly Ejendomsvækst A/S) and Nianet A/S shares. Total depreciations amounted to DKK 5.6 million compared to DKK 3.6 million in 1Q 2006.

Net depreciation and provisions for loss on bad debts amount to an appropriation of DKK 2.8 million contrasting to a cost of DKK 6.0 million in 1Q 2006. It is mainly the positive economic situation in the Faroe Islands and the positive development of the industry that has improved the customers solvency and thereby decreased the need for provisions for losses.

III Share Registration Document Operating and Financial Review

DKK 1,000	1Q 2007	1Q 2006
Group Balance sheet		
Assets		
Cash in hand and deposits with central banks	425,177	34,118
Claims on credit institutions	807,744	262,806
Loans	8,536,211	6,757,691
Bonds	815,542	942,868
Shares	433,818	243,864
Holdings in associated undertakings	120,986	38,052
Holdings in subsidiary undertakings	12,269	12,066
Intangible assets	214,367	32,990
Tangible assets	137,600	126,590
Own shares	0	420
Other assets	280,920	222,123
Prepayments	6,191	5,349
Total assets	11,790,825	8,678,937
Liabilities		
Debt to credit institutions	3,876,697	2,846,995
Deposits	5,869,372	4,647,483
Other liabilities	258,150	213,332
Prepayments	64	84
Provisions for liabilities and charges	9,572	17,874
Subordinated debt	448,032	0
Equity		
Share capital and guarantee capital	711,820	680,385
Share premium account	117,751	72,951
Reserves for own shares	0	420
Other reserves	94,121	15,163
Brought forward from prior years	284,754	148,706
Carried forward from profit for the year	120,492	35,544
Total equity	1,328,938	953,169
Total liabilities	11,790,825	8,678,937
Off-balance-sheet items		
Total guarantees	864,959	403,763
Other commitments	320,567	2,227
Total off-balance-sheet items	1,185,526	405,990

III Share Registration Document Operating and Financial Review

The Balance Sheet stands at DKK 11.8 billion compared to 8.7 billion in 1Q 2006. This is a DKK 3.1 billion increase corresponding to 35.9%.

Loans have increased from DKK 6.8 billion to DKK 8.5 billion. The increase includes Eik Banki P/F with a DKK 0.8 billion increase and Eik Bank Danmark A/S with a DKK 0.9 billion increase. There has also been an increase in deposits from DKK 4.6 billion to DKK 5.9 billion. This is a DKK 1.3 billion increase from which DKK 1.2 billion stems from Eik Banki P/F and DKK 0.1 billion stems from Eik Bank Danmark A/S.

Debt to financial institutions are DKK 3.8 billion compared to DKK 2.8 billion in 1Q 2005. The increase of DKK 1.0 billion has been raised in foreign banks.

In March 2007 Eik Banki P/F raised EUR 40 million as subordinated debt.

The equity on 31 March 2007 was DKK 1.3 billion. On 31 March 2006 the equity was DKK 953 million.

The solvency ratio of Eik Banki P/F is 17.9% compared to 13.0% 1Q 2006. The Eik Group solvency ratio is 14.0% compared with 10.0% 1Q 2006. The minimum required by law is 8%.

The Eik Group liquidity as of 1Q 2007 is DKK 1.9 billion compared to DKK 1.5 billion 1Q 2006. The required minimum is DKK 1.1 billion. This exceeds the required minimum by 74%.

The interim accounts have neither been audited, nor reviewed.

Outlook for 2007

Based on the 1Q 2007 result and the outlook for the year, Eik Group estimates a DKK 340 million profit for the year before market value adjustments, net depreciation and taxes.

Since the publication of the 1Q 2007 interim accounts on 10 May 2007 the Issuer is not aware of any events or developments (other than the agreement relating to the acquisition of the Danish branch of SkandiaBanken AB) that have already or could be expected to materially affect the half-year result or annual result of the Issuer.

Eik Banki P/F maintains the goal to increase and diversify its activities abroad in order to increase income and spread the risk. This also strengthens Eik Banki P/F's position in the domestic market considerably, as Eik Banki P/F gets inspiration and experience from abroad that will benefit its Faroese customers.

The issuer's operations have not been materially affected by any governmental, economic, fiscal, monetary or political policies or factors.

Accounting Standards and Principles

Eik Banki P/F will adopt IFRS for the first time in its financial statements for the year ending December 31,

III Share Registration Document Capital Resources

Supplemental capital may, according to law make up 100% of the core capital after deductions. Currently the supplemental capital amounts to 31.3% of the core capital after deductions. This means that there is scope for increasing the supplemental capital in order to find a better balance between the core capital after deductions and the supplemental capital.

At the end of March 2007, the solvency was 14.0%, and as at March 2006 the solvency was 10.0%. The statutory minimum requirement is 8%.

Sources and description of the issuer's cash flows

The audited cash flow statement below is partially affected by the raising of DKK 150 million subordinated debt and partially because of the assumption of a syndicated loan of DKK 1.2 billion as described elsewhere in this section. These inflows of capital have been used to finance the loan activities and deposits in financial institutions. In addition to this, the result from operations has also increased.

DKK 1,000	2006	2005	2004
Group inflow of capital			
Operating profit			
Net profit for the year	250,477	126,609	107,201
Adjustment for non-cash items from operations	-163,638	-71,477	-33,681
Inflow of capital from operations profit	86,839	55,132	73,520
Inflow to equity	76,523	-2,013	-132
Other funds			
Decrease in cash in hand and demand deposits with central banks, etc,	0	7,187	21,584
Decrease of holdings in undertakings	0	0	27,642
Increase on debt to credit institutions, etc,	1,076,772	1,717,590	697,520
Decrease of bonds and shares, etc,	34,383	0	52,607
Increase of deposits	1,633,471	287,954	408,884
Changes in other liabilities and charges	55,186	31,291	119,288
Subordinated debt	150,000	0	0
Total other funds	2,949,812	2,044,022	1,327,525
Total inflow of capital	3,113,174	2,097,141	1,400,913

III Share Registration Document Capital Resources

DKK 1,000	2006	2005	2004
Group outflow of capital:			
Increase in cash in hand and demand with central banks	43,715	90,648	21,926
Increase on claims on credit institutions, etc,	1,120,689	0	0
Increase of loans and advances	1,684,509	1,502,896	1,261,224
Increase of bonds and shares, etc,	0	463,494	0
Increase of holdings in undertakings	40,237	21,949	0
Increase of in- and tangible assets	219,387	17,099	34,977
Changes in other assets and prepayments	4,637	1,055	82,786
Total outflow of capital	3,113,174	2,097,141	1,400,913
Adjustment for non-cash items from operations:			
Depreciation and write-down	25,768	14,298	8,241
Provisions for loss on bad debts	-35,134	4,785	95,429
Marked value adjustments of securities	-46,470	-40,448	-84,870
Marked value adjustments of currency	-24,535	-5,773	-9,718
Adjustments from undertakings	-47,700	-10,373	-8,797
Dividends on shares	-35,567	-33,966	-33,966
Total	-163,638	-71,477	-33,681

Borrowing requirements and funding structure of the issuer

Eik Group deposits have increased by approximately DKK 1.6 billion in 2006. At the same time the debt to lending institutions and central banks has increased by DKK 931 million in order to create opportunities for further growth.

On 30 November 2006 Eik Banki P/F signed an agreement with an international loan syndicate of 19 banks, to assume a loan of approximately DKK 1.2 billion. The loan was arranged by HSH Nordbank and Bayern LB and is intended to support the continued growth that Eik Banki P/F expects. The loan amount means that the liquidity at year-end 2006 is very good.

III Share Registration Document Capital Resources

The table below shows Eik Group's capitalization and indebtedness based on the 1Q 2007 Balance Sheet. All liabilities are unguaranteed and unsecured.

Capitalization DKK 1,000	1Q 2007 Actual	1Q 2007 Adjusted *) min.	1Q 2007 Adjusted *) max.
Deposits			
Deposits from credit institutitons and central banks	213,588	354,923	568,511
Other deposits	5,869,372	11,648,301	11,648,301
Total deposits	6,082,960	12,003,224	12,216,812
Borrowings			
Issued bonds	0	0	0
Issued bonds at fair value	0	0	0
Loans from credit institutions	3,663,109	4,190,887	4,190,887
Other borrowings	267,786	394,850	394,850
Total borrowings	3,930,895	4,585,737	4,585,737
Subordinated debt			
Tier I	0	0	0
Tier II	448,032	448,032	448,032
Subordinated debt	448,032	448,032	448,032
Equity			
Share capital	711,311	789,572	812,927
Other equity	617,627	989,366	1,100,303
Total shareholder equity	1,328,938	1,778,938	1,913,230
Total capitalization	11,790,825	18,815,913	19,163,811

* The actual figures 1Q 2007 corrected to give effect to the completion of the Offering, assuming maximum gross proceeds of minimum and maximum capital increase and adjusted for the estimated pro forma figures from the Danish branch of SkandiaBanken AB.

III Share Registration Document Capital Resources

Indebtedness DKK 1,000	1Q 2007 Actual	1Q 2007 Adjusted *)
Total liquidity		
A. Cash	37,397	37,397
B. Cash equivalent	1,195,524	2,707,892
C. Trading securities	881,524	1,055,310
D. Trading liquidity (A)+(B)+(C)	2,114,445	3,800,599
E. Current financial receivables	2,812,123	2,865,309
F. Current bank debt	213,588	354,923
G. Current portion of non current debt	1,750,503	2,278,281
H. Other current financial debt	5,809,785	11,137,885
I. Total current financial debt (F)+(G)+(H)	7,773,876	13,771,089
J. Net current financial Indebtedness (I)-(E)-(D)	2,847,307	7,105,180
K. Non current bank loans	2,210,638	2,210,638
L. Bond issued	150,000	150,000
M. Other non current financial indebtedness	9,572	587,465
N. Total non current financial indebtedness (K)+(L)+(M)	2,370,210	2,948,103
O. Total net financial indebtedness (J)+(N)	5,217,517	10,053,283

* The actual figures 1Q 2007 adjusted for the estimated pro forma figures from the Danish branch of SkandiaBanken AB.

The pro-forma figures from the Danish branch of SkandiaBanken AB are produced on the assumption that all their loans have a maturity longer than 1 year, and that 10% of deposits have a maturity of more than 1 year. Also, it is assumed that the Danish branch of SkandiaBanken AB has no cash in hand and that DKK 270 million of other assets are non current.

The capitalization and indebtedness is neither audited nor reviewed.

There are no restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

The issuer does not have any commitments towards possible future investments or possible planned material tangible fixed assets., except the acquisition of the Danish branch of SkandiaBanken AB, as described in section 5 under the heading 'Investments in Progress'.

III Share Registration Document Research and Development, Patents and Licences

11. Research and Development, Patents and Licences

The issuer does not engage in research and development, and therefore does not have a research and development policy.

12. Trend Information

The issuer is not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.

13. Profit Forecasts or Estimates

Statement by the Management

The outlook statement for 2007 is prepared on the basis of current accounting policies, which are in accordance with the recognition and measurement regulations of Faroese GAAP.

The outlook, which is the management's best estimate, is based on a number of internal and external assumptions which the Management believes has an impact on the prospective financial information for 2007. The actual result may differ from the estimated result.

The outlook statement represents the Managements best estimate on the result for 2007 before market value adjustments of securities, net provisions for losses and taxes.

Independent auditors' statement of prospective financial information for 2007 for Eik Banki P/F

We have examined the prospective financial information for 2007 for Eik Banki P/F, including the related assumptions. The prospective financial information is prepared applying Eik Banki P/F's accounting policies, which are in accordance with the recognition and measurement regulations of Faroese GAAP.

The Management is responsible for the prospective financial information including the assumptions on which it is based. Our responsibility is to express a conclusion on the prospective financial information based on our examination.

Scope

We conducted our examination of the prospective financial information in accordance with the International Standard on Assurance Engagements, "The Examination of Prospective Financial Information" (ISAE 3400).

III Share Registration Document Profit Forecast or Estimates

This Standard requires that we plan and conduct the examination in order to obtain relevant documentation as to whether:

The Management's best-estimate assumptions on which the prospective financial information is based are not unreasonable and, in the case of hypothetical assumptions, such assumptions are consistent with the purpose of the information;

- the prospective financial information is properly prepared on the basis of the assumptions;
- the prospective financial information is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best estimate assumptions or hypothetical assumptions; and
- the prospective financial information is prepared on a consistent basis with historical annual financial information, using appropriate accounting principles.

An examination is substantially less in scope than an audit conducted in accordance with the International Standard on Assurance Engagements, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that these assumptions do not provide a reasonable basis for the prospective financial information for 2007 for Eik Banki P/F. Further, in our opinion the prospective financial information for 2007 is properly prepared on the basis of the assumptions and Eik Banki P/F's accounting policies, which are in accordance with Faroese GAAP.

Actual results are likely to be different from the prospective financial information due to unforeseen circumstances and events and the variation may be material.

Tórshavn, 18 June 2007

Rasmussen & Weihe, P/F

State Authorised Public Accountants
International Worldwide cooperation
Hoyvíksvegur 5, P.O. Box 30
FO-110 Tórshavn, Faroe Islands

Klaus Rasmussen,
State Authorised Public Accountant

Hans Laksá,
State Authorised Public Accountant

III Share Registration Document Profit Forecast or Estimates

Introduction

The outlook statement for 2007 is prepared on the basis of current accounting policies, which are in accordance with the recognition and measurement regulations of Faroese GAAP and requirements from Copenhagen Stock Exchange.

The outlook, which is the managements best estimated, is based on a number of assumptions which the Management believes has an impact on the prospective financial information for 2007. The actual result may differ from the estimated result.

Assumptions and budgets

The companies Eik Banki P/F, Eik Bank Danmark A/S and Inni P/F prepare their individual budgets which are approved by the respective Board of Directors. These budgets are then aggregated to a total budget for the Eik Group.

The Eik Banki P/F's budget also includes the bank's expected results from other holdings, i.e. the expected results originated from Investea A/S.

Eik Banki P/F bases the budget of operational income, balance and liquidity on the aggregation of the budgets of every division and department within the bank.

The budget assumptions, some of which are outside the management's influence, are based on the management expected economic development in the Faroe Islands and Denmark, the international interest rate development and overall organic growth prospects for the Eik Group.

The impact from the agreed acquisitions of the Danish branch of SkandiaBanken AB, is not expected to materially affect the estimated result for 2007.

Prospective financial information

Eik Banki P/F is of the opinion that the outlook for 2007 is good. The Faroese and the Danish economies are strong and the outlook seems positive. Total group lending is expected to grow by DKK 0.9 billion in 2007, while total deposits are expected to grow by DKK 0.2 billion in 2007. Also, securities trading is expected to grow in 2007.

Net interest and fee income is expected to increase by DKK 75 million, while foreign exchange income and other operating income is expected to decrease by DKK 27 million. Staff costs and administrative expenses are expected to increase by DKK 9 million, and depreciation on intangible and tangible assets are estimated to increase by 9 million.

Based on this, Eik Banki P/F expects a DKK 30 million increase in the profits from core operations in 2007. This will cause an increase in the profits from core operations from DKK 1.64 million in 2006 to approximately DKK

III Share Registration Document Administrative, Management, and Supervisory Bodies and Senior Management

194 million in 2007. In total, the Eik Group expects a result around DKK 340 million before taxes, market value adjustments of securities and provisions for losses, against DKK 213 million in 2006.

In 2007, Eik Banki P/F expects an increase in the profits from other holdings, while provisions are expected to have a negative impact on the Company's pre-tax profit, compared to the situation in 2006 where reversals of provisions contributed to a higher pre-tax profit. The acquisition of the Danish branch of Skandiabanken AB is not expected to materially affect the Group's expected result for 2007.

14. Administrative, Management, and Supervisory Bodies and Senior Management

The names, business addresses of management and board members and the names of all the companies and partnerships of which they have been member of the board or management in the previous five years are shown below.

Name	Presently held management or board duties in other companies	Other management or board duties held in the past 5 years
Members of the Board of Eik Banki P/F		
Frithleif Olsen, Chairman FO-640 Rituvík Mechanic	<ul style="list-style-type: none"> Tórshavnar Skipasmiðja P/F, Manager, FJM division Eik Grunnurin, Chairman Sp/F Metal, Managing Director P/F Frithleif Olsen, Board member and Managing Director Sp/F Tera, Board member 	<ul style="list-style-type: none"> P/F FJM, Board member and chairman until 2005
Odd Arild Bjellvåg, Deputy Chairman Fagralíð 17 FO-100 Tórshavn Graduate Diploma in Business Administration, Majoring in Accountancy	<ul style="list-style-type: none"> Registered Auditor, self-employed Eik Grunnurin, Deputy Chairman SP/F Seanergi, Board Member P/F Biotech Invest, Board Member 	<ul style="list-style-type: none"> None
Finnbogi Niclasen, Board Member FO-380 Sørvágur Shipmaster	<ul style="list-style-type: none"> Vága Floghavn P/F, Managing Director Eik Grunnurin, Board Member 	<ul style="list-style-type: none"> None
Rólant Vidtfeldt, Board Member FO-210 Sandur Plummer	<ul style="list-style-type: none"> Sp/F Rólant Vidtfeldt, Managing Director Eik Grunnurin, Board Member Sp/F Bil og Maskinverkstaðið, Board member Sp/F Bil Sandoy, Board member 	<ul style="list-style-type: none"> Sp/F 30.08.54, Owner and Managing Director until the company was solvently liquidated in 2006

III Share Registration Document Administrative, Management, and Supervisory Bodies and Senior Management

Name	Presently held management or board duties in other companies	Other management or board duties held in the past 5 years
Petur D. W. Hammer, Board Member FO-800 Tvøroyri Building Technician	<ul style="list-style-type: none"> • Sp/F Petur Hammer, Managing Director • Eik Grunnurin, Board Member • Sp/F Coma Pack, Board Member • Sp/F Suðurling, Board Member 	<ul style="list-style-type: none"> • None
Marian Jacobsen, Board Member FO-410 Kollafjørður	<ul style="list-style-type: none"> • Atlanticpane P/F, Manager • Eik Grunnurin, Board Member 	<ul style="list-style-type: none"> • P/F Atlanticpane, Managing Director until 2004 • Atlanticpane P/F, Board Member until 2006
Mathea Hilduberg, Board Member Í Svanga 16 FO-100 Tórshavn MSc in Business Administration	<ul style="list-style-type: none"> • Føroya Tele P/F, Product and Marketing Manager • Eik Grunnurin, Board Member • Vágatunnilin P/F, Board Member 	<ul style="list-style-type: none"> • None
Bjartur Nolsøe, Board Member Elected by the employees Spógvavegur 19 FO-100 Tórshavn Graduate Diploma in Business Administration Majoring in Accountancy	<ul style="list-style-type: none"> • Eik Banki P/F, Customer Consultant • Eik Grunnurin, Board Member 	<ul style="list-style-type: none"> • P/F 12. juni 2003, Board Member until 2004
Gert Langgaard, Board Member Elected by the employees Hjallavegur 13 FO-600 Saltangará Finance Education	<ul style="list-style-type: none"> • Eik Banki P/F, Customer Consultant • Eik Grunnurin, Board Member 	<ul style="list-style-type: none"> • None
Rakul Dam, Board Member elected by the employees Orknoyarvegur 3 FO-100 Tórshavn Finance Education and Training Programme and Business Studies -HR	<ul style="list-style-type: none"> • Eik Banki P/F, HR Clerk • Eik Grunnurin, Board Member 	<ul style="list-style-type: none"> • None
Tórmund A. Joensen, Board Member Elected by the employees Millum Gilja 52 FO-188 Hoyvík Finance Education and Training Programme	<ul style="list-style-type: none"> • Eik Banki P/F, Internal Audit Clerk • Eik Grunnurin, Board Member 	<ul style="list-style-type: none"> • None

III Share Registration Document Administrative, Management, and Supervisory Bodies and Senior Management

Name	Presently held management or board duties in other companies	Other management or board duties held in the past 5 years
P. Marner A. Jacobsen, Chief Managing Director Vørðubrekka 3 FO-160 Argir MSc in Economics	<ul style="list-style-type: none"> • Eik Bank Danmark A/S, Deputy Chairman 2001-2005, Chairman since 2005 • P/F Inni, Chairman since 1998 • P/F Elektron, Deputy Chairman 1998-1999, Chairman since 1999 • P/F Virðisbrævamarknaður Føroya, Deputy Chairman since 2000 	<ul style="list-style-type: none"> • Kaupthing Føroyar Virðisbrævameklarafelag P/F, Deputy Chairman until 2004
Bjarni Olsen, Managing Director J. Paturssonargøta 86 FO-100 Tórshavn MSc in Economics	<ul style="list-style-type: none"> • P/F Inni, Board Member since 1999 	<ul style="list-style-type: none"> • Kaupthing Føroyar Virðisbrævameklarafelag P/F, Board Member until 2004

There are no family relationships between any of the members of the board of directors or the management.

There are no convictions of any of the members of the board of directors or management in relation to fraudulent offences for at least the previous five years.

None of the board members or management have acted in the capacity of board member or management in any bankruptcies, receiverships or liquidations for at least the previous five years, except for Rólant Vidtfeldt, who was owner and managing director of Sp/F 30.08.54 until the company was solvently liquidated in 2006.

There have been no official public incrimination and/or sanctions of any of the members of the board of directors or management by statutory or regulatory authorities (including designated professional bodies) and none of these persons have ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The issuer's Board of Directors and Management hereby declare that there are no potential conflicts of interest between the obligations of the Board of Directors and Management towards the issuer and duties they might have through other jobs and obligations or their private interests.

None of the members of the Board of Directors or Management have been selected pursuant to any arrangement or understanding with major shareholders, customers, suppliers or others. However, there is a total overlap between the Board members of Eik Banki P/F and that of Eik Grunnurin, the largest shareholder.

III Share Registration Document Remuneration and Benefits

This relationship is described in section 18. No restrictions are placed on any of the members of the Board of Directors or Management on the disposal within a certain period of time of their holdings in Eik Banki P/F's securities.

15. Remuneration and Benefits

The Board of Directors and Management, who are relevant to establishing that the Issuer has the appropriate expertise and experience for the management of the Issuer's business, receive a fixed remuneration. In addition, management is remunerated according to a performance related bonus-scheme. The bonus-scheme awards the management a bonus calculated as 1% of the annual Result before taxes less a calculated 15% return on the capital needed to obtain an average solvency ratio of 12% for the year. In 2006 The Chief Managing Director received a total remuneration including bonus of DKK 2,444,527 and the Managing Director received remuneration including bonus amounting to DKK 1,593,808. In 2006, the remuneration to each member of the Board of Directors was DKK 108,000, the Chairman received remuneration amounting to DKK 240,000, and the Deputy Chairman received DKK 168,000.

Loans granted to board members and management and their immediate family members amounted to DKK 13.6 million as of 31 March 2007. These loans have been granted on terms and conditions similar to the terms and conditions applicable to such loans granted to the Company's other customers, and in compliance with the The Royal Decree no 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act.

According to Faroese accountancy standards, board members and management are not included in the related parties.

The remuneration to the Management is decided by the Board, upon recommendation from the Remuneration Committee, and the remuneration to the Board is decided by the Board itself.

These figures represent all payments from the issuer and its subsidiaries to the Board of Directors and Management.

No amount has been set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.

16. Board Practices

According to the Article of Associations, the Board of Directors consists of 7 members elected by the Board of Representatives at the Annual General Meeting. In addition to this, as stipulated in article 49 of the Royal Decree

III Share Registration Document Board Practices

No 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996, the employees of Eik Banki P/F are entitled to elect a number of board members equivalent to at least half the number of board members elected at the annual general meeting, i.e. 4 members. All the board members are elected for a term of 4 years according to the stipulations in article 16.2 of the Articles of Association.

Name	First elected	Current term commencement	Current term expiry
Members of the Board of Eik Banki P/F			
Frithleif Olsen, Chairman and member of remuneration committee	21 March 2003	2007	2011
Odd Arild Bjellvåg, Deputy Chairman and member of remuneration committee (Deputy Chairman since March 2006)	12 March 2004	2004	2008
Finnbogi Niclasen	30 March 2001	2006	2010
Rólant Vidtfeldt	21 March 2003	2007	2011
Petur D. W. Hammer	12 March 2004	2004	2008
Marian Jacobsen	21 March 2003	2005	2009
Mathea Hilduberg, member of remun. committee	24 April 2004	2006	2010
Bjartur Nolsøe, elected by the employees	12 March 2004	2004	2008
Gert Langgaard, elected by the employees	12 March 2004	2004	2008
Rakul Dam, elected by the employees	24 August 2001	2004	2008
Tórmund A. Joensen, elected by the employees	20 June 1997	2004	2008

Members of the management of Eik Banki P/F

	First appointed
P. Marner A. Jacobsen, Chief Managing Director	1998, and Chief Managing Director since 1999)
Bjarni Olsen, Managing Director	1999

Board members are not entitled to any benefits upon termination of employment. The Chief Managing Director and Managing Director are, according to employment contract, entitled to remuneration for up to 2½ years after the termination of employment. Board members or management do not have any service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment.

III Share Registration Document Board Practices

Corporate Governance

The Faroe Islands do not have recommendations on Corporate Governance, but Eik Banki P/F has approved rules that comply with such recommendations in Iceland and Denmark, except that an audit committee has not been established, and has accordingly implemented rules and routines for the work of the board, as are summarised below.

Working rules of the board

The working rules for the Board of Directors, which also satisfy the obligations in Article 56, Section 5 of the Royal Decree no. 250 of 3 May 1993 on implementation in the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996 include stipulations on:

- Division of responsibilities between the members of the board
- Division of responsibilities between the board and its chairman
- Division of responsibilities between the chairman and the management
- The calling of meetings, their frequency, attendees and form
- Information submitted to the board
- Minutes of meetings
- Decisions and voting
- Non-disclosure and confidentiality

Suitability of board members

Upon appointment, each board member declares to the Danish Financial Supervisory Authority in 'declaration B for board members in financial institutions' that he/she is fit and proper to fulfil the duties of a board member of a financial institution. The Financial Supervisory Authority subsequently evaluates the suitability of each board member.

The Articles of Association regulate the factors disqualifying persons from being part of the board of Eik Banki P/F. For instance, no person holding an office or a position in another bank, subsidiary or parent company of such bank, or in other companies carrying on business in competition with the Eik Banki P/F may be a member of the Board of Directors (Article 16.4). The same shall apply to persons divested of the management of their estate (Article 16.4). Further, members of the Board of Directors shall retire four months after the end of the year in which they attain the age of 70 (Article 16.2).

Subcommittees of the board

The board has appointed a remuneration committee, consisting of Frithleif Olsen, Odd Arild Bjellvåg and Mathea Hilduberg. The purpose of installing a remuneration committee is to avoid having the management control its own remuneration and furthermore to ensure that the management's remuneration is structured so as to serve the long-term interests of the shareholders. This includes negotiation of remuneration and employment conditions of the management and the internal auditor. Furthermore, the remuneration committee may draft a

III Share Registration Document Employees

company policy concerning performance related salaries. No audit committee has been appointed, since audit issues are considered to be of significant importance for the entire Board to be involved in. Further, regarding audit issues, the Board receives support from Eik Banki P/F's internal auditors.

Evaluation of performance

The board has adopted formal procedures for evaluating its performance on a regular basis.

Independent board members

All of the board members, except those elected by the employees, are independent of the company. None of the board members are directly elected by significant shareholders.

17. Employees

As per 31 March 2007, the Eik Group employed 249 full time employees, which is unchanged from 31 December 2006.

Well educated, satisfied and loyal employees are considered an important pre-condition in order for the Eik Group to achieve its targets. The Eik Group, therefore, devotes many resources to staff training to ensure that customers get professional advice in combination with good service. This is also considered to be one of the most important reasons that the Eik Group attracts skilled employees, and will be able to do so in the future.

Number of full time employees at the end of the respective periods:

Year	Eik Banki P/F Faroe Islands	Inni P/F Faroe Islands	12. juni 2003 P/F Faroe Islands	Eik Bank Danmark A/S Denmark	Group total
2004	172	2	0	31	205
2005	180	3	0	35	217
2006	204	4	0	42	249

The number of employees has not changed significantly in the period since the end of 2006 up to the date of the prospectus.

Shareholdings of the board members and management, as of the date of the Share Registration Document, are shown in the table below.

III Share Registration Document Major Shareholders

Name	Position	Own Shares	Related parties*	Total
Frithleif Olsen	Chairman of the Board	736	12,446	13,202
Odd Arild Bjellvåg	Deputy Chairman	1,230	50	1,280
Finnbogi Niclasen	Board Member	956	60	1,016
Petur D. W. Hammer	-	70	70	140
Marian Jacobsen	-	210	0	210
Rólfant Vidtfeldt	-	553	70	623
Mathea Hilduberg	-	40	10	50
Bjartur Nolsøe	-	1,750	740	2,490
Gert Langgaard	-	1,000	160	1,160
Rakul Dam	-	70	0	70
Tórmund A. Joensen	-	206	719	925
P. Marner A. Jacobsen	Chief Managing Director	14,066	371	14,437
Bjarni Olsen	Managing Director	2,526	838	3,364

*Related parties are according to article 16 of the Icelandic Financial Supervisory Authority rules on Treatment of Insider Information and Insider Trading defined as:

1. a spouse, registered partner and cohabiting partner,
2. children, adopted children and step-children living in the insider's home who are not financially competent,
3. other relations living in the insider's home and who have lived in the insider's home for at least one year when the transaction takes place, 4. a legal entity: a) where the insider or a party listed in Points 1, 2 or 3 above serves as managing director, b) which is directly or indirectly controlled by the insider or a party listed in Points 1, 2 or 3 above, c) other than those referred to in subparagraph a or b, if its financial interests are interwoven those of the insider or a party listed in Points 1, 2 or 3 above.

There are no warrants issued or options granted on the Company's shares. However, from 1 January 2007 Eik Banki P/F is implementing an incentive scheme for management and heads of departments, according to which up to 20% of the bonus awarded will be made in Eik Banki P/F shares. The shares will be awarded at market value on the last trading day of the year, and cannot be sold for the next three years.

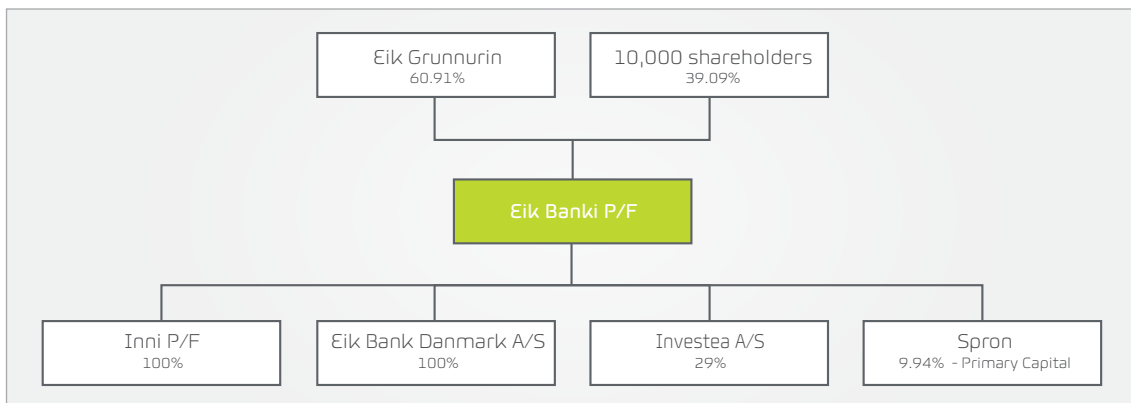
Except for the above mentioned incentive scheme for the management and heads of departments, there are no arrangements for involving the employees in the capital of the issuer, although the employees of Eik Group may have an interest in the shares of Eik Banki P/F on the basis of their private investment in the shares.

18. Major Shareholders

Eik Banki P/F is owned by around 10,000 shareholders. According to article 28a in the Company Act,

III Share Registration Document Major Shareholders

shareholders who directly or indirectly hold more than 5% of the share capital or voting rights are obliged to notify the company. Eik Grunnurin currently holds 60.91%, but depending on the result of the capital increase the ownership stake can vary between 53.29% and 64.78% of the share capital in Eik Banki P/F. No other shareholder has declared that it holds more than 5% of the share capital.



Eik Grunnurin is a commercial fund that was established in connection with the transformation of Eik Banki P/F (formerly Føroya Sparikassi) to a public liability company in 2002. Eik Grunnurin is supervised by the Danish Commerce and Companies Agency. According to the Eik Grunnurin Articles of Association, the purpose of the fund is: to continue the independent institution Føroya Sparikassi's activities in Eik Banki P/F's so that it remains a competitive and consolidated bank; and furthermore, to perform other financial activities through investments in shares, other interests and convertible bonds in commercial businesses of any kind whatsoever. In the event that the Board of Directors does not spend all income to meet the objects clause in a financial year, the surplus amount may be transferred to the subsequent financial year. However, the Board of Directors may decide that an amount be allocated to a fund for non-profit or charitable purposes.

The regulations governing Eik Grunnurin and the current ownership structure represent a stabilising factor for Eik Banki P/F since it ensures that the fund will, if required, support Eik Banki P/F with whatever capital it has available at any given point in time.

The company registration number (GR-nummar) of Eik Grunnurin is 3350, with its registered address being Eik Grunnurin, C/o Eik Banki P/F, Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands.

Voting rights of major shareholders

According to Eik Banki P/F's Articles of Association, no shareholder may hold more than 10% of the shares in Eik Banki P/F, without the consent of the Board of Directors. However, a single shareholder may own up to 25% of the share capital. This restriction does not apply to Eik Grunnurin.

III Share Registration Document Major Shareholders

A dispensation from the 10% ownership limit will, as stipulated in the Articles of Association, require a specific decision by the Board. An investor is therefore not able to expect an automatic dispensation. The purpose of the dispensation option is to give the possibility of equity ownership larger than 10%, if the Board considers this to be value-adding for Eik Banki P/F's shareholders. This could, for instance, be in connection with a strategic cooperation which entailed mutual ownership. To date, this dispensation possibility has not been used.

Due to this ownership restriction, a shareholder holding more than 10% without the consent of Eik Banki P/F's Board of Directors may be forced to relinquish the shareholdings over and above 10%, and the shareholder may incur a financial loss as a result of this.

The Company will summon an extra-ordinary General Meeting no later than the end of October 2007 with the intent to change the stipulations in the Articles of Association regarding the ownership limitations to the effect that the guidelines for administration of dispensation are explicitly stated in the Articles or that the ownership limitation is 10% without the dispensation possibility.

The shareholders' right to vote at General Meetings shall be exercised through the representatives, but every shareholder has the right to attend and speak at the General Meeting.

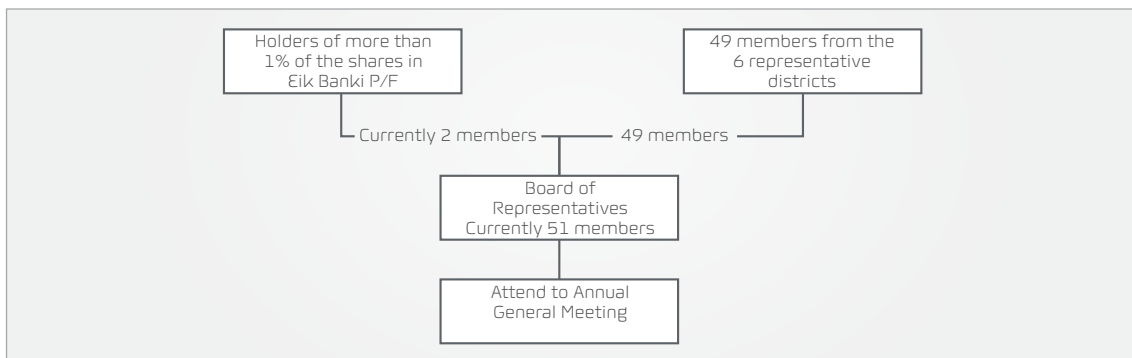
The Board of Representatives is elected every fourth year (next time 2008) among Eik Banki P/F's shareholders. The shareholders elect 49 members to the the Board of Representatives. These 49 members comprise 15 members from Suðurstreymoy, 10 members from Eysturoy and 6 members from each representative district of Norðstreymoy, Suðuroy, Sandoy and Vágoy. The votes of these 49 Board of Representatives members are allocated according to the amount of share capital represented in these representative districts. Each of the representatives from Suðurstreymoy represents 1/15 of the votes of the Suðurstreymoyar representative district, the representatives from Eysturoy each represent 1/10 of the votes of the Eysturoyar representative district, and the representatives from the other four districts each represents 1/6 of the votes of the respective representative district.

The eligibility rules in chapter 8 of the Eik Banki P/F Articles of Association state that persons eligible for the Board of Representatives shall be Company shareholders of full legal capacity whose shares are issued in registered form and recorded as such in the Company's Register of Shareholders on 1 January in the same year or who have filed proof of their acquisition of shares on 1 January in the same year. Further, no person holding an office or a position in another bank, subsidiary or parent company of such bank, or in other companies carrying on business in competition with the Company may be members of the Board of Representatives unless the Board of Directors has given its written consent. Such consent may be withdrawn in special cases subject to the assessment of the Board of Directors. Managers or staff members of the Company, the parent company or subsidiaries may not be members of the Board of Representatives.

Every shareholder, who directly or indirectly holds 1% or more of the shares in Eik Banki P/F, is allowed to appoint one member to the Board of Representatives in addition to the 49 members mentioned above. At the

III Share Registration Document Major Shareholders

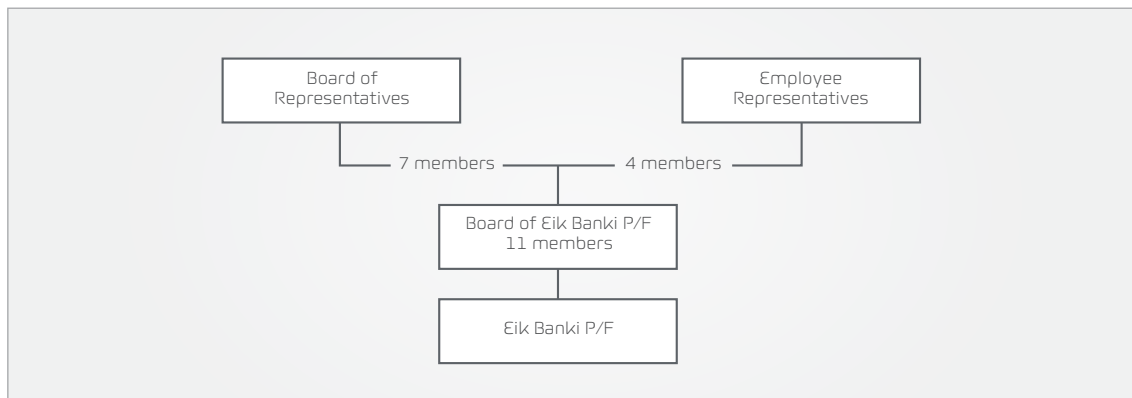
moment two shareholders (Eik Grunnurin and Sp/F 14) have used the right to appoint a member to the Board of Representatives. However, the voting right at the general meeting of such additional members is limited to 1% each of the total votes allocated, as mention above, to the 49 members of The Board of Representatives. This restriction also applies to Eik Grunnurin.



Currently two major shareholders have used their right to appoint a member to the Board of Representative – Eik Grunnurin and Sp/F 14, which is a Faroese investment company. In the future other investors may also use their rights to appoint members to the Board of Representatives. This may dilute the voting power of the present members of the Board of Representatives.

Direct or indirect control of Eik Banki P/F

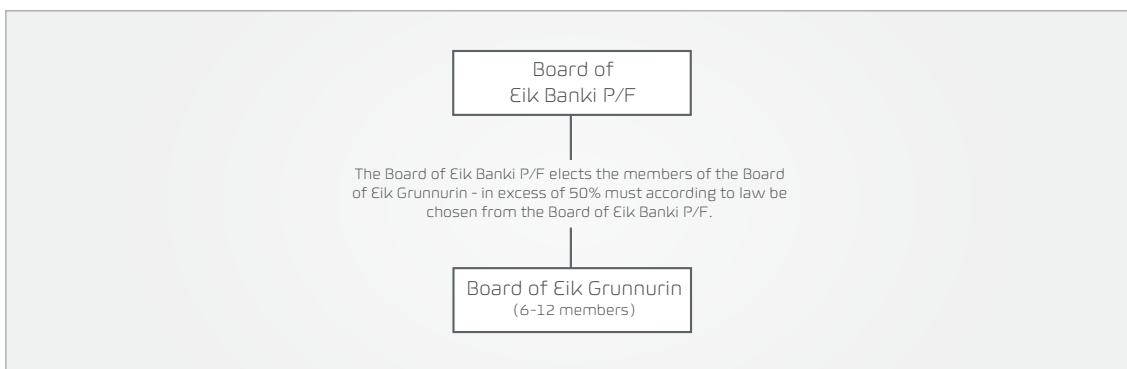
Eik Banki P/F is not controlled by any major shareholder. According to the Articles of Association no shareholder, including Eik Grunnurin, may hold more than 1% of the total votes at the general meeting. The Board of Representatives elects at the Annual General Meeting 7 members to the Board of Directors of Eik Banki P/F, which consists of 11 members. The remaining 4 members are elected according to law by the employees.



III Share Registration Document Major Shareholders

According to the Articles of Association the Board of Directors shall be in charge of the Company's business and shall ensure the proper organisation of the Company's activities. The Board of Directors appoints a management composed of one or several members to be in charge of the day-to-day management of Eik Banki P/F in accordance with the Article of Association and the Rules of Procedure prepared by the Board of Directors.

According to Eik Banki P/F's Articles of Association, any changes to the articles must be agreed by at least two thirds of the votes, representing at least two thirds of the represented capital. This means in fact, that no change can be made to the Articles of Association without the consent of the Eik Grunnurin, currently representing 60.91%, but depending on the result of the capital increase, the ownerstake can vary between 53.29% and 64.78% of the total share capital.



Despite its majority stake, Eik Grunnurin does not control Eik Banki P/F, because of the limitation in the voting right and due to a legal provision in Article 209 in the Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act stipulating that in excess of 50% of the board of the fund must be chosen from the board of Eik Banki P/F, and the rest is nominated by the board of Eik Banki P/F. As a result of this, the shareholders indirectly control the fund through the Board of Representatives.

Further, Article 6 in the Articles of Association of Eik Grunnurin say that the Board of Directors of Eik Grunnurin shall consist of 6-12 members appointed by the Board of Directors of Eik Banki P/F, the majority of members being appointed among the members of the Board of Directors, and at least one member being appointed by and among Eik Banki P/F's employee representatives. The number of members of Eik Grunnurin shall be determined by the Board of Directors of Eik Banki P/F. The Chairman and Deputy Chairman of the Board of Directors of Eik Banki P/F shall be Chairman and Deputy Chairman of the Board of Directors of Eik Grunnurin. Thus, the largest shareholder, Eik Grunnurin is controlled by the Board of Directors of Eik Banki P/F. The members of the Board of Directors of Eik Grunnurin are appointed for a term of one year, but are eligible for re-election,

Currently there is a complete overlap between the Board of Eik Grunnurin and Eik Banki P/F.

III Share Registration Document Related Party Transactions

According to Article 11 of the Articles of Association of Eik Grunnurin, a decision to amend the Articles of Association of Eik Grunnurin or to dissolve Eik Grunnurin requires that the entire Board of Directors of Eik Grunnurin is in attendance and that at least two thirds of the members vote to adopt the resolution. Upon dissolution, the assets shall be spent on non-profit and charitable purposes, depending on the Board of Director's decision. However, the assets may never be returned to the promoter or the persons or companies contributing to the Fund.

No arrangements are known to the issuer, which at a subsequent date may result in a change in control of the issuer.

Under an agreement with Eik Grunnurin, Eik Banki P/F undertakes the daily administration and asset management on behalf of the Eik Grunnurin.

19. Related Party Transactions

The related parties of Eik Banki P/F according executive order number FN104 of 23 October 2001 on the financial reporting etc. for financial institutions, savings banks and certain credit institutions, are Inni P/F and Eik Bank Danmark A/S, which are 100% owned by Eik Banki P/F.

The consolidated accounts include Eik Banki P/F, P/F Inni and Eik Bank Danmark A/S. Because "P/F 12. juni 2003" has relatively little activity in comparison to Eik Banki P/F its account activity is not included in the consolidated accounts. As of 20 April, the Board of Directors of P/F 12. juni 2003 has decided to commence proceedings to solvently liquidate the company.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses and outstanding loan balances.

Transactions with subsidiary and associated companies were executed on market terms and in accordance with the arm's length principle. In 2006, the related party transactions amounted to DKK 47.3 million. As at the end of May 2007, the related party transactions have amounted to DKK 39.9 million.

20. Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

The full annual reports including audited financial statements, audited cash flow analysis, accounting principles, auditor's statements and management statements for the years 2004, 2005 and 2006 and unaudited interim financial report for 1Q 2007 are included as appendices to this Share Registration Document.

III Share Registration Document Additional Information

Dividend policy

Eik Banki P/F does not have a formal dividend policy, but strives to distribute a steady yearly dividend. Every year, the Board of Directors decides on dividends, capital structure etc. and makes proposals regarding these issues at the annual general meeting. Dividend is distributed according to the given circumstances.

Historical dividend payments

Since the transformation of Eik Banki P/F to a limited liability company, a dividend of DKK 5 per share has been distributed each year, except in 2004, when no dividend was distributed.

Year of payment (referring to previous financial year)	Total dividend paid as proportion of nominal capital
2004	0%
2005	5%
2006	5%
2007	5%

Legal and arbitration proceedings

Eik Banki P/F has not during the previous 12 months been party to any governmental, legal or arbitration proceedings which may have, or may have had, in the recent past, significant effects on the issuer and/or the Group's financial position or profitability. Eik Banki P/F is neither aware of any circumstances that may lead to such proceedings.

Significant change in the issuer's financial or trading position

There has been no significant change in the financial or trading position of Eik Banki P/F which has occurred since the end of 1Q 2007 (31 March 2007), for which the most recent financial accounts were published.

21. Additional Information

Financial Calendar

The following sets forth the Company's planned financial reporting calendar for the remainder of 2007:

Financial Statements for the six months ended June 30, 2007:	26 July 2007
Financial Statements for the nine months ended September 30, 2007:	25 October 2007

Share capital

- The number of authorised shares is 8,393,114 including an authorisation to increase the capital in order to allocate up to 100,000 shares to employees, management and board.
- The number of issued shares as of 31 March 2007 is 7,113,114
- The number of remaining authorised, but not issued shares as of 31 March 2007 is 1,280,000
- The number of remaining authorised, but not issues shares after the share offering is 263,840 shares at

III Share Registration Document Additional Information

the maximum subscription and 497,391 shares at minimum subscription, depending on the result of the offer. This is including an authorisation to increase the capital in order to allocate up to 100,000 shares to employees, management and board.

- The par value per share is DKK 100
- Throughout 2004 and 2005, the number of shares outstanding was 6,793,114. The number of shares outstanding at the beginning of 2006 was 6,793,114 and at the end of 2006 it was 7,113,114. The capital increase of 320,000 shares was used as partial payment for the acquisition of shares in Investea A/S. Less than 10% of the capital has been paid for with assets other than cash during the period since 2004.

All shares represent capital.

According to Article 3 in the Articles of Association, the Board of Directors of Eik Banki P/F shall, until 1 March 2011, be authorised to increase the share capital by one or more issues by a total of DKK 150,000,000.00. The Company's shareholders shall have a pre-emptive right to subscribe for new shares unless the increase: a) is subject to free subscription at market price; b) is conducted in connection with the conversion of debt, including guarantee capital into shares; or c) is used as payment for an acquisition or partial acquisition of other enterprises or specific capital assets having a value corresponding to the value of the shares issued. Further, within the same period, the Board of Directors shall be authorised to increase the share capital by one or more issues by a total of DKK 10,000,000.- to be offered to staff members, members of the Management and/or members of the Board of Directors of the Company and/or the Company's subsidiaries at a price fixed by the Board of Directors.

As of 15 June 2007 Eik Banki P/F held 25,928 of its own shares, while Eik Bank Danmark A/S held 2,678 shares in Eik Banki P/F.

There are no convertible securities, exchangeable securities or securities with warrants. There are no acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital. No part of the issuer or its Group is under option or agreed conditionally or unconditionally to be put under option.

Articles of Association

Objective and purpose of issuer

According to art. 1 (3) in the Articles of Association of Eik Banki P/F the objects for which the Company is established are to undertake, carry on and engage in banking as well as any other activities authorised by the Danish Financial Activities Act.

Board of Directors and Management

According to Article 16, the Board of Directors shall consist of seven members elected for a period of four years by the General Meeting. In addition to this, as stipulated in article 49 of the Royal Decree No 250 of 3 May 1993

III Share Registration Document Additional Information

on implementation in the Faroe Islands of the Company Act, as changed by Act No 1072 of 20 December 1995 and enacted by Royal Decree No 931 of 31 October 1996, the employees of Eik Banki P/F are entitled to elect a number of board members equivalent to at least half the number of board members elected at the annual general meeting, i.e. 4 members. All the board members are elected for a term of 4 years according to the stipulations in article 16.2 of the Articles of Association. Outgoing board members are eligible for re-election. Members of the Board of Directors shall retire four months after the end of the year in which they attain the age of 70. No person holding an office or a position in another bank, subsidiary or parent company of such bank or in other companies carrying on business in competition with the Company may be a member of the Board of Directors. In article 16 it is also stipulated that in the event that the Board of Directors finds that the circumstances of a member of the Board of Directors make him unfit to stay on the board, such member may be removed, subject to a decision made by at least two-thirds of the members of the Board of Directors. Such decision shall be submitted to the General Meeting for adoption within three months.

According to Article 17, the Board of Directors shall elect its own chairman and deputy chairman at the first board meeting after the General Meeting. Furthermore the Board of Directors shall be in charge of the Company's business and shall ensure the proper organisation of the Company's activities and shall lay down rules of procedure governing the discharge of its duties. The Board of Directors shall constitute a quorum when a majority of members are present. The Board of Directors shall make its decisions by a simple majority of votes. In the event of equality of votes, the chairman, or in his absence the deputy chairman, shall have a casting vote. The Board of Directors shall appoint a management composed of one or several members to be in charge of the day-to-day management of Eik Banki P/F.

Share rights

According to Article 2 the shares shall not be transferred to bearer. The shares shall be negotiable instruments and are freely transferable. No share transferee shall be entitled to exercise the right of a shareholder unless the transferee has been recorded in the Register of Shareholders or has given substantiated notification in writing of his acquisition. However, this provision shall affect neither the right to dividend and other disbursements nor the right to new shares in the event of an increase of the share capital.

According to Article 2 no shareholder shall be obligated to have his shares redeemed in whole or in part except for stipulations in Article 5 that no shareholder may own more than 10% of the Company's share capital without the consent of the Company's Board of Directors. However, a single shareholder may own up to 25%. The above restrictions shall not apply to Eik Grunnurin. Further, according to Article 5, any holding company established as part of a change in the Company's financial activities shall not be comprised by the above restriction of 25%. Nor shall any restructuring of the Company made in concert with the Danish Financial Supervisory Authority following a capital loss be comprised by the above restriction of 25%.

In Article 5 it is stipulated that shares shall be deemed to be owned by one shareholder, provided that such special relations exist between the owners that they must be assumed to have a community of interests in

III Share Registration Document Additional Information

exercising their voting rights on the shares, including such instances where the owners have affiliations or associations with a joint group or have common interests through their holding of shares or otherwise.

Changes in share rights

According to Article 15 a resolution to amend the Articles of Association, to merge with another bank or to dissolve the Company is subject to the proposal being adopted by at least 2/3 of the votes cast as well as by 2/3 of the voting capital represented at the General Meeting. This is not more significant than is required by law.

Shareholder meetings

According to Article 12 the Annual General Meeting shall be held each year before the end of April. The General Meetings shall, according to Article 11, be convened by the Board of Directors by publication in one or more Faroese newspapers and in writing to all representatives and shareholders recorded in the Register of Shareholders who have made a request to this effect. The notice convening a General Meeting shall include the agenda of the General Meeting and shall be given not more than four weeks and not less than 14 days before the General Meeting. If any proposals are to be considered, the adoption of which is subject to a qualified majority, this fact shall be emphasised in the convening notice. Against presentation of an admission card, any shareholder shall be entitled to attend the General Meeting – either in person or represented by proxy – and to take the floor, but not to vote. The shareholder may bring an adviser when he attends in person. Shareholders who have made a request to this effect can collect admission cards at the Company's offices or at another location stated in the notice at least five days before the holding of the General Meeting.

Resolutions, with the exception of the election of members of the Board of Directors, shall be submitted in writing to the Board of Directors not later than 1 February before the holding of the General Meeting.

According to Article 13 Extraordinary General Meetings shall be held whenever the holding of such a meeting is requested by the General Meeting, the Board of Directors, or the auditors. An Extraordinary General Meeting shall also be held when requested by shareholders representing not less than 1/10 of the Company's total share capital or by a 1/4 of the share capital owned by other shareholders than Eik Grunnurin. Such an Extraordinary General Meeting shall be convened not later than 14 days after the receipt of the appropriate request.

Change in control

According to Article 7 the Board of Representatives shall work to promote the Company's activities in the representative districts and shall as representatives exercise the shareholder's voting rights at the Company's General Meetings. Election of members of the Board of Representatives shall be supervised by the auditors elected by the General Meeting, shall be conducted by an election committee consisting of three members appointed by the Board of Directors and shall be held in each of the representative districts every fourth year in the first quarter in pursuance of the election rules appended as Annex 1 to the Articles of Association, as adopted by the General Meeting and approved by the Danish Financial Supervisory Authority. Shareholders entitled to vote for the Board of Representatives shall be those whose shares are issued in registered form and recorded as such in the Company's Register of Shareholders on 1 January in the same year or who have filed

III Share Registration Document Additional Information

proof of their acquisition of shares on 1 January in the same year. The legally incapable shareholders' right to vote shall be exercised by their guardians. Shareholders exercising their rights in respect of article 7.6 shall not be entitled to vote. Shareholders entitled to vote in pursuance of article 7.3 shall, in the representative district in which, in pursuance of Article 6, they are registered on the date when they collect the admission card to the Shareholder's Meeting, elect members for the Board of Representatives as follows: 15 members in Suðurstreymoy, 10 members in Eysturoy and 6 members of each representative district of Norðstreymoy, Suðuroy, Sandoy and Vágoy – a total of 49 members elected for a term of four years from 1 April in the same year. Foreign investors can choose which representative district to be registered in. In the event that a shareholder does not make a request to be registered in a specific representative district, Eik Banki P/F shall, according to Article 6.3, decide the representative district in which the shareholder in question shall be registered. For each share certificate of DKK 100.00, the shareholders entitled to vote shall have one vote for the Board of Representatives election; but each shareholder shall not have more than 1% of the total number of votes for the Board of Representatives election. The total number of votes for the Board of Representatives election shall be calculated on the basis of the total share capital at 1 January in the same year, excluding share capital represented according to Article 7.6 rounded down to the nearest DKK 100. According to Article 11 shareholders who have made a request to this effect can collect admission cards at the Company's offices or at another location stated in the notice convening the General Meeting at least five days before the holding of the General Meeting. Members of the Board of Representatives shall be remunerated for their participation in the meetings of the Board of Representatives and General Meetings in accordance with the similar rules in force for meeting activities in public authorities or in accordance with a scheme established by the Board of Directors.

Every shareholder, who holds 1% or more of the shares in Eik Banki P/F, is allowed to appoint one member to the Board of Representatives in addition to the 49 members above. The number of votes of each shareholder is calculated on the basis of shareholdings in relation to the total share capital. However, the voting right at the general meeting of such additional members, is limited to 1% each of the total votes. This restriction also applies to Eik Grunnurin. Article 210 in the Royal Decree no. 86 of 10 February 2006 on implementation in the Faroe Islands of the Financial Business Act stipulates that the Articles of Association should contain a restriction on the voting rights of shareholders. The requirement in Article 210 lapses 5 years after transformation into a limited liability company; however, according to the Article 7 of Articles of Association, the restriction on the voting rights of shareholders is still in place.

Therefore, the Articles of Association can have a delaying, deferring or preventative effect on change of control of the issuer; and Eik Grunnurin - with its holding of 60.91% of the total share capital - can prevent changes in the Articles of Association by not voting in favour of such changes.

Disclosure of ownership

Article 7 stipulates that in order for any shareholder to exercise his/her shareholder rights (such as the election of a member to the Board of Representatives), he/she must disclose ownership to the Board of Directors.

According to the Article 28 (a) which is enacted by Royal Decree no. 250 of 3 May 1993 on implementation in

III Share Registration Document Material Contracts

the Faroe Islands of the Company Act, as changed by Act no. 1072 of 20 December 1995 and enacted by Royal Decree no. 931 of 31 October 1996, it is informed that Eik Grunnurin has informed Eik Banki P/F that it owns more than 5% of Eik Banki P/F's share capital.

Changes in capital

No conditions are imposed by the Articles of Association, statutes, charter or bylaw governing changes in the capital, that are more stringent than is required by law.

22. Material Contracts

Apart from the contract between Eik Banki P/F and SkandiaBanken AB regarding Eik Banki P/F's takeover of the Danish Branch of SkandiaBanken AB, as described in section 4 under the heading 'Investments in Progress' of this Share Registration Document, the issuer is not aware of any material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the Group is a party, for the two years immediately preceding publication of the Share Registration Document. Nor is the issuer aware of any other contract, not being a contract entered into in the ordinary course of business, entered into by any member of the Eik Group, which contains any provision under which any member of the Eik Group has any obligation or entitlement, which is material to the Eik Group as at the date of the Share Registration Document.

23. Documents on Display

For the life of this Share Registration Document, the following documents may be inspected at Eik Banki P/F's registered office Yviri við Strond 2, P.O. Box 34, FO-110 Tórshavn, Faroe Islands and on the Investor Relations section on Eik Banki P/F's website (www.eik.fo):

- Eik Banki P/F's Articles of Association
- Eik Banki P/F's audited financial reports for 2004, 2005 and 2006
- Eik Banki P/F's unaudited interim financial report for 1Q 2007
- The Share Registration Document, Securities Note and Summary dated 18 June 2007
- Eik Bank Danmark A/S's audited financial reports for 2005 and 2006
- Inni P/F's audited financial reports for 2005 and 2006

24. Confirmation Relating to Third Party Information

Information sourced from third parties has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this prospectus, the source of such information has been identified.

III. Appendices

A. Articles of Association

Articles of Association of Eik Banki P/F

Articles of Association of Eik Banki P/F

Name, registered office and objects

Article 1

1.1 The Company's name is Eik Banki P/F. The Company also carries on business under the secondary names EikiBanki P/F, Eik Bank P/F, Eik Bank International P/F and Føroya Sparikassi P/F.

1.2 The Company's registered office is situated in Thorshavn local authority.

1.3 The objects for which the Company is established are to undertake, carry on and engage in banking as well as any other activities authorised by the Danish Financial Business Act.

Capital and Shares

Article 2

2.1 The Company's share capital amounts to DKK 711,311,400, divided into shares in the denomination of DKK 100.00 and multiples thereof.

The share capital is fully paid up.

2.2 The shares shall be issued in registered form and recorded as such in the Company's Register of Shareholders.

Subject to the Board of Directors' resolution, the shares may be registered with the Danish Securities Centre or another similar institution.

Subject to the Board of Directors' resolution, the shares may be admitted to listing in a securities market, including in an authorised market place in the Faeroe Islands or abroad.

2.3 The shares shall not be transferred to bearer. The shares shall be negotiable instruments.

2.4 No share transferee shall be entitled to exercise the right of a shareholder unless the transferee has been

recorded in the Register of Shareholders or has given substantiated notification in writing of his acquisition. However, this provision shall affect neither the right to dividend and other disbursements nor the right to new shares in the event of an increase of the share capital.

2.5 The shares shall be freely transferable, but see Articles 5.1 and 5.2.

2.6 No shareholder shall be obligated to have his shares redeemed in whole or in part, but see Articles 5.3 and 5.4.

Article 3

3.1 Until 1 March 2011, the Board of Directors shall be authorised to increase the share capital by one or more issues by a total of DKK 150,000,000.00.

The Company's shareholders shall have a pre-emptive right to subscribe for new shares unless the increase:

- a. is subject to free subscription at market price;
- b. is conducted in connection with the conversion of debt, including guarantee capital into shares; or
- c. is used as payment for an acquisition or partial acquisition of other enterprises or specific capital assets having a value corresponding to the value of the shares issued.

3.2 Within the period stated in Article 3.1, the Board of Directors shall be authorised to increase the share capital by one or more issues by a total of DKK 10,000,000.- to be offered to staff members, members of the Management and/or members of the Board of Directors of the Company and/or the Company's subsidiaries at a price fixed by the Board of Directors.

3.3 Any new shareholders shall have the same pre-emptive right as existing shareholders in connection with future capital increases.

3.4 The shares shall be negotiable instruments, issued in registered form, rank for dividend and provide other rights from such time as is determined by the Board of Directors but not later than from the beginning of the financial

year immediately following the adoption of the capital increase.

3.5 New shares shall in general entail the same rights as old shares.

3.6 The Board of Directors shall be authorised to make necessary amendments to the Articles of Association in connection with any capital increase.

(Article 4 repealed)

Ownership restriction

Article 5

5.1 No shareholder may own more than 10% of the Company's share capital without the consent of the Company's Board of Directors. However, a single shareholder may own up to 25%.

The above restrictions shall not apply to Sparekassefonden.

Any holding company established as part of a change in the Company's financial activities shall not be comprised by the above restriction of 25%.

Nor shall any restructuring of the Company made in concert with the Danish Financial Supervisory Authority following a capital loss be comprised by the above restriction of 25%.

5.2 For the purpose of Articles 5.1, 7.5 and 7.6, shares shall be deemed to be owned by one shareholder, provided that such special relations exist between the owners that they must be assumed to have a community of interests in exercising their voting rights on the shares, including such instances where the owners have affiliations or associations with a joint group or have common interests through their holding of shares or otherwise.

In cases of doubt, the Board of Directors shall pass a resolution. Such resolution may be brought before the General Meeting.

5.3 In the event that the ownership restriction stipulated by Article 5.1 is exceeded, the shareholder shall sell off the excessive shares within four weeks of a demand in that respect having been made. In the event that the shareholder does not observe this deadline, the Company shall be entitled to redeem the excessive shareholding at par or at the price quoted from time to time if lower than par.

5.4 In the event of a situation comprised by Article 5.2,

and the owners disagree on whose shares to redeem as stipulated in Article 5.3, the Company shall be entitled to redeem the excessive shares among the shares last acquired.

Representative districts

Article 6

6.1 The Company's operational area shall be divided into six representative districts:

- Suðurstreymoy together with Nólsoy, Hesti and Koltri
- Norðstreymoy
- Eysturoy together with Norðoyggjum
- Suðuroy
- Sandoy together with Skúvoy and Dímun
- Vágoy together with Mykinesi

6.2 The Company's shareholders shall be registered as being attached to the representative district in which they request to be registered.

6.3 In the event that a shareholder does not make request to be registered in a specific representative district, the shareholder shall be registered as belonging to the representative district in which, according to the Company's Register of Shareholders, the shareholder resides.

The residence of enterprises, associations or other legal persons who have not submitted a written request to be registered in a specific representative district, shall be the address of their headquarters.

If a shareholder resides outside the representative districts and has not submitted a request to be registered in a specific representative district, the Company shall decide the representative district in which the shareholder in question shall be registered.

6.4 A shareholder can be registered in one representative district only but may submit a written request to be registered in another representative district instead.

The change shall be effective not later than one month after the Company has received such written request.

Board of Representatives

Article 7

7.1 The Board of Representatives shall work to promote the Company's activities in the representative districts and shall as representatives exercise the shareholder's voting rights at the Company's General Meetings.

7.2 Election of members of the Board of Representatives shall be supervised by the auditors elected by the General Meeting, shall be conducted by an election committee consisting of three members appointed by the Board of Directors and shall be held in each of the representative districts every fourth year in the first quarter in pursuance of the election rules appended as Annex 1, as adopted by the General Meeting and approved by the Danish Financial Supervisory Authority.

7.3 Shareholders entitled to vote for the Board of Representatives shall be those whose shares are issued in registered form and recorded as such in the Company's Register of Shareholders on 1 January in the same year or who have filed proof of their acquisition of shares on 1 January in the same year. The legally incapable shareholders' right to vote shall be exercised by their guardians.

Shareholders exercising their rights in respect of Article 7.6 shall not be entitled to vote.

7.4 Shareholders entitled to vote in pursuance of 7.3 shall, in the representative district in which, in pursuance of Article 6, they are registered on the date when they collect the admission card to the Shareholder's Meeting, elect members for the Board of Representatives as follows: 15 members in Suðurstreymoy, 10 members in Eysturoy and 6 members of each representative district of Norðstreymoy, Suðuroy, Sandoy and Vágoy – a total of 49 members elected for a term of four years from 1 April in the same year.

7.5 For each share certificate of DKK 100.00, the shareholders entitled to vote shall have one vote for the Board of Representatives election; but each shareholder shall not have more than 1% of the total number of votes for the Board of Representatives election.

The total number of votes for the Board of Representatives election shall be calculated on the basis of the total share capital at 1 January in the same year, excluding share capital represented according to Article 7.6 rounded down to the nearest DKK 100.

7.6 Any shareholder or shareholders owning at least 1% of the Company's total share capital, including the Føroya Sparikassi Fund or any holding company, see Article 5.1, may appoint a member of the Board of Representatives for one year at a time.

Any shareholder or shareholders who have exercised their voting rights in pursuance of Article 7.3 may not exercise their right under this provision during the same election period.

The one percent requirement must have been met on each 1 January as well as on the date on which the admission card to the General Meeting is collected, see Article 11.7.

Not later than 1 January, the relevant shareholders shall inform the Company of the names of the appointed members of the Board of Representatives, who shall be appointed for one year at a time.

The members of the Board of Representatives appointed for these shareholders need not be shareholders but shall be of age and have full legal capacity and in general comply with the provisions of Articles 8.2-8.4.

7.7 Members of the Board of Representatives shall be remunerated for their participation in the meetings of the Board of Representatives and General Meetings in accordance with the similar rules in force for meeting activities in public authorities or in accordance with a scheme established by the Board of Directors.

Persons eligible for the Board of Representatives

Article 8

8.1 Persons eligible for the Board of Representatives shall be Company shareholders of full legal capacity whose shares are issued in registered form and recorded as such in the Company's Register of Shareholders on 1 January in the same year or who have filed proof of their acquisition of shares on 1 January in the same year.

8.2 No person holding an office or a position in another bank, subsidiary or parent company of such bank, or in other companies carrying on business in competition with the Company may be members of the Board of Representatives unless the Board of Directors has given its written consent.

Such consent may be withdrawn in special cases subject to the assessment of the Board of Directors.

8.3 Managers or staff members of the Company, the parent company or subsidiaries may not be members of the Board of Representatives.

8.4 In the event that a member of the Board of Representatives appointed in pursuance of Article 7.4 transfers all his shares, the conditions of Article 7.6 of appointing a member are no longer met, or, if a member no longer meets the conditions of Articles 8.2 or 8.3, the member of the Board of Representatives in question must retire from the Board of Representatives.

Representatives

Article 9

9.1 Members of the Board of Representatives shall function as representatives at the General Meeting. Company management (Board of Directors and Management)

Article 10

10.1 The Company shall be governed by the General Meeting, the Board of Directors and the Management.

General Meetings

Article 11

11.1 The General Meeting, consisting of the Company's representatives, shall be the Company's supreme authority.

11.2 The shareholders' right to vote at General Meetings shall be exercised through the representatives, see Article 9.

11.3 General Meetings shall be held in Thorshavn as directed by the Board of Directors.

11.4 General Meetings shall be convened by the Board of Directors by publication in one or more Faroese newspapers and in writing to all representatives and shareholders recorded in the Register of Shareholders who have made a request to this effect.

11.5 The notice convening a General Meeting shall include the agenda of the General Meeting and shall be given not more than four weeks and not less than 14 days before the General Meeting.

If any proposals are to be considered, the adoption of which is subject to a qualified majority, this fact shall be emphasised in the convening notice.

11.6 Against presentation of an admission card, any shareholder shall be entitled to attend the General Meeting – either in person or represented by proxy – and to take the floor, but not to vote.

The shareholder may bring an adviser when he attends in person.

11.7 Shareholders who have made a request to this effect can collect admission cards at the Company's offices or at another location stated in the notice at least five days before the holding of the General Meeting.

11.8 Not later than one week prior to any General Meeting, the agenda and the full text of the resolutions to be considered at the General Meeting – and, in respect of the Annual General Meeting of the Company, also the financial statements duly provided with the auditor's report and the annual report – shall be available for inspection by the shareholders and the representatives at the Company's office.

11.9 The media shall have access to the General Meeting.

Article 12

12.1 The Annual General Meeting shall be held each year before the end of April.

12.2 The agenda of the Annual General Meeting shall include the following business:

1. The report of the Board of Directors on the activities of the Company during the past year
2. Presentation of the audited annual accounts for adoption
3. A resolution to distribute the net profit or cover the net loss for the year in compliance with the financial statements adopted
4. Authorisation of the Board of Directors to have the Company acquire its own shares until the next General Annual Meeting
5. Election of members to the Board of Directors
6. Election of auditors
7. Consideration of any proposals submitted by the Board of Directors, representatives or shareholders
8. Any other business

12.3 In order for resolutions, with the exception of the election of members of the Board of Directors, to be considered at the General Meeting, they shall be submitted in writing to the Board of Directors not later than 1 February before the holding of the General Meeting.

Article 13

13.1 Extraordinary General Meetings shall be held whenever the holding of such a meeting is requested by either the General Meeting, the Board of Directors or the auditors. An Extraordinary General Meeting shall also be held when the holding of such a meeting is requested by shareholders representing in the aggregate not less than 1/10 of the Company's total share capital or by a 1/4 of the share capital owned by other shareholders than Fonden for Sparekassefonden for the purpose of transacting specified business. Such an Extraordinary General Meeting shall be convened not later than 14 days after the receipt of the appropriate request.

Article 14

14.1 The General Meeting shall be presided over by a chairman appointed by the Board of Directors, who shall decide any and all questions pertaining to the conduct of the meeting and voting procedures, including any questions raised in relation to Article 5.2.

14.2 Minutes shall be taken of the proceedings at the General Meeting, such minutes to be signed by the Chairman of the Meeting.

Article 15

15.1 The representatives from each representative district, who are members of the Board of Representatives and elected in pursuance of Article 7.4, shall each represent 1/15 of the share capital of the Suðurstreymoyar representative district, 1/10 of the share capital of the Eysturoyar representative district and 1/6 of the share capital of the other districts, recorded in the Company's Register of Shareholders on 1 January of the relevant year as belonging to the representative district in which the representative in question has been elected, excluding share capital belonging to the representative district represented as stipulated in Article 15.2.

15.2 Any representative who is a member of the Board of Representatives and appointed in accordance with Article 7.6 shall represent the share capital recorded in the Company's Register of Shareholders as being owned by the appointing shareholder on 1 January in the year in question and stated in accordance with Article 5.2.

15.3 With the exception of shares owned by the Føroya Sparikassi Fund or a holding company as mentioned in Article 5.1 – shares in excess of the provision of 10% of the Company's share capital, see Article 5.1, shall not be included in the calculation of voting shares in pursuance of Articles 15.1 and 15.2 regardless of whether the Board of Directors has given its consent in pursuance of Article 5.1.

15.4 At the General Meeting, each representative district shall have one vote for each DKK 100.00 of share capital as calculated in pursuance of Article 15.1.

Each of the representatives of the representative districts elected in pursuance of Article 7.4 shall represent 1/15 of the votes of the Suðurstreymoyar representative district, 1/10 of the votes of the Eysturoyar representative district and 1/6 of the votes of the other representative districts, respectively, rounded down to the nearest full figure.

In the event that a member of the Board of Representatives elected in pursuance of Article 7.4 resigns prematurely, regardless of the cause, such member's votes,

rounded down to the nearest full figure, shall be distributed equally among the remaining members of the Board of Representatives in the representative district in question.

15.5 Representatives representing share capital in pursuance of Article 15.2 shall have one vote for each DKK 100.00 of share capital but not more than 1% of the total number of votes as represented in pursuance of Article 15.4.

The 1% limitation in voting rights shall not apply to a holding company established in pursuance of Article 5.1 on the condition that the same limitation in voting rights applies in the holding company.

15.6 All business transacted at the General Meeting shall be decided by a simple majority of votes, unless the legislation or these Articles of Association provide otherwise.

15.7 A resolution to amend the Articles of Association, to merge with another bank or to dissolve the Company is subject to the proposal being adopted by at least 2/3 of the votes cast as well as by 2/3 of the voting capital represented at the General Meeting.

15.8 A representative may be represented by proxy and exercise his voting right by giving proxy to another representative. Representatives elected in pursuance of Article 7.6 may not vote by proxy given by other representatives elected in pursuance of the same Article.

The proxy, which must be in writing and dated, shall be presented at the General Meeting. No person may vote by proxy on behalf of more than one representative. A proxy shall be valid only at the first General Meeting after its presentation.

Board of Directors

Article 16

16.1 The Board of Directors shall consist of seven members elected by the General Meeting. To this shall be added any further members prescribed by legislation.

16.2 The members of the Board of Directors elected by the General Meeting shall be elected for a term of four years in accordance with the scheme established for election of board members in Føroya Sparikassi before it merged with Eik Bank P/F. Outgoing board members are eligible for reelection.

Members of the Board of Directors shall retire four months after the end of the year in which they attain the age of 70.

16.3 In the event that a board member elected by the General Meeting retires during his term of office, the Board of Directors may elect a provisional member until the next General Meeting, at which time a new member must be elected for the remaining part of the term of office.

16.4 No person holding an office or a position in another bank, subsidiary or parent company of such bank, or in other companies carrying on business in competition with the Company may be a member of the Board of Directors. The same shall apply to persons divested of the management of their estate.

16.5 In the event that the Board of Directors finds that the circumstances of a member of the Board of Directors make him unfit to stay on the Board, such member may be removed, subject to a decision made by at least two-thirds of the members of the Board of Directors. Such decision shall be submitted to the General Meeting for adoption within three months.

Article 17

17.1 The Board of Directors shall elect its own Chairperson and Vice-Chairperson at the first board meeting after the General Meeting.

17.2 The Board of Directors shall be in charge of the Company's business and shall ensure the proper organisation of the Company's activities.

17.3 The Board of Directors shall lay down rules of procedure governing the discharge of its duties.

17.4 The Board of Directors shall constitute a quorum when a majority of members are present. The Board of Directors shall make its decisions by a simple majority of votes. In the event of equality of votes, the Chairperson, or in his absence the Vice-Chairperson, shall have a casting vote.

17.5 Minutes of the proceedings at Board meetings shall be entered in a minute book, which shall be signed by all members in attendance. Furthermore, the audit book shall be produced at all board meetings, and all members of the Board of Directors shall sign any entry therein.

Management

Article 18

18.1 The Board of Directors shall appoint a Management composed of one or several members to be in charge of the day-to-day management of Eik Bank P/F. In the event that the Management consists of more members, one member shall be appointed Chief Managing Director.

18.2 The terms of employment of the members of the Management shall be laid down in agreements between the members of the Management and the Board of Directors.

18.3 The Management shall be in charge of the Company's day-to-day business in accordance with these Articles of Association and the Rules of Procedure prepared by the Board of Directors and shall represent the Company in legal proceedings instituted against third parties within the business area of the Management. The Management shall be in charge of hiring and dismissing staff and shall determine such staff's remuneration and terms of employment.

18.4 The Board of Directors shall make instructions as to the extent to which the Board of Directors' prior actions are required in the offering of loans, credits, guarantees and any other obligations.

18.5 The Management shall participate in board meetings unless the meetings are to transact business concerning individual members of the Management or the entire Management. The Management shall be entitled to take the floor but not to vote at board meetings and shall be entitled to have its points of view entered into the minute book.

Powers to Bind the Company

Article 19

19.1 The Company shall be legally bound by the signatures of the members of the Board of Directors and the Management.

19.2 The Company shall be legally bound by the joint signatures of two members of the Management, by the joint signatures of one member of the Management and one member of the Board of Directors or by the joint signatures of the Chairperson or the Vice-Chairperson of the Board of Directors and one member of the Board of Directors.

19.3 The Board of Directors may grant joint powers of procuration and special power of attorney.

Auditors

Article 20

20.1 The auditors elected by the General Meeting shall audit the Company's accounts.

20.2 The auditors' fees shall be determined subject to

agreement between the auditors and the Board of Directors.

Financial year

Article 21

21.1 The financial year shall coincide with the calendar year.

Transitional provisions

Article 22

22.1 The guarantors, who have contributed guarantee capital in Føroya Sparikassi on 5 April 2002 at 4 pm, shall be entitled to exchange their guarantee capital for shares in Eik Bank P/F at par or have their guarantee capital redeemed into cash during the period 12 April 2002 to 31 May 2002.

