

FØROYABANKI

Interim Report

H1 2009

Announcement No. 19 / 2009
5 August 2009

Summary

- Pre-tax profit DKK 88m compared to DKK – 55m in H1 2008
- Profit guidance for 2009 maintained at DKK 165-195m excl. value adjustments, state guarantee and tax
- Core income DKK 242m, an increase of 35% compared to H1 2008
- Core earnings DKK 139m, an increase of 88% compared to H1 2008
- Cost/income ratio 50% compared to 60% in H1 2008
- Value adjustments DKK 25m compared to DKK – 41m in H1 2008
- Impairments DKK 56m compared to DKK 86m in H1 2008
- The Group's solvency ratio 22.1% compared to 18.7% in H1 2008
- The Group has a strong liquidity of 197% above statutory requirements
- Føroya Banki has applied for DKK 212m in Hybrid Core Capital from the Danish state

“Our business model has shown robustness through the business cycle. The first half of 2009 was no exception in this regard, since Føroya Banki posted yet another good profit,” comments Føroya Banki CEO Janus Petersen.

“Our focus is on providing core banking services to our customers in a cost efficient manner while upholding a stringent credit risk management policy. Cost efficiency is reflected in a low cost/income ratio compared with peers, and our credit policies are reflected in a low level of impairments in the current circumstances. Having generated a healthy profit for years, Føroya Banki has the financial strength to take advantage of the current options in the Danish banking sector, but we have the patience to wait for the right opportunity focusing on core retail banking as in our home market, combined with a low credit risk”, says Janus Petersen.

The Management is satisfied with the pre-tax profit of DKK 88m in H1 compared to a loss of DKK 55m in H1 2008.

The good result is explained by improved core income (interest, fee and insurance income), steady costs and improved impairment level as well as better value adjustment on securities.

Core income increased 35% compared to H1 2008 to DKK 242m and core earnings (core income less Staff costs and administrative expenses) improved by 88% reaching DKK 139m.

With increasing income and a steady cost level the cost/income ratio is improving and is now in line with the Banks strategic goal of 50%, value adjustments and impairments excluded.

After last years hardship on equities markets H1 value adjustments on investments are positive by DKK 25m compared to a loss of DKK 41m in H1 2008.

The Group's liquidity is still ample and excess liquidity was almost twice the minimum legal requirement.

The solvency ratio has increased over the last year from 19% at H1 2008 to 22% in H1 2009.

As mentioned in the Q1 report the Group's present level of activities does not require extra infusion of capital. However, in order to strengthen the Group's position in the ongoing consolidation in the Danish banking market the Group decided in June 2009 to take advantage of the Hybrid capital offered in the Credit Package and applied for the maximum amount of Hybrid Core Capital, corresponding to 3% of the Groups risk weighted assets or DKK 212m.

On 22 July 2009 Moody's published a rating action for the Danish market. Moody's stated that amongst the 13 rated financial institutions, 11 were placed on review for possible downgrade. Only two had their ratings affirmed and Føroya Banki was one of the two remaining with stable outlook.

The Faroese economy

The impact from the global economic recession has not hit the Faroe Islands hard, but the economy has experienced moderate contractions in activity in the latter half of 2008 and first half of 2009.

With a low level of unemployment, foreign net assets and an export industry based on seafood and maritime services, the economy has proven to be relatively resilient. The robustness is reflected in the latest review from Moody's of the Faroe Islands, which emphasised "...*the strength and increasing diversification of the economy*" (May 2009), confirming the AA2 rating with stable outlook.

The macroeconomic contraction is by and large caused by a general decline in the activity in the fishing and construction industries. On the other hand the aquaculture industry has experienced growing activity levels. The production has reached all time high and prices are at their best in years.

A considerable share of the high growth in GDP since 2005 was fuelled by investments in housing and construction. There was a demand for new houses due to a growth in population of 10% in 10 years. The investments in the later years have reduced the shortage of houses and investments in housing have accordingly decreased considerably. However there are no significant signs of oversupply of houses and house prices have stabilized after last years moderate decrease.

The balance of payments is expected to be in surplus in 2009 further increasing foreign net assets of the Faroe Islands.

The total export of goods and services – excluding the sale of fishing vessels – has decreased by 4% in the first five months of 2009. Exports of salmon products amount to 32% of total export (DKK 480m) an increase of 37% in value compared to last year.

The corresponding figures for imports plunged by 30% excluding ships, clearly reflecting the fall in energy prices and the lower consumption and investments made by households and business compared to just one year ago.

The public sector has generated budget surpluses for most of the years since 1996, and therefore gross governmental debt has been reduced considerably. In effect the public sector currently has net assets of approximately DKK 1bn. Even though the governmental deficit of DKK 350m in 2008 and the expected deficits of DKK 750m in 2009 is causing some concerns the public sector is well cushioned to handle the situation.

The number of inhabitants is still growing and by June 1 reached 48,886. Paid wages for the first five months of 2009 have decreased by 4.5% compared to last year, but projections for June reveal increasing payroll figures. The average unemployment rate in May 2009 was 3.4% - up 1.2% from May last year. The well bolstered Unemployment Scheme Fund in May 2009 increased the compensation level from 70% to 80%, reinforcing the counter cyclical measures already taken. The unemployment rate has been stable over the last three months.

Consumer prices have decreased by 0.9% over the last year, mainly related to lower interest rates and oil prices.

Outlook for 2009

Economy

The expectations for the economy are dependent on the measures taken by the government and the impact from the international environment.

The Faroese economy is in a fairly good state due to the high level of activity and low debt burden. If the global situation does not improve the need for stimulating the economy is still prevalent.

So far the private sector has been resilient. Paid wages and income from abroad are fairly stable and should be a good basis for the private sector to avoid significant future shortfalls. This view is supported by the most recent confidence survey.

Føroya Banki expects that the Faroese growth will be negative by 3-4% in 2009.

The slowing economic trend previously expected by the bank to stabilise in late 2009 appears to have arrived earlier than foreseen in previous reports, but significant growth is not expected to materialize in the near future.

Føroya Banki Group.

The outlook for the Group is based on the budget and forecast for the second half of 2009.

The profit guidance for the Group from the Annual Report 2008 and later in the Q1 2009 outlook was estimated to be within the range of DKK 165–195m before value adjustment, expenses to the Danish state guarantee scheme and tax.

The Group maintains this profit guidance for 2009.

Based on the development in interest margins from H1 2009 and the volume in lending, the Group increases the forecast of growth in net interest and fee income from 2008 to 2009 to be in the range of 10-15%. In the Q1 2009 outlook the Group forecasted the growth in net interest- and fee income to be in the range of 5–10% compared to 2008.

The slowdown in the Faroese economy, has increased the probability of impairments on loans, mainly related to a few relatively large exposures especially in parts of the construction business. The business environment in the fishing industry on the other hand has improved due to the decrease in oil prices in late 2008.

Unemployment is modest and is not expected to exceed 4% by the end of 2009. Thus the financial situation for the Faroese households is expected to remain stable. Having this in mind the group estimates impairments on loans and advances to stay below the level in 2008.

The Group participates in the Danish government's guarantee scheme from October 2008, which affects the Group's costs directly through a fee paid to the government and an obligation to participate in extra payments, if other participating banks go bankrupt in 2009. Due to the fact that the potential costs are considerable, but at the moment uncertain, the outlook for 2009 does not include these costs.

The Group's liquidity is excellent and is expected to remain at a comfortable level in 2009.

The Group has a high solvency ratio of 22.1% and based on the current outlook for 2009, the Group estimates the solvency ratio to increase further in 2009 contingent on the risk weighted assets remaining stable. Approval of the Group's

application of Hybrid Capital from the second Banking Package will increase the solvency ratio with 3%.

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Financial Highlights - Føroya Banki Group

Income statement - Føroya Banki Group DKK 1,000	First half 2009	First half 2008	Index 09 / 08	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Full year 2008
Interest income	316.029	309.527	102	147.185	168.844	175.601	173.358	658.485
Interest expenses	114.756	158.235	73	47.681	67.075	85.860	86.980	331.075
Net interest income	201.273	151.291	133	99.505	101.769	89.741	86.377	327.410
Dividends from shares and other investments	2.653	5.394	49	2.616	37	8	34	5.436
Fee and commission income	20.856	19.577	107	10.132	10.724	16.009	13.084	48.669
Fees and commissions paid	137	83	165	53	84	62	44	189
Net interest and fee income	224.646	176.179	128	112.200	112.446	105.697	99.451	381.326
Premium income, net of reinsurance	39.890	35.228	113	20.176	19.714	18.986	19.306	73.520
Claims, net of reinsurance	22.655	32.633	69	14.059	8.595	12.590	8.833	54.056
Interest and fee income and income from insurance activities, net	241.881	178.774	135	118.317	123.564	112.093	109.924	400.790
Market value adjustments	24.703	-40.775		15.944	8.759	-23.424	-9.199	-73.397
Other operating income	-1.325	-1.847	72	-604	-722	93.971	-486	91.638
Staff cost and administrative expenses	103.376	104.988	98	54.019	49.358	49.114	49.443	203.546
Depreciation and impairment of property, plant and equipment	1.496	3.114	48	750	746	1.127	1.376	5.618
Other operating expenses	13.210	0		5.885	7.325	7.524	0	7.524
Impairment charges on loans and advances etc.	56.419	86.037	66	33.836	22.583	-8.703	27.567	104.902
Income from associated and subsidiary undertakings	-3.193	2.820		-3.193	0	0	0	2.820
Profit before tax	87.565	-55.167		35.975	51.590	133.578	21.852	100.263
Tax	16.379	4.017	408	7.093	9.286	-2.896	11.415	12.536
Net profit	71.186	-59.184		28.882	42.305	136.474	10.438	87.727
Balance sheet - Føroya Banki Group DKK 1,000	June 30 2009	June 30 2008	Index 09 / 08	June 30 2009	March 31 2009	Dec 31 2008	Sept 30 2008	Full year 2008
Loans and advances at amortised cost	7.419.643	7.681.117	97	7.419.643	7.577.552	7.728.560	7.754.536	7.728.560
Bonds at fair value	1.067.046	960.081	111	1.067.046	1.021.154	940.201	848.507	940.201
Total assets	9.567.598	9.629.829	99	9.567.598	9.803.558	10.066.685	9.621.288	10.066.685
Due to credit institutions and central banks	1.769.518	2.529.267	70	1.769.518	2.001.090	2.317.290	2.571.826	2.317.290
Deposits and other debt	5.485.810	5.490.474	100	5.485.810	5.472.067	5.494.199	5.393.779	5.494.199
Issued bonds at amortised cost	499.717	0		499.717	499.843	500.000	0	500.000
Total shareholders' equity	1.569.034	1.386.255	113	1.569.034	1.550.346	1.524.042	1.396.824	1.524.042
Total liabilities and equity	9.567.598	9.629.829	99	9.567.598	9.803.558	10.066.685	9.621.288	10.066.685

