

BOND ISSUE

Issuer: The Government of the Faroe Isl
Nominal value: DKK 1.350 Million
Expected date of issue: 14-jun-16

Descriptive information

Key figures of the Faroese economy

Bond	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount End of 2015 (DKKm)	Outstanding amount End of 2016 (DKKm)
New bond: FO-LB 210622	0,50%	22-jun-21	1.350	-	1.350
FO-LB 160622 Blt	Floating Rate	22-jun-16	1.350	1.350	0
FO-LB 170627 Blt	1,75%	27-jun-17	1.000	1.000	1.000
FO-LB 180610 Ann	3,50%	10-jun-18	750	30	20
FO-LB 190620	1,50%	20-jun-19	1.100	1.100	1.100
FO-LB 200611	1,00%	11-jun-20	1.045	1.045	1.045
Total Outstanding Bonds			6.373	4.525	4.515

Economic growth (DKKm)	2011	2012	2013	prel. 2014	est. 2015	est. 2016
Nominal GDP	13.254	13.650	14.678	15.536	16.504	17.386
Nominal growth (%)	2,4	3,0	7,5	5,8	6,2	5,3

Trade Balance (DKKm)	2010	2011	2012	2013	2014	2015
Trade Balance	326	128	-1.167	-169	391	701
Trade Balance, Ships and airplanes excl.	364	222	-145	552	602	1141

Note: Exports fob and Import cif.

Current Account (DKKm)	2010	2011	2012	2013	2014
Current Account	795	1017	-310	637	1676
In % of GDP	6,1	7,7	-2,7	4,3	10,8

Central Government financial assets and liabilities (DKKm)

(DDKm)	2012	2013	2014	2015
Government total assets	4.882	5.528	5.144	5.289
Government total debt ¹⁾	5.416	6.106	5.740	6.103
Net assets	-534	-578	-596	-814
Securities and deposits	2.559	3.150	2.536	2.792
Government debt less securities and deposits	2.857	2.959	3.204	3.311
In % of GDP	21	20	21	20

1) Including 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.

2) Including liquidity for appropriations transferred from previous years.

Central Government Accounts (DKKm)	Realized 2012	Realized 2013	Realized 2014	Realized 2015 ¹⁾	Budget 2016 ²⁾
Taxes, direct	2.138	2.190	2.360	2.448	2.359
Taxes, indirect	1.853	1.829	2.043	2.065	2.107
Transfers from Denmark	660	665	671	676	682
Sales of goods and services	752	793	851	768	699
Revenue from fees	148	224	205	214	384
Other	36	52	45	59	41
Operating revenues, ex. interest	5.587	5.753	6.175	6.230	6.272
Personel cost	-2.185	-2.232	-2.310	-2.073	-2.230
Transfers to individuals	-1.562	-1.594	-1.623	-1.661	-1.699
Other transfers	-343	-389	-422	-456	-458
Purchase of goods and services	-1.330	-1.367	-1.403	-1.362	-1.316
Other expenses	-270	-293	-343	-403	-407
Operating expenses, ex. interest	-5.690	-5.875	-6.101	-5.955	-6.110
Primary Operating Balance	-103	-122	74	275	162
Interest income and dividends	142	94	146	101	112
Interest expenses	-179	-137	-117	-108	-54
Operating Balance	-140	-165	103	268	220
Sale of fixed assets	2	13	11	8	64
Sales of shares	0	0	7	0	0
Capital revenues from Denmark	51	103	0	0	0
Repayments of loans, domestic	20	17	39	19	19
Repayments of loans, Iceland	300				
Abolishment of Landsbanki Føroya	0	164	0	0	0
Total capital revenues	373	297	57	27	83
Construction of fixed capital	-173	-239	-351	-311	-215
Acquisition of fixed capital	-10	-33	-9	-34	-23
Injection of cap. into publ. Ltd.'s	-51	-83	-17	-5	-25
Net lending, domestic	-32	-13	-20	-19	-25
Total capital expenses	-266	-368	-397	-369	-288
Budget surplus/deficit	-33	-236	-237	-74	15
Debt repayment	-1.220	-434	-1.512	-890	-1360
Gross financing surplus/deficit	-1.253	-670	-1.749	-964	-1.345
New borrowing	1.128	1.000	1.100	1.045	1.350
Net financing surplus/deficit	-125	330	-649	81	5

1) Realized as April the 15th 2016 but unaudited.

2) Government Budget Act as approved by the parliament in December 2015.

3) At the beginning of the fiscal year 2016, appropriations transferred from previous years are DKK 174 m.

Population and labour force	2010	2011	2012	2013	2014	2015
Population by end of year	48.447	48.204	48.062	48.179	48.638	49.171
Labour force	28.188	26.954	28.654	28.557	28.707	29.950
Unemployment rate in % (Oct.)	5,3	6,5	4,7	3,8	3,1	2,3

Consumer Price Index	2010	2011	2012	2013	2014	2015
CPI in % (q4/q4 previous year)	1,1	2,7	1,7	-1,6	-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.

Credit rating:

March 4th 2008 Moody's Investors Service assigned The Faroese Government a first time rating of Aa2 and stable outlook.

April 18th 2011 Moody's Investors Service downgraded the long-term issuer rating of the Faroese Government to Aa3 with negative outlook.

July 31st 2015 Moody's Investors Service restated the rating Aa3, but changed the outlook to neutral.

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.

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