

PROSPECTUS



FØROYA LANDSSTÝRI

THE GOVERNMENT OF THE FAROE ISLANDS

FØROYA LANDSSTÝRI DKK 1,320,000,000 2.375 PER CENT

FIXED RATE NOTES

22 MAY 2025 / 22 MAY 2028

ISIN DK0030549696

IMPORTANT INFORMATION

This Prospectus is published on 20 May 2025.

The Føroya Landsstýri (the "Issuer" or the "Government of the Faroe Islands") will issue DKK 1,320,000,000 2.375 per cent Fixed Rate Notes due 22 May 2028 (the "Notes"). The Notes will constitute direct, general and unconditional obligations of the Issuer.

Application has been filed with Nasdaq Iceland hf. for the trading and official listing of the Notes on the main market of Nasdaq Iceland hf. Acceptance of the Notes for the trading and official listing on the main market of Nasdaq Iceland hf. is expected to have effect from 22 May 2025.

The Prospectus is expected to be passported to the Kingdom of Denmark on or about 21 May 2025. Following passporting of the Prospectus to the Kingdom of Denmark, application will be filed with Nasdaq Copenhagen A/S for the trading and official listing on the main market of Nasdaq Copenhagen A/S. Acceptance of the Notes for the trading and official listing on the main market of Nasdaq Copenhagen A/S is expected to have effect from 23 May 2025.

The Prospectus was prepared for the primary official listing and trading on the main market of Nasdaq Iceland hf. and the main market of Nasdaq Copenhagen A/S, respectively.

The Prospectus has been reviewed and approved by the Financial Supervisory Authority of the Central Bank of Iceland ("FSA") as competent authority under Regulation EU 2017/1129 (the "Prospectus Regulation") which has been implemented into Icelandic law with Act No. 14/2020 (the "Act on Prospectus for Public Offering or Admission to Trading on a Regulated Market"). The FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FSA should not be considered as an endorsement of the Issuer or of the quality of the Notes that is the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Prospectus has been prepared in English only. The Prospectus consists of three documents: Summary, Registration Document and Securities Note.

Investing in the Notes involves significant risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are described under (i) Clause 1 of the Registration Document, entitled "Risk Factors"; and (ii) Clause 1 of the Securities Notes, entitled "Risk Factors".

The Notes may not be suitable for all investors. Each potential investor in the Notes must determine the suitability of the Notes as an appropriate investment in light of its own circumstances, experience and financial condition. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Issuer's auditors.

This Prospectus is available at the following locations: Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønlandsvej 10, DK-2300 Copenhagen S, Denmark (the "Arranger") and Landsbanki Føroya, Kvíggjartún 1, FO-160 Argir, Faroe Islands.

The Prospectus may also be obtained from the website: <https://www.landsbankin.fo/en-gb/liquidity-and-debt/debt/prospectus-for-current-loans>

This Prospectus is a prospectus for the purposes of the Prospectus Regulation and for the purpose of giving information regarding the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the Arranger to publish a prospectus pursuant to Article 1 (4) of the Prospectus regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the Arranger have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Arranger to publish or supplement a prospectus for such offer.

No person has been authorised by the Issuer or the Arranger to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Arranger.

No representation or warranty is made or implied by the Arranger or any of its respective affiliates, and neither the Arranger nor any of its affiliates (other than the Issuer) makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Prospectus is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may be subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1980 and the regulations thereunder), except pursuant to an exemption from, or in a transaction not subject to the registration requirements of, the U.S. Securities Act and applicable state or local securities laws.

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for

the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice, portfolio management, and non-advised sales or execution with appropriateness test, subject to the distributor's (as defined below) suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or any of them to subscribe for or purchase, any Notes.

This Prospectus may include forward-looking statements. Forward-looking statements are not statements of historical fact but rather reflect the Issuer's current expectations, estimates and predictions about future developments in the Issuer's economy and public finances and events. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words or terms of similar substance used in connection with any discussion of future developments of the Issuer's economy and public finances identify forward-looking statements.

Forward-looking statements involve risks and uncertainties. There are multiple factors that could cause actual developments of the Issuer's economy and public finances to differ materially from those contemplated by the forward-looking statements. Most of these factors are difficult to predict accurately and are generally beyond the Issuer's control. Prospective investors should consider the uncertainty and risk resulting from such uncertainty in connection with any forward-looking statements that the Issuer makes.

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SUMMARY

Introduction and warnings

This summary contains all the sections required by the Prospectus Regulation to be included in a summary for this type of securities and issuer. This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

An investor investing in the securities could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under applicable law, have to bear the costs of translating the Prospectus before legal proceedings are initiated. The Issuer assumes civil liability in respect of this summary including translation thereof only if it is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities.

The contact details of the Issuer are as follows:

Issuer: The Government of the Faroe Islands
(Føroya Landsstýri)

Address: Ministry of Finance
Fíggjarmálaráðið, Tinganes, FO-110-Tórshavn, Faroe Islands

Telephone: +298 352020
E-mail address: fmr@fmr.fo

LEI: 213800P8SSDDDNIK9Z83

The details of the Notes are as follows:

ISIN code: DK0030549696
Name: DKK 1,320,000,000 2.375 per cent Fixed Rate Notes
due 22 May 2028

This Prospectus has been approved by The Financial Supervisory Authority of the Central Bank of Iceland ("FSA") as the competent authority under the Prospectus Regulation on 20 May 2025. The identity and contact details of the competent authority, the FSA, approving the Prospectus are as follows:

Authority: The Financial Supervisory Authority of the Central Bank of Iceland,
Kalkofnsvegur 1, 101 Reykjavik, Iceland

Telephone: +354 569 9600
E-mail address: verdbrefaeftirlit@cb.is

Key Information on the Issuer

Who is the Issuer of the securities?

The name of the Issuer is the Government of the Faroe Islands and it is domiciled in the Faroe Islands. The Issuer is operating under Faroese law. The Issuer's Legal entity identifier (LEI) is 213800P8SSDDDNIK9Z83.

The Faroe Islands are a self-governing country within the Kingdom of Denmark which also comprises Greenland. The Faroe Islands are not a member of the European Union.

The Faroe Islands hold a foreign currency rating of Aa2 with stable outlook assigned by Moody's Investors Service.

What is the key financial information regarding the Issuer?

Economic growth was 6.7% in nominal terms in 2023, whereas real growth (growth excl. inflation) was 2.5%. The Economic Council has estimated a growth in nominal GDP of 3.0% in 2024, and the Statistics Faroe Islands and the Economic Council estimate an increase in nominal GDP of 5.0% in 2025. The unemployment rate was 1.1% in February 2025.

The central government accounts show a deficit of DKK 99 million in 2024, and the Budget Act for 2025 states a deficit of DKK 120 million. In the appropriation framework presented to the Faroese Parliament on 31 March 2025, the government expects the budget result to show a deficit of DKK 252 million in 2026. The government aims at limiting the deficit for the years ahead by changes in revenues and expenses of DKK 55 in 2026 and then 35 million each of the upcoming years. These actions are, if fully implemented, expected to result in a budget deficit of DKK 197 million in 2026, and a deficit of DKK 87 million in 2027 and budget surpluses during the next three years.

Selected public finance and trade information

Outstanding Bonds (DKKm)	Annual Coupon	Maturity	Issued amount	Outstanding amount End of 2024	Outstanding amount End of 2025
DK0030539705	3.624%	1-Jul-39	900	900	1,250
FO-LB 250602	0.250%	2-Jun-25	1,645	1,645	0
FO-LB 260619	3.625%	19-Jun-26	900	900	900
FO-LB 290524	3.250%	24-May-29	1,100	1,100	1,100
NOK Blt *)	1.810%	3-May-32	448	448	448
FO-LB 280522	2.375%	22-May-28	1,320	0	1,320
Total Outstanding Bonds				4,993	5,018

*) NOK 550 million Bond Issue (Coupon 2.70%) swapped to DKK.

Central Government Accounts (DKKm)	Realized 2021	Realized 2022	Realized 2023	Realized¹⁾ 2024	Budget^{2,4)} 2025
Taxes, direct	3,058	3,376	3,772	3,848	3,934
Taxes, indirect	2,939	2,998	2,949	3,234	3,175
Transfers from Denmark	700	707	693	665	634
Sales of goods and services	950	979	1,060	1,032	895
Revenue from fees	675	807	855	841	819
Other	41	57	47	64	58
Operating revenues, ex. interest	8,363	8,924	9,376	9,684	9,515
Personel cost	-2,791	-2,917	-3,069	-3,290	-3,587
Transfers to individuals	-2,143	-2,244	-2,402	-2,540	-2,570
Other transfers	-585	-685	-738	-749	-620
Purchase of goods and services	-1,904	-1,959	-2,093	-2,106	-2,042
Other expenses	-587	-521	-806	-752	-539
Operating expenses, ex. interest	-8,010	-8,326	-9,108	-9,437	-9,358
Primary Operating Balance	353	598	268	247	157
Interest income and dividends	408	-129	384	383	282
Interest expenses	9	279	-167	-167	-139
Operating Balance	707	748	485	463	300
Sale of fixed assets	23	38	11	27	33
Sales of shares	-	-	12	-	-
Repayments of loans, domestic	18	14	16	14	13
Capital revenues from Denmark	-	-	-	-	-
Total capital revenues	41	52	39	41	46
Construction of fixed capital ³⁾	-438	-471	-630	-524	-343
Acquisition of fixed capital	-14	-20	-57	-23	-15
Injection of cap. into publ. Ltd.'s	-50	-54	-50	-50	-100

Net lending, domestic	-6	-6	-8	-6	-8
Total capital expenses	-508	-551	-745	-603	-466
Budget surplus/deficit	303	249	-221	-99	-120
Debt repayment	-1,600	-1,300	-550	-1,100	-1,645
Gross financing surplus/deficit	-1,247	-1,051	-771	-1,199	-1,765
New borrowing	-	1,100	900	1,100	2,570
Net financing surplus/deficit³⁾	1,247	49	129	-99	805

1) As of 8 May 2025

2) Government Budget Act as approved by the Faroes Parliament in December 2024.

3) At the beginning of the fiscal year 2025, appropriations transferred from previous years are estimated to DKK 280 mill.

4) Starting from the fiscal year 2025, the Central Government Accounts will be adjusted with an annual allocation either to or from an internal fund "Búskapargrunnur Føroyar" which includes annual licence fees from the fishing- and fish farming industry, above DKK 350 million and DKK 250 million respectively. The license fees are transferred back to the Central Government Accounts during the following seven years. The realised accounts for the years 2021 to 2024 as presented in the table have been adjusted for the annual transfers in order these accounts to be comparable with the budget accounts for year 2025.

Central Government financial assets and liabilities budget (DKKm)	2021	2022	2023	2024
ASSETS				
Securities and deposits ¹⁾	3,849	3,481	4,134	4,912
Others in circulation	753	725	763	738
Financial assets (non-liquid)	2,392	2,421	2,537	2,574
Total Financial assets	6,994	6,627	7,434	8,224
LIABILITIES				
Long term debt (Issued bonds)	4,039	3,541	4,025	5,024
Short term debt	1,279	1,192	1,574	1,382
Total debt	5,318	4,733	5,599	6,411
Net Financial assets	1,676	1,893	1,835	1,813

Source: Føroya Gjaldstova

1) Including liquidity for appropriations transferred from previous years.

What are the key risks that are specific to the Issuer?

The Issuer's ability to fulfil its obligations under the Notes is highly dependent on the conditions of the Faroese economy. As a small economy, the Faroe Islands is vulnerable to the general global macroeconomic environment. Major regional or global economic downturns have in past and may also in the future negatively impact the Faroe Islands' economic performance. Recent changes in certain policy goals of the U.S. government and in trade policies globally, including the introduction of new or higher tariffs, have also caused, and are likely to continue to cause, volatility in the financial markets and concern about the development of the global economy. In particular higher tariffs from the U.S. may impact result in lower export to the U.S. The current export of fish to the U.S. was approx. DKK 1.6 billion in 2024 which corresponds to 12,7% of the total goods export. There is no certainty to what extent the Faroese exporters can divert the export to other markets and how that will impact the prices.

The Faroese economy is dependent on fishery and fish farming and are exposed to their inherent risks

Fishery, fish farming and related industries are of such importance that their influence determines the overall performance of the Faroese economy. Fish products account for more than 90% of the export value of goods. Lower export prices of fish products or deterioration of the economies of the Faroe Islands' main trading partners could have a material negative impact on the revenues in the fishing industry, which may also have a negative impact on the level of economic activity on the Faroe Islands. The Faroese economy is also highly exposed to changes in the fishery including amongst other changes in stocks of various fish species, available quotas, trade agreements and access to fishery in fishing zones of other countries. The Faroese fishing fleet is very oil dependent, hence major increases in oil prices also constitute a risk factor for the Faroese economy. Any material restrictions or other unforeseen and potentially severe changes in the global supplies of oil may have a material negative impact on the Faroese economy.