Financial Highlights, continued - Føroya Banki Group

Ratios and key figures Føroya Banki Group	June 30	June 30	June 30	March 31	Dec 31	Sept 30	Full year
	2009	2008	2009	2009	2008	2008	2008
Solvency							
Solvency ratio, %	22,1	18,7	22,1	20,8	20,6	19,1	20,6
Core capital ratio, %	22,2	18,8	22,2	21,0	20,8	19,3	20,8
Risk-weighted Items, DKK mill	6.805	7.328	6.805	7.087	7.201	7.305	7.201
Profitability							
Return on equity after tax, %	4,6	-4,1	1,9	2,8	9,3	0,7	5,8
Cost / income, %	66,6	139,7	72,4	60,8	26,9	78,2	76,2
Cost / income, % (excl. value adjustm. and impairments)	49,7	60,1	53,0	46,7	28,0	46,4	43,8
Liquidity							
Excess cover relative to statutory liquidity requirements, %	196,8	85,3	196,8	193,8	193,0	77,2	193,0
Credit risk							
Growth on loans and advances, %	-4,0	1,8	-2,1	-2,0	-0,3	1,0	2,4
Gearing of loans and advances	4,7	5,5	4,7	4,9	5,1	5,6	5,1
Shares							
Earnings per share after tax (nom. DKK 20), DKK	7,4	-6,0	3,0	4,4	13,8	1,1	8,9
Market price per share (nom. DKK 20), DKK	122	148	122	122	120	166	120
Book value per share (nom. DKK 20), DKK	163	140	163	161	154	141	154
Other							
Number of full-time employees, end of period	231	251	231	228	225	247	225

Management's Report

Overview

The Føroya Banki Group's result for the first half of 2009 has been satisfactory, given the turbulent business environment.

The management is pleased with the increasing income and lower expenses causing core earnings to improve. The Group's strong solvency and firm credit handling have cushioned the effects of the global financial crisis - thus the Group maintains the 2009 projection.

Financial Results

In the first half of 2009 the Føroya Banki Group recorded a net profit of DKK 71m compared to a loss of DKK 59m in 2008. Profit before tax amounted to DKK 88m compared to DKK -55m in H1 2008.

The strong performance recorded in Q1 and continued in H1 is based on the banks core activities. There is a continued growth in net interest income.

The interest margins have remained steady at the same time as the leading interest rates have come down. The 3M CIBOR has dropped 3% compared to one year ago.

Compared to the challenges in 2008 the value adjustments have rebounded leading to a net improvement of DKK 65m compared to H1 2008; contributing with DKK 25m to the result in H1 2009.

Compared to H1 2008, a DKK 13m in payment for the Danish state guarantee has entered the overview and this cost will be DKK 27m in 2009 as well as 2010. In addition there is an extra liability placed on the Group in case of further losses in the Danish banking sector since the bank participates in an inter bank guarantee scheme for the Danish banking sector. These sector related costs put a pressure on the Group to maintain a high level of income and until now the Group has succeeded in increasing net income compared to H1 2008.

The slowdown in the Faroese economy, has increased the probability of impairments on loans. However unemployment is modest and is not expected to exceed 4% by the end of 2009. The financial situation for the Faroese households is stable and does not create increased impairments. Thus the Group's impairments on loans are mainly related to a few large exposures.

The bank's loans and advances have decreased by DKK 309m, or 4% since the beginning of the year. This is partly caused by successful syndications of large exposures with other banks.

In June 2009 the Group's solvency ratio was 22% compared to 19% in H1 2008.

Income

The net interest income in the first half of 2009 has increased by 33% (DKK 50m) compared to H1 2008 and amounts to DKK 201m.

Interest income has increased by 2% compared to H1 2008 even though loans and advances have decreased by 3%.

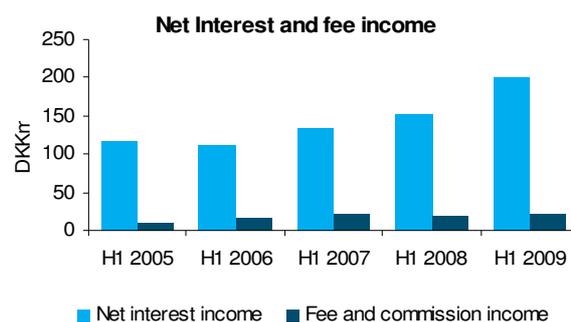
The Group's interest expenses decreased from DKK 158m to DKK 115 or by 27%. At the same time dues to credit institutions and equivalent decreased by 10% or by DKK 260m. Deposits remained steady.

The repeated reduction of interest rates by the ECB and general easing of spreads on the inter-bank market is the main reason for the decreasing interest expenses. But the deposits market, which experienced very high interest rates comparatively during the credit crunch, has come back to a more normal state contributing to the lower expenses.

During the several interest cuts over the first half, the Group has managed to maintain the interest margins compared to year-end 2008.

Fee and Commission income increased by 6.5% and amounted to DKK 20.8m compared to DKK 19.6m in H1 2008. This is in line with the Groups strategy to increase fee and commission income over the coming years.

Net interest and fee income in H1 2009 are 28% higher than in H1 2008, corresponding to a higher income of DKK 48m. In the Q1 2009 outlook the group estimated a 5-10% growth in net interest and fee income in 2009 compared to full-year 2008. As of H1 2009 the result indicates a even higher growth and the Group has consequently increased the income growth forecast for 2009 to 10-15%.



* The figures for '05, '06 and '07 are not consolidated nor in accordance with IFRS

The Group's insurance company Trygd has had a good year compared to a rather difficult start in 2008 due to severe weather conditions. Trygd had a net income from insurance activities amounting to DKK 17m compared to DKK 3m in H1 2008.

Skyn has been affected by the slump on the housing market and thus did not manage to generate the sufficient turnover.

Dividends from shares and other investment decreased from DKK 5.4m in H1 2008 to DKK 2.7m in H1 2009.

The pre-tax profit from Føroya Banki's subsidiaries Trygd and Skyn in the first half of 2009 amounted to DKK 13m compared to a deficit of DKK 3m in H1 2008.

Value adjustments

Market value adjustments on the Group's placements of liquidity have rebounded so far this year, from being negative by DKK -41m in the first half of 2008 to a positive contribution of DKK 25m in the same period 2009. The turbulence that defined 2008 has partly continued with large fluctuations from month to month, but so far with a positive trend.

The bond portfolio, mostly invested in highly liquid Danish mortgage bonds, amounted to DKK 1,067m at the end of H1. The bonds have performed reasonably well in H1. The interest spread between a 2 year Danish government bond and a 2 year Mortgage bond have narrowed about 50 points in H1.

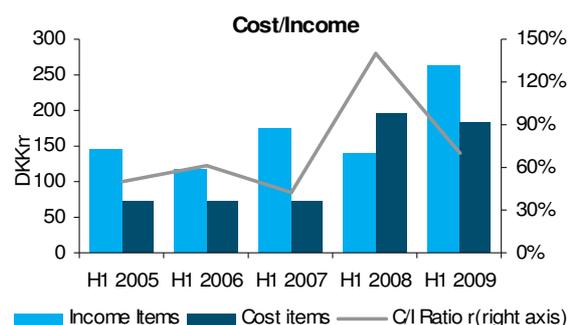
The performance of the Groups bond portfolio in H1 was 3% compared to the Mortgage index of 3.1%.

The equity portfolio has been reduced during the first half of 2009. The OMX C20 index has rebounded from Q1 and came in positive by 17%, while the Group's portfolio managed a return of 11% lagging somewhat behind due to overexposure in the financial sector.

Operating expenses

Staff costs and administrative expenses for H1 2009 amounted to DKK 103m, compared to DKK 105m for the same period in 2008, corresponding to a decrease of DKK 2m. The decrease is mainly an effect of the closing of bank branches in November 2008.

The cost/income ratio (C/I) continues to decrease and reached 67% at the end of H1 2009 compared to 140% in H1 2008.

