

BOND ISSUE

Issuer: The Government of the Faroe Islands
Nominal value: DKK 550 Million
Expected date of issue: 20-jun-17

Descriptive information

Key figures of the Faroese economy

Bond	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount End of 2016 (DKKm)	Outstanding amount End of 2017 (DKKm)
New bond: FO-LB 2306xx	x,xx%	27-jun-23	550	0	550
NOK Blt *)	1,81%	03-may-32	448	0	448
FO-LB 170627	1,75%	27-jun-17	1.000	1.000	0
FO-LB 180610 Ann	3,75%	10-jun-18	750	20	10
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
FO-LB 210622	0,50%	22-jun-21	1.350	1.350	1.350
Total Outstanding Bonds			6.373	4.515	4.503

*) NOK 550 million Bond Issue (Coupon 2,70%) swappet to DKK (Partial refinancing of FO-LB 170627).

Economic growth (DKKm)	2011	2012	2013	prel. 2014	est. 2015	est. 2016
Nominal GDP	13.254	13.650	14.678	15.623	16.871	18.189
Nominal growth (%)	2,4	3,0	7,5	6,4	8,0	7,8

Trade Balance (DKKm)	2011	2012	2013	2014	2015	2016
Trade Balance	128	-1.167	-169	348	757	1.423
Trade Balance, Ships and airplanes excl.	222	-145	552	512	1.196	1.689

Note: Exports fob and Import cif.

Current Account (DKKm)	2011	2012	2013	2014	2015
Current Account	1.569	-110	1.569	1.641	1.719
In % of GDP	11,8	-0,8	10,7	10,5	10,2

Central Government financial assets and liabilities (DKKm)	2012	2013	2014	2015	2016
Government total assets	4.962	5.528	5.145	5.293	5.541
Government total debt ¹⁾	5.416	6.106	5.740	6.113	6.051
Net assets	-454	-578	-595	-820	-510
Securities and deposits	2.559	3.150	2.536	2.792	2.905
Government debt less securities and deposits ²⁾	2.857	2.956	3.204	3.321	3.146
In % of GDP	20,9	20,1	20,5	19,7	17,3

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 2013	Realized 2014	Realized 2015	Realized 2016	Budget 2017 ¹⁾
Taxes, direct	2.190	2.360	2.448	2.472	2.573
Taxes, indirect	1.829	2.003	2.041	2.218	2.258
Transfers from Denmark	665	671	700	695	686
Sales of goods and services	794	848	768	728	711
Revenue from fees	224	246	238	482	455
Other	52	46	36	29	61
Operating revenues, ex. interest	5.754	6.174	6.231	6.624	6.744
Personel cost	-2.232	-2.310	-2.073	-2.178	-2.323
Transfers to individuals	-1.594	-1.623	-1.661	-1.682	-1.711
Other transfers	-389	-422	-456	-492	-477
Purchase of goods and services	-1.367	-1.412	-1.362	-1.404	-1.361
Other expenses	-293	-343	-403	-481	-510
Operating expenses, ex. interest	-5.875	-6.110	-5.955	-6.237	-6.382
Primary Operating Balance	-121	64	276	387	362
Interest income and dividends	94	146	101	142	78
Interest expenses	-137	-117	-108	-63	-20
Operating Balance	-164	93	269	466	420
Sale of fixed assets	13	11	8	27	64
Sales of shares	0	7	0	58	-
Capital revenues from Denmark	103	0	0	0	-
Repayments of loans, domestic	17	39	19	91	20
Abolishment of Landsbanki Føroya	164	0	0	0	
Total capital revenues	297	57	27	176	84
Construction of fixed capital	-239	-351	-311	-296	-227
Acquisition of fixed capital	-33	-9	-34	-14	-22
Injection of cap. into publ. Ltd.'s	-83	-17	-5	-95	-35
Net lending, domestic	-13	-20	-24	-24	-9
Total capital expenses	-368	-397	-374	-429	-293
Budget surplus/deficit	-235	-247	-78	213	211
Debt repayment	-434	-1.512	-890	-1.360	-1.010
Gross financing surplus/deficit	-669	-1.759	-968	-1.147	-799
New borrowing	1.000	1.100	1.045	1.350	1.000
Net financing surplus/deficit	331	-659	77	203	201

1) Government Budget Act as approved by the parliament in December 2016.

2) At the beginning of the fiscal year 2017, appropriations transferred from previous years are DKK 64 m.

Population and labour force	2011	2012	2013	2014	2015	2016
Population by end of year	48.204	48.062	48.179	48.638	49.142	49.864
Labour force	26.954	28.654	28.557	28.707	29.950	
Unemployment rate in % (Oct.)	6,5	4,7	3,8	3,1	2,2	2,4

Consumer Price Index	2011	2012	2013	2014	2015	2016
CPI in % (q4/q4 previous year)	2,7	1,7	-1,6	-0,6	-1,9	0,8

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.

