

PROSPECTUS



FØROYA LANDSSTÝRI

THE GOVERNMENT OF THE FAROE ISLANDS

FØROYA LANDSSTÝRI DKK 1,650,000,000 3.125 PER CENT FIXED
RATE NOTES

6 APRIL 2010 / 7 APRIL 2014

This Prospectus is published on 26 March 2010.

The Føroya Landsstýri (the "Issuer" or the "Government of the Faroe Islands") will issue DKK 1,650,000,000 3.125 per cent fixed rate Notes due 7 April 2014 (the "Notes"). The Notes will constitute direct, general and unconditional obligations of the Faroe Islands.

The Prospectus was prepared for the primary official listing and trading on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf.

The Prospectus has been scrutinised and approved by NASDAQ OMX Iceland hf. (the "Exchange") on behalf of the Financial Service Authority in Iceland, and the Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive").

The Prospectus consists of three documents: Summary, Registration Document and Securities Note.

This Prospectus is available at the following locations from the Arrangers: Nordea Bank Danmark A/S, Strandgade 3, DK-1401 Copenhagen K, Denmark and Landsbanki Føroya, Yviri við Strond 15, FO-110 Tórshavn, Faroe Islands.

The Prospectus may also be obtained from the website www.landsbankin.fo (look for Publications → Prospectus)

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I. SUMMARY

General

This Summary should be read as an introduction to and in conjunction with the entire Prospectus dated 26 March 2010. The Summary is qualified in its entirety by more detailed information stated in the Registration Document and the Securities Note.

Any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the relevant legislation, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Notes

On 6 April 2010 (the "Issue Date") the Government of the Faroe Islands will issue DKK 1,650,000,000 3.125 per cent fixed rate notes due 7 April 2014 (the "Notes") subject to the terms and conditions as specified in this Prospectus. The currency of the Notes is Danish kroner ("DKK") and each note will be issued with the denomination of DKK 1,000. The Notes mature on 7 April 2014 (the "Maturity Date"), unless the Notes have been redeemed prior to that day, due to an Event of Default.

The Notes constitute direct and unsecured obligations of the Government of the Faroe Islands and constitute unsubordinated loan indebtedness ranking *pari passu* with all other loan indebtedness of the Government of the Faroe Islands. The Notes of each series will rank equally with each other, without any preference among themselves.

The Notes will be issued and registered as dematerialised securities, in book-entry form with the Danish central securities depository, VP SECURITIES A/S, on the Issue Date. The Notes are open for further issues without a fixed maximum amount. Future issues will be made at market price free of charge to investors. The Notes will be closed for further issues on 7 February 2014.

Nordea Bank Danmark A/S, Strandgade 3, DK-1401 Copenhagen, Denmark, will act as Account Holding Institute (in Danish: *Kontoførende Institut*) in relation to VP SECURITIES A/S.

The Notes are being offered at a price of 100,044% (the "Issue Price") and will pay annual interest of 3.125 per cent. The Notes bear interest from and including the Issue Date. Interest payment will be made annually in arrears on 7 April in each year (each an "Interest Payment Date") beginning on 7 April 2011 and ending on 7 April 2014. Calculation of interest will be based on an actual/actual day count convention.

The Notes are not redeemable by the Issuer prior to the Maturity Date. The noteholders may not demand redemption of the Notes prior to the Maturity Date, unless there is an Event of Default.

The Notes are issued in accordance with authorisation given by the Faroese Minister of Finance on 19 March 2010.

The proceeds from the issue of the Notes will be used as follows: DKK 550,000,000 for the repayment of nominal DKK 550,000,000 Føroya Landsstýri 3,5% Fixed Rate Notes due 1 June 2010 (FO-LB 100601) with ISIN code DK0030003892; payment of approx DKK 24,000,000 principal in respect of Føroya Landsstýri 3.75 per cent Fixed Rate Notes due 10 June 2018 (LB-FO 180610) with ISIN code DK0030016449; approx DKK 97,000,000 for the financing of the repurchase of Føroya Landsstýri 3.75 per cent Fixed Rate Notes due 10 June 2018 (LB-FO 180610) with ISIN code DK0030016449; DKK 780,000,000 for the financing of a deficit in the national budget for 2010; and DKK 196,000,000 for the financing of an unfunded deficit in the national budget for 2009. and. Nordea Bank Danmark A/S and Landsbanki Føroya have arranged for the Notes to be purchased by a group of institutional investors.

Payment and settlement of the Notes will be effected three business days after the trading day against registration with VP SECURITIES A/S. However, the first issue will be settled for value on the Issue Date. The settlement will be effected against payment and registration with VP SECURITIES A/S.

The Prospectus has been approved by NASDAQ OMX Iceland hf. acting on behalf of the Financial Supervisory Authority – Iceland (FME) as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the Prospectus Directive) and the relevant laws and regulations for approval of the Prospectus. Application has been filed with NASDAQ OMX Iceland hf. for the trading and official listing on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf. Acceptance of the Notes for the trading and official listing on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf. is expected to have effect from 6 April 2010.

The Prospectus will be passported to the Kingdom of Denmark prior to the 6 April 2010. Subject to approval by the Danish Financial Supervisory Authority, application will subsequently be filed with NASDAQ OMX Copenhagen A/S for the trading and official listing on the main market of NASDAQ OMX Copenhagen A/S. Acceptance of the Notes for the trading and official listing on the main market of NASDAQ OMX Copenhagen A/S is expected to have effect from 6 April 2010.

The Notes are subject to Danish legislation, and any disputes arising out of or in connection with the Notes shall be brought before the District Court of Copenhagen.

Costs of the Notes issue

The total costs of the Notes issue are DKK 3,667,091 (including placing commission and arranging fees). The Issuer will bear the costs related to the issuance of the Notes.

Risk factors

Investors should read this prospectus carefully. Investing in the Notes involves risks, which the investors should take into account prior to deciding to make an investment in the Notes.

The Issuer believes that the following risk factors mentioned below are material and associated with investing in the Notes being offered and admitted to trading and official listing:

- market risk
- liquidity risk
- legal risk

- credit risk

In addition to the above mentioned risk factors associated with investing in the Notes, there are also risks associated with the Issuer's inability to pay interest, principal or other amounts in connection with the Notes relating to the Faroese economy; the political environment of the Faroe Islands, and the relations between the Faroe Islands and the Kingdom of Denmark. The inability of the Issuer to pay interest, principal or other amounts in connection with the Notes may also occur for other reasons, which may not be considered material or significant by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Information concerning the Issuer

The name of the Issuer is the Føroya Landsstýri (the Government of the Faroe Islands).

Description of the Faroe Islands

The Faroe Islands are a self-governing country within the Kingdom of Denmark which also comprises Greenland.

The currency of the Faroe Islands is the Faroese króna, issued by Danmarks Nationalbank, the Danish central bank. The basis of the Faroese króna is an equal amount of Danish kroner deposited in an account in the Danish central bank. If Denmark decides to switch its currency to the euro, the Faroe Islands can be expected to follow.

The Faroe Islands legislate and govern a wide range of areas in accordance with the Home Rule Act of 1948. According to the Home Rule Act some matters are to remain the responsibility of the Danish Government as long as the Faroe Islands are part of the Kingdom of Denmark.

The Faroe Islands are not a member of the European Union.

The Faroese Parliament, the legislative assembly for Faroese affairs, appoints the Prime Minister, who – along with his/her cabinet ministers – constitutes the Government of the Faroe Islands.

The Faroese head of state is the Danish head of state, Queen Margrethe II. The present Prime Minister is Kaj Leo Johannesen (The Unionist Party).

The Faroe Islands are a modern, developed society with a standard of living comparable to other Nordic countries. Fishery and related industries are of major importance to the economy of the Faroe Islands. The dependence on a resource-based industry is evident in the export figures, of which fish products account for about 95% of the export value.

Exports (fob) by product**Table 1**

<i>Million DKK</i>	2007	2008	2009	Diff 2008 to 2009 (%)
Cod	641	605	407	-32.7
Haddock	323	171	91	-46.6
Pollock	495	494	560	13.2
Salmon	493	817	1,190	45.7
Trout	101	138	170	23.6
Blue whiting	184	52	26	-50.9
Herring	123	146	144	-1.9
Atlantic mackerel	204	175	154	-11.7
Prawn	94	117	96	-17.6
Other fish products	1,164	825	694	-15.9
Total exports of fish products	3,822	3,540	3,533	-0.2
Other products	141	178	217	22.0
Vessels	93	604	229	-62.0
Total exports of products	4,057	4,323	3,979	-7.9

Source: Statistics Faroe Islands

In 2008, GDP decreased after significant increases the years before. Landsbanki Føroya estimates a 2% decrease in GDP in 2009.

In its publication "Economic Outlook for 2010 and 2011", Landsbanki Føroya makes an overall assessment, that the slow economic growth is to be expected. Unemployment and the governmental deficit are offset by greater gains in the fishing industry and a well-functioning unemployment security plan. Landsbanki Føroya expects a GDP growth rate of around 3% in 2010 and around 2% in 2011.

National income, expenditure and savings**Table 2**

<i>Million DKK</i>	2006	2007	2008	Estimate 2009
Gross domestic product	11,738	12,413	12,474	12,235
+ Wages and salaries from abroad	362			
- Wages and salaries to abroad	139			
+ Property income from abroad	677			
- Property income to abroad	449			
National income, gross	12,185			
+ Current transfers from abroad	977			
- Current transfers to abroad	128			
National disposable income, Gross	13,034			
- Final consumption expenditure	10,119			
Savings, gross	2,915			
- Gross capital formation	2,777			
Net lending (+) / Net borrowing (-)	142			

Source: Statistics Faroe Islands. The foreign account and investment figures for 2007 and 2008 are not available yet. The GDP figure for 2009 is estimated by Landsbanki Føroya.

Total wage expenditure by business sector**Table 3**

<i>Million DKK</i>	2007	2008	2009	Diff 2008 to 2009 (in %)
Fishing	952	724	576	-20.5
Aquaculture	118	153	172	12.4
Fish processing	350	315	302	-4.0
Trade and industry, construction and energy etc	1,004	1,046	910	-13.0
Sales and services, transport, communication etc	2,134	2,256	2,116	-6.2
Public administration and services	2,176	2,341	2,440	4.2
Other	181	183	185	1.1
Total	6,914	7,018	6,700	-4.5

Source: Statistics Faroe Islands.

In general, the Faroese labour market is characterised by a relatively large workforce in the fishing sector and the public sector.

