



# Realurin

FØROYA REALKREDITSTOVNUR  
FAROESE SHIPFINANCING FUND

## Føroya Realkreditstovnur Bond Issue Prospectus

January 2011

Eik

Eik Banki Føroya P/F  
Yviri við Strond 2  
P. O. Box 34  
FO-110 Tórshavn  
Faroe Islands

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**Realurin**  
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Appendix 1: Articles of Association for Føroya Realkreditstovnur

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# 1 RISK FACTORS

Readers of this Prospectus should carefully consider all of the information contained herein and in particular the following factors which could have a material adverse effect on the Issuer's financial position and his ability to fulfill the obligations under the Bonds.

Before making an investment decision, investors should make adequate independent investigations. Prospective investors should carefully consider the following risk factors in addition to the other information presented in this Prospectus. The risks discussed below are not the only risks that may affect the Issuer's business or the value of the Issuer's Bonds. Additional risks not presently known to the Issuer or risks that the Issuer currently considers being immaterial may also impair the Issuer's business operations and prospects.

## 1.1 Credit risk

The Issuer's lending portfolio is based on ships and vessels that are expected to have adequate cash flow to service the debt. The lending portfolio is diversified as ships and vessels have activities in different segments of the fishing and offshore industry with different economic cycles.

To reduce the credit risk loans are never granted for more than 80% of the estimated value of each vessel. The repayment schedule for newer vessels is up to 15 years and for older vessels the period is shorter. In special circumstances the repayment period may be extended to up to 20 years.

Each loan is backed with mortgaged ships and vessels and each borrower is liable jointly and severally with the mortgaged assets for all liabilities of Realurin. The liability is limited to the loan principal.

Loans are measured at amortized cost. Write-downs are made for bad debt losses, when there is objective evidence that a receivable or a portfolio of receivables has been impaired. Objective evidence for impairment can be overdrafts, diminishing results, reduced resources and recession within certain industries. Each loan is evaluated at least once a year.

If the management or the appraisers expect the mortgaged assets to have fallen in value, these assets will be re-evaluated. Circumstances that can influence the evaluation are:

- Whether the debtor retains licenses and rights throughout the loan period
- The fluctuations in oil prices
- For fishing vessels, the price movement on the world market for food is of great importance

As the fishing and shipping industry in the Faroe Islands is relatively small, the management and the appraisers have relative good knowledge and up to date information of all the mortgaged assets.

## 1.2 Interest rate risk

Interest rate risk arises from the Issuer's exposure, due to its financial obligations, to adverse movements in interest rates.

Realurin is primarily funded by equity, and thus the interest rate risk related to the interest costs is low.

Loans granted by Realurin have variable interest rate and part is connected to CIBOR. Therefore, a decrease in the interest level will have negative effect on the result.

Looking forward, Realurin will take on new debt to increase its lending portfolio. Realurin plans to minimize the interest rate risk by lending out at a rate that is equivalent to the new debt plus a margin.

### 1.3 Currency risk

Realurin's reporting currency is the Danish krone (DKK). Realurin is funded in DKK and is lending in DKK. Most of the debtors also solely use DKK as currency. Therefore there should be no direct currency risks and reduced indirect risk due to currency fluctuations.

### 1.4 Bond risk

As of 31 March 2010 the bond portfolio was DKK 40 million. Realurin primarily holds Danish mortgage bonds. The value of the bonds can be affected by market conditions not foreseeable at the time of investment. The bonds tradability and hence the price which can be achieved from a sale depends on the liquidity in the market for securities trading.

### 1.5 Liquidity risk & capital supply risk

Realurin is exposed to a liquidity risk that could materially affect the Issuer's results and financial position. Liquidity risk can be divided into funding risk and market liquidity risk.

The definition of funding risk is the current or prospective risk to earnings and capital arising from the Issuer's inability to meet its liabilities when they come due without incurring unacceptable losses. Funding risk arises from the inability to manage unexpected decreases or changes in funding sources.

The capital and lending rules, described in section 7, result in a relative high solvency and a liquid balance sheet. The reserve fund can not be lent out, but shall be placed in liquid assets. Surplus liquidity is placed in liquid assets which in practice means cash deposits or bonds.

Market liquidity risk is the current or prospective risk to earnings and capital arising from the Issuer's inability to quickly liquidate or convert its assets/positions without causing a significant movement in the price and with at minimum loss of value.

### 1.6 Operational risk

Operational risk is the risk of direct loss, indirect loss, or damage as a result of people's reputation, systems, inadequate or failed internal processes, or from external events. Operational risk in relation to internal control is the risk of loss resulting from inadequate or failed internal processes, employees and systems or from external events. This includes a risk of loss resulting from failure to comply with Danish and Faroese laws and regulations under which Realurin operates. Realurin is also exposed to incorrect analyses of new loans which can have a negative impact on the future outlook.

## 1.7 Insurance

For each mortgages, ship or vessel, Realurin requires a mortgagee declaration from the insurance company. Realurin requires that all mortgaged ships and vessels be insured.

## 2 PERSONS RESPONSIBLE

### 2.1 Statement from the Issuer

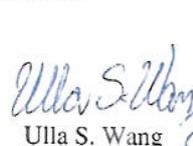
We, Føroya Realkreditstovnur, Niels Finsensgøta 39, FO-110 Tórshavn, Faroe Islands, declare, as those responsible for the Registration Document, that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Tórshavn, 27 January 2011

On behalf of the Issuer

  
Leivur Michelsen  
Deputy Manager

  
Óli E. Heinesen  
Board of Director

  
Ulla S. Wang  
Board of Director

  
Virgar Dahl  
Board of Director

### 2.2 Statement from the Manager

We, Eik Banki P/F, registered office at Yviri við Strond 2, FO-110 Tórshavn, Faroe Islands, have been the advisor to the Issuer in the preparation of this Registration Document of this Prospectus. Eik Banki has in consultation with the management and the Board of Directors of Realurin compiled this Registration Document, which is based on information gathered from the Company both directly and indirectly through a due diligence review. Eik Banki has not independently verified the information provided in the Registration Document, but Eik Banki has reviewed the information provided and confirms that, to the best of its knowledge, the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect its import.

Tórshavn, 27 January 2011

On behalf of Eik Banki – Investment Banking

  
Olav Guttusen

### **3 STATUTORY AUDITORS**

The Issuer's auditor for 2009/2010 and 2008/2009 has been SPEKT løggildir grannskoðarar Sp/f, located at Staravegur 17, 100 Tórshavn, Faroe Island. SPEKT is member of "Felagið fyri Løggildar Grannskoðarar" which is the Institute of State Authorized Public Accountants in Faroe Island.

State Authorized Public Accountants, Mirjam Haraldsen and Annfinn Simonsen, have audited the Annual Report and signed the Auditor's report for 2009/2010.

State Authorized Public Accountants, Árni Ellefsen and Annfinn Simonsen, have audited the Annual Report and signed the Auditor's report for and 2008/2009.

Up until the Annual Report for 2008/09 the Issuer prepared its Annual Report according to Faroese GAAP, The Annual Report for 2009/10 is prepared according to IFRS. IFRS 1 on first-time adoption of IFRS has been used for the transition. In accordance with IFRS no. 1 the opening balance sheet at 1 April 2008 and all comparative figures for 2008/09 have been prepared in accordance with IFRS. The opening balance sheet at 1 April 2008 has therefore been prepared as these standards have always been used.

## 4 DEFINITIONS

Act No. 75	Parliamentary Act No. 75 from 5 November 1998 on The Faroese Mortgage Credit Society in force on the Faroe Islands as amended by Parliamentary Act No. 53 from 16 May 2006.
Bonds	References to “the Bonds” in this Registration Document shall be construed as referring to the bond issue of DKK 200,000,000 which is described in this Prospectus, unless otherwise clear from the context.
Deputy Manager	The deputy manager of the Issuer – in Act No. 75 and the Issuers’ articles of associations referred to as the assistant manager. The Deputy Managers responsibility is the day to day business for Realurin.
DKK	Danish currency (krone).
Exchange	NASDAQ OMX Iceland hf.
IFRS	International Financial Reporting Standards.
ISA	The Insurance Authority is the national financial supervisory authority of the Faroe Islands with jurisdiction over Insurance companies, Pension Funds, and one Mortgage Credit Institution.
Issuer	Føroya Realkreditstovnur.
Management	The management of the Issuer.
Prospectus	The Registration Document and the Securities Note, dated on 27 January 2011, along with the Appendices, unless otherwise clear from the context.
Realurin	Føroya Realkreditstovnur.
Section	A section in this Registration Document.

## **5 NOTICE TO INVESTORS**

This Registration Document has been prepared in connection with an application for listing of the Issuer's Bonds on the Main Market (Faroese Securities Market) of the NASDAQ OMX Iceland hf.

This Registration Document is prepared pursuant to current legislation and Exchange Rules that apply to the listing. The Exchange has scrutinised and approved this Registration Document which is only published in English. This Registration Document forms a part of a Prospectus which consists of two independent documents: a Registration Document and a Securities Note along with Appendices.

This Registration Document or any of the documents forming a part of the Prospectus should not be considered or construed as a promise by the Issuer, Manager or other parties of future success in operations. In making an investment decision, potential investors should carefully consider the merits and risks of an investment in the Bond and carefully review the terms and conditions of the Bonds. Investors must primarily rely on their own judgement regarding any decision to invest in the Bonds. Investors are advised to consider their legal status and any tax implications which an acquisition of the Bonds may have and seek independent advice in that respect.

This Registration Document and any other document forming a part of the Prospectus shall not be distributed and must not be mailed or otherwise distributed or sent in or into any country in which distribution would require any additional registration measures or other measures to be taken, other than as applicable under Icelandic law and regulations, or would be in conflict with any law or regulation in the respective country.

This Registration Document shall not be sent out, directly or indirectly, by use of mail or any other means or instrumentality (including, without limitation, facsimile transmission, electronic mail, telex, telephone and the Internet) in or into the United States, Australia, Canada or Japan, and the offer cannot be accepted by any such use, means, instrumentality or facility of, or from within, the United States, Australia, Canada or Japan. Accordingly, this Prospectus and any related documents shall not be and may not be mailed or otherwise distributed, forwarded or sent in or into the United States.

Neither the delivery of this Registration Document nor the offering, sale or delivery of any Bond shall under any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Manager expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recent information from the Issuer when deciding whether or not to purchase any Bonds.

## **6 INFORMATION ABOUT THE ISSUER**

### **6.1 Name of the Issuer**

The legal name of the Issuer is Føroya Realkreditstovnur. The Issuer also does business under the commercial name Realurin.

### **6.2 The Issuers address and domicile**

The Issuer's mailing address is:

Realurin

Niels Finsensgøta 39

P.O. Box 367

Tel: +298 311 410

FO-110 Tórshavn

Fax: +298 317 589

Faroe Islands.

E-mail: realkredit@realkredit.fo

The Issuer is not registered at the Faroese Company Registration Authority (Skráseting Føroya).

### **6.3 Date of incorporation**

Realurin was founded by Act No. 60 from 12 March 1955 on The Faroese Mortgage Credit Society. From 1956 to 1998, the fund was managed under the name Færøernes Realkreditinstitut and governed by Danish law. 10 June 1998, the Issuer was transferred from Danish to Faroese jurisdiction and continued as a self-governing institution with the name Føroya Realkreditstovnur (Realurin). Realurin is currently governed by Parliamentary Act No. 75 from 5 November 1998 on The Faroese Mortgage Credit Society in force on the Faroe Islands as amended by Parliamentary Act No. 53 from 16 May 2006 and Parliamentary Act No. 122 from 22 December 2010..

### **6.4 Recent developments**

There have been no recent events with material effect to the Issuer's solvency since the publishing of the Annual Report for 2009/2010.

## 7 BUSINESS OVERVIEW

The purpose of Realurin is to facilitate loans and securities in fishing vessels, cargo vessels, floating units and vessels in the offshore industry and fish farming industry registered in the Faroe Islands. Realurin can also finance vessels that are registered in Iceland if the vessels only have activities in the Faroe Islands. In practice, Realurin only finances Faroese vessels.

### 7.1 Business model

The business model of Realurin is fairly uncomplicated and transparent:

- Realurin can only lend to fishing vessels, cargo vessels, floating units and vessels in the offshore industry and fish farming industry who are registered in the Faroe Islands or Iceland.
- Realurin can grant 1<sup>st</sup> priority mortgage loans up to 60 per cent of the assessed value of the security.
- 2<sup>nd</sup> mortgage loans can only be granted together with 1<sup>st</sup> mortgage loans and may not exceed 80 per cent of the assessed value of the security.
- Realurin can not have other loans than 1<sup>st</sup> and 2<sup>nd</sup> priority
- The repayment period of the loan may not be longer than 15 years.
  - The management may, in special circumstances, allow installments to be lowered or set a repayment limit extending the repayment period to up to 20 years.
- Realurin may not grant loans to a borrower or a group of connected borrowers if the loans exceed 25 percent of Realurin's equity (original capital and reserve fund).
  - However, according the amendments to the parliamentary act about The Faroese Mortgage Credit Society passed by the parliament the 22 December 2010 Realurin is allowed to exceed this limit up to 30 percent in a period until 31 March 2013.

The reason for the amendments above is that Realurin has taken over loans for a total of approximately DKK 45 million which were previously granted by the Ministry of Finance pursuant to Act No. 24 from 1 June 1978 on Fleet Renewal. No further loans will be granted under this act.

Simultaneously, with the dispensation, other amendments were made to the parliamentary act, according the Issuer partly in order to bring Realurin's provisions in line with the market, partly in order to make the rules more clear. The amendments can be inspected in full in Appendix 3 to this Prospectus.

When mortgaged assets acquired on forced sale etc. are resold, the loan maximums mentioned above may be exceeded if this prevents financial losses.

The following table shows Realurin's loan portfolio per 31 March 2010 and 31 March 2009 divided on 1<sup>st</sup> and 2<sup>nd</sup> priority mortgages:

	31 March 2010	31 March 2009
1 <sup>st</sup> priority mortgage	76,1 %	76,2 %
2 <sup>nd</sup> priority mortgage	23,9 %	23,8 %

## 7.2 Funding

Realurin is primarily funded by equity. Realurin can raise debt by issuing bonds or bearer bonds. The nominal accumulated amount of the issued bonds in circulation and other bonds may not at any time exceed five times the original capital stated in the latest annual report.

## 7.3 Reserve fund

Each time a loan is granted, 1 per cent of the loan principal is paid into the reserve fund. Charges, interest income and profits are also paid into the reserve fund.

The reserve fund can not be lent out but shall be placed in liquid assets which in practice means cash deposits or bonds.

If the reserve fund comprises of less than 2 per cent of the debt, the management may, with a three month time limit, demand additional payments in order to increase the capital reaching the above mentioned amount.

The borrower deposit paid to the reserve fund is refunded when the loan is fully repaid and an acknowledgement has been given releasing the borrower from the shared liabilities. The borrower's shared liability is described in further detail later.

No deposit is refunded if by doing so the reserve fund will consist of less than 20 per cent of the debt.

The reserve fund must be at least 10 per cent of the total lending operations or 20 per cent of the debt, depending on which is higher. If the reserve fund reaches the above mentioned limits by the end of a financial year, the exceeding amount may be moved into the main fund on orders from the management.

## 7.4 Borrower's jointly and severally liability

Each borrower is liable jointly and severally with the mortgaged assets for all liabilities of Realurin. The liability is limited to the principal debt. In order to cover this liability, the management can decide to demand an additional payment to the reserve fund. The Issuer has never used this option.

The management may limit the shared liability only to include classes of assets with equal third-party risk. Accurate rules on this kind of limitations are drawn up by the management with approval from the Finance Minister.

Borrowers who have repaid their loans do not get acknowledgement that they are released from the shared liability until three months after the annual report for the payback year has been sent to the minister and he

has stated that he has no reservations or comments on the correctness of the report. Still, an acknowledgement can be given if the reserve fund by the end of the accounting year consists of at least 20 per cent of the liabilities of Realurin.

The following table shows Realurin's loan portfolio per 31 March 2010 and 31 March 2009 divided on different ship types:

<b>Industry</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
Deep sea trawlers	9%	12%
Freshers	22%	25%
Longliners	2%	3%
Prawn trawlers	8%	10%
Factory trawlers	16%	28%
Trawl/pelagic trawlers	21%	8%
Fishing boats	1%	1%
Fish farming boats	7%	6%
Supply ships	14%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 7.5 Cancellation of loans

Loans granted by the Realurin may not be terminated as long as the borrower complies with his obligations in all respects, but are due immediately if the borrower does not comply.

## 7.6 Value of mortgaged assets

Realurin facilitates loans secured by mortgage in ships and vessels in the framework corresponding to max 80 per cent of the assessed value of the security. The valuation of the security is therefore a central parameter for the loan facilitation.

Before a loan is granted, there must be at least two appraisers that ensure the quality of the security. In practice, Realurin uses three appraisers - one of them an expert in ship building, one an expert in machines and one who has practical experience in fisheries as well as knowledge of fisheries economy.

The management of Realurin can demand a new assessment of the mortgaged assets, if it expects that the value of the assets is no longer sufficient to cover the loans. If the new value assessment shows that the loans are higher than the limits of 80 per cent, the management can cancel the loan immediately.

## 7.7 Competitive position

When Realurin facilitates a loan, it is always related to a purchase of a vessel, a vessel under construction or a conversion of a vessel. Realurin does not grant short-term loans or loans for operational purposes.

The Governmental Bank of the Faroe Islands published following numbers regarding net debt per September 2009 in the industries which cover Realurin's market:

<b>1.000 DKK</b>	<b>Net debt in total</b>	<b>Debt to Realurin</b>	<b>Marketshare</b>
Fishing industry	1.618	574	35%
Farming	487	36	7%
Transport industry incl. supply ships	740	120	16%
<b>Total</b>	<b>2.845</b>	<b>730</b>	<b>26%</b>

The net debt in the industries is compared to the debt of the industries to Realurin, and an average market share of 26 % is calculated. See [www.landsbank.fo](http://www.landsbank.fo) for further information about the debt of the industries.

## 8 ORGANISATIONAL STRUCTURE

Realurin is not part of a group and does not own any subsidiaries.

## 9 TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statement.

## 10 FORECASTS OR ESTIMATES

The Issuer has chosen not to publish profit forecasts or a profit estimates for the business. Therefore no such information is presented in this Prospectus.

## **11 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

Realurin is governed by a management consisting of three persons constituted by the Minister of Finance. The Management has appointed a Deputy Manager to manage the day to day business of Realurin.

The Minister of Finance supervises Realurin. In April 2004, the Minister of Finance appointed the Insurance Supervisory Authority of the Faroe Islands (ISA) to carry out the external inspection.

The Minister of Finance draws up the articles of association for Realurin, which may be inspected in Appendix 1 to this Prospectus.

Below, you find a list of the administrative, management and supervisory bodies. In addition to the names, business addresses and functions of the Issuer, the list states their principal activities outside the Issuer where these are significant with respect to the Issuer.

### **Óli E Heinesen, Manager**

Mylnugøta 7, FO-700 Klaksvík, Faroe Islands

Mr. Heinesen holds a Master of Science degree in Economics. Mr. Heinesen was Managing Director of the Faroese Tax authorities until retirement. Mr. Heinesen has been a member of the management of Realurin since 1990.

### **Ulla S Wang, Manager**

Heykavegur 6A, P.O.Box 347, FO-110 Tórshavn, Faroe Islands

Ms. Wang holds a Master of Science in Engineering and a LL.M. in International Law. Ms. Wang is employed in the Faroese Ministry of Fisheries as a Special Adviser. Ms. Wang has been a member of the management of Realurin since 2000.

### **Virgar Dahl, Manager**

Kongabrúgvín, P.O.Box 329, FO-110 Tórshavn, Faroe Islands

Mr. Dahl is educated as a Shipmaster. Mr. Dahl is Managing Director of the marine section in the insurance company Tryggingarfelagið Føroyar. Mr. Dahl has been a member of the management of Realurin since 2000.

### **Leivur D. Michelsen, Deputy Manager**

Niels Finsensgøta 39, P.O.Box 367, FO-110 Tórshavn, Faroe Islands

Mr. Michelsen holds a Msc. in accounting (HDr). Mr. Michelsen has been Deputy Manager of Realurin since 2005.

There are no conflicts between any duties to the issuing entity of the persons referred to in Section 11 and their private interests and or other duties.

In addition the management has an advisory board with 8 members, 2 nominated by the Minister, 2 by the institution's debtors, 2 by the Faroese Association of Ship Owners, while the Faroese Association of

Fishermen, the Faroese Association of Captains and Navigators and the Faroese Association of Engineers jointly nominate 2 members. The nominations are for terms of 4 years. The management is obligated to call the advisory board for meeting at least once a year. The management informs the advisory board on the activities of the institution. The advisory board reviews the annual accounts and the annual report.

### **Corporate Governance**

Realurin is dedicated to maintaining high standards of corporate governance. Corporate governance addresses the interaction between the management, employees and other stakeholders. In Act No. 75 and in the Issuers articles of associations, rules are outlined regarding the Management's and the Deputy Manager's responsibility, their competence to act and their independence.

Realurin places great emphasis on autonomy and neutrality in all matters in order to maintain trust in the market. Therefore, Realurin strives to follow, as a minimum, the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers. The Issuer has, however, chosen not to set up an audit and remuneration committee. Being a self-governing institution the sections in the Guidelines regarding the interaction with the shareholders are not applicable.

## **12 MAJOR SHAREHOLDERS**

In Act No. 75 § 1, it is stated that the Issuer is a self-governing institution. Act No. 75 yet also affirms a strong connection to the Faroese government as described in chapter 11 in this Registration Document.

In 2001, the Ministry of Finance submitted a report regarding public institutions and funds and their connection to the Budget and the national accounts. The report stated that Realurin is not a self-governing institution but an independent Civil Service subject under the Ministry of Finance and consequently a government property.

The management of Realurin did not agree with the conclusion of the report and claimed their independency. The dispute between Realurin on one side and the Ministry of Finance was never settled.

In the day-to-day running of the firm, Realurin is under no influence of the Ministry of Finance or other governmental authorities.

If the institution is liquidated, the property of the institution shall be disbursed according to a decision made in a parliamentary act, according Act No. 75.

## 13 FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

### 13.1 Historical Financial Information

#### Statement of compliance

The financial statements of Realurin are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Faroese Financial Statements Act and the Act No. 75. The financial statements have been prepared under the going concern assumption.

The annual report for 2009/2010 is Realurin's first annual report prepared according to IFRS. IFRS 1 on first-time adoption of IFRS has been used for the transition.

