MOODY'S INVESTORS SERVICE

CREDIT ANALYSIS

Faroe Islands, Government of

Denmark

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Faroe Islands, Government of and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on [Moody's website](#).

Ratings

Faroe Islands, Government of

Category	Moody's Rating
Outlook	Negative
Long-Term Issuer Rating (Foreign Currency)	Aa3

[Moody's sovereign rating list](#)

Summary Rating Rationale

The Aa3 issuer rating, with a negative outlook, of the Faroe Islands (the Faroes) reflects:

- The government's broad powers to manage the nation's economy, adjust spending and raise revenues through taxation and through its commitment to maintain ample reserves in order to offset the impact of economic volatility and deficit spending, anticipated to run till 2015;
- Strength and relative diversification of the economy, to mitigate the continued concentration and volatility from the primary activities of fishing and its related industries;
- The Faroes' exposure to continuing global economic volatility, and uncertainties regarding consensus on plans for deficit reduction and fishing management measures over the medium term.

The rating also takes into account the historical and currently stable relationship with Denmark, as well as a defined and deliberate process for consideration of further autonomy and potential independence.

On 18 April 2011, the issuer rating assigned to the Faroe Islands was downgraded to Aa3 from Aa2 and the outlook changed to negative from stable. This rating action reflects the challenges that the government is facing in rebalancing its long-term finances and addressing fishing stock management and fleet overcapacity.

Rating Outlook

The outlook on the Faroe Islands' issuer rating is negative.

What Could Change the Rating - Up

Given the current economic and financial situation, Moody's considers a rating upgrade unlikely in the near future.

What Could Change the Rating - Down

The rating could come under pressure if the Faroese government fails to rebalance its budget, which would ultimately worsen the debt profile. A deeper recession, with little progress in resolving difficulties in the fishing industry, could also exert negative pressure on the rating. Precipitous political actions taken by either the Faroe Islands or the Kingdom of Denmark could have a significant impact on the resources of the Faroese government, although such actions are deemed unlikely.

Key Rating Considerations

Financial Position and Performance

Deficits scheduled to extend till 2015, and the pace of structural reforms will be negatively influenced by any global economic weakness

The parliament has approved a deficit reduction plan that extends till 2015, a period over which the Faroe Islands will remain exposed to potential renewed global economic weakness or unsuccessful management of fishing stocks.

Revenues

Revenues are volatile due the predominance of fishing-related industries, financial services and house building in the economy, all of which have experienced downturns. These have reduced operating revenues to DKK5.435 billion in 2010 from a peak of DKK5.526 billion in 2008. Revenues remain widely distributed by source, however, and the adopted 2011 budget projects a 7.4% increase from rate and fee increases, as well as reasonable prospects for windfall revenues from certain fishing stocks.

The annual current transfers from Denmark remain a key source of funding at DKK669 million in 2010. Denmark spends an additional DKK280 million on matters remaining under Danish control, such as public order and judicial administration, under the current autonomy agreements.

FIGURE 1
2010 Operating revenues

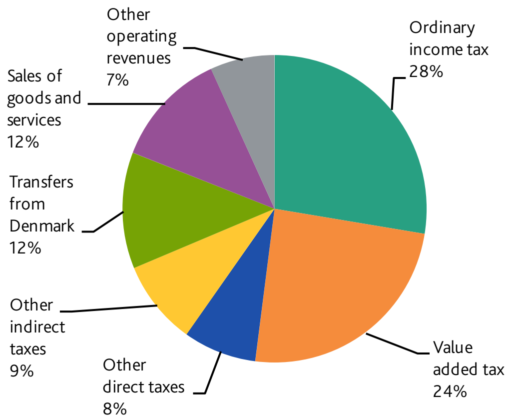
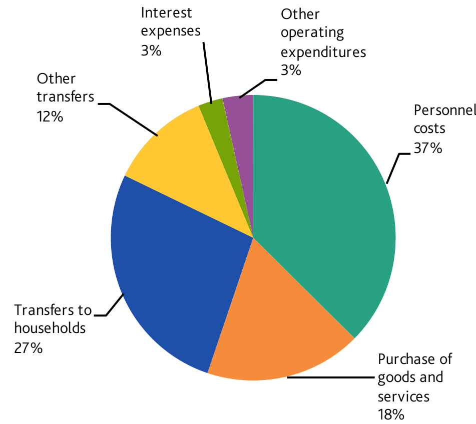


FIGURE 2
2010 Operating Expenses



Source: Moodys calculations on figures from Landsbanki Føroya

Stimulus/stabilisation programme has increased expenses

The 2008 budget boosted operating expenses by 9.3%, with further growth of 2.9 and 2.0%, in 2009 and 2010, respectively. As shown in Figures 3 and 4, more than 90% of spending is in personnel, purchase of goods and services and transfer payments, which, whilst politically challenging, remain wholly within the control of the Faroese government. The 2011 budget forecasts an increase of 1.8%, well below the revenue growth noted above.

