

Moody's adjusts Føroya Banki's ratings

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Moody's Rating's downgrades Føroya Banki's issuer rating from A1 to A2 and affirms deposit rating while outlook remains negative. The updated ratings are as follows:

Long-term Issuer Rating:	A2 (changed from A1)
Long-term Deposit Rating:	A1 (affirmed)
Long- and short-term Counterparty Risk Rating:	A1/P-1 (affirmed)
Long- and short-term Counterparty Risk Assessment:	A1(cr)/P-1(cr) (affirmed)
Baseline Credit Assessment and Adjusted BCA:	baa1 (affirmed)
Short-term deposit rating:	P-1 (affirmed)
Outlook for long-term deposit and issuer rating:	Negative (unchanged)

The downgrade of the long-term issuer rating from A1 to A2 reflects the outcome of a forward-looking Loss-Given-Failure Analysis (LGF) of the bank's senior unsecured debt class. Føroya Banki has raised the CET1 target from 20% to 23%, while correspondingly reducing the need for MREL capital instruments. According to Moody's LGF scenario analysis, this composition of capital instruments results in a lower proportion of loss-absorbing cushion.

The affirmed negative outlook relates to an increase in the portfolio of loans to customers with infirm credit quality in 2024. This enhancement relates to a few customers, which for some of these customers the credit quality has improved since. After a period with inflation and ascending interest rates, the bank has not recognized any general heightening of the risk profile of the loan portfolio.

Further information

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