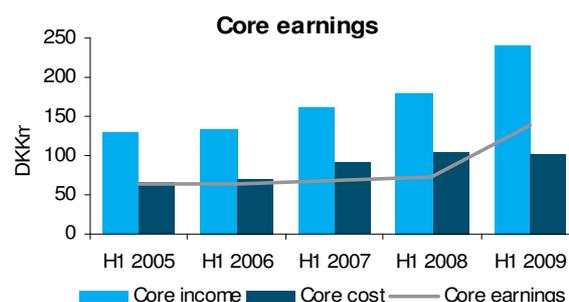


* The figures for '05, '06 and '07 are not consolidated nor in accordance with IFRS

Excluding value adjustments and impairments on loans the cost/income ratio amounts to 50% for the first half of 2009; a significant decrease from 60% for the same period in 2008.

Core earnings

The Group's core earnings (*Core income (interest, fee and insurance income) minus Staff costs and administrative expenses*) have improved considerably during H1 2009 compared to the same period in 2008. At the end of H1 2009 core earnings were DKK 139m compared to DKK 74m at the end of H1 2008, an increase of DKK 65m or 88%.



* The figures for '05, '06 and '07 are not consolidated nor in accordance with IFRS

The main reason for this increase is the growth in net interests of DKK 50m and an increase in net premium income from insurance activities of DKK 15m. The improvement in core earnings has been a general trend in the last quarters. Core earnings

improved from DKK 63m in Q4 2008 to DKK 74m in Q1 2009 due to an improvement in both net interest income and cost reductions. In Q2 core earnings decreased somewhat to DKK 65m mainly because of the decrease in Loans and lower earnings in the subsidiary Trygd.

The level is satisfactory and in line with the Group's strategy to maintain a long-term goal of performance in earnings on a cost conscious base.

Impairment charges on loans and advances

The Group recorded impairment charges on loans for the first half 2009 amounting to DKK 56m compared to 86m in the same period of 2008.

Total impairments at the end of H1 are 4.2% of total loans, advances and guarantees, compared to 3.2% at the end of H1 2008. The increase of impairment is mainly explained by increasing impairments in the corporate sector. Referring to the figure below, building and construction is most severely hit comparatively, but fishing sector carries the biggest share in absolute numbers. The trade sector has also experienced big losses.

	Loan composition	Impairment composition	
		as % of total Impairments	as % of sector Loans
Public authorities	5,4%	0,0%	0,0%
Corporate sector:			
Fishing industry	8,1%	20,2%	10,4%
Manufacturing etc.	5,7%	7,6%	5,8%
Construction etc.	4,1%	18,3%	17,1%
Trade, hotels etc.	7,3%	17,6%	10,1%
Transport etc.	9,3%	5,8%	2,8%
Property etc.	4,7%	6,3%	5,8%
Other industries	7,8%	11,6%	6,5%
Total corporates	46,9%	87,4%	7,9%
Retail customers	47,7%	12,6%	1,2%
Total	100,0%	100,0%	4,4%

* Not including guarantees

In accordance with the Group's credit policy the Group has reviewed all exposures in connection with the H1 2009 report to assess the Group's potential losses. The Group has made impairments for potential losses to the extent deemed necessary.

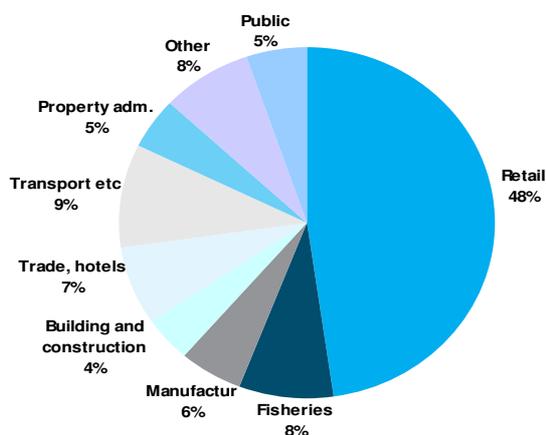
The Group's credit risk management policy is to have a well-diversified loan portfolio. The pursuit for even better risk management procedures and overview has been strengthened in Q2 by the hiring of a Risk Officer.

The loan portfolio at the end of H1 totalled DKK 7,420m. This is 261m less than one year ago and 309m less than at the end of 2008. Total loans are split up in retail 48%, corporate 47% and public exposures 5%. Compared to one year ago retail exposure has increased by 1.5%, the corporate sector decreased by 1.9% and the public sector increased by 0.5%.

At the end of H1 2009 more than 80% of the retail portfolio was secured by first priority mortgages in houses. 90% of all mortgage loans have a loan to value of less than 80%.

The present situation in the economy has had a negative impact on the economic activity. Føroya Banki is closely monitoring the development to ensure any potential losses are minimized. By June 30 2009 the household's due on loans corresponded to 0.16% of total loans to households, which is comparable to the average level since the end of 2007.

Loans and advances specified by sector



The Group strives to diversify its corporate sector exposure risk and has reduced individual exposures to a maximum of 10% of total loans and advances. By now the highest exposure is 9% recorded in the Transport, mail and telephone. The reductions have partly been achieved by syndicating large exposures with other financial institutions.

Traditionally the fishing industry has had a very high share (22% in 2001) of total loans, but through focused diversification the sector has been reduced to its present 8%, 1% lower than one year ago. The highest growth incurred in building and construction which increased by 1% to DKK 304m, followed by manufacturing industries 1% to DKK 423m.

Capital and Solvency

Equity

The Group's equity by 30 June 2009 was DKK 1,569m, compared to DKK 1,524 at the end of 2008 and 1,386m one year ago. The return on equity in H1 2009 after tax was 4.6%, which

compares to -4.1% for the first half of 2008. Earnings per share after tax were DKK 7.4.

Solvency

At the end of H1 2009, the solvency ratio was 22% compared to 21% at year-end 2008 and 19% at the end of H1 2008.

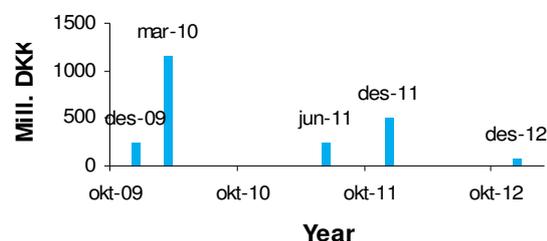
Total risk-weighted items amounted to DKK 6,805m at 30 June 2009 compared to DKK 7,201m at 31 December 2008. The decline in Risk Weighted Assets is caused by the decline in credit risk and in reduced market risk.

Liquidity and funding

The Group's excess liquidity coverage relative to statutory requirements at the end of H1 2009 was 197% compared to 193% at year-end 2008. Given the turbulent market conditions earlier and costless un-drawn temporary credit facility from the Danish Central Bank, the Group is focused on maintaining a comfortable liquidity buffer sufficient to meet the challenges in the coming year.

In H1 2009 the Group has not had the need of extra funding, but in the course of the coming year

External Funding Profile



DKK 1.4bn of external funding is maturing over the coming 12 months and will be partly refinanced.

The extension of the State Guarantee to the end of 2013 as provided by the Second Bank package has made refinancing easier. Furthermore this option has resulted in longer funding options being accessible.

Thus the Group foresees no obstacles to a successful refinancing of its money market funding.

Balance Sheet

The Group's total assets amounted to DKK 9,568m at 30 June 2009, which is a decrease of DKK 499m since the beginning of the year. The decrease is mainly due to the fall in loans and advances, cash in hand and other assets.

Currency risk and interest risk relating to loans are hedged with swaps. The earlier insecurity regarding the evaluation of bonds and shares has diminished over the past months, but with regards to the shares, there still is a high degree of doubt as to which way things are going. Expectations are positive, but so far the real economy has produced more negative than positive news.

Due to credit institutions and depositors are all floating-rated. There is no mentionable currency risk on the Group in this respect because the currency risk is covered with swaps. Therefore there is no insecurity regarding the Group's liabilities as of 30 June 2009.

Loans and Advances

Loans and advances decreased by DKK 308m from DKK 7,729m at the beginning of the year to DKK 7,420m at the end of H1 2009. The decline

in Q2 2009 was DKK 158m. Compared to H1 2008 the decline is DKK 261m.

The decrease in lending in H1 2009 is mainly due to the Group's focused effort to diversify its loan portfolio in order to reduce its risks. As a consequence the Bank has actively pursued to decrease the proportion of large exposures and exposures towards certain segments, through loan syndications mainly together with foreign banks in order to diminish the credit risk. Large exposures have decreased significantly from 118% of the Group's equity in H1 2008, to 68% in H1 2009. The largest corporate segments have decreased from 10% of the loan portfolio at the end of 2008 to 9% in H1 2009.

Loans from Credit Institutions and Central Banks

Loans from credit institutions, central banks and issued bonds amounted to DKK 2,269m at the end of June 2009 a decrease of 19% compared to DKK 2,817m at the beginning of the year. In the next 12 months two loans amounting to DKK 1.4bn of loans will mature. The first DKK 245m is due in December and the second DKK 1,150m in March 2010. A major part of the loans are expected to be refinanced in due course, but the good liquidity situation leaves room for repaying a part of the amount.

Deposits

The deposits at the end of H1 2009 amounted to DKK 5,486m, which is basically the same as at the beginning of the year and at the end of Q1. Under the current situation priorities have been on maintaining a solid deposits base without jeopardising the Group's profitability.

Other Issues

The second banking package

Føroya Banki announced on June 29 2009 that the Bank has applied for DKK 212m Hybrid Core Capital from the Danish Credit Package, corresponding to the maximum of 3 per cent possible. Given approval the Bank will increase the core capital ratio from the present 22 per cent to 25 per cent.

It is evident that the bank is in good shape with regards to solidity and performance and the board assesses the present level of solidity sufficient to withstand the banks present level of engagements.

