

BOND ISSUE

Issuer: The Government of the Faroe Islands
Nominal value: DKK 1.045 Million
Date if issue: 11 June 2015

Descriptive information

Key figures of the Faroese economy

Bond	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount End of 2014 (DKKm)	Outstanding amount End of 2015 (DKKm)
New bond: FO-LB 200611	1,00%	11-June-20	1.045	-	1.045
FO-LB 150611 Bit	1,50%	11-jun-15	1.128	880	-
FO-LB 160622 Bit	Floating Rate	22-jun-16	1.350	1.350	1.350
FO-LB 170627 Bit	1,75%	27-jun-17	1.000	1.000	1.000
FO-LB 180610 Ann	3,50%	10-jun-18	750	40	30
FO-LB 190620	1,50%	20-jun-19	1.100	1.100	1.100
Total Outstanding Bonds			6.373	4.370	4.525

Economic growth (DKKm)	2009	2010	2011	2012	2013	prel. 2014	est. 2015
Nominal GDP	12.100	12.942	13.254	13.650	14.678	15.281	15.666
Nominal growth (%)		7,0	2,4	3,0	7,5	4,1	2,5

Trade Balance (DKKm)	2009	2010	2011	2012	2013	2014
Trade Balance	-106	326	128	-1.167	-169	390
Trade Balance, Ships and airplanes excl.	162	364	222	-145	552	602

Note: Exports fob and Import cif.

Current Account (DKKm)	2009	2010	2011	2012	2013
Current Account	-132	811	884	-447	415
In % of GDP	-1,1	6,3	7,9	-3,3	2,8

Central Government financial assets and liabilities (DKKm)

(DKKm)	2012	2013	2014
Government total assets	4.882	5.529	5.156
Government total debt *)	5.416	6.109	5.741
Net assets	-534	-580	-585
Securities and deposits	2.559	3.150	2.536
Government debt less securities and deposits	2.857	2.959	3.205
In % of GDP	19	20	21

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

Central Government Accounts (DKKm)	Realized 2011	Realized 2012	Realized 2013	Realized 2014	Budget 2015 ²⁾
Taxes, direct	2.118	2.138	2.190	2.360	2.228
Taxes, indirect	1.792	1.853	1.829	2.043	2.150
Transfers from Denmark	658	660	665	671	676
Sales of goods and services	686	752	793	851	677
Revenue from fees	176	148	224	205	206
Other	91	36	52	45	34
Operating revenues, ex. interest	5.521	5.587	5.753	6.175	5.971
Personel cost	-2.196	-2.185	-2.232	-2.310	-2.112
Transfers to individuals	-1.534	-1.562	-1.594	-1.623	-1.677
Other transfers	-398	-343	-389	-422	-439
Purchase of goods and services	-1.275	-1.330	-1.367	-1.403	-1.203
Other expenses	-216	-270	-293	-343	-399
Operating expenses, ex. interest	-5.619	-5.690	-5.875	-6.101	-5.830
Primary Operating Balance	-98	-103	-122	74	141
Interest income and dividends	155	142	94	146	107
Interest expenses	-176	-179	-137	-117	-115
Operating Balance	-119	-140	-165	103	133
Sale of fixed assets	2	2	13	11	92
Sales of shares	0	0	0	7	0
Capital revenues from Denmark	99	51	103	0	0
Repayments of loans, domestic	17	20	17	39	21
Repayments of loans, Iceland	0	300	0	0	0
Abolishment of Landsbanki Føroya	0	0	164	0	0
Total capital revenues	118	373	297	57	113
Construction of fixed capital	-129	-173	-239	-351	-326
Acquisition of fixed capital	-17	-10	-33	-9	-24
Injection of cap. into publ. Ltd.'s	-97	-51	-83	-17	-8
Net lending, domestic	-66	-32	-13	-20	-24
Appropriations transferred from previous years					-106
Total capital expenses	-309	-266	-368	-397	-488
Financing surplus/deficit	-310	-33	-236	-237	-242
Debt repayment	-712	-1.220	-434	-1.512	-890
Gross financing surplus/deficit	-1.022	-1.253	-670	-1.749	-1.132
New borrowing	1.350	1.128	1.000	1.100	1.045
Net financing surplus/deficit	328	-125	330	-649	-87

1) Realized as April the 15th but unaudited

2) Fiscal Act as approved by the parliament in December 2014.

Population and labour force	2009	2010	2011	2012	2013	2014
Population by end of year	48.494	48.447	48.204	48.062	48.179	48.694
Labour force (Oct.)	27.235	26.938	25.910	27.075	27.066	27.156
Unemployment rate in % (Oct.)	4,6	5,3	6,5	4,7	3,8	3,1

Consumer Price Index	2009	2010	2011	2012	2013	2014
CPI in % (q4/q4 previous year)	-2,1	1,1	2,7	1,7	-1,6	-0,6

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.

October 2nd 2014 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.