

Føroya Banki, the leading commercial bank in the Faroes, seizes initiative again in a toughening competitive environment one year after a management shake-up, reporting astonishing success in investment services while paying a record dividend—looking ripe and ready for privatization.

FOLLOWING an overhaul of its corporate structure in anticipation of privatization, the Faroe Islands' largest commercial bank, Føroya Banki, announced a DKK 600M (EUR 80M / USD 97M) dividend in early 2006—the largest dividend ever announced in the country—payable to the government's 1992 Finance Fund.

"To prepare the bank for privatization and to adjust its capital foundation to a more suitable balance, the Board of Directors has decided to allocate an extraordinary dividend to the existing owners," Føroya Banki's Annual Report stated.

Moving to launch new business initiatives designed to enhance and expand its product range and market reach, Føroya Banki, led by CEO Janus

Petersen, in October 2005 announced its new corporate structure with three main business areas: Corporate Business headed by Súni Schwartz Jacobsen who is also part of the executive board; Private Business, headed by Edvard Heen; and Department of Investment, headed by Jan Jacobsen.

In line with the overhaul of the bank's departmental scheme, a redefinition of company strategy toward more proactive change management and a more aggressive marketing approach was adopted, according to Mr Petersen; in this strategy, he said, a high priority is placed on business development. Consequently, a new Department for Business Development and Communications, headed by Johnny í Grótinum, was established with the main task of developing existing and new business areas and services and to enhance internal and external communications.

1.75BN TO GOVERNMENT: During 2005 Føroya Banki stepped up its investment services, training 20 investment portfolio managers. According to a statement, the bank saw its goal of within a three-year period attracting DKK 1BN (EUR 134M / USD 161M) in private investments, brought within reach already after nine months, with as much as half of the goal

amount mobilized from traditional savers.

"We are experiencing a major shift in the investment services area," Mr Petersen remarked. "People want to move beyond merely saving the money in the bank. It's remark-

Processing financial services at Føroya Banki's local branch at Saltangará, Eysturoy.

able that a considerable share of the total 500 million [DKK] in private investments undertaken during the past nine months are pension savings."

With an estimated overall market share of 40 percent, more than 200 employees and a network of 23 full-service branches spread throughout the Faroes, Føroya Banki has displayed solid financial performance over the past 10 years with more than DKK 1.75BN (EUR 235M / USD 282M) in dividends and taxes paid to the government.



Managing director Súni Schwartz Jacobsen, left, with president and CEO Janus Petersen.

RECORD DIVIDEND SIGNALS IMMINE NT PRIVATIZATION

Traditionally strong in corporate banking, although today placing equal emphasis on private banking and investment services, Føroya Banki offers loans, savings, pension plans and securities investments; through its subsidiary Trygd, it likewise offers a comprehensive range of insurance services.

PRIVATIZATION PROPOSED: As to the privatization of the bank, Mr Petersen in an interview declined to comment directly on the current process,

noting: "It's of course a matter for the government to decide upon which guiding principles to use in connection with its privatization plans, including the one concerning this bank." He added: "I'd say privatizations are likely to stimulate the financial market."

At the end of March 2006, the Minister of Finance, Bárður Nielsen, put forward a proposal to the Faroese parliament to privatize Føroya Banki. According to the remarks to the proposal the plan is to register the bank

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Serving commercial, institutional and private customers, Føroya Banki is the leading commercial bank in the Faroe Islands.

Services include banking, loans, savings, pension plans and securities investments; a comprehensive range of insurance services are offered through Føroya Banki's subsidiary Trygd.

Network of 23 full-service branches. Head Office: Húsagöta 3, Tórshavn.

On 1st March 2006, 100 years had passed since Føroya Banki opened for business as the first commercial bank in the Faroe Islands.

2005 key figures –
Total assets: DKK 6.374 bn.
Deposits: DKK 4.507 bn.
Net interest and fee income: DKK 255 mill.
Balance: DKK 237 mill.
Profits before tax: DKK 158 mill.

on the Faroese stock exchange (VMF—Virðisbrævamarknaður Føroya), and concurrently a part of the shares is to be sold to a group of financial investors.

The Minister of Finance stresses in his proposal that Føroya Banki is to be maintained as an independent, strong, corporate player in the Faroese industry and economy and that the selling of the bank is not to decrease neither the span of financial services nor of the insurance services.

"Our aim is to further strengthen our position as a leading commercial bank in the Faroes, and we are planning to expand to our neighboring countries in order to broaden Føroya Banki's platform," Mr Petersen remarked.