

# TF EFFECT TAKES HOLD

*By entering commercial and retail banking in the Faroes through the purchase of a majority stake in Eik, TF Holding changes the financial services landscape — consolidating its position as the country's leading private investor.*

FEW WILL question that TF Holding, the financially strongest player on the Faroese business scene, made a good deal in January this year (2011) when it purchased 70 percent of the shares of Eik Banki with an option to acquire the remaining 30 pct. in the future. Priced at 450 million DKK (60m EUR), the majority stake in Eik was purchased from Denmark's state-owned Fi-

ancial Stability Company, which had taken over the troubled bank last year.

As the owner of the largest insurance company in the Faroe Islands, TF Holding has thus gained a firmer footing in the financial services sector through the Eik deal, with access to a new client base and an array of commercial and retail banking services added to its offerings.

"This acquisition opens up new perspectives," said TF Holding chief executive Regin Hammer. "The services that we can provide to our customers can be further enhanced and this presents a number of potential opportunities for the Group. We also believe this deal will have a stabilizing effect on the financial services sector and that it will add value for our customers and stakeholders."

The immediate implications of the Eik deal are that TF Holding now offers financial services from three lines of business: full-service, non-life insurance through Tryggingarfelagið Føroyar; pension and life insurance, added a few years ago with the formation of Betri Pensjón; and retail and commercial banking, brought in with the purchase of Eik Banki.

A fourth line of business, investments includes shareholdings in a wide selection of Faroese businesses.

Tryggingarfelagið Føroyar also offers maritime insurance as the only provider in the Faroe Islands.

"We're seeing a growing interest among foreign companies in the shipping sector and I believe this is a market that has great potential," Mr. Hammer said.

**PRUDENT STRATEGY:** News of TF's buyout of Eik were received with a sigh of relief among many Faroese inasmuch as the future of the bank was seen to hang in the balance for as long as it remained in the safety net of Financial Stability, with the perceived possibility — disregarding terms and conditions — for anyone with enough cash to strike a takeover deal.

Socio-economic considerations play an important part in TF Holding's business philosophy, Mr. Hammer said, referring to the company's stated mission, "To create safety and growth in the Faroe Islands."

"We're actually owned by our Faro-



CEO Regin Hammer;  
TF Holding's corporate headquarters (left).

ese insurance customers, which practically means the majority of the people of the Faroe Islands are our shareholders. We're very much aware of this fact and the social dimension is very clear in our mission statement. So we have a deep sense of obligation and commitment toward society in general and so one major priority for TF is, to the extent possible, to exert a stabilizing effect on the economy."

TF Holding has long placed emphasis on its domestic roots and according to Mr. Hammer, this is something that is set to continue.

"Our roots go back 70 years and we've been owned by the Faroese people since the beginning. So we'll continue to pursue a Faroese strategy, which implies that most of our investments will be focused on assets based in the Faroe Islands."

Investments and operations in Faroe are indeed paying off. Similar to the previous year, TF Holding reported a healthy profit for the 2010 financial year, of 203m DKK (27.2m EUR) after tax,

## TF Holding

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TF Holding is the largest private investment company in the Faroe Islands and the country's leading insurance group.

TF Holding is the sole proprietor of the following subsidiaries:

Insurance company  
Tryggingarfelagið Føroyar  
Equity capital 322,3m DKK (43,3m EUR)

Pension and life insurance company  
Betri Pensjón  
Equity capital 38.7m DKK (5,2m EUR)

Reinsurance company  
Faroe Insurance Company Guernsey  
Equity capital 255,3m DKK (34,3m EUR)

Investment company Ílögur  
Equity capital 111,3m DKK (14,9m EUR)

Property company TF Ognir  
Equity capital 164,1m DKK (22m EUR)

70% ownership stake:  
Retail and commercial bank Eik Banki  
Equity capital 1,339m DKK (179.8m EUR)

with an equity capital base of 1.7 billion DKK (226m EUR) at year-end 2010.

"This is an excellent financial result, and it was achieved in spite of the crisis in the financial markets and without any state subsidies," Mr. Hammer said, citing revenues from investments and insurance operations as main contributing factors.

He reiterated the company's conservative strategy in dealing with investments and risk exposure.

"Our prudent policy prohibits any investments that we make to affect our operating ability. We follow that policy for a very good reason and it has to do with the responsible management of monetary resources. For example, we did not take on any debt when we signed the Eik deal."