22.2 Guarantors shall be entitled to exchange their guarantee capital for shares at market price, see Article 3.1, or have their guarantee capital redeemed into cash during the period 1 June 2002 to 31 March 2007.

22.3 The right to exchange guarantee capital for shares as stipulated in Articles 22.1 and 22.2 may be exercised only if the guarantor's entire guarantee capital is exchanged at the same time.

22.4 Guarantors who have not exercised their right to exchange guarantee capital for shares in pursuance of Ar-

ticles 22.1 or 22.2 and who have not wanted to redeemed their guarantee capital into cash may continue as guarantors until 31 March 2007, at which time the guarantee capital shall be redeemed. The guarantee capital shall carry interest at 1% above the highest rate of interest subject to 12 months' notice of termination. Interest shall accrue every six months and shall be payable once a year.

Article 23

23.1 Election to the Company's Board of Representatives shall take place the first time in 2004. Incumbent members of the Board of Representatives shall continue as members of the Board of Representatives of Eik Bank P/F and shall be representatives at General Meetings until the election of a Board of Representatives in 2004, when a new election to the Board of Representatives will be held.

Article 24

24.1 The members of the Board of Directors of Føroya Sparikassi elected at a General Meeting who do not resign at the 2002 General Meeting shall continue on the Board of Directors of Eik Bank P/F and shall be up for election according to the scheme established and applicable in Føroya Sparikassi until the 2002 General Meeting.

The employee-elected members of the Board of Directors shall continue as board members of Eik Bank P/F until the next election of employee representatives the Board of Directors.

The board member appointed by the public authorities shall continue on the Board of Directors of Eik Bank P/F unless otherwise determined by the authorities.

Tórshavn 18 December 2006

Board of Directors of Eik Bank P/F

Frithleif Olsen, Chairperson

Odd A. Bjellvåg, Vice-Chairperson

Gert Langgaard

Finnbogi Niclasen

Marian Jacobsen

Mathea Hilduberg

Bjartur Nolsøe

Tórmund A. Joensen

Rakul Dam

Rólant Vidtfeldt

Petur D. W. Hammer

Eik

Eik Banki P/F
Yviri við Strond 2
Postboks 34
110 Tórshavn
Tel : 348 000
Fax : 348 800
eik@eik.fo
www.eik.fo

Election rules of Eik Banki P/F

1

1.1 Eik Banki P/F's area of operations shall be divided into the following representative districts: Suðurstreymoy, Norðstreymoy, Eysturoy, Suðuroy, Sandoy and Vágoy.

The representative district of Suðurstreymoy shall also comprise Nólsoy, Hest and Koltur, the representative district of Eysturoy shall also comprise Norðoyggjar, the representative district of Sandoy shall also comprise Skúvoy and Dímun and the representative district of Vágoy shall also comprise Mykines.

1.2 A Board of Representatives, consisting of 15 members in Suðurstreymoy, 10 members in Eysturoy and 6 members in each of the districts of Norðstreymoy, Suðuroy, Sandoy and Vágoy, shall be elected by and among the shareholders for each representative district.

1.3 The members of the Board of Representatives shall also be representatives at the Company's General Meetings.

2

2.1 The Company's shareholders shall be registered as being attached to the representative district in which they request to be registered.

In the event that a shareholder does not make a request to be registered in a specific representative district, the shareholder shall be registered as belonging to the representative district in which, according to the Company's Register of Shareholders, the shareholder resides.

If a shareholder resides outside the representative districts and has not submitted a request to be registered in a specific representative district, the Company shall decide the representative district in which the shareholder in question shall be registered.

3

3.1 Election to the Board of Representatives shall be held every fourth year in the first quarter and shall apply from 1 April following such election.

The time for holding the election shall be fixed by the Board of Directors.

3.2 The Board of Directors shall convene an election meeting of the shareholders at least four weeks prior to the election. The election meeting shall be convened by publication in Faeroese newspapers, in writing to each shareholder at his latest address as recorded in the Register of Shareholders and by posting in the bank's offices.

3.3 Nominations shall reach the bank of the representative district not later than three weeks before the election. The list of candidates shall be available in the offices of the representative district not later than one week prior to the election.

4

4.1 Persons eligible for the Board of Representatives shall be Company shareholders of full legal capacity.

4.2 Candidates shall confirm in writing that they accept election.

4.3 The election committee shall ensure that the candidates fulfil the conditions for being eligible. The election committee shall consist of three members elected by the Board of Directors.

4.4 In connection with elections to the Board of Representatives, each representative district shall prepare a list of candidates, stating name, position and address of those eligible and having accepted election.

In the event that the deadline for submitting proposals for candidates has expired and the number of candidates

listed is inadequate, the Board of Directors shall add the necessary candidates so as to achieve the number of candidates needed.

4.5 If a representative district does not nominate more candidates than needed, these candidates shall be elected without a vote.

5

5.1 Shareholders entitled to vote in the election to the Board of Representatives shall be those whose shares are issued in registered form and recorded as such in the Company's Register of Shareholders on 1 January in the same year or who have filed proof of their rights in the shares on 1 January in the same year. Legally incapable shareholders' right to vote shall be exercised by their guardians.

For each share of DKK 100.00, the shareholders shall have one vote to the Board of Representatives election; but each shareholder shall not have more than 1% of the total number of votes to the Board of Representatives election.

The total number of votes to the Board of Representatives election shall be calculated on the basis of the total share capital at 1 January in the same year, excluding share capital represented according to Article 7.6 of the Articles of Association rounded down to the nearest DKK 100.

5.2 In pursuance of the rules laid down by the Board of Directors, votes may be given by post. Vote by proxy is not allowed.

6

6.1 Each person eligible to vote shall receive an election card to be used at the election. The election shall be held at the bank's offices and at election meetings in the representative districts.

6.2 The ballot for a representative district shall state the names of all candidates in alphabetical order and the voting procedure.

6.3 The shareholders shall receive a ballot stating the number of votes. Votes shall be cast by putting a cross next to the name of the candidate the shareholder wants to elect.

6.4 The ballot shall not be valid if the cross made is unclear or if it is otherwise uncertain next to whom the shareholder has put his cross.

6.5 Members of the Board of Representatives shall be elected by a relative majority of votes, i.e. according to the number of votes they have received when all valid ballots have been counted. The candidate receiving the highest number of votes is elected first, then, the candidate receiving the second highest number of votes is elected, etc. In the event of an equality of votes, the election is determined by lot.

7

7.1 The election committee shall be responsible for calculating the votes cast under the supervision of the bank's auditor, elected at the General Meeting.

8

8.1 The election shall be entered into a minute book to be signed by the election committee and the auditor, who shall be responsible for the supervision. The result of the election shall be reported to the shareholders.

9

9.1 Any necessary amendments to the election rules shall be adopted by the General Meeting.

The election rules of Eik Banki P/F as latest amended at the Extraordinary General Meeting on 18 December 2007.

Board of Directors of Eik Banki P/F

Frittleif Olsen, Chairperson

Odd A. Bjellvåg, Vice-Chairperson

Gert Langaard

Finnbogi Niclasen

Marian Jacobsen

Mathea Hilduberg

Bjartur Nolsøe

Tórmund A. Joensen

Rakul Dam

Rólant Vidtfeldt

Petur D. W. Hammer

III. Appendices

B. 2007 First Quarter Report



Eik

Roknskapur fyri fyrsta ársfjórðing

First Quarter Report

2007

www.eik.fo

EiK Banki P/F

Yviri við Strond 2
Postboks 34
FO-110 Tórshavn
Tel +298 348000
Fax +298 348800
eik@eik.fo

Skrásetingarnúmer /
Registration no 3293
Fondskota 1620061
V-tal 516244
Swift: EIKB FO TF
www.eik.fo

Stjórn / Management

Mærner Jacobsen
forstjóri / Chief Managing Director
mærner.jacobsen@eik.fo

Bjarni Olsen
stjóri / Managing Director
bjarni.olsen@eik.fo

Nevnd / Board of Directors

Frithleif Olsen
formaður / Chairman

Odd Arild Bjellvåg
næstformaður / Deputy Chairman

Mathea Hilduberg
Finnbogi Niclasen
Rólant Vidtfeldt
Petur D.W. Hammer
Rakul Dam
Gert Langgaard
Bjartur Nolsøe
Marian Jacobsen
Tórmund A. Joensen

Umboðsráð / Board of Representatives**Suðuroy**

Eiler Djurhuus
Petur D.W. Hammer
Páll Allan Michelsen
Finnbjørn Nielsen
Jastrid Nielsen
Stein Næs

Eysturoy

Elisabeth Eldevig
Herborg Gullbrandsdóttir
Olaf Fríðheim
Regin Gregersen
Súni í Hjøllum
Sofus Debes Johannesen
Sonni Johansen
Hilmar Nielsen
Frithleif Olsen

Sandoy

William Sand Davidsen
Poul D. Klementsén
Elisabeth Myllhamar
Jonna Krog Poulsen
Jákup Martin Sørensen
Rólant Vidtfeldt

Vágoy

Jógvæn Hans Joensen
Finnbogi Niclasen
Heini Nielsen
Sigfríður Olsen
Durita Rasmussen
Sveinur Thomassen

Norðstrey moy

Tummas Debess
Sólfríð Djurhuus
Petra Iversen
Gunnbjørn Joensen
Ragnar Petur Joensen
Gunnar B. Skúvadal

Suðurstrey moy

Hans Biskopstø
Maria á Dul
Gunnleyg Durhuus
Johannes A. Ellingsgaard
Ingi Gunnarsson
Jóannes M. Hansen
Poul Gert Hansen
Mathea Hilduberg
Turið Holm
Heri Jensen
Olga Kallsberg
Ingi Mohr
Oddvå Nattestad
Birgir Sondum
Petur F. Zachariassen

**Tilnevnd sbrt. §7 stk 6 í viðtøkunum/
Appointed according to §7.6 in the
Articles of Association**

Frithleif Olsen
Kjartan Mohr

**Uttanhýsis grannskoðan /
External Auditor**

Klaus Rasmussen, statsaut. grannskoðari /
State-Authorized Public Accountant
Hans Laksá, statsaut. grannskoðari /
State-Authorized Public Accountant

**Innanhýsis grannskoðan /
Internal Auditor**

Sigmund Frederiksen,
grannskoðanarleiðari /
Chief Auditor

Innihald

Contents

Gongdin seinastu 5 árinu	05
Five-year Summary	
Frágreiðing fyri fyrsta ársfjórðing	11
Comments on First Quarter Report	
Roknskapartøl fyrsti ársfjórðingur 2007	17
Accounts First Quarter 2007	
Roknskaparháttur	23
Accounting Principles	

Gongdin seinastu 5 árin

Five-year Summary
2003–2007

Gongdin seinastu 5 árin / Five-year Summary Rakstur / Profit and Loss Account

Sæmtak / Group
DKK 1.000

	1Q 2007	1Q 2006	1Q 2005	1Q 2004	1Q 2003
Rakstur / Profit and Loss Account					
Rentuinntøkur / Interest income	169.559	98.486	82.309	69.273	73.352
Rentuútreiðslur / Interest expenses	84.843	37.213	24.789	17.171	20.613
Rentuinntøkur netto / Net interest income	84.716	61.273	57.520	52.102	52.739
Ómaksgjöld og provisiósinntøkur v. m. / Fee and commissions income, etc.	97.032	35.789	15.551	6.216	5.133
Virðisjavnun av virðisbrøvum og útlenskum gjaldoyra / Market value adjustments of securities and foreign currencies	17.654	4.600	8.500	43.684	-1.873
Aðrar vanligar inntøkur / Other operating income	2.106	1.960	1.834	4.593	1.396
Úrslit av figgjarpostum / Profit on financial operations	201.508	103.622	83.405	106.595	57.395
Útreiðslur til starvsfólk, umsiting og aðrar rakstrarútreiðslur / Staff costs, administrative expenses and other operating expenses	61.719	49.051	43.035	32.485	31.013
Av- og niðurskrivingar og burturleggingar tilsamans / Total depreciation, write-downs and provisions	2.857	9.588	9.490	14.783	22.043
Úrslit av kapitalþertum í assosieraðum og tilknýttum fyr- tøkum / Income from associated and subsidiary undertakings	-25	0	349	28	79
Úrslit undan skatti / Profit before taxes	136.907	44.983	31.229	59.355	4.418
Skattur / Taxes	16.415	9.439	6.889	4.892	914
Úrslit / Net profit	120.492	35.544	24.340	54.463	3.504
Grundrakstur / Core operations					
Bruttoinntøkur / Gross income 1)	172.182	97.711	75.746	64.804	60.637
Útreiðslur / Expenses 2)	67.391	52.671	46.386	34.427	33.089
Úrslit av grundrakstri / Profit on core operations	104.791	45.040	29.360	30.377	27.548
Bruttoinntøkuvøkstur / Increase in gross income (%)	76,2	29,0	16,9	6,9	15,3
Útreiðsluvøkstur / Increase in expenses (%)	27,9	13,5	34,7	4,0	7,2
Brutto inntøkur pr. útreiðslukrónu / Gross income per expense DKK	2,55	1,86	1,63	1,88	1,83

- 1) Rentu- og provisiósinntøkur netto, aðrar vanligar inntøkur og virðisjavnun av útlenskum gjaldoyra / Net interest, fee income, other ordinary income and value adjustment of foreign currencies.
- 2) Útreiðslur til starvsfólk, umsiting, avskringingar - tó ekki niðurskrivingar - av óítökiligum og ítökiligum ognum og aðrar rakstrarútreiðslur / Staff costs, administrative expenses, depreciation - excluding write-downs of intangible and tangible assets and other operating expenses

Gongdin seinastu 5 árin / Five-year Summary
Fíggjarstöða / Balance Sheet

Samtak / Group DKK 1.000	1Q 2007	1Q 2006	1Q 2005	1Q 2004	1Q 2003
Fíggjarstöða / Balance Sheet					
Ogn / Assets					
Kassapeningur og innlán í øðrum lánistovnum / Cash in hand, claims on central banks and credit institutions	1.232.921	296.924	297.939	249.824	213.517
Virðisbrøv / Securities	1.382.615	1.236.850	841.580	881.485	775.889
Útlán / Loans and advances	8.536.211	6.757.691	5.230.425	3.806.554	4.013.225
Fastar ognir og innbúgv / Tangible assets	137.600	126.590	123.826	125.650	126.853
Aðrar ognir / Other assets	501.478	260.882	243.526	148.909	126.792
Ogn tilsamans / Total assets	11.790.825	8.678.937	6.737.296	5.212.422	5.256.276
Skuld / Liabilities					
Skuld til lánistovnar / Debt to credit institutions	3.876.697	2.846.995	1.334.836	453.234	286.554
Innlán / Deposits	5.869.372	4.647.483	4.397.018	3.858.800	3.954.634
Onnur skuld / Other liabilities	267.786	231.290	154.313	92.397	134.465
Eftirstillað kapitalinnskot / Subordinated debt	448.032	0	0	0	0
Æginpeningur / Equity	1.328.938	953.169	851.129	807.991	880.623
Skuld tilsamans / Total liabilities	11.790.825	8.678.937	6.737.296	5.212.422	5.256.276
Partabrøv / Shares 1)					
DKK					
Úrslit pr. partabræv / Earnings after tax per share 2)	16,9	5,2	3,6	8,0	0,5
Innara virði pr. partabræv / Book value per share 2)	186,8	140,3	125,3	118,9	129,6
Kursur við enda á tíðarskeiði / Share price 1Q-end 3)	518,0	274,0	123,1	123,1	121,5
Kursur við enda á tíðarskeiði/Innara virði pr. partabræv / Share price 1Q-end/Book value per share (P/B) 2)	2,8	2,0	1,0	1,0	0,9

1) Partabrøvini í Eik Banka eru ikki børsskrásett, men Eik Banki fyriskipar handil við partabrøvunum. /
Eik Bank's shares are not listed, but are traded on an OTC basis by Eik Bank

2) Miðal tal av partabrøvum í tíðarskeiðinum / Average number of shares in the period

3) Seinasti handilskursur, sum Eik Banki hevur skrásett á partabrøvunum / Last price registered by Eik Bank.

Gongdin seinastu 5 árin / Five-year Summary

Lyklátöl / Ratios

Samtak / Group	1Q 2007	1Q 2006	1Q 2005	1Q 2004	1Q 2003
Lyklátöl / Ratios ¹⁾					
Solvensur og kapitalur / Solvency and capital ratios					
Solvensprosent / Solvency ratio (%) ²⁾	14,0	10,0	13,2	18,8	22,3
Kjarnukapitalprosent / Core capital ratio (%) ³⁾	10,3	12,9	13,2	19,6	22,8
Vinningur / Earnings ratios					
Renting av eginogn áðrenn skatt / Return on equity before tax (%)	10,8	4,8	3,7	7,6	0,5
Renting av eginogn aftan á skatt / Return on equity after tax (%)	9,5	3,8	2,9	7,0	0,4
Vinningur pr. útreiðslukrónu / Income/cost ratio	3,12	1,77	1,59	2,26	1,08
Marknaðarváði / Market risk					
Rentuváði / Interest rate risk (%) ⁴⁾	1,9	3,4	3,4	2,8	2,5
Gjaldoyraváði / Foreign currencies risk (%) ⁵⁾	27,4	5,4	4,9	8,7	2,2
Gjaldføri / Liquidity ratios					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	148,9	151,7	127,4	108,4	104,0
Yvirdekningur í mun til lógarkrav um gjaldføri / Excess liquidity cover relative to statutory requirement (%)	74,3	80,9	83,3	97,9	83,9
Lánsváði / Credit risk					
Stór engagement í mun til grundkapital / Large loans as percentage of capital base (%) ⁶⁾	133,4	85,7	46,3	117,7	60,2
Burturleggingarprosent / Provisions percentage (%)	2,1	3,9	6,5	8,7	2,3
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	0,0	0,1	0,1	0,3	0,5
Útlánsvækstur / Increase in loans (%)	3,2	3,2	3,5	-2,1	0,9
Útlán í mun til eginognina / Total loans in proportion to equity	6,4	7,1	6,1	4,7	4,6
Önnur lyklátöl / Other ratios					
Innlánsvækstur / Increase in deposits (%)	26,3	5,7	13,9	-2,4	3,0
Vækstur í fíggjarjavna / Increase in balance (%)	35,9	28,8	29,3	-0,8	8,5

Gongdin seinastu 5 árin / Five-year Summary Lyklatöl / Ratios

Eik Banki P/F	1Q 2007	1Q 2006	1Q 2005	1Q 2004	1Q 2003
Lyklatöl / Ratios ¹⁾					
Solvensur og kapitalur / Solvency and capital					
Solvensprosent / Solvency ratio (%) ²⁾	17,9	13,0	15,9	18,8	22,3
Kjarnukapitalprosent / Core capital ratio (%) ³⁾	13,2	16,7	15,9	19,6	22,8
Vinningur / Earnings					
Renting av eiginogn áðrenn skatt / Return on equity before tax (%)	10,1	4,5	3,5	7,6	0,5
Renting av eiginogn aftan á skatt / Return on equity after tax (%)	9,5	3,8	2,9	7,0	0,4
Vinningur pr. útreiðslukrónu / Net profit to total expense ratio	4,02	1,99	1,73	2,26	1,08
Marknaðarváði / Market risk					
Rentuváði / Interest rate risk (%) ⁴⁾	1,0	2,6	3,0	2,8	2,5
Gjaldoyraváði / Foreign currencies risk (%) ⁵⁾	27,1	5,0	4,9	8,7	2,2
Gjaldføri / Liquidity ratios					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	104,8	116,8	106,1	108,4	104,0
Yvirdekningur í mun til lógarkrav um gjaldføri / Excess liquidity cover relative to statutory requirement (%)	30,7	42,6	74,1	97,9	83,9
Lánsváði / Credit risk					
Stór engament í mun til grundkapital / Large loans as percentage of capital base (%) ⁶⁾	107,4	29,2	46,3	117,7	60,2
Burturleggingarprosent / Provisions percentage (%)	2,8	5,1	7,8	8,7	2,3
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	-0,1	0,1	0,1	0,3	0,5
Útlán í mun til eiginognina / Total loans in proportion to equity	4,1	4,9	4,7	4,7	4,6
Útlánsvøkstur / Increase in loans (%)	4,6	4,3	3,0	-2,1	0,9
Onnur lyklatöl / Other ratios					
Innlánsvøkstur / Increase in deposits (%)	27,7	1,4	7,2	-2,4	3,0
Vøkstur í fíggjarjavna / Increase in balance (%)	37,2	24,9	20,7	-0,8	8,5

Frágreiðing til lyklatölina / Explanation of ratios

- Gjörd í samsvar við leiðreglurnar hjá Fíggjareftirlitinum / Prepared in accordance with the regulations issued by the Danish Financial Supervisory Authority.
- Solvensprosentin er grundkapitalur í mun til vektada ogn, har grundkapitalur er eiginognin eftir ávísar javningar, og vektad ogn eru ognir, vektadar eftir tapsváða. / The solvency ratio is the ratio between the capital base and the weighted assets, where capital base is equity less certain adjustments and weighted assets are the assets of Eik weighted by loss risk.
- Kjarnukapitalprosent er kjarnukapitalur eftir frádrátt í mun til vektada ogn, har kjarnukapitalur eftir frádrátt er eiginognin eftir ávísar javningar, og vektad ogn eru ognir, vektadar eftir tapsváða. / Core capital ratio is the ratio between the core capital after deductions and the weighted assets, where core capital after deductions is equity less certain adjustments and weighted assets are assets of Eik Bank weighted by loss risk.
- Rentuváði er grundaður á, at effektiva rentan broytist eitt prosentstig, og broytingin í krónum verður roknað í mun til kjarnukapitalin aftan á frádrátt. / Interest rate risk is based on the premise that the effective interest rate fluctuates one percentage point and the corresponding change in DKK is calculated in percent of core capital after deductions.
- Gjaldoyraváði er hægra talið av ogn ella skuld í gjaldoyra og verður roknaður í prosent av kjarnukapitalinum aftan á frádrátt. / Foreign currencies risk is the higher amount of assets or liabilities in currency and is calculated in percent of core capital after deductions.
- Millumverandi størri enn 10% eftir frádrátt fyri tryggum krøvum í prosentum av grundkapitalinum. / Outstanding accounts greater than 10% after deductions for secure claims in percent of capital base.

Frágreiðing fyri fyrsta ársfjórðing

Comments on First Quarter Report

2007

Eik metavlop fyrsta ársfjórðing 2007

Eik Banki hevði eitt sera gott úrslit fyrsta ársfjórðing 2007. Avlopið er 120,5 mió. kr. eftir skatt, móti 35,5 mió. kr. fyrsta ársfjórðing 2006. Eginognin við ársbyrjan er sostatt rentað við 39,9 % p.a. móti 15,5 % p.a. sama tíðarskeið í fjør.

Úrslitið áðrenn skatt gjørdist 136,9 mió. kr. móti 45,0 mió. kr. fyrsta ársfjórðing 2006. Skatturin fyri 2007 er 16,4 mió. kr móti 9,4 mió. kr. fyrsta ársfjórðing 2006.

Í úrslitið innganga 68,0 mió. kr. í vinningsbýti frá Spron. Hinvægin inngongur úrslitið frá Investea (fyrr Ejdendomsvækst) ikki í úrslitið fyri ársfjórðingin, men kemur við til hálvárið.

Úrslitið hjá dótturbankanum Eik Bank Danmark gjørdist 23,7 mió. kr. eftir skatt móti 8,5 mió. kr. sama tíðarskeið í fjør.

Vækstur í inntøkunum

Samlaðu netto rentuinntøkurnar fyri samtakið fyrsta ársfjórðing gjørdust 84,7 mió. kr. móti 61,3 mió. kr. fyrsta ársfjórðing 2006. Hetta er ein vækstur uppá 23,4 mió. kr. svarandi til 38,3 %. Væksturur í rentuinntøkunum stavar bæði frá tí føroyska og danska partinum í samtakinum.

Inntøkurnar frá ómáksgjøldum og provisiónum øktust við 10,6 mió. kr. ella 58,0 %, úr 18,4 mió. kr. fyrsta ársfjórðing 2006 upp í 29,0 mió. kr. fyrsta ársfjórðing 2007.

Úrslitið fyrsta ársfjórðing er serliga merkt av munandi vækstri í vinningsbýti av partabrøvum v.m., sum gjørdist 68,4 mió. kr. móti 17,7 mió. kr. sama tíðarskeið í fjør. Meginparturin av vinningsbýtinum, nevnliga 68,0 mió. kr. stavar frá ognarlutinum í íslenska sparikassanum Spron.

Record breaking First Quarter Result

Eik Bank Group has achieved an excellent result first quarter of 2007. Profit after taxes is DKK 120.5 million compared to DKK 35.5 million same period last year. Annualized return on equity is 39.9 percent p.a. compared to 15.5 percent p.a. first quarter 2006.

Profit before taxes is DKK 136.9 million compared to DKK 45.0 million first quarter 2006. Taxes first quarter 2007 is DKK 16.4 million compared to DKK 9.4 million first quarter 2006.

The result includes a DKK 68 million dividend from Spron. On the other hand, the result from Investea (formerly Ejdendomsvækst) are not included in the report first quarter, but will be included in the first half year report.

The Copenhagen subsidiary Eik Bank Danmark had a DKK 23.7 million profit after taxes compared to DKK 8.5 million first quarter last year.

Increase in Income

Net interest income first quarter this year is DKK 84.7 million compared to DKK 61.3 million first quarter last year. This is a DKK 23.4 million increase corresponding to 38.3 percent. The increase comes from the results of the domestic as well as the overseas companies in the group.

Income from fee and commissions increased by DKK 10.6 million corresponding to 58.0 percent, from DKK 18.4 million first quarter of 2006 to DKK 29.0 million first quarter 2007.

The growth in the result for first quarter 2007 stems mainly from the increase in dividend from shares etc. which is DKK 68.4 million compared to DKK 17.7 million same period last year. DKK 68.0 million came

Frágreiðing og útlit / Comments and Outlook

Samanlagt gjørdust rentu- og ómaksgjöld netto 181,7 mió. kr. fyrsta ársfjórðing 2007 móti 97,1 mió. kr. fyrsta ársfjórðing í fjør. Hetta er ein vøkstur uppá 84,7 mió. kr. ella 87,2 %.

Kursvinningur av virðisbrøvum og gjaldoyra

Virðisbrøv og gjaldoyra góvu ein kursvinning uppá 17,7 mió. kr. móti 4,6 mió. kr. sama tíðarskeið í fjør. Fyri lánsbrøv og partabrøv var talan um ein kursvinning, meðan gjaldoyra gav kurstap.

Útreiðslurnar øktar

Útreiðslurnar til starvsfólk og umsiting øktust við 12,7 mió. kr. ella 25,8 %, úr 49,0 mió. kr. upp í 61,7 mió. kr. Vøksturin stavar frá, at talið av fulltíðarstørvum í samtakinum er økt við 29 fulltíðarsettum frá 1. ársfjórðingi 2006, og at aðrar umsitingarútreiðslur somuleiðis eru øktar.

Avskrivngarnar av ótøkiligum og ítøkiligum ognum eru øktar, serliga orsakað av avskrivng av goodwill í sambandi við keypið av partabrøvunum í Investea (fyrr Ejendomsvækst) og Nianet. Samlaðu avskrivngarnar gjørdust 5,7 mió. kr. móti 3,6 mió. kr. sama tíðarskeið í fjør.

Hinvegin eru burturleggngarnar broyttar frá eini útreiðsluføring uppá 6,0 mió. kr. fyrsta ársfjórðing í fjør til eina inntøkuføring uppá 2,8 mió. kr. fyrsta ársfjórðing í ár. Her er tað serliga búskaparstøðan í Føroyum og positiva gongdin í vinnuni, ið hevur bøtt um gjaldsevnini hjá kundunum og harvið minkað burturleggngartørvin.

Javnin

Javnin hjá samtakinum var 11,8 mia. kr. ultimo mars 2007, móti 8,7 mia. kr. ultimo mars 2006. Hetta er ein vøkstur uppá 3,1 mia. kr. ella 35,9 %.

from Eik Bank's stake in Spron, the largest Icelandic savingsbank.

Net interest and fee income amounted to DKK 181.7 million first quarter 2007 compared to DKK 97.1 million first quarter 2006. This is a DKK 84.7 million increase corresponding to 87.2 percent.

Value Adjustment on Securities and foreign Currencies

Securities and foreign currencies contributed with a net profit of DKK 17.7 million compared to DKK 4.6 million first quarter last year. Bonds and shares contributed a profit, while foreign currencies generated a loss.

Increased Operating Expenses

Operating expences increased by DKK 12.7 million corresponding to 25.8 percent, from DKK 49.0 million to DKK 61.7 million. The increase mainly stems from an increase in the number of full time employees in the Group and other operating expenses have increased as well.

Depreciation on tangible and intangible assets has increased mainly due to depreciation on goodwill in connection with the acquisition of the Investea (formerly Ejendomsvækst) and Nianet shares. Total depreciations amounted to DKK 5.7 million compared to DKK 3.6 million first quarter of 2006.

On the other hand net depreciation and provisions for losses amount to an income of DKK 2.8 million compared to a cost of DKK 6.0 million first quarter 2006. It is mainly the positive economic situation in the Faroe Islands and the positive development in the industry that has improved the customer's solvency and thereby decreased the need for provisions for losses.

Frágreiðing og útlit / Comments and Outlook

Útlánini eru økt við 1,8 mia. kr., úr 6,8 mia. kr. upp í 8,5 mia. kr. Vøkstur er bæði í Eik, sum økti útlánini við 0,8 mia. kr. og í Eik Bank Danmark, sum økti útlánini við 0,9 mia. kr. Somuleiðis øktust innlánini við 1,2 mia. kr., úr 4,6 mia. kr. upp í 5,9 mia. kr., harav 1,1 mia. kr. í Eik og 0,1 mia. kr. í Eik Bank Danmark.

Skuldin til lánistovnar er nú 3,9 mia. kr. móti 2,8 mia. kr. somu tíð í fjør. Hetta er ein vøkstur uppá 1,1 mia. kr., sum er útvegað frá útlenskum peningastovnum.

Eik hevur í mars 2007 tikið eitt nýtt ábyrgdarlán uppá 40 mió. evrur, ið svarar til 298 mió. kr. Samlað eftirstillað kapitalinnskot við endan av fyrsta árfjórðingi er 448 mió. kr. Somu tíð í fjør hevði Eik einki eftirstillað kapitalinnskot. Ábyrgdarlánið er tikið á altjóða lánsmarknaðinum og er enn eitt stig í tilgongdini at optimera kapitalsamansetingina.

Lánið er somuleiðis við til at styrkja um solvensin. Solvensurin í samtakinum er nú 14,0 % móti 10,0 % somu tíð í fjør. Í Eik Banka er solvensurin 17,9 % móti 13,0 % somu tíð í fjør. Lógarkravið er 8 %.

Eginpeningurin, íroknað úrslitið fyrsta ársfjórðing, er 1,3 mia. kr. Somu tíð í fjør var eginpeningurin 953 mió. kr.

Gjaldfærið er 1,9 mia. kr. móti 1,5 mia. kr. somu tíð í fjør. Lógarkravið er 1,1 mia. kr. Hetta er ein yvirdekningur uppá 74 % í mun til lógarkravið.

Balance

The Balance Sheet stands at DKK 11.8 billion compared to 8.7 billion first quarter 2006. This is a DKK 3.1 billion increase corresponding to 35.9 percent.

Loans have increased from DKK 6.8 billion to DKK 8.5 billion. The increase includes Eik Banki with a DKK 0.8 billion increase and Eik Bank Danmark with a DKK 0.9 billion increase. There has also been an increase in deposits from DKK 4.6 billion to DKK 5.9 billion. This is a DKK 1.2 billion increase from which DKK 1.1 billion stems from Eik Bank and DKK 0.1 billion stems from Eik Bank Danmark.

Debts to financial institutions are DKK 3.9 billion compared to DKK 2.8 billion first quarter of 2006. The increase of DKK 1.1 billion has been raised in foreign banks.

In March 2007 Eik Banki raised EUR 40 million, equal to DKK 298 million, as subordinated debt. At the end of first quarter 2007 the total subordinated debt was DKK 448 million. First quarter last year Eik Banki had no subordinated debt. The loan is raised on the international market and improves the balance between equity and subordinated debt.

The loan also strengthens the solvency. The Group solvency ratio is 14.0 percent compared to 10.0 percent first quarter 2006. Eik Banki's solvency is 17.9 percent compared with 13.0 percent first quarter of 2006. The minimum required by law is 8 percent.

The equity, including the result for first quarter 2007, is DKK 1.3 billion compared to DKK 953 million at the end of first quarter last year.

The liquidity is DKK 1.9 billion compared to DKK 1.5 billion first half 2006. The required minimum is DKK

Frágreiðing og útlit / Comments and Outlook

Útlitini

Við stóði í úrslitunum higartil í ár og útlitunum fyri árið, væntar samtakið Eik, at úrslitið hjá samtakinum fyri alt árið 2007 fer at liggja um 340 mió. kr. áðrenn virðisjavnan av virðisbrøvum, burturleggingar og skatt.

Nevndaravgerðir

Á nevndarfundi tann 8. mars 2007 varð avgerð tikin um tvískráseting av Eik Banka P/F á Virðisbrævamarknaði Føroya og á virðisbrævamarknaðinum í Keypmannahavn. Dupltskrásetingin fer væntandi fram fyrra hálvár 2007 og er ein avleiðing av vaksandi virkseminum hjá Eik Banka samtakinum í Danmark. Avgerðin er fráboðað í børsfráboðan nr. 07/2007.

Grannskoðan

Roknskapurin fyri fyrsta ársfjórðing er ikki grannskoðaður.

Roknskaparháttur

Ongar broytingar eru framdar í roknskaparháttinum.

Fígjarkalendarí 2007

13. februar Ársroknskaparfrágreiðing 2006
01. mars Ársroknskapur 2006
09. mars Aðalfundur
10. maj Roknskaparfráboðan, 1. ársfjórðingur
26. juli Hálvársroknskapur
25. oktober Roknskaparfráboðan, 3. ársfjórðingur

1.1 billion. This exceeds the required minimum by 74 percent.

Outlook for 2007

Based on the first quarter result and the outlook for the year, Eik Bank Group estimates a DKK 340 million profit for the year before market value adjustments of securities, net depreciation and taxes.

Board Decisions

On the 8 March 2007 the Board of Directors decided that the expected listing of Eik Bank on the OMX Nordic Exchange in Iceland first half 2007 will be expanded to include OMX Nordic Exchange Copenhagen. The dual listing is a consequence of Eik Bank's expanding activities in Denmark. This decision is announced in Stock Exchange Announcement 07/2007.

Auditing

The first quarter report is not audited.

Accounting Principles


There have been no changes in Accounting Principles.

Financial Calendar 2007

13 February Financial Announcement for 2006
01 March Annual Report 2006
09 March General Meeting
10 May First Quarter Report
26 July Half Year Report
25 October Nine Month Report

Tórshavn, 10 May 2007

Eik Banki P/F


Marnir Jacobsen - Chief Managing Director


Bjarni Olsen - Managing Director

Roknskapartöl fyrsti ársfjórðingur

Accounts First Quarter

2007

Roknskapartöl / Quarterly Accounts
Rakstrarroknskapur / Profit and Loss Account

Eik Banki P/F			Samtak / Group		
1Q 2007	1Q 2006	Nota / Note	DKK 1.000	1Q 2007	1Q 2006
Rakstrarroknskapur / Profit and Loss Account					
128.146	77.885	1	Rentuinntøkur v. m. / Interest income, etc.	169.559	98.486
70.197	32.686	2	Rentuútreiðslur v. m. / Interest expense, etc.	84.843	37.213
57.949	45.199		Rentuinntøkur netto / Net interest income	84.716	61.273
68.346	17.699		Vinningsbýti av partabrevum v. m. og øðrum kapitalpörtum / Dividends from shares, etc., and other holdings	68.446	17.710
15.162	11.427		Ómaksgjöld og provisiósinntøkur v. m. / Fee and commission income, etc.	28.991	18.353
173	57		Útreiðslur til ómaksgjöld og provisióinir / Fee and commission expense	405	274
141.284	74.268		Rentu- og ómaksgjöld netto / Net interest and fee income	181.748	97.062
2.914	-920	3	Virðisjavnan av virðisbrevum og útlenskum gjaldoyra v. m. / Market value adjustments of securities, etc. and foreign currency income	17.654	4.600
2.109	1.960		Aðrar vanligar inntøkur / Other operating income	2.106	1.960
146.307	75.308		Úrslit av figgjarpöstum / Profit on financial items	201.508	103.622
43.639	35.445	4	Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses	61.716	49.047
5.322	2.875		Av- og niðurskrivingar av ótökiligum og ítökiligum ognum / Depreciation and write-down of intangible and tangible assets	5.672	3.620
0	0		Aðrar rakstrarútreiðslur / Other operating expenses	3	4
-6.696	3.855		Avskringingar og burturleggingar av skuldarum (netto) / Net depreciation and provisions for loss on bad debts	-2.815	5.968
23.656	8.532	5	Úrslit av kapitalpörtum í assosieraðum og tilknýttum fyrirköllum / Income from associated and subsidiary undertakings	-25	0
127.698	41.665		Úrslit av vanligum rakstri / Profit on ordinary operations	136.907	44.983
7.206	6.121		Skattur / Taxes	16.415	9.439
120.492	35.544		Úrslit / Net profit for the period	120.492	35.544
Grundrakstur / Core operations					
131.186	75.111		Bruttoinntøkur / Gross income 1)	172.182	97.711
48.961	38.320		Útreiðslur / Expenses 2)	67.391	52.671
82.225	36.791		Úrslit av grundrakstri / Profit on core operations	104.791	45.040
74,7	30,7		Bruttoinntökuvækstur / Increase in gross income (%)	76,2	29,0
27,8	9,0		Útreiðsluvækstur / Increase in expenses (%)	27,9	13,5
2,68	1,96		Brutto inntøkur pr. útreiðslukrönu / Gross income per expense DKK	2,55	1,86

- 1) Rentu- og provisiósinntøkur netto, aðrar vanligar inntøkur og virðisjavnan av útlenskum gjaldoyra / Net interest, fee income, other ordinary income and value adjustment of foreign currencies.
- 2) Útreiðslur til starvsfólk, umsiting, avskringingar - tö ekki niðurskrivingar - av ótökiligum og ítökiligum ognum og aðrar rakstrarútreiðslur / Staff costs, administrative expenses, depreciation - excluding write-downs of intangible and tangible assets and other operating expenses

Roknskapartöl / Quarterly Accounts Fíggjarstöða / Balance Sheet

Eik Banki P/F			Samtak / Group	
1Q 2007	1Q 2006	Nota/ DKK 1.000 Note	1Q 2007	1Q 2006
Fíggjarstöða / Balance sheet				
Ogn / Assets				
		Kassapeningur og áögn uttan uppsögn hjá tjóðbankum v. m. /		
425.132	34.118	Cash-in-hand and demand deposits with central banks, etc.	425.177	34.118
2.766.249	1.499.133	Áögn í lánistovnum v. m. / Claims on credit institutions, etc.	807.744	262.806
5.432.513	4.626.649	Útlán / Loans and advances	8.536.211	6.757.691
744.284	861.677	Lánsbrøv v. m. / Bonds, etc.	815.542	942.868
359.950	233.220	Partabrøv v. m. / Shares, etc.	433.818	243.864
120.986	38.052	Kapítalpartar í assosieraðum fyrirtökum / Holdings in associated undertakings	120.986	38.052
386.907	302.980	Kapítalpartar í tilknýttum fyrirtökum / Holdings in subsidiary undertakings	12.269	12.066
214.163	32.157	Ótökiligar ognir / Intangible assets	214.367	32.990
134.075	123.985	Ítökiligar ognir / Tangible assets	137.600	126.590
0	420	Egín partabrøv / Own shares	0	420
191.365	100.086	Onnur ogn / Other assets	280.920	222.123
6.192	5.349	Tíðarskeiðsavmarkingar / Prepayments	6.191	5.349
10.781.816	7.857.826	Ogn tilsamans / Total assets	11.790.825	8.678.937
Skuld / Liabilities				
3.502.702	2.620.863	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks	3.876.697	2.846.995
5.354.413	4.193.350	Innlán / Deposits	5.869.372	4.647.483
139.284	83.840	Onnur skuld / Other liabilities	258.150	213.332
0	0	Tíðarskeiðsavmarkingar / Prepayments	64	84
8.447	6.604	Avsetingar til skyldur / Provisions for liabilities and charges	9.572	17.874
448.032	0	Eftirstillað kapitalinnskot / Subordinated debt	448.032	0
Egíningur / Equity				
711.820	680.385	Partapeningur og ábyrgðarfæ / Share capital and guarantee capital	711.820	680.385
117.751	72.951	Yvirkursur við partabrævaútgávu / Share premium account	117.751	72.951
0	420	Grunnur fyri egín partabrøv / Reserves for own shares	0	420
162.742	44.273	Aðrir grunnar / Other reserves	94.121	15.163
216.133	119.596	Flutt frá undanfarnum árum / Brought forward from prior years	284.754	148.706
120.492	35.544	At flyta frá úrsliti / Carried forward from profit	120.492	35.544
1.328.938	953.169	Egíningur tilsamans / Total equity	1.328.938	953.169
10.781.816	7.857.826	Skuld tilsamans / Total liabilities	11.790.825	8.678.937
Töl, ið ikki eru tikin við í javna / Off-balance-sheet items				
916.740	392.041	Ábyrgdir v.m. tilsamans / Total guarantees, etc.	864.959	403.763
318.500	0	Aðrar skyldur / Other commitments	320.567	2.227
1.235.240	392.041	Töl, ið ikki eru tikin við í javna tilsamans / Total off-balance-sheet items	1.185.526	405.990

Roknskapartöl / Quarterly Accounts
Pengatilgongd / Inflow of Capital

Eik Banki P/F			Samtak / Group	
1Q 2007	1Q 2006	DKK 1.000	1Q 2007	1Q 2006
Pengatilgongd / Inflow of capital				
Rakstur / Operating profit				
120.492	35.544	Hálvársúrslit / Net profit for the half-year	120.492	35.544
-27.887	-852	Javning av ikki kontantum rakstrartölum / Adjustment for non-cash items from operations	-12.057	9.614
92.605	34.692	Peningatilgongd frá rakstrinum / Inflow of capital from operations profit	108.435	45.158
255.277	66.496	Peningatilgongd til eginognina / Inflow to equity	255.277	66.496
Onnur tilgongd / Other funds				
0	0	Minking av áögn í lánistovnum v.m. / Decrease on claims on credit institutions, etc.	0	1.576
869.632	1.402.907	Vækstur í skuld til lánistovnar / Increase on debt to credit institutions, etc	1.018.030	1.510.848
5.784	0	Minking í lánsbrøvum og partabrøvum / Decrease of bonds and shares, etc	0	0
1.161.063	56.600	Vækstur í innláni / Increase of deposits	1.221.889	250.465
57.287	6.149	Broytingar av aðrari skuld og burturleggingar til útreiðslur / Changes in other liabilities and charges	36.496	76.977
0	28.266	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	0	0
448.032	0	Eftirstillað kapitalinnskot / Subordinated debt	448.032	0
2.541.798	1.493.922	Onnur tilgongd tilsamans / Total other funds	2.724.447	1.839.866
2.889.680	1.595.110	Peningatilgongd tilsamans / Total inflow of capital	3.088.159	1.951.520
Peninganýtsla / Outflow of capital				
Øking av kassapeningi og áögn í tjóðbankum / Increase in cash in hand and demand deposits with central banks, etc				
391.014	561	Øking av áögn í lánistovnum v.m. / Increase in claims on credit institutions, etc.	391.059	561
1.267.116	508.844	Útlánsvækstur / Increase in loans and advances	1.775.763	1.533.262
799.225	601.759	Øking í lánsbrøvum og partabrøvum / Increase in bonds and shares, etc.	35.959	377.951
143.205	166.642	Øking í kapitalpörtum / Increase in holdings in undertakings	83.162	16.006
197.418	3.457	Øking av ó- og ítökiligum ognum / Increase in intangible and tangible assets	198.059	1.889
91.702	0	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	59.219	21.851
2.889.680	1.595.110	Peninganýtsla tilsamans / Total outflow of capital	3.088.159	1.951.520
Javning av ikki kontantum rakstrartölum / Adjustment for non-cash items from operations				
5.322	2.875	Av- og niðurskrivingar / Depreciation and write-down	5.672	3.620
-6.639	3.885	Burturleggingar av skuldarum / Provisions for loss on bad debts	-2.757	5.996
-15.121	-197	Virðisjavningar av virðisbrøvum / Market value adjustments of securities	-26.669	-1.313
12.207	1.117	Virðisjavningar av gjaldoyra / Market value adjustments of currency	11.672	1.311
-23.656	-8.532	Virðisjavningar av kapitalpörtum / Adjustments from undertakings	25	0
-27.887	-852	Tilsamans / Total	-12.057	9.614

Roknskapartöl / Quarterly Accounts
Notur / Notes

Eik Banki P/F			Samtak / Group	
1Q 2007	1Q 2006	DKK 1.000	1Q 2007	1Q 2006
Notur / Notes				
1 Rentuinntøkur v. m. / Interest income, etc.				
30.864	8.123	Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks	17.323	946
86.481	61.095	Útlán / Loans and advances	138.738	88.492
8.304	8.643	Lánsbrøv / Bonds	10.899	9.006
2.497	24	Avleidd fíggjaramboð / Derivative financial instruments	2.599	42
Herav: / Of this:				
2.497	24	Gjaldoyrásáttmálar / Currency contracts	2.604	38
0	0	Rentusáttmálar / Interest contracts	-5	4
128.146	77.885	Rentuinntøkur v. m. tilsamans / Total interest income, etc.	169.559	98.486
2 Rentuútreiðslur / Interest expense				
39.979	17.207	Lánistovnar og tjóðbankar / Credit institutions and central banks	51.429	19.490
28.295	15.470	Innlán / Deposits	31.491	17.714
1.923	9	Eftirstillað kapitalinnskot / Subordinated debt	1.923	9
70.197	32.686	Rentuútreiðslur tilsamans / Total interest expense	84.843	37.213
68.346	17.699	Vinningsbýti av partabrøvum / Dividends on holdings	68.446	17.710
3 Virðisjavnigar / Market value adjustments				
4.155	-11.519	Lánsbrøv / Bonds (+/-)	4.894	-11.174
10.966	11.716	Partabrøv / Shares (+/-)	21.775	12.487
-12.207	-1.117	Gjaldoyra / Currency (+/-)	-11.672	-1.311
0	0	Avleidd fíggjaramboð / Derivative financial instruments	2.657	4.598
2.914	-920	Virðisjavnigar tilsamans / Total market value adjustments	17.654	4.600

Roknskapartöl / Quarterly Accounts
Notur / Notes

Eik Banki P/F			Samtak / Group	
1Q 2007	1Q 2006	DKK 1.000	1Q 2007	1Q 2006
		4 Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses		
		Lønir og samsýning til nevnd, stjórn og umboðsráð / Salaries and remuneration of Board of Directors, Managing Directors and Board of Representatives		
837	834	Stjórn / Managing Directors	837	834
345	363	Nevnd / Board of Directors	345	363
1	0	Umboðsráð / Board of Representatives	1	0
1.183	1.197	Tilsamans / Total	1.183	1.197
		Starvsfólkaútreiðslur / Staff costs		
19.767	17.354	Lønir / Wages and salaries	32.543	25.735
1.883	1.687	Eftirlønir / Pensions	2.466	2.088
1.730	1.124	Útreiðslur til sosiala trygd / Social security costs	2.462	1.691
23.380	20.165	Tilsamans / Total	37.471	29.514
		Aðrar umsitingarútreiðslur / Other administrative expenses		
19.076	14.083		23.062	18.336
43.639	35.445	Útreiðslur til starvsfólk og umsiting tilsamans / Total staff costs and administrative expenses	61.716	49.047
		5 Úrslit av kapitalþertum í assosieraðum og tilknýttum fyrirkum / Income from associated and subsidiary undertakings		
0	0	Assosieraðar fyrirkur / Associated undertakings	0	0
23.656	8.532	Tilknýttar fyrirkur / Subsidiary undertakings	-25	0
23.656	8.532	Úrslit av kapitalþertum í assosieraðum og tilknýttum fyrirkum tilsamans / Total income from associated and subsidiary undertakingsv	-25	0

Roknskaparháttur

Accounting Principles

2007

Alment

Tíðarskeiðs- og konsernrokskapurin er gjørdur í samsvari við lóg um fíggarligt virkseml v.m. og kunngerðir og leiðreglur frá Fíggjareftirlitinum fyri peningastovnar.

Nýttur roknskaparháttur er óbroyttur í mun til undanfarin ár.

Konsernrokskapur

Konsernrokskapurin fevnir um Eik Banka P/F, P/F Inni og Eik Bank Danmark A/S, sum eru 100% ogn hjá Eik Banka P/F.

Konsernrokskapurin verður gjørdur við at leggja saman roknskaparpostar við einsháttaðum innihaldi og við at draga innanhýsis inntøkur og útreiðslur frá saman við innanhýsis millumverandi.

Tíðargreining

Rentuinntøkur, rentuútreiðslur og leypandi provisióinir eins og allar aðrar týðandi inntøkur og útreiðslur verða tíðargreinaðar til roknskapartíðarskeiðið. Ómaksgjöld og stovningarprovisiúnir v.m. verða bókaðar leypandi. Vinningsbýti frá partabrøvum verður bókað sum inntøka, tá peningurin er móttikin. Rentur av útlánum, sum verða mett at vera mist, verða ikki bókaðar sum inntøka.

Konserninternar transaktiúnir

Transaktiúnir við tilknýtt og assosierað feløg verða sum meginregla gjørdar samsvarandi marknaðar-treytum.

Umrokning av útlendskum gjaldoyra

Ogn og skuld í útlendskum gjaldoyra verður bókað til almennar gjaldoyrakursir 31. mars. Inntøkur og útreiðslur í útlendskum gjaldoyra verða umroknaðar sambært galdandi valutakursum á bókingardegnum.

General

The consolidated and annual accounts are prepared in conformity with the Financial Business Act and regulations and directives from the Danish Financial Supervisory Authority (Finanstilsynet).

The accounting principles are unchanged since previous year.

Consolidated Accounts

The consolidated accounts include Eik Bank P/F, Inni P/F and Eik Bank Danmark A/S, which are 100% owned by Eik Bank P/F.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, and outstanding loan balances.

Income Recognition

Interest income, interest expenses, recurring provisions as well as all other significant income and expenses were accrued to the accounting period. Fees, charges and commissions, etc. were entered as received. Dividends on shares were entered as income upon receipt of the funds. Interest on loans, which are identified as bad or doubtful, was not entered as income.

Internal Transactions

Transactions with subsidiary and associated companies were in principle executed in accordance with market conditions.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies were translated according to the official rates of exchange prevailing on 31 March. Income and expense related to foreign exchange were

Roknskaparháttur / Accounting Principles

Útlán, ábyrgdir og áögn í øðrum lánistovnum

Útlán, ábyrgdir og áögn í øðrum lánistovnum verða stöðugt gjøgnumgingin til tess at lýsa tapsvandan. Hetta viðfórir, at tap og burturleggingar til tap verða bókað í rakstrarroknskapinum undir „Avskrivningar og burturleggingar av skuldarum“.

Lán við fastari rentu, har rentuváðin er avdekkaður við fíggjarligum amboðum, verða ikki kursjavnáð.

Virðisbrøv

Børsnoterað virðisbrøv verða bókað til almennar kursir 31. mars. Ikki børsnoterað virðisbrøv verða upptikin til útveganarvirði ella til mett marknaðarvirði.

Partabrøv, sum eru at rokna sum fíggjarlig stöðisögn, verða bókað til dagsvirði.

Kapitalpartar í tilknýttum og assosieraðum fyrítøkum

Kapitalpartar í tilknýttum fyrítøkum og assosieraðum fyrítøkum verða bókaðir til roknskaparliga innara virði.

Ótøkiligar ognir

Ritbúnaður verður bókaður til útveganarvirði, frádrigið avskrivningar. Avskrivað verður linjurætt yvir 5 ár. Good-will verður bókað til útveganarvirði við keyp, frádrigið avskrivningar. Avskrivað verður linjurætt yvir 10 - 20 ár.

Ítøkiligar ognir

Grundøki og bygningar verða bókað til útveganarvirði, frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 50 ár og við stöði í einum mettum restvirði. Grundøki verða tó ikki avskrivað.

Yvirtiknar ognir verða bókaðar til mett handilsvirði. Innbúgv og rakstartól verða bókað til útveganarvirði, frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 5-8 ár.

converted according to the rates of exchange prevailing at the transaction date.

Loans, Guarantees and Claims on other Financial Institutions

Loans, guarantees and claims on other financial institutions were continually reviewed to determine loss risk. Consequently, bad debts and provisions for bad debts were entered in the profit and loss account under "Depreciation and provisions for loss on bad debts".

Loans with fixed interest where interest risk is covered by derivatives were not subject to market value adjustments.

Securities

Listed securities were entered at market values on 31 March. Non-listed securities were entered at purchase price or at market price, if the latter is determined to be lower.

Shares that are included in the bank's long-term investment portfolio were entered at marked value.

Equity in Subsidiary and Associated Undertakings

Equity in subsidiary and associated undertakings was entered at equity value.

Intangible Assets

Software is booked at cost less a deduction for depreciation. Software is depreciated according to the straight-line method over a period of 5 years.

Good-will is booked at purchase price, less a deduction for depreciation. Good-will is depreciated according to the straight-line method over a period of 10 - 20 years.

Tangible Assets

Land and buildings were entered based on purchase

Smáinnbúgv útvegað fyri minni enn 20 tkr. verða útreiðsluførd, tá hesi verða útvegað.

Fíggarlig amboð

Gjaldoyratæminshandlar verða bókaðir til marknaðarvirði við tíðarskeiðsenda.

Rentuswaps, sum verða nýtt til at avdekka lán við fastari rentu, verða ikki kursjavnáð. Rentur av swap verða tíðargreinaðar og bókaðar undir rentuinntøkum.

Skattur

Roknaður skattur av ársvinningi verður bókaður í ársroknskapinum og fevnir bæði um vanligan skatt og útsettan skatt. Útsettur skattur, ið kemur av tíðarfrávikum millum ársroknskapin og skattaroknskapin, verður útreiðsluførdur og avsettur undir „Avsetingar til skyldur“. Skattaáøgn, sum sannlíkindi eru fyri verður nýtt frammyvir, verður tikin við undir „Onnur ogn“.

price, less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over the estimated useful life with a maximum of 50 years. Land was not, however, depreciated.

Repossessed properties were entered according to their estimated market value.

Furnishings and equipment were entered at cost less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over a period of 5 - 8 years.

Furnishings and supplies valued at less than DKK 20,000 were expensed in the purchase year.

Financial Instruments

Currency futures contracts were entered at market value on 31 March.

Interest rate swaps that were used to secure a fixed-interest loan, were not subject to market value adjustments. Interest on swaps was accrued to the accounting period and entered as interest income.

Taxes

Calculated tax on the profit for the year was stated in the annual accounts and included both actual tax and deferred tax. Deferred tax resulting from the timing differences between the annual accounts and the tax accounting by the Faroese tax administration was expensed and stated under „Provisions for liabilities and charges“. Tax surplus, which in all probability will be used in future, was entered as income and stated under „Other assets“.

Eik Banki P/F

Yviri við Strond 2
P. O. Box 34
FO-110 Tórshavn
Faroe Islands

Tel : +298 348000
Fax : +298 348800

eik@eik.fo
www.eik.fo

BIC/SWIFT: EIKB FO TF

Eik virðisbrøv / Eik Bank Securities

Partabræv / Share

Virðisbrævamarknaðir / Stock Exchanges	VMF Market on OMX Iceland (exp. 1H2007) OMX Copenhagen Stock Exchange (exp. 1H2007)
ISIN code	F00005702340
Bloomberg	EIK IR
Partapeningur / Share Capital	DKK 711,311,400
Tal av partabrøvum / No. of Shares	7,113,114

Eftirstillað kapitalinnskot / Subordinated Debt

Virðisbrævamarknaður / Stock Exchange	OMX Copenhagen Stock Exchange
ISIN code	DK0030034426
Bloomberg	FOROYA 5.385
Upphædd / Amount	DKK 150,000,000

III. Appendices

C. 2006 Annual Report

Eik

Ársroknskapur

Annual Report

2006

Eik Banki P/F

Yviri við Strond 2
Postboks 34
FO-110 Tórshavn
Tel +298 348000
Fax +298 348800
E-mail: eik@eik.fo

Skrásetingarnúmer /
Registration no 3293
Fondskota 1620061
V-tal 516244
Swift: EIKB FO TF
www.eik.fo

Stjórn / Management

Marnar Jacobsen
forstjóri / Chief Managing Director
marnar.jacobsen@eik.fo

Bjarni Olsen
stjóri / Managing Director
bjarni.olsen@eik.fo

Nevnd / Board of Directors

Frithleif Olsen
formaður / Chairman

Odd Arild Bjellvåg
næstformaður / Deputy chairman

Mathea Hilduberg
Finnbogi Niclasen
Rólant Vidtfeldt
Petur D.W. Hammer
Rakul Dam
Gert Langgaard
Bjartur Nolsøe
Marian Jacobsen
Tórmund A. Joensen

Umboðsráð / Board of Representatives**Suðuroy**

Eiler Djurhuus
Petur D.W. Hammer
Páll Allan Michelsen
Finnbjørn Nielsen
Jastrid Nielsen
Stein Næs

Eysturoy

Elisabeth Eldevig
Herborg Gullbrandsdóttir
Olaf Friðheim
Regin Gregersen
Súni í Hjøllum
Hilmar Joensen
Sofus Debes Johannesen
Sonni Johansen
Hilmar Nielsen
Frithleif Olsen

Sandoy

William Sand Davidsen
Poul D. Klementsén
Elisabeth Myllhamar
Jonna Krog Poulsen
Jákup Martin Sørensen
Rólant Vidtfeldt

Vágoy

Jógvan Hans Joensen
Finnbogi Niclasen
Heini Nielsen
Sigfríður Olsen
Durita Rasmussen
Sveinur Thomassen

Norðstrey moy

Tummas Debess
Sólfríð Djurhuus
Petra Iversen
Gunnbjørn Joensen
Ragnar Petur Joensen
Gunnar B. Skúvadal

Suðurstrey moy

Hans Biskopsto
Maria á Dul
Gunnleyg Durhuus
Johannes A. Ellingsgaard
Ingi Gunnarsson
Jóannes M. Hansen
Poul Gert Hansen
Mathea Hilduberg
Turið Holm
Heri Jensen
Olga Kallsberg
Ingi Mohr
Oddvá Nattestad
Birgjur Sondum
Petur F. Zachariassen

**Tilnevnd sbrt. §7 stk 6 í viðtøkunum/
Appointed according to §7.6 in the
Articles of Association**

Frithleif Olsen
Kjartan Mohr

**Uttanhýsis grannskoðan /
External Auditor**

Klaus Rasmussen, statsaut. grannskoðari /
State-Authorized Public Accountant
Hans Laksá, statsaut. grannskoðari /
State-Authorized Public Accountant

**Innanhýsis grannskoðan /
Internal Auditor**

Sigmund Frederiksen,
grannskoðanarleiðari /
Chief Auditor

Innihald

Contents

Gongdin seinastu 5 árinu	05
Five Year Summary	
Ársfrágreiðing	11
Annual Report	
Roknskapartöl 2006	49
Annual Accounts 2006	
Grannskoðanarátekning	67
Auditor's Report	
Roknskaparháttur	71
Accounting Principles	

Gongdin seinastu 5 árini

Five Year Summary
2002–2006

Gongdin seinastu 5 árin / Five Year Summary Rakstur / Profit and Loss Account

Samtak / Group DKK 1.000	2006	2005	2004	2003	2002
Rakstur / Profit and Loss Account					
Rentuinntøkur / Interest income	485.388	340.533	267.208	291.047	301.241
Rentuútreiðslur / Interest expenses	210.426	108.239	68.385	75.404	101.811
Rentuinntøkur netto / Net interest income	274.962	232.294	198.823	215.643	199.430
Ómaksgjöld og provisiósinntøkur v. m. / Fee and commissions income, etc.	105.624	65.464	24.139	21.491	16.958
Virðisjavnun av virðisbrøvum og útlenskum gjaldoyra / Market value adjustments of securities and foreign currencies	85.785	46.221	87.666	23.080	11.729
Aðrar vanligar inntøkur / Other operating income	15.034	13.022	12.870	8.753	7.743
Úrslit av figgjarpøstum / Profit on financial operations	481.405	357.001	323.498	268.967	235.860
Útreiðslur til starvsfólk, umsiting og aðrar rakstrarútreiðslur / Staff costs, administrative expenses and other operating expenses	229.912	180.447	124.660	121.369	118.161
Av- og niðurskrivingar og burturleggingar tilsamans / Total depreciation, write-downs and provisions	-7.965	21.174	95.546	319.430	33.731
Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrítøkum / Income from associated and subsidiary undertakings	47.700	8.833	8.429	447	-2.806
Úrslit undan skatti / Profit before taxes	307.158	164.213	111.721	-171.385	81.162
Skattur / Taxes	56.681	37.604	4.520	-42.623	15.258
Ársúrslit / Net profit for the year	250.477	126.609	107.201	-128.762	65.904
Grundrakstur / Core operations					
Bruttoinntøkur / Gross income 1)	420.155	316.553	237.625	244.835	226.600
Útreiðslur / Expenses 2)	255.680	195.696	133.337	131.550	127.464
Úrslit av grundrakstri / Profit on core operations	164.475	120.857	104.288	113.285	99.136
Bruttoinntøkuvøkstur í % / Increase in gross income %	32,7%	33,2%	-2,9%	8,0%	9,7%
Útreiðsluvøkstur í % / Increase in expenses %	30,7%	46,8%	1,4%	3,2%	10,8%
Bruttoinntøkur pr. útreiðslukrónu / Gross income per expense DKK	1,64	1,62	1,78	1,86	1,78

1) Rentu- og provisiósinntøkur netto, aðrar vanligar inntøkur og virðisjavnun av útlenskum gjaldoyra / Net interest, fee income, other ordinary income and value adjustments of foreign currencies

2) Útreiðslur til starvsfólk, umsiting, avskringingar - tó ikki niðurskrivingar - av óítøkiligum og ítøkiligum ognum og aðrar rakstrarútreiðslur / Staff costs, administrative expenses, depreciation - excluding write-downs of intangible and tangible assets and other operating expenses

Gongdin seinastu 5 árin / Five Year Summary

Fíggjarstöða / Balance Sheet

Samtak / Group DKK 1.000	2006	2005	2004	2003	2002
Fíggjarstöða / Balance Sheet					
Ogn / Assets					
Kassapeningur og innlån í øðrum lánistovnum / Cash in hand, claims on central banks and credit institutions	1.655.618	466.679	377.445	367.385	198.605
Virðisbrøv / Securities	1.332.113	1.232.090	695.826	682.407	803.540
Útlån / Loans and advances	8.270.539	6.550.896	5.052.785	3.886.990	3.979.385
Fastar ognir og innbúgv / Tangible assets	136.274	125.666	121.264	128.751	128.611
Aðrar ognir / Other assets	433.348	245.699	246.245	129.237	86.257
Ogn tilsamans / Total assets	11.827.892	8.621.030	6.493.565	5.194.770	5.196.398

Skuld / Liabilities					
Skuld til lánistovnar / Debt to credit institutions	4.070.947	2.994.175	1.276.585	579.065	235.383
Innlån / Deposits	6.116.501	4.483.030	4.195.076	3.786.192	3.947.217
Onnur skuld / Other liabilities	281.681	226.495	180.204	75.917	131.367
Eftirstillað kapitalinnskot / Subordinated debt	150.000	0	15.000	0	0
Egjinpeningur / Equity	1.208.763	917.330	826.700	753.596	882.431
Skuld tilsamans / Total liabilities	11.827.892	8.621.030	6.493.565	5.194.770	5.196.398

Partabrøv / Shares 1)

DKK

Ársúrslit pr. partabræv / Earnings after tax per share 2)	36,0	18,6	15,8	-19,0	9,7
Innara virði pr. partabræv / Book value per share 2)	171,6	135,0	121,7	110,9	129,1
Vinningsbýti pr. partabræv / Dividend per share (%) 2)	5,0	5,0	5,0	0,0	5,0
Kursur við ársenda / Share price year-end 3)	483,0	180,0	115,4	108,4	100,0
Kursur við ársenda/Ársúrslit pr. partabræv / Share price year-end/Earnings after tax per share (P/E) 2)	13,4	9,7	7,3	Neg.	10,3
Kursur við ársenda/Innara virði pr. partabræv / Share price year-end/Book value per share (P/B) 2)	2,8	1,3	0,9	1,0	0,8

1) Partabrøvini í Eik Banka eru ikki børskrásett, men Eik Banki fyriskipar handil við partabrøvunum. / Eik Bank's shares are not listed, but are traded on an OTC basis by Eik Bank

2) Miðal tal av partabrøvum í árinum / Average number of shares in the year

3) Seinasti handilskursur, sum Eik Banki hevur skrásett á partabrøvunum / Last price registered by Eik Bank.

Gongdin seinastu 5 árin / Five Year Summary

Lyklatöl / Ratios

Samtak / Group	2006	2005	2004	2003	2002
Lyklatöl / Ratios 1)					
Solvensur og kapitalur / Solvency and capital ratios					
Solvensprosent / Solvency ratio (%) 2)	11,0	11,0	15,2	19,1	22,0
Kjarnukapitalprosent / Core capital ratio (%) 3)	10,8	13,3	14,9	19,6	22,4
Vinningur / Earnings ratios					
Renting av eiginogn áðrenn skatt / Return on equity before tax (%)	28,9	18,8	14,1	-21,0	9,5
Renting av eiginogn aftan á skatt / Return on equity after tax (%)	23,6	14,5	13,6	-15,7	7,7
Vinningur pr. útreiðslukrónu / Income/cost ratio	2,38	1,81	1,51	0,61	1,53
Marknaðarváði / Market risk					
Rentuváði / Interest rate risk (%) 4)	1,6	4,2	2,8	2,7	3,2
Gjaldoyraváði / Foreign exchange risk (%) 5)	16,4	11,3	25,2	18,0	19,3
Gjaldføri / Liquidity ratios					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	138,7	152,5	130,6	112,3	102,9
Yvirdekningur í mun til lógarkrav um gjaldføri / Excess liquidity cover relative to statutory requirement (%)	125,1	80,1	71,3	90,6	80,6
Lánsváði / Credit risk					
Stór engagement í mun til grundkapital / Large loans as percentage of capital base (%) 6)	224,9	102,6	61,3	129,3	60,3
Partur av áögn við niðursettari rentu / Part of outstanding loans at reduced interest (%)	0,7	2,4	3,9	3,4	0,9
Burturleggingarprosent / Provisions percentage (%)	2,3	4,0	7,4	8,3	2,0
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	-0,3	0,1	1,5	7,1	0,5
Útlán í mun til eiginognina / Total loans in proportion to equity	6,8	7,1	6,1	5,2	4,5
Útlánsvøkstur / Increase in loans (%)	26,3	29,7	30,0	-2,3	10,9
Onnur lyklatöl / Other ratios					
Innlánsvøkstur / Increase in deposits (%)	36,4	6,9	10,8	-4,1	4,1
Vøkstur í fíggjarjavna / Increase in balance (%)	37,2	32,8	25,0	0,0	4,8

Frágreiðing til lyklatølini / Explanation of ratios

- 1) Gjærd í samsvar við leiðreglurnar hjá Fíggjareftirlitinum / Prepared in accordance with the regulations issued by the Danish Financial Supervisory Authority.
- 2) Solvensprosentin er grundkapitalur í mun til vektada ogn, har grundkapitalur er eiginognin eftir ávísar javningar, og vektad ogn eru ognir, vektadar eftir tapsváða. / The solvency ratio is the ratio between the capital base and the weighted assets, where capital base is equity less certain adjustments and weighted assets are the assets of Eik weighted for loss risk.
- 3) Kjarnukapitalprosent er kjarnukapitalur eftir frádrátt í mun til vektada ogn, har kjarnukapitalur eftir frádrátt er eiginognin eftir ávísar javningar, og vektad ogn eru ognir, vektadar eftir tapsváða. / Core capital ratio is the ratio between the core capital after deductions and the weighted assets, where core capital after deductions is equity less certain adjustments and weighted assets are assets of Eik Bank weighted for loss risk.

Gongdin seinastu 5 árin / Five Year Summary Lyklatöl / Ratios

Eik Banki P/F	2006	2005	2004	2003	2002
Solvensur og kapitalur / Solvency and capital					
Solvensprosent / Solvency ratio (%) 2)	14,3	14,4	19,0	19,1	22,0
Kjarnukapitalprosent / Core capital ratio (%) 3)	14,1	17,4	19,0	19,6	22,4
Vinningur / Earnings					
Renting av eginogn áðrenn skatt / Return on equity before tax (%)	26,4	17,5	14,1	-21,0	9,5
Renting av eginogn aftan á skatt / Return on equity after tax (%)	23,6	14,5	13,6	-15,7	7,7
Vinningur pr. útreiðslukrönu / Net profit to total expense ratio	2,92	2,07	1,51	0,61	1,53
Marknaðarváði / Market risk					
Rentuváði / Interest rate risk (%) 4)	0,9	3,7	2,4	2,7	3,2
Gjaldoyraváði / Foreign exchange risk (%) 5)	14,4	10,2	24,4	18,0	19,3
Gjaldföri / Liquidity ratios					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	95,1	113,4	111,2	112,3	102,9
Yvirdekningur í mun til lógarkrav um gjaldföri / Excess liquiditycover relative to statutory requirement (%)	100,9	52,4	80,6	90,6	80,6
Lánsváði / Credit risk					
Stór engagement í mun til grundkapital / Large loans as percentage of capital base (%) 6)	122,2	58,4	72,2	129,3	60,3
Partur av áögn við niðursettari rentu / Part of outstanding loans at reduced interest (%)	1,1	3,4	5,1	3,4	0,9
Burturleggingarprosent / Provisions percentage (%)	3,0	5,4	9,4	8,3	2,0
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	-0,6	0,0	2,0	7,1	0,5
Útlán í mun til eginognina / Total loans in proportion to equity	4,3	4,8	4,7	5,2	4,5
Útlánsvækstur / Increase in loans (%)	17,1	13,4	0,6	-2,3	10,9
Önnur lyklatöl / Other ratios					
Innlánsvækstur / Increase in deposits (%)	36,4	6,6	2,7	-4,1	4,1
Vækstur í fíggjarjavna / Increase in balance (%)	36,9	50,7	1,2	0,0	4,8

- 4) Rentuváði er grundaður á, at effektiva rentan broytist eitt prosentstig, og broytingin í krónum verður roknað í mun til kjarnukapitalin aftan á frádrátt. / Interest rate risk is based on the premise that the effective interest rate fluctuates one percentage point and the corresponding change in DKK is calculated in percent of core capital after deductions.
- 5) Gjaldoyraváði er hægra talið av ogn ella skuld í gjaldoyra og verður roknaður í prosent av kjarnukapitalinum aftan á frádrátt. / Foreign exchange risk is the higher amount of assets or liabilities in currency and is calculated in percent to core capital after deductions.
- 6) Millumverandi störr enn 10% eftir frádrátt fyri tryggum krøvum í prosent av grundkapitalinum. / Outstanding balances greater than 10% after deductions for secure requirements in percent of capital base.

Ársfrágreiðing

Annual Report

2006

Inngangur

Eik Banki, í dagligari talu Eik, er nýggja navnið hjá Føroya Sparikassa. Hetta samtykti ein einmæltur eykæaðalfundur tann 18. desember 2006.

Gamla navnið, ið var tungt og staðbundið, lýsti ikki longur fyrítøkuna og virkseimið nóg væl. Tað eru fleiri ár liðin, síðani Eik fór frá sparikassa- til bankavirksemi, og navnskiftið er eisini ein staðfesting av, at virkseimið hjá Eik er vorðið meira altjóðligt seinnu árin.

Vit meta, at navnið Eik lýsir fyrítøkuna sera væl. Ein eik er sterk, hon gerst gomul, og hon er livandi – júst sum okkara fyrítøka, sum í 2007 kann halda 175 ára dagin fyri, at virkseimið byrjaði í Færø Amts Sparekasse tann 24. august 1832.

Við dótturbankanum, Eik Bank Danmark A/S í Keypmannahavn, lánsvirksemi og fíggarligum áhugamállum í fleiri londum, er hent at hava eitt stutt og lætt navn, ið bæði kann sigast á føroyskum og flestu øðrum tungumálum. Eik merkir tað sama á føroyskum, norskum og íslenskum.

Samstundis hevur nýggja navnið, har greitt samband er millum Eik í Føroyum og í Danmark, við sær, at samtakið gerst munandi meira sjónligt í norðurlenskum høpi.

Við navnskiftinum fylgir ein nýggjur grafiskur samleiki. Hann ber í sær, at búmerki, litir, bókstavir og sjálv sniðgevingin kring samskiftið og bankavirksemið verða nýggj. Kortini hava nýggi grafiski samleikin og navnið rót í Sparikassanum og knappliga 175 ára søgu hansara.

Sum liður í navnskiftinum hevur nevndin í Sparikassagrunninum, ið er størsti partaeigari í Eik, á nevndarfundi 12. januar 2007 gjørt av, at grunnurin

Preface

Eik Bank, is the new name of the former Føroya Sparikassi. This was unanimously decided by the extraordinary general meeting on 18 December 2006.

The former name, which was rather tedious and had a local attachment to it, did not depict the group or the activity in an appropriate manner any more. It has been several years since Eik Bank went from operating as a savings bank to operating as a bank. The change of name also confirms the fact, that the activities of Eik Bank have become more internationalised over the years.

We think that the name Eik, which is Faroese/Nordic for oak, gives an excellent description of the group. An oak is strong, long-lived and full of life – just like Eik Bank, which in 2007 can celebrate the 175th anniversary of Færø Amts Sparekasse commencing its activity on 24 August 1832.

Bearing in mind our subsidiary, Eik Bank Danmark A/S in Copenhagen, our lending activities and financial interests in multiple countries, it is convenient to have a short name, which is easily pronounced in Faroese as well as in most other languages. Eik has the same meaning in Faroese, Norwegian and Icelandic.

With the new name, the close connection between Eik Bank in the Faroes and Eik Bank Danmark is more pronounced, making the group more visible in the Nordic countries.

The change of name is accompanied by a new graphic identity. This means a new logo, colours, type and design for communication and banking. Nevertheless, our new graphic identity is rooted in Føroya Sparikassi and its nearly 175 year-long history.

As part of the change of name, the board of directors

Ársfrágreiðing 2006 / Annual Report 2006

skiftir navn til Eik Grunnurin. Gávugrunnur Føroya Sparikassa skiftir navn til Eik Gávugrunnurin, og Vísindagrunnur Føroya Sparikassa skiftir navn til Eik Vísindagrunnurin.

Hóast navnið er nýtt, er talan um sama peningastovn við somu góðu starvsfólklum og kappingarføru tænastrum. Og okkara uppskrift er tann sama, sum seinastu árin hevur tryggjað Føroya Sparikassa eina sera jaliga gongd; vit arbeiða heilhjartað fyri at skapa kundunum úrslit og partaeigarunum virði!

Okkara missión er at vera kundum okkara at gagni við at veita fíggjarligar tænastrur, har aðalvirðini eru tryggleiki og brúkaravínsemi, og vit hava sum vísið at vera brúkaravínastigi peningastovnur í Føroyum.

At vera tryggur merkir í hesum sambandi bæði, at vit sum banki hava ein hóskandi solvens, sum ger, at vit eisini eru her fyri kundin í morgin, og at tænastrurnar eru settar saman soleiðis, at kundin kann vera tryggur við tær.

At vera brúkaravínastigi merkir at veita eina fullgóða, rætta, skjóta og professionella tænastru og at veita eina framúr góða ráðgeving, ið er greið og skillig, tekur støði í veruliga tørv kundans og setur hann føran fyri at taka fíggjarliga rættar avgerðir. Hetta skapar kundunum størst møgulig úrslit.

Á henda hátt kunnu vit skapa eitt gott og varandi samband til kundarnar, sum er grundarlagið fyri at skapa fíggjarliga nøktandi og kappingarføru úrslit. Okkara arbeiði er alsamt grundað á lønsemi til tess at skapa partaeigarunum virði. Vit vilja hava lønsemi í viðskiftinum við kundar okkara, vit vilja reka bankan effektivt, og vit vilja velja tær uppgávur, vit átaka okkum, við atlit til at nýta orkuna til størst møguligt gagn fyri partaeigararnar.

in the Sparikassi Fund, Sparikassagrunnurin, which is the majority shareholder in Eik, decided at a meeting on 12 January 2007 that the Fund changes its name to the Eik Grunnur. The charitable Trust of Føroya Sparikassi, Gávugrunnur Føroya Sparikassa, changes its name to the Eik Gávugrunnur and the Scientific Foundation of Føroya Sparikassi, Vísindagrunnur Føroya Sparikassa, changes its name to the Eik Vísindagrunnur.