In February 2010 there were about 23,400 employees in private and public businesses (51% males and 49% females). Unemployment has risen significantly over the last 12 months to around 8.0% in March 2010 from 3.4% in March 2009.

Industries

The fishery and the fishing industry are of major importance to the Faroese economy. In 2008, the total Faroese catch was 521,306 tonnes. From 2008 to 2009, the wet fish catch increased by 0.2% by volume. From 2008 to 2009 the value of fish exports fell 0.2% from 2008 to 2009.

The fish farming industry has experienced a positive trend in recent years after a major crisis around 2003. The value of 2009 exports increased compared to 2007 and 2008, but the total export value is not expected to increase. The export value in 2009 was around DKK 1,350 million. It is expected to decrease around in 2010 due to smaller amounts of young fish, but is expected to increase to even higher levels in 2011 and 2012. The fish farming industry accounts for 30% of total Faroese exports.

The construction industry in the Faroe Islands has had a significant impact on the economy. Recently, the industry has undergone great changes as the demand for construction has decreased dramatically. Both the firm concentration and the number of employees and wages have decreased, and the development in the construction industry in the near future now depend on governmental projects as well as the municipality of Tórshavn, which are the main investors in construction.

The transport sector on the Faroe Islands has in general been affected by the international financial crisis and economic slowdown. There has been a decrease in the number of passengers travelling to and from the Faroe Islands. From 2008 to 2009 the number of travellers through Vagar Airport fell by 8.2%. Currently, Atlantic Airways is the only operator offering routes to and from the Faroe Islands.

Tourism is presently of minor importance to the Faroese economy. Efforts have been made to develop the tourism industry to diversify the Faroese economy. The direct income effect of the tourism industry is estimated to be DKK 150-200 million. This figure excludes transport to and from the Faroe Islands.

In 1992, the Danish Government agreed to transfer the rights to mineral resources in the subsoil of the Faroe Islands to the Government of the Faroe Islands. So far the explorations have discovered no commercial findings, but they have showed the presence of an active hydrocarbon system in the Faroese subsurface. The influence from the oil industry has not yet had a significant economic effect and expectations have become more moderate. Oil and gas explorations in the Faroese subsoil will continue in new areas in the coming years.

Four banks – Eik Banki, Føroya Banki, Norðoya Sparikassi and Suðuroyar Sparikassi – serve the financial market in the Faroe Islands. The impact of the global financial crisis has hit especially Eik Banki very hard, while the others have been let off easy compared to banks in the neighbouring countries. 2008 and 2009 proved very difficult for Eik Banki. The total pre-tax deficits have been around DKK 897 million. In the same period Føroya Banki has recorded a pre-tax profit DKK 235 million. The smaller banks Suðuroyar Sparikassi and Norðoya Sparikassi have not been able to generate profits; particularly Norðoya Sparikassi has been significantly affected by financing unsuccessful sectors of the Faroese economy.

Eik Banki, Føroya Banki, Norðoya Sparikassi and Suðuroyar Sparikassi are all participants in the Private Contingency Association and comprised by the state guarantee scheme and the transition scheme under which the company Finansiell Stabilitet A/S, a public limited company wholly owned by the Kingdom of Denmark, provides state guarantees and capital contributions in the form of hybrid capital.

Financial information

Central government accounts

Table 4

<i>Million DKK</i>	Actual 2007	Actual 2008	Actual 2009	Budget 2010
Taxes, direct	1,785	1,826	1,760	1,820
Taxes, indirect	2,014	1,934	1,725	1,742
Transfers from the Danish State	668	673	675	656
Transfers from municipalities and govt inst	145	164	130	114
Fees	60	73	87	75
Other	683	689	625	665
Operating revenues, excl interest	5,356	5,359	5,002	5,072
Compensation of employees	1,893	2,036	2,120	2,250
Transfers	1,778	1,963	2,100	2,246
Other operating expenditures	1,347	1,444	1,125	1,156
Operating expenses, excl interest	5,019	5,443	5,345	5,651
Primary operating balance	337	-84	-343	-580
Interest income and dividends	119	168	130	87
Interest expenses	81	131	200	125
Gross operating balance	375	-48	-413	-618
Debt repayment	76	1,015	1,325	575
Net operating balance	299	-1,063	-1,738	-1,192
Sale of fixed assets	18	11	8	16
Sale of shares	42	0	0	0
Repayments of loans	89	24	22	26
Privatisation / decapitalisation	1,264	414	0	0
Intergovernmental revenue	0	65	100	200
Total capital revenues	1,413	515	130	242
Construction of fixed capital	252	217	190	150
Acquisition of fixed capital	36	11	25	26
Injection of cap. into publ. LDT's	38	542	150	200
Lending	20	327	24	26
Total capital expenses	346	1,097	389	403
Financing surplus/deficit	1,443	-630	-672	-778

Source: Faroese government accounts

Central government assets and liabilities

Table 5

<i>Million DKK</i>	2006	2007	2008	2009
ASSETS				
Deposits in Landsbanki Føroya	1,093	2,467	2,158	1,551
Others in circulation	816	959	841	1,020
Fixed assets	2,053	1,767	2,283	2,425
Total assets	3,962	5,194	5,282	4,997
LIABILITIES				
Long-term debt (Kingdom of Denmark)	500	500	500	500
Bond loan	2,225	2,160	2,119	2,707
Other debt	592	719	971	596
Total debt	3,317	3,379	3,590	3,803
Net assets	646	1,815	1,692	1,194

Source: Landsbanki Føroya

Outstanding bonds**Table 6**

<i>Million DKK</i>	Annual coupon	Maturity date	Present structure	Structure after 10 June 2010
FO-LB 140407 Bit	3.125%	07-Apr-14		1,650
FO-LB 120611 Bit	2.00%	11-Jun-12	1,900	1,900
FO-LB 100601 Bit	3.50%	01-Jun-10	550	0
FO-LB 180610 Ann	3.50%	10-Jun-18	256	132
Outstanding bonds			2,706	3,682

Source: Landsbanki Føroya

Balance of payments**Table 7**

<i>Million DKK</i>	2005	2006	2007	2008
Goods	-722	-600	-1,466	-690
Services	-548	-555		
Goods and services	-1,271	-1,155		
Wages	203	222		
Rents	290	226		
Income transfers	492	448		
Government sector	747	736		
Other sectors	50	113		
Other transfers	797	849		
Current account surplus (+) / deficit (-)	19	142		

Source: Statistics Faroe Islands

Landsbanki Føroya's financial assets**Table 8**

<i>Million DKK</i>	2006	2007	2008	2009
Total financial assets	1,868	2,910	2,764	2,406
- of which abroad	1,142	1,941	1,671	2,031

Source: Landsbanki Føroya

Auditing procedures

The annual national budget of the Faroe Islands is approved by the Faroese Parliament before 1 January of the following year. All government investments and other expenditures have to be approved in the budget for the year in question. The accounts and bookkeeping of the government exchequer are audited by the National Audit Office. Once audited, the books are passed on to a committee consisting of members selected by the Faroese Parliament. The accounts are finally approved by the Parliament together with the auditing report.

Trends

In addition to the estimates of the future trend in the Faroese economy as specified in the description above, the financial crisis and the uncertainty regarding the global economy make it more difficult than usual to evaluate the outlook for the Faroese economy. The economic trend in 2010 can only to a certain extent be seen as a continuation of previous developments. The financial institutions are expected to be cautious in granting loans as a consequence of the slowdown in the domestic and global economy, together with higher financial costs. This will be relevant to both households and the business sector.

Arranger and adviser

Nordea Bank Danmark A/S and Landsbanki Føroya are the arrangers of the issue of the Notes, and have acted as advisers to the Government of the Faroe Islands in the preparation of this Prospectus.

Documents on display

For the life of this Registration Document the below-mentioned documents will be available for inspection in electronic form at the websites as further specified below:

Landsbanki Føroya, the Governmental Bank

- Economic Assessment (published annually)
 - Economic Outlook 2009 and 2010 (published 30 October 2009)
- Information Memorandum, (published annually)
 - Information Memorandum 2009 (published November 2009)
- Moody's Investors Service's latest rating documents concerning the Government of the Faroe Islands

On the website of Landsbanki Føroya, there will also be an overview of various economic indicators available.

Website: www.landsbankin.fo

Hagstova Føroya, Statistics Faroe Islands

Comprehensive statistical database covering demographic, business and economic statistics etc. Additional information in the booklet: Faroe Islands in figures 2009.

Website: www.hagstova.fo

Fíggjarmálaráðið, the Ministry of Finance

The public budget and account (in Faroese only)

Website: www.fmr.fo

Landsgrannskoðanin, the National Audit Office

Reports submitted by the Faroese Parliament's Audit Committee

(Some of the information in Danish and English)

Website: www.lg.fo

Løgmannsskrivstovan, Prime Minister's Office

Information about political matters in the Faroe Islands

Website: www.tinganef.fo

The High Commissioner of the Faroe Island

Annual report on the Faroe Islands (in Danish only)

Website: www.rigsombudsmanden.fo

II. REGISTRATION DOCUMENT

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1. Risk factors

Prospective investors should read this Prospectus carefully. Investing in the Notes involves certain risks factors that may affect the Issuer's ability to fulfil its obligations under the Notes to the investors, and which the investor should take into consideration prior to deciding to make an investment in the Notes. Most of the risk factors mentioned below are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of such contingencies occurring. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally. Investors should consider, among other things, the following.

1.1 The Faroese economy

The Issuer's ability to fulfil its obligations under the Notes is highly dependent on the conditions of the Faroese economy.

The economic outlook is greatly affected by the huge public deficit of approx DKK 780 million in the budget for 2010. It is estimated that even though most industrial groupings in the economy can expect a decline or at best unchanged contributions to GDP at current prices in 2010 and 2011, the total economy will experience slight growth.

Fishery and related industries are of such importance that their influence determines the overall performance of the Faroese economy. This dependence on a resource-based industry is evident in the export figures, of which fish products account for about 95% of the export value. Because the Faroese fishing fleet is very oil dependent, a major increase in oil prices also constitutes a risk factor for the Faroese economy.

The unemployment rate has risen significantly, from 1.3% on average in 2008 to 4% on average in 2009. Landsbanki Føroya expects the unemployment rate to rise to 6-7% on average in 2010. The relatively high rate of unemployment will probably continue into 2011.