In order to be able to take part in the ongoing consolidation amongst financial institutions on the Danish market the board wants to strengthen the Bank's present capital base.

Bakkafrost

On July 15 2009 the shareholders of the two major Faroese aquaculture companies Bakkafrost and Vestlax announced that they intend to merge the two companies and aspire a listing on Oslo Stock Exchange in course of 2010.

Føroya Banki presently owns 34% of Bakkafrost and 2% of Vestlax as well as a convertible loan of DKK 40m expected to be converted to shares.

According to the banks strategy to focus on core banking activities while reducing exposure to single industries, the Bank intends to divest its holdings in the merged company in connection with the listing.

Retirement Reform

A proposal for a new retirement reform probably will be presented to the Faroese Parliament in August this year. If ratified the retirement reform will be effective from 01.01.2010.

The proposed pension reform consists of 3 pillars. The first is a state/tax funded pension, the second a statutory savings scheme and the third is a open personal saving.

The first pillar consists of the present regime of government regulated and funded pension provisions.

The second pillar is a statutory saving where everybody on the labour marked is obligated to pay 15 % of the salary. This can be saved into a savings account as a personal saving until the person reaches retirement age. Before or at the time of retirement, the payout-profile of the savings has to be decided on. No more than 10 % of the saving may be capitalized. At least half of the remaining amount has to be spent on an annuity, while up to 25 per cent can be used as a personal pension payable in instalments.

The third pillar is a free choice saving above 15 % of wages. On the retirement date, 20 % of the saving can be capitalized, while the remaining amount has to be spent on either an annuity or a instalment pension.

The retirement reform is of great importance to the Group, since the savings will make up a considerable share of future domestic savings. The Group is therefore dedicated to preparing for this likely situation to occur in order to attract and

managing as large part of the proceeds as possible.

SDC

In February 2009 it was clear that a settlement with BEC, one of the Group's IT providers to become the main supplier, would not be reached. Hence the Faroese group of banks decided to commence negotiations with Skandinavisk Data Center, SDC.

On 23 April 2009 a letter of intent regarding cooperation was signed wherein SDC is to become the Group's main supplier of IT systems expectedly from the beginning of Q2 2010. It was also agreed upon that the Group is to become a shareholder in SDC.

The aim with the agreement is that all IT systems of the financial institutions will be converted from the former suppliers P/F Elektron and BEC to SDC.

SDC's clientele is made up of over 140 Danish, Norwegian and Swedish financial institutions, which are also the owners of SDC. The core business is the development, maintenance, operation and joint purchase of IT solutions for the financial sector.

Events after the balance sheet date

In relation to the Group's Annual General Meeting at 30 March 2009, some shareholders have made a legal filing against the Bank regarding the lawfulness of the election of the Board of Directors.

It is the Bank's opinion that the election was lawful and that the complaint does not contain any new information that has not already been taken into account by the Bank. Accordingly, the dispute will now be tried by the court.

Financial Highlights – 5-years summary – Føroya Banki Group

Income statement DKK, 1,000	Føroya Banki Group			P/F Føroya Banki, previous GAAP		
	First half 2009	First half 2008	Full year 2008	First half 2007	First half 2006	First half 2005
Interest income	316.029	309.527	658.485	220.606	149.822	147.487
Interest expenses	114.756	158.235	331.075	87.926	37.230	31.175
Net interest income	201.273	151.291	327.410	132.679	112.592	116.312
Dividends from shares and other investments	2.653	5.394	5.436	2.377	1.318	431
Fee and commission income	20.856	19.577	48.669	20.841	15.508	10.076
Fee and commissions paid	137	83	189	174	138	112
Net interest and fee income	224.646	176.179	381.326	155.723	129.280	126.707
Premium income, net of reinsurance	39.890	35.228	73.520			
Claims, net of reinsurance	22.655	32.633	54.056			
Interest and fee income and income from insurance activities, net	241.881	178.774	400.790	155.723	129.280	126.707
Market value adjustments	24.703	-40.775	-73.397	11.111	-13.991	15.396
Other operating income	-1.325	-1.847	91.638	-2.108	-1.604	378
Staff costs and administrative expenses	103.376	104.988	203.546	91.375	70.886	66.951
Depreciation and impairment of property, plant and equipment	1.496	3.114	5.618	3.993	3.119	3.865
Other operating expenses	13.210	0	7.524	8	14	0
Impairment charges on loans and advances etc. *	56.419	86.037	104.902	-21.983	-1.446	1.048
Income from associated and subsidiary undertakings	-3.193	2.820	2.820	10.340	4.410	2.908
Profit before tax	87.565	-55.167	100.263	101.674	45.521	73.525
Tax	16.379	4.017	12.536	17.482	7.831	14.705
Net profit for the period	71.186	-59.184	87.727	84.192	37.690	58.820

Financial Highlights – 5-years summary, continued

Balance sheet DKK 1,000	Føroya Banki Group			P/F Føroya Banki, previous GAAP		
	June 30 2009	June 30 2008	Full year 2008	June 30 2007	June 30 2006	June 30 2005
Cash in hand and demand deposits with central banks	601.775	515.213	831.374	99.835	107.056	281.906
Due from credit institutions and central banks	154.969	74.439	139.405	166.509	200.767	188.542
Loans and advances at amortised cost	7.419.643	7.681.117	7.728.560	6.240.863	4.671.686	3.508.413
Bonds at fair value	1.067.046	960.081	940.201	858.548	1.046.641	1.799.977
Shares, etc.	72.360	122.667	91.610	158.107	121.256	18.418
Assets under insurance contracts	10.600	20.210	22.959	0	0	0
Holdings in associates	24.653	27.846	27.846	34.399	4.713	4.921
Holdings in subsidiaries	0	0	0	117.967	126.768	123.660
Total land and buildings	136.696	137.480	137.222	62.394	62.657	62.208
investment property	2.500	2.500	2.500			
domicile property	134.196	134.980	134.722			
Other property, plant and equipment	6.571	8.008	7.095			
Current tax assets	0	0	21			
Deferred tax assets	15.236	105	15.419			
Assets held for sale	17.919	23.859	33.184			
Own shares	0	0	0	6.260	-53	-56
Other assets	31.209	49.978	80.891	22.211	22.000	31.828
Prepayments	8.922	8.826	10.898	8.734	6.222	5.420
Total assets	9.567.598	9.629.829	10.066.685	7.775.828	6.369.713	6.025.237
Shareholders' equity and liabilities						
Due to credit institutions and central banks	1.769.518	2.529.267	2.317.290	1.488.681	290.498	77.696
Deposits and other debt	5.485.810	5.490.474	5.494.199	4.849.648	4.872.456	4.266.050
Issued bonds at amortised cost	499.717	0	500.000			
Liabilities under insurance contracts	56.610	61.548	47.270			
Current tax liabilities	43.873	707	2.072			
Other liabilities	117.965	140.644	151.627	104.891	79.659	61.627
Deferred income	6.643	7.545	15.140	0	0	0
Total liabilities	7.980.135	8.230.185	8.527.597	6.443.220	5.242.613	4.405.373
Provisions for liabilities						
Provisions for deferred tax	10.968	10.894	11.226	0	0	0
Other provisions for liabilities	7.462	2.495	3.819	2.898	3.300	3.842
Total provisions	18.429	13.389	15.045	2.898	3.300	3.842
Shareholders' equity (Tier 1)						
Share capital	200.000	200.000	200.000	200.000	200.000	100.000
Reserve, Equity Method	0	0	0	9.099	10.912	9.402
Retained earnings	1.369.034	1.186.255	1.324.042	1.120.612	912.887	1.506.620
Proposed dividends	0	0	0	0	0	0
Total shareholders' equity	1.569.034	1.386.255	1.524.042	1.329.711	1.123.800	1.616.022
Total liabilities and equity	9.567.598	9.629.829	10.066.685	7.775.828	6.369.713	6.025.237
Contingent liabilities	439.386	439.059	508.901	425.871	270.784	144.298

Financial Highlights – 5-years summary, continued

Ratios and key figures	Føroya Banki Group			P/F Føroya Banki, previous GAAP		
	June 30 2009	June 30 2008	Full year 2008	June 30 2007	June 30 2006	June 30 2005
Solvency						
Solvency ratio, %	22,1	18,7	20,6	20,8	25,1	47,8
Core capital ratio, %	22,2	18,8	20,8	20,9	25,2	47,8
Profitability						
Return on equity before tax, %	5,7	-3,9	6,7	7,9	4,1	4,6
Return on equity after tax, %	4,6	-4,1	5,8	6,5	3,4	3,7
Income / cost ratio, DKK	1,50	0,72	1,31	2,39	1,6	2,0
Market risk						
Interest rate risk, %	1,4	2,2	2,2	2,4	1,7	1,9
Foreign exchange position, %	1,3	18,7	1,3	7,2	10,9	4,1
Foreign exchange risk, %	0,0	0,1	0,0	0,0	0,0	0,0
Credit risk						
Large exposures as a percentage of equity, %	68,0	117,7	84,7	162,7	100,5	0,0
Impairment and provisioning ratio, %	4,2	3,2	3,4	4,0	7,0	10,4
Write-off and impairments ratio, %	0,7	1,0	1,2	-0,3	0,0	0,0
Growth on loans and advances, %	-4,0	1,8	2,4	15,4	14,7	-3,5
Gearing of loans and advances	4,7	5,5	5,1	4,7	4,2	2,2
Liquidity						
Loans, advances and impairments in relation to deposits, %	141,5	144,8	145,8	134,4	103,5	92,1
Excess cover relative to statutory liquidity requirements, %	196,8	85,3	193,0	51,0	103,4	367,6
Shares						
Earnings per share before tax, DKK (1)	45,5	-27,8	50,8	50,8	22,8	73,5
Earnings per share after tax, DKK (1)	37,0	-29,8	44,5	42,1	18,8	58,8
Book value per share, DKK (1)	815	698	772	665	562	1.616
Market price / Book value per share, DKK (1)	0,75	1,06	0,78	1,78	N/A	N/A
P/E Ratio, DKK (1)	16,5	-24,8	13,5	28,1	N/A	N/A

These ratios and key figures have been prepared in correspondence with regulations from the Danish Financial Supervisory Authority.