Despite the name being new, the bank is still the same with the same good employees and competitive services. Our recipe is the same that has ensured Føroya Sparikassi a very positive development for several years; we work wholeheartedly to ensure good results for our customers and create value for our shareholders!

Our mission is to benefit our customers by offering financial services, where the main values are security and user-friendliness. Our vision is to be the most user-friendly bank in the Faroes.

In this context, the meaning of security is both that we maintain an appropriate solvency to ensure that we will still be around tomorrow, and that our services are designed in such a way that our customers can feel secure.

Being user-friendly means to offer an excellent, suitable, swift and professional service, and to offer excellent advice that is clear and comprehensible, is based on the actual need of the customers enabling them to make the right decisions in financial matters. This will ensure our customers the best results possible.

This also enables us to develop good and lasting relationships with our customers, which is the basis for obtaining satisfactory and competitive

Onki av hesum hevði verið møguligt uttan tey bestu starvsfólkini. Vit royna at skapa eitt mennandi arbeiðspláss, har øll starvsfólk samstarva í einum jálíggum anda, fáa avbjóðingar og verða lønt eftir avriki. Vit leggja stóra orku í áhaldandi at útbúgva, menna og motivera okkara starvsfólk, soleiðis at tey fremja eitt framúr gott avrik, kundum og partaeigarum at gagni. Og úrslitini tala fyri seg. Tí skal her ljóða ein stór tøkk til okkara starvsfólk, sum gera tað møguligt.

financial results. Our efforts are continually grounded in profitability, in order to create value for our shareholders. We want our relationship with our customers to be profitable, we want to run the bank efficiently and we want to consider the tasks we undertake with regard to utilising our resources to benefit our shareholders as much as possible.

None of this would be possible without the very best employees. We try our best to make Eik a working environment where development and positive co-operation is encouraged while employees are challenged and paid according to their performance. We put great emphasis on continually training, developing and motivating our employees, so that they produce the best results for the benefit of our customers and our shareholders. The results speak for themselves. We therefore send a big thank you to our employees, who are the ones making this possible.

Við Eik kvøðu / With Eik greetings,

Mærner Jacobsen
forstjóri / Chief Managing Director

Bjarni Olsen
stjóri / Managing Director

Ársfrágreiðing 2006 / Annual Report 2006

Roknskapargongdin í høvuðstølum

Árið 2006 er tað higartil besta hjá Eik samtakinum.

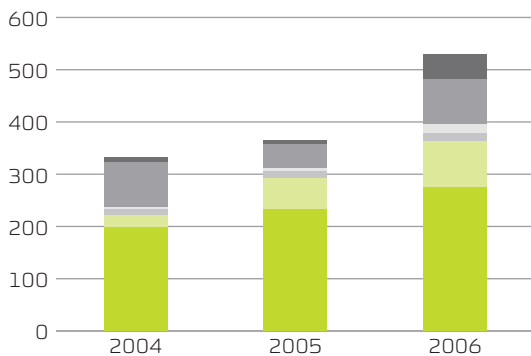
Samlaðu nettoinntøkurnar frá fíggjarpostum og kapitalpørtum vuksu við 163,3 mió. kr. ella 44,6%, úr 365,8 mió. kr. í 2005 upp í 529,1 mió. kr. í 2006. Sum sæst á mynd 1 hevur vøkstur verið í øllum inntøkupostum uttan "aðrar vanligar inntøkur".

Útreiðslurnar til lönir og umsiting v.m. vóru 229,0 mió. kr. móti 180,1 mió. kr. í 2005. Hetta er ein vøkstur upp á 48,9 mió. kr. ella 27,2%.

Mynd / Figure 1

Inntøkusamanseting / Distribution of Income

DKK mió. / Million



- Úrslit av kapitalpørtum / Profit from Holdings
- Virðisjavnan av virðisbrøvum og útlenskum gjaldoyra v.m. / Market value adjustments of securities and foreign currencies
- Vinningsbýti av partabrøvum v.m. og øðrum kapitalpørtum / Dividend from Shares and other Holdings
- Aðrar vanligar inntøkur / Other Operating Income
- Ómaksgjöld og provisiósinntøkur v.m. netto / Net Fee and Commissions Income
- Rentuinntøkur netto / Net Interest Income

Highlights of the Annual Accounts

The 2006 financial year was the best year ever for the Eik Group.

Net profit on financial operations and other holdings increased DKK 163.3 million, i.e. by 44.6 percent from DKK 365.8 million in 2005, to DKK 529.1 million in 2006. As shown in Figure 1, there has been an increase in every item of income except "other operating income".

Total expenses for employees, administration etc. were DKK 229.0 million in 2006 compared to DKK 180.1 million in 2005. This is an increase of DKK 48.9 million or 27.2 percent.

Profit before taxes was DKK 307 million, against DKK 164 million in 2005. Net profit for the year was DKK 250 million compared to DKK 127 million in 2005.

Eik Bank is the largest bank in the Faroe Islands and the domestic market is still the largest single field of operation.

Of the DKK 250 million in net profit in 2006 approximately half originated from activities abroad, compared to approximately one quarter in 2005.

The reasons for the increase in the overseas contribution to profit were: Ejendomsvækst, of which Eik currently holds 29 percent, posted good results, considerable progress in Eik Bank Danmark and dividend from Spron.

Eik Bank maintains the goal to increase and diversify its overseas activities in order to increase income and spread the risk. This also strengthens our position in the domestic market considerably, as we get inspiration from abroad that will benefit our Faroese customers. The varied activities also contribute to an

Ársúrslitið fyri skatt gjørdist 307 milliónir krónur móti 164 mió. kr. í 2005. Aftan á skatt gjørdist úrslitið 250 mió. kr. móti 127 mió kr. í 2005.

Eik er størsti banki í Føroyum, og heimamarknaðurin er framvegis størsta einstaka virkisøkið. Men í 2006 stavaði umleið helvtin av teimum 250 mió. kr., ið var úrslitið hjá Eik aftan á skatt, frá virkseimi uttan fyri Føroyar, móti umleið einum fjórðingi í 2005.

Orsøkin til vøksturin í útlenska íkastinum í 2006 er úrslitið í Ejdomsvækst, ið Eik nú eigur 29 prosent av, stóra framgongdin í Eik Bank Danmark og vinningsbýtið úr Spron.

Eik hevur framhaldandi sum mál at økja og breiðka virkseimið uttanlands til tess at økja inntøkurnar og spjaða vøðan. Hetta styrkir okkum eisini munandi á heimamarknaðinum, við tað at vit fáa størri íblástur uttaneftir, sum vit kunnu nýta til gagns fyri okkara

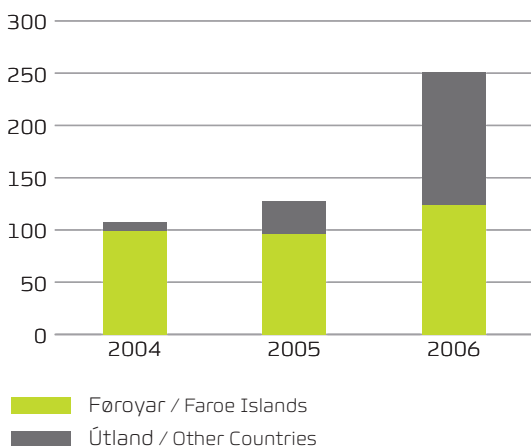
exciting and demanding atmosphere for Eik Bank's employees. As a consequence the most skilled and ambitious people seek employment in Eik Bank.

Annualised return on equity was 27.3 percent. This is well above the target, which is 15 percent a year. Taking the average of the equity at the start of the year and at the end of the year, the return on equity is 23.6 percent. After tax earnings per share were DKK 36.02 compared to DKK 18.64 in 2005. The Board of Directors recommends a 5 percent distribution of dividend to the shareholders.

The balance increased from DKK 8.621 billion, at the beginning of the year, to DKK 11.828 billion at year-end 2006. This is an increase of DKK 3.207 billion or 37.2 percent. Lending increased DKK 1.720 billion or by 26.3 percent from DKK 6.551 billion to DKK 8.271 billion, while deposits increased DKK 1.634 billion or by 36.4 percent from DKK 4.483 billion to DKK 6.117 billion.

Mynd / Figure 2

**Úrslit eftir skatt, býtt landafroðiliga /
Net Profit by Country**
DKK mió. / Million



Liquidity remains very good. Liquidity is calculated as cash-in-hand, sight deposits in other banks, certificates of deposit in the Danish National Bank and securities. Liquidity at year-end 2006 was DKK 2.5 billion. In relation to short-term liabilities due within one month liquidity was 46.6 percent and in relation to all liabilities it was 22.5 percent. The corresponding figures for 2005 were 35.2 percent and 18.0 percent, respectively. The corresponding statutory minimum requirements are 15 percent and 10 percent.

The Solvency

The solvency was 11.0 percent compared to 11.0 at year-end 2005. The statutory requirement is 8 percent.

There were 309 employees at the Eik Group at year-end 2006 compared to 265 at the beginning of the year. This is an increase of 44 employees. Converted

Ársfrágreiðing 2006 / Annual Report 2006

kundar í Føroyum. Fjoltáttaða virkseimið er eisini viðvirkandi til, at tað er spennandi og avbjóðandi at starvast í Eik, og at tey dugnaligastu og mest framsóknu søkja sær starv í Eik.

Úrslitið rentar eginognina við ársbyrjan við 27,3%. Hetta er væl oman fyri málið, sum er 15% p.a. Eginognin, roknað sum miðal av primo og ultimo eginogn, varð rentað við 23,6%. Inntøkan aftan á skatt, pr. partabræv, var 36,02 kr. móti 18,64 kr. í 2005. Nevndin skjýtur upp fyri aðalfundinum at rinda 5% í vinningsbýti til partaeigararnar.

Javnin øktist frá ársbyrjan til árslok úr 8,621 mia. kr. í 11,828 mia. kr., ein vøkstur upp á heilar 3,207 mia. kr. ella 37,2%. Útlánini øktust við 1,720 mia. kr. ella 26,3%, úr 6,551 mia. kr. í 8,271 mia. kr., meðan innlánini øktust við 1,634 mia. kr. ella 36,4%, úr 4,483 mia. kr. í 6,117 mia. kr.

Gjaldførið er sera gott. Við árslok var gjaldførið, roknað sum tøkur peningur, ðogn uttan uppsøgn í øðrum peningastovnum, innlánsprógv í Tjóðbankanum og virðisbrøv, 2,5 mia. kr. Í mun til skyldurnar styttri enn ein mánað var gjaldførið 46,6%, og í mun til allar skyldurnar var gjaldførið 22,5%. Í 2005 vóru samsvarandi tølini 35,2% og 18,0%. Lógarkravið er ávikavist 15% og 10%.

Solvensurin

Solvensurin var 11,0% móti 11,0% ultimo 2005. Lógarkravið er 8%.

Í Eik Banka samtakinum starvaðust 309 starvsfólk við árslok 2006 móti 265 við ársbyrjan. Hetta er ein vøkstur uppá 44 starvsfólk. Umroknað til ársverk vóru 268,8 fulltíðarstørv við árslok móti 234,7 við ársbyrjan. Talið av ársverkum er soleiðis økt við 34,1 fólkum ella 14,5%. Størsta broytingin hevur verið í Eik Banka, har 30,6 ársverk eru komin afturat í

to full-time equivalent there were 268.8 full-time employees at year-end compared to 234.7 at the beginning of the year. Converted into full-time, the number of employees increased by 34.1, i.e. 14.5 percent. The main increase was in Eik Bank, where 30.6 people were taken on during the year, while 2 more were hired at Eik Bank Denmark and 1.5 at Inni.

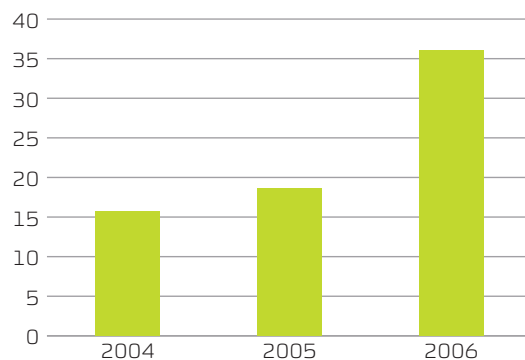
Eik Bank

Eik Bank is the parent company in the Eik Group. At the end of the year Eik Bank had 9,876 shareholders in 22 different countries. The majority shareholder is the Eik Fund with just above 62 percent of the share capital.

The main operating areas of Eik Bank are retail banking, corporate banking, and securities including pensions and corporate finance. Eik Bank is in charge of the overall risk management in the group, and is also in charge of the liquidity management of the group, including the provision of liquidity etc. The internal auditor of Eik Bank is also the internal auditor of the subsidiaries.

Mynd / Figure 3

Úrslit eftir skatt, pr. partabræv /
Earnings after tax per Share
DKK



árinum, meðan 2 eru komin afturat í Eik Bank Danmark og 1,5 í Inni.

Eik Banki P/F

Eik Banki P/F er móðurfelagið í Eik samtakinum. Eik Banki hevði við ársskiftið 9.876 partaeigarar í 22 ymiskum löndum. Stórsti partaeigari er Eik Grunnurinn við góðum 62% av partaþeninginum.

Hövuðsvirkisakini í Eik Banka eru privatkundaækið, vinnukundaækið og virðisbrævaækið, íroknað pensjón og corporate finance. Yvirskipaða vððastýringin í samtakinum er í Eik Banka, sum eisini røkir samlaða gjaldførið í samtakinum, herundir stendur fyri útvegan av gjaldføri v.m. Innanhýsis grannskoðarin í Eik Banka er samstundis innanhýsis grannskoðari í dótturfeløgnum.

Árið 2006 royndist sera væl hjá Eik Banka. Nettoinntøkurnar av rentum og ómaksgjöldum øktust úr 220,0 mió. kr. í 2005 í 271,7 mió. kr. í 2006, ein vøkstur uppá 51,7 mió. kr. ella 23,5%. Serliga eru tað ómaksgjöld, provisiósinntøkur og vinningsbýti, ið stóðu fyri økingini, meðan netto rentuinntøkurnar stóðu í stað. Kursvinningurin øktist úr 24,9 mió. kr. í 28,2 mió. kr., ein øking upp á 3,3 mió. kr. ella 13,1%. Úrslitið av figgjarpostum gjørdist 310,6 mió. kr. móti 255,8 mió. kr. árið fyri. Hetta er ein vøkstur upp á 54,8 mió. kr. ella 21,4%.

Útreiðslurnar til lønir og umsiting v.m. vóru 161,9 mió. kr. móti 130,5 mió. kr. í 2005. Hetta er ein vøkstur upp á 31,4 mió. kr. ella 24,1%.

Úrslitið av kapitalþertum í assosieraðum og tilknýttum fyrirkæmum gjørdist 115,8 mió. kr. í 2006 móti 39,8 mió. kr. í 2005. Hetta er ein vøkstur upp á 76,0 mió. kr. ella 190,9%. Feløgini, hvørs úrslit eru við í hesum upphæddum, eru m.o. Eik Bank Danmark við

Net income from interest and fees increased from DKK 220.0 million in 2005 to DKK 271.7 million in 2006, an increase of DKK 51.7 million or 23.5 percent. The increase was mainly generated by fees, commissions income and dividends, while net interest income remained unchanged. Profit due to appreciation and exchanges increased from DKK 24.9 million to DKK 28.2 million, an increase of DKK 3.3 million or 13.1 percent. Profit on financial items was DKK 310.6 million compared to DKK 255.8 million in 2005. This is an increase of DKK 54.8 million or 21.4 percent.

Total expenses for employees, administration etc. were DKK 161.9 million against DKK 130.5 million in 2005. This is an increase of DKK 31.4 million or 24.1 percent.

Income from associated and subsidiary undertakings was DKK 115.8 million in 2006 compared to DKK 39.8 million in 2005. This is an increase of DKK 76.0 million or 190.9 percent. The companies which make up this figure are Eik Bank Danmark with DKK 67.2 million, Ejendomsvækst A/S with DKK 46.5 million and Inni with DKK 1.4 million.

Eik Bank's profit before taxes was DKK 280.3 million in 2006 against DKK 152.8 million the year before. This is an increase of DKK 127.5 million or 83.4 percent. Net profit for the year was DKK 250.5 million against DKK 126.6 million the year before. This is an increase of DKK 123.9 million or 97.8 percent.

The balance at year-end 2006 was DKK 10.8 billion compared to DKK 7.9 billion the year before. This is an increase of DKK 2.9 billion or 36.9 percent. Lending increased by DKK 0.8 billion, from DKK 4.4 billion to DKK 5.2 billion, while deposits increased by DKK 1.6 billion, from DKK 4.1 billion to DKK 5.7 billion.

Ársfrágreiðing 2006 / Annual Report 2006

67,2 mió. kr., Eigningsvæxst við 46,5 mió. kr. og Inni við 1,4 mió. kr.

Úrslitið í Eik Banka gjórdist 280,3 mió. kr. áðrenn skatt í 2006 móti 152,8 mió. kr. árið fyri. Hetta er ein vøkstur upp á 127,5 mió. kr. ella 83,4%. Aftan á skatt gjórdist úrslitið 250,5 mió. kr. móti 126,6 mió. kr. árið fyri, ein vøkstur upp á 123,9 mió. kr. ella 97,8%.

Javnin við árslok 2006 var 10,8 mia. kr. móti 7,9 mia. kr. árið fyri. Hetta er ein vøkstur upp á 2,9 mia. kr. ella 36,9%. Útlánini óktust við 0,8 mia. kr., úr 4,4 mia. kr. í 5,2 mia. kr., meðan innlánini óktust við 1,6 mia. kr., úr 4,1 mia. kr. í 5,7 mia. kr. Tøl uttan fyri javnan vóru við árslok 2006 1,2 mia. kr. móti 0,4 mia. kr. árið fyri.

Í Eik Banka starvaðust 260 starvsfólk við árslok 2006 móti 219 við ársbyrjan. Hetta er ein vøkstur upp á 41 starvsfólk. Talið av ársverkum við árslok var 220,2 móti 189,7 við ársbyrjan. Talið av ársverkum er soleiðis ókt við 30,5 fólkkum ella 16,1%. Ókingin í starvsfólkatalinum er eitt úrslit av, at virkseimið í móðurfelagnum sum heild er ókt í árinum, og at virkseimið er umskipað. Til virðisbrævaðkið, ið hevur havt stóran vøkstur, og hvørs uppgávur eru óktar, eru sett starvsfólk afturat í árinum. Samstundis er virkseimið hjá deildunum umskipað við eini deildartænastu, ið loysir uppgávur, sum fyrr hava ligið á deildunum, og sum røkir ávísar uppgávur, ið krevja servitan. Ætlanin við Deildartænastuni er partvís at lætta um hjá deildunum og partvís at stuðla teimum. Hetta gevur deildunum størri orku til kundaróktina. Samstundis er Kundatænastan upprættað. Hendan deildin tekur sær av at avgreiða kundar umvegis telefonina.

Privatkundar

Privatkundaðkið er merkt av, at lønseimið er minkað munandi seinasta árið. Orsøkin er, at kappingin hevur verið sera hörð og rentumarginalurin óvanliga lágur.

Off-balance-sheet finance amounted to 1.2 billion at year-end 2006 compared to 0.4 billion in 2005.

There were 260 employees at Eik Bank at year-end 2006 compared to 219 at the beginning of the year. This is an increase of 41 employees. Converted into full-time equivalent there were 220.2 full-time employees at year-end compared to 189.7 at the beginning of the year. Converted into full-time, the number of employees increased by 30.5 people or 16.1 percent. The increase is primarily a result of increased activity in the parent company during the year, and the reorganisation of activities.

The securities area experienced considerable growth and has therefore been reinforced during the year. At the same time the activities in the branches have been reorganised. A branch services department has been established, which handles different activities that were previously handled in local branches, as well as different tasks that require specialised knowledge. The branch services department was established with the intent to ease pressure on the local branches and to assist the branches. This will enable customer advisors to dedicate more time to customer relations. A customer services department has also been established. This department attends to customers over the phone.

Private Customers

The private customer area was marked by considerably diminished profitability during the last year. There are two reasons for this. The competition has been fierce and the interest margin unusually low. At the same time expenses have increased due to structural changes in 2005.

We expect better profitability in 2007. The interest margin has increased and an incentive bonus programme for the employees has been

Samstundis eru útreiðslurnar óktar í sambandi við, at bygnaðurin varð broyttur í 2005.

Væntandi verður lönsemið betri í 2007. Rentumarginalurinn er hækkaður nakað seinast í 2006, og ein avriksskipan fyri starvsfólkið er innførd við virknaði frá 1. januar 2007.

Vøksturin í útlánum hevur farna árið verið rættuliga avmarkaður, 7,1%, meðan vøksturin í innlánum hevur verið størri.

Ein orsök til avmarkaða vøksturin í privatkunda-lánum er, at áhugin fyri realkredittlánum er vaksin. Eik fór undir at veita realkredittlán frá BRF til sethús í november 2005. Áhugin fyri BRF-lánunum hevur verið vaksandi, so hvørt sum rentustøðið er hækkað. Størsti eftirspurningurinn hevur verið eftir obligatiónlánum og garantilánum við rentulofti, og flestu lánini verða veitt við avdráttarskáa ella við møguleika fyri avdráttarskáa í framtíðini.

Privatkundaøkið hevur annars eisini verið sera virkið í 2006 við tiltøkum av ymsum slag. Eitt nú vórðu tiltøk hildin í Tórshavn, Runavík og Klaksvík í august og oktober undir heitinum "Kvinnur og pengar". Endamálið við hesum tiltøkum var at skapa størri áhuga millum kvinnur fyri íløgum og fáa tær at gerast meira virknar og tilvitaðar um at plasera t.d. sína pensjón. Í september vóru tvey SparInvest tiltøk í ávikavist Fuglafirði og Miðvági. Í oktober luttók Eik á FarExpo í Runavík. Deildin í Runavík gjørdi í tí sambandinum kundaátøk um kvøldarnar. Øll tiltøkini hava verið sera væl vitjað.

Tann 20. februar 2007 lat Eik upp deild í Klaksvík. Hetta er 17. deildin hjá Eik. Samstundis læt húsameklarafelagið Inni, ið er dótturfelag hjá Eik, upp sína fyrstu deild uttan fyri Tórshavn í somu húsum sum Eik í Klaksvík. Bæði bankadeildin og húsameklara-

introduced. The bonus programme is effective from 1 January 2007.

The increase in lending has been limited, i.e. 7.1 percent while there has been a larger increase in deposits.

One reason for the limited increase in lending to the private sector is that the demand for "realkredittlán" (generally special mortgages traded on the bond market) has increased. Eik Bank commenced offering realkredittlán in cooperation with BRFkredit in Denmark to house-owners in November 2005. The demand for BRF-loans has increased in tune with the rising interest level. The greatest demand has been for loans based on bonds and guaranteed loans with an interest rate ceiling. Most loans are offered with installment free periods, or with the possibility of having such periods in the future.

There has been much activity in the retail banking sector in 2006, and many different events have been staged. In Tórshavn, Runavík and Klaksvík, for instance, there were themed evening events on the subject of "Women and Money" in August and October. The goal was to spark interest among women concerning investments and to assist them in getting more active and more conscious of the possibilities of e.g. investing their pension in securities. In September there were two events with SparInvest - one in Fuglafjørður and one in Miðvágur. And in October Eik Bank participated in FarExpo in Runavík. The Runavík branch used this occasion to organise special events for the customers in the evenings. All the events were well visited.

On 20 February 2007 Eik Bank opened a branch in Klaksvík. This is the seventeenth branch of Eik Bank. At the same time the real estate agency Inni, which is a subsidiary of Eik Bank, opened its first branch at the

Ársfrágreiðing 2006 / Annual Report 2006

felagið hava fingið eina sera góða byrjan, ikki minst takkað verið tí stóra og sjónliga arbeiði, sum leiðari og starvsfólk í Klaksvík hava gjørt.

Ein mánað seinni, tann 17. mars, læt bankin upp nýggja og stásiliga deild í Fuglafirði. Arkitektar 99 hava teknað deildina, ið er skipað soleiðis, at hon stuðlar undir arbeiðsháttinum við heildarprátum. Bæði kundar og starvsfólk eru sera fegin um nýggju deildina, ið gevur munandi betri arbeiðsumstøður enn gamla deildin í Fuglafirði.

Nýggj ungdómsdeild

Síðani hálfvan oktober hevur deildin á Tinghúsvegnum verið undir umbygging, og í februar 2007 læt deildin upp í nýggjum búnaði.

Hetta er tann fyrsta deildin av sínum slag í Føroyum, sum miðvist fokuserar uppá ungdómsráðgeving til ung millum 18-25 ár. Ein deild, har øll ungdómsprátini verða, og har tey ungu kunnu koma inn, tá tey hava ymiskar spurningar um eitthvørt ella skulu søkja um t.d. teldulán ella ungdómslán ella skulu gera eina avtalu við kundaráðgevan. Tað serliga við hesi deildini er, at eingir kassar eru, men tvær sjálvttøkur og teldur, so tey ungu hava møguleika at fara á internetið og eisini at læra at nýta okkara sjálvvavgreiðslutænastur, eitt nú HeimaGreiðsluna. Uppi á loftinum er eitt høli, sum skal nýtast til fyrilestrar og tiltøk fyri tey ungu.

Eik hevur nógvar ymiskar tænar at bjóða teimum ungu, og vit eru spent uppá, hvussu hendan deildin fer at verða móttikin av okkara ungu kundum.

Deildirnar í Vestmanna og við Norðskála eru nýliga um- og útbygdar. Tær lótu upp aftur ávikavist 14. og 15. desember. Við broytingunum er vorðið rúmsáttari á hesum deildum, eins og tær hava fingið fleiri og betri fundarhøli til heildarprát. Kundar og starvsfólk hava tikið væl ímóti broytingunum.

same premises in Klaksvík. The bank and the estate agency,, have had a good start, not least due to the great effort that has been put into the project, by the branch manager and the employees in Klaksvík.

One month later, on 17 March, the bank opened a new splendid branch in Fuglafjørður. The building was designed by the architect firm Arkitektar 99 and designed to support our customer advisors in conducting our advisory service concept Heildarprát. Customers and employees are very pleased with the new branch, which provides much better working conditions than the former branch in Fuglafjørður did.

Youth Branch

Since mid October the branch at Tinghúsvegur, Tórshavn has been closed due to refurbishing. In February 2007, the branch opened with a completely new look. For the first time ever in the Faroe Islands, a bank has opened a branch focusing solely on services and advice for the age group 18-25 years.

The Youth Branch focuses on an advisory service concept especially developed for this age group. Young people have the opportunity to visit the branch when applying for a 'computer-loan', a 'youth-loan', making an appointment for a consultation, etc. One of the characteristics of the branch is the absence of cash desks. Instead there are two cash dispensers and two self service computers where the young people may go on line or make use of our self-services such as net-banking. Furthermore, the staff at the Youth Branch will arrange seminars and other events on a monthly basis.

Eik Bank offers a variety of services for young people and we are excited to learn how our young customers will react to the new branch.

Ein nýggj slepping av net-heimagreiðsluni varð framd 1. desember í ár. Við nýggju sleppingini fingur privatkundar okkara atgongd til virðisbrævagoymslurnar og atgongd til og yvirlit yvir kontuavrit og onnur skjøl elektroniskt, sum annars verða send við posti. Harumframt er atgongd nú eisini til sama fíggjarark, sum kundaráðgevar okkara nýta, og sum er partur av grundarlagnum fyri t.d. lánveiting og heildarkontu. Harvið ber til hjá kundinum at kanna upplýsingarnar og leypandi senda inn broytingar til kundaráðgevan.

Í juni gav Eik kundum sínum møguleika at fáa Visa Electron kort. Visa Electron er eitt sonevnt debetkort, ið merkir, at terminalurin, sum kortið verður nýtt í, hvørja ferð kannar, um peningur er á kontuni, sum kortið er knýtt at. Kortið kann nýtast á internetinum og í handlum og sjálvttøkum um allan heim. Ein fyrimunur við kortinum er, at til ber at taka út og keypa fyri væl størri upphæddir um dagin enn við øðrum kortum. Hinvegin kann kortið ikki brúkast millum kl. 02.00 og 06.00 á morgni, tá on-line skipanin er óvirkin.

Kortið er væl egnað at hava afturat t.d. einum FR- ella FR-Visa korti, og til teirra, sum frammanundan nýta úttøkukort – eitt nú ung undir 18 ár.

Vinnukundar

Eik hevur staðið seg sera væl á vinnuliga økinum í 2006. Bæði út- og innlån eru økt munandi, og Eik hevur styrkt sína støðu innan eitt nú fígging av fastari ogn, byggivinnuni og supplyvinnuni. Hinvegin hevur Eik í lutfalsliga líftlan mun luttikið í fígging av teimum skipahandlum, ið hava verið framdir, ofta til rættuliga høgur prísir. Partur av útlánsvøkstrinum hjá Eik í Føroyum er farin fram uttanlands. Samanumtikið eru útlánini hjá Eik Banka bytt á fleiri vinnugreinar við árslok 2006 enn við ársbyrjan, og lutfalsliga útlánið í hvørjari vinnugrein sær er minkað,

The branches in Vestmanna and Norðskála have recently been refurbished and extended, and reopened on 14 and 15 December, respectively. These alterations have made the branches more spacious and better equipped, and additional conference rooms where Heildarprát (advisory service concept) can be conducted have been added. Customers and employees alike are very pleased with the changes.

A new edition of the internet banking software HeimaGreiðslan was released on 1 December 2006. With the new release our private customers have access to their securities portfolio and to statements and other electronical documents that were otherwise sent by mail. In addition, customers now also have access to the same budget sheet that our customer advisors use, and which forms the basis for e.g. lending and the budget account. This enables the customer to check the current information and on a continual basis send new information to the customer advisor.

In June, Eik Bank launched the VisaElectron card. VisaElectron is a debit card, which means that every time the card is used the terminal verifies that the amount is available on the account. The card can be used on the internet as well as in shops and cash dispensers all over the world. One significant advantage is that the daily withdrawal and purchase limit is significantly larger than on other cards. On the other hand, the card cannot be used between 2 and 6 a.m., when the on-line system is inactive.

The card is well suited to complement the FR or FR-Visa card and for those who already have a cash card – such as young people under the age of 18.

Corporate Clients

Eik Bank has been successful in the corporate area in 2006. Both lending and deposits have increased

Ársfrágreiðing 2006 / Annual Report 2006

hóast upphæddirnar eru óktar. Hetta meta vit at vera sera jálígt.

Vinnukundaekið er skipað við tveimum vinnulívsdeildum. Tær eru í Tórshavn og í Saltangará. Harumframt rækja einstøku privatkundadeildirnar vinnulígar kundar í sínum økjum í ávísan mun – ofta í samstarvi við vinnulívsdeildirnar. Aliekið er miðsavnað á Vinnulívsdeildini í Tórshavn.

Vinnulívsdeildin í Tórshavn fekk nýggjan leiðara 1. september, Birgir Nielsen, sum er úr Tórshavn. Birgir er 40 ára gamal og hevur starvast í Eik síðani 1997. Hann hevur útbúgving sum cand. merc. í fígging og roknskapi og hevur annars bæði peningastovnsútbúgving og hægri fíggingarútbúgving. Birgir hevur drúgvur royndir sum ráðgevi hjá vinnukundum í Eik. Eisini hevur hann starvast sum fulltrúi á kredittdeildini í Eik og eitt skifti í dótturbankanum Eik Bank Danmark. Birgir Nielsen tekur við eftir Gunnar Streymoy, sum fór úr starvinum í summar eftir drúgva tænastráti í Eik.

Eik luttók 9. – 11. mai við einum bási á fiskivinnu-messuni European Seafood Exposition í Brússel.

Nýggja netútgávan av HeimaGreiðsluni, ið varð sett í verk 1. desember, hevði nógvar betringar við sær fyri vinnukundarnar. Umframt atgongd til virðisbrævagoymslur og ávís skjøl elektroniskt eru nú funkur til at fremja hópflytingar og lónarflytingar.

Ætlandi verður møgulígt at gera uttanlandsflytingar í HeimaGreiðsluni í næstum.

Virðisbrævaekið

Áhugin fyri at gera íløgur í virðisbrøv er sera nógva óktur seinnu árinum, og tað hevur gjørt, at stór framgongd hevur verið í virkseminum hjá Eik á hesum øki.

considerably and Eik Bank has strengthened its position in the financing of real estate, the construction industry and the supply industry. On the other hand, Eik Bank's participation in the trade of fishing vessels, often at rather high prices, has been limited. Part of the increase in Eik Bank's lending stems from overseas activity. On the whole, the distribution of the loan portfolio includes more business areas at year-end 2006 than at the beginning of the year, and relative lending in each business area has decreased, despite the fact that the amounts have increased. From our perspective, this is indeed a positive development.

The commercial area is organised into two commercial loan departments, one in Tórshavn and one in Saltangará. The different branches also serve commercial customers in the local areas on a smaller scale – often in cooperation with the commercial loan departments. The fish farming industry is centralised at the Commercial Loan Department in Tórshavn.

On 1 September 2006 Birgir Nielsen from Tórshavn was appointed Manager of the Commercial Department in Tórshavn. Birgir is 40 years old and has been working in Eik Bank since 1997. He holds a Master of Business Administration degree in finance and accounting and also has a regular banking education as well as a higher financial education. Birgir is an experienced advisor for commercial customers in Eik Bank. He has also worked in the Credit Department in Eik Bank and for some time at our subsidiary Eik Bank Danmark. Birgir Nielsen succeeds Gunnar Streymoy, who left the job this summer after a long career in Eik Bank.

On 9 – 11 May Eik Bank participated with a stand at European Seafood Exposition in Brussels. The new release of our netbank HeimaGreiðslan

Tað eru óivað fleiri orsökir til økta áhugan fyri virðisbrøvum. Broytingin í skattaskipanini í 2002 hevur havt við sær eina týðiliga hugburðsbroyting í Føroyum til virðisbrøv. Lága rentustøðið, hækkanði partabrævakursir og møguleikarnir fyri at gera íløgur fyri uppsparðan pensjónsparing eru óivað eisini høvuðsorsøkir til, at alt fleiri privatkundar ynskja at gera íløgur í virðisbrøv.

Eini stórir partur av hesum ílögum fer í útlendsk virðisbrøv, men áhugin fyri føroyskum partabrøvum hevur eisini verið stórir. Eitt nú teknaðu føroyskir íleggjarar seg fyri einum munandi parti av partabrævaútgávuni hjá Atlantic Petroleum í juni. Áhugin fyri Eik partabrøvum hevur somuleiðis verið stórir í 2006. Eik seldi í september mánaði vegna Eik Grunnin partabrøv í Eik fyri uml. 400 mió. krónur upp á tvær vikur.

Pensjón

Eisini hevur stórir áhugi verið fyri pensjóns- og tryggingartænastum frá Eik í 2006. Fleiri og fleiri av kundunum stovna sær pensjónsuppsparing og VP-goymslu til virðisbrøv, og upphæddirnar, sum verða settar inn, økjast eisini á hvørjum ári. Samlaða inngjaldið í 2006 var umleið 50% størri enn inngjaldið í 2005, og hetta eru vit sera væl nøgd við.

Til eina góða pensjón krevst eisini trygging við deyða og óarbeiðsføri. Eik hevur í fleiri ár havt avtalu við Føroya Lívstrygging um sølu av lívstryggingum, og í 2005 varð henda avtala víðkað til eisini at fevna um sølu av óarbeiðsføristryggingum.

Rákið seinnu árin er, at kundin sjálvur vil hava ávirkan á, hvussu pensjónin skal samansettast bæði viðvíkjandi tryggingum og ikki minst, hvussu pensjónsuppsparingin skal plaserast í virðisbrøv. Tann 27. oktober sá ein nýggjur íløguklubbi fyri

that was launched on 1 December contains several improvements for our commercial customers. In addition to access to security portfolio and certain electronic documents, it now contains functions to arrange mass-transfers and wages transfers, including authorising wage-lists and mass-transfer lists, in case the person who types in the transfer is not the same person authorising the transfer.

The intention is to make it possible to arrange international transfers through HeimaGreiðslan in the near future.

Securities

Interest in securities investment has increased significantly in recent years and as a result, Eik Bank has had progress in this area.

There are, no doubt, many reasons for the increasing interest in securities. The change in the Faroese tax legislation in 2002 has affected people's attitude towards securities. Low interest, rising share prices and the opportunity to invest pension savings are also main contributing factors to the increase in securities investment.

A large portion of these investments are made in foreign securities, but great interest has also been shown in Faroese shares. This was seen in Atlantic Petroleum's share offering in June 2006, when Faroese investors subscribed to a significant part of the offering. There has also been great interest in Eik Bank shares in 2006. In the space of 2 weeks in September 2006 Eik Bank, on behalf of the Eik Fund sold approximately DKK 400 million worth of Eik Bank shares.

Pension

2006 has also been a good year for pensions and insurance services offered by Eik Bank. Recent trends show that the customer wants to have

Ársfrágreiðing 2006 / Annual Report 2006

kvinnur dagsins ljós. Tað var „Sparfrúgv“, ið er fyrsti íløguklubbi av sínum slag í Føroyum. Endamálið við Sparfrúgv er at seta fokus á „kvinnur og virðisbrøv“, og á „kvinnur og pensjón“ og á henda hátt at skapa størri áhuga millum kvinnur fyri íløgum og fáa tær meira virknar og tilvitaðar um t.d. at plasera sína pensjón í virðisbrøv.

Við at vera limir fáa kvinnurnar hvønn ársfrágreiðing skriv um íløgur, málrættað til Sparfrúgv. Á henda hátt verða kvinnurnar kunnaðar um ymiskar íløgur, um avkast, hvussu tær kunnu brúka ymiskar íløgusíður á alnótini o.s.fr. Eisini fara tær at fáa tilboð um at luttaka á skeiðum um íløgur, við avsláttir.

Allar kvinnur, ið hava gjørt ella gera íløgur í virðisbrøv upp á í minsta lagi 10.000 kr. ígjøgnum Eik, annaðhvørt við okkara íløgukonsepti ella við at keypa einstøk virðisbrøv, kunnu gerast limir.

Eik Banki er limur í íslenska fondsbørsinum OMX Iceland (www.icex.is).

Corporate Finance

Eik Banki hevur seinastu árin havt nakað av corporate finance virkseimi. Eik stílar m.a. fyri kapitalhækkingum og veitir ráðgeving í sambandi við handil við fyrítøkum v.m. Hetta økið verður røkt av Fíggingardeildini, sum eisini bjóðar partafeløgum VP-skráseting og elektroniska partabrevabók.

Umframt at tekna partabrev við vanligum tekningarlistum hevur Eik sum fyrsti peningastovnur í Føroyum eisini avgreitt partabrevatekning hjá almenninginum beinleiðis um internetið, og hetta hevur víst seg at virka sera væl.

Eik hevur staðið fyri teimum mest týðandi føroysku partabrevavútgávuunum og sölunum til almenningin í 2006, nevniliga tvær kapitalhækkingar í Atlantic

some say in how his pension is constructed. This applies to insurance and especially how and to what extent pensions savings are invested in securities. An increasing number of customers set up pension savings and an account for securities at VP Securities Services in Denmark. The deposited amounts increase every year. The total deposits in 2006 were up 50 percent from 2005. This is a very pleasing result.

A good pension also requires life and disability insurance. For the past several years Eik Bank has had an agreement with the Faroese Life Assurance company regarding the sale of life insurance and in 2005 this agreement was extended to include sales of disabilities insurance.

On 27 October a new investment club for women was launched. This is the first investment club of its kind in the Faroes. Focus is on the topics "women and securities" and "women and pensions". The aim is to generate a greater interest among women in investment and to encourage them to be more active and conscious about placing part of their pension savings in securities.

Through their membership, the women will receive quarterly updates on securities specially prepared for the investment club. In this way the women are advised on different investments, returns, how to use investment websites etc. The women are also invited to attend investment seminars.

All women who invest a minimum of DKK 10,000 in securities through Eik Bank are eligible for membership.

Eik Bank is a member of OMX Iceland (www.icex.is).

Corporate Finance

In recent years Eik Bank has offered some corporate

Petroleum (www.petroleum.fo) upp á samanlagt 212,2 mió. kr. og sølu av uml. 400 mió. kr. í Eik-partabrøvum fyri Eik Grunnin.

Eisini hevur Eik staðið fyri børsskráseting av Atlantic Petroleum á OMX Københavns Fondsbørs (www.omxgroup.com/nordicexchange). Talan var um eina sonevnda dupultskráseting, tí Atlantic Petroleum er frammanundan skrásett á VMF marknaðinum á OMX Iceland (www.icex.is).

Eik, ið var ein av stovnarunum av Atlantic Petroleum, eigur 5,67% av partabrøvunum í Atlantic Petroleum. Eik Bank Danmark er "marketmaker", t.e. stillar prísir, í partabrøvunum hjá Atlantic Petroleum á OMX Københavns Fondsbørs.

Eik fyriskipaði 17. februar ein evnisdag fyri vinnukundar um keyp og sølu av fyrítøkum. Tiltakið var sera væleydnað; 130 vinnulívsvörk nýttu høvið at luttaka, og afturmeldingarnar vóru sera positivar.

Meira fæst at vita um Eik Banka á www.eik.fo.

Eik Bank Danmark A/S

Eik Bank Danmark er 100% dótturfelag hjá Eik Banka. Bankin hevur høvuðssæti í Nørre Færimagsgade 15 í Keypmannahavn. Høvuðsvirkisøkini eru "corporate banking", pantibrævahandil, virðisbrævahandil, "asset management" og "private banking". Bankin er limur í OMX Københavns Fondsbørs.

Eik Bank Danmark hevði eitt sera gott ár í 2006. Nettoinntøkurnar av rentum og ómægsgjöldum óktust úr 77,7 mió. kr. í 2005 í 109,4 mió. kr. í 2006; ein vøkstur uppá 40,8%. Kursvinningurin óktist úr 21,3 mió. kr. í 57,6 mió. kr.; ein øking uppá 36,3 mió. kr. ella 170,5%. Úrslitið av fíggarpostum gjørdist 167,0 mió. kr. móti 99,0 mió. kr. árið fyri, svarandi til eina øking upp á 68,7%.

finance services. Eik Bank arranges and provides advice in connection with raising capital, sale of companies etc. Corporate finance is provided by Eik Bank's Financial Markets and Treasury, which also offers VP-registrations and electronic registry of shareholders.

Eik Bank is the first Faroese bank to have offered the public direct purchase of shares through the internet. This service proved a success.

Eik Bank arranged the most important Faroese share offerings and sales in 2006: two capital increases in Atlantic Petroleum (www.petroleum.fo) totalling DKK 212.2 million, and the sale of approximately DKK 400 million worth of shares on behalf of the Eik Fund.

Eik Bank also arranged the listing of Atlantic Petroleum on OMX Copenhagen Stock Exchange (www.omxgroup.com/nordicexchange). Atlantic Petroleum was already listed on the VMF exchange on OMX Iceland (www.icex.is), and so this was a case of dual listing.

Eik Bank was one of the founders of Atlantic Petroleum and currently holds a 5.67 percent share. Eik Bank Danmark is a market maker of Atlantic Petroleum on OMX Copenhagen Stock Exchange.

On 17 February 2006 Eik Bank organised a special theme day for its corporate customers on the purchase and sale of companies. The event was a success and 130 people from trade and industry took the opportunity to attend and the feedback was highly positive.

More information about Eik Bank is available on www.eik.fo.

Eik Bank Danmark A/S

Eik Bank Danmark is a wholly owned subsidiary of

Ársfrágreiðing 2006 / Annual Report 2006

Útreiðslurnar til lönir og umsiting v.m. vóru 65,1 mió. kr. móti 48,0 mió. kr. í 2005. Hetta er ein vöxstur upp á 17,1 mió. kr. ella 35,6%.

Úrslitið hjá Eik Bank Danmark gjørdist 93,8 mió. kr. fyri skatt í 2006 móti 41,9 mió. kr. árið fyri. Hetta er ein vöxstur upp á 51,9 mió. kr. ella 124,0%. Eftir skatt gjørdist úrslitið 67,2 mió. kr. móti 30,6 mió. kr. árið fyri. Hetta er ein vöxstur upp á 36,6 mió. kr. ella 119,9%.

Javnin ultimo 2006 var 3,5 mia. kr. móti 2,5 mia. kr. ultimo 2005. Hetta er ein vöxstur upp á 1,0 mia. kr. ella 44%. Útlánini øktust úr 2,1 mia. kr. í 3,1 mia. kr., meðan innlánini øktust úr 346 mió. kr. í 475 mió. kr.

Stjórnin í Eik Bank Danmark varð pr. 1. oktober 2006 víðkað við Jesper Clausen, ið er 35 ár og hevur starvast í Eik Bank Danmark síðani 2003. Jesper hevur HD í fígging og er harafturat ríkisgóðkendur húsameklari og valuar. Hann hevur starvast í donsku fíggingarvinnuni í Danmark í fleiri ár, m.a. í Forstædernes Bank, Grønlandsbanken og Unibank, umframt at hann hevur royndir innan húsameklaravirksemi. Jesper hevur verið kredittleiðari í Eik Bank Danmark síðani starvssetanina, og kredittøkið verður framhaldandi høvuðsábyrgdarøki hansara.

Stjórnin í Eik Bank Danmark er eftir hetta Brian Toft, forstjóri, og Jesper Clausen, bankastjóri.

Talið av starvsfólkum er økt úr 41 við ársbyrjan til 43 við árslok 2006.

Vinnukundar

Vinnukundaøkið – ella corporate banking økið – er størsta virkisøkið hjá Eik Bank Danmark. Økingin í starvsfólkatalinum í 2005 hevur gjørt tað møguligt at økja útlánsvirksemið munandi í 2006. Útlánini øktust soleiðis úr 2,116 mia. kr. í 3,078 mia. kr., ein vöxstur uppá 962 mió. kr. ella 45,5%. Talan er í stóran

Eik Bank. Eik Bank Danmark's head office is in Nørre Færmagsgade 15 Copenhagen. The main areas of activity are corporate banking, mortgage trading, securities trading, asset management and private banking. Eik Bank Danmark is a member of OMX Copenhagen Stock Exchange.

2006 proved to be a splendid year for Eik Bank Danmark Net income from interest and commission increased 40.8 percent in 2006, from DKK 77.7 million in 2005 to DKK 109.4 million in 2006. Gains on securities increased 170.5 percent, from DKK 21.3 million to DKK 57.6 million. Profit on financial items was DKK 167.0 million compared with DKK 99.0 million in 2005, an increase of 68.7 percent.

Wages and administrative expenses etc. were DKK 65.1 million compared with DKK 48 million in 2005. This is an increase of DKK 17.1 million or 35.6 percent.

Eik Bank Danmark's profit before taxes was DKK 93.8 million in 2006, compared with DKK 41.9 million in 2005. This is an increase of DKK 51.9 million or 124.0 percent. Profit after taxes was DKK 67.2 million compared with DKK 30.6 million in 2005. This is an increase of DKK 36.6 million or 119.9 percent.

The balance at year-end 2006 was DKK 3.5 billion compared with DKK 2.5 billion at the end of 2005. This is an increase of DKK 1.0 billion or 44 percent. Lending increased from DKK 2.1 billion to DKK 3.1 billion in 2006, while deposits increased from DKK 346 million to DKK 475 million.

The management of Eik Bank Danmark was extended to include Jesper Clausen from 1 October 2006. He is 35 years old and has worked for Eik Bank Danmark since 2003. Jesper has a Graduate degree in Finance and is also a state certified realtor and appraiser. He

mun um fíggjng til fastognir og fastognarprojekt av ymiskum slögum. Við lánveiting til fastognir verður dentur lagdur á, at talan er um umsetiligar ognir við góðum leigarum og leiguinntøkum, ofta við bindandi leiguavtalum í eitt áramál.

Capital Markets

Eik Bank Danmark er limur í OMX Københavns Fondsbørs og veitir ráðgeving og handil við øllum vanligum ílögguaktivum so sum partabrøvum, lánsbrøvum, ílöguprógvum, fíggjarligum amboðum, pantibrøvum og gjaldoyra.

Bankin hevur bæði privatir kundar, vinnukundar og stovnskundar.

Private Banking

Private Banking deildin hevur ráðgevar við breiðari servitan og veitir ognarrøkt til kundar, ið hava eina fíggjarogn upp á 1 mió. kr. ella meira. Deildin veitir persónliga og einstaklinga ráðgeving og vendir sær til kundar, ið hava tørv á tænastru og ráðgeving, sum fevnir um meira enn tað vanligu. Grundleggjandi ráðgevingin fevnir um ílögur, pensjón, keyp og sølu av fastari ogn, fíggjng, vanligar bankatænastur og ráðgeving í sambandi við, at kundar flyta ella umhugsa at flyta til/frá útlandinum.

Pantibrævaokið

Pantibrævaedeildin í Eik Bank Danmark ráðgevur um og handlar við pantibrøvum. Bankin keypir eisini pantibrøv til egna goymslu við tí fyri eyga at uppbyggja porteføljur av pantibrøvum, ið kunnu seljast víðari, bæði hvør sær og sum størri porteføljur til inn- og útlendskar kundar, ið hava áhuga fyri og innlit í pantibrævamarknaðin. Stórir dentur verður lagdur á umsetiligheitina av pantibrøvunum.

Meira fæst at vita um Eik Bank Danmark á www.eikbank.dk.

has worked in the Danish financial sector for many years, e.g. in Forstædernes Bank, Grønlandsbanken and Unibank. He also has experience in real estate. Since joining Eik Bank Danmark Jesper has been the Credit Manager and this will continue to be his main remit.

The management of Eik Bank Danmark now consists of Brian Toft, Managing Director and Jesper Clausen, Bank Manager.

The number of employees has increased from 41 to 43 in 2006.

Corporate Clients

Corporate banking is Eik Bank Danmark's largest business area. The staff increase in 2005 made possible a considerable expansion in lending in 2006. Corporate lending increased 45.5 percent from DKK 2.116 billion to DKK 3.078 billion in 2006. To a large extent this relates to financing real estate and different real estate projects. When financing real estate, it is important that the properties in question are transferable, with good tenants and good rental income, often with binding long-term tenancy agreements.

Capital Markets

Eik Bank Danmark is a member of OMX Copenhagen Stock Exchange and provides advice and trading services for all normal investments, e.g. shares, bonds, unit trust certificates, financial instruments, mortgages and currency.

The clientele of the bank consists of private customers, companies and institutional customers.

Private Banking

The Private Banking department has advisors with an array of specialist knowledge and provides asset

Ársfrágreiðing 2006 / Annual Report 2006

Inni P/F

Inni, ið er 100% dótturfelag hjá Eik Banka, er størsta húsameklaravirkið í Føroyum. Inni hevur vælútbúgvin starvsfólk, drúgvur royndir at selja øll sløg av fastari ogn og eina umfatandi ábyrgdartrygging, sum merkir, at kundin kann kenna seg tryggan at handla ognir gjøgnum Inni.

Virksemið hjá Inni hevur verið sera stórt um mestsum alt landið; tó størsti aktiviteturin hevur verið í høvuðsstaðarøkinum, í Eysturoynni og í Norðoyggjum.

Úrslitið hjá Inni í 2006 var 1,4 mió. kr. móti 0,4 mió. kr. í 2005, ein vøkstur upp á 375%. Sum úrslitið vísir, hevur felagið havt sera stóra framgongd. Orsøkirnar til vøksturin eru fleiri: Talið av húshandlum er økt munandi, prísirnir hava verið munandi hægri enn árið fyri, og Inni hevur styrkt sína marknaðarstöðu – m.a. við at lata upp tvær nýggjar deildir.

Tann 20. februar lat Inni upp sína fyrstu deild uttan fyri Tórshavn – hetta var í Klaksvík, og 12. juni lat Inni upp í Saltangará – í ovaru hæddini hjá deildini í Saltangará. Eitt fólk starvast á deildunum báðum, 1/2 tíð á hvørjum staði. Báðar deildirnar hava fingið eina sera góða byrjan. Høvuðsskrivstovan hjá Inni er í Niels Finsensgøtu 37 í Tórshavn. Jónsvein Mortensen er stjóri í Inni. Umframt stjóran starvast 3 starvsfólk í Inni. Meira fæst at vita um Inni á www.inni.fo.

Onnur dótturfeløg

Dótturfelagið 12. juni 2003 P/F varð stovnað í 2003 í sambandi við eitt neyðlíðandi alibrúk, sum síðani varð selt. Eftir hetta stóð felagið fyri aling av laks, sum Eik yvirtók frá einum øðrum alibrúki. Hesin fiskur varð slaktaður í mars 2005, og síðani hevur onki virksemi verið í felagnum. Aktivini hjá felagnum eru 8,4 mió. kr., ið standa á bólk. Felagið hevur onga skuld.

management for clients with financial assets of DKK 1 million or more. The department offers personal and individual advice and addresses customers that need special services and advice. The basic advice covers investments, pensions, purchase and sale of real estate, financing, standard bank services and international transfers.

Mortgages

The mortgage department of Eik Bank Danmark offers advice and trades in mortgages. The bank also buys mortgages in order to build portfolios of mortgages that can be sold on individually or as larger portfolios to domestic and foreign clients with an interest in the mortgage market. Great importance is placed on the transferability of the mortgages.

More information about Eik Bank Danmark is available on www.eikbank.dk.

Inni P/F

Inni is a wholly owned subsidiary of Eik Bank and the largest estate agency in the Faroes. At Inni P/F the staff is well-educated and has vast experience in selling all kinds of properties. Furthermore, customers can feel safe when purchasing or selling property through Inni P/F, due to extensive public liability insurance.

Inni has been very active throughout the country, although the largest activity has been in the Tórshavn area, Eysturoy and the Northern Isles.

In 2006 Inni's profit was DKK 1.4 million compared with DKK 0.4 million in 2005, an increase of 375 percent. As the result shows Inni has made great progress in the past year. There are several reasons for this growth – the number of houses being bought and sold has increased significantly, house prices have

Dótturfelagið 21. desember 2005 P/F varð somuleiðis stovnað í sambandi við yvirtöku av einum neydlíðandi alibrúki. Treytað avtala um sølu av partabrøvnunum í felagnum varð undirskrivað í 2005, og sølan er avgreidd í 2006.

Assosierað feløg og kapitalpartar, ið eru støðisogn

Eitt felag er assosierað, tá Eik Banki og dótturfeløg hjá bankanum ráða yvir 20% ella meira av atkvøðunum á aðalfundi hjá fyrirkuni, men tó ikki hava meirilutan. Er ávirkanin undir 20%, er felagið samb. lóg um fíggarvirkssemi vanligur kapitalpartur.

Íløgur, ið annaðhvørt eru assosieraðar við Eik ella eru kapitalpartar við ávirkan undir 20%, verða, tá talan er um ikki børsskrásett feløg, vanligu bókaðar til roknskaparlíga innara virðið. Er felagið børsskrásett, verður íløgan bókað til dagsvirðið á partabrævinum uppgerðardagin.

Samanlagt er bókaða virðið, sum Eik hevur í assosieraðum feløgum, 122,0 mió. kr. Mest týðandi íløgan í hesum bólkinum er Ejendomsvækst, ið verður umrøtt niðanfyrri.

Eisini hevur Eik íløgur í kapitalpørtum, ið eru støðisogn, og har ávirkanin er undir 20%. Samanlagt er bókaða virðið av hesum ílögum 272,6 mió. kr. Mest týðandi íløgan í hesum bólkinum er Spron, ið verður umrøddur niðanfyrri.

Samlaða bókaða virðið av assosieraðum feløgum og kapitalpørtum er 498 mió. kr.

Ejendomsvækst A/S

Eik Banki keypti 15. mai 2006 25% av partapeninginum í Ejendomsvækst A/S í Danmark. Tann 15. juli

been substantially higher than the year before and Inni has strengthened its market position by opening two new branches.

On 20 February Inni opened its first branch office in Klaksvík and another one on 12 June in Runavík. One person works in these two branches, dividing his time between the two. Both branches have had very successful starts. The head office of Inni is in Niels Finsensgøtu 37 in Tórshavn.

Jónsvein Mortensen is the manager of Inni. In addition to the manager Inni employs a staff of 3. More information about Inni is available on www.inni.fo.

Other Subsidiaries

The subsidiary 12. juni 2003 P/F, was established in 2003 in connection with a troubled fish farm, which subsequently was sold. The company then reared salmon, which Eik Bank acquired from another fish farm. The fish was slaughtered in March 2005. Since then there has been no activity in the company. The company's assets are DKK 8.4 million, which are deposited in a bank account. The company has no debts. The subsidiary, 21. desember 2005 P/F, was also established in connection with the acquisition of a fish farm in dire straits. A conditional agreement regarding sale of the shares in the company was signed in 2005 and the sale was completed in 2006.

Associated Companies and Holdings of Fixed Financial Assets

A company is an associated company when Eik Bank or a subsidiary of Eik Bank controls 20 percent or more of the votes at the company's general meeting without having the majority (according to

Ársfrágreiðing 2006 / Annual Report 2006

2006 keypti Eik Bank Danmark 4% afturat, soleiðis at Eik samtakið í dag eigur 29% av partapeninginum í Ejendomsvækst.

Ejendomsvækst A/S hevur sum høvuðsvirksemi at ráðgeva og bjóða fyrítøkum og einstaklingum at gera íløgur í fastogn. Fyrítøkan arbeiðir bæði í og uttan fyri Danmark, og hon er millum fremstu fyrítøkur av sínum slag í Danmark.

Ejendomsvækst er limur í The European Association for Investors in Non-listed Real Estate Vehicles, styttað INREV (www.inrev.org), sum arbeiðir fyri at betra atgongdina til marknaðarkunning og umsetiligheitina av ikki-børsskrásettum fastognarfeløgum, t.d. kommandittfeløgum, ið orsakað av donsku katta-reglunum eru sera vanlig til fastognaríløgur í Danmark.

Samtakið Ejendomsvækst hevur síðani 1988 staðið fyri umseting av íløgum í fastognir í Danmark, Svøríki, Týsklandi, Bretlandi, Spania og USA. Umleið helmingurin av íløgnum er gjørdur vegna privatpersónar og feløg, meðan hin helmingurin er gjørdur umvegis kommandittfeløg, ið Ejendomsvækst umsitur.

Seinnu árin hevur tað slagjð av fastognarvirksemi, sum Ejendomsvækst fæst við, vunnið fram uttanlands. Áður vóru tað serliga stórar fyrítøkur og fíggjarliga sterkir einstaklingar, ið høvdu møgul-eika at gera stórar íløgur í fastogn. Við feløgum sum Ejendomsvækst er tó vorðið møguligt hjá meira vanligum íleggjarum at sleppa upp í part, og tað gevur eitt nú Ejendomsvækst blíðan byr.

Ejendomsvækst er eftir fáum árum vorðin ein tann størsti útbjóðarin av íløgugnum í Danmark. Í 2006 umsetti samtakið fastognarverkætlanir fyri uml. 3,5 mia. kr. móti 2,6 mia. kr. í 2005.

the Financial Business Act no 86 of 10/2/06, § 5, nr. 15). If the share of votes is less than 20 percent, the company is a normal holding.

Investments which are either associated with Eik Bank or holdings with less than a 20 percent influence are normally entered at equity value in the case of non-listed companies. If the company is listed, the investment is entered at market value.

In total the entered value of Eik Bank's share in associated companies is DKK 122.0 million. The most important of these assets is Ejendomsvækst, which will be discussed below.

Eik Bank also has holdings of fixed financial assets where the influence is less than 20 percent. The total book value of these assets is DKK 272.6 million. The most important of these assets is Spron, which will be discussed below.

The total book value of associated companies and holdings is DKK 498 million.

Ejendomsvækst A/S

On 15 May 2006 Eik Bank acquired 25 percent of the shares in the Danish company Ejendomsvækst A/S. On 15 July Eik Bank Danmark acquired a further 4 percent, giving Eik Group a total of 29 percent of the shares in Ejendomsvækst.

Ejendomsvækst's main activities are giving advice on and offering corporate and private investors investment opportunities in properties in Denmark and abroad. The company is one of the largest of its kind in Denmark.

Ejendomsvækst is a member of The European Association for Investors in Non-listed Real Estate Vehicles, INREV (www.inrev.org). INREV works

Ejendomsvækst sjálfv eigur vanliga ekki fastognir. Felagið er tí heldur ekki eins viðkvæmt fyri broytingum í prísnum á fastognum, sum nógv onnur líknandi feløg í Danmark. Høvuðsinntøkurnar hjá Ejendomsvækst eru umsetingarprovisiðin og umsitingargjöld vegna umsiting av kommandittfeløgum v.m.

Yvirskotið aftan á skatt gjørdist 182,6 mió. kr. móti 92,9 mió. kr. í 2005. Íkastið av hesum til roknskapin hjá Eik fyri 2006 er uppá 53,9 mió. kr. Eik væntar, at úrslitið hjá Ejendomsvækst verður størri í 2007 enn í 2006.

Við ársskiiftið starvaðust 38 fólk í Ejendomsvækst, umboðandi 37 ársverk.

Samán við virkseminum í dótturbankanum, Eik Bank Danmark A/S, styrkir íløgan í Ejendomsvækst soleiðis fótafestið hjá Eik á danska fíggjarmarknaðinum.

Meira fæst at vita um Ejendomsvækst A/S á www.ejendomsvaekst.dk.

Spron

Spron (Sparisjóður Reykjavíkur og nágrennis) er størsti íslenski sparikassin. Høvuðsskrivstovan og høvuðsvirksemið eru í Reykjavík, og høvuðskundabólkurin er privatkúndar, ið tann 31. desember 2006 stóðu fyri 60,5% av útlánunum.

Spron er ein ábyrgdarsparikassi. Ábyrgdararnir atkvøða á aðalfundi; tó kann ongin einstakur ábyrgdari atkvøða við meira enn 5% av samlaðu atkvøðunum. Ábyrgdarpeningurin – ella „primary capital“ sum teir eisini nevna tað – er tó meira líkur partapeningi enn ábyrgdarpeningi, soleiðis sum fyribrigdið er kent í Føroyum.

Ábyrgdarpeningurin verður rentaður sum partabrev, við vinningsbýti, ið verður roknað av ársúr-

to improve access to market information and the transferability of non-listed real estate companies, such as partnership companies which are commonly used for real estate investment in Denmark because of Danish tax legislation.

Since 1988 Ejendomsvækst has arranged investments in real estate in Denmark, Sweden, Germany, UK, Spain and the USA. Approximately half of these investments were made on behalf of private individuals and companies, while the other half was made through partnership companies that Ejendomsvækst administers.

In recent years the type of real estate business that Ejendomsvækst is involved in has gained popularity abroad. Historically, mainly large companies and wealthy individuals have had the opportunity to make large investments in real estate. Companies like Ejendomsvækst have made it possible for the average investor to participate, which in turn also benefits companies like Ejendomsvækst.

In the space of a few years Ejendomsvækst has become one of the largest providers of real estate investments in Denmark. Turnover of real estate projects in 2006 was in the region of DKK 3.5 billion compared with DKK 2.6 billion in 2005.

Ejendomsvækst does not normally hold real estate. The company, therefore, is not as sensitive to changes in real estate prices as other comparable companies in Denmark. Ejendomsvækst's main sources of revenue are commission on trading and administration fees relating to managing partnership companies etc. Profit after tax was DKK 182.6 million compared with DKK 92.9 million in 2005. The contribution to Eik Bank's annual accounts in 2006 is DKK 53.9 million. Eik Bank expects Ejendomsvækst's result for 2007 to be better than in 2006.

Ársfrágreiðing 2006 / Annual Report 2006

litinum. Vinningsbýtið kann tó ikki vera hægri enn eitt ávíst prosent, ið Íslenska sparikassafelagið ásetur. Harafturat kann ábyrgdarpeningurin verða uppskrivaður (indekseraður) við brúkaraprístalinum, og afturat tí við upp til 5% um árið, tó í mesta lagi svarandi til 10% av ársúrslitinum.

Eik eigur 9,94% av ábyrgdarpeninginum í Spron. Vinningsbýtið upp á ábyrgdarpeningin hjá Eik, sum varð útgoldið eftir aðalfundin í 2006, var 13,5 mió. kr. Henda upphædd kemur í ársúrslitið hjá Eik í 2006 undir „Vinningsbýti av partabrøvum v.m. og øðrum kapitalpørtum“.

Spron hevði í 2006 eitt sera gott úrslit upp á 9,0 mia. Íslenskar krónur. Hetta skal samanberast við 4,1 mia. Íslenskum krónum í 2005. Umroknað til danskar krónur, við gjaldoyrakursunum ávikavist ultimo 2006 og 2005, var úrslitið í 2006 heilar 721,3 mió. danskar kr. móti 411,8 mió. danskum kr. í 2005.

Høvuðsorsøkin til framgongdina er, at íløgufelagið Exista, sum Spron eigur í, varð børskrásett. Partabrøvini í Exista vóru áður bókað í roknskapinum hjá Spron til innara virði, men skuldu eftir børs-skrásetingina av Exista uppskrivast til dagsvirðið á Exista partabrøvunum á Íslenska børsinum. Tískil má úrslitið hjá Spron í 2006 metast at vera óvanligt og kann ikki takast sum bálkn um úrslit av samsvarandi stødd komandi árin.

Sum nevnt kemur vinningsbýtið upp á 13,5 mió. kr., sum stavar frá ársúrslitinum hjá Spron í 2005, í ársúrsliti hjá Eik í 2006. Eitt møguligt vinningsbýti frá Spron fyri 2006 kemur við í roknskapin hjá Eik samtakinum í 2007.

Meira fæst at vita um Spron á www.spron.is.

At the turn of the year 38 people were employed by Ejendomsvækst, corresponding to a full-time equivalent of 37.

Along with Eik Bank Denmark's activities the investment in Ejendomsvækst strengthens Eik Bank's position in the Danish financial market.

More information about Ejendomsvækst A/S is available on www.ejendomsvaekst.dk.

Spron

Spron (Sparisjóður Reykjavíkur og nágrennis) is the largest savings bank in Iceland. The headquarters and main area of activity is in Reykjavík and the main clientele consists of private customers, representing 61.8 percent of lending as of 31 December 2006.

Spron is a guarantor savings bank. The guarantors vote at a general meeting, but no individual guarantor can control more than 5 percent of the total votes. Primary capital is more like share capital than the guarantee capital that we are familiar with in the Faroes.

The guarantee capital earns interest the same way as shares, i.e. through dividends calculated from annual results. Dividends cannot exceed a certain percentile, stipulated by the Icelandic savings bank union. The guarantee capital can also be indexed with the consumer price index, and in addition, with a maximum of 5 percent annually, but not exceeding 10 percent of the annual result.

Eik Bank holds 9.94 percent of the guarantee capital in Spron and was given a dividend of DKK 13.5 million following the general meeting in 2006. The amount is included in Eik Bank's annual result for 2006 under the heading "Dividends from shares, etc., and other holdings of fixed financial assets".

Kapitalviðurskipti

Sum liður í at renta eginpeningin best móguligt, og harvið rækka mest móguliga úrtøku fyri okkara partaeigarar, verður miðvíst arbeitt við at gera kapitalstrukturin hjá Eik Banka so góðan sum til ber. Hetta fyri at einkapitalurin verður nýttur effektivt, samstundis sum atlit verða tikin til kapitaltørvin í sambandi við menningina av virkseminum og váðan hjá samtakinum.

Partapeningurin varð hækkaður í vár í sambandi við, at ein partur av keypsupphæddini fyri partabrøvini í Ejendomsvækst varð rindaður við áljóðandi 32 mió. kr. í partabrøvum. Eftir hækkingina er partapeningurin nú áljóðandi 711,3 mió. kr.

Tann 20. juli kundi Eik almennakunngerar upptøku av 150 mió. kr. í ábyrgdarláni frá føroyskum og donskum lánveitarum. Lánbrøvini aftan fyri ábyrgdarlánið, sum er tað higartil størsta ábyrgdarlánið hjá eini føroyskari fyrirkøpingu, vórðu bærsskrásett á OMX Københavns Fondsbørs tann 21. juli 2006. Talan var um fyrsta bærsskrásetta lánsbrævið hjá einari føroyskari fyrirkøpingu nakrantíð.

Við ábyrgdarláninum hækka ábyrgdarkapitalurin og harvið solvensurin. Lánið gevur tí móguleika fyri vøkstri uttan at hækka partapeningin. Hetta gevur eina betri renting av partapeninginum – alt annað líka, tí rentan á ábyrgdarláninum er væl lægri enn tey 15 prosentini, ið málið er at renta eginpeningin við.

Við upptøkuni av ábyrgdarláninum, og eftir innroknan av úrslitinum fyri 2006, kemur grundkapitalurin, uppgjörður sbt. § 126, stk. 1, í lóg um fíggarvirksemi, upp á 1.127 mió. kr. Grundkapitalurin er býttur á kjarnukapital eftir frádráttir og supplerandi kapital soleiðis:

In 2006, Spron had a very good result amounting to ISK 9.1 billion. This compares to ISK 4.1 billion in 2005. Converted into DKK at the rates of exchange at the end of 2006 and 2005, respectively, the result for 2006 was DKK 721.3 million compared with DKK 411.8 million for the same period in 2005.

The main reason for the growth was the stock exchange listing of the investment company Exista of which Spron is an owner. Exista's shares were previously entered at equity value in Spron's results, but after the listing of Exista they had to be entered at market value. Spron's result for 2006 must therefore be considered exceptional and not be taken as an indication of similar results in the near future.

As previously mentioned, the dividends of DKK 13.5 million from Spron's annual result in 2005 are included in Eik Bank's annual result for 2006. Potential dividends from Spron in 2006 will figure in Eik Bank's accounts for 2007.

More information about Spron is available on www.spron.is.

Capital Structure

As a means to achieving the best possible return on equity, and thereby maximising shareholder profit, we strive to optimise our capital structure to ensure efficient equity utilisation. At the same time careful consideration is given to the capital need in connection with the development of our activities and the spread of the risk.

Earlier this year Eik Bank made a DKK 32 million nominal increase of the share capital. The increase was used to finance part of the purchase of shares in Ejendomsvækst A/S. Following the increase the

Ársfrágreiðing 2006 / Annual Report 2006

Tier 1, Kjarnukapitalur

Kjarnukapitalur eftir frádráttir 977,485 mió. kr.

nominal share capital of Eik Bank, amounts to DKK 711.3 million.

Tier 2, Supplerandi kapitalur

Eftirstillað kapitalinnskot 150,000 mió. kr.

20 July Eik Bank announced that it had raised DKK 150 million as subordinated debt from Faroese and foreign investors. The loan which is the largest subordinated debt loan ever raised by a Faroese company, was issued as a bond series, listed on the OMX Copenhagen Stock Exchange on 21 July 2006. This was the first listed bond issued by a Faroese company.

Grundkapitalur

1.127,485 mió. kr.

Supplerandi kapitalurin kann sambært lóggávu vera upp til 100% av kjarnukapitalinum eftir frádráttir. Í løtuni er supplerandi kapitalurin 15,3% av kjarnukapitalinum eftir frádráttir. Tískil er rúm fyri at økja hesi, soleiðis at betri javnvág kemur í lutfallið millum kjarnukapital eftir frádráttir og supplerandi kapitalin. Í fyrstu atløgu er ætlanin at økja supplerandi kapitalin til 30 - 40% av kjarnukapitalinum.

With the loan the capital base and thereby our solvency has increased. The loan facilitates growth without an increase of the share capital, which means a better return on the share capital as the interest on the subordinated debt is lower than the targeted 15 percent return on equity.

Gjaldførið

Umframt ábyrgdarlánið, ið er nevnt omanfyri, so undirskrivaði Eik tann 30. november eina avtalu við eitt altjóða lánsamtak við 19 bankum um at lána útvið 1,2 mia. kr. Talan er um størsta lánið, sum Eik hevur tikið higartil, og talan er samstundis um størsta lánið hjá einari føroyskari fyrirtøku higartil yvirhøvu.

With the subordinated debt and the 2006 result, the base capital, made up in accordance with §126, 1, in the Financial Business Act no 86 of 10/2/06, amounts to DKK 1,127.485 million. The base capital consists of:

Tier 1, Core Capital

Core capital after deductions DKK 977.485 million

Tier 2, Supplemental Capital

Subordinated debt DKK 150.000 million

Base capital

DKK 1,127.485 million

Lánið var fyriskipað av HSH Nordbank og Bayern LB, og varð útboðið sum eitt 3 og 5 ára lán upp á 100 mió. evrur. Men áhugin var so mikið stórur, at lánið varð yvirtæknað við meira enn 50 prosentum, so endaliga lánsupphæddin gjørdist 156,5 mió. evrur ella út við 1,2 mia. krónur.

According to law, supplemental capital may make up 100 percent of the core capital after deductions. Currently, our supplemental capital amounts to 15.3 percent of the core capital after deductions. This means that there is scope for increasing the supplemental capital in order to find a better balance between the core capital after deductions and the supplemental capital. As a start, we plan to increase

Lánið skal, saman við innlánsvøkstri, stuðla undir framhaldandi vøkstrinum, sum Eik væntar. Lánsupp-hæddin ber í sær, at gjaldførið við ársskiftið er avbera gott.

Váðastýring

Eik leggur stóran dent á váðastýring, ið hevur stóran

týðning fyri úrsliðið, fíggarligu støðuna og vakstrar-
møguleikarnar. Tí eru innførd hámarksstærðir fyri støðið
á teimum váðum, ið kunnu góðtakast innan ymsu
váðakini, ið eru marknaðarváði, kredittváði,
gjaldforisváði og rakstrarváði. Yvirskipaða
váðastýringin er í januar 2007 miðsavnað undir
Kredittdeildini.

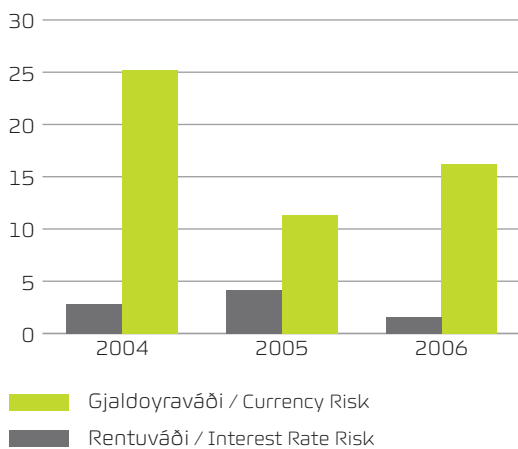
Umframt vanligt innaneftirlit hevur bankin innan-
hýsis grannskoðan, ið við tilvísing til nevdina hevur
yvirumsjón við øllum samtakinum, og aðalfundarvalda
uttanhýsis grannskoðan. Harafturat eru Eik Banki
og Eik Bank Danmark undir eftirliti av danska
Fíggaræftirlitinum.

Marknaðarváði

Marknaðarváðin fevnir um rentuváða, gjaldoyraváða
og partabrævaváða. Marknaðarváðin er váðin fyri,
at virðið á ognum og skyldum og postum uttan fyri
javnvan verður ávirkað av marknaðarviðurskiptunum,

Mynd / Figure 4

**Rentu- og gjaldoyraváði /
Interest Rate Risk and Currency Risk**
% av kjarnukapitali aftaná frádráttir /
of Core Capital after Deductions



the supplemental capital to 30-40 percent of the
core capital.

Liquidity

In addition to the above mentioned subordinated debt
loan, on 30 November, Eik Bank signed an agreement
with an international loan syndicate of 19 banks, to
assume a loan of approximately DKK 1.2 billion. This
is the largest loan ever assumed by Eik Bank or any
other Faroese company.

The loan was arranged by HSH Nordbank and
Bayern LB and was offered as a 3 and 5 year loan
at €100 million. Due to large interest, the loan was
oversubscribed by more than 50 percent, making the
final loan amount €156.5 million, or DKK 1.2 billion.

The loan is intended to support continued growth that
Eik Bank expects. The loan amount means that our
liquidity at year-end 2006 is very good.

Risk Management

Eik Bank puts emphasis on risk management,
which is considered very important to the result,
our financial situation and the growth potential.
Therefore, a cap has been set for the level of accept-
able risk in the respective risk areas, i.e. market risk,
credit risk, liquidity risk as well as operational risk.
Since January 2007, the overall risk management has
been centralised at the Credit Department.

In addition to the regular internal control, Eik Bank
has an internal audit department, which holds
overriding control of the Group and refers to the Board
of Directors, as well as an external auditor appointed
at the general meeting. Furthermore, Eik Bank and
Eik Bank Danmark are under the supervision of the
Danish Financial Supervisory Authority.

Ársfrágreiðing 2006 / Annual Report 2006

eitt nú av búskaparligari upp- ella niðurgongd og gongdini á partabræva-, gjaldoyra- og rentumarknaðunum.

Marknaðarvæðin verður stýrdur á samtaksstöði. Bankin tekur fyrst og fremst positióinir til egingoymsluna, men í ávísan mun eisini í sambandi við handilsvirksemið í Føroyum og Danmark.