The increasing unemployment in neighbouring countries will make it more difficult for Faroese job seekers to find employment abroad. This could lead to increasing unemployment in the short term. The net growth of the workforce (those that reach working age minus those that reach retirement age) can be estimated at 150-200 persons annually, compared to 400-450 persons 15-20 years ago. The pressure on emigration and unemployment is therefore much smaller than for example in the crisis years in the 1990s.

As a food-exporting country, the effects on the Faroese economy from the global economic slowdown are expected to be relatively limited compared to most other and larger industrialised economies. However, there are indications of changes in the Faroese economy due to the slowdown, but a general expectation of increasing export prices will offset some of the total effect.

This is presumably linked to the weak state of the fish stocks exploited by the Faroe Islands, and to the government's revenue and expenditure policy, which increases the treasury's deficit, while the level of operating expenditures is reduced at the same time.

The Faroese economy has, in the opinion of Landsbanki Føroya, been affected less by the financial crisis than other larger economies with which it cooperates and with which goods and services are traded. The direct effects are more linked to the decline in the real economy of the trading partners of the Faroese economy.

The changes in the surrounding world affect the Faroese economy in different ways. In 2009 consumer prices decreased greatly after several years of significant increases. It is difficult to predict the price changes for 2010, but significant increases in overall prices are not expected. The nature of the Faroese economy makes it very exposed to especially energy and food price changes, and together with a dramatic fall in import this has had a positive effect on the balance of payments.

The Faroese banks are first and foremost affected by the international financial crisis through increased financing costs. This has affected their capacity to lend to households and companies in the Faroe Islands. Likewise, the level of equity in securities and fixed assets has fallen considerably since the autumn of 2007. This, together with the uncertainty surrounding the economic outlook for the coming years, affects households, in that they tend to reduce consumption and thereby increase savings rates. Landsbanki Føroya expects a small increase in consumption in 2010 and 2011.

Moreover, when households in major economies increase savings significantly within a short period of time, this first and foremost affects countries that produce raw materials for industrial production as well as industrialised and export-dependent economies producing consumption goods (durable and high-price goods) other than food. It is therefore expected that food-exporting countries will be less affected by falling demand for exports. Food-exporting countries were most likely more affected by falling export prices in the economic crisis following the financial crisis in 2008, while they were expected to be able to sell the unchanged amounts of produced food commodities. The effects of the global economy on the Faroese economy are likely to be firstly that it will become increasingly expensive to borrow money. A deciding factor regarding the effects on the Faroese economy in the near future are balances in the growth of prices among oil, raw materials, manufactured goods and food products. It is not yet clear how this balance will turn out and therefore, it is not easy to predict the effects in the coming years.

The influence from the oil industry has not yet had the economic effect that was expected when the explorations first took place. Expectations have become more moderate.

After a number of major mergers and acquisitions in recent years, company mergers and acquisitions have come to a stop as a consequence of the global economic crisis having an impact on both market concentration and overall ownership of several industries. It is the opinion of Landsbanki Føroya that structural changes and increased productivity are clear prerequisites for economic growth in coming years.

The market of the Notes issued by the Government of the Faroe Islands is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or elsewhere will not cause market volatility and that such market volatility will not adversely affect the trading price of the Notes.

Any negative changes in the political environment of the Faroe Islands or in the relations between the Faroe Islands and Denmark may also affect the Faroese economy.

2. Persons responsible

2.1 Statement from the Issuer

We, on behalf of the Government of the Faroe Islands, declare, as those responsible for the Registration Document 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.

Jóannes Eidesgaard
Minister of Finance
Føroya Landsstýri
Fíggjarmálaráðið
Tórshavn, 26 March 2010

Petur Alberg Lamhauge
Director
Føroya Landsstýri
Fíggjarmálaráðið
Tórshavn, 26 March 2010

2.2 Statements from the Arrangers

We, Landsbanki Føroya, registered office at Yviri við Strond 15, FO-110 Tórshavn, Faroe Islands, have been the arranger to the Issuer in the preparation of the Registration Document. We have, on behalf of the Issuer, compiled and prepared this Registration Document, having taken all reasonable care to ensure that, to the best of our knowledge, the information contained in the Registration Document, is in accordance with the facts and contains no omission likely to affect its import.

Sigurd Poulsen
Managing Director
Landsbanki Føroya
Tórshavn, 26 March 2010

Jens Erik Magnussen
Deputy Director
Landsbanki Føroya
Tórshavn, 26 March 2010

We, Nordea Bank Danmark A/S, registered office at Strandgade 3, DK-1401 Copenhagen, Denmark, have been the arranger and adviser to the Issuer and Landsbanki Føroya, in the preparation of this Registration Document. Nordea Bank Danmark A/S has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by Nordea Bank Danmark A/S as to the accuracy or completeness of the information contained or incorporated in this Registration Document or any other information provided by the Issuer and Landsbanki Føroya in connection with the Notes. Nordea Bank Danmark A/S does not accept any liability in relation to the information contained or incorporated by reference in this Registration Document or any other information provided by the Issuer and Landsbanki Føroya in connection with the Notes

Peter Brink Jensen
Senior Analyst
Nordea Bank Danmark A/S
Copenhagen, 26 March 2010

Fredrik Dahlström
Director
Nordea Bank Danmark A/S
Copenhagen, 26 March 2010

3. Information about the Issuer

3.1 Name of Issuer

The Issuer is the Føroya Landsstýri, the Government of the Faroe Islands.

3.2 Addresses etc.

The Government of the Faroe Islands (Føroya Landsstýri):

Ministry of Finance
Fíggjarmálaráðið
Kvíggjartún 1
PO Box 2039
FO-165 Argir
Faroe Islands
Tel: +298 352020
Fax: +298 352025
E-mail: fmr@fmr.fo

The Faroese Parliament (Føroya Løgting):

Tinghúsvegur 1-3
PO Box 208
FO-100 Tórshavn
Faroe Islands
Tel: +298 363900
Fax: +298 363901
E-mail: logting@logting.fo

Landsbanki Føroya, the Governmental Bank:

Landsbanki Føroya
Yviri við Strond 15
PO Box 229
FO-110 Tórshavn
Faroe Islands
Tel: +298 350300
Fax: +298 350301
E-mail: landsbankin@landsbankin.fo

Nordea Bank Danmark A/S:

Nordea Bank Danmark A/S
Strandgade 3
DK-1401 Copenhagen K
Denmark

3.3 Recent developments

There have been no recent events, with material effect to the Issuer's solvency, other than already described in this Registration Document.

3.4 Economy

The Faroe Islands are a modern, developed society with a standard of living comparable to other Nordic countries, with disposable income of about 80% of Denmark's according to the Credit Analysis Report from Moody's Investors Service from May 2009 (available at <http://www.landsbankin.fo>. See under Publications). However, the economy is not yet as diversified as in other highly developed countries.

Fishery and related industries are of such importance that their influence determines the overall performance of the Faroese economy. This dependence on a resource-based industry is evident in the export figures, of which fish products account for about 95% of the export value.

Exports (fob) by product

<i>Million DKK</i>	2007	2008	2009	Table 1
				Diff 2008 to 2009 (%)
Cod	641	605	407	-32.7
Haddock	323	171	91	-46.6
Pollock	495	494	560	13.2
Salmon	493	817	1,190	45.7
Trout	101	138	170	23.6
Blue whiting	184	52	26	-50.9
Herring	123	146	144	-1.9
Atlantic mackerel	204	175	154	-11.7
Prawn	94	117	96	-17.6
Other fish products	1,164	825	694	-15.9
Total exports of fish products	3,822	3,540	3,533	-0.2
Other products	141	178	217	22.0
Vessels	93	604	229	-62.0
Total exports of products	4,057	4,323	3,979	-7.9

Source: Statistics Faroe Islands

An economy with high dependence on fish products and exports is bound to be vulnerable to the changes in catches, fish prices and exchange rates. These often cyclical and unforeseen changes are volatile, and have left their mark on the economic history of the islands. Export income can fluctuate significantly from one year to the next, and these fluctuations spread quickly throughout the economy.

Because the Faroese fishing fleet is very oil dependent, a major increase in oil prices also constitutes a risk factor for the Faroese economy.

In 2008, GDP decreased after significant increases the years before. Landsbanki Føroya estimates a 2% decrease in GDP in 2009. The significant growth in 2006 and 2007 can be explained by an increase in credit-financed private consumption, and investment growth. The effects of the global economic slowdown explain the recent downturn together with more moderate private consumption.

In its publication "Economic Outlook for 2010 and 2011", Landsbanki Føroya states in an overall assessment that the slow economic growth is to be expected. Unemployment and the governmental deficit are offset by greater gains in the fishing industry and a well-functioning unemployment security plan. Landsbanki Føroya expects a GDP growth rate of around 3% in 2010 and around 2% in 2011. The financial crisis and the uncertainty

regarding the global economy make it more difficult than usual to evaluate the outlook for the Faroese economy. The economic trend in 2010 can only to a certain extent be seen as a continuation of previous developments.

The growth rate in total wage expenditure in the Faroe Islands has on average been 5.9% for the years 2001 to 2007. The growth in total wage expenditure was above average in 2006 and 2007, while the growth in 2008 was well below average. The decrease in total wage expenditure from 2008 to 2009 was 4.5%.

Total wage expenditure by business sector

Table 2

<i>Million DKK</i>	2007	2008	2009	Diff 2008 to 2009 (in %)
Fishing	952	724	576	-20.5
Aquaculture	118	153	172	12.4
Fish processing	350	315	302	-4.0
Trade and industry, construction and energy etc	1,004	1,046	910	-13.0
Sales and services, transport, communication etc	2,134	2,256	2,116	-6.2
Public administration and services	2,176	2,341	2,440	4.2
Other	181	183	185	1.1
Total	6,914	7,018	6,700	-4.5

Source: Statistics Faroe Islands.

In general, the Faroese labour market is characterised by a relatively large workforce in the fishing sector and the public sector.

In February 2010 there were about 24,900 employees in private and public businesses, 51% males and 49% females.

According to a labour survey from November 2007, 81% of the male employees and 51% of the female employees are in full-time employment.

There has been a decrease from 2008 to 2009 of about 10% in the number of employees in the fishing industry and the construction sector. The total number of employees has dropped by 3.4% in the first quarter of 2009 compared to the same period of 2008.

There has been a significant rise in unemployment. The latest numbers for March 2010 show an unemployment rate at around 7.9% and Landsbanki Føroya expects an annual average for 2010 at around 6-7%.