There can be no assurance that the Government of the Faroe Islands can balance its revenues and expenses causing deficits on central government accounts

The central government accounts show a deficit of DKK 99 million in 2024, and the Budget Act for 2025 states a deficit of DKK 120 million. There is a risk that the Government of the Faroe Islands may not succeed in balancing its revenues and expenses in the years ahead, which would impact the central government accounts negatively and potentially have a materially adverse impact on the cost of funding of the Government of the Faroe Islands and its credit ratings.

The Faroese economy is exposed to the banking sector and the financial markets

Pressure on the Faroese banking system or stress in the government debt markets may adversely affect the economic performance of the Government of the Faroe Islands and the Faroese economy. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or worldwide will not cause market volatility and that such market volatility will not adversely affect the possibility for the Government of the Faroe Islands to obtain new financing in the financial markets, which would have a materially adverse effect on the Faroese economy.

There can be no assurance that the Government of the Faroe Islands' credit rating will not change

The Government of the Faroe Islands holds a foreign currency rating of Aa2 with stable outlook assigned by Moody's Investors Service. A downgrade in rating or a negative change in outlook could have a material adverse impact on the cost of funding of the Government of the Faroe Islands, and could have a further impact on the Faroese economy including on the GDP and budget.

Demographic challenges may lead to lower levels of economic growth and loss of competitiveness

The Faroe Islands faces certain demographic challenges. Due to the low unemployment rate and increasing retirements, there is a risk that the Faroe Islands may not be able to increase its workforce, which could have a negative impact on the growth of the Faroese economy. It may also not be possible for the Faroe Islands to attract sufficient appropriately skilled migrants, and any extended period of slower or negative economic growth may lead to a resumption of emigration by younger and/or skilled workers, reversing the previous trend of workers returning to the Faroe Islands.

The Faroese economy may be negatively impacted by negative changes in the relationship with the Denmark

Any changes in the political environment of the Faroe Islands or in the relationship between the Faroe Islands and Denmark may also affect the Faroese economy. Precipitous political actions taken either by the Faroe Islands or Denmark could have significant impact on the Faroese economy.

Potential reputational risk for the Faroe Islands for maintaining the fishery agreement and continued export of fish to Russia.

The Faroe Islands Government will implement the same restrictive measures as the Western world will implement against Russia as a consequence of the invasion of Ukraine. Fishery is

the current main areas of cooperation between Faroe Islands and Russia. There is a potential reputational risk for the Faroe Islands for maintaining the fishery agreement and continued export of fish to Russia, which could impact the Faroe Islands relationship with other countries and the Faroese companies' export.

Key Information on the Securities

What are the main features of the securities?

The Notes constitute direct and unsecured obligations of the Government of the Faroe Islands and constitute unsubordinated loan indebtedness ranking *pari passu* with all other loan indebtedness of the Government of the Faroe Islands. The Notes of each series will rank equally with each other, without any preference among themselves. The currency of the Notes is Danish kroner ("DKK") and each note will be issued with the denomination of DKK 1,000. The total principal amount of the Notes to be issued on the Issue Date, 22 May 2025 is DKK 1,320,000,000.

The Notes will be issued and registered as dematerialised securities, in book-entry form with the Danish central securities depository, Euronext Securities (VP SECURITIES A/S) ("Euronext Securities"), on the Issue Date. Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjørdsvej 10, DK-2300 Copenhagen S, Denmark, will act as Account Holding Institute (in Danish: Kontoførende Institut) in relation to Euronext Securities.

The Notes are open for further issues without a fixed maximum amount. Future issues will be made at market price. The Notes will be closed for further issues from 22 April 2028.

The Notes are issued as negotiable securities and are freely transferable after having been registered into the respective book-entry account.

The Notes have been issued at a price of 99.874 per cent, and will pay an interest of 2.375 per cent. per annum payable annually in arrears on 22 May in each year commencing on 22 May 2025 and ending on 22 May 2028. The Notes will be redeemed at their Principal Amount (par) on 22 May 2028 (Maturity Date). The Notes are not redeemable by the Issuer prior to the Maturity Date, and only with the exception of an event of default, the noteholders may not demand redemption of the Notes prior to the Maturity Date.

The International Securities Identification Number (ISIN) for the Notes is DK0030549696.

The INET code for the Notes is FO-LB 280522.

Nasdaq Copenhagen A/S short name for the Notes is FOROYA LAN MAY28

Where will the securities be traded?

Application has been filed with Nasdaq Iceland hf and Nasdaq Copenhagen A/S. for the trading and official listing of the Notes on the main markets of Nasdaq Iceland hf and Nasdaq Copenhagen A/S.

What are the key risks that are specific to the securities?

- The Issuer's liability to make payments according to the terms and conditions in this Prospectus constitutes direct and unsecured obligations of the Government of the Faroe Islands and constitutes unsubordinated loan indebtedness ranking *pari passu* with all other loan indebtedness of the Government of the Faroe Islands.

- The conditions of the Notes do not include a limitation on the Issuer for issuing additional debt or granting of security, and do not limit the Issuer's ability to effect significant transactions that may have a material adverse effect on the Notes and the Noteholders.
- The Notes are not redeemable by the Issuer prior to the Maturity Date, and only with the exception of an event of default, the noteholders may not demand redemption of the Notes prior to the Maturity Date.
- The market of the Notes issued by the Issuer is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates.
- There can be no assurance that an active trading market for the Notes will be developed and maintained, which may affect the trading price and the liquidity of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Issuer has not made any arrangement with any persons or companies to ensure the liquidity of the Notes.
- Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:
 - (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement to this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments, i.e. DKK, is different from the currency in which such potential investor's financial activities are principally denominated; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.
- The terms and conditions of the Notes are based on Danish law in effect on the date of this Prospectus. No assurance can be given that as to the impact of any possible judicial decisions or changes to Danish and Faroese law after the date of this Prospectus.
- The Issuer shall not be liable for any loss incurred by the noteholders as a consequence of statutory provisions, measures adopted by any governmental or other authority actual or imminent war, insurrections, civil commotion, terrorism, sabotage or Acts of God. Nor shall the Issuer be liable for any loss caused by strikes, lockouts, boycotts or blockades, whether or not the Issuer itself is a party to the dispute, and notwithstanding that the dispute may affect only part of the functions of the Issuer. Nor shall the Issuer be liable for any loss arising from any overdue payment caused by the above events.
- The Issuer does not accept any liability for tax withheld or for collection of withholding tax irrespective of where the Notes are registered. If the Issuer is obliged to withhold tax or collect withholding tax pursuant to rules introduced after the Notes have been issued, the Issuer will do so, and the Issuer will not be obliged to pay any additional

amounts to the Noteholders nor will the Issuer accept liability for any deduction in the amount disbursed to Noteholders.

Key Information on the Offer of Securities to the Public and Admission to Trading on a Regulated Market

Under which conditions and timetable can I invest in this security?

Nordea Danmark, Filial af Nordea Bank Abp, Finland has arranged for the Notes to be purchased by a group of institutional investors. The issue of the Notes has not been underwritten with a firm commitment.

Application has been filed with Nasdaq Iceland hf. for the trading and official listing of the Notes on the main market of Nasdaq Iceland hf. Acceptance of the Notes for the trading and official listing on the main market of Nasdaq Iceland hf. is expected to have effect from 22 May 2025. The Prospectus is expected to be passported to the Kingdom of Denmark on or about 21 May 2025. Following passporting of the Prospectus to the Kingdom of Denmark, application will be filed with Nasdaq Copenhagen A/S for the trading and official listing on the main market of Nasdaq Copenhagen A/S. Acceptance of the Notes for the trading and official listing on the main market of Nasdaq Copenhagen A/S is expected to have effect from 23 May 2025.

In connection with the listing, the Issuer expects to pay approximately a total of DKK 106,300 in listing fees and expenses. No fees or other payments will be charged to the investor by the Issuer. Account operators may charge fees in accordance with their price lists for the subscription and opening and maintaining of the book-entry account or other custody system and for custody of the Notes.

Any investor intending to acquire any Notes from a bank, financial intermediary or other entity (other than the Arranger in its capacity as such) will do so in accordance with any terms and other arrangements in place between the seller and such investor, including as to price, allocations and settlement arrangements. The Issuer will not be a party to such arrangements with investors, and, accordingly, investors must obtain such information from the relevant seller.

Why is this Prospectus being produced?

The proceeds from the issue of the Notes will be used for the financing of the redemption of Føroya Landsstýri DKK 1,645,000,000 1.250% due 2 June 2025 with ISIN code DK0030467022.

Material interests

Save for any fees payable to the Arranger, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Arranger and other entities within the same group and/or their affiliates may have performed and may in the future perform investment or other banking services for the Issuer in the ordinary course of business for which they may have received and may continue to receive customary fees and commissions. The Arranger and their respective affiliates may hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of their customers, in debt securities of the Issuer.

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REGISTRATION DOCUMENT

REGISTRATION DOCUMENT

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1. Risk factors

Prospective investors should read this Prospectus carefully. The Prospectus consists of three documents: Summary, Registration Document and the Securities Note all of which have been dated 20 May 2025. Investing in the Notes involves risks factors that may affect the Issuer's ability to fulfil its obligations under the Notes to the investors, and which the potential investor should take into consideration prior to deciding to make an investment in the Notes.

This Registration Document which forms part of the Prospectus has been reviewed and approved by the Financial Supervisory Authority of the Central Bank of Iceland ("FSA") as competent authority under Regulation EU 2017/1129 (the "Prospectus Regulation") which has been implemented into Icelandic law with Act No. 14/2020 (the "Act on Prospectus for Public Offering or Admission to Trading on a Regulated Market"). The FSA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FSA should not be considered as an endorsement of the Issuer or of the quality of the Notes that is the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Taking into account the negative impact on the Issuer and the probability of their occurrence, the risk factors as set out below have been, in the assessment of the Issuer, been ordered so that the most material risks are set out first.

Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

There may be other risks that a prospective investor should consider that are relevant to the investor's own particular circumstances or generally.

Prospective investors should carefully consider, among other things, the factors described in the sections below before purchasing the Notes. In addition, for risk specifically associated with the Notes, investors are advised to consider the section "Risk factors" in the Securities Note.

1.1 Risks factors related to the Issuer

The Issuer's ability to fulfil its obligations under the Notes is highly dependent on the conditions of the Faroese economy. As a small economy, the Faroe Islands is vulnerable to the general global macroeconomic environment. Major regional or global economic downturns have in past and may also in the future negatively impact the Faroe Islands' economic performance.

The Faroese economy is dependent on fishery and fish farming and are exposed to their inherent risks

Fishery, fish farming and related industries are of such importance that their influence determines the overall performance of the Faroese economy. The dependence on resource-

based industries is evident in the export figures, of which fish products account for more than 90% of the export value of goods.

Lower export prices of fish products or deterioration of the economies of the Faroe Islands' main trading partners could have a material negative impact on the revenues in the fishing industry, which may also have a negative impact on the level of economic activity on the Faroe Islands.

In particular higher tariffs from the U.S. may result in lower export to the U.S. The current export of fish to the U.S. was approx. DKK 1.6 billion in 2024 which corresponds to 12,7% of the total goods export. There is no certainty to what extent the Faroese exporters can divert the export to other markets and how that will impact the prices.

The Faroese economy is also highly exposed to changes in the fishery including amongst other changes in stocks of various fish species, available quotas, trade agreements and access to fishery in fishing zones of other countries.

The Faroese fishing fleet is very oil dependent, hence major increases in oil prices also constitute a risk factor for the Faroese economy. Any material restrictions or other unforeseen and potentially severe changes in the global supplies of oil may have an adverse negative impact on the Faroese economy.

There can be no assurance that the Government of the Faroe Island Faroese can balance its revenues and expenses causing deficits on central government accounts

The central government accounts show a deficit of DKK 99 million in 2024, and the Budget Act for 2025 states a deficit of DKK 120 million. The government aims at limiting the deficit in its planned appropriations for the years ahead by changes in revenues and expenses. There is a risk that the Government of the Faroe Islands may not succeed in balancing its revenues and expenses in the years ahead, which would impact the central government accounts negatively and potentially have a materially adverse impact on the cost of funding of the Government of the Faroe Islands and its credit ratings.