Investments

The Faroe Islands' main capital investments are in communications and transport, in order to improve economic efficiency, improve access to markets, and to encourage tighter social and political integration. Direct government investments fell from DKK338 million in 2009 (5.6% of total expenditure) to DKK155 million in 2010 (2.6% of total expenditure). This amount is expected to increase to about DKK400 million in 2011, with large investments in the airport of Vágar, co-financed by Denmark, and educational facilities. Projects have historically been reprioritised to keep within this budget constraint.

Debt Profile

Debt burden manageable, albeit increasing due to fiscal deficits

Debt is projected to grow as a result of deficits, but is expected to remain below the highest levels seen in previous crises. Net direct and indirect debt is expected to grow from 108% of total revenues in 2010, with the potential to peak at approximately 130% in 2015. These calculations include DKK800 million of debt of the Faroese municipalities, which, according to Moody's, is dependent on substantial transfer payments from the Faroese government. As an important mitigating factor, Faroe Islands intends to maintain its large reserve funds of about DKK1.9 billion to assure the flexibility and liquidity essential to managing an economy dependent on relatively volatile businesses. The levels of debt before reserves remain substantially lower than those of the early 1990s, when debt as a proportion of total revenues rose to 263% to fund budget deficits from the nationalisation of two of the largest banks and the funding of reserves.[1]

Maturity profile and liquidity backup

The duration of the Faroe Islands' debt is approximately two years, and new borrowings are planned with longer maturities in order to minimise the refinancing risk inherent in the Faroes' international financing. Current debt management policies will seek to limit annual debt maturities to less than 70% of the DKK1.9 billion liquidity fund, which is equal to a minimum of 15% of GDP. These reserves provide both a buffer and flexibility to operate within the multi-year deficit plan.

Pensions

The Faroe Islands, like other developed countries, faces a substantial increase in the ratio of retired to working-age population. Currently, the unfunded deficit is DKK2.1 billion, 17.8% of GDP, with the potential to rise to 25%. Any required amounts after earnings are paid from the annual budget. The government and opposition parties have agreed in principle to a reform of the pension system, which would include an increase in the retirement age, a new indexation of pension growth (capped at the increase in public wages), and a higher compulsory contribution rate. While the reform has secured broad cross-party support, Parliamentary approval is expected only later in the year, and the benefits of the reform will be captured only in the long term.

Governance and Management Factors

Historically prudent use of powers

As agreed with Denmark in the resolution to the crisis of the early 1990s, the Faroese government must finance any budget deficits from its own resources. Over the long term, the Faroes, like other Nordic countries, has achieved consensus on economic and budgetary policies – sometimes with dramatic reforms – to stabilise its finances. Moody's expects that this historical trend will ultimately assert itself, despite our reservations concerning the current pace of reforms, noted below.

Prudent debt and liquidity management

As established by a 1978 Act of the Løgting (Parliament of the Faroe Islands), Landsbanki Føroya is the government's bank, administering the loans and borrowings of the Treasury, handling all liquidity investments, and presenting economic and fiscal analysis to the government and Parliament. Since 1994, government debt has been raised in short-tenor Danish kroner bonds. Current policy is to balance debt against sizeable reserves, to stagger maturities and to refinance three-to-six months in advance, giving time for reserves to be utilised if necessary.

Transparency and disclosure are good

The government publishes its main budget on an annual basis, subject to amendments within the financial year, and financial reports are published monthly. Finances and the key industries of the Faroes are also monitored by the Danish National Bank. The national government has updated its online accounting systems with the consolidation of municipal accounts into the national totals. Economic accounting and forecasting has been substantially enhanced in terms of detail over the past two years.

[1] Source: Føroya Banki and Sjóvinnubankin.

