

**Audiocast regarding the Q3 Interim Report**  
**Janus Petersen, CEO**

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**FØROYABANKI**

**Core income better than expected with  
costs and impairments in control**

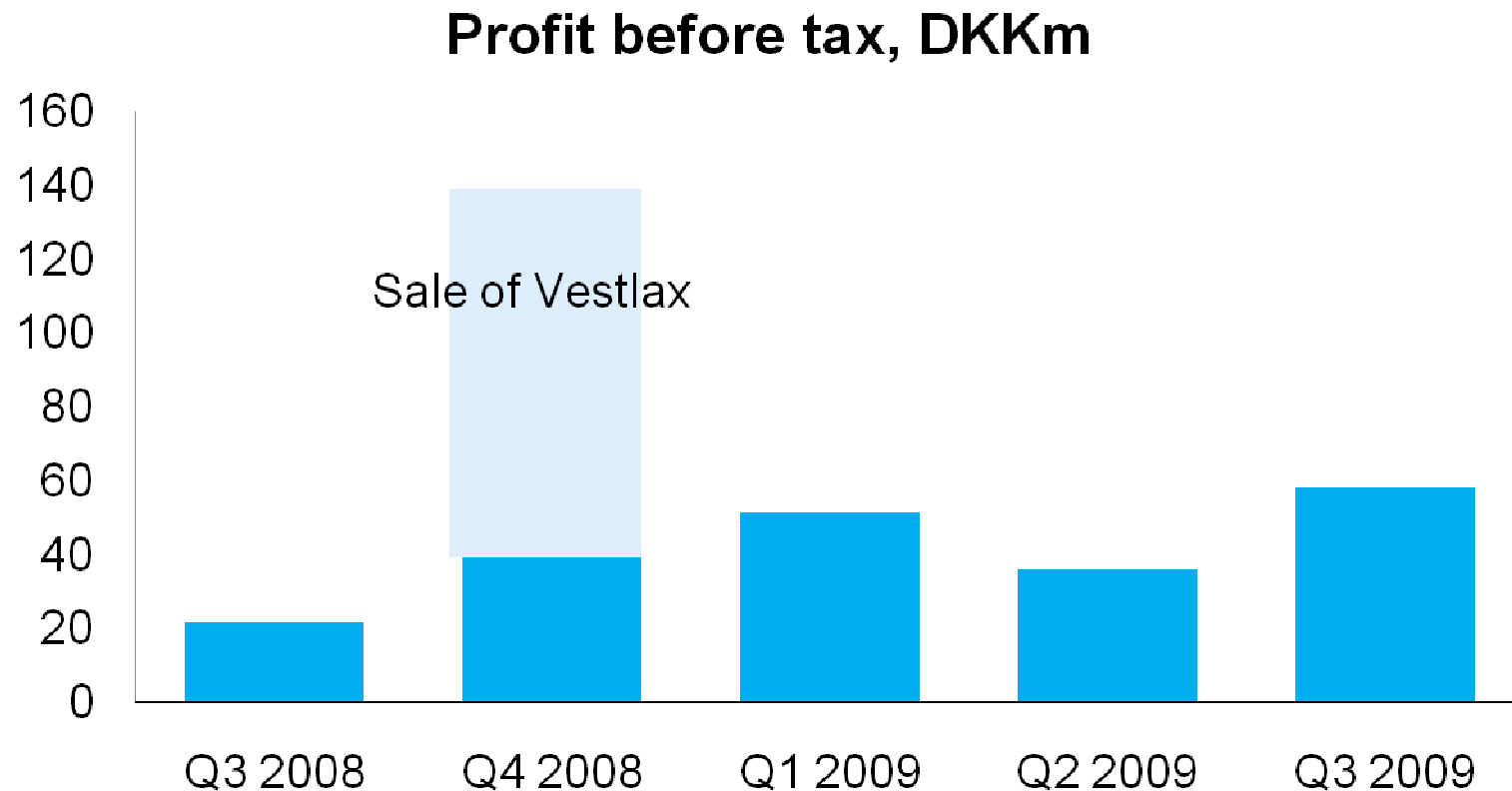
# Key messages from the Q3 Report

- Outlook is maintained, DKK 165-195m
- Core earnings never been better, 42% growth YTD
- Costs under control, C/I < 50%
- Cautious credit management reflected in relatively low impairments, 25bp in Q3
- Strengthened product portfolio, DLR Kredit
- Focusing on core banking, divesting Bakkafröst
- Strong capital and liquidity, 25% core capital ratio
- Implementing international growth strategy with focus on the Nordics, 51% of Vörður