#### Basis for preparation

The annual report is presented in thousand DKK. The annual accounts are based on historical cost except for bonds that are valued at fair value.

The historical financial information and financial statements for the twelve months ended 31 Mars 2010 and 31 Mars 2009 with auditors report may be inspected in Appendix 4 and 5 in the following way:

<b>Realurin</b>	<b>2009/2010</b>	<b>2008/2009</b>
Profit and loss account	Page 34, Appendix 4	Page 15, Appendix 5
Balance sheet	Page 35, Appendix 4	Page 16, Appendix 5
Cash flow statement	Page 38, Appendix 4	N/A
Notes to the annual report	Page 39, Appendix 4	Page 18, Appendix 5
Accounting policies	Page 24, Appendix 4	Page 12, Appendix 5

Key figures from the accounts are listed in the following tables.

<b>Profit and loss account (TDKK)</b>	<b>2009/2010</b>	<b>2008/2009</b>
Result from loan-activity	36.975	32.889
Other interests and value adjustment	7.530	11.223
Other income	584	582
Wages and administration costs	-3.264	-2.847
<b>Result before change in provisions</b>	<b>41.825</b>	<b>41.847</b>
Write-downs on loans and realized losses	-7.975	-20.545
Taxes	-6.093	-3.834
<b>Result for the year</b>	<b>27.757</b>	<b>17.468</b>

<b>Balance sheet (TDKK)</b>	<b>31 Mar 2010</b>	<b>31 Mar 2009</b>
Tangible assets	2.753	2.796
Current assets	809.591	617.588
Bonds	40.194	109.387
Cash in hand and at bank	71.210	45.454
<b>Total assets</b>	<b>923.748</b>	<b>775.225</b>
Total equity	683.540	655.782
Non-current liabilities	210.810	38.701
Current liabilities	29.398	80.742
<b>Total liabilities</b>	<b>923.748</b>	<b>775.225</b>

## 13.2 Financial statements

See section 13.1 Historical Financial Information.

## 13.3 Auditing of historical annual financial information

The historical financial information comprising financial statements from Annual Report 2009/2010 and 2008/2009 have been audited by SPEKT lóggildir grannskoðarar Sp/f (see Section 3 for further information). No other information in the Registration Document has been audited by the auditors.

## 13.4 Legal and arbitration proceedings

The Issuer is not and has not been in any governmental, legal or arbitration proceedings that has any significant effect on the Issuer's financial position or profitability. The Issuer is currently not aware of any such pending or threatened proceedings.

## 13.5 Significant change in the Issuer's financial or trading position

The latest audited financial information covers the period from 1 April 2009 to 31 March 2010. Since the end of the last financial period, there have been no significant changes in the financial or trading position of Realurin.

## 14 MATERIAL CONTRACTS

Realurin has not entered into any material contracts that are not entered into in the ordinary course of the Issuer's business, and which could result in any group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to bondholder in respect of the Bond issue.

## 15 THIRD PARTY INFORMATION

Part of the information given in this Prospectus has been sourced from a third party. It is hereby confirmed that the information has been accurately reproduced and that as far as Realurin is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The third party is the Governmental Bank of the Faroe Islands, the source is [www.landsbank.fo](http://www.landsbank.fo) and the reference is in the table in section 7.7.

## 16 DOCUMENTS ON DISPLAY

For the life of this Registration Document, the following documents (or copies thereof) may be obtained from Realurin's registered office, Niels Finsensgøta 39, P.O.Box 367, FO-110 Tórshavn, Faroe Islands:

- The Issuer's memorandum and articles of association
- The Issuer's audited annual financial statements for the financial year ended 31 March 2010
- The Issuer's audited annual financial statements for the financial year ended 31 March 2009

This Prospectus will be available on the Issuers web-site, [www.realurin.fo](http://www.realurin.fo)

# **Appendix 1**

## **Articles of Association**

The Articles of Association have been translated from Faroese. If the wording is not in congruence with the original version the Faroese version shall prevail.

As a consequence of the amendments to the parliamentary act about The Faroese Mortgage Credit Society passed by the parliament the 22 December 2010 the Articles of Association will be amended concordantly. In the explanatory memorandum to Act No. 122 from 22 December 2010 the Minister of Finance states that Article 1, paragraph 2, Article 10, paragraph 2, 3 and 6 will be amended in agreement with the Act.

# **ARTICLES OF ASSOCIATION**

**for**

## **Føroya Realkreditstovnur (The Faroese Mortgage Credit Society)**

Based on § 4 in Parliamentary Act No. 75 from 5 November 1998 as amended by Parliamentary Act No. 53 from 16 May 2006, the Faroese Government lays down the following Articles of Association.

### **Chapter I**

#### **§ 1**

#### **Objects of the Institution**

The Faroese Mortgage Credit Society, which was founded according to Act No. 60 from 12 March 1955, shall continue as a self-governing institution with the name Føroya Realkreditstovnur (Realurin).

The object of the institution is to provide loans with security in fishing vessels, floating installations and vessels in the offshore industry and fish farming with domicile in the Faroe Islands.

### **Chapter II**

#### **§ 2**

#### **Management of the Institution**

The institution is governed by a management with three members, nominated by the Minister.

The members of the management are nominated for five year terms.

The member of the management, who is appointed in 1999, is appointed for a period of two years. The members of the management, who shall be appointed in the year 2000, shall according to a draw be appointed for a period of three and five years respectively. Members of the management may be reappointed.

The management is responsible for managing the activities of the institution according to the law and the Articles of Association.

No decision may be rendered without at least two members of the management having participated in the decision.

Each member of the management signs for the institution, if other rules are not stipulated, see §§ 7 and 10.

The Minister decides the more specific employment terms of the members of the management.

#### **§ 3**

The managers shall divide the activities of the institution between them. They may delegate the management of the daily activities of the institution to one member of the management or appoint a assistant manager to manage the day to day business of the institution.

#### **§ 4**

The management appoints employees, including surveyors. The Minister shall be informed on appointments of assistant manager and surveyors.

#### **§ 5**

The advisory board advises the management. The advisory board reviews the annual accounts and the annual report.

The management informs the advisory board on the activities of the institution and calls a meeting of the advisory board at least once a year.

The management provides for the election of members of the advisory board.

The elections are held in February and shall be valid from 1 March.

With regard to the election of representatives for the lenders in the advisory board, the following rules apply:

Notices on candidates signed by at least five lenders shall be sent to the management before 2 January in the calendar year, in which the election shall be held.

Votes are made in writing on ballot papers, which are sent to the lenders before 1 February. The candidates shall be arranged alphabetically on the ballot paper. Votes may be cast for two candidates on each ballot paper. The ballot papers, which shall be signed in person, shall be handed to the institution not later than 15 February.

If no notices regarding candidates are received, lenders, who have been previously elected, may consider themselves re-elected without vote, if they have confirmed in writing towards the management that they will accept re-election. If they do not accept re-election and no propositions for candidates have been received in due time, the management may appoint the members.

No member of the advisory board may be elected or re-elected after having reached the age of 70.

#### **§ 6**

#### **The surveyors**

There shall be appointed at least three surveyors, one who shall have knowledge regarding ship building, one shall have knowledge with regard to machinery, and one shall have practical experience in fisheries as well as possess abilities with regard to fisheries economy.

The management may under special circumstances decide that the survey and control shall be performed by external surveyors.

The surveyors are the professional and trusted advisors to the management. The surveyors shall evaluate the mortgages, which are offered to the institution, prior to loans being offered, supervise the mortgaged property and provide statements with regard to the state and value of a mortgage prior to the management reaching a decision on taking over or sale of the property.

The surveyors shall receive remuneration for their work. The size of the remuneration shall be decided by the management.

The management may decide that the remuneration shall be repaid to the institution in whole or in part by the lenders.

No surveyor may continue in his position after having reached the age of 70.

### **Chapter III**

#### **§ 7**

## **Loans of the Institution**

Apart from the base capital, the institution may obtain loan capital by issuing bonds or bearer bonds issued in the name of the institution according to the rules in force regarding instruments of debt.

For a decision according to (1) to be valid, it shall be signed by all members of the management.

The aggregated amount of the bonds and other debt instruments issued at any time may not exceed an amount corresponding to 5 times the base capital at the closing of the last financial year.

The Minister may upon recommendation from the management decide that when the proportion between the base capital and loans obtained for the base capital is calculated, such loan amounts shall be taken into consideration, which according to the terms for the loan yield for other loans obtained by the institution and which first and foremost shall be used to repay such loans.

If special conditions so indicate, the Minister can upon recommendation from the management allow that the nominal value of the bonds and other debt instruments may correspond to seven times the base capital.

### **§ 8**

The aggregated amount of the obligations of the institution with regard to loans obtained shall correspond to mortgage deeds in favour of the institution with at least a corresponding amount.

Interest and repayment of bonds shall be made according to the rules in force for instruments of debts, whilst loan capital obtained by other means shall carry an interest and be repaid according to the terms agreed.

## **Chapter IV**

### **§ 9**

## **Loans of the Institution**

Applications for loans from the institution shall be written on application forms, which also indicates the information and documentation to be submitted together with the application. Property, which is offered as security, shall be surveyed according to the rules in §§ 19-21.

A fee, determined by the management, shall be paid for the survey and other expenses from the taking of the loan.

### **§ 10**

Loans, interest, time of repayment and other conditions shall be specified by the management according to the rules laid down in the articles of association.

The institution may provide loans with either 1st or 2nd mortgage. Loans with 1st mortgage shall not exceed 60 per cent of the estimated value, when loans with 2nd mortgage are not provided. If a loan is provided with 2nd mortgage, the limit for a loan with 1st mortgage is 50 per cent.

Loans with 2nd mortgage may be provided within a capital limit corresponding to 30 per cent of the own capital, calculated as base capital and contingency fund. They may only be provided together with loans with 1st mortgage and may not exceed 70 per cent of the estimated value. Loans may, however, be provided up to 80 per cent of the estimated value, if the loan is provided with a similar mortgage from other financing.

The time of repayment of the loans may not exceed 15 years. The management may, however, in the repayment period, if special conditions so indicate, allow that instalments are lowered or that a respite is given, so that the repayment period is prolonged to a maximum of 20 years.

The loan limits in (2) and (3) may be exceeded if mortgaged property, which has been taken over in connection with a compulsory sale or under similar conditions, is resold if this may provide for a possibility to avoid unnecessary loss.

The institution may not provide loan to a borrower or a group of connected borrowers, which exceed 25 per cent of the property of the institution (base capital and contingency fund).

In order to provide a loan, the signature of at least two members of the management are required, see however § 5 (2).

## **§ 11**

Loans shall only be provided with mortgage in the property mentioned in § 1. The mortgage comprises the property with accessories according to the Act on the Registration of Ships and the Act on Land Registry and also the insurance sum for the mortgaged property.

Loans may be provided for new vessels and rebuilding, engine replacement, etc. included, as well as in special cases for older property, including the financing of transfer of ownership as well as repayment of debt with burdensome repayment terms.

The mortgage property with accessories shall always be insured properly in an insurance company, approved by the minister.

## **§ 12**

Approved loans are paid out in cash at a rate and with an interest determined by the management, which shall see to it that the institution is indemnified for possible loss on exchanges with regard to the loans taken by the institution itself.

Mortgage deeds, which are provided as security for loans, may not be disposed for ownership or as security, and creditors may not individually take proceedings against them. More specific rules shall be determined on the front page of the mortgage deeds.

## **§ 13**

The borrowers shall be jointly and severally responsible for the obligations of the institution, each with an amount corresponding to their principal debt. In order to meet this responsibility, the management may decide that a additional payment shall be made to the contingency fund.

The management may limit the joint and several liability to apply only to property groups with similar risk profiles. More specific rules regarding such limitation shall be determined by the management with approval from the Minister.

Borrowers, who have repaid their loan, shall not receive confirmation that they are released from the joint and several liability, until three months have expired from the date that the annual accounts for the financial year, in which the loan was repaid, have been sent to the Minister, and the Minister has not taken the opportunity to make remarks with regard to the correctness of the annual accounts or made specific reservations. Such confirmation may, however, be provided if the contingency fund at the end of the financial year is at least 20 per cent of the debt of the institution.

## **§ 14**

Each time that a loan is taken, 1 per cent of the principal debt of the loan shall be paid as a deposit to the contingency fund, cf. § 22. The management may allow that the deposit is made in four equally large instalments, which shall be paid when the loan is paid out and the next due dates, if

the relevant mortgage gives the same security for non-paid instalments as for the loan, interest and other payments. Each day of payment, a payment shall be made to the contingency fund. The amount to be paid shall be determined by the management upon the provision of the loan and as a specific percentage of the principal debt of the loan.

If the contingency fund is less than two per cent of the debt of the institution, the management may with a respite of three months to a payment day demand extraordinary payments to the contingency fund, which specifically determined in proportion to the ordinary payments every six months, are necessary to augment the property of the contingency fund up to the amount mentioned.

## **§ 15**

The loan shall be repaid with as many repayment days, which were determined, when the loan was taken, and with instalments of a similar or changing size, see however § 10 (4) and § 17 (1). The instalments shall be paid with interest of the remaining debt and deposits to the contingency funds each 1 May and 1 November.

Payments to be made each 6 months, which are not paid at the latest on 20 May and 20 November respectively, shall accrue default interest of the outstanding debt from the payment day and until payment. The rate of default interest shall be determined by the management with due regard to the Faroese level of interest.

## **§ 16**

Loans provided by the institution may not be called in by the institution as long as the relevant borrower keeps all his obligations, but shall fall due for payment, if such obligations are not kept.

Loans fall due for payment in connection with transfer of ownership, but the management may allow that the new owner shall take over the loans.

## **§ 17**

Each borrower has the right to pay the entire outstanding debt or pay extraordinary instalments of the loan with a respite of three months to either 1 May or 1 November. Extraordinary instalments shall, however, be paid with amounts, which may be divided by 1000.

With regard to the lease from the joint and several liability for the loan, reference is made to § 13 (3), and with regard to repayment of part of the contingency fund reference is made to § 22.

## **§ 18**

The receipt, which is provided to a borrower for payment every six months according to § 15 shall indicate the amount paid and the remaining debt of the loan.

## **Chapter V**

### **§ 19**

#### **Survey**

Property, which is offered to the institution as security, shall be surveyed by at least two of the surveyors of the institution.

The management may prepare rules for the procedure to be followed in connection with the survey, and such rules shall be fully adhered to.

## **§ 20**

If the management is of the opinion that the property may not provide necessary security for the loan, the management may call for a new survey.

The cost of such survey may be demanded from the borrower, if he has the responsibility for the necessity of such survey. If the result is that the loan shall exceed the limits according to § 10 for the value of the property according to the new survey, the management may call in the loan for payment without delay.

## **§ 21**

An applicant for a loan is under an obligation to give the surveyors all necessary information regarding the property and to sign a confirmation on the survey report, confirming that the applicant has given all the information required according to the best of his belief.

## **Chapter VI**

### **§ 22**

#### **Contingency Fund**

A contingency fund has been established to withstand losses from the loans of the institution.

The deposits, payments and extra payments mentioned in § 14 as well as interest and result of the institution itself shall be placed in the contingency fund.

The property in the contingency fund may not be lent, but shall be placed in easily negotiable bonds according to the rules in force for money owned by minors.

At the end of each financial year the size of the contingency fund shall be calculated, and the proportion of the size of the contingency fund relevant to the aggregated debt of the institution shall be determined based on such calculation.

The deposit made by a borrower to the contingency fund, when the loan was taken, shall be repaid to the borrower, when the loan has been fully repaid, see below.

No repayment is made until a release may be given for the joint and several liability, which is a condition for the loan, cf. § 13 (3).

No repayment shall be made if the contingency fund due to such repayment falls below 20 per cent of the debt of the institution.

If the contingency fund does not have the necessary funds to pay the deposits of all previous borrowers, borrowers having repaid their loans in previous financial years shall be repaid first, and those, who have repaid their loans at a later time, shall be repaid later.

If a deposit may not be repaid due to the rules mentioned above not later than 5 years after the end of the financial year, in which the loan was repaid, the borrower shall forfeit his right to have the deposit repaid.

## **§ 23**

The contingency fund shall have a size corresponding to not less than 10 per cent of the aggregated loans of the institution or 20 per cent of the aggregated debt of the institution, depending on which amount is higher.

If the contingency fund in a financial year exceeds the above mentioned limits, the exceeding amount may be transferred to the base capital according to a decision by the management.

## **Chapter VII**

### **§ 24**

#### **Administration, Annual Accounts, Auditing etc.**

The administrative expenses of the institution shall be paid from interest from loans and other income of the institution to the extent that such amounts do not belong to the contingency fund, cf. § 22.

### **§ 25**

The financial year of the institution is from 1 April until 31 March.

In connection with the annual accounts, bonds owned by the institution and whose rate is publicly determined, shall be valued at the average of the latest bidding price at the end of the financial year and similar rates for the last nine years. The rate so determined may, however, not exceed the rate called. Other property may not be valued at a higher value than the real value. Such depreciations and offsets shall be made, which are necessary to provide for established or expected financial losses from mortgages taken over, debts and other property.

### **§ 26**

A report regarding the activities of the institution for the relevant financial year shall be provided together with the annual accounts. The report shall contain information on the size of the aggregated loans of the institution, divided into property groups, on percentage of mortgage in proportion to purchasing amounts of mortgages, which have changed owner, on mortgages, which have been previously taken over, but not disposed of at the start of the financial year, and on the mortgages, which have been taken over in the financial year with information on, how many of the mortgages taken over have been sold with aggregated losses or profits and on the size of depreciations of mortgages.

Report and annual accounts are presented to the advisory board for review and shall not later than four months after the end of the financial year be sent to the Minister with the remarks from the auditor.

Not later than one month after the end of each quarter, the management shall provide the Minister with an excerpt from the accounts of the institution.

The Minister of Finance

Tórshavn, on 19 January 1999

*K. Hansen /*

*P. A. Lamhauge*

## **Appendix 2**

### **Parliamentary Act No. 75 from 5 November 1998 on Faroese Shipfinancing Fund**

The Parliamentary Act has been translated from Faroese. If the wording is not in congruence with the original version the Faroese version shall prevail.

## PARLIAMENTARY ACT

on

### **Føroya Realkreditstovnur (The Faroese Mortgage Credit Society) (as amended by Parliamentary Act No. 53 from 16 May 2006)**

According to a decision by the Faroese Parliament, the Faroese prime Minister hereby confirms and publishes the following Parliamentary Act:

#### **Chapter I**

##### **Objects of the Institution**

§ 1. The Faroese Mortgage Credit Society, which was founded according to Act No. 60 from 12 March 1955, shall continue as a self-governing institution with the name Føroya Realkreditstovnur (Realurin). The object of the institution is to provide loans with security in fishing vessels, floating installations and vessels in the offshore industry and fish farming with domicile in the Faroe Islands.

(2) The lending activities can be expanded to other industries in the Faroe Islands according to a decision by the Minister. Industries in the Faroe Islands also comprise activities, which a person, who is covered by the Hoyvík Convention (“Hoyvíkssáttmálin”) and has domicile within the territory of the convention, conducts with domicile in the Faroe Islands within the relevant industry.

(3) The institution shall continue with the rights and obligations, net capital and provisions included, which have been accrued and established by the Faroese Mortgage Credit Society based on its activities according to Act No. 60 from 12 March 1955, including founding capital.

(4) The provision on domicile in the Faroe Islands, which is contained in § 1 (1) (2) does not apply to:

- 1) Fishing vessels, floating installations, vessels in the offshore industry or fish farming with domicile within the territory of the Hoyvík Convention, if the vessel etc. has its domicile in the Faroe Islands, and
- 2) the owner of the vessel etc. is covered by the Hoyvík Convention and has his domicile within the territory of the convention.

(5) The Hoyvík Convention, which it is referred to in § 1 (2) and (4), is the convention from 31 August 2005 between on the one side the government of Iceland and on the other side the governments of Denmark and the Faroe Islands.

#### **Chapter II**

##### **Management of the Institution**

§ 2. The institution is governed by a management with three members, nominated by the Minister. The members of the management are nominated for 5 year terms. More specific rules shall be stipulated in the articles of association. The management is responsible towards the Minister for the management of the institution.

(2) The management appoints employees, including a possible assistant manager and surveyors. The Minister shall be informed on appointments of assistant manager and surveyors.

§ 3. The advisory board has 8 members, 2 nominated by the Minister, 2 by the institution’s debtors, 2 by the Faroese Association of Ship Owners, while the Faroese Association of Fishermen, the Faroese Association of Captains and Navigators and the Faroese Association of Engineers jointly nominate 2 members, see however § 18 (3).

(2) The nominations are for terms of 4 years. The management shall call a meeting of the advisory board at least once a year.

**§ 4.** The Minister shall prepare articles of association for the institution, based on a recommendation from the management.

**§ 5.** Managers, assistant managers and surveyors may not participate in the handling of their own loan applications or surveys of their own property or of their spouses or persons, which they are related to in direct line or first or second collateral branch or which are particularly close to them in any way. Also they may not participate in the handling of matters regarding loans with regard to property, which is mortgaged in their favour, or to which they have purchasing rights, or with regard to whom they within the last two years have assisted with regard to purchasing or rebuilding, or with regard to whom they as financial managers or assistants are participating or with regard to whom they within the same period have participated in connection with mortgaging or sale.

(2) In matters where the management does not form a quorum based on the above mentioned rule, the Minister shall make decisions with regard to the provision of loans.

(3) The persons, which are mentioned in (1), and the employees of the institution may not for their own account conduct or participate in transactions of a speculative nature.

(4) Neither any member of the board nor any accountant of the institution may obtain loan from the institution, unless the Minister gives his consent in each particular incidents.

### **Chapter III Possessions and Loans**

**§ 6.** The property of the institution are the base capital mentioned in § 1 (3) and a contingency fund, whose capital shall be obtained according to the rules in § 8 (9) and (10) and § 10 (1).

(2) The contingency fund shall correspond to at least 10 per cent of the aggregated loans of the institution and 20 per cent of the debt of the institution.

(3) The capital in the contingency fund may not be lent, but shall be locked-up according to the rules in force for money owned by minors.

(4) If the contingency fund exceeds the limits in (2) at the end of a financial year, the exceeding amount may, however, be transferred to the base capital of the institution according to a decision by the management.

**§ 7.** Apart from the base capital, the institution may obtain loan capital by issuing bonds or bearer bonds issued in the name of the institution according to the rules of the articles of association for the institution.

(2) For a decision according to (1) to be valid, it shall be signed by all members of the management.

(3) The aggregated amount of the bonds and other debt instruments issued at any time may not exceed an amount corresponding to 5 times the base capital at the closing of the last financial year.