The National Accounting Office (or its designee) ensures that spending remains within budget directives. Separately, the Auditor General may review the accounts of the government, entities owned by the government and those entities receiving any kind of financial support from the Faroese government.

Pace of reforms within the political process

The current pace of reforms leaves the Faroe Islands exposed to the risks stemming from its resource management, broader international trade conditions, and long-term prospects in an uncertain global economy. The central cause for concern is that, whilst controls on government finances have generally been good and recent budgetary results are approximately DKK218 million ahead of projections, the five-year deficit reduction plan does not include specific projections of revenues and expenditures. These are set only within the annual budget process, thus leaving the implementation of specific revenue and expense decisions to an annual process that recently has been marked by negotiation between shifting coalitions. Similarly, fisheries management and industrial policy have yet to propose, or indeed, reach consensus on specific proposals to bring before Parliament (see *Economic Fundamentals* section below).

Economic Fundamentals

GDP per capita[2] for 2010 was US$28,279, approximately 78% of the level for Denmark. Total GDP is estimated at DKK12.9 billion for 2010. Current projections of GDP growth for 2011 and 2012 are respectively at 6% and 4.2% in nominal terms, slightly above projections of global growth for 2011 and broadly in line with global projections for 2012.

The Faroes has established a separate trade agreement with the EU and negotiated agreements with other countries for trade and fishing rights. The currency of the Faroe Islands is the Faroese króna, a version of the Danish krona issued by the Danish National Bank.[3]

Core fishing and related industries are high value but volatile

Fishing and related industries account for a large part of the economy (about 20% of wages and 89% of exports), and implicitly have strong multipliers to other sectors, such as services and housing. Volatility has been largely driven by the variability of prices for sales of fish and for inputs such as petroleum for the fishing fleet, as well as the risks of over exploitation of stocks. Since 1986, growth in GDP[4] has had a standard deviation of 6.7% compared to 1.9% for Denmark.[5]

Dominance of fishing and related industries, but risks are reduced by diversification of type and geography of fishing …

As of January 2011, the fishing fleet employs 7.4% of the workforce and the fish-processing industry 4.7%, with their combined wages and salaries representing 18.7%, of the national total.

Since the 1990s, the Faroes' fishing industries have diversified to other species from the traditional cod and haddock (see Appendix 1) and added fish farming and substantial fish-processing operations. The Faroes has secure fishing rights off Greenland, Canada, Iceland, Norway, Morocco and in the Barents

2 On an estimated purchasing power parity (PPP) basis.
3 Faroese króna is issued in notes. Coins in circulation are Danish krona.
4 Measured on a PPP basis, estimated by Landsbanki Føroya.
5 Source: Landsbanki Føroya.

Sea. This diversification significantly reduces risks of a single stock depletion that could impair the fishing fleet and the economy at large.

…but little to no growth seen in volume

Despite these efforts that span oceans and hemispheres, economic output is expected to remain at levels of volatility that remain high compared to those of OECD countries.

After a fairly robust 2008, the global recession is now affecting the Faroese economy, as prices for fish have fallen. Whilst prices may be volatile, volume is now effectively capped by maximum sustainable catch levels in Faroese waters and worldwide. Catches of key stocks in Faroese waters, a significant part of the national harvest, remain below historical averages. Fish farming has recovered strongly from its own crash in 2005 and 2006, and now contributes strongly to exports; the fish-farming segment appears to be at a peak, with little biological capacity for further production.

Parliament continues to grapple with difficult decisions, including (i) the level of annual catch by species, (ii) weighing complicated scientific evidence of stock overexploitation against the exigencies of current business and (iii) employment.

Fishing drives the balance of trade

The dependence on fishing and fish farming is most visible in exports, with fish and fish products representing 70% of total export value in 2009.[6] Given its large share of exports, a substantial decline in the value of fishing-related exports could have a significant impact on the economy. Fuel is the key cost input to the fishing fleet and the main energy source on the Islands, which adds a further unpredictable element to the economy, but which also has recently been counter cyclical.

The trade balance may swing dramatically from year to year, and can be influenced by single investments, such as the purchase of individual, high-capacity trawlers. Trading partners are all wealthy by international standards, and concentrated in the North East Atlantic with 42% in the EU and 35% in non-EU Scandinavia. The diversification of the export markets mitigates the risk of a collapse in a particular country. See Appendix 1 for details.