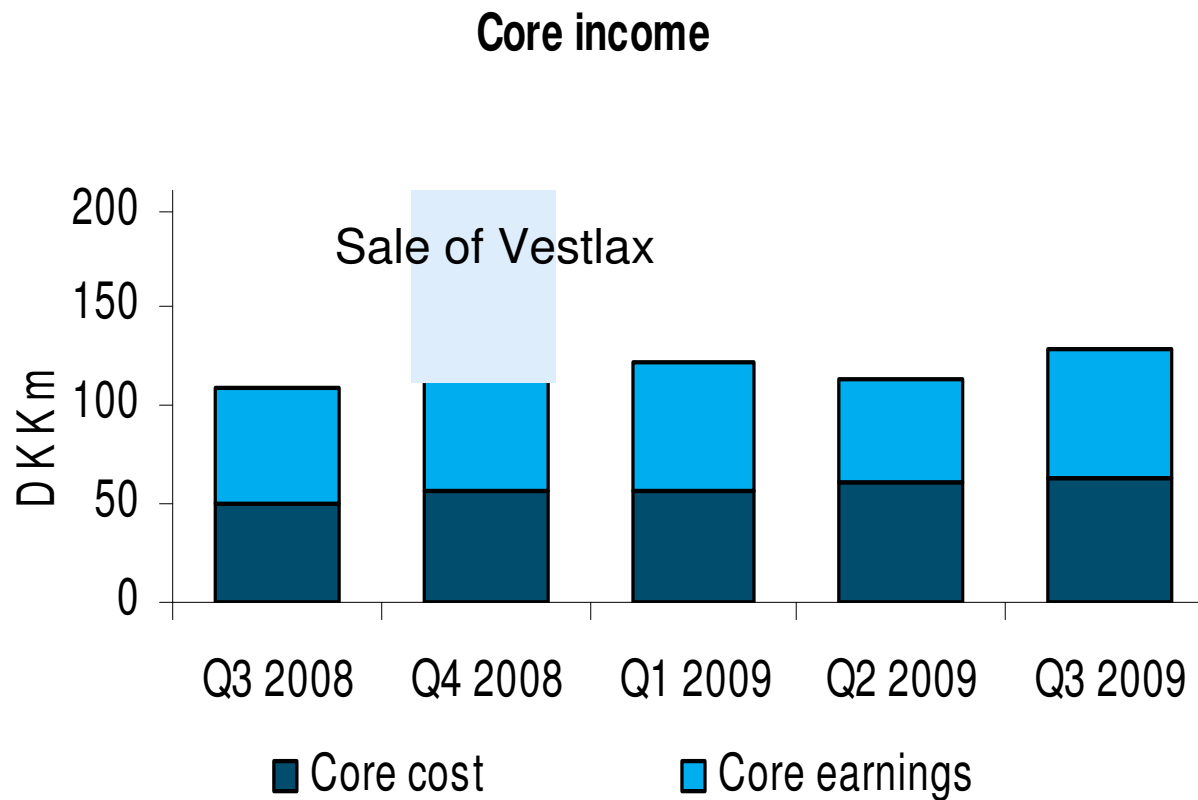
# Outlook maintained at DKK 165-195m

- Profit guidance for 2009 of DKK 165–195m in the Annual Report maintained throughout the year
- Internal drivers
  - Increase in core earnings driven by increased interest margin
  - Costs under control
  - Impairments remain at 2008 level
- External platform
  - Outlook for the Faroese economy is positive
  - The economy relatively resilient throughout the economic crisis
  - A turnaround in the global economy can further strengthen this

