

Eik Banki Expects a Loss in 2009

Lower core operations and increased impairments, on the Danish market in particular, mark Eik Banki Group's 1H result. However, impairments have decreased since 4th quarter 2008. For the year, Eik Banki expects a loss in the range of DKK 25-75 million. The result after taxes for the first half 2009 is a DKK 69.2 million loss

The international economic and financial crisis still has its impact on the markets that Eik Banki operates on; the Danish market in particular. Therefore, core business is under pressure and impairments continue to be high.

These are the main reasons that the Bank's 1H result shows a loss of DKK 87.1 million before taxes and DKK 69.2 million after taxes. The corresponding figures last year were minus DKK 9.1 million and minus DKK 9.8 million, respectively.

Dissatisfying result

"Having to present a loss of our operation is not satisfying. This is, however, not unexpected, seen in the light of the global economic turmoil and the uncertainty about the outlook. There are though some indications that the recession has hit rock bottom and is easing, and based on this we expect to present a profit in 2010.", says Marnar Jacobsen, CEO of Eik Banki.

Good solvency and liquidity

Marnar Jacobsen points out that the Bank has taken full precaution by applying for hybrid core capital under Credit Package II. The Danish subsidiary, Eik Bank Danmark A/S, has already received around DKK 300 million under Credit Package II, and it is expected that Eik Banki P/F's application will be processed in the third quarter 2009.

"Thus Group solvency has been strengthened in order to face possible set backs", says Marnar Jacobsen, CEO.

Solvency and liquidity is good, solvency 11.6 per cent and liquidity DKK 5.5 billion, respectively, against 13.1 per cent and DKK 4.0 billion, the year before. The statutory required minimum solvency is 8 percent. The excess liquidity cover is 150.8 per cent.

Basic operation and impairments

Basic operation has decreased by DKK 106.9 million, the main reason for this being that net interest and fees income has decreased compared to first half last year. In Eik Bank

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Danmark in particular, income has decreased, whilst the Faroese market is more stabile. The two main reasons for this development are firstly, that interests on loans with impairments are not included the basic operation, and secondly, that at the moment high liquidity is costing the Bank, due to low placement interest rates.

Staff and administrative expences have decreased by DKK 22 million compared to first half 2008.

Impairments have increased by DKK 51.2 million compared to first quarter, and total impairments in the first half are DKK 203.1 million. However, this is considerably lower than in fourth quarter 2008, when impairments amounted to DKK 452.7 million.

Expect a loss for the year 2009

For the year, Eik banki expects a loss in the range of DKK 25-75 million. Core operation is expected to be lower due to decreasing net interest and fees income. Furthermore Credit Package II will burden the operation in the second half and impairments are expected to continue to be on a high level in second half, however, they are expected to be on a lower level than in fourth quarter 2008. Staff and administrative expenses are expected to remain unchanged.

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