(4) If special conditions so indicate, the Minister can upon recommendation from the management allow that the nominal value of the bonds and other debt instruments may correspond to seven times the base capital.

(5) More specific rules regarding the calculation of the proportion between base capital and loans acquired shall be stipulated in the articles of association.

### **Chapter IV Loans of the Institution**

**§ 8.** Loans, interest, time of repayment and other conditions shall be specified by the management according to the rules laid down in the articles of association.

- (2) The institution may provide loans with either 1st or 2nd mortgage. Loans with 1st mortgage shall not exceed 60 per cent of the estimated value, when loans with 2nd mortgage are not provided. If a loan is provided with 2nd mortgage, the limit for a loan with 1st mortgage is 50 per cent.
- (3) Loans with 2nd mortgage may be provided within a capital limit corresponding to 30 per cent of the own capital, calculated as base capital and contingency fund. They may only be provided together with loans with 1st mortgage and may not exceed 70 per cent of the estimated value. Loans may, however, be provided up to 80 per cent of the estimated value, if the loan is provided with a similar mortgage from other financing.
- (4) The time of repayment of the loans may not exceed 15 years. The management may, however, in the repayment period, if special conditions so indicate, allow that instalments are lowered or that a respite is given, so that the repayment period is prolonged to a maximum of 20 years.
- (5) The loan limits in (2) and (3) may be exceeded if mortgaged property, which has been taken over in connection with a compulsory sale or under similar conditions, is resold if this may provide for a possibility to avoid unnecessary loss.
- (6) The institution may not provide loan to a borrower or a group of connected borrowers, which exceed 25 per cent of the property of the institution (base capital and contingency fund).
- (7) In order to provide a loan, the signature of at least two members of the management are required, see however § 5 (2).
- (8) The loans are paid out in cash at a rate and with an interest stipulated by the management.
- (9) Each time a loan is taken, a deposit shall be made to the contingency fund as more specifically provided for in the articles of association. The deposit shall be repaid, when the loan has been fully repaid.
- (10) More specific rules shall be stipulated in the articles of association with regard to payment of deposit, payment to the contingency fund in the repayment period and limitations in the right to repayments of a deposit, when the loan has been fully repaid.

**§ 9.** Loans shall only be provided with mortgage in the property mentioned in § 1. The mortgage comprises the property with accessories according to the Act on the Registration of Ships and the Act on Land Registry and also the insurance sum for the mortgaged property.

(2) More specific conditions with regard to mortgaging shall be provided for by the management and indicated in the mortgage deeds.

**§ 10.** The borrowers shall be jointly and severally responsible for the obligations of the institution, each with an amount corresponding to their principal debt. In order to meet this responsibility, the management may decide that a additional payment shall be made to the contingency fund.

(2) More specific rules shall be stipulated in the articles of association with regard to limitation in and cessation of the joint and several responsibility.

**§ 11.** Members shall be obligated according to the articles of association in force from time to time.

**§ 12.** Documents, which are sent from the institution or to the institution in connection with its activities shall be registered without payment.

(2) Confirmations and excerpts from public authorities to be used in connection with registration of documents, mentioned in (1), shall be provided without costs.

## **Chapter V**

### **Control, Annual Accounts and Auditing**

**§ 13.** The Minister supervises the institution. In order to conduct the external supervision, the Minister appoints an auditor. When so required, the institution shall provide the accountant with any and all information regarding the affairs of the institution. The Minister lays down more specific rules for the external supervision.

**§ 14.** The institution shall for each financial year prepare annual accounts indicating the result, the balance, notes and the annual report. The annual accounts shall give a true and fair view of the institution's property and debt, financial position and the result. The annual accounts shall be prepared according to good practice.

(2) More specific rules regarding the annual accounts shall be stipulated in the articles of association.

**§ 15.** The annual accounts shall be audited by a chartered accountant, appointed by the management. An auditors report shall be kept for the work of the accountant.

(2) More specific rules regarding the auditing shall be stipulated in the articles of association.

**§ 16.** The audited annual accounts with signatures and the approval of the management shall be presented to the advisory board for review and then not later than 4 months after the end of the financial year sent to the Minister together with the remarks from the accountant.

(2) Not later than one month after each quarter, the management shall send an excerpt of the accounts of the institution to the Minister.

## **Chapter VI Liquidation of the Institution**

**§ 17.** If the institution is liquidated, the property of the institution shall be disbursed according to a decision made in a parliamentary act.

## **Chapter VII Transitional and Commencement Provisions**

**§ 18.** This Act shall take effect the day after it has been published.

(2) The present management shall sit for its nominating period.

(3) The Danish Parliament shall continue to nominate two members to the advisory board until the expiry of the state guarantee for bonds issued.

## **Appendix 3**

### **Parliamentary Act No. 122 from 22 December 2010**

The Parliamentary Act has been translated from Faroese. If the wording is not in congruence with the original version the Faroese version shall prevail.

## PARLIAMENTARY ACT

on

### Føroya Realkreditstovnur (The Faroese Mortgage Credit Society)

According to a decision by the Faroese Parliament, the Faroese prime Minister hereby confirms and publishes the following Parliamentary Act:

#### § 1

In parliamentary Act No. 75 from 5 November 1998, regarding The Faroese Mortgage Credit Society as amended by Parliamentary Act No 53 from 16 May 2006, the following amendments are to be implemented:

1) In § 1, subsection 1, 2, the word “cargo vessels” shall be added after “fishing vessels”.

2) In § 1, subsection 4, the word “cargo vessels” shall be added after “fishing vessels”.

3) § 8, subsection 2 shall read as follows:

“Subsection 2: The Society may grant 1<sup>st</sup>. and 2<sup>nd</sup> mortgage loans either as exclusive mortgagee or mutually with equivalent security from another financial source. 1<sup>st</sup> mortgage loans may not exceed 60 % of the estimated value.”

4) § 8, subsection 3 shall read as follows:

“Subsection 3. 2<sup>nd</sup> mortgage loans may be granted together with 1<sup>st</sup> mortgage loans and may not exceed 80 % of the estimated value.”

#### § 2

Subsection 1. This parliamentary act comes into force the day after its announcement.

Subsection 2. From the day this law comes into force until 31 March 2013, the 25 % limit may be exceeded, yet only up to 30 % in § 8, subsection 6 in the Parliamentary Act No. 75 of 5 November 1998 regarding The Faroese Mortgage Credit Society as amended by Parliamentary Act No. 53 from 16 May 2006.

## **Appendix 4**

Annual Report for 2009/2010

# Ársfrásøgn fyri 2009/2010

Annual Report for 2009/2010



**Realurin**

FØROYA REALKREDITSTOVNUR  
FAROESE SHIPFINANCING FUND





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NORÐURLENSKT UMHVØRVISMERKI  
Svanamerktur prentlutur 541 705

**UMBRÓTING, PRENT OG LÍDUGTGERÐ: FØROYAPRENT**



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55. roknskaparár / Accounting year no. 55

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skipsførari / ship master, Skálavík

Poul Hansen,  
advokatur / solicitor, Tórshavn

Jan Højgaard,  
felagsformaður / union leader, Toftum

Eyðstein Djurhuus,  
skipsførari / ship master, Hoyvík

Viberg Sørensen,  
reiðari/ship owner, Trongisvág

Hanus Hansen,  
reiðari/ship owner, Klaksvík

Osmund Justinussen,  
reiðari / ship owner, Tórshavn

Björg á Rógvi,  
skrivstovukvinna / office assistant, Vestmanna

**Stjórn/Board of Directors**

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Ulla S. Wang  
Virgar Dahl

**Varastjóri/Deputy Manager**

Leivur D. Michelsen

**Virðismetingar- og sýnsmenn/Survey staff**

Torleivur Hoydal,  
skipsverkfrøðingur / ship engineer, Hoyvík

Niels J. Nielsen,  
skipsførari / ship master, Sørvágur

Júst Skarðenni,  
maskinmeistari / engineer, Argir

**Grannskoðari/Auditor**

SPEKT løggildir grannskoðarar Sp/f

## HÖVUÐSTÖL / MAIN FIGURES

tkr. / TDKK	2009/ 2010 IFRS	2008/ 2009 IFRS	2007/ 2008 GAAP	2006/ 2007 GAAP	2005/ 2006 GAAP
<b>Rentur av útlánun/ Interest from loans</b>	42.572	35.788	27.876	22.164	23.238
Úrslit av útlánsvirksemi / Result from loan-activity	36.975	32.889	27.814	22.733	23.008
Úrslit áðrenn broyting í avsetingum / Result before change in provisions	41.825	41.847	36.653	30.732	29.888
Úrslit áðrenn skatt / Result before tax	33.850	21.302	33.738	27.753	27.164
<b>Ársúrslitið/ Result for the year</b>	27.757	17.468	23.274	22.571	15.030
Útlán 1. veðrættur, brutto/ Loans 1 priority, gross	630.492	493.143	416.594	420.096	372.322
Útlán 2. veðrættur, brutto/ Loans 2 priority, gross	198.206	153.988	119.653	118.861	99.341
Lánsbrøv/ Bonds	40.194	109.387	110.583	114.830	143.687
<b>Ogn til samans/ Total assets</b>	923.748	775.225	706.461	634.173	632.970
Hövuðsgrunnur/ Main fund	584.000	584.000	550.000	550.000	516.500
<b>Eginpeningur / Equity</b>	683.540	655.782	638.399	615.124	592.553
Langfreistað skuld / Non-current liabilities	210.810	38.701	47.461	7.263	11.510
Stuttfreistað skuld / Current liability	29.398	80.742	20.574	11.756	28.876

Omanfyri eru hövuðstöl fyrri inniverandi ár og 4 tey undanfarnu árin vist. Tølini fyrri 2009/10 og 2008/09 eru avløgð í tráð við IFRS, meðan tølini fyrri árin frammanundan eru tikin úr teim eftir ÁRL og viðtøkum avlögðu ársroknskapum.

Above main figures for the last five financial years are shown. The figures for 2009/10 and 2008/09 are according to IFRS standards. For the previous years the figures are according to annual accounts where national GAAP is applied.



	2009/ 2010 IFRS	2008/ 2009 IFRS	2007/ 2008 GAAP	2006/ 2007 GAAP	2005/ 2006 GAAP	
Ognaravkast / Return on net assets	4,5%	5,4%	4,8%	4,4%	4,3%	
Eginpeningspartur / Equity ratio	74,0%	84,6%	90,4%	97,0%	93,6%	
Eginpeningsavkast / Return on equity	4,1%	2,7%	3,7%	3,7%	2,6%	
Eykagrunnar í mun til útlán / Reserves as a ratio of loans	Min. 10%	12,0%	11,1%	16,5%	12,1%	16,1%
Eykagrunnar í mun til skuld / Reserves as a ratio of liability	Min. 20%	41,4%	60,1%	130,0%	342%	188%
Skuld í mun til hövuðsgrunn / Liability as a ratio of the main fund	Max. 500%	41,1%	20,5%	12,4%	3,5%	7,8%
2. veðrættarlán í mun til eginpening/ 2nd priority loans as a ratio of equity	Max. 30%	29,0%	23,5%	18,7%	19,3%	16,8%
Hægst loyva útlán til ein lántakara ella bólk (mió.kr.) / Max. loan amount for a single borrower or group (DKK millions)	171	164	160	154	148	

Omanfyri eru lyklatöl fyrri inniverandi ár og 4 tey undanfarnu árin víst. Tølini fyrri 2009/10 og fyrri 2008/09 eru avlögð í tráð við IFRS, meðan tølini fyrri árin frammanundan eru tikin úr teim eftir ÁRL og viðtøkum avlögdu ársroknskapum.

Above key figures for the last five financial years are shown. The figures for 2009/10 and 2008/09 are according to IFRS standards. For the previous years the figures are according to annual accounts where national GAAP is applied.

### Útrokning av lyklatølum / Key figure calculations

Ognaravkast / Return on net assets  $\frac{\text{Úrslit áðrenn avsetingar / Result before provisions} \times 100}{\text{Ogn til samans / Total assets}}$

Eginpeningspartur / Equity ratio  $\frac{\text{Eginpeningur, ultimo / Equity, year end} \times 100}{\text{Ogn í alt, ultimo / Total assets, year end}}$

Eginpeningsavkast / Return on equity  $\frac{\text{Ársúrslit / Annual result} \times 100}{\text{Eginpeningur, ársmiðal / Equity in average}}$

### Frágreiðing til lyklatalsútrokningar / Explanation to calculation of key figures

Í útrokningini av lyklatølum verða bruttoútlán áðrenn avsetingar nýtt/  
When calculating the key figures, gross loans before provisions are used.

**Endamál**

Endamál stovnsins er at veita lán við veð í fiskiførum, flótandi eindum og førum í frálandavinnu og fiskaaling við heimstaði í Føroyum.

**Útlán**

Útlán stovnsins høvdu 31. mars 2010 ein høvuðsstól upp á 982,7 mió.kr., sum við avdráttum v.m. er komin niður á 828,7 mió.kr.

Við roknskaparárslok vóru 12,8 mió.kr. í eftirstøðum av terminsgjöldum.

**Umsóknir**

51 lán við eini samlaðari nettoupphædd upp á 371,4 mió.kr. eru veitt í roknskaparárinum 2009/10. Av hesum eru 39 nýggj lán, svarandi til 290,7 mió.kr. og 12 umfíggað lán, svarandi til 80,7 mió.kr.

8 lán eru innloyst, áðrenn lánitíðin var úti og saman við umløgdu lánunum varð talan um innfrían v.m. uppá í alt 138,5 mió.kr.

**Býtið millum útlánsbólkarar**

Tað hava verið stórar broytingar í útlánnum ímillum bólkarar í ár. Serliga innan verksmiðjutrolarar, trol- og nótaskip og supplyskip. Í fjør vóru útlánini til verksmiðjutrolarar 28% av samlaðu útlánunum, ímóti 16% í ár. Útlánini í ár hjá trol- og nótaskipum eru 21% ímóti 8% í fjør, og útlánini í ár hjá supplyskipum eru 14% ímóti 8% í fjør.

Útlánini íroknað eftirstøður kunnu bólkast soleiðis:

	2009/10	2008/09	2007/08
Djúpvatnstrolarar	72,5	78,4	51,5
Ísfiskatrolarar	182,8	166,7	106,9
Línuskip	17,5	17,7	17,9
Rækjutrolarar	65,6	65,5	65,3
Verksmiðjutrolarar	137,2	181,8	189,6
Trol- og nótaskip	175,6	52,0	61,1
Útróðrabátar	9,7	9,1	8,8
Alibátar v.m.	61,6	37,4	25,2
Supplyskip v.m.	120,2	50,2	16,9
	842,7	658,8	543,2

**Fiskiskapur og gongdin hjá ymsu skipabólkunum**

Feskiskaveiðan var góð 112.000 tons í 2009, og er hetta tað sama sum í 2008. Í 2006 var veiðan 134.000 tons, so minkingin trý tey seinastu árin er umleið 22.000 tons ella 16%.



### **Purpose**

The purpose of the Fund is to grant loans with security in fishing vessels, floating entities and vessels in the offshore industry and fish farming with domicile in Faroe Islands.

### **Loans**

The principal of the Fund's loans was DKK 982.7 mill as at 31 March 2010. With paid installments etc. the loans now amount to DKK 828.7 mill.

By the close of the accounting year, DKK 12.8 mill of the mortgage payments were overdue.

### **Loan applications**

51 loans, worth a total amount of DKK 371.4 mill, have been granted during the accounting year 2009/10. Of these 39 are new loans with a total amount of DKK 290.7 mill, and 12 are refinanced loans with a total amount of DKK 80.7 mill.

8 loans have been paid up before schedule and added up with the balance of the refinanced loans total redemptions of DKK 138.5 mill has taken place during the year.

### **Loans divided between groups of ships**

During the year there have been significant changes in the divisions between the various groups of borrowers. In particular there have been changes regarding factory trawlers, pelagic fishing vessels and supply ships. Last year loans to factory trawlers made up 28% of the total loans against 16% this year. This year loans to seine vessels amount to 21% of the total loans against 8% last year, while loans to supply ships make up 14% of the total loans this year against 8% last year.

Loans including payments overdue can be divided into groups as follows:

(DKK mill)	2009/10	2008/09	2007/08
Deep sea trawlers	72,5	78,4	51,5
Fresh fish trawlers	182,8	166,7	106,9
Lining ships	17,5	17,7	17,9
Shrimp trawlers	65,6	65,5	65,3
Factory trawlers	137,2	181,8	189,6
Pelagic fishing vessels	175,6	52,0	61,1
Fishing boats	9,7	9,1	8,8
Farming boats etc.	61,6	37,4	25,2
Supply ships etc.	120,2	50,2	16,9
	842,7	658,8	543,2

### **Fishing and results for the year**

Around 112.000 tonne of fresh fish were caught in 2009 which is about the same as in 2008. In 2006 around 134.000 tonne of fresh fish were caught which means that the annual catch for the last three years has declined by about 22.000 tonne or 16%.

## LEIÐSLUFRÁGREIÐING

Sjálvt um vit hava fiskað tað sama í ár sum í fjør, so hevur minkingin í virði verið 126 mió.kr. ella 14%. Toskur er minkaður 8% í nøgd og heili 42% í virði, meðan hýsan er minkað 30% í nøgd og 43% í virði. Tað var bert upsin, ið hevði eina øking í nøgd og virði. Upsin hevði eina øking uppá 5% í nøgd og 15% í virði.

Vit skulu heilt aftur til 1996 fyri at finna eitt lægri avreiðingarvirði enn í 2009.

Fiskaslag	Nøgd í tonsum		Virði í 1.000 kr.		Miðalprísur pr. kg.	
	2008	2009	2008	2009	2008	2009
Toskur	11.734	10.830	237.948	138.629	20,28	12,80
Hýsa	7.453	5.217	84.154	47.876	11,29	9,18
Upsi	51.013	53.505	259.045	298.135	5,08	5,57
Annar botnfiskur	11.853	11.812	109.605	85.838	9,25	7,27
Flatfiskur tils.	5.379	5.036	112.867	107.895	20,98	21,42
Onnur fiskasløg tils.	24.427	25.738	99.258	98.183	4,06	3,81
<b>Veiðan til samans</b>	<b>111.859</b>	<b>112.138</b>	<b>902.877</b>	<b>776.556</b>	<b>8,05</b>	<b>6,92</b>

Kelda: Hagstova Føroya

Fyri einkultu skipabólkarnar hava línuskipini og garnaskipini havt eina afturgongd uppá ávikavist 10% og 9% í nøgd. Sjálvt um lítil broyting er í skipabólkunum í nøgd, er broytingin í virði stór. Línuskipini høvdu eina afturgongd uppá 78,4 mió.kr. ella 37%, lemmatrolararnir eina afturgongd uppá 26,3 mió.kr., garnaskipini eina afturgongd uppá 10,2 mió.kr, meðan partrolararnir høvdu eina framgongd uppá 11,2 mió.kr.

Kelda: Føroya Fiskimannafelag

Tons	2004	2005	2006	2007	2008	2009
Lemmatrol	30.609	30.878	33.264	32.503	21.813	20.782
Partrol	44.962	62.811	61.912	57.238	63.282	65.179
Lína	40.230	34.972	32.573	26.257	21.787	19.658
Snella	2.963	2.824	3.232	2.028	1.851	3.776
Gørn og annað	3.305	3.264	3.182	3.019	2.852	2.596
<b>Reiðskapur til samans</b>	<b>122.069</b>	<b>134.749</b>	<b>134.163</b>	<b>121.045</b>	<b>111.585</b>	<b>111.991</b>

Kelda: Hagstova Føroya

Botnfiskaveiðan undir Føroyum er í virði umleið helvtin av tí samlaðu veiðuni, sum føroysk skip veiða. Hin helvtin verður fiskað av nótaskipum, flakatrolarum og rækjuskipum. Hjá hesum skipum hevur eisini verið stór afturgongd í 2009 í mun til 2008. Hjá nótaskipunum var afturgongdin í nøgd 173 t. tons ella 51% og í virði 102 mió.kr. ella 19%. Hjá flakatrolarum var ongin broyting í nøgd, men í virði var afturgongdin 85 mió.kr. ella 30%. Hjá rækjuskipum var afturgongdin í nøgd 18% og í virði var afturgongdin 11 mió.kr. ella 9%.

Kelda: Føroya Fiskimannafelag



Even though we have fished the same amounts as last year, the value has diminished by DKK 126 mill or 14%. The cod catch has diminished by 8% in amounts and by a whole 42% in value, while the haddock catch has diminished by 30% in amounts and by 43% in value. Only fishing for saith showed an increase in both amounts and value. The saith catch increased by 5% in amounts and 15% in value.

We have to go back all the way to 1996 to find a combined lower selling value than in 2009.

Fish species	Amount in tonne		Value in tDKK		Average price per kilo	
	2008	2009	2008	2009	2008	2009
Cod	11.734	10.830	237.948	138.629	20,28	12,80
Haddock	7.453	5.217	84.154	47.876	11,29	9,18
Saith	51.013	53.505	259.045	298.135	5,08	5,57
Bottom fish	11.853	11.812	109.605	85.838	9,25	7,27
Flat fish in total	5.379	5.036	112.867	107.895	20,98	21,42
Other fish species in total	24.427	25.738	99.258	98.183	4,06	3,81
<b>Catch in total</b>	<b>111.859</b>	<b>112.138</b>	<b>902.877</b>	<b>776.556</b>	<b>8,05</b>	<b>6,92</b>

Source: Faroese Statistics Bureau

The catch for lining ships and netting ships has declined by 10% and 9% respectively. Even though the changes in the catch are small, the changes in the value of the catch are great. The decline in value for lining ships was DKK 78,4 mill or 37%, for door trawlers the decline was DKK 26,3 mill and for netting ships the decline was DKK 10,2 mill, while the catch for pair trawlers increased by DKK 11,2 mill.

Source: The Faroese Fishermans Union

Tonne	2004	2005	2006	2007	2008	2009
Door trawlers	30.609	30.878	33.264	32.503	21.813	20.782
Pair trawlers	44.962	62.811	61.912	57.238	63.282	65.179
Lining	40.230	34.972	32.573	26.257	21.787	19.658
Jigging reel	2.963	2.824	3.232	2.028	1.851	3.776
Nets and others	3.305	3.264	3.182	3.019	2.852	2.596
<b>In total</b>	<b>122.069</b>	<b>134.749</b>	<b>134.163</b>	<b>121.045</b>	<b>111.585</b>	<b>111.991</b>

Source: Faroese Statistics Bureau

The catch for bottom fish makes up approximately half of the total value of the catch by Faroese ships. Fishing by pelagic fishing ships, factory trawlers and shrimp trawlers makes up the other half of the total value being caught by Faroese ships. These ships have also experienced a great decline in fishing in 2009 compared to 2008. For pelagic fishing ships the decline was 173 thousand tonne in amounts or 51% and DKK 102 mill or 19% in value. Factory trawlers did not experienced any change in amounts but did, however, record a decline in value of DKK 85 mill or 30%. For shrimp trawlers the decline in amounts was 18% and the decline in value was DKK 11 mill or 9%.