The ongoing dispute on mackerel quotas with the EU and Norway, which resulted in the Faroe Islands and Iceland unilaterally setting their annual mackerel quotas, might affect the Faroe Islands' international relationships and ultimately limit its access to key trading partners.

Unemployment strongly affected by collapse of leading fish-processing company

At the end of 2010, Faroe Seafood, the Islands' largest fish-processing company, filed for bankruptcy. As a result, the unemployment rate peaked at 7.9% in January 2011, but production at some of the factories restarted soon after, and the overall unemployment rate is expected to decline in 2011. In order to avoid the level of emigration that characterised the previous economic downturn, the government has enhanced unemployment insurance within the stimulus budget.

Financial sector moderately affected during the global recession

The financial sector, which had been the underlying cause of the extensive bailout of the Faroe Islands in the early 1990s, has been only moderately affected by the global recession. One of the two main banks operating in the Faroe Islands, Eik Banki, failed – reportedly due to its Danish commercial lending activities. The Danish Financial Stability Company took control of EiK Banki in late 2010,

[6] In comparison, Iceland's fishing industry accounted for 42% of its export value in 2007, a level that has been rapidly decreasing.

and sold 70% of its participation in Eik Banki Føroya (the Faroese operations of Eik Banki) to the Faroese holding company TF Holding. Commercial activities of the bank have continued throughout the period.

Operating Environment

Moody's uses the evaluation of Denmark in the World Bank Government Effectiveness Index as a proxy for the Faroes, due to the Islands' strong cultural, constitutional and economic ties to the kingdom. Most civil servants are educated in Denmark and there are, inevitably, intense commercial, cultural and political ties within the Kingdom.

Institutional Framework

Relationship with Denmark is stable, with powers and funding clearly defined

In 1948, the Faroes was granted Home Rule, and in 2005[7] it gained authority over all matters except those related to full independence.[8] The current division of responsibilities between the Faroe Islands and the Kingdom of Denmark is stable. See Appendix 2 for details.

The Faroe Islands have two seats in the Danish Parliament, which historically has lent influence in Danish politics, particularly in parliaments characterised by tight majorities.

Funding and spending powers demonstrated

Home Rule gives the Faroes broad latitude in setting revenues and spending. The Faroes determines personal income taxes, VAT, custom and excise duties, corporate tax rates and other charges, which collectively total 79% of governmental revenues. The Faroe Islands may set fees for services at-or-below costs. The annual subsidies from Denmark for "Joint Matters" (see Appendix 2) that have not been transferred to Faroese control (13.0%) are the sole area in which funding is fixed.

The Faroe Islands' constitutional powers to set costs and to negotiate wages were demonstrated in the early 1990s, when the government cut spending by 5% (in 1992) and 10% (in 1993). A reform of the municipal sector – proposing to merge the smallest entities and to have only approximately 10 larger municipalities – is currently under active discussion, with legislation likely to be proposed during the current year.

Independent borrowing, but support from Denmark required in times of severe distress

In the 1990s, the Faroese government borrowed – largely from Denmark, given the scale of the crisis – in order to fund the nationalisation of Føroya Banki and Sjovinnubankin and to bridge the deficits of the recovery plan. As reforms were established, the Faroese began standalone borrowing, ultimately using these and other funds to repay Denmark. The relationship with Denmark remains important as a likely source of liquidity support, were independent financing to be again tested.

7 Act No. 91/2004 and reflected by the Faroese parliament under *Acts of Assumption of Fields of Responsibility, Act 79 12 May 2005.*

8 The following Joint Matters are inalienable to the Kingdom of Denmark and are excluded from the process of increasing autonomy and potential independence: the Danish Constitution, Danish internal affairs, the Danish Supreme Court, foreign affairs, security and defence policies, currency and monetary policy. The division of responsibilities under this 2005 agreement is discussed further under *Institutional Framework* and in Appendix 2, *Division of Responsibilities between the Faroe Islands and Denmark.*

Steps to independence are deliberate and balanced in relationship with Denmark

Since 1947, independence has been an important political issue in the relationship between Denmark and the Faroes. The 2005 agreement leaves the Faroes to determine its final relationship with Denmark. Secession of the Faroe Islands from Denmark would require a referendum. Currently most views within the Faroes suggest that final independence, were it to occur, could take about 15 years, over which time the Islands would gradually assume all of the remaining responsibilities and financial burdens. Against the background of the budgetary challenges of the current recession, the debate over independence has – not surprisingly – received less attention.