Rentuvæði

Rentuvæðin er væðin fyri tapum orsakað av, at rentan fer upp ella niður. Rentuvæðin, ella varningurin, verður mældur sum væntaða kurstapið, um rentukurvan verður javnflutt upp við 1 prosentstigi. Fyri konverterbar lánsbrøv verða frádráttarfaktorarnir hjá Fíggjareftirlitinum nýttir til tess at taka hædd fyri stytta varninginum.

Rentuvæðin á lánum við fastari rentu verður so vítt gjørligt avdekkjaður. Størsti rentuvæðin liggur í

Market Risk

Market risk consists of interest rate risk, currency risk and share risk. The market risk is the risk that the value of assets and debt as well as entries outside of the balance will be affected by market factors, such as ups and downs in the economy and the movements in the share market, currency market and interest rate market.

The market risk is managed at group level. The bank's exposures are mainly due to its own holdings, but also due to the commercial activities in the Faroe Islands as well as in Denmark.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to an increase or fall in interest rates. The interest rate risk is measured as the expected loss due to depreciation of the securities, if the interest curves are displaced in parallel by one percentage point up. For callable bonds the Danish Financial Supervisory Authority's deductible factors are used in order to take into account the shorter duration.

The interest rate risk from fixed interest rate loans is usually hedged. The greatest interest rate risk lies in the holdings of fixed interest bonds. Those holdings are within certain limits adjusted in accordance with the interest outlook.

Currency Risk

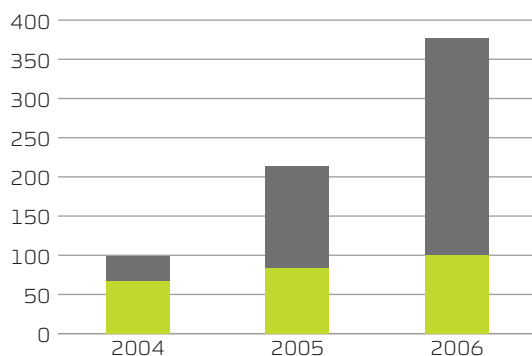
Currency risk is the risk of loss due to fluctuations in exchange rates. As a main rule, Eik Bank's policy is to hedge currency risks with the exception of the currency risk between the Danish Krona and the Euro, which is only hedged under special circumstances.

The currency risk is calculated as the larger amount of either currency assets or debts and is determined as a percentage of the core capital less certain

Mynd / Figure 5

Partabrævaogn / Share Holdings

DKK mió. / Million



Óskrásett partabrøv / Unlisted Shares

Skrásett partabrøv / Listed Shares

göymsluni av fastrentaðum lánsbrøvum, sum innán ávís mörk verður tillagað í mun til rentuútlitini.

Gjaldoyraváði

Gjaldoyraváðin er váðin fyri tapum, orsakað av at gjaldoyrakursirnir broytast.

Eik hevur sum høvuðsreglu at avdekka gjaldoyraváða. Undantakið er gjaldoyraváði millum danskar krónur og evrur, sum bert verður avdekkaður, um viðurskiptini annars tala fyri tí.

Gjaldoyraváðin verður uppgjørdur sum hægra talið av ogn ella skuld í gjaldoyrum og verður settur í prosent av kjarnukapitalinum samsvarandi gjaldoyraávísa 1 hjá Fíggjareftirlitinum. Sum tað sæst í mynd 4, hevur gjaldoyraváðin verið fallandi seinastu 3 árinum. Av samlaða gjaldoyraváðanum við árslok uppá 141 mió. kr. var váðin í evrum 140,4 mió. kr.

Partabrævaváði

Partabrævaváðin er váðin fyri tapum orsakað av broytingum í partabrævakursunum. Partabrævaváðin verður stýrdur við at stýra og fylgja partabræva-göymsluni neyvt.

Í mynd 5 sæst partabrævaváðin hjá Eik seinastu 3 árinum. Sum tað sæst, er partabrævaognin, og harvið váðin, økt rættuliga munandi. Eik hevði við árslok 2006 partabrævaognir fyri 377,3 mió. kr., harav 100 mió kr. í børskrásettum partabrøvum og 277,3 mió. kr. í ikki børskrásettum partabrøvum.

Økingin í ognini av børskrásettum partabrøvum kemst partvís av, at kursirnir á partabrævamarknaðunum eru hækkaðir, og partvís av, at Eik hevur keypt fleiri partabrøv. Eitt nú luttók Eik í hækkingini av partabrøvum í Atlantic Petroleum við sínum lutfalsliga ognarparti.

Tey ikki skrásettu partabrøvini eru økt munandi.

adjustments, corresponding to currency indicator 1 of the Danish Financial Supervisory Authority. As shown in Figure 4, the currency risk has decreased during the last 3 years. At year-end 2006, of the total currency exposure of DKK 141 million, DKK 140.4 million was exposure in EUR.

Share Risk

Share risk is the risk of loss due to fluctuations in share prices. The share risk is managed by careful control and monitoring of the portfolio of shares.

The Figure 5 shows the share risk over the last 3 years. As indicated, the share portfolio, and thereby the risk, has increased considerably. At year-end 2006 the total share portfolio amounted to DKK 377.3 million, DKK 100.0 million of which were listed shares and DKK 277.3 million were unlisted shares.

The increase in the holdings of listed shares is partly due to a rise in share prices and the acquisition of additional shares. For instance Eik Bank participated in the share increase of Atlantic Petroleum with its proportionate holding. Unlisted shares have also increased considerably. This is mainly due to the purchase of primary capital shares in Spron over the last three years. Eik Bank has also participated in capital increases of Spron. The currency risk of the shares in Spron has to a large extent been hedged in 2006.

The figures above do not include Eik Bank Groups holdings in associated and subsidiary undertakings.

Credit Risk

Credit risk is the risk of loss due to borrowers and other debtors being unable to meet their responsibilities with Eik Bank. The credit policy is the main tool to make sure that the credit risk is under control at any time. Furthermore, the head of

Ársfrágreiðing 2006 / Annual Report 2006

Høvuðsorsøkirnar eru, at Eik seinastu trý árin hevur keypt partabrøv í Spron, herundir eisini hevur luttikið í kapitalhækkingum í Spron. Gjaldoyraváðin av partabrøvunum í Spron hevur stóran part av 2006 verið avdekkæður.

Umframt omanfyrinevndu partabrøv hevur Eik samtakið eisini kapitalpartar í assosieraðum og tilknýttum fyrítøkum.

Kredittváði

Kredittváðin er váðin fyri tapum, orsakað av at lántakarar og aðrir skuldarar ikki klára at svára sínar skyldur móttvegis Eik. Kredittpolitikkurin er høvuðsamboðið til at tryggja, at kredittváðin altíð er innan fyri tryggar karmar, og kredittleiðarin hevur yvirumsjón við kredittunum í samtakinum.

Kredittváðin verður stýrdur við, at Eik altíð ger eina kredittmeting av fíggarviðurskiftunum hjá tí einstaka kundanum í sambandi við kredittveiting. Vinnulig viðskifti verða sum meginregla endurskoðað árliga við støði í seinasta ársroknskapinum hjá kundanum. Útlitini hjá fyrítøkuni, búskapargongdin og gongdin í ávísu vinnugreinini verða tikin við í hesar metingar. Harafturat verður ein reglulig uppfylging gjørd uppá viðskiftini.

Fjøláttaða virkseimið sæst aftur í samansetingini av útlánunum hjá Eik samtakinum, sum myndir 6 og 7 sýna. Av samlaðu útlánunum hjá samtakinum ultimo 2006 vóru 56% vinnulig útlán, 42% til privat og 2% til tað almenna.

Vinnuligu útlánini vóru býtt á nógvar vinnugreinar. Størst var tænaðstúvinnan við 22% av samlaðu vinnuligu útlánunum, byggivinna og bygningar stóðu fyri 7%, ídnaður fyri 4%, fiskivinna fyri 4%, handil og umvæling fyri 4%, flutningur fyri 2% og aling fyri 2%. Restin, 11%, vóru onnur vinnulig útlán.

the credit department has the overall control of the group's credit Risk.

The credit risk is managed by always performing an individual credit evaluation of the customer's financial situation when lending. As a rule, the commercial situation is revised every year based on the latest annual report. The company's outlook, the financial development and the development in the relevant industrial sector are included in the evaluation. Furthermore, a regular follow up on the development is carried out.

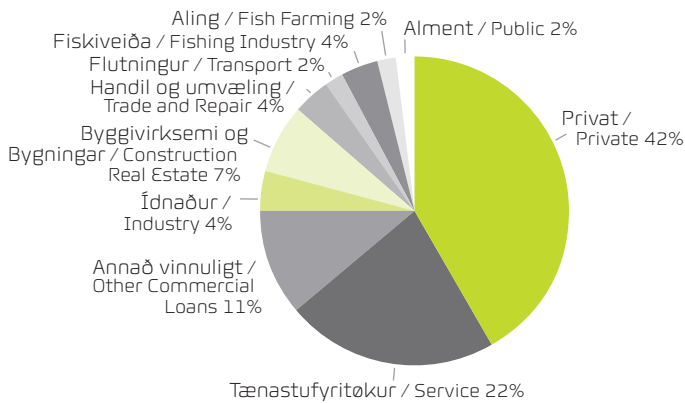
The diversified activities are apparent in the division of the loans in the Eik Group, as shown in Figures 6 and 7. Total Group loans at year-end 2006 were made up of 56 percent commercial loans, 42 percent private loans and 2 percent public loans.

The commercial loans were distributed over several industry sectors. The largest sector was the service industry accounting for 22 percent of the total loans. Construction and real estate accounted for 7 percent, industry 4 percent, the fishing industry 4 percent and fish farming 2 percent, transportation 2 percent, trade and repair 4 percent. The remaining 11 percent were made up of other commercial loans.

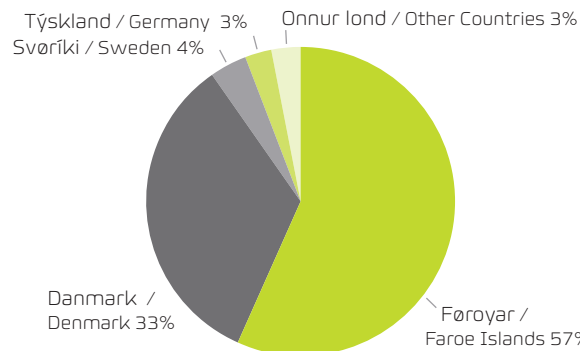
The majority of private loans, 84%, were provided to Faroese households. In most cases, the loans are mortgages on real estate at a variable interest rate. In each case, we estimate the risk to the debtor who has to meet certain requirements, such as sufficient margin. If the loan has a variable interest rate, we take into account that the debtor has to be able to repay the loan should the interest rate rise. We therefore consider these loans to be relatively secure.

Public loans were almost exclusively provided to Faroese municipalities.

Mynd / Figure 6

Samlað útlán hjá samtakinum býtt á sektor og vinnugreinar / Group Loan by Sector and Industry

Mynd / Figure 7

Samlað útlán hjá samtakinum sundurgreina á lond / Group loan by Country

Meginparturin av útlánunum til privat, 84%, er veittur til føroysk húsarhald og í flestu førum við veð í sethúsum. Mett verður um hvønn einstakan stakváða, og krøv verða sett til tiltøkupening. Talan er í allar flestu førum um lán við skiftandi rentu, og tessvegna verður lagt upp fyri, so lántakarinn er færur fyri at rinda, hóast rentan hækkar. Talan er tí um lutfalsliga trygg lán.

Útlánini til tann almenna geiran eru í størstan mun lán til føroyskar kommunur.

Yvirskipað hevur Eik sum strategi at spjæða virksemd landafrøðiliga. At spjæða útlánini landafrøðiliga minskar um landafrøðiliga savningina og harvið verður kredittváðin spjæddur. Hetta endurspeglast í landafrøðiliga býtinum av lánunum. Av samlaðu lánsupphæddunum við árslok 2006 vóru 57% í Føroyum, 33% í Danmark, 4% í Svøríki, 3% í Týsklandi og 3% í øðrum londum. Býtið í mynd 6 er grundað á lánsendamál og er tí ikki samanbæriligt við býtið í roknskaparnotu 11,

The overall strategy of Eik Bank is to spread its activities geographically in order to increase profit and spread risk. This is reflected in the geographical distribution of the loans. At year-end 2006, 57 percent of the total loans were provided to Faroese debtors, 33 percent Danish, 4 percent Swedish and 3 percent German. The remaining 3 percent were distributed over other countries. The division of loans in figure 6 is based on the purpose of the loan and not the debtors primary field of industry. Therefore, the division is not compatible with the division of loans in Note 11.

Figure 8 shows the development of lending in proportion to equity, the so-called credit gearing, the increase in lending and large advances compared to the capital base. At year-end 2006, the credit gearing was 6.8, which means that for each Danish Krona in equity, DKK 6.8 were provided as a loan. As shown in figure 8, the credit gearing has been fairly constant

Ársfrágreiðing 2006 / Annual Report 2006

ið er grundað á høvuðsvinnugrein lántakarans.

Mynd 8 sýnir gongdina í útlánum í mun til eginognina – ta sonevndu útlánsgearingina, útlánsvøksturin og stór viðskifti í mun til eginogn. Við ársenda 2006 var útlánsgearingin 6,8, sum merkir, at fyri hvørja eginpeningskrónu hevði Eik útlán upp á 6,80 kr. Sum tað sæst, hevur útlánsgearingin verið rímuliga jøvn, hóast útlánsvøksturin, sum stabbamyndin sýnir, hevur verið rættuliga høgur, 26,3 – 30,0%. Orsøkin er, at úrslitini hava verið góð, og tí hevur eginognin fylgt við í vøkstrinum.

Sum størsti banki í Føroyum, so er tað náttúrligt, at tær størru fyrítøkurnar hava viðskifti við Eik. Virksemd útlanlands er eisini í stóran mun innan stór fastognarlán. Hetta sæst eisini aftur í, hvussu nógv tey størstu viðskiftini fylla í mun til ábyrgdarkapitalin (j.b. „stór viðskifti í mun til ábyrgdarkapitalin“, uppgjørt sb. lyklatølunum hjá Fíggjareftirlitinum). Stóru viðskiftini vóru 61,3% í 2004, men 102,6% í 2005 og 224,9% í 2006.

Gjaldføriváði

Gjaldføriváðin er váðin fyri tapum orsakað av, at rentuútreiðslurnar av at útvega gjaldføri økjast munandi, og bankin harvið má avmarka ella skerja virksemd ella í versta føri ikki kann halda sínar skyldur mótvegis ánarum orsakað av tørvandi gjaldføri.

Endamálið við at stýra gjaldførinum er at tryggja, at samtakið til hvørja tíð hevur tøkt gjaldføri til at svara verandi og komandi skyldur. Endamálið er eisini at tryggja, at samtakið ikki uppbyggir ein ov stóran tørv á at útvega gjaldføri frameftir.

Gjaldføriváðin verður stýrdur við leypandi at meta um gjaldføriváðuna í mun til tørvin í lötuni, tørvin frameftir og lógarkrøvini. Gjaldføriváðin verður eisini stýrdur við prísásetingini innanhýsis í samtakinum,

despite the 26.3 – 30.0 percent increase in lending. This is due to good results and a subsequent increase in equity.

Being the largest bank in the Faroe Islands, it is only natural that the larger Faroese companies choose to do business with Eik Bank. Also, the abroad implies large loans in real estate. Consequently, as shown in figure 8, the large engagements constitute a substantial part in comparison to capital base. In 2004 large commitments constituted 61.3 percent compared to 102.5 percent in 2005 and 224.9 percent in 2006.

Liquidity Risk

Liquidity risk is the risk of loss due to a considerable increase in interest expenses from raising liquid funds, causing the bank to reduce its activities, or even rendering the bank unable to meet requirements towards the depositors due to a lack of available funds.

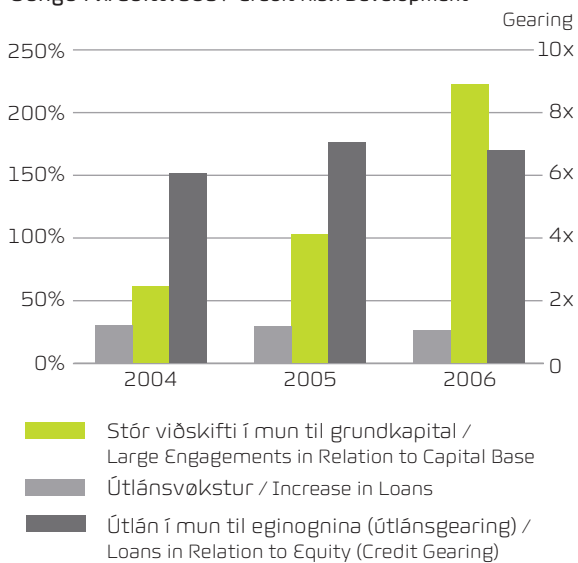
The purpose of controlling the liquidity is to ensure that the group at all times has the means to meet current as well as future debt obligations. The purpose is also to ensure that the group does not generate an excessive need to raise liquid funds in the future.

The liquidity risk is controlled by a regular assessment of liquidity compared to the current need, future need and the legal requirements. The liquidity is also controlled with pricing within the group, e.g. intra-group pricing accounts.

When considered necessary, temporary needs are met in the money market, while long term structural needs that can not be met by an increase in deposits, is met with loans or long term committed lines, cf. figure 9.

Emphasis is placed on securing deposits, which are

Mynd / Figure 8

Gongd í kredittváða / Credit Risk Development

t.d. av gjaldförið millum rokningum millum deildir og felög í samtakinum.

Um neyðugt verður fyrirbilstörvurinn nöktaður á pengamarknaðinum, meðan langtíðar strukturelli gjaldförið, sum ikki kann nöktað við øktum innlánnum, verður nöktaður við lántøku frá fíggarstovnum uttanlands sum rullandi kredittir, lán ella dráttarrættindi við longri gildistíð, jb. mynd 9. Dentur verður lagdur á at útvega innlán, sum vanligu eru ein meira stöðug kelda til gjaldföri. Innlánini í samtakinum eru soleiðis økt við 1,6 mia. kr. seinasta árið. Samstundis er skuldin til lánstovnar og tjóðbankar økt við 1,1 mia. kr. til tess at geva luft til framhaldandi vöxtur.

Við árslok var gjaldförið, roknað sum tøkur peningur, áögn uttan uppsögn í øðrum peningastovnum, innskotsprógv í Tjóðbankanum og virðisbrøv 2,5

considered a stable source of liquid funds. Group deposits have increased by approximately DKK 1.6 billion this year. At the same time the debt to lending institutions and central banks has increased by DKK 931 million in order to create opportunities for further growth.

At year-end, our liquidity, calculated as cash-in-hand, sight deposits in other banks, certificates of deposits in the Danish Central Bank and securities, was DKK 2.5 billion. In relation to short-term liabilities due within one month, liquidity was 46.6 percent. In 2005, the corresponding figures were 35.2 percent and 18 percent, respectively. The statutory minimum requirements are 15 percent and 10 percent.

Operational Risk

Operational risk is the risk of financial loss due to insufficient and inefficient internal processes, human errors, computer failures or external factors. Examples of operational risks are: fire, storm, burglary, bank robbery, transfer mistakes etc.

In order to protect the group against operational risk, internal processes are examined regularly. Furthermore, they are checked through internal and external audits as well as the Danish Financial Supervisory Authority. In order to safe-guard against computer risk, the Board of Directors has agreed upon an IT security policy and set goals for the safety and emergency procedures in this area.

Together with the main supplier of banking systems Elektron P/F., Eik Bank is a member of the Information Security Forum (ISF). The ISF safety standard 'The Standard of Good Practice for Information Security' is used as a gauge on the aspired level of security, though exceptions are made where it is considered appropriate.

Ársfrágreiðing 2006 / Annual Report 2006

mia. kr. Í mun til skyldurnar styttri enn ein mánað var gjaldfærið 46,6%, og í mun til allar skyldurnar var gjaldfærið 22,5%. Í 2005 vóru samsvarandi töluni 35,2% og 18,0%. Lógarkravið er ávikavíst 15% og 10%.

Rakstrarváði

Rakstrarváði er váðin fyri, at Eik verður fyri fíggjarligum missi orsakað av ófullfíggjaðum ella skeivum innanhýsis mánnagongdum, menniskjaligum mistøkum, kt-brekkum ella ávirkanum uttaneftir. Sum dømi um rakstrarváðar kann nevast vandin fyri eldi, stormi, innbrotum, bankaránum, skeivum pengaflytingum osfr.

Fyri at tryggja okkum móti rakstrarváða verða innanhýsis mánnagongdirnar regluliga eftirhugdar, eins og innan- og uttanhýsis grannskoðan og Fíggjareftirlitið við millumbilum eftirkanna hesar. Til tess at tryggja seg móti kt-váða hevur nevndin samtykt ein kt-trygdarpolitikk og ásett mál fyri tilbúgvingar fyri økið.

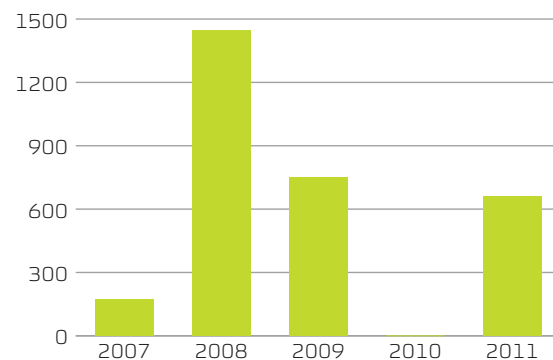
Bankin er, saman við høvuðsveitaranum av bankaskipanum, Elektron P/F, limur í Information Security Forum, stýtt ISF, og ISF trygdarstandardin, „The Standard of Good Practice for Information Security“, verður nýttur sum mätistokkur fyri ynskta trygdarstöðinum, tó at frávik verða gjørd, har tað verður mettt ynskiligt.

Bankaskipanirnar hjá Eik samtakinum verða ríknar av dátumiðstöðunum Elektron P/F, BEC A/S og SDC A/S. Harumframt eru bankarnir knýttir at sektorfeløgum so sum PBS og VP, ið reka grundleggjandi undirstøðukervið í fíggjargeiranum. Øll hesi feløg hava innan- og uttanhýsis grannskoðan og eru undir eftirliti av danska Fíggjareftirlitinum.

Tað verður regluliga fylgt við, um váðar, sum kunnu fáa neiliga ávirkan á bankan, taka seg upp.

Mynd / Figure 9

Forfall av langfreistaðari skuld til peningastovnar / Maturity of Long Term Debt to Credit Institutions
DKK mió. / Million



The Eik Group's banking systems are operated by the suppliers Elektron P/F, BEC A/S and SDC A/S. Furthermore, the banks co-operate with sector companies such as PBS and VP, which run the basic infrastructure of the financial sector. All of the companies mentioned, have internal and external audit and are under the supervision of the Danish Financial Supervisory Authority.

Through continuous monitoring, measures are taken to identify risks that might have a negative impact on the bank.

Preparations for Listing on the Stock Market

Between 11 and 22 September, Eik Bank organised the sale of Eik Fund shares as a part of the preparations for the stock market listing of Eik Bank. The sale was implemented as a means of meeting the demands from the stock market, requiring 25 percent of the shares to be in circulation. Prior to the

Fyrireikingar til börsskráseting

Sum liður í ætlanunum at börsskráseta Eik Banka stóð Eik í tíðarskeiðnum 11. – 22. september fyrri sölu av Eik Banka partabrøvum hjá Eik Grunninum. Sölan varð fræmd til tess at lúka kravið frá virðisbrævamarknaðinum um, at minst 25 prosent av partabrøvunum skulu vera í umfari. Framman undan hesi partabrævasøluni átti grunnurin 79,6 prosent av partabrøvunum í Eik Banka, og lagt varð upp til, at grunnurin skuldi selja so mikið burtur-av, at ognarpartur hansara skuldi koma niður á 70 prosent av partabrøvunum. Hetta svaraði til eina sölu á nominelt góðar 68 mió. kr. Við einum kursi á 330 umboðaðu hesi partabrøv eitt virði upp á góðar 225 mió. kr. Tá avtornaði var áhugin fyrri partabrøvunum so stórir, at selt varð fyrri knappliga 400 mió. kr. í kursvirði. Hetta merkir, at eftir söluna eigur Eik Grunnurin góð 62 prosent av partabrøvunum í Eik Banka, og er kravið frá virðisbrævamarknaðinum sostatt nú lokið.

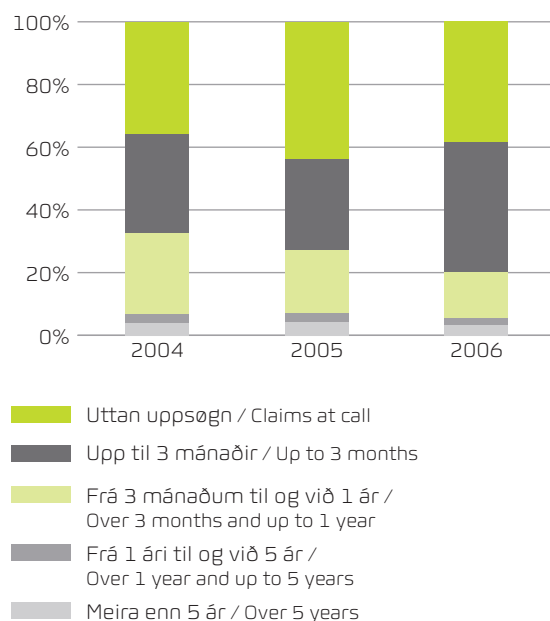
Arbeiðið við at gera prospekt er í gongd, og bygnaðurin er tillagaður soleiðis, at hann hóskar til nýggju umstøðurnar. Váðastýring og compliance verða frameftir at vísa til Boga Bendtsen, undirstjóra, og gerast partur av Kredittdeildini. Í hesum sambandi er eisini tilnevndur ein "compliance officer".

Harumframt hevur bankin innført og dagført reglur um spekulatió, innherjahandil og kursmanipulatió. Hesar reglur fylgja lóg um fíggjarvirksemi, § 77, partafelagslógini, § 53, og lóg um virðisbrævahandil, § 37.

Ásettur er ein afturlatin gluggi í tríggjar vikur undan eitt nú framløgu av árs-, hálvárs- og fjórðingsársroknskapum, har starvsfólk bankans ikki kunnu handla Eik partabrøv, og har bankin ikki úttalar seg um gongdina í bankanum – eisini nevnt „silent period“. Ásettur er eisini ein opin gluggi í seks vikur eftir kunngerð av árs-, hálvárs- og fjórðingsársroknskapum, har

Mynd / Figure 10

Gongdin í samanseting av innlánnum /
Development in the Composition of Deposits



sale, the Eik Fund held 79.6 percent of the shares, and the intention was to decrease the Fund's holdings to 70 percent of the shares. This corresponded to a nominal sale of DKK 68 million. With a market value of DKK 330, these shares represented a value of approximately DKK 225 million. In the end, the interest in the shares was so substantial that the sale amounted to DKK 400 million in share value. Consequently, the Eik Fund now holds over 62 percent of the shares in Eik Bank, thereby meeting the demand from the stock exchange.

The prospectus is being drawn up and the structure has been adapted to the new circumstances. Risk management and compliance will hereafter refer to Bogi Bendtsen, Deputy Managing Director, and will

Ársfrágreiðing 2006 / Annual Report 2006

nevnd, stjórn, leiðslubólkur, Fíggjardeild og trúnaðarstarvsfólk kunnu handla Eik partabrev.

Vinningsbýtispolitikkur

Nevndin tekur á hvørjum ári avgerð um vinningsbýti, kapitalviðurskipti v.m., og skjýtur hetta upp fyri aðalfundinum. Vinningsbýtið verður tillagað eftir umstøðunum, men Eik ynskir sum meginregla at veita eitt støðugt vinningsbýti ár um ár. Síðani umleggjina hevur Eik rindað 5% í vinningsbýti árliga, undantikið 2003, tá onki vinningsbýti varð latið. Nevndin skjýtur upp, at vinningsbýtið fyri roknskaparárið 2006 verður 5%.

Íleggjarasamskipti (Investor Relations)

Opinleiki og gjøgnumskygni eru týðningarmiklar fortreytir fyri at skapa og viðlíkahalda góð sambond við íleggjarar og greinarar. Eik Banki vil tryggja, at verandi og møguligir íleggjarar, greinarar v.fl. fáa regluliga atgongd til rætta og nøktandi vitan um Eik samtakið, við virðing fyri teimum krøvum, sum lógin ásetur. Bankin hevur tí lagt sera stóran dent á at menna heimasíðuna www.eik.fo, m.a. við einum Investor Relations parti.

Árs- og hálvársroknskapir fimm tey seinastu árin eru á føroyskum og enskum á heimasíðuni. Eisini liggja har børsfráboðanir.

Tann 20. november var Eik Banki, sum fyrsta ikki-børsskrásetta fyrirkonan, skrásettur á stóra íleggjaraportalinum www.euroland.com. Euroland er ein svensk fyrirkona, sum rekur íleggjaraportalin, sum er eitt sera hent amboð hjá íleggjarum og øðrum áhugaðum. Á heimasíðuni ber til – uttan kostnað

be a part of the Credit Department. Furthermore, a 'Compliance Officer' has been appointed.

Moreover, the bank has implemented and updated rules on speculation, insider trading and share price manipulation. These rules comply with the Financial Business Act no 86 of 10/2/06 §77, the Company Act no 250 of 3/5/93 §53 and the Securities Act no 87 of 10/2/06 §37.

There is a closed window of three weeks before the presentation of the annual, biannual and quarterly statements, in which the employees of the bank may not trade Eik Bank shares. In the same period, the bank does not make public comments. This is referred to as the "silent period". There is also an open window of six weeks after the announcement of the annual, biannual, and quarterly statements in which the Board of Directors, management team, Financial Department and insiders are permitted to trade Eik Bank shares.

Dividend Policy

Every year, the management decides on dividends, capital structure etc. and makes proposals regarding these issues at the annual general meeting. Dividend is distributed according to the given circumstances. Eik Bank, however, strives to distribute a steady yearly dividend. Since the re-structuring, Eik Bank has distributed a 5 percent dividend each year except in 2003 when no dividend was distributed.

Investor Relations (IR)

At Eik Bank openness and transparency are considered essential when creating and maintaining good relations with investors and analysts. Eik Bank wishes to ensure that current as well as potential investors and analysts have access to correct and

– at samanbera partabrev í fyrítøkum tvørtur um marknaðir og vinnugreinar.

Sáttmálin millum Eik og Euroland ber í sær, at heimasíðan hjá Eik nú á ein nýggjan og øðrvísi hátt verður støðugt dagførd við upplýsingum um Eik-partabrævið og um gongdina í Eik. Nýggju íleggjarsíðurnar eru bæði á føroyskum og enskum máli.

Eisini ber avtalan við Euroland við sær, at Eik - sum tann fyrsti peningastovnurin í Føroyum - kann bjóða øllum áhugaðum at fáa nýggjasta partabrævakursin á Eik partabrevunum inn á fartelesfonina. Tænastan merkir, at tú altíð hevur atgongd til nýggjasta kursin, um tú bert hevur fartelesfon. Møguleiki er eisini at síggja kursgongdina á telefonini.

Mett verður, at hesi tiltøkini styrkja Investor Relations-tænastuna hjá Eik munandi.

Hendingar eftir roknskaparlok

Onki, sum hevur týðning fyri roknskapin fyri 2006, er hent síðan 31. desember 2006.

Eik hevur ikki týðandi sakarmál ella gerðarættarmál, sum kunnu metast at fáa neiliga ávirkan á komandi úrslitini, og hevur ikki kunnleika til, at tílík mál skuldu verið á veg.

Eik hevur ikki kunnleika til upplýsingar um mógulig rák, óvissur, krøv, skyldur ella hendingar, sum við rímligheit kunnu væntast at fáa týðandi neiliga ávirkan á vánirnar hjá Eik.

Útlit fyri 2007

Útlitini fyri 2007 eru góð! Føroyski og danski búskapurin eru sterkir, og vánirnar tykjast góðar. Á tí

adequate information about the Eik Bank Group at all times, but in accordance with legal requirements. Therefore, Eik Bank has put great emphasis on developing the website www.eik.fo, e.g. with an Investor Relations section.

Annual and biannual statements of the last five years, as well as press releases are available on the website.

On 20 November Eik Bank was the first non-listed company presented on the investment site Euroland.com. The investment site is run by the Swedish company Euroland, and is a useful tool for investors and other interested parties, as it is possible to compare shares across markets and industries, free of charge.

The agreement between Eik Bank and Euroland means that our website will be updated regularly with the latest information about the Eik Bank share and the company in general. The investment information is available in Faroese as well as English.

Furthermore, the agreement means that Eik Bank, as the first company in the Faroe Islands, offers share quotes on the mobile phone. The service includes constant updates on the share price as well as the possibility of getting charts of the share price on the phone.

We consider these developments to be important steps in strengthening our Investor Relations services.

Events after the End of the Financial Year

No events of significance have occurred after 31 December 2006.

Eik Bank has not been involved in significant law suits

Ársfrágreiðing 2006 / Annual Report 2006

grundarlagnum væntar Eik samtakið eina framgongd í grundrakstrinum upp á uml. 30 mió. kr. í 2007, soleiðis at grundraksturinn økist úr 164 mió. kr. í 2006 í uml. 194 mió. kr. í 2007. Eisini verður væntað, at úrslitið av kapitalpørtum hækkar komandi árið.

Samantlagt verður tískil væntað eitt úrslit upp á uml. 270 mió. kr. áðrenn skatt, møguligt vinningsbýti, virðisjavnin av virðisbrøvum og burturleggingar. Hetta skal samanberast við 196 mió. kr. í 2006.

Fíggjarkalendar 2007

13. februar	Ársroknskaparfrágreiðing 2006
01. mars	Ársroknskapur 2006
09. mars	Aðalfundur
26. juli	Hálvársroknskapur

or arbitration procedures that are expected to have a negative impact on the result, and has no knowledge of any such matters being underway.

Eik Bank has no knowledge of possible trends, uncertainties, demands, obligations or events that could be expected to have a negative impact on Eik Bank's prospects.

Outlook for 2007

The outlook for 2007 is good! The Faroese and the Danish economies are strong and the outlook seems positive. Based on this, Eik Bank expects a DKK 30 million increase in the profits from core operations in 2007. This will cause an increase in the profits from core operations from DKK 164 million in 2006 to approximately DKK 194 million in 2007. Furthermore, Eik Bank expects an increase in the profits from other holdings in the coming year.

In total, the Eik Group expects a result around DKK 270 million before taxes, possible dividends, market value adjustments of securities and provisions for losses, against DKK 196 million in 2006.

Financial Calendar 2007

13 February	Financial Announcement for 2006
01 March	Annual Report 2006
09 March	General Meeting
26 July	Half Year Report

Roknskapartøl

Annual Accounts
2006

Roknskapartöl 2006 / Annual Accounts 2006
Rakstrarroknskapur / Profit and Loss Account

Eik Banki P/F				Samtak / Group	
2006	2005	Nota / Note	DKK 1.000	2006	2005
369.547	285.791	3	Rentuinntøkur v. m. / Interest income, etc.	485.388	340.533
179.140	95.233	4	Rentuútreiðslur v. m. / Interest expense, etc.	210.426	108.239
190.407	190.558		Rentuinntøkur netto / Net interest income	274.962	232.294
15.823	2.401	5	Vinningsbýti av partabörvum v. m. og øðrum kapitalþörtum / Dividends from shares, etc., and other holdings	16.613	5.318
67.285	27.233		Ómaksgjöld og provisiónsinntøkur v. m. / Fee and commission income, etc.	91.990	61.028
1.778	206		Útreiðslur til ómaksgjöld og provisióñir / Fee and commission expense	2.979	882
271.737	219.986		Rentu- og ómaksgjöld netto / Net interest and fee income	380.586	297.758
28.179	24.925	6	Virðisjavnán av virðisbrövum og útlenskskum gjaldoyra v. m. / Market value adjustments of securities, etc. and foreign exchange income	85.785	46.221
10.648	10.871		Aðrar vanligar inntøkur / Other operating income	15.034	13.023
310.564	255.782		Úrslit av fíggarpostum / Profit on financial items	481.405	357.001
161.941	130.503	7	Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses	229.049	180.086
23.474	12.733	16	Av- og niðurskrivingar av óítøkiligum og ítøkiligum ognum / Depreciation and write-down of intangible and tangible assets	25.768	15.249
0	306		Aðrar rakstrarútreiðslur / Other operating expenses	863	361
-39.356	-777		Avskringingar og burturleggingar av skuldarum (netto) / Net depreciation and provisions for loss on bad debts	-33.733	5.925
115.757	39.795	8	Úrslit av kapitalþörtum í assosieraðum og tilknýttum fyrítøkum / Income from associated and subsidiary undertakings	47.700	8.833
280.262	152.812		Úrslit av vanligum rakstri / Profit on ordinary operations	307.158	164.213
29.785	26.203	9	Skattur / Taxes	56.681	37.604
250.477	126.609		Ársúrslit / Net profit for the year	250.477	126.609
250.477	126.609		Býtið av ágóða / Allocation of profits		
0	0		Ársúrslit / Net profit for the year		
0	0		Flutt frá yvirkursi við partabrævasölu / Brought forward from share premium account		
			Flutt frá seinasta ár / Brought forward from last year		
250.477	126.609		Tøkur peningur tilsamans / Total amount available for allocation		
35.566	33.966		Nýtt til vinningsbýti / Dividends on shares		
118.374	39.741		Burturlagt til aðrar grunnar / Amount allocated to other reserves		
96.537	52.902		At flyta til næsta ár / Carried forward to next year		
250.477	126.609		Nýtsla av tøkum peningi / Total allocation of the amount available		

Roknskapartöl 2006 / Annual Accounts 2006
Fíggjarstöða / Balance Sheet

Eik Banki P/F				Samtak / Group	
2006	2005	Nota / Note	DKK 1.000	2006	2005
Ogn / Assets					
Kassapeningur og áögn uttan uppsögn hjá tjóðbankum v. m. /					
87.498	43.783		Cash-in-hand and demand deposits with central banks, etc.	87.498	43.783
3.596.354	1.874.098	10	Áögn í lánistovnum v. m. / Claims on credit institutions, etc.	1.568.120	422.896
5.191.433	4.434.180	11	Útlán / Loans and advances	8.270.539	6.550.896
712.230	901.171	12,13	Lánsbrøv v. m / Bonds, etc.	824.408	976.816
336.939	187.438	14,15	Partabrøv v. m. / Shares, etc.	377.266	212.771
121.986	32.861	15	Kapitalpartar í assosieraðum fyrítökum / Holdings in associated undertakings	121.986	32.861
363.251	194.447	15	Kapitalpartar í tilknýttum fyrítökum / Holdings in subsidiary undertakings	8.452	9.642
217.429	33.282	16	Ótökiligar ognir / Intangible assets	217.668	34.656
131.582	123.191	16	Ítökiligar ognir / Tangible assets	136.273	125.666
0	95		Egin partabrøv / Own shares	0	95
84.601	93.955		Onnur ogn / Other assets	208.723	204.516
5.547	5.135		Tíðarskeiðsávmarkingar / Prepayments	6.959	6.432
10.848.850	7.923.636		Ogn tilsamans / Total assets	11.827.892	8.621.030
Skuld / Liabilities					
3.682.409	2.750.943	17	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks	4.070.947	2.994.175
5.656.873	4.146.233	18	Innlán / Deposits	6.116.501	4.483.030
142.358	102.526		Onnur skuld / Other liabilities	272.102	219.811
0	0		Tíðarskeiðsávmarkingar / Prepayments	7	80
8.447	6.604	19	Avsetingar til skyldur / Provisions for liabilities and charges	9.572	6.604
150.000	0		Eftirstillað kapitalinnskot / Subordinated debt	150.000	0
1.2 Eginpeningur / Equity					
711.311	679.311		Partapeningur / Share capital	711.311	679.311
826	1.103		Ábyrgðarfæ / Guarantee capital	826	1.103
117.751	72.951		Yvirkursur við partabrævaútgávu / Share premium account	117.751	72.951
0	95		Grunnur fyrir egin partabrøv / Reserves for own shares	0	95
162.742	44.273		Aðrir grunnar / Other reserves	94.121	15.164
119.596	66.695		Flutt frá undanfarnum árum / Brought forward from prior years	148.706	73.132
96.537	52.902		At flyta frá ársins úrsliti / Carried forward from profit for the year	136.048	75.574
1.208.763	917.330		Eginpeningur tilsamans / Total equity	1.208.763	917.330
10.848.850	7.923.636		Skuld tilsamans / Total liabilities	11.827.892	8.621.030
20 Töl, ið ikki eru tilkin við í jávna / Off-balance-sheet items					
869.165	318.195		Ábyrgdir v. m. tilsamans / Total guarantees, etc.	841.832	394.193
318.500	0		Aðrar skyldur / Other commitments	320.567	2.227
1.187.665	318.195		Töl, ið ikki eru tilkin við í jávna tilsamans / Total off-balance-sheet items	1.162.399	396.420

Roknskapartöl 2006 / Annual Accounts 2006
Gjaldförisbroyting / Cash flow statement

Eik Banki P/F			Samtak / Group	
2006	2005	DKK 1.000	2006	2005
		Peningatilgongd / Inflow of capital		
		Rakstur / Operating profit		
250.477	126.609	Ársúrslit / Net profit for the year	250.477	126.609
-196.890	-89.909	Javning av ikki kontantum rakstrartölum / Adjustment for non-cash items from operations	-163.638	-71.477
53.587	36.700	Peningatilgongd frá rakstrinum / Inflow of capital from operations profit	86.839	55.132
76.523	-2.013	Peningatilgongd til eginognina / Inflow to equity	76.523	-2.013
		Onnur tilgongd / Other funds		
		Minking av kassapeningi og áogn í tjóðbankum / Decrease in ash in hand and demand deposits with central banks, etc.	0	7.187
0	7.178			
931.466	2.309.317	Vækstur í skuld til lánistovnar / Increase on debt to credit institutions, etc.	1.076.772	1.717.590
42.914	0	Minking í lánsbrøvum og partabrøvum / Decrease of bonds and shares, etc.	34.383	0
1.510.640	256.455	Vækstur í innláni / Increase of deposits	1.633.471	287.954
41.675	8.392	Broytingar av aðrari skuld og burturleggingar til útreiðslur / Changes in other liabilities and charges	55.186	31.291
9.037	17.785	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	0	0
150.000	0	Eftirstillað kapitalinnskot / Subordinated debt	150.000	0
2.685.732	2.599.127	Onnur tilgongd tilsamans / Total other funds	2.949.812	2.044.022
2.815.842	2.633.814	Peningatilgongd tilsamans / Total inflow of capital	3.113.174	2.097.141
		Peninganýtsla / Outflow of capital		
43.715	0	Øking av kassapeningi / Increase in cash in hand and demand with central banks	43.715	90.648
1.697.551	1.632.582	Øking av áogn í lánistovnum v.m. / Increase on claims on credit institutions, etc.	1.120.689	0
716.392	520.943	Útlánsvækstur / Increase of loans and advances	1.684.509	1.502.896
0	0	Minking av skuld til lánistovnar v.m. / Decrease on debts to credit institutions, etc.	0	0
0	419.965	Øking í lánsbrøvum og partabrøvum / Increase of bonds and shares, etc.	0	463.494
142.172	44.989	Øking í kapitalpörtum / Increase of holdings in undertakings	40.237	21.949
216.012	15.335	Øking av ó- og ítøkiligum ognum / Increase of in- and tangible assets	219.387	17.099
0	0	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	4.637	1.055
2.815.842	2.633.814	Peninganýtsla tilsamans / Total outflow of capital	3.113.174	2.097.141
		Javning av ikki kontantum rakstrartölum / Adjustment for non-cash items from operations		
23.474	11.844	Av- og niðurskrivingar / Depreciation and write-down	25.768	14.298
-40.861	-1.526	Burturleggingar av skuldarum / Provisions for loss on bad debts	-35.134	4.785
-3.474	-20.151	Virðisjavningar av virðisbrøvum / Marked value adjustments of securities	-46.470	-40.448
-24.705	-4.774	Virðisjavningar av gjaldoyra / Marked value adjustments of currency	-24.535	-5.773
-115.757	-41.336	Virðisjavningar av kapitalpörtum / Adjustments from undertakings	-47.700	-10.373
-35.567	-33.966	Vinningsbýti / Dividends on shares	-35.567	-33.966
-196.890	-89.909	Tilsamans / Total	-163.638	-71.477

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F			Samtak / Group		
2006	2005	Nota / Note	DKK 1.000	2006	2005
1 Eginpeningur / Equity					
Kapitalflytingar / Changes in capital					
1.103	1.156		Ábyrgðarfæ við ársbyrjan / Guarantee capital, beginning		
0	0		Tilgongd / Additions		
277	53		Frágongd / Disposals		
826	1.103		Ábyrgðarfæ við ársenda / Guarantee capital, end		
679.311	679.311		Partapeningur við ársbyrjan / Share capital, beginning		
32.000	0		Tilgongd / Additions		
0	0		Frágongd / Disposals		
711.311	679.311		Partapeningur við ársenda / Share capital, end		
72.951	72.951		Yvirkursur við partabævaútgávu við ársbyrjan / Share premium account, beginning		
44.800	0		Onnur tilgongd / Other additions		
0	0		Onnur frágongd / Other disposals		
117.751	72.951		Yvirkursur við partabævaútgávu við ársenda / Share premium account, end		
95	150		Grunnur fyrir egin partabrøv við ársbyrjan / Reserves for own shares, beginning		
0	0		Onnur tilgongd / Other additions		
95	55		Onnur frágongd / Other disposals		
0	95		Grunnur fyrir egin partabrøv við ársenda / Reserves for own shares, end		
44.273	6.437		Aðrir grunnar við ársbyrjan / Other reserves, beginning		
118.469	39.796		Onnur tilgongd / Other additions		
0	1.960		Onnur frágongd / Other disposals		
162.742	44.273		Aðrir grunnar við ársenda / Other reserves, end		
119.597	66.695		Flutt frá undanfarnum árum við javning / Brought forward from priors years incl. adjustment		
95	0		Onnur tilgongd / Other additions		
96.441	52.902		Flutt avlop til býtið av ágóða / Profit for the year carried forward		
216.133	119.597		Flutt avlop við ársenda / Profit carried forward, end		
1.208.763	917.330		Eginpeningur tilsamans við ársenda / Total equity, end		
Solvensuppperð / Solvency					
982.760	861.463		Kjarnukapitalur eftan á frádráttir / Core capital less statutory deductions	977.485	860.090
1.002.018	714.076		Grundkapitalur / Capital base	996.217	712.567
6.508.244	4.447.919		Vektað ogn uttan fyrir handilsognina, íroknað töl, ið ikki eru tilkin við í javnan / Weighted assets not included in trading portfolio including off balance-sheet items	8.453.051	5.859.925
483.774	512.761		Vektaðir postar við marknaðarváða / Weighted items with market risk	586.012	613.151
6.992.018	4.960.680		Vektað ogn tilsamans / Total weighted assets	9.039.063	6.473.076
14,1%	17,4%		Kjarnukapitalur eftir frádrátt í % av vektaðari ogn / Core capital less statutory deductions in % of weighted items	10,8%	13,3%
14,3%	14,4%		Solvensprosent eftir FIL § 124, stk. 1 / Solvency ratio purs. to FIL § 124,1	11,0%	11,0%

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F			Samtak / Group	
2006	2005 Nota / Note	DKK 1.000	2006	2005
		3 Rentuinntøkur v. m. / Interest income, etc.		
67.343	24.000	Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks	27.112	8.811
273.064	232.762	Útlán / Loans and advances	426.172	301.900
29.188	28.801	Lánsbrøv / Bonds	31.856	29.612
-48	228	Avleidd fíggjaramboð / Derivative financial instruments	248	166
-48	228	- Herav: Gjaldoyrasáttmálar / Of this: Currency contracts	161	237
0	0	- Herav: Rentusáttmálar / Of this: Interest contracts	83	-72
0	0	- Herav: Partabrævasáttmálar / Of this: Shares contracts	4	1
0	0	Annað / Other	0	44
369.547	285.791	Rentuinntøkur v. m. tilsamans / Total interest income etc.	485.388	340.533
		4 Rentuútreiðslur / Interest expense		
93.677	34.011	Lánistovnar og tjóðbankar / Credit institutions and central banks	114.423	41.385
82.003	61.186	Innlán / Deposits	92.543	66.817
29	36	Ábyrgðarfæ / Guarantee capital	29	37
3.431	0	Eftirstillað kaþitalinnskot / Subordinated debt	3.431	0
179.140	95.233	Rentuútreiðslur tilsamans / Total interest expense	210.426	108.239
15.823	2.401	5 Vinningsbýti av partabrøvum / Dividends on holdings	16.613	5.318
		6 Virðisjavnigar / Market value adjustments		
-13.262	-4.926	Lánsbrøv / Bonds (+/-)	-10.340	-2.747
16.736	25.077	Partabrøv / Shares (+/-)	56.810	28.005
0	0	Fastforrentað útlán / Fixed-rated mortgage	0	15.121
24.705	4.774	Gjaldoyra / Currency (+/-)	24.535	5.773
0	0	Avleidd fíggjarlig amboð / Derivative financial instruments	14.780	69
0	0	- Herav: Gjaldoyrasáttmálar / Of this: Currency contracts	534	69
28.179	24.925	Virðisjavnigar tilsamans / Total market value adjustments	85.785	46.221
		7 Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses		
		Lønir og samsýning til nevnd, stjórn og umboðsráð / Salaries and remuneration of Board of Directors, Managing Directors and Board of Representatives		
3.838	2.914	Stjórn / Managing Directors	3.838	2.914
1.398	1.014	Nevnd / Board of Directors	1.398	1.014
74	45	Umboðsráð / Board of Representatives	74	45
5.310	3.973	Tilsamans / Total	5.310	3.973
		Starvsfólkaútreiðslur / Staff costs		
67.177	56.349	Lønir / Wages and salaries	110.057	86.003
6.817	6.165	Eftirlønir / Pensions	8.662	7.519
5.224	4.186	Útreiðslur til sosiala trygd / Social security costs	9.522	7.148
79.218	66.700	Tilsamans / Total	128.241	100.670
77.413	59.830	Aðrar umsitingarútreiðslur / Other administrative expenses	95.498	75.443
161.941	130.503	Útreiðslur til starvsfólk og umsiting tilsamans / Total staff costs and administrative expenses	229.049	180.086

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F			Samtak / Group	
2006	2005 Nota / Note	DKK 1.000	2006	2005
		8 Úrslit av kapitalpörtum í assosieraðum og tilknýttum fyrirköllum /		
		Income from associated and subsidiary undertakings		
46.453	6.388	Assosieraðar fyrirköllum / Associated undertakings	46.453	6.389
69.304	33.407	Tilknýttar fyrirköllum / Subsidiary undertakings	1.247	2.444
115.757	39.795	Úrslit av kapitalpörtum í assosieraðum og tilknýttum fyrirköllum tilsamans /	47.700	8.833
		Total income from associated and subsidiary undertakings		
		9 Skattur / Taxes		
28.437	0	Roknaður skattur av ársvinningi / Estimated tax charge on the annual profit	52.882	11.367
1.348	25.440	Útsettur skattur / Deferred taxes	1.348	25.442
0	763	Javnan av skatti frá undanfarnum árum / Adjustment to prior-year's tax charges	2.451	795
29.785	26.203	Skattur tilsamans / Total taxes	56.681	37.604
		10 Áögn í lánistovnum og tjóðbankum /		
		Claims on credit institutions and central banks		
149.782	0	Áögn upp á uppsögn í tjóðbankum / Claims at notice on central banks	149.782	0
3.446.572	1.874.098	Áögn í lánistovnum / Claims on credit institutions	1.418.338	422.896
3.596.354	1.874.098	Áögn í lánistovnum og tjóðbankum tilsamans /	1.568.120	422.896
		Total claims on credit institutions and central banks		
		Áögn í lánistovnum og tjóðbankum /		
		Claims on credit institutions and central banks		
1.131.117	171.477	Uttan uppsögn / Claims at call	1.131.117	209.816
2.435.237	1.672.451	Til og við 3 mánaðir / Up to 3 months	427.003	202.910
0	170	Frá 3 mðr. til og við 1 ár / Over 3 months and up to one year	0	170
30.000	30.000	Frá 1 ár til og við 5 ár / Over one year and up to 5 years	10.000	10.000
0	0	Yvir 5 ár / Over 5 years	0	0
3.596.354	1.874.098	Áögn í lánistovnum og tjóðbankum tilsamans /	1.568.120	422.896
		Total claims on credit institutions and central banks		
		11 Útlán og ábyrgðir býtt eftir sektorum og vinnum í prosent /		
		Loans, advances, and guarantees by sectors and industries, in per cent		
2	3	Almennir myndugleikar / Public sector	1	2
		Vinnulív / Commercial sector		
0	0	Landbúnaður, veiða, skóggbrúk / Agriculture, hunting, and forestry	0	0
7	8	Fiskiskapur / Fishing	5	5
		Framleiðsla, ráveinvinna, hita- og streymveiting o. l. /		
6	6	Manufacturing, mining, utilities, etc.	4	4
3	2	Byggivirksemi / Building and construction	3	2
6	6	Handil, matstovu- og hotelvirksemi / Commerce, restaurants, and hotels	5	4
2	2	Flutningur, post og telefon / Transport, post and telecommunicating	2	2
13	3	Láns-, figgjjar- og tryggingarvirksemi / Credit, finance, and insurance	7	6
		Ognarfyrirsiting og -handil, forrætningstænasta /		
4	5	Property administration, purchase and sale, business services	11	19
5	3	Aðrar vinnur / Other industries	21	5
46	35	Vinnulív tilsamans / Total commercial sector	58	47
52	62	Privat / Private customers	41	51
100	100	Útlán tilsamans / Total loans and advances	100	100

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F			Samtak / Group	
2006	2005 Nota / Note	DKK 1.000	2006	2005
11 Útlán / Loans and advances				
64.673	60.013	Uttan uppsögn / At call	89.587	388.580
191.378	162.055	Til og við 3 mánaðir / Up to 3 months	935.382	689.283
507.464	360.913	Frá 3 mör. til og við 1 ár / Over 3 months and up to one year	1.587.125	797.677
2.302.302	2.160.339	Frá 1 ár til og við 5 ár / Over one year and up to 5 years	2.939.183	2.733.667
2.125.616	1.690.860	Yvir 5 ár / Over 5 years	2.719.262	1.941.689
5.191.433	4.434.180	Útlán tilsamans / Total loans and advances	8.270.539	6.550.896
Samanlagðar burturleggingar / Accumulated provisions				
188.193	268.860	Burturlagt við ársenda upp á útlán og ábyrgdir / Provisions on loans, advances, and guarantees at the end of the year	209.990	287.419
0	0	Burturlagt við ársenda upp á ogn hjá lánistovnum og aðrar postar við ársenda / Provisions on claims due from credit institutions and other claims at the end of the year	0	0
188.193	268.860	Samanlagðar burturleggingar tilsamans / Total accumulated provisions	209.990	287.419
Samanlagðar burturleggingar upp á útlán og ábyrgdir í pst. av útláni og ábyrgðum við ársenda / Accumulated provisions on loans, advances, and guarantees in per cent of loans, advances and guarantees, at the end of year				
3,0%	5,4%	Áognir, har renturokning er steðgað / Non-accrual loans, advances, and guarantees	2,3%	4,0%
67.754	169.781		68.754	170.781
12 Lánsbrøv / Bonds				
712.230	901.171	Skrásett á keypskálum / Listed on Stock Exchanges	824.408	976.816
0	0	Onnur lánsbrøv / Other bonds	0	0
712.230	901.171	Lánsbrøv tilsamans / Total bonds	824.408	976.816
13 Fíggjarlig umsetningsogn / Financial current assets				
809.460	998.228	a) Fíggjarlig umsetningsogn ásett til marknaðarvirði / Financial current assets valued at marked value	809.460	998.228
17.371	8.020	b) Munur millum útveganarvirði av fíggjarligari umsetningsogn, undir pkt. a), og hægra marknaðarvirði uppgerðardagin / Difference between purchase price of financial current assets listed under a) and the higher marked value at the balance sheet date	17.371	8.020
0	0	c) Fíggjarlig umsetningsogn, ið ikki er ásett til marknaðarvirði / Financial current assets not valued at marked value	0	0
0	0	d) Munur millum útveganarvirði av fíggjarligari umsetningsogn, undir pkt. c), og hægra marknaðarvirði uppgerðardagin / Difference between purchase price of financial current assets listed under c) and the higher marked value at the balance sheet date	0	0
14 Partabrøv / Shares				
55.736	45.306	Skrásett á keypskálunum í Keypmannahavn / Listed on OMX Cph Stock Exchange.	58.248	57.613
41.494	26.516	Skrásett á øðrum keypskálum / Listed on other Stock Exchanges elsewhere	41.737	26.589
239.709	115.616	Onnur partabrøv / Other shares	277.281	128.569
336.939	187.438	Partabrøv tilsamans / Total shares	377.267	212.771

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F

Samtak / Group

DKK 1.000
2006

15 Útgreinan av figgjárligari stóðisogn / Specification of financial fixed assets

Eik Banki P/F

Samlaður keypsprísur við ársbyrjan / Total purchase price, beginning
Gjaldoyrakursjávning / Currency adjustments
Tilgongd / Additions
Frágongd / Disposals
Samlaður keypsprísur við ársenda / Total purchase price of assets held, end

Samlaðar upp- og niðurskrivingar við ársbyrjan /

Revaluation and write-downs of assets, beginning

Úrslit / Result

Upp- og niðurskrivingar í árinum / Revaluation and write-downs during the year

Önnur tilgongd / Other additions

Afturförðar upp- og niðurskrivingar / Reversals of revaluation and write-downs

Samlaðar upp- og niðurskrivingar við ársenda /

Total revaluation and write-downs of assets held, end

Bókað virði við ársenda / Book value, end

Bókað virði við ársbyrjan / Book value, beginning

Samtak / Group

Samlaður keypsprísur við ársbyrjan / Total purchase price, beginning
Gjaldoyrakursjávning / Currency adjustments
Tilgongd / Additions
Frágongd / Disposals
Samlaður keypsprísur við ársenda / Total purchase price of assets held, end

Samlaðar upp- og niðurskrivingar við ársbyrjan /

Revaluation and write-downs of assets, beginning

Úrslit / Result

Upp- og niðurskrivingar í árinum / Revaluation and write-downs during the year

Önnur frágongd / Other disposals

Afturförðar upp- og niðurskrivingar / Reversals of revaluation and write-downs

Samlaðar upp- og niðurskrivingar við ársenda /

Total revaluation and write-downs of assets held, end

Bókað virði við ársenda / Book value, end

Bókað virði við ársbyrjan / Book value, beginning

	Tilknyttar fyrítökur / Subsidiary undertakings	Assosieraðar fyrítökur / Associated undertakings	Aðrir kapitalpartar / Other holdings
Samlaður keypsprísur við ársbyrjan / Total purchase price, beginning	158.094	35.483	187.438
Gjaldoyrakursjávning / Currency adjustments	0	0	0
Tilgongd / Additions	100.000	71.388	150.512
Frágongd / Disposals	500	28.715	1.011
Samlaður keypsprísur við ársenda / Total purchase price of assets held, end	257.594	78.156	336.939
Samlaðar upp- og niðurskrivingar við ársbyrjan / Revaluation and write-downs of assets, beginning	36.353	-2.621	0
Úrslit / Result	69.304	46.451	0
Upp- og niðurskrivingar í árinum / Revaluation and write-downs during the year	0	0	0
Önnur tilgongd / Other additions	0	0	0
Afturförðar upp- og niðurskrivingar / Reversals of revaluation and write-downs	0	0	0
Samlaðar upp- og niðurskrivingar við ársenda / Total revaluation and write-downs of assets held, end	105.657	43.830	0
Bókað virði við ársenda / Book value, end	363.251	121.986	336.939
Bókað virði við ársbyrjan / Book value, beginning	194.447	32.861	187.438
Samlaður keypsprísur við ársbyrjan / Total purchase price, beginning	1.118	35.483	212.771
Gjaldoyrakursjávning / Currency adjustments	0	0	0
Tilgongd / Additions	0	71.388	165.507
Frágongd / Disposals	618	28.715	1.011
Samlaður keypsprísur við ársenda / Total purchase price of assets held, end	500	78.156	377.266
Samlaðar upp- og niðurskrivingar við ársbyrjan / Revaluation and write-downs of assets, beginning	8.523	-2.621	0
Úrslit / Result	682	46.451	0
Upp- og niðurskrivingar í árinum / Revaluation and write-downs during the year	0	0	0
Önnur frágongd / Other disposals	-1.253	0	0
Afturförðar upp- og niðurskrivingar / Reversals of revaluation and write-downs	0	0	0
Samlaðar upp- og niðurskrivingar við ársenda / Total revaluation and write-downs of assets held, end	7.952	43.830	0
Bókað virði við ársenda / Book value, end	8.452	121.986	377.266
Bókað virði við ársbyrjan / Book value, beginning	9.642	32.861	212.771

Roknskapartöl 2006 / Annual Accounts 2006

Notur / Notes

DKK 1.000
2006

16 Ófítökilig ogn / Intangible assets

Eik Banki P/F

	Goodwill / Goodwill	Aðrar / Other	Tilsamans / Total
Útveganarvirði við ársbyrjan / Acquisition value, beginning	31.387	7.686	39.073
Tilgongd / Additions	197.561	1.425	198.986
Frágongd / Disposals	0	0	0
Útveganarvirði við ársenda / Acquisition value of assets held, end	228.948	9.111	238.060
Avskrivningar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	3.139	2.652	5.790
Avskrivningar í árinum / Depreciation	13.017	1.822	14.839
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturförðar av- og niðurskrivingar / Reversal of depreciation and write-downs	0	0	0
Avskrivningar og niðurskrivingar við ársenda / Depreciation and write-downs, end	16.156	4.474	20.629
Bókað virði við ársenda / Book value, end	212.792	4.637	217.429
Bókað virði við ársbyrjan / Book value, beginning	28.248	5.034	33.282

Samtak / Group

Útveganarvirði við ársbyrjan / Acquisition value, beginning	31.387	11.049	42.436
Tilgongd / Additions	197.561	1.425	198.986
Frágongd / Disposals	0	0	0
Útveganarvirði við ársenda / Acquisition value of assets held, end	228.948	12.474	241.422
Avskrivningar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	3.139	4.642	7.781
Avskrivningar í árinum / Depreciation	13.017	2.957	15.974
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturförðar av- og niðurskrivingar / Reversal of depreciation and write-downs	0	0	0
Avskrivningar og niðurskrivingar við ársenda / Depreciation and write-downs, end	16.156	7.599	23.755
Bókað virði við ársenda / Book value, end	212.792	4.875	217.668
Bókað virði við ársbyrjan / Book value, beginning	28.248	6.407	34.656

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

DKK 1.000
2005

16 Ítökilig ogn / Tangible assets

Eik Banki P/F

	Grundteki og bygningar / Land and buildings	Tól og innbúgv / Machinery, equipment etc.	Tilsamans / Total
Útveganarvirði við ársbyrjan / Acquisition value, beginning	206.408	60.865	267.273
Tilgongd / Additions	11.925	5.401	17.326
Frágongd / Disposals	1.989	502	2.491
Útveganarvirði við ársenda / Acquisition value of assets held, end	216.344	65.764	282.108
Avskrivningar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	94.272	49.811	144.083
Avskrivningar í árinum / Depreciation	3.320	4.331	7.652
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturförðar av- og niðurskrivingar / Reversal of depreciation and write-downs	813	395	1.209
Avskrivningar og niðurskrivingar við ársenda / Depreciation and write-downs, end	96.779	53.747	150.526
Bókað virði við ársenda / Book value, end	119.565	12.017	131.582
Bókað virði við ársbyrjan / Book value, beginning	112.137	11.054	123.191
Straksavskrivað av tólum og innbúgv / Machinery and equipment fully depreciated at time of acquisition		983	983
Samtak / Group			
Útveganarvirði við ársbyrjan / Acquisition value, beginning	206.946	63.330	270.276
Tilgongd / Additions	13.126	7.574	20.700
Frágongd / Disposals	1.989	502	2.491
Útveganarvirði við ársenda / Acquisition value of assets held, end	218.083	70.402	288.485
Avskrivningar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	94.272	50.338	144.610
Avskrivningar í árinum / Depreciation	3.320	5.490	8.811
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturförðar av- og niðurskrivingar / Reversal of depreciation and write-downs	813	395	1.209
Avskrivningar og niðurskrivingar við ársenda / Depreciation and write-downs, end	96.779	55.433	152.212
Bókað virði við ársenda / Book value, end	121.304	14.969	136.273
Bókað virði við ársbyrjan / Book value, beginning	112.674	12.992	125.666
Straksavskrivað av tólum og innbúgv / Machinery and equipment fully depreciated at time of acquisition		983	983

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F			Samtak / Group	
2006	2005 Nota. / Note	DKK 1.000	2006	2005
		17 Skuld til lánistovnar og tjóðbankar /		
		Debt to credit institutions and central banks		
0	0	Skuld til tjóðbankar / Debt to central banks	0	0
3.682.409	2.750.943	Skuld til lánistovnar / Debt to credit institutions	4.070.947	2.994.175
3.682.409	2.750.943	Skuld til lánistovnar og tjóðbankar tilsamans /	4.070.947	2.994.175
		Total debt to credit institutions and central banks		
		Skuld til lánistovnar og tjóðbankar /		
		Debt to credit institutions and central banks		
85.754	119.204	Uttan uppsøgn / Debt payable on demand	152.019	122.999
563.955	1.419.004	Til og við 3 mánaðir / Up to 3 months	855.404	1.650.328
174.600	23.500	Frá 3 mðr. til og við 1 ár / Over 3 months and up to one year	205.424	31.613
2.858.100	1.189.235	Frá 1 ár til og við 5 ár / Over one year and up to 5 years	2.858.100	1.189.235
0	0	Yvir enn 5 ár / Over 5 years	0	0
3.682.409	2.750.943	Skuld til lánistovnar og tjóðbankar tilsamans /	4.070.947	2.994.175
		Total debt to credit institutions and central banks		
		18 Innlán / Deposits		
2.331.276	1.724.333	Innlán uttan uppsøgn / Deposits on demand	2.705.012	1.966.521
2.073.214	2.047.993	Innlán við uppsøgn / Deposits at notice	2.099.182	2.047.993
935.697	65.806	Tíðarinnskot / Time deposits	957.327	125.697
316.686	308.101	Serligir innlánshættir / Special categories of deposits	354.980	342.819
5.656.873	4.146.233	Innlán tilsamans / Total deposits	6.116.501	4.483.030
		Innlán / Deposits		
2.331.276	1.724.333	Uttan uppsøgn / On demand	2.341.256	1.967.570
2.134.039	1.237.657	Til og við 3 mánaðir / Up to 3 months	2.542.420	1.292.997
896.634	901.740	Frá 3 mðr. til og við 1 ár / Over 3 months and up to one year	906.265	908.939
118.251	116.046	Frá 1 ár til og við 5 ár / Over one year and up to 5 years	122.061	119.948
176.673	166.457	Yvir 5 ár / Over 5 years	204.499	193.576
5.656.873	4.146.233	Innlán tilsamans / Total deposits	6.116.501	4.483.030
		19 Avsetingar til skyldur / Provisions for liabilities and charges		
2.447	2.604	Burturleggingar til pensiónir og líknandi skyldur /	2.447	2.604
0	0	Provisions for pensions and similar commitments	0	0
6.000	4.000	Burturleggingar til møguligan skatt / Provisions for deferred taxes	7.125	4.000
		Aðrar burturleggingar til útreiðslur / Other provisions		
8.447	6.604	Avsetingar til skyldur tilsamans /	9.572	6.604
		Total provisions for liabilities and charges		
		20 Postar uttanfyri javnan / Off-balance-sheet items		
		Ábyrgdir / Guarantees		
381.106	0	Fíggjarligar ábyrgdir / Financial guarantees	600.459	75.527
488.059	318.195	Aðrar ábyrgdir / Other guarantees	241.373	318.195
0	0	Acceptir / Approvals	0	471
318.500	0	Aðrar skyldur / Other commitments	320.567	2.227
1.187.665	318.195	Ábyrgdir tilsamans / Total guarantees	1.162.399	396.420

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

DKK 1.000

Nota / Note

21 Avleidd figgjárlig amboð býtt eftir resttíðarskeiði /
Derivative financial tools split by remaining terms

	2006		2005	
	Netto		Netto	
	Áljóðandi virði / Par value	marknaðarvirði / Net market value	Áljóðandi virði / Par value	marknaðarvirði / Net market value
Eik Banki P/F				
Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
Til og við 3 mánaðir / Up to 3 months				
Terminir og futures, keyp / Forwards and futures, bought	167.939	-84	19.365	259
Terminir og futures, sòla / Forwards and futures, sold	41.419	49	19.365	-243
Frá 3 mánaðum til og við 1 ár / Over 3 months and up to one year				
Terminir og futures, keyp / Forwards and futures, bought	33.760	-217		0
Terminir og futures, sòla / Forwards and futures, sold	33.760	413	0	0
Frá 1 ár til og við 5 ár / Over 1 year and up to 5 year				
Terminir og futures, keyp / Forwards and futures, bought	279.314	-2.164	0	0
Terminir og futures, sòla / Forwards and futures, sold	270.263	3.888	0	0
Yvir 5 ár / Over 5 years				
Rentuswaps / Interest swaps	0	0	0	0
Tilsamans / Total				
Terminir og futures, keyp / Forwards and futures, bought	481.013	-2.465	19.365	259
Terminir og futures, sòla / Forwards and futures, sold	345.442	4.350	19.365	-243
Rentuswaps / Interest swaps	0	0	0	0
Netto marknaðarvirði / Net market value		1.885		16
Samtak / Group				
Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
Til og við 3 mánaðir / Up to 3 months				
Terminir og futures, keyp / Forwards and futures, bought	271.752	-1.386	19.365	259
Terminir og futures, sòla / Forwards and futures, sold	144.386	423	19.365	-243
Frá 3 mánaðum til og við 1 ár / Over 3 months and up to one year				
Terminir og futures, keyp / Forwards and futures, bought	33.760	-217	14.654	-29
Terminir og futures, sòla / Forwards and futures, sold	33.760	413	14.654	25
Frá 1 ár til og við 5 ár / Over 1 year and up to 5 year				
Terminir og futures, keyp / Forwards and futures, bought	279.314	-2.164	0	0
Terminir og futures, sòla / Forwards and futures, sold	270.263	3.888	0	0
Til og við 3 mánaðir / Up to 3 months				
Rentuswaps / Interest swaps	2.000	45	0	0
Tilsamans / Total				
Terminir og futures, keyp / Forwards and futures, bought	584.826	-3.767	34.019	230
Terminir og futures, sòla / Forwards and futures, sold	448.409	4.724	34.019	-218
Rentuswaps / Interest swaps	2.000	45	0	0
Netto marknaðarvirði / Net market value		1.002		12

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

DKK 1.000

Nota / Note

22 Gjaldoyra- og rentusáttmálar / Currency and interest contracts

Eik Banki P/F	2006		2005	
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / Forwards and futures, bought	0	2.465	316	57
Terminir og futures, sölá / Forwards and futures, sold	4.350	0	62	305
Rentuswaps / Interest swaps	0	0	0	0
Tílsamans / Total	4.350	2.465	378	362

Sámtak / Group	2006		2005	
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / Forwards and futures, bought	146	3.913	414	125
Terminir og futures, sölá / Forwards and futures, sold	5.234	510	134	403
Rentuswaps / Interest swaps	45	0	0	0
Tílsamans / Total	5.425	4.423	548	528

23 Marknaðarvirði av ikki-tryggjaðum sáttmálum /
Market value of non-guaranteed contracts

Eik Banki P/F	2006		2005	
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
Terminir og futures, keyp / Forwards and futures, bought	0	2.465	316	57
Terminir og futures, sölá / Forwards and futures, sold	4.350	0	62	305
Rentuswaps / Interestswaps	0	0	0	0
Tílsamans / Total	4.350	2.465	378	362

Sámtak / Group	2006		2005	
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
Terminir og futures, keyp / Forwards and futures, bought	146	3.913	414	125
Terminir og futures, sölá / Forwards and futures, sold	5.234	510	134	403
Rentuswaps / Interestswaps	45	0	0	0
Tílsamans / Total	5.425	4.423	548	528

24 Lánsváði av avleiddum figgjarligum amboðum /
Credit risk on derivative financial instruments

Eik Banki P/F	Mótpartur við váðavekt 20% / Counterpart with a risk weighting of 20%	Mótpartur við váðavekt 100% / Counterpart with a risk weighting of 100%	Mótpartur við váðavekt 20% / Counterpart with a risk weighting of 20%	Mótpartur við váðavekt 100% / Counterpart with a risk weighting of 100%
	Positivt marknaðarvirði aftaná móttrokning / Positive market value after netting	423	339	51

Sámtak / Group	Mótpartur við váðavekt 20% / Counterpart with a risk weighting of 20%	Mótpartur við váðavekt 100% / Counterpart with a risk weighting of 100%	Mótpartur við váðavekt 20% / Counterpart with a risk weighting of 20%	Mótpartur við váðavekt 100% / Counterpart with a risk weighting of 100%
	Positivt marknaðarvirði aftaná móttrokning / Positive market value after netting	819	1.363	166

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F				Samtak / Group	
2006	2005	Nota / Note	DKK 1.000	2006	2005
25 Marknaðarvæði / Market risk					
Gjaldoyravæði / Currency risk					
Ogn í fremmandum gjaldoyra tilsamans / Total assets in foreign currency					
78.407	87.503			137.455	97.468
Skuld í fremmandum gjaldoyra tilsamans / Total liabilities in foreign currency					
141.041	260			160.157	5.417
Gjaldoyraábending 1 við árslok / Exchange rate indicator 1					
141.041	87.503			160.157	97.468
Gjaldoyraábending 1 í pst. av eginogn eftir frádrátt / Exchange rate indicator 1 as percentage of equity less statutory deductions					
14,4	10,2			16,4	11,3
Rentuvæði / Interest rate risk					
Rentuvæði av figgjaramboðum v. m. tilsamans / Total interest rate risk on debt instruments, etc.					
8.473	32.094			15.563	36.058
Rentuvæði býttur eftir gjaldoyraslagi / Interest rate risk by currency					
8.014	22.104		DKK	13.532	25.730
634	9.960		EUR	1.248	10.074
47	0		CHF	555	129
0	0		SEK	370	-10
333	0		NOK	333	0
0	0		USD	79	106
-555	30		Annað / Other	-554	29
26 Stjórn og nevnd / Management and Board of Directors					
Lán, pant, veðhald ella ábyrgdir, og trygdir fyri somu / Loans, advances, mortgages, surety or guarantees including collateral					
				2006	2005
				Lán vm. / Loans etc.	Trygdir / Security
				Lán vm. / Loans etc.	Trygdir / Security
Eik Banki P/F					
				6.093	6.013
				4.494	4.494
Samtak / Group					
				6.093	6.013
				4.494	4.494
27 Samsýning til grannskoðarar valdir av aðalfundinum /					
Audit fee to the public accountants elected by the General Meeting					
776	914			1.401	1.777
Samsýning fyri roknskaparárið / Total fee for the financial year					
196	94			246	395
Herav aðrar tænastr / Other services					
28 Starvsfólk / Employees					
Miðaltalið av starvsfólkum í árinum umroknað til heiltíðarstørv / Average number of employees during the financial year, full-time equivalent					
204,1	179,7			249,2	216,7

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

Eik Banki P/F			Samtak / Group	
2006	2005	Nota / Note	2006	2005
		DKK 1.000		
		29 Tilknytt felög / Subsidiary undertakings		
		Partur av partapeningi / Part of share capital		
100%	100%	P/F Inni		
100%	100%	P/F 12. juni 2003		
0%	100%	P/F 21. desember 2005		
100%	100%	Eik Bank Danmark A/S		
		Millumverandi við tilknytt felög /		
		Amounts due from and due to subsidiary undertakings		
2.176.763	1.568.756	Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
17.500	20.000	Útlán / Loans and advances		
0	0	Lánsbrøv / Bonds		
2.194.263	1.588.756	Ogn tilsamans / Total assets		
		Skuld / Liabilities		
14.226	49	Skuld til lánistovnar / Debt to credit institutions		
22.844	18.324	Áogn í Eik / Deposits in Eik Bank		
37.070	18.373	Skuld tilsamans / Total liabilities		
		30 Stjórnarlimir og deildarleiðarar, ið røkja nevndarsessir í dótturfeløgum hjá Eik / Management and branch managers that are board members in subsidiary undertakings of Eik Bank		
		P/F Inni, N. Finsengøta 37, 100 Tórshavn		
		Nevndarformaður / Chairman: Mærner Jacobsen, forstjóri / Chief Managing Director		
		Næstformaður / Deputy Chairman: Bjarni Olsen, stjóri / Managing Director		
		Nevndarlimur / Board Member: Øssur Skeel Nolsøe, deildarleiðari / Senior Branch Manager		
		Eik Bank Danmark A/S, Nørre Farimagsgade 15, 1364 Keypmannahavn		
		Nevndarformaður / Chairman: Mærner Jacobsen, forstjóri / Chief Managing Director		
		31 Assosieraðar fyrítøkur / Associated undertakings		
		Partur av partapeningi / Part of share capital		
47%	32%	P/F Faroe Real Estate	47%	32%
35%	33%	P/F Faroe Farming	35%	33%
27%	27%	P/F Pan Fish Faroes	27%	27%
25%	25%	P/F Elektron	25%	25%
25%	25%	P/F Týggjará	25%	25%
25%	0%	Ejendomsvækst A/S	29%	0%
22%	0%	P/F 6. sept. 2006	22%	0%
20%	0%	Nianet A/S	20%	0%
0%	43%	DSK A/S	0%	43%

Roknskapartöl 2006 / Annual Accounts 2006
Notur / Notes

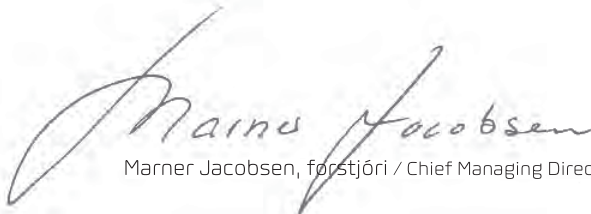
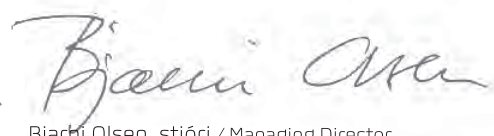
Eik Banki P/F		Samtak / Group	
2006	2005	2006	2005
	Nota / Note	DKK 1.000	
		Millumverandi við assosieraðar fyrirkur /	
		Amounts due from and due to associated undertakings	
		Áogn í lánistovnum og tjóðbankum /	
0	0	Claims on credit institutions and central banks	
162.147	94.951	Útlán / Loans and advances	
162.147	94.951	Ogn tilsamans / Total assets	
0	0	Skuld til lánistovnar / Debt to credit institutions	
54.230	11.494	Áogn í Eik / Deposits in Eik Bank	
54.230	11.494	Skuld tilsamans / Total liabilities	
		32 Partaeigarar, sum sambært §28a í partafelagslógini eiga meira enn 5 % /	
		Shareholders holding more than 5% according to §28a in the Company Act	
62%	87 %	Eik Grunnurin	

Roknskapartöl 2006 / Annual Accounts 2006
Undirskriftir / Signatures

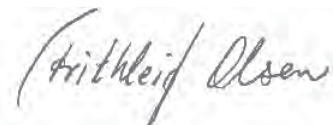
Eik Banki P/F

Tórshavn, tann 1. mars 2007

Stjórn / Managing Directors

 
Marner Jacobsen, forstjóri / Chief Managing Director Bjarni Olsen, stjóri / Managing Director

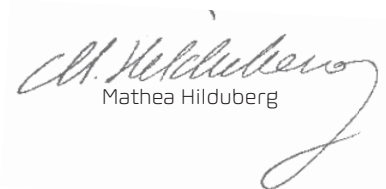
Nevnd / Board of Directors

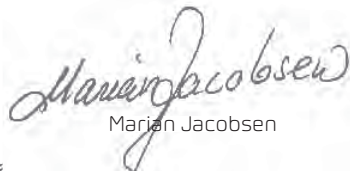

Frithleif Olsen, formaður / Chairman


Odd Bjellvåg, næstformaður / Deputy Chairman

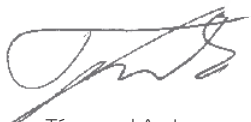

Finnbogi Niclasen


Rólant Vidtfeldt


Mathea Hilduberg


Marjan Jacobsen


Petur Hammer


Tórmund A. Joensen


Rakul Dam


Bjartur Nolsøe


Bert Långgaard

Grannskoðanarátækning

Auditor's Report

2006

Grannskoðanarátækning / Auditor's Report Innanhýsis / Internal

Átekning frá innanhýsis grannskoðara

Grannskoðanardeild Eik Banki P/F

Vit hava grannskoðað árs- og konsernroknskapin hjá Eik Banka P/F fyri árið 2006, sum leiðslan hevur sett upp.

