

2006 turned out to be another record-breaking year for the Eik Bank, as operational results set the perfect stage for the bank's initial public offering on the VMF/OMX Nordic Exchange in Iceland, scheduled in the first half of 2007.

AS THE FINANCIAL YEAR 2006 proved the best ever in the bank's almost 175-year old history, Eik Bank, previously Føroya Sparikassi, continued its path of posting impressive financial results since the turn of the millennium: group operating profits reached 529.1 million DKK (71m EUR / 48m GBP), rising 163.3m DKK (22m EUR / 15m GBP), almost one-half from 2005's figure of 365.8m DKK.

Profits before taxes nearly doubled, totaling 307m DKK (41m EUR / 28m GBP) against 164m DKK in the previous year, whereas net profits landed at 250m DKK (34m EUR / 23m GBP) compared to 127m DKK in 2005. Increasing by just over one-fourth, operating expenses amounted to 229m DKK (31m EUR / 21m GBP) compared to 180.1m DKK in 2005.

With a growing presence in foreign markets, notably Denmark and Iceland, all of the bank's operating units contributed to the strong results reported, according to chief managing director Marner Jacobsen.



Eik Bank's chief managing director Marner Jacobsen; securities trading (bottom right); Eik Bank headquarters in Tórshavn.

percent of the bank's shares. Reflecting a growing interest in securities trading, all of the shares offered were sold in only two weeks, at a value of 400m DKK (54m EUR / 37m GBP).

"There are, no doubt, many reasons for the increasing interest in securities. The change in the Faroese tax legislation in 2002 has affected people's attitude towards securities. Low interest, rising share prices and the opportunity to invest pension savings are also main contributing factors to the increase in securities investment.

"A large portion of these investments are made in foreign securities, but great interest has also been shown in Faroese shares.

"This was seen in Atlantic Petroleum's share offering in June 2006, when Faroese investors subscribed to a significant part of the offering."

A decade ago, Eik Bank was converted from a savings bank to a commercial bank. Accordingly, 2006 saw a major face-lift as the bank changed its name and corporate identity, replacing the old name Føroya Sparikassi ('Faroe Savings Bank') with Eik Bank. "The former name... did not depict the group

## FLOATING THE OAK

"We achieved very good results," Mr Jacobsen commented, stressing that all operations proved financially sound. "It would be unfair to point out any specific profit center as main influence to the overall picture," he said. "Every unit performed very well, including all our subsidiaries."

Approximately half of Eik Bank's revenues originated from outside its most important single market, the Faroes.

"Eik Bank is the largest bank in the Faroe Islands and the domestic market is still the largest single field of operation," the bank's Annual Report stated. "Of the DKK 250m in net profit in 2006 approximately half originated from activities

abroad, compared to approximately one quarter in 2005. The reasons for the increase in the overseas contribution to profit were: Ejendomsvækst [now Investea], of which Eik currently holds 29 percent, posted good results, considerable progress in Eik Bank Danmark and dividend from Spron [Icelandic savings bank]."

To increase revenue base, further development and diversification overseas remains a priority according to Eik Bank. The bank's position in the home market is likewise seen to gain from such activities, to the extent that these may strengthen the bank's public image as a modern and attractive organization to do business with, and to work for.

**FLOTATION, FACE-LIFT:** One major event that Eik has prepared for during 2006 is its own flotation on the Reykjavik stock market, which is scheduled to take place during the first half of 2007. The IPO will be arranged by the bank's own specialists in conjunction with representatives of the Faroese Securities Market (VMF) and the OMX Nordic Exchange in Iceland.

To comply with relevant regulations, the Eik Fund sold a number of shares in the Eik Bank during 2006, increasing the number of shareholders in the bank to more than 9,800. Eik Bank handled the process on behalf of the Fund, which by early 2007 owned 62

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Serving private and corporate clients with financial services products including banking, lending, investments and financial planning, Føroya Sparikassi is the largest commercial bank of the Faroe Islands. Founded in 1832, Føroya Sparikassi is also the country's oldest financial institution.

National network of branches  
Number of employees: 215  
Number of shareholders: 8,914

Fully owned subsidiaries:  
Inni – real estate brokerage (Faroes)  
Eik Bank – investment bank (Denmark)  
Partly owned:  
SPRON – savings bank (Iceland)  
Investea – real estate investment (Denmark)

or the activity in an appropriate manner any more. The change of name also confirms the fact that the activities of Eik Bank have become more internationalized over the years. The name Eik, which is Faroese/Nordic for oak, gives an excellent description of the group. An oak is strong, long-lived and full of life—just like Eik Bank, which in 2007 can celebrate the 175<sup>th</sup> anniversary of Færø Amts Sparekasse commencing its activity on 24 August 1832."