INDUSTRIES

Fishery and the fishing industry

Since the 1950s, the total yearly Faroese wet fish catch has been about 100,000 tonnes, and since the mid-1970s, most years the catch has been more than 100,000 tonnes (mean value 112,000 tonnes, standard deviation 20,000 tonnes). The most important wet fish species in recent years have been saithe, cod, haddock and greater silver smelt. The catch of these species is done mainly by smaller fishing boats, long-line vessels and pair trawlers.

The pelagic fishery arose in the mid-1960s and has increased since then. From 1995 the most important pelagic species have been blue whiting, herring, capelin and mackerel. These species are caught mainly by high capacity, pelagic trawlers and purse seiners. Other species fished by Faroese ships are prawns and shellfish.

The export value of fish products peaked in 2001 at DKK 4.2 billion. In 2003-2004, prices were lower again, but the total catch was one of the best ever. Prices rose in 2005 and 2006, but were lower again in 2007. Good catches in 2007 compensated for the fall in prices and the export value increased by 4% compared to the year before. The general increase in prices and the overall growth in the catch within the Faroese exclusive economic zone have resulted in an increase of the export value. From 2000 to 2008 the export value of fish products was comparatively high and stable.

The value of fish exports fell 0.2% from 2008 to 2009. This was caused by a significant fall in the prices on products from some of the demersal species, while there has been a cut of more than 75% in the value of products from pelagic species due to large reductions in quotas. However, the value of products from farmed fish has increased by DKK 405 million or 42% from 2008 to 2009..

Fish prices were generally low in 2009. Prices of cod and haddock landed fresh in the Faroe Islands on average fell about 40% and 30%, respectively, in the first nine months of 2009 compared to the same period of 2008. However, there has been a rise in prices over the past few months. Saith prices have been more stable, but slightly higher in 2009 than in 2008.

In 2008, the total Faroese catch was 521,306 tonnes (2007: 582,000 tonnes). 181,788 tonnes (2007: 231,000 tonnes) or 35% were fished in Faroese fishing areas. Of the total catches, wet fish accounted for about 112,000 tonnes (2007: 131,000 tonnes), which were mainly fished in Faroese waters. Of the total cod catches in 2008, nearly 65% were fished in foreign fishing areas like the Barents Sea and East Greenland. This is mainly caused by a significant fall in the catches of cod in Faroese waters over the last three years. Most of the cod fished in foreign waters is caught by big filleting trawlers.

From 2008 to 2009, the wet fish catch landings from Faroese waters increased by 0.2%.

On-land fish industry

After the economic crisis in 1992, the on-land fish industry went through a restructuring process, and the number of plants was reduced to fewer, bigger or more specialised plants. The filleting factories produce a range of fresh, iced and frozen products to the retail and food service markets. About 30% of the total fish export value in 2009 was fresh, frozen or salted fillets: DKK 407 million in cod fillets (8,289 tonnes), DKK 91 million in haddock fillets (2,511 tonnes), and DKK 560 million in saithe fillets (21,000 tonnes) and other species DKK 157 million (5,695 tonnes). The fish fillet plants depend on a stable supply of raw material. This has led to vertical integration of some plants and ships. Other smaller factories produce more specialised fish products.

Exports of fried fishmeal and fish feed produced from pelagic species were about 10,634 tonnes (2008: 29,460 tonnes) in 2009. The export value was DKK 80 million on 2009 (2008: DKK 165 million), which is 2.2% (2008: 4.7%) of the total export value of fish products.

Aquaculture

The fish farming industry is relatively new in the Faroe Islands. Farming of salmon and trout started in the early 1980s and has since emerged as the second-largest export industry in the Faroese economy. Production has been volatile over the years, and the industry is currently in a redevelopment phase. The harvest in 2004 was much less than previous years – around 37,000 tonnes. The harvest took a new plunge in 2005 with 19,000 tonnes. The fish farming industry has since rebounded and is now in a more

positive development stage. The industry seems to have successfully fought the fish disease plague and production is growing.

The value of 2009 exports increased compared to 2007 and 2008, but the total export value is not expected to increase. The export value in 2009 was around DKK 1,350 million. It is expected to decrease during 2010 due to smaller amounts of young fish, but is expected to increase to even higher levels in 2011 and 2012. The fish farming industry accounts for around 30% of total Faroese exports.

Compensation of employees in the aquaculture industry was DKK 171 million in 2009, which is about 12% higher than the previous year. From January to March 2009, the compensation of employees increased by about 25% compared to the same period in 2008.

Construction

The construction industry in the Faroe Islands has had a significant impact on the economy. Most Faroese homes are spacious and the people of the Faroe Islands have generally high private housing standards.

Increased difficulties in obtaining funding for new investments due to the financial crisis and the poorer economic outlook may have caused problems for new investments, and this led to the slowdown in the construction industry from late 2008. Now governmental projects and the municipality of Tórshavn drive the demand for construction.

Transport and communication

Internal

The transport infrastructure in the Faroe Islands is good. Road connections now link all villages on each island and also between some of the islands.

In December 2002, the first sub-sea tunnel in the Faroe Islands was opened between Vágur and Streymoy. This is the first partially user-financed investment of its kind in the Faroe Islands.

A second sub-sea tunnel between Borðoy and Eysturoy opened in May 2006.

Both passenger and cargo transport are provided daily to all but two of the inhabited islands and most villages. Ferries and helicopter services are available to the islands that are not directly linked to the road system, and bus service is the most common form of transport for all other areas. As of 1 January 2009, there were 20,293 registered private cars, equivalent to 416 cars per 1,000 inhabitants.

The imports of new cars fell dramatically during 2009 and are still at a very low level.

External

Atlantic Airways, the national airline carrier of the Faroe Islands, is currently the only operator offering routes to and from the Faroe Islands. Depending on the season, there are four to seven daily flights to Denmark (Copenhagen and Billund). There are also several flights each week to Iceland, Norway and the UK depending on the season. In 2009, 203,662 passengers travelled through Vagar Airport, which is 8.2% less than in 2008.

On 1 May 2007, Vagar Airport was taken over from the Danish authorities by a Faroese public limited company. A building project budgeted at DKK 365 million will offer better transit facilities, and the runway will be extended to 1.6 km. The project is financed by the decapitalisation of the Investment Fund (Íleggingargrunninum) by a corresponding amount.

The ferry Norröna (a combined cruise/cargo ship that can carry roughly 1,500 passengers and 800 cars) offers weekly service to Denmark and Iceland. Nearly 56,566 passengers travelled to the Faroe Islands by sea in 2009, which are 7,800 fewer passengers than in 2008. The limited company Smyril Line which runs Norröna was restructured in November 2008 with a 70% write-down of existing shares, DKK 40 million in new share capital (DKK 30 million from the government), conversion of DKK 30 million of subordinated loans to equity and new loans of DKK 26 million. The business model has been changed in such a way that the ferry only sails between Iceland, the Faroe Islands and Denmark from 1 January 2009.

Icelandic and Faroese freight companies provide cargo carriage to and from the Faroe Islands.

The most important routes are to Denmark, Scotland, Norway and Sweden.

The international financial crisis and the general economic slowdown have obviously had some negative effects on the Faroese transport sector.

Telecommunications

At the end of 2008 there were about 20,100 ordinary fixed network telephone subscriptions. The number of fixed network subscriptions has been falling for some years now. Two telephone companies, Faroese Telecom and Vodafone, have market shares of 80% and 20%, respectively. Mobile telephone subscriptions totalled 54,860 in 2008. The use of mobile technology has increased significantly in recent years. Two telephone companies, Faroese Telecom and Vodafone, have market shares of 66% and 34%, respectively. For outgoing domestic mobile traffic the market shares in the second half of 2008 were 66% for Faroese Telecom and 34% for Vodafone. The figures for outgoing international mobile traffic were 76% for Faroese Telecom and 24% for Vodafone.

Some minor companies also operate in the telecommunications sector.

Broadband coverage is high (well over the OECD average) with 14,878 subscribers in 2008 or 30 subscribers per 100 inhabitants.

In 2009 there were about 16,000 satellite or cable television subscribers.

Viewers and listeners of television and radio by the Faroese Broadcast Company (Kringvarp Føroya) are required to pay a licence fee if they have a receiving set.

The Postal and Telecom Surveillance Authority's (www.fse.fo) telecom statistics for the first half of 2009 are the sources for the description of the telecommunication sector.

Tourism

Tourism is not a major industry in the Faroe Islands. For many years, efforts have been made to develop the tourism industry to diversify the Faroese economy.

Due to the lack of current statistics, it is difficult to determine the economic gains from tourism. The direct income effect of the tourism industry is estimated to be DKK 150-200 million. This figure excludes transport to and from the Faroe Islands.

About 116,000 tourist stays were registered in the Faroe Islands in 2006. About 75% of the total stays were foreign visitors, mostly from Scandinavian countries. From 2005 to 2006 the number of overnight visitors from foreign countries increased by about 19%.

Recent indications from the tourism industry are that growth has come to a temporary standstill.

A growing number of cruise ships visit the Faroe Islands during the summer months.

Oil

On 22 December 1992, the Danish Government agreed to transfer the rights to mineral resources in the subsoil of the Faroe Islands to the Government of the Faroe Islands. The initial oil exploration phase started in 1994 and since then, many firms have been exploring the subsoil.

So far the explorations have discovered no commercial findings, but they have showed the presence of an active hydrocarbon system in Faroese subsurface. The influence from the oil industry has not yet had the economic effect that was expected when the explorations first took place. Expectations have become more moderate, as fewer oil companies were interested when the third licensing round was held in November 2008. At present oil companies hold 11 licences. Three consortia applied for licences in the third round. Recent reports suggest some exploration activities.

It is difficult to estimate the outlook for future activity. Oil and gas exploration in the Faroese subsoil will continue in new areas in the coming years, and expectations are still kept alive.

The financial market

Financial affairs (except insurance companies and mortgage-credit institutions) are under Danish State authority and under the supervision of the Danish Financial Supervisory Authority (Finanstilsynet).

Four banks – Eik Banki, Føroya Banki, Norðoya Sparikassi and Suðuroyar Sparikassi – serve the financial market in the Faroe Islands.

Because of a revision in the banking law, banks and savings banks compete on equal terms. The law affords the same conditions for Faroese financial institutions as for Danish financial institutions relative to the Danish central bank. This legislation thus enables the Faroese banks to participate in international capital markets.