Útinningin av grannskoðanini

Grannskoðanin er útint við støði í kunngerð hjá Fíggjareftirlitinum um grannskoðan í peningastovnum og eftir vanliga góðkendum grannskoðanarreglum. Undir grannskoðanini hava vit, eftir týðningi og vátta, mett um virkisgongdir og kannað grundarlagið fyri upphæddum og øðrum upplýsingum í árs- og konsernroknskapinum.

Grannskoðanin hevur ikki givið orsök til fyrivarni.

Niðurstøða

Okkara fatan er, at árs- og konsernroknskapurin er lagdur fram í samsvari við tey krøv, ið lóggávan setur roknskaparhaldi, og at hann gevur rætta mynd av ognum og skyldum hjá Eik, fíggjarligu støðuni og úrslitinum.

Internal Auditor's Report

Internal Audit

We have audited the financial statements for 2006 for the group and for Eik Bank P/F, presented by the Board of Directors and the Management of Eik Bank P/F.

Basis of Opinion

We have conducted our audit on the basis of the executive order by the Danish Financial Supervisory on the performance of the audit in financial institutions and in accordance with generally accepted auditing standards. During the audit, based on an evaluation of materiality and risk, we assessed procedures and verified the basis for the amounts and disclosures in the financial statements.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements have been presented in accordance with the accounting provisions of legislation and give a true and fair view of the Eik Bank's assets and liabilities, financial position and profit for the year.

Tórshavn, tann 1. mars 2007



Sigmund Frederiksen

Grannskoðanarleiðari / Chief Auditor

Grannskoðanarátækning / Auditor's Report Uttanhýsis / External

Átekning frá óheftumgrannskoðara

Til partaeigararnar í Eik Banka P/F

Vit hava grannskoðað árs- og konsernroknskapin hjá Eik Banka P/F fyri roknskaparárið 1. januar – 31. desember 2006 við leiðsluátækning, ársfrágreiðing, nýttum roknskaparhátti, rakstrarroknskapi, fíggjarstöðu, uppgærð av eginogn, peningastreymi og notum. Árs- og konsernroknskapurin er gjørdur eftir lóg um fíggjarligt virksemi v.m. umframt kunngerðum og leiðreglum frá Fíggjareftirlitinum fyri peningastovnar.

Ábyrgd leiðslunnar av ársroknskapinum

Leiðslan hevur ábyrgdina av at gera ein roknskap, ið gevur eina rættvísandi mynd í samsvari við lóg um fíggjarligt virksemi. Henda ábyrgd ber í sær, at felagið støðugt hevur tað innanhýsis eftirlit, ið skal til fyri at gerast kann ein árs- og konsernroknskapur, sum gevur eina rættvísandi mynd uttan týðandi skeivleikar, og uttan mun til um skeivleikarnir standast av sviki ella mistøkum ella vali av hóskandi roknskaparhátti ella roknskaparligum metingum, ið eftir umstøðunum mugu ætlast at vera hóskandi.

Grannskoðanin og ábyrgd grannskoðarans

Okkara ábyrgd er við stóði í grannskoðanini at gera eina niðurstøðu um ársroknskapin. Vit hava grannskoðað samsvarandi galdandi grannskoðanarreglum, ið krevja, at vit halda tey etisku krøvini og leggja grannskoðanina til rættis við denti á at fáa eina grundaða vissu fyri, at í ársroknskapinum eru ikki týðandi skeivleikar. Grannskoðanin ber í sær, at gjørt verður tað arbeiði, sum skal til fyri at fáa grannskoðanarprógv fyri upphæddir og upplýsingar í ársroknskapinum. Grannskoðarin metir um, hvat arbeiði skal gerast, herundir metir hann um vandan fyri týðandi skeivleikum í ársroknskapinum, uttan mun til um

Independent Auditor's Report

To the Shareholders of Eik Bank P/F

We have audited the Annual Report of Eik Bank P/F for the financial year 1 January – 31 December 2006, which comprises the Statement of the Board of Directors and Board of Executives on the Annual Report, Management's Review, a summary of significant accounting policies, the income statement, balance sheet, statement of changes in equity, cash flow statement for the year then ended and notes for the Group as well as for the Parent Company. The consolidated financial statements have been prepared in accordance with the Financial Business Act.

The Board of Directors and Board of Executives' Responsibility for the Annual Report

The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this Annual Report in accordance with the Financial Business Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

Grannskoðanarátækning / Auditor's Report Uttanhýsis / External

skeivleikarnir standast av sviki ella mistøkum. Grannskoðarin metir eisini um innanhýsis eftirlitið, ið skal til, fyri at felagið kann gera ein ársroknskap, sum gevur eina rættvísandi mynd; endamálið við hesi meting er at leggja grannskoðanina til rættis og ikki at seta fram eina niðurstøðu um, hvussu gott innanhýsis eftirlitið er. Grannskoðanin ber eisini í sær, at støða verður tikin til, um roknskaparhátturnin, sum leiðslan nýtir, er hóskandi, um tær roknskaparligu metingarnar, sum leiðslan hevur gjørt, eru rímligar, og hvussu roknskapurin sum heild er gjørdur. Tað er okkara fatan, at vit hava fingið eitt nøktandi grannskoðanarprógv, ið kann vera grundarlag undir okkara niðurstøðu.

Grannskoðanin hevur ikki givið orsök til fyrivarni.

Niðurstøða

Tað er okkara fatan, at árs- og konsernroknskapurin gevur eina rættvísandi mynd av felagsins ognum, skyldum og fíggarligu støðu 31. desember 2006 og av úrslitinum av virkseminum og peningastreyminum felagsins í roknskaparárinum 1. januar – 31. desember 2006 samsvarandi lóg um fíggarligt virksemin v.m. umframt kunngerðum og leiðreglum frá Fíggjareftirlitinum fyri peningastovnar.

the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Board of Executives, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2006 in accordance with the Financial Business Act and in accordance with additional Danish disclosure requirements for Annual Reports of financial institutions.

Tórshavn, tann 1. mars 2007

Rasmussen & Weihe
Statsaut. grannskoðarafelag P/F



Klaus Rasmussen
statsaut. revisor

State Authorized Public Accountant



Hans Laksá
statsaut. revisor

State Authorized Public Accountant

Roknskaparháttur

Accounting Principles

2006

Alment

Árs- og konsernróknskapurinn er gjörður í samsvari við lög um fíggarligt virksemi v.m. og kunngerðir og leiðreglur frá Fíggjareftirlitinum fyri peningastovnar.

Nýttur roknskaparháttur er óbroyttur í mun til undanfarin ár.

Konsernróknskapur

Konsernróknskapurinn fevnir um Eik Banka P/F, P/F Inni og Eik Bank Danmark A/S, sum eru 100% ogn hjá Eik Banka P/F. Av tí at P/F 12. juni 2003 hevur lutfalsliga lítið virksemi í mun til Eik og væntandi fer at steðga sínum virksemi í ár, er felagið ikki innroknað sum konsernfeleg í roknskapinum hjá samtakinum.

Konsernróknskapurinn verður gjörður við at leggja saman roknskaparpostar við einsháttaðum innihaldi og við at draga innanhýsis inntøkur og útreiðslur frá saman við innanhýsis millumverandi.

Tíðargreining

Rentuinntøkur, rentuútreiðslur og leypandi provisióner eins og allar aðrar týðandi inntøkur og útreiðslur verða tíðargreinaðar til roknskaparárið. Ómaksgjöld og stovningarprovisiúnir v.m. verða bókaðar leypandi. Vinningsbýti frá partabrøvum verður bókað sum inntøka, tá peningurin er móttikin. Rentur av útlánum, sum verða mett at vera mist, verða ikki bókaðar sum inntøka.

Konserninternar transaktiónir

Transaktiónir við tilknýtt og assosierað feløg verða sum meginregla gjørdar samsvarandi marknaðar-treytum.

Umrokning av útlenskum gjaldoyra

Ogn og skuld í útlenskum gjaldoyra verður bókað til almennar gjaldoyrakursir við árslok. Inntøkur og útreiðslur í útlenskum gjaldoyra verða umroknaðar

General

The consolidated and annual accounts are prepared in conformity with the Danish Financial Business Act and regulations and directives from the Danish Financial Supervisory Authority (Finanstilsynet).

The accounting policies are unchanged from those of the previous year.

Consolidated Accounts

The consolidated accounts include Eik Bank P/F, Inni P/F and Eik Bank Danmark A/S, which are 100% owned by Eik Bank P/F. Because „P/F 12. Juni 2003“ has relatively little activity in comparison to the bank, and it is anticipated that the company's operations will cease in 2005, its account activity is not included in the consolidated accounts.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, and outstanding loan balances.

Income recognition

Interest income, interest expenses, recurring provisions as well as all other significant income and expenses were accrued to the accounting year. Fees, charges and commissions, etc. were entered as received. Dividends on shares were entered as income upon receipt of the funds. Interest on loans, which are identified as bad or doubtful, was not entered as income.

Internal Transactions

Transactions with subsidiary and associated companies were in principle executed in accordance with market conditions.

Foreign Currency Translation

Assets and liabilities denominated in foreign

Roknskaparháttur / Accounting Principles

sambært galdandi valutakursum á bókingardegnum.

Útlán, ábyrgdir og áögn í øðrum lánistovnum

Útlán, ábyrgdir og áögn í øðrum lánistovnum verða stöðugt gjøgnumgíngin til tess at lýsa tapsvandán. Hetta viðförir, at tap og burturleggingar til tap verða bókað í rakstrarroknskapinum undir „Avskrivningar og burturleggingar av skuldarum“.

Lán við fastari rentu, har rentuváðin er avdekkaður við fíggjarligum amboðum, verða ikki kursjavnáð.

Virðisbrøv

Børsnoterað virðisbrøv verða bókað til almennar kursir við árslok. Ikki børsnoterað virðisbrøv verða upptikin til útveganarvirði ella til mett marknaðarvirði.

Partabrøv, sum eru at rokna sum fíggjarlig stöðisögn, verða bókað til dagsvirði.

Kapitalpartar í tilknýttum og assosieraðum fyrítøkum

Kapitalpartar í tilknýttum fyrítøkum og assosieraðum fyrítøkum verða bókaðir til roknskaparlíga innara virði.

Óítökiligar ögnir

Ritbúnaður verður bókaður til útveganarvirði, frádrígið avskrivningar. Avskrivað verður linjurætt yvir 5 ár. Good-will verður bókað til útveganarvirði við keyp, frádrígið avskrivningar. Avskrivað verður linjurætt yvir 10 - 20 ár.

Ítökiligar ögnir

Grundtøki og bygningar verða bókað til útveganarvirði, frádrígið av- og niðurskrivningar. Avskrivað verður linjurætt yvir 50 ár og við stöði í einum mettum restvirði. Grundtøki verða tó ikki avskrivað.

Yvirtíknar ögnir verða bókaðar til mett handilsvirði. Innbúgv og rakstartól verða bókað til útveganarvirði,

currencies were translated according to the official rates of exchange prevailing at year-end. Income and expense related to foreign exchange were translated according to the rates of exchange prevailing at the transaction date.

Loans, Guarantees and Claims on other Financial Institutions

Loans, guarantees and claims on other financial institutions were continually reviewed to determine loss risk. Consequently, bad debts and provisions for bad debts were entered in the profit and loss account under "Depreciation and provisions for loss on bad debts".

Loans with fixed interest where interest risk is covered by derivatives were not subject to market value adjustments.

Investments

Listed securities were entered at market values at year-end. Non-listed securities were entered at purchase price or at market price, if the latter is determined to be lower.

Shares that are included in the bank's long-term investment portfolio were entered at marked value.

Equity in Subsidiary and Associated Undertakings

Equity in subsidiary and associated undertakings was entered at equity value.

Intangible Assets

Software is booked at cost less a deduction for depreciation. Software is depreciated according to the straight-line method over a period of 5 years.

Good-will is booked at purchase price, less a deduction for depreciation. Good-will is depreciated according to the straight-line method over a period of 10 - 20 years.

frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 5-8 ár.

Smáinnbúgv útvegað fyri minni enn 20 tkr. verða útreiðsluførd, tá hesi verða útvegað.

Fíggarlig amboð

Gjaldoyraterminshandlar verða bókaðir til marknaðarvirði við árslok.

Rentuswap, sum verða nýtt til at avdekka lán við fastari rentu, verða ikki kursjavnað. Rentur av swap verða tíðargreinaðar og bókaðar undir rentuinntøkum.

Skattur

Roknaður skattur av ársvinningi verður bókaður í ársroknskapinum og fevnir bæði um vanligan skatt og útsettan skatt. Útsettur skattur, ið kemur av tíðarfrávikum millum ársroknskapin og skattaroknskapin, verður útreiðsluførdur og avsettur undir „Avsetingar til skyldur“. Skattaáogn, sum sannlíkindi eru fyri verður nýtt framvir, verður tikin við undir „Onnur ogn“.

Tangible Assets

Land and buildings were entered based on purchase price, less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over the estimated useful life with a maximum of 50 years. Land was not, however, depreciated.

Repossessed properties were entered according to their estimated market value.

Furnishings and equipment were entered at cost less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over a period of 5 - 8 years.

Furnishings and supplies valued at less than DKK 20,000 were expensed in the purchase year.

Financial Instruments

Currency futures contracts were entered at market value at year-end.

Interest rate swaps that were used to secure a fixed-interest loan, were not subject to market value adjustments. Interest on swaps was accrued to the accounting period and entered as interest income.

Taxes

Calculated tax on the profit for the year was stated in the annual accounts and included both actual tax and deferred tax. Deferred tax resulting from the timing differences between the annual accounts and the tax accounting by the Faroese tax administration was expensed and stated under „Provisions for liabilities and charges“. Tax surplus, which in all probability will be used in future, was entered as income and stated under „Other assets“.

Eik Banki P/F

Yviri við Strond 2
P. O. Box 34
FO-110 Tórshavn
Faroe Islands

Tel : +298 348000

Fax : +298 348400

eik@eik.fo

www.eik.fo

BIC/SWIFT: EIKB FO TF

Eik virðisbrøv / Eik Bank Securities

Partabræv / Share

Virðisbrævamarknaður /

Stock Exchange

VMF Market on OMX Iceland (exp. 1H2007)

ISIN code

F00005702340

Bloomberg

EIK IR

Partapeningur / Share Capital

DKK 711,311,400

Tal av partabrøvum / No. of shares 7,113,114

Eftirstillað kapitalinnskot / Subordinated Debt

Virðisbrævamarknaður / Stock Exchange OMX Copenhagen Stock Exchange

ISIN code

DK0030034426

Bloomberg

FOROYA 5.385

Upphædd / Amount

DKK 150,000,000

III. Appendices

D. 2005 Annual Report

Ársroknskapur 2005

Annual Report



FØROYA SPARIKASSI P/F

Yviri við Strond 2

Postboks 34 · FO-110 Tórshavn

Tel +298 348000

Fax +298 348400

Skrásetingarnúmer /

Registration no 3293

Telex: 81318 SPARKS FA

Swift: SPAK FO TF

E-mail: spak@sparikassin.fo

www.sparikassin.fo

V-tal 516244

Fondskota 1620061

ISIN FO0005702340

Bloomberg: SPAK DC

Stjórn / Management

Marnar Jacobsen

Forstjóri / *Chief Managing Director*

marnar.jacobsen@sparikassin.fo

Bjarni Olsen

Stjóri / *Managing Director*

bjarni.olsen@sparikassin.fo

Nevnd / Board of Directors

Frithleif Olsen

Formaður / *Chairman*

Tórmund A. Joensen

Næstformaður / *Deputy chairman*

Mathea Hilduberg

Finnbogi Niclasen

Rólant Vidtfeldt

Petur D.W. Hammer

Rakul Dam

Gert Langgaard

Bjartur Nolsøe

Durita Tausen

Marian Jacobsen

Odd Arild Bjellvåg

Umboðsráð / Board of Representatives**Suðuroy**

Eiler Djurhuus

Petur D.W. Hammer

Páll Allan Michelsen

Finnbjørn Nielsen

Jastrid Nielsen

Stein Næs

Eysturoy

Elisabeth Eldeveg

Herborg Gullbrandsdóttir

Olaf Fríðheim

Regin Gregersen

Súni í Hjøllum

Hilmar Joensen

Sofus Debes Johannesen

Sonni Johansen

Hilmar Nielsen

Frithleif Olsen

Sandoy

William Sand Davidsen

Poul D. Klementsens

Elisabeth Myllhamar

Jonna Krog Poulsen

Jákup Martin Sørensen

Rólant Vidtfeldt

Vágoy

Jógvan Hans Joensen

Finnbogi Niclasen

Heini Nielsen

Sigfríður Olsen

Durita Rasmussen

Sveinur Thomassen

Norðstreymoy

Tummas Debess

Sólfríð Djurhuus

Petra Iversen

Gunnbjørn Joensen

Ragnar Petur Joensen

Gunnar B. Skúvadal

Suðurstreymoy

Hans Biskopstø

Maria á Dul

Gunnleyg Durhuus

Johannes A. Ellingsgaard

Ingi Gunnarsson

Jóannes M. Hansen

Poul Gert Hansen

Mathea Hilduberg

Turið Holm

Heri Jensen

Olga Kallsberg

Ingi Mohr

Oddvá Nattestad

Birgir Sondum

Petur F. Zachariassen

Grannskoðarar / Auditors

Klaus Rasmussen, Statsaut. grannskoðari /

State Authorized Public Accountants

Jógvan Amonsson, Statsaut. grannskoðari /

State Authorized Public Accountants

Sigmund Frederiksen, Grannskoðanarleiðari /

*Chief Auditor***INNIHALD / CONTENTS**

Gongdin seinastu 5 árin /

Five Year Summary

1

Lyklatøl / *Ratios*

2

Ársfrágreiðing /

4

Annual Report

13

Rakstrarroknskapur /

Profit and Loss Account

24

Fíggjarstøða / *Balance Sheet*

25

Gjaldføringsbroyting /

Cash Flow Statement

26

Viðmerkingar / *Notes*

27

Grannskoðanarátekning /

Auditor's Report

39

Roknskaparháttur /

Accounting Principles

41

43

GONGDIN SEINASTU 5 ÁRINI / FIVE YEAR SUMMARY

SAMTAK / GROUP	2005	2004	2003	2002	2001
DKK 1.000					
Rakstur / Profit and loss account					
Rentuinntøkur / Interest income	340.533	267.208	291.047	301.241	311.837
Rentuútreiðslur / Interest expenses	108.239	68.385	75.404	101.811	126.356
Rentuinntøkur netto / Net interest income	232.294	198.823	215.643	199.430	185.481
Ómaksgjöld og provísíónsinntøkur v. m. / Fee and commissions income, etc.	65.464	24.139	21.491	16.958	12.417
Virðisjavnan av virðisbrøvum og útlenskum gjaldoyra / Market value adjustments of securities and foreign exchange income	46.221	87.666	23.080	11.729	-2.341
Aðrar vanligar inntøkur / Other operating income	13.022	12.870	8.753	7.743	7.323
Úrslit av fíggjarpostum / Profit on financial operations	357.001	323.498	268.967	235.860	202.880
Útreiðslur til starvsfólk, umsiting og aðrar rakstrarútreiðslur / Staff costs, administrative expenses and other operating expenses	180.447	124.660	121.369	118.161	106.320
Av- og niðurskrivingar og burturleggingar tilsamans / Total depreciation, write-downs and provisions	21.174	95.546	319.430	33.731	21.692
Úrslit av kapitalpörtum í assosieraðum og tilknýttum fyrirkömum / Income from associated and subsidiary undertakings	8.833	8.429	447	-2.806	-1.039
Úrslit undan skatti / Profit before taxes	164.213	111.721	-171.385	81.162	73.829
Skattur / Taxes	37.604	4.520	-42.623	15.258	16.337
Ársúrslit / Net profit for the year	126.609	107.201	-128.762	65.904	57.492
Fíggjarstöða / Balance sheet					
OGN / ASSETS					
Kassapeningur og innlán í øðrum lánistovnum / Cash in hand, claims on central banks and credit institutions	466.679	377.445	367.385	198.605	295.258
Virðisbrøv / Securities	1.232.090	695.826	682.407	803.540	874.915
Útlán / Loans and advances	6.550.896	5.052.785	3.886.990	3.979.385	3.588.964
Fastar ognir og innbúgv / Tangible assets	125.666	121.264	128.751	128.611	135.344
Aðrar ognir / Other assets	245.699	246.245	129.237	86.257	59.772
Ogn tilsamans / Total assets	8.621.030	6.493.565	5.194.770	5.196.398	4.954.253
SKULD / LIABILITIES					
Skuld til lánistovnar / Debt to credit institutions	2.994.175	1.276.585	579.065	235.383	271.637
Innlán / Deposits	4.483.030	4.195.076	3.786.192	3.947.217	3.791.944
Onnur skuld / Other liabilities	226.495	195.204	75.917	131.367	70.175
Eginpeningur / Equity	917.330	826.700	753.596	882.431	820.497
Skuld tilsamans / Total liabilities	8.621.030	6.493.565	5.194.770	5.196.398	4.954.253
Grundrakstur / Core operations					
Bruttoinntøkur ¹⁾ / Gross income ¹⁾	316.553	237.625	244.835	226.600	206.613
Útreiðslur ²⁾ / Expenses ²⁾	195.696	133.337	131.550	127.464	115.050
Úrslit av grundrakstri / Profit on core operations	120.857	104.288	113.285	99.136	91.563
Bruttoinntøkuvøkstur í % / Increase in gross income %	33,2%	-2,9%	8,0%	9,7%	8,9%
Útreiðsluvøkstur í % / Increase in expenses %	46,8%	1,4%	3,2%	10,8%	0,1%
Brutto inntøkur pr. útreiðslukrónu / Gross income per expense DKK	1,62%	1,78	1,86	1,78	1,80

1) Rentu- og provísíónsinntøkur netto, aðrar vanligar inntøkur og virðisjavnan av útlenskum gjaldoyra /
Net interest, fee income, other ordinary income and exchange-rate adjustment of foreign currency

2) Útreiðslur til starvsfólk, umsiting, avskrivningar -tó ikki niðurskrivingar- av ótøkiligum og tøkiligum ognum og aðrar rakstrarútreiðslur /
Staff costs, administrative expenses, depreciation - excluding write-downs of intangible and tangible assets and other operating expenses

LYKLATØL / RATIOS ¹

FØROYA SPARIKASSI P/F	2005	2004	2003	2002	2001
Solvensur og kapitalur / Solvency and capital ratios					
2 Solvensprosent / Solvency ratio (%)	16,4	19,0	18,1	22,0	24,1
3 Kjarnukapitalprosent / Core capital ratio (%)	16,4	19,0	18,5	22,4	24,1
Vinningur / Earning ratios					
Renting av eginogn áðrenn skatt / Interest on equity before tax (%)	17,5	14,1	-21,0	9,5	9,3
Renting av eginogn eftir skatt / Interest on equity after tax (%)	14,5	13,6	-15,7	7,7	7,3
Vinningur pr. útreiðslukrónu / Net profit to total expense ratio	2,07	1,51	0,61	1,53	1,58
Marknaðarváði / Market risk ratios					
4 Rentuváði / Interest rate risk (%)	3,7	2,4	2,7	3,2	3,3
5 Gjaldoyraváði / Foreign exchange risk (%)	10,2	24,4	18,0	19,3	9,2
Gjaldføri / Liquidity ratio					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	113,4	111,2	112,3	102,9	96,4
Yvirdekningur í mun til lógarkrav um gjaldføri / Excess cover relative to liquidity requirement (%)	52,4	80,6	90,6	80,6	121,3
Lánsváði / Credit risk ratios					
6 Stór engagement í mun til ansvarligan kapital / Large loans as percentage of accountable capital (%)	48,4	48,6	132,7	65,3	55,9
Partur av áogn við niðursettari rentu / Part of outstanding loans at reduced interest (%)	3,4	5,1	3,4	0,9	0,3
Burturleggingarprosent / Provisions percentage (%)	5,4	9,4	8,3	2,0	1,8
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	0,0	2,0	7,1	0,5	0,4
Útlán í mun til eginognina / Total loans in proportion to equity	4,8	4,7	5,2	4,5	4,4
Útlánsvøkstur / Increase of loans (%)	13,4	0,6	-2,3	10,9	17,2
Onnur lyklatal / Other ratios					
Innlánsvøkstur / Increase of deposits (%)	6,6	2,7	-4,1	4,1	10,1
Vøkstur í fíggjarjavna / Increase of balance (%)	50,7	1,2	0,0	4,8	14,2

Frágreiðing til lyklatalini / Explanation of ratios

- Gjørt í samsvari við leiðreglurnar hjá Fíggjareftirlitinum / Prepared in conformity with the regulations issued by the Danish Financial Servisory Authority
- Solvensprosentid er ansvarligur kapitalur og stuttfreistaður ískoytiskapitalur í mun til vektada ogn, har ansvarligur kapitalur er eginognin eftir avisar javningar og vektad ogn eru ognir Sparikassans, vektadar eftir tapsvada / The solvency ratio is the comparison of own funds and short-term supplemental capital to weighted assets, where own funds is equity less certain adjustments and weighted assets are the assets of Føroya Sparikassi weighted for loss risk.
- Kjarnukapitalprosent er ansvarligur kapitalur og stuttfreistaður ískoytiskapitalur eftir frádrátt í mun til vektada ogn, har ansvarligur kapitalur er eginognin eftir avisar javningar frádrigið kapitalkrøv til postar við marknaðarvada, og vektad ogn eru ognir Sparikassans, vektadar eftir tapsvada / Core capital ratio is the comparison of own funds and short-term supplemental capital after deductions to weighted assets, where own fund is equity less certain adjustments less capital demands owed with market risk and weighted assets are assets of Føroya Sparikassi weighted for loss risk.

LYKLATÖL / RATIOS ¹

SAMTAK / GROUP

	2005	2004	2003	2002	2001
Solvensur og kapitalur / Solvency and capital ratios					
2 Solvensprosent / Solvency ratio (%)	12,8	15,2	18,1	22,0	24,1
3 Kjarnukapitalprosent / Core capital ratio (%)	12,8	14,9	18,5	22,4	24,1
Vinningur / Earning ratios					
Renting av eiginogn áðrenn skatt / Interest on equity before tax (%)	18,8	14,1	-21,0	9,5	9,3
Renting av eiginogn eftir skatt / Interest on equity after tax (%)	14,5	13,6	-15,7	7,7	7,3
Vinningur pr. útreiðslukrónu / Net profit to total expense ratio	1,81	1,51	0,61	1,53	1,58
Marknaðarváði / Market risk ratios					
4 Rentuváði / Interest rate risk (%)	4,2	2,8	2,7	3,2	3,3
5 Gjaldoyraváði / Foreign exchange risk (%)	11,3	25,2	18,0	19,3	9,2
Gjaldfæri / Liquidity ratio					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	152,5	130,6	112,3	102,9	96,4
Yvirdekningur í mun til lógarkrav um gjaldfæri / Excess cover relative to liquidity requirement (%)	80,1	71,3	90,6	80,6	121,3
Lánsváði / Credit risk ratios					
6 Stór engagement í mun til ansvarligan kapital / Large loans as percentage of accountable capital (%)	85,0	38,0	132,7	65,3	55,9
Partur av áogn við niðursettari rentu / Part of outstanding loans at reduced interest (%)	2,4	3,9	3,4	0,9	0,3
Burturleggingarprosent / Provisions percentage (%)	4,0	7,4	8,3	2,0	1,8
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	0,1	1,5	7,1	0,5	0,4
Útlán í mun til eiginognina / Total loans in proportion to equity	7,1	6,1	5,2	4,5	4,4
Útlánsvøkstur / Increase of loans (%)	29,7	30,0	-2,3	10,9	17,2
Onnur lyklatöl / Other ratios					
Innlánsvøkstur / Increase of deposits (%)	6,9	10,8	-4,1	4,1	10,1
Vøkstur í fíggarjavna / Increase of balance (%)	32,8	25,0	0,0	4,8	14,2

- 4 Rentuváðin er grundaður á, at effektiva rentan broyrtist 1%, og broytingin í krónum verður roknað í mun til kjarnukapitalin. / Interest rate risk is based on the premise that the effective interest rate fluctuates 1% and that the fluctuations in DKK are calculated in comparison to core capital.
- 5 Gjaldoyraváði er hægra talið av ogn ella skuld í gjaldoyra, og verður roknaður í prosent av kjarnukapitalinum / Foreign exchange risk is the higher amount of assets or liabilities in currency and is calculated in percent to core capital.
- 6 Millumverandi størri enn 10% eftir frádrátt fyri tryggum krøvum í prosent av ansvarliga kapitalinum / Outstanding balances greater than 10% after deductions for secure requirements in percent to own funds.

Roknskapargongdin í hövuðstólum

Roknskaparárið 2005, ið var 173. virkisárið hjá Føroya Sparikassa P/F, gjørdist tað higartil besta. Úrslitið var 164,2 milliúnir krónur áðrenn skatt móti 111,7 milliúnir krónur í 2004. Hetta gevur eina eginpeningsrenting áðrenn skatt upp á 18,8%. Eftir skatt gjørdist avlopið 126,6 milliúnir krónur, og eginpeningurin er nú 917,3 milliúnir krónur.

Hetta er tann fyrsti roknskapurin fyri samtakið Føroya Sparikassa, har Eik Bank Danmark A/S (Eik Bank) er innroknaður í bæði rakstur og fíggarstøðu. Av tí at Eik Bank varð keyptur pr. 31.12.2004, var bert fíggarstøðan hjá Eik Bank innroknað í tøluni fyri samtakið í 2004, meðan raksturinn ikki taldi við. Hetta ger, at raksturinn hjá samtakinum í 2005 ikki uttan víðari kann samanberast við raksturinn í 2004.

Úrslitið av grundrakstrinum fyri samtakið, sum er úrslitið áðrenn virðisbroytingar av virðisbrøvum, burturleggingar og skatt, øktist úr 104,3 milliúnir krónur í 2004 upp í 120,9 milliúnir krónur í 2005. Væksturinn stavar frá Eik Bank, tí Sparikassin hevði eitt fall í grundrakstrinum frá 2004 til 2005, fyrst og fremst tí kappingin á føroyska marknaðinum hevði við sær fallandi rentumarginal og harvið lægri nettorentuinntøkur, hóast útlánini øktust í 2005. Eik Bank hevði stóran vøkstur í sínum grundrakstri frá 2004 til 2005, tí nettorentuinntøkurnar og ómaksgjöldini øktust munandi vegna økt virksemlu, herundir munandi økt útlán.

Samtakið hevði í 2005 ein nettokursvinning uppá 46,2 milliúnir krónur av virðisbrøvum og gjaldoyra í mun til 87,7 milliúnir krónur í 2004. Eik Bank hevði ein øktan nettokursvinning frá 2004 til 2005, meðan Sparikassin hevði ein væl lægri nettokursvinning í 2005 enn í 2004, tí virðisjavningin í 2004 var serliga høg vegna söluna av partabrøvunum í Kaupthing hf. í Íslandi. Kursvinningurin í 2005 stavar frá vinningi av børsskrásettum partabrøvum upp á 28,0 milliúnir krónur, vinningi av gjaldoyra upp á 5,8 milliúnir krónur og einum kursvinningi av fastrentaðum útláni, serliga pantibrøvum í Eik Bank, upp á 15,1 milliúnir krónur. Hinvegin var eitt minni kurstap upp á lánsbrøvini upp á 2,7 milliúnir krónur.

Tær samlaðu útreiðslurnar til starvsfólk, fyrisiting og aðrar rakstrarútreiðslur vóru 180,1 milliúnir krónur í 2005 móti 123,2 milliúnir krónur í 2004. Væl tann størsti parturin av hesum vøkstri er íkomin, tí Eik Bank er við í 2005 tølunum, men ikki í 2004 tølunum. Umroknað til fulltíðarstørv starvaðust í miðal 217 fólk í samtakinum í 2005 móti 205 í 2004. Starvsfólkatalið í Sparikassanum var 180 fólk, í Eik Bank 35 fólk og í Inni 2 fólk í 2005.

Burturleggingar móti tapi og avskrivningar av skuldarum lækkaðu nógv í 2005. Burturleggingarnar netto í 2005 vóru 5,9 milliúnir krónur ímóti 86,9 milliúnir krónur í 2004. Stóra fallið stendst av, at Sparikassin hevði sera stórar burturleggingar í 2004, serliga vegna trupulleikarnar í alivinnuni. Samlaðu burturleggingarnar, sonevnda korrektivkontan, sváraðu við ársenda 2005 til 4,0% av samlaðu útlánunum og ábyrgdunum og ljóðaðu uppá 287,4 milliúnir krónur móti 427,6 milliúnir krónur somu tíð árið fyri.

Nevndin fer á aðalfundinum at skjóta upp, at vinningsbýtið verður sett til 5%, soleiðis at 34,0 milliúnir krónur verða goldnar út sum vinningsbýti til partaeigararnar av ársúrslitinum upp á 126,6 milliúnir krónur. Restin, 92,6 milliúnir krónur, verður flutt til eginognina.

Fíggarstøðan fyri samtakið í 2005 er sambærilig við 2004, tí Eik Bank er við bæði árinum. Fíggarstøðan fyri samtakið javnvigaði við 8,621 milliardum krónur við ársenda 2005 móti 6,494 milliardum krónur í 2004. Væksturinn er 2,127 milliardir krónur ella 32,8%.

Útlánini við ársenda 2005 vóru 6,551 milliardir krónur móti 5,053 milliardum krónur í 2004. Harav eigur Eik Bank umleið tveir triðingar av vøkstrinum, meðan Sparikassin eigur umleið ein triðing. Innlánini vóru 4,483 milliardir krónur í 2005 móti 4,195 milliardum krónur í 2004, ein vøkstur, sum í hövuðsheitum stavar frá Sparikassanum. Útlánsprosentíð, tað er lutfallið millum útlán, íroknað burturleggingar, og innlán, var 152,5% móti 130,6% í 2004.

Eginognin við ársenda 2005 var 917,3 milliúnir krónur móti 826,7 milliúnir krónur somu tíð í 2004, og solvensprosentíð var 12,8% í 2005 móti 15,2% í 2004. Lógarkravið er 8%.

Gjaldføri Sparikassans er framvegis gott. Gjaldførið verður roknað sum tøkur peningur, áogn uttan uppsøgn í øðrum peningastovnum, innlánsprógv í Tjóðbankanum og virðisbrøv. Gjaldførið var 1.458,1 millión krónur við ársenda 2005 móti 1.015,6 milliónum krónum í 2004. Í mun til skyldur Sparikassans styttri enn 1 mánað var gjaldførið 35,2%, og í mun til allar skyldurnar var gjaldførið 18,0%. Í 2004 vóru samsvarandi tøluni 33,4% og 17,1%. Lógarkravið er ávikavist 15% og 10%.

Onki av týðningi, ið ávirkar ársúrslitið ella fíggarstøðuna, er hent síðani roknskaparlok.

Føroya Sparikassi – ein peningastovnur í menning

Stórir dentur verður lagdur á miðvíst at menna Føroya Sparikassa til tess at tryggja kappingarførið við fíggarstovnar í og uttan fyri Føroyar. Málið er at renta eginpeningin í Sparikassanum fult á hædd við eginpeningsrentingina í samsvarandi peningastovnum uttan fyri Føroyar.

Sum liður í hesum verður miðvíst arbeitt við at menna Sparikassan. Stórir dentur verður lagdur á menning av starvsfólkunum og at birta undir nýhugsan, eins og dentur verður lagdur á at bjóða føroyingum atgongd til nýggjar fíggartænastur. Dømi um hetta seinna eru LimaGreiðslan og realkredittlán.

Sparikassin hevur verið ein av grundstuðlunum undir at fáa føroyska virðisbrævamarknaðin í gongd. Virðisbrævamarknaðurin kann fáa stóran búskaparlígan týðning fyri Føroyar, um rætt verður atborið, og tað, sum gevur búskaparlígan framburð, gevur eisini peningastovnunum framburð.

Sparikassin sær virðisbrævaðkið sum eitt av sínum strategiskt týðandi økjum frameftir. Vit hava lagt stóran dent á hetta økið seinastu árinum, og í dag hava vit nøkur av dugnaligastu starvsfólkunum innan hetta økið í starvi og kunnu tí veita føroyingum holla ráðgeving um íløgur í virðisbrøv.

Virksemið innan virðisbrævaðkið er økt munandi í árinum. Sparikassin er í 2005 vorðin limur í ICEX og kann tí handla føroysk og íslensk virðisbrøv beinleiðis á marknaðinum. Frammanundan er Eik Bank limur í Københavns Fondsbørs. Sparikassin er í januar 2006 vorðin partaeigari í Garanti Invest A/S í Danmark, sum veitir sonevnd garanterað produkt, t.e. lánsbrøv, har trygd er fyri at fáa í minsta lagi høvuðsstólin aftur. Eftirspurningurin eftir hesum tænaðstunum hevur víst seg at vera sera stórir.

Av øðrum virkisøkjum í vøkstri er t.d. húsameklarafelagið Inni, sum hevur havt vøkstur seinnu árinum, og sum ætlanin er at menna enn meira við deildum í Klaksvík og Runavík.

Umvegis Sparikassagrunnin eru íløgur gjørdar í Notio framtakfelag, íbirtingarfelagið Set, og Sparikassagrunnurin var eisini ein av stovnarunum av Bitland.

Føroya Sparikassi setti sær fyri nøkrum árum síðani sum mál, at ein munandi partur av Sparikassans inntøkum skal koma frá virksemi uttan fyri Føroyar til tess at økja um inntøkurnar og spjaða váðan. Fyrsta stigið varð tikið, tá Sparikassin gjørdi íløgur í Kaupthing hf. í Íslandi í 2000. Árið eftir var Sparikassin við til at stovna Kaupthing Bank í Danmark, sum Sparikassin ultimo 2004 gjørdist einaeigari av, og sum nú eitur Eik Bank Danmark A/S. Í 2004 keypti Sparikassin eisini partabrøv í Spron í Reykjavík. Spron er størsti sparikassin í Íslandi. Seinni er hesin ognarpartur øktur, soleiðis at hann í januar 2006 er uml. 10%. Hartil eigur Sparikassin 42,5% av DSK A/S, sum er eitt felag, ið ger íløgur í danskar lokalar peningastovnar.

Í 2005 kom umleið ein triðingur av inntøkum Sparikassans frá virksemi uttan fyri Føroyar, og útlánini eru geografiskt spjadd og breiða seg yvir nógvar vinnugreinar, sum greitt er frá á næstu síðu.

Omanfyri nevndu stig eru sum áður nevnt partur av einari miðvísari tilgongd, sum hevur til endamáls at økja um vinningin hjá Føroya Sparikassa, spjaða váðan og gera Sparikassan uppafur meira kappingarføran mótvegis kappingarneytum í og uttan fyri Føroyar.

At arbeiðið hjá Føroya Sparikassa er viðurkent sást m.a.,

tá forstjóri Sparikassans, Marnar Jacobsen, á Leiðaradegnum 2006 varð valdur sum Ársins Leiðari í Føroyum. Hetta ber boð um, at Føroya Sparikassi eisini av almenn-inginum verður fataður sum ein fyrirtøka, ið á skipaðan hátt megnar at hugsa frameftir. Tann drúgva menningartilgongdin, sum verið hevur í Sparikassanum seinastu árin, hevur sostatt givið úrslit.

Útláns-gongdin

Útláns-vøxstur

Útlán Sparikassans eru økt nógv tey seinastu árin, jb. talvuna niðanfryi, sum fevnir um nettoútlán og ábyrgdir. Nettoútlán eru útlán, eftir at móguligar burturleggingar eru trektar frá.

Nettóútlán íroknað ábyrgdir fyri samtakið við ársenda 2000-2005

(milliónir krónur og árligur %-vøxstur)

2000	2001	2002	2003	2004	2005
3.106	3.675	4.084	3.999	5.329	6.945
5,2%	18,3%	11,1%	-2,1%	33,3%	30,3%

Frá ársloki 2000 til árslok 2005 eru nettoútlánini, íroknað ábyrgdir, økt við 123,6%.

Í 2000 var vøxstur 5,2%, men síðani var stórur vøxstur í 2001 og 2002, har útlánini vuku við 4-500 mió. kr. hvørt árið. Vøxstur var í so at siga øllum vinnugreinum, eisini til húsarhald. Tann størsta einstaka vinnan var alivinnan, sum í 2002 hevði meira enn ein triðing av vinnuligu útlánunum. Í 2003 og 2004 minkaði hesin partur tó munandi, tí neyðugt var at burturleggja sera stórar upphæddir móti móguligum tapum í alivinnuni, samstundis sum útlánið til alivinnuna minkaði vegna minkandi alivirksemi. Fallið í samlaðu útlánunum í 2003 stóðst av stóru burturleggingunum í alivinnuni. Sum greitt frá niðanfryi, so sær tað út til, at framgongd er at hóma í alivinnuni eftir, at hon hevur verið so at siga uppstøðgað.

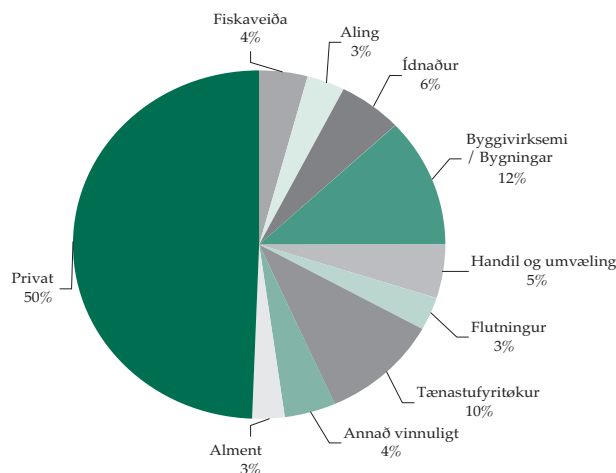
Í 2004 og 2005 er vøxstur sera stórur. Í 2004 stavar

vøxstur frá, at Eik Bank kom upp í samtakið við árslok 2004. Av vøxstrinum í 2005 eigur Eik Bank umleið tveir triðingar og Føroya Sparikassi umleið ein triðing.

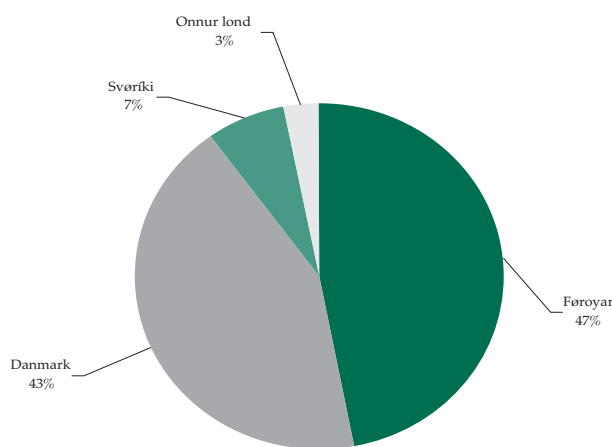
Váðaspjalding

Samansetingin av útlánunum og ábyrgdum er broytt munandi eftir, at Eik Bank er komin við í samtakið. Býtið upp á gearar og vinnur er vordíð væl meira javnt, og útlánini býta seg á fleiri lond. Býtið í myndini niðanfryi er grundað á lánsendamál og av tí ikki sambæriligt við býtið í roknskaparviðmerking nummar 11, ið er grundað á høvuðsvinnugrein lántakarans.

Samlað útlán býtt á gearar og vinnur við árslok 2005



Vinnulig lán býtt á lond við árslok 2005



Tað økta fjølbroytnið hevur við sær eina væl betri váðaspjalding av útlánunum hjá samtakinum. Hetta merkir sjálv-sagt ikki, at útlánini er váðaleys, men váðamyndin er meira

samansett, og váðin er spjaddur upp á lond og vinnugreinar, sum hava onga ella lítla ávirkan hvørt á annað.

Kredittpolitikkur

Útlánsbýtið er í tráð við kredittpolitikkin hjá samtakinum, har váðaspjalding, bæði á geirar, vinnur og lond, er ein av hornasteinunum.

Meginparturin av útlánunum til privat eru útlán til føroysk húsarhald, og í flestu førum er talan um lán við veð í fastognum. Mett verður um hvønn einstakan stakváða, og krøv verða sett til tiltøkupening. Er talan um lán til skiftandi rentu, verður eisini lagt uppfyri, so lántakarinn er førur fyri at rinda, hóast rentan hækkar. Talan er tí um lutfalsliga trygg lán.

Á vinnusíðuni vóru útlán til alivinnuna størsti vinnuváðin fram til alikreppuna í 2003. Síðani er vinnan minkað sera nógv, og Sparikassin hevur í dag lutfalsliga lítlan váða í alivinnuni. Samanlagt standa aling og fiskiveiða í dag einans fyri 7% av samlaðu útlánunum og ábyrgdunum í samtakinum.

Hinvegin eru útlán til handil og fyrisiting av ognuðum økt munandi. Talan er í stóran mun um fastognarfígging av ymsum slag, knýtt at virkseminum hjá Eik Bank.

Lánveitingin hjá Eik Bank kann bítast upp í fígging av fløguognum, verklagsfígging av fastognum, fløgukredittir og eginogn av pantibrøvum, keypt við víðarisølu fyri eyga.

Við fígging av fastognarløgum verður dentur lagdur á, at talan er um ognir við góðum leigarum og leiguinntøkum, ofta við bindandi leiguavtalam í eitt áramál.

Við verklagsfígging, sum í flestu førum hevur til endamáls at byggja eigaraíbúðir, verður váðin í verkætlanini gjølla kannaður. Dentur verður lagdur á, at verkætlanartíðin er stutt, soleiðis at váðin er avmarkaður, um prísgongdin á eigaraíbúðum ikki verður eins góð og higartil.

Tá bankin keypir pantibrøv í íbúðar- ella vinnuligum ognuðum, verður gjølla mettt um ognirnar, so víska er fyri, at pantibrøvini kunnu umsetast.

Samanumtikið eru inntøkurnar hjá samtakinum Føroya Sparikassa meira fjøltáttaðar, og váðin er meira spjaddur upp á vinnugreinar og lond, enn hann var fyri fáum árum síðani.

Alivinnan í broyting

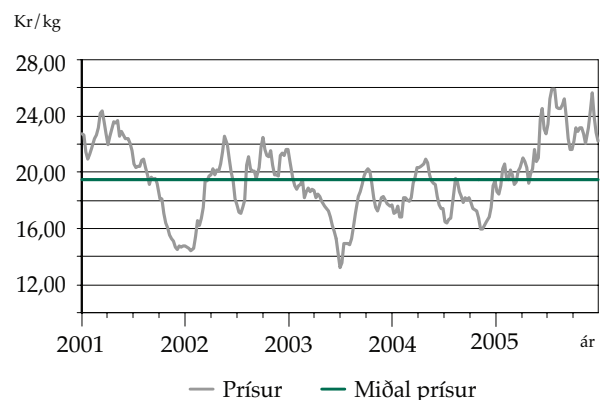
Støðan í alivinnuni er grundleggjandi broytt seinastu árin.

Lógarkarmarnir eru betraðir munandi síðani alikreppuna, soleiðis at smittuvandin verður avmarkaður mest møgulegt. Strangar ásetingar eru um flutning av útgerð og fiski v.m. millum alibrúk, krav er um brakklegging, og minni kann setast út í hvønn ring enn fyrr. Alarar hava sett størri fokus á dygdina av smolti, ið hevur víst seg at vera týðandi fyri, hvussu fiskurin kemur undan, tá hann verður settur á sjógv. Her verður hugsað um størri smolt og betri stýring av umhvørvinum hjá smoltinum.

Talið av alarum er minkað munandi, og tey alifeløg, sum hava havt tað fyri neyðini, eru endurskipað. Summi hava fingið nýggjar eigarar, meðan einstøk hava klárað seg. Í lötuni eru 6-7 virkin alifeløg, og flestu teirra hava útvega sær skiftisøkir, soleiðis at tey kunnu hava eina javna framleiðslu hóast krøvini um brakklegging v.m.

Øll laksasmolt, sum eru sett út í 2005, eru koppsett, og felið í sambandi við koppsetingina hevur verið lítið. Men avgerandi verður, hvørt koppsetingin forðar fyri nýggjum ILA-tilburðum í vár. Tí ber illa til at siga, hvussu koppsetingarevnið virkar, fyrr enn út móti sumri.

Laksaprísur viku fyri viku 2001-2005

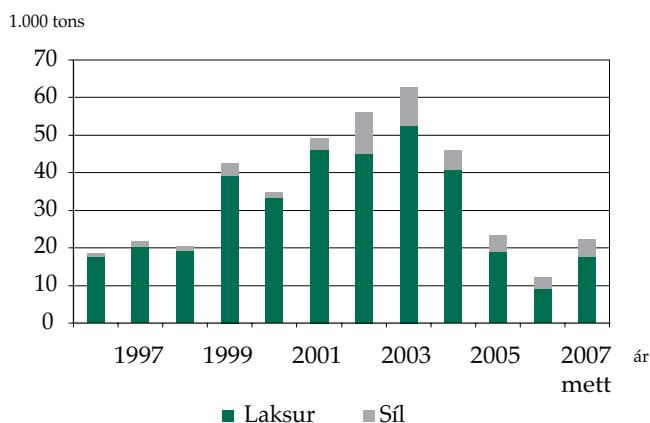


Laksaprísirnir hava verið góðir í 2005, uml. 25 kr. fyri kilo, og prísútlitini fram til 2007 eru góð. Tíverri eru bert fáir feroyskir alarar, sum í lötuni hava sölubæran alifisk. Norðmenn hava tó sett fleiri smolt á sjógv, og kann tað ávirka laksaprísir, um marknaðurin ikki veksur samsvarandi.

Áhugin at seta pening í alibrúk er eisini til staðar. Eitt nú hevur Føroya Sparikassi í desember 2005 selt virkseimið hjá Sørvágslaks, og áhugi er fyri at keypa partabrøv í øðrum alifeløgum, sum Føroya Sparikassi eigur í. Tað boðar frá, at álit er á, at alivinnan kemur fyri seg aftur.

Útflutningurin av laks og sílum, livandi vekt, var 61 túsund tons í 2003. Í 2004 var útflutningurin 44 túsund tons, og í 2005 var hann 22 túsund tons. Mett út frá tí, sum er í ringunum í lötuni, verða væntandi útflutt 12 túsund tons í 2006, og ætlaðu útsetingarnar benda á, at útflutningurin í 2007 verður um 22 túsund tons.

Tøka av alifiski (livandi vekt) 1996-2007



Vit kunnu sostatt staðfesta, at alivinnan, hvat útflutningi viðvíkur, helst fer á botn í 2006 og síðani upp aftur. Avgerandi fyri framtíðina hjá alivinnuni verður, hvørt ILA-sjúkan er bast. Hetta fáa vit eina ábending um til várs, tá ILA-sjúkan annars vanligar ger um seg.

Útlánini hjá Føroya Sparikassa til aling eru minkað munandi og eru í dag 252 milliónir krónur.

Hendingar í 2005 og frameftir

Á aðalfundinum tann 4. mars 2005 varð Marian Jacobsen, skrivstovukvinna, afturvald til nevndina.

Nevndin skipaði seg eins og í 2004 við Frithleifi Olsen sum formanni og Tórmundi Joensen sum næstformanni.

Á aðalfundinum tann 10. mars 2006 standa Finnbogi Niclasen, stjóri, og Mathea Hilduberg, söluráðgevi, fyri vali til nevndina.

Broytingar eru eisini hendar í leiðsluviðurskiftunum á deildum Sparikassans.

Sparikassin hevur sett á stovn deild í Klaksvík, sum skal røkja viðskiftafólk í Norðoyggjum. Eyðun Mørkøre, sum hevur verið útláns- og varaleiðari fyri Suðurstreymoyar øki, varð 1. november 2005 settur sum deildarleiðari fyri deildini í Klaksvík. Deildin lat upp í fyribilshølum tann 20. februar 2006, og har starvast í lötuni trý starvsfólk, íroknað deildarleiðaran. Í somu høllum fer húsameklara-felagið Inni at húsast. Sæunn Petersen, ið higartil hevur verið leiðari á deildini í Hornabø, varð 1. januar 2006 sett sum nýggjur varaleiðari fyri Suðurstreymoyar øki.

Elin Sigvardsen varð 1. juni 2005 sett sum leiðari av nýggjari deild við heitinum Deildartænastan. Elin Sigvardsen er upprunaliga útbúgvin í Føroya Sparikassa og starvaðist frá 1993 til 1998 sum fulltrúi á stjórnarskrivstovuni. Í 1998 fór hon til Danmarkar at arbeiða, fyrst hjá BG Bank og síðani hjá Gudme Raaschou/HSH Nordbank.

Deildartænastan byrjaði sítt virkseimi í september 2005 og tekur sær av tí skjalaarbeiði, sum í lötuni fer fram á rakstardeildum Sparikassans í sambandi við eitt nú láns-mál. Miðsavnanin av hesum partinum av málsviðgerðini er gjørd við tí endamáli at økja um dygdina og skjótaleikan av málsviðgerðini og at frígeva tíð til ráðgevarnar á rakstrardeildunum til at samskifta við kundarnar. Deildartænastan hevur eisini tikið yvir avgreiðsluna av uttanlands-flytingum frá Fíggjardeildini.

Umvæling og bygging av deildum v.m.

Sum nevnt lat Føroya Sparikassi nýggja deild upp í Klaksvík tann 20. februar 2006. Deildin húsast í fyrilshølum í Bøgøtu 12 í Klaksvík, men Sparikassin hevur keypt ognina Bøgøta 1 at byggja um til sparikassadeild. Farið verður undir umbyggingina í ár, og nýggja deildin verður væntandi klár at taka í nýtslu í 2007.

Í gott eitt ár hevur verið arbeitt við at byggja nýggja deild í Fuglafirði. Deildin verður væntandi klár at taka í nýtslu miðskeiðis í mars 2006. Arkitektar 99 hava teknað deildina, og Preben Hansen, verkfrøðingur, hevur projekterað hvs- og berandi konstruktiónir. Jan Mohr SP/F hevur havt høvuðsarbeiðstøkuna, og Jákup Jacobsen, byggifrøðingur hjá Sparikassanum, hevur havt projekt- og byggileiðsluna.

Bygningurin, ið er í einari hædd, er 250 m² til støddar og stendur sera væl fyri miðskeiðis í Fuglafirði. Á deildini fara at starvast um fyra starvsfólk.

Í Keypmannahavn hevur Sparikassagrunnurin keypt bygningin í Nørre Farimagsgade 15, har Eik Bank húsast. Bygningurin er eftirsíðan umbygdur nakað til tess at betra hølismstøðurnar hjá Eik Bank. Hetta arbeiði verður væntandi liðugt í mars 2006.

Sparikassin limur í ICEX

Sum tann fyrsti føroyski peningastovnurin fekk Føroya Sparikassi tann 9. juni 2005 limaskap í ICEX, íslenska virðisbrævamarknaðinum.

Í stuttum merkir hetta, at Føroya Sparikassi hevur beinleiðis atgongd til at handla við virðisbrøvum, t.d. partabrøvum og lánsbrøvum, bæði føroyskum og íslenskum, á ICEX-marknaðinum. Frammanundan hevur Sparikassin atgongd at handla á danska virðisbrævamarknaðinum umvegis dótturbankan, Eik Bank Danmark A/S, ið er limur á Københavns Fondsbørs.

Limaskapurin hjá Sparikassanum í ICEX fer at stuðla væl upp undir tann partin av føroyska marknaðinum, ið virkar á ICEX, og roknast kann við, at limaskapurin hjá Sparikassanum ber í sær, at virðisbrævahandilin í Føroyum økist.

LimaGreiðslan

Í juni 2005 byrjaði Sparikassin at veita eina nýggja tænastu, nevnd LimaGreiðslan, sum Sparikassin er einsamallur at bjóða fram í Føroyum. LimaGreiðslan er ein tænasta, sum lættir um hjá feløgum, ið krevja inn limagjald frá limum sínum. Tænastan er ætlað limafeløgum sum t.d. ítróttarfeløgum, áhugafeløgum og ognarfeløgum. Í LimaGreiðsluni eru m.a. yvirlit yvir limir, móguleiki fyri sjálvvirkandi innkrevjing av eitt nú limagjöldum og ein bókhaldsskipan.

Gjaldførslán

Føroya Sparikassi tók í september 2005 eitt lán upp á stívliga hálva milliard krónur hjá altjóða bankum. Lánið er tikið sum liður í, at vit hava stóran vøkstur, ikki minst í dótturbankanum Eik Bank.

Lánið varð útboðið sum eitt lán uppá 35 milliónir evrur, men áhugin var so mikið stórur hjá lánveitarunum, at lánið varð yvirteknað 100 prosent. Hetta vísir, at Sparikassin eisini á altjóða marknaðinum er eitt gott pappír. Út frá positivu gongdini í virkseminum varð tí avgjørt at hækka lánið til 70 milliónir evrur.

Tað eru týski Bayern LB og Danske Bank í London, ið hava fyriskipað lántøkuna, og teir eru samstundis høvuðslánveitarar. Talan er um eitt sonevnt syndikerað lán, har fleiri lánveitarar uttanlands ganga saman um at lána Sparikassanum pening.

Realkredittlán

Føroya Sparikassi kundi í seinnu helvt av november mánaði sum tann fyrsti og higartil einasti peningastovnurin bjóða sethúsaeigarum í Føroyum realkredittfígging. Realkredittlánini verða veitt í samstarvi við BRFkredit í Danmark. Við nýggju realkredittlánunum stendur Føroya Sparikassi sera sterkt í kappingini, tí umframt skiftandi rentu er nú móguleiki eisini at bjóða viðskiftafólkunum fasta rentu ella rentuloft í upp til 30 ár.

Samstundis sum Sparikassin kom við nýggju realkredittlánunum, førði kappingin til, at rentustøðið í Føroyum á gomlu 1. veðrættarlánunum við skiftandi rentu fall við 0,8%-stigum soleiðis, at rentustøðið í dag er lægri, enn

marknaðarrentan gevur høvi til, eins og støddin á 1. veðrættarlánunum er økt. Hesi viðurskifti hava sjálvandi minkað nakað um áhugan at leggja um til realkredittlán.

Men samanumtikið er realkredittfíggingin sera væl mót-tikin av viðskiftafólkunum. Óvanliga lága rentustøði á 1. veðrættarlánunum í Føroyum í lötuni má metast sum verandi fyribils, tí rentustøðið er helst á veg uppeftir í Evropa, og tað fer at sggjast aftur í føroyska rentustøðinum. Tað fer at økja um áhugan fyri realkredittfígging enn meira. Tí stendur Føroya Sparikassi sera sterkur í kappingini og kann í dag veita viðskiftafólkunum fjølbroyttastu møgu-leikarnar innan sethúsafígging.

Nýggj heimasíða

Tann 1. november 2005 fekk Sparikassin nýggja heimasíðu. Heimasíðan, www.sparikassin.fo, er ein av teimum sera væl vitjaðu heimasíðunum í landinum. Heimasíðan varð í januar 2006 kosin at vera "Heimasíðan henda mánaðin" („Månedens løsning") hjá dansku fyrítøkuni Dynamic Systems, ið er ein hin størsti framleiðarin av Content Management-skipanum í Danmark. Hetta er ein viðurkenning, sum vit fegnast um, tí meira enn 1.400 DynamicWeb-heimasíður eru at velja ímillum.

Sparikassagrunnurin selt sparikassapartabrøv

Um mánaðarskiftið november/desember 2005 bjóðaði Sparikassagrunnurin partaeigarum, starvsfólkum Sparikassans og øðrum at keypa partabrøv í Føroya Sparikassa. Grunnurin hevði áðrenn søluna uml. 94% av partapeninginum. Hesin partur er nú minkaður niður í uml. 87%. Grunnurin ynskir at minka um sín part av partapeninginum í Føroya Sparikassa, bæði fyri at aðrir partaeigarar skulu kunna fáa ein størri part, enn teir hava í lötuni, og tí grunnurin stílar móti, at Føroya Sparikassi skal kunna skrásetast á einum virðisbrævamarknaði. Til tess krevst, at minst 25% av partapeninginum er í umferð hjá minst 300 vanligum partaeigarum.

Onnur viðurskifti av týðningi fyri føroyska fíggingargeiran

Sáttmálasamráðingar

Í mai-juni vóru sáttmálasamráðingar millum Arbeidsgevarafelagið hjá Fíggingarstovnum í Føroyum, AFF, og fakfeløgini í fíggingargeiranum, herundir SFS, sum starvsfólkini í Føroya Sparikassa eru limir í. Semja varð gjørd 14. juni, sum hevði við sær, at lønirnar 1. mai 2005 hækkaðu við 1,00% og aftur hækka 0,85% 1. mai 2006. Harumframt fáa starvsfólkini 2 sáttmálafrídagur afturat.

VMF á ICEX

Tað hevur verið møguligt hjá føroyskum fyrítøkum at verða skrásettar á Virðisbrævamarknaði Føroya á ICEX, síðani samstarvsavtala varð gjørd við íslenska virðisbrævamarknaðin, ICEX. Í skipanini hjá ICEX er gjørd ein serstøk deild fyri føroysku fyrítøkurnar. Sum omanfyri nevnt er Føroya Sparikassi higartil einasti føroyski peningastovnurin, sum er limur í ICEX.

Tann 15. juni 2005 varð Atlantic Petroleum sum fyrsta føroyska fyrítøkan skrásett á VMF á ICEX. Væntandi fara fleiri fyrítøkur at fylgja eftir so við og við, tí ein skráseting ger tað smidligari fyri fyrítøkurnar at økja um virkseimið, við tað, at atgongdin til váðafúsan kapital gerst lættari. Tess fleiri fyrítøkur skráseta seg á VMF á ICEX, tess størri verður áhugin millum føroyingar at handla virðisbrøv. Yvirhøvur merkir Sparikassin vaksandi áhuga millum føroyingar at seta pengar í virðisbrøv.

Lóg um fíggingjarligt virkseimi

Tann 1. mars 2006 verður Lóg um fíggingjarligt virkseimi sett í verk í Føroyum. Talan er um eina felagslógávu fyri fíggingjarvirkseimi, sum avloysir banka- og sparikassalógina. Sparikassin tekur undir við, at lógin verður sett í verk í Føroyum, tí vit halda tað vera umráðandi, at føroyska lógávan samsvarar við lógarverkið, sum er galdandi í øllum ES. Harvið kunnu vit í okkara samskifti við útheimin vísa á, at vit liva upp til somu krøv, sum peningastovnaruttan fyri Føroyar.

Lóg um fíggingjarligt virkseimi, sum er galdandi í Danmark, er ein lógarkarmur, ið fevnir um øll sløg av fíggingjarligum

virkssemi, herundir eisini um tryggingarvirkssemi. Hetta hevur við sær, at í Danmark verða somu krøv sett til tryggingarfeløg sum til peningastovnar. Í Føroyum kann lógin um tryggingarvirkssemi tó ikki takast við í lógina um fíggarligt virkssemi, tí tryggingarvirkssemi er føroyskt lóg-gávuøki, meðan peningastovnsvirkssemi er danskt lóg-gávuøki. Vit fegnast um, at Landsstýrið hevur boðað frá, at føroyska lógin um tryggingarvirkssemi verður broytt, so hon verður í samsvar við ásetingarnar í lóg um fíggarligt virkssemi.

Tað er gleðiligt, at landsstýrismaðurin í vinnumálum í sínum uppriti frá desember 2005 til aðalorðaskifti um vinnupolitikk skjýtur upp at lata upp fyri kapping uttanífrá á lívstryggingarøkinum, tí verandi monopolstøða á lívs-tryggingarøkinum forðar fyri, at peningastovnarnir kunnu kappast á jøvnum føti við Føroya Lívstrygging um eitt nú pensjónsuppsparing. Nýggi íslandsáttmálin letur, tá hann kemur í gildi, upp fyri kapping frá íslenskum lívstryggingarfeløgum, men kapping eigur eisini at verða loyvd frá øðrum feløgum enn íslenskum, og tað er umráðandi, at hetta hendir samstundis, sum íslandsáttmálin fær virknað, so allir luttakarar á marknaðinum fáa somu móguleikar.

Bústaðarpakkin

Landsstýrið legði í juli mánaði fram nakrar bústaðarpolitiskar ætlanir undir heitinum Bústaðarpakkin. Hugsanirnar aftan fyri bústaðarpakkan eru sum so skilagóðar og virðiligar. Eitt nú at veita móguleikar fyri, at fólk við serligum tørvi kunnu útvega sær fígging til bústað. Men til tess nýtist ikki ein almennur stovnur, soleiðis sum lagt verður upp til. Í staðin ber til at veita stuðul beinleiðis til teir persónar, sum hava slíkan tørv. Hesir kunnu hareftir útvega sær fígging hjá peningastovnunum. Hvat uppskotinum um at veita fígging til bjálving og orkusparandi tiltøk viðvíkur, er spurningurin, um ikki tíðin er farin frá slíkum skipanum. Ikki minst, tí hetta stillar eigarar og leigarar ymiskt!

Viðvíkjandi ætlanunum um lutaíbúðarfeløg er tað eftir okkara hugsan umráðandi, at hesi feløg ikki fáa serligan stuðul – beinleiðis ella óbeinleiðis – sum ger, at prísurin á íbúðunum verður lægri, enn marknaðurin annars hevði ásett. Fyri tað fyrsta fer ein tílikur stuðul at virka púra tilvildarligt, og fyri

tað næsta kann hann væntast at hava við sær øktan eftirspurning eftir hesum íbúðum, sum aftur kann føra til ein “svartan marknað” við lutapørtunum í feløgnum. Tað verða vanliga bert fyrstakeypsbrúkararnir, sum fáa gleði av einum tílíkum stuðli, meðan tey, sum keypa frá hesum fyrstu, koma at rinda marknaðarprís so ella so!

Í bústaðarpakkanum var eisini uppskot um, at leiguinntøka skal skattast við 20% eins og partafeløg. Men her skal hugsast um, at inntøka í einum partafelag verður fyrst skattað við 20% í partafelagsskatti, og av eftirverandi 80% verður síðani goldið 35% í vinningsbýtisskatti við útgjaldi. Effektiv skatturin av eini inntøku í einum partafelagi er sostatt 48%. Vit eru samd í, at leiguinntøka hjá privatum eigur ikki at verða skattað sum persónlig inntøka. Talan er jú í roynd og veru um avkast av eini fløgu í eini hús ella íbúð, altso um eina kapitalinntøku. Sambært kapitalvinningskattalógini verða kapitalinntøkur skattaðar við 35%, og tað eigur eisini at vera galdandi fyri leiguinntøkur hjá privatum.

Rentustuðulin til sethús eigur eisini at broyast til 35%, so innlån og útlån verða javnsett, eins og rentustuðul eigur at verða latin til øll lán og ikki bert til sethúsálán.

Loksins er tað umráðandi, at allir aktørar á bústaðarmarknaðinum eru undirlagdir somu treytir. Sum er virkar eitt nú Húsálánsgrunnurin ikki undir marknaðartreytum, og tí er tað at fegnast um, at ætlanin ikki er, at Húsálánsgrunnurin frameftir skal fígga vanlig sethús.

Einskiljingar

Einskiljingartilgongdin er framvegis ikki komin nóg væl áleiðis. Tað er sera umráðandi fyri føroyska búskapin, at gongd kemur á einskiljingar. Tær fara at útloysa stórar skapandi kreftir og fara at bera í sær, at einskildu fyrirtøkurnar verða loystar úr tí haftinum tað er at hava ein „ikki-virknan“ eigara. Harumframt vilja vit aftur eins og í ársfrágreiðingini fyri 2004 gera vart við, at vit ikki taka undir við einskiljingarleistinum fyri Føroya Lívstrygging. Ætlanin at lata fakfeløgnum ella tess limum helvtina av partapeninginum í Føroya Lívstrygging kann mótvirka eina móguliga liberalisering á tryggingarøkinum, tí fakfeløgini verða tá bæði høvuðskundabólkur og høvuðs-

eigarar hjá sama lívstryggingarfelagi. Um feløgini vilja tað ella ikki, verður úrslitið ein monopolkendur trygging-armarknaður, ið ikki fær ment seg við kappingarførum prísnum og tænaðum, og tað rakar allar tryggingartakarar, eisini fakfelagslimirnar.

Útlit fyri 2006

Gongdin í roknskaparúrslitinum hjá Føroya Sparikassa hevur verið sera góð við tveimum methøgum roknskaparúrslitum í 2004 og 2005. Sermerkt fyri gongdina hevur tó verið, at nettorentuinntøkurnar í Føroyum eru falnar hesi seinastu tvey árin. Hetta stendst fyrst og fremst av

einum fallandi rentumarginali og einari lítlari búskaparligari afturgongd í føroyska samfelagnum.

Kappingin á føroyska figgjarmarknaðinum førði síðst í 2005 til enn eitt fall í rentustøðinum í Føroyum, hóast Tjóðbankin hækkaði rentuna tá. Væntandi verður rentumarginalurin í 2006 tí uppافتur lægri enn í 2005. Hóast hetta væntar Føroya Sparikassi, at úrslitið fyri samtakið í 2006 verður oman fyri 125 mió. kr. áðrenn skatt. Hetta grunda vit á ein væntaðan búskaparvøkstur í Føroyum (sí heimasíðu okkara www.sparikassin.fo um hetta), hægri inntøkur frá virðisbrøvum og hægri inntøkur frá okkara virksesemi uttanlands.

Highlights of the Annual Accounts

Fiscal year 2005, the 173rd year of Føroya Sparikassi, turned out to be the best year ever. The profit was DKK 164.2 million before taxes, compared to DKK 111.7 million in 2004. Return on equity was 18.8% before taxes. After taxes, the profit was DKK 126.6 million. Equity now is DKK 917.3 million.

The 2005 Annual Accounts is the first consolidated Group accounting, in which both the profit and loss account and the balance of Eik Bank Danmark A/S (Eik Bank) are included. As Eik Bank was purchased on 31 December 2004, only the balance sheet figures were included in the 2004 Annual Accounts for the Group. This means that the profit and loss account for the Group in 2005 is not fully comparable with the profit and loss account for 2004.

The Group's core operations income – which is the result before market value adjustments for securities, provisions, and taxes are deducted – increased from DKK 104.3 million in 2004 to DKK 120.9 million in 2005. The reason for the increase is Eik Bank, as Føroya Sparikassi experienced a decrease in core operations income in 2005, first and foremost due to stiffer competition, resulting in reduced interest margins and lower net interest income, in spite of an increase in loans in 2005. Eik Bank had a considerable increase in core operations in 2005 compared to 2004, due to an increase in net interest income stemming from more activity including a considerable increase in loans.

Market value adjustments of securities and currencies for the Group were DKK 46.2 million in 2005, compared to DKK 87.7 million in 2004. Market value adjustments for Eik Bank in 2005 were higher compared to 2004, while market value adjustments for Føroya Sparikassi were considerably lower in 2005 compared to 2004, mainly due to the sale of the shares in Kaupthing hf. in Iceland in 2004. The profit from market value adjustments in 2005 stems from profit on listed shares amounting to DKK 28.0 million, profit from currency adjustments of DKK 5.8 million and a gain on fixed interest loans, in particular mortgage deeds in Eik Bank amounting to DKK 15.1 million. On the

other hand, we suffered a small loss on bonds amounting to DKK 2.7 million in 2005.

Total expenses for employees, administration and other operating expenses were DKK 180.1 million in 2005 against DKK 123.2 million in 2004. The main part of this increase stems from the fact that Eik Bank is included in the 2005 figures but not in the 2004 figures. Converted to a full-time equivalent, there were 217 employees on average in the Group in 2005 compared to 205 in 2004. Of these 180 were employed in Føroya Sparikassi, 35 in Eik Bank and 2 in Inni.

Provision against loss and the write-off of debt decreased considerably in 2005. Net additional provisions for losses for 2005 were DKK 5.9 million against DKK 86.9 million in 2004. The large decrease mainly stems from the considerable write-offs in 2004, in particular caused by a troubled fish farming industry. Total accumulated provisions, the so-called Adjustment Account, at year-end 2005 amounted to 4.0% of total loans and guarantees and equaled DKK 287.4 million, compared to DKK 427.6 million at year-end 2004.

At the annual general meeting, the board of directors will recommend that dividend distribution be set at 5%, such that DKK 34.0 million shall be paid out as dividends to shareholders, while the remainder, DKK 92.6 million, shall be allocated to equity capital.

The balance sheet for the Group in 2004 is comparable to 2005, as Eik Bank is included in the figures for both years. The Group's balance sheet stood at DKK 8.621 billion at year-end 2005, compared to DKK 6.494 billion at year-end 2004, an increase of DKK 2.127 billion or 32.8%.