Source: The Faroese Fishermans Union

Vit hava ikki eitt samlað yvirlit yvir landingar hjá tí føroyska flotanum, men við at leggja tøl frá Hagstovu Føroya og tøl frá Føroya Fiskimannafelag saman, sæst, at tær samlaðu landingarnar í 2009 vóru 1.533 mió. kr. ímóti 1.858 mió.kr. T.v.s. ein niðurgongd uppá 325 mió.kr. ella 17%. Tann lági oljuprísurin í 2009 hevur helst gjørt, at tey flestu skipini kundu halda áfram at fiska.

Hvussu 2010 kemur at roynast er enn ilt at siga, tí vit hava bert hagtøl fyri fyrstu 4 mánaðirnar at halda okkum til. Í 2009 var sera stór afturgongd í landingarvirðinum. Landingarvirðið lækkaði 90 mió.kr. 1. ársfjórðing 2009 í mun til 2008. Teir fyrstu 4 mánaðirnar í ár er landingarvirðið hækkað við 32 mió. kr. ella 12%. Nøgdin er lækkað við 4.400 tonsum ella 11%. Tað er serliga toskurin, ið er øktur í nøgd og virði. Nøgdin er økt við 25% og virðið við 50%. Eisini eru hýsa, havtaska, longa, brosma og kongafiskur økt í nøgd og virði. Upsin hevur eina afturgongd uppá 3.654 tons, men ein hægri prísur hevur givið 3 mió.kr. meira í landingarvirði. Størstu afturgongdina í nøgd og virði hevur svartkalvin haft. Nøgdin er fallin við 469 tonsum ella 50% og virðið er lækkað 7 mió.kr. ella 39%.

Tað er ymiskt, hvussu skipabólkarnir hava klárað seg. Línuskipini og snelluskipini eru einastu skipabólkar, sum hava haft framgongd í nøgd og virði. Hjá øllum skipabólkum er kilo prísurin hækkaður. Tað er møguligt, at blandingur er í skipabólkunum lemmatrol og partrol við tað at tað eru lemmatrolarar, sum hava partrolað í ár.

	Nøgd í tonsum		Virði í 1.000 kr.		Miðalprísur pr. kg.	
	2008	2009	2008	2009	2008	2009
Fiskireiðskapur						
Lemmatrol	8.396	5.403	65.293	51.982	7,78	9,62
Partrol	22.454	20.264	112.847	131.168	5,03	6,47
Lína	6.807	7.775	63.475	89.498	9,33	11,51
Snella	889	1.307	6.574	12.863	7,40	9,84
Gørn og annað	1.333	699	18.161	12.850	13,63	18,39
Reiðskapur til samans	39.879	35.448	266.350	298.361	6,68	8,42

Kelda: Hagstova Føroya

Útflutningurin 1. ársfjórðing 2010 uttan skip var 17 mió.kr. minni enn sama tíðarskeið í 2009. Minkingin er 2%, men minkingin frá 1. ársfjórðingi 2008 til 2009 var 7%. Hetta er 3. árið á rað, at útflutningurin minkar. Innflutningurin 1. ársfjórðing 2010 uttan skip hækkaði við 56 mió.kr. ella 6%. Frá januar til apríl í ár eru 10 mió.kr. minni útgoldnar í lønum enn í sama tíðarskeiði í 2009, sum er ein minking upp á 0,4%. Býta vit lønargjaldingarnar upp á høvuðsvinnugreinar er framgongd í fiskiskapi 27,7 mió.kr. og almennari tænavinnu 15,8 mió.kr. Afturgongd er í byggjuvinnuni uppá 25,3 mió.kr., í handil og umvæling uppá 13,7 mió.kr. og vinnuligum tænavinnu uppá 8,2 mió.kr.



We do not have a complete overview of the selling value of the total catch for the Faroese fleet, but by adding the information from the Statistics Bureau with the information from the Fishermans Union we can see that the total selling value was DKK 1.533 mill in 2009 compared to DKK 1.858 mill in 2008 which represents a decline of DKK 325 mill or 17%. However, the low price of oil during 2009 ensured that most of the ships could carry on fishing.

It is difficult to predict how the year 2010 will turn out as so far we only have records for the first 4 months of the year. The selling value of the catch declined greatly in 2009. The selling value declined by DKK 90 mill in the first quarter of 2009 compared to 2008. In the first 4 months of this year the selling value has increased by DKK 32 mill or 12%. For the same period the amounts landed have declined by 4.400 tonne or 11%. The catch of cod has increased both in amounts and value. The amounts have increased by 25% and the value by 50%. Haddock, Monk, Ling, Tusk and redfish have increased in amounts and value. Saith has declined by 3.654 tonne but due to a higher selling price the total selling value for the period has increased by DKK 3 mill. The Greenland Halibut has experienced the biggest decline in both amounts and value. The amounts have declined by 469 tonne or 50% and the value has declined by DKK 7 mill or 39%.

The different groups of ships have had varying results so far this year. Only linings ships and jigging reel ships have improved in regards to both amounts and value. For all groups of fish the price per kilo has fallen. It is possible that two groups for door trawlers and pair trawlers have been mixed up as certain door trawlers have conducted fishing as pair trawlers.

Fishing gear	Amount in tonne		Value in tDKK		Average price per kilo	
	2008	2009	2008	2009	2008	2009
Trawl doors	8.396	5.403	65.293	51.982	7,78	9,62
Pair trawl	22.454	20.264	112.847	131.168	5,03	6,47
Line	6.807	7.775	63.475	89.498	9,33	11,51
Jigging reel	889	1.307	6.574	12.863	7,40	9,84
Nets and others	1.333	699	18.161	12.850	13,63	18,39
<b>In total</b>	<b>39.879</b>	<b>35.448</b>	<b>266.350</b>	<b>298.361</b>	<b>6,68</b>	<b>8,42</b>

Source: The Faroese Statistics Bureau

Export for the first quarter of 2010, excluding ships, was DKK 17 mill less than for the same period in 2009. The decline is 2% compared to a decline of 7% from the first quarter of 2008 compared to the first quarter for 2009. This is the third year in a row that export has fallen. Import for the first quarter of 2010, excluding ships, increased by DKK 56 mill or 6%. During the period January to April of this year DKK 10 mill less have been paid out in wages compared to the same period of 2009. This is a decline of 0,4%. If paid out wages are divided between the main branches of industry, wages in the fishing industry and the public sector have increased by DKK 27,7 mill and DKK 15,8 mill respectively. Wages in construction and trade have decreased by DKK 25,3 mill and DKK 13,7 mill respectively, while wages in the service industry have declined by DKK 8,2 mill.

### **Rækjuskip**

Tað eru bert 2 rækjuskip eftir í tí feroyska flotanum, eftir at eitt bleiv selt í síðsta mánaða. Realurin figgjar eitt av teimum. Í 2008 høvdu 2 rækjuskip sámuligan rakstur. Sambært yvirlitinum frá Føroya Fiskimannafelag lækkaði sølan við 11 mió.kr., so væntast kann ikki, at 2009 verður betur enn 2008.

### **Alivinnan**

Í seinastu ársfrágreiðing umrøddu vit, at tað var optimisma í alivinnuni. Aftur í ár er stór framgongd í alivinnuni. Útflutningurin í 2008 var 963 mió.kr. og er í 2009 øktur upp í 1.378 mió.kr. Tað ein øking upp á 43%. Nøgdin øktist við 26%, so miðalprísurin var nakað hægri í 2009 enn í 2008. Laksaprísurin er øktur við 14%, meðan síla-prísurin er øktur við 10%. Stóru trupulleikarnir í alivinnuni í Chile hava gjørt, at eftirspurningurin eftir laks er vaksin munandi.

Vit hava økt figgingina í alivinnuni við 24 mió.kr. í ár.

### **Frálandavinnan**

Árið 2009 var sum heild ikki nakað gott ár hjá skipum og førum sum virka innan frálandavinnu. Men tann parturin av vinnuni, har tey før, sum stovnurin hevur lænt til, virka í, hevði sum heild eitt nøktandi ár. Væntandi verður 2010 eisini eitt gott ár hjá skipum okkara innan frálandavinnuna.



### **Shrimp trawlers**

*After the sale of a shrimp trawler last month only two shrimp trawlers remain in the Faroese fleet, one of which is financed by Realurin. In 2008 the shrimp trawlers experienced a reasonable good year. According to the overview from the Fishermans Union the selling value of the shrimp catch declined by DKK 11 mill so it can hardly be expected that 2009 will be an improvement on 2008.*

### **The fish farming industry**

*In our last annual report we stated that optimism was apparent throughout the fish farming industry. The fish farming industry has again this year made great progress. Export in 2008 was DKK 963 mill which has increased in 2009 to DKK 1.378 mill. This is an increase of 43%. The amounts exported increased by 26% while the average price was a bit higher in 2009 compared to 2008. The price of salmon has increased by 14% while the price of trout has increased by 10%. The huge problems experienced by the fish farming industry in Chile have also led to a significant increase in the demand for salmon.*

*We have increased our financing of the fish farming industry by DKK 24 mill this year.*

### **The offshore industry**

*In general the year 2009 was not a good year for ships operating in the offshore industry. However, those ships that are financed by Realurin had as a whole a satisfactory year. It is expected that the ships that are financed by us will also experienced a good year in 2010.*

**Úrslitið**

Úrslit áðrenn broytingar í avsetingum er 41,8 mió.kr., sum er tað sama sum í 2008/09.

Tá niðurskrivingar og skattur eru frádrigin, er ársúrslitið 27,8 mió.kr., sum er 10,3 mió.kr. hægri enn í 2008/09.

Úrslitið er umleið 1 mió. kr. betur enn rakstrarætlanin fyri árið.

Stjórnin er nøgd við úrslitið.

**Avsetingar útlán**

Stjórnin hevur valt at avseta 7,5 mió.kr. afturat, soleiðis at samlaðu avsetingarnar eru 49,5 mió.kr. Staðfest tap í árinum hevur verið 12,5 mió.kr. Av hesum vóru 12 mió.kr. áður avsettar, soleiðis at tann samlaða ávirkanin á raksturin er 8 mió.kr.

Hóast tað er sera trupult at gera eina nøktandi meting um, nær nóg mikið er avsett, tí útlitini í vinnuni eru rættiliga ótrygg í løtuni, metir stjórnin tó, at soleiðis sum pantini hjá Realinum eru samansett, hvar ein ávís spjaðing er millum tey ymsu sløgini av skipabólkum, Realurin hevur pant í, hava vit samanumtikið lagt nokk uppfyri móti hóttandi tapum.

**Eginpeningurin**

Eginpeningurin veksur við 27,8 mió.kr til 683,5 mió.kr.

Høvuðsgrunnurin var við roknskaparársbyrjan upp á 584 mió.kr. og eykagrunnar uppá 71,2 mió.kr. Við enda roknskapársins var høvuðsgrunnurin 584 mió.kr. og eykagrunnar 99,5 mió.kr.

Upphæddin í eykagrunnunum pr. 31. mars 2010 var 99,5 mió.kr., svarandi til 41,4% av skuld stovnsins.

**Lyklatøl og soliditetur**

Ognaravkastid var 4,5%. Nakað lægri enn seinasta roknskaparár, tá tað var 5,4%.

Rentingin av eginognini var 4,1% í farna árið og er tað nakað hægri enn árið fyri, sum gav 2,7%.

Eykagrunnar settir í mun til útlánini vóru 12%. Seinasta roknskaparár var prosentid 11,1%.

Soliditetur stovnsins, máldur sum samlaði eginpeningurin í lutfalli av:

	2009/10	2008/09	2007/08
Samlaðu skuldum	285%	549%	938%
Samlaðu útlánnum og eftirstøðum	81%	101%	118%



### **Result**

The result before changes in provisions is DKK 41.8 mill which is the same as for 2008/09.

After deduction of devaluations and taxes the result is DKK 27.8 mill which is DKK 10.3 mill higher than for 2008/09.

The result is about DKK 1 mill better than estimated in the budget for the year.

The management is satisfied with the result.

### **Provisions for loans**

Management has chosen to make provisions for loans for another DKK 7.5 mill so that the total provisions for loans are DKK 49.5 mill. Realized losses on loans amounted to DKK 12.5 mill in the accounting year of which a provision for bad debt amounting to 12 mill had previously been made. New provisions amounting to DKK 7.5 millions have been expensed and thus the total effect on the profit and loss account is DKK 8 mill.

Even though it is very difficult to make a satisfactory assessment about when enough provisions have been made, as the outlook for the industry is very precarious at the moment, management feels that taking account for the composition of the Fund's securities, which are dispersed between the various groups of ships, as a whole the provisions for loans should hold up against any possible losses.

### **Equity**

The Fund's equity has increased to DKK 683.5 mill.

At the beginning of the accounting year the main funds were DKK 584 mill while the reserve funds were DKK 71.2 mill. By the end of the accounting year the main funds were DKK 584 mill while the reserve funds were DKK 99.5 mill.

The amount in the reserve funds was DKK 99.5 mill as of 31 March 2010 corresponding to 41,4% of the Fund's total debt.

### **Key figures and solidity**

Return on net assets was 4.5%. Slightly less than last year's 5.4%.

The return on equity was 4.1% which is slightly higher than last year. Which gave 2.7%

Reserve funds as part of loans is 12%. Last year the percentage was 11.1%

The solidity of the Fund measured as the equity in proportion to:

	2009/10	2008/09	2007/08
The total debt of the Fund	285%	549%	938%
The total loans of the Fund	81%	101%	118%

Soliditeturinn sigur nakað um, at stovnurinn framvegis hefur orku til at vera við í figginginni av nýútvegan og nýmótansgerð av fiskiførum og øðrum flótandi eindum, og tað ætlar hann at vera við til, so langt figgjarorkan loyvur tí.

### **Framtíðin**

Lækkandi rentan á altjóða marknaðinum sær út til at hava stabiliserað seg. Rentan hefur ligið á einum lágum støði síðani síðst í september 2009. Tað merkir, at um tað lága rentustøðið kemur at halda sær alt árið, verður okkara nettorenta nakað lægri, sjálvt um vit hava økt okkara útlán.

Soleiðis sum støðan er í fiskivinnuni í lýtuni, kann vera heldur ivasamt, hvørji sløg av flótandi eindum verða mest rentabul at luttaka í figging av.

Tað verður ikki mett, at avsetingarnar vera hægri komandi ár, so leiðslan væntar, at samlaða úrslitið verður á leið tað sama sum í ár.



*The solidity makes it clear that the Fund still has the means to provide financing for new ships and modernization of existing ships and other floating entities, and the Fund plans to carry on with these activities as long as the means allow it to do so.*

**Future**

*The fall in the interest levels on the world market seems to have stabilized. Interest levels have been very low since late September 2009. If the interest level continues to be low it will entail that our net interest will be lower even though we have increased our loans.*

*With the current situation in the fishing industry, it is difficult to predict which groups of floating entities are most profitable to finance.*

*No increase is expected in the provisions for bad debt next year, so management expects the result to be about the same as this year.*

Stjórnin og varastjórin hava viðgjørt og viðtikið ársfrásøgnina fyri 2009/10 fyri Føroya Realkreditstovn.

Í sambandi við fyrststandandi útgevan av lánsbrøvum á gjaldsskála er ársfrásøgnin greidd úr hondum í samsvari við altjóða roknskaparreglurnar IFRS umframt ískoytiskrøvini í føroysku ársroknskaparlógini til feløg, ið nýta IFRS.

Framyvir ætlar leiðslan at ársfrásagnirnar verða gjørdar eftir IFRS.

Í lóg um Realin er í § 25 ásett at virðisbrævaognir skulu upptakast til søguligar miðalkursir. Í sambandi við at stovnurin hevur valt at avleggja ársfrásøgn eftir altjóða roknskaparreglunum IFRS verða virðisbrøvini upptikin til ultimokursir í figgjarstøðuni í staðin. Virði uppgjørt eftir § 25 er tó upplýst í notu 9.

Vit meta, at nýttu roknskaparreglurnar eru hóskaði, soleiðis at ársfrásøgnin gevur eina rættvísandi mynd av figgjarligu støðuni hin 31. mars 2010 umframt av rakstrarúrslitinum og peningastreyminum fyri árið 1. apríl 2009 - 31. mars 2010.

Tórshavn 3. juni 2010

Stjórn

Óli E. Heinesen

Ulla S. Wang

Virgar Dahl

Varastjóri

Leivur D. Michelsen



*The Board of Directors and the Deputy Manager have discussed and approved the annual report for 2009/10 for the Faroese Shipfinancing Fund.*

*As part of the Funds intention to take up loan with bonds on the stock exchange market the annual report has been prepared in accordance with International Financial Reporting Standards and additional Faroese disclosure requirements for annual reports.*

*In the future the Funds annual reports will follow the IFRS standards.*

*The Fund's Act dictates that bonds are to be valued at historical average rates. In connection to the Fund's implementation of IFRS bonds are stated at marketvalue in the balance sheet. However the value according to the Act is shown in note 9.*

*It is our opinion that the accounting policies are appropriate and therefore the annual report gives a true and fair view of the Fund's financial position at 31 March 2010 and of the results of the Fund's operations and cash flows for the financial year 1 April 2009 – 31 March 2010.*

*Tórshavn 3 June 2010*

*Board of Directors:*

Óli E. Heinesen

Ulla S. Wang

Virgar Dahl

*Deputy Manager  
Leivur D. Michelsen*

Vit hava grannskoðað ársfrásøgnina hjá Føroya Realkreditstovni fyri roknskaparárið 1. apríl 2009 til 31. mars 2010 við nýttum roknskaparhátti, rakstrarroknskapi, uppgerð av samlaðum innroknaðum inntøkum, figgjarstøðu, gjaldførisfrágreiðing og notum. Ársfrásøgnin er gjørd í samsvari við altjóða roknskaparreglurnar IFRS, góðkendar av EU, umframt ískoytiskrøv í føroysku ársroknskaparlógini og serligu lóggávuni fyri stovnin.

### Ábyrgd leiðslunnar

Leiðslan hevur ábyrgdina av at gera eina ársfrásøgn, ið gevur eina rættvísandi mynd í samsvari við IFRS, góðkendar av EU, ískoytiskrøvini í føroysku ársroknskaparlógini og serligu lóggávuna fyri stovnin. Henda ábyrgd ber í sær, at stovnurin støðugt hevur tað innanhýsis eftirlit, ið skal til fyri at ársfrásøgn kann gerast, sum gevur eina rættvísandi mynd uttan týðandi skeivleikar, uttan mun til um skeivleikarnir standast av sviki ella mistøkum, at nýttur verður hóskandi roknskaparháttur, og at roknskaparligu metingarnar, sum gjørdar eru, eftir umstøðunum mugu ætlast at vera rímiligar.

### Grannskoðanin og ábyrgd grannskoðarans

Okkara ábyrgd er við støði í grannskoðanini at gera eina niðurstøðu um ársfrásøgnina. Vit hava grannskoðað samsvarandi galdandi føroyskum grannskoðanarreglum, ið krevja, at vit halda tey etisku krøvini og leggja til rættis og grannskoða fyri at fáa grundaða vissu fyri, at tað ikki eru týðandi skeivleikar í ársfrásøgnini.

Grannskoðanin ber í sær, at gjørt verður tað arbeiði, sum skal til fyri at fáa grannskoðanarprógv fyri upphæddum og upplýsingum í ársfrásøgnini. Grannskoðarin metir um, hvat arbeiði skal gerast, herundir metir hann um vandan fyri týðandi skeivleikum í ársfrásøgnini, uttan mun til um skeivleikarnir standast av sviki ella mistøkum. Grannskoðarin metir eisini um innanhýsis eftirlitið, ið skal til fyri at stovnurin kann gera eina ársfrásøgn, sum gevur eina rættvísandi mynd. Hetta verður gjørt fyri at leggja grannskoðanina til rættis eftir umstøðunum og ikki fyri at gera eina niðurstøðu um dygdina á innanhýsis eftirlitinum. Grannskoðanin ber eisini í sær, at støða verður tikin til, um roknskaparhátturin, sum leiðslan nýtir, er hóskandi, um tær roknskaparligu metingar, sum leiðslan hevur gjørt eru rímiligar, og hvussu ársfrásøgnin sum heild er gjørd.

Tað er okkara fatan, at vit hava fingið nøktandi grannskoðanarprógv, ið kann vera grundarlag undir okkara niðurstøðu.

Grannskoðanin hevur ikki givið orsök til fyrivarni.

### Niðurstøða

Tað er okkara fatan, at ársfrásøgnin gevur eina rættvísandi mynd av ognum og skyldum stovnsins, tí figgjarligu støðuni hin 31. mars 2010 og av úrslitinum og gjaldførinum fyri tíðarskeiðið 1. apríl 2009 til 31. mars 2010 samsvarandi altjóða roknskaparreglunum IFRS, sum góðkendir av EU, ískoytiskrøvunum í føroysku ársroknskaparlógini og serligu lóggávuni fyri stovnin.

Tórshavn 3. juni 2010  
SPEKT løggildir grannskoðarar Sp/f

Mirjam Haraldsen  
statsaut. revisor

Annfinn Simonsen  
løggildur grannskoðari



We have audited the financial statements of Føroya Realkreditstovnur for the financial year 1 April 2009 to 31 March 2010. The financial statements comprise accounting policies, income statement, statement of comprehensive income, balance sheet, cash flow statement and notes. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Faroese Financial Statements Act and the Fund's Act.

### **Management's responsibility**

Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, additional disclosure requirements in the Faroese Financial Statements Act and the Fund's Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that give a true and fair view and that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with applicable Faroese audit rules which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the annual report gives a true and fair view of the Fund's financial position at 31 March 2010 and of the results of its operations and cash flows for the financial year 1 April 2009 - 31 March 2010 in accordance with the International Financial Reporting Standards as adopted by the EU, additional disclosure requirements in the Faroese Financial Statements Act and the Fund's Act.

Tórshavn, 3. June 2010  
SPEKT løggildir grannskoðarar Sp/f

Mirjam Haraldsen  
State Authorized  
Public Accountant

Annfinn Simonsen  
State Authorized  
Public Accountant

Ársfrásøgnin fyri Føroya Realkreditstovn er gjørd eftir International Financial Reporting Standards (IFRS) sum góðkendir av ES.