The Faroese economy enjoyed a period of high economic activity during 2006-2007, which gave rise to greater profits within the financial sector. But 2008-2009 proved to be very challenging year for the sector. In 2008 and 2009 there were significant losses in the major banks, only Føroya Banki showed profit in both 2008 and 2009.

The Faroese banks are affected by the international financial crisis through increased financing costs. This has affected their capacity to lend to households and companies in the Faroe Islands.

Eik Banki (until December 2006 Føroya Sparikassi) showed profits in 2006 and 2007, but came out with a significant pre-tax deficit of DKK 511 million in 2008. The loss mostly stems from write-downs of assets in Denmark and value adjustments of securities. For the year 2009 Eik Banki has presented a pre-tax deficit of DKK 386 million. Eik Banki is comprised by the state guarantee scheme and has received a capital contribution (hybrid capital) under the transition scheme, which is expected to adversely affect the result for 2009 by DKK 122 million. At year-end 2009 Eik Grunnurin (the Eik Fund) held 52% of the shares in Eik Banki. See www.eik.fo for more information.

The formerly publicly owned Føroya Banki has shown good profits in 2006 and 2007 from operations. Somewhat surprisingly, Føroya Banki managed to display a pre-tax profit of DKK 100 million in 2008. For the year 2009 Føroya Banki has presented pre-tax profit of 135 million. The reason that Føroya Banki has escaped the financial crisis relatively unscathed is its limited exposure abroad. The Faroese housing market has proved very robust, and write-downs in this field have been limited, in contrast to many other countries. In an attempt to move activity abroad, Føroya Banki has established Føroya Banki Ltd. in Denmark, but operations in this new market have so far been limited. Føroya Banki is comprised by the state guarantee scheme and has received DKK 204 million capital contribution (hybrid capital) under the transition scheme. The Government of the Faroe Islands sold two-thirds of its shares in Føroya Banki when the bank was listed in 2007, but the Government of the Faroe Islands still holds one-third of the shares. See www.foroya.fo for more information.

Føroya Banki was rated by Moody's Investors Service on 7 April 2009. Moody's Investors Service assigned a C- Bank Financial Strength Rating ("BFSR") to the Faroese bank P/F Føroya Banki as well as A3 long-term and Prime-2 short-term local and foreign currency deposit ratings. The outlooks on all ratings are stable.

Both Eik Banki and Føroya Banki were listed on NASDAQ OMX Iceland hf. and NASDAQ OMX Copenhagen A/S in 2007.

Two small banks, Norðoya Sparikassi and Suðuroyar Sparikassi, complete the Faroese banking sector. With DKK 31 million in pre-tax profits in 2006 and DKK 30 million in 2007, Norðoya Sparikassi suffered a loss of DKK 64 million in 2008, which to a large degree stems from losses in the local fishing industry, situated in and around Klaksvík, the second-largest city in the Faroe Islands. For the year 2009 Norðoya Sparikassi has presented a net deficit of DKK 46 million.

The smallest bank, Suðuroyar Sparikassi with DKK 2 million in pre-tax profits in 2006 and DKK 4 million in 2007, just about broke even in 2008. For the year 2009 Suðuroyar Sparikassi has presented a pre-tax profit of DKK 1.7 million.

See their respective websites: www.ns.fo and www.sparsu.fo.

According to the 2008 report on the Faroe Islands by the High Commissioner of the Faroe Islands (page 75), the total profit in the Faroese banking sector was DKK 507 million in 2006 and DKK 652 million in 2007, which was the best result ever. However, things changed drastically in 2008 when the sector went into the red with a total deficit of DKK 215 million, caused by heavy losses by Eik Banki and Norðoya Sparikassi. The 2008 report (in Danish only) can be found on the website of the High Commissioner of the Faroe Islands: www.rigsombudsmanden.fo.

Various financing institutions other than banks, both private and public, hold about a 10% share of the total financial assets and play an important role in selected areas of the financial market.

In June 2008 a new insurance industry law passed by the Faroese Parliament came into force. In conformity with the insurance industry law from 1997, the monopoly was abolished and a Faroese Insurance Supervisory Body was appointed. This allowed any Faroese company complying with statutory requirements to enter the insurance business on the condition that the company obtains permission from the Government of the Faroe Islands and the Faroese Insurance Supervisory Body.

The company Trygd Ltd., and the old monopoly incumbent, Tryggingarfelagið Føroyar Ltd. (established in 1940), are currently the only non-life insurance companies active in the Faroese market. In the last few years, competition has increased in the life insurance market. The publicly owned company Føroya Lívstrygging (also a pension and life insurance company established in 1967) became a limited company in 2000. In February 2007 the Tryggingarfelagið Føroyar company TF Holding established a new pension and life insurance company named Betri Pensjón Ltd.

Danish government guarantee scheme

The Danish Government established a state guarantee scheme by Act no 1003 of 10 October 2008. The Danish Ministry of Economic and Business Affairs has, as part of the state guarantee scheme, established the company Finansiel Stabilitet A/S which is a public limited company wholly owned by the Kingdom of Denmark.

The Kingdom of Denmark acting through Finansiel Stabilitet A/S unconditionally guarantees all claims of unsubordinated and unsecured creditors against banks and certain Danish branches of foreign banks comprised by the scheme.

The state guarantee scheme covers all claims of unsubordinated and unsecured creditors against banks and branches comprised by the scheme between 5 October 2008 and 30 September 2010. The guarantee is unconditional, irrevocable and ensures timely payment of the covered claims. The Kingdom of Denmark guarantees Finansiel Stabilitet A/S.

By Act no 68 of 3 February 2009 the Danish Parliament amended the state guarantee scheme (the transition scheme) providing the possibility for capital contributions in the form of hybrid capital). The transition scheme also included an individual state guarantee scheme under which Danish banks (including Faroese banks), subsidiaries of foreign banks operating in Denmark and Danish mortgage credit institutions can apply for an individual state guarantee in relation to issues of unsubordinated and unsecured debt – and issues of junior covered bonds by an issuer of covered bonds – issued no later than 31 December 2010, with a maturity of up to three years.

Any issue of state-guaranteed notes by a financial institution eligible to apply for the individual state guarantee is conditional upon the financial institution having entered into an agreement with the Kingdom of Denmark acting through Finansiel Stabilitet A/S setting forth the overall terms and procedures relevant to the individual state guarantee.

The individual state guarantee will be granted on an issue-by-issue basis. The terms of the individual state guarantee will depend on bilateral negotiations between the applicant financial institution and the Kingdom of Denmark acting through Finansiel Stabilitet A/S.

Issued guarantees will unconditionally and irrevocably cover the guaranteed debt until repayment thereof.

Additional information and more details on the individual guarantee scheme and the requirements and process for obtaining such guarantee may be found at <http://www.finansielstabilitet.dk>.

Eik Banki, Føroya Banki, Norðoya Sparikassi and Suðuroyar Sparikassi are all participants in the Private Contingency Association and comprised by the state guarantee scheme and the transition scheme.

The Faroese Securities Market

The Faroese Securities Market, the limited company VMF (P/F Virðisbrævamarknaður Føroya) that was founded in 2000 in cooperation with the Iceland Stock Exchange, now NASDAQ OMX Iceland hf., had its first three bond listings in 2003. The Faroese government bonds expiring in 2008, 2010 and 2018 were listed on the market with varying durations, when the Government of the Faroe Islands decided to refinance the DKK 3,074 million debt with the Danish State. In 2008 and 2009 the Government of the Faroe Islands listed two additional bond series of DKK 974 million and DKK 1,900 million, respectively.

In June 2005, the first company (Atlantic Petroleum) was listed on the Faroese Securities Market on NASDAQ OMX Iceland hf.

Four companies are now listed on the Faroese Securities Market on NASDAQ OMX Iceland hf.: Eik Banki, Føroya Banki, Atlantic Petroleum and Atlantic Airways. All four companies are also double-listed on NASDAQ OMX Copenhagen A/S.

Currency

The currency of the Faroe Islands is the Faroese króna, and is issued by Danmarks Nationalbank, the Danish central bank. The Danish central bank considers the Faroese króna to be a “special version” of the Danish krone and unique, Faroese bank notes are in circulation in the Faroe Islands. The basis of the Faroese króna is an equal amount of Danish kroner deposited in an account in the Danish central bank. Although the bank notes used in the Faroe Islands are Faroese, the coins are the same as those in circulation in the rest of the Kingdom of Denmark. Faroese and Danish bank notes are fungible in the Faroe Islands. The Danish central bank is the lender of last resort and all local Faroese accounts are denominated in Danish kroner.

If Denmark decides to switch its currency to the euro, the Faroe Islands can be expected to follow.

3.5 Gross domestic product

National income, expenditure and savings

Table 3

<i>Million DKK</i>	2006	2007	2008	Estimation 2009
Gross domestic product	11,738	12,413	12,474	12,235
+ Wages and salaries from abroad	362			
- Wages and salaries to abroad	139			
+ Property income from abroad	677			
- Property income to abroad	449			
National income, gross	12,185			
+ Current transfers from abroad	977			
- Current transfers to abroad	128			
National disposable income, gross	13,034			
- Final consumption expenditure	10,119			
Savings, gross	2,915			
- Gross capital formation	2,777			
Net lending (+) / Net borrowing (-)	142			

Source: Statistics Faroe Islands. The foreign account and investment figures for 2007 and 2008 are not available yet. The GDP figure for 2009 is estimated in February 2010 by Landsbanki Føroya.

3.6 Description of the Issuer's political system and government

The Faroe Islands are a self-governing country within the Kingdom of Denmark which also comprises Greenland.

The Faroe Islands legislate and govern a wide range of areas in accordance with the Home Rule Act of 1948. These include the conservation and management of living marine resources within the 200-mile fisheries zone, sub-surface resources, trade, fiscal, industrial and environmental policies, transport, communication, culture, education and research.

According to the Home Rule Act some matters are to remain the responsibility of the Danish Government as long as the Faroe Islands are part of the Kingdom of Denmark. Examples are foreign policy and defence policy.

Other matters are administered by the Danish Government according to Danish law, but will be transferred to the Government of the Faroe Islands if and when the Faroese Parliament decides so. They are called "joint matters". Examples are the judicial system, the police force and banking supervision.

Finally, some matters are administered by the Government of the Faroe Islands according to Faroese law. They are called "special matters". Examples are health services, social services, social security, public transport, finance and economy, industry and tax law.

The Faroe Islands are not a member of the European Union.