Loans at year-end 2005 were DKK 6.551 billion, compared to DKK 5.053 billion in 2004. Approximately two-thirds of the increase stem from Eik Bank, while approximately one-third stems from Føroya Sparikassi. Deposits were DKK 4.483 billion in 2005, compared to DKK 4.195 billion in 2004, an increase that, on the whole, stems from Føroya Sparikassi. The lending ratio, that is loans, including provisions for bad debts, in proportion to deposits, was 152.5%, compared to 130.6% in 2004.

Equity was DKK 917.3 million at year-end 2005, compared to 826.7 million at year-end 2004. The solvency ratio was 12.8% at year-end 2005, compared to 15.2% in 2004. The statutory minimum requirement is 8%.

Liquidity remains good. Liquidity is calculated as cash-in-hand, sight deposits in other banks, certificates of deposit in the Danish National Bank and equities. Liquidity was DKK 1,458.1 million at year-end 2005, compared to DKK 1,015.6 million in 2004. In relation to short-term liabilities due within one month, liquidity was 35.2% and in relation to all liabilities it was 18.0%. The corresponding figures for 2004 were 33.4% and 17.1%. The corresponding statutory minimum requirements are 15% and 10%.

There are no events of significance occurring after the end of the fiscal year that affect the profit and loss account or the balance sheet.

Føroya Sparikassi – a Bank in Progress

Much effort is expended in ensuring a constant progress in Føroya Sparikassi in order to maintain its competitiveness with other banks within and outside of the Faroes. The aim is to ensure a return on equity that is fully comparable to the return on equity of similar banks abroad.

We therefore consistently do our best to ensure that this progress is maintained. Part of the process has been improving the ability of our employees and to encourage innovative thinking, as well as offering the Faroese people new financial services, such as LimaGreiðslan and Realkredittlán.

Føroya Sparikassi was one of the pillars in the establishment of the Faroese Stock Exchange. The stock exchange can have a significant economic impact on the Faroes, if managed correctly, and when the economy prospers, the banks also prosper.

Føroya Sparikassi considers securities to be a strategically significant area in future. We have put much effort into

this sector for several years, and today we employ some of the most qualified staff in this field; therefore, we can offer the Faroese excellent advice on securities investing.

Activity in the securities sector has increased considerably. In 2005, Føroya Sparikassi became a member of ICEX which enables Føroya Sparikassi to trade Faroese and Icelandic securities directly on the market. Before that, Eik Bank was already a member of the Copenhagen Stock Exchange.

As of January 2006, Føroya Sparikassi became a shareholder in Garanti Invest A/S in Denmark, which offers so-called guaranteed products, i.e. securities that return at least the principal of the loan. The demand for such products has proven to be great.

Another expanding sector is real estate. Our estate agency, Inni has experienced considerable increased activity, and the intent is to focus on this area even more e.g. with branches in Klaksvík and Runavík.

Through Sparikassagrúnnurin (the Sparikassi Fund), investments have been made in the venture fund company Notio, the seed capital company Set and Bitland Enterprise.

Føroya Sparikassi has some year ago set the goal that a significant part of our income was to originate from activity outside the Faroes, in order to increase profit and spread our risk. The first step towards this goal was taken when Føroya Sparikassi made an investment in Kaupthing hf. in Iceland in 2000. The following year Føroya Sparikassi took part in establishing Kaupthing Bank Denmark, of which Føroya Sparikassi at year-end 2004 became the sole owner. It is now called Eik Bank Danmark A/S. Also in 2004, Føroya Sparikassi acquired shares in Spron in Reykjavík. Spron is the largest savings bank in Iceland. Later, we increased our share, so that as of January 2006 we own approximately 10%. In addition, Føroya Sparikassi holds 42.5% of DSK A/S, which invests in local Danish banks.

In 2005, approximately one-third of the income of Føroya

Sparikassi originated from activity outside the Faroes and loans are distributed geographically and over various industries, as explained below.

As stated earlier, these systematic actions have been taken in order to increase the profit of Føroya Sparikassi, to spread our risk and to increase the competitiveness of Føroya Sparikassi even more both domestically and internationally.

Recognition of our efforts manifested at Leaders Day 2006, the annual gathering of business and community leaders, when Marnar Jacobsen, Chief Managing Director of Føroya Sparikassi, was elected Leader of the Year. This is an indication that Føroya Sparikassi also is considered an innovative company by the public. The development process that Føroya Sparikassi has followed over the last years has proven to be a success on many levels.

Developments in Loans

The loans of Føroya Sparikassi have increased considerably during recent years. Confer the table below, which covers net loans and guarantees. Net loans reflects loans after deduction of potential provision against loss.

Net loans including guarantees for the Group, at year-end 2000-2005

(in DKK million and annual growth-%)

2000	2001	2002	2003	2004	2005
3,106	3,675	4,084	3,999	5,329	6,945
5.2%	18.3%	11.1%	-2.1%	33.3%	30.3%

From year-end 2000 to 2005, the net loans, including guarantees, have increased by 123.7%.

In 2000, the increase was 5.2%, but after that there was a considerable increase in 2001 and 2002, when the increase in loans was DKK 400 - 500 million a year. The increase occurred in virtually all industries and also in the private sector. The largest increase, however, was in the fish farming industry, which in 2002 constituted more than one-

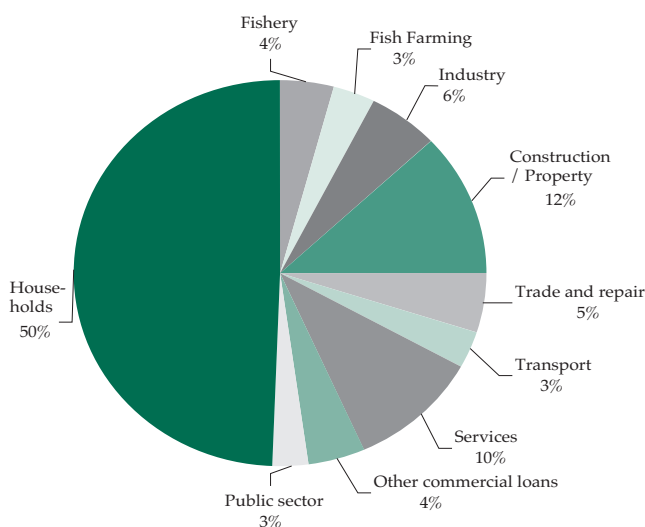
third of total commercial loans. During 2003 and 2004, however, net loans for this business sector decreased considerably, because it was necessary to set aside significant provision against possible losses in the fish farming industry. At the same time, loans overall to the farming industry have declined, due to decreased activity. Thus, the decrease in total loans stems from the considerable provisions taken against losses in the fish farming industry. As explained below, there would appear to be progress ahead in the fish farming industry after a period of almost complete standstill.

In 2004 and 2005, growth has been considerable. In 2004 it was due to the inclusion of Eik Bank in the Group at year-end 2004. In 2005 approximately two-thirds of the increase stem from Eik Bank, while approximately one-third stems from Føroya Sparikassi.

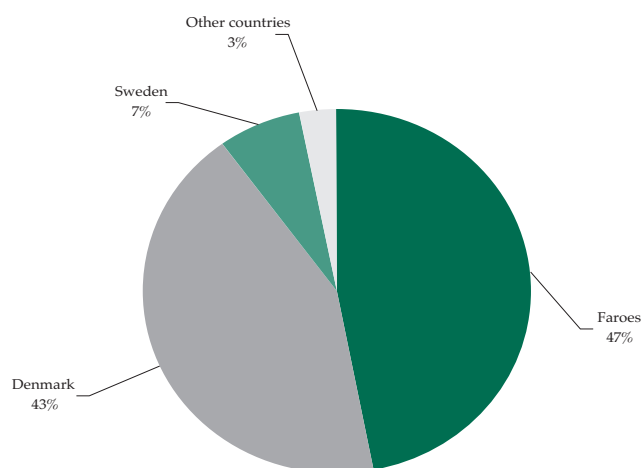
Risk Diversification

The composition of loans and guarantees has changed substantially due to Eik Bank joining the Group. Distribution over industry sectors has become more balanced and the loans also are distributed over more countries. The distribution below is based on the purpose of the loan. Therefore it is not comparable with the distribution in note number 11 in these accounts, which is based on the main activity of the lender.

Total loans, year-end 2005 by sectors and industries



Commercial loans, year-end 2005 by country



The greater diversification implies a far better spreading of loan risk for the Group. This does not mean, of course, that the loans bear no risk at all, but we have obtained a more balanced risk profile.

Credit Policy

The business direction described above is consistent with the credit policy of the Group, in which one cornerstone is risk diversification in both sectors, industries and countries.

The majority of private loans are provided to Faroese households, and in most cases the loans are mortgages on real estate. In each case, we estimate the risk to the lender, who has to meet certain requirements, such as a sufficient margin. If the loan has a variable interest rate, we take into account that the lender has to be able to pay instalments should the interest rise. We therefore consider these loans comparatively secure.

Regarding commercial credit, loans to the fish farming industry bore the most risk until the fish farming crisis occurred in 2003. Since then, loans to this industry have decreased significantly, and Føroya Sparikassi today holds a comparatively minor risk in the fish farming industry. In total, the fish farming industry and the fishery sector constitute only 7% of the total loans and guarantees of the Group.

On the other hand, loans for the purchase of real estate and property management have increased significantly. In large measure, this increase stems from the financing by Eik Bank of a variety of real estate transactions.

Loans provided by Eik Bank may be categorized as property investment financing, property development project financing, investment credits and private mortgage deeds, acquired with the intent of resale.

When providing property investment financing, emphasis is placed on assuring that the property has good rental income and good tenants, usually with long-term lease arrangements.

The financing of property development, for the most part residential construction, is preceded by a thorough examination in order to reduce the risk involved with the project. It is important that the project period is short in order to avoid risk should the price level of owner-occupied residences not be as favourable in the future as it has been to date.

When the bank purchases mortgage deeds for residential or commercial properties, a thorough inspection and analysis of the property is done to ensure that the mortgage deeds are negotiable.

On the whole, the income of the Føroya Sparikassi Group is more diverse and the risk we hold is more effectively diversified in industries and countries than it was a few years ago.

Fish Farming – an Industry in Change

The situation of the fish farming industry has changed drastically during the past few years.

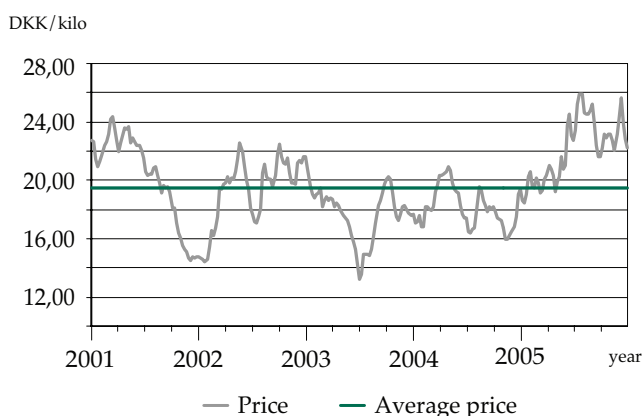
The legislative framework for the industry has improved considerably after the crisis in the sector, reducing the risk of spreading diseases as much as possible. The regulations regarding transport of equipment, the exchange of fish between fish farms, set-aside schemes and release of

smolt, etc. are very strict. The fish farmers have become more focused on the quality of the smolt; this has proved to be of major importance for the outcome after the fish has been released. The method by which this goal is reached is to release bigger smolt as well as better quality control of the environment surrounding the smolt.

The number of fish farmers has decreased considerably and when necessary the fish farms have been reorganized. In some fish farms, the owners have been replaced, while other farms have survived the crisis. At present, there are 6 - 7 active fish farms and most of them have obtained multiple locations to conduct fish farming, which is essential to maintain a steady production in spite of the set-aside scheme regulations, etc.

All salmon smolt that have been released during 2005 have been vaccinated against infections salmon anaemia (ISA), and the mortality rate in connection with the vaccination process has been insignificant. It is of crucial importance to determine, however, whether or not vaccination will prevent new outbreaks of ISA this spring. Only when we approach the coming summer, will we have a better idea of whether or not vaccination is effective.

Salmon prices, per week from 2001 to 2005



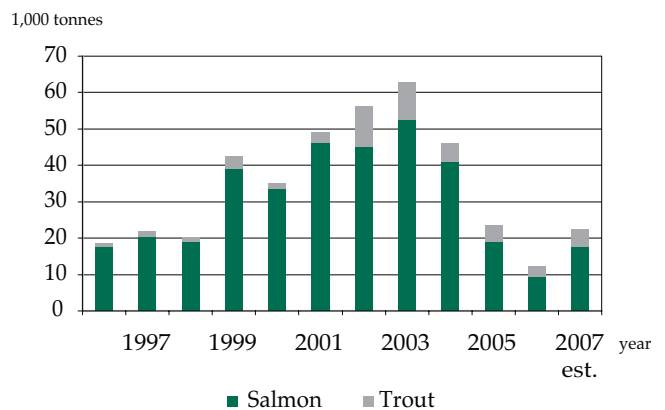
Salmon prices have been favourable in 2005, approximately DKK 25 per kilo, and the prospects to 2007 are bright. Unfortunately, only a few Faroese fish farmers, for the time being, have fish ready for the market. Norwegians

have released more smolt, though, and this might affect the price if the market does not increase proportionally.

The interest to invest in fish farms seems to be present. Føroya Sparikassi, for instance, in December 2005 sold the activity of Sørvágslaks. There is a certain interest in buying shares in other fish farms that are partially owned by Føroya Sparikassi. This is an indication that there is a certain confidence that the fish farming industry will recover.

The export of salmon and trout in live weight was 61,000 tonnes in 2003. In 2004, it was 44,000 tonnes and in 2005, 22,000 tonnes. Judging from the current number in the rings, we estimate that the export will amount to 12,000 tonnes in 2006. The planned releases indicate that the export will be around 22,000 tonnes in 2007.

Production of farmed fish 1996-2007 (live weight)



We may, therefore, establish that the fish farming industry, regarding export, presumably is at its lowest point and will be making its way up again. Crucial for the prospects of the fish farming industry will be whether or not ISA can be controlled. We will have an indication this spring, because ISA usually evolves during the spring season.

The total fish farming loans in Føroya Sparikassi have decreased considerably. They are at present DKK 252 million.

Events in 2005 and Beyond

At the Annual General Meeting on 4 March 2005, Marian Jacobsen, clerical worker, was re-elected to the Board of Directors.

The Board re-elected Frithleif Olsen as chairman and Tórmund A. Joensen deputy chairman.

At the Annual General Meeting on 10 March 2006, Finnbogi Niclasen, director, and Mathea Hilduberg, sales consultant, will be up for re-election.

There have been other management changes in the departments of Føroya Sparikassi.

Føroya Sparikassi has established a new branch in Klaksvík that will service customers in the Northern Islands. On 1 November 2005, Eyðun Mørkøre, who formerly was manager of the loans department and deputy branch manager for the Southern Streymoy area, was appointed manager of the Klaksvík branch. The branch opened in temporary premises on 20 February 2006. For the time being, the branch employs 3 staff including the branch manager. Our estate agency Inni opens offices at the same address. Sæunn Petersen, who until now has been manager in the Hornabø branch, on 1 January 2006 was appointed new deputy branch manager for the Southern Streymoy area.

On 1 June 2005, Elin Sigvardsen was appointed manager of a new department called Branch Services. Elin Sigvardsen originally was trained in Føroya Sparikassi and from 1993 to 1998 worked as a principal in the Executive Offices. In 1998, she moved to Denmark and worked first at BG Bank, and subsequently at Gudme Raaschou/HSH Nordbank.

The new department commenced its activity in September 2005 and the main task is the processing of documents in connection with loans, which currently is done in the different branches. This administrative centralization aims to achieve enhanced quality processing and faster turn around of applications so that customer advisors will gain

more time to dedicate to customer relations. Branch Services also has taken over international transfers previously managed by the Financial Department.

Renovation and Construction of Branches, etc.

As mentioned earlier, Føroya Sparikassi opened a new branch in Klaksvík on 20 February 2006. The branch is temporarily located at Bøgøta 12 in Klaksvík, but Føroya Sparikassi has purchased the premises at Bøgøta 1 that will be renovated into the new Klaksvík branch. The rebuilding will commence this year and we expect that the new facilities will be ready for use in 2007.

The building of a new branch in Fuglafjørður has been going on for a little over a year. We expect that the facilities will be ready for use in mid-March 2006. The architect firm, Arkitektar 99, has designed the building. Preben Hansen, civil engineer, has planned heating and sanitation and the load-bearing construction. Jan Mohr sp/f is the general contractor and Jákup Jacobsen, Building Technician for Føroya Sparikassi, is the project manager.

The building, which is a one-storey building, is 250 sq. m. and is well placed in the centre of Fuglafjørður. The branch will employ approximately four people.

The Sparikassi Fund has bought the premises in Nørre Farimagsgade 15, in Copenhagen, where Eik Bank is located. In order to improve the working conditions, renovation was undertaken and is to be finished in March 2006.

Føroya Sparikassi – Member of ICEX

Føroya Sparikassi on 9 June 2005 became the first Faroese bank to become a member of ICEX, the Icelandic Stock Exchange.

In short, this means that Føroya Sparikassi may directly trade in both Faroese and Icelandic securities, e.g. shares and bonds on ICEX. Prior to this, Føroya Sparikassi had indirect access to trading on the Danish securities market through our subsidiary, Eik Bank, which is a member of the Copenhagen Stock Exchange.

The membership of Føroya Sparikassi of ICEX will assist

that part of the Faroese market that trades on ICEX. We anticipate an increase in securities trading in the Faroes as a result of our ICEX membership.

LimaGreiðslan

In June 2005, Føroya Sparikassi launched a new service, LimaGreiðslan, a service that is offered exclusively by Føroya Sparikassi in the Faroes. LimaGreiðslan is excellent at servicing organizations that have membership dues. This service is aimed towards member-based organizations, such as sporting clubs, interest groups and property or condominium communities. In LimaGreiðslan, you can obtain a membership list, automatic collection of membership fees, as well as a useful accounting system.

Liquidity Loan

In September 2005, Føroya Sparikassi assumed a loan for over a half billion DKK from international banks. The loan is in line with our development strategy and based on our considerable growth, especially by our subsidiary, Eik Bank.

The loan originally was intended to be for only €35 million. However, the interest among underwriters was so strong that the loan instrument was 100% oversubscribed. This indicates that Føroya Sparikassi is considered a solid investment internationally. Given the positive direction of our operations, it was decided to raise the limit to €70 million.

Bayern LB of Germany and Danske Bank in London are the two major lenders and have been in charge of settling the agreement. This is a so-called syndicated loan, where multiple lenders have agreed to provide Føroya Sparikassi with this loan.

„Realkredittlán“ Loan Instruments

In the latter half of November, Føroya Sparikassi became the first and only bank in the Faroes to offer homeowners special loan instruments known as „realkredittlán“ (generally special mortgages traded on the bond market). These loans are provided in co-operation with BRFKredit in Denmark. These new loans enable Føroya Sparikassi to be quite competitive, because in addition to variable interest

rate loans, we are now able to offer loan with fixed interest rate or interest rate ceiling of up to 30 years.

At the same time that these new types of loans were introduced by Føroya Sparikassi, the general competition resulted in a lower interest rate for regular first mortgage loans. The interest on regular mortgage loans fell by 0.8%-points, such that the interest on these loans now is lower than the market would warrant and first mortgages have increased as well. These conditions naturally have lessened the interest to convert to the new realkredittlán.

Nevertheless, the realkredittlán were well received by our customers. The present low interest rate on first mortgage loans in the Faroes is most likely temporary, because the interest rate in Europe is on its way upward, and this will affect the Faroese interest rate. This will contribute to making the realkredittlán more interesting. Føroya Sparikassi therefore is quite competitive and can offer our customers a broader range of loans.

New Homepage

On 1 November 2005 Føroya Sparikassi launched a new homepage. The homepage, www.sparikassin.fo, is one of the most visited homepages in the Faroes. In January 2006, our homepage was selected as "The Homepage of the Month" by the Danish company, Dynamic Systems, which is one of the largest producers of content management systems in Denmark. Føroya Sparikassi is very pleased with this recognition, as there are over 1,400 homepages based on the Dynamic Web solution to choose from.

The Sparikassi Fund Sells Shares

At the turn of November/December 2005, the Sparikassi Fund offered shareholders, employees in Føroya Sparikassi and others to buy shares in Føroya Sparikassi. Prior to the sale, the Fund held 94% of the share capital. Now its share is approximately 87%. The Fund wants to reduce its holdings to enable other shareholders to own a larger portion than they currently may hold. Further, the objective is to list Føroya Sparikassi on a stock exchange, which requires that at least 25% of the share capital be held by at least 300 shareholders.

Other Matters of Importance to the Faroese Financial Sector

Wage Negotiations

In May-June wage negotiations took place between the employers association in the financial sector, AFF, and the union representing the employees in Føroya Sparikassi, SFS. An agreement was reached on 14 June, which entails an increase in wages of 1.00% by 1 May 2005 and 0.85% by 1 May 2006. In addition, the employees will be entitled to two more holidays annually.

VMF on ICEX

Faroese companies could be listed on the Faroese stock exchange, VMF, ever since a collaborative agreement was signed with the Icelandic Stock Exchange, ICEX. A special section has been reserved for Faroese companies in the ICEX system. As mentioned above, as of now Føroya Sparikassi is the only Faroese bank that is a member of ICEX.

On 15 June 2005, Atlantic Petroleum was the first Faroese company to be listed on the VMF on ICEX. It is anticipated that more and more companies gradually will follow, as listing enhances expansion potential, because access to risk capital is made easier. The greater the number of listed companies on VMF on ICEX, the greater the interest will be among the Faroese to engage in securities trading. On the whole, Sparikassin is experiencing a growing interest among the Faroese to invest in securities.

Financial Activities Act

On 1 March 2006, the Parliamentary Act on Financial Activities enters into force in the Faroes. The legislation governs financial activities and supersedes the Act on Banks and Savings Banks. Føroya Sparikassi is in favour of putting the act into force in the Faroes, because we believe it is important that Faroese legislation is in accordance with the legislation in the EU. Hence, whenever we engage in international contacts, we can demonstrate that we meet the same international standards.

The Financial Activities Act in force in Denmark is a legislative framework governing the financial services in-

dustry, including insurance operations. Thus, insurance companies in Denmark have to meet the same requirements as banks. Because of the Faroese Home Rule Act, however, the section of the legislation concerning the insurance industry cannot be incorporated into the Faroese version of the Financial Activities Act. Currently, insurance is a matter controlled and administered directly by the Faroese government. The banking industry, however, is governed by Danish legislation and monitored by Danish governmental agencies. We are satisfied that the Home Government has announced that it will amend current legislation governing the insurance industry to make it consistent with the provisions of the new Financial Activities Act.

It is gratifying to note that the Minister of Trade and Industry in his December 2005 memorandum to the general debate in parliament on industrial policy proposes to open up the life insurance market for competition from abroad. The present monopoly situation prevents competition on an equal footing between the banks and the Faroese Life Assurance Company about, e.g., pension savings. The new free trade agreement with Iceland, when in it enters into force, opens up the Faroese insurance market to competition from Icelandic life insurance companies. Competition should also be permitted from other companies as well rather than just Icelandic companies. It is important that these revisions occur at the same time as the free trade agreement with Iceland comes into force to ensure that all participants in the market have equal opportunities.

The Housing Package

In July 2005, the government presented its housing policy plans, also called the Housing Package. The basic considerations outlined in the package are sensible and worthy, such as the provision of financial assistance for individuals with special needs so that they might acquire a place to live. It is, however, not necessary to establish a public institution as suggested. Instead it would be preferable to provide financial aid directly to people with such needs, so that they themselves subsequently could obtain normal financing via their personal bank. As to the proposal to provide financial assistance for insulation and energy meas-

ures, it could be argued that such schemes are outdated. Especially because it tends to discriminate between owners and tenants.

Regarding the proposal governing co-operative condominiums, it is our considered opinion that it is extremely important that such co-operatives do not receive financial assistance, neither directly nor indirectly, that results in the price for the individual unit being lower than the market would warrant. Such assistance would be completely arbitrary. Moreover, it would result in an increased demand for these dwellings, and perhaps even in time a black market for shares in these co-operatives. Only the first buyer of a co-operative unit would gain from any financial assistance, while those who buy from the first owner would pay the market price one way or another.

The Housing Package also has a proposal to tax rental income at 20%, which is the same as the corporate tax. One should note, however, that first a 20% tax is levied on net corporate income then the remaining profit paid out as dividends is taxed at 35%. Hence, net corporate income is effectively taxed at a rate of 48%. We agree that rental income should not be taxed as personal income. We are, in fact, dealing with an investment in a house or dwelling, in other words with capital gains income. The capital gains tax is 35%, which should also apply to net rental income.

Presently there is a housing interest rate subsidy of 40% and a tax on interest on deposits of 35%. The housing interest rate subsidy should also be set at 35%, so that loans and deposits will be equal. Likewise, the interest rate subsidy should be granted for all loans, not only housing loans.

Finally, it is important that all participants in the housing market operate under the same parameters. Presently, the Housing Loan Fund does not function according to market conditions. Therefore, we welcome the decision that the Housing Loan Fund will not be permitted to offer regular home loan financing.

Privatization

The Faroese government some time ago put forward plans to privatize several public enterprises. In our view, how-

ever, the privatization process has still not proceeded satisfactorily. It is extremely important for the Faroese economy that the privatization process continue. Privatization will release great creative powers and will have the effect that the privatized companies will be freed of the limitations of having a "non-active" owner. As we stated in our 2004 Annual Report, we want to again emphasize that we do not support the way the Faroese Life Assurance Company is being privatized. The plan to give the trade unions or their members one-half of the share capital in the Faroese Life Assurance Company will counteract the liberalization of the insurance industry. Under this plan, the unions will be then both the main market and the principal owner in the same life insurance company. Whether the trade unions want it or not, the result will be a monopoly-like insurance market that is unable to develop competitive prices or services. This will impact all policyholders, including the members of the unions.

Outlook for 2006

Føroya Sparikassi has experienced two record-breaking profitable years in 2004 and 2005. This trend is characterized, however, by decreasing net interest income in the Faroes over the past two years. First and foremost, this feature is a result of a decreasing interest margin and a slight decline in the Faroese economy.

The competition in the Faroese financial market in late 2005 caused a fall in the interest rate level in the Faroes, even though the Danish National Bank increased its interest rate in late 2005. We anticipate that the interest margin differential in 2006 will be even lower than in 2005. Despite this fact, we at Føroya Sparikassi expect the profit for the Group in 2006 to be more than DKK 125 million before taxes. We base this on an anticipated improvement in the Faroese economy (see our homepage www.sparikassin.fo for further discussion on this subject), higher profits from securities trading and higher income from our activities abroad.



Roknskapartøl 2005

Annual Accounts

RAKSTRARROKNSKAPUR / PROFIT AND LOSS ACCOUNT

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
285.791	267.207	3 Rentuinntøkur v. m. / <i>Interest income, etc.</i>	340.533	267.208
95.233	68.384	4 Rentuútreiðslur v. m. / <i>Interest expense, etc.</i>	108.239	68.385
190.558	198.823	Rentuinntøkur netto / <i>Net interest income</i>	232.294	198.823
		5 Vinningsbýti av partabrøvum v. m. og øðrum kapitalpørtum / <i>Dividends from shares, etc., and other holdings</i>	5.318	2.353
2.401	2.353			
27.233	22.614	Ómaksgjöld og provisiósinntøkur v. m. / <i>Fee and commission income, etc.</i>	61.028	22.614
206	828	Útreiðslur til ómaksgjöld og provisiónir / <i>Fee and commission expense</i>	882	828
219.986	222.962	Rentu- og ómaksgjöld netto / <i>Net interest and fee income</i>	297.758	222.962
		6 Virðisjavnan av virðisbrøvum og útlenskum gjaldoyra v. m. / <i>Market value adjustments of securities, etc. and foreign exchange income</i>	46.221	87.666
24.925	87.666			
10.871	11.131	Aðrar vanligar inntøkur / <i>Other operating income</i>	13.022	12.870
255.782	321.759	Úrslit av figgjarpostum / <i>Profit on financial items</i>	357.001	323.498
130.503	122.037	7 Útreiðslur til starvsfólk og umsiting / <i>Staff costs and administrative expenses</i>	180.086	123.185
12.733	8.614	16 Av- og niðurskrivingar av ótøkiligum og tøkiligum ognum / <i>Depreciation and write-down of intangible and tangible assets</i>	15.249	8.677
306	1.438	Aðrar rakstrarútreiðslur / <i>Other operating expenses</i>	361	1.475
-777	86.869	Avskrivningar og burturleggingar av skuldarum (netto) / <i>Net depreciation and provisions for loss on bad debts</i>	5.925	86.869
39.795	8.797	8 Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrirkæmum / <i>Income from associated and subsidiary undertakings</i>	8.833	8.429
152.812	111.598	Úrslit av vanligum rakstri / <i>Profit on ordinary operations</i>	164.213	111.721
26.203	4.397	9 Skattur / <i>Taxes</i>	37.604	4.520
126.609	107.201	Ársúrslit / <i>Net profit for the year</i>	126.609	107.201
		Býtið av ágóða / <i>Allocation of profits</i>		
126.609	107.201	Ársúrslit / <i>Net profit for the year</i>		
0	0	Flutt frá yvirkursi við partabrævasølu / <i>Brought forward from share premium account</i>		
0	0	Flutt frá seinasta ár / <i>Brought forward from last year</i>		
126.609	107.201	Tøkur peningur tilsamans / <i>Total amount available for allocation</i>		
33.966	33.966	Nýtt til vinningsbýti / <i>Dividends on shares</i>		
39.741	6.540	Burturlagt til aðrar grunnar / <i>Amount allocated to other reserves</i>		
52.902	66.695	At flyta til næsta ár / <i>Carried forward to next year</i>		
126.609	107.201	Nýtsla av tøkum peningi / <i>Total allocation of the amount available</i>		

FÍGGJARSTØÐA VIÐ ÁRSLOK / BALANCE SHEET AT THE END OF THE YEAR

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
Ogn / Assets				
43.783	50.961	Kassapeningur og áogn uttan uppsøgn hjá tjóðbankum v. m. / <i>Cash-in-hand and demand deposits with central banks, etc.</i>	43.783	50.970
1.874.098	236.742	10 Áogn í lánistovnum v. m. / <i>Claims on credit institutions, etc.</i>	422.896	326.475
4.434.180	3.911.711	11 Útlán / <i>Loans and advances</i>	6.550.896	5.052.785
901.171	571.916	12, 13 Lánsbrøv v. m. / <i>Bonds, etc.</i>	976.816	586.933
187.438	76.577	14, 15 Partabøv v. m. / <i>Shares, etc.</i>	212.771	98.712
32.861	3.483	15 Kapitalpartar í assosieraðum fyrítøkum / <i>Holdings in associated undertakings</i>	32.861	3.483
194.447	137.500	15 Kapitalpartar í tilknýttum fyrítøkum / <i>Holdings in subsidiary undertakings</i>	9.642	6.698
33.282	33.302	16 Ótøkiligar ognir / <i>Intangible assets</i>	34.656	36.257
123.191	119.680	16 Ítøkiligar ognir / <i>Tangible assets</i>	125.666	121.264
95	150	Egin partabøv / <i>Own shares</i>	95	150
93.955	112.181	Onnur ogn / <i>Other assets</i>	204.516	203.645
5.135	4.639	Tíðarskeiðsavmarkingar / <i>Prepayments</i>	6.432	6.193
7.923.636	5.258.842	Ogn tilsamans / Total assets	8.621.030	6.493.565
Skuld / Liabilities				
2.750.943	441.626	17 Skuld til lánistovnar og tjóðbankar / <i>Debt to credit institutions and central banks</i>	2.994.175	1.276.585
4.146.233	3.889.778	18 Innlán / <i>Deposits</i>	4.483.030	4.195.076
102.526	95.967	Onnur skuld / <i>Other liabilities</i>	219.811	175.423
0	0	Tíðarskeiðsavmarkingar / <i>Prepayments</i>	80	10
6.604	4.771	19 Avsetingar til skyldur / <i>Provisions for liabilities and charges</i>	6.604	4.771
0	0	Eftirstillað kapitalinnskot / <i>Subordinated debt</i>	0	15.000
Eginpeningur / Equity				
679.311	679.311	1, 2 Partapeningur / <i>Share capital</i>	679.311	679.311
1.103	1.156	Ábyrgdarfæ / <i>Guarantee capital</i>	1.103	1.156
72.951	72.951	Yvirkursur við partabrævaútgávu / <i>Share premium account</i>	72.951	72.951
95	150	Grunnur fyri egin partabøv / <i>Reserves for own shares</i>	95	150
44.273	6.437	Aðrir grunnar / <i>Other reserves</i>	15.164	0
66.695	0	Flutt frá undanfarnum árum / <i>Brought forward from prior years</i>	73.132	0
52.902	66.695	At flyta frá ársins úrsliti / <i>Carried forward from profit for the year</i>	75.574	73.132
917.330	826.700	Eginpeningur tilsamans / Total equity	917.330	826.700
7.923.636	5.258.842	Skuld tilsamans / Total liabilities	8.621.030	6.493.565
Tøl, ið ikki eru tikin við í javna / Off-balance-sheet items				
318.195	228.439	20 Ábyrgdir v. m. tilsamans / <i>Total guarantees, etc.</i>	394.193	276.665
0	0	Aðrar skyldur / <i>Other commitments</i>	2.227	1.200
318.195	228.439	Tøl, ið ikki eru tikin við í javna tilsamans / Total off-balance-sheet items	396.420	277.865

GJALDFØRISBROYTING / CASH FLOW STATEMENT

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
		Peningatilgongd / Inflow of capital:		
		Rakstur / Operating profit:		
126.609	107.201	Ársúrslit / Net profit for the year	126.609	107.201
-89.909	-36.395	Javning av ikki kontantum rakstrartølum / Adjustment for non-cash items from operations	-71.477	-33.681
36.700	70.806	Peningatilgongd frá rakstrinum / Inflow of capital from operations profit	55.132	73.520
-2.013	-132	Peningatilgongd til eginognina / Inflow to equity	-2.013	-132
		Onnur tilgongd / Other funds:		
		Minking av kassapeningi og áogn í tjóðbankum / Decrease in ash in hand and demand deposits with central banks, etc.	7.187	21.584
7.178	21.593	Minking av áogn í lánistovnum v.m. / Decrease on claims on credit institutions, etc.	0	0
0	59.882	Minking í kapitalpørtum / Decrease of holdings in undertakings	0	27.642
0	0	Vøkstur í skuld til lánistovnar / Increase on debt to credit institutions, etc.	1.717.590	697.520
2.309.317	0	Minking í lánsbrøvum og partabrøvum / Decrease of bonds and shares, etc.	0	52.607
0	90.762	Vøkstur í innláni / Increase of deposits	287.954	408.884
256.455	103.586	Broytingar av aðrari skuld og burturleggingar til útreiðslur / Changes in other liabilities and charges	31.291	119.288
8.392	24.821	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	0	0
17.785	10.234	Onnur tilgongd tilsamans / Total other funds	2.044.022	1.327.525
2.599.127	310.878			
2.633.814	381.552	Peningatilgongd tilsamans / Total inflow of capital	2.097.141	1.400.913
		Peninganýtsla / Outflow of capital :		
1.632.582	0	Øking av áogn í lánistovnum v.m. / Increase on claims on credit institutions, etc.	90.648	21.926
520.943	110.578	Útlánsvøkstur / Increase of loans and advances	1.502.896	1.261.224
0	137.439	Minking av skuld til lánistovnar v.m. / Decrease on debts to credit institutions, etc.	0	0
419.965	0	Øking í lánsbrøvum og partabrøvum / Increase of bonds and shares, etc.	463.494	0
44.989	103.161	Øking í kapitalpørtum / Increase of holdings in undertakings	21.949	0
15.335	30.374	Øking av ó- og ítøkiligum ognum / Increase of in- and tangible assets	17.099	34.977
0	0	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	1.055	82.786
2.633.814	381.552	Peninganýtsla tilsamans / Total outflow of capital	2.097.141	1.400.913
		Javning av ikki kontantum rakstrartølum / Adjustment for non-cash items from operations:		
11.844	8.177	Av- og niðurskrivingar / Depreciation and write-down	14.298	8.241
-1.526	85.857	Burturleggingar av skuldarum / Provisions for loss on bad debts	4.785	95.429
-20.151	-85.873	Virðisjavningar av virðisbrøvum / Marked value adjustments of securities	-40.448	-84.870
-4.774	-1.793	Virðisjavningar av gjaldoyra / Marked value adjustments of currency	-5.773	-9.718
-41.336	-8.797	Virðisjavningar av kapitalpørtum / Adjustments from undertakings	-10.373	-8.797
-33.966	-33.966	Vinningsbýti / Dividends on shares	-33.966	-33.966
-89.909	-36.395	Tilsamans / Total	-71.477	-33.681

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
	1	Eginpeningur / Equity		
		Kapitalflytingar / Changes in capital		
1.156	1.288	Ábyrgdarfæ við ársbyrjan / <i>Guarantee capital, beginning</i>		
0	0	Tilgongd / <i>Additions</i>		
53	132	Frágongd / <i>Disposals</i>		
1.103	1.156	Ábyrgdarfæ við ársenda / <i>Guarantee capital, end</i>		
679.311	679.311	Partapeningur við ársbyrjan / <i>Share capital, beginning</i>		
0	0	Tilgongd / <i>Additions</i>		
0	0	Frágongd / <i>Disposals</i>		
679.311	679.311	Partapeningur við ársenda / <i>Share capital, end</i>		
		Yvirkursur við partabrævaútgávu við ársbyrjan / <i>Share premium account, beginning</i>		
72.951	72.951	Onnur tilgongd / <i>Other additions</i>		
0	0	Onnur frágongd / <i>Other disposals</i>		
72.951	72.951	Yvirkursur við partabrævaútgávu við ársenda / <i>Share premium account, end</i>		
150	46	Grunnur fyri egin partabrøv við ársbyrjan / <i>Reserves for own shares, beginning</i>		
0	104	Onnur tilgongd / <i>Other additions</i>		
55	0	Onnur frágongd / <i>Other disposals</i>		
95	150	Grunnur fyri egin partabrøv við ársenda / <i>Reserves for own shares, end</i>		
6.437	0	Aðrir grunnar við ársbyrjan / <i>Other reserves, beginning</i>		
39.796	6.437	Onnur tilgongd / <i>Other additions</i>		
1.960	0	Onnur frágongd / <i>Other disposals</i>		
44.273	6.437	Aðrir grunnar við ársenda / <i>Other reserves, end</i>		
66.695	0	Flutt frá undanfarnum árum við javning / <i>Brought forward from priors years incl. adjustment</i>		
0	0	Onnur tilgongd / <i>Other additions</i>		
52.902	66.695	Flutt avlop til býtið av ágóða / <i>Profit for the year carried forward</i>		
119.597	66.695	Flutt avlop við ársenda / <i>Profit carried forward, end</i>		
917.330	826.700	Eginpeningur tilsamans við ársenda / <i>Total equity, end</i>		
		2 Solvensuppperð / <i>Solvency</i>		
861.463	744.556	Kjarnukapitalur aftan á frádráttir / <i>Core capital after deductions</i>	860.090	739.600
861.463	744.556	Ansvarligur kapitalur / <i>Capital adequacy</i>	860.090	754.600
4.542.682	3.389.772	Vektað ogn uttan fyri handilsognina, íroknað tøl, ið ikki eru tikin við í javnan / <i>Weighted assets not included in trading portfolio including off balance-sheet items</i>	5.955.063	4.384.308
703.886	526.721	Vektaðir postar við marknaðarváða / <i>Weighted items with market risk</i>	748.735	566.735
5.246.568	3.916.493	Vektað ogn tilsamans / <i>Total weighted assets</i>	6.703.798	4.951.043
16,4%	19,0%	Kjarnukapitalur eftir frádrátt í pst. av vektaðari ogn / <i>Core capital after deductions in % of weighted items</i>	12,8%	15,2%
16,4%	19,0%	Solvensprosent eftir BSL § 21, stk. 1 / <i>Solvency ratio purs. to BSB s. 21,1</i>	12,8%	14,9%
		3 Rentuinntøkur v. m. / <i>Interest income, etc.</i>		
24.000	5.236	Áogn í lánistovnum og tjóðbankum / <i>Claims on credit institutions and central banks</i>	8.811	5.237
232.762	232.609	Útlán / <i>Loans and advances</i>	301.900	232.609
28.801	29.034	Lánsbrøv / <i>Bonds</i>	29.612	29.034
228	328	Avleidd fíggingjaramboð / <i>Derivative financial instruments</i>	166	328
228	328	- Herav: Gjaldoyrasáttmálar / <i>Of this: Currency contracts</i>	237	328
0	0	- Herav: Rentusáttmálar / <i>Of this: Interest contracts</i>	-72	0
0	0	- Herav: Partabrævasáttmálar / <i>Of this: Shares contracts</i>	1	0
0	0	Annað / <i>Other</i>	44	0
285.791	267.207	Rentuinntøkur v. m. tilsamans / <i>Total interest income etc.</i>	340.533	267.208

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
	4	Rentuútreiðslur / Interest expense		
34.011	10.992	Lánistovnar og tjóðbankar / Credit institutions and central banks	41.385	10.993
61.186	57.354	Innlán / Deposits	66.817	57.354
36	38	Ábyrgdarfæ / Guarantee capital	36	38
0	0	Annað / Other	1	0
95.233	68.384	Rentuútreiðslur tilsamans / Total interest expense	108.239	68.385
2.401	2.353	5 Vinningsbýti av partabrøvom / Dividends on holdings	5.318	2.353
	6	Virðisjavningar / Market value adjustments		
-4.926	-4.331	Lánsbrøv / Bonds (+/-)	-2.747	-4.331
25.077	90.204	Partabrøv / Shares (+/-)	28.005	90.204
0	0	Fastrentað útlán / Fixed-rated mortgage	15.121	0
4.774	1.793	Gjaldoyra / Currency (+/-)	5.773	1.793
0	0	Avleidd figgjarlig amboð / Derivative financial instruments	69	0
0	0	- Herav: Gjaldoyrasáttmálar / Of this: Currency contracts	69	0
24.925	87.666	Virðisjavningar tilsamans / Total market value adjustments	46.221	87.666
	7	Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses		
		Lønir og samsýning til nevnd, stjórn og umboðsráð / Salaries and remuneration of Board of Directors, Managing Directors and Board of Representatives		
2.914	2.465	Stjórn / Managing Directors	2.914	2.465
1.014	893	Nevnd / Board of Directors	1.014	893
45	59	Umboðsráð / Board of Representatives	45	59
3.973	3.417	Tilsamans / Total	3.973	3.417
		Starvsfólkaútreiðslur / Staff costs		
56.349	56.744	Lønir / Wages and salaries	86.003	57.398
6.165	6.066	Eftirlønir / Pensions	7.519	6.150
4.186	3.917	Útreiðslur til sosiala trygd / Social security costs	7.148	3.928
66.700	66.727	Tilsamans / Total	100.670	67.476
59.830	51.893	Aðrar umsitingarútreiðslur / Other administrative expenses	75.443	52.292
130.503	122.037	Útreiðslur til starvsfólk og umsiting tilsamans / Total staff costs and administrative expenses	180.086	123.185
	8	Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrítøkum / Income from associated and subsidiary undertakings		
6.388	822	Assosieraðar fyrítøkur / Associated undertakings	6.389	822
33.407	7.975	Tilknýttar fyrítøkur / Subsidiary undertakings	2.444	7.607
39.795	8.797	Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrítøkum tilsamans / Total income from associated and subsidiary undertakings	8.833	8.429
	9	Skattur / Taxes		
0	0	Roknaður skattur av ársvinningi / Estimated tax charge on the annual profit	11.367	114
25.440	4.397	Útsettur skattur / Deferred taxes	25.442	4.406
763	0	Javnan av skatti frá undanfarnum árum / Adjustment to prior-year's tax charges	795	0
26.203	4.397	Skattur tilsamans / Total taxes	37.604	4.520

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
	10	Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
0	69.937	Áogn upp á uppsøgn í tjóðbankum / <i>Claims at notice on central banks</i>	0	69.937
1.874.098	166.805	Áogn í lánistovnum / <i>Claims on credit institutions</i>	422.896	256.538
1.874.098	236.742	Áogn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks	422.896	326.475
		Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
171.477	98.794	Uttan uppsøgn / <i>Claims at call</i>	209.816	107.580
1.682.451	122.746	Til og við 3 mánaðir / <i>Up to 3 months</i>	212.910	203.694
170	0	Meira enn 3 mdr. til og við 1 ár / <i>Over 3 months and up to one year</i>	170	0
20.000	15.202	Meira enn 1 ár til og við 5 ár / <i>Over one year and up to 5 years</i>	0	15.201
0	0	Meira enn 5 ár / <i>Over 5 years</i>	0	0
1.874.098	236.742	Áogn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks	422.896	326.475
	11	Útlán og ábyrgdir býtt eftir sektorum og vinnum í % / Loans, advances, and guarantees by sectors and industries, in %		
3	2	Almennir myndugleikar / Public sector	2	1
		Vinnulív / Commercial sector		
0	0	Landbúnaður, veiða, skógbrúk / <i>Agriculture, hunting, and forestry</i>	0	0
8	9	Fiskiskapur / <i>Fishing</i>	5	7
6	7	Framleiðsla, ráevnisvinna, hita- og streymveiting o. l. / <i>Manufacturing, mining, utilities, etc.</i>	4	6
2	3	Byggivirksemi / <i>Building and construction</i>	2	2
6	6	Handil, matstovu- og hotelvirksemi / <i>Commerce, restaurants, and hotels</i>	4	5
2	3	Flutningur, post og telefon / <i>Transport, post and telecommunicating</i>	2	4
3	1	Láns-, figgjar- og tryggingarvirksemi / <i>Credit, finance, and insurance</i>	6	2
		Ognarfyrising og -handil, forrætningstænasta / <i>Property administration, purchase and sale, business services</i>	19	10
5	3	Aðrar vinnur / <i>Other industries</i>	5	10
35	33	Vinnulív tilsamans / Total commercial sector	47	46
62	65	Privat / Private customers	51	53
100	100	Útlán tilsamans / Total loans and advances	100	100
		Útlán / Loans and advances		
60.013	60.423	Uttan uppsøgn / <i>At call</i>	388.580	90.804
162.055	114.496	Til og við 3 mánaðir / <i>Up to 3 months</i>	689.283	305.577
360.913	395.131	Meira enn 3 mdr. til og við 1 ár / <i>Over 3 months and up to one year</i>	797.677	566.260
2.160.339	1.917.291	Meira enn 1 ár til og við 5 ár / <i>Over one year and up to 5 years</i>	2.733.667	2.315.133
1.690.860	1.424.370	Meira enn 5 ár / <i>Over 5 years</i>	1.941.689	1.775.011
4.434.180	3.911.711	Útlán tilsamans / Total loans and advances	6.550.896	5.052.785
		Samanlagdar burturleggingar / Accumulated provisions		
268.860	414.035	Burturlagt við ársenda upp á útlán og ábyrgdir / <i>Provisions on loans, advances, and guarantees at the end of the year</i>	287.419	427.252
0	0	Burturlagt við ársenda upp á ogn hjá lánistovnum og aðrar postar við ársenda / <i>Provisions on claims due from credit institutions and other claims at the end of the year</i>	0	300
268.860	414.035	Samanlagdar burturleggingar tilsamans / Total accumulated provisions	287.419	427.552
		Samanlagdar burturleggingar upp á útlán og ábyrgdir í % av útláni og ábyrgdum við ársenda / Accumulated provisions on loans, advances, and guarantees in % of loans, advances and guarantees, at the end of year		
5,4%	9,4%	Áognir, har renturokning er steðgað / <i>Non-accrual loans, advances, and guarantees</i>	4,0	7,4
169.781	225.880		170.781	225.880

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
	12	Lánsbrøv / Bonds		
901.171	571.916	Skrásett á keypsskálum / <i>Listed on Stock Exchanges</i>	976.816	586.933
0	0	Onnur lánsbrøv / <i>Other bonds</i>	0	0
901.171	571.916	Lánsbrøv tilsamans / Total bonds	976.816	586.933
	13	Fíggarlig umsetningsogn / Financial current assets		
998.228	626.067	a) Fíggarlig umsetningsogn ásett til marknaðarvirði / <i>Financial current assets valued at marked value</i>	998.228	663.219
8.020	2.027	b) Munur millum útveganarvirði av fíggarligari umsetningsogn, undir pkt. a), og hægri marknaðarvirði uppgerðardagin / <i>Difference between purchase price of financial current assets listed under a) and the higher marked value at the balance sheet date</i>	8.020	2.101
0	0	c) Fíggarlig umsetningsogn, ið ikki er ásett til marknaðarvirði / <i>Financial current assets not valued at marked value</i>	0	0
0	0	d) Munur millum útveganarvirði av fíggarligari umsetningsogn, undir pkt. c), og hægri marknaðarvirði uppgerðardagin / <i>Difference between purchase price of financial current assets listed under c) and the higher marked value at the balance sheet date</i>	0	0
	14	Partabøv / Shares		
45.306	29.857	Skrásett á keypsskálum í Keypmannahavn / <i>Listed on Stock Exchange CPH.</i>	57.613	40.172
26.516	26.320	Skrásett á øðrum keypsskálum / <i>Listed on other Stock Exchanges elsewhere</i>	26.589	26.320
115.616	20.400	Onnur partabøv / <i>Other shares</i>	128.569	32.220
187.438	76.577	Partabøv tilsamans / Total shares	212.771	98.712

- DKK 1.000
2005 Viðm./Note
15 Útgreinan av fíggarligari støðisogn / *Specification of financial fixed assets*

FØROYA SPARIKASSI P/F

Samlaður keypsprísur við ársbyrjan / *Total purchase price, beginning*

Gjaldoyrakursjavning / *Currency adjustments*

Tilgongd / *Additions*

Frágongd / *Disposals*

Samlaður keypsprísur við ársenda / *Total purchase price of assets held, end*

Samlaðar upp- og niðurskrivingar við ársbyrjan /

Revaluation and write-downs of assets, beginning

Úrslit / *Result*

Upp- og niðurskrivingar í árinum / *Revaluation and write-downs during the year*

Onnur tilgongd / *Other additions*

Onnur frágongd / *Other disposals*

Samlaðar upp- og niðurskrivingar við ársenda /

Total revaluation and write-downs of assets held, end

Bókað virði við ársenda / *Book value, end*

Bókað virði við ársbyrjan / *Book value, beginning*

Tilknýttar fyrítøkur / Subsidiary undertakings	Assosieraðar fyrítøkur / Associated undertakings	Aðrir kapitalpartar / Other holdings
132.594	10.699	76.577
0	0	0
25.500	24.784	110.861
0	0	0
158.094	35.483	187.438
4.906	-7.216	0
33.407	6.388	0
0	-3.335	0
0	1.541	0
1.960	0	0
36.353	-2.622	0
194.447	32.861	187.438
137.500	3.483	76.577

VIÐMERKINGAR / NOTES

DKK 1.000
2005 Viðm./Note

SAMTAK / GROUP

Samlaður keypsprísur við ársbyrjan / Total purchase price, beginning	619	10.699	98.712
Gjaldoyrakursjávning / Currency adjustments	0	0	0
Tilgongd / Additions	500	24.784	114.059
Frágongd / Disposals	0	0	0
Samlaður keypsprísur við ársenda / Total purchase price of assets held, end	1.119	35.483	212.771

Samlaðar upp- og niðurskrivingar við ársbyrjan / Revaluation and write-downs of assets, beginning	6.079	-7.216	0
Úrslit / Result	2.444	6.388	0
Upp- og niðurskrivingar í árinum / Revaluation and write-downs during the year	0	-3.335	0
Önnur tilgongd / Other additions	0	1.541	0
Afturfærðar upp- og niðurskrivingar / Reversals of revaluation and write-downs	0	0	0
Samlaðar upp- og niðurskrivingar við ársenda / Total revaluation and write-downs of assets held, end	8.523	-2.622	0

Bókað virði við ársenda / Book value, end	9.642	32.861	212.771
Bókað virði við ársbyrjan / Book value, beginning	6.698	3.483	98.712

16 Óítökilig ogn / Intangible assets

FØROYA SPARIKASSI P/F

Útveganarvirði við ársbyrjan / Acquisition value, beginning	31.387	3.030	34.417
Tilgongd / Additions	0	4.656	4.656
Frágongd / Disposals	0	0	0
Útveganarvirði við ársenda / Acquisition value of assets held, end	31.387	7.686	39.073

Avskrivningar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	0	1.115	1.115
Avskrivningar í árinum / Depreciation	3.139	1.537	4.676
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturfærðar av- og niðurskrivingar / Reversal of depreciation and write-downs	0	0	0
Avskrivningar og niðurskrivingar við ársenda / Depreciation and write-downs, end	3.139	2.652	5.791

Bókað virði við ársenda / Book value, end	28.248	5.034	33.282
Bókað virði við ársbyrjan / Book value, beginning	31.387	1.915	33.302

SAMTAK / GROUP

Útveganarvirði við ársbyrjan / Acquisition value, beginning	31.387	5.985	37.372
Tilgongd / Additions	0	5.065	5.065
Frágongd / Disposals	0	0	0
Útveganarvirði við ársenda / Acquisition value of assets held, end	31.387	11.050	42.437

Avskrivningar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	0	1.115	1.115
Avskrivningar í árinum / Depreciation	3.139	3.527	6.666
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturfærðar av- og niðurskrivingar / Reversal of depreciation and write-downs	0	0	0
Avskrivningar og niðurskrivingar við ársenda / Depreciation and write-downs, end	3.139	4.642	7.781

Bókað virði við ársenda / Book value, end	28.248	6.408	34.656
Bókað virði við ársbyrjan / Book value, beginning	31.387	4.870	36.257

Tilknýttar fyrirkur / Subsidiary undertakings	Assosieraðar fyrirkur / Associated undertakings	Aðrir kapitalpartar / Other undertakings
619	10.699	98.712
0	0	0
500	24.784	114.059
0	0	0
1.119	35.483	212.771
6.079	-7.216	0
2.444	6.388	0
0	-3.335	0
0	1.541	0
0	0	0
8.523	-2.622	0
9.642	32.861	212.771
6.698	3.483	98.712
Goodwill / Goodwill	Aðrar / Other	Tilsamans / Total
31.387	3.030	34.417
0	4.656	4.656
0	0	0
31.387	7.686	39.073
0	1.115	1.115
3.139	1.537	4.676
0	0	0
0	0	0
3.139	2.652	5.791
28.248	5.034	33.282
31.387	1.915	33.302
31.387	5.985	37.372
0	5.065	5.065
0	0	0
31.387	11.050	42.437
0	1.115	1.115
3.139	3.527	6.666
0	0	0
0	0	0
3.139	4.642	7.781
28.248	6.408	34.656
31.387	4.870	36.257

VIÐMERKINGAR / NOTES

DKK 1.000
2005 Viðm./Note
16 Ítökilig ogn / *Tangible assets*

FØROYA SPARIKASSI P/F

Útveganarvirði við ársbyrjan / *Acquisition value, beginning*
Tilgongd / *Additions*
Frágongd / *Disposals*
Útveganarvirði við ársenda / *Acquisition value of assets held, end*

Avskrivningar og niðurskrivingar við ársbyrjan /
Depreciation and write-downs, beginning
Avskrivningar í árinum / *Depreciation*
Niðurskrivingar í árinum / *Write-downs*
Afturførdar av- og niðurskrivingar / *Reversal of depreciation and write-downs*
Avskrivningar og niðurskrivingar við ársenda / *Depreciation and write-downs, end*

Bókað virði við ársenda / *Book value, end*
Bókað virði við ársbyrjan / *Book value, beginning*

Straksavskrivað av tólum og innbúgv /
Machinery and equipment fully depreciated at time of acquisition

SAMTAK / GROUP

Útveganarvirði við ársbyrjan / *Acquisition value, beginning*
Tilgongd / *Additions*
Frágongd / *Disposals*
Útveganarvirði við ársenda / *Acquisition value of assets held, end*

Avskrivningar og niðurskrivingar við ársbyrjan /
Depreciation and write-downs, beginning
Avskrivningar í árinum / *Depreciation*
Niðurskrivingar í árinum / *Write-downs*
Afturførdar av- og niðurskrivingar / *Reversal of depreciation and write-downs*
Avskrivningar og niðurskrivingar við ársenda /
Depreciation and write-downs, end

Bókað virði við ársenda / *Book value, end*
Bókað virði við ársbyrjan / *Book value, beginning*

Straksavskrivað av tólum og innbúgv /
Machinery and equipment fully depreciated at time of acquisition

Grundøki og bygningar / <i>Land and buildings</i>	Tól og innbúgv / <i>Machinery, equipment etc.</i>	Tilsamans / <i>Total</i>
199.400	58.775	258.175
7.583	3.996	11.579
575	1.906	2.481
206.408	60.865	267.273
91.134	47.361	138.495
3.138	4.030	7.168
0	0	0
0	1.581	1.581
94.272	49.810	144.082
112.136	11.055	123.191
108.266	11.414	119.680
	889	889
199.938	59.885	259.823
7.583	5.352	12.935
575	1.906	2.481
206.946	63.331	270.277
91.134	47.425	138.559
3.139	4.494	7.633
0	0	0
0	1.581	1.581
94.273	50.338	144.611
112.673	12.993	125.666
108.804	12.460	121.264
	951	951

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK / GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
	17	Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks		
0	0	Skuld til tjóðbankar / Debt to central banks	0	0
2.750.943	441.626	Skuld til lánistovnar / Debt to credit institutions	2.994.175	1.276.585
2.750.943	441.626	Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks	2.994.175	1.276.585
		Skuld til lánistovnar og tjóðbankar / Debt to credit institutions and central banks		
119.204	226.809	Uttan uppsøgn / Debt payable on demand	122.999	222.163
1.419.004	210.449	Til og við 3 mánaðir / Up to 3 months	1.650.328	1.037.632
23.500	4.368	Meira enn 3 mðr. til og við 1 ár / Over 3 months and up to one year	31.613	16.790
1.189.235	0	Meira enn 1 ár til og við 5 ár / Over one year and up to 5 years	1.189.235	0
0	0	Meira enn 5 ár / Over 5 years	0	0
2.750.943	441.626	Skuld til lánistovnar og tjóðbankar tilsamans / Total debt to credit institutions and central banks	2.994.175	1.276.585
	18	Innlán / Deposits		
1.724.333	1.488.411	Innlán uttan uppsøgn / Deposits on demand	1.966.521	1.508.073
2.047.993	2.121.218	Innlán við uppsøgn / Deposits at notice	2.047.993	2.120.193
65.806	15.000	Tíðarinnskot / Time deposits	125.697	264.644
308.101	265.149	Serligir innlánsættir / Special categories of deposits	342.819	302.166
4.146.233	3.889.778	Innlán tilsamans / Total deposits	4.483.030	4.195.076
		Innlán / Deposits		
1.724.333	1.488.411	Uttan uppsøgn / On demand	1.967.570	1.508.073
1.237.657	1.084.427	Til og við 3 mánaðir / Up to 3 months	1.292.997	1.318.301
901.740	1.071.353	Meira enn 3 mðr. til og við 1 ár / Over 3 months and up to one year	908.939	1.088.202
116.046	103.809	Meira enn 1 ár til og við 5 ár / Over one year and up to 5 years	119.948	115.733
166.457	141.778	Meira enn 5 ár / Over 5 years	193.576	164.767
4.146.233	3.889.778	Innlán tilsamans / Total deposits	4.483.030	4.195.076
	19	Avsetingar til skyldur / Provisions for liabilities and charges		
2.604	2.771	Burturleggingar til pensiónir og líknandi skyldur / Provisions for pensions and similar commitments	2.604	2.771
0	0	Burturleggingar til møguligan skatt / Provisions for deferred taxes	0	0
4.000	2.000	Aðrar burturleggingar til útreiðslur / Other provisions	4.000	2.000
6.604	4.771	Avsetingar til skyldur tilsamans / Total provisions for liabilities and charges	6.604	4.771
	20	Postar uttanfyri javnan / Off-balance-sheet items		
		Ábyrgdir / Guarantees		
0	0	Fíggarligar ábyrgdir / Financial guarantees	75.527	47.930
318.195	228.439	Aðrar ábyrgdir / Other guarantees	318.195	228.735
0	0	Acceptir / Approvals	471	0
0	0	Aðrar skyldur / Other commitments	2.227	1.200
318.195	228.439	Ábyrgdir tilsamans / Total guarantees	396.420	277.865

VIÐMERKINGAR / NOTES

21	DKK 1.000 Viðm./Note Avleidd figgjarlig amboð býtt eftir resttíðarskeiði / Derivative financial tools split by remaining terms	2005		2004	
		Áljóðandi virði / Par value	marknaðarvirði / Net market value	Áljóðandi virði / Par value	marknaðarvirði / Net market value
	FØROYA SPARIKASSI P/F				
	Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
	Til og við 3 mánaðir / Up to 3 months				
	Terminir og futures, keyp / Forwards and futures, bought	19.365	259	35.781	-504
	Terminir og futures, søla / Forwards and futures, sold	19.365	-243	23.484	523
	Úr 3 mánaðum til og við 1 ár / Over 3 months and up to one year				
	Terminir og futures, keyp / Forwards and futures, bought	0	0	1.126	-123
	Terminir og futures, søla / Forwards and futures, sold	0	0	1.126	127
	Úr 1 ár til og við 5 ár / Over 1 year and up to 5 year				
	Terminir og futures, keyp / Forwards and futures, bought	0	0	0	0
	Terminir og futures, søla / Forwards and futures, sold	0	0	0	0
	Yvir 5 ár / Over 5 years				
	Rentuswaps / Interest swaps	0	0	0	0
	Tilsamans / Total				
	Terminir og futures, keyp / Forwards and futures, bought	19.365	259	36.907	-627
	Terminir og futures, søla / Forwards and futures, sold	19.365	-243	24.610	650
	Rentuswaps / Interest swaps	0	0	0	0
	Netto marknaðarvirði / Net market value		16		23
	SAMTAK / GROUP				
	Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
	Til og við 3 mánaðir / Up to 3 months				
	Terminir og futures, keyp / Forwards and futures, bought	19.365	259	71.656	-1.081
	Terminir og futures, søla / Forwards and futures, sold	19.365	-243	59.359	1.432
	Úr 3 mánaðum til og við 1 ár / Over 3 months and up to one year				
	Terminir og futures, keyp / Forwards and futures, bought	14.654	-29	1.126	-123
	Terminir og futures, søla / Forwards and futures, sold	14.654	25	1.126	127
	Úr 1 ár til og við 5 ár / Over 1 year and up to 5 year				
	Terminir og futures, keyp / Forwards and futures, bought	0	0	0	0
	Terminir og futures, søla / Forwards and futures, sold	0	0	0	0
	Yvir 5 ár / Over 5 years				
	Rentuswaps / Interest swaps	0	0	0	0
	Tilsamans / Total				
	Terminir og futures, keyp / Forwards and futures, bought	34.019	230	72.782	-1.204
	Terminir og futures, søla / Forwards and futures, sold	34.019	-218	60.485	1.559
	Rentuswaps / Interest swaps	0	0	0	0
	Netto marknaðarvirði / Net market value		12		355

VIÐMERKINGAR / NOTES

- DKK 1.000
Viðm./Note
22 Gjaldoyra- og rentusáttmálar / *Currency and interest contracts*

FØROYA SPARIKASSI P/F	2005		2004	
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	316	57	2	630
Terminir og futures, søla / <i>Forwards and futures, sold</i>	62	305	652	2
Rentuswaps / <i>Interest swaps</i>	0	0	0	0
Tilsamans / Total	378	362	654	632

SAMTAK / GROUP

	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	414	125	9	1.214
Terminir og futures, søla / <i>Forwards and futures, sold</i>	134	403	1.581	23
Rentuswaps / <i>Interest swaps</i>	0	0	0	0
Tilsamans / Total	548	528	1.590	1.237

- 23 Marknaðarvirði av ikki-tryggjaðum sáttmálum /
Market value of non-guaranteed contracts

FØROYA SPARIKASSI P/F

Gjaldoyra- og rentusáttmálar / *Currency and interest contracts*

	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	316	57	2	630
Terminir og futures, søla / <i>Forwards and futures, sold</i>	62	305	652	2
Rentuswaps / <i>Interestswaps</i>	0	0	0	0
Tilsamans / Total	378	362	654	632

SAMTAK / GROUP

Gjaldoyra- og rentusáttmálar / *Currency and interest contracts*

	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	414	125	9	1.214
Terminir og futures, søla / <i>Forwards and futures, sold</i>	134	403	1.581	23
Rentuswaps / <i>Interestswaps</i>	0	0	0	0
Tilsamans / Total	548	528	1.590	1.237

- 24 Lánsváði av avleiddum fíggarligum amboðum /
Credit risk on derivative financial instruments

	Mótpartur við váðavekt 20% / <i>Counterpart with a risk weighting of 20%</i>	Mótpartur við váðavekt 100% / <i>Counterpart with a risk weighting of 100%</i>	Mótpartur við váðavekt 20% / <i>Counterpart with a risk weighting of 20%</i>	Mótpartur við váðavekt 100% / <i>Counterpart with a risk weighting of 100%</i>
FØROYA SPARIKASSI P/F				
Positivt marknaðarvirði aftaná móttroking / <i>Positive market value after netting</i>	51	255	143	206
SAMTAK / GROUP				
Positivt marknaðarvirði aftaná móttroking / <i>Positive market value after netting</i>	166	583	980	304

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK/GROUP	
2005	2004 Viðm./ Note	DKK 1.000	2005	2004
	25	Marknaðarváði / Market risk		
		Gjaldoyraváði / Currency risk		
		Ogn í fremmandum gjaldoyra tilsamans / <i>Total assets in foreign currency</i>	97.468	186.375
87.503	181.620			
		Skuld í fremmandum gjaldoyra tilsamans / <i>Total liabilities in foreign currency</i>	5.417	148.759
260	132.100			
		Gjaldoyraábending 1 við árslok / <i>Exchange rate indicator 1</i>	97.468	186.375
87.503	181.620			
		Gjaldoyraábending 1 í pst. av eginogn eftir frádrátt / <i>Exchange rate indicator 1 as percentage of equity less statutory deductions</i>	11,3	25,2
10,2	24,4			
		Rentuváði / Interest rate risk		
		Rentuváði av fíggingjaramboðum v. m. tilsamans / <i>Total interest rate risk on debt instruments, etc.</i>	36.058	21.482
32.094	18.607			
		Rentuváði býttur eftir gjaldoyraslagi / Interest rate risk by currency		
		DKK	25.730	20.579
22.104	18.469			
		EUR	10.074	407
9.960	138			
		CHF	129	210
0	0			
		USD	106	144
0	0			
		SEK	-10	128
0	0			
		GBP	0	11
0	0			
		Annað / Other	29	3
30	0			

26 **Stjórn og nevnd / Management and Board of Directors**
Lán, pant, veðhald ella ábyrgdir, og trygdir fyri somu /
Loans, advances, mortgages, surety or guarantees including collateral

	2005		2004	
	Lán v. m. / <i>Loans etc.</i>	Trygdir/ <i>Security</i>	Lán v. m. / <i>Loans etc.</i>	Trygdir/ <i>Security</i>
FØROYA SPARIKASSI P/F				
Stjórn / <i>Managing Directors</i>	2.854	2.854	2.821	2.821
Nevnd / <i>Board of Directors</i>	3.649	3.649	5.107	5.107
SAMTAK / GROUP				
Stjórn / <i>Managing Directors</i>	2.854	2.854	2.821	2.821
Nevnd / <i>Board of Directors</i>	3.649	3.649	5.107	5.107

27 **Samsýning til grannskoðarar valdir av aðalfundinum /
*Audit fee to the public accountants elected by the General Meeting***

	2005	2004
Samsýning fyri roknskaparárið / <i>Total fee for the financial year</i>	1.777	2.020
Herav aðrar tænastr / <i>Other services</i>	395	494

914 960
94 160

28 **Starvsfólk / Employees**
Miðaltalið av starvsfólkum í árinum umroknað til heiltíðarstørv /
Average number of employees during the financial year, full-time equivalent

	2005	2004
	216,7	204,8

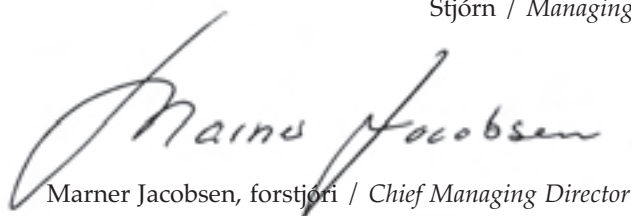
179,7 171,8

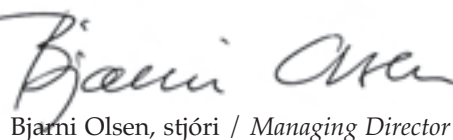
VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI P/F			SAMTAK/GROUP		
2005	2004	Viðm./ Note	DKK 1.000	2005	2004
		29	Tilknytt feløg / Subsidiary undertakings		
			Partur av partapeningi / Part of share capital		
100%	100%		P/F Inni		
100%	100%		P/F 12. juni 2003		
100%	0%		P/F 21. desember 2005		
100%	100%		Eik Bank Danmark A/S		
			Millumverandi við tilknytt feløg /		
			Amounts due from and due to subsidiary undertakings		
1.568.756	5.202		Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
20.000	9.990		Útlán / Loans and advances		
0	0		Lánsbrøv / Bonds		
1.588.756	15.192		Ogn tilsamans / Total assets		
			Skuld / Liabilities		
49	7.384		Skuld til lánistovnar / Debt to credit institutions		
18.324	2.788		Áogn í Sparikassanum / Deposits in Føroya Sparikassi		
18.373	10.172		Skuld tilsamans / Total liabilities		
		30	Stjórnarlimir og deildarleiðarar, ið røkja nevndarsessir í dótturfeløgum Sparikassans / Management and branch managers that are board members in subsidiary undertakings of Føroya Sparikassi		
			P/F Inni, N. Finsensgøta 37, 100 Tórshavn		
			Nevndarformaður / Chairman: Marner Jacobsen, forstjóri / Chief Managing Director		
			Næstformaður / Deputy Chairman: Bjarni Olsen, stjóri / Managing Director		
			Nevndarlimur / Board Member: Øssur Skeel Nolsøe, deildarleiðari / Senior Branch Manager		
			Eik Bank Danmark A/S, Nørre Farimagsgade 15, 1364 Keyppannahavn		
			Nevndarformaður / Chairman: Marner Jacobsen, forstjóri / Chief Managing Director		
		31	Assosieraðar fyrítøkur / Associated undertakings		
			Partur av partapeningi / Part of share capital		
25%	25%		P/F Elektron		
33%	33%		P/F Faroe Farming		
32%	32%		P/F Faroe Real Estate		
27%	27%		P/F Pan Fish Faroes		
25%	25%		P/F Týggjará		
43%	0%		DSK A/S		
			Millumverandi við assosieraðar fyrítøkur /		
			Amounts due from and due to associated undertakings		
0	0		Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
94.951	45.398		Útlán / Loans and advances		
94.951	45.398		Ogn tilsamans / Total assets		
			Skuld til lánistovnar / Debt to credit institutions		
0	0		Skuld til lánistovnar / Debt to credit institutions		
11.494	3.726		Áogn í Sparikassanum / Deposits in Føroya Sparikassi		
11.494	3.726		Skuld tilsamans / Total liabilities		
		32	Partaeigarar, sum eiga meira enn 5 % / Shareholders holding more than 5%: Sparikassagrunnurin		
87 %	94%				

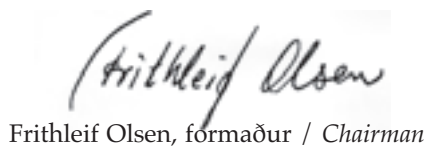
FØROYA SPARIKASSI P/F
Tórshavn, tann 18. februar 2006

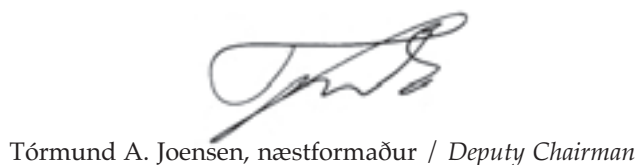
Stjórn / Managing Directors

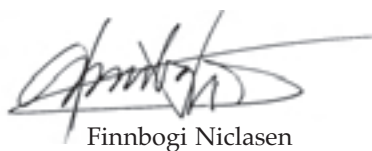
 Marnir Jacobsen, forstjóri / Chief Managing Director

 Bjarni Olsen, stjóri / Managing Director

Nevnd / Board of Directors

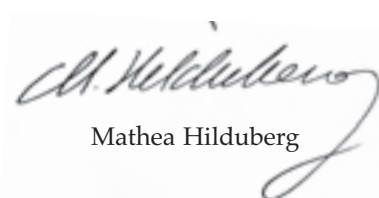
 Frithleif Olsen, formaður / Chairman

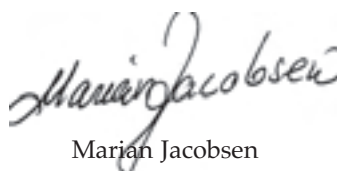
 Tórmund A. Joensen, næstformaður / Deputy Chairman

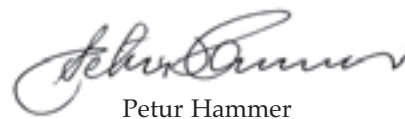
 Finnboði Niclasen

 Róland Vættfelth, koiant vátteiat

 Odd Bjellvåg

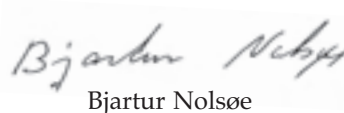
 Mathea Hilduberg

 Marian Jacobsen

 Petur Hammer

 Durita Tausen

 Rakul Dam

 Bjartur Nolsøe

 Gert Langgaard

Grannskoðanardeild Føroya Sparikassi P/F

Vit hava grannskoðað árs- og konsernroknskapin hjá Føroya Sparikassi P/F fyri árið 2005, sum leiðslan hevur sett upp.

Útinningin av grannskoðanini

Grannskoðanin er útint við støði í kunngerð hjá Fíggjar-
eftirlitinum um grannskoðan í peningastovnum og eftir
vanliga góðkendum grannskoðanarreglum. Undir grann-
skoðanini hava vit, eftir týðningi og váða, mett um virkis-
gongdir og kannað grundarlagið fyri upphæddum og
øðrum upplýsingum í árs- og konsernroknskapinum.

Grannskoðanin hevur ikki givið orsök til fyrvirni.

Niðurstøða

Okkara fatan er, at árs- og konsernroknskapurin er lagdur
fram í samsvari við tey krøv, ið lóggávan setur rokns-
kaparhaldi, og at hann gevur rætta mynd av ognum og
skyldum Sparikassans, fíggjarligu støðuni og úrslitinum.

Internal Audit

We have audited the financial statements for 2005 for the
group and for Føroya Sparikassi P/F, presented by the
Board of Directors and the Management of Føroya Spari-
kassi P/F.

Basis of Opinion

We have conducted our audit on the basis of the executive
order by the Danish Financial Supervisory on the per-
formance of the audit in financial institutions and in
accordance with generally accepted auditing standards.
During the audit, based on an evaluation of materiality
and risk, we assessed procedures and verified the basis
for the amounts and disclosures in the financial state-
ments.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements have been pre-
sented in accordance with the accounting provisions of
legislation and give a true and fair view of the Føroya
Sparikassi's assets and liabilities, financial position and
profit for the year.

Tórshavn, tann 18. februar 2006


Sigmund Frederiksen

Grannskoðanarleiðari / Chief Auditor

Grannskoðaraátekning

Vit hava grannskoðað árs- og konsernroknskapin hjá Føroya Sparikassa P/F fyri árið 2005, sum leiðslan hevur sett upp.

Útinningin av grannskoðanini

Í samsvari við alment viðurkendar grannskoðanarmeginreglur hava vit lagt til rættis og útint grannskoðanina við atliti til at fáa grundaða sannføring um, at í árs- og konsernroknskapinum eru ikki týðandi skeivleikar ella brek. Undir grannskoðanini hava vit, eftir meting um týdning og risiko, kunnað grundarlagið og sannanina viðvíkjandi teimum upphæddum og øðrum upplýsingum, sum standa í árs- og konsernroknskapinum. Vit hava samstundis tikið støðu til tann roknskaparhátt og tær roknskaparligu metingarnar, sum leiðslan hevur valt. Eisini hava vit mett um, hvørt upplýsingarnar í árs- og konsernroknskapinum sum heild eru nøktandi.

Grannskoðanin hevur ikki givið orsök til nakað fyrivarni.

Niðurstøða

Tað er okkara fatan, at árs- og konsernroknskapurin er greiddur í samsvari við tey krøv, ið lóggávan setur roknskaparhaldi, og at hann gevur rætta mynd av Sparikassans ognum og skyldum, fíggarligu støðuni og rakstrarúrslitinum.

Audit report – Annual accounts

We have audited the financial statements for the group and for Føroya Sparikassi P/F, presented by the Board of Directors and the Management.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free from material misstatements. Based on an evaluation of materiality and risk, we have tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies applied and the accounting estimates by the Board of Directors and Management. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualification.

