

BOND ISSUE

Issuer: Faroese Government
Nominal value: DKK 850/1200 Millions
Date of issue: 01 April 2014

Descriptive information

Bond	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount End of 2013 (DKKm)	Outstanding amount End of 2014 (DKKm)
New bond: FO-LB 1x06xx	x,xx%	20 June 19	-	-	850/1.200
FO-LB 140407 Blt	3.125%	07 Apr 14	1.225	1.225	-
FO-LB 150611 Blt	1.500%	11 Jun 15	1.128	1.128	1.128/778
FO-LB 160622 Blt	Floating Rate	22 Jun 16	1.350	1.350	1.350
FO-LB 170627 Blt	1,75%	27 Jun 17	1.000	1.000	1.000
FO-LB 180610 Ann	3.500%	10 Jun 18	750	49	40
Total Outstanding Bonds			5.453	4.752	4.368

Key figures of the Faroese economy

Economic growth (DKKm)	2008	2009	2010	2011	2012	Prelim. 2013
Nominal GDP	12.303	12.100	12.942	13.254	13.650	NA
Nominal growth (%)	-0,8	-1,7	7,0	2,4	3,0	

Trade Balance (DKKm)	2008	2009	2010	2011	2012	2013
Trade Balance	-675	-106	326	128	-1.167	-177
Trade Balance, ships and airplanes excl.	-1.189	162	364	222	-145	544

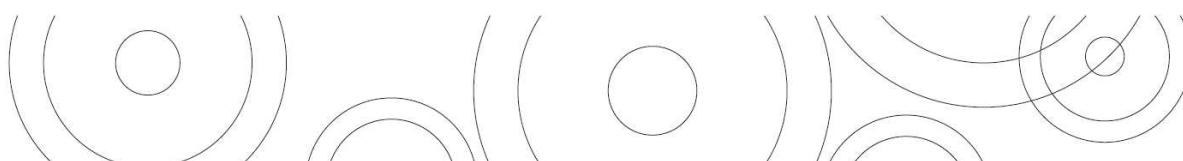
Note: Exports fob and Imports cif.

Current Account (DKKm)	2008	2009	2010	2011	2012	2013
Current Account	-222	-132	811	884	-447	
In % of GDP	-1,8	-1,1	6,3	7,9	-3,3	

Note: The difference between the trade balance and the balance of payments is mainly due to the state grant from Denmark.

Central Government financial assets and liabilities (DKKm)	2008	2009	2010	2011	2012	2013
Government total assets	5.280	4.972	5.471	6.043	5.516	5.980
Government total debt *)	3.590	3.903	4.954	5.604	5.443	6.009
Government current assets	2.999	2.613	3.085	3.481	3.285	3.749
Government debt less current assets	591	1.290	1.869	2.123	2.158	2.231
In % of GDP	4,8	10,7	14,4	16,0	16,0	

*) Included DKK 500 million to Danish Government. The loan will be written off in 2018, if the Faroe Islands has not started extraction of hydrocarbons in the subsoil.



Central Government Accounts (DKKm)	Realized 2010	Realized 2011	Realized 2012	Preliminary ¹⁾ 2013	Budget 2014 ²⁾
Taxes, direct	1.923	2.118	2.138	2.185	2.366
Taxes, indirect	1.809	1.792	1.853	1.829	1.950
Transfers from Denmark	655	658	660	665	678
Transfers from municipal. and gov. inst.	136	130	134	145	107
Sales of goods and services	663	686	752	793	724
Revenue from fees	84	176	148	224	210
Other	29	91	36	40	33
Operating revenues, ex. interest	5.299	5.651	5.721	5.881	6.068
Personel cost	-2.190	-2.196	-2.185	-2.232	-2.402
Transfers to individuals	-1.578	-1.534	-1.562	-1.587	-1.612
Other transfers	-393	-484	-480	-547	-485
Purchase of goods and services	-1.243	-1.275	-1.330	-1.370	-1.217
Other expenses	-284	-259	-267	-279	-282
Operating expenses, ex. interest	-5.687	-5.749	-5.824	-6.015	-5.998
Primary Operating Balance	-388	-98	-103	-134	70
Interest income and dividends	153	155	142	94	98
Interest expenses	-184	-176	-179	-142	-113
Operating Balance	-420	-118	-139	-182	55
Sale of fixed assets	4	2	2	13	29
Capital revenues from Denmark		97	51	80	52
Repayments of loans, domestic	86	17	20	17	21
Repayments of loans, Iceland			300		
Abolishment of Landsbanki Føroya				164	
Total capital revenues	90	116	373	274	102
Construction of fixed capital	-138	-129	-173	-233	-269
Appropriations transferred from previous years					-179
Acquisition of fixed capital	-17	-17	-10	-10	-19
Injection of cap. into publ. Ltd.'s		-97	-51	-83	-67
Net lending, domestic	-81	-66	-32	-13	-21
Total capital expenses	-237	-310	-265	-340	-555
Financing surplus/deficit	-566	-312	-31	-248	-398
Debt repayment	-570	-712	-1.220	-434	-1.390
Gross financing surplus/deficit	-1.136	-1.024	-1.251	-682	-1.788
New borrowing	1.650	1.350	1.128	1.000	1.000
Net financing surplus/deficit	514	326	-123	-318	-788

1)Realized as February the 27th but unaudited

2)Fiscal Act as approved by the parliament in December 2013.

Population and labour force	2008	2009	2010	2011	2012	2013
Population by end of year	48.702	48.568	48.515	48.284	48.197	48.267
Labour force (Oct.)	28.162	27.235	26.937	25.803	27.066	27.263
Unemployment rate (Oct.)	1,3	4,6	5,3	6,5	4,7	3,8
Population 2013: End of November 2013						
Consumer Price Index	2008	2009	2010	2011	2012	2013
CPI in % (q4/q4 previous year)	4,6	-2,1	1,1	2,7	1,7	-1,6

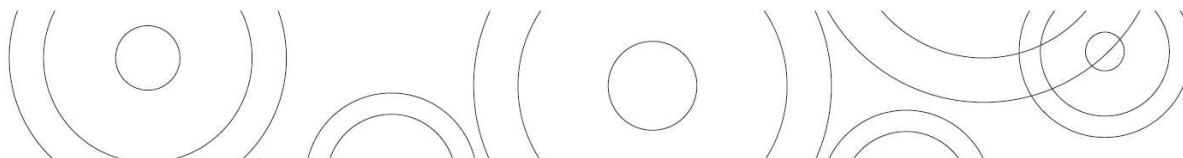
Comments

Political status:

The Faroe Islands are a self governing area within the Kingdom of Denmark. The Faroe Islands are in monetary union with Denmark.

Credit rating:

March 4th 2008 Moody's Investors Service assigned The Faroese Government a first time rating. The foreign currency rating was Aa2 with stable outlook.



April 18th 2011 Moody's Investors Service downgraded the long-term issuer rating of the Faroe Government to Aa3 with negative outlook from Aa2 with stable outlook.
September 11th Moody's Investors Service restated the rating Aa3 with negative outlook.

Government reserve liquidity:

According to Faroese parliament act, the Faroese Government always holds a reserve liquidity of 15% of GDP. The Government can draw on the reserve liquidity, but in case it uses this possibility, it is expected to restore the reserve liquidity within reasonable time.