The Faroese Parliament (Løgting) is the legislative assembly for Faroese affairs, and also appoints the Prime Minister (Løgmaður), who – along with his/her cabinet ministers - constitutes the Government of the Faroe Islands (Føroya Landsstýri).

The Løgting has 33 members. The Faroese people also elect two representatives to the Danish Parliament.

The Faroese head of state is the Danish head of state, Queen Margrethe II.

Head of the Government of the Faroe Islands

The Prime Minister, Kaj Leo Johannesen (The Unionist Party), since 26 September 2008.

Present government

The Government of the Faroe Islands (Føroya Landsstýri) consists of at least two Cabinet ministers led by the Prime Minister. The present cabinet is comprised of nine ministers, including the Prime Minister. The Government of the Faroe Islands coalition is currently made up of representatives from the Unionist Party, the People's Party and the Social Democrats.

4. Public finance and trade

4.1 The tax and budgetary systems

Income taxes

Income tax levied by the Customs and Tax Administration is calculated on a sliding scale, with various allowances having the highest marginal rate of 33% in 2009. However, municipal taxes are calculated on a fixed rate.

A gross tax system was introduced in 1997. This means that instead of providing for tax deductions, specific subsidies are allowed to compensate for certain expenses. The basic personal allowance is DKK 30,000, which can be transferred between husband and wife. For each child under 18 years the annual income is reduced by DKK 5,500.

Municipal taxes are assessed using the same calculation of income as that of the Customs and Tax Administration, except that a flat tax rate is used. The economic situations of the municipalities differ greatly. In 2009, municipal taxes ranged from 16% to 23.5%. On average, the tax is 21.37%. For each child under 18 years the annual income is reduced by between DKK 3,000 and DKK 6,500 depending on the municipality in which one resides.

Members of the National Church also pay church tax, on average 0.66%.

Corporate taxes

All corporations in business must render accounts and are allowed to deduct for expenses.

Corporate taxes before 1999 were 27%, but have since been lowered to 18%. Of the tax amounts, 62% is paid to the Faroese Treasury, and the remaining 38% to the local municipal authorities.

The tax rate for companies in the oil industry still remains at 27%, which is all paid to the Faroese Treasury.

Corporations that are not liable to collect VAT pay a special tax based on total wages and salaries pay – financial services companies pay 5% and private sector health services pay 2.5%.

Shipping firms with ships registered in the Faroese International Ship Register (FAS) will get back 30% of wages and other payments made to persons liable to pay taxes in the Faroe Islands.

Capital gains tax

Interest on deposits in Faroese banks is not included in the income subject to income tax. Instead, a yearly tax of 35% of the interest is deducted from the interest payment by the financial institutions and transferred to the Treasury. All income from securities (interest, dividends and capital gains) is taxed at 35%. However, this does not include corporations and some foundations, which pay a corporate tax of 18%. There is no property or wealth tax.

Customs and VAT

The Faroese Customs Act is based on the international World Custom Organisation's (WCO) Harmonised Commodity Description and Coding System (HS Code). Customs

duties are based on the GATT rates. Because of the trade agreement from 1992 with the EU, renewed by agreement in January 1997, the fiscal duties levied on imports are replaced by a value-added tax (VAT – normally 25% of invoice value) and excise duties on some consumption items.

The budgetary system

The distribution of government expenditure for different items follows the new budgeting procedures and shows actual financial outlays.

Investments in large assets are financed largely by current provisions and are booked immediately as expenses in the appropriate fiscal year.

There are exceptions to this rule. Lately, a new procedure has emerged according to which public limited companies are created to operate and manage public services and large, public construction projects. This has been the case for Faroese Telecom, the Postal Service, the sub-sea tunnel between Vágur and Streymoy and the sub-sea tunnel between Eysturoy and Borðoy.

The composition of expenditures has changed since the early 1990s. Expenditure for the fishing industry has fallen considerably since 1991 due to the change in subsidies to the industry. The policy is to stress the need for the industry to be cost efficient and independent of public funds.

Investments in 2009 were DKK 333 million. The majority of the investments were allocated to education transport and communication. DKK 89 million were allocated to health and social security and DKK 21 million to culture. Most of the investments went to education and culture (DKK 107 million), health and social security (DKK 64 million) and transport and communication (DKK 54 million).

The largest, single-item expenditure in the public accounts was Social Security and Pensions with DKK 1.5 billion. Of this amount, DKK 288 million went to social security, DKK 480 million to home-based care, care of the elderly and handicapped, DKK 393 million to the National Pension Scheme and DKK 238 million to National Supplementary Disability Pensions.

Public income in 2009 was about DKK 5.0 billion. Of this amount, DKK 3.8 billion comes from income and corporate taxes (DKK 1.95 billion) and VAT and duties (DKK 1.85 billion), with DKK 633 million in block grants from Denmark, while income from share returns and interest was about DKK 50 million.

The public accounts showed a deficit of about DKK 700 million in 2009.

4.2 Gross public debt

Central government assets and liabilities

Table 4

<i>Million DKK</i>	2006	2007	2008	2009
ASSETS				
Deposits in Landsbanki Føroya	1,093	2,467	2,158	1,551
Others in circulation	816	959	841	1,020
Fixed assets	2,053	1,767	2,283	2,425
Total assets	3,962	5,194	5,282	4,997
LIABILITIES				
Long-term debt (Kingdom of Denmark)	500	500	500	500
Bond loan	2,225	2,160	2,119	2,707
Other debt	592	719	971	596
Total debt	3,317	3,379	3,590	3,803
Net assets	646	1,815	1,692	1,194

Source: Landsbanki Føroya

Outstanding bonds

Table 5

<i>Million DKK</i>	Annual coupon	Maturity date	Present structure	Structure after 10 June 2009
FO-LB 140407 Bit	3.125%	07-Apr-14		1,650
FO-LB 120611 Bit	2.00%	11-Jun-12	1,900	1,900
FO-LB 100601 Bit	3.50%	01-Jun-10	256	0
FO-LB 180610 Ann	3.50%	10-Jun-18	2,706	132
Outstanding bonds			2,706	3,682

Source: Landsbanki Føroya

The Government of the Faroe Islands has always repaid debt, and has never been in default.

4.3 Foreign trade and balance of payments

Balance of payments

Table 6

<i>Million DKK</i>	2005	2006	2007	2008
Goods	-722	-600	-1,466	-690
Services	-548	-555		
Goods and services	-1,271	-1,155		
Wages	203	222		
Rents	290	226		
Income transfers	492	448		
Government sector	747	736		
Other sectors	50	113		
Other transfers	797	849		
Current account surplus (+) / deficit (-)	19	142		

Source: Statistics Faroe Islands

4.4 Foreign exchange reserves

Landsbanki Føroya does not hold specific foreign exchange reserves, as the Faroe Islands are part of the Danish currency area. However, part of Landsbanki Føroya's financial assets is invested in assets held outside the Faroe Islands, as specified in the table below. The assets outside the Faroes are mainly invested in government bonds and Danish mortgage bonds – which may be used as collateral within limits in an overdraft facility or as collateral in repo agreements – and as deposits in banks with good ratings.

Landsbank Føroya's financial assets**Table 7**

<i>Million DKK</i>	2006	2007	2008	2009
Total financial assets	1,868	2,910	2,764	2,406
- of which abroad	1,142	1,941	1,671	2,031

Source: Landsbanki Føroya

4.5 Income and expenses**Central government accounts****Table 8**

<i>Million DKK</i>	Realized 2007	Realized 2008	Realized 2009	Budget 2010
Taxes, direct	1,785	1,826	1,760	1,820
Taxes, indirect	2,014	1,934	1,725	1,742
Transfers from the Danish State	668	673	675	656
Transfers from municipalities and govt inst	145	164	130	114
Fees	60	73	87	75
Other	683	689	625	665
Operating revenues, excl interest	5,356	5,359	5,002	5,072
Compensation of employees	1,893	2,036	2,120	2,250
Transfers	1,778	1,963	2,100	2,246
Other operating expenditures	1,347	1,444	1,125	1,156
Operating expenses, excl interest	5,019	5,443	5,345	5,651
Primary operating balance	337	-84	-343	-580
Interest income and dividends	119	168	130	87
Interest expenses	81	131	200	125
Gross operating balance	375	-48	-413	-618
Debt repayment	76	1,015	1,325	575
Net operating balance	299	-1,063	-1,738	-1,192
Sale of fixed assets	18	11	8	16
Sale of shares	42	0	0	0
Repayments of loans	89	24	22	26
Privatisation / decapitalisation	1,264	414	0	0
Intergovernmental revenue	0	65	100	200
Total capital revenues	1,413	515	130	242
Construction of fixed capital	252	217	190	150
Acquisition of fixed capital	36	11	25	26
Injection of cap into publ LDTs	38	542	150	200
Lending	20	327	24	26
Total capital expenses	346	1,097	389	403
Financing surplus/deficit	1,443	-630	-672	-778

Source: Faroese government accounts

4.6 Auditing procedures

The annual budget is presented to the Faroese Parliament before October and must be approved before 1 January of the following year. In practice, approval occurs before Christmas.

Beginning with the 1991 fiscal year, the Budget Act was changed to obtain a better governing instrument. All government investments and other expenditures have to be approved in the budget for the year in question.

The accounts and bookkeeping of the government exchequer are audited by the National Audit Office. Once audited, the books are passed on to a committee consisting of members selected by the Faroese Parliament. The accounts are finally approved by the Parliament together with the auditing report.

5. Significant changes

In the opinion of the Issuer there have been no significant changes to the information in the Registration Document, Section 4 above, since the end of the last fiscal year 2009, other than already described in Section 4.

6. Legal and arbitration proceedings

The Government of the Faroe Islands has not for the past year been involved in any arbitration proceedings (including any arbitration proceedings which are pending or threatened of which the issuer is aware) which have had or may have a significant impact on the financial position of the Issuer.

The Government of the Faroe Islands has no immunity from legal proceedings in relation to the Notes.

7. Statements by experts and declaration of any interest

The Faroe Islands hold a credit rating with Moody's Investors Service, which on 7 May 2009 affirmed an Aa2 long-term foreign currency rating to the Faroe Islands.

Ratings Category	Moody's Rating
Outlook	Stable
Government Bonds - Foreign Currency	Aa2
Government Bonds - Domestic Currency	NR

In the summary of the Credit Opinion Moody's Investors Services states that the Aa2 foreign currency rating with stable outlook for the Faroe Islands reflects a Baseline Credit Assessment (BCA) of 5 (on a scale of 1 to 21, where 1 represents the lowest credit risk) and a high likelihood that the Kingdom of Denmark (Aaa, stable) would act to prevent a default by the islands.