The Faroese economy is exposed to the banking sector and the financial markets

Four banks – Betri Banki P/F, Føroya Banki (previously P/F BankNordik), Norðoya Sparikassi and Suðuroyar Sparikassi – serve the financial market in the Faroe Islands. Pressures on the Faroese banking system or stresses in the government debt markets may adversely affect the economic performance of the Government of the Faroe Islands and the Faroese economy. The market for bonds issued by the Government of the Faroe Islands is influenced by economic and market conditions and, to varying degrees, of interest rates, currency exchange rates and inflation rates. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or worldwide will not cause market volatility and that such market volatility will not adversely affect the possibility for the Government of the Faroe Islands to obtain new financing in the financial markets which would have an materially adverse effect on the Faroese economy.

There can be no assurance that the Government of the Faroe Islands' credit rating will not change

The Government of the Faroe Islands holds a foreign currency rating of Aa2 assigned by Moody's Investors Service. On 12 September 2024, Moody's affirmed the Aa2 long-term

issuer rating of the Government of the Faroe Islands with a stable outlook. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Rating agencies continue to assess rating levels and here can be no assurance that the rating or outlook of the Government of the Faroe Islands will not be placed on watch or be subject to change in the future, whether due to economic impact or otherwise.

A downgrade in rating or a negative change in outlook could have a material adverse impact on the cost of funding of the Government of the Faroe Islands, and could have a further impact on the Faroese economy including on the GDP and budget.

Demographic challenges may lead to lower levels of economic growth and loss of competitiveness

The Faroe Islands faces certain demographic challenges, including an aging population and difficulties with increasing the work force. Due to the low unemployment rate and increasing retirements, there is a risk that the Faroe Islands may not be able to increase its workforce, which could have a negative impact on the growth of the Faroese economy.

While such demographic challenges have been mitigated by increasing immigration, it may not be possible for the Faroe Islands in the future to attract sufficient appropriately skilled migrants. Furthermore, any extended period of slower or negative economic growth may lead to a resumption of emigration by younger and/or skilled workers, reversing the previous trend of workers returning to the Faroe Islands

The Faroese economy may be negatively impacted by negative changes in the relationship with the Denmark

Any changes in the political environment of the Faroe Islands or in the relationship between the Faroe Islands and Denmark may also affect the Faroese economy. Precipitous political actions taken either by the Faroe Islands or Denmark could have significant impact on the Faroese economy.

Potential reputational risk for the Faroe Islands for maintaining the fishery agreement and continued export of fish to Russia.

The Faroe Islands Government has announced, that the Faroe Islands will implement the same restrictive measures as the Western world will implement against Russia as a consequence of the invasion of Ukraine. As the Faroe Islands did not implement any sanctions against Russia in 2014 in relation to the Russian invasion of the Crimea, it was necessary that the Faroese Parliament provided the legal basis, so the Minister of Foreign Affairs could issue an executive order of what sanctions should be implemented against Russia. Accordingly, the Law on Restrictive Measures was adopted on 5 May 2022. The minister of Foreign Affairs implemented the sanctions later in May 2022.

Fishery is currently the main area of cooperation between Faroe Islands and Russia. The Faroe Islands have decided to follow Norway, which uses the same list of sanctions as EU, but exempts fishery agreements. There is a potential reputational risk for the Faroe Islands for maintaining the fishery agreement and continued export of fish to Russia. This could impact the Faroe Islands relationship with other countries and the Faroese companies' export. At the same time termination of the trade agreement with Russia may on a short-

term basis have negative economic impact on the shipowners with quotas in the Barents Sea.

2. Persons responsible

2.1 Statement from the Issuer

We, on behalf of the Government of the Faroe Islands, declare, as those responsible for the Registration Document that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Ruth Vang
Minister of Finance
Føroya Landsstýri
Fíggjarmálaráðið

Bjarni Askham Bjarnason
Permanent Secretary
Føroya Landsstýri
Fíggjarmálaráðið

Tórshavn, 20 May 2025

Tórshavn, 20 May 2025

3. Information about the Issuer

3.1 Name of Issuer

The Issuer is the Føroya Landsstýri, the Government of the Faroe Islands.

3.2 Addresses, etc.

The Government of the Faroe Islands (Føroya Landsstýri):

Ministry of Finance
Fíggjarmálaráðið
Tinganes
PO Box 2039
FO-110-Tórshavn
Faroe Islands
Tel: +298 352020
E-mail: fmr@fmr.fo

The Faroese Parliament (Føroya Løgting):

Tinghúsvegur 1-3
PO Box 208
FO-100 Tórshavn
Faroe Islands
Tel: +298 363900
E-mail: logting@logting.fo

Landsbanki Føroya:

Kvíggjartún 1
FO-160 Argir
Faroe Islands
Tel: +298 360600

E-mail: landsbankin@landsbankin.fo

The website of the Issuer is: www.fmr.fo

Information on the websites of the Issuer does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.

3.3 Recent developments

There have been no recent events, which may have a material effect to the Issuer's solvency.

3.4 Economy

The Faroe Islands is a modern, developed society with a standard of living comparable to other Nordic countries, with a GDP per capita on the same level as in Denmark. The disposable national income per capita, which also includes the Danish state grant and salaries from Faroese employees working abroad, has for the last few years been on a level just under the level in Denmark.¹ It should be taken into consideration that the economy is not as diversified as in other highly developed countries, which causes the level of GDP per capita in the Faroe Islands to fluctuate more than in more diversified economies.

According to preliminary national accounts from Statistics Faroe Islands and the Economic Council, the nominal GDP increased by 3.0% in 2024².

In 2020 GDP fell by 1.7% in current prices due to the outbreak of Covid-19 which among other things yielded temporary price falls hitting fisheries and aquaculture companies resulting in lower export values in general in 2020. Furthermore, the pandemic caused the Budget result to turn into a deficit due to lower than usual personal income taxes and company taxes along with increased expenses in the health care sector and expenses to help packages. However, the domestic demand has recovered from the pandemic in the years after 2020. Nominal GDP growth was 7.6% in 2021 and 9.5% in 2022 and 6.7% in 2023, and the estimated growth in 2024 is 3.0%. Real GDP growth was 3.6% in 2022 and 2.5% in 2023.

Economic Growth	Table 1				
	2020	2021	2022	2023	2024*
Nominal GDP (DKK ^m)	21,405	23,040	25,239	26,920	27,728
Nominal growth (%)	-1.7%	7.6%	9.5%	6.7%	3.0
Real GDP (DKK ^m)	18,173	19,173	18,855	20,349	
Real growth (%)	-1.6%	5.5%	3.6%	2.5%	

Source: Statistics Faroe Islands
* estimated

Fishery, fish farming and related industries are of such importance that their influence determines the overall performance of the Faroese economy. This dependence on resource-based industries is evident in the export figures, of which fish products account for more than 90% of the export value.

Contribution of Gross Value Added (GVA)* by sectors 2019-2023	TABLE 2									
Million DKK	2019	%	2020	%	2021	%	2022	%	2023	%
Fishing	2,216	11	2,069	11	2,073	10	2,614	11	2,974	12
Aquaculture	1,498	8	868	5	1,234	6	2,159	10	1,926	8
Agriculture, mining and quarrying	34	0	39	0	42	0	40	0	34	0
Manufacture of food products and beverages	1,453	7	1,464	8	1,641	8	1,704	8	2,047	8
Other industry, excl. Energy	816	4	851	5	836	4	875	4	971	4

¹ Source: Statistics Faroe Islands, Statistics Denmark

² Source: Statistics Faroe Islands and the Economic Council

Electricity, gas and water supply	423	2	448	2	478	2	410	2	549	2
Construction	1,439	7	1,691	9	1,502	7	1,500	7	1,694	7
Wholesale and retail trade, hotels restaurants	1,992	10	1,868	10	2,274	11	2,354	10	2,264	9
Transport and storage	1,538	8	1,302	7	1,433	7	1,713	8	2,043	8
Information and communication	483	2	511	3	554	3	556	2	563	2
Financial intermediation, incl. Insurance and pension funding	702	4	679	4	663	3	685	3	785	3
Real estate and renting	1,805	9	1,846	10	1,942	10	1,953	9	2,093	9
Public administration	887	5	909	5	961	5	991	4	1,048	4
Education	980	5	1,022	5	1,075	5	1,122	5	1,190	5
Health and social work	2,040	11	2,184	12	2,324	12	2,441	11	2,578	11
Other service activities	1,083	6	1,126	6	1,301	6	1,378	6	1,447	6
Total	19,386	100	18,875	100	20,332	100	22,493	100	24,205	100

* GVA (basic prices) equals GDP (market prices) minus taxes on products plus subsidies on products.

Source: Statistics Faroe Islands. The numbers for 2023 were not available at the date of this Registration Documents.

As specified in table 2 above, the aggregated contribution from fishing and fish farming has been approximately 20% the last five years, which is a high proportion compared with primary sector in industrialised countries.

Export of goods		Table 3				
Million DKK	2019	2020	2021	2022	2023	2024
Cod	1,163	842	888	1,129	938	1,050
Haddock	185	160	178	263	195	161
Saithe	273	258	249	320	283	291
Main demersal species	1,621	1,260	1,315	1,712	1,416	1,502
Salmon	4,065	3,393	4,593	5,697	5,408	5,766
Blue Whiting	161	13940	137	149	113	23
Herring	735	619	749	594	631	572
Atlantic Mackerel	963	9845	1,029	1,138	1,014	1,275
Main pelagic species	1,859	1,742	1,915	1,881	1,758	1,870
Prawns	81	67	70	50	44	118
Other species	883	1,05036	1,259	1,542	1,861	1,801
Fish meal	367	192	156	442	841	492
Fish oil	0	2	7	121	562	37
Other fish products	1,331	1,311	1,492	2,155	3,308	2,448
Total fish products	8,876	7,706	9,315	11,445	11,890	11,586
Other products	509	457	559	768	598	571
Ships and aeroplanes	94	225	207	220	201	272
Total export of products	9,479	8,388	10,081	12,433	12,689	12,429

An economy with high dependence on fish products and exports is vulnerable to the changes in catches, fish stocks, fish prices and exchange rates. These often cyclical and unforeseen changes are volatile and have left their mark on the economic history of the islands. Export income can fluctuate significantly from one year to the next, and these fluctuations spread quickly throughout the economy (see table 3 above). Also the Faroese fishing fleet is very oil dependent, hence fluctuations in oil prices also impacts the profitability of the fishery.

The total fish exports have increased from DKK 6.2 billion in 2014 up to DKK 11.6 billion in 2024, an increase of approx. 87% (see table 3). Total exports of products were DKK 12.4 billion in 2024. The large increase in exports has led to a large economic growth throughout the last decade.

The fish farming industry has a different business cycle than the fisheries, as salmon prices do not always fluctuate with prices of fish caught at sea. Salmon prices have increased significantly over the last 10 years, and the exports have increased to a level, that has made the Faroese economy less dependent on fishery as its' sole export industry. Fish farming has made a large contribution to economic growth in the recent years and the export value has increased from DKK 3.0 billion in 2014 to DKK 5.8 billion in 2024.

Pelagic fisheries (herring, mackerel and blue whiting) have had very good years during 2010-2024, and the export value of the pelagic fleet has quadrupled in these years. The increased catches are mainly due to higher quotas. Total export of pelagic species was DKK 1,3 billion in 2014 and has increased to DKK 1,900 million in 2024.

The Faroese wet fish fleet is mainly fishing demersal species as cod, haddock and saithe in the Faroese fisheries zone, while a different part of the fleet consisting of factory trawlers are fishing cod in the Barents Sea. The traditional cod, haddock and saithe fisheries in Faroese and foreign waters were around DKK 1.1 billion in export value for several years until 2016. These exports increased to DKK 1.7 billion in 2022, but decreased to DKK 1.5 billion in 2024 because of decreasing quantities and lower prices.

In 2021 the export to Russia was 23% (DKK 2.3 billion) of the total export of products and has since decreased to 9% of the total exports of goods (DKK 1.1 billion) in 2024. The Faroese salmon exporting companies have stopped all salmon export to Russia, but since demand from other markets has been high and at good prices, there have been no negative effects of diverting exports to new markets. The export to Russia in 2024 was predominantly export of pelagic species (mackerel and herring).

The prices for cod, herring and mackerel have increased in recent years. The price for cod was stable around DKK 40 per kg. during 2019-2021 but increased to an average of DKK 53 during 2022-2024. The price of herring was about DKK 10.6 per kg. in 2024, an increase from about DKK 6.0 per kg. during 2019-2021. The mackerel price was DKK 10.0 per kg during 2018-2021 but has increased to DKK 15.6 in 2024. The main reason for this price increase is that the Faroe Islands since June 2024 are allowed to fish in UK fishery zone where the mackerel is of a better quality compared to the Faroese fishery zone, which allows for higher prices.

The price for all salmon products increased from DKK 52 per kg. During 2018-2021 to DKK 68 per kg. during 2022-2024. In general fish prices are on a historically high level, especially the prices for salmon.