(1) In accordance with the guidelines from the Danish Financial Supervisory Authority the denomination of the shares has been converted from DKK 20 to DKK 100. The conversion affects the figures from 1 January 2007.

Statement by the Executive Board and the Board of Directors

Today we have reviewed and approved P/F Føroya Banki's Interim Report for the first half of 2009.

The consolidated financial statements for the first half of 2009 have been prepared in accordance with IAS 34, Interim Financial Reporting as approved by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act. Furthermore the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of the OMX Nordic Exchanges in Iceland and in Copenhagen.

The interim report has not been audited or reviewed.

We consider the accounting policies applied to be appropriate, such that the Interim Financial Report gives a true and fair view of the Group's and the Parent Company's assets, shareholders' equity and liabilities and financial position at 30 June 2009, and of the results of the Group's and the Parent Company's operations and the Group's consolidated cash flows for the financial period 1 January to 30 June 2009.

In addition, we also consider the Management's report to give a fair presentation of the development in the Group's activities and financial affairs, the profit for the period and the Group's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Group.

Tórshavn, 5 August 2009

Executive Board

Janus Petersen

Súni Schwartz Jacobsen

Board of Directors

Klaus Rasmussen
Chairman

Jens Erik Christensen

Wilhelm E. Petersen

Keld Søndergaard Holm

Olav Enomoto

Sigmar Jacobsen

Income Statement - Føroya Banki Group

Note	DKK 1,000	First half 2009	First half 2008	Q2 2009	Q2 2008	Full year 2008
4	Interest income	316.029	309.527	147.185	155.993	658.485
5	Interest expenses	114.756	158.235	47.681	80.905	331.075
	Net interest income	201.273	151.291	99.505	75.089	327.410
6	Dividends from shares and other investments	2.653	5.394	2.616	4.797	5.436
7	Fee and commission income	20.856	19.577	10.132	10.881	48.669
	Fee and commissions paid	137	83	53	44	189
	Net interest and fee income	224.646	176.179	112.200	90.723	381.326
	Premium income, net of reinsurance	39.890	35.228	20.176	18.626	73.520
	Claims, net of reinsurance	22.655	32.633	14.059	9.132	54.056
	Interest and fee income and income from insurance activities, net	241.881	178.774	118.317	100.216	400.790
8	Market value adjustments	24.703	-40.775	15.944	-25.003	-73.397
	Other operating income	-1.325	-1.847	-604	-1.306	91.638
9	Staff costs and administrative expenses	103.376	104.988	54.019	54.874	203.546
	Depreciation and impairment of property, plant and equipment	1.496	3.114	750	1.437	5.618
	Other operating expenses	13.210	0	5.885	0	7.524
	Impairment charges on loans and advances etc. *	56.419	86.037	33.836	69.541	104.902
	Income from associated and subsidiary undertakings	-3.193	2.820	-3.193	0	2.820
	Profit before tax	87.565	-55.167	35.975	-51.945	100.263
	Tax	16.379	4.017	7.093	2.016	12.536
	Net profit for the period	71.186	-59.184	28.882	-53.962	87.727
	EPS Basic for the period, DKK*	7,34	-5,97	2,91	-5,60	8,85
	EPS Diluted for the period, DKK *	7,34	-5,97	2,91	-5,60	8,85

* Based on average number of shares outstanding, see the specification of shareholders equity

* Impairment charges on loans and advances are specified in note 7 to the balance sheet for P/F Føroya Banki

Statement of comprehensive income - Føroya Banki Group

DKK 1,000	First half 2009	First half 2008	Q2 2009	Q2 2008	Full year 2008
Net gains not recognised in the income statement	75	0	0	0	
Total	75	0	0	0	0
Net profit for the period	71.186	-59.184	28.882	-53.962	87.727
Total comprehensive income for the period	71.261	-59.184	28.882	-53.962	87.727

Balance Sheet - Føroya Banki Group

Note	DKK 1,000	June 30 2009	June 30 2008	Full year 2008
Assets				
	Cash in hand and demand deposits with central banks	601.775	515.213	831.374
10	Due from credit institutions and central banks	154.969	74.439	139.405
11, 12	Loans and advances at amortised cost	7.419.643	7.681.117	7.728.560
13	Bonds at fair value	1.067.046	960.081	940.201
14	Shares, etc.	72.360	122.667	91.610
	Assets under insurance contracts	10.600	20.210	22.959
	Holdings in associates	24.653	27.846	27.846
	Holdings in subsidiaries	0	0	0
	Total land and buildings	136.696	137.480	137.222
	investment property	2.500	2.500	2.500
	domicile property	134.196	134.980	134.722
	Other property, plant and equipment	6.571	8.008	7.095
	Current tax assets	0	0	21
	Deferred tax assets	15.236	105	15.419
	Assets held for sale	17.919	23.859	33.184
	Other assets	31.209	49.978	80.891
	Prepayments	8.922	8.826	10.898
	Total assets	9.567.598	9.629.829	10.066.685
Shareholders' equity and liabilities				
15, 16	Due to credit institutions and central banks	1.769.518	2.529.267	2.317.290
17, 18	Deposits and other debt	5.485.810	5.490.474	5.494.199
19	Issued bonds at amortised cost	499.717	0	500.000
	Liabilities under insurance contracts	56.610	61.548	47.270
	Current tax liabilities	43.873	707	2.072
	Other liabilities	117.965	140.644	151.627
	Deferred income	6.643	7.545	15.140
	Total liabilities	7.980.135	8.230.185	8.527.597
Provisions for liabilities				
	Provisions for deferred tax	10.968	10.894	11.226
	Other provisions for liabilities	7.462	2.495	3.819
	Total provisions	18.429	13.389	15.045
Shareholders' equity (Tier 1)				
	Share capital	200.000	200.000	200.000
	Retained earnings	1.369.034	1.186.255	1.324.042
	Total shareholders' equity	1.569.034	1.386.255	1.524.042
	Total liabilities and equity	9.567.598	9.629.829	10.066.685
20	Contingent liabilities			
	Guarantees, etc.	365.708	439.059	435.223
	Other commitments	73.677	0	73.677
	Total	439.386	439.059	508.901

Shareholders Equity - Føroya Banki Group

Changes in shareholders' equity:

DKK 1,000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at 1 January 2009	200.000	0	1.324.042	1.524.042
Total comprehensive income for the period			71.261	71.261
Dividends payed		0		0
Acquisition of own shares			-41.178	-41.178
Sale of own shares			14.908	14.908
Shareholders' equity at 30 June 2009	200.000	0	1.369.034	1.569.034

DKK 1,000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at 1 January 2008	200.000	45.000	1.234.664	1.479.664
Total comprehensive income for the period			-59.184	-59.184
Dividends payed		-45.000		-45.000
Acquisition of own shares			-21.475	-21.475
Sale of own shares			32.250	32.250
Shareholders' equity at 30 June 2008	200.000	0	1.186.255	1.386.255

Shares

DKK 1,000	First half 2009	First half 2008	Full year 2008
Net profit for the period	71.186	-59.184	87.727
Average number of shares outstanding	9.698	9.911	9.911
Number of dilutive shares issued	0	0	0
Average number of shares outstanding, diluted	0	0	0
Net profit for the period per share, DKK	7,34	-5,97	8,85
Diluted net profit for the period per share, DKK	7,34	-5,97	8,85

The share capital is made up of shares of a nominal value of DKK 20 each. All shares carry the same rights. Thus there is only one class of shares.

Average number of shares outstanding:

Issued shares at the beginning of the period, numbers in 1,000	10.000	10.000	10.000
Increase in share capital	0	0	0
Issued shares at June 30	10.000	10.000	10.000
Shares outstanding at end of period	9.632	9.927	9.866
Group's average holding of own shares	302	89	89
Average shares outstanding at the end of the period	9.698	9.911	9.911

Capital base and solvency - Føroya Banki Group

DKK 1,000	June 30 2009	June 30 2008	Dec. 31 2008
Core capital after deduction	1.513.018	1.379.508	1.496.906
Base capital after deduction	1.501.103	1.372.866	1.484.989
Risk-weighted items not included in the trading portfolio	6.242.871	6.598.718	6.674.214
Risk-weighted items with market risk etc.	561.734	729.518	526.678
Total risk-weighted items	6.804.605	7.328.236	7.200.892
Core capital after deduction of % of risk-weighted items	22,2%	18,8%	20,8%
Solvency ratio	22,1%	18,7%	20,6%
Core Capital and Shareholders' equity			
Share capital	200.000	200.000	200.000
Net profit	42.305	-59.184	87.727
Retained earnings	1.297.848	1.245.439	1.236.315
Core capital	1.540.152	1.386.255	1.524.042
Net profit	28.882	0	0
Shareholders' equity	1.569.034	1.386.255	1.524.042
Deduction of net profit, Q2 2009	28.882	0	0
Deduction of deferred tax assets	15.219	105	15.219
Deduction of insurance subsidiaries	11.915	6.642	11.917
Core capital after deduction	1.513.018	1.379.508	1.496.906
Base capital			
Core capital after deduction	1.513.018	1.379.508	1.496.906
Deduction of insurance subsidiaries	11.915	6.642	11.917
Base capital after deduction	1.501.103	1.372.866	1.484.989

The Q1 2009 Interim Report has been audited by the groups independent auditors. Thus, according to the Faroese Banking act. section 129, the net profit fore Q1 2009 is included in the core capital 30.06.2009.