Application of Joint-Default Analysis

As a reflection of the application of Moody's joint-default analysis methodology for regional and local governments, the Faroe Islands' Aa3 rating with a negative outlook, is composed of three principal inputs: (i) a baseline credit assessment (BCA) of 6 (on a scale of 1 to 21, in which 1 represents the lowest credit risk), (ii) a high likelihood that the Government of Denmark (rated Aaa, stable outlook) would act to prevent a default by the Government of the Faroe Islands, and (iii) a low level of default dependence between the Government of Denmark and the Faroe Islands.

The high likelihood of support reflects (i) Moody's assessment that the current relationship with the Kingdom of Denmark is unlikely to change in the medium term and (ii) the precedents set by the intensive extraordinary support in response to the financial crisis of the 1990s and, more recently, to EiK Banki.

Appendix 1

FIGURE 1

Faroese wet fish catches in DKK million

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Demersal,* of which:	**1,144**	**1,008**	**818**	**902**	**941**	**892**	**690**	**567**	**683**
Cod	536	563	390	340	263	291	238	139	193
Haddock	265	190	177	199	201	178	84	48	55
Saithe	247	159	140	248	314	290	259	296	294
Pelagic, of which:**	**146**	**141**	**167**	**192**	**201**	**176**	**112**	**106**	**111**
Halibut	55	53	60	47	40	46	48	51	43
Monk Fish	57	58	78	121	136	108	52	48	59
Other fisheries	**78**	**59**	**59**	**53**	**90**	**95**	**99**	**99**	**109**
Total catches	**1,368**	**1,208**	**1,044**	**1,146**	**1,232**	**1,164**	**902**	**772**	**903**

* Demersal: deep-water fishing

** Pelagic: shallow and mid-water fishing

FIGURE 2

Balance of trade in DKK million

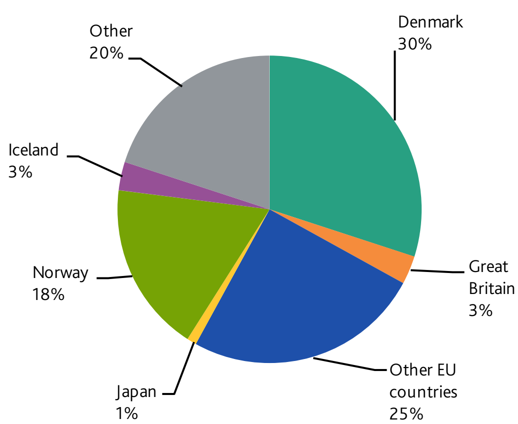
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Export	4,234	3,912	3,689	3,587	3,868	4.057	4,346	4,098	4,592
Import	3,934	4,866	3,762	4,490	4,692	5,522	5,021	4,199	4,361
Trade Balance	**300**	**-953**	**-73**	**-903**	**-824**	**-1,465**	**-675**	**-101**	**231**

Source: Faroese Statistical Office

FIGURE 3

Trading partners of the Faroe Islands - Imports

2009

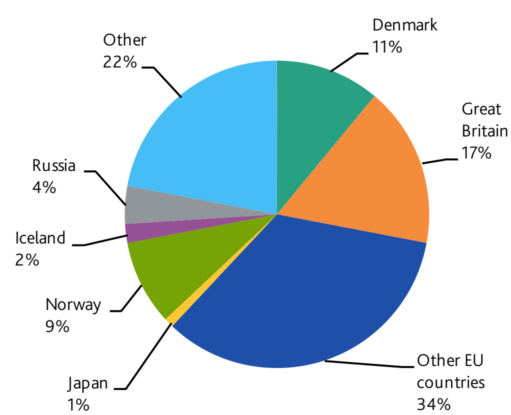


Source: Hagstova Føroya

FIGURE 4

Trading partners of the Faroe Islands - Exports

2009



Source: Hagstova Føroya

Appendix 2

Division of responsibilities between the Faroe Islands and Denmark

The Faroese control "Special Matters" covering the economy, finances, industry, foreign trade, mineral rights, and the educational system. "Joint Matters" are administered by the Danish Government according to the laws of the Kingdom of Denmark, although some may be wholly or partly assigned to the Faroe Islands, or undertaken by Danish and Faroese authorities jointly. For example, social welfare and health services are administered by the Faroes, while the legislative authority for these matters remains with the Danish Government.