3.4.1 EMPLOYMENT

As a consequence of the strong growth in the Faroese economy, the total employment has increased significantly over the last years. In 2014 the total number of employees was 24,370, but in 2024 it was 29,966; an increase of 23%.

The strong economic growth over the latest decade is also evident in the wage expenditures. The wage expenditure has increased from DKK 7.7 billion in 2014 to DKK 12.7 billion in 2024, i.e. an increase of 65%.

The unemployment rate was 1.1% in February 2025. Table 4 below shows the development of employees in the various business sectors for the years 2020-2024.

Employment by industries 2020-2024**Tabel 4**

	Oct. 2020	Oct. 2021	Oct. 2022	Oct. 2023	Oct. 2024
A Agriculture, forestry and fishing	2.073	1.978	2.111	2.020	2.118
A03 Fishing and aquaculture	2.031	1.934	2.062	1.975	2.065
A03.20 Aquaculture	641	717	746	794	770
B Mining and quarrying	-	-	-	5	5
C Manufacturing	3.712	3.546	3.509	3.417	3.373
C10 Manufacture of food products	2.391	2.293	2.196	2.001	1.937
C10.20.10 Manufacture of fish and crustaceans	1.463	1.281	1.174	1.024	1.083
D Electricity, gas, steam and air conditioning supply	175	174	191	191	208
E Water supply; Sewerage, waste management and remediation activities	97	-	99	-	-
F Construction	2.541	2.506	2.522	2.658	2.701
G Wholesale and retail trade; Repair of motor vehicles and motorcycles	3.629	3.841	3.892	3.892	3.799
H Transportation and storage	1.805	1.759	1.758	1.791	1.773
I Accommodation and food service activities	859	1.083	1.096	1.087	1.070
J Information and communication	689	702	698	720	701
K Financial and insurance activities	703	698	692	682	697
L Real estate activities	68	72	82	83	84
M Professional, scientific and technical activities	829	810	799	810	857
N Administrative and support service activities	363	419	492	521	503
O Public administration and defence; compulsory social security	4.682	4.836	4.935	5.019	5.216
P Education	1.747	1.787	1.785	1.856	1.892
Q Human health and social work activities	3.706	3.777	3.884	3.853	4.034
Q86 Human health activities	1.426	1.434	1.466	1.505	1.497
Q87 Residential care activities	2.066	2.129	2.182	2.127	2.314
R Arts, entertainment and recreation	359	388	429	394	412
S Other service activities	325	341	343	362	402
X Activities unknown	-	-	-	-	-
Total (employer's main activity)	28.375	28.830	29.337	29.478	29.966

Source: Statistics Faroe Islands

The pelagic fisheries have increased more than the decrease in catches of demersal species, but as pelagic fisheries are very capital intensive, there has been a significant decrease of employment in fisheries. Although employment in fisheries has decreased, the salaries in the fisheries have increased from DKK 740 million in 2014 to DKK 1.2 billion in 2023, mainly due to the new jobs in the pelagic fisheries, which are relatively well paid. The salaries have since decreased to DKK 1.1 billion in 2024.

A considerable number of Faroese sailors are working in the Danish merchant fleet and in fishing vessels in Greenland since the 1960's. A significant number of Faroese workers are working in the supply service sector in the Norwegian oil industry, and there are also many electricians working in the land-based oil industry. Wages and salaries earned by Faroese employees working abroad increased from 985 million in 2022 to DKK 1,145 billion in 2023.

Population and immigration

The population has increased from 48,593 in January 2015 to 54,640 in January 2025, which is an increase of approx. 12% over the past 10 years.

In the 10 years period from 2004-2013 there was an average net emigration of 260 persons per year, mainly caused by the Faroese labour market not being able to absorb all jobseekers, but also caused by people having left the Faroe Islands for educational purposes. However, from 2014 to 2025, there has been a net immigration to the Faroe

Islands of approximately 370 persons per year, and with a natural increase of 230 persons per year, the population has increased by approx. 600 persons annually in the years 2015 to 2025.

Despite the increase of the population during the past decade, there is currently a lack of employees on the Faroe Islands, and the Government estimates that there is a need for approximately 1,500 new employees by 2030. Due to the low unemployment rate and increasing retirements, there have been a discussion about the risk that the Faroe Islands might not be able to increase its workforce, which could have a negative impact on the growth of the Faroese economy. These concerns have diminished over the last few years after a large immigration of foreign workers. The number of employees from outside the Nordic countries has increased from 463 October 2013 to 2,139 in October 2024. However, the unemployment rate is still on a very low level, so it is likely that there is still an excess demand for employees in the Faroese economy.

As a consequence of the demographic development, the growing population of elderly people relative to the workforce will demand continually higher public revenues to keep up with the increasing public expenditures of health- and elder care in the future. According to the present pension law, the retirement age is 67.5 years. In 2030 the retirement age will increase to 68 years. To achieve fiscal sustainability, the Economic Council recommends an increase of the retirement age until the retirement age reaches 74 years in 2060. Besides increasing the retirement age, the Economic Council recommends implementing actions that reduces operation costs of health- and elder care, minimizes migration, and initiates budget restrictions.

In March 2025 the Faroese government presented a bill to the Faroese Parliament for an increase of the pension age from 68 to 70 years. If the bill is approved, the pension age will be increased gradually in the years from 2034 to 2043. Following the parliamentary proceedings in May 2025, the bill was postponed for further considerations in the autumn.

3.4.2 INDUSTRIES

Fishery and the fishing industry

The fishing fleet consists of three main segments and some smaller segments, who all have their own business cycle. Firstly, there is the wetfish fleet which is mainly fishing in Faroese waters. Secondly, there is a pelagic fleet which is fishing in Faroese waters as well as in fishery zones of other countries mainly in Norwegian, UK and EU fishery zones. Thirdly, there is a fleet of big factory trawlers fishing cod in the Barents Sea. Among the smaller fleets there are some prawn trawlers that are fishing in international waters off the Canadian coast as well as in Svalbard and in the Barents Sea and a small fleet of small trawlers fishing flatfish and monk (anglerfish) near the coast of the Faroe Islands.

Since the 1950s, the total yearly Faroese wet fish catch has been around 100,000 tonnes, and since the mid-1970s, most years the catch has been more than 100,000 tonnes (mean value 112,000 tonnes, standard deviation 20,000 tonnes). The most important wet fish species in recent years have been saithe, cod, haddock and greater silver smelt. The catch of these species is done mainly by smaller fishing boats, long-line vessels and pair trawlers.

The pelagic fishery arose in the mid-1960s and has increased since then. Since 1995 the most important pelagic species have been blue whiting, herring, capelin and mackerel.

These species are caught mainly by high-capacity pelagic trawlers and purse seiners. Other species fished by Faroese ships are prawns and shellfish.

Demersal fisheries in Faroese waters have been experiencing considerable difficulties for the last 15 years. The catches in Faroese waters of demersal fish were approx. 100,000 tonnes in the years 2000-2005 but have since decreased to 37,000 tonnes in 2024. The cod and haddock stocks have been historically low. Catches during the years 2008-2024 have therefore been considerably lower than the long-term average catches. Demersal stocks are fragile as a large proportion of the stocks is harvested every year. Cod catches in Faroese waters in 2024 were 6,600 tonnes. Long term average catches of cod have been 28-30,000 tonnes before the year of 2004. Haddock catches were 4,900 tonnes in 2024, whereas long term average catches have been 15-20,000 tonnes. Saithe catches were 16,500 tonnes in 2024, whereas average catches have been 40-45,000 tonnes.

In December 2024 the Fishery Research Institute recommended the government to decrease longline fishing vessels' and trawlers' number of fishing days³ by 10% in order to let the fishing stocks of cod, haddock and saithe recover. The main stocks of haddock and saithe are low, and the cod stock remains critically low, why the Fishery Research Institute recommends decreasing the number of fishing days by 10%, for all parts of the fleet, that are fishing demersal species in the Faroese fishing zone. The Fishery Research Institute also recommends closing the areas with large numbers of small fish.

Faroese ships also fish cod in foreign waters, of which the Barents Sea is the most important. Cod fisheries in the Russian part of the Barents Sea increased from 12,000 tonnes in 2012 to around 22,000 tonnes in 2022 but has since decreased to 17,000 tonnes in 2023. Due to a decrease in the cod stock in the Barents Sea, the fishery quotas for Faroese vessels have been decreased to 12,000 tonnes in 2025, so the catches will decrease considerably in 2025.

These fishing rights are granted in exchange for Russian ships being allowed to fish pelagic fish in Faroese waters.

If the trade agreement with Russia is terminated due to sanctions imposed by the Faroe Islands against Russia, it may on a short-term basis have negative economic impact for the shipowners with quotas in the Barents Sea. If the shipowners with demersal quotas in the Barents Sea are given pelagic quotas of comparable value in Faroese waters instead, then the shipowners may need to use other types of vessels to fish pelagic species in Faroese waters instead of fishing demersal species in the Barents Sea.

In addition to the trade agreement, the Faroe Island also have a mutual agreement of fishing rights. The Faroe Islands can fish cod in the Barents Sea (Russian fishery zone), while the Russians fish pelagic species in Faroese water. There has been a political discussion about whether the Faroe Island itself should terminate this agreement with the Russian government, but there has not been political agreement to end the mutual fishery agreement yet. The value of the Russian pelagic quotas in Faroese waters is of comparable value to the Faroese demersal quotas in the Barents Sea. It is therefore not likely that a termination of the fishery agreement with Russia will have significant long term negative economic consequences.

³ The fishing in Faroese waters is regulated with a certain number of fishing days, and not by quotas.

Since 2021 the Coastal States (Norway, UK, Iceland, Greenland and the Faroe Islands) have set their own mackerel quota. Due to the lack of an agreement, the quotas set by individual countries have been higher than recommended by the marine biologists at ICES (International Council for the Exploration of the Sea). Total fishery of mackerel by the coastal countries has been estimated to be 40% higher than recommended by ICES in 2023.

In June 2024 the UK, Norway and Faroe Islands made an agreement for 2025 on sharing approx. 71% of the TAC (Total Allowable Catch) for mackerel. The Faroese quota is 12% of TAC. The agreement is made in order to protect the mackerel stock. As the coastal States were fishing 40% more than the TAC in the years before 2025, the catches in 2025 will be considerably lower than in 2024, because the quotas will now be within the limits of the TAC.

As the EU, Iceland and Greenland are not parts of the agreement, there is a risk that the total mackerel catches will still be too high.

In December 2024, Norway and Faroe Islands made an agreement on Norwegian spring spawning herring catches. In the agreement, Norway and Faroe Islands agree to share 74 % of the TAC, with Norway fishing 64% and Faroe Islands fishing 10%. The agreement is made in order to protect the herring stock, and it is expected that catches will be lower in 2025 than in 2024.

The blue whiting stock is in good condition, but the fishing quotas are set 5% lower in 2025 than in 2024, so catches are expected to be on the same level as in 2024.

On-land fish industry

After the economic crisis in 1992, the on-land fish industry went through a restructuring process, and the number of plants was reduced to fewer, bigger or more specialised plants. The filleting factories produce a range of fresh, iced and frozen products to the retail and food service markets.

The number of employees in the industry has decreased steadily for many years. As the resource base for production has been low in the last many years, the employment in fish factories on land has stagnated on a level of 1,100 persons since 2011. Some fish factories import fish from Norway, Iceland and Greenland to keep activity and employment steady.

The processing capacity for pelagic species has been increased significantly the past ten years. The first factory was built in Kollafjørður, and its capacity has been increased subsequently. Processing plants for pelagic fish since then have been built in the town of Tvøroyri in 2012 and in Fuglafjørður in 2014.

Aquaculture

Farming of salmon started in the early 1980s and has ever since emerged to become the largest export industry of the Faroese economy.

Approximately 89,000 tonnes (WFE, whole fish equivalent) were harvested in 2023 and 100,000 tonnes in 2024⁴. The export value of Faroese farmed fish was approximately DKK 5.8 billion in 2024. DKK 5.8 billion corresponds to just under 50% of the total Faroese fishery exports in 2024.

The number of employees in the fish farming industry has increased from 406 in October 2013 to 770 in October 2024.

Construction

Construction activities have increased steadily over the last years. Employment in the construction sector has consequently increased from 1,526 in Oct. 2013 to 2,701 in October 2024. A large public construction project was completed and opened for traffic in December 2023. This is the sub-sea tunnel to Sandoy. Construction of two tunnels in Borðoy with an estimated cost around DKK 520 million was completed in December 2024. Because of the relatively high construction activity in the Faroes a substantial number of foreign construction workers are now employed by Faroese companies.

Transportation

Internal

The transport infrastructure in the Faroe Islands is good. Road connections now link all villages on each island and between some of the islands.

