



## BOND ISSUE

Issuer: Faroese Government  
Nominal value: DKK 1,650 Millions  
Date of issue: 06 Apr 2010  
Pricing date: 24 Mar 2010 11:00

### Descriptive information

Bond	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount (DKKm)
New bond: FO-LB 140407 Blt	3.125%	07 Apr 14	1,650	1,650
FO-LB 100601 Blt	3.500%	01 Jun 10	550	550
FO-LB 120611 Blt	2.000%	11 Jun 12	1,900	1,900
FO-LB 180610 Ann	3.500%	10 Jun 18	750	156
Total Outstanding Bonds			4,750	4,256

### Pricing indications

FO-LB 140407				
Spread to Danish Midswap curve (bp)	55	60	65	70
Price	100.0010	99.8159	99.6312	99.4469
Yield to maturity (%)	3.120	3.170	3.220	3.270

FO-LB 140407 will be priced with a spread to Midswap.  
The price will be rounded to nearest DKK 0.01 per DKK 100 nominal

### Key figures of the Faroese economy

Economic growth (DKKm)	2003	2004	2005	2006	2007	2008	Est 2009	Est 2010
Nominal GDP	9,780	10,091	10,398	11,738	12,413	12,474	12,235	12,650
Nominal growth (%)		3.2	3.0	12.9	5.8	0.5	-1.9	3.4

Trade Balance (DKKm)	2003	2004	2005	2006	2007	2008	2009	2010
Trade Balance	-953	-74	-904	-823	-1,466	-690	na	na
Trade Balance, ships excluded	63	-82	-320	-766	-1,069	-1,204	na	na

Note: Exports fob and Imports cif

Current Account (DKKm)	2003	2004	2005	2006	2007	2008	2009	2010
Current Account	137	828	19	142	na	na	na	na
In % of GDP	1.4	8.2	0.2	1.2	na	na	na	na

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)	2003	2004	2005	2006	2007	2008	2009	2010
Government total assets	4,903	4,663	4,115	3,962	5,194	5,282	4,996	5,342
Government total debt *)	4,383	4,136	4,209	3,317	3,379	3,590	3,803	4,929
Government current assets	2,640	2,283	2,121	1,910	3,427	2,999	2,571	2,917
Government debt less current assets	1,743	1,853	2,088	1,405	-48	591	1,232	2,012
In % of GDP	17.8	18.4	20.1	12.0	-0.4	4.7	10.1	15.9

Note: The large decrease in net debt is due to privatisations

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

	Realized 2007	Realized 2008	Realized 2009	Budget 2010
General Government Accounts (DKKm)				
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 gov. institutions	145	164	130	114
Fees	60	73	87	75
Other	683	689	625	665
Operating revenues, ex. interests	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, ex. interests	5,019	5,443	5,345	5,651
Primary Operating Balance	337	-84	-343	-580
Interests 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
Privatization / down-capitalization	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: The Faroese Government Accounts

Population and labour force	2003	2004	2005	2006	2007	2008	2009	2010
Population by end of year	48,178	48,337	48,170	48,327	48,383	48,778	48,660	na
Labour force (average)	26,617	27,128	27,460	28,277	28,070	28,090	28,122	na
Unemployment rate (average)	2.5	3.5	3.8	2.7	1.5	1.3	3.8	na
Consumer Price Index	2003	2004	2005	2006	2007	2008	2009	2010
CPI in %	1.2	0.6	2.0	1.5	3.6	6.3	-1.1	na

## 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 4<sup>th</sup> 2008 Moodys Investors Service assigned The Faroese Government a first time rating. The foreign currency rating was Aa2 with stable outlook. The foreign currency rating of Aa2 has been confirmed both on October 13<sup>th</sup> 2008 and May 7<sup>th</sup> 2009.

### *Government minimum reserve deposit:*

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