FIGURE 5

Faroe Islands, Government of, division of responsibilities

	Faroese Municipalities	Central Government Of Faroe Islands	Danish Government
Childcare	X		
Water & Sewage	X		
Waste management	X		
Planning and zoning	X		
School buildings (maintenance)	X		
Road Maintenance	X	X	
Healthcare		X	
Public Transport		X	
Education		X	
Elderly Care		X	
Social Security		X	
Police Force			X
Judicial system			X
Banking supervision			X

Source: Landsbanki Føroya

Annual Statistics

Faroe Islands, Government of

Debt Statement (31 December; DKK million)	2005	2006	2007	2008	2009	2010
Long-term borrowing	3,625	2,725	2,660	2,619	3,208	4,288
Short-term borrowing	584	592	719	971	695	741
Total direct debt	**4,209**	**3,317**	**3,379**	**3,590**	**3,903**	**5,029**
Guaranteed pension savings	1,590	1,686	1,764	1,781	1,933	2,115
Municipal debt	289	133	225	524	738	818
Total indirect debt	**1,879**	**1,819**	**1,989**	**2,305**	**2,671**	**2,933**
Total direct and indirect debt	**6,088**	**5,135**	**5,368**	**5,895**	**6,574**	**7,962**
Less: self-supporting indirect debt	1,509	1,627	1,738	1,781	1,933	2,115
Net direct and direct debt	**4,579**	**3,508**	**3,630**	**4,114**	**4,641**	**5,847**

Debt Indicators (31 December)	2005	2006	2007	2008	2009	2010
Total direct debt (DKK million)	**4,209**	**3,317**	**3,379**	**3,590**	**3,903**	**5,029**
Per capita (DKK)	87,378	68,627	69,868	73,714	80,224	103,339
% of GDP	40.5%	28.3%	27.2%	29.2%	32.3%	38.8%
% of operating revenues	91.2%	64.9%	61.7%	65.0%	74.0%	92.5%
% of total revenues	89.9%	58.0%	49.2%	62.8%	72.4%	92.4%

Net direct and indirect debt (DKK million)	**4,579**	**3,508**	**3,630**	**4,114**	**4,641**	**5,847**
Per capita (DKK)	95,051	72,593	75,065	84,469	95,395	120,148
% of GDP	44.0%	29.9%	29.2%	33.4%	38.4%	45.2%
% of operating revenues	99.2%	68.6%	66.3%	74.4%	88.0%	107.6%
% of total revenues	97.7%	61.4%	52.9%	72.0%	86.1%	107.4%

Economic Indicators	2005	2006	2007	2008	2009	2010
Faroe Islands Population ('000s)	**48.17**	**48.33**	**48.36**	**48.70**	**48.65**	**48.67**
% of Danish population	0.89%	0.89%	0.89%	0.89%	0.88%	0.88%
Denmark Population ('000s)	**5,411**	**5,427**	**5,447**	**5,476**	**5,511**	**5,535**
Faroe Islands Nominal GDP (DKK billion)	**10.40**	**11.74**	**12.41**	**12.30**	**12.10**	**12.95**
% of Danish GDP	0.67%	0.72%	0.73%	0.71%	0.73%	0.74%
Denmark Nominal GDP (DKK billion)	**1,545**	**1,632**	**1,695**	**1,741**	**1,656**	**1,748**
Faroe Islands per capita GDP (DKK'000)	**215.86**	**242.89**	**256.68**	**252.62**	**248.72**	**266.04**
% of Danish per capita GDP	75.6%	80.8%	82.5%	79.5%	82.8%	84.3%
Denmark per capita GDP (DKK '000)	**285.58**	**300.66**	**311.23**	**317.90**	**300.51**	**315.76**
Real GDP growth rate	3.0%	12.9%	5.8%	-0.9%	-1.7%	7.0%