In December 2002, the first sub-sea tunnel in the Faroe Islands was opened between Vágur and Streymoy. This is the first partially user-financed investment of its kind in the Faroe Islands. The construction of this tunnel increased the percentage of the Faroese population being connected by road transport from 69% to 75%. A second sub-sea tunnel between Borðoy and Eysturoy opened in May 2006. The construction of this tunnel made it possible for 86% of the total population to reach each other by road transport.

A third sub-sea tunnel from Eysturoy to Streymoy opened in December 2020. The tunnel shortens the traveling distance between Torshavn and most parts of Eysturoy by 30 to 50 km.

The fourth sub-sea tunnel Sandoyartunnilin has opened for traffic in December 2023. Approx. 1,300 inhabitants (additional 3% of the total population) are now be connected to the other islands. The construction of this tunnel has made it possible for 89% of the Faroese population to reach each other by road transport.

The Faroese government is considering constructing a sub-sea tunnel from Sandoy to Suðuroy. In March 2025 the government put forward a bill appropriating a government owned company with the necessary resources to project the subsea tunnel. Following parliamentary proceedings in May 2025, the law was postponed for further consideration in the autumn.

Subject to the approval of the bill, the requirement specification tasks for the project are to be completed, and the project can be put out to tender. After the construction companies

⁴ Source: Ragnar Nystøyl, Faroese Aquaculture Conference 2025. Website: www.industry.fo

have handed in offers including the price of the project, the Faroese Parliament will make the final decision on the construction of the tunnel.

Ferries and helicopter services are available to the islands that are not directly linked to the road system, and bus service is the most common form of transport for all other areas. As of 1 March 2025, there were 27,729 registered private cars, equivalent to 508 cars per 1,000 inhabitants.

External

Atlantic Airways, the national airline carrier of the Faroe Islands, SAS and Widerø are currently the operators offering routes to and from the Faroe Islands. Depending on the season, there are five to eight daily flights to Denmark (Copenhagen, Aalborg and Billund). There are also flights each week to Iceland, Norway and the UK depending on the season. During the summer season there are flights to destinations around the Mediterranean Sea and to the Canary Islands. The number of passengers increased to 239,000 in 2021 and 472,000 in 2023.

In 2024 Icelandair added the Faroe Islands to their flight destinations.

The ferry, Norröna, (a combined cruise/cargo ship that can carry roughly 1,500 passengers and 800 cars) offers weekly service to Denmark and Iceland. The number of passengers has increased to 39,228 in 2021 and 51,000 in 2023.

Icelandic and Faroese freight companies provide cargo carriage to and from the Faroe Islands. The most important routes are to Denmark, United Kingdom, Norway and Sweden.

Tourism

Tourism is not a major industry in the Faroe Islands, but for many years, efforts have been made to develop the tourist industry in order to diversify the Faroese economy.

During 2020 two new hotels were built and a third hotel was renovated meaning that the total capacity of hotels has increased. Overnight stays in hotels were 166,000 in 2019 but decreased to 95,000 in 2020. In 2024 the number of overnight stays increased to 230,000.

Oil

On 22 December 1992, the Danish Government agreed to transfer the rights to mineral resources in the subsoil of the Faroe Islands to the Government of the Faroe Islands. The initial oil exploration phase started in 1994 and since then, a number of firms have been exploring the subsoil.

So far, the explorations have discovered no commercial findings, but they have showed the presence of an active hydrocarbon system in Faroese subsurface.

The financial market

Financial affairs (except insurance and pension companies) are under Danish State authority and under the supervision of the Danish Financial Supervisory Authority (Finanstilsynet).

Four banks – Betri Banki P/F, Føroya Banki (previously P/F BankNordik), Norðoya Sparikassi and Suðuroyar Sparikassi – serve the financial market in the Faroe Islands.

Lending from Faroese financial institutions to Faroese costumers was at the end of 2024 DKK 19.7 billion, which is 73% of GDP for 2024. The main reason that lending has been stagnating the past 10 years, is that several of the large companies in the fishing industry and fish farming have had large profits and therefore have been less dependent on banks for undertaking investments. Also, as a consequence of the financial crises in 2008, the Faroese financial institutions have increased their capital in order to meet the stronger capital requirements to financial institutions.

The law affords the same conditions for Faroese financial institutions as for Danish financial institutions relative to the Danish Central Bank. This legislation thus enables the Faroese banks to participate in international capital markets.

Betri Banki P/F had a pre-tax profit of DKK 351 million in 2024. The bank's solvency ratio was by end of 2024, 36.6%.

P/F Føroya Banki had a pre-tax profit of DKK 382 million in 2024. The bank's total capital ratio was 25.2% the by the end of 2024.

Two smaller banks, Norðoya Sparikassi and Suðuroyar Sparikassi, complete the Faroese banking sector.

Norðoya Sparikassi had a pre-tax profit of DKK 58.5 million in 2024, and a solvency ratio of 29.5% at the end of 2024.

The smallest bank, Suðuroyar Sparikassi had a pre-tax profit of approx. DKK 5.4 million in 2024, and a solvency ratio of 25.0% at the end of 2024.

Various financing institutions other than banks, both private and public, hold about a 10% share of the total financial assets and play an important role in selected areas of the financial market.

Foreign banks are also active in the Faroese financial market. Danish mortgage institutions lend DKK 3.5 billion DKK to Faroese households for house financing, and Danish banks lend DKK 750 million to Faroese companies. Norwegian banks lend DKK 2,7 billion to Faroese to Faroese companies. Icelandic banks lend DKK 1 billion, and Swedish banks lend DKK 0.6 billion in the Faroese market.

In June 2008 a new insurance industry law passed by the Faroese Parliament came into force. In conformity with the insurance industry law from 1997, the monopoly was abolished, and a Faroese Insurance Supervisory Body was appointed. This allowed any Faroese company complying with statutory requirements to enter the insurance business on the condition that the company obtains permission from the Government of the Faroe Islands and the Faroese Insurance Supervisory Body.

The companies, Trygd Ltd., and the old monopoly incumbent, Tryggingarfelagið Føroyar Ltd now Betri Trygging, (established in 1940), are currently the only non-life insurance companies active in the Faroese market. In the last few years, competition has increased in the life insurance market. The publicly owned company Føroya Lívstrygging (also a pension and life insurance company established in 1967) became a limited company in 2000. The part of the company, with the insurance policies signed before 1st January 2000, was privatised in 2016, and bought by trade unions and a company representing individual insurance customers. In February 2007 the Betri P/F owned company, Betri Trygging P/F, established a new pension and life insurance company named Betri Pensjón Ltd.

Deposit Guarantee Fund

As of 1 October 2010, the Deposit Guarantee Fund guarantees for ordinary deposits registered in the name of a depositor with an amount corresponding to a net value of up to EUR 100,000.

As all Faroese banks have a general obligation to contribute to the Deposit Guarantee Fund, any case of payments under the guarantee towards depositors and investor or winding-up of distressed banks in the Kingdom of Denmark (including the Faroe Islands and Greenland) by the Financial Stability Company will affect the Faroese banks and their payment obligations towards the Deposit Guarantee Fund.

In October 2013 an agreement was reached in the Danish Parliament about the framework for the regulation of Danish SIFIs, (Systemically Important Financial Institutions).

In February 2014, the Faroese Government and the Danish Government agreed that three Faroese banks, Bank Nordik, Betri Banki and Norðoya Sparikassi should be considered as SIFI banks. However, from 1 January 2021 an extra criterium in addition to the existing ones was implemented, stating that the balance of a bank must exceed DKK 3 billion in order to be appointed as a SIFI bank in the Faroe Islands. Thus, from June 2021 Norðoya Sparikassi was no longer a SIFI bank.

Currency

The currency of the Faroe Islands is the Faroese króna, issued by the Danish Central Bank, Danmarks Nationalbank. The Danish Central Bank considers the Faroese króna to be a special version of the Danish krone and unique. Faroese bank notes are in circulation in the Faroe Islands. The basis of the Faroese króna is an equal amount of Danish kroner deposited in an account in the Danish Central Bank. Although the bank notes used in the Faroe Islands are Faroese, the coins are the same as those in circulation in the rest of the Kingdom of Denmark. Faroese and Danish bank notes are fungible in the Faroe Islands. The Danish Central Bank is the lender of last resort and all local Faroese accounts are denominated in Danish kroner.

3.5 Description of the Issuer's political system and government

The Faroe Islands are a self-governing country within the Kingdom of Denmark which also comprises Greenland.

The Faroe Islands legislate and govern a wide range of areas in accordance with the Faroe Islands Home Rule Act no. 137 of 23 March 1948 (the "Home Rule Act"). These include the conservation and management of living marine resources within the 200-mile fisheries zone, sub-surface resources, trade, fiscal, industrial and environmental policies, transport, communication, culture, education and research.

According to the Home Rule Act some matters are to remain the responsibility of the Danish Government as long as the Faroe Islands are part of the Kingdom of Denmark. Examples are citizenship, high court, foreign policy and defence policy.

Other matters (referred to as "joint matters") are administered by the Danish Government according to Danish law but will be transferred to the Government of the Faroe Islands if and when the Faroese Parliament decides so. Examples of such joint matters are the judicial system, the police force and banking supervision.

Finally, some matters are administered by the Government of the Faroe Islands according to Faroese law. These are referred to as "special matters". Examples hereof are health services, social services, social security, public transport, finance and economy, industry and tax law.

The Faroe Islands are not a member of the European Union.

The Faroese Parliament (Løgting) is the legislative assembly for Faroese affairs. The Faroese Parliament also appoints the Prime Minister (Løgmaður), who along with his/her cabinet ministers constitute the Government of the Faroe Islands (Føroya Landsstýri).

The Løgting has 33 members. The Faroese people also elect two representatives to the Danish Parliament.

The Faroese head of state is the Danish head of state, King Frederik X.

Head of the Government of the Faroe Islands

The Prime Minister since 22 December 2022 is Aksel Vilhelmsson Johannesen (The Social Democratic Party).

Present government

The Government of the Faroe Islands (Føroya Landsstýri) consists of at least two Cabinet Ministers led by the Prime Minister. After the election on 8 December 2022 the Government of the Faroe Islands was formed on the basis of a coalition of three parties the 22 December 2022. The coalition is made up of representatives from the Social Democratic Party (Javnaðarflokkurin), the Republican Party (Tjóðveldi) and the Progressive Party (Framsókn). The government consists of 9 cabinet members.

4. Public finance and trade

4.1 The tax and budgetary systems

Income taxes

Income tax levied by the Customs and Tax Administration is calculated on a sliding scale.

A gross tax system was introduced in 1997. This means that instead of providing for tax deductions, specific subsidies are allowed to compensate for certain expenses. There is no central governmental income tax on incomes from DKK 0 to DKK 65,000. Income from DKK 65,000 to DKK 180,000 is taxed with 13% and income from DKK 180,000 to 330,000 is taxed with 15 %. Income from DKK 330,000 to 450,000 is taxed with 20%, and income from DKK 450,000 to DKK 600,000 is taxed with 25% and income over DKK 600,000 is taxed with 30%.

Municipal taxes are assessed using the same calculation of income as that of the Customs and Tax Administration, except that a flat tax rate is applied. There is no municipal income tax on incomes under DKK 30,000. Income over DKK 30,000 is taxed by a flat rate. All except three small municipalities have tax rates between 18.0% and 21.5%, and the average municipal tax rate is 20.0%.

Members of the National Church also pay church tax, which is between 0.6% and 0.9% in all municipalities.

Labour market contributions are 3.0% to the Labour Market Pension Fund (LMPF). A larger part of pension expenditures is now paid by the LMPF, and a smaller part of pension expenditures is paid over the governmental budget. The allocation is 0.8% to the unemployment fund and 0.86% to the maternity leave fund. The municipal tax and church tax together with the labour market contributions total approximately 25%. The marginal tax rate is therefore approx. 40% for lower incomes from DKK 65,000 to DKK 330,000 and gradually increasing up to approx. 55% for incomes above DKK 600,000.

Corporate taxes

All corporations in business must render accounts and are allowed to deduct for expenses.

Corporate taxes are 18%. Of the tax amounts, 70% is paid to the Faroese Treasury, and the remaining 30% to the local municipal authorities.

The tax rate for companies in the oil industry is 27% which is all paid to the Faroese Treasury.

Corporations that are not liable to collect VAT pay a payroll tax based on total wages and salaries pay – financial services companies pay respectively 12%, insurance companies pay 10% and private sector health services pay 2.5%.

Shipping firms with ships registered in the Faroese International Ship Register (FAS) will receive a 35% refund of wages and other payments made to persons liable to pay taxes in the Faroe Islands.