*The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU.*

Ársfrásøgnin fyri 2009/10 er fyrsta ársfrásøgn hjá stovninum, ið er avløgð eftir IFRS. IFRS 1, sum snýr seg um fyrstu ferð nýtslu av IFRS, er nýttur til yvirgongdina.

*This annual report for 2009/10 is the Fund's first annual report prepared according to IFRS. IFRS 1 on first-time adoption of IFRS has been used for the transition.*

Upphæddirnar í ársfrásøgnini eru í donskum krónum, avrundaðar til næstu 1.000 kr.

*The annual report is presented in thousand DKK.*

Ársroknskapurin er grundaður á søguligan kostnað, tó undantikin at lánsbrøv eru virðissett til dagsvirði.

*The annual accounts are based on historical cost except for bonds that are valued at fair value.*

Nýttu roknskaparreglurnar, sum eru lýstar niðanfyri, eru nýttar samsvarandi fyri roknskaparárið og fyri samanberingartøluni.

*Accounting principles applied, set out below have been used consistently in respect of the financial year and to comparative amounts.*



### **Broyting í nýttum roknskaparreglum**

Sum ein avleiðing av at stovnurin hevur avgjørt at fara yvir til at nýta altjóða roknskaparstandardirnar IFRS eru nýttar roknskaparreglur broyttar fyri nøkur roknskaparøki.

Í tráð við IFRS 1 er byrjunarfíggjarstøðan hin 1. apríl 2008 og samanberingartølini fyri 2008/09 tillagað í tráð við IFRS. Byrjunarfíggjarstøðan tann 1. apríl 2008 er gjørd sum um nevndu standardir altíð hava verið galdandi.

Einasta valfría undantak, sum er nýtt í sambandi við innføringina av IFRS, er, at kostnaður í sambandi við upptøka av lánum er rakstrarførdur og ikki deildur yvir lánitíðarskeiðið.

Niðanfyri eru vístar broytingar í rakstrarroknskapinum 2008/09 umframt í fíggjarstøðunum ávikavist 1. apríl 2008 og 31. mars 2009.

### ***Changes in accounting policies***

*As a result of the transition to the international accounting standards IFRS the accounting policies have been changed in a number of areas.*

*In accordance with IFRS 1 the opening balance sheet at 1 April 2008 and comparative figures for 2008/09 have been prepared in accordance with the IFRS. The opening balance sheet at 1 April 2008 have been prepared as these standards have always been used.*

*The only optional exemption the Fund has used in applying the IFRS is that commission to loan creditors has been expensed and not amortized over the loan period.*

*Below the impact of the transition to IFRS is shown for the opening balance 1 April 2008 for the profit/loss account for 2008/09 and for the comparative balance date 31 March 2009.*

					1. apríl 2008 / 1 April 2008	2008/09	31. mars 2009 / 31 March 2009		
tDKK / DKK thousand	Nota Note	Ogn Assets	Skuld Debt	Eginogn Equity	Rakstur Profit/Loss	Ogn Assets	Skuld Debt	Eginogn Equity	
Eftir ÁRL og viðtökum/ According to Faroese Financial Act and standards		706.461	68.062	638.399	15.959	773.488	119.130	654.358	
Útlán/Loans	1)	3.500		2.870	1.000	4.500		3.690	
Eftirstøður av útlánnum / Payments overdue	2)	-914		-749	-993	-1.907		-1.564	
Tilgóðahavandi, ikki falnar rentur v.m. / Accrued interest etc.	2)	-837		-686	-513	-1.350		-1.107	
Lánsbrøv/Bonds	3)	-1.852		-1.519	2.346	494		405	
Skattur av broytingum / Tax effect adjustments			-19		-331		313		
Samlaðar broytingar / Total adjustments		-103	-19	-84	1.509	1.737	313	1.424	
Í tráð við IFRS / According to IFRS		706.358	68.043	638.315	17.468	775.225	119.443	655.782	

1) Niðurskrivingar til væntað tap upp á útlán eru í sambandi við yvirgongdina til IFRS gjørdar av nýggjum í tráð við IAS 39. Hetta hevur við sær broytingar í teimum niðurskrivingum, sum hava verið gjørdar undir einum fyri ávísar skipabólkar, meðan individuellu niðurskrivingarnar ikki eru broyttar.  
Provisions for bad loans has as a part of the transition to IFRS been reviewed according to IAS 39. This has lead to changes in provisions made on a general basis for certain divisions. The review did not result in changes in the provisions made on an individual basis.

2) Innføringin av IFRS førir við sær, at renta einans verður inntøkuførd av nettovirðinum av útlánnum, sum eru niðurskrivað. Hetta hevur minkað um rentuinntøkurnar í rakstrarroknskapinum í mun til áður nýttá roknskaparhátt, har renta varð roknað av samlaðu restskuldini. Í fíggarstøðuni er „eftirstøða av útlánnum“ og „tilgóðahavandi, ikki falnar rentur“ minkað samsvarandi.  
Part of the changes due to implementing IFRS is that interests are recognized of the net value of loans with provisions. This has reduces interest income in the profit/loss account compared to the previously applied accounting principles. In the balance sheet „payments overdue“ and „interest receivable, not due“ have been reduced correspondingly.



3) Skrásett lánsbrøv hava higartil verið upptikin til søguligar miðalprísir eftir áseting í viðtøkum stovnsins. Í sambandi við yvirgongdina til IFRS er hetta broytt til, at lánsbrøv verða upptikin til skrásetta virðið við roknskaparárslok.

*Bonds have until now been valued to historical average prices according to the Funds regulative. In connection with the transition to IFRS this has been changed so that bonds are stated to fair value at the balance sheet date.*

#### **Umbólkingar vm. / Reclassifications etc.**

Umframt omanfyreivndu broytingar í nýttum roknskaparhátti eru hesar umbólkingar og broytingar gjørdar í uppsetingini og samanberingartølum fyri 2008/09:

- Avseting til útsettan skatt er ikki longur ein serstakur høvuðsbólkur undir skyldum, men partur av langfreistaðu skuldini
- Í rakstrarroknskapinum er roknskaparupphæddin „Trotarentur“ fluttir uppeftir sum partur av primerum inntøkum. Aðrar rentur og kursjavnningar eru samandrignar í rakstrarroknskapinum og sundurgreinaðar í notu. Harumframt eru onkur heiti á millumúrslitum í rakstrinum broytt
- Ognir verða vístar sum langfreistaðar ognir ella stuttfreistaðar ognir í mun til áður, tá talan var um støðisogn ella ogn í umferð

Umbólkingarnar hava onga ávirkan á rakstrarúrslitið og eginognina.

Sum nakað nýtt er gjaldførifrágreiðing ein partur av ársroknskapinum.

*In additions to the changes in accounting policies, the following reclassifications and changes to the presentation format and with restatement of the comparative figures for 2008/09 have been made:*

- *Provision for deferred tax is no longer shown as a separate item under liabilities but as part of long-term debt*
- *In the profit and loss account the item "Penalty interests" is moved up as part of primary income. Other interests and value adjustments have been summed up and specified in a note. In addition some names of sub-results in the profit and loss have been changed*
- *Assets are classified as either non-current or current assets compared to the previously used classification as tangible and current assets.*

*The reclassifications have no effect on the profit and loss account and equity.*

*Cash flow statement is a new part of the annual report.*

**Rakstrarroknskapurinn****Rentur av útlánum**

Rentuinntøkur av útlánum, sum verða innroknað til amortiserað kostvirði, verða innroknaðar í raksturinn eftir „effektivu-rentu“ háttinum. Renta av útlánum, sum eru niðurskrivað hvør sær, verður roknað við støði í niðurskrivaða virðinum.

**Rentukostnaður**

Upphæddin fevnir um rentuútreiðslur og ómaksgjöld og móguligan mun ímillum kostvirði og innloysingarvirði á lánunum. Ómaksgjöldini og munarvirði verða amortiserað yvir lánitíðarskeiðið.

**Aðrar rentur og kursjavningar**

Upphæddin fevnir um rentur av innistandandi og frá lánsbrævaognum umframt staðfestar og ikki staðfestar kursjavningar av lánsbrøvum.

**Aðrar inntøkur**

Onnur inntøka fevnir um inntøkur frá umsiting og inntøkur frá útleigan.

**Lønir og fyrisitingarkostnaðir**

Upphæddin fevnir um kostnaðir til leiðslu og fyrisiting av stovninum, íroknað kostnaðir til umsitingarlígu starvsfólkini, leiðsluna og rakstur av skrivstovuni.

**Niðurskriving upp á útlán og staðfest tap**

Upphæddin fevnir um broytingar í niðurskriving til tap uppá útlán umframt staðfest tap.

**Skattur av ársúrslitinum**

Skattur av ársúrslitinum fevnir um gjaldbaran partafelagsskatt og broyting í útsettum skatti viðvíkjandi ársins rakstrarúrsliti. Partafelagsskattur og broyting í útsettum skatti viðvíkjandi ársúrslitinum verða rakstrarførd, meðan skattur viðvíkjandi bókingum beinleiðis á eginpeningin verður bókaður beinleiðis á eginpeningin.

**Profit and loss account****Interests from loans**

Interest from loans, which are stated at amortised cost, are taken into the profit and loss account according to the „effective-interest“ method. Interest on loans written down on an individual basis is calculated based on the written-down value.

**Interest costs**

Included in interest costs are commissions and differences between cost value and repayment value on debt. Commissions and differences in value are amortized over the total period of the loans.

**Other interests and value adjustments**

The item contains interests from bank deposits and bonds and value adjustments to bonds.

**Other income**

Other income includes administration revenue and rental income.

**Wages and administration costs**

The amount includes cost of all employees and cost of all administration.

**Provisions and losses on loans**

The amount includes changes for the period in provisions for bad debt and realized losses.

**Tax on result for the year**

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to income and expenses recognised to equity is recognised directly to equity.



## FÍGGJARSTØÐAN

### Materiell stöðisogn

Grundøki og bygningur verða upptikin til kostprís við frádrátti av samlaðum av- og niðurskrivingum.

Kostprísur er útveganarprísur, umframt kostnaðir, ið beinleiðis eru knýttir at útveganini til dagin, tá ið ognin er klár at taka í nýtslu.

Eftirfylgjandi kostnaðir, t.d. við útskiftan av pørtum av einari materiellari ogn, verða tiknir við í roknskaparliga virði hjá ognini, tá ið tað er sannlíkt at kostnaðurin viðførir fíggjarligar fyrimunir framyvir. Roknskaparliga virðið á útskiftu lutunum verður flutt úr fíggjarstøðuni í raksturin. Kostnaðir til vanligar umvælingar og viðlíkahald verða tiknir við í raksturin.

Kostprísurin á einari samlaðari ogn verður býttur upp í serskiltar lutir, sum verða avskrivaðir hvør sær, um brúkstíðin á einstøku lutum er ymisk. Avskrivingin er eins stór fyri tey einstøku roknskaparárini og sett út frá væntaðu brúkstíðini og mettum restvirði. Ásettu avskrivingsartíðarskeiðini eru:

Bygningur (skrivstova) 40 ár  
Grundøki verður ikki avskrivað.

Avskrivingsgrundarlagið verður gjørt upp við fyriliti fyri mettum restvirði og lækkað við møguleigum niðurskrivingum. Restvirðið á ognini verður ásett, tá ið ognin verður útvegað og mett verður um restvirðið eina ferð um árið. Er restvirði hægri enn roknskaparliga virði, heldur avskrivingin uppat.

Verður avskrivingsartíðarskeiðið ella restvirðið á ognini broytt, verður ávirkanin á avskrivingsarnar framyvir tikin við sum ein broyting í roknskaparligu metingunum.

## BALANCE SHEET

### Tangible fixed assets

*Land and buildings are measured at cost less accumulated depreciation and impairment losses.*

*Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.*

*Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits. The replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.*

*Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:*

*Buildings (office) 40 years  
Land is not depreciated.*

*Depreciation is calculated on the basis of the residual value and impairment losses, if any. The useful life and residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.*

*When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.*

**Útlán og eftirstöðu av útlánunum**

Útlán verða virðisásett til amortiseraðan kostprís.

Niðurskrivingar verða gjörðar ímóti væntaðum tapum, tá ið tað fyriliggja óvildugar ábendingar um at eitt útlán ella ein bólkur av útlánunum eru lækkað í virði.

Eru óvildugar ábendingar um at eitt einstakt útlán er lækkað í virði, verður lánið niðurskrivað.

Fyri útlán, har tað ikki finnast óvildugar ábendingar um virðislækking fyri hvørt útlán sær, verður mett um niðurskrivingartørvin fyri samlaða bólkkin og niðurskrivingartestir verða gjörðar við støði í væntaðum peningastreymum framyvir og við støði í staðfestum tapsroyndum fyri einstaka bólkkin. Bólkingin av útlánunum tekur fyrst og fremst støði í vinnugrein og lániváða.

Óvildugar ábendingar um virðislækkingar kunnu m.a. vera eftirstøða, versnandi rakstrarúrslit, minkandi tilfeingi og/ella niðurgongd innan ávisu vinnugreinina.

Niðurskrivingarnar verða gjörðar upp sum munurin ímillum tað roknskaparliga virðið á útlánunum og nútíðarvirði av forvæntaðum peningastreymum, herímillum realisatiónsvirðið av móguligum trygdarveitingum. Sum diskonteringsatsur verður tann effektiva rentan, sum er ásett fyri roknskapartíðarskeiðið, nýtt til útrokning av nútíðarvirðinum.

Niðurskriving til tap verður bókað á eina „korrektiv“ konto, sum verður mótroknað útlánunum. Broytingar í „korrektiv“ konto verða innroknaðar í rakstrinum undir „Niðurskriving uppá útlán og staðfest tap“. Vísir tað seg seinni, at virðislækkingin ikki er varandi, verður niðurskrivingin afturförd yvir somu konto.

**Loans and payments overdue**

Loans are measured at amortised cost.

Write-downs are made for bad debt losses, when there is objective evidence that a receivable or a portfolio of receivables has been impaired.

If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis and impairment test is made under which the expected future cash flows are estimated and on the basis of historical loss experience for the portfolio. The portfolios are primarily composed on the basis of the branch and credit ratings.

Objective evidence for impairment can be overdrafts, diminishing results, lesser resources and recession within certain industries.

Write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any received collateral. The effective interest rate chosen for the financial period is used as the discount rate for the calculation of the present value.

Write-downs are posted on a "corrective" account which is stated against loans. Changes to the "corrective" account is taken into the profit and loss account under "write-downs on loans and realized losses". If write-downs no longer is actual they are restated to the same account.

When write-downs on loans are realized the amount is finally stated as loss over the "corrective" account.



Verður staðfest, at eitt lán ekki kann afturgjaldast, verður lánið endaliga avskrivað yvir „korrektiv“ konto.

#### **Eykagrunsinnskot tilgóðar og onnur áogn**

Eykagrunsinnskot tilgóðar og onnur áogn eru virðissett til amortiseraðan kostprís.

#### **Tilgóðahavandi, ekki falnar rentur**

Tilgóðahavandi, ekki falnar rentur eru virðissettar til amortiseraðan kostprís

#### **Lánsbrævaognir**

Lánsbrøv, sum eru partur av lánsbrævahandilsgoymsluni hjá stovninum, verða innroknað til dagsvirði á handilsdegnum sum stuttfreistað ogn og síðani virðissett til dagsvirði. Broytingarnar í dagsvirðinum verða tiknar við so hvørt í rakstrinum sum „aðrar rentuinntøkur og kursjavnningar“. Lánsbrævarentuinntøkur verða vístar sum ein serstakur postur í notunum.

#### ***Receivables to reserve fund and other receivables***

*Receivables to reserve fund and other receivables are measured at amortised cost.*

#### ***Interest receivable, not due***

*Interest receivable, not due are measured at amortised cost.*

#### ***Bonds***

*Bonds that are part of the trading portfolio of the Fund, are recognised at fair value under current assets at the trade date and are subsequently measured at fair value. Changes in fair value are recognised on a regular basis in the income statement as "Other interests and value adjustments". Interests received from bonds are disclosed as a separate item in the notes.*

**Eginpeningur**

Eginpeningur stovnsins er býttur upp í hövuðsgrunn og eykagrunnar.

**Hövuðsgrunnur**

Upprunaligi hövuðsgrunnurinn er innskot frá Marshall hjálpinu. Síðani hafa árlega flytingar frá eykagrunnunum økt um hövuðsgrunninn. Avgerð um flyting verður tikin av stjórnini og avmarkingin liggur í krøvunum um minstustødd av eykagrunnum í lóg og viðtøkum.

**Eykagrunnar**

Rakstrarúrslitið hjá stovninum verður flutt til eykagrunnarnar. Eykagrunnarnir minka við flytingum til hövuðsgrunninn.

**Skyldugur skattur og útsettur skattur**

Skyldugur skattur og skattaáogn eru tikin við í fíggarstøðuna sum roknaður skattur av ársins skattskyldugu inntøku javnað fyri skatt av skattskyldugari inntøku fyri undanfarin ár.

Útsettur skattur verður uppgjørdur eftir skuldarháttinum við útgangsstøði í øllum tíðarmunum millum roknskaparlígu og skattlígu virðini av ognum og skyldum.

Útsettur skattur verður roknaður eftir teim skattasatsum, sum væntandi verða galdandi, tá ið skatturin verður útloystur ella útlíknaður. Broytingar í útsettum skatti orsakað av broyting í skattasatsum verða innroknaðar í rakstarroknskapin.

**Fíggarligar skyldur**

Skuld til lánistovnar verður innroknað til ta upphædd, sum verður útgoldin aftaná, at kostnaður er frádrigin. Eftirfylgjandi verða fíggarligar skyldur virðisásettar til amortiserað kostvirði við nýtslu av „effektiva rentuháttinum“ soleiðis at munurin millum provenue og áljóðandi virði verður innroknað í rakstarroknskapin í roknskaparpostin „Rentur til lánistovnar“

Aðrar fíggarligar skyldur verða virðisásettar til amortiserað kostvirði.

**Equity**

*Equity is divided into the main fund and reserve funds.*

**Main Fund**

*Originally the main fund is a paid in contribution from the Marshall Aid. Through the years the main fund has increased with transfers from the reserve funds. Transfers are decided by the board of directors and can be made within the limitation set out in the Fund's Act and regulative.*

**Reserve funds**

*The Fund's annual result is allocated to the reserve funds. The reserve funds are decreased due to transfers to the main fund.*

**Corporation tax and Deferred tax**

*Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income of prior years.*

*Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.*

*Deferred tax is measured according to the tax rules and at the tax rates applicable when the deferred tax is expected to be realised or settled. Changes in deferred tax as a result of changes in tax rates is recognised in the income statement.*

**Financial liabilities**

*Amounts owed to loan creditors are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement under "interest to loan creditors" over the term of the loan.*

*Other liabilities are measured at net realizable value.*



## GJALDFØRISFRÁGREIÐING

Gjaldförisfrágreiðingin vísir gjaldföri, býtt á økini rakstur og útlán, íløgur og fígging fyri árið, broytingar í tøkum peningi umframt tøka pening felagsins við ársbyrjan og ársenda.

### Gjaldförisúrslit frá rakstrar- og lánivirksemi

Gjaldförisúrslitið frá rakstrarvirksemi verður gjørt upp sum úrslit áðrenn skatt javnað fyri rakstrarupphæddir uttan gjaldförisávirkan, broytingar í rakstrarkapitali, umframt goldnum partafelags-skatti.

### Gjaldförisúrslit frá íløguvirksemi

Gjaldförisúrslitið frá íløguvirksemi fevnir um gjöld í sambandi við keyp og sølu av materiellari støðisogn og keyp og søla av lánsbrøvum, ið ikki eru uppførd sum tøkur peningur.

### Gjaldförisúrslit frá fíggarvirksemi

Gjaldförisúrslitið frá fíggarvirksemi fevnir um upptøku av lánum og gjalding av avdráttum upp á rentuberandi lán.

Tøkur peningur fevnir um tøkan pening.