The Føroya Banki Group holds a licence to operate as a bank and is therefore subject to a capital requirement under the Faroese Financial Business Act. The Faroese provisions on capital requirements apply to both the Parent Company and the Group. The capital requirement provisions stipulate a minimum capital of 8% of the identified risks. A detailed body of rules determines the calculation of capital as well as risks (risk-weighted items). The capital comprises core capital and subordinate capital. The core capital corresponds largely to the carrying amount of the equity, not including intangible assets, investments in insurance subsidiaries, holdings in credit institutions etc.

The difference between the carrying amount of equity and the core capital appears from the solvency statement below. Subordinate investments may, in certain circumstances, be included in the capital base. For details, see sections 123, 132 and 136 of the Faroese Financial Business Act. The subordinate capital is described in note 13. The capital management policy aims to ensure efficient use of capital in relation to risk tolerance and general business trends. The Group must have sufficient capital to meet the statutory capital requirements.

Cash flow statement - Føroya Banki Group

DKK 1,000	First half 2009	First half 2008	Full year 2008
Net profit for the period	71.186	-59.184	87.727
Adjustment of non-liquid operating items	47.941	119.502	135.110
Cash flow from operating capital	-397.999	-307.723	-579.737
Cash flow from operating activities	-278.871	-247.406	-356.899
Acquisition/sale of tangible assets	166	-928	-1.228
Cash flow from investing activities	166	-928	-1.228
Issue of bonds	-283	0	500.000
Aquisition/sale of own shares	-26.270	10.776	1.696
Dividends paid	0	-45.000	-45.000
Cash flow from financing activities	-26.553	-34.224	456.696
Cash flow for the period	-305.258	-282.558	98.569
Cash in hand and demand deposits with central banks, and due from credit institutions, etc. at the beginning of the year	1.062.001	872.210	872.210
Cash flow for the period	-305.258	-282.558	98.569
Cash and due etc. at the end of the period	756.744	589.652	970.779
Cash and due etc. at the end of the period			
Cash in hand and demand deposits with central banks	601.775	515.213	831.374
Due from credit institutions, etc.	154.969	74.439	139.405
Total	756.744	589.652	970.779

Notes – Føroya Banki Group

Note 1 Significant accounting policies

The consolidated financial statement for the first half year of 2009 has been prepared in accordance with IAS 34 “Interim Financial Reporting” supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of the OMX Nordic Exchanges in Iceland and in Copenhagen.

The application of IAS 34 means that the disclosure of figures is less detailed than the disclosure in a full annual report and that the valuation principles laid down by the international financial reporting standards (IFRS) are applied.

The Group has decided to present its accounts in accordance with the IFRS with effect from 1 January 2009 and to restate comparative figures for 2008.

Føroya Banki has issued an IFRS Reconciliation Document which describes the new accounting policy of the Group and the effect of the transition to IFRS in details. The IFRS Reconciliation Document is available at www.foroya.fo, investor relations.

2 Operating segments 30.06.2008, DKK 1,000	Retail & Corporate banking	Markets & Treasury	Other*	Total
Net interest income and income from insurance activities, net	147,080	26,109	5,584	178,774
Profit before tax	-11,564	-40,485	-3,118	-55,167

* Other includes Trygd, Skyn, eliminations, and Føroya Banki's overhead costs

Operating segments 30.06.2009, DKK 1,000	Retail & Corporate banking	Markets & Treasury	Other*	Total
Net interest income and income from insurance activities, net	203,197	18,816	19,868	241,881
Profit before tax	74,304	10,991	2,270	87,565

* Other includes Trygd, Skyn, eliminations, and Føroya Banki's overhead costs

3 Føroya Banki Group, overview

	Proportion of share capital	Activity
P/F Trygd	100%	insurance company
P/F Skyn	100%	real estate
Føroya Bank Holding A/S	100%	no activity

Notes to the income statement - Føroya Banki Group

Note	DKK 1,000	First half 2009	First half 2008	Full Year 2008
4	Interest income and premiums on forwards			
	Credit institutions and central banks	9.185	9.891	18.590
	Loans and advances	292.189	278.611	619.761
	Bonds	23.585	20.245	16.059
	Total derivatives of which:	-8.930	779	4.054
	<i>Currency contracts</i>	0	680	1.271
	<i>Interest rate contracts</i>	-1.214	99	2.783
	<i>Other transactions</i>	-7.717	0	0
	Other contracts	0	0	21
	Total interest income	316.029	309.527	658.485
	Of which accounted for by income from genuine sale and repurchase transactions:			
	Credit institutions and central banks	0	0	0
5	Interest expenses			
	Credit institutions and central banks	34.816	64.996	134.879
	Deposits	69.478	93.240	196.195
	Issued Bonds	10.461	0	1
	Total interest expenses	114.756	158.235	331.075
	Of which interest expenses on genuine sale and repurchase transactions are carried under:			
	Credit institutions and central banks	0	0	0
6	Dividends from			
	Shares	969	3.710	3.752
	Associates	1.684	1.684	1.684
	Total	2.653	5.394	5.436
7	Fee and commission income			
	Securities trading & custody accounts	784	1.536	2.815
	Credit transfers	5.584	6.427	12.501
	Loan commissions	6.572	5.716	15.576
	Guarantee provisions	2.750	3.746	7.891
	Other fees and commissions	5.166	2.152	9.886
	Total	20.856	19.577	48.669
8	Value adjustments			
	Loans and advances	11.249	-3.252	23.041
	Bonds	12.202	-15.953	-4.913
	Shares	6.500	-25.446	-69.814
	Foreign exchange	6.876	1.477	2.902
	Total derivatives of which:	-12.124	2.399	-24.613
	<i>Currency Swaps</i>	-1.521	-1.077	-1.572
	<i>Interest Swaps</i>	-10.603	3.476	-23.041
	Total value adjustments	24.703	-40.775	-73.397
9	Employee and administrative expenses			
	Board of Directors	810	921	1.718
	Executive Board	2.585	2.586	5.106
	Total	3.395	3.507	6.824
	Employee expenses:			
	Salaries	45.399	47.313	97.083
	Pensions	3.914	4.336	8.239
	Social security expences	3.542	3.698	7.851
	Total	52.855	55.347	113.173
	Other administrative expenses	47.126	46.134	83.549
	Total employee and administrative expenses	103.376	104.988	203.546

Notes to the balance sheet - Føroya Banki Group

Note	DKK 1,000	June 30 2009	June 30 2008	Full Year 2008
10	Due from credit institutions etc. specified by maturity			
	On demand	154.969	74.439	139.405
	3 months and below	0	0	0
	3 months to 1 year	0	0	0
	Total	154.969	74.439	139.405
11	Loans and advances specified by sectors			
	Public authorities	5%	5%	5%
	Corporate sector:			
	Fishing industry	8%	9%	9%
	Manufacturing industries etc.	6%	5%	5%
	Building and construction etc.	4%	3%	4%
	Trade, hotels and restaurants	7%	9%	7%
	Transport, mail and telephone	9%	9%	9%
	Property administration, purchase and sale and business services	5%	5%	5%
	Other industries	8%	9%	10%
	Total corporate sector	47%	49%	50%
	Retail customers	48%	46%	45%
	Total	100%	100%	100%
12	Loans and advances specified by maturity			
	On demand	222.490	123.030	115.771
	3 months and below	268.070	252.674	303.456
	3 months to 1 year	508.946	588.851	521.706
	Over 1 year to 5 years	1.796.911	1.818.435	1.793.244
	Over 5 years	4.623.225	4.898.127	4.994.383
	Total loans and advances	7.419.643	7.681.117	7.728.560
13	Bonds			
	Listed	1.067.046	960.081	940.201
	Unlisted	0	0	0
	Total bonds	1.067.046	960.081	940.201
14	Shares			
	Listed	48.318	113.556	72.550
	Other investments	24.042	9.110	19.060
	Total shares	72.360	122.667	91.610

Notes to the balance sheet - Føroya Banki Group

Note	DKK 1,000	June 30 2009	June 30 2008	Full Year 2008
15	Due to credit institutions and central banks specified by institution			
	Due to central banks	21.102	0	16.777
	Due to credit institutions	1.748.415	2.529.267	2.300.512
	Total	1.769.518	2.529.267	2.317.290
16	Due to credit institutions and central banks specified by maturity			
	On demand	54.914	99.561	113.650
	3 months and below	0	420.000	100.000
	3 months to 1 year	1.319.944	0	562.251
	Over 1 year to 5 years	394.659	2.009.706	1.541.388
	Total	1.769.518	2.529.267	2.317.290
17	Deposits specified by type			
	On demand	2.105.490	2.155.053	2.026.549
	At notice	1.265.324	1.384.495	1.262.632
	Time deposits	1.497.299	1.403.037	1.602.655
	Special deposits	617.696	547.889	602.362
	Total deposits	5.485.810	5.490.474	5.494.199
18	Deposits specified by maturity			
	On demand	2.353.917	2.155.053	2.058.953
	3 months and below	2.969.234	3.179.831	3.289.762
	3 months to 1 year	27.644	40.260	635
	Over 1 year to 5 years	128.954	115.186	144.849
	Over 5 years	6.060	144	0
	Total deposits	5.485.810	5.490.474	5.494.199
19	Issued bonds at amortised cost			
	3 months to 1 year	499.717	0	500.000
	Total issued bonds	499.717	0	500.000
20	Contingent liabilities			
	Guarantees, etc.:			
	Financial guarantees	11.063	11.293	11.183
	Other guarantees	354.646	427.766	424.040
	Total guarantees, etc.	365.708	439.059	435.224
	Other commitments	73.677	0	73.677
	Total	439.386	439.059	508.901

Other notes - Føroya Banki Group

21 Provisions of security

The Bank has deposited bonds at a total market value of DKK 55m with Danmarks Nationalbank (The Danish Central Bank) in connection with clearing

22 Related party transactions

There were no unusual transactions between related parties in 2009. There have been intercompany transactions with the group enterprises and associates in 2009. These transactions typically included financing, commission for referred business, sale of services and other shared costs.