## Quarterly net profit on track...

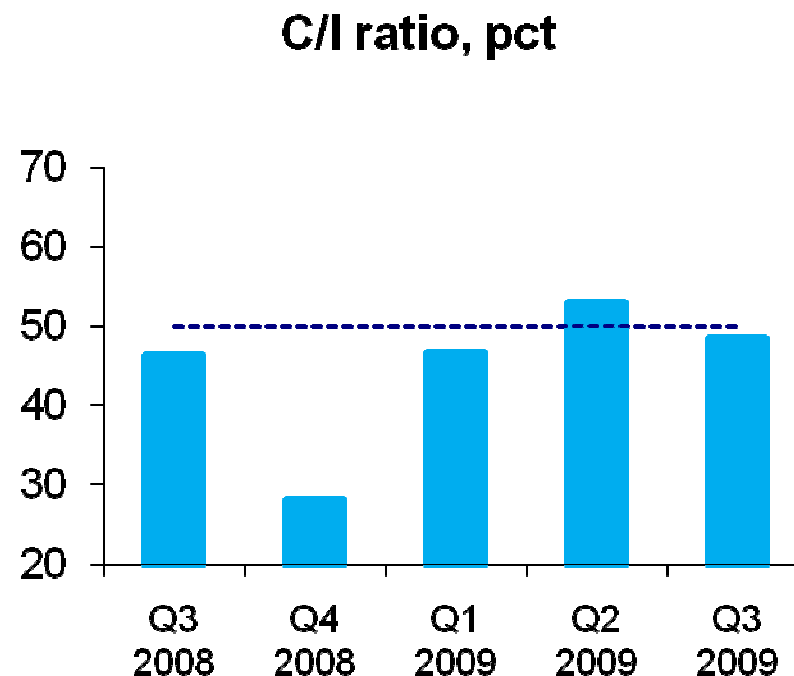


... because core earnings never been better

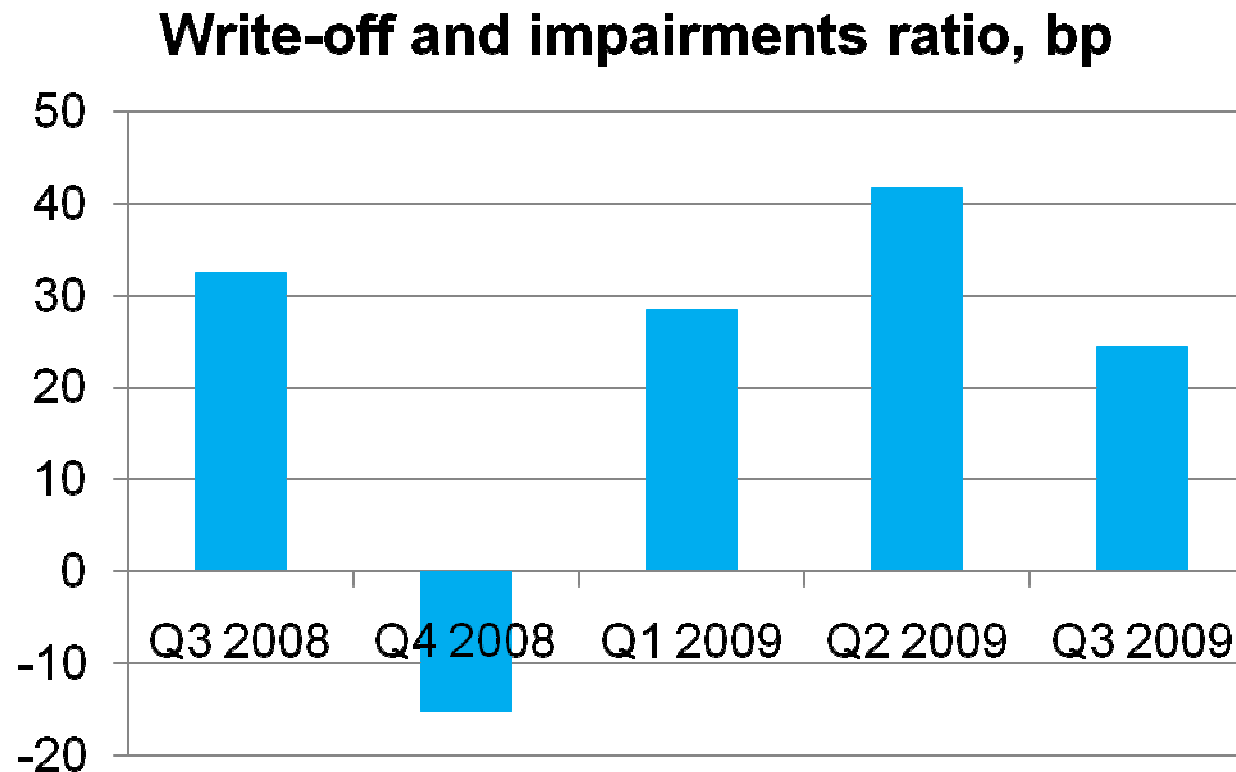


## Costs under control, C/I < 50%

- Staff costs and adm. expenses grew 2%, YTD
- Costs related to bank package 20m, YTD