Payment for fishing licences and fish farming licences

Since 2011 the fishing fleet has paid for fishing rights for mackerel, and since 2016 the Faroese Parliament has imposed a payment per kg of mackerel, herring and blue whiting being caught. Since 2017 part of the mackerel, herring, blue whiting and the Barents Sea cod quotas have been sold on auctions. No new auction has been held since 2019, but the government still receives income from auctions in 2019 and previous years. The government received DKK 64 million in revenues in 2024 from the auctions. A new method for calculating the fee for fishing licences was introduced in 2023 intending to increase the fees in years with high prices and big catches. The fee was DKK 354 million in 2024, and together with fees from fish sold in auctions, the total fee income in 2024 was DKK 411 million.

For the fish farming industry, the license fee is calculated as an amount per kilogramme, which increases, if the price of salmon is increasing. From January 2025 the government has changed the licence fee into two separate parts. One part is a fee on every kilogram salmon produced. The fee is higher if the salmon price is higher. The other part of the fee is an extra corporate tax of 12% of profits, that only will be laid on profits earned in sea farming division of the fish farming groups. The old tax system provided the government with a revenue of DKK 287 million in 2024. The new tax system is expected to provide the government with a revenue of DKK 256 million in 2025.

Capital gains tax

Interest on deposits in Faroese banks is not included in the income subject to income tax. Instead, a yearly tax of 35% of the interest is deducted from the interest payment by the financial institutions and transferred to the Treasury. All income from securities (interest, dividends and capital gains) is taxed at 35%. However, this does not include corporations and some foundations, which pay a corporate tax of 18%. There is no property or wealth tax.

Customs and VAT

The Faroese Customs Act is based on the international World Custom Organisation's (WCO) Harmonised Commodity Description and Coding System (HS Code). Customs duties are based on the GATT rates. Because of the trade agreement from 1992 with the EU, renewed by agreement in January 1997, the fiscal duties levied on imports are replaced by a value-added tax (VAT) (normally 25% of the invoice value) and excise duties on some consumption items.

4.2 Central government Assets and Debt (excluding debt of extra-budgetary units)

Table 5

<i>Million DKK</i>	2020	2021	2022	2023	2024
ASSETS					
Securities and deposits	4,729	3,849	3,481	4,134	4,912
Others in circulation	716	753	725	763	738
Financial assets (non-liquid)	2,284	2,392	2,421	2,537	2,574
Total Financial assets	7,729	6,994	6,627	7,434	8,222
LIABILITIES					
Long term debt (issued bonds)	5,419	4,039	3,541	4,025	5,024
Short term debt	1,061	1,279	1,192	1,574	1,387
Total debt	6,480	5,318	5,127	5,599	6,411
Net Financial assets	1,250	1,676	1,893	1,833	1,813

Outstanding bonds

Outstanding Bonds (DKKm)	Annual Coupon	Maturity	Issued amount	Outstanding amount End of 2024	Outstanding amount End of 2025
DK0030539705	3.624%	1-Jul-39	900	900	1,250
FO-LB 250602	0.125%	02-Jun-25	1,645	1,645	0
FO-LB 260619	3.625%	19-Jun-26	900	900	900
FO-LB 290524	3.250%	24-May-29	1,100	1,100	1,100
NOK Blt *)	1.810%	3-May-32	448	448	448
FO-LB 280522	2.375%	22-May-28	1,320	0	1,320
Total Outstanding Bonds				4,993	5,018

*) NOK 550 million Bond Issue (Coupon 2,70%) swapped to DKK.

The Government of the Faroe Islands has always repaid debt and has never been in default.

4.3 Foreign trade and balance of payments

The main explanation for the surpluses of the balance of payments current accounts is that the goods export has increased from DKK 6.2 billion in 2013 to DKK 12.4 billion in 2024 (100%), whereas the growth in import has been slower, from DKK 6.3 billion in 2013 to DKK 10.3 billion in 2024 (63%).

Balance of payments

<i>Million DKK</i>	2019	2020	2021	2022	2023
Goods	1,491	466	968	788	1,325
Services	-855	-759	-858	-817	-1,029
Goods and services	635	-293	110	29	296
Wages	642	642	652	735	750
Rents	-18	-77	148	-103	-556
Income transfers	624	515	800	632	194
Current transfers	949	1,070	725	590	808
Current account	2,208	1,292	1,635	1,193	1,298

4.4 Foreign exchange reserves

The Issuer does not hold specific foreign exchange reserves, as the Faroe Islands are part of the Danish currency area. However, according to Faroese Parliament act, the Faroese Government holds a minimum reserve liquidity of 15% of GDP. The minimum reserve liquidity is DKK 3,975 million in 2025. Parts of the Faroese Government's financial assets are invested in assets held outside the Faroe Islands, as specified in the table below. The assets held outside the Faroe Islands are mainly invested in government bonds and Danish mortgage bonds, but also in shares. The government bonds and Danish mortgage bonds may be used as collateral within limits in an overdraft facility or as collateral in repo agreements. In general, the assets are liquid as securities are used as collateral in credit facility agreements.

As of the 1 January 2017 Landsbanki Føroya is acting as investment manager for the Faroese Government.

Securities and deposits

Table 8

<i>Million DKK</i>	2019	2020	2021	2022	2023	2024
Total financial assets ¹⁾	3,505	4,705	3,802	3,430	4,114	4,767
- of which abroad	3,214	4,507	3,733	3,295	3,927	4,584

Source: Landsbanki Føroya

1) Excluding governmental institutions' operating liquidity

4.5 Income and expenses

The distribution of government expenditure for different items shows actual financial outlays.

Investments in large assets are financed largely by current provisions and are booked immediately as expenses in the appropriate fiscal year.

In a few cases public limited companies are created to operate and manage public services and large, public construction projects. This has been the case for Faroese Telecom, the Postal Service, and the sub-sea tunnels between Vágur-Streymoy, Eysturoy-Borðoy, Streymoy-Eysturoy and Streymoy-Sandoy, respectively.

Capital expenses in 2024 were DKK 603 million of which construction of fixed capital were DKK 524 million. The majority of the investments were allocated to transport, education, health, and communication.

Operating expenses in 2024 were DKK 9,437 million, of which compensation of employees was DKK 3,290 million. Transfers and other expenses were DKK 3,289 million and purchases of goods and services were DKK 2,106 million. The governments operating revenues in 2024 were DKK 9,684 million. Income and corporate taxes were DKK 3,848 million, VAT and other indirect taxes were DKK 3,234 million. Transfers from the Danish state were DKK 665 million, revenues from fees and other domestic transfers were DKK 905 million, and Sales of goods and services were DKK 1,032 million. The central government accounts show a deficit of DKK 99 million in 2024, and the Budget Act for 2025 states a deficit of DKK 120 million. See table 9 below.

Central Government Accounts

Table 9

Central Government Accounts (DKKm)	Realized 2021	Realized 2022	Realized 2023	Realized ¹⁾ 2024	Budget ^{2,4)} 2025
Taxes, direct	3,058	3,376	3,772	3,848	3,934
Taxes, indirect	2,939	2,998	2,949	3,234	3,175
Transfers from Denmark	700	707	693	665	634
Sales of goods and services	950	979	1,060	1,032	895
Revenue from fees	675	807	855	841	819
Other	41	57	47	64	58
Operating revenues, ex. Interest	8,363	8,924	9,376	9,684	9,515
Personel cost	-2,791	-2,917	-3,069	-3,290	-3,587
Transfers to individuals	-2,143	-2,244	-2,402	-2,540	-2,570
Other transfers	-585	-685	-738	-749	-620
Purchase of goods and services	-1,904	-1,959	-2,093	-2,106	-2,042
Other expenses	-537	-521	-806	-752	-539
Operating expenses, ex. interest	-8,010	-8,326	-9,108	-9,437	-9,358
Primary Operating Balance	353	598	268	247	157
Interest income and dividends	408	-129	384	383	282
Interest expenses	9	279	-167	-167	-139
Operating Balance	707	748	485	463	300
Sale of fixed assets	23	38	11	27	33
Sales of shares	-	-	12	-	-
Repayments of loans, domestic	18	14	16	14	13
Capital revenues from Denmark	-	-	-	-	-
Total capital revenues	41	52	39	41	46
Construction of fixed capital ³⁾	-438	-471	-630	-524	-343
Acquisition of fixed capital	-14	-20	-57	-23	-15
Injection of cap. into publ. Ltd.'s	-50	-54	-50	-50	-100
Net lending, domestic	-6	-6	-8	-6	-8
Total capital expenses	-508	-551	-745	-603	-466
Budget surplus/deficit	303	249	-221	-99	-120
Debt repayment	-1,600	-1,300	-550	-1,100	-1,645
Gross financing surplus/deficit	-1,247	-1,051	-771	-1,199	-1,765
New borrowing	-	1,100	900	1,100	2,570
Net financing surplus/deficit	-1,247	49	129	-99	805

1) As of 8 May 2025

2) Government Budget Act as approved by the Faroes Parliament in December 2024.

3) At the beginning of the fiscal year 2025, appropriations transferred from previous years are estimated to DKK 280 million.

4) Starting from the fiscal year 2025, the Central Government Accounts will be adjusted with an annual allocation either to or from an internal fund "Búskapargrunnur Føroyar" which includes annual licence fees from the fishing- and fish farming industry, above DKK 350 million and DKK 250 million respectively. The license fees are transferred back to the Central Government Accounts during the following the seven years. The realised accounts for the years 2021 to 2024 as presented in the table have been adjusted for the annual transfers in order these accounts to be comparable with the budget accounts for year 2025.

In the appropriation framework presented to the Faroese Parliament on 31 March 2025, the government expects the budget result to show a deficit of DKK 252 million in 2026. The government aims at limiting the deficit for the years ahead by changes in revenues and expenses of DKK 55 in 2026 and then 35 million each of the upcoming years. These actions are, if fully implemented, expected to result in a budget deficit of DKK 197 million in 2026, and a deficit of DKK 87 million in 2027 and budget surpluses during the next three years.

4.6 Auditing procedures

The annual budget is presented to the Faroese Parliament before October and must be approved before 1 January in the following year. In practice, the approval occurs before Christmas.

All government investments and other expenditures must be approved in the budget for the year in question.

The accounts and bookkeeping of the government exchequer are audited by the National Audit Office. Once audited, the books are passed on to a committee consisting of members selected by the Faroese Parliament. The accounts are finally approved by the Faroese Parliament together with the auditing report.

5. Significant changes

In the opinion of the Issuer there have been no significant changes to the information in the Registration Document, Section 4 above, since the end of the last fiscal year 2024, ending 31 December 2024.

The nominal GDP growth was 6.7% in 2023 and is estimated to 3.0% in 2024. The Economic Council estimates a growth in nominal GDP of 5.0% in 2025. The estimates are somewhat uncertain due to the current geopolitical conflict, and the uncertainty on the financial markets.

Recent changes in certain policy goals of the U.S. government and in trade policies globally, including the introduction of new or higher tariffs, have also caused, and are likely to continue to cause, volatility in the financial markets and concern about the development of the global economy. In recent years, the global financial markets have experienced disruptions and volatility, which may result in slowing economic growth and fears of potential recession across economies. Geopolitical events, such as Russia's war against Ukraine and the Israel-Hamas war in Gaza, tensions in the Korean Peninsula and in Taiwan and concerns of further escalation of these conflicts have resulted in and are likely to continue to create uncertainty in the global markets, which may also impact the Faroese economy negatively in the future.

In particular higher tariffs from the U.S. may result in lower export to the U.S. The current export of fish to the U.S. was approx. DKK 1.6 billion in 2024 which corresponds to 12.7% of the total goods export. There is no certainty to what extent the Faroese exporters can divert the export to other markets and how that will impact the prices.

The geopolitical conflict related to the war in Ukraine has resulted in lower exports to Russia, a decrease from DKK 2.3 billion in 2021 to DKK 1.1 billion in 2024. Faroe Islands have diverted the export of salmon to other markets so that almost all export to Russia is now herring and mackerel.

The Faroese Government has considered terminating the bilateral fishing agreement with Russia. However, there is not a majority in the Faroese parliament to terminate the fishing agreement for the time being. At present the Faroe Islands are fishing demersal species, primarily cod, in Russian waters and in return lets Russia fish pelagic species in Faroese waters.

6. Legal and arbitration proceedings

The Government of the Faroe Islands has not for the past year been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) which have had or may have a significant impact on the financial position of the Issuer.

The Government of the Faroe Islands has no immunity from legal proceedings in relation to the Notes.

7. Statements by experts and declaration of any interest

The Faroe Islands hold a foreign currency rating of Aa2 assigned by Moody’s Investors Service.

Ratings Category	Moody's Rating
Outlook	Stable
Government Bonds - Foreign Currency	Aa2
Government Bonds - Domestic Currency	Not rated

On 12 September 2024, Moody’s affirmed the long-term issuer rating of the Government of the Faroe Islands to Aa2 with stable outlook.