These transactions took place on market terms.

23 Shareholders

At the end of the period the following shareholders had notified the authorities they hold 5% or more of the Bank's share capital:

- Figgingargrunnurin frá 1992 (Faroe Islands)
- Sp/F Blábjørg (Faroe Islands)
- Sp/F Lagerinn Føroyar (Faroe Islands)
- Sp/F 14 (Faroe Islands)

Interim Financial Statements - P/F Føroya Banki

The interim financial statements of P/F Føroya Banki (the “Parent Company”) are prepared in accordance with the Faroese Financial Business Act and the executive order of the Danish FSA on financial reports of credit institutions etc. in force in the Faroes.

The rules are identical to the Group’s valuation principles under IFRS. Holdings in subsidiary undertakings are valued according to the equity method, and tax payable by the undertakings is expensed under the item “Income from associated and subsidiary undertakings”.

Financial Highlights – 5-years summary - P/F Føroya Banki

Income statement DKK, 1,000	First half	First half	Full year 2008	P/F Føroya Banki, previous GAAP		
	2009	2008		First half 2007	First half 2006	First half 2005
Interest income	315.098	308.541	656.454	220.606	149.822	147.487
Interest expenses	116.458	160.239	335.404	87.926	37.230	31.175
Net interest income	198.640	148.302	321.050	132.679	112.592	116.312
Dividends from shares and other investments	2.653	5.394	5.436	2.377	1.318	431
Fee and commission income	20.790	19.577	48.691	20.841	15.508	10.076
Fee and commissions paid	137	83	189	174	138	112
Net interest and fee income	221.946	173.190	374.989	155.723	129.280	126.707
Market value adjustments	24.109	-40.504	-73.596	11.111	-13.991	15.396
Other operating income	-1.610	-2.201	90.655	-2.108	-1.604	378
Staff costs and administrative expenses	95.302	96.626	188.108	91.375	70.886	66.951
Depreciation and impairment of property, plant and equipment	1.494	3.044	5.476	3.993	3.119	3.865
Other operating expenses	13.210	0	7.524	8	14	0
Impairment charges on loans and advances etc. *	56.419	86.037	104.902	-21.983	-1.446	1.048
Income from associated and subsidiary undertakings	7.207	881	12.132	10.340	4.410	2.908
Profit before tax	85.229	-54.341	98.171	101.674	45.521	73.525
Tax	14.042	4.843	10.443	17.482	7.831	14.705
Net profit for the period	71.186	-59.184	87.727	84.192	37.690	58.820

Financial Highlights – 5-years summary - P/F Føroya Banki

Balance sheet DKK 1,000	June 30 2009	June 30 2008	Full year 2008	June 30 2007	June 30 2006	June 30 2005
Cash in hand and demand deposits with central banks	601.775	515.213	831.374	99.835	107.056	281.906
Due from credit institutions and central banks	154.891	74.439	139.405	166.509	200.767	188.542
Loans and advances at amortised cost	7.419.643	7.681.502	7.729.211	6.240.863	4.671.686	3.508.413
Bonds at fair value	1.020.749	907.676	893.988	858.548	1.046.641	1.799.977
Shares, etc.	72.360	122.667	91.610	158.107	121.256	18.418
Assets under insurance contracts	0	0	0	0	0	0
Holdings in associates	24.653	27.846	27.846	34.399	4.713	4.921
Holdings in subsidiaries	84.152	85.045	72.252	117.967	126.768	123.660
Total land and buildings	134.702	135.482	135.226	62.394	62.657	62.208
investment property	19.823	19.823	19.823	0	0	0
domicile property	114.879	115.659	115.403	0	0	0
Other property, plant and equipment	5.708	7.668	6.844	0	0	0
Current tax assets	0	0	0	0	0	0
Deferred tax assets	15.219	0	15.219	0	0	0
Assets held for sale	17.919	23.879	33.184	0	0	0
Own shares				6.260	-53	-56
Other assets	28.884	47.634	102.532	22.211	22.000	31.828
Prepayments	7.503	7.969	9.790	8.734	6.222	5.420
Total assets	9.588.157	9.637.022	10.088.479	7.775.828	6.369.713	6.025.237
Shareholders' equity and liabilities						
Due to credit institutions and central banks	1.769.518	2.529.267	2.317.290	1.488.681	290.498	77.696
Deposits and other debt	5.583.902	5.574.375	5.585.422	4.849.648	4.872.456	4.266.050
Issued bonds at amortised cost	499.717	0	500.000			
Current tax liabilities	39.464	0	0			
Other liabilities	108.093	133.736	146.864	104.891	79.659	61.627
Total liabilities	8.000.694	8.237.378	8.549.575	6.443.220	5.242.613	4.405.373
Provisions for liabilities						
Provisions for pensions and similar obligations						
Provisions for deferred tax	10.968	10.894	11.043	0	0	0
Other provisions for liabilities	7.462	2.495	3.819	2.898	3.300	3.842
Total provisions	18.429	13.389	14.862	2.898	3.300	3.842
Shareholders' equity (Tier 1)						
Share capital	200.000	200.000	200.000	200.000	200.000	100.000
Reserve, Equity Method				9.099	10.912	9.402
Retained earnings	1.369.034	1.186.255	1.324.042	1.120.612	912.887	1.506.620
Total shareholders' equity	1.569.034	1.386.255	1.524.042	1.329.711	1.123.800	1.616.022
Total liabilities and equity	9.588.157	9.637.022	10.088.479	7.775.828	6.369.713	6.025.237
Contingent liabilities	439.386	439.059	508.901	425.871	270.784	144.298

Financial Highlights – 5-years summary - P/F Føroya Banki

Ratios and key figures	June 30 2009	June 30 2008	Full year 2008	June 30 2007	June 30 2006	June 30 2005
Solvency						
Solvency ratio, %	22,1	18,7	20,6	20,8	25,1	47,8
Core capital ratio, %	22,2	18,8	20,8	20,9	25,2	47,8
Profitability						
Return on equity before tax, %	5,5	-3,8	6,5	7,9	4,1	4,6
Return on equity after tax, %	4,6	-4,1	5,8	6,5	3,4	3,7
Income / cost ratio, DKK	1,51	0,71	1,32	2,39	1,63	2,02
Market risk						
Interest rate risk, %	1,4	2,2	2,2	2,4	1,7	1,9
Foreign exchange position, %	1,3	18,7	1,3	7,2	10,9	4,1
Foreign exchange risk, %	0,0	0,1	0,0	0,0	0,0	0,0
Credit risk						
Large exposures as a percentage of equity, %	68,0	117,7	84,7	162,7	100,5	0,0
Impairment and provisioning ratio, %	4,2	3,2	3,4	4,0	7,0	10,4
Write-off and impairments ratio, %	0,7	1,0	1,2	-0,3	0,0	0,0
Growth on loans and advances, %	-4,0	1,8	2,4	15,4	14,7	-3,5
Gearing of loans and advances	4,7	5,5	5,1	4,7	4,2	2,2
Liquidity						
Loans, advances and impairments in relation to deposits, %	139,0	142,7	143,5	134,4	103,5	92,1
Excess cover relative to statutory liquidity requirements, %	196,8	85,3	193,0	51,0	103,4	367,6
Shares						
Earnings per share before tax, DKK (1)	44,2	-27,4	49,8	50,8	22,8	73,5
Earnings per share after tax, DKK (1)	37,0	-29,8	44,5	42,1	18,8	58,8
Book value per share, DKK (1)	815	698	772	665	562	1.616
Market price / Book value per share, DKK (1)	0,75	1,06	0,78	1,78	N/A	N/A
P/E Ratio, DKK (1)	16,5	-24,8	13,5	28,1	N/A	N/A
Other						
Average number of full-time employees	206,3	212,4	205,5	208,3	198,3	201,5

These ratios and key figures have been prepared in correspondence with regulations from the Danish Financial Supervisory Authority.

As of 01.01.2009 The Bank complies with the Faroese Banking act. issued Desember 14 2007. Consequently, according section 89 in the executive order, the comparative figures in 2008 are prepared according the new Banking act. It has not been practically possible to prepare the comparative figures in 2007, 2006 and 2005 according the new Banking act., thus these figures are not fully comparable with the figures in 2008 and 2009.

(1) In accordance with the guidelines from the Danish Financial Supervisory Authority the denomination of the shares has been converted from DKK 20 to DKK 100. The conversion affects the figures from 1 January 2007.