Financial Indicators (DKK million)	2005	2006	2007	2008	2009	2010
Operating revenues	**4,614**	**5,114**	**5,475**	**5,526**	**5,273**	**5,435**
Direct taxes	1,503	1,676	1,786	1,826	1,750	1,922
Indirect taxes	1,544	1,807	2,014	1,934	1,726	1,810
Transfers from Denmark	661	658	668	673	663	669
Transfers from the municipalities	132	123	145	164	143	139
Sales of goods and services	579	605	651	652	635	664
Revenues from fees	49	57	60	73	77	84
Interest income	116	156	119	168	205	118
Other operating revenues	29	32	32	37	76	29
Capital revenues	**70**	**603**	**1,394**	**188**	**115**	**9**
Total revenues	**4,684**	**5,717**	**6,869**	**5,714**	**5,387**	**5,444**
Operating expenditures	**4,635**	**4,704**	**5,100**	**5,574**	**5,737**	**5,850**
Personnel cost	1,743	1,775	1,893	2,036	2,120	2,189
Transfers to individuals	1,162	1,164	1,218	1,394	1,489	1,578
Other transfers	598	634	717	719	687	676
Purchase of goods and services	836	876	974	1,071	1,024	1,040
Interest expenses	138	51	81	131	219	164
Other expenses	159	203	216	224	198	203
Capital expenditures	**259**	**339**	**326**	**770**	**338**	**155**
Total expenditures	**4,894**	**5,042**	**5,426**	**6,344**	**6,076**	**6,006**
Gross Operating Balance	**-22**	**410**	**375**	**-48**	**-464**	**-415**
Financing Surplus (Deficit)	**-210**	**675**	**1,443**	**-630**	**-688**	**-562**

Balance Sheet (DKK million)	2005	2006	2007	2008	2009	2010
Total assets	**4,358**	**4,497**	**5,705**	**5,862**	**5,429**	**6,019**
Cash holdings at *landsbanki* (government bank) and banks	1,697	1,485	2,765	2,508	2,037	2,510
Public companies and loan portfolio	1,995	2,053	1,767	2,282	2,359	2,385
Debtors and stocks	426	427	663	491	494	576
Tangible capital assets	240	533	510	581	540	548
Total equity and liabilities	**4,358**	**4,497**	**5,705**	**5,862**	**5,429**	**6,019**
Short-term debt	584	592	719	971	695	741
Long-term debt	3,625	2,725	2,660	2,619	3,208	4,288
Other liabilities and accumulated surplus	**149**	**1,181**	**2,326**	**2,272**	**1,526**	**990**

Key Ratios and Indicators	2005	2006	2007	2008	2009	2010
TOTAL ACCOUNTS						
Total revenues growth rate (%)	0.1%	22.1%	20.1%	-16.8%	-5.7%	1.0%
Total expenses growth rate (%)	1.3%	3.0%	7.6%	16.9%	-4.2%	-1.2%
Total revenues per capita	97.24	118.31	142.03	117.33	110.74	111.87
Total expenses per capita	101.60	104.34	112.20	130.26	124.88	123.41
Total tax revenues/ total revenues (%)	65.1%	60.9%	55.3%	65.8%	64.5%	68.6%
Total intergovernmental revenues/total revenues (%)	16.9%	13.7%	11.8%	15.8%	16.8%	14.8%
Total transfers/total expenses (%)	36.0%	35.7%	35.7%	33.3%	35.8%	37.5%
Financing deficit/surplus as % of total revenues (%)	-4.5%	11.8%	21.0%	-11.0%	-12.8%	-10.3%
OPERATING ACCOUNTS						
Operating revenues/total revenues (%)	98.5%	89.4%	79.7%	96.7%	97.9%	99.8%
Operating expenses/total expenses (%)	94.7%	93.3%	94.0%	87.9%	94.4%	97.4%
Tax revenues/operating revenues (%)	66.0%	68.1%	69.4%	68.0%	65.9%	68.7%
Intergovernmental revenues (operations related) /operating revenues (%)	17.2%	15.3%	14.9%	15.1%	15.3%	14.9%
Fees/operating revenues (%)	1.1%	1.1%	1.1%	1.3%	1.5%	1.5%
Transfers (operations related)/operating expenses (%)	38.0%	38.2%	37.9%	37.9%	37.9%	38.5%
Primary operating balance/operating revenues (%)	0.0%	6.0%	6.2%	-1.5%	-8.5%	-6.8%
Gross operating balance/operating revenues (%)	-0.5%	8.0%	6.9%	-0.9%	-8.8%	-7.6%
Net operating balance/operating revenues (%)	-42.8%	-9.6%	5.5%	-19.2%	-35.9%	-20.1%
Financing (deficit/surplus)/operating revenues (%)	-4.6%	13.2%	26.4%	-11.4%	-13.0%	-10.3%
Tax revenues/operating expenses (%)	65.7%	74.0%	74.5%	67.4%	60.6%	63.8%