## CASH FLOW STATEMENT

*The cash flow statement shows the cash flows from operating and loan activity, investing and financing activities for the year, the year's changes in cash as well as cash at the beginning and end of the year.*

### **Cash flows from operating and loan activities**

*Cash flows from operating activities are calculated as the profit/loss before tax adjusted for non-cash operating items, changes in working capital and income taxes paid.*

### **Cash flows from investing activities**

*Cash flows from investing activities comprise payments in connection with acquisitions and disposals of property, plant and equipment as well as acquisition and disposal of securities not classified as cash.*

### **Cash flows from financing activities**

*Cash flows from financing activities comprises raising of loans and repayment on interest-bearing loans.*

*Cash comprise cash deposits.*

RAKSTRARROKNSKAPUR FYRI TÍÐARSKEIÐIÐ 1. APRÍL 2009-31. MARS 2010 /  
 PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 APRIL 2009 - 31 MARCH 2010

Nota Note	2009/10 tDKK	2008/09 tDKK
1		
Rentur av útlánum / <i>Interest from loans</i>	42.572	35.788
Rentur til lánistovnar / <i>Interest to loan creditors</i>	-7.208	-4.195
Eykagrunsgjald / <i>Interest to the reserve fund</i>	1.734	1.414
Rentur til eykagrunsinnskot / <i>Interest to reserve fund deposits</i>	-123	-118
<b>Úrslit av útlánsvirksemi / <i>Result from loan-activity</i></b>	<b>36.975</b>	<b>32.889</b>
2		
Aðrar rentuinntøkur og kursjavningar / <i>Other interests and value adjustment</i>	7.530	11.223
Onnur inntøka / <i>Other income</i>	584	582
3,4		
Lønir og fyrisitingarkostnaður / <i>Wages and administration costs</i>	-3.264	-2.847
<b>Úrslit áðrenn broytingar í avsetingum / <i>Result before change in provisions</i></b>	<b>41.825</b>	<b>41.847</b>
5		
Niðurskriving upp á útlán og staðfest tap / <i>Write-downs on loans and realized losses</i>	-7.975	-20.545
<b>Úrslit áðrenn skatt / <i>Result before taxes</i></b>	<b>33.850</b>	<b>21.302</b>
6		
Skattur av ársúrslitinum / <i>Taxes</i>	-6.093	-3.834
<b>Ársúrslitið / <i>Result for the year</i></b>	<b>27.757</b>	<b>17.468</b>
<b>Býtið av yvirskotinum / <i>Distribution of the profit</i></b>		
Rentur av eykagrunslánsbrøvum, framíhjá / <i>Interest from reserve fund bonds, up front</i>	2.855	2.294
Rentur til eykagrunsinnskot / <i>Interest to reserve fund deposits</i>	-123	-111
Rest av ársúrslitinum flutt til eykagrunnar / <i>Rest of the result for the year transferred to reserve funds</i>	25.025	15.285
	<b>27.757</b>	<b>17.468</b>



Nota Note	2009/10 tDKK	2008/09 tDKK	
<b>OGN / ASSETS</b>			
<b>Langfreistað ogn / Non-current assets</b>			
<b>Materiell stöðisogn / Tangible assets</b>			
8	Skrivstovubygningur / Office-building	2.753	2.796
<b>Langfreistað ogn til samans / Total non-current assets</b>		2.753	2.796
<b>Stuttfreistað ogn / Current assets</b>			
<b>Áogn / Receivables</b>			
7	Útlán / Loans	779.198	593.130
	Eftirstöður av útlánum / Payments overdue	12.774	7.885
12	Eykagrunsinnskot, tilgóðar / Receivables to reserve fund deposits	2.074	1.008
	Önnur áogn / Other receivables	179	96
	Tilgóðahavandi ekki falnar rentur v.m. / Interest receivable, not due	15.366	15.469
		809.591	617.588
9	Lánsbrøv / Bonds	40.194	109.387
<b>Tøkur peningur / Cash in hand and at bank</b>		71.210	45.454
<b>Stuttfreistað ogn til samans / Total current assets</b>		920.995	772.429
<b>OGN TIL SAMANS / TOTAL ASSETS</b>		923.748	775.225

Nota Note		2009/10 tDKK	2008/09 tDKK
<b>SKYLDUR / EQUITY AND LIABILITIES</b>			
<b>Eginpeningur / Equity</b>			
10	Hövuðsgrunnur / <i>Main fund</i>	584.000	584.000
11	Eykagrunnar / <i>Reserve funds</i>	99.540	71.782
<b>Eginpeningur til samans / Total equity</b>		683.540	655.782
<b>Skuld / Liabilities</b>			
<b>Langfreistað skuld / Non-current liabilities</b>			
13	Lánistovnar / <i>Loan creditors</i>	199.316	30.756
	Útsettur skattur / <i>Deferred taxes</i>	14	27
12	Eykagrunsinnskot / <i>Reserve fund deposits</i>	11.480	7.918
<b>Langfreistað skuld í alt / Total non-current liabilities</b>		210.810	38.701
<b>Stuttfreistað skuld / Current liabilities</b>			
13	Lánistovnar, stuttfreistaður partur / <i>Loan creditors, payable next year</i>	14.655	70.949
	Frammanundagoldið frá lántakurum / <i>Prepaid from lenders</i>	1.621	0
	Útvegarar av vörum og tænastrum / <i>Goods and service debt</i>	150	402
6	Skyldugur skattur / <i>Corporation tax</i>	9.924	8.927
	Onnur skuld / <i>Other debt</i>	3.048	197
	Tíðaravmarking / <i>Deferred income</i>	0	267
<b>Stuttfreistað skuld í alt / Total current liabilities</b>		29.398	80.742
<b>Skuld til samans / Total liability</b>		240.208	119.443
<b>SKYLDUR TIL SAMANS / TOTAL EQUITY AND LIABILITIES</b>		923.748	775.225

- 14 **Möguligar skyldur v.m. / Contingent liabilities etc.**  
15 **Samhandil við nærstandandi partar / Transactions with connected parties**  
16 **Roknskaparligar metingar / Accounting assessments**  
17 **Váðastýring / Risk management**

UPPGERÐ AV SAMLAÐUM INNROKNAÐUM INNTØKUM /  
STATEMENT OF COMPREHENSIVE INCOME



	2009/10 tDKK	2008/09 tDKK
Úrslit fyri árið / <i>Profit for the year</i>	27.757	17.468
Aðrar inntøkur og útreiðslur / <i>Other comprehensive income</i>	0	0
<b>Samlaðar innroknaðar inntøkur / <i>Total comprehensive income</i></b>	<b>27.757</b>	<b>17.468</b>

## GJALDFØRISFRÁGREIÐING / CASH FLOW STATEMENT

	2009/10 tDKK	2008/09 tDKK
Úrslit áðrenn skatt / <i>Result before tax</i>	33.850	21.302
Broyting í avsetingum uppá útlán / <i>Adjustment in provision on loans</i>	-4.500	20.500
Av- og niðurskrivingar / <i>Write downs and depreciation</i>	42	42
<b>Gjaldføri frá rakstri áðrenn broyting í arbeiðskapitali / <i>Cash flow from operating activity before changes in working capital</i></b>	29.392	41.844
Útlán / <i>Loans</i>	-371.373	-236.178
Avdráttir og innfrían av lánnum / <i>Downpayment and redemption</i>	189.805	125.295
Broyting í eftirstøðum og áogn / <i>Changes in payments overdue and receivables</i>	-5.935	-4.889
Broyting í útvegarum og aðrari skuld / <i>Changes in creditors and other debt</i>	7.515	358
Goldin skattur / <i>Tax, paid</i>	-5.108	-4.955
<b>Gjaldføri frá rakstri og útláni / <i>Cash flow from operating and loan activities</i></b>	-155.704	-78.525
Íløga í materiella støðisogn / <i>Investment in tangible fixed assets</i>	0	0
Keyp og søla av virðisbrøvum / <i>Investment and disposal of bonds</i>	69.193	-656
<b>Gjaldføri frá ílögum / <i>Cash flow from investments</i></b>	69.193	-656
Avdráttir av langfreistaðari skuld / <i>Repayment of long-term debt</i>	-37.733	-7.712
Lánupptøka / <i>Loans</i>	150.000	59.874
<b>Gjaldføri frá fígging / <i>Cash flow from financial activities</i></b>	112.267	52.162
<b>Gjaldføri til samans / <i>Total cash flow</i></b>	25.756	-27.019
Gjaldføri við ársbyrjan / <i>Cash flow at beginning of the year</i>	45.454	72.473
<b>Gjaldføri við ársenda / <i>Cash flow at year end</i></b>	71.210	45.454



## 1 Segment og aðrir upplýsingar / Segments and other disclosures

Stovnsins primæru inntækur eru rentur av veittum útlánum. Hetta er einasta virkisøki hjá stovninum. Tískil metir leiðslan ikki at stovnurin hevur fleiri rakstrarlig segment.

Útlánini eru øll til færoysk feløg og tí er heldur ikki talan um fleiri landafrøðilig segment.

Stórir kundar fevna um stóran part av samlaðu rentuinntøkunum. Niðanfryi er víst tal av kundum, ið umboða meira enn 10% av samlaðu rentuinntøkunum og teirra samlaði partur av rentuinntøkunum.

*The Fund's only primary income is interests from loans. Therefore the management is of the opinion that this is the sole segment for the Fund.*

*The loans are entirely to Faroese owners of vessels and therefore there is only one geographical segment.*

*Major customers stand for a large part of the Fund's interest income. Below is shown the number of customers which stand for more than 10% of interest income and their total part of interest income.*

	2009/10	2008/09
Tal av stórum kundum / Number of major customers	3	3
Prosentpartur av samlaðum rentum frá hesum kundum / Percentage of total interest income from these customers	55%	50%

## 2 Aðrar rentuinntøkur og kursjavningar / Other interests and value adjustment

	2009/10 tDKK	2008/09 tDKK
Rentur av bankapeningi / Interest from bank deposits	666	3.738
Rentur av høvuðsgrunslánsbrøvum / Interest from main fund bonds	1.747	2.555
Rentur av eykagrunslánsbrøvum / Interest from reserve fund bonds	2.855	2.293
Kursjavningar av lánsbrøvum / Value adjustments on bonds	2.262	2.637
	7.530	11.223

**3 Lønir / Wages**

	2009/10 tDKK	2008/09 tDKK
Løn til stjórn / <i>Wage to directors</i>	276	284
Løn og eftirlønargjöld til varastjóra / <i>Wage and pension contributions to deputy manager</i>	796	775
Aðrar lønir / <i>Other wages</i>	877	837
	1.949	1.896
Tal av starvsfólki / <i>Number of employees</i>	3	3

Stjórnarlimir verða valdir av landsstýrinum fyri 5 ár í senn. Varastjórin hevur vanliga uppsagnartíð uppá 1 ár. Í serligum førum er uppsagnartíðin tó 2 ár.

Vísandi til §107 í ÁRL skal upplýsast at Virgar Dahl, stjórnarlimur er nevndarlimur í Bakkafrost Samtakinum.

*Directors are appointed by the Faroese government for a 5 year period at the time. The Deputy Manager has in general one year notice. Under certain circumstances the notice is two years.*

*With reference to §107 in the Faroese Financial Statement's Act it shall be stated that director Virgar Dahl is a member of the Board in the Bakkafrost Group.*

**4 Samsýning til roknskapargrannskoðara / Fee to external auditors**

Grannskoðan / <i>Audit</i>	135	122
Aðrar tænastr / <i>Other services</i>	142	39
	277	161

**5 Niðurskrivingar upp á útlán og staðfest tap / Write-downs on loans and realized losses**

Staðfest tap / <i>Losses, realized</i>	-12.475	-45
Afturføring av áður framdum niðurskrivingum til tap upp á útlán / <i>Reversal of prior write-down on loans</i>	12.000	0
Broyting í niðurskrivingum upp á verandi lán / <i>Change in write-downs on present loans</i>	-7.500	-20.500
	-7.975	-20.545



## 6 Skattur av ársúrslitinum / Taxes on result

tDKK	2009/10	2008/09
Skattur av ársins skattskyldugu inntöku / <i>Taxes on the taxable income for the year</i>	-6.108	-3.504
Broyting í skatti at gjalda undanfarin ár / <i>Change in payable tax previous years</i>	0	-313
Broyting í útsettum skatti / <i>Changes in deferred taxes</i>	15	-17
	-6.093	-3.834
Goldin skattur / <i>Paid taxes</i>	5.108	4.955
Effektivt skattaprosent / <i>Effective tax rate</i>	18%	18%

## 7 Útlán / Loans

Í tráð við viðtökur eru útlánini býtt upp í bólkar við einsháttaðum ábyrgdarvanda. Innanfyri hvønn bólk sær hefta lántakararnir solidarískt, tó bert við tí veðsetta farinum og við eini upphædd, ið svarar til høvuðsstólin á láninum. At veita fulnað fyri hesi ábyrgd kann stjórnin gera av at krevja eykagjald til eykagrunnin.

Bólkarnir eru hesir:

- B Fiskiskip
- C Vinnuligir útróðrabátar
- D Før innan frálavinnu
- E Fiskiskip
- F Før og útgerð innan alivinnuna

*According to the regulative, the loans are divided into groups with similar risk. Within each group the lenders have joint collateral; the joint collateral is, however, limited to their pledged vessel and for an amount corresponding to the original loan. To fulfill this obligation, the management can demand extra payment to the reserve fund.*

*The groups are as follows:*

- B Fishing vessels*
- C Smaller commercial fishing boats*
- D Vessels within supply and oil industry*
- E Fishing ships*
- F Vessels and equipment within the fish farming industry*

## Útlán býtt á bólkar / Loans divided into divisions

tDKK	Bólk B <i>Div. B</i>	Bólk C <i>Div.C</i>	Bólk D <i>Div.D</i>	Bólk E <i>Div.E</i>	Bólk F <i>Div.F</i>	Í alt <i>Total</i>
<b>1. veðrættur / 1 priority</b>						
Restskuld 1. apríl 2009 / <i>Debt 1 April 2009</i>	396.926	6.903	41.000	21.104	27.210	493.143
Útlán / <i>Loans 2009/2010</i>	191.213	1.739	68.468	0	25.040	286.460
	588.139	8.642	109.468	21.104	52.250	779.603
Avdráttir / <i>Instalments</i>	-27.001	-746	-2.125	-3.600	-5.044	-38.516
Innfriáð v.m. / <i>Redemption etc.</i>	-99.763	-1.163	0	-9.104	-565	-110.595
Restskuld / <i>Debt</i>	461.375	6.733	107.343	8.400	46.641	630.492
<b>2. veðrættur / 2 priority</b>						
Restskuld 1. apríl 2009 / <i>Debt 1 April 2009</i>	125.246	2.194	9.213	7.561	9.774	153.988
Útlán / <i>Loans</i>	73.613	450	0	0	10.850	84.913
	198.859	2.644	9.213	7.561	20.624	238.901
Avdráttir / <i>Instalments</i>	-9.869	-172	-538	-250	-1.970	-12.799
Innfriáð v.m. / <i>Redemption etc.</i>	-22.627	-207	0	-5.062	0	-27.896
Restskuld / <i>Debt</i>	166.363	2.265	8.675	2.249	18.654	198.206
Restskuld til samans 31. mars 2010 / <i>Total debt 31 March 2010</i>	627.738	8.998	116.018	10.649	65.295	828.698
Avsetingar 31. mars 2010 / <i>Provisions 31 March 2010</i>						-49.500
Netto útlán / <i>Net of loans</i>						779.198



	2009/10 tDKK	2008/09 tDKK
Útlán býtt eftir forfallstíð / <i>Instalment plan for the loans</i>		
Avdráttir komandi árið / <i>Instalments next financial year</i>	72.242	51.632
Avdráttir frá 1-5 ár / <i>Instalments 1 to 5 years ahead</i>	308.572	264.587
Seinni enn 5 ár / <i>Instalments more than 5 years</i>	447.884	330.911
	828.698	647.130

## 8 Skrivstovubygningur / *Office building*

	2009/10 tDKK
Útveganarpeningur 1. apríl 2009 / <i>Acquisition cost as at 1 April 2009</i>	3.203
Tilgongd í árinum / <i>Additions</i>	0
Útveganarpeningur 31. mars 2010 / <i>Acquisition cost as at 31 March 2010</i>	3.203
Avskrivningar 1. apríl 2009 / <i>Depreciation as at 1 April 2009</i>	-407
Avskrivningar í árinum / <i>Depreciation during the year</i>	-43
Avskrivningar 31. mars 2010 / <i>Depreciation as at 31 March 2010</i>	-450
<b>Roknskaparligt virði 31. mars 2010 / <i>Booked value as at 31 March 2010</i></b>	<b>2.753</b>

Bygningurinn verður avskrifaður yfir 40 ár niður til eitt restvirði upp á 1.500 tkr. íroknað grundækið.

*The building is to be depreciated over 40 years to a scrap value of DKK 1.500 thousand, the land included.*

**9 Lánsbrøv / Bonds**

	2009/10 tDKK	2008/09 tDKK
Bókað virði uppgjört til ultimokursir / <i>Booked value to market rates</i>		
Lánsbrøv atknýtt hævudsgrunni / <i>Main fund bonds</i>	9.254	49.779
Lánsbrøv atknýtt eykagrunnum / <i>Reserve funds bonds</i>	30.940	59.608
	40.194	109.387
Virði uppgjört eftir lóg og viðtökum / <i>Value according to the Fund's Act</i>		
Lánsbrøv atknýtt hævudsgrunni / <i>Main fund bonds</i>	8.959	49.467
Lánsbrøv atknýtt eykagrunnum / <i>Reserve funds bonds</i>	29.948	59.426
	38.907	108.893
Munur millum bókað virði og virði eftir lóg og viðtökum/ <i>Difference between book value and value according to the Act</i>	+1.287	+494
Áljóðandi virði / <i>Nominal value</i>		
Lánsbrøv atknýtt hævudsgrunni / <i>Main fund bonds</i>	9.137	50.678
Lánsbrøv atknýtt eykagrunnum / <i>Reserve funds bonds</i>	30.340	60.595
	39.477	111.273

**10 Hævudsgrunnur / Main fund**

Hævudsgrunnur 1. apríl 2009 / <i>Main fund as at 1 April 2009</i>	584.000	550.000
Flutt frá eykagrunnunum / <i>Transferred from the reserve funds</i>	0	34.000
<b>Hævudsgrunnur 31. mars 2010 / <i>Main fund as at 31 March 2010</i></b>	<b>584.000</b>	<b>584.000</b>

**11 Eykagrunnar / Reserve funds**

tDKK /	Bólk B <i>Div. B</i>	Bólk C <i>Div. C</i>	Bólk D <i>Div. D</i>	Bólk E <i>Div. E</i>	Bólk F <i>Div. F</i>	Felags <i>Joint</i>	Í alt <i>Total</i>
Salda 1. apríl 2008 / <i>Balance as at 1 April 2008</i>	40.875	2.914	125	24.533	1.296	18.572	88.315
Rentur av lánsbrøvum, framíhjá / <i>Interest from bonds, up front</i>	1.728	111	29	905	73	-552	2.294
Rest av ársúrslitinum / <i>Rest of the result for the year</i>	1.078	26	108	90	111	13.872	15.285
	43.681	3.051	262	25.528	1.480	31.892	104.385
Flutt til høvuðsgrunn / <i>Transferred to the main fund</i>	0	0	0	0	0	-34.000	-34.000
Rentur, eykagrunsinnskot / <i>Interest, reserve fund deposits</i>	-87	-2	-3	-10	-9	0	-111
Salda 31. mars 2009 / <i>Balance as at 31 March 2009</i>	43.594	3.049	259	25.518	1.471	-2.108	71.782
Salda 1. apríl 2009 / <i>Balance as at 1 April 2009</i>	43.594	3.049	259	25.518	1.470	-2.108	71.782
Rentur av lánsbrøvum, framíhjá / <i>Interest from bonds, up front</i>	1.812	107	36	883	88	-71	2.855
Rest av ársúrslitinum / <i>Rest of the result for the year</i>	1.272	24	230	69	139	23.291	25.025
	46.678	3.180	525	26.470	1.697	21.112	99.662
Flutt til høvuðsgrunn / <i>Transferred to the main fund</i>	0	0	0	0	0	0	0
Staðfest tap / <i>Realized loss</i>	-12.475	0	0	0	0	12.475	
Flutt millum / <i>Transferred</i>	13.560	1.047	348	-15.809	854	0	0
Rentur, eykagrunsinnskot / <i>Interest, reserve fund deposits</i>	-93	-2	-6	-11	-10	0	-122
Salda 31. mars 2010 / <i>Balance as at 31 March 2010</i>	47.670	4.225	867	10.650	2.541	33.587	99.540

**12 Eykagrunsinnskot / Reserve funds deposits**

tDKK	Bólk B <i>Div. B</i>	Bólk C <i>Div. C</i>	Bólk D <i>Div. D</i>	Bólk E <i>Div. E</i>	Bólk F <i>Div. F</i>	Í alt / <i>Total</i>
Salda 1. apríl 2009 <i>Balance as at 1 April 2009</i>	6.074	134	576	522	612	7.918
Innskot viðvíkjandi útlánnum / <i>Paid in deposits</i>	2.553	9	700	183	391	3.836
Útgoldið í árinum / <i>Paid out deposits</i>	-263	-11	0	0	0	-274
	8.364	132	1.276	705	1.003	11.480

Herav tilgóðar 31. mars 2010 /

<i>Outstanding as at 31 March 2010</i>	1.454	1	350	0	269	2.074
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**13 Lánistovnar / Loan creditors**

Niðanfyri er skuld til lánistovnar sundurgreinað eftir forfall.

*Below is shown time-schedule for instalments to loan creditors.*

	2009/10 tDKK	2008/09 tDKK
Avdráttir komandi árið / <i>Instalments next financial year</i>	14.655	70.949
Avdráttir frá 1-5 ár / <i>Instalments 1 to 5 years ahead</i>	186.858	30.756
Seinni enn 5 ár / <i>Instalments after more than 5 years</i>	12.458	0
	213.971	101.705

Avdráttir komandi roknskaparárið eru í figgjarstöðuni fluttir frá langfreistaðari til stuttfreistaða skuld.  
*Instalments the next financial year is in the balance sheet shown as short term debt.*

**14 Møguligar skyldur v.m. / Contingent liabilities etc.**

Stovnurin umsitur útlán fyri Figgjarmálaráðið eftir lögtingslóg nr. 76 frá 5. november 1998.

Stovnurin hevur ikki veitt trygdur ella veðsett ognarlutir.

*The Fund administrates loans for the Finance Ministry according to act no. 76 of 5 November 1998.**The Fund has not written out or used assets as guarantees.***15 Samhandil við nærstandandi partar / Transactions with connected parties**

Útlán til feløg, har limir í umboðsnevndini ella stjórnini hava ognarpart ella eru stjórnarlimir, eru veitt til somu treytir sum onnur útlán stovnsins.

*Loans to companies where members of the Representatives or Directors hold shares or have a leading position are granted on terms and conditions equal to those to other debtors.*



## 16 Roknskaparligar metingar / *Accounting assessments*

### Óvissa í sambandi við roknskaparligu metingarnar

Uppgerðin av roknskaparliga virðinum av ávísunum og skyldum krevur, at gjørdar verða metingar, herundir metingar av framtíðar fyrirtreytum. Metingarnar eru gjørdar við støði í, hvørjar royndir leiðslan hevur við ávísu økjumum umframt øðrum viðurskiftum, sum leiðslan metir hava týðning í hesum sambandi.

Broytast fyrirtreytirnar, sum metingarnar eru bygdar á, ella fær grunnurin nýggja vitan um ávís øki, kann tað fáa ávirkan á uppgerðina av roknskaparligu virðinum.

Metingar, sum hava týðning fyri roknskapin, verða gjørdar í sambandi við at útlán stovnsins verða virðisásett.

Viðurskifti, sum serliga ávirka metingina av tørvinum á niðurskrivingum, eru:

- hvørt lántakarin varðveitir loyvi og rættindir í øllum lánitíðarskeiðnum
- gongdin í prísinum á brenniolju og
- fyri fiskiførini er prísgongdin á heimsmarknaðinum innan matvørur avgerandi

### ***Uncertainties in connection with accounting assessments***

*Assessing the stated values of certain assets and liabilities requires assessments including assessments with regard to future conditions. Assessments are made according to the management's experiences on the certain topic and other circumstances that the management assesses to be of importance.*

*If the conditions on which the assessments are based are altered or the fund gathers new information on the topic it can change the assessment of stated values.*

*Assessments of significance to the annual report for the Fund are made in connection with assessing the value of granted loans.*

*Circumstances that in special can influence the assessment of need for provisions on loans are:*

- whether the debtor retains licences and rights throughout the loan period
- the price movement on fuel oil
- for fishing vessels, the price movement on the world market for food is of great importance

## 17 Váðastýring / Risk management

### Rentuváði

Lánini, sum stovnurin veitir, hava skiftandi rentu og ein partur er bundin at CIBOR. Tískil vil eitt lækkandi rentustøði hava negativa ávirkan á rakstrarúrslitið.

Stovnurin hevur í verandi støðu avmarkaða skuld og rentukostnaðurin hevur tí ikki stóra ávirkan á rakstrarúrslitið.