Income Statement - P/F Føroya Banki

Note	DKK 1,000	First half 2009	First half 2008	Q2 2009	Q2 2008	Full year 2008
2	Interest income	315,098	308,541	147,710	156,497	656,454
3	Interest expenses	116,458	160,239	49,375	82,910	335,404
	Net interest income	198,640	148,302	98,335	73,587	321,050
	Dividends from shares and other investments	2,653	5,394	2,616	4,797	5,436
4	Fee and commission income	20,790	19,577	10,066	10,874	48,691
	Fee and commissions paid	137	83	53	44	189
	Net interest and fee income	221,946	173,190	110,964	89,214	374,989
5	Market value adjustments	24,109	-40,504	15,740	-24,502	-73,596
	Other operating income	-1,610	-2,201	-988	-1,363	90,655
6	Staff costs and administrative expenses	95,302	96,626	49,415	49,910	188,108
	Depreciation and impairment of property, plant and equipment	1,494	3,044	748	1,402	5,476
	Other operating expenses	13,210	0	5,885	0	7,524
7	Impairment charges on loans and advances etc.	56,419	86,037	33,836	69,541	104,902
	Income from associated and subsidiary undertakings	7,207	881	-501	4,738	12,132
	Profit before tax	85,229	-54,341	35,331	-52,766	98,171
	Tax	14,042	4,843	6,449	1,195	10,443
	Net profit for the period	71,186	-59,184	28,882	-53,962	87,727
	EPS Basic for the period, DKK*	7.34	-5.97	2.91	-5.60	8.85
	EPS Diluted for the period, DKK*	7.34	-5.97	2.91	-5.60	8.85

* Based on average number of shares outstanding, see the specification of shareholders equity

Statement of comprehensive income - P/F Føroya Banki

DKK 1,000	First half 2009	First half 2008	Q2 2009	Q2 2008	Full year 2008
Net gains not recognised in the income statement	75	0	0	0	0
Total	75	0	0	0	0
Net profit for the period	71,186	-59,184	28,882	-53,962	87,727
Total comprehensive income for the period	71,261	-59,184	28,882	-53,962	87,727

Balance Sheet - P/F Føroya Banki

Note	DKK 1,000	June 30 2009	June 30 2008	Full year 2008
Assets				
	Cash in hand and demand deposits with central banks	601.775	515.213	831.374
	Due from credit institutions and central banks	154.891	74.439	139.405
7	Loans and advances at amortised cost	7.419.643	7.681.502	7.729.211
7	Bonds at fair value	1.020.749	907.676	893.988
	Shares, etc.	72.360	122.667	91.610
	Assets under insurance contracts	0	0	0
	Holdings in associates	24.653	27.846	27.846
	Holdings in subsidiaries	84.152	85.045	72.252
	Total land and buildings	134.702	135.482	135.226
	investment property	19.823	19.823	19.823
	domicile property	114.879	115.659	115.403
	Other property, plant and equipment	5.708	7.668	6.844
	Current tax assets	0	0	0
	Deferred tax assets	15.219	0	15.219
	Assets held for sale	17.919	23.879	33.184
	Other assets	28.884	47.634	102.532
	Prepayments	7.503	7.969	9.790
	Total assets	9.588.157	9.637.022	10.088.479
Shareholders' equity and liabilities				
	Due to credit institutions and central banks	1.769.518	2.529.267	2.317.290
	Deposits and other debt	5.583.902	5.574.375	5.585.422
	Issued bonds at amortised cost	499.717	0	500.000
	Liabilities under insurance contracts	0	0	0
	Current tax liabilities	39.464	0	0
	Other liabilities	108.093	133.736	146.864
	Deferred income	0	0	0
	Total liabilities	8.000.694	8.237.378	8.549.575
Provisions for liabilities				
	Provisions for deferred tax	10.968	10.894	11.043
	Other provisions for liabilities	7.462	2.495	3.819
	Total provisions	18.429	13.389	14.862
Shareholders' equity (Tier 1)				
	Share capital	200.000	200.000	200.000
	Retained earnings	1.369.034	1.186.255	1.324.042
	Total shareholders' equity	1.569.034	1.386.255	1.524.042
	Total liabilities and equity	9.588.157	9.637.022	10.088.479
Contingent liabilities				
7	Guarantees, etc.	365.708	439.059	435.223
7	Other commitments	73.677	0	73.677
	Total	439.386	439.059	508.901

Notes to the Income Statement - P/F Føroya Banki

Note	DKK 1,000	First half 2009	First half 2008	Full Year 2008
2	Interest income and premiums on forwards			
	Credit institutions and central banks	6.537	8.905	16.559
	Loans and advances	293.906	278.611	619.761
	Bonds	23.585	20.245	16.059
	Total derivatives of which:	-8.930	779	4.054
	<i>Currency contracts</i>	0	680	1.271
	<i>Interest rate contracts</i>	-1.214	99	2.783
	<i>Other transactions</i>	-7.717	0	0
	Other contracts	0	0	21
	Total interest income	315.098	308.541	656.454
	Of which accounted for by income from genuine sale and repurchase transactions:			
	Credit institutions and central banks	0	0	0
3	Interest expenses			
	Credit institutions and central banks	34.816	67.006	139.208
	Deposits	71.180	93.233	196.195
	Issued Bonds	10.461	0	1
	Total interest expenses	116.458	160.239	335.404
	Of which interest expenses on genuine sale and repurchase transactions are carried under:			
	Credit institutions and central banks	0	0	0
4	Fee and commission income			
	Securities trading & custody accounts	784	1.536	2.815
	Credit transfers	5.584	6.427	12.501
	Loan commissions	6.572	5.716	15.576
	Guarantee provisions	2.750	3.746	7.891
	Other fees and commissions	5.100	2.152	9.908
	Total	20.790	19.577	48.691
5	Value adjustments			
	Loans and advances	10.655	-3.252	23.041
	Bonds	12.202	-15.682	-5.112
	Shares	6.500	-25.446	-69.814
	Foreign exchange	6.876	1.477	2.902
	Total derivatives of which:	-12.124	2.399	-24.613
	<i>Currency Swaps</i>	-1.521	-1.077	-1.572
	<i>Interest Swaps</i>	-10.603	3.476	-23.041
	Total value adjustments	24.109	-40.504	-73.596
6	Employee and administrative expenses			
	Board of Directors	810	921	1.718
	Executive Board	2.585	2.586	5.106
	Total	3.395	3.507	6.824
	Employee expenses:			
	Salaries	41.502	43.170	85.818
	Pensions	3.655	3.946	7.648
	Social security expenses	3.262	3.411	7.437
	Total	48.419	50.527	100.903
	Other administrative expenses	43.488	42.592	80.381
	Total employee and administrative expenses	95.302	96.626	188.108

Notes to the Balance Sheet - P/F Føroya Banki

Note	DKK 1,000	June 30 2009	June 30 2008	Full Year 2008
7	Changes in impairments and provisions on loans and guarantees			
	Impairment charges and provisions for guarantees, beginning of period	284.172	176.872	176.872
	Impairment/provisions for the period	101.897	150.493	278.948
	Reversal of impairments previous periods	-45.378	-55.557	-170.617
	Other changes	3.819	0	0
	Written-off, previously impaired	-983	-418	-1.032
	Total impairment balance and provisions, end of period	343.527	271.390	284.172
	Impairment/provisions for the period	56.520	86.226	105.396
	Recognised loss not already covered by impairment charges/provisions	0	72	234
	Recoveries of claims previously written off	-101	-261	-728
	Net effect on the Income Statement	56.419	86.037	104.902
	Individual loan impairment charges, beginning of the period	255.150	176.860	176.860
	Impairment for the period	99.543	112.552	203.790
	Reversal of impairments previous periods	-31.446	-54.998	-124.469
	Other changes	3.819	0	0
	Written-off, previously impaired	-983	-418	-1.032
	Individual impairment charges and provisions, end of the period	326.084	233.997	255.150
	Collective impairment charges, beginning of period	29.022	11	11
	Impairment for the period	2.354	37.941	75.158
	Reversal of impairments previous periods	-13.932	-559	-46.148
	Collective impairment charges, end of period	17.444	37.393	29.022
	Changes in impairments and provisions on other assets and other contingent liabilities			
	Impairment charges and provisions, beginning of period	11.069	0	0
	Impairment/provisions for the period	0	0	11.069
	Reversal of impairments previous periods	0	0	0
	Other changes	0	0	0
	Written-off, previously impaired	-7.250	0	0
	Total impairment balance and provisions, end of period	3.819	0	11.069
	Impairment/provisions for the period	0	0	11.069
	Recognised loss not already covered by impairment charges/provisions	0	0	0
	Recoveries of claims previously written off	0	0	0
	Net effect on the Income Statement	0	0	11.069
	Individual impairment charges, beginning of the period	11.069	0	0
	Impairment for the period	0	0	11.069
	Reversal of impairments previous periods	0	0	0
	Other changes	0	0	0
	Written-off, previously impaired	-7.250	0	0
	Individual impairment charges and provisions, end of the period	3.819	0	11.069

Additional Information

In connection with the publication of the H1 results Føroya Banki will host a conference call for analysts and investors and publish a presentation on the website.

The conference call will take place on Wednesday August 5th, at 13:00 (GMT +1), 14:00 (CET).

If you would like to participate in the audio cast, please dial the relevant number below a few minutes before the conference starts:

UK participants dial: + 44 208 817 9301

Danish participants dial: + 45 327 147 67

US participants dial: + 1 718 354 1226

International Participants dial: + 44 (0) 208 817 9301

The presentation will be accessible on the website at www.foroya.fo.

Financial calendar

Interim financial statement – first nine months of 2009 05 November 2009

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Useful links

www.foroya.fo

www.trygd.fo

www.skyn.fo