Conclusion

In our opinion the financial statements have been presented in accordance with the accounting provisions of legislation and give a true and fair view of the company's assets and liabilities, the financial position and profit/loss for the year.

Tórshavn, tann 18. februar 2006



Klaus Rasmussen

Statsaut. grannskoðari / State Authorized Public Accountants



Jógvan Amonsson

Statsaut. grannskoðari / State Authorized Public Accountants

Alment

Árs- og konsernrøkskapurin er gjørdur í samsvari við lóg um bankar og sparikassar v.m. og kunngerðir og leiðreglur frá Fíggjareftirlitinum fyri peningastovnar.

Nýttur roknskaparháttur er óbroyttur í mun til undanfarin ár.

Konsernrøkskapur

Konsernrøkskapurin fevnir um Føroya Sparikassa P/F, P/F Inni og Eik Bank A/S, sum eru 100% ogn hjá Føroya Sparikassa P/F. Av tí at P/F 12. juni 2003 hevur lutfalsliga lítið virkseimi í mun til Sparikassan og væntandi fer at steðga sínum virkseimi í ár, er felagið ikki innroknað sum konsernifelag í roknskapinum hjá samtakinum. Sum liður í söluni av alisamtaki hevur Sparikassin stovnað felagið 21. desember 2005. Avtala er gjørd við annað alifelag um keyp av 21. desember 2005 í 2006. Av hesi orsök er felagið ikki innroknað sum konsernifelag í roknskapinum hjá Sparikassa samtakinum.

Konsernrøkskapurin verður gjørdur við at leggja saman roknskaparpostar við einsháttaðum innihaldi og við at draga innanhýsis inntøkur og útreiðslur frá saman við innanhýsismillumverandi.

Tíðargreining

Rentuinntøkur, rentuútreiðslur og leypandi provisióinir eins og allar aðrar týðandi inntøkur og útreiðslur verða tíðargreinaðar til roknskaparárið. Ómaksgjöld og stovningarprovisiúnir v.m. verða bókaðar leypandi. Vinningsbýti frá partabøvum verður bókað sum inntøka, tá peningurin er móttikin.

Rentur av útlánum, sum verða mett at vera mist, verða ikki bókaðar sum inntøka.

Konserninternar transaktiónir

Transaktiónir við tilknýtt og assosierað feløg verða sum meginregla gjørdar samsvarandi marknaðartreytum.

Umrokning av útlenskum gjaldoyra

Ogn og skuld í útlenskum gjaldoyra verður bókað til almennar gjaldoyrakursir við árslok. Inntøkur og útreiðslur í útlenskum gjaldoyra verða umroknaðar sambært galdandi valutakursum á bókingardegnum.

Útlán, ábyrgdir og áogn í øðrum lánistovnum

Útlán, ábyrgdir og áogn í øðrum lánistovnum verða støðugt gjøgnumgingin til tess at lýsa tapsvandan. Hetta viðførir, at tap og burturleggingar til tap verða bókað í rakstrarroknskapinum undir „Avskrivningar og burturleggingar av skuldarum“.

Lán við fastari rentu, har rentuváðin er avdekkaður við fíggjarligum amboðum, verða ikki kursjavnað.

Virðisbrøv

Børsnoterað virðisbrøv verða bókað til almennar kursir við árslok. Ikki børsnoterað virðisbrøv verða upptikin til útveganarvirði ella til mett marknaðarvirði.

Partabøv, sum eru at rokna sum fíggjarlig støðisogn, verða bókað til dagsvirði.

Kapitalpartar í tilknýttum og assosieraðum fyrítøkum

Kapitalpartar í tilknýttum fyrítøkum og assosieraðum fyrítøkum verða bókaðir til roknskaparlíga innara virði.

Óítøkiligar ognir

Ritbúnaður verður bókaður til útveganarvirði, frádrigið avskrivningar. Avskrivað verður linjurætt yvir 5 ár. Goodwill verður bókað til útveganarvirði við keyp, frádrigið avskrivningar. Avskrivað verður linjurætt yvir 10 ár.

Ítøkiligar ognir

Grundøki og bygningar verða bókað til útveganarvirði, frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 50 ár og við støði í einum mettum restvirði. Grundøki verða tó ikki avskrivað.

Yvirkonar ognir verða bókaðar til mett handilsvirði.

Innbúgv og rakstartól verða bókað til útveganarvirði, frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 5-8 ár.

Smáinnbúgv útvegað fyri minni enn 20 tkr. verða útreiðsluførd tá hesi verða útvegað.

Fíggjarlig amboð

Gjaldoyraterminshandlar verða bókaðir til marknaðarvirði við árslok.

Rentuswap, sum verða nýtt til at avdekka lán við fastari

rentu, verða ikki kursjavnað. Rentur av swap verða tíðargreinaðar og bókaðar undir rentuinntøkum.

Skattur

Roknaður skattur av ársvinningi verður bókaður í ársroknskapinum og fevnir bæði um vanligan skatt og útsettan skatt. Útsettur skattur, ið kemur av tíðarfrávikum millum ársroknskapin og skattaroknskapin, verður útreiðsluførdur og avsettur undir „Avsetingar til skyldur“. Skattaáogn, sum sannlíkindi eru fyri verður nýtt framyvir, verður tikin við undir „Onnur ogn“.

ACCOUNTING PRINCIPLES

General

The consolidated and annual accounts are prepared in conformity with the Danish Act on Banks and Savings Banks and regulations and directives from the Danish Financial Supervisory Authority (*Finanstilsynet*).

The accounting policies are unchanged from those of the previous year.

Consolidated Accounts

The consolidated accounts include P/F Føroya Sparikassi, P/F Inni and Eik Bank A/S, which are 100% owned by Føroya Sparikassi P/F. Because „P/F 12. Juni 2003“ has relatively little activity in comparison to the bank, and it is anticipated that the company's operations will cease in 2005, its account activity is not included in the consolidated accounts. In the process of selling a fish farming concern a limited liability company “21. desember 2005“ was established. An agreement has been made with another fish farming concern to buy “21. desember 2005“ in 2006. For this reason this limited liability company has not been included as a company of the Føroya Sparikassi Group in the consolidated accounts of the Group.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, and outstanding loan balances.

Income recognition

Interest income, interest expenses, recurring provisions as well as all other significant income and expenses were accrued to the accounting year. Fees, charges and commissions, etc. were entered as received. Dividends on shares were entered as income upon receipt of the funds.

Interest on loans, which are identified as bad or doubtful, was not entered as income.

Internal Transactions

Transactions with subsidiary and associated companies

were in principle executed in accordance with market conditions.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies were translated according to the official rates of exchange prevailing at year-end. Income and expense related to foreign exchange were translated according to the rates of exchange prevailing at the transaction date.

Loans, Guarantees and Claims on other Financial Institutions

Loans, guarantees and claims on other financial institutions were continually reviewed to determine loss risk. Consequently, bad debts and provisions for bad debts were entered in the profit and loss account under “Depreciation and provisions for loss on bad debts”.

Loans with fixed interest where interest risk is covered by derivatives were not subject to market value adjustments.

Investments

Listed securities were entered at market values at year-end. Non-listed securities were entered at purchase price or at market price, if the latter is determined to be lower.

Shares that are included in the bank's long-term investment portfolio were entered at marked value.

Equity in Subsidiary and Associated Undertakings

Equity in subsidiary and associated undertakings was entered at equity value.

Intangible Assets

Software is booked at cost less a deduction for depreciation. Software is depreciated according to the straight-line method over a period of 5 years.

Good-will is booked at purchase price, less a deduction for depreciation. Good-will is depreciated according to the straight-line method over a period of 10 years.

Tangible Assets

Land and buildings were entered based on purchase price, less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over the estimated useful life with a maximum of 50 years. Land was not, however, depreciated.

Repossessed properties were entered according to their estimated market value.

Furnishings and equipment were entered at cost less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over a period of 5 - 8 years.

Furnishings and supplies valued at less than DKK 20,000 were expensed in the purchase year.

Financial Instruments

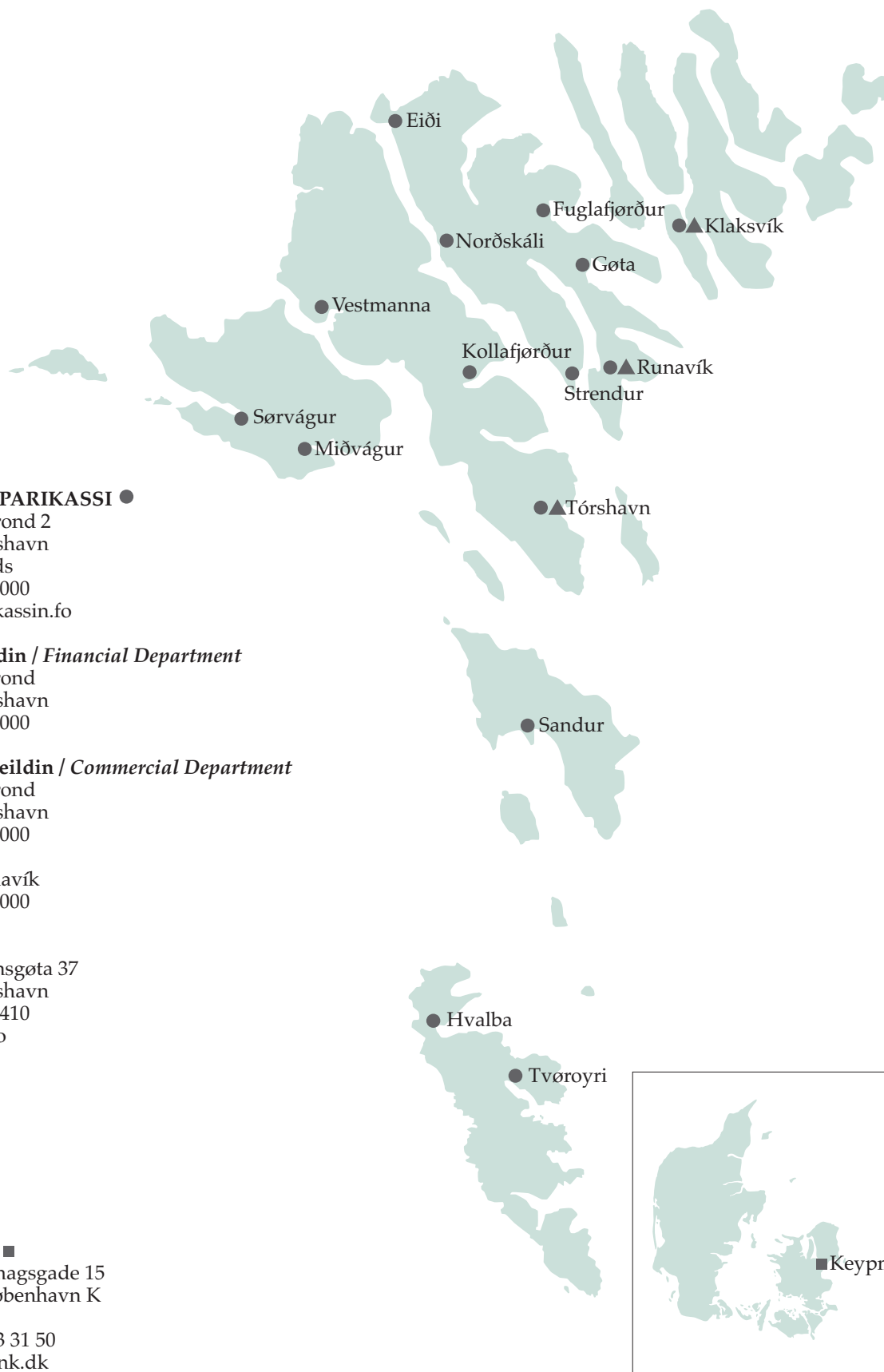
Currency futures contracts were entered at market value at year-end.

Interest rate swaps that were used to secure a fixed-interest loan, were not subject to market value adjustments. Interest on swaps was accrued to the accounting period and entered as interest income.

Taxes

Calculated tax on the profit for the year was stated in the annual accounts and included both actual tax and deferred tax. Deferred tax resulting from the timing differences between the annual accounts and the tax accounting by the Faroese tax administration was expensed and stated under „Provisions for liabilities and charges“. Tax surplus, which in all probability will be used in future, was entered as income and stated under „Other assets“.

FÁ SAMBAND / CONTACT



FØROYA SPARIKASSI ●

Yviri við Strond 2
FO-100 Tórshavn
Faroe Islands
tel +298 348000
www.sparikassin.fo

Fíggjardeildin / *Financial Department*

Yviri við Strond
FO-100 Tórshavn
tel +298 348000

Vinnulívsdeildin / *Commercial Department*

Yviri við Strond
FO-100 Tórshavn
tel +298 348000

FO-620 Runavík
tel +298 348000

INNI ▲

Niels Finsensgøta 37
FO-100 Tórshavn
tel +298 320410
www.inni.fo

EIK BANK ■

Nørre Farimagsgade 15
DK-1364 København K
Danmark
tel +45 33 73 31 50
www.eikbank.dk

III. Appendices

Ε. 2004 Annual Report

Ársroknskapur 2004

Annual Report



FØROYA SPARIKASSI P/F

Yviri við Strond 2
 Postboks 34 · FO-110 Tórshavn
 Tel (+298) 34 80 00
 Fax (+298) 34 84 00
 Skrásetingarnummar 3293
 Telex: 81318 SPARKS FA
 Swift: SPAK FO TF
 E-mail: spak@sparikassin.fo
 www.sparikassin.fo
 V-tal 516244
 Fondskota 1620061
 ISIN FO0005702340

Telefontænastan

tel 31 94 94

Faxtænastan

tel 31 94 54

Stjórn / Management

Marnar Jacobsen
 Forstjóri / *Chief Managing Director*

Bjarni Olsen
 Stjóri / *Managing Director*

Nevnd / Board of Directors

Frithleif Olsen
 Formaður / *Chairman*

Tórmund A. Joensen
 Næstformaður / *Deputy chairman*

Mathea Hilduberg
 Finnbogi Niclasen
 Rólant Vidtfeldt
 Petur D.W. Hammer
 Rakul Dam
 Gert Langgaard
 Bjartur Nolsøe
 Durita Tausen
 Marian Jacobsen
 Odd Arild Bjellvåg

Umboðsráð / Board of Representatives**Suðuroy**

Eiler Djurhuus
 Petur D.W. Hammer
 Páll Allan Michelsen
 Finnbjörn Nielsen
 Jastrid Nielsen
 Stein Næs

Eysturoy

Elisabeth Eldevig
 Herborg Gullbrandsdóttir
 Olaf Fríðheim
 Regin Gregersen
 Súni í Hjøllum
 Hilmar Joensen
 Sofus Debes Johannesen
 Sonni Johansen
 Hilmar Nielsen
 Frithleif Olsen

Sandoy

William Sand Davidsen
 Poul D. Klementsens
 Elisabeth Myllhamar
 Jonna Krog Poulsen
 Jákup Martin Sørensen
 Rólant Vidtfeldt

Vágoy

Jógvan Hans Joensen
 Finnbogi Niclasen
 Heini Nielsen
 Sigfríður Olsen
 Durita Rasmussen
 Sveinur Thomassen

Norðstreymoy

Tummas Debess
 Sólfrið Djurhuus
 Petra Iversen
 Gunnbjörn Joensen
 Ragnar Petur Joensen
 Gunnar B. Skúvadal

Suðurstreymoy

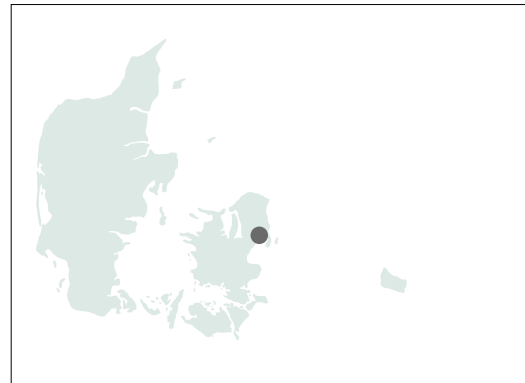
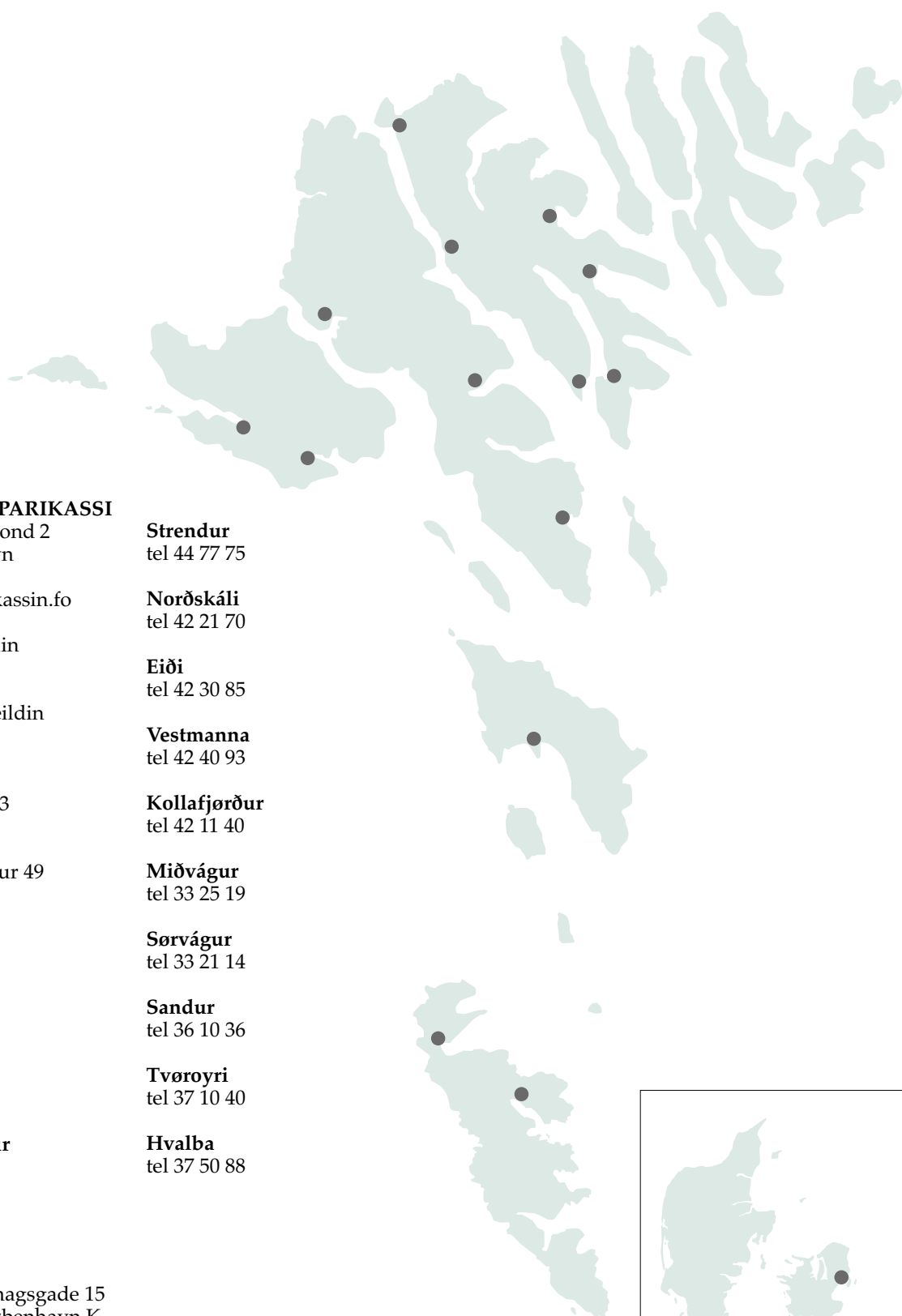
Hans Biskopstø
 Maria á Dul
 Gunnleyp Durhuus
 Johannes A. Ellingsgaard
 Ingi Gunnarsson
 Jóannes M. Hansen
 Poul Gert Hansen
 Mathea Hilduberg
 Turið Holm
 Heri Jensen
 Olga Kallsberg
 Ingi Mohr
 Oddvá Nattestad
 Birgir Sondum
 Petur F. Zachariassen

Grannskoðarar / Auditors

Klaus Rasmussen, Statsaut. grannskoðari /
State Authorized Public Accountants
 Jógvan Amonsson, Statsaut. grannskoðari /
State Authorized Public Accountants
 Sigmund Frederiksen, Grannskoðanarleiðari /
Chief Auditor

INNIHALD / CONTENTS

Gongdin seinastu 5 árin / <i>Five Year Summary</i>	1
Lyklatøl / <i>Ratios</i>	2
Ársfrágreiðing / <i>Annual Report</i>	4 13
Rakstrarroknskapur / <i>Profit and Loss Account</i>	24
Fíggarstøða / <i>Balance Sheet</i>	25
Gjaldføringsbroyting / <i>Cash Flow Statement</i>	26
Viðmerkingar / <i>Notes</i>	27
Grannskoðanaráttekning / <i>Auditor's Report</i>	39
Roknskaparháttur / <i>Accounting Principles</i>	41 43



FØROYA SPARIKASSI

Yviri við Strond 2
100 Tórshavn
tel 34 80 00
www.sparikassin.fo

Fíggjardeildin
tel 34 80 00

Vinnulívsdeildin
tel 34 80 00

Tórshavn
Sverrisgøta 3
tel 34 80 00

Tinghúsvegur 49
tel 34 80 00

Hornabøur
tel 34 80 00

Runavík
tel 44 73 63

Gøta
tel 44 11 11

Fuglafjørður
tel 44 42 35

Strendur
tel 44 77 75

Norðskáli
tel 42 21 70

Eiði
tel 42 30 85

Vestmanna
tel 42 40 93

Kollafjørður
tel 42 11 40

Miðvágur
tel 33 25 19

Sørvágur
tel 33 21 14

Sandur
tel 36 10 36

Tvøroyri
tel 37 10 40

Hvalba
tel 37 50 88

EIK BANK
Nørre Farimagsgade 15
DK-1364 København K
tel +45 33 73 31 50
www.eikbank.dk

GONGDIN SEINASTU 5 ÁRINI / FIVE YEAR SUMMARY

SAMTAK / GROUP	2004	2003	2002	2001	2000
DKK 1.000					
Rakstur / Profit and loss account					
Rentuinntøkur / Interest income	267.208	291.047	301.241	311.837	277.615
Rentuútreiðslur / Interest expenses	68.385	75.404	101.811	126.356	105.896
Rentuinntøkur netto / Net interest income	198.823	215.643	199.430	185.481	171.719
Ómaksgjöld og provisiósinntøkur v. m. / Fee and commissions income, etc.	24.139	21.491	16.958	12.417	8.458
Virðisjavnan av virðisbrøvum og útlenskum gjaldoyra / Market value adjustments of securities and foreign exchange income	87.666	23.080	11.729	-2.341	1.436
Aðrar vanligar inntøkur / Other operating income	12.870	8.753	7.743	7.323	7.452
Úrslit av fígjarpostum / Profit on financial operations	323.498	268.967	235.860	202.880	189.065
Útreiðslur til starvsfólk, umsiting og aðrar rakstrarútreiðslur / Staff costs, administrative expenses and other operating expenses	124.660	121.369	118.161	106.320	103.422
Av- og niðurskrivingar og burturleggingar tilsamans / Total depreciation, write-downs and provisions	95.546	319.430	33.731	21.692	21.293
Úrslit av kapitalpörtum í assosieraðum og tilknýttum fyrítøkum / Income from associated and subsidiary undertakings	8.429	447	-2.806	-1.039	-155
Úrslit undan skatti / Profit before taxes	111.721	-171.385	81.162	73.829	64.195
Skattur / Taxes	4.520	-42.623	15.258	16.337	18.769
Ársúrslit / Net profit for the year	107.201	-128.762	65.904	57.492	45.426
Fígjarstöða / Balance sheet					
OGN / ASSETS					
Kassapeningur og innlán í øðrum lánistovnum / Cash in hand, claims on central banks and credit institutions	377.445	367.385	198.605	295.258	388.155
Virðisbrøv / Securities	695.826	682.407	803.540	874.915	716.599
Útlán / Loans and advances	5.052.785	3.886.990	3.979.385	3.588.964	3.062.347
Fastar ognir og innbúgv / Tangible assets	121.264	128.751	128.611	135.344	135.220
Aðrar ognir / Other assets	246.245	129.237	86.257	59.772	36.797
Ogn tilsamans / Total assets	6.493.565	5.194.770	5.196.398	4.954.253	4.339.118
SKULD / LIABILITIES					
Skuld til lánistovnar / Debt to credit institutions	1.276.585	579.065	235.383	271.637	92.730
Innlán / Deposits	4.195.076	3.786.192	3.947.217	3.791.944	3.442.736
Onnur skuld / Other liabilities	195.204	75.917	131.367	70.175	41.269
Eginpeningur / Equity	826.700	753.596	882.431	820.497	762.383
Skuld tilsamans / Total liabilities	6.493.565	5.194.770	5.196.398	4.954.253	4.339.118
Grundrakstur / Core operations					
Bruttoinntøkur ¹⁾ / Gross income ¹⁾	237.625	244.835	226.600	206.613	189.685
Útreiðslur ²⁾ / Expenses ²⁾	133.337	131.550	127.464	115.050	114.898
Úrslit av grundrakstri / Profit on core operations	104.288	113.285	99.136	91.563	74.787
Bruttoinntøkuvøkstur í % / Increase in gross income %	-2,9%	8,0%	9,7%	8,9%	14,9%
Útreiðsluvøkstur í % / Increase in expenses %	1,4%	3,2%	10,8%	0,1%	7,4%
Brutto inntøkur pr. útreiðslukrónu / Gross income per expense DKK	1,78	1,86	1,78	1,80	1,65

1) Rentu- og provisiósinntøkur netto, aðrar vanligar inntøkur og virðisjavnan av útlenskum gjaldoyra /
Net interest, fee income, other ordinary income and exchange-rate adjustment of foreign currency

2) Útreiðslur til starvsfólk, umsiting, avskrivningar -tó ikki niðurskrivingar- av ótøkiligum og ítøkiligum ognum og aðrar rakstrarútreiðslur /
Staff costs, administrative expenses, depreciation - excluding write-downs of intangible and tangible assets and other operating expenses

LYKLATØL / RATIOS ¹

SAMTAK / GROUP	2004	2003	2002	2001	2000
Solvensur og kapitalur / Solvency and capital ratios					
2 Solvensprosent / Solvency ratio (%)	15,2	18,1	22,0	24,1	29,6
3 Kjarnukapitalprosent / Core capital ratio (%)	14,9	18,5	22,4	24,1	29,6
Vinningur / Earning ratios					
Renting av eiginögn áðrenn skatt / Interest on equity before tax (%)	14,1	-21,0	9,5	9,3	8,7
Renting av eiginögn eftir skatt / Interest on equity after tax (%)	13,6	-15,7	7,7	7,3	6,1
Vinningur pr. útreiðslukrónu / Net profit to total expense ratio	1,51	0,61	1,53	1,58	1,51
Marknaðarváði / Market risk ratios					
4 Rentuváði / Interest rate risk (%)	2,8	2,7	3,2	3,3	1,8
5 Gjaldoyraváði / Foreign exchange risk (%)	25,2	18,0	19,3	9,2	5,3
Gjaldføri / Liquidity ratio					
Yvirdekningur í mun til lógarkrav um gjaldføri / Excess cover relative to liquidity requirement (%)	71,3	90,6	80,6	121,3	156,8
Lánsváði / Credit risk ratios					
6 Stór engagement í mun til ansvarligan kapital / Large loans as percentage of accountable capital (%)	38,0	132,7	65,3	55,9	27,7
Burturleggingarprosent / Provisions percentage (%)	7,4	8,3	2,0	1,8	1,7
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	1,5	7,1	0,5	0,4	0,3
Útlán í mun til eiginögnina / Total loans in proportion to equity	6,1	5,2	4,5	4,4	4,0
Útlánsvöxstur / Increase of loans (%)	30,0	-2,3	10,9	17,2	5,2

Frágreiðing til lyklatöluni / Explanation of ratios

- Gjört í samsvari við leiðreglurnar hjá Fíggjareftirlitinum / Prepared in accordance with the regulations issued by the Danish Financial Services Supervisory Authority
- Solvensprosentin er ansvarligur kapitalur og stuttfreistaður ískoytiskapitalur í prosent av vektadu ognini, har ansvarligi kapitalurin er eiginögnin eftir ávísar javningar og við frádrátti av kapitalkrøvum til postar við marknaðarváða, meðan vektada ognin er ognir Sparikassans, vektadar eftir tapsváða / The solvency ratio is equity and short-term supplemental capital expressed as a percentage of weighted assets, where equity is adjusted as required less requisite provisions for market risks, and where weighted assets are the assets of Sparikassi weighted according to the level of risk of losses.
- Kjarnukapitalprosentin er ansvarligi kapitalurin og stuttfreistaði ískoytiskapitalurin eftir frádráttir, í prosent av vektadu ognini, har ansvarligi kapitalurin er eiginögnin eftir ávísar javningar og við frádrátti av kapitalkrøvum til postar við marknaðarváða, meðan vektada ognin er ognir Sparikassans, vektadar eftir tapsváða / The core capital ratio is equity and short-term supplemental capital less deductions expressed as a percentage of weighted assets, where equity is adjusted as required less requisite provisions for market risks, and where weighted assets are the assets of Sparikassi weighted according to the level of risk of losses.
- Rentuváðin er kursvirðisbroytingin í krónum á fastrentaðum lánsbrøvum v.m., um rentan broyrtist 1%, í prosent av kjarnukapitalinum / Interest rate risk is a monetary measure of the value of fixed-interest securities (bonds, etc.) if the effective interest rate would fluctuate 1%, expressed as a percentage of core capital.
- Gjaldoyraváði er hægra tali av ogn ella skuld í gjaldoyra, í prosent av kjarnukapitalinum / Foreign exchange risk is the amount of foreign currency assets or foreign currency liabilities, whichever is greater, expressed as a percentage of core capital.
- Millumverandi størri enn 10% eftir frádrátt fyrri tryggum krøvum í prosent av ansvarliga kapitalinum / Large loans are deemed to be outstanding loans after deductions for guaranteed security that are greater than 10 % of equity.

LYKLATØL / RATIOS ¹

FØROYA SPARIKASSI	2004	2003	2002	2001	2000
Solvensur og kapitalur / Solvency and capital ratios					
2 Solvensprosent / Solvency ratio (%)	19,0	18,1	22,0	24,1	29,6
3 Kjarnukapitalprosent / Core capital ratio (%)	19,0	18,5	22,4	24,1	29,6
Vinningur / Earning ratios					
Renting av eginogn áðrenn skatt / Interest on equity before tax (%)	14,1	-21,0	9,5	9,3	8,7
Renting av eginogn eftir skatt / Interest on equity after tax (%)	13,6	-15,7	7,7	7,3	6,1
Vinningur pr. útreiðslukrónu / Net profit to total expense ratio	1,51	0,61	1,53	1,58	1,51
Marknaðarváði / Market risk ratios					
4 Rentuváði / Interest rate risk (%)	2,4	2,7	3,2	3,3	1,8
5 Gjaldoyraváði / Foreign exchange risk (%)	24,4	18,0	19,3	9,2	5,3
Gjaldføri / Liquidity ratio					
Útlán og burturleggingar í mun til innlán / Loans, advances and provisions in proportion to deposits (%)	111,2	112,3	102,9	96,4	90,5
Yvirdekningur í mun til lógarkrav um gjaldføri / Excess cover relative to liquidity requirement (%)	80,6	90,6	80,6	121,3	156,8
Lánsváði / Credit risk ratios					
6 Stór engagement í mun til ansvarligan kapital / Large loans as percentage of accountable capital (%)	48,6	132,7	65,3	55,9	27,7
Partur av áogn við niðursettari rentu / Part of outstanding loans at reduced interest (%)	5,1	3,4	0,9	0,3	0,2
Burturleggingarprosent / Provisions percentage (%)	9,4	8,3	2,0	1,8	1,7
Tap og burturlegging í árinum í prosentum / Write-offs and provisions during the year (%)	2,0	7,1	0,5	0,4	0,3
Útlán í mun til eginognina / Total loans in proportion to equity	4,7	5,2	4,5	4,4	4,0
Útlánsvøkstur / Increase of loans (%)	0,6	-2,3	10,9	17,2	5,2
Onnur lyklátøl / Other ratios					
Innlánsvøkstur / Increase of deposits (%)	2,7	-4,1	4,1	10,1	6,0
Vøkstur í fíggarjavna / Increase of balance (%)	1,2	0,0	4,8	14,2	6,8

Roknskapargongdin í høvuðstølum

Roknskaparárið 2004, ið var 172. virkisárið hjá Føroya Sparikassa, gjørdist tað higartil besta. Úrslitið var 107,2 milliúnir krónur eftir skatt, móti einum halli upp á 128,8 milliúnir krónur í 2003 og einum avlopi upp á 65,9 milliúnir krónur í 2002.

Úrslitið av grundrakstrinum, sum er úrslitið áðrenn virðisbroytingar av virðisbrøvum, burturleggingar og skatt, minkaði kortini eitt sindur, úr 113,3 milliónum krónum í 2003 niður í 103,8 milliúnir krónur í 2004.

Orsøkin til minkingina í grundrakstrinum er m.a., at nettorentuinntøkurnar minkaðu við 16,8 milliónum krónum í 2004 ella 7,8%. Høvuðsorsøkirnar til minkandi nettorentuinntøkurnar eru, at rentustigini lækkaðu 1. juli 2003, og at rentuinntøkurnar frá alivinnuni eru munandi minkaðar. Inntøkurnar av ómaksgjøldum o.ø. hækkaðu hinvegin við 2,2 milliónum krónum ella 10,6%, meðan rakstrarútreiðslurnar øktust við 0,7 milliún krónum ella 0,6%.

Virðisjavnan av virðisbrøvum og gjaldoyra var 64,6 milliúnir krónur betri í 2004 enn í 2003. Høvuðsorsøkin var kursvinningur av sølu av ognarparti Sparikassans í KB Banka hf.

Avskrivningar og burturleggingar móti møguligum tapum minkaðu úr 309,2 milliónum krónum í 2003 niður í 86,9 milliúnir krónur í 2004. Burturleggingar móti møguligum tapum í alivinnuni eru minkaðar sera nógv, partvíst tí tað frammanundan er burturlagt sera nógv, partvíst tí virksemið í alivinnuni er minkað nógv í 2004.

Hóast úrslitið í 2004 í stóran mun er merkt av kursvinningi og burturleggingum, so meta vit, at talan er um eitt haldgott úrslit, tí grundraksturin er framhaldandi góður, og verður hartil frameftir styrktur við, at Sparikassin við

árslok 2004 keypti fyrrv. Kaupthing Bank A/S, nú Eik Bank Danmark A/S.

Fíggarstøðan javnvigaði við 5,259 milliardum krónum við árslok 2004 móti 5,195 milliardum krónum við árslok 2003. Hesin lífli vøkstur upp á 1,2% er ein spegilmynd av gongdini í samfelagsbúskapinum. Útlánini øktust úr 3,887 milliardum krónum við árslok 2003 upp í 3,912 milliardir krónur við árslok 2004, ein øking upp á 25 milliúnir krónur, svarandi til 0,6%. Innlánini øktust úr 3,786 milliardum krónum við árslok 2003 upp í 3,890 milliardir krónur við árslok 2004, ein øking upp á 104 milliúnir krónur, svarandi til 2,7%. Útlánsprosentíð, tað er lutfallið millum útlán, íroknað burturleggingar, og innlán var 111,2% móti 112,3% í 2003.

Eginpeningurin var 826,7 milliúnir krónur við árslok 2004 móti 753,6 milliónum krónum í 2003. Úrslitið eftir skatt upp á 107,2 milliúnir krónur svarar til eina eginpeningsrenting upp á 13,6%.

Solvensurin var 19,0%, móti 18,1% ultimo 2003. Gjaldfærið er minkað úr 868 milliónum krónum við ársenda 2003 til 842 milliúnir krónur við ársenda 2004. Hetta er út móti tvær ferðir so nógv, sum lógin krevur, so gjaldfærið má framvegis sigast at vera gott.

Nevndin fyri Føroya Sparikassa skjýtur upp fyri aðalfundinum at luta út 5% í vinningsbýti fyri 2004.

Samtakið

Sum greitt frá aðrastaðni keypti Føroya Sparikassi við virknaði frá 31. desember 2004 Kaupthing Bank A/S, nú Eik Bank Danmark A/S. Tí er í hesi ársfrágreiðing gjørdur roknskapur fyri alt samtakið. Av tí at keypið er gjørt beint áðrenn árslok, ávirkar keypið tó ikki rakstrarroknskapin á annan hátt enn at 25% av avlopinum í Eik Bank Danmark A/S er inntøkuført í Føroya Sparikassa P/F. Hinvegin verður javnin ávirkaður á fleiri postum. Í mun til oman-

fyrirstandandi tøl verður javnin fyri samtakið øktur við 1,235 milliardum krónum upp í tilsamans 6,494 milliardir krónur. Útlánini økjast við 1,141 milliard krónum upp í 5,053 milliardir krónur. Innlánini økjast við 305,3 milli-ónum krónum upp í 4,195 milliardir krónur. Solvensurin í samtakinum er 15,2%, og gjaldfærið er 1,016 milliardir krónur, svarandi til 2 ferðir lógarkrævið.

Menning

Føroya Sparikassi er ein gomul fyrítøka. Hann er stovnaður tann 24. august 1832 og hevur virkað sum peningastovnur í meira enn 172 ár. Hetta er sera long tíð og sigur nakað um evnini hjá Føroya Sparikassa at standa seg undir skiftandi umstøðum.

Umstøðurnar at reka peningastovnsvirksemi broytast nú skjóttari enn nakrantíð í 172 ára longu søgu Sparikassans.

Altjóðagerðin verður alt meira átroðkandi, og hon setur stór krøv til effektivan rakstur, vitan, førleika o.s.fr.

Stevnan hjá Føroya Sparikassa er at vera brúkaravin- arligasti peningastovnur í Føroyum. Í strembanini eftir at røkka hesari stevnu er ein umfatandi menning farin fram í Sparikassanum hesi farnu árinum.

Menningin byrjaði við nýggju Banka- og sparikassalógini í 1994, sum m.a. hevði við sær, at Sparikassin orðaði sítt virkisgrundarlag og síðani fór undir umfatandi útbúgv- ingartiløk. Um somu tíð fór fram ein uppbygging av nýggjum virkisøkjum, ið víðkaði tænastuútbóðið til eitt nú at fevna um vinnu- og virðisbrævátænastur av øllum sløgum. Við umleggingini til partafelag í 2002 gjørdist Sparikassin formliga ein fyrítøka, hvørs virksemi hevur til endamáls at geva eitt nøktandi fíggarligt avkast.

Sparikassin er broyttur frá at kalla einans at røkja privat-

kundar til í dag at hava ein týðandi leiklut í fíggingini av føroyska vinnulívnum. Útlán til vinnu eru økt úr uml. 10% í 1995 í uml. 33% av samlaðu útlánunum í 2004. Hóast hesa gongd hevur Sparikassin megnað at hildið marknaðarpartin á privatkundaøkinum í sínum virkisøki oman fyri 50%.

Eitt vælútbyggt vinnuligt undirstøðukervi er umráðandi, bæði fyri Føroya Sparikassa og fyri føroyska samfelagið. Sparikassin hevur tí verið virkin at byggja fíggarliga undirstøðukervið út soleiðis, at móguleikarnir at fáa fíggar- artænastur skulu vera á sama støði í Føroyum sum í øðrum londum. Í 1998 stovnaði Sparikassin húsameklarafelag, Inni P/F, ið við vælútbúnum starvsfólki sum einasti húsa- meklari í Føroyum veitir bústaðarlýsingar, sum siga keyp- arum frá, hvørjum standi húsini eru í. Í 2001 stovnaði Sparikassin sjálvur annar P/F Kaupthing Føroyar Virðis- brævameklarafelag. Tann 1. mai 2002 stovnaði Sparikassa- grunnurin saman við øðrum venturefelagið P/F Notio, og tann 30. januar 2003 stovnaði Sparikassagrunnurin sjálvur triði íbirtingarfelagið P/F Set. Hartil hevur Føroya Spari- kassi havt ein virknan leiklut í sambandi við Virðisbræva- marknað Føroya (VMF), sum nú loksins er komin hartil, at fyrsta føroyska fyrítøkan kann skrasetast í vár.

Sparikassin er í dag ein fyrítøka, sum – væl grundað í føroyska samfelagnum – hevur ein breiðan og góðan skara av kundum. Vit hava 171,8 fulltíðar starvsfólk við við- komandi vitan og útbúgving, og deildarnetið er væl útbyggt og tíðarhóskandi.

Málið hjá Sparikassanum er, at eginpeningurin skal rentast á støði við peningastovnar í og uttan fyri Føroyar, sum eru sambæriligir við Føroya Sparikassa.

Hesum máli vilja vit røkka við at veita eina framúr góða fakliga og persónliga tænastu. Vit leggja framhaldandi stóran dent á at menna okkara starvsfólk bæði fakliga og persónliga. Vit hava ein virknan heilsupolitikk, tí vit halda,

at heilsan hjá starvsfólkunum eisini er okkara ábyrgd og hevur týdning fyri tað arbeiði, sum starvsfólkini útinna. Vit arbeiða eisini miðvíst við at menna okkara tænarur, skipanir og innanhýsis bygnað. Fyri at kunna gera hetta á ein skipaðan hátt gera vit regluligar nøgdsemiskanningar fyri bæði kundar og starvsfólk. Vit menna støðugt okkara fíggarligu stýringsamboð. Eitt nú hava vit ment eitt heildarskorukort (Balanced Scorecard), har allar deildir fylgja upp á mál, sum tær hava sett sær viðvíkjandi fíggarligum úrslitum, kundum, innanhýsis arbeiðsgongdum, avrikum og starvsfólkum.

Vit hava ment eitt nýtt ráðgevingarkonsept, Heildarprátið, har miðað verður móti á ein skipaðan hátt at veita okkara privatkundum eina so fullfíggaða ráðgeving sum møguligt. Somuleiðis er gjørdur ein bygnaður, sum skal tryggja, at fokus alsamt er á at veita kundunum eina støðuga og dygdargóða ráðgeving.

Virksemi uttan fyri Føroyar

Føroyar eru ein rættiliga avmarkaður marknaður, og tað er ein avbjóðing at fáa rentað tann stóra eginpeningin hjá Sparikassanum nøktandi í Føroyum. Hartil kemur, at føroyski marknaðurin er rættiliga eintáttaður, tí hann í ein stóran mun er treytaður av fiskivinnu og alivinnu. Hetta hevur við sær ein váða, ið Sparikassin sum peningastovnur er sera tilvitaður um.

Tí hevur Sparikassin sett sær sum mál, at ein munandi partur av vinninginum skal koma frá virksemi uttan fyri Føroyar. Tað er orsök til, at Sparikassin fór í samstarv við Kaupthing hf. í Íslandi, har Sparikassin í 2000 ognuði sær 4,13% av partapeninginum. Í mai 2001 setti Sparikassin saman við Kaupthing hf. á stovn Kaupthing Bank A/S í Danmark við fyrst 20% av partapeninginum, sum vit í oktober 2002 øktu til 25%, meðan KB Banki hf. í Íslandi hevði hini ávikavist 80% og 75%.

Føroya Sparikassi hevur við virknaði frá 31. des. 2004

keypt allan partapeningin í Kaupthing Bank A/S í Danmark. Eftir yvirtøkuna hevur dótturbankin skift navn til Eik Bank Danmark A/S. Virksemið hjá bankanum heldur fram at kalla óbroytt, – tó hevur Eik Bank Danmark A/S selt FIH-Erhvervsbank „corporate finance“ deildina, ið taldi 4 starvsfólk.

Í dótturbankanum hjá Sparikassanum í Keypmannahavn starvast 31 fólk. Virksemið hjá bankanum er fyrst og fremst innan „private banking“, virðisbrævahandil, ognarrøkt, vinnuútlán og pantibrævavirksemi. Brian Toft, sum hevur verið bankastjóri síðani bankin varð stovnaður, heldur fram í starvinum. Ætlandi koma 1-2 starvsfólk úr Føroya Sparikassa skiftandi at starvast í bankanum í Keypmannahavn.

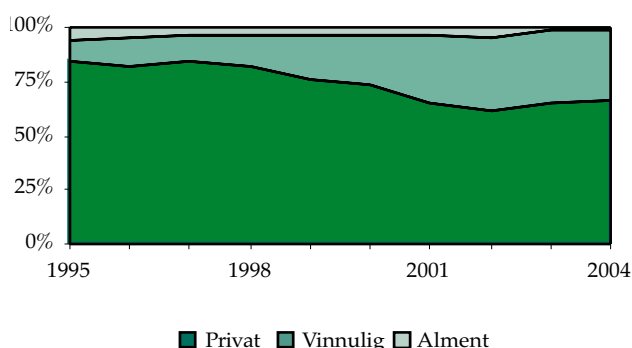
Samstundis sum Sparikassin yvirtók Eik Bank varð gjørt av at selja ognarlutin í KB Banka hf. og ognarlutin í Kaupthing Føroyar Virðisbrævameklarafelag P/F til KB Banka hf. Hinvegin hevur Sparikassin í 2004 keypt knappliga 5% av ábyrgdarpeninginum í SPRON, ið er størsti sparikassin í Íslandi.

Við at vera virkin uttanlands tryggjar Sparikassin sær eina ávísa váðaspjalding, samstundis sum Sparikassin á tann hátt støðugt veit, hvat rørir seg á fíggarøkinum uttan fyri Føroyar. Hetta er við til at tryggja Føroya Sparikassa kappingarføri móttvegis útlendskum og innlendskum kappingarneytum í Føroyum.

Útlánsongdin

Útlánsmynstrið í Sparikassanum er broytt sera nógv tey farnu árinum, serstakliga síðani Sparikassin fór at virka undir Banka- og sparikassalógini frá 1994. Í strikumynd á næstu síðu sæst, hvussu gongdin hevur verið í útlánssamansetingini hjá Sparikassanum síðani 1995.

Sektorbýtið fyri útlán 1995-2004



Vinnuparturin av útlánunum hevur verið stöðugt vaksandi og er nú uml. ein triðingur av samlaðu útlánunum, ið tó ikki er høgt í mun til peningastovnar uttanlands. Av tí vinnuliga partinum hevur alingin átt meira enn ein triðing. Hetta er minkað munandi niður móti 10% bæði vegna minkandi virksemlu í alivinnuni og vegna stórar burturleggingar í 2003 og aftur í 2004. Minkingin kemur helst at halda fram, tí lítið verður væntandi sett út í 2005 samstundis sum, at tað, ið er eftir í ringunum, so við og við verður slaktað.

Útlánini til fiskivinnuna á sjógv og á landi er ein góður fimtingur av samlaðu vinnulánum Sparikassans.

Samanlagt standa fiskivinna og aling í dag fyri uml. 10% av samlaðu útlánunum Sparikassans.

Parturin, sum privatu útlánini eru av samlaðu útlánunum, er minkaður úr 90% í 1995 niður í stívliga tveir triðingar í 2004, men í krónum eru privatu útlánini økt stöðugt ár undan ári. Mynstrið í privatu fíggingini er tó broytt munandi gjøgnum árin, hetta fyrst og fremst tí Sparikassin aftan á 1994 eins og aðrir føroyskir peningastovnar í størri og størri mun hevur heildarfíggað húsarhald. Tann parturin av privatu lánunum, sum hevur trygd í 1. veðrætti í húsum, hevur tí verið minkandi, men er tó framhaldandi ein munandi partur av útlánunum til privatkundan.

Solvensur Sparikassans hevur verið fallandi tey seinastu árin – tó er hann øktur eitt sindur aftur í 2004. Gongdin er fyrst og fremst ein fylgja av, at Sparikassin ynskir at nýta sítt gjaldføri til lánsveiting til tess at renta eginognina betur. Solvensurin er framvegis sera høgur í mun til lógarkravið upp á 8%, og málið er, at solvensurin altíð skal vera væl oman fyri lógarkravið.

Sparikassin hevur eisini fingið fleiri og fleiri stór engagement (t.e. engagement, sum eru meira enn 10% av eginpeningi Sparikassans). Hetta kemst av, at Sparikassin sum annar av stóru peningastovnunum í Føroyum náttúrliga gerst høvuðsbanki fyri størstu fyrirkunarnar í Føroyum. Hetta hevur eisini við sær eina ávísa gjaldoyraeksponering, sum eisini hevur verið vaksandi.

Sum áður nevnt hava vit sett okkum sum mál at fáa munandi part av okkara inntøkum frá virksemlu uttan fyri Føroyar. Ítøkiliga er í dag talan um Eik Bank Danmark A/S og luttøku í syndikeraðum lánunum til útlenskar lántakarar. Hetta hevur eisini við sær eina ávísa váðaspjalding.

Annars er kredittpolitikkur Sparikassans høvuðsamboðið at tryggja, at váðin til eina og hvørja tíð er innan tryggjar karmar. Nevnt skal eisini, at kredittpolitikkurin hevur ein leiklut í at tryggja:

- at Sparikassin er brúkaravinaligasti peningastovnur í landinum
- at samstarvið við viðskiftafólk Sparikassans er lønandi
- at arbeidsgongdirnar eru so effektivar sum gjørligt

Uttan at fara í smálutir kann sigast, at kreditttøkið er skipað soleiðis, at kredittveitingin fer fram á hollum grundarlagi – herundir at mettt verður ítøkiliga um hvønn einstakan stakváða, at váðin verður spjaddur og stakváðarnir avmarkaðir, soleiðis at sannlíkindini fyri stórum tapum eru avmarkað.

Føroya Sparikassi leggur stóra orku í arbeiðið við út-

lánsvirkseminum. Tann miðvísa hækkingin av útbúgv-
ingarstøðinum hjá starvsfólki Sparikassans seinastu árinu,
herundir eisini at tey sleppa at royna seg á ymsan hátt
uttanfyrir landoddarnar, er ein týðandi partur í at styrkja
kredittøkið, minka um váðan og betra um tænastrá og
tænastuútbøðið.

Hendingar í 2004 og frameftir

Leiðsla

Á aðalfundinum tann 12. mars 2004 stóðu Signa Dimon,
handilskvinna, og Olga Kallsberg, fysioterapeutur, fyrir vali.
Hvørgin teirra ynskti at stilla upp aftur. Í teirra stað komu
ávikavist Petur Hammer, stjóri, og Odd Bjellvåg, ráðgevi.

Eisini øll starvsfólkaumboðini í nevndini stóðu fyrir vali í
mars 2004: Rakul Dam, Bergun Kass, Tórmund A. Joensen
og Elinborg Jacobsen, sum tó ikki ynskti at stilla upp aftur.
Rakul Dam og Tórmund A. Joensen vórðu afturvald,
meðan Gert Langgaard og Bjartur Nolsøe vórðu valdir
fyrir Elinborg Jacobsen og Bergun Kass.

Nevndin skipaði seg við Frithleifi Olsen sum formanni og
Tórmundi A. Joensen sum næstformanni. Petur Zachar-
iassen ynskti ikki at halda fram í nevndini, og í hansara
stað varð á eykaaðalfundi 24. apríl 2004 vald Mathea
Hilduberg, fíggarleiðari.

Á aðalfundinum tann 4. mars 2005 stendur Marian Jacob-
sen, stjóri, fyrir vali.

Broytingar eru eisini hendar í leiðsluviðurskiftunum á
deildunum í Sparikassanum. Frá 1. mai 2004 vóru KT-
deildin og Fyrisitingardeildin lagdar saman í eina deild
undir heitinum Menningardeildin. Annika Mittún Jacob-
sen, cand. merc. dat., varð sett sum menningarleiðari,
meðan Heri Nolsøe, sum var leiðari av KT-deildini, helt
fram sum fulltrúi í Fíggardeildini, og Gunnar Joensen, ið

var leiðari av Fyrisitingardeildini, helt fram sum fulltrúi í
Menningardeildini. Tann 1. oktober tók Sigmund Frederik-
sen, cand. merc. aud., við sum grannskoðanarleiðari í
Sparikassanum. Sigmund kemur úr starvi sum grann-
skoðari hjá Deloitte í Keypmannahavn og tekur við eftir
Bjarna Poulsen.

Umvæling og bygging av deildum v.m.

Nevndin hevur samtykt, at nýggjur deildarbyggingur skal
gerast í Fuglafirði. Arkitektar 99 hava fingið uppgávuna
at standa fyrir arbeiðinum eftir innbodnari kapping millum
trý arkitektavirki. Byggingurin fer ætlandi at vera klárur
til nýtslu á heysti 2005.

Deildarbyggingarnir við Norðskála og í Vestmanna verða
væntandi umbygdir í 2005.

Tann 25. juni varð standmyndin Fría Fríða eftir Hans Paula
Olsen avdúkað á økinum millum Skansan og Sparikassan
Yviri við Strond. Sparikassagrunnurin hevur latið Tórs-
havnar Kommunu standmyndina.

Onnur viðurskifti av týðningi fyrir føroyska fíggarjearan

Sáttmálasamráðingar

Sáttmálasamráðingar verða aftur á føroyska arbeiðsmarkn-
aðinum í vár, herundir millum feløgini og arbeiðsgev-
ararnar innan fíggarjearan. Felagið hjá starvsfólkunum,
SFS, hevur sagt sáttmálan upp við gildi frá 1. mai 2005.

Lóg um aling

Broytingin í løgtingslóg um aling av fiski, sum fekk gildi
frá 22. juni 2004, lat upp fyrir veðseting av aliloyvvum og
tók avmarkingarnar hjá útlendingum at eiga í føroyskum
alifyritøkum av. Sparikassin fegnast um, at hesar broyt-
ingar, sum vit leingi hava arbeitt fyrir at fáa framdar, nú
eru vorðnar veruleiki.

Samstundis mugu vit tó ásanna, at broytingarnar eru komnar ov seint til kunna gera veruligan mun í tí hóttafalli, sum alivinnan er fyri í lötuni. Møguleikin fyri veðseting og útlendskum eigaraskapi kann kortini koma væl við, um alivinnan aftur gerst ein lønandi vinna. Gongdin í alivinnuni undir avmarkandi lógarkarmunum eigur eisini at læra okkum um vandan í at skerja møguleikan hjá vinnuni at gera tað, sum er best fyri vinnuna – ikki bara hjá alivinnuni, men hjá øllum vinnum.

Lógin um persónsupplýsingar

Hesi farnu árinu hefur verið politiskur tvídráttur um, hvussu lógin um persónsupplýsingar skal vera orðað og fyrisitin. Tvídrátturin snúði seg serstakliga um, hvørjar persónsupplýsingar skulu kunna goymast uttan fyri Føroyar, og hvussu fyrisitingarliga mannagongdin skal vera. Hesin tvídráttur hefur havt sera óhepnar fylgjur fyri GjaldSkipanina hjá peningastovnunum, sum varð sett í verk eftir loyvi frá Dáturáðnum, men varð steðgað vegna tvídráttin í eitt langt tíðarskeið.

Tann politiska semjan, ið gjørd er, merkir m.a., at ongi serstøk loyvi skulu til fyri at kunna goyma persónsupplýsingar uttan fyri Føroyar, um so er, at upplýsingarnar verða goymdar í londum, ið hava eitt lógarverk, sum tryggjar eina persónsdátuverju á støði við ta føroysku persónsdátuverjuna.

Hesa loysn er Føroya Sparikassi sera nøgdur við av fleiri orsøkum. Í fyrsta lagi tí óvissan um GjaldSkipanina harvið er burtur, so skipanin kann halda fram ótarnað. Í øðrum lagi tí lógin er generell á tann hátt, at loyvi til at goyma upplýsingar uttan fyri Føroyar bert skal søkjast, um talan er um lond, sum ikki eru góðkend sum trygg. Kunngerðin við teimum londum, ið eru góðkend sum trygg, er tó ikki komin enn, og tað er ikki nøktandi. Í triðja lagi, tí tað hevði fingið sera óhepnar avleiðingar fyri fleiri aðrar týðandi skipanir, eitt nú gjaldkortini, um eingin semja spurdist burturúr.

Gjald fyri korttransaktiónir

Rættligt kjak hefur tikið seg upp bæði í Føroyum og í Danmark orsakað av, at nógv teir flestu peningastovnarnir frá 1. jan. 2005 krevja 50 oyru fyri hvørja transaktión við FR-korti (Dankorti) frá handlum, ið árliga hava meira enn 5000 transaktiónir.

Heimildin til at taka transaktiónsgjaldið er í Danmark ásett í §14 í Lov om visse betalingsmidler. §14 varð broytt við gildi frá 1. jan. 2005, tá politisk semja var í Fólkaetinginum um at broyta forboðið í §14 til eitt hægsta gjald upp á 50 oyru fyri hvørja transaktión. Lov om visse betalingsmidler hefur ongantíð verið í gildi í Føroyum, og tí hava peningastovnarnir í Føroyum alla tíðina havt heimild at taka gjald frá handlunum.

Orsøkin til at peningastovnarnir ynskja at taka gjald fyri korttransaktiónirnar er, at vit hava útreiðslur av at bjóða kundunum hesa (og aðrar) skipanir. Hesar útreiðslur skulu so ella so fáast aftur við inntøkum Sparikassans. Vit halda, at tað búskaparliga sæð er rætt at lata teir kundar, sum nýta eina tænastu – í hesum føri handlarnar – gjalda fyri tænastuna.

Eins og peningastovnarnir mugu handlarnir so ella so fáa til vega vinning at gjalda tær útreiðslur fyri kortnýtslu, sum teir nú mugu gjalda til peningastovnarnar. Hetta kann gerast annaðhvørt við prísásetingini hjá handlunum sum heild ella við, at kundarnir gjalda handlunum fyri kortnýtsluna.

Kostnaðurin, sum peningastovnarnir – og nú eisini handlarnir – hava av at nýta FR-kortið, er ikki av øðrum slagi enn aðrar útreiðslur, og tær mugu so ella so vinnast innaftur við sølu.

Tað hevði verið oyðileggjandi fyri marknaðarmekanismuna og hevði helst hóttað framtíðina hjá FR-kortinum, um tað við lóg varð ásett, hvussu fyrirøkur kunnu innrokna

sí­nar útreiðslur í söluprísirnar. Av somu grund eigur tað heldur ikki at verða ásett við lóg, hvussu peningastovnar ella handlar kunnu innrokna útreiðslur til skipanir, herundir til FR-kort skipanina.

Einskiljing av almennum fyrítøkum

Kreppuloysnirnar fyrst í 90-árunum bóru í sær, at fleiri stórar privatar fyrítøkur komu á almennar hendur. Eisini eru nakrar almennar fyrítøkur umskipaðar til partafeløg. Ætlanin hevur alla tíðina verið, at hesar fyrítøkur fyrr ella seinni skulu einskiljast, og fortreytirnar fyri at fremja einskiljingar eru nú eisini í lagi. Merkisvert er tó, at hóast nógv hevur verið tosað um einskiljingar, so er kortini enn ongin einskiljing farin fram.

Tær politisku útmeldingarnar, ið er komnar í sambandi við fær fyrítøkur, sum alment hava verið umrøddar sum ynskiligar at einskilja, vísa tó, at politiski viljin bert røkkur til partvísa einskiljing av partapeninginum. Hetta hevur fleiri óhepnar avleiðingar. Í fyrsta lagi at tann politiska ávirkanin á fyrítøkurnar ikki hvørvur. Í øðrum lagi, at óvissa verður um, hvørt ella nær tað almenna vil selja restina av partapeninginum. Og í triðja lagi, at tað almenna ikki fær tann prís fyri fyrítøkuna, sum annars kundi verið fingin.

Føroya Sparikassi heldur tað vera umráðandi, at einskiljingin verður framd, so allur partapeningurin verður boðin út í einum til privatu íleggjararnar, ella at greið ætlan er um, hvussu víðari verður farið fram, tí tað gevur møguleika fyri at fáa teir bestu íleggjararnar og besta prísinn.

Føroya Lívstrygging

Einskiljing av Føroya Lívstrygging hevur verið eitt eytt politiskt evni frá byrjan, og enn er spurningurin óavgreiddur.

Føroya Sparikassi tekur undir við ætlanunum um at einskilja Føroya Lívstrygging, tí einskiljing er ein av lyklunum

til effektivan og kappingarføran rakstur. Peningastovnararnir hava á sínum egna virkisøki tikið undir við at broyta eitt nú rentuskatt, kapitalvinningskatt o.a., fyri at tryggja, at møguligir kappingarneymar, eisini útlenskir, kunnu kappast á jøvnum føti við okkum. Tað er okkara fatan, at tryggingarøkið somuleiðis eigur at verða liberaliserað, so verulig kapping kann fara fram.

Ætlanin um at lata fakfeløgnum ella tess limum helvtina av partapeninginum í Føroya Lívstrygging kann tó mótvirka liberaliseringini á tryggingarøkinum, tí fakfeløgin verða tá bæði høvuðskundabólkur og høvuðseigarar hjá sama lívstryggingarfelagi. Um feløgin vilja tað ella ikki, verður úrslitið ein monopolkendur tryggingarmarknaður, ið ikki fær ment seg við kappingarforum prísnum og tænaastum, og tað rakar allar tryggingartakarar, eisini fakfelagslimirnar.

Eitt annað kappingaravlagandi fyrbrigdi er tað stóra uppsagnargjaldið, sum Føroya Lívstrygging krevur frá kundum, tá teir flyta kapital av sínum eftirlønarskipanum í Føroya Lívstrygging til skipanir í peningastovnum. Kundar, sum flyta kapital av eftirlønarpásparring úr einum peningastovni til annan ella til Føroya Lívstrygging, skulu hinvegin gjalda munandi minni í uppsagnargjaldi. Uppsagnargjaldið hjá Føroya Lívstrygging forðar uppspararum í frítt at velja, hvar teir ynskja at spara upp, og tað eigur tí at verða broytt.

Útlit fyri 2005

Ongin vøkstur var í samfelagsbúskapinum í 2004, og útlitini fyri 2005 eru ein ávís samfelagsbúskaparlig afturgongd. Nærri er greitt frá hesum á heimasíðu Sparikassans www.sparikassin.fo.

Sparikassin væntar sær tí eina ávís afturgongd í netto-rentuinntøkum. Hinvegin vænta vit framgongd í inn-

tökum frá avgjöldum, og vit vænta ikki vøkstur í rakstrarútreiðslunum.

Tey farnu tvey árinu hefur roknskapurin verið merktur av burturleggingum upp á alivinnuna, men nú meta vit, at vit eru komin á botn, so roknskapurin fyri 2005 fer ikki at hava stórvegis burturleggingar vegna alivinnuna.

Roknskapurin tey farnu tvey árinu hefur eisini verið rættiliga nógv merktur av kursvinningum upp á partabrøv í Kaupthing samtakinum. Hesa partabrøv eru nú seld, men í staðin hava vit keypt Eik Bank Danmark A/S, sum vit vænta fer at geva eitt gott íkast til úrslitið fyri Føroya Sparikassa.

Tí meta vit, at úrslitið í 2005 verður á sama støði sum í 2004.

Roknskapurin 2004

Nýttur roknskaparháttur

Ársroknskapurin er gjørdur í samsvari við lóg um bankar og sparikassar og kunngerðir og leiðreglur frá Fíggjareftirlitinum fyri peningastovnar.

Rakstrarroknskapurin

Úrslitið av rakstrarroknskapinum fyri 2004 gjørdist eftir skatt 107,2 milliónir krónur móti -128,8 milliónum krónum í 2003.

Sparikassin hefur ikki broytt út- og innlánsrentustigini í 2004. Hóast hetta lækkaðu nettorentuinntøkurnar við 16,8 milliónum krónum, úr 215,6 milliónum krónum í 2003 í 198,8 milliónir krónur í 2004 – ein lækking uppá 7,8%.

Rentuinntøkurnar lækkaðu í árinum við 8,2% úr 291,0 milliónum krónum í 2003 í 267,2 milliónir krónur í 2004. Rentuútreiðslurnar lækkaðu hinvegin við 9,3%, úr 75,4

milliónum krónum í 68,4 milliónir krónur í 2004. Høvuðsorsøkin til at rentuinntøkurnar minkaðu lutfalsliga meir enn rentuútreiðslurnar, og at nettorentuinntøkurnar sostatt lækkaðu er, at innlánini eru økt við 2,7% í árinum, meðan útlánini eru á sama støði sum í 2003. Herumframt er eisini áog, har renta ikki er inntøkuførd í 2004.

Inntøkur av ómaksgjöldum og provisiónir av ábyrgdum v. m. eru øktar úr 20,4 milliónum krónum í 22,6 milliónir krónur í 2004. Vøksturin er 2,2 milliónir krónur ella 10,6%, og stavar hann frá øktum virkseimi, og av at gjældini eru hækkað fyri ávísar tænarur.

Sparikassin hevði í 2004 ein nettokursvinning uppá 87,7 milliónir krónur av virðisbrøvum og gjaldoyra í mun til ein vinning upp á 23,1 millión krónur í 2003. Lánsbrøvini góvu eitt kurstap uppá 4,3 milliónir krónur, gjaldoyra ein kursvinning uppá 1,8 milliónir krónur, meðan 90,2 milliónir krónur vóru í kursvinningi upp á partabrøvini. Herav átti íløgan í KB Banka hf. í Íslandi 81,6 milliónir krónur.

Úrslit av fíggjarpostum, tað er nettoúrslit av rentum, ómaksgjöldum, virðisjavnan og øðrum vanligum inntøkum v. m., var 321,8 milliónir krónur við ársenda 2004 móti 269,0 milliónum krónum somu tíð árið fyri. Hetta svarar til ein vøkstur uppá 52,8 milliónir krónur ella 19,6%.

Tær samlaðu útreiðslurnar til starvsfólk og umsiting vóru 122,0 milliónir krónur í 2004 móti 121,3 milliónum krónum í 2003. Hetta er ein vøkstur uppá 0,7 milliónir krónur ella 0,6%. Útreiðslur til lönir v.m. eru øktar við 2,9 milliónum krónum ella 4,4%. Umroknað til fulltíðarstørv starvaðust 171,8 fólk í Sparikassanum í 2004 móti 185,6 fólki í 2003. Aðrar umsitingarútreiðslur eru lækkaðar við 2,2 milliónum krónum í 2004.

Ognir Sparikassans vórðu av- og niðurskrivaðar við 8,7 milliónum krónum í 2004 móti 10,2 milliónum krónum í

2003. Sparikassin hefur í árinum selt bygningarnar á Skála, í Hósvík, Kvívík, Sandavági og Skopun.

Burturleggingar móti tapi og avskrivningar av skuldarum lækkaðu nógv í 2004. Burturleggingarnar netto í 2004 vóru 86,9 milliónir krónur móti 309,2 milliónum krónum í 2003. Samlaðu burturleggingarnar, sonevnda korrektivkontan, við ársenda 2004 svараðu til 9,4% av samlaðu útlánunum og ábyrgdunum og ljóðaðu uppá 414,0 milliónir krónur móti 364,1 millión krónum somu tíð árið fyri.

Úrslitið av kapitalpørtum í assosieraðum og tilknýttum fyrítøkum gjørdist ein vinningur uppá 8,8 milliónir krónur, móti 0,5 milliónum krónum árið fyri.

Í 2004 er skattur útreiðsluførdur við 4,4 milliónum krónum móti eini inntøkuføring upp á 42,6 milliónir krónur í 2003.

Úrslitið av rakstrarroknskapinum fyri 2004 eftir skatt gjørdist sostatt ein vinningur upp á 107,2 milliónir krónur móti einum halli upp á 128,8 milliónir krónur í 2003.

Nevndin fer á aðalfundinum 4. mars 2005 at skjóta upp, at vinningsbýtið verður sett til 5%, soleiðis at av ársúrslitinum uppá 107,2 milliónir krónur verða 34,0 milliónir krónur goldnar út sum vinningsbýti til partaeigararnar, meðan restin, 73,2 milliónir krónur, verður flutt til eginognina.

Fíggarstøðan

Fíggarstøðan javnvigaði við 5,259 milliardum krónum við ársenda 2004 móti 5,195 milliardum krónum í 2003. Vøksturin er 64,0 milliónir krónur ella 1,2%.

Útlánini við ársenda 2004 vóru 3,912 milliardir krónur móti 3,887 milliardum krónum í 2003. Innlánini vóru 3,890 milliardir krónur í 2004 móti 3,786 milliardum krónum í 2003. Útlánsprosentid, tað er lutfallið millum útlán, íroknað burturleggingar, og innlán var 111,2% móti 112,3% í 2003.

Lánsbrøvini eru økt í 2004 í mun til 2003 við 51,7 milliónum krónum til 572,0 milliónir krónur.

Eginognin við ársenda 2004 var 826,7 milliónir krónur móti 753,6 milliónum krónum somu tíð í 2003, og solvensprosentid var 19,0% í 2004 móti 18,1% í 2003. Lógarkravið er 8%.

Gjaldførið

Gjaldføri Sparikassans er framvegis gott. Gjaldførið verður roknað sum tøkur peningur, áogn uttan uppsøgn í øðrum peningastovnum, innlánsprógv í Tjóðbankanum og virðisbrøv. Gjaldførið var 841,6 milliónir krónur við ársenda 2004 móti 867,6 milliónum krónum í 2003. Í mun til skyldur Sparikassans styttri enn 1 mánað var gjaldførið 42,1%, og í mun til allar skyldurnar var gjaldførið 18,1%. Í 2003 vóru samsvarandi tøluni 42,3% og 19,1%. Lógarkravið er ávikavist 15% og 10%.

Onki av týðningi, ið ávirkar ársúrslitið ella fíggarstøðuna, er hent síðani roknskaparlok.

Highlights of the Annual Accounts

Fiscal year 2004, the 172nd year of Føroya Sparikassi, turned out to be the best year ever. The profit was DKK 107.2 million, compared to a loss of DKK 128.8 million in 2003, and a profit of DKK 65.9 million in 2002.

The result from core operations – which is the result before market value adjustments for securities, provisions, and taxes are deducted – decreased slightly, however, from DKK 113.3 million to DKK 103.8 million in 2004.

The principal reason for the decrease in the core operations result is that the net interest income decreased by DKK 16.8 million in 2004, or by 7.8%. This mainly stems from the fall in the interest rates subsequent to 1 July 2003, and to the considerably lower interest income from the fish farming industry. On the other hand, income from fees and commissions increased by DKK 2.2 million, or by 10.6%, while core operations expenses increased by DKK 0.7 million, or 0.6%.

Market value adjustments of securities and currencies were DKK 64.6 million greater in 2004 than in 2003, the main reason being profit from the sale of our share in KB Banki hf.

Depreciations and provisions against possible losses decreased from DKK 309.2 million in 2003 to DKK 86.9 million in 2004. Provisions against possible losses in the fish farming industry have decreased considerably, partly because very large provisions had already been made, and partly because the activity in the fish farming industry has decreased measurably in 2004.

Although to a large extent the result in 2004 is marked by substantial gains on shares and of provisions against losses, we believe that the result is solid, because the result of the core operations remains good. Our view is strengthened,

we believe, by the purchase at year-end 2004 by Føroya Sparikassi of the former Kaupthing Bank A/S, now Eik Bank Danmark A/S.

The balance stood at DKK 5.259 billion at year-end 2004, compared to DKK 5.195 billion in 2003. The small increase of 1.2% mirrors the general economic development in the national economy. Outstanding loans increased from DKK 3.887 billion at year-end in 2003 to 3.912 billion in 2004, an increase of DKK 25 million, or 0.6%. Deposits increased from DKK 3.786 billion at year-end 2003 to 3.890 billion in 2004, an increase of DKK 104 million, or 2.7%. The liquidity ratio, which is the ratio of loans and provisions against losses to deposits, was 111.2% at year-end 2004 compared to 112.3% at year-end 2003.

Equity was DKK 826.7 million at year-end 2004 compared to 753.6 at year-end 2003. The after tax result of DKK 107.2 million equals a return on equity of 13.6%.

The solvency ratio was 19.0% at year-end 2004 compared to 18.1% in 2003. Liquidity decreased from DKK 868 million at year-end 2003 to 842 million, which is almost twice the statutory requirement. Hence, liquidity remains quite good.

The board of directors will recommend at the annual general meeting to distribute 5% of the share capital as dividends to shareholders.

The company as a whole

As indicated elsewhere, Føroya Sparikassi effective 31 December 2004 bought Kaupthing Bank A/S, now Eik Bank Danmark A/S. Hence, the annual accounts for 2004 cover the entire concern. As the purchase only came into effect just before year-end, it only influences the profit and loss account for 2004 in that 25% of the surplus in Eik Bank Danmark A/S is registered as income. The purchase influences, however, several items in the balance sheet. Com-

pared to the figures above, the balance for the concern is increased by DKK 1.235 billion to DKK 6.494 billion. Outstanding loans increased by DKK 1.141 billion to DKK 5.053 billion. Deposits increased by DKK 305.3 million to DKK 4.195 billion. The solvency ratio is 15.2% and the liquidity is DKK 1.016 billion, which is twice the statutory requirement.

Developments in Føroya Sparikassi

Føroya Sparikassi is an old, well-established company. Founded on 24 August 1832, it has been active in the financial sector for more than 172 years. By any measure, this is a long time and gives an excellent indication of the overall ability of Føroya Sparikassi to effectively manage even in the face of major changes.

The environment within which a financial institution operates today changes more quickly than ever before in the 172 year-long history of Føroya Sparikassi.

Issues of globalization are ever more widespread and demand increasing efficiencies in operations, knowledge and skills acquisition and application, etc.

The vision of Føroya Sparikassi is to be the most customer service focused bank in the Faroe Islands. In order to realize this vision, Føroya Sparikassi is engaged in constant development.

This development was initiated by the new banking legislation that went into effect in 1994. It precipitated the formulation of our present mission statement and the implementation later on of a comprehensive educational program. Simultaneously, we established new business areas that widened the variety of services we could offer, e.g. commercial services and trading in securities. When Føroya Sparikassi was transformed to a limited liability company

in 2002, we formally became a business entity that first and foremost aims at generating a satisfactory profit.

Føroya Sparikassi has changed from primarily providing financial services for private customers to being a significant provider of financial services for trade and industry in the Faroes. Commercial loans have increased from app. 10% in 1995 to app. 33% of the total loans of Føroya Sparikassi in 2004. Despite this new focus on the commercial market, Føroya Sparikassi has managed to maintain a market share above 50% in the private market in its area of operation.

A modern commercial infrastructure in the Faroes is essential, both for Føroya Sparikassi and for Faroese society. Therefore, Føroya Sparikassi has actively participated in creating a financial infrastructure here so that the level of financial services in the Faroe Islands is as good as in other countries. In 1998, Føroya Sparikassi established the estate agency, Inni Ltd., whose well-educated staff provides potential buyers with a certificate that sets forth the condition of the building that is for sale. Inni is the only agency in the Faroes providing this service. In 2001, the Sparikassi Fund was one of two investors who established Kaupthing Føroyar Securities Company. On 1 May 2002, the Sparikassi Fund participated in establishing the venture company, Notio Ltd. On 30 January 2003, the Sparikassi Fund, along with two other investors, established the seed capital company Set Ltd. Furthermore, Føroya Sparikassi has been active in the Faroese Stock Exchange Company, VMF, whose main task is to facilitate the establishment of a Faroese Stock Exchange. The company now has paved the way for the first Faroese company to be registered on the Faroese Stock Exchange in the spring.

Føroya Sparikassi is firmly established in Faroese society and it services a broad spectrum of quality clients. Føroya Sparikassi has 171.8 fulltime employees with relevant ex-

pertise and education, and a comprehensive network of modern branches located throughout most of the Faroes.

The goal of Føroya Sparikassi is to ensure a return on equity that is at least as good as that of comparable banks here, as well as beyond the Faroes.

We intend to reach this goal by providing exceptionally good personal and professional service. We shall continue to place great emphasis on the development of our staff both on the personal level, as well on the professional level. We are pursuing an active health maintenance program, as we believe that the health of our staff is also our responsibility, and has a direct and important impact on the quality of their work. Moreover, we constantly aim at improving our services, systems and internal organization. In order to do this systematically, we conduct regular satisfaction surveys among our customers as well as our employees. We constantly develop our financial control systems. As an example, we have implemented Balanced Scorecard, where we follow up on the goals that departments and branches have concerning financial result, customers, processes, employees, etc.

We have developed a new concept for the provision of financial advice, Heildarprátið (Complete Advice), aiming at systematically providing our private customers with as complete an advisory service as possible. Also, we have built up an organization that can ensure that we maintain a steady focus on providing our customers with consistent and high quality advisory service.

International activities

The Faroes is a limited market. Hence, it is a challenge to get a satisfactory return on equity solely based on activities in the Faroe Islands. Moreover, the Faroese market is not very diversified, as it is first and foremost based on the fishing industry and fish farming. This implies risks of which Føroya Sparikassi as a bank is keenly aware.