The Aa2 foreign currency rating with stable outlook for the Faroe Islands reflects a number of factors including its fiscal autonomy and revenue and expense flexibility with a track record of prudent budgeting, stable relationship with Denmark (Aaa, Stable) and a strong liquidity buffer, which mitigate the refinancing risk associated with the reliance on short term borrowing. The rating also takes into account the Faroese economy’s dependence on the fishing sector.

Further and more detailed information about the credit rating of the Faroe Islands can be obtained from the website of the Faroese Governmental Bank:

<https://www.landsbankin.fo/en-gb/liquidity-and-debt/debt/rating-reports>

8. Documents on display

For the life of this Registration Document the below-mentioned documents will be available for inspection in electronic form at the websites as specified below:

Landsbankin Føroya:

Moody's Investors Service's latest rating documents concerning the Government of the Faroe Islands are available at Landsbankin's website.

Website: www.landsbankin.fo/en-gb/liquidity-and-debt/debt/rating-reports

Búskaparráðið, Economic Council:

Economic Reports, reports on Short Term Economic Outlook in spring and autumn.

Spring Report 2025, March 2025 (with executive summary in English).

Website:

[Várfrágreiðingin 2025.pdf](#)

Hagstova Føroya, Statistics Faroe Islands:

Comprehensive statistical database covering demographic, business and economic statistics etc.

Website: www.hagstova.fo

Fíggjarmálaráðið, the Ministry of Finance:

The governmental budgets for 2025 and the previous years will be available on the Ministry of Finance's website (in Faroese only).

Website: <https://www.fmr.fo/fo/logir-og-reglur/figgjarlog/figgjarlog-2004-2025>

Gjaldstovan, The Public Accounts & Payroll Office:

The public accounts (*landsroknskapir*) for the Faroe Islands for 2023 and previous years are available on the the Public Accounts & Payroll Office's website (in Faroese only). The accounts for 2024 are not available as of the date of this Registration Document.

Website: www.gjaldstovan.fo

Landsgrannskoðanin, the National Audit Office:

Audit Reports submitted by the Faroese Parliament's Audit Committee

(Some of the information in Danish and English)

Website: www.lg.fo

Løgmannsskrivstovan, Prime Minister's Office:

Information about political matters in the Faroe Islands

Website: www.lms.fo

The High Commissioner of the Faroe Islands:

Annual report on the Faroe Islands (in Danish only)

Website: www.rigsombudsmanden.fo

FØROYA LANDSSTÝRI



THE GOVERNMENT OF THE FAROE
ISLANDS

FØROYA LANDSSTÝRI DKK 1,320,000,000 2.375 PER CENT

FIXED RATE NOTES

22 MAY 2025 / 22 MAY 2028

ISIN DK0030549696

SECURITIES NOTE

SECURITIES NOTE

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1. Risk factors

Prospective investors should read this Prospectus carefully. The Prospectus consists of three documents: Summary, Registration Document and this Securities Note all of which have been dated 20 May 2025. Investing in the Notes involves certain risks, which the prospective investors should take into consideration prior to deciding to make an investment in the Notes.

This Securities Note which forms part of the Prospectus has been reviewed and approved by the Financial Supervisory Authority of the Central Bank of Iceland ("FSA") as competent authority under Regulation EU 2017/1129 (the "Prospectus Regulation") which has been implemented into Icelandic law with Act No. 14/2020 (the "Act on Prospectus for Public Offering or Admission to Trading on a Regulated Market"). The FSA only approves this Securities Note as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FSA should not be considered as an endorsement of the Issuer or of the quality of the Notes that is the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Taking into account the negative impact on the Issuer and the probability of their occurrence, the risk factors as set out below have been, in the assessment of the Issuer, been ordered so that the most material risks are set out first.

The Issuer believes that the factors described are material for the purpose of assessing the market risk associated with the Notes being offered and admitted to trading.

Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

There may be other risks that a prospective investor should consider that are relevant to the investor's own particular circumstances or generally.

Prospective investors should carefully consider, among other things, the factors described in the sections below before purchasing the Notes. In addition, for risk specifically associated with the Issuer, prospective investors are advised to consider the section "Risk factors" in the Registration Document.

1.1 Credit risk

The Government of the Faroe Islands' liability to make payments according to the terms and conditions in this Prospectus constitutes direct and unsecured obligations of the Government of the Faroe Islands and constitutes unsubordinated loan indebtedness ranking *pari passu* with all other loan indebtedness of the Government of the Faroe Islands. The Notes of each series will rank equally with each other, without any preference among themselves.

There can be no assurance that the credit rating of the Government of the Faroe Islands will not change, which may affect the trading price of the Notes.

The conditions of the Notes do not include a limitation on the Issuer for issuing additional debt or granting of security, and do not limit the Issuer's ability to effect significant transactions that may have a material adverse effect on the Notes and the Noteholders.

The Notes are not redeemable by the Issuer prior to the Maturity Date, and only with the exception of an event of default, the noteholders may not demand redemption of the Notes prior to the Maturity Date.

1.2 Market risk

The market of the Notes issued by the Government of the Faroe Islands is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates. There can be no assurance that events on the Faroe Islands, in Denmark, Europe or elsewhere will not cause market volatility and that such market volatility will not adversely affect the trading price of the Notes.

1.3 Secondary market and liquidity risk

There can be no assurance that an active trading market for the Notes will be developed and maintained, which may affect the trading price and the liquidity of the Notes. During the period between the issuance and repayment, the market value of the Notes will be determined through the ordinary trading on the main market of Nasdaq Iceland hf. and on the main market of Nasdaq Copenhagen A/S. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Issuer has not made any arrangement with any persons or companies to ensure the liquidity of the Notes and that the quotation follows the market price of the Notes. The Issuer has no obligation to buy back the Notes.

1.4 The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement to this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments, i.e. DKK, is different from the currency in which such potential investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

1.5 Legal risk

The terms and conditions of the Notes are based on Danish law in effect on the date of this Prospectus. No assurance can be given that as to the impact of any possible judicial decisions or changes to Danish and Faroese law after the date of this Prospectus.

The investment activities of certain investors are subject to legal investments law and regulations. The investor should consult legal advisers to determine whether and to what extent the Notes are a legal investment to the investor or if any restrictions apply to the purchase of the Notes by the investor.

1.6 Limitations to the liability of the Issuer

The Issuer shall not be liable for any loss incurred by the noteholders as a consequence of statutory provisions, measures adopted by any governmental or other authority actual or imminent war, insurrections, civil commotion, terrorism, sabotage or Acts of God. Nor shall the Issuer be liable for any loss caused by strikes, lockouts, boycotts or blockades, whether or not the Issuer itself is a party to the dispute, and notwithstanding that the dispute may affect only part of the functions of the Issuer. Nor shall the Issuer be liable for any loss arising from any overdue payment caused by the above events.

1.7 Withholding tax

The Issuer does not accept any liability for tax withheld or for collection of withholding tax irrespective of where the Notes are registered. If the Issuer is obliged to withhold tax or collect withholding tax pursuant to rules introduced after the Notes have been issued, the Issuer will do so, and the Issuer will not be obliged to pay any additional amounts to the Noteholders nor will the Issuer accept liability for any deduction in the amount disbursed to Noteholders.

2. Persons responsible

2.1 Statement from the Issuer

We, on behalf of the Government of the Faroe Islands, declare, as those responsible for the Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Ruth Vang
Minister of Finance
Føroya Landsstýri
Fíggjarmálaráðið

Bjarni Askham Bjarnason
Permanent Secretary
Føroya Landsstýri
Fíggjarmálaráðið

Tórshavn, 20 May 2025

Tórshavn, 20 May 2025

3. Key information

3.1 Interest of natural and legal persons involved in the issue

Issuer:

The Government of the Faroe Islands, which is the executive within the framework of the Faroe Islands Home Rule Act no. 137 of 23 March 1948.

The Government of the Faroe Islands is represented by the Ministry of Finance:

Ministry of Finance
Fíggjarmálaráðið
Tinganes
PO Box 2039
FO-110 Tórshavn, Faroe Islands
Tel: +298 352020
Fax: +298 352025
E-mail: fmr@fmr.fo

Arranger :

Nordea Bank Abp, Finland
Satamaradankatu 5
Helsinki
FI-00020 Nordea

Account Holding Institute:

Nordea Danmark, Filial af Nordea Bank Abp, Finland
Grønjordsvej 10
DK-2300 Copenhagen S, Denmark

To the best knowledge of the Issuer, Arranger and Account Holding Institute, there are no interests, including conflicting ones, that are material to the issue of the Notes.

Neither the Arranger nor the Account Holding Institute takes responsibility for the creditworthiness of the Issuer.

3.2 Reasons for the issue and use of proceeds

The proceeds from the issue of the Notes will be used as follows:

The proceeds from the issue of the Notes will be used for the financing of the redemption of Føroya Landsstýri DKK 1,645,000,000 1.250% due 2 June 2025 with ISIN code DK0030467022.

The aggregate net proceeds to the Issuer from the issue of the Notes, after deduction of the fees and expenses payable by the Issuer, will be approximately DKK 1,315,405,000.

The Issuer will bear the costs directly related to the issuance of the Notes. The total costs are expected to amount to approx. DKK 2,931,500 including placing commission and arranging fees.

The costs incurred at Nasdaq Iceland hf. in relation to the admission for trading and official listing on the main market of Nasdaq Iceland hf. will be paid by the Issuer. The fee for admission to trading will be ISK 575,500 plus quarterly expenses for the admission to trading and official listing of the Notes which will be a fixed fee of ISK 17,250 per quarter plus a variable fee of 0.00028% of the market value of the Notes paid on a quarterly basis.

Costs incurred at Nasdaq Copenhagen A/S in relation to the admission for trading and official listing on the main market of Nasdaq Copenhagen A/S will be paid by the Issuer. The annual expenses for the admission to trading and listing of the Notes will be approx. DKK 21,300.

Costs incurred at Euronext Securities (as defined below in clause 4.3) and to the Account Holding Institute in relation to the registration of the Notes in the system of Euronext Securities will be paid by the Issuer. The total costs related to registration of the Notes and fees to Euronext Securities and the Account Holding Institute are approx. DKK 172,500.

Costs incurred at The Financial Supervisory Authority of the Central Bank of Iceland ("FSA") in relation to the vetting and approval of the Prospectus will be paid by the Issuer. The total costs to the FSA are ISK 250,000 corresponding to approx. DKK 12,750.

4. Information concerning the Notes

4.1 Description of the Notes

Issuer:	Føroya Landsstýri, Government of the Faroe Islands
Title of the Notes:	Føroya Landsstýri DKK 1,320,000,000 2.375 per cent Fixed Rate Notes 22 May 2025 / 22 May 2028
Issue Date:	22 May 2025
Maturity Date:	22 May 2028
First trading date:	22 May 2025
Currency:	Danish kroner ("DKK")
Principal Amount per Note:	DKK 1,000
Total Principal Amount:	DKK 1,320,000,000
Interest Rate:	The Notes will pay an interest of 2.375 per cent per annum payable annually in arrears in each year commencing on 22 May 2026 and ending on 22 May 2028.
Issue Price:	99.874 per cent.
Class:	The issue of the Notes consists of only one class
ISIN:	DK0030549696
INET code	FO-LB 280522 (Nasdaq Iceland hf.)
Short name:	FØROYA LAN MAY28 (Nasdaq Copenhagen A/S)

4.2 Legislation

The Notes are subject to Danish legislation, and any disputes arising out of or in connection with the Notes shall be brought before the District Court of Copenhagen.

4.3 Form of the Notes

The Notes will be issued in uncertificated and dematerialised book entry form and settled through Euronext Securities (VP Securities A/S), Nicolai Eigtveds Gade 8, DK-1402 Copenhagen K, Denmark ("Euronext Securities"), on the Issue Date. The Notes cannot be registered in the name of the holder.

Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjordsvej 10, DK-2300 Copenhagen S, Denmark, is acting as Account Holding Institute ("Kontoførende Institut") in relation to VP SECURITIES A/S.

The Notes will be controlled by Nordea Danmark, Filial af Nordea Bank Abp, Finland as Account Holding Institute for and on behalf of Euronext Securities and the noteholders in accordance with the provisions of the Danish Capital Markets Act (Consolidated Act No. 931 of 6 September 2019, as amended) and Consolidated Act no. 1175 of 31 October 2017 regarding registration of fund assets in a securities centre. For the avoidance of doubt, notes registered with Euronext Securities are negotiable instruments not subject

to any restrictions on the free negotiability within the Kingdom of Denmark, under Danish Law.