### Kredittváði

Stovnurin veitir lán til reiðarí í Føroyum við trygd í skipum og førum. Fyri at avmarkað kredittváðan verða lán veitt upp til í mesta lagi 80% av metingarvirðinum. Afturgjaldstíðin á lánum til nýggjari før er upp til 15 ár og fyri eldri før styttri. Á henda hátt verður roynt at halda kredittváðan á einum lágum støði.

### Gjaldoyraváði

Alt virksemi hjá stovninum íroknað útlán eru í DKK og stovnsins egna lántøka hevur eisini higartil altíð verið í DKK. Stórir partar av lántakarunum hava eisini bert DKK sum gjaldoyra. Tískil verður ikki mett, at stovnurin hevur nakran beinleiðis váða og sera lítlan óbeinleiðis váða orsakað av gjaldoyra.

### Interest risks

*The Fund's granted loans have variable interest rate and part is connected to CIBOR. Therefore, a decrease in the interest level will have negative effect on the result.*

*At the moment the Fund has limited debt and thus the interest costs has little importance on the profit and loss account.*

### Credit risk

*The Fund grants loans to ship-owners in Faroes with security in the vessels. To reduce the credit risk loans are never granted for more than 80% of the estimated value of each vessel. The repayment schedules for newer vessels add up to 15 years and for used older vessels the period is shorter. By these means the Fund tries to limit its credit risk to a reasonable level.*

### Currency risks

*All the Fund's activity is held in Danish kroner (DKK) and so far the funding of the Fund has been in DKK. Most of the debtors also solely use DKK as currency. Therefore there should be no direct currency risks and reduced indirect risk due to currency fluctuations.*





# Realurin

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## **Appendix 5**

Annual Report for 2008/2009

# Ársfrásøgn fyri 2008 / 2009

Annual Report for 2008 / 2009



**Realurin**

FØROYA REALKREDITSTOVNUR  
FAROESE SHIPFINANCING FUND

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Umbróting, prent og liðugtgerð:  
Føroyaprent – svamerkt prentsmiðja nr. 541 705

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54. roknskaparár / *Accounting year no. 54*

**Umboðsnevnd / Representatives**

Linjohn Christiansen,  
skipsførari / *ship master*, Skálavík

Poul Hansen,  
advokatur / *solicitor*, Tórshavn

Jan Højgaard,  
felagsformaður / *union leader*, Toftum

Eyðstein Djurhuus,  
skipsførari / *ship master*, Hoyvík

Viberg Sørensen,  
reiðari / *ship owner*, Trongisvágur

Osmund Justinussen,  
reiðari / *ship owner*, Tórshavn

Hanus Hansen  
reiðari / *ship owner*, Klaksvík

Björg á Rógvi,  
skrivstovukvinna / *office assistant*, Vestmanna

**Stjórn / Board of Directors**

Óli E. Heinesen

Ulla S. Wang

Virgar Dahl

**Varastjóri / Deputy Manager**

Leivur D. Michelsen

**Virðismetingar- og sýnsmenn / Survey staff**

Torleivur Hoydal,  
skipsverkfrøðingur / *ship engineer*, Hoyvík

Niels J. Nielsen,  
skipsførari / *ship master*, Sørvágur

Júst Skarðenni,  
maskinmeistari / *engineer*, Argir

**Grannskoðari / Auditor**

SPEKT løggildir grannskoðarar Sp/f  
State Authorized Public Accountant



tkr. / TDKK	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	2004/ 2005
<b>Rentur av útlánum / Interest from loans</b>	36.572	27.876	22.164	23.238	29.503
Úrslit av útlánsvirksemi / Result from loan-activity	33.673	27.814	22.733	23.008	27.962
Rentuvinningur, netto / Investment income, net	43.343	36.653	30.732	29.888	33.600
Vanligt úrslit / Ordinary result	40.716	33.738	27.753	27.164	30.427
<b>Ársúrslitið / Result for the year</b>	15.959	23.274	22.571	15.030	15.003
Útlán 1. veðrættur, brutto / Loans 1st priority, gross	493.142	416.594	420.096	372.322	447.206
Útlán 2. veðrættur, brutto / Loans 2nd priority, gross	153.988	119.653	118.861	99.341	141.526
Virðisbrøv / Bonds	108.893	110.583	114.830	143.687	78.146
<b>Ogn í alt / Total assets</b>	773.488	706.461	634.173	632.970	648.107
Hövuðsgrunnur / Main fund	584.000	550.000	550.000	516.500	500.000
<b>Eginpeningur / Equity</b>	654.358	638.399	615.124	592.553	577.523
Langfreistað skuld / Long-term debt	38.674	47.461	7.263	11.510	33.114
Stuttfreistað skuld / Short-term debt	80.429	20.573	11.756	28.876	37.435

LYKLATÖL / KEY FIGURES

		2008/ 2009	2007/ 2008	2006/ 2007	2005 / 2006	2004/ 2005
<b>Ognaravkast / Return on net assets</b>		5,3%	4,8%	4,4%	4,3%	4,7%
Eiginpeningspartur / Equity ratio		84,6%	90,4%	97,0%	93,6%	89,1%
Eiginpeningsavkast / Return on equity		2,4%	3,7%	3,7%	2,6%	2,6%
Eykagrunnar í mun til útlán / Reserves as a ratio of loans	Min. 10%	10,9%	16,5%	12,1%	16,1%	13,2%
Eykagrunnar í mun til skuld / Reserves as a ratio of debt	Min. 20%	59,1%	130%	342%	188%	110%
Skuld í mun til hövuðsgrunn / Debt as a ratio of the main fund	Max. 500%	20,4%	12,4%	3,5%	7,8%	14,1%
2. veðrættarlán í mun til eiginpening / 2nd priority loans as a ratio of equity	Max. 30%	23,5%	18,7%	19,3%	16,8%	24,5%
Hægst loyvda útlán til ein lántakara ella bólk (mió.kr.) / Max. loan amount for a single borrower or group (DKK millions)		164	160	154	148	144

**Útrokning av lyklatalum / Key figure calculations**

Ognaravkast / Return on net assets	$\frac{\text{Vanligt úrslit} / \text{Ordinary result} \times 100}{\text{Ogn í alt} / \text{Total assets}}$
Eiginpeningspartur / Equity ratio	$\frac{\text{Eiginpeningur, ultimo} / \text{Equity, year end} \times 100}{\text{Ogn í alt, ultimo} / \text{Total assets, year end}}$
Eiginpeningsavkast / Return on equity	$\frac{\text{Ársúrslit} / \text{Annual result} \times 100}{\text{Eiginpeningur, ársmiðal} / \text{Equity in average}}$

**Frágreiðing til lyklatalaútrokningar / Explanation to calculation of key figures**

Í útrokningini av lyklatalum verða bruttoútlán áðrenn avsetingar nýtt /  
When calculating the key figures, gross loans before provisions are used.

**Endamál**

Endamál stovnsins er at veita lán við veð í fiski-  
föllum, flótandi eindum og föllum í frálandsvinnu  
og fiskaaling við heimstaði í Føroyum.

**Útlán**

Útlán stovnsins hövdu 31. mars 2009 ein hövuðs-  
stól upp á 787,6 mió. kr., sum við avdráttum  
v.m. er komin niður á 647,1 mió. kr.

Í roknskaparárinum eru veitt lán við einari  
samlaðari upphædd upp á 236,2 mió. kr.

Lán eru afturgoldin í úrtíð við eini samlaðari upp-  
hædd 6,6 mió. kr.

Við roknskaparárslok vóru 9,8 mió. kr. í eftir-  
støðum av terminsgjöldum.

**Úrslitið**

Vanliga rakstrarúrslitið er 40,7 mió. kr. Har-  
umframt hevur stovnurin havt eitt netto kurs-  
vinning av lánsbrøvum upp á 0.3 mió. kr. Eingi  
staðfest tap av útlánnum hava verið í rokns-  
kaparárinum. Stjórnin mælir til at avsetingarnar  
verða øktar við 21,5 mió kr. í mun til fyrri einum  
ári síðani.

Úrslitið fyrri árið er sostatt 15,9 mió. kr., aftaná  
at 3,5 mió. kr. eru avsettar til skatt.

**Eginogn**

Eginogn stovnsins, eykagrunnarnir íroknaðir, er  
654,3 mió. kr.

Tann 31. mars 2009 vóru 70,3 mió. kr. í eyka-  
grunnunum, svarandi til 60% av skuld stovns-  
ins.

**Framtíðin**

Í komandi roknskaparári væntar stovnurin at  
hava eitt nakað betri úrslit.

**Purpose**

*The Fund's purpose is to grant loans with security in fishing vessels, floating entities and vessels in the off-shore industry and fish farming with domicile in Faroe Islands.*

**Loans**

The principal of the Funds loans was DKK 787.6 millions as at 31 March 2009. With paid instalments etc. the loans amount to DKK 647.1 millions.

*Loans amounting DKK 236.2 millions have been granted during the accounting year.*

*Loans amounting to a total of DKK 6.6 millions have been repaid before falling due.*

*At the year end close, DKK 9.8 millions of the mortgage payments were overdue.*

**Result**

*The ordinary result is DKK 40.7 millions. In addition the Fund has had a net gain of DKK 0.3 millions on bonds. There were no realized losses from loans in the foregone year. The management recommends that provisions for bad loans will be increased by DKK 21.5 millions compared to last year.*

*Therefore, the annual result is DKK 15.9 millions after DKK 3.5 millions have been provided for tax.*

**Equity**

*The Fund's equity, including the reserve funds, is DKK 654.3 millions.*

*As at 31 March 2009 the reserve funds had a total sum of DKK 70.3 millions, corresponding to 60% of the Fund's total amount of loans.*

**Future**

*The Fund expects a slightly better result for the next accounting year.*



Stjórnin og varastjórin hava viðgjørt og viðtikið ársfrásøgnina og leiðslufrágreiðingina fyri 2008 / 09 fyri Føroya Realkreditstovn.

Ársfrásøgnin er greidd úr hondum í samsvari við galdandi føroyskar roknskaparreglur. Vit meta, at nýttu roknskaparreglurnar eru hóskandi, soleiðis at ársfrásøgnin gevur eina rættvísandi mynd av ognu og skyldum stovnsins, úrslitinum og fíggarligu støðuni.

Ársfrásøgnin verður lögð fyri aðalfundin til viðgerðar.

Tórshavn, 28. mai 2009

Stjórn

Óli E. Heinesen

Ulla S. Wang

Virgar Dahl

Varastjóri

Leivur D. Michelsen

*The Board of Directors and the Deputy Manager have discussed and approved the annual accounts and the annual report for 2008 / 09 for Føroya Realkreditstovnur.*

*The annual report have been prepared in accordance with Faroese applicable accounting policies. We consider that the accounting policies used are appropriate and that the annual report thus give a true and fair view of the company's assets, liabilities, result and financial position.*

*The annual report are forwarded to be accepted by the Annual Meeting.*

Tórshavn, 28 May 2009

Óli E. Heinesen

Ulla S. Wang

Virgar Dahl

*Deputy Manager*

Leivur D. Michelsen



Vit hava grannskoðað ársfrásøgnina hjá Føroya Realkreditstovni fyri roknskaparárið 1. apríl 2008 til 31. mars 2009. Ársfrásøgnin er gjørd eftir ársroknskaparlógini eins og eftir lóg og viðtøkum fyri stovnin.

### **Ábyrgd leiðslunnar av ársfrásøgnini**

Leiðslan hevur ábyrgdina av at gera eina ársfrásøgn, ið gevur eina rættvísandi mynd í samsvari við ársroknskaparlógina og serligu lóggávuna fyri stovnin. Henda ábyrgd ber í sær, at stovnurin støðugt hevur tað innanhýsis eftirlit, ið skal til fyri at ársfrásøgn kann gerast, sum gevur eina rættvísandi mynd uttan týðandi skeivleikar, uttan mun til um skeivleikarnir standast av sviki ella mistøkum, at nýttur verður hóskandi roknskaparáttur, og at roknskaparligu metingarnar, sum gjørdar eru, eftir umstøðunum mugu ætlast at vera rímligar.

### **Grannskoðanin og ábyrgd grannskoðarans**

Okkara ábyrgd er við støði í grannskoðanini at gera eina niðurstøðu um ársfrásøgnina. Vit hava grannskoðað samsvarandi galdandi føroyskum grannskoðanarreglum, ið krevja, at vit halda tey etisku krøvini og leggja til rættis og grannskoða fyri at fáa grundaða vissu fyri, at tað ikki eru týðandi skeivleikar í ársfrásøgnini.

Grannskoðanin ber í sær, at gjørt verður tað arbeiði, sum skal til fyri at fáa grannskoðanarprógv fyri upphæddum og upplýsingum í ársfrásøgnini. Grannskoðarin metir um, hvat arbeiði skal gerast, herundir metir hann um vandan fyri týðandi skeivleikum í ársfrásøgnini, uttan mun til um skeivleikarnir standast av sviki ella mistøkum. Grannskoðarin metir eisini um innanhýsis eftirlitið, ið skal til fyri at stovnurin kann gera eina ársfrásøgn, sum gevur eina rættvísandi mynd. Hetta verður gjørt fyri at leggja grannskoðanina til rættis eftir umstøðunum og ikki fyri at gera eina niðurstøðu um dygdina á innanhýsis eftirlitinum. Grannskoðanin ber eisini í sær, at støða verður tikin til, um roknskaparáttur, sum leiðslan nýtir, er hóskandi, um tær roknskaparligu metingar, sum leiðslan hevur gjørt eru rímligar, og hvussu ársfrásøgnin sum heild er gjørd.

Tað er okkara fatan, at vit hava fingið nøktandi grannskoðanarprógv, ið kann vera grundarlag undir okkara niðurstøðu.

Grannskoðanin hevur ikki givið orsök til fyrivarni.

### **Niðurstøða**

Tað er okkara fatan, at ársfrásøgnin gevur eina rættvísandi mynd av ognum og skyldum stovnsins, tí fíggarligu støðuni hin 31. mars 2009 og úrslitinum fyri tíðarskeiðið 1. apríl 2008 til 31. mars 2009 samsvarandi ársroknskaparlógini og serligu lóggávuna fyri stovnin.

Tórshavn 28. mai 2009  
SPEKT løggildir grannskoðarar Sp/f

Árni Ellefsen  
statsaut. revisor

Annfinn Simonsen  
løggildur grannskoðari

We have audited the annual report of Føroya Realkreditstovnur for the financial year 1 April 2008 to 31 March 2009. The annual report has been prepared in accordance with the Faroese Financial Statements Act and the Fund's Act and regulations.

**Management's responsibility for the annual report**

Management is responsible for the preparation and fair presentation of the annual report in accordance with the Faroese Financial Statements Act and the Funds' Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with applicable Faroese audit rules which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

**Opinion**

In our opinion, the annual report gives a true and fair view of the fund's financial position at 31 March 2009 and of the results of the company's operations for the financial year 1 April 2008 – 31 March 2009 in accordance with the Faroese Financial Statements Act and the Fund's Act.

Tórshavn 28 May 2009

SPEKT løggildir grannskoðarar revisorar Sp/f

Árni Ellefsen  
State Authorized  
Public Accountant

Annfinn Simonsen  
State Authorized  
Public Accountant



Ársroknskapurin fyri Føroya Realkreditstovn er gjørdur eftir ásetingunum í ársroknskaparlógini fyri feløg í bólki B umframt lóg nr. 75 frá 5. november 1998.

Nýttar roknskaparreglur eru óbroyttar í mun til undanfarna ár.

### **Innroknan og virðisáseting**

Inntøkur verða tiknar við í rakstrarroknskapin so hvørt sum tær verða vunnar. Útreiðslur nýttar til at rækka ársins inntøku verða tiknar við í rakstrarroknskapin.

Ognir verða tiknar við í fíggjarstøðuna, tá ið tað er sannlíkt, at felagið fær framtíðar fíggjarligar ágóðar, og virðið á ognunum kann gerast upp álitandi.

Skyldur verða tiknar við í fíggjarstøðuna, tá ið tað er sannlíkt, at felagið í framtíðini skal av við fíggjarligar ágóðar, og støddin á skyldunum kunnu gerast upp álitandi.

Ognir og skyldur verða í fyrsta umfari tiknar við til kostprís. Síðani verða ognir og skyldur tiknar við sum lýst niðanfyri fyri hvønn roknskaparpost sær.

*The annual report for Føroya Realkreditstovn have been prepared in accordance with the provisions applying to class B enterprises under the Faroese Financial Statements Act and those in Act no. 75 dated 5 November 1998.*

*The accounting policies are consistent with those of the preceding year.*

### **Recognition and measurement**

*Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. Equally, all costs are recognised in the income statement, including depreciation and impairment.*

*Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.*

*Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.*

*On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.*

## **RAKSTRARROKNSKAPURIN**

### **Rentur**

Rentur av pantibrøvum eru tíðargreinaðar, soleiðis at hesar fevna um roknskaparárið.

Rentur av bankapeningi, lánsbrævaognum og trotarentur av útlánum eru somuleiðis tíðargreinaðar, soleiðis at inntøkurnar fylgja roknskaparárinum.

### **Fyrisitingarkostnaðir**

Fyrisitingarkostnaðir eru tíðargreinaðir til roknskaparárið. Útveganir av innbúgv, edv-útgerð v.m. verða útreiðsluførdar í útveganarárinum.

### **Óvanligar inntøkur og útreiðslur**

Óvanligar inntøkur og útreiðslur eru inntøkur og útreiðslur, sum stava frá øðrum enn vanliga rakstrinum av stovninum.

### **Kursmunir av lánsbrævaognum**

Staðfestir og ikki staðfestir kursvinningar og -tap av lánsbrøvum verða førd beinleiðis í rakstrarroknskapin.

### **Skattur av ársúrslitinum**

Tann væntaði skatturinn av ársins skattskyldugu inntøku og av ársins broyting í avsetingum til útsettan skatt verður útreiðsluførdur í rakstrinum.

## **PROFIT AND LOSS ACCOUNT**

### **Interest**

*Interests from mortgage deed are accrued to the accounting year.*

*Interest from bank deposits, bonds as well as default interest from loans are also accrued to the accounting year.*

### **Administration costs**

*Administration costs are accrued to the accounting year. Acquisitions of equipment, it-tool etc. are expensed in the year of acquisition.*

### **Extraordinary items**

*Income and costs which clearly differ from the Fund's ordinary activity are stated as extraordinary items.*

### **Price difference on bond holdings**

*Realized and not realized gains and losses from bonds are charged to the profit and loss account.*

### **Tax on result for the year**

*The expected tax payable on the taxable income for the year is charged to the profit and loss account together with changes in the provision for deferred tax.*



## FÍGGJARSTØÐAN

### Materiell stöðisogn

Skrivstovubygningurinn verður upptekin til útveg-  
anarprís við frádrátti av samlaðum avskrivningum.  
Avskrivningin er eins stór fyri tey einstøku rokn-  
skaparárini og er sett út frá væntaðu brúkstíðini  
upp á 40 ár. Ognin verður avskrivað niður á eitt  
restvirði upp á 1.500 tkr., íroknað grundøkið.

### Útlán

Útlán verða virðissett til áljóðandi virði við frá-  
drátti av avsetingum ímóti væntaðum tapi.

*Útlánini eru gjøgnumgingin fyri at lýsa taps-  
vandan. Út frá gjøgnumgongdini er gjørd ein  
avseting við støði í eini meting av teimum ein-  
støku útlánunum. Avsetingarupphæddin verður  
drigin frá útlánum í figgjarstøðuni, og broytingin  
í avsetingini verður rakstrarførd sum serlig rokn-  
skaparupphædd.*

### Lánsbrævaognir

Lánsbrøv verða, eins og ásett í grein 25 í við-  
tøkunum, virðissett til miðal av seinasta keypskursi  
við roknskaparárslok og tilsvarandi kursum sein-  
astu 9 árinum ella so leingi stovnurin hevur átt  
viðkomandi lánsbræv. Lánsbrøv verða tó ongantíð  
upptikin til hægri enn kurs 100.

### Avsetingar

Útsettur skattur verður avsettur við 18% av  
muninum millum roknskaparligu og skattligu  
virðini.