Therefore, one of our goals is to get a substantial part of our profit from activities outside the Faroe Islands. This is why Føroya Sparikassi began to collaborate with Kaupthing hf. in Iceland by buying 4.13% of the shares in Kaupthing hf. in 2000. In May 2001, we established Kaupthing Bank A/S in Denmark together with Kaupthing hf. Initially, we owned 20% of the shares, but in October 2002 it was increased to 25%. KB Banki hf. owned, respectively, the other 80% and 75% of the shares.

Effective 31 December 2004, Føroya Sparikassi bought all the shares in Kaupthing Bank A/S in Denmark. After the acquisition, the subsidiary bank changed its name to Eik Bank Danmark A/S. The bank continues with almost the same activities. Eik Bank Danmark A/S has, however, sold the corporate finance department with four employees to FIH Erhvervsbank in Denmark.

Our subsidiary in Copenhagen has 31 employees. The activities of the bank are primarily within private banking, securities, asset management, commercial loans and the mortgage trade. Brian Toft, who has been the managing director of the bank since it was established, continues as managing director. We anticipate that one or two employees from Føroya Sparikassi will rotate on a regular basis through our bank in Copenhagen.

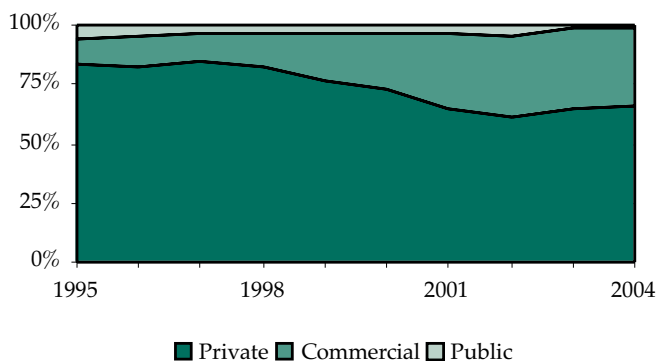
When we took over Eik Bank, we decided to sell our shares in KB Banki hf. in Iceland, as well as our shares in Kaupthing Føroyar Securities Company to KB Banki hf. On the other hand, we bought close to 5% of the guarantee capital in SPRON in 2004, which is the largest savings bank in Iceland.

International activities ensure a certain amount of risk diversification. At the same time, it enhances our knowledge about what is happening in the financial sector outside the Faroes. This improves our competitive advantage against both foreign and domestic competitors in the Faroese market.

Developments in Loans

The lending pattern of Føroya Sparikassi has changed considerably over the past years, especially since the new banking legislation entered into force in 1994. In the figure below, the changes in the loan distribution of Føroya Sparikassi since 1995 is shown

Loans by sektor 1995 - 2004



Commercial loans have grown steadily and now constitute app. one-third of the total loans. This is not much compared to financial institutions abroad. Of the commercial loans, more than a third have been loans to fish farming. This has, however, decreased substantially towards 10%, partly due to lesser activity in fish farming and partly due to large provisions against possible losses in 2003 and again in 2004. The decrease will most probably continue, because 1) we expect very few smolts to be released in 2005 and 2) there is an ongoing harvesting of the stock remaining in the ocean pens.

The loans to the fishing industry at sea and on land constitute a bit more than 20% of the total commercial loans of Føroya Sparikassi.

In total, the fishing industry and the sea farming industry presently constitute app. 10% of the total loans of Føroya Sparikassi.

The share that private loans constitute of total loans has diminished from 90% in 1995 to close to two-thirds in 2004. Measured in DKK, the private loans have, however, increased steadily year by year. The composition of private loans has undergone a change, primarily because Føroya Sparikassi, subsequent to 1994, like other Faroese banks, provided households more and more with a complete financing package. Therefore, the share of private, first-mortgage home loans has decreased, but even so the share remains substantial.

The solvency ratio of Føroya Sparikassi has fallen during the last few years, although it rose slightly again in 2004. This development is mainly a consequence of our wish to make use of our liquidity to provide loans in order to generate a better return on our equity. The solvency ratio still is very high compared to the statutory requirement of 8%. Our goal is to keep the solvency ratio well above the statutory requirement.

Føroya Sparikassi has a growing number of large engagements, i.e. financial engagements that constitute more than 10% of the equity of Føroya Sparikassi. This is due to the fact that Føroya Sparikassi is one of two large banks in the Faroes. Consequently, it is natural for the largest companies in the Faroe Islands to choose Sparikassi as their main banking partner. Being the bank for large companies also implies a certain currency exposure.

As mentioned above, it is our goal that a substantial part of the profit of Føroya Sparikassi comes from activities outside the Faroe Islands. Presently, our subsidiary Eik Bank Danmark A/S and our participation in syndicated loans to foreign borrowers serve as examples of income gained internationally. Activity abroad also contributes to diversifying the risk held by Føroya Sparikassi.

The credit policy of Føroya Sparikassi is the main instrument to ensure that the risk at any time is within safe

limits. It should be noted that the credit policy also plays a role in ensuring

- that Føroya Sparikassi is the most customer-focused bank in the Faroe Islands
- that our involvement with our customers is profitable
- that the internal procedures are as effective as possible

Without going into details, the provision of credit has been organized in a way that ensures that loans are provided on a sound basis. This implies, among other things, that every risk is assessed and that efforts are made to diversify and limit the risks in order to limit potential losses.

Føroya Sparikassi is working diligently to improve the quality of its loan activities. The systematic increase of the educational level of our employees over the years, including letting employees gain experience abroad, is an important way to strengthen the quality of our credit activities, thereby diminishing risk and improving the quality and supply of our services.

Events in 2004 and beyond

Management

At the Annual General Meeting on 12 March 2004, Signa Dimon, retail shop owner, and Olga Kallsberg, physiotherapist, were up for re-election to the Board of Directors. However, both of them declined to continue to serve. In their place, Petur Hammer, business manager, and Odd Bjellvåg, consultant, respectively, were elected.

All the staff representatives were up for re-election in March 2004: Rakul Dam, Bergun Kass, Tórmund A. Joensen and Elinborg Jacobsen. Elinborg Jacobsen did not wish to stand. Rakul Dam and Tórmund A. Joensen were reelected, and Gert Langgaard and Bjartur Nolsøe were elected for Elinborg Jacobsen and Bergun Kass.

The Board elected Frithleif Olsen as chairman and Tórmund A. Joensen, deputy chairman. Petur Zachariassen did not wish to continue on the Board, and in his place Mathea Hilduberg, financial manager, was elected at the extraordinary meeting on 24 April 2004.

At the Annual General Meeting on 4 March 2005 Marian Jacobsen, business manager, will be up for re-election.

There have been other management changes in the departments of Føroya Sparikassi. On 1 May 2004, the IT Department and the Administration Department were united, and the merged departments were named Strategic Operations. Annika Mittún Jacobsen, cand. merc. dat. was appointed head of the new department, and Heri Nolsøe, prior head of the IT Department, continues as senior advisor in the Financial Market Services, and Gunnar Joensen, prior head of the Administration Department, continues as senior advisor in Strategic Operations. Sigmund Frederiksen, cand. merc. aud. was appointed head of the Internal Auditing Department. Sigmund was, prior to his appointment, employed as an accountant at Deloitte in Copenhagen, and he replaces Bjarni Poulsen.

Repairs and Building of Branches, etc.

The Board of Directors decided to build a new branch building in Fuglafjørður. The architect firm, Arkitektar 99, was commissioned to design the building following a competition with three other architect firms. The building is intended to be completed in the autumn of 2005.

The branches at Norðskála and Vestmanna are expected to be renovated in 2005.

On 25 June, the statue Fría Fríða by Hans Pauli Olsen was unveiled in the area between Fort Skansin and the headquarters of Føroya Sparikassi. The statue is a gift from the Sparikassi Fund to the municipality of Tórshavn.

Other Matters of Importance to the Faroese Financial Sector

Wage Negotiations

Trade union negotiations in the Faroese labor market will take place this spring, including negotiations between the unions and the employers association in the financial sector. The union representing the employees in Føroya Sparikassi, SFS, has determined not to extend the existing contract beyond 1 May 2005.

Fish Farming Act

The amendment to the Parliamentary Act on Fish Farming that entered into force on 22 June 2004, permitted farming licenses to be used as collateral and to be mortgaged, and lifted the restrictions imposed regarding foreign ownership of Faroese fish farms. Føroya Sparikassi is most satisfied that this amendment, for which we have worked a long time, has now become a reality.

At the same time, we have to acknowledge that the amendment came too late to make any real difference to the deep crisis the fish farming industry is in. Mortgage options and foreign ownership can be an advantage, if fish farming again becomes a profitable industry. The current fate of fish farming in the Faroes under restrictive legislation should also teach us how harmful it is to impose limitations on an industry's possibilities to do what is best for the industry – this is not only relevant for fish farming, but for other industry as well.

Personal Data Legislation

For some years, there has been keen political debate about how the Act on Personal Data should be formulated and administered. The debate especially focused on what personal information could be registered outside the Faroes and about the administrative process. This debate was most disruptive to the banks' payment system, the GS System, which was implemented following an approval

of the Data Supervisory Board – the dispute stopped the use of the system for a considerable period.

The eventual political agreement reached concerning the Act on Personal Data states that no special permits are required to register personal data outside the Faroe Islands if the data are registered in countries with legislation in place that ensures the same or a greater level of personal data protection as in the Faroe Islands.

This solution is very satisfactory for Føroya Sparikassi for several reasons. Firstly, the uncertainty surrounding the GS System is eliminated, and thus may continue undisturbed. Secondly, the act establishes a general rule that permits registration of personal data outside the Faroes without having to apply for permission if the registration is done in countries considered to be secure. The regulation listing the secure countries, however, has not yet been promulgated and this is unsatisfactory. Thirdly, the consequences for other systems, for example the debit card system, would have been very severe, if no solution had been found.

Charge on Card Transactions

A hefty debate now is taking place in both Denmark and the Faroe Islands, as almost all banks as of 1 January 2005 have imposed a charge of one-half króna for each card transaction at retail outlets with more than 5000 transactions per year (in the Faroe Islands the charge relates to the FR card, in Denmark to the Dankort; both are debit cards).

In Denmark, the transaction charge is permitted in Article 14 of the Act on Certain Means of Payment (Lov om visse betalingsmidler). Article 14 was amended as of 1 January 2005, when the Danish Parliament agreed to amend the ban in Article 14 to a maximum charge of one-half króna per transaction. The Act on Certain Means of Payment has never been in force in the Faroe Islands and, therefore,

Faroese banks always have been permitted to charge the shops.

The reason that the banks want to charge for card transactions is that providing this (and any other) service implies costs for us as providers. These costs have to be recouped from the earnings generated by the banks. We find it economically sound to let the users of a service or system – in this case the retail shops – pay for the service or system that they use.

As is the case for the banks, the retail shops have to pay the expense for card transactions out of their individual earnings. Payment of this expense can either be done via their general pricing policy or by letting their customers pay the charge.

The cost that the banks have for providing the card system – and that the shops now have as well – must, like any cost, be retrieved by generating earnings, either by increasing sales or by more effective operation.

It would have been devastating for the market mechanisms – and most likely for the future of the card system as well – if it was stipulated by law how firms were allowed to recover costs. Therefore, legislation should not stipulate how banks and retail shops cover their system costs, including the card system cost.

Privatization of Public Enterprises

Due to the deep financial crisis in the early 1990s, several private business entities became public enterprises. Some public enterprises were also converted into limited liability companies. The intention always was to privatize these enterprises, and the preconditions for doing so are in place. It is noteworthy, however, that in spite of considerable debate no privatization has yet taken place.

The political statements made in the debate about enter-

prises subject to privatization indicate that the political will does not go further than a partial privatization of the capital. There are several unfavorable consequences of this attitude. Firstly, the political influence on the enterprises will still remain. Secondly, there will be uncertainty about when and if the remaining public capital will be sold. Thirdly, the public may not obtain the most favorable price for the enterprise.

Føroya Sparikassi feels that it is very important either to privatize in a way that the total share capital is offered to private investors, or to have a distinct plan for further privatization, as this will bring out the best investors and the best price.

The Faroese Life Insurance Company

The privatization of the Faroese Life Insurance Company has been a hot political potato from the very start, and is not solved yet.

Føroya Sparikassi agrees that the Life Insurance Company should be privatized, as privatization is the key to more effective and competitive operations. The banks have agreed to liberalize their own sector and have, consequently, supported changes in, for example, the tax on interest earnings, the capital gains tax, etc., in order to ensure that possible competitors – domestic as well as foreign – may compete equally with us. We believe that the insurance sector also should be liberalized in order to open up the sector for true competition.

The plan to give the trade unions or their members half of the share capital in the Faroese Life Insurance Company can counteract the liberalization in the insurance sector as the trade unions then become both the main customers and the main owners in the Life Insurance Company. Whether the trade unions want it or not the result will be a monopoly-like insurance market unable to develop competitive prices or services. This will be bad

for all insurance policy holders, including the trade union members.

Another matter that distorts the competition is the large termination fee that the Faroese Life Insurance Company charges their customers if they transfer capital from their pension plans in the Life Insurance Company to pension programs in the banks. Customers transferring capital from pension programs in one bank to another or to the Life Insurance Company are charged a considerably smaller termination fee. The termination fee charged by the Faroese Life Insurance Company prevents the savers from having a free choice of where to save, and, therefore, the charge should be lowered.

Outlook for 2005

There was no growth in the economy in 2004 and the outlook for 2005 portends a possible economic recession. More information is available on the Føroya Sparikassi website, www.sparikassin.fo.

Hence, Føroya Sparikassi expects some decrease in the net interest income. We expect, however, an increase in the income from fees and commissions. We do not anticipate increased operating costs.

During the past two years, the annual accounts have been marked by provisions against losses in fish farming, but we now believe that we have reached the bottom. Hence, we do not expect large provisions due to fish farming in the annual accounts for 2005.

Over the past two years, the annual accounts have borne the mark of gains on shares in Kaupthing Bank hf. These shares have now been sold, but instead we have bought Eik Bank Denmark Ltd., which we expect will contribute positively to the result of Føroya Sparikassi.

The result in 2005 is, therefore, expected to be about the same as in 2004.

The Financial Accounts 2004

Accounting Principles

The annual accounts are prepared in accordance to the Danish Act on Banks and Savings Banks and regulations and directives from the Danish Financial Services Supervisory Authority (Finanstilsynet).

Profit and Loss Account

The result of the Profit and Loss Account was a profit of DKK 107.2 million after taxes, compared to a loss of DKK 128.8 million for 2003.

Føroya Sparikassi has not changed its interest rates in 2004. In spite of this, there has been a decrease in net interest income of DKK 16.8 million, from DKK 215.6 million in 2003 to DKK 198.8 million in 2004 – a decrease of 7.8%.

Interest income decreased from DKK 291.0 million in 2003 to DKK 267.2 million in 2004, or by 8.2%. On the other hand, interest expenses decreased by 9.3% from DKK 75.4 million in 2003 to DKK 68.4 million in 2004. One reason for the interest income decreasing less than expenses is that loans have stayed at the same level, while deposits have increased by 2.7%. Secondly, there has been an increase in non-accrual loans.

Income from fees and provisions from guarantees, etc. increased from DKK 20.4 million to DKK 22.6 million in 2004, an increase of DKK 2.2 million or 10.6%, which stems from increased activity and that the price on certain services has increased.

In 2004, Føroya Sparikassi had a net market value adjust-

ment gain of DKK 87.7 million on securities and currencies compared to a gain of DKK 23.1 million in 2003. Equities had a loss of DKK 4.3 million, currencies a gain of DKK 1.8 million, while DKK 90.2 million were gained on shares, out of which DKK 81.6 million originate from the investment in KB Banki hf. in Iceland.

The profit on financial items, that is net interest income, net fee income, market value adjustment income, and other income, was DKK 321.8 million for 2004, compared to DKK 269.0 million for 2003, an increase of DKK 52.8 million or 19.6%.

Total expenses for employees, administration and other operating expenses were DKK 122.0 million in 2004 against DKK 121.3 million in 2003, an increase of DKK 0.7 million or 0.6%. Wage expenses increased by DKK 2.9 million or 4.4%. Converted to a full-time equivalent, there were 171.8 employees on average in Føroya Sparikassi in 2004 against 185.6 in 2003. Other administrative expenses decreased by DKK 2.2 million in 2004.

The assets of Føroya Sparikassi were depreciated and written-down by DKK 8.7 million in 2004, compared to DKK 10.2 million in 2003. Føroya Sparikassi sold during the year the buildings in Skáli, Hósvík, Kvívík, Sandavágur and Skopun.

Provisions for losses and write-offs on debtors decreased considerably in 2004. Net additional provisions for losses for 2004 were DKK 86.9 million against DKK 309.2 million in 2003. Total provisions at year-end 2004 amounted to 9.4% of total loans and guarantees at DKK 414.0 million compared to DKK 364.1 million at year-end 2003.

Income from associated and subsidiary undertakings was DKK 8.8 million, compared to DKK 0.5 million for 2003.

In 2004, tax expense was DKK 4.4 million against a tax income of DKK 42.6 million for 2003.

The result of the profit and loss account after taxes for 2004 was a profit of DKK 107.2 million, compared to a loss of DKK 128.8 million in 2003.

The Board of Directors shall recommend at the annual general meeting on 4 March 2005 that dividend distribution be set at 5%, such that DKK 34.0 million shall be paid out as dividends to shareholders, while the remainder, DKK 73.2 million, shall be allocated to equity capital.

The Balance Sheet

The balance sheet stood at DKK 5.259 billion at year-end 2004, compared to DKK 5.195 billion at year-end 2003, an increase of DKK 64.0 million or 1.2%.

Loans at year-end 2004 were DKK 3.912 billion compared to DKK 3.887 billion in 2003. Deposits were DKK 3.890 billion, compared to DKK 3.786 billion in 2003. The lending ratio, that is loans including provisions for bad debts in proportion to deposits, was 111.2%. compared to 112.3% in 2003.

Securities increased in 2004 by DKK 51.7 million to DKK 572.0 million.

Equity at year-end 2004 was DKK 826.7 million, compared to DKK 753.6 million at year-end 2003 and the solvency ratio was 19.0%, compared to 18.1% in 2003. The statutory minimum requirement is 8%.

Liquidity

Liquidity remains good. Liquidity is calculated as cash-in-hand, sight deposits in other banks, certificates of deposit in the Danish National Bank and equities. Liquidity was DKK 841.6 million at year-end 2004, compared to DKK 867.6 million in 2003. Viewed in relation to short-term

liabilities due within one month, liquidity was 42.1%, and in relation to all liabilities it was 18.1%. The corresponding figures for 2003 were 42.3% and 19.1%. The corresponding statutory minimum requirements are 15% and 10%

There are no events of importance after the end of the financial year that affects the profit and loss account or the balance sheet.



Roknskapartøl 2004

Annual Report

RAKSTRARROKNSKAPUR / PROFIT AND LOSS ACCOUNT

FØROYA SPARIKASSI				SAMTAK / GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
267.207	291.047	3	Rentuinntøkur v. m. / <i>Interest income, etc.</i>	267.208	291.047
68.384	75.404	4	Rentuútreiðslur v. m. / <i>Interest expense, etc.</i>	68.385	75.404
198.823	215.643		Rentuinntøkur netto / <i>Net interest income</i>	198.823	215.643
2.353	1.421	5	Vinningsbýti av partabrøvum v. m. og øðrum kapitalpørtum / <i>Dividends from shares, etc., and other holdings</i>	2.353	1.421
22.614	20.439		Ómaksgjöld og provisiónsinntøkur v. m. / <i>Fee and commission income, etc.</i>	22.614	20.439
828	369		Útreiðslur til ómaksgjöld og provisiónir / <i>Fee and commission expense</i>	828	369
222.962	237.134		Rentu- og ómaksgjöld netto / <i>Net interest and fee income</i>	222.962	237.134
87.666	23.080	6	Virðisjavnan av virðisbrøvum og útlenskum gjaldoyra v. m. / <i>Market value adjustments of securities, etc. and foreign exchange income</i>	87.666	23.080
11.131	8.753		Aðrar vanligar inntøkur / <i>Other operating income</i>	12.870	8.753
321.759	268.967		Úrslit av fíggjarpostum / <i>Profit on financial items</i>	323.498	268.967
122.037	121.300	7	Útreiðslur til starvsfólk og umsiting / <i>Staff costs and administrative expenses</i>	123.185	121.300
8.614	10.181	16	Av- og niðurskrivingar av ótøkiligum og ítøkiligum ognum / <i>Depreciation and write-down of intangible and tangible assets</i>	8.677	10.181
1.438	69		Aðrar rakstrarútreiðslur / <i>Other operating expenses</i>	1.475	69
86.869	309.249		Avskrivningar og burturleggingar av skuldarum (netto) / <i>Net depreciation and provisions for loss on bad debts</i>	86.869	309.249
8.797	447	8	Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrirtøkum / <i>Income from associated and subsidiary undertakings</i>	8.429	447
111.598	-171.385		Úrslit av vanligum rakstri / <i>Profit on ordinary operations</i>	111.721	-171.385
4.397	-42.623	9	Skattur / <i>Taxes</i>	4.520	-42.623
107.201	-128.762		Ársúrslit / <i>Net profit for the year</i>	107.201	-128.762
			Býtið av ágóða / <i>Allocation of profits</i>		
107.201	-128.762		Ársúrslit / <i>Net profit for the year</i>		
0	86.828		Flutt frá yvirkursi við partabrævasølu / <i>Brought forward from share premium account</i>		
0	41.934		Flutt frá seinasta ár / <i>Brought forward from last year</i>		
107.201	0		Tøkur peningur tilsamans / <i>Total amount available for allocation</i>		
33.966	0		Nýtt til vinningsbýti / <i>Dividends on shares</i>		
6.540	0		Burturlagt til aðrar grunnar / <i>Amount allocated to other reserves</i>		
66.695	0		At flyta til næsta ár / <i>Carried forward to next year</i>		
107.201	0		Nýtsla av tøkum peningi / <i>Total allocation of the amount available</i>		

FÍGGJARSTØÐA VIÐ ÁRSLOK / BALANCE SHEET AT THE END OF THE YEAR

FØROYA SPARIKASSI					SAMTAK / GROUP	
2004	2003	Nota	DKK 1.000		2004	2003
Ogn / Assets						
				Kassapeningur og áogn uttan uppsøgn hjá tjóðbankum v. m. / <i>Cash-in-hand and demand deposits with central banks, etc.</i>	50.970	72.554
50.961	72.554					
236.742	294.831	10		Áogn í lánistovnum v. m. / <i>Claims on credit institutions, etc.</i>	326.475	294.831
3.911.711	3.886.990	11		Útlán / <i>Loans and advances</i>	5.052.785	3.886.990
571.916	520.247	12, 13		Lánsbrøv v. m. / <i>Bonds, etc.</i>	586.933	520.247
76.577	133.135	14, 15		Partabrøv v. m. / <i>Shares, etc.</i>	98.712	133.135
3.483	27.459	15		Kapitalpartar í assosieraðum fyrítøkum / <i>Holdings in associated undertakings</i>	3.483	27.459
137.500	1.566	15		Kapitalpartar í tilknýttum fyrítøkum / <i>Holdings in subsidiary undertakings</i>	6.698	1.566
33.302	2.034	16		Ótøkiligar ognir / <i>Intangible assets</i>	36.257	2.034
119.680	128.751	16		Ítøkiligar ognir / <i>Tangible assets</i>	121.264	128.751
150	46			Egin partabrøv / <i>Own shares</i>	150	46
112.181	122.451			Onnur ogn / <i>Other assets</i>	203.645	122.451
4.639	4.706			Tíðarskeiðsavmarkingar / <i>Prepayments</i>	6.193	4.706
5.258.842	5.194.770			Ogn tilsamans / Total assets	6.493.565	5.194.770
Skuld / Liabilities						
441.626	579.065	17		Skuld til lánistovnar og tjóðbankar / <i>Debt to credit institutions and central banks</i>	1.276.585	579.065
3.889.778	3.786.192	18		Innlán / <i>Deposits</i>	4.195.076	3.786.192
95.967	69.510			Onnur skuld / <i>Other liabilities</i>	175.423	69.510
0	0			Tíðarskeiðsavmarkingar / <i>Prepayments</i>	10	0
4.771	6.407	19		Avsetingar til skyldur / <i>Provisions for liabilities and charges</i>	4.771	6.407
0	0			Eftirstillað kapitalinnskot / <i>Subordinated debt</i>	15.000	0
Eginpeningur / Equity						
679.311	679.311	1, 2		Partapeningur / <i>Share capital</i>	679.311	679.311
1.156	1.288			Ábyrgdarfæ / <i>Guarantee capital</i>	1.156	1.288
72.951	72.951			Yvirkursur við partabrævaútgávu / <i>Share premium account</i>	72.951	72.951
150	46			Grunnur fyri egin partabrøv / <i>Reserves for own shares</i>	150	46
6.437	0			Aðrir grunnar / <i>Other reserves</i>	0	0
0	41.934			Flutt frá undanfarnum árum / <i>Brought forward from prior years</i>	0	41.934
66.695	-41.934			At flyta frá ársins úrsliti / <i>Carried forward from profit for the year</i>	73.132	-41.934
826.700	753.596			Eginpeningur tilsamans / Total equity	826.700	753.596
5.258.842	5.194.770			Skuld tilsamans / Total liabilities	6.493.565	5.194.770
Tøl, ið ikki eru tikin við í javna / Off-balance-sheet items						
228.439	111.637	20		Ábyrgdir v. m. tilsamans / <i>Total guarantees, etc.</i>	276.665	111.637
0	0			Aðrar skyldur / <i>Other commitments</i>	1.200	0
228.439	111.637			Tøl, ið ikki eru tikin við í javna tilsamans / Total off-balance-sheet items	277.865	111.637

GJALDFØRISBROYTING / CASH FLOW STATEMENT

FØROYA SPARIKASSI			SAMTAK / GROUP	
2004	2003	DKK 1.000	2004	2003
		Peningatilgongd / Inflow of capital:		
		Rakstur / Operating profit:		
107.201	-128.762	Ársúrslit / Net profit for the year	107.201	-128.762
-36.395	292.906	Javning av ikki kontantum rakstrartølum / Adjustment for non-cash items from operations	-33.681	292.906
70.806	164.144	Peningatilgongd frá rakstrinum / Inflow of capital from operations profit	73.520	164.144
-132	-73	Peningatilgongd til eginognina / Inflow to equity	-132	-73
		Onnur tilgongd / Other funds:		
21.593	0	Minking av kassapeningi og áogn í tjóðbankum / Decrease in cash in hand and demand deposits with central banks, etc.	21.584	0
59.882	0	Minking av áogn í lánistovnum v.m. / Decrease on claims on credit institutions, etc.	0	0
0	0	Minking í kapitalpørtum / Decrease of holdings in undertakings	27.642	0
0	343.682	Vøxtur í skuld til lánistovnar / Increase on debt to credit institutions, etc.	697.520	343.682
90.762	146.606	Minking í lánsbrøvum og partabrøvum / Decrease of bonds and shares, etc.	52.607	146.606
103.586	0	Vøxtur í innláni / Increase of deposits	408.884	0
24.821	0	Broytingar av aðrari skuld og burturleggingar til útreiðslur / Changes in other liabilities and charges	119.288	0
10.234	0	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	0	0
310.878	490.288	Onnur tilgongd tilsamans / Total other funds	1.327.525	490.288
381.552	654.359	Peningatilgongd tilsamans / Total inflow of capital	1.400.913	654.359
		Peninganýtsla / Outflow of capital :		
0	17.364	Øking av kassapeningi og áogn í tjóðbankum / Increase in cash in hand and demand deposits with central banks, etc.	0	17.364
0	152.468	Øking av áogn í lánistovnum v.m. / Increase on claims on credit institutions, etc.	21.926	152.468
110.578	214.519	Útlánsvøxtur / Increase of loans and advances	1.261.224	214.519
137.439	0	Minking av skuld til lánistovnar v.m. / Decrease on debts to credit institutions, etc.	0	0
0	161.025	Øking í lánsbrøvum og partabrøvum / Increase of bonds and shares, etc.	0	161.025
103.161	886	Øking í kapitalpørtum / Increase of holdings in undertakings	0	886
30.374	11.693	Øking av ó- og ítøkiligum ognum / Increase of in- and tangible assets	34.977	11.693
0	40.954	Broytingar av aðrari ogn og tíðarskeiðsavmarkingum / Changes in other assets and prepayments	82.786	40.954
0	55.450	Broytingar av aðrari skuld og burturleggingar til útreiðslur / Changes in other liabilities and charges	0	55.450
381.552	654.359	Peninganýtsla tilsamans / Total outflow of capital	1.400.913	654.359
		Javning av ikki kontantum rakstrartølum / Adjustment for non-cash items from operations:		
8.177	9.519	Av- og niðurskrivingar / Depreciation and write-down	8.241	9.519
85.857	306.914	Burturleggingar av skuldarum / Provisions for loss on bad debts	95.429	306.914
-85.873	-24.132	Virðisjavningar av virðisbrøvum / Marked value adjustments of securities	-84.870	-24.132
-1.793	1.052	Virðisjavningar av gjaldoyra / Marked value adjustments of currency	-9.718	1.052
-8.797	-447	Virðisjavningar av kapitalpørtum / Adjustments from undertakings	-8.797	-447
-33.966	0	Vinningsbýti / Dividends on shares	-33.966	0
-36.395	292.906	Tilsamans / Total	-33.681	292.906

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI				SAMTAK / GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
		1	Eginpeningur / Equity		
			Kapitalflytingar / Changes in capital		
1.288	1.361		Ábyrgdarfæ við ársbyrjan / <i>Guarantee capital, beginning</i>		
0	0		Tilgongd / <i>Additions</i>		
132	73		Frágongd / <i>Disposals</i>		
1.156	1.288		Ábyrgdarfæ við ársenda / <i>Guarantee capital, end</i>		
679.311	679.311		Partapeningur við ársbyrjan / <i>Share capital, beginning</i>		
0	0		Tilgongd / <i>Additions</i>		
0	0		Frágongd / <i>Disposals</i>		
679.311	679.311		Partapeningur við ársenda / <i>Share capital, end</i>		
72.951	159.779		Yvirkursur við partabrævaútgávu við ársbyrjan / <i>Share premium account, beginning</i>		
0	0		Onnur tilgongd / <i>Other additions</i>		
0	86.828		Onnur frágongd / <i>Other disposals</i>		
72.951	72.951		Yvirkursur við partabrævaútgávu við ársenda / <i>Share premium account, end</i>		
46	54		Grunnur fyri egin partabrøv við ársbyrjan / <i>Reserves for own shares, beginning</i>		
104	0		Onnur tilgongd / <i>Other additions</i>		
0	8		Onnur frágongd / <i>Other disposals</i>		
150	46		Grunnur fyri egin partabrøv við ársenda / <i>Reserves for own shares, end</i>		
0	0		Aðrir grunnar við ársbyrjan / <i>Other reserves, beginning</i>		
6.437	0		Onnur tilgongd / <i>Other additions</i>		
0	0		Onnur frágongd / <i>Other disposals</i>		
6.437	0		Aðrir grunnar við ársenda / <i>Other reserves, end</i>		
0	36.644		Flutt avlop við ársbyrjan / <i>Profit brought forward, beginning</i>		
0	5.282		Javning til flutt avlop frá undanfarnum árum / <i>Adjustment brought forward from prior years</i>		
0	41.926		Flutt frá undanfarnum árum við javning / <i>Brought forward from prior years incl. adjustment</i>		
0	8		Onnur tilgongd / <i>Other additions</i>		
66.695	-41.934		Flutt avlop til býtið av ágóða / <i>Profit for the year carried forward</i>		
66.695	0		Flutt avlop við ársenda / <i>Profit carried forward, end</i>		
826.700	753.596		Eginpeningur tilsamans við ársenda / <i>Total equity, end</i>		
		2	Solvensuppperð / Solvency		
744.556	698.428		Kjarnukapitalur aftan á frádráttir / <i>Core capital after deductions</i>	739.600	698.428
744.556	680.428		Ansvarligur kapitalur / <i>Capital adequacy</i>	754.600	680.428
3.389.772	3.353.624		Vektað ogn uttan fyri handilsognina, íroknað tøl, ið ikki eru tikin við í javnan / <i>Weighted assets not included in trading portfolio including off balance-sheet items</i>	4.384.308	3.353.624
526.721	415.612		Vektaðir postar við marknaðarváða / <i>Weighted items with market risk</i>	566.735	415.612
3.916.493	3.769.236		Vektað ogn tilsamans / <i>Total weighted assets</i>	4.951.043	3.769.236
19,0%	18,5%		Kjarnukapitalur eftir frádrátt í pst. av vektaðari ogn / <i>Core capital after deductions in % of weighted items</i>	14,9%	18,5%
19,0%	18,1%		Solvensprosent eftir BSL § 21, stk. 1 / <i>Solvency ratio purs. to BSB s. 21,1</i>	15,2%	18,1%

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI				SAMTAK / GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
		3	Rentuinntøkur v. m. / Interest income, etc.		
5.236	3.486		Áogn í lánstovnum og tjóðbankum / Claims on credit institutions and central banks	5.237	3.486
232.609	254.088		Útlán / Loans and advances	232.609	254.088
29.034	33.102		Lánsbrøv / Bonds	29.034	33.102
328	371		Avleidd figgjaramboð / Derivative financial instruments	328	371
328	371		- Herav: Gjaldoyrasáttmálar / Of this: Currency contracts	328	371
267.207	291.047		Rentuinntøkur v. m. tilsamans / Total interest income etc.	267.208	291.047
		4	Rentuútreiðslur / Interest expense		
10.992	8.604		Lánstovnar og tjóðbankar / Credit institutions and central banks	10.993	8.604
57.354	66.753		Innlán / Deposits	57.354	66.753
38	47		Ábyrgdarfæ / Guarantee capital	38	47
68.384	75.404		Rentuútreiðslur tilsamans / Total interest expense	68.385	75.404
2.353	1.421	5	Vinningsbýti av partabrøvum / Dividends on holdings	2.353	1.421
		6	Virðisjavningar / Market value adjustments		
-4.331	-3.003		Lánsbrøv / Bonds (+/-)	-4.331	-3.003
90.204	27.135		Partabrøv / Shares (+/-)	90.204	27.135
1.793	-1.052		Gjaldoyra / Currency (+/-)	1.793	-1.052
87.666	23.080		Virðisjavningar tilsamans / Total market value adjustments	87.666	23.080
		7	Útreiðslur til starvsfólk og umsiting / Staff costs and administrative expenses		
			Lønir og samsýning til nevnd, stjórn og umboðsráð /		
			Salaries and remuneration of Board of Directors, Managing		
			Directors and Board of Representatives		
2.465	2.484		Stjórn / Managing Directors	2.465	2.484
893	678		Nevnd / Board of Directors	893	678
59	48		Umboðsráð / Board of Representatives	59	48
3.417	3.210		Tilsamans / Total	3.417	3.210
			Starvsfólkaútreiðslur / Staff costs		
56.744	54.451		Lønir / Wages and salaries	57.398	54.451
6.066	5.984		Eftirlønir / Pensions	6.150	5.984
3.917	3.550		Útreiðslur til sosiala trygd / Social security costs	3.928	3.550
66.727	63.985		Tilsamans / Total	67.476	63.985
51.893	54.105		Aðrar umsitingarútreiðslur / Other administrative expenses	52.292	54.105
122.037	121.300		Útreiðslur til starvsfólk og umsiting tilsamans /	123.185	121.300
			Total staff costs and administrative expenses		
		8	Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrítøkum /		
			Income from associated and subsidiary undertakings		
822	1.052		Assosieraðar fyrítøkur / Associated undertakings	822	1.052
7.975	-605		Tilknýttar fyrítøkur / Subsidiary undertakings	7.607	-605
8.797	447		Úrslit av kapitalpørtum í assosieraðum og tilknýttum fyrítøkum tilsamans /	8.429	447
			Total income from associated and subsidiary undertakings		
		9	Skattur / Taxes		
0	0		Roknaður skattur av ársvinningi / Estimated tax charge on the annual profit	114	0
4.397	-42.230		Útsettur skattur / Deferred taxes	4.406	-42.230
0	-393		Javnan av skatti frá undanfarnum árum / Adjustment to prior-year's tax charges	0	-393
4.397	-42.623		Skattur tilsamans / Total taxes	4.520	-42.623

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI				SAMTAK / GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
		10	Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
69.937	0		Áogn upp á uppsøgn í tjóðbankum / <i>Claims at notice on central banks</i>	69.937	0
166.805	294.831		Áogn í lánistovnum / <i>Claims on credit institutions</i>	256.538	294.831
236.742	294.831		Áogn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks	326.475	294.831
			Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
98.794	274.831		Uttan uppsøgn / <i>Claims at call</i>	107.580	274.831
122.746	20.000		Til og við 3 mánaðir / <i>Up to 3 months</i>	203.694	20.000
0	0		Meira enn 3 mðr. til og við 1 ár / <i>Over 3 months and up to one year</i>	0	0
15.202	0		Meira enn 1 ár til og við 5 ár / <i>Over one year and up to 5 years</i>	15.201	0
0	0		Meira enn 5 ár / <i>Over 5 years</i>	0	0
236.742	294.831		Áogn í lánistovnum og tjóðbankum tilsamans / Total claims on credit institutions and central banks	326.475	294.831
		11	Útlán og ábyrgdir býtt eftir sektorum og vinnum í prosent / Loans, advances, and guarantees by sectors and industries, in per cent		
2	1		Almennir myndugleikar / Public sector	1	1
			Vinnulív / Commercial sector		
0	0		Landbúnaður, veiða, skógbrúk / <i>Agriculture, hunting, and forestry</i>	0	0
9	13		Fiskiskapur / <i>Fishing</i>	7	13
			Framleiðsla, ráevnisvinna, hita- og streymveiting o. l. / <i>Manufacturing, mining, utilities, etc.</i>	6	5
7	5		Byggivirksemi / <i>Building and construction</i>	2	2
3	2		Handil, matstovu- og hotelvirksemi / <i>Commerce, restaurants, and hotels</i>	5	6
6	6		Flutningur, post og telefon / <i>Transport, post and telecommunicating</i>	4	4
3	4		Láns-, fíggar- og tryggingarvirksemi / <i>Credit, finance, and insurance</i>	2	1
1	1		Ognarfyrising og -handil, forrætningstænasta / <i>Property administration, purchase and sale, business services</i>	10	3
3	3		Aðrar vinnur / <i>Other industries</i>	10	1
1	1		Vinnulív tilsamans / Total commercial sector	46	35
33	35		Privat / Private customers	53	64
65	64		Útlán tilsamans / Total loans and advances	100	100
100	100				
			Útlán / Loans and advances		
60.423	74.681		Uttan uppsøgn / <i>At call</i>	90.804	74.681
114.496	127.209		Til og við 3 mánaðir / <i>Up to 3 months</i>	305.577	127.209
395.131	412.449		Meira enn 3 mðr. til og við 1 ár / <i>Over 3 months and up to one year</i>	566.260	412.449
1.917.291	1.793.383		Meira enn 1 ár til og við 5 ár / <i>Over one year and up to 5 years</i>	2.315.133	1.793.383
1.424.370	1.479.268		Meira enn 5 ár / <i>Over 5 years</i>	1.775.011	1.479.268
3.911.711	3.886.990		Útlán tilsamans / Total loans and advances	5.052.785	3.886.990
			Samanlagdar burturleggingar / Accumulated provisions		
414.035	364.087		Burturlagt við ársenda upp á útlán og ábyrgdir / <i>Provisions on loans, advances, and guarantees at the end of the year</i>	427.252	364.087
0	0		Burturlagt við ársenda upp á ogn hjá lánistovnum og aðrar postar við ársenda / <i>Provisions on claims due from credit institutions and other claims at the end of the year</i>	300	0
414.035	364.087		Samanlagdar burturleggingar tilsamans / Total accumulated provisions	427.552	364.087
			Samanlagdar burturleggingar upp á útlán og ábyrgdir í pst. av útláni og ábyrgdum við ársenda / Accumulated provisions on loans, advances, and guarantees in per cent of loans, advances and guarantees, at the end of year		
9,4%	8,3%		Áognir, har renturokning er steðgað / <i>Non-accrual loans, advances, and guarantees</i>	7,4%	8,3%
225.880	149.505			225.880	149.505

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI				SAMTAK / GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
		12	Lánsbrøv / Bonds		
571.916	520.247		Skrásett á keyppsskálum / <i>Listed on Stock Exchanges</i>	586.933	520.247
0	0		Onnur lánsbrøv / <i>Other bonds</i>	0	0
571.916	520.247		Lánsbrøv tilsamans / Total bonds	586.933	520.247
		13	Fíggjarlig umsetningsogn / Financial current assets		
626.067	558.205		a) Fíggjarlig umsetningsogn ásett til marknaðarvirði / <i>Financial current assets valued at marked value</i>	663.219	558.205
2.027	5.349		b) Munur millum útveganarvirði av fíggjarligari umsetningsogn, undir pkt. a), og hægra marknaðarvirði uppgerðardagin / <i>Difference between purchase price of financial current assets listed under a) and the higher marked value at the balance sheet date</i>	2.101	5.349
0	0		c) Fíggjarlig umsetningsogn, ið ikki er ásett til marknaðarvirði / <i>Financial current assets not valued at marked value</i>	0	0
0	0		d) Munur millum útveganarvirði av fíggjarligari umsetningsogn, undir pkt. c), og hægra marknaðarvirði uppgerðardagin / <i>Difference between purchase price of financial current assets listed under c) and the higher marked value at the balance sheet date</i>	0	0
		14	Partabrøv / Shares		
29.857	14.150		Skrásett á keyppsskálum í Keypmannahavn / <i>Listed on Stock Exchange CPH.</i>	40.172	14.150
26.320	114.909		Skrásett á øðrum keyppsskálum / <i>Listed on other Stock Exchanges elsewhere</i>	26.320	114.909
20.400	4.076		Onnur partabrøv / <i>Other shares</i>	32.220	4.076
76.577	133.135		Partabrøv tilsamans / Total shares	98.712	133.135

DKK 1.000
2004

15 Útgreinan av fíggjarligari støðisogn / Specification of financial fixed assets

FØROYA SPARIKASSI

Samlaður keypsprísur við ársbyrjan / *Total purchase price, beginning*

Gjaldoyrakursjavnin / *Currency adjustments*

Tilgongd / *Additions*

Frágongd / *Disposals*

Samlaður keypsprísur við ársenda / *Total purchase price of assets held, end*

Samlaðar upp- og niðurskrivingar við ársbyrjan /

Revaluation and write-downs of assets, beginning

Úrslit / *Result*

Upp- og niðurskrivingar í árinum / *Revaluation and write-downs during the year*

Onnur tilgongd / *Other additions*

Afturførdar upp- og niðurskrivingar / *Reversals of revaluation and write-downs*

Samlaðar upp- og niðurskrivingar við ársenda /

Total revaluation and write-downs of assets held, end

Bókað virði við ársenda / *Book value, end*

Bókað virði við ársbyrjan / *Book value, beginning*

Tilknýttar fyrítøkur / Subsidiary undertakings	Assosieraðar fyrítøkur / Associated undertakings	Aðrir kapitalpartar / Other holdings
1.700	29.627	87.697
0	0	0
130.894	7.454	34.249
0	26.382	45.369
132.594	10.699	76.577
-134	-2.169	45.438
7.975	822	0
0	-7.454	0
-2.935	0	-45.438
	-1.585	0
4.906	-7.216	0
137.500	3.483	76.577
1.566	27.459	133.135

VIÐMERKINGAR / NOTES

DKK 1.000
2004

SAMTAK / GROUP

	Tilknýttar fyrítøkur / Subsidiary undertakings	Assosieraðar fyrítøkur / Associated undertakings	Aðrir kapitalpartar / Other undertakings
Samlaður keypsprísur við ársbyrjan / Total purchase price, beginning	1.724	29.627	87.697
Gjaldoyrakursjavnning / Currency adjustments	0	0	0
Tilgongd / Additions	0	7.454	56.383
Frágongd / Disposals	1.105	26.382	45.368
Samlaður keypsprísur við ársenda / Total purchase price of assets held, end	619	10.699	98.712
Samlaðar upp- og niðurskrivingar við ársbyrjan / Revaluation and write-downs of assets, beginning	-158	-2.169	45.438
Úrslit / Result	7.607	822	0
Upp- og niðurskrivingar í árinum / Revaluation and write-downs during the year	0	0	0
Onnur tilgongd / Other additions	-1.370	-7.454	-45.438
Afturførðar upp- og niðurskrivingar / Reversals of revaluation and write-downs	0	1.585	0
Samlaðar upp- og niðurskrivingar við ársenda / Total revaluation and write-downs of assets held, end	6.079	-7.216	0
Bókað virði við ársenda / Book value, end	6.698	3.483	98.712
Bókað virði við ársbyrjan / Book value, beginning	1.566	27.459	133.135

16 Ótøkilig ogn / Intangible assets

FØROYA SPARIKASSI

	Goodwill / Goodwill	Aðrar / Other	Tilsamans / Total
Útveganarvirði við ársbyrjan / Acquisition value, beginning	0	2.543	2.543
Tilgongd / Additions	31.387	487	31.874
Frágongd / Disposals	0	0	0
Útveganarvirði við ársenda / Acquisition value of assets held, end	31.387	3.030	34.417
Avskringingar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	0	509	509
Avskringingar í árinum / Depreciation	0	0	0
Niðurskrivingar í árinum / Write-downs	0	606	606
Afturførðar av- og niðurskrivingar / Reversal of depreciation and write-downs	0	0	0
Avskringingar og niðurskrivingar við ársenda / Depreciation and write-downs, end	0	1.115	1.115
Bókað virði við ársenda / Book value, end	31.387	1.915	33.302
Bókað virði við ársbyrjan / Book value, beginning	0	2.034	2.034
SAMTAK / GROUP			
Útveganarvirði við ársbyrjan / Acquisition value, beginning	0	2.543	2.543
Tilgongd / Additions	31.387	3.442	34.829
Frágongd / Disposals	0	0	0
Útveganarvirði við ársenda / Acquisition value of assets held, end	31.387	5.985	37.372
Avskringingar og niðurskrivingar við ársbyrjan / Depreciation and write-downs, beginning	0	509	509
Avskringingar í árinum / Depreciation	0	606	606
Niðurskrivingar í árinum / Write-downs	0	0	0
Afturførðar av- og niðurskrivingar / Reversal of depreciation and write-downs	0	0	0
Avskringingar og niðurskrivingar við ársenda / Depreciation and write-downs, end	0	1.115	1.115
Bókað virði við ársenda / Book value, end	31.387	4.870	36.257
Bókað virði við ársbyrjan / Book value, beginning	0	2.034	2.034

VIÐMERKINGAR / NOTES

DKK 1.000
2004

16 Ítökilig ogn / Tangible assets

FØROYA SPARIKASSI

Útveganarvirði við ársbyrjan / *Acquisition value, beginning*
Tilgongd / *Additions*
Frágongd / *Disposals*
Útveganarvirði við ársenda / *Acquisition value of assets held, end*

Avskrivningar og niðurskrivingar við ársbyrjan /
Depreciation and write-downs, beginning
Avskrivningar í árinum / *Depreciation*
Niðurskrivingar í árinum / *Write-downs*
Afturførdar av- og niðurskrivingar / *Reversal of depreciation and write-downs*
Avskrivningar og niðurskrivingar við ársenda / *Depreciation and write-downs, end*

Bókað virði við ársenda / *Book value, end*
Bókað virði við ársbyrjan / *Book value, beginning*

Straksavskrivað av tólum og innbúgv /
Machinery and equipment fully depreciated at time of acquisition

SAMTAK / GROUP

Útveganarvirði við ársbyrjan / *Acquisition value, beginning*
Tilgongd / *Additions*
Frágongd / *Disposals*
Útveganarvirði við ársenda / *Acquisition value of assets held, end*

Avskrivningar og niðurskrivingar við ársbyrjan /
Depreciation and write-downs, beginning
Avskrivningar í árinum / *Depreciation*
Niðurskrivingar í árinum / *Write-downs*
Afturførdar av- og niðurskrivingar / *Reversal of depreciation and write-downs*
Avskrivningar og niðurskrivingar við ársenda /
Depreciation and write-downs, end

Bókað virði við ársenda / *Book value, end*
Bókað virði við ársbyrjan / *Book value, beginning*

Straksavskrivað av tólum og innbúgv /
Machinery and equipment fully depreciated at time of acquisition

Grundøki og bygningar / <i>Land and buildings</i>	Tól og innbúgv / <i>Machinery, equipment etc.</i>	Tilsamans / <i>Total</i>
213.101	59.859	272.960
1.867	3.447	5.314
15.568	4.531	20.099
199.400	58.775	258.175
96.933	47.276	144.209
3.080	4.491	7.571
0	0	0
8.879	4.406	13.285
91.134	47.361	138.495
108.266	11.414	119.680
116.168	12.583	128.751
	437	437
213.101	59.859	272.960
2.405	4.556	6.961
15.568	4.530	20.098
199.938	59.885	259.823
96.933	47.276	144.209
3.080	4.554	7.634
0	0	0
8.879	4.405	13.284
91.134	47.425	138.559
108.804	12.460	121.264
116.168	12.583	128.751
	437	437

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI				SAMTAK/GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
		17	Skuld til lánistovnar og tjóðbankar / <i>Debt to credit institutions and central banks</i>		
0	0		Skuld til tjóðbankar / <i>Debt to central banks</i>	0	0
441.626	579.065		Skuld til lánistovnar / <i>Debt to credit institutions</i>	1.276.585	579.065
441.626	579.065		Skuld til lánistovnar og tjóðbankar tilsamans / <i>Total debt to credit institutions and central banks</i>	1.276.585	579.065
			Skuld til lánistovnar og tjóðbankar / <i>Debt to credit institutions and central banks</i>		
226.809	171.252		Uttan uppsøgn / <i>Debt payable on demand</i>	222.163	171.252
210.449	407.813		Til og við 3 mánaðir / <i>Up to 3 months</i>	1.037.632	407.813
4.368	0		Meira enn 3 mðr. til og við 1 ár / <i>Over 3 months and up to one year</i>	16.790	0
0	0		Meira enn 1 ár til og við 5 ár / <i>Over one year and up to 5 years</i>	0	0
0	0		Meira enn 5 ár / <i>Over 5 years</i>	0	0
441.626	579.065		Skuld til lánistovnar og tjóðbankar tilsamans / <i>Total debt to credit institutions and central banks</i>	1.276.585	579.065
		18	Innlán / Deposits		
1.488.411	1.405.166		Innlán uttan uppsøgn / <i>Deposits on demand</i>	1.508.073	1.405.166
2.121.218	2.146.326		Innlán við uppsøgn / <i>Deposits at notice</i>	2.120.193	2.146.326
15.000	10.000		Tíðarinnskot / <i>Time deposits</i>	264.644	10.000
265.149	224.700		Serligir innlánshættir / <i>Special categories of deposits</i>	302.166	224.700
3.889.778	3.786.192		Innlán tilsamans / Total deposits	4.195.076	3.786.192
			Innlán / Deposits		
1.488.411	1.405.166		Uttan uppsøgn / <i>On demand</i>	1.508.073	1.405.166
1.084.427	957.110		Til og við 3 mánaðir / <i>Up to 3 months</i>	1.318.301	957.110
1.071.353	1.148.834		Meira enn 3 mðr. til og við 1 ár / <i>Over 3 months and up to one year</i>	1.088.202	1.148.834
103.809	151.159		Meira enn 1 ár til og við 5 ár / <i>Over one year and up to 5 years</i>	115.733	151.159
141.778	123.923		Meira enn 5 ár / <i>Over 5 years</i>	164.767	123.923
3.889.778	3.786.192		Innlán tilsamans / Total deposits	4.195.076	3.786.192
		19	Avsetingar til skyldur / Provisions for liabilities and charges		
2.771	2.946		Burturleggingar til pensiónir og líknandi skyldur / <i>Provisions for pensions and similar commitments</i>	2.771	2.946
0	0		Burturleggingar til møguligan skatt / <i>Provisions for deferred taxes</i>	0	0
2.000	3.461		Aðrar burturleggingar til útreiðslur / <i>Other provisions</i>	2.000	3.461
4.771	6.407		Avsetingar til skyldur tilsamans / <i>Total provisions for liabilities and charges</i>	4.771	6.407
		20	Postar uttanfyri javnan / Off-balance-sheet items		
			Ábyrgdir / Guarantees		
0	0		Fíggarligar ábyrgdir / <i>Financial guarantees</i>	47.930	0
228.439	111.637		Aðrar ábyrgdir / <i>Other guarantees</i>	228.735	111.637
0	0		Aðrar skyldur / <i>Other commitments</i>	1.200	0
228.439	111.637		Ábyrgdir tilsamans / Total guarantees	277.865	111.637

VIÐMERKINGAR / NOTES

DKK 1.000		2004		2003	
		Netto		Netto	
21	Avleidd fíggarlig amboð býtt eftir resttíðarskeiði / Derivative financial tools split by remaining terms	Áljóðandi virði / Par value	marknaðarvirði / Net market value	Áljóðandi virði / Par value	marknaðarvirði / Net market value
FØROYA SPARIKASSI					
Gjaldoyra- og rentusáttmálar / Currency and interest contracts					
Til og við 3 mánaðir / Up to 3 months					
	Terminir og futures, keyp / Forwards and futures, bought	35.781	-504	52.932	-1.321
	Terminir og futures, søla / Forwards and futures, sold	23.484	523	52.886	1.386
Úr 3 mánaðum til og við 1 ár / Over 3 months and up to one year					
	Terminir og futures, keyp / Forwards and futures, bought	1.126	-123	10.774	-387
	Terminir og futures, søla / Forwards and futures, sold	1.126	127	10.774	406
Úr 1 ár til og við 5 ár / Over 1 year and up to 5 year					
	Terminir og futures, keyp / Forwards and futures, bought	0	0	0	0
	Terminir og futures, søla / Forwards and futures, sold	0	0	0	0
Yvir 5 ár / Over 5 years					
	Rentuswaps / Interest swaps	0	0	0	0
Tilsamans / Total					
	Terminir og futures, keyp / Forwards and futures, bought	36.908	-627	63.706	-1.708
	Terminir og futures, søla / Forwards and futures, sold	24.611	650	63.660	1.792
	Rentuswaps / Interest swaps	0	0	0	0
	Netto marknaðarvirði / Net market value		23		84
SAMTAK / GROUP					
Gjaldoyra- og rentusáttmálar / Currency and interest contracts					
Til og við 3 mánaðir / Up to 3 months					
	Terminir og futures, keyp / Forwards and futures, bought	71.656	-1.081	52.932	-1.321
	Terminir og futures, søla / Forwards and futures, sold	59.359	1.432	52.886	1.386
Úr 3 mánaðum til og við 1 ár / Over 3 months and up to one year					
	Terminir og futures, keyp / Forwards and futures, bought	1.126	-123	10.774	-387
	Terminir og futures, søla / Forwards and futures, sold	1.126	127	10.774	406
Úr 1 ár til og við 5 ár / Over 1 year and up to 5 year					
	Terminir og futures, keyp / Forwards and futures, bought	0	0	0	0
	Terminir og futures, søla / Forwards and futures, sold	0	0	0	0
Yvir 5 ár / Over 5 years					
	Rentuswaps / Interest swaps	0	0	0	0
Tilsamans / Total					
	Terminir og futures, keyp / Forwards and futures, bought	72.782	-1.204	63.706	-1.708
	Terminir og futures, søla / Forwards and futures, sold	60.485	1.559	63.660	1.792
	Rentuswaps / Interest swaps	0	0	0	0
	Netto marknaðarvirði / Net market value		355		84

VIÐMERKINGAR / NOTES

DKK 1.000	2004		2003	
22 Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
FØROYA SPARIKASSI				
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	2	630	0	1.708
Terminir og futures, søla / <i>Forwards and futures, sold</i>	652	2	1.792	0
Rentuswaps / <i>Interest swaps</i>	0	0	0	0
Tilsamans / Total	654	632	1.792	1.708
SAMTAK / GROUP				
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	9	1.214	0	1.708
Terminir og futures, søla / <i>Forwards and futures, sold</i>	1.581	23	1.792	0
Rentuswaps / <i>Interest swaps</i>	0	0	0	0
Tilsamans / Total	1.590	1.237	1.792	1.708
23 Marknaðarvirði av ikki-tryggjaðum sáttmálum / Market value of non-guaranteed contracts				
FØROYA SPARIKASSI				
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	2	630	0	1.708
Terminir og futures, søla / <i>Forwards and futures, sold</i>	652	2	1.792	0
Rentuswaps / <i>Interest swaps</i>	0	0	0	0
Tilsamans / Total	654	632	1.792	1.708
SAMTAK / GROUP				
	Positivt/Positive	Negativt/Negative	Positivt/Positive	Negativt/Negative
Gjaldoyra- og rentusáttmálar / Currency and interest contracts				
Terminir og futures, keyp / <i>Forwards and futures, bought</i>	9	1.214	0	1.708
Terminir og futures, søla / <i>Forwards and futures, sold</i>	1.581	23	1.792	0
Rentuswaps / <i>Interest swaps</i>	0	0	0	0
Tilsamans / Total	1.590	1.237	1.792	1.708
24 Lánsváði av avleiddum fíggarligum amboðum / Credit risk on derivative financial instruments				
	Mótpartur við váðavekt 20% / <i>Counterpart with a risk weighting of 20%</i>	Mótpartur við váðavekt 100% / <i>Counterpart with a risk weighting of 100%</i>	Mótpartur við váðavekt 20% / <i>Counterpart with a risk weighting of 20%</i>	Mótpartur við váðavekt 100% / <i>Counterpart with a risk weighting of 100%</i>
FØROYA SPARIKASSI				
Positivt marknaðarvirði aftaná móttroking / <i>Positive market value after netting</i>	143	206	468	310
SAMTAK / GROUP				
Positivt marknaðarvirði aftaná móttroking / <i>Positive market value after netting</i>	980	304	468	310

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI

2004	2003	Nota	DKK 1.000		SAMTAK/GROUP	2004	2003
				25 Marknaðarváði / Market risk			
				Gjaldoyraváði / Currency risk			
				Ogn í fremmandum gjaldoyra tilsamans /			
181.620	101.301			<i>Total assets in foreign currency</i>		186.375	101.301
				Skuld í fremmandum gjaldoyra tilsamans /			
132.100	133.438			<i>Total liabilities in foreign currency</i>		148.759	133.438
				Gjaldoyraábending 1 við árslok /			
181.620	133.438			<i>Exchange rate indicator 1</i>		186.375	133.438
				Gjaldoyraábending 1 í pst. av eginogn eftir frádrátt /			
24,4	18,0			<i>Exchange rate indicator 1 as percentage of equity less statutory deductions</i>		25,2	18,0
				Rentuváði / Interest rate risk			
				Rentuváði av fíggjaramboðum v. m. tilsamans /			
18.607	20.170			<i>Total interest rate risk on debt instruments, etc.</i>		21.482	20.170
				Rentuváði býttur eftir gjaldoyraslagi / Interest rate risk by currency			
18.469	20.170			DKK		20.579	20.170
138	0			EUR		407	0
0	0			CHF		210	0
0	0			USD		144	0
0	0			SEK		128	0
0	0			GBP		11	0
0	0			Annað / Other		3	0

26 Stjórn og nevnd / Management and Board of Directors

Lán, pant, veðhald ella ábyrgdir, og trygdir fyri somu /
Loans, advances, mortgages, surety or guarantees including collateral

	2004		2003	
	Lán v. m. / Loans etc.	Trygdir/ Security	Lán v. m. / Loans etc.	Trygdir/ Security
FØROYA SPARIKASSI				
Stjórn / Managing Directors	2.821	2.821	3.141	3.141
Nevnd / Board of Directors	5.107	5.107	4.303	4.272
SAMTAK / GROUP				
Stjórn / Managing Directors	2.821	2.821	3.141	3.141
Nevnd / Board of Directors	5.107	5.107	4.303	4.272

VIÐMERKINGAR / NOTES

FØROYA SPARIKASSI				SAMTAK/GROUP	
2004	2003	Nota	DKK 1.000	2004	2003
		27	Samsýning til grannskoðarar valdir av aðalfundinum / Audit fee to the public accountants elected by the General Meeting		
960	770		Samsýning fyri roknskaparárið / Total fee for the financial year	2.020	770
160	50		Herav aðrar tænastr / Other services	494	50
		28	Starvsfólk / Employees		
			Miðtalið av starvsfólkum í árinum umroknað til heiltíðarstørv / Average number of employees during the financial year, full-time equivalent		
171,8	185,6			205,0	185,6
		29	Tilknýtt feløg / Subsidiary undertakings		
			Partur av partapeningi / Part of share capital		
100%	100%		P/F Inni		
100%	100%		P/F 12. juni 2003		
100%	25%		Kaupthing Bank A/S		
			Millumverandi við tilknýtt feløg / Amounts due from and due to subsidiary undertakings		
			Skuld / Liabilities		
7.384	0		Skuld til lánistovnar / Debt to credit institutions		
2.788	3.465		Áogn í Sparikassanum / Deposits in Føroya Sparikassi		
10.172	3.465		Skuld tilsamans / Total liabilities		
		30	Stjórnarlimir og deildarleiðarar, ið røkja nevndarsessir í dótturfeløgum Sparikassans / Management and branch managers that are board members in subsidiary undertakings of Føroya Sparikassi		
			P/F Inni, N. Finsensgøta 37, 100 Tórshavn		
			Nevndarformaður / Chairman: Marner Jacobsen, forstjóri / Chief Managing Director		
			Næstformaður / Deputy Chairman: Bjarni Olsen, stjóri / Managing Director		
			Nevndarlimur / Board Member: Øssur Skeel Nolsøe, deildarleiðari / Senior Branch Manager		
			Kaupthing Bank A/S, Nørre Farimagsgade 15, 1364 Keypmannahavn		
			Nevndarformaður / Chairman: Marner Jacobsen, forstjóri / Chief Managing Director		
		31	Assosieraðar fyrítøkur / Associated undertakings		
			Partur av partapeningi / Part of share capital		
25%	25%		P/F Elektron		
0%	49%		P/F Kaupthing Føroyar Virðisbrævameklarafelag		
33%	33%		P/F Faroe Farming		
32%	32%		P/F Faroe Real Estate		
31%	0%		P/F Pan Fish Faroes		
25%	0%		P/F Týggjará		
			Millumverandi við assosieraðar fyrítøkur / Amounts due from and due to associated undertakings		
0	5.034		Áogn í lánistovnum og tjóðbankum / Claims on credit institutions and central banks		
45.398	74.796		Útlán / Loans and advances		
45.398	79.830		Ogn tilsamans / Total assets		
			Skuld til lánistovnar / Debt to credit institutions		
0	20.669				
3.726	34.321		Áogn í Sparikassanum / Deposits in Føroya Sparikassi		
3.726	54.990		Skuld tilsamans / Total liabilities		
		32	Partaeigarar, sum eiga meira enn 5 % / Shareholders holding more than 5%: Sparikassagrunnurin		
94 %	94%				

FØROYA SPARIKASSI P/F
Tórshavn, tann 25. februar 2005

Stjórn / *Managing Directors*

Marnar Jacobsen, forstjóri / *Chief Managing Director* Bjarni Olsen, stjóri / *Managing Director*

Nevnd / *Board of Directors*

Frithleif Olsen, formaður / *Chairman* Tórmund A. Joensen, næstformaður / *Deputy Chairman*

Finnbogi Niclasen Rólant Vidtfeldt Odd Bjellvåg Mathea Hilduberg Marian Jacobsen Petur Hammer

Durita Tausen Rakul Dam Bjartur Nolsøe Gert Langgaard

Grannskoðanardeild Føroya Sparikassi P/F

Vit hava grannskoðað árs- og konsernroknskapin hjá Føroya Sparikassi P/F fyri árið 2004, sum leiðslan hevur sett upp.

Útinningin av grannskoðanini

Grannskoðanin er útint við støði í kunngerð hjá Fíggjar-
eftirlitinum um grannskoðan í peningastovnum og eftir
vanliga góðkendum grannskoðanarreglum. Undir grann-
skoðanini hava vit, eftir týðningi og váða, mett um virkis-
gongdir og kannað grundarlagið fyri upphæddum og
øðrum upplýsingum í árs- og konsernroknskapinum.

Grannskoðanin hevur ikki givið orsök til fyrivarni.

Niðurstøða

Okkara fatan er, at árs- og konsernroknskapurin er lagdur
fram í samsvari við tey krøv, ið lóggávan setur rokns-
skaparhaldi, og at hann gevur rætta mynd av ognum og
skyldum Sparikassans, fíggjarligu støðuni og úrslitinum.

Internal Audit

We have audited the financial statements for 2004 for the
group and for Føroya Sparikassi P/F, presented by the
Board of Directors and the Management of Føroya Spari-
kassi P/F.

Basis of Opinion

We have conducted our audit on the basis of the executive
order by the Danish Financial Supervisory on the per-
formance of the audit in financial institutions and in
accordance with generally accepted auditing standards.
During the audit, based on an evaluation of materiality
and risk, we assessed procedures and verified the basis
for the amounts and disclosures in the financial state-
ments.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements have been pre-
sented in accordance with the accounting provisions of
legislation and give a true and fair view of the Føroya
Sparikassi's assets and liabilities, financial position and
profit for the year.

Tórshavn, tann 25. februar 2005

Sigmund Frederiksen

Grannskoðanarleiðari / Chief Auditor

Grannskoðaraátekning

Vit hava grannskoðað árs- og konsernroknskapin hjá Føroya Sparikassa P/F fyri árið 2004, sum leiðslan hevur sett upp.

Útinningin av grannskoðanini

Í samsvari við alment viðurkendar grannskoðanarmeginreglur hava vit lagt til rættis og útint grannskoðanina við atlit til at fáa grundaða sannføring um, at í árs- og konsernroknskapinum eru ikki týðandi skeivleikar ella brek. Undir grannskoðanini hava vit, eftir meting um týðning og risiko, kannað grundarlagið og sannanina viðvíkjandi teimum upphæddum og øðrum upplýsingum, sum standa í árs- og konsernroknskapinum. Vit hava samstundis tikið støðu til tann roknskaparhátt og tær roknskaparligu metingarnar, sum leiðslan hevur valt. Eisini hava vit mett um, hvørt upplýsingarnar í árs- og konsernroknskapinum sum heild eru nøktandi.

Grannskoðanin hevur ikki givið orsök til nakað fyrivarni.

Niðurstøða

Tað er okkara fatan, at árs- og konsernroknskapurin er greiddur í samsvari við tey krøv, ið lóggávan setur roknskaparhaldi, og at hann gevur rætta mynd av Sparikassans ognum og skyldum, fíggarligu støðuni og rakstrarúrslitinum.

Audit report – Annual accounts

We have audited the financial statements for the group and for Føroya Sparikassi P/F, presented by the Board of Directors and the Management.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free from material misstatements. Based on an evaluation of materiality and risk, we have tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies applied and the accounting estimates by the Board of Directors and Management. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualification.

Conclusion

In our opinion the financial statements have been presented in accordance with the accounting provisions of legislation and give a true and fair view of the company's assets and liabilities, the financial position and profit/loss for the year.

Tórshavn, tann 25. februar 2005

Klaus Rasmussen

Statsaut. grannskoðari / State Authorized Public Accountants

Jógvan Amonsson

Statsaut. grannskoðari / State Authorized Public Accountants

Alment

Árs- og konsernrøkskapurin er gjørdur í samsvari við lóg um bankar og sparikassar v.m. og kunngerðir og leiðreglur frá Fíggjareftirlitinum fyri peningastovnar.

Nýttur roknskaparháttur er óbroyttur í mun til undanfarin ár.

Konsernrøkskapur

Konsernrøkskapurin fevnir um Føroya Sparikassa P/F og P/F Inni og Kaupthing Bank A/S, sum eru 100% ogn hjá Føroya Sparikassa P/F. Av tí at P/F 12. juni 2003 hevur lutfalsliga lítið virksesemi í mun til Sparikassan, og væntandi fer at steðga sínum virksesemi í ár, er felagið ikki innroknað sum konsernifelag í roknskapinum hjá samtakinum.

Konsernrøkskapurin verður gjørdur við at leggja saman roknskaparpostar við einsháttaðum innihaldi, og við at draga innanhýsis inntøkur og útreiðslur frá saman við innanhýsismillumverandi.

Tíðargreining

Rentuinntøkur, rentuútreiðslur og leypandi provisióinir eins og allar aðrar týðandi inntøkur og útreiðslur verða tíðargreinaðar til roknskaparárið. Ómaksgjæld og stovningarprovisiúnir v.m. verða bókaðar leypandi. Vinningsbýti frá partabrøvum verður bókað sum inntøka, tá peningurin er móttikin.

Rentur av útlánum, sum verða mett at vera mist, verða ikki bókaðar sum inntøka.

Konserninternar transaktiónir

Transaktiónir við tilknýtt og assosierað feløg verða sum meginregla gjørdar samsvarandi marknaðartreytum.

Umrokning av útlenskum gjaldoyra

Ogn og skuld í útlenskum gjaldoyra verður bókað til almennar gjaldoyrakursir við árslok. Inntøkur og útreiðslur

í útlenskum gjaldoyra verða umroknaðar sambært galdandi valutakursum á bókingardegnum.

Útlán, ábyrgdir og áogn í øðrum lánistovnum

Útlán, ábyrgdir og áogn í øðrum lánistovnum verða støðugt gjøgnumgingin til tess at lýsa tapsvandan. Hetta viðførir, at tap og burturleggingar til tap verða bókað í rakstrarroknskapinum undir „Avskrivningar og burturleggingar av skuldarum“.

Lán við fastari rentu, har rentuváðin er avdekkadur við fíggjarligum amboðum, verða ikki kursjavnað.

Virðisbrøv

Børsnoterað virðisbrøv verða bókað til almennar kursir við árslok. Ikki børsnoterað virðisbrøv verða upptikin til útveganarvirði ella til mett marknaðarvirði.

Partabrøv, sum eru at rokna sum fíggjarlig støðisogn, verða bókað til dagsvirði.

Kapitalpartar í tilknýttum og assosieraðum fyrítøkum

Kapitalpartar í tilknýttum fyrítøkum og assosieraðum fyrítøkum verða bókaðir til roknskaparlíga innara virði.

Ótøkiligar ognir

Ritbúnaður verður bókaður til útveganarvirði, frádrigið avskrivningar. Avskrivað verður linjurætt yvir 5 ár. Goodwill verður bókað til útveganarvirði við keyp, frádrigið avskrivningar. Avskrivað verður linjurætt yvir 10 ár.

Ítøkiligar ognir

Grundøki og bygningar verða bókað til útveganarvirði, frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 50 ár og við støði í einum mettum restvirði. Grundøki verða tó ikki avskrivað.

Yvirtiknar ognir verða bókaðar til mett handilsvirði.

Innbúgv og rakstartól verða bókað til útveganarvirði, frádrigið av- og niðurskrivingar. Avskrivað verður linjurætt yvir 5-8 ár.

Smáinnbúgv útvegað fyri minni enn 20 tkr. verða útreiðsluførd tá hesi verða útvegað.

Fíggarlig amboð

Gjaldoyraterminshandlar verða bókaðir til marknaðarvirði við árslok.

Rentuswap, sum verða nýtt til at avdekka lán við fastari rentu, verða ikki kursjavnað. Rentur av swap verða tíðargreinaðar og bókaðar undir rentuinntøkum.

Skattur

Roknaður skattur av ársvinningi verður bókaður í ársroknskapinum og fevnir bæði um vanligan skatt og útsettan skatt. Útsettur skattur, ið kemur av tíðarfrávikum millum ársroknskapin og skattaroknskapin, verður útreiðsluførdur og avsettur undir „Avsetingar til skyldur“. Skattaáogn, sum sannlíkindi eru fyri verður nýtt framyvir, verður tikin við undir „Onnur ogn“.

General

The consolidated and annual accounts are prepared in conformity with the Danish Act on Banks and Savings Banks and regulations and directives from the Danish Financial Supervisory Authority (*Finanstilsynet*).

The accounting policies are unchanged from those of the previous year.

Consolidated Accounts

The consolidated accounts include P/F Føroya Sparikassi, P/F Inni and Kaupthing Bank A/S, which are 100% owned by P/F Føroya Sparikassi. Because P/F 12. Juni 2003 has relatively little activity in comparison to the bank, and it is anticipated that the company's operations will cease in 2005, its account activity is not included in the consolidated accounts.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, and outstanding loan balances.

Income recognition

Interest income, interest expenses, recurring provisions as well as all other significant income and expenses were accrued to the accounting year. Fees, charges and commissions, etc. were entered as received. Dividends on shares were entered as income upon receipt of the funds.

Interest on loans, which are identified as bad or doubtful, was not entered as income.

Internal Transactions

Transactions with subsidiary and associated companies were in principle executed in accordance with market conditions.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies were

translated according to the official rates of exchange prevailing at year-end. Income and expense related to foreign exchange were translated according to the rates of exchange prevailing at the transaction date.

Loans, Guarantees and Claims on other Financial Institutions

Loans, guarantees and claims on other financial institutions were continually reviewed to determine loss risk. Consequently, bad debts and provisions for bad debts were entered in the profit and loss account under "Depreciation and provisions for loss on bad debts".

Loans with fixed interest where interest risk is covered by derivatives were not subject to market value adjustments.

Investments

Listed securities were entered at market values at year-end. Non-listed securities were entered at purchase price or at market price, if the latter is determined to be lower.

Shares that are included in the bank's long-term investment portfolio were entered at marked value.

Equity in Subsidiary and Associated Undertakings

Equity in subsidiary and associated undertakings was entered at equity value.

Intangible Assets

Software is booked at cost less a deduction for depreciation. Software is depreciated according to the straight-line method over a period of 5 years.

Good-will is booked at purchase price, less a deduction for depreciation. Good-will is depreciated according to the straight-line method over a period of 10 years.

Tangible Assets

Land and buildings were entered based on purchase price, less deductions for depreciation and write downs. Depre-

ciation was taken according to the straight-line method over the estimated useful life with a maximum of 50 years. Land was not, however, depreciated.

Repossessed properties were entered according to their estimated market value.

Furnishings and equipment were entered at cost less deductions for depreciation and write downs. Depreciation was taken according to the straight-line method over a period of 5 - 8 years.

Furnishings and supplies valued at less than DKK 20,000 were expensed in the purchase year.

Financial Instruments

Currency futures contracts were entered at market value at year-end.

Interest rate swaps that were used to secure a fixed-interest loan, were not subject to market value adjustments. Interest on swaps was accrued to the accounting period and entered as interest income.

Taxes

Calculated tax on the profit for the year was stated in the annual accounts and included both actual tax and deferred tax. Deferred tax resulting from the timing differences between the annual accounts and the tax accounting by the Faroese tax administration was expensed and stated under „Provisions for liabilities and charges“. Tax surplus, which in all probability will be used in future, was entered as income and stated under „Other assets“.



IV Subscription Form

Without pre-emptive rights

One subscription form per custody account

Based on Article 3 in the Articles of Association of Eik Banki P/F the Board of Directors of Eik Banki P/F has decided to increase the share capital with an amount of minimum nominal value of DKK 78,260,900 and a maximum nominal value of DKK 101,616,000 (the board resolution is quoted in full length in Section 5 in the Share Securities Note).

Shareholders on 20 June 2007 (the day before the offering period starts), at 11.30 am Faroese time (corresponding to 12.30 CET and 10.30 am Icelandic time) have pre-emptive rights to this increase, but in case some present shareholders do not use their pre-emptive rights the Board of Directors of Eik Banki P/F hereby invites others to subscribe for new share capital in Eik Banki P/F in the offering period.

ISIN code: F00000000104 Name: Eik Banki P/F – temporary share
Nominal value per share: DKK 100 Price per share: DKK 575 (no additional costs)

Offering period: 21 June 2007 – 5 July 2007, 5.00 pm Faroese time (corresponding to 6.00 pm CET and 4.00 pm Icelandic time)

Settlement date: 11 July 2006

The Subscription form has to be submitted to the investor's financial institution in due time so the financial institution has sufficient time to expedite and forward the subscription form to Eik Banki P/F – Eik Markets no later than at the end of the subscription period.

Undersigned hereby offers to subscribe for shares in Eik Banki P/F

Number of shares _____ or for the value of DKK _____

Name _____

Date of birth/Company No. _____

Address _____

Post code and City _____

Telephone no. _____

Custody Account no. _____

Bank Account no. _____

Name of financial institution _____

Undersigned declares:

- That all relevant documents have been made known to me before submitting this offer, incl. the Summary, Shares Securities Notes and Share Registration Document of Eik Banki P/F dated 18 June 2007.
- That I accept that this offer for subscription is binding.
- That the shares may be registered under the name above.
- That to the extent that they or any person on whose behalf they are acting are resident in the United States, they or such person, as applicable, held existing shares as of the date of the issue.

_____ the _____ 2007 _____

Eik

Eik Banki P/F

Yviri við Strond 2
P.O. Box 34
FO-110 Tórshavn
Faroe Islands

Phone : +298 348000
Fax : +298 348800

Email: eik@eik.fo
Homepage: www.eik.fo