The Faroe Islands' BCA of 5 reflects a number of factors, including their economic strength and increasing diversification. The BCA also reflects the government's powers to raise revenues through taxation and fees and to control spending as well as the strong financial results achieved since 1995. The Government of the Faroe Islands maintains ample reserves, while the debt level is moderate and decreasing and the interest burden falling. The BCA takes into account the islands' relationship within the Kingdom of Denmark and the subsidies it receives for joint matters, which it administers in conjunction with the Kingdom of Denmark. The support (see below) also takes into account the establishment of the settled relationship the Faroese have with Denmark in the consideration of further autonomy and potential independence.

8. Documents on display

For the life of this Registration Document the below-mentioned documents will be available for inspection in electronic form at the websites as further specified below:

Landsbanki Føroya, the Governmental Bank:

- Economic Assessment (published annually)
 - Economic Outlook 2009 and 2010 (published 30 October 2009)
- Information Memorandum, (published annually)
 - Information Memorandum 2009 (published November 2009)
- Moody's Investors Service's latest rating documents concerning the Government of the Faroe Islands

On the website of Landsbanki Føroya, there will also be an overview of various economic indicators available.

Website: www.landsbankin.fo (see under Publications).

Hagstova Føroya, Statistics Faroe Islands:

Comprehensive statistical database covering demographic, business and economic statistics etc. Additional information in the booklet: Faroe Islands in figures 2009

Website: www.hagstova.fo

Fíggjarmálaráðið, the Ministry of Finance:

The public budget and account (in Faroese only)

Website: www.fmr.fo

Landsgrannskoðanin, the National Audit Office:

Reports submitted by the Faroese Parliament's Audit Committee

(Some of the information in Danish and English)

Website: www.lg.fo

Løgmannsskrivstovan, Prime Minister's Office:

Information about political matters in the Faroe Islands

Website: www.tinganes.fo

The High Commissioner of the Faroe Island:

Annual report on the Faroe Islands (in Danish only)

Website: www.rigsombudsmanden.fo

III. SECURITIES NOTE

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1. Risk factors

Investors should read this Securities Note carefully. Investing in securities involves certain risks, which the investors should take into consideration prior to deciding to make an investment in the Notes. The Issuer believes that the following risk factors mentioned below are material to the Notes being offered and admitted to trading, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons, which may not be considered material or significant by the Issuer based on information currently available to it or which it may not currently be able to anticipate. The below-mentioned risk factors are contingencies which may or may not occur. In addition, for risk specifically associated with the Issuer, investors are advised to consider the section "Risk factors" in the Registration Document. Investors should consider, among other things, the following.

1.1 Market risk

The market of the Notes issued by the Government of the Faroe Islands is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or elsewhere will not cause market volatility and that such market volatility will not adversely affect the trading price of the Notes.

1.2 Liquidity risk

There can be no assurance that an active trading market for the Notes will be developed and maintained, which may affect the trading price and the liquidity of the Notes. During the period between the issuance and repayment, the market value of the Notes will be determined through the ordinary trading on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf. and on the main market of NASDAQ OMX Copenhagen A/S. The Issuer has not made any arrangement with any persons or companies to ensure the liquidity of the Notes and that the quotation follows the market price of the Notes. The Issuer has no obligation to buy back the Notes. However, without any commitment to do so, Landsbanki Føroya and Nordea Bank Danmark A/S will aim to maintain a market for the Notes by quoting purchase and sales prices on an ongoing basis.

1.3 Legal risk

The terms and conditions of the Notes are based on Danish law in effect on the date of this Prospectus. No assurance can be given that as to the impact of any possible judicial decisions or changes to Danish and Faroese law after the date of this Prospectus.

The investment activities of certain investors are subject to legal investments law and regulations. The investor should consult legal advisers to determine whether and to what extent the Notes are a legal investment to the investor or if any restrictions apply to the purchase of the Notes by the investor.

1.4 Credit risk

The Government of the Faroe Islands' liability to make payments according to the terms and conditions in this Prospectus constitutes direct and unsecured obligations of the Government of the Faroe Islands and constitutes unsubordinated loan indebtedness ranking pari passu with all other loan indebtedness of the Government of the Faroe Islands. The Notes of each series will rank equally with each other, without any preference among themselves.

There can be no assurance that the credit rating of the Government of the Faroe Islands will not change, which may affect the trading price of the Notes.

2. Persons responsible

2.1 Statement from the Issuer

We, on behalf of the Government of the Faroe Islands, declare, as those responsible for the 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.

Jóannes Eidesgaard
Minister of Finance
Føroya Landsstýri
Fíggjarmálaráðið
Tórshavn, 26 March 2010

Petur Alberg Lamhauge
Director
Føroya Landsstýri
Fíggjarmálaráðið
Tórshavn, 26 March 2010

2.2 Statements from the Arrangers

We, Landsbanki Føroya, registered office at Yviri við Strond 15, FO-110 Tórshavn, Faroe Islands, have been the arranger to the Issuer in the preparation of the Prospectus. We have, on behalf of the Issuer, compiled and prepared the Prospectus. We hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Securities Note is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Sigurd Poulsen
Managing Director
Landsbanki Føroya
Tórshavn, 26 March 2010

Jens Erik Magnussen
Deputy Director
Landsbanki Føroya
Tórshavn, 26 March 2010

We, Nordea Bank Danmark A/S, with registered office at Strandgade 3, DK-1401 Copenhagen, Denmark, have been the arranger to the Issuer in the preparation of this Securities Note. We have, on behalf of the Issuer, compiled and prepared this Securities Note. We hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Securities Note is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Peter Brink Jensen
Senior Analyst
Nordea Bank Danmark A/S
Copenhagen, 26 March 2010

Fredrik Dahlström
Director
Nordea Bank Danmark A/S
Copenhagen, 26 March 2010

3. Key information

3.1 Interest of natural and legal persons involved in the issue

Issuer:

The Government of the Faroe Islands, which is the executive within the framework of the Home Rule Act, see Act no 137 of 23 March 1948.

The Government of the Faroe Islands is represented by the Ministry of Finance:

Ministry of Finance
Fíggjarmálaráðið
Kvíggjartún 1
PO Box 2039
FO-165 Argir, Faroe Islands
Tel: +298 352020
Fax: +298 352025
E-mail: fmr@fmr.fo

Arranger:

Landsbanki Føroya, the Governmental Bank:

Landsbanki Føroya
Yviri við Strond 15
PO Box 229
FO-110 Tórshavn, Faroe Islands
Tel: +298 350300
Fax: +298 350301
E-mail: landsbank@landsbank.fo

Arranger and Account Holding Institute:

Nordea Bank Danmark A/S:

Nordea Bank Danmark A/S
Strandgade 3
DK-1401 Copenhagen K, Denmark

To the best knowledge of the Issuer, Arrangers and Account Holding Institute, there are no interests, including conflicting ones, that are material to the issue of the Notes.

Neither the Arrangers nor the Account Holding Institute takes responsibility for the creditworthiness of the Issuer.

3.2 Reasons for the issue and use of proceeds

The proceeds from the issue of the Notes will be used as follows: DKK 550,000,000 for the repayment of nominal DKK 550,000,000 Føroya Landsstýri 3,5% Fixed Rate Notes due 1 June 2010 (FO-LB 100601) with ISIN code DK0030003892; payment of approx DKK 24,000,000 principal in respect of Føroya Landsstýri 3.75 per cent Fixed Rate Notes

due 10 June 2018 (LB-FO 180610) with ISIN code DK0030016449; approx DKK 97,000,000 for the financing of the repurchase of Føroya Landsstýri 3.75 per cent Fixed Rate Notes due 10 June 2018 (LB-FO 180610) with ISIN code DK0030016449; DKK 780,000,000 for the financing of a deficit in the national budget for 2010; and DKK 196,000,000 for the financing of an unfunded deficit in the national budget for 2009. The Issuer will bear the costs directly related to the issuance of the Notes. The total costs are expected to amount to approx DKK 3,667,091, including placing commission and arranging fees. The net proceeds from the issue of the Notes are approx 1,647,058,909.

Costs incurred at NASDAQ OMX Iceland hf. in relation to the admission for trading and official listing on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf. will be paid by the Issuer. The costs related to the admission for trading and official listing are ISK 450,000 corresponding to approx DKK 12,195. Annual expenses for the admission to trading and official listing will be a fixed fee of ISK 165,000 corresponding to approx DKK 4,471 plus a variable fee of 0.001% of the market value of the Notes.

Costs incurred at NASDAQ OMX Copenhagen A/S in relation to the admission for trading and official listing on the main market of NASDAQ OMX Copenhagen A/S will be paid by the Issuer. The costs related to the admission for trading and official listing are DKK 20,000. Annual expenses for the admission to trading and listing will be approx DKK 16,263.

Costs incurred at VP SECURITIES A/S and to the Account Holding Institute in relation to the registration of the Notes in the system of VP SECURITIES A/S will be paid by the Issuer. The costs related to registration of the Notes and annual fees to VP SECURITIES A/S are approx DKK 185,960.

4. Information concerning the Notes

4.1 Description of the Notes

Title of the Notes:	Føroya Landsstýri DKK 1,650,000,000 3.125 per cent Fixed Rate Notes 6 April 2010 / 7 April 2014
Issue Date:	6 April 2010
Maturity Date:	7 April 2014
Currency:	Danish kroner ("DKK")
Denomination:	DKK 1,000
Total nominal amount of the offer:	DKK 1,650,000,000
Interest:	3.125 per cent fixed rate interest is payable on the Notes, calculated from and including 6 April 2010
Issue Price:	100.044%
Class:	The issue of the Notes consists of only one class
ISIN:	DK0030236054
INET code	FO-LB 140407 (NASDAQ OMX Iceland hf.)
Saxess code:	FO-LB APR14 (NASDAQ OMX Copenhagen A/S)

4.2 Legislation

The Notes are subject to Danish legislation, and any disputes arising out of or in connection with the Notes shall be brought before the District Court of Copenhagen.

4.3 Form of the Notes

The Notes will be issued and registered as dematerialised securities, in book-entry form with the VP SECURITIES A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark on the Issue Date. The Notes cannot be registered in the name of the holder.

Nordea Bank Danmark A/S, Strandgade 3, DK-1401 Copenhagen, Denmark, is acting as Account Holding Institute ("Kontoførende Institut") in relation to VP SECURITIES A/S.