	2005	2006	2007	2008	2009	2010
CAPITAL ACCOUNTS						
Capital revenues/total revenues (%)	1.5%	10.6%	20.3%	3.3%	2.1%	0.2%
Capital expenses/total expenses (%)	5.3%	6.7%	6.0%	12.1%	5.6%	2.6%
DEBT						
Total direct and indirect debt growth rate (%)	3.1%	-13.7%	2.8%	4.4%	8.7%	22.4%
Total direct and indirect debt per capita (DKK'000)	120.38	103.51	106.34	110.28	119.96	146.80
Total direct and indirect debt /GDP (%)	55.8%	42.6%	41.4%	43.7%	48.2%	55.2%
Total direct and indirect debt /total revenues (%)	123.8%	87.5%	74.9%	94.0%	108.3%	131.2%
Total direct and indirect debt /operating revenues (%)	125.7%	97.8%	93.9%	97.2%	110.7%	131.4%

	2005	2006	2007	2008	2009	2010
Total direct and indirect debt /tax revenues (%)	190.3%	143.6%	135.4%	142.9%	167.9%	191.4%
Net direct and indirect debt growth rate (%)	0.6%	-23.3%	4.5%	14.1%	12.8%	26.0%
Net direct and indirect debt per capita (DKK'000)	93.38	71.38	74.53	84.47	95.39	120.15
Net direct and indirect debt /GDP (%)	43.3%	29.4%	29.0%	33.4%	38.4%	45.2%
Net direct and indirect debt /total revenues (%)	96.0%	60.3%	52.5%	72.0%	86.1%	107.4%
Net direct and indirect debt /operating revenues (%)	97.5%	67.5%	65.8%	74.4%	88.0%	107.6%
Net direct and indirect debt /tax revenues (%)	147.6%	99.0%	94.9%	109.4%	133.5%	156.7%
Debt growth rate (%)	0.6%	-23.3%	4.5%	14.1%	12.8%	26.0%
Debt per capita (DKK'000)	93.38	71.38	74.53	84.47	95.39	120.15
Debt/total revenues (%)	96.0%	60.3%	52.5%	72.0%	86.1%	107.4%
Debt/GDP (%)	43.3%	29.4%	29.0%	33.4%	38.4%	45.2%
Debt/operating revenues (%)	97.5%	67.5%	65.8%	74.4%	88.0%	107.6%
Debt/tax revenues (%)	147.6%	99.0%	94.9%	109.4%	133.5%	156.7%
Short-term debt/debt (%)	13.0%	17.2%	19.9%	23.6%	15.0%	12.7%
Indirect debt growth rate (%)	-14.2%	-54.0%	69.6%	132.4%	40.9%	10.8%
Indirect debt per capita (DKK '000)	6.00	2.75	4.66	10.76	15.17	16.81
Indirect debt/total debt (%)	5.0%	2.7%	4.4%	9.8%	12.6%	11.5%
Indirect debt/debt (%)	6.4%	3.9%	6.3%	12.7%	15.9%	14.0%
Interest expense growth rate (%)	-8.8%	-62.7%	58.0%	60.9%	67.6%	-25.3%
Interest expenses/total revenues (%)	2.9%	0.9%	1.2%	2.3%	4.1%	3.0%
Interest expenses/operating revenues (%)	3.0%	1.0%	1.5%	2.4%	4.2%	3.0%
Interest expenses/tax revenues (%)	4.5%	1.5%	2.1%	3.5%	6.3%	4.4%
Interest expenses/primary operating balance (%)	n.m.	16.8%	24.1%	-154.9%	-48.7%	-44.3%
Debt service growth rate (%)	98.9%	-54.5%	-83.5%	630.2%	43.7%	-49.0%
Debt service/total revenues (%)	44.6%	16.6%	2.3%	20.1%	30.6%	15.4%
Debt service/operating revenues (%)	45.3%	18.6%	2.9%	20.7%	31.2%	15.5%
Debt service/tax revenues (%)	68.6%	27.3%	4.1%	30.5%	47.4%	22.5%

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Report Number: 132754

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