4.4 Currency of the Notes

The currency of the Notes is Danish kroner ("DKK") and each note will be issued with the denomination of DKK 1,000.

4.5 Status of the Notes

The Notes constitute direct and unsecured obligations of the Government of the Faroe Islands and constitute unsubordinated loan indebtedness ranking *pari passu* with all other loan indebtedness of the Government of the Faroe Islands, The Notes of each series will rank equally with each other, without any preference among themselves.

4.6 Rights etc.

4.6.1 Redemption by the Issuer

The Notes are not redeemable by the Issuer prior to the Maturity Date.

4.6.2 Redemption by noteholders

With the exception of the events described under Event of Default below, the noteholders may not demand redemption of the Notes prior to the Maturity Date.

4.6.3 Events of Default

Any noteholder may give written notice to the Issuer that such note is, and such note shall accordingly immediately become, due and payable at its principal amount together with interest accrued to the date of repayment:

- a) if the Issuer fails to perform or observe any of its other obligations under the Notes and such failure is incapable of remedy, or if such failure can be remedied and such failure continues for the period of 30 days next following the service by any noteholder on the Issuer of notice requiring the same to be remedied;
- b) if the Issuer's debt in connection with borrowed funds for a minimum amount of DKK 75,000,000 or equivalent in another currency or currency unit either (i) falls due for payment prior to the repayment day because of default, or (ii) is not paid on the due date (or following the period of remedy provided for by law or following an agreement to that effect in the relevant claim between the parties);
or
- c) if the Issuer's possibilities of fulfilling its obligations under the Notes deteriorate significantly, for example because of the Faroe Islands' secession from its union with Denmark.

Payment shall be effected via the accounts registered with Euronext Securities.

4.6.4 Buyback

The Issuer reserves the right to buy back the Notes from time to time in the open market or otherwise. The Issuer may choose to cancel or keep/resell Notes bought back.

4.6.5 Notices

All notices to noteholders concerning the Notes are made public and can be viewed on the websites of Nasdaq Iceland hf. and Nasdaq Copenhagen A/S (www.nasdaqomxnordic.com/news) and/or send to noteholders through Euronext Securities.

Any notices to the Issuer to be given in accordance with these terms and conditions of the Notes can validly be given to the Ministry of Finance, Kvíggjartún 1, PO Box 2039, FO-165 Argir, Faroe Islands or such other address as has been notified to the noteholders registered in compliance with the first sentence of this term.

4.6.6 Force majeure

The Issuer shall not be liable for any loss incurred by the noteholders as a consequence of statutory provisions, measures adopted by any governmental or other authority actual or imminent war, insurrections, civil commotion, terrorism, sabotage or Acts of God. Nor shall the Issuer be liable for any loss caused by strikes, lockouts, boycotts or blockades, whether or not the Issuer itself is a party to the dispute, and notwithstanding that the dispute may affect only part of the functions of the Issuer. Nor shall the Issuer be liable for any loss arising from any overdue payment caused by the above events.

4.6.7 Charging

As long as any of the Notes are outstanding, the Issuer will not provide security for any debt in connection with payment obligations relating to loans existing on or after the date of issue of the Notes, whether in the form of a mortgage, pledge or other security in any of the issuer's present or future assets or income, unless the Notes are secured equally and proportionately by the provision of such security. However, a mortgage, pledge or other security in the Issuer's properties or assets may be provided as collateral for the entire purchase price or parts thereof for such properties or assets, including interest accrued. "Loan" means a loan raised through the issue of instruments of debt which are or are capable of being traded in the ordinary markets.

4.7 Interest

The Notes bear interest from and including 22 May 2025 to but excluding the 22 May 2028.

The Notes will pay an interest of 2.375 per cent per annum payable annually in arrears in each year commencing on 22 May 2026 and ending on 22 May 2028. The first interest period shall be determined as the period from and including the Issue Date to (but excluding) the first Interest Payment Date; and with respect to the subsequent interest periods, the period commencing on an Interest Payment Date (included) to the next Interest Payment Date (excluded) (each an "Interest Period").

If an Interest Payment Date would otherwise fall on a day which is not a business day in Denmark, meaning a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Denmark (each a "Business Day"), payment of interest shall be postponed to the following Business Day (following business day convention). The Interest Period shall not be adjusted if the Interest Payment Date is postponed to the following Business Day (unadjusted).

4.7.1 Interest Amount

The interest amount payable per Note on the Interest Payment Date (the "Interest Amount per Note") shall be determined by multiplying the Interest Rate with the Principal Amount per Note.

Where the Interest Amount per Note is to be calculated for a period shorter than a year, the Interest Amount per Note shall be calculated by multiplying the Interest Rate with the Principal Amount per Note, the product of which is multiplied with the actual number of days elapsed in the relevant Interest Period and divided by the actual number of days in the relevant year (ACT/ACT day count fraction).

4.7.2 Interest Payments

Payments of interest in respect of the Notes will be made, in accordance with and subject to the rules and regulations governing Euronext Securities from time to time, to the noteholders through the Account Holding Institute by credit to the accounts with banks designated to Euronext Securities.

4.7.3 Accrued Interest

The Notes shall be traded with accrued interest. The accrued interest per Note shall be calculated by multiplying the Interest Rate with the Principal Amount per Note, the product of which is multiplied with the actual number of days elapsed in the relevant Interest Period and divided by the actual number of days in the relevant year (ACT/ACT day count fraction).

4.7.4 Prescription

Claims for payment of interest will become void three (3) years and claims for payment of principal, ten (10) years after the due date, see section 73 of the Danish Securities Trading etc. Act.

4.8 Maturity and repayment

The Notes mature on 22 May 2028 (the "Maturity Date") unless the Notes have been redeemed prior to that day due to Events of Default according to Section 4.6.

Repayment of the Notes will be made at the Principal Amount, in accordance with and subject to the rules and regulations governing Euronext Securities from time to time, to the noteholders through the Account Holding Institute by credit to the accounts with banks designated to Euronext Securities.

4.9 Yield

The yield on the Notes is 2.419 per cent. per annum. The yield is calculated as of the Issue Date on the basis of the Issue Price being 99.874 per cent. The yield is not an indication of future yield.

4.10 Representation of noteholders

There is no representation of the noteholders.

4.11 Authorisation

The Notes will be issued on Issue Date in accordance with authorisation given by the Faroese Minister of Finance on 6 May 2025.

4.12 Issue Date

The Notes will be issued on 22 May 2025 (the "Issue Date").

4.13 Transferability

The transferability of the Notes shall not be subject to any restrictions. However, for noteholders subject to other jurisdictions than Denmark, reservations are made as to the legislation of such jurisdictions. Subject to the limitations contained in the Danish Securities Trading etc. Act, the Notes shall be considered negotiable instruments issued in dematerialised form.

4.14 Taxation

The tax legislation of the Faroe Islands and/or the jurisdiction where the investor is resident may have an impact on the income received from the Notes. All investors are advised to consider any potential taxation issues that may concern their purchase or sale of the Notes and to seek independent advice in this respect.

The Issuer does not accept any liability for tax withheld or for collection of withholding tax irrespective of where the Notes are registered. If the Issuer is obliged to withhold tax or collect withholding tax pursuant to rules introduced after the Notes have been issued, the issuer will do so, and the Issuer will not be obliged to pay any additional amounts to the Noteholders nor will the Issuer accept liability for any deduction in the amount disbursed to Noteholders.

4.14.1 Investors located in the Faroe Islands

Resident individuals in the Faroe Islands are subject to 35% tax on capital gains payment.

Resident corporations in the Faroe Islands are subject to 18% tax on capital gains payments.

For resident individuals in the Faroe Islands, payments of interest of the Notes and capital gains and losses in connection with the sale or redemption of the Notes are taxed as capital income. Net capital losses can be deducted in future capital gains. In respect of resident corporations in the Faroe Islands, payments of interest on the Notes and capital gains and losses in connection with the sale or redemption of the Notes are included in the calculation of corporate tax.

According to current legislation all payments of interest on the Notes will be made without withholding or deduction tax (coupon tax) on the Faeroe Islands. In the event that withholding or deduction tax is required by law on the Faeroe Islands, the Government of the Faroe Islands will withhold such tax before paying interest to the noteholders registered. In such case, the Issuer will not compensate the noteholders. Any interest due for payment as well as possession, repayment and transfer of the Notes will be reported by the relevant custodian bank to the Danish tax authorities in accordance with the applicable tax rules.

4.14.2 Investors located in Denmark and Iceland

Subject to tax treaties entered into by the Faroe Islands with Iceland and Denmark, respectively, all payments of interest on the Notes will be made without withholding or deduction for tax (coupon tax) on the Faeroe Islands. In the event that withholding or deduction for tax is required by law on the Faroe Islands, the Government of the Faroe Islands will withhold such tax before paying interest to the noteholders registered. In such case, the Issuer will not compensate the noteholders.

For resident individuals in Denmark, payments of interest on the Notes are included in the calculation of capital income. Capital gains and losses in connection with the sale or redemption of the Notes, will be also included in the capital income, but only if the net gains on investments in (1) the Notes and other debt obligations, (2) debt in foreign currencies or (3) non-accumulating bond investment funds; exceeds DKK 2,000. In respect of resident corporations in Denmark, payments of interest on the Notes and capital gains and losses on the Notes are included in the calculation of corporate tax. Gains and losses are calculated according to a mark-to-market principle and taxed on an accrual basis.

For resident individuals in Iceland, payments of interest of the Notes and capital gains and losses in connection with the sale or redemption of the Notes are taxed as capital income. Net capital losses can be deducted in future capital gains in up to five following years. In respect of resident corporations in Iceland, payments of interest on the Notes and capital gains and losses in connection with the sale or redemption of the Notes are included in the calculation of corporate tax.

5. Terms and conditions of the offer

5.1 Nominal amount

Notes with a total principal amount of DKK 1,320,000,000 are being issued by the Issuer.

The Notes are open for further issues without a fixed maximum amount. Future issues will be made at market price free of charge to investors. The Notes will be closed for further issues on 22 April 2028.

5.2 Placing and underwriting

Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjordsvej 10, DK-2300 Copenhagen S, Denmark has arranged for the Notes to be purchased by a group of institutional investors.

The issue of the Notes has not been underwritten with a firm commitment.

5.3 Issue Price

The Notes have being issued at a price of 99.874 per cent.

5.4 Payment and settlement

Payment and settlement of the Notes will be effected two business days after the trading day against registration with Euronext Securities. However, the first issue will be settled for value on 22 May 2025. The settlement will be effected against payment and registration with Euronext Securities.

5.5 Account Holding Institute

The Issuer has appointed Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjordsvej 10, DK-2300 Copenhagen S, Denmark as Account Holding Institute.

6. Admission to trading and official listing

6.1 Admission to trading and official listing

Application has been filed with Nasdaq Iceland hf. for the trading and official listing on the main market of Nasdaq Iceland hf. Acceptance of the Notes for the trading and official listing on the main market of Nasdaq Iceland hf. is expected to have effect from 22 May 2025.

6.2 Admission to trading and official listing on other regulated markets

The Prospectus is expected to be passported to the Kingdom of Denmark prior to on or about 21 May 2025. Following passporting of the Prospectus to the Kingdom of Denmark, application will be filed with Nasdaq Copenhagen A/S for the trading and official listing on the main market of Nasdaq Copenhagen A/S. Acceptance of the Notes for the trading and official listing on the main market of Nasdaq Copenhagen A/S is expected to have effect from 23 May 2025.

7. Additional information

7.1 Audit of information

The Issuer's auditors have not audited the information contained in this Prospectus, other than the figures for the central government accounts from 2020 to 2023 specified in the Registration Document, Table 9 (page 24), which have been audited by the National Audit Office and approved by The Faroese Parliament.

7.2 Rating

The Notes have not specifically been rated by a rating agency.

The Government of the Faroe Islands holds a foreign currency rating of Aa2 assigned by Moody's Investors Service.

Ratings Category	Moody's Rating
Outlook	Stable
Government Bonds - Foreign Currency	Aa2
Government Bonds - Domestic Currency	Not rated

On 12 September 2024, Moody's affirmed the Aa2 long-term issuer rating of the Government of the Faroe Islands with a stable outlook.

The Aa2 foreign currency rating with stable outlook for the Faroe Islands reflects a number of factors including its fiscal autonomy and revenue and expense flexibility with a track record of prudent budgeting, stable relationship with Denmark (Aaa, Stable) and a strong liquidity buffer, which mitigate the refinancing risk associated with the reliance on short term borrowing. The rating also takes into account the Faroese economy's dependence on the fishing sector.

Further and more detailed information about the credit rating of the Faroe Islands can be obtained from the website of the Faroese Governmental Bank: <https://landsbankin.fo/en-gb/liquidity-and-debt/debt/rating-reports>