

Bond Issue



Issuer: Faroese Government
Nominal value: DKK 1494 millions
Date of issue: 24 november 05
Pricing date: 21 november 05 11:00

Descriptive information

Bond	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount (DKKm)
Faroe 3.5% Nov 06 Blt	3,50	24 nov 06	425	800
Faroe 4.25% Nov 08 Blt	4,25	24 nov 08	199	974
Faroe 3.5% Jun 10 Blt	3,50	1 jun 10	120	550
Faroe 3.75% Jun 18 Ann	3,75	10 jun 18	750	750
Total Outstanding Bonds			1494	3074

Use of proceeds: 1494 million DKK payment of debt to Danish Government

Pricing indications

Faroe 3.5% Nov 06 Blt

Spread to Danish Government curve (bp)	18	19	20	21
Price	100,70	100,69	100,68	100,67
Yield to maturity (%)	2,78	2,79	2,80	2,81
Swap spread (bp)	1	2	3	4

Price level 08:10 Monday November 14

Faroe 3.5% 2006 will be priced with a spread to 3% DGB 2006.

The price will be rounded to nearest DKK 0.01 per DKK 100 nominal

Faroe 4.25% Nov 08 Blt

Spread to Danish Government curve (bp)	31	32	33	34	35
Price	102,96	102,93	102,90	102,87	102,84
Yield to maturity (%)	3,20	3,21	3,22	3,23	3,24
Swap spread (bp)	8	9	10	11	12

Price level 08:10 Monday November 14

Faroe 4.25% 2008 will be priced with a spread to a duration neutral portfolio of 0.75 4% DGB 2008 and 0.25 6% DGB 2009.

The price will be rounded to nearest DKK 0.01 per DKK 100 nominal

Faroe 3.5% Jun 10 Blt

Spread to Danish Government curve (bp)	36	37	38	39	40
Price	100,34	100,30	100,26	100,22	100,17
Yield to maturity (%)	3,41	3,42	3,43	3,44	3,45
Swap spread (bp)	12	13	14	15	16

Price level 08:10 Monday November 14

Faroe 3.5% 2010 will be priced with a spread to a duration neutral portfolio of 0.46 6% DGB 2009 and 0.54 4% DGB 2010.

The price will be rounded to nearest DKK 0.01 per DKK 100 nominal

Faroe 3.75% Jun 18 Ann

Spread to Danish Government curve (bp)	59	60	61	62	63
Price	99,40	99,34	99,28	99,22	99,16
Yield to maturity (%)	3,85	3,86	3,87	3,88	3,89
Swap spread (bp)	25	26	27	28	29

Price level 08:10 Monday November 14

Faroe 3.75% 2018 will be issued without accrued interest, e.g will have a short first coupon.

Faroe 3.75% 2018 will be priced with a spread to a duration neutral portfolio of 0.51 6% DGB 2011 and 0.49 5% DGB 2013.

The price will be rounded to nearest DKK 0.01 per DKK 100 nominal

Bids will be in spread to Danish Government Bonds.

Books can close separately, but earliest Monday 14 Nov 05 17:00 (Danish time).

Latest closing date for all books is Friday 18 Nov 05 12.00 (Danish time).

In addition, Landsbanki Føroya will undertake the final pricing and distribution, taking price and the largest possible diversification into consideration.

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Key figures of the Faroese economy (DKKm)	2001	2002	2003	2004	2005 est	2006 est
Economic development						
GNP	9589	9973	9699	9987	10176	10299
Nominal growth(%)		4,0	-2,7	3,0	1,9	1,2
Trade Balance and Balance of Payments						
Trade Balance	123	339	-952	-70		
Trade Balance, ships excluded	288	456	63	-80		
Balance of Payments	1199	978	-76			
In % of GNP	13	10	-1			

Note: The sharp deterioration of the trade balance and the balance of payments in 2003 was due to extraordinary large imports of ships.

Government debt, end of year (DKKm)	2002	2003	2004
Government debt, gross	4412	3764	3575
Government liquid assets	2731	2078	1713
Government debt, net	1681	1686	1862
In % of GNP	17	17	19

Debt structure, end of year (DKKm)	2002	2003	2004	2005
Danish Government	3499	1651	1575	0
Bonds	300	1500	1500	3074
Other debt	113	113	0	0
Danish Government(interest free)	500	500	500	500
Total loan debt	4412	3764	3575	3574

Government Budget	2002	2003	2004	2005 budget	2006 budget proposal
Income Taxes	1676	1581	1539	1484	1393
Indirect Taxes	1239	1274	1259	1239	1307
Other income	58	81	41	65	90
Danish State Grant	629	632	633	630	631
Total Income	3602	3568	3472	3418	3421
Operating expenditure	3147	3192	3324	3416	3423
Capital expenditure	240	262	228	180	185
Interest, net	24	91	72	51	32
Total Expenditure	3411	3545	3624	3647	3640
Surplus	191	23	-152	-229	-219
In % of GNP	1,9	0,2	-1,5	-2,3	-2,1

Population and labour force	2002	2003	2004	2005	est.
The population was 48379 and the estimated labour force was 27200 at the end of 2004.					
Unemployment rate in %	2,3	2,5	3,5	3,9	
Consumer Price Inflation in %	0,5	1,3	0,6	2,0	

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.

Government minimum reserve deposit:

According to parliament act, the Faroese Government always holds a minimum reserve deposit of 15 % of GNP 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.