## BALANCE SHEET

### Tangible fixed assets

*The office building is stated at purchase price  
less accumulated depreciation. The depreciation  
is provided on a straight-line basis over the  
building's expected useful life of 40 years. The  
building is to be depreciated to a residual value  
of DKK 1,500 thousand, the land included.*

### Loans

*Loans are entered to the balance sheet at  
nominal value less provisions for bad debt.*

*The loans are reviewed to illustrate the loss  
potential. Based on the review provisions are  
made based on an assessment of the individual  
loans. The provisions are set off against the  
loans and changes in the provisions are allocated  
as a special item in the profit and loss account.*

### Bonds

*According to §25 in the regulation, bonds are  
valued to the average of the latest registered  
buying price at the balance sheet date and the  
similar prices for the 9 preceding years or the  
time the Fund has held the bonds. The bonds  
are, however, never valued at a rate higher than  
100.*

### Provisions

*Provision for deferred tax is computed as 18%  
of any difference between the net book and tax  
value.*

**FYRI TÍÐARSKEIÐIÐ 1. APRÍL 2008 – 31. MARS 2009 /  
FOR THE PERIOD FROM 1 APRIL 2008 – 31 MARCH 2009**

Nota Note	2008/09 tDKK	2007/08 tDKK
Rentur av útlánum / <i>Interest from loans</i>	36.572	27.876
Rentur til lánistovnar / <i>Interest to loan creditors</i>	-4.195	-1.178
Eykagrunsgjald / <i>Interest to the reserve fund</i>	1.414	1.227
Rentur til eykagrunsinnskot / <i>Interest to reserve fund deposits</i>	-118	-111
<b>Úrslit av útlánsvirksemi / <i>Result from loan-activity</i></b>	<b>33.673</b>	<b>27.814</b>
Rentur av bankapeningi / <i>Interest from bank deposits</i>	3.738	2.301
Rentur av hævudsgrunslánsbrøvum / <i>Interest from main fund bonds</i>	2.555	2.595
Rentur av eykagrunslánsbrøvum / <i>Interest from reserve fund bonds</i>	2.293	3.041
Umsitingargjald / <i>Administration revenue</i>	362	357
Trotarentur av útlánum / <i>Penalty interest</i>	722	545
<b>Rentuvinningur, netto / <i>Net interest</i></b>	<b>43.343</b>	<b>36.653</b>
Húsaleiguinntøkur / <i>Rent</i>	220	190
Lønir, samsýningar v.m. / <i>Wages, salaries etc.</i>	-1.896	-1.841
Annar fyrisitingarkostnaður / <i>Other administration costs</i>	-908	-1.221
4 Avskrivningar av bygningi / <i>Depreciation on building</i>	-43	-43
<b>Vanligt úrslit / <i>Ordinary result</i></b>	<b>40.716</b>	<b>33.738</b>
Kursjavnningar av lánsbrøvum / <i>Value adjustments on bonds</i>	291	-1.228
1 Avseting og tap upp á útlán / <i>Provisions and losses on loans</i>	-21.545	-4.127
<b>Úrslit áðrenn skatt / <i>Result before taxes</i></b>	<b>19.462</b>	<b>28.383</b>
3 Skattur av ársúrslitinum / <i>Taxes</i>	-3.503	-5.109
<b>Ársúrslitið / <i>Result for the year</i></b>	<b>15.959</b>	<b>23.274</b>
<b>Býti av ársúrslitinum / <i>Distribution of profit</i></b>	<b>tDKK</b>	<b>tDKK</b>
Rentur av eykagrunslánsbrøvum, framíhjá / <i>Interest from reserve fund bonds, up front</i>	2.294	3.040
Rentur til eykagrunsinnskot / <i>Interest to reserve fund deposits</i>	-111	-111
Rest av ársúrslitinum / <i>Rest of the result for the year</i>	13.776	20.345
	15.959	23.274



Nota Note	2008 / 09 tDKK	2007 / 08 tDKK
<b>OGN / ASSETS</b>		
Materiell stöðisogn / <i>Tangible assets</i>		
4 Skrivstovubygningur / <i>Office-building</i>	2.796	2.838
<b>Stöðisogn í alt / <i>Total tangible assets</i></b>	<b>2.796</b>	<b>2.838</b>
<b>Ogn í umferð / <i>Current assets</i></b>		
<b>Áogn / <i>Receivables</i></b>		
2 Útlán / <i>Loans</i>	588.630	499.247
Eftirstöður av útlánum / <i>Payments overdue</i>	9.792	6.956
Eykagrunsinnskot, tilgóðar / <i>Receivables to reserve fund deposits</i>	1.008	698
Onnur áogn / <i>Other receivables</i>	96	97
Tilgóðahavandi ikki falnar rentur v.m. / <i>Accrued interest etc.</i>	16.819	13.569
	616.345	520.567
5 Virðisbrøv / <i>Bonds</i>	108.893	110.583
<b>Tøkur peningur / <i>Cash in hand and at bank</i></b>	<b>45.454</b>	<b>72.473</b>
<b>Ogn í umferð í alt / <i>Total current assets</i></b>	<b>770.692</b>	<b>703.623</b>
<b>OGN Í ALT / <i>TOTAL ASSETS</i></b>	<b>773.488</b>	<b>706.461</b>

Nota Note		2008 / 09 tDKK	2007 / 08 tDKK
<b>SKYLDUR / LIABILITIES</b>			
<b>Eginpeningur / Equity</b>			
6	Hövuðsgrunnur / <i>Main fund</i>	584.000	550.000
7	Eykagrunnar / <i>Reserve funds</i>	70.358	88.399
<b>Eginpeningur í alt / Total equity</b>		654.358	638.399
<b>Avsetingar / Provisions</b>			
	Útsettur skattur / <i>Deferred taxes</i>	27	28
<b>Skuld / Debt</b>			
<b>Langfreistað skuld / Long-term debt</b>			
	Lánistovnar / <i>Loan creditors</i>	30.756	40.220
8	Eykagrunsinnskot / <i>Reserve fund deposits</i>	7.918	7.241
		38.674	47.461
<b>Stuttfreistað skuld / Short-term debt</b>			
9	Lánistovnar, stuttfreistaður partur / <i>Long-term debt payable next year</i>	70.949	10.000
	Útvegarar av vörum og tænastrum / <i>Goods and service debt</i>	402	314
3	Skyldugur skattur / <i>Corporation tax</i>	8.615	10.066
	Onnur skuld / <i>Other debt</i>	196	193
	Tíðaravmarking / <i>Deferred income</i>	267	0
		80.429	20.573
<b>Skuld í alt / Total debt</b>		119.103	68.034
<b>SKYLDUR Í ALT / TOTAL LIABILITIES</b>		773.488	706.461

10 Møguligar skyldur v.m. / *Contingent liabilities etc.*

**1 Avseting og tap upp á útlán / Provisions and loss on loans**

	2008 / 09 tDKK	2007 / 08 tDKK
Staðfest tap / Losses, realized	45	5.127
Áður avsett upp á tap / Prior provisions for bad debts	0	-5.500
Broyting í avsetingum upp á verandi lán / Change in provisions on present loans	21.500	4.500
	21.545	4.127

**2 Útlán / Loans**

tDKK	Bólk B Div. B	Bólk C Div. C	Bólk D Div. D	Bólk E Div. E	Bólk F Div. F	Í alt Total
<b>1. Veðrættur / 1st priority</b>						
Restskuld / Debt 1 April 2008	360.007	6.709	6.187	19.203	24.488	416.594
Útlán / Loans 2008 / 2009	123.919	1.395	37.500	6.000	7.350	176.164
	483.926	8.104	43.687	25.203	31.838	592.758
Avdráttir / Instalments	-22.779	-845	-2.688	-4.099	-4.628	-35.039
Innfriað v.m. / Redemption etc.	-64.221	-356	0	0	0	-64.577
Restskuld / Debt	396.926	6.903	40.999	21.104	27.210	493.142
<b>2. Veðrættur / 2nd priority</b>						
Restskuld / Debt 1 April 2008	101.238	2.159	2.475	5.329	8.452	119.653
Útlán / Loans 2008 / 2009	46.322	556	7.500	2.500	3.136	60.014
	147.560	2.715	9.975	7.829	11.588	179.667
Avdráttir / Instalments	-7.187	-271	-762	-268	-1.814	-10.302
Innfriað v.m. / Redemption etc.	-15.127	-250	0	0	0	-15.377
Restskuld / Debt	125.246	2.194	9.213	7.561	9.774	153.988
Restskuld í alt 31. mars 2009 / Total debt 31 March 2009	522,172	9.097	50.212	28.665	36.984	647.130
Avsetingar 31. mars 2009 / Provisions 31 March 2009						-58.500
						588.630

<b>3 Skattur av ársúrslitinum / Taxes</b>	2008 / 09	2007 / 08
	tDKK	tDKK
Partafelagsskattur / <i>Corporation tax</i>	-3.504	-5.110
Broyting í útsettu skatti / <i>Changes in deferred taxes</i>	1	1
	<b>-3.503</b>	<b>-5.109</b>

<b>4 Skrivstovubygningur / Office building</b>	2008 / 09
	tDKK
Útveganarpeningur 1. apríl 2008 / <i>Acquisition cost as at 1 April 2008</i>	3.203
Tilgongd í árinum / <i>Additions</i>	0
Útveganarpeningur 31. mars 2009 / <i>Acquisition cost as at 31 March 2009</i>	3.203
Avskrivningar 1. apríl 2008 / <i>Depreciation as at 1 April 2008</i>	-364
Avskrivningar í árinum / <i>Depreciation during the year</i>	-43
Avskrivningar 31. mars 2009 / <i>Depreciation as at 31 March 2009</i>	-407
<b>Roknskaparligt virði 31. mars 2009 / <i>Booked value as at 31 March 2009</i></b>	<b>2.796</b>

Bygningurinn verður avskrifaður yfir 40 ár niður til eitt restvirði upp á 1.500 tkr. íroknað grundækið / *The building is to be depreciated over 40 years to a scrap value of DKK 1.500 thousand, the land included.*



<b>5 Virðisbrøv / Bonds</b>	2008 / 09 tDKK	2007 / 08 tDKK
Bókað virði uppgjört til miðalkursir / <i>Booked value calculated to average rates</i>		
Lánsbrøv atknýtt hævudsgrunni / <i>Main fund bonds</i>	49.467	50.118
Lánsbrøv atknýtt eykagrunnum / <i>Reserve funds bonds</i>	59.426	60.465
	108.893	110.583
Alment kursvirði / <i>Official market value</i>		
Lánsbrøv atknýtt hævudsgrunni / <i>Main fund bonds</i>	49.779	49.412
Lánsbrøv atknýtt eykagrunnum / <i>Reserve funds bonds</i>	59.608	59.319
	109.387	108.731
Munur millum bókað virði og kursvirði/ <i>Difference between book value and official market value</i>	494	-1.852
Áljóðandi virði / <i>Nominal value</i>		
Lánsbrøv atknýtt hævudsgrunni / <i>Main fund bonds</i>	50.678	51.612
Lánsbrøv atknýtt eykagrunnum / <i>Reserve funds bonds</i>	60.595	61.718
	111.273.	113.330
<b>6 Hævudsgrunnur / Main fund</b>		
Hævudsgrunnur 1. apríl 2008 / <i>Main fund as at 1 April 2008</i>	550.000	550.000
Flutt frá eykagrunnum / <i>Transferred from the reserve funds</i>	34.000	0
Hævudsgrunnur 31. mars 2009 / <i>Main fund as at 31 March 2009</i>	584.000	550.000

**7 Eykagrunnar / Reserve funds**

Í tDKK / In DKK thousand	Bólk B Div. B	Bólk C Div. C	Bólk D Div. D	Bólk E Div. E	Bólk F Div. F	Felags Joint	Í alt Total
Salda / Balance as at 1 April 2008	40.875	2.914	125	24.533	1.296	18.656	88.399
Rentur av lánsbrøvum, framíhjá av ársúrslitinum / Interest from bonds, up front	1.728	111	29	905	73	-552	2.294
Rest av ársúrslitinum / Rest of the result for the year	1.078	26	108	90	111	12.363	13.776
	43.681	3.051	262	25.528	1.480	30.467	104.469
Flutt til høvuðsgrunn / Transferred to the main fund						-34.000	-34.000
Rentur, eykagrunsinnskot/ Interest, reserve fund deposits	-87	-2	-3	-10	-9	0	-111
Salda / Balance as at 31 March 2009	43.594	3.049	259	25.518	1.471	-3.533	70.358

**8 Eykagrúnsinnkot / Reserve funds deposits**

tDKK <i>In DKK thousand</i>	Bólk B Div. B	Bólk C Div. C	Bólk D Div. D	Bólk E Div. E	Bólk F Div. F	Í alt / Total
Salda 1. apríl 2008/ <i>Balance as at 1 April 2008</i>	5.878	132	126	522	583	7.241
Innskot viðvíkjandi útlánum / <i>Paid in deposits</i>	796	11	450	0	105	1.362
Útgoldið í árinum / <i>Paid out deposits</i>	-600	-9	0	0	-76	-685
	6.074	134	576	522	612	7.918
Herav tilgóðar 31. mars 2009 / <i>Outstanding as at 31 March 2009</i>	698	7	225	0	78	1.008

**9 Lánistovnar, stuttfreistaður partur**

Upphæddin fevnir um avdráttir av langfreistaðum láni, ið fella til gjaldingar komandi roknskaparár.

***Loan creditors, short-term***

*The amount comprises instalments on long-term debt due the next accounting year.*

**10 Møguligar skyldur v.m.**

Stovnurin umsitir útlán fyri Fíggjarmálaráðið eftir lögtingslóg nr. 76 frá 5. november 1998.

***Contingent liabilities etc.***

*The Fund administrates loans for the Finance Ministry according to act no. 76 of 5 November 1998.*

Stovnurin hevur ikki veitt trygdir ella veðsett ognarlutir.

*The Fund has not written out or used assets as guarantees.*





# Realurin

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# **Realurin**

## **Securities Note**

Bond Issue

January 2011/December 2015

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# **1 RISK FACTORS**

The Issuer believes that the following factors are material to the securities admitted to trading in order to assess the market risk associated with these securities. 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. In addition, for risk specifically associated to the Issuer, investors are advised to consider the section Risk Factors in the Registration Document.

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

## **1.1 No prior public market**

The Bonds constitute a new issue of bonds. Prior to this listing, there has been no public market for the Bonds. Although application has been made to admit the Bonds to trading on the Main Market of NASDAQ OMX Iceland hf., there can be no assurance that an active public market for the Bonds will develop and, if such a market were to develop, the Issuer is under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect the liquidity and the market prices of the Bonds, which may trade at a discount to the price at which a purchaser purchased the Bonds.

## **1.2 Legal Risk**

The creation of the Bonds is based upon laws and regulations in force in the Faroe Islands in effect on the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to laws and regulations in force in the Faroe Islands after the date of this Securities Note.

## **1.3 Issuer's liability to make payments under the Bonds**

The Issuer is liable to make payments when due on the Bonds. The obligations of the Issuer under the Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking pari passu without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations required to be preferred by law).

## **1.4 Market Risk**

The price on the bonds will depend on circumstances related to the Issuer, and in the financial sector in general. The price will also depend on general fluctuation in the bond market.

## 2 PERSONS RESPONSIBLE

### 2.1 Statement from the Issuer

We, Føroya Realkreditstovnur, Niels Finsensgøta 39, FO-110 Tórshavn, 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.

Tórshavn, 27 January 2011

On behalf of the Issuer

 Leivur Michelsen Deputy Manager	 Oli E. Heinesen Board of Director	 Ulla S. Wang Board of Director	 Virgar Dahl Board of Director
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### 2.2 Statement from the Manager

Eik Banki Føroya P/F, registered office at Yviri við Strond 2, FO-110 Tórshavn, Faroe Islands has been the advisor to the Issuer in the preparation of this prospectus and in the issue and placing of the Bonds. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this document or any other information provided by the Issuer in connection with the Bonds. The Manager does not accept any liability in relation to the information contained in this document or any other information provided by the Issuer in connection with the Bonds.

Tórshavn, 27 January 2011

On behalf of Eik Banki Føroya – Investment Banking

  
Olav Guttesen

### 3 DEFINITION

Banking day	The working days of Danish financial institutions.
CIBOR	Copenhagen Interbank Offered Rate.
CIBOR 3M	Copenhagen Interbank Offered Rate calculated for a maturity of 3 months.
DKK	Danish currency (krone).
Exchange	NASDAQ OMX Iceland hf.
IFRS	International Financial Reporting Standards.
ISIN	International Securities Identification Number.
Issuer	Føroya Realkreditstovnur.
Management	The management of Realurin constituting of three members nominated by the Minister.
MDKK	1 Million DKK.
Prospectus	The Registration Document and the Securities Note, dated on 27 January 2011, along with the Appendices, unless otherwise clear from the context.
Realurin	Føroya Realkreditstovnur.
Section	A section in this Securities Note.
The Bonds	The bond issue of DKK 200,000,000 which is described in this Securities Note, unless otherwise clear from the context.
VP	VP SECURITIES A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark. The Danish central for clearing and settlement of securities. The English title is VP Securities Services.

## **4 NOTICE TO INVESTORS**

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in the Bonds and carefully review the terms and conditions of the Bonds described under Issue and the Bond characteristics.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Securities Note or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.

This Securities Note dated 27 January 2011 forms a part of a Prospectus which consists of 2 independent documents: a Registration Document and a Securities Note dated 27 January 2011.

Neither this Securities Note nor any other information supplied in connection with the Bonds (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or the Manager that any recipient of this Securities Note or any other information supplied in connection with the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Securities Note nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Securities Note nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Manager expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. Investors should review, inter alia, the most recently published information from the Issuer when deciding whether or not to purchase any Bonds.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

## 5 KEY INFORMATION

In addition to any fees payable to the Manager in connection with this issue, the Issuer's and the Bank's interests are connected in the following manner:

- Føroya Realkreditstovnur is a customer of Eik Banki Føroya. The debt to Eik Banki Føroya is currently around 80 MDKK as well as Realurin has a deposit of 25 MDKK.

To the best knowledge of the Issuer, there are no interest, including conflicting ones, that are material to the Issue.

## 6 INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

On a management meeting held 18 September 2009, the Management of Føroya Realkreditstovnur authorized a Bond issue of up to DKK 300,000,000.

### 6.1 Issue and Bond characteristics

The Bonds are interest-bearing securities issued electronically at the VP and are registered under the name of the relevant shareholder or his/her nominee. The Bonds are in the same class.

The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu among themselves and equally with all other unsecured obligations of the Issuer.

Title of the Bonds:	Realurin January 2011 / December 2015
Issue date:	26 January 2011
Maturity date:	The principal will be repaid in full in one payment, 31 December 2015
Currency:	DKK (Danish kroner)
Denomination:	DKK 500,000
Nominal amount:	DKK 200,000,000
Interest rate:	CIBOR 3M + 2,25 % p.a.
Indication of yield:	The yield on the first day of the Issue was 3,475 %
Day count fraction:	30/360
Interest Payment Date:	31 March, 30 June, 30 September and 31 December
Paying Agent:	Eik Banki Føroya P/F, Yviri við Strond 2, P. O. Box 34, FO-110 Tórshavn, Faroe Islands
Class:	The issue of the Bonds consists of only one class
ISIN code:	FO0000000187

Inet Symbol: FO-REAL 15 1231

Market making: No market making agreement has been made in connection with the Bond issue.

## 6.2 Legislation

The Bonds are subject to laws and regulations in force in the Faroe Islands. The venue for disputes against the Issuer is the Courts of the Faroe Islands.

## 6.3 Form of the Bonds

The Bonds will be issued and registered as dematerialized securities in book-entry form with the VP SECURITIES A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark on the Issue date 26 January 2011.

Eik Banki Føroya P/F, Yviri við Strond 2, FO-100 Tórshavn, Faroe Islands, is acting as account-holding institution in relation to VP SECURITIES A/S.

The Bonds will be controlled by Eik Banki Føroya P/F as account-holding institution for and on behalf of VP SECURITIES A/S and the bondholders in accordance with the provisions of the Danish Securities Trading Act No. 360 of 6 May 2009 and Government Regulation No. 369 of 14 May 2009 on the registration of funds assets in a securities centre.

Notes registered with VP SECURITIES A/S are negotiable instruments not subject to any restrictions on the free negotiability within the Kingdom of Denmark under Danish Law.

## 6.4 Rights

The issued Bonds are all in the same class and the conditions of the bonds are the same in all respects. Transactions with the bonds can be made without restrictions.

### 6.4.1 Redemption

The Bonds are not redeemable by the Issuer prior to the Maturity day.

With the exception of the events described under Event of Default below, the bondholders may not demand redemption of the bonds prior to the Maturity Day.

### **Events of Default**

In the event that one or more of the circumstances mentioned below occurs and is continuing, the bondholder can, in order to protect his interests, declare the bond due and payable at its principal amount together with interest accrued to the date of repayment:

- a) If the Issuer on any Interest Payment Date fails to pay any interest or principal due or any other amount payable under the bond; provided, however, that such failure shall not include failures which are remedied within 5 Banking days after notice thereof is given to the Issuer
- b) If the Issuer fails to perform or observe any of its other obligations under the bonds 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 bondholder on the Issuer of notice requiring the same to be remedied

- c) If the Issuer enters into voluntary or involuntary bankruptcy, liquidation or dissolution or become insolvent or any other event analogous thereto and having similar effect takes place, or a substantial part of the Issuers assets are impounded, confiscated or subject to distraint

#### 6.4.2 Buy-back

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.

#### 6.4.3 Notices

All notices to bondholders concerning the bonds will be submitted to NASDAQ OMX Iceland hf. and /or through VP SECURITIES A/S.

### 6.5 Interest rate

The rate of interest payable on the Bonds is floating in the entire period and calculated on the basis of DKK CIBOR 3 months published by the Danish Central bank two banking days prior to the Interest Payment Date plus a margin of 2,25 %.

The interest is payable quarterly on 31 March, 30 June, 30 September and 31 December up to and including Maturity date, commencing 31 March 2011 subject to adjustment in accordance with the Following Business Day Convention. The first interest period will cover the period from the Issue date to the first coming Interest Payment Date as mentioned above.

### 6.6 Maturity and Repayment

On Maturity date, the principal will be repaid in full in one payment along with the interest covering the period from 30 September 2015 to Maturity date. The repayment of the principal amount and interest to the bondholders will be made through the Paying Agent to the accounts with banks or stockbrokers designated to VP SECURITIES A/S.

### 6.7 Prescription

The Bonds will become void in accordance with the Danish Securities Trading Act unless presented for payment within 10 years (in the case of principal) and three years (in the case of interest) after the due date.

### 6.8 Taxation

The purpose of this section is to provide prospective investors in the Faroe Islands, Denmark and Iceland with a brief overview of the taxation rules in force in the Faroe Islands regarding the investment in the Bond. As the content of this section shall not in any way be construed as tax advice to potential investors, potential investors should seek advice from their own tax consultant with respect to the tax implications of the investment.

### 6.8.1 Investors located in the Faroe Islands

Resident individuals in the Faroe Islands are subject to 38 per cent tax on capital gains interest payments in 2011. The tax will decrease one percentage point in each year until 2014 where the tax will be 35 per cent..

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

All payments in respect of the Bonds by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any tax jurisdiction unless such withholding or deduction is required by law. In such an event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction.

### 6.8.2 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 tax on the Faroe Islands. In the event that withholding or deduction tax is required by law on the Faroe Islands, the Faroese Government will withhold such tax before paying interest to the registered noteholders. In such an event, the Issuer will not pay any additional amount in respect of amounts withhold pursuant to such withholding or deduction.

Investors located in jurisdictions outside the Faroe Islands, Denmark and Iceland are advised to seek independent tax advice.

## 6.9 Representation of bondholders

There is no representation of bondholders.

## 7 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Application has been made to the NASDAQ OMX Iceland hf. acting on behalf of the Financial Supervisory Authority – Iceland (FME) as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the Prospectus Directive) and the relevant laws and regulation for approval of the Prospectus. NASDAQ OMX Iceland hf. has scrutinized and approved this Prospectus, which is only published in English.

Application for trading has been made for the nominal amount DKK 160,000,000 of the total Issue which currently have been sold. Application has been filed with the NASDAQ OMX Iceland hf. for the trading and official listing on the Main Market (Faroese Securities Market) of the NASDAQ OMX Iceland hf. The Bonds are expected to be admitted to trading on the Main Market of NASDAQ OMX Iceland hf. (Faroese Securities Market) on the 31.01.2011.

## 8 EXPENSE OF THE ADMISSION TO TRADING

The expenses related to the listing of the Bonds are according to the Exchanges fee structure ISK 450,000. Annual expenses deriving from the listing will be a fixed fee of ISK 165,000 plus a variable fee of 0.001% of the market value of the Bonds.

The Issuer will bear the costs directly related to the Bond issue. The total costs are expected to amount to approximately DKK 3,100,000, including the preparation of the Prospectus, placing commission and arranging fees.

## **9 ADDITIONAL INFORMATION**

### **9.1 Audit of Information**

The Issuer's auditors have not been auditing the information contained in this Securities Note.

### **9.2 Rating**

The Bonds have not been rated by a rating agency.