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Føroya Banki acquires an Icelandic insurance company

Consistent with its growth strategy, Føroya Banki is expanding its insurance activities by acquiring a 51% stake in the fast growing Icelandic insurance company Vörður Tryggingar hf ("Vörður").

Føroya Banki already operates the insurance company Trygd in the Faroe Islands and views the acquisition of the majority stake in Vörður as a way of strengthening the group's insurance activities as well as a means of expanding geographically in the Nordic region. Accordingly, the acquisition is part of the bank's growth strategy, which includes an expansion of its activities outside the Faroe Islands, where the bank has a market share in excess of 40%.

"Our insurance company, Trygd, has performed strongly during our ten years of ownership. We have had the pleasure of offering insurance products as part of the services we provide to our retail and small corporate customers. Trygd has achieved good results and has an effective business model, which makes us confident about expanding our activities in this area," says Janus Petersen, CEO of Føroya Banki.

Investment of DKK 47 million

With the investment into Vörður, the capital base and the position of the company will be strengthened considerably with new share capital of ISK 700 million (DKK 28.6m). ISK 600 million from Føroya Banki and ISK 100 million from current shareholders.

Further Føroya Banki will buy shares from current shareholders amounting to ISK 550m. to bring the total investment by Føroya Banki to ISK 1,150m (DKK 47m) for the 51% stake in Vörður. The current shareholders – Landsbanki, SP-Fjármögnun and Byr – have all undertaken to continue to support the company as active shareholders in cooperation with Føroya Banki which is strengthening the whole transaction. The sellers have under certain circumstances the option to sell their remaining shares to Føroya Banki in the first half of 2012.

The acquisition, which is subject to the necessary approval from the Icelandic, Danish and Faroese authorities, is expected to contribute positively to Føroya Banki's financial results from 2010, but does not give rise to a revision of the financial guidance previously provided for 2009.

Recording healthy earnings for a number of years, with conservative operations,

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the financial strength of Føroya Banki is high and the equity ratio is among the highest in the Nordic region.

About Vörður

Vörður is a young insurance company, although its roots date back more than 80 years. Its current structure was shaped by a merger of two companies in 2004. In recent years, the company has experienced several changes to its ownership structure.

Vörður got its current name in 2007 (in English: “to guard”). Vörður has been growing fast in recent years, achieving a market share of about 9% of total premiums in the Icelandic Insurance market. Vörður currently has about 28,000 customers and a staff of just over 50 people. The company provides all non-life products, but currently the premium portfolio is such that 70% of premiums are generated from households and 30% from small and medium sized businesses. Vörður’s market share in private lines is about 13% of the total market. Vörður holds 30% of Vörður life (life insurance company), which was set up in 2007, and whose principal shareholder is NBI hf. (Landsbanki). As part of the purchase agreement, Vörður and Føroya Banki can jointly become a 50% shareholder of Vörður liftryggingar hf. in a joint venture with Landsbanki.

The current shareholders of Vörður are NBI hf. (Landsbanki), Iceland’s largest bank; the leasing company SP-Fjármögnun hf. (a subsidiary of NBI hf) and Byr, Iceland’s largest savings bank. Both NBI hf. (National Bank of Iceland) and SP-Fjármögnun are owned by the Icelandic government.

The two Icelandic banks in the group of owners will continue to sell Vörður’s products.

For further information, please contact:

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