The Notes will be controlled by Nordea Bank Danmark A/S as Account Holding Institute for and on behalf of VP SECURITIES A/S and the noteholders in accordance with the provisions of the Danish Consolidated Securities Trading Act no 795 of 20 August 2009 as amended by Act no 1273 of 16 December 2009 and Government Regulation no 369 of 14 May 2009 on the registration of fund assets in a securities centre. For the avoidance of doubt, Notes registered with VP SECURITIES A/S are negotiable instruments not subject to any restrictions on the free negotiability within the Kingdom of Denmark, under Danish Law.

4.4 Currency of the Notes

The currency of the Notes is Danish kroner ("DKK") and each note will be issued with the denomination of DKK 1,000.

4.5 Status of the Notes

The Notes constitute direct and unsecured obligations of the Government of the Faroe Islands and constitute unsubordinated loan indebtedness ranking pari passu with all other loan indebtedness of the Government of the Faroe Islands. The Notes of each series will rank equally with each other, without any preference among themselves.

4.6 Rights etc.

Redemption by the Issuer

The Notes are not redeemable by the Issuer prior to the Maturity Date.

Redemption by noteholders

With the exception of the events described under Event of Default below, the noteholders may not demand redemption of the Notes prior to the Maturity Date.

Events of Default

Any noteholder may give written notice to the Issuer that such note is, and such note shall accordingly immediately become, due and payable at its principal amount together with interest accrued to the date of repayment:

- a) if the Issuer fails to perform or observe any of its other obligations under the Notes and such failure is incapable of remedy, or if such failure can be remedied and such failure continues for the period of 30 days next following the service by any noteholder on the Issuer of notice requiring the same to be remedied;
- b) if the Issuer's debt in connection with borrowed funds for a minimum amount of DKK 75,000,000 or equivalent in another currency or currency unit either (i) falls due for payment prior to the repayment day because of default, or (ii) is not paid on the due date (or following the period of remedy provided for by law or following an agreement to that effect in the relevant claim between the parties); or
- c) if the Issuer's possibilities of fulfilling its obligations under the Notes deteriorate significantly, for example because of the Faroe Islands' secession from its union with Denmark.

Payment shall be effected via the accounts registered with VP SECURITIES A/S.

Buyback

The Issuer reserves the right to buy back the Notes from time to time in the open market or otherwise. The Issuer may choose to cancel or keep/resell Notes bought back.

Notices

All notices to noteholders concerning the Notes are made public and can be viewed on the websites of NASDAQ OMX Iceland hf. and NASDAQ OMX Copenhagen A/S (www.nasdaqomxnordic.com/news) and/or send to noteholders through VP SECURITIES A/S.

Any notices to the Issuer to be given in accordance with these terms and conditions of the Notes can validly be given to the Ministry of Finance, Kvíggjartún 1, PO Box 2039, FO-165 Argir, Faroe Islands or such other address as has been notified to the noteholders registered in compliance with the first sentence of this term.

Force majeure

The Government of the Faroe Islands shall not be liable for any loss incurred by the noteholders as a consequence of statutory provisions, measures adopted by any governmental or other authority actual or imminent war, insurrections, civil commotion, terrorism, sabotage or Acts of God. Nor shall the Government of the Faroe Islands be liable for any loss caused by strikes, lockouts, boycotts or blockades, whether or not the Government of the Faroe Islands itself is a party to the dispute, and notwithstanding that the dispute may affect only part of the functions of the Government of the Faroe Islands. Nor shall the Government of the Faroe Islands be liable for any loss arising from any overdue payment caused by the above events.

Charging

As long as any of the Notes are outstanding, the Government of the Faroe Islands will not provide security for any debt in connection with payment obligations relating to loans existing on or after the date of issue of the Notes, whether in the form of a mortgage, pledge or other security in any of the issuer's present or future assets or income, unless the Notes are secured equally and proportionately by the provision of such security. However, a mortgage, pledge or other security in the Issuer's properties or assets may be provided as collateral for the entire purchase price or parts thereof for such properties or assets, including interest accrued. "Loan" means a loan raised through the issue of instruments of debt which are or are capable of being traded in the ordinary markets.

4.7 Interest

A fixed rate interest of 3.125 per cent is payable on the Notes. The Notes bear interest from and including the Issue Date. Interest payment will be made annually in arrears on 7 April in each year beginning on 7 April 2011 and ending on 7 April 2014 (each an "Interest Payment Date").

The first interest period shall be the period from and including the Issue Date to (but excluding) the first Interest Payment Date; and with respect to the subsequent interest periods, the period commencing on an Interest Payment Date (included) to the next Interest Payment Date (excluded).

If an Interest Payment Date would otherwise fall on a day where banks are not open for business in Denmark, it shall be postponed to the next business day. Investors shall not be entitled to further interest or other payment in respect of such delay (unadjusted).

Where the interest amount is to be calculated for a period including an incomplete month, such interest amount shall be calculated applying the rate of interest to the outstanding principal amount of the Notes on the basis of the actual number of days elapsed in the relevant interest period and a year consisting of 12 months of the actual number of days each (actual/actual).

Prescription

Claims for payment of interest will become void three (3) years and claims for payment of principal, ten (10) years after the due date, see section 73 of the Danish Securities Trading etc. Act.

4.8 Maturity and repayment

The Notes mature on 7 April 2014 (the "Maturity Date"), unless the Notes have been redeemed prior to that day, due to Events of Default according to Section 4.6.

Repayment of the principal amount and interest to the noteholders will be made through the Account Holding Institute by credit to the accounts with banks or stockbrokers designated to VP SECURITIES A/S.

4.9 Yield

The yield on the Notes is 3.113% p.a. The yield is calculated as at the Issue Date on the basis of the Issue Price being 100.044%. It is not an indication of future yield.

4.10 Representation of noteholders

There is no representation of the noteholders.

4.11 Authorisation

The Notes are issued in accordance with authorisation given by the Faroese Minister of Finance on 19 March 2010.

4.12 Issue Date

The Notes will be issued on 6 April 2010 (the "Issue Date").

4.13 Transferability

The transferability of the Notes shall not be subject to any restrictions. However, for noteholders subject to other jurisdictions than Denmark, reservations are made as to the legislation of such jurisdictions. Subject to the limitations contained in the Danish Securities Trading, etc. Act, the Notes shall be considered negotiable instruments issued in dematerialised form.

4.14 Taxation

All investors are advised to consider any potential taxation issues that may concern their purchase or sale of the Notes and to seek independent advice in this respect.

Investors located in the Faroe Islands

Resident individuals in the Faroe Islands are subject to 39% tax on capital gains payments in 2010. From 2011 the tax will decrease one percentage point in each year until 2014 where the tax will be 35%.

Resident corporations in the Faroe Islands are subject to 18% tax on capital gains payments.

According to current legislation all payments of interest on the Notes will be made without withholding or deduction tax (coupon tax) on the Faeroe Islands. In the event that withholding or deduction tax is required by law on the Faeroe Islands, the Government of the Faroe Islands will withhold such tax before paying interest to the noteholders registered. In such case, the Issuer will not compensate the noteholders. Any interest due for payment as well as possession, repayment and transfer of the Notes will be reported by the relevant custodian bank to the Danish tax authorities in accordance with the applicable tax rules.

Investors located in Denmark and Iceland

Subject to tax treaties entered into by the Faroe Islands with Iceland and Denmark, respectively, all payments of interest on the Notes will be made without withholding or deduction for tax (coupon tax) on the Faeroe Islands. In the event that withholding or deduction for tax is required by law on the Faroe Islands, the Government of the Faroe Islands will withhold such tax before paying interest to the noteholders registered. In such case, the Issuer will not compensate the noteholders.

Investors located in jurisdictions outside the Faroe Islands, Denmark and Iceland are advised to seek independent tax advice.

5. Terms and conditions of the offer

5.1 Nominal amount

Notes for a total nominal amount of DKK 1,650,000,000 are being issued by the Issuer.

The Notes are open for further issues without a fixed maximum amount. Future issues will be made at market price free of charge to investors. The Notes will be closed for further issues on 7 February 2014.

5.2 Placing and underwriting

Nordea Bank Danmark A/S and Landsbanki Føroya (the "Arrangers") have arranged for the Notes to be purchased by a group of institutional investors.

The issue of the Notes has not been underwritten with a firm commitment. Nordea Bank Danmark A/S has agreed, on a "best efforts" basis, to arrange for the placing of the Notes.

5.3 Issue Price

The Notes are being issued at a price of 100.044%.

5.4 Payment and settlement

Payment and settlement of the Notes will be effected three business days after the trading day against registration with VP SECURITIES A/S. However, the first issue will be settled for value on 6 April 2010. The settlement will be effected against payment and registration with VP SECURITIES A/S.

5.5 Account Holding Institute

The Issuer has appointed Nordea Bank Danmark A/S as Account Holding Institute.

6. Admission to trading and official listing

6.1 Admission to trading and official listing

Application has been filed with NASDAQ OMX Iceland hf. acting on behalf of the Financial Supervisory Authority – Iceland (FME) as the competent authority in Iceland for the purpose of the Directive 2003/71/EC (the Prospectus Directive) and the relevant laws and regulations for approval of the Prospectus. NASDAQ OMX Iceland hf. has scrutinised and approved this Prospectus, which is only published in English. Application has been filed with NASDAQ OMX Iceland hf. for the trading and official listing on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf. Acceptance of the Notes for the trading and official listing on the main market (Faroese Securities Market) of NASDAQ OMX Iceland hf. is expected to have effect from 6 April 2010.

6.2 Admission to trading and official listing on other regulated markets

The Prospectus will be passported to the Kingdom of Denmark. Subject to approval by the Danish Financial Supervisory Authority, application will subsequently be filed with NASDAQ OMX Copenhagen A/S for the trading and official listing on the main market of NASDAQ OMX Copenhagen A/S. Acceptance of the Notes for the trading and official listing on the main market of NASDAQ OMX Copenhagen A/S is expected to have effect from 6 April 2010.

7. Additional information

7.1 Audit of information

The Issuer's auditors have not audited the information contained in this Prospectus.

7.2 Rating

The Notes have not specifically been rated by a rating agency. The Issuer holds a credit rating of Aa2 assigned by Moody's Investors Service on 7 May 2009.

More information about the credit rating may be obtained on the website of Landsbanki Føroya (www.landsbankin.fo).