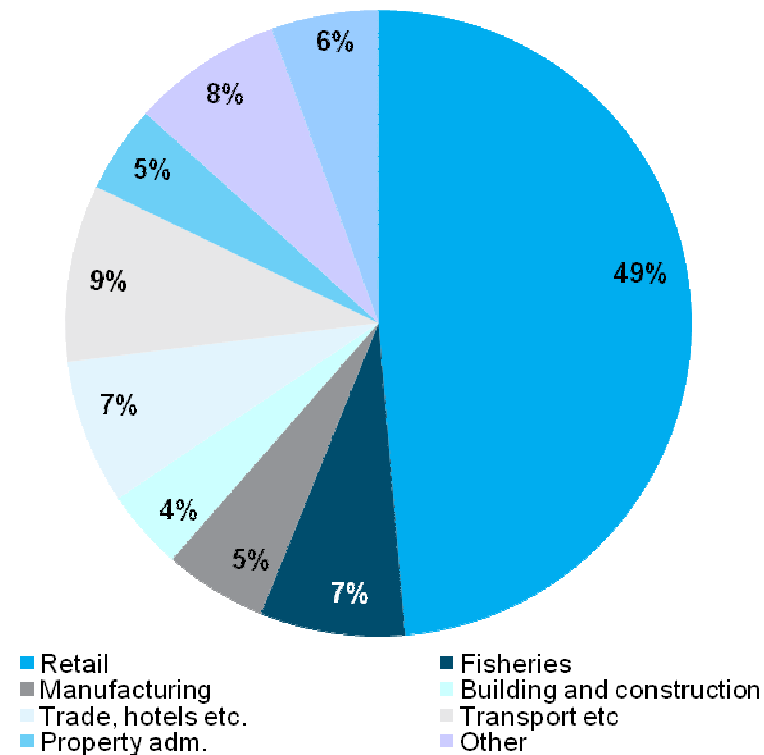


## Credit management is reflected in relatively low impairments, 24 bp in Q3



## ... reflecting a relatively well diversified loan book with 49% to retail customers

- Collateralised retail loan portfolio
  - 80% of lending are first mortgages
  - 90% of mortgages have LTV below 80%
- Diversified corporate loan portfolio
  - No single industry exceed 9%
  - Large exposures only 27% of equity





# Strong capital base and liquidity situation

- Capitalisation with core capital ratio of 25%
  - Shareholders equity 1.6 bn
  - Hybrid capital 0.2 bn
  - Risk weighted items 6.8 bn
- Liquidity situation on the markets have normalised, and the bank is actively working on improving the loan/deposit ratio
- Strong platform for acquisitions going forward

## Strengthened product portfolio in Q3 with mortgage lending to retail

- First mortgage loans on balance sheet amount to 2.6 bn
- Strategic cooperation with DLR Kredit
- Target is to improve the product offering to customers as well as to improve the loan/deposit ratio going forward

## Q3 also included preparatory activities for the divestment of Bakkafrost in H1 2010

- Corporate Finance is preparing the merger and ensuing IPO of Bakkafrost on Oslo Børs in H1 2010
- Føroya Banki will divest the 33% stake in the merged company reflecting focus on core banking
- For 2008 Bakkafrost alone had a net profit of DKK 37 million

# Implementing international growth strategy with focus on the Nordics, 51% of Vørður

- Strategic cooperation with the other shareholders secures distribution of insurance products
  - BYR is the largest savings institution
  - Landsbankinn is the largest commercial bank
  - SP is a leasing and investment company
- Insurance company with similar business model as Trygd
  - 13% market share in the retail market and about 10% in corporate segment
  - Premium portfolio is well spread with 70% of premiums coming from retail customers and 30% from small and medium sized businesses
  - Positive return on investment already next year

# Nordic expansion is a natural growth strategy for Føroya Banki

- Capitalisation is among the strongest in the Nordics
- Market share in banking at home amounts to 40%
- Natural strategy to expand the business in the Nordics
- Monitor neighboring markets
- Strong performance and business model in Trygd

