

06 March 2008

## **P/F Føroya Banki's remuneration policy for Board of Directors and Senior Management**

### ***Appendix to the notice to convene General Meetings item no. 7***

The purpose of P/F Føroya Banki's remuneration policy is to fulfil the established recommendations on corporate governance and the long-term value creation for the Bank's shareholders.

Remuneration to individual Board members and members of Senior Management is detailed in the Annual Report and will also be published on the Bank's Investor Relations website.

#### **Board of Directors' remuneration**

The Board of Directors of P/F Føroya Banki is remunerated with a fixed fee and is not included in any sort of incentive or performance related pay.

The basic pay is fixed at a certain level, which is market competitive, and which reflects the demands put on members of the Board of Directors, their competences and efforts, considering the complexity of the Bank, the scope of the work load and the number of Board meetings.

The chairman of the Board of Directors receives triple the basic remuneration and the vice-chairman receives double the basic remuneration.

#### **Senior Management's remuneration**

Senior Management is contractually employed. There is an annual assessment of the remuneration. Decisive to the remuneration to Senior Management is the objective to ensure the Bank's continued possibilities to attract and maintain the best qualified members of Senior Management.

The details in the total remuneration to the Senior Management are comprised in consideration of market practice and the Bank's specific needs. In connection with the annual assessment of remuneration to members of Senior Management, a consideration of market practice is made.

Remuneration of Senior Management may be comprised of fixed pay, value-based bonus in the shape of P/F Føroya Banki shares and derivatives based on these, and pension.

The total level for the non-variable elements in the remuneration is established in consideration of market level, as e.g. the Bank's size, complexity and course of development are taken under consideration. Members of Senior Management receive defined contribution plans.

Members of the Senior Management are evaluated annually on the basis of criteria put on them by the Board of Directors. These criteria must support the objective to achieve both short and long-term value creation. Variable remuneration to members of Senior Management is fixed specifically in consideration of their goal achievement herein.

Market value at the allotment period of the variable remuneration to the individual member of Senior Management may not exceed 100 percent of the normal fixed annual remuneration at the allotment time. Value-based bonus is valued at market value in accordance to recognised methods.

The Board of Directors decide within the frame-works of this policy all aspects of the remuneration to the Senior Management, including severance terms.

### **Liability**

This remuneration policy is adopted by the Board of Directors of P/F Føroya Banki and recently adopted by the General Meeting in March 2008. The Board of Directors is responsible for performing any necessary adjustments and resubmitting any changes to the General Meeting.

**P/F Føroya Banki**  
Board of Directors

### **P/F Føroya Banki**

Húsagøta 3  
PO Box 3048  
FO-110 Tórshavn  
Faroe Islands

Tel +298 330 330  
Fax +298 330 001  
[www.foroya.fo](http://www.foroya.fo)